



# GCC Leasing Fund

## The Fund:

GCC Leasing Fund is an open ended Fund established in adherence with the Sharia (Islamic) laws by Al-Tawfeek Company for Investment Funds Limited, incorporated under the laws of Cayman Islands, BWI. The Fund invests in financial leases of a diversified capital assets portfolio to produce cash return for the Fund's investors. The Fund capital, denominated in U.S. dollars, is primarily invested in the leasing of assets in GCC countries (Saudi Arabia, Kuwait, Bahrain, Oman, U.A.E., & Qatar).

## Fund Size:

Authorized Fund Capital	US\$ 200 Million
Issued Fund Capital	US\$ 100 Million

## Investment Strategy

### & Objectives:

The Fund invests in local currency diverse leasing transactions over the medium term, with the intent to generate high and periodic cash returns under minimal risks.

Lease transactions include, inter alia, automobiles & heavy vehicles, medical & industrial equipment, and real estate i.e. private houses, residential compounds, offices, and retail buildings etc.

The Fund goal is to earn superior returns in accordance with the Sharia and to enable a wide range of investors to participate in large and diversified investment activities.

## Unit Price:

The price of each unit during the Initial Subscription Period was US\$ 1,000. Subscription in the Fund after the initial subscription period shall be according to the unit prices declared weekly and computed on the basis of the Fund's weekly financial position.

## Minimum Subscription :

The minimum subscription amount is the value of 5 units. The minimum allowed for addition or redemption shall be the value of one unit.



## **Initial Subscription**

### **Period :**

The initial subscription of the Fund was from 30th of May, 1995 till the 30th of July, 1995. Entry to the Fund remains open at the weekly unit price declared by the Mudarib.

## **Profit Calculation**

### **& Distribution:**

Profits accumulated by the Fund are reflected in the unit prices declared weekly by the Mudarib. The Fund distributes accumulated returns semi-annually to the investors at end of February and August of each year, knowing that the first distribution was made at the end of August 1996.

## **Expected Rate of Return:**

The expected net annual Return on Investment to the investors, after deduction of the Mudarib's share, is anticipated at 7% - 7.5%. The profits distributed for the period 1 March 1999 to 31 August 1999 reflected an annualized return of 7.1%.

## **Advantages :**

- (1) The Fund provides an opportunity of earning Halal returns.
- (2) The Fund offers professional investment management services.
- (3) An investment in the Fund will provide the investor with superior income returns.
- (4) Withdrawals are possible at end of each quarter of the Fund's financial year after elapse of one year from date of participation.
- (5) Additions are allowed at any time.
- (6) Investors can access large leasing transactions through the Fund.

## **Risk Factors:**

Investment in the Fund is subject to various potential risks. These risks may, inter alia, include the following:

- The Fund's return objectives are based on factors and assumptions, the accuracy of which cannot be guaranteed by the Mudarib. Actual returns are subject to vary due to events and circumstances beyond foreseeable control.
- Some of the Fund's investments are subject to exchange and currency risks in the countries where these investments are made.



- The Funds returns may be lower than the market in future if market lease rates rise while the Fund is still locked into present market lease rates. However, the Mudarib will minimize such risks by entering into variable rate leases whenever possible.
- The credit risk of non-payment and legal enforcement costs against lessee's defaults may have adverse affect on leasehold contracts. However, the Mudarib shall mitigate this risk with adequate replevin rights :
  - ‡ A lien on the asset leased to effect repossession of the asset.
  - ‡ Historically, defaulters among the Mudarib's prudent lessee client selection have kept defaulters to a minimum.
  - ‡ Criteria of selection.
- The Fund will diversify investments to a mixture of several industries to significantly minimize the effect of any future cyclical downturn risk in any one industry.
- The Fund will not entertain prospective lease assets, which tend to be affected by rapid technological changes, to reduce the possibility of asset obsolescence.
- There is no present market for this Fund; therefore, the transfer of units may only take place with the Mudarib's written consent. The Mudarib will encourage the formation of a secondary market for the units of the Fund so as not to unnecessarily discourage the transfer of units. The Mudarib shall keep a provision for redemptions to the extent that Fund operations are not affected.

The Mudarib will take reasonable precaution to ensure that any risks affecting returns are kept at a minimum. The Mudarib will maintain a provision of a maximum 2% annually of the total amount of all leases concluded at the date of preparing the Financial Position. The provision shall be reviewed at each profit distribution period.

### **Trading of Units:**

The Fund's units can be transferred – in total or partial – to another person. This will offer an opportunity to the participants to either earlier quit the Fund or to participate and get profits in shorter period. The secondary transfer of units takes place in pursuant to the relevant rules of the Fund's regulations. The Mudarib will charge 1% of the value of the transferred units for services rendered by the Mudarib. As transfer of units' process remains the participant's responsibility, units shall not be transferable without the prior written consent of the Mudarib.



### **New Entry Price:**

Entry prices are determined by the Mudarib weekly, and are based on the Net Asset Value of the Fund.

### **Redemption of Units:**

The Fund stipulates the following conditions for withdrawal :

- (1) Full or partial withdrawals are permitted after the elapse of one year from the date of investors' subscription collections, and thereafter at the end of every quarter of the Fund's financial year, i.e. end of May, August, November, and February.
- (2) Withdrawal requests require one month prior notice. The repayment against the withdrawal request shall be made within one week after the withdrawal period (end of the quarter in which the withdrawal request is submitted). The Mudarib may repurchase units from the applicant based on repurchase prices as equitably determined by the Mudarib.
- (3) In case of exceptional circumstances the Mudarib reserves the right to suspend withdrawal from the Fund.

### **The Mudarib:**

Al-Tawfeek Company for Investment Funds Limited is the Mudarib of the Fund. The Mudarib shall be liable to reinstate investors' rights, in case of proven negligence, misuse of funds or flagrant violation of the provisions of the Fund's Mudaraba Regulations.

### **Mudarib share of Profits :**

The Mudarib's share of profits is agreed to be 18% of the net profits. As an added incentive, the Mudarib is also be entitled to an increase of his percentage to 25%, applicable to that portion of net profit that is over and above the minimum expected annual return on investment as declared annually by the Mudarib.

### **Management:**

Al-Tawfeek Company for Investment Funds Limited, as Mudarib, shall manage the Fund within the following guidelines:

- (1) Compliance with Sharia (Islamic law) provisions.



- (2) Investment in well diversified financial leases.
- (3) Exercise prudence in the suitability of assets leased and the credibility of the Lessee.
- (4) The Mudarib will provide management services in accordance with the Fund's Mudaraba Regulations. These services will include, inter alia, monitoring the performance of the leased assets, and preparation of annual reports and accounts
- (5) The Specialized Funds Department is a separate operating unit established by the Mudarib for the express purpose of liaison the modalities under the Mudarib management. The Specialized Funds Department is also responsible to expedite and facilitate the dissemination of pertinent information from management to the investors to ensure a timely flow of communication, and also to oversee and ensure the timely distribution of profits to investors.

#### **Zakat:**

Zakat will be payable by the participants on the returns of their invested amounts only (at the end of their Hou) and not on the amount initially invested because it has been changed into assets utilized for leasing and not trading. The Zakat will be payable only on the balance of returns in the Fund, at the completion of the Hou, based on the Hegira calendar at a rate of 2.5%. (At a rate of 2.577% based on the Gregorian calendar year)

The Fund will not directly pay Zakat as it remains the participants responsibility.

#### **Sharia Board:**

A Sharia Board consisting of the following scholars reviews the Fund transactions:

Sheikh Dr. Yousef Al-Qardawi (Board Chairman)

Sheikh Abdullah Bin Suleiman Al-Manai

Sheikh Muhammad AlMokhtar Al-Salami

Sheikh Mohammad Taqi Al-USmani

Sheikh Dr. Abdul Sattar Abu Ghuddah (Executive Member)

#### **Consultants (Assets Evaluation & Pricing):**

The Consulting Center for Finance and Investment,  
P.O. Box 2642, Riyadh 11451, Saudi Arabia,  
Telephone : (01) 478-2525  
Fax : (01) 476-8021



## **External Auditors:**

Arthur Andersen,  
Caledonian House, P.O. Box 1929,  
Grand Cayman, British West Indies,  
Telephone : (001-809) 94-99400  
Fax : (001-809) 94-99386

## **Legal Advisors :**

The U.S. law firm of Gibson, Dunn & Crutcher, in its capacity as special council to Al-Tawfeek Company for Investment Funds (The “Company”), has advised the Company with respect to certain matters in connection with its incorporation and ongoing corporate governance, but has not participated in the establishment of this Fund or reviewed this offering document.

## **General Provisions:**

- (1) The Mudarib shall exert due efforts to use a tax-efficient investment structure whenever applicable.
- (2) In the event of exceptional circumstances impeding the economic operation of the Fund, the Mudarib shall have the right to liquidate Investor’s Participations’ with a one-week notice.
- (3) Reference shall be made to the Mudaraba Regulations of the Fund for provisions that are not included in this Prospectus.
- (4) The Fund financial year shall commence on the first day of March and end on the last day of February of the next year.
- (5) The participants will receive Participation Note from the mudarib to confirm their subscription in the Fund.

## **How to Subscribe:**

- (1) The subscriber shall complete the Subscription Form attached to this Prospectus confirming his agreement to subscribe to the Fund and to comply with the provisions of the same as well as of the Mudaraba Regulations of the Fund



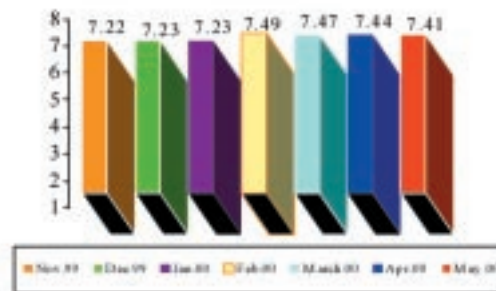
(2) Subscription amounts shall be payable to the following account of Al-Tawfeek Company for Investment Funds Ltd.:

<b>Banks</b>	<b>(U.S. Dollars) A/C No's</b>	<b>Name of Account</b>
Gulf International Bank, 380 Madison Ave. New York, NY 10017 USA	3006732610	Al-Tawfeek Company for Investment Funds

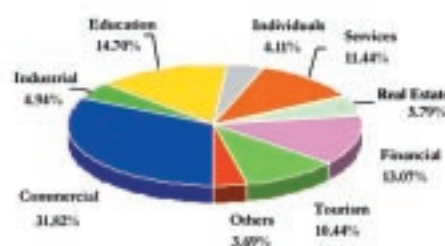
- (3) The completed Subscription Form should be returned to the Mudarib's representative or mailed together with evidence of the deposit or transfer of subscription funds to the Placement Agent's address.
- (4) The Mudarib shall provide investors with Credit Notes evidencing the amount and date of collection of funds. Also the Mudarib shall provide investors with Participation Notes indicate Number of Shares, date of subscription and first date for possible redemption.

### Fund's Performance:

The Fund realized 7.41% annualized net ROR as at 31 May 2000. This result reflects the positive response of the Fund to changes in the economic conditions and market volatility. The rates of return distributed to the investors were as follows:



The economic diversity of the Fund's portfolio, as at 31 May 2000, is shown below:





The securities and/or investment products for which information is given in this prospectus have not been registered in the United States of America, and are not for sale within the United States of America or to or for the benefit of U.S. persons (As such term is promulgated pursuant to regulations of the securities act of 1933, as amended) and no information about these securities will be sent to, or for the benefit of any U.S. persons, as such term is defined above.



For further information contact the following offices:

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Dallah Tower, Palastine Street  
P.O. Box 430, Jeddah 21411  
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Fax: (02) 669-4324

**Private Investment Portfolio Management**

Al Baraka Investment & Development Co.,  
Jeddah, Tel: (02) 671-0000, Ext: 2818/2689

**Ladies Office:**

Al Barakah Investment & Development CO.,  
Faisalia Women Charity Association - Dallah/AlBaraka  
P.O. Box 10011, Jeddah 21433  
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**Makkah Al-Mukaramah:**

Al Barakah Investment & Development Co.,  
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**Al-Madina Al-Munawwarah:**

Al Barakah Investment & Development Co.,  
Sultanah District  
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**Dammam:**

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**Bahrain:**

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