Makaseb Emirates Equity Fund
August 2005

Investment Objective:
To achieve long term capital appreciation through investing mainly in shares of companies listed on the Stock Exchanges of UAE.

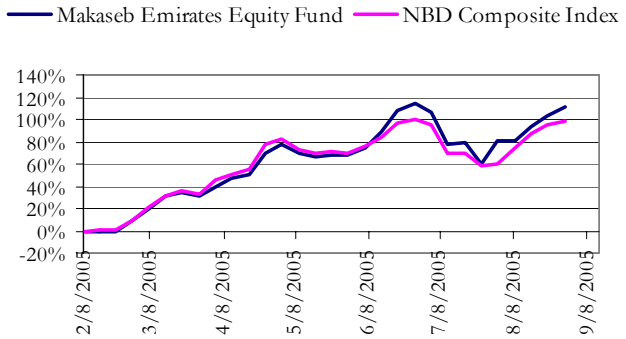
Executive Summary

Fund Type	Open-End Fund
Domicile	Bahrain
Currency	US Dollar
Regulator	Bahrain Monetary Agency
Net Asset Value	Weekly
Subscription	Weekly
Redemption	Weekly
Management fee	1.5% p.a.
Investment Manager	Mashreqbank psc
Share Registrar	Ernst & Young, Bahrain
Administrator	Gulf Investment Corporation
Custodian	Gulf Investment Corporation
Auditor	Deloitte & Touche
Primary listing	Dubai Financial Market

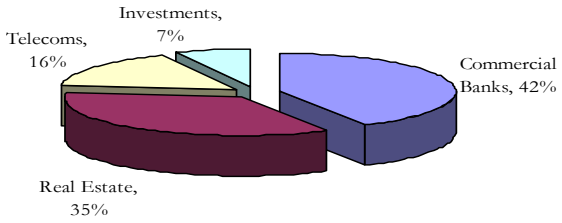
Performance Summary

NAV (Aug 30, 2005)	USD 20.93
June 2005	25.6%
July 2005	-21.4%
Aug 2005	25.7%
Since Inception	112.0%

Performance Chart



Sector Allocation



Overview and Outlook

August was a good month for the UAE Stock Exchanges which rose by 18%. They managed to recover most of their earlier losses as investors' fears that capital calls will drain liquidity were over. Actually August's healthy turnover indicated that there is still a high level of liquidity in the system. The investment sentiment was strong as investors returned back to the market ahead of the announcement of 3Q 05 corporate results. Although the rally was not focused on few stocks, but rather widespread among all the stocks, the spot light was on Dubai Islamic Bank – MEEF's third largest holding- whose stock price rose 48% during the month. The stock's performance was attributed to the Bank's decision to allow foreign investment up to 15 percent of its share capital. This helped to increase the demand for its shares, and despite of its official denial to expand its capital through rights issue, the bank's stock continued its strong performance. Emaar stock – MEEF's largest holding- rose by 29% during the month, recovered all its losses and taking its YTD performance to 87%. The company announced an aggressive plan to expand regionally and signed a $4bn deal to build residential and commercial project in the middle of Cairo, Egypt.

In the previous fact sheet (July 05), we mentioned that UAE stock market had dropped to – fundamentally - more attractive levels. We took advantage of July's short term technical correction and kept Makaseb Emirates Equity Fund (MEEF) fully invested for the market to bounce back. August proved that we were correct. Despite the UAE stock market achieved 18%, Makaseb Emirates Equity Fund was able to achieve a return north of 26% taking its return since inception to 112%. Our decision to overweight Banking, Real Estate and Investments sectors contributed positively to the fund. Our major holdings such as Emaar, Dubai Islamic Bank, Abu Dhabi Commercial Bank were among the biggest winners during the month.

We believe that the market has gone through its first wave of correction, prices will stabilize briefly before market decides on a direction following 3Q 2005. As we do not expect to see a severe correction in the short term, Makaseb Emirates Equity Fund will remain fully invested and well diversified among the leading UAE stocks.

Issued on September 7, 2005