

# 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 03/31/2005 **\$9,283,098**

NAV per share **\$1.107**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

## Top 10 Sectors

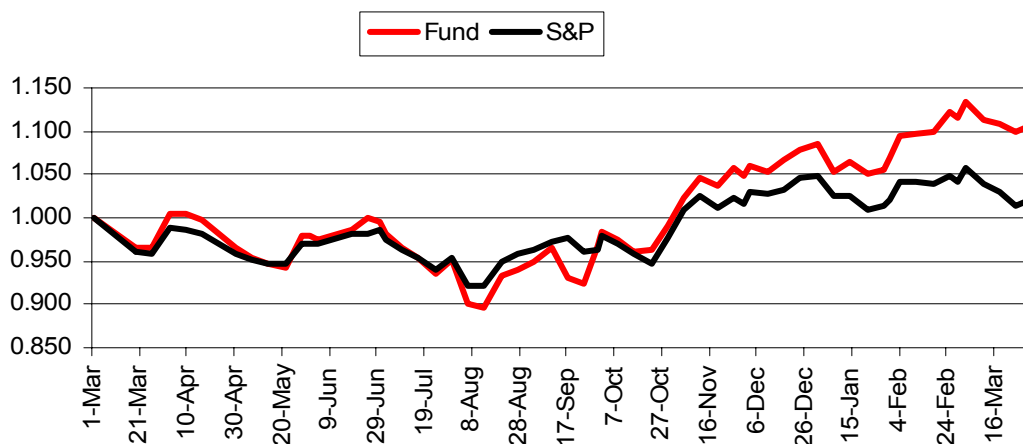
Sector	%
Retail	13.66%
Oil & Gas	10.00%
Pharmaceuticals	8.76%
Healthcare-Products	4.79%
Oil & Gas Services	3.99%
Healthcare-Services	3.59%
Transportation	3.19%
Misc. Manufacturing	3.19%
Iron / Steel	3.18%
Electronics	2.79%

## Performance Summary

Since inception the Fund has returned 10.72%, while the Standard & Poor 500 Index returned 2.13%. Hence, since inception the fund has outperformed the S&P 500 by 8.59%.

Similarly, since inception the tracked index, the Almal US Sharia Compliant Index returned 12.31%. The difference between the Index and the Fund is because of the various fees incurred by the Fund.

## Comparison Graph



## Market Outlook

2004 ended with a bang in Q4 as presidential election results favored positive investor perceptions and as oil prices corrected significantly from peak levels reached in mid October. There were no big surprises in economic trends as U.S. activity continued to trend higher at a modest pace and global demand for U.S. goods surged on the back of a weak U.S. dollar. Forward growth expectations have trended moderately higher as interest rates have yet to reach suppressing levels and as a falling dollar has bolstered foreign demand. After growing at a 4% rate in Q3, it is highly expected that U.S. Gross Domestic Product managed an additional 4% in Q4 and should continue to grow in the 3.0% - 3.5% range for the opening quarter of the New Year.

As expected, equity markets staged an impressive late year rally to salvage performance for the broader market averages. President Bush's re-election removed oppressive uncertainty over the shape of future fiscal policy initiatives. Oil prices peaked above \$55 a barrel in mid-October, bringing with it fears of accelerating inflation and slowing economic activity. A subsequent correction in oil prices, due to rising inventory levels and moderate winter weather patterns, brought prices all the way back down to the low 40's, relieving much anxiety. Large cap market averages have regained half of the 2000 - 2003 bear market decline while small cap and many sub sector indices have now surpassed all time highs. Most developed international markets had similar to slightly lower results as compared to the U.S. broader market averages, however, when adjusted for currency, the returns doubled due to the soaring Euro and Asian currencies.

We expect year-end momentum to continue through the opening months of 2005, however, a long awaited moderation in both economic and earnings growth rates should place a cap on market returns early in the year. Fed officials are set to raise rates at least another 50 basis points early in the year and expectations for a total of 200 basis points by year end are common. We would therefore expect fixed income investments to take a back seat to equities once again and have positioned our portfolios with a high allocation to short-term securities.

### Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	-0.65%	-0.73%	-2.46%
90 Days	1.92%	2.49%	-2.59%
YTD	1.92%	2.49%	-2.59%
12 Month	14.58%	14.11%	4.83%
24 Month	N/A	73.03%	37.52%

\* Number of days may vary since NAV is calculated biweekly

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The small cap phenomenon should subside and give way to large cap out-performance in the coming year, a common occurrence in moderating growth environments.

Economic strength will continue to be supportive of the markets in 2005 but at a lesser pace. Now that market participants are on board, we expect equity performance to remain stable through the year, working toward upper single digit returns. As in 2004, the risk lie in currency, credit and energy markets. A continued gradual decline in the U.S. dollar, a gradual rise in market interest rates and stable energy prices can be supportive to equity markets. However, any shock that creates a rapid adjustment in either factor would be worrisome for capital flows in U.S. securities.

We are quite pleased with the market's results in 2004 as it puts us further along the recovery process from the bear market correction. We now have two years of rational market action following one of the most destructive market environments in history. Valuations remain compelling and both economic and earnings trends heading into the new-year remain constructive. We look forward to the promises of a strong future and a peaceful and prosperous New Year.

Research from Woodway Financial Advisors

### Top Twenty Holdings

Company	Ticker	% Holding
PEABODY ENERGY CORP	BTU	0.621%
SEARS HOLDINGS CORP	SHLD	0.521%
TRANSOCEAN INC	RIG	0.405%
CONOCOPHILLIPS	COP	0.404%
ZIMMER HOLDINGS INC	ZMH	0.404%
SWIFT TRANSPORTATION INC	SWFT	0.403%
ANNTAYLOR STORES CORP	ANN	0.403%
KERR-MC GEE CORPORATION	KMG	0.403%
BIOMET INC	BMET	0.402%
MARATHON OIL CORP	MRO	0.402%
EOG RESOURCES INC	EOG	0.402%
AMERN EAGLE OUTFITTERS	AEOS	0.402%
CLEVELAND CLIFFS INC	CLF	0.402%
AMERADA HESS CORP	AHC	0.402%
EDISON INTERNATIONAL	EIX	0.402%
CIRCUIT CITY STORES GRP	CC	0.401%
STRYKER CORP	SYK	0.401%
INTL BUSINESS MACH CORP	IBM	0.401%
RESOURCES CONNECTION INC	RECN	0.401%
VERISIGN INC	VRSN	0.401%