



## Terms and Conditions

### **Alinma Saudi Government Sukuk ETF (A Public Open-End Investment Fund Compatible with the Fund's Shariah Principles)**

**The Fund Manager:**

Alinma Capital Company

**The Fund Operator:**

Alinma Capital Company

**The Fund Custodian:**

Al Ahli Capital Company

The Fund's Terms and Conditions has been reviewed and approved by the Fund's Board of Directors. The Fund Manager and the directors of the Fund's Board of Directors collectively and individually bear full responsibility for the accuracy of the information presented herein. Having made all reasonable inquiries, the Fund board members and the Fund manager confirm the validity and completeness of the information in the Terms and Conditions, and further confirm that the information and data maintained in the Terms and Conditions are not misleading.

The Capital Market Authority has approved the offering of units in the investment Fund. The Capital Market Authority does not, however, take any responsibility for the contents of the Fund's Terms and Conditions, nor does it make any representation as to its accuracy or completeness. The Capital Market Authority does not make any recommendation as to the soundness or otherwise of investing in the investment Fund, and the approval of offering the Fund does not mean that the Authority recommends to invest in the Fund, and the Authority emphasizes that the decision to invest in the Fund is up to the investor or his representative.

Alinma Saudi Government Sukuk ETF has been certified as being Shariah compliant by the Shariah Committee appointed for the investment Fund.

These Terms and Conditions and all other related documents are subject to the Investment Funds Regulations. They further contain complete, accurate, clear, non-misleading, modified and up-to-date information about the Fund.

The Fund's Terms and Conditions and all other documentation comply with the Investment Funds Regulations and contain are complete, clear, accurate, and not misleading information on the investment Fund and shall be updated and amended.

The unitholders shall be deemed to have accepted and signed the Fund's Terms and Conditions, upon subscribing in any listed unit of the Fund.

The performance of the Fund can be viewed within the Fund's reports.

Terms and Conditions of The Fund and all other related documents must be carefully read.

Investors are advised to read and understand the Fund's Terms and Conditions. if in doubt, please consult a professional adviser.

Disclaimer: In the event of any conflict between the English copy and the Arabic copy, the Arabic text shall prevail.

The terms and conditions of the fund were issued on 01/01/2020 and were updated on 08/01/2026.

## Fund Summary

<b>Investment Fund Name</b>	Alinma Saudi Government Sukuk ETF
<b>Fund Class/ Type</b>	An open-End ETF compatible with the Fund's Shariah Principles.
<b>Fund Manager</b>	Alinma Capital Company
<b>Fund Objectives</b>	Alinma Saudi Government Sukuk ETF, is a ETF Fund that invests through the passive management of a basket of Shariah-approved local government sukuk issued by the Saudi government and listed in the main market to generate a performance that mimics the performance of the index (before fees and expenses), distribute periodic returns, reduce cost, increase efficiency, as well as enhancing liquidity by concentrating on such income-generating investment instruments which enable individuals to invest in debt capital market instruments with more flexibility, resulting in the promotion of the saving culture among investors which is one of the Saudi Vision 2030 key objectives.
<b>Risk Level</b>	Low to Medium
<b>Minimum Limit of Subscription and Redemption</b>	<p>Cash and in-kind subscriptions Any investor may subscribe into The Fund within the Initial Offer Period as follows:</p> <ul style="list-style-type: none"> <li>As for cash subscription, minimum subscription is SAR 5,000 or multiples thereof.</li> <li>As for in-kind subscription, minimum subscription is the equivalent of one creation unit or multiples thereof (One Creation Unit equals 100,000 ETF Units).</li> <li>The Fund is not subject to a maximum subscription, and subscriptions shall not exceed SAR 1,250,000,000.</li> </ul> <p>This paragraph shall only apply within the Initial Offer Period specified above and any other periods specified by Fund manager to accept new subscriptions and redemptions.</p>
<b>Days of Dealing/Valuation</b>	Every Business Day.
<b>Days of Announcement</b>	The Indicative Net Asset Value per unit will be disseminated during trading hours every 15 seconds, while the net unit price will be disseminated on the business day following the valuation day.
<b>Date for Paying Redemption Amount</b>	N/A.
<b>Unit Price at Initial Offer (Nominal Value)</b>	SAR 10
<b>Fund Currency</b>	Saudi Riyals (SAR)
<b>Fund Period and Maturity Date</b>	The Fund is a Public Open-End Investment Fund with no fixed maturity.
<b>Fund Inception Date</b>	22/01/2020G.
<b>Date Of Issuing The Terms And Conditions, And Latest Update Of It</b>	The Fund terms and conditions has been issued on 01/01/2020 G, Amended on 08/01/2025G2026G.
<b>Early redemption fees</b>	N/A.
<b>Benchmark</b>	Alinma Saudi Domestic Sovereign Sukuk Index – By IdealRatings.
<b>Fund Operator</b>	Alinma Capital Company.
<b>Custodian</b>	Al Ahli Capital Company
<b>Auditor</b>	Alluhaid & Alyahya Chartered Accounts (LYCA).
<b>Fund Management Fees</b>	The Fund will incur a management fee of 0.25% per annum from the Fund's net assets after deducting dealing expenses, financing expenses, and value added taxes (VAT). The Fund Manager will incur any fees and expenses other than the listed below.
<b>Subscription and Redemption Fees</b>	N/A.
<b>Custodian Fees</b>	They are included among other fees and expenses incurred by Fund Manager.
<b>Dealing Expenses</b>	<p>The Fund will incur all the Fund dealing expenses including, but not limited to:</p> <ul style="list-style-type: none"> <li>Sukuk trading fees</li> <li>Deposit fees</li> <li>Fees of creating or canceling the Fund's units.</li> <li>Other fees incurred by the market maker when making the market</li> <li>For the purpose of rebalancing the portfolio, the Fund might engage in buying and selling the underlying index stocks. Transactions pertaining to such rebalancing might result in dealing expenses which are booked at cost, and the Fund will pay such expenses out of the Fund assets.</li> <li>Fees of dealing in the other assets where the Fund invests</li> <li>Any other fees that apply to trading in other assets where the Fund invests.</li> </ul>
<b>Other Fees and Expenses</b>	<p>The Fund may incur imposed fees and expenses other than the above mentioned. Thus, Fund Manager will incur any fees and expenses other than the above mentioned which includes, but not limited to:</p> <ul style="list-style-type: none"> <li>Custody fees</li> <li>Index providers' fees</li> <li>Auditor's fees</li> <li>Regulatory fees</li> <li>Tadawul website fees</li> <li>Remunerations of the Fund board members</li> <li>Remunerations of the Shariah Committee members, if any</li> <li>Expenses relating to the printing and distribution of the Fund annual reports</li> <li>The value added taxes (VAT) on the above listed fees and expenses in accordance with the applicable regulations.</li> </ul>
<b>Performance Fees</b>	N/A.
<b>Zakat</b>	The Fund manager is committed to the regulations for collecting zakat from investors in investment funds, and in order to achieve this, the fund will be registered with zakat, Tax and customs Authority "ZATCA" for the purposes of zakat, and a declaration of information will be submitted according to what is stated in the regulations for collecting zakat from investors. Nothing that the burden of calculating and paying zakat falls on the taxpayers who are unite holders in the fund, The Fund Manager also undertakes to provide ZATCA with all reports and requirements regarding zakat declarations upon request in accordance with the regulations, and the assigned investors subject to the provisions of these regulations who own investment units in the Fund are required to calculate and pay the zakat on these investments. ZATCA regulations can also be reach at <a href="https://zatca.gov.sa/ar/pages/default.aspx">https://zatca.gov.sa/ar/pages/default.aspx</a> .
<b>Value Added Tax (VAT)</b>	Based on the order of value added tax ("VAT") issued by Royal Decree No. (M/113) of 2/11/1438 A.H. and issued with the Executive Regulation of the Zakat, Tax and Customs Authority, it was introduced as of 1 January 2018 ("effective date"). Accordingly, VAT will be calculated as the State determines from time to time on all fees and wages and the length of the fund.

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## Glossary

**Capital Market Law:** The Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.

**Authority/Capital Market Authority:** The Capital Market Authority in the Kingdom of Saudi Arabia including, where the context permits, any committee, sub-committee, employee, or agent that can be authorized to commit practices on behalf of the Capital Market Authority.

**Anti-Money Laundering Law:** The Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 5/2/1439 H.

**Value Added Tax or VAT:** The value added tax ("VAT") issued by the Royal Decree No. (M/113) dated 2/11/1438H, which has been issued together with the Implementing Regulations by the General Authority of Zakat and Tax (GAZT), and started taking effect on 1 January 2018 (Effective Date). VAT is an indirect tax imposed on all goods and services that are bought and sold by businesses.

**Capital Market Institutions Regulations:** The Capital Market Institutions Regulations issued by Board of the Capital Market Authority.

**Investment Funds Regulations:** The Investment Funds Regulations issued by the Board of the Authority to its Resolution Number 1 - 219 – 2006 Dated 3/12/1427H Corresponding to 24/12/2006G. Based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H. Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G. Issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 1 - 219 – 2006 Dated 3/12/1427H Corresponding to 24/12/2006G. Based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H. Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G.

**Person:** Any natural or legal person recognized as such under the laws of the Kingdom.

**Capital Market Institutions:** A person authorized by the Authority to carry out securities business.

**Alinma Capital Company, Fund Manager OR Fund Operator:** Alinma Capital Company, a Saudi closed joint-stock company holding Commercial Registration No. 1010269764 and authorized by Capital Market Authority as per License No. 09134-37 to carry out dealing activity, custody services, management "managing investments and operating Funds", arrangement and, provision of advice with respect to securities business.

**Market Maker:** Alinma Capital Company, a capital market institution that is authorized to carry out dealing business where it enters continuous orders, during the trading hours, of buying and selling for the purpose of providing liquidity to the traded units of the exchange traded fund.

**Custodian:** A Capital Market Institution licensed under the Capital Market Institutions Regulations to conduct the securities activity of custody namely Al Ahli Capital Company.

**Shariah Committee:** The Shariah committee that supervises all Alinma Capital Company products and operations.

**Fund Board:** The fund directors appointed by the fund manager in accordance with the Investment Funds Regulations and the Real Estate Investment Funds Regulations, to oversee and supervise the relevant fund manager's conduct.

**Independent Board Member:** A board member who enjoys complete independence. By way of example, the following shall constitute an infringement of such independence:

- 1) Being an employee of the Fund Manager or any of its Affiliates, or any sub-manager or the Custodian; or has a material business, or contractual relationship with the Fund Manager, any sub-manager or the Custodian.
- 2) He, during the preceding two years, has been a senior executive of the Fund Manager or any of its Group;
- 3) He is a first-degree relative of any board member or any senior executives of the Fund Manager or of any other company within that Group; or
- 4) Holds Control over the Fund Manager or any of its Group during the past two years.

**Compliance Officer:** The compliance officer of the Capital Market Institution appointed in accordance with paragraph (a) of Article 57 of the Capital Market Institutions Regulations, or the compliance officer of the external party delegated by the Capital Market Institution to function as a compliance officer, appointed in accordance with paragraph (e) of Article (20) of the Capital Market Institutions Regulations.

**The Fund:** Means Alinma Saudi Government Sukuk ETF which is managed by Alinma Capital Company.

**Open-ended Investment Fund:** An investment fund with changing capital, the units of which would increase with the issuance of new units, and decrease with redemption by unitholders of some or all of their units. Unitholders are entitled to redeem the value of their units at their net asset value on dealing days set in the Fund's Terms And Conditions in accordance with the Investment Funds Regulations.

**Fund's Terms and Conditions:** The contracts containing those disclosures and provisions required under the Investment Funds Regulations and the Real Estate Investment Funds Regulations, signed between the fund manager and the unitholder.

**Fund Management Fee:** The remuneration, expenses and fees in relation to advisory services paid to the fund manager.

**Subscription Form:** The form used to subscribe to the Fund units, and any other required documents according to Capital Market Authority Regulations and Anti-Money Laundering and Counter-Terrorist Financing Rules and any other accompanied information the Investor sign for the purpose of subscribing in the Fund's Units upon the approval of the Fund Manager.

**Unit:** The share of any owner in any fund consisting of units or a part of it. Each unit shall be treated as a common share in the net assets of the Fund.

**Adequate Amount of Cash:** The Fund assets that have not been invested in the Fund available investment areas to account for the Fund fees, expenses and liabilities required to be paid from the Fund's assets, in addition to the distributions expected to be distributed to unitholders.

**Unitholder/ Subscriber/ Investor:** A person who owns units in an investment fund or a real estate investment fund, which represents a common share in the net assets of the Fund.

**Client:** A person for whom a Capital Market Institution executes securities transactions.

**Net Asset Value:** The monetary value of any Unit based on the Fund's assets' fair value minus the total liabilities and expenses of the Fund and divided by the total number of the Fund's outstanding units.

**Indicative Net Asset Value:** The monetary value of each unit during trading hours based on the Fund net asset value minus the accrued charges and divided by the number of outstanding units.

**Indicative Price of Unit:** The monetary value of any unit during trading hours of the Fund units based on the Fund asset value minus the Fund's expenses (Value of assets and expenses calculated during trading hours) and divided by the number of the Fund's outstanding units during trading hours.

**Bid Price:** The amount offered by an investor in the market to buy the asset in question. The highest bid price shall be used in the Sukuk valuation process.

**Valuation Point:** A particular point in time on a particular day where the Fund's assets are being valued/ priced, which will later be used in calculating the Fund's Net Asset Value. A valuation point is usually at the end of a business day on a valuation day and after the close of markets where the Fund invests its assets.

**Valuation Day:** The day on which the Valuation Point occurs, where the Fund assets are being valued, and accordingly, used in the calculation of the Fund's Net Asset Value. The day on which the Valuation Point occurs, where the Fund assets are being valued, and accordingly, used in the calculation of the Fund's Net Asset Value.

**Dealing Day:** Any day on which the units of an investment fund may be subscribed for and redeemed.

**Investments:** Shariah-compliant securities and investment financial instruments where the Fund invests as listed and detailed in the Article "Types of securities in which the Fund will primarily invest".

**Securities:** Means any of the following:

- 1) shares;
- 2) debt instruments;
- 3) warrants;
- 4) certificates;
- 5) units;
- 6) options;
- 7) futures;
- 8) contracts for differences;
- 9) long term insurance contracts; and
- 10) any right to or interest in anything which is specified by any of the paragraphs (1) through (9) above.

**Exchange:** The Saudi Stock Exchange Company ("Tadawul") or the Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, affiliate or agent to whom any function of the Exchange may for the time being be delegated, and "on Exchange" means any activity taking place through or by the facilities provided by the Exchange.

**Tadawul:** The automated system for trading of Saudi shares.

**Government Sukuk:** Sukuk issued by a number of official bodies of the state. Accordingly, the state is directly committed towards the Sukuk holders.

**Money Market Fund:** An investment Fund the sole objective of which is to invest in short-term securities and money market transactions in accordance with the Investment Funds Regulations.

**Exchange Traded Fund:** An index fund that the units in which are traded on the Main Market or the Parallel Market.

**Murabaha Transactions:** Transactions the Fund conduct by owning commodity and sell that commodity under a deferred sale agreement where the client shows interest in buying from the Fund upon a deferred sale agreement, the Fund then buy the commodity from the market, then sell it to the client. The client then has the right to either keep such commodity or take delivery of it. The client, also, has the right to have the Fund sell such commodity in the market on his/her behalf. The Fund can conduct such deal by assigning a proxy (a financial institution) to buy the commodity from the international market for the Fund and pay the price as of that current time, the Fund then will sell such commodity to that financial institution or any other beneficiary upon a deferred sale agreement.

**Murabaha Fund:** An investment Fund whose objective is to invest in Murabaha Transactions pursuant to the terms and conditions of each Fund.

**Debt Instrument:** Tradeable instrument creating or acknowledging indebtedness issued by companies, the government, public institutions or public organizations, but excluding:

- 1) An instrument creating or acknowledging indebtedness for the consideration payable under a contract for the supply of goods or services, or for money borrowed to defray the consideration payable under a contract for the supply of goods or services;
- 2) A cheque, a bill of exchange, a banker's draft or a letter of credit;
- 3) A banknote, a statement showing a balance on a bank account, or a lease contract or any other evidence of disposition of property; and
- 4) A contract of insurance.

**Passive Management:** An investment portfolio management method. This investment strategy tracks an index or portfolio performance in a particular market through, for example, mirroring the performance of such index or portfolio by buying the components of such index or portfolio and in the same proportions in which such components are included in that index or portfolio. Usually, the implication of such strategy might lead to the portfolio having a relatively low asset turnover rate.

**Fundamental Analysis:** The process of analyzing economic and financial data of the investment opportunity aiming to forecast the future of a company's profitability and its risks.

**Margin of Variation Factor:** The difference between the performance of the ETF portfolio and the performance of the index.

**Margin of Price Volatility:** The difference between the sell and buy prices of units which the market maker lists in the market to provide the necessary liquidity. The margin is calculated as a percentage as of the latest unit indicative price declared in the market.

**Benchmark Index:** The index against which the Fund performance is compared.

**Fair Value:** The value that is deemed best pricing of an Islamic bond (single Sukuk) in case of failure to sufficient transactions of such bond in the market. Calculation of such value shall be conducted by the index provider based on the yield curve method as detailed in Clause (8) of Valuation and Pricing.

**Index Providers:** The entity responsible for setting the rules of calculating and maintaining the Index. IdealRatings Company will be the index providers for the Fund.

**Riyal or SAR:** Means the Saudi riyal, the official currency of the Kingdom of Saudi Arabia.

**Equity Based Sukuk:** They are investment instruments in accordance with Shariah compliance of Alinma Capital Company that do not exhibit features of debt instruments and include instruments that demonstrate a residual interest in the assets of the enterprise after deducting all of its obligations, for example, based entirely on Mudarabah, Investment Wakalah, and/or Musharakah.

**Debt Based Sukuk:** They are investment instruments in accordance with Shariah compliance of Alinma Capital Company with requirements that provide fixed or identifiable payments of profit and capital, for example, based entirely on Ijarah, and/or Istisnaa contracts.

**Hybrid – Sukuk:** They are investment instruments in accordance with Shariah compliance of Alinma Capital Company based on a combination of two or more, for example Mudarabah and Tawarruq contracts.

**Asset Backed Sukuk:** Sukuk wherein holders possess ownership rights to specific assets underlying the issuance. Returns for holders are contingent on the performance of these assets. In case of issuer default, holders can seek recourse from the underlying assets for repayment.

**Asset Based Sukuk:** Sukuk backed by issuer assets, where Sukuk holders can recourse to the issuer's overall assets and cash flows, rather than specific assets.

**Financial Year:** The Gregorian year and the term in which all the Fund financial transactions are documented, recorded and registered in the beginning, while the financial statements and balance sheet are prepared at the end of such term, which consist of 12 Gregorian months.

**Quarter:** Three-month period of each financial year, ends on the last day of (March, June, September, and December) of each year. The first quarter of the Fund is the one the Fund commences its business in.

**Day or Business Day:** The official business day on which banks are open for business in the Kingdom of Saudi Arabia, regarding the submission reports and financial statements in planning, business day is the official working day of the market authority.

**Calendar Day:** Any day, whether or not such day is a business day.

**Extraordinary Circumstances:** The circumstances the Fund Manager believes, in the event of such circumstances, to have an extreme adverse impact on the Fund assets due to economic, political, and/or regulatory factors, including, but not limited to, wars, natural disasters, and currency collapse...etc.

## Fund Guide

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<p>Head Office: Alanoud south Tower 2 King Fahad Road- Al Olaya District- Riyadh P.O. 55560 Riyadh 11544 Kingdom Of Saudi Arabia Tel. +96612185999 FAX. +966112185900 Website: <a href="http://www.alinmacapital.com">www.alinmacapital.com</a></p>	<p>Alinma Capital Company</p> <p>الإنماء المالية alinma capital</p> 	<p><b>Fund operator</b></p>
<p>Head Office: king Saud Road, Regional Building Saudi National Bank (SNB) P.O. 22216 Riyadh 11495 Tel.+966 +8002440123+966112039701 Fax. 920000232+966 +966112039791 Kingdom Of Saudi Arabia Website: <a href="http://www.alahlicapital.co">www.alahlicapital.co</a></p>	<p>Al Ahli Capital company</p> <p>كابيتال SNB</p> 	<p><b>Custodian</b></p>
<p>Kingdom Of Saudi Arabia P.O. 85453 Riyadh 11691 Tel. +966112693516 Fax. +966112694419 Website: <a href="https://lyca.com.sa/">https://lyca.com.sa/</a></p>	<p>Alluhaid &amp; Alyahya Chartered Accounts (LYCA)</p> <p>الاحيد واليحيى ALLUHAID &amp; ALYAHYA</p> 	<p><b>Auditor</b></p>
<p>Headquarters of Capital Market Authority King Fahad road P.O. 87171 Riyadh 11642 800-245-1111 Call Center: 00966112053000 Website: <a href="http://www.cma.org.sa">www.cma.org.sa</a></p>	<p>Capital Market Authority</p> <p>هيئة السوق المالية Capital Market Authority</p> 	<p><b>Regulators</b></p>

## Terms and Conditions

### 1. Investment Fund:

**a) Investment Fund Name, Type and Class:**

Alinma Saudi Government Sukuk ETF Fund.

An open-End ETF compatible with the Fund's Shariah Principles.

**b) Date of issuing the Fund Terms and Conditions and the latest update:**

The Fund Terms and Conditions were issued on 01/01/2020 G, and amended on 08/01/2026G.

**c) Date of the Capital Market Authority's approval to the Unit Offering:**

The Capital Market Authority approved the units offering on 01/01/2020 G.

**d) Investment Fund Duration and Maturity Date:**

The Fund is a Public Open-End Investment Fund with no fixed duration.

### 2. Governing Law:

The Fund, the Fund Manager, and the Market Maker are subject to the Capital Market Law, its implementing regulations, and any other related applicable regulations in the Kingdom of Saudi Arabia. The Fund Manager may take any action it deems appropriate to guarantee the compliance with the related applicable laws and regulations. The Fund Manager does not take any responsibility pertaining such compliance towards the investor or any other party.

### 3. Investment Policies and Practices:

**a) Investment Objectives of the Investment Fund:**

Alinma Saudi Government Sukuk ETF, is a ETF Fund that invests through the passive management of a basket of shariah-approved local government sukuk issued by the Saudi government and listed in the main market to generate a performance that mimics the performance of the index before fees and expenses, distribute periodic returns, reduce cost, increase efficiency, as well as enhancing liquidity by concentrating on such income-generating investment instruments which enable individuals to invest in debt capital market instruments with more flexibility, resulting in the promotion of the saving culture among investors which is one of the Saudi Vision 2030 key objectives.

The Fund investment scope will consist of all the Sukuk of the index, which are local government Sukuk issued by the government of Saudi Arabia and meet the following conditions:

- Listed in the main market
- Sukuk with a fixed return
- Sukuk are Equity Based, Debt Based and Hybrid Based
- Sukuk are Asset Backed and Asset Based
- Each issuance of such Sukuk must be worth one hundred (100) million US dollars or more, or its equivalent in Saudi riyals.
- Sukuk is traded at least 4 days within the past 30 days for new issuances, and 10 days within the last 90 days for existing issuances

The Fund Manager may invest the Fund's excess cash in shariah-compliant money market instruments (Murabaha) with rated counterparties (of a rating of Baa3 or higher by Moody's or the equivalent of such rating by other certified rating companies) that are subject to the regulations of Saudi Central Bank or any other similar regulator outside the Kingdom, and shariah-compliant money market instruments Funds which are licensed and offered by the Capital Market Authority. All incurred fees and expenses shall be calculated (including the Funds managed by Alinma Capital Company).

**b) Type of Securities in which the Investment Fund will invest in primarily:**

- Government Sukuk denominated in Saudi Riyal, issued by the Government of Saudi Arabia and listed in the Saudi main capital market.
- Cash, money market instruments, and money market instrument Funds.

**c) Any concentrated policy of investment in specific securities, or in an industry or group of sectors, or in a specific country or geographic region:**

The Fund Manager will adopt the following policy with regards to concentrating the Fund's investments:

- The Fund Manager's founding strategy will be focused on investing mainly in a variety of Saudi government sukuk issued by the Saudi government and listed in the main market. The Fund Manager will apply a passive management approach in mirroring the performance of the index (Alinma Saudi Domestic Sovereign Sukuk Index – By (IdealRatings)).
- The Fund Manager will manage to provide continuously the required liquidity to account for any of the Fund's other fees, expenses and liabilities, including the distributions expected to be distributed to unitholders.
- The need to provide the required liquidity to account for any of the Fund's other fees, expenses and liabilities (including the distributions expected to be distributed to unitholders) might result in a deviation of the Fund's components from the index. However, the Fund will work on preserving the margin of deviation factor to prevent the margin from exceeding %1.00 per annum (after deducting the Fund's other fees and liabilities, including the distributions expected to be distributed to unitholders).
- The Fund Manager may invest the Fund's excess cash in shariah-compliant money market instruments, and in shariah-compliant money market instruments Funds which are licensed and offered by the Capital Market Authority (including the Funds managed by Alinma Capital Company). The Fund Manager will choose those Funds based on many factors, such as the Fund managers' experience, investment strategies, and the previous performance of each targeted Fund.
- The Fund Manager may invest in money market instruments (Murabaha) with counterparties that are subject to the regulations of the Saudi Central Bank or any other similar regulator outside the Kingdom, provided that such counterparties meet any of the following conditions:
  - Counterparties rating shall be of Baa3 or higher by Moody's or the equivalent of such rating by other certified rating companies.
  - As deemed appropriate by the Fund Manager if such counterparty is not credit rated, taking into consideration the credit rating of the country of the counterparty or the security, the issuer's solvency position, and the efficiency of the issuer's assets and profits.
- The Fund will adopt the passive management method to manage its investments. The review of the weights of the underlying assets will be taken periodically on a monthly basis or on what the Fund manager sees appropriate to ensure proper tracking of any changes to the benchmark index. If the re-balancing day falls on an official holiday, the re-balancing will be conducted on the next business day.
- The Fund will invest in the components of the benchmark Index while taking into consideration the distribution relative weights and proportions of underlying assets and keeping an adequate amount of cash to account for any other expenses and liabilities on the Fund.
- The Fund shall deal in the issuance and recovery of units in kind. Details of unit packages, the equivalent of a sukuk basket, and other cash elements shall be announced on a daily basis by the Fund Manager.
- The Fund might, in the future, create and redeem units in cash, if the related laws permit such transactions, while complying with the Investment Funds Regulations and other related regulatory circulars, provisions and requirements for the benefit of the unitholders.
- The Fund will not invest in securities other than the securities aforementioned.
  - The Fund Manager shall adhere to the limitations and restrictions imposed by the related regulations and instructions issued by the Capital Market Authority, and the Fund Terms and Conditions.
- The Fund Manager shall meet the following standards when choosing the sukuk:
  - The type of the single sukuk.
  - The issuer.
  - The outstanding amount.

**d) The percentage of investment in each investment field, with its minimum and highest limits:**

Investment Type	Investment Distribution Strategy	Investment Limitations		Notes
		Minimum	Maximum	
Government Sukuk denominated in Saudi Riyal, issued by the Government of Saudi Arabia and listed in the Saudi main capital market.	100%	90.00%	100%	-----
Cash, money market instruments, and money market instrument Funds.	0.00%	0.00%	10.00%	To manage liquidity as the Fund Manager deems suitable.

**e) The Markets in which the investment fund intends to invest in:**

The Fund Manager invests in Saudi government Sukuk denominated in Saudi Riyal, issued by the Government of Saudi Arabia and listed in the Saudi main capital market. The Fund may also invest in money market instruments (Murabaha) with rated counterparties (of a rating of Baa3 or higher by Moody's or the equivalent of such rating by other certified rating companies) or non-credit rated counterparties that are subject to the regulations of the Saudi Central Bank or any other similar regulator outside the Kingdom, and in shariah-compliant money market instruments and shariah-compliant money market instruments Funds which are licensed by the Capital Market Authority and publicly offered (including the Funds managed by Alinma Capital Company).

**f) The Fund Manager's Investment in the Fund's Units:**

The Fund Manager may invest in the Fund and subscribe to the Fund's units for its own account upon or after the establishment of the Fund. The Fund Manager's investment shall be treated no differently from the other investments in the Fund by other unitholders. The Fund Terms and Conditions will also apply to the Fund Manager's investments. The Fund Manager must disclose, at the end of each quarter, the details of its total investments in the Fund, if any.

**g) Specific techniques and instruments that the fund manager can use to make investment decisions for the investment fund:**

The Fund Manager will adopt the passive management method in managing its investments by tracking the benchmark index.

**h) Types of Securities that cannot be Included in the Fund's Investments:**

The Fund Manager cannot include instruments, products, and securities that are non-compliance with the standards of the Shariah Committee with regard to the Fund's investments.

**i) Any other restrictions on the type of securities and assets the Fund can invest in:**

The Fund Manager shall adhere to the limitations and restrictions imposed by the related regulations and instructions issued by the Capital Market Authority, and the Fund Terms and Conditions.

**j) The limit that Investments of the Fund's Assets can be in Units of an Investment Fund(s) Managed by the Fund Manager or by Managers of Other Funds:**

- The Fund Manager shall adhere to the limitations and restrictions imposed by the related regulations and instructions issued by the Capital Market Authority, and the Fund Terms and Conditions.
- The Fund Manager may invest in the investment Funds managed by Alinma Capital Company or any of its affiliates as per the costs detailed in the documents of each Fund.

**k) Investment Fund Financing Rights, and Fund Manager's Policy on the Exercise of the Financing Rights, and the Fund Manager's Policy with Respect to Pledging Assets of the Fund:**

The Fund Manager, for investment purposes, may obtain a shariah-compliant financing upon the agreed-on conditions with a maximum limit as specified in the Investment Funds Regulations (currently specified as of 10% of the Fund's Net asset Value) provided that such maturity shall not exceed one year. In all cases, the Fund assets will not be pledged whatsoever.

**l) The Maximum Limit to Deal with any Counterparty:**

The Fund Manager will comply with the limits imposed by the Investment Fund Regulations.

**m) Fund Manager policy for the management of investment fund risks:**

The Fund Manager will assess and manage the Fund's main risks and put in place the necessary procedures to mitigate the effect of such risks, specially market related risks which might affect the Fund's investment in the Saudi government sukuk issued by the government of Saudi Arabia and listed in the Saudi market, credit risks associated with the Murabaha transactions conducted with local or regional banks, or Funds of money market instruments, as well as liquidity risks which might result from investing the Fund's assets mainly in illiquid assets. The Fund Board will be reported periodically on the Fund's risks.

**n) The Benchmark, Index Provider, Bases, and Methodology Used to Calculate the Index:**

- The benchmark index: Alinma Saudi Domestic Sovereign Sukuk Index – By IdealRatings / Shariah Compliant.
- The Index Provider: IdealRatings Company (IdealRatings).
- Eligibility criteria for the Index:
  - Type of Coupon: Fixed Coupons
  - Currency: SAR
  - Issuance Size: Must be worth one hundred (100) million US dollars or more, or its equivalent in Saudi riyals.
  - Date of entitlement: Sovereign instruments in force which has a fixed return.
  - Ownership: sovereign.
  - Country: Saudi Arabia.
  - Sukuk are Equity Based, Debt Based and Hybrid Based
  - Sukuk are Asset Backed and Asset Based
  - Liquidity: Sukuk is traded at least 4 days within the past 30 days for new issuances, and 10 days within the last 90 days for existing issuances.
- The methodology used to calculate the index:

**The Index:**

Alinma Saudi Domestic Sovereign Sukuk Index by Ideal Ratings.

**Shariah Screening Methodology:**

Sukuk Included will be based on investable universe approved by Alinma shariah board.

**Index Type:**

- Total Return Index
- Price Return Index (Excluding coupon re-investment)

**Pricing:**

Transaction close prices as reported by Tadawul is used. In case Sukuk has no reported close prices, PAR value is used till Sukuk is matured.

**Market Value Weighted:**

The weight for each eligible Sukuk is the Market value of the issue as a percentage of the total index market value.

**Total Return Calculation:**

The total return is calculated by aggregating the price changes, accrued and re-invested coupon payments. Both Price Return and Total Return files should be available on the daily delivery files as a separate file.

**Constituents Modification:**

Eligible new sukuk issued and tapping Sukuk issuances intra-month are added to the index at the first business day of the following month.

**Index Re-balance:**

The Index re-balancing will be monthly at the 1st business day of each month.

The Fund index will be calculated for the current day as follows:

- The value of the sakk/sukuk shall be calculated by means of supply rates for the transactions of publications submitted by the Saudi Stock Exchange (Tadawul).

- In the absence of publications issued about the bid price of the sukuk, the value is used latest trade price for the sukuk until the due date.
- The weight of a single sukuk is calculated as at close of the preceding day
- The return of each single sukuk is calculated for the current day by comparing the change percentage in the market value of the sukuk and the accumulated returns on the current day to the sukuk market value and accumulated returns on the preceding day (whereas the sukuk market value is the sukuk price as mentioned below in "Sukuk Prices" multiplied by the issuance size).
- The weight of each single sukuk at the end of the preceding day is multiplied by its return on the current day; then, the obtained outcome is added to each of the index, which will result in the index return on the current day
- The index return on the current day is multiplied by the index value on the preceding day, which will result in a value that represent the index percentage change in the index on the current day.
- The index percentage change on the current day is added to the index percentage change on the preceding day, which will result in the index value by the end of the current day. The benchmark index value will be at 100 upon commencement of index operation.

The premises of one of the index providers, which is IdealRatings (IDEALRATINGS), is located in San Francisco; thus, and upon the launch of the index, the service provider's business days will be from Monday to Friday. Accordingly, Sunday prices of the index components will be available before market trading hours on Monday. The index will be calculated every day except for weekends, Fridays and Saturdays, and market official holidays for the benchmark index (Alinma Saudi Domestic Sovereign Sukuk Index – By (IdealRatings)).

The following standards will be maintained when choosing the index components from the basket of government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia:

- The type of the single sukuk
- The issuer
- The outstanding amount

#### **1-1 Information Available for the Index Calculations:**

- The information used in the index calculations are obtained from the sukuk prospectus. The accuracy of such information shall be verified by comparing such information against the Tadawul metadata base.
- The index is a weighted index where the weight of each single sukuk equals its market value divided by the total market values of the sukuk comprising the Benchmark Index.

#### **1-2 Sukuk Prices:**

The sukuk prices used to calculate the index are provided by the index provider, as per the below method:

- 1) Government Sukuk listed in the Saudi Stock Exchange (Tadawul) will be valued based on the most recent transaction price conducted in the exchange on the valuation day in question.
- 2) If no transactions are conducted for the Sukuk in question on that day, the index provider will use the PAR value latest trade price.
- 3) As for the purpose of valuing the Sukuk listed on the Tadawul or on an automated quotation system (Bloomberg System) where the conditions of that market or system would not allow the valuation of such sukuk according to the aforementioned sub-clauses (1) and (2), those Sukuk will be valued based on the book value in addition to any accrued profits of such sukuk up to the valuation day.

#### **1-3 Rebalancing:**

Index for government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia will be rebalanced monthly on the last business day of the month after trading hours.

#### **1-4 Index Information:**

**1-5** Alinma Saudi Domestic Sovereign Sukuk Index – By IdealRatings is a weighted index comprising local government Sukuk issued by the government of Saudi Arabia and meet the following conditions:

- Listed in the main market
- Sukuk with a fixed return
- Sukuk are Equity Based, Debt Based and Hybrid Based
- Sukuk are Asset Backed and Asset Based
- Each issuance of such Sukuk must be worth one hundred (100) million US dollars or more, or its equivalent in Saudi riyals.
- Sukuk is traded at least 4 days within the past 30 days for new issuances, and 10 days within the last 90 days for existing issuances

The components of the index shall be modified when rebalancing the index on a monthly basis. The index assets shall be valued as detailed in the Article “Valuation and Pricing”.

The index information will be disseminated on the business day following the valuation day in question on the Fund Manager’s official website [www.alinmacapital.com](http://www.alinmacapital.com). In the event of technical errors at any of those websites, the Fund Manager will disseminate such publications as soon as reasonably practicable.

The investors may access the index information through the Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa).

In event that Index Provider is unable to continue to provide the Benchmark Index service, the Fund Manager will seek to move to another Index Provider in a reasonable time frame, noting that the index will not be changed, and will be reviewed annually to assess the appropriateness of Index to achieve the Fund investment objectives.

#### **o) Use of Derivatives Contracts:**

N/A

#### **p) Any Exemptions Approved by the Capital Market Authority Regarding any Restrictions or Limits on Investment:**

Pursuant to the Capital Market Law issued by Royal Decree No. M/30, the were amended by Capital Market Authority Board’s Resolution No. 2 - 22 - 2021 dated 12/7/1442 H corresponding to 24/2/2021 G, accordingly, the amendment was made to Article (66) Paragraph (g) of the previous Investment Fund Regulations, which shall be excluded upon establishing the Fund, to be similar to Article (71) paragraph (e) of the amended Investment Fund Regulations. This amendment also includes the validity of the exclusion which is entitled to the Fund Manager upon establishing the Fund and offering its units.

### **4. The Main Risks of Investing in the Fund:**

- a)** The Fund performance might be subject to Investment Funds Regulations volatility of the same risks level due to the composition of its investments.
- b)** The Fund or index past performances, if any, shall not be deemed an indicator of the Fund or the benchmark future performance.
- c)** There is no guarantee to the Fund unitholders that the Fund performance or its performance against the benchmark will be repeated or will match the past performance.
- d)** The investment in the Fund shall not be deemed a deposit with any bank.
- e)** Investors may lose some or all of the money they invested in the Fund, therefore, when an investor wishes to redeem its units in the Fund, the value of such units might worth less than its value when they were bought.
- f)** A list of the principal potential risks associated with investing in the Investment Fund, the risks to which the Investment Fund is exposed, and any circumstances that are likely to affect the Fund’s net asset value and returns, to name but a few, which each unitholder acknowledges that he has informed and understood:

## 1) Economic and Regulatory Risks

- **Political Risks:** The Fund's performance might be affected and the value of its assets might decrease as result of sudden political changes in the countries where the Fund invests its assets, political instability, changes to governments and governmental policies, as well as government interventions in economic matters; thus, any adverse political events could affect the value of the Fund's investments and, accordingly, have a negative impact on the Fund's performance.
- **Economic Risks:** The Fund might be affected by the adverse impact of changes in local, regional, and international economic conditions, such as economic recessions, inflation rates, oil prices, and alike, which might negatively affect the Fund's performance.
- **Regulatory and Legal Risks:** The Fund may expose to risks due to changes to applicable regulatory, legal, tax, accounting, and legislative rules, as well as changes to governmental procedures relating to the Fund's investments, which might have an adverse impact on the Fund's performance.
- **VAT Risks:** Investment in the Fund involves varying tax risks, and lately the Zakat, Tax and Customs Authority (GAZT) has issued the VAT ("Value Added Tax") Implementing Regulations by Royal Decree No. (M / 113) dated 02/11/1438 H, regarding applied taxes and/ or zakat on Saudi investment Funds. The VAT as determined by the country from time to time will be calculated for all fees and wages described in Clause "For services, commissions and fees". Accordingly, incurring any unitholder such tax would reduce the realized returns as well as the potential distributions to be paid to the unitholders. Therefore, potential investors should seek consultancy from their tax advisors regarding the taxes arising from investing in, holding and selling units.
- **Interest Rate Fluctuation Risks:** Risks of fluctuation in the value of financial instruments due to changes in interest rates, which might have an adverse impact on the value of securities and, accordingly, on the Fund's performance and the unit's price.

The market value of sukuk and other fixed-income securities changes according to the changes in interest rates and other factors. Interest rate risks are risks where prices of Sukuk and other fixed-income securities increase when interest rates decrease, and vice versa.

The Fund might be exposed to more serious risks than interest rates risks due to the relatively low prices. Such fluctuations in the market value of sukuk and other fixed-income securities are generally greater than the fluctuations in the market value of other securities with longer maturities. The fluctuations in the market value of the Fund's investments will not affect the return of interest earned on the sukuk of the Fund; however, such fluctuations will be reflected on the Fund's Net Asset value. Accordingly, such fluctuations might have an adverse impact on the Fund's Net Asset value and its unit price.

Such principles apply to the securities of the Saudi Government since the securities issued by the Saudi Government only guarantee the payment of the declared interest and its nominal value on the maturity date. As the case is with the other fixed income securities, the value of securities guaranteed by the government will be subject to volatility when interest rates change.
- **Natural Disaster Risks:** Natural disasters, such as earthquakes, volcanoes, and extreme weather events which are beyond the Fund's control, might adversely affect the performance of all sectors, including economic and investment sectors which are related to the Fund's business, and adversely affect the Fund's performance, investments and the unit Price depending on the seriousness of such disasters.
- **Inflation Risks:** They are risks associated with the probability of inflation or increasing in cost of living, resulting in a decrease in the real value of the Fund's investments. Accordingly, Inflation or poor purchasing value of the currency are accompanied by stagnation in services and goods production. Sukuk are also exposed to inflation; inflation rates might increase while sukuk returns are stable with no relative increase. If the inflation rates exceeded the returns on the main sukuk, the Fund might lose its investments and returns, which might adversely affect the Fund's Net Asset value and the unit price.

- **Capital Loss Risks:** The Fund might incur the loss of all or part of its investments. Thus, the investment in the Fund is suitable precisely for investors who can bear the loss of their entire invested capital. The Fund value might be affected by changes in economic conditions, especially changes in capital market prices, and political turmoil. The Fund Manager provides no guarantee that the Fund strategies will help achieve the Fund's investment objectives, adversely affecting the Fund's investments, performance, and unitholders.

## 2) Risks Associated with the Market:

- **Market Risks:** The Fund invests its assets mainly in government sukuk issued by the government of Saudi Arabia (as well as other instruments, cash, money market instruments, and money market instruments Funds; as abovementioned in Clause (B) of Article (2) "Investment Policies and Practices"). Market risks are risks of decrease in market value where the Fund invests, including the possibility of a sudden collapse in the market. Selection risks are risks where the performance of the securities chosen by the Fund Manager is lower than the performance of the Market, relative indices, or the performance of other securities chosen by Funds of similar investment objectives and strategies, which might adversely affect the Fund's performance, Net Asset value, and the unit price.
- **Emerging Market Risks:** The Saudi Stock Exchange is an emerging market of high risks. Emerging markets might encounter liquidity shortage or might concentrate its liquidity in a limited number of assets, which might have an adverse impact on the Fund's performance and unit price.
- **Investments Concentration Risks:** The risk of the Fund investments being concentrated in particular assets which might render the Fund's performance vulnerable to high volatility due to changes in the conditions of those assets, adversely affecting the Fund's performance and the unitholders' investments.
- **Liquidity Risks:** Some of the sukuk listed in the Saudi Exchange might be of less liquidity than others and cannot be sold as quickly and easily as other sukuk. The lack of secondary markets might render it difficult to liquidate some sukuk due to regulatory restrictions or restrictions related to the nature of the investment or the lack of interested buyers to such assets, which might have an adverse impact on the Fund's performance, Net Asset value, and unit price.
- **Risks Associated with Credit and Counterparties:** Credit risks means the probability of the debt security issuer's inability to pay due principal and interests. Changes relating to a credit rating downgrade of the issuer or changes of the market review of the issuer's financial position might also affect the value of the Fund's investments in the securities of such issuer. Credit risks depend on the financial position of such issuer and on the conditions of that issuer's securities.
- The Fund will invest part of its assets in money market instruments Funds, which might result in risks of failure by debtor to meet its contractual liabilities to such Funds as agreed. This might result in the Fund's losing part of all of the money invested in such transactions, negatively affecting the Fund's Net Asset value.
- **Third Parties Risks:** The Fund may enter into transactions with third parties who may be unable to fulfill their contractual obligations under such transactions, which as a result could have a negative effect on the Fund's Net Asset value and unit price.
- **Financing Risks:** In event where the Fund obtained a financing for the purpose of managing the Fund, the Fund may not be able to repay the amounts borrowed on time for reasons beyond the control of the Fund Manager. This may result in late payment fees or cause the Fund Manager to sell or liquidate some of the Fund investments to settle such liabilities, which could affect the Fund's assets and performance, and negatively impact the units' prices.

## 3) Risks Associated with the Management of the Fund:

- **Market Maker Risks:** They are risks resulting from the tasks carried out by the Market Maker, including the provision of the necessary liquidity for the Fund's daily trading transactions as well as pricing the Fund's units at approximately the fair value. The Fund Manager's failure to properly carry out one or more of its tasks, and the exhaustion of the market maker's sukuk or units

inventory might affect the provision of the liquidity necessary for trading, consequently resulting in impractical volatility in the units' trading prices.

- **Market Maker's Quoting Risks:** Risks related to differences between fair unit prices and the prices provided by the Market Maker as one of its tasks, as the Market Maker can trade the Fund's units within a specific margin of price volatility.
- **Risks of Limited Performance Record:** The Fund has no previous operation history on which investors can build their judgment and draw their conclusions and decisions before investing in the Fund.
- **Risks of Reliance on the Fund Manager's Employees:** The Fund's performance and achieving its investment objectives and policies extensively depend on the skills and expertise of Fund Manager's employees; thus, the loss of executive directors and employees linked to the Fund's business, and difficulty to replace them with other employees enjoying similar levels of experience might adversely affect the Fund's management, investments, performance, and unitholders.
- **Risks of the Fund Management:** The Fund will be responsible for taking all the investment and administrative decisions for the Fund's investments (The Fund Manager will bear all the responsibilities pertaining the Fund's management; thus, holding units will not grant the unitholders any control over the Fund's investment and administrative decisions). The unitholders are not entitled to participate in the management of the Fund or to influence any of the Fund's investment decisions. Holding units in the Fund will not grant the unitholder any control or powers over the Fund's investments; thus, investors shall not buy the Fund's units unless they are ready to fully entrust the Fund Manager's to manage the Fund on their behalf.
- **Passive Management Risk:** The Fund adopts the passive management method by seeking to replicate a specific index performance. Thus, the Fund may retain one or more of the index components regardless of the variable circumstances, changes and factors of the market or the performance level of certain components, which may negatively affect the Fund's performance.
- **Risk of the Fund's Failure to Track the Underlying Index in Terms of Performance or Relative Asset Weighting:** The Fund may not be able to track the performance of the underlying index or replicate its composition in terms of the relative weighting of assets in an accurate manner. This may be due to factors such as transaction costs, liquidity constraints, or regulatory or operational restrictions, as well as the Fund's investment strategy. Consequently, this may result in deviations between the performance of the Fund and the performance of the underlying index.
- **Risk of Low Correlation:** The Fund's return may not exactly match the return of the Index for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Index, and may incur costs in buying and selling, especially when rebalancing, in order to reflect changes in the composition of the Index. The Fund may not be fully invested into sukuk at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet various fees and expenses.
- **Risks Pertaining to Shariah Principles:** Risks resulting from concentrating the Fund's investments in certain assets that comply with the Shariah criteria of the Fund, limiting the investment opportunities available to the Fund Manager, as well as non-compliance of some of the Fund's assets with the Shariah criteria of the Fund leading to dispose of such assets, as determined by the Fund's Shariah Committee, with unfavorable prices which might adversely affect the Fund's net asset value.
- **Conflict of Interest Risks:** The Fund Manager is responsible for managing all matters related to the Fund to ensure that the interest of all the Fund's unitholders is taken into account, to act in good faith, integrity and honesty, and to exert the due diligence in managing the Fund. However, the Fund Manager's officers, managers, or employees might be involved in related activities and/or transactions on behalf of other Funds and/or clients where a conflict of interest might arise between such parties and the Fund's objectives and investments. The investor acknowledges that the Fund Manager, its officers, managers, affiliates, assistants,

representatives, or shareholders might own shares in securities, or intend to buy or sell securities, and that the market where any of them holds such securities might not be in alignment with the securities owned by the Fund.

- **Risks of Disposal of Impure Earnings:** In case there was any impure earnings in the activities where the Fund invested, the Fund Manager will dispose these earnings as determined by the Fund's Shariah Committee, which might negatively affect the Fund's assets under management, performance, and unit price.
- **Technology Related Risks:** The Fund Manager depends on technology in managing the Fund's transactions and providing custody services of its assets through its information systems. Although high security precautions have been taken by the Fund Manager, its information technology systems may suffer unauthorized access, attacked by viruses or suffer total or partial failures beyond the Fund Manager's control, which will in turn limit the Fund Manager's ability to manage the Fund investments efficiently and delay some of its transactions, negatively affecting the Fund's performance and the unitholders.
- **Assessing Risks:** Financial risks where the assets are overvalued and are less than expected when selling such assets or upon maturity. Such risks include incomplete of data, market instability, uncertainty of financial modeling, and poor data analysis conducted by those responsible for determining the asset's value. Such risk might become a serious concern to investors, lenders, financial coordinators, and other parties involved in the capital markets. Overvalued assets might incur its owners a great loss and result in reputational risks as well, which could affect credit ratings, financing costs, and administrative structures of financial institutions.
- **Risks of Differences between the Traded Unit Price and the Fund's Net Asset value:** Risks related to the nature of the ETF, where the Fund's net asset (the Fund's disclosed unit price) is different from the traded unit price, as the latter is determined by the supply and demand on the exchanges where it trades, i.e. those who buy the Fund's units from the market might, by the end of the day, be exposed to a loss due to undervaluing the Fund's assets in comparison with the market values.
- **Lack of Guaranteed Distributions:** There is no guarantee that the Fund will avoid potential loss, generate liquidity of its transactions, or that the Fund's transactions will be profitable to provide distributions to unitholders. All distributions depend on the successfulness of the Fund's investments; thus, if the Fund did not succeed in generating the favorable returns and profits, failed or encounter delay to receive all or part of the expected profits from the sukuk where it invests, the Fund Manager will not be able to make any distributions to the Fund's unitholders.
- **Fund Termination and Delisting Risks:** Risks related to the Fund Manager's decision (or as ordered by regulatory bodies pursuant to the Law) to terminate and liquidate the Fund, or to delist the Fund as instructed by the Law. The termination of the Fund might also lead to, for example, selling the Fund's assets at prices less than recorded in the Fund's valuation record, resulting in loss to unitholders after distributing the Fund's Net Asset value. When the Fund is terminated, it might be difficult or impossible for the unitholders to liquidate all or part of their units, or such units might be liquidated at unfavorable prices.
- **Risks of lack of investment opportunities:** The Fund manager seeks to have a minimum investment in sovereign sukuk of 90%, but investment in sukuk depends mainly on the existence of adequate issuances of sukuk that are in accordance with the standards of the Fund's Shariah Board. Therefore, in the absence of sufficient sovereign sukuk, the Fund manager will have to drop the investment ratio below the minimum. In this case, the Fund manager will invest the funds specified for the sukuk in Commodity Murabaha transactions that might be less profitable than the return on investment in the sukuk, thereby adversely affecting the unit price and the performance of the Fund, where the situation continues until the Fund manager has sufficient issuances of investable sukuk.
- **Risks of increased investment in money markets:** Because investment in sovereign sukuk depends mainly on the existence of adequate issuances of sukuk that are compatible with the

shariah oversight committee and therefore in the absence of investment opportunities, the fund manager will increase the proportion of his investments in money markets to manage liquidity, according to the fund manager.

**4) Risks Associated with the Fund's Strategy:**

- **Risks of Investing in Investment Funds:** Other investment Funds, where the Fund invests, are susceptible to risks similar to those set out in Clause (3) "Main Risks of Investing in the Fund", which could negatively affect the Fund's performance and, thus, lead to reduction in Unit's value.
- **Sukuk Market Risks:** Risks related to the nature of trading in sukuk markets in terms of liquidity, sukuk pricing, and the novelty of such markets. For example, such markets might suffer severe reduction in liquidity resulting in difficulties in maintaining stable and/or fair prices for buying transactions (and vice versa in case the market is suffering high levels of liquidity and the Fund needs to sell securities), resulting in a loss to the Fund.
- **Future Statements Risks:** The Terms and Conditions may contain data relating to future events or future performance of the Fund or its Assets. These are referred to with "expects, believes, continues, estimates, intends, perhaps, might, in case, shall" or the negative form of such terms or of any similar terms. These data are mere expectations, while actual events or results may differ materially. When valuating such statements, investors must specifically consider a number of different factors, including the risks set out herein. These factors can render actual events or results materially different from any future statements.
- **Index Risks:** The Fund seek to track its benchmark index through enhanced indexing strategy or traditional indexing strategy through a replication or an optimization strategy; however, there is no guarantee of a perfect tracking of the index. The Fund Manager depends on the index license granted by the index provider (third party) to use and track the Fund's index. In case the index provider terminated or changed the index license, such will affect the Fund's ability to use and track the index to realize its investment objectives. In addition to the risks related to differences between the Fund's business days and the index provider's business days, whereas the index provider operates from Monday to Friday, while the Fund operates from Sunday to Thursday, which might negatively affect the Fund's ability to track its index.
- **The Risks of Lack of Appropriate Investments:** There is no guarantee that the Fund Manager will be able to identify other Investments that are in line with the Fund's Investment Objectives. Capturing the appropriate opportunities involves a great deal of uncertainty, which in turn is reflected in the Fund Manager's inability to define the investment and the Fund's ability to generate the desired returns and profits.
- **Risks of Decrease of Credit Rating:** Decrease in the credit rating of any of the sukuk where the Fund invests might result in a decrease in the prices of such sukuk, which might affect the Fund's Net Asset value and unit price. Accordingly, the reduction in the credit rating of any of the money market instruments Funds where the Fund invests might affect the Fund's investments, the Fund's asset value and the Unit price.
- **Issuer's Risks:** These are the risks of change in the issuer's financial position as a result of changes in the management, demand, or products and services it produces. These risks include the issuer's susceptibility to legal proceedings due to any violations it might commit which could lead to the reduction of the value of its shares. This could negatively affect the Fund's performance and the Unit price.
- **Sukuk Call Risk:** Some Sukuk have a "call provision" entitling their issuers to redeem them on a date prior to maturity. In that scenario, the Fund has to reinvest the principal received from the issuer for the called sukuk, thus exposing them to reinvestment risk, which might lead to the Fund's failure to generate the desired returns and negatively affect the Fund, its performance, and units' prices.
- **Risks of High Deviation Factor:** The Fund Manager seeks to maintain a margin of deviation compared with the index performance of a maximum of 1.00% annually, while reducing the

margin of deviation between the Fund's performance and the index performance to a minimum, and there is no assurance that the Fund Manager can match the performance of the index.

- **Risk of Not Achieving Returns Similar to the Indicator:** The fund manager will seek to follow the index in line with what the fund manager sees and approves by the Fund's Shariah committee, and therefore some of the investments of the index may not coincide, which may affect the performance of the Fund and limit the ability to achieve returns similar to the index. There is no assurance to the unit owners that the performance of the fund against the indicative index will be similar.
- The above mentioned details don't include a complete and inclusive description of all risks of investing in the Fund; therefore, potential investors must seek professional advisory regarding legal, financial, and tax risks in respect of this Fund. It worth noting that the abovementioned risks are not ordered in any specific order in terms of importance or seriousness, and the Fund's risks are not limited to such risks.
- The Fund Manager or any of its affiliates shall take no responsibility to any financial loss to the Fund unless such is caused by the Fund Manager's, or any of its affiliates, default and negligence.

## 5. Mechanism for Assessing Risks:

The Fund Manager acknowledges the existence of an internal mechanism to evaluate and assess risks associated with the Fund assets. The Fund Manager will review the investments flows periodically in comparison with the Fund's index, considering that such will not mitigate the Fund's risk level. This mechanism is the Fund Manager's method to assess the risks associated with the Fund's investments

## 6. Targeted Class for Investing in the Fund:

The Fund is targeting natural or legal persons, and government bodies who wish to invest in a basket of local government sukuk issued by the Saudi government who meet the eligibility criteria to invest in the Fund after considering the Fund's investment objectives and the risks associated to such investment. In case of any doubt with regards to the valuation of the suitability of the Fund, potential investors shall seek a personal professional consultation.

## 7. Investment Restrictions/ Limitations:

The Fund Manager shall adhere to the limitations and restrictions imposed by the related regulations and instructions issued by the CAPITAL MARKET AUTHORITY, and the Fund Terms and Conditions.

## 8. Currency:

The Fund currency is the Saudi Riyal. If the investor subscribed to the Fund in any currency other than the Saudi Riyal, the Fund Manager will convert the paid amounts into Saudi Riyals at the prevailing exchange rates at that time. The investor shall incur any conversion expenses. Moreover, in the event of unit redemption or Fund liquidation, the payment to investors will only be in Saudi Riyals.

## 9. Fees, Charges and Expenses:

### a) Details on all payments from the assets of the investment Fund, and the method for calculating them:

<b>Management Fees</b>	The Fund will incur a management fee of 0.25% per annum from the Fund's net assets after deducting dealing expenses, financing expenses, and value added taxes (VAT). The Fund Manager will incur any fees and expenses other than the listed below.
<b>Dealing Expenses</b>	<p>The Fund will incur all dealing expenses in the Fund, including but not limited to:</p> <ul style="list-style-type: none"> <li>- Sukuk trading fees.</li> <li>- Deposit fees.</li> <li>- Fees of creating or canceling the Fund's units.</li> <li>- Other fees incurred by the market maker when making the market</li> <li>- For the purposes of rebalancing the portfolio, the Fund might engage in buying and selling the underlying index stocks. Transactions pertaining to such</li> </ul>

	<p>rebalancing might result in dealing expenses, which are booked at cost, and the Fund will pay such expenses out of the Fund assets.</p> <ul style="list-style-type: none"> <li>- Fees of dealing in the other assets where the Fund invests.</li> <li>- Any other fees that apply to trading in other assets where the Fund invests.</li> </ul>
<b>financing Expenses</b>	The Fund will incur all financing expenses, if any, which will be based on the market prevailing rates.
<b>Zakat Fees</b>	The Fund manager is committed to the regulations for collecting zakat from investors in investment funds, and in order to achieve this, the fund will be registered with zakat, Tax and customs Authority "ZATCA" for the purposes of zakat, and a declaration of information will be submitted according to what is stated in the regulations for collecting zakat from investors. Nothing that the burden of calculating and paying zakat falls on the taxpayers who are unite holders in the fund, The Fund Manager also undertakes to provide ZATCA with all reports and requirements regarding zakat declarations upon request in accordance with the regulations, and the assigned investors subject to the provisions of these regulations who own investment units in the Fund are required to calculate and pay the zakat on these investments. ZATCA regulations can also be reach at <a href="https://zatca.gov.sa/ar/pages/default.aspx">https://zatca.gov.sa/ar/pages/default.aspx</a> .
<b>(Value Added Tax) VAT</b>	Based on the order of value added tax ("VAT") issued by Royal Decree No. (M/113) of 2/11/1438 A.H. and issued with the Executive Regulation of the Zakat, Tax and Customs Authority, it was introduced as of 1 January 2018 ("effective date"). Accordingly, VAT will be calculated as the State determines from time to time on all fees and wages and the length of the fund.

- In Alinma Saudi Government Sukuk ETF, investors in the Fund shall bear the VAT expenses. The Fund will collect VAT and any other taxes and fees imposed on the Fund, the Unitholders, or the Fund subcontracts, and the fees and expenses due to be paid by the Fund Manager for managing the Fund, and for other parties for the provision of their services to the Fund, in accordance with the related laws and regulations.
- As part of its business, the Fund may incur imposed fees and expenses other than the above mentioned. Thus, the Fund will incur any fees and expenses other than the above mentioned which includes, but not limited to:
  - Custody fees.
  - Index providers' fees
  - Auditor's fees
  - Regulatory fees
  - Tadawul website fees
  - Remunerations of the Fund board members
  - Remunerations of the Shariah Committee members, if any
  - Expenses relating to the printing and distribution of the Fund annual reports
  - The value added taxes (VAT) on the above listed fees and expenses in accordance with the applicable regulations.

**b) A table showing all fees and expenses, how the fees, charges and expenses are calculated and when it is paid by the investment fund:**

Fee type	Calculation Method of Fees and Expenses			Notes
<b>Management Fees</b>	calculated daily from the net asset value of the Fund and paid on a monthly basis (The Fund's Net Asset Value x Percentage)	0.25%	Monthly	Incurring by the Fund
<b>Dealing fees which includes the following:</b> - Sukuk trading fees. - Deposit fees. - Fees of creating or canceling the Fund's units.	Calculated separately with each transaction conducted by the Fund (Transaction net value multiplied by the transaction cost percentage)	%		Incurring by the Fund

<ul style="list-style-type: none"> <li>- Other fees incurred by the market maker when making the market</li> <li>- Buying and selling the index stocks.</li> <li>- Fees of dealing in the other assets where the Fund invests.</li> <li>- Any other fees that apply to trading in other assets where the Fund invests.</li> </ul>				
<b>Total expenses</b>		%		Incurring by the Fund
<b>Average Net Asset Value for the year xxxxxx</b>				

- c) A hypothetical table showing the percentage of Fund expenses against the total Fund asset value for the Fund and the unitholder throughout the lifespan of the fund. Such Fund shall include percentage of recurring and non-recurring expenses:

Type of Fee	Percentage %	Payment Frequency
<b>Dealing Fees</b>	Each transaction is accounted for separately by multiplying the total value of the transaction by the percentage of the cost of the operation	-
<b>Fund's Management Fees</b>	0.25%*	Monthly
<b>Total Expense and Fees</b>	-	-

\* Value added tax (VAT) is variable as determined from time to time by the government.

- d) Details on charges imposed for subscription, redemption and ownership transfer, paid by unit holders, and the method for calculating it:

N/A.

- e) Information on rebates and special commissions and explanation of the fund manager's policy on rebates and special commissions:

N/A

- f) Zakat and/ or Tax:

- The Fund manager is committed to the regulations for collecting zakat from investors in investment funds, and in order to achieve this, the fund will be registered with zakat, Tax and customs Authority "ZATCA" for the purposes of zakat, and a declaration of information will be submitted according to what is stated in the regulations for collecting zakat from investors. Nothing that the burden of calculating and paying zakat falls on the taxpayers who are unite holders in the fund, The Fund Manager also undertakes to provide ZATCA with all reports and requirements regarding zakat declarations upon request in accordance with the regulations, and the assigned investors subject to the provisions of these regulations who own investment units in the Fund are required to calculate and pay the zakat on these investments. ZATCA regulations can also be reach at <https://zatca.gov.sa/ar/pages/default.aspx> .
- The Fund will calculate a VAT of any percentage modified by the government from time to time on all the fees and expenses mentioned in the "Services, Commissions and Fees" of the Fund Terms and Conditions of Alinma Saudi Government Sukuk ETF throughout the lifetime of the Fund.
- In Alinma Saudi Government Sukuk ETF, investors in the Fund shall bear the VAT expenses. The Fund will collect VAT and any other taxes and fees imposed on the Fund, the Unitholders, or the Fund subcontracts, and the fees and expenses due to be paid by the Fund Manager for managing the Fund, and for other parties for the provision of their services to the Fund, in accordance with the related laws and regulations.
- Potential investors should seek consultancy from their tax advisors regarding the taxes arising from investing in the Fund.

**g) Any special commission concluded by the Fund Manager:**

None. Any special fees the Fund Manager conclude will be subject to the Capital Market Institutions Regulations and will be disclosed at the end of the Fund's financial year.

**h) Hypothetical example that illustrates all fees, charges and expenses, paid from the fund's assets or unitholders based on the currency of the fund:**

The following table is an illustrative hypothetical example of an investor subscribing to the Fund with 100,000 SAR that has not changed for a year, assuming the Fund size at that time is 10 million SAR that has not changed for a year, and divided into 1,000,000 units whereas the Fund's return (before fees and expenses) during the year is 5%:

Fee type	Estimated Amount on the Fund	Estimated Amount on the unit holder
Dealing Fees	*2.000.00	*20.00
Fund Management Fees 0.25%	*25.000.00	*250.00
Return on investment	500,000.00	5,000.00
Total expenses and fees	**527,000.00	**5,270.00

\*VAT is variable as determined by the state from time to time.

\*\*All fees and charges are exclusive of VAT.

## 10. Valuation and Pricing:

**a) The Fund net asset value will be calculated in general pursuant to Investment Funds Regulations as follows:**

- The valuation of the Fund's assets shall be currency based and will be determined in respect of all the assets of which the portfolio comprises less the liabilities attributable to the Fund at the valuation time.
- The method of valuating the individual asset will depend on the type of the asset, and the Fund Manager may rely on any trustable system for the determination of values, prices or exchange rates.
- The following principles shall be followed to value the Fund's assets:
  1. If the assets are securities which are listed or traded on any regulated securities exchange or automated quotation system, the most recent transaction price may be used.
  2. Where the securities are suspended, it should be valued at the suspended price, unless there is conclusive evidence to indicate that the value of such securities have gone below the suspended price
  3. Non-listed Sukuk, book value plus accrued interest or profit must be used;
  4. Investment Funds, last published Net Asset Value per unit;
  5. Deposit, nominal value and accrued interest/profit; and
  6. Any other investment, fair value, as determined by the Fund Manager based on methods and bases agreed by the custodian and have been verified by the Custodian of the Fund. And after verified by the Auditor of the Fund.
  7. Government Sukuk shall be valued as follows:
    - 1) Government Sukuk listed in Tadawul will be valued based on the most recent transaction price conduct Tadawul on the valuation day in question.
    - 2) If no transactions are conducted for the Sukuk in question on that day, the Fund Manager will use the PAR value latest trade price.
    - 3) As for the purpose of valuation of the Sukuk listed on Tadawul or on an automated quotation system (Bloomberg System) where the conditions of that market or system would not allow the valuation of such sukuk according to the aforementioned sub-clauses (1) and (2) above, those Sukuk will be valued based on the book value in addition to any accrued profits of such sukuk up to the valuation day.

**b) The Fund net asset value will be valued by the end of each business day. If the Capital Market Authority is closed on any Valuation Day, the Valuation Day in that case shall be the following day on which the Capital Market Authority is open for business.**

**c) In case of mis-valuation or mis-pricing, the below measures will be taken:**

- 1) The Fund Manager must record each instance where an asset of the Fund is valued incorrectly or the price of a unit is calculated incorrectly.
- 2) The Fund Manager must compensate all harmed unitholders as soon as reasonably practicable for all valuation or pricing errors.
- 3) The Fund Manager shall immediately report to the Capital Market Authority any valuation or pricing error of 0.50% or more of the price of a unit and disclose it immediately on the website of the Fund Manager [www.alinmacapital.com](http://www.alinmacapital.com) and on Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) and in the Fund's reports prepared by the Fund Manager in accordance to relevant Articles of the Investment Fund Regulations.
- 4) The Fund Manager, in its reports to Capital Market Authority pursuant to relevant Articles of the Investment Fund Regulations, must provide a summary of all valuation and pricing errors.

**d) Description of the method for calculating the unit price for the purpose of processing subscriptions pursuant to the Investment Funds Regulations:**

- The Net Asset Value of each unit is calculated as follows:  
(Total assets – liabilities – accrued expenses) / total number of outstanding units at the valuation time.  
Total assets include (the aforementioned in clause A), liabilities include e.g. financing liabilities, and expenses include (the aforementioned in Article No. 5 "Services, Commissions and Fees").  
The Fund's Indicative Net Asset Value per unit will be calculated as: ((Total assets – liabilities – accrued expenses) / total number of outstanding units at the valuation time) at the valuation point during trading hours.  
Total assets include (the aforementioned in clause A), liabilities include e.g. financing liabilities, and expenses include (the aforementioned in Article No. 5 "Services, Commissions and Fees").
- Regarding redemption requests:  
According to the Capital Market Law issued by Royal Decree No. M/30, the Investment Funds Regulations were amended by the Capital Market Authority's Board Resolution No. 2-22-2021 dated 12/07/1442 H corresponding to 24/02/2021G, and accordingly Article (66) Paragraph (g) of the previous investment Fund regulation and exempted from it upon founding the Fund were amended, to match Article (71) paragraph (e) of the amended Investment Fund Regulation. This amendment also includes the validity of the exemption obtained by the Fund manager when establishing the Fund and offering its units.

**e) Publication time and place of the unit price, and its frequency:**

The Indicative Net Asset Value per unit will be disseminated during trading hours every 15 seconds, while the net unit price will be disseminated on the business day following the valuation day on the Fund Manager's official website [www.alinmacapital.com](http://www.alinmacapital.com) and Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa). In the event of technical errors at any of those websites, the Fund Manager will disseminate such publications as soon as reasonably practicable.

## **11. Dealing:**

**a) Initial Offer:**

- Unit price at inception:
  - (10) SAR per unit at the opening of the offering.
- Initial Offering Period: Offer duration: (45) days starting on 22/01/2020 until 24/03/2020. The Fund Manager is entitled to extend the duration for another (21) days in case the minimum Fund's capital has not been collected yet. The Fund Manager is also entitled to close the initial offering period if the minimum capital has been collected which is 1,250,000,000 Saudi riyals.
- Expected date to start operating the Fund is 25/03/2020.
- Cash and In-Kind subscriptions: All investors are entitled to subscribe to the Fund during the initial offering period as follows:
  - As for cash subscription, minimum subscription is SAR 5,000 or multiples thereof.

- As for in-kind subscription, minimum subscription is the equivalent of one creation unit or multiples thereof (One Creation Unit equals 100,000 ETF Units).
- The Fund is not subject to a maximum subscription, and subscriptions shall not exceed SAR 1,250,000,000.

**b) Cut-off day to submit redemption and subscription requests:**

This clause applies only during the previously mentioned Initial Offer Period, in addition to any other periods specified by the Fund Manager to accept new subscriptions and redemptions.

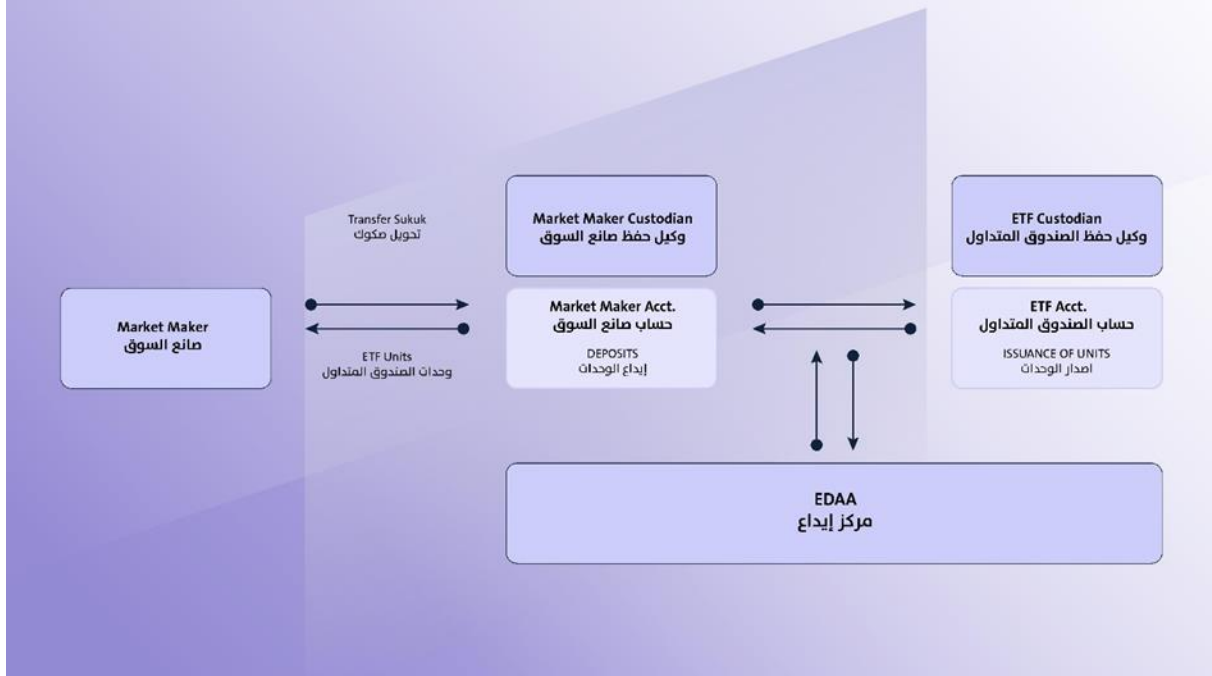
**c) Procedures of providing the instructions with regards to redemption and subscription of the Fund's units:**

As for cash subscriptions and redemptions, and due to the Fund's nature as ETF Fund, investors may buy and sell the ETF units in the exact fashion of the listed stocks on Tadawul. Thus, this clause does not apply to the Fund's units.

**• Exchange Procedures for in-kind Unit Creation between the Fund Manager and the Market Maker:**

- The Fund Manager will disclose the details of the Creation Unit and its equivalent of the Sukuk basket and cash portions on a periodic basis. One Creation Unit equals 100,000 ETF Units.
- The authorized Market Maker will apply to the Fund Manager for Creation of new ETF Units.
- At the same time, the Market Maker will transfer from his Market Maker's Custodian account a basket of Sukuk and cash, corresponding to the number of Creation Units that the Fund Manager intends to create.
- The Fund Manager will review and check the Unit Creation application and the composition of the Sukuk basket and the cash and approve the Unit Creation application.
- The Market Maker's Custodian will then transfer the Sukuk basket and cash amounts from the Market Maker's account to the Fund's account with the Fund's Custodian.
- The Fund's Custodian will ensure that the Sukuk basket and the cash appropriately correspond to the application of the ETF Unit to be created from the Fund Manager.
- The Fund's Custodian will liaise with Edaa Center for the ETF Units Creation.
- The custodian of the fund transfers the new units to the market-maker's account held by the Market Maker's Custodian.
- The Market Maker may conduct the selling transaction in the market regularly or simply keep the newly created ETF units in its inventory.
- In case of any discrepancy between number of ETF Units created and number of the sukuk received, the Custodian will resolve the same as needed.
- The Fund Manager will calculate the amount of cash at the end of each dealing day in regard to Creation Units. Any shortfall/ excess in the creation of ETF units will be settled, through the Fund's Custodian, with Market Maker.
- The mechanism of the ETF Units Creation by the Fund Manager and the authorized Market Maker will be as detailed in the below chart:

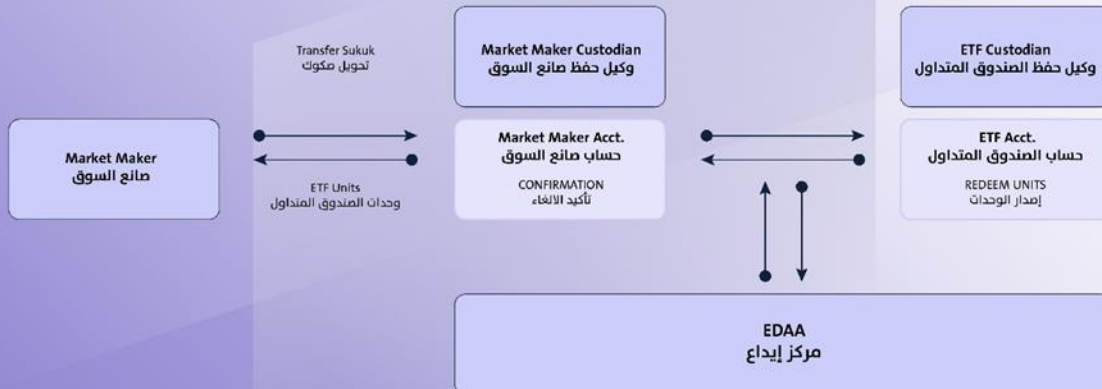
CREATION OF UNITS (MARKET MAKER & CUSTODIANS)  
إصدار الوحدات (صانع السوق ووكلاء الحفظ)



- **Redemption Procedures for in-kind ETF Units between the Fund Manager and the Market Maker:**
  - The Market Maker will apply to the Fund Manager for redemption of Creation Units.
  - The Market maker, at the same time, transfers the deposit of the redeemed unit bundles from the market-maker's account held by the market-maker's custodian to the fund's account held by the fund's custodian.
  - The Fund Manager, after initial audit, will approve the redemption request.
  - The Fund's Custodian will ensure that the Creation Units received appropriately correspond to the redemption request.
  - The Fund's Custodian will liaise with the Edaa Center for redemption of ETF Units.
  - Edaa Center will redeem and delist the ETF Units from trading records.
  - The Fund's Custodian will then transfer the corresponding sukuk basket from the Fund's account to the Market Maker's account held by the Market Maker's custodian.
  - In case of any discrepancy, the Fund's Custodian will resolve the same as needed.
  - The Fund Manager will calculate right amount of cash by the end of the day, as per the Fund policies. Any shortfall/ excess in the redemption of ETF units will be settled, through the Fund's Custodian, with the Market Maker.
  - The mechanism of the ETF Units redemption by the Fund Manager and the authorized Market Maker, will be according to the details described in the following chart:



## REDEMPTION OF UNITS (MARKET MAKER & CUSTODIANS) إلغاء الوحدات (صانع السوق ووكلاء الحفظ)



**d) Any Restrictions on dealing in units of the Fund:**

Given that Fund units are traded in the same manner as listed stock on The Saudi Stock Exchange, the same dealing restrictions will apply.

**e) Cases where dealing in units are deferred or suspended, and procedures taken in such cases:**

The Fund Manager may suspend dealing in the Fund units:

1. Upon the Capital Market Authority's orders.
2. If the Fund Manager reasonably believes that such suspension is in the best interest of the unitholders in the Fund
3. If there has been a suspension of dealing on the main market, in which the securities or other assets held by the Fund are dealt in, either in general or in relation to assets of the Fund which the Fund Manager reasonably believes to be significant to the net asset value of the Fund.

When suspending the valuation of the Fund, redemption and subscription requests submitted on or after the suspension day will be executed on the following valuation day once the suspension is lifted. The Fund Manager will immediately inform both the Capital Market Authority and the unitholders of any suspension, and give the reasons for the suspension, and shall similarly inform both the Capital Market Authority and the unitholders as soon as the suspension ends and disclose it on the Fund Manager's website and on Tadawul's website.

The Fund Manager is entitled to reject any subscription request from any investor to the Fund in case such request will lead to violations of the Fund Terms and Conditions or any other implementing regulations and laws imposed from time to time by the Capital Market Authority, or any other regulatory bodies in the Kingdom of Saudi Arabia.

**f) Procedures by which the Fund redemption requests which are to be deferred are selected:**

N/A.

**g) Provisions regulating the transfer of units to other investors:**

The Fund Manager aims to commit to comply with the Capital Market Authority's regulations and instructions in regard to the transfer of the Fund's units to other investors

**h) Minimum number or value of units that a unitholder must subscribe to or transfer or redeem**

- As for cash subscription, minimum subscription is SAR 5,000 or multiples thereof
- As for in-kind subscription, minimum subscription is the equivalent of one creation unit or multiples thereof (One Creation Unit equals 100,000 ETF Units).
- The Fund is not subject to a maximum subscription, and subscriptions shall not exceed SAR 1,250,000,000.

**i) The minimum amount the Fund Manager intends to collect:**

SAR 1,250,000,000 In the event of failure to collect the minimum amount during the Initial Offer Period of the Fund, the Fund Manager will apply to obtain Capital Market Authority's approval to extend the Initial Offer Period pursuant to the Investment Funds Regulations and the relevant regulatory circulars, and such will be disclosed on the Fund Manager's official website [www.alinmacapital.com](http://www.alinmacapital.com). In the event of failure to collect the minimum amount during the extended Offer Period of the Fund, the Fund Manager will return to the unitholders their full subscriptions monies together with any returns generated from investing the subscriptions monies without any deduction.

## **12. Distribution Policy:**

**a) The policy of distribution of income and gains:**

- The Fund Manager intends to make cash distributions to unitholders as returns from the investment in the Fund's assets once per annum no later than the end of the Fund's financial year. The Fund Manager may make such distributions more than once a year upon the Fund Board's resolution in certain cases, including, but not limited to:
  - If the distributions expenses would not affect the Fund's Net asset Value.
  - If the Fund Manager believes that the liquidity requirements negatively affect the unit's price performance.
- The Fund Manager may reinvest the dividends received, including, but not limited to, Sukuk coupons.

**b) Approximate date of distributions:**

Not less than once a year, whilst the approximate date of the distributions is 10 business days from the maturity date.

**c) How Distribution will be paid:**

The Fund Manager will deposit the cash distributions to its clients' accounts or to Unitholders' investment accounts with the authorized persons (where the unitholder wishes to be deposited) no later than 10 business days from the maturity date. In case of transferring the amount to the client's account with the authorized person, the Fund Manager will deduct transfer fees from the client's total matured profits.

## **13. Reporting to Unitholders:**

- a) The Fund Manager shall prepare the annual reports (including the audited annual financial statements of the Fund) and the annual reports within a period not exceeding (3) months from the end of the reporting period. The initial financial statements will be prepared and made available to the public within (30) days or any other period specified in the Investment Funds Regulations and the relevant regulatory circulars) from the end of the reporting period. The quarterly statement will be published in accordance with the requirements of the Investment Funds Regulations within a period not exceeding (10) days from the end of the relevant quarter, on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com) and the Saudi Stock Exchange (Tadawul)'s website [www.saudiexchange.sa](http://www.saudiexchange.sa), or any website available to the public according to the regulations set by Capital Market Authority.
- b) The fund reports will be published on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com) and Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa).
- c) The fund's annual financial Statements will be available on the Fund Manager's website

- [www.alinmacapital.com](http://www.alinmacapital.com) and Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa).
- d) The first audited financial statements for the first financial year ending on December 31, 2020 have been provided.
  - e) The Fund Manager shall comply with submitting the annual audited financial statements to the Fund free of charge upon request.

#### **14. Unitholders Register:**

- a) The Securities Depository Center Company ("Edaa") and the Fund Manager will establish and maintain a register of the Fund's unitholders in its capacity of registrar of the issue. The register shall be conclusive evidence as to the persons entitled to units entered on the register.
- b) The Fund Manager shall be committed to provide information on the Register of Unitholders upon request, or through the website of the Depository Company (Tadawulat) [www.tadawulat.com.sa](http://www.tadawulat.com.sa).

#### **15. Meeting of Unitholders:**

- a) **The circumstances in which a meeting of unitholders is called:**
  - Called by the Fund Manager on his own initiative, provided that the subject matter of the invitation is not in contrary with the responsibilities and duties of the Fund Manager under the provisions of the Investment Funds Regulations.
  - Called by the Fund Manager to discuss or request the unitholders' approval to a certain decision.
  - Called by the Fund Manager within (10) days of receiving a written request from the custodian.
  - Called by the Fund Manager within (10) days of receiving a written request from the unitholder or unitholders holding together or individually at least 25% in value of the units in the Fund.
  - To approve any suggested material changes.
  - In preparing the agenda for the meeting of unitholders, the Fund Manager will take into account the subjects that the unitholders wish to include. The unitholders who own (at least 10%) of the value of Fund units may add one or more subjects to the agenda of the unitholders' meeting, provided that the suggested subject does not interfere with the responsibilities and duties of the Fund Manager under the provisions of the Investment Funds Regulations.
- b) **The procedures for calling a meeting of unitholders:**
  - The Fund Manager shall call for a meeting of unitholders by announcing it on the Fund Manager website [www.alinmacapital.com](http://www.alinmacapital.com) and on the Saudi Stock Exchange (Tadawul)'s website [www.saudiexchange.sa](http://www.saudiexchange.sa), and by sending a notice in writing to all unitholders and the custodian giving:
    - 1) Not less than (10) days' notice of the meeting; and
    - 2) No more than (21) days' notice before the meeting.
  - The Fund Manager may amend the agenda of the unitholders' meeting during the above-mentioned announcement period, provided that this is announced on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com) and the Saudi Stock Exchange's (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa), by sending a written notice to the custodian at least (10) days before the meeting and no more than (21) days before the meeting.
    - The announcement, notice, the date, place, time of the meeting and the resolutions proposed shall be specified and a copy of such notice shall be sent to Capital Market Authority.
  - The quorum required to conduct a meeting of the unitholders shall be such number of unitholders holding together at least 25% in value of the Fund's units on the day of the meeting.
  - If the quorum requirements set out above are not met, the Fund Manager shall call for a second meeting by announcing it on the Fund Manager's official website [www.alinmacapital.com](http://www.alinmacapital.com) and on the Saudi Stock Exchange's (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa), and shall send a notice in writing to the Custodian not less than (5) days prior the second meeting. At the second meeting, any number of unitholder(s) holding any number of units present in person or represented by a proxy is a quorum.

**c) Voting Method for Unitholders and Voting Rights at Unitholders Meetings:**

- Each Unitholder is entitled to appoint an agent to represent it at the Unitholders Meeting.
- Every unitholder shall exercise one vote at the meeting of the unitholders for each unit which the unitholder holds as at the time of the meeting
  - Meetings of unitholders, participating in their deliberations, and voting on the decisions of the meeting conducted through modern technology in accordance with requirements set by Capital Market Authority and determined by the Fund Manager.

**16. Unitholders' Rights:**

**a) List of unitholders' rights:**

- 1) Receive a copy of the Terms and Conditions, Information Memorandum, Key Information Summary, and their updated versions in Arabic free of charge from Tadawul's website or the Fund Manager's website.
- 2) Receive notices with regards to the suspension of subscription or redemption of the units.
- 3) Receive the essential and non-essential changes under the Investment Funds Regulations, the kind of which is detailed in the reports sent to unitholders.
- 4) Receive the interim reports, annual reports, and short-form annual reports (including the audited financial statements) free of charge upon request pursuant to Investment Fund Regulations.
- 5) Receive notices of any changes to the Fund Board.
- 6) Attend unitholders' meetings and exercise voting rights on the meeting resolutions pursuant to the Investment Fund Regulations.
- 7) Receive a notice of the Fund Manager's intention to terminate the Fund at least (21) calendar days prior to termination.
- 8) Approving suggested Fundamental changes in the Fund's documents, including these Terms and Conditions by way of an ordinary Fund resolution
- 9) Redeem their units before any Fundamental or significant changes are effective; without incurring any redemption fees.
- 10) Receive a copy of the complaints handling procedures upon request to the Fund Manager.
- 11) Receive the information pertaining the underlying Sukuk in the way and time detailed and disclosed in the Terms and Conditions.
- 12) Any other rights entitled to the unitholders as determined by the executive rules and regulations issued by Capital Market Authority's Board and the other relevant applicable instructions in the Kingdom.

**b) The Fund Manager's policy in regard to voting rights associated with the assets of the Fund under its management:**

The Fund Manager will disclose, on its official website and the Saudi Financial Market (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) the policies related to the voting rights after approved by the Fund's Board.

**17. Unitholders' Liability:**

Unitholders shall not be liable directly or indirectly for the debts and obligations of the Fund and their liability shall be limited to the loss of all or part of their investments in the Fund. It is worth noting that reading, understanding and agreeing to the Fund's Terms and Conditions, any other updated version thereof, the Fund investment risks and the investor tolerance to such risks is the sole responsibility of unitholders, and they must sign such documents before buying any of the Fund's units.

Unitholders must provide the Fund Manager with their correct mail addresses and contact information at all times. Unitholders must notify the Fund Manager upon any changes to their addresses and contact information. Unitholders agree to withhold the Fund Manager and exempt him from any liability and waive all their rights and any claims from the Fund Manager arising directly or indirectly from the failure to provide the Unitholder with the information and notices or other information relating to the Investments.

## 18. Units Characteristics:

- The Fund will have one class of units with equal rights and liabilities and are treated equally by the Fund Manager. The same investment strategy and objectives apply to all the Fund units. The Fund's Units will not represent any relative equity for its holders in the underlying units in the Fund but representing proportionate share in the Fund.
- The process of creation and redemption of ETF Units will be on in-kind basis whereby the Fund Manager and the Market Maker will interexchange ETF Units and the Sukuk basket, through custodian, for the purpose of creation and redemption of ETF Units.
- Each Creation Unit contains 100,000 ETF Units.
- Nominal value for ETF Unit
  - Will be SAR 10.
- The Fund units will be created electronically without paper certificates and will be maintained and kept with the Custodian of the Fund.

## 19. Changes to the Fund's Terms and Conditions

### a. provisions governing changes to the Fund's Terms and Conditions including any approvals and/or notifications required by the Investment Funds Regulations:

#### 1) Approval of the Capital Market Authority and consent of Unitholders to Fundamental Changes:

- The Fund Manager shall obtain the Unitholders' approval on Fundamental Changes to the Fund terms and conditions through an Ordinary Fund Resolution.
  - The Fund Manager shall, upon obtaining the approval of the Unitholders, obtain the approval of the Capital Market Authority on the Fund's proposed Fundamental changes.
- For the purposes of the Investment Funds Regulation, the term "Fundamental change" means any of the following:
  1. A change which significantly changes the purposes, nature or class of the Fund
  2. A change which alters the risk profile of the Fund
  3. The voluntary withdrawal of the Fund Manager from its position as the Fund Manager.
  4. Any other instances determined by the Capital Market Authority from time to time as Fundamental changes and reported to the Fund Manager.
- The Fund Manager shall obtain the approval of the Fund Board before making any Fundamental change.
  - The Fund manager shall notify unitholders and disclose the details of the Fundamental changes on the website [www.alinmacapital.com](http://www.alinmacapital.com) and the website of Saudi Stock Exchange (Tadawul) [www.saudiexchange.sa](http://www.saudiexchange.sa) and any other website available to the public according to the regulations set by the Capital Market Authority (10) days before such change becomes effective.
- The details of the Fundamental changes will be stated in the Fund reports, which are prepared by the Fund Manager in accordance with the Investment Funds Regulations.
- Fund unitholders are entitled to redeem their units before any Fundamental change becomes effective without charging any redemption fees (if any).

#### 2) Notification to Capital Market Authority and Unitholders of any non-Fundamental changes:

The Fund Manager shall notify the Capital Market Authority in writing and disclose on the website and the website [www.alinmacapital.com](http://www.alinmacapital.com), the website of Saudi Stock Exchange (Tadawul) [www.saudiexchange.sa](http://www.saudiexchange.sa) and any other website available to the public according to the controls determined by the Capital Market Authority for any non-Fundamental changes proposed to the Fund, (10) days before such change is effective. For the purposes of these terms and conditions, non-Fundamental changes mean any change that does not fall within the provisions of the Fundamental changes mentioned in Investment Funds Regulation. Unitholders are entitled to redeem their units before non-Fundamental changes take effect without incurring any redemption fees.

**b. Procedures to be employed on notifying changes to the Fund's Terms and Conditions:**

- Notification to the Capital Market Authority and Unitholders of any non-Fundamental changes:

The Fund Manager shall notify the Capital Market Authority in writing of all non-Fundamental changes to the Fund, (10) days prior to the change takes effect. For the purposes of these Terms and Conditions, non-Fundamental changes mean any change that is not considered a Fundamental change. In this case, the Fund Manager will disclose the details of the notifiable changes on its website [www.alinmacapital.com](http://www.alinmacapital.com) and Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa), in the way determined by the Capital Market Authority (10) days before the change takes effect. All details of the changes will be included in the reports prepared by the Fund Manager in accordance with the Investment Funds Regulations.

- Unitholders are entitled to redeem their Units before the non-Fundamental change becomes effective without charging any redemption fees (if any).
- The Fund Manager shall obtain the approval of the Fund Board before making any non-Fundamental change.

## **20. Termination and liquidation of the Investment Fund**

**1) Any events of which will result in the termination of the investment Fund and procedures for termination of the investment Fund under the Investment Funds Regulations:**

The Fund Manager reserves the right to terminate the Fund according to the Investment Funds Regulations (and any other amendments made thereto from time to time) without incurring a fine against any concerned party if it sees that the Fund's Net Asset value does not justify the continued operation of the Fund (except in case the termination is caused by willful negligence or default by the Fund Manager), or in case the relevant regulations or conditions that governs the Fund's operation have changed, or in the event of any other reason, including economic or regional conditions, where the continued operation of the Fund is impossible for the benefit of the unitholders, after notifying the Capital Market Authority and the unitholders in writing at least (21) calendar days before the termination date, and after obtaining the Fund Board approval. The Fund Manager will announce on its website [www.alinmacapital.com](http://www.alinmacapital.com) and on the Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) the termination of the Fund and the time needed to liquidate it.

**2) The followed procedures for the liquidation of the Fund:**

- 1) The Fund Manager will complete selling the Fund's assets and distributing the dues to the unitholders on them before the end of the Fund term.
- 2) The Fund Manager may extend the Fund's term in order to complete selling of assets or for any other circumstance, in accordance with the provisions of the Investment Funds Regulations (and any other amendments made thereto from time to time).
- 3) The Fund Manager will prepare a plan and procedures for terminating the Fund in the interest of the unitholders, and the Fund Manager will obtain the approval of the Fund Board on this plan before taking any action in this regard.
- 4) The Capital Market Authority will be notified in writing and announcement shall be made on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com), and the Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) with the details of the Fund termination plan and procedures, no less than (21) days prior to the date on which the Fund is intended to be terminated, without prejudice to the Terms and Conditions of the Fund.
- 5) The Fund Manager will be committed to the approved Fund termination plan and procedures in accordance with paragraph (3) above.
- 6) The Capital Market Authority will be notified in writing and announcement shall be made on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com), and Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) of Fund Termination within (10) days from the end of the Fund term in accordance with the requirements contained in the Investment Funds Regulations, (and any other amendments made from time to time).

- 7) In case that the Fund's term expires and the Fund Manager has not completed the sale of the Fund's assets during its term, the assets will be liquidated and the unitholders' dues will be distributed on them within a period not exceeding (6) months from the Fund's expiry date.
- 8) All Unitholders will be dealt with equally during the Fund Termination and Liquidation process.
- 9) The dues of the unitholders will be distributed on them immediately upon the expiry of the Fund's term or its liquidation without delay and as long as it does not conflict with the interest of the unitholders and the Terms and Conditions of the Fund.
- 10) An announcement will be made on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com), the Market's website [www.tadawul.com.sa](http://www.tadawul.com.sa), or any other website available to the public according to the regulations set by the Capital Market Authority, regarding the end of the Fund's term or the term of its liquidation. In addition, unitholders will be notified of this in the places and by means specified in the Fund's Terms and Conditions.
- 11) Unitholders will be provided with the Fund termination report according to the Investment Funds Regulations within a period not exceeding (70) days from the date of completion of the Fund's termination and liquidation, including the final audited financial statements of the Fund for the period following the last audited annual financial statements.
- 12) The Capital Market Authority may remove the Fund Manager from the liquidation process if a special decision is issued for the Fund by the unitholders, provided that the alternative liquidator is appointed at the same meeting in which the unitholders voted to remove the Fund Manager.
- 13) In case that the Fund Manager is removed from the liquidation process, the Fund Manager shall cooperate fully in transferring the liquidation responsibilities to the appointed liquidator and transfer to it all documents related to the relevant investment Fund, which enables it to complete the liquidation work within (20) days from the issuance of the Capital Market Authority 's decision to remove the Fund Manager and appoint an alternative liquidator.
- 14) An announcement will be made on the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com), and the Saudi Stock Exchange (Tadawul) website [www.saudiexchange.sa](http://www.saudiexchange.sa) in case the Capital Market Authority issues a decision to remove the Fund Manager and appoint an alternative liquidator according to paragraph (12) above.
- 15) In all cases, the Capital Market Authority will be immediately notified in writing and without any delay of any Fundamental events or developments during the liquidation period of the Fund.
- 3) In case of end of term of the investment Fund, the Fund manager may not take any fees deducted from the Fund's assets.

## 21. Fund Manager:

### a) Fund Manager name, duties and responsibilities:

Alinma Capital Company.

Fund Manager duties and responsibilities with regard to Investment Funds:

- 1) Fund Management.
- 2) Fund units offering.
- 3) Ensure that the Fund terms and conditions are complete, clear, correct and not misleading.

### b) Authority authorization number and date:

37- 09134 and date of 17/04/1430 H corresponding to 13/04/2009 G.

### c) Registered address and business head office address of the Fund manager:

**Address** Al Anoud Tower-2, 20th floor, King Fahd Road, Al-Olaya, P.O. Box: 55560, Riyadh 11544, Kingdom of Saudi Arabia.

**Phone:** +966112185999

**Fax:** +966112185900

### d) The Fund manager's website and any website, related to the Fund manager, contain information on the investment Fund:

Fund Manager website

[www.alinmacapital.com](http://www.alinmacapital.com)

Capital Market Authority 's website

[www.cma.org.sa](http://www.cma.org.sa)

Tadawul website

[www.saudiexchange.sa](http://www.saudiexchange.sa)

**e) Statement of the paid-up capital to the Fund Manager:**

Alinma Capital Company has been established with a capital of SAR 1,000,000,000,000 one thousand million Saudi riyals with paid-up capital of SAR 250 million.

**f) Summary of financial information of the Fund Manager showing revenues and profits in the preceding financial year:**

- The Company total audited revenues for 2022 were: 667,338 thousand Saudi riyals.
- The Company net profits audited for 2022 were: 490,770 thousand Saudi riyals

**g) The Fund Manager main roles and responsibilities in relation to the Investment Fund:**

- 1) Act in favor of the unitholders pursuant to the Investment Funds Regulations, the Capital Market Institutions Regulations, the Fund Terms and Conditions concerning the Fund.
- 2) The Fund Manager must comply with all principles and duties required under Capital Market Institutions Regulations including the fiduciary duty towards unitholders, which includes the duty to act in the best interests of the unitholders, and duty exercise all reasonable care and skill.
- 3) The Fund Manager's responsibilities shall include:
  - Act in favor of the unitholders pursuant to the Investment Funds Regulations, the Capital Market Institutions Regulations, and the Fund Terms and Conditions.
  - The ETF component securities and their respective weightings must be disclosed by the Fund Manager on the Exchange.
  - Managing the Fund assets and its investment transactions.
  - Conducting the Fund's administrative operations.
  - Establishing and offering Fund's units and managing allocations.
  - Ensuring the accuracy of the Terms and Conditions of the Fund and that they are complete, clear, accurate and not misleading.
  - The Fund Manager is responsible for developing policies and procedures that detect risks affecting the Fund's investments and ensure treatment of these risks as soon as possible. These policies and procedures must include conducting risks assessment, at least, once a year.
  - The Fund Manager must comply with the provisions and controls set herein in Article (3) with regards to Investment Policies and Practices, and other provisions set in Investment Funds Regulations with regards to Investment Restrictions.
  - Manage the Fund's operations and transactions.
- 4) The Fund Manager shall be responsible for complying with the provisions of the Investment Funds Regulations, whether those requirements and duties are performed directly by the Fund Manager or indirectly through assigning them to a third party under the provisions of the Investment Funds Regulations and the Capital Market Institutions Regulations. The Fund Manager is liable to the unitholders for any losses resulting from fraud, negligence, malpractice or intentional failure to meet obligations.
- 5) The Fund Manager must comply with what is stated in Investment Funds Regulations when applying for an approval form or notifying the Authority requests.
- 6) The Fund Manager must implement a compliance-monitoring program for the Fund. The Fund Manager must provide the Authority with the results of the implementation of the program upon its request.

**h) Any other business activities or interests of the Fund Manager that are of significance or could potentially conflict with those of the Investment Fund:**

Unavailable in the time being.

**i) Right of the Fund manager to appoint a Fund sub-manager:**

Tasks to be assigned to a third party by the Fund Manager in relation to the Investment Fund:

- Auditor for the preparation and audit of financial statements.
- The Custodian to preserve the Fund assets.
- Tax and zakat advisor.
- "Index Providers":
- Shariah Committee to carry out the tasks of supervising the Fund in terms of its commitment to Shariah controls.

**j) Provisions governing the removal or replacement of the Fund Manager:**

- 1) The Fund Manager ceasing to carry on investments management activities and Funds operation without notifying the Capital Market Authority as required under the Capital Market Institutions Regulations.
- 2) The cancellation, withdrawal or suspension by the Capital Market Authority of the Fund Manager's license to carry on investment management, Fund operation or investment management activity.
- 3) A request by the Fund Manager to the Capital Market Authority to cancel the Fund Manager's license to carry investment management activities.
- 4) The Capital Market Authority believes that the Fund Manager has failed, in a manner which the Capital Market Authority considers material, to comply with the Capital Market Law or its Implementing Regulations.
- 5) The death, incapacity or resignation of the portfolio manager who manages the assets of the Fund, without there being another registered person employed by the Fund Manager who can manage the assets of the Fund or the assets of the Funds managed by the portfolio manager.
- 6) Any other event determined by the Capital Market Authority on reasonable grounds to be sufficiently material.

In such case, the Fund Manager shall cease to make any investment decisions in respect of the Fund as soon as the alternative Fund Manager is appointed or from any earlier date determined by the Capital Market Authority. The Fund Manager shall cooperate fully in order to help facilitate a smooth transfer of responsibilities to the alternative Fund Manager. The Fund Manager shall where necessary and applicable, at the discretion of the Capital Market Authority, novate all of the contracts relating to the Fund to which it is a party to the alternative Fund Manager.

## **22. Fund Operator**

**a) Fund Operator Name:**

Alinma Capital Company.

**b) Authority authorization number and date:**

37- 09134 and date of 17/04/1430 H corresponding to 13/04/2009 G.

**c) Registered address and business address of Fund operator:**

**Address** Al Anoud Tower-2, 20th floor, King Fahd Road, Al-Olaya, P.O. Box: 55560, Riyadh 11544, Kingdom of Saudi Arabia.

**Phone:** +966112185999

**Fax:** +966112185900

**d) The primary roles for the Fund operator, functions in relation to the investment Fund:**

- 1) In regard with Investment Funds, Fund Operator shall be responsible for operating Investment Funds:
- 2) The Fund Operator must keep the relevant books and registers of the operation of all the Funds under its operation.
- 3) The Fund Operator must set up and maintain a register of unitholders in the Kingdom.
- 4) The Fund Operator is responsible for the distribution of profits to unitholders.
- 5) The Fund Operator is responsible for fully and fairly valuation of the Fund's assets.
- 6) The Fund Operator must process requests for subscriptions at the price calculated at the next valuation point following the deadline for submission of requests for subscription.
- 7) The Fund Operator shall process subscription requests so that they do not conflict with any provisions contained in the Investment Fund Regulation or the Fund terms and conditions.

**e) The Fund Operator right to appoint a sub- operator for the Fund:**

The Fund Operator may appoint a sub-operator, with the approval of the Fund Manager, and the Fund Operator shall pay the fees and expenses of any sub-operator from its own resources.

**f) The functions to which the operator has delegated a third party in relation to the investment Fund:**

The Fund Operator may delegate one or more third parties or affiliates to conduct investment management activity and Funds operation as a Fund sub-manager. The remuneration of the Fund sub-operator shall be paid by the Fund Operator out of its own resources.

## 23. Custodian:

**a) Custodian Name:**

Al Ahli Capital Company

**b) Authority authorization number and date:**

06046-37, dated as of 31/03/2008 G.

**c) Registered address and business address of custodian:**

**Address:** King Saud Road, Regional Building of the National Commercial Bank (NCB), P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia Al Jumaih Center, King Fahd Road, Al Mohamadiyah District, P.O. Box: 5000, Riyadh 12361 - 6858, Office No. (203).

**Phone:** +966 8002440123

**d) The Custodian's primary roles, functions in relation to the investment Fund:**

- 1) The Custodian shall be responsible for its obligations under the provisions of the Investment Funds Regulations, whether those requirements are performed directly by the Custodian or indirectly through assigning them to a third party under the provisions of the Investment Funds Regulations and the Capital Market Institutions Regulations. The Custodian is liable to the Fund Manager, unitholders and the Fund Board for any losses resulting from fraud, negligence, malpractice or intentional failure to meet obligations.
- 2) As per the Fund Manager's instructions, process the request initiated by the Market Maker for unit creation or redemption in the following manner:
  - Registering the Fund Units with the Depository Center.
  - When processing Unit Creation application, Custodian shall arrange to transfer the underlying basket of sukuk and other cash portions from the Market Maker's account to the Fund Manager's account.
  - When processing Unit Redemption application, the Custodian shall ensure availability of the Fund Units in the Market Maker's account.
  - Arrange for Creation or Redemption of the Fund units and ensure that listing/ delisting of Units is properly done by Tadawul.
  - Upon Unit Creation, the Custodian should ensure that the underlying units (and its value) transferred to Fund account matches the ETF Units (and its value) transferred to the Market Makers' account.
  - Upon Units Redemption, the Custodian should ensure that the ETF Units (and its value) redeemed matches the underlying Sukuk (and its value) transferred to Market Maker's account.
  - Reconcile the intra-day creation or redemption activity with Tadawul.
  - Undertake daily reconciliation to rectify any discrepancies.
  - Transfer the Fund's proceeds to the Fund's account
- 3) The Custodian shall be responsible for taking custody and protecting the Fund's assets on behalf of unitholders, and for taking all necessary administrative measures in relation to the custody of the Fund's assets.

**e) Right of custodian to appoint a sub-custodian:**

The Custodian may delegate one or more third parties or affiliates to conduct custody activity as a Fund sub-custodian. The remuneration of the Fund sub- custodian shall be paid by the Custodian out of its own resources.

**f) Functions that have been delegated to a third party by the Custodian in relation to the Investment Fund:**

The Custodian may delegate one or more third parties or affiliates to conduct custody activity as a Fund sub-custodian. The remuneration of the Fund sub- custodian shall be paid by the Custodian out of its own resources.

**g) Provisions governing the removal or replacement of the Custodian:**

- 1) The Custodian ceasing to carry on custody activity without notifying the Capital Market Authority as required under the Capital Market Institutions Regulations.

- 2) The cancellation, withdrawal or suspension by the Capital Market Authority of the Custodian's license to carry on custody activity.
- 3) A request by the Custodian to the Capital Market Authority to cancel the Custodian's license to carry on the custody activity.
- 4) The Capital Market Authority believes that the Custodian has failed, in a manner which the Capital Market Authority considers material, to comply with the Capital Market Law or its Implementing Regulations.
- 5) Any other event determined by the Capital Market Authority on reasonable grounds to be sufficiently material.

The Fund Manager may remove the Custodian pursuant to a written notice, if the Fund Manager reasonably believes that the removal of the Custodian is in the best interests of the unitholders. In such case, the Fund Manager will immediately inform the Capital Market Authority in writing of such action. The Fund Manager shall appoint an alternative Custodian within 30 days of receiving the termination notice. Whether removal of Custodian was by the Capital Market Authority or the Fund Manager, the Fund Manager as well as the removed Custodian shall co-operate fully in order to facilitate a smooth transfer of responsibilities to the alternative custodian during the first (60) business days of appointing the alternative custodian, and must transfer, where necessary and applicable, all contacts related to the Fund to the alternative custodian.

It will be immediately disclosed at the Fund Manager's website [www.alinmacapital.com](http://www.alinmacapital.com) that the Custodian appointed an alternative custodian. It also will be disclosed at any other publicly available site in accordance with the Capital Market Authority's controls that it appointed an alternative custodian for the Fund.

## 24. Fund Board:

### a) Names of Fund Board members, indicating the membership type:

- 1) Mr. Mazin Baghdadi (Chairman and Non-independent Director).
- 2) Dr. Abdulrahman Al-Aali (Independent Director)
- 3) Mr. Khalid Feda (Independent Director)

### b) A brief about the Fund board members' qualifications:

#### 1) Mr. Mazin Fawaz Ahmed Baghdadi

Mazin Baghdadi is the CEO and MD of Alinma Capital Company with over than 22 years of comprehensive experience in investment field. He is also a board member of Jabal Omar Development Company. Prior to joining Alinma Capital in 2016, Mr. Baghdadi served as a Head of Investment Management for HSBC Saudi Arabia. He also has managed both local and GCC mutual funds, and discretionary portfolios in equities and fixed income throughout his career. Earlier in his career, Mr. Baghdadi held different positions in investment companies and banking industries including Riyadh Bank and Saudi Fransi Capital.

Mr. Baghdadi holds a Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals (KFUPM). He also has attended several executive educations in management including transitional to General Management Programme at INSEAD.

#### 2) Dr. Abdulrahman Yousef Shamsuddin Al-Aali

Al-Aali pursued his post-secondary business education at Georgia State University, Atlanta with BBA, MBA and PhD in International Business. Served for more than thirty years as a professor of International Business (Marketing), College of Business Administration, at King Saud University (KSU). He was a Visiting Research Scholar at Indiana University of Pennsylvania, and a Visiting Scholar at Simon Fraser University, Canada. For eight years, Al-Aali, was the founding Vice-Dean and later Dean of King Abdullah Research and Consulting Institute (KAI) at KSU. Al-Aali consulted many government and commercial organizations and studies, such as Ministry of Commerce, Ministry of Municipal and Rural Affairs, Ministry of Higher Education, Saudi Export Development

Center, United Nations Development Program (UNDP), Fedex Saudi, International Systems Engineering Company, Almaarefa University, Prince Sultan University, Board of Grievances, General Court in Commercial Law, and many universities boards, and private colleges. Dr. Al-Aali also serves as board member in the Saudi Ports Authority, and a number of local and international companies. Also, he is the founder of Skyline International in (USA)

**3) Mr. Khaled Bin Abdelhafeez Feda**

He holds a Bachelor in Finance from King Saud University and a Master in Business Administration from Prince Sultan University. Khaled worked for more than 15 years in asset management and business administration. Since February 2021, Khaled is serving as an advisor to the Minister of Commerce including representing the Ministry in National Committees and Boards of Directors. He also serves as a member of the Board of Directors of the Country Secretary for Development and Urban Renewal. Previously, he worked as the Director of the Enforcement Assurance Department at the Vision Realization Office of the Ministry of Commerce and in several managerial positions in companies and financial institutions. He had several achievements, noticeably: building the strategy and governance of the private sector development program, and winning the award for best investment fund for initial issues in the Kingdom in 2015, issued by the "Global Banking and Finance Review", and leading the investment team at Kuwait-Saudi Finance House to receive the Kingdom's 2015 Best Provider of Wealth Management award from World Finance and the establishment and launching of several investment funds in the Kingdom in various asset classes.

**c) A description of the roles and responsibilities of the Fund Board:**

- Approving material contracts, decisions and reports involving the Fund, including, but not limited to, contracts for the provision of Fund management services, contracts for the provision of custody services but excluding contracts concluded pursuant to investment decisions regarding underlying investments made or to be made by the Fund.
- Approving a written policy in regard to the voting rights related to the Fund assets.
- Overseeing and, where appropriate, approving or ratifying any conflicts of interest the Fund Manager has identified and disclosed pursuant to the Investment Funds Regulations.
- Meeting at least twice annually with the Fund Manager's compliance committee or its compliance officer to review the Fund Manager's compliance with all related and applicable rules, laws and regulations, including, without limitation, the requirements of the Investment Funds Regulations.
- Approving all changes stipulated in the Investment Funds Regulations before the Fund Manager obtains the approval or notification of the unitholders and the Capital Market Authority (where applicable).
- Ensuring that Fund's Terms and conditions and any other document, contractual or otherwise that includes disclosures relating to the Fund or the Fund Manager and its management of the Fund, are complete and accurate and that the foregoing complies with the Investment Funds Regulations.
- Ensuring that the Fund Manager carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.
- Reviewing the report that includes evaluating the performance and quality of services provided by the parties concerned with providing essential services to the Fund as referred to in the Investment Funds Regulations, in order to ensure that the Fund carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.
- Evaluating the Fund Manager's method in dealing with risks related to Fund assets in accordance with the Fund Manager policies and procedures regarding monitoring risks related to the Fund.
- Working hard and in good faith, to exercise all reasonable care and skill; a duty to act in the best interests of the Unitholders.

- Taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the Board.
- Reviewing the report containing all the complaints and procedures taken in this regard as referred to in the Investment Funds Regulations (and any other amendments made thereto from time to time), in order to ensure that the Fund carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.

**d) Details on the remuneration of Fund board members:**

A maximum amount of SAR 50,000 per financial year paid collectively as remuneration for independent directors of the Fund Board of Directors. The Fund Manager shall incur the payment of such remunerations.

**e) Any conflict or potential conflict of interest between the interests of a Fund board member and the interests of the Fund:**

Currently, there is no actual or potential conflict of interest between the Fund Board members and the Fund. The Fund Board will supervise and manage any conflict of interest and pay reasonable care and act in good faith when managing such conflict of interests.

**f) All Funds Boards that the relevant board member is participating in:**

Fund Name	Fund Type	Directors		
		Mr. Mazen Baghdadi	Dr. Abdulrahman Yousef Shamsuddin Al-Aali	Mr. Khaled Bin Abdelhafeez Feda
Alinma Real Estate Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Real Estate Fund	Private Offer	Non-Independent Member	-----	-----
Daniyah Makkah Hospitality Fund	Private Offer	Non-Independent Member	-----	-----
Alinma AlThoraya Real Estate Fund	Private Offer	Non-Independent Member	-----	-----
Al Qairawan Logistic Fund	Private Offer	Non-Independent Member	-----	-----
Dahaban Real Estate Fund	-	Non-Independent Member	-----	-----
Alinma Wadi Alhada Fund	-	Non-Independent Member	-----	-----
Alinma Income Generating Opportunities Fund	Private Offer	Non-Independent Member	Non-Independent Member	-----
Alinma Madinah Real Estate Fund	-	Non-Independent Member	-----	-----
Alinma Muhammadiyah Real Estate Fund	-	Non-Independent Member	-----	-----
Alinma Private Family Fund 23-1	Private Offer	Non-Independent Member	-----	-----
Alinma Al-Taif Real Estate Fund	-	Non-Independent Member	-----	-----
Alinma Sakani Fund	Private Offer	Non-Independent Member	-----	-----
Alinma AlKhober Real estate Fund	-	Non-Independent Member	-----	-----

<b>Alinma AlJazerah vehicles Fund</b>	-	Non-Independent Member	-----	-----
<b>Alinma Ajead Real Estate Fund</b>	-	Non-Independent Member	-----	-----
<b>Alinma Diversified Saudi Riyal Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Emerging Markets Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Masharif Al Awali Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Alinma Logistic Park Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Alinma Makkah 1st Development Fund</b>	Private Offer	Non-Independent Member	Independent Member	-----
<b>Alinma Makkah 2nd Development Fund</b>	Private Offer	Non-Independent Member	Independent Member	-----
<b>Alinma Almohamadia RE Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Alinma Logistic District Fund</b>	Private Offer	Non-Independent Member	Independent Member	-----
<b>Alinma Riyadh View Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Alinma Wareef Endowment Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Enayah Endowment Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Bir Ariyadh Waqf Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>AOrphan Care Endowment Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alqassim Waqaf Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Alinma Multi-Asset Balanced Fund For Monthly Distribution</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Saudi Riyal Liquidity Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Saudi Equity Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma IPO Fund</b>	Public Offer	Non-Independent Member	-----	-----
<b>Alinma Aljazira 1st Fund</b>	Private Offer	Non-Independent Member	-----	-----
<b>Investment in Hajj and Umrah Fund</b>	Private Offer	Non-Independent Member	-----	-----

Alinma Mosques Endowment Fund	Public Offer	Non-Independent Member	-----	-----
Alinma Dhahiat Alriyadh Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Equity Private Fund-1	Private Offer	Non-Independent Member	-----	-----
Family Private Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Retail REIT Fund	Public Offer	Non-Independent Member	-----	-----
Alinma North Riyadh RE Fund	Private Offer	Non-Independent Member	-----	-----
Alinma North Jeddah RE Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Al Khumra RE Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Hospitality REIT Fund	Public Offer	Non-Independent Member	-----	-----
Alinma Masharif Al Awali Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Makkah 1st Development Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Makkah 2nd Development Fund	Private Offer	Non-Independent Member	-----	-----
Alinma Endowment Investment Fund	Public Offer	-----	-----	Independent Member
King Khalid University Endowment Fund	Public Offer	-----	-----	Independent Member

## 25. Shariah Committee:

### a. Names and Qualifications of Shariah Committee Members:

#### 1) Sh. Dr. Mohammed Ali Elgari – Chairman

Former Professor in Islamic Economy at King Abdulaziz University in Jeddah, SA, and former Manager of Islamic Economics Research Center at the same University. He has a PhD in Economics from the University of California. He earned the international prize in Islamic banking and finance services from Islamic Development bank (IsDB) in 2004. He is a member of the Sharia Board of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and a member of many other Sharia committees in multiple banks and financial Institutions both local and global.

#### 2) Sh. Dr. Yousef Abdullah Alshubaily – Member

A Professor in Islamic Comparative Figh at the Higher Judicial Institute, and He has a PhD in Comparative Figh from the Same Institute. He is a member of the Sharia Board of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and a member of many other Sharia committees in multiple banks and financial Institutions both local and global.

**3) Sh. Yasser AbdulAziz Almarshadi – Member**

A General Secretary of the Sharia Board and the General Manager of Alinma Bank. He is a member of the Sharia Standards Committee of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He has 20 years' experience in Islamic Banking.

**b. The roles and responsibilities of Shariah Committee:**

- Studying and revising the Fund Terms and Conditions, objectives, and investment policies to ensure compliance with the Shariah provisions and controls.
- Preparing the Sharia criteria to be followed by the Fund upon Investments.
- Set appropriate criteria for choosing Shariah-compliant transactions in which the Fund Manager may invest its available liquidity as short-term investments.
- Provide appropriate criteria for the Fund Manager with regards to exit deductions, if any.
- Supervise investments in compliance with the approved Shariah guidelines.
- Provide Shariah opinion with regards to the Fund's compliance with the Shariah provisions and controls.
- Respond to inquiries from the Fund Manager regarding the Fund's Investments and activities.

**c. Details on the remuneration of the Shariah Committee Members:**

None (for the time being).

**d. Details of the standards used to determine the Shariah-compliant assets to be used for investment, and the periodic review of such assets, and the procedures in the event of non-compliance with the Shariah standards:**

• **Shariah Principles:**

The Fund Manager shall comply with the provisions and controls of the Shariah Committee in conducting all the Fund transactions. Some of the most highlighted provisions and controls are:

- The Sukuk where the Fund invests must be Shariah-compliant.
- In regard to the Murabaha transactions, the Fund shall comply with the Shariah Committee approved provisions and controls in conducting such transactions.
- If there was any non-Shariah compliant income in the assets where the Fund Manager invested, the Fund Manager is obligated to dispose of the non-Shariah compliant income in accordance with the Shariah Committee instructions regarding its amount and the disbursement channels where it goes to.
- The abovementioned controls are based on discretion, and subject to be reviewed if needed. If any changes are made to equity investments' guidelines by the Shariah Committee, the Fund Manager shall comply with the latter controls in conducting the Fund's investments.

• **Periodical supervision on the Fund:**

The Fund's invested assets are periodically studied to ensure their compliance to Shariah controls approved by Shariah Committee.

• **Procedures followed in case of non-compliance with the Shariah Principles:**

If any of the Fund's assets did not comply with the Shariah Principles, the Fund Manager will immediately stop buying new assets of such and sell the assets it holds as soon as possible to ensure Fund's best interests.

**26. Zakat and Tax Advisor:**

**a) Zakat and Tax Advisor's Name:**

Deloitte & Touche Bakr Abulkhair & Co

**b) Registered address and business address of the Zakat and Tax Advisor:**

**Address:** Prince Turki Bin Abdullah Al-Saud Street - Sulaimania Area 213, Riyadh 11411, Kingdom of Saudi Arabia.

**Telephone:** +966-11-282-8400

**Fax:** +966-11-293-0880

**Website:** [www.deloitte.com.sa](http://www.deloitte.com.sa)

- c) **Primary role and responsibility of the Zakat and Tax Advisor:**  
Register the Fund with the GAZT, issue the Zakat and income certificate, issue a VAT registration certificate, calculate and provide necessary consultation and guidance with regards to taxes and zakat due on the Fund, as well as filing zakat and tax returns to the GAZT.
- d) The Fund Manager is entitled to remove or replace the Zakat and Tax Advisor after obtaining the Fund Board's approval.

## 27. Auditor:

- a) **Auditor's Name:**  
Alluhaid & Alyahya Chartered Accounts (LYCA)
- b) **Registered address and business address of the Auditor:**  
**Address:** P.O. 85453 Riyadh 11691  
Kingdom of Saudi Arabia.  
**Telephone:** +966-11-268-3516  
**Fax:** +966-11-269-4419  
**Website:** [www.lyca.com.sa](http://www.lyca.com.sa)
- c) **The primary role and responsibility of the auditor:**  
The Fund Manager shall appoint the Auditor to conduct the financial auditing for the Fund's transactions. The Auditor will audit and review the financial statements a year from the Fund's establishment and may be reviewed before. The Auditor is an independent auditor and licensed to carry its duty in the Kingdom of Saudi Arabia according to the Independency Standards by the Saudi Organization for Certified Public Accountants. The Auditor shall conduct the limited review of the Fund's semi-annual financial statements as per the approved auditing standards. The Limited Review consists mainly of applying analytical procedures to the Fund's financial information and inquiring from the Fund's responsible officers for financial and accounting matters.  
Auditor's functions, duties, and responsibilities with regards to the audit of the Fund's information:
  - 1) Review the Fund's unaudited semi-annual financial statements
  - 2) Review the Fund's annual financial statements and provide its opinion with regards to the extent of the compliance of the accounting standards used in preparing the Fund's financial statements with the standards of the Saudi Organization for Certified Public Accountants ("SOCPA").
  - 3) Providing the accounting advice on the appropriate accounting procedures to handle the Fund's financial transactions.
  - 4) Ensuring the Fund's Financial transactions are in compliance with the correct policies and procedures approved by the Fund.
  - 5) Auditing the Fund's financial transactions and ensure their accounting treatment and that such has been conducted according to the accounting standards of the Saudi Organization for Certified Public Accountants ("SOCPA").
  - 6) Preparing the financial statements for the Fund in Arabic and in a semi-annual basis at least and must be reviewed in accordance with the standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA"), and a copy of the financial statements may be prepared in any other language. If there is any discrepancy between such versions, the Arabic version shall prevail.
- d) **Provisions governing the replacement of the investment Fund's auditor:**
  - 1) There are any outstanding and significant allegations of professional misconduct in relation to audit functions by the Auditor.
  - 2) The Auditor of the Fund ceases to be an independent auditor.
  - 3) The Fund Board determines that the Auditor does not have sufficient qualifications and experience to perform satisfactory auditing functions.
  - 4) If the Capital Market Authority, in its absolute discretion, instruct to replace the Auditor appointed in relation to the Fund.

## 28. Fund's Assets:

- a) The Custodian shall keep Fund's assets for the Investment Fund, whereas the custodian shall open a separate account in a local bank under its name with the account designated as being for the benefit of the relevant investment Fund.
- b) The custodian must segregate each investment Fund's assets from its own assets and from the assets of its other clients, and must separately identify, by registration in the name of the custodian for the benefit of the relevant investment Fund the securities and other assets of such investment Fund. Furthermore, he must maintain all necessary records and documents to support the performance of its contractual responsibilities related to the Fund as stipulated in the Investment Funds Regulations (and any amendments thereto from time to time).
- c) The assets of an investment Fund shall be owned collectively by the unitholders in that Fund. A Fund manager, Fund sub-manager, custodian, sub-custodian, advisor or distributor (if any) may not have any interest in or claims against such assets, other than, when the Fund manager, Fund sub-manager, Fund operator, custodian, sub-custodian, advisor or distributor is a unitholder (within the limits of its ownership), or for claims permitted under these Regulations and disclosed in the Fund's Terms and Conditions.

## 29. Complaints procedures:

- If the investor has any complaint regarding the services related to the Fund, the investor shall send it to the following address:
  - Customer Services - Alinma Capital Company - Contact: 8004413333, E-mail: [info@alinmacapital.com](mailto:info@alinmacapital.com)
- The unitholder is entitled to submit his complaint to Investor Protection Department at the Capital Market Authority. Investor may also submit the complaint to the Committee for the Resolution of Securities Disputes after (90) calendar days as of the date of submitting the complaint to the Capital Market Authority, unless otherwise notified by the Capital Market Authority to submit the complaint to the Committee for the Resolution of Securities Disputes before the lapse of this period.

## 30. Other Information:

- a) The policies and procedures to be followed in addressing conflicts of interests or any potential and/ or actual conflicts of interests will be made available upon request.
- b) The Committee for the Resolution of Securities Disputes is the body that has the jurisdiction to adjudicate disputes arising from investing in the investment Funds.
- c) **A list of documents available for unitholders:**
  - 1) Fund Terms and Conditions.
  - 2) Contracts mentioned in the Fund Terms and Conditions.
  - 3) The Fund Manager's financial statements.
- d) To the best knowledge of the Fund Manager and the Fund Board, there are no other information that has not been included in the Fund Terms and Conditions that ought reasonably to be known to the Fund Manager or the Fund Board and that unitholders, potential unitholders and their professional advisors might reasonably require or expect to be included upon which an investment decision is to be made.
- e) **Any waivers from limitations in the Investment Funds Regulations approved by the Capital Market Authority, except those stipulated in investment policies and practices:**

Pursuant to the Capital Market Law issued by Royal Decree No. M/30, the Investment Funds Regulations were amended by the Capital Market Authority's Board Resolution No. 2 - 22 - 2021 dated 12/7/1442 H corresponding to 24/2/2021 G, accordingly, the amendment was made to Article (66) Paragraph (g) of the previous Investment Funds Regulations, which shall be excluded upon establishing the Fund, to be similar to Article (71) paragraph (e) of the amended Investment Funds Regulations. This amendment also includes the validity of the exclusion which is entitled to the Fund Manager upon establishing the Fund and offering its units.

### 31. Additional Information Requirements for Certain Types of Funds (ETF):

#### Exchange Traded Fund:

1. By subscribing to the Units of Alinma Saudi Government Sukuk ETF, the Unitholders agree to the Fund's terms and conditions.
2. **The valuation points of the indicative net asset value and net asset value per unit:**

There will be an indicative valuation of the Fund's Indicative Net Asset Value and the Indicative Net Asset Value per Unit every 15 seconds during trading hours.

The same method used for calculating the Fund's Net Asset Value and Unit price will be executed to calculate the Fund's Indicative Net Asset Value and the Indicative Net Asset Value per unit using the assets and liabilities values during trading hours.
3. **Market Maker Information and Details of Market Making Requirements**
  - Alinma Capital Company, a Saudi closed joint-stock company holding Commercial Registration No. 1010269764 and authorized by the Capital Market Authority as per License No. 37-09134.
  - Head Office: Al Anoud Tower-2, King Fahd Road, Al-Olaya, P.O. Box: 55560, Riyadh 11544, Kingdom of Saudi Arabia.  
Phone: +966 11 218 5999  
Fax: +966 11 218 5900  
Website: [www.alinmacapital.com](http://www.alinmacapital.com)
  - Functions of the Market Maker:
    - 1) Provide initial (primary market) liquidity to establish the Fund Units by creating the ETF units and offering such in the market.
    - 2) Maintain the trading price at the units' fair value where the supply and demand volatility margin shall not exceed 0.10% of the latest unit price declared, and the Fund Manager shall facilitate the creation and redemption of the ETF units and liaise with the Market Maker, the Custodian and the Exchange to ensure price stability.
    - 3) Contribute to the stability of the price and demand for the Fund's units in the market by affecting the magnitude of the supply or demand as appropriate.
    - 4) Carry on its duty and bond to make the market and balance the ETF units buy and sell prices at the fair value and within a spread of up to SAR 500,000,000 or its equivalent from the units and sukuk inventory on a daily basis to ensure the continued availability of the units.
    - 5) In case of in-kind based unit transactions executed between the Fund Manager and the Market Maker for the purpose of creating or cancelling the underlying units, the basket will be valued using the same method of valuing the Fund's Sukuk (as aforementioned in Clause 6-A "Valuation and Pricing"). Thus, the Market Maker will depend on the latest Indicative Net Asset Value price declared when creating or cancelling units during and before trading hours.
4. **There is no guarantee of the accuracy or conformity of Fund performance and index performance**
5. **Circumstances that may lead to errors in tracking the performance of the index:**
  - Due to the lack of sufficient liquidity in the market for the constituent sukuk of the index followed, this may lead to errors in tracking the performance of the index.
  - In the case of pricing errors at the Saudi Stock Exchange (Tadawul) website, which may cause errors in tracking the performance of the index.
6. **A brief description of index methodology\rules with an indication of the means by which the unitholders could obtain the latest information, news and components of the index:**

The benchmark (Alinma Saudi Domestic Sovereign Sukuk Index – By IdealRatings) is designed to reflect the performance of the government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia. The index rules have been set to cover a broad spectrum of government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia. The Fund index will be calculated for the current day as follows:

  - The weight of a single sukuk is calculated as at close of the preceding day
  - The return of each single sukuk is calculated for the current day by comparing the change percentage in the market value of the sukuk and the accumulated returns on the current day to the sukuk market value and accumulated returns on the preceding day (whereas the sukuk

market value is the sukuk price as mentioned below in “Sukuk Prices” multiplied by the issuance size).

- The weight of each single sukuk at the end of the preceding day is multiplied by its return on the current day; then, the obtained outcome is added to each of the benchmark, which will result in the benchmark return on the current day
- The index return on the current day is multiplied by the benchmark value on the preceding day, which will result in a value that represent the index percentage change in the benchmark on the current day
- The index percentage change on the current day is added to the index percentage change on the preceding day, which will result in the index value by the end of the current day  
The benchmark index value will be at 100 upon commencement of index operation  
The benchmark value was updated on 31/10/2021 G. as per a nominal value after fragmenting the unit. Therefore, the value of the benchmark becomes 10.

The premises of one of the index providers, which is IdealRatings company (IDEALRATINGS), is located in San Francisco; thus, and upon the launch of the index, the service provider's business days will be from Monday to Friday. Accordingly, Sunday prices of the index components will be available before market trading hours on Monday. The index will be calculated every day except for weekends, Fridays and Saturdays, and market official holidays for the benchmark index (Alinma Saudi Domestic Sovereign Sukuk Index – By (IdealRatings)).

The following standards will be maintained when choosing the index components from the basket of government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia:

- The type of the single sukuk
- The issuer
- The outstanding amount

#### **1-1 Information available for the Index calculations:**

- The information used in the index calculations are obtained from the sukuk prospectus. The accuracy of such information shall be verified by comparing such information against the Tadawul metadata base.
- The index is a weighted index where the weight of each single sukuk equals its market value divided by the total market values of the sukuk comprising the Benchmark Index.

#### **1-2 Sukuk Prices:**

The sukuk prices used to calculate the index are provided by the index provider, as per the below method:

- 1) Government Sukuk listed in the Saudi Stock Exchange (Tadawul) will be valued based on the most recent transaction price conducted in the exchange on the valuation day in question.
- 2) If no transactions are conducted for the Sukuk in question on that day, the index provider will use the PAR value.
- 3) As for the purpose of valuing the Sukuk listed on the Tadawul or on an automated quotation system (Bloomberg System) where the conditions of that market or system would not allow the valuation of such sukuk according to the aforementioned sub-clauses (1) and (2), those Sukuk will be valued based on the book value in addition to any accrued profits of such Sukuk up to the valuation day.

#### **1-3 Rebalancing:**

The Sukuk constituting the Fund shall be rebalanced on monthly basis, on the last working day of the month after closing the transaction in line with the rebalancing process applied for the index. Such a process will aim to ensure that the Fund's objectives for distributing long-term returns can be appropriately met.

#### **1-4 Index Information:**

Alinma Saudi Domestic Sovereign Sukuk Index – By IdealRatings is a weighted index comprising local government Sukuk issued by the government of Saudi Arabia and meet the following conditions:

- Listed in the main market

- Sukuk with a fixed return
- Sukuk are Equity Based, Debt Based and Hybrid Based
- Sukuk are Asset Backed and Asset Based
- Each issuance of such Sukuk must be worth one hundred (100) million US dollars or more, or its equivalent in Saudi riyals.
- Sukuk is traded at least 4 days within the past 30 days for new issuances, and 10 days within the last 90 days for existing issuances

The components of the index shall be modified when rebalancing the index by the end of each quarter. The index assets shall be valued as detailed in the Article “Valuation and Pricing”.

The index information will be disseminated on the business day following the valuation day in question on the Fund Manager’s official website [www.alinmacapital.com](http://www.alinmacapital.com) and the Exchange website [www.tadawul.com.sa](http://www.tadawul.com.sa). In the event of technical errors at any of those websites, the Fund Manager will disseminate such publications as soon as reasonably practicable.

Investors can also have access to the index data through the website of Saudi Stock Exchange (Tadawul) [www.saudiexchange.sa](http://www.saudiexchange.sa).

**7. Any circumstances that may affect accuracy and integrity of Index calculations:**

In event of any circumstances that may affect accuracy and integrity of Index calculations, the Fund Manager will seek required procedures without prejudice to unitholder’s rights in the Fund.

**8. Fund Manager Plan in Case Index Calculation is Suspended by Index Provider:**

In event of that Index Provider is unable to continue to provide the Benchmark Index service, the Fund Manager will seek to move to another Index Provider in a reasonable time frame, noting that the index will not be changed, and will be reviewed annually to evaluate the appropriateness of Index in serving the overall purpose of achieving Fund investment objectives.

**9. Index Margin of Deviation Factor:**

The Fund Manager will work on preserving a margin of deviation factor (against the index performance) to prevent the margin from exceeding %1.00 per annum (after fees and liabilities) while minimizing the margin of deviation between the Fund’s performance and the Index performance to the least possible. However, there is no guarantee that the Fund Manager will be able to mimic the performance of the index.

### 32. Unitholder Declaration:

I declare that I have read the Terms and Conditions of Alinma Saudi Government Sukuk ETF, and agree to consent to the Units characteristics in which I subscribed, have understood and agreed thereon and have received a copy of these Terms and Conditions, and will sign accordingly.

Name/Authorized Signatory:

Job Title (for companies and institutes):

Signature:

Date:

Stamp (for companies and institutes):

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The Fund Manager has accepted and acknowledged these Terms and Conditions in the date set below.  
Alinma Capital Company

Name:

Job Title:

Date: