



NBK Gulf Equity Fund

NBK GULF EQUITY FUND

An open-ended collective investment undertaking registered as an expert CIU under the laws of the Kingdom of Bahrain
Issued by a Closed Joint Stock Company registered in the Kingdom of Bahrain under the Bahrain Commercial Companies Law

OFFER OF UNITS

at an initial offer price of USD 1 each payable in full upon subscription
Subscriptions must be for a minimum of USD 25,000

INVESTMENT MANAGER

WATANI INVESTMENT COMPANY K.S.C.(c)

PROSPECTUS

APRIL 2005

(Amended: August 2008)

The Ministry of Industry and Commerce of Bahrain, the Central Bank of Bahrain or the Bahrain Stock Exchange DO NOT take any responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of the Fund, nor shall they have any liability to any person for any damage or loss resulting from reliance on any statement or information contained herein.

IMPORTANT INFORMATION

Prospective Unitholders should review this Prospectus carefully and in its entirety and consult with their legal, tax and financial advisors to determine possible legal, tax, financial or other consequences of purchasing, holding or redeeming units ("Units") in the NBK Gulf Equity Fund (the "Fund").

Units from this Fund can only be offered to expert investors. Collective Investment Undertaking Module of the Central Bank of Bahrain regulatory framework defines expert investors as:

- (a) Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 100,000, excluding that person's principal place of residence; or
- (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 100,000; or
- (c) Governments, supranational organizations, central banks or other national monetary authorities, and state organisations.

The Fund is neither registered nor is expected to be registered under the U.S. Investment Company Act of 1940, as amended.

This Prospectus provides a summary of certain information relevant to an investment in the Fund. The information in this Prospectus relating to the Memorandum and Articles of Association of NBK Gulf Equity Funds Company B.S.C.(c) (the "Fund Company") does not purport to be complete in its reference to those documents.

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

No person is authorized to give any information or to make any representation in connection with the offering of the Units otherwise than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Fund or the Investment Manager. Any purchase made by any person on the basis of any information or representation not contained in or inconsistent with this Prospectus shall be solely at the risk of the purchaser.

This Prospectus is not to be reproduced or redistributed without the prior written consent of the Fund Company.

Other than in relation to the Kingdom of Bahrain ("Bahrain"), Oman, Kuwait, Qatar, the United Arab Emirates and the Kingdom of Saudi Arabia ("Saudi Arabia"), no action has been taken in any Jurisdiction that would permit the placing of Units or possession or distribution of this Prospectus or any other offering or publicity material relating to the Units, in any country or Jurisdiction where action for that purpose is required. Subscriptions for Units are subject to acceptance by the Fund Company.

This Prospectus does not constitute and may not be used for the purposes of an offer or solicitation to any purchase or holding of Units in the Fund by, or for the benefit of, any Non-Qualified Person (as defined hereinafter) at any time. "Non-Qualified Person" means any person to whom a transfer or holding by such person of Units would:

1. be in breach of any law or requirement of any country or governmental authority in any Jurisdiction whether on its own or in conjunction with any other relevant circumstances; or
2. result in the Fund Company or Fund incurring any liability to taxation which the Fund Company or Fund would not otherwise have incurred or suffered; or
3. require the Fund Company or Fund to be registered under any additional statute, law or regulation, whether as an investment company or trust scheme; or
4. cause the Fund Company or the Fund to be required to apply for registration or comply with any registration requirements in respect of any of its Units.

The Ministry of Industry and Commerce of Bahrain, the Central Bank of Bahrain or the Bahrain Stock Exchange DO NOT take any responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of the Fund, nor shall they have any liability to any person for any damage or loss resulting from reliance on any statement or information contained herein.

This Prospectus is written and shall be interpreted solely in the English language. If this Prospectus is translated into any language other than English (including, for the avoidance of doubt, Arabic) the English language text shall at all times prevail. Dates and periods of time shall be construed according to the Gregorian calendar.

Investment in the Fund carries a number of risks. There can be no assurance that the Fund's investment objectives will be achieved and investment results may vary substantially over time. Investment in the Fund is not intended to be a complete investment program for any investor. Prospective Unitholders should carefully consider whether an investment in the Units is suitable for them in light of their circumstances and financial resources (see further under Section 14 of this Prospectus: "Risk Warnings").

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

The Directors of the Fund hereby declare, to the best of their knowledge,^o that nothing contained in this Prospectus purport to be untrue, misleading or is unfairly prejudicial to the interests of the Fund participants generally.

Copies of this Prospectus and of the Subscription Application may be obtained from the offices of the Fund Company, National Bank of Kuwait S.A.K. and the Distributor in the relevant country.

This Prospectus is dated April 2005 and has been amended in August 2008.

SUMMARY OF TERMS

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus.

The Fund Company	NBK Gulf Equity Funds Company B.S.C.(c), a Bahraini fund investment company incorporated as a Closed Joint Stock Company and approved by the Central Bank of Bahrain and whose registered address is Manama, Bahrain.	Size of the Fund	The targeted offer of Units in the Fund amount to USD 500 million. However, the Board of Directors may resolve to accept minimum subscription offers at the first stage, amounting to USD 50 million or above.
The Fund	NBK Gulf Equity Fund, an open-ended investment fund established by the Fund Company.	Subscription	Units may be subscribed for within the Initial Offering Period at the Initial Offer Price and thereafter on a weekly basis on each Valuation Day at the Offer Price, subject to the condition that the Fund Company should have received, at least two Business Days prior to a given Valuation Day, a duly completed Subscription Application in writing. Subscription monies in addition to the Subscription Fee must be paid at the latest two Business Days prior to a given Valuation Day.
Jurisdictions	The GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) and various MENA (Middle East and North Africa) countries including, but not limited to, Jordan, Lebanon, Palestine, Egypt, Morocco and Tunisia.	Redemption	Units may be redeemed on a weekly basis on each Valuation Day, subject to the condition that the Fund Company should have received, at least two Business Days prior to a given Valuation Day, a duly completed Redemption Application in writing. Units shall be redeemed at the Net Asset Value on that Valuation Day. The proceeds of redemption will be paid by the Distributor in US Dollars to the NBK account designated by the Unitholder in the Redemption Application within five Business Days from a given Valuation Day. No redemption charge will be deducted.
Investment Objective	The Fund seeks long-term capital appreciation by investing primarily in GCC equities. A distinguishing feature will be an active strategic approach by the Fund in allocating between the equity markets within the GCC and the MENA region.	Minimum Subscription	USD 25,000 upon initial Subscription and in multiples of USD 1,000 thereafter.
Base Currency	US Dollars.	Initial Offer Price	USD 1 per Unit.
Investment Manager	Watani Investment Company K.S.C.(c).	Initial Offering Period	8 May 2005 to 26 May 2005.
Country Managers	The Investment Manager may, in its sole discretion, select Country Managers to manage the assets of the Fund in various Jurisdictions.	Initial Closing Date	26 May 2005.
Custodian	HSBC Bank Middle East Limited, Bahrain Branch.	Offer Price	The prevailing Net Asset Value per Unit on any Valuation Day calculated in accordance with Section 9 of this Prospectus.
Administrator	KeyPoint Consulting W.L.L., Bahrain.		
Registrar and Representative	National Bank of Kuwait S.A.K., Bahrain Branch.		
Auditor	PricewaterhouseCoopers, Bahrain.		

Investment Management Fee	Up to 1.5% per annum based on the average weekly Net Asset Value of the Fund, paid quarterly in arrears. In addition, a Performance Fee of 10% for every 1.0% by which the Fund's return exceeds 10% during the Financial Year, will be payable annually in arrears.
Subscription Fee	2% of the Subscription amount of any Units subscribed for, to be added to the Subscription amount and payable once upon Subscription.

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1. DEFINITIONS

The following definitions will apply throughout this Prospectus unless the context otherwise admits or requires:

“Administration Agreement” means the administration agreement dated August 2007 between the Fund Company, on behalf of the Fund, and the Administrator.

“Applicant” means a person who applies to become a Unitholder in the Fund.

“Articles” means the Memorandum and Articles of Association of the Fund Company as amended from time to time.

“Bahrain” means the Kingdom of Bahrain.

“Banker” means National Bank of Kuwait S.A.K.

“Business Day” means Monday, Tuesday, Wednesday and Thursday, except public holidays in the GCC, and MENA countries.

“Investment Management Agreement” means the agreement dated May 2008 between the Investment Manager and the Fund Company, on behalf of the Fund, pursuant to which the Investment Manager has been appointed to manage the assets of the Fund.

“IPO” means initial public offering.

“CBB” means the Central Bank of Bahrain.

“Country Managers” means those sub-investment managers to whom the Investment Manager may delegate its investment management functions in any of the Jurisdictions subject to the necessary regulatory approvals.

“Custody Agreement” means, as the context requires, the respective agreements between the Fund Company, on behalf of the Fund, and the respective Custodian.

“Directors” means the board of directors from time to time of the Fund Company.

“Distributors” means those distributors selected by the Fund Company from time to time in respect of the Jurisdictions to market and collect Subscriptions and Redemptions in respect of the Fund.

“Financial Year” means the financial year of the Fund, being the Fund’s fiscal year, which shall begin on 1 January and end on 31 December of each year except for

the first financial year, which will begin at the end of the Initial Offering Period and end on 31 December of the same year.

“Fund” means NBK Gulf Equity Fund, an open-ended investment fund established by NBK Gulf Equity Funds Company B.S.C.(c), incorporated and approved by the Central Bank of Bahrain under the provisions of the Bahrain Commercial Companies Law with the registration number 56034.

“Fund Company” means NBK Gulf Equity Funds Company B.S.C.(c).

“GCC” means Gulf Cooperation Council countries.

“Jurisdictions” means the GCC and MENA countries.

“MENA” means Arab countries in the Middle East and North Africa region including, but not limited to, Jordan, Lebanon, Palestine, Egypt, Morocco and Tunisia excluding the GCC.

“Net Asset Value” means the net value of assets of the Fund as determined on each Valuation Day, as more detailed in Section 9 of this Prospectus.

“Redemption Application” means the redemption application provided by the Fund to be used as the means to redeem Units of the Fund in accordance with the Prospectus.

“Registrar and Representative Agreement” means the agreement dated April 2005 between the Fund Company, on behalf of the Fund, and the Registrar and Representative.

“Subscription Application” means the subscription application by which Applicants can subscribe for Units in the Fund in accordance with the Prospectus.

“Unit” means a unit in the Fund, each having an Offer Price of USD 1 during the Initial Offering Period.

“Unitholder” means a registered owner of Units.

“US Dollars or USD” means United States Dollars, the lawful currency of the United States of America.

“Valuation Day” means the last Business Day of each calendar week.

2. THE FUND

The Fund is an open-ended investment fund, established by the Fund Company, a Closed Bahraini Joint Stock Company. The Fund is a collective investment scheme established pursuant to Central Bank of Bahrain regulations for the operation and marketing of collective investment schemes issued by the Agency, Circular No. EDFIS/C/020/2007 May 2007 and subsequent supplementary circulars and has been approved by the Ministry and the Agency and established for a period of 50 years by the Fund Company. The Fund has been categorized as an Expert CIU in accordance with Volume 6 of the CBB capital markets Rulebook for collective investment undertakings.

The NBK Gulf Equity Funds Company B.S.C.(c) has been established in accordance with provisions of the Bahrain Commercial Companies Law Decree No. 21 of the year 2001. The purpose of this Company is to create investment funds and enter into instruments for the creation and issue of participating investment units. The authorized capital of this Company is one thousand Bahraini Dinars (BD 1,000) and has been fully subscribed for by the National Bank of Kuwait S.A.K and Mr. Salah Y. Al Fulajj.

The copies of the Memorandum and Articles of the Fund company shall be provided free of cost to any investor upon request.

The base currency of the Fund is USD. Units are equal to one ordinary class and with a price of USD 1 each during the Initial Offering Period. The minimum initial subscription is USD 25,000. The Fund, being open-ended, will initially offer Units at the Initial Offer Price and thereafter, on a continuous basis at the Offer Price, via the Distributors authorized from time to time by the Fund Company.

The targeted offer of Units in the Fund amount to USD 500 million. However, the Board of Directors may resolve to accept minimum subscription offers at the first stage, amounting to USD 50 million or above. For the Fund to continue its existence, it needs to maintain a minimum fund size of USD 5 million throughout its life.

3. INVESTMENT OBJECTIVE

The Fund seeks long-term capital appreciation by investing primarily in GCC equities. A distinguishing feature will be an active strategic approach by the Fund in allocating between the equity markets within the GCC and the MENA region.

The Fund will aim to optimize longer term returns by reducing the downside risk below that of the GCC equity markets. A contribution to this objective will be

achieved by diversifying among various MENA countries outside the GCC and, as considered prudent, cash resources based on the investment outlook and strategy decided by the Fund's Investment Manager.

4. INVESTMENT STRATEGY AND SELECTION PROCESS

The Fund Company may, in its sole discretion, appoint a number of selected Country Managers to manage the individual country portfolios. The Investment Manager will regularly consider the Fund's overall asset allocation and monitor the Country Managers' investment views and performance, directing tactical transfers between markets and centrally holding cash resources, as needed. The Fund will invest primarily in the equities of blue chip GCC companies and companies with strong fundamentals and long-term prospects. The country portfolios will normally be fully invested, but the Investment Manager may in unfavorable market conditions build up the centrally held cash resources for strategic purposes.

The allocation of equity investments to GCC and MENA countries may initially be maintained within the following ranges

Jurisdiction	Allocation Percentage	Fully Invested Norm
Saudi Arabia	20%-60%	35%
Kuwait	10%-40%	20%
Oman	0%-15%	5%
Bahrain	0%-15%	5%
UAE	5%- 40%	20%
Qatar	0%-25%	10%
MENA	0%-15%	5%

The Fund may invest in Cash and Cash equivalents with no more than 20% of its Net Asset Value placed with a single party or group of connected parties.

The Fund may invest in Transferable Securities including Equity and Debt with no more than 15% of its Net Asset Value to be placed with a single party, and no more than 20% to be placed with a single group of connected parties.

The Fund may invest in other third party collective investment funds up to a maximum

of 20% of its Net Asset Value, with other managers through separate accounts to gain wider access to equities where there are direct ownership restrictions. The Fund will not invest in any Fund that is managed by the Investment Manager “Watani Investment Company K.S.C.(c)” except for Money Market Funds.

The Fund may use techniques and instruments, such as warrants, futures and options up to a maximum 20% of its Net Asset Value, for the purposes of efficient portfolio management and for hedging the risk of fluctuations in the value of the assets of the Fund. Such techniques and instruments will generally be used when prevailing market conditions make such instruments an appropriate way to enhance or protect the value of the Fund. In any case, the underlying positions shall satisfy the other investment guidelines.

The Fund may hold a maximum amount equivalent to 15% of the Net Asset Value of the Fund in general or specific investments in equity markets outside the GCC. Also, the Fund may hold a maximum equivalent to 5% of the Net Asset Value of the Fund in general or specific pre-IPO investments (provided at all times that any stricter limits imposed by any of the regulatory authorities / laws in any Jurisdiction in which the IPO is launched are complied with).

The Investment Manager may arrange short-term borrowing for the Fund to manage liquidity requirements, provided that it does not exceed 20% of the Net Asset Value of the Fund. The Sub Investment Manager does not have an authority to borrow.

The Fund may sell securities for various reasons, such as to secure gains, limit losses or redeploy assets into more promising opportunities, including the transfer of cash to a different equity market

The Fund will not grant loans, short sell, grant collaterals and guarantees, act as principal guarantor of issues, trade in commodities, trade in real estate, discount checks or borrow on behalf of the Fund with the exception of the cases mentioned above.

5. DIVIDEND POLICY

- 5.1 The Fund Company will not pay dividends to the Unitholders, and any dividends from underlying securities will be reinvested on behalf of the Unitholders.
- 5.2 Distributions shall be payable only out of capital gains of the Fund, subject to the approval of the Investment Manager and the Board of Directors of the Fund Company and also subject to Central Bank of Bahrain’s prior approval.

6. INVESTMENT MANAGER

The Investment Manager will oversee the investments of the Fund. More specifically, it is responsible for monitoring the portfolio structure, investment performance (both actual and relative to benchmarks) and compliance with asset and country allocations.

It is also responsible for setting out, reviewing and, as necessary, amending the investment guidelines as well as monitoring the regional economic and stock market environments and, in particular, the prospects for the equity markets in the Jurisdictions, with a view to taking pre-emptive action to reduce downside risk in the Fund’s aggregate investment portfolio and achieving reasonably stable annual returns to Unitholders.

It will also appoint, remove and replace any of the Country Managers, from time to time as it sees fit.

7. MANAGEMENT OF THE FUND

7.1 *The Directors*

The Directors of the Fund Company have overall authority over, and responsibility for, the operations and management of the Fund and will exercise supervision and control of the Fund, including deciding matters of general policy and reviewing the actions of the Investment Manager, the Country Managers, the Distributors, the Custodian, the Administrator and the Registrar and Representative. The Fund Company may appoint new Directors, replace or remove all or any of them from time to time. The Board of Directors of the Fund Company shall meet at least once every financial year to review the performance and operations of the Fund.

The Directors of the Fund currently are :

Shaikha Al Bahar, who is a graduate of Kuwait University, majoring in International Marketing and Statistics (with honor), and has attended specialized training courses at Stanford, Duke, Wharton, University of Singapore, Western University of Canada and INSEAD. She is currently the Deputy CEO at NBK.

Salah Al Fulajj, who is a graduate of the University of Miami with a Bachelor’s degree in Industrial Engineering (1982) and a Masters in Business Administration (1985). He is currently the Chief Executive Officer of Watani Investment Company K.S.C.(c), which is also known as NBK Capital.

Nabil Maroof, who is a graduate of Boston University with a Bachelor of Science in Business Administration, majoring in Finance (1993). He is currently the Head of Wealth Management at Watani Investment Company K.S.C.(c).

7.2 The Investment Manager

Pursuant to the Investment Management Agreement, the Investment Manager will, in exchange for a fee out of the assets of the Fund, provide investment management services to the Fund. These services will include the assumption of the powers, duties, discretions and functions exercisable by the Directors insofar as they relate to management of the Fund's investments, subject to the overall supervision of the Directors and in accordance with the investment guidelines set out by the Investment Manager.

The Investment Manager is Watani Investment Company K.S.C.(c), incorporated and having its headquarters in the State of Kuwait, is a regional investment bank that employs 120 experienced finance professionals across the region with offices in Kuwait, Istanbul and Dubai. The company aims to deliver innovative diversified services and products to businesses across the region. Watani Investment Company K.S.C.(c) has a deep understanding of the business, cultural and regulatory environment of the Middle East region and is able to leverage its relationship with National Bank of Kuwait, the highest rated bank in the region operating in 17 international markets.

The Investment Manager may appoint Country Managers to assist in the performance of their duties, but may not delegate any of their functions without the prior approval of the Directors.

7.3 Custodian

HSBC Bank Middle East Limited, Bahrain Branch has been appointed as the custodian of the Funds assets ("HSBC"). The relevant assets will be held directly by HSBC or through its agents, sub-custodians, or delegates pursuant to the relevant Custody Agreement.

HSBC is entitled to be indemnified by the Company against all actions, proceedings, claims, demands, costs and expenses whatsoever (other than those resulting from the fraud, negligence or wilful default of HSBC) which may be made against or incurred by HSBC arising out of or in performing its obligations or duties.

In performing its duties, HSBC may appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (included in such appointment are powers of sub-delegation), provided always that HSBC will remain responsible for the proper performance of its duties. HSBC will

not however be responsible for any loss suffered by the Company (or the Fund) by reason only of the liquidation, bankruptcy or insolvency of any such agent, sub-custodian or delegate.

HSBC will not be responsible for any cash, securities and/or other assets comprising the assets of the Fund which are not deposited with or held to the order of HSBC. In particular, the Custodian will not be responsible for any cash, securities and/or other assets placed with prime brokers, brokers, co-custodians, placement agents, or any other party (except for sub-custodians selected and appointed by HSBC). Due to local laws, regulations, customs or market practices, the assets/investments of the Fund may be held in the name of the Company or its affiliates and, in some circumstances, HSBC may not have effective control over such assets/investments. Therefore, notwithstanding anything to the contrary in this Prospectus, HSBC shall not be liable for any losses suffered by any Unit holders or the Company (for the account of the Fund or otherwise) or the Fund in respect of any assets of the Fund which are outside the effective and exclusive control of HSBC.

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

HSBC is not involved with the business affairs, organization, sponsorship or investment management of the Company or the Fund. In addition, HSBC is not responsible for the preparation of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus.

The appointment of HSBC as a custodian may be terminated by not less than three months' notice in writing.

7.4 Administrator

Keypoint Consulting W.L.L., Bahrain will act as the Fund's administrator in Bahrain pursuant to the Administration Agreement dated August 2007. Keypoint Consulting W.L.L. offers unsurpassed expertise in a range of advisory services in the Middle East region. Keypoint ensures that results, professionalism and efficiency are the cornerstone of the services Keypoint clients receive. Keypoint assists its clients with a host of services including company formation, company secretarial, business advisory, fund administration, share registry, fundamental accounting services and human resources". Keypoint is registered with the Central Bank of Bahrain to provide ancillary financial services.

The Administration Agreement provides that the Administrator will be responsible, inter alia, for maintaining the Fund accounts, preparing calculations of the Net Asset Value and the Net Asset Value per Unit and other matters required by the regulators of Bahrain, safekeeping the Fund's records and other fund administrative functions.

7.5 Registrar and Representative

National Bank of Kuwait S.A.K., Bahrain Branch has been appointed as the Registrar and Representative pursuant to the Registrar and Representative Agreement dated April 2005. The Agreement provides, inter alia, that the Registrar and Representative shall be responsible for maintaining an accurate Unitholders' Register and for the processing and recording of issuance, transfer and redemption of Units, issuing Confirmation Notices and Unitholders Statements. In absence of manifest errors, entries in the Register shall be conclusive and binding.

7.6 Auditors

PricewaterhouseCoopers, Bahrain has been appointed as the independent auditor to the Fund. Audited financial statements of the Fund will provide an opinion regarding the Fund's financial statements for the Financial Year and assessing the accounting principles used.

7.7 Sponsor of the Fund and Distributor for Kuwait

The Sponsor of the Fund, National Bank of Kuwait S.A.K, Kuwait will also act as a distributor of the Fund in Kuwait pursuant to a distribution agreement. National Bank of Kuwait S.A.K may appoint additional distributors pursuant to sub-placement Agency agreements.

National Bank of Kuwait S.A.K. is one of the Arab world's most prominent banks, operating in 17 international markets, and is Kuwait's largest bank. Its principal activities are in consumer and corporate banking, investment banking and asset management. National Bank of Kuwait S.A.K. offers its clients a comprehensive range of financial products and services through a network of branches, point of sale terminals and a state-of-the-art automated call center, as well as internet and WAP-enabled mobile banking.

Any change or termination of the agreements with the above-mentioned management, and the appointment of any successor is subject to the Central Bank of Bahrain's approval.

8. FUND UNIT ACTIVITY

8.1 Subscriptions

The Fund will appoint suitably qualified Distributors throughout the GCC and MENA region to receive Subscription Applications in respect of the Fund. A person wishing to invest in Units in the Fund during the Initial Offering Period may do so at the Initial Offer Price by providing the relevant Distributor in the respective country with a duly signed and completed Subscription Application together with cleared funds in the amount to be invested in the Fund plus the Subscription Fee by no later than 12:00 noon (Bahrain time) on the Initial Closing Date. Subscription Applications are available at the offices of the relevant Distributor in their respective country. Units will be allotted to successful Applicants after the Initial Closing Date. No third party payment is allowed.

Subscriptions must be for a minimum of USD 25,000 plus the Subscription Fee. Additional Subscriptions for Units must be in multiples of USD 1,000. There is no upper limit on the amount of additional Subscriptions.

Distributors reserve the right in their absolute discretion to reject or scale down any Subscriptions without giving any reason therefore, in which event the Subscription monies or any balance thereof will be returned to the Applicant, without interest.

After the Initial Offering Period, Applicants may apply for Units in the Fund by submitting a duly signed and completed Subscription Application in writing to the relevant Distributor in the respective country at least two Business Days prior to a Valuation Day no later than 12:00 noon (Bahrain time). Subscription monies in addition to the Subscription Fee must be paid at the latest two Business Days prior to a given Valuation Day.

Units will be allocated to successful Applicants for the relevant Valuation Day provided that the Directors may, in their absolute discretion, determine not to make Units available for Subscription on any particular Valuation Day, subject to appropriate regulatory approvals.

8.2 Redemptions

Units may be redeemed on each Valuation Day, subject to the condition that the relevant Distributor in the respective Unitholder's country should have received, at least two Business Days prior to the relevant Valuation Day, a duly signed and completed Redemption Application in writing no later than 12:00 noon (Bahrain time). Redemptions may be deferred or suspended if the Net Asset Value cannot be reasonably calculated due to circumstances beyond the control of the Investment Manager and/or the Administrator.

The proceeds of redemption will be paid by the Distributor in US Dollars to the account designated by the Unitholder in the Redemption Application within five Business Days from the relevant Valuation Day. No third party payment is allowed.

Redemption requests should be for a minimum value of USD 1,000. No partial redemption of a Unitholder's Units will be permitted if following such redemption, the value of a Unitholder's remaining Units would amount to less than USD 25,000.

If in respect of any Valuation Day redemption requests exceed 10% of the Net Asset Value, the Investment Manager shall be entitled to scale down all such requests on a pro rata basis, or in such other manner as they consider appropriate and redeem Units accordingly. Requests for redemption of Units that cannot be met on any one Valuation Day will be carried forward to the next Valuation Day subject to the same provision regarding the 10% ceiling.

Requests to redeem Units of the Fund will be accepted by submitting the Redemption Application, which is available at the relevant Distributor in the respective country. Units shall be redeemed at their Net Asset Value as calculated on the relevant Valuation Day. No redemption charge will be deducted.

8.3 Suspension of Subscription and Redemption of Units

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

- (a) if, as a result of political, economic, military or financial market disruptions or any circumstances outside the control, responsibility and power of the Fund, including (without limitation) delays in settlement or registration of securities transactions, the disposal of the assets of the Fund is (as to which the Directors and the Investment Manager shall have sole discretion to determine) not reasonably practicable without materially and adversely affecting and prejudicing the interests of continuing Unitholders or if, in the opinion of the Directors and the Investment Manager, a fair price cannot be calculated for the assets of the Fund; or
- (b) in the case of a breakdown in the means of communication normally used for valuing any investment of the Fund or if for any reason the value of any asset of the Fund which is material (as to which the Directors and Investment Manager shall have sole discretion to determine) in relation to the Net Asset Value of the Fund may not be determined as rapidly and accurately as required; or
- (c) if, as a result of restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if any purchases, sales, deposits and withdrawals of assets of the Fund cannot be effected in the normal course of business; or

- (d) When any Stock Exchange on which a substantial portion of the Fund's investments are quoted or dealt is closed other than for ordinary holidays or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund's assets.

8.4 Transfer of Units

The Units are freely transferable at any time in accordance with the Prospectus of the Fund and its transfer form, except to persons under the age of 18.

No transfer will be effective unless a transfer form is fully completed and executed by both the transferor and the transferee in all relevant places. The transfer form (available from the relevant Distributor in the respective country) must be submitted to the Distributor.

Transferees shall be subject to the same terms and conditions as Applicants including, but not limited to, the provision of information, documents and minimum Subscription amount.

8.5 Compulsory Redemptions

The Fund may (in accordance with the Articles) compulsorily redeem any Units, at the prevailing Net Asset Value per Unit, if the Directors determine (in their absolute discretion) that:

- (a) the holding of any Units by the relevant Unitholder is in contravention of any applicable legislation or would result in adverse tax or other adverse pecuniary consequences under any applicable legislation; or
- (b) it is necessary to redeem Units compulsorily in order to avoid the Fund being required to register under the United States Investment Company Act 1940 as amended; or
- (c) any other reason that the Directors deem appropriate.

8.6 Termination of Fund

Under the following circumstances, subject to the prior approval of the CBB, the Fund Company shall terminate the Fund:

- (a) In case of an unusual decline in the NAV to a degree that will materially affect the Fund Managers ability to carry out the Funds investment policy.
- (b) Insufficient subscription during the Initial Offer Period.
- (c) If the CBB requests the Fund operator to terminate the Fund.

9. DETERMINATION OF NET ASSET VALUE

The Net Asset Value will be determined on each Valuation Day and will be published on the internet website of the Distributor from time to time.

The Net Asset Value per Unit will be calculated by the Administrator in accordance with Generally Accepted International Accounting Standards using the formula: (a) the total assets of the Fund less the total liabilities divided by (b) the total number of outstanding Units of the Fund on the Valuation Day. The net asset value of the Fund will be calculated within three business days from the valuation day before 4.00 p.m.. The assets of the Fund are separate from the assets of the Fund Company and any sub-fund created by the Fund Company.

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

- (a) Management and other fees and disbursements of the Investment Manager earned, but not yet paid;
- (b) Any allowance for the Fund's estimated annual audit, legal and other fees;
- (c) Fees and charges of the Custodian and Administrator and brokerage fees;
- (d) Fees and charges of the Country Managers;
- (e) Expenses of the Directors;
- (f) Reserves authorized or approved by the Directors or the Investment Manager for duties and charges or taxes or contingencies (accrued, where appropriate, on a day-to-day basis);
- (g) The aggregate amount of all borrowings and interest, commitment fees and other charges arising in connection therewith (accrued, where appropriate, on a day-to-day basis);
- (h) other liabilities of the Fund of whatsoever nature (accrued, where appropriate, on a day-to-day basis) and any contingent liabilities being valued in such manner as the Directors may determine from time to time in any particular cases; and
- (i) All costs relating to any litigation in which the Fund is involved.

The Net Asset Value of the Fund and the Units will be expressed in US Dollars and the NAV of the Fund shall not be calculated by the Sponsor/Investment Manager.

10. PUBLICATION OF INFORMATION

Performance reports and semi-annual customer statements will be sent to Unit holders. The Fund Financial Year will end on 31 December each year and annual audited financial statements will be available to the Unit holders within four months after financial year end. The semi annual reviewed accounts will be available to unit holders within 2 months after the end of each half year period.

11. RIGHTS OF UNITHOLDERS

The Unitholders will be provided with a confirmation letter stating the number of units that has been allotted once the subscription Applications are processed.

The Unitholders have no voting rights and, therefore, will not be able to exercise any management or control functions with respect to the Fund's or the Fund Company's operations.

Unitholders will be informed within 14 days of getting CBB's prior approval in respect of any change in the investment policy, any change in the operators of the Fund, any merger, division or termination of the Fund, any change in the directors of the Fund or the Fund Company and any other major issues having material impact on the interests of Unitholders and would have an option of exiting the Fund without paying any redemption fees with in the period of 14 days if they feel that there is a significant impact on their interest.

12. FUND FEES AND EXPENSES

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

12.1 *Launching Cost*

The Fund's preliminary expenses and the costs and the expenses of and incidental to the offer and the issue of the Units (including expenses relating to the establishment of the Fund, the negotiations and preparation of the contracts to which it is a party, the costs of printing this Prospectus, fees and expenses of its professional advisors and promotional expenses), all of which are payable by the Fund, are estimated at USD 250,000. Actual expenses incurred will be capitalized and amortized over a period of five years.

12.2 Investment Management Fee

Under the Investment Management Agreement, the Fund will pay the Investment Manager an Investment Management Fee of up to 1.5% per annum based on the average weekly Net Asset Value of the Fund, paid quarterly in arrears. In addition, in certain circumstances a Performance Fee may be payable annually in arrears. The Performance Fee will be 10% for every 1.0% by which the Fund's return exceeds 10% during the Financial Year.

12.3 Country Manager Management and Performance Fee

The Country Manager's fees and the performance fees, if any, shall be borne by the Investment Manager.

12.4 Other Operating Costs

All costs including brokerage, banking, sale and purchase commissions and exchange fees, in addition to fees of the Custodian, Administrator, Auditor, Registrar and Legal Counsel together with government charges and duties will be borne by the Fund.

Detailed information of fees and expenses are provided in the fee table at the end of this Prospectus and are subject to change from time to time.

13. ADDITIONAL INFORMATION

13.1 Anti Money Laundering

The Fund Company will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition of and Combating Money Laundering and the various Ministerial Orders and circulars issued with regard thereto and Terrorist Financing from time to time including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institution's Obligations Concerning the Prohibition of and Combating Money Laundering and any other law which may come into force in Bahrain in the future in connection with anti money laundering regulations.

As a result of the applicable anti-money laundering regulations, documentation will be required along with the subscription request for Units. The Directors, the Fund and the relevant Distributor reserve the absolute right to require further verification of the identity of each potential Investor or that of the person or entity on whose behalf the potential Investor is applying for the purchase of the Units and/or the source of funds. This will be used to comply with these regulations and to verify the identity of the Investors and will remain confidential. Each potential Investor will be

required to provide satisfactory evidence of identity and if so required the source of funds within a reasonable time period determined by the Fund. Pending the provision of such evidence, Application for Units will be postponed. If a potential Investor fails to provide satisfactory evidence within the time specified, or if a potential Investor provides evidence but the Fund is not satisfied therewith, the Application will be rejected immediately in which event the money received on Application, if any, will be returned without interest payment.

13.2 Life and Liquidation of the Fund

The duration of the Fund is subject to the duration of the Fund Company, which is 50 Gregorian calendar years from the date of registration of the Fund Company. This period may be extended by resolution of the Fund Company's shareholders with the prior approval of the Ministry of Industry and Commerce of Bahrain and the Central Bank of Bahrain.

The Directors may at any time, subject to the prior approval of the CBB, propose to dissolve the Fund. In this event, the liquidation would be carried out in accordance with the laws of Bahrain and the regulations of the CBB.

13.3 Indemnity

The Fund shall hold the Investment Manager and its Directors free and harmless against any claim or liability that they may have incurred while performing their duties, except for their respective fraud, willful misconduct or gross negligence.

The Unitholder will indemnify the Fund Company against any liability or expenses incurred by the Fund Company in connection with any action, suit or proceeding resulting from or arising out of or relating to any statement or any other action made by the Unitholder in the Subscription Application or otherwise in connection with his subscription for Units.

The Unitholder will be solely liable and responsible for the payment of any stamp duties, transfer and other similar taxes, if any, imposed in connection with the purchase or transfer of the Units.

13.4 Notices

Any notice or other document to be served on any Unitholder, if served by post, shall be deemed to have been served 48 hours after the time when the letter containing the same is posted and in proving such service it shall be sufficient for the Fund Company to prove that the letter containing the notice or document was properly addressed and duly posted. Any such notice may be given by being exhibited at the offices of the Fund Company and the Administrator and in such case shall also be advertised in a local Bahraini newspaper or any other newspaper as the Fund

Company may determine from time to time. Notice given in this manner shall be deemed to have been served at noon on the date on which the notice was first exhibited at the offices of the Fund Company and the Administrator or when the advertisement first appears, whichever is the latter.

13.5 *Inspection of Documents*

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

- the Memorandum and Articles of Association of the Fund Company;
- Prospectus and any other offering or placing documents produced from time to time by the Fund;
- All the material contracts;
- any interim or periodic accounts and/or reports in respect of the Fund sent to Unitholders.

13.6 *Governing Law*

The governing law of the Prospectus, agreements and all related documents to the Fund, is the law of the Kingdom of Bahrain.

14 **RISK WARNINGS**

UNITHOLDERS SHOULD BE AWARE THAT THE VALUE OF UNITS MAY DECREASE AS WELL AS INCREASE.

Prospective Unitholders should not treat the contents of this Prospectus as advice relating to legal, taxation or any other matters and are advised to consult their own professional advisors concerning the acquisition, holding or disposal of Units.

Any purchase of Units should be made only after consulting independent qualified sources of investment advice. This brief statement does not disclose all of the risks which may be associated with an investment in the Fund. However, among the risks involved are the following:

- (a) Investment in the Fund should be regarded as a long-term investment. However, there can be no guarantee that the objectives of the Fund will be achieved. The Fund's investments are subject to normal market fluctuations and the risks inherent in all investments and there are no assurances that appreciation will occur. It is the policy of the Fund to maintain a diversified

portfolio of investments, so as to minimize risk.

- (b) The price of the Units is denominated in US Dollars and therefore changes in rates of exchange between currencies might cause the value of the investment to decrease as well as increase.
- (c) The Investment Manager is ultimately responsible for investing and reinvesting all the assets of the Fund. Therefore, Unitholders will be reliant entirely on the Investment Manager and will not be able to direct the Fund's operations or investments. For example, Unitholders have no voting rights except in the specific circumstances detailed in this Prospectus.
- (d) Although it is intended that the Fund's portfolio will be diversified across a wide range of Jurisdictions, Unitholders should be aware of the risks associated with investing in the main markets invested by the Fund. Many markets and the companies quoted on their stock exchanges are subject to exchange controls and are exposed to the risks of increasing rates of inflation, high interest rates, currency fluctuations and changes in taxation that may affect the Fund's income and the value of its investments.
- (e) Liquidity and marketability of quoted shares in the stock markets in the Jurisdictions may be limited due to certain foreign investment restrictions, restricted opening hours and a narrow range of investments and price movements may be subject to restrictions based on previous day closing prices. Trading volume is lower than on more developed stock markets and equities are generally less liquid. In addition, the Fund may invest a portion of its assets in unlisted securities. The potentially illiquid nature of these investments may result in the Fund not being able to dispose of such investments at the optimum price or within a reasonable time at a reasonable price.
- (f) In the event of an exceptional decline in the value of the Fund's assets to a level insufficient to sustain normal trading by the Fund, the Fund may have to liquidate positions or cease trading.
- (g) Since the Performance Fee is calculated on a basis which includes unrealised appreciation and depreciation of the net assets of the Fund attributable to the Units, such fee may be greater than if it was based solely on net realised gains.
- (h) Due to regulatory and legal restrictions which may operate within some of the Jurisdictions and in respect of the constitutional documents of particular companies within the Jurisdictions, the Fund will not be able to invest in all types of securities and corporate entities within the Jurisdictions and, even where the Fund is able to invest in particular securities, it may at times be limited as to the extent to which it can invest.

15. TAXATION

There is at present no corporate or personal income tax, withholding tax or stamp duty in Bahrain.

15.1 Tax position of the Fund

The following comments are based on advice received by the Investment Manager regarding the current law and practice in Bahrain and elsewhere and are intended only to assist prospective Unitholders.

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

Unitholders should consult their professional advisors on the possible tax consequences of their subscribing for, purchasing, holding or selling of Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

15.2 Bahrain Tax Considerations

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

In the event that there is any material amendment or change to the laws of Bahrain in connection with the matter referred to above, the Investment Manager shall notify the Unitholders of such amendment or change in the next following report that is circulated to the Unitholders after such amendment or change has come to the attention of the Investment Manager.

15.3 Unitholder Taxation

Prospective Unitholders should inform themselves as to the possible tax and other consequences under the laws and regulations of the countries of their citizenship, residence, domicile and incorporation which might be relevant to their subscription for, purchase, holding, sale or transfer of Units.

16. FEE TABLE

Investment Manager Fee	Up to 1.5% per annum; payable quarterly.
Custodian Fee	Ranging from 0.23% of the NAV up to 0.32% of the NAV per annum subject to an annual minimum fee of USD 30,000. There will also be transaction fees ranging from USD 60 up to USD 150 per transaction; payable monthly.
Administrator Fee	0.06% per annum or a minimum of USD 75,000 per annum, whichever is higher; payable quarterly.
Registrar and Representative Fee	0.10% per annum.; payable quarterly.
Investment Manager Performance Fee	10% for every 1% or part thereof by which the Fund's return during the Financial Year exceeds 10%; payable annually.

DIRECTORY

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