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## SILK INVEST FIXED INCOME FUND TO SWEEP FRONTIER MARKETS

◆ MENA will be a major focus of UCITS product

**S**ilk Invest is launching a fixed income product, the Silk Road Income Fund, with a broad exposure to emerging markets including MENA.

"We are looking across the board," said John Bates, chief investment officer of Silk Invest. "The Silk Road fund follows the frontier markets. We are looking at the growth regions that link Asia with the highest growth regions on the planet at the moment."

To be launched on 24 October, the UCITS III-compliant fixed income fund will be weighted 75% to government/quasi government securities and 25% corporate

risk. The fund will be divided into hard currency and soft currency, with the view to take on bonds denominated in local currencies to generate revenue for the fund.

While the amount of start-up capital for the fund is yet to be decided, Bates' ambitions remained grounded. "The universe we are covering has a finite base to it," he said. "We think that the optimum size is around \$125-200m and that is our target. We do not expect to grow any bigger than that."

The fund's portfolio basket is expected to acquire 60-80 holdings, across 25 countries, with portfolio yields of

more than 16.5% for over three to four years. "This compares to an average coupon yield of 8.3%, highlighting the opportunity," said Bates. "There is a clear gap between priced risk and perceived risk in this regard."

In preparation of the fund Silk Invest has vetted over 4,000 fixed income instruments with a total market value of \$400bn.

"The [emerging] markets are in their relative infancy and have yet to raise finance via fixed income instruments, so we expect the universe to expand quickly over the next two to three years," said Bates.