

الخبير للدخل  
Alkhabeer Income



Information Memorandum

# ALKHABEER DIVERSIFIED INCOME TRADED FUND

(A Shari'a-compliant Closed-Ended Traded Investment  
Fund to be Listed on the Saudi Stock Exchange 'Tadawul')



الخبير المالية  
Alkhabeer Capital



الخبير المالية  
Alkhabeer Capital



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## Information Memorandum

# Alkhabeer Diversified Income Traded Fund

(A Shari'a-compliant Closed-Ended Traded Investment Fund to be Listed on the Saudi Stock Exchange 'Tadawul')

Shari'a Certificate: AKC-946-97-03-09-18-#07

Fund Manager

**Alkhabeer Capital**

الخبير المالية  
Alkhabeer Capital



Custodian

الإنماء للاستثمار  
alinma investment



Target Fund Capital	SAR 1,000 million
Total Number of Units	100 million Units
Initial Offering Price	SAR 10

- This Information Memorandum is issued on 28.01.1442H, corresponding to 16.09.2020G.
- The Information Memorandum of the Investment Fund is subject to the Investment Funds Regulations, the Closed-ended Investment Traded Funds Instructions and relevant applicable laws and regulations, and contains complete, clear, true and non-misleading information on the Fund.
- Prospective investors are advised to read and understand the contents of this Information Memorandum. If unable to understand the contents of the Information Memorandum, it is advisable to seek the help of a professional advisor.
- This is the amended version of the Information Memorandum of the Alkhabeer Diversified Income Traded Fund, which reflects the following change: Deleting one of the Receiving Banks. This amendment is in-line with our letter sent to the Capital Market Authority on 8/3/1442H, corresponding to 25/10/2020G.
- **This document is only a translation of the Arabic version of the Information Memorandum 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

This Information Memorandum is 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 this Information Memorandum. The Fund Board members and the Fund Manager acknowledge and confirm the validity and completeness of the information contained in this Information Memorandum. They also acknowledge and confirm that the information and statements contained in this Information Memorandum are not misleading.

The Capital Market Authority (CMA) has approved the establishment of the Investment Fund and the offering of the Fund Units. The CMA does not accept any responsibility for the contents of the Information Memorandum, and does not make any representation as to its accuracy or completeness. The CMA expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Information Memorandum. Moreover, the CMA does not give any recommendation as to the feasibility of investing in the Fund, and its approval of the establishment of the Fund may not be construed as a recommendation by the CMA to invest in the Fund, or as an acknowledgement of the validity of the information contained in the Terms and Conditions and the Information Memorandum. 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 is approved as an investment fund compliant with the Shari'a Guidelines prescribed by the Fund's Shari'a Advisor.



# Table of Content

<b>Important Notice .....</b>	<b>4</b>
<b>Fund Directory .....</b>	<b>6</b>
<b>Definitions .....</b>	<b>7</b>
<b>Fund Summary .....</b>	<b>10</b>
<b>Information Memorandum .....</b>	<b>12</b>
1. Investment Fund.....	12
2. Investment Policies and Practices .....	12
3. Main Risks Associated with the Fund's Investments.....	17
4. Overview.....	23
5. Consideration for Services, Commissions and Fees .....	26
6. Valuation and Pricing.....	31
7. Dealing.....	32
8. Characteristics of the Units .....	40
9. Accounting and Reporting .....	40
10. Fund Board .....	41
11. Shari'a Board .....	45
12. Fund Manager .....	46
13. Custodian.....	52
14. Auditor.....	54
15. Other Information .....	54



# Fund Directory

<b>FUND MANAGER</b>	<b>Alkhabeer Capital</b> P.O. Box 128289, Jeddah 21362 Kingdom of Saudi Arabia www.alkhabeer.com	<b>الخبير المالية</b> Alkhabeer Capital	
<b>CUSTODIAN</b>	<b>Alinma Investment Company</b> P.O. Box 55560, Riyadh 11544 Kingdom of Saudi Arabia www.alinmainvestment.com	<b>الإنماء للاستثمار</b> alinma investment	
<b>ADMINISTRATOR</b>	<b>Alkhabeer Capital</b> P.O. Box 128289, Jeddah 21362 Kingdom of Saudi Arabia www.alkhabeer.com	<b>الخبير المالية</b> Alkhabeer Capital	
<b>AUDITOR</b>	<b>Al Azem, Al Sudairy, Al Shaikh &amp; Partners CPA's &amp; Consultants</b> <b>Member of Crowe Global</b> P.O. Box 21499, Jeddah 40097 Kingdom of Saudi Arabia https://www.crowe.com/sa		
<b>LEGAL ADVISOR</b>	<b>The Law Office of Mohammed AlAmmar (In Cooperation with King &amp; Spalding LLP)</b> Kingdom Centre, 20 <sup>th</sup> Floor King Fahad Road P.O. Box 14702, Riyadh 11434 Kingdom of Saudi Arabia www.kslaw.com	مكتب محمد العمار للمحاماة والاستشارات القانونية بالتعاون مع كينج أند سبولدنج THE LAW OFFICE OF MOHAMMED ALAMMAR In cooperation with King & Spalding LLP	
<b>SHARI'A ADVISOR</b>	<b>Shariyah Review Bureau W.L.L.</b> Building No. 872, Office No. 41 & 42 Road 3618, Seef 436 Kingdom of Bahrain www.shariyah.com		
<b>LEAD MANAGER / RECEIVING BANKS</b>	<b>Aljazira Capital</b> King Fahad Road - P.O. Box 20438 - Riyadh 11455 Kingdom of Saudi Arabia www.aljaziracapital.com	<b>الجزيرة كابيتال</b> ALJAZIRA CAPITAL	
<b>RECEIVING BANKS</b>	<b>National Commercial Bank (NCB)</b> King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia www.alahli.com	<b>الأهلي NCB</b>	
	<b>Riyad Bank</b> King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia www.riyadbank.com	<b>بنك الرياض</b> riyad bank	
	<b>Banque Saudi Fransi</b> Al Maathar Road - P.O. Box 06006 - Riyadh 11004 Kingdom of Saudi Arabia www.alfransi.com.sa	<b>البنك السعودي الفرنسي</b> Banque Saudi Fransi	

# Definitions

<b>"AUTHORIZED PERSONS REGULATIONS"</b>	means the regulations having the same name issued by the CMA under Resolution No. 1-83-2005 on 21/05/1426H (corresponding to 28/06/2005G), as amended by CMA Board Resolution No. 3-85-2017 on 27/12/1438H, corresponding to 18/09/2017G, and as amended from time to time;
<b>"DAY"</b>	means a Business Day in the Kingdom of Saudi Arabia in accordance with the official CMA Business Days;
<b>"BUSINESS DAY"</b>	means any day on which banks are open for business in Saudi Arabia;
<b>"CALENDAR DAY"</b>	means any day, whether a Business Day or not;
<b>"TERMS AND CONDITIONS"</b>	means the contracts containing the requisite information and terms in accordance with Article (32) of the Investment Funds Regulations in respect of the general fund, which are signed by and between the Fund Manager and the Unitholders;
<b>"INFORMATION MEMORANDUM"</b>	means the Fund's Information Memorandum made available to all prospective Unitholders to enable them to make well-considered decisions based on sufficient information concerning the offered investment;
<b>"CAPITAL"</b>	means the Subscription Amounts subscribed for by the Unitholders in the Fund;
<b>"MINIMUM TARGET FUND CAPITAL"</b>	means the minimum sum of SAR 300 million that the Fund Manager intends to raise through the offering of the Fund Units;
<b>"CLOSING DATE"</b>	is the ending date of the Initial Offering Period;
<b>"LISTING DATE"</b>	means the date on which the Units are listed on the Saudi Stock Exchange (Tadawul);
<b>"CMA" OR THE "AUTHORITY"</b>	means the Saudi Arabian Capital Market Authority;
<b>"LAW"</b>	means the Capital Market Law, promulgated by Royal Decree No. (M/30) dated 02/06/1424H, corresponding to 31/07/2003G, as amended by Resolution No. (52) dated 18/01/1441H, and as amended from time to time;
<b>"LISTING RULES"</b>	means the Listing Rules approved by CMA Board Resolution No. (3-123-2017) dated 09/04/1439H, corresponding to 27/12/2017G, as amended by CMA Board Resolution No. (2019-104-1) dated 01/02/1441H, corresponding to 30/09/2019G, and as amended from time to time;
<b>"TERMINATION EVENT"</b>	means the events described in Paragraph (18) of these Terms and Conditions;
<b>"FUND"</b>	means Alkhabeer Diversified Income Traded Fund, a Shari'a-compliant closed-ended traded investment fund managed by the Fund Manager;
<b>"FUND MANAGER"</b>	means Alkhabeer Capital, a CMA Authorized Person under License No. 07074-37;
<b>"FUND TERM"</b>	means 99 years as from the Listing Date, renewable at the discretion of the Fund Manager following obtaining the CMA's approval;
<b>"INITIAL OFFERING PRICE"</b>	means the price at which Units will be offered during the Initial Offering Period, being SAR 10;
<b>"INITIAL OFFERING PERIOD"</b>	means the period during which the Units will be offered pursuant to the Closed-Ended Investment Traded Funds Instructions, running for 15 Business Days, commencing on 21/04/1442H, corresponding to 06/12/2020G, and ending on 09/05/1442H, corresponding to 24/12/2020G;
<b>"TARGET INVESTORS"</b>	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 Saudi Arabia and other GCC countries; (c) foreigners residing in 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 15/7/1436H (corresponding to 4/5/2015G); and (e) such other investors who may be permitted by the CMA to own securities listed on Tadawul;
<b>"INVESTMENT"</b>	means each asset in which the Fund invests;
<b>"OFFERING" AND "INITIAL OFFERING"</b>	means the initial public offering of Units in accordance with these Terms and Conditions, or any subsequent offering of Units in the Fund;
<b>"PUBLIC UNITHOLDER"</b>	means any Unitholder who is not one of the following: (a) any Unitholder who owns 5% or more of the Units; (b) the Fund Manager and its affiliates; and (c) a member of the Fund Board;
<b>"RELATED PARTY"</b>	means any of the following: (a) the Fund Manager; (b) the Custodian; (c) an Evaluator appointed by the Fund Manager in relation to the Fund; (d) any valuation company retained by the Fund to value the Fund's assets; (e) the Fund's Auditor; (f) each member of the Fund Board; (g) any Unitholder owning



	more than 5% of the Fund Units; (h) any individual or entity that controls, or who is an affiliate of, any of the aforementioned parties; and (i) any of the executive managers or employees of the abovementioned parties;
<b>"EXECUTING BROKER(S)"</b>	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;
<b>"INTERMEDIARY"</b>	means a person through whom the Fund Manager executes transactions related to Sukuk purchase and sale to the account of the Fund;
<b>"SAR"</b>	means a Saudi Arabian Riyal, the lawful currency of the Kingdom;
<b>"RECEIVING BANK(IES)"</b>	means the entities who receive the applications for subscription in "Alkhabeer Diversified Income Traded Fund", as shown in the Fund documentation;
<b>"SHARI'A ADVISOR"</b>	means the Shariyah Review Bureau;
<b>"SHARI'A GUIDELINES"</b>	means the Fund's Shari'a Guidelines approved by the Shari'a Advisor, upon which the eligibility for Investments are determined by the Fund, as set out in Appendix (2);
<b>"SPECIAL PURPOSE VEHICLE" OR "SPV"</b>	means a limited liability company established by the Custodian to hold title of the Fund's assets;
<b>"SUBSCRIPTION AMOUNT"</b>	means the amount contributed by a Unitholder upon subscribing to the Offering;
<b>"TADAWUL"</b>	means the automated stock trading system of the Saudi Arabian Stock Exchange (Tadawul);
<b>"UNIT"</b>	means the share held by the Unitholders in any investment fund comprised of units, including the fractions of a unit. Each Unit is treated as a common share in the Assets of the Fund;
<b>"UNITHOLDER"</b>	means the investor who invests in the Fund by holding its Units;
<b>"NET ASSET VALUE" AND "FUND NAV"</b>	means the cash value based on the closed-ended traded investment Fund's total asset value, 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 the Paragraph titled "Valuation and Pricing" of the Information Memorandum.
<b>"UNIT PRICE"</b>	means the market price of each Unit as announced by Tadawul.
<b>"FIXED INCOME INSTRUMENTS"</b>	means securities, such as Leasing Transactions, Trade Finance Transactions, Income Funds, Sukuk (such as Sovereign Sukuk or corporate Sukuk), and Shari'a-compliant Murabaha Transactions, which generate returns to their holders over specified future period(s);
<b>"SUKUK"</b>	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 or in the ownership of an asset of a certain project that is compliant with the Shari'a Guidelines, and all associated financial rights;
<b>"SOVEREIGN SUKUK"</b>	means the Sukuk issued by companies or other legal entities that are partly or fully owned by the state;
<b>"QUASI-SOVEREIGN SUKUK"</b>	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;
<b>"SUKUK PORTFOLIO"</b>	means a diversified investment portfolio of Sovereign, Quasi-Sovereign and corporate Sukuk held by the Fund during the Investment Term;
<b>"INVESTMENT GRADE"</b>	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;
<b>"MURABAHA"</b>	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;
<b>"MURABAHA TRANSACTIONS"</b>	means such transactions executed by way of Murabaha;
<b>"INCOME FUNDS"</b>	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;
<b>"LEASING TRANSACTIONS"</b>	means such transactions, the returns of which are linked to, or affected by, the investment in assets or equipment leased to beneficiaries;

<b>"TRADE FINANCE TRANSACTIONS"</b>	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;
<b>"CURRENCIES PEGGED TO THE UNITED STATES DOLLAR"</b>	means the currencies pegged to the United States Dollar, such as the currencies of the GCC states, excluding the Kuwaiti Dinar;
<b>"MAIN CURRENCIES"</b>	means the United States Dollar, Euro, Japanese Yen, Swiss Franc, Sterling Pound, Canadian Dollar and Australian Dollar;
<b>"LIBOR"</b>	means the London Interbank Offered Rate based on the United States Dollar;
<b>"MARGIN FINANCING"</b>	means such transactions, part of the value of which is financed by the Intermediary;
<b>"DUE DILIGENCE"</b>	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 risks and unforeseen errors, which must be avoided in order to ensure the viability and soundness of the investments, for example in terms of value and technical, legal, economic and operational conditions;
<b>"FUNDAMENTAL ANALYSIS"</b>	<p>means the analysis of 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:</p> <ol style="list-style-type: none"> <li>1. The Macroeconomic analysis.</li> <li>2. Analysis of the target company's sector.</li> <li>3. Analysis of the company's circumstances and conditions.</li> <li>4. Financial analysis of the company.</li> <li>5. Assessment of the fair value of the company.</li> </ol>
<b>"TAX(ES)"</b>	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 public expenditures, without receiving a special benefit in return of paying the tax;
<b>"VALUE ADDED TAX"</b>	is defined according to the General Authority of Zakat and Tax (GAZT) 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 1 January 2018 (14 Rabi Al Awwal 1439H). 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 bought. 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;
<b>"FUNDAMENTAL CHANGES"</b>	<p>the term "Fundamental Change" means any of the following:</p> <ol style="list-style-type: none"> <li>1) A significant change in the objectives or nature of the Fund;</li> <li>2) A change that may have a material adverse effect on the Unitholders or their rights in relation to the Fund;</li> <li>3) A change that affects the risk profile of the Fund;</li> <li>4) The voluntary withdrawal of the Fund Manager from its position as Fund Manager; and</li> <li>5) Any other instances determined by the Authority from time to time, and reported to the Fund Manager.</li> </ol>
<b>"SIGNIFICANT CHANGES"</b>	<p>means any change that is not considered a Fundamental Change in accordance with Article (56) of the Investment Funds Regulations, but may:</p> <ol style="list-style-type: none"> <li>1) Usually cause the Unitholders to reconsider their participation in the Fund.</li> <li>2) Result in increased payments out of the assets of the Fund to the Fund Manager, any member of the Fund Board or any affiliate of either of them.</li> <li>3) Introduce a new type of payments to be made out of the assets of the Fund.</li> <li>4) Materially increase the other types of payments made out of the assets of the Fund.</li> <li>5) Any other cases determined by the CMA from time to time, and reported to the Fund Manager.</li> </ol>
<b>"BENCHMARK"</b>	refers to the benchmark against which the Fund's performance is measured, namely the 12-Month London Interbank Offered Rate (LIBOR) plus 300 basis points;
<b>"EXTRAORDINARY CIRCUMSTANCES"</b>	means the events that 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, a force majeure, war, currency collapse, ...).

# Fund Summary

<b>FUND NAME AND TYPE</b>	Alkhabeer Diversified Income Traded Fund is 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 an Authorized Person licensed by the CMA under License No. 07074-37.
<b>INVESTMENT OBJECTIVE</b>	The Fund's investment objective is to generate periodic income for investors by investing in Shari'a-compliant income generating assets.
<b>INVESTMENT STRATEGIES</b>	The Fund seeks to achieve its objective 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.
<b>INVESTMENT GEOGRAPHY</b>	Local, regional and global markets.
<b>RISK LEVEL AND FACTORS*</b>	Investment in the Fund involves a high level of risk.  The Section titled "Main Risks Associated with the Fund's Investments" in the Information Memorandum contains examples of such risks, which the prospective investor should consider carefully before deciding to invest in the Fund.
<b>APPOINTMENT OF EXECUTING BROKERS</b>	The Fund Manager may appoint Executing Brokers who are specialized in executing transactions related to target assets based on the agreed upon instructions issued by the Fund Manager.
<b>APPOINTMENT OF SUB-MANAGERS</b>	The Fund Manager may, at its discretion, appoint sub-managers who are specialized in managing investments.
<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>MINIMUM SUBSCRIPTION</b>	The minimum subscription amount in the Fund is SAR 1,000.
<b>FUND CURRENCY</b>	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 the Saudi Stock Exchange (Tadawul), renewable at the Fund Manager's discretion, subject to CMA's approval.
<b>TARGET ANNUAL DIVIDENDS</b>	The Fund Manager aims to distribute an annual return equivalent to or exceeding the annual return generated by the Fund's Benchmark, subject to market conditions.
<b>BENCHMARK</b>	The Fund's performance benchmark is 1-year LIBOR + 300 bps.
<b>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>SHARI'A COMPLIANCE</b>	The Fund, its investments and transactions shall be compliant with the Shari'a Guidelines.
<b>FINANCING</b>	The Fund Manager may obtain facilities or margin finance for the Fund during the Investment Term, provided that such financing is compliant with the Shari'a Guidelines and does not exceed 30% of the Fund's Net Asset Value (NAV) at the time it is obtained.
<b>VALUATION AND FREQUENCY</b>	The Fund assets will 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 Fund assets less the value of all Fund liabilities as at the Valuation Date.
<b>MANAGEMENT FEES</b>	1% per annum of the Fund's NAV.
<b>SUB-MANAGER'S FEES</b>	The Sub-Manager (if any) shall be compensated at the cost of the Fund Manager.
<b>SUBSCRIPTION FEES</b>	1% 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>ADMINISTRATION FEES</b>	The Fund shall pay the Administrator an amount equivalent to 0.1% per annum of the Fund's NAV.
<b>AUDIT FEES</b>	SAR 35,000 per annum.

<b>SHARI'A ADVISOR FEES</b>	SAR 20,000 per annum.
<b>TADAWUL REGISTRATION FEES</b>	<p>The Fund shall pay the following fees for registration in the Saudi Stock Exchange (Tadawul):</p> <ol style="list-style-type: none"> <li>1. SAR 50,000 + SAR 2 on each Unitholder, capped at 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 changes in the Fund's capital.</li> </ol>
<b>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 the Saudi Stock Exchange (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 the Saudi Stock Exchange (Tadawul).</li> </ol>
<b>TADAWUL WEBSITE PUBLISHING FEES</b>	The Fund shall pay fees of SAR 5,000 per annum for publishing on the website of the Saudi Stock Exchange (Tadawul), payable to Tadawul.
<b>REGULATORY FEES</b>	The Fund shall pay regulatory fees of SAR 7,500 per annum to the CMA.
<b>INDEPENDENT DIRECTORS' FEES</b>	<p>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. It is expected that a minimum of two meetings and a maximum of four meetings will be held each year. The Chairman may convene an urgent Fund Board meeting whenever he deems necessary. Total remuneration paid to the two independent directors shall not exceed SAR 42,000 per annum. In addition, the Fund will pay 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 for the two independent directors. Such costs and annual fees shall be calculated and paid semi-annually.</p> <p>Non-independent directors will not receive any fees.</p>
<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 or the 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.
<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 costs related to the activities of the Fund, placement of Fund investments and outsourced professional and operational services provided by third parties, including without limitation, the costs of convening the Unitholders' meetings, asset valuation expenses and other professional services provided to the Fund, in addition to income purification costs (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, charges and taxes that are subject to government laws and regulations. Actual fees only will be deducted.
<b>TOTAL EXPENSE RATIO</b>	The recurring fees ratio for the first year of the Fund's life is 1.47% of the Target Fund Capital (SAR 1,000 million) and 1.67% if the Fund is started at its Minimum Target Fund Capital (SAR 300 million). The non-recurring fees ratio for the first year of the Fund's life is 0.06% of the Target Fund Capital (SAR 1,000 million) and 0.21% if the Fund is started at its Minimum Target Fund Capital (SAR 300 million). Thus, the Total Expense Ratio for the first year of the Fund's life is 1.53% of the Target Fund Capital (SAR 1,000 million) and 1.88% if the Fund is started at its Minimum Target Fund Capital (SAR 300 million). This Ratio will be updated quarterly and published on the Fund Manager's website and on Tadawul's website.
<b>RESTRICTIONS ON TRANSFER OF UNITS</b>	Upon listing, Units shall be 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 brokers.
<b>UNITHOLDERS' LIABILITY</b>	With the exception of the Unitholder's loss of all or part of his investment in the Fund, the Unitholder will not be liable for the debts and obligations of the Fund. Unitholders shall be responsible for the payment of Zakat on their investment Units.
<b>GOVERNING LAW</b>	The Fund is subject to the laws of the Kingdom of Saudi Arabia and to the applicable regulations issued by the Capital Market Authority (CMA).

\* Investing in the Fund involves a high level of risk because the Fund is traded, and as such the Unit trading price is exposed to market volatility, although the nature of the components of the Fund's investments is of a medium risk level.



# Information Memorandum

## 1. INVESTMENT FUND

### (a) Name of Investment Fund

Alkhabeer Diversified Income Traded Fund.

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

The Terms and Conditions of the Fund were issued on 28/01/1442H, corresponding to 16/09/2020G.

### (c) Date of CMA's Approval of the Establishment and Unit Offering of the Investment Fund

CMA's approval on the Fund Unit Offering was issued on 28/01/1442H, corresponding to 16/09/2020G.

### (d) Fund Term

The Term of the Fund is 99 years, starting as of the date of listing the Fund Units on the Saudi Stock Exchange (Tadawul), renewable at the Fund Manager's discretion, subject to CMA's approval.

### (e) Fund Currency

Saudi Arabian Riyal (SAR).

## 2. INVESTMENT POLICIES AND PRACTICES

### (a) Investment Objectives of the Investment Fund

The Fund's investment objective is to generate periodic income for investors by investing in Shari'a-compliant income generating assets.

### (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

**INVESTMENT TYPE:**

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.

**5. Murabaha Transactions:** Investment in Murabaha Transactions shall be made in Saudi Riyals with banks licensed by the Saudi Arabian Monetary Agency operating in the Kingdom of Saudi Arabia, provided these Transactions are Shari'a-compliant.

**(c) Investment Concentration Policies**

The Fund seeks to achieve its objective 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. Asset distribution as a percentage of the Fund's total asset value based on the last audited financial statements, is as follows:

ASSET TYPE	MINIMUM	MAXIMUM
Sukuk	0%	40%
Trade Finance Transactions	0%	40%
Leasing Transactions	0%	40%
Income Funds*	0%	25%
Cash and Murabaha Transactions**	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.

**(d) Securities Exchanges Where the Fund is Likely to Buy and Sell its Investments**

The Fund Manager may invest in the Saudi Stock Exchange, as well as in regional and international capital markets. The Fund Manager intends to geographically diversify the Fund's investments by investing in various markets, including the US, European and Asian markets, in addition to local and regional markets.

**(e) Types of 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 and the Information Memorandum. 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 titled "Main Risks Associated with the Fund's Investments" in this Information Memorandum.
- 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 (1) of this Information Memorandum.

**(f) Securities Excluded from the Fund's Investments**

The Fund will not invest its assets in financial derivatives.

**(g) Other Restrictions on Types of Securities or Other Assets Where the Fund may Invest in**

The Fund Manager shall comply with the restrictions applicable to the Fund as provided in the Investment Funds Regulations and the Closed-ended Investment Traded Funds Instructions issued by the Capital Market Authority, and the Fund's Terms and Conditions, Information Memorandum, Shari'a Guidelines and Board Resolutions.

**(h) Limit of Investment of the Fund's Assets in Units of Investment Fund(s) Managed by the Fund Manager or other Fund Managers**

The Fund Manager shall comply with the investment restrictions as provided in the Investment Funds Regulations and the Closed-ended Investment Traded Funds Instructions, including without limitation:

- Not more than 25% of the Fund's NAV may be invested in a single illiquid asset.
- Not more than 25% of the net asset value of any public fund may be invested in the units of another investment fund.
- Not more than 20% of the net asset value of the fund, the units of which are acquired, may be held.
- Not more than 20% of the public fund's net asset value may be invested in all classes of securities issued by any single issuer.
- Not more than 10% of the securities issued by any single issuer may be held to the benefit of the public fund.
- Total Fund investments in various parties belonging to the same group may not exceed 25% of the net asset value of the public fund. This includes all investments in securities issued by different parties belonging to the same group, and money market transactions concluded with a party regulated by the Saudi Arabian Monetary Agency or an equivalent regulator outside the Kingdom of Saudi Arabia, transactions concluded with different parties belonging to the same group, and bank deposits with various parties belonging to the same group.
- Not more than 10% of the public fund's net asset value may be invested in any class of securities issued by any single issuer, with the exception of:
  - Debt instruments issued by the Government of the Kingdom of Saudi Arabia or by a sovereign issuer. Such debt instruments may exceed 35% of the public fund's net asset value (provided they are compliant with the Shari'a Board's Guidelines and Standards).
  - Listed debt instruments not exceeding 20% of the public fund's net asset value (provided they are compliant with the Shari'a Board's Guidelines and Standards).
- The portfolio of a public fund may not include any security where a call is to be made for any sum unpaid on that security, unless it is feasible to pay the entire amount of cash or securities that can be converted into cash from the portfolio of the fund within five Business Days.
- 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.

**(i) The Fund's Authority to Obtain Financing, the Fund Manager's Policy Concerning the Exercise of Authority to Obtain Financing, and the Fund Manager's Policy on Pledging the Fund's Assets**

The Fund Manager may during the Investment Term obtain financing facilities or margin financing, such that margin transactions are executed in favor of the Fund by the Intermediary, provided that the financing is 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, and may extend up to one year for current assets (such as Sukuk), and up to five years for non-current assets (such as Leasing contracts), as of the date of purchase.

All or part of the Fund 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: (a) the financing terms; (b) the prevailing market conditions. The terms of any financing facilities shall be based on non-recourse against the Unitholders.

**(j) Maximum Limit on 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 and the Closed-ended Investment Traded Funds Instructions.

**(k) The Fund Manager's Policy on Managing the Fund's Risks**

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 the assessment of the risks associated with the Fund's Assets. For additional details on the Internal Process for Risk Assessment and Management, please see Appendix (1) of this Information Memorandum.

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 and the Information Memorandum. 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 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 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% 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.

**(l) Benchmark**

The 12-Month London Interbank Offered Rate (LIBOR) plus 300 basis points, is used for the Fund's performance benchmarking.

**(m) Use of Derivatives**

The Fund will not invest its assets in financial derivatives.

**(n) CMA-Approved Exemptions from Investment Restrictions or Limitations**

This paragraph does not apply to the Fund.

### 3. MAIN RISKS ASSOCIATED WITH THE FUND'S INVESTMENTS

- (a) 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.
- (b) The Fund's or the Benchmark's past performance is not considered as an indication of the Fund's future performance.
- (c) 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.
- (d) An investment in the Fund is not considered a deposit with a bank.
- (e) The Unitholders may lose part, or all of their Fund invested capital.
- (f) The potential main risks associated with investing in the Fund, the risks to which the Fund is exposed, and the conditions that may 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 Shari'a principles determined in accordance with the Shari'a Guidelines. 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 Shari'a principles. Additionally, in complying with the Shari'a principles, the Fund may lose investment opportunities if a proposed investment is ultimately determined by the Shari'a Advisor not to be compliant with the Shari'a principles, 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 absence of the Fund's Shari'a investment principles.

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 costs or decrease in revenues. The Fund's inability to make distributions to Unitholders may expose the Fund to certain liabilities that would further affect its financial performance. The Fund may also be prevented from making distributions, pursuant to restrictive loan covenants or otherwise, by its financiers, who may in certain circumstances (such as following the occurrence of a default under any financing arrangements) have the right to take control of the cash flows of the Fund and use those cash flows to pay down principal amounts outstanding under the financing arrangements. An interruption or decrease in the amount of distributions to Unitholders may cause the market value of Units and their trading price on Tadawul to fall.

Leverage Risk: The assets of the Fund may be leveraged by Shari'a-compliant facilities, which may adversely affect the income earned by the Fund or may result in a loss of principal, and accordingly the market value of Units. Fluctuations in the value of the Fund's assets may be magnified when the Fund uses leverage. For example, leverage may cause greater swings in the Fund's Net Asset Value or cause the Fund to lose more than it has invested. The use of leverage involves at the same time a higher degree of risk and may increase 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, may allow 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:** The Fund intends to apply for admission of the Units to trading on Tadawul. Admission should not be taken as implying 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 this Information Memorandum and the 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 this Information Memorandum and the 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 efficiency 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. Thus, the aforementioned parties may not be able to devote all of their efforts and resources to the Fund. To the extent that a party devotes efforts and resources to other business activities, its ability to devote resources and attention to the Fund's affairs will be 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 attached 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 Increase in Management Fees to Fund Income:** The Fund pays 1% of its Net Asset Value as Management Fees. The Net Asset Value is expected to change from time to time, and may therefore, result in an increase in the Management Fees paid to the Fund Manager. In the event of an increase, the Management Fees paid to the Fund Manager will be increased without any increase in the income to Unitholders from 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 Rate Risk:** The market value of Sukuk and other fixed-income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of Sukuk and other fixed-income securities will increase as interest rates fall, and decrease as interest rates rise.

The Fund may be subject to a greater risk than that risk of rising interest rates due to the current period of relatively low rates. The magnitude of these fluctuations in the market price of Sukuk and other fixed-income securities is generally greater than those fluctuations in securities with longer maturities. Fluctuations in the market price of the Fund's investments will not affect the interest income derived from the Sukuk already owned by the Fund, but will be reflected in the Fund's NAV, thus having an adverse effect on the Fund's NAV and 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 may expose 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 that 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 that 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 that 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:** The Terms and Conditions and this Information Memorandum 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 the Terms and Conditions and this Information Memorandum 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 CMA’s Closed-Ended Investment Traded Funds Instructions. 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 this Information Memorandum, 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 that 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 taxpayer 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 that 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 this Information Memorandum. 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.

## 4. OVERVIEW

### (a) 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 GCC countries; (b) corporations, companies, investment funds and other legal entities established in Saudi Arabia and other GCC countries; (c) foreigners residing in 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 15/7/1436H (corresponding to 4/5/2015G); and (e) such other investors who may be permitted by the CMA to own securities listed on Tadawul.

### (b) 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 (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.

**(c) Previous Performance of the Investment Fund**

The Fund does not have any previous performance, and the performance of the Benchmark – if any – is not indicative of the Fund's future performance.

**(d) Rights of the Unitholders**

Unitholders shall be entitled to exercise all of their rights in relation to the Units, as explained in the Terms and Conditions and the Information Memorandum, including the following:

1. The right to call for and attend Unitholders' meetings, and vote in relation to matters presented to Unitholders at the Unitholders' meetings. Unitholders' meetings shall be held in accordance with the Closed-ended Investment Traded Funds Instructions and applicable regulations. For further information, see Paragraph titled "Other Information - Unitholders' Meetings" of this Information Memorandum;
2. Voting in relation to any suggested Fundamental Change to the Fund;
3. Subscribing in relation to any increase in the Fund's total asset value by way of offering Fund Units. The offered additional Units shall be firstly allocated to Fund Unitholders who are registered as at the date on which the Unitholder's meeting is held to approve the increase in the Fund's total asset value, and who wish to subscribe in the additional Units, on a pro rata basis, and then the remaining Units (if any) shall be allocated to the other investors who are not Unitholders;
4. Receiving dividend distributions according to the Terms and Conditions and the Information Memorandum;
5. Receiving periodic reports and updates according to the Terms and Conditions and the Information Memorandum. The Fund's reports and statements shall be made available to the public via the Fund Manager's website;
6. Receiving an updated copy of the Fund's Terms and Conditions and the Information Memorandum in Arabic, free of charge;
7. Approving any Fundamental Changes and any Significant Changes, or receiving notification concerning notifiable changes in the Fund's Terms and Conditions and the Information Memorandum, and sending a summary of such change before it takes effect, commensurate with its type, within the period specified in the Investment Funds Regulations;
8. Receiving special procedures for handling complaints upon request (free of charge);
9. Any other rights of the Unitholders, as stipulated in CMA Board's laws and implementing regulations, and the Closed-ended Investment Traded Funds Instructions.

Except as expressly set forth in the Terms and Conditions and the Information Memorandum, the Unitholders do not have any rights in relation to the management of the Fund.

**(e) Liabilities 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.

**(f) Events and Procedures for Termination of the Fund****(1) Events Triggering Termination of the Fund:**

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 Term, in which case, the Fund Manager shall notify the CMA and Unitholders in writing at least (21) days prior to the expiration of the Fund 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.
- In the event the Fund’s NAV drops below the SAR 10 million requirement and the Fund Manager fails to take corrective measures to rectify the situation within six months after the date of CMA’s notification of the occurrence of such event, the Fund Manager shall terminate the Fund and notify the CMA, as well as the Saudi Stock Exchange (Tadawul) and Unitholders simultaneously, subject to the circulars issued by the CMA in this respect.
- 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 immediately upon the occurrence of such event in writing within five days after the occurrence of the event requiring the termination of the Fund.

If it is decided to terminate the Fund for a reason other than the occurrence of a Termination Event, a prior approval of the Unitholders, the Fund Board, the CMA and Tadawul, shall be obtained.

**(2) Procedures for Termination of the Fund:**

- In the event the Fund Manager decides to terminate the public fund, it shall notify the CMA, the Saudi Stock Exchange (Tadawul) and the Unitholders in writing of such decision (21) days prior to the intended Fund termination date, after obtaining the Fund Board’s approval, without prejudice to the Fund’s Terms and Conditions and the Information Memorandum.
- The Fund Manager shall commence the liquidation process of the public fund immediately upon its termination, without prejudice to the Fund’s Terms and Conditions and the Information Memorandum. The Fund Manager shall announce the termination of the public fund’s term and its liquidation period on its website and on Tadawul’s website.

**(g) Risk Assessment**

The Fund Manager acknowledges that there is an internal process for the assessment of the risks associated with the Fund’s assets. For additional details on the Internal Process for Risk Assessment and Management, please see Appendix (1).

## 5. CONSIDERATION FOR SERVICES, COMMISSIONS AND FEES

### (a) Fees and Expenses (details of all payments and the method of their calculation)

The Fund shall bear, and pay out its assets, all the fees, charges and commissions, as shown in this section:

TYPE OF FEES	DESCRIPTION
<b>MANAGEMENT FEES</b>	<p>The Fund Manager will be entitled to a management fee ("<b>Management Fees</b>") for its management of the Fund's assets, equal to 1% per annum of the Fund's NAV. The 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 Closing Date. Management Fees shall be paid pro rata based on the number of days of the period based on which the Management Fees are calculated.</p>
<b>SUB-MANAGER'S FEES</b>	The Sub-Manager (if any) shall be compensated at the cost of the Fund Manager.
<b>SUBSCRIPTION FEES</b>	The Fund Manager will be entitled to fixed subscription fees (" <b>Subscription Fees</b> ") of 1% of the cash subscription amounts.
<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. Custodian Fees are payable Gregorian semi-annually.
<b>ADMINISTRATION FEES</b>	The Fund shall pay the Administrator annual fees equivalent to 0.1% of the Fund's NAV. Administration Fees are payable Gregorian semi-annually.
<b>AUDIT 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 Advisor annual fees of SAR 20,000.
<b>TADAWUL REGISTRATION FEES</b>	<p>The Fund shall pay the following fees for registration in the Saudi Stock Exchange (Tadawul):</p> <ol style="list-style-type: none"> <li>1. SAR 50,000 + SAR 2 on each Unitholder, capped at 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 changes in the Fund's capital.</li> </ol>
<b>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 the Saudi Stock Exchange (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 the Saudi Stock Exchange (Tadawul).</li> </ol>
<b>TADAWUL WEBSITE PUBLISHING FEES</b>	The Fund shall pay fees of SAR 5,000 per annum for publishing on the website of the Saudi Stock Exchange (Tadawul), payable to Tadawul.
<b>REGULATORY FEES</b>	The Fund shall pay regulatory fees of SAR 7,500 per annum to the CMA.
<b>INDEPENDENT DIRECTORS' FEES</b>	<p>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 will pay 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 for the two independent directors. Such costs and annual fees shall be calculated and paid semi-annually.</p> <p>Non-independent directors will not receive any fees.</p>

<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 or the 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.
<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 costs related to the activities of the Fund, placement of Fund investments and outsourced professional and operational services provided by third parties, including, without limitation, the costs of convening the Unitholders' meetings, asset valuation expenses and other professional services provided to the Fund, in addition to income purification costs (if any). The Fund shall be liable for any taxes that 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 governmental 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.

#### The Value Added Tax (VAT)

All the fees and expenses referred to in the Terms and Conditions and the Information Memorandum 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 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) A table showing all the fees and expenses and the method of calculation of the consideration for 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% per annum of the NAV	Calculated based on the Fund's NAV	Every valuation day	Payable semi-annually
<b>SUB-MANAGER'S 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% 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, and up to a maximum of 0.1% of the total asset value per annum	Calculated based on the Fund's total asset value	Every valuation day	Payable semi-annually
<b>ADMINISTRATION 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>AUDIT 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>TADAWUL REGISTRATION FEES</b>	The Fund shall pay the following fees for registration in the Saudi Stock Exchange (Tadawul): 1. SAR 50,000 + SAR 2 on each Unitholder, capped at SAR 500,000; and	1. Non-recurring lump sum	1. Before the listing and trading of the Fund Units	1. Before the listing and trading of the Fund Units



	2. SAR 400,000 payable annually. Such fees may change from time to time commensurate with changes in the Fund's capital	2. Annual lump sum	2. Every valuation day	2. Payable annually
<b>TADAWUL LISTING FEES</b>	<p>The Fund shall pay the following listing fees:</p> <p>1. SAR 50,000 initial listing fees; and</p> <p>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)</p>	<p>1. Non-recurring lump sum, payable upon the listing of the Fund on the Saudi Stock Exchange (Tadawul)</p> <p>2. Amount based on the Fund's market value</p>	<p>1. Before the listing and trading of the Fund Units</p> <p>2. Every valuation day</p>	<p>1. Before the listing and trading of the Fund Units</p> <p>2. Payable annually</p>
<b>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' FEES</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 and/or the Intermediary, either directly and/or periodically. The brokerage fees (including the fees of the Executing Broker) 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 the 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) Permissible Transaction Charges in Respect of Subscription, Redemption and Transfer of Units Fees**

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.

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

Subject to the Shari'a Guidelines, the Fund Manager may enter into special commission arrangements which are limited to goods and services that the Fund Manager may obtain, provided such arrangements relate to executing transactions on behalf of the Investment Fund, or conducting research for the benefit of the Fund, in accordance with the Authorized Persons Regulations.

**(e) Hypothetical Example Showing all the Fees and Expenses Paid out of the Fund's Assets or by the Unit Subscriber in the Currency of the Fund\***

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



DESCRIPTION	PERCENT AGE (%)/VALU E (SAR)	FIRST YEAR		SECOND YEAR	
		AT THE FUND LEVEL (SAR)	AT THE HYPOTHETIC AL SUBSCRIPTIO N LEVEL (SAR)	AT THE FUND LEVEL (SAR)	AT THE HYPOTHETIC AL SUBSCRIPTIO N LEVEL (SAR)
NON-RECURRING FEES AND EXPENSES					
Non-Recurring Saudi Stock Exchange (Tadawul) Registration Fees <sup>2</sup>	575,000	575,000	57.50	N/A	N/A
Non-Recurring Saudi Stock Exchange (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
RECURRING FEES AND EXPENSES					
Recurring Saudi Stock Exchange (Tadawul) Registration Fees	460,000	460,000	46.00	460,000	46.00
Recurring Saudi Stock Exchange (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 Stock Exchange (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.

## 6. VALUATION AND PRICING

### (a) Method of Valuation 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 approved by the Custodian, 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 the Saudi Stock Exchange (Tadawul) [www.tadawul.com.sa](http://www.tadawul.com.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 (71) of the Investment Funds Regulations.
- The Fund Manager shall include in its reports to the CMA, which are required under Article (72) 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 the Saudi Stock Exchange (Tadawul) on Tadawul's website [www.tadawul.com.sa](http://www.tadawul.com.sa), by no later than 04:00 PM, on the tenth day following the end of each quarter.

## 7. DEALING

**(a) Details of the Initial Offering**

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.

**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 21.04.1442H, corresponding to 06.12.2020G, to 09.05.1442H, corresponding to 24.12.2020G
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 the Saudi Stock Exchange (Tadawul)	(20) Business Days after the Closing Date of the Offering Period

**Investment by the Fund Manager**

The Fund Manager is allowed to invest in the Fund from time to time, provided the Fund Manager discloses its investment in the Fund at the end of each fiscal year in the Summary Financial Disclosure.

### 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.

The Fund Manager will take all action to ensure at all times:

- (a) that the Fund includes a number of Public Unitholders of not less than 200, and
- (b) that at least 30% of the Unitholders is Public Unitholders.

### Method of Allocation

Receiving Banks appointed by the Fund Manager shall within a period not exceeding (10) Business Days, as a maximum, after the Closing Date, notify every investor of the acceptance or rejection of the Subscription Application, whether in whole or in part. In the event the Subscription Application is approved, confirmations shall be sent to the applicants showing the approved Subscription Amount, which may be subject to change upon the final allocation of Units. In the event an investor's Subscription Amount is rejected in whole or in part, the rejected part of the Subscription Amount or the full Subscription Amount shall be returned to the investor named in the Subscription Form without any deduction within (10) Business Days after the Closing Date of the Initial Offering Period.

Units shall be allocated immediately following the Closing Date according to the following process:

- (a) If the total amounts of subscriptions applied for by all investors are less than SAR 300 million, the Fund Manager may, at its discretion and subject to CMA's approval, extend the Offering Period for (20) Business Days or cancel the Offering and return all the Subscription Amounts to the investors in Saudi Riyal without any deduction within five Business Days after the date of cancellation of the Offering.
- (b) If the total amounts of subscriptions applied for by all investors are equal to or greater than SAR 300 million, the Units shall be allocated as follows:
  1. 100 Units are allocated to each investor.
  2. In the event of excess unallocated Units, the remaining Offered Units shall be allocated pro rata in proportion to the total amounts subscribed for by each of the investors.

In the event the number of subscribers is more than 1,000,000, a number of Units lower than the Minimum Subscription may be allocated. Therefore, the Fund Manager does not guarantee the allocation of the Minimum Subscription of 100 Units.

In the event the number of subscribers is more than 1,000,000, a number of Units lower than the Minimum Subscription may be allocated. Therefore, the Fund Manager does not guarantee the allocation of the Minimum Subscription of 100 Units.

The Fund Manager will take all action to ensure at all times:

- (a) that the Fund includes Public Unitholders of not less than 200, and
- (b) that at least 30% of the Unitholders is Public Unitholders.

### (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 Closed-Ended Investment Traded Funds Instructions and the Investment Funds Regulations, during the Initial Offering Period running for (15) Business Days, commencing on 21.04.1442H, corresponding to 06.12.2020G, and ending on 09.05.1442H, corresponding to 24.12.2020G (the "Closing Date"). In the event the Fund fails to raise SAR 300 million (the "**Minimum Target Fund Capital**"), the Fund Manager has the discretion, subject to CMA's approval, to extend the Offering Period by (20) Business Days, or cancel the Offering and return all the Subscription Amounts 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

#### 1) 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 Banks, or the Saudi Stock Exchange (Tadawul) ([www.tadawul.com.sa](http://www.tadawul.com.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 Banks; and (b) pay the full Subscription Amount for the Units applied for to the Fund's account with the Receiving Banks, 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 Banks 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.

#### 2) 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.

#### 3) 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.

#### 4) 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 Banks, or through the Fund Manager's website – Alkhabeer Capital ([www.alkhabeer.com](http://www.alkhabeer.com)), or Tadawul's website ([www.tadawul.com.sa](http://www.tadawul.com.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 Banks.

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 Bank 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 Oversubscription 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 Information Memorandum and 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 the Saudi Stock Exchange (Tadawul).

## 5) **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.

## 6) **Conditions and Requisite Documents by Investor Category**

- 1) 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).

## 2) 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 that are allocated to the principal investor and the dependent investors (in the event Units are not sold or transferred).

## 3) 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 an authorized person.
- 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.

## 4) 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.

## 5) 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.

## 6) 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.

7) **Important Notes**

- The client shall ensure the accuracy of registered information and documentation which are submitted. Alkhabeer Capital or the Receiving Bank does not accept any liability for the consequences of any errors in any documents or information provided by the client.
- The client shall ensure that the value that appears in the subscription application reconciles with the bank transfers. The Fund Manager may reject the subscription application in the event of discrepancy, whether by increase or decrease.
- Any amount transferred from an account other than the account that is registered with the Receiving Bank at the time of subscription in the Fund, will be rejected / not accepted. The bank account shall be in the name of the client.

**(d) Information on the Unitholders' Register**

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

**(e) Investing the Subscription Amounts During the Initial Offering Period**

The received Subscription Amounts will not be invested during the Initial Offering Period.

**(f) Minimum Amount Intended to be Raised by the Fund Manager**

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 1,000 million ("**Maximum Fund Target Capital**").

If the Fund fails to raise the Minimum Fund Target Capital during the aforementioned Initial Offering Period, the Fund Manager may, at its discretion, subject to CMA's prior approval, extend the Offering Period for (20) Business Days or cancel the Offering and return all the Subscription Amounts to the subscribers without any deduction. If the Fund manages to raise an amount that equals or exceeds the Minimum Fund Target Capital (that is a sum between the Minimum and Maximum Fund Target Capital), the Units shall be then allocated as provided in the foregoing Clause titled "Method of Allocation".

**(g) The corrective action necessary to ensure the satisfaction of the minimum requirement of SAR 10 million (SAR 10,000,000) or equivalent of the Fund's Net Asset Value (NAV)**

In the event the Fund's NAV falls short of SAR 10 million (SAR 10,000,000), the Fund Manager shall act in accordance with the provisions of the Investment Funds Regulations and the circulars issued by the CMA concerning the Fund's NAV minimum requirement for the continued operation of the Fund. The Fund Manager may communicate with the CMA in this respect. The Fund Manager will, within six months after notifying the CMA, seek additional investments in the Fund and comply with CMA's instructions in this respect.

**(h) 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 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 the 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:
  - (a) The specified reasons for the application for delisting.
  - (b) 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.
  - (c) 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 the 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 that 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 that 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 (12) above, unless the CMA or Tadawul determines otherwise.

**(i) 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.

## 8. 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.

## 9. ACCOUNTING AND REPORTING

### (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 (70) days after the end of the reporting period. The Fund Manager shall prepare the interim reports, and make them available to the public within (35) 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 Tadawul.

The Fund Manager shall disclose on a quarterly basis on its website and on Tadawul's website and via any other medium determined by the CMA, the information required in accordance with Article 71(h) of the Investment Funds Regulations, which shall include, as a minimum, the following information (if applicable):

1. List of the names and percentages of issuers whose shares constitute the largest ten investments in the Fund's portfolio as they appear at the first day of the concerned quarter.
2. The percentage of the total fees and charges of the concerned quarter to the average Net Asset Value of the Fund.
3. The amounts and percentages of profits distributed in the quarter in question to the Initial Unit Price (if any).
4. The Fund Manager's investment value and percentage to the Fund's Net Asset Value at the end of the concerned quarter.
5. The amount and percentage of the concerned quarter's dealing expenses to the public fund's average Net Asset Value.
6. Risk measurement standards and indices.
7. Fund's performance standards and indices.
8. Percentage of financing to the Fund's Net Asset Value at the end of the concerned quarter.

### (b) Information on the 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 Tadawul's website: [www.tadawul.com.sa](http://www.tadawul.com.sa).

- (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 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.**
- (d) **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.**



## 10. 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 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 Abdullelah Maghrabi	Director - Independent

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

DIRECTOR'S NAME	Mr. Ammar Ahmed Saleh Shata
TYPE OF MEMBERSHIP	Chairman of the Board – Non-Independent
CURRENT POSITION	Mr. Ammar is the Founder and Executive Director of Alkhabeer Capital.
QUALIFICATIONS AND EXPERIENCE	<ul style="list-style-type: none"> <li>• He has over 20 years of experience in the fields of corporate finance, structured finance, asset management, Islamic financial product development and Islamic investment and banking services.</li> <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.</li> </ul>

DIRECTOR'S NAME	Mr. Ahmed Saud Hamza Ghouth
TYPE OF MEMBERSHIP	Director – Non-Independent
CURRENT POSITION	Mr. Ahmed is the CEO of Alkhabeer Capital.
QUALIFICATIONS AND EXPERIENCE	<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 National Commercial Bank (NCB), 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 Baroom
<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 National Commercial Bank (NCB), 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 National Commercial Bank (NCB), 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 Abdolehah Maghrabi
<b>TYPE OF MEMBERSHIP</b>	Director – Independent
<b>CURRENT POSITION</b>	Mr. Ahmed is a co-founder and the Vice President of Abdolehah 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, and the Closed-Ended Investment Traded Funds Instructions.

**(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 that 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, where appropriate, the Notifiable Changes before the Fund Manager notifies the CMA and Unitholders.
- Ensuring the completeness and accuracy of the Terms and Conditions, the Information Memorandum 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, the Information Memorandum and the Shari'a Board resolutions.
- 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.
- 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 will pay 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 for the two independent directors. Such costs and annual fees shall be calculated and paid semi-annually.

Non-independent directors will not receive any fees.

**(e) Conflict of Interest**

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


**(f) 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 BAROOM	FAROUQ GHULAM	AHMED MAGHRABI
Alkhabeer Residential Real Estate Development Fund I (MASAKEN I)	Private Placement	Chairman	Director			
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 SME Fund I	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		Director
Alkhabeer Education Private Equity Fund III	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund IV	Private Placement		Chairman	Director		Director
Alkhabeer Hospitality Fund I	Private Placement		Chairman	Director		
Alkhabeer REIT	Public Placement	Chairman	Director	Director	Director	
Alkhabeer Waqf Fund (1)	Public Placement	Chairman	Director			

**(g) Fund Board Meetings**

The Fund Board shall hold its meetings by invitation from the Chairman of the Board. Meetings are expected to be held at least twice (and not more than four meetings) per year. The Chairman may convene an urgent meeting of the Fund Board whenever he deems necessary, and shall call for the meeting whenever requested to do so by the Fund Manager or any two Fund Board members.

The Fund Board meeting shall not be valid unless it is attended by at least three members.

Board resolutions are adopted with the approval of at least three members. In the event of the votes are evenly split, the Chairman shall have a casting vote.

The Fund Board may make its decisions on urgent issues by circulation by facsimile or electronic mail; provided such a resolution is presented to the Fund Board at the first subsequent meeting to be formally documented.

Fund Board meetings may be held, and deliberations and voting by members during such meetings may be carried out, using state of the art technology.

The Fund Board shall document its meetings, prepare minutes of deliberations and discussions, including the voting process during those meetings, and keep the minutes of those meetings in an organized and proper form for easy reference.

No Board member may vote on any Board resolutions related to any issue in which that member has a direct or indirect interest. Such interest must be disclosed to the Fund Board.

## 11. SHARI'A BOARD

### (a) Names and Qualifications of the Shari'a Board Members

The Shariyah Review Bureau W.L.L. was appointed as the Fund's Shari'a Advisor ("Shari'a Advisor"). 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.

#### Address of the Shari'a Board:

Shariyah Review Bureau W.L.L.  
P.O. Box 21051  
Manama  
Kingdom of Bahrain

### (b) Responsibility of the Shari'a Board

The Shari'a Board 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 Advisor Fees

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

### (d) Details of Applicable Shari'a Standards

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 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.

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 Board.
- Sukuk acceptable to the Fund's Shari'a Board, 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 Board's approved guidelines, standards and decisions.

In the event the Fund Manager invests in an asset of a nature of activities that conflict with the Shari'a Guidelines and Standards, the Fund Manager shall immediately dispose of such investment. In the event any dividends are received from such investment, the Fund Manager shall purify them by donating them to charity after obtaining the Shari'a Board's approval. In addition, any gain made on the sale of the asset must also be purified.

## 12. FUND MANAGER

**(a) Name of the Fund Manager**

Alkhabeer Capital.

**(b) CMA's License Number**

07074-37.

**(c) Registered Office Address and Business 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

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

**(d) Date of Issue of the CMA's License**

04.07.2007G.

**(e) Fund Manager's Paid Capital**

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

**(f) Fund Manager's Summary of Financial Information**

- The Company's audited revenues for 2017 totalled SAR 187.5 million, and its income before zakat totalled SAR 61.1 million.
- The Company's audited revenues for 2018 totalled SAR 188.2 million, and its income before zakat totalled SAR 56.9 million.
- The Company's audited revenues for 2019 totalled SAR 25.08 million, and its income before zakat totalled SAR -123.9 million.

**(g) Fund Manager's Fund Board Members, Primary Business Activities and Brief Description of each member****1. Mr. Musaad Mohammad Saad Aldrees**

**Title:** Chairman, Non-Executive Director

**Committee:** Member of the Board's Nomination and Remuneration Committee

**Brief Description:** Musaad Aldrees is a businessman. He has played a leading role in developing and expanding a group of family companies in various business sectors. He was an active member of the board of executive directors at the Saudi American Glass Factory, entirely owned by Dubai Investment Company. He was also a member of the boards of executive directors of Mohammad Saad Aldrees and Sons Limited Company (which later became a public company and was listed on the Saudi Stock Market), Mohammad Saad Aldrees Sons Limited Company, Mohammad Saad Aldrees and Sons Holding Company, and Aldrees Industrial & Trading Company (ALITCO) (a closed joint stock company). In addition to completing various training courses in KSA, the USA and the UK, Musaad is a graduate of the Institute of Public Administration in Riyadh, Saudi Arabia

**2. Mr. Ammar Ahmed Saleh Shata**

**Title:** Founder and Executive Director, Non-Executive Director

**Committee:** Member of the Board's Investment Committee

**Brief Description:** Ammar Shata is the founder and Executive Director of Alkhabeer Capital. He is also a Board Director of Jeddah Development & Urban Regeneration Company, and a Board Director of Murooj Jeddah Company Limited. He has more than 28 years of experience in corporate banking, Islamic finance, asset management and private equity. He began his investment banking career in 1990. Since then, he has held several leadership positions in a number of major Saudi banks, including the National Commercial Bank, Al Baraka Investment Development Group, and the Islamic Development Bank. Ammar holds a Bachelor's degree in Electrical Engineering and a Master's degree in Financial Economic Planning from the University of Southern California, USA. He is a Chartered Financial Analyst (CFA), USA.

**3. Mr. Saeid Mohamed Binzagr, Non-Executive Director**

**Title:** Vice Chairman

**Committee:** Chairman of the Board's Investment Committee

**Brief Description:** Saeid Mohamed Binzagr has over 22 years of experience in commerce and industry. He is the Chairman of the Board of Directors of Avon Beauty (Arabia) LLC, the Chairman of the Board of Directors of Binzagr Barwil Marine Transport Company, the President and Chief Operating Officer of Abdullah & Said M.O. Binzagr Company Limited, the Co-President of Binzagr Factory for Insulation Materials, a Board member of Said M.O. Binzagr & Partners Company Limited, Binzagr Co-Ro Limited, Binzagr Unilever Limited, and the International Marketing & Communications Company Limited and a Board member and the founder of Diyar Al-Khayyal. He holds a Bachelor of Science Degree from Linfield College, Oregon, USA.



4. **Mr. Mohanad Haydar Binladin**  
**Title:** Non-Executive Director  
**Committee:** Member of the Board's Audit Committee  
**Brief Description:** Mohanad Haydar Binladin is a prominent executive. He is currently the Assistant General Manager of Administration and Finance, as well as the Acting General Manager of Investments Division at Mohammed Binladin Co. Previously, he served as Chief Accountant for Binladin Industrial Co. Muhanad is the owner of Cultural Thought Est. and the founder and partner in Nutrition Zone L.L.C and Zileej DMCC, an Emirati company specialized in computer software development. He is also a Board Director of Zileej DMCC, Sky Steel Systems, UAE, and Makani Bayn Alkhotoot, a Saudi company specialized in parking management and services. Muhanad holds a Master's degree in Innovation and Technology Management from the Grenoble Graduate School of Business, France, and a Bachelor's degree in Finance from the King Fahad University of Petroleum & Minerals, KSA.
5. **Mr. Khalil Ibrahim Fawaz**  
**Title:** Non-Executive Director  
**Committee:** Member of the Board's Investment Committee  
**Brief Description:** Khalil Ibrahim Fawaz is the Chairman and Chief Executive Officer of Center for Corporate Services Company (a regional consulting company), and the Chairman and Chief Executive Officer of Move Forward International (a regional financial training company). He previously held the positions of Manager at PricewaterhouseCoopers (PwC), Vice President of Investment Banking at Alkhabeer Capital in Jeddah, Saudi Arabia, Head of Corporate Finance at Middle East Capital Group, a subsidiary of First National Bank (FNB), and Chief Financial Officer (CFO) at Zain Saudi Arabia in Riyadh. He is currently a member of a number of audit committees in Saudi Arabia and Lebanon. Khalil holds a Bachelor of Business Administration and an MBA from the Lebanese American University in Beirut. He is also a Certified Public Accountant (CPA) by California Board of Accountancy, USA.
6. **Mr. Abdulkader Thomas**  
**Title:** Independent Director  
**Committee:** None  
**Brief Description:** Abdulkader Thomas, an international expert in Islamic finance, is the Chief Executive Officer and a Board Director of Shape for Economic Consultancy in Kuwait and Shape Financial Corporation in the USA. He is also a Board Director of Shape Knowledge Services Company (Malaysia) and Sterling Bank PLC (Nigeria). He has held senior positions in various financial institutions, including the Islamic Investment Banking Services Unit at United Kuwait Bank, Guidance Financial Group, and Sumitomo Bank Ltd. He is also a member of the International Advisory Committee for the Securities Commission of Malaysia. He is widely published in the field of applied Islamic finance. Abdulkader holds a Bachelor's degree in Arab and Islamic Studies from the University of Chicago, USA, and a Master's Degree in Law and Diplomacy from the Fletcher School of Law and Diplomacy, USA.
7. **Mr. Issam Zaid Mohammed Al Tawari**  
**Title:** Independent Director  
**Committee:** Chairman of the Board's Audit Committee  
**Brief Description:** Issam Zaid Mohammed Al Tawari is an Islamic finance expert and currently serves as the Managing Partner of Newbury Economic Consulting that he established in Kuwait. He is also the Associate Partner of Emark Consulting & Training Company, and the advisor to the Chairman of the International Investor Company in Kuwait. He was the Founder of Rasameel Structured Finance Company in Kuwait where he served as the Chairman and Managing Director. Issam has held senior positions in several prominent institutions, including Chairman of the Board of Ain Takaful Insurance Company and Sorooh Investment Company, and Board Director at Dubai Wire Company and Kuwait Catalyst Company, among others. Issam holds a Bachelor's degree in Economics & Business Administration from the University of Kuwait, and an MBA from the University of Hull in the UK.
8. **Mr. Mohammed A. Moumena**  
**Title:** Independent Director  
**Committee:** Chairman of the Board's Nomination & Remuneration Committee  
**Brief Description:** Mohammed A. Moumena is an accomplished senior executive with valuable experience in a wide range of challenging business sectors. With more than 20 years of experience, he has established his reputation as a business leader and thinker in Saudi Arabia and the wider Middle East. Mohammed is currently a Managing Partner at Edward W Kelley & Partners, and an Independent Board Director and the Chairman of the Risk Management Committee at Fransa Invest Bank. He is also an Independent Board Member and the Chairman of the Nomination & Remuneration Committee of the Middle East Healthcare Company (Saudi-German Hospital in KSA) and Initial Saudi Arabia Company. Mohammed also acts in a non-executive capacity for several other organizations involved in charitable work. He holds a Bachelor's degree in Marketing from King Fahad University of Petroleum and Minerals, KSA.

9. **Mr. Yassir Kamil Sindi**

**Title:** Independent Director

**Committees:** Member of the Board's Investment Committee and the Board's Nomination & Remuneration Committee

**Brief Description:** Yassir Kamil Sindi is the Managing Director and an Executive Board Member at Al Faris Food Industries and Al Faris Al Arabi Trading Co, KSA, both of which specialize in the manufacturing and distribution of food products. He has extensive experience in the FMCG sector. Yassir was also involved in the venture capital and private Equity sectors as a Non-Executive Director at nCoTec LLP and then Frontiers Capital Partners LLP in the UK. Yassir has a BSC in Chemical Engineering from Colorado School of Mines, USA, (1988), an MA in Economics from The Johns Hopkins University, USA, (1991), and an MBA from CASS Business School in London, UK (2002).

**(h) Description of the roles and responsibilities of the Fund Manager to the Fund**

The Fund Manager shall appoint an investment portfolio manager registered with the CMA in accordance with the Authorized Persons Regulations issued by the CMA to oversee management of the Fund.

The Fund Manager will provide management and other services to the Fund, including without limitation, to the following:

- (a) Sourcing and executing acquisitions and dispositions in respect of the Fund's assets;
- (b) Setting out the decision-making procedures that should be followed when executing the activities and projects of the Fund;
- (c) Informing the CMA of any material events or developments that might affect the Fund's activities;
- (d) Complying with all applicable laws and regulations in effect in the Kingdom in relation to the Fund's activities;
- (e) Managing the Fund's assets for the benefit of the investors in accordance with the Terms and Conditions;
- (f) Ensuring the legality and validity of all contracts concluded for the benefit of the Fund;
- (g) Implementing the Fund's investment strategies described in the Terms and Conditions;
- (h) Arranging, negotiating and executing Shari'a-compliant debt financing documentation on behalf of the Fund;
- (i) Appointing the Fund's Shari'a Advisor and securing its approval that the Terms and Conditions are in compliance with the Shari'a Guidelines;
- (j) Overseeing the performance of the Fund's contractual counterparties;
- (k) Arranging the liquidation of the Fund upon its termination;
- (l) Providing the Fund Board with all necessary information relating to the Fund to enable the Fund Board members to perform their responsibilities completely;
- (m) Consulting with the Fund Board to ensure compliance with CMA's regulations and the Terms and Conditions.

**(i) Mandates Assigned by the Fund Manager to a Third Party in Relation to the Investment Fund**

**1) The Fund Manager's right to appoint Executing Brokers**

The Fund Manager shall appoint specialized Executing Brokers to execute investment transactions in relation to the target asset types, provided the Fund Manager obtains the Fund Board's approval. The Executing Brokers may be replaced at the Fund Manager's discretion, subject to the Fund Board's prior approval.

The Fund Manager shall be responsible for the appointment of the Executing Brokers. It shall also take responsibility for the investments as well as for the consequences of their actions. The Fund Manager shall use the following selection criteria when selecting the Executing Brokers:

#### Criteria related to the company of the Executing Broker

<b>Nature of the Business Activity</b>	The Executing Broker is a financial and business company with valid licenses issued by the regulatory authorities in the countries where it operates as necessary to execute deals in target assets
<b>Owners/ Shareholders</b>	Clear ownership structure of the major shareholders of the company of the Executing Broker
<b>Market Reputation</b>	The company of the Executing Broker has a good reputation in the market, and applies recognized corporate governance principles
<b>Client Base</b>	Strategic clients or a diverse client base
<b>Contractual Conditions</b>	Providing an acceptable approach to investment under a managed account agreement
<b>Legal and Regulatory Status</b>	The Executing Broker is regulated by a regulatory authority under regulatory standards and requirements which are at least equal to the standards and requirements applied by the CMA

#### Criteria related to Investments

<b>Management Team</b>	<ol style="list-style-type: none"> <li>1. Long experience of not less than five years in managing the target asset type</li> <li>2. Performance in line with the investment strategy</li> <li>3. Availability of supporting departments necessary for making the investments</li> </ol>
<b>Assets Under Management</b>	<ol style="list-style-type: none"> <li>4. The size of the assets under management is competitive, as compared to peers who are active in the same target asset type</li> <li>5. Past performance in line with the target returns</li> </ol>
<b>Investment Strategy and Constraints</b>	Adhering to applying the investment objectives, strategy and relevant constraints, in line with the target risk ratio
<b>Focus Geographies and Sectors</b>	Proven track record in the target geographies and sectors
<b>Capital Turnover</b>	Deployment of capital within one month before the investment starting date

Before appointing the Executing Broker, the Fund Manager shall review all of the aforementioned criteria, in addition to evaluating other criteria related to risks, taking into consideration the organization structure of the company of the Executing Broker, the third party business the Executing Broker is engaged to perform, 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.

## 2) 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) Potential Material Conflicts of Interest**

As of the date of preparation of the Terms and Conditions and the Information Memorandum, there are no transactions involving a material conflict between the interests of the Fund, the Fund Manager, and the Fund Manager's Fund Board members or any third parties.

A conflict of interest may arise or occur from time to time between the Fund on the one hand and the Fund Manager or its affiliate, subsidiaries, managers, officers, employees and agents, and the other funds they sponsor or manage. In the event of a material conflict between the interests of the Fund Manager and the interests of the Fund, the Fund Manager shall immediately disclose such conflict in full to the Fund Board. The Fund Manager will endeavour to settle any conflict of interest at its discretion and with good intent, taking into consideration the interests of all investors and affected parties.

Initially, the Fund Manager has determined the following potential conflict of interest points:

**(1) Similar Investment Vehicles Managed by Alkhabeer Capital**

Alkhabeer Capital manages, and expects to continue to manage, its own investment account and other investments and investment accounts with total identical or partially similar objectives, including other collective investment vehicles, which may be under the management or sponsorship of Alkhabeer Capital, or which may be affiliates of Alkhabeer Capital who hold a share of its capital.

In addition, and subject to compliance with the restrictions as provided in the Terms and Conditions, Alkhabeer Capital and its affiliates may in the future become a fund manager, investment manager or general partner of investment funds or other collective investments, one or more of which invests in assets similar to those of the Fund, provided that such other activity does not adversely affect the success of the Fund.

**(2) Fund Board**

The Fund Board oversees the settlement of any conflict of interest. As at the date of the Terms and Conditions and this Information Memorandum, the Fund Board is comprised of members appointed by the Fund Manager. The Fund Board members shall exercise due care in the best interest of the Fund's investors, subject to the Closed-Ended Investment Traded Funds Instructions. They shall also expend their best efforts to settle all the events of conflict of interest.

**(3) Activities Related to Securities in Which the Fund Invests or May Invest**

The Fund Manager may enter into arrangements for the issuance of securities in which the Fund invests or may invest in, or may provide advice on the issuance of securities in which the Fund invests or may invest in. The Fund Manager shall avoid any type of conflict between the interests of the Fund and the interests of its Unitholders, and shall not endeavour to serve the interests of a certain group of Unitholders at the expense of other Unitholders.

The Fund Board shall be notified of any conflict of interest, and its approval shall be sought in respect of any conflict of interest, which may arise during the operation of the Fund.

The foregoing is not a full or exhaustive description and summary of all the potential events of conflict of interest which any investment in the Fund Units may involve. Therefore, it is strongly recommended that all prospective investors seek independent advice from their own professional advisors.

**(k) Provisions Governing the Removal or Replacement of the Fund Manager**

The CMA may remove the Fund Manager and take any action it deems appropriate to appoint a replacement Fund Manager, in any of the following events:

1. If the Fund Manager ceases performance of the management activity without notifying the CMA in accordance with the Authorized Persons Regulations.
2. If the CMA cancels, withdraws or suspends the Fund Manager's license to engage in managing.
3. If the Fund Manager files an application with the CMA to cancel its license to engage in managing.
4. If the CMA determines that the Fund Manager is in breach – to an extent that the CMA deems material – of an obligation under the Capital Market Law and its Implementing Regulations.
5. In the event of death, incapacitation or resignation of the investment portfolio manager who manages the Fund's assets, and the unavailability of another person registered with the Fund Manager capable of managing the assets of the Fund.
6. If the Fund Unitholders issue a special resolution wherein 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.

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 (60) days following the date of appointment of the replacement Fund Manager.

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.

## 13. CUSTODIAN

**(a) Name of the Custodian**

Alinma Investment Company.

**(b) Custodian's License Number**

9134-37.

**(c) Registered Address of the Custodian**

Address: P.O. Box 55560

Riyadh 11544

Kingdom of Saudi Arabia

Tel.: 8004413333

Email: info@alinmainvest.com

Website: <http://www.alinmainvestment.com/>

**(d) Date of Issue of the License**

14.04.2009G.

**(e) Description of the Custodian's Primary Roles and Responsibilities Related to 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 Authorized Persons 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.

**(f) Mandates Assigned by the Custodian to a Third Party in Relation to the Investment 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) 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:

1. If the Custodian ceases to carry out the custody activity without notification to the CMA in accordance with the Authorized Persons Regulations;
2. If the CMA cancels, withdraws or suspends the Custodian's license necessary to continue to carry out the custody activity;
3. If the Custodian files an application to the CMA to cancel its license necessary to carry out the custody activity;
4. If the CMA determines that the Custodian has failed, in any manner that the CMA considers material, to comply with the Capital Market Law or its Implementing Regulations;
5. 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 (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.

## 14. AUDITOR

**(a) Name of the Auditor**

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

**(b) Registered Office 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

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

**(c) Functions 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).

## 15. 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) Reductions and Special Commissions**

Not applicable.

**(c) Zakat and Tax**

As at the date of preparation of this Information Memorandum, 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 Information Memorandum and in the Terms and Conditions, the Fund pays the Value Added Tax (VAT) on fees paid for certain services it receives from third parties.

**(d) Unitholders' Meetings**

- (1) The Fund Manager may, on its own initiative, call a meeting of Unitholders.
- (2) The Fund Manager shall call for a meeting of Unitholders within (10) days from the date of receiving a written request to that effect from the Custodian.
- (3) The Fund Manager shall call for a meeting of Unitholders by announcing the invitation on its website and that of Tadawul, and by sending a notice in writing to the Custodian giving a minimum of (10) days' notice and a maximum of (21) days' notice of the meeting. The announcement and notice must specify the date, place and time of the meeting and the proposed agenda. The Fund Manager shall at the same time send such notice to the CMA.
- (4) 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 Fund Units.
- (5) The quorum required to conduct a meeting of the 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.

- (6) 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 Tadawul, and shall send a notice in writing to the Custodian giving not less than five 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.
- (7) Every Unitholder shall be entitled to appoint a proxy to represent such Unitholder at a meeting of the Unitholders using the form provided in Appendix (4) of the Terms and Conditions.
- (8) Each Unit held by a Unitholder shall represent one vote at the meeting of Unitholders.
- (9) 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.
- (10) The Unitholders' resolution shall become effective subject to the consent of Unitholders holding 50% of the Fund's total Units and present at the meeting in person or represented by proxy or using state of the art technology.

**(e) Procedures for Termination and Liquidation of the Fund**

Please see Paragraph 4(f) above.

**(f) Complaints Procedures**

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 that 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.

**(g) 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.**

**(h) List of documents available to Unit Subscribers**

1. Fund's Terms and Conditions.
2. Information Memorandum.
3. Summary of Key Information.
4. Contracts mentioned in the Terms and Conditions and the Information Memorandum.
5. Fund Manager's Financial Statements.

**(i) Fund's Assets**

The assets of the Fund are commonly owned by the Unitholders. The Fund Manager, sub-manager, Custodian, sub-custodian, advisor or distributor, shall not have any interest in the assets of the Fund or any claim against those assets, except where the Fund Manager, sub-manager, Custodian, sub-custodian, advisor or distributor, is a Fund Unitholder, acting within the limits of its ownership, or if such claims are permitted under the Investment Fund Regulations and disclosed in the Terms and Conditions and this Information Memorandum.

**(j) Fund Information**

To the best knowledge of the Fund Manager and its Board of Directors, there is no information should be known by the Fund Manager and its Board of Directors, which were not included in the Information Memorandum or the Terms and Conditions, and can potentially affect the decision to invest in the Fund taken by the existing or prospective subscribers or their professional advisors.

The Administrator shall be responsible for the preparation of notifications to Unitholders and calculation of the Net Asset Value per Unit.

Name and Address:  
Alkhabeer Capital  
P.O. Box 128289  
Jeddah 21362  
Kingdom of Saudi Arabia  
Tel.: +966-12 658 8888  
Fax: +966-12 658 6663  
C.R. No.: 4030177445  
CMA Licence No.: 07074-37  
Website: www.alkhabeer.com

**(k) CMA-Approved Exemptions**

Not applicable.

**(l) 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 Tadawul's website.

**(m) Process of increasing the Fund's total asset value by accepting cash subscriptions**

The Fund's total asset value may be increased by accepting cash subscriptions, subject to the following process:

- The process of increasing the Fund's total asset value shall be in accordance with the Investment Funds Regulations, the Closed-ended Investment Traded Funds Instructions, and the Listing Rules.
- The Fund Manager shall obtain the CMA's approval to offer additional Fund Units by way of accepting cash subscriptions.
- Upon receiving the CMA's approval, the Fund Manager shall obtain the consent of the Unitholders – by an ordinary Fund resolution – to offer additional Fund Units by way of accepting cash subscriptions.
- The offered additional Units shall be firstly allocated to Fund Unitholders who are registered as at the date on which the Unitholders' meeting is held to approve the increase of the Fund's total asset value, and who wish to subscribe in the additional Units, on a pro rata basis, and then the remaining Units (if any) shall be allocated to the other investors who are not Unitholders.

Upon any increase in the Fund's total asset value, the Fund Manager shall offer Fund Units, if it determines that such offering is in the best interest of the Unitholders. The Fund Manager shall take into consideration the following factors, for example without limitation, when issuing Fund Units in the future:

1. The Fund's Net Asset Value as determined by the most recent valuation of the Fund's assets;
2. The Fund Units market price and historical averages; and
3. The market and economic conditions, the condition of the sectors that are related to the Fund's investment policies, and the cash liquidity levels.

**(n) Letter Issued by the Legal Advisor who is licensed to practice in the Kingdom, concerning the Professional Legal Due Diligence Report, in the form contained in Annex (1) of the Closed-Ended Investment Traded Funds Instructions**

See Appendix (3).

**(o) Letter Issued by the Fund Manager concerning the Professional Due Diligence Report, in the form contained in Annex (2) of the Closed-Ended Investment Traded Funds Instructions**

See Appendix (4).

# Appendix (1) – 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 Fund's Shari'a Guidelines.
- 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 Board decides that such investments no longer satisfy the Shari'a Guidelines, under which the Shari'a Board permitted placement therein, disclosure will be made to the Fund Board 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 (three appointed by the Fund Manager and two 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 that 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 that 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.

## Appendix (2) – Shari’a Guidelines

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 Shari’a Guidelines.
- Investment of cash/liquidity shall be made in instruments that 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.

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 Board.
- Sukuk acceptable to the Fund’s Shari’a Board, 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 Istisna 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 Board’s approved guidelines, standards and decisions.

**Appendix (3) – Letter Issued by the Legal Advisor who is licensed to practice in the Kingdom, concerning the Professional Legal Due Diligence Report, in the form contained in Annex (1) of the Closed-Ended Investment Traded Funds Instructions**

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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  
Saudi Arabia  
Tel: +966 11 466 9400  
Fax: +966 11 211 0033

THE LAW OFFICE OF MOHAMMED ALAMMAR  
IN COOPERATION WITH KING & SPALDING LLP

Date: 28.09.1441H  
Corresponding to: 21.05.2020G

M/S Capital Market Authority  
Riyadh – Saudi Arabia

Dear Sirs,

**Subject: Legal Advisor's Letter – Alkhabeer Diversified Income Traded Fund**

In our capacity as Legal Advisor to M/S Alkhabeer Capital ("Fund Manager"), in relation to the Fund Manager's application for offering the units of a closed-ended traded investment fund and listing them on the Exchange (Name of the Fund: Alkhabeer Diversified Income Traded Fund ("Fund")), we refer to the Terms and Conditions prepared in respect of the Fund (with a target capital of SAR 1,000,000,000), and more specifically in connection with the application submitted to the Capital Market Authority (the "Authority") for offering the units of a closed-ended traded investment fund and listing them on the Exchange, and regarding the requirements of the Capital Market Law, the Investment Funds Regulations and the Closed-Ended Investment Traded Funds Instructions, we particularly advised the Fund Manager of the requirements that should be included in the legal chapters of the Terms and Conditions, the satisfaction of the assets of all the regulatory requirements, and the soundness of the assets subject of acquisition. In this respect, we have carried out further studies and enquiries that we consider appropriate under such circumstances. We have also carried out a formal professional legal due diligence, which is necessary in this respect. In this advisory capacity, we confirm that we are not aware of any material issue that constitutes a breach by the Fund Manager of its obligations to comply with the requirements of the Capital Market Law or the conditions required under the Investment Funds Regulations and the Closed-Ended Investment Traded Funds Instructions, in relation to the application for offering the units of a closed-ended traded investment fund and listing them on the Exchange, including the requirements related to the contents of the Terms and Conditions as at the date of this Letter.

Yours Faithfully,  
[Signed and stamped:  
The Law Office of Mohammed AlAmmar]



مكتب محمد العمار للمحاماة  
والاستشارات القانونية  
بالتعاون مع كينج آند سبولدينج

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

The Law Office of Mohammed AlAmmar  
in cooperation with King & Spalding LLP  
Kingdom Centre  
20th Floor  
King Fahad Road  
PO Box 14702  
Riyadh 11434  
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Fax: +966 11 211 0033

التاريخ: 1441/9/28هـ

الموافق: 2020/5/21م

السادة/ هيئة السوق المالية  
الرياض - المملكة العربية السعودية

السلام عليكم ورحمة الله وبركاته...

الموضوع: خطاب المستشار القانوني - صندوق الخير للدخل المتنوع المتداول

بصفته مستشاراً قانونياً للسادة/ شركة الخير المالية ("مدير الصندوق") في ما يخص طلب مدير الصندوق طرح وحدات صندوق استثمار مغلق متداول وإدراجها في السوق (اسم الصندوق: صندوق الخير للدخل المتنوع المتداول ("الصندوق")), نشرير إلى الشروط والأحكام المعدة بخصوص الصندوق ( برأس مال مستهدف بقيمة 1,000,000,000 ريال سعودي)، وبصفة خاصة في ما يتعلق بطلب طرح وحدات صندوق استثمار مغلق متداول وإدراجها في السوق المقدم إلى هيئة السوق المالية ("الهيئة")، وحول متطلبات نظام السوق المالية ولائحة صناديق الاستثمار والتعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة، وبصفة خاصة، فقد قدمنا المشورة إلى مدير الصندوق حول المتطلبات التي يجب أن تشمل علها الأقسام القانونية من الشروط والأحكام، وحول استيفاء الأصول لجميع المتطلبات النظامية وسلامة الأصول محل الاستحواذ. وفي هذا الخصوص، قمنا بإجراء دراسة وتحريات إضافية نرى أنها ملائمة في تلك الظروف وأجربنا كذلك دراسة رسمية للعناية المهنية اللازمة القانونية بهذا الخصوص. وبهذه الصفة الاستشارية، نؤكد أننا لا نعلم عن أي مسألة جوهرية تشكل إخلالاً من قبل مدير الصندوق بالتزاماته لمتطلبات نظام السوق المالية أو بالشروط المفروضة بموجب لائحة صناديق الاستثمار والتعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة بالنسبة إلى طلب طرح وحدات صندوق استثمار مغلق متداول وإدراجها، بما في ذلك المتطلبات المتعلقة بمحتوى الشروط والأحكام كما هي في تاريخ هذا الخطاب.

وتفضلوا بقبول فائق التحية والتقدير...

مكتب محمد العمار للمحاماة والاستشارات القانونية

السيد



## **Appendix (4) – Letter Issued by the Fund Manager concerning the Professional Due Diligence Report, in the form contained in Annex (2) of the Closed-Ended Investment Traded Funds Instructions**

Date: 23.10.1441H

Corresponding to: 15.06.2020G

M/S Capital Market Authority  
Riyadh – Saudi Arabia

Dear Sirs,

### **Subject: Declaration of the Fund Manager of Alkhabeer Diversified Income Traded Fund**

In our capacity as Fund Manager of Alkhabeer Diversified Income Traded Fund, in respect of the offering of a closed-ended traded investment fund under the name of Alkhabeer Diversified Income Traded Fund (the "Fund"), and the registration and listing of its units on the Saudi Stock Exchange (Tadawul), we, Alkhabeer Capital, confirm, to the best of our knowledge, after conducting due diligence and making enquiries as required in respect of the Fund, that the Fund has satisfied all the conditions required for the registration and listing of the Fund units, and has satisfied all the other matters required by the Capital Market Authority ("CMA") until the date of this Letter.

Alkhabeer Capital further confirms that it has, to the best of its knowledge and within its authority as Fund Manager, provided to the CMA all the information and clarifications, in such form and within such time limit as the CMA required for the purpose of verifying whether the Fund Manager (Alkhabeer Capital) and the Fund have complied with the Capital Market Law, the Closed-Ended Investment Traded Funds Instructions and the Investment Funds Regulations.

In particular, the Fund Manager (Alkhabeer Capital) confirms that:

- It has provided all the relevant services required under the Closed-ended Investment Traded Funds Instructions and the Investment Funds Regulations, with due care and expertise as required.
- It has taken reasonable steps to ensure that the directors of the Fund Board understand the nature and extent of their responsibilities under the Capital Market Law and its Implementing Regulations.
- It has come to a reasonable opinion, based on due enquiry and professional experience, that:
  - The Fund has satisfied all the requirements related to the Closed-ended Investment Traded Funds Instructions and the Investment Funds Regulations (including the provisions regarding the Terms and Conditions.)
  - All the nominated directors of the Fund Board satisfy the eligibility requirements set out in CMA's rules and regulations, and that the independent directors of the Board satisfy the definition of the Independent Fund Board Director as provided in the Glossary of Defined Terms used in the regulations and rules of the Capital Market Authority, the Investment Funds Regulations and the Closed-Ended Investment Traded Funds Instructions.
  - Assets are free of any regulatory violations that prevent or may result in the non-utilization or operation of the buildings, and that the assets are technically intact and free of any major faults or defects that may prevent or may result in their non-utilization, or that may in turn cause costly major repairs and changes. Further, the main activities of the assets are intact, and they are capable of fulfilling their obligations to the Fund.
  - All matters known to Alkhabeer Capital which should be taken into account by the CMA when considering the application for offering, have been disclosed to the CMA.

Yours Faithfully,

Fahad Ahmed Bakhshwain

[Signed]

Head of Compliance & MLR

Ahmed Saud Ghouth

[Signed]

Chief Executive Officer



التاريخ: 1441/10/23 هـ

الموافق: 2020/6/15 م

السادة/ هيئة السوق المالية  
الرياض - المملكة العربية السعودية

السلام عليكم ورحمة الله وبركاته...

**الموضوع: إقرار مدير صندوق الخبير للدخل المتنوع المتداول**

بصفتنا مدير صندوق الخبير للدخل المتنوع المتداول في ما يخص طرح صندوق استثمار مغلق متداول باسم صندوق الخبير للدخل المتنوع المتداول ("الصندوق") وتسجيل وإدراج وحدته في السوق المالية السعودية (تداول)، نحن شركة الخبير المالية نؤكد، بحسب معرفتنا، وبعد القيام بالدراسة الواجبة وإجراء التحريات اللازمة على الصندوق، أن الصندوق قد استوفى جميع الشروط المطلوبة لتسجيل وحدات الصندوق وإدراجها واستوفى جميع المسائل الأخرى التي تطلبها هيئة السوق المالية ("الهيئة") حتى تاريخ هذا الخطاب.

وتؤكد شركة الخبير المالية أنه، بحسب علمها وفي حدود صلاحيتها مديراً للصندوق، قد قدمت إلى الهيئة جميع المعلومات والتوضيحات بحسب الصيغة المطلوبة وخلال الفترة الزمنية المحددة وفقاً لما طلبته الهيئة لتمكينها من التحقق من أن مدير الصندوق (شركة الخبير المالية) والصندوق قد التزما بنظام السوق المالية والتعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة ولاتحة صناديق الاستثمار.

وبصفة خاصة يؤكد مدير الصندوق (شركة الخبير المالية) ما يلي:

- أنه قد قدم جميع الخدمات ذات العلاقة والتي تقتضيها التعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة ولاتحة صناديق الاستثمار، بالعناية والخبرة المطلوبة.
- أنه قد اتخذ خطوات معقولة للتحقق من أن أعضاء مجلس إدارة الصندوق يفهمون طبيعة ومدى مسئولياتهم وفقاً لنظام السوق المالية ولوائحه التنفيذية.
- أنه قد توصل إلى رأي معقول، يستند إلى تحريات كافية وخبرة مهنية بأن:
  - الصندوق قد استوفى جميع المتطلبات ذات العلاقة بالتعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة ولاتحة صناديق الاستثمار (بما في ذلك الأحكام المتعلقة بالشروط والأحكام)؛
  - جميع أعضاء مجلس إدارة الصندوق المرشحين تنطبق عليهم متطلبات التأهيل الواردة في لوائح هيئة السوق المالية وقواعدها، وأن أعضاء مجلس الإدارة المستقلين ينطبق عليهم تعريف عضو مجلس إدارة الصندوق

شركة الخبير المالية: طريق المدينة، ص ب 229289، جدة 21362، المملكة العربية السعودية. هاتف: +966 11 558 8888، فاكس: +966 11 558 6663، بريد إلكتروني: info@alkhabeer.com  
 رأس المال المسجل به 894,523,230 ريال سعودي. سجل تجاري رقم: 4038127445، بريد إلكتروني: هيئة السوق المالية رقم: 07074-37  
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 Authorized Share Capital SAR 894,523,230, CR No. 4038127445, CMA License No. 07074-37  
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المستقل الوارد في قائمة المصطلحات المستخدمة في لوائح هيئة السوق المالية وقواعدها، ولائحة صناديق الاستثمار، والتعليمات الخاصة بصناديق الاستثمار المغلقة المتداولة؛

- الأصول خالية من أية مخالفات نظامية تمنع أو قد تتسبب في عدم الاستفادة من المباني أو تشغيلها، وكذلك أن الأصول سليمة فنياً وخالية من أي خلل أو عيوب رئيسية قد تمنع أو قد تتسبب في عدم الاستفادة منها، أو قد تتسبب بدورها في إجراء إصلاحات وتغييرات رئيسية مكلفة، وأن النشاطات الرئيسية للأصول سليمة، وأهم قادرين على الوفاء بالتزاماتهم للصندوق؛
- جميع المسائل المعلومة لشركة الخير المالية التي يجب على الهيئة أن تأخذها بعين الاعتبار عند دراستها لطلب الطرح قد أقصَح عنها الهيئة.

وتفضلوا بقبول فائق التحية والتقدير،،

أحمد سعود غوث

21

الرئيس التنفيذي

فهد أحمد باخشوين

*[Handwritten signature]*

رئيس إدارة رقابة الالتزام والتبليغ عن غسل الأموال

الخبير المالية  
Alkhabeer Capital



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