

**NCB Capital Company**  
**Changes to the International Funds Terms and Conditions**

28 April 2016

Valued Unitholders

International equity Funds managed by NCB Capital Company

Pursuant to CMA approval and in order to ensure compliance with the Investment Funds Regulations, this is to inform you that changes will be made to the Terms and Conditions of the following funds (“the Funds”). These changes include changing the Funds names as follows:

<b>Current Investment Fund Name</b>	<b>Name Changes</b>
AlAhli US Trading Equity Fund	AlAhli North America Index Fund
AlAhli Europe Trading Equity Fund	AlAhli Europe Index Fund
AlAhli Asia Pacific Trading Equity Fund	AlAhli Asia Pacific Index Fund
AlAhli Emerging Markets Trading Equity Fund	AlAhli Emerging Markets Index Fund

These changes also include lowering the management fee, and changing the Funds’ strategy from active management to passive management in order to suit the level of efficiency of the Markets in which they invest. Such changes have been made for the benefit of unitholders in order to reduce costs and potentially improve returns over the long run.

We are pleased to set out below a summary of the material changes that have been made in the Terms and Conditions of the Funds. These changes shall take effect and will be applied to the Fund’s Terms and Conditions after at least 60 calendar days from the date hereof.

Yours faithfully,

NCB Capital

**First: Common Changes to the Terms and Conditions of the following Funds:**

- AIAhli US Trading Equity Fund
- AIAhli Europe Trading Equity Fund
- AIAhli Asia Pacific Trading Equity Fund
- AIAhli Emerging Markets Trading Equity Fund

**A. Changing the Valuation Days and the Dealing Days:**

Amend the Valuation Days and the Dealing Days wherever they appear in the Funds' T&Cs. Valuation Days will be five days a week from Monday to Friday instead of two days a week to increase the level of transparency of the Funds monetary value. In addition, Dealing Days will be four days a week from Monday to Thursday provided that they are business days in Saudi Arabia and the United States due to the fact that the Funds invest globally.

**B. Currency of the Fund**

In line with the requirements of paragraph (7) of Annex (1) of the IFRs, a paragraph will be added to cover cases of participation in another currency that is different from the currency of the Funds i.e. Any subscriptions made in currencies other than US Dollars will be converted to US Dollars at the exchange rate prevailing at the time of the subscription. The Unitholder shall be responsible for any fluctuation in exchange rate.

**C. Principal Risks of Investing in the Fund**

Additional risk factors will be disclosed including but not limited to the risks of Shariah Compliant investment, index-tracking risk, geopolitical risk and other applicable risks factors.

**D. Fees and Expenses**

NCB Capital will reduce the management fee from for the following funds: AIAhli US Trading Equity Fund, AIAhli Europe Trading Equity Fund and AIAhli Asia Pacific Trading Equity Fund, from 1.75% to 0.30% p.a. from the NAV to be in line with a standard pricing for passively managed funds. Moreover, the management fees of AIAhli Emerging Markets Fund will be lowered from 1.85% to 0.30% p.a. from the NAV.

NCB Capital would like to introduce a subscription fee of up to 2% to incentivize long term investment. The subscription fees will be imposed on the funds which do not currently charge subscription fees i.e. AIAhli US Trading Equity Fund, AIAhli Europe Trading Equity Fund, and AIAhli Asia Pacific Trading Equity Fund.

**E. Auditor**

NCB Capital nominated KPMG Al Fozan & Partners replacing the current auditor Ernst & Young, and the Funds Board has approved the appointment of the new auditor. Changing the auditor would increases the independence of the audit process.

**F. Fund Manager**

- The paragraph will be redrafted with further disclosure in accordance with the requirements of Annex (1) of the Investment Funds Regulations.
- Additional disclosure of potential conflicts of interest will be incorporated as required by paragraph (15) of Annex (1) of the Investment Funds Regulations.

- The fund sub-manager of AlAhli US Trading Equity Fund will be changed to AMUNDI instead of TCW Assets Management Company. Thus, AMUNDI would be the sub-manager for all the above mentioned funds.

#### G. Confidentiality

- Changed the title of the paragraph to “Other Information” in order to be consistent with Annex (1) of the Investment Funds Regulations.
- Disclosure of the suspension of transactions (subscriptions and Redemptions) in the event of the unitholder’s death or disability.
- Disclose The Fund Manager compliance with the Anti-money Laundering and Counter-Terrorist Financing Regulations issued by the CMA.
- Disclose the obligations of the Fund Manager.
- Disclose that the Fund Manager does not give any representation or guarantee in respect of the performance or profitability of any investment.
- It is the responsibility of unitholders to provide the Fund Manager with right contact details.
- Should any provision of this agreement be or become invalid or unenforceable, the remaining provisions shall remain in full force and effect.
- Pursuant to paragraph (b) of Article (13) of the Investment Funds Regulations – “Requirement to Produce Terms and Conditions”, the terms and conditions of the Fund shall be in Arabic.

#### H. Subscription and Redemption Procedures

- NCB Capital will change and unify the subscription/redemption and switch in cut off time across all sales channels (branches, Phone, Internet) as follow:
  - AlAhli Europe Index Fund and AlAhli North America Index Fund:  
At 12:30 PM on the Dealing Day to participate in or redeem from the Funds on the intended Dealing Day.
  - AlAhli Asia Pacific Index Fund and AlAhli Emerging Market Index Fund:  
At 12:30 PM on the Saudi Business Day prior to the target Dealing Day.
- A Dealing Day shall be Saudi Business Day and U.S. Business Day (Monday to Thursday) since the Funds invest internationally.
- Timeframe for payment of redemption proceeds to client accounts has been extended to four business days (provided that they are Business Days in the U.S. and in Saudi Arabia) after the valuation point to have more sufficient time for the Fund Manager to deal with heavy redemptions and remain within the time limit specified in Investment Funds Regulations set in Article (46) “Pricing, Valuation and Redemption”.

#### I. Fund Manager Investment in the Fund

This paragraph will be added to reflect the possibility of the Fund manager investment in the fund, its size, and the timing of its disclosure.

#### **J. Complaints Procedure**

Specify the different channels to send complaints to the Fund Manager which are website and phone.

#### **K. Summary of Financial Disclosure**

In line with the best international practices in managing investment funds, the Basis of calculating expenses will change from 360 days to 365 days. This will be reflected in the Summary of Financial Disclosure.

#### **L. Other Changes**

Certain sections of the Terms and Conditions will be amended and re-arranged in order to comply with the requirements of Annex (1) of the Investment Funds Regulations. The following provisions have also been added: International Investment Fund, Initial Offers, and Early Redemption Fee.

#### **M. The following clauses have been amended linguistically:**

Fund Manager's Head Office Address and further information, Winding up and Appointment of a Liquidator, Custodian, Annual Audited Financial Statements, Islamic Shariah, Fund Termination, Reporting to Unitholders, Conflicts of Interest, and Custodian.

#### **N. Deleting the following clauses either since they repeat what is already mentioned in other clauses throughout the Term & Conditions or not required as per Annex (1) of the Investment Funds Regulations:**

Fund Structure, Responsibilities, Islamic Shariah, and Appendix (1): Investment Restrictions.

## Second: Changes Unique to Each Fund

### A. Changing the Funds Names

The new name of the Funds will reflect the new investment strategy

Current Name	New Name
AlAhli US Trading Equity Fund	AlAhli North America Index Fund
AlAhli Europe Trading Equity Fund	AlAhli Europe Index Fund
AlAhli Asia Pacific Trading Equity Fund	AlAhli Asia Pacific Index Fund
AlAhli Emerging Markets Trading Equity Fund	AlAhli Emerging Markets Index Fund

### B. Changing the Benchmark

NCB Capital will replace S&P as benchmark provider with MSCI since MSCI benchmarks present features that make them more suitable for such passive strategy;

Fund Name	New Benchmark	Current Benchmark
AlAhli North America Index Fund	MSCI North America Islamic M-Series Index (Net Total Return USD).	S&P 500 Shariah Index
AlAhli Europe Index Fund	MSCI Europe Islamic M-Series Index (Net Total Return USD)	S&P Europe 350 Shariah Index
AlAhli Asia Pacific Index Fund	MSCI Pacific Islamic M-Series (Net Total Return USD)	S&P Pan Asia Shariah Index
AlAhli Emerging Markets Index Fund	MSCI EM Islamic M-Series (Net Total Return USD)	S&P Emerging Markets BMI Shariah Index

### B. Fund Objective and Principal Investment Strategies

NCB Capital intends to offer investors with an international markets exposure with a more cost effective solution by launching the first Shariah compliant index funds platform in Saudi Arabia. In particular NCB Capital intends to offer four index funds that will cover the main regions worldwide (North America, Europe, Developed Asia, Emerging Markets) and serve investors' asset allocation requirements.

#### AlAhli North America Index Fund

##### Fund Objective

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

## Principal Investment Strategies

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

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

9.3 The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI North America Islamic M-Series Index (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the US and Canadian markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.

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

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

9.5 The Fund may hold a portion of its assets in cash, but this will be kept to the minimum in line with its strategy. The Fund shall comply with the provisions of Article 39 of the Investment Funds Regulations, "Investment Limitations", and is allowed not comply with paragraph (d) and subparagraph (i) of paragraph (e) of Article (39) of the Investment Funds Regulations, as follows:

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

The fund will also apply the restrictions mentioned below:

Type of Investment	Min % of NAV	Max % of NAV
Listed Equity	90%	100%
Cash, Murabaha Transaction, and Money Market Fund	0%	10%
Other Investment Funds that have similar index and objective	0%	10%

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

- 9.7 Securities markets on which the investment fund buy and sell Fund investments are stock exchanges in North American markets. The Fund Manager may also invest in investment funds having the same strategy and tracking the same index and / or in money market funds approved to be publicly offered by CMA or licensed by other authorities provided that such funds are subject to another jurisdiction with regulations at least equivalent to that applied to investment funds in Saudi Arabia.
- 9.8 The maximum percentage of the Fund's assets that can be invested in units of other mutual funds (having the same strategy or investing in money markets) is 10% of the Fund's net assets value.
- 9.9 The Fund will not invest in a market or markets that use derivatives of securities.

## **AlAhli Europe Index Fund**

### **Fund Objective**

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

### **Principal Investment Strategies**

- 9.1 The Fund invests primarily in the stocks of large-medium cap listed companies.
- 9.2 The Fund's investments will be concentrated in the stocks of companies listed on European markets.
- 9.3 The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI Europe Islamic M-Series Index (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the European markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.
- Excess cash balance may be held in cash or in Sharia complaint money market funds that invest in money market and Murabaha and/or invested in Murabaha transactions without charging Unitholders an extra fee. In case the Fund would invest in Murabaha transactions, the maximum exposure of the Fund to any counterparty is 10% of the net asset value of the Fund.
- 9.4 The Fund will not invest in securities other than those mentioned above.
- 9.5 The Fund may hold a portion of its assets in cash, but this will be kept to the minimum in line with its strategy.

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

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

The Fund shall apply the following restrictions:

Type of Investment	Min % of NAV	Max % of NAV
Listed Equity	90%	100%
Cash, Murabaha Transaction, and Money Market Fund	0%	10%
Other Investment Funds that have similar index and objective	0%	10%

- 9.6 The Fund may obtain Shariah compliant finance for investment purposes provided that such financing shall not exceed 10% of its net asset value and that the term shall not exceed one year, except for borrowings from the Fund manager or affiliates to meet redemption requests.
- 9.7 Securities markets on which the investment fund buy and sell Fund investments are stock exchanges in the European markets. The Fund Manager may also invest in investment funds having the same strategy and tracking the same index and / or in money market funds approved to be publicly offered by CMA or licensed by other authorities provided that such funds are subject to another jurisdiction with regulations at least equivalent to that applied to investment funds in Saudi Arabia.
- 9.8 The maximum percentage of the Fund's assets that can be invested in units of other mutual funds (having the same strategy or investing in money markets) is 10% of the Fund's net assets value.
- 9.9 The Fund will not invest in a market or markets that use derivatives of securities.

## AlAhli Asia Pacific Index Fund

### Fund Objective

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

### Principal Investment Strategies

- 9.1 The Fund invests primarily in the stocks of large-medium listed companies.
- 9.2 The Fund's investments will be concentrated in the stocks of companies listed on Developed Asia and Pacific Markets.
- 9.3 The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI Pacific Islamic M-Series (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted to measure the performance of Shariah compliant large and medium



cap segment companies that are listed in the Developed Asia and Pacific Markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.

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

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

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

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

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

The Fund shall apply the following restrictions:

Type of Investment	Min % of NAV	Max % of NAV
Listed Equity	90%	100%
Cash, Murabaha Transaction, and Money Market Fund	0%	10%
Other Investment Funds that have similar index and objective	0%	10%

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

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

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

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

## **AlAhli Emerging Market Index Fund**

### **Principal Investment Strategies**

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

### **Fund Objective**

9.1 The Fund invests primarily in listed equity of large and mid-cap segment.

9.2 The Fund invests in listed companies in the Emerging Markets.

9.3 The Fund is managed pursuant to an index-linked passive strategy that is designed to trace the performance of MSCI EM Islamic M-Series (Net Total Return USD), which is an index based on an the average free float adjusted market capitalization weighted index to measure the performance of Shariah compliant large and medium cap segment companies that are listed in the Emerging Markets. The Fund aims to achieve a performance similar to that of the index through investing all or most of its assets in the stocks included in the index, with the investment weight in each share that is approximately equal to its weight in the index or by using a representative sample, provided that the Fund's investments in the securities of a single issuer shall not exceed 20 % of Fund's net assets value, and that the Fund shall not hold more than 20% of its net asset value in any class of securities issued by one single issuer. In addition, the Fund Manager will manage the changes that may occur in the index components.

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

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

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

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

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

The Fund shall apply the following restrictions:

<b>Type of Investment</b>	<b>Min % of NAV</b>	<b>Max % of NAV</b>
Listed Equity	90%	100%
Cash, Murabaha Transaction, and Money Market Fund	0%	10%
Other Investment Funds that have similar index and objective	0%	10%

- 9.6 The Fund may obtain Shariah compliant finance for investment purposes subject to a maximum of 10% of the Fund's NAV and a maturity of one year. However, such percentage shall not include borrowings to meet redemption requests.
- 9.7 Securities markets on which the investment fund buy and sell Fund investments are stock exchanges in the Emerging Markets. The Fund Manager may also invest in investment funds having the same strategy and tracking the same index and / or in money market funds approved to be publicly offered by CMA or licensed by other authorities provided that such funds are subject to another jurisdiction with regulations at least equivalent to that applied to investment funds in Saudi Arabia.
- 9.8 The maximum percentage of the Fund's assets that can be invested in units of other mutual funds (having the same strategy or investing in money markets) is 10% of the Fund's net assets value.
- 9.9 The Fund will not invest in a market or markets that use derivatives of securities.