



Fund Objective

The Fund aims to generate a return in excess of returns on investment in short term bank deposits. Moreover, the fund seeks maximum current income and price appreciation consistent with preservation of capital and low total return volatility.

Investment Strategy

The fund is a total return bond portfolio that primarily invests in debt issues of entities in GCC countries. Debt issues of entities incorporated outside GCC countries may be included on opportunistic basis.

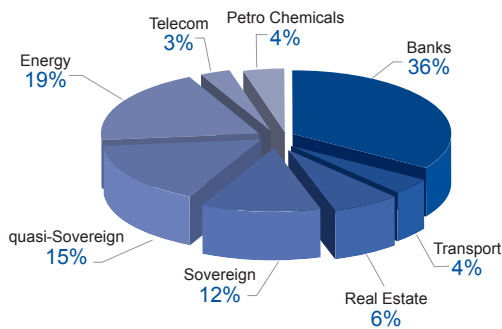
All sectors of the bond market will be utilized to add value including:

- Debt instruments issued by governments and government agencies
- Debt instruments issued by corporates and financial institutions
- Asset backed securities
- Shari'ah compliant debt and money market instruments
- Conventional money market instruments
- The fund may also invest in third party funds or structured instruments and vehicles

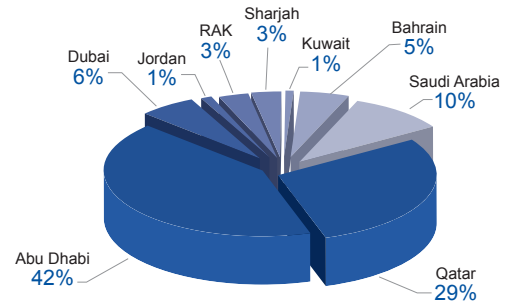
Key Facts

Funds Name	: Gulf Bonds Fund
Fund Manager	: Gulf Investment Corporation
Inception Date	: May 2005
Initial Subscription	: US\$ 100,000
Subsequent Subscription & Redemptions	: US\$10,000
Subscriptions & Redemptions	: Weekly
Fund's Custodian	: Gulf Clearing Company & HSBC Bank
Auditor	: Ernst & Young, Kingdom of Bahrain
Management Fees	: 0.375% of NAV
Application Laws	: Kingdom of Bahrain

Sector Breakdown



Country Breakdown

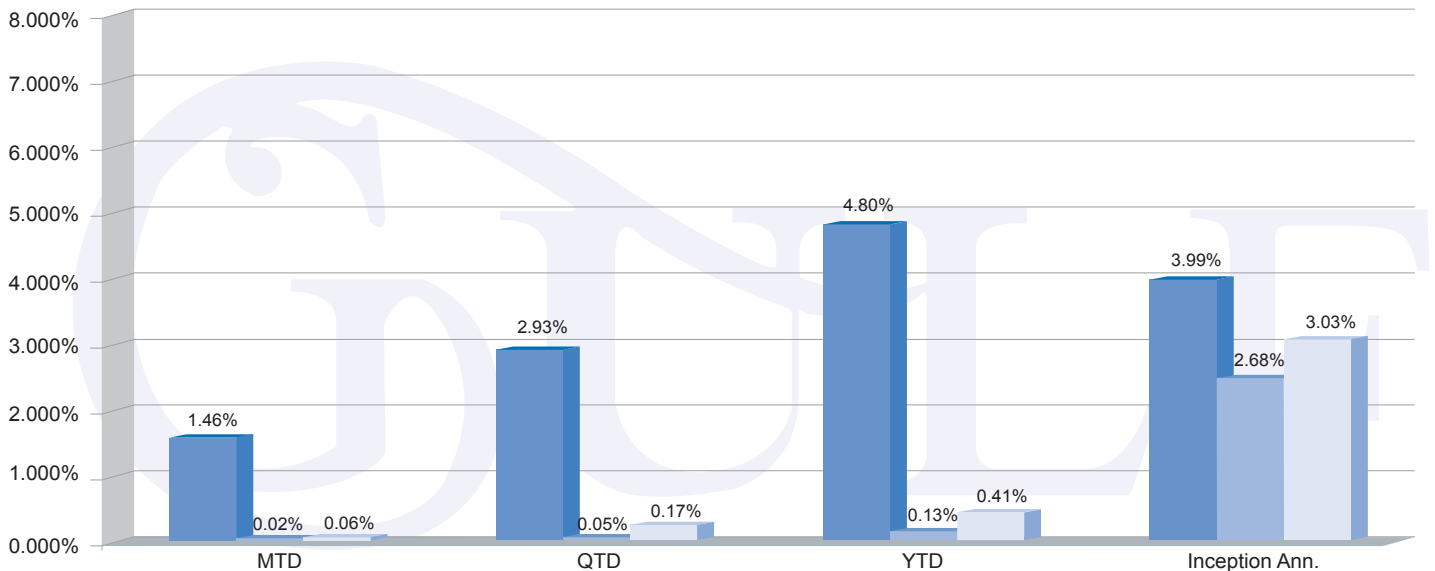


Performance - Net Asset Value

Fund & Benchmarks Performance

As of 31st July 2011

Fund Returns are based on the NAV prices.



GIC Gulf Bond Fund Net Asset Value as of 31st July 2011 is \$151,354,757.53 - \$12.9007 NAV/unit.

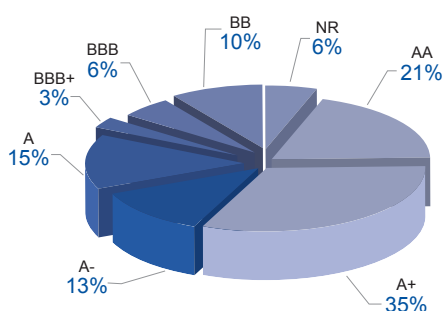
■ GIC - NAV / unit Performance
■ Benchmark - USD 3 Months LIMID
■ Benchmark - USD 12 Months LIMID

Monthly Performance

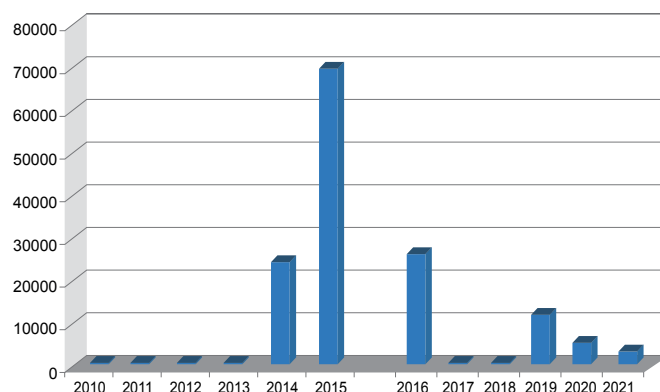
Annualized Since Inception Rate of Return : **3.99 %**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2005			0.03	0.24	0.63	0.25	0.31	0.22	0.48	0.31	0.41	0.34	3.27
2006	0.44	0.39	0.42	0.45	0.45	0.59	0.32	0.34	0.48	0.59	0.54	0.40	5.55
2007	0.58	0.46	0.47	0.48	0.53	0.46	0.40	0.21	0.37	0.41	0.32	0.46	5.26
2008	0.28	-1.12	-0.21	0.45	0.57	-0.55	0.65	0.01	-0.47	-0.44	-1.65	-1.43	-3.87
2009	-2.48	-2.70	0.71	1.69	1.25	2.97	0.41	0.85	1.54	1.21	-1.35	-0.55	3.44
2010	0.44	0.15	1.44	0.77	0.06	0.43	1.60	1.22	0.89	0.34	-0.64	0.21	7.12
2011	0.41	-1.63	1.58	1.71	1.37	0.09	1.46						4.80

Rating Profile



Maturity Profile



GCC Outlook

July has proven to be a difficult month on two sides of the Atlantic. In Europe, debt dilemma continued with some governments facing real difficulties passing austerity measures required by EU, in addition, Italy dominated headlines as a candidate for the rescue aid and with a debt that exceeds its distressed peers. An Italian default will prove very costly to the rest of Europe and might jeopardize the whole union.

And to make things even worse, Moody's announced that its reviewing Spain's Aa2 classification, citing concern about implementation of the 440 billion-euro EU rescue fund.

On the other side of the ocean, US debt dilemma continued as both parties failed to reach an agreement with few days remaining before the debt-cap deadline.

And even if a deal is to be agreed, which is the expected scenario, a US downgrade seems inevitable leading to global imbalances.

In the midst of all of this, GCC credit market had a very positive month with prices continuing its improvement on the back of investors support.

Abu Dhabi's First Gulf Bank new Sukuk mandate attracted orders of around 7 times the size of the issue, unthinkable in other parts of the world in such a climate.

Although some might think that what is happening in GCC markets currently is a repeat to post 2008 when regional markets continued its improvement despite the global turmoil only to freefall few months later.

However, we believe that this time around things will be a bit different especially that a US downgrade, if happens, will affect the flight to safety mechanism which was very evident during past few years.

on other hand, although GCC countries will be negatively affected if a US downgrade occurs, due to big exposure to US denominated assets, currency peg, and oil. However, having US one notch only higher than some GCC countries might raise interest in regional bonds especially that AA GCC spreads are the cheaper in that rating group globally.