

**May 07 NAV: \$10.82****AlBasha'er GCC Equity Fund - Sharia'a Compliant****Fund Performance:**

	Current Month end	YTD	2006	Since inception
Fund	11.31%	20.62%	-10.3%	8.2%
Index (GCC Islamic Universe)	7.8%	5.8%	-43.7%	-37.8%



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

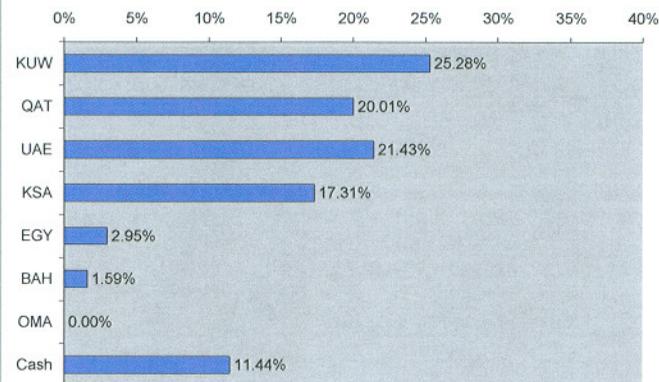
**Investment Managers:**

Kuwait Finance & Investment Company & Gulf Finance House

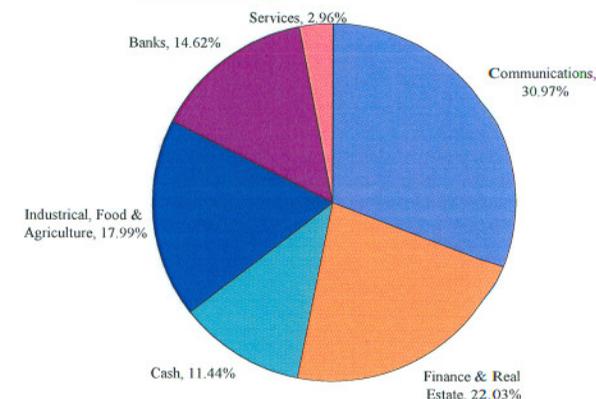
**Fund Information:**

Inception price:	USD 10
Inception date:	December 19 <sup>th</sup> , 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 315.13 Million  
 % Cash : 11.44  
 % Non-listed equities : 6.2  
 No. of holdings : 26

**Country Allocation:****Portfolio Analysis**

Avg. P/E : 15.5  
 Avg. Dividend Yield : 3.28%  
 Avg. M/Cap per stock : 16.38  
 Avg. Daily Liquidity per Stock : \$ 42.1 Million

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

Country	2006 (%)	Current month (%)	YTD (%)	P/E	P/B	MarketCap (\$B)	Size	Avg. D. liquidity (\$ MM)
KSA - Tadawul	-53.0	0.93	-5.55	15.13	3.44	312		2,797
Kuwait - KSE	-12.0	10.20	24.30	18.80	2.98	185		636
Abu Dhabi - ADMSM	-42.0	18.26	20.34	13.00	2.60	97		206
Dubai - DFM	-44.0	17.25	8.80	14.70	2.50	96		508
Qatar - DSM	-36.0	14.05	4.40	16.60	3.17	67		151
Bahrain - Share Index	1.1	10.06	4.60	11.50	1.70	22		4
Oman - MSM	14.3	5.47	9.50	12.80	2.40	13		15
SC GCC	-42.5	7.36	8.70	13.00	2.90	648		510
GCC Islamic Universe	-43.7	7.80	5.80	16.00	2.60	295		534

**GCC Market Review / May**

GCC stock markets had a bull run during May with the Islamic universe of stocks rising almost +8% bringing YTD gains to +6%. The best gains were recorded in the UAE (+18%) and Qatar (+14%) followed by Bahrain and Kuwait (+10%). The exception was Saudi Arabia which has still not shaken off the 2006 doldrums barely rising in May and the only GCC market remaining in negative territory (-6%) for 2007. Overall trading activity was stable in May with Average daily trading value at \$ 4.3 billion. This coincided with drops in trading activity in Saudi and Kuwait compensated by sharp rises in trading activity in the UAE and Qatar. The Banking and Telecom stocks were particularly strong in May with Kuwait Finance House rising 23% on the month and Dubai and Abu Dhabi Islamic Banks rising over 30% and the Qatari Islamic Banks also registering double digit gains. In the Telecom sector, Kuwait's MTC gained 27% on strategic stock sale rumors and the UAE Etisalat gaining over 12% as the company is about to open its stock to foreign ownership.

There were several triggers for the sharp rise in the UAE markets including attractive valuations, promotion by the stock exchanges which was successful in attracting foreign investments, liberalization of the real estate sector in Abu Dhabi and the tremendous success of the Deyaar IPO. This overshadowed Emaar's delay in releasing details of Dubai Holding share for land swap. In Kuwait, increased liquidity, M & A activity, de-linking of \$/KD, and expectations of strong company profits have kept the markets in high gear. The Qatari Market is also witnessing increased investor interest given the tremendous economic boom there and corrected stock valuations. We believe, however, that for this rally to continue, the Saudi market has to join the bandwagon. The Saudi index has fallen for 3 months in a row and investors remain focused on speculative stocks. The Kayan IPO saw very low interest and the Alwaleed Kingdom IPO is on the horizon with 55 other IPOs in the pipeline for 2007.

**Fund Performance and Activity:**

Your fund recorded an NAV of \$ 10.82 comfortably rising above the issue price of \$ 10 in December 2005. This has brought the YTD gains to +20.6% and the since inception gains to +8.2% massively out performing the indices and solidifying our leading rank among our peers. We continued taking profits in Kuwait and slowly building positions in Saudi Arabia.