

October 07 NAV: \$12.92**AIBasha'er GCC Equity Fund - Sharia'a Compliant****Fund Performance:**

	Current Month end	YTD	2006	Since inception
Fund	11.95%	44.03%	-10.30%	29.20%
Index (GCC Islamic Universe)	8.24%	18.50%	-43.70%	-22.86%

**Lipper ranking : 1****Investment Objectives:**

Capital appreciation primarily through investment in Sharia'a Compliant GCC listed equities. The Fund may also invest in non GCC Arab equities to a maximum of 10% and in non listed equities to a maximum of 10%.

Investment Strategy:

Active management with focus on stock selection and not indexing
Concentrated positions with adequate diversification.

Fund Sponsors:

Kuwait Finance & Investment Company, Gulf Finance House and Qatar Islamic Bank

Placement Agents:

Kuwait Finance & Investment Company, Gulf Finance House, Qatar Islamic Bank, Gulf Bank, Gulf Finance House - Commercial Bank & Abu Dhabi Commercial Bank

Investment Managers:

Kuwait Finance & Investment Company & Gulf Finance House

Fund Information:

Inception price: USD 10
Inception date: December 19th, 2005

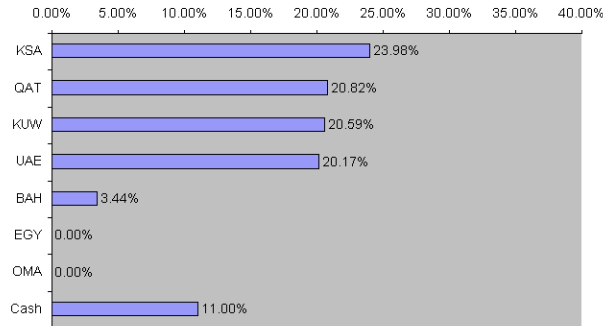
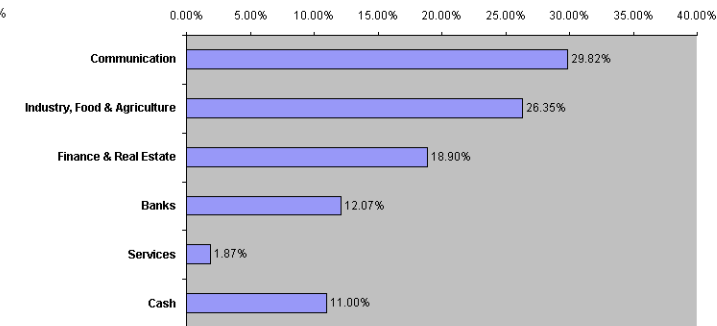
Jurisdiction: Bahrain
Currency: U. S. Dollars
Subscription/Redemption: Monthly
Minimum subscription: USD 10,000
Custodian, Administrator & Registrar: Gulf Clearing Co. (Bahrain)

Legal Advisor: Haya Rashed Al-Khalifa Law Firm, Bahrain
Auditors: Ernst & Young, Bahrain
Management Fee: 2.25% per annum
Performance Fee: 10% of the profits above 10% hurdle rate per annum
Subscription Fee: Up to 3% of the subscription amount

Fund size : USD 265.27 Million
% Cash : 11
% Non-listed equities : 7.51
No. of holdings : 27

Portfolio Analysis

Avg P/E : 13.8
Avg Dividend Yield : 3.3%
Avg M/Cap per stock : 20.8 Billion
Avg Daily Liquidity per Stock : \$ 40.45 Million

Country Allocation:**Sector Allocation:**

Country	Performance			Valuation		Size	
	Current month (%)	2007 YTD (%)	2006 (%)	P/E	P/B	MarketCap (\$B)	Avg. D. Liquidity (\$ MM)
KSA - Tadawul	10.06	8.67	-53.0	18.28	3.24	389	1,457
Kuwait - KSE	-0.64	26.82	-12.0	12.95	2.79	203	443
Abu Dhabi - ADASM	20.06	42.40	-42.0	15.75	2.85	114	420
Dubai - DFM	24.73	27.91	-44.0	17.12	3.32	125	817
Qatar - DSM	16.31	32.03	-36.0	18.39	3.64	88	214
Bahrain - Share Index	4.11	19.43	1.1	10.08	1.88	26	2
Oman - MSM	14.81	43.71	14.3	15.40	3.21	19	27
SC GCC	10.50	25.60	-42.5	13.50	3.00	400	420
GCC Islamic Universe	8.24	18.51	-43.7	17.00	2.90	350	600

GCC Market Review / October

GCC stock markets had an explosive rally during October rising about 10% bringing YTD gains to about 25%. The strongest rise was in the UAE with the DFM rising 25% and the ADASM rising over 20%. Qatar and Oman followed with the former rising over 16% and the latter almost 15%. Saudi Arabia, which remains in a year long trading range broke out after Eid rising 10% on the month but remains negative on a 12 month basis. Bahrain lagged rising 4% but the exception to this rally was Kuwait which ended flat signaling a period of underperformance because of local political tensions that might effect economic growth.

The October rise was on very bullish sentiment witnessed by Advancing stocks far outweighing declining ones with significant increase in liquidity and investors favouring growth stocks with low absolute prices and recently listed issues.

After a summer lull, investors abruptly responded to favourable fundamentals. The credit crisis globally and its market repercussions seems to have benefited the GCC as investor funds seeking refuge in commodities also favoured the GCC as oil approached \$100 and prospects for lower interest rates increased because of a \$ peg. Investors finally responded to numerous global expert recommendations favouring the GCC based on attractive valuations and economic prospects brushing away inflationary threats and regional political tensions with Iran & Syria.

In response to this bullish sentiment by investors, corporate actions were reawakened on the funding & M&A side. Taqa priced a \$1.5B senior note at 5.62%, Dana Gas priced almost \$1 Billion via convertible Sukuk with 90% of the issue being bought by foreigners and Dubai World completed a \$5 Billion loan. Various Blue Chips announced capital increases including Banks, Airlines and Telecoms. Furthermore, the IPO market seems to be buzzing again with Dubai Port operator aiming to raise \$ 4 Billion triggering talk of further privatizations in the UAE including Emirates Airlines, Nakheel, Dubai Aluminum amongst many. Saudi Arabia further relieved its long IPO queue by allowing five companies to float in the insurance, education and industrial sectors. Over the month, there were various M&A transactions most notable were Dubai Ports buying 90% stake of Egyptian Container Handling Co and Taqa selling a 40% stake in Emirate CMS Power Co. to Marubeni. As we have continuously mentioned, GCC economic growth and company profits are highly influenced by friendly markets as they form an important base in funding and competitive strategic positioning.

Fund Performance & Activity

Your fund recorded an NAV of \$12.92 rising 12% on the month and bringing 2007 gains to 44%. Since inception of the fund at the beginning of 2006, the Fund is up an absolute rate of 29.2% against an index that is down 23% over the same period. We are continuing our increase of exposure in Saudi at the expense of the other markets. We are bullish on future prospects, but stock selection is crucial as some prices will undoubtedly get exaggerated in this euphoria.

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