

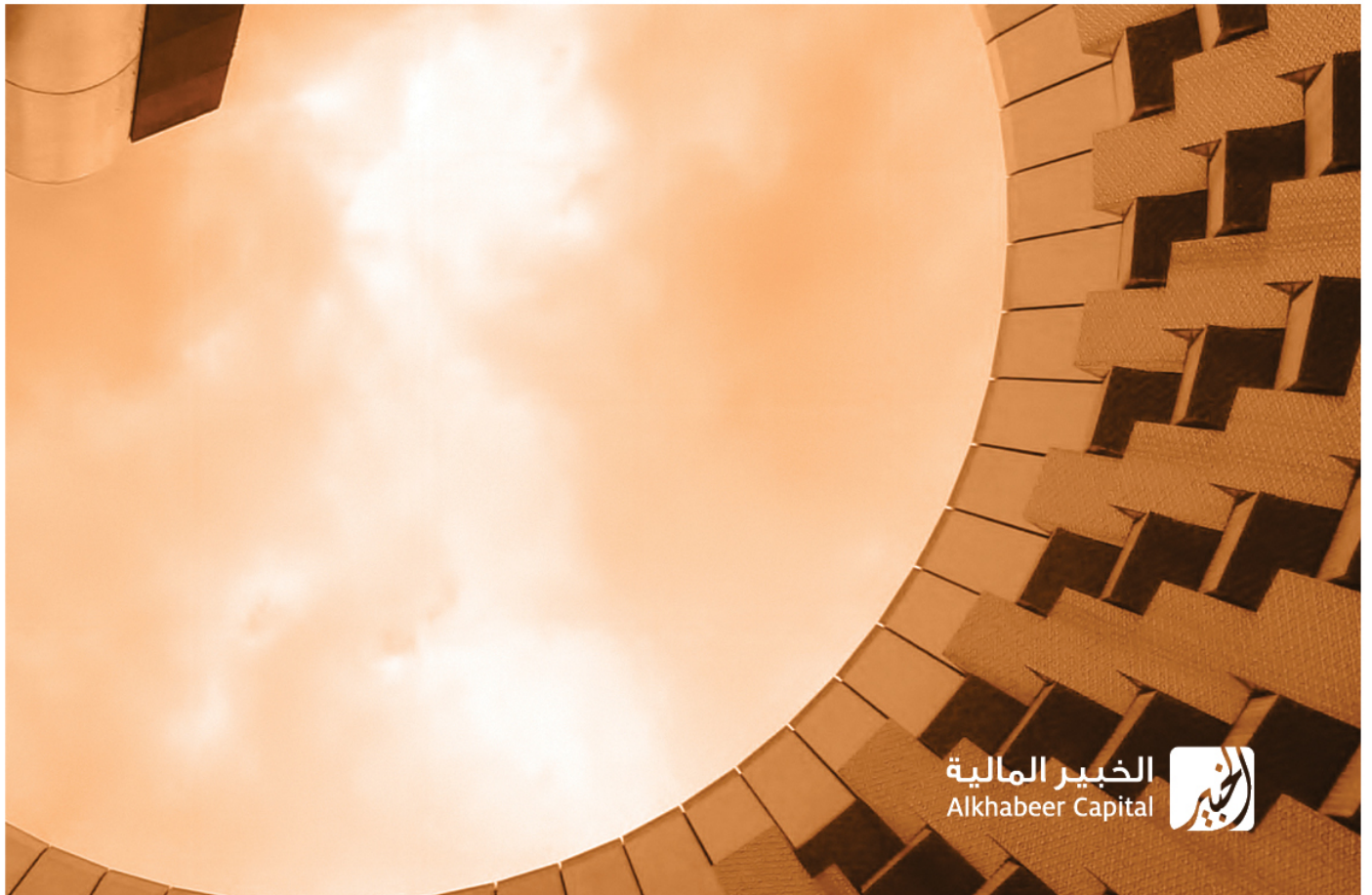
الخبير للدخل  
Alkhabeer Income



TERMS AND CONDITIONS

# ALKHABEER DIVERSIFIED INCOME TRADED FUND

(A Closed-Ended Shari'a-Compliant Investment Traded Fund  
to be Listed on Saudi Tadawul)



الخبير المالية  
Alkhabeer Capital





**ALKHABEER CAPITAL**

www.alkhabeer.com

CMA license 07074-37

CR 4030177445

Unified number: 800 124 7555

**Head Office**

Al-Madina Road

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel. +966 12 658 8888

Fax. +966 12 658 6663

**Riyadh Branch**

Al-Jumaia Commercial Center

3rd Floor, Unit 4

P.O. Box 5000,

Riyadh 12361

Kingdom of Saudi Arabia

Tel. +966 11 210 1814

Fax. +966 11 210 1813

## TERMS AND CONDITIONS

### A) Fund Name, Type and Class:

**ALKHABEER DIVERSIFIED INCOME TRADED FUND**  
**(A Closed-Ended Shari'a-Compliant Investment Traded Fund to be Listed on Saudi Tadawul)**

Shari'a Certificate: AKC-946-97-03-09-18

### B) Name of Fund Manager:



**Alkhabeer Capital**  
**Fund Manager**

### C) Representations and Clarification Statement:

- The Terms and Conditions of Alkhabeer Diversified Income Traded Fund are reviewed and approved by the Fund Board. The Fund Manager and the Fund Board members shall jointly and severally bear full responsibility for the accuracy and completion of the information contained in these Terms and Conditions. The Fund Board members and the Fund Manager acknowledge and confirm the validity and completeness of the information contained in these Terms and Conditions. They also acknowledge and confirm that the information and statements contained in these Terms and Conditions are not misleading.
- The Capital Market Authority (CMA) has approved the offering of the Units of Alkhabeer Diversified Income Traded Fund. The CMA does not bear any responsibility for the contents of the Terms and Conditions of the Fund, and does not make any representation as to their accuracy or completeness. Moreover, the CMA does not give any recommendation as to the feasibility of investing in the Fund, and its approval of the offering of the Units of the Fund may not be construed as a recommendation by the CMA to invest in the Fund. The CMA further emphasizes that the decision to invest in the Fund is the responsibility of the investor or the investor's representative.
- Alkhabeer Diversified Income Traded Fund was approved as an investment fund compliant with the Shari'a Guidelines approved by the Shari'a Supervisory Committee appointed to the Fund.
- All of the information and items set forth in the Terms and Conditions of Alkhabeer Diversified Income Traded Fund are subject to the Investment Funds Regulations issued by the Capital Market Authority (CMA) and to the Listing Rules, and they contain complete, clear, true and non-misleading information.
- Prospective investors must carefully and accurately read the Terms and Conditions of Alkhabeer Diversified Income Traded Fund and its other documents before making any investment decision.

- The investor's investment in the Fund shall be deemed as a representation by the investor of having read and accepted the Terms and Conditions of the Fund.
- The Fund's annual reports, including the Fund's financial statements, will be made available on the websites of the Fund Manager [www.alkhabeer.com](http://www.alkhabeer.com) and Saudi Tadawul [www.saudiexchange.sa](http://www.saudiexchange.sa). The Fund's performance will be described in those reports.
- Investors are advised to read and understand the Terms and Conditions of the Fund. If unable to understand the Terms and Conditions of the Fund, it is advisable to consult a professional advisor.
- These Terms and Conditions were issued on 28 Muharram 1442H, corresponding to 16 September 2020G, and were updated on 24 February 2022G.

This is the updated version of the Terms and Conditions reflecting the amendment and restatement of the Fund's Terms and Conditions in accordance with Annex (1) of the Investment Funds Regulations.

**This document is only a translation of the Arabic version of the Terms and Conditions that was submitted to the Capital Market Authority. In case of any discrepancy between the English and Arabic version, the Arabic version will prevail. If the client desires to subscribe in the Fund, they must sign the Arabic version of the Terms and Conditions approved by the Capital Market Authority.**

## Important Notice

These Terms and Conditions contain detailed information relating to Alkhabeer Diversified Income Traded Fund (the “**Fund**”) and the offering of units in the Fund (the “**Units**”). When submitting an application to subscribe for Units, investors will be treated as applying solely on the basis of the information contained in these Terms and Conditions, copies of which are available for collection from the website of Alkhabeer Capital (the “**Fund Manager**”) ([www.alkhabeer.com](http://www.alkhabeer.com)), the Saudi Arabian Capital Market Authority (the “**CMA**”) ([www.cma.org.sa](http://www.cma.org.sa)) or Saudi Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

Prospective investors must read the entirety of these Terms and Conditions before purchasing Units in the Fund. An investment in the Fund involves certain risks, and may not be suitable for all investors. Investors must be willing to assume the risks associated with an investment in the Fund, which are described in Paragraph (4) of these Terms and Conditions. By acquiring Units in the Fund, Unitholders are deemed to have acknowledged and accepted these Terms and Conditions.

These Terms and Conditions have been prepared by the Fund Manager, being a Saudi Arabian closed joint stock company registered in the Saudi Arabian Commercial Registration under No. 4030177445, and licensed by the CMA as a Capital Market Institution under License No. 07074-37.

These Terms and Conditions include the information that has been presented in compliance with the requirements for registration and admission to listing of the Units on Saudi Tadawul in accordance with the Investment Funds Regulations and the Listing Rules.

The Fund and the Fund Manager are subject to the Capital Market Law and its Implementing Regulations, as well as other applicable laws and regulations in effect in the Kingdom of Saudi Arabia.

The Fund Manager accepts full responsibility for the accuracy and validity of the information contained in these Terms and Conditions, and affirms that, according to the best of its knowledge and belief, after making all possible reasonable enquiries, there are no other facts the incorporation or non-incorporation of which in these Terms and Conditions would make any statement contained herein misleading. While the Fund Manager has made all reasonable enquiries as to the accuracy of the information contained in these Terms and Conditions as at the date of issue hereof, a substantial portion of the information contained in these Terms and Conditions which is relevant to the market and industry is derived from external sources. While the Fund Manager has no reason to believe that any of the market and industry information is materially inaccurate, the Fund Manager has not independently verified such information, and no representation is made, or assurance given, by the Fund Manager in respect of the accuracy or completeness of any of this information.

The CMA does not bear any responsibility for the contents of these Terms and Conditions, and does not opine or provide any warranties regarding the accuracy or completeness of these Terms and Conditions. Further, the CMA shall not be responsible for any financial loss resulting from the application of any provision contained in these Terms and Conditions, or any reliance thereon.

These Terms and Conditions shall not be regarded as a recommendation on the part of the Fund Manager to participate in the Initial Offering. Moreover, the information contained in these Terms and Conditions is of a general nature, and has been prepared without taking into account the individual investment objectives, financial situation or particular investment needs of the persons who intend to invest in the offered Units. Prior to making an investment decision, each recipient of a copy of these Terms and Conditions is responsible for obtaining an independent advice from a CMA-licensed financial advisor in relation to the Initial Offering, and shall rely on its own examination of the Fund and the appropriateness of both the investment opportunity and the information contained herein with

regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Fund. An investment in the Fund may be appropriate for some investors but not others, and prospective investors shall not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

Subscription for Units is only made available to the following categories of investors ("Target Investors"): (a) natural persons holding the Saudi Arabian nationality or the nationality of other Gulf Cooperation Council ("GCC") countries; (b) corporations, companies, investment funds and other legal entities established in the Kingdom of Saudi Arabia and other GCC countries; (c) foreigners residing in the Kingdom of Saudi Arabia; (d) qualified foreign financial institutions licensed in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of the CMA pursuant to its Resolution No. 1-42-2015 dated 15 Rajab 1436H (corresponding to 4 May 2015G); and (e) such other investors who may be permitted by the CMA to own equities listed on Saudi Tadawul. All recipients of these Terms and Conditions must inform themselves of any legal or regulatory restrictions relevant to this Initial Offering and the sale of the Units, and must observe all such restrictions.

The information contained in these Terms and Conditions is current as at the date of issue hereof, but is subject to change. In particular, the value of the offered Units may be adversely affected by future developments, such as inflation, interest rates and taxation or any economic, political or other factors, over which the Fund Manager has no control (for further details, please see Paragraph (4) of these Terms and Conditions). Neither the delivery of these Terms and Conditions, nor any verbal or written information in relation to the offered Units, is intended to be, or should be construed or relied upon in any way as, a promise, affirmation or guarantee as to future earnings, results or events.

The forecasts set forth in these Terms and Conditions have been prepared on the basis of assumptions made based on the Fund Manager's information according to its market experience, as well as on publicly available market information. The future operating conditions may differ from the assumptions used, and consequently no affirmation, representation or warranty is made or given with respect to the accuracy or completeness of any of these forecasts.

Certain statements in these Terms and Conditions constitute, or may be deemed to constitute, "forward-looking assumptions". Such assumptions can generally be identified by the use of forward-looking words, such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected" or "would be", or the negative thereof or other variations of such terms or comparable terminology. These assumptions reflect the current views of the Fund Manager with respect to future events, but are not a guarantee of the future performance. Many factors could cause the actual results, performance or achievements of the Fund to be significantly different from any future results, performance or achievements that may be explicitly expressed or implied by such forward-looking assumptions. Some of the risks and factors that could have such an effect are described in more detail in other sections of these Terms and Conditions (for further details, please see Paragraph (4) of these Terms and Conditions). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Fund's actual results may vary materially from those described in these Terms and Conditions as anticipated, believed, estimated, planned or expected.

## Fund Directory

### Fund Manager

#### Alkhabeer Capital

P.O. Box 128289, Jeddah 21362  
Kingdom of Saudi Arabia  
[www.alkhabeer.com](http://www.alkhabeer.com)



### Custodian

#### Alinma Investment Company

P.O. Box 55560, Riyadh 11544  
Kingdom of Saudi Arabia  
[www.alinmainvestment.com](http://www.alinmainvestment.com)



### Fund Operator

#### Alkhabeer Capital

P.O. Box 128289, Jeddah 21362  
Kingdom of Saudi Arabia  
[www.alkhabeer.com](http://www.alkhabeer.com)



### Auditor

#### Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants Member of Crowe Global

P.O. Box 21499, Jeddah 40097  
Kingdom of Saudi Arabia  
<https://www.crowe.com/sa>



### Legal Advisor

#### The Law Office of Mohammed AlAmmar (In Cooperation with King & Spalding LLP)

Kingdom Centre, 20<sup>th</sup> Floor  
King Fahad Road  
P.O. Box 14702, Riyadh 11434  
Kingdom of Saudi Arabia  
[www.kslaw.com](http://www.kslaw.com)

مكتب محمد العتار للمحاماة  
والاستشارات القانونية  
بالتعاون مع كينج آند سبولدينج

THE LAW OFFICE OF MOHAMMED ALAMMAR  
In cooperation with King & Spalding LLP

## Shari'a Supervisory Committee

### Shariyah Review Bureau W.L.L.

Building No. 872, Offices Nos. 41 & 42  
Road 3618, Seef 436  
Kingdom of Bahrain  
[www.shariyah.com](http://www.shariyah.com)



## Lead Manager / Receiving Entity

### Aljazira Capital

King Fahad Road - P.O. Box 20438 - Riyadh  
11455  
Kingdom of Saudi Arabia  
[www.aljaziracapital.com](http://www.aljaziracapital.com)



## Receiving Entities

### Saudi National Bank (SNB)

King Abdulaziz Road  
P.O. Box 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
[www.alahli.com](http://www.alahli.com)



### Riyad Bank

King Abdulaziz Road  
P.O. Box 22622, Riyadh 11614  
Kingdom of Saudi Arabia  
[www.riyadbank.com](http://www.riyadbank.com)



### Banque Saudi Fransi

Al Maathar Road - P.O. Box 06006 - Riyadh  
11004  
Kingdom of Saudi Arabia  
[www.alfransi.com.sa](http://www.alfransi.com.sa)





## Definitions

“**Capital Market Institutions Regulations**” means the Capital Market Institutions Regulations issued by the Capital Market Authority (CMA);

“**Day**” means a Business Day in the Kingdom of Saudi Arabia in accordance with the official CMA Business Days;

“**Business Day**” means any day on which banks are open for business in the Kingdom of Saudi Arabia;

“**Calendar Day**” means any day, whether a Business Day or not;

“**Terms and Conditions**” mean the contracts containing the requisite information and terms in accordance with the provisions Article (71) of the Investment Funds Regulations in respect of the public fund, which are signed by and between the Fund Manager and the Unitholders;

“**Capital**” means the Subscription Amounts subscribed for by the Unitholders in the Fund;

“**Minimum Target Fund Capital**” means the minimum sum of SAR 300 million that the Fund Manager intends to raise through the offering of the Fund Units;

“**Closing Date**” is the ending date of the Initial Offering Period;

“**Listing Date**” means the date on which the Units are listed on the Saudi Stock Exchange (Tadawul);

“**CMA**” or the “**Authority**” means the Saudi Arabian Capital Market Authority;

“**Law**” means the Capital Market Law promulgated by Royal Decree No. (M/30) dated 02 Jumada II 1424H, corresponding to 31 July 2003G, as amended by Resolution No. (52) dated 18 Muharram 1441, and as amended from time to time;

“**Listing Rules**” mean the Listing Rules approved by CMA Board Resolution No. (3-123-2017) dated 09 Rabi II 1439H, corresponding to 27 December 2017G, as amended by CMA Board Resolution No. (2019-2022-1) dated 12 Rajab 1442H, corresponding to 24 February 2021G, and as amended from time to time;

“**Termination Event**” means the events described in Paragraph (20) of these Terms and Conditions;

“**Fund**” means Alkhabeer Growth and Income Traded Fund, a Shari'a-compliant closed-ended public equity traded investment fund managed by the Fund Manager;

“**Fund Manager**” means Alkhabeer Capital, who is licensed as a Capital Market Institution by the Capital Market Authority under License No. 07074-37;

“**Fund Term**” means 99 years as from the Listing Date, renewable at the discretion of the Fund Manager following obtaining CMA's approval;

**“Initial Offering Price”** means the price at which Units will be offered during the Initial Offering Period, being SAR 10;

**“Initial Offering Period”** means the period during which the Units will be offered pursuant to these Terms and Conditions, running for 15 Business Days, commencing on 21 Rabi II 1442H, corresponding to 6 December 2020G, and ending on 9 Jumada II 1442H, corresponding to 24 December 2020G;

**“Target Investors”** mean (a) natural persons holding the Saudi Arabian nationality or the nationality of other GCC countries; (b) corporations, companies, investment funds and other legal entities established in the Kingdom of Saudi Arabia and other GCC countries; (c) foreigners residing in the Kingdom of Saudi Arabia; (d) target foreign investors permitted to invest under the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of the CMA pursuant to its Resolution No. 1-42-2015 dated 15 Rajab 1436H, corresponding to 4 May 2015G; and (e) such other investors who may be permitted by the CMA to own securities listed on Saudi Tadawul;

**“Investment”** means each asset in which the Fund invests;

**“Offering”** and **“Initial Offering”** means the initial public offering of Units in accordance with these Terms and Conditions, or any Subsequent Offering of the Fund’s Units;

**“Public Offering”** means investing in the shares of the companies which are in the process of being listed on the Exchange, or which were listed on the Exchange less than five years ago;

**“Private Placement”** means investing in shares of private companies to be listed on the local exchanges (the Primary or Parallel Markets) and global exchanges. The Fund Manager executes transactions through an Intermediary, who is a financial and business company licensed by the regulatory authorities in the countries where it operates;

**“Public Unitholder”** means any Unitholder who is not one of the following: (a) any Unitholder owning 5% or more of the Units; (b) the Fund Manager and its affiliates; and (c) a member of the Fund Board;

**“Ordinary Fund Resolution”** means a resolution made with the consent of Unitholders representing more than 50% of the total Units, the holders of which are attending the Unitholders’ meeting whether in person or by any state of the art technological means;

**“Special Fund Resolution”** means a resolution requiring the consent of Unitholders representing 75% or more of the total Units, the holders of which are attending the Unitholders’ meeting whether in person, by proxy or by any state of the art technological means;

**“Related Party”** means any of the following: (a) the Fund Manager and the Sub-Manager; the Custodian and the Sub-Custodian; (c) the developer and the engineering firm; (d) the property manager, where applicable; (e) the Accredited Valuer; (f) the Auditor; (g) the Fund Board; (h) the Board Members, executive managers or employees of any of the aforementioned parties; (i) any Unitholder owning more than 5% of the Fund’s Net Asset Value; (j) any person who is an affiliate of, or controls, any of the aforementioned persons.

**“Executing Broker”** means a specialized person through whom the Fund Manager executes transactions in certain types of investments, such as Trade Finance Transactions and Leasing

Transactions, to the account of the Fund. The Broker is a financial and commercial company licensed by the regulatory authorities in the country where it operates;

**“Intermediary”** means a person through whom the Fund Manager executes transactions related to buying and selling shares for the account of the Fund. The Intermediary is a financial and business company licensed by the regulatory authorities in the countries where it operates;

**“Sub-Manager”** means a financial and business firm licensed by the regulatory authorities in the countries where it operates. The Fund Manager appoints such a firm to manage specific asset classes, subject to the approval of the Fund Board. The Fund Manager pays the fees and expenses of any Sub-Manager using its own resources;

**“Purification Service Provider”** means a specialized firm through which the Fund Manager calculates the investment returns which are not compliant with the Shari’a guidelines, and which must be disposed of;

**“Index Service Provider”** means a specialized firm through which the Fund Manager introduces the Fund’s Benchmark, distributes the shares of index companies and calculates their market values periodically;

**“SAR”** means the Saudi Arabian Riyal, the lawful currency of the Kingdom of Saudi Arabia;

**“Receiving Entity(ies)”** means the entities who receive the applications for subscription in “Alkhabeer Diversified Income Traded Fund”, as shown in the Fund’s documentation;

**“Shari’a Supervisory Committee”** means the Shariyah Review Bureau;

**“Shari’a Supervisory Committee Guidelines”** mean the Shari’a Supervisory Committee’s guidelines developed for the Fund, upon which the eligibility for Investments is determined by the Fund, as set out in Appendix (2);

**“Special Purpose Vehicle”** or **“SPV”** means a limited liability company established by the Custodian to hold title of the Fund’s assets;

**“Subscription Amount”** means the amount contributed by a Unitholder upon subscribing to the Offering;

**“Tadawul”** means the automated stock trading system of Saudi Tadawul;

**“Unit”** means the share held by Unitholders in any investment fund comprised of units, including the fractions of a unit. Each Unit is treated as representing a common share in the assets of the Fund;

**“Unitholder”** means the investor who invests in the Fund by holding its Units;

**“Net Asset Value”, “NAV”** or **“Fund’s NAV”** means the cash value based on the total asset value of the closed-ended traded investment Fund, less liabilities (including any financial liabilities, fees and expenses due and payable by the Fund during the covered period). The Net Asset Value is determined as described in Paragraph (10) of these Terms and Conditions;

**“Unit Price”** means the market price of each Unit as announced by Saudi Tadawul;

**“Fixed Income Instruments”** means securities, such as Leasing Transactions, Trade Finance Transactions, Income Funds, Sukuk (such as Sovereign Sukuk or corporate Sukuk), and Murabaha Transactions compliant with the Shari’a guidelines of the Shari’a Supervisory Committee, which generate returns to their holders over specified future period(s);

**“Sukuk”** means the Sukuk certificates in which the Fund invests. They are certificates of equal value representing a common indivisible interest in the ownership and benefits of tangible assets, concessions, or in the ownership of an asset of a certain project that is compliant with the Shari’a guidelines of the Shari’a Supervisory Committee, and all associated financial rights;

**“Sovereign Sukuk”** means the Sukuk issued by companies or other legal entities which are fully owned by the state;

**“Quasi-Sovereign Sukuk”** means the Sukuk issued by a company or other legal entity where the state owns over fifty percent (50%) of its share capital, either directly or indirectly;

**“Sukuk Portfolio”** means a diversified investment portfolio of Sovereign, Quasi-Sovereign and corporate Sukuk held by the Fund during the Investment Term;

**“Investment Grade”** means a rating issued by international rating agencies (such as Standard & Poor’s / Fitch or Moody’s) to assess the level of the risks associated with investing in financial instruments. A financial instrument is rated as an investment grade if its rating by those agencies is Baa3, BBB- or higher;

**“Murabaha”** means the sale of a commodity at a price equal to the price paid by the seller upon its purchase, plus an agreed upon profit margin of a percentage of the price or at a lump sum, be it a standard Murabaha executed without a prior promise, or a bank Murabaha executed based on a Murabaha to the Purchase Orderer (MPO) who wishes to obtain the commodity through a financial institution;

**“Murabaha Transactions”** means such transactions executed by way of Murabaha;

**“Income Funds”** means the income-generating funds investing in various asset types, including, without limitation, Trade Finance Transactions, credit transactions, Leasing Transactions, Sukuk, shares, and income-generating Murabaha Transactions. They do not include funds investing in the real estate sector;

**“Leasing Transactions”** means such transactions, the returns of which are linked to, or affected by, the investment in assets or equipment leased to beneficiaries;

**“Trade Finance Transactions”** means such transactions to finance trade dealings, where the traded commodities are raw materials or unfinished products. They are short-term transactions secured by the traded commodities and the outstanding receivables. The purchase price of a certain commodity is financed and paid through the sale of this commodity, and as such those transactions are asset-backed and/or credit-insured and compliant with the Shari’a Guidelines. Those transactions are executed through Executing Brokers who are specialized in various global markets. The Trade Finance Transactions are intended to improve the working capital turnover of the counterparty and/or to facilitate trade;

**“Currencies Pegged to the United States Dollar”** mean the currencies pegged to the United States Dollar, such as the currencies of the GCC states, excluding the Kuwaiti Dinar;

**“Main Currencies”** mean the currencies which may be used by the Fund to transact business, including – without limitation – the Saudi Arabian Riyal, United States Dollar, Euro, Hong Kong Dollar, Japanese Yen, Swiss Franc and Sterling Pound;

**“LIBOR”** means the London Interbank Offered Rate based on the United States Dollar;

**“Margin Financing”** means such transactions, part of the value of which is financed by the Intermediary, which are compliant with the Shari’a guidelines of the Shari’a Supervisory Committee;

**“Due Diligence”** means the studies to be conducted by the Fund Manager directly or through specialized parties to verify the facts related to the investments, in order to avoid unforeseen risks and errors which must be avoided in order to ensure the viability and soundness of the investments, for example in terms of the value and technical, legal, economic and operational conditions;

**“Fundamental Analysis”** means the analysis of the economic and financial data and information for the purpose of predicting the future profitability of the investment and assess the extent of future risks. The stages of Fundamental Analysis include:

1. The Macroeconomic analysis
2. Analysis of the target company’s sector
3. Analysis of the company’s circumstances and conditions
4. Financial analysis of the company
5. Assessment of the fair value of the company;

**“Tax(es)”** means a financial obligation which the individual is obliged to pay to the state or to a local government agency, as a contribution on his part to covering the public expenditures, without receiving a special benefit in return of paying the tax;

**“Value Added Tax”** or **“VAT”** is defined according to the Zakat, Tax and Customs Authority (ZATCA) as an indirect tax imposed on all goods and services that are bought and sold by businesses, with few exceptions. The Value Added Tax (VAT) is considered a key source of income contributing to consolidating the budgets of states. The Kingdom of Saudi Arabia started imposing the VAT on 14 Rabi II 1439H, corresponding to 1 January 2018G. The VAT is imposed at each stage of the supply chain, starting with production, moving through distribution and up to the final sale of the good or service. The consumer pays the VAT on the goods and services it buys. Businesses pay to the government the VAT collected on the consumers’ purchases. On the other hand, businesses recover the VAT they paid to their suppliers;

**“Fundamental Changes”** the term “Fundamental Change” means any of the following:

- 1) A significant change in the objectives, nature or class of the Fund;

- 2) A change which may have a material adverse effect on Unitholders or their rights in relation to the Fund;
- 3) A change which affects the risk profile of the Fund;
- 4) The voluntary withdrawal of the Fund Manager from its position as Fund Manager;
- 5) Any change which usually causes the Unitholders to reconsider their participation in the closed-ended public fund;
- 6) Any change which results in increased payments out of the assets of the Fund to the Fund Manager of the closed-ended public fund, any member of the Fund Board or any affiliate of either of them;
- 7) Any change which introduces a new type of payments to be made out of the assets of the closed-ended public fund;
- 8) Any change which materially increases the other types of payments, will not be made out of the assets of the closed-ended public fund;
- 9) A change in the maturity date or termination date of the closed-ended public fund;
- 10) An increase in the total asset value of the closed-ended public fund by accepting contributions in cash, in kind or in both;
- 11) Any other events determined by the CMA from time to time, and advised to the Fund Manager.

**“Non-Fundamental Changes”** mean any change which does not form part of the Fundamental Changes;

**“Benchmark”** refers to the benchmark against which the Fund’s performance is measured, namely Alkhabeer Global Equity Index, which is an index that is compliant with Shari’a guidelines;

**“Extraordinary Circumstances”** mean the events which are beyond the Fund Manager’s control, and which the Fund Manager believes that they may, if they occur, adversely and extraordinarily affect the assets of the Fund due to political, economic and/or organizational factors, including without limitation, an economic crisis, force majeure, war or currency collapse, ...).

### Fund Summary

<b>Name, Type and Category of the Fund</b>	Alkhabeer Diversified Income Traded Fund, a Shari'a compliant closed-ended traded investment fund established in accordance with the applicable laws and regulations of the Kingdom of Saudi Arabia and regulated by the Capital Market Authority (CMA).
<b>Fund Manager</b>	Alkhabeer Capital, a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445, and licensed as a Capital Market Institution by the CMA under License No. 07074-37.
<b>Fund Objective</b>	The Fund's investment objective is to generate periodic income for investors by investing in income generating assets compliant with the guidelines of the Shari'a Supervisory Committee.
<b>Risk Level</b>	Investment in the Fund involves a high level of risk.
<b>Minimum Initial Subscription Amount</b>	SAR 1,000.
<b>Dealing/Valuation Days</b>	The Fund's Assets shall be valued quarterly as at the last day of March, June, September and December of each Gregorian year. The Fund's NAV shall be equal to the value of all of the Fund's Assets less the value of all of the Fund's liabilities as at the Valuation Day.
<b>Announcement Days</b>	The Fund Manager shall comply with the announcement dates commensurate with the nature of each announcement as provided in the Investment Funds Regulations.
<b>Redemption Value Payment Date</b>	Whereas the Fund is a closed-ended traded Fund, Unitholders may not redeem their Fund Units, but may trade their Units based on the price of trading the Units on the Exchange. Units are traded in the same way the shares of companies listed on Saudi Tadawul are traded. Unitholders may sell or buy their Units during the daily trading hours through licensed Intermediaries.
<b>Initial Offering Price</b>	SAR 10.
<b>Fund Currency</b>	The Saudi Arabian Riyal (SAR).
<b>Fund Term</b>	The Term of the Fund is 99 years, starting as of the date of listing of the Fund Units on Saudi Tadawul, renewable at the Fund Manager's discretion after obtaining CMA's approval.
<b>Fund Date of Inception</b>	7 January 2021G.
<b>Date of Issue of the Fund's Terms and Conditions</b>	28 Muharram 1442H, corresponding to 16 September 2020G, and were updated on 24 February 2022G.
<b>Benchmark</b>	The Fund's performance benchmark is 12 months LIBOR + 300 bps.
<b>Fund Operator</b>	Alkhabeer Capital.
<b>Custodian</b>	Alinma Investment Company.
<b>Auditor's Name</b>	Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants - Member of Crowe Global.
<b>Fund Management Fees</b>	1.0% per annum of the Fund's NAV.

<b>Returns and Gains Distribution Policy</b>	The Fund Manager will distribute to the Unitholders semi-annually 100% of the semi-annual profits received out of the returns on the Fund's investments, after deducting expenses from the Unitholders. This distribution, however, does not include the capital gains on the sale of the underlying investment assets, which may be reinvested in other assets or distributed in full or in part at the Fund Manager's discretion. The Fund will distribute the dividends within forty (40) Business Days after the last day of each half year and at the end of each Gregorian year, i.e. during August and February of each Gregorian year. Any distributed cash dividends will be deposited in the Unitholder's investment account.
<b>Management Fees</b>	1.0% per annum of the Fund's NAV.
<b>Fund Operator Fees</b>	The Fund shall pay the Fund Operator annual fees equivalent to 0.1% of the Fund's NAV.
<b>Subscription Fees</b>	1.0% of the total allocated cash subscription amounts, payable upon subscription in the Fund.
<b>Custodian Fees</b>	The Fund shall pay the Custodian a minimum annual fee of SAR 100,000, up to a maximum of 0.1% of the Fund's total asset value.
<b>Dealing (Brokerage) Expenses and Fees</b>	The brokerage expenses (including the Executing Broker's Fees) or any other trading fees shall be paid by the Fund directly at levels determined in accordance with the laws or by the Executing Broker in the markets where the Fund deals. Such amounts vary commensurate with the types of deals, the nature of investments and the size of transactions.
<b>Other Fees and Expenses</b>	The Fund shall pay all the other actual expenses related to the activities of the Fund, the placement of Fund investments and the outsourced professional and operational services provided by third parties, including without limitation, the costs of convening the Unitholders' meetings, asset valuation fees, and other professional services provided to the Fund, in addition to the expenses of the income purification (if any). The Fund shall be liable for any taxes which are imposed in the future by regulatory authorities and become due and payable. Such fees and expenses shall not exceed 0.50% of the Fund's NAV annually, with the exception of the fees, commissions and taxes that are subject to government laws and regulations. Actual fees only will be deducted.
<b>Performance Fees</b>	Not applicable.



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## Terms and Conditions

### 1. Investment Fund

#### (a) Name, Type and Category of the Fund

Alkhabeer Diversified Income Traded Fund, a Shari'a compliant closed-ended traded investment fund established in accordance with the applicable laws and regulations of the Kingdom of Saudi Arabia and regulated by the Capital Market Authority (CMA).

#### (b) Date of Issue of the Terms and Conditions of the Investment Fund, and Latest Update

These Terms and Conditions were issued on 28 Muharram 1442H, corresponding to 16 September 2020G, and were updated on 24 February 2022G

#### (c) Date of CMA's Approval of the Offering of Fund Units

The approval of the Capital Market Authority (CMA) of the offering and registration of the Units of Alkhabeer Diversified Income Traded Fund on Saudi Tadawul was given on 28 Muharram 1442H, corresponding to 16 September 2020G, and were updated on 24 February 2022G.

#### (d) Fund Term

The Term of the Fund is 99 years, starting as of the date of listing of the Fund Units on Saudi Tadawul, renewable at the Fund Manager's discretion after obtaining CMA's approval.

### 2. Governing Law

The Fund and the Fund Manager are subject to the Capital Market Law and its Implementing Regulations, as well as other applicable laws and regulations in effect in the Kingdom of Saudi Arabia.

### 3. Investment Policies and Practices

#### (a) Investment Objectives

The Fund's investment objective is to generate periodic income for investors by investing in assets which are compliant with the guidelines of the Shari'a Supervisory Committee.

#### (b) Fund's Primary Underlying Type(s) of Securities

##### Investment Type:

1. **Sukuk:** Investment shall be made in Sovereign, Quasi-Sovereign or corporate Sukuk that are issued locally and internationally by way of a public offering or private placement, and are in compliance with the Shari'a Guidelines and

denominated either in Saudi Riyals or US dollars, or in any other currency pegged to the US dollar.

The Fund Manager has the right to invest in any investment-grade Sukuk issuance, with no more than 5% of the Fund's assets to be invested in sub-investment grade or non-rated Sukuk, provided that the average credit rating of the Sukuk portfolio is of an investment grade (i.e. BBB- / Baa3 or higher according to Standard & Poor's / Fitch or Moody's rating). In case of split ratings, the lower rating shall apply.

The Fund can invest in Sukuk through an Intermediary. The Fund Manager shall be responsible for appointing the Intermediary in accordance with the laws and regulations issued by the Capital Market Authority.

**2. Trade Finance Transactions:** Investment in Trade Finance Transactions shall be made through a diversified portfolio of short-term and asset-backed and/or insurance-backed Trade Finance Transactions. They shall be Shari'a-compliant spread across international markets outside the Kingdom of Saudi Arabia, and subject to the laws and regulations issued by the financial and supervisory bodies regulating these markets in the countries in which they operate. The Fund Manager will engage an Executing Broker to execute the Trade Finance Transactions. In this case, the Executing Broker shall comply with the investment guidelines as agreed upon with the Fund Manager. The Fund Manager shall be responsible for appointing the Executing Broker in accordance with the laws and regulations issued by the Capital Market Authority.

**3. Leasing Transactions:** Investment in Leasing Transactions shall be made through a diversified portfolio consisting of medium to long-term leasing contracts that are Shari'a-compliant, used to supply different types of equipment in multiple sectors, spread across international markets outside the Kingdom of Saudi Arabia, and subject to the laws and regulations issued by the financial and supervisory bodies regulating these markets in the countries in which they operate. These sectors include, but are not limited to, transportation, public utilities, maritime transport, cleaning and maintenance, chemicals production, food packaging, and healthcare. The Leasing Transactions are secured by the ownership of the assets for the benefit of the Fund. The Fund Manager will engage an Executing Broker to execute the Leasing Transactions. In this case, the Executing Broker shall comply with the investment guidelines as agreed upon with the Fund Manager. The Fund Manager shall be responsible for appointing the Executing Broker in accordance with the laws and regulations issued by the Capital Market Authority.

**4. Income Funds:** Investment shall be made in Income Funds that are managed by fund managers, including the Fund Manager, licensed by the Capital Market Authority or a similar regulatory body in the event of investing in funds outside the Kingdom of Saudi Arabia, provided these Transactions are Shari'a compliant. These Funds invest in various income-generating asset types, including, without limitation, Trade Finance Transactions, credit financing, Leasing Transactions, Sukuk, income generating shares, and Murabaha Transactions. When investing in any of these Funds, the Fund Manager will ensure that the investment strategy of the target fund is consistent with the Fund's investment strategy. The Income Funds that may be invested in include public funds as well as funds offered through private placement, provided that

investment in the private funds does not exceed 25% of the Fund's Net Asset Value.
<b>5. Murabaha Transactions:</b> Investment in Murabaha Transactions shall be made in Saudi Riyals with banks licensed by the Saudi Central Bank operating in the Kingdom of Saudi Arabia, provided these Transactions are Shari'a compliant.

**(c) Policy of investment concentration in certain securities, industry or group of sectors, or in a certain country or a given geography, subject to maximum and minimum limits for those securities**

The Fund seeks to achieve its objectives by investing in diversified income-generating assets that are Shari'a-compliant to generate periodic income for the Fund. The Fund Manager plans to invest in Sukuk, Trade Finance Transactions, Leasing Transactions, Income Funds and Murabaha Transactions, either directly or through investment funds.

**(d) Table Showing - Minimum and Maximum Percentage Invested by Investment Type**

Asset distribution as a percentage of the Fund's total asset value based on the last audited financial statements, is as follows:

<b>Asset Type</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Sukuk</b>	0%	40%
<b>Trade Finance Transactions</b>	0%	40%
<b>Leasing Transactions</b>	0%	40%
<b>Income Funds*</b>	0%	25%
<b>Cash and Murabaha Transactions**</b>	0%	5%

\*Notes concerning investment in Income Funds:

- In the event the Income Funds invest in any of the aforementioned types of assets, the limits of investment in those Funds shall be independent of the limits specified for each type of those investments.

\*\*Notes concerning investment in Murabaha Transactions:

- In normal circumstances, the Fund Manager will not hold Cash or invest in Murabaha Transactions in excess of 5% of the Fund's Net Asset Value (NAV). However, in case of liquidation of some investments (until the Cash is re-invested), or in exceptional cases, the allocation to Cash and Murabaha Transactions may be increased up to 100% the Fund's NAV.

**(e) Securities Exchanges where the Fund may buy and sell its investments**

The Fund Manager may invest in the Saudi, regional and international capital markets. The Fund Manager intends to geographically diversify the Fund's investments by investing in various stock markets, including the United States of America, Europe, Asia, as well as local and regional markets.

**(f) Disclosure of whether the Fund Manager intends to invest in the Fund Units**

The Fund Manager may invest in the Fund from time to time, provided the Fund Manager discloses any investment in places in the Fund at the end of each fiscal year in the Summary Financial Disclosure.

**(g) Dealings, methods and tools that the Fund Manager may use in making the Fund's investment decisions**

- The Fund will rely on the Fund Manager's vision and discretion based on the domestic and global economic conditions, findings of financial studies and available information on market investment opportunities. The Fund Manager will also rely on the Fundamental Analysis and valuation of each investment opportunity based on the strength of the financial position and projected returns, in addition to the analysis of the technical indices and the level of risks associated with each opportunity. Investments considered as suitable opportunities will subsequently be selected.
- The Fund Manager will rely on the analysis of the best available offerings of Trade Finance Transactions, Leasing Transactions and Murabaha Transactions, in terms of returns and the level of risks, with a view to maximizing returns and minimizing risks. This also applies to the risk-return analysis of available Sukuk and funds, such that the Sukuk and funds of reputable and creditworthy issuers are selected.
- The Fund Manager seeks to invest in any investment-grade Sukuk issuance. However, the Fund Manager shall not invest more than 5% of the Fund's assets in sub-investment grade or unrated Sukuk, provided the average credit rating of the Sukuk portfolio is of an investment grade (Baa3/BBB- or higher according to Standard & Poor's / Fitch or Moody's rating). In case of split ratings, the lower rating shall apply.
- When investing in unrated entities, such entities shall be assessed based on the internal assessment process used by the Fund Manager. The Fund Manager assesses the unrated entity based on a number of factors, including, without limitation, the credit rating of the country where the entity belongs, the creditworthiness, and the efficiency of assets and profits. The maximum limit for investing with unrated entities or instruments is 25% of the total size of the Sukuk portfolio, but not exceeding 5% of the Fund's total asset value.
- When investing in Income Funds, the Fund Manager will evaluate each fund based on the risk-return profile of each fund and the past performance of the manager of such funds, in addition to other criteria, including, without limitation, the target fund's creditworthiness and its investment policies and procedures.
- Investment decisions made by the Fund Manager shall be in line with the sound and prudent investment practices which achieve the Fund's investment objectives as stated in the Fund's Terms and Conditions. This includes that the Fund Manager acts to the best of its ability to ensure as follows:

1. That the Fund's investments are based on a careful and prudent distribution of risks, without undermining the Fund's investment objectives, policies and Terms and Conditions.
  2. That sufficient liquidity is available for the Fund to meet any expected payment request, such as accrued expenses and fees which are payable by the Fund.
- In extraordinary conditions, the Fund Manager may, at its discretion, hold more than 5% and up to 100% of the Fund's NAV in the form of cash liquidity, investments in money markets, Murabaha Transactions and/or funds investing in Murabaha Transactions.
  - Risks shall be assessed and necessary action shall be taken to ensure the best interest of the Unitholders in line with applicable laws and regulations. For additional details on the Fund's potential risks, please see Section (4) titled "Main Risks Associated with the Fund's Investments".
  - The Fund Manager adopts a risk management policy aimed at defining and assessing the potential risks as quickly as possible, and addressing these risks to minimize their effect. The Fund Manager studies and assesses the risks involved in any assets before investment. Risks are re-assessed annually. For additional details on the internal process for risk assessment and management, please see Appendix (3).

**(h) Securities which cannot be included in the Fund's investments**

The Fund will not invest its assets in financial derivatives.

**(i) Other restrictions on the types of securities or other assets which that Fund may invest in**

The Fund Manager shall comply with the restrictions applicable to the Fund as stipulated in the Investment Funds Regulations, the Fund's Terms and Conditions, the Fund's Shari'a Guidelines and the Fund Board's resolutions, including without limitation:

- The Fund will not hold to the benefit of the Fund more than 10% in a single non-listed company.
- No more than 10% may be held to the benefit of the Fund in securities issued by a single issuer.
- Not more than 20% of the net asset value of the fund, the units of which are acquired, may be held.
- The Fund's portfolio may not include any security against which any sum is due for payment, unless such payment can be covered in full out of the cash or securities convertible to cash from the Fund's portfolio within five business days.

- The Fund Manager shall comply with the provisions of Article (59) of the Investment Funds Regulations titled “Breach of Investment Limitations”:
  - a) If any of the investment limitations referred to in the Investment Funds Regulations or in the Fund’s Terms and Conditions are breached due to an act of the fund manager or the fund sub-manager, the fund manager shall notify the CMA in writing immediately and shall take, within five days from the date of the occurrence of such breach, the necessary steps to rectify the breach, and the CMA may change this period at its discretion.
  - b) If any of the investment limitations referred to in the Investment Funds Regulations or in the Fund’s Terms and Conditions are breached due to a change of circumstance that is beyond the control of the fund manager or the fund sub-manager, and the breach has not been rectified within (5) days from the date of the occurrence of such breach, the fund manager shall notify the compliance officer and/or compliance committee of such event immediately, indicating the rectification plan and ensure the rectification of the matter as soon as possible.
  - c) The fund manager must report all breaches of the investment limitations referred to above, to the compliance officer and/or compliance committee and to the Fund Board upon occurrence.
  - d) The compliance officer and/or compliance committee must maintain a permanent record of all breaches of the investment limitations referred to in Paragraphs (a) and (b) above, and document the action taken and period of time required to rectify any such breach.

**(j) Limit of investing the assets of the Fund in units of investment fund(s) managed by the Fund Manager or other fund managers**

The Fund Manager will comply with the investment limitations as stipulated in the Investment Funds Regulations, including - without limitation - the following:

- The Fund’s assets allocated to investment in other Funds managed by other fund managers, shall not exceed 25% of the Fund’s NAV.
- Not more than 25% of the Fund’s NAV may be invested in the units of another fund.
- Not more than 20% of the net asset value of the fund, the units of which are acquired, may be held.
- To avoid duplicity of fees in the event of investing in other investment funds managed by the Fund Manager, the Fund Manager will refund any fees it charged on the units invested in other investment funds managed by the Fund Manager, by paying those fees to the Fund’s account within (10) Business Days from the date of their collection.

**(k) Authority of the Fund to obtain financing, the Fund Manager’s policy on exercising the authority to obtain financing and the Fund Manager’s policy on pledging the Fund’s assets**

The Fund Manager may, during the investment period, obtain financing facilities or margin financing. Margin transactions are executed in favour of the Fund by the Intermediary, provided that such facilities or financing is/are Shari’a compliant and not exceeding 30% of the Fund’s NAV.

The financing periods depend on the nature of the assets that are purchased using those facilities or that margin financing. They may extend up to one year for traded assets (such as sukuk). However, in cases of financing the purchase of non-traded assets (such as leasing contracts), the financing term may extend up to five years as of the date of purchase.

All or part of the Fund’s assets may be pledged and/or transferred as collateral in the name of a subsidiary of the financial institution who provided the financing to the Fund (without prejudice to the circulars issued by the regulatory authorities).

The financing amount depends on: (1) the financing terms; (b) the prevailing market conditions. The terms of any financing facilities shall be based on non-recourse against the Unitholders.

**(l) Maximum limit for dealing with any counterparty**

The maximum limit to deal with any counterparty is 25% of the Fund’s NAV. The Fund Manager will abide by the limits as provided in the Investment Funds Regulations.

**(m) Fund Manager’s Fund Risk Management Policy**

The Fund Manager adopts a risk management policy aimed at defining and assessing the potential risks as quickly as possible, and addressing these risks to minimize their effect. The Fund Manager studies and assesses the risks involved in any assets before investment. Risks are re-assessed annually. The Fund Manager acknowledges that there is an internal process for assessment of the risks related to the assets of the Fund. For additional details on the Internal Process for Risk Assessment and Management, please see Appendix (3).

Investment decisions made by the Fund Manager shall be in line with the sound and prudent investment practices which achieve the Fund’s investment objectives as stated in the Fund’s Terms and Conditions. This includes that the Fund Manager acts to the best of its ability to ensure as follows:

- That the Fund’s investments are based on a careful and prudent distribution of risks, without undermining the Fund’s investment objectives, policies and Terms and Conditions.
- That sufficient liquidity is available to the Fund to meet any expected payment request, such as accrued expenses and fees which are payable by the Fund.



- In extraordinary conditions, the Fund Manager may, at its discretion, hold the Fund's assets in the form of cash liquidity, investments in money markets, Murabaha Transactions and/or funds investing in Murabaha Transactions up to 100% of the Fund's NAV as a maximum.
- Risks shall be assessed and necessary action shall be taken to ensure the best interest of the Unitholders in line with applicable laws and regulations.

**(n) Benchmark, Information on the Index Service Provider, and the Basis and Methodology of Calculation of the Index**

The Fund's performance benchmark is 12 months LIBOR + 300 bps.

**(o) Use of Derivatives**

The Fund will not invest its assets in financial derivatives.

**(p) CMA-approved exemptions from restrictions or limitations on investment**

This paragraph does not apply to the Fund.

**4. Main Risks of Investing in the Fund**

- The trading performance of the Unit Price is likely to fluctuate as the Fund is a traded fund, which may cause the Fund's investment risk level to be high, although the level of risk of its investments is medium.
- The Fund's or the Benchmark's past performance is not considered as an indication of the Fund's future performance.
- No assurance can be given to Unitholders that the absolute performance of the Fund or the Fund's performance against the Benchmark, will recur or will match the Fund's past performance.
- An investment in the Fund is not considered a deposit with a bank.
- The Unitholders may lose part or all of their Fund invested capital.
- The potential main risks associated with investing in the Fund, the risks to which the Fund is exposed, and the conditions that affect the Fund's NAV and returns:

**General Risk Factors**

Adherence to Shari'a Restrictions: The Fund's investments must be made in line with the guidelines of the Shari'a Supervisory Committee. These principles apply both to the structure of the investments and, to a certain extent, to the activities of the Fund and the diversification of its investments. In order to comply with such principles, the Fund may be forced to divest an investment, or part of an investment, if the investment or the investment structure relating to that investment violates the relevant the guidelines of the Shari'a Supervisory Committee. Additionally, in complying with the Shari'a guidelines, the Fund may lose investment

opportunities if a proposed investment is ultimately determined by the Shari'a Advisor not to be compliant with the guidelines of the Shari'a Supervisory Committee, and thus cannot be considered by the Fund. These factors may, under certain circumstances, have an adverse effect on the financial performance of the Fund or its investments, as compared to the results that might be obtained in the guidelines of the Shari'a Supervisory Committee are not applied to the investments of the Fund.

Availability of Appropriate Investments: There can be no assurance that the Fund Manager will be able to identify investments that meet the Fund's investment objectives. The business of identifying and structuring investments suitable for the Fund is highly competitive, and involves a high degree of uncertainty regarding the ability of Fund investments to generate gains for Unitholders. The Fund Manager's inability to identify suitable investments may adversely affect the ability of the Fund to achieve the required growth of the Unit's market value.

Currency Exchange Risk: The Fund may invest in assets and instruments denominated in various currencies. Investments in foreign securities involve additional considerations, such as fluctuations in the rate of exchange between SAR and the various foreign currencies in which the Fund's investments are denominated, and the costs associated with the conversion of the investment principal and income from one currency into another. Exchange rate volatility and the costs associated with currency exchange have an adverse effect on the level of distributions to Unitholders.

Distributions Fluctuation Risk: There are no guarantees regarding the amounts of future distributions that the Fund will make to Unitholders. The Fund may be unable to make any distribution due to unforeseeable events resulting in an increase in Fund costs or decrease in Fund revenues. The Fund's inability to pay distributions to Unitholders may expose the Fund to certain obligations which may increase the effect on its financial performance. The Fund's financiers may also prevent the Fund from paying distributions to Unitholders under the restricting terms contained in financing agreements, etc. They may also have the right under certain conditions (including for example after a default under the financing arrangements) to takeover the Fund's cash flows and use those cash flows to repay the principal amount of the financing due and payable under the financing arrangements. The disruption of payment of distributions to Unitholders or any decrease in their value may result in a decline of the Units market value and trading price on Saudi Tadawul.

Leverage Risk: It is possible to finance Fund assets using facilities which are compliant with the guidelines of the Shari'a Supervisory Committee. This may adversely affect the income generated by the Fund, or result in the loss of the principal amount of the loan, and as such may affect the market value of the Units. Fluctuations of the Fund's asset value may increase when the Fund resorts to financing. For example, financing may cause greater fluctuations in the Fund's NAV, or may expose the Fund to the loss of larger sums of its investment. Financing also involves a higher degree of risk, and increases the exposure of the Fund and its investments to factors such as rising costs of leverage and downturns in the economy.

Collateral Risk: In the event the Fund obtains financing against pledging its assets, the risk level will elevate. The Fund may lose the pledged assets in favor of the lender upon the Fund's default, under the terms and conditions of the financing agreements entered into with the lender. The use of leverage involves a high degree of financial risks, and exposes the Fund and its investments to other factors such as rising costs of leverage and downturns in the economy. In addition, the pledging of the Fund's assets to the lender and failure to pay the lender, allows the

lender to dispose of the pledged assets to recover the amounts due and payable, thus adversely affecting the Fund's performance and its expected returns.

Limited Operating History Risk: The risks associated with the Fund's future investments may differ substantially from those associated with investments and strategies undertaken historically by the Fund Manager by managing other investment funds. Past results of the Fund Manager are not necessarily indicative of future performance. Therefore, the novelty of this product shall be deemed a risk as it is difficult to predict the extent of change in the value of Units or the proceeds that are supposed to be distributed.

Market Liquidity Risk: Given the nature of the traded Fund, an application will be filed seeking Saudi Tadawul's approval of the listing of the Fund Units on Saudi Tadawul. Approval of the application or the listing of the Fund on the Stock Exchange and the trading of its Units should not be interpreted as a guarantee that there will be a liquid market for the Units or that it will develop or, if it does develop, that it will be maintained indefinitely following admission. If a liquid trading market is not developed or maintained, the liquidity and trading prices of the Units could be adversely affected. In addition, if such a market does not develop, relatively small transactions or intended transactions in the Units may have a significant negative impact on the market price of the Units, whilst transactions or intended transactions related to a significant number of Units may be difficult to execute at a stable price. Limited numbers of Units and/or Unitholders may mean that there is limited liquidity in such Units which may adversely affect: (i) an investor's ability to realize some or all of its investment; and/or (ii) the price at which such investor can effect such realization; and/or (iii) the price at which such Units trade in the secondary market. In addition, a substantial proportion of the Units may be issued to a limited number of investors, which could adversely affect the development of an active and liquid market for the Units.

No Assurance of Investment Returns: There is no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the Fund and the nature of the transactions described in these Terms and Conditions. It is possible that the Units may fall in value or that investors might lose some or all of the capital they have invested. There can be no assurance that projected or targeted returns for the Fund will be achieved. All of the figures and statistics set out in the Terms and Conditions are for illustrative purposes only and do not represent profit forecasts. Actual returns cannot be predicted and may differ from the illustrative statistics set out in these Terms and Conditions.

Dependence on Executing Brokers Risk: The Fund Manager intends to engage Executing Brokers to execute the investment transactions, thus exposing the Fund to additional risks related to the efficiency of those brokers in executing the investment instructions as agreed upon with the Fund Manager, and therefore adversely affecting the Fund's income and resulting in lowered Unit Prices.

Dependence on Sub-Managers Risk: The Fund may appoint a specialist sub-manager to manage assets of certain categories, thus exposing the Fund to additional risks related to the inefficiency of that sub-manager in performing the Fund Assets management tasks assigned to it, and therefore adversely affecting the Fund's income and resulting in lowered Unit Prices.

Dependence on the Fund Manager's Employees Risk: The Fund's success will principally depend on the quality of the performance of the Fund Manager's team assigned to manage the Fund. The loss of the services of any of the members of such management team in general

(whether such loss is through resignation or otherwise), or the inability to attract and retain additional personnel, could materially affect the Fund's business and prospects, thus impairing the Fund's ability to source, analyze and execute appropriate investment opportunities in line with the Fund's strategies and practices, and therefore adversely affecting distributions to Unitholders.

Potential Conflicts of Interest: The Fund may be subject to various conflicts of interest because of the fact that the Fund Manager and its affiliates, and their respective directors, officers and associates, may directly or indirectly be engaged in a wide range of business activities which are at times in competition with the Fund. As such, these parties may not be able to devote all their efforts and resources to the Fund. To the extent that a party dedicates efforts and resources to other activities and business, that party's ability to allocate resources and devote care to the affairs of the Fund become limited. This could adversely affect the Fund's ability to achieve its investment objective, including increasing its proceeds and ability to achieve a higher market value of the Units.

Technology Risk: The Fund Manager relies on the use of technology in managing the Fund. However, the Fund's information systems may be hacked or attacked by viruses, or may suffer a partial or total breakdown. This may limit the Fund Manager's ability to effectively manage the Fund's investments, and therefore may adversely affect the Fund's performance, Net Asset Value (NAV) and Unit Price.

Dealing with a Third-Party Risk: The Fund may enter into transactions with a third party, who may not be able to fulfill its contractual obligations under those transactions, thus adversely affecting the Fund's NAV and Unit Price.

Change of Fund Unit Price Risk: The market price of the Units may not reflect the fair value of the Fund's underlying investments. Stock exchanges may experience extreme price and volume volatility from time to time, and this, in addition to economic, political and other conditions, may materially and adversely affect the market price of the Units. As the Fund is publicly listed and traded, the prices at which the Units may be quoted may be influenced by a large number of factors, many of which are beyond the Fund's control, some are specific to the Fund and its operations in particular, and some may affect the investments as a whole or equity markets generally. In consideration of those probabilities, the level of risk of investing in the Fund is elevated to high.

Risk of Incorrect Forecasts and Changes in Market Conditions: The future performance of the Fund would largely depend on changes in the supply and demand conditions of the invested sub-sectors, which may be affected by regional and local economic and political conditions and increased competition, resulting in a decline in the value of the acquired asset and fluctuations in supply and demand. Incorrect forecasts used by the Fund Manager to make investment decisions may have an adverse impact on the Fund's performance.

Risk of Increased Management Fees Compared to the Fund's Income: The Fund pays 1.0% of its Net Asset Value as Management Fees. Whereas the Fund's NAV is expected to change from time to time, this may result in an increase in Management Fees payable to the Fund Manager. In the event of such increase, the Management Fees paid to the Fund Manager increase without any corresponding increase in the income to Unitholders out of the Fund's assets.

Valuation Risk: The Fund's assets will be valued using the method described in the Paragraph titled "Valuation of Fund Assets". The results of this valuation method may subsequently be

proven not to be accurate as compared to the actual value of the assets in the event of their sale. As a result, the value of the Fund's assets, represented by the Fund's NAV, may differ significantly from their actual value, thus adversely affecting the cash distributions and the market value of the Units.

Counterparty Default Risk: Risks of change in the financial positions of counterparties resulting from changes in management, net worth, demand or products and services, may result in the inability of counterparties to fulfill their obligations when providing services to the Fund, thus adversely affecting the Fund's income and resulting in a decrease in Unit Prices.

Sovereign and Political Risks: The value of the Fund and its investments may be negatively affected by geopolitical developments, social instability, changes in government policies and other political and economic developments, thus adversely affecting the performance of the Fund's assets and returns to Unitholders.

Natural Disasters Risk: Namely volcanoes, earthquakes, hurricanes, floods and any other natural phenomenon that is beyond control and causes severe damage to property and assets, with possible adverse effects on various economic and investment sectors, resulting in adverse effects on the performance of the Fund's assets and returns to Unitholders.

Interest Rates Risk: The market value of sukuk and other fixed income securities may change commensurate with changes in interest rates. Interest rate risks are the risks that the prices of sukuk and other fixed income securities increase when interest rates drop, and decrease when interest rates rise.

The Fund may be exposed to risks which are greater than the risks of high interest rates resulting from relatively low rates. The extent of these fluctuations in the market price of sukuk and other fixed income securities is in general greater than the fluctuations of securities with longer maturities. Fluctuations of the market price of the Fund's investments will not affect interest income from sukuk owned by the Fund. However, such fluctuations reflect on the Fund's NAV, and as such have an adverse effect on the Fund's NAV and the Unit Price.

Investing in Emerging Markets: The Fund intends to invest in emerging markets. As such, the Fund may be exposed to various risks ordinarily associated with investment in emerging markets, including potential adverse political and economic developments in certain target countries, in addition to developments and restrictions affecting the currency exchange rates, restrictions on the transfer of funds overseas, regulatory restrictions, and difficulties in obtaining official governmental approvals, as well as other bureaucratic factors which may have an adverse effect on the Fund, its investments and returns to Unitholders.

Geographic Concentration Risk: The Fund will invest in sukuk, trade finance transactions and leasing transactions outside Saudi Arabia. This exposes the Fund to the risk of concentration of investment in a certain host country or a group of host countries. Such risk may include the economic conditions and their effect on interest rates and exchange rates, as well as the government regulations and legislations and political stability in those countries, which may adversely affect the Fund's investments.

Credit and Default Risks: Investment in the Fund is exposed to a credit risk and a risk of default by the borrower in the Leasing Transactions and Trade Finance Transactions, particularly in the event where the pledged collateral cannot be liquidated for any reason. In addition, the liquidation of the assets pledged as collateral may in some cases require regulatory authority

approval. In such events, the borrower cannot guarantee the regulatory authority's swift approval of the request for liquidation, thus adversely affecting the Fund and its Unitholders.

Risk of Investment in Unrated Securities: The Fund may invest in certain securities which are unrated by international credit rating agencies, who rate the creditworthiness of financial products and securities. Such unrated securities are as liquid as rated instruments, thus exposing the Fund to the risk of loss of the invested amounts, and such factors may have an adverse effect on the Fund's performance, Unit Price and NAV.

Risks Associated with Trade Finance Transactions:

1. **Credit Risk:** There is a risk that one of the counterparties to a financing transaction is unable or unwilling to fulfill its obligations, including its inability and unwillingness to make physical delivery.
2. **Operational and Legal Risks:** Trade Finance Transactions involve a significant amount of documentation and legal review that could extend across geographic and jurisdictional boundaries, which could result in errors if the deals are not structured and monitored properly.
3. **Market Risk:** Trade finance investments are subject to normal market fluctuations and the risks inherent in purchasing, holding or selling trade finance investments and related instruments. Prices may be influenced by various factors, including the changing supply and demand relationship, changes in inflation rate, money supply, interest rates, etc.

Such factors have an adverse effect on the Fund's distributions, performance, Unit Price and NAV.

Risks Associated with Leasing Transactions:

1. **Credit/Default Risk:** The lessor may be subject to the risk of default by the lessee, and thus may be unable to collect the anticipated revenues from the investment affected by such default.
2. **Technological and Economic Obsolescence:** The returns to the lessor depend upon the value of the asset as at the end of the lease term. The returns may decrease if the leased equipment lose value over the lease term.
3. **Changes in Economic Conditions:** Unforeseen events, including fluctuations in demand for equipment, lease rates, profit rates and inflation rates, may hamper the lessor's returns.
4. **Environmental Impact:** A lease provider is directly responsible for the environmental and social impacts, such as land contamination and adverse effects on the workers' safety as a result of the use of the physical asset.
5. **Risks associated with the assets owned by the Fund and leased to third parties, including the risks of decline of the value of assets, depreciation, increasing costs of maintenance, and acquisition, sale and insurance of those assets leased to third parties as part of the Leasing transactions.** This may adversely affect the returns to the Fund and Unitholders.

Such factors have an adverse effect on the Fund's distributions, performance, Unit Price and NAV.

Risk of investing in Saudi Riyal Murabaha Transactions: The Fund may invest in SAR Murabaha Transactions, either directly or indirectly, with local Saudi banks or in other Shari'a compliant investment funds. The value of these types of investments may fall as they are not deposits with a bank. In addition, there is a counterparty risk associated with the Murabaha Transactions arising from the trading activities, which include dealings in illiquid financial instruments, whose clearance and payments do not occur at a regulated clearing house or on a stock exchange, which may negatively affect the cash distributions and the market value of the Units.

Risk of Investing in Other Funds: Other funds which may be targeted for investment by the Fund may be exposed to the same risks described in this Section titled "Main Risks Associated with the Fund's Investments", which may adversely affect the Fund's performance and Unit Price.

Risk of Changes in the Level of Activity in Underlying Markets: The general movement in local and international capital markets, prevailing and anticipated economic conditions, profit rates, financing costs, investor sentiment and general economic conditions, may all affect negatively the value of underlying assets. A lack of liquidity can have an adverse effect on the market value of the Units. Accordingly, investment in the Fund is only suitable for investors who can bear the risks associated with such investments.

Issuer Risk: The performance of an issuer of securities may change over time as a result of changes in its management, its financial conditions and the demand for its products or services provided, resulting in a decrease in the value of its share, and as such adversely affecting the Fund's Unit Price and distributions to Unitholders.

Recall and Reinvestment Risk: Certain fixed income instruments may carry a recall option giving issuers the right to recall fixed income instruments before maturity, resulting in the failure to realize the Fund's target returns and gains associated with those instruments. This may expose the Fund to the unavailability of investments with similar returns, thus adversely affecting the Fund's performance and Unit Prices.

Sukuk Market Liquidity Risk: Sukuk holders rely on the secondary market to trade Sukuk. In case the Fund needs to sell a portion of the Fund's underlying securities to access its invested principal, it may have a limited secondary market to do so and may be unable to recover its invested capital, and hence returns to Unitholders may be adversely affected.

Inflation Risk: As a fixed income security, Sukuk are exposed to inflation risk whereby inflation rates may increase, while the returns from the underlying Sukuk remain stable with no proportional increase. In case inflation increases to a level above the percentage return from the underlying Sukuk, the Fund may incur a loss on its investment and returns to Unitholders would be negatively impacted.

Risk of Dependence on the Internal Rating of Fixed Income Instruments and Weak Financial Position of Issuers of Fixed Income Instruments: The Fund is exposed to risks of investment in unrated fixed income and cash instruments, in which the Fund invests based on research and analysis, followed by internal valuation and credit rating by the Fund Manager. Any weakness in the financial position of the issuers of fixed income instruments or inaccurate analysis, may result in lowering the Fund's NAV, and as such adversely affecting the Unit Prices.

Downgrade of Rating Risk: The Fund aims to invest in rated Sukuk which entail low levels of default risks. Nevertheless, in the event of a downgrade in the credit rating of any of the instruments in which the Fund invests (for example, due to the decline in the issuer's business, income and profitability, increase of the issuer's obligations and/or deterioration of the economic conditions), the Fund Manager may be obliged to dispose of such instruments, which in turn may adversely affect the performance of the Fund and the Unit Price.

Risk of Investing Outside the Kingdom: Investing outside the Kingdom of Saudi Arabia involves many risks, including without limitation: (i) issues associated with currency rate fluctuations; (ii) economic and geopolitical risks; (iii) possible imposition of income taxes and capital gains taxes on such assets by host countries, and/or introduction of governing laws to limit the ownership of foreigners of certain assets; and (iv) changes of legislations in the host countries in a way adversely affecting the Fund and its investments. All or any such factors will adversely affect the Fund's returns, resulting in declining distributions to Unitholders and lowering the Unit Price on the Saudi Stock Exchange (Tadawul).

Market Risk and Selection Risk: Market risk is the risk that one or more markets in which the Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the performance of the securities selected by the Fund is lower than the overall performance of the markets, lower than the performance of the relevant indices, or lower than the performance of the securities selected by other funds with similar investment objectives and investment strategies. In either event, the Fund and its Unitholders are exposed to loss resulting from the materialization of any of the aforementioned risks.

Forward Looking Statements: These Terms and Conditions may contain forward-looking statements relating to future events or to the future performance of the Fund. In some cases, forward-looking statements can be identified by terminology such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plans," "projects," "should," "will," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Upon evaluating these statements, investors should specifically consider various factors, including the risks outlined in this Section titled "Main Risks Associated with the Fund's Investments", as these factors may cause actual events or results to differ materially from any forward-looking statements. The Fund Manager is under no duty to update any of the forward-looking statements after the date of the Terms and Conditions to conform such statements to actual results or to changes in expectations.

Legal and Regulatory Risks: The information contained in these Terms and Conditions is based on existing published legislations. Legal and regulatory changes in the investment environment in the Kingdom or otherwise, may occur during the Fund Term, which could have an adverse effect on the Fund or the investments, and as such resulting in the filing of court action by the Fund to collect compensation. Whereas legal proceedings and enforcement of judgments may take a long time, the Fund could suffer accumulated losses until it receives sufficient compensation. As such, this can adversely affect the performance of the Fund and the income of the Unitholders.

Regulatory Risk: Notwithstanding the obligation of the Fund Manager to ensure the Fund's compliance with applicable regulations and instructions, it is possible that the Fund may fail to meet one of the qualification requirements to be a closed-ended traded investment fund under the Investment Funds Regulations. This could adversely affect the liquidity of the Fund Units, and therefore the value of the Fund's investment. In addition, subsequent changes (including a



change in interpretation) in the Fund's qualification requirements to be a closed-ended traded investment fund, may occur. Prospective investors should note that there can be no assurance that the Fund, after being selected to be a closed-ended traded investment fund, will remain a closed-ended traded investment fund (whether due to failure to satisfy regulatory requirements or otherwise). In the event the Fund fails to meet any of the regulatory requirements to maintain its status, the CMA may suspend the trading of the Units or delist the Fund. The inability to list the Fund on the Saudi Stock Exchange (Tadawul) may adversely affect the ability to market the Units, as well as the Unit's liquidity and value.

Third Party Litigation: The Fund may become involved in litigation with third parties, given the nature of its activities. In such event, the Fund incurs legal costs in relation to defending against claims by third parties, in addition to amounts pursuant to settlements or judgments, which would reduce the Fund's assets and cash available for distribution to Unitholders. The Fund Manager and others are entitled to compensation from the Fund in connection with such litigation, subject to certain limitations. As such, the value of the Fund Units and distributions to Unitholders may be adversely affected.

Income Tax and Zakat Risks: Under interpretation of applicable Saudi rules and regulations issued by the General Authority for Zakat and Tax (GAZT), the Fund may be required to register with the GAZT. Whereas the GAZT has not to date obliged the CMA-regulated investment funds to register for Zakat, but made it optional, the rules and regulations provide that the DAZT is entitled to impose Zakat on investment funds, and as such Zakat may be imposed to those funds or to investors in such funds. This may be applied in the future or retroactively, and may result in the imposition of penalties for late payment of Zakat. As such, the liquidity available for the Fund's operations and potential distributions to Unitholders may decrease. In all events, investors should obtain advice concerning their Zakat obligations arising out of their investments in the Fund.

Risk of Value Added Tax, Income Tax, Withholding Tax, Capital Gains Tax and Any Other Tax: As at the date of these Terms and Conditions, an investment in the Fund is not subject to an income tax, withholding tax, capital gains tax or any other tax. However, it has been officially decided that a Value Added Tax shall be introduced in the Kingdom by January 2018. Under the recently introduced regulations, investment in the Fund is not expected to be subject to the Value Added Tax, but the Fund may be required to pay the Value Added Tax in the event of acquisition or disposal of certain Fund assets, in addition to the amounts due and payable for services provided to the Fund. In all events, investors should seek advice on the impact of the Value Added Tax on their investments in the Fund. If the Value Added Tax on investment in the Fund, the income tax and withholding tax, the capital gains tax and/or any other tax is/are applied, the value of the Fund Units and distributions to Unitholders may be adversely affected.

The Fund Manager and the Fund Service Providers are expected to be subject to the Value Added Tax. Thus payments due and payable (for services, commissions and fees) to the Fund Manager and/or the Fund Service Providers, shall be grossed up to take the Value Added Tax into consideration. The Value Added Tax which is collected on the services adversely affects the distributions to Unitholders and the Fund's Assets.

Risk of Withholding Tax: Under the Saudi Arabian tax regulations, a payment made by a resident person (whether a tax payer or not) to a non-resident shall be subject to tax in accordance with GAZT rules and regulations in respect of withholding taxes. Accordingly, the payment of dividend distributions by an investment fund to a non-resident shareholder shall be subject to a withholding tax of a percentage to be determined by relevant authorities. Under

current common practice, investment funds have not been required to pay any tax withholdings (with the exception of the withholding tax) on payments made by the fund to Unitholders, and hence any withholding tax which might be due and payable on distributions by the Fund, could necessarily reduce the returns associated with an investment in the Fund. Prospective investors should consult their own tax advisors regarding the tax implications on investing, holding and disposing of Units.

The foregoing does not purport to be a complete or exhaustive explanation and summary of all the risk factors involved in an investment in Fund Units. It is strongly recommended that all prospective investors seek independent advice from their own professional advisors.

No assurance can be given by the Fund Manager as to the achievement of the investment objectives listed in these Terms and Conditions. Subscribers shall take the aforementioned risk factors into consideration before subscription in the Fund, as they may adversely affect the Fund's NAV.

The Fund Manager or its employees shall not be liable for any financial loss suffered by the Fund, unless such loss results from willful action by the Fund Manager. The Fund Manager shall be liable towards Unitholders for the losses suffered by the Fund due to its fraud, gross negligence, misconduct or willful mismanagement.

All prospective subscribers shall make their decisions on their own or in collaboration with their professional advisors in relation to the legal, financial and tax risks associated with this Fund. The above mentioned risks do not summarize all the risks associated with investment in the Fund, but the main risks that the Fund may be exposed to.

## **5. Risk Assessment Process**

The Fund Manager declares that it has an internal process for the assessment of risks related to the Fund's Assets. Please see Appendix (3) of these Terms and Conditions.

## **6. Target Investor Category**

Subscription for Units is only made available to the following categories of investors ("Target Investors"): (a) natural persons holding the Saudi Arabian nationality or the nationality of other Gulf Cooperation Council ("GCC") countries; (b) corporations, companies, investment funds and other legal entities established in the Kingdom of Saudi Arabia and other GCC countries; (c) foreigners residing in the Kingdom of Saudi Arabia; (d) target foreign investors permitted to invest under the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the Board of the CMA pursuant to its Resolution No. 1-42-2015 dated 15 Rajab 1436H, corresponding to 4 May 2015G; and (e) such other investors who may be permitted by the CMA to own securities listed on Saudi Tadawul.

## **7. Investment Restrictions/Limits**

The Fund Manager shall comply with the restrictions and limits applicable to the Fund as provided in the Investment Funds Regulations, the Fund's Terms and Conditions, the guidelines of the Fund's Shari'a Supervisory Committee and the resolutions of the Fund Board.

## 8. Fund Currency

The currency of the Fund is the Saudi Arabian Riyal. Subscription Amounts are accepted, and distributions are made, in Saudi Riyal.

## 9. Consideration for the Services, Commissions and Fees

### (a) Description of the details of all payments made out of the assets of the Fund and the method of their calculation:

Note: All of the aforementioned payments shall be subject to the Value Added Tax, the rate of which may vary from time to time.

#### Value Added Tax (VAT)

All the fees and expenses referred to in the Terms and Conditions are exclusive of the Value Added Tax, unless otherwise indicated. To the extent that the VAT is payable in respect of any supply made by any person to the Fund or the Fund Manager in its capacity as Fund Manager, the Fund Manager shall pay an additional consideration for that supply out of the assets of the Fund, provided the amount of such additional consideration is equal to the value of the VAT-exclusive consideration (or its VAT-exclusive market value, if any), multiplied by the rate of the VAT due and applicable to that supply (provided a tax invoice is issued and received by the Fund).

### (b) The following table shows all the fees and expenses and the method of calculation of the consideration for the services, commissions and fees, as well as the timing of their payment by the Fund:

Type of Fees	Percentage / Amount Payable	Basis of Calculation	Timing of Calculation	Timing of Payment
<b>Management Fees</b>	1.0% per annum of the Fund's NAV	Calculated based on the Fund's NAV	Every valuation day	Payable semi-annually
<b>Sub-Manager Fees</b>	The Sub-Manager (if any) shall be compensated at the cost of the Fund Manager	At the cost of the Fund Manager	N/A	N/A
<b>Subscription Fees</b>	1.0% of the Cash Subscription Amounts	Calculated once, based on the Cash Subscription Amounts	Upon subscription	Payable once by the investor upon subscription (subscription in the Initial Offering)

<b>Custodian Fees</b>	A minimum of SAR 100,000, up to a maximum of 0.1% per annum of total asset value	Calculated based on the Fund's NAV	Every valuation day	Payable semi-annually
<b>Fund Operator Fees</b>	0.1% per annum of the Fund's NAV	Calculated based on the Fund's NAV	Every valuation day	Payable semi-annually
<b>Auditor Fees</b>	SAR 35,000 per annum	Annual lump sum	Every valuation day	Payable semi-annually
<b>Shari'a Advisor Fees</b>	SAR 20,000 per annum	Annual lump sum	Every valuation day	Payable annually
<b>Saudi Tadawul Registration Fees</b>	The Fund shall pay the following fees for registering in Saudi Tadawul:  1. SAR 50,000 + SAR 2 per Unitholder, up to a maximum of SAR 500,000; and  2. SAR 400,000, payable annually. Such fees may change from time to time commensurate with the changes in the Fund's capital	1. Non-recurring lump sum  2. Annual lump sum	1. Before the listing and trading of the Fund Units  2. Every valuation day	1. Before the listing and trading of the Fund Units  2. Payable annually
<b>Saudi Tadawul Listing Fees</b>	The Fund shall pay the following listing fees:  1. SAR 50,000 initial listing fees; and	1. Non recurring lump sum, payable upon the listing of the Fund	1. Before the listing and trading of the Fund Units	1. Before the listing and trading of the Fund Units  2. Payable annually

	2. 0.03% of the Fund's market value per annum (with a minimum of SAR 50,000 and a maximum of SAR 300,000)	on Saudi Tadawul 2. Amount based on the Fund's market value	2. Every valuation day	
<b>Saudi Tadawul Website Publishing Fees</b>	SAR 5,000 per annum	Annual lump sum	Every valuation day	Payable annually
<b>Regulatory Fees</b>	SAR 7,500 per annum	Annual lump sum	Every valuation day	Payable annually
<b>Independent Directors' Remuneration</b>	A minimum of SAR 26,000 and a maximum of SAR 42,000	Attendance fees are calculated after every meeting	Annual fees are calculated semi-annually, while attendance fees are calculated after every meeting	Payable semi-annually
<b>Dealing (Brokerage) Expenses and Fees</b>	Calculated for every transaction the Fund enters into through the Executing Broker or the Intermediary, either directly and/or periodically. The brokerage fees (including the Executing Broker's fees) or any other trading fees are payable by the Fund directly	Calculated at levels determined in accordance with the laws or by the Executing Broker or Intermediary in the markets where the Fund deals. Such amounts vary commensurate with the types of deals, the nature of investments and the size of transactions	Every valuation day	Payable upon request

<b>Shari'a Compliant Financing Costs</b>	Shall be borne by the Fund (if any) based on the prevailing market rates	Based on the prevailing market rates and the contract with the financier bank	Every valuation day	Payable as required by the financier bank
<b>Other Expenses</b>	Such fees and expenses shall not exceed 0.50% of the Fund's NAV annually, with the exception of the fees, commissions and taxes that are subject to governmental laws and regulations. Actual fees only will be deducted	Calculated based on the Fund's NAV	Every valuation day	Payable semi-annually

Note: All of the above mentioned payments are subject to the Value Added Tax (VAT), the rate of which may change from time to time.

**(c) Hypothetical example showing the ratio of the Fund's costs to the Fund's Total Asset Value at the Fund's and Unitholder's level during the life of the Fund, including the ratio of recurring and non recurring costs**

The following table depicts a hypothetical illustrative example of a client's subscription in the Fund for a sum of SAR 100 thousand (net of Subscription Fees), which did not vary throughout the year, assuming that the Fund's total asset value during that period is SAR 1,000 million, which did not vary throughout the year, and assuming that the Fund generates an annual return of 6.89% on the subscription at the end of the period. The following hypothetical example shows the Unit Subscriber's share of the expenses in Saudi Riyal (annualized)<sup>1</sup>:

<b>Hypothetical Fund Information (At the Fund Level) (SAR)</b>	<b>First Year</b>	<b>Second Year</b>
Number of Fund Units	100,000,000	100,000,000
Fund's Total Asset Value at the Beginning of the Period (SAR)	1,000,000,000	1,000,000,000
Hypothetical Annual Return at the End of the Period (6.70%)	67,000,000	67,000,000
Fund's Total Asset Value at the End of the Period	1,067,000,000	1,067,000,000
Hypothetical Distributions	51,681,575	52,314,075

Fund's NAV Net of Fees and Distributions	1,000,000,000	1,000,000,000
<b>Hypothetical Subscription Information</b>		
Unit Price at the Beginning of the Period (SAR)		10
Hypothetical Number of Subscription Units		10,000
Subscription Fees <sup>5</sup>		1%
Hypothetical Subscription Amount Before Deduction of Subscription Fees (SAR)		101,000
Hypothetical Subscription Amount After Deduction of Subscription Fees (SAR)		100,000

**(c) Permissible Transaction Charges in Respect of Subscription, Redemption and Transfer of Units Fees Payable by Unitholders**

The Fund Manager is entitled to receive Subscription Fees at a rate of 1% of the cash subscription amounts. The Subscription Fees are subject to the Value Added Tax (VAT), as well as any withholding tax and all other taxes which may be imposed in the future, if any.

Whereas the Fund is closed-ended and traded, Unitholders cannot redeem their Fund Units, but may trade their Units at the Unit Price traded on the exchange. Units are traded in the same way as the shares of Tadawul-listed companies are traded. Unitholders may sell or buy the Units during the daily trading hours through licensed financial brokers.

**(e) Reductions and Special Commissions**

Not applicable.

**(f) Zakat and Tax**

As at the date of preparation of the Terms and Conditions, there are no taxes due and payable by the Fund. The Fund Manager does not pay the zakat amount on behalf of the Unitholders. As provided in the Terms and Conditions, the Fund pays the Value Added Tax (VAT) on fees paid for certain services it receives from third parties.

**(g) Arrangement of Special Commission by the Fund Manager**

Not applicable.

**(h) Hypothetical Example Showing all the Fees and Expenses and Transaction Fees Paid or to be Paid out of the Fund's Assets or by the Unitholder in the Currency of the Fund.**

Description	Percentage (%) / Value (SAR)	First Year		Second Year	
		At the Fund Level (SAR)	At the Hypothetical Subscription Level (SAR)	At the Fund Level (SAR)	At the Hypothetical Subscription Level (SAR)

<b>Non-Recurring Fees and Expenses</b>					
Non-Recurring Saudi Tadawul Registration Fees <sup>2</sup>	575,000	575,000	57.50	N/A	N/A
Non-Recurring Saudi Tadawul Listing Fees	57,500	57,500	5.75	N/A	N/A
Total Non-Recurring Fees and Expenses		632,500	63.25	0	0
Percentage of Total Non-Recurring Fees and Expenses (to the Fund's Total Asset Value)		0.06%	0.06%	N/A	N/A
<b>Recurring Fees and Expenses</b>					
Recurring Saudi Tadawul Registration Fees	460,000	460,000	46.00	460,000	46.00
Recurring Saudi Tadawul Listing Fees <sup>3</sup>	0.03%	300,000	30.00	300,000	30.00
Auditor's Fees	40,250	40,250	4.03	40,250	4.03
Shari'a Advisor's Fees	23,000	23,000	2.30	23,000	2.30
Saudi Tadawul Website Publishing Fees	5,750	5,750	0.58	5,750	0.58
Regulatory Fees	7,500	7,500	7.500	7,500	7,500
Independent Directors Remuneration <sup>4</sup>	48,300	48,300	4.83	48,300	4.83
Management Fees	1.00%	11,500,000	1,150.00	11,500,000	1,150.00
Custodian Fees	0.10%	1,150,000	115.00	1,150,000	115.00
Administrator Fees	0.10%	1,150,000	115.00	1,150,000	115.00
Total Recurring Fees and Expenses		14,684,800	1,468.48	14,684,800	1,468.48
Fund's NAV Net of the Management, Administration and Custodian Fees and After Deduction of Other Fees and Expenses		1,066,115,200	106,611.52	1,066,115,200	106,611.52
Percentage of Total Recurring Fees and Expenses (to the Fund's Total Asset Value)		1.47%	1.47%	1.47%	1.47%
Total Fees and Expenses		15,317,300	1,531.73	14,684,800	1,468.48



Percentage of Total Recurring and Non-Recurring Fees and Expenses Listed Above to the Fund's Total Asset Value		1.53%	1.53%	1.47%	1.47%
Percentage of Total Fees and Expenses to the Fund's Total Asset Value (Total Expense Ratio)		1.53%	1.53%	1.47%	1.47%
Fund's NAV at the End of the Period		1,051,682,700	105,168	1,052,315,200	105,231.52
Net Income		51,682,700	5,168	52,315,200	5,232
Net Income %		5.17%		5.23%	

<sup>1</sup> Including VAT.

<sup>2</sup> SAR 50,000 plus SAR 2 per Unitholder, up to a maximum of SAR 500,000; the maximum limit is approved.

<sup>3</sup> A minimum of SAR 50,000, up to a maximum of SAR 300,000; the maximum limit is approved.

<sup>4</sup> The maximum limit is assumed.

<sup>5</sup> The Subscription Fees are payable by the investor directly, and are not included in the investment amount.

## **10. Valuation and Pricing**

### **(a) Detailed Description of the Method of Valuation of the each of the Fund's Assets**

The Fund's total asset value shall be calculated as follows:

1. If the assets are securities listed or traded on any organized securities exchange or an automated pricing system, the price of the last transaction executed on that exchange or system shall be used. If the securities are suspended, they shall be valued based on the last price before suspension, unless there is conclusive evidence that the value of such securities has declined below the suspension price.
2. For unlisted Sukuk, the book value plus the accumulated gains shall be used.
3. For Sukuk listed or traded on any organized securities exchange or an automated pricing system, and where the conditions of such exchange or system do not allow for the valuation of the Sukuk as stipulated in sub-paragraph (1) above, such Sukuk may be valued as provided in the foregoing sub-paragraph (2).
4. The fair market value of the Leasing Transactions will be calculated based on the net present value of the future cash flows generated by the Leasing contracts, in addition to the expected book value of the leased assets as at the end of the Lease Term, less the projected expenses and provisions during the contracting periods, in line with international accounting and auditing standards.
5. The fair market value of the Trade Finance Transactions will be calculated on the basis of the price of the traded commodities in those transactions using the payable value of accounts generated from the sale transactions or the last available market price of those commodities, less the expenses, provisions and related costs (transportation, storage, etc.), in line with international accounting and auditing standards.
6. For investment funds, the last published NAV per Unit.
7. For any other investment, the fair value determined by the Fund Manager using methods and rules as disclosed in the Fund's Terms and Conditions, subject to verification by the Fund's Auditor.

The Net Asset Value (NAV) per Unit is calculated by deducting all the amounts due and accumulated expenses out of the Fund's total assets and dividing the result by the number of outstanding Units as at the time of valuation.

### **(b) Number and Recurrence of Valuation Points**

The Fund Manager shall calculate and publish the Fund's NAV per Unit four times per year, at the end of each quarter, that is on 31 March, 30 June, 30 September and 31 December. This information shall be made available on the websites of the Fund Manager and Saudi Tadawul [www.saudiexchange.sa](http://www.saudiexchange.sa)

**(c) Action to be taken in case of any error in valuation or pricing**

In the event of erroneous valuation or pricing of any of the Fund assets, or erroneous calculation of the Net Asset Value, the Fund Manager shall do the following:

- The Fund Manager shall compensate all of the adversely affected Unitholders (including former Unitholders) for all the valuation or pricing errors without delay.
- The Fund Manager shall notify the CMA immediately of any error in valuation or pricing amounting to 0.5% or more of the Unit Price, and shall disclose it immediately on its website and on Tadawul's website, as well as in the Fund reports, which are prepared by the Fund Manager in accordance with Article (73) of the Investment Funds Regulations.
- The Fund Manager shall include in its reports to the CMA, which are required under Article (77) of the Investment Funds Regulations, a summary of all the valuation and pricing errors.

**(d) Method of Calculation of the Unit Price**

The Fund Unit Par Value is SAR 10. The trading price per Unit shall be determined by the market commensurate with the Unit supply and demand levels.

**(e) Time, Place and Frequency of Publication of the Unit Price**

The Fund's NAV per Unit as at the end of each quarter will be announced by Saudi Tadawul on its website [www.saudiexchange.sa](http://www.saudiexchange.sa), by no later than 04:00 PM, on the tenth day following the end of each quarter.

**11. Dealings**

**(a) Details of the Initial Offering, such as the Inception Date, Offering Period and Initial Offering Price**

The Fund aims to offer 100 million units to Unitholders at SAR 10 per Unit. The Offering details are as follows:

<b>Target Fund Capital</b>	SAR 1,000 million
<b>Total Number of Units</b>	100 million Units
<b>Initial Offering Price</b>	SAR 10
<b>Percentage of Offering Allocation to Institutional Investors</b>	A minimum of 5% and a maximum of 70% of the Initial Public Offering (IPO) amount will be allocated to institutional investors. If this allocation is not covered by the institutional investors, the balance will be allocated to the public.
<b>Inception Date</b>	7 January 2021G
<b>Offering Period</b>	15 Business Days

## Timeline

The following table shows the time periods of the steps taken between the Initial Offering of the Fund Units and the trading of the Units:

Steps	Expected Time Period
Initial Offering Period	15 Business Days starting as from 21 Rabi I 1442H, corresponding to 06 December 2020G, and ending on 09 Jumada I 1442H, corresponding to 24 December 2020G
Extension of the Initial Offering Period (in the event of extension after obtaining the CMA's approval)	20 Business Days
Issue of a statement showing the Offering results to the CMA	10 Business Days as of the Closing Date of the Initial Offering Period or any extension thereof
Announcement of the status of allocation of Units to subscribers	10 Business Days as of the Closing Date of the Initial Offering Period or any extension thereof
Refund of oversubscription (if any)	10 Business Days after allocation
Commencement of trading of Fund Units on Saudi Tadawul	20 Business Days after the Closing Date of the Offering Period

### (b) The specified date and deadlines for submission of the Fund Subscription Applications

Subscription Applications are filed at any time during the Initial Offering Period up to the Closing Date. The Units will be offered pursuant to the Investment Funds Regulations, during the Initial Offering Period running for 15 Business Days, starting on 21 Rabi I 1443H, corresponding to 6 December 2022G, and ending on 9 Jumada I 1443H, corresponding to 24 December 2022G (the "Closing Date"). In the event the Fund fails to raise SAR 300 million (the "**Minimum Target Fund Capital**"), the Fund Manager may at its discretion, and subject to CMA's approval, extend the Offering Period by 20 Business Days, or cancel the Offering and return all the Subscription Amounts and any other proceeds (if any) to the investors in Saudi Riyal without any deduction within Five Business Days following the date of cancellation of the Offering.

The Fund Manager reserves the right to reject the Fund Subscription Application submitted by any subscriber, in the event such subscription will cause a breach of the Terms and Conditions of the Fund or a violation of the laws or implementing regulations which may be imposed from time to time by the CMA or other regulatory authorities in the Kingdom of Saudi Arabia.

The Offering shall be cancelled and all Subscription Amounts shall be returned to investors without deduction, in the following events (unless the CMA decides otherwise):

1. Failure to achieve the Minimum Target Fund Capital of SAR 300 million, or

2. If the number of Public Unitholders is less than 200, or
3. If the percentage of Public Unitholders is less than 30%.

In the event of cancellation of the Initial Offering, all the Subscription Amounts received shall be returned to the investor within Five Business Days after the Closing Date of the Initial Offering Period (without any deduction).

**(c) Subscription and Redemption Procedures, including the place of submission of applications, the period between the redemption application and the payment of the redemption proceeds, or transfer of ownership**

- **Procedures for the Submission of Unit Subscription Applications**

To subscribe in the Offering, investors shall subscribe in the Units and complete the Subscription Form. The Subscription Form will be made available on the websites of the Fund Manager ([www.alkhabeer.com](http://www.alkhabeer.com)), the Lead Manager, the Receiving Entities, or Saudi Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa)). Each prospective investor shall: (a) submit the completed and signed Subscription Form, as well as the signed Terms and Conditions and any other documents required by virtue of the Subscription Form, to the Fund Manager or through the Receiving Entities; and (b) pay the full Subscription Amount for the Units applied for to the Fund's account with the Receiving Entities, net of any deductions, expenses, banking charges, bank transfer fees, and currency exchange fees (which shall be borne by the investor). If the aforementioned steps are not completed before the Closing Date of the Initial Offering Period, or if the information submitted is not accurate, the Fund Manager or the Receiving Entities may reject the Subscription Application.

With the submission of the completed and signed Subscription Form, each investor shall be deemed to have submitted an irrevocable binding offer to subscribe in the number of Units mentioned in the Subscription Form. Moreover, the investor shall be deemed to have agreed to the Terms and Conditions. All Subscription Applications shall be subject to the Fund Manager's approval in accordance with the Terms and Conditions.

- **Minimum Subscription**

Investors shall, during the Initial Offering Period, subscribe in at least 100 Units per investor at a Subscription Price of SAR 10 per Unit and for a total Subscription Amount of not less than SAR 1,000.

- **Minimum Redemption**

Not applicable, because this is a closed-ended and traded fund, and Unitholders are not allowed to redeem their Fund Units, but may trade their Units at the Unit Price traded on the exchange. Units are traded in the same way as the shares of Tadawul-listed companies are traded. Unitholders may sell or buy the Units during the daily trading hours through licensed financial brokers.

- **The Subscription Process**

1. **Review of the Terms and Conditions:** Prospective subscribers may obtain a copy of the Terms and Conditions by visiting the websites of the Receiving Entities, or through the Fund Manager's website – Alkhabeer Capital ([www.alkhabeer.com](http://www.alkhabeer.com)), or Saudi Tadawul's website ([www.saudiexchange.sa](http://www.saudiexchange.sa)), or the CMA's website ([www.cma.org.sa](http://www.cma.org.sa)). Prospective subscribers who intend to subscribe in the Fund's Initial Offering shall read and sign the Fund's Terms and Conditions, keep them, and electronically declare that they have read and understood them.
2. **Bank Transfer:** The full Subscription Amount to be subscribed to of not less than SAR 1,000 as a minimum, shall be transferred, with no maximum subscription limit applied during the Initial Offering Period to the account as stated by the Receiving Entities.

For example: If an investor wants to subscribe to an amount of SAR 10,000, the investor shall transfer a sum of SAR 10,000 representing the Subscription Amount, plus the Subscription Fee and the Value Added Tax due and payable on the Subscription Fee. The subscriber shall attach the bank transfer receipt when submitting the Subscription Application.

3. **Completing the Subscription Application Form:** The subscriber shall fully and accurately complete the paper or electronic Subscription Form, and subsequently hand over or send all required documentation as described below, either in paper form or electronically. No Subscription Application or bank transfer may be accepted after the close of the last Business Day of the subscription days. The investor will not be allowed to modify the information contained in the Subscription Application Form after sending it or handing it over. The subscription may be cancelled and a new application may be filed. However, a subscription cannot be cancelled after being approved and confirmed. In all events, investors of all categories shall hand over and complete all the subscription requirements and documentation or upload them to the website.
4. **Confirmation of Receipt of the Subscription:** The Receiving Entity will send to the client a message acknowledging receipt of the Fund Subscription Application by email and/or via SMS to the client's registered mobile telephone number.
5. **Acceptance of the Subscription Application:** The Subscription Application shall be reviewed, and in the event it is determined that it does not satisfy all requirements, or in case there are any comments, the client shall be notified by email and/or via SMS to the client's registered mobile telephone number using the electronic subscription feature to complete the requirements within one Business Day after sending the notification to the subscriber. If the Application is found to be complete, the investor shall be notified that the Subscription Application is accepted.
6. **Allocation Notification:** Following the Closing Date of the Initial Offering and after allocating Units to the investors in accordance with the allocation

process and the allocation period, the CMA shall be notified, and the final Offering results and the allocation of Units shall be announced on the Fund Manager's website.

7. **Return of Oversubscriptions and Listing:** Subsequent to the announcement of the final allocation of Units, the oversubscription shall be returned to the subscribers within the time period specified in the Terms and Conditions, without any deduction, less the value of allocated Units. Allocated Units shall be included in the subscribers' investment portfolios with the brokerage company licensed by Saudi Tadawul.

- **General Conditions for Subscription in the Fund**

1. Review of the Fund's Terms and Conditions.
2. Availability of an active investment portfolio for the subscriber.
3. Availability of a bank account IBAN Number registered in the name of the subscriber. The subscriber shall transfer the Subscription Amount from that account, and oversubscription will be returned to the subscriber after allocation.

- **Conditions and Requisite Documents by Investor Category**

- Requisite Documents for All Investors:

- Copy of the bank transfer originating from a bank account in the name of the investor, showing the Subscription Amount, in the event the Subscription Application is submitted electronically.
- Signed copy of the Terms and Conditions (in paper form, or acknowledgement of their review electronically or by telephone via a recorded telephone call).
- Fully completed and signed Subscription Application Form (in paper form, electronically or by telephone via a recorded telephone call).

- Conditions and Requisite Documents for Individual Investors:

- Copy of the national ID card for Saudis or GCC nationals, or copy of a valid residence ID card for residents.
- Completion of one Subscription Application shall suffice for each principal investor subscribing on his own behalf and on behalf of his family members appearing in the family record if the family members intend to subscribe in the same number of Units as the principal investor. This shall involve the following:

1. All Units allocated to the principal investor and his dependent investors shall be registered in the name of the principal investor.

2. Oversubscription amounts resulting from the unallocated additional Units shall be returned to the principal investor whether he had paid them for himself or on behalf of his dependent investors.
  3. The principal investor shall receive all the dividends of the Units which are allocated to the principal investor and the dependent investors (in the event Units are not sold or transferred).
- Conditions and Requisite Documents for Minors:

The following documents shall be attached:

- Copy of the national ID card for Saudis or GCC nationals or copy of a valid residence ID card for residents in respect of minors aged 15 Hegira years to 18 Hegira years, or the family record in respect of minors aged less than 15 Hegira years.
- Copy of the residence ID card for resident minors aged less than 18 Hegira years.
- Copy of the guardian's national ID card for Saudis or GCC nationals or copy of a valid residence ID card for the resident's guardian.
- If the guardian is not the minor's father, the custodianship deed shall be attached.
- A separate bank transfer shall be made for each minor individual from the same bank account of the minor's guardian, in the event the minor does not have a bank account or portfolio.

Details of certain subscription cases of minor individuals:

- Subscription for individuals younger than 18 Hegira years is permitted through the guardian or the custodian.
- The minor younger than 18 Hegira years shall provide a copy of the national ID card or the residence permit, along with the ID of the guardian or the custodian.
- If the client is a Saudi citizen who is younger than 15 Hegira years, the family record containing the minor's registration, as well as the national ID card of the guardian or the custodian, shall be attached.
- If the client is younger than 18 years and under custodianship, a copy of the custodianship deed issued by the court of jurisdiction along with the custodian's ID card, shall be attached.



- A minor who lack legal competence may subscribe through the guardian or custodian, provided that the minor has an investment portfolio with a capital market institution.
  - The divorced or widowed Saudi woman who is the mother of minor children from a non-Saudi husband, may subscribe under the names of her children, provided that she submits evidence that she is divorced or widowed and proof that she is the mother of minor children.
- Requisite Documents for Companies:
- Copy of the commercial registration stamped by the company.
  - Copy of the memorandum of association and the articles of association stamped by the company.
  - Copy of the ID card of the authorized signatory stamped by the company and signed by the authorized signatory.
- Requisite Documents for Investment Funds:
- Copy of the commercial registration of the fund manager stamped by the company.
  - Copy of the memorandum of association and the articles of association of the fund manager stamped by the company.
  - Copy of the fund manager's license to engage in the business activity.
  - Copy of the fund's terms and conditions.
  - Copy of CMA's approval of the offering of the fund.
  - Copy of the authorized signatory's ID card stamped by the company and signed by the authorized signatory.
- Requisite Documents for Investment Portfolios:
- Copy of the ID card of the portfolio holder.
  - Copy of the commercial registration of the portfolio manager stamped by the company.
  - Copy of the portfolio manager's memorandum of association and articles of association stamped by the company.
  - Copy of the portfolio manager's license to engage in the business activity.
  - Copy of the investment portfolio management agreement.

- Copy of the ID card of the authorized signatory stamped by the company and signed by the authorized signatory.

**(d) Restrictions on Unit Trading**

Upon listing, Units are traded in the same way as the shares of Tadawul-listed companies are traded. Unitholders may sell or buy their Units during the daily trading hours through licensed financial brokers.

**(e) Events where Unit trading is postponed or suspended, and action taken in such events**

1. The CMA may suspend the trading of listed Units or delist the Units at any time at its discretion, in the following events:
  - (a) If it deems so necessary to protect the Unitholders or maintain a regulated exchange.
  - (b) If the Fund Manager fails to comply with the Law or its Implementing Regulations or the market rules, and the CMA deems such failure to be material.
  - (c) If the Fund Manager fails to timely pay any amount due and payable to the CMA or Tadawul, or any penalties due and payable to the CMA.
  - (d) If the CMA finds that the Fund and its activities, level of operations or assets are no longer suitable for the continued listing of its Units on Tadawul.
  - (e) If the CMA finds that the Custodian has failed to comply with the Law and its Implementing Regulations and the market rules, and the CMA deems such failure to be material.
  - (f) Upon expiration of the Fund Term.
2. The lifting of suspension of trading imposed under the foregoing Paragraph (1) is subject to the following considerations:
  - (a) Sufficient remedy of the conditions which caused the suspension, and the absence of any necessary causes for the continued suspension against the Unitholders.
  - (b) The lifting of the suspension is not likely to affect the exchange's normal activities.
  - (c) The Fund Manager's compliance with any other conditions as required by the CMA.
3. Tadawul suspends trading of Fund Units in any of the following events:
  - (a) Failure of the Fund Manager to comply with the deadlines for disclosure of its periodic financial information in accordance with applicable implementing regulations.

- (b) If the Auditor's report on the Fund's financial statements contains an adverse opinion or disclaimer of opinion.
  - (c) If the liquidity requirements provided in the Listing Rules are not satisfied by the deadline specified by Tadawul for the Fund to rectify its conditions, unless the CMA agrees otherwise.
4. Tadawul may at any time propose to the CMA to suspend the trading of Units or delist them, if it determines that any of the events referred to in Paragraph (1) above is likely to occur.
  5. Upon suspension of the Fund Units, the Fund shall continue to comply with the Law and its Implementing Regulations and the market rules.
  6. If the suspension of trading of the Units continues for a period of six (6) months without appropriate action being taken by the Fund Manager to remedy the suspension, the CMA may delist the Fund Units.
  7. After listing its Units, the Fund may not cancel the listing without the CMA's prior approval. To obtain CMA's approval, the Fund shall apply to the CMA for delisting, with notification to that effect filed simultaneously with Tadawul. The application shall include the following information:
    - (i) The specified reasons for the application for delisting.
    - (ii) A copy of the public disclosure in this respect as soon as possible. The disclosure shall include, as a minimum, the reason for delisting, the nature of the event leading to the delisting, and the effect of the delisting on the activities of the Fund.
    - (iii) The names and contact details of the financial advisor and the legal advisor, who are appointed in accordance with the relevant Implementing Regulations.
  8. The CMA may – at its discretion – accept or reject the application for delisting.
  9. After receiving CMA's approval, the Fund Manager shall obtain the consent of the Unitholders – by way of an Ordinary Fund Resolution – to the delisting.
  10. Upon delisting at the Fund Manager's request, the Fund Manager shall make a public disclosure in this respect as soon as possible. The disclosure shall include, as a minimum, the reason for delisting, the nature of the event leading to the delisting, and the effect of the delisting on the activities of the Fund.
  11. The Fund Manager may apply to Tadawul to temporarily suspend the trading of the Fund Units upon occurrence of an event during the trading period which must be disclosed without delay according to the Law or its Implementing Regulations or the market rules, and the Fund Manager cannot keep it secret until the end of the trading period. Tadawul shall suspend the trading of the Fund Units immediately upon receiving the Fund Manager's application.

12. Upon temporary suspension of trading at the Fund Manager's request, the Fund Manager shall make a public disclosure as soon as possible, showing the reason for the suspension and its expected period, as well as the nature of the event leading to the suspension and the effect of the suspension on the activities of the Fund.
13. The CMA may temporarily suspend trading without receiving a request from the Fund Manager, whenever the CMA has information, or whenever there are circumstances which may affect the activities of the Fund, and the CMA determines that such circumstances may affect Tadawul's activity or undermine the protection of the Unitholders. The fund whose units are temporarily suspended shall continue to comply with the Law and its Implementing Regulations and the market rules.
14. Tadawul may propose to the CMA to exercise its authority in accordance with Paragraph (13) above, if it receives information or learns of circumstances which may affect the activities of the Fund, or could potentially adversely affect Tadawul's activity or undermine the protection of the Unitholders.
15. The temporary suspension of trading shall be lifted at the end of the period specified in the disclosure referred to in Paragraph (13) above, unless the CMA or Tadawul determines otherwise.

**(f) Description of the procedures for selection of the redemption applications to be postponed**

Not applicable, because the Fund is closed-ended and traded, and Unitholders may not redeem their Fund Units, but may trade their Units at the Unit Price traded on the exchange. Units are traded in the same manner as the shares of Tadawul-listed companies are traded. Unitholders may sell or buy their Units during the daily trading hours through licensed financial brokers.

**(g) Description of the provisions governing the transfer of ownership of the Units to other investors**

Upon listing, Fund Units may be traded in the same way as the shares of Saudi Tadawul listed companies are traded. Thus, Unitholders and investors may trade through licensed brokerage companies during the normal trading hours announced by Saudi Tadawul.

**(h) Minimum number or value of Units in which the Unitholder shall subscribe**

The Minimum Subscription Amount shall not be less than SAR 1,000 or (100) Units per Unitholder.

**(i) Minimum Amount Intended to be Raised by the Fund Manager, and Action to be Taken if this Minimum Amount is not reached**

Investors shall subscribe during the Initial Offering Period in an amount of not less than the Minimum Fund Target Capital of SAR 300 million ("**Minimum Fund Target**")

**Capital**”). The Fund’s Target Capital (through the Initial Offering) will be SAR 1 billion (**“Maximum Fund Target Capital”**).

If the Fund fails to raise a sum of SAR 300 million (**“Minimum Fund Target Capital”**), the Fund Manager may, at its discretion and subject to applicable CMA regulations, extend the Offering Period for 20 Business Days or cancel the Offering and return all the Subscription Amounts to the subscribers.

The Offering may be cancelled and all Subscription Amounts returned to investors if the Fund fails to raise the Minimum Fund Target Capital of SAR 300 million (unless the CMA decides otherwise).

## **12. Distribution Policy**

The Fund Manager will distribute to the Unitholders semi-annually 100% of the semi-annual profits received out of the returns on the Fund’s investments, after deducting expenses from the Unitholders. This distribution, however, does not include the capital gains on the sale of the underlying investment assets, which may be reinvested in other assets or distributed in full or in part at the Fund Manager’s discretion. The Fund will distribute the dividends within forty (40) Business Days after the last day of each half year and at the end of each Gregorian year, i.e. during August and February of each Gregorian year. Any distributed cash dividends will be deposited in the Unitholder’s investment account.

## **13. Reporting to Unitholders**

### **(a) Information related to the financial reports, including the initial and annual fiscal periods**

- The accounting period and fiscal year of the Fund is 12 calendar months, ending on 31 December. The end of the Fund’s initial accounting period is 31 December 2021G.
- The Fund Manager shall prepare and issue the Fund’s short-form annual reports, interim reports and audited annual financial statements, to be made available to the Unitholders upon request, free of charge. The Fund’s annual reports shall be made available to the public within no later than three months after the end of the reporting period. The Fund Manager shall prepare the interim reports, and make them available to the public within (30) days after the end of the reporting period. Annual reports and interim reports may be provided to the Unitholders upon their request by electronic mail and/or in printed form, and will be published on the websites of the Fund Manager and Saudi Tadawul.
- The Fund Manager acknowledges that the Fund’s annual reports, audited annual financial statements, short-form annual reports and interim reports, will be made available at the Fund Manager’s offices, as well as on the websites of the Fund Manager and Tadawul. The Fund’s audited annual financial statements shall be prepared on 31 December of every year. The Fund Manager acknowledges that the first audited financial statement will be made available at the end of the Fund’s fiscal year and the end of the initial accounting period, namely 31 December 2020G.

- The Fund's audited annual financial statements shall be made available to the Fund Unitholders upon request, free of charge.
- The Fund Manager shall disclose on a quarterly basis on its website and on Saudi Tadawul's website and via any other medium determined by the CMA, the information required in accordance with Article 76(a) of the Investment Funds Regulations, which shall include the information contained in Appendix (4) of the Investments Funds Regulations.

**(b) Places and means of providing Fund reports prepared by the Fund Manager**

The Fund's annual reports, including the financial statements, shall be made available on the Fund Manager's website: [www.alkhabeer.com](http://www.alkhabeer.com), and on Saudi Tadawul's website: [www.saudiexchange.sa](http://www.saudiexchange.sa), as well as on any other website available to the public, subject to CMA's guidelines.

**(c) The Fund Manager acknowledges that the Fund's annual reports, audited annual financial statements, short-form annual reports and interim reports, will be made available at the Fund Manager's offices, as well as on the websites of the Fund Manager and Saudi Tadawul. The Fund's audited annual financial statements shall be prepared on 31 December of every year.**

**(d) The Fund Manager acknowledges that the first audited financial statement will be made available at the end of the Fund's fiscal year. The initial accounting period of the Fund ends on 31 December 2021G.**

**(e) The Fund Manager acknowledges that the Fund's audited annual financial statements shall be made available to the Fund Unitholders upon request, free of charge.**

**14. Unitholders' Register**

Whereas the Fund is closed-ended and traded, the Unitholders' Register shall be maintained by the Securities Depository Center Company ("Edaa").

**15. Unitholders' Meeting**

**(a) Circumstances calling for a Unitholders' meeting**

The Fund Manager may, on its own initiative, call a meeting of Unitholders. The Fund Manager shall call a meeting of Unitholders within (10) days from the date of receiving a written request to that effect from the Custodian. The Fund Manager shall call for a meeting of Unitholders within (10) days of receiving a written request from a Unitholder or more, who individually or collectively hold(s) at least 25% of the value of Fund Units.

**(b) Procedures for calling a Unitholders' meeting**

The Fund Manager shall call for a meeting of Unitholders by announcing the invitation on its website and that of Saudi Tadawul, giving a minimum of 10 day notice and a maximum of 21 day notice of the meeting. The announcement and the notice must

specify the date, place, time and agenda of the meeting and the proposed resolutions. The Fund Manager must at the same time send such notice to the CMA.

**(c) Description of the method of Unitholders' voting and their voting rights in Unitholders' meetings**

- The quorum required to conduct a meeting of Unitholders shall be such number of Unitholders holding collectively at least 25% of the value of the Fund Units. For the avoidance of doubt, the Fund Manager and its affiliates do not have voting rights for Units they own.
- If the quorum requirements set out above are not met, the Fund Manager shall call for a second meeting by announcement on its website and that of Saudi Tadawul, and shall send a notice in writing to the Custodian giving not less than 5 days' notice of the second meeting. At the second meeting, any number of Unitholders holding any number of Units, present in person or represented by a proxy, shall be deemed to satisfy quorum.
- Every Unitholder shall be entitled to appoint a proxy to represent such Unitholder at a meeting of Unitholders.
- Each Unit held by a Unitholder shall represent one vote at the meeting of Unitholders.
- The Unitholders' meetings and their deliberations and voting on resolutions may be conducted through modern technology means in accordance with the requirements set out by the CMA.

**16. Unitholders' Rights**

**(a) Statement of the Unitholders' Rights**

- The right to receive a copy of the Fund's Terms and Conditions in Arabic, or any amendments thereto, free of charge;
- The right to receive, upon request and free of charge, a summary containing all information related to the Unitholder concerned only;
- The right to receive notification on any matter related to the termination or liquidation of the Fund within the period specified in the Regulations;
- The right to receive disclosures of material developments or certain events;
- The right to receive the Fund's audited annual and semi-annual financial statements and information as provided in the Funds Regulations free of charge upon request;
- The right to examine the Fund's current NAV free of charge;



- The right of all Unitholders of the same category to equal rights and equal treatment by the Fund Manager;
- The right not to return any dividends distributed to Unitholders;
- The right to request issue of a special resolution to remove any member of the Board of Directors. This request shall be addressed to the Fund Manager;
- The right to receive notification of any change in the Fund's Terms and Conditions and a summary of such change before it goes into effect, commensurate with the type of change and the period allowed in accordance with the Investment Funds Regulations;
- The right to redeem Units before any fundamental or non-fundamental change goes into effect, without any redemption fees (if any);
- The right to receive subscription amounts and any proceeds generated by their investment without any deduction in the event the minimum subscription amount is not raised during the Initial Offering Period, as well as the oversubscription amount within the period allowed in accordance with the Investment Funds Regulations;
- The right to receive an immediate notification from the Fund Manager when the Fund Manager suspends subscription of the Fund Units, showing the causes of suspension, as well as upon the lifting of the suspension;
- The right of injured Unitholders to receive compensation from the Fund Manager without delay in respect of all valuation or pricing errors;
- The right to receive, upon request, an updated copy of the Fund's Terms and Conditions annually, showing the actual fees and Fund performance information;
- The right to receive notification of the Fund Manager's intent to terminate the Investment Fund at least 21 calendar days prior to termination, as well as in events as provided in the Terms and Conditions;
- The right to receive notification of the CMA's decision in the event of removal of the Fund Manager from the liquidation process and the appointment of a replacement liquidator;
- The right to receive immediate notification without delay of any material events or developments which occur during the liquidation period;
- The right to receive special procedures for handling complaints when requested from the Fund Manager.
- The right to attend meetings, request meetings to be convened, receive notice of the meeting before it is held within the period as provided in the Funds Regulations;

**(b) The Fund Manager’s Policy on the Voting Rights Associated with Any Fund Assets**

The Fund Board shall consult with the Fund Manager’s compliance officer and approve the general policies associated with the voting rights related to the Fund based on the securities contained in its assets portfolio. The Fund Manager shall decide, at its discretion and based on the voting policies and procedures approved by the Fund Board, whether to exercise or not exercise any voting rights after consulting with the compliance officer. The Fund Manager shall keep complete documented records of the exercise of such voting rights (including the reasons of exercising or not exercising such rights in a particular manner). Unitholders will be provided with this policy upon their request. The Voting Rights Policy is available via the Fund Manager’s website and Saudi Tadawul’s website.

**17. Liability of the Unitholders**

Notwithstanding the loss of all or part of the Unitholder’s investment in the Fund, the Unitholder shall not be liable for the debts and liabilities of the Fund. The Unitholders will be responsible for the payment of Zakat on the Units they invest in.

**18. Characteristics of the Units**

All the Units are of a single category. Unitholders have equal rights, and are treated equally by the Fund Manager. Each Unit represents an equal common share in the Fund’s assets.

**19. Changes to the Fund’s Terms and Conditions**

**(a) Provisions governing any changes to the Fund’s Terms and Conditions, and approvals and notifications, as stipulated in the Investment Funds Regulations**

The Fund Manager shall comply with the provisions of the Investment Funds Regulations pertaining to the changes made to the Terms and Conditions, which require Board approval of all changes in accordance with Articles (62) and (63) of the Investment Funds Regulations, before the Fund Manager obtains the approval of Unitholders and the CMA, or notifies them of the requirements of disclosure of the closed-ended traded fund as provided in Article (52) of the Investment Funds Regulations.

**Fundamental Changes:**

- The Fund Manager shall obtain the consent of the Fund Unitholders to the proposed Fundamental Change by way of an Ordinary Fund Resolution, unless the Fundamental Change is related to a change in a maturity date or the termination of the closed-ended public fund, in which case, Fund Unitholders’ consent shall be obtained by way of a Special Fund Resolution.
- The Fund Manager, having obtained the consent of Unitholders and the Shari’a Supervisory Committee, shall obtain the approval of the CMA on the proposed Fundamental Change to the Fund.

- The Fund Manager shall send a notice to Unitholders, and shall disclose the details of the Fundamental Changes on its website and on any other website available to the public, subject to CMA's guidelines, (10) days prior to the effective date of the change.
- Details of the Fundamental Changes shall be shown in the public fund's reports prepared by the Fund Manager in accordance with Article (76) of the Investment Funds Regulations.

Non-Fundamental Changes:

- The Fund Manager shall notify the CMA and Unitholders of, and shall disclose on its website and on any other website available to the public, subject to CMA's guidelines, any Non-Fundamental Changes to the public fund, (10) days prior to the effective date of the change.
- The Fund Manager shall obtain the Fund Board's approval prior to introducing any Non-Fundamental Change.
- Details of the Non-Fundamental Changes shall be shown in the public fund's reports prepared by the Fund Manager in accordance with Article (76) of the Investment Funds Regulations.

Disclosure of Material Developments:

- (1) The Fund Manager shall disclose to the CMA and Unitholders, without delay, any material developments falling within the scope of its activity, the knowledge of which is not in the public domain, and which may affect the Fund's assets and liabilities, financial position or general course of activities, and may:
  - (a) Lead to a change in the price of the listed Unit, or
  - (b) Significantly affect the Fund's ability to fulfil its obligations related to debt instruments.
- (2) To determine the development which falls within the scope of Paragraph (a) above, the Fund Manager shall assess whether it is possible that any prudent Unitholder takes that development into consideration when making his investment decision.

Disclosure of Particular Events:

The Fund Manager shall disclose to the CMA and Unitholders, without delay, any of the following developments (whether material or not, in accordance with Paragraph (a) above.

- (1) Any transaction to buy, sell, pledge or lease an asset at a price equal to, or greater than, 10% of the Fund's NAV according to the latest reviewed pro forma financial statements or audited annual financial statements, whichever is more recent.

- (2) Any loss that is equal to, or greater than, 10% of the Fund's NAV according to the latest reviewed pro forma financial statements or audited annual financial statements, whichever is more recent.
- (3) Any dispute, including any lawsuit, arbitration or mediation, if the disputed or claimed amount is equal to, or greater than, 5% of the Fund's NAV according to the latest reviewed pro forma financial statements or audited annual financial statements, whichever is more recent.
- (4) An increase or decrease in the Fund's NAV in an amount equal to, or greater than, 10% according to the latest reviewed pro forma financial statements or audited annual financial statements, whichever is more recent.
- (5) An increase or decrease in the Fund's total gains in an amount equal to, or greater than, 10% according to the latest audited annual financial statements.
- (6) Any transaction between the Fund and a related party, or any arrangement under which each of the Fund and a related party invests in any project or asset or provides financing to it, if such a transaction or arrangement is equal to, or greater than, 1% of the Fund's total revenues according to the latest audited annual financial statements.
- (7) Any interruption in any of the main activities of the Fund resulting in an effect equal to, or greater than, 5% of the Fund's total revenues according to the latest audited annual financial statements.
- (8) Issue of a judgement, decision, summons or order by any court or judicial authority, whether at the first instance or appeal levels, which may adversely affect the Fund's use of any part of its assets whose total value exceeds 5% of the Fund's NAV according to the latest reviewed pro forma financial statements or audited annual financial statements, whichever is more recent.
- (9) Any proposed change in the total asset value of the Fund.

**(b) Procedures to be followed for notification of any change to the Fund's Terms and Conditions**

Fundamental Changes: The Fund Manager shall send a notice to Unitholders, and shall disclose the details of the Fundamental Changes on its website and on Tadawul's website (10) days prior to the effective date of the change;

Non-Fundamental Changes: The Fund Manager shall notify the CMA and Unitholders of, and shall disclose on its website and on any other website available to the public, subject to CMA's guidelines, any Non-Fundamental Changes to the public fund, (10) days prior to the effective date of the change.

The Fund Manager will disclose all the changes to the Fund's Terms and Conditions in the Fund's annual reports, including the Fund's short-form annual reports and pro forma financial statements, which are prepared in accordance with Article (76) of the Investment Funds Regulations.

The Fund Manager shall submit to the CMA an updated copy of the Fund's Terms and Conditions within (10) days after introducing any change to them. The Fund Manager shall also submit an updated copy of the Fund's Terms and Conditions to the Custodian immediately upon updating them.

The Fund Manager shall publish a copy of the Fund's Terms and Conditions on its website and Tadawul's website or any other website available to the public, subject to CMA's guidelines (as applicable). The Fund Manager shall also announce any updated copy of the Fund's Terms and Conditions on its website and Tadawul's website or any other website available to the public, subject to CMA's guidelines (as applicable), within (10) days after introducing the update.

## **20. Termination and Liquidation of the Fund**

### **(a) Events triggering termination of the Fund and Relevant Procedures in Accordance with the Investment Funds Regulations:**

**The Fund shall be terminated in any of the following events (each referred to as a "Termination Event"):**

- The Fund Manager's decision to terminate and discontinue the Fund.
- Upon expiration of the Fund's Term, in which event the Fund Manager shall notify the CMA and the Unitholders in writing at least (21) days prior to the expiration of the Fund's Term.
- Following obtaining the approval of the Fund Board, in the event the Fund is exited, or all of its assets are sold and all the proceeds of such dispositions have been distributed to the Unitholders.
- If there is a change to the laws, regulations or other legal conditions, or there are material changes to the market conditions in Saudi Arabia, and the Fund Manager considered such change as a justified reason to terminate the Fund, or if the termination of the Fund is required based on a resolution by the CMA or in accordance with CMA's regulations, in which case, the Fund Manager shall terminate the public fund immediately upon the occurrence of such event, and shall notify the CMA and Unitholders in writing within five days after the occurrence of the event requiring termination of the Fund.
- If a decision is made to terminate the Fund for a cause other than the termination events, prior approval shall be obtained from the Unitholders, the Fund Board and Saudi Tadawul.

## **Procedures for Termination in Accordance with the Investment Funds Regulations:**

- The Fund Manager shall specify the termination provisions of the Fund in the Terms and Conditions of the Fund.
- The Fund Manager must complete the process of selling the Fund's assets and distribute the Unitholders' entitlements to the Unitholders prior to the end of the Fund's Term.
- The Fund Manager may extend the Fund's Term to complete the sale process of the Fund's assets or any other event in accordance with the provisions of Article (62) of the Investment Funds Regulations
- For the purpose of terminating the Fund, the Fund Manager must prepare a plan and procedures for the termination of the Fund consistent with the Unitholders interests and must obtain the Fund Board's approval on such plan prior to carrying out any procedure in this regard.
- The Fund Manager shall notify the CMA in writing of the detailed plan and procedures for the termination of the Fund, and shall also notify the Unitholders of such plan and procedures by announcing it on the Fund Manager's website and Saudi Tadawul's website at least (21) days prior to the scheduled Fund termination date, subject to the Fund's Terms and Conditions.
- The Fund Manager must adhere to the approved plan and procedures for the termination of the Fund.
- The Fund Manager must notify the CMA and Unitholders, in writing, of the Fund's termination within 10 days from the end of the Fund's Term in accordance with the requirements as stipulated in Paragraph (d) of Annex (10) of the Investment Funds Regulations.
- In case the Fund's Terms and Conditions provide that the Fund will be terminated upon the occurrence of a certain event, the Fund Manager must terminate the Fund immediately upon the occurrence of such event and notify the CMA and Unitholders in writing within 5 days from the occurrence of the event triggering the termination of the Fund.
- In the event of expiry of the Fund's term and the Fund Manager has not completed the sale of the Fund's assets before the expiry of its term, the Fund Manager must liquidate the assets and distribute the Unitholders' entitlements to the Unitholders within a period not exceeding (6) months from the date of the expiry of the Fund's Term.
- The Fund Manager shall comply with the plan and procedures for Fund liquidation as approved in accordance with the foregoing paragraph.

- The Fund Manager shall notify the CMA and the Unitholders of the end of the Fund liquidation within 10 days from the end of the Fund liquidation by announcement on the Fund Manager's website and Saudi Tadawul's website, in accordance with the requirements in Paragraph (d) of Annex (10) of the Investment Funds Regulations.
- The Fund Manager shall treat all Unitholders equally during the Fund termination or liquidation process.
- The Fund Manager shall immediately upon the end of Fund's Term or liquidation, distribute the entitlements of the Unitholders to them, without delay and in a manner that does not conflict with the interests of Unitholders and the Fund's Terms and Conditions.
- The Fund Manager shall provide the Unitholders with the Fund termination report, in accordance with the requirements of Annex (14) of the Investment Funds Regulations within a period not exceeding 70 days from the date of completion of the Fund's termination or liquidation, including the final audited financial statements of the Fund for the period subsequent to the last audited annual financial statements.
- The CMA may remove the Fund Manager from the liquidation process in the event of a special Fund resolution issued by the Unitholders, provided that a replacement liquidator is appointed during the same meeting in which Unitholders voted on removing the Fund Manager.
- In the event the Fund manager is removed from the liquidation process, it shall fully cooperate to transfer liquidation responsibilities to the appointed liquidator. It shall also transfer to the appointed liquidator all the documents of the relevant investment fund, that will enable it to complete the liquidation within 20 days from the issuance of CMA's resolution to remove the Fund Manager and appoint a replacement liquidator.
- The Fund Manager shall notify the Unitholders by announcement on the Fund Manager's website and Saudi Tadawul's website, in the event where the CMA issues a resolution to remove the Fund Manager and appoint a replacement liquidator.
- In all events, the Fund Manager must notify the CMA and the Unitholders, in writing, immediately and without any delay of any material events or developments during the liquidation period of the Fund.

**(b) Procedures for Liquidation of the Fund:**

- For the purpose of liquidating the Fund, the Fund Manager will obtain the Fund Board's approval (where applicable) on the plan and procedures for the liquidation of the Fund prior to carrying out any action in this regard.
- The Fund Manager will comply with the plan and procedures for the liquidation of the Fund, which are approved as stipulated in foregoing Paragraph.

- The Fund Manager will notify the CMA and Unitholders in writing of the completion of the Fund's liquidation within (10) days from the date of completion of the Fund's liquidation, in accordance with the requirements stipulated in Paragraph (d) of Annex (10) of the Investment Funds Regulations.
- The Fund Manager will treat all the Unitholders equally during the process of termination or liquidation of the Fund.
- The Fund Manager will, immediately upon the end of the Fund Term or upon the Fund's liquidation, distribute the amounts due and payable to the Unitholders without delay and in a manner that does not conflict with the interests of the Unitholders and the Fund's Terms and Conditions.
- The Manager of the public fund shall announce the end of the Fund Term or the term of the Fund's liquidation on its website, and on Saudi Tadawul's website, or on any other website open to the public, subject to CMA's requirements (where applicable).
- The Fund Manager will provide the Unitholders with a report on the Fund's termination, in accordance with the requirements of Annex (14) of the Investment Funds Regulations, within a period not exceeding (70) days from the date of completion of the Fund's termination or liquidation, including the final audited financial statements of the Fund for the period subsequent to the last audited annual financial statements
- The CMA may remove the Fund Manager from the liquidation process in the event of issue of a special Fund resolution by the Fund's Unitholders, provided that a replacement liquidator is appointed during the same meeting in which the Unitholders voted to remove the Fund Manager.
- If the Fund Manager is removed from the liquidation activities, the Fund Manager will fully cooperate to transfer the liquidation responsibilities to the appointed liquidator. The Fund Manager will also transfer to the appointed liquidator all the documents related to the relevant investment fund which will enable it to complete the liquidation activities within 20 days from the date of issue of the CMA's resolution to remove the Fund Manager and appoint a replacement liquidator
- The Fund Manager shall notify the Unitholders by announcing on its website and on Saudi Tadawul's website, in the event the CMA issues a resolution to remove the Fund Manager and appoint a replacement liquidator.
- In all events, the Fund Manager will notify the CMA in writing and the Unitholders by announcing on its website and on Saudi Tadawul's website, immediately and without delay, of any material events or developments during the period of liquidation of the Fund.

**(c) In the event of expiration of the Term of the Fund, the Fund Manager does not receive any fees deductible from the Fund's assets.**



## **21. Fund Manager**

### **(a) Fund Manager's Name, obligations and responsibilities**

Fund Manager's Name: Alkhabeer Capital.

Fund Manager's obligations and responsibilities:

The Fund Manager shall appoint an investment portfolio manager registered with the CMA in accordance with the Capital Market Institutions Regulations issued by the CMA, to oversee management of the Fund.

Description of the Fund Manager's basic roles and responsibilities in respect of the Fund:

1. Managing the Fund, offering the Fund Units and ascertaining the accuracy of the Fund's Terms and Conditions, ensuring that they are complete, clear, valid and not misleading;
2. Sourcing and executing acquisitions and dispositions in respect of the Fund's assets;
3. Setting out the decision-making procedures that should be followed when executing the activities and projects of the Fund;
4. Developing policies and procedures to assess the risks which affect the Fund's investments and to ensure that they are swiftly dealt with, provided such policies and procedures include a risk assessment process to be conducted at least once a year;
5. Informing the CMA of any material events or developments that might affect the Fund's activities;
6. Complying with all applicable laws and regulations in effect in the Kingdom in relation to the Fund's activities;
7. Complying with all the principles and obligations provided in the Capital Market Institutions Regulations, including the duty of fidelity towards the Unitholders, which involves conducting business in their best interest and exercising reasonable care;
8. Managing the Fund's assets for the benefit of the investors in accordance with the Terms and Conditions;
9. Working in the best interest of the Unitholders in accordance with the provisions of the Investment Funds Regulations, the Capital Market Institutions Regulations and the Fund's Terms and Conditions;
10. Ensuring the legality and validity of all contracts concluded for the benefit of the Fund;

11. Implementing the Fund's investment strategies described herein;
12. Implementing the Fund's compliance monitoring scheme, and providing the CMA with the implementation results upon request;
13. Arranging, negotiating and executing Shari'a-compliant debt financing documentation on behalf of the Fund;
14. Cooperating with all persons concerned with the performance of the Fund's activities, including the Custodian and the Auditor, and providing them with all requirements to carry out their duties and mandates in accordance with the Investment Funds Regulations;
15. Appointing the Fund's Shari'a Supervisory Committee, and securing its approval that these Terms and Conditions are in compliance with the Shari'a Guidelines;
16. Overseeing the performance of the Fund's contractual counterparties;
17. Being responsible towards Unitholders for the losses of the Fund caused by its fraud, negligence, misbehavior or malicious mischief;
18. Arranging the liquidation of the Fund upon its termination;
19. Providing the Fund Board with all necessary information relating to the Fund to enable the Fund Board members to perform their responsibilities completely;
20. Preparing an annual report containing an evaluation of the performance and quality of the services provided by the parties concerned with the provision of the Fund's material services, including the Custodian, the Developer, and the Property Manager (as applicable);
21. Preparing an annual report containing all the complaints and action taken in respect of them, and submitting it to the Fund Board;
22. Consulting with the Fund Board to ensure compliance with CMA's regulations and these Terms and Conditions.

**(b) Number and Date of Issue of CMA's License**

07074-37.

4 July 2007G.

**(c) Registered Office Address and Head Office Address of the Fund Manager**

Alkhabeer Capital

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel.: +966-12 658 8888

Fax: +966-12 658 6663

**(d) Website Address of the Fund Manager**

Website: [www.alkhabeer.com](http://www.alkhabeer.com)

**(e) Description of the Fund Manager's Paid-Up Capital**

The capital of Alkhabeer Capital is SAR 813 million, fully paid.

**(f) Summary of the Fund Manager's financial information, showing its revenues and income for the previous fiscal year**

The Company's audited revenues for 2017G totalled SAR 187.5 million, and its income before zakat totalled SAR 61.1 million.

The Company's audited revenues for 2018G totalled SAR 188.2 million, and its income before zakat totalled SAR 56.9 million.

The Company's audited revenues for 2019G totalled SAR 25.08 million, and its income before zakat totalled SAR -123.9 million (loss).

The Company's audited revenues for 2020G totalled SAR 200.6 million, and its income before zakat totalled SAR 63.5 million.

**(g) Description of the Fund Manager's basic roles and responsibilities in respect of the Fund**

Please see Paragraph 21(a) of these Terms and Conditions.

**(h) Any of the Fund Manager's other business activities or interests which represent a material significance or may conflict with the activities of the Fund**

Not applicable.

**(i) Description of the Fund Manager's right to appoint a Sub-Manager**

The Fund may appoint specialized sub-managers to manage specific types of assets, subject to the Fund Board's approval. They may be replaced at the Fund Manager's discretion, subject to the Fund Board's prior approval. The Fund Manager shall pay the fees and expenses of any sub-manager out of its own resources.

The sub-manager shall be responsible for the day-to-day management of the Fund assets to which it is assigned. For the avoidance of doubt, the Fund Manager shall remain responsible for the appointment of the sub-managers and the consequences of their actions.

The Fund Manager shall use the same selection criteria applicable to the selection of the Executing Brokers, taking role differences into consideration.

**(j) Description of the provisions governing the removal and replacement of the Fund Manager**

The CMA may remove the Fund Manager in relation to any specific investment fund, and take any action it deems appropriate to appoint a replacement Fund Manager for that fund, or take any other measure it deems appropriate at its discretion, in any of the following events:

1. If the Fund Manager ceases performance of the activity of investments' management and funds' operation, or discontinues the activity of investments' management, without notifying the CMA of that in accordance with the Capital Market Institutions Regulations.
2. If the CMA cancels, withdraws or suspends the Fund Manager's license to engage in the activity of investments' management and funds' operation or the activity of investments' management.
3. If the Fund Manager files an application with the CMA to cancel its license to engage in the activity of investments' management and funds' operation or the activity of investments' management.
4. If the CMA determines that the Fund Manager is in breach – to an extent that the CMA deems material – of the Law or its Implementing Regulations.
5. In the event of death, incapacitation or resignation of the investment portfolio manager who manages the assets of the investment Fund, and the unavailability of another person registered with the Fund Manager capable of managing the assets of the investment Fund or the assets of the funds managed by the investment portfolio manager.
6. If the Unitholders of the closed-ended fund issue a Special Fund Resolution, whereby asking the CMA to remove the Fund Manager.
7. In any other event which the CMA reasonably finds to be materially significant.

The Fund Manager shall notify the CMA of the occurrence of any of the events mentioned in the foregoing Paragraph (5) above within two days after their occurrence.

- The CMA will ask the removed Fund Manager to convene a meeting of the Unitholders within (15) days after the issue of the CMA's removal resolution, in order to appoint the Custodian or other entity, by an Ordinary Fund Resolution, to search for, and negotiate with, a replacement Fund Manager and determine the specified period for search and negotiation.
- Upon removal of the Fund Manager in accordance with the event provided in Sub-Paragraph (6) above, the Fund Manager shall obtain an Ordinary Fund Resolution at the same meeting where the Unitholders voted on the request to remove the

Fund Manager, in order to appoint the Custodian or other entity to search for, and negotiate with, a replacement Fund Manager and determine the specified period for search and negotiation.

- The Fund Manager shall notify the CMA of the results of the Unitholders' meeting within two (2) days after it is held.
- The Fund Manager shall cooperate and provide the Custodian or the appointed entity authorized to search and negotiate with any documents requested from it for the purpose of appointing a Fund Manager, within (10) days after the date of the request. Both parties shall ensure confidentiality.
- Upon approval of the replacement Fund Manager of the management of the Fund and the transfer of the Fund management to it, the Fund Manager shall send the written consent of the replacement Fund Manager to the CMA immediately upon receiving it.

Subject to the provisions of Article (20) of the Investment Funds Regulations, if the CMA exercises any of its authority under this Paragraph, the Fund Manager shall fully cooperate to help facilitate the seamless transfer of responsibilities to the replacement Fund Manager within the first sixty (60) days following the date of appointment of the replacement Fund Manager. The removed Fund Manager shall, whenever necessary and appropriate, and subject to the absolute discretion of the CMA, transfer to the replacement Fund Manager all the contracts related to the relevant investment fund.

In the event the Fund Manager is removed, it shall stop making any investment decisions concerning the Fund as soon as a replacement Fund Manager is appointed, or earlier as may be determined by the CMA.

If a replacement Fund Manager is not appointed within the specified period for searching for, and negotiating with, a replacement Fund Manager, the Unitholders are entitled to apply for liquidation of the Fund by a Special Fund Resolution.

## **22. Fund Operator**

### **(a) Fund Operator's Name**

Fund Operator's Name: Alkhabeer Capital.

### **(b) Number and Date of Issue of CMA's License**

07074-37.

4 July 2007G.

### **(c) Registered Office Address and Head Office Address of the Fund Operator**

Alkhabeer Capital

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel.: +966-12 658 8888

Fax: +966-12 658 6663

**(d) Description of the Fund Operator's basic roles and responsibilities**

The Fund Operator shall, in relation to the Fund, perform all the management duties and obligations required in accordance with the Investment Funds Regulations, as well as other undertakings which may be necessary to implement and achieve the purposes, policies and objectives of the Fund. For example, without limitation:

- Keeping the books and records related to the operation of the Fund;
- Valuating the assets of the Fund.

**(e) The Fund Operator's right to appoint a Sub-Manager**

The Fund Operator may appoint specialized sub-operators to the Fund, subject to the Fund Board's approval. They may be replaced at the Fund Manager's discretion, subject to the Fund Board's prior approval. The Fund Operator shall pay the fees and expenses of any sub-operator out of its own resources.

**(f) Mandates assigned by the Fund Operator to a third party in relation to the Fund**

Not applicable.

**23. Custodian**

**(a) Custodian's Name**

Alinma Investment Company.

**(b) Number and Date of Issue of the Custodian's License by the CMA**

08134-37.

14 April 2009G.

**(c) Registered and Business Office Address of the Custodian**

King Fahad Road | P.O. Box 55560, Riyadh 11544

Kingdom of Saudi Arabia

Toll-Free Number: 8004413333, Fax: 0112906299

E-mail: info@alinmaininvest.com

Website: www.alinmainvestment.com

**(d) Description of the Custodian's basic roles and responsibilities in respect of the Fund**

- The Custodian shall be responsible for fulfilling all of its obligations under the provisions of the Investment Funds Regulations, whether he performs his responsibilities and duties directly or has delegated them to a third party under the Investment Fund Regulations and the Capital Market Institutions Regulations.
- The Custodian shall be responsible before the Fund Manager and Unitholders for the Fund's losses resulting from fraud, negligence, misconduct or intentional default on the part of the Custodian.
- The Custodian shall be responsible for the custody of the Fund's assets, for their protection in the interest of the Unitholders, and for taking all the required administrative actions relating to the custody of the Fund's assets.
- The Custodian shall take all necessary action to segregate the Fund's assets from any other assets, including the assets of the Custodian and the assets of its other clients.

**(e) Description of the Custodian's right to appoint a sub-custodian**

No sub-custodian has been appointed. However, the Custodian may appoint a third party(ies) or any of its affiliates as Fund sub-custodian. The Custodian shall pay any fees and expenses related to the sub-custodian. In the event of appointment of any party (including an affiliate of the Custodian), the Custodian shall be responsible for carrying out any of its aforementioned functions.

**(f) Mandates assigned by the Custodian to a third party in relation to the Fund**

No sub-custodian has been appointed. However, the Custodian may appoint a third party(ies) or any of its affiliates as Fund sub-custodian. The Custodian shall pay any fees and expenses related to the sub-custodian. In the event of appointment of any party (including an affiliate of the Custodian), the Custodian shall be responsible for carrying out any of its aforementioned functions.

**(g) Description of the provisions governing the removal or replacement of the Custodian**

The CMA have the power to remove the Custodian and take any other measures it deems necessary, as appropriate, in the following events:

- If the Custodian ceases to carry out the custody activity without notification to the CMA in accordance with the Capital Market Institutions Regulations;

- If the CMA cancels, withdraws or suspends the Custodian’s license necessary to continue to carry out the custody activity;
- If the Custodian files an application to the CMA to cancel its license necessary to carry out the custody activity;
- If the CMA determines that the Custodian has failed, in any manner which the CMA considers material, to comply with the Capital Market Law or its Implementing Regulations;
- In any other event determined by the CMA – based on reasonable grounds - to be of sufficient significance.

If the CMA exercises its power pursuant to the above, the relevant Fund Manager shall appoint a replacement Custodian in accordance with CMA’s instructions, and the Fund Manager as well as the isolated Custodian shall fully cooperate in order to help facilitate a smooth transfer of its responsibilities to the replacement Custodian during the first sixty (60) days after appointing the replacement Custodian. The Custodian shall transfer, where the CMA decides it is necessary, all the contracts related to the Fund to which it is a party, to the replacement Custodian.

## 24. **Fund Board**

The Fund Manager will appoint a Fund Board to oversee certain activities of the Fund and act in the best interest of the Fund and Fund Unitholders. The Fund Board and the Fund Manager shall collaborate to ensure the success of the Fund.

### (a) **Names of the Fund Board Members and Type of Membership**

The Fund Board will comprise of five members to be appointed by the Fund Manager, including two independent directors. The Unitholders will be notified of any change in the formation of the Fund Board by publication on the Fund Manager’s website and Saudi Tadawul’s website. The table below shows the names of the Fund Board members and their type of membership:

#	Director’s Name	Type of Membership
1	Mr. Ammar Ahmed Saleh Shata	Chairman of the Board – Non-Independent
2	Mr. Ahmed Saud Hamza Ghouth	Director – Non-Independent
3	Mr. Hisham Omar Ali Baroum	Director – Non-Independent
4	Mr. Farouq Fouad Ahmed Ghulam	Director - Independent
5	Mr. Ahmed Abdulelah Maghrabi	Director - Independent

### (b) **Overview of the Qualifications of the Fund Board Members**

<b>Director’s Name</b>	Mr. Ammar Ahmed Saleh Shata
<b>Type of Membership</b>	Chairman of the Board – Non-Independent
<b>Current Position</b>	Mr. Ammar is the Founder and Executive Director of Alkhabeer Capital.
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• He has over 20 years of experience in the fields of corporate finance, structured finance, asset</li> </ul>



	<p>management, Islamic financial product development and Islamic investment and banking services.</p> <ul style="list-style-type: none"> <li>• He holds a master's degree in economic planning and a bachelor's degree in electrical engineering from the University of Southern California, United States of America.</li> <li>• He is also a CFA charterholder, USA.</li> </ul>
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<b>Director's Name</b>	Mr. Ahmed Saud Hamza Ghouth
<b>Type of Membership</b>	Director – Non-Independent
<b>Current Position</b>	Mr. Ahmed is the CEO of Alkhabeer Capital.
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 15 years of experience in corporate banking services, Islamic finance, asset management and private equity. Currently, he is a board member of several real-estate funds, private equity funds and capital market listed funds.</li> <li>• During his previous engagement with the Saudi National Bank (SNB), he gained extensive expertise in loan portfolio management and Islamic loan structuring. His responsibility to oversee the Asset Management Department at Alkhabeer Capital has exposed him further to various expertise in real estate development and income generating funds as well as equity funds.</li> <li>• He holds a bachelor's degree in accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia.</li> </ul>

<b>Director's Name</b>	Mr. Hisham Omar Ali Baroum
<b>Type of Membership</b>	Director – Non-Independent
<b>Current Position</b>	Mr. Hisham is the Deputy Chief Executive Officer of Alkhabeer Capital.
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 20 years of experience in the management of financial institutions, management of investments and business development.</li> <li>• Prior to joining Alkhabeer Capital, he served as Executive Vice President at Elaf Group, where he was responsible for planning and strategy implementation. He began his career at the Asset Management Group of the Saudi National Bank (SNB), where he served for nine years in various roles.</li> <li>• He holds a bachelor's degree in accounting from King Abdulaziz University in Saudi Arabia, and has a diploma in investment portfolio management and financial markets from the Arab Academy for Banking and Financial Sciences.</li> </ul>

<b>Director's Name</b>	Mr. Farouq Fouad Ahmed Ghulam
<b>Type of Membership</b>	Director –Independent

<b>Current Position</b>	Mr. Farouq is the Vice President and the Chairman's Advisor of Rusd International Holding Group. He is engaged in the management of the Group's domestic and international companies. In addition, he is actively involved in making risk and investment decisions related to the Group.
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 20 years of comprehensive experience in legal affairs, Islamic finance, investment and financial structuring.</li> <li>• He served as Executive Partner and the Head of Asset Management at Alkhabeer Capital (from August 2006 to August 2009). Prior to that, he was the Head of Product Development and Operational Risks at the Saudi National Bank (SNB), where he was responsible for launching and structuring investment funds.</li> <li>• He holds an LLM degree, specializing in international business and trade transactions from Washington College of Law, USA, and a law degree from King Abdul Aziz University, Jeddah, KSA.</li> </ul>

<b>Director's Name</b>	Mr. Ahmed Abdulelah Maghrabi
<b>Type of Membership</b>	Director –Independent
<b>Current Position</b>	Mr. Ahmed is a co-founder and the Vice President of Abdulelah Mohamed Ali Maghrabi Commercial Est. He is engaged in the management of the Group's Equipment and Transportation divisions. In addition, he is actively involved in developing the policies, strategies and operational plans of the Group.
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 19 years of comprehensive experience in the fields of heavy equipment, transportation and real estate development.</li> <li>• Previously, he was the Procurement Manager at Mohammed Ali Maghrabi &amp; Sons Company, where he was responsible for overseeing the construction of Le Meridian Jeddah.</li> <li>• He holds a bachelor's degree in management information systems from American University – California, USA, and a diploma in hotel management from the United States of America.</li> <li>• Mr. Ahmed is a member of the Project Management Institute (PMI) and is a certified Project Management Professional (PMP).</li> </ul>

### **Qualifications of the Directors**

The Fund Manager acknowledges that all the Fund Board members:

- are not adjudicated bankrupts or placed under liquidation; and
- have not committed any acts of fraud, crime against honor or breach of trust; and

- have the requisite skills and experience which qualify them to be Fund Board members.

The Fund Manager further acknowledges that each of the two Independent Directors satisfies the definition of “Independent Director” as contained in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.

**(c) Description of the Roles and Responsibilities of the Fund Board**

The Fund Board members have the following responsibilities:

- Approving all material contracts, decisions and reports to which the Fund is a party, including - without limitation – approving the contracts for providing management services to the Fund and the contracts for providing custody services. This, however, contracts which are executed in accordance with the investment decisions excludes related to any investments which the Fund had made or will make in the future.
- Approving a written policy on the voting rights related to the Fund's assets.
- Overseeing and, where appropriate, approving or ratifying any conflict of interest the Fund Manager has identified.
- Meeting at least twice annually with the Fund Manager's compliance officer to oversee the Fund Manager's compliance with all applicable laws and regulations, including – without limitation – the requirements as stipulated in the Investment Funds Regulations.
- Approving all the Fundamental and Non-Fundamental Changes provided in Articles (62) and (63) of the Investment Funds Regulations, before the Fund Manager receives the approval of the Unitholders and the CMA or before it notifies them.
- Ensuring the completeness and accuracy of the Terms and Conditions and any other document, whether contractual or otherwise, that includes disclosures related to the Fund and/or the Fund Manager and its management of the Fund, in addition to ensuring compliance of the foregoing with the provisions of the Investment Funds Regulations.
- Ensuring that the Fund Manager performs its responsibilities in the best interest of the Unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions and the Shari'a Supervisory Committee resolutions.
- Reviewing the report which contains an evaluation of the performance and quality of the services provided by the parties concerned with the provision of the Fund's material services, which is referred to in Paragraph (l) of Article (9) of the Investment Funds Regulations, so as to ensure that the Fund Manager carries out its responsibilities in the best interest of the Unitholders in accordance with the Fund's Terms and Conditions and the Investment Funds Regulations.

- Evaluating the process in which the Fund Manager deals with the risks related to the Fund's assets, subject to the Fund Manager's policies and procedures on assessment of Fund-related risks and the method of dealing with them.
- Acting with integrity, good intent, due care and diligence and in the best interest of the Unitholders.
- Recording minutes of meetings showing all actions taken during the meetings and the decisions made by the Board.
- Reviewing the report containing all the complaints and action taken in respect of those complaints, which is referred to in Paragraph (m) of Article (9) of the Investment Funds Regulations, so as to ensure that the Fund Manager carries out its responsibilities in the best interest of the Unitholders in accordance with the Fund's Terms and Conditions and the Investment Funds Regulations.
- Approving the appointment of the Fund's Auditor.

The Fund Manager shall provide all necessary information on the affairs of the Fund to all Fund Board members to enable them to carry out their duties. None of the Fund Board members may be held liable to the Unitholders for any damages, losses, costs, expenses or other obligations incurred by the Unitholder or the Fund's assets, unless caused by a deliberate act, bad intent or gross negligence on the part of the Fund Board members.

**(d) Details of Remuneration of the Fund Board Members**

The Fund shall pay SAR 5,000 per annum to each independent director, plus an attendance fee of SAR 4,000 for each meeting. Two independent directors were appointed. Therefore, the total remuneration to be paid to both directors will be a lump sum of SAR 10,000 per annum, plus an attendance fee of SAR 4,000 per meeting to each member. It is expected that a minimum of two meetings (and a maximum of four meetings) will be held each year. Thus the total attendance fee expected to be paid to both directors will be a minimum of SAR 16,000 (and a maximum of SAR 32,000) per annum. As such, the total remuneration expected to be paid during the year to the two independent directors during the year is a minimum of SAR 26,000 (and a maximum of SAR 42,000). In addition, the Fund shall pay all actual travel and accommodation costs incurred by each independent director to attend meetings (if applicable), up to a maximum of SAR 15,000 per annum to the two independent directors. These annual costs and fees shall be calculated and paid semi-annually. Non-independent directors will not receive any fees.

**(e) Any Actual or Potential Conflict of Interest between any Board Member and the Fund**

There is no actual or potential conflict between the interests of the Fund Board members and the interests of the Fund.

**(g) Other Funds Managed by the Fund Board Members**

The following Fund Board members are also members of the boards of other funds managed by the Fund Manager:

Fund's Name	Fund Type	Directors				
		Ammar Shata	Ahmed Ghouth	Hisham Baroum	Farouq Ghulam	Ahmed Maghrabi
Alkhabeer Real Estate Residential Development Fund II	Private Placement	Chairman	Director			
Alkhabeer US Real Estate Income Fund	Private Placement	Chairman	Director			
Alkhabeer Real Estate Opportunity Fund I	Private Placement	Chairman	Director		Director	
Alkhabeer Real Estate Opportunity Fund II	Private Placement		Chairman	Director		
Alkhabeer Healthcare Private Equity Fund I	Private Placement	Chairman	Director		Director	
Alkhabeer Education Private Equity Fund I	Private Placement	Chairman	Director			
Alkhabeer Education Private Equity Fund II	Private Placement		Chairman	Director		
Alkhabeer Education Private Equity Fund III	Private Placement		Chairman	Director		
Alkhabeer Education Private Equity Fund IV	Private Placement		Chairman	Director		
Alkhabeer Education Private Equity Fund V	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund VI	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund VII	Private Placement		Chairman	Director		Director
Alkhabeer Saudi Private Equity Fund I	Private Placement		Chairman	Director		Director
Alkhabeer Saudi Private Equity Fund II	Private Placement		Chairman	Director		Director
Alkhabeer Private Equity Industrial Fund IV	Private Placement		Chairman	Director		Director
Alkhabeer Multi Asset Private Income Fund I	Private Placement		Chairman	Director		
Alkhabeer Hospitality Fund I	Private Placement		Chairman	Director		
Alkhabeer REIT	Public Placement	Chairman	Director	Director	Director	
Alkhabeer Waqf Fund I	Public Placement	Chairman	Director		Director	

## **25. Shari'a Supervisory Committee**

### **(a) Names and Qualifications of the Members of the Shari'a Supervisory Committee**

The Shariyah Review Bureau W.L.L. was appointed as a Shari'a advisor to the Fund (the "Shari'a Supervisory Committee"). The Shariyah Review Bureau W.L.L. is a leading Shari'a advisory and supervision company licensed by the Central Bank of Bahrain. It provides its services to various business sectors, and acts as a Shari'a supervisor and advisor to many companies in 12 different countries in the United States, Europe, Africa, Asia and the GCC.

The Shariyah Review Bureau W.L.L. deploys an elite group of Shari'a advisors in a number of countries worldwide, making it one of the few Shari'a advisory boards that can cater to the needs of clients and businesses internationally. In addition to its clients in the UK, Canada, France, Australia, Hong Kong, Switzerland and the GCC states, the Shariyah Review Bureau provides its services to many business sectors, mainly the insurance and investment sectors, as it acts as a Shari'a supervisor and advisor to 21% of the insurance companies and 13% of the investment companies listed on the Saudi Stock Exchange.

The Shariyah Review Bureau W.L.L. provides its services with a high degree of professionalism by reviewing and approving products, as well as providing Shari'a advisory and audit services and examining Tadawul listed shares.

The Shari'a Supervisory Committee appointed for the purposes of review and certification of the Fund's documents and activities, is comprised of the following members:

#### **Sheikh Muhammad Ahmad Al Sultan:**

Sheikh Muhammad Ahmad Al Sultan has over 10 years of experience as a Shari'a consultant. He has advised clients around the world in a variety of industries, ranging from banks, financial services companies and private equity investment companies. He is fluent in English, Arabic, German and Urdu. He is a member of the team of Shariyah Review Bureau, the knowledge leaders of in Islamic Shari'a and Jurisprudence. He is accredited by the Central Bank of Bahrain as a qualified Shari'a advisor at the local and international levels.

### **(b) Roles and Responsibilities of the Shari'a Supervisory Committee:**

The Shari'a Supervisory Committee conducts annual reviews of the Fund to obtain reasonable assurances that the Fund's operations and investments are compliant with the Shari'a Guidelines, as stipulated in Paragraph (d) below.

### **(c) Shari'a Supervisory Committee Remuneration**

The Fund shall pay the Shari'a Supervisory Committee annual fees of SAR 20,000.

**(c) Details of Applicable Shari'a Standards to Determine the Shari'a Compliance of Investment Assets, and the Periodic Review of those Assets, and the Procedures to be Followed in the Event of Non Compliance with Shari'a Guidelines**

The Shari'a Supervisory Committee believes that investment in fixed income instruments is permissible subject to the following guidelines:

- Financing of investment transactions shall be in compliance with the Shari'a Guidelines.
- Investment of cash/liquidity shall be made in instruments which are compliant with the Shari'a Guidelines.
- All contracts and agreements made shall be in compliance with the Shari'a Guidelines.
- The Fund Manager may not enter into any contract which involves payment or accrual of interest, and may take legal action to collect interest payments due and payable to it.

**26. Investment Advisor**

None.

**27. Distributor**

None.

**28. Auditor**

**(a) Auditor's Name**

Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants - Member of Crowe Global.

**(b) Registered Office and Business Address of the Auditor**

Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants - Member of Crowe Global

P.O. Box 21499

Jeddah 40097

Kingdom of Saudi Arabia

<https://www.crowe.com/sa>

**(c) Key Roles and Responsibilities of the Auditor**

The Auditor shall review and provide an opinion on the Fund's financial statements, including an assessment of the accounting principles used in line with the International Financial Reporting Standards (IFRS).

**(d) Description of the provisions governing the replacement of the Fund's Auditor**

The Fund's Board of Directors shall reject the appointment of the Auditor or instruct the Fund Manager to replace the appointed Auditor in any of the following cases:

- If strong allegations exist concerning the professional misconduct of the Auditor regarding the performance of his duties;
- If the Auditor of the public Fund is no longer independent;
- If the Fund's Board of Directors decides that the Auditor no longer has sufficient qualifications and experience to perform the review and audit functions satisfactorily, or that the replacement of the Auditor is in the best interest of subscribers;
- If the CMA, at its discretion, requests changing the appointed Auditor of the Fund;
- If the Auditor is no longer registered with the CMA.
- Notice shall be provided to all Unitholders and to the CMA upon the replacement of the Auditor.

**29. Fund Assets**

- (a) The assets of the Fund are held by the Custodian for the benefit of the Fund.
- (b) The Custodian shall segregate the assets of the Fund from its own assets and the assets of its other clients.
- (c) The assets of the Fund are collectively owned by the Unitholders (common ownership). The Fund Manager, sub-manager, Custodian, sub-custodian, advisor or distributor, may not have any interest in the assets of the Fund or any claim against those assets, unless the Fund Manager, sub-manager, Custodian, sub-custodian, advisor or distributor, is a Fund Unitholder, and in such case, within the limits of its ownership, or if such claims are permitted under the Investment Fund Regulations and disclosed in these Terms and Conditions.



### **30. Processing of Complaints**

In the event a Unitholder has any question or complaint in relation to the Fund during the Fund Term, the concerned Unitholder should contact Alkhabeer Capital's Compliance & MLR Department, at the following address:

Alkhabeer Capital

Madinah Road

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel.: +966 12 658 8888

Email: [compliance@alkhabeer.com](mailto:compliance@alkhabeer.com)

Alkhabeer Capital adopts a documented complaint management policy which it uses with its existing clients. It is the intention of the Fund Manager to use this policy and apply it to the Unitholders of the Fund. Potential investors and Unitholders who would like to have a copy of this policy (free of charge) should contact the Compliance & AML Department of Alkhabeer Capital at the abovementioned address. If a settlement cannot be reached, or if a reply is not received within 60 Business Days, the subscriber may lodge the complaint with the Capital Market Authority - Investor Protection Division. The subscriber may also file the complaint with the Committee for Resolution of Securities Disputes (90) Calendar Days after the date of filing of the complaint with the CMA, unless the CMA notifies the complainant that the complaint may be filed with the Committee for Resolution of Securities Disputes before the lapse of that period.

### **31. Other Information**

- (a) The policies and procedures to be followed in addressing the conflict of interest and any potential and/or actual conflict of interest, will be provided upon request free of charge.
- (b) The Committee for Resolution of Securities Disputes is the judicial department having jurisdiction over any dispute which may arise out of, or in relation to, investing in investment funds.
- (c) List of documents available to Unit Subscribers:
  - 1. Fund's Terms and Conditions.
  - 2. Contracts mentioned in the Terms and Conditions.
  - 3. Fund Manager's Financial Statements.

(d) Any other information which is or should reasonably be known to the Fund Manager or the Fund Board, and which may be – reasonably – requested by the existing or prospective Unitholders or their professional advisors, or which are expected to be included in the Fund's Terms and Conditions, based on which the investment decision will be made.

(e) CMA-Approved Exemptions: not applicable.

**32. Additional Information Required for Other Types of Funds**

Not applicable.

**33. Declaration of the Unitholder**

The Unitholder declares that he/she have reviewed the Terms and Conditions of the Fund, and acknowledges his/her approval of the characteristics of the Units which he/she has invested in.

## Appendix (1) – Summary Financial Disclosure

Type of Fees	Description
<b>Management Fees</b>	<p>The Fund Manager will receive a management fee (“<b>Management Fees</b>”) for its management of the Fund’s assets, equal to 1.0% per annum of the NAV. Management Fees are payable Gregorian semi-annually.</p> <p>The Fund shall bear the Management Fees, to be calculated and paid semi-annually starting as from the Date of Operation. Management Fees shall be paid pro rata, taking into consideration the elapsed days of the period based on which Management Fees shall be calculated.</p>
<b>Sub-Manager Fees</b>	The Sub-Manager (if any) shall be compensated at the cost of the Fund Manager.
<b>Subscription Fees</b>	The Fund Manager shall be entitled to fixed subscription fees (“ <b>Subscription Fees</b> ”) of 1.0% of the cash subscription amounts.
<b>Custodian Fees</b>	The Fund shall pay the Custodian annual fees of a minimum of SAR 100,000 and up to a maximum of 0.1% of the cash subscription amounts.
<b>Fund Operator Fees</b>	The Fund shall pay the Fund Operator annual fees equivalent to 0.1% of the Fund’s NAV, payable semi-annually.
<b>Auditor Fees</b>	The Fund shall pay the Auditor annual fees of SAR 35,000.
<b>Shari’a Advisor Fees</b>	The Fund shall pay the Shari’a annual fees of SAR 20,000.
<b>Saudi Tadawul Registration Fees</b>	<p>The Fund shall pay the following fees for registering in the Saudi Tadawul:</p> <ol style="list-style-type: none"> <li>1. SAR 50,000 + SAR 2 per Unitholder, up to a maximum of SAR 500,000, payable to the Securities Depository Center Company (“Edaa”) for the creation of a Unitholder’s register;</li> <li>2. SAR 400,000, payable annually to the Securities Depository Center Company (“Edaa”) for administering a Unitholder’s register. Such fees may change from time to time commensurate with the value of the Fund’s capital.</li> </ol>
<b>Saudi Tadawul Listing Fees</b>	<p>The Fund shall pay the following listing fees:</p> <ol style="list-style-type: none"> <li>1. SAR 50,000 initial listing fees, payable to Saudi Tadawul; and</li> <li>2. 0.03% of the Fund’s market value per annum (with a minimum of SAR 50,000 and a maximum of SAR 300,000), payable to Saudi Tadawul.</li> </ol>
<b>Saudi Tadawul Website Publishing Fees</b>	The Fund shall pay fees of SAR 5,000 per annum for publishing on the website of Saudi Tadawul, payable to Saudi Tadawul.
<b>Regulatory Fees</b>	The Fund shall pay regulatory fees of SAR 7,500 per annum to the CMA.
<b>Independent Directors’ Remuneration</b>	The Fund shall pay SAR 5,000 per annum to each independent director, plus an attendance fee of SAR 4,000 for each meeting. Two independent directors were appointed to the Fund. It is

	<p>expected that a minimum of two meetings, and a maximum of four meetings, will be held each year. The Chairman of the Board may hold an urgent Board meeting whenever he deems necessary. The total remuneration to be paid during the year to the two independent directors shall not exceed SAR 42,000. The Fund shall also bear all actual travel and accommodation costs incurred by each of the independent directors to attend the meetings (if applicable), up to a maximum of SAR 15,000 per annum to the two independent directors. These annual costs and fees shall be calculated semi-annually.</p> <p>Non-independent directors will not receive any fees.</p>
<b>Dealing (Brokerage) Expenses and Fees</b>	The brokerage expenses or any other trading fees shall be paid by the Fund directly at levels determined in accordance with the laws or by the Intermediary in the markets where the Fund deals. Such amounts vary commensurate with the turnover of Fund's assets and the size of the transactions.
<b>Shari'a Compliant Financing Costs</b>	The Shari'a compliant financing costs (if any) shall be borne by the Fund based on the prevailing market rates. They shall be calculated as at each Valuation Day, and paid in accordance with the requirements of the financier bank.
<b>Other Expenses</b>	The Fund shall pay all the other actual expenses related to the activities of the Fund, the placement of Fund investments and the outsourced professional and operational services provided by third parties, including without limitation, the costs of convening the Unitholders' meetings, asset valuation fees and other professional services provided to the Fund, in addition to the income purification expenses (if any). The Fund shall be liable for any taxes which are imposed in the future by regulatory authorities and become due and payable. Such fees and expenses shall not exceed 0.50% of the Fund's NAV annually, excluding the fees, commissions and taxes that are subject to government laws and regulations. Actual fees only will be deducted.

Note: All of the aforementioned payments shall be subject to the Value Added Tax, the rate of which may vary from time to time.

Value Added Tax (VAT)

All the fees and expenses referred to in the Terms and Conditions are exclusive of the Value Added Tax, unless otherwise indicated. To the extent that the VAT is payable in respect of any supply made by any person to the Fund or the Fund Manager in its capacity as Fund Manager, the Fund Manager shall pay an additional consideration for that supply out of the assets of the Fund, provided the amount of such additional consideration is equal to value of the VAT-exclusive consideration (or its VAT-exclusive market value, if any), multiplied by the rate of the VAT due and applicable to that supply (provided a tax invoice is issued and received by the Fund).

## **Appendix (2) – Guidelines of the Shari’a Supervisory Committee**

The Shari’a Advisor believes that investment in fixed income instruments is permissible subject to the following guidelines:

- Financing of investment transactions shall be in compliance with the Guidelines of the Shari’a Supervisory Committee.
- Investment of cash/liquidity shall be made in instruments which are compliant with the Guidelines of the Shari’a Supervisory Committee.
- All contracts and agreements made shall be in compliance with the Guidelines of the Shari’a Supervisory Committee.
- The Fund Manager may not enter into any contract which involves payment or accrual of interest.

The following investment instruments and methods may be used:

- Shari’a compliant Murabaha in the form of buying commodities and selling them with a profit margin, subject to deferred payment terms agreed upon in advance.
- Other Shari’a compliant murabaha funds managed by investment companies having Shari’a boards acceptable to the Fund’s Shari’a Supervisory Committee.
- Sukuk acceptable to the Fund’s Shari’a Supervisory Committee, representing undivided ownership rights in real assets or their yield, as well as profits resulting from those assets, including without limitation, Sukuk issued under Ijara, Musharaka, Murabaha, or Istisn’a contracts.
- Other Sukuk funds managed by investment companies having Shari’a boards acceptable to the Fund’s Shari’a Board.
- The Fund may not invest in or acquire bonds, preference shares and interest yielding financial instruments such as options, futures, swaps or similar financial instruments. In addition, the Fund may not margin sell shares of investee companies, except in the event of their restructuring in compliance with Shari’a and subject to approval of the Fund’s Shari’a Advisor.
- The Fund Manager may invest in Shari’a compliant short term deposits or current accounts with Islamic banks in order to cover the Fund expenses or enter into other investment transactions and opportunities.
- Shari’a audit: Shari’a audit of the Fund’s operations shall be performed annually to ensure compliance with Shari’a Supervisory Committee approved guidelines, standards and decisions.

## **Appendix (3) – Internal Process for Risk Assessment and Management**

### **1. Credit Risk**

All domestic and regional counterparties will be assessed before investment, and exposure limits will be set to ensure non-concentration with a particular counterparty. Each of the exposures will be monitored periodically to ensure that it remains within the approved limits.

### **2. Concentration Risk**

Fund assets will be diversified across several types of assets to avoid the concentration of the Fund's investments in limited assets.

### **3. Variation of Financing Cost Risk**

In the event the Fund obtains financing, the Fund Manager will ensure that its cost is in line with the target returns, so as to minimize any adverse effect of increased cost of financing or lower investment returns.

### **4. Risk of Shari'a Non-Compliance and Risk of Disposal of Non-Shari'a Compliant Revenues**

- All investment decisions will be taken after considering the Guidelines of the Fund's Shari'a Supervisory Committee.
- The Fund's investments will be monitored and reviewed periodically to ensure that they are compliant with the Shari'a Guidelines. In the event the Fund Manager's Shari'a Supervisory Committee decides that such investments no longer satisfy the Shari'a Guidelines, under which the Shari'a Supervisory Committee permitted placement therein, disclosure will be made to the Fund Supervisory Committee showing the exit process and causes.

### **5. Liquidity Risk**

It will be ensured that minimum liquidity is held in the portfolio.

### **6. Governance and Conflict of Interest Risk**

The Fund Manager took into consideration the governance rules and standards when forming the Fund Board. The Board is comprised of five members (3 appointed by the Fund Manager and 2 independent directors). The Board will oversee any conflict of interest and approve its corrective process, in addition to approving a written Fund governance policy and the Fund's investment policy.

### **7. Risk of Investing in Other Funds**

The performance and the risks of each fund targeted by the Fund Manager to be invested in, will be assessed. In addition, the Fund Manager will monitor and evaluate the

performance of those funds periodically against a benchmark using performance indicators for each underlying fund.

#### **8. Currency Exchange Risk**

Investment in assets and financial instruments will be made in Saudi Riyal, in currencies to which the Saudi Riyal is pegged, such as the United States Dollar, or in currencies which are pegged to the United States Dollar, in order to minimize the adverse effects of currency exchange rate fluctuations.

#### **9. Collateral Risk**

A maximum limit for the financing facilities or margin financing which can be used in the Fund's investments, is set at not more than 30% of the Fund's NAV, in order to minimize the risks related to pledging assets as collateral. The Fund Manager will also periodically monitor those investments to ensure that the financing amount does not exceed the said percentage throughout the Investment Term.

#### **10. Risk of Limited Operating History and Dependence on Executing Brokers**

The Fund Manager will engage specialized managers in target investment sectors to execute investment transactions based on the instructions issued by the Fund Manager to achieve the Fund's objectives and strategies during the Investment Term. The Fund Manager will also ensure the diversification of the entities to be engaged, as well as the regular monitoring of the performance of those entities to ensure that their assigned tasks are always carried out as instructed by the Fund Manager.

#### **11. Dependence on Sub-Managers Risk**

In the event a sub-manager is appointed, the Fund Manager will apply all the required test criteria to ascertain the efficiency of that sub-manager in performing its duties as required. This will include review of the company's activity, reputation, client base and past performance in managing similar activities, in addition to the assessment of other criteria related to risks that are taken into consideration, such as the organization structure of the sub-manager's company, the activities under contract between the sub-manager and third parties, the compliance process, the infrastructure, the independent auditor, the Know Your Client (KYC) requirements, the privacy policy, the business continuity plan, and any adverse news, fines or penalties.

#### **12. Other Risks**

The Fund Manager will ensure that the investments of the Fund are geographically diversified to minimize the effects of the risk of natural disasters and the political and sovereign risks, as well as to limit the exposure of the Fund's investments to the risks of emerging markets. In addition, the Fund Manager will ensure that a low percentage of the investments is held in unrated capital market instruments so as to minimize the effects of the risks of any potential decline in their values.

The Fund Manager will also ensure that the investments are diversified across various sectors and financial instruments issued by different issuers, and across diverse capital markets. It will also ensure the satisfaction of due diligence requirements, related – without

limitation – to the legal and regulatory requirements, historical performance information and credit ratings, so as to minimize associated risks.



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Alkabeer Capital



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