

Almal US Index Fund

Aldar Finance
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Fund Manager

Aldar Finance

Benchmarking Index

Almal US Index

Administrator / Custodian

Gulf Clearing Company BSC

Placement Agent

Aldar Finance

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 Almal US Sharia Index with the objective of approximating its performance before the deduction of the Fund's fees and expenses.

Fund Characteristics

Fund Size as at 06/30/2005 **\$9,392,501**

NAV per share **\$1.12**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

Top 10 Sectors

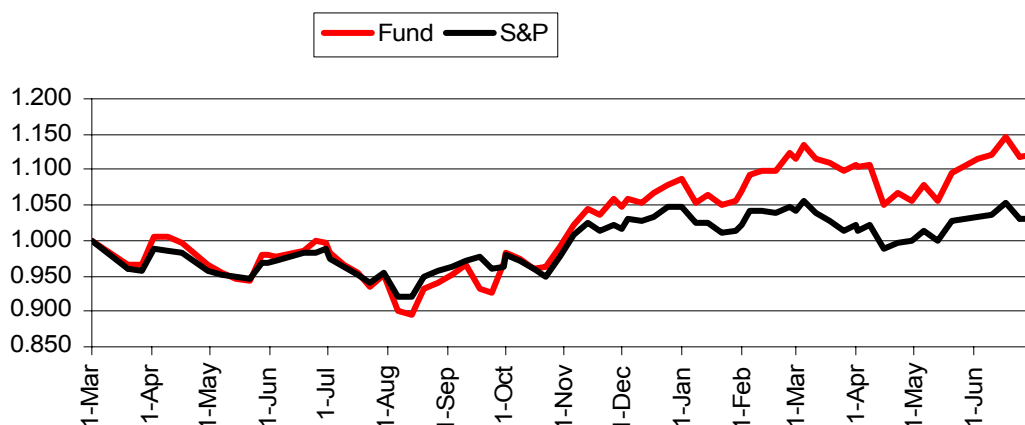
Sector	%
Oil & Gas	11.938%
Retail	11.936%
Pharmaceuticals	8.358%
Healthcare-Products	4.361%
Internet	3.589%
Oil & Gas Services	3.587%
Computers	3.582%
Telecommunications	3.574%
Software	3.572%
Semiconductors	3.571%

Performance Summary

Since inception the Fund has returned 12.02%, while the Standard & Poor 500 Index returned 3.06%. Hence, since inception the fund has outperformed the S&P 500 by 8.96%.

Similarly, since inception the tracked index, the Almal US Sharia Compliant Index returned 13.91%. The difference between the Index and the Fund is because of the various fees incurred by the Fund.

Comparison Graph



Market Outlook

The combination of strengthening headwinds and waning fiscal and monetary stimulus is expected to produce more modest economic gains during the second half of this year. High oil prices, weaker growth overseas, the continued flood of low-priced imports from China, and financial troubles in the U.S. automotive industry have led to a pull back in manufacturing activity. The ISM manufacturing index has fallen in nine of the past ten months, falling back to just 51.4 in May. Industrial production has also started to weaken, falling 0.2 percent in April and widely expected to post another drop in May.

The manufacturing sector provides the cyclical impulse for the broader economy. This is one of the reasons why the ISM survey has provided such a reliable read into the ups and downs of the business cycle. The most recent slowdown is reminiscent of what we saw in the mid 1990s, which saw GDP growth slow from better than a 4 percent pace in 1994 to around a 2.0 percent pace in 1995.

We are looking for a less dramatic slowdown. Growth has averaged a 3.9% pace over the past 18 months, and is expected to average a 3.0% pace through the end of next year. Consumer spending and business investment are both growing more slowly, reflecting less of a kick from mortgage refinancing and tax cuts. In addition, inventories will likely be a slight drag on the economy over the next few quarters.

One key difference between the economy today and the economy back in the mid 1990s is the incredible strength in the housing market, which is expected to play a moderating role, just as it did during the recession. While worries abound about the prospects of a housing bubble, we do not see much prospect of a national bubble or a significant slowdown in the near term.

The Fed's rhetoric on the housing bubble has heated up recently. Alan Greenspan and several other Fed speakers have noted that while there is considerable froth in the market, a national housing bubble is still unlikely. The Fed has expressed a bit more concern about some of the more recent innovations in the mortgage market, such as interest-only loans and other "exotic forms" of ad-

justable rate mortgages. This leads us to believe that the Fed and other regulatory agencies will rely on regulatory changes to drive speculation out of the housing market, rather than simply drive interest rates higher.

Ironically, the Fed itself is in a bit of a conundrum. If they continue to push interest rates a quarter point higher at each successive FOMC meeting, we will end the year with a federal funds rate of 4.25 percent. With the economy already cooling off that might be too much restraint.

On the other hand, the economy is not clearly out of the woods in regards to inflation. While core inflation measures remain low, and even show some signs of moderating, productivity growth is slowing and unit labor costs are accelerating. Remember the Fed repeatedly cited robust productivity growth as a reason why they could keep monetary policy accommodative for a considerable period of time. If the productivity situation has actually taken a turn for the worse, it could be a whole new ballgame. Right now, we see the recent slowdown in productivity growth as merely a cyclical slowdown, following unusually strong gains in 2003 and 2004.

Research from Wachovia

Top Twenty Holdings

Company	Ticker	% Holding
AMERICAN AXLE & MFG	AXL	0.4050%
SAKS INCORPORATED	SKS	0.4040%
GOOGLE	GOOG	0.4032%
KERR-MCGEE	KMG	0.4023%
ABERCROMBIE & FITCH	ANF	0.4020%
BAKER HUGHES	BHI	0.4019%
OFFICEMAX	OMX	0.4018%
VISHAY INTERTECHNOLOGY	VSH	0.4018%
MYLAN LABORATORIES	MYL	0.4017%
CONSOL ENERGY	CNX	0.4011%
MERCK & CO.	MRK	0.4011%
CHEVRON	CVX	0.4009%
VALERO ENERGY	VLO	0.4004%
RR DONNELLEY & SONS	RRD	0.4003%
ESTEE LAUDER COMPANIES	EL	0.4002%
IAC/INTERACTIVE	IACI	0.4002%
DANAHER	DHR	0.4001%
CONSOLIDATED EDISON	ED	0.4000%
AMERICAN STANDARD COS	ASD	0.4000%
RYLAND GROUP	RYL	0.4000%

Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	0.45%	1.46%	-0.01%
90 Days	1.18%	1.62%	1.57%
YTD	3.12%	3.95%	-1.70%
12 Month	12.54%	13.82%	4.43%
24 Month	N/A	44.92%	21.28%

* Number of days may vary since NAV is calculated biweekly

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