

NAV per share : USD 22.94  
 January return : -5.03 %



# Gulf Premier Fund

## January 2007

### Investment Objectives & Strategy

The Fund is designed to achieve long-term capital growth through investment in a diversified portfolio of GCC equities.

Gulf Investment Corporation, the Investment Manager, is an experienced GCC investor and will pursue active management of the fund to add value utilizing the skills of a dedicated research and trading team.

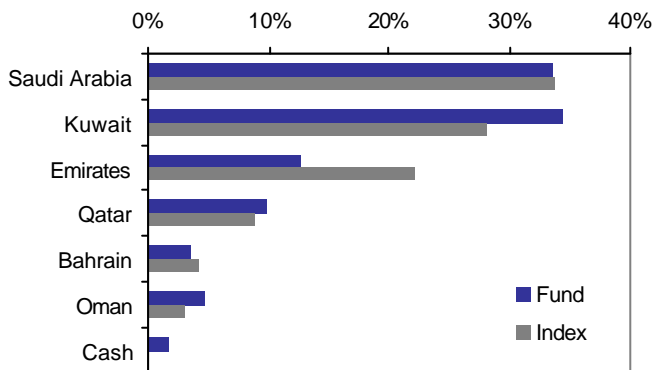
The GIC GCC Composite Index covers all six GCC markets. It is US dollar based and market cap weighted excluding government ownerships. It contains 184 companies with a total private sector cap of \$270 billion. Securities are selected based on float and trading liquidity.

### General Information

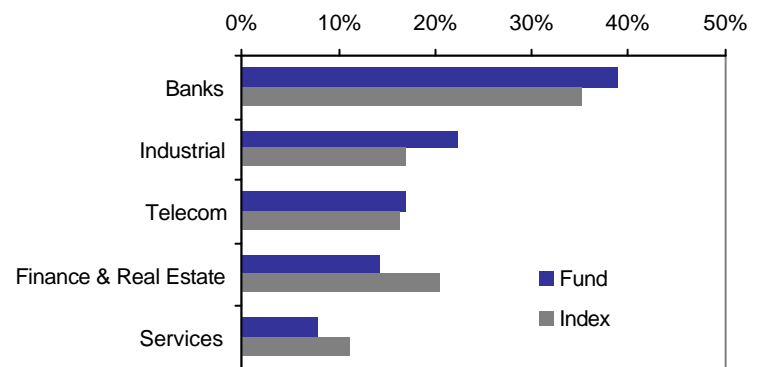
Launch Date: April 12<sup>th</sup>, 2003  
 Jurisdiction: Bahrain  
 Currency: U.S. Dollars  
 Subscription / Redemptions: Weekly at NAV  
 Minimum Subscription: US\$ 100,000  
 Investment Manager: Gulf Investment Corporation  
 Management Fees: 1.5% per annum  
 Performance Fees: 10% of returns above 10% per annum  
 Subscription Fees: 2%

### Portfolio Structure

**Country Allocation**  
as of 1 January 2007



**Sector Allocation**  
as of 1 January 2007



Fund Size: \$122.6 MM  
 Number of Holdings: 106

### Performance Results

	Jan 07	YTD	Rolling 12 mths	* Since Inception	2007						2006			
**The Fund %	-5.03	-5.03	-43.17	129.43	Jan	Feb	Mar	Apr	May	Jun	1Q	2Q	3Q	4Q
**The Fund %	-5.03	-5.03	-43.17	129.43	-5.03						-7.3	-14.9	-6.2	-36.6
***GIC Index %	-6.13	-6.13	-49.47	174.19	-6.13						-4.8	-20.4	-3.37	-22.3
					Jul	Aug	Sep	Oct	Nov	Dec	2005			
											1Q	2Q	3Q	4Q
											33.9	22.0	9.5	3.6
											41.3	28.9	10.1	8.1

\* Cumulative return since April 12<sup>th</sup> 2003

\*\* Performance is net of all fees

\*\*\* The GIC GCC Composite Index is not a benchmark for measuring the performance of the fund. It is used primarily as an asset allocation tool to determine country and sector allocation.

2003				2004			
2Q	3Q	4Q	1Q	2Q	3Q	4Q	
15.0	12.8	3.2	8.6	7.7	11.5	19.9	
15.0	15.4	5.4	12.5	8.7	13.9	21.4	

**Market Performance Review**

Index Value

	<u>Composite</u>	<u>Saudi</u>	<u>Kuwait</u>	<u>Emirates</u>	<u>Qatar</u>	<u>Bahrain</u>	<u>Oman</u>	<u>Banking</u>	<u>Telecom</u>
<b>Closing Value (January)</b>	4864	3507	6803	5206	6279	2475	3041	4767	3841

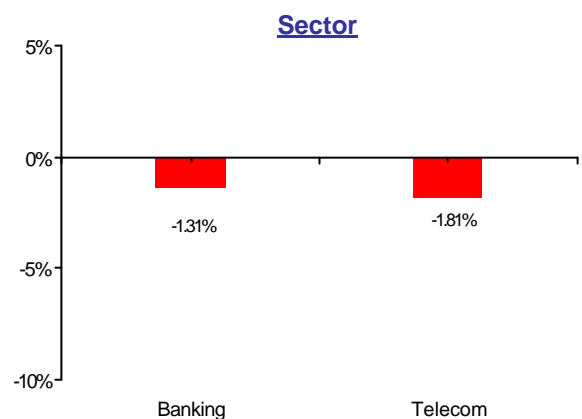
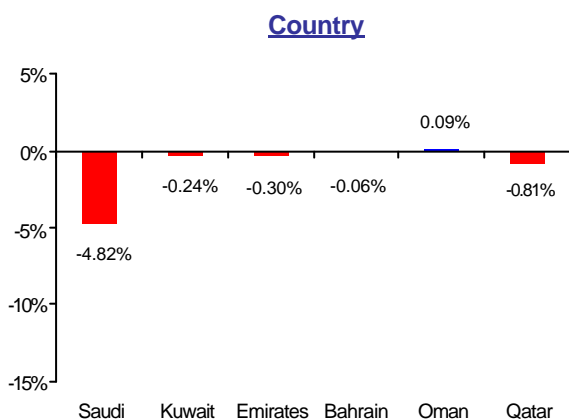
Index Performance (%)

<b>January (%)</b>	-6.13	-13.05	-0.86	-1.34	-9.64	-1.50	3.00	-8.02	-8.02
<b>YTD (%)</b>	-6.13	-13.05	-0.86	-1.34	-9.64	-1.50	3.00	-8.02	-8.02
<b>2006 Return (%)</b>	-43.1	-58.2	-4.0	-43.9	-40.6	8.2	2.8	-33.5	-32.6
<b>2005 Return (%)</b>	116.8	124.3	84.5	140.9	101.7	25.8	48.2	110.7	59.5
<b>2004 Return (%)</b>	69.2	94.9	13.5	114.1	49.0	46.8	36.3	70.3	41.7
<b>2003 Return (%)</b>	57.4	59.9	62.4	32.2	87.9	44.3	62.9	42.0	78.0
<b>Since Fund Inception (%)</b>	174.2	137.6	184.4	255.0	125.4	170.9	189.2	199.7	111.6

Index Technicals

GIC Composite Index Closing Value	4864.06	Rising issues	50
January Performance	-6.13%	Declining issues	132
Market cap	269.7 BN	Unchanged	2
Value traded January	43.36 BN		
Value traded previous month	39.32 BN		

January Index Performance



**Fund Performance Review**

The GIC Composite Index closed at 4864.06 during January 2007, registering a -6.13% change for the month. Saudi Arabia and Qatar were the biggest negative contributors with performance of -13.05% and -9.64% respectively. Kuwait (-0.86%), Bahrain (-1.5%) and UAE (-1.34%) traded slightly downwards. Oman was the only positive contributor (3.0%) during January. The Gulf Premier Fund ended the month by losing -5.04% of its value, nevertheless out-performing the GIC Composite Index by 1.09%-units.

Market sentiment remained weak during January, especially in Saudi Arabia and Qatar. Results season, especially in Saudi, (4Q'06) did not improve investor confidence, despite firm growth in corporate earnings. Currently, Saudi investors seem to put more emphasis on technical analysis than on fundamentals, which will likely preserve the market volatility, but also offer opportunities for selective stock pickers. UAE continues to follow the Saudi market, despite no fundamental justification. Kuwait, Bahrain and especially Oman provide more transparency, analyst coverage and disclosure, better valuation and dividend yields, which justify lower volatility.

Lack of investor confidence and geopolitical pressures remain main concerns going forward. However, economic fundamentals for the Gulf Region look robust, valuations appear to be in line with other emerging markets and corporate earnings growth is likely to remain on track. Market performance is likely to remain modest in the short term as investors adjust their expectations to more reasonable levels and gather confidence.

**Gulf Investment Corporation**

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