

الأهلي كابيتال
NCB Capital



AlAhli North America Index Fund

Terms and Conditions

NCB Capital Company

An open-ended investment fund organized under the Investment Funds Regulations of the CMA of the Kingdom of Saudi Arabia

Prospective investors should read the entirety of these Terms and Conditions carefully and seek their own independent legal, zakat, Shariah, tax, financial and other advice before making any investment decision.

Important Notice:

If you are in any doubt about the contents of these Terms and Conditions you should consult your financial adviser. These Fund Terms and Conditions have been prepared in accordance with the rules contained in the Investment Fund Regulations (the "Regulations") issued by the Capital Market Authority (the "CMA") pursuant to Resolution Number 1-219-2006 dated 3/12/1427H, based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H. NCB Capital Company ("NCB Capital"), as Fund Manager of this Fund, is responsible for the information contained in these Terms and Conditions. To the best of the knowledge and belief of NCB Capital (having taken all reasonable care to ensure that such is the case), the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Regulations to be included in it. NCB Capital accepts responsibility accordingly. No person has been authorized by NCB Capital to give any information or to make any representations in connection with the offering of units in Funds ("Units") other than those contained in these Terms and Conditions and, if given or made, such information or representations must not be relied on as having been made by NCB Capital. The delivery of these Terms and Conditions (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of NCB Capital have not changed since the date hereof. Pursuant to Article 51 of the Regulations, the distribution of these Terms and Conditions and the offering of Units shall be eligible to all persons. However, NCB Capital requires that it is the responsibility of every person into whose possession these Terms and Conditions comes, or who subscribes for Units, to inform themselves about and to observe any restrictions that may be applicable to them on the grounds of nationality or residence. These Terms and Conditions do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Potential Investors should not treat the contents of these Terms and Conditions as advice relating to legal, taxation, Shariah, investment or any other matters, and are recommended to consult their own professional and religious advisers concerning the acquisition, holding or disposal of Units. By signing these Terms and Conditions, each Investor agrees that the Fund Manager will invest Subscription Monies on its behalf in accordance with the Terms and Conditions.

These Terms and Conditions are dated, and are valid as at, 18/12/1429 corresponding to 16/12/2008. The CMA has approved to change and update this Terms and Conditions on 14/04/1437 corresponding to 24/01/2016. Investors should, therefore, check with NCB Capital that these are the most recently published Terms and Conditions and that they have all (if any) supplements to it issued by NCB Capital. NCB Capital was incorporated as a closed joint stock company in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231474 on 26/03/1428H, corresponding to 14/04/2007G. NCB Capital was authorized by the Capital Market Authority pursuant to Resolution No. 7-219-2006 dated 03/12/1427H, corresponding to 24/12/2006G, under License No. 37-06046, to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities. NCB Capital was authorized by the Capital Market Authority to commence business on 10/6/1428H, corresponding to 25/06/2007G. NCB Capital is a direct subsidiary of The National Commercial Bank, of Jeddah, Saudi Arabia. The registered office of NCB Capital is at Al Mather Street, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.

Fund Facts:

Currency	US Dollars
Risk Category	High Risk
Index	MSCI North America Islamic M-Series Index (Net Total Return USD)
Fund Objective	Long term capital growth
Minimum Investment	USD 2,000
Minimum Subsequent Subscription	USD 1,000
Minimum Subsequent Subscription through Regular Investment Scheme (RIS) or alternative distribution channel	USD 26.67 (SAR 100)
Minimum Redemption	USD 1,000
Valuation Days	Monday to Friday that are USA Business Days
Dealing Day	Monday to Thursday that are Saudi Business Days and U.S. Business Days
Subscription/ Redemption Days	Every Dealing Day
Subscription / Redemption Request cut off time	Before or at 12:30 PM local time in Saudi Arabia on the Dealing Day
Subscription Fee	Up to 2%
Management Fee	0.30%
Redemption Proceeds	Made available to Investor within four Business Days provided that they are Business Days in US and in Saudi Arabia after the Dealing Day on which the redemption has been executed.
Other expenses	The Fund Manager will charge the Fund any additional expenses related to custody, Shariah audit, data processing and other similar charges. However, other expenses are not expected to exceed 0.50% from the Fund's NAV
Offer Date	March 1999
Initial Unit Price	1 USD

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Definitions:

The Fund	AlAhli North America Index Fund
Fund Manager, the Company or NCB Capital	NCB Capital Company with Commercial Registration No. 1010231474, with its registered office at King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia
Board	The Board of Directors of the Fund, as set out at section 14 of the Terms and Conditions
CMA	The Capital Market Authority of Saudi Arabia, the regulator of Saudi capital market
Shariah Board	Shariah Board of the National Commercial Bank
Shariah Guidelines	The Shariah guidelines set by the Shariah Board for investment in securities as set out in the Shariah Guidelines Appendix.
CML	Capital Market Law of Saudi Arabia, which was issued by Royal Decree No. (M/30) dated 2/6/1424 H (16th June, 2003)
Regulations – Investment Funds Regulations (“IFR”)	Means the Investment Fund Regulations issued by the Capital Market Authority resolution No 2006-219-1
Terms and Conditions	Means these Terms and Conditions Specific to the Fund which form the contract between the Fund Manager and the Unitholders
Index	MSCI North America Islamic M-Series Index (Net Total Return USD)
USD	United States Dollar
Saudi Business Day	Means a day on which banks and authorized persons are normally open for business in Saudi Arabia, this does not include any official holiday in Saudi Arabia
US Business Day	Means a day on which banks are normally open for business in the United States, this does not include any official holiday in the United States.
Dealing Day	Any day on which the units of an investment fund are sold and redeemed
Valuation Day	Any day on which the units in the Fund are valued
Redemption Form	Form used to redeem units
Subscription Fee	Fees charged for subscribing in the Fund
Subscription Form	Form used for subscription in the Fund
Subscription Monies	Means the gross amount paid by the Investor to the Fund Manager to invest in the Fund.
Switch Form	Form used for switching between certain mutual funds managed by NCB Capital.
Regular Investment Service (RIS)	A service that allows investors to subscribe a fixed amount to the fund on a monthly basis
Units	The interest of unitholders in an investment fund consisting of units, including fractions of a unit. Each unit shall be treated as representing one undivided interest in the assets of an investment fund

Custodian	Means an authorized person by the CMA to engage in securities custody activity.
Financial Year	Means the financial year of each Fund or as the context may require.
Investor	An investor in the Fund or person applying to invest in the Fund.
Investments	Means the cash, shares, and units in other mutual fund and related assets held by the Fund.
Investment Account	Means the mutual funds investment account held by Investors with NCB Capital.
Net Asset Value	Means the monetary value of the assets of the investment fund minus its liabilities and expenses divided by number of Units outstanding, as determined by the Fund Manager.
Murabaha	Selling a commodity as per the purchasing price with a defined and agreed profit mark-up. This mark-up may be a percentage of the selling price or a lump sum. This transaction may be concluded either without a prior promise to buy, in which case it is called an ordinary Murabaha, or with a prior promise to buy, in which case it is called "banking Murabaha" i.e. Murabaha to the purchase order.
Money Market Funds	Funds aiming to preserve capital through investing in relatively low risk short-term deposits such as Murabaha.
Register	Means the register of Unitholders held by the Fund Manager or any party appointed by the Fund Manager to hold such register
VAT Law	Means value added tax law of the Kingdom of Saudi Arabia and its implementing regulations
VAT	Value Added Tax (VAT) imposed on the import and supply of Goods and Services at each stage of production and distribution, including Nominal Supplies.

Terms and Conditions:

1. Name of the Investment Fund

AlAhli North America Index Fund

2. Address of the Head Office of the Fund Manager

NCB Capital Company, Kingdom of Saudi Arabia

4th Floor, Tower B, NCB Building,

King Saud Road

P.O. Box 22216, Riyadh 11495,

Tel: +966 920000232

Fax: +966 11 406 0049

Information about the Fund Manager can be found at the Fund Manager's website:

www.alahlicapital.com.

3. Commencement

The Fund has already commenced accepting subscriptions on March 1999.

4. Regulator

The Fund Manager is NCB Capital Company, CMA has licensed the Fund Manager pursuant to resolution No 7-219-2006 dated 03/12/1427H corresponding to 24/12/2006G under license No 37-0604 to carry out dealing, as principal and agent, and underwriting managing, arranging, advising and custody with respect to securities.

5. Date the Terms and Conditions Were Issued or Last Updated

The Fund's Terms and Conditions were issued on March 1999, the CMA approval to continue offering the Fund has been granted on 18/12/1429H corresponding to 16/12/2008G. The Terms & Conditions were approved to be updated by the CMA on 16/03/1439H corresponding to 04/12/2017G.

6. Participation

6.1 The minimum initial subscription is two thousand dollars (USD 2,000).

6.2 Subsequent subscriptions must be in an amount of at least one thousand dollars (USD 1,000) except subscriptions or switches to the Fund through the Regular Investment Scheme (Thimar), which allows Investors to subscribe a fixed amount to the Fund on a monthly basis.

6.3 Unitholders must maintain a minimum investment of (USD 1,000), otherwise the Fund Manager shall have right to redeem all of their Units on the following Dealing Day. However, this does not apply to subscribers in the Regular Investment Scheme.

7. Currency of the Fund

The Fund is denominated in US Dollars. If an Investor provides a subscription amount in any currency other than USD, an exchange rate will be used to convert the currency provided into USD. This conversion will be subject to prevailing exchange rates available to the Fund Manager at that time. Any associated risk and costs in undertaking any such exchange in currencies will be borne by the Investor.

8. Investment Fund Objective

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

9. Principal Investment Strategies

9.1 The Fund primarily invests in the stocks of large-medium cap listed North American companies.

9.2 The Fund's investments will be concentrated in the stocks of companies listed on US and Canadian markets.

9.3 The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI North America Islamic M-Series Index (Net Total Return USD), which is an index

based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the US and Canadian markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.

Excess cash balance may be held in cash or in Sharia complaint money market funds that invest in money market and Murabaha and/or invested in Murabaha transactions without charging Unitholders an extra fee. In case the Fund would invest in Murabaha transactions, the maximum exposure of the Fund to any counterparty is 10% of the net asset value of the Fund.

9.4 The Fund will not invest in other securities than those mentioned above.

9.5 The Fund may hold a portion of its assets in cash, but this will be kept to the minimum in line with its strategy.

The Fund shall comply with the provisions of Article (39) of the Investment Funds Regulations, "Investment Limitations", and is allowed not comply with paragraph (d) and subparagraph (i) of paragraph (e) of Article (39) of the Investment Funds Regulations, as follows:

- The Fund shall be exempted from the investment restriction in paragraph (d), Article (39) of the Investment Funds Regulations; provided that the Fund's investments in securities of any one single issuer shall not exceed 20% of the Fund's net asset value.
- The Fund shall be exempted from the investment restriction in subparagraph (i), paragraph (e) of Article (39) of the Investment Funds Regulations, provided that the Fund shall not hold more than 20% of its net asset value in of any class securities issued by one single issuer.

The Fund shall apply the following restrictions:

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

9.6 The Fund may obtain Shariah compliant finance for investment purposes provided that such financing shall not exceed 10% of its Net Asset Value and that the term shall not exceed one year, except for borrowings from the Fund Manager or affiliates to meet redemption requests.

9.7 Securities markets on which the Fund buy and sell investments are stock exchanges in the North American markets. The Fund Manager may also invest in investment funds having the same strategy and tracking the same index and / or in money market funds approved to be publicly offered by CMA or licensed by other authorities provided that such funds are subject to another jurisdiction with regulations at least equivalent to that applied to investment funds in Saudi Arabia.

9.8 The maximum percentage of the Fund's assets that can be invested in Units of other mutual funds (having the same strategy or investing in money markets) is 10% of the Fund's Net Assets Value.

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

10. Principal Risks of Investing in the Fund

10.1 The Fund is of high risk level and no assurance may be given by NCB Capital that any appreciation in the value of the Fund's investments will occur. The value of the Fund's underlying investments and the income derived from them may go down. No assurance may be given by NCB Capital that investment objectives of the Fund will actually be achieved. Moreover, past performance of the Fund, if any, is not an indication of any future growth of rates of return. Unitholders should consider the following risk factors before investing in the Fund:

- a) **Equity Market Risk**
The Fund seeks to achieve long-term benefits by primarily investing in listed equities. Higher long-term equity returns are associated with increased volatility; the risk inherent in equity investing is higher than Murabaha and money market investments or other types of short term investment instruments.
- b) **Concentration Risk**
The risk of the Fund investments being concentrated in some companies and market sectors which will render the Fund's performance vulnerable to high volatility due to changes in the conditions of the investee companies and sectors, which may adversely impact the Fund's performance.
- c) **Issuer Specific Risk**
This includes changes in the performance of the issuer due to changes in management or financial conditions of, or demand on the products or services offered by the issuer, which may cause its share price to decline, and consequently adversely affect the Fund performance and unit price.
- d) **Geopolitical Risk**
This is the risk of changes in political conditions and applicable laws in the countries in which markets the Fund is investing or in neighboring countries, which may have adverse impact on the Fund's performance.
- e) **Economic Risk**
This is the risk of changes in the economic conditions such as recession and inflation, which may have adverse effect on the Fund's performance.
- f) **Currency Risk**
A difference in exchange rate may cause loss when the Fund invest with a currency other than of the Fund as exchange rate on the redemption day may be different from that on the subscription day.
- g) **Interest Rate Risk**
This is the risk that the value of financial instruments will fluctuate due to changes in interest rates, as a result of which the value of securities and the prices of shares may be adversely affected.
- h) **Liquidity Risk**
This is the risk of investment in illiquid shares of companies which may difficult at certain times to monetize at favorable prices to meet the Fund liquidity requirements, which may have adverse impact on the Fund's performance in case of sale. Liquidity of investments may be low in some periods due to which valuation of Fund's investments may become more difficult. Reduced market liquidity may adversely affect the market price of the Fund's investments and the Fund's ability to dispose of particular investments to meet its liquidity requirements.
- i) **Borrowing risks**
In case the Fund Manager borrow for the purpose of investment, the Fund may not be able to repay the amounts borrowed on time for reasons beyond the control of the Fund Manager, which may result in late payment fees or cause the Fund Manager to sell some of the Fund investments, which could affect the Fund's assets, which will negatively impact the unit prices.
- j) **Risks of Investment in Other Funds**
The other investment funds in which the Fund invests may be exposed to risks similar to those set out in this paragraph, which may adversely affect the Fund's performance and the unit price.
- k) **Risk of Suspension of Trading**
Non-compliance by companies listed with the relevant Law and its implementing regulations may lead to suspension of trading of the shares of such companies, which may adversely affect the value of the Fund's assets and consequently on unit price.
- l) **Risk of Heavy Redemptions**
This is the risk of large redemptions by Unitholders which may cause the Fund Manager to liquidate assets of the Fund at less favorable prices, which leads to reducing the value of the fund's assets and lower unit price.
- m) **Shariah Investment Risk**
This is the risk of concentrating investment in Shariah compliant companies. It also includes the risk of disposing of non Shariah compliant companies sometimes at unfavorable prices in order to comply with the Fund's Shariah guidelines. This would adversely affect the Fund investments and unit price.
- n) **Risks of dependence on the Fund Manager's Personnel**
The Fund's performance depends largely on the capabilities and skills of the Fund Manager's employees, which may significantly affect the Fund's performance in the event of resignation or absence of any one of them and failure to secure a suitable alternative.

- o) **Conflict of Interest Risk**
This risk arises in situations that affect the objectivity and independence of the Fund Manager's investment decisions due to a personal interest. This may adversely impact the Fund's performance.
 - p) **Natural Disaster Risk**
Natural disasters, which are beyond the control of the Fund Manager, such as earthquakes, floods and other climate changes may affect the performance of all sectors, including economic and investment sectors of the Fund's business, and adversely affect the performance of the Fund, and therefore may affect the Fund's investments and performance and consequently unit price.
 - q) **Index Tracking Risk**
The Fund may not achieve a return in conformity with the index given the commitment of the Fund Manager to regulatory requirements which may limit its ownership in some companies. The return on the securities and other investments selected by the investment adviser may not correlate precisely with the return on the Index. The Fund incurs operating expenses are not taken to account in the performance of the index bearing the sale and purchase of securities costs. The Fund may keep excess cash as cash or cash equivalent to meet redemption requests. In addition, increase subscription and / or redemption of the Fund's ability to accurately track the index.
- 10.2 Unitholders will bear any financial losses that may result from investing in the Fund, unless such losses are caused by the Fund Manager's negligence or default.
- 10.3 Investment in the Fund is not a deposit with any local bank sponsoring, selling securities or otherwise affiliated with the Fund.

11. Fees and Expenses

- 11.1 **Subscription Fee:** The Fund Manager may deduct Investor an upfront subscription fee up to 2% as maximum. The net amount will be invested in the Fund after deducting the Subscription Fee. The subscription fee is subject to VAT. The subscription fee shall be exclusive of VAT, which the Investor shall separately pay to the Fund Manager at rates prescribed by the VAT Law.
- 11.2 **Management Fee:** The Manager charges the Fund, on every Valuation Day, an annual management fee up to 0.30% calculated from the Fund's Net Asset Value. The management fee shall be exclusive of VAT, which the Fund shall separately pay to the Fund Manager at rates prescribed by the VAT Law. The Management Fee will be rebated or waived in case any investment funds managed by NCB Capital invest in this Fund.
- 11.3 **Other Expenses:** The Fund Manager reserves the right to recover from the Fund any other expenses incurred on behalf of the Fund such as custody, Shariah audit, data processing, accounting audit and other similar charges acceptable by the authorities. However, other expenses are not expected to exceed 0.50% from the Fund's NAV. All fees, charges, commissions, and expenses payable to NCB Capital and other service providers will be exclusive of VAT, which the fund shall separately pay to the fund manager according to rates set by the vat law. Please refer to paragraph (36) of these Terms and Conditions.

12. Dealing Costs

Dealing expenses charges (brokerage) or any other regulatory fees will be paid by the Fund directly to the levels specified in the Regulations or brokers dealing in the markets in which the Fund buy or sell securities. These amounts vary subject to trading volume of the Fund's assets and executed trades.

13. Winding-up and the Appointment of a Liquidator

Pursuant to Article (22) of the IFR ("Appointment of a Liquidator or Replacement Fund Manager"), the CMA has the authority to appoint a replacement Fund Manager or a liquidator or take any other measure it deems necessary.

14. Fund Board

- 14.1 The term of the board shall start following approval by the CMA and the board will serve for a term of three (3) years (renewable). The Fund Board consists of the following members:
- 1. **Mohammed Abdullah AlAli (Chariman)**
Mr. AlAli is the Head of Product Development at NCB Capital. He previously held numerous positions with the Capital Market Authority from 2004 to 2013; where his last position was Head of Investment Funds & Offering Violations Unit. Prior to joining NCB Capital, Mohammed worked as a Director of

Products Development at Jadwa Investment, and a credit officer at SAMBA Financial Group. Mohammed has over 12 years' experience in the financial sector, including 9 years with the CMA. Mohammed is a CFA Charterholder and he holds an MBA from the University of San Francisco.

2. Mohammad Jaafar Al Saggaf (Non-independent Director)

Mr. Al Saggaf is Vice President, Head of retail sales at NCB Capital. He joined NCB Capital since inception, and worked with NCB Group in Retail and Investment departments. He has more than 23 years of experience in the financial sector. He has diploma in Personal Financial Planning and Wealth Management from IOB, Dalhousie Alum, Canada.

3. Dr. Abdulraouf S. Banaja: (Independent Director).

Dr. Banaja serves as an independent advisor for a number of companies. He attained PHD in Economics from the University of California Santa Barbara, 1981. He worked as an associate professor at King Saud University and consultant to the Ministry of Finance and the Saudi Arabian Monetary Agency. He held several senior banking positions at other financial institutions, including SAAB, Gulf International Bank and NCB.

4. Alaauldeen R. Sami: (Independent Director).

Mr. Sami is the Vice President and Chief Investment Officer of Zahid Group Holding since 2005. He sits on the board of Ajil Financial Services, Jordan National Bank, Arab International Hotels Company, Arabian Transportation Industries, and Saudi Total Lubricants Ltd, among others. He holds BA degree in Economics from Cairo University, and MA in International Financial Management from the American University, Cairo. He started his career in 1977 with Cairo Barclays Bank, Cairo, and in 1979 moved to Saudi Hollandi Bank before joining Zahid Group.

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

1. Approving all Funds' material contracts, reports and decisions.
2. Overseeing, and where appropriate, ratifying any conflict of interest the Fund Manager has identified in accordance with IFR.
3. Meeting at least twice annually with the Fund Manager's Compliance Officer (Compliance Committee) and the anti-money laundry reporting and anti-terrorist financing officer to ensure the Fund Manager's compliance with all applicable laws and regulations.
4. Approving recommendations made by the liquidator in case of his appointment.
5. Ensuring completeness, accuracy and compliance of the Fund's Terms and Conditions with the IFR.
6. Ensuring that the Fund Manager carries out its obligation in the best interest of unitholders in accordance with the Terms and Conditions of the Fund and the IFR.
7. Acting in the best interests of the Fund and its unitholders and observing its fiduciary duty.
8. Approving the appointment of the external auditor recommended by the Fund Manager.

Expenses of Fund Board will be charged to the Fund. For more details, please refer to the Summary of Financial Disclosure attached.

14.3 All Fund Board members are also members in the following Fund Boards:

1. AIAhli Europe Index Fund
2. AIAhli GCC Trading Equity Fund
3. AIAhli Saudi Trading Equity Fund
4. AIAhli Global Trading Equity Fund
5. AIAhli Saudi Small and Mid-Cap Equity Fund
6. AIAhli Freestyle Saudi Equity Fund
7. AIAhli Emerging Markets Index Fund
8. AIAhli Asia Pacific Index Fund
9. AIAhli Global Real Estate Fund
10. AIAhli Healthcare Trading Equity Fund
11. AIAhli GCC Growth and Income Fund
12. AIAhli Global Growth and Income Fund
13. AIAhli IPO Fund
14. AIAhli Global Equity Fund
15. AIAhli SEDCO Residential Development Fund

Fund Dr. Abdulraouf Banaja is an independent director in AIAhli Makkah Hospitality Fund and Elite Flexi Saudi Equities Fund.

15. Fund Manager

- 15.1 The Fund Manager is NCB Capital Company, whose registered head office address is: King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia, phone +966 920000232, Fax +966 114060049. Web site: www.alahlicapital.com.
- 15.2 The Fund Manager and other ALAHLICAPITAL group affiliates may, from time to time, act as Fund Managers or advisers to other funds or sub-funds, which may have investment objectives similar to those of the Fund. Therefore, the Fund Manager may in the course of its business have potential conflicts of duty or interest with one or more of such funds. However, in such an event, the Fund Manager will perform its obligations to act in the best interests of the relevant unitholders as practically reasonable, with due regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. As of the date of issuance of these Terms and Conditions, neither the directors of the Fund Manager nor those of the Fund have any material business or interest which may conflict with those of the Fund.
- 15.3 Transactions entered into between unitholder, the Fund, the Fund Manager and any other fund managed by the Fund Manager involve potential conflict of interest if the investment by any unitholder exceeds 5% of the Fund NAV pursuant to paragraph (d) of Article (50) of the IFR, "Investor Limits". However, as of the date of issue of these Terms and Conditions, the Fund Manager has no material business relationship or interest which would conflict with the interests of the Fund.
- 15.4 The Fund Manager has appointed the following International Investment House as sub manager to the Fund, its duties includes opening separate independent Investment accounts and manages the Fund Assets in line with the Investment strategies and Shariah guidelines:
AMUNDI GROUP, 90 Boulevard Pasteur, 75015 Paris, France.
- 15.5 The Fund Manager was authorized by the Board of CMA pursuant to Resolution No 7-219-2006, dated 03/12/1427H, corresponding to 24/12/2006G, under license No 37-06046, to carry out dealing, as principal, agent and underwriter, managing, arranging, advising and custody with respect to securities.

16. Custodian

NCB Capital is the Custodian to the Fund. The portfolio's securities where applicable may be held by one or more internationally recognized securities custodians appointed by the Manager.

17. Auditor

The Auditors to the Fund are KPMG Al Fozan & Partners, Zahran Business Centre, Prince Sultan Street, P.O Box 55078, Jeddah 21534, Kingdom of Saudi Arabia
Telephone: +966 12 698 9595, Fax: +966 12 698 9494
www.kpmg.com/sa

18. Annual Audited Financial Statements

The Fund's annual financial statements will be independently audited within ninety (90) calendar days after the end of the Fund's fiscal year. The semiannual financial statements will be audited by the external auditors within forty five (45) days after the end of relevant period. Both of the audited semi-annual and annual financial statements will be made available to the Unitholders free of charge upon request made to the Fund Manager or by visiting the Saudi Stock Exchange (Tadawul) website.

19. Characteristics of the Units

There shall be only one class of Units in the Fund.

20. Other Information

20.1 Confidentiality of Fund Information

Strictest confidentiality shall be observed at all times in the handling of the business of the Fund and the investments of subscribers. This shall not be construed as limiting the access of the Fund's regulatory authority (CMA) to the Fund's records for the purposes of regulatory supervision.

20.2 Death of Unitholders

The Investor's consent to these Terms and Conditions shall not terminate automatically upon his/ her death or disability; these Terms and Conditions shall be binding upon his/ her heirs, executors, administrators, personal representatives, trustees and successors if the Investor is an individual. If the Investor is a corporate body, this Terms and Conditions shall not terminate upon the occurrence of any of the above to any partner or shareholder. Therefore, the Fund Manager shall have the right to

suspend any transactions relating to these Terms and Conditions until the Fund Manager shall have received a court order, authorization, or such other sufficient evidence to prove the power of those mentioned above before allowing them to dispose of the Units.

20.3 Anti-money Laundering and Terrorist Financing Regulations

The Fund Manager will comply with the Anti-money Laundering and Terrorist Financing Regulations issued by the CMA Board under Resolution No. 1-39-2008 dated 3/12/1429H, corresponding to 1/12/2008G, as amended. The unitholder hereby confirms that the amounts used to subscribe to the Fund are not coming from any suspicious or illegal sources. If the Fund Manager is in doubt as to the legal source of funds used in the investment transactions initiated by the investor, the Fund Manager shall suspend or decline such transactions for investigation purposes and reporting to the Saudi competent anti-money laundering and terrorist financing bodies and to provide any information or document required by such bodies. However, according to the Saudi Law, the Fund Manager may not inform unitholders of any suspected transactions reported to competent official bodies.

20.4 Obligations of the Fund Manager

- i. Comply with all rules and implementing regulations issued by the Capital Market Authority and other instructions in force in Saudi Arabia applicable to the Fund's business.
- ii. Manage the Fund's assets in the best interest of unitholders in accordance with the terms and conditions of the Fund and carry out all its duties in respect of Unitholders register.
- iii. Develop decision-making process in respect of the administration the Fund.

20.5 The Fund Manager shall not, nor any of its employees or agents or any other third parties engaged by the Fund Manager shall, be liable to any unitholder for any losses, damages, costs, expenses or other liabilities incurred by the unitholder or the Fund's assets, unless such losses, damages, costs, expenses or other liabilities are resulting from gross negligence, violation or default by any of these persons. Moreover, they shall not be liable responsible to the Unitholder under any circumstances for any indirect or consequential loss incurred, including failure to achieve the objectives of the Fund.

20.6 The Unitholder expressly acknowledges and agrees as follows:

- i. The Fund Manager does not give any representation or guarantee in respect of the performance or profitability of any investment by the Fund and the Fund Manager shall have no liability or responsibility in connection with any decline in the value of the managed investments or the assets of the Fund, unless such decline has resulted from gross negligence, misconduct or default.
- ii. Should the Unitholder fail to provide the Fund Manager with the right mailing address and / or email, the Unitholder agrees to hold the Fund Manager harmless in connection with any liability. The Unitholder hereby waives all its rights and claims against the Fund Manager arising directly or indirectly as a result of not providing any account statement, notices or any other information relating to the investments or of the unitholder's inability to respond or check any information or to correct any alleged errors in the account statement or notices or any other information.
- iii. If the unitholder is subject to laws and regulations other than the laws of the Kingdom of Saudi Arabia, the unitholder must comply with these laws and regulations without any obligations on the Fund or the Fund Manager.

20.7 Sharing of Information

The information required to open and operate the investor's account and to comply with applicable regulations will be shared between the Fund Manager and other parties as determined by the Fund Manager. The unitholder also agrees that such information may be shared with competent regulatory authorities.

20.8 Severability of Provisions

Should any provision of this agreement be or become invalid or unenforceable, the remaining provisions shall remain in full force and effect.

20.9 Language

Pursuant to paragraph (b) of Article (13) of the IFR, the Terms and Conditions of the Fund shall be in Arabic and made available upon request free of charge. These Terms and Conditions may be issued in English. However, in case of any semantic difference between the Arabic and English versions, the Arabic text shall prevail.

21. Shariah-Based Investment Fund

21.1 The Fund is a Shariah Compliant Fund. The Shariah Board appointed to the Fund consists of the following members:

1. Sheikh Abdullah Bin Sulaiman Al-Maniae (Chairman)

Member of the Supreme Scholars Council and former Chief Judge of the Cassation Court in Makkah. Holds MA from the Supreme Institute of Justice, Imam Saud bin Mohammad Islamic University.

2. Sheikh Dr. Abdullah bin Abdulmlaziz Al Musleh (Member)
Former dean of Imam Muhammad Bin Saud Islamic University, Abha, and Secretary General of the Panel of Scientific Miracles in the Quran and Sunnah. Attained PHD from the Faculty of Shariah, Imam Saud bin Mohammad Islamic University.
3. Sheikh Dr. Sheikh Dr. Abdullah Al Mutlaq (Member)
He holds a PhD from Imam Mohammed Bin Saud University, Riyadh, Kingdom of Saudi Arabia in 1404H and was formerly Chairman of the University's Comparative Fiqh Department.
4. Sheikh Dr. Muhammad Ali Al Gari (Member):
Former Professor of Islamic Economics at King Abdulaziz University in Jeddah. He holds PHD in economics from the University of California.

21.2 The Fund will bear all fees payable to the Shariah audit and consultation for their services.

21.3 For details of the rules used by Shariah Board members in giving their pronouncement (Fatwa) which approved investment in the Fund, please refer to the "Shariah Guidelines" Appendix.

22. International Investment Funds

This clause does not apply to the fund.

23. Initial Offer

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

24. Investment by the Fund Manager in the Fund

The Fund Manager may at its sole discretion subscribe in the Fund as an Investor at upon commencement of the Fund or thereafter. The Fund Manager's investments will be disclosed at the end of each financial year. In case the Fund Manager invests in the Fund, he shall be treated without any discrimination against other Investor.

25. Subscription and Redemption Procedure

- 25.1 Days on which units in the Fund may be sold and redeemed:
Subscription and redemption applications are accepted every Dealing Day (from Monday to Thursday) provided that they are Business Days in the United States and Saudi Arabia.
- 25.2 Last time to submit subscription in the Fund
Submission of Subscription Application forms: All subscriptions payable in US Dollar must be made at or before 12:30 PM local time in Saudi Arabia on the Dealing Day in order to commence participation in the Fund from the Dealing Day. Applications received after 12:30 PM local time in Saudi Arabia or if the intended subscription day falls on a formal holiday for banks or authorized persons, will be processed on the following Dealing Day.
Submission of Redemption Application forms: Redemption may be made on any Dealing Day provided that a written notice or completed redemption form is received through branches at or before 12:30 PM local time in Saudi Arabia on the Dealing Day. If Redemption applications received on Saudi Business Day that is not US Business Day, redemption received on a Dealing Day after 12:30 PM, or if the intended redemption day falls on a formal holiday for banks or authorized persons, will be processed on the next Dealing Day.
- 25.3 If subscription application is received at or before 12:30 PM Saudi Arabia local time on the Dealing Day, subscription in the Fund will be processed and will commence on the Dealing Day on which subscription is made, otherwise, subscription will be commence on the next Dealing Day.
- 25.4 Subscription, Redemption and Switching Procedures:
Subscription Procedures: To subscribe in the Fund, the customer must sign the Subscription Application Form and these Terms & Conditions at certain branches of the Fund Manager. Subscription can be made through alternative channels (telephone and internet). Subscription amount will be deducted from the customer's account. The Investor shall provide valid identification documents such identity card (for Saudis), Iqama (non-Saudis). Corporate investors (companies and other institutions)

must provide an authorization letter authenticated by the company, a copy of company's commercial registration, and other documents that may be required depending on the type of institution.

Redemption Procedures: Redemption of units in whole or in part can be requested by the Unitholder at any time by submitting a written notice or completing and submitting a Redemption Form. Redemption forms may be obtained from designated branches of the Fund Manager or through alternative channels (telephone and internet). Investors must provide valid Saudi Identification Card or Iqama, as applicable, if redemption is to be made through a branch. The Unitholder must specify whether redemption of units is in part or in whole. In case of a partial redemption, if the total value of its units on the Dealing Day fall below the partial redemption amount, the Fund Manager shall have the right to decline the redemption transaction on the targeted Dealing Day without any liability to the Fund Manager, in which case, the Investor must submit a new redemption request on the next Dealing Day.

Switching Procedures: A switch transaction between two AIAhli funds shall be considered a single transaction with two separate parts, redemption and subscription. Accordingly, the redemption part will be processed first in accordance with the "Redemption Procedures" clause above, then the subscription part of the transaction will be processed in accordance with the "Subscription Procedure" clause above. To request a switch, the Investor must complete a Switch Form and submit the same to the customer service employee at the branch along with a valid identification card, or through alternative channels (telephone and internet).

- 25.5 Redemption proceeds (valuated pursuant to paragraph (26) of the Terms and Conditions) will be paid on the fourth business days following the relevant Valuation Day on which redemption price of the unit was determined.
- 25.6 The minimum amount to be redeemed should be USD 1,000. The value of units held by the unitholder must be at least USD 1,000.
- 25.7 **Rejection of Application:** The Fund Manager reserves the right to reject any subscription application, including the subscriptions that may result in a violation of CMA's regulations and/or any other regulations applicable to the Fund, including the Terms and Conditions of the Fund. The investor should be aware that redemption or valuation of the Units of the Fund under certain unfavorable financial markets conditions may become difficult or rather impossible, in which event the days of subscription and redemption may temporarily be changed as the Fund Manager deems appropriate, subject to CMA approval. If total redemptions exceed 10% or more of the Fund's NAV, the Fund Manager shall have the right to postpone the redemption to the next Valuation Day. Postponed redemption requests will be processed on pro rata basis.
- 25.8 **Redemption by The Fund Manager:** Fund Manager has the right to redeem Units that were sold to any Investor in whole or in part with a notice to the Investor if such subscription could result in a violation of the Capital Market Authority and/or any other applicable regulations and/or the Terms and Conditions of the Fund without any liability on the Manager.

26. Valuation of the Assets of the Investment Fund

The initial unit price is USD 1. The unit value is calculated by dividing the total asset value of the Fund, plus all income, including accrued income and reinvested income distributions, less liabilities, management fees and any expenses by the total number of units outstanding at that time. The value of the Fund, the unit price, will be conclusively determined by the Manager on every Valuation Day (from Monday to Friday that are Business Days in the US) based on the latest available security. If markets are closed on a Valuation Day, such valuation will be carried out on the next valuation day. Unit price will be published on the next Saudi Business Day to the Valuation Day on the company's website and on Tadawul Website.

Temporarily suspension of valuation and subscription and redemption from the Fund: The Investor should be aware that where prevailing conditions in any part of the financial markets, or any state of affairs, renders the disposal or valuation of assets in the Fund impractical or impossible, the Manager has sole discretion temporarily to suspend subscriptions and/or redemptions after obtaining CMA approval. Such temporary suspension period or amendment if applicable will be reviewed by CMA.

27. Early Redemption Fee

There is no early redemption fee.

28. Termination

The Fund Manager shall have the right to terminate the Fund in accordance with Article (17) of the IFR, "Termination of the Investment Fund", without incurring any penalty to any affected party, by giving not less than sixty (60) calendar days' written notice to Investors after obtaining written approval of CMA. In such case, the Fund shall be liquidated and net proceeds will be distributed to Investors pro rata to their holdings of Units.

29. Reporting to Unitholders

The Fund Manager will send to the Investor a confirmation of all subscription and redemption transactions of Units. A statement detailing each unitholder's position will be issued within three (3) months as maximum. Such statement must include the Net Asset Value of the Fund Units, the number of Units of the Fund owned by the unitholder and their net value, and the transactions effected for the unitholder separately. Statements and notifications will be sent to Investors at their mail address or email in the Fund Manager's records, unless the Company has received a written notification of a change of address. Any discrepancies must be brought to the attention of the Fund Manager within sixty (60) calendar days following the date of issuance of such statements and confirmations, otherwise, the statements issued by the Fund Manager will be deemed final and conclusive and the Fund Manager shall not be liable to Investors in connection with any discrepancy. The Manager shall not be liable for any consequences arising from holding the statements or confirmation advices upon the instructions of the Investor.

30. Conflicts of Interest

The Fund Manager's procedure for managing conflicts of interests will be made available upon request free of charge.

31. Voting Rights Policies

After consulting with the compliance officer, the Fund Board approves the general policies of exercising the Fund voting rights related to the underlying assets held by the Fund. The Fund Manager may exercise the voting rights after consulting with the compliance officer or as provided in the voting policies and procedures approved by the Fund Board.

32. Changes to the Terms and Conditions

These Terms & Conditions shall remain in effect until materially amended by the Manager, subject to CMA prior approval and notice being given to unitholders before at least sixty (60) calendar days.

33. Complaint Procedures

Any complaint the unitholder may have in connection with the Fund should be sent to NCB Capital Company through the Fund Manager's website: www.alahlicapital.com or through dial-up phone number (920000232). In addition, a copy of the Fund Manager's policies and procedures for handling customer complaints will be made available upon written request without any extra charges. If no response to the complaint is received, the Unitholder shall be entitled to submit his/ her complaint to CMA, Investor complaint unit. The unitholder may also submit the complaint to the Committee for the Resolution of Securities Disputes after ninety (90) calendar days following the date of submission of complaint to CMA, unless CMA has notified the complainant to file the complaint to the Committee prior to the expiration of such period.

34. Governing Law

These Terms & Conditions are governed by the laws applicable in the Kingdom of Saudi Arabia.

35. Compliance with Regulations

The Terms and Conditions and other documents of the Fund shall be subject to the Investment Funds Regulations issued by the Board of CMA, and contain a complete and true disclosure of all material facts of the Fund.

36. Summary of Financial Disclosure

36.1 Schedule (1) - Expenses of the Fund in USD for the period ended December 2016:

Type of expenses	Amount in Thousands of SAR
Annual Fund Management Fees (from Fund's NAV)	788
Annual remuneration cost of independent directors of the Fund (reviewed every 3 months and allocated among all the funds managed by the Fund Manager)**	4
Custody Fees**	101
External Audit fees (reviewed every 3 months)**	6
Shariah supervisory cost (reviewed every 3 months and allocated among all the funds managed by the Fund Manager)**	7
Regulatory Fees (reviewed every 3 months)**	2
Fund Administration & Operation expenses including the publishing fee paid to Tadawul (reviewed every 3 months and allocated among all the funds managed by the Fund Manager)*	54

All expenses charged to the Fund will be disclosed in the annual financial statements of the Fund.

*The Fund Manager has lowered the management fee has been lowered to 0.30% of the net asset value, after obtaining the CMA approval.

*Other Expenses: The Fund Manager reserves the right to recover from the Fund any other expenses incurred on behalf of the Fund such as custody, Shariah audit, data processing, accounting audit and other similar charges acceptable by the authorities. The other expenses that may be specified in advance such as audit fees, regulatory fees etc., will be charged directly to the fund. Expenses of the Fund's Board will be equally allocated to all funds supervised by the Board and managed by the Fund Manager. General floating expenses which are subject to change, such as Fund administration & operation cost, will be allocated based on the total assets value of each fund. Other expenses shall not exceed in total 0.5% of the average value of Fund's asset. The actual other expenses for the period ended in 2016 were 0.20% of the average value of fund's asset. The Fund will review the expenses charged to the Fund on quarterly basis (every three months).

36.2 Basis of calculation, collection and payment of fees

All actual expenses will be calculated and deducted from the Fund's assets after having been allocated as units on each Valuation Day on the basis of 360 days as follows:

Fund management fees = (Fund assets - other expenses) * (1.75%) * (number of days between the current Valuation Day and the last Valuation Day ÷ 365)

We have assumed the following values:

- Fund's assets = USD 100,000
- Total other expenses and liabilities of the Fund = USD 0.78
- Net Assets Value of the Fund = USD 99,998.9
- Annual management fees = 1.75%
- Valuation Day Wednesday

Management Fees on the valuation day = $99,998.9 * 1.75\% * (1 \div 365) = \text{USD } 4.8$

The Fund Manager has changed the basis for calculation the fee and expenses from 360 days to 365 days starting from June 30, 2016.

36.3 Example of Unitholder's share of Fund total expenses

The following table shows a hypothetical example of a Unitholder investment, assuming that the investment value of the Unitholder is USD 10,000

Schedule (2) - Hypothetical investment of a Unitholder and its share of the expenses in USD

Description	Amount
Hypothetical Unitholder's investment	USD 10,000

Total Dealing Cost (0.16%)	16
Total Other Expenses *(0.20%)	20
Annual Management Fee (1.75%) of NAV	174
Unitholder's net investment amount	9,790

36.4 Fund's Historical Performance

The below schedule shows the Fund performance compared to the benchmark for each of the last ten years up to December 2016

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund Return %	6.71	12.97	-32.61	27.53	8.22	0.05	8.75	31.39	7.95	-0.54	4.18
Benchmark %	12.26	15.69	-33.30	32.62	11.60	3.41	12.96	31.18	13.85	3.14	7.34

36.5 Annual Fund Performance for one, three, five, and ten as of 31 December 2016

Particulars	1 Year	3 Years	5 Years	10 Years
Annualized Fund Return %	4.18	3.81	9.83	5.33
Annualized Benchmark %	7.34	8.02	13.31	8.23

Neither the Fund nor the Index past performance is considered as a base for future performance. The Fund Manager has changed the benchmark to the Fund after obtaining CMA approval.

APPENDIX: Shariah Guidelines

All Investments and Investment Strategies employed by the Fund Manager must be approved by the Fund Shariah Board.

Industry and Business

According to the Shariah Board, no investment may be made in any company, which is involved in any of the following:

- Non-Shariah compliant financial services, including traditional banks which are involved in usury interest or non-Shariah compliant securities, and insurance companies (except insurance companies approved by the board).
- Manufacturing, packaging, or distribution of alcohol or tobacco and alike.
- Manufacturing, packaging, or distribution of pork products.
- Producing and distributing non-Shariah compliant meat products.
- Operating gambling casinos, or manufacturing gambling machines or equipment.
- Producing and publishing pornographic movies, books, magazines, immoral channels and cinema.
- Operating restaurants, hotels and other businesses involved in any of the above prohibited products such as alcohol.

Financial Ratios

No investment may be made in any company in which:

- The book value of accounts receivables exceeds 49% of the market value of its shares.
- The outstanding total cash or deposits exceed 33% of the market value of its shares.
- The outstanding usury interest bearing loans in its balance sheet exceed 33% of the market value of its shares.
- Interest income or income from non-Shariah compliant sources exceeds 5% of its total income.

The calculation method of the companies' market value and the income generated from non-Shariah compliant sources will be made available to the investors upon request without any charges.

Purification

The Manager will determine the income generated from non-Shariah-compliant sources on a quarterly basis, and will pay the amount of such income to a separate account to be spent to local charities.

Investment Instruments and Methods

The following instruments or any derivatives thereof may not be held in the Fund:

- Futures
- Forwards
- Preferred Stock
- Options
- Swaps
- Short Sales
- Any other instruments that involve payment or receipt of interest.

The Fund may invest in Sukuk and Murabaha transactions, financial certificates and mutual funds that are Shariah compliant.

Periodic Review

Companies will be reviewed on quarterly basis. Underlying companies that found to be non-Shariah compliant will be sold out within 90 days from the date of review.

The Fund has been approved by CMA. Investors should refrain from investing in investment Funds that have not been registered with CMA, but registration does not imply protection from loss. If a person has any doubt about the suitability of the Fund, he should contact an independent financial adviser. A person making an investment in the Fund does so entirely at his own risk.

This Fund is not a Bank time deposit. Investment value may go down as well as up. Investors in the Fund are not certain to make a profit and may suffer a loss and therefore may not recover their fully invested capital. Subscribers should only invest in this Fund if they are able to sustain a loss which could be substantial.

This is an English translation of the official Arabic text of the Terms and Conditions. In case of any inconsistency or contradiction between the Arabic text and this English translation the Arabic text shall prevail

In signing this document, I /We hereby declare that I/We have read and understood **AIAhli North America Index Fund** Terms & Conditions and the related appendixes, that I /We agree to them and that a copy has been provided to me/ us.

Full Name:

Nationality:

ID number (Saudi ID, Iqama, or Passport):

Signature:

Date:

Investment Account Number:

Two copies of this Terms & Conditions are to be signed; one for the Investor and one to be retained by the NCB Capital Company.