

August 07 NAV: \$11.34**AlBasha'er GCC Equity Fund - Sharia'a Compliant****Fund Performance:**

	Current Month end	YTD	2006	Since inception
Fund	0.61%	26.42%	-10.30%	13.40%
Index (GCC Islamic Universe)	4.01%	10.60%	-43.70%	-30.00%



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:

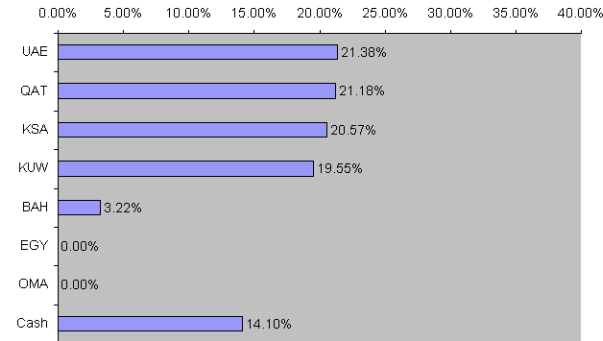
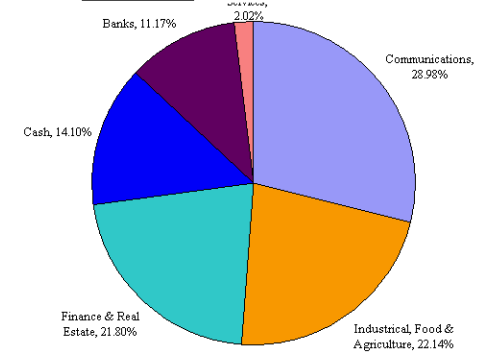
Inception price: USD 10
Inception date: December 19th, 2005
Jurisdiction: Bahrain
Currency: U. S. Dollars
Subscription/Redemption: Monthly
Minimum subscription: USD 10,000
Custodian, Administrator & Registrar: Gulf Clearing Co. (Bahrain)

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

Portfolio Analysis

Fund size : USD 287.36 Million
% Cash : 14.10
% Non-listed equities : 6.8
No. of holdings : 27

Avg. P/E : 12.97
Avg. Dividend Yield : 3.26%
Avg. M/Cap per stock : 16
Avg. Daily Liquidity per Stock : \$ 37.41 Million

Country Allocation:**Sector Allocation:**

Country	Performance			Valuation		Size	
	2006 (%)	Current month (%)	YTD (%)	P/E	P/B	MarketCap (\$B)	Avg. D. Liquidity (\$ MMD)
KSA - Tadawul	-53.0	9.20	3.70	17.51	3.11	373	2,218
Kuwait - KSE	-12.0	1.08	26.01	13.05	2.80	202	439
Abu Dhabi - ADASM	-42.0	-1.25	14.57	12.85	2.32	93	116
Dubai - DFM	-44.0	-0.42	3.10	12.06	2.21	96	224
Qatar - DSM	-36.0	-1.76	4.92	14.40	2.85	69	27
Bahrain - Share Index	1.1	-1.61	14.03	9.58	1.79	24	2
Oman - MSM	14.3	3.48	19.15	12.40	2.58	15	13
SC GCC	-42.5	2.46	12.46	12.50	2.81	355	415
GCC Islamic Universe	-43.7	4.01	10.61	16.20	2.80	312	544

GCC Market Review / August

GCC stock markets were mixed during August with the conventional index rising by +2.46% and the Islamic index rising by +4%. This was mostly accounted for by a strong rise in Saudi Arabia +9.2% continuing its two months rally. Elsewhere, Oman managed a rise of +3.5% and Kuwait rose by 1%. The UAE, Qatari and Bahraini markets, however, declined slightly over 1%.

Year to date, GCC markets have recorded the best performances worldwide registering double digit returns and showing resiliency to the global credit and financial crisis. The question will remain going forward of the degree of insulation as at the minimum, it appears that financing costs for many regional companies will rise. The real worry will be the wider contagion and any effects on the real economy as any recession in the industrialized world will definitely cause an oil price drop which will negatively impact the development plans for the region. We will be on alert!

M & A activity:

During August, there was ample news on the M & A front as ADCB quashed any chances of merging with NBAD, Commercial Bank of Qatar announced its intention to buy a significant stake in UAE's UAB and the sale of Ahli United Bank by Tamdeen to International Bank of Qatar failed. Abu Dhabi's Taqa bought Pioneer and Northrock Resources of Canada and a UAE based consortium bought into Kuwait's Mushrif while Kuwait's Boodai Group sold 47% of Hilal Cement to Suez Cement in Egypt. In the telecom Arena both Kuwait's MTSC and Qtel won Iraq mobile licences and Qatar and Kuwait are preparing for further mobile licence sale during the fourth quarter. Such increased M & A activity is positive for the markets as some companies expand their geographic reach while others realize handsome returns on their investments creating further liquidity in the markets.

IPOs:

On the liquidity front, Average daily trading values for August across the GCC was slightly over \$ 3 Billion which is half the level achieved in 2006. Saudi Arabia has accounted for most of this decline which might explain their decision to open all stocks for trading by GCC nationals. The only market that has achieved higher liquidity during 2007 is Kuwait almost doubling the trading levels. The \$ 11 Billion of IPOs launched over the past 2 years have failed to lift liquidity and more are planned going forward. The most active market is Saudi Arabia that has launched 19 companies in the first half of 2007 including 14 insurance companies all of which have made strong debuts. The UAE has announced that family firms can retain 70% of their companies after an IPO lowering the minimum IPO to 30% from the existing 55% which means increased IPO activity going forward.

Outlook:

To summarize, GCC equities valuations are the best worldwide particularly relative to economic and company profit growth. The recent global turmoil has simmered the enthusiasm interested since the beginning of the year particularly in the UAE. M & A and IPO activity are on the rise and we expect further increases in liquidity and stock prices during the fourth quarter.

Fund Performance and Activity:

Your fund recorded an NAV of \$ 11.34 which is +0.61% rise on the month. This brings the YTD gains to +26.4% and the since inception gains to +13.4% way outperforming the benchmarks. There was not much change in portfolio composition with 14% cash and the invested funds evenly split between UAE, Qatar, Kuwait and Saudi with a small position in Bahrain. The average P/E on the fund is 13 with average Dividend of 3.26%. Stock exposure is concentrated on stocks with strong and growing core operations.

Contact names:

Hanzah Behbehani - Executive Vice President, Investment Division - Kuwait Finance and Investment Company. Email: h.behbehani@kfic-kw.com - Telephone: (965) 2412469
Faisal Al Faris - Senior Manager, Research Dept., Investment Division - Kuwait Finance and Investment Company. Email: falfaris@kfic-kw.com - Telephone: (965) 2446374