

# 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 Funds main object is to track the return of the Almadar US Index which invests in a diversified basket of US equities.

To allow investors to take a Sharia compliant exposure in the US equity markets through a liquid vehicle both managed locally and under local Sharia compliance.

To offer both large and smaller investors an opportunity to invest in an investment which has an attractive historical track record.

## Fund Characteristics

Fund Size as at Aug/31/2007 **\$12,714,237**

NAV per share **\$1.5164**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

## Top 10 Sectors

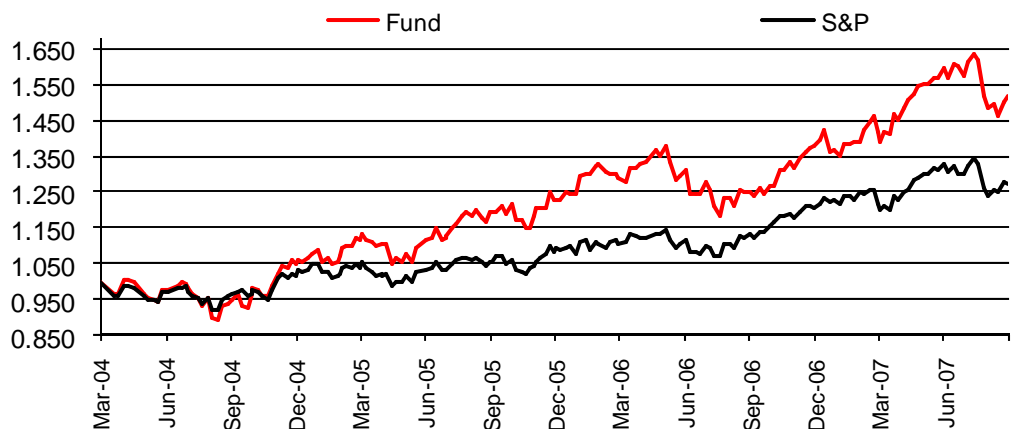
Sector	%
Retail	12.72%
Oil & Gas	11.29%
Pharmaceuticals	5.90%
Healthcare-Products	4.83%
Oil & Gas Services	4.46%
Transportation	3.96%
Chemicals	3.30%
Misc. Manufacturing	3.25%
Computers	3.08%
Software	3.00%

## Performance Summary

Since inception the Fund has returned 51.64%, while the Standard & Poor 500 Index returned 27.51%. Hence, since inception the Fund has out-performed the S&P 500 by 24.13%.

Similarly, since inception the fund has had an annualized return of 12.63% while the S&P 500 has had an annualized return of only 7.19%. Hence, the Fund has out-performed the S&P 500 by an annualized return of 5.44% net of fees.

## Comparison Graph



## Market Outlook

We have reduced our estimate of economic growth based upon the unfolding credit crunch in the mortgage market and increased uncertainty in the corporate debt markets. We do not expect a full-blown credit crunch to take hold but the days of low-priced/high risk borrowing are behind us. The risks to economic growth have also increased, although we believe much less so than the headlines and recent financial market volatility imply.

The one sure result from the recent mortgage market turmoil is that the unwinding of the housing boom will take a little longer to completely play out. Mortgage rates are higher relative to the yield on the 10-year Treasury note than they have been in the past five years. Moreover, mortgage underwriting has tightened to the point that relatively few subprime mortgages are being made without a 20 percent or greater down-payment, effectively pricing many would-be homebuyers out of the market. There has also been a major shift in the corporate debt market, resulting in wider spreads between nearly all grades of corporate debt. With more risk in the economy, investors are demanding lower prices before committing to purchasing nearly all types of debt. The increased aversion to risk means business fixed investment will likely grow somewhat less than previously thought. We have also lowered our estimate of consumer spending but left the outlook for homebuilding essentially where it was last month.

With mortgage credit costlier and tougher to qualify for, we expect new and existing home sales to fall a bit further. Our forecast for residential construction remains unchanged. Builders are winding down projects as quickly as they can. We expect housing starts to bottom early next year and look for deliveries to bottom out around the middle of the year. Housing prices will likely decline modestly nationwide in 2008, although some areas will see much large declines. With housing price appreciation slowing this year and shifting into reverse in 2008, worries that consumer spending will soon falter are beginning to surface. The most recent data on motor vehicle sales adds to those concerns. Light vehicles sold at just a 15.2 million unit pace in July, which was the slowest pace in nine years.

The role that rising home prices played in sustaining consumer spending has long been greatly overstated. The number-one driver for consumer spending is employment and income growth, and both are rising at a strong enough pace to keep consumer spending rising modestly throughout the forecast period. When home prices were rising rapidly, spending rose faster than income. Now that home prices are stagnating, and

falling in some markets, spending is growing less rapidly than income. Our forecast for business fixed investment has been scaled back. With risk premiums on corporate borrowing rising, businesses will likely scrutinize every investment decision more closely. Slower economic growth and rising unit labor costs will also constrain profit growth.

While business fixed investment will grow modestly, an outright decline is unlikely. Business investment has been sluggish throughout this expansion, particularly outlays for capital goods outside the tech sector. Today, many firms are running up against capacity constraints and need additional capacity. Moreover, the weaker dollar makes production in the U.S. more attractive.

Exports will be another source of strength. The narrowing of the trade deficit added 1.2 percentage points to second quarter real GDP growth. We expect a slight payback in the current quarter but look for the trade gap to continue narrowing going forward. Demand for U.S. goods is being driven by strong growth abroad and a weak U.S. dollar, relative to the euro and currencies of commodity producing countries, such as Canada, Brazil and Australia.

The emerging mix of growth should produce stronger productivity gains and less inflationary pressure. Moreover, slower economic growth and an abundant harvests should help alleviate some of the pressure we have seen recently in energy and food prices. As a result, we have modestly reduced our inflation forecast.

## Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	-0.10%	-0.29%	0.56%
90 Days	-5.13%	-4.82%	-4.06%
YTD	11.06%	12.06%	3.93%
12 Month	21.10%	22.48%	13.05%
24 Month	26.82%	29.54%	20.79%

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

## Contact Details

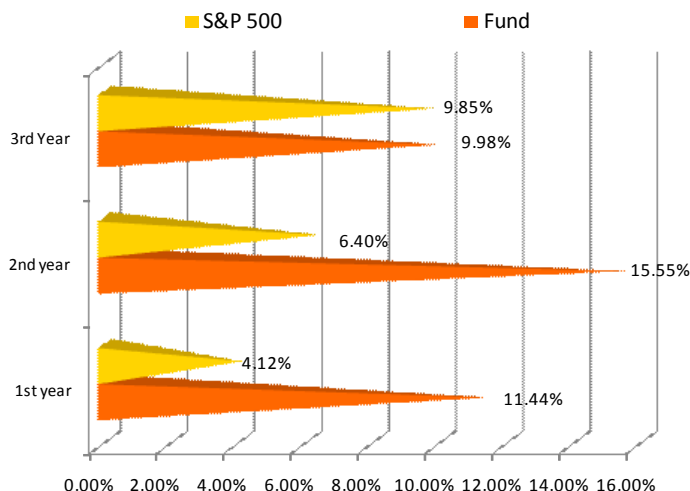
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## Fund Performance



## Sharpe Ratio

