

September 07 NAV: \$11.54**AIBasha'er GCC Equity Fund - Sharia'a Compliant****Fund Performance:**

	Current Month end	YTD	2006	Since inception
Fund	1.76%	28.65%	-10.30%	15.40%
Index (GCC Islamic Universe)	-1.10%	9.50%	-43.70%	-31.10%



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 19 th , 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

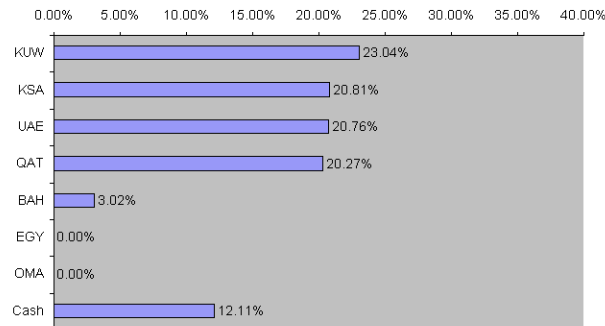
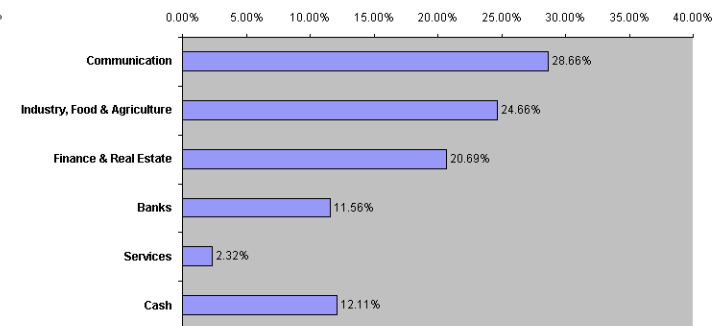
Performance Fee: 10% of the profits above 10% hurdle rate per annum

Subscription Fee: Up to 3% of the subscription amount

Fund size : USD 273.8 Million
% Cash : 12.1
% Non-listed equities : 7.2
No. of holdings : 27

Portfolio Analysis

Avg P/E : 15.3
Avg Dividend Yield : 3.4%
Avg M/Cap per stock : 16.8
Avg Daily Liquidity per Stock : \$ 37.69 Million

Country Allocation:**Sector Allocation:****Market Digest:**

Country	Performance			Valuation		Size	
	2006 (%)	Current month (%)	YTD (%)	P/E	P/B	MarketCap (\$B)	Avg. D. liquidity (\$ MM)
KSA - Tadawul	-53.0	-4.78	-1.26	16.64	2.95	354	1,508
Kuwait - KSE	-12.0	1.28	27.63	13.10	2.82	205	424
Abu Dhabi - ADSEM	-42.0	3.52	18.60	13.30	2.41	96	92
Dubai - DFM	-44.0	-0.54	2.55	12.02	2.36	99	321
Qatar - DSM	-36.0	8.19	13.52	15.77	3.12	75	74
Bahrain - Share Index	1.1	0.61	14.72	9.61	1.79	25	4
Oman - MSM	14.3	5.05	25.17	13.47	2.81	17	15
SC GCC	-42.5	1.03	13.80	12.70	2.90	360	380
GCC Islamic Universe	-43.7	-1.10	9.50	16.10	2.70	308	510

GCC Market Review / September

Overall GCC indices ended the month of September flat with large divergence amongst markets. Qatar was the best performing market rising over 8% benefiting from value foreign buyers evidenced by Al-Rayan raising foreign ownership to 49% and in anticipation of strong third quarter results. Oman followed by rising 5% on the back of a successful IPO by Gulfair and a partial buyout of Bank Muscat by Dubai. The Kuwaiti market rose slightly more than 1% despite a standoff with the stock market authority over its rejection of listing entities involving several influential groups with smaller stocks taking the lead mainly in the Real Estate and Investment sectors. The UAE was hit with an Emaar lawsuit in Saudi Arabia and the threat of conversion of Al-Dar Sukuks but still managed a gain of over 1% encouraged by a strong debut of Deyar and several foreign investment banks recommending various stocks as a buy. Bahrain ended flat, but Saudi Arabia declined by 6% suffering from Ramadan slow activity and the threat of a large IPO pipeline. The CMA responded by allowing GCC national individuals and entities to buy all shares including banking and insurance stocks. This liberalization is welcome, but what is needed is opening the market to Non-GCC foreigners. Average daily trading values dropped to

\$2.44 Billion mainly resulting from Saudi. Elsewhere, activity was brisk when adjusted for Ramadan.

The GCC markets are currently faced with various cross-currents. Inflation rates, particularly in Qatar and the UAE, are approaching growth rates. This problem is being compounded by the lower US Dollar and a U.S. interest rate cut forcing countries who peg to the dollar to follow suit when they really don't need to. The UAE and Qatar surprisingly lowered rates as did Kuwait but Saudi has resisted the move so far. In addition, the markets are faced with turbulent political tensions involving Iran, Syria and Lebanon. Furthermore, the markets are dealing with the credit woes from the U.S. credit spillover. All of this has been balanced by high oil prices rising over \$ 80 creating ample liquidity and fueling growth.

High oil prices are encouraging company expansion plans and M & A activity was again active in September. In the financial sector, QNB raised its stake to 30% in Jordan's Housing Bank, Kuwait's Securities Group sold its 7.9% stake in Bahrain Islamic Bank, Dubai Holding bought 15% of Bank Muscat. Mashreq Bank is bidding for Bank Cairo, Al-Baraka and Al-Amin banks have merged and Zomoroda and KIPCO are buying into Iskan a Kuwaiti mortgage lender. Other notable activities involved: Taqa continuing its Canadian conquests by acquiring Primewest for \$5 Billion, Omantel acquiring 65% of Pakistan's WorldCall and Agility financing Iraq Korek Telecom after its bid last month for Kenya Telecom. Etisalat is to partner Mubadala in Nigeria Telecom and Etihad Etisalat bought Saudi's Bayanat for \$1.5 Billion.

This raises the question of funding requirements. Up to the credit crisis, bond issues were the preferred route providing the markets with welcome financial leverage. This window is currently closed as NBAD & IQ announced the delay of their bond issues. Consequently, rights issues are rebounding with Riyad Bank, NBK and QNB all announcing such plans amounting to several billion dollars. We believe that more rights issues will be announced during the fourth quarter particularly from the financial sector and other large cap conglomerates. This together with a busy IPO pipeline requires a friendly market with rising prices and trading values. In this respect, we are encouraged by rising foreign interest as T.Rowe announced the launch of a MENA fund and several international investment banks are setting up brokerage units in the Gulf.

Fund Performance & Activity

Your fund recorded an NAV of \$11.54 rising by +1.76 over the month. YTD the fund is up 28.65% and since its inception its up an absolute 15.4%. Given this outstanding performance, the Fund is ranked top 1 by Lipper. Over the month, we took some profits in Qatar and slightly increased exposure to Saudi.

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