

January 31, 2012

## PERFORMANCE REPORT



NAV Per Unit OMR 0.894\*

Total Net Asset Value OMR 8.305 M - US\$ 21.567 M

\*Please refer to weekly NAV for subscription/redemption / NAV Adjusted for 6% Bonus Units

|                       |                   |                     |                   |
|-----------------------|-------------------|---------------------|-------------------|
| <b>Bloomberg Code</b> | <b>OMALARA OM</b> | <b>Reuters Code</b> | <b>LP68032666</b> |
| <b>Zawya Code</b>     | <b>OABOAAF.MF</b> | <b>MSM Code</b>     | <b>OMANARAB</b>   |

## Fund Objectives

The Fund is an open-ended equity mutual fund which offers exposure to the listed equity in Oman coupled with the possibility of capturing emerging opportunities in listed equities in other GCC countries, and aims to a combination of capital growth and dividend income.

## Key Features

|                    |  |                  |                                      |          |
|--------------------|--|------------------|--------------------------------------|----------|
| Domicile           | Sultanate of Oman                      | Founders         | Oman Arab Bank                       | Ominvest |
| Reference Currency | Omani Rials (OMR)                      | Inception Date   | December 22, 2009                    |          |
| Fund Type          | Open-ended                             | Management Fees  | 1.5% per annum                       |          |
| Unit Nominal Value | OMR 1.000                              | Performance Fees | 15% of amount exceeding 10% over NAV |          |
| Valuation          | Weekly                                 | Fund Manager     | Oman Arab Bank - IMG                 |          |
| Minimum Investment | 1,000 Units and multiples of 100 Units | Custodian        | National Bank of Oman S.A.O.G.       |          |
| Maximum Investment | No maximum                             | Administrator    | Oman Arab Bank – IMG                 |          |
| Subscription Fees  | From 1.50-2.50% depending on amount    | Legal Advisor    | Said Al Shahry Law Office            |          |
| Redemption Fee     | 1.5%                                   | Auditor          | Price Waterhouse Coopers             |          |

## Performance Vs. Other Indices – 2012

|                       | Jan    | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | YTD    |
|-----------------------|--------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|--------|
| OAF                   | -1.26% |     |     |     |     |     |     |     |      |     |     |     | -1.26% |
| S&P GCC Index         | 1.62%  |     |     |     |     |     |     |     |      |     |     |     | 1.62%  |
| Bloomberg GCC200      | 0.87%  |     |     |     |     |     |     |     |      |     |     |     | 0.87%  |
| MSM30 Index           | -2.35% |     |     |     |     |     |     |     |      |     |     |     | -2.35% |
| Al Arabi Oman20 Index | -2.00% |     |     |     |     |     |     |     |      |     |     |     | -2.00% |

## Performance Vs. Other Indices – 2011

|                       | Jan    | Feb     | Mar   | Apr   | May    | Jun    | Jul    | Aug    | Sept   | Oct    | Nov    | Dec   | YTD     |
|-----------------------|--------|---------|-------|-------|--------|--------|--------|--------|--------|--------|--------|-------|---------|
| OAF                   | -0.38% | -9.93%  | 6.39% | 4.52% | -4.10% | -1.37% | -1.97% | -2.09% | -2.39% | 0.79%  | -2.67% | 3.52% | -10.21% |
| S&P GCC Index         | -2.63% | -6.55%  | 6.06% | 3.16% | -1.85% | -2.04% | -2.60% | -4.89% | 0.68%  | 1.83%  | -1.81% | 2.83% | -8.22%  |
| Bloomberg GCC200      | -2.72% | -6.32%  | 5.95% | 2.85% | -2.06% | -1.56% | -2.08% | -4.31% | -0.20% | 1.29%  | -1.94% | 2.00% | -9.30%  |
| MSM30 Index           | 1.24%  | -10.18% | 0.41% | 2.73% | -5.17% | -1.52% | -1.83% | -0.70% | -2.86% | -0.26% | -3.00% | 5.07% | -15.69% |
| Al Arabi Oman20 Index | 0.86%  | -13.40% | 0.20% | 4.96% | -5.36% | 0.25%  | -2.33% | 0.19%  | -3.00% | 2.21%  | -2.31% | 7.14% | -11.50% |

## Performance Vs. Other Indices – 2010

|                       | Jan | Feb | Mar   | Apr    | May     | Jun    | Jul   | Aug    | Sept  | Oct   | Nov    | Dec   | YTD    |
|-----------------------|-----|-----|-------|--------|---------|--------|-------|--------|-------|-------|--------|-------|--------|
| OAF*                  |     |     | 3.14% | 1.34%  | -7.10%  | -1.89% | 3.33% | -0.89% | 3.12% | 1.48% | 1.15%  | 2.60% | +5.95% |
| S&P GCC Index         |     |     | 5.33% | 0.36%  | -10.63% | -1.57% | 4.29% | -0.73% | 6.20% | 0.99% | -0.59% | 4.58% | +8.23% |
| Bloomberg GCC200      |     |     | 6.17% | -0.17% | -10.33% | -1.54% | 3.81% | -0.84% | 6.22% | 2.18% | -0.22% | 3.67% | +8.95% |
| MSM30 Index           |     |     | 0.71% | 1.98%  | -7.85%  | -3.75% | 3.90% | -0.60% | 3.45% | 1.24% | 0.59%  | 2.47% | +1.57% |
| Al Arabi Oman20 Index |     |     | 1.35% | 4.54%  | -10.28% | -0.44% | 4.18% | -0.62% | 3.28% | 2.04% | 2.17%  | 3.27% | +8.95% |

\*Since March 4, 2010, date of first NAV



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### Monthly Commentary

The NAV at the end of the month stood at RO 0.894, posting a retreat of 1.26% from the previous month. In the meantime, the MSM index closed at 5,561.39 points, recording a negative monthly return of 2.35% when compared to the previous month. Both the S&P GCC Index and the Bloomberg GCC Index managed to achieve positive returns during the first month of the year, posting gains of 1.62% and 0.87% respectively.

During the month, H.E. Hamood Sangour al-Zadjali announced that both Islamic banks, Bank Nizwa and Al Izz International Bank, will offer shares through an initial public offering by June this year. Also, the Sultanate declared its 2012 budget, surpassing the previous budget to become the largest in its history. The budget proved the government's commitment to the '2020 Vision', as more focus was given to the industrial and tourism fields, registering a 10% growth in non-oil sectors versus a 2% growth in the oil-sector. The main concern arising from the budget announcement is the method of mitigating any possible inflation due to the large fiscal spending to be endured. Continuing with macro-level announcements, the Sultanate has entered in cooperation deals with some neighboring nations along with those from European countries. These include deals regarding the refinery sector, industrial port sector and the renewable energy sector. Such announcements cement the attractiveness and many opportunities in the nation, despite this not being reflected in the securities market.

GCC markets were being affected by geopolitical concerns regarding the Strait of Hormuz. This pressurized both UAE markets leading the Dubai Financial market to reach its lowest level since 2004 and the Abu Dhabi market to reach its lowest levels since 2009. However, this was short-lived, as company results and dividend announcements proved to bring much needed support to the markets and ended the months with large gains. The Dubai Financial Market recorded monthly returns of +6.08% while the Abu Dhabi Securities Exchange posted a return of +2.17%. The Saudi Stock Exchange also posted positive returns of 2.73%, while the Qatar Exchange ended the month as the biggest loser, with losses of 2.40%.

On the international front, ratings agency S&P downgraded the debt of several euro zone countries including France and Austria while keeping Germany's debt at the AAA level. It is worth noting that international investors seem to be absorbing negative impacts with much less panic, as the same can be said regarding the Greek debt crisis.

It is worth mentioning that with the month of January bringing the release of financial results for the year ending 2011, multiples in the local market (P/E and P/BV) are getting attractive and provide several good investment opportunities. Net profit increased annually by 5% till date (26 January 2012) with both the financial and services sectors performing well. Besides, total announced cash dividend distribution for 2011 till date (26 January 2012) stood at RO 81.5mn compared with 65mn for the same companies for 2010, with a huge annual increase of 25.4%.

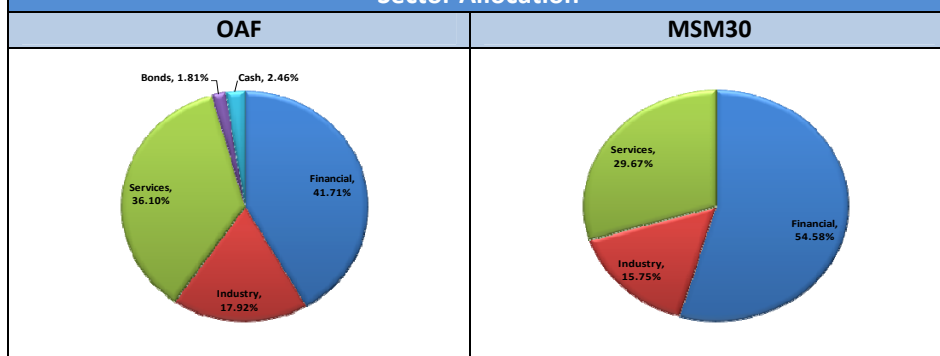
#### Future Outlook:

Following unit-holder approval, during the Fund's EGM held on January 29<sup>th</sup>, 2012, on increasing the investment limits of the Oman al Arabi Fund in GCC markets from 25% to 50% and to include MENA region markets, the Fund manager will look to take advantage of more opportunities in the region, with focus given to stocks with high dividend yields and sound fundamentals, in addition to taking advantage of any trading opportunities that may arise.

#### Top 5 Holdings

| Security                     | Country | %      |
|------------------------------|---------|--------|
| Oman Telecommunications      | Oman    | 10.01% |
| Bank Muscat                  | Oman    | 9.91%  |
| National Bank of Oman        | Oman    | 8.36%  |
| Oman International Bank      | Oman    | 7.05%  |
| Oman Qatari Telecom (Nawras) | Oman    | 5.97%  |

#### Sector Allocation



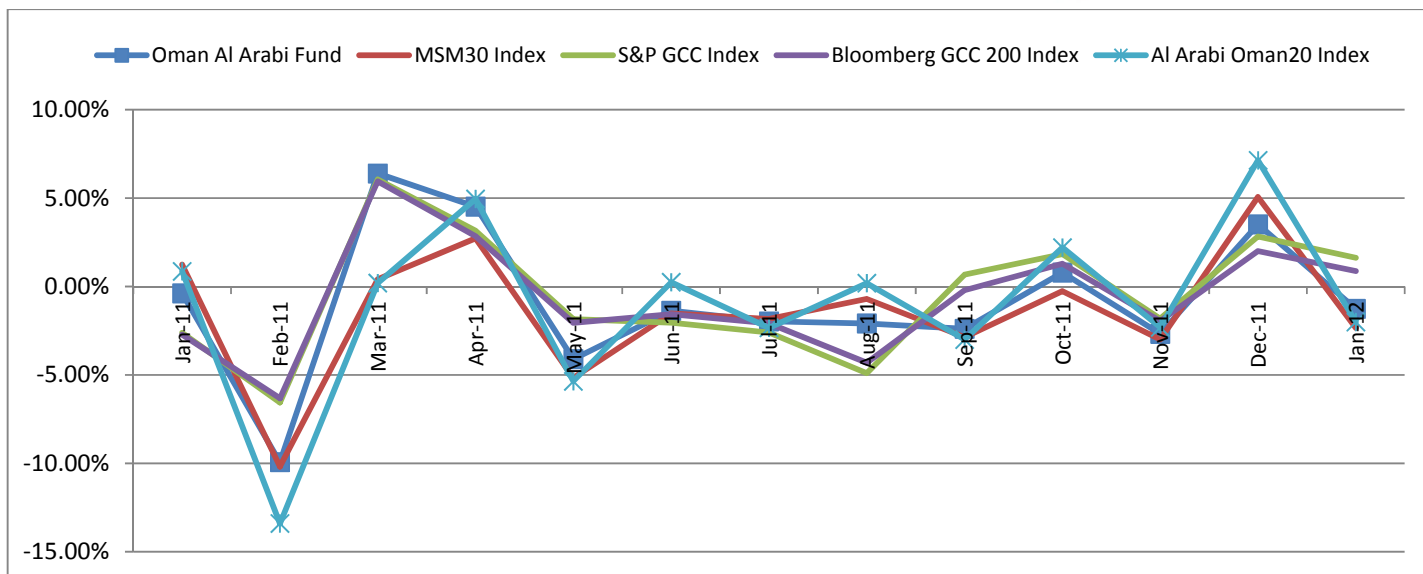
#### Monthly Performance Vs. Other Indices (Last 12 Months)



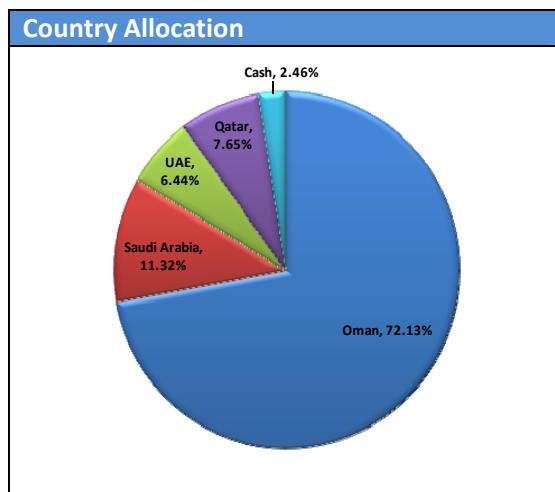
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| Performance Statistics |         |         |                  |         |                       |
|------------------------|---------|---------|------------------|---------|-----------------------|
|                        | OAF     | S&P GCC | Bloomberg GCC200 | MSM30   | Al Arabi Oman20 Index |
| YTD                    | -1.26%  | +1.62%  | +0.87%           | -2.35%  | -2.00%                |
| MTD                    | -1.26%  | +1.62%  | +0.87%           | -2.35%  | -2.00%                |
| 3-Month                | -0.51%  | +2.60%  | +0.89%           | -0.48%  | 2.57%                 |
| 6-Month                | -4.16%  | +0.04%  | -2.41%           | -4.25%  | +1.89%                |
| 12-Month               | -10.99% | -4.21%  | -5.95%           | -18.68% | -14.01%               |



| NAV Publication |  |                  |  |
|-----------------|--|------------------|--|
| OAB – IMG       | <a href="http://www.oabinvest.com">www.oabinvest.com</a> | Local Newspapers | Al Roya, Muscat Daily                            |
| MSM             | <a href="http://www.msm.gov.om">www.msm.gov.om</a>       | Zawya            | <a href="http://www.zawya.com">www.zawya.com</a> |
| Bloomberg       | OMALARA OM   | Reuters          | LP68032666                                       |

**Disclaimer**

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