



# BNP PARIBAS ISLAMIC FUND

*A Mutual Investment Fund  
organised under Luxembourg Law*

## PROSPECTUS

**MARCH 2022**

The Fund is open to Islamic and non-Islamic investors alike.

The business of the Fund shall at all times be conducted in a manner that complies with written guidelines relating to Islamic Sharia criteria. Any reference to securities, transferable securities, "Master Fund", financial instruments, issuer, borrowings, loans, deposits, dividends and Islamic hedging instruments (derivatives can be used for hedging purposes only, subject that documentation related to such derivatives is compliant with Islamic principles) shall mean Sharia-compliant transferable securities, Master Funds, etc... The requirements of the Islamic Sharia are broadly that it is not permissible for the Fund to pay or receive interest, although the receipt and payment of dividends from equity securities is acceptable. However, dividends received by the Fund from its investments may comprise an amount which is attributable, for Islamic Sharia purposes, to interest income earned or received by the underlying investee companies as well as to the interest-bearing debt. Where this is the case, the amount of any dividend which is so attributed will be calculated in accordance with Islamic Sharia criteria (dividend cleansing procedure). In accordance with Islamic Sharia, the amount of dividend income so attributed will be donated once a year by the Fund to "Médecins Sans Frontières" (or "MSF"), Paris. For any other charities with no direct or indirect benefit accruing to the Fund, the donation will be performed as decided from time to time at the discretion of the Management Company with the prior approval of the Sharia Supervisory Committee. Since that dividend income received by the Fund will be capitalised and rolled up outside the capital of the Fund, a donation of dividend income to charities will have no effect on the Net Asset Value of the Fund.

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## Sharia Compliance

The Sharia Committee has ruled that the Prospectus and Management Regulations (hereinafter “the Fund Documents”) are, in their view, Sharia compliant. However, there can be no assurance that the Fund Documents or relevant investment and trading of any Fund Assets will be deemed Sharia compliant by any other Sharia Committee or Sharia scholars. None of the Sharia Committee, Management Company and/or Delegated Investment Manager make any representation as to the differences in Sharia opinions are possible. Potential and existing investors should obtain their own independent Sharia advice as to the compliance of the Fund Documents and the trading of any Fund Assets with their individual standards of compliance with Sharia principles.

To the extent permitted by law, each of the Unitholders, Management Company and Delegated Investment Manager agree that it has accepted the Sharia compliant nature of the Fund Documents to which it is a party and further agrees that:

- a) It has not relied on any statement or representation made by the Sharia Committee as to the Sharia compliance of the Fund Documents;
- b) It has reviewed the Fund Documents from a Sharia perspective, has performed its own due diligence and is completely satisfied with the compliance of the Fund Documents with the principles of Sharia.
- c) It confirms that it does not have any objection, nor will it raise any objections as to matters of Sharia compliance in respect of or otherwise in relation to the provisions of any Fund Document;
- d) It shall not take any steps or bring any proceedings in any forum to challenge the Sharia compliance of the Fund Documents to which it is a party; and
- e) To the extent permitted by law, none of its obligations under the Fund Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Fund Documents to which it is a party are not compliant with the principles of Sharia.

## **INFORMATION REQUESTS**

BNP PARIBAS ASSET MANAGEMENT Luxembourg  
10, rue Edward Steichen  
L-2540 Luxembourg,  
Grand-Duchy of Luxembourg

## **NOTICE**

This Prospectus may not be used for the purpose of an offer or solicitation to sell in any country or any circumstance in which such an offer or entreaty is not authorised.

The Fund is approved as an Undertaking for Collective Investment in Transferable Securities (UCITS) in Luxembourg. It is specifically authorised to market its units in Ireland, Luxembourg, Austria, France, Germany, Singapore, Switzerland and United Kingdom. Not all the sub-funds, categories, or classes of units are necessarily registered in these countries. It is vital that before subscribing, potential investors ensure that they are informed about the sub-funds, categories, or classes of units that are authorised to be marketed in their country of residence and the constraints applicable in each of these countries.

In particular, the Fund's units have not been registered in accordance with any legal or regulatory provisions in the United States of America. Consequently, this document may not be introduced, transmitted or distributed in that country, or its territories or possessions, or sent to its residents, nationals, or any other companies, associations, employee benefit plans or entities whose assets constitute employee benefit plan assets whether or not subject to the United States Employee Retirement Income Securities Act of 1974, as amended (collectively, "Benefit Plans"), or entities incorporated in or governed by the laws of that country. Furthermore, the Fund's units may not be offered or sold to such persons.

In addition, no one may issue any information other than that presented in the Prospectus or the documents mentioned in it, which may be consulted by the public. The Management Company vouches for the accuracy of the information contained in the Prospectus on the date of publication.

Lastly, the Prospectus may be updated to take account of additional or closed sub-funds or any significant changes to the Fund's structure and operating methods. Therefore, subscribers are recommended to request any more recent documents as mentioned below under "Information for Unitholders". Subscribers are also recommended to seek advice on the laws and regulations (such as those relating to taxation and exchange control) applicable to the subscription, purchase, holding and redemption of units in their country of origin, residence or domicile.

The Prospectus is only valid if accompanied by the latest audited annual report as well as the latest interim report if the latter is more recent than the annual report.

If there is any inconsistency or ambiguity regarding the meaning of a word or sentence in any translation of the Prospectus, the English version shall prevail.

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An information section is available relating to each particular sub-fund. It specifies each sub-fund's investment policy and objective, the features of the units, their Accounting Currency, valuation day, methods of subscription, redemption and/or conversion, applicable fees, and, if applicable, the history and other specific characteristics of the sub-fund in question. Investors are reminded that, unless otherwise stated in Book II, the general regulations stipulated in Book I will apply to each sub-fund.

**NOTE:** This appendix provides additional information for investors resident, who have permanent residence or registered office in the Federal Republic of Germany. The units are based solely on the information contained in this Prospectus, the most recently published annual report and, if published, the subsequent half-yearly report.

**For the following sub-fund of BNP PARIBAS ISLAMIC FUND, no notification for distribution in the Federal Republic of Germany was submitted and units in this sub-fund may NOT be offered to investors within the scope of the German investment law. As a consequence, the following sub-fund is NOT available to investors in Germany:**

## **BNP PARIBAS ISLAMIC FUND – EQUITY OPTIMISER**

### **Facilities in the Federal Republic of Germany according to section 306a (1) of the Investment Code**

Subscriptions repurchase and redemption orders can be addressed to BNP Paribas Securities Services, Niederlassung Luxemburg, 60, avenue J. F. Kennedy, L-1855 Luxemburg.

Payments relating to the units of the UCITS will be made by BNP Paribas Securities Services, Niederlassung Luxemburg, 60, avenue J. F. Kennedy, L-1855 Luxemburg.

Information on how orders can be made and how repurchase, and redemption proceeds are paid can be obtained from BNP PARIBAS ASSET MANAGEMENT France Zweigniederlassung Deutschland, Europa-Allee 12, 60327 Frankfurt am Main.

Information and access to procedures and arrangements referred to in Article 15 of Directive 2009/65/EC relating to investors' exercise of their rights can be obtained from BNP PARIBAS ASSET MANAGEMENT France Zweigniederlassung Deutschland, Europa-Allee 12, 60327 Frankfurt am Main.

Information and documents required pursuant to Chapter IX of Directive 2009/65/EC available to investors can be obtained free of charge and in hard copy from BNP PARIBAS ASSET MANAGEMENT France Zweigniederlassung Deutschland, Europa-Allee 12, 60327 Frankfurt am Main.

The prospectus, the key investor information documents, the articles of incorporation, the annual, semi-annual reports, the issue, sale, repurchase or redemption price of the units is available free of charge, in hard copy form at BNP PARIBAS ASSET MANAGEMENT Luxembourg and on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com).

No units of EU UCITS will be issued as printed individual certificates.

The issue, redemption and conversion prices of units are published on [www.bnpparibas-am.de](http://www.bnpparibas-am.de) and any other information to the unitholders will be published in Germany in the Federal Gazette ("[www.bundesanzeiger.de](http://www.bundesanzeiger.de)"), on the website "[www.wmdaten.de](http://www.wmdaten.de)", and on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com). except for the publications concerning the payment of dividends, the exchange ratio and the convening notices to General Meeting which are available via the website.

In addition, communications to investors in the Federal Republic of Germany will be made available by means of a durable medium (section 167 of the Investment Code) in the following cases:

- suspension of the redemption of the units,
- termination of the management of the fund or its liquidation,
- any amendments to the company rules which are inconstant with the previous investment principles, which affect material investor rights, or which relate to remuneration and reimbursement of expenses that may be paid or made out of the asset pool,
- merger of the fund with one or more other funds and
- the change of the fund into a feeder fund or the modification of a master fund.

# BOOK I

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## GENERAL INFORMATION

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### REGISTERED OFFICE

#### **BNP PARIBAS ISLAMIC FUND**

10, rue Edward Steichen  
L-2540 Luxembourg  
Grand Duchy of Luxembourg

### MANAGEMENT COMPANY

BNP PARIBAS ASSET MANAGEMENT Luxembourg  
10, rue Edward Steichen  
L-2540  
Grand Duchy of Luxembourg

BNP PARIBAS ASSET MANAGEMENT Luxembourg is a Management Company as defined by Chapter 15 of the Luxembourg Law of 17 December 2010 concerning undertakings for collective investment.

The Management Company performs the administration, portfolio management and marketing duties.

### THE MANAGEMENT COMPANY'S BOARD OF DIRECTORS

#### **Chair**

Mr Pierre MOULIN, Global Head of Products and Strategic Marketing, BNP PARIBAS ASSET MANAGEMENT France, Paris

#### **Members**

Mr. Stéphane BRUNET, Chief Executive Officer, BNP PARIBAS ASSET MANAGEMENT Luxembourg, Luxembourg  
Mr. Georges ENGEL, Independent Director, Vincennes, France

### NAV CALCULATION

BNP Paribas Securities Services- Luxembourg branch  
60 avenue J.F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### TRANSFER AND REGISTRAR AGENT

BNP Paribas Securities Services- Luxembourg branch  
60 avenue J.F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### DEPOSITARY

BNP Paribas Securities Services - Luxembourg branch  
60 avenue J.F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### INVESTMENT MANAGER

- **BNP PARIBAS ASSET MANAGEMENT France**  
1 boulevard Haussman, F-75009 Paris, France  
A French company, incorporated on 28 July 1980
- **BNP PARIBAS ASSET MANAGEMENT Najmah Malaysia Sdn Bhd**  
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing  
No.1 Leboh Ampang  
50100 Kuala Lumpur  
Malaysia

**FUND'S SHARIA SUPERVISORY COMMITTEE**

- (a) Sheikh Nidham Yaquby
- (b) Dr. Mohamed Daud Bakar
- (c) Sheikh Dr. Yousef AL-Shubaily

**INDEPENDENT AUDITOR**

PricewaterhouseCoopers Société Coopérative  
2, rue Gerhard Mercator  
B.P. 1443  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

**AMENDMENTS TO THE MANAGEMENT REGULATIONS**

The Fund was created on 10 February 2006 and a notice was published in the *Mémorial, Recueil Spécial des Sociétés et Associations* (the "*Mémorial*").

The Management Regulations have been modified at various times, most recently on 19 November 2020, and not yet published in the *Mémorial*.

The latest version of the Management Regulations has been filed with the Trade and Companies Registrar of Luxembourg, where any interested party may consult it and obtain a copy (website [www.rcsl.lu](http://www.rcsl.lu)).

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## TERMINOLOGY

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For purposes of this document, the following terms shall have the following meanings. The below terminology is a generic list of terms. Some of them may therefore not be used in the present document.

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                    |             |                    |      |                    |                |                    |                      |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|--------------------|------|--------------------|----------------|--------------------|----------------------|
| <b><u>Accounting Currency:</u></b>  | Currency in which the assets of a sub-fund are stated for accounting purposes, which may be different of the unit category valuation currency                                                                                                                                                                                                                                                                                                                                        |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Active Trading:</u></b>       | Subscription, conversion, or redemption in the same sub-fund over a short period of time and involving substantial amounts, usually with the aim of making a quick profit. This activity is prejudicial to other unitholders as it affects the sub-fund's performance and disrupts management of the assets.                                                                                                                                                                         |                    |             |                    |      |                    |                |                    |                      |
| <b><u>ASEAN countries:</u></b>      | The following countries are deemed to be part of the ASEAN (Association of South East Asian Nations): Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.                                                                                                                                                                                                                                                              |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Authorised Investors:</u></b> | Investors specially approved by the Management Company                                                                                                                                                                                                                                                                                                                                                                                                                               |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Circular 08/356:</u></b>      | Circular issued by the CSSF on 4 June 2008 concerning the rules applicable to undertakings for collective investment when they utilise certain techniques and instruments based on transferable securities and money market instruments. This document is available on the CSSF website ( <a href="http://www.cssf.lu">www.cssf.lu</a> ).                                                                                                                                            |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Benchmark Register:</u></b>   | The Benchmark Administrators Register held by ESMA, in accordance with Article 36 of the Benchmark Regulation 2016/1011                                                                                                                                                                                                                                                                                                                                                              |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Circular 11/512:</u></b>      | Circular issued by the CSSF on 30 May 2011 concerning: a) The presentation of the main regulatory changes in risk management following the publication of the CSSF Regulation 10-4 and ESMA clarifications; b) Further clarification from the CSSF on risk management rules; c) Definition of the content and format of the risk management process to be communicated to the CSSF. This document is available on the CSSF website ( <a href="http://www.cssf.lu">www.cssf.lu</a> ). |                    |             |                    |      |                    |                |                    |                      |
| <b><u>CSSF:</u></b>                 | <i>Commission de Surveillance du Secteur Financier</i> , the regulatory authority for UCI in the Grand Duchy of Luxembourg                                                                                                                                                                                                                                                                                                                                                           |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Currencies:</u></b>           | <table><tr><td><b><u>CHF:</u></b></td><td>Swiss Franc</td></tr><tr><td><b><u>EUR:</u></b></td><td>Euro</td></tr><tr><td><b><u>GBP:</u></b></td><td>Pound Sterling</td></tr><tr><td><b><u>USD:</u></b></td><td>United States Dollar</td></tr></table>                                                                                                                                                                                                                                 | <b><u>CHF:</u></b> | Swiss Franc | <b><u>EUR:</u></b> | Euro | <b><u>GBP:</u></b> | Pound Sterling | <b><u>USD:</u></b> | United States Dollar |
| <b><u>CHF:</u></b>                  | Swiss Franc                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                    |             |                    |      |                    |                |                    |                      |
| <b><u>EUR:</u></b>                  | Euro                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                    |             |                    |      |                    |                |                    |                      |
| <b><u>GBP:</u></b>                  | Pound Sterling                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                    |             |                    |      |                    |                |                    |                      |
| <b><u>USD:</u></b>                  | United States Dollar                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Dealing Day:</u></b>          | means such Business Day or Business Days as the Management Company may determine and notify in advance to Unitholders and as is or are specified in Book II for the relevant Fund provided there will be at least one Dealing Day per fortnight;                                                                                                                                                                                                                                     |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 78/660:</u></b>     | European Council Directive 78/660/EEC of 25 July 1978 concerning the annual accounts of certain forms of companies, as amended                                                                                                                                                                                                                                                                                                                                                       |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 83/349:</u></b>     | European Council Directive 83/349/EEC of 13 June 1983 concerning consolidated accounts, as amended                                                                                                                                                                                                                                                                                                                                                                                   |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2014/65:</u></b>    | European Council Directive 2014/65/EC of 15 May 2014 on markets in financial instruments, repealing the Directive/2004/39/EC of 21 April 2004                                                                                                                                                                                                                                                                                                                                        |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2006/48:</u></b>    | European Council Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions                                                                                                                                                                                                                                                                                                                                                   |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2009/65:</u></b>    | European Council Directive 2009/65/EC of 13 July 2009 regarding the coordination of legislative, regulatory and administrative provisions concerning undertakings for collective investment in transferable securities (UCITS IV) as amended by the Directive 2014/91                                                                                                                                                                                                                |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2011/16:</u></b>    | European Council Directive 2011/16/UE of 15 February 2011 on administrative cooperation in the field of taxation as amended by the Directive 2014/107                                                                                                                                                                                                                                                                                                                                |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2014/91:</u></b>    | European Parliament and of the Council Directive 2014/91/EU on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (UCITS V) amending the Directive 2009/65                                                                                                                                              |                    |             |                    |      |                    |                |                    |                      |
| <b><u>Directive 2014/107:</u></b>   | European Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16 as regards mandatory automatic exchange of information (AEOI) in the field of taxation                                                                                                                                                                                                                                                                                                          |                    |             |                    |      |                    |                |                    |                      |
| <b><u>EEA:</u></b>                  | European Economic Area                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                    |             |                    |      |                    |                |                    |                      |

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|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Emerging markets:</u></b>         | non OECD countries prior to 1 January 1994 together with Turkey and Greece<br>In the Emerging markets, 2 different categories may be identified by the main providers of indices:<br>Frontier markets: a sub-category of emerging markets designating growing economies with widely varying characteristics in terms of development, growth, human capital, demographics and political openness.<br>Advanced emerging markets: a sub-category of countries in the group of emerging markets gathering the best ranked countries in terms of market efficiency, regulatory environment, custody and settlement procedures and dealing tools available. |
| <b><u>ESG:</u></b>                      | Environmental, Social and Governance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><u>ESMA:</u></b>                     | European Securities and Markets Authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b><u>ESMA/2011/112:</u></b>            | Guidelines to competent authorities and UCITS management companies on risk measurement and the calculation of global exposure for certain types of structured UCITS issued by the ESMA on April 14, 2011. This document is available on the ESMA website ( <a href="http://www.esma.europa.eu">www.esma.europa.eu</a> ).                                                                                                                                                                                                                                                                                                                              |
| <b><u>Fatwa:</u></b>                    | Islamic religious ruling, a scholar opinion on a matter of Islamic Law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><u>Fund Name:</u></b>                | BNP PARIBAS ISLAMIC FUND                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b><u>GCC:</u></b>                      | Gulf Cooperation Council, a political and economic union of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><u>Institutional Investors:</u></b>  | Legal entities, considered as professionals for the purpose of Annex II to Directive 2014/65 (MiFID), or may, on request, be treated as professionals according to applicable local legislation ("Professionals"), who hold their own account, UCI, and insurance companies or pension funds subscribing within the scope of a group savings scheme or an equivalent scheme. Portfolio managers subscribing within the scope of discretionary portfolios management mandates for other than Institutional Investors qualified as Professionals are not included in this category.                                                                     |
| <b><u>Investment Grade Bonds:</u></b>   | These bond investments correspond to the ratings assigned by the rating agencies for borrowers rated between AAA and BBB- on the Standard & Poor's or Fitch rating scale and Aaa and Baa3 on the Moody's rating scale. In the case of securities rated by two agencies, the best rating among the two available will be taken. In the case of securities rated by three agencies, the two best ratings among the three available will be taken.                                                                                                                                                                                                       |
| <b><u>KIID:</u></b>                     | Key Investor Information Document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b><u>Law:</u></b>                      | Luxembourg law of 17 December 2010 concerning undertakings for collective investment. This law implements Directive 2009/65/EC (UCITS IV) of 13 July 2009 into Luxembourg law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b><u>Law of 10 August 1915:</u></b>    | Luxembourg law of 10 August 1915 on commercial companies, as amended                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><u>Managers:</u></b>                 | Portfolio managers subscribing within the scope of discretionary individual portfolios management mandates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><u>Market Timing:</u></b>            | Arbitrage technique whereby an investor systematically subscribes and redeems or converts units or shares in a single UCITS within a short space of time by taking advantage of time differences and/or imperfections or deficiencies in the system of determining the NAV of the UCITS. This technique is not authorised by the Management Company.                                                                                                                                                                                                                                                                                                  |
| <b><u>Money Market Instruments:</u></b> | Instruments normally dealt on the money market that are liquid and whose value can be accurately determined at any time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b><u>NAV:</u></b>                      | Net Asset Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b><u>OECD:</u></b>                     | Organisation for Economic Co-operation and Development                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Prospectus:</u></b>                   | The present document                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><u>Reference Currency:</u></b>           | Main currency when several valuation currencies are available for a same unit.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b><u>Regulated Market:</u></b>             | means any stock exchange or regulated market in the EU or a stock exchange or regulated market which is set forth in Appendix 3 to this Prospectus, or such other markets as the Management Company may from time to time determine in accordance with the Regulations                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><u>Regulation 2016/1011:</u></b>         | Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><u>Regulation 2019/2088:</u></b>         | Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, also known as the Sustainable Finance Disclosure Regulation ( <b>SFDR</b> ) and that lays down harmonised rules for financial market participants on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.                                                                                                                   |
| <b><u>Regulation 2020/852:</u></b>          | Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation), and that implements the criteria for determining whether an economic activity qualifies as environmentally sustainable.                                                                                                                                                                                                                                                                                                                               |
| <b><u>Sharia Supervisory Committee:</u></b> | means the supervisory committee appointed to provide periodic supervision of all Sharia matters to the Fund;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b><u>SFT:</u></b>                          | <b>Securities Financing Transactions</b> which means: <ul style="list-style-type: none"> <li>- a repurchase or reverse repurchase transaction;</li> <li>- securities lending and securities borrowing;</li> <li>- a buy-sell back transaction or sell-buy back transaction</li> <li>- a margin lending transaction</li> </ul>                                                                                                                                                                                                                                                                                                                                                         |
| <b><u>STP:</u></b>                          | Straight-Through Processing, process transactions to be conducted electronically without the need for re-keying or manual intervention                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><u>TRS:</u></b>                          | Total Return Swap                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b><u>Transferable securities:</u></b>      | Those Classes of securities which are negotiable on the capital market (with the exception of instruments of payment) such as: <ul style="list-style-type: none"> <li>- Equity and Equity equivalent securities, partnerships or other entities, and depositary receipts in respect of Equity;</li> <li>- Bonds or other forms of securitised debt, including depositary receipts in respect of such securities;</li> <li>- Any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, yields, commodities or other indices or measures</li> </ul> |
| <b><u>UCI:</u></b>                          | Undertaking for Collective Investment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><u>UCITS:</u></b>                        | Undertaking for Collective Investment in Transferable Securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b><u>Valuation Currenc(ies):</u></b>       | Currency in which the net asset values of a sub-fund, unit category, or unit class are calculated. There may be several valuation currencies for the same sub-fund, unit category, or unit class (so called "Multi-Currency" facility). When the currency available in the unit category, or unit class is different from the accounting currency, subscription/conversion/redemption orders may be taken into account without suffering exchange rate charges.                                                                                                                                                                                                                       |
| <b><u>Valuation Day:</u></b>                | Each open bank day in Luxembourg and subject to exceptions available in the Book II.<br>It corresponds also to: <ul style="list-style-type: none"> <li>• Date attached to the NAV when it is published</li> <li>• Trade date attached to orders</li> <li>• With regards to exceptions in the valuation rules, closing date prices used for the valuation of the underlying assets in the sub-funds' portfolios</li> </ul>                                                                                                                                                                                                                                                             |
| <b><u>VaR:</u></b>                          | It is a statistical methodology used to assess an amount of potential loss according to a probability of occurrence and a time frame (see Appendix 3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><u>Sukuk:</u></b>                        | Sharia compliant fixed income securities that represent undivided shares in the ownership of underlying assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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## GENERAL PROVISIONS

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BNP Paribas Islamic Fund is a Sharia-compliant common fund (fonds commun de placement – abbreviated to “FCP”), created under Luxembourg law on 10 February 2006 for an indefinite period.

The Fund is currently governed by the provisions of Part I of the Law of 17 December 2010 governing undertakings for collective investment as well as by Directive 2009/65.

The total net assets of the Fund are expressed in United States Dollars (“USD”) and are at all times equal to the total net assets of the various sub-funds. They are represented by fully paid-up units issued without a designated par value, described below under “The Units”. The net assets vary automatically without the notification and specific recording measures required for increases and decreases in the net assets of a common fund. Its minimum net assets are defined by the Law.

The Fund is an umbrella fund, which comprises multiple sub-funds, each with distinct assets (made up of transferable Sharia-compliant securities) and liabilities of the Fund. Each sub-fund shall have an investment policy and an Accounting currency that shall be specific to it as determined by the Management Company. The structure of the Fund entails the joint and undivided co-ownership of all the transferable securities and other assets of the Fund. It is managed in the interest of the joint owners, referred to in all documents as the “unitholders” by the Management Company. The unitholders of a sub-fund possess equal rights in relation to the sub-fund in which they hold units, proportional to the number of units they hold.

In accordance with Article 181 of the Law:

- the rights of unitholders and creditors in relation to a sub-fund or arising from the constitution, operation or liquidation of a sub-fund are limited to the assets of that sub-fund;
- the assets of a sub-fund are the exclusive property of unitholders in that sub-fund and of creditors where the credit arises from the constitution, operation or liquidation of the sub-fund;
- in relations between unitholders, each sub-fund is treated as a separate entity.

The Management Company may at any time create new sub-funds, investment policy and offering methods which will be communicated at the appropriate time by an update to the Prospectus. Unitholders may also be informed via press publications, if required by regulations or if deemed appropriate by the Management Company. Similarly, the Management Company may close sub-funds, in accordance with the provisions of Appendix 5.

All the Benchmark Indexes mentioned in this Prospectus, which are used either for tracking or asset allocation purposes, are published by Benchmark index’s administrators registered or to be registered in the Benchmark Register, as indicated in Book II. The Prospectus will be updated with newly registered Benchmark index’s administrators in a timely manner.

The Company has produced and maintains robust written plans setting out the actions that it will take if a Benchmark Index materially changes or ceases to be provided, or if the Benchmark Index’s administrator loses its registration with ESMA. These plans may be obtained free of charge and upon request from the Management Company.

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## ADMINISTRATION AND MANAGEMENT

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The Fund is directed and represented by the Management Company. The Management Company outsources management, audit and asset custody services. The roles and responsibilities associated with these functions are described below. The composition of the Board of Directors of the Management Company and the names, addresses and detailed information about the service providers are listed above in "General Information".

### **Conflict of Interest**

The Management Company, the Investment Managers, the Depositary, the Administrative agent, Distributors and other service providers and their respective affiliates, directors, officers and unitholders are or may be involved in other financial, investment and professional activities that may create conflicts of interest with the management and administration of the Fund. These include the management of other funds, purchases and sales of securities, brokerage services, depositary and safekeeping services, and serving as directors, officers, advisors or agents for other funds or other companies, including companies in which a sub-fund may invest. Each of the Parties will ensure that the performance of their respective duties will not be impaired by any such other involvement that they might have. In the event that a conflict of interest does arise, the Management Company and the relevant Parties involved shall endeavour to resolve it fairly, within reasonable time and in the interest of the Fund.

### **Management Company**

BNP PARIBAS ASSET MANAGEMENT Luxembourg was incorporated as a limited company (société anonyme) in Luxembourg on 19 February 1988. Its Articles of Association have been modified at various times, most recently at the Extraordinary General Meeting held on 17 May 2017 with effect on 01 June 2017, with publication in the RESA on 2 June 2017. Its share capital is EUR 3 million, fully paid up.

The Management Company performs administration, portfolio management and marketing tasks on behalf of the Fund.

Under its own responsibility and at its own expense, the Management Company is authorised to delegate some or all of these tasks to third parties of its choice.

It has used this authority to delegate:

- the functions of NAV calculation, Registrar and Transfer Agent to BNP Paribas Securities Services, Luxembourg branch;
- the management of the Fund's holdings, and the observance of its investment policy and restrictions, to the investment managers listed above in "General Information". A list of the investment managers effectively in charge of management and details of the portfolios managed are appended to the Fund's periodic reports. Investors may request an up-to-date list of investment managers specifying the portfolios managed by each.

In executing securities transactions and in selecting any broker, dealer, or other counterparty, the Management Company and any investment managers will use due diligence in seeking the best overall terms available. For any transaction, this will involve consideration of all factors deemed relevant, such as market breadth, security price and the financial condition and execution capability of the counterparty. An investment manager may select counterparties from within BNP Paribas so long as they appear to offer the best overall terms available. The investment managers are authorised to buy and sell blocks of Sharia-compliant securities for allocation to the structures managed by them.

In addition, the Management Company may decide to appoint Distributors/Nominees to assist in the distribution of the Fund's units in the countries where they are marketed.

Distribution and Nominee contracts will be concluded between the Management Company and the various Distributors/Nominees.

In accordance with the Distribution and Nominee Contract, the Nominee will be recorded in the register of unitholders in place of the end unitholders.

Unitholders who have invested in the Fund through a Nominee can at any time request the transfer to their own name of the units subscribed via the Nominee. In this case, the unitholders will be recorded in the register of unitholders in their own name as soon as the transfer instruction is received from the Nominee.

Investors may subscribe to the Fund directly without necessarily subscribing via a Distributor/Nominee.

The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund (notably the right to participate in general shareholders' meetings) if the investor is registered himself and in his own name in the unitholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain unitholder rights directly against the Fund. Investors are advised to take advice on their rights.

### **Remuneration policy:**

#### **Remuneration policy of the Management Company**

The Management Company applies a sound, effective and sustainable Remuneration Policy in line with the strategy, risk tolerance, goals and values of the Investment Institutions and the Company under management.

The Remuneration Policy is in line with and contributes to sound and effective risk management and doesn't encourage taking more risk than appropriate within the investment policy and terms and conditions of the Company.

The key principles of the remuneration policy are:

- Deliver a market-competitive remuneration policy and practice to attract, motivate and retain best performing employees;
- Avoid conflicts of interest;
- Achieve sound and effective remuneration policy & practice, avoiding excessive risk-taking;
- Ensure long-term risk alignment, and reward of long-term goals;
- Design and implement a sustainable and responsible remuneration strategy, with pay levels and structure which make economic sense for the business.

The details of the up-to-date Remuneration Policy can be found on the Website under <http://www.bnpparibas-am.com/en/footer/remuneration-policy/> and will also be made available free of charge by the Management Company upon request.

## **Depository**

The Depository performs three types of functions, namely (i) the oversight duties (as defined in Article 22.3 of the Directive 2009/65/CE as amended), (ii) the monitoring of the cash flows of the Company (as set out in Article 22.4 of the Directive 2009/65/CE as amended) and (iii) the safekeeping of the Company's assets (as set out in Article 22.5 of the Directive 2014/91/EU) in accordance with standard banking practices and current regulations, the depository may, under its responsibility, entrust some or all of the assets in its safekeeping to other banking establishments or financial intermediaries.

Under its oversight duties, the depository must also ensure that:

- (a) Ensure that the sale, issue, redemption and cancellation of the units of the Fund are conducted in accordance with the Law and the Articles of Association.
- (b) Ensure that the value of the units of the Fund is calculated in accordance with the Law and the Articles of Association.
- (c) Carry out the instructions of the Management Company, unless they conflict with the Law or the Articles of Association.
- (d) Ensure that in transactions involving the Fund's assets, any consideration is remitted to it within the usual time limits.
- (e) Ensure that the Fund's income is applied in accordance with these Articles of Association.

The Depository shall not carry out activities with regard to the Company or the Management Company on behalf of the UCITS that may create conflicts of interest between the Company, the investors in the Company, the Management Company and itself, unless the Depository has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks.

## **Conflicts of interest**

The overriding objective of the Depository is to protect the interests of the Unitholders of the Fund, which always prevail over any commercial interests.

Conflicts of interest may arise if and when the Management Company or the Company maintains other business relationships with BNP Paribas Securities Services, Luxembourg Branch in parallel with an appointment of BNP Paribas Securities Services, Luxembourg Branch acting as Depository. For example, in the case where BNP Paribas Securities Services, Luxembourg Branch would provide the Company and the Management Company with fund administration services, including the net asset value calculation.

In order to address any situations of conflicts of interest, the Depository has implemented and maintains a management of conflicts of interest policy, aiming namely at:

- Identifying and analysing potential situations of conflicts of interest;
- Recording, managing and monitoring the conflict of interest situations either in:
- Relying on the permanent measures in place to address conflicts of interest such as segregation of duties, separation of reporting lines, insider lists for staff members; or
- Implementing a case-by-case management to (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall (i.e. by separating functionally and hierarchically the performance of its Depository duties from other activities), making sure that operations are carried out at arm's length and/or informing the concerned Unitholders of the Fund, or (ii) refuse to carry out the activity giving rise to the conflict of interest.
- Implementing a deontological policy;
- Recording of a cartography of conflict of interests permitting to create an inventory of the permanent measures put in place to protect the Company's interests; or
- setting up internal procedures in relation to, for instance (i) the appointment of service providers which may generate conflicts of interests, (ii) new products/activities of the Depository in order to assess any situation entailing a conflict of interest.

## **Sub-delegation by the Depository:**

In order to provide custody services in a large number of countries allowing the Company to meet its investment objectives, the Depository has appointed entities as delegates for sub-custody functions. A list of these delegates is available on the website [http://securities.bnpparibas.com/files/live/sites/portal/files/contributed/files/Regulatory/Ucits\\_delegates\\_EN.pdf](http://securities.bnpparibas.com/files/live/sites/portal/files/contributed/files/Regulatory/Ucits_delegates_EN.pdf).

Such list may be updated from time to time. The process of appointing such delegates and their continuing oversight follows the highest quality standards, including the management of any potential conflict of interest that should arise from such an appointment in accordance with the principles set out in the previous paragraph.

There is currently no conflict of interest arising from any delegation of the functions of safekeeping of the assets of the Company described in article 34(3) of the Law as amended. However in the event that conflicts of interest do arise, the Depository will undertake to use its reasonable endeavours to resolve any such conflicts of interest fairly (having regard to its respective obligations and duties) and to ensure that the Company and the shareholders/unitholders are fairly treated.

## **Independence requirement:**

The selection of the Depository by the Management Company is based on robust, objective and pre-defined criteria and warrants the sole interest of the Company and its investors. Details about this selection process can be provided to investors upon request with the Management Company

## **Auditor**

All the Fund's accounts and transactions are subject to an annual audit by the Auditor.

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## THE FUND'S SHARIA SUPERVISORY COMMITTEE

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A supervisory committee (the "Fund's Sharia Supervisory Committee") has been appointed by the Management Company to advise the Investment Manager on matters pertaining to the Sharia pursuant to a letter agreement between the Management Company, the Manager and the Fund's Sharia Supervisory Committee.

The role of the Fund's Sharia Supervisory Committee is to provide ongoing and continuous supervision and make final decisions in all matters pertaining to the Sharia for the Fund, including, but not limited to:

- (1) reviewing and ensuring that the Fund/Sub-fund's investment objectives, criteria and strategy, comply with the principles of the Sharia and issuing an initial certificate at the launch of the Fund/Sub-fund declaring that the Fund/Sub-fund is in compliance with the Sharia;
- (2) providing ongoing support to the Fund in respect of questions or queries the investors and their representatives may raise in respect of the ongoing Sharia compliance of the Fund;
- (3) providing ongoing assistance to the Fund so that it remains in compliance with the principles of the Sharia and assistance in correcting and/or mitigating any potential errors; and
- (4) undertaking, on a quarterly basis, at a time mutually agreed by the Investment Manager and the Fund's Sharia Supervisory Committee, an audit of the sub-Fund Equity Optimiser to ensure its impure income is or was assessed in accordance with the principles of the Sharia, and issuing a quarterly certificate declaring that the Fund is in compliance with the Sharia.
- (5) Undertaking, on an annual basis, at a time mutually agreed by the Investment Manager and the Fund's Sharia Supervisory Committee, an audit of the sub-Fund Hilal Income to ensure its investment objective, criteria, strategy, performance and impure income assessment are or were made in accordance with the principles of the Sharia, and issuing an annual certificate declaring that the Fund is in compliance with the Sharia.

The Fund's Sharia Supervisory Committee will provide guidelines with regard to the Sharia compliance of all business and investment activities of the Fund, as well as interpretation of the results of the audit of the Fund's investment portfolios with regard to Sharia compliance.

The members of the Fund's Sharia Supervisory Committee (the "Members") are:

**Sheikh Nidham Yaquby - Bahrain** – As an internationally recognised scholar in the Islamic finance industry, Sheikh Nidham holds influential positions on Shari'ah boards of many international and regional financial institutions and insurance companies. He is a member of the Shari'ah boards of internationally recognised standard-setting bodies including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM) as well as Islamic indices such as the Dow Jones Islamic Market Index. He pursued traditional Islamic studies in Mecca, India and Morocco under the guidance of eminent Islamic scholars. Sheikh Nidham holds a PhD in Islamic Law from the UK's University of Wales, and a Bachelor's Degree in Economics and Comparative Religion from Canada's McGill University.

**Dr. Mohamed Daud Bakar - Malaysia** - As the Chairman of the Shari'ah Advisory Council at the Central Bank of Malaysia and a member of various Shari'ah boards of banks, financial institutions and Islamic indices worldwide, Dr. Mohamed Daud is known for his contribution to the Islamic banking industry. This contribution extends to the publication of books, academic journals and articles in both local and international Islamic banking and finance fields. Prior to his journey as a Shari'ah scholar, Dr. Bakar was an Associate Professor in Islamic Law and Deputy Vice-Chancellor at the International Islamic University Malaysia. He received his first degree in Shari'ah from the University of Kuwait in 1988 and obtained his Ph. D. from the University of St. Andrews, United Kingdom in 1993. In 2002, he completed his external Bachelor of Jurisprudence at the University of Malaya.

**Sheikh Dr. Yousef Al-Shubaily - Kingdom of Saudi Arabia** - Sheikh Dr. Yousef Al-Shubaily is a highly experienced and respected scholar who serves on multiple Shari'ah boards of banks and financial institutions within the GCC and Malaysia. He is widely known for his influential series of books, academic papers, and articles and conventions in related areas. Sheikh Dr. Yousef holds advisory functions in numerous organisations within and Islamic Jurisprudence and Commercial Law and his active participation in seminars outside Saudi Arabia and is a member of recognised standard-setting bodies Shari'ah boards such as AAOIFI and IIFM. Sheikh Dr. Yousef obtained his Bachelor's, Master's and PhD degrees from Imam Muhammad Bin Saud Islamic University in Saudi Arabia.

The Management Company has appointed the Members for the term of the Fund.

The Management Company may appoint or replace the Members from time to time pursuant to the Advisory Agreement between the Management Company, the Investment Manager and the Fund's Sharia Supervisory Committee (the "Advisory Agreement"). In any event, the Fund's Sharia Supervisory Committee shall at all times comprise a minimum of two Members.

The meetings of the Fund's Sharia Supervisory Committee shall be valid if attended by a minimum of two members. When the Committee is constituted by more than two members, a chairman shall be appointed by mutual agreement of the members, and resolutions, passed by a simple majority vote, shall be binding upon the Investment Manager.

The Investment Manager shall select investments for the Fund which are consistent with Sharia principles at all times. Upon the submission of investment reports by the Portfolio Manager, the Fund's Sharia Supervisory Committee shall proceed to the periodic review of those investments in order to ensure that the latter are Sharia compliant. .

The Investment Manager is authorised to execute its investment decisions on behalf of the Management Company through its local trading facilities and approved brokers, under the supervision of the Management Company.

The Investment Manager may consult any one member of the Fund's Sharia Supervisory Committee to determine whether the level of impure income of any company is material. The appointed member will respond within five working days. If the appointed member of the Fund's Sharia Supervisory Committee is unable to respond within five working days, the Investment Manager will act in good faith until the next official meeting of the Fund's Sharia Supervisory Committee.

The Fund's Sharia Supervisory Committee or the Investment Manager may determine that a particular holding either is not or is no longer in line with the Sharia guidelines at that time, and require the holding to be liquidated as soon as reasonably possible but not later than three months after the date of notification by the Fund's Sharia Supervisory Committee or the date of such determination by the Investment Manager.

Furthermore, on the advice of the Fund's Sharia Supervisory Committee, the Investment Manager will estimate, in relation to each Sub-fund, the amounts ("impure income") attributable to activities by investee companies which are not in compliance with the Sharia principles and determine the appropriate proportion of such amounts by reference to the fund's holdings in each investee company. These amounts are expected to derive either from interest received by investee companies, or from incidental activities of investee companies which do not comply with the principles of Sharia according to the Fund's Sharia Supervisory Committee. In accordance with the Islamic Sharia, the amount of dividend income so attributed will be donated once a year by the Fund to "Médecins Sans Frontières" (or "MSF"), Paris. For any other charities with no direct or indirect benefit accruing to the Fund, the donation will be performed as decided from time to time by the Management Company with the prior approval of the Sharia Supervisory Committee. This amount (if any) will be deposited into a

separate account. Since that dividend income received by the Fund will be capitalised and rolled up outside the capital of the Fund, a donation of dividend income to charities will have no effect on the net asset value of the Fund.

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## INVESTMENT POLICY, OBJECTIVES, RESTRICTIONS AND TECHNIQUES

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The Fund's general objective is to provide its investors with the highest possible appreciation of capital invested while offering them a broad distribution of risks. To this end, the Fund will principally invest its assets in a range of transferable Sharia-compliant securities, but also in units or shares of Sharia-compliant UCIs, and in Sharia-compliant money market instruments, institution deposits, and Islamic derivatives instruments denominated in various currencies and issued in different countries for hedging purposes only.

The Fund's investment policy is determined by the Management Company in light of current political, economic, financial and monetary circumstances. The policy will vary for different sub-funds, within the limits of, and in accordance with, the specific features and objective of each as stipulated in Book II.

The investment policy will be conducted with strict adherence to the principle of diversification and spread of risks. To this end, without prejudice to anything that may be specified for one or more individual sub-funds, the Fund will be subject to a series of investment restrictions as stipulated in Appendix 2. In this respect, the attention of investors is drawn to the investment risks described in Appendix 4.

Unless otherwise specified in each sub-fund's investment policy, no guarantee can be given on the realisation of the investment objectives of the sub-funds, and past performance is not an indicator of future performance.

### **Class Action Policy**

The Management Company has defined a class action policy applicable to Undertakings for Collective Investments (UCI) that it manages. A class action can typically be described as a collective legal procedure, seeking compensation for multiple persons having been harmed by the same (illegal) activity.

As a matter of policy, the Management Company:

- Does, in principle, not participate in active class actions (i.e., the Management Company does not initiate, act as a plaintiff, or otherwise take an active role in a class action against an issuer);
- May participate in passive class actions in jurisdictions where the Management Company considers, at its sole discretion, that (i) the class action process is sufficiently effective (e.g. where the anticipated revenue exceeds the predictable cost of the process), (ii) the class action process is sufficiently predictable and (iii) the relevant data required for the assessment of eligibility to the class action process are reasonably available and can be efficiently and robustly managed;
- Transfers any monies which are paid to the Management Company in the context of a class action, net of external costs, to the funds which are involved in the relevant class action.

The Management Company may at any time amend its class actions policy and may deviate from the principles set out therein in specific circumstances.

The applicable principles of the class actions policy are available on the website of the Management Company <https://www.bnpparibas-am.com/en/footer/class-actions-policy/>.

### **ESG Integration**

#### **SFDR classification**

The sub-funds are classified into 3 categories:

- ⇒ sub-funds promoting environmental or social characteristics (referred to as "**Article 8**"): These sub-funds promote among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
- ⇒ sub-funds having a sustainable investment as their objectives (referred to as "**Article 9**"): Sustainable investment is defined as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.
- ⇒ Other sub-funds not categorized under Article 8 or Article 9, which represents all the sub-funds of the Fund not listed above.

#### **Integration of sustainability risks in the investment process of the sub-fund**

Sustainability risks, as defined in the "Appendix 4 - Investment Risks", are integrated into investment decisions of the sub-fund as part of the sustainable investment approach. The BNP PARIBAS Asset Management [Global Sustainability Strategy](#) sets out the rationale for integration of ESG factors into investment processes as well as common ESG integration principles implemented across investments. The in-house ESG scoring framework helps facilitate evaluation of sector specific ESG risks and opportunities considered to be material. For example, and as detailed in the [Responsible Business Conduct Policy](#), an exclusion list of companies deemed to be in violation of the UN Global Compact Principles ([www.unglobalcompact.org](http://www.unglobalcompact.org)), the UN Guiding Principles on Business and Human Rights or the [OECD Guidelines for Multinational Enterprises](#) (OECD MNE Guidelines) as well as companies that don't meet specific requirements are maintained.

The sub-fund Hilal Income integrates sustainability risks in its investment process.

#### **Non-Sustainable sub-fund**

Due to its investment strategy, the sub-fund "Equity Optimiser" of the Fund does not follow a sustainable approach and therefore extra-financial characteristics are not considered when selecting securities. Consequently, and in order to meet the investment objective, the investment process will not take into account sustainability risks.

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## LIQUIDITY RISK POLICY

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The Management Company has established, implemented and consistently applies a liquidity management policy and has put in place a prudent and rigorous liquidity management procedure which enable it to monitor the liquidity risks of the sub-funds and to ensure that the sub-funds can normally meet at all times their obligation to redeem their units at the request of unitholders. Qualitative and quantitative measures are used to ensure investment portfolios are appropriately liquid and that sub-funds are able to honour Shareholders' redemption requests. In addition, Shareholders' concentrations are regularly reviewed to assess their potential impact on liquidity of the sub-funds.

Sub-funds are reviewed individually with respect to liquidity risks. The Management Company's liquidity management policy takes into account the investment strategy, the dealing frequency, the underlying assets' liquidity (and their valuation) and unitholder base. The Management Company, where deemed necessary and appropriate to protect unitholders, may also make use, among others, of certain tools to manage liquidity risk as described in the following sections of the Prospectus:

✓ Section "Suspension of the calculation of Net Asset Value and the issue, conversion and redemption of units":

The Management Company may temporarily suspend the calculation of the net asset value and the right of any unitholder to request redemption of any unit in any sub-fund or unit class of any sub-fund and the issue of units in any sub-fund or unit class of any sub-fund.

✓ Section "Subscription, Conversion and redemption of units":

The Management Company may decide to satisfy payment of the redemption price to any unitholder who agrees, in whole or in part, by an in-kind allocation of securities in compliance with the conditions set forth by Luxembourg law. If the Fund receives requests on one valuation day for net redemptions (and switches into another sub-fund) of more than 10% of the net asset value of the relevant sub-fund, the Management Company, in its sole discretion, may elect to limit each redemption (and switch) request pro rata such that the aggregate amount redeemed in that valuation day will not exceed 10% of the net asset Value of the relevant sub-fund.

✓ Section "Swing Pricing":

The net asset value per unit of a sub-fund may be adjusted on a valuation date in certain circumstances.

Unitholders that wish to assess the underlying assets' liquidity risk for themselves should note that the sub-funds complete portfolio holdings are indicated in the latest annual report or the latest semi-annual report where this is more recent.

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## THE UNITS

### UNIT CATEGORIES, SUB-CATEGORIES AND CLASSES:

Before subscription, investors are invited to seek information on the opening of the units, their currencies and the sub-funds in which they are opened. This information is available on the website <http://www.bnpparibas-am.com>

#### A. CATEGORIES

Within each sub-fund, the Management Company will be able to create and issue unit categories listed below and add new valuation currencies to existing units:

| <b>Category</b> | <b>Investors</b>                               | <b>Initial subscription price per unit <sup>(1)</sup></b> | <b>Minimum holding<sup>(2)</sup></b>                                                                                                                      |
|-----------------|------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Classic         | All                                            | 100.- in the Reference Currencies                         | None                                                                                                                                                      |
| Privilege       | Distributors <sup>(4)</sup><br>Managers<br>All | 100.- in the Reference Currencies                         | - Distributors <sup>(4)</sup> : none<br>- Managers: none<br>- Others: Equivalent of USD 3 million per sub-fund                                            |
| I               | Institutional Investors UCIs                   | 100.- in the Reference Currencies                         | <u>Institutional Investors</u> :<br>Equivalent of USD 3 million per sub-fund or Equivalent of USD 10 million for the whole Fund<br><br><u>UCIs</u> : none |
| I Plus          | Authorized Investors                           | 100.- in the Reference Currencies                         | <u>Authorized investors</u> : Equivalent of USD 10 million per sub-fund                                                                                   |
| X               | Authorised Investors                           | 100.- in the Reference Currencies                         | None                                                                                                                                                      |

(1) Entry fees excluded, if any

(2) At the discretion of the Management Company

(3) Distributors which provide only fee-based independent advisory services as defined by MiFID, with respect to distributors that are incorporated in the EEA

#### B. SUB-CATEGORIES

In some sub-funds, following sub-categories may be created:

##### 1. MD/QD

These sub-categories pay dividend on a monthly (MD) or quarterly (QD) basis

##### 2. Hedged (H)

These sub-categories aim at hedging the Currency Exchange risk of the portfolio of the sub-fund against their Reference Currency. In the event of changes in the net asset value of the portfolio and/or of subscriptions and/or redemptions, hedging will be operated to the extent possible within specific bandwidths (should those limits not be respected from time to time, hedging readjustment will be operated). As a consequence, we cannot guarantee the currency exchange risk will be completely neutralised.

The currency of these sub-categories appears in their denomination (for example, "Classic H EUR" sub-category is hedged in EUR when the **currency exposure of the portfolio** of the sub-fund is USD).

##### 3. Return Hedged (RH)

These sub-categories aim at hedging the portfolio return from Accounting Currency of the sub-fund (and not the underlying currency exposures) to the currency denomination of the sub-category. In the event of changes in the net asset value of the portfolio and/or of subscriptions and/or redemptions, hedging will be operated to the extent possible within specific bandwidths (should those limits not be respected from time to time, hedging readjustment will be operated).

The currency of these sub-categories appears in their denomination (for example, "Classic RH EUR" IS hedged in EUR and the **Accounting Currency** of the sub-fund is USD).

##### 4. Mono-Currency

These sub-categories are valued and issued solely in the Reference Currency, indicated by the denomination of the sub-category, which is different from the Accounting Currency of the sub-fund (for example "Classic USD" for a category issued and valued only in USD when the Accounting Currency of the sub-fund is EUR). Other characteristics of these sub-categories as well as the fee structure are the same as those of their mother-category in the same sub-fund.

#### C. CAPITALISATION / DISTRIBUTION CLASSES

Any of the above unit categories / sub-categories are issued in Capitalisation ("CAP") and/or Distribution ("DIS") classes as defined below.

- **CAP**

CAP units retain their income to reinvest it.

- **DIS**

DIS units pay dividend to unitholders on an annual, monthly or quarterly basis.

The Management Company decides each year to pay a dividend, which is calculated in accordance with the limitations defined by law, Islamic Sharia Criteria, and the Management Regulations. In this respect, the Management Company reserves the right to distribute the net assets of each of the Fund's sub-funds up to the limit of the legal minimum net assets. The nature of the distribution (net investment income or capital) will be mentioned in the Fund's Financial Statements.

If, given market conditions, it is in the unitholders' interest not to distribute a dividend, and then no such distribution will be carried out.

If it deems it advisable, the Management Company may decide to distribute interim dividends.

The Management Company determines the payment methods for the dividends and interim dividends that are decided upon. Dividends will, in principle, be paid in the reference currency of the class (exchange costs incurred for payments in different currencies will be borne by the investor).

Declared dividends and interim dividends not collected by unitholders within a period of five years from the payment date will lapse and revert to the sub-fund concerned.

Interest will not be paid on declared and unclaimed dividends or interim dividends, which will be held by the Fund on behalf of the unitholders of the sub-fund for the duration of the legal limitation period.

#### **D. UNIT LEGAL FORMS**

All the units are issued in registered form.

"Classic" and "Privilege" units may also be issued in bearer form.

The units are all listed in specific registers of unitholders kept in Luxembourg by the registrar indicated in the section "General Information". Unless otherwise specified, unitholders whose units are held in registered form will not receive a certificate representing their units. Instead, they will be sent confirmation of their entry in the register.

Further to the Luxembourg law of 28 July 2014, physical bearer units have been cancelled. The cash equivalent of such cancelled units has been deposited with the Luxembourg *Caisse de Consignation*.

#### **E. GENERAL DISPOSITIONS AVAILABLE FOR ALL CATEGORIES**

The Management Company also has the option of adding new valuation currencies to existing categories or classes and, with the previous approval of the CSSF, of adding new unit categories, sub-categories and classes to existing sub-funds with the same specification as those described above on points A, B and C. Such a decision will not be published but the website <http://www.bnpparibas-am.com> and the next version of the prospectus will be updated accordingly.

The Management Company may depart from the initial subscription price per share. However, the equal treatment of unitholders shall be preserved at all time.

The Board of Directors may decide at any time to split or consolidate the units issued within one same sub-fund, category, or class into a number of units determined by the Management Company itself. The total net asset value of such units must be equal to the net asset value of the subdivided/consolidated units existing at the time of the splitting/consolidation event.

If the assets of a category/class fall below EUR 1.000.000 or equivalent, the Management Company reserves the right to liquidate it or merge it with another category/class if it decides it is in the best interest of unitholders.

If it transpires that units are held by persons other than those authorised, they will be converted to the appropriate category, class or currency.

The units must be fully paid-up, are issued without a par value. Unless otherwise indicated, there is no limitation on their number. The rights attached to the units are those described in the Law.

Fractions of units may be issued up to one-thousandth of a unit.

The units of each sub-fund, category, or class have an equal right to the liquidation proceeds of the sub-fund, category, or class.

If no specific information is given by the investor, orders received will be processed in the reference currency of the category.

## SUBSCRIPTION, CONVERSION AND REDEMPTION OF UNITS

### Preliminary Information

Subscriptions, conversions and redemptions of units are made with reference to their unknown net asset value (NAV). They may concern a number of units or an amount.

The Management Company reserves the right to:

- (a) refuse a subscription, or conversion request for any reason whatsoever in whole or in part;
- (b) redeem, at any time, units held by persons who are not authorised to buy or hold the Fund's units;
- (c) reject subscription, conversion or redemption requests from any investor who it suspects of using practices associated with Market Timing and Active Trading, and, where applicable, take the necessary measures to protect the other investors of the Fund, notably by charging an additional exit fees up to 2% of the order amount, to be retained by the sub-fund.

The Management Company is authorised to set minimum amounts for subscription, conversion, redemption and holding.

Subscriptions from entities which submit subscription applications and whose names show that they belong to one and the same group, or which have one central decision-making body, will be grouped together to calculate these minimum subscription amounts.

Should a unit redemption or conversion request, a merger/splitting procedure, or any other event, have the effect of reducing the number or the total net book value of the units held by a unitholder to below the number or value decided upon by the Management Company, the Management Company may redeem all the units.

In certain cases stipulated in the section on suspension of the calculation of the NAV, the Management Company is authorised to temporarily suspend the issue, conversion and redemption of units and the calculation of their net asset value.

The Management Company may decide, in the interest of the unitholders, to close a sub-fund, category and/or class for subscription or conversion in, under certain conditions and for the time it defines. Such a decision will not be published but the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com) will be updated accordingly.

**In connection with anti-money laundering procedures, the subscription form must be accompanied, in the case of an individual, by the identity card or passport of the subscriber, authenticated by a competent authority (for example, an embassy, consulate, notary, police superintendent) or by a financial institution subject to equivalent identification standards to those applicable in Luxembourg or the Management Regulations; and by an extract from the trade and companies register for a legal entity, in the following cases:**

1. direct subscription to the Fund;
2. subscription through a professional financial sector intermediary resident in a country that is not subject to an obligation for identification equivalent to Luxembourg standards as regards preventing the use of the financial system for the purposes of money laundering;
3. subscription through a subsidiary or branch office, the parent company of which would be subject to an obligation for identification equivalent to that required under Luxembourg law, if the law applicable to the parent company does not oblige it to ensure that its subsidiaries or branch offices adhere to these provisions.

The Management Company is also bound to identify the source of funds if they come from financial institutions that are not subject to an obligation for identification equivalent to those required under Luxembourg law. Subscriptions may be temporarily frozen pending identification of the source of the funds.

It is generally accepted that finance sector professionals resident in countries that have signed up to the conclusions of the FATF (Financial Action Task Force) on money laundering are deemed to have an obligation for identification equivalent to that required under Luxembourg law.

### Processing of Personal Information

In accordance with GDPR, when submitting a subscription request, personal data of the investor ("Personal Data") may be collected, recorded, stored, adapted, transferred or otherwise processed and used by the Company and the Management Company (as data controllers) with a view to managing its account and business relationship (such as to maintain the register of shareholder, process requests, provide shareholder services, guard against unauthorised account access, conduct statistical analyses, provide information on other products and services and/or comply with various laws and regulations). To the extent that this usage so requires, the investor further authorises the sharing of this information with different service providers of the Company, including some of which that may be established outside of the European Union, who may need to process these Personal Data for carrying out their services and complying with their own legal obligations, but which may not have data protection requirements deemed equivalent to those prevailing in the European Union. The Personal Data may notably be processed for purposes of filing, order processing, responding to shareholder's requests, and providing them with information on other products and services. Neither the Company nor its Management Company will disclose such Personal Data on shareholder unless required to do so by specific regulations or where necessary for legitimate business interests.

Further detailed information in relation to the processing of Personal Data can be found in the Management Company's "Data Protection Notice" as well as on the "Personal Data Privacy Charter", which are accessible via the following link <https://www.bnpparibas-am.com/en/footer/data-protection/>

Each shareholder whose Personal Data has been processed has a right of access to his/her/its Personal Data and may ask for a rectification thereof in case where such data is inaccurate or incomplete.

### Subscriptions

The units will be issued at a price corresponding to the net asset value per unit plus the entry fees in the above table.

For an order to be executed at the net asset value on a given valuation day, it must be received by the Management Company before the time and date specified in the detailed conditions for each sub-fund in Book II. Orders received after this deadline will be processed at the net asset value on the next valuation day.

In order to be accepted by the Management Company, the order must include all necessary information relating to the identification of the subscribed units and the identity of the subscriber as described above.

Unless otherwise specified for a particular sub-fund, the subscription price of each unit is payable in one of the valuation currencies of the units concerned within the time period defined in Book II, increased, where necessary, by the applicable entry fees. At the unitholder's request, the payment may be made in a currency other than one of the valuation currencies. The exchange expenses will then be borne by the unitholder.

The Management Company reserves the right to postpone, and/or cancel subscription requests if it is not certain that the appropriate payment will reach the Depositary within the required payment time or if the order is incomplete. The Management Company or its agent may process the request by applying an additional charge to reflect actual cost; or cancelling the unit allotment, as applicable accompanied

by a request for compensation for any loss owing to failure to make payment before the stipulated time limit. The units will not be assigned until the duly completed subscription request has been received accompanied by the payment or a document irrevocably guaranteeing that the payment will be made before the deadline. The Management Company cannot be held responsible for the delayed processing of incomplete orders.

Any outstanding balance remaining after subscription will be reimbursed to the unitholder, unless the amount is less than EUR 15 or its currency equivalent, as the case may be. Amounts thus not reimbursed will be retained by the relevant sub-fund.

The Management Company will not accept the issue of units in exchange for the contribution in kind of transferable securities.

### **Conversions**

Without prejudice to the specific provisions of a sub-fund, category, or class, unitholders may request the conversion of some or all of their units into units of another sub-fund, category, or class. The number of newly issued units and the fees arising from the transaction are calculated in accordance with the formula described below.

Conversions are only permitted between the following categories:

| <b>From \ To</b> | <b>Classic</b> | <b>Privilege</b> | <b>I</b> | <b>I Plus</b> | <b>X</b> |
|------------------|----------------|------------------|----------|---------------|----------|
| <b>Classic</b>   | Yes            | Yes              | Yes      |               | No       |
| <b>Privilege</b> | Yes            | Yes              | Yes      |               | No       |
| <b>I</b>         | Yes            | Yes              | Yes      |               | No       |
| <b>I Plus</b>    | Yes            | Yes              | Yes      | Yes           | No       |
| <b>X</b>         | Yes            | Yes              | Yes      | Yes           | Yes      |

For a conversion order to be executed at the net asset value on a given valuation day, it must be received by the Management Company before the time and date specified for each sub-fund in Book II. Orders received after this deadline will be processed at the net asset value on the next valuation day.

### **Conversion Formula**

The number of units allocated to a new sub-fund, category or class will be established according to the following formula:

$$A = \frac{B \times C \times E}{D}$$

- A* being the number of units to be allocated in the new sub-fund;  
*B* being the number of units of the original sub-fund to be converted;  
*C* being the prevailing net asset value per unit of the original sub-fund on the relevant Valuation Day;  
*D* being the prevailing net asset value per unit of the new sub-fund on the relevant Valuation Day; and  
*E* being the exchange rate applicable at the time of the transaction between the currencies of the two concerned sub funds

Investors will be charged for any foreign exchange transactions carried out at their request.

In the case of units held in account (with or without attribution of fractions of units), any outstanding balance remaining after conversion will be reimbursed to the unitholder, unless the amount is less than EUR 15 or its currency equivalent, as the case may be. Amounts thus not reimbursed will be deemed belonging to the relevant sub-fund.

### **Redemptions**

Subject to the exceptions and limitations prescribed in the Prospectus, all unitholders are entitled, at any time, to have their units redeemed by the Fund.

For an order to be executed at the net asset value on a given valuation day, it must be received by the Management Company before the time and date specified in the conditions for each sub-fund in Book II. Orders received after this deadline will be processed at the net asset value on the next valuation day.

In order to be accepted by the Management Company, the order must include all necessary information relating to the identification of the units in question and the identity of the unitholder as described above.

Unless otherwise specified for a particular sub-fund, the redemption amount for each unit will be reimbursed in the subscription currency, less, where necessary, the applicable exit fees.

At the unitholder's request, the payment may be made in a currency other than the subscription currency of the redeemed units, in which case the exchange fees will be borne by the unitholder and charged against the redemption price.

The redemption price of units may be higher or lower than the price paid at the time of subscription (or conversion), depending on whether the net asset value has appreciated or depreciated in the interval.

The Management Company reserves the right to postpone redemption requests if the order is incomplete. The Management Company cannot be held responsible for the delayed processing of incomplete orders.

Neither the Management Company nor the Custodian may be held responsible for any non-payment whatsoever resulting from the application of possible exchange controls or other circumstances beyond their control which may limit or render impossible the transfer of the redemption proceeds to other countries.

The Management Company will not pay the redemption price by the allocation in kind of transferable securities.

In the event that the total net redemption/conversion applications received for a given sub-fund on a Valuation Day equals or exceeds 10% of the net assets of the sub-fund in question, the Management Company may decide to split and/or defer the redemption/conversion applications on a pro-rata basis so as to reduce the number of units redeemed/converted to date to 10% of the net assets of the sub-fund concerned. Any redemption/conversion applications deferred shall be given in priority in relation to redemption/conversion applications received on the next Valuation Day, again subject to the limit of 10% of net assets.

In the case of units held in account (with or without attribution of fractions of units), any outstanding balance remaining after redemption will be reimbursed to the unitholder, unless the amount is less than EUR 15 or its currency equivalent, as the case may be. Amounts thus not reimbursed will be deemed belonging to the relevant sub-fund.

### **Stock exchange listing**

By decision of the Management Company, the units of the sub-funds and categories of the Fund may be admitted to official listing on the Luxembourg Stock Exchange and/or as applicable on another securities exchange. At the date of this Prospectus, there are no units listed on any stock exchange.

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## FEES AND COSTS

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### Costs payable by the Investors

Maximum charges paid directly by the investors which may be paid solely at the occurrence of a specific operation (entry, conversion, exit):

| units     | Entry | Conversion | Exit |
|-----------|-------|------------|------|
| Classic   | 3%    | 1.5%       | None |
| Privilege |       |            |      |
| I         | None  |            |      |
| I Plus    |       |            |      |
| X         |       |            |      |

Conversion:

- ✓ In the event of conversion to a sub-fund with a higher Entry Fees, the difference may be payable.

The above table is to be read together with the section the "Units".

### Fees and Expenses payable by the Sub-funds

Each sub-fund is charged fees or generate expenses specifically attributable thereto. Fees and expenses not attributable to any particular sub-fund are allocated among all the sub-funds on a pro rata basis in relation to their respective net asset values.

These fees and expenses are calculated daily and paid monthly from the average net assets of a sub-fund, unit category, or unit class, paid to the Management Company. The amount charged varies depending on the value of the NAV.

Please refer to Book II of this Prospectus for detailed information on the annual fees and charges applicable to the sub-fund(s) you are invested in.

### Distribution Fee

Fee serving to cover remuneration of the distributors, supplemental to the portion of the management fee that they receive for their services.

### Extraordinary Expenses

Expenses other than management, performance, distribution and other fees borne by each sub-fund. These expenses include but are not limited to:

- Sharia supervisory committee fees
- Interest and full amount of any duty, levy and tax or similar charge imposed on a sub-fund
- litigation or tax reclaim expenses

### Indirect Fee

Ongoing charges incurred in underlying UCITS and/or UCIs the Company is invested in and included in the Ongoing Charges mentioned in the KIID.

### Management Fee

Fee serving to cover remuneration of the investment managers and, unless otherwise provided in Book II, also distributors in connection with the marketing of the Company's stock

### Other Fee

Fee serving to cover notably the following services:

- administration, domiciliary and fund accounting
- audit
- custody, depositary and safekeeping
- documentation, such as preparing, printing, translating and distributing the Prospectus, Key Investor Information Documents, financial reports
- ESG certification and service fees
- financial index licensing (if applicable)
- legal expenses
- listing of units on a stock exchange (if applicable)
- management company expenses (including among other AML/CFT, KYC, Risk and oversight of delegated activities)
- marketing operations
- publishing fund performance data
- registration expenses including translation
- services associated with the required collection, tax and regulatory reporting, and publication of data about the Company, its investments and unitholders
- transfer, registrar and payment agency

These fee do not include fees paid to independent Directors and reasonable out-of-pocket expenses paid to all Directors, Fund's Sharia Supervisory Committee fees, expenses for operating hedged units, duties, taxes and transaction costs associated with buying and selling assets, brokerage and other transactions fees, interest and bank fees.

### Regulatory and Tax Fees

These fees include:

- the Luxembourg taxe d'abonnement (subscription tax)
  - foreign UCI's tax and/or other regulatory levy in the country where the sub-fund is registered for distribution
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## NET ASSET VALUE

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### CALCULATION OF THE NET ASSET VALUE PER UNIT

Each net asset value calculation will be made as follows under the responsibility of the Management Company:

1. The net asset value will be calculated as specified in Book II.
2. The net asset value per unit will be calculated with reference to the total net assets of the corresponding sub-fund, category, or class. The total net assets of each sub-fund, category, or class will be calculated by adding all the asset items held by each (including the entitlements or percentages held in certain internal sub-portfolios as more fully described in point 4, below) from which any related liabilities and commitments will be subtracted, all in accordance with the description in point 4, paragraph 4, below.
3. The net asset value per unit of each sub-fund, category, or class will be calculated by dividing its respective total net assets by the number of units in issue, up to two decimal places, except for those currencies for which decimals are not used and except for the sub-fund BNP Paribas Islamic Fund Hilal Income for which decimals will be calculated up to four decimals.
4. Internally, in order to ensure the overall financial and administrative management of the set of assets belonging to one or more sub-funds, categories, or classes, the Management Company may create as many internal sub-portfolios as there are sets of assets to be managed (the "internal sub-portfolios").

Accordingly, one or more sub-funds, categories, or classes that have entirely or partially the same investment policy may combine the assets acquired by each of them in order to implement this investment policy in an internal sub-portfolio created for this purpose. The portion held by each sub-fund, category, or class within each of these internal sub-portfolios may be expressed either in terms of percentages or in terms of entitlements, as specified in the following two paragraphs. The creation of an internal sub-portfolio will have the sole objective of facilitating the Fund's financial and administrative management.

The holding percentages will be established solely on the basis of the contribution ratio of the assets of a given internal sub-portfolio. These holding percentages will be recalculated on each valuation day to take account of any redemptions, issues, conversions, distributions or any other events generally of any kind affecting any of the sub-funds, categories, or classes concerned that would increase or decrease their participation in the internal sub-portfolio concerned.

The entitlements issued by a given internal sub-portfolio will be valued as regularly and according to identical methods as those mentioned in points 1, 2 and 3, above. The total number of entitlements issued will vary according to the distributions, redemptions, issues, conversions, or any other events generally of any kind affecting any of the sub-funds, categories, or classes concerned that would increase or decrease their participation in the internal sub-portfolio concerned.

5. Whatever the number of categories, or classes created within a particular sub-fund, the total net assets of the sub-fund will be calculated at the intervals defined by Luxembourg Law, the Management Regulations, or the Prospectus. The total net assets of each sub-fund will be calculated by adding together the total net assets of each category, or class created within the sub-fund.
6. Without prejudice to the information in point 4, above, concerning entitlements and holding percentages, and without prejudice to the particular rules that may be defined for one or more particular sub-funds, the net assets of the various sub-funds will be valued in accordance with the rules stipulated below.

### COMPOSITION OF ASSETS

The Fund's assets primarily include:

- (1) Non-interest bearing cash in hand and non-remunerated deposits;
- (2) all notes and bills payable on demand and accounts receivable (including the results of sales of securities before the proceeds have been received);
- (3) all securities, units, shares, fixed income instruments or subscription rights and other investments and securities which are the property of the Fund;
- (4) all dividends and distributions to be received by the Fund in cash or securities that the Fund is aware of;
- (5) the Fund's formation expenses, insofar as these have not been written down;
- (6) all other assets, whatever their nature, including prepaid expenses.

### VALUATION RULES

The assets of each sub-fund shall be valued as follows:

- (1) the value of non-interest bearing cash in hand, non-remunerated deposits, bills and drafts payable at sight and accounts receivable, prepaid expenses, and dividends due but not yet received, shall comprise the nominal value of these assets, unless it is unlikely that this value could be received; in that event, the value will be determined by deducting an amount which the Management Company deems adequate to reflect the actual value of these assets;
- (2) the value of shares or units in undertakings for collective investment shall be determined on the basis of the last net asset value available on the Valuation Day. If this price is not a true reflection, the valuation shall be based on the probable sale price estimated by the Management Company in a prudent and bona fide manner;
- (3) the valuation of all securities listed on a stock exchange or any other regulated market, which functions regularly, is recognised and accessible to the public, is based on the last known closing price on the Valuation Day, and, if the securities concerned are traded on several markets, on the basis of the last known closing price on the major market on which they are traded. If the last known closing price is not a true reflection, the valuation shall be based on the probable sale price estimated by the Management Company in a prudent and bona fide manner;
- (4) unlisted securities or securities not traded on a stock exchange or another regulated market which functions in a regular manner, is recognised and accessible to the public, shall be valued on the basis of the probable sale price estimated in a prudent and bona fide manner by a qualified professional appointed for this purpose by the Management Company;
- (5) securities denominated in a currency other than the currency in which the sub-fund concerned is denominated shall be converted at the exchange rate prevailing on the Valuation Day;
- (6) all liquid instruments may be valued at their nominal value;
- (7) at its sole discretion, the Management Company's Board of Directors may permit the use of another valuation method if it believes that this valuation reflects the fair value of one of the Fund's assets more accurately. Decisions taken in this respect shall be included in the Book II.

### COMPOSITION OF LIABILITIES

The Fund's liabilities primarily include:

- (1) all non-interest bearing loans, matured bills and accounts payable;

- (2) all known liabilities, whether or not due, including all contractual obligations due and relating to payment in cash or kind, including the amount of dividends announced by the Fund but yet to be paid;
- (3) all reserves, authorised or approved by the Management Company, including reserves set up in order to cover a potential capital loss on certain of the Fund's investments;
- (4) any other undertakings given by the Fund, except for those represented by the Fund's equity. For the valuation of the amount of these liabilities, the Management Company shall take account of all the charges for which it is liable, including, without restriction, the costs of amendments to the Management Regulations, the Prospectus and any other document relating to the Fund, management, performance and other fees and extraordinary expenses, any taxes and duties payable to government departments and stock exchanges, the costs of financial charges, bank charges or brokerage incurred upon the purchase and sale of assets or otherwise. When assessing the amount of these liabilities, the Management Company shall take account of regular and periodic administrative and other expenses on a prorata temporis basis.

The assets, liabilities, expenses and fees not allocated to a sub-fund, category or class shall be apportioned to the various sub-funds, categories, or classes in equal parts or, subject to the amounts involved justifying this, proportionally to their respective net assets. Each of the Fund's units which is in the process of being redeemed shall be considered as a unit issued and existing until closure on the Valuation Day relating to the redemption of such unit and its price shall be considered as a liability of the Fund as from closing on the date in question until such time as the price has been duly paid. Each unit to be issued by the Fund in accordance with subscription applications received shall be considered as being an amount due to the Fund until such time as it has been duly received by the Fund. As far as possible, account shall be taken of any investment or divestment decided by the Fund until the Valuation Day.

#### **SUSPENSION OF THE CALCULATION OF NET ASSET VALUE AND THE ISSUE, CONVERSION AND REDEMPTION OF UNITS**

Without prejudice to legal causes for suspension, the Management Company may at any time temporarily suspend the calculation of the net asset value of units of one or more sub-funds, as well as the issue, conversion and redemption in the following cases:

- (a) during any period when one or more currency markets, or a stock exchange, which are the main markets or exchanges where a substantial portion of a sub-fund's investments at a given time are listed, is/are closed, except for normal closing days, or during which trading is subject to major restrictions or is suspended;
- (b) when the political, economic, military, currency, social situation, or any event of *force majeure* beyond the responsibility or power of the Fund makes it impossible to dispose of one assets by reasonable and normal means, without seriously harming the unitholders' interests;
- (c) during any failure in the means of communication normally used to determine the price of any of the Fund's investments or the going prices on a particular market or exchange;
- (d) when restrictions on foreign exchange or transfer of capital prevents transactions from being carried out on behalf of the Fund or when purchases or sales of the Fund's assets cannot be carried out at normal exchange rates;
- (e) as soon as a decision has been taken to either liquidate the Fund or one or more sub-funds, categories or classes;
- (f) to determine an exchange parity under a merger, partial business transfer, splitting or any restructuring operation within, by or in one or more sub-funds, categories, or classes
- (g) for a "Feeder" sub-fund, when the net asset value, issue, conversion, or redemption of units, or shares of the "Master" sub-fund are suspended;
- (h) any other cases when the Management Company estimates by a justified decision that such a suspension is necessary to safeguard the general interests of the unitholders concerned.

In the event the calculation of the net asset value is suspended, the Management Company shall immediately and in an appropriate manner inform the unitholders who requested the subscription, conversion or redemption of the units of the sub-fund(s) in question.

In exceptional circumstances which could have a negative impact on unitholders' interests, or in the event of subscription, redemption or conversion applications exceeding 10% of a sub-funds' net assets, the Management Company reserves the right not to determine the value of a unit until such time as the required purchases and sales of securities have been made on behalf of the sub-fund. In that event, subscription, redemption and conversion applications in the pipeline will be processed simultaneously on the basis of the net asset value so calculated.

Pending subscription, conversion and redemption applications may be withdrawn by written notification provided that such notification is received by the Fund prior to lifting of the suspension. Pending applications will be taken into account on the first calculation date following lifting of the suspension. If all pending applications cannot be processed on the same calculation date, the earliest applications shall take precedence over more recent applications.

#### **SWING PRICING**

A sub-fund may suffer reduction of the net asset value due to investors purchasing, selling and/or switching in and out of the sub-fund at a price that does not reflect the dealing costs associated with this sub-fund's portfolio trades undertaken by the Investment Manager to accommodate such cash inflows or outflows. In order to mitigate this effect and enhance the protection of existing unitholders, the mechanism known as "swing pricing" may be applied at the discretion of the Board of Directors of the Management Company.

Such swing pricing mechanism may be applied to a given sub-fund when its total capital activity (i.e. net amount of subscriptions and redemptions) exceeds a pre-determined threshold determined as a percentage of the net assets value for a given valuation day. The net asset value of the relevant sub-fund may then be adjusted by an amount (the "swing factor") to compensate for the expected transaction costs resulting from the capital activity. The level of thresholds, if and when applicable, will be decided on the basis of certain parameters which may include the size of the sub-fund, the liquidity of the underlying market in which the respective sub-fund invests, the cash management of the respective sub-fund or the type of instruments that are used to manage the capital activity. The swing factor is, amongst others, based on the estimated transaction costs of the financial instruments in which the respective sub-fund may invest. Typically, such adjustment will increase the net asset value when there are net subscriptions into the sub-fund and decrease the net asset value when there are net redemptions. Swing pricing does not address the specific circumstances of each individual investor transaction. An ad hoc internal committee is in charge of the implementation and periodic review of the operational decisions associated with swing pricing. This committee is responsible for decisions relating to swing pricing and the ongoing approval of swing factors which form the basis of pre-determined standing instructions.

In principle, the swing factor will not exceed 1% of the respective sub-fund's net asset value. Such limit may however be raised beyond this maximum level on a temporary basis and to protect the interests of unitholders, when facing exceptional market conditions. These may include situations such as a global pandemic, a financial crisis, a geopolitical crisis, or any other exceptional event causing a severe deterioration of the liquidity.

The swing pricing mechanism may be applied across all sub-funds of the Fund. On certain unit classes, the Management Company may be entitled to a performance fee. Where applicable, this will be based on the unswung net asset value.

#### **COSTS TO BE BORNE BY THE FUND**

The following costs will be charged to the Fund:

- remuneration of the Fund's Sharia Supervisory Committee;
- the annual registration tax, taxes or other fees payable to the supervisory authorities, and costs relating to the distribution of dividends (cf. Section "Tax Provisions");
- annual fees payable for stock exchange listing, if any;
- subscriptions to professional associations and other organisations that are part of the financial market of Luxembourg (hereafter referred to as the "Market") and which the Management Company will decide to join in the interest of the Fund and in that of its Unitholders.

Costs related to the establishment of any new Sub-fund will be borne by such new Sub-fund and amortised over a period of one year from the date of establishment of such Sub-fund or over any other period as the Management Company may determine, with a maximum of 5 years starting on the date of the Sub-fund's establishment.

In principle, these costs and expenses will be paid out of the assets of the various Sub-funds in proportion to their net assets.

The Management Company assumes its own operating expenses and reimbursement of reasonable expenses in relation to Board meetings.

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## TAX PROVISIONS

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### TAXATION OF THE FUND

At the date of the Prospectus, the Fund is not liable to any Luxembourg income tax or capital gains tax.

The Fund is liable to an annual *taxe d'abonnement* in Luxembourg representing 0.05% of the net asset value. This rate is reduced to 0.01% for:

- a) sub-funds with the exclusive objective of collective investments in money market instruments and deposits with institutions;
- b) sub-funds with the exclusive objective of collective investments with institutions;
- c) sub-funds, categories, or classes reserved for Institutional Investors, Managers, and UCIs.

The following are exempt from this *taxe d'abonnement*:

- a) the value of assets represented by units, or shares in other UCIs, provided that these units or shares have already been subject to the *taxe d'abonnement*;
- b) sub-funds, categories and/or classes:
  - (i) whose securities are reserved to Institutional Investors, Managers, or UCIs and
  - (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with institutions, and
  - (iii) whose weighted residual portfolio maturity does not exceed 90 days, and
  - (iv) that have obtained the highest possible rating from a recognised rating agency;
- c) sub-funds, categories and/or classes reserved to:
  - (i) institutions for occupational retirement pension or similar investment vehicles, set up at the initiative of one or more employers for the benefit of their employees, and
  - (ii) companies having one or more employers investing funds to provide pension benefits to their employees;
- d) sub-funds whose main objective is investment in microfinance institutions;
- e) sub-funds, categories and/or classes:
  - (i) whose securities are listed or traded on at least one stock exchange or another regulated market operating regularly that is recognized and open to the public, and
  - (ii) whose exclusive object is to replicate the performance of one or several indices.

When due, the *taxe d'abonnement* is payable quarterly based on the relevant net assets and calculated at the end of the quarter for which it is applicable.

In addition, the Fund may be subject to foreign UCI's tax, and/or other regulators levy, in the country where the sub-fund is registered for distribution.

### TAXATION OF THE FUND'S INVESTMENTS

Some of the Fund's portfolio income, especially income in dividends, as well as certain capital gains, may be subject to tax at various rates and of different types in the countries in which they are generated. This income and capital gains may also be subject to withholding tax. Under certain circumstances, the Fund may not be eligible for the international agreements preventing double taxation that exist between the Grand Duchy of Luxembourg and other countries. Some countries will only consider that persons taxable in Luxembourg qualify under these agreements.

### TAXATION OF UNITHOLDERS

#### a) Residents of the Grand Duchy of Luxembourg

On the date of the Prospectus, the dividends earned and capital gains made on the sale of units by residents of the Grand Duchy of Luxembourg are not subject to withholding tax.

Dividends are subject to income tax at the personal tax rate.

Capital gains made on the sale of units are not subject to income tax if the units are held for a period of over six months, except in the case of resident unitholders holding over 10% of the units of the Fund.

#### b) Non-residents

In principle, according to current law:

- the dividends earned and the capital gains made on the sale of units by non-residents are not subject to Luxembourg withholding tax;
- the capital gains made by non-residents on the sale of units are not subject to Luxembourg income tax.

Nevertheless, if there is a dual tax convention between the Grand Duchy and the unitholder's country of residence, the capital gains made on the sale of units are tax-exempt in principle in Luxembourg, with the taxation authority being attributed to the unitholder's country of residence.

### EXCHANGE OF INFORMATION

#### a) Residents of another member state of the European Union, including the French overseas departments, the Azores, Madeira, the Canary Islands, the Åland Islands and Gibraltar.

Any individual who receives dividends from the Fund or the proceeds from the sale of units in the Fund through a paying agent based in a state other than the one in which he resides is advised to seek information on the legal and regulatory provisions applicable to him.

In most countries covered by Directive 2011/16 and 2014/107, the total gross amount distributed by the Fund and/or the total gross proceeds from the sale, refunding or redemption of units in the Fund will be reported to the tax authorities in the state of residence of the beneficial owner of the income.

#### b) Residents of third countries or territories

No withholding tax is levied on income paid to residents of third countries or territories. Nevertheless, in the framework of Automatic Exchange of Information package (AEOI) covering fiscal matters elaborated by the OECD, the Management Company may need to collect and disclose information about its unitholder to third parties, including the tax authorities of the participating country in which the beneficiary is tax resident, for the purpose of onward transmission to the relevant jurisdictions. The data of financial and personal information as defined by this regulation which will be disclosed may include (but is not limited to) the identity of unitholders and their direct or indirect beneficiaries, beneficial owners and controlling persons. A unitholder will therefore be required to comply with any reasonable request from the Management Company for such information, to allow the Management Company to comply with its reporting requirements. The list of AEOI participating countries is available on the website <http://www.oecd.org/tax/automatic-exchange>.

c) US Tax

Under the Foreign Account Tax Compliance Act ("FATCA") provisions which came into force as from 1<sup>st</sup> July 2014, in the case the Company invests directly or indirectly in US assets, income received from such US investments might be subjected to a 30% US withholding tax.

To avoid such withholding tax the Grand Duchy of Luxembourg has entered, on 28th March 2014, into an intergovernmental agreement (the "IGA") with the United States under which the Luxembourg financial institutions have to undertake due diligence to report certain information on their U.S. investors to the Luxembourg Tax authorities. Such information will be onward reported by the Luxembourg tax authorities to the U.S. Internal Revenue Service.

**The foregoing provisions are based on the Law and practices currently in force, and might be subject to change. Potential investors are advised to seek information in their country of origin, place of tax residence or domicile on the possible tax consequences associated with their investment. The attention of investors is also drawn to certain tax provisions specific to several countries in which the Fund publicly markets its units.**

**Net Asset Values and Dividends**

The Management Company publishes the Fund's legally required information in the Grand Duchy of Luxembourg and in all other countries where the units are publicly offered.

This information is also available on the website: [www.bnpparibas-am.com](http://www.bnpparibas-am.com).

**Financial Year**

The Fund's financial year starts on 1<sup>st</sup> January and ends on 31<sup>st</sup> December.

**Financial Reports**

The Fund publishes an annual report closed on the last day of the financial year, certified by the auditors, as well as a non-certified, semi-annual interim report closed on the last day of the sixth month of the financial year. The Fund is authorised to publish a simplified version of the financial report when required.

The financial reports of each sub-fund are published in the accounting currency of the sub-fund, although the consolidated accounts of the Fund are expressed in USD.

The financial statements of the Fund will be prepared in accordance with Luxembourg GAAP\*

The annual report is made public within four months of the end of the financial year and the interim report within two months of the end of the half-year.

*\*: Luxembourg GAAP is a combination of authoritative standards and the commonly accepted ways of recording and reporting accounting information. GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information.*

**Documents for Consultation**

The Management Regulations, the Prospectus, the KIID, and periodic reports may be consulted at the Fund's registered office and at the establishments responsible for the Fund's financial services. Copies of the Management Regulations and the annual and interim reports are available upon request.

Except for the newspaper publications required by Law, the official media to obtain any notice to unitholders from the Management Company will be the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com).

Documents and information are also available on the website: [www.bnpparibas-am.com](http://www.bnpparibas-am.com).

**SHARIA GUIDELINES**

The business of the Fund shall at all times be conducted in a manner that complies with written guidelines relating to the Islamic Sharia criteria.

The requirements of the Sharia are broadly that it is not permissible for the Fund to pay or receive interest, although the receipt and payment of dividends from equity securities is acceptable. However, dividends received by the Fund from its investments may comprise an amount which is attributable, for Islamic Sharia purposes, to interest income earned or received by the underlying investee companies as well as to the interest-bearing debt. Where this is the case, the amount of any dividend that is so attributed will be calculated in accordance with Islamic Sharia criteria (dividend cleansing procedure). In accordance with the Sharia, the amount of dividend income so attributed will be donated once a year by the Fund to "Médecins sans Frontières" (or "MSF"), Paris. For any other charities with no direct or indirect benefit accruing to the Fund or any of its advisers, the donation will be performed from time to time by the Management Company with the prior approval of the Supervisory Sharia Committee. Since that dividend income received by the Fund will be capitalised and rolled up outside the capital of the Fund, a donation of dividend income to charities will have no effect on the Net Asset Value of the Fund.

The Fund will not invest in fixed income investments and moneys received on behalf of the Fund will not be held in interest-bearing bank accounts. Borrowings at interest are prohibited. Investments in companies which engage or are connected with certain activities (as set out below) are also prohibited under the Sharia.

The Fund will observe the following guidelines in its investment activities:

- it will not invest in equity securities where the issuer's core activity or activities relate to any of the following sectors:
  - a) conventional banking or any other interest-related activity
  - b) alcohol
  - c) tobacco
  - d) gaming
  - e) gambling
  - f) leisure
  - g) biotechnology companies involved in human/animal genetic engineering
  - h) arms manufacturing
  - i) life insurance
  - j) pork production, packaging and processing or any other activity relating to pork
  - k) sectors/companies significantly affected by the above
  - l) hotels and hospitality (unless no alcohol served)
  - m) music
  - n) films
  - o) entertainment
- it will not invest in any issuer that is unacceptable under Islamic Sharia principles due to excessive debt. The current criteria exclude issuers whose gross interest-bearing debt to gross assets ratio exceeds the percentage permitted under the Sharia from time to time (which currently is 33 per cent).

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## APPENDIX 2 – INVESTMENT RESTRICTIONS

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The restrictions described below apply to the Fund as a whole as well as to each sub-fund. If specific restrictions or particular derogations apply to specific sub-funds, these will be more extensively described in Book II of this prospectus.

The investment policy of each sub-fund shall comply with the rules and restrictions set out below.

To improve understanding of this section, the following definitions will apply:

**Regulated Market:** a market whose key characteristic is a clearing system, which implies the existence of a central market organisation for executing orders, and which is further distinguished by a general system for matching buy and sell orders permitting a single price, transparency and a neutral organiser

**Transferable Sharia-compliant securities:** Transferable securities compliant with Sharia Guidelines as described under Appendix I to the prospectus.

### A. The Fund may invest in:

- (1) Transferable Sharia-compliant securities listed or dealt in on a Regulated Market.
- (2) Transferable Sharia-compliant securities dealt in on another regulated market which operates regularly and is recognised and open to the public in a Member State of the European Union ("EU").
- (3) Transferable Sharia-compliant securities admitted to official listing on a stock exchange of a non-Member State of the EU or dealt in on another regulated market in a non-Member State of the EU that operates regularly and is recognised and open to the public;
- (4) Recently issued transferable Sharia-compliant securities provided:
  - the terms of issue include an undertaking that application shall be made for admission to official listing on an official stock exchange or on any other regulated market that operates regularly and is recognised and open to the public;
  - such admission is secured within one year of the first issue.
- (5) Units or shares in UCITS and/or other UCIs within the meaning of Article 1(2), first and second indents, of the Directive 2009/65, whether or not they have their head office in an EU Member State, provided such UCITS and/or other UCIs are compatible with Sharia principles and subject to the following conditions and restrictions:
  - these other UCIs have been approved in accordance with a law stipulating that such undertakings are subject to supervision the CSSF considers equivalent to the supervision provided for under Community legislation and cooperation between the authorities is adequately guaranteed;
  - the level of protection guaranteed to the unitholders or shareholders in such other UCIs is equivalent to that provided for the unitholders or shareholders in UCITS and, particularly, the rules on division of assets, borrowings, loans and short sales of transferable Sharia-compliant securities that comply with the requirements of Directive 2009/65;
  - the activities of such other UCIs are reported in semi-annual and annual reports permitting valuation of the assets and liabilities, profits and transactions during the period under review;
  - the aggregate proportion of assets of UCITS or other UCIs whose acquisition is contemplated which, in accordance with their incorporation documents, may be invested in the units or shares of other UCITS or UCIs does not exceed 10%.
- (6) Sharia-compliant money market instrument.
- (7) Sharia-compliant derivative instruments for hedging purposes only.

### B. Moreover, in each Sub-fund the Fund may:

- (1) invest up to 10% of the net assets of the Sub-fund in transferable Sharia-compliant securities other than those referred to in section A, points (1) to (4).
- (2) hold, on an ancillary basis, non-interest bearing cash and other cash-equivalent instruments.
- (3) borrow up to 10% of the Sub-fund's net assets provided this borrowing is without interest, i.e. done in accordance with Sharia principles.
- (4) acquire movables, and immovable property indispensable for the direct performance of its activity.

Without prejudice to the application of points A., B., and Appendix 3, a sub-fund may not grant credits or stand surety for a third party.

### C. As regards issuers of the net assets held by each sub-fund, the Fund shall moreover comply with the following investment restrictions:

#### (a) risk division rules

For the purpose of calculating the restrictions described under points (1) to (6) below, the companies included in the same group of companies shall be considered a single issuer.

Insofar as an issuer is a legal entity with several sub-funds where the assets of a given sub-fund are exclusively subject to the rights of investors in such sub-fund and of creditors with a claim arising from the creation, operation or liquidation of said sub-fund, each sub-fund must be considered a separate issuer for the application of the risk division rules.

#### Transferable Sharia-compliant securities

- (1) A sub-fund may not buy additional transferable Sharia-compliant securities from one and the same issuer if, after their purchase:
  - (i) more than 10% of its net assets are transferable Sharia-compliant securities issued by said entity;
  - (ii) the total value of the transferable Sharia-compliant securities from issuers in each of which it invests more than 5% exceeds 40% of its net asset value. This limit does not apply to deposits with financial institutions subject to prudential supervision.

- (2) The limit of 10% stipulated in point (1)(i) is raised to 20% if transferable Sharia-compliant securities are issued by the same group of companies.
- (3) The limit of 10% stipulated in point (1)(i) is raised to 35% if the transferable Sharia-compliant securities are issued or guaranteed by an EU Member State, by its regional authorities, by a third State or by international public organisations of which several EU Member States are a member.
- (4) The values mentioned under point (3) above are not taken into consideration when calculating the limit of 40% stipulated under point (1)(ii).

The limits stipulated in clauses (1), (2), and (3) cannot be combined; consequently, investments in Sharia-compliant transferable securities or money market instruments issued by a single entity, or in deposits or derivative instruments made with this entity in accordance with clauses (1), (2), and (3), may not in total exceed 35% of the sub-fund's assets.

Companies that are grouped together into a consolidated accounting entity as defined by Directive 83/349 or in accordance with recognised international accounting rules are considered as a single entity for the calculation of the limits stipulated in present clauses (1), (2), (3) and (4).

A single sub-fund may invest a cumulative total of up to 20% of its assets in Sharia-compliant transferable securities or money market instruments of a single group.

- (5) Without prejudice to the limits stipulated in section (b) below, the limits set out under point (1) are raised to 20% maximum for investments in non interest securities issued by any one entity if the purpose of the sub-fund's investment policy is to reproduce the composition of a precise stock which is recognised by the CSSF, based upon the following principles:
  - the composition of the index is adequately diversified;
  - the index provides a representative sample of its benchmark market;
  - it is published in an appropriate way.

The limit of 20% is raised to 35% when justified by exceptional market conditions, particularly on regulated markets dominated by certain transferable Sharia-compliant securities. Investment up to this limit is limited to one issuer only.

#### **Bank deposits**

- (6) The Fund may not invest more than 20% of the net assets of each sub-fund in deposits placed with the same entity. Such deposit will be not remunerated.

#### **Units in open-ended funds**

- (7) As defined in section A,
  - a) A sub-fund may acquire units, or shares in UCITS and/or other UCIs specified in clause A.5), provided that it is compatible with Sharia principles and that it does not invest more than 20% of its assets in a single UCITS or other UCI. For the purposes of the application of this investment limit, each sub-fund in a multi-sub-fund UCI, as defined by Article 181 of the Law, is considered as a separate issuer, provided that the principle of segregation of the commitments of the different sub-funds with regard to third parties is assured.
  - b) Investments in units, or shares of UCIs other than UCITS may not in total exceed 30% of the assets of a sub-fund. If a sub-fund has acquired units, or shares in UCITS and/or other UCIs, the assets of these UCITS or other UCIs are not combined for the purposes of the limits stipulated in point C here over, under item denominated "Transferable Sharia-compliant Securities".
  - c) Due to the fact that the Fund may invest in Sharia-compliant UCI units or shares, the investor is exposed to a risk of fees doubling (for example, the subscription, redemption, conversion, depositary, administration and management fees of the UCI in which the Fund is invested).

A sub-fund may not invest in a UCITS, or other UCI (underlying), with a management fee exceeding 3% per annum.

When a sub-fund invests in other UCITS, and/or other UCIs, which are managed, directly or by delegation, by the same management company or by any other company with which the management company is associated within the context of a management or control community, or significant direct or indirect ownership, the sub-fund will not incur any subscription or redemption fee for the units, or shares of these underlying assets.

The maximum annual management fee payable directly by the sub-fund is defined in Book II.

#### **Master/Feeder Funds**

- (8) A sub-fund designed as "the Feeder" may invest:
  - a) at least 85% of its assets in units, or shares of another Sharia-compliant UCITS or another sub-fund of Sharia-compliant UCITS (the "Master");
  - b) up to 15% of its assets in one or more of the following:
    - cash, on an ancillary basis,
    - financial derivative instruments, which may be used only for hedging purpose, in accordance with point A. and Appendix 3;
    - movable and immovable property which is essential for the direct pursuit of its business.
    - A sub-fund may acquire units of one or more other sub-funds of the Fund (the target sub-fund), provided that:
      - the target sub-fund does not, in turn, invest in the sub-fund;
      - the proportion of assets that each target sub-fund invests in other target sub-funds of the Fund does not exceed 10%;

- any voting rights attached to the units of the target sub-funds shall be suspended as long as they are held by the sub-fund and without prejudice of appropriate treatment in the accounting and periodic reports;
- in all cases, as long as these target sub-fund units are held by the Fund, their value shall not be taken into account for the calculation of the net assets of the Fund for purposes of verifying the minimum threshold of net assets required by law;
- there shall be no duplication of management/subscription commissions or redemption between these commissions at the level of the sub-fund that invested in the target sub-fund and this target sub-fund.

#### **Combined limits**

(9) Notwithstanding the individual limits stipulated under points (1) and (6) above, a sub-fund may not combine:

- investments in non interest securities issued by the same entity,
- deposits with the same entity,

exceeding 20% of its net assets.

(10) The limits stipulated under points (1), (3), (6), and (9) above may not be combined. Consequently, the aggregate investments of each sub-fund in transferable Sharia-compliant securities issued by the same entity or in deposits of such entity traded with this entity in accordance with points (1), (3), (6), and (9) may not exceed 35% of the Net Asset Value of said sub-fund.

#### **(b) Limits on control**

(11) The Management Company may not buy shares with voting rights entitling it to exercise a significant influence over the issuer's management.

(12) The Management Company may not buy (i) more than 10% of the non-voting shares issued by any single issuer; or (ii) more than 25% of the units of any single UCITS and/or other UCI.

The maximum limits stipulated under points (11) and (12) do not apply to:

- Transferable Sharia-compliant securities issued or guaranteed by an EU Member State or its regional authorities;
- Transferable Sharia-compliant securities issued or guaranteed by a State which is not part of the EU;
- Transferable Sharia-compliant securities issued by international public organisations of which one or more EU Member States are a member;
- Shares held in the capital of a company in a third State not a member of the EU, provided (i) said company invests its assets mainly in the securities of issuers residing in said State if (ii) by virtue of the laws of said State, such an interest is the only way for the Fund to invest in the securities of issuers from said State, and (iii) the investment policy of said company complies with the rules on risk diversification and limits on control set out in section C, points (1), (3), (6), (7), (9), (10), (11) and (12) and section D;
- The shares held in the capital of subsidiaries carrying on management, consulting or marketing activities exclusively on behalf of the Fund in the country where the subsidiary is based, when buying back shares at the request of the Unitholders.

#### **D. The Fund shall moreover comply with the following investment restrictions per instrument:**

Aggregate investment in the units of UCIs other than UCITS may not exceed 30% of the Fund's Net Asset Value.

#### **E. At the date of this prospectus, the Fund does not make use of :**

- TRS
- SFT

#### **F. Lastly, the Fund must make sure the investments of each Sub-fund comply with the following rules:**

- (1) The Fund may not buy commodities, precious metals or certificates representing the same.
- (2) The Fund may not use its assets to guarantee securities.
- (3) The Fund may not issue warrants or other instruments granting their holders the right to acquire Units in the Fund.
- (4) The Fund may not grant loans or offer guarantees to third parties. This restriction does not bar the purchase of transferable Sharia-compliant securities, or other financial instruments which are not fully paid up.
- (5) The Fund may not engage in short sales of transferable Sharia-compliant securities or other financial instruments mentioned in section A, point (5).
- (6) The Fund may not purchase securities on margin, except that it may obtain any short-term credit necessary for the clearance of purchase or sale of portfolio securities in accordance with Sharia principles.
- (7) The Fund may not use the Fund's assets to underwrite or sub-underwrite any securities with a view to placing them.

**G. Notwithstanding the above provisions:**

- (1) The foregoing limits do not apply when exercising subscription rights connected with transferable Sharia-compliant securities included in the portfolio of the Sub-fund in question.
- (2) If limits are exceeded for reasons beyond the Fund's control or as a result of the exercise of subscription rights, the Fund must aim, as a priority objective in its future sales transactions, to remedy that situation, taking due account of the interests of its Unitholders.

The Management Company has the right to determine other investment restrictions insofar as such limits are necessary to comply with the laws and regulations of the countries where the Fund's Units are offered or sold.

As a general rule, the Management Company reserves the right to introduce other investment restrictions at any time when indispensable for conforming to the laws and regulations in force in certain states where the Fund's units may be offered and sold. On the other hand, where permitted by current regulations applicable to the Fund, the Management Company reserves the right to exempt one or more sub-funds from one or more of the investment restrictions specified above, provided that it is compliant with Sharia rules and guidelines. These exceptions will be mentioned in the investment policies summarised in Book II for each of the sub-funds concerned.

**1. General Information**

The Fund may invest in Islamic Sharia-compliant financial derivative instruments **for hedging purposes only**.

**1.1. Determination of the global exposure**

According to the **CSSF/11-512** circular, the management company must calculate the sub-funds' global exposure at least **once a day**;

**1.2. Risk Measurement methodology according to the sub-funds' risk profile**

The sub-funds are classified after a self-assessment of their risk profile resulting from their investments policy including their inherent derivative investment strategy that determines two risk measurements methodologies:

- The advanced risk measurement methodology such as the Value-at-Risk (VaR) approach to calculate global exposure where:
  - (a) a sub-fund engages in complex investment strategies which represent more than a negligible part of its investment policy;
  - (b) a sub-fund has more than a negligible exposure to exotic derivatives; or
  - (c) The commitment approach doesn't adequately capture the market risk of the portfolio.
- The commitment approach methodology to calculate the global exposure should be used in every other case.

**All existing sub-funds use the commitment approach methodology;**

**1.3. Calculation of the global exposure****1.3.1. For sub-funds that use the **commitment approach methodology**:**

As the Fund may invest in Islamic Sharia-compliant financial derivative instruments, but for hedging purposes only, the derivative global exposure will be close to zero.

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## APPENDIX 4 – INVESTMENT RISKS

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Investors must read the Prospectus carefully before investing in any of the Sub-Funds.

The value of the Shares will increase as the value of the securities owned by any Sub-Fund increases and will decrease as the value of the Sub-Fund's investments decreases. In this way, investors participate in any change in the value of the securities owned by the relevant Sub-Fund(s). In addition to the factors that affect the value of any particular security that a Sub-Fund owns, the value of the Sub-Fund's Shares may also change with movements in the stock and bond markets as a whole. Investors are also warned that sub-fund performance may not be in line with the stated "Investment objective" and that the capital they invest (after subscription commissions have been deducted) may not be returned to them in full.

A Sub-Fund may own securities of different types, or from different asset classes (e.g. equities, bonds, money market instruments, financial derivative instruments) depending on the Sub-Fund's investment objective. Different investments have different types of investment risk. The Funds also have different kinds of risks, depending on the securities they hold. This "Investment Risks" section contains explanations of the various types of investment risks that may be applicable to the Funds. Please refer to the Book II of this Prospectus for details as to the principal risks applicable to each Sub-Fund. Investors should be aware that other risks may also be relevant to the Sub-Funds from time to time.

### General

This section explains some of the risks that apply to all the Sub-Funds. It does not aim to be a complete explanation and other risks may also be relevant from time to time. In particular, the Company's performance may be affected by changes in market and/or economic and political conditions, and in legal, regulatory and tax requirements. No guarantee or representation is made that the investment program will be successful and there can be no assurance that the Sub-Fund(s)' investment objective(s) will be achieved. Also, past performance is no guide to future performance, and the value of investments may go down as well as up. Changes in rates of exchange between currencies may cause the value of a Fund's investments to diminish or increase.

The Company or any of its Sub-Funds may be exposed to risks that are outside of their control – for example legal and regulatory risks from investments in countries with unclear and changing laws or the lack of established or effective avenues for legal redress or as a result of the registration of the Sub-Funds in non-EU jurisdictions, the Sub-Funds may be subject, without any notice to the unitholders in the Sub-Funds concerned, to more restrictive regulatory regimes potentially preventing the Sub-Funds from making the fullest possible use of the investment limits. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse. The Sub-Funds may be exposed to the risk of terrorist actions, to the risk that economic and diplomatic sanctions may be in place or imposed on certain States and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity. Investors are reminded that in certain circumstances their right to redeem Shares may be suspended as further described in the Book I.

The Company or any of its Funds may be exposed to operational risks, being the risk that operational processes, including those related to the safekeeping of assets, valuation and transaction processing may fail, resulting in losses. Potential causes of failure may arise from human errors, physical and electronic system failures and other business execution risks as well as external events.

Unmanaged or unmitigated sustainability risks can impact the returns of the sub-funds integrating them into their investment decision. For instance, should an environmental, social or governance event or condition occur, it could cause an actual or a potential material negative impact on the value of an investment. The occurrence of such event or condition may lead as well to the reshuffle of a sub-fund investment strategy, including the exclusion of securities of certain issuers.

Specifically, the likely impact from sustainability risks can affect issuers via a range of mechanisms including: 1) lower revenue; 2) higher costs; 3) damage to, or impairment of, asset value; 4) higher cost of capital; and 5) fines or regulatory risks. Due to the nature of sustainability risks and specific topics such as climate change, the chance of sustainability risks impacting the returns of financial products is likely to increase over longer-term time horizons.

### Alternative Investment Strategies Risks

Alternative investment strategies involve risks that depend on the type of investment strategy: investment risk (specific risk), model risk, portfolio construction risk, valuation risk (when OTC derivative), counterparty risk, credit risk, liquidity risk, leverage risk (risk that losses exceed the initial investment), financial derivative instruments short selling risk (cf. risks due to short selling via financial derivative instruments).

### Cash Collateral Reinvestment Risk

Cash received as collateral may be reinvested, in compliance with the diversification rules specified in the Art. 43 (e) of CSSF Circular 14/592 exclusively in eligible risk free assets. There is a risk that the value on return of the reinvested cash collateral may not be sufficient to cover the amount required to be repaid to the counterparty. In this circumstance, the sub-fund would be required to cover the shortfall.

### Collateral Management Risk

Collateral may be used to mitigate counterparty risk. There is a risk that the collateral taken, especially where it is in the form of securities, when realized does not raise sufficient cash to settle the counterparty's liability. This may be due to factors including inaccurate collateral pricing, adverse market movements in the value of collateral, a deterioration in the credit rating of the issuer of the collateral, or the illiquidity of the market in which the collateral is traded. Please also refer to "Liquidity Risk" above in respect of liquidity risk which may be particularly relevant when collateral takes the form of securities. Where a Sub-Fund is in turn required to post collateral with a counterparty, there is a risk that the value of the collateral placed is higher than the cash or investments received by the Sub-Fund. In either case, where there are delays or difficulties in recovering assets or cash, collateral posted with counterparties, or realising collateral received from counterparties, the Sub-Funds may face difficulties in meeting redemption or purchase requests or in meeting delivery or purchase obligations under other contracts.

### Commodity Related Exposure Risk

A Sub-Fund's exposure to investments in commodities related instruments presents unique risks. Investing in commodities related instruments, including trading in commodities indices and financial derivative instruments related to commodities, can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealised), weather, agriculture, trade, domestic and foreign political and economic events and policies, diseases, pestilence, technological developments, monetary and other governmental policies.

### Concentration Risk

Some Sub-Funds may have an Investment Policy that invests a large portion of the assets in a limited number of issuers, industries, sectors or a limited geographical area. Being less diversified, such Sub-Funds may be more volatile than broadly diversified Sub-Funds and carry a greater risk of loss.

### Contingent Convertible Risk

Contingent convertible securities ("Cocos") are a form of hybrid debt security that are intended to either automatically convert into equity or have their principal written down upon the occurrence of certain "triggers" linked to regulatory capital thresholds or where the issuing banking institution's regulatory authorities considers this to be necessary. CoCos will have unique equity conversion or principal write-down features which are tailored to the issuing banking institution and its regulatory requirements. Some additional risks associated with CoCos are set forth below:

- Trigger level risk: Trigger levels differ and determine exposure to conversion risk depending on the capital structure of the issuer. The conversion triggers will be disclosed in the prospectus of each issuance. The trigger could be activated either through a material loss in capital as represented in the numerator or an increase in risk weighted assets as measured in the denominator.
- Capital structure inversion risk: Contrary to classic capital hierarchy, CoCos investors may suffer a loss of capital when equity holders do not, e.g. when a high trigger principal write-down CoCos is activated. These cuts against the normal order of capital structure hierarchy where equity holders are expected to suffer the first loss. This is less likely with a low trigger CoCos when equity holders will already have suffered loss. Moreover, high trigger CoCos may suffer losses not at the point of gone concern but conceivably in advance of lower trigger CoCos and equity.
- Liquidity and concentration risks: In normal market conditions CoCos comprise mainly realisable investments which can be readily sold. The structure of the instruments is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform. In the event a single issuer activates a trigger or suspends coupons it is not known whether the market will view the issue as an idiosyncratic or systemic event. In the latter case, potential price contagion and volatility to the entire asset class is possible. Furthermore, in an illiquid market, price formation may be increasingly stressed. While diversified from an individual company perspective the nature of the universe means that the fund may be concentrated in a specific industry sector and the Net Asset Value of the Sub-Fund may be more volatile as a result of this concentration of holdings relative to a Sub-Fund which diversifies across a larger number of sectors.
- Valuation risk: The attractive return on this type of instrument may not be the only criterion guiding the valuation and the investment decision. It should be viewed as a complexity and risk premium, investors have to fully consider the underlying risks.
- Call extension risk: as CoCos can be issued as perpetual instruments, investors may not be able to recover their capital if expected on call date or indeed at any date.
- Risk of coupon cancellation: with certain types of CoCo Bonds, the payment of coupons is discretionary and may be cancelled by the issuer at any time and for an indeterminate period.

### Counterparty Risk

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause. When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, repurchase agreements, security lending, etc.), the Company may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts. If counterparty does not live up to its contractual obligations, it may affect investor returns.

### Credit Risk

Credit risk, a fundamental risk relating to all fixed income securities as well as Money Market Instruments, is the risk that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities.

### Currency Exchange Risk

This risk is present in each Sub-Fund having positions denominated in currencies that differ from its Accounting Currency. If the currency in which a security is denominated appreciates in relation to the Accounting Currency of the Sub-Fund, the exchange value of the security in the Accounting Currency will appreciate; conversely, a depreciation of the denomination currency will lead to a depreciation in the exchange value of the security. When the manager is willing to hedge the currency exchange risk of a transaction, there is no guarantee that such operation will be completely effective.

### Custody Risk

Assets of the Company are safe kept by the Custodian and Investors are exposed to the risk of the custodian not being able to fully meet its obligation to reconstitute in a short timeframe all of the assets of the Company in the case of bankruptcy of the Custodian. The assets of the Company will be identified in the Custodian's books as belonging to the Company. Securities and debt obligations held by the Custodian will be segregated from other assets of the Custodian which mitigates but does not exclude the risk of non-restitution in case

of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy. The Custodian does not keep all the assets of the Company itself but uses a network of Sub-Custodians which are not part of the same group of companies as the Custodian. Investors are also exposed to the risk of bankruptcy of the Sub-Custodians. A Sub-Fund may invest in markets where custodial and/or settlement systems are not fully developed.

#### Derivatives Risk

The Company may use various derivative instruments to reduce risks or costs or to generate additional capital or income in order to meet the investment objectives of a sub-fund. Certain sub-funds may also use derivatives extensively and/or for more complex strategies as further described in their respective investment objectives. While the prudent use of derivatives can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks associated with more traditional investments. The use of derivatives may give rise to a form of leverage, which may cause the Net Asset Value of these sub-funds to be more volatile and/or change by greater amounts than if they had not been leveraged, since leverage tends to exaggerate the effect of any increase or decrease in the value of the respective sub-funds' portfolio securities. Before investing in Shares, investors must ensure to understand that their investments may be subject to the following risk factors relating to the use of derivative instruments:

- Market risk: Where the value of the underlying asset of a derivative instrument changes, the value of the instrument will become positive or negative, depending on the performance of the underlying asset. For non-option derivatives the absolute size of the fluctuation in value of a derivative will be very similar to the fluctuation in value of the underlying security or reference index. In the case of options, the absolute change in value of an option will not necessarily be similar to the change in value of the underlying because, as explained further below, changes in options values are dependent on a number of other variables.
- Liquidity risk: If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price.
- Counterparty risk: When OTC derivative contracts are entered into, the sub-funds may be exposed to risks arising from the solvency and liquidity of its counterparties and from their ability to respect the conditions of these contracts. The sub-funds may enter into forwards, options and swap contracts, or use other derivative techniques, each of which involves the risk that the counterparty will fail to respect its commitments under the terms of each contract. In order to mitigate the risk, the Company will ensure that the trading of bilateral OTC derivative instruments is conducted on the basis of strict selection and review criteria.
- Settlement risk: Settlement risk exists when a derivative instrument is not settled in a timely manner, thereby increasing counterparty risk prior to settlement and potentially incurring funding costs that would otherwise not be experienced. Should the settlement never occur the loss incurred by the sub-fund will correspond to the difference in value between the original and the replacement contracts. If the original transaction is not replaced, the loss incurred by the sub-fund will be equal to the value of the contract at the time it becomes void.
- Other risks: Other risks in using derivative instruments include the risk of mispricing or improper valuation. Some derivative instruments, in particular OTC derivative instruments, do not have prices observable on an exchange and so involve the use of formulae, with prices of underlying securities or reference indices obtained from other sources of market price data. OTC options involve the use of models, with assumptions, which increases the risk of pricing errors. Improper valuations could result in increased cash payment requirements to counterparties or a loss of value to the sub-funds. Derivative instruments do not always perfectly or even highly correlate or track the value of the assets, rates or Indices they are designed to track. Consequently, the sub-funds' use of derivative instruments may not always be an effective means of, and sometimes could be counterproductive to, furthering the sub-funds' investment objective. In adverse situations, the sub-funds' use of derivative instruments may become ineffective and the sub-funds may suffer significant losses.

Total Return Swaps (TRS) represent a combined market and credit default derivative and their value will change as a result of fluctuations in interest rates as well as credit events and credit outlook. A TRS involves that receiving the total return is similar in risk profile to actually owning the underlying reference security(ies). Furthermore, these transactions may be less liquid than interest rate swaps as there is no standardisation of the underlying reference index and this may adversely affect the ability to close out a TRS position or the price at which such a close out is transacted. The swap contract is an agreement between two parties and therefore each party bears the other's counterparty risk and collateral is arranged to mitigate this risk. All the revenues arising from TRS will be returned to the relevant sub-fund.

#### Distressed Securities Risk

Distressed securities may be defined as debt securities that are officially in restructuring or in payment default and whose rating (by at least one of the major rating agencies) is lower than CCC-. Investment in distressed securities may cause additional risks for a Sub-Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and principal or maintain other terms of the offer documents over any long period of time. They are generally unsecured and may be subordinated to other outstanding securities and creditors of the issuer. Whilst such issues are likely to have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposure to adverse economic conditions. Therefore, a Sub-Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of interest and principal may involve additional cost for the relevant Sub-Fund.

#### Efficient Portfolio Management Techniques Risk

Efficient portfolio management techniques, such as repurchase and reverse repurchase transactions, involve certain risks. Investors must notably be aware that:

- In the event of the failure of the counterparty with which cash of a Sub-Fund has been placed, there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded.
- Locking cash in transactions of excessive size or duration, delays in recovering cash placed out, or difficulty in realizing collateral may restrict the ability of the Sub-Fund to meet sale requests, security purchases or, more generally, reinvestment.
- Repurchase transactions will, as the case may be, further expose a Sub-Fund to risks similar to those associated with financial derivative instruments, which risks are described above.
- In a reverse repurchase transaction, a Sub-Fund could incur a loss if the value of the purchased securities has decreased in value relative to the value of the cash or margin held by the relevant Sub-Fund.

#### Emerging Markets Risk

A Sub-Fund may invest in less developed or emerging markets. These markets may be volatile and illiquid and the investments of the Sub-Fund in such markets may be considered speculative and subject to significant delays in settlement. Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because the Sub-Fund will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if a Sub-Fund is unable to acquire or dispose of a security. The risk of significant fluctuations in the net asset value and of the suspension of redemptions in those Sub-Funds may be higher than for Sub-Funds investing in major world markets. In addition, there may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in emerging markets and assets could be compulsorily acquired without adequate compensation. The assets of a Sub-Fund investing in such markets, as well as the income derived from the Sub-Fund, may also be affected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the net asset value of Shares of that Sub-Fund may be subject to significant volatility. Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such countries may be subject to unexpected closure.

#### Equity Risk

The risks associated with investments in equity (and similar instruments) include significant fluctuations in prices, negative information about the issuer or market and the subordination of a Company's shares to its bonds. Moreover, such fluctuations are often exacerbated in the short-term. The risk that one or more companies suffer a downturn or fail to grow can have a negative impact on the performance of the overall portfolio at a given time. There is no guarantee that investors will see an appreciation in value. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial investment.

Some Funds may invest in initial public offerings ("IPOs"). IPO risk is the risk that the market values of IPO shares may experience high volatility from factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. Additionally, a Sub-Fund may hold IPO shares for a very short period of time, which may increase a Sub-Fund's expenses. Some investments in IPOs may have an immediate and significant impact on a Sub-Fund's performance.

Sub-Funds investing in growth stocks may be more volatile than the market in general and may react differently to economic, political and market developments and to specific information about the issuer. Growth stocks traditionally show higher volatility than other stocks, especially over short periods. These stocks may also be more expensive in relation to their profits than the market in general. Consequently, growth stocks may react with more volatility to variations in profit growth.

#### Hedge Share Class Contagion Risk

Where a Hedged or Return Hedged share class is available in a Sub-Fund, the use of derivatives that are specific to this share-class may have an adverse impact on other share-classes of the same Sub-Fund. In particular, the use of a derivative overlay in a currency risk hedged share class introduces potential counterparty and operational risks for all investors in the Sub-Fund. This could lead to a risk of contagion to other share classes, some of which might not have any derivative overlay in place.

#### High Yield Bond Risk

When investing in fixed income securities rated below investment grade, there is a higher risk that such the issuer is unable or unwilling to meet its obligations, therefore exposing the Sub-Fund to a loss corresponding to the amount invested in such security.

#### Market Risk

Market risk is a general risk that affects all investments. Price for financial instruments are mainly determined by the financial markets and by the economic development of the issuers, who are themselves affected by the overall situation of the global economy and by the economic and political conditions prevailing in each relevant country.

#### Legal Risk

There is a risk that agreements and derivatives techniques are terminated due, for instance, to bankruptcy, illegality, change in tax or accounting laws. In such circumstances, a Sub-Fund may be required to cover any losses incurred. Furthermore, certain transactions are entered into on the basis of complex legal documents. Such documents may be difficult to enforce or may be the subject to a dispute as to interpretation in certain circumstances. Whilst the rights and obligations of the parties to a legal document may be governed by Luxembourg law, in certain circumstances (insolvency proceedings) other legal systems may take priority which may affect the enforceability of existing transactions. The use of derivatives may also expose a Sub-Fund to the risk of loss resulting from changing laws or from the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

#### Liquidity Risk

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Sub-Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of a Sub-Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Markets where the Sub-Fund's securities are traded could also experience such adverse conditions as to cause exchanges to suspend trading activities. Reduced liquidity due to these factors may have an adverse impact on the Net Asset Value of the Sub-Fund and on the ability of the Sub-Fund to meet redemption requests in a timely manner.

#### Real Estate Related Exposure Risk

Sub-funds may indirectly invest in the real estate sector via transferable securities and/or real estate funds. Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values.

#### Risks Related to Investments in Some Countries

Investments in some countries (e.g. China, Greece, India, Indonesia, Japan, Saudi Arabia and Thailand) involve risks linked to restrictions imposed on foreign investors and counterparties, higher market volatility and lack of liquidity. Consequently, some shares may not be available to the Sub-Fund due to the number of foreign shareholders authorized or if the total investment permitted for foreign shareholders

has been reached. In addition, the repatriation by foreign investors of their share, capital and/or dividends may be restricted or require the approval of the government. The Company will only invest if it considers that the restrictions are acceptable. However, no guarantee can be given that additional restrictions will not be imposed in future.

#### Securitised Products Risk

Sub-Fund investing in securitised products, such as Mortgage-Backed Securities (MBS) and other Asset-Backed Securities (ABS), are exposed to the following risks:

- Interest rate risk: Prices may fall as interest rates rise due to fixed coupon rates.
- Prepayment risk: The risk that the mortgage holder (the borrower) will pay back the mortgage before its maturity date, which reduces the amount of interest the investor would have otherwise received. Prepayment, in this sense, is a payment in excess of the scheduled principal payment. This situation may arise if the current market interest rate falls below the interest rate of the mortgage, since the homeowner is more likely to refinance the mortgage. Unanticipated prepayments can change the value of some securitised products.
- Term structure risk: Monthly principal cash flows cause a ladder structure. The value of securities can be affected by a steepening or flattening of the yield curve.
- Credit risk: While the agency market has little or no credit risk, the non-agency market has varying levels of credit risk.
- Default risk and downgrading risk: It can be due to the borrower's failure to make timely interest and principal payments when due. Default may result from a borrower's failure to meet other obligations as well as the maintenance of collateral as specified in the Prospectus. An investor's indicator of a security's default can be its credit rating. Because of the credit enhancements required for Asset Backed Securities (ABS) by the rating agencies, the senior tranches are mostly rated triple-A, the highest rating available. The B, C and any lower tranches of an ABS issue are lower-rated or unrated and are designed to absorb any losses before the senior tranches. Prospective buyers of these classes of an issue must decide if the increased risk of default is balanced by the higher returns these classes pay.
- Liquidity risk: The market for privately (non – Agency) issued MBS is smaller and less liquid than the market for Agency MBS. The Company will only invest in securitised products that the Investment Manager trusts to be liquid.
- Legal Risk: Non-mortgage related ABS may not have the benefit of any legal title on the underlying assets and recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

#### More detailed risk warnings:

- About MBS and ABS: The yield characteristics of MBS and other ABS differ from traditional debt securities. A major difference is that the principal amount of the obligation generally may be prepaid at any time because the underlying assets generally may be prepaid at any time. As a result, if an ABS is purchased at a premium, a prepayment rate that is faster than expected will reduce the yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing the yield to maturity. Conversely, if an ABS is purchased at a discount, faster than expected prepayments will increase the yield to maturity, while slower than expected prepayments will decrease the yield to maturity. Generally, pre-payments on fixed-rate mortgage loans will increase during a period of falling interest rates and decrease during a period of rising interest rates. MBS and ABS may also decrease in value as a result of increases in interest rates and, because of prepayments, may benefit less than other fixed income securities from declining interest rates. Reinvestment of prepayments may occur at lower interest rates than the original investment, thus adversely affecting a Sub-Fund's yield. Actual prepayment experience may cause the yield of ABS to differ from what was assumed when the Company purchased the security.
- About Collateralised Mortgage Obligation (CMO), Collateralised Bond Obligation (CBO), Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO): Classes or tranches may be specially structured in a manner that provides any of a wide variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, however, and especially during periods of rapid or unanticipated changes in market interest rates, the attractiveness of some CDO tranches and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. These changes can result in volatility in the market value, and in some instances reduced liquidity, of the CDO tranches. Certain tranches of CMOs are structured in a manner that makes them extremely sensitive to changes in prepayments rates. IO (Interest Only) and PO (Principal Only) tranches are examples of this. IO tranches are entitled to receive all or a portion of the interest, but none (or only a nominal amount) of the principal payments, from the underlying mortgage assets. If the mortgage assets underlying of an IO experience greater than anticipated principal prepayments, the total amount of interest payments allocable to the IO Class, and therefore the yield to investors, generally will be reduced. In some instances, an investor in an IO may fail to recover all of its initial investment, even when the securities are government guaranteed or considered to be of the highest quality (rated AAA or the equivalent). Conversely, PO Classes are entitled to receive all or a portion of the principal payments, but none of the interest, from the underlying mortgage assets. PO Classes are purchased at substantial discounts from par, and the yield to investors will be reduced if principal prepayments are slower than expected. Some IOs and POs, as well as other CMO tranches, are structured to have special protections against the effect of prepayments. However, these structural protections normally are effective only within certain ranges of prepayments rates and thus will not protect investors in all circumstances. Inverse floating rate CMO Classes also may be extremely volatile. These tranches pay interest at a rate that decreases when a specified index of market rates increases.

#### Small Cap, Specialised or Restricted Sectors Risk

Sub-Funds investing in small caps or specialised or restricted sectors are likely to be subject to a higher than average volatility due to a high degree of concentration, greater uncertainty because less information is available, there is less liquidity, or due to greater sensitivity to changes in market conditions. Smaller companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating-rate.

#### Sukuk risk:

The risk of loss arising from investing in Sukuk instruments, which may fluctuate in value due to the impact of macro-economic factors on the supply and demand for financing or the willingness or ability of the counterparty (sovereign, sovereign-related, or corporate) to make payments according to the terms of the Sukuk.

#### Sharia compliance risk:

The risk that the restriction to invest only in Sharia-compliant securities may place the Fund at a comparative disadvantage vs. funds that do not have this restriction. Returns to unitholders may also be reduced due to payments to Sharia approved charities to "purify" dividends

#### Swing Pricing Risk

The actual cost of purchasing or selling the underlying investments of a Sub-Fund may be different from the carrying value of these investments in the Sub-Fund's valuation. The difference may arise due to dealing and other costs (such as taxes) and/or any spread between the buying and selling prices of the underlying investments. These dilution costs can have an adverse effect on the overall value of a Sub-Fund and thus the net asset value per share may be adjusted in order to avoid disadvantaging the value of investments for existing unitholders.

#### Tracking Error Risk

The performance of the Sub-Fund may deviate from the actual performance of the underlying index due to factors including but not limited to liquidity of the index constituents, possible stock suspensions, trade band limits decided by the stock exchanges, changes in taxation of capital gains and dividends, discrepancies between the tax rates applied to the Sub-Fund and to the index on capital gains and dividends, limitations or restrictions on foreign investors ownership of shares imposed by the governments, fees and expenses, changes to the underlying index and operational inefficiencies. In addition, the Sub-Fund may not be able to invest in certain securities included in the underlying index or invest in them in the exact proportions they represent of the index due to legal restrictions imposed by the governments, a lack of liquidity on stock exchanges or other reasons. There could be other factors which can impact the Tracking Error.

#### Warrant Risk

Warrants are complex, volatile, high-risk instruments. One of the principal characteristics of warrants is the "leverage effect" whereby a change in the value of the underlying asset can have a disproportionate effect on the value of the warrant. There is no guarantee that, in the event of an illiquid market, it will be possible to sell the warrant on a secondary market.

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## APPENDIX 5 – LIQUIDATION, MERGER, TRANSFER AND SPLITTING PROCEDURES

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### **Liquidation, Merger, Transfer, and Splitting of Sub-funds**

The Management Company shall have sole authority to decide on the effectiveness and terms of the following, under the limitations and conditions prescribed by the Law:

- 1) either the pure and simple liquidation of a sub-fund;
- 2) or the closure of a sub-fund (merging sub-fund) by transfer to another sub-fund of the Fund;
- 3) or the closure of a sub-fund (merging sub-fund) by transfer to another UCI, whether incorporated under Luxembourg law or established in another member state of the European Union;
- 4) or the transfer to a sub-fund (receiving sub-fund) a) of another sub-fund of the Fund, and/or b) of a sub-fund of another collective investment undertaking, whether incorporated under Luxembourg law or established in another member state of the European Union, and/or c) of another collective investment undertaking, whether incorporated under Luxembourg law or established in another member state of the European Union;
- 5) or the splitting of a sub-fund.

Items 2), 3), and 4) need prior acceptance of the Fund's Sharia Supervisory Committee

The splitting techniques will be the same as the merger one foreseen by the Law.

To avoid any investment breach due to the merger, and in the interest of the shareholders, the investment manager might need to rebalance the portfolio of the Merging sub-fund before the merger. Such rebalancing shall be compliant with the investment policy of the Receiving sub-fund.

In the event of the pure and simple liquidation of a sub-fund, the net assets shall be distributed between the eligible parties in proportion to the assets they own in said sub-fund. The assets not distributed at the time of the closure of the liquidation and at the latest within nine months of the date of the decision to liquidate shall be deposited with the Public Trust Office (*Caisse de Consignation*) until the end of the legally specified limitation period.

Pursuant to this matter, the decision adopted at the level of a sub-fund may be adopted similarly at the level of a category or a class.

### **Liquidation of a Feeder Sub-fund**

A Feeder sub-fund will be liquidated:

- when the Master is liquidated, unless the CSSF grants approval to the feeder to:
  - invest at least 85% of the assets in units, or shares of another Master; or
  - amend its investment policy in order to convert into a non-Feeder.
- when the Master merges with another UCITS, or sub-fund or is divided into two or more UCITS, or sub-fund unless the CSSF grants approval to the feeder to:
  - continue to be a Feeder of the same Master or the Master resulting from the merger or division of the Master;
  - invest at least 85% of its assets in units, or shares of another Master; or
  - amend its investment policy in order to convert into a non-Feeder.

### **Dissolution and Liquidation of the Fund**

The dissolution and liquidation of the Fund shall take place:

- a) By decision of the management Company;
- b) In the event of cessation of their duties by the Management Company or by the Depositary in accordance with Article 21, points b), c), d) and e) of the Law, if they have not been replaced within two months without prejudice to the specific circumstance addressed in point c) below;
- c) In the event of bankruptcy of the Management Company;
- d) If the net assets of the Fund have fallen for more than six months below one quarter of the legal minimum provided by the Law;
- e) By decision of the CSSF.

If the Fund's net assets fall below two-thirds of the minimum legal net assets, the Management Company may decide the Fund's dissolution.

In the event of the Fund's dissolution, the liquidation will be conducted by one or more liquidators that may be individuals or legal entities. They will be appointed by the Management Company, which will determine their powers and remuneration, without prejudice to the application of the Law.

The net proceeds of the liquidation of each sub-fund, category, or class will be distributed by the liquidators to the unitholders of each sub-fund, category, or class in proportion to the number of shares they hold in the sub-fund, category, or class.

In the case of straightforward liquidation of the Fund, the net assets will be distributed to the eligible parties in proportion to the units held in the Fund. Net assets not distributed at the time of the closure of the liquidation and at the latest within a maximum period of nine months effective from the date of the liquidation will be deposited at the Public Trust Office (*Caisse de Consignation*) until the end of the legally specified limitation period.

The calculation of the net asset value, and all subscriptions, conversions and redemptions of shares in these sub-funds, categories, or classes will also be suspended throughout the liquidation period.

## **BOOK II**

## **BNP PARIBAS ISLAMIC FUND EQUITY OPTIMISER**

### **Investment objective**

The investment objective of the Sub-fund is to increase the value of invested assets in the medium to long term.

It is possible that this objective may not be achieved, and no guarantee can be given in this respect.

### **Investment policy**

To seek medium to long term capital gain by investing in a basket of stocks selected from the components of the Dow Jones<sup>(1)</sup> Islamic Market Developed Markets Top Cap Index<sup>(2)</sup> ("the Base Index"). The Selection is objectively and systematically selected from the Base Index components according to valuation, profitability, momentum and volatility criteria, and is considered to be in compliance with Sharia principles. The Selection is rebalanced at least quarterly. This rebalancing will take place after the Sharia Board review of the index.

The Sub-fund may keep up to 10% of its total assets, at any time, in a non-remunerated cash account depending on the evolution of the market.

The Sub-fund may also invest up to 10% of its assets in UCITS or UCI sharia compliant.

The composition of the Sub-fund's portfolio, as well as the investment process, is validated by the Fund's Sharia Supervisory Committee.

*<sup>(1)</sup> Dow Jones" and "Dow Jones Islamic Market Index (SM)" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Licensee. BNP Paribas Islamic Fund Equity Optimiser based on the Dow Jones Islamic Market Index (SM), is not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product.*

*<sup>(2)</sup> With Dow Jones, not registered in the Benchmark Register as Benchmark Index Administrator*

### **Selection methodology**

The sub-fund is managed using a systematic stock picking strategy on the global developed Islamic equity universe. The stock selection methodology is based on the combination of 4 factors:

- Value: buy companies at a reasonable price
- Profitability: buy companies with a profitable business model
- Momentum: buy companies with recent positive trends
- Low volatility: buy companies with a low risk profile

A systematic analysis of the valuation, profitability, price momentum and volatility of each stock in the investment universe is performed on a quarterly basis using official public data. A score is given to every stock for each of these four factors, which are combined to calculate an overall score for each stock. These scores are then used to construct a well-diversified portfolio.

#### **a. Exceptional Rebalancing Rules**

In order to comply with the investment restrictions, the Manager will adjust the Selection as described below:

- when a stock issued by one issuer represents 9% or more of the Sub-fund's net assets on any valuation date, there will be an exceptional rebalancing on the next business day. An amount of the relevant stock equivalent to 1% of the Sub-fund's net assets will be sold. The proceeds of this sale will be invested in the remaining portfolio stocks having less than 4% weighting.
- when the total value of stocks exceeding 5% of the Sub-fund's net assets represents 39% of the Sub-fund's net assets on any valuation date, there will also be an exceptional rebalancing on the next business day. The stock exceeding 5% of the Sub-fund's net assets and having the highest weight in the Sub-fund's net assets will be sold for an amount equivalent to 1% of the Sub-fund's net assets. The proceeds of this sale will be invested in the remaining portfolio stocks having less than 4% weighting.
- In case any one of the stocks in the portfolio is no longer compliant with sharia principles or no longer a component of the Base Index, the relevant stock will be sold. The proceeds of this sale will be invested in the remaining portfolio constituents in accordance with the previous rules.

#### **b. First Selection**

The initial Selection will be based on the latest Index composition, following the latest Index rebalancing.

### **Base Index**

#### **Disappearance of the Base Index**

If the Base Index is no longer available, or in case of termination of the Base Index license agreement (the "Event"), the Sub-fund will remain invested in the Selection until the determination of a new investment policy (included but not limited to a new index) or the decision of the Management Company's Board of Directors to liquidate the Sub-fund, subject to the prior CSSF's approval.

The Unitholders will be informed of the modification of the investment policy and of the liquidation of the Sub-fund in accordance with the provisions of section "Information for unitholders", and Appendix 4 "Liquidation, Merger, Transfer and Splitting procedures" of the Book I.

## **BNP PARIBAS ISLAMIC FUND EQUITY OPTIMISER**

### **Dow Jones Disclaimer**

Dow Jones and Dow Jones Islamic Market Index SM are service marks of Dow Jones & Company, Inc. Dow Jones has no relationship to the Licensee, other than the licensing of the Dow Jones Islamic Market Index and its service marks for use in connection with BNP Paribas Islamic Fund - Equity Optimiser.

Dow Jones does not:

- Sponsor, endorse, sell or promote BNP Paribas Islamic Fund - Equity Optimiser,
- Recommend that any person invest in BNP Paribas Islamic Fund - Equity Optimiser or any other securities,
- Have any responsibility or liability for or make any decisions about the timing, amount or pricing of BNP Paribas Islamic Fund - Equity Optimiser,
- Have any responsibility or liability for the administration, management or marketing of BNP Paribas Islamic Fund - Equity Optimiser,
- Consider the needs of BNP Paribas Islamic Fund - Equity Optimiser or the owners of BNP Paribas Islamic Fund - Equity Optimiser in determining, composing or calculating the Dow Jones Islamic Market Developed Markets Top Cap Index or have any obligation to do so.

Dow Jones will not have any liability in connection with the Fund.

Specifically,

- Dow Jones does not make any warranty, express or implied, and Dow Jones disclaims any warranty about:
  - The results to be obtained by BNP Paribas Islamic Fund - Equity Optimiser the owner of the BNP Paribas Islamic Fund - Equity Optimiser or any other person in connection with the use of the Dow Jones Islamic Market Developed Markets Top Cap Index and the data included in the Dow Jones Islamic Market Developed Markets Top Cap Index;
  - The accuracy or completeness of the Dow Jones Islamic Market Developed Markets Top Cap Index and its data;
  - The merchantability and the fitness for a particular purpose or use of the Dow Jones Islamic Market Developed Markets Top Cap Index and its data, compliance with Sharia law or other Islamic principles.
- Dow Jones will have no liability for any errors, omissions or interruptions in the Dow Jones Islamic Market Developed Markets Top Cap Index or its data;
  - Under no circumstances will Dow Jones be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if Dow Jones knows that they might occur.

The licensing agreement between the Licensee and Dow Jones is solely for their benefit and not for the benefit of the owners of the BNP Paribas Islamic Fund - Equity Optimiser or any other third parties.

### **Information relating to SFDR and Taxonomy Regulation**

The Sub-fund is not categorized under Article 8 or Article 9 SFDR.

The Taxonomy Regulation aims to establish the criteria for determining whether an economic activity is considered environmentally sustainable.

Thus, the EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.

Economic activities that are not recognised by the Taxonomy Regulation are not necessarily environmentally harmful or unsustainable. Moreover, not all activities that can make a substantial contribution to environmental as well as social objectives are yet part of the Taxonomy Regulation.

The investments underlying this sub-fund do not take into account the EU criteria for environmentally sustainable economic activities.

### **Risk profile**

The company draws the investors' attention to the fact that this compartment uses the commitment approach methodology for the calculation of the global exposure to financial derivative instruments and that the use of financial derivative instruments are allowed for hedging purposes only, according to the present version of the Appendices II and III of the prospectus. Financial derivative instruments' structure and documentation are compliant with sharia principles.

The commitment approach methodology is suitable to sub-funds that use less complex positions on financial derivative instruments or use financial derivative instruments used for hedging purposes only.

### **Specific sub-fund risks:**

- Risk related to investments restrictions in some countries
- Sharia Compliance risk

For an overview of generic risks, please refer to the Appendix 4 of Book I of the Prospectus.

### **Investor type profile**

The units of the sub-fund are available to investors who want to invest according to the investment objective. Authorized investors are eligible for specific share categories subject to minimum subscription amounts and/or eligibility criteria.

### **Accounting currency**

USD

## **BNP PARIBAS ISLAMIC FUND EQUITY OPTIMISER**

### **Unit Categories**

| Category      | Class | ISIN code    | Dividend | Reference Currency | Other Valuation Currencies |
|---------------|-------|--------------|----------|--------------------|----------------------------|
| Classic       | CAP   | LU0245286777 | No       | USD                | None                       |
| Classic       | DIS   | LU0781589642 | Yes      |                    |                            |
| Privilege     | CAP   | LU0245286934 | No       |                    |                            |
| Privilege GBP |       | LU1140480119 |          |                    |                            |
| I             |       | LU0245287403 |          |                    |                            |
| I             | DIS   | LU0781589725 | Yes      | USD                |                            |
| X             | CAP   | LU0781590061 | No       |                    |                            |

All these units are not necessarily active. For each active class, a KIID is available which mentions, among other, the launch date, the reference/accounting currency and the historical performance. The KIIDs are available on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com)

### **Fees and Costs**

| Category  | Fees payable by the sub-fund |             |                        |                 |         |
|-----------|------------------------------|-------------|------------------------|-----------------|---------|
|           | Management (max)             | Performance | Distribution (maximum) | Other (maximum) | TAB (1) |
| Classic   | 1.50%                        | No          | none                   | 0.40%           | 0.05%   |
| Privilege | 0.75%                        |             |                        | 0.25%           |         |
| I         | 0.60%                        |             |                        | 0.35%           | 0.01%   |
| X         | none                         |             |                        | 0.50%           |         |

(1) *Taxe d'abonnement: in addition, the Fund may be subject to foreign UCI's tax, and/or other regulators levy, in the country where the sub-fund is registered for distribution.*

### **Additional information:**

#### **Valuation day:**

For each day of the week on which banks are open for business in Luxembourg (a "Valuation Day"), there is a corresponding NAV which is dated the same day unless 10% or more of the underlying assets cannot be valued (due to, but not limited to stock exchange closure for listed assets).

It is available at the Management Company's registered office, from local agents, and in any newspapers designated by the Management Company and the web site [www.bnpparibas-am.com](http://www.bnpparibas-am.com)

#### **Terms of subscription / conversion / redemption:**

Subscription, redemption and conversion orders will be processed at an unknown net asset value in accordance with the rules set out below, only on trading days in Luxembourg, and the time mentioned is Luxembourg time.

| Centralisation of orders                                                                                   | Orders Trade Date | NAV calculation and publication date  | Orders Settlement Date                                                            |
|------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------|-----------------------------------------------------------------------------------|
| 16:00 CET for STP orders or 12:00 CET for non STP orders on the day preceding the NAV Valuation Day (D-1). | Valuation Day (D) | The day after the Valuation Day (D+1) | Maximum three bank business days after the Valuation Day (D+3) <sup>(1) (2)</sup> |

(1) If the settlement day is a currency holiday, the settlement will occur the following business day.

(2) Each time the "Orders Settlement Date" occurs before or on the same day of the "NAV calculation and publication date", the "Orders Settlement Date" will instead happen the next bank business day following the "NAV calculation and publication date".

### **Historical Information:**

The sub-fund was launched on May 24, 2006.

### **Taxation:**

Potential unitholders are recommended to seek full information in their country of origin, place of residence or domicile on the possible tax consequences associated with their investment.

## **BNP PARIBAS ISLAMIC FUND HILAL INCOME**

### **Investment objective**

The investment objective of the sub-fund is to attempt to achieve attractive returns over the medium to long-term through capital appreciation and income by investing in and actively managing a portfolio of Sharia compliant Sukuk transferable securities disclosed in this Prospectus.

### **Benchmark**

The sub-fund is actively managed without reference to an index.

### **Investment policy**

The sub-fund seeks to achieve its objective by actively managing a portfolio of Sharia compliant Investment Grade (as described below in the section entitled "Credit Quality Standards of the sub-fund's investments"), or deemed by the Investment Manager to have an equivalent rating, fixed income products known as "Sukuks". Such investments shall be listed or traded on Regulated Markets worldwide. The sub-fund will invest its assets in Sukuk transferable securities (such as Ijara, Wakala, Wakala Bel-Istithmar, Musharakah, Istisna'a, and Murabaha), compliant with both Sharia Committee policy and the sub-fund's investment objective and policies, and in accordance with the investment restrictions set out below. Sukuks are certificates, representing a beneficial ownership in an underlying asset, which are similar to fixed income securities such as bonds.

The sub-fund will invest mainly in Sukuk Wakala which are an agent-for-investment format involving one party entrusting another to invest its assets on its behalf, and in Sukuk Ijara, a contract whereby the owner of an asset leases it to another party in return for a specific rental payment over a specific period, both agreed in advance.

The sub-fund will invest solely in Sharia compliant Sukuks ("Sharia Compliant Structures") in respect of which a Sharia Supervisory Committee has issued a Fatwa. The Sharia Compliant Structures will primarily consist of investments in respect of which a Sharia board have issued a Fatwa. Any new investment in any Sukuk will be reported to Sharia Committee at the time of the issuance. The Investment Manager will cause to be prepared a report of all investments in Sukuk, which report will be provided to the Sharia Committee for approval on an annual basis. The sub-fund may also hold ancillary liquid assets, particularly during periods of perceived uncertainty or volatility.

The sub-fund is permitted to invest in instruments denominated in a currency or issued by a country other than that of the Accounting Currency of the Fund.

The sub-fund may invest in Sukuk transferable securities issued by or with entities that are listed or traded on level 1 or level 2 of the Moscow Exchange MICEX-RTS, headquartered or having their primary business operations in Russia up to a maximum of 20% of the Fund's Net Asset Value.

The Sub-fund may also invest up to 10% of its assets in UCITS or UCI sharia compliant.

### **Credit Quality Standards of the sub-fund's Investments**

Subject to the internal credit screening process established by the Investment Manager (as described below) on behalf of the sub-fund will invest in securities rated at least Baa3 or the short term equivalent by Moody's Investor Services ("Moody's") or BBB- or the short term equivalent by Standards & Poor's ("S&P") or BBB- or the short term equivalent by Fitch Ratings Service ("Fitch") at the time of the sub-fund's investment. In case of a split rating, the higher credit rating will generally apply.

Given the large amount of Islamic Sukuk issues that are not rated by recognised rating agencies, the Investment Manager has established an Internal Credit Screening Process ("ICSP") to determine the level at which these issues rank within the investment grade scale.

The ICSP includes five qualifying requirements each weighted as per their level of significance:

- Structure (35%) – This is related to the reliability of the cash flow structure which includes the quality of guarantee(s) given; quality of underlying project; quality of return(s) and rating (if) given by an Internationally recognised rating agency;
- Issuer (40%) – This is related to the financial quality of the entity issuing the certificates whereby the quality of debt; liquidity and profitability ratios are measured as the quality of the financials themselves (audited by a recognised accounting firm, clarity of contents and availability);
- Country (10%) – This is a measure of the country risk of the issuer dependant on rating(s) given by internationally recognised rating agencies;
- Letter of Credit (10%) – This is a measure of the quality of the guarantee given on the issue whether it is sovereign, corporate or individual; and
- Sharia Board (5%) – This measures the level of confidence in the Sharia Board due to strictness of the GCC-based Sharia Boards vs non-GCC-based Sharia Boards who are more lenient.

The scoring is carried out using a weighted average method to ensure a conservative and fair result of the final rating given by this screening process. The internal rating has also been benchmarked against Moody's and S&P to ensure that the method is fair and transparent and consistent with rating standards. The relative weighting ascribed to the factors outlined above may change over time in to reflect changes in the market or in rating standards. For the avoidance of doubt, in the case of an issue which is also rated by a recognised rating agency, the Investment Manager may determine that the ICSP rating shall take priority over the rating issued by such recognised rating agency.

Accordingly, it is possible that the Fund may invest in securities that are deemed to be of sufficient investment grade by the Investment Manager based on the ICSP rating of the securities ("ICSP Grade Securities") which are also below the Recognised Agency Rating. For the avoidance of doubt, more than 30% of the Fund's Net Asset Value may be invested in ICSP Grade Securities which may be below the Recognised Agency Rating.

The assessment of credit rating for the purposes of the above investment restrictions will be taken at the time of the sub-fund's investment in such securities and in the case of Sukuk transferable securities will be based on the reliability of the cash flow structure, the financial stability of the issuer, country specific risks, letters of credit supporting the Sukuk (if any) and the Investment Manager's level of confidence

## **BNP PARIBAS ISLAMIC FUND HILAL INCOME**

in the relevant Sharia board. Subsequent to the sub-fund's investment the sub-fund is not obliged to divest itself of any investment which may subsequently be subject to credit rating downgrades, or be issued with credit ratings below the thresholds disclosed above.

### **Investment Restrictions**

The sub-fund will only invest in Sharia compliant investments.

The sub-fund may, at the election of the Fund's Sharia Supervisory Committee, be subject to an annual audit by the Fund's Sharia Supervisory Committee and, to the extent that the sub-fund invests only in Sharia compliant investments or otherwise complies with the Sharia investment guidelines and requirements, it is expected that the Fund's Sharia Supervisory Committee will issue annually a Fatwa declaring that the sub-fund is Sharia compliant.

Investment decisions shall not require the prior approval of the sub-fund's Sharia Supervisory Committee as long as the investments are consistent with the Sharia compliant investment restrictions established by the sub-fund's Sharia Supervisory Committee and the investment restrictions disclosed in the Prospectus. In the event that Fund's Sharia Supervisory Committee determines that an investment or asset of the sub-fund is inconsistent, the Fund's Sharia Supervisory Committee may require the sub-fund to divest or sell any asset or investment as soon as reasonably possible but not later than three months from the date of notification by the Fund's Sharia Supervisory Committee.

In addition to the UCITS investment restrictions set out in Appendix 2, the sub-fund will also be subject to the following investment restrictions:

- no more than 10% of the sub-fund's assets under management shall be invested in aggregate in Sukuk with equity underlyings; and in circumstances where the limits set out above are exceeded for reasons beyond the control of the sub-fund, such as market movements or a result of the exercise of subscription rights, the Investment Manager shall adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of the Unitholders. In any event the Investment Manager shall ensure the remedying of the situation is completed within twenty (20) Business Days of its becoming aware of the relevant breach.

### **Information relating to SFDR and Taxonomy Regulation**

The Sub-fund is not categorized under Article 8 or Article 9 SFDR.

The Taxonomy Regulation aims to establish the criteria for determining whether an economic activity is considered environmentally sustainable.

Thus, the EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.

Economic activities that are not recognised by the Taxonomy Regulation are not necessarily environmentally harmful or unsustainable. Moreover, not all activities that can make a substantial contribution to environmental as well as social objectives are yet part of the Taxonomy Regulation.

The investments underlying this sub-fund do not take into account the EU criteria for environmentally sustainable economic activities.

### **Risk profile**

The company draws the investors' attention to the fact that this sub-fund uses the commitment approach methodology for the calculation of the global exposure to financial derivative instruments and that the use of the financial derivative instruments is allowed for hedging purposes only, according to the present version of the Appendices II and III of the prospectus.

The commitment approach methodology is suitable to sub-funds that use less complex positions on financial derivative instruments or use financial derivative instruments used for hedging purposes only.

### **Specific sub-fund risks:**

- Emerging markets risk
- Risk related to investments restrictions in some countries
- Sharia Compliance risk
- Sukuk Investment Risk

For an overview of generic risks, please refer to the Appendix 4 of Book I.

### **Investor type profile**

The units of the sub-fund are available to investors who want to invest according to the investment objective. Authorized investors are eligible for specific share categories subject to minimum subscription amounts and/or eligibility criteria.

### **Accounting currency**

USD

### **Unit Categories**

| Category    | Class | ISIN code    | Dividend  | Reference Currency | Other Valuation Currencies |
|-------------|-------|--------------|-----------|--------------------|----------------------------|
| Classic     | CAP   | LU1150255971 | No        | USD                | None                       |
| Classic EUR | CAP   | LU2374587298 | No        | EUR                |                            |
| Classic QD  | DIS   | LU2058018636 | Quarterly | USD                |                            |
| Privilege   | CAP   | LU1150259296 | No        |                    |                            |
| I           | CAP   | LU1150262910 | No        |                    |                            |
| X           | CAP   | LU1150266580 | No        |                    |                            |

## **BNP PARIBAS ISLAMIC FUND HILAL INCOME**

All these units are not necessarily active. For each active class, a KIID is available which mentions, among other, the launch date, the reference/accounting currency and the historical performance. The KIIDs are available on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com)

### **Fees and Costs**

| Category  | Fees payable by the sub-fund |             |                    |                 |         |
|-----------|------------------------------|-------------|--------------------|-----------------|---------|
|           | Management (max)             | Performance | Distribution (max) | Other (maximum) | TAB (1) |
| Classic   | 1.00%                        | No          | None               | 0.40%           | 0.05%   |
| Privilege | 0.60%                        |             |                    | 0.20%           |         |
| I         | 0.35%                        |             |                    | 0.40%           | 0.01%   |
| X         | None                         |             |                    |                 |         |

(1) *Taxe d'abonnement: in addition, the Fund may be subject to foreign UCI's tax, and/or other regulators levy, in the country where the sub-fund is registered for distribution.*

### **Additional Information**

#### **Valuation Day:**

For each day of the week on which banks are open for business in Luxembourg and Malaysia (a "Valuation Day"), there is a corresponding NAV which is dated the same day.

It is available at the Company's registered office, from local agents, and in any newspapers designated by the Management Company and the web site [www.bnpparibas-am.com](http://www.bnpparibas-am.com)

Terms of subscription / conversion / redemption:

Subscription, redemption and conversion orders will be processed exclusively based at an unknown net asset value calculated in accordance with the rules set out below, only on trading days in Luxembourg, and the time mentioned is Luxembourg time.

| Centralisation of orders                                                                                                                                                       | Orders Trade Date | NAV calculation and publication date  | Orders Settlement Date                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------|--------------------------------------------------------------------------------------------------|
| 16:00 CET on the NAV one bank business day before the Valuation Day (D-1) for STP orders and 12:00 CET one bank business day before the Valuation Day (D-1) for non-STP orders | Valuation Day (D) | The day after the Valuation Day (D+1) | Maximum three bank business days <sup>(1)</sup> after the Valuation Day (D+3) <sup>(2) (3)</sup> |

- (1) Business day: A day on which banks are open for normal business in Luxembourg and Malaysia, unless the Management Company at its discretion may determine otherwise and notify in advance to the unitholders.
- (2) Each time the "Orders Settlement Date" occurs before or on the same day of the "NAV calculation and publication date", the "Orders Settlement Date" will instead happen the next bank business day following the "NAV calculation and publication date"
- (3) If the settlement day is a currency holiday, the settlement will occur the following business day.

#### **Historical information:**

Sub-fund launched on 4 September 2015 with its current denomination by transfer of the same sub-fund in BNP Paribas Hilal Fund.

#### **Taxation:**

Potential unitholders are recommended to seek full information in their country of origin, place of residence or domicile on the possible tax consequences associated with their investment.

#### **Specific information:**

None