

This Prospectus was approved by the BMA on 12 January 2005.

THE BAHRAIN MONETARY AGENCY AND THE BAHRAIN STOCK EXCHANGE OF THE KINGDOM OF BAHRAIN TAKE NO RESPONSIBILITY FOR THE ACCURACY OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS PROSPECTUS OR FOR THE PERFORMANCE OF THIS FUND, NOR SHALL THEY HAVE ANY LIABILITY TO ANY PERSON, AN INVESTOR OR OTHERWISE, FOR ANY LOSS OR DAMAGE RESULTING FROM RELIANCE ON ANY STATEMENT OR INFORMATION CONTAINED HEREIN.

## PROSPECTUS

### AL-TAWFEEK ARAB TELECOMMUNICATION FUND

*(An open-ended collective investment scheme registered under the laws of the Kingdom of Bahrain by Al-Tawfeek Arab Telecommunication Fund Company B.S.C. (C))*

**Offer of up to 5,000,000 Units each valued at US\$ 100 during the Initial Offering Period and thereafter at the subscription price per unit on each Subscription Day**

#### **Sponsor, Registrar & Placement Agent**

Al-Tawfeek Company For Investment Funds Limited  
*A Member of the Dallah AlBaraka Group*

#### **Investment Manager**

EFG-Hermes Financial Management (Egypt) Limited

#### **Administrator & Custodian**

Gulf Clearing Company B.S.C. (C)

#### **Sub Placement Agent**

AlBaraka Islamic Bank (Bahrain)

**The date of this Prospectus is 12 January 2005**

*Potential Investors are advised to take professional advice in relation to the contents of this Prospectus*

THE DIRECTORS OF THE FUND, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT THE INFORMATION AND COMPLETENESS OF THIS PROSPECTUS.

This Prospectus does not constitute an offer or solicitation of Units in any jurisdiction in which such offer or solicitation is not authorised. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

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

## GENERAL GUIDELINES

*Minimum Subscription Amounts:*

*Individuals: US\$ 25,000*

*Institutions: US\$ 100,000*

*The securities described herein involve a medium to high degree of capital risk.*

*The Fund is registered with the Bahrain Monetary Agency (the "BMA").*

*Registration with the BMA does not imply protection from loss.*

*The Fund is an open-ended collective investment scheme.*

*This Prospectus contains full, true and plain disclosure of material facts relevant to the Fund.*

*Past performance is not a guarantee of future returns.*

*The purchase of Units is not the same as placing cash on deposit with a bank  
and the Fund has no obligation to redeem Units at their offering value.*

*The value of the Units and the income, if any, from them can increase as well as decrease  
and Investors are not guaranteed their principal and may not on exit redeem the amount of money  
invested.*

*Applications for Units are subject to acceptance by the Fund Company.*

*This Prospectus is not for use or distribution in the United States of America or to US Persons.*

## NOTICE TO INVESTORS

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

This Prospectus is being furnished to Investors primarily in GCC Countries so that they may consider the opportunity to purchase the Units. This Prospectus is the lawful property of the Fund Company. Hence, it may not be distributed or copied, as a whole or in part, nor may any of its contents be disclosed without prior written permission from the Fund Company.

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

The Fund is not registered under the United States (“US”) Investment Company Act of 1940, as amended. EFG-Hermes Financial Management (Egypt) Limited, as Investment Manager, Al-Tawfeek Company For Investment Funds Limited, as Sponsor and Al-Tawfeek Arab Telecommunication Fund Company B.S.C. (C) as, the Fund Company, are not registered under the US Investment Advisers Act of 1940, as amended.

The Units being offered may not be purchased or held by, or purchased or held for the benefit of, any Non-Qualified Person (as defined hereinafter) at any time. **‘Non-Qualified Person’** means any person to whom a transfer to or holding by such person of Units would:

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

Under Bahrain Law, an application must be made to the BMA to obtain its consent to offer Investors in the Kingdom of Bahrain participation in a new or in an existing investment fund. The offering of the Units and this Prospectus were approved by the BMA on 12 January 2005.

Under Bahrain Law, the Fund is subject to periodic financial reporting requirements pursuant to which the Fund’s un-audited semi-annual and audited annual statements must be filed with the BMA. The Fund’s financial statements will be made available to Investors upon request.

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

Neither the Fund nor the Units are or will be registered under the US federal securities laws. The Units are offered outside of the US to Investors who are not US Persons (as defined). This Prospectus may not be delivered in the US, its territories or possessions to any prospective Investor except in a

transaction, which does not violate applicable US laws. No person (whether or not a US Person) may originate a purchase order for Units from within the US.

The Fund Company, in its sole discretion, may reject any subscription for Units, in whole or in part, at any time prior to acceptance thereof. Furthermore, the Fund Company may at any time and at its discretion redeem the Units and distribute to Investors their respective share of the proceeds thereof.

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

Investing in the Fund involves a medium to high degree of risk. The Fund is an open-ended collective investment scheme designed for Investors seeking a return on their investments that is in excess of returns on short-term bank deposits. The Fund will purchase and sell listed and unlisted equity and equity related securities of telecommunications and related infrastructure companies established or operating in the Middle East and Africa. Companies in other countries may be added to the investment universe if the Fund Company perceives that they offer attractive investment opportunities. Investors should nonetheless be able to bear the economic risks of their investment in the Fund, including all or part thereof, and should not be dependent upon any returns from such investment for any basic financial needs.

The business of the Fund shall at all times be conducted in a manner that complies with guidelines relating to Shari'ah. Shari'ah prohibits the Fund from paying or receiving interest, although the receipt of dividends from companies is acceptable.

However, returns derived from the Fund's investments may comprise an amount, which is attributable, for Shari'ah purposes, to impure income earned or received. Where this is the case, the amount of any return, which is so attributed, will be calculated in accordance with the Shari'ah criteria approved by the Shari'ah Board and donated periodically by the Fund to charities, with no direct or indirect benefit accruing to the Fund or any of its Investors ("Purification").

It is also possible that the Shari'ah investment restrictions placed on investments may result in the Fund performing less well than funds with similar investment objectives but which are not subject to such limitations.

The Fund Company or the Fund shall not calculate or pay or be responsible for calculation or payment of Zakah on the Investor's investment in the Fund or on any capital appreciation derived thereof. The payment of Zakah shall be the sole responsibility of the Investors.

**The contents of this Prospectus should not be construed as investment, legal or tax advice. Each potential Investor must seek independent investment, legal and tax advice with respect to the implications of investing in the Fund.**

**All the information in this Prospectus is given as of the date hereof, unless expressly otherwise specified herein.**

## Table of Contents

<b>Contents</b>	<b>Page</b>
I. Definitions .....	5
II. The Fund .....	8
III. Management and Professional Services .....	16
IV. Units.....	24
V. Determination of Net Asset Value.....	28
VI. Fees and Expenses .....	29
VII. Risk Factors.....	31
VIII. Directory .....	35
IX. Appendix A.....	36

## I. DEFINITIONS

<b>Administration Agreement</b>	The Administration Agreement between Gulf Clearing Company B.S.C. (C) and the Fund Company dated 31 January 2005, in connection with the Fund;
<b>Administrator</b>	Gulf Clearing Company B.S.C. (C), a closed joint stock company incorporated under the laws of Bahrain under registration number 50682 on 29 April 2003, or any successor appointed by the Fund Company with the approval of the BMA;
<b>Al-Tawfeek</b>	Al-Tawfeek Company For Investment Funds Limited;
<b>Application</b>	The Subscription Agreement and any required documents as per Bahrain Anti-Money Laundering Legislation and any accompanying information executed by a prospective investor for the purpose of subscribing to Units in the Fund, subject to the approval of the Fund Company;
<b>Article or Articles of Association</b>	The Articles of Association of the Fund Company;
<b>Bahrain</b>	The Kingdom of Bahrain;
<b>Bahrain Law</b>	The laws and regulations in force in Bahrain;
<b>BMA</b>	The Bahrain Monetary Agency;
<b>BMA Approval</b>	The BMA letter dated 12 January 2005, approving the formation and marketing of the Fund;
<b>Business Day</b>	A day on which banks are open for business in the Kingdom of Bahrain, Egypt and Saudi Arabia;
<b>Closing Date</b>	The closing date for receipt of subscription monies pursuant to the Initial Offering, being 23 April 2005, or such later date as the Directors may determine;
<b>Custodian</b>	Gulf Clearing Company B.S.C. (C), a closed joint stock company incorporated under the laws of Bahrain under registration number 50682 on 29 April 2003 or any successor appointed by the Fund Company with the approval of the BMA;
<b>Custody Agreement</b>	The Custody Agreement between Gulf Clearing Company B.S.C. (C) Limited and the Fund Company dated 31 January 2005, in connection with the Fund;
<b>Directors</b>	The Directors of the Fund Company;
<b>Effective Date</b>	The day on which the BMA Approval is issued;

<b>Fund</b>	Al-Tawfeek Arab Telecommunication Fund, an open-ended collective investment scheme established as a contractual arrangement between the Fund Company and the Investors, registered with and supervised by the BMA;
<b>Fund Company</b>	Al-Tawfeek Arab Telecommunication Fund Company B.S.C. (C) a closed joint stock company incorporated with limited liability under the laws of Bahrain;
<b>GCC Countries</b>	Member countries of the Gulf Cooperation Council currently including: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates;
<b>Initial Offering Period</b>	23 March 2005 to 23 April 2005;
<b>Instrument</b>	The Fund established by the Fund Company through the Instrument dated 31 January 2005;
<b>Investment Management Agreement</b>	The Investment Management Agreement between the Fund company and EFG-Hermes Financial Management (Egypt) Limited dated 31 January 2005, in connection with the Fund;
<b>Investment Manager</b>	EFG-Hermes Financial Management (Egypt) Limited, a Company incorporated in and under the Laws of Bermuda under registration number 22174 on 19 July 1996 or any successor appointed by the Fund Company with the approval of the BMA;
<b>Investors</b>	Holders of Units in the Fund including institutional and individual investors;
<b>Maximum Fund Size</b>	US\$ 500 million;
<b>Memorandum of Association</b>	The Memorandum of Association of the Fund Company;
<b>Minimum Fund Size</b>	US\$ 15 million;
<b>Minimum Subscription</b>	The minimum subscription amount in the Fund is US\$25,000 for individuals and US\$ 100,000 for institutions. The minimum amount for any additional subscription will be US\$ 5,000 for individuals and US\$ 25,000 for institutions. The minimum amounts are inclusive of the placement fee.  The Directors of the Fund at their sole discretion, may change the minimum subscription or additional subscription amount;
<b>Net Asset Value</b>	The net asset value of the Fund as described in the section titled "Determination of Net Asset Value";
<b>Placement Agent</b>	Al-Tawfeek Company For Investment Funds Limited, an exempted company incorporated in and under the Laws of the Cayman Islands under registration number 43250 on 28 May 1992, or any successor appointed by the Fund Company with

	the approval of the BMA;
<b>Prospectus</b>	This Prospectus as may be amended from time to time by the Fund Company and approved by the BMA;
<b>Quarter</b>	A period of three months ending on the last day of March, June, September and December of each year, the first of which shall be the Quarter during which the Effective Date occurs;
<b>Redemption Day</b>	The last Valuation Day of each calendar month;
<b>Registrar</b>	Al-Tawfeek Company For Investment Funds Limited, an exempted Company incorporated in and under the Laws of the Cayman Islands under registration number 43250 on 28 May 1992, or any successor appointed by the Fund Company with the approval of the BMA;
<b>Shari'ah Board</b>	<p>Provided by Al-Tawfeek Company for Investment Funds Limited, consisting of:</p> <ul style="list-style-type: none"> <li>(i) Sheikh Dr. Abdul Sattar Abu Ghuddah (Chairman);</li> <li>(ii) Sheikh Abdullah Bin Suleiman Al-Manai (Member);</li> <li>(iii) Sheikh Dr. Abdul Latif Al Mahmoud (Member);</li> <li>(iv) Dr. Ahmed Mohieldin Ahmed (Member);</li> <li>(v) Dr. Ezzedine Ben Mohamed Khouja (Member);</li> </ul>
<b>Sponsor</b>	Al-Tawfeek Company For Investment Funds Limited, an exempted Company incorporated in and under the Laws of the Cayman Islands under registration number 43250 on 28 May 1992, or any successor appointed by the Fund Company with the approval of the BMA;
<b>Subscription Day</b>	<p>A Business Day which is either:</p> <ul style="list-style-type: none"> <li>(i) during the Initial Offering Period; or</li> <li>(ii) on each Valuation Day thereafter;</li> </ul>
<b>Units</b>	Non-voting units in the Fund;
<b>US\$</b>	The United States Dollar, the legal currency of the United States of America;
<b>US Person</b>	A US Person as defined in Regulation S under the US securities Act of 1933 as amended from time to time; and
<b>Valuation Day</b>	The fifteenth and the last day of each calendar month. Where any such day is not a Business Day in Bahrain, the Valuation Day is the immediate preceding Business Day.

## II. THE FUND

### **The Fund**

The Fund is an open-ended investment fund, created by the Fund Company and established for a period of 25 years as a collective investment scheme pursuant to the regulations for operation and marketing of collective investment schemes issued by the BMA, Circular No. OG/356/92 of 18 November 1992 and subsequent supplementary circulars. The Fund has been approved and will be regulated by the BMA.

The Fund is a contractual arrangement between the Fund Company and the Investor. Such contractual arrangement will be registered with and supervised by the BMA. As such, the Fund does not have a separate legal status for purposes of Bahrain Law.

The Fund will provide Unitholders with the opportunity of investing in a Shari'ah compliant manner in listed and unlisted equity and equity related securities of telecommunication and related infrastructure companies and in a manner described in the section titled "**Investment Policies and Guidelines**".

There will be one ordinary class of Units only with a value of US\$ 100 each during the Initial Offering Period. Unit valuation after the Closing Date will be according to the Unit value declared on each Valuation Day thereafter and computed on the basis of the Fund's Net Asset Value.

Units are available for subscription in US\$'s only and the Minimum Subscription amount is US\$ 25,000 for individual Investors and US\$ 100,000 for institutions. The minimum amount for any additional subscription will be US\$ 5,000 for individuals and US\$ 25,000 for institutions subject to and in the manner described in the section titled "**Units**".

Redemption is not permitted in the first 12 months after the closing date. For subscriptions made after the closing date, redemptions may only be effected after 12 months from the date of subscription subject to and in the manner described in the section titled "**Units**".

The minimum Fund size will be US\$ 15 million and the maximum US\$ 500 million. If the minimum Fund size is not subscribed, at the discretion of the Fund Company, the Fund may be terminated and all amounts received from the Subscription shall be returned. The maximum Fund size may be increased at the discretion of the Fund Company.

The Fund, being open-ended, will offer Units on a continuous basis through the Placement Agent and the sub placement agents authorised by the Placement Agent. The Fund may seek listing on the stock exchanges of any GCC Countries where its Units may be traded; it is currently contemplated that the Fund will be listed on the Bahrain Stock Exchange at the outset.

Instead of paying dividends the Fund intends to reinvest income and capital gains, which will be reflected in the Fund's Net Asset Value per Unit. Other than upon liquidation, it is not anticipated that distributions will be made by the Fund.

In the normal course and to achieve its investment objective the Fund shall endeavor to remain fully invested. However, the Fund may maintain sufficient liquidity to satisfy investor redemptions and expenses. Funds not invested in securities included in the Fund may be invested in Shari'ah compliant short-term liquid investments, which may include short-term Shari'ah compliant investment products offered by Al-Tawfeek, its affiliates and other unrelated companies and funds approved by the Fund Company.

Investing in the Fund involves a medium to high degree of capital risk. As with any investment fund, there can be no assurance that the Fund will be profitable. Past performance of the Fund is not indicative of future returns. For more detailed risk factor information regarding the Fund, see the section titled “**Risk Factors**”.

Proposed changes to this Prospectus must be made by the Fund Company and will be subject to the approval of the BMA.

For more information on these and other important matters related to the management and administration of the Fund, see the section titled “**Management and Professional Services**”.

### **Fund Company**

Al-Tawfeek Arab Telecommunication Fund Company B.S.C. (C), a closed Bahrain Shareholding Company and approved by the BMA and the Ministry of Commerce in the Kingdom of Bahrain, with Commercial Registration No. 55598 and with a registered address C/o. Qays H. Zu’bi Attorneys and Legal Consultants at P.O. Box 2397, Manama, Kingdom of Bahrain. The primary objective of the Fund Company is to create and manage the Fund and to execute agreements as may be necessary or desirable to attain such objectives.

The issued capital of the Fund Company is US\$ 2,650 (two thousand six hundred and fifty) and has been fully subscribed for by Al-Tawfeek Company For Investment Funds Limited (99%) and AlBaraka Investment & Development Company, Saudi Arabia (ABID) (1%).

Al-Tawfeek and ABID are members of the Dallah AlBaraka Group, which is one of the largest conglomerates in Saudi Arabia with total assets in excess of US\$ 12 billion, operating from more than 40 countries.

While the Directors have overall responsibility of the Fund they are not responsible for the day-to-day operations and administration of the Fund. These have been delegated to the Investment Manager and the Administrator.

The fixed duration of the Fund Company is 25 calendar years commencing from the date of Company registration at the Commercial Registry and the publication of the Memorandum of Association in the Official Gazette of Bahrain. This duration may be extended by a resolution to be adopted by an Extraordinary Meeting of the General Assembly with the approval of the Minister of Commerce in Bahrain.

### **Investment Objective**

The investment objective of the Fund is to achieve long-term capital appreciation, whilst adhering to the principles of Shari’ah. The Fund will seek to achieve this objective by investing in listed and unlisted equity and equity related securities of telecommunications and related infrastructure companies established or operating in the Middle East and Africa as per Shari’ah guidelines outlined below. Companies in other countries may be added to the investment universe if the Fund Company perceives that they offer attractive investment opportunities.

### **Investment Rationale**

#### *Cellular Telecommunications*

The telecommunications sector in the Middle East and Africa is in the early stage of the industry life cycle. Demand is growing and successful experience witnessed in developed markets is being replicated in the Middle East and Africa. Technological developments and increasing demand from subscribers are reassuring the repetition of developed countries’ trends.

The telecommunications sector in the Middle East and Africa is at the center of attention due to potential growth resulting from unfulfilled demand. The region offers a diversified investment even though having a limited number of companies. The sector varies highly across countries due to being strongly related to the economy of the country in which it operates. The diversification comes from having different levels of income in such countries.

High-income economies, presented by the majority of the GCC countries, offer stability and growth. The stability is offered through low competition; most companies in this area operate in a monopoly or duopoly environment.

Due to the high Gross Domestic Product (GDP) per capita in the GCC countries, Average Revenue Per User (ARPU) witnessed is still mostly above US\$ 35 per month, while penetration rates in many of these countries have exceeded the 50% mark. Operating in such conditions lead to higher levels of yield payments and cash accumulation, as a result there have been regional expansions with companies acquiring growth from other under-served countries. In addition, some of the Middle Eastern markets still witness local subscriber growth; this is a feature mostly in countries where the sector remains underdeveloped; Oman and Saudi Arabia, with less than 45% penetration rate. The latter is more active towards the liberalization of the sector with the privatization of Saudi Telecom Company (STC) in December 2002 and the issue of the second mobile license in 2004 to be launched in 2005. The privatization of STC resulted in a 60% increase in cellular subscribers in 2003, increasing the country's mobile penetration rate from 22% to 30%. Oman followed suit in 2004 with the offering of the second mobile license and the preparation for the privatization of the state owned company, OmanTel.

Telecom companies in low-income economies (North Africa) offer double-digit net profit growth due to operating in underserved markets; mobile penetration is in its early stage. Mobile operators in these countries are subject to acquisitions, due to having cheap relative valuations and active governments in privatizing the sector. New opportunities arise with an accelerating privatization program and Telecommunication Regulatory Authorities (TRA) offering new licenses to open up markets for additional competition. A duopoly exists in Egypt, Morocco and Tunisia. In Algeria a third operator was recently granted a mobile license. In the Levant region, middle-income economies, penetration rates are higher with higher ARPU levels than North African countries, as markets are more mature.

Several mobile opportunities are available in the region and existing operators are highly competitive and enthusiastic for regional expansion. At the end of 2004, the Initial Public Offering (IPO) of Maroc Telecom was 21 times oversubscribed and the stock price gained 20% after the offering. In 2005, Tunisie Telecom and Oman Telecom privatizations are expected to materialize. In 2006, the three Iraqi mobile licenses are expected to be offered for sale or renewal. Libya, Iran, Sudan, Syria, Yemen and Palestine are long-term potentials for existing operators in the region. In such an eventful sector, the investment opportunities are typically many and highly profitable.

#### *Fixed line telecommunications*

Fixed line operators have been experiencing a slow down in their revenue growth mostly due to the migration of subscribers from fixed line to mobile services especially in countries with poor infrastructure. In addition, these operators are subsidizing high international call rates with low local/national rates, hence contributing to low local/national revenues. Operators in the Fund's investment universe are in different stages of the fixed line sector's cycle. Some of the operators that are enjoying a well-developed infrastructure have limited downside, offering value added services, compensating for lower international rates and thus revenues. Other countries with lower mobile penetration could currently follow known trends in the fixed line industry in order to save their revenue stream.

Fixed line operators are typically state-owned and controlled. This implies over employment and inefficiencies in the organizational structure and operations of the telecom operators. This acts as a disincentive to foreign investors. Restructuring of the organizational structure and operations is imminent to the attractiveness of the operators. On the other hand most of these operators have largely invested in their infrastructure and are in a strong position for generating cash.

Voice over Internet Protocol (VoIP), offered illegally, is threatening most operators in the region, which has encouraged some operators to offer the new service in order to be more competitive and to generate more revenues. High growth in data communication services, lead by demand from the corporate segments, is a feature of the sector's growth, coming from a low base and limiting the rate of decline in revenues.

Jordan and Saudi Arabia have partially privatized the fixed line operators in 2002, Morocco followed suit in 2004. The privatizations of the state owned operators in Tunisia, Egypt and Oman are expected in 2005. Bahrain, Jordan and Morocco are preparing for the second fixed line license in 2005.

### **Shari'ah Restrictions on Investment**

The business of the Fund shall at all times be conducted in a manner that complies with guidelines relating to Shari'ah. Primarily, Shari'ah prohibits the Fund to pay or receive interest, although the receipt of dividends from companies is acceptable.

In addition the Fund will NOT invest in:

- (i) interest based investments;
- (ii) derivatives, including but not limited to, options, futures and contracts for differences;
- (iii) forward currency transactions;
- (iv) equities or other securities issued by companies whose income from activities relating to any of the following sectors:
  - (a) conventional banking or insurance or any other interest related activity;
  - (b) the manufacture or distribution of alcohol products;
  - (c) the manufacture or distribution of arms;
  - (d) gaming or gambling;
  - (e) the production, packaging, processing or any other activity relating to pork or pork products and other non *halal* meat; or
  - (f) companies engaged in any other activities not permissible under Shari'ah as determined by the Shari'ah Board.
- (v) equities or other securities issued by companies whose activities relate in any way to the production or distribution of pornographic material;
- (vi) investment trusts, unit trusts and other collective investment schemes that do not adhere to Shari'ah investment principles; or
- (vii) listed or unlisted companies with the following financial ratios:

- (a) total debt divided by trailing 12-month average market capitalization is equal to or greater than 33%. (*Note*: total debt = short term debt + current portion of long-term debt + long-term debt);
- (b) accounts receivables divided by total assets is equal to or greater than 45%. (*Note*: accounts receivables = current receivables + long-term receivables); or
- (c) the sum of cash and interest bearing securities divided by trailing 12-month average market capitalization is equal to or greater than 33%.

The Fund may hold, on an ancillary basis, conforming liquid assets or Shari'ah compliant short-term investments, in order to be able to meet redemption requests and expenses or to avail itself of market opportunities as they may arise.

Potential Investors should be aware that cash balances held by the Fund will, in accordance with Shari'ah, be held on non-interest bearing accounts.

### **Purification**

Returns derived from the Fund's investments may comprise an amount, which is attributable, for Shari'ah purposes, to impure income earned or received. Where this is the case, the amount of any return, which is so attributed, will be calculated in accordance with the Shari'ah criteria approved by the Shari'ah Board and the amount earned or received will be donated periodically by the Fund to charities with no direct or indirect benefit accruing to the Fund or any of its Investors.

### **General Restrictions on Investment**

The Fund shall comply with all BMA regulations in relation to collective investment schemes.

The Investment Manager may not make any investment, which shall expose the Fund or the Fund Company to unlimited liability.

The Investment Manager may not acquire any investment if as a result, more than 50% of the Net Asset Value of the Fund is invested in companies established in any one country.

The Investment Manager will invest at least 55% of the Fund's Net Asset Value in telecommunication companies, businesses or interests, which exist or operate in the Middle East and Africa.

The Investment Manager may not acquire any investment if as a result, more than 20% of the Net Asset Value of the Fund is invested in unlisted securities.

The Investment Manager may not purchase any security if, as a result, more than 20% of the Net Asset Value of the Fund would then be invested in mutual funds, unit trusts or other collective investment vehicles or schemes managed by third parties.

The Investment Manager may not borrow any funds unless the borrowing is Shari'ah compliant and for the purpose of a reduction of capital (for example, on the redemption of units).

### **Investment Approach**

The Fund's stock selection strategy is based on independent fundamental analysis. The Investment Manager has developed a database that encompasses historical and forecast financials of companies in the target region. Through that database, the Investment Manager identifies attractively valued companies relative to the local market, the sector regionally and globally.

In carrying out its responsibilities the Investment Manager draws upon research from internal and external sources, a consensus of market expectations is made for each company and compared to their internal forecast. In addition, the Investment Manager relies on the considerable knowledge and experience of its employees. The Investment Manager follows the telecom universe closely with a list of companies that are interchangeable according to news and attractiveness of geographical areas where the companies operate. The Investment Manager uses international industry trends and multiple valuations in undertaking a comparative analysis.

According to each company's transparency, detailed projections are made for two to five years, including detailed revenues, costs, capital expenditure and debt structure. A discounted valuation model is constructed where possible and a fair value is reached.

Furthermore, the Investment Manager makes regular visits to companies in the investment universe of the Fund. Following a company visit, the Investment Manager produces a full valuation model and an insightful report on each company that is proposed to be included in the Fund.

The Investment Manager's research and trading departments provide daily reviews regarding the market liquidity structure, changes in inter-bank rates, as well as market sentiment, for the Investment Manager to define the most suitable timing to execute orders. The Investment Manager has a strong relationship with brokers in the target region and contacts them regularly to get an insight into investor's responses to company news and announcements in highly liquid stock markets.

The Investment Manager has committed substantial resources to achieving the Fund's objectives including market, credit and securities research in addition to volatility analysis and risk management. It is intended for the Fund's portfolio to be actively managed to add value and achieve the objective of the Fund.

### **Return**

Based on historical analysis by the Investment Manager of the investable universe, the return per annum of Shari'ah compliant telecommunication stocks since 2000, is illustrated in the table below:

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Yearly Return</b>	-15%	20%	14%	53%	41%

Historical performance does not guarantee future performance. The Fund does not guarantee a future return for the Fund and such past performance is not an indication of how the Fund will perform in the future.

### **Targeted Markets**

The Fund Company and the Investment Manager consider that many of the best investment opportunities will arise in the Middle East and Africa and hence it is envisaged that investments made by the Fund will be concentrated in these areas. Companies in other countries may be added to the investment universe if the Fund Company perceives that they offer attractive investment opportunities.

### **Investment Policies and Guidelines**

The Investment Manager will seek to implement a broadly diversified asset allocation strategy, which aims at maximising returns whilst controlling risk elements to achieve stability of returns.

The asset portfolio selected by the Investment Manager for investment by the Fund will be consistent with the risk parameters and the investment objective of the Fund. The Investment Manager will seek to ensure high quality credit criteria and diversification requirements as follows:

Without prejudice to the sections entitled Investment Objectives, Shari'ah Restrictions on Investment and General Restrictions on Investments above, in conducting its investment activities, the Investment Manager will adhere to the following guidelines:

- (a) The Fund will adhere to the asset allocation policies set out in this section;
- (b) The Investment Manager will establish policies for the selection of reputable and suitable brokers;
- (c) Unless otherwise provided in the section entitled Investment Objectives, the Fund may allocate up to 20 % of its net asset value to any single Company;
- (d) In addition to selecting asset portfolios with the prescribed parameters, the Investment Manager will perform a due diligence review of each investment made by the Fund;
- (e) Other than to the extent approved by the BMA, the Fund will comply with Article 14 of the Collective Investment Schemes circular, which sets out the maximum allocation permitted with respect to specific investment instruments and securities.

### **Life and Liquidation of the Fund**

The Fund is an open-ended collective investment scheme established for a period of 25 years. The Fund Company, reserves the right to liquidate the Fund at any time without penalty to any party involved. Under Bahrain Law, termination of the Fund requires the prior written consent of the BMA and that reasonable notice be given to Investors. Upon liquidation of the Fund, the assets of the Fund will be allocated to Investors after all amounts due to third parties, including those due under the contractual arrangements entered into by the Fund Company on behalf of the Fund and under Bahrain law, are satisfied.

Neither the death, bankruptcy nor incapacity of an Investor in the Fund, nor the bankruptcy or resignation of the Investment Manager, will terminate the Fund or in any way affect its continuity.

### **Financial Year**

The financial year of the Fund will begin on January 1 and will end on December 31 of each year except for the first financial year, which will begin on the Effective Date and come to completion on December 31, 2005.

### **Taxation**

#### *Tax position of the Fund*

The following comments are based on advice received by the Fund Company regarding the current law and practice in Bahrain and elsewhere and are intended only to assist potential Investors.

Investors should appreciate that as a result of changing law or practice or unfulfilled expectations as to how the Fund or Investors will be regarded by tax authorities in different jurisdictions, the tax consequences for Investors may be other than as stated below.

Investors **MUST IN ANY CASE** consult their professional advisors on the possible tax consequences of their subscribing for, purchasing, holding or selling of Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

### *Bahrain Tax Considerations*

As at the date of this document there are no income, withholding or capital gains taxes payable by the Fund under existing Bahrain laws. There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of Bahrain is permitted, subject to any international regulations in force from time to time.

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

### *Investor Taxation*

Potential Investors should ascertain from their professional advisors the consequences of acquiring, holding, redeeming, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including any tax consequences and exchange control requirements.

### **III. MANAGEMENT AND PROFESSIONAL SERVICES**

#### **Sponsor**

Al-Tawfeek Company For Investment Funds Limited is the Sponsor of the Fund. Al-Tawfeek is a specialist financial investment company incorporated in 1992 in the Cayman Islands and has a capital of US\$ 304 million. Al-Tawfeek devises, structures, launches and manages Shari'ah compliant investments funds. Since inception Al-Tawfeek has launched a number of Shari'ah compliant investment funds covering equities, real estate, venture capital, leasing and reconstruction, raising in excess of US\$ 1 billion.

Al-Tawfeek has been recording a steady growth and is regarded as a pioneer in establishing Shari'ah compliant investment funds. Al-Tawfeek is one of the first companies to recognize that Shari'ah compliant investments are competitive with conventional investments at any given level of risk.

The company also assists in the development of a secondary market for Shari'ah compliant financial products and an Islamic interbank money market by underwriting Shari'ah compliant short-term money market instruments (issues).

As the Sponsor of the Fund, Al-Tawfeek has sponsored and in association with the Fund Company, structured, established and will oversee the operations of the Fund. Al-Tawfeek is also responsible for procuring appropriate legal advice and sourcing appropriate service provider(s) for the Fund.

The Sponsor will be responsible for liaising with the Directors, Registrar, Investment Manager, Custodian, Administrator, Placement Agent, Legal Advisor and the Auditor to ensure smooth operation of the Fund as per the Articles of Association, the Memorandum of Association, this Prospectus, the Application and the regulations in force in Bahrain, including circulars issued by the BMA.

#### **The Directors**

The Directors of the Fund Company have overall authority over, and responsibility for, the operation and management of the Fund and will exercise supervision and control of the Fund including making decisions on matters of general policy and reviewing the actions of the Sponsor, Registrar, Investment Manager, Custodian, Placement Agent and the Administrator. The Fund Company may appoint new Directors and officers of the Fund or may remove them from time to time.

The following have been appointed as Directors:

##### ***Mr. Hassan Salim H. AlAmmari***

Mr. AlAmmari is the Chief Executive Officer, at Al-Tawfeek and has over 15 years experience in banking, finance and investment. Mr. AlAmmari has been with Al-Tawfeek since 1993 and prior to joining Al-Tawfeek, Mr. AlAmmari served in positions of increasing responsibility with the Saudi Investment Bank (Saudi Arabia). Mr. AlAmmari has participated in the establishment and management of a number of companies and is a board member of several entities within the Dallah AlBaraka Group. Mr. AlAmmari has played an active role in corporate finance, investments, asset management and marketing. Mr. AlAmmari is a Management Graduate from Uxbridge College, United Kingdom.

##### ***Mr. Omar Hamid A. AlHarazi***

Mr. AlHarazi is the General Manager of the General Directorate of Investment and Finance of Al-Tawfeek. Mr. AlHarazi has been with Al-Tawfeek since 1998 and is responsible for investment portfolios and credit administration. Prior to joining Al-Tawfeek Mr. AlHarazi was Manager of the

Trade Finance Centre for Riyadh Bank (Western Region, Saudi Arabia). Mr. AlHarazi is a board member of a number of entities within the Dallah AlBaraka Group and holds a Bachelors degree in Public Administration from King Abdulaziz University, Saudi Arabia.

***Mr. Dhafer Salih AlQahtani***

Mr. AlQahtani is the Acting General Manager of the General Directorate of Specialized Funds and Assistant General Manager of the Investment & Financial Advisory Directorate of Al-Tawfeek. Mr. AlQahtani has been with Al-Tawfeek since 2000 and prior to joining Al-Tawfeek, served with leading financial institutions including: Ernst & Young, AlBank AlSaudi AlFransi (Banque Saudi Fransi) and Saudi American Bank (SAMBA Financial Group).

Mr. AlQahtani has over 17 years of diverse and progressive experience in investment management, corporate finance, banking and advisory. Mr. AlQahtani has initiated a number of investment funds for Al-Tawfeek including the Al-Tawfeek Arab Telecommunication Fund. Mr. AlQahtani is a board member of a number of mutual funds and entities within the Dallah AlBaraka Group and has a Bachelors of Business Administration in Economics and Finance from the University of Texas at Arlington, the United States.

**Investment Manager**

The Fund Company has appointed EFG-Hermes Financial Management (Egypt) Limited as the Investment Manager pursuant to an Investment Management Agreement dated 31 January 2005. EFG-Hermes Financial Management (Egypt) Limited is a member of the EFG-Hermes Group (EFG-Hermes).

In performing its duties and obligations under the Investment Management Agreement, the Investment Manager will be supervised by the Sponsor. The Investment Manager, acting under the supervision and direction of the Sponsor, is responsible for the Fund's investments.

The Investment Manager shall not be liable to the Fund, or any investor in the Fund for any error of judgment or for any loss suffered by the Fund or any such investor (including in particular, any loss suffered or incurred by the Fund, or any investor in the Fund following upon or arising out of any action or omission taken or suffered by the Investment Manager in good faith in reliance on or in accordance with the opinion or advice of legal counsel, the auditors or other competent professional advisors) howsoever any such loss may have occurred unless such loss arises from gross negligence, fraud, bad faith, or willful default in the performance or non-performance by the Investment Manager or persons designated by them of their obligations or duties under the Investment Management Agreement.

In addition the Fund will indemnify and keep indemnified the Investment Manager against all damages, losses, expenses and liabilities, including the fees and expenses of its lawyers and other professional advisors (other than those resulting from willful default, fraud or negligence on the part of the Investment Manager or any agent or any delegate appointed by it and for which it is liable) which may be imposed on, incurred by or asserted against the Investment Manager in performing its obligations or duties under the Investment Management Agreement.

To the extent set out in the Investment Management Agreement, the Investment Manager is authorised to employ the services of other Investment Managers or of Investment Advisers if it is determined to be in the best interest of the Fund.

***EFG-Hermes Group***

EFG-Hermes is Middle East's premier investment banking firm, born out of the merger in June 1996 between the Egyptian Financial Group (EFG) and Hermes Financial, the two leading investment-banking houses of Egypt. EFG-Hermes was floated on the Cairo and Alexandria Stock Exchange (CASE) and the London Stock Exchange (LSE) in 1998. EFG-Hermes has carried out numerous

assignments in the fields of privatization, mergers & acquisitions (M&A), asset management and corporate finance in the Middle East. Over the past six years, EFG-Hermes raised over **US\$ 2.3 billion** of funds for their clients and has advised on around **US\$ 6.6 billion** on M&A transactions.

The majority of the operating companies within the EFG-Hermes Group are regulated by the Capital Markets Authority of Egypt. Hermes Securities Brokerage Group is a member of the Cairo Stock Exchange. EFG-Hermes (UK) is regulated in the conduct of investment business in the United Kingdom by the Financial Services Authority (FSA).

### ***EFG-Hermes Background***

In 1980 EFG was established as a financial consultancy and during the same year advised the Government of Egypt on privatization and published economic research on Egypt. Hermes Financial was established in 1994 to carry out securities brokerage and fund management activities. During the same year EFG established its securities brokerage operations. In the following year EFG and Hermes expanded their investment banking activities to capture the strong growth in the Egyptian market. The two investment banks merged in 1996 to become EFG-Hermes.

Two years later EFG-Hermes raised US\$ 50 million in a Global Depository Receipt (GDR) offering. In 1999, Citigroup invested US\$ 40 million to acquire 20% stake in EFG-Hermes. The most recent merger in the group was in 2001, when Fleming CIIC merged into EFG-Hermes increasing the net worth of EFG-Hermes to US\$ 100 million. In the subsequent year EFG-Hermes started expanding regionally with the establishment of a presence in the United Arab Emirates (UAE) and embarked on increasing its Paid up Capital in 2003 by EGP 200 million through a capital increase to become EGP 405 million to support the company's regional expansion plans.

### ***EFG-Hermes Holding has Four Divisions***

EFG-Hermes is a fully integrated financial services house having four divisions: Asset Management, Investment Banking, Brokerage and Private Equity. This consequently helps ensure that any transaction that is mandated to EFG-Hermes receives the full range of services and successful execution.

### **EFG-Hermes Telecom Credentials**

EFG-Hermes Asset Management launched the first specialized telecom fund in the Middle East and Africa (EFG-Hermes Telecom Fund) in April 2000 with a size of US\$ 38 million as of October 2004. The Fund invests in the Telecommunications, Media and Technology (TMT) sector in the Middle East and Africa. The Fund was awarded the best performing Telecom Fund in the World by Standard & Poor's since its inception till November 2001.

In addition throughout the past several years, EFG-Hermes Investment Banking has been able to confirm its status as the investment bank of choice for any transaction in the telecommunications sector in the Middle East and Africa. EFG-Hermes Investment Banking is uniquely experienced in the sector and has successfully completed a variety of services for a number of leading regional and international telecommunication companies, such as Vodafone plc, to which EFG-Hermes was sole financial advisor in the creation of Misrfone, Egypt's second GSM network. EFG-Hermes Investment Banking handled the EGP 1.8 billion licensing agreement negotiations with the Egyptian government and managed the largest syndicated loan by an Egyptian bank, worth EGP 2.4 billion in 1998.

Lately, EFG-Hermes has been very active on the regional telecom scene. Closing the largest M&A transaction in the Arab markets in 2002, EFG-Hermes Investment Banking acted as financial advisor on the acquisition by Mobile Telecommunications Company ("MTC") of Kuwait of a 91.6% stake in Jordan's leading mobile operator, Fastlink, in a transaction that was worth US\$ 423.9 million.

With the bidding for the two Lebanese GSM licenses in 2004, Investcom Holding Company, one of the region's leading mobile operators, mandated EFG-Hermes Investment Banking for advisory work in connection with the acquisition of one of the two Lebanese GSM licenses.

In early 2003, EFG-Hermes Investment Banking was selected by Emirates Telecommunications Corporation (“Etisalat”) of the UAE to provide it with advisory services for the possible bid on the second Bahraini GSM license.

In September 2003, EFG-Hermes Investment Banking through a consortium co-headed with Goldman Sachs and Riyadh Bank was mandated to advise the Saudi Communication and Information Technology Commission (SCITC) on the issuance of the Kingdom’s second GSM and Data licenses. Together with the other consortium members, EFG-Hermes Investment Banking put in place an offering structure that ensured an efficient and successful closing to the transaction within the time frame set by the Government of Saudi Arabia. Etisalat of UAE won the second Saudi mobile license for a fee of US\$ 3.45 billion, the highest in the history of the Middle East and Africa.

EFG-Hermes has also been very active on the Egyptian telecom scene. In 2003, EFG-Hermes Investment Banking advised Telecom Egypt (TE), the Egyptian incumbent, on the surrender of its GSM license (Egypt’s third) to the Egyptian Telecom Regulatory Authority against a payment of EGP 2.48 billion (US\$ 397 million) to be borne equally by the two existing network operators. EFG-Hermes Investment Banking also acted as an advisor to TE on its US\$ 228 million acquisition of a 25.5% stake in Vodafone Egypt, thereby meeting the incumbent’s goal of becoming an integrated operator. This highly complex deal effectively restructured the Egyptian Telecom industry and is considered a pioneering one globally. EFG-Hermes has also advised Vodafone Egypt on its flotation on the CASE in December 2003, which is considered one of the biggest in Egyptian history.

The following employees of EFG-Hermes will play an active role in the management of the Fund:

***Ms. Maha Baligh***

Ms. Baligh is the Managing Director at EFG-Hermes Portfolio Management Group (EPMG), a subsidiary of EFG-Hermes Holding SAE. Ms. Baligh, has been a portfolio manager with Hermes Fund Management since 1995. In 2000, Ms. Baligh established the first regional telecom fund in the Middle East and Africa and has been managing it ever since. Ms. Baligh is also responsible for managing other funds and portfolios managed by EFG-Hermes.

Prior to managing the TMT division, Ms. Baligh was responsible for managing three mutual funds and prior to that, Ms. Baligh was a proprietary trader for Arab International Bank, Cairo for two years. At Arab International Bank Ms. Baligh was responsible for trading and developing strategies for the bank’s own position in foreign exchange as well as overseeing the bank’s money market mismatch positions.

Ms. Baligh holds an MSc in International Securities, Investment and Banking from Reading University, United Kingdom, MBA and a BA in Business Administration from the American University of Cairo, Egypt.

***Ms. Yasmin Ibrahim***

Ms. Ibrahim is currently Vice President at EFG-Hermes Asset management. Ms. Ibrahim has been the regional TMT equity specialist at Hermes Fund Management since 2000 and is responsible for the daily management and monitoring of the EFG-Hermes Telecom Fund, an offshore fund that specializes in investing in the TMT sector in the Middle East and Africa.

Ms. Ibrahim is a member of the investment committee that decides on the Fund investments as well as any TMT investment decisions taken by local and regional funds of the Asset Management division.

Ms. Ibrahim holds a Bachelor of Arts in Economics from Cairo University, Egypt. As an employee with EFG-Hermes, she has also completed the Finance and Investment Appraisal course based on Chase Manhattan standards, which focuses on financial risk and credit analysis.

## **Custodian**

The Fund Company has appointed Gulf Clearing Company B.S.C. (C) as Custodian pursuant to the Custody Agreement dated 31 January 2005.

Pursuant to the Custody Agreement, the Custodian will ensure at its own risk and cost safe custody of cash and non-cash property including all securities comprising the Fund's assets received from time to time by the Fund or the Investment Manager. The Custodian will hold the Fund's assets, whether cash or securities, on behalf of the Investors in the Fund.

Gulf Clearing Company is a subsidiary of Gulf Clearing Company (Kuwait), established in 2003 in Bahrain with a paid up capital of US\$ 2 million. Gulf Clearing Company is one of the leading fund custody and administration service providers in the Kuwaiti and Bahraini markets with total assets under custody exceeding US\$ 3 billion.

Gulf Clearing Company is duly incorporated, validly existing and licensed to undertake business pursuant to the provisions of the laws of the Kingdom of Bahrain and the BMA.

Except for short-term investment of excess cash in Shari'ah compliant financial instruments, the Fund's portfolio transactions will generally be consummated by payment or delivery to or by the Custodian of all cash or securities due to or from the Fund. The Investment Manager and /or the Administrator will issue instructions to the Custodian in connection with the settlement of transactions initiated by the Investment Manager on the Fund's behalf pursuant to the Investment Management Agreement.

Under the provisions of the Custody Agreement, the Custodian shall not, in the absence of fraud, willful default or negligence on the part of the Custodian, or any agent, delegate or sub-custodian appointed by it, and for which it is liable, be liable to the Fund, the Fund Company, Investor or to any shareholder in the Fund Company for any act or omission in the course of or in connection with the services rendered by it or for any loss or damage which the Fund, the Fund Company or the Investors may sustain or suffer as a result or in the course of the discharge by the Custodian of its duties under or pursuant to the Custody Agreement.

In addition the Fund will indemnify the Custodian from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from willful default, fraud or negligence on the part of the Custodian or any agent or any delegate appointed by it and for which it is liable) which may be imposed on, incurred by or asserted against the Custodian in performing its obligations or duties under the Custody Agreement.

The Custody Agreement may be terminated at any time by either the Fund Company or the Custodian giving to the other not less than three calendar months' notice in writing or with immediate effect in the case of a material breach of the terms of the Custody Agreement, or in such other instances as are set forth in the Custody Agreement, subject to the appointment of a suitable alternative approved by the BMA.

## **Administrator**

The Fund Company has appointed Gulf Clearing Company B.S.C. (C) as Administrator pursuant to the Administration Agreement dated 31 January 2005. The Administrator will be responsible for calculating the Net Asset Value of the Fund in accordance with procedures approved by, and under the direction of, the Fund Company and using price sources and methodologies authorised by the Fund Company.

The Administrator will also be responsible for keeping the accounts of the Fund and such financial books and records as are required by law or otherwise for the proper conduct of its financial affairs. In addition the Fund will indemnify the Administrator from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from willful default, fraud or negligence on the part of the Administrator or any agent or any delegate appointed by it and for which it is liable) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties under the Administration Agreement.

The Administration Agreement may be terminated at any time by either the Fund Company or the Administrator giving to the other not less than three calendar months' notice in writing or with immediate effect in the case of a material breach of the terms of the Administration Agreement, or in such other instances as are set forth in the Administration Agreement, subject to the appointment of a suitable alternative approved by the BMA.

The Administrator will also act as the representative of the Fund and the Fund Company for the purpose of liaising with the BMA.

### **Registrar**

The Fund Company has appointed Al-Tawfeek Company For Investment Funds Limited as Registrar pursuant to the Registrar Agreement dated 31 January 2005.

The Registrar will be responsible for the issue, transfer and redemption of Units and for the provision of certain, administrative and corporate secretarial services.

The Registrar Agreement may be terminated at any time by either the Fund Company or the Registrar giving to the other not less than three calendar months' notice in writing or with immediate effect in the case of a material breach of the terms of the Registrar Agreement, or in such other instances as are set forth in the Registrar Agreement, subject to the appointment of a suitable alternative approved by the BMA.

### **Shari'ah Board**

A Shari'ah Advisory Agreement has been entered into with Al-Tawfeek Company for Investment Funds Limited, for the provision of a Shari'ah Board (the "**Shari'ah Board**"), to the Fund.

With respect to Shari'ah matters, the Fund and the Investment Manager will be advised by the Shari'ah Board, the composition of which is set forth below. The Shari'ah Board will establish general investment guidelines, which are consistent with the principles of Shari'ah.

The Investment Manager will be entitled to rely completely on the directions and decisions of the Shari'ah Board to ensure that the principles of Shari'ah are observed in relation to proposed or actually implemented investments. It should be noted that the Sponsor shall procure that any Shari'ah guidelines notified by the Shari'ah Board shall be implemented so as to warrant continuous observance of the principles of Shari'ah at all times.

The investment process of the Fund has been reviewed by the Shari'ah Board, who has issued an opinion with respect to conformity of the same with Shari'ah (attached hereto as Appendix A). The Shari'ah Board has a proven track record in the implementation of Shari'ah law, and is comprised of the following prominent scholars:

***Sheikh Dr. Abdul Sattar Abu Ghuddah (Chairman)***

Dr. Abu Ghuddah holds Licenses in Shari'ah and Law from Damascus University, Syria, a Masters in Shari'ah & Hadeeth and a Ph.D. in Shari'ah (Comparative Fiqh) from Al Azhar University, Egypt. He has been a Shari'ah advisor for the Dallah AlBaraka Group since 1991 and is a Shari'ah advisor of several Islamic financial, banking and governmental institutions.

***Sheikh Abdullah Bin Suleiman Al-Manai (Member)***

Sheikh Al-Manai has a Masters in Economics and Jurisprudence from the Higher Institute for Jurisprudence Affairs in Saudi Arabia. He has served as a member of the Shari'ah' Opinion Council and the High Judicial Department (Saudi Arabia). He has been a judge in the Makkah and Western Region District Courts of Saudi Arabia and currently is a member of the Prominent Scholars Council, and of the advisory boards of several Islamic financial institutions, including that of the Dallah AlBaraka Group.

***Sheikh Dr. Abdul Latif Al Mahmood (Member)***

Dr. Al Mahmood holds a Masters degree in Comparative Fiqh from Al Azhar University, Egypt and a Ph.D. in Shari'ah and Fiqh from Al-Zeitoneah College, Tunisia. He is Head of the Arabic Language & Islamic Studies Department at the University of Bahrain and a member of a number of Shari'ah boards of Islamic financial institutions.

***Dr. Ahmed Mohieldin Ahmed (Member)***

Dr. Ahmed holds an MSc in Fiqh (Transactions) and a Ph.D. in Islamic Economics from Umm AlQura University, Makkah, Saudi Arabia. He has served as a member of a number of Shari'ah boards within the Dallah AlBaraka Group.

***Dr. Ezzedine Ben Mohamed Khouja (Member)***

Dr. Khouja holds a Ph.D. in Islamic Shari'ah from Karachi University, Pakistan. He is a member of a number of Shari'ah boards within the Dallah AlBaraka Group and is a Committee member of the Islamic Accounting and Auditing Standards Board.

In particular the Shari'ah Board shall be responsible for the following activities:

1. studying and reviewing this Prospectus, the Fund's investment objectives and policies to ensure their compliance with the principles of Shari'ah;
2. advising the Investment Manager regarding compliance with Shari'ah;
3. determining a suitable criteria for the selection of companies in whose securities the Fund may invest;
4. providing a suitable criteria for the Investment Manager to make purification deductions;
5. monitor the underlying investments against the Shari'ah criteria prescribed to the Investment Manager; and
6. providing an opinion on the Fund's compliance with the principles of Shari'ah for inclusion in the Fund's annual financial report.

The Sponsor shall ensure that any written recommendations of the Shari'ah Board to vary investments in accordance with the requirements of Shari'ah shall be timely implemented by the Investment Manager.

### **Placement Agent**

The Fund has appointed Al-Tawfeek Company For Investment Funds Limited as the Placement Agent to the Fund. The Placement Agent will solicit subscriptions for Units in the Fund from Investors. The Placement Agent may appoint sub placement agents to solicit subscriptions on its behalf. The Placement Agent will receive a placement fee based on the subscriptions to the Fund.

### **Sub Placement Agents**

The Placement Agent has appointed AlBaraka Islamic Bank (Bahrain) as sub placement agent to the Fund. The Placement Agent may appoint additional sub placement agents to the Fund. The Placement Agent will pay any fees payable to sub placement agents for soliciting subscriptions directly and no fees will be paid from the Fund.

### **Auditor**

The Fund has appointed Deloitte & Touche, Bahrain, as its independent Auditor. The Auditor will prepare the semi-annual and annual financial reports and will submit the reports to the Fund Company. The report will provide an opinion regarding the Fund's financial statements and an assessment of the accounting principles used.

### **Alternative Service Providers**

The services of the Fund's service providers, including the Sponsor, Registrar, Investment Manager, Custodian and the Administrator will not be terminated or termination will not come into effect until a suitable alternative has been appointed and approved by the BMA.

## IV. UNITS

### **Voting and Ownership Rights**

Units carry no voting rights with respect to the Fund. Units represent a beneficial ownership right, based on contract, for the Investors in connection with the Fund's assets. Units, however, do not reflect ownership by the Investors in the Fund Company.

### **Subscription**

Units will be offered during the Initial Offering Period at a face value of US\$ 100 per Unit and on each Subscription Day after the Closing Date at the subscription price. The subscription price will be equal to the Net Asset Value per Unit, as determined by the Administrator on the Subscription Day directly succeeding the submission by the Investor of a completed Application to the Registrar, provided that the minimum subscription amount in any case is US\$ 25,000 for individuals and US\$ 100,000 for institutions. For additional subscriptions, the minimum additions are US\$ 5,000 for individuals and US\$ 25,000 for institutions.

From the subscription amount a placement fee of up to 4.0% of the subscription will be payable by Investors to the Placement Agent appointed by the Fund Company. The fee will be charged from the subscription amount and taken at the time of subscription for units. For example, if during the Initial Offering Period, an Investor subscribes for US\$ 100,000 and a placement fee of 2.5% is charged, a placement fee of US\$ 2,500 will be deducted, and units shall be issued for US\$ 97,500. The foregoing minimum subscription amounts are inclusive of the placement fee.

Units are available for subscription in US\$'s only and can be subscribed for on each Subscription Day provided a completed Application is received by the Registrar at the address mentioned in the Subscription Agreement, at least five Business Days prior to the relevant Subscription Day and following receipt of cleared subscription monies by 12 noon on the fifth Business Day immediately preceding the relevant Subscription Day (subject to the discretion of the Fund Company to waive such notice).

If the Application or cleared funds are received after the deadline, it will (unless otherwise determined by the Fund Company) be treated as a request for subscription on the next Subscription Day.

The completed Application will (save as determined by the Fund Company) be irrevocable and may be sent by facsimile at the risk of the applicant. The originals of any Application sent by facsimile should be sent immediately by post or by an internationally recognised courier. Failure to provide the original Application within 10 days from the date of the facsimile, may at the discretion of the Fund Company; result in cancellation of the allotment of the Units.

The Fund Company and the Registrar reserves the right to reject any Application for subscription of Units, in which event the subscription proceeds are returned to the Investor without income earned thereon or charges deducted there from within a reasonable time.

During the Initial Offering Period, and thereafter as deemed necessary by the Fund Company, subscription amounts may be temporarily invested for the benefit of the Investors in short term Shari'ah compliant investment funds which may include products offered by Al-Tawfeek, its affiliates and other companies approved by the Fund Company. The Fund Company may extend the Initial Offering Period for an additional month, and thereafter, for one extra month subject to BMA approval.

## **Issue of Units**

Units will be issued on a fully paid basis and only in book-entry form. The Registrar will issue a notice confirming the investment upon receipt of subscription confirmation from the Administrator and no physical Unit certificates will be issued. The Registrar will maintain the official register of Units. Fractions of Units will be issued to the nearest four decimal places where the balances of the subscription monies for Units represent less than the subscription price per Unit. Subscription monies representing less than US\$1.00 will not be returned to the applicant but will accrue to the Fund.

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

## **“Know your Customer” and Combating Money Laundering**

The Directors, Registrar, Administrator, Placement Agent and the Investment Manager reserve the absolute right to require further verification of the identity of each potential Investor or that of the person or entity on whose behalf the potential Investor is applying for the purchase of the Units and/or the source of funds. Each potential Investor will provide satisfactory evidence of identity and if so required the source of funds within a reasonable time period determined by the Fund. Pending the provision of such evidence, application for Units will be postponed. If a potential Investor fails to provide satisfactory evidence within the time specified, or if a potential Investor provides evidence but the Fund Company is not satisfied therewith, the Application may be rejected immediately in which event the money received on application, if any, will be returned without income earned thereon or charges deductible there from.

The Fund will comply with Bahrain’s Legislative Decree No. (4) of the year 2001 with respect to Prohibition and of Combating Money Laundering and the various Ministerial Orders issued there under including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering.

## **Redemption**

Redemption is not permitted in the first 12 months after the Closing Date. For subscriptions made after the Closing Date redemptions may only be effected after 12 months from the date of subscription.

Thereafter Units may be redeemed by the Investor on the Redemption Day (last Valuation Day of each calendar month) at the redemption price provided the Investor gives **ten Business Days** notice to that effect to the Registrar by noon Saudi Arabia time on the tenth Business Day prior to the Redemption Day. The redemption price will be equal to the Net Asset Value per Unit, as determined by the Administrator on the Redemption Day directly succeeding the submission by the Investor of a completed redemption request form to the Registrar.

The redemption price for Investors redeeming units within the first 5 years from the Closing Date or the date of subscription (for subscriptions made after the Closing Date) will be as follows:

- \* Redemption after 12 months but within 2 years – Net Asset Value per Unit less 2%.
- \* Redemption after 2 years but within 5 years – Net Asset Value per Unit less 1%.
- \* Redemption after 5 years – Net Asset Value without any deduction.

Redemptions may be permitted at such other times with the consent of and upon such terms of payment as may be approved by the Fund Company in its sole and absolute discretion.

A request for redemption must be made on the redemption request form and once submitted to the Registrar, may not be withdrawn by the holder except on a suspension of redemptions, otherwise, the consent of the Fund Company is required for any withdrawal of a redemption request.

Redemption proceeds will be paid in US\$'s and will be remitted by wire transfer to the account designated by the Investor in the redemption request form after deduction of all relevant expenses. Any amount redeemed will be paid within 15 business days from the Redemption Day.

The minimum number of Units that may be redeemed by an Investor in any one redemption request, must be equal to redemption proceeds of at least US\$ 5,000 for individuals and US\$ 25,000 for institutions and the remaining number of Units held by the Investor must be equal to at least US\$ 25,000.

In the event that any Units subscribed in addition to the initial subscription have not completed 12 months from the date of subscription and redemption of the initial units subscribed will result in a balance of less than US\$25,000, the Fund Company at the request of the Investor will redeem all the Units at the redemption price equal to the Net Asset Value per Unit less 2% on the Units that have not completed 12 months.

The Fund Company, acting at the recommendation of either the Sponsor, Registrar, Administrator or the Investment Manager, reserves the discretionary right to completely or partially redeem Units held by any Investor at any time for any reason. The Investor will be notified in writing of such redemption. Neither the Fund, the Fund Company, the Investment Manager, the Registrar, nor the Administrator will be in any way liable to any Investor by reason of such mandatory redemption.

The maximum redemption permitted on any one Redemption Day is 10 % of the Net Asset Value (subject to the discretion of the Fund Company) as on the preceding Valuation Day. If redemption requests exceed this amount, the Fund Company shall be entitled to scale down all such requests on a pro rata basis or in such other manner as it considers appropriate and redeem units accordingly. Redemption requests that are not met on any one Redemption Day shall be carried forward to the next Redemption Day and shall have priority subject to that the requests do not exceed 10% of the Net Asset Value as on the preceding Valuation Day.

### **Suspension of Subscription and Redemption of Units**

The Fund may temporarily suspend the determination of the Net Asset Value per Unit upon the occurrence of one or more of the following events:

- (a) the existence of any state of affairs which constitutes in the opinion of the Fund Company an emergency as a result of which disposal or the valuation of the Fund's assets would be impractical;
- (b) any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments made by the Fund;
- (c) upon issuing restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchase, sale, deposits and withdrawals of assets of the Fund cannot be affected in the normal course of business;
- (d) if an order by a Bahraini court or Bahraini regulatory body, including the BMA, is issued requiring such suspension; or
- (e) when the market in which a substantial portion of the Fund's investments are invested or traded is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund's assets;

During the suspension period, the Fund will not issue or redeem Units and the Investors will not transfer Units.

Where a suspension occurs as described above, the Registrar will notify the BMA as soon as practicable of the suspension and of the reasons thereof.

### **Listing and Transfer of Units**

The Fund may seek listing on the stock exchanges of any of the GCC Countries including at the outset the Bahrain Stock Exchange. The Fund Company does not intend at this time to make a secondary market in the Units, but may do so in future.

### **Ownership Restrictions**

Investors may subscribe, provided legislation or regulations in Bahrain and in their country of citizenship, residence, domicile or incorporation permits them to do so.

Persons under 18 years of age are not allowed to subscribe unless he/she has the written authorisation of his/her lawful guardian.

US Persons or US residents as defined in Regulation S under the US Securities Act of 1933, as amended, are not allowed to subscribe.

## V. DETERMINATION OF NET ASSET VALUE

The “**Net Asset Value**” of the Fund will be determined by the Administrator.

The Net Asset Value per Unit will be calculated by the Administrator in accordance with generally accepted international accounting standards that do not conflict Shari’ah, using the formula: (a) the total assets of the Fund less the total liabilities divided by (b) the total number of outstanding Units of the Fund prior to such Valuation Day.

The assets of the Fund are separate from the assets of the Fund Company.

The Net Asset Value will be calculated on each Valuation Day and shall be available to Investors within five Business Days of the Valuation Day.

Normally, a security for which a representative price is not readily available or is not regularly traded, the value will be based on the estimated realisable value provided by the Investment Manager based on recognised international private equity valuation guidelines. For other types of assets the Administrator will determine the method of valuation.

All accrued debts and liabilities will be deducted from the total value of the Fund’s assets including:

- (a) management and other fees and disbursements of the Investment Manager and the Sponsor earned but not yet paid;
- (b) any allowance for the Fund’s estimated annual audit, legal and other fees;
- (c) charges of the Registrar, Custodian and Administrator and any brokerage fees;
- (d) amounts attributable to impure income;
- (e) the gross acquisition consideration of investments or other property contracted to be purchased for the Fund;
- (f) reserves authorised or approved by the Fund Company or the Investment Manager for duties and charges or taxes or contingencies (accrued where appropriate on a day-to-day basis);
- (g) other liabilities of the Fund of whatsoever nature (which will, where appropriate, be deemed to accrue from day-to-day) including outstanding payments on any Units previously redeemed and contingent liabilities (if any) being valued in such manner as the Fund Company may determine from time to time in any particular cases; and
- (h) all costs relating to any litigation in which the Fund or the Fund Company (acting in relation to the Fund) is involved.

The Net Asset Value of the Fund and the Units will be expressed in US\$’s and any items denominated in other currencies will be translated at prevailing exchange rates as determined by the Administrator.

## **VI. FEES AND EXPENSES**

### **Placement Fee**

A placement fee of up to 4.0% of the subscription amount will be payable by Investors to the Placement Agent appointed by the Fund Company. The fee will be charged from the subscription amount and taken at the time of subscription for units. For example, if in the Initial Offering Period, an Investor subscribes for US\$ 100,000 and a placement fee of 2.5% is charged, US\$ 2,500 will be deducted, and units shall be issued for US\$ 97,500.

The Placement Agent may, at its discretion, reduce or waive the placement fee payable by Investors. The foregoing placement fee payable to the Placement Agent will cover in full the compensation payable to the Placement Agent including the fees of any sub placement agents retained by the Placement Agent.

### **Management Fee**

The Fund will pay a management fee of 1% to EFG-Hermes Financial Management (Egypt) Limited, per annum of the Net Asset Value of the Fund. The management fee payable to EFG-Hermes Financial Management (Egypt) Limited will be calculated and accrued as at each Valuation Day and payable quarterly in arrears. In addition the Fund will pay a performance fee of 30% to EFG-Hermes Financial Management (Egypt) Limited of any additional return above the hurdle rate of 15% per annum calculated (net of fees and expenses) and accrued as at each Valuation Day and payable annually in arrears and within 14 days of the succeeding fiscal year. For this purpose the starting Net Asset Value per unit shall be US\$ 100 for the first period commencing on the Closing Date and ending on 31 December 2005. For this first period, the performance fee will be calculated on a pro rata basis taking into account the number of days from the Closing Date up to and including the 31 December 2005. The performance fee will be based on 12-month periods thereafter, with the base Net Asset Value reset at the end of each year.

### **Sponsor and Registrar Fee**

The Fund will pay Al-Tawfeek Company for Investment Funds Limited a fee of 0.75% per annum of the Net Asset Value of the Fund calculated and accrued as at each Valuation Day and payable quarterly in arrears for acting as Sponsor and for the provision of a Shari'ah Board to the Fund.

The Fund will also pay an annual **Registrar Fee** to Al-Tawfeek Company for Investment Funds Limited calculated and accrued as at each Valuation Day and payable quarterly in arrears of US\$4 per Unitholder for the first 1,000 Unitholders, US\$3 per Unitholder for the next 2,000 Unitholders and US\$2 per Unitholder thereafter subject to an annual minimum fee of US\$4,000 plus Transaction Fees for issuing notices, units, replacement units etc. as agreed by the Fund Company and Al-Tawfeek Company for Investment Funds Limited.

### **Administration and Custody Fee**

The Fund will pay Gulf Clearing Company B.S.C. (C) a fee calculated and accrued as at each Valuation Day and payable quarterly in arrears of approximately 0.15% per annum of the first US\$ 20 million of the Net Asset Value of the Fund, 0.10% of the Net Asset Value of the next US\$ 30 million and 0.05% per annum of the Net Asset Value over US\$ 50 million, subject to an annual minimum fee of US\$ 30,000 for providing administration and custody services.

Gulf Clearing Company B.S.C. (C) shall have the right to recover all sub-custodian and any additional charges incurred. Out of pocket expenses such as annual government fees, communication and courier expenses will be charged as and when incurred.

### **Establishment Expenses**

The Fund will bear all pre-incorporation and pre-operation expenses incurred by the Fund Company, Fund or the Sponsor on behalf of the Fund. Establishment expenses in connection with this offering are estimated to be US\$ 150,000 and payable by the fund. These include legal, translation, printing and postage costs of this Prospectus and related documents, registration and listing fees, advertising, road show and initial offering expenses associated with the setting-up of the Fund and the Fund Company. Any outstanding expenses will not accrue interest. All pre-incorporation and pre-operation expenses will be amortized over the first financial year of the Fund.

### **Other Operating Expenses**

The Fund expects to bear the following ordinary operating expenses:

- (i) The Annual Registration Fee payable by the Fund to the BMA;
- (ii) The Annual Registration Fee payable by the Fund Company to the Ministry of Commerce;
- (iii) The fees and expenses of the auditors for the Fund and the Fund Company;
- (iv) The expenses of printing and distributing reports, accounts and other circulars relating to the Fund, subscription and redemption applications, transfer forms and other materials promoting the Fund;
- (v) The expenses of publishing details and prices of units in newspapers and other publications and through electronic quotation or information systems;
- (vi) The expenses of listing the units of the Fund on Financial Stock Exchanges including but not limited to the Bahrain Stock Exchange;
- (vii) The charges and expenses of legal counsel in connection with the Fund's maintenance and operation;
- (viii) The expenses incurred in convening if required an Annual and Extraordinary General Meetings of the Investors and meetings of Directors and any committees established by the Fund Company;
- (ix) All transaction costs including brokerage, banking, sales and purchase commissions and exchange fees; and
- (x) All other operating costs.

## **VII. RISK FACTORS**

*An investment in the Units involves certain risks relating to the investment strategies of the Fund Company and the Investment Manager. No representation is hereby made that the Fund's investment objective will be achieved. Each Investor should give careful consideration to the following risk factors, which are not exhaustive, in evaluating the merits and suitability of an investment in the Fund.*

Investing in the Fund involves certain considerations in addition to the risks normally associated with making investments in securities. The value of Units and the income from them may go down as well as up and there can be no assurance that on redemption, or otherwise, Investors will receive back the amount originally invested. Accordingly, the Fund is only suitable for investment by Investors who understand the risks involved and who are able and willing to withstand the total loss of their investment.

In particular, prospective Investors should consider the following risks:

### **Limited Track Record**

The Fund is a newly established company with no track record and will be relying on the experience of EFG-Hermes Financial Management (Egypt) Limited and Al-Tawfeek Company For Investment Funds Limited. No assurance can be given that the Investment Manager will succeed in enabling the Fund to meet the investment objectives.

### **Potential Market Volatility**

The prices of certain investments in the Middle East and Africa have been subject to sharp fluctuations and sudden declines and no assurance can be given as to the future performance of listed securities in general. Volatility of prices may be greater than in more developed stock markets. Prospective Investors should therefore be aware that the value of Units is likely to fluctuate.

### **Foreign Investment Infrastructure**

The infrastructure for the safe custody of security and for purchasing and selling securities, settling trades, collecting dividends, initiating corporate actions, and following corporate activity is not as well developed in all the markets of the Middle East and Africa, as is the case in certain more developed markets. Additionally, some markets within these regions are developing fast and this can give rise to strains on the investment infrastructure.

### **Corporate Disclosure, Accounting and Regulatory Standards**

Companies in many countries in the Middle East and Africa are not subject to disclosure, accounting, auditing and financial standards which are equivalent to those applicable in more developed countries. Such information as is available is often less reliable. There is less rigorous government supervision and regulation. Regulatory regimes relating to foreign investment are still in their infancy in these countries. This may mean that rules are being applied for the first time or inconsistently which may result, *inter alia*, in the amount and nature of information available to the Fund about the Fund's investee companies and potential investments being inconsistent from time to time and from company to company. In addition, companies involved in the provision of financial and investment services have only recently been subject to a more developed regulatory regime and, in particular, to restrictions on the disclosure of information. In particular new regulations drafted to impose strict requirements and conditions of such companies equivalent to those in more of the developed markets have not all been implemented as yet.

### **Political Climate**

Many countries in the Middle East and Africa have historically been subject to political instability and their prospects are tied to the continuation of economic and political liberalization in the region. Instability may result from factors such as government or military intervention in decision-making, civil unrest or hostilities between neighboring countries. An outbreak of hostilities could result in substantial losses for the Fund.

### **Currency Risk**

The Fund will invest primarily in securities denominated in currencies other than US\$ but its Net Asset Value will be quoted in US\$'s. Accordingly, Investors may bear the risk of adverse movements in the US\$ exchange rate with the currencies in which investments are denominated and with the investor's own base currency.

### **Liquidity of Units**

Units in the Fund are redeemable only on the Redemption Day and subject to the limitations and restrictions referred in the section titled "**Units**". In addition there are closed periods when Units are not redeemable. Despite any application that is made to list the Units on any Stock Exchange, the Fund Company does not anticipate that an active secondary market will develop in any of the Units. Accordingly it may not always be possible for an Investor to promptly realize an investment at an appropriate price.

### **Authentication of Securities**

There are particular difficulties in establishing the authenticity of securities settled in certain countries in the Middle East and Africa. Accordingly, although the Custodian (or its appropriate sub-custodians) on behalf of the Fund will endeavor to check that, on its face, any such instrument appears genuine, no responsibility can be taken for verifying the validity or authenticity of any such instrument.

### **Investment in Unlisted and Smaller Companies**

The companies in which the Fund will invest may include small-unlisted companies, and even many of the listed companies in which the Fund invests will have a lower market capitalization than many companies listed in the Organization for Economic Co-operation and Development (OECD) countries. Investment in the securities of smaller companies can involve greater risks than is customarily associated in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stocks in unlisted and in smaller listed companies is often less liquid than that for stock in larger listed companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

### **Telecommunication Companies**

The performance of companies in the telecommunications sector can be very volatile. Many such companies have performance reliant on new or developing technologies, which can quickly become obsolete or outdated. Such companies may also have limited tangible assets and/or may be reliant upon government or other licenses, which may be subject to revocation or renewal processes.

### **Conflicts of Interest**

Under Bahrain Law, an Investment Manager is obligated to act for the benefit of the Fund with respect to matters within the scope of the Investment Management Agreement. Due to the widespread

operations undertaken by the Investment Manager and their affiliates, employees and agents, a conflict of interest may arise. The Fund Company will use their best efforts to resolve any such conflict fairly. The Investment Manager (and their respective affiliates, employees and agents) may promote, manage, advise, sponsor or be otherwise involved in further collective investment vehicles and, in particular, there could arise conflicts relating to the allocation of investment opportunities between the Fund and such other collective investment schemes or other clients of the Investment Manager. In such circumstances the Investment Manager has agreed to allocate such opportunities equitably between such clients and the Fund. In addition any such party may provide services to, or deal with the Fund, as principal or agent. This may include affiliates of the Investment Manager acting as agent or broker in connection with the acquisition and/or disposal of investments by the Fund or selling securities to the Fund, as principal or agent, where such affiliate is a promoter, sponsor or underwriter or otherwise involved in the distribution of such securities. In all such cases the terms on which such services are provided or upon which such transactions are effected (including brokerage commission rates) shall be no less favorable to the Fund than could have been expected had the transaction or service been effected with, by or through an independent third party. The Investment Manager upon request will report to the Fund Company on a yearly basis full details of the volume of brokerage handled by affiliates of the Investment Manager and the amount of brokerage commission charged. In addition the Investment Manager may co-invest with the Fund in any particular investment provided that, in any such case, the Fund Company is satisfied that the Fund's interests are not unfairly prejudiced and that the Fund Company is satisfied that arrangements are in place to deal with any conflicts of interest that could arise from such investment.

All parties shall resolve conflicts of interest that arise on an equitable basis having regard to their contractual obligations to the Fund and other clients. Should a material conflict of interest actually arise the Fund Company will endeavor to ensure that it is resolved fairly.

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

#### **Term of Investment**

Investment in the Fund should be regarded as medium to long-term in nature, and there can be no guarantee that the Fund's objective will be achieved during such period.

#### **Absence of Voting Rights**

Investors in the Units have no voting rights and do not participate in the management of the Fund Company or the Fund. Investors generally have no right to influence management of the Fund whether by voting against, withdrawing or otherwise. Furthermore, Investors have no right to terminate any agreement to which the Fund is or may be a party.

#### **Legal Status**

The Fund is a collective investment scheme created by the Fund Company, and is structured as a contractual arrangement between the Fund Company and the Investors, registered with and supervised by the BMA. The Fund is intended to be separate from the Fund Company and from other funds launched or marketed by the Fund Company, if any.

The Fund is not registered under the Commercial Companies Law of Bahrain No. 21 of 2001. Therefore, the Fund does not have a separate legal personality as such and the extent to which a Bahraini government agency or a Bahraini court, acting in the context of insolvency proceedings or proceedings for determining the Fund's liability, would up-hold such distinction between the legal

status of the Fund and that of the Fund Company (and other investment funds of the Fund Company if any) is unclear and to our best knowledge untested.

The information in this document is based on existing Bahrain law, including taxation legislation, which may be subject to change. The value of the Fund's investments may be affected by uncertainties such as political developments, changes in governmental policies, taxation, currency repatriation restrictions, and restrictions on foreign investments in some or all of the countries in which the Fund may (directly or indirectly) invest.

### **Taxation**

The Fund Company, with the assistance of the Investment Manager, will take reasonable steps to mitigate the Fund's tax liabilities. Investors should review carefully this Prospectus and the Subscription Agreement and discuss with their tax advisers the specific tax and other consequences of investing in the Fund.

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

## VIII. DIRECTORY

<p><b>Fund &amp; Fund Company Representative</b>          Al-Tawfeek Arab Telecommunication          Fund Company B.S.C. (C)          C/o Gulf Clearing Company B.S.C. (C)          P.O. Box 2400          NBB Tower, 19<sup>th</sup> Floor          Manama, Kingdom of Bahrain</p>	<p><b>Administrator &amp; Custodian</b>          Gulf Clearing Company B.S.C. (C)          P.O. Box 2400          NBB Tower, 19<sup>th</sup> Floor          Manama, Kingdom of Bahrain</p>
<p><b>Investment Manager</b>          EFG-Hermes Financial Management (Egypt) Limited          Registered Office:          Bermuda Commercial Bank          43 Victoria Street, Hamilton          HM 12, Bermuda</p> <p>Business Address:          58 El Tahrir Street, Giza          12311, Egypt</p>	<p><b>Sponsor, Registrar &amp; Placement Agent</b>          Al-Tawfeek Co. for Investment Funds Ltd.          Registered Office:          Second Floor, West Wind Building          P.O. Box 1111, George Town          Grand Cayman, Cayman Islands, B.W.I.</p> <p>Business Address:          Dallah Tower, Palestine Street          P.O. Box 8021, Jeddah 21482          Kingdom of Saudi Arabia          Website: <a href="http://www.altawfeek.com">www.altawfeek.com</a></p>
<p><b>Auditor</b>          Deloitte &amp; Touche          P.O. Box 421,          Manama, Kingdom of Bahrain</p>	<p><b>Sub Placement Agent</b>          AlBaraka Islamic Bank          P.O. Box 1882,          Manama, Kingdom of Bahrain</p>
<p><b>Legal Advisors To The Fund</b>          Qays H. Zu'bi Attorneys &amp; Legal Consultants          12<sup>th</sup> Floor, Al Jasrah Tower          P.O. Box 2397,          Manama, Kingdom of Bahrain</p>	

## **IX. Appendix A**

### **Certificate of Shari'ah Board**

#### **To whom it may concern**

Praise is due to Allah and blessings be to our leader Prophet Mohammed (peace be upon him) and to his family and companions.

The Executive Committee of the Unified Shari'ah Panel/Dallah AlBaraka Group, on behalf of Al-Tawfeek Company for Investment Funds Limited in its capacity as the Shari'ah Board of Al-Tawfeek Arab Telecommunication Fund reviewed the documents relating to the formation of the Fund, which fully and exclusively aims to invest in companies satisfying the Shari'ah requirements and excluding companies involved in impermissible activities as per Shari'ah.

The Shari'ah Board confirms that the Shari'ah criteria requires the Fund to dispose off such portion of income that is attributable to illegitimate sources by donating the same to charities ("Purification").

The Shari'ah Board of the Fund obliges the Fund Company and the companies involved in the management of the Fund to comply with the Shari'ah compliant method prescribed by the Board and ensure all necessary policies are in place regarding selection of Shari'ah compliant companies and continuous monitoring of Fund's investments. The Shari'ah Board also obliges the concerned parties to submit information, documents and reports required for Shari'ah verification on a regular basis.

In view of the Shari'ah Board there are no Shari'ah restrictions to participate in this Fund.

**Allah is the guide to success.**

On behalf of the Unified Shari'ah Panel (Executive Committee)

**Sheikh Dr. Abdul Sattar Abu Ghuddah**  
**Chairman**

**Dr. Ahmed Mohieldin Ahmed**  
**Member**