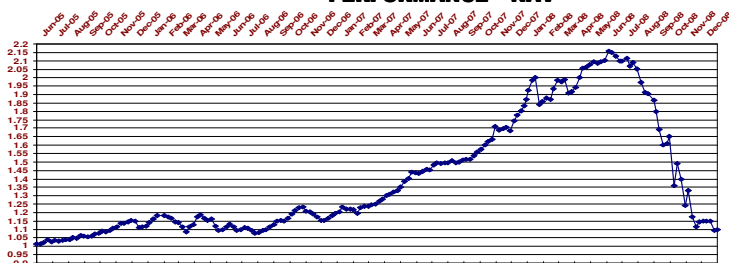




FUND OBJECTIVE

The primary objective of the Fund is to maximize the risk-adjusted return, as measured by the Sharpe Ratio. It follows a flexible asset allocation policy with investments spread across a diversified range of investment options including alternative investments.

PERFORMANCE – NAV#



Adjusted for Dividend

COMMENT

The December month was yet another dismal one for GCC markets as MSCI GCC fell 2.3%. Gulf markets have lost heavily in 2008 as investors revalued regional shares amid the global credit crises and a sharp fall in oil prices.

The Dubai & Abu Dhabi's Markets both underperformed other markets as their general indices lost 16.7% & 13.9% respectively. In Abu Dhabi the telecommunication sector & Real estate sector were the worst hit & declined by 20.24% & 20.09% respectively. In Dubai The utilities & real estate sectors plummeted by 32.5% & 23.7% respectively.

The Tadawul All Share Index was up marginally for the month increasing 1.4%. Hotel & tourism & Insurance sectors surged by 12.84% & 6.47% respectively.

The Doha Securities Market performed exceptionally well and ended up 13.4% due to support of Government initiatives.

The Kuwait Stock Exchange was down 12.3% during the month. The investment & Industry sector were among the worst performers losing 14.35% & 11.95% respectively.

In Oman, the much awaited market stabilization fund has yet to start its operations which affected both sentiment and stock prices.

The Bahrain stock exchange too ended in red declining 7.4%. Banking & investment sector fell by 11.82% & 8.84% respectively.

The Fund expects fourth-quarter earnings to set the tone for next year as the region grapples with slower economic growth as a fallout of the global crisis.

The global financial turmoil coupled with declining oil prices are the prime reasons for the continued lackluster performance of the GCC bourses. However, the GCC governments' initiatives to support their respective economies via easing monetary policies and financial support are beginning to work as witnessed in Saudi and Qatar markets in December. Other positives are that credit market conditions globally have improved and oil prices have come off its lows and staged a brief rally. Governments on their part have not cut back on fiscal spending nor backtracked on projects of national importance. The fund expects momentum in markets, to pick up once global uncertainty abates and would continue value driven stock picking.

	Sharpe Ratio	Std. Dev.	Returns since 2-Jun-05	*YTD Returns	Dec 2008 Returns
VEGF	-0.03	19.64%	8.35%	-41.34%	-4.19%
MSCI GCC	-0.78	29.02%	-55.01%	-56.78%	-2.27%
MSCI GCC Ex Saudi	-0.76	23.46%	-43.38%	-53.61%	-12.13%
MSCI KWT	-0.29	25.12%	-18.62%	-47.45%	-17.71%
MSCI Oman	-0.47	26.63%	-33.28%	-47.18%	-12.20%
MSM 30	0.05	23.91%	11.20%	-39.78%	-13.13%
MSCI Qatar	-0.24	30.90%	-23.71%	-28.26%	19.17%
MSCI UAE	-0.90	38.39%	-74.25%	-73.20%	-12.33%
MSCI Bahrain	-1.24	21.06%	-57.13%	-54.89%	-26.32%
MSCI Saudi	-0.63	38.01%	-61.76%	-58.46%	8.26%

ASSET BREAK UP

Listed Equities	85.78%
Unlisted Equities	1.02%
Cash & Cash Eq	13.20%

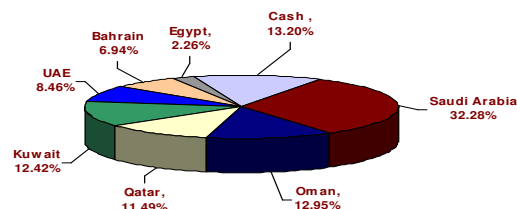
**NAV: 0.595 (Ex Dividend) {1.547USD}

** Adjusted NAV: 1.096 {2.850USD}

(adjusted for bonus & dividends, assuming dividends are reinvested)

Fund Type	Open Ended
Reuters Symbol	VGFO.M
Global Custodian & Administrator	Gulf Clearing Company, Kuwait
Auditors	KPMG
Date of Inception	May 19, 2005
Returns	8.35% (since June 2, 2005 including the dividend payout)
YTD Returns	-41.34%
Annualized Sharpe Ratio	-0.03
Annualized Standard Deviation	19.64% (since inception)
Highest Monthly Return	10.93% (December 2007)
Least Monthly Return	-24.75% (October 2008)
Dividend paid for 2005	8.00% (April 2006)
Dividend paid for 2006	8.00% (March 2007)
Bonus Paid for 2007	60% (March 2008)

COUNTRYWISE ALLOCATION



TOP 5 HOLDINGS

Scrip	Country	% Exposure
Mohammed Al Moji	Saudi Arabia	3.99%
SAFCO	Saudi Arabia	3.78%
Oman Tel	Oman	3.60%
Al Marai	Saudi Arabia	3.40%
Qatar Islamic Bank	Qatar	3.21%

SECTOR HOLDINGS

