

Named portfolio manager(s):

Yong Wei Lee (since launch)

Peer group: MENA

Location: Dubai

Launch date: September 2007

Fund size (May 2010): US\$89m

Contact group: +971 4 5093014 or

www.emiratesnbd.com

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



Report date July 2010

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Note: returns are cumulative

Standard & Poor's opinion (June 2010)

Team head Yong Wei Lee has managed this Jersey-domiciled fund since its launch in 2007. He has 11 years' experience, three on Mena, and is effectively supported by one portfolio manager and three analysts. The team is reasonably experienced and all of the current members have worked together for the last three years.

The approach adopted by Lee is well-structured and puts considerable emphasis on team input and bottom-up research. Lee is a detail-oriented manager who proactively challenges the analysts' ideas. Most stock ideas are internally generated and put forward by the analysts to be reviewed by the whole team. Lee then presents them to the investment committee for final vetting. This includes a number of senior members of the company, all with some investment experience. An approved list of stocks is then put together and represents the framework to build the final portfolio.

The appointment of a risk manager nearly two years ago has resulted in a marked improvement in portfolio construction and risk monitoring. In Lee's case, this has led him to reduce some of the largest active bets in the fund. Importantly, this has been achieved without compromising the performance record of the fund, which remains solid compared to its benchmark and, considering that less cash was raised in 2008, is also respectable compared to peers.

The clear approach, strong and reasonably stable resources and the good organisational framework surrounding the fund manager all point to the comfortable achievement of an S&P A rating.

Fund manager & team

Yong Wei Lee heads the team of five, including manager/analyst David Verghese (six years' experience), analysts Richard Lee (10 years), Irfan Chaudhry (10 years) and Serkan Altay (eight years), and one portfolio administrator. The team is responsible for \$174m primarily invested in three main strategies. Each analyst covers around 15-20 names.

The investment committee has a vetting role and includes senior executive officer Deon Vernooij (who used to manage Mena portfolios), head of funds-of-funds Sean Daykin, head of business development David Marshall (who also has some investment experience), and risk manager Scott Samuel, who has no voting rights.

Yong Wei Lee - graduate (Nanyang Technological University in Singapore), CFA, started his career in 1999 as an equity analyst at Straits Lion Asset Management where he also managed Europe and Hong Kong portfolios. Following a merger with another in-house company to form Lion Capital Management, he covered Asian (ex Japan) airlines, healthcare and construction sectors. Lee joined Emirates NBD in mid-2007.

David Verghese - MSF (Boston College), BComm finance (University of Alberta), CFA, started his career in 2004 with Brait as an investment analyst before moving to Morgan Stanley in New York and Emirates NBD in October 2007.

Management style

The fund aims to outperform a composite of 90% MSCI Arabian Markets and 10% 3-Month Libor through stock selection.

The universe includes all stocks with above \$1m average daily volume. Around half of the new ideas are internally generated. Each analyst is free to choose the valuation method that they believe is most appropriate. Team meetings ensure that the investment case and the underlying assumptions are thoroughly discussed. Lee is particularly keen to understand the key sensitivities of each business. Each company is thoroughly modelled (up to three years forward) and meeting management is considered key. The focus is on quality names with a catalyst for re-rating, high dividend yield, attractive valuation and where the team believes earnings growth will exceed consensus.

The role of the investment committee is to vet stocks deemed of adequate quality and liquidity to be included in the approved list.

From this, Lee picks around 40 names. Index heavyweights are unlikely to be zero-weighted. Stock deviations are likely to be within +/-4%. The fund is subject to the 5/10/40 rule. Cash can reach 30%. Exposure to Saudi Arabia is gained through P-notes.

EMIRATES NBD MENATOP COMPANIES FUND

Sub-fund of Jersey domiciled open-ended investment company

Fund owner: Emirates NBD

Fund manager: Emirates NBD

Portfolio & performance analysis (June 2010)

At review, the fund was invested in 42 names, with 44% in the top 10 and 9.8% in cash. Deviations at the country level currently show the UAE as the major overweight (+12%) followed by Oman (+5.5%) and Qatar (+2.2%). The other markets are all underweight, in particular Kuwait which is 12% below the index level, and the fund currently has no exposure to Morocco, Lebanon and Bahrain. The overweight in the UAE has been a feature of this portfolio for some time and reached around 20% in 2008. This has also been one of the major contributors to the fund's returns over this period.

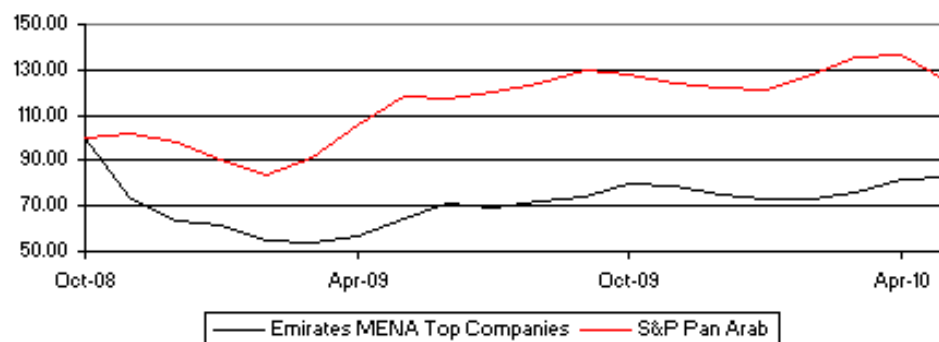
At the sector level, consumer discretionary is overweight (+7%), whereas telecoms are half of the index position, largely the result of a negative view on Zain in Kuwait.

In terms of performance, the fund did well in the initial stages of 2008 but some of the outperformance was eroded in the second half of the year as some higher-beta names were hit hard during the correction. Maintaining a barbell between high beta and defensive names, as well as having some cash (8% at the peak), helped. Lee also reduced the degree of some overweights as market conditions became more volatile. Compared to peers, the fund raised less cash than most managers in the region.

In 2009, Lee correctly positioned the portfolio for a recovery and benefited from the strong market rebound. Having little cash helped, as did the tilt towards higher-beta names. Strong returns continued in the first quarter of 2010, helped by the cyclical bias. However, the last couple of weeks have seen some weakness following the market correction. Over the last 12 months, GB Auto and Commercial Bank of Qatar have been the main positive contributors, while Damas International and Ras Al Khaimah Cement have hurt.

Over the last 18 months, the fund has outpaced its benchmark by over 10% gross. Stock selection in the UAE (UNB, Emirates Telecom), Saudi Arabia (Sabic, Yanbu Cement) and Egypt (Egyptian Company for Mobile Services) has driven most of the alpha.

Cumulative performance



Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
P	3.00%	0%	2.00%	N/A	US\$25,000	none	N/A
Registered for sale		Singapore, United Arab Emirates					

STANDARD & POOR'S



Portfolio characteristics (1 May 2010)

No. of holdings	42
Turnover ratio (%)	76
% in top 10	44

Country allocation

	%
Egypt	5.5
Kuwait	3.6
Oman	7.6
Qatar	15.4
Saudi Arabia	37.2
UAE	20.9
Cash	9.8

Top 10 holdings

	%
Sabic	11.8
Union National Bank	4.4
Bank Muscat	4.3
Doha Bank	3.7
National Bank Of Kuwait	3.6
Al Dar Properties	3.5
Industries Qatar	3.5
Riyad Bank	3.4
Al Rajhi Bank	3.1
Samba Financial Group	2.9

* In top 10 holdings a year ago

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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.

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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.

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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.

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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.