



## AlAhli North America Index Fund

---

### Content

- Fund's Key Fact Sheet
- Fund's Information Memorandum
- Fund's Terms and Conditions



## Key Fact Sheet

---

### **AlAhli North America Index Fund**

An open-ended public index investment fund

Fund Manager

**NCB Capital Company**

<b>Key Fact Sheet:</b>	<b>1</b>
Definitions	
Fund Facts	
1) Key Information	4
2) Service Fees, Charges and Expenses	7
3) Additional Information and Documents	8
4) Fund Manager	8
5) Custodian	8

**Definitions:**

<b>The Fund or Investment Fund</b>	AlAhli North America Index Fund.
<b>Fund Manager or 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.
<b>CMA</b>	The Capital Market Authority of Saudi Arabia
<b>Shariah Board</b>	Shariah Board of the National Commercial Bank
<b>Shariah Guidelines</b>	The Shariah guidelines set by the Shariah Board for investing in securities as set out in the Shariah Guidelines.
<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– Investment Funds Regulations (“IFR”)</b>	The Investment Funds Regulations issued by the Board of the Capital Market Authority pursuant to its decision number 1-219-1006 and dated 3 Thu Al Hijja 1427H corresponding to 24 December 2006G, as amended by the Board of the Capital Market Authority’s resolution number 1-61-2016 dated 16 Sha’aban 1437H corresponding to 23 May 2016G
<b>Authorized Persons Regulations</b>	The Authorized Persons Regulations issued by the Board of the Capital Market Authority.
<b>Anti-Money Laundering Regulation</b>	The Saudi Anti Money Laundering Regulation.
<b>Terms and Conditions</b>	Means these Terms and Conditions specific to the Fund.
<b>Information Memorandum</b>	Means these Information Memorandum specific to the Fund.
<b>Benchmark</b>	MSCI North America Islamic M-Series Index (Net Total Return USD)
<b>US Dollar/USD</b>	United States Dollar.
<b>Saudi Business Day</b>	Means a day on which banks and authorized persons are normally open for business in Saudi Arabia; this does not include any official holiday in Saudi Arabia.
<b>US Business Day</b>	Means a day on which banks are normally open for business in the United States, this does not include any official holiday in the United States
<b>Dealing Day</b>	Any day on which the Units of the Investment Fund can be subscribed or redeemed.



<b>Valuation Day</b>	Any day on which the units in the Fund are valued.
<b>Redemption Form</b>	Form used to redeem units
<b>Subscription Fee</b>	Fees charged for subscribing in the Fund
<b>Subscription Form</b>	Form used for subscription in the Fund
<b>Subscription Monies</b>	The gross amount paid by the Investor to the Fund Manager to invest in the Fund
<b>Switch Form</b>	Form used for switching between certain open-ended mutual funds managed by NCB Capital
<b>Regular Investment Service (RIS)</b>	A service 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 a person who is authorized under the Authorized Persons Regulations to conduct the securities custody activity.
<b>Financial Year</b>	Means the financial year of the Fund.
<b>Investor / Unitholder</b>	An investor in the Fund or person applying to invest 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>	The Investment Fund account held by Investors with NCB Capital.
<b>Net Asset Value</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 held by the Fund Manager or any party appointed by the Fund Manager to hold such register
<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>Money Market Funds</b>	Funds aiming to preserve capital through investing in relatively low risk short-term deposits such as Murabaha.

**Fund Facts:**

<b>Currency</b>	US Dollar/USD
<b>Risk Level</b>	High Risk
<b>Benchmark</b>	MSCI North America Islamic M-Series Index (Net Total Return USD)
<b>Investment Objectives</b>	Achieve a total return equivalent to the MSCI North America Islamic M-Series Index (Net Total Return USD)
<b>Minimum Investment</b>	USD 2,000
<b>Minimum Subscription</b>	<b>Subsequent</b> USD 1,000
<b>Minimum Subscription and Subsequent Subscription through Regular Investment Service (RIS)</b>	USD 26.67 (SAR 100)
<b>Minimum Redemption</b>	USD 1,000
<b>Valuation Days</b>	Monday to Friday that are USA Business Days
<b>Dealing Days</b>	Monday to Thursday that are Saudi Business Days and U.S. Business Days
<b>Subscription/ Redemption Request Days</b>	Every Dealing Day
<b>Subscription / Redemption Request Cut-off time</b>	Before or at 12:30 PM local time in Saudi Arabia on the Dealing Day
<b>Subscription Fee</b>	Up to 2% of the amount paid by the Investor
<b>Management Fee</b>	0.30% of the Net Asset Value of the Fund
<b>Redemption Proceeds</b>	Made available to Investor within four Business Days provided that they are Business Days in US and in Saudi Arabia after the Dealing Day on which the redemption has been executed.
<b>Other fees and expenses</b>	The Fund Manager will charge the Fund any additional expenses related to custody, Shariah audit, data processing and other similar charges. However, other expenses are not expected to exceed 0.50% from the Fund's NAV
<b>Inception Date</b>	29 March 1999
<b>Initial Unit Price</b>	1 USD

## Key Fact Sheet:

### 1) Key Information

#### A. Fund Name

AlAhli North America Index Fund, a Shariah compliant open-ended index investment fund.

#### B. Fund Objectives

AlAhli North America Index Fund is an open-ended index investment fund which aims to achieve capital growth over the long term. The Fund seeks to replicate as closely as possible, before expenses, the performance of the MSCI North America Islamic M-Series Index (Net Total Return USD).

#### C. Fund Investment Policy and Practices

- The Fund primarily Invests in the stocks of large-medium cap segment. The Fund's Investments will be concentrated in equities listed in the US and Canadian markets.
- The Fund will invest in Shariah compliant financial instruments. The Fund's Investments as percentage of its Net Asset Value will be as defined below:

Asset class	Minimum	Maximum
Listed Equity	90%	100%
Cash, Murabaha transactions and Money Market Funds	0%	10%
Investment funds following similar Index	0%	10%

#### D. Risks Associated with investments in the Fund

- The Fund is considered to be of high risk, and NCB Capital gives no assurance that any appreciation in the value of the Fund's Investments will occur, or that the value of the Fund's underlying investments and the income derived from them may go down. NCB Capital gives no assurance that the Fund's investment objectives will be achieved.
- The past performance of the Fund or the Benchmark is not an indication of the Fund's future performance.
- The Fund does not guarantee that its absolute performance or its performance relative to the Benchmark will be repeated or similar to any past performance.
- Investment in the Fund is not a deposit with any local bank that promotes or sells securities or affiliated with the Investment Fund or the Fund Manager. Therefore, Unitholders might lose some or all of their investments.
- The value of the Units and their returns are subject to fluctuations. Investors may not be able to recover some or all of their investments; people are advised to invest in the Fund only if they are able to afford the loss, which can sometimes be substantial.

- The following is a list of the main potential risks associated with investing in the Fund, the risks exposed to the Fund and any circumstances likely to affect the Net Asset Value and returns of the Fund, noting that the mentioned risks below might not represent all risk factors related to investing in the Fund:

**Equity Market Risk:** The Fund seeks to achieve long-term benefits by primarily investing in listed equities. Higher long-term equity returns are associated with increased volatility; the risk inherent in equity investing is higher than Murabaha and money market investments or other types of short term investment instruments.

**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.

**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.

**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.

**Economic Risk:** This is the risk of changes in the economic conditions such as recession, inflation, and decrease in oil prices, which may have adverse effect on the Fund's performance.

**Currency Risk:** The Fund's Investments may be denominated in currencies other than its base currency. The value of financial instruments will fluctuate due to a change in foreign exchange rates between subscription and redemption. Accordingly, the value of the Fund's assets may be affected unfavorably by fluctuations in currency exchange rates.

**Interest Rate Risk:** The risk that the value of Investments may 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.

**Liquidity Risk:** 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.

**Borrowing risks:** In case the Fund Manager borrow 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.



**Risks of Investment in Other Funds:** The other investment funds in which the Fund invests may be exposed to risks similar to those set out in this paragraph, which may adversely affect the Fund's performance and the Unit price.

**Risk of Suspension of Trading:** Non-compliance by companies listed with the relevant Law and its implementing regulations 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.

**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.

**Shariah Compliant Investment Risk:** The Shariah Board of the Fund will determine whether the Fund and its investments are in line with Islamic Shariah principles. However, the Shariah Board may decide that some Investments are prohibited, which may entail liquidation of such Investments or loss of returns which may cause the Unit price to decline.

**Risks of dependence on the Fund Manager's 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.

**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 and Unit price.

**Natural Disaster Risk:** These include volcanoes, earthquakes, hurricanes, floods and natural phenomena which are beyond the control of the Fund Manager, and cause considerable damage to property and assets. Natural disasters may adversely affect the various economic and investment sectors, which may lead to decline in the Fund's performance and the Unit price.

**Benchmark Tracking Risk:** The Fund may not achieve a return in conformity with the index given the commitment of the Fund Manager to regulatory requirements which may limit its ownership in some companies. The return on the securities and other investments selected by the investment adviser may not correlate precisely with the return on the Index. The Fund incurs operating expenses are not taken to account in the performance of the index bearing the sale and purchase of securities costs. The Fund may keep excess cash as cash or cash equivalent to meet redemption requests. In addition, increase subscription and / or redemption of the Fund's ability to accurately track the index.

#### E. Fund Historical Performance

- Percentage of total return of the Fund compared to the Benchmark for one year, three years, five years, and ten years:

Period	1 year	3 years	5 years	10 years
Fund Return	20	7.53	12.02	5.96



<b>Benchmark</b>	20.43	10.06	14.77	8.67
------------------	-------	-------	-------	------

- Percentage of total annual return for the past ten years compared to the Benchmark:

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Return</b>	-32.61	27.53	8.22	0.05	8.75	31.39	7.95	-0.54	4.18	20
<b>Benchmark</b>	-33.3	32.62	11.6	3.41	12.96	31.18	13.85	3.14	7.34	20.43

## 2) Service Fees, Charges and Expenses

**Subscription Fees:** The Fund Manager will deduct up to 2% of the subscription amount upon each subscription transaction in the Fund, after which the balance will be invested in the Fund. The Fund Manager reserves the right to waive all or part of the Subscription Fee at its sole discretion. The net amount will be invested in the Fund after deducting the Subscription Fees. The Subscription Fee is subject to VAT. The Subscription Fee is exclusive of VAT, which the Investor shall separately pay to NCB Capital, at rates prescribed by the VAT Law and its implementing regulations.

**Management Fees:** The Fund Manager will charge an annual management fee of 0.30% of the Net Asset Value of the Fund calculated proportionally on each Valuation Day and deducted monthly. If the Fund invests in other funds managed by NCB Capital, the management fees will be rebated or waived to avoid double charges. The investment management fee is subject to VAT, the Fund will separately pay it to the Fund Manager at rates prescribed by the VAT Law and its implementing regulations.

**Shariah Compliant Financing charges:** If applicable, will be charged to the Fund at the prevailing market rates, and calculated on each Valuation Day and paid according to the requirements of the financier.

**Dealing (Brokerage) fees and charges:** Brokerage fees or any other trading fees will be paid by the Fund directly at levels determined by local regulations or the dealing broker in the markets in which the Fund purchases or sells. These amounts will vary depending on the turnover of the Fund's assets and the volume of transactions.

**Other Fees and Expenses:** The Fund Manager reserves the right to charge the Fund any other actual fees and expenses, allowed to be charged by regulations, such as custody fees, audit fees, remuneration of independent directors of the Fund Board, Shariah audit fee, regulatory fees, Tadawul fees, as well as administrative and operational expenses. The other fees and expenses will be reviewed by the Fund Manager on quarterly basis (every three months) and will not exceed 0.5% of the average value of the Fund's assets during the financial year, and they are as follows:

**Custody and Accounting Fees:** The annual custody fee ranges from (0.15 to 60) bps from the total Fund assets under custody. In addition, a transaction fee will be charged for each transaction ranging from (5 to 190) USD, depending on the market in which the Fund invests in. The Fund is charged with accounting fees of (1.5) bps if the Fund size is USD 100 million or less. If the Fund size exceeds one USD 100 million, the Fund will be charged 1.25 basis points. The custody fees and accounting fees calculated on each valuation day and deducted monthly from the Fund.

**Fund Board Remuneration:** Each independent member of the Fund Board receives USD 37,333.33 annually, divided by the number of open-ended funds managed by the Fund Manager and supervised by the Board.

**Audit Fees:** USD 8,684.80 annually, calculated on each Valuation Day and deducted monthly.

**Shariah Audit Fee:** USD 7,200 annually, calculated on each Valuation Day and deducted monthly.

**Capital Market Authority Fees:** USD 2,000 annually, calculated on each Valuation Day and deducted monthly.

**Publishing the Fund's information on the Tadawul's website:** USD 1,333 annually, calculated on each Valuation Day and deducted monthly.

**Administrative and operational expenses:** charged to the Fund based on the percentage of the Fund's assets over all public funds assets under management.

All fees, charges, commissions and expenses payable to NCB Capital and other service providers will be exclusive of VAT, which the Fund shall separately pay to the Fund Manager according to rates set by the VAT law and its implementing regulations.

### 3) Additional Information and Documents

Information regarding the Fund and its documents is available on the Fund Manager's website [www.alahlicapital.com](http://www.alahlicapital.com) and the Tadawul's website [www.Tadawul.com.sa](http://www.Tadawul.com.sa).

### 4) Fund Manager

NCB Capital Company  
King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.  
Tel: +966 920000232  
Fax: +966 114060049  
Website: [www.alahlicapital.com](http://www.alahlicapital.com)

### 5) Custodian

The Northern Trust Company of Saudi Arabia  
Nakheel Tower, P.O. Box 10175, Riyadh 11433, Kingdom of Saudi Arabia.  
Tel: +966 114188694  
Website: [www.northerntrust.com](http://www.northerntrust.com)

## Information Memorandum

---

### **AlAhli North America Index Fund**

An open-ended public index investment fund

Fund Manager

**NCB Capital Company**

Custodian

**The Northern Trust Company of Saudi Arabia**

The Information Memorandum was issued on 8 Rajab 1439H corresponding to 25 March 2018, and the CMA was notified of its update on 1 Rabi I 1440H corresponding to 27 November 2018.

The contents of this Information Memorandum for AlAhli North America Index Fund are governed by the Investment Funds Regulations issued by the Capital Market Authority Board.

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



**Disclaimer**

- This Information Memorandum has been reviewed and approved by the Board. The Fund Manager and the Board collectively and individually accept full responsibility for the accuracy of the information presented herein. Having made all responsible enquiries, the Board and the Fund Manager confirm that, there are no false or misleading statements, or omission of other facts which would make any statement in the Information Memorandum false or misleading.
- The CMA has approved the establishment of AIAhli North America Index Fund and the offering of Units in the investment fund. The CMA 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 disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. The CMA 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 CMA recommends to invest in the Fund nor confirm the authenticity of the information contained in the Terms and Conditions and the Information Memorandum, and the CMA emphasizes that the decision to invest in the Fund is up to the Investor or his / her representative.
- AIAhli North America Index Fund has been certified as being Shariah compliant by the Shariah Board appointed for the Investment Fund.

#### Disclaimer from MSCI

- This Fund is not supported, sold, or promoted by MSCI Inc.(hereinafter referred to as "MSCI"), its affiliated companies, information provider, and other third parties who were involved or related in edit, calculation, or creation of MSCI index (hereinafter referred to as "MSCI related companies"). MSCI index is an exclusive property of MSCI. Name of MSCI and MSCI index is a service mark of MSCI and its affiliated companies, and Nikko Asset Management Co., Ltd. has been licensed to use it for a specific purpose. MSCI related companies make no representation or warranty, expressed or implied, to the owners or issuing company of the Fund or any other members or organizations regarding the suitability of investing in funds generally or in the Fund particularly or the ability of MSCI index to track return of the corresponding stock markets. MSCI or its related companies are licensors of MSCI index which were determined, edited, calculated by MSCI regardless of specific trademarks, service marks or names, and the Fund or issuing company, owner and other members or organizations of the Fund. MSCI related companies are not responsible for considering the requests of issuing company or owner of the Fund, or other members or organizations when determining, editing and calculating MSCI index. MSCI related companies are not responsible for or have participated in the determination of the timing of, price at, or amount of the Fund to be issued or in the determination or calculation of the equation by which the Fund is to be converted into cash. MSCI related companies are not under any obligation to or take responsibility for the issuing company or owner of the Fund, or other members or organizations regarding management, marketing, or subscription of the Fund.
- MSCI obtains information required for calculation and use of MSCI index from sources they think are reliable. MSCI related companies do not guarantee of the originality, accuracy or completeness of MSCI index or its data included. MSCI related companies do not guarantee, expressed or implied, the result obtained by the use of MSCI index or its data included by the issuing company or owner of the Fund or other members or organizations. MSCI related companies are not responsible for error, omission or discontinuation of MSCI index or its data included. MSCI related companies do not guarantee, expressed or implied the accuracy of MSCI index and its data included. MSCI related companies expressly disclaim all the warranty regarding the suitability of market characteristics or special purpose concerned. Without limiting any of the foregoing, MSCI related companies are not responsible for any direct, indirect, special, punitive, or consequential damages, and all other damages (including lost gains), even if notified of the possibility of such damages.
- No purchasers, distributors or owner or other members or organizations of the Securities, the Product, or the Fund can use or mention MSCI's name, trademark or service mark for the purpose of sponsor, endorsement, sales, or sales promotion of the Securities without asking MSCI beforehand whether MSCI's approval is required. Members or organizations cannot mention the relationship with MSCI without obtaining written approval from MSCI's beforehand.

**Table of contents:**

<b>Information Memorandum</b>	<b>13</b>
1) Investment Fund	13
2) Investment Policies and Practices	13
3) Principal investment risks	15
4) General Information	17
5) Service Fees, Charges and Expenses	20
6) Valuation and pricing	23
7) Dealing	24
8) Units Characteristics	27
9) Accounting and Reporting	27
10) Fund Board	28
11) Shariah Board	30
12) Fund Manager	33
13) Custodian	37
14) Distributer	38
15) Auditors	38
16) Other Information	38
17) Additional Information:	42
18) Summary of Financial Disclosure and Past Performance Schedule	43

## **Information Memorandum**

### **1) Investment Fund**

#### **A. Fund Name**

AlAhli North America Index Fund

#### **B. Terms and Conditions date of issuance**

The Fund's Terms and Conditions were issued on March 1999, and the CMA was notified of its amendment on 27 November 2018.

#### **C. CMA approval for the establishment of the Fund**

The Fund was originally approved by the Saudi Arabian Monetary Agency (SAMA) March 1999 and the CMA approval was obtained for the continued offering of the Fund's units on December 16, 2008G.

#### **D. Fund Duration**

AlAhli North America Index Fund is an open-ended index fund, with no maturity date.

#### **E. Fund Currency**

The Fund currency is the US Dollar. In the case of participation in a currency other than the US Dollar, the exchange rate used will be subject to the prevailing exchange rates, and the Unitholders will bear any exchange rate fluctuation.

### **2) Investment Policies and Practices**

#### **A. Investment Fund Objectives**

AlAhli North America Index Fund is a Shariah compliant open-ended investment fund, which aims to achieve long-term capital growth by seeking to replicate as closely as possible, before expenses, the performance of the MSCI North America Islamic M-Series Index (Net Total Return USD).

#### **B. Securities in which the Fund will invest**

- The Fund primarily Invests in the stocks of large-medium cap segment listed in North American companies.
- The Fund's Investments will be concentrated in the stocks of companies listed on US and Canadian markets.

#### **C. Fund Investment Concentration Policy**

The Fund invests in Shariah compliant financial instruments. The limits of the Fund's investments will be as a percentage of Net Asset Value as shown in the following table:



Asset class	Minimum as % of NAV	Maximum as % of NAV
Listed Equity	90%	100%
Cash, Murabaha transactions and money market funds	0%	10%
Investment funds tracking similar Index	0%	10%

**D. Financial Markets in which the Fund is likely to buy and sell its investments**

The Fund invests in the North American equity markets.

**E. Types of transactions and methods used for investment decisions purposes**

The Fund is managed pursuant to an index-linked passive strategy that is designed to track the performance of MSCI North America Islamic M-Series Index (Net Total Return USD). The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will rebalance based on the changes that may occur in the index components.

Excess cash balance may be held in cash or in Sharia complaint money market funds that invest in money market and Murabaha and/or invested in Murabaha transactions without charging Unitholders an extra fee.

**F. Securities that will not be included in the Fund's Investments**

The Fund will not invest in asset classes other than those mentioned in paragraph (2) of sub-paragraph (c) of the Fund's Information Memorandum.

**G. Investment restrictions**

The Fund will comply with the applicable restrictions set out in Article (41) of the Investment Funds Regulations ("Investment Restrictions"), and will comply with Shariah Guidelines set by Shariah Board.

**H. Investment of the Fund's assets in Investment Fund Units managed by the Fund Manager or other fund managers**

The Fund may invest in investment funds having the same strategy and tracking the same index and / or in money market funds approved to be publicly offered by CMA or licensed by other authorities provided that such funds are subject to jurisdiction that employs regulatory standards and requirements at least equivalent to those applied to investment funds domiciled in Saudi Arabia.

**I. Borrowing rights**

The Fund may obtain Shariah compliant finance for investment purposes provided that such financing shall not exceed 10% of its asset value and the term shall not exceed one year, except for financing to meet redemption requests. The Fund will not pledge any of its assets.

**J. Maximum Limit for dealing with any counterparty**

The maximum limit of the Fund's dealings with the counterparty for Sharia compliant money market transaction is 25% of its Net Asset Value.

**K. Risk Management Policy**

The investment decisions taken by the Fund Manager shall be consistent with prudent investment practices that meet the Fund's investment objectives set out in the Fund's Terms and Conditions and the Information Memorandum, including the following:

- Maintain liquidity to meet any expected redemption request from the Investment Fund.
- The Fund's Investments are based on cautious risk allocation without breaching the investment objectives, policies and Terms and Conditions of the Fund.
- Provide the Fund Board with periodic reports on the Fund's operational risk, and risk of violating investment restrictions.

**L. The Benchmark**

MSCI North America Islamic M-Series Index (Net Total Return USD), which is an index based on an the weighted average free float adjusted market capitalization index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the US and Canadian markets.

**M. Derivatives**

The Fund will not invest in a market or markets that use derivatives of securities.

**N. Investment Restriction Exemptions approved by the Capital Market Authority.**

This paragraph does not apply to the Fund.

**3) Principal investment risks**

- The Fund is considered to be of high risk, and NCB Capital gives no assurance that any appreciation in the value of the Fund's Investments will occur, or that the value of the Fund's underlying investments and the income derived from them may go down. NCB Capital gives no assurance that the Fund's investment objectives will be achieved.
- The past performance of the Fund or the Benchmark is not an indication of their future performance.
- The Fund does not guarantee that its absolute performance or its performance relative to the Benchmark will be repeated or similar to any past performance.
- Investment in the Fund is not a deposit with any local bank that promotes or sells securities or affiliated with the Investment Fund or the Fund Manager. Therefore, Unitholders might lose some or all of their investments.
- The value of the units and their returns are subject to fluctuations. Investors may not be able to recover some or all of their investments; people are advised to invest in the Fund only if they are able to afford the loss, which can sometimes be substantial.

- The following is a list of the main potential risks associated with investing in the Fund, the risks exposed to the Fund and any circumstances likely to affect the Net Asset Value and returns of the Fund, noting that the mentioned risks below might not represent all risk factors related to investing in the Fund unit's:

**Equity Market Risk:** Investing equity market is usually associated with high market volatility, as well as the possibility of a significant and sudden decline in the value of investments, and may lead to the possibility of significant loss of part of the invested capital and the negative impact on the Unit price. The risk of equity investments is therefore higher than the risk of investing in money markets, Murabaha and other short-term investment instruments.

**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.

**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.

**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.

**Economic Risk:** This is the risk of changes in the economic conditions such as recession, inflation, and decrease in oil prices, which may have adverse effect on the Fund's performance.

**Currency Risk:** The Fund's Investments may be denominated in currencies other than its base currency. The value of financial instruments will fluctuate due to a change in foreign exchange rates between subscription and redemption. Accordingly, the value of the Fund's assets may be affected unfavorably by fluctuations in currency exchange rates.

**Interest Rate Risk:** The risk that the value of Investments may 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.

**Liquidity Risk:** 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.

**Borrowing risks:** In case the Fund Manager borrow 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.

**Risks of Investment in Other Funds:** The other investment funds in which the Fund invests may be exposed to risks similar to those set out in this paragraph, which may adversely affect the Fund's performance and the Unit price.

**Risk of Suspension of Trading:** Non-compliance by companies listed with the relevant Law and its implementing regulations 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.

**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.

**Shariah Compliant Investment Risk:** The Shariah Board of the Fund will determine whether the Fund and its investments are in line with Islamic Shariah principles. However, the Shariah Board may decide that some Investments are prohibited, which may entail liquidation of such Investments or loss of returns which may cause the Unit price to decline.

**Risks of dependence on the Fund Manager's 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.

**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 and Unit price.

**Natural Disaster Risk:** These include volcanoes, earthquakes, hurricanes, floods and natural phenomena which are beyond the control of the Fund Manager, and cause considerable damage to property and assets. Natural disasters may adversely affect the various economic and investment sectors, which may lead to decline in the Fund's performance and the Unit price.

**Benchmark Tracking Risk:** The Fund may not achieve a return in conformity with the index given the commitment of the Fund Manager to regulatory requirements which may limit its ownership in some companies. The return on the securities and other investments selected by the investment adviser may not correlate precisely with the return on the Index. The Fund incurs operating expenses are not taken to account in the performance of the index bearing the sale and purchase of securities costs. The Fund may keep excess cash as cash or cash equivalent to meet redemption requests. In addition, increase subscription and / or redemption of the Fund's ability to accurately track the index.

#### 4) General Information

##### A. Target group of investors

The Fund targets Investors, who seek an index-linked passive strategy that is designed to track the performance MSCI North America Islamic M-Series Index (Net Total Return USD),

##### B. Profit Distribution Policy

The Fund does not distribute any periodic profits to Unitholders.

### C. Fund Historical Performance

- Percentage of total return of the Fund compared to the Benchmark for one year, three years, five years, and ten years:

Period	1 Year	3 Years	5 Years	10 Years
<b>Total Return</b>	20	7.53	12.02	5.96
<b>Benchmark</b>	20.43	10.06	14.77	8.67

- Percentage of total annual return for the past ten years compared to the Benchmark:

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Return</b>	-32.61	27.53	8.22	0.05	8.75	31.39	7.95	-0.54	4.18	20.00
<b>Benchmark</b>	-33.30	32.62	11.60	3.41	12.96	31.18	13.85	3.14	7.34	20.43

- Fund reports are available through the Fund Manager's website [www.alahlicapital.com](http://www.alahlicapital.com).

### D. Unitholders' Rights

- Receive an updated copy of the Information Memorandum and the Terms and Conditions of the Fund in Arabic free of charge.
- Receive the Fund's reports and statements in accordance with paragraph (11) of the Fund's Terms and Conditions and in accordance with Article (71) of the Investment Funds Regulations, "Reporting to Unitholders".
- Notify the Unitholders of any significant changes, or notifiable changes, in the Terms and Conditions of the Fund and the Information Memorandum and send a summary of these changes before they become effective, depending on their type, and the period specified in the Investment Funds Regulations.
- Obtain the Unitholders consent through an Ordinary Fund Resolution on any fundamental changes to the Terms and Conditions and the Information Memorandum.
- Managing the Fund's assets to the best interest of the Unitholder in accordance with the Terms and Conditions of the Fund and the Investment Funds Regulations.
- Develop the decision-making procedures to implement the administrative aspects of the Fund.
- Managing the Fund's business and the Investments of its participants with the highest degree of confidentiality at all times. This does not limit the right of the Fund's regulatory authority (CMA) to access the Fund's records for regulatory purposes. The Unitholders' information will not be shared except when necessary to open the Investor's account, execute its operations, and comply with the applicable policies with the competent regulatory authorities or if the sharing of such information is in the interests of the Unitholder.

- Receive an updated version of the Fund's Terms and Conditions and the Information Memorandum annually showing the actual fees, commissions and performance information of the Fund upon request.
- Notifying the Unitholders in writing if the Fund Manager wishes to terminate the Fund not less than (21) days from the date on which the Fund is to be terminated without violating the terms and conditions of the Fund.
- Payment of redemption proceeds within the period specified in the Terms and Conditions of the Fund and in the Investment Funds Regulations.
- Unitholders have the right to redeem their units before any significant change occurs without imposing redemption fees.
- Any other relevant rights imposed by the CMA Laws and implementing regulations, and instructions applicable in the Kingdom of Saudi Arabia.

#### **E. Unitholders' Liability**

The Unitholders acknowledge and agree to the following:

- The Fund Manager does not make any undertakings or guarantees relating to the performance or profitability of any Investment managed in the Fund, and the Fund Manager will have no legal or consequential liability for any decline in the value of the managed investments or the Fund's assets except those resulting from negligence, infringement or omission.
- Except for the loss of the Unitholder's investment or part of it, the Unitholder will not be liable for the debts and obligations of the Fund.
- In the event that the Unitholders do not provide the Fund Manager with the correct postal and / or electronic address and other contact information, the Unitholders agree to withhold the Fund Manager and exempt him from any liability and waive all their rights and any claims from the Fund Manager arising directly or indirectly from the failure to provide the Unitholders with the statement of account, notices or any other information relating to the Investments or those arising from the inability of the Unitholders to respond or verify the information or correct any alleged errors in the statement of account or notice or any other information.
- If the Unitholder is subject to the laws of an authority other than the Kingdom of Saudi Arabia, he / she shall be subject to such laws without any obligation on the Fund or the Fund Manager.

#### **F. Fund Termination**

**Circumstances that requires Fund termination:**

- The Fund Manager's desire to discontinue and terminate the Fund;
- The Fund's Net Asset Value falls below the minimum limit specified in the regulations and circulars issued by the CMA.

**Procedures to terminate the Fund under article (37) of the Investment Funds Regulations:**

- If the Fund Manager wishes to terminate the public Fund, he shall notify the CMA and the Unitholders in writing of his desire to do so not less than (21) days prior to the date on which the Fund is to be terminated, without violating the terms and conditions of the Fund.
- The Fund Manager will pay the Fund's outstanding liabilities from the Fund's assets and distribute the remaining amounts to the Unitholders registered on the date of liquidation on a pro rata basis, in proportion to their respective holdings.
- The Fund Manager announces on its website and on the Tadawul website the expiry of the public fund period and its liquidation.

**G. The Fund Manager acknowledges the existence of an internal risk assessment mechanism for the Fund's assets.**

**5) Service Fees, Charges and Expenses**

**A. Payments from the Fund's assets**

**Subscription Fees:** The Fund Manager will deduct up to 2% of the subscription amount upon each subscription transaction in the Fund, after which the balance will be invested in the Fund. The Fund Manager reserves the right to waive all or part of the Subscription Fee at its sole discretion. The net amount will be invested in the Fund after deducting the Subscription Fees. The Subscription Fee is subject to VAT. The Subscription Fee is exclusive of VAT, which the Investor shall separately pay to NCB Capital, at rates prescribed by the VAT Law and its implementing regulations.

**Management Fees:** The Fund Manager will charge an annual management fee of 0.30% of the Net Asset Value of the Fund calculated proportionally on each Valuation Day and deducted monthly. If the Fund invests in other funds managed by NCB Capital, the management fees will be rebated or waived to avoid double charges. The investment management fee is subject to VAT, the Fund will separately pay it to the Fund Manager at rates prescribed by the VAT Law and its implementing regulations.

**Shariah Compliant Financing charges:** If applicable, will be charged to the Fund at the prevailing market rates, and calculated on each Valuation Day and paid according to the requirements of the financier.

**Dealing (Brokerage) fees and charges:** Brokerage fees or any other trading fees will be paid by the Fund directly at levels determined by local regulations or the dealing broker in the markets in which the Fund purchases or sells. These amounts will vary depending on the turnover of the Fund's assets and the volume of transactions.

**Other Fees and Expenses:** The Fund Manager reserves the right to charge the Fund any other actual fees and expenses, allowed to be charged by regulations, such as custody fees, audit fees, remuneration of independent directors of the Fund Board, Shariah audit fee, regulatory fees, Tadawul fees, as well as administrative and operational expenses. The other fees and expenses will be reviewed by the Fund Manager on quarterly basis (every three months) and will not exceed 0.5% of the average value of the Fund's assets during the financial year, and they are as follows:

**Custody and Accounting Fees:** The annual custody fee ranges from (0.15 to 60) bps from the total Fund assets under custody. In addition, a transaction fee will be charged for each

transaction ranging from (5 to 190) USD, depending on the market in which the Fund invests in. The Fund is charged with accounting fees of (1.5) bps if the Fund size is USD 100 million or less. If the Fund size exceeds one USD 100 million, the Fund will be charged 1.25 basis points. The custody fees and accounting fees calculated on each valuation day and deducted monthly from the Fund.

**Fund Board Remuneration:** Each independent member of the Fund Board receives USD 37,333.33 annually, divided by the number of open-ended funds managed by the Fund Manager and supervised by the Board.

**Audit Fees:** USD 8,684.80 annually, calculated on each Valuation Day and deducted monthly.

**Shariah Audit Fee:** USD 7,200 annually, calculated on each Valuation Day and deducted monthly.

**Capital Market Authority Fees:** USD 2,000 annually, calculated on each Valuation Day and deducted monthly.

**Publishing the Fund's information on the Tadawul's website:** USD 1,333 annually, calculated on each Valuation Day and deducted monthly.

**Administrative and operational expenses:** charged to the Fund based on the percentage of the Fund's assets over all public funds assets under management.

All fees, charges, commissions and expenses payable to NCB Capital and other service providers will be exclusive of VAT, which the Fund shall separately pay to the Fund Manager according to rates set by the VAT law and its implementing regulations.

**B. The following table shows all the fees and expenses of the Fund**

Type of Fees/Expenses	Percentage/Amount	Calculation Method	Deduction
Subscription Fees	2%	Calculated from the total amount of Subscription	Payable upon each subscription to the Fund
Management Fees	0.30%	Calculated on each Valuation Day	Deducted Monthly
Shariah Compliant Financing Charges	Based on the prevailing market rates and the requirements of the financier.		
Dealing (Brokerage) Fees	Based on the turnover of the Fund's assets and the volume of operations.		
Other Expenses*			
Custody Fees	0.0015% to 0.60%	Calculated on each valuation day from the fund assets	Deducted Monthly





Accounting Fees	0.015% to 0.0125%	Calculated on each valuation day from the fund assets	Deducted Monthly
Remuneration of each member of the Fund's annual independent Board of Directors	37,333.33	Calculated on each Valuation Day from the Fund's assets and divided by the number of open-ended public investment funds	Deducted Monthly
Shariah Audit Fee	7,200	Calculated on each Valuation Day from the Fund's assets.	Deducted Monthly
Capital Market Authority Annual Fees	2,000	Calculated on each Valuation Day from the Fund's assets.	Deducted Monthly
Fees relating to publishing the Fund's information on Tadawul website	1,333.33	Calculated on each Valuation Day from the Fund's assets.	Deducted Monthly
Administrative and operational expenses	Estimated and revised on a quarterly basis	Calculated on each Valuation Day from the value of all the public funds' assets under management.	Deducted Monthly
*Other Expenses will not exceed 0.50 % of the annual average value of the Fund's assets, and the Fund Manager will carry out a quarterly review (every three months) of all the expenses charged to the Fund			
The Fund Manager acknowledges that there are no fees or charges other than those mentioned above, and that the Fund Manager will be liable for any other fee not disclosed to the Unitholders.			

### C. Transaction Fees

The Fund Manager will deduct up to 2% of the subscription amount upon each subscription transaction in the Fund, after which the balance will be invested in the Fund. The Fund Manager reserves the right to waive all or part of the Subscription Fee at its sole discretion. The net amount will be invested in the Fund after deducting the Subscription Fees. The Subscription Fee is subject to VAT. The Subscription Fee is exclusive of VAT, which the Investor shall separately pay to NCB Capital at rates prescribed by the VAT Law and its implementing regulations.

#### D. Special commissions

The Fund Manager may enter into special commission arrangements that are limited to goods and services, which the Fund Manager may obtain, provided that they are related to the execution of transactions on behalf of the Fund, or to the provision of research in favor of the Fund, in accordance with the Authorized Persons Regulations and the Investment Funds Regulations.

#### E. Hypothetical example illustrating all fees, charges paid from the fund's assets

The following table shows a hypothetical investment of a Unitholder assuming an investment of USD 10,000:

Description	Estimated Amount in US Dollars
Hypothetical Unitholder investment	10,000
Subscription	210
Other expenses (0.5%)	48.95
Management fees (0.3%)	29.22
VAT (5% of fees and charges)	3.91
Net value of investor units	9,707.92

### 6) Valuation and pricing

#### A. Valuation of Fund Assets

The total value of the Fund's assets is calculated based on the closing prices of the underlying securities owned by the Fund on the Valuation Day, in addition to any accrued profits. Investments in unlisted securities will be valued based on the investment cost in addition to any accrued profits for the period up to the valuation date. Moreover, Investments in other investment funds will be valued based on the latest unit price declared by the investee Fund.

#### B. Valuation Points Frequency

The value of the Fund's assets shall be valued at the end of each US Business Day (from Monday to Friday), on the basis of the latest closing stock prices available on that day, unless the markets are closed on that day, in which case the valuation shall be held on the next Valuation Day, and the Unit price shall be announced on next Business Day in the kingdom following the Valuation Day.

#### C. Actions to be taken in the event of valuation or pricing error

In the event of incorrect valuation or mispricing of any asset of the Fund or the Unit price, the Fund Manager shall:

- Document any incorrect valuation or pricing of an asset or Unit price
- Compensate all affected Unitholders, including former Unitholders, for all valuation or pricing errors immediately.

- Notify the CMA immediately of any valuation errors or mispricing of 0.5% or more of the Unit price and disclose it immediately on the website of the Fund Manager and Tadawul's website and in the Fund's reports prepared by the Fund Manager in accordance with Article (71) of the Investment Funds Regulations "Reporting to Unitholders".
- The Fund Manager shall provide a summary of all valuation and pricing errors (if any) to the CMA in accordance with Article (72) of the Investment Funds Regulations "Reporting to the CMA".

#### **D. Calculation of Unit price**

The unit price will be calculated using the total value of the Fund's assets mentioned in paragraph (6) Sub-paragraph (A), including the profits due, profits to be collected and the reinvested dividends of the Fund, and deducting management fees after deduction of all expenses and fixed obligations and any expenses due; then, divide the result by the total number of Units that exist at that time. In exceptional or contingency cases in which the Fund Manager reasonably determines that a significant portion of the Fund's assets cannot be assessed reliably, the valuation of the Fund's assets may be delayed until such interim action is subsequently reviewed by the Fund Manager.

The Net Asset Value of the Fund is calculated as follows:

- (a) All expenses, fixed charges and operating expenses are calculated on a daily basis of the total assets.
- (b) Management fees are calculated and deducted from the output of the previous step and the result is the Net Asset Value of the Fund.

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

Net Asset Value of Fund = (Total Assets- Fees and Operating Expenses) - (Management Fees)

#### **E. Publication of Unit price**

Unit prices will be announced on the Business Day following the Valuation Day on the Fund Manager's website: [www.alahlicapital.com](http://www.alahlicapital.com) and Tadawul's website: [www.Tadawul.com.sa](http://www.Tadawul.com.sa).

### **7) Dealing**

#### **A. Initial Public offering and unit price**

The Fund's Units were launched in March 1999 and the unit price at the beginning of the offering was one US Dollar.

#### **B. Submission of Subscriptions and Redemptions Requests**

**Days of Sale and Redemption of Fund Units:** Subscription and redemption requests are accepted on every Dealing Day.

**Subscription requests:** All subscriptions made in US Dollars must be paid before or at 12:30 pm of the Dealing Day in order to start participating in the Fund on the Dealing Day. Applications submitted after 12:30 on a Business Day prior to the Dealing Day will be processed on the next Dealing Day. Subscriptions, redemptions or transfers requests can be made through alternative distribution points (the Fund Manager's phone or website).

Subscriptions made through other forms of payment, such as checks and transfers, may require additional time to settle and collect them, and they will be invested in the Fund as of the Dealing Day following the collection date.

**Redemption Requests:** Redemptions may be made on any Dealing Day provided that a written notice of the redemption is received before or at 12:30 pm on the Business Day preceding the targeted Dealing Day. And in case of redemption requests after 12:30 pm, redemption will be carried out by the Fund on the next Dealing Day. If the Dealing Day happened to fall on an official holiday in Saudi Arabia, redemption requests will be accepted on the next Dealing Day.

### C. Subscription and Redemption Procedures

**Subscription procedure:** When subscribing to a Fund, the client signs the Subscription Form, and the Fund's Terms and Conditions through one of the branches. Subscriptions can also be made through alternative channels via website or phone provided by the Fund Manager, the subscription amount is then deducted from the client's account. Individual Investors must present a valid personal identification such as the national identity card (for Saudis) or iqama (for non-Saudis). Legal entities (companies and institutions) must provide a signed company letter as well as a copy of the company's commercial registration, in addition to other documents required by the Fund Manager depending on the type of company or institution.

**Redemption Procedure:** The Unitholder may submit a partial or full redemption request at any time by providing a written notice, or by filling out and delivering the Redemption Form which can be obtained from certain branches or through alternative channels (the Fund Manager's phone or website). The Unitholder must present a valid national identification card or valid iqama card if he wishes to redeem through branches. The Unitholder must also determine whether he wishes to recover the value of his Units in full or in part. If the Unitholder submits a partial redemption request and the total value of its Units falls below the required partial redemption amount, the Fund Manager has the right to refuse the redemption on the targeted day without any liability to the Fund Manager. The Investor then must file a new redemption request to be executed on the next Dealing Day.

**Transfers between two funds:** Transfers between two public open-ended NCB Capital funds is a single transaction consisting of two parts: redemption and subscription. Based on this, the redemption process is carried out in accordance with the above "Redemption Requests" section, and then the subscription process is done according to the "Subscription Requests" form of the other Fund. Upon request of the transfer, the Investor must fill in the transfer form and submit it to the customer service representative in the branch accompanied by his/her personal identification, or transfer through alternative channels.

#### **Minimum Ownership:**

Minimum subscription: USD 2,000

Minimum Additional Subscription: USD 1,000

Minimum Redemption: USD 1,000

Minimum Ownership of Fund Units: USD 1,000

**Redemption proceeds:** Redemptions proceeds shall be paid to Unitholders no later than the close of business on the fourth (4) day following the valuation point at which the redemption price was set.

**D. Unitholders Register**

The Fund Manager is responsible for preparing an updated Unitholders register, in accordance with the requirements of the Investment Funds Regulations, kept in the Kingdom and treated with utmost confidentiality. The Unitholders register represents conclusive proof of ownership of the Units.

**E. There is no minimum size for the assets of the Fund to start investment.**

**F. Corrective actions necessary to ensure that the required (SAR 10 million) or its equivalent is met as a minimum Net Asset Value of the Fund**

The Fund Manager shall follow the requirements of the Investment Funds Regulations and Circulars issued by the CMA in respect of the minimum required amount to be met from the Net Asset Value of the Fund. If in any case the Fund's Net Asset Value falls below the required SAR 10 million threshold, the Fund Manager shall:

- Notify the Fund Board;
- Continually monitor Fund's performance for six months.
- In case the six month period is over without any correction, the Fund Manager will terminate the Fund in accordance with termination procedure set out in paragraph (4) Sub-paragraph (F) of this Information Memorandum.

According to the CMA's circular issued on 04/05/1438H corresponding to 01/02/2017G, fund managers are exempt from this requirement until 31/12/2018G.

**G. Deferring or suspension of dealing in units**

**Deferring Redemption Request:**

The Fund Manager may postpone the execution of any Redemption Request until the next Dealing Day if the total Unitholder redemption requests on any trading day equals or exceeds 10% of the Fund's Net Asset Value. Deferred Redemption Requests will be processed on a pro-rata basis on the nearest Dealing Day. The Fund Manager will also follow procedures based on fair and unbiased standards in the selection of redemption requests to be deferred, noting that the standard used will be based on the proportion of requests submitted prior to the deadline for submission of redemption requests. The Fund Manager, acting in good faith, will pay the redemption proceeds to the Unitholders at the earliest practicable opportunity.

**The Fund Manager suspends dealing in the Fund's units in the following cases:**

- If requested by the CMA to suspend the Funds' subscription and redemption.
- If the Fund Manager reasonably believes that suspension is in the interest of the Unitholders.

- If dealing is suspended in the main market in which securities or other assets are held by the Fund, whether in whole or in respect of assets of the Fund that the Fund Manager reasonably considers to be material to the Fund's Net Asset Value.

**Rejection of subscription requests:**

The Fund Manager may reject any request to subscribe in the Fund if such subscription would violate CMA regulations or the Anti-Money Laundering Regulations. The Fund Manager may also cease to accept subscription applications if the increase in subscriptions into the Fund would adversely affect current Unitholders.

**Redemptions by Fund Manager:**

The Fund Manager reserves the right to redeem Units sold to any Investor in full or in part, with notice to the Investor later if he believes that such subscription may result in a violation of CMA regulations and / or other applicable regulations and / or Terms and Conditions of the Fund without holding the Fund Manager liable.

**H. Procedures of selecting redemption requests to be deferred**

If redemptions are deferred, the Fund Manager will follow fair and unbiased procedures in selecting the redemption requests to be deferred in accordance with the requirements of Article (61) of the Investment Funds Regulations, "Deferring Redemption"

**8) Units Characteristics**

The Fund will have one class of Units with equal rights and liabilities.

**9) Accounting and Reporting**

**A. Information Relating to Financial Reports**

- The Fund Manager will prepare the initial financial reports and present the latter to the public by publishing those within (35) days from the end of the reporting period in the means specified in the Fund's Terms and Conditions and the Information Memorandum on the Fund Manager's website and Tadawul's website.
- The Fund Manager will prepare the annual reports, including the audited annual reports, annual reports summary, and the interim reports in accordance with annex (5) of the Investment Funds Regulations, and make them available to Unitholders upon request without charge. The reports will be made public within (70) days from the end of the reporting period.
- The Fund Manager will provide each Unitholder with the Net Asset Value of their Units and the record of their transactions within (15) days of each transaction carried out by the Unitholder.
- The Fund Manager will send an annual statement to the Unitholder summarizing the transactions of the Fund's Units during the financial year within (30) days from the end of the financial year. This statement includes any profit distributions and the total expenses, charges and fees deducted from the Unitholders and mentioned in the Fund's Terms and Conditions and Information Memorandum, in addition to any violations of investment restrictions provided for in the Investment Funds Regulations or in the Funds' Terms and Conditions and the Information Memorandum.

**B. Publication of the Funds' Reports**

Annual reports of the Fund, including audited financial statements, are available on the Fund Manager's website: [www.alahlicapital.com](http://www.alahlicapital.com) and Tadawul's website: [www.Tadawul.com.sa](http://www.Tadawul.com.sa). Other notices, if any, are sent to the postal address and / or e-mail and / or as a SMS and / or fax as indicated in the records of the Fund Manager.

**C. The Fund Manager will provide the annual audited financial statements at the end of each financial year as part of the Fund annual reporting.**

**D. The Fund Manager will provide the annual audited financial statements of the Fund free of charge upon request by the Unitholders.**

**10) Fund Board**

**A. Board members and memberships**

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

- Mohammed Abdullah Al Ali (Chairman of the Board of Directors of the Fund, non-independent)
- Mohammed Jaafar Al Saqqaf (Non-Independent Member)
- Dr. Abdulraouf S. Banaja (Independent Member)
- Alaauldeen R. Sami (Independent Member)

**B. Board of Directors Qualifications**

**(1) Mohammed Abdullah Al Ali (Chairman of the Fund)**

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 over 14 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) Mohammed Jaafar Al Saqqaf (Non-Independent Member)**

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 Member)**

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) Alauldeen R. Sami (Independent Member)**

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.

**C. Roles and responsibilities of the Board of Directors of the Fund**

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

- Approving all of the Funds' material contracts, reports and decisions.
- Overseeing, and where appropriate, ratifying any conflict of interest the Fund Manager identifies in accordance with the Investment Funds Regulations.
- Meeting at least twice a year with the Fund Manager's compliance officer (compliance committee) and the anti-money laundering and anti-terrorism finance officer to ensure the Fund Manager's compliance with all applicable laws and regulations.
- Approving any recommendations made by a liquidator in the event one is appointed.
- Ensuring the completeness, accuracy and compliance with the Fund's Terms and Conditions, Information Memorandum and any other documents relating to the Investment Funds Regulations.
- Ensuring the Fund Manager carries out his obligation in the best interest of the Unitholders, in accordance with the Terms and Conditions of the Fund and with the Investment Funds Regulations.
- Acting for the benefit of the Fund and its Unitholders.
- Approving the appointment of the external Auditor nominated by the Fund Manager.
- Documenting the meetings minutes that reflect all the proceedings of the meetings and decisions taken by the Board.

**D. Details of the Board of Directors remuneration**

Each member of the Fund's independent Board of Directors receives \$ 37,333.33 annually, divided by the number of open-ended public investment funds managed by the Fund Manager and supervised by the Fund Board.

**E. Conflict of interest between the Board members and the Fund**

Members of the Fund Board may be members of other funds that may seek investment objectives similar to those of the Fund. Therefore, in the exercise of its business, a member of the Fund Board may find himself in a situation of potential conflict of duties or interests with one or more funds. However, in such cases, the member shall take into account his



obligations to act in the best interests of the Unitholders to the maximum practicable extent and not to overlook his obligations to his other clients when he considers any investment that may involve a potential conflict of interest, and in situations requiring voting, that Member shall refrain from doing so. To the date of issuing the Information Memorandum, there is no significant business or other interest to the members of the Fund Board, which is likely to conflict with the interests of the Fund.

**F. Fund Boards in which the relevant members of this Fund Board participates**

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

<b>Fund/Board Member</b>	<b>Al Ali</b>	<b>Al Saqqaf</b>	<b>Banaja</b>	<b>Sami</b>
AlAhli GCC Growth and Income Fund	✓	✓	✓	✓
AlAhli Global Real Estate Income Fund	✓	✓	✓	✓
AlAhli Fund of REITs Fund	✓	✓	✓	✓
AlAhli Freestyle Saudi Equity Fund	✓	✓	✓	✓
AlAhli Saudi Small and Mid-Cap Equity Fund	✓	✓	✓	✓
AlAhli Global Equity Fund	✓	✓	✓	✓
AlAhli IPO Fund	✓	✓	✓	✓
AlAhli Health Care Trading Equity Fund	✓	✓	✓	✓
AlAhli GCC Trading Equity Fund	✓	✓	✓	✓
AlAhli Saudi Trading Equity Fund	✓	✓	✓	✓
AlAhli Asia Pacific Index Fund	✓	✓	✓	✓
AlAhli Emerging Markets Index Fund	✓	✓	✓	✓
AlAhli North America Index Fund	✓	✓	✓	✓
AlAhli Europe Index Fund	✓	✓	✓	✓
AlAhli SEDCO Residential Development Fund	✓	✓	✓	✓
AlAhli REIT Fund (1)		✓		
NCB Capital Tier One Sukuk Fund	✓			
NCB Capital Tier One Sukuk Fund II	✓			
AlAhli Real Estate Development Fund			✓	✓
SEDCO Capital Flexi Saudi Equities Fund*			✓	
Blom-Maskan Arabia Real Estate Development Fund*		✓		

\* Not managed by the Fund Manager

**11) Shariah Board**

**A. Shariah Board Members and Qualification**

**(1) Sheikh Abdullah Bin Suleiman Al-Maniya (Chairman)**

Member of the Senior Council of Scholars and an advisor to the Royal Court in the Kingdom of Saudi Arabia. He is also a member of the Shariah Committee for preparing

the judicial code of the Kingdom. He is a member of the Islamic Fiqh Academy of the Organization of Islamic Conference, and Fiqh Academy of the Muslim World League. He has also been a member of the Supreme Judiciary Committee of the Kingdom since its inception in 1391H and was formerly Deputy President of the Makkah Al-Mukarramah Courts and a former Judge of the Court of Cassation in Makkah Al Mukarramah. Sheikh Abdullah Almaniya is a member of several supervisory committees supervising banks in the Kingdom, and a member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He also authored several books on Islamic finance and Fiqh. He holds a master's degree from the Higher Judicial Institute of Imam Muhammad bin Saud Islamic University.

**(2) Sheikh Dr. Abdullah bin Abdulmlaziz Al Musleh (Member)**

Sheikh Al Musleh is a well-known Shariah Scholar. He is the General Director of the Panel of Scientific Miracles in the Quran and Sunnah. He established a branch of Al Imam Muhammad bin Saud Islamic University in Abha and was its rector from the year 1396H until 1415H. He has also served as the Dean of Shariah and Principles of Religion at the Imam Muhammad bin Saud Islamic University. Sheikh Al Musleh is also a member of many Shariah supervisory committees supervising banks in the Kingdom and is a frequent speaker on TV Islamic programs. He is also an author of several books in Islamic finance and Fiqh.

**(3) Sheikh Dr. Abdullah bin Mohammed Al Mutlaq (Member)**

Sheikh Dr. Abdulla Bin Mohammed Al Mutlaq is a member of the Senior Scholars Board and the Dar Al-Ifta Committee, both in Saudi Arabia. He is also an advisor of the Royal Court of Saudi Arabia and a former Dean of the Comparative Fiqh Department at Imam Muhammad Ibn Saud Islamic University in Riyadh. Sheikh Dr. Al Mutlaq is a member of Shariah boards of several Islamic banks and financial institutions.

**(4) Sheikh Dr. Muhammad Ali Al Gari (Member)**

Dr. Elgari was a former professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia and a former Director of the Center for Research in Islamic Economics, in the same university. He is a member of numerous Shariah committees of several banks and financial institutions. He is a well-known expert in the field at the Islamic Jurisprudence Academy of the OIC, the Islamic World League and a Member of Shariah Supervisory Board. He is also a member of the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, Journal of the Jurisprudence Academy, Journal of Islamic Economic Studies published by the Islamic Development Bank, Journal of Islamic Economics published by the International Association of Islamic Economists (IAIE), London, and the advisory board of Harvard Series in Islamic Law, Harvard Law School. Dr. Mohamed Ali Elgari holds a Ph.D. in economics from the University of California and is a recipient of the Islamic Development Bank's International Prize in Islamic Banking and Finance for the year 2004. He has authored several books and articles on Islamic finance in Arabic and English and is a frequent speaker at Islamic Banking and Finance conferences around the world.

**B. The roles and responsibilities of the Shariah board**

- Reviewing the Fund's offering documents, including the Information Memorandum and the Terms and Conditions of the Fund, and approve any subsequent amendments.

- Preparing the Shariah guidelines to be followed by the Fund's Investments.
- Meeting if necessary to discuss issues related to the Fund.
- Responding to inquiries from the Fund Manager regarding the Fund's Investments, activities or investment structure and compliance with Shariah rules and standards.
- Supervising and monitoring the activities of the Fund to ensure compliance with the Shariah guidelines or delegating it to another party.

#### **C. Shariah Board Remuneration**

The Fund will bear the Shariah audit fees in an amount of USD 7,200 annually. The Shariah advisory fees, if any, will be charged separately.

#### **D. Shariah Guidelines**

All investments and investment strategies applied by the Fund Manager shall be bound by the Shariah Principles adopted by the Sharia Board. According to the Shariah Board, no investment may be made in any company, which is involved in any of the following:

##### **Industry and Business**

- 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.

#### **Non – Shariah Instruments and Methods**

The Fund may not invest in the following instruments:

- Futures
- Forwards
- Preferred Stock
- Options
- Traditional 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.

#### **Periodic Review**

The compatibility of the companies with the Shariah guidelines will be reviewed on a quarterly basis. Companies owned by the Fund that are found to be non-Shariah compliant will be sold out within 90 days from the date of review.

## **12) Fund Manager**

### **A. Fund Manager**

NCB Capital Company

### **B. License Number issued by the Capital Market Authority**

NCB Capital Company is licensed under the Capital Market Authority (CMA) License No. 37-06046.

### **C. Fund Manager's address**

NCB Capital Company  
 King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.  
 Tel: +966 118747106  
 Fax: +966 114060049  
 Website: [www.alahlicapital.com](http://www.alahlicapital.com)



**D. Date of license issuance by the Capital Market Authority**

3 Dhu al-Hijjah 1427H, corresponding to 24 December 2006G.

**E. Paid up capital by the Fund Manager**

NCB Capital is a Saudi joint stock company with a paid-up capital of SAR 1 billion.

**F. Summary of financial disclosure, income and profits for the previous financial year (in thousand Saudi Riyals)**

Item	31/12/2017G
Total Operation Income	648,317
Expenses	(356,675)
Zakat	(34,000)
Net income	269,760

**G. Fund Manager's Board members, and the main activities of each member (other than those related to the Fund Manager)**

Name	Title	Other Board Memberships
Saeed M. AlGhamdi	Fund Manager's Chairman (Non-executive member)	<ul style="list-style-type: none"> <li>- National Commercial Bank (Saudi Arabia)</li> <li>- Türkiye Finans Katılım Bankası</li> <li>- Chairman of the Board of Directors of Saudi Credit Bureau (SIMAH), Kingdom of Saudi Arabia</li> <li>- Member of MasterCard's Regional Advisory Board for the Middle East and Africa</li> </ul>
David J. Meek	Fund Manager Vice Chairman (Executive member)	<ul style="list-style-type: none"> <li>- National Commercial Bank</li> <li>- Public Investment Fund</li> <li>- ASSOCIATES LIMITED</li> <li>- ETHQ LLC</li> <li>- GETTING ON BOARD</li> <li>- CYDTAX</li> </ul>
Sarah J. Al Suhaimi	Fund Manager CEO (Executive member)	<ul style="list-style-type: none"> <li>- Saudi Stock Exchange (Tadawul)</li> <li>- NCB Capital DIFC (Dubai)</li> <li>- BACO (Bahrain)</li> </ul>
Talal A. Al Khareiji	Non-executive member	None

Adnan A. Soufi	Independent Member	<ul style="list-style-type: none"> <li>- Bupa Arabia and head of Audit Committee</li> <li>- Awj Holding Company</li> <li>- CMA Advisory Committee</li> <li>- Trustee in Endowment Neogborhood Centers</li> <li>- Islamic Economics Institute</li> </ul>
Abdullah F. AlAbdul Jabbar	Independent Member	<ul style="list-style-type: none"> <li>- Saudi Saudi Airlines Cargo Company</li> <li>- Saudi Air Navigation Services</li> <li>- GASCO</li> </ul>

#### H. Roles, responsibilities and duties of the Fund Manager regarding the Fund

- Comply with all the laws and implementing regulations issued by the CMA and the applicable instructions in the Kingdom of Saudi Arabia related to the Fund's operations, including the requirements of the Investment Funds Regulations and the Authorized Persons Regulations, which includes acting to the best interest of the Unitholders and with reasonable care.
- Manage the Fund's assets to the best interest of the Unitholders in accordance with the Terms and Conditions of the Fund and the Information Memorandum and the performance of all its functions in respect to the Register of Unitholders.
- Develop the decision-making procedures to be followed to implement the Fund's administrative aspects, offering of Funds Units and the Fund operations.
- Ensure that the Terms and Conditions of the Fund and the Information Memorandum are accurate, complete, correct and not misleading.
- The Fund Manager shall be responsible for complying with the provisions of the Investment Funds Regulations, whether those requirements and duties have been performed directly by the Fund Manager or indirectly through assigning it to a third party under the provisions of the Investment Funds Regulations and the Authorized Persons Regulations.
- The Fund Manager is liable to the Unitholders for any losses resulting from fraud, negligence, malpractice or intentional failure to meet obligations.
- The Fund Manager will prepare policies and procedures to monitor the risks affecting the Fund's investments. Such policies and procedures will include risk assessment at least annually.
- Implement the Fund's compliance monitoring program, and provide the CMA with the results of such implementation upon request.

#### I. Tasks assigned to a third party by the Fund Manager in respect of the Fund

The Fund deals with a third party in order to carry out the following functions:

- External auditor to carry out auditing task.
- The Shariah Board to supervise the activities of the Fund to ensure compliance with Shariah guidelines.
- Sub-manager to manage the Fund's assets in accordance with its policies and the Shariah Guidelines.

**J. Other business activity or interests of the Fund Manager that are of significance or could potentially conflict with those of the Fund**

The Fund Manager and other NCB Capital affiliates may from time to time act as fund managers, fund advisors or other sub-funds seeking similar investment objectives for the Fund. Therefore, in the exercise of its business, the Fund Manager may find himself in a position of potential conflict of interest or duties with one or more funds. In such cases, the Fund Manager will take into account its obligations to act in the best interests of the Unitholders to the fullest extent practicable and not to overlook its obligations to its other clients when considering any investment that may involve potential conflicts of interest. Note that as of the date of issuing the Fund's Information Memorandum and Terms and Conditions, no other business activity or interest important to the Fund Manager is likely to conflict with the interests of the Fund.

**K. Provisions governing the Removal or Replacement of the Fund Manager**

The CMA may remove the Fund Manager in respect of any specific investment fund and take any action it deems appropriate to appoint an alternative Fund Manager for that Fund or to take any other measure it deems appropriate in case of any of the following cases:

- The Fund Manager ceases to carry on management activities without notifying the CMA under the Authorized Persons Regulations.
- Cancellation, withdrawal or suspension of the Fund Manager's license by the CMA to carry on management activities under the Authorized Persons Regulations.
- The Fund Manager sends a request to the CMA to cancel his license of carrying out management activities.
- If the CMA believes that the Fund Manager has committed material violations and failed to comply with the implementing regulations.
- The death, inability or resignation of the Fund Manager who manages the Fund's assets, with no other person registered with the Fund Manager capable of managing the assets of the Fund or the assets of the Funds managed by the Fund Manager.
- Any other case that the CMA considers - on reasonable grounds - to be sufficiently material.

### 13) Custodian

#### A. Name of the Custodian

The Northern Trust Company of Saudi Arabia

#### B. License Number Issued by CMA

License No. 12163-26

#### C. Address of the Custodian

The Northern Trust Company of Saudi Arabia  
 Nakheel Tower, P.O. Box 10175, Riyadh 11433, Kingdom of Saudi Arabia.  
 Tel: +966 114188694  
 Website: [www.northerntrust.com](http://www.northerntrust.com)

#### D. The date of the license issued by the Capital Market Authority

22 Rabi' al-Thani 1434 corresponding to 04 March 2013.

#### E. Roles and responsibilities of the Custodian

- The Custodian shall be responsible for his obligations in accordance with the provisions of the Investment Funds Regulations, whether he performs his responsibilities directly or by assigning it to a third party under the provisions of the Investment Funds Regulations or the Authorized Persons Regulations.
- The Custodian shall be liable to the Fund Manager and the Unitholders for losses incurred by the Fund due to fraud, negligence, deliberate misconduct or intentional default.
- Safeguard the Fund's assets for the benefit of the Unitholders, and being responsible for taking all necessary administrative actions to protect the Fund's assets.

#### F. The tasks entrusted to a third party by a Custodian

The Custodian has the right to appoint a third party or more or any of its affiliates as sub-custodian.

#### G. Provisions governing the Removal or Replacement of the Custodian.

The CMA may remove the Custodian appointed by the Fund Manager or take any actions it deems appropriate in the event of any of the following cases:

- The Custodian ceases to provide custody services without notice to the CMA in accordance with the Authorized Persons Regulations.
- The Custodians' license to practice custody activity is canceled, revoked or suspended.
- The Custodian submits an application to the CMA to cancel its license to provide custody services.
- The Custodian is deemed by the CMA to have committed any material violation of the Capital Market Law or its implementing regulations.



- Any other cases that the CMA reasonably considers to be of significance.

The Fund Manager may also remove the Custodian by written notice if it reasonably considers removing it is in the interest of the Unitholders and the Fund Manager shall promptly notify the CMA and the Unitholders.

#### 14) Distributer

The Fund Manager has assigned the following distributors to distribute the fund;

- Derayah Financial Corporation Co., Address: P.O. Box 286546, Riyadh, 11323, Saudi Arabia. Licensed by the Capital Market Authority (CMA) (08109 – 27).
- BIBD SECURITIES SDN BHD, Address: Ground Floor, Unit 9, 10, 11 Suria Kiulap, Kg Kiulap Negara Brunei Darussalam. And licensed by: Under the Companies Act Chapter 39
- All Funds Bank, Address: Estafera, 6, La Moraleja, Complejo Plaza de la Fuente, Alcobendas 28109-Mdrid. Licensed by: Registre de commerce et des Societes Luxembourg.

#### 15) Auditors

##### A. Auditors' Name

KPMG AL Fozan & Partners

##### B. Registered address and working address of the Chartered Accountant

Zahran Business Center - Prince Sultan Street P.O. Box 55078, Jeddah 21534 Saudi Arabia,  
 Phone: +966 12 698 9595  
 Fax: +966 12 698 9494  
 Website: [www.kpmg.com/sa](http://www.kpmg.com/sa)

##### C. Roles and responsibility of the auditor

The auditor's responsibility is to give an opinion on the financial statements based on the audit performed in accordance with generally accepted auditing standards applicable in the Kingdom, which require the auditor to comply with ethical and professional standards and to plan and perform audit activities in order to have a reasonable degree of certainty that the financial statements have no material errors. The auditor's responsibilities also include taking appropriate actions to obtain sufficient evidence of the amounts and notes contained in the financial statements, in addition to assessing the efficiency of the accounting policies in place and the reasonableness of the accounting estimates used, and assessing the overall presentation of the financial statements.

#### 16) Other Information

##### A. Policies and procedures used to address any conflict of interest and any potential and / or actual conflict of interest will be provided upon request free of charge.

##### B. Rebates and commissions

The Fund Manager may enter into commission arrangements that are limited to goods and services that the Fund Manager may receive, in relation to the execution of transactions on

behalf of the Fund or to conduct research in favor of the Fund in accordance with the Authorized Persons Regulations.

**C. Information regarding Zakat and /or Tax**

The VAT is applied to the Fund in accordance with the VAT Law. The Fund Manager shall not pay Zakat on behalf of the Unitholders.

**D. Unitholders Meeting**

**Circumstances in which Unitholders meeting shall be convened**

- Initiative by the Fund Manager;
- A written request from the Custodian, and the Fund Manager shall convene the meeting of the Unitholders within (10) Business Days after receiving the request from the Custodian;
- A written request from one or more of the Unitholders who together or individually hold at least 25% of the value of the Fund's Units. The Fund Manager will convene the Unitholders' meeting within 10 Business Days after receiving the request from one or more Unitholders.

**Procedures for convening a Unitholder's meeting:**

The Fund Manager abides by article (70) of the Investment Funds Regulations concerning Unitholders' meetings. The call to the Unitholders' meeting will be announced through the Fund Manager's website and Tadawul's website, and by sending a notice to all Unitholders and the Custodian at least (10) days prior to the meeting, but not exceeding (21) days prior to the meeting. The notice shall specify the date, location, time and proposed resolutions. The Unitholders meeting is valid only if attended by a number of Unitholders who together hold at least 25% of the value of the Units of the Fund. And in case the 25% target is not met, the Fund Manager will call for a second meeting through an announcement on the Fund Manager's website and Tadawul's website, and by sending a written notice to all Unitholders and the Custodian at least (5) days prior to the meeting, and the second meeting shall be considered valid regardless of the percentage value owned by the attendees (Unitholders).

**Voting method and rights:**

Each Unitholder may appoint an agent to represent him at the Unitholders' meeting, and the Unitholder or his agent may make one vote at the Unitholders' meeting for each Unit owned at the time of the meeting. The Fund Manager may also hold Unitholders' meetings, participate in its deliberations and vote on its decisions by means of modern technology. The meeting documents and decisions resulting from the meeting may also be sent by means of modern technology.

**Voting rights in the Unitholders meeting:**

The Unitholder has the right to exercise all rights associated with the Units, including obtaining his consent on any changes that require approval in accordance with the Investment Funds Regulations.

#### **E. Fund termination and liquidation procedures**

If the Fund Manager wishes to terminate the public Fund, he will notify the CMA and the Unitholders in writing of his desire to do so not less than (21) days prior to the date on which the public fund is to be terminated without breaching the Terms and Conditions of the Fund and the Information Memorandum.

- Notice of Fund termination to the parties having a contractual relationship with it.
- Gradual sale of the Fund's assets.
- Payment of outstanding liabilities from the Funds' assets, and the distribution of the remaining amount to the registered Unitholders on the date of liquidation on a pro rata basis to the Unitholders, in proportion to their respective holdings.
- Remove the Fund's information from the Fund Manager's website and Tadawul's website.

#### **F. Complaint Procedures**

If the Unitholder has any complaint related to the Fund, he should send it to NCB Capital, through the Fund Manager's website at [www.alahlicapital.com](http://www.alahlicapital.com) or by phone (920000232). The Fund Manager shall also provide a copy of the policies and procedures to address customer complaints upon request in writing free of charge. If the Fund Manager does not settle the complaint, the Unitholder may file his complaint with the CMA - Investor Complaints Department. The Unitholder may file a complaint with the Committee for the Resolution of Securities Disputes after (90) calendar days from the date of filing the complaint with the CMA. Unless the CMA has notified the complainant that it may be deposited with the Committee before the expiration of the period. Procedures to address complaints shall be provided free of charge, upon request.

#### **G. The Committee for the Resolution of Securities Disputes is competent to adjudicate disputes arising from investing in the Investment Fund.**

#### **H. List of documents available to Unitholders**

The Documents include the following:

- Terms and Conditions
- Key Fact Sheet
- Contracts mentioned in the Information Memorandum, and the Terms and Conditions of the Fund.
- Financial statements of the Fund Manager.

#### **I. Ownership of the Fund's Assets**

The Investment Funds' assets are owned collectively by the Unitholders (undivided ownership). A Fund Manager, Sub-Fund Manager, Custodian, Sub-Custodian, Consultant or Distributor shall not have any interest in or claim against such assets, unless the Fund Manager, Sub-Fund Manager, Custodian, Sub-Custodian, Consultant or Distributor is a Unitholder - within the limits of their ownership- or unless permitted under the provisions of

the Investment Funds Regulations and disclosed in the Fund's Terms and Conditions or Information Memorandum.

- J.** The Fund Manager's policy regarding voting rights is available on the Fund Managers' website and the Tadawul website

**K. Confidentiality of the Fund Information**

The Fund's business and the investments of its participants are managed with the highest degree of confidentiality at all times. This does not limit the right of the Fund's regulatory authority (CMA) to access the Fund's records for legal oversight purposes.

**L. Death of Unitholders**

The Investor's consent to these Terms and Conditions and Information Memorandum shall not terminate automatically upon his/ her death or disability; these Terms and Conditions shall be binding to his/ her heirs, executors, administrators, personal representatives, trustees and successors if the Investor is an individual. If the Investor is a corporate entity, these Terms and Conditions 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 any transactions relating to these Terms and Conditions and Information Memorandum until the Fund Manager receives 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.

**M. 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 the Saudi Law, the Fund Manager may not inform Unitholders of any suspected transactions reported to competent official bodies.

**N. 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.

**O. 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.

**P. Language:**

Pursuant to paragraph (a) of Article (54) of the Investment Funds Regulations, 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 Arabic text shall prevail.

**17) Additional Information:**

**A. There is no guarantee to the unit holders that the performance or performance of the investment fund relative to the index will be repeated or similar to the previous performance.**

**B. Conditions that may lead to errors in tracking index performance:**

The Fund may not achieve a return in conformity with the index given the commitment of the Fund Manager to regulatory requirements which may limit its ownership in some companies. The return on the securities and other investments selected by the investment adviser may not correlate precisely with the return on the Index. The Fund incurs operating expenses are not taken to account in the performance of the index bearing the sale and purchase of securities costs. The Fund may keep excess cash as cash or cash equivalent to meet redemption requests. In addition, increase subscription and / or redemption of the Fund's ability to accurately track the index.

**C. The Benchmark:**

MSCI North America Islamic M-Series Index (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the US and Canadian markets.

**D. Conditions may affect the accuracy and completeness of the calculation of the Index:**

The Fund Manager or Index Provider MSCI Inc. shall not be liable for any delay or failure in the performance or calculation of the index due to external causes beyond their control, including but not limited to any circumstance arising from the will of God, act by government or regulatory authority, Enemy action, malfunction in the computer or relate system, war, riot, fire, flood, civil unrest, disobedience, difficulty of working (including but not limited to, strikes, or economic slowdown), or bad weather.

**E. Termination of Index by the Index Provider:**

In the event the index provider (MSCI) terminates the index, and if circumstances permit, the index provider (MSCI) shall provide the Fund Manager a prior written notice of termination. The notification letter shall provide alternative indices. If the index provider (MSCI) provides an alternative index, the Fund Manager has the option to use that alternative index. In the absence of an alternative index, The Fund Manager has the right to be provided, in a confidential form, with the required information to enable him/her to calculate the value of the index internally.

**F. Standard Deviation from the index:**

The Fund Manager aims to minimize/reduce the standard deviation from the index. The Fund Manager discloses the percentage of the standard deviation in the Fund's Factsheet on a quarterly basis.



## 18) Summary of Financial Disclosure and Past Performance Schedule

Summary of the Fund's fees and expenses for the period ended December 2017 in thousands of USD:

Type of fees / expenses	Amount
Annual Fund Management Fee (0.30% of NAV)	246
Custody Fees*	13
Remuneration costs of all independent directors annually*	5
Audit costs*	5
Financing Expenses	0
Shari'a Audit Fees*	8
CMA Regulatory Fees*	2
Fund Administration & Operation expenses including Tadawul fees *	21

\*Other expenses shall not exceed in total 0.50% of the annual average value of the Fund's assets. The actual expenses were 0.07% of the average value of the Fund's assets. The Fund Manager will review the expenses charged to the Fund on a quarterly basis (every three months). The Fund Manager reserves the right to rebate or waive the management fees, in case any fund managed by NCB Capital invests in that Fund.



## Terms and Conditions

---

### **AlAhli North America Index Fund**

An Open-ended public index investment fund

Fund Manager

**NCB Capital Company**

AlAhli North America Index Fund has been approved as being Shariah compliant by the Shariah Board appointed for the investment fund

All of the contents of these Terms and Conditions and all other documents complies with the Investment Funds Regulations and contain complete, clear, accurate and non- misleading information on the investment fund



<b><u>Terms and Conditions</u></b>	<b>46</b>
1) General Information	46
2) Governing Laws	46
3) Investment Fund Objectives	46
4) Duration of the investment Fund	47
5) Investment Restrictions/Limitations	47
6) Currency	47
7) Fees, Charges and expenses	47
8) Valuation and Pricing	49
9) Dealing	50
10) Distribution policy	53
11) Reporting to Unitholders	53
12) Unitholder Register	54
13) Unitholders Meetings	54
14) Unitholders' Rights	55
15) Unitholders' Liability	56
16) Units Characteristics	56
17) Changes to the Fund's Terms and Conditions	56
18) Fund Termination	58
19) Fund Manager	58
20) Custodian	59
21) Auditor	60
22) Fund's Assets	61
23) Unitholder Declaration	61



## **Terms and Conditions**

### **1) General Information**

#### **A. Fund Manager Name and License issued by the CMA**

NCB Capital Company (NCB Capital) is licensed under the CMA License No. 37-06046- to provide management, custody, arrangement, advice, underwriting and dealing services, as principal and agent in securities.

#### **B. Fund Manager's Address**

NCB Capital Company  
King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.  
Tel: +966 92000 0232  
Fax: +966 114060049  
Website: [www.alahlicapital.com](http://www.alahlicapital.com)

#### **C. Fund Manager's Website**

For more information regarding the Fund Manager or the Fund, please visit the following website [www.alahlicapital.com](http://www.alahlicapital.com)

#### **D. Custodian**

The Northern Trust Company of Saudi Arabia

#### **E. Custodian's Website**

For more information regarding the Custodian, please visit the following website [www.northerntrust.com](http://www.northerntrust.com)

### **2) Governing Laws**

The Fund and the Fund Manager are subject to the Capital Market Law (CML), its implementing regulations and all other related regulations in the Kingdom of Saudi Arabia.

### **3) Investment Fund Objectives**

#### **A. Fund's type and objective**

AlAhli North America Index Fund is an open-ended Shariah compliant fund is aimed at long-term capital growth by achieving a total return equivalent to the performance of the MSCI North America Islamic M-Series Index (Net Total Return USD).

#### **B. Investment policies, practices and types of assets in which the fund will invest**

- The Fund primarily Invests in the stocks of large-medium cap listed North American companies. The Fund's Investments will be concentrated in the stocks of companies listed on US and Canadian markets
- The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI North America Islamic M-Series Index (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap

segment companies that are listed in the US and Canadian markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's Investments in the securities of a single issuer shall not exceed 20 % of Fund's Net Assets Value, and that the Fund shall not hold more than 20% of its Net Asset Value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.

- The Fund will only invest in Shariah-compliant financial instruments. The Fund's Investments will be as defined below:

Asset class	Minimum as % of NAV	Maximum as % of NAV
Listed Equity	90%	100%
Cash, Murabaha transactions and money market funds	0%	10%
Investment funds following similar Index	0%	10%

#### 4) Duration of the investment Fund

AlAhli North America Index Fund is an open-ended public fund with no fixed duration or maturity date.

#### 5) Investment Restrictions/Limitations

The Fund will comply with the restrictions set out in Article 41 of the Investment Funds Regulations ("Investment Restrictions") applicable to the Fund, and standards set by the Shariah Board.

#### 6) Currency

The Fund currency is the US Dollar. In case of subscription in currencies other than the US Dollar, the exchange rate used will be subject to the prevailing exchange rates and the Unitholders will bear any exchange rate fluctuation.

#### 7) Fees, Charges and expenses

##### A. Details of all payments from the Fund's assets

**Management Fees:** The Fund Manager will charge an annual management fee of 0.30% of the Net Asset Value of the Fund calculated proportionally on each Valuation Day and deducted monthly. If the Fund invests in other funds managed by NCB Capital, the management fees will be rebated or waived to avoid double charges. The investment management fee is subject to VAT, the Fund will separately pay it to the Fund Manager at rates prescribed by the VAT Law and its implementing regulations.

**Shariah Compliant Financing charges:** If applicable, will be charged to the Fund at the prevailing market rates, and calculated on each Valuation Day and paid according to the requirements of the financier.

**Dealing (Brokerage) fees and charges:** Brokerage fees or any other trading fees will be paid by the Fund directly at levels determined by local regulations or the dealing broker in the markets in which the Fund purchases or sells. These amounts will vary depending on the turnover of the Fund's assets and the volume of transactions.

**Other Fees and Expenses:** The Fund Manager reserves the right to charge the Fund any other actual fees and expenses, allowed to be charged by regulations, such as custody fees, audit fees, remuneration of independent directors of the Fund Board, Shariah audit fee, regulatory fees, Tadawul fees, as well as administrative and operational expenses. The other fees and expenses will be reviewed by the Fund Manager on quarterly basis (every three months) and will not exceed 0.5% of the average value of the Fund's assets during the financial year, and they are as follows:

**Custody and Accounting Fees:** The annual custody fee ranges from (0.15 to 60) bps from the total Fund assets under custody. In addition, a transaction fee will be charged for each transaction ranging from (5 to 190) USD, depending on the market in which the Fund invests in. The Fund is charged with accounting fees of (1.5) bps if the Fund size is USD 100 million or less. If the Fund size exceeds one USD 100 million, the Fund will be charged 1.25 basis points. The custody fees and accounting fees calculated on each valuation day and deducted monthly from the Fund.

**Fund Board Remuneration:** Each independent member of the Fund Board receives USD 37,333.33 annually, divided by the number of open-ended funds managed by the Fund Manager and supervised by the Board.

**Audit Fees:** USD 8,684.80 annually, calculated on each Valuation Day and deducted monthly.

**Shariah Audit Fee:** USD 7,200 annually, calculated on each Valuation Day and deducted monthly.

**Capital Market Authority Fees:** USD 2,000 annually, calculated on each Valuation Day and deducted monthly.

**Publishing the Fund's information on the Tadawul's website:** USD 1,333 annually, calculated on each Valuation Day and deducted monthly.

**Administrative and operational expenses:** charged to the Fund based on the percentage of the Fund's assets over all public funds assets under management.

All fees, charges, commissions and expenses payable to NCB Capital and other service providers will be exclusive of VAT, which the Fund shall separately pay to the Fund Manager according to rates set by the VAT law and its implementing regulations.

## B. Transaction fees

The Fund Manager will deduct up to 2% of the subscription amount upon each subscription transaction in the Fund, after which the balance will be invested in the Fund. The Fund Manager reserves the right to waive all or part of the Subscription Fee at its sole discretion. The net amount will be invested in the Fund after deducting the Subscription Fees. The Subscription Fee is subject to VAT. The Subscription Fee is exclusive of VAT, which the Investor shall separately pay to NCB Capital at rates prescribed by the VAT Law and its implementing regulations.

**C. Special commissions**

The Fund Manager may enter into special commission arrangements that are limited to goods and services, which the Fund Manager may obtain provided that they are related to the execution of transactions or research services on behalf of the Fund in accordance with the Authorized Persons Regulations and the Investment Funds Regulations.

**8) Valuation and Pricing**

**A. Valuation Method:**

The total value of the Fund's assets is calculated based on the closing prices of the underlying securities owned by the Fund on the Valuation Day, in addition to any accrued profits. Investments in unlisted securities will be valued based on the investment cost in addition to any accrued profits for the period up to the valuation date. Moreover, Investments in other investment funds will be valued based on the latest unit price declared by the investee Fund.

**B. Frequency of valuation and valuation points:**

The value of the Fund's assets shall be valued at the end of each US Business Day (from Monday to Friday), on the basis of the latest closing stock prices available on that day, unless the markets are closed on that day, in which case the valuation shall be held on the next Valuation Day, and the Unit price shall be announced on next Business Day in the kingdom following the Valuation Day.

**C. Action to be taken in case of valuation or pricing errors:**

In the event of incorrect valuation or mispricing of any asset of the Fund or the Unit price, the Fund Manager shall:

- Document any incorrect valuation or pricing of an asset or Unit price.
- Compensate all affected Unitholders, including former Unitholders, for all valuation or pricing errors immediately.
- Notify the CMA immediately of any valuation errors or mispricing of 0.5% or more of the Unit price and disclose it immediately on the website of the Fund Manager and Tadawul's website and in the Fund's reports prepared by the Fund Manager in accordance with Article (71) of the Investment Funds Regulations.

The Fund Manager shall provide a summary of all valuation and pricing errors (if any) to the CMA in accordance with Article (72) of the Investment Funds Regulations.

**D. Calculation of Unit price for Subscription and Redemption Requests:**

The Unit price will be calculated using the total value of the Fund's assets mentioned in paragraph (8) Sub-paragraph (A), including the profits due, profits to be collected and the reinvested dividends of the Fund, and deducting management fees after deduction of all expenses and fixed obligations and any expenses due; then, divide the result by the total number of Units that exist at that time. In exceptional or contingency cases in which the Fund Manager reasonably determines that a significant portion of the Fund's assets cannot be assessed reliably, the valuation of the Fund's assets may be delayed until such interim action is subsequently reviewed by the Fund Manager.

The Net Asset Value of the Fund is calculated as follows:

- (1) All expenses, fixed charges and operating expenses are calculated on a daily basis of the total assets and are deducted on the valuation date.
- (2) Management fees are calculated and deducted from the output of the previous step and the result is the Net Asset Value of the Fund.

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

Net Asset Value of Fund = (Total Asset size - Fixed Fees and Actual Operating Expenses) - (Management Fees)

#### **E. Publication of unit price, and frequency**

The Fund Manager will announce the Unit price on the Business Day following the Valuation Day on the Fund Manager's website [www.alahlicapital.com](http://www.alahlicapital.com) and Tadawul's website [www.Tadawul.com.sa](http://www.Tadawul.com.sa).

### **9) Dealing**

#### **A. Fund's Manager responsibilities in relation to subscription and redemption requests**

- Subscription and Redemption requests can be submitted on every Dealing Day. The request will be processed based on the Unit price of the nearest Dealing Day if the request was submitted prior to the deadline for subscription and redemption requests, as demonstrated in the Terms and Conditions and the Information Memorandum.
- The Fund Manager shall execute the subscription and redemption requests and pays redemption proceeds in accordance with the Terms and Conditions of the Fund and the Information Memorandum, and the Investment Funds Regulations.

#### **B. Maximum period between receipt of a redemption request and payment of proceeds:**

Redemptions proceeds shall be paid to Unitholders no later than the close of business on the fourth (4) day following the valuation point at which the redemption price was set.

#### **C. Restrictions on dealing in Units of the Fund**

The Fund Manager shall comply with the provisions of the Investment Funds Regulations, with Terms and Conditions, and the Information Memorandum when executing subscription and redemption requests.

#### **D. Circumstances in which dealing in Units may be deferred or suspended**

##### **Deferring Redemption Request:**

The Fund Manager may postpone the execution of any Redemption Request until the next Dealing Day if the total unitholder redemption requests on any trading day equals or exceeds 10% of the Fund's Net Asset Value. Deferred Redemption Requests will be processed on pro-rata basis on the nearest Dealing Day. The Fund Manager, acting in good faith, will pay the redemption proceeds to the Unitholders at the earliest practicable opportunity.

**The Fund Manager suspends dealing in the Fund's Units in the following cases:**

- If requested by the CMA to suspend the Fund's subscription and redemption.
- If the Fund Manager reasonably believes that suspension is in the interest of the Unitholders.
- If dealing is suspended in the main market in which securities or other assets are held by the Fund, whether in whole or in respect of assets of the Fund that the Fund Manager reasonably considers to be material to the Fund's Net Asset Value.

#### **Rejection of subscription requests:**

The Fund Manager has the right to reject any request to subscribe in the Fund if such subscription would violate the CMA's regulations or the Anti-Money Laundering Regulations. The Fund Manager may also cease to accept subscription applications if the increase in subscriptions into the Fund would adversely affect the current Unitholders.

#### **Redemptions by Fund Manager:**

The Fund Manager reserves the right to redeem Units sold to any Investor in full or in part, with notice to the Investor later if he believes that such subscription may result in a violation of CMA regulations and / or other applicable regulations and / or Terms and Conditions of the Fund without holding the Fund Manager liable.

#### **E. Procedures of selecting redemption requests to be deferred**

If redemptions are deferred, the Fund Manager will follow fair and unbiased procedures in selecting the redemption requests to be deferred in accordance with the requirements of Article (61) of the Investment Funds Regulations, "Deferring Redemption".

#### **F. Provisions governing the transfer of units to other Investors**

The transfer of Units to other Investors is governed by the CML, its implementing regulation and related regulation in the Kingdom of Saudi Arabia.

#### **G. Investment of the Fund Manager in Fund's units**

The Fund Manager or any of its affiliates may, at their sole discretion, invest in the Fund, and reserve the right to reduce their participation partially or fully, as they deem fit. Total investments will be disclosed, if any, quarterly and the Fund Manager will be treated as a Unitholder without bias in accordance with Article (15) of the Investment Funds Regulations "Fund Manager's subscriptions in units in an investment fund".

#### **H. Dates for submitting Subscription and Redemption Requests on any Dealing Day**

**Days of Sale and Redemption of Fund Units:** Subscription and redemption requests are accepted on every Dealing Day.

**Subscription requests:** All subscriptions made in US Dollars must be paid before or at 12:30 pm of the Dealing Day in order to start participating in the Fund on the Dealing Day. Applications submitted after 12:30 on a Business Day prior to the Dealing Day will be processed on the next Dealing Day. Subscription, redemption or transfer can be made

through alternative distribution points (the Fund Manager's phone or website). Subscriptions made through other forms of payment, such as checks and transfers, may require additional time to settle and collect them, and they will be invested in the Fund as of the Dealing Day following the collection date.

**Redemption requests:** Redemptions may be made on any Dealing Day provided that a written notice of the redemption is received before or at 12:30 pm on the Business Day preceding the targeted Dealing Day. And in case of redemption requests after 12:30 pm, redemption will be carried out by the Fund on the next Dealing Day. If the Dealing Day happened to fall on an official holiday in Saudi Arabia, redemption requests will be accepted on the next Dealing Day.

#### I. Subscription and redemption procedures

**Subscription procedure:** When subscribing to the Fund, the client signs the Subscription Form, and the Fund's Terms and Conditions through one of the branches. Subscriptions can also be made through alternative channels via website or phone provided by the Fund Manager, the subscription amount is then deducted from the client's account. Individual Investors must present a valid personal identification such as the national identity card (for Saudis) or iqama (for non-Saudis). Legal entities (companies and institutions) must provide a signed company letter as well as a copy of the company's commercial registration, in addition to other documents required by the Fund Manager depending on the type of company or institution.

**Redemption Procedure:** The Unitholder may submit a partial or full redemption request at any time by providing a written notice, or by filling out and delivering the Redemption Form which can be obtained from certain branches or through alternative channels (the Fund Manager's phone or website). The Unitholder must present a valid national identification card or valid iqama card if he wishes to redeem through branches. The Unitholder must also determine whether he wishes to recover the value of his Units in full or in part. If the Unitholder submits a partial redemption request and the total value of its Units falls below the required partial redemption amount, the Fund Manager has the right to refuse the redemption on the targeted day without any liability to the Fund Manager. The Investor then must file a new redemption request to be executed on the next Dealing Day.

**Transfers between two funds:** Transfers between two public open-ended NCB Capital funds is a single transaction consisting of two parts: redemption and subscription. Based on this, the redemption process is carried out in accordance with the above "Redemption Requests" section, and then the subscription process is done according to the "Subscription Form" of the other Fund. Upon request of the transfer, the Investor must fill in the transfer form and submit it to the customer service representative in the branch accompanied by his/her personal identification, or transfer through alternative channels.

#### J. Minimum Ownership:

Minimum subscription: USD 2,000

Minimum Additional Subscription: USD 1,000

Minimum Redemption: USD 1,000

Minimum Ownership of Fund Units: USD 1,000

**K. Minimum amount that the Fund Manager intends to collect, and impact of any failure on the Fund**

There is no minimum amount that the Fund Manager intends to collect, and the minimum amount is subject to the CMA instructions in this regard, and the Investment Funds Regulations.

**L. Corrective actions necessary to ensure that the required (SAR 10 million) or its equivalent is met as a minimum Net Asset Value of the Fund**

The Fund Manager shall follow the requirements of the Investment Funds Regulations and Circulars issued by the CMA in respect of the minimum required amount to be met from the Net Asset Value of the Fund. If in any case the Fund's Net Asset Value falls below the required SAR 10 million threshold, the Fund Manager shall:

- Notify the Fund Board;
- Continually monitor Fund's performance for six months.
- In case the six month period is over without any correction, the Fund Manager will terminate the Fund in accordance with termination procedure set out in paragraph (4) Sub-paragraph (F) of this Information Memorandum.

According to the CMA's circular issued on 04/05/1438H corresponding to 01/02/2017G, fund managers are exempt from this requirement until 31/12/2018G

**10) Distribution policy**

The Fund does not distribute any periodic profits to Unitholders.

**11) Reporting to Unitholders**

**A. Information Relating to Financial Reports, including initial and annual reports**

- The Fund Manager will prepare the initial financial reports and present the latter to the public by publishing them within (35) days from the end of the reporting period in the means specified in the Fund's Terms and Conditions and the Information Memorandum, and available on the Fund Manager's website and Tadawul's website.
- The Fund Manager will prepare the annual reports, including the audited annual reports, annual reports summary, and the initial reports in accordance with annex (5) of the Investment Funds Regulations, and make them available to Unitholders upon request without charge. The reports will be made public within (70) days from the end of the reporting period.
- The Fund Manager will provide each Unitholder with the Net Asset Value of their Units and the record of their transactions within (15) days of each transaction carried out by the Unitholder.
- The Fund Manager will send an annual statement to the Unitholder summarizing the transactions of the Fund's units during the financial year within (30) days from the end of the financial year. This statement includes any profit distributions and the total expenses, charges and fees deducted from the Unitholders and mentioned in the Fund's Terms and Conditions and Information Memorandum. In addition to any violations of



investment restrictions provided for in the Investment Funds Regulations or in the Fund's Terms and Conditions and the Information Memorandum.

**B. Publication of the Funds' Reports**

Annual reports of the Fund, including financial statements, are available on the Fund Manager's website: [www.alahlicapital.com](http://www.alahlicapital.com) and Tadawul's website: [www.Tadawul.com.sa](http://www.Tadawul.com.sa). Other notices, if any, are sent to the postal address and / or e-mail and / or as a SMS and / or fax as indicated in the records of the Fund Manager.

**C. Means of providing the annual statement to Unitholders**

The annual financial statements, including audited financial statements, shall be available with the annual report to Unitholders and Potential Investors free of charge in the Fund Manager website [www.alahlicapital.com](http://www.alahlicapital.com) and Tadawul's website: [www.Tadawul.com.sa](http://www.Tadawul.com.sa)

**12) Unitholder Register**

The Fund Manager is responsible for preparing an updated Unitholders Register, in accordance with the requirements of the Investment Funds Regulations, kept in the Kingdom and treated with utmost confidentiality.

**13) Unitholders Meetings**

**A. Circumstances in which Unitholders meeting shall be convened**

- Initiative by the Fund Manager;
- A written request from the Custodian, and the Fund Manager shall convene the meeting of the Unitholders within (10) Saudi Business Days after receiving the request from the Custodian;
- A written request from one or more of the Unitholders who together or individually hold at least 25% of the value of the Fund's Units. The Fund Manager will convene the Unitholders' meeting within 10 Saudi Business Days after receiving the request from one or more Unitholders.

**B. Procedures for convening a Unitholder's meeting:**

The Fund Manager abides by article (70) of the Investment Funds Regulations concerning Unitholders' meetings. The call to the Unitholders' meeting will be announced through the Fund Manager's website and Tadawul's website, and by sending a notice to all Unitholders and the Custodian at least (10) days prior to the meeting, but not exceeding (21) days prior to the meeting. The notice shall specify the date, location, time and proposed resolutions. The Unitholders meeting is valid only if attended by a number of Unitholders who together hold at least 25% of the value of the Units of the Fund. And in case the 25% target is not met, the Fund Manager will call for a second meeting through an announcement on the Fund Manager website and Tadawul website, and by sending a written notice to all Unitholders and the Custodian at least (5) days prior to the meeting, and the second meeting shall be considered valid regardless of the percentage value owned by the attendees (Unitholders).

### C. Voting method and voting rights

Each Unitholder may appoint an agent to represent him at the Unitholders' meeting, and the Unitholder or his agent may make one vote at the Unitholders' meeting for each Unit owned at the time of the meeting. The Fund Manager may also hold Unitholders' meetings, participate in its deliberations and vote on its decisions by means of modern technology. The meeting documents and decisions resulting from the meeting may also be sent by means of modern technology

#### **Voting right in the Unitholders' meeting**

- Notify all Unitholders in writing at least 10 days before the meeting, but not exceeding 21 days prior to the meeting.
- Appointing an agent to represent the Unitholders.
- Each Unitholder is entitled to exercise all rights associated with their Units, including obtaining their approval for any changes that requires their approval in accordance with the Investment Funds Regulations.

### **14) Unitholders' Rights**

- Receive an updated copy of the Information Memorandum and the Terms and Conditions of the Fund in Arabic free of charge.
- Receive the Fund's reports and statements in accordance with paragraph (11) of the Fund's Terms and Conditions and in accordance with Article (71) of the Investment Funds Regulations, "Reporting to Unitholders".
- Notify the Unitholders of any important changes, or changes required to be notified, in the Terms and Conditions of the Fund and the Information Memorandum and send a summary of these changes before they become effective, depending on their type, and the period specified in the Investment Funds Regulations.
- Obtain the Unitholders consent through an Ordinary Fund Resolution on any fundamental changes to the Terms and Conditions and the Information Memorandum.
- Managing the Fund's assets to the best interest of the Unitholder in accordance with the Terms and Conditions of the Fund and the Investment Funds Regulations.
- Develop the decision-making procedures to implement the administrative aspects of the Fund.
- Managing the Fund's business and the Investments of its participants with the highest degree of confidentiality at all times. This does not limit the right of the Fund's regulatory authority (CMA) to access the Fund's records for regulatory purposes. The Unitholder's information will not be shared except when necessary to open the Investor's account, execute its operations, and comply with the applicable policies with the competent regulatory authorities or if the sharing of such information is in the interests of the Unitholders.
- Receive an updated version of the Fund's Terms and Conditions and the Information Memorandum annually showing the actual fees, commissions and performance information of the Fund upon request.

- Notify the Unitholders in writing if the Fund Manager wishes to terminate the Fund not less than (21) days from the date on which the Fund is to be terminated without violating the terms and conditions of the Fund.
- Payment of redemption proceeds within the period specified in the Terms and Conditions of the Fund and in the Investment Funds Regulations.
- Unitholders have the right to redeem their units before any significant change occurs without imposing redemption fees.
- Any other relevant rights imposed by the CMA regulations and instructions applicable in the Kingdom.

### 15) Unitholders' Liability

The Unitholders acknowledge and agree to the following:

- The Fund Manager does not make any guarantees relating to the performance or profitability of any Investment managed in the Fund, and the Fund Manager will have no legal or consequential liability for any decline in the value of the managed Investments or the Fund's assets except those resulting from negligence, infringement or omission.
- Except for the loss of the Unitholder's investment or part of it, the Unitholder will not be liable for the debts and obligations of the Fund.
- In the event that the Unitholders does not provide the Fund Manager with the correct postal and / or electronic mail and other contact information, including notices and statements of account relating to their investments, the Unitholders agree to withhold the Fund Manager and exempt him from any liability and waive all their rights and any claims from the Fund Manager arising directly or indirectly from the failure to provide the Unitholder with the statement of account, notices or other information relating to the investments or those arising from the inability of the Unitholders to respond or verify the information or correct any alleged errors in the statement of account or notice or any other information.
- If the Unitholder is subject to the laws of an authority other than the Kingdom, he / she shall be subject to such laws without any obligation on the Fund or the Fund Manager.

### 16) Units Characteristics

The Fund will have one class of Units with equal rights and liabilities.

### 17) Changes to the Fund's Terms and Conditions

#### **A. Provisions regulating the changes to the Terms and Conditions, approvals and notifications in accordance with the Investment Funds Regulations**

The Fund Manager complies with the provisions of the Investment Funds Regulations regarding changes to the Terms and Conditions of public funds. These changes are divided into three categories, which are fundamental, significant and notifiable changes.

#### **Fundamental Changes:**

The Fund Manager shall obtain the Unitholders' approval on Fundamental Changes to the Fund through an Ordinary Fund Resolution. The Fund Manager shall, upon obtaining the

approval of the Unitholders and the approval of the Shariah Board, obtain the approval of the Capital Market Authority on the Fund's proposed fundamental changes. The Unitholders have the right to redeem their Units before any fundamental change takes effect without imposing any fees. The term "Fundamental Changes" is defined as follow:

- Significant change to the Fund's objectives or nature.
- A change that alters the risk profile of the Fund.
- Voluntary withdrawal of the Fund Manager from his position as the Fund Manager.
- Any other case that the CMA reasonably considers fundamental.

**Significant changes:**

The Fund Manager shall notify the CMA and the Unitholders in writing of any significant changes proposed to the Fund. The Unitholders have the right to redeem their units before any significant change takes effect without imposing any fees. The term "Significant Changes" is defined as follow:

- Usually leads the Unitholders to reconsider their participation in the Fund.
- Results in increasing the payments out of the Fund's assets to the Fund Manager or any member of the Board or an affiliate.
- Introduces a new type of payment out of the Fund's assets.
- Materially increases other types of payment out of the Fund's assets.
- Any other case that CMA reasonably considers significant.

**Notifiable changes are:**

"Notifiable Changes" is defined as any change that does not fall within the Fundamental or Significant Changes listed above.

**B. Procedure for notifying changes to the Fund's Terms and Conditions**

- The Fund Manager shall send a notice to the Unitholders and disclose the details of the Fundamental Changes on its website and on Tadawul's website (10) days prior to the effective date.
- The Fund Manager shall send a notice of the Significant Changes to the Unitholders and the CMA (21) days prior to the effective date. The Fund Manager shall disclose the details of the Significant Changes on its website and on Tadawul's website in the manner determined by the CMA (10) days prior to the effective date.
- The Fund Manager shall send a notice of the Notifiable Changes to the Unitholders and the CMA (8) days prior to the effective date. The Fund Manager shall disclose the details of the Notifiable Changes on its website and on Tadawul's website or in the manner determined by the CMA (21) days from the date of the change.
- The Fund Manager will disclose all changes to the Fund's Terms and Conditions in the Fund's annual reports, which are prepared in accordance with Article (71) of the Investment Funds Regulations.

## 18) Fund Termination

### **Circumstances that requires investment fund termination:**

- The Fund Manager's desire to discontinue and terminate the Fund.
- The Fund's Net Asset Value falls below the minimum limit specified in the regulations, instructions and circulars issued by the Capital Market Authority.

### **Procedures to terminate the fund under article (37) of the Investment Funds Regulations:**

- If the Fund Manager wishes to terminate the public fund, he shall notify the CMA and the Unitholders in writing of his desire to do so not less than (21) days prior to the date on which the Fund is to be terminated, without violating the Terms and Conditions of the Fund.
- The Fund Manager will pay the Fund's outstanding liabilities from the Fund's assets and distribute the remaining amounts to the Unitholders registered on the date of liquidation on a pro rata basis, in proportion to their respective holdings.
- The Fund Manager announces on his website and on the Tadawul website the expiry of the public fund period and its liquidation.

## 19) Fund Manager

### **A. Fund Manager's Responsibilities**

- Comply with all the laws and implementing regulations issued by the CMA and the applicable instructions in the Kingdom related to the Fund's operations, including the requirements of the Investment Funds Regulations and the Authorized Persons Regulations, which includes acting to the best interest of the Unitholders and with reasonable care.
- Manage the Fund's assets to the best interest of the Unitholders in accordance with the Terms and Conditions of the Fund and the Information Memorandum and the performance of all its functions in respect to the Register of Unitholders.
- Develop the decision-making procedures to be followed to implement the Fund's administrative aspects, offering of the Fund's Units and the Fund's operations.
- Ensure that the Terms and Conditions of the Fund and the Information Memorandum are accurate, complete, correct and not misleading.
- The Fund Manager shall be responsible for complying with the provisions of the Investment Funds Regulations, whether those requirements and duties have been performed directly by the Fund Manager or indirectly through assigning it to a third party under the provisions of the Investment Funds Regulations and the Authorized Persons Regulations.
- The Fund Manager is liable to the Unitholders for any losses resulting from fraud, negligence, malpractice or intentional failure to meet obligations.
- The Fund Manager will prepare policies and procedures to monitor the risks affecting the Fund's Investments. Such policies and procedures will include risk assessment at least annually.

- Implement the Fund's compliance monitoring program, and provide the CMA with the results of such implementation upon request.

**B. Fund Manager's right to delegate its obligations**

The Fund Manager has authorized AMUNDI GROUP as a sub-fund manager to manage the assets of the Fund in accordance with the Fund's investment policies and in accordance with Shari'a standards, 90 Boulevard Pasteur, 75015 Paris, France

**C. Provisions regulating the removal or replacement of the Fund Manager**

The CMA may remove the Fund Manager in respect of any specific Investment fund and take any action it deems appropriate to appoint an alternative Fund Manager for that 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 notifying the CMA under the Authorized Persons Regulations.
- Cancellation of the Fund Manager's license by the CMA to carry on management activities under the Authorized Persons Regulations.
- The Fund Manager sends a request to the CMA to cancel his license of carrying out management activities.
- If the CMA believes that the Fund Manager has committed material violations and failed to comply with the law and its implementing regulations.
- The death, inability or resignation of the Fund Manager who manages the fund's assets, with no other person registered with the Fund Manager capable of managing the assets of the Fund or the assets of the Funds managed by the Fund Manager.
- Any other case that the CMA considers - on reasonable grounds - to be sufficiently material.

**20) Custodian**

**A. Roles and responsibilities of the Custodian**

- The Custodian shall be responsible for his obligations in accordance with the provisions of the Investment Funds Regulations whether he performs his responsibilities directly or by assigning them to a third party under the provisions of the Investment Funds Regulations or the Authorized Persons Regulations.
- The Custodian shall be liable to the Fund Manager and the Unitholders for losses incurred by the Fund due to his fraud, negligence, deliberate misconduct or intentional default.
- Protect the Fund's assets for the benefit of the Unitholders, and he will be responsible for taking all necessary administrative actions to protect the Fund's assets.

**B. Tasks entrusted to a third party by a Custodian**

The Custodian has the right to appoint a third party or more or any of its affiliates as sub-custodian.

**C. Provisions governing the Removal or Replacement of the Custodian.**

The CMA may remove the Custodian appointed by the Fund Manager or take any actions it deems appropriate in the event of any of the following cases:

- The Custodian ceases to provide custody services without notice to the CMA in accordance with the Authorized Persons Regulations.
- The Custodians' license to practice custody activity is canceled, revoked or suspended.
- The Custodian submits an application to the CMA to cancel its license to provide custody services.
- The Custodian is deemed by the CMA to have committed any material violation of the Capital Market Law or its implementing regulations.
- Any other cases that the CMA reasonably considers to be of significance.

The Fund Manager may also remove the Custodian by written notice if it reasonably considers removing it is in the interest of the Unitholders and the Fund Manager shall promptly notify the CMA and the Unitholders.

**21) Auditor**

**A. The Investment Fund's auditor**

KPMG Al Fozan & Partners.

**B. Functions, duties and responsibilities of the auditor**

The auditor's responsibility is to give an opinion on the financial statements based on the audit performed in accordance with generally accepted auditing standards applicable in the KSA, which requires the auditor to comply with ethical and professional standards and to plan and perform audit activities in order to have a reasonable degree of certainty that the financial statements have no material errors. The auditor's responsibilities also include taking appropriate actions to obtain sufficient evidence of the amounts and notes contained in the financial statements, in addition to assessing efficiency of the accounting policies in place and the reasonableness of the accounting estimates used, and assessing the overall presentation of the financial statements.

**C. Provisions regulating the replacement of the auditor**

The Fund Manager may replace the auditor in the following cases:

- The existing of significant allegations about professional misconduct of the auditor relating to the performance of his duties.
- If the auditor is no longer independent, or if his independence is affected.
- If the Fund Manager or the Fund Board determines that the appointed auditor does not have sufficient qualifications and experience to perform the function required satisfactorily, or that the replacement of the auditor will serve the interest of the Unitholder.
- Upon the request of the CMA at its sole discretion.

## 22) Fund's Assets

- The Fund's assets are held by the Custodian on behalf of the Investment Fund.
- The Custodian must separate the Fund's assets from his own assets and the assets of his other clients.
- The Investment Fund's assets are owned collectively by the Unitholders. A Fund Manager, Sub-Fund Manager, Custodian, Sub-Custodian, Consultant or Distributor shall not have any interest in, or claim against, such assets, unless the Fund Manager, Sub-Fund Manager, Custodian, Sub-Custodian, Consultant or Distributor are Unitholders - within the limits of their ownership - or unless permitted under the provisions of the Investment Funds Regulations and disclosed in the Fund's Terms and Conditions or Information Memorandum.

## 23) Unitholder Declaration

I/we have read the Terms and Conditions of the AlAhli North America Index Fund, the Information Memorandum and the Key Fact Sheet, and approved the characteristics of the Units in which I/we have subscribed.

Name:

Signature:

Date: