NBD INVESTMENT BANK

Aafaq Investment Funds

NBD MENA Fund

Fund Manager's Commentary ***August 31, 2007***

The GCC markets ended the month of August on a mixed note with four markets heading south and three markets recording positive returns. The Qatari market led the decliners in the GCC with the DSM 20 slipping 1.69%. Bahrain, Abu Dhabi and the Dubai markets declined with BSE ADSM and DFM indices falling 1.61%, 1.25% and 0.42% respectively. The UAE markets, which attracted the majority of foreign investments into the GCC region this month, were the most negatively affected. Two main contributing factors to this impact were; the sub prime crisis that shook financial markets all over the world and Emaar's investor conference call, where they lowered profit expectations from their US subsidiary, However, UAE markets recovered most of their losses, to close marginally lower helped by the cancellation of the Dubai Holding & Emaar land for equity swap deal. Qatar and Bahrain markets were down on profit taking after the respectable gains achieved in the month of July.

The Saudi market continued its stellar performance in August and led the advancers with the Tadawul general index rallying 8.35%. This was driven mainly by the telecom sector (which had positive research reviews) and from the banking sector which is expected to have an easier earnings comparison on a YOY basis. The Omani markets also delivered strong gains in August with the Muscat 30 Index advancing 3.48%, driven mainly by news that Dubai Financial Group will acquire 15% of Bank Muscat through a capital increase. The Kuwaiti market continued its strong performance with the KSE Index advancing 1.08%.

Amongst the other MENA markets, Turkey was the biggest decliner in the month of August, with the ISE 100 losing 8.98%, as a result of turmoil in international credit and financial markets and the negative effect it would have on countries with current account deficits. Egypt also declined heavily with the Hermes index losing 5.23% as a result of weakness in the heavy weight Orascom Telecom, after it lost its license in Iraq through a bidding process. Jordan remained under pressure due to some inflation fears and rising concerns about the real estate sector.

The NBD MENA Fund posted a net decline of 2.70% to close the month at a NAV of AED9.23, this decline was mainly due to the exposure the fund had to Turkey and Egypt in the month of August which underperformed other GCC countries. We think that the worst is over in terms of the ripple effect of the sub prime and credit market problems on the markets under our coverage.

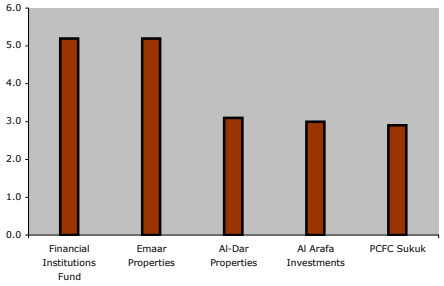
The Fund continued its defensive and diversification strategy in August by cutting down weightings in investments with limited upside and optimizing the fund exposure to the MENA region. The major changes in the asset allocation of the fund, from the previous month, was lowering the cash position from 18% to around 8%; doubling the exposure to the Saudi market to reach 14% of the fund; increasing our exposure in Egypt to 15% from 7% and in Qatar to 6% from 1%. Our largest overweight continues to be the UAE market, as we believe valuations are still attractive and undiscovered value plays continue to exist, specifically on the ADSM.

Emaar continues to be our top holding in the fund, as we strongly believe that these levels are very attractive entry points. Investors are focusing too much on short term headline effects yet ignoring various positive catalysts on the horizon.

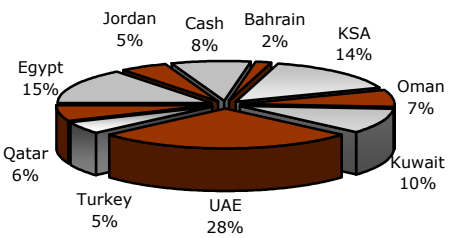
In light of the strong gains seen in most of the GCC markets; we anticipate a more challenging environment for value investing, going forward. We believe prudent stock picking will increasingly be the determining factor to achieve consistently high returns.

FUND DATA	
NAV/UNIT (AED)	9.23
Fund Size (AED)	370mn
Returns: Month to Date (%)	-2.70
Year to Date (%)	11.78
Since Inception (%) (Nov 2005)	-7.66
Annualized Returns:	
2005 (%)	n/a
2006 (%)	-17.87
Since Inception (%)	-4.45
Annualized Std. Dev. (%) (Since Inception)	16.79
P/E (Trailing)	15.70

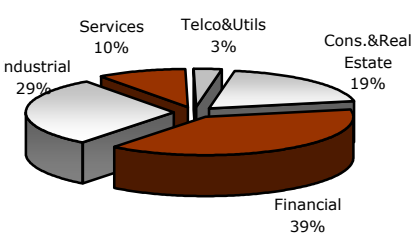
Top Equity Holdings (% of the NAV)



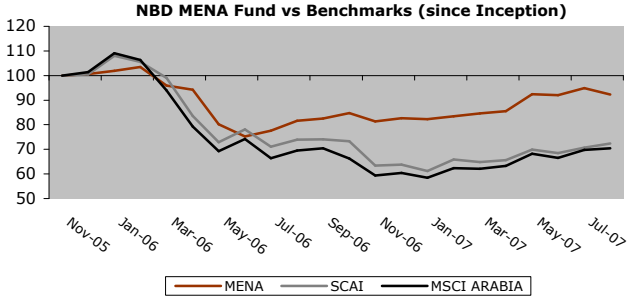
Asset Allocation



Equity Sector Allocation



NBD MENA Fund vs Benchmarks (since Inception)



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**	2.00%
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 listed equities

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

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

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