



#### Summary of Key Information

## 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**



Custodian



TARGET FUND CAPITAL	SAR 1,000 million
TOTAL NUMBER OF UNITS	100 million Units
INITIAL OFFERING PRICE	SAR 10

This document is only a translation of the Arabic version of the Summary of Key Information 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.

## 1. Fund Name, Placement Type, and Fund Category and Type

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).

## 2. 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.

## 3. Fund Investment Policies and Practices

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 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
1. Sukuk	0%	40%
2. Trade Finance Transactions	0%	40%
3. Leasing Transactions	0%	40%
4. Income Funds*	0%	25%
5. 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.

## 4. Main Risks Associated with the Fund's Investments

- The trading performance of the Unit Price is likely to fluctuate as the Fund is a traded fund, which may cause the Fund's investment risk level to be high, although the level of risk of its investments is medium.
- The Fund's or the Benchmark's past performance is not considered as an indication of the Fund's future performance.
- No assurance can be given to Unitholders that the absolute performance of the Fund or the Fund's performance against the Benchmark, will recur or will match the Fund's past performance.
- An investment in the Fund is not considered a deposit with a bank.
- The Unitholders may lose part or all of their Fund invested capital.
- The potential main risks associated with investing in the Fund, the risks to which the Fund is exposed, and the conditions that 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 to both 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 attacked by viruses, or may suffer a partial or total breakdown. This may limit the Fund Manager's ability to effectively manage the Fund's investments, and therefore, may adversely affect the Fund's performance, Net Asset Value (NAV) and Unit Price.

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

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

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

**Risk of 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 the 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 that 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 Re-investment 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 which is collected on the services adversely affects the distributions to Unitholders and the Fund's Assets.

Risk of Withholding Tax: Under the Saudi Arabian tax regulations, a payment made by a resident person (whether a tax payer or not) to a non-resident shall be subject to tax in accordance with GAZT rules and regulations in respect of withholding taxes. Accordingly, the payment of dividend distributions by an investment fund to a non-resident shareholder shall be subject to a withholding tax of a percentage to be determined by relevant authorities. Under current common practice, investment funds have not been required to pay any tax withholdings (with the exception of the withholding tax) on payments made by the fund to Unitholders, and hence, any withholding tax 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 to the Fund, as they may adversely affect the Fund's NAV.

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

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

## 5. Statements on the Fund's Historical Performance

There are no historical statements on the performance of the Fund.

## 6. Services, Commissions and Fees

The Fund shall bear, and pay out of its assets, all the fees, charges and commissions set out 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>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>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>SAR 50,000 initial listing fees, payable to the Saudi Stock Exchange (Tadawul); and</li> <li>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 financing 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 this 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).

## **7. Where and How to Obtain Additional Information on the Fund and Fund Documentation**

To obtain further information on the Fund and its documentation, please contact Alkhabeer Capital at the following addresses:

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)

## 8. Name, Address and Contact Details of the Fund Manager

### Address of the Fund Manager's Head Office

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)

## 9. Name, Address and Contact Details of the Custodian

Alinma Investment Company  
Address: P.O. Box 55560  
Riyadh 11544  
Kingdom of Saudi Arabia  
Tel.: 8004413333  
Email: [info@alinmainvest.com](mailto:info@alinmainvest.com)  
Website: <http://www.alinmainvestment.com>

الخبير المالية  
Alkhabeer Capital



**ALKHABEER CAPITAL**

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