



## **AIAhli IPO Fund**

An Open-ended Shariah-compliant investment fund organized in accordance with the guidelines set by the Shariah Board under the provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority

### **Terms and Conditions**

NCB capital

Prospective investors should read the entirety of these Terms and Conditions and seek independent legal, tax, financial, investment and Shariah advice before making any decision to invest in the Fund.

### Important Notice

**If you are in doubt about the contents of these Terms and Conditions, you should consult your financial adviser.**

NCB Capital was incorporated as a closed joint stock company in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231474 on 26/03/1428 H, corresponding to 14/04/2007G. NCB Capital was authorized by the Board of the Capital Market Authority pursuant to Resolution No. 7-219-2006 dated 03/12/1427H, corresponding to 24/12/2006G, under License No. 37-06046, to carry out dealing, as principal, agent and underwriter, managing, arranging, advising and custody activities, with respect to securities.

- Prospective investors should read the entirety of these Terms and Conditions before making any decision to invest in the Fund.
- These Terms and Conditions contain certain information on acquiring units in the Fund. However, Prospective investors should seek independent legal, tax, financial, investment and Shariah advice before making any decision to acquire units in the Fund.
- These Terms and Conditions have been prepared in accordance with the provisions of the Investment Fund Regulations (the "Regulations") issued by the Board of Capital Market Authority (the "CMA") pursuant to Resolution Number 1-219-2006, dated 3/12/1427H, based on the Capital Market Law issued under Royal Decree No. M/30, dated 2/6/1424H.
- NCB Capital Company ("NCB Capital"), as the Fund Manager, is responsible for the information contained in these Terms and Conditions. According to the best information available to NCB Capital (after having made all reasonable diligence and care), the information contained in these Terms and Conditions do not contain any statement that is incorrect or misleading, nor do they omit any matters that are required to be included under Regulations. Based on this, NCB Capital accepted responsibility.
- These Terms and Conditions are being furnished to Investors so that they may subscribe to Units in the Fund. The use of these Terms and Conditions for any other purpose is prohibited. These Terms and Conditions are lawful property of the Fund Manager and may not be distributed or copied, in whole or in part, nor may any of its contents be disclosed without the prior written permission of the Fund Manager.
- Potential investors should not take the content of these Terms and Conditions as an advice on any legal, tax, Sharia, investment or any other matters. They should seek advice from professional advisors regarding the purchase, possession or disposal of units.
- By signing these Terms and Conditions, the prospective Investor agrees that the Fund Manager will invest the Subscription Monies on its behalf in accordance with the Terms and Conditions. NCB Capital has not authorized any person to give any information or make any undertakings in connection with offering units in the Fund ("the Units") other than the information and undertakings given in these terms and conditions. Should this occur, the information or undertakings should not be relied upon as if they were provided by NCB Capital. Neither the delivery of these terms and conditions (whether or not with any reports) nor the issue of units shall in any way mean that NCB Capital's conditions have not changed since then.
- Pursuant to Article 51 of the Regulations, the distribution of these Terms and Conditions and the offering of Units shall be permissible to all persons. However, NCB Capital requires that it is the responsibility of every person into whose possession these Terms and Conditions comes, or who subscribes for Units, to inform themselves about and to observe any restrictions that may be applicable to them on the grounds of nationality or residence. These Terms and Conditions do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.
- The Fund seeks to generate capital growth through investing in equities of Saudi companies. Long term growth in listed equities is associated with high market volatility. Thus, investing in equities contains higher

risks compared to other investments; however the Fund will aim to mitigate such risks through diversifying the fund investment over different sectors and companies. Prospective investors should consider the risks associated with investment in the Fund set forth in Article 10 of the Terms and Conditions carefully before making any decision to invest in the Fund.

- These Terms and Conditions are dated 01 Dhu Al-Hijah, corresponding to 14 September 2015 and shall be effective from this date. These Terms and Conditions may at any time be replaced by new Terms and Conditions subject to the Regulations.

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**Definitions:**

<b>The Fund</b>	AlAhli IPO Fund
<b>Fund Manager, the Company or NCB Capital</b>	NCB Capital Company (Commercial Registration No. 1010231474), with its registered address at King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia
<b>Board</b>	The Board of Directors of the Fund, as set out in section 14 of the Terms and Conditions
<b>CMA</b>	The Capital Market Authority of Saudi Arabia, the regulator of Saudi capital market.
<b>CML</b>	Capital Market Law of Saudi Arabia, which was issued by Royal Decree No. (M/30) dated 2/6/1424 H (16th June, 2003)
<b>Regulations</b>	Means the Investment Fund Regulations issued by the Capital Market Authority
<b>Terms and Conditions</b>	Means these Terms and Conditions of the Fund
<b>Benchmark</b>	NCB Capital IPO Index
<b>Saudi Business Day</b>	Means a day on which banks are normally open for business in Saudi Arabia, not including any official Saudi holiday
<b>Dealing Day</b>	The day(s) on which subscriptions and redemptions will be processed
<b>Valuation Day</b>	Each day on which the units in the Fund are valued
<b>Unit Valuation</b>	Determination of the unit price by dividing the net asset value of the Fund by the outstanding number of units.
<b>Subscription Form</b>	The form used for subscription in the Fund
<b>Redemption Form</b>	The form used to redeem units
<b>Subscription Fee</b>	Fees charged for subscribing in the Fund
<b>Subscription Monies</b>	Means the amount (net of Subscription Fee) paid by the Investor to the Fund Manager to invest in the Fund
<b>Switch Form</b>	The form used for switching between certain AlAhli mutual funds
<b>Regular Investment Scheme</b>	A plan that allows investors to subscribe a fixed amount to the Fund on a monthly basis
<b>Units</b>	The interest of Unitholders in an investment fund consisting of units, including fractions of a unit. Each unit shall be treated as representing one undivided interest in the assets of an investment fund
<b>Custodian</b>	Means an authorized person by the CMA to engage in securities custody activity
<b>Financial Year</b>	Means the financial year of the Fund
<b>Investor</b>	Means any investor in the Fund or Unitholder
<b>Potential Investor</b>	Any person willing or applying to invest in the Fund but has not yet acquired any units in the Fund.
<b>Investments</b>	Means the cash, shares, and units in other mutual fund and related assets held by the Fund
<b>Investment Account</b>	Means the mutual funds investment account held by Investors with NCB Capital
<b>Net Asset Value (NAV)</b>	Means the monetary value of the assets of the investment fund minus its liabilities and expenses

<b>Register</b>	Means the register of Unitholders maintained by the Fund Manager or any party appointed by the Fund Manager to maintain such register
<b>Tadawul</b>	The Saudi Stock Exchange Company
<b>Shariah Guidelines</b>	The Shariah guidelines set by the Shariah Board for investment in securities as set out in the Shariah Guidelines Appendix.
<b>Shariah Board</b>	Shariah Board of the National Commercial Bank
<b>Exchange Traded Funds (ETFs)</b>	ETFs are investment funds divided into equal units traded on the exchange during trading time, similar to stocks. ETFs enjoy advantages of both mutual funds and stocks
<b>Initial Public Offering (IPO)</b>	An Initial Public Offering (IPO) – is the first offering of shares made by a company to the general public
<b>Exceptional Circumstances</b>	Severe economic crises, political turmoil or other circumstances the occurrence of which would lead to sharp declines in the stock markets
<b>Right issue</b>	Additional shares offered to existing shareholders of the issuer who shall have proportional right to subscribe for
<b>Murabaha</b>	Selling a commodity as per the purchasing price with a defined and agreed profit mark-up. This mark-up may be a percentage of the selling price or a lump sum. This transaction may be concluded either without a prior promise to buy, in which case it is called an ordinary Murabaha, or with a prior promise to buy, in which case it is called “banking Murabaha” i.e. Murabaha to the purchase order.
<b>Authorized Persons Regulations</b>	The Authorized Persons Regulations issued by the Board of CMA
<b>Anti-Money Laundering Regulations</b>	The Anti-Money Laundering Regulations issued under Royal Decree No. M/30 dated 25/6/1424H
<b>Independent Board Member</b>	An independent director of the Fund who is not an employee, director, affiliate or custodian of the Fund Manager and has no material business or contractual relationship with the Fund Manager or with sub-fund manager or sub-custodian of such fund
<b>Suspension of Dealing</b>	Means suspension of fund subscription and redemption transactions

**Fund Facts:**

<b>Currency</b>	Saudi Riyal
<b>Risk level</b>	High Risk. For more details, please see paragraph 10 of these terms and conditions
<b>Benchmark</b>	NCB Capital IPO Index
<b>Objectives</b>	The Fund aims to achieve long term capital growth through investing primarily in IPOs of Saudi companies which satisfy the Shariah investment guidelines and such companies that have been listed for no more than three years.
<b>Minimum Investment</b>	SAR 5,000
<b>Minimum Additional Subscription</b>	SAR 2,000
<b>Minimum Additional Subscription through Regular Investment Scheme and alternative channels</b>	SAR 100
<b>Minimum Redemption</b>	SAR 2,000
<b>Minimum Holding of Units</b>	SAR 2,000, with the exception of participants through Regular Investment Schemes
<b>Valuation Days</b>	Every Saudi business day
<b>Dealing Days</b>	Every Saudi business day
<b>Subscription/ Redemption Days</b>	Every Saudi Business day
<b>Subscription/ Redemption Request cut off time</b>	Before or at 10:00 AM the subscription day provides that it is a dealing day
<b>Subscription Fee</b>	Up to 2% of the amount paid by the Investor
<b>Management Fee</b>	1.75% p.a. of the Fund's NAV to be calculated and deducted on each valuation day
<b>Payment of Redemption Proceeds</b>	Redemption Proceeds will be made available to the Unitholder before the close of business on the fourth day following the Valuation Day.
<b>Other expenses</b>	Other expenses will be charged to the Fund (including audit, Shariah, custody, data processing, finance, and other legally permitted charges). However, other expenses will not to exceed 1% from the Fund's average net asset value.
<b>Initial Unit Price</b>	SAR 1.00

**Terms and Conditions:**

**1. Name of the Investment Fund**

AIAhli IPO Fund.

**2. Fund Manager's Address**

NCB Capital Company  
4th Floor, Tower B, NCB Building,  
King Saud Road  
P.O. Box 22216, Riyadh 11495,  
Kingdom of Saudi Arabia  
Tel: +966 920000232  
Fax: +966 11 406 0049

Information about the Fund Manager can be found at the Fund Manager's website: [www.ncbc.com](http://www.ncbc.com).

**3. Commencement**

The Fund will commence accepting subscriptions for initial offering on 04/10/2015G until 29/11/2015G. The fund will commence operations on 30/11/2015G or before.

**4. Regulator**

These Terms and Conditions have been is prepared in accordance with the Investment Fund Regulations issued by the Capital Market Authority. The Fund is regulated by CMA. The Fund Manager was authorized by the Board of CMA pursuant to its Resolution No. 7-219-2006, dated 03/12/1427H, corresponding to 24/12/2006G, under License No. 37-06046, to carry out dealing, as principal, agent and underwriter, managing, arranging, advising and custody, with respect to securities.

**5. Date these Terms and Conditions were Issued or Last Updated**

The Fund's Terms and Conditions were issued on 01/12/1436H, corresponding to 14/09/2015G, and were updated on 25/07/1437H corresponding to 02/05/2016G.

**6. Participation**

- 6.1 The minimum initial subscription is five thousand Saudi Riyals (SAR 5,000).
- 6.2 Subsequent subscriptions must be in an amount of at least two thousands Saud Riyals (SAR 2,000) except subscriptions or switches to the fund through the Regular Investment Scheme (Thimar), which allows investors to subscribe a fixed amount to the fund on a monthly basis.
- 6.3 Unitholders must maintain a minimum investment of SAR 2,000, otherwise the Fund Manager shall have right to redeem all of their Units on the Dealing Day following. However, this does not apply to participants in the Regular Investment Scheme.

**7. Fund Currency**

The currency of the Fund is Saudi Arabian Riyal. Any subscriptions made in other currencies will be converted to Saudi Arabian Riyals at the exchange rate prevailing at the time of the subscription. The Unitholder shall be responsible for any exchange rate changes.

**8. Fund Objectives**

AIAhli IPO Fund is an open ended investment fund which aims to achieve long term capital growth through investing primarily in IPOs of Saudi companies which satisfy the Shariah investment guidelines and such companies that have been listed for no more than three years. In addition, the Fund may invest in other equity funds that satisfy the Fund's Shariah guidelines. The Fund will not make any distributions to Unitholders. Instead, capital gains and dividends will be reinvested.



**Fund Benchmark:** NCB Capital IPO Index will be used as a benchmark. Investors can monitor the Index performance on NCB Capital website. The index service is provided by Standard & Poor's Financial Services (S&P).

## 9. Principal Investment Strategies

The following principal investment strategies will be used to achieve the Fund objectives:

- 9.1 Investing primarily in shares of IPOs of Saudi companies, right issues and Saudi stocks that have been listed in the Saudi stock market for no more than three years. In addition, the Fund may invest in listed Saudi equity funds authorized by CMA. Surplus cash may be invested in Shariah compliant Murabaha or money market funds that are publicly traded and authorized by CMA without additional charges to the Unitholders. Such funds will be selected based on risk/ return profiles which best serve the interest of Unitholders.

If the Fund invests in money market or fixed income instruments, the minimum credit rating of the investee Sukuk and counterparties will be as determined by one of the international credit rating agencies as per the following: Standard & Poor's: BBB-, Moody's Baa3, Fitch: BBB-. In the absence of credit rating of the Fund's investments or counterparties, the Fund Manager will rate the quality of investments internally based on the stability and soundness of the financial position of the counterparty or issuer. The Fund's maximum exposure to any single counterparty will be 20% of the Fund's net asset value.

- 9.2 The Fund will primarily invest in selected Saudi equity market with no focus on any specific sector. . However, in exceptional circumstances, the Fund may retain 100% of its assets in cash.
- 9.3 The Fund will build and actively manage the portfolio. Investments by the Fund will be made in accordance with Fund Manager's investment process which includes quantitative analysis and scrutiny of companies. The asset management team will conduct fundamental analysis of the company, assess the quality of management, the risk level, and future plans of the company. The investment universe will be reviewed at least on quarterly basis.
- 9.4 The Fund will not invest in securities other than those mentioned above.
- 9.5 The Fund will comply with investment restrictions prescribed in Article 39 of the Investment Fund Regulations. The fund will also apply the restrictions mentioned below as a percentage from the Fund Net Asset Value:

Type of Investment	Min percentage	Max percentage
Cash, Murabaha transactions and money market funds	0%	50%
IPOs and right issues in the Saudi equity market and Saudi stocks list for less than 3 years	25%	100%
Saudi equity funds	0%	25%

- 9.6 The Fund may obtain Shariah compliant finance for investment purposes subject to a maximum of 10% of the Fund's NAV and a maturity of one year or less. However, such percentage shall not include borrowings to meet redemption requests.
- 9.7 The Fund will invest primarily in the Saudi equity market.

9.8 The Fund may invest up to 50% of its NAV in Sharia compliant mutual funds which are approved to be publicly offered by the Board of CMA provided that such funds will invest in Saudi stocks or money market and Murabaha transactions in line with the Fund's risk/return profile. No investment in one single fund shall exceed 10% of the NAV of the Fund or 10% of the NAV of investee fund.

9.9 The Fund will not invest in hedging instruments.

## **10. Principal Risks of Investing in the Fund**

10.1 The Fund is of high risk and no assurance may be given by NCB Capital that any appreciation in the value of the Fund's investments will occur. The value of the Fund's underlying investments and the income derived from them may go down. No assurance may be given by NCB Capital that investment objectives of the Fund will actually be achieved. Moreover, past performance of the Fund, if any, is not an indication of any future growth of return. Unitholders should consider the following risk factors before investing in the Fund:

a) **Equity Market Risk**

Investment in stocks is associated with high market volatility. The value of shares may unexpectedly decline sharply and a portion of the capital may be lost which will impact the unit price. Thus, the risk inherent in equity investing is higher than in money market instruments, Murabaha transactions or other types of short term investment instruments.

b) **Shariah Investment Risk**

This is the risk of concentrating investment in Shariah compliant companies. It also includes the risk of disposing of non Shariah compliant companies sometimes at unfavorable prices in order to comply with the Fund's Shariah guidelines. This would adversely affect the Fund investments and unit price.

c) **Issuer Specific Risk**

This includes changes in the performance of the issuer due to changes in management or financial conditions of, or demand on the products or services offered by the issuer, which may cause its share price to decline, and consequently adversely affect the Fund performance and unit price.

d) **Concentration Risk**

The risk of the Fund investments being concentrated in some companies and market sectors which will render the Fund's performance vulnerable to high volatility due to changes in the conditions of the investee companies and sectors, which may adversely impact the Fund's performance.

e) **Geopolitical Risk**

This is the risk of changes in political conditions and applicable laws in the countries in which markets the Fund is investing or in neighboring countries, which may have adverse impact on the Fund's performance.

f) **Regulatory Risk**

This is the risk of changes in the regulatory environment and legislation, accounting and local government regulations, which may adversely affect the Fund Manager's ability to manage the Fund or cause the value of investee shares to decline, which may have significant impact on the Fund performance and the unit value.

g) **Economic Risk**

This is the risk of changes in the economic conditions such as recession and inflation, which may have adverse effect on the Fund's performance.

h) **Interest Rate Risk**

This is the risk that the value of financial instruments will fluctuate due to changes in interest rates, as a result of which the value of securities and the prices of shares may be adversely affected.

i) Liquidity Risk

This is the risk of investment in illiquid shares of companies which may difficult at certain times to monetize at favorable prices to meet the Fund liquidity requirements, which may have adverse impact on the Fund's performance in case of sale. Liquidity of investments may be low in some periods due to which valuation of Fund's investments may become more difficult. Reduced market liquidity may adversely affect the market price of the Fund's investments and the Fund's ability to dispose of particular investments to meet its liquidity requirements.

j) Conflict of Interest Risk

This risk arises in situations that affect the objectivity and independence of the Fund Manager's investment decisions due to a personal interest. This may adversely impact the Fund's performance.

k) Risks of dependence on the Fund Manager Personnel

The Fund's performance depends largely on the capabilities and skills of the Fund Manager's employees, which may significantly affect the Fund's performance in the event of resignation or absence of any one of them and failure to secure a suitable alternative.

l) Emerging Market Risk

The Saudi market is one of the emerging markets in which investment may involve risks such as failure or delay to consummate transactions settlement and transfer of securities. Moreover, investment in such markets poses higher risks. The market value of investee securities traded in emerging markets is relatively limited as the majority of market capitalization and trading volumes are concentrated in a limited number of companies. Therefore, the Fund's assets and investments in an emerging market may experience greater price volatility and significantly lower liquidity as compared to investment in more developed markets.

m) Currency Risk

A difference in exchange rate may cause loss when in a currency other than of the Fund as exchange rate on the redemption day may be different from that on the subscription day.

n) IPO Investment Risk

This is the risk of investing in green field companies with no operating history that would allow the fund manager to properly assess the company's performance. Moreover, the companies that offer their securities may represent new sectors or are in the early stage of operation. This could reflect negatively on the Fund performance and the unit price.

o) Risk of Delayed Listing

In case of subscription by the Fund in companies IPO, the listing of companies' shares subscribed in the exchange may be delayed, which means locking off the amount of subscription and limiting the investment opportunities available to the Fund, which could adversely affect the Fund performance and the unit price.

p) Borrowing risks

In case borrowing by the Fund Manager for the purpose of investment, the Fund may not be able to repay the amounts borrowed on time for reasons beyond the control of the Fund Manager, which may result in late payment fees or cause the Fund Manager to sell some of the Fund investments, which could affect the Fund's assets, which will negatively impact the unit prices.

q) Risks of Investment in Other Funds

The other mutual funds in which the Fund invests may be exposed to risks similar to those set out in this paragraph, "Key risks of investing in the Fund," which may adversely affect the Fund's performance and the unit price.

r) Risk of Suspension of Trading

Non-compliance by companies listed in the Saudi market with Saudi Capital Market Law and its implementing regulations, including the Listing Rules, may lead to suspension of trading of the shares of such companies, which may adversely affect the value of the Fund's assets and consequently on unit price.

s) Risk of Heavy Redemptions

This is the risk of large redemptions by Unitholders which may cause the Fund Manager to liquidate assets of the Fund at less favorable prices, which leads to reducing the value of the fund's assets and lower unit price.

t) Credit Risk

This is the risk relating to the possibility of failure by the counterparties to fulfill their contractual obligations with the Fund Manager under the contracts or agreements. These risks apply to the Fund in the event of investing in Murabaha funds which engage in transactions with third parties, default of which would adversely affect the Fund's investments and unit price.

u) Allocation Risk

This is the risk of lower opportunity of the Fund to be allocated considerable number of shares due to high number of companies and funds participating in book building process and consequently in the fund. In addition, the Fund may not guarantee the right to participate in any IPO or that CMA will continue with IPOs through book building exercise. This may reduce earnings of the Fund, which will reflect negatively on the unit price.

v) Risk of Investment in Small-Cap Stocks

Investment in small-cap stocks involves more risks than in other investments. For example, small companies may not achieve the expected performance and profits and high volatility in their performance maybe high due to their limited human and financial resources, which could adversely affect the performance of the Fund and the unit price.

w) Regulatory and Legal Risk

The Fund may be exposed to risks due to changes in applicable regulatory, legal and tax regulations or in any government actions relating to the Fund's investments, which would adversely affect the performance of the Fund.

x) IT Related Risk

The Fund Manager relies on the use of technology in managing the Fund's operations and maintaining its assets. Therefore, the Fund Manager's IT systems may be hacked or targeted by virus attacks, or sustain partial disruption or total breakdown despite high security precautions in place, which may limit the Fund Manager's ability to manage the Fund's investments effectively. This could adversely affect the performance of the Fund.

y) Natural Disaster Risk

Natural disasters, which are beyond the control of the Fund manager, such as earthquakes, floods and other climate changes may affect the performance of all sectors, including economic and investment sectors of the Fund's business, and adversely affect the performance of the Fund, and therefore may affect the Fund's investments and performance and consequently unit price.

z) Risk of Investment in Rights Issue

Investment by the Fund in rights issue or holding shares in a company issuing priority rights may have adverse affect on the Fund's performance and unit price bringing down the Fund's net asset value, given the

fact that the rate of volatility in trading priority right prices is higher than the minimum and maximum daily volatility threshold set for the stocks listed on the Saudi stock market, which is 10%.

- 10.2 Unitholders will bear any financial losses that may result from investing in the Fund, unless such losses are caused by negligence by the Fund Manager.
- 10.3 Investment in the Fund is not a deposit with any local bank sponsoring, selling or otherwise affiliated with the investment Fund.

## 11. Fees and Expenses

### 11.1 Subscription Fee:

The Fund Manager will deduct up to 2% from the subscription amount upon each subscription transaction in the Fund, after which the balance will be invested in Fund.

### 11.2 Management Fee:

The Fund Manager will deduct on every Valuation Day an annual management fee of 1.75% of the Fund's NAV.

### 11.3 Other Expenses:

The Fund Manager shall have the right to charge to the Fund any other legally permissible expenses such as audit expenses, and expenses of independent Fund directors, and Sharia Board fees, regulatory fees, Tadawul fees, in addition to the data processing and transaction expenses. Other expenses that could be specified in advance, such as audit fees, regulatory fees, and other Tadawul fees etc. will be charged directly to the Fund. Expenses of the Fun Board will be allocated equally to the funds supervised by the Board of Directors and managed by the Fund Manager. General expenses that are not fixed and are subject to change, such as data processing and transactions of the Fund, are charged based on the following criteria: size of the assets of each Fund, number of subscriptions and redemptions, as well as the number of valuation days during the relevant period. The Fund Manager will review its data processing and transactional expenses on quarterly basis.

The following table shows the Fund Manager estimations of fees and other expenses and costs in Saudi Riyals:

Description	Value
Expected remuneration of all Independent directors of the Fund (to be reviewed every three months and allocated to the funds managed by the Fund Manager)	19,231
Expected Shariah supervision fees (to be reviewed every three months and allocated to funds managed by the Fund Manager)	27,000
Expected audit fees (to be reviewed every 3 months)	34,000
Regulatory fees (to be reviewed every 3 months)	7,500
Publishing periodic reports of the Fund on Tadawul website (to be reviewed every 3 months)	5,000

However, the total of these expenses will not exceed 1% p.a. of the average value of the Fund's assets during the fiscal year.

For more details, please read paragraph 36 of these Terms and Conditions, Summary of Financial Disclosure.

## **12. Dealing Costs**

Brokerage or other regulatory changes will be paid by the Fund directly at the rates set by the local regulations or the relevant broker in the markets where the Fund buys or sells shares. Such expenses may vary subject to the Fund's portfolio turnover and volume of transactions.

## **13. Liquidation and Appointment of Liquidator**

Pursuant to Article 22 of the Investment Funds Regulations – “Appointment of a Liquidator or Replacement Fund Manager”, the CMA has the power to appoint a replacement Fund Manager or a liquidator or take any other measure it deems necessary.

## **14. Fund Board**

14.1 The term of board members shall start following approval by the Board of CMA and members will serve for a term of three (3) years (renewable). The Fund Board consists of the following members:

1. Mohammed Abdullah AlAli (Chairman)

Mr. AlAli is the Head of Product Development at NCB Capital. He previously held numerous positions with the Capital Market Authority from 2004 to 2013; where his last position was Head of Investment Funds & Offering Violations Unit. Prior to joining NCB Capital, Mohammed worked as a Director of Products Development at Jadwa Investment, and a credit officer at SAMBA Financial Group. Mohammed has 12 years experience in the financial sector, including 9 years with the CMA. Mohammed is a CFA Charterholder and he holds an MBA from the University of San Francisco.

2. Mohammad Jaafar Al Saggaf (Non-independent Director)

Mr. Al Saggaf is Vice President, Head of retail sales at NCB Capital. He joined NCB Capital since inception, and worked with NCB Group in Retail and Investment departments. He has more than 23 years of experience in the financial sector. He has diploma in Personal Financial Planning and Wealth Management from IOB, Dalhousie Alum, Canada.

3. Dr. Abdulraouf S. Banaja: (Independent Director).

Dr. Banaja serves as an independent advisor for a number of companies. He attained PHD in Economics from the University of California Santa Barbara, 1981. He worked as an associate professor at King Saud University and consultant to the Ministry of Finance and the Saudi Arabian Monetary Agency. He held several senior banking positions at other financial institutions, including SAAB, Gulf International Bank and NCB.

4. Alaauldeen R. Sami: (Independent Director).

Mr. Sami is the Vice President and Chief Investment Officer of Zahid Group Holding since 2005. He sits on the board of Ajil Financial Services, Jordan National Bank, Arab International Hotels Company, Arabian Transportation Industries, and Saudi Total Lubricants Ltd, among others. He holds BA degree in Economics from Cairo University, and MA in International Financial Management from the American University, Cairo. He started his career in 1977 with Cairo Barclays Bank, Cairo, and in 1979 moved to Saudi Hollandi Bank before joining Zahid Group.

14.2 The Fund Board's duties include, but are not limited to, the following:

- 1) Approving all Funds' material contracts, reports and decisions.
- 2) Overseeing, and where appropriate, ratifying any conflict of interest the Fund Manager has identified in accordance with the Regulations.
- 3) Meeting at least twice annually with the Fund Manager's Compliance Officer (Compliance Committee) and the anti-money laundry reporting and anti-terrorist financing officer to ensure the Fund Manager's compliance with all applicable laws and regulations.

- 4) Approving recommendations made by the liquidator, if appointed pursuant to Article 22 of the Investment Funds Regulations, "Appointment of Liquidator or Replacement Fund Manager".
- 5) Ensuring completeness, accuracy and compliance of the Fund's Terms and Conditions, and all other document containing disclosures relating to the Fund, with the IFR.
- 6) Ensuring that the Fund Manager carries out its obligation in the best interest of Unitholders in accordance with the Terms and Conditions of the Fund and the IFR.
- 7) Acting in the best interests of the Fund and its Unitholders and observing its fiduciary duty.
- 8) Approving the appointment of the external auditor recommended by the Fund Manager.

Expenses of independent Fund Board members will be charged to the Fund on equal basis based on the number of funds supervised by the Board of Directors and managed by the Fund Manager. For details, please see the Summary of Financial Disclosure attached.

14.3 All Fund Board members are also directors in the following Funds:

- 1) AlAhli Europe Trading Equity Fund
- 2) AlAhli GCC Trading Equity Fund
- 3) AlAhli Saudi Trading Equity Fund
- 4) AlAhli Small and Mid-Cap Equity Fund
- 5) AlAhli US Trading Equity Fund
- 6) AlAhli Emerging Markets Trading Equity Fund
- 7) AlAhli Asia Pacific Trading Equity Fund
- 8) AlAhli Global Real Estate Fund
- 9) AlAhli Healthcare Trading Equity Fund
- 10) AlAhli Global Natural Resource Fund
- 11) AlAhli GCC Growth and Income Fund
- 12) AlAhli Global Growth and Income Fund
- 13) AlAhli Freestyle Saudi Equity Fund
- 14) AlAhli SEDCO Residential Development Fund

Dr. Banaja is an independent director for AlAhli Makkah Hospitality Fund and Elite Flexi Saudi Equities Fund.

**15. Fund Manager**

- 15.1 The Fund Manager is NCB Capital, whose registered head office address is: King Saud Street, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia, phone +966 920000232, Fax +966 114060049. Web site: [www.ncbc.com](http://www.ncbc.com).
- 15.2 The Fund Manager and other companies within the NCB group may, from time to time, act as fund managers or advisers to other funds or sub-funds, which may have investment objectives similar to those of the Fund. Therefore the Fund Manager may in the course of its business have potential conflicts of duty or interest with one or more of such funds. However, in such an event, the Fund Manager will perform its obligations to act in the best interests of the relevant Unitholders as practically reasonable, with due regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. Conflict



handling procedure will be made available upon request. As of the date of issuance of these Terms and Conditions, neither the Fund directors nor the Fund Manager has any material business or interest which may conflict with those of the Fund.

- 15.3 Transactions entered into between the Unitholder, the Fund, the Fund Manager and any other fund managed by the Fund Manager involve potential conflict of interest if the investment by any Unitholder exceeds 5% of the Fund NAV pursuant to paragraph (d) of Article 50 of the Investment Funds Regulations "Investor Limits". However, as of the issue of these Terms and Conditions, the Fund Manager has no material business relationship or interest which would conflict with the interests of the Fund.
- 15.4 There are no functions of the Fund Manager assigned to any third party.
- 15.5 The Fund Manager was authorized by the Board of CMA pursuant to Resolution No 7-219-2006, dated 03/12/1427H, corresponding to 24/12/2006G, under license No 37-06046, to carry out dealing, as principal, agent and underwriter, managing, arranging, advising and custody with respect to securities.

#### **16. Custodian**

NCB Capital is the Custodian to the Fund, whose registered head office address is: King Saud Street, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia. The portfolio's securities where applicable may be held by one or more securities custodians appointed by the Manager and approved by CMA.

#### **17. Auditor**

The Auditors to the Fund are KPMG Al Fozan & Partners, Zahran Business Centre, Prince Sultan Street, P.O. Box 55078, Jeddah 21534, Kingdom of Saudi Arabia  
Telephone: +966 12 698 9595, Fax: +966 12 698 9494  
[www.kpmg.com/sa](http://www.kpmg.com/sa)

#### **18. Annual Audited Financial Statements**

The Fund's annual financial statements will be independently audited within 90 calendar days after the end of the Fund's fiscal year. The first audited financial statements will be available following the end of the first fiscal year of the Fund, at the 2015. The semiannual financial statements will be audited by the external auditors within 45 days after the end of relevant period. Both of the audited semi-annual and annual financial statements will be made available to the Unitholders free of charge upon request made to the Fund Manager or by visiting the Saudi Stock Exchange (Tadawul) website.

#### **19. Characteristics of the Units**

There shall be only one class of the Units in the Fund of equal rights and obligations.

#### **20. Other Information:**

##### **20.1 Confidentiality of Fund Information**

Strictest confidentiality shall be observed at all times in the handling of the business of the Fund and the investments of subscribers. This shall not be construed as limiting the access of the Fund's regulatory authority (CMA) to the Fund's records for the purposes of regulatory supervision.

##### **20.2 Death of Unitholder**

The Investor's consent to these terms and conditions shall not terminate automatically upon his/ her death or disability; these terms and conditions shall be binding upon his/ her heirs, executors, administrators, personal representatives, trustees and successors if the Investor is an individual. If the Investor is a corporate body, this agreement shall not terminate upon the occurrence of any of the above to any partner or shareholder.

Therefore, the Fund Manager shall have the right to suspend dealing relating to these Terms and Conditions until the Fund Manager shall have received a court order, authorization, or such other sufficient evidence to prove the power of those mentioned above before allowing them to dispose of the Units.



### 20.3 Anti-money Laundering and Terrorist Financing Regulations

The Fund Manager will comply with the Anti-money Laundering and Terrorist Financing Regulations issued by the CMA Board under Resolution No. 1-39-2008 dated 3/12/1429H, corresponding to 1/12/2008G, as amended. The Unitholder hereby confirms that the amounts used to subscribe to the Fund are not coming from any suspicious or illegal sources. If the Fund Manager is in doubt as to the legal source of funds used in the investment transactions initiated by the investor, the Fund Manager shall suspend or decline such transactions for investigation purposes and reporting to the Saudi competent anti-money laundering and terrorist financing bodies and to provide any information or document required by such bodies. However, according to Saudi Law, the Fund Manager may not inform Unitholders of any suspected transactions reported to competent official bodies.

### 4.20 Obligations of the Fund Manager

The Fund Manager shall:

- Comply with all rules and implementing regulations issued by the Capital Market Authority and other instructions in force in Saudi Arabia applicable to the Fund's business.
- Manage the Fund's assets in the best interest of Unitholders in accordance with the terms and conditions of the Fund and carry out all its duties in respect of Unitholders register.
- Develop decision-making process in respect of the administration the Fund.

20-5 The Fund Manager shall not, nor any of its employees or agents or any other third parties engaged by the Fund Manager shall, be liable to any Unitholder for any losses, damages, costs, expenses or other liabilities incurred by the Unitholder or the Fund's assets, unless such losses, damages, costs, expenses or other liabilities are resulting from gross negligence, violation or default by any of these persons. Moreover, they shall not be liable responsible to the Unitholder under any circumstances for any indirect or consequential loss incurred, including failure to achieve the objectives of the Fund.

### 20.6 The Unitholder expressly acknowledges and agrees as follows:

- The Fund Manager does not give any representation or guarantee in respect of the performance or profitability of any investment by the Fund and the Fund Manager shall have no liability or responsibility in connection with any decline in the value of the managed investments or the assets of the Fund, unless such decline has resulted from gross negligence, misconduct or default.
- Should the Unitholder fail to provide the Fund Manager with the right mailing address and / or email, the Unitholder agrees to hold the Fund Manager harmless in connection with any liability. The Unitholder hereby waives all its rights and claims against the Fund Manager arising directly or indirectly as a result of not providing any account statement, notices or any other information relating to the investments or of the Unitholder's inability to respond or check any information or to correct any alleged errors in the account statement or notices or any other information.

### 20.7 Sharing of Information:

The information required to open and operate the investor's account and to comply with applicable regulations will be shared between the Fund Manager and other parties as determined by the Fund Manager. The Unitholder also agrees that such information may be shared with competent regulatory authorities.

### 20.8 Severability of Provisions

Should any provision of this agreement be or become invalid or unenforceable, the remaining provisions shall remain in full force and effect.

#### 20.9 Language:

Pursuant to paragraph (b) of Article (13) of the Investment Funds Regulations – “Requirement to Produce Terms and Conditions”, the terms and conditions of the Fund shall be in Arabic and made available upon request free of charge. These terms and conditions may be issued in English. However, in case of any semantic difference between the Arabic and English versions, the Arab text shall prevail.

### 21. Shariah-Based Investment Fund

21.1 The Fund is a Shariah Compliant Fund. The Shariah Board appointed to the Fund consists of the following members:

1. Sheikh Abdullah Bin Suleiman Al-Maniya (Chairman):  
Member of the Supreme Scholars Council and former Chief Judge of the Cassation Court in Makkah. Holds MA from the Supreme Institute of Justice, Imam Saud bin Mohammad Islamic University.
2. Sheikh Dr. Abdullah bin Abdulmlaziz Al Musleh (Member):  
Former dean of Imam Muhammad Bin Saud Islamic University, Abha, and Secretary General of the Panel of Scientific Miracles in the Quran and Sunnah. Attained PHD from the Faculty of Shariah, Imam Saud bin Mohammad Islamic University.
3. Sheikh Dr. Muhammad Al-Ali Al Gari (Member):  
Former Professor of Islamic Economics at King Abdulaziz University in Jeddah. He holds PHD in economics from the University of California.

21.2 The Fund will bear audit and consultation fees payable to the Shariah Board member for their services in the amount of SAR 27,000.

21.3 For details of the guidelines issued by Shariah Board members in giving their pronouncement (Fatwa) which approved investment in the Fund, please see “Shariah Rules” Schedule.

### 22. International Investment Funds

This clause does not apply to the fund.

### 23. Initial Offer

There is no minimum size for the assets of the Fund to start investment.  
During the Initial Offer Period, subscription amounts will be temporarily invested for the benefit of the Unitholders and profits will be added the amount originally invested in a Shariah compliant Murabaha fund.

### 24. Investment by Fund Manager in the Fund

The Fund Manager may at its discretion participate in the Fund as an Investor at upon commencement of the fund or thereafter. The Fund Manager's investments will be disclosed at the end of each financial year.

### 25. Subscription and Redemption Procedure

25.1 Days on which units in the Fund may be sold and redeemed:

Subscription and redemption applications are accepted every dealing day.

25.2 Last date for subscription and investment in the Fund

Submission of Subscription Application forms: All subscriptions payable in Saudi Riyal must be made at or before 10:00 a.m. on the Dealing Day in order to commence participation in the Fund from the intended Dealing Day. Applications received after 10:00 a.m. or the intended subscription day falls on a formal holiday for banks or authorized persons will be processed on the next dealing day.

Submission of Redemption Application forms: Redemption may be made on any Dealing Day provided that a written notice or completed redemption form is received through branches at or before 10:00 a.m. on the dealing day. Redemption applications received after 10:00 a.m. or if the intended redemption day falls on a formal holiday for banks or authorized persons, will be processed on the next dealing day.

- 25.3 If subscription application is received at or before 10:00 a.m. on a dealing day, subscription in the Fund will be processed and will commence on the dealing day on which subscription has been executed, otherwise, subscription will commence on the next dealing day.

25.4 Subscription, Redemption and Switching Procedures:

Subscription Procedures: To subscribe in the Fund, the customer must sign the Subscription Application Form and these Terms & Conditions at any branch. Subscription can be made through alternative channels (telephone and internet). Subscription amount will be deducted from the customer's account. The Investor shall provide valid identification documents such as identity card (for Saudis), Iqama (non-Saudis). Corporate investors (companies and other institutions) must provide an authorization letter authenticated by the company, a copy of company's commercial registration, and other documents that may be required depending on the type of institution. The fund manager may approve subscription upon receipt of subscription forms only.

Redemption Procedures: Redemption of units in whole or in part can be requested by the Unitholder by submitting a written notice or completing and submitting a Redemption Form. Redemption forms may be obtained from designated branches of the Fund Manager or through alternative channels (telephone and internet). Investors must provide valid Saudi Identification Card or Iqama, as applicable, if redemption is to be made through a branch. The Unitholder must specify whether redemption of units is in part or in whole. In case of a partial redemption, if the total value of its units on the Dealing Day fall below the partial redemption amount, the Fund Manager shall have the right to decline the redemption transaction on the targeted Dealing Day without any liability to the Fund Manager, in which case, the Investor must submit a new redemption request on the next Valuation Day.

Switching Procedures: A switch transaction between two AIAHli Funds shall be considered a single transaction with two separate parts, redemption and subscription. Accordingly, the redemption part will be processed first in accordance with the "Redemption Procedures" clause above, then the subscription part of the transaction will be processed in accordance with the "Subscription Procedure" clause above. To request a switch, the Investor must complete a Switch Form and submit the same to the customer service employee at the branch along with a valid identification card, or through alternative channels (telephone and internet).

- 25.5 Redemption proceeds will be paid to the Investor on the fourth business days following the relevant Valuation Day on which redemption price of the unit was determined.
- 25.6 The amount to be redeemed should be at least SAR 2000. The value of units held by the Unitholder must be at least SAR 2000, except the units redeemed or held under the Regular Investment Scheme.
- 25.7 Rejection of Application: The Fund Manager reserves the absolute right to reject any subscription application, including the subscriptions that may result in a violation of CMA's regulations and/or any other regulations applicable to the Fund, including the Terms and Conditions of the Fund. The investor should be aware that redemption or valuation of the Units of the Fund under certain unfavorable financial markets conditions may become difficult or rather impossible, in which event the days of subscription and redemption may temporarily be changed as the Fund Manager deems appropriate, subject to CMA approval. If total redemptions exceed 10% or more of the Fund's NAV, the Fund Manager shall have the right to postpone the redemption to the next Valuation Day. Postponed redemption requests will be processed on pro rata basis.
- 25.8 As an exemption from clause (a) of Article 50 of the Investment Funds Regulations, the Fund may accept subscription applications from any investor exceeding 10% of the Fund's NAV.

**26. Valuation of the Assets of the Investment Fund:**

- 26.1 The total value of the Fund's assets will be calculated based on closing prices of the shares held by the Fund on the Valuation Day in addition to the accrued earnings. For investments in mutual funds, the last unit price

published by the Fund will be used. The value of investee shares under IPO will be calculated during the period between subscription and commencement of trading based on offering price.

- 26.2 The value of Fund's assets will be calculated as of 05:00 p.m. on the Dealing Day and the Unit price will be published at the end of the next business day following the Valuation Day.
- 26.3 The unit price will be calculated based on the total value of the Fund's assets mentioned in clause 26.1 inclusive of accrued earnings, dividends under collection, and the dividends reinvested in the Fund minus the fund management fee net of all fixed expenses, liabilities any other accrued expenses, then dividing the outcome by the total number of units then outstanding. In exceptional or emergency situations in which the Fund Manager reasonably determines that a significant portion of the Fund's assets may not be evaluated reliably (including, but not limited to, circumstances in which the Saudi stock market is closed at the time of valuation), valuation of the Fund's assets may be delayed for a period not to exceed two days following the deadline for submission of subscription and redemption applications, provided that such temporary action is reviewed later by the Fund Manager.

The Fund's net assets will be calculated as follows:

- 1) All charges and fixed fees and operating expenses will be accrued on daily basis and deducted from the total assets on the Valuation Day.
- 2) Management fee will be calculated and deducted from the outcome of the previous step. The resultant amount will be the net asset value of the Fund.

The above two steps can be summarized in the following equation:

Net asset value of the Fund = (Total assets – Fixed actual operating fees & expenses) - (management expenses)

- 26.4 The Unit price will be published on the Business Day following the valuation day on the web sites of the Fund Manager and Tadawul: [www.tadawul.com.sa](http://www.tadawul.com.sa).

## **27. Early Redemption Fee**

There is no early redemption fee.

## **28. Fund Termination**

The Fund Manager shall have the right to terminate the Fund in accordance with Article 17 of the Investment Funds Regulations, "Termination of an Investment Fund", without incurring any penalty to any affected party, by giving not less than 60 calendar days' written notice to Investors after obtaining written approval of CMA. In such case, the Fund shall be liquidated and net proceeds will be distributed to Investors pro rata to their holdings of Units.

## **29. Reporting to Unit Holders**

The Fund Manager will send to the Investor a confirmation of all subscription and redemption transactions of units. A statement detailing each Unitholder's position will be issued within three months as maximum. Such statement must include the net asset value of the Fund units, the number of units of the Fund owned by the Unitholder and their net value, and the transactions effected for the Unitholder separately. Statements and notifications will be sent to Investors at their mail address or email in the Fund Manager's records, unless the Company has received a written notification of a change of address. Any discrepancies must be brought to the attention of the Fund Manager within sixty (60) calendar days following the date of issuance of such statements and confirmations, otherwise, the statements issued by the Fund Manager will be deemed final and conclusive and the Fund Manager shall not be liable to Investors in connection with any discrepancy. The Manager shall not be liable for any consequences arising from holding the statements or confirmation advices upon the instructions of the Investor.

**30. Conflict of Interest**

The Fund Manager's procedure for managing conflicts of interests will be made available upon request free of charge.

**31. Voting Rights Policies**

After consulting with the Compliance Officer, the Fund Board approves the general policies of exercising the Fund voting rights related to the underlying assets held by the Fund. The Manager may exercise the voting rights after consulting with the Compliance Officer or as provided in the voting policies and procedures approved by the Fund Board.

**32. Changes to the Terms and Conditions**

These Terms & Conditions shall remain in effect until materially amended by the Manager, subject to CMA prior approval. Investors will be notified before 60 calendar days.

**33. Complaint Procedure**

Any complaint the Unitholder may have in connection with the Fund should be sent to NCB Capital Company through the Fund Manager's website: [www.ncbc.com](http://www.ncbc.com) or through dial-up phone number (920000232). In addition, a copy of the Fund Manager's policies and procedures for handling customer complaints will be made available upon written request without any extra charges. If no response to the complaint is received within 14 business days, the Unitholder shall be entitled to submit his/ her complaint to CMA, Investor Complaint Unit. The Unitholder may also submit the complaint to the Committee for the Resolution of Securities Disputes after 90 calendar days following the date of submission of complaint to CMA, unless CMA has notified the complainant to file the complaint to the Committee prior to the expiration of such period.

**34. Governing Law**

These Terms & Conditions are governed by the laws applicable in the Kingdom of Saudi Arabia. If a Unitholder is subject to the laws of a jurisdiction other than that of Saudi Arabia, then it is such Unitholder's responsibility to conform to those laws without any obligation on the part of the Fund or the Fund Manager.

**35. Compliance with the Investment Fund Regulations**

The Terms and Conditions and other documents of the Fund shall be subject to the Investment Funds Regulations issued by the Board of CMA, and contains a complete and true disclosure of all material facts of the Fund.

### 36. Summary of Financial Disclosure

#### 36.1 Expenses and annual fees of the Fund in Saudi Riyals

Table (1): Fees and expenses of the Fund in Thousands of Saudi Riyals for the year ended 2016

Type of expenses	Amount
Subscription Fees (Up to 2% of subscription amount)	1,821
Annual Fund Management Fees (from Fund's NAV)	1,592
Annual remuneration cost of independent directors of the Fund (to be reviewed every 3 months and allocated among all the funds managed by the Fund Manager) *	17
Custody Fees	N/A
External Audit fees (to be reviewed every 3 months) *	15
Financing charges (if applicable, will be based on market prevailing rates)	Currently N/A
Expected Shariah supervisory cost (to be reviewed every 3 months and allocated among all the funds managed by the Fund Manager) *	26
Regulatory Fees (to be reviewed every 3 months) *	7.5
Tadawul publication Fees (to be reviewed every 3 months) *	5,000
Fund Administration & Operation expenses including Tadawul Fee (to be reviewed every 3 months and allocated among all the funds managed by the Fund Manager)*	109

Management Fees: The Manager will charge the Fund on every Dealing Day an annual management fee of 1.75% to be payable proportionately from the Fund's net asset value.

\*Other Expenses: any other expenses permissible by law such as audit, expenses of independent directors of the Fund, remuneration of Shariah board members, regulatory fees, Tadawul fees, in addition to Fund administration and operation expenses. The other expenses that may be specified in advance such as audit fees, regulatory fees etc., will be charged directly to the fund. Expenses of the Fund's Board will be equally allocated to all funds supervised by the Board and managed by the Fund Manager. General floating expenses which are subject to change, such as Fund administration & operation cost, will be allocated based on the total assets of each fund. Other expenses shall not exceed in total 1% of the average value of Fund's asset, the actual Other Expenses was 0.21% of the Fund's average net asset value. The Fund will review the expenses charged to the Fund on quarterly basis (every three months).

#### 36.2 Basis of calculation, collection and payment of fees

All actual expenses will be calculated and deducted from the Fund's assets after having been allocated as units on each Valuation Day on the basis of 365 days as follows:

Fund management fees = (Fund assets - other expenses) \* (1.75%) \* (number of days between the current Valuation Day and the last Valuation Day) ÷ 365)

We have assumed the following values:

- Fund's assets = SAR 100,500
- Total other expenses and liabilities of the Fund = SAR 500
- Net Assets Value of the Fund = SAR 100,000
- Annual management fees of 1.75%
- Valuation Day: Wednesday

$$100,000 * 1.75\% * (1 / 365) = \text{SAR } 4.79$$

### 36.3 Example of Unitholder's share of Fund total expenses

The following table shows a hypothetical example of a Unitholder investment, assuming that the fund size is SAR 10 million which remained unchanged from the beginning of the year, and the investor's subscription amount of SAR 100,000 did not change during the year, and that at the end of the year the return on investment was 10%.

Table (2) - Hypothetical investment of a Unitholder and its share of the expenses in SAR

Description	Expected / Hypothetical Amount
<b>Hypothetical Fund Size</b>	<b>10 million</b>
Investor's subscription amount	100,000
Directors estimated cost	192.31
Shariah audit estimated Cost *	270
External Audit estimated cost*	340
Regulatory Fees *	75
Tadawul publication Fees*	50
Estimated cost of data processing and transactions	400
Total Administration & Operation estimated cost *	1,327.31
Annual Management Fee 1.75% of NAV	1,726.77
Assumed Return 10% + Initial Investment	110,000
Client hypothetical net investment amount	106,699.24

#### 36.4 Operation History

The Fund's total return:

Year	2016
Fund	0.32
Benchmark	-9.84

Performance of the benchmark may not be indicative of the Fund's future performance. There is no guarantee that the Fund's performance will be comparable to that of the benchmark or will be similar to any past performance.



## **APPENDIX: Shariah Guidelines**

All Investments and Investment Strategies employed by the Manager must be in compliance with the Shariah compliance guidelines issued by the Shariah Committee.

### Industry and Business

According to the Shariah Board, no investment may be made in any company, which is involved in any of the following:

- Non-Shariah compliant financial services, including traditional banks which are involved in usury interest or non-Shariah compliant securities, and insurance companies (except insurance companies approved by the board).
- Manufacturing, packaging, or distribution of alcohol or tobacco and alike.
- Manufacturing, packaging, or distribution of pork products.
- Producing and distributing non-Shariah compliant meat products.
- Operating gambling casinos, or manufacturing gambling machines or equipment.
- Producing and publishing pornographic movies, books, magazines, immoral channels and cinema.
- Operating restaurants, hotels and other businesses involved in any of the above prohibited products such as alcohol.

### Financial Ratios

No investment may be made in any company in which:

- The book value of accounts receivables exceeds 49% of the market value of its shares.
- The outstanding total cash or deposits exceed 33% of the market value of its shares.
- The outstanding usury interest bearing loans in its balance sheet exceed 33% of the market value of its shares.
- Interest income or income from non-Shariah compliant sources exceeds 5% of its total income.

The calculation method of the companies' market value and the income generated from non-Shariah compliant sources will be made available to the investors upon request without any charges.

### Purification

The Manager will determine the income generated from non-Shariah-compliant sources on a quarterly basis, and will pay the amount of such income to a separate account to be spent to local charities.

### Investment Instruments and Methods

The following instruments or any derivatives thereof may not be held in the Fund:

- Futures
- Forwards
- Preferred Stock
- Options
- Swaps
- Short Sales
- Any other instruments that involve payment or receipt of interest.

The Fund may invest in Sukuk and Murabaha transactions, financial certificates and mutual funds that are Shariah compliant.

This is a translation of an official document which is in Arabic language; it is provided for illustration only.

#### Periodic Review

Companies will be reviewed on quarterly basis. Underlying companies that found to be non-Shariah compliant will be sold out within 90 days from the date of review.

This is a translation of an official document which is in Arabic language; it is provided for illustration only.

The Fund has been approved by CMA. However, such approval does not mean that investors are protection against loss. If any investor has any doubt about the suitability of this investment, he/she should consult an independent financial adviser. Subscription by the Investor shall be entirely at his/her own risk.

This investment is not a deposit at a bank. The value of investment in the Fund may go down as well as up. There can be no guarantee that Investors in the Fund will make any profit, but may incur loss and therefore may not get the full amount invested. Investor should only consider investing in this Fund if they are able to sustain a loss which could be substantial.

I /We have read, understood, accepted, signed, and obtained a copy of the Terms and Conditions and appendices of AlAhli IPO Fund.

Name:

Nationality:

ID number (Saudi ID, Iqama, or Passport):

Signature:

Date:

Investment Account Number:

Two copies of this contract must be signed; one for the Investor and one to be retained by NCB Capital.