

## **PROSPECTUS**

**Relating to Units of**

### **MAKASEB INCOME FUND**

A Bahrain domiciled open-ended retail fund authorised by the Central Bank of Bahrain pursuant to the Collective Investment Undertakings Module contained in the CBB Rulebook, Volume 7, and established by an instrument issued by

### **MAKASEB FUNDS COMPANY II B.S.C.(C)**

a Bahraini Joint Stock Closed Company registered with the Ministry of Industry and Commerce of Bahrain and incorporated on 3<sup>rd</sup> January 2006 with Commercial Registration No. 59197

**The date of this Prospectus is 09<sup>th</sup> August 2020**

#### **Investment Manager**

##### **Mashreq Capital (DIFC) Limited**

Dubai International Financial Centre  
Dubai, United Arab Emirates

#### **Placement Agent**

##### **Mashreqbank psc**

Head Office  
P.O. Box 1250  
Dubai, United Arab Emirates

#### **Administrator, Registrar and Transfer Agent**

Karvy Fintech (Bahrain) W.L.L.  
Zamil Tower, Office no. 74, 7<sup>th</sup> Floor  
PO BOX 514, Manama  
Kingdom of Bahrain

#### **Custodian**

##### **Citibank N.A.**

acting through its offices located in the Kingdom of Bahrain  
Citigroup House  
1133, Road 2819  
Al Seef District 428  
P.O. Box 548  
Manama, Kingdom of Bahrain

## MAKASEB INCOME FUND

This Prospectus was approved by the Central Bank of Bahrain on 29<sup>th</sup> July 2020.

The Central Bank of Bahrain, the Bahrain Bourse and the Ministry of Industry, Commerce and Tourism of the Kingdom of Bahrain take no responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of the Makaseb Income Fund (the "**Fund**"), nor shall they have any liability to any person, an investor or otherwise, for any loss or damage resulting from reliance on any statement or information contained herein.

Potential investors are strongly advised to take professional advice in relation to the contents of this Prospectus.

This Prospectus does not constitute an offer or solicitation of Units in any jurisdiction in which such offer or solicitation is not authorised. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Recipients of this Prospectus should inform themselves about and observe any applicable legal requirements.

## NOTICE TO INVESTORS

**Important – if you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice. Remember that all investments carry varying levels of risk and that the value of your investment may go down as well as up. Investments in this collective investment undertaking are not considered deposits and are therefore not covered by the Kingdom of Bahrain’s deposit protection scheme. The fact that this collective investment undertaking has been authorised, by the Central Bank of Bahrain, does not mean that the Central Bank of Bahrain takes responsibility for the performance of these investments, nor for the correctness of any statements or representations made by the Operator of this collective investment undertaking.**

This Prospectus is the lawful property of Makaseb Funds Company II B.S.C.(c) (the “**Funds Company**”) and may not be distributed, reproduced or copied, as a whole or in part, nor may any of its contents be disclosed without the prior written and express permission from the Funds Company or Mashreq Capital (DIFC) Limited (the “**Investment Manager**”).

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus. If given or made, such information or representations must not be relied upon as having been authorised by the Funds Company, the Directors or the Investment Manager.

The Units being offered may not be purchased or held by, or purchased or held for the benefit of, any Non-Qualified Person as defined hereinafter at any time. “**Non-Qualified Person**” means any person to whom a transfer to, or holding by such person of, Units would:

- a) Be in breach of any law or requirement of any country or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances;
- b) Result in the Funds Company or the Fund incurring any tax liability which the Funds Company or the Fund would not otherwise have incurred or suffered;
- c) Require the Funds Company or the Fund to be registered under any statute, law or regulation, whether as an investment company or trust scheme; or
- d) Cause the Funds Company, the Fund or the Investment Manager to be required to apply for registration or comply with any registration requirements in respect of any of the Units in any jurisdiction other than in Bahrain.

Under Bahrain Law, an application must be made to the Central Bank of Bahrain to obtain its consent to offer to investors in Bahrain participation in a new or in an existing collective investment scheme. Under Volume 7 of the Central Bank of Bahrain Collective Investment Undertakings (“**CIU**”) Rules, as amended (the “**CBB CIU Rules**”), the Fund has been classified as a Retail CIU.

The investment in Units is subject to certain risks (including, without limitation, those described in this Prospectus under “Investment Risk Factors”), and investors purchasing the Units are herewith advised to familiarise themselves with such risks.

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

The Fund is an open-ended retail collective investment scheme designed for investors seeking current income primarily through investing in fixed and floating rate income securities.

**Investors should be aware that the value of Units might decrease as well as increase.**

Investors may acquire Units solely for investment purposes. The Units may not be directly or indirectly sold, transferred, or assigned, by operation of law or otherwise, without the prior written consent of the Funds Company. Any attempt by a Unit Holder to transfer Units will not be recognised by the Funds Company and the ownership of such Units will remain with the relevant original Unit Holder.

The Placement Agent and/or the Funds Company, in their sole discretion, may reject any subscription for Units in whole or in part at any time prior to acceptance thereof, without being liable to assign any reason there for. Furthermore, the Funds Company may at any time and at its discretion compulsorily redeem the Units and distribute to the relevant Unit Holders their respective share of the proceeds thereof.

Applications for Units are subject to acceptance by the Placement Agent.

The Directors and the Operator of the Fund have taken all reasonable care to ensure that the information contained in this Prospectus as at the date of publication, is to the best of their knowledge and belief, in accordance with the facts and does not omit anything material to such information. The Directors and the Operator accept responsibility accordingly.

Investors will be notified at least thirty (30) calendar days before the changes take effect, subject to prior approval of the Central Bank of Bahrain, in the following circumstances:

1. Any changes in the investment policy;
2. Change in the Operator, Investment Manager, Administrator or the Custodian;
3. Fee increases;
4. Merger, transfer or termination of the Fund;
5. Changes in the Directors; and
6. Any major issue that may affect the Unit Holders.

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

The contents of this Prospectus 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.

The Directors declare that the Prospectus as at the date of publication:

- a) does not contain information that is untrue, misleading, or is unfairly prejudicial to the interests of the Fund's investors generally or to the participants of other classes of instruments issued in respect of the Fund; and
- b) does not contain any provision that conflicts with any rule in the CBB CIU Rules, or other legal or regulatory requirements that apply to the Fund or the Funds Company or other relevant persons connected to the Fund.

The Units are offered solely on the basis of the information and representations contained in this Prospectus, and any further information given or representations made by any person may not be relied upon as having been authorised by the directors of the Fund Company. The information in this Prospectus is given as of the date hereof, unless expressly specified otherwise herein, and neither the delivery of this Prospectus at any time, nor any issue of units hereby contemplated, will under any circumstances imply that the information contained herein is correct as of any time subsequent to such date.

Recipients of this Prospectus should not interpret any financial information contained herein as a promise of the performance of the Fund. The Fund Company and Investment Manager cannot and do not guarantee the performance or success of the fund.

## 1.0 Executive Summary

The following summary is qualified in its entirety by reference to more detailed information appearing elsewhere in this Prospectus. Certain capitalised terms used in this Prospectus are defined in Section 2.0.

**The Funds Company:** Makaseb Funds Company II B.S.C. (C), a Bahraini funds company approved by the Central Bank of Bahrain and was incorporated on 3 January 2006 as a Bahraini Joint Stock Closed Company with Commercial Registration Number 59197. Under the current capital structure of the Funds Company 99.90% of its share capital is owned by Mashreqbank psc and 0.10% by Mr Abdul Aziz Al-Ghurair. Under the CBB CIU rules this Fund has been classified as a Retail CIU.

The registered address of the Funds Company is:

Block 410, Road 1010,  
Building 470, Office No. 1902,  
Sanabis, ,  
Kingdom of Bahrain

The Funds Company has been established to act as an umbrella vehicle for funds including this Fund.

**Place of Incorporation:** The Funds Company has been incorporated in the Kingdom of Bahrain

**Investment Objective:** The Fund seeks to provide current income primarily through investment in a portfolio of fixed and floating rate income investments, issued by sovereigns, agencies, autonomous bodies, financial institutions, corporate and special purpose vehicles, originating from the Target Markets

**Base Currency:** The Fund is denominated in US Dollars

**Investment Manager:** Mashreq Capital (DIFC) Limited, Dubai, United Arab Emirates

**Custodian:** Citibank, N.A., through its offices located in the Kingdom of Bahrain

**Administrator:** Karvy Fintech (Bahrain) W.L.L., Kingdom of Bahrain

**Operator/Promoter:** Mashreqbank psc, Dubai, United Arab Emirates

**Registrar and Transfer Agent:** Karvy Fintech (Bahrain) W.L.L., Kingdom of Bahrain

**Representative:** Karvy Fintech (Bahrain) W.L.L., Kingdom of Bahrain

**Auditor:** Deloitte & Touche, Kingdom of Bahrain

**Bahrain Legal Counsel:** DLA Piper Middle East LLP, Kingdom of Bahrain

**International Legal Counsel:** DLA Piper Middle East LLP, Kingdom of Bahrain

**Subscription:** Units may be subscribed for on any Dealing Day, subject to the condition that the Funds Company or the Placement Agent(s) should have received a duly authorised subscription request in writing and the subscription money at least two (2) Business Days prior to the Dealing Day, unless such notice period is waived by the Investment Manager in its sole

discretion. The Units will be offered at their respective Net Asset Value (NAV) per Unit on the preceding Valuation Day, plus the Subscription Fee, as applicable.

**Redemption:** Units may be redeemed on any Dealing Day, subject to the condition that the Funds Company should have received a duly authorised redemption request in writing at least two (2) Business Days prior to the Dealing Day, unless such notice period is waived by the Investment Manager in its sole discretion. The Units will be redeemed at their respective Net Asset Value (NAV) per Unit on the preceding Valuation Day. A Redemption Fee may be charged if applicable.

**Minimum Subscription:** Any initial subscription for Class B Units must be for a minimum amount of US Dollars 10,000.00 and any subsequent subscription shall be in an amount in multiples of US Dollars 1,000.00. Any initial subscription for Class DI or Class DA Units must be for a minimum amount of US Dollars 10.00 and subsequent must be for a minimum amount of USD 1.00.

**Initial Subscription Price:** US Dollars 10.00 per Class B Unit or US Dollars 10.00 per Class DI or Class DA Unit at the Fund or relevant share class launch date.

**Minimum Holding for Class B Units:** US Dollars 10,000.00

**Minimum Holding for Class DI and Class DA Units:** US Dollars 10.00

**Listing:** The Fund is listed on the Bahrain Bourse but may seek to list on other exchanges as the Directors may determine is necessary or appropriate

**Investment Management Fee:** A fixed fee of 0.75% per annum of the Net Asset Value (NAV) for Class B Units and 1.25% per annum of the NAV for Class DI and DA Units will be paid to the Investment Manager quarterly in arrears. The fee is accrued on each Valuation Day

**Administration Fee:** The fee payable to the Fund's Administrator for the administration of the Fund

**Custody Fee:** The fee payable to the Custodian for safe keeping the Fund's assets

**Registrar and Transfer Agent Fee:** The fee payable to the institution that acts as the Registrar and Transfer Agent and is responsible for keeping records of the Unit Holders. The Registrar and Transfer Agent also maintains records of Unit Holders and account balances and transactions, cancels and issues confirmation letters and processes Unit Holders' mailings

**Redemption Fee for Class B Units:** 3% of the Net Asset Value (NAV) if Units are redeemed at the request of the Unit Holder within the first three months of the purchase of these Units, 2% if they are redeemed within three to six months of the purchase of these Units and 1% if they are redeemed within six to twelve months of the purchase of these Units

**Redemption Fee for Class DI and Class DA Units:** None.

**Subscription Fee for Class B Units:** Up to 2.0% of the Net Asset Value (NAV) per Unit

**Subscription Fee for Class DI and Class DA Units:** Up to 2.0% of the Net Asset Value (NAV) per Unit.

**ADDRESSES OF PARTIES:**

**Custodian:**

Citibank N.A., acting through its offices located in the Kingdom of Bahrain  
Citigroup House  
1133, Road 2819  
Al Seef District 428  
P.O. Box 548  
Manama, Kingdom of Bahrain

**Administrator and Registrar, Transfer Agent:**

Karvy Fintech (Bahrain) W.L.L.  
Zamil Tower, Office No. 74, 7<sup>th</sup> Floor  
P.O. Box 514, Manama  
Kingdom of Bahrain

**Representative:**

Karvy Fintech (Bahrain) W.L.L.  
Zamil Tower, Office No. 74, 7<sup>th</sup> Floor  
P.O. Box 514, Manama  
Kingdom of Bahrain

**Investment Manager:**

Mashreq Capital (DIFC) Limited  
Unit 2803, Floor 28, Al Fattan Currency House, Tower 2,  
Dubai International Financial Centre P.O. Box 1250,  
Dubai, United Arab Emirates

**Placement Agent:**

Mashreqbank psc  
Head Office  
P. O. Box 1250  
Dubai, United Arab Emirates

**Auditor:**

Deloitte & Touche, Bahrain  
Al-Zamil Tower, Office 44, 4<sup>th</sup> Floor  
Government Avenue  
P. O. Box 421  
Manama, Kingdom of Bahrain

**Bahrain Legal Counsel:**

DLA Piper Middle East LLP  
Office 701, 7 Floor,  
The Address Tower, Al Seef District  
Manama, Kingdom of Bahrain

**International Legal Counsel:**

DLA Piper Middle East LLP  
Office 701, 7 Floor,  
The Address Tower, Al Seef District  
Manama, Kingdom of Bahrain

## 2.0 DEFINITIONS

**Administration Agreement:** The administration agreement between Karvy Fintech (Bahrain) W.L.L. and the Funds Company in respect of the Fund

**Articles of Association:** The Articles of Association of the Funds Company (which are available for inspection at the Funds Company's registered office)

**Auditor:** Deloitte & Touche, Bahrain

**Base Currency:** United States Dollars

**BD:** The legal currency of the Kingdom of Bahrain

**Board of Directors:** The Board of Directors of the Funds Company acting on behalf of the Fund

**Business Day:** Means a day on which banks and financial institutions are open for normal business in both the Kingdom of Bahrain and the United Arab Emirates (UAE)

**Class B:** means ordinary Units offered to institutional and retail investors, which are accumulated through the reinvestment of profits and cash receipts without the intention to make regular distributions to unit holders. This share class is subject to certain holding thresholds.

**Class DI:** means income distributing units offered to institutional and retail investors with regular scheduled payments of distributions. Distribution amounts are determined at the discretion of the Investment Manager

**Class DA:** means Accumulation Units offered to institutional and retail investors which are accumulated through the reinvestment of profits and cash receipts without distributions to unit holders

**Custodian Agreement:** The Custodian agreement between Citibank N.A., acting through its offices located in the Kingdom of Bahrain and the Funds Company in respect of the Fund

**Dealing Day:** Every Business Day

**Directors:** The directors of the Funds Company, as appointed from time to time

**Fixed Income Securities:** Any type of security and/or instrument issued by a third party entity for a fixed return, including but not restricted to bonds, notes, commercial paper, certificates of deposit, Islamic instruments, etc. The securities may or may not be listed

**GCC:** The Gulf Cooperation Council States

**Investment Management Agreement:** The investment management agreement between Mashreq Capital (DIFC) Limited, DIFC, Dubai, United Arab Emirates and the Funds Company in respect of the Fund's assets

**MENA:** Middle East and North Africa

**Ministry:** Ministry of Industry, Commerce and Tourism of the Kingdom of Bahrain

**Net Asset Value or NAV:** The net asset value of the Fund as determined in accordance with

Section 6.0 – "Determination of Net Asset Value"

**Placement Agency Agreement(s):** The placement agency agreement between the Placement Agent(s) and the Funds Company

**Placement Agent(s):** Mashreqbank psc, Dubai, United Arab Emirates

**Prospectus:** This prospectus as amended from time to time by the Directors and approved by the Central Bank of Bahrain

**Record Date:** The date determined by the Directors on which a Unit Holder must own Units in order to be entitled to a dividend or distribution

**Redemption Form:** The redemption form to be completed and signed by a Unit Holder requesting the redemption by the Fund of part or all of his Units

**Registrar and Transfer Agency Agreement:** The registrar and transfer agency agreement between Karvy Fintech (Bahrain) W.L.L., Kingdom of Bahrain and the Funds Company

**Subscription Agreement:** The subscription agreement to be entered into by an investor to subscribe for Units, substantially under the form as attached to this Prospectus

**Target Markets:** The target markets in which the assets of the Fund will be invested as further detailed in section 3.3 "Target Markets"

**Unit Holders:** At any time, owners of Units

**Unit(s):** Each of the Class B, Class DI, and/or Class DA individual units of the Fund representing a Unit Holder's investment participation in the Fund

**US Dollar:** The legal currency of the United States of America

**VAT means:** (a) any tax imposed in Kingdom of Bahrain and/or United Arab Emirates in compliance with The Unified VAT Agreement for The Cooperation Council for the Arab States of the Gulf on the common system of value added tax; and (b) any other tax of a similar nature, whether imposed in the Kingdom of Bahrain in substitution for, or levied in addition to, such tax referred to in paragraph (a) above or imposed elsewhere.

**Valuation Day:** Every Business Day

### 3.0 THE FUNDS COMPANY/THE FUND

The Funds Company has been established in accordance with the provisions of the Bahrain Commercial Companies Law Decree Number 21, 2001. The purpose of the Funds Company is to create investment funds/collective investment undertakings and to enter into instruments for the creation and issuance of units in those investment funds/collective investment undertakings. The issued capital is BD 1,000 (at the time of incorporation of the Funds Company, approximately US Dollars 2,652). Mashreqbank psc is the Operator/Promoter of the Fund.

The Fund is an open-ended investment fund established by the Funds Company. The Fund is a collective investment scheme established pursuant to the CBB CIU Rules. The Fund is classified as a Retail CIU and has been authorised and approved by the Central Bank of Bahrain and established for a period of 25 years by the Funds Company. The life of the Fund may be extended by the Funds Company at the end of 25 years.

The Base Currency of the Fund is US Dollars. The initial subscription price for each Unit was equal to US Dollars 10.00 (ten US Dollars). The minimum initial subscription is US Dollars 10,000.00 (ten thousand US Dollars) for Class B Units and US Dollars 10.00 for Class DI and Class DA Units. The Fund, being an open-end fund, will offer Units on a continuous basis by authorised Placement Agent(s), in compliance with the applicable laws and regulations. The Fund intends to seek listing on one or more stock exchanges within the GCC where its Units may be distributed. Currently Class B Units are listed on the Bahrain Bourse; it is anticipated that Class DI and Class DA Units will be listed as well.

Any change to the Prospectus must be approved by the Directors and shall be subject to the approval of the Central Bank of Bahrain and will be notified to Unit Holders at least thirty (30) calendar days before the changes take effect. For more information on these and other important matters related to the management and administration of the Fund, see Section 4.0 – "Management of the Fund".

#### 3.1 Investment Objective

The Fund's main objective is to provide current income primarily through investment in a portfolio of fixed and floating rate income securities. These investments may be made directly and indirectly through other means when deemed appropriate. The Fund seeks to achieve its investment objective by investing under normal circumstances at least 70% of its assets in a diversified portfolio of Fixed Income Securities that are either rated or non-rated. Rated instruments should have a rating of at least B assigned by Standard & Poor's or an equivalent rating from globally recognised credit rating agencies (Moody's, S&P or Fitch). Unrated instruments should be determined by the Investment Manager to be of at least comparable credit quality and investments in such instruments under normal circumstances will not exceed 25% of the Fund's NAV. The remainder of the Fund's assets may be invested in cash, quasi-Fixed Income Securities and derivative instruments. The "total return" sought by the Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates or improving credit fundamentals for a particular country, sector or instrument.

#### 3.2 Investment Strategy and Process

The Investment Manager has substantial resources at its disposal to analyse the economies of the Target Markets both at a macro and micro level. There are substantial opportunities in the Target Markets which offer:

- a) Solid fundamentals sustained by their key geopolitical position;

- b) Financial and political stability;
- c) An attractive valuation and high yields;
- d) An opportunity for diversification of risk.

When selecting investments, the Investment Manager will utilise a blended top down and bottom-up approach. Company-specific analysis will be made in the context of a macroeconomic and political framework. In top down analysis, focus will be on such macroeconomic factors as inflation, interest rates, social trends and political climate and identify signs of positive fundamental change, based on economic, political and social factors. In bottom-up analysis, focus will be on company-specific variables, such as competitive industry dynamics, market leadership, proprietary products, services, and management expertise, financial characteristics, such as returns on sales and equity, debt/equity ratios, earnings and cash flow growth will also be considered in the Investment Manager's analytical framework. The Investment Manager will search for the most attractive opportunities within each credit class, analyse credit spreads on instruments and historical spread relationship and each instrument's structure and covenants.

Investment specific research will be combined with a fundamental analysis of sectorial and economic conditions. The Investment Manager will select instruments which match the Fund's investment objective and are likely to benefit from rating upgrades, credit spreads tightening or increase in value due to corporate events. The Fund may also retain large cash balances from time to time, if the outlook for Fixed Income Securities is believed to be negative. The objective is to provide a meaningful return relative to the "JP Morgan Middle East Composite Index" ("MECI"). The Fund should be viewed as a medium risk Fund.

### **3.3 Target Markets**

The Fund will invest primarily in the GCC, Lebanon, Jordan, Algeria, Egypt, Morocco and Tunisia, other MENA markets and selectively in South Asian markets. It may also invest in securities originating from other Emerging economies. These investments may be made directly or indirectly, including through sub-funds and/or with sub-managers as the Investment Manager deems appropriate. The Fund may invest in both listed and unlisted instruments. The Fund may invest in both secured and unsecured instruments at multiple levels of the capital structure. These investments may be made directly or indirectly as deemed appropriate by the Investment Manager.

### **3.4 Hedging**

The Fund will use derivatives, primarily to hedge risks associated with the investments of the Fund, where applicable.

### **3.5 Investment Policies**

#### **I. Investment Guidelines**

In conducting its investment activities, the Investment Manager shall adhere to the following policies:

- A. Investments in Fixed Income Securities which are rated originating from the Target Markets will comprise at least 20% of the NAV of the Fund;
- B. Investments in quasi-Fixed Income Securities in the Target Markets are permitted up to a maximum level of 40% of the NAV of the Fund;
- C. The Investment Manager may invest cash balances in US Dollars and/or other convertible currencies in fixed return securities including, but not limited to, fixed deposits, treasury

notes, certificates of deposit, money market funds, and Islamic securities issued by institutions in the Target Markets;

- D. The Fund may enter into repurchase and reverse-repurchase agreements with banks and other financial institutions deemed to be creditworthy by the Investment Manager. If the Fund enters into such an agreement with an affiliate of the Funds Company, that agreement will be done on an arm's length basis. The combined value of both agreements will not exceed 10% of the NAV of the Fund;
- E. Investments in Fixed Income Securities which are either non-rated or rated below investment grade (BB+ to B-) will comprise up to a maximum of 75% of the NAV of the Fund, with Fixed Income Securities originating from the MENA and Turkey markets comprising at least 40% of the NAV of the Fund. Investments in non- rated Fixed Income Securities will not exceed 25% of the NAV;
- F. The Investment Manager may invest a maximum of 50% of the Fund's NAV in the Fixed Income Securities originating from a single country in the Target Markets except as approved by Central Bank of Bahrain regulations<sup>1</sup>;
- G. The Investment Manager may invest a maximum of 10% of the Fund's NAV in the Fixed Income Securities of a single issuer or not more than 20% of the Fund's NAV in the Fixed Income Securities of a single group of connected parties;
- H. The Investment Manager is authorised to employ the services of independent third party investment managers, through collective investment schemes, up to a maximum of 20% of the NAV of the Fund, if it is determined to be in the best interest of the Unit Holders and exposure to any single Fund (or group of connected funds) must not exceed 10% of the NAV of the Fund;
- I. The Investment Manager is authorised to employ the services of independent third party investment managers, through segregated accounts, up to a maximum of 20% of the NAV of the Fund, if it is determined to be in the best interest of the Unit Holders;
- J. The Investment Manager may arrange short term finance for the Fund provided that it does not exceed 20% of the NAV of the Fund. Short term finance from an affiliate of the Funds Company will be arranged on an arm's length basis;
- K. Investment in markets other than MENA and Turkey is permitted up to a maximum level of 20% of the Fund's NAV;
- L. The Investment Manager may not invest more than 20% of the NAV of the Fund in cash and cash equivalent assets with a single party or group of connected parties; and
- M. The Fund's Operator/Sponsor may not be a counterparty to the securities transaction.

In the event of any limit exceptions, remedial measures will be taken to bring the same within permitted limits.

## **II. Investment Restrictions**

The Investment Manager may not conduct any of the following transactions for the account of

<sup>1</sup> Please note that the single country ceiling of 50% of the Fund's NAV is applicable to the GCC only. The single country ceiling for other countries in the Target Markets is 30% of the Fund's NAV. Total investment in other emerging economies is permitted up to a maximum level of 20% of the Fund's NAV as per above.

the Fund:

- A. granting loans;
- B. granting collateral and issuing guarantees;
- C. underwriting the issuance of securities;
- D. trading in real estate;
- E. discounting bills of exchange; and
- F. investing in hedge funds.

### 3.6 Investment Risk Factors

Investors in the Fund are warned that there are risks involved with investing in the Fund which may affect the Fund's performance, including, but not limited to the following:

- I. **High Yield Risk:** High yield securities, which are either rated below investment grade or non-rated, may be subject to greater levels of interest rate, credit and liquidity risk. High yield instruments generally are less liquid and do not trade frequently. The price may be significantly higher or lower than expected and at times, it may be difficult to sell high yield instruments promptly at an acceptable price. An economic downturn or period of rising interest rates could adversely affect the market for these securities.
- II. **Interest Rate Risk:** As nominal interest rates rise, the value of fixed income securities is likely to decrease. Securities with longer maturities tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter maturities.
- III. **Credit Risk:** The Fund could lose money if the issuer or guarantor of a Fixed Income Security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honour its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.
- IV. **Emerging Markets Risk:** The Target Markets are considered emerging markets, and investing in emerging markets may involve special risks different from, or greater than, the risks of investing in developed countries. In particular, emerging markets are characterised by the relative lack of availability of information about issuers or markets due to lax disclosure requirements and accounting standards and/or the absence of stringent regulatory practices. In particular, the regulatory supervision, legal infrastructure and accounting, auditing, and reporting standards in emerging markets may not provide the same degree of Unit Holder protection or information to Unit Holders as would generally exist in more mature or developed markets. Valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards. This may affect the valuation of the assets in which the Fund invests.
- V. **Political Risk:** The measure of a country's willingness to honour its foreign obligations and is a function of stability of country's government and its leadership, country's ideological background and country's past history with foreign investors.

- VI. **Liquidity Risk:** Liquidity risk exists when particular investments are difficult to purchase or sell. Fund's investments in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price.
- VII. **Market Risk:** The market price of securities may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Past performance is not a guide for future performance. A Unit Holder may not get back the amount invested. An investment in the Fund should be regarded as long term in nature and there can be no guarantee that the Fund's objectives will be achieved.
- VIII. **Currency Risk:** The price of the Unit is denominated in US Dollars. There is a risk that the currency of the securities will decline in value relative to the US Dollar. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by central banks, or by the imposition of currency controls or other political developments.
- IX. **Derivatives Risk:** Derivatives are subject to liquidity risk, interest rate risk, market risk and credit risk. They also involve the "basis risk" - changes in the value of the derivative may not correlate perfectly with the underlying asset.
- X. **Management Risk:** The Fund is subject to management risk because it is an actively managed investment portfolio. The Investment Manager will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.
- XI. **MENA Volatility Risks:** Potential Market Volatility in the Middle East and North Africa results from the fact that the prices of certain securities listed on stock markets in the Middle East and North Africa have been subject to sharp fluctuations and sudden declines and no assurance can be given as to the future performance of listed securities in general. Prospective investors should therefore be aware that the value of Units and the income derived from them is likely to fluctuate.
- XII. **Legislation Changes:** The information in this Prospectus is based on existing legislation which may change. The value of the Fund's investments as well as returns may be affected by uncertainties such as political developments, changes in government policies, taxation, including VAT, currency repatriation restrictions, and restrictions on foreign investments in some or all of the countries in which the Fund may directly or indirectly invest.
- XIII. **Limited Recourse:** The Funds Company is licensed by the Central Bank of Bahrain to operate one or more collective investment schemes, such as the Fund. In the event that the Funds Company operates additional collective investment schemes, Unit Holders will only have recourse to the assets of the Fund.

The above-mentioned risk factors are most likely to have a material effect on the Fund's

portfolio as a whole. The Fund may be subject to additional risks other than those described above.

### **3.7 Distribution Policy**

The Board intends to declare dividends and/or distributions in respect of the Class DI Units within 20 business days once the quarter ends. The Investment Manager shall at its discretion decide the amount of any dividends to be declared or distributions to be made. Any such dividend or distribution can, at the discretion of the Investment Manager, be made out of all sources (without being exhaustive, profit, realized or unrealized gains, whether or not net of realized or unrealized losses, any dividends or distributions received from the underlying securities, profit earned, any other cash receipts, capital and generally any surpluses) and will be declared within 20 Business Days for the preceding quarter. Upon the declaration of any dividends or distributions to the Unit Holders of the relevant share classes, the Net Asset Value per Unit of the relevant class of the Fund will be reduced by the amount of such dividends or distributions. Payment of the dividends or distributions will be made as indicated on a Unit Holder's subscription form, as amended from time to time, to the account indicated on the Unit Holders register. All Unit Holders recorded in the register of the Registrar and Transfer Agent at the end of the Record Date (including the Record Date transactions) of each quarter shall be eligible for such dividend/distribution. Distributions will be paid out via bank transfer; such transfer shall be net of any transfer fees and any applicable taxes.

The Board does not currently intend to declare cash dividends or other distributions in respect of Class B Units and DA units but reserves the right to do so at any time in its discretion or if such dividends are necessary in light of prevailing market conditions. The declaration of any dividends will be made in accordance with the Law, the CBB CIU Rules and this Prospectus.

Any dividend unclaimed after a period of twelve months from the date of declaration of such dividend will be re-invested back in the favour of the specific Unit Holder.

## 4.0 MANAGEMENT OF THE FUND

### 4.1 The Directors

The Directors have overall authority and responsibility for the operation of the Fund. The Directors will exercise supervision and control of the Fund, including deciding matters of general policy and reviewing the actions of the Investment Manager, the Custodian, the Administrator, and the Registrar and Transfer Agent. The Funds Company may appoint and replace Directors from time to time.

The following individuals have been appointed as Directors :

#### 4.1.1 Mr Hammad Naqvi, Chairman

Mr Hammad Naqvi joined Mashreq in 1996 after having spent 7 years with Bank of America in leadership roles in Corporate Finance and Treasury. He is responsible for running the FX and derivatives flow, trading business, and the proprietary Investment portfolio of the bank. He is a member of Mashreqbank's Senior Management forum and is the designated back up to the head of Treasury and Capital Markets. He is an MBA from the Institute of Business Administration in Karachi.

#### 4.1.2 Mr Ali Raza Khan, Director

Mr Ali Raza Khan is Executive Vice President and Head of Corporate Affairs – CFO and Head of HR, at Mashreqbank. He joined Mashreqbank in 1980. During the past 33 years, Mr Khan, a Chartered Accountant by profession, has served in different positions as Manager of Operations, Controller, Manager of Central Accounts Division and Division Head of Human Resources. He is a member of the Asset and Liability Committee, Information Security Committee, Investment Committee, Risk Committee, Audit and Compliance Committee, HR Committee, and the Leadership Forum of Mashreqbank. Mr Khan has been a speaker at various conferences. He is a member of the Institute of Chartered Accountants of India since 1978. Mr Khan obtained his B.Sc. from Kanpur University, India in 1973.

#### 4.1.3 Mr Anuratna Chadha, Director

Mr Anuratna Chadha was appointed as the Chief Risk Officer of Mashreq Bank in March 2019. A post graduate from IIM-Ahmedabad in India, he started his banking career in 1988. He brings expertise in risk management and wholesale banking spanning over 30 years. Chadha's well-rounded knowledge in risk management developed while he held diverse roles across multiple geographies at Citibank, such as managing the Asia Pacific wholesale credit risk review function and serving as the bank's Chief Risk Officer for Japan. In earlier roles, Chadha also functioned as the Corporate Bank Head for India and Indian Sub-Continent, Corporate Bank Head for South Africa and the Private Bank Head for India.

### 4.2 Investment Manager

The Fund has appointed Mashreq Capital (DIFC) Limited, a UAE based entity, as the Investment manager. Mashreq Capital (DIFC) Limited is a wholly owned subsidiary of Mashreq bank psc. Mashreq Capital (DIFC) Limited, is registered as a Limited Liability Company under the Companies Law of Dubai International Financial Centre (DIFC) and is regulated by the Dubai Financial Services Authority (DFSA). The firm has a category II license and manages approximately USD 1.5 billion in assets under management across conventional and Islamic strategies in MENA Equity & Fixed Income. The product range includes funds and discretionary

accounts.

The Funds Company has appointed Mashreq Capital (DIFC) Limited as Investment Manager for the Fund pursuant to the Investment Management Agreement. The Investment Manager, with the guidance of the Directors, is responsible for the Fund's management and investment strategy. This includes overseeing the efficient operation of the Fund, ensuring the proper provision of services by the service providers, as well as developing and implementing a viable and robust investment process for the Fund. The Investment Manager should also continuously carry out and review the investment objectives of the Fund, and advise the Directors on the investment program, strategy and overall performance of the Fund on a prompt and regular basis.

### 4.3 Placement Agent

The Funds Company acting for and on behalf of the Fund has appointed Mashreqbank psc, a UAE based public joint stock company, has been appointed as its Placement Agent pursuant to a Placement Agency Agreement. The Placement Agent has been appointed by the Funds Company to source investors for the Fund on a continuous basis in compliance with the applicable laws and regulations. The Placement Agent's duties include following AML policies and procedures, coordinating all investor follow-up efforts, receiving and forwarding to the Funds Company completed Subscription Agreements, and arranging for the Funds Company to receive subscription amounts paid by investors. In addition, each Placement Agent is authorised to appoint sub-agents to assist in sourcing investors for the Fund, provided that the Placement Agent remains fully responsible for the actions of the sub-agents.

### 4.4 Custodian

The Funds Company acting for and on behalf of the Fund has appointed Citibank, N.A., acting through its offices located in the Kingdom of Bahrain, has been appointed as Custodian of the Fund's assets pursuant to the Custodian Agreement dated 19 December 2013. Citibank, N.A. will act as the Fund's Custodian in all the markets where the Fund invests. The Custodian Agreement provides that the Custodian carries out the usual duties for the custody of securities and deposit of cash of the Fund. The Custodian will hold the Fund's assets in the name of the Fund or such other name as permitted by law.

Citibank, N.A., acting through its offices located at Citigroup House, 1133, Road 2819, Al Seef District 428, Manama, Kingdom of Bahrain, has been granted a license by the Central Bank of Bahrain to operate as an administrator and custodian for Bahraini domiciled funds in the Kingdom of Bahrain. Citibank is one of the largest financial institutions in the world. Citibank is a group with deeply embedded traditions of good corporate conduct. Headquartered in New York, Citibank, N.A. is one of the largest banking and financial services organisations in the world with a proprietary international network spanning countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

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

The Custodian will not participate in transactions and activities, or make any payments denominated in US Dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury.

In performing its duties, the Custodian may, at its expense, appoint sub-custodians and administrative support providers as its delegates and to use or participate in market infrastructures and clearance systems. The Custodian shall act in good faith and use reasonable care in the selection, continued appointment, monitoring oversight and periodic review of sub-custodians and administrative support providers. Subject to the provisions of the Custodian Agreement, the Custodian will be responsible for all actions of its sub-custodians which arise out of negligence, wilful misconduct or fraud. For the avoidance of doubt, the Custodian shall pay all fees incurred by the sub-custodians. The Custodian will be responsible for the monitoring and reconciliation of all accounts and records held with sub-custodians and agents (and to the extent applicable, brokers) who are not a member of the Custodian's group on a timely and regular basis. The Custodian may deposit or procure the deposit of securities with any clearance system as required by law, regulation or best market practice. The Custodian has no responsibility for selection or appointment of, or for performance by, any clearance system or market infrastructure.

The Funds Company acting for and on behalf of the Fund shall indemnify the Custodian and defend and hold the Custodian harmless from all losses, costs, damages and expenses (including reasonable legal fees) and liabilities for any claims, demands or actions (each referred to as a "**Loss**"), incurred by the Custodian in connection with the Custodian Agreement, except any Loss resulting from the Custodian's negligence, wilful misconduct or fraud. Under no circumstances will the Funds Company nor the Fund be liable to the Custodian for special or punitive damages, or consequential loss or damage, or any loss of profits, goodwill, business opportunity, business, revenue or anticipated savings, in relation to the Custodian Agreement, whether or not the relevant loss was foreseeable, or the Funds Company was advised of the possibility of such loss or damage or that such loss was in contemplation of the Custodian.

The appointment of the Custodian may be terminated by not less than 60 days' notice in writing. Termination of the Custodian Agreement is subject to the discretion of the Central Bank of Bahrain.

#### **4.5 Administrator & Registrar and Transfer Agent**

The Funds Company acting for and on behalf of the Fund has appointed Karvy Fintech (Bahrain) W.L.L. as the Fund Administrator, pursuant to an Administration Agreement dated 29 February 2016. The Funds Company (acting for and on behalf of the Fund) has also appointed Karvy Fintech (Bahrain) W.L.L. as the Registrar and Transfer Agent, pursuant to a Registrar and Transfer Agency Agreement dated 29 February 2016.

Karvy Fintech (Bahrain) W.L.L. is licensed and regulated by the Central Bank of Bahrain and, provides Fund Administrator and Registrar services to its clients in the Kingdom of Bahrain and the AMCs based in other parts of the GCC for the Bahraini domiciled funds.

Administration Agreement provides that the Administrator will be responsible for the general administration of the Fund, which includes, among other things, providing record-keeping services, calculating the Net Asset Value of the Fund and the Net Asset Value per Unit and report those to the Board of Directors and to the Investment Manager, ensuring that the Fund's assets are invested in accordance with the Prospectus (and accordingly report to the Central Bank of Bahrain, the Board of Directors and the Investment Manager), regulatory compliance monitoring (such as breaches of the investment limits, a significant decline in the Net Asset Value of the Fund as per the CBB CIU Rules, suspension of the determination of the Net Asset Value), preparation of semi-annual and annual accounts for the Fund, the annual accounts of

the Funds Company, preparing the Quarterly Statistical Report (Form CIU-QS) and report those accounts and reports to the Central Bank of Bahrain, to the Operator and to the Investment Manager, filing notices and other matters with the relevant regulators, safe keeping of the Fund's documents, maintaining records of meetings of the Board of Directors acting on behalf of the Fund, ensure the calculation of and payment of the Fund's fees and expenses and distributions and dividends and other administrative functions.

The Administrator shall furthermore prepare the Funds Company's annual financial statements and report those to the Central Bank of Bahrain, the Operator and the Investment Manager.

The Administrator is entitled to be indemnified by the Funds Company out of the assets of the Fund from and against any and all direct liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (other than those resulting from gross negligence (at the sole discretion of the Funds Company), fraud, bad faith, mismanagement or wilful default on the part of the Administrator, or on the part of its servants, agents or delegates in performing its obligations or duties under the Administration Agreement which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties under the Administration Agreement.

The appointment of the Administrator may be terminated by not less than 90 days' notice in writing.

The Registrar and Transfer Agent shall be responsible for maintaining an accurate Unit Holders register for the Fund and for the processing and recording of the issuance, transfer and redemption of Units, issuing confirmation notices and Unit Holders statements. In absence of manifest errors, entries in the Unit Holder's Register shall be conclusive and binding.

The appointment of the Registrar and Transfer Agent may be terminated in accordance with the provisions of the Registrar and Transfer Agency Agreement.

#### **4.6 Auditors**

The Funds Company acting for and on behalf of the Fund has appointed Deloitte & Touche, Bahrain as its Auditor. The Auditors shall submit its report to the annual general meeting of the Unit Holders. Such report will be prepared in accordance with the International Financial Reporting Standards (IFRS) and will contain an opinion regarding the Fund's financial statements for the relevant financial year.

Such reports will provide an opinion regarding the Fund's financial statements and an assessment of the accounting principles used. The Auditor will also review the unaudited semi-annual financials of the Fund.

#### **4.7 Change in the service providers of the Fund**

Any change to the service providers of the Fund must be approved by the Central Bank of Bahrain, prior to the termination of the relevant agreement with such service provider.

#### **4.8 Financial Year**

The financial year of the Fund shall begin on January 1 and end on December 31 of each year.

## 5.0 THE FUND PARTICIPATION

### 5.1 Subscription

Class B Units are available for subscription on each Dealing Day provided the Fund has received a completed Subscription Agreement and confirmation of the receipt of cleared funds credited to the customer's investment account at least 2 Business Days prior to such Dealing Day (subject to the discretion of the Directors to waive such notice period). If the Subscription Agreement and/or cleared funds are received after the deadline, it will (unless otherwise determined by the Directors) be treated as a request for subscription on the next Dealing Day.

Class B Units will be offered at the Net Asset Value per Unit. The initial NAV per Unit was US Dollars 10.00 at the Fund's launch date. Subscriptions for Class B Units are subject to a minimum subscription of US Dollars 10,000.00. A Subscription Fee of up to a maximum of 2.0% may be charged on the subscription amount to the benefit of the Fund, unless waived by the Investment Manager in its sole discretion. Part or all of such Subscription Fee may be shared by the Fund with authorised Placement Agents.

Class DI and Class DA Units are available for subscription on each Dealing Day provided the Fund has received a completed Subscription Agreement and confirmation of the receipt of cleared funds credited to the customer's investment account at least 2 Business Days prior to such Dealing Day (subject to the discretion of the Investment Manager to waive such notice period). If the Subscription Agreement and/or cleared funds are received after the deadline, it will (unless otherwise determined by the Directors) be treated as a request for subscription on the next Dealing Day.

Class DI and Class DA Units will be offered at the Net Asset Value per Unit. The initial NAV per Unit will be US Dollars 10.00 at the launch date of Class DI and Class DA Units. Subscriptions for Class DI and Class DA Units are subject to a minimum subscription of US Dollars 10.00. A Subscription Fee of up to a maximum of 2.0% may be charged on the subscription amount to the benefit of the Fund, unless waived by the Investment Manager in its sole discretion. Part or all of such Subscription Fee may be shared by the Fund with authorised Placement Agents.

Details of the Fund's account are set out in the Subscription Agreement. The Fund, the Funds Company and the Placement Agent(s) reserve the right to reject or accept subscriptions in their absolute discretion and without assigning any reason thereof. If the Fund or its agents reject any application, any monies received by the Fund in respect of the application will be promptly returned to the applicant without interest. Prospective investors will be required to complete and return a Subscription Agreement substantially under the form as attached. The completed Subscription Agreement should be sent to the relevant authorised Placement Agent or the Funds Company details of which are provided in the Subscription Agreement.

The completed Subscription Agreement will, save as determined by the Directors, be irrevocable. It may be sent by facsimile, provided that the subscriber has signed a fax indemnity form. Following such facsimile, the original copy of the Subscription Agreement must be sent immediately by post or by internationally recognised courier. Failure to provide the original copy of the Subscription Agreement may, at the discretion of the Directors result in the rejection of the allotment of Units.

Fractions of Units will be issued to the nearest three decimal places if the subscription monies represent less than the subscription price per Unit. Subscription monies representing less than US Dollar 1.00 will not be returned to the applicant but will be used to accrue its holding of

Units.

A confirmation stating the Units allotted will be sent to subscribers on approval of their application following the relevant Dealing Day and after the NAV has been calculated.

Units will be recorded in the Unit Holders register of the Fund. The Registrar and Transfer Agent will maintain the Unit Holders register of the Fund. Confirmation letters attesting the Units issued in favour of the Unit Holder will be sent to the Unit Holder by the Registrar and Transfer Agent free of charge.

## 5.2 Redemption

Class B Units may be redeemed by the Fund at the request of a Unit Holder as of each Dealing Day at the redemption price per Unit as of such Dealing Day, provided the Unit Holder gives notice to the Investment Manager, the relevant authorised Placement Agent or the Funds Company two (2) Business Days prior to the relevant Dealing Day. The Investment Manager may in its sole discretion waive such notice period. Redemptions may be made at such other times with the consent of and upon such terms of payment as may be approved by the Investment Manager in its sole discretion.

Class DI and class DA Units, at a minimum of USD 100, may be redeemed by the Fund at the request of a Unit Holder as of each Dealing Day at the redemption price per Unit as of such Dealing Day, provided the Unit Holder gives notice to the Investment Manager, the relevant authorised Placement Agent or the Funds Company two (2) Business Days prior to the relevant Dealing Day. The Investment Manager may in its sole discretion waive such notice period. Redemptions may be made at such other times with the consent of and upon such terms of payment as may be approved by the Investment Manager in its sole discretion.

A request for redemption must be made as per the attached Redemption Form and once submitted to the Registrar and Transfer Agent, may not be withdrawn by the Unit Holder except in case of a suspension of redemptions. The consent of the Directors is required for any withdrawal of a redemption request.

Redemption proceeds may be paid in cash or in specie (underlying portfolio holdings of the Fund). If redemption proceeds have to be paid in specie, Unit Holders will be notified at least two (2) Business Days prior to such payment. Cash payments will be made in US Dollars or UAE Dirhams, as per Unit Holders' instructions, and will be remitted by wire transfer to the account from which the original investment was wired after deduction of all relevant expenses.

If on a particular Dealing Day, the amount of the aggregate redemption requests minus the amount of the aggregate subscription requests exceeds 10% of the Fund's NAV, the Fund will be entitled to reduce the redemption requests pro rata (or in such manner as the Fund may deem appropriate) amongst the Unit Holders seeking to redeem on such Dealing Day so that only the Fund's NAV is only reduced by 10%. Requests for redemption of Units which cannot be met on any one Dealing Day will be carried forward to the next Dealing Day, subject to the same provision but will be given priority over subsequent redemption requests. The Units subject to any such deferred redemption request will remain subject to the performance of the Fund. Redemption requests for the remaining Units can only be withdrawn by the Unit Holders with the approval of the Investment Manager, in its sole discretion.

For Class B units partial redemptions will be declined if these are for less than US Dollars 10,000, or if these will cause a Unit Holder to hold Units for an amount lower than the minimum holding amount unless the Directors determine otherwise in their sole discretion.

The Fund has the right upon two (2) Business Days notice to compulsorily redeem on a Dealing Day any Unit held by a Unit Holder at the redemption price per Unit as at the Valuation Day immediately prior to such Dealing Day for the following reasons:

- a) the Units are held for the benefit (directly or indirectly) of any Restricted Person, or any other person whose continued holding would subject the Fund, its Unit Holders, the Funds Company and/or the Investment Manager to regulation not otherwise applicable to the Fund, the Funds Company or the Investment Manager or would result in any adverse tax consequences for the Fund, its Unit Holders, the Funds Company and/or the Investment Manager;
- b) the holding amount of a Unit Holder in the Fund is less than US Dollars 10,000 or such other amount determined by the Board of Directors in its sole discretion;
- c) any of the representations of the Unit Holder in its Subscription Agreement were not true when issued or have ceased to be true;
- d) the Articles of Association of the Funds Company otherwise require such redemption; or
- e) for any reason the Fund deems appropriate.

The maximum interval between the request for redemption and the dispatch of the redemption proceeds to the customer's investment account with a licensed institution will be ten (10) Business Days.

### 5.3 Redemption Price

The redemption price for Class B Units will be equal to the NAV per Unit as determined on the relevant Valuation Day. A redemption fee of 3% of the Net Asset Value (NAV) may be charged to the benefit of the Fund if Units are redeemed by the Unit Holder within the first three months of their purchase, 2% if they are redeemed between three to six months, and 1% if they are redeemed between six to twelve months, unless waived by the Investment Manager in its sole discretion. Part or all of such Redemption Fee may be shared by the Fund with authorised Placement Agents. No Redemption Fee will be payable if the Units are redeemed at the request of a Unit Holder after a holding period of more than twelve months.

The redemption price for Class DI and Class DA Units will be equal to the NAV per Unit as determined on the relevant Valuation Day.

### 5.4 Suspension of Subscription and Redemption of Units

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

1. When any Exchange/System on which a substantial portion of the Fund's investments are quoted or dealt is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund's assets;
2. The existence of any state of affairs which constitutes, in the opinion of the Directors, an emergency as a result of which disposal or the valuation of the Fund's assets would be impractical;
3. If on account of restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchase, sale, deposits and withdrawals of Fund assets cannot be effected in the normal course of business;
4. If an order by a Bahraini court or Bahraini regulatory body is issued requiring such suspension. During the suspension period, the Fund shall not issue, redeem, transfer or

switch (convert) Units. Where a suspension occurs as described above, the Registrar and Transfer Agent shall notify the Central Bank of Bahrain, as soon as possible and with the reasons thereof. Prior approval from the Central Bank of Bahrain will be sought before recommencement of calculation of the Net Asset Value per Unit.

### 5.5 Listing and Transfer of Units

Currently the Class B Units are listed on the Bahrain Bourse; it is anticipated that Class DI and Class DA Units will be listed as well. The Fund may seek listing of the Units on any Stock Exchange, especially other GCC Stock Exchanges. The Investment Manager does not intend at this time to make a secondary market in the Units, but may do so in the future.

The Units may not be directly or indirectly sold, transferred, or assigned, by operation of law or otherwise, without the prior written consent of the Funds Company. Any attempt by a Unit Holder to transfer Units will not be recognised by the Funds Company and the ownership of such Units will remain with the relevant original Unit Holder. Transferees shall be subject to the same terms and conditions as subscribers including but not limited to the provision of information, documents and minimum subscription amount. No transfer will be effected unless a transfer form is completed and signed by both the seller and purchaser or their respective agents and submitted to the Registrar and Transfer Agent.

### 5.6 Ownership Restrictions and Compulsory Redemption

Investors may subscribe for Units provided legislation or regulations in Bahrain and in their country of citizenship, residence, domicile or incorporation permits them to do so. Persons who have not reached legal majority age are not allowed to subscribe for Units unless he/she has the written authorisation of his/her lawful guardian.

US persons or US residents as defined in regulations under the US Securities Act of 1933 are not allowed to subscribe.

The Fund may compulsorily redeem any Unit, at the prevailing Net Asset Value per Unit, if the Funds Company or the Investment Manager, in their absolute discretion, determine that the holding of any Unit by the relevant Unit Holder is in contravention of any applicable laws or regulations or would result in adverse tax consequences or additional regulation of the Fund, the Funds Company or the Investment Manager.

### 5.7 Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a thirty per cent (30%) withholding tax with respect to certain payments to (a) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and (b) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Fund (a **Recalcitrant Holder**). The Fund is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States of America and will apply to "foreign pass thru payments" (a term not

yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of: (a) any investments characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the date that is six (6) months after the date on which final U.S. Treasury regulations defining the term foreign pass thru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date; and (b) any investments characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States of America and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States of America, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign pass thru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States of America and Bahrain have reached an agreement in substance and an IGA based largely on the Model 1 IGA (the **US-Bahrain IGA**) is treated as "in effect" by U.S. Treasury.

The Fund expects to be treated as an FFI pursuant to the US-Bahrain IGA. However, no assurance can be given that the Fund will be treated as an FFI. If the Fund becomes a Participating FFI under FATCA, the Fund and financial institutions through which payments on the Units are made may be required to withhold FATCA Withholding if: (a) any FFI through or to which payment on such Units is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA; or (b) an investor is a Recalcitrant Holder.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the US-Bahrain IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Fund and to payments they may receive in connection with the Units.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

## 6.0 DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Fund will be determined as of each Valuation Day.

The Net Asset Value per Unit of each respective share class will be calculated by the Administrator in conjunction with the Custodian(s) using the following formula:

- the total proportionate assets of the Fund subtracted by the total liabilities applicable to the relevant share class, and divided by
- the total number of outstanding Units of each respective share class on such Valuation Day

The assets of the Fund are segregated from the assets of the Funds Company.

For determination of the Net Asset Value, normally traded investments shall be valued at the last available bid price or official closing price provided by the stock exchange on the Valuation Day at which such investment traded, unless such price is not representative. In respect of an investment for which a representative price is not readily available or where such investment is not regularly traded, the value shall be based on independent third party valuation. For other types of assets, the Administrator and the Investment Manager shall determine the method of valuation. The value of all assets and liabilities denominated in a currency other than US Dollars shall be converted to US Dollars at the last available closing exchange rate on the Valuation Day as determined by the Administrator.

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

- a) Investment Management Fee and other fees and disbursements of the Investment Manager earned but not yet paid;
- b) Any allowance for the Fund's estimated annual audit, legal and other fees;
- c) Fees and charges of the Custodian and Administrator and brokerage fees;
- d) Fee and charges of the Registrar and Transfer Agent;
- e) Fees and charges of the Directors;
- f) Charges in respect of the sale of Investments of the Fund contracted to be sold;
- g) The gross acquisition consideration of investments or other property contracted to be purchased for the Fund;
- h) Reserves authorised or approved by the Directors or the Investment Manager for duties and charges or taxes or contingencies (accrued where appropriate on a day-to-day basis);
- i) The aggregate amount of all borrowings and interest, commitment fees and other charges arising in connection therewith (accrued where appropriate on a day to day basis);
- j) Other liabilities of the Fund of whatsoever nature (which shall, where appropriate, be deemed to accrue from day to day) including outstanding payments on any Units previously redeemed and, as from the record date in respect thereof, any dividends declared and not paid (contingent liabilities being valued in such manner as the Directors may determine from time to time in any particular case);
- k) All costs relating to any litigation in which the Fund is involved.

The fees deductible are variable among the share classes, i.e. particular fees applicable to a share class will be considered as part of the liabilities for the purposes of calculating the NAV per Unit of the particular share class.

The Net Asset Value of the Fund and the Units will be expressed in US Dollars and will be

rounded to the nearest cent and in the case of 0.5 of a cent being rounded up, with any rounding benefit to be retained by the Fund and any items denominated in other currencies are converted in US Dollars at prevailing exchange rates as determined by the Administrator.

In the case of unlisted securities, the Investment Manager will get the security valued from independent auditors or obtain quotes from 3rd party brokers.

The Net Asset Value of the Fund and the Units shall be calculated for each Business Day and the Administrator will make available and/or communicate to the Funds Company, the Investment Manager and the Unit Holders the Net Asset Value no later than 5.00 p.m. (Bahrain time) on the next Business Day.

In calculating the Net Asset Value of the Fund or per Unit, the Administrator may rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic processing services, brokers, market makers or intermediaries, and any administrator or valuations agent of other collective investments into which the Fund invests.

However, the Administrator shall take all reasonable steps wherever possible to independently verify prices including having processes that identify stale pricing as well as pricing variations and fluctuations where relevant. Where accurate pricing of assets is not possible, the Administrator will discuss the procedure with the Investment Manager.

## 7.0 THE FUND FEES AND EXPENSES

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

### 7.1 Launching Cost

These include legal, translation, printing, postage and circulation costs of the Prospectus and related documents, registration and listing fees, advertising, road show and initial organisational and offering expenses associated with the establishment of the Fund. These costs are estimated at US Dollars 250,000 and will be capitalised and amortised over a period not exceeding 5 years as per the International Financial Reporting Standards.

### 7.2 Investment Management Fee

Under the Investment Management Agreement, the Fund will pay the Investment Manager a fixed fee of 0.75% per annum of the Net Asset Value for Class B Units and 1.25% per annum of the Net Asset Value for Class DI and Class DA Units, accrued daily and payable quarterly.

### 7.3 Sub-Management Fee

Where the Investment Manager utilises the services of sub-managers and sub-funds it will pay all sub-management and incentive fees, which is already included in the Investment Management Fee charged to the Fund.

### 7.4 Ongoing Operating Costs

- a) All transactional costs, including brokerage, banking, sales and purchase commissions and exchange fees;
- b) All professional fees, including fees and charges of the Administrator, the Auditor, the Registrar and Transfer Agent, and Legal Counsel. Fees and charges of the Auditor are expected to be approximately BD 3,200 plus reimbursement of the Auditor's incidental out-of-pocket costs. Fees and charges of the Administrator, Registrar & Transfer Agent are US Dollars 22,000 per annum, to be reviewed annually, plus reimbursement of the Administrator, Registrar & Transfer Agent's incidental out-of-pocket costs. The fees of the Administrator will accrue on each Valuation Day and be paid quarterly in arrears. Legal fees will vary based on the specific ongoing requirements of the Fund.
- c) Citibank, N.A., acting through its offices located in the Kingdom of Bahrain, as the Custodian will be paid a fee based on the net assets of the Fund. The fees of the Custodian will accrue and be paid monthly in arrears. The Custody fee is subject to a minimum amount of US Dollars 20,000 per annum. The Custodian will be paid additional fees, such sums will be dependent upon the services provided and the Custodian will be entitled to be reimbursed in respect of out-of-pocket expenses incurred;
- d) All government charges and duties; and
- e) Ongoing offering costs.

## 8.0 ADDITIONAL INFORMATION

### 8.1 Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

The Directors, the Fund, the Funds Company and their duly appointed agents, who introduce the investors to the Fund are responsible for the Know Your Client ("KYC") exercise on the investors, and commit to undertaking the due diligence exercise and complying with applicable anti-money laundering rules and regulations in the relevant jurisdictions of operation. The Fund reserves the right to share relevant information of the investors, for the purposes of satisfying internal compliance and anti-money laundering procedures, with the Fund's business partners, including its Custodian and Administrator.

Pursuant to the provisions of Legislative Decree No. 4 of 2001, Law No. 54 of 2006 and Law No. 58 of 2006, as amended from time to time, for the purpose of prevention of money laundering and terrorist financing, as well as various Ministerial Orders issued thereunder and other laws and regulations in this respect issued by the Central Bank of Bahrain from time to time, the Placement Agent on behalf of the Fund, its affiliates, subsidiaries or associates will require detailed verification of the background of any investor applying to invest in the Units, including the investor's identity, any beneficial owner underlying such subscription, the account, and the source of funds. Within this context the prescribed application form must be accompanied, in the case of individuals, by, inter alia, a copy of a valid identification document bearing the investor's full name, date and place of birth, complete residential address, nationality, photograph and signature. Documents for verification of source of funds, including employment details, business establishments, business income details and/or any requisite declarations concerning the sources of funds would also be required, at the risk and expense of the applicant.

Pending the provision of such evidence, application for Units may be postponed. If the subscriber fails to provide satisfactory evidence within the time specified, or if the subscriber provides evidence but not to the satisfaction of the Placement Agent, the application may be rejected immediately in which event the money received on application, if any, will be returned without interest.

In the case of legal persons, application must accompany a copy of the statutes and evidence of registration, document describing the authorised signatories, list of Directors, shareholders and economic beneficiaries and identification documents of the authorised signatories. Financial Institutions shall be required to provide a declaration to the satisfaction of the Placement Agent that efficient Anti-Money Laundering ("**AML**") and KYC procedures are in place and the Financial Institution subscribing for the Units shall be responsible to apply such procedures on its clients if their money would be used for investment in the Fund.

Any such copy must be certified/authenticated as prescribed and/or acceptable by the Placement Agent.

Each subscriber shall provide such information or any requisite representations in connection with such anti-money laundering measures or procedures as adopted and requested by the Placement Agent or the Fund from time to time.

### 8.2 Alternative Service Provider

The various agreements with the Fund's service providers including custody, administration, and registrar state that their services may not be terminated until an alternative service provider has been appointed and approved by the Central Bank of Bahrain.

### 8.3 Life and Liquidation of the Fund

Liquidation of the Fund, whether voluntary or otherwise, requires the prior approval of the Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism of Bahrain. The Fund has been established for a period of 25 years, but the Directors may, at any time, subject to prior approval of the Central Bank of Bahrain, propose to dissolve the Fund at an extraordinary general meeting of Unit Holders resolving at a majority of two thirds and with a quorum of 67%. In the event of such voluntary dissolution, the liquidation would be carried out in accordance with the laws of Bahrain which specify the steps to be taken to enable Unit Holders to participate in any liquidation distribution. Upon liquidation of the Fund, the assets of the Fund will be allocated to Unit Holders after all creditors' claims have been satisfied. Circumstances under which the Fund may be liquidated include, but are not limited to, requirements of the Central Bank of Bahrain and extraordinary circumstances.

### 8.4 Indemnity

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

### 8.5 Voting Rights

No voting rights are associated with the Units, except in case of a voluntary liquidation proposal of the Fund.

### 8.6 Taxation

The following comments are based on advice received by the Funds Company regarding the current law and practice in Bahrain and elsewhere, and are intended only to assist potential investors.

Investors must be aware that as a result of changing law or practice or for other reasons, the tax consequences for the Fund and the Unit Holders may be other than as stated below.

As at the date of this document, there are no corporate tax, income tax, withholding tax, capital gains tax or stamp duty payable by the Fund under the laws of Bahrain; there are also no currency or exchange control restrictions in force under the laws of Bahrain; and the free transfer of currency into and out of Bahrain is permitted. In the event that there is any material amendment or change to the laws of Bahrain in connection with the matter referred to above, the Funds Company shall notify the Unit Holders of such amendment or change in the next following report that is circulated to the Unit Holders after such amendment or change has come to the attention of the Funds Company.

Investors must be aware that as a result of changing law or practice or unfulfilled expectations as to how the Fund or Unit Holders will be regarded by tax authorities in different jurisdictions, the tax consequences for Unit Holders may be other than as stated. Investors should consult their professional advisors on the possible tax consequences of subscribing for, purchasing, holding, or selling Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The Fund may be liable to tax on its income or stamp duty on its transactions in jurisdictions other than Bahrain in which it has income arising to it and in which it conducts transactions. There may be income withholding taxes or capital gains taxes payable by the Fund in such other jurisdictions. There may also be currency or exchange control restrictions other than in relation

to currencies subject to boycott or sanctions in such other jurisdictions.

### **8.7 Unit Holder Taxation**

All fees relating to the Fund are exclusive of VAT or other indirect taxes. Any VAT or other taxes due in relation to the Fund shall be borne by the Unit Holder, who shall be responsible for the payment of any and all tax imposed.

Prospective investors should ascertain from their professional advisors the consequences of acquiring, holding, redeeming, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including any tax consequences and exchange control requirements.

### **8.8 Reporting**

Under Bahrain Law, the Fund is subject to periodic financial reporting requirements pursuant to which the Fund's un-audited semi-annual statements and audited annual statements must be forwarded to the Unit Holders of the Fund within two and four months respectively of the end of the relevant period.

The relevant periods are June 30 for semi-annual financial statements and December 31 for annual financial statements.

The NAV of the Fund will be published on each Dealing Day on Bloomberg and the Investment Managers website <http://www.mashreqcapital.ae>

### **8.9 Directors' Meeting**

The Directors will meet at least every quarter to review the performance of the Fund and other matters pertaining to the Fund. The Company Secretary as well as the Fund Administrator shall maintain records of meetings of the Board of Directors.

### **8.10 Conflicts of Interest**

Each Director and officer should make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the Funds Company and the Fund.

Each Director and officer shall inform the entire Board of Directors of conflicts of interest as they arise and abstain from voting on the matter. This disclosure shall include all material facts in the case of a contract or transaction involving the Director or officer. The Directors and officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorising persons and the conflicted person did not participate in the decision.

The Funds Company will disclose to the Unit Holders in the annual report any abstention from voting motivated by a conflict of interest and will disclose to the Unit Holders any authorisation of a conflict of interest contract or transaction.

The Custodian, the Administrator, the Auditor, the Placement Agent(s), the Investment Manager, the Operator and the Registrar and Transfer Agent shall take all reasonable steps to identify, and prevent or manage, potential or actual conflicts of interest that could harm the interests of the Fund or of the Unit Holders (such steps must include, wherever appropriate, declaring such conflicts to the Board of Directors).

### **8.11 Notices to Investors**

Before making any change in the Fund's Investment Objective, Investment Strategy, Investment Policy, Investment Manager, Custodian, Administrator, Registrar and Transfer Agent, Fee Structure and operations, the Fund will inform the Unit Holders through a notice issued at least 30 calendar days prior to the effective date of that change, subject to prior approval by the Central Bank of Bahrain.

### **8.12 Inspection of Documents**

This Prospectus, the Articles and Memorandum of Association of the Funds Company, and material contractual agreements of the Fund can be inspected free of charge at the registered office of the Fund within normal business hours.

### **8.13 Governing Laws**

This Prospectus, the Memorandum and Articles of Association of the Funds Company, and other agreements relating to the management and operation of the Fund, including the Administration Agreement, the Custodian Agreement, the Investment Management Agreement, and the Registrar and Transfer Agency Agreement, will be governed by the laws of the Kingdom of Bahrain.

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