

Fund Overview

The Fund is designed to achieve long-term capital growth through investment in a diversified portfolio of GCC equities. The performance of the Fund is benchmarked against the MSCI GCC Index.

Gulf Investment Corporation, the Investment Manager, is an experienced GCC investor and pursues an active management strategy of 'Growth at Reasonable Price'. The Fund Management team is ably supported by a team of dedicated GCC Research analysts

The GCC MSCI Index, representing all six GCC markets, is used as a broad country and sector allocation tool. It is US dollar based and market cap weighted

Fund Information

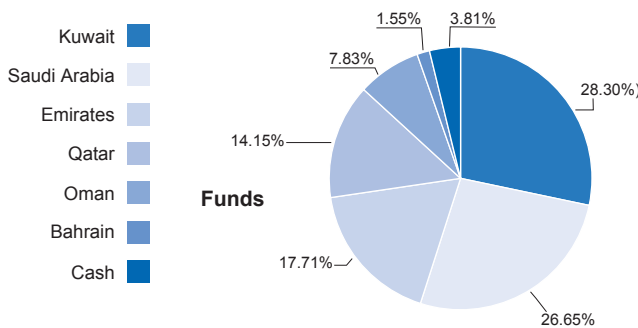
Launch Date	April, 2003
Jurisdiction	Bahrain
Currency	U.S. Dollars
Subscription /	Weekly at NAV
Redemptions	
Minimum Subscription	US\$ 100,000
Investment Manager	Gulf Investment Corporation
Management Fees	1.5% per annum
Performance Fees	10% of returns above 10% per annum
Subscription Fees	2%

Portfolio Structure

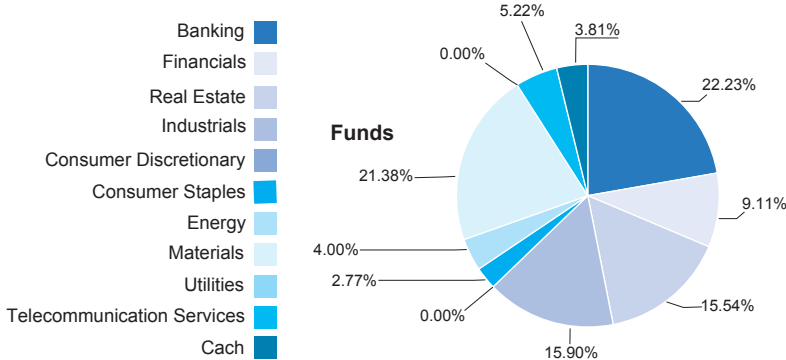
Fund Size : \$ 192 MM

Number of Holdings : 78

Country Allocation as of 31st August 2008



Sector Allocation as of 31st August 2008

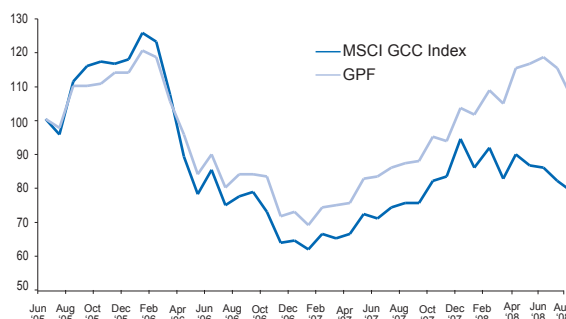


Top Holdings

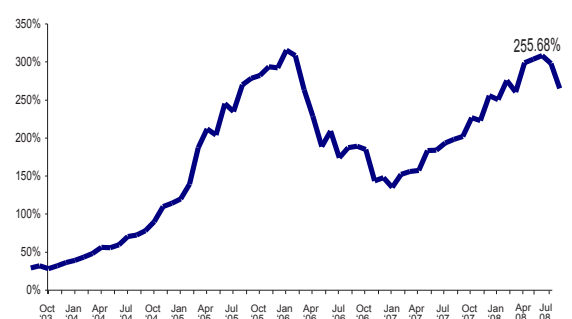
As of August 31st, 2008

- 1) Saudi Fertilizer Co.
- 2) Kuwait Finance House
- 3) ARABTEC Holding Co.
- 4) Saudi Basic Industries Corp.
- 5) Arabian Pipe

GPF vs MSCI GCC Index



GPF since inception



Monthly Performance

Annualized rate of return : **22.32%**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2003				4.20	6.66	3.47	6.72	3.77	1.85	-2.69	2.79	3.17	33.84
2004	2.23	3.15	3.03	5.39	-0.27	2.50	6.84	1.08	3.28	6.52	10.41	1.96	56.53
2005	2.59	8.85	19.88	8.51	-2.67	13.65	-3.09	10.47	2.32	0.95	2.94	-0.35	82.26
2006	5.88	-1.67	-10.98	-9.45	-12.10	6.92	-11.20	4.83	0.69	-1.55	-14.40	1.65	-36.60
2007	-5.04	7.26	1.46	0.43	10.14	0.25	3.26	1.56	1.32	8.06	-1.15	10.13	43.25
2008	-1.43	7.04	-3.94	10.61	1.08	1.26	-2.62	-8.16					2.62

Market Review

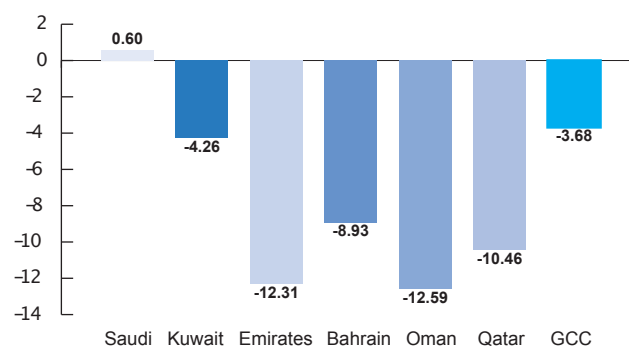
The month of August was rather tumultuous across the GCC markets, as the generally negative performance of July became exacerbated during the first half of the month. The UAE and Omani markets were the worst hit during the initial days, and while the latter recovered some lost ground subsequently, the former continued to languish, with intense pressure on key stocks. Qatar maintained a steady decline, and fared only marginally better than the UAE market at the end of the month. The MSCI GCC Index shed 2.53% for the month, while the MSCI country indices for the UAE, Qatar and Oman succumbed by 12.31%, 11.75% and 10.57% respectively.

Property, Construction and Mortgage companies in the UAE were the worst hit, led by Union Properties (-29.1%), Arabtec (-23.4%) and Tamweel (-22.5%). In Qatar, the declines were across the board, but the worst performers included Barwa (-22.4%) and Nakilat (-14.5%). In Oman, all frontline stocks recorded net losses for the month, led by Oman Cement (-21.5%) and Oman Cables (-20.1%).

Despite a rocky start to the month, the Saudi market reversed direction, buoyed by the introduction of swap agreements that provided access to the Saudi market for foreign investors. A robust last week, led the MSCI Saudi Index to close with a net gain of 2.33% for the month. In Kuwait, the index maintained a rather languid performance, with minimal volatility, and the MSCI Kuwait Index closed the month with a loss of -3.75%.

The recent turmoil in the GCC markets was a result of a compounding of multiple factors, with poor sentiment hampered by negative news flow. While the general summer lull was a causative factor, more specific issues such as the widely publicized exodus of foreign capital, marginal escalation of geo-political

MSCI GCC Country Indices Performance



tensions and negative sentiment on the bellwether RE stocks in Dubai acted as sentiment triggers, and piled on the pressure. The RE sector in the UAE came under undue pressure due to widespread corruption allegations, adverse analyst comments and recent regulatory changes including the attempts to clampdown on speculative flipping and cancellation of transfer charges.

Though foreign investor participation in the regional markets is still in its infancy, and the dependence of regional markets to foreign capital still limited, the sentiment effect created by a reallocation of funds by international fund managers acted as the final straw for the weak sentiment. We believe that the selloff by foreign investors was not driven by a negative view on fundamentals, but was the result of a global reallocation of capital driven by extraneous factors in other markets and asset classes.

During August '08, the GPF under-performed its benchmark with returns of -8.16%, compared to a loss of 3.68% on the MSCI GCC Index. On a year-to-date basis, the GPF gained 2.62% against a loss of -16.34% for the benchmark.



Gulf Investment Corporation
 Sharq, Jaber Al Mubarak Street
 P. O. Box 3402, Safat 13035, Kuwait
 Tel: (965) 222 5000 Fax: (965) 222 5128
 Website: www.gic.com.kw

Contact Person:
Malek Al Ajeel
 Head of Business Development
 E-mail: malajeel@gic.com.kw
 Tel: (965) 222 5262