

Almadar US Index Fund

Almadar Finance & Investment
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Fund Manager

Almadar Finance & Investment

Benchmarking Index

Almadar US Index

Administrator / Custodian

Gulf Clearing Company BSC

Placement Agent

Almadar Finance & Investment

Equity Broker

Societe Generale (SG Cowen)

Bahraini Representative

Gulf Clearing Company BSC

Lawyer

Al Mahmood & Zubi, Bahrain

Minimum Investment

US \$10,000

Upfront Fees

Up to 1%

Redemption Fees

USD 150 per transaction

Management Fees

0.60% for initial USD 25 million

0.50% for above USD 25 million

Redemption/Subscription

Biweekly (Tuesday)

Investment Objective

The Fund aims to offer investors, including those with relatively smaller sums, an opportunity to invest in a liquid and diversified investment with a superior track record, both conveniently and economically.

The Fund aims to achieve capital appreciation with optimum returns through investing in the constituents of the Index. Income and dividends are not the investment objectives of the Fund.

The Fund shall be tracking the Almadar US Sharia Compliant Index with the objective of approximating its performance before the deduction of the Fund's fees and expenses.

Fund Characteristics

Fund Size as at 2/28/2007 **\$11,874,113**

NAV per share **\$1.416**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

Top 10 Sectors

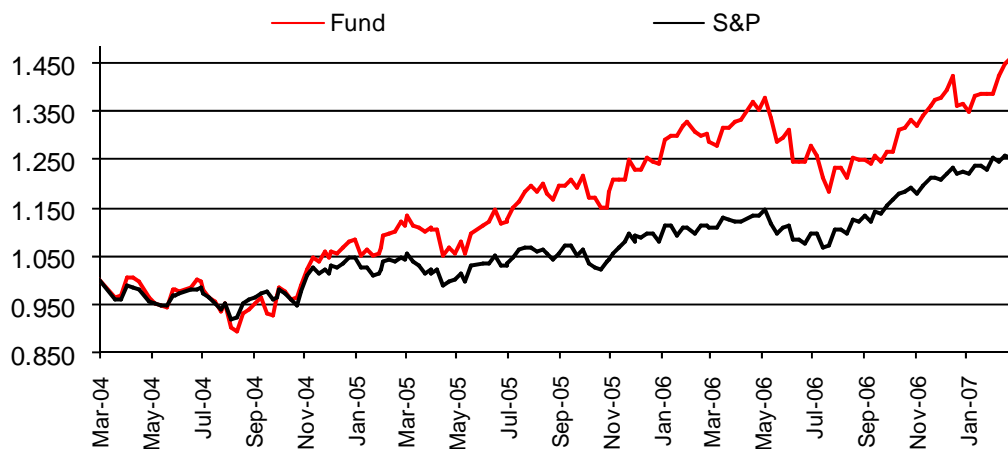
Sector	%
Retail	13.680%
Oil & Gas	11.866%
Pharmaceuticals	6.468%
Oil & Gas Services	4.595%
Computers	3.955%
Software	3.834%
Telecommunications	3.807%
Transportation	3.683%
Semiconductors	3.625%
Internet	3.514%

Performance Summary

Since inception the Fund has returned 41.62%, while the Standard & Poor 500 Index returned 21.70%. Hence, since inception the Fund has out-performed the S&P 500 by 19.92%.

Similarly, since inception the fund has had an annualized return of 12.30% while the S&P 500 has had an annualized return of only 6.77%. Hence, the Fund has out-performed the S&P 500 by an annualized return of 5.53% net of fees.

Comparison Graph



Market Outlook

There must have been plenty of smiles at the Federal Reserve's holiday party. Economic conditions perked up toward the end of the year, as unseasonably mild weather and a drop in gasoline prices helped produce solid gains in consumer spending. Even home sales and motor vehicle purchases picked up during the quarter. The only downside to all this good news is that prospects of a rate cut in early 2007 melted away quicker than hopes for a White Christmas on the East Coast.

Forecasters that were looking for the housing bust to pull down the overall economy are now looking pretty silly. There has been only a modest spillover from the housing slump to other parts of the economy, even though sales and construction are slowing much more rapidly than even the most pessimistic projections.

Holiday retail sales appear to have increased around 6.5 percent from their year ago level, with huge gains in purchases of flat panel televisions and home electronics offsetting disappointing sales of winter apparel. Some forecasters are still looking for the housing correction to cut into consumer spending growth in 2007, as slight declines in home prices bring the wealth effect to a screeching halt. Spending will now rise much more closely in line with income, not outpace it as it did in the past.

Fortunately job and income growth remain quite strong. Non-farm payrolls increased by 167,000 in December and ended the year with a net gain of around 2 million jobs. The payroll figures will also be revised higher in February, with the BLS already disclosing that 800,000 more jobs were added between March 2005 and March 2006 than have currently been reported. Industrial output appears to have declined during the fourth quarter, marking the first drop in three and a half years. While most of the decline was in motor vehicles, small declines also took place in housing related sectors, such as lumber, furniture and carpeting.

The combination of stronger consumer spending and a drop in

industrial output means that inventories were likely drawn down during the fourth quarter. Imports also declined during the period. We are looking for inventories to rise by \$24 billion in the fourth quarter, which is about \$30 billion less than the prior period and should subtract 1.1 percentage points from fourth quarter growth. A large part of this decline results from a drawdown in domestic motor vehicle inventories.

Business fixed investment is still largely missing in action. The orders and shipments data point to very little growth in business fixed investment during the fourth quarter and a slight decline in the first quarter of 2008. Investment outlays should pick-up over the course of the year, however, as capacity utilization remains relatively high and corporate profit growth remains strong. We are now forecasting only one quarter point cut in the federal funds rate, which most likely comes toward the end of the second quarter. By then, core inflation should be slightly below the upper end of the Fed's target range and the unemployment rate should be a few tenths of a percentage point higher than it is currently. The case for a rate cut, however, is weaker than it was a month ago and the rhetoric from the Federal Reserve is not supportive of such a move. At least not at the present time.

Top Twenty Holdings

Company	Ticker	% Holding
BROCADE COMMUNICATIONS	BBCD	0.862%
AT&T	T	0.778%
RADIOSHACK	RSH	0.561%
TERRA INDS	TRA	0.547%
AVNET INC	AVT	0.541%
TESORO	TSO	0.520%
AK STEEL	AKS	0.516%
SOUTHERN COPPER CORP	PCU	0.492%
HUNT J. B. TRANS SVCS	JBHT	0.483%
MEDCO HEALTH SOLUTIONS	MHS	0.477%
LEAR	LEA	0.468%
UNITED STATES STEEL	X	0.458%
WEYERHAEUSER	WY	0.458%
EMDEON	HLTH	0.457%
APOLLO GROUP	APOL	0.455%
YAHOO	YHOO	0.454%
CAREER EDUCATION	CECO	0.450%
CITRIX SYSTEMS	CTXS	0.449%
CHEMTURA	CEM	0.449%
AEROPOSTALE	ARO	0.446%

Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	2.30%	2.10%	-0.97%
90 Days	3.10%	2.54%	0.44%
YTD	3.72%	4.00%	-0.81%
12 Month	9.98%	10.93%	9.85%
24 Month	27.08%	29.69%	16.88%

* Number of days may vary since NAV is calculated biweekly

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