

Almadar US Index Fund

Almadar Finance & Investment
P.O.Box 1376 Safat, 13014 Kuwait
www.almadar-fi.com

Fund Manager

Almadar Finance & Investment

Benchmarking Index

Almadar US Index

Administrator / Custodian

Gulf Clearing Company BSC

Placement Agent

Almadar Finance & Investment

Bahraini Representative

Gulf Clearing Company BSC

Lawyer

Al Mahmood & Zubi, Bahrain

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.

Top 10 Sectors

Sector	%
Retail	14.159%
Oil & Gas	9.650%
Pharmaceuticals	5.102%
Misc. Manufacturing	4.586%
Healthcare-Products	3.930%
Commercial Services	3.638%
Food	3.487%
Chemicals	3.242%
Electric	3.070%
Transportation	3.056%

Fund Characteristics

Fund Size \$14,174,382

NAV per share \$1.428

Number of Equity holdings 250

Fund Inception March '04

Frequency of NAV Bi-Weekly

Performance Summary

Since inception the Fund has returned 42.76%, while the Standard & Poor 500 Index returned 9.03%. Hence, since inception the Fund has outperformed the S&P 500 by 33.73%.

Similarly, since inception the fund has had an annualized return of 8.39% while the S&P 500 has had an annualized return of only 1.98%. Hence, the Fund has outperformed the S&P 500 by an annualized return of 6.41% net of fees.

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

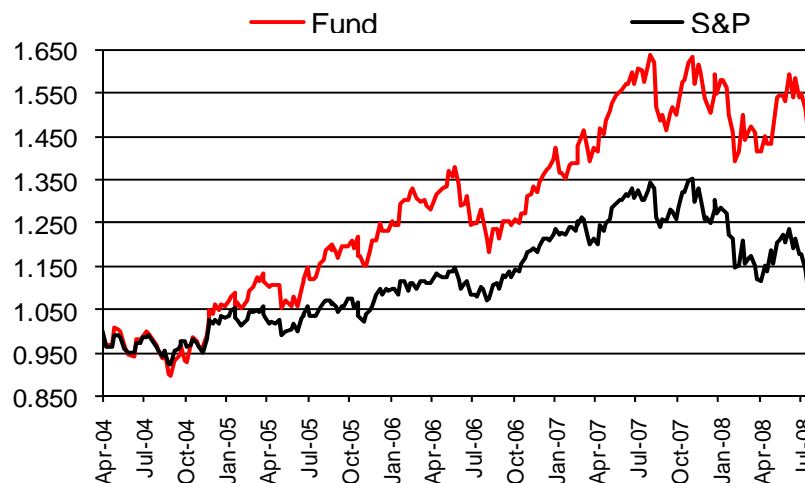
Redemption/Subscription

Biweekly (Tuesday)



Best Islamic Fund – 1 Year
North American Equities

Comparison Graph



2007 WINNER

Best
U.S. Equity Fund
One-Year

Al Madar U.S. Index



FAILAKA

2007 WINNER

Best
U.S. Equity Fund
Three-Year

Al Madar U.S. Index



FAILAKA

Market Outlook

Consumer spending is expected to remain weak after the initial stimulus of the rebate checks. Real personal income growth has slowed this year relative to the prior two years as inflation has picked up while job growth has turned negative. Lower real income growth, combined with losses in real estate wealth and diminished consumer confidence combine to generate consumption of just 1.6 percent for 2008 compared to 2.9 percent last year.

In the very short run, we anticipate that most of the tax rebate will be spent, and thereby give a boost to third quarter GDP. However, much of the spending will be concentrated in core needs and non-discretionary items. We expect far less of this rebate to be spent on discretionary items than in previous rebates. The underlying weakness in the consumer will become apparent with an outright decline in real consumer spending in the fourth quarter.

Weakness is also the story for business fixed investment. For the second half of this year we anticipate that the combination of slower top line revenues expectations, tighter credit and reduced corporate profits will lead to diminished capital spending on both equipment and structures. This weakness will be in contrast to the solid gains we have seen in investment during the prior three years.

On the downside, residential construction has declined over 20 percent in the first half of this year and is expected to record another decline of 15 percent in the second half. The fundamentals remain negative. Housing demand is limited by sluggish income growth, low consumer optimism and a prevailing concern about further price declines. On the supply side, mortgage credit remains restrictive while the inventory of homes remains large relative to the pace of sales in many areas. Lower interest rates and falling home prices have certainly led to a dramatic increase in housing affordability but the concerns of both buyers and creditors have kept many on the sidelines.

Business inventories remain extremely lean but still are expected to decline during the next three quarters as business reacts to disappointing final sales. This drawdown should set the stage for a rebound in output later this year and into 2009.

Trade remains the big positive in the economy. We anticipate that trade adds almost one percent to growth this year compared to 0.6 percent last year. The weaker dollar and stronger growth abroad provide the lift.

Pre-tax profits are expected to decline four percent in 2008 compared to a gain of 2.7 percent in 2007 and 13.2 percent two years ago. The slowdown in profits is consistent with slower top line revenues as well as higher input costs as signaled by manufacturer surveys and commodity indices. Financial profits are being hit by the continued write-offs in that sector.

Short-term rates are likely to remain steady as the Federal Reserve faces the dual misalignment of below-trend economic growth and above-target inflation. Meanwhile the uncertainty on the economic outlook suggests that long-term rates will also remain steady so that we see little change in the Treasury yield curve. Finally, concerns about the dollar and further Treasury financing issues are likely to limit any Treasury rallies despite the weak outlook for the real economy.

Unfortunately, credit spreads are not expected to come in as the event risk of further negative revelations remains a concern for investors. Capital markets continue to search for a new risk/reward trade-off. At present, the trend in the Ted spread (three month futures contract for U.S. Treasuries less the three month Eurodollar futures contract) suggests the new equilibrium spread will be higher than what it was during the 2004-2006 period. Risk is being more fairly priced—we just haven't seen what that price is quite yet.

Commentary from Wachovia Securities

Return Comparison

Returns	Fund*	Benchmark	S&P 500
30 Days	-2.87%	-2.80%	-1.36%
90 Days	-7.46%	-7.49%	-10.36%
YTD	-8.59%	-8.08%	-13.69%
12 Month	-5.94%	-5.50%	-13.54%
24 Month	15.69%	18.15%	-0.28%

* Number of days may vary since NAV is calculated biweekly

Contact Details

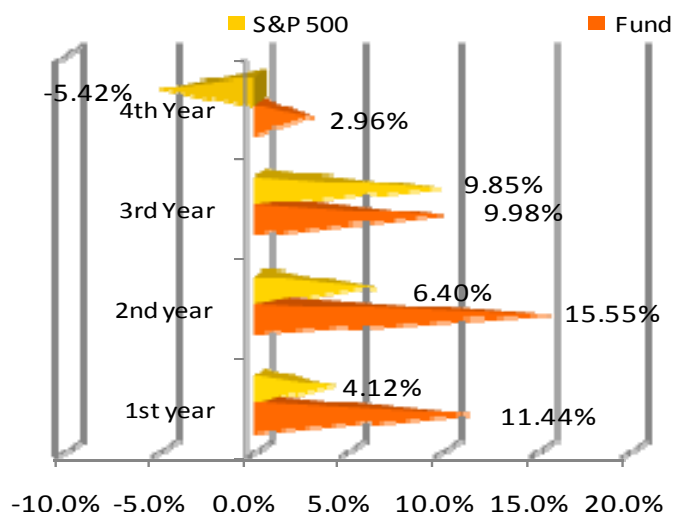
Bader Al-Baher
Bader@almdadar-fi.com

Ahmed Marafi
Ahmed@almdadar-fi.com

Mudaser Qidwai
Mudaser@almdadar-fi.com

Phone +965-232-4200
Fax +965 232-4201

Fund Performance



Sharpe Ratio

