

**BANQUE MISR**

**BANQUE MISR  
MUTUAL FUND No.3  
OF  
CUMULATIVE RETURNS  
AND PERIODIC DISTRIBUTION  
(Previously Misr Exterior Bank mutual Fund)**

**November 1997**

**Prospectus**  
**For Banque Misr Mutual Fund (M.F.) No.3**  
**Of Cumulative Return and Periodic Distribution**  
**(Previously Misr Exterior Bank Mutual Fund)**  
**Licence No.185 issued by the Capital Market Authority**  
**on 6.11.1997**  
**Public Issue for Subscription to start**  
**on 11.12.1997**

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**1. Name of the Mutual Fund**

The mutual fund of Banque Misr No.3 with cumulative returns and distribution of semi-annual profits is one of the banking activities to which Banque Misr has been licensed by virtue of the Law on capital Market promulgated by Law No.95 for 1992, its Executive Regulations, the consent of the Central Bank of Egypt (C.B.E.) on 22.10.1997, the consent of the Capital Market Authority No.254 issued on 6.11.1997 and licence No.185 on 6.11.1997 for exercise of this activity.

**2. Size of the Mutual Fund**

Volume of the mutual funds is L.E.100 million (one hundred million Egyptian pounds) increaseable to L.E.200 mn after obtaining the consents of the C.B.E. Board of Directors and the Capital Market Authority.

**3. Objectives of the Fund**

Maximization of capital gains and periodic returns to be distributed to holders of the M.F. (Mutual Fund) certificates issued by the Mutual Fund, through investment in a diversified portfolio of local and international securities consisting of shares and bonds managed by specialized experts.

**4. Term of the Fund "First-Issue"**

The term of this fund has been fixed at twenty-five (25) years starting from the date of licencing for the Fund to issue Mutual Fund investment certificates.

## **5. Mutual Fund Investment Certificates placed on the market for public subscription**

In return for the moneys received from investors, the Fund shall issue 100 000 (one hundred thousand) M.F. certificates, increasable to 200 000 (two hundred thousand) nominal M.F. investment certificates, each of which of a par value of L.E.1000 (one thousand Egyptian pounds) each certificate representing a proportionate share in the net assets of the mutual fund, ranking pari passu with the corresponding shares of the other M.F. certificates. The certificates confer upon the investors equal rights in relation to the Mutual Fund and they may not be circulated among their holders by purchase or sale. The certificate shall be indivisible and shall be considered as producing its effects by signature thereto by two officials authorized by the Bank for this purpose together with the Investment Manager. The M.F. certificates shall bear the seal of the mutual fund. Subscription to and redemption of the M.F investment certificates shall be through Banque Misr with its various branches.

## **6. The amount allocated for Exercise of the activity**

Banque Misr has allocated the sum of ten million Egyptian pounds for the exercise of the Fund activity, representing 10,000 M.F. investment certificates to which the Bank subscribed in full and may not recover the said value or dispose of the M.F. certificates prior to end of the term of the mutual fund. The Fund shall float 90 000 (ninety thousand) M.F. certificates for public subscription, increasable to 190 000 (one hundred and ninety thousand) M.F. certificates, each of which of a par value of one thousand pounds and the total value of the floatation shall be ninety million Egyptian pounds increasable to one hundred and ninety million pounds. The M.F. certificates shall rank pari passu in respect of rights and obligations towards the Mutual Fund and the holders thereof shall share in the profits and losses resulting from the investments made by the Mutual Fund each holder in proportion to the M.F. certificates held by him (her).

## **7. Subscription to M.F investment certificates**

### **7.1. The Bank which receives subscription:**

Subscription to the M.F. investment certificates shall be made through Banque Misr, its branches and its correspondents specialized in dealing in the Mutual Fund Investment Certificates.

### **7.2. Subscription to M.F. investment certificates:**

The right to subscribe to M.F. investment certificates is given for both Egyptians and foreigners alike whether individual or institutional investors on the conditions included in this prospectus and without prejudice to provisions of the laws in force of other jurisdictions (in other countries). The Subscriber shall pay the amount of the M.F. certificate immediately upon coming forward for subscription which shall be made on the relevant form available at the Bank.

## **8. Issue Costs**

Cancelled

### **9. Minimum amount of subscription to M.F. investment certificates**

The minimum amount of subscription to the certificates of the Mutual Fund shall be one M.F. certificate on the basis of the nominal value of the M.F. certificate, being L.E.1000 (one thousand Egyptian pounds) at the time of subscription at the start of the activity of the Fund.

### **10. Period for Subscription**

Subscription shall start fifteen days after the date of publication of the public subscription prospectus in two daily newspapers. The Subscription door shall remain open for two months but closure of subscription time limit may be accelerated in case of completion of coverage provided that the minimum period for subscription shall be fifteen days in implementation of the provision of Article 154 of the Executive Regulations of Law No.95 for 1992.

### **11. Method of Allotment**

In case applications for subscription to Mutual Fund certificates exceed the number of Mutual Fund certificates floated for public subscription, such M.F. certificates shall be allotted to the subscribers pro rata their respective subscription amounts (number of the certificates floated divided by the number of the certificates subscribed to) and the fractions resulting from the allotment process shall be allocated in favour of smaller subscribers subject to the provision on the minimum amount under clause "9" hereof.

### **12. Redemption value of the Mutual Fund Certificate**

- 12.1. The Fund shall publish the redemption price of the certificate every Sunday in a widely-distributed daily newspaper.
- 12.2. The fund certificate holder may recover part of or all the value of Mutual Fund certificates before 12.00 o'clock noon of the first working day of every week according to the redemption value of the certificate upon submission of a redemption application signed by the certificate-holder or by whom he may so authorize along with the original certificate.
- 12.3. The Bank may buy the Mutual Fund certificates provided that total amount of Mutual fund certificates owned by the Bank (including the amount set apart) at any time shall not exceed 25% of the total certificates and the Bank shall be entitled to redeem an amount of such certificates as are in excess of the amount set apart without bearing the redemption commission provided for under Clause 12/6 of this prospectus.
- 12.4. In case of loss or damage to the certificate, a replacement for it shall be issued to the holder upon submission by him/her of an evidence of such loss or damage and payment of the actual cost of replacement. The new certificate issued in this case shall bear an annotation to the effect that it is a replacement for a lost or damaged one. The

damaged certificate shall be withdrawn and destroyed and an entry shall be made in the books to this effect.

12.5. The redemption value shall be determined on the basis of the certificate's share in the net assets of the Mutual Fund assets as at the end of the last banking workday of the week immediately preceding the redemption in the following manner:

(a) Total cash in hand and with banks. Exchange rates announced within the Free Banking Market shall be used for evaluation of balances in foreign currencies

(b) Accrued revenues pertaining to the period but not yet collected.

(c) Plus the amount of current investments being represented in securities as follows:

- Listed Securities: on the basis of closing prices on the stock-exchange prevailing at the time of evaluation. In case of multiple prices on that day, evaluation shall be based on the weighted average of the quantities and prices of trading and of closing on that day.

The Investment Manager, however, may, in the case of absence of any dealing in one or more securities for a period not less than one month, evaluate such securities at a price less than the price referred to under the preceding paragraph by not more than 10% of such price.

Treasury bills: evaluation of treasury bills shall be made on the basis of net present value thereof.

- Certificates of mutual funds of other banks and insurance companies:

Evaluation shall be based on the last announced redemption value.

- Unlisted securities: evaluation of unlisted securities on which dealing takes place once every two weeks shall be made on the basis of circulation price average on the last day of circulation unless a certain security value is determined at a lesser amount under one of the accepted methods of evaluation, in which case the evaluation shall be made at such lesser amount. Evaluation of unlisted securities on which no dealings are made once every two weeks shall be made at cost or the value under one of the accepted

methods of evaluation whichever is the lower. For evaluation purposes, the Free Foreign Exchange Banking Market prices shall be used upon determination of the amount equivalent to the Egyptian pounds for foreign securities and also the Egyptian securities issued in foreign currencies

- The rest of assets and liabilities shall be evaluated according to the international accounting rules.

(d) The long-term assets value (after deduction of the accumulated depreciation provision) shall be added.

(e) Accounts of creditor banks, provisions and any other current liabilities shall be deducted.

(f) Operating expenses; including printing, publication, marketing and advertisement expenses, financing expenses, shares registration, brokerage, fees of investment manager and auditors, bank commission and charges, expenses and fees of securities custody as well as commissions of other banks and provisions shall be deducted.

The sum resulting from items (a) to (f) inclusive above shall be divided by the number of the Mutual Fund certificates at the end of the last banking day of the week (including also the Mutual Fund certificates subscribed to for the Bank)

12.6 Redemption costs: an amount equal to 1% of the redemption value shall be deducted in return for redemption of the certificates and shall be paid into the account of the Fund.

### **13. Sale value of the Mutual Fund Certificate**

The selling value of the Mutual Fund certificates issued against the M.F. certificates redeemed shall be determined on the basis of the last redemption value announced, calculated at the end of the last banking workday of the preceding week.

The Fund shall be entitled to issue M.F. certificates as replacement for those redeemed through the Bank and its branches provided that the total of the M.F. certificates issued may not exceed at any moment the maximum

limit of the Fund certificates. Such M.F. certificates may be issued at any working day of every week.

#### **14. Profits of the M.F. certificates**

Profits of Mutual Fund (M.F.) certificates include:

- Coupons collected and accrued
- Interest collected and accrued as well as any other returns.
- Gains (or losses) resulting from sale of securities and M.F. certificates.
- Net capital increase in the value of certificates of Mutual Funds of Banks and bonds.
- Gains (or losses) resulting from increase (decrease) in the net market value of the securities. To reach net profit; the following items shall be deducted:
  - Fees of the Investment Manager and bank commissions
  - Direct actual expenses, including: marketing, advertisement, printed matter, publication, bank charges and expenses, depositary and custody fees, auditors' fees, accountants' fees, expenses of governmental entities and agencies such as the capital Market (General) Authority, finance expenses, brokerage, any interests or taxes accrued or outstanding.
  - Losses from sale of shares, bonds and certificates of other Mutual Funds.
  - Provisions for fluctuations in market prices.

#### **15. Distributions to holders of M.F. certificates**

The Mutual Fund will distribute a periodic income to the holders of the certificates on a six-monthly basis. The amount distributed shall not exceed 90% of the net profits after setting apart the capital reserve in accordance with Article 160 of the Regulations and the amount(s) undistributed shall be reinvested in the Fund.

- Profits of the M.F. Certificate shall be distributed in the months of January and July of every year
- Distributable profits shall consist of: coupons collected and accrued, interest collected and accrued and any other returns.

## **16. The Investment Manager**

In accordance to provisions of the Law on Capital Market, requiring that management of all the activity of the Mutual fund shall be entrusted by it to an entity having experience in management of mutual funds, to be called "the Investment Manager", the Bank has entrusted with the management of the Mutual Fund, Messrs. HC Securities & Investment Company (S.A.E.), established under Law No.230 for 1989 and Law No.95 for 1992 and their Executive regulations, having its premises at 3, El Zohour Street, Mohandeseen, Giza Governorate , registered with the Capital Market Authority No.147 on 5.5.1996, having a Commercial Registration in Giza sub No.153602 on 10.6.2003. Objectives of the Company can be summarized in formation and management of portfolios of securities and underwriting subscriptions to securities, participation in establishment of companies issuing securities, in increasing their share capitals and in management of Mutual Funds.

The Board of Directors of the Company currently consists of:

- Hussein Hassan Choucri – Chairman and Managing Director, (Egyptian),
- Nahed Eissa El Nebei – Board Member, (Egyptian),
- Faisal Abdel Aziz Ghazy – Board Member, (Egyptian),
- George Makhoul – Board Member, (American) and
- Sadek Magdi Wahba – Board Member, (American)

## **17. Investment Manager's Fees**

### **Management fees:**

Four and a half per mill (0.45%) per annum payable by monthly instalments in advance to be calculated on the basis of net value of the assets of the Mutual Fund according to the latest evaluation announced by the investment manager as per the subscription prospectus for the previous month.

### **Performance fees:**

at the rate of seven and a half percent (7.5%) to be calculated quarterly and payable at the end of every year on the basis of the net profits of the Mutual Fund at the end of every quarter and which shall exceed the annual rate of

interest on treasury bills for the period of 91 days and after being approved by the Auditors. Such fees shall not be reckoned in case the value of the certificate falls below its nominal value of L.E.1000.

### **18. Commission for Banque Misr**

In return for rendering its services to the Fund, the First Party (Banque Misr) shall be entitled to the following commissions:

1. A commission at the rate of four and one half per mill (0.45%) per annum, to be calculated on the basis of the net assets of the Fund according to the latest evaluation announced by the investment manager according to the Subscription prospectus and payable by quarterly installments
2. Commissions for keeping custody as a depository of the securities owned by the Mutual Fund and consisting its investments, at the rate of three per mill (0.3%) of the amount of such securities per annum.

### **19. Investment Policy**

The Mutual Fund adopts an investment policy aiming at minimizing the risks through distribution of the portfolio among shares and bonds and use of the research methods that are appropriate to each one of the financial instruments in order to take the investment decision.

The Mutual Fund aims at investing 60% of the portfolio in shares, 30% thereof in bonds and 10% in cash liquidity. The Investment Manager shall be free to change the percentage of investment in shares within the range from 30% to 90% of the total investments of the Mutual Fund. Such percent shall consist of the Stock Exchange listed shares, then the shares of business sector and public sector companies that are not listed on the Stock exchange. In its selection of such shares; the Manager shall depend on analysis of the present and expected cash flows and the expected profitability ratios compared with those prevailing in the Egyptian market. Likewise, the Investment Manager shall be at liberty to change the percent of investment in

bonds within the range between 10% and 60% of the total investments of the M.F. Such investments consist of the bonds listed on the Stock Exchange, the government bonds, the bonds of the Business Sector and the Public Sector Companies that are not listed on the Stock Exchange. In its selection of such bonds, the Manager shall depend on the average duration while the ratio of investment in government bonds to corporate bonds depends on the rate of interest differential between them in relation to risk volume difference between them.

A maximum of 10% of the Mutual Fund moneys shall be invested in liquid assets, by which are meant investments in time-deposits and current accounts as well as Egyptian treasury bills. Such ratios can be changed in accordance with the economic circumstances and on consent thereto by the Bank and the Investment Manager and after the Capital Market Authority approval thereof.

## **20. Restrictions on Investment**

Investment of the Fund's money in securities shall be within the limits and on the conditions provided for under the law on Capital Market, its Executive Regulations and the decisions made by the Capital Market Authority in this connection, mainly including the following:

20.1. The percent of the investment in purchase of securities of one company shall not exceed 10% of the Fund Assets and shall not exceed 15% of the securities of such company.

20.2. The percent of the investment made by the Mutual Fund in certificates issued by other mutual funds shall not exceed 10% of its own moneys or 5% of the moneys of the fund invested in.

20.3. Selection of the securities targeted to be purchased shall be made out of the Securities list prepared on the basis of careful and selective study of such securities

20.4. In case of investment by the Fund of a part of its moneys in purchase of securities owned by the Bank, announcement of the entity issuing

such securities shall be made provided that the fair value of such securities as certified by the Auditors shall be used and provided further that the relative announcement shall be made in two daily widely distributed morning newspapers and that the Bank shall guarantee the accuracy of such information

20.5. the percent of the Fund investments made in one sector shall not exceed 30% of the moneys of the Fund.

### **21. Assets of the Mutual Fund**

Subject to provisions of Law No.95 for 1992 and its Executive Regulations, the obligation of the Fund in respect of the certificates of the investors shall be confined to payment out of its assets after payment of its obligations towards third parties and without any right of recourse whatsoever to the assets of the Investment Manager or those of the Bank excepting in case of mismanagement. In its management of the moneys of the Fund, the Investment Manager shall exert the due diligence required of a careful man and shall see to it that the interests of the Fund shall be protected in whatever act, disposal or procedure including the necessary hedging against market risks, diversification of investments and avoidance of conflict of interests between holders of M.F. certificates, the Company and the transactors.

- Neither the heirs nor the creditors of the holder of the M.F. certificates may, under any pretext demand sequestration of the Fund properties, demand division or sale thereof in whole for impossibility of division or interfere in any manner in the management of the Fund.

In this connection, the Investment Manager shall keep the records and accounts relative to the assets, liabilities, profits and expenses of the Mutual Fund, all of which shall be subject to audit by certified accountants at the end of each financial year as set forth under clause (23) .

- Ownership of a certificate shall inevitably entail acceptance of the Statutes of the Fund and the decisions of the Investment Manager.

- Each certificate shall be indivisible
- The Bank shall segregate the moneys, investments and activities of the Fund and set them apart from the moneys and other funds of the Bank or the deposits of customers. The Banks shall also keep segregated books and registers for the Fund accounts.

## **22. Obligations of the Investment Manager**

In addition to such records and registers as shall be prescribed by the Capital Market Authority, for each mutual fund the activity of which is managed by it, the Investment Manager, shall keep independent accounts and shall also keep such records and registers as shall be necessary for practice of its own activity. The Investment Manager shall furnish the Authority with the documents and data requested by it under Law No. 95 for 1992. The Investment Manager shall exert, in its management of the moneys of the Fund, such care as shall be expected from a careful man and shall see to it, in each and every act or disposal, that the interests of the Fund are protected, including the necessary hedging against market risks, diversification of investments, avoidance of conflict of interests between M.F. certificate holders, the shareholders and the dealers with the Investment Manager. Every condition exempting the Investment Manager from or relieving it of liability shall be considered null and void. The Investment Manager shall do its utmost to distribute the transactions taking place in the market among the funds managed by it in a fair and just way and shall commit itself to avoidance of any conflict of interests among the mutual funds managed by it.

The Investment Manager shall be prohibited from the following:

- (1) All acts or business from which the Fund managed by it is prohibited;
- (2) Use of the M.F. moneys in establishment of new companies or purchase of securities of companies in the course of liquidation or in a bankruptcy condition;

- (3) to obtain for it, its managers or employees, any gain or advantage from the operations or transactions conducted by it;
- (4) to have any interest whatsoever in the companies (in whose securities it deals) for the account of the Fund managed by it;
- (5) The Manager or its employees purchasing any of the certificates of the Mutual Funds whose activities are managed by it;
- (6) To borrow from third parties, unless the management contract so allows it and then, such borrowing(s) shall be within the limits established under the contract and the Law No.95 for 1992 and its Executive Regulations
- (7) To buy securities unlisted on the Stock Exchange, excepting government securities or those of the public business sector companies or buy securities that are not listed on any stock exchange abroad or are listed on a stock exchange not subject to the supervision of any governmental regulatory authority;
- (8) Investing the moneys of the fund in another fund managed by it
- (9) Announcement or publicity of incorrect or incomplete data or information or concealing important data or information.
- (10) Making or fabricating fictitious operations or transactions aiming at increasing brokerage or other charges or fees or
- (11) that the Manager or anyone of the Members of its Board of Directors or employees should represent the Fund in a Board of Directors or General Assembly Meetings of the Companies in whose securities the Mutual Fund invests its moneys.

### **23. The Financial Year of the Mutual Fund – the Audited Financial Statements**

- The financial year of the Mutual Fund shall start on the First of January and end on the last day of December of each year, provided that the first financial year shall include the period from the date of authorizing the Fund to exercise its activity until the date of the end of the next following financial year.

- Financial statements shall be prepared at the end of every financial year, shall be audited and approved by the certified accountants and shall be issued within the first quarter of the following Gregorian Calendar year.

The following gentlemen have been appointed as Auditors:

- Mr. Mohammed Mohammed Fahmy, KPMG – Hazem Hassan, sub No.9 in the Register of Auditors of the Capital Market Authority
- Mr. Khaled El Ghannam, of Mostafa Shawky & Partners Office, sub No.49 in the Register of Auditors of the Capital Market Authority
- The Authority shall be furnished with semi-annual reports on the activity and results of operation of the Mutual Fund, audited and approved by the two auditors of the Fund, provided that such reports shall contain the data and information reflecting the true financial position of the Fund according to the disclosure rules referred to under Article 179 of the Executive Regulations of the capital Market Law and in accordance with the Accounting Standards and the international rules of auditing
- The auditors of the Mutual Fund shall prepare a periodic review report, every three months at the latest, on the Balance Sheet and the Income Statement at the end of the period.
- The said report shall include the opinion of the Auditors as to the extent of accuracy of the said financial statements which should reflect in a fair manner the financial position and the result of operation of the mutual fund and whether there is any need for making significant adjustments or others having an effect on and have to be introduced to such financial statements, declaring extent of compliance by the principles of evaluation of the assets and liabilities of the Fund during the period under examination with the guidelines and instructions issued by the Capital Market Authority in this respect. The Authority shall be furnished with the said quarterly, semi-annual and annual reports along with the financial statements, during the month following the end of the period for which the financial statements and the report were prepared.

- An adequate summary of the quarterly and semi-annual reports and the annual financial statements shall be published in two morning widely distributed daily newspapers, at least one of which shall be in Arabic language.

#### **24. Periodic Information**

To every subscriber the Mutual Fund shall send a list on a quarterly basis showing the number of the certificates to which he subscribed, the activity occurring thereon during such period along with a report summarizing the performance of the Mutual Fund and mentioning the various securities in which the Fund invests its money and the value of every certificate according to the last evaluation approved by the Auditors of the Fund at the end of such quarter.

#### **25. Liquidation of the Mutual Fund**

Subject to provisions of Law No.95 for 1992 and its Executive Regulations, the Mutual Fund shall end in case of fall in the number of the investment certificates thereof to less than 50% of the total number of the certificates subscribed to, unless the holders of such certificates should decide continuation of the activity of the Fund, but it shall terminate in any and all cases if the number of the certificates should fall below 25% of the number subscribed to.

The Mutual Fund shall terminate also if, in the opinion of the Bank, the value of the assets of the Fund, in which investment has been made are not enough for continuation of the activity of the Fund or on occurrence of any other circumstances which the Bank considers as enough reason for termination and liquidation of the Fund, provided, however, that the Fund may not stop its activity or liquidate its operations unless upon consent thereto by the Board of Directors of the Capital Market Authority after ascertainment and verification that the Fund has finally discharged itself from all its obligations according to such conditions and procedures as are determined by the Board of Directors of the Authority.

In such cases, the Bank may terminate the Fund by sending an advice to the M.F. Certificate – holders, in which cases the assets of the Mutual Fund shall be liquidated, its liabilities shall be paid and settled and the remaining proceeds of liquidation after approval thereof by the auditors of the Mutual Fund shall be distributed to the holders of the M.F. certificates pro rata the proportions which their certificates respectively bear to the total certificates issued and provided further that this shall be finalized within a maximum period of nine months from the date of the advice.

### **26. Amendment to the Subscription Prospectus**

After taking the measures and performing the procedures established under the Capital Market Law No.95 for 1992 and its Executive Regulations, the Bank may introduce amendment(s) to the Subscription Prospectus.

### **27. General Provisions**

All items of the present prospectus shall be subject to the provisions of Law No.95 for 1992, its Executive Regulations and the resolutions issued by the General Authority in application thereof.

Subscription to the Mutual Fund certificates shall entail acceptance of the above items and clauses.

**Report of the Auditors of Banque Misr Mutual Fund****Report of the Auditors of Banque Misr Mutual Fund**

We have audited all the information and data included in the subscription prospectus for Banque Misr's Mutual fund no. 3 (Previously Misr Exterior Bank Mutual Fund) and hereby certify that it includes and complies with the provisions of Law No.95 for 1992, its Executive Regulations and the guidelines issued by the Capital Market Authority in this connection and are also in conformity with the contract concluded between the Bank and the Investment Manager of the Fund.

In witness whereof

Mohammed Mohammed Fahmy  
KPMG Hazem Hassan  
Certified Accountant  
Auditors Register Sub No.9  
of the Capital Market Authority

Khaled El Ghannam  
Mostafa Shawky & Co. Office  
Certified Accountant  
Auditors Register sub No.49  
of the Capital Market Authority

This prospectus has been checked by the Capital Market Authority and found complying with provisions of Law No.95/1992. It was ratified sub No.254 on 6.11.1997, taking into consideration that such ratification is not meant to be approval of the Commercial feasibility of the activity subject matter hereof or the capability of the activity of achieving certain results.