



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.

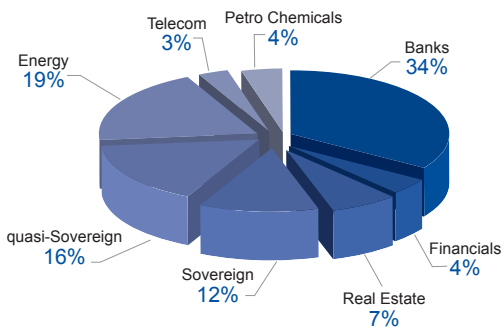
All sectors of the bond market will be utilized to add value including:

- 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

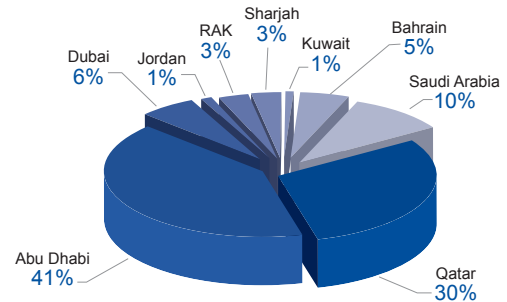
Key Facts

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

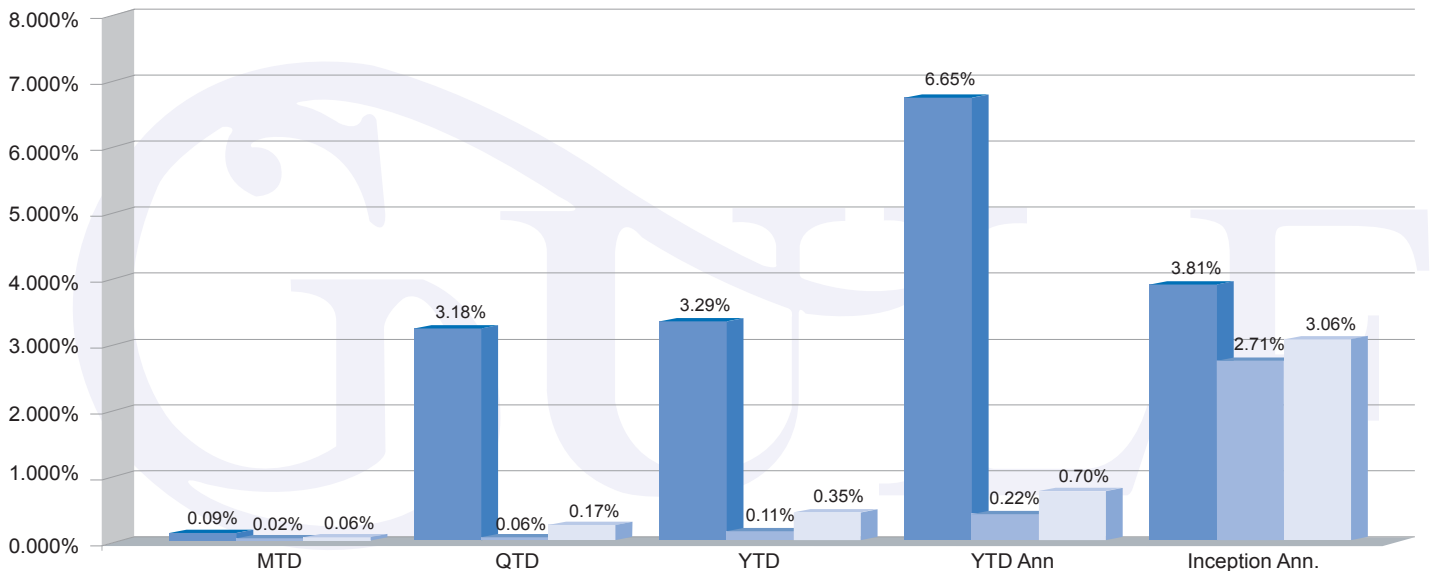


Performance - Net Asset Value

Fund & Benchmarks Performance

As of 30th June 2011

Fund Returns are based on the NAV prices.



GIC Gulf Bond Fund Net Asset Value as of 30th June 2011 is \$149,169,646.34 - \$12.7145 NAV/unit.

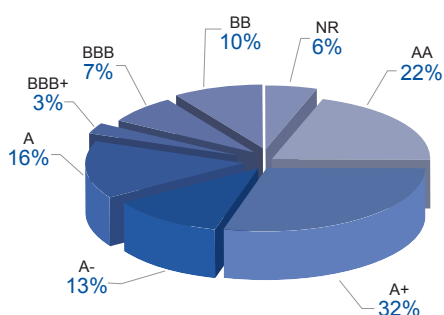
■ GIC - NAV / unit Performance
■ Benchmark - USD 3 Months LIMID
■ Benchmark - USD 12 Months LIMID

Monthly Performance

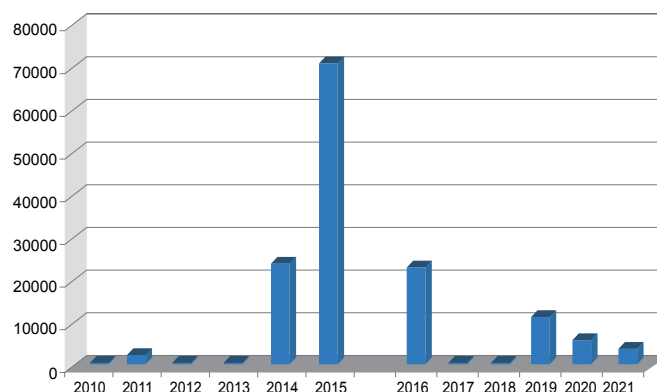
Annualized Since Inception Rate of Return : **6.65 %**

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							3.29

Rating Profile



Maturity Profile



GCC Outlook

GCC had a volatile session during June. We started the month on a positive note with prices holding well and CDS's tightening across all regional names.

However, markets witnessed a wave of correction during the second part of the month to an extent forced some issuers such as Al Futaim Group of Dubai and Dolphin which is a joint venture owned partially by Abu Dhabi to delay their bond issuances until market conditions improves.

Spreads on HSBC/NASDAQ Dubai GCC Bonds Index widened by 27bps during the period from 16-27 June reaching 258.74ps.

While Regional CDS widened across the board with Dubai, the best performer during past period, increasing by 16.8bps for the same period. In parallel, US treasuries witnessed a flight to safety wave pushing Ten-year yields below the 3% threshold.

Decline in appetite for risky assets was mainly driven by escalation in Greece and some negative US data.

However, markets recovered towards the end of June on the back of approval of Greek austerity plan, which triggered appetite for riskier assets.

On the other hand, Dubai, who proved to be immune to regional political turmoil, captured capital markets attention through two issues;

Emirates Airlines, and Dubai Government.

Emirates Airlines issue was the company's first for some time and with an initial price of around 350bps, investors welcomed the bond to an extent that it was several times oversubscribed. However, the issuer's decision to reduce the spread in addition to hiking the size of the issue, pressured the bond in secondary market.

Government of Dubai sold a \$500 million bond at the lowest yield since 2009. The interesting feature about that issue was that it has a 10 year maturity with a put option after 5 years making it the first put able bond in the region, another positive step in regional markets evolution.

We don't expect much activity in the coming couple of month due to holidays and the Holy month of Ramadan. Furthermore, we expect a reduction in volatility in the short term, however, until a permanent solution is found for European credit situation we remain advocates of shorter end papers as a means to reduce risk.