# Aafaq Investment Funds
## NBD MENA Fund

*Fund Manager's Commentary*

**June 2007**

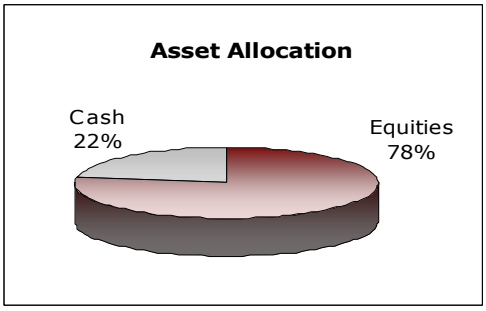
During the month of June the GCC markets ended on a mixed note with two of the six markets moving south. Saudi recorded the highest decline of -9.52% followed by UAE at -2.06%. Saudi was driven mainly by expectations of weak second quarter results in the banking sector and the lack of any positive market catalyst. Bahrain led the gainers rising 6.77% while Oman and Kuwait rose 2.92% and 1.60% respectively. Among the other MENA markets Egypt gained 0.29% while Turkey and Morocco declined 4.08% and 3.44% respectively. The NBD MENA Fund recorded a decline of -0.41% to close the month at a NAV of AED9.20 outperforming the Shuaa Arab index, which declined by -2.08%. This performance is mainly attributable to underweighting the Saudi market from 8% to 4% of the NAV (including bonds and cash).

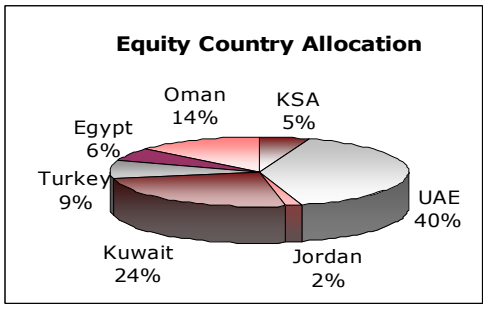
The strategy in June was to realize profits in shares which had registered major gains during May and underweighting markets where, in our opinion, valuations had peaked. We have increased allocation to the UAE from 20% to 30% of the NAV, particularly to the Abu Dhabi market, which we believe offers great value, both on relative and absolute terms and is under a process of re-rating.

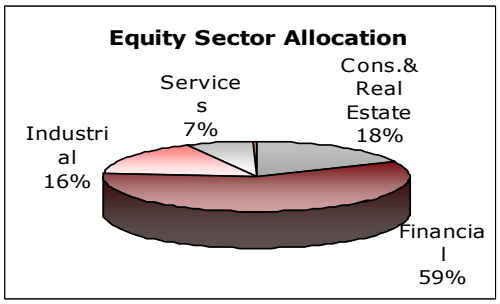
In June, we gradually started to increase our exposure to markets that we felt would outperform in the short to medium term, like Egypt, Turkey and Jordan. We maintained our zero allocation to Morocco as we still believe this market is overvalued and will remain volatile. We believe the banking sector in Jordan offers great value and ripe for consolidation. With Turkey entering election mode and the lira strengthening, market movement has been range bound. We are cautiously building positions on pullbacks.

Going forward, considering the strong gains in most of the GCC markets; we expect the markets to be more challenging, making it harder to find stocks at attractive valuations. We believe stock picking will be the key to achieve higher returns, so will continue to follow our stock driven approach rather than market driven approach. Barring Saudi, we expect the GCC markets to continue their current upward trend, with the second quarter corporate results providing the necessary positive momentum. We expect Egypt and Turkey to remain volatile in the short term.

| FUND PERFORMANCE | |
|---|---|
| **NAV/UNIT (AED)** | 9.20 |
| **Month to Date (%)** | -0.41 |
| **Year to Date (%)** | 11.43 |
| **Since Inception (Nov. 2005) (%)** | -8.00 |
| **2006 (%)** | -17.87 |
| **2005 (%)** | n/a |
| **Annualised Return (%)** (Since Inception) | -5.10 |
| **Annualised Std.Dev. (%)** (Since Inception) | 17.37 |




| TOP EQUITY HOLDINGS* | | | | | |
|---|---|---|---|---|---|
| **Emaar Properties** | 4.9 | **Muscat Fund** | 3.9 | **Burgan Bank** | 3.7 |
| **Dubai Islamic Bank** | 3.3 | **Bank Muscat** | 3.2 | *% of NAV | |

| FUND DETAILS | | | |
|---|---|---|---|
| **Type of Fund** | Open Ended | **Manager** | NBD Investment Bank |
| **Fund Currency** | UAE Dirham | **Subscription/Redemption** | Daily |
| **Min. Initial Subs.(AED)** | 50,000 | **Management Fee** | 2% |
| **Min. Subsequent Subs. (AED)** | 25,000 | **Performance Fee** | 10% gains over hurdle rate of 10% |
| **Bloomberg Code/ Zawya Code** | NBDMENA UH/ NBDMENA.MF | **Redemption Fee** | 1.5% for Investor Yr 1, 1% for Investor Yr 2 |
| **Administrator** | APEX Fund Services (Dubai) Ltd. | **Custodian** | Gulf Investment Corporation |

**INVESTMENT OBJECTIVE –** ***The Fund seeks capital growth by investing in a portfolio of MENA equities & equity linked securities.***

| Head of Asset Management | Fund Management Team |
|---|---|
| Farah Foustok | Fadi Al Said and Anita Shetty |

*This report is provided for information purposes only, and is subject to change without notice. This report is not intended to be an offer, or the solicitation of any offer, to buy or sell any securities. The information contained herein, although believed to be reliable, has not been independently verified. Past performance is not a guarantee for future results. The Fund is operated by the National Bank of Dubai and managed by NBD Investment Bank Ltd.*

*NBD Investment Bank Limited is regulated by the Dubai Financial Services Authority.*

**For enquires:** NBD Investment Bank, P.O Box 777 Dubai, UAE; **Tel:** 04-201 2665/2667; **Fax:** 04-221 7841
**Website:** www.nbd.com