Aafaq Investment Funds
NBD MENA Fund

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

The GCC markets ended the month of July on a strong note with only one market heading south and five markets recording positive returns. The UAE market was the only one to decline in July, with the UAE index slipping -4.88% (DFM -3.07% & ADSM -1.81%). This was driven mainly by the disappointment in Emaar results, which missed analysts' consensus estimates. Additionally, the UAE market has recently attracted many international, institutional investors and was therefore also slightly affected by the sell off that occurred in global emerging markets. The Saudi market was the best performer in the month of July, with the Saudi index posting gains of 8.10%, driven mainly by better than expected results by the heavy weights, like SABIC and STC. Furthermore, the new cement capacity additions reflected positively on cement companies' bottom line. Bahrain continued its strong performance, with the Bahrain index delivering gains of 6.67%, supported by the strong gains in heavyweights in the banking sector, due to some acquisition activity. The Kuwaiti, Qatari and Omani indices have posted gains of 3.45%, 3.66% and 1.38% respectively. In expectation of strong Q2 results, these markets witnessed strong market rallies, followed by some profit taking on the earnings announcements.

Amongst the other MENA markets, Turkey was the biggest gainer in the month of July, with the ISE 100 gaining 14.39%, but then suffered a strong correction, towards the end of the month, in tandem with other international markets. The main driver for the Turkish markets was the general elections, which resulted in renewed support for the existing ruling party. They boast an excellent track record in economic reforms and more noteworthy, the ability to successfully lower inflation, strengthening the Lira; which reflected positively on the appetite for Turkish equities. Egypt and Morocco rose 4.42% and 1.43% respectively, in the month of July, while Jordan declined -1.34% in the same period.

The NBD MENA Fund posted a net gain of 3.11% to close the month at a NAV of AED9.49, in line with the Shuaa Arab index, which gained 3.2 %. Although the fund was overweight the UAE; an underperformer in July, the increased exposure to Turkey compensated for this and the fund was able to deliver solid returns this month.

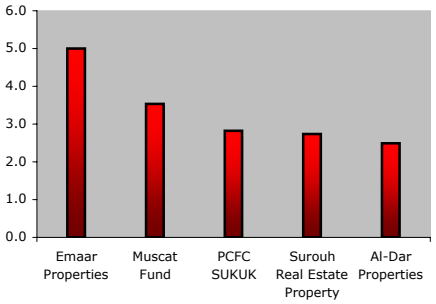
The Fund continued its defensive strategy in July by cutting down weightings in investments with limited upside and optimizing the fund exposure to the MENA region. The major changes in the asset allocation of the fund, from the previous month, was lowering the cash position from 22% to around 18%; increasing selective exposure to the Saudi market; decreasing significantly the exposure to the Kuwaiti market from 18.4% to around 12% and almost doubling the exposure to Turkey. 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.

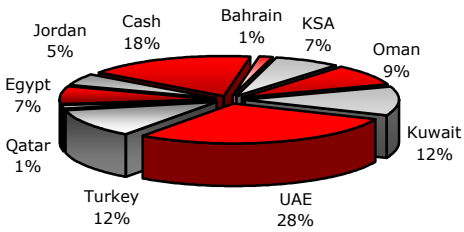
In light of the strong gains seen in most of the GCC markets; we anticipate a more challenging environment for value investing, going forward. We believe prudent stock picking will increasingly be the determining factor to achieve consistently high returns.

FUND DATA	
NAV/UNIT (AED)	9.49
Fund Size (AED)	381Mn
Returns: Month to Date (%)	3.15
Year to Date (%)	14.88
Since Inception (%) (Nov 2005)	-5.10
Annualized Returns:	
2005 (%)	n/a
2006 (%)	-17.87
Since Inception (%)	-4.85
Annualized Std. Dev. (%) (Since Inception)	17.37
P/E (Trailing)	13.6

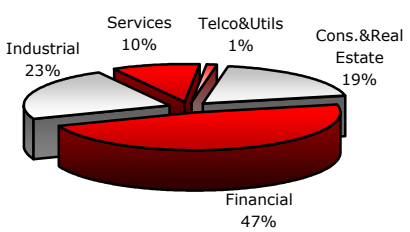
Top Equity Holdings (% of the NAV)



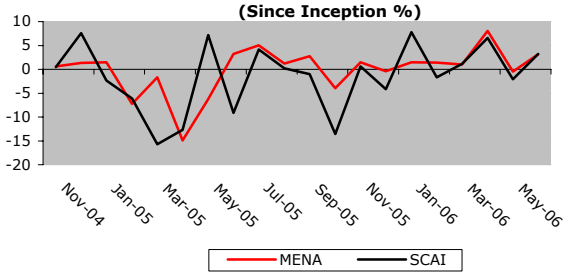
Asset Allocation



Equity Sector Allocation



NBD MENA Fund Performance vs Benchmark (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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