



Report date July 2010

Sources of alpha

	Low Emphasis	Medium Emphasis	High Emphasis
Sector positioning	██████████		
Stock selection		██████████	
Currency overlay	██████████		
Quantitative strategies			
Derivative strategies			
Asset/geographic allocation			██████████

Performance statistics (annualised)

	%
Fund annualised return	0.9
LIBOR annualised return	3.5
Fund standard deviation	11.8
LIBOR standard deviation	0.6
Fund maximum drawdown	-36.8
LIBOR maximum drawdown	0.0

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EMIRATES NBD ACTIVE MANAGED FUND

Sub-fund of Jersey domiciled open-ended investment company

Fund owner: Emirates NBD

Fund manager: Emirates NBD

Named portfolio manager(s):

Sean Daykin (since March 2008)

Peer group: Specialist Equity in USD

Location: Dubai

Launch date: May 2004

Fund size (May 2010): US\$34m

Contact group: +97145093014 or

www.emiratesnbd.com/assetmanagement

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Standard & Poor's opinion (June 2010)

Emirates NBD Asset Management represents the fusion of Emirates International Bank and the National Bank of Dubai's asset management divisions, formed after the two institutions merged in late 2007. Now an independent entity (owned by Emirates NBD Group), it has grown steadily over the last few years to one of the largest asset managers in the region and is responsible for about \$2bn in assets under management.

This fund is run by the group's global multi-asset team of three managers, supported by a fund administrator. Team head and lead manager Sean Daykin has over 20 years' broad investment experience, including eight years managing US equities, but has only been involved in multi-asset portfolios for the last six years. Supporting managers Philip Rose and Helen Holmes also have good levels of experience. The team is relatively young - Holmes is the longest-standing member (June 2007), with Daykin joining in March 2008 and Rose shortly after - but is generally stable.

The team typically considers a wider range of asset classes in the fund's portfolio than other asset allocation funds. The current neutral asset weighting is 65% equities, 10% fixed income, 10% alternative investments, 5% property, 5% commodities and 5% cash. This represents the team's strategic asset allocation, and is reviewed on an annual basis. However, Where it aims to add the most value is through tactical asset allocation, drawing on a variety of in-house and external resources to set over/underweight preferred asset classes over the short/medium term. Fund selection is also key, and sees the team combine quantitative and qualitative research to select those funds that best fit its macro views.

Importantly, the addition of a risk analyst in 2008 brought a good level of structure and integrity to risk management, including the introduction of Factset. Detailed see-through portfolio analysis is yet to be incorporated, however. This does not seem to have inhibited the fund manager's ability to add value - there is sufficient scope for flair, and Daykin seems willing to use it, so far with some success, seeing the fund outperform its composite benchmark since he took over.

Overall, this is a young, but solid team whose size is sufficient given the approach. The process is sound and although the track record is relatively short, it is encouraging. The fund therefore achieves an S&P A rating.

Fund manager & team

Sean Daykin heads up the global multi asset team, which includes fund managers Philip Rose and Helen Holmes, as well as a fund administrator. Holmes provides support to Daykin and Rose in their management of the multi asset class funds, as well as new Fixed Income fund manager Usman Ahmed (joined in May 2010). All investment teams work closely with performance and risk analyst Scott Samuel.

Sean Daykin - MBA (Warwick University), started his career at BARRA and later did consultancy work at Hewitt Bacon & Woodrow, and eight years managing US equities at Morley (Boston) and ADIA (UAE). He spent three years overseeing hedge fund and international equity investments at Gulf Investment Corp before joining Emirates NBD in March 2008.

Philip Rose - BA geography (Southampton University), began his career in 1999 at SWIP (previously Hill Samuel Asset Management) managing UK equities. He covered multi-asset portfolios from 2005 until he left to join Emirates NBD in 2009.

Helen Holmes - BSc statistics & mathematical finance (Rhodes University/University of Pretoria), advised and managed pension funds and private accounts in Zimbabwe for three years before joining Emirates NBD in 2007.

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STANDARD & POOR'S



Management style

This fund has the highest risk/return profile of the group's global multi-asset product range. The team starts by setting the fund's long-term strategic asset allocation, which essentially acts as a benchmark. This is reviewed annually, but changed only when correlations have deviated significantly from their historic norms or liquidity does not meet requirements (weightings to property and alternatives were reduced in the benchmark as the fund switched to daily trading from weekly trading in October 2009). Currently it stands at 65% MSCI World, 10% Barclays Global Aggregate, 10% HFRI Fund-of-Funds Composite, 5% IMA Property & AREF Composite USD, 5% S&P Goldman Sachs Commodity and 5% US 3-Month Libor.

Drawing on a variety of sources (including economic growth, sentiment and technical indicators, valuation models, broker notes, and the group's economist), the team then sets tactical asset allocation (focusing on the short to medium term) on a monthly basis. The managers have discretion over active weightings between asset classes, although extreme positions require consultation with the group's investment committee. The targeted risk budget is c.7%.

The aim is for asset allocation to be the main driver of returns, but fund selection is also important. The team uses quantitative screens to help reduce the universe of investable funds (including performance volatility, a minimum track record and a minimum fund size of around \$250m for equities). Key criteria include manager ability, stability, process integrity, and risk management, and notably whether the funds are consistent with their macro views. All of the team is involved in interviewing managers, in person when possible.

The team takes a core/satellite approach to selecting funds, for example selecting global equity funds as core and accompanying these with "satellite" country or sector funds, in line with its macro views.

Since October 2009, investments in alternative strategy funds have been focused on Ucits-III compliant vehicles.

Portfolio & performance analysis (June 2010)

The fund moved from weekly to daily trading in October 2009, triggering a change in its strategic asset allocation. The neutral weighting to equity funds was increased at the cost of real estate and alternative investments, reflecting the increased need for liquidity.

The underweight to sovereign debt and overweight to equities hurt returns in Q4 2008, but with the team adding to risky assets as they underperformed, the fund was well placed to benefit from the market rally in 2009. This included an increase in property to overweight towards the end of 2008 through REITs, although Daykin switched out of REITs in mid-2009 after outperformance and into direct property funds (such as SWIP Property Trust and Aviva European Property). Within equities, the allocation to emerging markets helped in Q2 and Q3, as did the overweight to corporate debt.

The majority of investments were in actively managed investment funds, but Daykin has also used ETFs - he bought an agriculture ETF in March 2010 as he deemed active managers too expensive. Other alternative investments included Mellon's Recovery fund (limited to about 2% on liquidity grounds), Emirates Alternative Strategies and GAM's Diversity fund, all contributing to an overweight position in the asset class.

Equities exposure was underweight at the time of review, having been reduced after strength through 2009. The majority was invested in global equities funds, such as MFS Global Equity and GAM Worldwide (held at 8.7% and 7.5%, respectively), with four satellite holdings in the form of Jupiter's Income Trust and Financial Opportunities, GAM's Star Japan and Emirates MENA Top Companies.

The fund lagged its composite benchmark in Q1 2010, but a tactical investment in the iPath VIX ETF (held c.4%) in late March (sold in May) helped boost returns when markets fell in the face of the Greek debt issues leading to subsequent outperformance. As a result, the fund is ahead of the benchmark under Daykin's management, returning -13% against -19.4% from March 2008 to the end of May 2010. Over the same period, the median fund within the global asset allocation dynamic sector (not a perfect fit, but the closest peer comparison) returned -24%.

Portfolio characteristics	
No. of holdings	32
Turnover ratio (%)	N/A
% in top 10	52

Key holdings (1 May 2010)	
	%
Aberdeen Global Equity	6.5
GAM Worldwide Equity	6.2
MFS Global Equity	6.2
Aviva Global Convertibles	5.8
Jupiter Financial Opportunities	4.9
GAM Star Japan	4.8
Jupiter Income Trust	4.6
Robeco US Premium Equity	4.5
Allianz Global Equity	4.3
SWIP Property Trust	4.3

* In key holdings a year ago

Asset allocation breakdown (1 May 2010)	
	%
Equity	56.0
Asia (incl Japan)	N/A
Europe (incl UK)	N/A
North America	33.2
Europe (incl UK)	36.1
Asia (incl Japan)	19.6
Others	11.1
Fixed interest	9.9
Govts/supranational	2.6
Corporate	27.1
Loans	13.1
Other	8.8
Emerging markets	48.4
Property	7.9
Alternatives/others	16.4
Commodities	3.9
Cash	5.9

Discrete performance (calendar years)

	2006	2007	2008	2009	YTD 31/05/2010
	%	%	%	%	%
Fund	11.6	3.9	-28.8	21.3	-3.2
LIBOR	5.2	5.5	3.5	0.9	0.1

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Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Absolute return fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.

Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.