

PROSPECTUS

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## **AL MADA INVESTMENT FUND**

(An open-ended Shariah compliant retail collective investment scheme created pursuant to the Collective Investment Undertakings Regulations contained in the CBB Rulebook, Volume 7 created by an Instrument issued by National Investments Fund Company B.S.C. (c)

**Offering of up to 300,000,000 Units each valued at a  
Subscription Price of US \$ 1 (One US Dollar)  
(Plus a Subscription Fee of 2% per Unit)**

**Fund Company**

National Investments Fund Company B.S.C. (c)

**Fund Manager**

National Investments Company K.S.C.(c)

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**The date of this Prospectus is 29<sup>th</sup> July 2020.**

**(The date of the amended and restated Prospectus is April 2020)**

Potential investors are strongly advised to take professional advice in relation to the contents of this Prospectus.

This Prospectus does not constitute an offer or solicitation of Units in any jurisdiction in which such offer or solicitation is not authorised. No action has been taken to permit the distribution of this Prospectus in or from any jurisdiction other than the Kingdom of Bahrain. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Recipients of this Prospectus should inform themselves about and observe any applicable legal requirements.

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## NOTICE TO INVESTORS

*(Whenever the context requires, any gender used in the Prospectus shall include all others, the singular number shall include the plural, and vice versa.)*

This Prospectus has been approved by the CBB.

The Central Bank of Bahrain, the Bahrain Bourse and the Ministry of Industry, Commerce and Tourism of the Kingdom of Bahrain take no responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of this Fund, nor shall they have any liability to any person, an Investor or otherwise, for any loss or damage resulting from reliance on any statement or information contained herein.

Approval was granted on 24 December 2007 by the Central Bank of Bahrain for the establishment and marketing of the Al Mada Investment Fund in and from the Kingdom of Bahrain.

The Directors of the Fund Company, whose names appear in Section VIII headed "Management and Administration", state to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), that all information contained in this document is in accordance with the facts and does not omit anything, which is likely to affect the information and the completeness of this Prospectus.

**Important – If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice. Remember that all investments carry varying levels of risk and that the value of your investment may go down as well as up. Investments in this collective investment undertaking are not considered deposits and are therefore not covered by the Kingdom of Bahrain's deposit protection scheme. The fact that this collective investment undertaking has been authorised by the Central Bank of Bahrain, does not mean that the CBB takes responsibility for the performance of these investments, nor for the correctness of any statements or representations made by the operator of this collective investment undertaking.**

This Prospectus is the lawful property of the Fund Company and may not be distributed, reproduced or copied, as a whole or in part, nor may any of its contents be disclosed without the prior written and express permission from the Fund Company or the Fund Manager.

No person has been authorized to issue any advertisements or to give any information, or to make any representations in connection with the offering, subscription or sale of the Units, other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorized by the Fund Company, its Directors or the Fund Manager.

Neither the delivery of this Prospectus nor the placing, allotment or issue of any Units shall under any circumstances create any implication or constitute any representation that the information given in this Prospectus is correct as of any time subsequent to the date hereof.

This Prospectus provides a summary of information relevant to investing in the Fund. The information in this document relating to the Articles of Association and Memorandum of Association of the Fund Company does not purport to be complete and this Prospectus is qualified by reference to such documents.

The distribution of this Prospectus and the offering of Units in certain jurisdictions may be restricted by law. Persons who are in possession of this Prospectus and any persons wishing to apply for Units pursuant to this Prospectus are required by the Fund Company to inform themselves about and to observe any such restrictions. The Units being offered may not be purchased or held by, or purchased or held for the benefit of, any Non-Qualified Person as defined

hereinafter at any time. "Non-Qualified Person" means any person to whom a transfer to, or holding by such person of, Units would:

- (a) be in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances;
- (b) result in the Fund Company or the Fund incurring any tax liability which the Fund Company or the Fund would not otherwise have incurred or suffered;
- (c) require the Fund Company or the Fund to be registered under any statute, law or regulation, whether as an investment company or trust scheme; or
- (d) cause the Fund Company or the Fund to be required to apply for registration or comply with any registration requirements in respect of any of the Units in any jurisdiction other than in Bahrain.

The Fund is an unregulated collective investment scheme for the purpose of the United Kingdom Financial Services and Markets Act 2000 (the "Act"), the promotion of which in the United Kingdom is restricted by section 238 of the Act. No Units in the Fund may be offered or sold in the United Kingdom by an authorised person by means of this document other than in accordance with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (SI 2001/1060), or the conduct of business rules of the United Kingdom Financial Services Authority (and in particular section 3.11 and Annex 5 thereof). Except as described above, no communication, including this document, made or issued in connection with Units in the Fund may be passed on to any person in the United Kingdom; except in accordance with the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (SI 2001/1335);

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"). Neither the Fund nor the Fund Company is a registered investment company under the United States Investment Company Act of 1940, as amended (the "1940 Act"). Therefore, holders in the Fund will not gain the benefit of holders in a fund or company registered under the 1940 Act. Accordingly, the Units are not and will not be offered or sold directly or indirectly, in the United States of America (including any state and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction, or to or for the account or benefit of U.S. persons (as defined in Rule 902 under the 1933 Act) and are subject to restrictions on transfer.

The Units may not be purchased by persons under the age of 21.

The Fund Company, the Fund Manager, the Registrar and the Custodian reserve the absolute right to require further verification of the identity of each potential investor or that of the person or entity on whose behalf the potential investor is applying for a subscription in the Fund. Each potential investor will provide satisfactory evidence of identity, within a reasonable time period determined by the Fund Company.

The Fund and the Fund Company will comply with Bahrain's Legislative Decree No. (4) of 2001 (as amended) with respect to Prohibition and Combating of Money Laundering and the various Ministerial Orders issued there under including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering, the Anti-Money Laundering and Combating Financial Crime Module contained in the CBB Rulebook, Volume 6 as well as the anti-money laundering laws, rules and orders applicable to any Investor as they may respectively pertain to any or all of the Administrator, Registrar, Custodian, the Fund Manager, the Fund and the Fund Company.

The business of the Fund shall at all times be conducted in a manner that complies with the Shariah guidelines. Shariah prohibits the Fund from paying or receiving interest, although the receipt of dividends and capital gains from equity investment in Shariah compliant companies is acceptable. However, returns derived from the Fund's investments may comprise an amount, which is attributable, for Shariah purposes, to impure income earned or received. Where this is the case, the amount of any return, which is so attributed, will be calculated in accordance with the Shariah criteria approved by the Shariah Advisor and donated periodically by the fund to charities, with no direct or indirect benefit accruing to the Fund or any of its Investors.

The Fund is an open-ended collective investment scheme designed for Investors seeking long-term capital appreciation primarily through investing in listed share of companies in the GCC Region. **Investors must recognize that all investments involve risk. It should be clearly understood that the Fund's portfolio will be subject to market fluctuations and risks inherent in all such investments. Accordingly, Investors should be aware that the value of Units might decrease as well as increase.** Therefore, investing in the Fund involves risks and Investors should be able to bear the economic risks of their investment in the Fund, including all or part thereof, and should not be dependent upon any returns from such investment for any basic financial needs.

All Investments of the Fund shall be in adherence with the Islamic Shariah. It is possible that adherence to the Islamic Shariah will cause the Fund to perform differently from funds with similar objectives that are not subject to the Islamic Shariah.

**Prospective investors are referred to page 15 for a summary of certain of the risks involved.**

Each Investor may acquire Units solely for investment purposes. The Units may not be directly or indirectly sold, transferred, or assigned, by operation of law or otherwise, without the prior written consent of the Directors or, to the extent delegated by the Fund Company, the Fund Manager. Any attempt by an Investor to transfer Units constitutes a tender to the Directors for the redemption of such Units.

The Directors of the Fund Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of the Fund Company, having taken all reasonable care to ensure that this is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to materially affect the meaning of such information.

The Fund Company, in its sole discretion, may reject any subscription for Units in whole or in part at any time prior to acceptance thereof.

Legal counsel to the Fund Company and the Fund Manager, in assisting with the preparation of this Prospectus, have relied on information supplied by the Fund Company and the Fund Manager, have not independently verified the accuracy or completeness of any information contained herein, make no representation or warranty with respect thereto and assume no liability for the contents of, or any omission from, this Prospectus.

**This Prospectus is important and should be read in its entirety. The contents of this Prospectus should not be construed as investment, legal or tax advice. Each potential Investor must seek independent investment, legal and tax advice with respect to the implications of investing in the Units. The information in this Prospectus is given as of the date hereof, unless expressly otherwise specified herein.**

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## **I. DEFINITIONS**

*The following definitions shall apply throughout this document unless the context requires otherwise:*

<b>“Administrator”</b>	means SICO Funds Services Company BSC(c) or its successor when acting as administrator to the Fund or such other entity appointed to act in such capacity from time to time by the Fund Company;
<b>“Anti-Money Laundering Regulations”</b>	means regulations, ministerial orders and circulars (including all circulars issued by the Central Bank of Bahrain pertaining to the anti-money laundering and terrorist financings) in force in Bahrain in connection with the prevention and combating of money laundering, including, but not limited to, Legislative Decree No. (4) of the year 2001 with respect to Prohibition of and Combating Money Laundering and the various Ministerial Orders and circulars issued with regard thereto and Terrorist Financing from time to time including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering and the Anti-Money Laundering and Combating Financial Crime Module contained in the CBB Rulebook, Volume 6;
<b>“Articles of Association”</b>	mean the Articles of Association of the Fund Company, as amended from time to time;
<b>“Auditor”</b>	means Ernst & Young- Bahrain or its successors when acting as auditors for the Fund or such other entity appointed to act in such capacity from time to time by the Fund Company;
<b>“Bahrain”</b>	means the Kingdom of Bahrain;
<b>“Bahrain Law”</b>	means the laws and regulations in force in Bahrain;
<b>“Base Currency”</b>	means the base currency of the Fund, which is the US Dollar;
<b>“Board”</b>	means the board of directors of the Fund Company;
<b>“Business Day”</b>	means a day on which banks and financial institutions are open for general business in Bahrain;
<b>“CBB”</b>	means the Central Bank of Bahrain;
<b>“CBB Approval”</b>	means the CBB letter approving the formation and marketing of the Fund;
<b>“CBB Law”</b>	means the Central Bank and Financial Institutions Law No. 64/2006, as amended;

<b>“CIU Regulations”</b>	means the collective investment undertakings regulations of the CBB contained in the CBB Rulebook, Volume 7;
<b>“Closing Date”</b>	means the closing date for applications pursuant to the Initial Offering, being 31 March 2008 or such later date as the Directors, acting in their sole discretion, may determine;
<b>“Commercial Companies Law”</b>	means Bahrain’s Commercial Companies Law No. (21) of 2001 as amended from time to time;
<b>“Custodian”</b>	means SICO Funds Services Company BSC(c) or its successor when acting as the custodian of the assets of the Fund or such other entity appointed to act in such capacity from time to time by the Fund Company;
<b>“Custodian, Administration and Registrar Agreement”</b>	means the Custodian, Administration and Registrar Agreement between SICO Funds Services Company BSC(c) and the Fund Company dated 26 October 2017 in connection with the Fund;
<b>“Directors”</b>	mean the directors (Board Members) of the Fund Company;
<b>“Effective Date”</b>	means the day on which the CBB Approval is obtained being 24 December 2007;
<b>“Financial Year”</b>	means a period of one year starting from 1 January and ending on 31 December of each year except for the first financial year that began on the Closing Date and expired on 31 December 2008;
<b>“Fund”</b>	means Al Mada Investment Fund, an open-ended collective investment scheme established by way of an Instrument as a contractual arrangement between the Fund Company and the Investors and registered with and supervised by the CBB;
<b>“Fund Company”</b>	means National Investments Fund Company B.S.C. (c) a joint stock company closed incorporated with limited liability under the laws of Bahrain to establish the Fund;
<b>“Fund Management Agreement”</b>	means the Fund Management Agreement between the Fund Company and NIC dated 31 January 2008 in connection with the Fund;
<b>“Fund Manager”</b>	National Investments Company K.S.C.(c), a closed shareholding company incorporated in Kuwait or its successor when acting as fund manager to the Fund or such other entity appointed to act in such capacity from time to time by the Fund Company; The Fund Manager is also the operator/sponsor of the Fund;
<b>“GCC Region”</b>	for the purposes of this Prospectus means countries of the Gulf Cooperation Council;

<b>“Instrument”</b>	means the instrument issued by National Investments Fund Company B.S.C. (c) dated 31 January 2008 in connection with the creation of Units in the Fund;
<b>“Investors”</b>	means subscribers to Units in the Fund; unless the context suggests otherwise, the term has been used interchangeably with the term Unit holders;
<b>“Initial Offer Period”</b>	means the initial offer period of Units commencing on 1 March 2008 and concluding on the Closing Date;
<b>“Initial Offering”</b>	means the offering of up to 300,000,000 units at US Dollar 1 per Unit plus an initial subscription fee of 2% per Unit;
<b>“Memorandum of Association”</b>	means the Memorandum of Association of the Fund Company, as amended from time to time;
<b>“NIC”</b>	means National Investments Company K.S.C.(c), a closed shareholding company incorporated in Kuwait;
<b>“Net Asset Value or NAV”</b>	means the net asset value of the Units as determined in accordance with the principles set out in the section headed “ <i>VIII. Determination of Net Asset Value</i> ”;
<b>“Prospectus”</b>	means this amended and restated Prospectus and all appendices, attachments and supplements thereto;
<b>“Placement Agency Agreement”</b>	means the Placement Agency Agreement between the Fund Company and NIC dated 31 January 2008 in connection with the Fund;
<b>“Placement Agent”</b>	means NIC or its successor when acting as placement agent to the Fund or such other entity appointed in such capacity from time to time by the Fund Company;
<b>“Quarter”</b>	means a period of three months ending on the last day of March, June, September or December in any year;
<b>“Redemption Day”</b>	means each Valuation Day falling after the Closing Date.
<b>“Redemption Price”</b>	means the price at which Units will be redeemable both in respect of redemptions at the option of the Unit holders and in respect of compulsory redemptions at the option of the Fund Company calculated as described in the section headed “ <i>Subscriptions and Redemptions</i> ”;



<b>“Redemption Request Form”</b>	means the redemption form approved by the Fund Company, which the Investors must submit, in the manner described in this Prospectus as attached in the section headed “ <i>Redemption Request Form</i> ”;
<b>“Registrar”</b>	means SICO Funds Services Company BSC(c) or its successors when acting as registrar for the Fund or such other entity appointed in such capacity from time to time by the Fund Company;
<b>“Subscription Agreement”</b>	means the Subscription Agreement prepared by the Fund Company in connection with the Fund and entered into with each Investor, the form of which agreement is attached in section headed “ <i>Subscription Agreement</i> ”;
<b>“Subscription Day”</b>	means each Valuation Day falling after the Closing Date;
<b>“Subscription Price”</b>	means the price at which Units are being offered which is: (i) US\$ 1 per Unit plus a subscription fee of 2% per Unit in respect of the Initial Offering, and (ii) the price calculated as described in the section headed “ <i>Determination of Net Asset Value</i> ” plus a subscription fee of 0.5% of the subscription amount;
<b>“US dollars”</b>	means the lawful currency of United States;
<b>“U.S. Person”</b>	has the meaning given in Regulation S under the U.S. Securities Act of 1933, as amended;
<b>“United States” or “U.S.”</b>	means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
<b>“Unitholders”</b>	means the holder or holders of all or any of the Units, being the person or entity who is for the time being entered in the register maintained pursuant to the First Schedule to the Form of Instrument set out in the section headed “ <i>Form of Instrument</i> ”. ;
<b>“Units”</b>	means units in the Fund; and
<b>“Valuation Day”</b>	means the last Business Day of each calendar month.

## II. SUMMARY OF TERMS

*This summary should be read in conjunction with and is qualified entirely by reference to the information appearing in the full text of this Prospectus under the sections appearing below and by reference to the agreements and other documents described in this document.*

### **Fund**

The Fund is an open-ended retail investment fund created by the Fund Company and established as a collective investment scheme pursuant to the CIU Regulations. The Fund was approved by the CBB on the Effective Date.

The Fund is a contractual arrangement between the Fund Company and the Investor. Such contractual arrangement will be registered with and supervised by the CBB. In effect, the Units in the Fund are issued by the Instrument and the Investors subscribe to the Units in the Fund through the Subscription Agreement. As such, the Fund does not have a separate legal status for purposes of Bahrain Law. While the Fund is intended to be separate from the Fund Company, investments may have to be made by the Fund Company on behalf of the Fund.

### **Fund Term**

The Fund has been established for an indefinite period. However, the Fund Company reserves the right to terminate the Fund at any time under the circumstances set out in Section headed Subscriptions and Redemption without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the CBB and that reasonable notice be given to Investors. The Directors will endeavour to give Unitholders three (3) months' notice before terminating the Fund. Neither the death, bankruptcy nor incapacity of an Investor in the Fund nor the bankruptcy nor resignation of the Fund Manager will terminate the Fund or in any way affect its continuity.

### **Fund Company**

National Investments Fund Company B.S.C. (c) is a joint stock company closed incorporated under the laws of Bahrain with the commercial registration number 67559 to establish the Fund. The Fund Company will, by way of the Instrument, create Units in the Fund for which Investors would be invited to subscribe. The monies raised in this offering of Units will be separated for accounting purposes from the Fund Company's other assets. The Fund Company has an authorized, issued and paid-up capital of Bahraini Dinars 1,000.

### **Investment Objective and Policy**

The primary objective of the Fund is to seek long-term capital appreciation. The Fund will aim to achieve this investment objective by investing in various equity securities listed on the stock markets of the GCC Region complying with the Shariah principles. The Investment Objectives and Policies of the Fund are described in detail in the section headed "*Investment Objectives and Policies*".

### **Target Returns**

The Fund Manager shall target to achieve a return of 10-15 %

**Shariah Advisor**

The Fund Company has entered into a Shariah Advisory Agreement with AL-MADAR Finance and Investment Co. The Shariah Advisor will provide Shariah guidance and will be responsible for annual Shariah audit of the Fund. The Shariah Advisor's duties and responsibilities are described in detail in the section headed "*Shariah Supervision and Compliance*".

**Base Currency**

The Fund will be denominated in US Dollars.

**Units**

The Units would be issued in the form of certificates substantially in the form attached to the Instrument. The Registrar will maintain the official register of the Units. The Units will rank *pari passu* in all respects with each other and the Unitholders shall be bound by the conditions of Units as specified in the Instrument. The Units carry no voting rights at all, unless specifically provided in this Prospectus.

**Initial Offering**

The Fund Company is offering up to 300,000,000 Units at US\$ 1 per Unit plus a subscription fee of up to 2% per Unit. The maximum number of Units available in the Initial Offering may be increased at the discretion of the Directors in accordance with the section headed "*General Information*"—with the prior approval of the CBB. The minimum investment by any applicant is 5,000 units.

**Initial Offer Period**

The Initial Offer Period of Units will commence on March 1, 2008 and concluding on the Closing Date;

**Further Subscriptions**

Subsequent to the Initial Offer Period, Units would be further issued on each Valuation Day falling after the Closing Date at prices calculated as described in the section headed "*VII Determination of Net Asset Value*" plus a subscription fee of 0.5% of the subscription amount.

**Redemptions**

Subsequent to the Initial Offer Period, Units would be redeemed on a monthly basis on each Valuation Day falling after the Closing Date at prices calculated as described in the section headed "*Determination of Net Asset Value*".

**Redemption Fee**

A redemption fee of 0.5% of the NAV shall be charged by the Fund Manager.

**Fund Manager**

Pursuant to the Fund Management Agreement, NIC has been appointed as the Fund's Fund Manager. The Fund Manager is among other things, responsible for the implementation of the Investment Objectives and Policies.

**Custodian**

Pursuant to the Custodian, Administration and Registrar Agreement, SICO Funds Services Company BSC(c) has been appointed to act as the

custodian of that portion of the assets of the Fund which may be delivered to and under the effective control of the Custodian from time to time. The Custodian is, among other things, responsible for the safe keeping of and custody over the Fund's cash and securities which have been delivered to it in accordance with the Custodian, Administration and Registrar Agreement.

**Administrator**

Pursuant to the Custodian, Administration and Registrar Agreement, SICO Funds Services Company BSC(c) has been appointed as the Fund's Administrator. The Administrator is, among other things, in charge of the day-to-day administration of the Fund and for the calculation of the Net Asset Value and preparing financial statement.

**Registrar**

Pursuant to the Custodian, Administration and Registrar Agreement, SICO Funds Services Company BSC(c) has been appointed as the Fund's registrar. The Registrar is, among other things, in charge of providing registry and transfer agency services including keeping copies of the register of Unitholders.

**Placement Agent**

Pursuant to the Placement Agency Agreement, NIC has been appointed as the Fund's Placement Agent. The Placement Agent will use at all times its best endeavors to promote and extend sales of the Units in the Fund to all potential Investors and make available materials relating to the Fund to potential Investors as well as receive the Subscription Agreements together with the accompanying subscription amounts. Such subscription amounts shall be transferred to the bank account opened by the Custodian for this purpose.

**Dividend Policy**

Subject to obtaining the written approval of the CBB, the Fund Company may, acting at the sole discretion of the Directors, declare and pay dividends out of realised and unrealised capital gains achieved by the Fund. For the avoidance of doubt, the Directors reserve the right, at their sole discretion, not to pay dividends at all over the life of the Fund.

**Taxation**

Under currently prevailing taxation law and practice no tax will be payable by the Fund or the Fund Company in Bahrain.

**Management Fees**

Under the Fund Management Agreement, the Fund will pay the Fund Manager a fixed fee of 1% per annum of the NAV (calculated for these purposes prior to the deduction of management fee) accrued every Valuation Day but payable on a quarterly basis.

**Performance Fees**

The Fund Manager will be entitled to receive from the assets attributable to the Fund, a performance fee payable on an annual basis with:

(a) the first payment (if any) to be calculated as at the Valuation Day which first occurs on or immediately after the date which falls twelve months after the Initial Offer Period; and

(b) each subsequent payment (if any) to be calculated as at each successive Valuation Day which falls at annual intervals thereafter, and, if an amount is to be paid, to be paid by no later than the date which falls twenty (20) days after the relevant Valuation Day.

A performance fee will only be payable if, at the relevant Valuation Day, the Net Asset Value per Unit for the Fund has increased by more than 10%, on an annualized basis (the “Hurdle Rate”) from the Net Asset Value per Unit for the Fund on:

- (a) the Initial Offer Period (in respect of the first payment); and
- (b) thereafter, on the Valuation Day on which the immediately preceding payment (or otherwise) of the performance fee was calculated.

The Performance Fee will be an amount equal to 20% of the amount by which the increase in the Net Asset Value per Unit if the Fund exceeds the Hurdle Rate.

For the purposes of calculating the subscription prices and the redemption prices of Units on any Valuation Day, the Performance Fee as at that Valuation Day will be accrued but in calculating the Net Asset Value per Unit as at the end of the relevant year-end for determining the Performance Fee such accrual will be ignored. In the event that Units are redeemed, the performance fee in respect of such Units shall be calculated as at the date of such redemption, based on annualised returns.

#### **Subscription Fees**

For Units subscribe during the Initial Offering Period, a subscription fee of 2% of the subscription price of the units is payable to the Placement Agent through whom the Units are placed. For subscriptions made subsequent to the Initial Offering Period, a subscription fee of 0.5% of the subscription amount is payable.

#### **Other Fees**

The Fund will pay other fees to the Administrator, Custodian, Registrar and Auditor as well as to other providers of professional services as more fully described in the section headed “IX. Fees and Expenses.”

#### **Mandatory Redemption**

In accordance with the Instrument, and by giving an Investor a minimum of seven days notice, the Fund Company may compulsorily redeem any Units if the Fund Company determines (in its absolute discretion) that those Units are purchased or held by, or for the benefit of, a U.S. Person.

In addition to the above, the Fund Company, acting at the recommendation of the Fund Manager, reserves the discretionary right to completely or partially redeem Units held by any Investor at any time for any reason. The Investor will be notified in writing of such redemption. Neither the Fund, the Fund Company, the Fund Manager, nor the Placement Agent will be in any way liable to any Investor by reason of such mandatory redemption.

With the prior approval of the CBB, the Fund Company may, in its absolute discretion, redeem all outstanding Units in the event of an exceptional decline in the value of the Fund’s assets or a decline in the

Fund's assets due to redemptions to a level insufficient to sustain normal trading by the Fund.

### **Performance Review**

After the Initial Offer Period, on a quarterly basis, the Fund Manager shall provide a statement to the Fund Company detailing the number of Units issued by the Fund, investments made by the Fund and the amount of cash distributions, if any. Unitholders shall have the right to inspect the quarterly performance review report.

### **Reporting**

An annual report including the year's activities/results and the audited financial statements (including the Auditor's report and the report from the Shariah Advisor) showing the assets, gross income, liabilities and expenses incurred, net income, the Net Asset Value, the NAV per Unit, will be prepared and circulated by the Fund Manager and such statements shall be disclosed and distributed to Unitholders and the CBB within four months of the Fund's financial year-end. The financial statements of the Fund will be published on the Fund Manager's website ([www.nic.com.kw](http://www.nic.com.kw).)

In addition, each year the Fund shall produce semi-annual financial statements pertaining to the first 6 months of the financial year that will be reviewed by the Auditors. A copy of such un-audited financial statements will be filed with the CBB and disclosed and distributed to the Unitholders within two months of the period end.

The annual audited financial statements of the Fund Company will be submitted to the CBB within three months of the financial year end of the Fund Company.

### **Risk Factors**

Investment in Units carries significant risk, and investment in the Fund should be regarded as long term in nature and only suitable for investors who understand the risks involved and who are able to withstand the loss of all or part of their invested capital. The Fund does not have its own legal personality. As such, the assets of the Fund will be held in the name of the Fund Company. The Fund Manager may provide fund management services to other funds and managed accounts other than the Fund. Neither the Custodian, Administrator nor the Fund Manager will be devoting their full business efforts to the activities of the Fund. In the event of an actual conflict arising, the Directors will endeavour that such conflict be resolved fairly. The regulatory supervision, legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection or information to Unitholders as would generally exist in more mature or developed markets.

Potential Unitholders are urged to consult with their professional advisors as to the legal, tax, and business risks involved in this investment.

Prospective investors are referred to the section headed "*Risk Factors*".

### **III. THE FUND AND THE FUND COMPANY**

#### **The Fund**

The Fund is an open-ended investment retail fund, created by the Fund Company and established as a collective investment scheme pursuant to the CIU Regulations. The Fund was approved on the Effective Date, and is regulated, by the CBB.

The Fund is a contractual arrangement between the Fund Company and the Investor. Such contractual arrangement will be registered with and supervised, approved and governed by the CBB. As such, the Fund does not have a separate legal status for purposes of Bahrain Law. While the Fund is intended to be separate from the Fund Company, investments may have to be made by the Fund Company on behalf of the Fund. The assets of the Fund shall always be separate from the assets of the Fund Manager, Fund Company and from the assets of other collective investment schemes created or marketed by the Fund Company. The Fund has not traded since its incorporation.

The minimum size of the Fund is US \$ 20,000,000. In the event that the Fund is withdrawn by the Fund Manager on account of not meeting the minimum size requirement, the investor's remedy shall be a full refund of the amount paid into the Fund as well as the Subscription Fee.

There will only be one ordinary class of Units with a price per Unit of US \$ 1 (plus a subscription fee of 2% per Unit) on the Effective Date until the Closing Date. The Minimum Subscription amount during the Initial Offer is the value of 5,000 Units and additional units in single Units. The Fund, being open-ended, will offer Units on a continuous basis, on each Subscription Day, through the Placement Agent and through sub-placement agents authorised by the Placement Agent.

For more information on these and other important matters related to the management and administration of the Fund, see section headed "*VIII Management and Administration*".

#### **The Fund Company**

National Investments Fund Company B.S.C. (c) is a joint stock company closed incorporated with limited liability under the laws of Bahrain for the establishment of the Fund. The Fund Company was approved by the CBB and incorporated in Bahrain as a joint stock company closed with Commercial Registration No. 67559 whose registered address is **Flat 41, Building 135, Diplomatic Area, Block 317, Kingdom of Bahrain.**

The primary objective of the Fund Company is create the Fund by way of Instrument that is a contractual obligation between the Investors and the Fund Company.

The establishment of the Fund Company and its Memorandum of Association and Articles of Association has been approved by the Ministry of Industry, Commerce and Tourism in Bahrain in accordance with the Commercial Companies Law and by the CBB.

The authorized, issued and paid -up share capital of the Fund Company is BD 1,000 divided into 1,000 shares of BD 1 each. Nine hundred and ninety (990) shares (comprising 99% of the Fund Company's capital) are held by National Investments Company KSC(C) and ten (10) shares comprising 1% of the Fund Company's capital is held by Mr. Hamad S H A M Alhumidi. The personal liability of the shareholders in the Fund Company for its debts or obligations is limited to the amounts they have subscribed to the capital of the Fund Company.

### **Compliance with Law**

The Fund Company and the Fund will comply with the CIU Regulations and any other circulars which currently apply or will apply in the future in connection with collective investment schemes whether issued pursuant to CBB Law or any banking law which may come into force in Bahrain.

The Fund Company and the Fund will, at all times, carry out investment activities in compliance with the laws of the jurisdiction where such investments are being made. Without prejudicing the generality of the aforesaid such statement, the acquisition and sale of all investments in jurisdiction where the Fund would invest would be in accordance with the applicable laws, rules and regulations of that jurisdiction.

### **Fund Term and Termination**

The Fund has been established for an indefinite period. However, the Fund Company reserves the right to terminate the Fund at any time under the circumstances set out in Section *XII* headed "*Life and Liquidation of the Fund*" without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the CBB and that reasonable notice be given to Investors. The Directors will endeavour to give Unitholders three (3) months' notice before terminating the Fund. Neither the death, bankruptcy nor incapacity of an Investor in the Fund nor the bankruptcy nor resignation of the Fund Manager will terminate the Fund or in any way affect its continuity.

Upon liquidation of the Fund, the assets of the Fund will be allocated to Investors after all amounts due to third parties, including those due under the contractual arrangements entered into by the Fund Company on behalf of the Fund and under Bahrain Law, are satisfied.

### **Governing Law**

This Prospectus, the offer of Units hereunder, the Subscription Agreement and all other material contracts listed in Section *XIV* headed "Material Contracts" and the Fund itself will be governed by, and construed in accordance with, the laws of the Kingdom of Bahrain. Each Investor irrevocably submits to the jurisdiction of the Bahraini courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.



## **IV. INVESTMENT POLICY**

### **Investment Objective and Policy**

The primary objective of the Fund is to seek long-term capital appreciation. The Fund will aim to achieve this investment objective by investing in various equity securities listed on the stock markets of the GCC region while complying with the Shariah principles.

### **Investment Strategy**

The Fund will primary focus on solid investment opportunities within listed GCC companies which are Shariah compliant.

The Fund's investment strategy will be based on a thorough analysis of prevailing and expected political, economic and market conditions, conducted to determine sector allocation of assets. This would be preceded by a bottom-up approach targeting highly liquid growth stocks that are operationally driven as well as stocks that provide steady dividend yields in their respective sectors. The Fund would concentrate on "blue chip" companies and conducts in-depth fundamental analysis to determine a number of key factors including quality of earnings growth, strength of operational profits and the company's management team experience and track record.

The Fund's strategy would be to purchase attractive investment opportunities that deliver strong growth based on fundamentally sound business practices.

Diversification of the investment in order to minimize capital risks and to achieve profits that exceed any market's averages without having maximizing concentration in one sector or country.

Diversification of funds investments in order to minimize risks as per future forecasts of companies' performance and their market liquidity (knowing that it is not necessary to invest in all sectors since many sectors are directly correlated to the country's budget and the country's inflation).

Medium to long term investments whereby investment choices would be based on the following factors:

- Constant and stable growth companies that have a sound financial reputation and an excellent financial and managerial status.
- Companies with diversified annual cash flows that could provide the Fund with steady cash streams.
- Companies with low investment risks, good returns, and appropriate price levels.
- Companies that depend heavily on their operational activities in their annual income.
- Companies with appropriate market ratios.

Medium to short term investments whereby investment choices would be based on the following factors:

- To fully utilize the temporary market fluctuations within the fund limits.
- Companies that are subject to financial and managerial restructuring and that have a bright forecasted future.
- Companies with solid returns and low capital.
- Companies with high turnovers.

The Fund shall invest cash available in deposits, sukuk and murabaha transactions in accordance with the provisions of Islamic Shariah, which are issued by approved Islamic institutions and banks, and that do not result in assuming financing obligations, as deemed appropriate by the Fund Manager, in order to achieve good returns.

The Fund shall follow a balanced investment policy with the objective of achieving appropriate investment revenue. The Fund Manager shall make all possible efforts to manage the Fund's investments and maximize revenues for the benefit of the investors of the Fund.

The Fund Manager shall manage and invest the Fund's monies through personnel who have the ability and competence to perform this role. These personnel shall have the utmost independence in the management of the Fund's investments under the supervision and guidance of the Fund Manager who shall have all powers necessary to manage the Fund and direct the investments in a way that does not conflict with the provisions of the applicable law and the Shariah principles.

Subject to the prior approval of the CBB, the Fund Manager may appoint an investment advisor for the management of any part of the Fund's investments. The Fund Manager shall bear the fees of the investment advisor, if any.

### **General Restrictions**

In attempting to achieve the objective of the Fund, the Fund Manager would be required to adhere to the following restrictions:

- (a) The Fund shall not undertake the following activities:
  - Lending
  - Short selling
  - Giving of securities or guarantees
  - Under-writing issues as main under-writer.
  - Trading in commodities
  - Dealing in real estate
  - Borrowing for the benefit of the Fund, except for the cases mentioned herein below.
  - invest in the Fund Manager or any subsidiary or affiliate thereof.
- (b) The Fund shall invest a minimum of 60% of its NAV in Shariah compliant equity securities listed on stock markets of the GCC region.
- (c) The Fund shall not invest more than 30% of its NAV in any single GCC country. Notwithstanding the aforesaid, if the market conditions are conducive and the Fund Manger determines that it would be in the interest of the Unit holders, the Fund may invest up to 50% of its NAV in any one country in the GCC provided however that the Fund's investments in other GCC countries would not exceed an individual ceiling of 30%;
- (d) The Fund shall not invest more than 30% of its NAV in any single sector. Notwithstanding the aforesaid, if the market conditions are conducive and the Fund Manager determines that it would be in the interest of the Unit holders, the Fund may acquire positions up to 50% of its NAV in any one

sector provided however that the Fund's investments in other sectors would not exceed an individual ceiling of 30%;

- (e) The Fund may borrow up to 20% of its NAV to cover the subscription operations or for managing liquidity issues but not for leveraging purposes;
- (f) The Fund shall not invest in securities not listed on recognized stock exchanges;
- (g) The Fund shall not hold more than 20% of its NAV in cash or cash equivalent securities with a single party;
- (h) The maximum investment in any single listed equity will not exceed 10% of the Fund's NAV and the maximum investment in any listed equity of a related group will not exceed 20% of the Fund's NAV;
- (i) The Fund shall not invest more than 20% of its NAV in third party Shariah compliant collective investment schemes that are open-ended, regulated and principally invest in equity securities in the GCC Region; Subject to the aforesaid, the Fund shall not invest more than 10% of its NAV in a single third party collective investment scheme;
- (j) The Fund shall not make any investments that would expose it to unlimited liability;
- (k) The Fund shall not enter into any transaction where the counter party is the Fund's operator or the Fund Manager and its affiliates or other parties that are involved in the operations of the Fund.
- (l) The Fund shall not make any investment which is not approved by the Shariah Advisor as being Shariah compliant. The Shariah Advisor shall determine suitable Shariah criteria for the selection of companies in whose securities the Fund may invest. Such criteria shall mostly be based on company's total assets, and include:
  - financial parameters pertaining to the interest based debt
  - financial parameters regarding the income generated from prohibited activity.
  - measures taken to ensure that income, assets and liabilities reflect the latest verified financial statements.

Investments which will not be permitted include:

- i. banking or finance where profits are made through the payment or receiving of interest;
- ii. insurance business which is not Shariah compliant;
- iii. gambling or speculation (including casinos, certain money market institutions etc);
- iv. alcohol or tobacco related products (including hotels or retail outlets where alcohol or tobacco is sold);
- v. products containing or derived from pork;
- vi. arms or other weapons; and
- vii. Pornography or any related industry involved in pornographic material (e.g. certain publishing or film companies).

## **V. RISK FACTORS**

*Investing in the Fund involves certain considerations in addition to the risks normally associated with making investments in securities. The Fund is newly formed. There can be no assurance that the Fund will achieve its investment objectives. The value of Units may go down as well as up and there can be no assurance that on a redemption, or otherwise, Investors will receive the amount originally invested. Accordingly, the Fund is only suitable for investment by investors who understand the risks involved and who are willing and able to withstand the total loss of their investment. The following is intended as a summary of certain investment considerations and risks associated with this investment, but is not exhaustive and must be supplemented by the Investors' own analysis of, among other things, Investors' personal or corporate financial circumstances.*

### **Investment Risk**

The Fund is an open-ended collective investment scheme designed for investors seeking long-term capital appreciation primarily through investing in Shariah compliant equity securities in the markets of the GCC Region. It should be clearly understood that the Fund's portfolio will be subject to market fluctuations and risks inherent in all such investments. Accordingly, investors considering investment in the Fund should understand that there is no assurance that the Fund will meet its investment objective and should be able to bear the economic risks of their investment in the Fund, including all or part thereof, and should not be dependent upon any returns from such investment for any basic financial needs.

It is possible that adherence to the Islamic Shariah will cause the Fund to perform differently from funds with similar objectives that are not subject to the Islamic Shariah.

Investments in the Fund are not deposits or other obligations of any bank or other financial institution, and are not guaranteed by any bank or other financial institution. Any investment in this Fund is therefore subject to investment risks, including the possible loss of the amount invested.

### **Regulatory Framework**

Future developments in governmental or relevant regulations and supervision may adversely affect securities markets in the region, by imposing restrictions on trading or transferring securities. Despite legislation to encourage foreign investment, the legal systems in some GCC countries is undergoing rapid change and in others remains underdeveloped, leading to significant risks for investors, including risks relating to the ownership and transferability of assets and the enforcement of proprietary rights.

Additionally, the regulatory supervision, legal infrastructure and accounting, auditing and reporting standards in the countries in the GCC Region may not provide the same degree of protection as would generally exist in more mature or developed markets. This may affect the valuation of the assets in which the Fund invests although every effort will be exerted to comply with international accounting standards.

## **Emerging Markets**

Investing in emerging market securities such as those in GCC Region involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: i) the risk of nationalization or expropriation of assets or confiscatory taxation; ii) social, economic and political uncertainty including war; iii) dependence on exports and the corresponding importance of international trade; iv) price fluctuations, less liquidity and smaller capitalization of securities markets; v) currency exchange rate fluctuations; vi) rates of inflation (including hyperinflation); vii) governmental involvement in and control over the economies; viii) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; ix) less extensive regulation of the securities markets; x) longer settlement periods for securities transactions; xi) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors.

## **Operating History**

The Fund and the Fund Company have no other track record and will be relying on the expertise and experience of the Fund Manager and such advisors as the Fund Manager may from time to time appoint to assist in the management of the Fund. No assurance can be given that the Fund Manager will succeed in enabling the Fund to meet the investment objectives of the Fund. The results of the earlier funds managed by the Fund Manager are not indicative of the results that the Fund may achieve. Accordingly, the Fund's results are independent of, and cannot be inferred from, the previous results obtained by collective investment schemes managed by the Fund Manager.

The Fund Manager does not guarantee any specified profits or capital gains as a result of the management of the Fund's monies. The Fund Manager, its employees, servants or agents shall not be liable, in any way whatsoever, for any losses or damages that may be incurred by the investment unit holders as a result of their investing in the Fund, unless such losses or damages have resulted from a violation of the provisions of the applicable laws, or this Prospectus or a deliberate fault or gross negligence by the Fund Manager or any of its above-mentioned associates in the management of the Fund's monies.

## **Legal Status**

The Fund is a collective investment scheme created by the Fund Company, and is structured as a contractual arrangement between the Fund Company and the Unitholders. This contractual arrangement is regulated and supervised by the CBB. Although the Fund is intended to be separate from the Fund Company, investments may be made in the name of the Fund Company on behalf of the Fund.

The Fund is not registered under the Commercial Companies Law. Therefore, the Fund does not have a separate legal status and the extent to which a Bahraini government agency or a Bahraini court, acting in the context of insolvency proceedings or proceedings for determining the Fund's liabilities, would up-hold such distinction between the legal status of the Fund and that of the Fund Company and other collective investment schemes of the Fund Company is unclear and to our best knowledge untested. Additionally, the assets of the Fund will be held by the Custodian in the name of the Fund Company and will at no time become the assets of the Fund Manager. Therefore, the Fund should not in any way be affected by the insolvency or bankruptcy of the Fund Manager. The assets of the Fund shall also always be separate from the assets of the Fund Company and from the assets of other collective investment schemes created or marketed by the Fund Company.

**Absence of Transferability of Units**

It is not anticipated that there will be any public market for the Units. The Units may not be directly or indirectly sold, transferred or assigned, by operation of law or otherwise, in whole or in part, without the prior written consent of the Fund Manager, which may be granted or withheld in its sole discretion. Any attempt to transfer Units, other than by way of redemption in the manner described in this Prospectus, constitutes a tender to the Fund Manager for the redemption of Units.

**Conflicts of Interest**

Under Bahrain Law, a Fund Manager is obligated to act for the benefit of the Fund with respect to matters within the scope of the Fund Management Agreement. Additionally, the Directors will seek to ensure that no actual conflict of interests will arise.

The Fund Manager may provide investment management services to funds and managed accounts other than the Fund. These funds and accounts may have fee structures or other features that are different from or more beneficial to the Fund Manager than those of the Fund.

Neither the Custodian, Administrator nor the Fund Manager will be devoting their full business efforts to the activities of the Fund. This may involve a conflict of interest with respect to the commitment of resources. The Administrator and the Fund Manager intend to devote sufficient time to the Fund's activities to properly manage or provide investment advice to the Fund.

**Mandatory Redemption**

Compulsory redemption may result in the liquidation of investments under conditions less favourable as the liquidity of some of the underlying assets may not allow for an orderly liquidation at the prevailing market prices, and consequently result in loss to Investors.

**Foreign Exchange Risk**

Any investment in the Fund will be denominated in US Dollars and therefore will be subject to any fluctuation in the rate of exchange between US Dollars and the currency of the Unitholders own jurisdiction and currency in which investment are made. Such fluctuations may have an adverse effect on the value or income of an investment in the Fund.

**Non- participation in management**

Investors in the Fund will be Unitholders and will have no right or power to participate in the management of the Fund or of any of its assets. All aspects of management of investments are entrusted to the Fund Manager. Investors will have no opportunity to control the day-to-day operation of the Fund, including the investment and disposition decisions.

*The foregoing is not a comprehensive list of investment risk factors, and potential Investors are urged to consult with their professional advisors as to the legal, regulatory, tax and business risks involved in this Fund.*

## **VI. SUBSCRIPTIONS AND REDEMPTIONS**

### **Initial Offering**

An Initial Offering of up to 300,000,000 Units at US \$ 1 (plus a subscription fee of 2% per Unit) is being made. Applications should be for a minimum of 5,000 Units and application for additional units should be in single Units. The minimum holding of an investor is 5000 Units. The Directors of the Fund Company reserve the right to increase or reduce the size of the Initial Offering with the prior consent of the CBB.

### **Initial Offer Period**

Application for the purchase of Units under the Initial Offering should be made by the Closing Date. The subscription monies in cleared funds must be paid by 12 noon on the Closing Date. If the Subscription Agreement and/or cleared funds are received after the deadline, it will (unless otherwise determined by the Fund Company) be treated as a request for subscription on the next Subscription Day.

### **Further Subscription**

Units can be subscribed for on each Subscription Day provided the Fund has received a completed Subscription Agreement before the 15th of the calendar month relevant to the Subscription Day and following receipt of cleared subscription monies by 12 noon on the last Business Day immediately preceding the relevant Subscription Day.

### **Subscription Price**

Units will be offered subsequent to the Initial Offer Period on each Subscription Day at the NAV per Unit plus a subscription fee of 0.5% of the NAV, as calculated on the relevant Valuation Day, provided that the minimum initial subscription is for 5000 Units.

### **Subscription Agreement**

Prospective Investors will be required to complete and return the Subscription Agreement (refer to the section under heading “XVI Subscription Agreement”). The completed Subscription Agreement should be sent to the Placement Agent or its delegate, details of which are provided in the Subscription Agreement, and must be received before the 15th of the calendar month relevant to the Subscription Day. The subscription monies in cleared funds must be paid by 12 noon on the last Business Day immediately preceding the relevant Subscription Day. For the avoidance of doubt, the Subscription Day means each Valuation Day falling after the Closing Date and a Valuation Day means the last Business Day of each calendar month

### **Issue of Units**

Units will be issued in the form of a Certificate. The Registrar will maintain the official register of Units. Certificates must be returned to the Registrar prior to processing of redemption requests. Fractions of Units will not be issued where the balances of the subscription monies for Units represent less than the subscription price per Unit.

Confirmations will be sent to applicants on approval of their application (i) soon after the relevant Subscription Day and (ii) once NAV has been calculated setting out details of the Units they have been allotted.

In the event where the subscription during the Initial Offering Period exceeds 300,000,000 Units, Units shall be distributed among the subscribers, in the ratio of their respective subscriptions after the allocation of the minimum subscription.

No single investor shall be allotted more than 50% of the Units in the Fund.

### **Combating Money Laundering**

The Fund Company will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition of and Combating Money Laundering and the various Ministerial Orders and circulars issued with regard thereto and Terrorist Financing from time to time including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institution's Obligations Concerning the Prohibition of and Combating Money Laundering, the Anti-Money Laundering and Combating Financial Crime Module contained in the CBB Rulebook, Volume 6 as well as the anti-money laundering laws, rules and orders applicable to any Investor as they may respectively pertain to any or all of the Administrator, Registrar, Custodian, the Fund Manager, the Fund and the Fund Company. In addition, the Fund shall at all times comply with all circulars issued by Central Bank of Bahrain pertaining to anti money laundering and terrorist financing in force from time to time.

As a result of the applicable anti-money laundering regulations, documentation will be required along with the subscription request for Units. The Directors, the Placement Agent and the Fund Manager reserve the absolute right to require further verification of the identity of each potential Investor or that of the person or entity on whose behalf the potential Investor is applying for the purchase of the Units and/or the source of funds. This will be used to comply with these regulations and to verify the identity of the Investors and will remain confidential. Each potential Investor will be required to provide satisfactory evidence of identity and if so required the source of funds within a reasonable time period determined by the Fund. Pending the provision of such evidence, application for Units will be postponed. If a potential Investor fails to provide satisfactory evidence within the time specified, or if a potential Investor provides evidence but the Fund is not satisfied therewith, the application will be rejected immediately in which event the money received on application, if any, will be returned without interest payment.

The Investor may not need to provide documentation to the Fund Company if the Investor has an existing investment in the Fund and has already provided documentation or has already provided evidence of identity to the Fund Company. Pooled funds or financial intermediaries will also be required to provide money laundering regulations' compliance declaration.

### **Records**

The Fund will maintain records of each new subscription for the period of the Subscription but in any case for not less than ten (10) years from the Subscription Day.

### **Indemnity**

The Fund Company shall hold the Fund Manager and its directors free and harmless against any claim or liability that they may have incurred while performing their duties, except for claims or liability arising from or in connection with their respective wilful misconduct or gross negligence.



**Redemption**

Investors may redeem Units on each Redemption Day, which means each Valuation Day falling after the Closing Date, provided the Investor gives notice to that effect to the Registrar fifteen Business Days prior to the relevant Redemption Day. There is no minimum redemption amount.

**Redemption Price**

The redemption price for Units will be equal to the NAV per Unit as determined by the Administrator on the relevant Valuation Day (see Section headed “*VII. Determination of Net Asset Value*”).

**Redemption Fee**

A redemption fee of 0.5% of the NAV shall be charged by the Fund Manager and deducted from the redemption proceeds payable to the redeeming Unitholder.

**Redemption Request Form**

A request for redemption must be made on the Redemption Request Form and once submitted to the Registrar or the Placement Agent, may not be withdrawn by the Unitholder except on suspension of redemptions, otherwise, the consent of the Fund Company is required for any withdrawal of a redemption request.

**Payment of Proceeds**

Redemption proceeds will be paid in US Dollars and will be remitted by way of cheques or by wire transfer upon request to the account held with a licensed institution designated by the Investor in the Redemption Request Form after deduction of all relevant expenses. No proceeds will be paid until the Registrar is in receipt of the relevant Certificates and the original Redemption Request Form duly signed by the Investor or its designated authorized signatories.

Any amount redeemed will be paid within ten Business Days from the relevant Redemption Day.

Partial redemption resulting in an Investor to have an interest of less than the minimum initial investment (5,000 units) will be considered as a request for redeeming the Unitholder's entire holding.

**Liquidity Constraints on Redemption**

If the Fund Company receives a net redemption request (redemption amount less subscription amount) from an Investor or Investors on a particular Redemption Day exceeding 10% of the Fund's NAV, the Fund Company will be entitled to redeem the redemption amount up to 10% of the NAV on a pro rata basis, or in such manner as the Fund Company may deem appropriate. Requests for redemption of Units, which cannot be met on any one Redemption Day, will be carried forward to the next Redemption Day, subject to the same provision.

## **Mandatory Redemption**

The Fund Company has the right upon seven (7) Business Days notice to compulsorily redeem any Units held by a Unitholder at a redemption price per Unit calculated on the basis of the Fund's Net Asset Value per Unit determined on the Valuation Day relevant to the Redemption Day, for any of the following reasons:

- (a) the Units are held by or for the benefit (directly or indirectly) of (i) any US Person or (ii) a Non-Qualified Person or (iii) any other person whose continued holding would subject the Fund, its Unitholders and the Fund Manager to regulation deemed burdensome by the Fund Company or such other party under the laws of the applicable jurisdiction or would result in any adverse tax consequences for the Fund, its Unitholders or the Fund Manager.
- (b) any of the representations given by a Unitholder in its Subscription Agreement were not true or have ceased to be true;
- (c) by operation of law or as otherwise determined by governmental or regulatory authority having appropriate jurisdiction including the CBB; or
- (d) the Articles of Association otherwise require such redemption.

Where a compulsory redemption occurs as described above, the Fund Company will notify the CBB of it as soon as practicable and of the reasons thereof

Subject to obtaining the prior approval of the CBB, the Fund may, in its absolute discretion, redeem all outstanding Units in the event of an exceptional decline in the value of the Fund's assets or a decline in the Fund's assets due to redemptions to a level insufficient to sustain normal trading by the Fund.

## **Voting and Ownership Rights**

Except for some limited voting rights as provided in the Third Schedule to the Instrument, the Units carry no voting rights with respect to the Fund or the Fund Company. Units represent an ownership right in the assets of the Fund, based on contract of the Investors in connection with the Fund but not in the Fund Company or any other collective investment schemes launched by the Fund Company other than the Fund.

## **Ownership Restrictions**

Investors may subscribe provided legislation or regulations in Bahrain and in their country of citizenship, residence, domicile or incorporation permits them to do so. U.S. Persons or U.S. residents as defined in Regulation S under the U.S. Securities Act of 1933 are not allowed to subscribe. Persons under 21 years of age are not allowed to subscribe unless he/she has the written authorisation of his/her lawful guardian.

## **VII. DETERMINATION OF NET ASSET VALUE**

The Administrator will determine the NAV of the Fund in US Dollar terms on a monthly basis. Such valuation shall take place on the last Business Day of each calendar month after the Closing Date. The NAV will be calculated in Bahrain after two working days of the Valuation Day at 12:00 noon Bahrain time, using the closing prices of securities in each market on Valuation Day.

The Fund Manager / Sponsor cannot determine the value of the Fund's assets.

The NAV per Unit will be calculated by the Administrator in accordance with generally accepted international accounting standards using the following formula: (a) the total assets of the Fund less the total liabilities divided by (b) the total number of outstanding Units of the Fund in issue on such Valuation Day. For the purposes of the determination of the Fund's NAV, the assets of the Fund are separate from the assets of the Fund Company and from the assets of other collective investment schemes created or marketed by the Fund Company.

The value of the net assets of the Fund will be calculated as at each Valuation Day in accordance with the following

- (i) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed to be the full amount thereof unless the Directors shall have in their reasonable judgment determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof in which event the value thereof shall be deemed to be such value as the Directors shall deem to be the reasonable value thereof;
- (ii) except in the case of any interest in a unit trust, mutual fund corporation, open-ended investment company or other similar open-ended investment vehicle (a "managed fund") to which paragraph (iii) applies and subject as provided in paragraphs (iv), (v) and (vi) below, all calculations based on the value of investments quoted, listed, traded or dealt in on any stock exchange, commodities exchange, futures exchange or over-the-counter market shall be made by reference to the last traded price on the principal stock exchange for such investments as at the close of business in such place on the day as of which such calculation is to be made; and where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Directors may designate) shall be made by reference to the mean of the latest bid and asked price quoted thereon; provided always that if the Directors in their discretion consider that the prices ruling on a stock exchange other than the principal stock exchange provide in all the circumstances a fairer criterion of value in relation to any such investment, they may adopt such prices;
- (iii) subject as provided in paragraphs (iv), (v) and (vi) below, the value of each interest in any managed fund which is valued as at the same day as the Initial Fund shall be the net asset value per unit, share or other interest in such managed fund calculated as at that day or, if the Directors so determine or if such managed fund is not valued as at the same day as the Initial Fund, the last published net asset value per unit, share or other interest in such managed fund (where available) or (if the same is not available) the last published redemption or bid price for such unit, share or other interest;
- (iv) if no net asset value, bid and offer prices or price quotations are available as provided in paragraphs (ii) or (iii) above, the value of the relevant asset shall be calculated from time to time in such manner as the Directors shall determine;

- (v) for the purpose of ascertaining quoted, listed, traded or market dealing prices, the Directors or their agents shall be entitled to use and rely upon mechanized and/or electronic systems of valuation dissemination with regard to valuation of investments of the Initial Fund and the prices provided by any such system shall be deemed to be the last traded prices for the purpose of paragraph (ii) above;
- (vi) notwithstanding the foregoing, the Directors may, at their absolute discretion, permit some other method of valuation to be used if they consider that such valuation better reflects the fair value; and
- (vii) any value (whether of a security or cash) otherwise than in US dollars shall be converted into US dollars at the rate (whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard, inter alia, to any premium or discount which they consider may be relevant and to costs of exchange.

Liabilities will include, but are not limited to:

- (a) management and other fees and disbursements of the Fund Manager earned but not yet paid;
- (b) any allowance for the Fund's estimated legal and other fees;
- (c) charges of the Custodian, Administrator, Registrar, Auditor and any brokerage fees;
- (d) investments of the Fund contracted to be sold; and
- (e) other liabilities of the Fund of whatsoever nature (which will, where appropriate, be deemed to accrue from day-to-day) including outstanding payments on any Units previously redeemed and, as from the record date in respect thereof, any dividends declared and not paid (contingent liabilities (if any) being valued in such

The Auditors will review the NAV calculations on a semi-annual basis.

The NAV shall be disclosed to all Unitholders and potential investors.

## **VIII. MANAGEMENT AND ADMINISTRATION**

### **The Directors**

The Directors of the Fund Company have overall authority over, and responsibility for, the operation and management of the Fund and will exercise supervision and control of the Fund including making decisions on matters of general policy and reviewing the actions of Fund Manager, the Custodian, the Administrator and other service providers. The Fund Company may appoint new Directors and officers of the Fund or may remove them from time to time with the prior consent of the CBB.

Pursuant to the Articles of Association, the Fund Company has three Directors. As of the date of this Prospectus, the members of the Board of Directors of the Fund Company are:

1. Hamad S H A M Alhumidi
2. Al Maktoum Al Muthana Mohammed A
3. Ghassan Khalifa Al Wagayan

Short CVs of the proposed directors appear below:

#### **Hamad S H A M Alhumidi**

Mr. Hamad S H A M Alhumidi is Assistant General Manager for Local and Arab Investments Department (LAID) working for National Investments Company. Hamad graduated in 1999 with a BBA in Finance, from Seattle University, Washington State, USA.

Since graduating from college Mr. Hamad starting his career as Financial Analyst in the research department at National Investments Company. Mr. Hamad has worked at NIC for almost seventeen years and has served several position in the Local & Arab Investment department. Having such a strong and in depth working knowledge and experience, he currently heads the Local and Arab Investments Department. He has been involved many key decision making activity within the company. His constant efforts and professionalism has supported NIC's many investment tools including portfolios, establishing funds such as Al Wataniya, Al Safwa, Al Darij, Zajil, Mawarid, and Al Mada fund.

In addition, Mr. Hamad sits on the boards of companies such as First Investment Co, Boubyan International Holding Company. Previously he held board member position in First Educational Company (2009-2011) and Gulf Investment Company (2011-2014).

#### **Al Maktoum Al Muthana Mohammed A**

Mr. Al Maktoum Al Muthana Mohammed A is Manager Investment Funds for Local and Arab Investments Department (LAID) working for National Investments Company. Muthana graduated in 2004 with a BBA in Finance, from Kuwait University, Kuwait.

Since graduating from college Mr. Muthana starting his career as Assistant Financial Analyst in the research department at National Investments Company. Mr. Muthana has worked at NIC for almost eleven years and has served several position in the Local & Arab Investment department. Having such a strong and in depth working knowledge, analytical and research experience, he currently heads the Investment Funds in Local and Arab Investments Department. He is responsible to lead the Investment Funds such as Al Wataniya, Al Safwa, Al Darij, Zajil, Mawarid, and Al Mada fund.

In addition, Mr. Muthana is the Chairman of Safatec Holding co. and sits on the boards of companies such as Saudi Holding Projects Group, Mena Capital Holding Co. Previously he held board member position in First Investment Co. (2011-2012), Ijara Housing Holding Co (2011-2014), A'amal Holding Co. (2007-2009) and First Real Estate Investment Co. (2005-2011).

**Ghassan Khalifa Al Wagayan**

Mr. Ghassan Khalifa Al Wagayan is the Vice President (Trading - Local & Arab Investments Department) of National Investments Company, Kuwait. Mr. Ghassan graduated in 1999 with a BBA in Accounting, from Kuwait University, Kuwait.

Mr. Ghassan started his career as the Assistant Officer in the Supervision Department of the Central Bank of Kuwait and worked there until 2002. He then joined NIC in 2002 as the Financial Analyst in the Research Department. He has been working at NIC for almost fifteen years and has served several positions in the Local & Arab Investment Department. Having such a strong and in-depth working knowledge and analytical and research experience, he currently heads the Trading Sector in Local & Arab Investments Department.

In addition, Mr. Ghassan has previously held positions of the Chairman of Al Seef Brokerage (2014 – March 2017), the Chairman of Al Khomaseya Holding (2007 – 2016) and the Board Member of Al Riyada Finance (2008 – March 2017).

## **Fund Manager**

The Fund Company has appointed National Investments Company as the Fund Manager pursuant to a Fund Management Agreement dated 31 January 2008

In performing its duties and obligations under the Fund Management Agreement, NIC will be supervised by the Directors. NIC, acting under the supervision and direction of the Directors, would be responsible for the Fund's investment management.

National Investments Company is one of the leading local investment houses in terms of both performance and assets under management. Established in 1987, National Investment Company's principle focus was on real estate and private equity investments in the local and international markets. In 1994, following its re-listing on the Kuwait Stock Exchange, NIC made a strategic decision to provide financial and wealth management services to both institutional and private investors, and expanded its scope of activities to include fund and portfolio management, treasury services, international brokerage and corporate finance. National Investments Company currently has a broad range of investment banking and asset management services including local, regional and international scope. It encompasses a large and diversified client base comprising institutional, corporate and high net worth investors with a paid in capital KD 79.7 Million (USD 273.5 million). National Investments Company also manages assets in the region of KD 4 Billion (USD 14.2 Billion).

## **Custodian**

SICO Funds Services Company BSC(c) has been appointed as the Custodian of the Fund's assets, which will be held or controlled by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodian, Administration and Registrar Agreement.

SICO Funds Services Company BSC(c) is incorporated in the Kingdom of Bahrain with commercial registration number 55423 and has its office at BMB Centre, 2<sup>nd</sup> Floor, Diplomatic Area, PO Box 20233, Manama, Bahrain. SICO Funds Services Company BSC(c) is licensed by the CBB as an Investment Firm – Category 2.

The Custodian is entitled to be indemnified against all actions, proceedings, claims, demands, costs, expenses whatsoever (other than those resulting from the fraud, negligence, or wilful misconduct of the Custodian) which may be made against or incurred by the Custodian arising out of or in connection with the performance of its obligations or duties.

In performing its duties, the Custodian may, at the expense of the Fund and/or the Fund Company, appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (included in such appointment are powers of sub-delegation), provided always that the Custodian will remain responsible for the proper performance of its duties. The Custodian will not however be responsible for any loss suffered by the Fund by reason only of the liquidation, bankruptcy or insolvency of any such agent, sub-custodian or delegate.

The Custodian will not be responsible for any cash, securities and/or other assets comprising the assets of the Fund which are not deposited with or held to the Custodian's order. Notwithstanding anything to the contrary in this Prospectus, the Custodian shall not be liable for any losses suffered by any Unitholders or the Fund Company in respect of any assets of the Fund which are outside the effective and exclusive control of the Custodian.

The Custodian is under no duty to supervise compliance with the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines in relation to the Fund. The Custodian will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury.

The appointment of the Custodian may be terminated by not less than 90 days prior notice in writing (subject to the notification of the CBB).

### **Administrator**

SICO Funds Services Company BSC(c) has been appointed as the administrator of the Fund pursuant to the Custodian, Administration and Registrar Agreement.

SICO Funds Services Company BSC(c) is incorporated in the Kingdom of Bahrain with commercial registration number 55423 and has its office at BMB Centre, 2<sup>nd</sup> Floor, Diplomatic Area, PO Box 20233, Manama, Bahrain. SICO Funds Services Company BSC(c) is licensed by the CBB as an Investment Firm – Category 2.

The Administrator is responsible for the general administration of the Fund, which includes amongst other things, arranging calculation of asset valuations and fees, and administration of uninvested cash, preparing the financial interim and year financial statement.

The Administrator is entitled to be indemnified against all actions proceedings claims demands costs expenses whatsoever (other than those resulting from the fraud, negligence or wilful misconduct of the Administrator) which may be made against or incurred by the Administrator arising out of or in connection with the performance of its obligations or duties.

The Administrator is under no duty to supervise compliance with the investment objectives, policy, investment restrictions, borrowing restrictions or operating guidelines in relation to the Fund. The Administrator will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury.

The appointment of the Administrator may be terminated by not less than 90 days prior notice in writing (subject to the notification of the CBB).

### **Placement Agent**

NIC has been appointed as the Placement Agent of the Fund pursuant to the Placement Agency Agreement. In this capacity, NIC will use at all times their best endeavors to promote and extend sales of the Fund to all potential Investors and make available materials relating to the Fund to potential Investors as well as receive the Subscription Agreements together with the subscription amounts. The Placement Agent will have the discretion to appoint Sub-Placement Agent(s) on terms, which are substantially similar to the terms of the Placement Agency Agreement.

### **Registrar**

SICO Funds Services Company BSC(c) has been appointed as the registrar of the Fund pursuant to the Custodian, Administration and Registrar Agreement



SICO Funds Services Company BSC(c) is incorporated in the Kingdom of Bahrain with commercial registration number 55423 and has its office at BMB Centre, 2<sup>nd</sup> Floor, Diplomatic Area, PO Box 20233, Manama, Bahrain. SICO Funds Services Company BSC(c) is licensed by the CBB as an Investment Firm – Category 2.

The Registrar is responsible for keeping the register of Unitholders and arranging for the issue and redemption of Units.

The Registrar is entitled to be indemnified against all actions proceedings claims demands costs expenses whatsoever (other than those resulting from the fraud, negligence or wilful misconduct of the Registrar) which may be made against or incurred by the Registrar arising out of or in connection with the performance of its obligations or duties.

The Registrar is under no duty to supervise compliance with the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines in relation to the Fund. The Registrar will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury.

The appointment of the Registrar may be terminated by not less than three months' notice in writing.

### **Legal Counsel**

The Fund Company has appointed Zu'bi & Partners, Attorneys & Legal Consultants – Bahrain as the legal counsel of the Fund Company, Fund Manager and the Fund.

### **Auditor**

The Fund Company has appointed Ernst & Young- Bahrain as the Fund's independent Auditor. The Auditor will audit and review financial reports and will submit its report to the Fund Company. Such reports will provide an opinion regarding the Fund's financial statements and an assessment of the accounting principles used. The Auditor will also review the unaudited semi-annual financials for the Fund.

### **Shariah Advisor**

The Fund Company has entered into a Shariah Advisory Agreement with AL-MADAR Finance and Investment Co. The Shariah Advisor will provide Shariah guidance and will be responsible for annual Shariah audit of the Fund. The Shariah Advisor's duties and responsibilities are described in detail in the section headed "Shariah Supervision and Compliance".

The Shariah Supervisory Board of the Shariah Advisor is currently composed of the following members:

#### **Dr.Khalid Mathkooor Al Mathkooor**

Dr. Khaled Mazkour Abdulla Al Mazkour is a distinguished Shariah Advisor and holds a doctorate from the Faculty of Sharia & Law, Al Azhar University. He is presently a member of Lecturing Staff at Islamic Policy & Comparative Fiqh Department Sharia' & Islamic Studies – Kuwait University.

Dr. Khaled Mazkour Abdulla Al Mazkour is a distinguished Shariah scholar and has held the following positions at various points in time:

1. Supervisor of Masters Degree in the Post Graduate Faculty – Kuwait University.

2. Head of Islamic Policy & Comparative Fiqh Department – Kuwait University – 1982 -1985
3. Head of the Sharia' Department at the Faculty of Law & Sharia' – Kuwait University - 1979 – 1982
4. Member of the Faculty Board of the Law & Islamic Sharia' – Kuwait University – 1979 -1982
5. Member of the Faculty Board of the Faculty of Sharia' & Islamic Studies – Kuwait University – 1982-1985.
6. Head of the Fatwa Committee at the Faculty of Sharia' Islamic Studies – 2001-2005.

Dr. Khaled Mazkour Abdulla Al Mazkour has also been a member of the the following Committees and Councils:

1. Head of the Higher Advisory Committee for Completion of Sharia' Implementation at Diwan Amiri – State of Kuwait
2. Member of the Higher Planning Council
3. Member of Trustees Council of the Islamic Organization for Medical Sciences in Kuwait.
4. Vice-Chancellor of the Fatwa Committee at the Ministry of Awqaf & Islamic Affairs.
5. Member of Islamic Sharia'a at Bait Al Zakat – Kuwait
6. Member of Sharia' Committee of Kuwait Finance House – Global Investor, Al Dar Investment, Al Dar Company – State of Kuwait.
7. Member of Family Guardianship Committee – Ministry of Social Affairs & Labour – Kuwait
8. Member of Books Censorship Committee – Ministry of Information, State of Kuwait – 2004-2005
9. Head of the Scientific Committee for Waqf Endowment Modern Issues – Awqaf General Secretariat – State of Kuwait
10. Member of Board of Directors of Al Sheikh Abdulla Al Nouri Society.
11. One of the Members who have established the International Islamic Charity Authority located in Kuwait.
12. An Expert in the Islamic Fiqh Association – Jeddah
13. Awarded the Nile Medal for Arts & Sciences for 1992 – Arab Republic of Egypt.
14. Member of the Board of Directors of the International Islamic Corporation for Information Islamic World League.
15. Member of the Prize Committee of Sultan Hassan Bolkiah of Brunei for Islamic Studies – Oxford Center for Islamic Studies.
16. Member of Shari'a Committee Subsidiary to the Higher Committee for Consolidation of Moderation.

**Dr. Eissa Zaki Shaqrah.**

- Assistant instructor in the Faculty of Basic Education at the Public Authority for Applied Education and Training.
- Member of the International Shari`ah authority for Authority for Minors Affairs.
- Chairman of the Shariah of Zakat House – Kuwait

- Chairman Shariah Board of the Al Mashora and Al Raya for Islamic Financial Consultancy
- Member of the Fatwa in many investment institutions and Islamic Banks – Kuwait and Kingdom of Bahrain
- Specialized trainer in Shari`ah courses
- Member of the Fatwa authority in The Ministry of Awqaf – Kuwait.
- He Holds a bachelor's Master's and Doctorate in Jurisprudence from the Islamic University of Medina

#### **Dr. Mohammed Abdullrazak Al Tabtabaei**

Dr. Mohammad Abdul Razaq Alsayed Ibrahim Al-Tabtabai holds a doctorate in Fiqh from Imam Mohammad bin Saud Islamic University. Dr. Al-Tabtabai has various published researches and thesis on Islamic principles on various subjects. He is a member of the following committees:

- Member of Scientific Consultation Counsel in Kuwait University.
- President of Training Committee in the College.
- President of Researches Committee in the College.
- President of Candidates Interview Committee for College Scholarships.
- President of Preparations Committee of the 2<sup>nd</sup> Meeting of Deans of Sharia Colleges in GCC.
- General Reporter of the 4<sup>th</sup> Meeting of Deans of Sharia Colleges in GCC held at Kuwait University.
- Member of Ifta'a Committee in Ministry of Awqaf.
- Lecturer at Kuwait Institution for Judicial Studies.
- Lecturer at Ali Al-Salem Military College, Ministry of Defense.

He is also a member of the following Fatwa Committees:

- a. Member of Sharia Board of Zakat House.
- b. Member of International Board of Current Zakat Issues.
- c. Member of Sharia Board of A'ayan Co.
- d. Member of Sharia Board of Arzaq Fund at The Securities House.
- e. Member of Ifta'a Committee in Ministry of Awqaf and Islamic Affairs.
- f. Member of Personal Law Committee in Ministry of Awqaf and Islamic Affairs.
- g. Member of Sharia Board of Kuwait Finance House since July 2002.
- h. Member of Supreme Committee to Supervise the Execution of Religious Education Plan and Strategy for the years 2002-2006.

#### **Alternative Service Providers**

The services of the Fund's service providers, including the Fund Manager, the Custodian, the Administrator, the Registrar, the Placement Agent and the Auditor may be terminated by the relevant service providers pursuant to the terms of the relevant service agreements. Under Bahrain law, the termination of such services may not come into effect until a suitable alternative has been appointed by the Fund Company and approved by the CBB.

## **IX. FEES AND EXPENSES**

The Fund bears fees and expenses incidental to its operation. These include:

### **Subscription Fees**

For Units subscribed during the Initial Offering Period, a subscription fee of 2% of the subscription price of the units is payable to the Placement Agent through whom the Units are placed. For subscriptions made subsequent to the Initial Offering Period, a subscription fee of 0.5% of the subscription amount is payable to the Fund Manager.

### **Management Fees**

#### *Base Fees*

Under the Fund Management Agreement, the Fund will pay the Fund Manager a fixed fee of 1% per annum of the NAV (calculated for these purposes prior to the deduction of NAV –based management fee) accrued every Valuation Day but payable on a quarterly basis.

#### *Performance Fees*

The Fund Manager will be entitled to receive from the assets attributable to the Fund, a performance fee payable on an annual basis with:

- (a) the first payment (if any) to be calculated as at the Valuation Day which first occurs on or immediately after the date which falls twelve months after the Initial Offer Period; and
- (b) each subsequent payment (if any) to be calculated as at each successive Valuation Day which falls at annual intervals thereafter, and, if an amount is to be paid, to be paid by no later than the date which falls twenty (20) days after the relevant Valuation Day.

A performance fee will only be payable if, at the relevant Valuation Day, the Net Asset Value per Unit for the Fund has increased by more than 10%, on an annualized basis (the “Hurdle Rate”) from the Net Asset Value per Unit for the Fund on:

- (a) the Initial Offer Period (in respect of the first payment); and
- (b) thereafter, on the Valuation Day on which the immediately preceding payment (or otherwise) of the performance fee was calculated.

The Performance Fee will be an amount equal to 20% of the amount by which the increase in the Net Asset Value per Unit if the Fund exceeds the Hurdle Rate.

For the purposes of calculating the subscription prices and the redemption prices of Units on any Valuation Day, the Performance Fee as at that Valuation Day will be accrued but in calculating the Net Asset Value per Unit as at the end of the relevant year-end for determining the Performance Fee such accrual will be ignored. In the event that Units are redeemed, the performance fee in respect of such Units shall be calculated as at the date of such redemption, based on annualised returns.

**Redemption Fee**

A redemption fees of 0.5% of the price of the Units would be payable to the Fund Manager at the time of redemption.

**Launching Costs**

All expenses incurred in launching this Fund including those already spent to date are to be borne by the Fund. These include but are not limited to legal, printing, postage and circulation costs of this Prospectus and related documents, registration fees, and Initial Offering expenses associated with the setting-up of the Fund. These costs are capped at US \$300,000 (and expenses above this amount will be borne by the Fund Manager).

**Administration Fee**

The Fund will pay to the Administrator an administration fee of 0.07% per annum of the NAV accrued monthly and payable on a monthly basis in arrears..

**Custody Fee**

The Fund will pay to the Custodian the fee of 0.125% per annum of the NAV accrued monthly and payable on a monthly basis in arrears.

**Registrar Fees**

The Fund will pay an annual fee USD 10,000 to the Registrar. The annual fee will be calculated and accrued monthly and payable on a monthly basis in arrears.

**Auditors Fees**

The Fund will pay an annual fee USD 14,000 to the Auditor.

**Shariah Advisory Fee**

In consideration for the services provided under this agreement, the Shariah Advisor shall charge the Fund an annual fees of USD 2,750 per annum. The fees will be calculated and paid quarterly in arrears.

**Other Operating Costs**

The Fund will be charged all other expenses incurred in connection with the normal operation of the Fund including, but not limited to, transactional costs including brokerage, banking, exchange fees, auditing, registrar and legal fees, government charges and duties.

The Fund will also bear the costs of publishing of the NAV, subscription and redemption prices. The Auditor shall review and verify such operating costs.

## **X. SHARIAH SUPERVISION AND COMPLIANCE**

With the advice and guidance of the Shariah Advisor, the Fund has been structured to comply with the principles of Shariah. The Fund will not invest in a manner inconsistent with the principles of Shariah and the resolutions of the Shariah Advisor will be binding upon the Fund Company with respect to the Fund.

The Shariah Advisor has reviewed this Prospectus and the Fund's investment objectives and will review the various implementing agreements, documents and instruments on a regular basis to advise the Fund Company on compliance by the Fund with Shariah precepts.

The Fund Company will arrange for an annual Shariah review of the Fund and its investments by the Shariah Advisor. Details of companies in which the Fund Manager propose that the Fund invest in will be presented to the Shariah Advisor for its review and approval. The Shariah Advisor will not have responsibility for day-to-day management of the Fund Company and the Fund.

The Fund shall comply with all applicable standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

### **Purification**

All non-halal earnings will be subject to purification by setting them aside and be disposed in the charitable activities. However, if the non-halal earnings occur and cannot be separated from the halal earnings then the appropriate percentage of purification to be set aside will be determined in close collaboration with the Shariah Advisor.

## **XI. TAX AND EXCHANGE CONTROL CONSIDERATIONS**

As at the date of this document the Fund Company was advised that there are no income, capital gains, withholding, inheritance, or estate taxes in Bahrain applicable to the Fund, nor is there any stamp duty payable in Bahrain on the transfer, sale or purchase of Units. Under current law, the Fund Company and the Fund will not be subject to tax in Bahrain on its profit, income, gains or appreciation arising in Bahrain or elsewhere.

Accordingly, dividends (if any) received by the Fund and gains (if any) realized by the Fund are not currently subject to tax in Bahrain. Furthermore, fees received for services rendered by the Fund and the Fund Company are not subject to tax in Bahrain.

A Unitholder will not be subject to Bahrain tax with respect to any dividend received on the Units (including distributions received upon liquidation of the Fund and the Fund Company or with respect to any gains realized upon the sale or redemption of the Units). Bahrain does not impose any withholding taxes. Accordingly, no withholding on account of any Bahrain tax is required by the Fund Company or the Fund with respect to any dividend distributions made to a Unitholder or any gains realized by such Unitholder upon the sale, redemption or exchange of the Units.

Individual Unitholders, whether resident in Bahrain or not, are not subject to any Bahrain gift, estate, inheritance or similar taxes solely by reason of the ownership of the Units.

There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of Bahrain is permitted, subject to any international regulations in force from time to time.

In the event that there is any material amendment or change to Bahrain law in connection with the matters referred to above, the Fund Manager will notify the Unitholders of such amendment or change in the next following report that is circulated to the Investors after such amendment or change has come to the attention of the Fund Manager.

Prospective investors should consult their own professional advisors as to the tax implications of making an investment in, trading in, holding or disposing of interests in the Fund. Furthermore, this summary is only applicable to those investors who hold their Units in the Fund for investment purposes and not for trading or other purposes. The Fund may be subject to local withholding taxes in respect of income or gains derived from its investments in certain countries. Prospective investors are reminded that the tax treatment in any relevant jurisdiction may change during the life of the Fund. No assurance can be given that the Courts or other authorities responsible for the administration of tax law and practice in any jurisdiction will agree with the interpretation set out below or that changes in such law or practice will not occur.

## **XII. LIFE AND LIQUIDATION OF THE FUND**

The Fund has been established for an indefinite period.

Notwithstanding the aforesaid, the Fund Company reserves the right to terminate the Fund at any time, with the prior approval of the CBB under the circumstances set out herein below without penalty to any party involved:

- Subject to the right of the Fund Company to seek renewal of the term of the Fund, upon expiry of the term specified for the Fund.
- Liquidation of the Fund Company which established the Fund;
- Pursuant to an order by a Bahraini court or Bahraini regulatory body, including the CBB, to terminate and dissolve the Fund;
- If the value of the Units falls by 50% since the last Valuation day;
- Prior consent of 75% of the Unitholders;

In the event of termination of the Fund, its liquidation would be carried out in accordance with the laws and regulations in force in the Kingdom of Bahrain that specify the steps to be taken to enable Unit Holders to participate in any liquidation distribution. Upon liquidation of the Fund, the assets of the Fund will be allocated to Unit Holders after all amounts due to third parties, including those due under the contractual arrangements entered into by the Fund Company on behalf of the Fund and under Bahrain law, are satisfied.



### **XIII. GENERAL INFORMATION**

#### **Voting rights**

Except for some limited voting rights as provided in the Third Schedule to the Instrument, the Units issued in the Fund carry no voting rights with respect to the Fund or the Fund Company. Units represent an ownership right in the assets of the Fund, based on contract of the Investors in connection with the Fund but not in the Fund Company.

#### **Reporting**

The Fund will prepare an annual report including the year's activities/results and the audited financial statements (including the Auditor's report and the report from the Shariah Advisors) showing the assets, gross income, liabilities and expenses incurred, net income, the Net Asset Value, the NAV per Unit and circulate the same within four months of the Fund's financial year-end. The annual financial statements of the Fund shall be published on the Fund Manager's website ([www.nic.com.kw](http://www.nic.com.kw)).

Unaudited interim accounts will be prepared in respect of the first six months of each annual accounting period of the Fund. Unaudited interim accounts will be sent to Unitholders within two months of the end of the period to which they relate.

#### **Financial Year**

The Financial Year of the Fund will begin on 1 January and will end on 31 December of each year except for the first financial year, which will begin on the Closing Date and come to completion on 31 December 2008

#### **Unit Certificates**

Units will be issued in the form of certificates substantially in the form attached to the Instrument. The Registrar will maintain the official register of Units. Certificates must be returned to the Registrar prior to processing of redemption requests. Fractions of Units will not be issued where the balances of the subscription monies for Units represent less than the subscription price per Unit.

#### **Changes to this Prospectus**

Proposed changes to this Prospectus must be made by the Directors and will be subject to the approval of the CBB. Changes once approved will be reported to Investors of the Fund. However, under the following circumstances Unitholders would be notified at least 30 calendar days before the changes take effect.

- a. Any changes in the investment policy;
- b. Any changes in the operator, manager, administrator or custodian of the Fund;
- c. Any changes in the directors of the Fund Company;
- d. The merger, division or termination of the Fund; and
- e. Any other major issues that may materially affect the Unitholders.

**Avoidance of conflict of interest**

The Fund Manager and its personnel shall not conclude any transactions or contracts with the Fund, whether for their own account or for the account of their relatives up to the fourth degree, without obtaining the approval of the CBB.

**Proxy voting policy**

The Fund Manager would exercise voting authority over proxies with respect to securities held by the Fund in an informed and responsible manner. The Fund Manager's obligation would include the paramount duty to vote proxies in the best interest of the Unit holders.

**Documents for inspection**

Copies of the following documents will be available for inspection at the registered office of the Fund Company and the offices of the Registrar during normal business hours:

- a) the Memorandum and Articles of Association of the Fund;
- b) this Prospectus and any other offering or placing documents produced from time to time by the Fund;
- c) the material contracts referred to in the section headed "*XIV. Material Contracts*";
- d) all annual reports, semi-annual reports and accounts of the Fund;
- e) a memorandum listing the directorships and partnerships held during the last five years by each of the Directors of the Fund, stating whether such directorships or partnerships are current;
- f) the Bahrain Commercial Companies Law Decree No. 21 of the year 2001;
- g) the CBB Rulebook, Volume 7;
- h) any interim or periodic accounts and/or reports in respect of the Fund sent to Unit Holders;
- i) copies of all CBB approvals when required.

**Compliance with laws**

In managing the Fund, the Fund Company and the Fund Manager will comply with the requirements of Bahrain Law and other relevant laws. In particular, the Fund Company and the Fund Manager will, and will cause the Fund to, comply with the requirements of CIU Regulations. Derogation from such requirements is only permitted subject to the approval of the CBB. The Fund would comply with all relevant regulations of all markets the Fund operates in.

#### **XIV. MATERIAL CONTRACTS**

The following is a list and summary of material contracts, which the Fund Company has entered into on behalf of and in connection with the Fund. All agreements mentioned hereunder are governed by and will be construed in accordance with the laws of the Kingdom of Bahrain.

1. **Fund Management Agreement** dated 31 January 2008 between the Fund Company and the Fund Manager, pursuant to which the Fund Manager has agreed to provide certain investment management and advisory services to the Fund. In addition, this Agreement contains detailed provisions relating to the investment objectives, and restrictions imposed on the Fund Manager. Details of the fees payable to the Fund Manager are described in the section headed “*IX. Fees and Expenses*”.
2. **Custodian, Administration and Registrar Agreement** dated 26 October 2017 between the Fund Company and SICO Funds Services Company BSC(c) pursuant to which the latter has been appointed to act as the Fund’s custodian, administrator and registrar.

In its capacity as the Custodian, all assets of the Fund shall be delivered to and under the effective control of the SICO Funds Services Company BSC(c) from time to time. The Custodian will hold or arrange to hold in safe custody such securities, investments, financial instruments or any other items belonging to the Fund. The Custodian will also maintain accounts for different purposes as may be advised by the Fund with record of all the transactions under such accounts. The Custodian has the power to appoint sub-custodians, agents or nominees and to delegate certain custodial and other functions where necessary to any such sub-custodians, agents or nominees.

In its capacity as the Administrator, SICO Funds Services Company BSC(c) will keep the accounts of the Fund and such financial books and records to give a complete record of all investments held and transactions carried out by it on behalf of the Fund.

In its capacity as the Registrar, SICO Funds Services Company BSC(c) will maintain a register of the holders of the Units of the Fund and will give anyone authorized by the Fund Company, or as required by law, access at all reasonable times during the office hours of the Registrar to the register and subsidiary documents and records and carry out the redemption of monies to Investors in accordance with the instructions of the Fund Company.

Details of the fees payable to the Custodian, Administrator and Registrar are described in the section headed “*IX. Fees and Expenses*”.

3. **A Placement Agency Agreement** dated 31 January 2008 between the Fund Company and the Placement Agent pursuant to which the Placement Agent will use at all times its best endeavors to promote and extend sales of the Fund to all potential Investors and make available materials relating to the Fund to potential Investors as well as receive the Subscription Agreements together with the subscription amount. The Placement Agent will have the discretion to appoint Sub-Placement Agent(s) on terms which are substantially similar to the terms of the Placement Agency Agreement. The latter will make available materials relating to the Fund to potential Investors upon their request. Details of the fees payable to the Placement Agent are described in the section headed “*IX. Fees and Expenses*”.
4. **A Shariah Advisory Agreement** dated 31 January 2008 between the Fund Company and Shariah Advisor pursuant to which the latter has agreed to provide Shariah advisory services to the Fund Company in connection with the

Fund. This Agreement contains detailed provisions relating to the Shariah supervision and compliance requirements imposed on the Fund Manager.