

Morgan Stanley

The Morgan Stanley Saudi Equity Fund

An open ended collective investment scheme established in accordance with the Investment Fund Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (“**CMA**”) pursuant to the letter number RH/639 dated 15/8/1429H corresponding to 16/8/2008G (the “**Fund**”).

Terms and Conditions

The Fund Manager is Morgan Stanley Saudi Arabia, a joint stock company established under the laws of the Kingdom of Saudi Arabia with Commercial Registration Number 1010224144, dated 18/9/1427H, issued in Riyadh, and licensed by the CMA under license number 06044-37 dated 21/11/1427H (corresponding to 12/12/06).

These Terms and Conditions and all other documentation pertaining to the Fund comply with the Investment Fund Regulations and contain complete, clear, accurate, and not misleading information about the Fund. These Terms and Conditions shall be read in conjunction with the Information Memorandum and other documentation pertaining to the Fund. Capitalized terms herein shall have the meaning ascribed to them in the Information Memorandum.

Prospective investors should read these Terms and Conditions carefully in their entirety and seek appropriate legal, tax, financial and other advice before making any investment decision regarding the Fund.

Date of Issuance: 11 August 2008

Last updated on: 17 July 2018

Date of approval of the CMA to establish the Fund and offer Units therein: 16 August 2008.

1. GENERAL INFORMATION

1.1 Fund Manager

Morgan Stanley Saudi Arabia, a closed joint stock company established under the laws of Saudi Arabia with Commercial Registration Number 1010224144 dated 18/9/1427H, issued in Riyadh, and licensed by the CMA pursuant to license number 06044-37 dated 21/11/1427H (corresponding to 12 December 2006).

1.2 Fund Manager Head Office

Head of Legal & Compliance
Al Rashid Tower, 10th Floor
King Saud Road, Riyadh
P. O. Box 66633, Riyadh 11586
Tel: +966 (11) 218 70 00
Fax: +966 (11) 218 71 44

1.3 Fund Manager Website

For further information about Morgan Stanley Saudi Arabia, please visit:

<http://www.morganstanley.com/pub/content/imweb/im/en-sa/domestic-saudi-investor/>

1.4 Custodian

HSBC Saudi Arabia Limited, a company licensed by the CMA pursuant to license number 05008-37.

1.5 Custodian Website

For further information about HSBC Saudi Arabia Limited, please visit:

www.hsbcSaudi.com

2. GOVERNING LAW AND JURISDICTION

The Fund is subject to the Capital Market Law and the Regulations, as well as other relevant laws and regulations applicable in the Kingdom of Saudi Arabia.

Any disputes arising between the parties in relation to, or in connection with these Terms & Conditions shall be referred to the Committee for the Resolution of Securities Disputes or any successor authority.

3. OBJECTIVE OF THE INVESTMENT FUND

The Fund's investment objective is to seek long-term capital appreciation and growth. It intends to pursue this objective by investing in shares listed and traded on the main market of the Saudi

Stock Exchange, Tadawul and in shares offered in the course of an IPO (including rights issues, and subject to the restrictions stated in paragraph (g), below). The Fund's performance will be measured against the Tadawul All Share Index ("TASI") for the purposes of providing investors with an indication of performance relative to an existing standard. There is no guarantee that the investment objective of the Fund will be met.

3.1 Type of shares in which the Fund will primarily invest

In seeking to achieve the investment objective, the Fund will invest primarily in shares listed and traded on the main market of the Saudi Stock Exchange, including shares offered in the course of an IPO (including rights issues). The Fund's investments in listed shares may include investments in the listed shares of smaller companies (meaning those that have a market value of less than SAR1 billion). Furthermore, The Fund may invest up to 20% of Fund NAV in one or more REITs that are listed or units being offered in the course of public offering and will be listed in due course.

When the Fund Manager in its sole discretion believes market or economic conditions are not optimal or appropriate for investing, the Fund Manager may invest up to 100% of the Fund's assets on a temporary basis by holding all or a substantial portion of the Fund Assets in cash or in the form of Money Market Instruments and near-cash and other ancillary liquid assets.

3.2 Description of the Fund's policy to concentrate investment in any specific shares, industries, sectors, countries, and/or any geographic area

The Fund investment will mainly be limited to shares listed and traded on the Saudi Stock Exchange. The Fund will not operate a strategy that excludes certain industries or sectors but will retain the highest possible degree of flexibility, although it will limit its investments to the Kingdom of Saudi Arabia in the manner described in this Section 2 ("Investment Policies and Practices") of the Information Memorandum.

3.3 Markets in which the Fund intends to invest

The Fund will invest in shares listed on the main market of the Saudi Stock Exchange ('Main Market') and in shares offered in the course of an IPO (including rights issues). Furthermore, the Fund Manager may invest up to 20% of the Fund's NAV in listed REIT Funds. Mostly, the Fund is expected to remain fully invested with less than 5% cash position, subject always to the investment restrictions set out in the Information Memorandum. The Fund Manager may invest the Fund's assets in securities issued by the Fund Manager or any of its affiliates. The following table sets out the available types of investments for the Fund and the percentages allocated to each:

Investment Type	Minimum of Fund assets in normal market conditions	Maximum of Fund assets in normal market conditions
Shares listed on the main market of the Exchange (including IPO and rights issues)	80%	100%
REIT Funds	0	20%

Cash or Money Market Instruments	0	10%
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3.4 Specific Techniques and Instruments Which May be Used in the Management of the Fund

The Fund Manager employs an active investment strategy by selecting listed shares which it believes will appreciate in value based on an analysis of sector and/or the expected return or growth of individual listed shares. In selecting investments for the Fund, the Fund Manager will adopt a long-term approach, focusing on the market price of a company's listed shares relative to the Fund Manager's evaluation of the company's potential long-term (typically 2-3 years) earnings, asset value and cash flow potential. The Fund Manager will focus primarily on key growth drivers, price & earnings dynamics and will seek out companies with strong management teams, relatively low valuations, a competitive advantage and attractive industry dynamics. The Fund should be considered by prospective investors as a medium to long-term investment.

4. INVESTMENT FUND DURATION

The Fund is an open ended collective investment scheme.

5. INVESTMENT LIMITS AND RESTRICTIONS

In managing the Fund, the Fund Manager will comply with the restrictions imposed by the Investment Fund Regulations, these Terms and Conditions and the Information Memorandum. In the event the Fund Manager breaches any of the investment restrictions it will comply with the requirements of Article 52 of the Regulations.

5.1 Restrictions Regarding Investment in Shares Offered in the Course of an IPO (including rights issues)

(a) The Fund may invest in shares offered in the course of an IPO subject to the following conditions:

(i) The listed shares must be purchased at a price that is no more than the stated offering price.

(ii) The bid made by the Fund Manager for the Fund, together with any other offers for investment made by the Fund Manager for other clients, must not exceed more than 10% of the total IPO offering by value.

(b) The listed shares must not be subject to a lock-up or other prohibition or restriction on dealing that would cause the Fund to be in breach of the investment restriction.

(c) The IPO shares in which the Fund may invest must be listed on the main market of the Saudi Stock Exchange.

5.2 The Limit of the Fund's Investment in Other Investment Funds Managed by the Fund

Manager or Others

The Fund will not invest in other investment funds managed by the Fund Manager with the exception of investments in listed or to be listed REIT Funds. The Fund's investment in REIT Funds will not exceed 20% of the Fund NAV

5.3 Borrowing Powers of the Fund, the Fund Manager's Policy on the Exercise of Borrowing Rights and Pledging Assets of the Fund

The maximum borrowing of the Fund will not exceed 10% of the Fund NAV at the time of effecting such borrowing, except in the case of borrowing by the Fund Manager to meet redemption requests in accordance with the Regulations. The assets of the Fund will not be subject to any guarantee or pledging arrangement, nor will the Fund enter into any derivatives transaction which will require the Fund to deliver cash or assets as margin (often referred to as 'collateral') to protect the Fund's counterparty from the risk of default by the Fund.

5.4 Maximum Limit of Dealing with any Counterparty

The maximum limit of dealing with any counterparty shall not exceed 25% of the Fund's NAV. This limit applies to the Fund's investments in Money Market Instruments or other debt instruments, and not to investments in shares.

5.5 The Fund Manager's Policy on the Management of the Fund's Risks

The Fund Manager has in place a policy and a procedure that identifies risks relating to and arising from the Fund's investment objective, strategy and investments and ensures that such risks are dealt with as quickly as possible. The Fund Manager will conduct an assessment of all relevant risks at least once during each of the Fund's financial years. The Fund Manager will generally seek to diversify the investments across various sectors and companies. Risk management is conducted at three levels: (i) stock, (ii) sector, and (iii) portfolio. At the stock level, the Fund Manager will primarily focus on active risk and will avoid over-exposure to high risk, speculative stocks. At the sector level, the Fund Manager will monitor sector and industry allocations and the contribution to the overall portfolio risk. At the portfolio level, the Fund Manager will monitor tracking error and will review the portfolio structure and composition with reference to the Fund's investment objective.

5.6 Benchmark Index, Provider of Benchmark and the Bases and the Methodology Used to Calculate the Benchmark

The benchmark index shall be the TASI index (further information on the index can be obtained from the Tadawul website). The purpose of the benchmark index is merely to provide the Unitholders with an indication of the Fund's performance compared to the benchmark index.

5.7 Investing in Derivatives

The Fund will not invest in derivatives.

5.8 Waivers approved by the CMA for Any Investment Limits and Restrictions

The Fund has not obtained any waivers from the CMA in respect of the investment restrictions

that would otherwise apply to the Fund pursuant to the Regulations.

6. CURRENCY

The currency of the Fund is the Saudi Riyal (“**SAR**”).

7. FEES, CHARGES AND EXPENSES

A Management Fee will be payable to the Fund Manager at the annual rate of 1.25% calculated as a percentage of the NAV, plus VAT at 5%, to be calculated and accrued on every Valuation Day and payable quarterly. An upfront Subscription Fee of 1.50% of the value of the Units subscribed for will be payable by investors, plus VAT at 5%. An Early Redemption Fee of 0.50% of the value of the Units redeemed shall be paid by Unitholders who submit a redemption request within 30 calendar days of subscription. The amount of the charge will be calculated on the value of the Units redeemed and will be paid to the Fund.

The Fund Manager reserves the right to waive or rebate the Management Fee, Subscription Fee or Early Redemption Fee in its sole discretion. The Fund Manager reserves the right to pay from the Fund at any time the remuneration of the Fund Board and any charges, commissions, legal fees, and other expenses borne by the Fund, in compliance with the Regulations. This includes the fees and expenses charged by the Fund Manager, the fees of the Administrator, the Registrar and the Custodian and the Regulatory fees. The fees of any Distributor will be paid by the Fund Manager out of the Management Fee. Please refer to the Information Memorandum for the Summary Financial Disclosure required to be provided by the Regulations.

Transactions in relation to the investments of the Fund are booked at cost. Any such dealing cost will be paid out of the Fund Assets.

8. VALUATION AND PRICING

8.1 Details on how each asset held by the investment fund is valued

The following principles shall be followed by the Fund Manager when valuing the Fund Assets:

- i) shares which are listed or traded on any regulated securities exchange or automated pricing system, including securities quoted on the main market of the Saudi Stock Exchange, shall be valued at their closing price on the relevant Dealing Day using the VWAP methodology which arrives at a closing price based on the Volume Weighted Average Price by dividing (x) the total of all traded value of the share occurring in the 15 minutes prior to market close by (y) the total number of units of the share traded in the same period; an example of how VWAP operates is provided below;
- ii) the value of any listed shares which are suspended shall be determined based on the last available price prior to the suspension, unless there is conclusive evidence to indicate that the value of such shares has decreased below such price;

- iii) the value of the Fund's assets invested in IPOs and rights issues will be determined on the basis of the subscription price up until the admission to listing of such shares. Following listing, the value will be determined by reference to the closing price on Tadawul on the relevant Valuation Day;
- iv) the value of the Fund's assets invested in REIT Funds will be determined on the basis of the closing price on Tadawul on the relevant Valuation Day; and
- v) the value of Fund assets invested in Money Market Instruments will be determined based on the cost of the contract, the value of the relevant instruments or the value of the deposited amount in addition to profits due up to the day when the valuation is made.

8.2 Calculation of Unit Price

The Fund Manager shall calculate the Unit Price by dividing the Fund NAV by the number of Units outstanding. The Unit Price shall be expressed to at least four decimal places.

The Fund NAV and the Unit Price shall be calculated by the Fund Manager at market close in the Kingdom on each Valuation Day, being Sunday and Tuesday of each week. If banks in the Kingdom are closed on any Valuation Day, the Valuation Day shall be the following day on which Saudi banks are open.

8.3 Unit Price Publication

The NAV and the Unit Price will be made available to Unitholders free of charge and published on the Tadawul website and the Fund Manager's website on next business day following each Valuation Day.

8.4 Actions to be taken in case of mis-valuation/ mis-pricing

In accordance with the Regulations, the Fund Manager shall record each instance where any asset of the Fund is valued incorrectly or where the price of a Unit is calculated incorrectly. The Fund Manager shall compensate all Unitholders (including any former Unitholders) who have been adversely affected by such error as soon as reasonably practicable. The Fund Manager shall immediately report to the CMA any valuation or pricing error of 0.5% or more of the price of a Unit and disclose it immediately on its website and on the Tadawul exchange website and in the Fund's report prepared in accordance with Article 71 of the Investment Funds Regulations. In addition, the Fund Manager shall provide a summary of all valuation and pricing errors in the Fund's reports to the CMA in accordance with Article 72 of the Regulations.

9. **DEALINGS**

9.1 Subscription & Redemption Procedures

The deadline for the submission of the subscription/redemption request is 12:00 noon Riyadh time on each Dealing Day. If the subscription/redemption request is submitted before 12:00 noon Riyadh time on any Dealing Day then such request will be processed on that Dealing Day based on the Unit Price calculated on that day. However, if the subscription/redemption request is submitted after 12:00 noon Riyadh time on any Dealing Day then such request will, at the Fund

Manager's discretion, be processed on the following Dealing Day based on the Unit Price calculated on that day.

Subsequent applications for Units shall be made by Unitholders in writing, and also by fax.

Notwithstanding receipt of the signed Subscription Form or compliance with any other requirements, the Fund Manager reserves the right to reject any subscription or subsequent subscriptions without giving any reason. In case any subscription has been rejected, the Fund Manager will refund the investor the subscription amount or the balance outstanding at the applicant's risk. Joint applicants must each sign the Subscription Form unless an acceptable power of attorney or a written authorisation is provided.

9.1.1 Dealing Days

The Fund Manager is offering Units for subscription on each Dealing Day at the Unit Price.

9.1.2 Prohibited Persons and Prohibited Activities

The Fund Manager may restrict or prevent the ownership of Units by any person, firm or corporate body if, in the opinion of the Fund Board, such holding may be detrimental to the Fund, if it may result in a breach of any applicable law or regulation, or if as a result thereof the Fund may become exposed to tax disadvantages or other financial disadvantages that it would not have otherwise incurred (such persons, firms or corporate bodies to be determined by the Board being herein referred to as "Prohibited Persons").

Activities which may adversely affect the interests of the Unitholders (for example, activities that disrupt the Fund's investment strategies or impact expenses for the Fund) are not permitted. The Fund Manager may, at its sole discretion, prohibit such activities on the basis that they would affect the interests of the Unit holders.

9.1.3 Payment of Subscriptions

Payments for the Units should be made through the Investment Account specified by the applicant. Remittances should be marked for credit to the Morgan Stanley Saudi Equity Fund and sent with the duly completed and signed Subscription Form to the Fund Manager at the address shown on the Subscription Form. If any Subscription Form is not accepted in whole or in part any application monies received shall be returned to the applicant's Investment Account at the applicant's risk.

Applicants for any Units must make payment in the Base Currency (Saudi Riyal). Unless prior arrangements have been made, applicants must make payment in cleared funds to be received by the relevant deadline for submission of subscription/redemption requests in order to receive the Unit Price calculated on that day. If timely settlement is not made the application for Units will be rejected.

9.2 Redemption Procedures

Units may be redeemed on any Dealing Day. Unitholders wishing to redeem all or part of their Units in the Fund (subject to the Minimum Redemption and/or the Minimum Holding) shall do so by completing, signing and submitting the Redemption Form in writing to the Fund Manager's address shown on the Redemption Form. Subsequent redemption requests made following the

first request may be made by fax.

The Redemption Form must include details of the number of Units or the amount the Unitholder wishes to redeem, the Unitholder's details, the Unitholder's account number and any other information required by the Redemption Form. Failure to provide any of this information may result in delay in executing the redemption request. Furthermore, the maximum period of time that may lapse between redemption by the Unitholder and payment or redemption proceeds, shall be five Business Days following the relevant Dealing Day. Such redemption proceeds will be paid in Saudi Riyals.

Redemption Forms will be considered as binding and irrevocable by the Fund. Written confirmations may be required by the Fund and must be duly signed by all registered holders, unless in the case of joint registered holders, each such holder has retained sole signing authority.

9.2.1 Redemption Proceeds

The Fund Manager shall pay the redemption proceeds to the Unitholder's Investment Account on record. [Any changes to the investment account on record may only be made upon receipt of original written instructions.]

9.2.2 Limits on Redemption

Unitholders may ask for the redemption of all or part of their Units. However, the Fund is not bound to comply with a request for redemption of Units if after the redemption the Unitholder would be left with a balance of Units having a value of less than the Minimum Holding. In such case, the Fund Manager may, at its discretion, redeem the entire investment of such Unitholder at the redemption price calculated on the Dealing Day where such redemption is affected. However, the Fund Manager must notify such Unitholder in writing of any such redemption one week prior to effecting it.

9.2.3 Postponement and Suspension of Redemption

In the event that the total number of redemptions requests received in respect of any Dealing Day amounts to 10% or more of the Fund's NAV, the Fund Manager, at its own discretion, may postpone all or part of any redemption request to the following Dealing Day. In this case, the Fund Manager will apply fair procedures when choosing the redemption requests that will be postponed (see sub-paragraph (j), below) and will process redemption requests on a pro rata basis, always taking into account the 10% limit on the relevant Dealing Day, which shall be used only during the periods in which redemption requests impose restrictions on liquidity and when such requests would negatively affect the remaining Unitholders.

In the event redemption requests are deferred, the Fund Manager will apply fair procedures when choosing the redemption requests that will be postponed and will process redemption requests which have been postponed on a pro rata basis, and will prioritize redemption requests which have been postponed over new redemption requests always taking into account the 10% limit of the Fund's NAV on the relevant Dealing Day.

The Fund Manager may only suspend subscription and redemption requests in the following circumstances:

- If the Fund Manager has been ordered by the CMA to suspend subscription and redemption of units.
- If the Fund Manager reasonably believes that such suspension is in the best interests of the Unitholders.
- If there has been suspension of dealing in the market in which the securities or other assets held by the Fund are dealt, either in general or in relation to assets of the Fund which the Fund Manager reasonably believes to be material to the Fund's NAV.

If any suspension is imposed by the Fund Manager, then the Fund Manager will comply with the following:

- Ensure that any suspension continues only for so long as it is necessary and justified having regard to the best interests of the Unitholders.
- Review the suspension on a regular basis and consult with the Board and the Custodian on a regular basis regarding the suspension.
- Inform the CMA and the Unitholders immediately of any suspension and provide the reasons for the suspension.
- Inform the CMA and the Unitholders as soon as the suspension ends and disclose it on its website and the Tadawul website.

The CMA shall have the power to lift such suspension if it believes it to be in the best interests of the Unitholders.

9.2.4 Compulsory Redemption

If it shall come to the attention of the Fund Manager at any time that Units are beneficially owned by or on behalf of a Prohibited Person, either alone or in conjunction with any other person, and the Prohibited Person fails to comply with the direction of the Fund to sell his Units and to provide the Fund Manager with evidence of such sale within 21 days of being so directed by the Fund Manager, the Fund Manager may in its discretion redeem such Units. Immediately after the close of business specified in the notice given by the Fund to the Prohibited Person in this regard, the Units will be redeemed and such Unitholder will cease to be the owner of such Units. The Fund may require any Unitholder or prospective Unitholder to provide the Fund Manager with any information which it may consider necessary for the purpose of determining whether or not the beneficial owner of such Units is or will be a Prohibited Person.

9.2.5 Transfer of Units to Other Unitholders

No transfers between Unitholders are permitted.

9.2.6 Minimum Net Asset Value of the Fund

SAR 10 million.

10. DISTRIBUTION POLICY

The Fund is an income accumulation Fund whereby its net income will be reinvested in the Fund and not distributed as dividends on the Units. Reinvestment of income will be reflected in the

value and price of the Units. The Fund Manager may, in its absolute discretion, make dividends distributions but the Fund Manager makes no guarantee that any such dividends distribution will be made.

11. REPORTING TO UNITHOLDERS

The Fund Manager shall provide each Unitholder with details of the NAV of the Units owned and a record of transactions in Units made by it within 15 days of each transaction. The Fund Manager shall also send to each Unitholder (including any former Unitholder who held Units during the relevant financial year) an annual statement within 30 days of the end of each financial year summarizing its transactions in the Units during the course of the year. This statement shall include a summary of service fees, expenses, charges levied on the Unitholder's holding of Units, and details of any breaches of investment restrictions described in the Information Memorandum, the Regulations and the Terms & Conditions.

12. UNITHOLDERS' REGISTER

The Fund Manager maintains an up-to-date register of the Unitholders in the Kingdom which is deemed as conclusive evidence of ownership of Units. The Fund Manager will update the Unitholders' register immediately to reflect any change in the information contained in the register of which it becomes aware. An extract of the register shall be provided by the Fund Manager to any Unitholder free of charge upon request. Such extract will show only the information that is relevant to the requesting Unitholder. Such register shall be available for inspection by the CMA upon request.

13. MEETINGS OF UNITHOLDERS

A meeting of the Unitholders may be convened upon an invitation by the Fund Manager.

The Fund Manager shall convene a meeting of the Unitholders within 10 days of receiving a relevant written request from the Custodian or Unitholder(s) representing at least 25% in value of the total units of the Fund.

The Fund Manager shall call for a meeting of Unitholders by announcing the same on its website and on the Tadawul website, and by sending a notice in writing to all Unitholders and the Custodian no less than 10 days prior to the meeting and no more than 21 days prior to the meeting. The announcement and notice must specify the date, place and time of the meeting and the resolutions proposed. Simultaneously, the Fund Manager must forward a copy of any such notice to the CMA.

The quorum required to conduct a meeting of the Unitholders shall be such number of Unitholders holding together at least 25% in value of the total units of the Fund.

If the requisite 25% quorum or above is not reached at the meeting of the Unitholders, the Fund Manager shall convene a second meeting by way of providing the Unitholders and the Custodian with a written notice for a second meeting of the Unitholders at least 5 days prior to the date of such second meeting, which shall be deemed quorate irrespective of the percentage of the total Units held by Unitholders in attendance.

Each Unitholder is entitled to appoint a representative at a meeting of the Unitholders.

Each Unitholder is entitled to one (1) vote per Unit owned in the Fund at the time of the meeting.

Meetings and voting of, and deliberations by, shall be held via modern technical means as per the regulatory guidelines imposed by the CMA.

14. UNITHOLDERS' LIABILITY

Unitholders shall not be liable for the debts and obligations of the Fund and their liability shall be limited to the loss of all or part of their investment in the Fund.

15. CHARACTERISTICS OF UNITS

The Fund Manager may issue an unlimited number of Units provided that they shall be of the same category. Each Unit represents an undivided proportional share in the Fund Assets so that all Unitholders are jointly and absolutely entitled as against the Fund Assets subject to the provisions of the Information Memorandum and any applicable laws and regulations and so that no Unit shall confer any interest or share in any particular part of the Fund Assets and no Unitholder shall have rights or interests in any part of the Fund Assets that are different in nature from the rights or interests which any other Unitholder has in that part of the Fund Assets.

The Fund Manager reserves the right to offer Units in one or more class or classes, and to adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular class of Units. As at the date of these Terms & Conditions, Units have not been allocated to any class and the terms on which they are offered for purchase therefore apply to all investors equally.

16. CHANGES TO THE FUND'S TERMS AND CONDITIONS

16.1 The Fund Manager must obtain the consent of Unitholders to a Fundamental Change by way of an ordinary resolution of Unitholders, after which it must obtain the consent of the CMA to the proposed fundamental change.

For these purposes, "**Fundamental Change**" means:

- (i) a change which significantly changes the purposes or nature of the Fund;
- (ii) [a change which may have a material adverse effect on Unitholders or their rights in relation to the Fund];
- (iii) a change which alters the risk profile of the Fund;
- (iv) the voluntary withdrawal of the Fund Manager from its position as the fund manager of the Fund; and
- (v) any other instances determined by the CMA from time to time and reported to the Fund Manager.

The Fund Manager must notify Unitholders and disclose details of any Fundamental Change on its website and on the Tadawul exchange's website 10 days before of the date in which the change becomes effective.

Unitholders shall have the right to redeem their Units before any Fundamental Change becomes effective without incurring any redemption fee.

16.2 The Fund Manager must notify Unitholders and the CMA of any proposed Significant Change to the Fund not less than 21 days prior to the day on which the Fund Manager intends to effect the Significant Change.

For these purposes, “**Significant Change**” means a change which is not a Fundamental Change but which:

- (i) would reasonably be expected to cause Unitholders to reconsider their participation in the Fund;
- (ii) results in any increased payments by the Fund out of its assets to the Fund Manager or any member of the Board or an affiliate of either;
- (iii) introduces any new type of payment out of the assets of the Fund;
- (iv) materially increases any existing obligation of the Fund to make a payment out of its assets; or
- (v) any other case determined by the CMA from time to time and reported to the Fund Manager.

The details of any Significant Change must be disclosed 10 days before the date on which the change becomes effective on the Fund Manager's website and on the Tadawul exchange's website or in any other means that the CMA determines.

Unitholders shall have the right to redeem their Units before any Significant Change becomes effective without incurring any redemption fee.

16.3 Any change proposed by the Fund Manager which is not a Fundamental Change or a Significant Change is a Notifiable Change. The Fund Manager shall notify the CMA of any Notifiable Changes within 10 days of the change taking effect and shall disclose it on its website and on the Tadawul exchange's website within 21 days of the Notifiable Change taking effect.

17. TERMINATION OF THE INVESTMENT FUND

The Fund will be terminated in the following circumstances: (i) if the Fund Manager proposed its termination and such proposal is notified beforehand to Unitholders on not less than 21 days' notice, (ii) by a special resolution of Unitholders, or (iii) if the Fund NAV decreases below the minimum SAR 10m requirement and the Fund Manager is unable to satisfy this requirement within 6 months from the date of notifying the CMA of the same unless a waiver from the CMA has been obtained in this regard.

Once the Fund is terminated, the Fund Manager shall commence the liquidation process without prejudice to the Fund's Terms & Conditions. The Fund Manager will seek to liquidate the Fund Assets, discharge its liabilities and distribute any remaining proceeds to Unitholders in proportion to their respective holdings of Units on the date of the liquidation distribution. Furthermore, the Fund Manager must disclose on its website and on the Tadawul website that the Fund has been terminated and specify the duration of the liquidation process.

18. FUND MANAGER

19.1 Overview

The Fund Manager is Morgan Stanley Saudi Arabia, an authorized person under the Authorized Persons Regulations with CMA license number 06044-37 dated 21/11/1427H (corresponding to 12/12/2006), whose principal place of business is at:

Al Rashid Tower, 10th Floor
King Saud Road, Riyadh
P. O. Box 66633, Riyadh 11586
Tel: +966 (11) 218 70 00
Fax: +966 (11) 218 71 44

Details of the services that the Fund Manager will provide to the Fund are set out in the Information Memorandum.

19.2 Activities

The Fund Manager is authorised under licence number 06044-37 to carry out the following activities: (i) dealing as principal and agent; (ii) managing; (iii) arranging; (iv) advising; and (v) custody in securities.

19.3 Conflicts of Interest

The Fund Manager has agreed, among other matters, to the following:

- (i) it will use its best efforts to resolve conflicts of interest between the Fund and either (i) other collective investments schemes with which it or its affiliates are involved or (ii) its clients equitably;
- (ii) it will allocate investment opportunities between (i) the Fund, (ii) other collective investment schemes with which it or its affiliates are involved and (iii) its clients equitably; and
- (iii) the Fund Manager will treat each Unitholder equally and will not give any preference to any Unitholder over another.

19.4 Delegation to Third Parties

The Fund Manager has delegated certain function to third parties as set out below:

- (i) The custody of the Fund to HSBC Saudi Arabia Limited on the terms of the Custody Agreement between the Custodian and the Fund Manager.
- (ii) The administration of the Fund (including corporate administrative services) to HSBC Saudi Arabia Limited on the terms of the Administration Agreement between the Administrator and the Fund Manager.
- (iii) The Registrar functions to HSBC Saudi Arabia Limited on the terms of the Registrar Agreement between the Registrar and the Fund Manager.

19.5 Functions, Duties and Responsibilities of the Fund Manager

The primary roles, responsibilities and duties of the Fund Manager in relation to the Fund shall include amongst others:

- fund management;
- fund operations, including administrative services to the Fund;
- offering of Units;

- ensuring the accuracy of the Terms and Conditions and the Information Memorandum, and that the information contained therein is complete, clear, accurate, and not misleading;
- develop policies and procedures to detect risks affecting the Fund's investments and ensure these risks are addressed as soon as possible;
- comply with the Investment Funds Regulations; and
- implement compliance monitoring program, and provide the CMA with the result of its implementation upon request.

19.6 Removal of the Fund Manager

The CMA shall have the power to remove the Fund Manager and to take any action it deems appropriate to appoint a replacement fund manager or to take any other measures it deems necessary in the event of:

- 1) the Fund Manager ceasing to carry on management activities without notifying the CMA as required under the Authorised Persons Regulations;
- 2) the cancellation or suspension by the CMA of the Fund Manager's license to carry on management activities under the Authorised Persons Regulations;
- 3) a request by the Fund Manager to the CMA to cancel its license to carry on management activities;
- 4) the CMA believes that the Fund Manager has failed, in a manner which the CMA considers material, to comply with the Capital Market Law or its Implementing Regulations;
- 5) the death, incapacity or resignation of a portfolio manager who manages the assets of the Fund, without there being another registered person employed by the Fund Manager who can manage the assets and investments of the Fund; or
- 6) any other event determined by the CMA on reasonable grounds to be sufficiently material.

19. CUSTODIAN

20.1 Custodian

HSBC Saudi Arabia Limited has been appointed as the Custodian of the Fund's assets.

The principal place of business of HSBC Saudi Arabia Limited is at:

HSBC Saudi Arabia Limited
 Head Office, North Olaya Road
 P. O. Box 9084
 Riyadh 11413
 Saudi Arabia

20.1.1 Functions, Duties and Responsibilities of the Custodian

The Custodian shall be responsible for taking custody of and protecting the Fund's assets on behalf of the Unitholders, and shall be responsible for taking all necessary administrative measures in relation to the custody of the Fund's assets.

Notwithstanding the delegation by the Custodian to one or more third parties under the provisions of the Regulations or the APRs, the Custodian shall assume all liability in relation to its responsibilities in accordance with the Regulations. The Custodian shall be held liable to the Fund Manager and the Unitholders for any losses incurred by the Fund as a result of fraudulent behavior by the Custodian, or its negligence or willful default.

20.1.2 Appointment of a Sub-Custodian

The Custodian Agreement provides that the Custodian may appoint such sub-custodians and delegates to perform some or all of its duties. Such sub-custodians and delegates may in turn appoint sub-delegates and sub-custodians. The Custodian will remain responsible to the Fund Manager for any acts or omissions of any such person or person howsoever appointed, and will ensure that any Fund Assets held by it or by any such person will be recorded as being held solely for and on behalf of the Custodian for the account of the Fund and as not belonging to such agent, sub-custodian or delegate or any of their affiliates. The Custodian shall seek the Fund Manager's prior consent to any appointment outside of the HSBC Group and shall give the Fund Manager prior notice of any appointment within the HSBC Group. The Custodian will pay the fees of any delegate or sub-custodian it may appoint.

20.1.3 Removal of the Custodian

The CMA shall have the power to remove the Custodian and to take any action it deems appropriate to appoint a replacement Custodian or to take any other measures it deems necessary in the event of:

- 1) the Custodian ceasing to carry on custody activity without notifying the CMA as required under the Authorized Persons Regulations;
- 2) the cancellation or suspension by the CMA of the Custodian's relevant authorization to carry on custody activities under the Authorized Persons Regulations;
- 3) a request by the Custodian to the CMA to cancel its authorization carry on custody activities;
- 4) the CMA believes that the Custodian has failed, in a manner which the CMA considers material, to comply with the Capital Market Law or its Implementing Regulations; or
- 5) any other event determined by the CMA on reasonable grounds to be sufficiently material.

If the CMA exercises its power to remove the Custodian, the Fund Manager must appoint a replacement custodian for the Fund in accordance with the CMA's instructions, and in such case the Fund Manager as well as the removed Custodian shall co-operate fully in order to facilitate a smooth transfer of responsibilities to the replacement custodian during the first (60) days of appointing the replacement custodian. The Custodian must transfer, where the CMA decides it to be necessary and applicable, all contracts related to the Fund to the replacement custodian.

The Fund Manager may remove the Custodian pursuant to a written notice, if the Fund Manager reasonably believes that the removal of the Custodian is in the best interests of the Unitholders. In such case, the Fund Manager must immediately inform the CMA and the Unitholders. The Fund Manager shall appoint a replacement Custodian within 30 days from the date on which the Custodian receives the termination notice, and the Custodian is obliged to cooperate fully with the Fund Manager to facilitate a smooth transfer of responsibilities to the replacement custodian. The Fund Manager must also immediately disclose this on its website and the Tadawul website.

20. AUDITOR

The Fund Manager has appointed Ernst & Young to act as the Fund's auditor. The principal place of business of Ernst & Young is at:

P.O. Box 2732
Riyadh 11461
Saudi Arabia
Tel: +966 (11) 273 4740
Fax: +966 (11) 273 4730

21.1 Functions, Duties and Responsibilities of the Auditor

The Auditor, who shall be appointed by the Fund Manager upon the approval of the Fund Board, is responsible for reviewing the Fund's interim and annual financial statements in accordance with the standards issued by the Saudi Organisation of Certified Public Accountants.

21. FUND'S ASSETS

The assets of the Fund are collectively owned by the Unitholders. The Fund Manager (and any sub-fund manager), the Custodian (and any sub-custodian), any investment advisor or distributor shall not have any interest or claim against such assets unless (i) any such person is a Unitholder or (ii) if such interest or claim is permitted under the Regulations and is disclosed in the Terms and Conditions or the Information Memorandum.

22. UNITHOLDER DECLARATION

I/We have read and acknowledged these Terms and Conditions, the Information Memorandum and the Key Fact Sheet associated with the Fund, agree to the terms thereof and consent to the characteristics of the Units subscribed for.

INVESTOR'S CONSENT & APPROVAL

Investor's Name: _____

Signature: _____ **Date:** _____

For Corporate investors: _____

Authorised Signatory(ies): _____

Company's Stamp: _____

Address(es): _____

Email: _____

Mobile: _____

Phone Number: _____

Fax Number: _____