

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

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 05/31/2005 **\$9,350,225**

NAV per share **\$1.115**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

Top 10 Sectors

Sector	%
Retail	13.87%
Oil & Gas	9.63%
Pharmaceuticals	8.92%
Healthcare-Products	5.03%
Oil & Gas Services	3.95%
Healthcare-Services	3.78%
Telecommunications	3.14%
Transportation	3.11%
Internet	3.11%
Semiconductors	3.10%

Performance Summary

Since inception the Fund has returned 11.52%, while the Standard & Poor 500 Index returned 3.46%. Hence, since inception the fund has outperformed the S&P 500 by 8.06%.

Similarly, since inception the tracked index, the Almal US Sharia Compliant Index returned 12.26%. The difference between the Index and the Fund is because of the various fees incurred by the Fund.

Minimum Investment

US \$10,000

Upfront Fees

Up to 1%

Redemption Fees

USD 150 per transaction

Management Fees

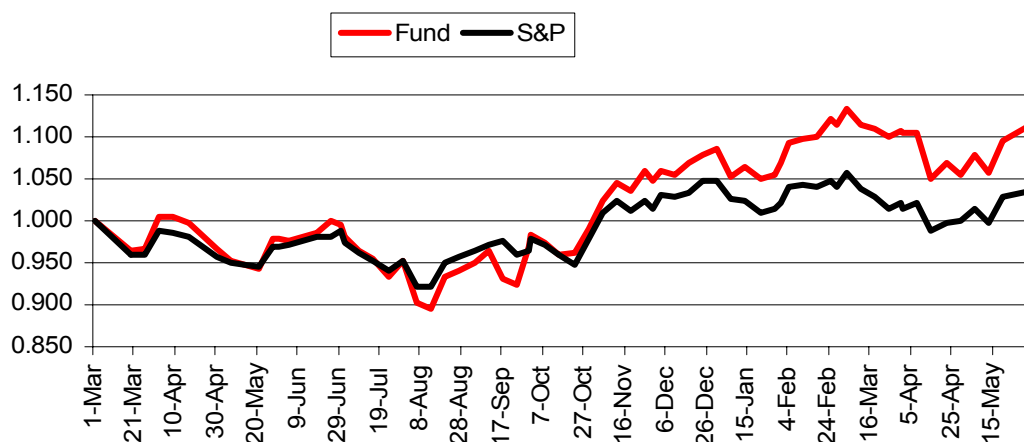
0.60% for initial USD 25 million

0.50% for above USD 25 million

Redemption/Subscription

Biweekly (Tuesday)

Comparison Graph



Market Outlook

The most recent spike in energy prices, which brought the price of a barrel of West Texas Intermediate crude to the threshold of \$60 a barrel, has revived fears about stagflation. The concept essentially is used to define a period in which economic growth stagnates but inflation either continues to accelerate or remains stubbornly high.

The current environment hardly meets this definition. *Growth is indeed moderating but the magnitude of the slowing appears to be even less than was seen in either of the mid-cycle slowdowns seen in the 1980s and 1990s.* We see overall economic activity gradually returning to its trend pace of between 3 and 3 1/4%, as the stimulus from tax cuts and lower interest rates wanes. By contrast, GDP growth slowed to a 2% pace or less during the mid 1990s.

As far as the inflation forecast goes, while most measures of inflation are accelerating, they are doing so from very low levels and will likely still be relatively low one, two or even three years from now. *We are looking for the year-to-year change in the overall and core CPI to converge at around 2.7% this year, and look for a 3.0% rise in the core CPI in 2006.*

Our inflation outlook may seem a bit complacent given the surge in commodity prices seen over the past few years. After all, prices for most industrial commodities, including steel, copper, and nickel, have all increased dramatically over the past three years. Oil prices are also up significantly and one analyst even saw fit to raise the specter of the potential of a “super-spike” in prices to \$105 a barrel.

Two key factors must be taken into account when incorporating commodity prices into the inflation outlook. *The first is how much of the run-up in commodity prices are producers able to pass along to consumers?* The answer is that producers are having more success at passing along higher prices than they have had in quite some time, particularly for steel-laden products such as construction equipment and heavy trucks. Producers are having less luck, however, passing higher prices directly to consumers.

Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	5.69%	4.77%	3.00%
90 Days	0.07%	-0.87%	-1.54%
YTD	2.66%	2.45%	-1.68%
12 Month	13.91%	14.93%	6.32%
24 Month	N/A	45.14%	23.65%

* Number of days may vary since NAV is calculated biweekly

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Witness the recent softness in motor vehicle sales and the continued inability of airlines to boost ticket prices. The net result, is that the Producer Price Index and price surveys of businesses, such as those done by the Institute for Supply Management and the regional Federal Reserve banks, show much more price strength than any of the various measures of inflation at the consumer level suggest.

This finding leads directly to the second consideration, which is *how large a role do raw materials prices play in the final sales price of goods and services?* The answer is surprisingly little for the vast majority of goods and services. Even when higher raw material prices are passed along, the impact on final sales prices is often muted by efficiencies gained in other parts of the production and distribution process, resulting in a much less of an increase in prices at the consumer level.

So are we headed for stagflation? That depends on whether you believe 3% plus real GDP growth, a 3% increase in the Consumer Price Index, and a 5% unemployment rate meet that definition. We do not.

Research from Wachovia

Top Twenty Holdings

Company	Ticker	% Holding
PEABODY ENERGY	BTU	0.662%
SEARS HOLDINGS	SHLD	0.597%
CORNING INC	GLW	0.570%
GENENTECH	DNA	0.570%
USG	USG	0.545%
TESORO	TSO	0.491%
MCAFFEE	MFE	0.489%
BROADCOM	BRCM	0.479%
CHICO'S FAS	CHS	0.475%
MOTOROLA	MOT	0.468%
HUMANA	HUM	0.467%
INTEL	INTC	0.464%
GILEAD SCIENCES	GILD	0.457%
EMC CORP MASS	EMC	0.456%
SWIFT TRANSPORTATION	SWFT	0.456%
VERISIGN	VRSN	0.456%
ARCH COAL	ACI	0.456%
WHOLE FOODS MARKET	WFMI	0.455%
JUNIPER NETWORKS	JNPR	0.452%
ABERCROMBIE & FITCH	ANF	0.449%