

Morgan Stanley

The Morgan Stanley Saudi Equity Fund

An open ended collective investment scheme established in accordance with the Investment Fund Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia pursuant to the letter number RH/639 dated 15/8/1429H corresponding to 16/8/2008G.

Information Memorandum

The fund manager is Morgan Stanley Saudi Arabia, a joint stock company established under the laws of the Kingdom of Saudi Arabia with Commercial Registration Number 1010224144, dated 18/9/1427H, issued in Riyadh, and licensed by the Capital Market Authority under license number 06044-37 dated 21/11/1427H (corresponding to 12/12/06)

Prospective investors should read this Information Memorandum carefully in its entirety and seek appropriate legal, tax, financial and other advice before making any investment decision regarding the Fund.

Prospective investors should refer to the section regarding the Principal Risks of Investing in the Fund set forth herein.

This revised Information Memorandum reflects the changes made as stated in the letter addressed to the Capital Market Authority on 18/06/1434H and the Capital Market Authority's approval on 08/07/1434H.

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IMPORTANT INFORMATION

This Information Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised. In particular, the Units have not been registered for sale or distribution to the public in any jurisdiction other than the Kingdom of Saudi Arabia.

Prospective investors should not treat the contents of this Information Memorandum as advice relating to legal, taxation, financial, investment or any other matters. Without affecting the generality of the foregoing, prospective investors should inform themselves as to (a) the possible tax consequences, (b) the legal requirements, (c) any foreign exchange restrictions or exchange control requirements and (d) any other requisite governmental or other consents or formalities which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, purchase, holding or disposal of Units.

Prospective investors should read this Information Memorandum carefully in its entirety before making any investment decision regarding the Fund.

The Fund is an open ended collective investment scheme incorporated by an agreement between Morgan Stanley Saudi Arabia and each investor and has been established in accordance with the Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia pursuant to the letter number RH/639 dated 15/8/1429H corresponding to 16/8/2008G issued by the Capital Market Authority.

The Fund's objective is to offer long term capital appreciation through investment principally in securities listed on the Saudi Stock Exchange and in securities offered in the course of an initial public offering in the Kingdom of Saudi Arabia. Prospective investors should be aware that investments in equity securities carry a high level of investment risk. The Fund is therefore only suitable for investment by investors who are aware of and understand the risks involved with investment in a fund that invests its assets primarily in equity securities and are able to withstand the loss of their invested capital in part or in whole. Risk factors set forth in Article 10 of the Terms & Conditions should be considered by prospective investors prior to investing in the Fund.

Any information given, or representations made, by any dealer, salesman or other person not contained in this Information Memorandum must be regarded as unauthorised and accordingly must not be relied upon.

The information in this document is, to the best of the Fund's directors' knowledge, accurate and contains full, true and plain disclosure of all material facts as at the date hereof, and neither the Fund, its directors nor the Fund Manager assume any responsibility for updating any of the information contained herein to reflect matters arising after the date hereof.

Prospective investors should make their own investigation as to the nature and characteristics of the investment opportunity offered by way of investment in Units and should consult their own tax advisors as to the tax consequences of acquiring, holding, redeeming or otherwise disposing of Units. Opinions and projections provided by the Fund Manager in this Information Memorandum or in connection with investment in Units shall not be considered by prospective investors as recommendations to invest in the Fund.

Prospective investors in the Units of the Fund should conduct their own due diligence on the accuracy of the information made available in relation to the Fund and the characteristics and nature of the Units. If you do not understand the contents of this Information Memorandum, you should consult a financial adviser authorized by the Capital Market Authority.

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The Capital Market Authority does not take any responsibility for the contents of this Information Memorandum, does not make any representation as to its accuracy or completeness, and explicitly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

Notwithstanding anything stated or implied to the contrary in this Information Memorandum, (i) the Fund Manager nor any of its affiliates is agreeing nor required as a matter of its operation of, service to, or transaction for the Fund to comply with any laws or regulations other than financial services laws or regulations that apply directly to the operation of the Fund and the management of its affairs as set out in the Information Memorandum, and (ii) if a party or any of its affiliates shall be required to take any action or refrain from taking any action in connection with the Information Memorandum, the Fund or any transaction that it reasonably believes could result in non-compliance with, or penalties, loss of tax benefits, additional tax costs or additional reporting obligations under, any laws applicable to it or any of its affiliates (including, for the avoidance of doubt, the laws of the place of incorporation, domicile, or residence of such party or any of its affiliates) or that such party or any of its affiliates reasonably believes could result in placing that party or any of the affiliates in a position of noncompliance with such laws, that party may terminate any relationship or contract then existing in connection with the Information Memorandum, the Fund or any transaction with immediate effect and without incurring any penalty, liability or responsibility hereunder.

FUND DIRECTORY

Name of the Fund	Morgan Stanley Saudi Equity Fund
Fund Manager	<p>Morgan Stanley Saudi Arabia, a closed joint stock company established under the laws of Saudi Arabia with Commercial Registration Number [1010224144] dated [18/9/1427H], issued in Riyadh, and licensed by the Capital Market Authority under license number 06044-37 dated 21/11/1427H [12/12/06]</p> <p>The address of the Fund Manager is: Al Rashid Tower, 10th Floor Al Ma'ather Street, Riyadh P. O. Box 66633, Riyadh 11586 Tel: +966 (11) 218 70 00 Fax: +966 (11) 218 71 44 www.MorganStanley.com</p>
Custodian	<p>The Custodian is HSBC Saudi Arabia Limited HSBC Head Office, North Olaya Road P. O. Box 9084 Riyadh 11413 Saudi Arabia Tel: +966 (11) 299 23 13 Fax: +966 (11) 299 23 85</p>
Administrator	<p>The Administrator is HSBC Saudi Arabia Limited. HSBC Head Office, North Olaya Road P. O. Box 9084 Riyadh 11413 Saudi Arabia</p>
Registrar	<p>The Registrar is HSBC Saudi Arabia Limited HSBC Head Office, North Olaya Road P. O. Box 9084 Riyadh 11413 Saudi Arabia</p>
Auditor	<p>The Auditor is Ernst & Young P.O. Box 2732 Riyadh 11461 Saudi Arabia Tel: +966 (11) 273 4740 Fax: +966 (11) 273 4730</p>

FACT SHEET

Fund's Currency	Saudi Riyals
Risk Level	High
Investment Objective	To provide long-term capital appreciation and growth.
Performance Benchmark	The Fund's performance will be measured against the Tadawul All Share Index "TASI" for the purpose of giving investors an indication of performance relative to an existing standard
Investment Universe	The Fund intends to pursue its investment objective by investing in shares listed on the Saudi Stock Exchange and in shares offered in the course of an initial public offering in the Kingdom.
Investment Strategy	The Fund Manager employs an active investment strategy by selecting shares which it believes will appreciate in value based on an analysis of sector and/or the expected return or growth of individual shares. When selecting investments for this Fund, the Fund Manager adopts a long-term approach, focusing on the market price of a company's shares relative to the Fund Manager's evaluation of the company's potential long-term earnings, asset value and cash flow potential.
Minimum Initial Subscription	SAR 50,000
Minimum Subsequent Subscription	SAR 50,000
Minimum Holding	SAR 50,000
Minimum Redemption	SAR 50,000
Days of accepting subscription/redemption requests	Subscription/redemption requests will be accepted on each Dealing Day
Deadline for receiving subscription/redemption requests	12 noon of each Dealing Day
Dealing Day	Each Sunday and Tuesday which is a Business Day
Publication Day	Each Monday and Wednesday which is a Business Day
Payment day of redeemed amount	Within four Business Days after the relevant Dealing Day

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Subscription Fee	1.50% of the NAV of the Units subscribed
Dilution Charge	0.50% of the NAV of the Units redeemed
Management Fee	1.75% per annum
Auditor Fee	SAR50,000 per annum
Regulatory Fees	SAR 7,500 per annum (paid by the Fund Manager and not charged to the Fund)
Custodian Fee	0.10% of NAV or a minimum SAR 112,500 per annum
Administrator Fee	0.15% of NAV or a minimum SAR 150,000 per annum
Registrar Fee	SAR 187.50 per investor per annum and SAR 112.50 per subscription, redemption or transfer between investors in the funds.
Date of inception	7 January, 2009
Unit price at inception	SAR 100

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GLOSSARY

The following definitions apply throughout the Information Memorandum:

“**Administrator**” means HSBC Saudi Arabia Limited

“**Anti-Money Laundering Law**” means the Anti-Money Laundering Law issued by Royal Decree No. M/39 dated 25/6/1424H, its implementing regulations and the Anti-Money Laundering and Counter-Terrorist Financing Rules Issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 1-39-2008 dated 3/12/1429 H Corresponding to 1/12/2008.

“**Base Currency**” means Saudi Riyals

“**Business Day**” means each day on which the Tadawul is open for business

“**CMA**” means the Capital Market Authority of the Kingdom of Saudi Arabia

“**Connected Person**” shall have the meaning set out in Article 28

“**Custodian**” means HSBC Saudi Arabia Limited

“**Dealing Day**” means every Sunday and Tuesday which is also a Business Day

“**Dealing Deadline**” shall have the meaning set out in Article 23 (1) (A)

“**Dilution Charge**” shall have the meaning set out in Article 25

“**Distributor**” means any distributor appointed by the Fund Manager from time to time to assist with distribution of Units in the Fund to investors.

“**First Dealing Day**” shall have the meaning set out in Article 23 (2) (B)

“**Fund**” means the Morgan Stanley Saudi Equity Fund

“**Fund Assets**” means all the assets (including, for the avoidance of doubt, all income and cash) for the time being part of, or deemed to be part of, the Fund

“**Fund Manager**” means Morgan Stanley Saudi Arabia

“**IPO**” means an initial public offering, being the initial offering of shares in a company to the public market in Saudi Arabia, via listing on the Tadawul

“**Large Unitholder**” shall have the meaning set out in Article 10 (1) (e)

“**Management Fee**” means the management fee paid to the Fund Manager as described in Article 11

“**Minimum Holding**” means the minimum size of a Unitholder’s investment in the Fund at any time, as described in Article 6

“**Minimum Initial Investment**” means the minimum amount a Unitholder may invest in the Fund when making his initial investment, as described in Article 6

“**Minimum Initial Offer**” shall have the meaning set out in Article 21

“**NAV**” means the net value of the Fund Assets as calculated from time to time in accordance with the

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provisions of Article 24

“Prohibited Persons” shall have the meaning set out in Article 23 (1) (B)

“Publication Day” shall have the meaning set out in Article 24 (4)

“Redemption Form” means the redemption application form set out in Appendix 3

“Registrar” means HSBC Saudi Arabia Limited

“Regulations” means the Investment Fund Regulations issued by the Board of the CMA pursuant to its Resolution Number 1-219-2006 dated 3/12/1427H corresponding to 24 December 2006

“SAR” means Saudi Riyals

“Saudi Stock Exchange” or **“Tadawul”** means the Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated

“Settlement Date” shall have the meaning set out in Article 23 (2) (B)

“SOCPA” means the Saudi Organisation for Certified Public Accountants

“Subscription Form” means the subscription application form set out in Appendix 2

“Subscription Fees” means the fee payable by an investor on subscribing for Units in the Fund as described in Article 11

“Terms & Conditions” means Terms & Conditions that apply to the operation of the Fund, as set out in this Information Memorandum.

“Unit” means an undivided interest in the Fund Assets

“Unitholder” means a holder of a (fraction of a) Unit

“Unit Price” means the price per Unit as calculated from time to time in accordance with the provisions of Article 24

TERMS & CONDITIONS

1. NAME OF THE INVESTMENT FUND

The name of the Fund is the Morgan Stanley Saudi Equity Fund (the “**Fund**”).

2. ADDRESS

Morgan Stanley Saudi Arabia (“**MSSA**”) has been appointed as the Fund Manager.

The Fund Manager can be contacted at the following address:
Head Office – Al Rashid Tower, 10th Floor Al Ma’ather Street Riyadh.
P. O. Box 66633, Riyadh 11586
Tel: +966 (1) 218 70 00
Fax: +966 (1) 218 71 44
www.MorganStanley.com

3. COMMENCEMENT

The initial offer period for the Fund closed on 6 January 2009, and the Fund made its first investment on 7 January 2009.

4. REGULATOR

This Information Memorandum, including the Terms and Conditions, is prepared in accordance with the Regulations. The Fund is regulated by the CMA and the Fund Manager is licensed to operate as an asset management institution by the CMA.

5. DATE THE TERMS & CONDITIONS WERE ISSUED AND AMENDED

First, issued on 11 August 2008 and last amended on 18/6/1434H.

6. PARTICIPATION

The Minimum Initial Investment in the Fund is SAR 50,000 (Fifty Thousand Saudi Riyals). The minimum subsequent subscription amount is SAR 50,000 (Fifty Thousand Saudi Riyals). The Minimum Holding amount of Units by each Unitholder is SAR 50,000 (Fifty Thousand Saudi Riyals).

Subject to CMA approval, the Fund Manager reserves the right to change or waive the Minimum Initial Investment amount and the Minimum Holding in its absolute discretion.

7. CURRENCY OF THE FUND

The currency of the Fund is the Saudi Riyal (“**SAR**”).

8. INVESTMENT OBJECTIVE AND POLICY

The Fund’s investment objective is to provide long-term capital appreciation and growth. It intends to pursue these objectives by investing in shares listed and traded on the Saudi Stock Exchange, Tadawul and in shares offered in the course of an IPO. The Fund’s performance will be measured against the Tadawul All Share Index (“**TASI**”) for the purposes of providing investors with an indication of performance relative to an existing standard.

There is no guarantee that the investment objective of the Fund will be met.

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The Fund will use the investment strategies described below.

9. PRINCIPAL INVESTMENT STRATEGIES

(a) Type of securities

In seeking to achieve the investment objective, the Fund will invest primarily in shares listed and traded on the Saudi Stock Exchange, Tadawul and in shares offered in the course of an IPO. The Fund's investments in shares may include investments in the shares of smaller companies. The Fund Manager employs an active investment strategy by selecting shares which it believes will appreciate in value based on an analysis of sector and/or the expected return or growth of individual shares.

When the Fund Manager in its sole discretion believes market or economic conditions require, the Fund Manager may invest up to 100% of the Fund's assets on a temporary basis by holding all or a substantial portion of the Fund Assets in cash including short-term cash deposits, money market instruments and near-cash and other ancillary liquid assets.

(b) Concentration – Industry and Country

The Fund will not operate a strategy that excludes certain industries but will retain the highest possible degree of flexibility, although it will limit its investments to the Kingdom of Saudi Arabia in the manner described in the investment objective and policy.

(c) Transactions, techniques and instruments

In selecting investments for the Fund, the Fund Manager will adopt a long-term approach, focusing on the market price of a company's shares relative to the Fund Manager's evaluation of the company's potential long-term (typically 5 years) earnings, asset value and cash flow potential. The Fund Manager also considers a company's share price to earnings ratio, profit margins and liquidation value. The Fund should be thought of as a medium to long-term investment.

(d) Restrictions regarding investment in shares offered in the course of an IPO

(i) Subject to paragraph (ii) below, the Fund may invest in shares offered in the course of an IPO subject to the following conditions:

- The shares must be purchased at a price that is no more than the stated offering price.
- The bid made by the Fund Manager for the Fund, together with any other offers for investment made by the Fund Manager for other clients, must not exceed more than 10% of the total IPO offering by value.

(ii) If an IPO is underwritten by the Fund Manager or its affiliates, acting alone, together or jointly in conjunction with other parties, the Fund Manager may not purchase shares in that offering from the issuer, the Fund Manager or its affiliates unless the Fund Manager has obtained an exception from the CMA. The Fund Manager must obtain the approval of the Fund Board to make an application for an exception to the CMA. The CMA may elect in its discretion to grant an exception on reasonable grounds and on an application by the Fund Manager setting out the reason or reasons why this restriction should be set aside. In the event that the CMA grants an exception the Fund Manager will be permitted to invest in the IPO subject to the terms of the CMA exception and without prejudice to the other terms and conditions that apply to investments in IPOs.

(e) Other restrictions

The investment strategy of the Fund will be subject to the following restrictions:

- The Fund will not hold in excess of 5% of the issued securities by value of any issuer.

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- The exposure of the Fund to a single issuer will not exceed 15% of the NAV at any time.
- The Fund will not hold more than 10% of its net asset value at any time in any class of security issued by any single issuer (at the time of acquisition of such securities), with the exception of securities issued by the Government of the Kingdom of Saudi Arabia.
- The Fund Manager may hold more than 10% of the NAV in securities issued by any single issuer provided that the proportion of such investment of the Fund's Assets does not exceed the proportion of the total market capitalisation of the Tadawul represented by that issuer.
- The Fund may not invest more than 10% of the NAV from time to time in illiquid investments.
- The Fund may not acquire any asset that involves the assumption of any liability that is unlimited or assume, guarantee, endorse or otherwise become directly or contingently liable for any obligation or indebtedness of any other person (whether natural or legal).
- The Fund Assets may not include any security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or securities which can be converted into cash within five days from the Fund Assets.
- The Fund may not lend to any person (whether legal or natural), but it may acquire debt instruments in conformity with the investment objectives of the Fund set out in this document.

(f) Borrowing powers

The maximum borrowing of the Fund will not exceed 10% of the NAV at the time of effecting such borrowing, except in the case of borrowing from the Fund Manager or an affiliate of the Fund Manager to meet redemption requests in accordance with the Regulations.

(g) Securities market

The Fund will invest in shares listed on the Saudi Stock Exchange and in shares offered in the course of an IPO. In addition, the Fund may invest in cash or short term money market instruments, subject always to the investment restrictions set out in this Information Memorandum.

10. PRINCIPAL RISKS OF INVESTING IN THE FUND

Investors should carefully consider the following risks, and all information contained in this document, before investing in the Fund. Additional risks and uncertainties that are not set out below or that are currently believed to be immaterial may also adversely affect the investment returns and net asset value of the Fund.

1- Risks associated with the Fund

(h) Applicable laws and regulations

The businesses in which the Fund is seeking to invest may be subject to numerous laws, including those relating to health and safety, licensing, antitrust, financial regulation, and environmental concerns. Such businesses may also be subject to laws that govern their relationships with employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and redundancy, pension and employment benefits and work permits. Changes in applicable laws, or interpretations of existing laws or regulations, could require changes to current business practices, or substantially increase the costs and reduce the profitability of the businesses in which the Fund has investments.

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The Fund's activities will be subject to the tax laws of Saudi Arabia. Significant changes to, or to the interpretation of, these laws or to the way in which these laws are, in practice, applied to the Fund may materially impact the Fund's performance. Investors should note that, if required and permitted to do so by law, the Fund Manager may pay from the Fund any zakat and taxes due in respect of the Fund (for example, on the value of its capital gains or income).

(i) Capital erosion risk

If the Saudi Arabian equity market were to fall substantially, the Fund's Net Asset Value would likely drop resulting in erosion of capital and impacting the Fund's ability to generate profits to Unitholders.

(j) Equity and Market risk

Investment funds that invest in listed equities are affected by stock market movements. When the economy is strong, the outlook for many companies in which the Fund invests will be good, and share prices will generally rise, as will the value of investment funds that own these shares. Similarly, share prices usually decline in times of general economic or industry downturn. Equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the overall stock market because of changes in the outlook for those individual companies or the particular industry. The market value of the Fund's investments will rise and fall based on developments of companies in which the Fund invests and equity market conditions. Market value will also vary with changes in the general economic and financial conditions. Individual stock prices may rise and fall dramatically. These price movements may result from factors affecting individual companies or industries, or the stock market as a whole. A slower-growth or recessionary economic environment could have an adverse effect on the price of various stocks held by the Fund.

(k) Issuer specific risk

The market value of an individual issuer's securities can be more volatile than the market as a whole. As a result, if a single issuer's securities represent a significant portion of the Fund's assets, changes in the market value of that issuer's securities may cause greater fluctuations in the Fund's NAV than would normally be the case. The Fund may also suffer from reduced liquidity if a significant portion of its assets is invested in any one issuer.

(l) Large investor risk

Units in the Fund may be purchased and sold by large investors, including other investment funds and investment portfolios ("Large Unitholder"). If a Large Unitholder redeems a portion or all of its investment from the Fund, the Fund may have to incur applicable taxes and other transaction costs as a result of having to sell its investments to fund the redemption. In addition, some securities may have to be sold at unfavorable prices, thus reducing the Fund's potential return. Conversely, if a Large Unitholder were to increase its investment in the Fund, the Fund may have to hold a relatively large position in cash for a period of time while the Fund Manager identifies suitable investments. This could also negatively impact the performance of the Fund.

(m) Liquidity risk

Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. In highly volatile markets, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, certain features, or a lack of buyers interested in the particular security or market. Difficulty in selling securities may result in a loss or reduced return for the Fund.

(n) Sector risk

At times, the Fund may have significant exposure to a particular sector or industry in the economy. This allows the Fund to focus on that sector's potential which can boost returns if the particular sector is in growth. However, it also means that the Fund may be exposed to a decline of a particular sector,

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especially those sectors that are cyclical and more susceptible to seasonal influences, and is therefore more risky than more broadly diversified funds.

(o) Small cap risk

Securities of small cap companies tend to be traded less frequently and in smaller volumes than those of large cap companies. As a result, the prices of shares of small cap companies tend to be less stable than those of large cap companies. Their value may rise and fall more sharply than other securities, and they may be more difficult to buy and sell. While smaller companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller company securities have been more volatile in price than larger ones, especially over the short term.

Such volatility is caused by the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions. In addition, smaller companies may lack depth of management, be unable to generate funds necessary for growth or development, or be developing or marketing new products or services for which markets are not yet established and may never become established.

(p) Tracking risk

The Fund seeks to provide long-term capital appreciation and growth. However, the Fund's ability to do so is influenced by the operating and management expenses incurred by the Fund. These expenses are affected by various factors, including the size of the Fund, its composition, the skill of the Fund Manager and the level of trading activity by the Fund's Unitholders. Frequent trading results in additional expenses, which may hamper the Fund's ability to achieve a similar return as that of any index comprising the same or similar stocks as the Fund.

2- Risk and return

An investment in the Fund is considered aggressive and, therefore involves a high degree of risk. There is no guarantee that the Fund will achieve its investment objective and results may vary substantially over time. Unitholders should recognize that the Fund is not structured as a complete investment programme.

Market conditions and trading approaches are continually changing and the fact that an investment manager happened to be successful in the past may largely be irrelevant to its prospects for future profitability. Past results are not necessarily indicative of future performance. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

The price of the Units in the Fund can go down as well as up. An investor may not get back the amount he has invested, particularly if Units are redeemed soon after they are issued and if the Units have been subject to a Subscription Fee or transaction charge. They may also be subject to an early redemption charge, i.e., Dilution Charge.

3- Not a deposit in a Bank

An investment in the Fund is not a deposit in a bank or other insured depository institution, but is the acquisition of a Unit in the Fund. The assets of the Fund will be owned collectively by the Unitholders and each Unitholder will own an undivided interest. The Fund Manager will establish a separate local bank account in the name of the Fund with the designated bank into which it will deposit all monies from Unitholders and from which it will debit payments for investments and expenses incurred in the operation and administration of the Fund in accordance with the Terms & Conditions.

The Fund is not intended to be a complete investment programme and investors should consider their long-term investment goals and financial needs when making an investment decision to invest in the Fund. An investment in the Fund is intended to be a long-term investment and should not be utilized as a trading vehicle. There can be no guarantee that the investment objective of the Fund will be met.

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Each Unitholder acknowledges that the Fund Manager has made him or her aware of, and that the Unitholder understands the risks inherent in investing in the fund.

Unitholders should seek professional advice as to the tax consequences of acquiring, holding, redeeming or otherwise disposing of Units.

11. FEES AND EXPENSES

The Fund Manager will require the Unitholders to pay a Management Fee to the Fund Manager at the annual rate of 1.75% calculated as a percentage of the NAV, to be calculated and accrued on every Dealing Day. Investors will also be required to pay an upfront Subscription Fee of not greater than 1.50% of the value of the Units subscribed for. A Dilution Charge of 0.50% of the value of the Units redeemed shall be paid by Unitholders who submit a redemption request within 30 calendar days of subscription. See Article 25 below for a full description of the Dilution Charge.

- Management Fee: 1.75% per annum
- Subscription Fee: Up to 1.50% of the value of the subscribed amount
- Dilution Charge: 0.50% of the value of the Units redeemed

The Fund Manager reserves the right to waive the Subscription Fee or Dilution Charge on a case by case scenario in its sole discretion.

The Fund Manager reserves the right to pay from the Fund at any time the remuneration of the Fund Board and any charges, commissions, legal fees, and other expenses borne by the Fund, in compliance with the Regulations. This includes the fees and expenses charged by the Fund Manager, the fees of the Administrator, the Registrar and the Custodian and the Regulatory fees. The fees of any Distributor will be paid by the Fund Manager out of the Management Fee.

Please refer to Appendix 1 to this document for the Summary Financial Disclosure required to be provided by the Regulations.

12. DEALING COSTS

Transactions in relation to the investments of the Fund are booked at cost. Any such dealing cost will be paid out of the Fund Assets.

13. WINDING-UP AND THE APPOINTMENT OF A LIQUIDATOR

In accordance with the Regulations, the CMA shall have the power to appoint a replacement fund manager or a liquidator or to take any other measure it deems appropriate.

The Fund Manager has the right to terminate the Fund on not less than two months notice to Unitholders, subject to having obtained the prior approval of the CMA. Upon serving notice of termination of the Fund, the Fund Manager will seek to liquidate the Fund Assets, discharge its liabilities and distribute any remaining proceeds to Unitholders in proportion to their respective investments on the date of the liquidation distribution.

14. FUND BOARD

1- Board Members

The Fund's Board of Directors shall have three members appointed for 5-year term and renewable for another five years. Two directors shall be independent; one director shall be nominated by the Fund Manager. All directors shall be appointed by the Fund Manager subject to approval by the CMA. The Fund Manager reserves the right to change the composition of the Fund Board, subject to prior approval of the CMA.

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The Fund Board will meet at least twice annually to oversee the Fund's compliance with all regulations, and approval of all material contracts. The Fund Board has a fiduciary responsibility to ensure that the Fund is managed in the best interests of Unitholders.

Set out below are brief biographical details of each of the directors.

- **Paul Price, Managing Director, Morgan Stanley Investment Management**

Paul Price is a Managing Director of Morgan Stanley Investment Management (“**MSIM**”) and Head of International Sales covering the EMEA, Asia and Latin America regions. Paul has more than 20 years of industry experience. Prior to joining Morgan Stanley, Paul served as Global Head of the institutional business at Pioneer Global Asset Management where he was also a member of the firm's executive committee and held various directorships. Before his position at Pioneer, Paul was head of MFS Investment Management's non-U.S. institutional business. Paul has also served as an associate director on the fixed income team at Lombard Odier and held various roles, both as a senior dealer in the treasury division and within the asset management business, while at the Bank of Ireland. Paul received a Bachelor degree of Commerce from the University College Dublin and a Master degree in Investment and Treasury from Dublin City University.

Paul Price has been appointed as the Chairman of the Fund's board of directors

- **Tarek Sakka (independent director)**

Tarek Sakka is the founder and CEO of Ajeej Capital, a MENA-focused alternative asset management company. Prior to that he was Group Vice President at Olayan Financing Company responsible for the group's private investments and business development in the MENA region during which he managed and led several billion dollar investments. Prior to that Mr. Sakka was the Head of Private Equity at the National Commercial Bank. He holds a B.Sc. with Honours in Electrical Engineering from King Fahd University of Petroleum & Minerals and an M.B.A. from Harvard Business School.

- **Dr. Abdulaziz Jazzar (independent director)**

Dr. Abdulaziz Jazzar is an Executive Partner of Malaz Capital, a venture capital firm based in Riyadh, which he co-founded in 2008. He has over 20 years of experience in venture capital and corporate management. Dr. Jazzar started his career in the Saudi Arabian Royal Air Forces, where he retired as the Director of Computing. Following his career in the Air Forces, he became the President and Chief Executive Officer of International Systems Engineering Ltd. (ISE), a company formed in partnership with The Boeing Company. From 2002 - 2004, he was the Managing Director of the Saudi Research and Publishing Company, which is the largest publishing house in the Middle East. Currently, Dr. Jazzar is on the board of 2 Connect, Malaz Tech, Saudi IAIC Cooperative Insurance Company, Economic Cities Authority, National Industrial Cluster Development Program and member of the board of trustees of the Centennial Fund. Dr. Jazzar has a B.Sc. in Computer and Communications Engineering from Essex University in England, M.S. degree in Systems Engineering from King Fahd University of Petroleum and Minerals in Dhahran and in 1988, he received his PhD degree in Computer Science from the University of Southern California.

2- Fund directors' responsibilities

The Fund's board will have the following responsibilities and powers:

- 1) approving all material contracts involving the investment Fund;
- 2) overseeing and, when appropriate, ratifying any conflicts of interest the Fund Manager has identified;

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- 3) meeting at least twice annually with the Fund Manager's compliance officer and the Money Laundering and Terrorism Financing Reporting Officer and overseeing the Fund Manager's compliance with all applicable laws and Regulations;
- 4) approving any recommendations made by any liquidator which may be appointed;
- 5) the responsibility of confirming the completeness and accuracy and compliance of the Terms & Conditions with the Regulations;
- 6) ensuring that the Fund Manager carries on his obligation in the best interest of the Unitholders in accordance with the Regulations and with these Terms & Conditions;
- 7) acting for the benefit of the investment Fund and its Unitholders; and
- 8) such other powers and responsibilities as are listed in this Information Memorandum from time to time.

3- Remuneration

Independent directors shall be remunerated for their services; the remuneration of each independent director shall be SAR 3,000 per meeting, with a cap of SAR 5,000 per month. The maximum yearly remuneration for each independent director shall be SAR50,000.

Directors who are not independent shall not be remunerated.

15. FUND MANAGER

1- Fund Manager

The Fund Manager is Morgan Stanley Saudi Arabia, an authorized person under the Authorized Persons Regulations with CMA license number 06044-37 dated 21/11/1427H (corresponding to 12/12/2006)..

MSSA principal place of business is, and it may be contacted at:

Morgan Stanley Saudi Arabia
Head Office – Al Rashid Tower, Al Ma'ather Street. Riyadh
P. O. Box 66633, Riyadh 11586
Tel: +966 (1) 218 70 00
Fax: +966 (1) 218 71 44
www.MorganStanley.com

Details of the services that the Fund Manager will provide to the Fund are set out in Appendix 4.

2- Other business activities

The Fund Manager has been licensed by the CMA to engage in the following activities:

- dealing as principal or agent;
- managing;
- arranging;
- advising; and
- custody in securities

3- Conflicts of interest

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The Fund Manager has agreed, among other matters, to the following:

- it will use its best efforts to resolve conflicts of interest between the Fund and either (i) other collective investments schemes with which it or its affiliates are involved or (ii) its clients equitably;
- it will allocate investment opportunities between (i) the Fund, (ii) other collective investment schemes with which it or its affiliates are involved and (iii) its clients equitably; and
- the Fund Manager will treat each Unitholder equally and will not give any preference to any Unitholder over another.

4- Functions delegated to third parties

The Fund Manager has delegated certain function to third parties as set out below:

- The custody of the Fund to HSBC Saudi Arabia Limited on the terms of the Custody Agreement between the Custodian and the Fund Manager.
- The administration of the Fund (including corporate administrative services) to HSBC Saudi Arabia Limited on the terms of the Administration Agreement between the Administrator and the Fund Manager.
- The Registrar functions to HSBC Saudi Arabia Limited on the terms of the Registrar Agreement between the Registrar and the Fund Manager.

16. CUSTODIAN, ADMINISTRATOR AND REGISTRAR

1- Custodian

HSBC Saudi Arabia Limited has been appointed as the Custodian of the Fund's assets. As a custodian regulated by the CMA, HSBC Saudi Arabia is required to keep shares belonging to its clients, with the designated Central Depository Centre to the extent these shares are capable of being kept with the Central Depository Centre. It is also required to keep the client money with a local bank in a segregated bank account.

HSBC Saudi Arabia Limited principal place of business is and it may be contacted at:

HSBC Saudi Arabia Limited
HSBC Head Office, North Olaya Road
P. O. Box 9084
Riyadh 11413
Saudi Arabia

2- Administrator

HSBC Saudi Arabia Limited has been appointed as the Administrator of the Fund.

HSBC Saudi Arabia Limited principal place of business is and it may be contacted at:

HSBC Saudi Arabia Limited
HSBC Head Office, North Olaya Road
P. O. Box 9084
Riyadh 11413
Saudi Arabia

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The Administrator, HSBC Saudi Arabia Limited, will provide administrative services in respect of the Fund pursuant to the Administration Agreement and will be responsible for the general administration of the Fund, which includes amongst other things, arranging calculation of asset valuations and fees, and applying the Fund Manager's directions regarding the administration of the un-invested cash of the Fund.

The appointment of the Administrator may be terminated by not less than 3 months notice in writing or sooner or the happening of certain events as specified in the agreement between the Administrator and the Fund Manager.

3- Registrar

HSBC Saudi Arabia Limited has been appointed as the Registrar of the Fund's assets.

HSBC Saudi Arabia Limited principal place of business is and it may be contacted at:

HSBC Saudi Arabia Limited
HSBC Head Office North Olaya Road
P. O. Box 9084
Riyadh 11413
Saudi Arabia

17. AUDITOR

The Fund Manager has appointed Ernst & Young to act as the Fund's auditor.

Ernst & Young's principal place of business is, and it may be contacted at:

Address of the Auditor:
P.O. Box 2732
Riyadh 11461
Saudi Arabia
Tel: +966 (1) 273 4740
Fax: +966 (1) 273 4730

18. ANNUAL AUDITED FINANCIAL STATEMENTS

The Fund Manager shall prepare interim financial statements (half-yearly)(which shall be prepared and reviewed in accordance with the standards issued by SOCPA) as soon as they have been approved, and shall be provided to Unitholders within a period not exceeding 45 calendar days after the end of the financial period to which they relate.

The Fund Manager shall also prepare annual financial statements (which shall be audited in accordance with the standards issued by SOCPA) for issue as soon as they have been approved, and shall be provided to Unitholders within a period not exceeding 90 calendar days after the end of the financial period to which they relate.

Reports shall be provided by email and/or in hard copy, as required.

The first audited annual financial statements were issued in February 2010.

19. CHARACTERISTICS OF UNITS

The Fund Manager may issue an unlimited number of Units all of a single class. Each Unit represents an undivided proportional share in the Fund Assets so that all Unitholders are jointly absolutely entitled as against the Fund Assets subject to the provisions of this Information Memorandum and any applicable laws and regulations and so that no Unit shall confer any interest or share in any particular part of the Fund Assets and no Unitholder shall have rights or interests in any part of the Fund Assets

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that are different in nature from the rights or interests which any other Unitholder has in that part of the Fund Assets.

The Fund Manager is authorised to exercise all rights attached to the Fund Assets including, but not limited to, the right of to dispose of any asset comprised in the Fund Assets and to exercise any ancillary rights such as voting rights and the rights to attend general meetings of the company concerned, and any assets comprised in the Fund Assets shall from time to time be invested at the direction of the Fund Manager in accordance with the provisions contained in this Information Memorandum.

The Fund Manager may decline any application for Units in whole or in part without assigning any reason therefore and will not accept an initial subscription for Units of any amount (exclusive of the preliminary charge, if any) which is less than the Minimum Initial Investment described at Article 6, unless waived by the Fund Manager.

After the initial issue, Units will be issued and redeemed at the applicable Unit Price plus or minus applicable charges (as the case may be) including any preliminary or redemption charge specified herein. The applicable Unit Price and the issuance and redemption prices will be calculated in accordance with the provisions summarised under Article 24.1 and 24.2 below.

Units may be redeemed only from the Fund Manager and are not transferable. Redemption of Units and the payment of Fund liabilities can be affected only from the Fund Assets, without recourse to the assets of the Fund Manager, any delegated party, or any affiliate of the Fund Manager.

20. OTHER INFORMATION

1- Taxation considerations

Investors and prospective investors should seek professional advice as to the tax consequences of acquiring, holding, redeeming or otherwise disposing of Units.

Investors should note that, if required and permitted to do so by law, the Fund Manager may pay from the Fund Assets any zakat and taxes due in respect of the Fund.

Investors and prospective investors who are not resident in Saudi Arabia should note that any dividend distributions that they receive from the Fund may be subject to Saudi withholding tax.

2- Anti Money Laundering

Additional documentation beyond the Subscription Form may be required to comply with Anti-Money Laundering Law and to verify the identity of Unitholders. This information will remain confidential. The Fund Manager and the Administrator reserve the right to request such further documentation or information from a prospective investor as may be required. Failure to provide documentation and to prove identity to the satisfaction of the Fund Manager or the Administrator may result in the rejection of a subscription or in a compulsory redemption.

The Fund will at all times comply with all circulars issued by the CMA pertaining to anti money laundering and terrorist financing. Pooled funds or financial intermediaries will also be required to provide money laundering regulations' compliance declaration.

21. INITIAL OFFERS

A minimum amount of SAR 10 million representing 100,000 Units of a par value of SAR 100 must be raised through Unitholder contributions before the Fund starts to make investments (the "Minimum Initial Offer").

22. INVESTMENT BY THE FUND MANAGER IN THE FUND

The Fund Manager invested seed money during the initial offer period that may gradually be decreased over time.

23. SUBSCRIPTION AND REDEMPTION PROCEDURES

1- Subscription procedures:

Investors wishing to purchase Units in the Fund shall do so by completing, signing and sending the Subscription Form to the Administrator at the address/fax number detailed on the Subscription Form, together with the investment amount.

Subsequent application may be made in writing, by fax or by telephone provided that in the case of subsequent applications by telephone, the Unitholder has elected for this facility and all ongoing anti-money laundering checks are complete. The Fund Manager may also decide that initial and subsequent applications may be made by electronic or other means provided that a duly completed Subscription Form is received for initial subscription and such electronic or other means are in accordance with the requirements of the CMA.

Notwithstanding receipt of the signed Subscription Form or compliance with any other requirements, the Fund Manager reserves the right to reject any subscription or subsequent subscriptions without giving any reason. In this case, the Fund Manager will refund the investor the subscription amount or the balance outstanding by post or bank transfer at the applicant's risk.

Joint applicants must each sign the Subscription Form unless an acceptable power of attorney or other written authorisation is provided.

A. Dealing days:

Subscription Forms received by the Administrator on any Dealing Day before the relevant Dealing Deadline will be processed on that Dealing Day based on the NAV per Unit calculated on the Dealing Day on which such orders are accepted. The Dealing Deadline for the submission of the Subscription Forms is 12:00 noon Riyadh time of each Dealing Day. If a Dealing Day is not a Business Day, the next Business Day shall be deemed the Dealing Day.

Different procedures and deadlines (which may be earlier than those set out in these Terms & Conditions) may apply if applications for Units are made through a sub-distributor. Applicants should note that they may be unable to purchase Units through a sub-distributor on days that such sub-distributor is not open for business.

Any Subscription Form received by the Administrator after the Dealing Deadline on the relevant Dealing Day will, at the discretion of the Fund Manager, be processed on the next Dealing Day based on the NAV per Unit calculated on the next Dealing Day. The Fund Manager may not be able to exercise the discretion in all circumstances, for example where applications for Units are made via dealing platforms or other electronic means. In such cases, applications received after the Dealing Deadline may be rejected. Investors making applications via dealing platforms or other electronic means are reminded that they must refer to the provider of the dealing platform or electronic means for the procedures that apply to such trading arrangements.

B. Prohibited Persons and Prohibited Activities

The Fund Manager may restrict or prevent the ownership of Units by any person, firm or corporate body if, in the opinion of the Fund board, such holding may be detrimental to the Fund, if it may result in a breach of any applicable law or regulation, or if as a result thereof the Fund may become exposed to tax disadvantages or other financial disadvantages that it would not

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have otherwise incurred (such persons, firms or corporate bodies to be determined by the Fund board being herein referred to as "Prohibited Persons").

Activities which may adversely affect the interests of the Unit holders (for example, activities that disrupt the Fund's investment strategies or impact expenses for the Fund) are not permitted. The Fund Manager may, in its sole discretion, if it deems such activities adversely affect the interests of the Unit holders, take action as appropriate to deter such activities.

C. Payment of subscriptions

Applicants for any Units must make payment in the Base Currency (Saudi Riyal). Unless prior arrangements have been made, applicants must make payment in cleared funds to be received by the relevant Dealing Deadline in order to receive the NAV per Unit calculated on that day. If timely settlement is not made the application for Units will be rejected.

The Dealing Deadline for the submission of the Subscription Forms is 12:00 noon Riyadh time of each Dealing Day. If a Dealing Day is not a Business Day, the next Business Day shall be deemed the Dealing Day.

Payments for the Units should be made by inter-bank transfer to the allotted investor account. Inter-bank transfers should be marked for credit to the Morgan Stanley Saudi Equity Fund and sent with the duly completed and signed Subscription Form to the Administrator to the address set out on the top of the Subscription Form.

If any Subscription Form is not accepted in whole or in part the application monies or the balance outstanding will be returned to the applicant by post or bank transfer at the applicant's risk.

D. General Provisions

The Fund Manager reserves the right to reject any Subscription Form or to accept the Subscription Form in part only. Furthermore, the Fund Manager reserves the right at any time, without notice, to discontinue the issuance and sale of Units of the Fund.

No Units will be issued during any period when the calculation of the NAV is suspended as discussed herein under Article 24(3) below.

Notice of any such suspension will be given to applicants for Units and applications made or pending during such suspension may be withdrawn by notice in writing received by the Fund prior to the end of such suspension. Applications which are not withdrawn will be considered on the first Dealing Day following the end of the suspension period.

The Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator or Transfer Agent may refuse to accept the Subscription Form and subscription monies.

2- Redemption procedures

Unitholders wishing to redeem Units in the Fund shall do so by completing, signing and sending the Redemption Form in writing or by fax to the address/fax number specified in the Redemption Form, or by telephone to the Administrator, provided that (i) in the case of redemption requests made by fax or by telephone, payment shall be made by the Fund Manager to the account on record (any changes to the account on record may only be made upon receipt of original written instructions) and (ii) in the case of redemption requests made by telephone, an original Subscription Form has been received and the Unitholder has requested this facility. The Fund Manager may also decide that redemption requests may be made by electronic or other means provided that a duly completed Redemption Form is

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received for initial redemption and such electronic or other means are in accordance with the requirements of the CMA.

Redemption Form must include details of the number of Units or the amount the Unitholder wishes to redeem, the Unitholder's details, the Unitholder's account number and any other information required by the Redemption Form. Failure to provide any of this information may result in delay in executing the redemption request whilst verification (which may be requested in writing) is sought from the Unitholder. The Dealing Deadline for the submission of the Redemption Forms is 12:00 noon Riyadh time of each Dealing Day. If a Dealing Day is not a Business Day, the next Business Day shall be deemed the Dealing Day.

Upon redemption of Units, all dividends will accrue up to, and including, the Business Day prior to the Dealing Day when the Redemption Form is accepted.

A. Redemption days

Redemption Forms will be considered as binding and irrevocable by the Fund. Written confirmations may be required by the Fund and must be duly signed by all registered holders, unless in the case of joint registered holders, each such holder has sole signing authority.

Redemption Forms received by the Administrator on any Dealing Day before the relevant Dealing Deadline will be processed on that Dealing Day based on the NAV per Unit calculated on that Dealing Day.

Redemption Forms received after the relevant Dealing Deadline on the relevant Dealing Day will at the sole discretion of the Fund Manager, be processed on the next Dealing Day based on the NAV per Unit calculated on the next Dealing Day. The Fund Manager may not be able to exercise this discretion in all circumstances, for example where applications for Units are made via dealing platforms or other electronic means. In such cases, applications received after the Dealing Deadline may be rejected. Unitholders making redemption requests via dealing platforms or other electronic means are reminded that they must refer to the provider of the dealing platform or electronic means for the procedures that apply to such trading arrangements.

Different procedures and deadlines (which may be earlier than those set out in these Terms & Conditions) may apply if Redemption Forms are made through a sub-distributor. Applicants should note that they may be unable to redeem Units through a sub-distributor on days that such sub-distributor is not open for business.

B. Redemption proceeds

Generally payment for redeemed Units will be effected within four Business Days after the relevant Dealing Day (the "Settlement Day"). Such redemption proceeds will be paid in Saudi Riyals.

If any Redemption Form is received in respect of any Dealing Day (the "First Dealing Day") which either singly or when aggregated with other applications so received, is in respect of more than 10% of the NAV, the Fund Manager reserves the right in its sole and absolute discretion (and in the interests of the remaining Unitholders) to scale down pro rata each application with respect to such First Dealing Day so that not more than 10% of the NAV shall be redeemed on such First Dealing Day, in accordance with Article 47 of the Regulations. To the extent that any application is not given full effect on such First Dealing Day by virtue of the exercise of the power to pro-rate applications, it shall be treated with respect to the unsatisfied balance thereof as if a further request had been made by the Unitholder in respect of the next Dealing Day and, if necessary, subsequent Dealing Days, until such application shall have been satisfied in full. With respect to any application received in respect of the First Dealing Day, to the extent that subsequent applications shall be received in respect of following Dealing Days, such later applications shall be postponed in priority to the satisfaction of applications

relating to the First Dealing Day, but subject thereto shall be dealt with as set out in the preceding sentence.

C. Limits on Redemption

Unitholders may ask for the redemption of all or part of their Units. However, the Fund is not bound to comply with a request for redemption of Units if after the redemption the Unitholder would be left with a balance of Units having a value of less than the Minimum Holding. In such case, the Fund Manager may, in its discretion, redeem that Unitholder's entire investment.

D. Temporary Suspension of Redemption

The right of any Unitholder to require the redemption of Units will be suspended during any period when the calculation of the NAV is suspended by the Fund Manager pursuant to the powers set out under the heading "Suspension of Calculation of Net Asset Value" (Article 24.3). Notice of such suspension period will be given to any Unitholder tendering Units for redemption. The Units in question will be redeemed on the First Dealing Day following the end of the suspension period.

If a period of suspension lasts for more than two Business Days after the date of the Redemption Form, the application may be cancelled by the Unitholder by notice in writing to the Administrator, provided that the notice is received by the Administrator prior to the relevant Dealing Deadline on the last Business Day of the suspension period.

E. Compulsory Redemption

Unitholders may elect to redeem all or part of their investment in the Fund (subject to a Minimum Redemption of SAR 50,000 and/or a Minimum Holding of SAR 50,000) If the investment of a Unitholder on a given Dealing Day shall become at any time less than the Minimum Holding, the Fund Manager may, at its discretion, redeem all of the Units of such Unitholder at the redemption price calculated on the Dealing Day where such redemption is effected. However, the Fund Manager must notify the Unitholder holding less than the Minimum Holding in writing of any such redemption one week prior to effecting such redemption.

If it shall come to the attention of the Fund Manager at any time that Units are beneficially owned by or on behalf of a Prohibited Person, either alone or in conjunction with any other person, and the Prohibited Person fails to comply with the direction of the Fund to sell his Units and to provide the Fund Manager with evidence of such sale within {twenty one} days of being so directed by the Fund Manager, the Fund Manager may in its discretion compulsorily redeem such Units. Immediately after the close of business specified in the notice given by the Fund to the Prohibited Person of such compulsory redemption, the Units will be redeemed and such Unitholder will cease to be the owner of such Units. The Fund may require any Unitholder or prospective Unitholder to furnish it with any information which it may consider necessary for the purpose of determining whether or not the beneficial owner of such Units is or will be a Prohibited Person.

24. VALUATION OF THE ASSETS OF THE INVESTMENT FUND

1. Net Asset Value

The NAV will be calculated as at each Dealing Day. The NAV is being defined as the value of the Fund Assets prevailing as at the close of business on the relevant Dealing Day, less all liabilities. The liabilities may include charges such as Management Fees and expenses of the Fund including, without limitation, any accrued and unamortised expenses in respect of contingent or projected expenses as the directors of the Fund consider fair and reasonable. These expenses are calculated as at close of business on that Dealing Day. The Fund Assets will be valued in accordance with the methods determined from time to time by the Fund Manager, provided that money market securities purchased

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with maturities of 60 days or less are valued at amortized cost, if it approximates value, and that shares quoted on the Saudi Stock Exchange shall be valued at their closing price on the date of valuation.

2. Calculation of a Unit Price

A Unit Price will be calculated by the Fund Manager as at a Dealing Day by dividing the relevant NAV expressed in Saudi Riyals by the number of Units in issue at that time.

3. Suspension of Calculation of Net Asset Value

The Fund Manager may at any time, after obtaining the approval of the Fund Board, temporarily suspend the calculation of the NAV and the right of Unitholders to require the redemption or exchange of Units for a maximum period of 2 days, during (i) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Fund Manager, disposal or valuation of investments of the Fund is not reasonably practicable without this being seriously detrimental to the interests of Unitholders or if, in the opinion of the Fund Manager, the NAV cannot fairly be calculated; (ii) any breakdown in the means of communication normally employed in determining the price of any of the relevant Fund's investments and other assets or when for any other reason the current prices on any market or Stock Exchange of any Fund Assets cannot be promptly and accurately ascertained; (iii) any period during which the Fund is unable to repatriate funds required for the purpose of making payments due on redemption of Units or during which the transfer of funds involved in the acquisition or realisation of investments or payments due on redemption of Units cannot, in the opinion of the Fund Manager, be effected at normal prices or normal rates of exchange; (iv) any period where in the opinion of the Fund Manager such suspension is justified having regard to the interests of the Fund; or (v) following the circulation to the relevant Unitholders of a notice of a general meeting at which a resolution proposing to wind-up or terminate the Fund is to be considered.

4. Unit Price Publication

The NAV and the Unit Price will be published by the Saudi Stock Exchange and the Fund Manager on their respective websites on each Publication Day at 2:00 p.m. Riyadh time on which the Tadawul is open.

5. Distribution policy

The Fund is an income accumulation Fund whereby its net income will be reinvested in the Fund and not distributed as dividends on the Units. Reinvestment of income will be reflected in the value and price of the Units.

The Fund Manager may, in its absolute discretion, make dividends distributions but the Fund Manager makes no guarantee that any such dividends distribution will be made.

25. DILUTION CHARGE

A dilution charge of 0.50% will be levied on a Unitholder who is requesting to redeem Units within 30 days of their purchase. The amount of the charge will be calculated on the value of the Units redeemed and will be paid to the Fund.

26. TERMINATION

If the Fund Manager observes that the value of the Fund Assets is insufficient to justify continued operation of the Fund, or if, due to any change in law, regulation or other circumstances that the Fund Manager may deem an appropriate reason for terminating the Fund, the Fund Manager may, subject to CMA approval, terminate the Fund after giving 60 days notice to the Unitholders. In such case, the Fund Assets will be liquidated, its liabilities discharged and the remaining proceeds of such liquidation distributed to the Unitholders within 30 days of such notice in the proportion which their Units bear to the total Units then ascertained by the Fund Manager to be issued.

27. REPORTING TO UNIT HOLDERS

Unitholders will receive within 30 days from the end of each calendar quarter a quarterly statement showing the status of their investment in the Fund together with their respective valuations.

28. CONFLICTS OF INTEREST

By investing in the Fund, each Unitholder acknowledges and accepts that the Fund Manager and the Administrator and any of their respective subsidiaries, affiliates, associates, agents or delegates (each referred to as a "Connected Person"), may contract or enter into any financial, banking or other transaction with one another or with the Fund, including without limitation, investment by the Fund in securities of a Unitholder, or investment by any Connected Persons in any company or body any of whose investments form part of the assets comprised in the Fund or be interested in any such contract or transactions. In particular, without limitation, any Connected Person may invest in and deal with Units relating to any Fund or any property of the kind included in the property of the Fund for their respective individual accounts or for the account of someone else.

Any Connected Person may also deal as agent or principal in the sale or purchase of securities and other investments to or from the Fund through the Custodian or any subsidiary, affiliate, associate, agent or delegate thereof. There will be no obligation on the part of any such Connected Person to account to Unitholders for any benefits so arising, and any such benefits may be retained by the relevant party, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length, are consistent with the best interests of Unitholders, and

- (a) a certified valuation of such transaction by a person approved by the Fund Board as independent and competent has been obtained; or
 - (b) such transaction has been executed on best terms reasonably obtainable on an organised investment exchange under its rules; or
- where neither (a) nor (b) are practicable,
- (c) such transaction has been executed on terms which the Fund Board is satisfied conform with the principle that such transactions be carried out as if effected on normal commercial terms negotiated at arm's length.

The Fund Manager may also, in the course of its business, have potential conflicts of interest with the Fund in circumstances other than those referred to above (an example being the situation where the Fund Manager is valuing the Fund's assets since the fee payable to the Fund Manager may increase as the value of the Fund increases). The Fund Manager will, however, have regard in such event to its obligations under its respective agreements and, in particular, to its obligations to act in the best interests of the Fund and the Unitholders so far as practicable, having regard to its obligations to other clients when undertaking any investments where conflicts of interest may arise. In the event that a conflict of interest does arise the Fund Board will endeavour to ensure that such conflicts are resolved fairly, and that investment opportunities are allocated fairly.

Notwithstanding the above, where the Fund Manager recaptures a portion of brokerage fees from a broker in relation to the purchase and/or sale of securities for the Fund, such rebate (less any reasonable properly vouched fees and expenses directly incurred by the Fund Manager in arranging such rebate and agreed with the Fund) must be paid into the Fund.

The Fund Board may act as Fund Board to other collective investment vehicles. Where any potential conflicts of interest arise between their duties to the Fund and to third parties, the Fund Board will endeavour to ensure that any such conflicts will not unfairly prejudice the Fund.

The Fund Manager will use its best efforts to resolve any conflicts between the Fund and other collective investment schemes managed by, or clients of, the Fund Manager or its affiliates equitably.

Should a material conflict of interest actually arise, the directors of the Fund will endeavour to ensure that it is resolved fairly.

29. VOTING RIGHTS POLICIES

After consultation with the Fund Manager's compliance officer, the Fund's board shall approve the general policies relating to the exercise of the voting rights granted to the Fund pursuant to the securities that represent part of the Fund's assets. The Fund Manager has the absolute discretion to decide, after consultation with the compliance officer, whether to exercise any voting right, and if so, how voting rights should be exercised.

30. CHANGES TO THE TERMS & CONDITIONS

Unitholders agree that the Fund Manager may at any time and in its sole discretion amend these Terms & Conditions, provided that it obtains the prior approval of the CMA. It is also required that the Fund Manager notifies Unitholders by mail of such amendment within 30 days of obtaining the CMA approval and furnishes them with a copy of the amended text. In the event of material changes being made to these Terms & Conditions, the Fund Manager shall notify the Unitholders of such material changes not less than 60 days in advance of the effective date of such changes. Any such changes shall be binding on all Unitholders.

31. COMPLAINTS PROCEDURE

If a Unitholder has any complaint regarding the Fund, he should address his complaint to:

Head of Legal and Compliance
Morgan Stanley Saudi Arabia
Head Office – Al Rashid Tower, Al Ma'ather Street. Riyadh
P. O. Box 66633, Riyadh 11586
Tel: +966 (1) 218 70 00
Fax: +966 (1) 218 71 44
www.MorganStanley.com

The complaints procedure will be available upon request from the above address.

32. GOVERNING LAW

The operation of the Fund is subject to the laws of the Kingdom of Saudi Arabia and the Regulations as issued by the CMA from time to time. The Terms & Conditions of the Fund are subject to such laws and the Regulations as applicable from time to time.

Any disputes arising between the parties in relation to, or in connection with these Terms & Conditions shall be referred to the Committee for the Resolution of Securities Disputes.

33. COMPLIANCE WITH REGULATIONS

The Terms & Conditions and other Fund documentation comply with the Regulations issued by CMA. They contain accurate, fair and true representation and disclosures of all material facts that are relevant to the Fund.

APPENDIX 1: SUMMARY FINANCIAL DISCLOSURE

1.	Subscription Fees	1.50%
2.	Management Fees	1.75%
3.	Dilution Fees	0.50% (if redeemed within 30 days)
4.	Auditors Fees	SAR50,000 per annum
5.	Regulatory Fees	SAR 7,500 per annum (paid by the Fund Manager and not charged to the Fund)
6.	Independent Fund Board Member Compensation	SAR 3,000 per independent director per meeting with a monthly cap of SAR 5,000
7.	Minimum Initial Subscription	SAR 50,000
8.	Minimum for Subsequent Subscription	SAR 50,000
9.	Minimum Holding	SAR 50,000
10.	Dealing Day	Each Sunday and Tuesday which is a Business Day
11.	Publication Day	Each Monday and Wednesday which is a Business Day
12.	Settlement Date on Redemption	4 Business Days
13.	Financial Year End	31 December
14.	Risk Profile	High
15.	Currency of Fund	Saudi Riyal
16.	Unit Price at inception	SAR 100
17.	Custodian Fee	0.10% of NAV or a minimum SAR 112,500 per annum
18.	Administration Fee	0.15% of NAV or a minimum SAR 150,000 per annum
19.	Registrar Fee	Registrar Fee of SAR 187.50 per investor per annum and SAR 112.50 per subscription, redemption or transfer between investors in the funds.

APPENDIX 2: SUBSCRIPTION FORM

Notes for completion of Subscription Form

1. This Subscription Form incorporates the Terms & Conditions of the Morgan Stanley Saudi Equity Fund (the "Fund"), and constitutes a legally binding agreement (the "Agreement") that governs the basis on which the investor subscribes for Units in the Fund and the basis on which the Fund Manager manages the Fund.
2. By signing the Subscription Form you confirm that you have read, understood and accept the Terms & Conditions and that you agree to observe, perform and be bound by all provisions and conditions of the Terms & Conditions.
3. If you have any queries please contact:

Morgan Stanley Saudi Arabia
Head Office – Al Rashid Tower, Al Ma'ather Street. Riyadh
P. O. Box 66633, Riyadh 11586
Tel: +966 (11) 218 70 00
Fax: +966 (11) 218 71 44
www.MorganStanley.com

4. Please complete, sign and send the Subscription Form in writing or fax (followed by the original form by mail) to:

HSBC Saudi Arabia Limited
HSBC Head Office, North Olaya Road
P O Box 9084
Riyadh 11413
Saudi Arabia

Tel: +966 (11) 299 23 13
Fax: +966 (11) 299 23 85

together with the investment amount and any other documentation required to be submitted. If you send this Subscription Form by fax, please ensure that you also send the original Subscription Form to the above address in writing.

5. Subsequent subscriptions and redemptions in the Fund may be made by telephone provided the Unitholder has elected for this facility and all ongoing anti-money laundering checks are complete. If you wish to elect to use this facility, please do so by completing the election in the Application Summary. If this election has been made, the phone number to be used for placing subsequent subscription orders and redemption instructions is +966 (11) 218 71 30 or +966 (11) 299 2343.

Subscription Form

APPLICATION TO SUBSCRIBE FOR UNITS IN THE MORGAN STANLEY SAUDI EQUITY FUND

Application Summary - Guidance notes

	Particulars	Guidance Notes
(1)	Name of the Fund	Morgan Stanley Saudi Equity Fund
(2)	Name of the Fund Manager	Morgan Stanley Saudi Arabia Head Office – Al Rashid Tower, Al Ma'ather Street. Riyadh P. O. Box 66633, Riyadh 11586 Tel: +966 (11) 218 70 00 Fax: +966 (11) 218 71 44 www.MorganStanley.com
(3)	Acknowledgment of the Terms & Conditions	<i>A clear statement that the investor has received and accepts the Terms & Conditions of the investment fund.</i>
(4)	Name and Address of the investor	<i>And the name and address of joint subscriber if applicable.</i>
(5)	Iqama Number or National Civil Identification Number or Company Registration Number of the investor	<i>And the details of the joint subscriber if applicable.</i>
(6)	Nationality of the investor	<i>And nationality of the joint subscriber if applicable.</i>
(7)	Subscription Date	<i>Value date for which the transaction will be effected.</i>
(8)	Amount of Subscription	<i>The total amount paid by the subscriber (including fees).</i>
(9)	Method of Payment	<i>[Bank transfer]</i>
(10)	Signature	<i>The signature of the subscriber.</i>
(11)	Contract Date	<i>Date of completing this Form.</i>
(12)	If the investor wishes to place	<i>A clear statement that the investor wishes to be able to place subsequent subscription and redemption requests by telephone.</i>

Morgan Stanley Saudi Equity Fund

	subsequent subscription and redemption requests by telephone	
	<i>For office use only</i>	
(13)	Office	<i>MSSA office</i>
(14)	Employee	<i>MSSA individual who accepted the subscription.</i>
(15)	MSSA Client I.D. number	

1.2.

TO: MORGAN STANLEY SAUDI ARABIA

The undersigned act on behalf of [***name of applicant***], [***address***] (the ***Investor***). The Investor wishes to invest in Units in the Morgan Stanley Saudi Equity Fund (the ***Fund***) subject to the provisions of the Term & Conditions of the Fund (the ***Terms & Conditions***). Unless defined otherwise, capitalised terms used herein shall have the meaning ascribed thereto in the Term & Conditions. The Investor agrees that the following terms and conditions shall apply to the subscription for Units in the Fund, to the holding of such Units and to any redemptions of any of such Units:

1. Regulations

This Subscription Form incorporates the Terms & Conditions and constitutes a legally binding agreement (the **Agreement**) that governs the basis on which the Investor subscribes for Units in the Fund and the basis on which the Fund Manager manages the Fund. By signing the Subscription Form the Investor confirms:

- (a) to have read, understood and accepted the Terms & Conditions and that you agree to observe, perform and be bound by all provisions and conditions of the Terms & Conditions;
- (b) to act as principal and not as agent or otherwise on behalf of someone else in its dealings with the Fund Manager; and
- (c) that investment in the Fund is suitable for the Investor in view of the Investor's investment objectives.

This Agreement takes effect once the Fund Manager receives from the Investor an executed copy of this Agreement and cleared funds in the investment amount.

This Agreement is subject to the Regulations, issued by the CMA, based on the Capital Market Law and the rules made thereunder, including the Authorised Persons Regulations and all other applicable rules and regulations that may be in force from time to time.

The Fund Manager may take, or refrain from taking, any action it considers necessary to ensure compliance with any such Regulations and it will not be liable in respect of any such action taken in good faith. Whatever the Fund Manager does, or refrains from doing in relation to the Fund, in order to comply with the Regulations will be binding on the Investor. Any actions it takes, or refrains from taking, for the purpose of complying with the Regulations will not render the Fund Manager or any of its directors, officers, employees or agents liable to the Investor.

Notwithstanding anything stated or implied to the contrary in this Agreement, (i) the Fund Manager nor any of its affiliates is agreeing nor required as a matter of its operation of, service to, or transaction for the Fund to comply with any laws or regulations other than financial services laws or regulations that apply directly to the operation of the Fund and the management of its affairs as set out in the Terms & Conditions and (ii) if a party or any of its affiliates shall be required to take any action or refrain from taking any action in connection with the Terms & Conditions, the Fund or any transaction that it reasonably believes could result in non-compliance with, or penalties, loss of tax benefits, additional tax costs or additional reporting obligations under, any laws applicable to it or any of its affiliates (including, for the avoidance of doubt, the laws of the place of incorporation, domicile, or residence of such party or any of its affiliates) or that such party or any of its affiliates reasonably believes could result in placing that party or any of the affiliates in a position of noncompliance with such laws, that party may terminate any relationship or contract then existing in connection with the Terms & Conditions, the Fund or any transaction with immediate effect and without incurring any penalty, liability or responsibility hereunder.

This Agreement applies identical Terms & Conditions to all Investors and contains all the terms agreed between the Fund Manager and the Investor and supersedes any prior agreement, understanding or arrangement between them, whether oral or in writing. No representation, undertaking or promise shall be taken to have been given or be implied from anything said or written in negotiations between the Fund Manager and Investor prior to this Agreement except as expressly stated herein. Neither the Fund Manager nor the Investor shall have any remedy in respect of any untrue statement made by the other upon which that party relied in entering into this Agreement (unless such untrue statement was made fraudulently or was as to a fundamental matter including a matter fundamental to the other party's ability to perform its obligations under this Agreement) and that party's only remedies shall be for breach of contract.

The Investor acknowledges that all transactions under this Agreement are subject to the aforementioned regulatory requirements and the Investor shall not thereby be given any independent legal or contractual rights with respect to such transactions.

Morgan Stanley Saudi Equity Fund

The Terms & Conditions and other investment fund documentation comply with the Regulations and, in the opinion of the Fund Manager, contain full, true and plain disclosures of all material facts relevant to the Fund.

2. The Investor

The Investor can be a single person, joint person, an establishment, a partnership or a limited liability company, or any other legal entity.

In the event that the Investor is two or more persons then, unless indicated otherwise, an investment made in the Fund shall be considered the joint property of such persons who, individually and severally, authorise the Fund Manager to act upon written instructions of all, both, or any one of such persons.

All details given by the Investor to the Fund Manager in relation to his contact particulars are, and shall remain, current and complete.

In the event that the Investor is an establishment, a partnership or a limited liability company then, prior to such an Investor commencing investments in the Fund, such Investor shall furnish to the Fund Manager a copy of its commercial registration, Articles of Association, Partnership Agreement, corporate resolutions listing the authorised signatories, or any other documentation deemed necessary, in a form satisfactory to the Fund Manager.

The Fund Manager reserves the right to refuse an Investor's application if the Fund Manager is not satisfied with any part of the documentation supplied.

In signing this subscription form, the Investor makes (and must ensure that it is able to make) the following declarations:

- i. I/we undertake to send the subscription monies in accordance with the Terms & Conditions in the currency of the Fund to the bank account specified in the Payment of Subscriptions section of the Terms & Conditions.
- ii. I/we confirm that we have received and read a copy of the Fund's latest Terms & Conditions, financial reports and any other documents required by applicable laws or regulations. This subscription and any subsequent subscriptions are based solely on and subject to these documents and my/our subscription form(s) in each case as may be amended from time to time.
- iii. I/we confirm that we are not prohibited by an applicable laws or regulations to subscribe to the Fund.
- iv. I/we declare that all information provided in this subscription form and the statements made in it are correct and understand that they are continuous and shall apply for any subsequent transactions. I/we shall notify the Fund promptly in writing of any changes.
- v. I/we acknowledge that I/we will be required to provide evidence required by any applicable laws and regulations related to anti-money laundering checks. This subscription and any future transactions shall not be processed until such information is received.
- vi. I/we understand that as permitted in this Terms & Conditions, the Fund Manager reserves the right to reject in whole or in part or defer any transaction. Monies received in relation to a rejected subscription will be returned as soon as practicable without interest and at my/our risk. The Fund Manager, the Fund Board and the Administrator will be held harmless against any loss arising from the rejection of an application.
- vii. I/we agree to indemnify the Fund Manager, the Fund Board, the Administrator, other investors in the Fund and any affiliates or duly appointed agents of any of the foregoing entities and agree to keep them jointly and severally indemnified against all and any loss arising from my/our misrepresentation under these declarations or any breach of obligations in relation to my/our subscription for Units in the Fund

unless such loss arises solely as a result of their fraud, gross negligence or willful default.

- viii. I/we understand the risks involved with this investment.

3. Investment Information

The Investor acknowledges that:

- i. any market recommendations and information communicated to him by the Fund Manager or by any person employed by or representing the Fund Manager, does not constitute an offer to buy, sell or hold units in the Fund,
- ii. such recommendation and information, although based upon information obtained from sources believed by the Fund Manager to be reliable, may be based solely on the Fund Manager's opinion and that such information may be incomplete and may be unverified, and
- iii. the Fund Manager makes no representation, warranty or guarantee as to, and shall not be responsible for, the accuracy or completeness of any information furnished to the Investor.

The Investor acknowledges that the Fund Manager and/or its officers, directors, affiliates, associates, stockholders or representatives may have a position in or may intend to buy or sell securities, and that such persons' market position may not be consistent with the securities held by the Fund.

4. Fund Management and Third Party Services

Under the Agreement, the Investor along with all others investing in the Fund, requests and authorises the Fund Manager to invest the Fund's assets in accordance with the Fund's investment objectives and strategies and subject to the Terms and Conditions and the Fund Management Arrangements. The Fund Management Arrangements are set out in Appendix 4.

The Investor authorizes the Fund Manager to appoint, on such terms as the Fund Manager sees fit, any investment company, bank, or other financial institution, inside or outside the Kingdom of Saudi Arabia, to provide investment services to the Fund including, but not limited to, correspondent bank, broker or securities dealer and to pay the fees and expenses of any such person from the assets of the Fund.

The Fund Manager exercises reasonable professional care and applies the standards required under the Authorised Persons Regulations in the selection of third parties to render services in connection with any investments and transactions therein. The Investor accepts that any third party firm or individual acts as an independent contractor, not as an agent of the Fund Manager, and the Fund Manager shall not be liable for any act or omission by any such party nor shall the Fund Manager be liable for any losses, damages, liabilities or expenses incurred by the Investor arising from the failure of any such party to perform their functions correctly, accurately or within the customary or requisite time, or from the insolvency of any such party.

The Fund Manager may delegate investment management responsibility in respect of the Fund in whole or in part to a sub-investment manager. Details of any sub-investment manager appointed by the Fund Manager in respect of a Fund are available on request and will be set out in the periodic reports for the Fund.

Redemption of units and the payment of Fund liabilities can be effected only from the assets of the Fund, without recourse to the assets of the Fund Manager or any third party service provider. An Investor obtains no specific rights to the whole or any specific part of the underlying investments in the Fund's portfolio.

The Fund Manager shall provide the Fund Board with all necessary information relating to the Fund, to enable the Fund directors to perform their duties completely.

5. Confidentiality

Subject to the dissemination of information to Investors herein, the details of the Fund transactions shall be treated as confidential, except to the extent that information is disclosed:

- (i) pursuant to any applicable law, regulation or code of conduct, or
- (ii) by order of a court of law, or
- (iii) in response to an inquiry by a regulatory or governmental authority concerning information reasonably required by them in the course of their official duties, and subject to assurances that such information will be used only for the purposes specified and will otherwise be kept confidential.

The Fund Manager may disclose details of the Investor's relationship with the Fund Manager to authorised third parties with whom the Fund Manager deals in the performance of the agreed investment services on behalf of the Investor, for their confidential and internal use and/or as a requirement of processing transactions on behalf of the Investor.

1.3. 6. Limitation of the Fund Manager's Liability

Neither the Fund Manager nor any affiliate of the Fund Manager, nor any of the Fund Manager's or its affiliates' respective directors, officers, employees or agents shall be liable to the Investor for any loss, damages, costs, expenses or other liabilities suffered by the Investor or the Fund's assets, unless such outcome is caused by such persons' grossly negligent action or omission.

Under no circumstances shall the Fund Manager or any affiliate of the Fund Manager, or any of the Fund Manager's or its affiliates' respective directors, officers, employees or agents, be liable to the Investor for indirect or consequential losses, including any failure to realize any profit, advantage or opportunity.

Without prejudice to the foregoing provisions of this Agreement, and for the avoidance of doubt, the Investor expressly acknowledges and agrees that:

- (i) the Fund Manager makes no representation or warranty as to the performance or profitability of any underlying investments in the Fund and the Fund Manager shall have no liability or responsibility for any decline in the value of an underlying investment or the Fund assets; and
- (ii) the Fund Manager shall be entitled to rely, in the performance of its obligations hereunder, on the opinion and statements of third party professional advisors which it will select with reasonable care and instruct in good faith and shall not be liable to the Investor for any adverse effect of having relied thereon.

The above limitations on the Fund Manager's liability apply in so far as they are not inconsistent with the Fund Manager's obligations under the Capital Market Law or the Regulations.

1.4. 7. Mailing Address

The Investor shall be responsible for providing the Fund Manager with his current contact particulars including mailing address, electronic mail (e-mail), landline and mobile telephone numbers and, in the case of an Investor which is not a natural person, the name of the individual or individuals who represent that Investor, at all times and for advising the Fund Manager promptly of any change therein.

All statements, advices and other written communications by the Fund Manager shall be mailed, or e-mailed, to the Investor's mailing/electronic address provided in the Agreement or to such other address as shall have been furnished by the Investor to the Fund Manager in writing.

In the event that Investor does not provide the Fund Manager with a correct mailing and/or electronic mail address or specifically advises the Fund Manager that he does not wish to receive any mailings, including statements and advices, with respect to their investments, then the Investor is deemed to have agreed to indemnify and hold the Fund Manager harmless in respect of, and to waive, all of his rights or claims against the Fund Manager arising directly or indirectly from the non-provision of statements, advices or other information relating to the investment, or because of such non-provision, the Investor's inability to respond to or seek rectification of any errors or alleged errors in such statements, advices, or other information.

1.5. 8. Electronic Services

The Investor understands and agrees that the Fund Manager may communicate with the Investor through electronic mail providing confirmations, periodic account statements, prospectuses, proxy statements and reports in lieu of sending a hardcopy of these documents or communications, and these documents shall be deemed to be "written" documents for purposes of law that require delivery of a written document. (The Fund Manager will mail a hardcopy of these documents or communications to the Investor's mailing address upon written request.) Notices and other communications delivered to the electronic mail address provided by the Investor shall, until the Fund Manager has received notice in writing of any different electronic mail address, be deemed to have been personally delivered to the Investor whether actually received or not. The Investor agrees to notify the Fund Manager promptly of any change in the Investor's electronic mail address. The Investor understands and agrees that any electronic mail, order or other message the Investor sends to the Fund Manager through electronic media shall be deemed "signed" by the Investor if transmitting it requires Investor's user ID and password.

1.6. 9. Force Majeure

The Fund Manager shall not be in breach of its obligations under this Agreement and shall not be liable to the Investor for any loss caused directly or indirectly by Force Majeure, including, without limitation, acts of government, exchange or market rulings, suspension of trading, inability to communicate with market makers for whatever reason, breakdown of the computer systems of third parties or other machine failure, impediments to the supply of goods or equipment, or any other cause or conditions beyond the control of the Fund Manager.

If any Event of Force Majeure occurs, the date(s) for performance of the obligation(s) affected shall be postponed for so long as is made necessary by the Event of Force Majeure.

The Fund Manager will use all reasonable endeavours to minimize the effects of any Event of Force Majeure.

1.7. 10. Due Diligence and Suspicious Operations

The Investor shall ensure that the monies used to subscribe to the Fund are not of suspicious or criminal origin. If the Fund Manager detects that the structure or size of the Investor's orders deviate from normal or they have no obvious financial purpose or they do not match with the Investor's financial position or business operations, or if the Fund Manager has reason to suspect the legal origin of monies related to the business operations, the Fund Manager is obliged to discontinue operations for investigation or refuse business and immediately inform the anti-money laundering authorities of the situation and deliver any information and documents on request which may be important to investigate the suspicion.

The Fund Manager reserves the right to carry out the transactions for business reasons after which the matter must be reported to the Anti-Money Laundering authorities immediately. The

Morgan Stanley Saudi Equity Fund

Fund Manager is not according to law allowed to inform the Investor of the notification of the suspicious transaction.

1.8. 11. Sharing of Information

Information necessary to open the Investor's account, processing his transactions and to comply with applicable laws will be shared to the extent required between the Fund Manager and third parties (banks and agents) selected by the Fund Manager. The Investor also agrees that such information may also be shared with authorities.

1.9. 12. Notices

Any notice, consent, request, claim, demand, instruction or other communication given or made hereunder shall be deemed to be sufficiently given or made if in writing and delivered by post-paid registered mail or express courier service (with way bill confirmation) or facsimile delivered or sent to the unit holder at his address or fax number or email address provided by him.

Damages resulting from the use of the postal services, courier and electronic means of communication, especially from loss, delay, misunderstanding, mutilation or double dispatch are to be borne by the Investor, provided that the Fund Manager has not acted with negligence. In case of litigation, the onus of proof is borne by the Investor.

1.10. 13. Death of the Investor

In case of an individual Investor, the Terms & Conditions shall be fully binding upon the heirs, executors, administrators, personal representatives, trustees and successors of the Investor and the Investor's agreement to the Terms & Conditions shall not be terminated automatically upon the death or disability of the Investor.

In the event that the Investor is a legal entity, this Agreement shall not terminate automatically on the death, disability, insolvency or dissolution of any partner or shareholder therein.

Notwithstanding the foregoing, however, the Fund Manager shall be entitled, at its sole discretion, to suspend any dealings in connection herewith, pending receipt by the Fund Manager of a court order, power of attorney or other evidence satisfactory to itself of the authority vested upon the heirs, executors, administrators, personal representatives, trustees or successors to permit such dealings.

1.11. 14. Severability

If any provision or condition of this Agreement shall be held to be invalid or unenforceable by any court or regulatory or self-regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions shall not be affected thereby and this Agreement shall be carried out as if any such invalid or unenforceable provision or condition was not contained herein.

1.12. 15. Rights and Remedies

The rights and remedies of the parties in connection with this Agreement are not exclusive of any other rights or remedies provided by laws

1.13. 16. Governing Law

The operation of the Fund is subject to the laws of the Kingdom of Saudi Arabia and the Regulations as issued by the CMA from time to time. The Terms & Conditions of the Fund are subject to such laws and the Regulations as applicable from time to time.

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Any disputes arising between the parties in relation to, or in connection with the Terms & Conditions shall be referred to the Committee for the Resolution of Securities Disputes or any other authority nominated in this place.

I / we have read, understood, accepted, received and signed a copy of the Fund's Terms & Conditions and all appendices attached thereto.

INVESTOR'S CONSENT & APPROVAL

Investor's Name: _____

Signature: _____ Date: _____

For Corporate investors: _____

Authorised Signatory (ies): _____

Company's Stamp: _____

Address (es): _____

Email: _____

Mobile: _____

Phone Number: _____

Fax Number: _____

APPENDIX 3: Redemption Form

Please complete, sign and send this Redemption Form in writing or by fax to:

HSBC Saudi Arabia Limited
 P. O. Box 9084
 Riyadh 11413
 Saudi Arabia

Application Summary - Guidance notes

	Particulars	Guidance Notes
(1)	Name of the Fund	Morgan Stanley Saudi Equity Fund
(2)	Name of the Fund Manager	Morgan Stanley Saudi Arabia Head Office – Al Rashid Tower, Al Ma’ather Street. Riyadh P. O. Box 66633, Riyadh 11586 Tel: +966 (1) 218 70 00 Fax: +966 (1) 218 71 44 www.MorganStanley.com
(3)	Name and Address of the investor	<i>And the name and address of joint redeemer if applicable.</i>
(4)	Iqama Number or National Civil Identification Number or Company Registration Number of the investor	<i>And the details of the joint redeemer if applicable.</i>
(5)	Nationality of the investor	<i>And nationality of the joint redeemer if applicable.</i>
(6)	Redemption Date	<i>Value date for which the transaction will be effected.</i>
(7)	Amount of Redemption or Number of Units to be Redeemed	<i>The total amount paid to the Investor on redemption (net of any fees payable on redemption).</i>
(8)	Method of Receipt	<i>[Bank transfer]</i>
(9)	Signature	<i>The signature of the redeemer.</i>
(10)	Contract Date	<i>Date of completing this form.</i>
	<i>For office use only</i>	
(11)	Office	<i>MSSA office.</i>

Morgan Stanley Saudi Equity Fund

(12)	Employee	<i>MSSA individual who accepted the redemption.</i>
------	-----------------	---

Investor's Name: _____

Signature: _____ **Date:** _____

For Corporate investors: _____

Authorised Signatory (ies): _____

Company's Stamp: _____

Address (es):

Email:

Mobile: _____

Phone Number: _____

Fax Number: _____

APPENDIX 4: FUND MANAGEMENT ARRANGEMENTS

1. APPOINTMENT OF THE FUND MANAGER

- 1.1 Pursuant to Article 2 of the Terms & Conditions, Morgan Stanley Saudi Arabia has been appointed as the Fund Manager.
- 1.2 The investors acknowledge that the Fund Manager has full power and discretionary authority on behalf and for the account of the Fund to take such action and execute and deliver such documents as the Fund Manager deems necessary or desirable bearing in mind the Fund's investment objectives.
- 1.3 The investors acknowledge that the Fund Manager has full authority to bind the Fund in connection with the above and to delegate its authority.

2. DUTIES

The Fund Manager will render such investment management and related services to the Fund as the Fund may from time to time require in connection with the investment, management and realisation of the cash and other assets of the Fund including the following:

- identifying and evaluating suitable investment opportunities for possible investment by the Fund;
- advising on the merits, structure and financing of any acquisition or disposal of any investment;
- investing and reinvesting the assets of the Fund in investment opportunities;
- negotiating and arranging acquisitions, disposals and other transactions in or relating to the investment opportunities of the Fund;
- making such representations to sellers of investment opportunities or purchasers of the assets of the Fund, and to other persons, that the Fund Manager may deem proper in such circumstances;
- advising the Fund of all rights or discretionary actions in relation to the Fund's investments including, without limitation, voting rights and of the date or dates by when such rights must be exercised or such action taken;
- if reasonably required by the Fund, to make available one of its individual executives or nominate some other suitable person to serve on the board of any investee company (but in no event where such appointment or nomination of a board member would in itself result in adverse tax consequences for the Fund or the Fund Manager);
- if reasonably required by the Fund, to exercise voting, management, consultation and other rights attaching to or related to the investments;
- monitoring the performance of the Fund's assets and making recommendations in relation thereto
- assisting the Auditors in determining the valuation of the Fund and calculating the amount of any distributions or redemptions to be made by the Fund to the Investors from time to time;
- engaging consultants, technical advisers, counsel, accountants or such other persons as the Fund Manager may deem necessary or advisable in carrying out the above duties;
- assisting in engaging such support services as Fund shall require;
- if reasonably required by the Fund, preparing material (including valuations) for inclusion in reports of the Fund; and
- generally assisting in transactions to which the Fund is a party.

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2.1 The carrying out of the Fund Manager's duties hereunder shall be subject to:

- (a) the Terms & Conditions;
- (b) the Regulations, issued by the CMA, based on the Capital Market Law and the rules made thereunder, including the Authorised Persons Regulations and all other applicable rules and regulations that may be in force from time to time; and
- (c) any other matter to which a prudent investment manager and adviser should reasonably pay regard in the proper discharge of its duties.

3. PROFESSIONAL ADVICE

In carrying out its duties hereunder, the Fund Manager may in his discretion obtain and pay for such expert or professional advice or services as may be necessary or desirable for the performance of its duties hereunder and in particular, but without prejudice to the generality of the foregoing, the Fund Manager may refer any legal question to the Fund's legal advisers, and may rely and act on any expert or professional opinion or advice, including any legal opinion or advice given by the Fund's legal advisers.

4. FEES

- 4.1 The Fund Manager shall receive a management fee calculated as a yearly percentage of the Fund's NAV and charged on each Valuation Date.
- 4.2 The Fund Manager shall be reimbursed by the Fund for any third party fees or expenses which the Fund Manager may be required to incur as a result of providing any service to the extent customary or otherwise agreed to by the Fund, including legal and accounting fees and any governmental charges and duties.

5. REPORTING

The Fund Manager agrees to provide (or arrange the provision of) such reports, statements, valuations and information as set out in Article 27 of the Terms & Conditions.

6. DUTY OF CARE

The Fund Manager shall use commercially reasonable skill and care in carrying out the duties and exercising its rights, powers and authorities hereunder.

7. INDEMNITY

- 7.1 Neither the Fund Manager nor any affiliate of the Fund Manager, nor any of the Fund Manager's or its affiliates' respective directors, officers, employees or agents ("Fund Manager Parties") shall be liable to the Investor for any loss, damages, costs, expenses or other liabilities suffered by the investor or the Fund's assets, unless such outcome is caused by the Fund Manager Parties' grossly negligent action, fraud, wilful misconduct or bad faith.
- 7.2 Under no circumstances shall any of the Fund Manager Parties be liable to the Investor for indirect or consequential losses, including any failure to realize any profit, advantage or opportunity.
- 7.3 Without prejudice to the above terms, and for the avoidance of doubt, the investor expressly acknowledges and agrees that:

Morgan Stanley Saudi Equity Fund

- (a) the Fund Manager makes no representation or warranty as to the performance or profitability of any underlying investments in the Fund and the Fund Manager shall have no liability or responsibility for any decline in the value of an underlying investment or the Fund assets; and
- (b) the Fund Manager shall be entitled to rely, in the performance of its obligations hereunder, on the opinion and statements of third party professional advisors which it will select with reasonable care and instruct in good faith and shall not be liable to the Investor for any adverse effect of having relied thereon.

7.4 The above limitations on the Fund Manager's liability apply in so far as they are not inconsistent with the Fund Manager's obligations under the Capital Market Law or the Regulations.

7.5 To the extent permitted by applicable law, the Fund shall indemnify the Fund Manager Parties against all claims, liabilities, damages and expenses, including reasonable legal fees, to which they become subject by reason of their activities on behalf of the Fund, so long as the action giving rise to the claim does not arise out of the gross negligence, fraud, wilful misconduct or bad faith by the relevant Fund Manager Party.

8. NON-EXCLUSIVITY AND CONFLICTS OF INTEREST

8.1 The services of the Fund Manager are not to be deemed exclusive and, subject to the Terms & Conditions, the Fund Manager shall be free to render similar services to, and act as Fund Manager or investment adviser of, third parties, provided that its ability to fulfil its duties hereunder is not materially adversely affected, and to retain for its own use and benefit fees or other monies payable in connection therewith.

8.2 The Fund Manager will at all times have due regard to the duties it owes to the Fund and where a conflict arises:

- (a) it will use best efforts to resolve conflicts of interest between the Fund and either (i) other collective investments schemes with which it or (ii) its affiliates are involved or its clients equitably;
- (b) it will allocate investment opportunities between (i) the Fund, (ii) other collective investment schemes with which it or its affiliates are involved and (iii) its clients equitably; and
- (c) the Fund Manager will treat each Investor equally and will not give any preference to any individual investor.

9. GOVERNING LAW

9.1 The operation of the Fund is subject to the laws of the Kingdom of Saudi Arabia and the Regulations as issued by the CMA from time to time. The Terms & Conditions of the Fund are subject to such laws and the Regulations as applicable from time to time.

9.2 Any disputes arising between the parties in relation to, or in connection with the Terms & Conditions shall be referred to a special disputes settlement committee or any other authority nominated in its place.

Appendix 5: 2015 Summary Financial Disclosure

A) General Information:

Fund Manager	Morgan Stanley Saudi Arabia
Fund Currency	Saudi Riyals
Fund Benchmark	Tadawul All Share Index (TASI)
Fund Type	Conventional
Inception Date	7 January 2009
Inception Price	SAR 100.00
Price on 31 December 2015	SAR 270.61
NAV on Inception (7 January 2009)	SAR 41,751,562.50
NAV on 31 December 2015	SAR 84,787,624
Management Fees	1.75% p.a.
Subscription / Redemption Days	Sunday & Tuesday
Minimum Subscription / Balance	SAR 50,000
Minimum for Additional Subscription	SAR 50,000

Morgan Stanley Saudi Equity Fund

B) Fees and Expenses

(All Amounts in SAR)

Item	Fees as % of NAV	Expenses Incurred (SAR)
Subscription Fee	1.50%	-
Redemption Fee	-	-
Management Fee	1.75% per annum (deducted from the Fund on a quarterly basis)	1,884,670
Dilution charges	0.50% (if redeemed within 30 days)	-
Custodian Fee	0.10% Of NAV or a minimum of 112,500 per annum (deducted from the Fund on a monthly basis)	117,638
Audit Fee	Annual fee 40,000	40,000
Borrowing	-	-
Registrar Fee	187.5 per investor per annum and 112.50 per subscription or redemption or transfer (deducted from the Fund on a monthly basis)	10,613
Fund administration Fee	0.15% Of NAV or a minimum of 150,000 per annum (deducted from the Fund on a monthly basis)	167,947
Transaction Fee	112.50 Per transaction (aggregated and deducted from the Fund on a monthly basis)	70,200 which is equivalent to .0828% of NAV
Brokerage Fee:	0.000588% per transaction (deducted at the time of the trade)	239,976.98 which is equivalent to .2830% of NAV
Fund Board compensation	Independent directors shall be remunerated for their services; the remuneration of each independent director shall be SAR 3,000 per meeting, with a cap of SAR 5,000 per month. The maximum yearly remuneration for each independent director shall be SAR50,000	13,620
Total	2.37%	2,544,664.66

Note: * Total fees and expenses are a percentage of 2015 average AUM.

Morgan Stanley Saudi Equity Fund

C) Others:

Description	Remarks
Basis of Calculation, Frequency of Payment	Calculated as a percentage of NAV, bi-weekly and paid on a monthly basis
Fund of Funds	Not applicable
Dealing Costs (Brokerage fee)	SAR 239,976.98
Fund Board Compensation	SAR 13,620
Foreign Fund Financial Arrangements	Not applicable
Dilution Charges	Nil

D) Performance

The following table presents the total return (net of fees of expenses) of the Fund vs. TASI (Benchmark) for one, three and five years.

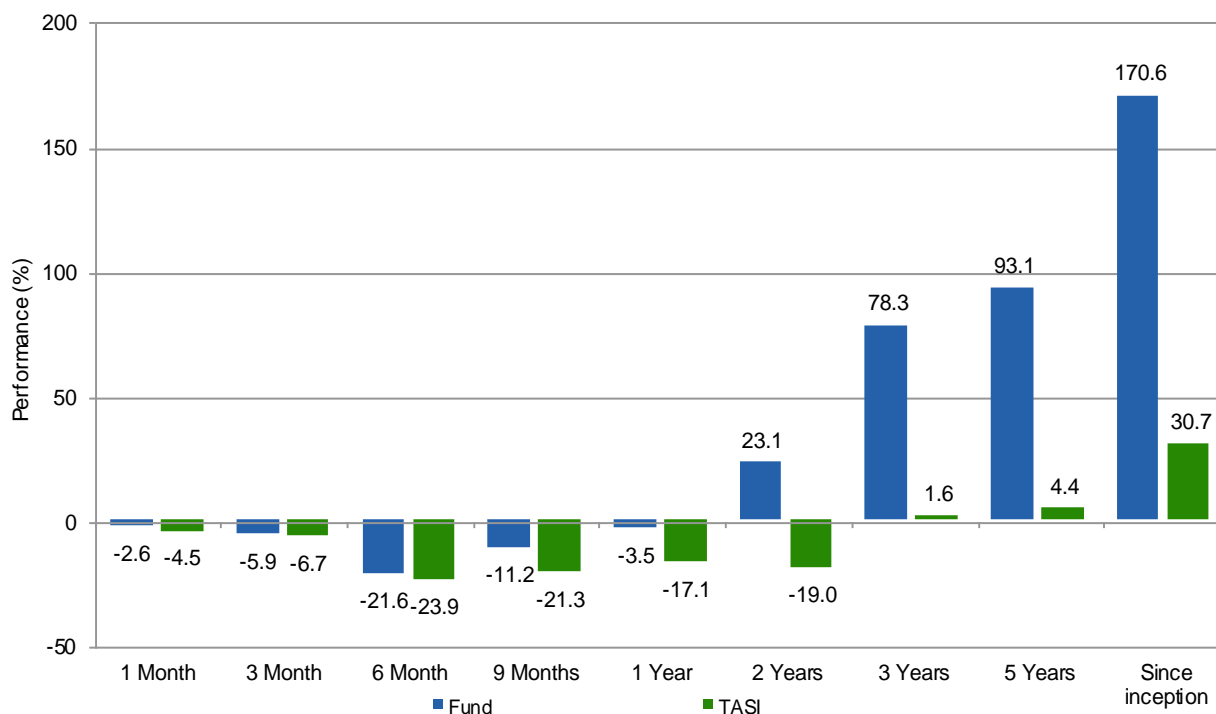
Period	Fund	TASI
One Year	-3.5%	-17.1%
Three Years	78.3%	1.6%
Five years	93.1%	4.4%
Since inception till Dec 2015	170.6%	30.7%
10 Years*	NA	NA

* Note: The Fund was launched in January 2009.

The following chart presents the total annual return (net of fees and expense) of the fund compared with TASI (Benchmark) since the launch of the Fund.

Appendix (5: D) Performance

Net of fees and expenses



ATTENTION IMPORTANT INFORMATION

Neither the past performance of the Fund nor the past performance of the index is an indication of how the Fund will perform in the future.

There is no guarantee for Unitholders that the Fund's absolute performance or its performance relative to the index will repeat or match past performance.

Morgan Stanley Saudi Equity Fund

Notes:

Since inception, the Fund has outperformed TASI by 140.0% net of fees and all expenses.

Fund has outperformed its benchmark over 1, 3, 6, 9, 12 and 24 months periods.