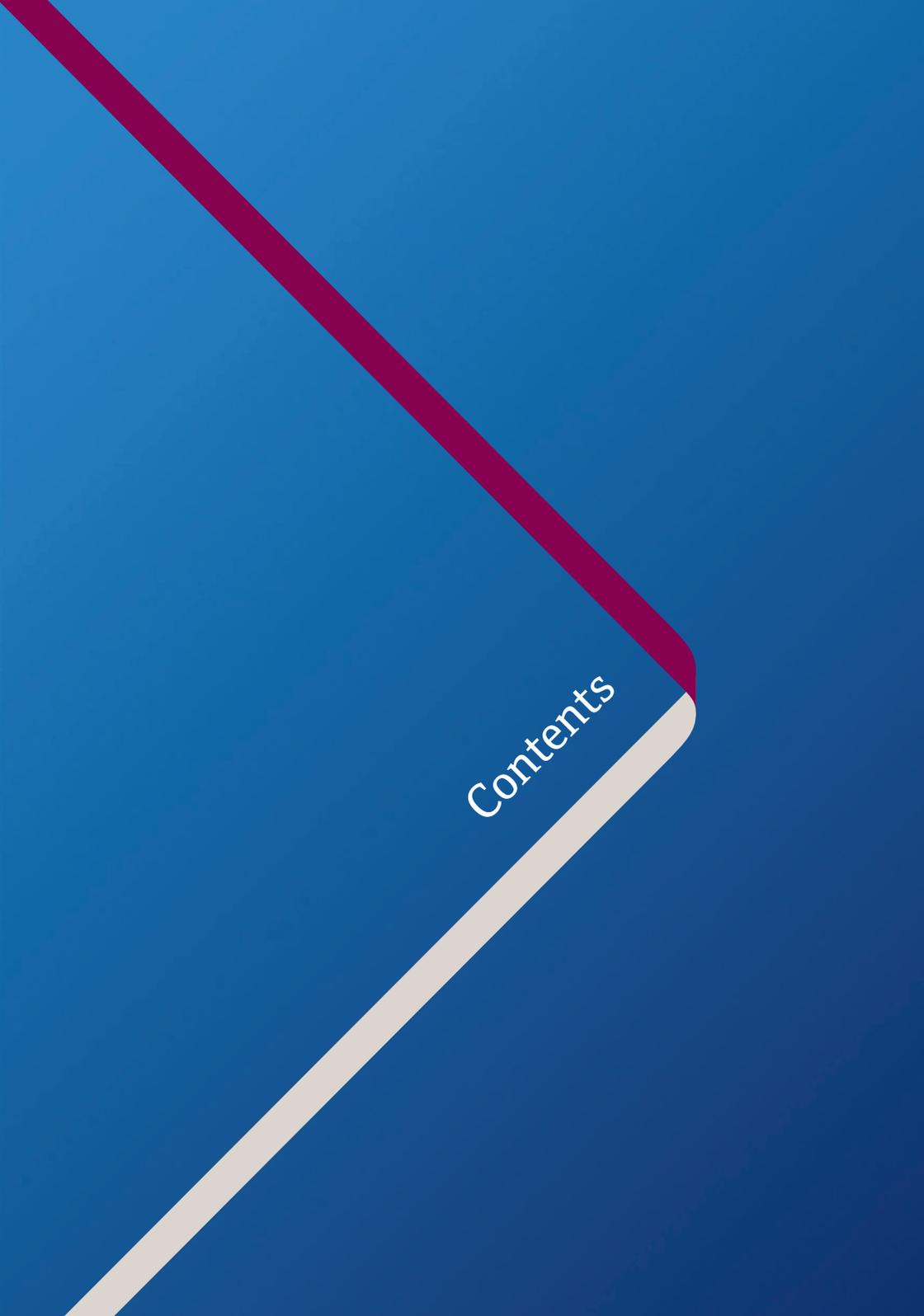




Al Watani Fund

Prospectus



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Important Notice

This Prospectus and any material related to the Fund does not constitute an offer or solicitation by anyone on behalf of the Fund in any jurisdiction in which such offer or solicitation is unlawful or unauthorized, or in which the person making such offer or solicitation is unqualified to do so, or to anyone to whom it is unlawful to make such offer or solicitation.

This Prospectus is qualified in its entirety by reference to the Fund Articles of Association, copies of which will be furnished upon request. All information contained in this Prospectus and in any material related to the Fund reflect current market practices and is not intended to constitute legal, tax, accounting, or financial advice, clients should consult their own advisors on such matters.

Opinions and estimates constitute our judgment and are subject to change without notice. QNB is regulated by Qatar Central Bank and operates in accordance with the State of Qatar laws.

Notice to Investor

This Prospectus and the Articles of Association of the Fund and any material related to the Fund are the lawful property of the Founder and may not be distributed, reproduced or copied as a whole or in part.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and in the Articles of Association.

This Prospectus and the Articles of Association are important and should be read in their entirety. Potential investors are strongly advised to seek professional advice in relation to the contents of this Prospectus and the Articles of Association.

The content of this Prospectus and the Articles of Association should not be construed as investment, legal or tax advice. Each potential investor must seek independent investment, legal and tax advice with respect to the implications of investing in the Units.

If it shall come to the notice of the Founder or Custodian that any Units are owned directly or beneficially by any person in breach of law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold such Units, the Founder and the Custodian reserve the right to redeem the holding of such investor without notice. Redemption amounts shall be paid out of the Fund monies.

Investing in the Fund involves risks and investors should be able to bear the economic risks of their investment in the Fund, including all or part thereof, and we advise investors to not be dependent upon any returns from such investment for any basic financial needs.

Introduction

The Al Watani Fund (the “Fund”) License No.: I.F/3/2005

Fund Registration No.: 31350 is established as an open-end fund with monthly liquidity. The Fund seeks on best offer basis to outperform S&P Qatar Domestic Index returns by investing for capital growth and income in companies listed at the primary and secondary Qatar Exchange (QE) and in local funds. The Fund is useful for investors seeking medium to long term investment in local companies and funds with a medium risk exposure. The capital of the Fund is QR50,000,000 divided into 5,000,000 units and the nominal value of each unit is QR10. The Fund is established by Qatar National Bank, a Qatari Joint Stock Company established under the laws of the State of Qatar and having its principal office in Doha, Qatar, P.O. Box 1000,

(Herein after referred to as the Founder), which has designated as the Fund’s Manager QNB Suisse SA. The Group has a dedicated team of investment professionals providing discretionary, advisory and execution investment services to a variety of clients including high net worth individuals and institutions. The group commenced this activity in January 2002.

Investment Objectives

The primary aims of Al Watani Fund are to seek on best effort basis to outperform the Index returns, at the same time trying to reduce the risk associated with the investment.

Investment Strategy and Process

Through a top-down research approach, the Fund concentrates mainly on broad economic trends while performing analysis and research on individual companies. By employing this approach along with a consideration of sector attractiveness and weightings, strong, growing companies among local stocks can be identified to constitute the Fund core positions.

Fund Construction & Investment Control Measures

Diversification is the fundamental means of risk and investment control and the following guidelines shall be applied to the Al Watani Fund:

- Diversification by sector: exposure to any single sector in the Fund is limited to a maximum of 30% over its weight in the Index
- The fund will not invest more than 10% of the NAV of the fund in a single stock over the stocks weight in the Index
- Investment in any available Fund is limited to a maximum of 20% of the Fund
- Market Replication/Indexing: By replicating the index for a large proportion of the Fund, the overall investment shall be well diversified within the Index
- Market Timing: By carefully timing both purchases and sales we will seek to ensure that the Fund will avoid excessive price movements that are against its interests, but also exploits more positive opportunities.

Management, Custody and Auditor

The Manager is entitled (subject to applicable regulation) to exercise all rights attached to any shares held by the Fund, including but not limited to, voting rights and the rights to attend general meetings of the company (or other business entity) concerned.

The Founder may, in its discretion, and in coordination with the Manager appoint an investment advisor for the Fund.

Qatar National Bank has been appointed as Custodian of the Fund.

E & Y has been appointed as Auditor of the Fund.

Distribution Policy

The Fund does NOT expect to pay dividends or make distributions to investors. Any return achieved by the Fund (capital gain and other income) will be reinvested and reflected in the Net Asset Value of the Fund.

Marketing Channel

Product distribution channels will be limited to selected branches of Qatar National Bank (collectively the "Founder") unless QNB appoints other agents.

Eligibility

Qatari Companies and Individuals only, but excluding minors and non-qualified persons, see money laundering protection below.

Money Laundering Protection

With reference to Qatar Central Bank Circular No. 9 for the year 2002 on Anti Money Laundering and Terrorism Financial Assistance, each Investor must provide settlement for subscription amount through either a bank transfer or a cheque drawn on a local bank in Qatar.

The Founder or the Custodian reserves the right to request further information and documentation during the investment period. Failure to provide this information will result in automatic annulment of the application/ investment restriction.

Currency

Al Watani Fund will be denominated in Qatari Riyals.

Initial Offering Period

From 15th September, 2005, to 31st October 2005. The Founder reserves the right to modify the offering period. After expiration of the initial offering period and closure of subscription, the Founder and the Manager will sort the applications, allocate investment units, and notify investors of their units and handover the certificates or subscription documents within fifteen days from the subscription closing date.

Payment Method

The Investor could transfer funds, pay by cheque or through direct debit of their accounts with the Founder. The Founder and the Custodian will not accept any cash payment in settlement for subscriptions.

Minimum and Maximum Investment Limit

The minimum amount, which may be invested initially by any one investor during the Initial Offering Period, is QR20,000 that is equivalent to 2,000 Units plus subscription fees.

Further subscription after the Initial Offering Period shall be subject to a minimum unit's value of QR20,000 plus any subscription fees.

The maximum number of units which may be invested by any one investor at any time is two million units.

Dealing Procedures after the Initial Offering Period

The Net Asset Value per Unit of the Fund shall be determined by dividing the value of the Fund's asset, less the sum of all liabilities, fees and operating costs by the number of Units outstanding at that time.

The Net Asset Value per Unit, and the prices at which Units can be purchased or sold will normally be calculated according to relevant values on the "Valuation Day" by the Custodian and the Manager respectively, which shall be the last Business Day of each month following the "Submission Period" (Business Day means day on which commercial banks are open for full banking business in the state of Qatar, Submission Period means period during which Investors can submit Subscription or Redemption forms to the Custodian for the relevant month). If the Valuation Day falls at the beginning of an official Qatari Holiday, calculation shall be done on the next Business Day following that Valuation Day.

The unit prices shall be created by the Manager in accordance with the investment unit valuation performed by the Custodian, which is outlined in the Articles of Associations.

Subscription and Redemption shall be made at the price equivalent to the Net Asset Value determined by the Custodian on the Valuation Day of the relevant month, and is subject to corresponding subscription or redemption fees. These prices shall apply to all requests for the purchase and sale of the Units submitted by no later than the 20th of the relevant month (Submission Period). If any Subscription or Redemption forms are submitted after the 20th of any relevant month it will be considered as Redemption or a Subscription request for the next month. Details of Subscription and Redemption procedures will be outlined later in this Prospectus. Investors shall receive confirmations of their requests in few days after the relevant Valuation Day.

The Fund may accept and execute Subscription & Redemption requests received after the 20th of the same month but before close of business on the last working day of the month, on a case by case basis upon specific approval of both the Founder and the Fund Manager.

By filling-in, signing and submitting any form, each applicant whether they apply in person, by proxy, or by their heirs, and whether they sign any form by themselves or authorize a person to do so, shall be considered to have, unconditionally and irrevocably:

- Have read, understood and hereby agree on the Terms and Conditions of the Fund, a copy of which has been given to them.

- Accepted and agreed to the Prospectus and the Articles of Association of the Fund.
- Accepted and agreed to the forms and provided the Founder, the Custodian and the Manager with adequate and true information.
- Could not withdraw any submitted form.

Subscription after the Initial Offering Period

To subscribe for Units in the Fund, an applicant is required to submit to the Custodian a signed and completed Subscription Form on any Business Day by no later than the 20th of the relevant month, which shall be the “Submission Period” preceding the relevant Valuation Day, any application submitted after the 20th of the relevant month will be considered as a Subscription request for the next month.

Individual applicants are required to present identification documents (e.g. Identity Card or Passport) upon subscribing to the Fund. In case applicants apply by proxies, an authorization letter should be presented along with required documents.

If the applicant is a corporate person it should present a signed letter stamped with the company seal stating the name and I.D. Card No. of its representative and a copy of the commercial registration.

Units will be only registered upon receipt of cleared funds and receipt of all necessary documents.

Redemption after the Initial Offering Period

Investors will have the choice to liquidate their position on a monthly basis. Also, should you need to liquidate part or all of your holdings then you should submit to the Custodian a completed and signed Redemption application, on any Business Day by no later than the 20th of the relevant month (the Submission Period), any application submitted after the 20th of the relevant month will be considered as a Redemption request for the next month.

Investors shall present identification documents as outlined on the Redemption Form in order for the form to be accepted and processed. Once the Redemption form is accepted and processed investors must allow 3 Business Days after the Valuation Day for the amounts to settle in their accounts or for a cheque to be sent to their registered address in the Fund.

Register

In case applicants wish to redeem their holdings by proxy, an authorization letter shall be presented along with required documents.

The redemption of the investor’s Units and the discharge of any of the Fund’s liabilities will be satisfied out of the assets of the Fund without any right of recourse whatsoever to the assets of the Founder or any Delegated Party.

Fees & Commissions

The fees and commissions shall be as follows:

- Subscription Fee:

The Founder shall impose a fee up to 2% of the unit price as subscription fee.

- Management Fee:

The Fund Manager shall charge a fee of 1.5% per annum of the Fund's net asset value deducted on a monthly basis.

- Custodian's Commissions: The Custodian's remuneration for its role in the Fund shall be 0.5% per annum of the Fund's net asset value deducted on a monthly basis.

- Performance Fee:

The Fund Manager will charge a performance fee of 15% on positive excess returns over the Index.

- Redemption Fee:

The Founder shall impose a fee of 0.5% as maximum of the unit redemption price, as redemption fee.

Operational Costs

- All expenses reasonably incurred by the Manager and Custodian in the performance of their duties in relation to the Fund including brokerage fees.
- Direct expenses of the Fund such as legal, regulatory and audit fees.
- The cost and expenses incurred in establishing the Al Watani Fund.

Investors' Reports

The Manager will report the performance of the Fund on a quarterly and yearly basis. The first financial year of the Fund shall commence on the date on which the Fund starts its activity and shall end on the 31st day of December 2006, which is equivalent to 14 months. Afterward, the Fund's financial year shall commence on January 1st and shall end on 31st December of each year. By the end of February of each year (financial year) the Manager will make available upon request the audited financial statement of the Fund.

Monthly statements will be sent by the Fund Manager to the mailing address of investors shown on the Subscription Form, unless a notification of a change of address has been provided in writing.

Redemption by the Founder or Custodian

The Founder and the Custodian reserve the right and shall not be held liable to effect, full or partial redemption of Units held by any Investor with notice thereafter to the Investor if his investment in the Fund is less than the minimum required holding amount or for any other legal issue.

Limitation of Liability

The information contained in this Prospectus and all other material related to the Fund, including the Marketing Materials, the Subscription Form and the Redemption Form, the Terms and Conditions, and Articles of Association is accurate to the best knowledge of the Manager and the Founder.

In no event shall the Founder, Manager, Employees or Agents or professional Al Watani Fund Prospectus 10 advisors thereof be liable whatsoever (a) for any loss or damage that may be sustained by the investor which arises directly or indirectly from any investment made in accordance with this Prospectus, (b) Any loss incurred by or resulting from any error contained therein or in connection with any unauthorized representations.

Indemnity

The Fund indemnifies against loss and holds harmless the Founder, Manager and the Custodian Investment advisor (if appointed) and their parent companies, subsidiaries in addition to their official staff, Managers, Labor, Agent, and Fund Representatives (each of them shall be called the protected party) against any loss, claim, damage, expenses or liabilities (including the fees and expenses of legal advisors) incurred by the protected party in relation to the activities of the Fund, unless such liabilities fall under the items of Article (22) of the Directive or in case such loss, damage or expenses were incurred as a result of acts made in bad faith, intentional negligence or material breach by the protected party.

Succession

This Prospectus and Terms and Conditions shall be binding upon the heirs, executors, administrators, personal representatives, trustees and successors of the investor and the investor agrees that this contract shall not be terminated automatically upon the death or disability or incapacity of the investor.

Fund Secrecy

The utmost secrecy should be observed at all times in the operations of the Fund and the investments made by the 5 investors. This shall not be construed as limiting the access of the applicable regulatory authorities (including Qatar Central Bank and any other appropriate regulatory authorities), to the Fund's records for the purpose of regulatory supervision.

Governing Law

The laws of the State of Qatar govern this Prospectus and Terms and Conditions, and any dispute arising hereunder shall be subject to the exclusive jurisdiction of the Qatari courts and any other corresponding Qatari regulatory authorities (e.g. Qatar Central Bank).

Termination

The Fund shall be terminated and liquidated by the Founder for any of the following reasons:

1. Expiration of the term fixed for the Fund.
2. Completion of the objective for which it was established.
3. If a court ruling is passed to the dissolution or liquidation of the Fund.
4. Expiration of the Founder, or if it is declared bankrupt, unless another party assumes the management of the Fund after obtaining the approval of Qatar Central Bank.
5. Loss of 50% the Fund's initial capital shall necessitate calling for a meeting with the investors, to be attended by 50%. Decisions of liquidation shall be passed by majority of attending votes. If a quorum is not fulfilled in this meeting, another

meeting is to be held after one week from the first meeting. This second meeting shall be quorum regardless of the number of attendants.

6. In case the period of subscription ends and 50% of the value of offered investment units is not covered. In this case, the Founder shall return to the investors the amount they have paid along with any returns earned during the period. This will be completed within 15 days, as maximum, from the closing date of subscription. In case of termination and liquidation investors shall be notified in writing and the proceeds shall be distributed to the investors in accordance with their rightful holdings.

Changes to the Prospectus and Terms and Conditions

This Prospectus and Terms and Conditions shall remain in effect until such time as the Founder amends it.

Notes on Investment Fund

Kindly notice that an investment in an investment fund is:

- Not a deposit with the Founder, and will not pay any interest on investors monies during or after the initial offering period,
- Not guaranteed to achieve its investment goal,
- Not ensured or guaranteed.

Investment Risks

Prospective investors should consider the following risk factors when deciding upon an investment in the Fund.

- **Investment risk:** An investment in the Fund's Units represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably.

Hence, the Fund is subject to the risk of loss of the entire principal that a stockholder invests.

- **Systematic risk or Stock Market related risk:** Is the risk factor that cannot be diversified by stock selection within a given market, but can be mitigated through diversification in less correlated markets with the Index. However since the Fund is investing only in the State of Qatar, it may have high exposure to such risk.
- **Unsystematic risk or Individual security risk:** This risk is related to the specific features of the stock itself. It can be mitigated by means of diversification, which optimizes performance while reducing volatility and minimizing the correlation among the securities that constitute the portfolio.
- **Market Capitalization risk:** Stocks are classified under three broad market Al Watani Fund Prospectus 12 capitalization categories – large, medium, and small. Investing mainly in one category carries the risk that due to current market conditions that category may suffer from unfavorable price swings. Generally, this risk is higher for small and medium capitalization companies.

- **Structural risk:** The investment in the Fund will be affected by general economic conditions and market circumstances such as prevailing economic growth, inflation and interest rates which may affect the value of stockholders' investments.
- **Country risk:** It is the chance that domestic events – such as political upheaval, financial trouble, or natural disasters – will weaken a country's securities markets.
- **Regional risk:** It is the chance that an entire region – namely, Middle East – will be hurt by political upheaval, financial troubles, or natural disasters.
- **Energy risk:** The State of Qatar relies mainly on energy production and export returns as the main source of revenues or funding, as a result any factors that may affect negatively the energy related returns or revenues of the country will negatively impact the country's securities market.
- **Liquidity risk:** Is the risk of having insufficient cash to sustain normal business activity, it is related to the lack of marketability of an investment that cannot be purchased or sold easily to prevent or mitigate a loss.
- **Currency risk:** It shall be minimal for local investors since the Fund is totally denominated in Qatari Riyals so there are no worries about fluctuation in exchange rates, however foreign investors shall assume this investment consideration when subscribing into the Fund.
- **Credit risk:** Is the risk that is associated with the possibility that a borrower will default on any monies that are owed.

General Enquiries

Qatar National Bank (Q.P.S.C.)
P.O. Box 1000
Doha, Qatar

Tel. (+974) 4440 7339

Website: www.qnb.com

Other: Copies of the Fund's Articles of Association are available upon request.

