



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.

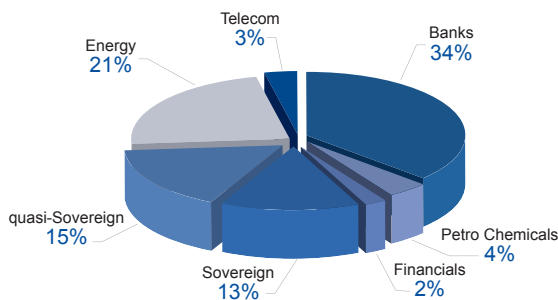
All sectors of the bond market will be utilized to add value including:

- 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

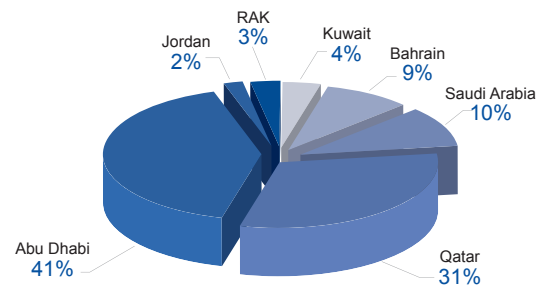
Key Facts

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

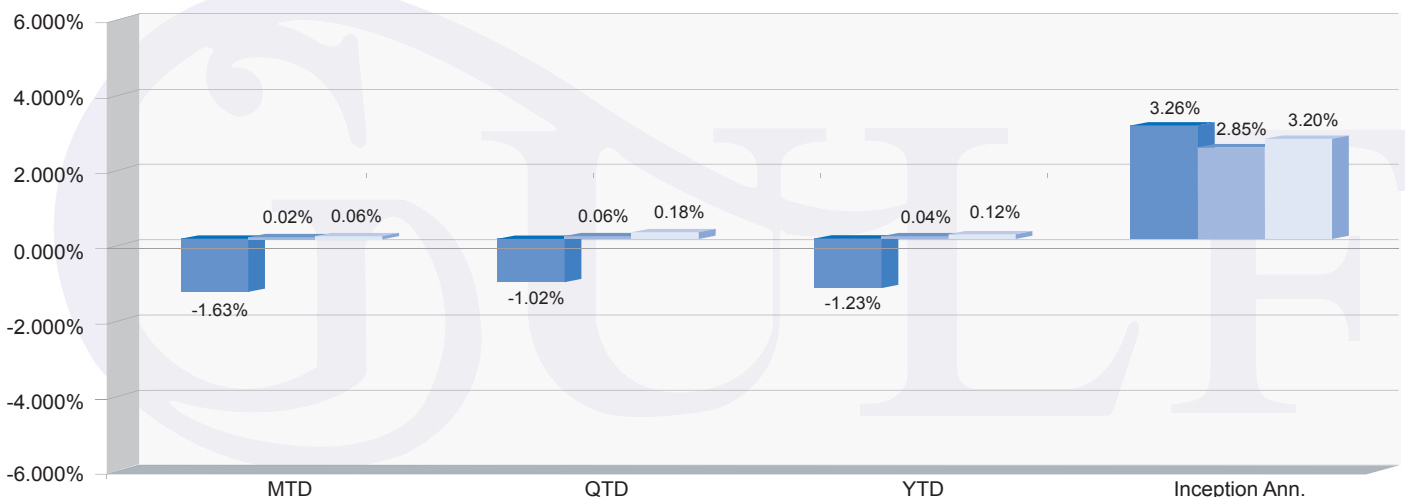


Performance - Net Asset Value

Fund & Benchmarks Performance

As of 28th February 2011

Fund Returns are based on the NAV prices.



GIC Gulf Bond Fund Net Asset Value as of 28th February 2011 is \$132,996,594.76 - \$12.1588 NAV/unit.

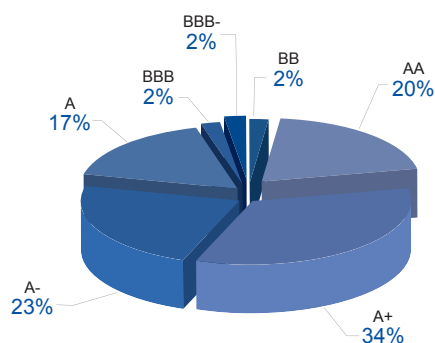
■ GIC - GAV / unit Performance
■ Benchmark - USD 3 Months LIMID
■ Benchmark - USD 12 Months LIMID

Monthly Performance

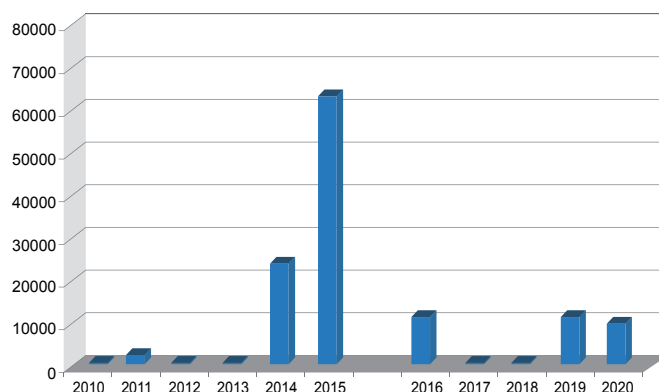
Annualized rate of return : **3.26%**

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											-1.23

Rating Profile



Maturity Profile



GCC Outlook

Geopolitical factors overcame technical's during the most crowded month of political instability across the Arab world in recent history. From Egypt to Bahrain, political tensions, that evolved into revelations in some countries, increased risk premiums to levels not seen since Dubai incident around 18 months ago.

On GCC level, Bahrain CDS hiked to around 330bps, raising by 140bps in a month, on the back of what has come to be known as "pearl roundabout protest". In parallel, Saudi CDS curve widened more than Abu Dhabi and Qatar, who witnessed significant widened as well, due to close relationships with neighboring Bahrain and fear of contagion effect.

Both equity and bond markets witnessed huge losses as international investors who perceived the region as a safe haven during the past few months started dumping their positions pressuring prices. The trend of favoring international investors in allocations, which was evident during last 2 years, backfired as most of selling came from abroad while local accounts remand on the sidelines and, in some cases, started building positions on selective bases.

On a more technical level we don't feel that the nightmare scenario of Bahrain defaulting is on the table, as rest of GCC members who are full of cash as a consequence of oil boom period have the financial and political willingness to bailout the small Kingdom probably through a Vehicle similar to the EU bailout fund.

On another hand, Dubai who led credit free fall during 2009, has held quit well during the past few weeks indicating improved sentiment towards Dubai by investors, and benefiting from decline confidence in Bahrain who is considered direct competitor on both financial services and tourism fronts.

Furthermore, the only positive outcome of current instability, in the short run, could be the significant increase in oil price which will reflect on GCC members budgets and promote the much needed growth figures.

Volatility will remain across regional markets during short run, and as situation stabilize in Bahrain we might see international accounts coming back to the market especially as levels are becoming more tempting, from a risk/reward perspective, and developed markets interest rates remaining on the low side.