



## 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.

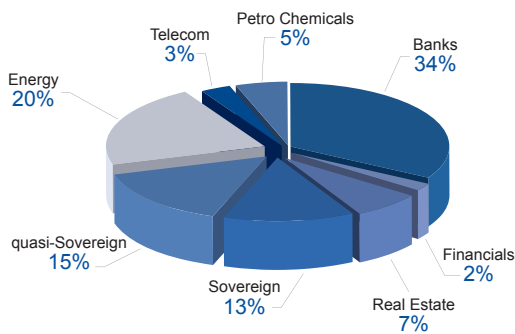
All sectors of the bond market will be utilized to add value including:

- 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

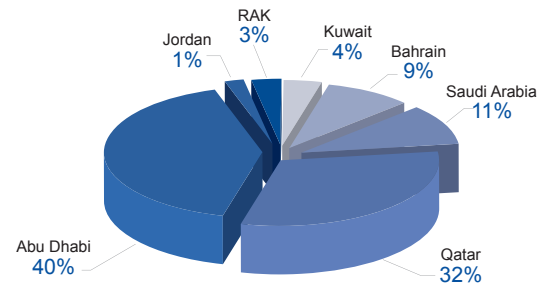
## Key Facts

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

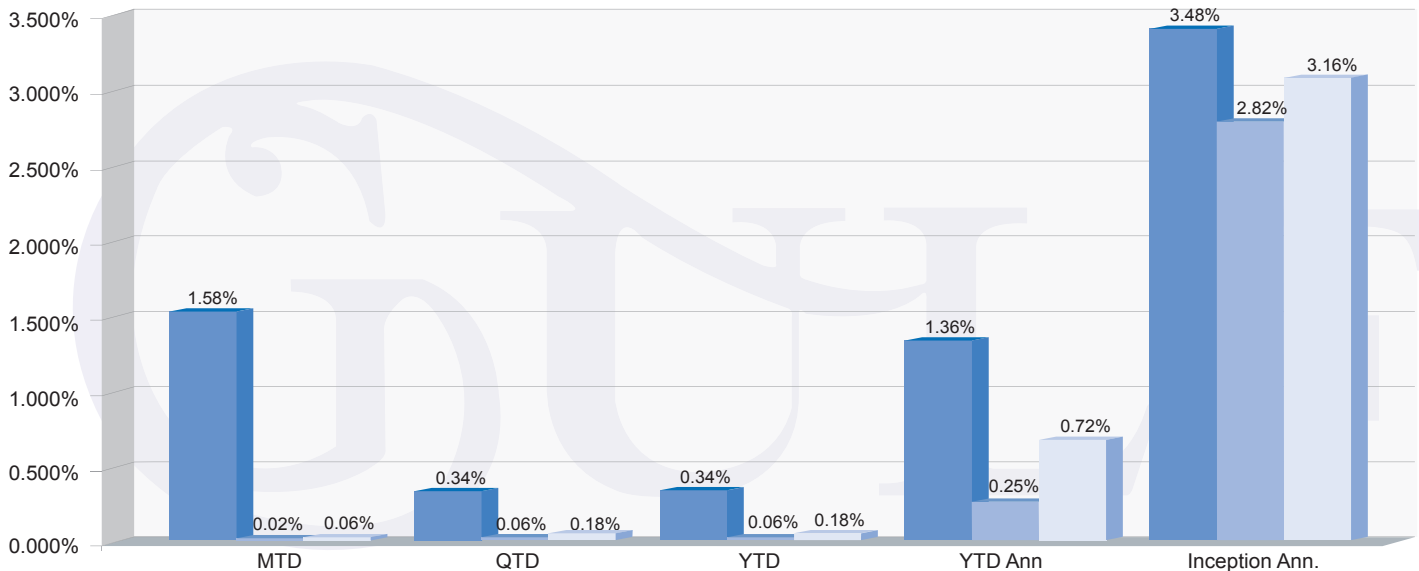


## Performance - Net Asset Value

### Fund & Benchmarks Performance

As of 31st March 2011

Fund Returns are based on the NAV prices.



GIC Gulf Bond Fund Net Asset Value as of 31st March 2011 is \$135,103,721.41 - \$12.3514 NAV/unit.

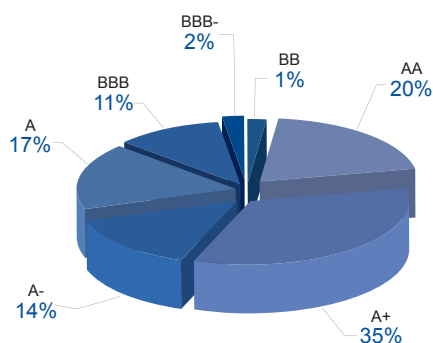
■ GIC - NAV / unit Performance  
■ Benchmark - USD 3 Months LIMID  
■ Benchmark - USD 12 Months LIMID

## Monthly Performance

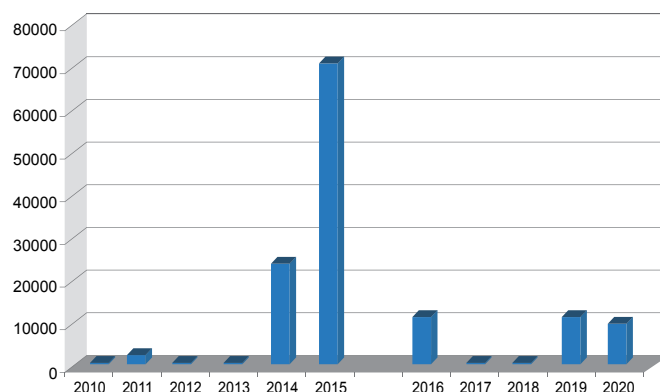
Annualized rate of return : **3.48%**

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										0.34

## Rating Profile



## Maturity Profile



## GCC Outlook

We have mentioned in our previous note that Dubai will benefit the most from current geopolitical unrest, this was evident during the past 4 weeks as Dubai outperformed rest of GCC on both cash and risk, with its CDS contracting by around 56bps. Many factors contributed in that such as, significant increase in number of regional tourists visiting the emirate as most other Arab destinations are shut on the back of political tensions. Furthermore, Dubai is witnessing a reverse migration by institutions that relocated to Bahrain during height of real estate prices re-enforcing its image as regional financial hub. Nakheel announcement that it will complete its debt restructuring by 1st half, in addition to DP World, better than estimated, 2010 profits. Restored, the once shattered, image of local credit market.

On the other hand, one can argue that decline in Dubai names was minimal due to the fact that sell off there started way earlier than rest of the region as a fallout to the emirate debt problems.

This statement might have some truth in it, however, it can't explain improvement on the CDS side.

In the broader GCC context, credit markets improved with HSBC GCC Bonds Index contracting by 25bps during the period from Feb 28-March 25.

Regional credit markets improvement is mainly due to fading political headlines especially in Bahrain and KSA emphasizing our point made last month that 'it's all about politics'. Although fundamentals in Bahrain, for example, have deteriorated last month, however, Bahraini names were among the region's top performers indicating that investors are more interested in political situation.

In comparison to Dubai incident in 2009, recent events affected more parts of the region than others in a sign of differentiation among international investors, something that indicates a growing interest in this part of the world.

Going forward, we expect volatility to continue as long as things remains not fully resolved on the political front. Recent Saudi King financial package will reflect positively on local credit especially banks, and real estate developers.

Furthermore, we remain advocates of short end of the curve, as a measure to reduce expected volatility and will remain net buyers, on selective basis.