

INFORMATION MEMORANDUM

BLOM MSCI Saudi Arabia Select Min. Vol. Fund

- a. Name of the Fund: BLOM MSCI Saudi Arabia Select Min. Vol. Fund, an open ended public mutual fund
- b. Name of the fund manager: Blominvest Saudi Arabia
- c. Name of the Custodian: HSBC Saudi Arabia Limited
- d. Date of issuance: This Information Memorandum was issued on 07/08/1438 H corresponding to 02/05/2017 G
- e. The Fund Manager states that the information memorandum and its contents are governed by the provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority And it contains full and accurate disclosure of all material facts relating to the Investment Fund

Investors are advised to read and understand the contents of the Information Memorandum. If in doubt, please consult a professional advisor.

- A. This Information Memorandum has been reviewed and approved by the fund board. The fund manager and the fund board directors collectively and individually accept full responsibility for the accuracy of the information presented herein. Having made all reasonable inquiries, the fund board directors and the fund manager confirm that to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the Information Memorandum false or misleading
- B. The Capital Market Authority has approved the establishment and the offering of units in the investment fund. The Capital Market Authority does not, however, take any responsibility for the contents of this information memorandum, nor does it make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The Capital Market Authority does not make any recommendation as to the soundness or otherwise of investing in the investment fund, and the approval of establishing the fund does not mean that the Authority recommends investing in the Fund nor confirm the authenticity of the information contained in the terms and conditions and the information memorandum, and the Authority emphasizes that the decision to invest in the fund is up to the investor or his representative.
- C. BLOM MSCI Saudi Arabia Select Min. Vol. Fund has been certified as being Shariah compliant by the Shariah Board appointed for the MSCI Islamic Indices.

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Glossary

“Fund Manager”: BLOMINVEST Saudi Arabia, a joint stock company licensed and regulated by the CMA, under license number 08094-37.

“HSBC Saudi Arabia”: Providers of the Fund's Custody and Administration services. HSBC Saudi Arabia is a joint stock company licensed and regulated by the CMA, under license number 05008-37.

“Administrator”: an authorized person under the Authorized Persons List issued by the Capital Market Authority. The Administrator is responsible- under the general supervision of the board- of the fund's administrative matters, Fund accounting, processing subscriptions and redemptions in the Fund's units and the calculation and valuation of the net asset prices of the Fund's units.

“Custodian”: HSBC Saudi Arabia Limited, PO Box 9084 Riyadh 11413, Kingdom of Saudi Arabia, an authorized person under the Authorized Persons List issued by the Capital Market Authority to perform the duties of a Custodian

“Auditor”: Ernst & Young, Al Faisaliah Tower, King Fahad Road, PO Box 2732, Riyadh 11461, Kingdom of Saudi Arabia.

“MSCI”: Index Service Providers – the entity responsible for the calculation, maintenance and dissemination of the Index.

“MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index”: an index derived from the MSCI Saudi Arabia Domestic IMI Index and consisting of a sample of shares from the primary index which are characterized by a lower degree of absolute volatility selected within the restrictions adopted by MSCI.

“Index Fund”: A public Fund whose main investment objective is to replicate the performance of a specific index.

“Tracking Difference”: Percentage representing the deviation of the performance of the Fund's portfolio from the index. The deviation ratio is measured using the deviation factor of the difference between the return of the fund versus that of the index.

“Volatility”: volatility of a sample is a statistical measure of the dispersion of possible values around the expected value.

“Re-Balancing”: The purchase or sale of investments carried out for the purpose of restoring the weights of the portfolio components to the target weights (depending on the index). This process is designed to simulate the performance of the Index.

“Issuer”: Legal entity (such as the government, institutions, etc.) responsible for the development, registering and selling financial instruments to the public for the purpose of financing projects.

“Passive Management”: An investment management method in which the Fund Manager tracks the weights of a given index to simulate the performance of that index.

“Valuation Day”: Any day on which the total net asset value and the net asset value per unit of the fund are calculated.

“Dealing Day”: Every business day and/or any other day the Fund Manager deems as a dealing day at its discretion. The dealing day is the day on which the subscription/issuance of units and the redemptions/cancellation of units –that meet the required criteria and are requested before 3:00pm one day prior to the relevant dealing day, are processed.

“Net Asset Value” or “Unit Price”: The monetary value per unit calculated based on the value of assets under management of the Fund less liabilities and divided by the number of existing units.

1. The Investment Fund:

- a. **Name of the Fund:** BLOM MSCI Saudi Arabia Select Min. Vol. Fund
- b. **Issuance date of the Fund's terms and conditions:** 21/03/2017 G corresponding to 22/06/1438 H.
- c. **Date of the Authority's approval for the establishment of the fund and the offering of its units:** 21/03/2017 G corresponding to 22/06/1438 H.
- d. **Duration of investment Fund:** The Fund is an open ended Investment Fund (for an undetermined period)
- e. **Currency of the Fund:** The currency of the Fund is the Saudi Riyal (SAR). In the event of receipt of subscriptions applications in another currency, the amount will be converted to Saudi Riyal at the prevailing market price.

2. Investment Policies and Practices:

- a. **The investment objectives of the Fund:** The fund seeks to track the performance of "MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index" which is composed of Saudi Sharia Compliant Equities
- b. **Type of securities in which the Fund will primarily invest in:** The Fund will invest in equities listed on the Saudi market. The Fund manager can also maintain up to 5% of the fund's assets in cash to meet redemption requests.
- c. **Concentration of Investments:** The Fund's investments will be concentrated in shares of Saudi companies listed on the Saudi market and included in the MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index which is Sharia Compliant.
- d. **Security markets in which the Fund intends to invest:** The fund manager will be buying and selling shares of Saudi companies listed on the Saudi market and included in the MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index which is Sharia Compliant.
- e. **Specific techniques and instruments that may be used in the management of the Fund:** The Fund aims to achieve a performance similar to the performance of the **MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index prior** to deducting fees and expenses while minimizing the deviation factor between the performance of the Fund and the performance of this index by following a passive investment strategy which invests in a basket of shares with weights similar to those of the index. The decision to invest cash flows in all components of the index or in part (stratified sampling) will take into account that changes in the fund's investment portfolio and rebalancing of the components weights in the index could lead to additional transaction costs that adversely affect its performance compared to the index which is not subject to those expenses and costs.

The Fund Manager will re-balance the allocation on a regular basis (at least quarterly), coinciding with the re-balancing of the index. Re-balancing is also performed on interim basis to reflect corporate actions pertaining to securities held in the portfolio or upon subscriptions and/or redemptions. The fund manager has the right to temporary stop any subscription/redemption operation during period.

- f. **Types of securities that cannot be included in the Fund's investments:** The fund manager will not invest in any securities other than what has been specified in the Terms and Conditions of the Fund.
- g. **Investment limits and restrictions:**
The fund manager will comply with limitations highlighted in the IFR issued by the CMA as well as limitations set out in this Information Memorandum and the Terms and Conditions of the Fund.
- h. **Investments in other Funds:** The fund manager will not invest the Fund's assets in the units of other investment funds.
- i. **Use of Borrowing:**
 - The borrowing of a public fund must not exceed (10%) of its net asset value.
 - Borrowing to Meet Redemption Requests:
 - The Fund manager must use its best efforts to retain sufficient liquidity to meet redemption requests.
 - The Fund manager may borrow to meet redemption requests when the money in the Fund's account is insufficient to meet redemption requests.

- Borrowing to meet redemption requests shall not be subject to the 10% limit specified above.

j. Disclosure of the maximum limit to deal with any counterparty.

Counterparty: HSBC Saudi Arabia Ltd. In its capacity as a Custodian to the Fund

The counterparty exposure to HSBC Saudi Arabia Ltd. will be limited to the cash holdings of the fund at any point in time.

k. Statement of the Fund manager's risk management policy

Main risks of the fund can be summarized as follows:

- **Economic Risk:** The fund's investments being influenced by economic factors.
- **Financial market Risk:** Risk of market price fluctuation in addition to systematic and unsystematic risk.
- **Issuer Risk:** The risk the Fund endures as a result of acquiring shares of listed companies
- **Concentration Risk:** Risk arising from concentration of Fund investments in a limited number of companies.

Since the Fund's Objective is to achieve a performance level equivalent to that of the Index by mirroring the weights of its components while attempting to keep the margin of deviation between the Fund and the Index to a minimum and given that the fund adopts a passive management strategy; the risks mentioned above cannot be actively managed.

Main Risks that can be managed:

Deviation Risk

The changes in the Fund's investments and the re-balancing of the Index which the Fund follows may cause discrepancies in the overall performance of the fund versus the index. Also, the total return on investment in the Fund's units will be reduced by the expenses and the cost which the Fund incurs while the Index does not.

In case of any temporary suspension or trading halt on any of the securities comprising the index or in the case of market discontinuation, it may not be possible to re-balance the investment portfolio of the Fund to match the weights of the index components.

The key factors that may generate a deviation in the fund's performance compared to that of the index are related to the fund manager placing buy and sell orders whether as a result of periodic rebalancing of the components of the index and their weights by the index provider, or as a result of subscriptions and redemptions to the Fund's units. In addition, the Fund will retain a limited amount of liquidity which may increase the margin of deviation. Deviation risk management is completed through taking action on purchasing or selling required quantities of shares based on available information, in the following cases:

When modifying the components and the weights of the index:

On the index revision date, The Fund Manager views the changes in the components and weights that result from the adopted index construction policy as they are released, and calculates the number of stocks that need to be sold or purchased in the market. The purchase and sell orders shall be executed at a price that is the closest possible to the closing prices of the market, given the available liquidity and transaction cost.

Upon subscription and redemption of the Fund units:

Failing to take into consideration the rebalancing of the fund's components, any cash flow from or to the Fund resulting from net redemptions or subscriptions will increase the deviation of the fund's performance versus the index.

To this end, depending on the size of cash flow movement and its impact on the weights of the components of the Fund, a decision to conduct the necessary sales and purchases is made on the dealing day to restore balance.

In case the net cash flow on the dealing day is positive, the fund manager can rely on the available liquidity of the Fund and on the right of the fund to borrow in order to buy the required shares immediately upon receipt of subscriptions and redemptions requests, at prices as close as possible to those of the market close on the relevant dealing day.

In case the value of redemptions on the Dealing Day exceeds the value of subscriptions, meaning the cash flow is negative; the available liquidity of the Fund will be used in addition to the amount resulting from selling shares in the market at prices as close as possible to those of the market close.

l. The Index:

- Index: MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index

- Index provider: MSCI INC. ("MSCI")
- The bases and the methodology used to calculate the benchmark: MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index is a combination of a parent index and a 2nd level index.

- Parent Index: MSCI Saudi Arabia Domestic IMI Index

Methodology: Islamic

The Index will be weighted and rebalanced in accordance with MSCI's Islamic Index Series Methodology. The methodology is available on the MSCI website.

- 2nd Level index: Minimum Volatility

Methodology: Minimum Volatility

The Index will be weighted and rebalanced in accordance with MSCI's Global Minimum Volatility Indexes Methodology applying the below base currency for optimization and the below exceptions to the optimization constraints. The methodology is available on the MSCI website.

Methodology Details:

Optimization Currency: USD

The following exceptions will be applied to the optimization constraints:

- The maximum weight of an index constituent will be restricted to the lower of 10% or 20 times the weight of the security in the Parent Index
- The minimum weight of an index constituent will be 0.5%

Corporate Events Treatment:

- IPO/Additions : Do not include
- Transformation : Include
- Spinoff : Include
- Merger/Acquisition : Do not include

m. Use of derivatives: Not Applicable

n. Authority's exemptions on investment restrictions: Not Applicable

3. Main Risks of investing in the Fund:

Prospective investors should understand the risks to which they may be exposed to when investing in the fund and which are usually related to any kind of investment in securities. Therefore, the fund is appropriate for investors who are aware of the magnitude of those risks and have the financial and intellectual ability that qualifies them to assume partial or total loss of the value of their investment.

Given the nature of investing in the Fund, and the Fund's investment strategies, it is evident that investing in the Fund involves a high degree of risk, including but not limited to the risks referred to below.

The fund manager cannot give any assurances that Unit holders will earn profits from their investment in the fund. The money invested in the fund could be subject to profits, total or partial losses. Also, the risks listed below do not represent the full explanation of all the risks related to investing in the Fund. In addition, with the development of the Fund's investment portfolio and its future changes, the investment in the units may be subject to other risk factors. Accordingly, each potential investor should study the terms and conditions and consult with his professional advisers before deciding to subscribe in the units. Based on the foregoing, we refer particularly to the following risks which form part of the risks of investing in the Fund:

- a. **Investment Risk:** Investment in equity markets in general is considered one of the riskiest investments because stock prices are subject to daily fluctuations that may adversely affect the value of the Fund's investments as well as the possibility of a sudden drop in its value and the possible loss of part of the capital. And thus the price of the Fund's units will be affected by this decline or this negative volatility.
- b. **Past performance of the Fund and of the Index:** Past performance of the fund and of the index is not an indicator of the Fund's and Index's future performance.
- c. There is no guarantee to unit holders that the absolute performance of the fund or its performance compared to the index will be repeated or similar to past performance.
- d. **The units of the Fund are not deposits or obligations of, or guaranteed by any bank:** The Fund Manager warns investors that the investment in the Fund is not a deposit with any bank.
- e. **The risk of losing money when investing in the Fund:** Investing in the Fund is only suitable for investors who are aware of the risks involved in this investment and who are able and willing to assume the risk of losing money when investing in the fund. Investing in the Fund involves a high degree of risk given the nature of the investments and the investment strategies the fund.
- f. **Potential Risks associated with investing in the Fund:**
 - **Newly Operating Fund:** The Fund is a newly established and has no previous operating record that investors can rely upon to assess the future performance of the Fund. Any previous investment performance of the fund manager or its officials and its subsidiaries shall not be construed as an indicator of future results when investing in the Fund. Investors must also take into consideration when evaluating a mutual fund program that the estimates and projections of the fund manager are not guaranteed and may prove to be incorrect which will reflect negatively on the price of units.
 - **The risk of relying on the employees of the Fund Manager:** The success of investing fund's assets depends largely on the skills and experience of the professionals employees of the Fund Manager, in addition to other factors. And assurance can be given on the continuation of any of these employees in their current job with the Fund manager and may therefore affect the fund's performance negatively.
 - **The risk of conflicts of interest:** the fund manager is engaged in a range of activities which include financial investments and advisory services. Situations may arise where the interests of the fund manager are in conflict with the interests of the Fund. Any conflict of interest restricts the capabilities of the fund manager to perform his duties in an objective way, which may adversely affect the Fund's investments and the performance of the price of units.
 - **The risk of concentration of investments vs. Tadawul Index:**
While the Fund Manager intends to hold on behalf of the Fund an average of 60 positions at any one time, the Fund may, at any particular time, hold fewer positions than a "diversified" mutual fund with a broader investment universe. As a result, events that affect a few or even one of the Fund's investments may have a proportionately greater impact on the Net Asset Value of the Fund than in the case of a "diversified" fund.
 - **The risk of borrowing:** The fund performance and the price of the units may be negatively affected in cases where the Fund manager uses borrowing to manage the fund's assets and faces delays to repay the borrowed amounts for reasons beyond his control and has to pay additional fees or be forced to liquidate some of its investments to repay the borrowing.
 - **Political and economic risks:** the value of the Fund's investments may be affected by political developments, changes in government policies and legislations. The fund's performance is also affected by changes in economic and market conditions and rising interest rates which may adversely affect the price of units.
 - **The risks of emerging markets:** The Saudi market is considered as part of the emerging markets, which are classified as high-risk. The market may face a sharp increase in inflation or a slowdown in the economy which may adversely affect the value of the Fund's assets and the price of its units.
 - **Liquidity risk:** The decline in market liquidity increases the cost of owning the shares or liquidating them, which adversely affect the performance of the fund and thus the price of units.
 - **Tax and Zakat risks:** Unitholders may incur a Zakat tax on the subscription or retention or redemption of the units they own under the laws of their country of nationality or residency. And

the unit-holders are responsible for paying the tax and Zakat, if any, on their investment in the fund or the capital increase arising therefrom.

4. General Information:

- a. **Profile of investors most suited to invest in the Fund:** There are certain considerations that should be measured before investing in the fund in addition to the risks usually associated with investing in securities. Thus, the investment in the fund is only appropriate for investors who are aware of the risks involved in this investment and who are able and willing to assume the risk of loss from investing in the Fund.
- b. **Distribution policy:** The fund will not distribute dividends; however realized profits from investments will be reinvested in the fund.
- c. **Historical performance:** The Fund is newly established; hence it has no previous operational records.
 - 1. Average total returns for 1 year, 3 years and 5 years (or since inception: Not Applicable
 - 2. Annual total return for each of the past 10 years or since inception: Not Applicable
 - 3. If applicable, the investment fund performance against its benchmark for the past 5 years or since inception: Not Applicable
 - 4. Dividend distribution history (for the past 3 financial years): Not Applicable
 - 5. A statement that indicates that the fund reports are available upon request Not Applicable
- d. **Rights of a unit-holder:** The unit-holder shall be entitled to exercise all rights in relation to the Fund's units including, but not limited to, the right to vote at meetings of unit holders.
- e. **Liabilities of a unit-holder:** Other than losing his\her investment in the fund or part of it, the unit-holder shall not be liable for the debts and obligations of the Fund.
- f. **Termination of the Fund:** According to Article 37 of the Investment Funds Regulations, the Manager may terminate the Fund without incurring a penalty to any interested party in the following cases:
 - If the Fund Manager wishes to terminate the fund, he shall notify the Authority and the units' holders in writing of his intention to terminate the fund, at least (21) days prior to the termination date,
 - The Manager may also terminate the fund if:
 - The Fund's authorization is cancelled or the Fund is no longer approved by the authority.
 - Issuance of any new law under which the fund becomes illegal, or, according to reasonable opinion of the Manager or for any other reason, it becomes impractical or not recommended to continue the Fund's operation.
 - The Fund Manager shall initiate the liquidation of the fund upon its the termination.
 - The fund manager must disclose, on its website and on the exchange's website, the termination of the Fund and the time needed to liquidate it.
- g. **Risk assessment:** The manager acknowledges the existence of an internal mechanism to assess the risks associated with the Fund's assets. However, no risk control system is free from error or possible failures, and no assurance can be given that any risk control framework employed by the Fund Manager will achieve its objectives. Target risk limits developed by the Fund Manager may be based on historical patterns of returns and correlations for the securities and instruments in which the Fund invests. No assurance can be given that such historical patterns will provide an accurate prediction of future patterns.

5. Fees, charges and Expenses:

- a. **Management Fee:** The Fund will pay the Fund Manager a management fee accrued daily and paid on monthly basis at an annual rate of 1% of the total Net Asset Value of the Fund (after deducting the previous management fees)

b. Fees and expenses schedule:

Description	Value and Method of Calculation
Management Fee	1% p.a. of the Fund's total Net Asset Value- Accrued daily and paid on monthly basis.
Subscription Fee	0.5% of the subscription amount. Paid over and above the subscription amount.
Transaction Fee (related to custodian)	50 Saudi riyals per transaction, debited from the fund, accrued for with each transaction and paid monthly
Custodian Fee	Annual Fee paid by Fund Manager
Administrator Fee	Annual Fee paid by Fund Manager
Audit Fee	Annual Fee paid by Fund Manager
Benchmark Fee	Annual Fee paid by Fund Manager

c. Subscription and Redemption Fees:

Subscription Fee: 0.5% of the subscription amount.

Redemption Fee: Not Applicable

d. Special commission: No special commission entered into by the fund manager.

e. Hypothetical example that illustrates all fees, charges and expenses:

Estimated fees incurred by the investor on the first year based on a subscription amount of 100,00 Saudi riyals and assuming a fund size of 10 million Saudi and an return of 10%

Fee type	Fee percentage of NAV	Annual (SAR)
Assumed subscription amount		100,000.00
Subscription Fee	0.5%	500
Management fee	1%	1,000

Total fees		1,500
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Investment value post a 10% assumed return on unit price	10%	108,500
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6. Valuation and Pricing:

a. Valuation Methodology:

• Assets to be included in the Valuation:

- All the Fund's assets must be part of the valuation
- The assets of the Fund are deemed to include all assets of every kind and nature, including but not limited to:
 - a. Cash or deposits including interest owing thereon.
 - b. Dividends and distributions payable in stocks, cash or other property received by the investment fund.

- c. All investments and other assets owned.
- d. Any interest accrued on any assets or investments.
- The liabilities of the Fund are deemed to include all liabilities of every kind and nature, including but not limited to:
 - a. All loans, and accounts payable.
 - b. All accrued or payable expenses and fees chargeable to the investment fund.

• **Valuation Method:**

- The investment fund is to be valued on each valuation day. The valuation is to be currency based and will be determined in respect of all the assets of which the portfolio comprises less the liabilities attributable to the Fund at that time.
- For securities which are listed or traded on any regulated securities exchange or automated quotation system, the most recent transaction price may be used.
- Where the securities are suspended, it should be valued at the suspended price, unless there is conclusive evidence to indicate that the value of such securities have gone below the suspended price.
- Deposit will be valued at nominal value and accrued interest/profit.
- Any other investment will be valued at fair value, as determined in good faith by the Manager based on methods and bases agreed by the Custodian and that have been verified by the auditor of the fund.
- Net Assets Value per Unit = $(\text{Total Assets} - \text{Liabilities} - \text{Accrued Expenses}) / \text{Outstanding unit at the valuation time}$. Unit prices shall be expressed to at least four decimal places.

b. Frequency and time of valuation (valuation points):

- The Fund's assets will be valued on each dealing day after the close of the Saudi Market. The Manager shall be responsible for calculating the price of the units of the Fund.

c. Incorrect Valuation or Pricing:

- The fund manager must record each instance where an asset of the fund is valued incorrectly or the price of units is calculated incorrectly.
- The fund manager must compensate all harmed unit-holders (including former unit-holders) as soon as reasonably practicable for all valuation or pricing errors.
- The fund manager shall immediately report to the Authority any valuation or pricing error of 0.5% or more of the price of units and disclose it immediately on its website and on the exchange website and in the public fund's reports prepared in accordance to article (71) of the Investment Funds Regulations.

d. Method of calculating the unit price for dealing purposes: The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the Fund at the valuation point on the relevant dealing day.

e. Details on publication of unit prices: The Manager must publish the net asset value per unit on the business day following the dealing day on its website and on the exchange's website.

7. Dealing:

- a. The initial offer:** The initial offer of units will start on 08/05/2017 G and end on 16/07/2017 G hence it will last for 45 days. During the initial offer period, units may only be offered by the fund manager at the initial price of SAR 100. The minimum amount that must be raised through investors' subscriptions during the initial offer period was set by the manager at SAR 20,000,000. The Fund could launch should the Fund manager raise the minimum amount (SAR 20,000,000) before the offer period ends.
- b. Deadlines for submission of requests for subscriptions and redemptions:** Applications for subscription and redemption can be received during any business day. For any given dealing day, the deadline for submission of the information and the subscription amount related to the purchase or sale of units is 3:00 pm (timing of the Kingdom of Saudi Arabia, Riyadh) on the business day immediately preceding the relevant Dealing Day. The request will be processed at the official price (NAV as a Dealing day) . In the case of receipt of the request or the amount after the time specified above, the request will be processed on the next dealing day.

c. Subscription and redemption Procedures: On each dealing day, all applications for subscription and redemption, completed and received, before the deadline (3:00 pm of the business day preceding the relevant dealing day) will be executed at the official price per unit, which is the unit price published on the subsequent day to the relevant dealing day. Applications received after the deadline shall be executed at the price per unit of the next dealing day.

- **Minimum subscription amount:** The Manager has set the minimum subscription amount to SAR 10,000.
- **Minimum holding amount:** The Manager has set the minimum holding amount to SAR 10,000.
- **Where to submit applications:** All subscription and redemption application should be delivered to the manager's head office. The address of the Manager's Head Office is: Al Oula Building, 3rd floor, King Fahd Road, Riyadh P.O. Box 8151, Riyadh 11482, Saudi Arabia. Phone: +966-11-4949555. Fax: +966-11-4949551.
- **Period between request for redemption and payment of redemption proceeds:** The fund manager shall pay the unit-holder the proceeds of redemption no later than the close of business on the fifth day following the valuation point at which the price for the redemption was determined.

d. Unit-holders' register:

- The fund manager must establish a register of unit-holders and must maintain it in the Kingdom.
- The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- The fund manager must maintain at least the following information in the register:
 - The name and address of each unit-holder.
 - The national identification number, residence permit number (Iqama), passport number or commercial registration number of the unit-holder when applicable, or any other identification as determined by the Authority.
 - The nationality of the unit-holder.
 - The date on which the unit-holder was registered in the register.
 - Details of all transactions in relation to units conducted by each unit-holder.
 - The running balance of the number of units (including fractions of a unit) held by each unit-holder.
 - Any restriction or right attached to units owned by the unit-holder.
- An extract of the register of unit-holders must be provided by the fund manager to any unit-holder free of charge upon request (such extract must show all the information that is relevant to the requesting unit-holder only).

e. Subscriptions during the initial offer period:

No monies may be invested until the initial offering period is completed or until the minimum amount is reached, except for investment in bank deposits or in money market instruments, concluded with a party subject to SAMA supervision or an equivalent regulator in a jurisdiction other than the Kingdom.

f. The minimum amount required to launch the fund: The minimum amount that must be raised through investors' subscriptions during the initial offer period was set by the manager at SAR 20,000,000. In case the minimum is not raised during the initial offer period, the fund manager can, after obtaining the Authority's approval, extend the initial offer period by not more than (21) days and disclose such extension on its website. If the minimum amount is not raised during the initial offer period, the fund manager must return to the unit-holders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

g. Corrective measures to ensure fulfillment of the requirement to maintain SR 10 Million or its equivalent as a minimum Net Asset Value of the fund (as per article 66, paragraph 5)

The Fund Manager will immediately notify the Capital Market Authority if the fund's assets fall below 10 million riyals.

h. Circumstances in which dealing in units may be deferred or suspended:

- The fund manager must suspend the subscription and redemption of units if the Authority orders any such suspension.

- The fund manager may not suspend the subscription and redemption of units, unless in the following circumstances:
 - If the fund manager reasonably believes that any such suspension is in the best interests of the unit-holders.
 - If there has been a suspension of dealing on the principal market in which the securities or other assets held by the fund are dealt, either in general or in relation to assets of the fund which the fund manager reasonably believes to be material to the net asset value of the public fund.

The Fund Manager shall take the following actions in the event of any suspension imposed by the Fund Manager:

- Ensure that no suspension is continued except for a necessary and justified period, considering the interests of the unit holders.
 - Review the suspension regularly and consult regularly with the Fund's Board Members and the Custodian.
 - Notify the Authority and the Unit holders immediately of any suspension with the reasons for the suspension, and notify the Authority and the Unit Holders immediately after the suspension period is over in the same manner that the Suspension notice was sent and disclose on the Fund Manager's website and on the website of the Market.
- The Authority shall have the power to lift the suspension if it deems it to be in the interests of the unit holders.

i. Deferring Redemptions

- The Manager may defer fulfilling a request for redemptions until the next dealing day if the total of all unit-holders' redemption requests to be fulfilled on any dealing day amounts to a total of 10% or more of the net asset value of the fund.
- The Manager may defer or suspend dealing in units of the funds if there has been a suspension of dealing or trading on the Saudi Market, either in general or in relation to assets of the Fund that the Fund Manager reasonably believes to be material to the Net Asset Value of the Fund.

8. Units characteristics:

- Only one class of identical units in all respects will be issued.
- As soon as a potential unit-holder has signed the terms and conditions and paid the subscription price for the units, such unit-holder shall be the owner of the units which it has subscribed.
- The unit-holder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unit-holders).
- Other than losing his/her investment in the fund or part of it, the unit-holder shall not be liable for the debts and obligations of the relevant private fund.

9. Accounting and Reporting:

- The fund manager must prepare the annual reports that include (audited financial statement) summarized annual reports and interim reports in accordance with the requirements of Annex 5 of the Investment Funds Regulations.
- Availability of the fund reports:**
 - Annual reports must be made available to the public no later than (70) days from the end of the period to which the report relates. The reports will be available at the Manager's Head Office as well as on the fund manager's website and on the exchange's website.
 - Interim reports must be prepared and made available to the public within (35) days from the end of the period to which the report relates. The reports will be available at the Manager's Head Office as well as on the fund manager's website and on the exchange's website.
- The first audited financial statements of the fund will be made available at the end of the first fiscal year of the fund on 31/12/2017.

- d. The Fund's audited financial statements will be provided by the fund manager to unit-holders upon request and free of charge.

10. Fund Board:

a. Names of Fund Board members

Mr. Saad Naamaan Al Azhari (Chairman)
Dr. Fadi Osseiran (Board Member)
Mr. Omar Bassal, CFA (Independent Board Member)
Dr Saleh Al Harbi (Independent Board Member)

b. An overview about of the fund board members' qualifications

Mr. Saad Naamaan Al Azhari (Chairman)

Mr. Azhari is the Vice-Chairman of Blominvest Saudi Arabia. Mr. Azhari obtained a Master's Degree in Computer Engineering and afterwards a Master's degree in Business Administration (MBA) from the University of Michigan-Ann Arbor in the United States of America. Mr. Azhari worked from 1986 to 1991 in PBZ Private Bank, an affiliate of UBS Group, in Zurich-Switzerland where he was promoted to run, from Zurich, the Bank's operations in the Middle East and the Hong Kong Office. Mr. Azhari joined BLOM Bank Group in 1991. He is currently the Chairman of the Board of Directors and General Manager of BLOM Bank SAL and Blominvest Bank S.A.L. Since 2001, he has served as the elected Vice Chairman of the Association of Banks in Lebanon.

Dr. Fadi Osseiran (Board Member)

Dr. Osseiran is a Director of Blominvest Saudi Arabia and the General Manager of Blominvest Bank S.A.L. Dr. Osseiran has received a Doctorate in Economics from New York University in 1987, following which he undertook professorial duties in the Institute of Money & Banking at the American University of Beirut (AUB) until 1993. In 1990, Dr. Osseiran joined Med Group, where he worked in various capacities until 1994 when he left to become the General Manager of Blominvest Bank S.A.L. Dr. Osseiran has also held various positions in organizations such as the Association of Banks in Lebanon, the Lebanese Management Association and the Lebanese Centre for Policy Studies. Currently, he is a board member of the Lebanese Economics Association and President of the Lebanese Brokers Association. Dr. Osseiran has published several articles and books related to the Lebanese Economy and Banking.

Mr. Omar Bassal, CFA (Independent Board Member)

Mr. Omar Bassal, CFA is the head of asset management at MASIC—an institutional family office based in Saudi Arabia—where he oversees investments in traditional and alternative assets that are consistent with Shariah principles. Mr. Bassal spends his time reading and thinking—ignoring the hollow sound bites coming from the TV and newspapers. He cares about what the world will look like in 10 years' time and less about which market is making a new high today. That's one reason he left the U.S. in 2008 to work and live in a high growth region .

Mr. Bassal began investing in 1994 and has held senior positions in investment companies in the United States and the Middle East. Prior to MASIC, he worked as head of Asset Management at NBK Capital, the investment arm of the largest and highest rated bank in the Middle East. In the United States, Mr. Bassal worked as a portfolio manager at Azzad Asset Management where he managed mutual funds in accordance with Islamic principles. He also worked with an institutional public equity manager investing on behalf of government and corporate clients across the United States .

Mr. Bassal holds an MBA with honors in finance, management, and statistics from the Wharton School of Business at the University of Pennsylvania. He graduated summa cum laude with a Bachelor's of Science degree in Economics, also from the Wharton School. He has appeared on CNBC and has contributed articles to Barron's and Technical Analysis of Stocks & Commodities. Mr. Bassal is the author of the book, "Swing Trading for Dummies ."

Dr Saleh Al Harbi (Independent Board Member)

Finance and Investment assistant professor in the Finance dept. of King Saudi University, holds a doctorate in philosophy (Finance specialization) from the University of Wisconsin as well as a master's degree in degree in Business Administration from Western Michigan University and a bachelor's degree in Information Technology from Kind Saudi University.

During the past 20 years; Mr Al Harbi handled a verity of roles in the General Organization for social Insurance, as well as the role a full-time consultant for the scholarship agency in the Ministry of Higher Education, Mr Al Harbi was also the head of the Finance department, head of the Finance Master's program and Deputy Dean of Quality and Development of the Business Administration Department at Kind Saudi University along with being a member of the Business Administration Department's board of Directors and a member of the committee of the diploma equivalency as well as the investment manager in University of Higher Education Fund. Mr Al Harbi is also a board member on several

c. Roles and responsibilities of the Fund Board: The responsibilities of the members of the fund board shall include the following:

- Approving material contracts, decisions and reports involving the fund, including, but not limited to, contracts for the provision of fund management services, contracts for the provision of custody services but excluding contracts entered into pursuant to investment decisions regarding underlying investments made or to be made by the fund.
- Approve a written policy in regards to the voting rights related to the public fund assets.
- Overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified.
- Meeting at least twice annually with the fund manager's compliance committee or its compliance officer to review the fund manager's compliance with all applicable rules, laws and regulations, including (without limitation) the requirements of the Investment Funds Regulations.
- Confirming the completeness and accuracy (complete, clear, accurate, and not misleading), and compliance with the Investment Funds Regulations, of the terms and conditions, the information memorandum and of any other document, contractual or otherwise, that includes disclosures relating to the fund and/or the fund manager and its conduct of fund.
- Ensuring that the fund manager carries out its obligations in the best interests of the unit-holders, in accordance with the Investment Funds Regulations, the terms and conditions of the fund, and the information memorandum.
- Have a fiduciary duty to unit-holders, including a duty to act in good faith, a duty to act in the best interests of the unit-holders and a duty to exercise all reasonable care and skill.
- Taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the board.

d. Remuneration of fund board members:

The Fund Manager will cover all the expenses related to the Fund board.

e. conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund:

The Fund manager confirms that there is no existing or potential conflict of interest between the board members and the fund.

f. funds boards that the relevant board member is participating in:

Dr Saleh Al Harbi (Independent Board Member)

- Board member at KSB Saudi Equity Fund (Independent Board Member)
- Board member at KSB Murabaha Fund (Independent Board Member)
- Board member at KSB IPO Fund (Independent Board Member)
- Board member at KSB dividend Fund (Independent Board Member)
- Board member at Adeem IPO Fund (Independent Board Member)

Mr. Saad Naamaan Al Azhari (Chairman)

- Blom Saudi Arabia Fund (Chairman)
- Blom Arab Markets Balanced Fund (Chairman)
- Blom Saudi IPO Fund (Chairman)

Dr. Fadi Tawfik Erbid (Board Member)

- Blom Saudi Arabia Fund (Board Member)
- Blom Arab Markets Balanced Fund (Board Member)
- Blom Saudi IPO Fund (Board Member)

11. Shariah Board of the Index

a. Identity of the Shariah Board:

- Dar Al Istithmar represented by its Shariah supervisory committee:
- Dr. Hussain Hamid Hassan (Chairman)
- Dr. Abdul Sattar Abu Ghuddah (Member)
- Dr. Ali Al Quradaghi (Member)
- Dr. Mohammed Elgari (Member)
- Dr. Mohd. Daud Bakar (Member)

b. Roles and responsibilities of the Shariah board: To review and carefully examine the components and the index methodology in order to conclude compliance with the generally accepted Shariah guidelines.

c. Remuneration of the Shariah board: covered by an agreement between MSCI and Dar Al Istithmar.

d. Standards used to determine the Shariah-compliance: to define shariah-compliance, MSCI uses two standards: business activity and financial screens;

- Business activity screening: shariah principles do not permit investing in companies that are directly active in, or derive more than 5% of their revenue (cumulative) from non-shariah compliant activities such as alcohol, tobacco, pork related products, conventional financial services, defense/weaponry, gambling/casinos, music, hotels, cinema and adult entertainment.
- Financial screening:
 - Total debt (in all conventional forms e.g., loans, issued bonds etc.) over total assets should not exceed 33.33%
 - Sum of company's cash at hand / or deposited in interest-bearing accounts and interest-bearing securities over total assets should not exceed 33.33%
 - (Account receivables alone / cash alone / or both) over total assets not exceed 70%
- Purification: The fund manager must identify non-shariah compliant funds and deposit those funds in a special account to be employed in charity organizations. Purification takes place on quarterly basis and based on the criteria provided by the shariah board of the benchmark providers (MSCI).

More information is available upon request.

12. Fund Manager:

a. Name of fund manager: Blominvest Saudi Arabia

b. Authority authorization number: 08094-37

c. Registered address and business address of fund manager: The Manager's Head Office is: Al Oula Building, 3rd floor, King Fahd Road, Riyadh P.O. Box 8151, Riyadh 11482, Saudi Arabia. Phone: +966-11-4949555. Fax: +966-11-4949551

d. Date of Authority authorization: 12/01/1429H corresponding to 12/01/2008G

The paid-up capital of the fund manager: The paid-up capital of the Fund Manager is 245,000,000 Saudi Riyals.

e. Summary of financial information of the fund manager:

BLOMINVEST Saudi Arabia	
Balance Sheet '000	
Description	Dec-16
Assets	
Total assets	393,581
Liabilities	
Total Liabilities	81,121
Shareholders' equity	
Total shareholders' equity	312,460
Total Liabilities and Equity	393,581

BLOMINVEST Saudi Arabia	
Profit & Loss Statement '000	
Description	Dec-16
Total Revenues	56,689
Expenses	37,386
Net Income	19,303

f. Names of the fund manager's Board of Directors, and the main business activities of each director

Mr. Abdullah bin Abdul Latif Al Fozan

Mr. Al Fozan serves as the Chairman of BlomInvest Saudi Arabia since 2008. He serves as General Manager of BEIC. He also served as Managing Director of Abdullatif and Mohammad Al-Fozan since 2004. He served as Managing director of Ma'aly Holding Company (previously Kanzan Holding Company) since 1999. He serves as the Chairman of Bawan Co. He served as Chairman of Al Fozan Holding since 1995. He served as Chairman of Arnon Plastic Industries Company since 2000; and United Electronics Company since 2010. He served as Vice Chairman of the board of directors of Amwal AlKhaleej since 2006. He served Board member of Emar Middle East Company since 2008; Arabian Paper Manufacturing Company Ltd. since 2008; UTEC since 2002; Bank Arcapita since 2000; Dhahran Exhibition Company since 2001 and Al Oula Holding Company since 2008. He served as Board member of Complete Transport Company; Thabat for Real Estate Development; USSG; AlFozan for Construction Materials; Construction and Building Company and Board member of Supplies and Projects Company.

Mr. Abdullah AL Fozan holds a Bachelor's degree in Accounting from King Saud University in Riyadh, Saudi Arabia.

Mr. Saad Azhari

Mr. Azhari is the Vice-Chairman of Blominvest Saudi Arabia. Mr. Azhari obtained a Master's Degree in Computer Engineering and afterwards a Master's degree in Business Administration (MBA) from the University of Michigan-Ann Arbor in the United States of America. Mr. Azhari worked from 1986 to 1991 in PBZ Private Bank, an affiliate of UBS Group, in Zurich-Switzerland where he was promoted to run, from Zurich, the Bank's operations in the Middle East and the Hong Kong Office. Mr. Azhari joined BLOM Bank Group in 1991. He is currently the Chairman of the Board of Directors and General Manager of BLOM Bank SAL and Blominvest Bank S.A.L. Since 2001, he has served as the elected Vice Chairman of the Association of Banks in Lebanon.

Dr. Fadi Osseiran

Dr. Osseiran is a Director of Blominvest Saudi Arabia and the General Manager of Blominvest Bank S.A.L. Dr. Osseiran received a Doctorate in Economics from New York University in 1987, following which he undertook professorial duties in the Institute of Money & Banking at the American University of Beirut (AUB) until 1993. In 1990, Dr. Osseiran joined Med Group, where he worked in various capacities until 1994 when he left to become the General Manager of Blominvest Bank S.A.L. Dr. Osseiran has also held various positions in organizations such as the Association of Banks in Lebanon, the Lebanese Management

Association and the Lebanese Centre for Policy Studies. Currently, he is a board member of the Lebanese Economics Association and President of the Lebanese Brokers Association. Dr. Osseiran has published several articles and books related to the Lebanese Economy and Banking.

Mr. Marwan T. JAROUDI

- Born in 1959
- Board Member of BLOM BANK FRANCE
- Board Member of BLOMINVEST BANK S.A.L.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member and Vice Chairman of BLOM BANK QATAR since 2008
- Board Member of AROPE INSURANCE S.A.L.
- Board Member of AROPE SYRIA
- Board Member of Banorabe S.A., SPF
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK FRANCE
- Member of the Board Audit Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Corporate Governance Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Audit Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.

Mr. Marwan JAROUDI currently sits on the Board of Directors of the following Companies:

Industry Intelligence Inc., Los Angeles - USA, Forestweb, Inc., Los Angeles, United Shareholders. He is Co-Founder, Director of Industry Intelligence Inc., Los Angeles – California, since 2007. Since 1999, he occupies the position of Co-Founder, Director of Forestweb, Inc., Los Angeles.

From 1996 until 1999, he was Co-Founder, Managing Director of Pulptrade - Choueifat, Lebanon. From 1985 until 1995, Mr. JAROUDI occupied a number of managerial positions at Saudi Hollandi Bank in Jeddah. From 1989 until 1991, he was Co-Founder and Finance Director at Gulf Medical Co Ltd.

Mr. JAROUDI is holder of a Master of Arts degree in Economics from Syracuse University in New York and has a BA in Economics from the American University of Beirut.

Mr. Essam bin Abdulkadir Al Muhaidib

Mr. Essam A. Al Muhaidib is Group CEO and Board Member of Al Muhaidib Group. In addition, he sits on the Board of Directors of multiple FMCG, Banking, Financial, Real Estate, Industrial and Contracting companies. Savola Group, ACWA Power, Nestle Waters, Bawan, Al Salam Bank, Blominvest Saudi Arabia, Rafal Real Estate, Emmar Middle East, Al Balad Al Ameen Development Co. are few of them. He is also the Chairman of Panda Retail Company, Herfy Foods Services Co and the Economic & Industrial Development Committee under the Eastern Province Governance Council. He is a Board Member in Eastern Province Governance Council and member in the Boards of various charity, benevolence and educational institutions. Educational Services Company of Prince Mohamed bin Fahad University, King Fahad University for Petroleum and Minerals Endowment Fund, Saudi Food Bank and Husan Al Jawar Society Bahrain are view of them. He holds a Bachelor of Science degree in Statistics from King Saud University.

Ali R. Ghandour

Mr Ghandour is managing the following companies in his capacity as General Manager/CEO: Maha Ahmad Jaffali Food Distribution Systems, Al Jazira Food Processing Factory and Saudi Chewing Gum Production Factory.

He is also a Director at Ghandour companies in Lebanon, Egypt, India and Philippines.

Mr Ghandour is holder of BSC Degree at University of South California

Mr. Waleed Al Sughayir

- Vice Chairman: Abdulaziz Alsaghyir Holding Company, Riyadh
- Chairman of the Board of Directors: Maskan Al Arabia Company, Riyadh
- Member of the Board of Directors: Blominvest Saudi Arabia, Riyadh
- Member of the Board of Directors: United Electronics Company (extra), Saudi Arabia
- Member of the Board of Directors: Bussma Real estate Company Mr. Alsaghyir is holder of
- Master of Business Administration (MBA) 2004 – 2006 from American University of Beirut, Beirut, Lebanon
- BA Business Administration 1988 – 1992 from King Saud University, Riyadh, KSA

Fahad A. Al Mojel

Mr. Mojel is holder of a Degree in Bachelor of Science in Industrial Management and Marketing concentration from King Fahad University of Petroleum & Minerals, Dhahran, KSA.

- Has over 24 year's progressive experience in top tier financial institutions environment and culture.
- Strong background in private banking, corporate banking and investment.
- Well-Trainer, Coach and counselor.
- Proven leadership and hands-on management skills with track record.
- Board of Directors members for several companies which play a big role in the real estate market.

Hazem Al-Shaikh-Mubarak

C-Level Executive with experience in Investment, Asset Management, investment funds (Private Equity, Real Estate, Hedge funds), risk, corporate banking, value creation and operational management.

Skills include relationship management, business development, execution and strategy. Management successes include enterprise transition from an entrepreneurial to a professionally managed business, performance enhancement, growth acceleration, restructuring and rationalization. In private equity worked on the operating company level and developed, motivated, strengthened, redirected businesses, teams and investments via board and executive committee roles.

Mr Al-Shaikh Mubarak is a managing partner and director of several educational institution, in the Kingdom and abroad, and Board of Director member for a well-established Investment Funds.

g. Primary roles, responsibilities and duties of the fund manager:

- The fund manager must act for the benefit of unit-holders in accordance with the Investment Funds Regulations, the Authorized Persons Regulations, the terms and conditions of the fund, and the information memorandum.
- The fund manager must comply with all principles and duties required under Authorized Persons Regulations including the fiduciary duty towards unit-holders which includes the duty to act in the best interests of the unit-holders and duty to exercise all reasonable care and skill.
- The fund manager's responsibilities shall include:
 - Fund management.
 - Fund operations, including administrative services to the fund.
 - Offering of fund units.
 - Ensuring the accuracy of the terms and conditions of the investment fund, the information memorandum, and verify that the terms and conditions are complete, clear, accurate and not misleading.

- h. Functions that have been delegated to a third party by the fund manager:** The Fund Manager has appointed HSBC Saudi Arabia Limited (a joint stock company authorized by the CMA under license number 05008-37) as Administrator to carry out the administration of the Fund's affairs on behalf of and subject to the overall control of the Fund Manager. The Administrator specializes in the provision of administrative services for both open and closed-ended funds.

As per the administrator agreement, 01/05/2017 G ("Fund Administration Agreement") HSBC Saudi Arabia Limited was appointed as the Fund's administrator.

The Administrator is responsible under the overall supervision of the Board of Directors for, inter alia, the general administration of the Fund, the proper book-keeping of the Fund, arranging for the issue and redemption of units of the Fund and calculating net asset valuations of the Fund.

- i. Any other business activities or interests of the fund manager that are of significance or could potentially conflict with those of the fund:** There are no practical activities or other important interests of the employees and / or the fund manager or the members of the fund board that are likely to interfere with their performance or responsibilities towards the fund and if found, it will be disclosed. Due to the widespread operations of the Fund Manager and the BLOM Bank Group and their respective affiliates, employees and agents, instances may arise in which the interests of the Fund Manager and its affiliates conflict with the interests of the Fund. These instances will be disclosed upon their occurrence.

- j. Provisions governing the removal or replacement of the fund manager:**

The Authority shall have the right to dismiss the Fund Manager and take any action it deems appropriate to appoint an alternative fund manager for the Fund or to take any other measure it deems appropriate in case of any of the following cases:

- The fund manager ceasing to carry on management activities without notification to the Authority under the Authorized Persons Regulations.
- The cancellation by the Authority of the fund manager's relevant authorization(s) to carry on management activities under the Authorized Persons Regulations.
- A request by the fund manager to the Authority to cancel its relevant authorization to carry on management activities.
- The Authority believing that the fund manager has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulations.
- The death, incapacity or resignation of a portfolio manager who manages the assets of the fund, if no other registered person employed by the fund manager can manage the assets of the fund or the assets of the funds managed by the portfolio manager.
- Any other event determined by the Authority on reasonable grounds to be of sufficient material.

13. Custodian:

- a. Name of Custodian:** HSBC Saudi Arabia Limited
- b. Authority authorization number:** 05008-37
- c. Registered address and business address of Custodian:** P.O. Box 9084 Riyadh 11413, Saudi Arabia
- d. Date of incorporation:** 07/04/2008
- e. Primary roles and responsibilities of Custodian:**
 - Notwithstanding the delegation by a Custodian to one or more third parties under the provisions of the Investment Funds Regulations or the Authorized Persons Regulations, the Custodian shall remain fully responsible for compliance with its responsibilities in accordance to the provisions of the Investment Funds Regulations. The Custodian shall be held responsible to the fund manager and unit-holders for any losses caused to the fund due to the Custodian fraud, negligence, misconduct or willful default.
 - The Custodian shall be responsible for taking custody and protecting the fund's assets on behalf of the unit-holders, and taking all necessary administrative measures pursuant to applicable laws and regulations in relation to the custody of the fund's assets

- Upon proper instructions from the Fund Manager, the Custodian must, in relation to each investment fund to which it acts as Custodian, open a separate account in a local bank under its name with the account designated as being for the benefit of the relevant investment fund.
- The Custodian must within its records, segregate each investment fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the Custodian for the benefit of the relevant investment fund the securities and other assets of such investment fund. The Custodian must maintain all necessary records to support the performance of its contractual responsibilities.
- The Custodian must deposit all cash belonging to the investment fund into the relevant bank account and must deduct from the relevant bank account payments for investments and expenses incurred in the management and operation of the investment fund in accordance with the Investment Funds Regulations, the terms and conditions and the information memorandum of the fund, that it received from the fund manager, and the contract by which the Custodian was appointed by the fund manager.
- Pursuant to an agreement dated 01/05/2017 (the "Custodian Agreement") HSBC Saudi Arabia Limited has been appointed as the Custodian of certain assets belonging to the Fund as are delivered to the Custodian and accepted by the Custodian under its control in accordance with the Custodian Agreement. The Custodian will only act as Custodian for such of the Company's assets as may be delivered to it and accepted by the Custodian from time to time. The Custodian shall not act as Custodian nor have any responsibility for any other assets of the Fund not properly delivered to it and accepted by the Custodian under its control.

f. Functions that have been delegated to a third party by the Custodian:

The Custodian is authorized to delegate any of its duties under the Custodian Agreement to sub-Custodians, agents or delegates ("Correspondents"), on the terms set out in the Custodian Agreement, which shall not include clearing or settlement systems, selected by the Custodian.

g. Provisions governing the removal or replacement of the Custodian:

- **Power of the Authority to Remove and Replace Custodian:** The Authority shall have the power to remove the Custodian which was appointed by the fund manager and take any other measures it deems necessary, as appropriate, in the event of:
 - The Custodian ceasing to carry on custody activity without notification to the Authority under the Authorized Persons Regulations.
 - The cancellation or suspension by the Authority of the Custodian's relevant authorization to carry on custody activity under the Authorized Persons Regulations.
 - A request by the Custodian to the Authority to cancel its authorization to carry on custody activity.
 - The Authority believing that the Custodian has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulation
 - Any other event determined by the Authority – based on reasonable grounds to be of sufficient significance.
- **Resignation or Removal of Custodian by the Fund Manager:**
 - The Custodian appointed by the fund manager shall be subject to removal by written notice by the fund manager upon the fund manager forming the reasonable opinion that the removal is for the interest of the unit-holders, the fund manager shall notify the Authority and the unit-holders in writing immediately. The fund manager must disclose on its website immediately the removal of a Custodian right after, the fund manager shall also disclose on the exchange's website the removal of a Custodian.
 - On receipt by the Custodian of a notice, the fund manager must terminate the appointment of the Custodian within (30) days of such notification and shall appoint another Custodian. The Custodian must co-operate fully with the fund manager in order to facilitate a smooth transfer of responsibilities to the replacement Custodian, and must

transfer, where necessary and applicable, all contracts related to the fund to the replacement Custodian.

- The fund manager must disclose on its website immediately the appointment of a replacement Custodian. The fund manager shall also disclose on the exchange's website the appointment of a replacement Custodian for the fund.
- The appointment of the Custodian may be terminated without cause by not less than 90 days' notice.
- The Custodian may resign from its appointment as Custodian of the Fund in accordance with the termination provisions set out in the Custodian Agreement.

14. Investment Advisor:

- a. **Name of the Investment Advisor:** Not Applicable
- b. **Registered address and business address of the Investment Advisor:** Not Applicable
- c. **A description of primary roles and responsibilities of the distributor in relation to the investment fund:** Not Applicable

15. Distributor:

- a. **The name of the distributor:** Not Applicable
- b. **The registered address and business address of the distributor:** Not Applicable
- c. **The license issued by the Authority for the distributor:** Not Applicable
- d. **A description of primary roles and responsibilities of the distributor in relation to the investment fund:** Not Applicable

16. Auditor:

- a. **Name of auditor:** Ernst & Young
- b. **Registered address and business address of Auditor:** Al Faisaliya Tower. King Fahad Road, P.O.Box 2732, Riyadh 11461, Kingdom of Saudi Arabia.
- c. **Description of primary roles and responsibilities of auditor in relation to the investment fund:**
 - I. The financial statements for an investment fund must be prepared in Arabic and in a semi-annual basis at least and must be reviewed in accordance with the standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA"), and a copy of the financial statements may be prepared in any other language, should there be any contradiction between the two copies; the Arabic copy will be applicable.
 - II. The financial statements for an investment fund should be audited in accordance with the standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA").
 - III. Where a public fund was established more than (9) months before such public fund's year-end, an audit must be conducted as of its first year end.
 - IV. Where a public fund was established (9) months or less before such public fund's year-end, an audit may be conducted at the end of the second year end of the public fund

17. Other Information:

- a. The fund manager will submit, upon request and free of charge, the policies and procedures that will be followed to address the potential and/or actual conflicts of interest.
- b. **Information on rebates and soft commission:** Not Applicable
- c. **Information Regarding Tax and/or Tax:** Not applicable
- d. **Information and details of meeting of unit-holders:**
 - The fund manager may call for a meeting of unit-holders on its own initiative.
 - The fund manager must call for a meeting of unit-holders within (10) days of receiving a written request from the Custodian.
 - The fund manager must call for a meeting of unit-holders within (10) days of receiving a written request from a unit-holder or unit-holders holding together at least 25% in value of the units in the fund.

- The fund manager shall call for a meeting of unit-holders by announcing it on its website and on the exchange's website, and by sending a notice in writing to all unit-holders and to the Custodian giving:
 - not less than (10) days' notice of the meeting
 - And no more than (21) days' notice before the meeting.

The announcement and notice must specify the date, place and time of the meeting and the resolutions proposed. The fund manager must at the same time send a copy of any such notice to the Authority.

- The quorum required to conduct a meeting of the unit-holders shall be such number of unit-holders holding together at least 25% in value of the units in the fund
 - If the quorum requirements are not met, the fund manager shall call for a second meeting by announcing it on its website and on the exchange's website and shall send a notice in writing to all unit-holders and to the Custodian giving not less than (5) days' notice of the second meeting (excluding the day on which the notice is sent and the day of the meeting). At the second meeting, any number of unit-holder(s) holding any number of units present in person or represented by a proxy is a quorum.
 - Every unit-holder shall be entitled to appoint a proxy to represent such unit-holder at a meeting of the unit-holders.
 - Every unit-holder shall be entitled to exercise one vote at the meeting of the unit-holders for each unit which the unit-holder holds as at the time of the meeting.
 - The unit-holders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.
- e. Termination or the winding-up of the fund:** In line with the regulations and to the extent of what is feasible, the fund manager will send a written notice of at least (21) days to all Unit-holders stating his intention to terminate or to wind-up the Fund. The Manager will then proceed, on the dealing day specified in the notice (not exceeding 8 weeks following the notice), with the redemption of all the outstanding units in the fund at the price per unit of the relevant dealing day.
- f. Complaints procedure:** The fund manager will submit, upon request and free of charge, the policies and procedures that will be followed to address the complaints of unit-holders. Unit-holders may send their complaints to the following address:

Compliance Officer
 Al Oula Building, 3rd floor, King Fahd Road, Riyadh P.O. Box 8151, Riyadh 11482, Saudi Arabia
 Phone: +966-11-4949540
 Website: www.blom.sa
 Email: compliance@blom.sa

- g. Jurisdiction:** The Committee for the Resolution of Securities Disputes has the jurisdiction to adjudicate disputes arising from investing in the fund.
- h. Documents available for unit-holders:**
- The terms and conditions
 - The information memorandum
 - Summary of key information
 - Any contract mentioned in the information memorandum
 - Financial statements
- i. The Fund's assets:** The assets of the fund are owned collectively by the unit-holders. The fund manager, fund sub manager or Custodian, sub Custodian or a distributor or investment advisor shall not have any interest in or claims against such assets, other than when the fund manager, fund sub manager or Custodian is a unit-holder, and for claims permitted under the Investment Funds Regulations and disclosed by way of statement in the fund's terms and conditions or the information memorandum.
- j. Other Information:** Not Applicable
- k. Exemption from the restrictions of investment regulations:** Not Applicable

- I. Voting rights policy with regards to the assets held by the fund:** The fund manager will submit, upon request and free of charge, the voting rights policies related to the assets held by the fund.

18. Index Fund:

- a.** The fund manager can give no assurance that the performance of the fund will be replicating the performance of the index.
- b. Circumstances that may lead to inaccuracies in following the benchmark performance:**

The changes in the Fund's investments and the re-balancing of the Index which the Fund follows may cause discrepancies in the overall performance of the fund versus the index. Also, the total return on investment in the Fund's units will be reduced by the expenses and the cost which the Fund incurs while the Index does not.

In case of any temporary suspension or trading halt on any of the securities comprising the index or in the case of market discontinuation, it may not be possible to re-balance the investment portfolio of the Fund to match the weights of the index components.

The key factors that may generate a deviation in the fund's performance compared to that of the index are related to the fund manager placing buy and sell orders whether as a result of periodic rebalancing of the components of the index and their weights by the index provider, or as a result of subscriptions and redemptions to the Fund's units. In addition, the Fund will retain a limited amount of liquidity which may increase the margin of deviation.

When modifying the components and the weights of the index:

On the index revision date, The Fund Manager views the changes in the components and weights that result from the adopted index construction policy as they are released, and calculates the number of stocks that need to be sold or purchased in the market. The purchase and sell orders shall be executed at a price that is the closest possible to the closing prices of the market, given the available liquidity and transaction cost.

Upon subscription and redemption of the Fund units:

Failing to take into consideration the rebalancing of the fund's components, any cash flow from or to the Fund resulting from net redemptions or subscriptions will increase the deviation of the fund's performance versus the index.

To this end, depending on the size of cash flow movement and its impact on the weights of the components of the Fund, a decision to conduct the necessary sales and purchases is made on the dealing day to restore balance.

In case the net cash flow on the dealing day is positive, the fund manager can rely on the available liquidity of the Fund and on the right of the fund to borrow in order to buy the required shares immediately upon receipt of subscriptions and redemptions requests, at prices as close as possible to those of the market close on the relevant dealing day.

In case the value of redemptions on the Dealing Day exceeds the value of subscriptions, meaning the cash flow is negative; the available liquidity of the Fund will be used in addition to the amount resulting from selling shares in the market at prices as close as possible to those of the market close.

c. Brief Description of the Index methodology/regulation:

- Index: MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index
- Index provider: MSCI INC. ("MSCI")
- The bases and the methodology used to calculate the benchmark: MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index is a combination of a parent index and a 2nd level index.

- Parent Index: MSCI Saudi Arabia Domestic IMI Index

Methodology: Islamic

The Index will be weighted and rebalanced in accordance with MSCI's Islamic Index Series Methodology. The methodology is available on the MSCI website.

- 2nd Level: Minimum Volatility

2nd Level Methodology: Minimum Volatility

The Index will be weighted and rebalanced in accordance with MSCI's Global Minimum Volatility Indexes Methodology applying the below base currency for optimization and the below exceptions to the optimization constraints. The methodology is available on the MSCI website.

Methodology Details:

Optimization Currency: USD

The following exceptions will be applied to the optimization constraints:

- The maximum weight of an index constituent will be restricted to the lower of 10% or 20 times the weight of the security in the Parent Index
- The minimum weight of an index constituent will be 0.5%

Corporate Events Treatment:

- IPO/Additions : Do not include
- Transformation : Include
- SpinOff : Include
- Merger/Acquisition : Do not include

d. Statement of any condition(s) which may affect the completion or accuracy of calculating the Index:

- Data Providers providing missing or inaccurate data: Although the Index Provider shall obtain information for inclusion or for use in the calculation of the index from sources it considers reliable, it does not warrant or guarantee the originality, accuracy and/or the completeness of the index or any data included therein.
- Problems in means of communication: the data used for inclusion in or calculation of the Index is provided electronically to the Index Provider. Also, the Index provider will send the data of the index electronically (whether directly or through service providers) to the fund manager. Any problem occurring in the means of communication could affect the completion and accuracy of the index
- suspension or termination of the supply of stock market information to the index provider will render the calculation of the index impossible by the index provider
- Force Majeure:

The index provider and the fund manager shall not be responsible for any delay or failure in calculating the index resulting from acts beyond the control of such party, including but not limited to, any act of God, act of governmental or regulatory authority, act of public enemy, computer or system failure, or due to war, act of terrorism, riot, fire, flood, civil commotion, insurrection, labor difficulty (including without limitation, any strike, or other work stoppage or slowdown), or severe or adverse weather conditions.

e. Description of the Fund Manager's strategy in case the calculation of the index is suspended by the service providers:

In the event that MSCI intends to discontinue any Index, and if circumstances allow, MSCI shall give the fund manager reasonable prior written notice of such discontinuance, which notice shall specify whether a replacement or substitute index will be available.

If MSCI offers a replacement or substitute index, the fund manager shall have the option to use such replacement or substitute index.

If MSCI discontinues the index but does not offer a replacement or substitute index, the fund manager shall have the options to:

1. Request that MSCI provide him, on a confidential basis, with information necessary to enable him to calculate values of such index in the manner in which such index is then calculated.
2. Select a different Index provider after receiving the approval of the fund board, the CMA and the unit holders
3. Terminate the fund

f. Statement on margin of deviation coefficient for the index

The Fund Manager will aim to minimize at any point in time the margin of tracking error

Terms and Conditions
BLOM MSCI Saudi Arabia Select Min. Vol. Fund

- A) Fund Name: BLOM MSCI Saudi Arabia Select Min. Vol. Fund, an open ended public mutual fund.
- B) Fund Manager: Blominvest Saudi Arabia
- C) BLOM MSCI Saudi Arabia Select Min. Vol. Fund has been certified as being Shariah-Compliant by the Shariah Board appointed by the index providers MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility (USD) Index which represents the fund's investment universe.
- D) The Fund Manager states that fund's terms and conditions and all other documentation comply with the Investment Funds Regulations and contain complete, clear, accurate, and not misleading information on the investment fund
- E) The Fund's terms and conditions shall be read in conjunction with the information memorandum and other documentation of the Fund.
- F) The Unit holder must sign and accept the terms and conditions upon subscribing to the Fund's units
- G) Date of issuance: 07/08/1438 H corresponding to 02/05/2017 G
- H) Date of Capital market authority's decision on the establishment of the Fund and the offering and the issuance of its units: 22/06/1438 H corresponding to 21/03/2017 G

Disclaimer from MSCI

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NO CIRCUMSTANCES MAY ANY PERSON OR ENTITY CLAIM ANY AFFILIATION WITH MSCI WITHOUT THE PRIOR WRITTEN PERMISSION OF MSCI.

Glossary

“Fund Manager”: BLOMINVEST Saudi Arabia, a joint stock company licensed and regulated by the CMA, under license number 08094-37.

“HSBC Saudi Arabia”: Providers of the Fund’s Custody and Administration services. HSBC Saudi Arabia is a joint stock company licensed and regulated by the CMA, under license number 05008-37.

“Administrator”: an authorized person under the Authorized Persons List issued by the Capital Market Authority. The Administrator is responsible- under the general supervision of the board- of the fund’s administrative matters, Fund accounting, processing subscriptions and redemptions in the Fund’s units and the calculation and valuation of the net asset prices of the Fund's units.

“Custodian”: HSBC Saudi Arabia Limited, PO Box 9084 Riyadh 11413, Kingdom of Saudi Arabia; an authorized person under the Authorized Persons List issued by the Capital Market Authority to perform the duties of a Custodian

“Auditor”: Ernst & Young, Al Faisaliah Tower, King Fahad Road, PO Box 2732, Riyadh 11461, Kingdom of Saudi Arabia.

“MSCI”: Index Service Providers – the entity responsible for the calculation, maintenance and dissemination of the Index.

“MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index”: an index derived from the MSCI Saudi Arabia Domestic IMI Index and consisting of a sample of shares from the primary index which are characterized by a lower degree of absolute volatility selected within the restrictions adopted by MSCI.

“Index Fund”: A public Fund whose main investment objective is to replicate the performance of a specific index.

“Tracking Difference”: Percentage representing the deviation of the performance of the Fund's portfolio from the index. The deviation ratio is measured using the deviation factor of the difference between the return of the fund versus that of the index.

“Volatility”: volatility of a sample is a statistical measure of the dispersion of possible values around the expected value.

“Re-Balancing”: The purchase or sale of investments carried out for the purpose of restoring the weights of the portfolio components to the target weights (depending on the index). This process is designed to simulate the performance of the Index.

“Issuer”: Legal entity (such as the government, institutions, etc.) responsible for the development, registering and selling financial instruments to the public for the purpose of financing projects.

“Passive Management”: An investment management method in which the Fund Manager tracks the weights of a given index to simulate the performance of that index.

“Valuation Day”: Any day on which the total net asset value and net asset value per unit of the fund are calculated.

“Dealing Day”: Every business day and/or any other day the Fund Manager deems as a dealing day at its discretion. The dealing day is the day on which the subscription/issuance of units and the redemptions/cancellation of units –that meet the required criteria and are requested before 3:00pm one day prior to the relevant dealing day, is processed.

“Net Asset Value” or “Unit Price”: The monetary value per unit calculated based on the value of assets under management of the Fund less liabilities and divided by the number of existing units.

1) General Information:

- a. Name of Fund Manager: BLOMINVEST Saudi Arabia, a joint stock company licensed and regulated by the CMA, under license number 08094-37.
- b. Address of Fund Manager: Al Oula Building, 3rd floor, King Fahad Road, Riyadh, P.O. Box 8151, Riyadh 11482, Saudi Arabia Tel N°: 966-11-4949555, Fax N°: 966-11-4949551.
- c. Website and email of Fund Manager: www.blom.sa info@blom.sa.
- d. Name of Custodian: HSBC Securities Services / HSBC Saudi Arabia Limited, a joint stock company regulated and licensed by the CMA under the number 05008-37.
- e. Website of the Custodian: www.HSBCSaudi.com

2) Governing Laws:

- a. The Fund manager and the fund are subject to the Capital Market Law and its Implementing Regulations as well as other relevant laws and regulations applicable in the Kingdom of Saudi Arabia.

3) Objectives of the Investment Fund:

- a. **Fund Objective:** The fund seeks to track the performance of “MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index” which is composed of Saudi Sharia Compliant Equities
- b. **Investment Policies and Practices:**
 - **Type of securities in which the Fund will primarily invest in:** The Fund will invest in equities listed on the Saudi market. The Fund manager can also maintain up to 5% of the fund's assets in cash to meet redemption requests.
 - **Concentration of Investments:** The Fund's investments will be concentrated in shares of Saudi companies listed on the Saudi market and included in the MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index which is Sharia Compliant.
 - **Specific techniques and instruments that may be used in the management of the Fund:** The Fund aims to achieve a performance similar to the performance of the *MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index* prior to deducting fees and expenses while minimizing the deviation factor between the performance of the Fund and the performance of this index by following a passive investment strategy which invests in a basket of shares with weights similar to those of the index. The decision to invest cash flows in all components of the index or in

part (stratified sampling) will take into account that changes in the fund's investment portfolio and rebalancing of the components weights in the index could lead to additional transaction costs that adversely affect its performance compared to the index which is not subject to those expenses and costs.

The Fund Manager will re-balance the allocation on a regular basis (at least quarterly), coinciding with the re-balancing of the index. Re-balancing is also performed on an interim basis to reflect corporate actions pertaining to securities held in the portfolio or upon subscriptions and/or redemptions. The fund manager has the right to temporary stop any subscription/redemption operation during this period.

- **About the Index:** The index is derived from the MSCI Saudi Arabia Domestic IMI Index. It consists of a sample of shares from the primary index which are characterized by a lower degree of absolute volatility selected within the restrictions adopted by MSCI.
 - The Fund will not invest in any financial instruments unless mentioned in the terms and conditions

4) Duration of the Fund:

The fund will be an open-ended fund (for an undetermined period).

5) Investment restrictions/limitations:

While managing the fund, the fund manager will comply with any restrictions imposed by the Investment Funds Regulations, the fund's terms and conditions and the Information Memorandum.

6) Currency:

The currency of the Fund is the Saudi Riyal (SAR). In the event of receipt of subscriptions applications in another currency, the amount will be converted to Saudi riyal at the prevailing market price.

7) Fees Charges and Expenses:

- a. **Management Fee:** The Fund will pay the Fund Manager a management fee accrued daily and paid monthly at an annual rate of 1% of the total Net Asset Value of the Fund (after deducting the previous management fees)

Description	Value and Method of Calculation
Management Fee	1% p.a. of the Fund's total Net Asset Value- Accrued daily and paid on monthly basis.
Subscription Fee	0.5% of the subscription amount. Paid over and above the subscription amount.
Transaction Fee (related to custodian)	50 Saudi riyals per transaction, debited from the fund, accrued for with each transaction and paid monthly
Custodian Fee	Annual Fee paid by Fund Manager
Administrator Fee	Annual Fee paid by Fund Manager

Audit Fee	Annual Fee paid by Fund Manager
Benchmark Fee	Annual Fee paid by Fund Manager

b. Charges imposed for subscriptions and redemptions:

Subscription Fee: 0.5% of the subscription amount.

Redemption Fee: Not Applicable

c. Special commission concluded by the fund Manager: Not applicable.

8) Valuation and Pricing:

a. Valuation Methodology and Basis of underlying assets:

I. Assets to be included in the Valuation:

- All the investment fund assets must be part of the valuation
- The assets of the Fund are deemed to include all assets of every kind and nature, including but not limited to:
 - a. Cash or deposits including interest owing thereon.
 - b. Dividends and distributions payable in stocks, cash or other property received by the investment fund.
 - c. All investments and other assets owned.
 - d. Any interest accrued on any assets or investments.
- The liabilities of the Fund are deemed to include all liabilities of every kind and nature, including but not limited to:
 - a. All loans, and accounts payable.
 - b. All accrued or payable expenses and fees chargeable to the investment fund.

II. Method of Valuation:

- The fund will be valued on each valuation day. The valuation is to be currency based and will be determined in respect of all the assets of which the portfolio comprises less the liabilities attributable to the Fund at that time.
- The most recent transaction price may be used for securities that are listed or traded either on a regulated securities exchange or on an automated quotation system.
- If the securities are suspended, it should be valued at the suspended price, unless there is conclusive evidence to indicate that the value of such securities have gone below the suspended price.
- Deposit will be valued at nominal value including accrued interest/profit.
- Any other investment will be valued at fair value, as determined in good faith by the Manager based on methods and bases agreed by the custodian and that have been verified by the auditor of the fund.
- $\text{Net Assets Value per Unit} = (\text{Total Assets} - \text{Liabilities} - \text{Accrued Expenses}) / \text{Outstanding unit at the valuation time.}$ Unit prices shall be expressed to at least four decimal places.

b. Frequency of valuation and valuation points: The Fund's assets will be valued on each dealing day after the close of the Saudi Market. The Manager shall be responsible for calculating the price of the units of the Fund.

c. Incorrect Valuation or Pricing:

- I. The fund manager must record each instance where an asset of the fund is valued incorrectly or the price of units is calculated incorrectly.
- II. The fund manager must compensate all harmed unit-holders (including former unit-holders) as soon as reasonably practicable for all valuation or pricing errors.
- III. The fund manager shall immediately report to the Authority any valuation or pricing error of 0.5% or more in the price of units and disclose it immediately on its website and on the exchange website and in the public fund's reports prepared in accordance to article (71) of the Investment Funds Regulations.

d. Method for calculating the unit price for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the Fund at the valuation point on the relevant dealing day.

e. Publication time and place for the unit price, and its frequency: The Manager must publish the net asset value per unit on the business day following the dealing day on its website and on the exchange's website.

9) Dealings:

a. Responsibilities of the Fund Manager in relation to subscription/redemption requests:

The fund manager is responsible for processing subscription and redemption requests including receiving the requests from potential/current unitholders prior to the cut-off time, before 3PM (timing of the Kingdom of Saudi Arabia, Riyadh) on the business day immediately preceding the relevant dealing day.), notifying the administrative agent with the request, requesting the transfer of the amount in the case of a redemption and notifying the client with their transaction details.

b. Maximum period between the receipt of a redemption request and payment of proceeds: The fund manager shall pay the unit-holder the proceeds of redemption no later than the close of business on the fifth day at the latest following the valuation point at which the price for the redemption was determined.

c. Restrictions on dealing in units of the Fund:

It is not permitted to subscribe or redeem a public fund's units on any day other than the dealing day. A public fund, that is not a closed fund, must select at least one dealing day per week. The unitholders must comply with the deadline for submitting subscription and redemption requests.

d. Circumstances in which dealing in units may be deferred or suspended:

a. Suspension in dealing in units of the fund:

- i. The fund manager must suspend the subscription and redemption of units if the Authority orders any such suspension.
- ii. The fund manager may not suspend the subscription and redemption of units, unless in the following circumstances:
 1. If the fund manager reasonably believes that any such suspension is in the best interests of the unit-holders.
 2. If there has been a suspension of dealing on the principal market in which the securities or other assets held by the fund are dealt, either in general or in relation to assets of the fund which the fund manager reasonably believes to be material to the net asset value of the public fund.
- iii. The Fund Manager shall take the following actions in the event of any suspension imposed by the Fund Manager:

- a. Ensure that no suspension is continued except for a necessary and justified period, considering the interests of the unit holders.
 - b. Review the suspension regularly and consult regularly with the Fund's Board Members and the Custodian.
 - c. Notify the Authority and the Unit holders immediately of any suspension with the reasons for the suspension, and notify the Authority and the Unit Holders immediately after the suspension period is over in the same manner that the Suspension notice was sent and disclose on the Fund Manager's website and on the website of the Market.
- iv. The Authority shall have the power to lift the suspension if it deems it to be in the interests of the unit holders.

b. Deferring Redemptions:

- i. The Manager may defer fulfilling a request for redemptions until the next dealing day if the total of all unit-holders' redemption requests to be fulfilled on any dealing day amounts to a total of 10% or more of the net asset value of the fund.

e. Procedure in case redemption of units is deferred:

If not all the redemption requests are processed in any of the previously mentioned cases; the remaining redemption requests will be transferred to the next dealing day on pro rata basis. The redemption will be subject to the same restrictions and Fund Manager rights in accordance with the Investment Fund Regulations issued by the Capital Market authority. The delayed redemption requests will be given priority, and will be executed on first-in first-out basis

- i. **Transfer of units to other investors:** Direct or indirect transfer of Units is expressly prohibited unless if approved by the Fund Manager. Following the approval of the Fund Manager, Units may be transferred, sold, assigned, mortgaged, pledged or otherwise disposed of; however, a transferee or assignee of any Units shall not become a substitute Unitholder without:
 - Signing the Terms and Conditions, and any amendments thereto, and subject to all obligations of the transferring or assigning Unitholder with respect to the Units to which such Unitholder was substituted; and providing such legal opinions and documentation as the Fund Manager may request to effectuate such transfer or assignment; and
 - The Fund Manager registering the transfer of Units in the Fund's registry of Unitholders.

No fees shall be charged upon the transfer of units; however, the transferring unitholder and the transferee shall bear all expenses generated at the time of the transfer (ex: Administrative or legal fees)

f. Fund Manager's investment in the Fund:

The Fund manager retains the right to invest in the fund's units based on its discretion. The Fund Manager also retains the right to redeem all or part of its investment as long as the following criteria are met:

- a. The terms of the fund manager's subscriptions, and the rights attached to the units which it holds must not be more favorable than those of other unitholders of the same class;

- b. The fund manager and its affiliates shall not be entitled to use the voting rights attached to the units they hold;
- c. The fund manager must disclose at the end of each quarter details of its investments on the its website, the exchange's website, and in the annual reports that the fund manager prepares in accordance to article (71) of the investment Funds Regulations.

g. Deadlines for submission of subscription/redemption requests in any dealing day:

Applications for subscription and redemption can be received during any business day. For any given dealing day, the deadline for submission of the information and the subscription amount related to the purchase or sale of units is 3:00 pm (timing of the Kingdom of Saudi Arabia, Riyadh) on the business day immediately preceding the relevant Dealing Day. The request will be processed at the official price (NAV as a Dealing day). In the case of receipt of the request or the amount after the time specified above, the request will be processed on the following dealing day.

h. Procedure of submitting instructions to subscribe in or redeem unit:

On each dealing day, all applications for subscription and redemption completed and received before the deadline (3:00 pm of the business day preceding the relevant dealing day) will be executed at the official price per unit, which is the unit price published on the subsequent day to the relevant dealing day. Applications received after the deadline shall be executed at the price per unit of the next dealing day.

a) Subscription and redemption procedure

- An investor willing to subscribe to units in the fund must open an account with the Fund Manager.
- Subscribers to the fund shall fill out and deliver the subscription application form and sign the terms and conditions and deliver the signed terms and conditions to the fund manager in addition; they must deposit the subscription amount in the Fund's bank account (Detailed below):

(a) Pay to: Blominvest Saudi Arabia (Blom MSCI Saudi Arabia Select Min. Vol. Fund)

(b) Bank: _____

(c) Pay to: _____

(d) IBAN: _____

(e) Ref:(Name of the investor)

- In the event of receipt of subscriptions applications in any currency other than the Saudi Riyal, the amount will be converted to Saudi Riyal at the prevailing market price. The subscription will be processed based on the total value post conversion to Saudi Riyals.
- The investor is allocated with a number of units on the relevant dealing day. The subscription is calculated by dividing the value of the subscription by the net asset value per unit as at the close of the relevant dealing day. The subscription monies will be invested upon allocation of units.
- The investor will not receive an ownership certificate of the units in which he had subscribed, nevertheless, ownership of units will be recorded in the fund's registrar held and maintained by the Fund Manager in a digital, written or electronic format. The investor will receive a report from the fund manager upon subscription detailing the transaction.

- The investor may request full or partial redemption of his units by filling out and submitting a redemption request to the Fund Manager during any business day via fax or courier. The cut-off time for processing the redemption request is 3:00 pm (KSA time) of the business day preceeding the relevant dealing day. Should the Fund Manager receive the redemption request after the cut-off time; the redemption will be processed on the following dealing day noting that the original redemption form must be submitted prior to the dealing day.
- The redemption amount will be calculated by multiplying the units to be redeemed with the official Net Asset Value per unit as at the dealing day on which the redemption will be processed.
- Submission of subscription/Redemption requests: All requests shall be delivered to the fund manager office at the following address : Al Oula Building, 3rd floor, King Fahad Road, Riyadh, P.O. Box 8151, Riyadh 11482, Saudi Arabia Tel N°: 966-11-4949555, Fax N°: 966-11-4949551.

i. Minimum number or value of units that a unitholder must subscribe, transfer or redeem:

- I. Minimum subscription amount: The Manager has set the minimum subscription amount to SAR 10,000.
- II. Minimum holding amount: The Manager has set the minimum holding amount to SAR 10,000.

j. The minimum amount required to launch the fund:

The minimum amount that must be raised through investors' subscriptions during the initial offer period was set by the manager at SAR 20,000,000. In case the minimum is not raised during the initial offer period, the fund manager can, after obtaining the Authority's approval, extend the initial offer period by not more than (21) days and disclose such extension on its website. If the minimum amount is not raised during the initial offer period, the fund manager must return to the unit-holders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

k. Corrective measures to ensure fulfillment of the requirement to maintain SAR 10 Million or its equivalent as a minimum Net Asset Value of the fund (as per article 66, paragraph 5)

The Fund Manager will immediately notify the Capital Market Authority if the fund's assets fall below 10 million riyals.

10) Distribution Policy

- a. The fund will not distribute dividends; however realized profits from investments will be reinvested in the fund.
- b. Date of distribution: Not Applicable
- c. Distribution payment method: Not applicable

11) Reporting to Unitholders:

- a. The fund manager must prepare the annual reports that include audited financial statements, summarized annual reports and interim reports in accordance with the requirements of Annex 5 of the Investment Funds Regulations.
- b. **Availability of the fund reports:**
 - I. Annual reports must be made available to the public no later than (70) days from the end of the period to which the report relates. The reports will be available at the Manager's Head Office as well as on the fund manager's website and on the exchange's website.

- II. Interim reports must be prepared and made available to the public within (35) days from the end of the period to which the report relates. The reports will be available at the Manager's Head Office as well as on the fund manager's website and on the exchange's website.
- c. The Fund's audited financial statements will be provided by the fund manager to unit-holders upon request and free of charge.

12) Unitholder Register:

- a. The fund manager must establish a register of unit-holders and must maintain it in the Kingdom.
- b. The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- c. The fund manager must maintain at least the following information in the register:
 - i. The name and address of each unit-holder.
 - ii. The national identification number, residence permit number (Iqama), passport number or commercial registration number of the unit-holder when applicable, or any other identification as determined by the Authority.
 - iii. The nationality of the unit-holder.
 - iv. The date on which the unit-holder was registered in the register.
 - v. Details of all transactions in relation to units conducted by each unit-holder.
 - vi. The running balance of the number of units (including fractions of a unit) held by each unit-holder.
 - vii. Any restriction or right attached to units owned by the unit-holder.
- d. An extract of the register of unit-holders must be provided by the fund manager to any unit-holder free of charge upon request (such extract must show all the information that is relevant to the requesting unit-holder only).
- e. The fund manager must update the register of unitholders immediately to reflect changes to the information referred to above.

13) Meeting of Unitholders:

a. Circumstances in which a meeting of unitholders is called:

- i. The fund manager may call for a meeting of unit-holders on its own initiative:
- ii. The fund manager must call for a meeting of unit-holders within (10) days of receiving a written request from the custodian.
- iii. The fund manager must call for a meeting of unit-holders within (10) days of receiving a written request from a unit-holder or unit-holders holding together at least 25% in value of the units in the fund.

b. Procedures for calling a meeting of unitholders:

- i. The fund manager shall call for a meeting of unit-holders by announcing it on its website and on the exchange's website, and by sending a notice in writing to all unit-holders and to the custodian giving:
 - 1. not less than (10) days' notice of the meeting
 - 2. And no more than (21) days' notice before the meeting.

The announcement and notice must specify the date, place and time of the meeting and the resolutions proposed. The fund manager must at the same time send a copy of any such notice to the Authority.

- ii. The quorum required to conduct a meeting of the unit-holders shall be such number of unit-holders holding together at least 25% in value of the units in the fund
- iii. If the quorum requirements are not met, the fund manager shall call for a second meeting by announcing it on its website and on the exchange's website and shall send a notice in writing to all unit-holders and to the custodian giving not less than (5) days' notice of the second meeting (excluding the day on which the notice is sent and the day of the meeting). At the second meeting, any number of unit-holder(s) holding any number of units present in person or represented by a proxy is a **quorum**.

c. Voting rights at meetings:

- i. Every unit-holder shall be entitled to appoint a proxy to represent such unit-holder at a meeting of the unit-holders.
- ii. Every unit-holder shall be entitled to exercise one vote at the meeting of the unit-holders for each unit which the unit-holder holds as at the time of the meeting.
- iii. The unit-holders meetings and its deliberations and voting on decisions may be conducted through modern technology in accordance with requirements set by the Authority.

14) Unitholders' Rights:

- a) A public fund shall be established by the signing of the terms and conditions of the relevant fund between the first potential unitholders and the fund manager. The terms and conditions shall contain the information required by Annex 1 of these Regulations and the relevant provisions of these Regulations.
- b) A contractual relationship between the potential Unitholder and the Fund Manager is created with signing the terms and conditions of the relevant Fund.
- c) A unitholder who has signed terms and conditions of the relevant fund shall be deemed to be a customer of the fund manager for the purposes of the Authorised Persons Regulations.
- d) The potential unitholder shall be the owner of the units to which it has subscribed for as soon as executing the subscription request in the next dealing day deadline for the submission of subscription and redemption request.
- e) The unitholder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unitholders).

15) Unitholders' Liability:

Other than losing his\her investment in the fund or part of it, the unit-holder shall not be liable for the debts and obligations of the relevant public fund.

16) Units Characteristics:

- a. Only one class of identical units in all respects will be issued.
- b. As soon as a potential unit-holder has signed the terms and conditions and paid the subscription price for the units, such unit-holder shall be the owner of the units which it has subscribed.
- c. The unit-holder shall be entitled to exercise all rights in relation to the units (including, but not limited to, the right to vote at meetings of unit-holders).
- d. Other than losing his\her investment in the fund or part of it, the unit-holder shall not be liable for the debts and obligations of the relevant private fund.

17) Changes to the Fund's terms and conditions:

a. Provisions governing changes to the Fund's terms and conditions

- I. A fund manager must obtain the consent of the unitholders in the relevant fund to the proposed fundamental change by way of an ordinary fund resolution.
- II. A fund manager, having obtained the approval of the unitholders specified in paragraph (a) of this Article, must obtain the consent of the Authority in the relevant fund to the proposed fundamental change.
- III. *"fundamental change" means:*
 - a change which significantly changes the purposes or nature of the public fund;
 - a change which may have a material adverse effect on the unitholders or their rights in relation to the closed-ended public fund; a change which alters the risk profile of the public fund; or
 - the voluntary withdrawal of a fund manager from its position as the fund manager.
 - any other instances determined by the Authority from time to time and reported to the fund manager.
- IV. The fund manager must notify the unitholders and disclose details of fundamental changes on its website and on the exchange's website (10) days before of the date in which the change becomes effective.
- V. Details of all fundamental changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of the Investment Funds Regulations.
- VI. The unitholders of an open public fund have the right to redeem their units before any fundamental changes are effective; without incurring any redemption fees if any.
- VII. The fund manager must notify in writing the Authority and unitholders in a public fund of any proposed significant changes to any public fund which is managed by the fund manager. The notice period for notifications to both the Authority and the unitholders of a significant change must not be less than (21) days prior to the day on which the fund manager intends to make that change.
- VIII. *"significant change" means a change which is not a fundamental change in accordance with Article (56) of the Investment Funds Regulations but which:*
 - would reasonably be expected to cause the unitholders to reconsider their participation in the public fund;
 - results in any increased payments out of the assets of the public fund to a fund manager or any member of the fund board or an affiliate of either;
 - introduces any new type of payment out of the assets of the public fund; or
 - materially increases other types of payment out of the assets of the public fund.
 - Any other cases determined by the Authority from time to time and reported to the fund manager.
- IX. The details of significant changes must be disclosed (10) days before the date in which the change becomes effective on the fund manager's website and on the exchange's website or in any other means that the Authority determines.
- X. Details of all significant changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of the Investment Funds Regulations.

- XI. The unitholders of an open public fund have the right to redeem their units before validate any significant change; without imposing any redemption fees if any.
- XII. The fund manager shall notify the Authority in writing of any notifiable changes to any public fund which is managed by the fund manager within (8) days of the change taking effect.
- XIII. For the purposes of these Regulations, “*notifiable change*” means a change, excluding Article (56) and Article (57) provisions of the Investment Funds Regulations issued by the Capital Market Authority.
- XIV. Details of notifiable changes shall be disclosed on the fund manager's website and on the exchange’s website within (21) days of the change taking effect.
- XV. Details of all notifiable changes shall be included in the next fund report prepared by the fund manager pursuant to Article (71) of the Investment Funds Regulations.

b. Procedure to be employed on notifying changes to the terms and conditions:

- I. The fund manager must notify the unitholders and disclose details of fundamental changes on its website and on the exchange's website (10) days before of the date in which the change becomes effective.
- II. The details of significant changes must be disclosed (10) days before the date in which the change becomes effective on the fund manager's website and on the exchange’s website or in any other means that the Authority determines.
- III. The fund manager shall notify the Authority and the custodian and the unit holders in writing of any notifiable changes to any public fund which is managed by the fund manager within (8) days of the change taking effect.

18) Termination of the Investment Fund

- I. The Fund Manager may terminate the fund following Article (37) of the Investment Funds Regulations “Termination of a Public Fund” without suffering fines towards any related party in the following cases:
 - A fund manager must seek the consent of unitholders by way of a special fund resolution to terminate a public fund. The fund manager must give unitholders and the Authority at least (21) days written notice of the intention to terminate the public fund, without prejudicing the fund’s terms and conditions.
- II. The Manager may also terminate the fund if:
 - The Fund’s authorization is cancelled or the Fund is no longer approved by the authority.
 - Any new law is issued under which the fund becomes illegal, or, according to reasonable opinion of the Manager or for any other reason, it becomes impractical or not recommended to continue the Fund’s operation.
- III. The fund manager must commerce liquidation of the public fund upon the termination of the public fund, without prejudice to the terms and conditions of the fund.
- IV. The fund manager must disclose, on its website and on the exchange website, the termination of the fund and the time needed to liquidate it.

19) Fund Manager

a. Functions, duties and responsibilities of the fund manager

- I. The fund manager must act for the benefit of unit-holders in accordance with the Investment Funds Regulations, the Authorized Persons Regulations, the terms and conditions of the fund, and the information memorandum.
- II. The fund manager must comply with all principles and duties required under Authorized Persons Regulations including the fiduciary duty towards unit-holders which includes the duty to act in the best interests of the unit-holders and duty to exercise all reasonable care and skill.
- III. The fund manager's responsibilities shall include:
 - a. Fund management.
 - b. Fund operations, including administrative services to the fund.

This functions that have been delegated to a third party by the fund manager:

The Fund Manager has appointed on 1/5/2017 HSBC Saudi Arabia Limited (a joint stock company authorized by the CMA under license number 05008-37) as Administrator to carry out the administration of the Fund's affairs on behalf of and subject to the overall control of the Fund Manager. The Administrator specializes in the provision of administrative services for both open and closed-ended funds.

As per the Administrator agreement dated 01/05/2017 HSBC Saudi Arabia Limited was appointed as the Fund's administrator.

The Administrator is responsible under the overall supervision of the Board of Directors for, inter alia, the general administration of the Fund, the proper book-keeping of the Fund, arranging for the issue and redemption of [shares/units] of the Fund and calculating net asset valuations of the [shares/units] of the Fund.

IV. Offering of fund units

V. The Fund Manager must ensure that the fund's terms and conditions and the information memorandum comply with the Investment Funds Regulations and contain complete, clear, accurate, and not misleading information on the investment fund.

b. Right of the fund manager to appoint a fund sub-manager:

A fund manager may, in respect to any investment fund which the fund manager manages, appoint one or more third parties or affiliates as a fund sub-manager. The remuneration of any fund sub-manager must be paid by the fund manager out of its own resources.

c. Provisions governing the removal/replacement of fund manager:

- i. The Authority shall have the power to remove the fund manager and to take any action it deems appropriate to appoint a replacement fund manager for the fund or to take any other measures it deems necessary in the event of:
 - The fund manager ceasing to carry on management activities without notification to the Authority under the Authorized Persons Regulations.
 - The cancellation by the Authority of the fund manager's relevant authorization(s) to carry on management activities under the Authorized Persons Regulations.
 - A request by the fund manager to the Authority to cancel its relevant authorization to carry on management activities.

- The Authority believing that the fund manager has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulations.
- The death, incapacity or resignation of a portfolio manager who manages the assets of the fund, if no other registered person employed by the fund manager can manage the assets of the fund or the assets of the funds managed by the portfolio manager.
- Any other event determined by the Authority on reasonable grounds to be of sufficient material.

20) Custodian

a. Functions, duties and responsibilities of the custodian:

- I. Notwithstanding the delegation by a Custodian to one or more third parties under the provisions of the Investment Funds Regulations or the Authorized Persons Regulations, the Custodian shall remain fully responsible for compliance with its responsibilities in accordance to the provisions of the Investment Funds Regulations. The Custodian shall be held responsible to the fund manager and unit-holders for any losses caused to the fund due to the Custodian fraud, negligence, misconduct or willful default.
- II. Pursuant to an agreement dated 01/05/2017 (the "Custodian Agreement") HSBC Saudi Arabia Limited has been appointed as the Custodian of certain assets belonging to the Fund as are delivered to the Custodian and accepted by the Custodian under its control in accordance with the Custodian Agreement. The Custodian will only act as Custodian for such of the Company's assets as may be delivered to it and accepted by the Custodian from time to time. The Custodian shall not act as Custodian nor have any responsibility for any other assets of the Fund not properly delivered to it and accepted by the Custodian under its control.

b. Right of custodian to appoint a sub-custodian:

The Custodian is authorized to delegate any of its duties under the Custodian Agreement to sub-custodians, agents or delegates ("Correspondents"), on the terms set out in the Custodian Agreement, which shall not include clearing or settlement systems, selected by the Custodian.

c. Provisions governing the removal/replacement of custodian:

i. Power of the Authority to Remove and Replace Custodian:

- The Authority shall have the power to remove the custodian which was appointed by the fund manager and take any other measures it deems necessary, as appropriate, in the event of:
- The custodian ceasing to carry on custody activity without notification to the Authority under the Authorized Persons Regulations.
- The cancellation or suspension by the Authority of the custodian's relevant authorization to carry on custody activity under the Authorized Persons Regulations.
- A request by the custodian to the Authority to cancel its authorization to carry on custody activity.
- The Authority believing that the custodian has failed, in a manner which the Authority considers material, to comply with the Capital Market Law or its Implementing Regulation
- Any other event determined by the Authority – based on reasonable grounds to be of sufficient significance.

- ii. Resignation or Removal of Custodian by the Fund Manager:
 - The custodian appointed by the fund manager shall be subject to removal by written notice by the fund manager upon the fund manager forming the reasonable opinion that the removal is for the interest of the unit-holders, the fund manager shall notify the Authority and the unit-holders in writing immediately. The fund manager must disclose on its website immediately the removal of a custodian right after, the fund manager shall also disclose on the exchange's website the removal of a custodian.
 - On receipt by the custodian of a notice, the fund manager must terminate the appointment of the custodian within (30) days of such notification and shall appoint another custodian. The custodian must co-operate fully with the fund manager in order to facilitate a smooth transfer of responsibilities to the replacement custodian, and must transfer, where necessary and applicable, all contracts related to the fund to the replacement custodian.
 - The fund manager must disclose on its website immediately the appointment of a replacement custodian. The fund manager shall also disclose on the exchange's website the appointment of a replacement custodian for the fund.
 - The appointment of the Custodian may be terminated without cause by not less than 90 days' notice.
 - The Custodian may resign from its appointment as Custodian of the Fund in accordance with the termination provisions set out in the Custodian Agreement.

21) Auditor

- a. Name of the auditor of the investment fund: Ernst & Young
- b. Functions, duties and responsibilities of the auditor:
 - i. The financial statements for an investment fund must be prepared in Arabic and in a semi-annual basis at least and must be reviewed in accordance with the standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA"), and a copy of the financial statements may be prepared in any other language.
 - ii. The financial statements for an investment fund should be audited in accordance with the standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA").
 - iii. Where a public fund was established more than (9) months before such public fund's year-end, an audit must be conducted as of its first year end.
 - iv. Where a public fund was established (9) months or less before such public fund's year-end, an audit may be conducted at the end of the second year end of the public fund.
- c. Provisions governing the replacement of the investment fund's auditor:
 - I. The appointment or the substitution of any auditor must be approved by the fund board.
 - II. The fund board must reject the appointment of an auditor, or instruct the fund manager to replace an auditor which has already been appointed in relation to the public fund, if:
 - there are any outstanding and significant allegations of professional misconduct in relation to audit functions by the auditor;
 - the auditor of the public fund ceases to be an independent auditor;
 - the fund board determines that the auditor does not have sufficient qualifications and experience to perform a satisfactory auditing functions; or
 - the Authority, in its absolute discretion, instructs the public fund manager to replace the auditor appointed in relation to the public fund.

22) Fund's assets

- a. The Fund Manager has appointed HSBC Securities Services / HSBC Saudi Arabia Limited to handle the custody of the Fund's assets by contractual agreement.
- b. Segregation of Assets:
 - i. The Custodian shall be responsible for taking custody and protecting the fund's assets on behalf of the unit-holders, and taking all necessary administrative measures pursuant to applicable laws and regulations in relation to the custody of the fund's assets
 - ii. Upon proper instructions from the Fund Manager, The Custodian must, in relation to each investment fund to which it acts as Custodian, open a separate account in a local bank under its name with the account designated as being for the benefit of the relevant investment fund.
 - iii. The Custodian must within its records, segregate each investment fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the Custodian for the benefit of the relevant investment fund the securities and other assets of such investment fund. The Custodian must maintain all necessary records to support the performance of its contractual responsibilities.
 - iv. The Custodian must deposit all cash belonging to the investment fund into the relevant bank account and must deduct from the relevant bank account payments for investments and expenses incurred in the management and operation of the investment fund in accordance with the Investment Funds Regulations, the terms and conditions and the information memorandum of the fund, that it received from the fund manager, and the contract by which the Custodian was appointed by the fund manager.
- c. The assets of an investment fund shall be owned collectively by the unitholders in that fund. A fund manager, fund sub-manager, custodian, sub-custodian, advisor or distributor shall not have any interest in or claims against such assets, other than, when the fund manager, fund sub-manager, custodian, sub-custodian, advisor or distributor is a unitholder (within the limits of its ownership), or for claims permitted under these Regulations and disclosed in the terms and conditions (and the information memorandum in respect to the public fund).

23) Declaration: The unitholder declares that he\she consents to the terms and conditions of the fund and the information memorandum and the summary of key information of the Fund and agrees to consent to properties of units subscribed to.

Risk management policies and procedures

The Fund's major risks factors can be identified as follows:

Economic Risk: The fund's investments being influenced by economic factors.

Financial market Risk: Risk of market price fluctuation in addition to systematic and un-systematic risk.

Issuer Risk: The risk the Fund endures as a result of acquiring shares of listed companies

Concentration Risk: Risk arising from concentration of Fund investments in a limited number of companies.

Since the Fund's Objective is to achieve a performance level equivalent to that of the Index by mirroring the weights of its components while attempting to keep the margin of deviation between the Fund and the Index to a minimum and given that the fund adopts a passive management strategy; the risks mentioned above cannot be actively managed.

Main Risks that can be managed:

Deviation Risk

The changes in the Fund's investments and the re-balancing of the Index which the Fund follows may cause discrepancies in the overall performance of the fund versus the index. Also, the total return on investment in the Fund's units will be reduced by the expenses and the cost which the Fund incurs while the Index does not.

In case of any temporary suspension or trading halt on any of the securities comprising the index or in the case of market discontinuation, it may not be possible to re-balance the investment portfolio of the Fund to match the weights of the index components.

The key factors that may generate a deviation in the fund's performance compared to that of the index are related to the fund manager placing buy and sell orders whether as a result of periodic rebalancing of the components of the index and their weights by the index provider, or as a result of subscriptions and redemptions to the Fund's units. In addition, the Fund will retain a limited amount of liquidity which may increase the margin of deviation.

When modifying the components and the weights of the index:

On the index revision date, The Fund Manager views the changes in the components and weights that result from the adopted index construction policy as they are released, and calculates the number of stocks that need to be sold or purchased in the market. The purchase and sell orders shall be executed at a price that is the closest possible to the closing prices of the market, given the available liquidity and transaction cost.

Upon subscription and redemption of the Fund units:

Failing to take into consideration the rebalancing of the fund's components, any cash flow from or to the Fund resulting from net redemptions or subscriptions will increase the deviation of the fund's performance versus the index.

To this end, depending on the size of cash flow movement and its impact on the weights of the components of the Fund, a decision to conduct the necessary sales and purchases is made on the dealing day to restore balance.

In case the net cash flow on the dealing day is positive, the fund manager can rely on the available liquidity of the Fund and on the right of the fund to borrow in order to buy the required shares immediately upon receipt of subscriptions and redemptions requests, at prices as close as possible to those of the market close on the relevant dealing day.

In case the value of redemptions on the Dealing Day exceeds the value of subscriptions, meaning the cash flow is negative; the available liquidity of the Fund will be used in addition to the amount resulting from selling shares in the market at prices as close as possible to those of the market close.