

Investment Objective & Strategy

- Capital appreciation primarily through investment in Sharia 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%.
- Active management with focus on stock selection
- Concentrated positions with adequate diversification

Management Comment

- The NAV of Al Basha'er increased 6.85% in December to \$13.71
- Year to date, the fund has gained 52.84%, outperforming the benchmark by 9.4%
- Since inception, the fund is up 37.10% in absolute terms
- Portfolio composition relatively unchanged with 19.87% in cash
- Invested funds evenly split between UAE, Qatar, Kuwait and KSA, with a small position in Bahrain
- Average P/E of the fund is 17.3 and average dividend yield is 2.97%
- Stock exposure is concentrated on stocks with strong and growing core operations
- The fund is ranked number 1 by Lipper



Awards: Lipper Fund Awards

Al Basha'er GCC Equity Fund won the 'Lipper Fund Award' by topping the following category: Sharia'a compliant GCC Equity Fund

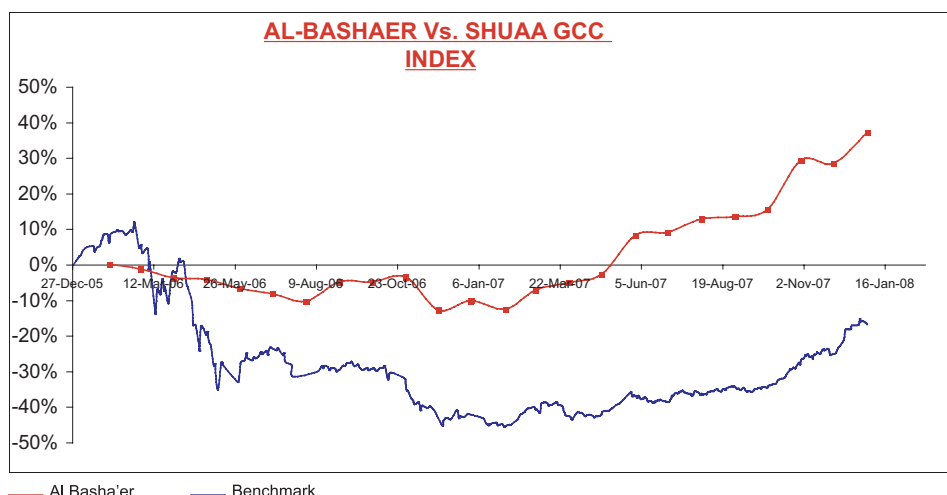
Performance as at 31/12/07

	Al Basha'er	Benchmark
1 month	6.85%	11.72%
year to date	52.84%	43.40%
Since inception	37.10%	-17.00%

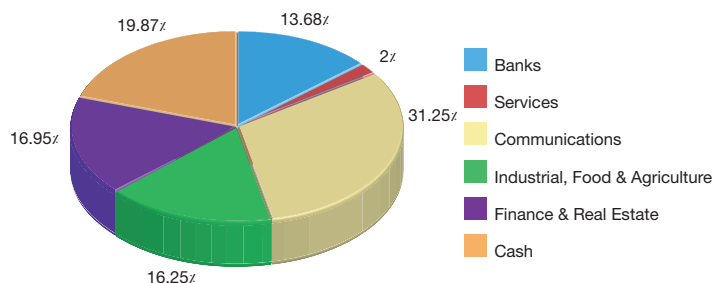
Portfolio Analysis

Avg P/E	17.3
Avg Div Yield	2.97%
Avg Mkt Cap Per Stock	\$21.18BL
Avg Daily Liquidity Per Stock	\$48.20MM

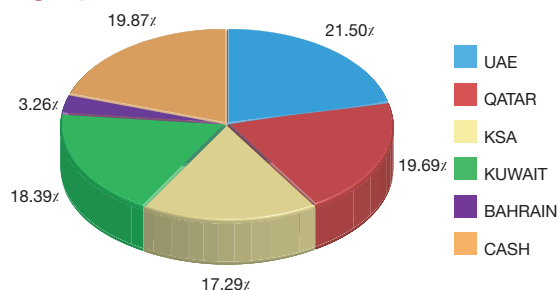
Cumulative performance



Sector Breakdown



Geographic Breakdown



Fund Managers:

Faisal Al-Osaimi
Alan Durrant
Abdulwahab Al-Marzoq

Benchmark:

Shuaa GCC Index

Key figures: USD

NAV: 13.71

% Cash: 19.87

% Non-listed equities: 4.80

No. of Holdings: 24

Fund Details

Fund Sponsors:	KFIC, GFH & QIB
Placement Agents:	KFIC, GFH, QIB, Gulf Bank, KCB & ADCB
Investment Managers:	KFIC & GFH
Inception Price:	USD 10
Inception Date:	Dec 19th 2005
Jurisdiction:	Bahrain
Currency:	USD
Subscription /Redemption:	Monthly
Min Subscription:	USD 10,000
Custodian:	Gulf Clearing Company
Legal Advisor:	Haya Rashed Al-Khalifa Law Firm
Auditors:	Ernst & Young, Bahrain
Management Fee:	2.25% per annum
Performance Fee:	10% of the profits above hurdle rate
Subscription Fee:	Up to 3% of the subscription amount
Next Distribution:	Q1 2008

Portfolio's main holdings

Company	Country	Sector
Etisalat	UAE	Telecoms
Qatar Telecom	Qatar	Telecoms
Sabir	KSA	Industrials
KFH	Kuwait	Banks
Industries Qatar	Qatar	Industrials

GCC Market Review

Despite the global credit crunch negatively impacting western financial markets, all of the GCC equity markets have ended the month in positive territory. Saudi Arabia was the best performer with an 18% gain, followed by the indices in Dubai and Abu Dhabi which were up by 10%, respectively. The Kuwaiti market moved from a negative change in November, to a 4.2% gain in December.

Investors were also bullish this month, as total liquidity reached a record \$4.8bn - a 14% increase from November's figure. Liquidity mainly increased in KSA, Bahrain and Oman.

The Saudi Central Monetary Authority announced that it will soon allow non-Saudi nationals to invest in the Saudi stock market and IPOs.

Significant M&A activity took place in GCC telecommunications sector, including ZAIN's 100% takeover of IRQNA; Qtel negotiating to buy one of two telecommunication companies in Lebanon; and UAE Etisalat acquiring 16% of Indonesian Telecommunication Company.

In the real estate sector, Kuwaiti AL-MAL Investment Company has increased its stake in the Dubai based DEYAAR real estate company by 20%, taking its total holding to 60%. In addition, EMAAR, reached an agreement with the British United Utilities Company to establish EMAAR Facilities Company.

Rising consumer prices as well as overvalued land and property prices are still an issue in the GCC. Governments are still struggling to reduce high inflation rates and high demand of real estate.

The Kuwait government took a major step to attract foreign direct investment by decreasing income tax on foreign companies from 55% to 15%.

GCC Market Digest

Country	USD						
	2006%	Current Month	YTD%	P/E	P/B	Mkt Cap	Av D Liquidity (\$m)
KSA Tadawul	-53.0	18.08	40.87	23.03	4.06	519	3353
Kuwait KSE	-12.0	4.21	24.75	11.90	2.56	199	292
ADSM	-42.0	9.34	51.74	16.55	2.93	122	310
DFM	-44.0	10.78	43.72	15.33	2.83	138	605
Qatar – DSM	-36.0	2.32	34.31	17.57	3.43	93	131
Bahrain Share Index	1.1	6.14	24.25	10.67	1.95	27	7
Oman MSM	14.3	7.02	61.88	15.75	3.34	21	60
SC GCC	-42.5	11.22	43.44	14.50	3.40	440	440
GCC Islamic Universe	-43.7	10.04	30.25	17.80	2.95	400	620



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