An Emirates NBD Company

NBD INVESTMENT BANK

Aafaq Investment Funds

NBD Mena Fund

Fund Manager's Commentary ***December 2007***

The GCC markets delivered stellar performance in the month of December on the back of renewed retail interest in equity markets and the continuation of buying from international investors. The fourth quarter gains helped GCC markets significantly to achieve excellent returns for the year 2007. The best performing market in December was the Saudi market with returns reaching 18.1%, catching up with the other GCC markets after being a laggard in the first three quarters. This major move in December for Saudi was on the back o f strong gains in SABIC, on expectations of record profits for the fourth quarter and the year and the banking sector which is expected to return to growth next year. Other strong movers were UAE markets, where ADSM and DFM delivered strong gains of 9.3% and 10.80% respectively, as we saw a broad rally in these markets that included most of the sectors. The other GCC markets also delivered solid returns with Oman, Bahrain, Kuwait and Qatar up 7%, 5.5%, 4.2% and 2.3% respectively.

This strong move in GCC markets caused a positive spill over effect on other MENA markets, where we saw strong gains in markets like Egypt and Jordan where gains reached 8.3% and 7.7% respectively in December. Alternatively Morocco remained flat in December, as investors were reluctant to enter the market at current valuations.

This positive momentum is expected to carry into the new calendar year 2008, for at least the month of January as investors will be encouraged by excellent returns achieved during the year 2007. However it is worth mentioning that we have witnessed increased speculative activity and momentum driven trading. If this continues it could drive markets into a danger zone, where any negative surprise could result in strong corrections. The valuation gap between the region and other emerging markets has now been closed, which could slow the flow of new international capital into the region.

The fund will continue its defensive strategy in 2008, to preserve and build on the strong gains achieved in December and the full year. Current valuations and extreme bullishness among retail investors are concerning factors in the current environment. The fund sold into market strength in positions that we viewed as either having reached or exceeded our estimated fair value. We maintained the same weightings on some of our long term core holdings and took advantage of pullbacks to build new positions or add to existing ones. A major change to our allocation was reducing our Saudi country allocation from around 18% to 6% as we took advantage of the strong move in the Saudi market to lock in some profits. We also doubled our exposure to Turkey as we saw some exciting opportunities in the Turkish market at these levels.

We have also marginally increased the exposure to Egypt from 14% to 18%, as our latest visit to Egypt to meet with companies has strengthened our bullish long term view on Egypt.

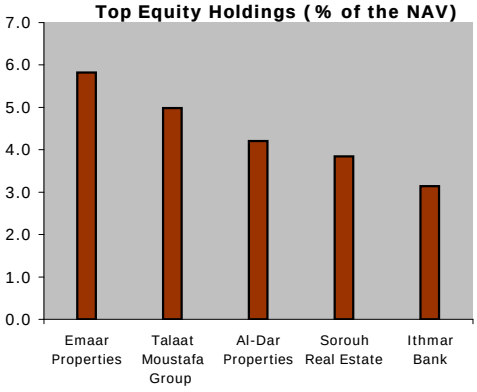
The fund unit price increased 10.27% in December and stood at AED 11.70 to end the year with a total net return of 41.62%.

Emaar and Abu Dhabi real estate companies continue to be our biggest over weights in the fund, as we strongly believe that shares continue to offer more upside than downside at these levels. It is also worth mentioning that Al Dar and Sorouh, which were among our top holdings for the second half of the year 2007, were the best performing stocks in the whole region with gains in excess of 200%. We saw newcomers to the top holdings list as we increased our weightings considerably in Ithmar bank in Bahrain. The bank trades very close to its book value and has a promising growth story. We have over weighted Talaat Moustafa Group, a company which in our view has great prospects with a huge land bank and an excellent management team in place to deliver sustainable growth.

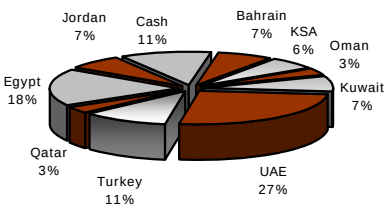
In general, we expect the year 2008 to be positive. However, this will not come without volatility, as we expect to see some earnings disappointment during the year as many companies have priced in aggressive growth prospects.

FUND DATA	
NAV/UNIT (AED)	11.70
Fund Size (AED mn)	449
Returns: Month to Date (%)	10.27
Year to Date (%)	41.62
Since Inception (%) (Nov 2005)	16.99
Annualized Returns:	
2005 (%)	n/a
2006 (%)	-17.87
Since Inception (%)	7.83
Annualized Std. Dev. (%) (Since Inception)	18.45
P/E (Trailing)	18.92

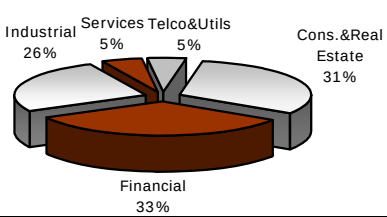
Top Equity Holdings (% of the NAV)



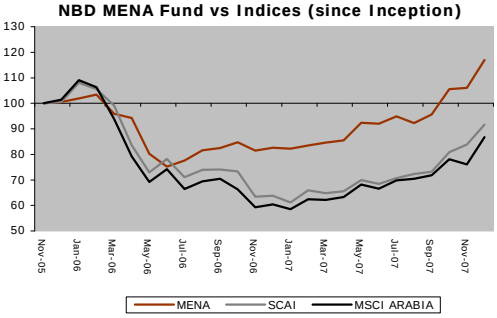
Asset Allocation



Equity Sector Allocation



NBD MENA Fund vs Indices (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	**Subs. / Redemption Fee**	Up to 2.5%/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.

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

Website: www.nbd.com