

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 Sharia Compliant Almadar US Index. The Almadar US Index is an intelligent index of diversified 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 **\$14,931,248**

NAV per share **\$1.499**

Number of Equity holdings **250**

Fund Inception **March '04**

Frequency of NAV **Bi-Weekly**

Top 10 Sectors

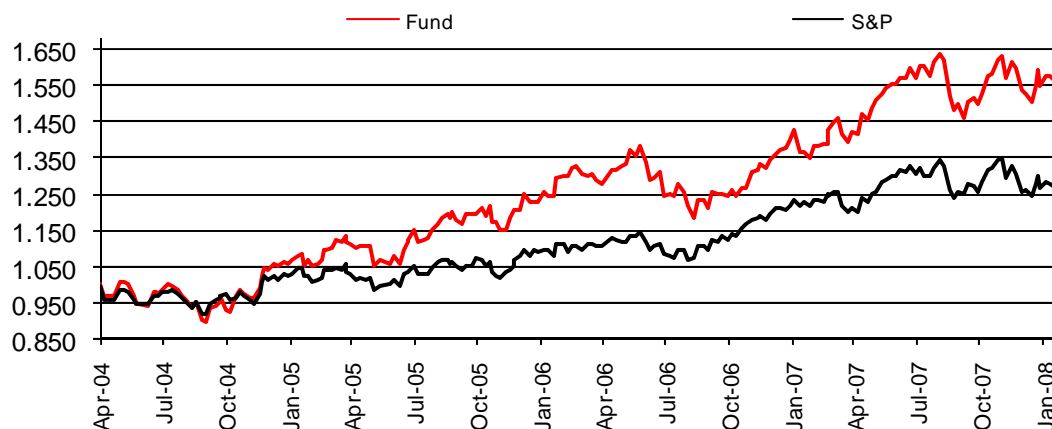
Sector	%
Retail	14.975%
Oil & Gas	10.946%
Pharmaceuticals	5.948%
Oil & Gas Services	4.474%
Transportation	4.429%
Healthcare-Products	4.186%
Chemicals	4.075%
Misc. Manufacturing	3.849%
Internet	2.725%
Electric	2.696%

Performance Summary

Since inception the Fund has returned 49.92%, while the Standard & Poor 500 Index returned 20.71%. Hence, since inception the Fund has out-performed the S&P 500 by 29.21%.

Similarly, since inception the fund has had an annualized return of 10.89% while the S&P 500 has had an annualized return of only 4.92%. Hence, the Fund has out-performed the S&P 500 by an annualized return of 5.97% net of fees.

Comparison Graph



Market Outlook

The US economy is clearly feeling the effects of both a credit crunch and the worst housing downturn in over a decade. We are forecasting meager real GDP growth of zero to two percent – “grocession” (grō•ces•sion). Economic bulls see the current slowdown as a typical mid-cycle slowdown similar to those in the mid 1980s and 1990s whereby, after a few quarters of slow growth, the economy rebounds. Economic bears believe that the bursting of the twin bubbles – housing and credit – will inevitably lead to recession. We define grocession as a hybrid between the two.

We think stocks are fairly valued and are therefore priced to deliver average returns of seven to nine percent over the long term. However, we see a range bound market for much of 2008 as investor sentiment oscillates between recession fears and hopes for recovery. We think the “decision box” is between 1370 and 1560 on the S&P 500. Ultimately we favor an upside breakout from the decision box, but we acknowledge the risks: the S&P 500 has been rising for over four years, earnings are 23% above trend versus 36% below trend in early 2003, taxes are more likely to be raised the next time they are changed, and the Federal Reserve is not single-mindedly committed to promoting growth. We think a breakout will take time and expect the S&P 500 to remain in the decision box for at least the next six months.

We think growth stock indexes will perform better than value indexes and large caps will outperform small caps. We think the greatest risk in 2008 will be that earnings fail to meet expectations. The consensus is expecting large cap earnings to grow at a single-digit rate and small-cap earnings to grow in the teens. We think earnings will be down, perhaps at a double-digit pace, and that small cap and value index earnings are most vulnerable to a slowing economy.

Grocession will likely drag down overall global growth but emerging economies’ growth will hold up relatively well, in our view. Commodity prices should therefore remain firm as US interest rates fall and the dollar stays weak. This suggests retaining exposure to emerging markets, while managing their likely volatility, and remaining overweight the global growth sectors: energy, industrials and technology – our current position. The risks to earnings should also help defensive sectors, especially consumer staples.

Fear is prevalent in fixed income markets following the collapse of the subprime mortgage market and the subsequent loss of confidence in some complex structured products. We see attractive longer term yield and total return opportunities developing for those willing to take credit risk but recognize that the bear market may not yet be over. We

see little value in Treasury bonds of any maturity as investors’ desire for safety has pushed yields to very low levels. Our forecast range for 10-year Treasury yields is 3.75 to 4.75%.

Federal Reserve policy in 2007 was heavily influenced by the credit boom and its subsequent bust. Chief Investment Officer Michael Jones devoted two Strategic Insights reports (available from your Wachovia Securities Financial Advisor) that examine its causes and effects. Bottom line: the lingering effects of the credit crunch will require further significant monetary easing if recession is to be avoided. We see the Federal Reserve lowering short term rates by approximately one percentage point in 2008.

The Asset Allocation Models have been updated to reflect our long term return assumptions for different asset classes. This work has produced subtle changes to our model benchmarks. We have introduced an allocation to commodities in the growth models and lowered our benchmark allocation to US small and mid caps to allow for a model allocation to emerging markets. We have removed our model allocation to REITs in the growth and income portfolios to make way for an increased allocation to high yield, which we think offers income investors significantly better risk reward. High yield has also been added to two of the growth portfolios.

Commentary from Wachovia Securities

Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	-4.01%	-5.88%	-6.12%
90 Days	-6.17%	-7.95%	-8.68%
YTD	-4.01%	-5.88%	-6.12%
12 Month	8.01%	4.79%	-4.15%
24 Month	12.76%	12.71%	7.69%

* Number of days may vary since NAV is calculated biweekly

Contact Details

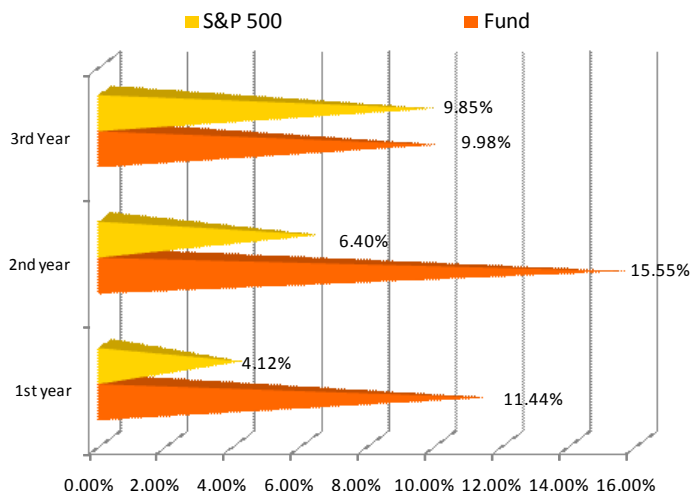
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Fund Performance



Sharpe Ratio

