

Mashreq Capital (DIFC) Limited, the fund manager of the Fund (the “Fund Manager”), is responsible for the information contained in this document. To the best of the knowledge and belief of the Fund Manager (who has taken due care to ensure that such is the case) the information contained in this document is accurate and does not contain material omissions likely to impact on the accuracy of the information provided in this Prospectus. Mashreq Capital (DIFC) Limited has prepared this prospectus solely in its role as Fund Manager.

Mashreq Capital Shariah Compliant Funds (OEIC) PLC (the “Fund”) is an umbrella Shariah-compliant fund, which may offer investors a choice between several Classes of Shares in a number of Sub-Funds. The Fund is organised as an umbrella public company with limited liability registered as an open-ended investment company in the DIFC. As of the date of this Prospectus, the Fund has two Sub-Funds, the Mashreq Al-Islami Income Fund, which currently has six Classes of Shares, and the Mashreq Al-Islami Equity Fund, which currently has six Classes of Shares. The Fund intends to establish further Sub-Funds in the future and may also establish further Classes of Shares in relation to each of its Sub-Funds at any time which may also be denominated in different currencies.

# Mashreq Capital Shariah Compliant Funds (OEIC) PLC

## (“FUND”)

(incorporated as an open-ended investment company in the DIFC)



### PROSPECTUS

Date: 29<sup>th</sup> April 2024

This Prospectus relates to a DIFC Fund in accordance with the Collective Investment Law 2010 and Rules of the Dubai Financial Services Authority (“DFSA”).

The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Domestic Fund. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it.

No other regulatory authority in the UAE has any responsibility for reviewing or verifying this Prospectus or any other documents in connection with the promotion of this fund. Accordingly, no regulatory authority in the UAE has approved this Prospectus or any other associated documents, nor taken any steps to verify the information set out herein, and therefore no regulatory authority in the UAE has any responsibility for the same.

This Passported Fund is a Public Fund and, accordingly, the units thereof may be promoted, including by means of a public offer of the units for public subscription, to persons in the United Arab Emirates (excluding the Financial Free Zones and the Abu Dhabi Global Market) and the Dubai International Financial Centre.

The Units to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Units offered should conduct their own due diligence on the Units.

The DFSA does not accept responsibility for the content of the information included in the Prospectus, including the accuracy or completeness of such information. The liability for the content of the Prospectus lies with the Issuer of the Prospectus and other Persons, such as Experts, whose opinions are included in the Prospectus with their consent. The DFSA has also not assessed the suitability of the Securities to which the Prospectus relates to any particular investor or type of investor and has not determined whether they are Shariah compliant. If you do not understand the contents of this Prospectus or are unsure whether the Securities to which the Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.”

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## IMPORTANT INFORMATION

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### **Reliance on Prospectus**

The Shares are offered solely on the basis of the information 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 Fund or the Fund Manager. This Prospectus is valid as of the date shown on the front page hereof. However, neither the delivery of this Prospectus nor the issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the Fund since the date hereof. In accordance with the DFSA Rules, this Prospectus will expire on 28<sup>th</sup> April 2025 at which date the Fund Manager intends to replace this with an updated version. No Shares in the Fund will be issued on the basis of this Prospectus after such expiry date.

No representation or warranty, whether express or implied, is given regarding the information and opinions contained in this Prospectus, or as to the achievement of any future gains. By accepting this Prospectus, the recipient acknowledges that neither the Fund and the Fund Manager or any of their subsidiaries or associates, or any of their directors, officers, employees, advisors or agents, has any duties or responsibilities to the recipient concerning the suitability and/or price of any investment which the recipient may make in the Fund.

The information contained in this Prospectus will be supplemented by the financial statements and further information contained in the latest annual and semi-annual reports of the Fund and/or the Sub-Funds, copies of which may be obtained free of charge from the Registered Office of the Fund which is located at the offices of the Fund Manager.

Recipients of this Prospectus should not interpret any financial information contained herein as a promise of the performance of the Fund. The Fund and the Fund Manager cannot (and do not) guarantee the performance or success of the Fund. Each prospective investor should carefully review the risks associated with an investment in the Fund, which are summarised in the section of this Prospectus headed "Investment Considerations".

### **Restrictions on Distribution, Promotion and Subscription**

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this Prospectus may come are required by the Fund to inform themselves of, and to observe, any such restrictions.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

It is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to all legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **Investment Considerations**

Investment in the Fund carries substantial risk. There can be no assurance that the Fund's investment objective in respect of each of its Sub-Funds will be achieved and investment results may vary substantially over time. Investment in any of the Sub-Funds is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an investment in Shares is suitable for them in light of their circumstances and financial resources (see further under "Investment Considerations" below).

### **Annexes**

The Annexes to this Prospectus forms an integral part of this Prospectus.

### **Shariah terminology**

Any convention terminologies are only used for reasons of explanation or clarity and will not impact the Islamic products or documentation in terms of their Shariah compliance.

## DEFINITIONS OF CAPITALISED TERMS USED IN THIS PROSPECTUS

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Capitalised terms not otherwise defined in this Prospectus shall have the meanings ascribed to them in the Law or the CIR.

AED	United Arab Emirates Dirham, the lawful currency of the United Arab Emirates.
Annex	An annex to this Prospectus containing information with respect to a particular Sub-Fund.
Articles of Association	The articles of association of the Fund (as amended or replaced from time to time) and which constitute the Fund as required under the Law and the CIR.
Audit Principal	As further detailed under the section "Fund Directory".
Bahrain	Kingdom of Bahrain.
Business Day	Monday to Friday unless the UAE Ministry of Labour or the DIFC Authority announce that such a day will be a holiday in the DIFC and, in relation to a particular Sub-Fund, such other place or places as may be specified in the relevant Annex.
Calculation Period	A period of time used to calculate the Performance Fee, if any, as set out in the relevant Annex.
CIR	The Collective Investment Rules (CIR) of the DFSA.
Class	A separate class of Shares in a Sub-Fund.
Custodian	Branches of Deutsche Bank AG, worldwide, as Eligible Custodian, and includes any successor or replacement Eligible Custodian.
Custodian Agreement	The agreement dated 9 June 2008 between the Fund Manager and the Custodian relating to the custody/safekeeping of the assets of each Sub-Fund (as amended or replaced from time to time).
Dealing Day	Each Business Day.
Delegation Agreement	The agreement dated 14 January 2016 between the Fund Manager acting on behalf of the Fund, the Fund Administrator, Registrar and Transfer Agent relating, amongst other things, to the administration of each Sub-Fund (as supplemented, amended or replaced from time to time).
Deutsche Bank	Deutsche Bank AG, Filiala Dubai (Deutsche Securities and Services).
DFSA	The Dubai Financial Services Authority and includes any successor or replacement agency or authority.
DIFC	The Dubai International Financial Centre.
Dilution Levy	Any dilution levy charged in accordance with the provisions set out under "Dilution Levy" below.
Director	The director of the Fund (which shall be the Fund Manager) and includes any successor or replacement director.
Eligible Custodian	An Eligible Custodian as prescribed in the CIR.
Equalisation Credit	The amount of money that an Investor will be required to pay in excess of the then current Net Asset Value per Share equal to the percentage specified as the relevant Performance Fee of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Hurdle HWM.
Fees	The subscription, distribution, management, performance, administration, registration and transfer agency, custodian and/or other fees payable in respect of each Sub-Fund as set out in this Prospectus and the relevant Annex.
Financial Year	The financial year of the Fund will end on 31 December of each year.
Fund	Mashreq Capital Shariah Compliant Funds (OEIC) PLC.
Fund Administrator	Apex Fund Services (Dubai) Ltd. and includes any successor or replacement fund administrator.
Fund Manager	Mashreq Capital and includes any successor or replacement Fund Manager of the Fund.
Fund Property	The assets of the Fund.
GCC	Gulf Cooperation Council.
High Water Mark	The higher of the Subscription Price during the Initial Offer Period and the Net Asset Value per Share the last time a Performance Fee was paid (crystallised).
Hurdle Rate	The minimum rate, as specified in the relevant Annex, stated as a percentage, by which the Net Asset Value of a particular Sub-Fund or Class must increase above the High Water Mark before the Fund Manager earns a Performance Fee.
Hurdle HWM	Is the sum of High Water Mark and the relevant Hurdle Rate.
Initial Closing Date	The last day of the Initial Offer Period.

Initial Offer Period	The period determined by the Fund Manager during which Shares of a particular Sub-Fund or Class are offered for subscription at a fixed price as specified in the relevant Annex.
Initial Issue Date	The first Business Day following the Initial Closing Date.
IPO	Initial Public Offerings.
Investment Manager	Mashreq Capital and includes any successor or replacement investment manager of the Fund.
Investment Objective and Policies	The investment objective and policies of each Sub-Fund set out in the relevant Annex.
Islamic Finance Rules	The Islamic Finance Rules of the DFSA.
Issue Date	The Business Day following the Initial Closing Date and thereafter the Business Day following each Valuation Date.
Law	The Collective Investment Law No. 2 of 2010 (as amended).
Management Agreement	The agreement dated 14 May 2018 between the Fund Manager and the Investment Manager relating to the management of each Sub-Fund (as amended or replaced from time to time).
Mashreq Capital	Mashreq Capital (DIFC) Limited.
Mashreq Al-Islami Income Fund	The Sub-Fund represented by the Class "B" Shares, Class "C" Shares, Class "D Accumulation" Shares, Class "D Income" Shares, Class "D AED Accumulation" Shares and Class "D AED Income" Shares of the Fund being the first Sub-Fund of the Fund offered to investors on the terms set out in this Prospectus and the relevant Annex.
Mashreq Al-Islami Equity Fund	The Sub-Fund represented by the Class "E" Shares, Class "F" Shares, Class "G Accumulation" Shares, Class "G Income" Shares, Class "G AED Accumulation" Shares and Class "G AED Income" Shares being the second Sub-Fund of the Fund offered to investors on the terms set out in this Prospectus and the relevant Annex.
MENA	Middle East and North Africa.
Minimum Initial Fund Size	The minimum initial fund size for each Sub-Fund set out in the relevant Annex.
Net Asset Value per Class	The net asset value of a Sub-Fund per Class determined in accordance with the provisions set out under "Net Asset Value" below.
Net Asset Value per Share	The net asset value of a Sub-Fund per Class per Share, determined in accordance with the provisions set out under "Net Asset Value" below.
Net Asset Value	The net asset value of a Sub-Fund determined in accordance with the provisions set out under "Net Asset Value" below.
Ordinary Resolution	A resolution of a duly constituted general meeting of a Class of the Shareholders passed by a simple majority of the votes cast on behalf of the Shares entitled to vote through or on behalf of the relevant Class of Shareholders present in person or by proxy and voting at the meeting. It includes any unanimous written resolution of the holders of Shares entitled to vote, expressed to be an ordinary resolution.
Oversight Committee	The panel or board appointed to oversee and supervise the Fund Manager as required under the Law and the CIR.
Performance Fee	Where applicable, a performance fee that may be payable to the Fund Manager or the Investment Manager depending on the performance of the relevant Sub-Fund, as set out in the relevant Annex.
Prospectus	This prospectus setting out the terms of the Fund together with each Annex.
Record Date	The date determined by the Director on which a Shareholder must own Shares in order to be entitled to a distribution.
Redemption Date	The redemption date for Shares in a particular Sub-Fund as specified in the relevant Annex.
Redemption Price	The Net Asset Value per Share minus any Dilution Levy specified in the relevant Annex.
Redemption Request	A request by a Shareholder to redeem some or all of its Shares in a Sub-Fund.
Registered Auditors	Deloitte & Touche (M.E.).
Registered Office	AlFattan Currency House, Tower 1, Office number 111, DIFC, PO Box 1250, Dubai, UAE.
Registrar and Transfer Agent	Apex Fund Services (Dubai) Ltd. and includes any successor or replacement registrar and transfer agent.
Rules	The rules of the DIFC and of the DFSA.
Saudi Arabia	Kingdom of Saudi Arabia.
Shareholder	A holder of a Share.

Shareholder Register	The register of Shareholders maintained by the Registrar and Transfer Agent in relation to each Sub-Fund at its registered office in the DIFC, where it can be inspected by the Shareholders.
Share	A registered share in the Fund.
Shariah	Islamic Shariah laws and principles.
Shariah Supervisory Agreement	The Shariah supervisory agreement between the Fund Manager and the members of the Shariah Supervisory Board as renewed from time to time.
Shariah Supervisory Board	The Shariah supervisory board appointed in relation to each Sub-Fund as required under the Law and the CIR and as specified in the relevant Annex.
Special Resolution	A resolution in respect of which notice of intention to propose the resolution has been given, and that has been passed by the positive vote of a Class or Classes of Shareholders holding at least 75% of the Shares entitled to vote on the resolution.
Sub-Fund	A separate sub-fund of the Fund established and maintained in respect of a Class of Shares to which the assets and liabilities and income and expenditure attributed or allocated to such Sub-Fund will be applied or charged.
Sub-Fund Property	The assets of the relevant Sub-Fund.
Subscriber	A potential investor in a Sub-Fund who has submitted a subscription agreement but to whom Shares have not been issued.
Subscription Date	The subscription date for Shares in a particular Sub-Fund as specified in the relevant Annex.
Subscription Price	The Net Asset Value per Share plus any subscription fee specified in the relevant Annex.
UAE	The United Arab Emirates.
US	The United States of America.
USD and United States Dollars	United States dollars, the lawful currency of the US.
US Securities Laws	Any relevant US securities laws.
Valuation Date	The valuation date for Shares in a particular Sub-Fund as specified in the relevant Annex.

## FUND STRUCTURE

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### The Fund

The Fund is a DFSA Public Fund and a DFSA Domestic Fund (both as defined in the Rules) and was registered with the DFSA on 24 July 2008. The Fund effectively commenced operations on 1st May 2009.

The Fund is constituted as an open-ended investment company established in the DIFC on 24 July 2008 under the DIFC Companies Law 2006 (which has now been replaced by the DIFC Companies Law No. 5 of 2018). The Articles of Association of the Fund are governed by the laws of the DIFC. The Fund is organised as an umbrella fund and each Sub-Fund created by the Fund comprises or will comprise a separate Sub-Fund. The Fund is not constituted as a Protected Cell Company in accordance with the provisions of the Regulations made under the DIFC Companies Law No. 5 of 2018, and therefore the Sub-Funds are not statutorily or constitutionally ring-fenced. In practice, cross class liability will only arise where a particular Sub-Fund becomes insolvent or exhausts its assets and is unable to meet all of its liabilities. In case the Fund is unable to meet liabilities attributable to any particular Sub-Fund out of the assets attributable to that particular Sub-Fund, the remaining liabilities will be met by the Fund Manager in order to ensure that no other Sub-Fund is affected. Each Sub-Fund will, in turn, be sub-divided into one or more separate Classes. As of the date of this Prospectus, the Fund has two Sub-Funds, the Mashreq Al-Islami Income Fund, currently comprising the Class "B" Shares, Class "C" Shares, Class "D Accumulation" Shares, Class "D Income" Shares, Class "D AED Accumulation" Shares and Class "D AED Income" Shares of the Fund, and the Mashreq Al Islami Equity Fund, currently comprising the Class "E" Shares, Class "F" Shares, Class "G Accumulation" Shares, Class "G Income" Shares, Class "G AED Accumulation" Shares and Class "G AED Income" Shares of the Fund. The Fund Manager has the ability within the authorised share capital of the Fund to establish further Sub-Funds and establish further Classes in relation to each of its Sub-Funds. Such further Sub-Funds or Classes may also be denominated in currencies other than the United States Dollar.

The current authorised share capital of the Fund is six million and a hundred United States Dollars (USD 6,000,100) and two million United Arab Dirham (AED 2,000,000) (or its equivalent in other currencies) and is divided into:

- a) one Class "A" Share with a par value of one hundred United States Dollars (USD 100);
- b) 100,000,000 Class "B" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- c) 100,000,000 Class "C" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- d) 50,000,000 Class "D Accumulation" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;

- e) 50,000,000 Class "D Income" Shares with a nominal par value of one United States cent (USD 0.01) per Share;
- f) 50,000,000 Class "D AED Accumulation" Shares with a nominal par value of AED 0.01 per Share;
- g) 50,000,000 Class "D AED Income" Shares with a nominal par value of AED 0.01 per Share;
- h) 100,000,000 Class "E" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- i) 100,000,000 Class "F" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- j) 50,000,000 Class "G Accumulation" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- k) 50,000,000 Class "G Income" Shares with a nominal par value of one United States Cent (USD 0.01) per Share;
- l) 50,000,000 Class "G AED Accumulation" Shares with a nominal par value of AED 0.01 per Share; and
- m) 50,000,000 Class "G AED Income" Shares with a nominal par value of AED 0.01 per Share.

The Class "A" Share in the Fund is the non-participating non-redeemable founder Share in the Fund. The Class "A" Share has a par value of USD 100 and a subscription price of USD 100, fully paid up. The Class "A" Share is held by the Fund Manager.

Class "B" Shares, Class "C" Shares, Class "D Accumulation" Shares, Class "D Income" Shares, Class "D AED Accumulation" Shares, Class "D AED Income" Shares, Class "E" Shares, Class "F" Shares, Class "G Accumulation" Shares, Class "G Income" Shares, Class "G AED Accumulation" Shares and Class "G AED Income" Shares are participating, redeemable shares but shall not confer any voting rights on a Shareholder, provided however that a Shareholder shall be permitted to vote in those circumstances specifically stated in the Articles of Association or otherwise in accordance with the Law, the CIR and the Rules. This includes the right to vote on any matters (or amendments) which would affect the rights or entitlements of a Shareholder, such as a fundamental change requiring a Special Resolution or a materially significant change requiring an Ordinary Resolution.

Each Sub-Fund will have its own investment objective and policies and may be subject to different terms and conditions and, amongst other things, may have a different base currency, minimum subscription amount, fee structure and distribution policy. The terms and conditions of each Sub-Fund are specified in the relevant Annex.

This is an Islamic Fund (as defined in the CIR) and consequently the Fund's entire business operations will be conducted in accordance with Shariah.

No application has been made for the listing of the Fund or any Sub-Fund on any stock exchange but an application for any such listing(s) may be made on (an) exchange(s) in the future at the sole discretion of the Fund Manager.

There is no limit on the number of investors who may invest in the Fund.

### **Investment Objective and Policies**

The investment objective and policies of each Sub-Fund will be set out in the Annex for that Sub-Fund.

### **Duration of the Fund**

The duration of the Fund and each Sub-Fund shall be unlimited and shall continue until terminated in accordance with the provisions of this Prospectus, the Articles of Association and, in relation to a Sub-Fund, the relevant Annex.

### **Subscriptions**

Investors may subscribe for Shares during the relevant Initial Offer Period at the fixed price plus the applicable subscription fee specified in the relevant Annex, and thereafter on each Subscription Date at the relevant Subscription Price upon such number of days' notice or by such time and/or day as specified in the relevant Annex.

### **Minimum Subscription and holding**

The minimum initial subscription amount and the minimum ongoing holding amount for each Sub-Fund or Class are specified in the relevant Annex.

### **Redemptions**

Shares are redeemable at the option of the Shareholder on each Redemption Date upon such number of days' notice or by such time and/or day as specified in the relevant Annex. Shares will be redeemed at the relevant Redemption Price. The Fund Manager may decide that no redemptions will be accepted before the end of a minimum holding period, if any, specified in the relevant Annex.

### **Distribution Policy**

The Fund's distribution policy may vary for each Sub-Fund and each Class, as set out in the relevant Annex; however the decision to declare or make a distribution in relation to any Sub-Fund or Class will be made solely by the Director. All Shareholders recorded in the register of the Registrar and Transfer Agent at the end of the Record Date (including the Record Date transactions) shall be eligible for such distribution.

If a distribution is declared or made by the Fund in relation to any Sub-Fund or Class, it will generally be paid to each eligible Shareholder by electronic transfer (net of the electronic transfer fee) to the account instructed by that Shareholder except if provided otherwise in the relevant Annex.

In the event that a distribution is declared or made and remains unclaimed after a period of twelve months from the date of declaration or distribution, such distribution will be automatically forfeited and will be donated to a registered charity approved by the Shariah Supervisory Board.

All income which the Fund Manager determines, in consultation with the Shariah Supervisory Board, is not permissible under Shariah, shall be removed from the relevant Sub-Fund and donated to a registered charity approved by the Shariah Supervisory Board.

### **Taxation and Reporting**

On the basis of current law and practice, the Fund will not be subject to any income or capital gains tax in the DIFC or the United Arab Emirates. Prospective applicants for Shares should consult their own advisers as to the effect on their own particular tax circumstances of an investment in the Fund.

The Fund is required under the regulations and guidance notes made pursuant to treaties, law and intergovernmental agreements entered into by the United Arab Emirates to which the Fund Manager and the Fund is subject, to comply in relation to the (automatic) exchange of information for tax matters (collectively "AEOI"). The applicable intergovernmental agreements relates to both U.S. Foreign Account Tax Compliance Act ("FATCA") and OECD Standard for Automatic Exchange of Financial Information in Tax Matters – Common Reporting Standard ("CRS") requirements. Further details are set out in the relevant Subscription Agreement relating to AEOI.

### **Limited Liability**

Investors invest in the Fund with limited liability and cannot lose more than the amount of their investment. Shareholders will have no further liability for the debts of the Fund.

## **FUND MANAGEMENT**

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### **Fund Manager & Investment Manager**

Mashreq Capital has been appointed as the Fund Manager of the Fund and, with the approval of the DFSA, also acts as the investment manager of the Fund and will act in accordance with:

- a. the Management Agreement;
- b. the Articles of Association;
- c. the Prospectus; and
- d. the Law and the CIR.

As Fund Manager, Mashreq Capital is also the Director (see further under "Director" below).

Mashreq Capital (which is a wholly owned subsidiary of MashreqBank PSC incorporated in Dubai, United Arab Emirates) is a limited liability company incorporated in the DIFC on 7 February 2006 and is licensed by the DFSA to undertake the following financial services:

- a. Managing a Collective Investment Fund;
- b. Managing Assets;
- c. Arranging Credit and Advising on Credit;
- d. Dealing in Investments as Principal;
- e. Dealing in Investments as Agent;
- f. Arranging Deals in Investments; and
- g. Advising on Financial Products.

At the date of this Prospectus, the issued share capital of the Fund Manager is USD 2.5 Million, all of which is paid up.

Robert Hahm is the Chief Executive Officer (CEO) of Mashreq Capital. Robert started his career in banking in 1999. He has extensive experience in global markets and is specialized in Emerging Markets. In addition to portfolio management, Robert also has experience in risk management functions and treasury. Robert is a CFA charterholder and holds a Masters in Economics from the University of Hamburg. He has been with Mashreq Capital for nearly 8 years.

Further, Mashreq Capital has on its board members of MashreqBank senior management team who actively sit on the boards of various funds that the group operates under the Makaseb Fund Company B.S.C. (C) umbrella, and hence have extensive experience in monitoring fund management activities.

Details of the Registered Office and directors of Mashreq Capital are available to the public at its office in the DIFC.

### **The Fund Manager must, amongst other things:**

- a. carry out such duties and functions in relation to the Fund as are necessary to ensure compliance with the Law and the Rules that impose obligations on a Fund Manager;

- b. carry out its duty to make, and ensure that, decisions as to the constituents of the Sub-Fund Property are in accordance with the Articles of Association and the Investment Objective and Policies of such Sub-Fund;
- c. take all steps and execute all documents to ensure that transactions are properly entered into for the account of the Fund/each Sub-Fund;
- d. establish and maintain risk management controls and controls to enable it to identify, assess, mitigate, control and monitor risks in relation to the Fund/each Sub-Fund;
- e. take all reasonable steps and exercise due diligence to ensure that the Sub-Fund Property is valued in accordance with the Law, the CIR and the Articles of Association;
- f. ensure that any transaction in respect of the Sub-Fund Property undertaken with a Related Party (as defined in the CIR) is on terms at least as favourable to the Sub-Fund as any comparable arrangement on normal commercial terms negotiated at arm's length with an independent third party and is effected in accordance with the CIR; and
- g. make and retain accounting and other records that are necessary to enable it to comply with the CIR and to demonstrate at any time that such compliance has been achieved.

The Fund Manager is responsible to the Shareholders for the safe-keeping of the Sub-Fund Property. The Fund Manager is also responsible for managing the Fund and monitoring its performance on a daily basis.

The Fund Manager is responsible, in compliance with all relevant laws, for all operations concerning the Fund and each Sub-Fund and shall be permitted from time to time to delegate certain activities, or outsource certain functions, in accordance with the CIR; provided that it shall not be permitted to delegate the responsibility for conducting such activities and carrying out such functions.

The Fund will ratify all actions taken by the Fund Manager in accordance with the terms of the Articles of Association and this Prospectus and shall indemnify each of the Fund Manager, its officers and employees (each an "indemnified party") to the fullest extent permitted by the laws of the DIFC against any liability, actions, proceedings, claims, demands, costs or expenses reasonably incurred or sustained by it in connection with any debt, claim, action, demand, suit, proceeding, judgment, decree, liability or obligation of any kind in which it becomes involved as a party or otherwise, by virtue of its being or having been the Fund Manager, an officer or employee of the Fund except where such debt, claim, action, demand, suit, proceeding, judgment, decree, liability or obligation arises as a result of any fraud, negligence or wilful default on the part of the relevant indemnified party. Subject to any provision of the laws of the DIFC to the contrary, no indemnified party shall be liable for any damage, loss, costs or expenses to or of the Fund at any time unless caused by the indemnified party's fraud, negligence or wilful default.

Subject always to the provisions of the Law and the Rules, the Fund Manager may be removed or may resign pursuant to the provisions of the Articles of Association.

## DIRECTOR AND OVERSIGHT COMMITTEE

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The Fund has appointed one Director. The Director of the Fund is the Fund Manager.

The Director of the Fund will receive no remuneration in respect of its role.

In accordance with the CIR, an 'Oversight Committee' comprising three individuals has been appointed by the Fund Manager who shall supervise the activities of the Fund Manager in accordance with the Law and the CIR. This committee comprises the following persons who are authorized by the DFSA:

### **Sharon Ditchburn**

Sharon Ditchburn is a Certified Practising Accountant, Chartered Secretary, and holds legal qualifications from Australia, as well as an MBA specializing in Corporate Governance, Entrepreneurship and Strategy. Sharon has wide ranging experience at Senior Management and Director level on a variety of public and private companies in Australia and the UAE. Overall, her experience ranges across advisory and management of compliance and corporate governance programs, mergers and acquisitions to investor relations programs.

### **Ece Briscoe**

Ms Briscoe is an experienced Lawyer and Compliance Manager. Ece has more than 10 years of legal experience, in the Middle East, UK and Turkey, including roles as senior lawyer, in-house legal counsel, Anti-Money Laundering and Compliance Officer. Ece is a DFSA regulated Compliance / AML Officer for a range of companies including asset managers, insurance platforms, and general advisors. Her work includes updating client registration applications, compliance/AML/risk manuals based on DFSA requirements and changes, performing risk-rating and KYC analysis on potential investors, drafting quarterly/annual compliance and MLRO reports for client senior management, conducting AML and KYC training based on DFSA rulebooks, and preparing and assisting clients with DFSA Risk assessments.

### **Lotte Nielsen**

Lotte Nielsen has more than 20 years of experience in the fields of financial services, legal services, compliance, AML, corporate governance, company secretarial, tax auditing and internal control. She is a dedicated professional with a proven track record in compliance, corporate governance, money laundering, anti-bribery, corruption and fraud systems, controls and practices. She has built technical capacity within compliance, risk and governance and undertaken support, guidance, implementation and training in the Middle East mainly to financial services firms, but also to non-financial industries.

The Oversight Committee must:

- a. monitor whether the Fund Manager:
  - i. is managing the Fund in accordance with the Articles of Association and the most recent Prospectus, including in particular, any investment and financing limitations, requirements relating to the valuation of Fund Property and any other requirements or restrictions imposed on the Fund under the Law or the CIR; and
  - ii. is complying with any terms and conditions on the Fund Manager's DFSA licence, particularly with respect to the management of the Fund.
- b. assess whether the Fund Manager's systems and controls, particularly those relating to risk management and compliance, operate as intended and remain adequate;
- c. report to the Fund Manager on its findings, including any actual or potential breaches or inadequacies in relation to the matters specified in a. and b., as soon as such breaches or inadequacies are identified or suspected; and
- d. report to the DFSA if:
  - i. the Fund Manager has failed, or is reasonably likely to fail, to take appropriate action to rectify or remedy a matter reported to it within 30 days of that matter being so reported; and
  - ii. the Oversight Committee believes on reasonable grounds that the matter has had, or is likely to have, a materially adverse impact on the interests of the Shareholders.

The Oversight Committee must furthermore, amongst other things:

- a. carry out such duties and functions in relation to the Fund as are necessary to ensure compliance with the Law and the CIR that impose obligations on an Oversight Committee;
- b. ensure (on a continuing basis) proper management of the Fund by the Fund Manager in accordance with CIR relating to single pricing and dealing, income, investment, financing and reporting;
- c. ensure (on a continuing basis) that (i) the Fund Property is being used or invested by the Fund Manager in accordance with CIR covering investment & financing; and (ii) the Fund Manager is taking steps to ensure compliance with CIR covering investment and financing with reference to the interests of Shareholders;
- d. report to the Fund Manager on the appropriateness and effectiveness of the systems and controls agreed for the oversight function, at least quarterly unless circumstances require more frequent meetings; and
- e. prepare a report for the Shareholders each year, to be included in the annual report and such report must contain:
  - i. a description of the Oversight Committee's oversight duties;
  - ii. a statement whether in any material respect the issue, sale, redemption, cancellation, calculation of the price of Shares and the application of the Fund's income have not been carried out in accordance with the CIR and this Prospectus; and
  - iii. a statement whether in any material respect the investment and financing powers and other restrictions applicable to the Fund have been exceeded.

The Fund will ratify all actions taken by the Oversight Committee members in accordance with the terms of the Articles of Association and this Prospectus and shall indemnify the Oversight Committee members (each an "indemnified party") to the full extent permitted by the laws of the DIFC against any liability, actions, proceedings, claims, demands, costs or expenses reasonably incurred or sustained by it in connection with any debt, claim, action, demand, suit, proceeding, judgment, decree, liability or obligation of any kind in which it becomes involved as a party or otherwise, by virtue of its being or having been an Oversight Committee member except where such debt, claim, action, demand, suit, proceeding, judgment, decree, liability or obligation arises as a result of any fraud, negligence or wilful default on the part of the relevant indemnified party. Subject to any provision of the laws of the DIFC to the contrary, no indemnified party shall be liable for any damage, loss, costs or expenses to or of the Fund at any time unless caused by the indemnified party's fraud, negligence or wilful default.

Subject always to the provisions of the Law and the Rules, the Oversight Committee members may be removed or may resign pursuant to the provisions of the Articles of Association.

## FUND ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT

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Apex Fund Services (Dubai) Ltd., has been appointed as the Fund Administrator of the Fund pursuant to the Delegation Agreement. The Fund Administrator is responsible for the administration of the Fund, which includes amongst other things, arranging the calculation of the Net Asset Values of the Fund or Sub-Fund and fees, and administration of uninvested cash. The Fund Administrator has undertaken to comply with all applicable CIR while carrying out its duties.

The Director has delegated to the Administrator the determination of the Net Asset Value of each Sub-Fund, the Net Asset Value per Class of each Sub-Fund, and the Net Asset Value per Share of each Class of each Sub-Fund, subject to the overall supervision and direction of the Director. In

determining the Net Asset Value of each Sub-Fund, the Net Asset Value per Class of each Sub-Fund, and the Net Asset Value per Share of each Class of each Sub-Fund, the Administrator will follow the valuation policies and procedures adopted by the Fund and each Sub-Fund as set out in the provisions under "Net Asset Value" below.

The Administrator may delegate its obligations to an agent but shall remain responsible for the duties set out in this section "Fund Administrator, Registrar and Transfer Agent".

For the purpose of calculating the Net Asset Value of each Sub-Fund, the Net Asset Value per Class of each Sub-Fund, and the Net Asset Value per Share of each Class of each Sub-Fund, the Administrator shall, and shall be entitled to, rely on, and will not be responsible for the accuracy of, financial data furnished to it by the broker(s) appointed by the Fund, market makers or independent reputable third party pricing services. The Administrator may also use and rely on industry standard financial models or other financial models approved by the Director in pricing any Sub-Fund's securities or other assets. If and to the extent that the Director or the Fund Manager are responsible for or otherwise involved in the pricing of any Sub-Fund's portfolio securities or other assets, the Administrator may accept, use and rely on such prices in determining Net Asset Value of each Sub-Fund, the Net Asset Value per Class of each Sub-Fund, and the Net Asset Value per Share of each Class of each Sub-Fund, and (save in the case of fraud, negligence, wilful default or bad faith of the Fund Administrator) shall not be liable to the Fund or any Sub-Fund in so doing.

Foreign currency transactions or conversions (if any) will be valued at the Bloomberg rate available for the day or the rate provided by Fund Manager.

The Fund Administrator is entitled to be indemnified against all actions, proceedings, claims, demands, costs, expenses whatsoever (other than those resulting from the fraud, negligence, wilful default or bad faith of the Fund Administrator) which may be made against or incurred by the Fund Administrator arising out of, or in performing, its obligations or duties.

The Fund Administrator is under no duty to supervise compliance with the investment objectives, policy, investment restrictions, financing restrictions or operating guidelines in relation to the Fund and will not participate in transactions and activities.

Apex Fund Services (Dubai) Ltd. has also been appointed as the Registrar and Transfer Agent of the Fund pursuant to the Delegation Agreement.

The Registrar and Transfer Agent will be responsible for the keeping of each Shareholder Register. In order to comply with DIFC laws and regulations, the Registrar and Transfer Agent shall maintain the Shareholder Register at its office in the DIFC.

The Fund Manager will monitor the Fund Administrator's performance on an ongoing basis in accordance with the Law and the CIR.

The Delegation Agreement to the extent permitted by the laws of the DIFC, provides, amongst other things, for the following:

- i. the Fund Administrator, Registrar and Transfer Agent shall not incur liability by refusing in good faith to perform any duty or obligation in the Delegation Agreement which in its reasonable judgment is improper or unauthorised and in performing its duties and obligations pursuant to the Delegation Agreement it shall not be required at any time to do or procure the doing of anything contrary to or in breach of or which constitutes any offence against any applicable law or regulation then in force;
- ii. the Fund Administrator, Registrar and Transfer Agent shall not, in the absence of fraud, negligence, wilful default or bad faith on the part of the Fund Administrator, Registrar and Transfer Agent or its servants be liable to the Fund Manager or to the Fund for any act or omission in the course of or in connection with the services rendered by it under the Delegation Agreement or for any loss or damage which the Fund Manager or the Fund may sustain or suffer as the result or in the course of the discharge by the Fund Administrator, Registrar and Transfer Agent or its servants of its duties under or pursuant to the Delegation Agreement;
- iii. the Fund Manager agrees to indemnify the Fund Administrator, and the Registrar and Transfer Agent from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, misconduct, negligence or wilful default on the part of the Fund Administrator, Registrar and Transfer Agent or its servants) which may be imposed on, incurred by or asserted against the Fund Administrator, or the Registrar and Transfer Agent in performing its obligations or duties under the Delegation Agreement;
- iv. the Fund Administrator, Registrar and Transfer Agent agrees to indemnify the Fund Manager and to hold the Fund Manager harmless against all charges, costs, damages, losses, claims, liabilities, obligations, damages, penalties, actions, judgments, suits, costs, expenses, fees and disbursements of any kind or nature whatsoever (together with any value added tax or similar tax imposed from time to time), which the Fund Manager may suffer or incur howsoever in connection with or arising from the Fund Administrator, Registrar and Transfer Agent's or its servants' negligence, wilful misconduct, fraud or wilful default in performing its obligations, duties and services under the Delegation Agreement;
- v. in calculating any Performance Fee or any accrual in relation thereto, the Fund Administrator and the Registrar and Transfer Agent shall not be liable for any loss suffered by the Fund Manager or any Shareholder by reason of the method of calculation agreed to by the Fund Administrator, or the Registrar and Transfer Agent or by reason of the Fund Administrator, Registrar and Transfer Agent acting upon any written instructions of the Fund Manager in respect of any such calculation;
- vi. the Fund Administrator, Registrar and Transfer Agent shall not be liable for any loss suffered by the Fund Manager whether caused by delays or otherwise resulting from incorrect information or illegible or unclear communications other than due to the Fund Administrator, Registrar and Transfer Agent's own fault; and
- vii. the Fund Administrator, and the Registrar and Transfer Agent shall not be responsible for the loss or damage to any documents or other property or for any failure to fulfil its duties under the Delegation Agreement if such loss, damage or failure shall be caused directly or indirectly due to war,

terrorism, enemy action, an act of government or other competent authority, any investment exchange or dealing house, riots, civil disturbance, rebellion, pestilence, storm, tempest, accident, fire, strike, explosion, lock-out or the breakdown, failure or malfunction of any telecommunication or computer service or any occurrence or event beyond the control of the Fund Administrator, or the Registrar and Transfer Agent.

The appointment of the Fund Administrator may be terminated by not less than 90 days' notice in writing. The Delegation Agreement may also be terminated in certain other circumstances.

## CUSTODIAN

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### Custodian

Deutsche Bank has been appointed as the Custodian of the Fund Property, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodian Agreement. The Custodian is regulated by the UAE Securities and Commodities Authority.

In performing its duties, the Custodian may, at the expense of the Fund, appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (included in such appointment are powers of sub-delegation), provided always that the Custodian will remain responsible for the proper performance of its duties. The Custodian will not however be responsible for any loss suffered by the Fund by reason only of the liquidation, bankruptcy or insolvency of any such agent, sub-custodian or delegate.

The Custodian will not be responsible for any cash, securities and/or other assets comprising the assets of the Fund which are not deposited with or held to the Custodian's order. In particular, the Custodian will not be responsible for any cash, securities and/or other assets placed with co-custodians, brokers or any other party outside the Custodian's global custodian network. The Custodian will not participate in transactions and activities.

Notwithstanding the appointment of the Custodian and the fact that the Custodian will hold the legal title to the Fund Property, the Fund Manager shall remain responsible for the Fund Property.

The Custodian Agreement, to the extent permitted by the laws of the DIFC, provides, amongst other things, for the following:

- a. the Fund Manager agrees to indemnify the Custodian and hold the Custodian harmless against all charges, costs, damages, losses, claims, liabilities, expenses, fees and disbursements (together with any value added tax or similar tax imposed from time to time), which the Custodian may suffer or incur howsoever in connection with or arising from the Custodian Agreement except where there has been negligence or wilful misconduct on the part of the Custodian; and
- b. the Fund Manager further agrees to indemnify the Custodian and to hold the Custodian harmless against any claims for income tax (including penalties) paid or payable by the Custodian as agent of the Fund Manager (or of any person on whose behalf the Fund Manager is acting) under the tax laws of the jurisdiction in which the Custodian is located, notwithstanding that the Fund Manager has disputed such claims.

The appointment of the Custodian may be terminated by not less than 60 days' notice in writing. The Custodian Agreement may also be terminated in certain other circumstances.

## SHARIAH SUPERVISORY BOARD

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### Shariah Supervisory Board

A Shariah Supervisory Board has been appointed to advise the Fund Manager on matters of Shariah pursuant to the Islamic Finance Rules. The role of the Shariah Supervisory Board will be to provide ongoing and continuous supervision and adjudication in all Shariah matters for each Sub-Fund, including but not limited to:

- i. the provision of assistance with respect to the development of the legal and operational structure of the Fund generally and the relevant Sub-Fund in particular, including its investment objective, criteria and strategy, such that they comply with the principles of Shariah;
- ii. reviewing and satisfying themselves that the legal and operational structure of the Fund generally and the relevant Sub-Fund in particular, including the provisions of this Prospectus and the Articles of Association and its investment objective, criteria and strategy, comply with the principles of Shariah and issuing an initial certificate (fatwa, based on the underlying Islamic principles) on the launch of the Fund/the relevant Sub-Fund declaring the Fund/the relevant Sub-Fund to be in compliance with Shariah;
- iii. providing ongoing support to the Fund/the relevant Sub-Fund in respect of questions or queries the investors and their representatives may raise in respect of the ongoing Shariah compliance of the Fund/the relevant Sub-Fund;
- iv. providing ongoing assistance to the Fund/the relevant Sub-Fund in remaining compliant with Shariah and active assistance in correcting and/or mitigating any errors (if any) when made; and
- v. the Shariah Supervisory Board will advise the Fund Manager on matters of Shariah pursuant to the Islamic Finance Rules and this Prospectus and may be required to review the compliance of the Fund and/or the relevant Sub-Fund with the principles of Shariah for which there will be at least two (2) meetings per annum. The Fund Manager will receive notification in advance of each meeting of the Shariah Supervisory Board, and will have the opportunity to request the secretary of the Shariah Supervisory Board to table any specific agenda items relating to the Fund or a Sub-Fund. In such an event, the Fund Manager shall furnish all required information relating to activities and investment transactions. The Fund Manager may also, depending on business and product development requirements of the Fund and/or the Sub-Fund, request the secretary of the Shariah

Supervisory Board to schedule additional meetings. The secretary of the Shariah Supervisory Board, in such an event, will decide whether or not an additional meeting needs to be held.

- vi. The minutes of each meeting will be recorded by the secretary of the Shariah Supervisory Board, and those minutes will include details of decisions or pronouncements made by the members of the Shariah Supervisory Board. Thereafter, the Fund Manager will be notified of any action items which are relevant to either the Fund or a Sub-Fund.

The Shariah Supervisory Board reserves final authority with regard to the Shariah compliance of all business and investment activities of the Fund or the relevant Sub-Fund as well as the audit of its investment records for Shariah compliance. The assessment of the Shariah Supervisory Board with regard to Shariah compliance of all business and investment activities of the Fund or the relevant Sub-Fund is binding on the Fund and the relevant Sub-Fund in terms of Shariah compliance. The Shariah Supervisory Board may delegate certain authorities to Islamic Finance Advisory & Shariah Controls division of Mashreq Al Islami (Islamic Banking Division of Mashreqbank PSC) as its sole discretion.

The role of the Shariah Supervisory Board is to provide guidance and advice to the Fund Manager on Shariah compliance only. Accordingly, the Shariah Supervisory Board (and any committee thereof) will not (and cannot) make an investment decision on behalf of the Fund or the relevant Sub-Fund.

The Shariah Supervisory Board comprises the following members:

#### **Sheikh Abdullah S.M Al Meneea - Chairman**

Sheikh Abdullah is a Saudi national. He is a member of the Saudi Forum of Senior Shariah Scholars, which advises the government of the Kingdom of Saudi Arabia and Saudi public on all issues relating to religion. Sheikh Abdullah is a former senior judge in Saudi courts and he chairs the court in the western region. He is also a prominent member of the International Fiqh Academy and member of the Saudi higher Council Awqaf and serves on the Shariah boards of a number of financial institutions.

#### **Sheikh Dr. Mohamed Ali Elgari – Executive Member**

Dr. Elgari is an active member of the International Fiqh Academy. He sits in the Shariah Boards of more than twenty five financial institutions in the Gulf Cooperation Council, Europe and the US. In addition to his Shariah education, Dr. Mohammed Ali Elgari graduated from University of California with a Ph.D in Economics. He is a professor of Islamic Economics at King Abdulaziz University in Jeddah and the director of its Islamic Economics Research centre.

#### **Sheikh Dr. Nedham Saleh Yaqoobi – Executive Member**

Sheikh Nedham is a prominent Shariah scholar from Bahrain and he sits in the Shariah Boards of more than twenty financial institutions in the Gulf Cooperation Council, Europe, Asia and America. Sheikh Nedham is a regular speaker in Islamic Finance conferences on various issues relating to Islamic Finance. In addition to his Shariah qualifications, Sheikh Nedham Yaqoobi holds a Masters in Economics and Comparative Religion from McGill University in Canada.

## **REGISTERED AUDITOR AND LEGAL ADVISORS**

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### **Registered Auditor**

Deloitte & Touche (M.E.) has been appointed as the Registered Auditor of the Fund and will audit the Fund's annual financial statements. The Registered Auditor is registered with the DFSA as a Registered Auditor (as defined in the CIR).

### **Legal Advisors**

Herbert Smith Freehills LLP has been engaged by the Fund Manager to provide legal advice as to certain limited matters of the Law, the CIR and the Rules and to certain issues relating to the offering and promotion of the Shares in or from the DIFC. Herbert Smith Freehills LLP has been further mandated to review this Prospectus and confirm its compliance with the laws of the DIFC and the DFSA. Herbert Smith Freehills LLP is not otherwise, and has not otherwise been responsible for, nor has it verified, any information in this Prospectus.

## **FEES AND CHARGES**

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### **Management Fee**

The Fund Manager will receive from the Fund a management fee in respect of each Sub-Fund or Class as specified in the relevant Annex.

### **Distribution Fee**

The Fund Manager may receive from the Fund a distribution fee in respect of each Sub-Fund or Class as specified in the relevant Annex.

### **Set-Up Payment**

The Fund Administrator, Registrar and Transfer Agent and Custodian may receive a set-up payment in respect of each Sub-Fund as specified in the relevant Annex.

### **Performance Fee**

In addition to its management fee and distribution fee, the Fund Manager may also be entitled to receive a Performance Fee from the Fund in respect of each Sub-Fund or Class as specified in the relevant Annex.

#### **Administration Fee**

The Fund Administrator, Registrar and Transfer Agent will receive from the assets attributable to each Sub-Fund an administration fee of not more than 0.08% of the Net Asset Value of the Fund per annum, subject to a minimum fee of USD 24,000 per annum per Sub-Fund which is to be calculated and accrued as at each Valuation Date. Except in respect to the minimum fee, the administration fee shall be allocated to each Sub-Fund in accordance with the section "Net Asset Value" below.

#### **Custodian Fee**

The Custodian will receive out of the assets attributable to the Fund a custody fee calculated as a percentage of Net Asset Value of the Fund per annum (between 0.03% and 0.24% depending on the jurisdiction/platform in/on which the assets are held), subject to a minimum fee of USD 3,000 per month which is to be based on month-end valuation of the Fund, to be allocated to each Sub-Fund in accordance with the section "Net Asset Value" below. The Custodian is also entitled to receive from the assets of the Fund transaction fees and cash services fees agreed with the Fund Manager as well as reimbursement of out-of-pocket and third party expenses where these occur, to be allocated to each Sub-Fund in accordance with the section "Net Asset Value" below.

#### **Oversight Fee**

The Oversight Committee will receive from the Fund an oversight fee of USD 22,000 per annum paid quarterly in advance. Such oversight fee will be pro-rated for any part year and will be reviewed on an annual basis. The oversight fee shall be allocated to each Sub-Fund in accordance with the section "Net Asset Value" below.

#### **Shariah Supervisory Board Fee**

Each person on the Shariah Supervisory Board will receive from each Sub-Fund a supervisory fee of USD 10,000 per annum paid annually in arrears, unless specified otherwise in the relevant Annex. Such supervisory fee will be pro-rated for any part year and will be reviewed on an annual basis. The Shariah Supervisory Board fees shall be allocated to each Sub-Fund in accordance with the section "Net Asset Value" below.

#### **Zakah**

Payment of Zakah is the responsibility of the Shareholders and will not be paid directly by the Fund. Further information concerning Zakah is available in the annual financial statements of the Fund and of the relevant Sub-Fund.

#### **Other Fees and Expenses**

The Fund will also pay the cost and expenses of: (i) of all transactions carried out by it or on its behalf; and (ii) the administration of the Fund, including (a) the charges and expenses of legal advisers and the Registered Auditor, (b) brokers' commissions (if any) and any issue or transfer taxes chargeable in connection with any securities transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) any Value added Tax ("VAT") added to services provided to the Fund or any relevant Sub-Fund and generally any VAT that becomes payable on any payments made by the Fund or on behalf of the relevant Sub-Fund may be grossed up, deducted and or accounted for, as applicable, and will as a consequence, be at the expense of the Fund and or the relevant Sub-Fund, (e) financing charges, (f) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (g) the cost of insurance (if any), (h) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (i) marketing and promotional expenses, (j) all other organisational and operating expenses, and (k) all costs, charges and expenses properly incurred by the Fund Administrator, Custodian or Registrar and Transfer Agent in the performance of their respective duties and all reasonable out-of-pocket expenses incurred by the Fund Administrator, Custodian, Registrar and Transfer Agent or non-executive directors wholly and exclusively in the performance of its/their respective duties.

The total cost and expenses of establishing the Fund of approximately USD 80,000 were paid by the Fund out of proceeds of the initial issue of Shares. These cost and expenses were allocated to the Mashreq Al-Islami Income Fund in accordance with allocation rules set forth under "Net Asset Value" below.

If further Sub-Funds are created in the future, these Sub-Funds will bear, in principle, their own formation expenses.

The Director of the Fund will receive no remuneration or reimbursement of expenses in respect of their role. All of the above charges are subject to review from time to time. However, the Fund Manager shall be required to give Shareholders at least 90 days' notice of any proposed increase or other change to its management fee, its Performance Fee or change to redemption costs and expenses set out below in relation to a Sub-Fund or Class.

#### **Redemption Costs and Expenses**

If the Fund incurs any costs, expenses or losses in respect of any redemption of Shares, including any profit paid or payable or any loss, premium, penalty or expense that may be incurred in liquidating or employing securities, deposits or financing to fund the redemption amount, these may be recovered from the redemption amount payable to the redeeming Shareholder.

### **Dilution Levy**

In certain circumstances, the value of the Sub-Fund Property may be reduced as a result of charges incurred in dealings in the Sub-Fund's investments or through dealing in those investments at prices other than the mid-market price (including the cost of professional fees incurred, or expected to be incurred). In order to off-set this effect, known as "dilution", and the consequent potential adverse effect on the existing or remaining Shareholders in the relevant Sub-Fund, the Fund Manager has the power to charge a "dilution levy" when Shares are bought or sold. It is not, however, possible to predict accurately whether dilution will occur at any future point in time.

Any dilution levy charged must be fair to all Shareholders and potential Shareholders within the relevant Sub-Fund. The charging of a dilution levy will effectively reduce the redemption price or increase the purchase price of the relevant Shares. If charged, the dilution levy would be paid to the Fund and would become the property of the relevant Sub-Fund thus protecting the value of the Shares of the remaining Shareholder's holding Shares in that Sub-Fund. On occasions when the dilution levy is not charged there may be an adverse impact on the total assets of the relevant Sub-Fund. Notifications of the amount of the dilution levy will usually be sent to Shareholders by registered post or by email.

## **SUBSCRIPTION FOR SHARES**

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### **Initial Offer Period**

Application for subscription may be made during the Initial Offer Period specified in the relevant Annex. Any Initial Offer Period may be extended or terminated earlier by the Fund Manager in its discretion.

### **Initial Issue Price**

During any Initial Offer Period, the issue price per Share is the price specified in the relevant Annex plus any additional subscription fee.

### **Minimum Initial Subscription and Holding Amounts**

Subject to any applicable Rules, the Fund Manager will set and waive, in its discretion, a minimum subscription amount and a minimum ongoing holding amount for each Sub-Fund or Class, to be specified in the relevant Annex.

### **Subsequent Subscriptions**

If the Fund Manager determines that it is in the interest of Shareholders of the Sub-Fund to accept subscriptions after the Initial Offer Period, applications for subscription may be made on or prior to any day that is a Subscription Date for the Sub-Fund or Class concerned (or on such other days as the Fund Manager may from time to time determine), subject to any prior notice requirements specified in the relevant Annex. Subscriptions may only be made for a fixed amount and not for a specified number of Shares. The Fund Manager may discontinue the issue of new Shares in any Sub-Fund at any time in its discretion.

### **Minimum Subsequent Subscription Amount**

Subject to any applicable Rules, the Fund Manager will set and waive in its discretion a minimum subsequent subscription amount, to be specified in the relevant Annex.

### **Prior Notice Requirements**

The Fund Manager may in its discretion refuse to accept any application for subscription received after the first day of any prior notice period specified in the relevant Annex.

### **Subscription Fee**

During and after any Initial Offer Period, a subscription fee equal to a percentage of the aggregate subscription amount may be charged or waived in whole or in part at the discretion of the Fund Manager. Subscription fees are generally paid to the financial intermediary through which the subscription application was made and are detailed in the relevant Annex.

### **Subscription Price per Share**

After the Initial Offer Period, the subscription price in relation to a Sub-Fund or Class is the Net Asset Value per Share determined as at the relevant Subscription Date, increased by any applicable subscription fee.

### **Payment of Subscription Price**

The Fund Manager, the Fund Administrator or its agent must receive the full Subscription Price of the Shares subscribed in immediately available funds in the base currency of the Class concerned not later than the date or time and/or day specified in the relevant Annex. No interest or profit will be paid on payments received prior to the closing date of any Initial Offer Period or prior to any Subscription Date or Valuation Date. No third party payment will be accepted.

### **Eligible Shareholders**

Subject to the DFSA COB Module in respect of Client Classification, specific Shareholder eligibility requirements may apply to a particular Sub-Fund or

Class and, if so, will be specified in the relevant Annex. The following eligibility requirements apply to all Sub-Funds irrespective of the Class:

The subscription agreement requires each prospective applicant for Shares to represent and warrant to the Fund that, amongst other things, the subscriber is able to acquire and hold Shares without violating applicable laws.

The Shares will also not be offered, issued or transferred to any person in circumstances which, in the opinion of the Fund Manager, might result in the Fund incurring any liability to taxation or suffering any other disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US Securities Laws.

Shares may generally not be issued or transferred to any US Person (as defined in the US Securities Laws), except that the Fund Manager may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- a. such issue or transfer does not result in a violation of the US Securities Act of 1933 (as amended) or the securities laws of any of the States of the US;
- b. such issue or transfer will not require the Fund to register under the US Securities Act of 1940 (as amended);
- c. such issue or transfer will not cause any assets of the Fund to be "plan assets" for the purposes of US Employee Retirement Income Security Act of 1974 (as amended); and
- d. such issue or transfer will not result in any adverse regulatory or tax consequences to the Fund or its Shareholders.

Each applicant for and transferee of Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue, or the registration of any transfer, of Shares.

The Fund will require from each Shareholder acting on behalf of other investors confirmation that any assignment of rights to Shares will be made in compliance with applicable securities laws in the jurisdictions where such assignment is made and that in unregulated jurisdictions such assignments will be made in compliance with the minimum holding requirement.

#### **Anti-Money Laundering**

For the purpose of prevention of money laundering, the Fund Manager will require to conduct due diligence/enhanced due diligence, along with a detailed verification of the background of any Subscriber applying to purchase Shares, including the Subscriber's identity, any beneficial owner underlying such Subscriber, the account, and the source of funds for the purpose of Know You Client ("KYC").

The Fund Manager reserves the right to request such information/documents as is necessary to verify the identity of a Subscriber or investor and the underlying beneficial owner of the Shares.

The Fund Manager may also suspend the redemption rights of any Shareholder if the Fund Manager deems it necessary to do so to comply with any anti-money laundering laws or regulations applicable to the Fund, the Fund Manager or any of the Fund's service providers.

The Fund, the Fund Manager, the Fund's service providers and their respective directors, employees and agents shall be held harmless by all Shareholders against any loss arising as a result of any failure or delay in processing any subscription or redemption request if so doing is likely to cause any of them to breach any applicable laws or regulations.

Each Subscriber and Shareholder shall, upon request, supply such information or make sure representation to the Fund and the Fund Manager in connection with such anti-money laundering measures or procedures adopted by the Fund and the Fund Manager from time to time.

#### **Acceptance of Subscriptions**

The Fund Manager reserves the right to accept or refuse any subscription agreement for Shares in whole or in part.

#### **Suspension of Subscriptions**

The Fund Manager will suspend the issue of Shares of any Sub-Fund whenever the determination of the Net Asset Value of such Sub-Fund is suspended (see "Net Asset Value" section of this Prospectus).

#### **Irrevocability of Subscriptions**

Any request for subscriptions shall be irrevocable and may not be withdrawn by any Shareholder in any circumstances, even in the event of a suspension of the determination of the Net Asset Value of the relevant Sub-Fund. In the event of a suspension, the Fund will process the subscription request on the first applicable Valuation Date following the end of the period of suspension.

#### **Confirmation of Subscription**

Written confirmation of completed subscriptions (indicating the total number of full and fractional Shares (up to four decimals) issued to the Subscriber as of the applicable Subscription Date) will be sent to the Subscriber at the address provided in the subscription agreement as soon as reasonably practicable and in no event later than the last calendar day of the month following the Subscription Date as of which such Shares have been issued. Shares are issued in dematerialised form and no Share certificates will be issued.

## REDEMPTION OF SHARES

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### **Redemption Rights**

Subject to the restrictions provided in this Prospectus and the relevant Annex, the Fund Manager may redeem Shares in accordance with the terms of the relevant Annex or any Shareholder may apply for the redemption of some or all of his Shares or of a fixed amount. Shares will be redeemed at the Redemption Price i.e. the Net Asset Value per Share determined as at the Redemption Date less any Dilution Levy. If the value of a Shareholder's holding on the relevant Redemption Date is less than the fixed amount which the Shareholder has applied to redeem, the Shareholder will be deemed to have requested the redemption of all of his Shares.

### **Prior Notice Requirements**

The Fund Manager may in its discretion refuse to accept any Redemption Request received after the first day of any prior notice period specified in the relevant Annex.

### **Minimum holding Period**

The Fund Manager may in its discretion determine that no Redemption Request will be accepted before the expiration of a minimum holding period specified in the relevant Annex. The Fund Manager may, subject to observing the principle of equal treatment of Shareholders, waive or reduce any minimum holding period requirement at any time in their discretion or if required by applicable law.

### **Minimum holding Amount**

If as a result of a redemption, the value of a Shareholder's holding would become less than the minimum holding amount specified in the relevant Annex, the Fund Manager may decide to compulsorily redeem all Shares from that Shareholder. Before any such compulsory redemption, each Shareholder concerned will receive one month's prior notice to increase his holding above the applicable minimum holding amount at the applicable Net Asset Value per Share.

### **Redemption Price per Share**

Shares may not be redeemed during any Initial Offer Period. After any Initial Offer Period, the Redemption Price per Share of each Class is the Net Asset Value per Share of such Class determined as at the Redemption Date, reduced by any applicable Dilution Levy.

### **Payment of Redemption Proceeds**

Redemption proceeds, net of any applicable Dilution Levy, are paid in the base currency of the relevant Sub-Fund or Class. Unless otherwise provided in the relevant Annex, the net redemption proceeds will be paid as soon as reasonably practicable and normally within five Business Days after the relevant Net Asset Value per Share as at the relevant Redemption Date has been calculated and is available and the original Redemption Request has been received by the Fund Manager. Redemption proceeds will only be paid in favour of the relevant Shareholder and will be paid by electronic transfer (net of the electronic transfer fee) to the account instructed by that Shareholder.

Whilst the Fund intends to make all redemptions in cash, if requested by a Shareholder, redemptions may be made in kind (in specie) at the discretion of the Fund Manager. In order to satisfy payment of the redemption proceeds to such Shareholder in kind, the Fund Manager will allocate to the Shareholder investments from the portfolio of assets of the relevant Sub-Fund equal to the value of the Shares to be redeemed. The nature and type of assets to be transferred in such case shall be determined on a fair and reasonable basis and without prejudicing the interests of the other Shareholders. The valuation shall be determined in accordance with the rules and principles set out in the "Net Asset Value" section of this Prospectus, and shall be confirmed by a special report of the Registered Auditor. The costs of any such redemptions in kind shall be borne by the redeeming Shareholder.

### **Compulsory Redemption of Shares**

If the Fund Manager becomes aware that a Shareholder of record is holding Shares for the account of a person who does not meet the Shareholder eligibility requirements specified in "Subscription For Shares" above and in the relevant Annex, or is holding Shares in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Fund or a majority of its Shareholders, or otherwise be detrimental to the interests of the Fund or a majority of its Shareholders, the Fund Manager may compulsorily redeem such Shares in accordance with the provisions of the Articles of Association at the prevailing Redemption Price of the relevant Sub-Fund. Shareholders are required to notify the Fund and the Registrar and Transfer Agent immediately if they cease to meet the Shareholder eligibility requirements specified in "Subscription For Shares" above or in the relevant Annex, or hold Shares in breach of any law or regulation or otherwise in circumstances having, or which may have, adverse regulatory, tax or fiscal consequences for the Fund or a majority of its Shareholders or be detrimental to the interests of the Fund or a majority of its Shareholders.

### **Large Redemptions**

If Redemption Requests of more than 10% of the total number of Shares outstanding of any Sub-Fund are received in respect of any Redemption Date, the Fund Manager may decide to defer any Redemption Request in whole or in part, so that the 10% limit is not exceeded. Under these circumstances, redemptions may be deferred to a next following Valuation Date being no later than the next Redemption Date, as the Fund Manager may decide, and such Valuation Date will constitute a Redemption Date for the purpose of the provisions hereof. Any Redemption Requests in respect of the relevant Redemption Date so reduced will be given priority over subsequent Redemption Requests received for the succeeding Redemption Date, subject

always to the 10% limit. The limitation will be applied pro rata to all Shareholders who have requested redemptions to be effected on or as at such Redemption Date so that the proportion redeemed of each holding so requested is the same for all such Shareholders.

### **Suspension of Redemptions**

Redemption of Shares of any Sub-Fund will be suspended whenever the determination of the Net Asset Value of such Sub-Fund is suspended (see "Net Asset Value" section of this Prospectus).

### **Irrevocability of Redemption Requests**

Redemption Requests of Shares are irrevocable and may not be withdrawn by any Shareholder in any circumstances, except in the event of a suspension of the determination of the Net Asset Value of the relevant Sub-Fund. In the event of such a suspension, the Shareholders of the relevant Sub-Fund, who have made a Redemption Request, may give written notice to the Fund that they wish to withdraw their Redemption Request.

### **Exchanges between Sub-Funds**

Shareholders may exchange Shares in one Sub-Fund for Shares in any other Sub-Fund established and any such exchange will be treated as two transactions, namely, a redemption of the Shares held in the relevant Sub-Fund and a subscription for Shares in the other Sub-Fund and the provisions in relation to redemptions and subscriptions as stated in this Prospectus (including in relation to charges) will apply to both transactions.

### **Exchanges between Classes**

Shareholders may exchange Shares in one Class ("**Switch-Out**") for Shares in any other Class ("**Switch-In**") free of charge. Any such exchange will be treated as two transactions, namely, a Switch-Out effected by a redemption of the Shares held in the relevant Class and a Switch-In effected by a subscription for Shares in the other Class. Both the Switch-Out and the Switch-In shall have the same settlement date and occur at the relevant Net Asset Value per Share of the respective Class. The provisions in relation to redemptions and subscriptions as stated in this Prospectus, except in relation to charges, will apply to both the Switch-Out and the Switch-In.

## **GENERAL**

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### **Meetings of the Director**

The Director will hold at least two meetings every twelve months commencing from the date of registration of the Fund with the DFSA. At each of the two mandatory meetings the periodic reports specified under "Reports to Shareholders" below will be presented.

### **Meetings of Shareholders**

An annual meeting of Shareholders will be held at least every twelve months commencing from the date of registration of the Fund with the DFSA. The convening of each annual general meeting shall be made in accordance with the Law, the CIR and the Articles of Association, and each Shareholder shall receive a procedures manual in respect of such meeting setting out and covering the position with regard to, amongst other things, voting rights, proxies, minutes and variation of class rights and class meetings. The annual report specified under "Reports to Shareholders" below will be presented at each meeting.

The Fund Manager, on receipt of a valid request in writing from a Shareholder or Shareholders entitled to request such a meeting, shall immediately call an extraordinary general meeting of Shareholders. Such request must be signed by a Shareholder or Shareholders who, at the date of such request, is or are registered as a Shareholder or Shareholders representing not less than 10% of the value of all the Shares in the Fund then in issue. The calling of such extraordinary general meeting shall be made in accordance with the Law, the CIR and the Articles of Association, and each Shareholder shall receive a procedures manual in respect of such meeting setting out and covering the position with regard to, among other things, voting rights, proxies, minutes and variation of class rights and class meetings.

An extraordinary general meeting of Shareholders duly convened and held in accordance with the Law and the CIR shall, by the passing of a Special Resolution, require, authorise or approve any act, matter or document in respect of which any such a resolution is required. Such a resolution shall have no other powers or effect. Where no Special Resolution is specifically required or permitted by the Law or the CIR, any resolution of the Shareholders eligible to vote shall be passed by an Ordinary Resolution.

### **Alterations to the Fund Generally**

#### **1. Matters requiring a Special Resolution**

If the Fund Manager considers that any proposed change to the Fund, a Sub-Fund or Share Class constitutes a fundamental change (as described in the Law and in the CIR), a Special Resolution approving such proposal must be passed by the Shareholders affected by such a fundamental change at a meeting of those Shareholders convened solely for that purpose.

#### **2. Matters requiring an Ordinary Resolution**

If the Fund Manager considers that any proposed change to the Fund, a Sub-Fund or Share Class constitutes a materially significant change (as described in the Law), an Ordinary Resolution approving such proposal must be passed by the Shareholders affected by such a materially significant change at a meeting of those Shareholders convened solely for that purpose.

3. Matters merely requiring pre-event notification to Shareholders

If the Fund Manager considers that any proposed change to the Fund, a Sub-Fund or a Share Class constitutes a significant change (as described in the CIR), the Fund Manager will give the relevant Shareholders affected by such a significant change reasonable notice of the proposed change before the change is effected.

4. Matters merely requiring post-event notification to Shareholders

If the Fund Manager considers on reasonable grounds that any proposed change to the Fund, a Sub-Fund or a Share Class will not adversely affect the relevant Shareholders' rights, then any such change may be made by the Fund Manager and the Fund Manager shall notify the relevant Shareholders after the change has been effected.

### **Dissolution and Amalgamation of Sub-Funds**

1. A Sub-Fund may be dissolved by compulsory redemption of Shares of the relevant Sub-Fund, at the discretion of the Fund Manager;
  - i. if the Net Asset Value of the relevant Sub-Fund has decreased below USD 1 million;
  - ii. if the Sub-Fund shall cease to be authorised or otherwise officially approved;
  - iii. if any law shall be passed or otherwise enacted which renders it illegal or, in the opinion of the Fund Manager, impractical or inadvisable to continue the relevant Sub-Fund;
  - iv. if required by the DFSA to terminate the Fund or the relevant Sub-Fund; or
  - v. if the Fund Manager, at any time, determines that it is in the best interests of the Fund, the Sub-Fund, the relevant Shareholders or the Fund Manager that the Sub-Fund be dissolved.
2. The Redemption Price for the relevant Shares will be the Net Asset Value per Share (taking into account actual realisation prices of the investments and realisation expenses), calculated as of the Valuation Date at which such a decision took effect.
3. The Fund Manager shall serve a written notice to the holders of the relevant Shares prior to the effective date of the compulsory redemption, which will indicate the reasons for, and the procedure of, the redemption operations. Unless it is otherwise decided in the interest of, or to keep equal treatment between the Shareholders, the Shareholders of the Sub-Fund concerned may continue to request redemption of their Shares free of charge (but taking into account actual realisation prices of investments and realisation expenses) prior to the effective date of the compulsory redemption.
4. Notwithstanding the powers conferred to the Fund Manager by the preceding paragraph, a general meeting of Shareholders of any Sub-Fund may, upon proposal from the Fund Manager, redeem all the Shares of such Sub-Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated as of the Valuation Date at which such decision shall take effect. There shall be no quorum requirements for such a general meeting of Shareholders at which resolutions shall be adopted by simple majority of those present or represented, if such a decision does not result in the liquidation of the Fund.
5. Any asset which has remained unclaimed shall be dealt with in accordance with the applicable Rules.
6. All redeemed Shares shall be cancelled.
7. Under the circumstances provided for under paragraph 1 above, the Fund Manager may decide to allocate the assets of any Sub-Fund to those of another existing Sub-Fund within the Fund and to re-designate the Shares of the Sub-Fund concerned as Shares of another Sub-Fund (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to Shareholders). Such decision will be notified to the Shareholders concerned (and, in addition, the notification will contain information in relation to the new Sub-Fund), one month before the date on which the amalgamation becomes effective in order to enable Shareholders to request redemption of their Shares, free of charge, during such period.
8. Notwithstanding the powers conferred on the Fund Manager by the preceding paragraph, a contribution of the assets and liabilities attributable to any Sub-Fund to another Sub-Fund of the Fund may be decided upon by a general meeting of the Shareholders of the contributing Sub-Fund for which there shall be no quorum requirements and which shall decide upon such an amalgamation by resolution adopted by simple majority of those present or represented, if the amalgamation does not result in the liquidation of the Fund.
9. A contribution of the assets and liabilities attributable to any Sub-Fund to a sub-fund of a third party entity shall be decided by a general meeting of Shareholders and shall require a resolution of the Shareholders of the contributing Sub-Fund where no quorum is required and adopted by a simple majority of the Shares represented at such meeting.
10. All the provisions relating to the dissolution and amalgamation of Sub-Funds shall, with any necessary modifications, apply to the dissolution and amalgamation of any Class.

### **Winding-up or Dissolution**

The Fund may be wound up at any time:

- a. by the Fund Manager determining that it is in the best interests of the Fund, the Shareholders or the Fund Manager that the Fund be wound up;

- b. by the Shareholders by the passing of a Special Resolution at an extraordinary general meeting directing the Fund Manager to wind up the Fund;  
or
- c. otherwise in accordance with the Law and/or the CIR.

Upon such determination being made the Fund Manager will advise the Shareholders in writing that such determination has been made and will set out the Fund Manager's plans for the liquidation of the assets of the Fund and distribution of the Fund assets to the Shareholders.

Upon a winding-up of the Fund, the proceeds from the liquidation of the assets of each Sub-Fund shall be applied:

- a. first, in paying to any party any unpaid fees, costs or expenses payable by the Sub-Fund and then unpaid (and retaining adequate provision for all liabilities properly so payable and for the cost of the winding up); and
- b. second, in paying to the relevant Shareholders of that Sub-Fund the balance of the proceeds, which balance shall be apportioned between such Shareholders pro rata to the number of Shares in the Sub-Fund held by each of them.

### **Restrictions on Sale, Transfer and Assignment**

Subject to the restrictions mentioned under "Eligible Shareholders" above, the restrictions set out below and to any additional restrictions specified in the relevant Annex and the Articles of Association, Shares are freely transferable.

### **United States**

The Fund Manager will not consent to a transfer of Shares and the Shares may not be transferred, directly or indirectly, to any person in circumstances which, in the opinion of the Fund Manager, might result in the Fund incurring any liability to taxation or suffering any other disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US Securities Laws. The Fund Manager will also not consent to a transfer of Shares and the Shares may not be transferred, directly or indirectly, to any US Person (as defined in the US Securities Laws) except in the circumstances specified under "Eligible Shareholders" above. The Fund has and intends to exercise the right of mandatory redemption of any Shares sold or acquired in contravention of the foregoing prohibitions.

### **Net Asset Value**

The Fund constitutes a single legal entity, but the assets of each Sub-Fund shall be invested for the exclusive benefit of the Shareholders of the corresponding Sub-Fund and the assets of a specific Sub-Fund are solely accountable for the liabilities, commitments and obligations of that Sub-Fund.

The Fund will establish a separate pool of assets and liabilities in respect of each Sub-Fund and the assets and liabilities shall be allocated in the following manner:

- a. the net proceeds from the issue of Shares in a Sub-Fund are to be applied in the books of the Fund to that Sub-Fund and the assets and liabilities and income and expenditure attributable thereto are applied to such Sub-Fund subject to the provisions set forth below;
- b. where any income or asset is derived from another asset, such income or asset is applied in the books of the Fund to the same Sub-Fund as the asset from which it was derived and on each revaluation of an asset, the increase or diminution in value is applied to the relevant Sub-Fund;
- c. where the Fund incurs a liability which relates to any asset of a particular Sub-Fund or to any action taken in connection with an asset of a particular Sub-Fund, such liability is allocated to the relevant Sub-Fund;
- d. if any asset or liability of the Fund cannot be considered as being attributable to a particular Sub-Fund, such asset or liability will be allocated to all the Sub-Funds pro rata to their respective Net Asset Values, or in such other manner as the Fund Manager, acting in good faith, may decide; and
- e. upon the payment of distributions to the Shareholders of any Sub-Fund, the Net Asset Value of such Sub-Fund shall be reduced by the amount of such distributions.

In respect of each Sub-Fund, the Net Asset Value per Share of the relevant Sub-Fund is determined up to four decimal points in the base currency of such Sub-Fund as at each Valuation Date by dividing the net assets attributable to that Sub-Fund by the total number of Shares of that Sub-Fund then outstanding. The Net Asset Value per Share of each Sub-Fund as at a Valuation Date will be calculated and available no later than 20 Business Days after the relevant Valuation Date.

In respect of each Sub-Fund that has more than one Class of Shares, the Net Asset Value per Class is determined up to four decimal points in the relevant currency of each Class as at each Valuation Date by multiplying the Net Asset Value per Share for that Sub-Fund by the number of Shares outstanding in the relevant Share Class expressed to four decimal places. The Net Asset Value per Class for each Sub-Fund that has more than one Class of Shares will be calculated and available no later than 20 Business Days after the relevant Valuation Date.

As the Net Asset Value per Share, and where relevant, the Net Asset Value per Class will be determined after the day on which subscription, redemption or exchange requests are made, investors will not know the total number of whole and fractional Shares which they will be issued, nor the net redemption value of their Shares as at the day on which their request for subscription, redemption or exchange is made.

The net assets of each Sub-Fund consist of the value of the total assets attributable to such Sub-Fund less the total liabilities (including any charges that are paid, or are payable, on acquiring or disposing of an asset) attributable to such Sub-Fund, calculated at such time as the Fund Manager shall have set for such purpose. The Fund Administrator, acting independently and based on the information received from the Fund Manager, shall determine the

value of the assets of the Fund as follows:

- a. the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends or distributions declared or made and profits accrued, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Fund Manager may consider appropriate to reflect the true value thereof;
- b. the value of securities which are quoted, traded or dealt in on any stock exchange shall be based on the latest available bid price for a long position or the last available offer price for a short position on the stock exchange which is normally the principal market of such securities, and each security traded on any other regulated market shall be valued in a manner as similar as possible to that provided for quoted securities;
- c. for non-quoted securities or securities not traded or dealt in on any stock exchange or other regulated market, as well as quoted or non-quoted securities on such other market for which no valuation price is available, or securities for which the quoted prices are, in the opinion of the Fund Manager, not representative of the fair market value, the value thereof shall be determined prudently and in good faith by the Fund Manager on the basis of cost or on the valuations from counterparties, issuers or brokers;
- d. securities issued by any open-ended collective investment fund shall be valued at their last available price or net asset value as reported or provided by such funds or their agents (to be confirmed in writing by a director of the Fund Manager);
- e. liquid assets and money market instruments may be valued at nominal value plus any accrued profit or on an amortised cost basis; and
- f. all other securities and assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Fund Manager.

The Fund Manager is authorised to apply other valuation principles for the assets of the Fund and/or any Sub-Fund if the valuation principles set forth above appear impossible to apply in the circumstances or inappropriate for the asset concerned. Any Sub-Fund investing in a collective investment fund will determine its Net Asset Value primarily on the basis of the value of its interests in such collective investment fund, as reported or provided by such collective investment fund. The Fund and the Fund Administrator, acting upon the recommendations provided by the Fund Manager, will make all reasonable efforts to correctly assess the value of all portfolio securities based on the information made available to them, and such valuations will be binding upon the Fund and its Shareholders absent manifest error. Neither the Fund, nor the Fund Administrator nor the Fund Manager has any control over the valuation methods and accounting rules adopted by the collective investment funds in which the Sub-Fund may invest and no assurance can be given that such methods and rules will at all times allow the Fund to correctly assess the value of its assets and investments. If the value of a Sub-Fund's assets is adjusted after any Valuation Date (as a consequence, for instance, of any adjustment made by a collective investment fund to the value of its own assets), the Fund Manager will not be required to revise or re-calculate the Net Asset Value on the basis of which subscriptions, redemptions or exchanges of Shares of that Sub-Fund may have been previously accepted. In any Sub-Fund, the Fund Manager may determine to establish reserves, which may be caused by revaluation of assets and make provisions for contingencies. The value of assets denominated in a currency other than the base currency of a given Sub-Fund or Class shall be determined by taking into account the rate of exchange prevailing at the relevant Valuation Date. The Net Asset Value per Share, and where relevant, the Net Asset Value per Class, of each Sub-Fund and the issue and redemption prices per Share will be available from the Registered Office of the Fund and at the DIFC office of the Fund Administrator as soon as practicable after each Valuation Date in accordance with the requirements of the CIR. The Fund will also publish the Net Asset Value per Share, and where relevant, the Net Asset Value per Class, of each Sub-Fund as soon as practicable after each Valuation Date in accordance with the requirements of the CIR. The Net Asset Value per Share, and where relevant, the Net Asset Value per Class, of each Sub-Fund will in particular be published on the websites of Mashreq Asset Management, Bloomberg, Reuters and Zawya.

The Fund may where exceptional circumstances arise, at any time, suspend the calculation of the Net Asset Value of any Sub-Fund, whereupon the issue and redemption of Shares of that Sub-Fund will be suspended, under any one or more of the following circumstances:

- a. where there is a closure of or suspension of trading on any market on which any assets of that Sub-Fund are traded;
- b. where a breakdown occurs in any of the means normally employed by the Fund Administrator or the Fund Manager to ascertain the value of the assets of that Sub-Fund or when for any other reason the value of the assets of that Sub-Fund cannot reasonably be ascertained;
- c. where circumstances exist as a result of which in the opinion of the Fund Administrator or the Fund Manager it is not reasonably practicable for the Sub-Fund to realise any assets, which together constitute a material proportion of the overall assets of that Sub-Fund; and/or
- d. where, for any other reason, the Fund Manager determines on reasonable grounds that it is in the best interests of the Sub-Fund and/or the relevant Shareholders.

Any such suspension (and the reason therefore) will be notified to the relevant Shareholders and the DFSA as soon as practicable after such suspension has been declared. Suspensions will generally require to cease within 28 days of the effective date of suspension. However, the Fund Manager is entitled to apply to the DFSA for an extension of such suspension. The Fund Manager will notify relevant Shareholders of any extension granted as soon as practicable. The Fund Manager will notify the Shareholders and the DFSA as soon as practicable after such suspension has been lifted.

## Reports to Shareholders

In accordance with the requirements of the Law and the CIR, the Fund Manager will provide to the Shareholders:

- a. an annual report within 4 months of the end of the Financial Year; and

- b. an interim report in respect of the relevant Sub-Fund within 2 months of the six month anniversary of the date of registration of the Fund with the DFSA and thereafter within 2 months of each six month anniversary of the Financial Year.

Each such report will contain the information, comparisons, statements and third party reports required pursuant to the Law and the CIR. Each report will be supplied, as appropriate, to the Shareholders free of charge and will also be available free of charge during ordinary office hours at the offices of the Fund Manager.

In addition, historical financial information, a comprehensive analysis of each Sub-Fund's investments portfolio, all reports, notices and information in relation to the Fund may be found at the Fund Manager's website for this Fund being <http://www.mashreqcapital.ae/capital/islamic-products>

### **Fund Financial Statements**

The financial statements of the Fund and each Sub-Fund will be prepared in accordance with International Financial Reporting Standards (IFRS) and will be audited annually by the Registered Auditor appointed by the Fund Manager.

The Fund Manager will ensure that the Registered Auditor provides a report which will be included in the annual report to the Shareholders in accordance with the requirements of the CIR.

### **Communications to Shareholders**

Communications to Shareholders will be sent to their registered addresses recorded in the Shareholders Register by registered post or by email.

### **Communications to the Fund**

Communications to the Fund should be addressed to the Fund Manager.

### **Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund and are, or may be, material:

- a. the Delegation Agreement;
- b. the Custodian Agreement;
- c. the Management Agreement;
- d. the Shariah Supervisory Agreement; and
- e. the agreement between the Registered Auditor and the Fund.

Any of the above agreements may be amended by the mutual consent of the parties, consent on behalf of the Fund being given by the Fund Manager.

### **Documents available for inspection**

Copies of the following documents are available for inspection during business hours on each Business Day at the Registered Office of the Fund in the DIFC:

- a. the Articles of Association;
- b. the current Prospectus;
- c. the material contracts referred to above;
- d. the relevant Shareholder Register; and
- e. the latest annual and interim reports of the Fund.

### **Governing Law**

The governing law of the Fund and this Prospectus shall be the laws of the DIFC.

## **INVESTMENT CONSIDERATIONS**

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An investment in the Fund involves significant risks which prospective investors should consider before participating in the Fund. There can be no assurance that any rate of return will be realised or that significant capital losses will not occur. The Fund's returns may be unpredictable and, accordingly, its investment programme is not suitable as the sole investment vehicle for an investor. An investor should only invest in the Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment. Prospective investors should carefully consider each and every risk involved in this Prospectus, and all other information contained in this Prospectus. In considering participation in the Fund, an investor should be aware of certain considerations which include, but are not limited to, the following:

## GENERAL

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The value of an investment in the Fund may fluctuate. There is no guarantee nor can any assurance be given that the targeted returns of the Fund will be met, that any other strategic objectives of the Fund will be achieved, or that investors will receive a return of all or any part of their investment. An investment in the Fund could result in a loss for an investor of part or whole of the investment.

## MARKET RISKS

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**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 finance costs 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. An investor 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.

**Currency Risk:** The price of the Shares is denominated in US Dollars or in AED. There is a risk that the currency of the securities will decline in value relative to the US Dollar or AED. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in finance costs, intervention (or the failure to intervene) by central banks, or by the imposition of currency controls or other political developments.

**Reference Rate Risk:** As nominal reference rates rise, the value of fixed income securities is likely to decrease. Securities with longer maturities tend to be more sensitive to changes in reference rates, usually making them more volatile than securities with shorter maturities.

**Financial Condition:** The value of specific investments may decline due to developments in the trends of particular industries and/or the financial conditions of the credit parties. In particular, the Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a Shariah-compliant derivatives contract, Shariah-compliant alternative to a repurchase agreement or a financing against a portfolio of securities, is unable or unwilling to make timely principal and/or finance costs, or to otherwise honour its obligations. The Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Fund trades such instruments, which could result in substantial losses to the Fund. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. These conditions may result in the Fund sustaining loss on certain investments, particularly if the Fund is required to liquidate investments during adverse markets conditions.

**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 shares and the income derived from them is likely to fluctuate.

**Investment in Emerging Countries and Markets:** Investment in securities and markets in emerging countries and markets may be subject to different and greater risks than investments in more developed countries and markets because of a variety of factors, including currency controls and the fluctuation of currency exchange rates, changes in governmental administration or economic or monetary policy, or changed circumstances in dealings between nations. Other factors include high rates of inflation and the potential for substantial depreciation in the value of local currencies.

In many cases, the economies of emerging countries are heavily dependent upon international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade.

There may be less publicly available information about emerging countries and markets, and issuers in these countries and markets may not be subject to uniform accounting, auditing, and financial reporting standards and requirements comparable to those for issuers in more developed countries and markets. Securities of some issuers in emerging countries and markets are less liquid and more volatile than securities of comparable issuers in more developed countries and markets and brokerage commissions may be higher. Securities markets in emerging countries may also be less liquid and more volatile than those in more developed countries. Moreover, there may be less governmental supervision and regulation of securities markets, brokers, and securities issuers than in more developed countries and markets.

**Liquidity Risks:** Liquidity risk exists when particular investments are difficult to purchase or sell. The 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.

Securities in which the Fund may invest may include those that are either listed on one or more stock exchanges or traded over the counter, as well as those that are not publicly traded. In the case of securities that are listed or traded on organised exchanges or other markets, there may be less market liquidity than would typically be available for companies of comparable size that are traded in the securities markets of developed countries. This reduced liquidity may diminish the Fund's ability to act on investment information and research in both buying and selling securities. In addition, it may limit the size of investments and increase the cost of transacting in such markets.

Securities that are not publicly traded may be resold in privately negotiated transactions, but they may be less liquid than publicly traded securities and

the prices realised upon their resale may be less than those that could be realised if the securities were publicly traded. Furthermore, companies whose securities are not publicly traded may be in early stages of development, which may involve substantial business and financial risks. Such companies may not be subject to the disclosure and other investor protection requirements that may apply in the case of publicly traded securities. If such securities are required to be registered under the securities laws of one or more jurisdictions before being sold, the expenses of such registration may be chargeable against the proceeds of the sale.

**Political and Legal Factors:** Investments of the Fund are subject to political risk, being the measure of a country's willingness to honour its foreign obligations and a function of stability of country's government and its leadership, country's ideological background and country's past history with foreign investors.

The Fund may invest in emerging countries where there is a high potential return on invested capital but also a high degree of either political or economic risk, or both, or where existing regulations may impede repatriation of investment capital or earnings. In such cases, the potential return may be offset, or more than offset, as a result of adverse political or other developments. In that regard, it is generally the case that investments in any emerging country could be affected by factors such as nationalisation, expropriation without just compensation, exchange control, confiscatory taxation, political changes, governmental regulation, social, political, or diplomatic instability (including military or other internal political coups, insurrections and wars), and potential difficulties in enforcing contractual obligations.

In addition, the legal systems in emerging countries are often not as sophisticated as those in developed nations and it may be difficult to predict with any degree of assurance the resolution of legal questions presented in adjudications or other governmental proceedings. In addition, the availability of judicial and other remedies may, as a practical matter as well as a legal matter, be far more restricted than in developed countries. These factors may adversely affect the companies in which the Fund invests as well as the enforceability of the rights of the Fund as a security-holder in such companies.

**Investment and Repatriation Restrictions:** Some emerging countries have laws and regulations that preclude direct foreign investment in the securities of their companies. In certain emerging countries, however, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in those countries is permitted through investment funds that have been specifically authorised. The Fund may invest in these investment funds and, in such a case, the Fund will bear its proportionate share of the expenses of the investment fund.

In addition, in some emerging countries, prior governmental approval for foreign investments may be required under certain circumstances. Moreover, the extent of foreign investment in domestic companies may be limited. Foreign ownership limitations also may be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations.

Repatriation of investment income, capital, and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The Fund could be adversely affected by delays in or a refusal to grant required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging countries on profit or distributions made on securities purchased by the Fund or gains from the disposition of such securities.

**Legislation Changes:** The information in this Prospectus is based on existing legislation which may change. The value of the Fund's investments may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions, and restrictions on foreign investments in some or all of the countries in which the Fund may directly or indirectly invest.

**Substantial Fees and Expenses:** The operating expenses of the Fund which include, amongst other items, brokerage commissions and other trading expenses, valuation fees, investment expenses, as well as administrative, custodial, legal, accounting, audit and reporting expenses, are expected to equal a substantial percentage of the Fund Property each year. These expenses are in addition to the management fees payable by the Fund, and the amounts of each expense will be set out in the Fund's annual report available from the Fund Manager.

**Trading Strategy of the Fund:** The Fund will purchase approved Shariah-compliant fixed income and equity primarily with a view to hold unless there are short-term market opportunities. Prior to purchase, a full review of the value of these investments will be made. Trading in the securities will only occur when value targets have been achieved.

**High Yield Risk:** High yield securities, which are either rated below investment grade or non-rated, may be subject to greater levels of reference 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 reference rates could adversely affect the market for these securities.

**Other Activities of the Fund Manager:** The Fund Manager currently manages and intends to manage other customer accounts in the future. Orders for such accounts similar to those of the Fund may occur contemporaneously. There is no specific limit as to the number of accounts which may be managed by the Fund Manager. The performance of the Fund's investments could be adversely affected by the manner in which particular orders are entered for all such accounts.

**Nature of an Investment Fund:** The investments in this Fund are not deposits or other obligations of any bank or other financial institution, and are not guaranteed by any bank or other financial institution. Any investment in this Fund is therefore subject to investment risks, including the possible loss of the amount invested.

The Shares cannot be assigned, transferred, pledged, or otherwise encumbered except on the terms and conditions set forth in the Prospectus, and there is and will be no public market for the Shares prior to any listing which is at the sole discretion of the Fund Manager. Subject to certain conditions and restrictions, Shareholders may require the Fund to redeem all or part of their Shares as of each Redemption Date.

**Execution Risks and Fund Manager Error:** In order to seek positive returns in global markets, the Fund Manager's trading and investment for the Fund involves multiple portfolio managers, multiple instruments, multiple brokers and counter-parties, and multiple strategies. As a result, the execution of the trading and investment strategies employed by the Fund Manager for the Fund may often require rapid execution of trades, high volume of trades, complex trades, difficult to execute trades, use of negotiated terms with counter-parties such as in the use of derivatives and the execution of trades involving less common or novel instruments. In each case, the Fund Manager seeks best execution and has trained execution and operational staff devoted to executing, settling, and clearing such trades. However, in light of the high volumes, complexity, and global diversity involved, some slippage, errors, and miscommunications with brokers and counter-parties are inevitable and may result in losses to the Fund. Such losses may be caused by the Fund's brokers and counter-parties or by the Fund Manager or by a combination of the broker or counter-party and the Fund Manager.

The Fund Manager may but is not required to attempt to recover losses from brokers or counter-parties. The Fund Manager is not liable to the Fund for losses caused by brokers or counter-parties unless caused by the Fund Manager's own gross negligence or wilful default, or by a combination of gross negligence or wilful default of the broker or counter-party and the Fund Manager. The Fund Manager will be liable to the Fund for acts that constitute gross negligence or wilful default, in the event that the Fund Manager failed to act in good faith in the reasonable belief that such actions were in, or not opposed to, the best interests of the Fund, or if the Fund Manager is liable to the Fund for damages under the securities laws of the UAE. Shares in the Fund are only available for subscription by investors who understand that they and the Fund are waiving potential claims for damages arising from the operation of the Fund and expect some execution losses to the Fund.

**Swap Agreement Risk:** Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a Fund's exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. Whether the Fund's use of swap agreements will be successful will depend on the Fund Manager's and the Investment Manager's ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Fund. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's ability to realise amounts to be received under such transactions.

Swaps may be individually negotiated transactions in the over-the-counter market in which the Fund assumes the credit risk of the other counterparty to the swap and is exposed to the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of the swap counterparty. Such over-the-counter swap transactions may be highly illiquid and may increase or decrease the volatility of the Fund. If there is a default by a counterparty, the Fund under most normal circumstances will have contractual remedies pursuant to the swap agreement; however, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that a swap counterparty could become insolvent and / or the subject of insolvency proceedings, in which event the recovery of the collateral posted by the Fund with such counterparty or the payment of claims under the swap agreement may be significantly delayed and the Fund may recover substantially less than the full value of the collateral entrusted to such counterparty or of the Fund's claims.

The Fund will also bear the risk of loss if it breaches the swap agreement or if it fails to post or maintain required collateral. Recent changes in law and regulation require certain types of swap agreements to be transacted on exchanges and / or cleared through a clearinghouse, and will in the future require additional types of swap agreements to be transacted on exchanges and / or cleared through a clearinghouse.

**Equity securities:** Equity securities represent ownership interests in a company or corporation, and include common stock, preferred stock and warrants and other rights to acquire such instruments. Investments in equity securities in general are subject to market risks that may cause their prices to fluctuate over time. The value of convertible equity securities is also affected by prevailing reference rates, the credit quality of the issuer and any call provisions. Fluctuations in the value of equity securities in which the Fund invests would cause the net asset value of the Fund to fluctuate.

**Small Cap Risk:** Where the Fund may invest in small capitalisation companies, such investments involve greater risk than is customarily associated with larger, more established companies due to the greater business risks of small size, limited markets and financial resources, narrow product lines and a frequent lack of depth of management. The securities of small or medium-sized companies are often traded over-the-counter, and may not be traded in volumes typical of securities traded on a national securities exchange. Consequently, the securities of smaller companies may have limited market stability and may be subject to more abrupt or erratic market movements than securities of larger, more established companies or the market averages in general. In a declining market these stocks can also be hard to sell at a price that is beneficial to the Fund.

**Derivatives Risk:** Derivatives are subject to liquidity risk, reference 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.

**Reliance on Fund Manager Expertise and 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.

The success of the Fund, and its ability to generate profits, depends on the management and the financial and managerial expertise of the Fund Manager. Investors will not be permitted to evaluate investment opportunities or relevant business, economic, financial or other information that will be used by the Fund Manager in making investment decisions.

Investors are required to conduct their own due diligence before committing themselves to this investment opportunity.

**Attraction and Retention of Key Personnel:** The failure to attract and retain key personnel could significantly affect the business. The success of companies in the private investment and investment banking industry depends to a considerable extent on the skills and knowledge of the key personnel.

**Regulations:** Future developments in relevant government or central bank regulations and supervision may adversely affect securities markets in the region, by imposing restrictions on trading or transferring securities. Restrictions may also be imposed by relevant securities authorities and stock exchanges.

Additionally, despite legislation to encourage foreign investment, the legal systems in some emerging markets are undergoing rapid change and in others remains underdeveloped, leading to significant risks for investors, including risks relating to the ownership and transferability of assets and the enforcement of proprietary rights.

**Term of Investment:** The Fund's assets will be concentrated in securities with a view to medium to long-term capital increases. Accordingly, an investor should consider the investment to be a medium to long-term commitment.

**Non-Participation in Management:** Investors in the Fund will have no right or power to participate in the management of the Fund or of any of its assets. All aspects of management of investments are entrusted to the Fund Manager. Investors will have no opportunity to control the day-to-day operation of the Fund, including the investment and disposition decisions.

**Taxation:** Prospective investors should consult legal advisors in the countries of their citizenship, residence and domicile to determine the possible tax or other consequences of purchasing, holding and redeeming Shares under the laws of their respective jurisdictions.

Although currently no tax will be levied on the income or capital gain earned by the Fund in the DIFC, any change in tax laws and subsequent levying of tax on income or capital gains will impact the performance of the Fund. VAT was introduced in the UAE on 1 January 2018 and, accordingly, VAT may be added to services provided to the Fund or any relevant Sub-Fund. Any VAT that becomes payable on any payments by the Fund or on behalf of the relevant Sub-Fund may be grossed up, deducted or accounted for, as applicable, and will, as a consequence, be at the expense of the Fund and/or the relevant Sub-Fund.

**Shariah Compliance:** It is possible that, subsequent to an investment being made by a Sub-Fund, that it is determined that part or all of that investment was not, or due to a change in circumstances, is no longer, Shariah-compliant. In the event of such an occurrence the Fund Manager, with the assistance of the Shariah Supervisory Board, will determine what action should be taken to liquidate such investment and/or purify the Sub-Fund. Purification may involve the payment to a charity selected by the Fund Manager (on the advice of the Shariah Supervisory Board) of moneys arising from or which is related to a non-Shariah-compliant activity or circumstance.

**Cross Sub-Funds Liability:** As at the date of this Prospectus, the Fund has two Sub-Funds operating and the Fund may launch further Sub-Funds in the future. Notwithstanding this, the Fund is a single legal entity and, as a matter of the laws of the DIFC and the DFSA, all of the assets of the Fund may be available to meet any of its liabilities, regardless of whether these are attributable to a particular Sub-Fund (in other words, the Sub-Funds are not statutorily or constitutionally "ring-fenced"). In practice, cross class liability will only arise where a particular Sub-Fund becomes insolvent or exhausts its assets and is unable to meet all of its liabilities. In case the Fund is unable to meet liabilities attributable to any particular Sub-Fund out of the assets attributable to that particular Sub-Fund, the remaining liabilities will be met by the Fund Manager in order to ensure that no other Sub-Fund is affected.

**Redemptions.** Limits apply to the timing of redemption of Shares and redemptions generally. Additionally, the Fund Manager has the discretion to satisfy redemptions in kind (in specie). Accordingly, Shareholders, on such redemptions, may be allocated Shariah-compliant assets and not cash, the value of which may go up and down until such assets are ultimately realised.

**Leverage.** The Fund may obtain Shariah-compliant borrow financing for cash, securities and other instruments. The use of leverage creates special risks and may significantly increase the Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase the Fund's exposure to capital risk and costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause the Net Asset Value to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the Net Asset Value may decrease more rapidly than would otherwise be the case.

**Past Performance.** The past investment performance of the Fund Manager and any of the principals and or the investment team responsible for the implementation of the investment objective and investment policies of the relevant Sub-Fund and/or any entities with which it has been associated, should not be construed as an indication of the future results of an investment in the relevant Sub-Fund. The relevant Sub-Fund's investment programme should be evaluated on the basis that there can be no assurance that the Fund Manager's assessments of the short-term or long-term prospects of investments will prove accurate.

**Cyber Security Risk.** Failures or breaches of the electronic systems of the Fund, the Fund's adviser, distributor, and other service providers, or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations, potentially resulting in financial losses to the Fund and its shareholders, interfere with the Fund's ability to calculate its NAV, impede trading, disrupt the ability of investors to subscribe for, exchange or redeem their units, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. While the Fund has established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems. Furthermore, the Fund cannot control the cyber security plans and systems of the Fund's service providers or issuers of securities in which the Fund invests.

**Counterparty Risk.** The Fund may enter into financial instruments or transactions with a counterparty. A counterparty may become bankrupt or otherwise fail to perform its obligations due to financial difficulties, jeopardizing the value of the Fund's investment.

**Risks relating to unforeseen or catastrophic events.** The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could adversely affect the Fund.

## CONFLICTS OF INTEREST

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**General:** The below outlines some potential conflicts of interests between the Fund, the Fund Manager and the Investment Manager and other parties as noted below. Where a conflict of interest may arise, the Fund, the Fund Manager, the Investment Manager and/or the Fund Administrator will disclose the same to the Shareholders and seek to deal with the same in a fair and equitable manner and in the interests of the Fund and the Shareholders.

The below is not necessarily a comprehensive list of all potential conflicts of interest.

**Group of Shareholders:** The Shareholders may have conflicting investment, tax and other interests with respect to their investment in the Fund. Conflicts of interests may arise in connection with decisions made by the Director, including with respect to the nature of investments that may be more beneficial for one Shareholder than for another. In selecting investments appropriate for the Fund, the Director (advised by the Investment Manager) will consider the investment and tax objectives of the Fund and its Shareholders as a whole, rather than the tax or other implications for (or objectives of) any single Shareholder.

**Other Activities:** There is no limitation with respect to the Investment Manager's, the Director's or the Fund Manager's other activities and/or investments or with respect to other investment portfolios that the Investment Manager may be engaged to advise thereon, or other investment vehicles to which the Fund Manager may provide services. Neither the Fund Manager nor the Investment Manager (including their affiliates or any person connected with them) shall be deemed to be affected with notice of (or be under any duty to disclose to) the Fund, any fact or thing which comes to their notice in the course of them rendering similar services to others or in the course of their business in any other capacity or in any other manner whatsoever.

**Allocation of Time:** The Director who will be performing the financial and managerial activities for the Fund and the personnel of the Investment Manager, has substantial investment management and advisory responsibilities for clients other than the Fund, including other investment vehicles organized, or which may be organized in the future, by the Investment Manager itself or in participation with others. These persons will devote a portion of their time to managing the affairs of the Fund, and they could have conflicts of interest in allocating time and other services and functions among the Fund and other current or future activities. The Fund Administrator provides services for numerous investment funds. Their officers and employees are involved in other business activities and are not required to devote any specific amount of time to providing administrative services to the Fund.

**Investment Manager:** Employees or officers of the Investment Manager or its affiliates may directly or indirectly acquire Shares or undertake other transactions with and in relation to the Fund. Any acquisition or divestment of Shares or such other transaction with and in relation to the Fund by such individuals shall be on terms which are no more favourable than those applying to all Shareholders and in all cases will comply with the Rules relating to Shareholder approval of all such proposed transactions. The Investment Manager will maintain internal procedures to ensure that the size and timing of any subscriptions or redemptions of Shares by such individuals shall not conflict with any duties owed to Shareholders and the Fund by the Investment Manager or its affiliates or any employees or officers thereof.

**THE FOREGOING INVESTMENT CONSIDERATIONS DO NOT PURPORT TO BE A COMPLETE SUMMARY OF ALL OF THE RISKS INVOLVED IN THIS OFFERING. PROSPECTIVE INVESTORS SHOULD READ ANY SUPPLEMENTAL DOCUMENTATION PROVIDED, IF ANY, IN THEIR ENTIRETY BEFORE DETERMINING WHETHER TO COMMIT TO THE FUND.**

**Fund Manager & Investment Manager**

Mashreq Capital (DIFC) Limited  
Al Fattan Currency House, Tower 1, Office number  
111, Level 1, DIFC,  
PO Box 1250, Dubai  
United Arab Emirates  
Tel: 04 363 2143 Fax: 04 4247322

**Fund Administrator, Registrar and Transfer Agent**

Apex Fund Services (Dubai) Ltd.  
Gate Village Building 5, Office 101,  
Dubai International Financial Centre  
PO Box 506534, Dubai  
United Arab Emirates  
Tel: 04 428 9221  
Fax: 04 428 9220

**Shariah Supervisory Board**

Sheikh Abdullah S.M Al Meneea – Chairman  
Sheikh Dr. Mohamed Ali Elgari – Executive Member  
Sheikh Dr. Nedham Saleh Yaqoobi – Executive Member

**Audit Principal**

Owais Iftikhar

**Registered Auditor**

Deloitte & Touche (M.E.) City Tower 2, Suite 1001  
Sheikh Zayed Road, PO Box 4254  
Dubai  
United Arab Emirates  
Tel: 04 331 3211 Fax: 04 331 4178

**Director**

Mashreq Capital (DIFC) Limited  
Al Fattan Currency House, Tower 1,  
Office number 111, Level 1, DIFC,  
PO Box 1250, Dubai  
United Arab Emirates

**Custodian**

Deutsche Bank AG, Filiala Dubai  
(Deutsche Securities and Services)  
Maze Towers, Office 401, PO Box 125126  
Dubai, United Arab Emirates  
Tel: 04 319 9516  
Fax: 04 319 9515

**Oversight Committee**

Sharon Ditchburn  
Ece Briscoe  
Lotte Nielsen  
Capital Advantage Consultants  
Atelier Business Center,  
Office 14, Level 19, Al Ameri Tower  
Barsha Heights, PO Box 72401,  
Dubai, United Arab Emirates

**Legal Advisors**

Herbert Smith Freehills LLP  
PO Box 506631  
Gate Village 7, level 4  
Dubai International Financial Centre  
Dubai  
United Arab Emirates

### Mashreq Al-Islami Income Fund

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This Annex forms an integral part of the Prospectus, which should only be read together as part of the same document.

#### Investment objective and policy

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##### Principal Investment Objective

The investment objective of the Mashreq Al-Islami Income Fund is to seek Shariah-compliant fixed returns for Shareholders. The Mashreq Al-Islami Income Fund will only invest in Shariah-compliant fixed income securities approved by the Shariah Supervisory Board. The Mashreq Al-Islami Income Fund's return objective will be to seek annual net returns above the market return as represented by a generally accepted index (e.g. JP Morgan Middle East Sukuk Index) over the life of the Mashreq Al-Islami Income Fund.

##### Investment Policy and risk spreading

The Mashreq Al-Islami Income Fund will invest in Shariah-compliant fixed income securities globally. The following investment restrictions will be in place:

1. all investments will either be pre-approved for Shariah compliance by the Shariah Supervisory Board, or the investment will undergo an approval process of the Shariah Supervisory Board prior to investment and the Shariah Supervisory Board will review all investments of the Mashreq Al-Islami Income Fund on a quarterly basis and, should they change their decision on any investment during a review period, then the Mashreq Al-Islami Income Fund will liquidate the relevant investment within 90 days of the notification by the Shariah Supervisory Board of the change of their decision;
2. up to 30% of the investments of the Mashreq Al-Islami Income Fund may be made outside of the MENA and South Asia regions;
3. up to 30% of the investments of the Mashreq Al-Islami Income Fund may be privately placed in Shariah-compliant fixed income securities;
4. all other investments will be in publically listed Sukuk or other publically issued securities which have been approved for Shariah compliance purposes by the Shariah Supervisory Board;
5. there will be no credit rating restriction in respect of any investment of the Mashreq Al-Islami Income Fund, however, Mashreq Capital's analyst team will undertake a comprehensive credit review of each investment prior to purchase as well as regular monitoring of all investments in the Mashreq Al-Islami Income Fund's portfolio following an investment being made;
6. excess cash in the Mashreq Al-Islami Income Fund may be held on overnight deposit with banks and on terms approved by the Shariah Supervisory Board; and
7. a minimum of 1% of the Sub-Fund's share capital at any one time must not be invested in order to meet any liquidity requirements which may arise from time to time.

##### Investment Process

Prior to any investment being made by the Mashreq Al-Islami Income Fund a detailed analysis of the investment will be made by the analyst team of the Fund Manager. Once a decision has been made to invest in a security, the next step will depend upon whether the proposed investment is covered under the Service Level Agreement between the Fund Manager and the Islamic Finance Advisory & Shariah Controls division of Mashreq Al-Islami (Islamic Banking Division of Mashreq bank psc) which provides for mechanism of preapproval based on certain criteria. If the investment satisfies the defined criteria, the investment will be made. If not, then the entire investment proposal will be sent to the Shariah Supervisory Board for their approval. Investments will only be made following the approval of the Shariah Supervisory Board from a Shariah compliance perspective.

##### Breaches and Correction

If the investment objective, policy and investment restrictions are breached for reasons beyond the control of the Fund Manager or as a result of the exercise of subscription rights (passive breaches), the Fund Manager will adopt as its priority the remedying of such situation, taking due account the interests of the Shareholders. The Fund Manager will mention any breaches in the next interim or annual report sent to the Shareholders.

##### Monitoring

The Fund Manager shall monitor the Fund's compliance with the investment policies and restrictions set out above.

##### Liquidity Management

The Fund Manager has appropriate processes in place to manage and monitor liquidity of the Mashreq Al-Islami Income Fund.

#### Base Currency

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The base currency of the Mashreq Al-Islami Income Fund Classes is either the United States Dollar or the UAE dirham. Shares in the Mashreq Al-Islami

Income Fund will be issued and redeemed in United States Dollars or respectively AED. However, the Mashreq Al-Islami Income Fund's assets may be invested in securities and other investments that are denominated in currencies other than United States Dollars or AED. Accordingly, the value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the United States Dollar or AED should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the United States Dollar, AED and such other currency, which rates may be obtained from third party providers of exchange rate information such as Bloomberg.

## Business Day

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In relation to the Mashreq Al-Islami Income Fund, includes Monday to Friday unless the UAE Ministry of Labour or the DIFC Authority announce that such a day will be a holiday in the DIFC.

## Leverage/Financing

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The Mashreq Al-Islami Income Fund may use Shariah-compliant forms of leverage to meet redemptions, to bridge-finance new investments or for foreign exchange margin purposes but such leverage shall be subject to a maximum of 20% of the Net Asset Value of the Mashreq Al-Islami Income Fund. The Mashreq Al-Islami Income Fund may establish a Shariah-compliant credit facility for such purpose and will be able to drawdown, repay and again drawdown amounts under that facility.

## Derivatives

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The Mashreq Al-Islami Income Fund will not utilise derivatives, except for the express purposes of hedging profit rates. Any derivative programme/arrangements/product entered into to hedge profit rates will require specific Shariah approval. Each individual transaction entered into under such Shariah-approved programme/arrangements/product will not require further specific Shariah approval.

## Stock Lending

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The Mashreq Al-Islami Income Fund will not engage in stock lending.

## Investment horizon and Typical Investor Profile

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The Mashreq Al-Islami Income Fund is not an appropriate vehicle for short-term investment, as its investment objectives are set on a medium to long-term basis. The typical investor investing in the Mashreq Al-Islami Income Fund is an investor with an investment timeline of 3 to 5 years looking to achieve steady returns from Shariah Compliant fixed income investments in the emerging markets.

## Fees

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Unless otherwise stated, all fees and expenses are accrued on each Valuation Date and are to be paid either monthly, quarterly or annually.

### Subscription Fee

A subscription fee of up to 2% in respect of Class "B" Shares, up to 2% in respect of Class "C" Shares, up to 5% in respect of Class "D Accumulation" Shares, and up to 5% in respect of Class "D Income" Shares, up to 5% in respect of Class "D AED Accumulation" Shares and up to 5% in respect of Class "D AED Income" Shares of the amount subscribed for will be paid to the Fund Manager from each subscription to the Mashreq Al-Islami Income Fund. The Fund Manager may waive a portion of such fee or decide to transfer part or all of such fee to the relevant distributor, in its discretion.

### Management Fee

The Fund Manager will receive a management fee from the Mashreq Al-Islami Income Fund, payable out of assets attributable to the Mashreq Al-Islami Income Fund of:

- a. 0.75% per annum of the Net Asset Value per Class in respect of the Class "B" Shares;
- b. 0.70% per annum of the Net Asset Value per Class of the Class "C" Shares, and
- c. 1.0% per annum of the Net Asset Value per Class of the Class "D Accumulation" Shares, the Class "D Income" Shares, the Class "D AED Accumulation" Shares and Class "D AED Income" Shares,

(calculated before payment of accrued Fees) to be calculated and accrued as at each Valuation Date and payable quarterly on the first day of each calendar quarter commencing on the Initial Closing Date.

### Distribution Fee

The Fund Manager will receive a distribution fee from the Mashreq Al-Islami Income Fund to cover distribution expenses, payable out of assets attributable to the Class "D Accumulation" Shares, the Class "D Income" Shares, the Class "D AED Accumulation" Shares and Class "D AED Income" Shares of 0.5% per annum of the Net Asset Value per Class in respect of the Class "D Accumulation" Shares, the Class "D Income" Shares, the Class "D AED

Accumulation" Shares and the Class "D AED Income" Shares.

The Fund Manager will not receive a distribution fee in respect of the Class "B" Shares or the Class "C" Shares.

### **Set-Up Payment**

The Fund Administrator, Registrar and Transfer Agent and Custodian are entitled to a one-time set-up payment from the assets of the Mashreq Al-Islami Income Fund of USD 10,000 to be shared between them in the proportion which they agree.

### **Performance Fee**

No Performance Fee will be payable.

## **Subscription**

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### **Minimum Initial Fund Size**

The minimum initial Fund size for the Mashreq Al-Islami Income Fund was USD 20 million.

### **Issue of Shares**

The Fund will issue Class "B" Shares for the Mashreq Al-Islami Income Fund to existing and new investors, effective as of each Issue Date in accordance with the provisions set out below. Up to 100,000,000 Class "B" Shares have been made available for issue.

The Fund will issue Class "C" Shares for the Mashreq Al-Islami Income Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Class "C" Shares are only available for subscription by insurance and takaful companies. The Fund Manager may in its discretion waive this requirement for particular subscriptions. Up to 100,000,000 Class "C" Shares have been made initially available for issue.

The Fund will issue Class "D Accumulation" Shares and Class "D Income" Shares for the Mashreq Al-Islami Income Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Up to 50,000,000 Class "D Accumulation" Shares and up to 50,000,000 Class "D Income" Shares have been made initially available for issue.

The Fund will issue Class "D AED Accumulation" Shares and Class "D AED Income" Shares for the Mashreq Al-Islami Income Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Up to 50,000,000 Class "D AED Accumulation" Shares and up to 50,000,000 Class "D AED Income" Shares will be made available for issue.

### **Initial Offer Period**

For all Classes in the Mashreq Al-Islami Income Fund the Initial Offer Period has ended.

### **Minimum Subscription / Additional Subscriptions**

The minimum initial subscription and holding amount in the Mashreq Al-Islami Income Fund for each investor is USD 500,000 in respect of the Class "B" Shares and USD 1 in respect of the Class "C" Shares, Class "D Accumulation" Shares and the Class "D Income" Shares. Additional subscriptions may be made in increments of USD 100,000 in respect of the Class "B" Shares and in increments of USD 1 in respect of the the Class "C" Shares, the Class "D Accumulation" Shares and Class "D Income" Shares.

The minimum initial subscription and holding amount in the Mashreq Al-Islami Income Fund for each investor is AED 1,000 in respect of the Class "D AED Accumulation" Shares and Class "D AED Income" Shares, and in increments of AED 100 in respect of the Class "D AED Accumulation" Shares and Class "D AED Income" Shares.

The Fund Manager may alter or waive the minimum initial subscription, holding amount or additional subscription thresholds in relation to the Mashreq Al-Islami Income Fund in its absolute discretion subject to any applicable Rules.

Subscriptions are used to purchase the largest number of Shares of the relevant Class in the Mashreq Al-Islami Income Fund possible after deduction of charges (see below). Fractional Shares are issued up to four decimal places.

Mashreq Al-Islami Income Fund Shares are offered on a continuous basis on each Subscription Date at the applicable Subscription Price, i.e. the Net Asset Value per Share applicable on the Subscription Date plus the applicable subscription fee.

### **Subscription Date**

The Subscription Date for the Mashreq Al-Islami Income Fund will be each Dealing Day.

### **Subscription Procedure**

Applicants who wish to subscribe for Shares in the Mashreq Al-Islami Income Fund must send the subscription agreement to the Fund Manager. For the purpose of the prior notice requirements set out below, all applications for subscriptions shall be deemed to be received at the time they are received by the Fund Manager.

### **Prior Notice for Subscriptions**

No application for subscription will be accepted unless the subscription agreement and payment of the full Subscription Price in immediately available funds (as detailed below) are received at least two Business Days prior to the desired Subscription Date. Applications for subscriptions received after such deadline will be dealt with on the next Subscription Date after the desired Subscription Date. The Fund Manager may in its discretion waive this requirement.

#### **Payment of Subscription Price**

The full Subscription Price (including any applicable subscription fee) must be received in immediately available funds by the Custodian or its agent at least two Business Days prior to the desired Subscription Date. Applications for subscriptions for which funds are received after such deadline will be dealt with on the next Subscription Date after the desired Subscription Date. The Fund Manager may in its discretion waive this requirement.

## **Valuation**

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#### **Valuation Date**

The Valuation Date for the Mashreq Al-Islami Income Fund will be the close of business (UAE time) at each Business Day.

## **Redemption**

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#### **Redemption Date**

The Redemption Date for the Mashreq Al-Islami Income Fund will be each Dealing Day.

#### **Redemptions**

Each Shareholder may apply for the redemption of all or part of his Shares or of a fixed United States Dollar or AED amount as of each Redemption Date at the applicable Redemption Price (which is the Net Asset Value per Share applicable on the Redemption Date less any Dilution Levy), subject to a minimum redemption amount of USD 50 or AED 100 respectively. If the value of a Shareholder's holding on the relevant Redemption Date is less than the fixed USD amount or AED which the Shareholder has applied to redeem or if, following the requested redemption a Shareholder will hold Shares in the Mashreq Al-Islami Income Fund worth less than the minimum holding, the Shareholder will be deemed to have requested the redemption of all his Shares.

#### **Prior Notice Requirement for Redemptions**

No Redemption Request will be accepted unless the application is received at least two Business Days prior to the desired Redemption Date. Redemption Requests received after such deadline will be dealt with on the next Redemption Date after the desired Redemption Date. The Fund Manager may in its discretion waive this requirement.

#### **Payment of Redemption Proceeds**

Redemption proceeds, net of any applicable Dilution Levy, will be paid in United States Dollars (USD) or in United Arab Emirates Dirham (AED) respectively as soon as reasonably practicable and normally within five Business Days after the Redemption Date. Redemption proceeds will only be paid in favour of the relevant Shareholder and will be paid by electronic transfer (net of the electronic transfer fee) to the account instructed by that Shareholder or, if no account details are held, by cheque mailed to the address of the Shareholder recorded in the Shareholder Register.

Whilst the Fund intends to make all redemptions in cash, if requested by a Shareholder, redemptions may be made in kind (in specie) at the discretion of the Fund Manager. In order to satisfy payment of the redemption proceeds to such Shareholder in kind, the Fund Manager will allocate to the Shareholder assets of the Mashreq Al-Islami Income Fund equal to the value of the Shares to be redeemed. The nature and type of assets to be transferred in such case shall be determined on a fair and reasonable basis and without prejudicing the interests of the other Shareholders. The valuation used shall be confirmed by a special report of the Registered Auditor. The costs of any such redemptions in kind shall be borne by the redeeming Shareholder.

#### **Transaction Charges Redemption Costs and Expenses.**

If the Mashreq Al-Islami Income Fund incurs any costs, expenses or losses in respect of any redemption of Shares, including any profit paid or payable or any loss, premium, penalty or expense that may be incurred in liquidating or employing securities, deposits or financing to fund the redemption amount, these may be recovered from the redemption amount payable to the redeeming Shareholder.

#### **Voting Rights**

Class "B" Shares, Class "C" Shares, Class "D Accumulation" Shares, Class "D Income" Shares, Class "D AED Accumulation" Shares and Class "D AED Income" Shares shall not confer any voting rights on a Shareholder, provided however that a Shareholder shall be permitted to vote in those circumstances specifically stated in the Articles of Association or otherwise in accordance with the Law, the CIR and the Rules. This includes the right to vote on any matters (or amendments) which would affect the rights or entitlements of a Shareholder, such as a fundamental change requiring a Special Resolution or a materially significant change requiring an Ordinary Resolution.

#### **Distribution**

The Class "D Accumulation" Shares, Class "D Income" Shares, Class "D AED Accumulation" Shares and Class "D AED Income" Shares will develop a distinct Net Asset Value per Share. The Director intends to declare distributions in respect of the Class "D Income" Shares and Class "D AED Income" Shares. The Fund Manager in its capacity as Director of the Fund shall at its discretion decide the timing and amount of any distribution to be declared or made. Any such distribution can, at the discretion of the Fund 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 paid to the Shareholders of record within 20 Business Days. Upon the declaration of any distributions to the Shareholders of the relevant Share Classes of the "D Income" Shares and Class "D AED Income" Shares, the Net Asset Value per Share of the relevant Share Class of the Mashreq Al Islami Income Fund will be reduced by the amount of such distributions. Payment of the distributions will be made as indicated on a Shareholder's subscription application form, as amended from time to time, to the account indicated on the Shareholder Register or via the issuance of additional Shares. All Shareholders recorded in the register of the Registrar and Transfer Agent at the end of the Record Date (including the Record Date transactions) shall be eligible for such distribution. Distributions will be paid out either via bank transfer or via the issuance of additional Shares to the relevant Class "D Income" Share and Class "D AED Income" Shareholders. Shareholders have the option to opt for the method of payment of their choice by way of the submission of their subscription agreement. The selection upon subscription to subscribe for Class "D Income" Shares and Class "D AED Income" Shares may be changed by the relevant Shareholder by giving notice to the Fund Manager no less than 30 days before the relevant Valuation Date for determining the Net Asset Value per Class for the Class "D Income" Shares and Class "D AED Income" Shares. The Fund Manager may waive or reduce such prior notice period to be given by a Shareholder at its own discretion.

The Director does not currently intend to declare distributions in respect of the Class "B" Shares or Class "C" Shares but reserves the right to do so at any time in its discretion or if such distribution are necessary in light of prevailing market conditions. The declaration of any distributions will be made in accordance with the Law, the CIR and the Articles of Association.

Any distribution unclaimed after a period of twelve months from the date of declaration of such distribution will be automatically forfeited and will be donated to a registered charity approved by the Shariah Supervisory Board.

### Mashreq Al Islami Equity Fund

This Annex forms an integral part of the Prospectus, which should only be read together as part of the same document.

#### Investment objective and policy

##### Principal Investment Objective

The Investment Objective of the Mashreq Al Islami Equity Fund is to seek long term capital appreciation through investments made primarily in Shariah-compliant equities listed on the stock exchanges of the MENA region. The Mashreq Al Islami Equity Fund will follow S&P Shariah-compliant screening methodology, as set out in the section headed "Index Eligibility Criteria" below, which is approved by the Shariah Supervisory Board. These investments may be made directly and through other means when deemed appropriate. In addition to the investment strategies described in this Annex, if the Mashreq Al Islami Equity Fund is unable, for any reason, to invest directly in a local market at any time, it may take exposure to the relevant market by investing in equity-linked participation notes, which will not embed derivatives or create leverage. These are Sukuk structured to provide a return based on the performance of a single equity security, basket of equity securities or an equity index. There is no limit to investment in such equity-linked participation notes provided that they constitute transferable securities that are listed or traded on recognised markets.

##### Target Markets

The Mashreq Al Islami Equity Fund will invest primarily in Shariah-compliant companies listed on the MENA stock exchanges, including Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Turkey and the UAE. Although the Mashreq Al Islami Equity Fund will focus primarily on the above exchanges in order to define its investment universe, it may make investments in certain other Shariah-compliant companies or markets in line with the policies and guidelines outlined in this Prospectus. Investments may be made directly or indirectly through sub-funds or with sub-managers as the Investment Manager deems appropriate. The Mashreq Al Islami Equity Fund may invest in securities that are approved for listing on an authorised exchange, including private placements. The Mashreq Al Islami Equity Fund may also invest in securities listed on stock exchanges established outside the MENA region, especially emerging Asia. These investments may be made directly or indirectly as deemed appropriate by the Investment Manager.

##### Investment Strategy and Process

The Investment Manager has substantial resources at its disposal to analyse regional economies both at a macro and micro level. The Investment Manager has developed a substantial proprietary research capability to make individual security recommendations, which include making regular visits and maintaining close contact with management of major corporations in the broader MENA region.

When selecting investments, the Investment Manager will focus on those comprising primarily large blue chip companies of the Arab world. Company-specific analysis will be made in the context of a macroeconomic and political framework to determine company allocations within the Mashreq Al Islami Equity Fund. In top down analysis, focus will be on such macroeconomic factors as inflation, interest and tax rates, and political climate. 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.

##### Investment Guidelines

In making investments on behalf of the Mashreq Al Islami Equity Fund, the Investment Manager shall adhere to the following guidelines, in addition to the investment restrictions set out in the section of the Prospectus headed "Investment Restrictions":-

- the Mashreq Al Islami Equity Fund will invest at least 50% of its net assets in Shariah-compliant equities listed in the target markets;
- the Mashreq Al Islami Equity Fund is authorised to invest in securities that are not contained on S&P Shariah-compliant indices in MENA or any other approved index, which apply similar criteria as those set out in the section headed "Index Eligibility Criteria" but subject to a Shariah approval;
- a maximum of 10% of the Mashreq Al Islami Equity Fund's total assets may be invested in the shares of a single company and not more than 20% of the total assets of the Mashreq Al Islami Equity Fund may be invested in a single group of connected parties, except as approved by DFSA regulations;
- Investments in IPOs for shares of unlisted companies in the target markets, is permitted up to a maximum level of 10% of the Net Asset Value;
- investments in Shariah-compliant fixed income securities (sukuk) is permitted up to a maximum level of 40% of the Net Asset Value;
- the Investment Manager may appoint sub-investment managers, in accordance with the requirements of the DFSA, to manage up to a maximum of 25% of the net assets of the Mashreq Al Islami Equity Fund;
- cash balances in USD and/or other convertible currencies may be invested in Shariah-compliant fixed return securities including, but not limited to, fixed deposits, treasury bills, certificates of deposit, and money market funds, provided that a maximum of 20% of the Net Asset Value may be placed with a single party (or group of connected counterparties);

- subject to the approval of the Shariah Supervisory Board or the secretary to the Shariah Supervisory Board, the Mashreq Al Islami Equity Fund may invest a maximum of 20% in warrants for investment purposes.

### **Investment restrictions**

The Investment Manager may not conduct any of the following transactions for the account of the Mashreq Al Islami Equity Fund:

- granting loans and extending financings;
- granting collateral and issuing guarantees;
- underwriting the issuance of securities;
- trading in real estate;
- discounting bills of exchange;
- investing in hedge funds; and
- investments in non-Shariah-compliant instruments.

### **Index Eligibility Criteria**

Standard and Poor's is the provider of the S&P Shariah-compliant indices and has set the following eligibility criteria for the securities contained on its S&P Shariah-compliant indices:

#### Sector-Based Screens

Business activities related to the following are excluded:

- Advertising and media, with the following exceptions:
  - media and advertising companies generating revenues in excess of 65% of total income from the GCC countries;
  - news channels;
  - newspapers; and
  - sports channels.
- Alcohol
- Cloning
- Financials, except:
  - Islamic banks;
  - Islamic financial institutions;
  - Islamic insurance companies defined as a company having;
  - Shariah committee to supervise all activities;
  - all products are Islamic;
  - all investments of the company are Islamic; and
  - passes accounting based screens.
- Gambling
- Pork
- Pornography
- Tobacco
- Trading of gold and silver as cash on deferred basis

During the selection process, each company's latest financial statement is reviewed to ensure that the company is not involved in any non-Shariah-compliant activities, regardless of whether the latest statement is a quarterly, semi-annual or annual statement. If the latest statement is available in all three of these frequencies an annual statement will likely be used, as these are more likely to be audited. Those that are found to be non-compliant are screened out.

#### Accounting-Based Screens

After removing companies with non-compliant business activities, the rest of the companies are examined for compliance in financial ratios, as certain ratios may violate compliance measurements. Three areas of focus are leverage, cash, and the share of revenues derived from non-compliant activities.

All of these are subject to evaluation on an on-going basis.

Such accounting based screens are not applicable to companies which are run on a fully Shariah-compliant basis and such companies shall be considered compliant. Such companies may be characterised by (the list below is indicative, non-exhaustive and reviewed on a case to case basis):

- having a Shariah supervisory board;
- all transactions (business and financial) are in accordance with Shariah principles; and
- incorporated and managed in a fully Shariah-compliant manner.

Leverage compliance: this compliance is measured as: debt / market value of equity (36 month average) < 33 %.

Cash compliance: there are compliances with reference to cash holdings. These are: accounts receivables/ market value of equity (36 month average) < 49%; and (cash + profit bearing securities) / market value of equity (36 month average) < 33%.

Revenue share from non-compliant activities: in certain cases, revenues from non-compliant activities can be tolerated, if they comply with the following threshold: (non-permissible income other than interest income) / revenue < 5%.

#### **Dividend Purification**

The companies that qualify for investment by the Mashreq Al Islami Equity Fund may engage in activities of a marginal nature that do not comply with Shariah principles. The Shariah Supervisory Board has advised that any such amount becoming part of the Mashreq Al Islami Equity Fund's income is not permissible and hence the Mashreq Al Islami Equity Fund should not benefit from it. The Investment Manager or its designated agent will segregate the non-compliant income from the dividend income received by the Mashreq Al Islami Equity Fund using the dividend purification ratio (non-permissible revenue / total revenue) and guidelines provided by the Shariah Supervisory Board. The non-compliant amount will be transferred to a non-compliant income account for donation to charity. It is intended that the amounts donated to charity will be detailed in the Mashreq Al Islami Equity Fund's annual report.

#### **Shariah Compliance Oversight**

To ensure on-going compliance with Shariah, the Investment Manager, as soon as it comes to its notice that an investment held by the Mashreq Al Islami Equity Fund is deemed to be non-Shariah-compliant shall use all best efforts to liquidate such an investment within 90 days of notification of such non-compliance. The Company will strictly restrict its investments Shariah-compliant companies in MENA stock exchange or other companies approved by the Shariah Supervisory Board from time to time and any investment outside these approved stock exchanges would require a formal approval from the Shariah Supervisory Board.

On an annual basis (as soon as possible after end of a calendar year), the Company will provide the following documents / information to Shariah Supervisory Board:

- a list of all holdings comprised in the Mashreq Al Islami Equity Fund;
- a list of dividends distributed during the previous year by all Mashreq Al Islami Equity Fund holdings;
- a report on the Mashreq Al Islami Equity Fund's activities during the calendar year highlighting any violation of the Shariah rules during the year;
- a statement of the accounts of the Mashreq Al Islami Equity Fund showing the income and expenses during the year under review; and
- a report on the dividend purification carried out during the year and
- Any additional information that might be required by the Shariah supervisory board.

Upon its satisfaction, the Shariah Supervisory Board will issue a compliance certificate which will be available for inspection by the Shareholders. The Custodian has no obligation to ensure the Shariah compliance of the investments of the Mashreq Al Islami Equity Fund.

#### **Breaches and Correction**

If the investment objective, policy and investment restrictions are breached for reasons beyond the control of the Fund Manager or as a result of the exercise of subscription rights (passive breaches), the Fund Manager will adopt as its priority the remedying of such situation, taking due account the interests of the Shareholders. The Fund Manager will mention any breaches in the next interim or annual report sent to the Shareholders.

### **Base Currency**

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The base currency of the Mashreq Al Islami Equity Fund Classes is either the United States Dollar or the UAE dirham. Shares in the Mashreq Al Islami Equity Fund will be issued and redeemed in United States Dollars or respectively AED. However, the Mashreq Al Islami Equity Fund assets may be invested in securities and other investments that are denominated in currencies other than United States Dollars or AED. Accordingly, the value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the United States Dollar or AED should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the United States Dollar, AED and such other currency which rates may be obtained from third party providers of exchange rate information such as Bloomberg.

## Monitoring

The Fund Manager shall monitor the Fund's compliance with the investment policies and restrictions set out above.

## Liquidity Management

The Fund Manager has appropriate processes in place to manage and monitor liquidity of the Mashreq Al Islami Equity Fund.

## Business Day

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In relation to the Mashreq Al Islami Equity Fund, includes Monday to Friday unless the UAE Ministry of Labour or the DIFC Authority announce that such a day will be a holiday in the DIFC.

## Leverage/Financing

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The Mashreq Al Islami Equity may use Shariah-compliant forms of leverage to meet redemptions, to bridge-finance new investments or for foreign exchange margin purposes but such leverage shall be subject to a maximum of 20% of the Net Asset Value of the Mashreq Al Islami Equity Fund. The Mashreq Al Islami Equity Fund may establish a Shariah-compliant credit facility for such purpose and will be able to drawdown, repay and again drawdown amounts under that facility. Such leverage facility may be utilised to enable the Mashreq Al Islami Equity Fund to cover the margin requirements for a currency hedge.

## Derivatives

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Notwithstanding the investments in equity-linked participation notes, the Mashreq Al Islami Equity Fund will not utilise derivatives, except for the express purposes of hedging profit rates. Any derivative programme/arrangements/product entered into to hedge profit rates will require specific Shariah approval. Each individual transaction entered into under such Shariah-approved programme/arrangements/product will not require further specific Shariah approval.

## Stock Lending

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The Mashreq Al Islami Equity Fund will not engage in stock lending.

## Investment horizon and Typical Investor Profile

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The Mashreq Al Islami Equity Fund is not an appropriate vehicle for short-term investment, as its investment objectives are set on a medium to long-term basis. The typical investor investing in the Mashreq Al-Islami Equity Fund is an investor with an investment timeline of 3 to 5 years looking to achieve long term capital appreciation through investments made primarily in Shariah-compliant equities listed on the stock exchanges of the MENA region.

## Fees

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Unless otherwise stated, all fees and expenses are accrued on each Valuation Date and are to be paid either monthly, quarterly or annually.

### Sub-Fund Formation Expenses

The Sub-fund formation expenses are estimated at USD 50,000 and will be amortised over a period of five years in accordance with IFRS.

### Subscription Fee

A subscription fee of up to 5% in respect of Class "E" Shares, up to 2% in respect of Class "F" Shares, up to 5% in respect of Class "G Accumulation" Shares, up to 5% in respect of Class "G Income" Shares, up to 5% in respect of Class "G AED Accumulation" Shares and up to 5% in respect of Class "G AED Income" Shares of the amount subscribed for will be paid to the Fund Manager from each subscription to the Mashreq Al Islami Equity Fund. The Fund Manager may waive a portion of such fee or decide to transfer part or all of such fee to the relevant distributor, in its discretion.

### Management Fee

The Fund Manager will receive a management fee from the Mashreq Al Islami Equity Fund, payable out of assets attributable to the Mashreq Al Islami Equity Fund of:

- a. 1.5% per annum of the Net Asset Value per Class in respect of the Class "E" Shares;
- b. 1.0% per annum of the Net Asset Value per Class in respect of the Class "F" Shares;
- c. 1.5% per annum of the Net Asset Value per Class of the Class "G Accumulation" Shares;
- d. 1.5% per annum of the Net Asset Value per Class of the Class "G Income" Shares;

- e. 1.5% per annum of the Net Asset Value per Class of the Class "G AED Accumulation" Shares; and
- f. 1.5% per annum of the Net Asset Value per Class of the Class "G AED Income" Shares,

(calculated before payment of accrued Fees) to be calculated and accrued as at each Valuation Date and payable quarterly on the first day of each calendar quarter commencing on the Initial Closing Date.

### Performance Fee

The Performance Fee in respect of each Class (equal to 15% of appreciation in the Net Asset Value above the Hurdle HWM) is calculated on each Valuation Day but finally determined and payable as of the end of each Calculation Period, which shall run each year from 1 January (except for the first year in respect of which the Calculation Period shall start on the Initial Issue Date for each Class) until:

1. the relevant financial year end;
2. the Redemption Date with respect to Shares redeemed before the financial year end; or
3. the date of final liquidation of the assets of the Sub Fund;

and the Hurdle Rate of return (equal to 10%) shall be pro-rated (on the basis of the fraction having as numerator the number of days elapsed and as denominator 365) in respect of any such shorter Calculation Period.

If an Investor subscribes for Shares at a time when the Net Asset Value per Share is higher or lower than the Hurdle HWM, certain adjustments will be made to reduce inequities that could otherwise result to the investor or to the Fund Manager.

### Adjustments

If Shares are subscribed for at a time when the Net Asset Value per Share is less than the Hurdle HWM, the Investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Shares above the Hurdle HWM. With respect to any appreciation in the value of those Shares from the Net Asset Value per Share at the date of subscription up to the Hurdle HWM, the Performance Fee will be charged at the end of each year by redeeming at the prevailing Net Asset Value per Share such number of the investor's Shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to the percentage specified as the Performance Fee of any such appreciation (a "**Performance Fee Redemption**"). The aggregate Net Asset Value of the Shares so redeemed will be paid to the Fund Manager as a Performance Fee. The technique of Performance Fee Redemptions is employed to ensure that in each Class of the Mashreq Al Islami Equity Fund a uniform Net Asset Value per Share is maintained. As regards the Investor's remaining Shares, any appreciation in the Net Asset Value per Share of those Shares above the Hurdle HWM will be charged a Performance Fee in the normal manner described above.

If Shares are subscribed for at a time when the Net Asset Value per Share is greater than the Hurdle HWM, the investor will be required to pay an additional amount in excess of the then current Net Asset Value per Share equal to the percentage specified as the relevant Performance Fee of the difference between the then current Net Asset Value per Share (before accrual for the Performance Fee) and the Hurdle HWM (an "**Equalisation Credit**"). At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of such Class (the "**Maximum Equalisation Credit**").

The Equalisation Credit is payable to account for the fact that the Net Asset Value per Share has been reduced to reflect an accrued Performance Fee to be borne by existing Investor's holding Shares of the relevant Class and serves as a credit against Performance Fees that might otherwise be payable by the Fund, but that should not, in equity, be charged against the Investor making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all Investors of the relevant Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Fund and will therefore appreciate or depreciate based on the performance of the Shares subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the Net Asset Value per Share, the Equalisation Credit will also be reduced by an amount equal to the percentage specified in the Performance Fee of the difference between the Net Asset Value per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the Net Asset Value per Share will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the end of each year, if the Net Asset Value per Share of the relevant Class (before accrual for the Performance Fee) exceeds the prior Hurdle HWM for that class and series, that portion of the Equalisation Credit equal to the percentage specified in the Performance Fee of the excess, multiplied by the number of Shares subscribed for by the Investor, will be applied to subscribe for additional Shares of the same Class for such Shareholder. Additional Shares will continue to be so subscribed for at the end of each Calculation Period until the Equalisation Credit, as it may have appreciated or depreciated in the Mashreq Al Islami Equity Fund after the original subscription for Shares was made, has been fully applied. If such Investor redeems his Shares before the Equalisation Credit has been fully applied, such Investor will receive additional redemption proceeds equal to the Equalisation Credit then remaining multiplied by a fraction, the numerator of which is the number of Shares of the relevant Class being redeemed and the denominator of which is the number of Shares of the relevant Class held by the Investor immediately prior to the redemption in respect of which an Equalisation Credit was paid on subscription.

The Director may make such further regulations concerning share issue and redemption as it shall from time to time deem necessary for an equitable treatment of Participating Shareholders as to any performance, incentive or similar fees due from the Fund.

It should be noted that the Management Fees and Performance Fees are based in part upon unrealised gains (as well as unrealised losses) and that such unrealised gains and/or losses may never be realised.

On termination of the Fund Management Agreement, the Fund Manager shall be entitled to receive all fees and other moneys accrued but not yet paid on a pro rata basis up to the date of such termination as provided in the Fund Management Agreement and shall repay on a pro-rata basis fees and other moneys paid to it in respect of any period after the date of such termination.

### **Distribution Fee**

The Fund Manager will receive a distribution fee from the Mashreq Al Islami Equity Fund to cover distribution expenses, payable out of assets attributable to the Class "G Accumulation" Shares, the Class "G Income" Shares, the Class "G AED Accumulation" Shares and the Class "G AED Income" Shares of 0.75% per annum of the Net Asset Value per Class in respect of the Class "G Accumulation" Shares, the Class "G Income" Shares, the Class "G AED Accumulation" Shares and the Class "G AED Income" Shares.

The Fund Manager will not receive a distribution fee in respect of the Class "E" Shares or the Class "F" Shares.

## **Subscription**

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### **Minimum Initial Fund Size**

The minimum initial Fund size for the Mashreq Al Islami Equity Fund will be USD 1,000,000.

### **Issue of Shares**

The Fund will issue Class "E" Shares for the Mashreq Al Islami Equity Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Up to 100,000,000 Class "E" Shares have been made available for issue.

The Fund will issue Class "F" Shares for the Mashreq Al Islami Equity Fund to existing and new investors, effective as of each Issue Date in accordance with the provisions set out below. Class "F" Shares are only available for subscription by insurance and takaful companies. The Fund Manager may in its discretion waive this requirement for particular subscriptions. Up to 100,000,000 Class "F" Shares have been made initially available for issue.

The Fund will issue Class "G Accumulation" Shares and Class "G Income" Shares for the Mashreq Al Islami Equity Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Up to 50,000,000 Class "G Income" Shares and up to 50,000,000 Class "G Accumulation" Shares have been made initially available for issue.

The Fund will issue Class "G AED Accumulation" Shares and Class "G AED Income" Shares for the Mashreq Al Islami Equity Fund to existing and new investors effective as of each Issue Date in accordance with the provisions set out below. Up to 50,000,000 Class "G AED Accumulation" Shares and up to 50,000,000 Class "G AED Income" Shares will be made available for issue as of such date as will be communicated by the Fund Manager to the prospective investors.

### **Initial Offer Period**

The Initial Offer Period for the each of the Classes will be communicated by the Fund Manager to the prospective investors.

### **Minimum Subscription / Additional Subscriptions**

The minimum initial subscription and holding amount in the Mashreq Al Islami Equity Fund for each investor is USD 500,000 in respect of the Class "E" Shares and USD 1.00 in respect of the Class "F" Share, the Class "G Accumulation" Share and the Class "G Income" Share. Additional subscriptions may be made in increments of USD 100,000 in respect of the Class "E" Shares and in increments of USD 1.00 in respect of the Class "F" Share, the Class "G Accumulation" Share and the Class "G Income" Share.

The minimum initial subscription and holding amount in the Mashreq Al-Islami Equity Fund for each investor is AED 1,000 in respect of the Class "G AED Accumulation" Share and the Class "G AED Income" Share. Additional subscriptions may be made in increments of AED 100 in respect of the Class "G AED Accumulation" Share and the Class "G AED Income" Share.

The Fund Manager may alter the minimum initial subscription, holding amount or additional subscription thresholds in relation to the Mashreq Al Islami Equity Fund in its absolute discretion without the conflict of applicable rules pertain to the minimum subscription.

Subscriptions are used to purchase the largest number of Shares of the relevant Class in the Mashreq Al Islami Equity Fund possible after deduction of charges (see below). Fractional Shares are issued up to four decimal places.

During the Initial Offer Period, Class "G AED Accumulation" Shares and Class "G AED Income" Shares in the Mashreq Al Islami Equity Fund will be issued at a Subscription Price of AED 10 per share (plus the subscription fee).

After the relevant Initial Offer Period, the Mashreq Al Islami Equity Fund Shares are offered on a continuous basis on each Subscription Date at the applicable Subscription Price, i.e. the Net Asset Value per Share applicable on the Subscription Date plus the applicable subscription fee.

### **Subscription Date**

The Subscription Date for the Mashreq Al Islami Equity Fund will be each Dealing Day.

## **Subscription Procedure**

Applicants who wish to subscribe for Shares in the Mashreq Al Islami Equity Fund must send the subscription agreement to the Fund Manager. For the purpose of the prior notice requirements set out below, all applications for subscriptions shall be deemed to be received at the time they are received by the Fund Manager.

## **Prior Notice for Subscriptions**

No application for subscription will be accepted unless the subscription agreement and payment of the full Subscription Price in immediately available funds (as detailed below) are received at least two Business Days prior to the desired Subscription Date. Applications for subscriptions received after such deadline will be dealt with on the next Subscription Date after the desired Subscription Date. The Fund Manager may in its discretion waive this requirement.

## **Payment of Subscription Price**

The full Subscription Price (including any applicable subscription fee) must be received in immediately available funds by the Custodian or its agent at least two Business Days prior to the desired Subscription Date. Applications for subscriptions for which funds are received after such deadline will be dealt with on the next Subscription Date after the desired Subscription Date. The Fund Manager may in its discretion waive this requirement.

## **Valuation**

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### **Valuation Date**

The Valuation Dates for the Mashreq Al Islami Equity Fund will be the close of business (UAE time) at each Business Day.

## **Redemption**

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### **Redemption Date**

The Redemption Date for the Mashreq Al Islami Equity Fund will be each Dealing Day.

### **Redemptions**

Each Shareholder may apply for the redemption of all or part of his Shares or of a fixed United States Dollar amount as of each Redemption Date at the applicable Redemption Price (which is the Net Asset Value per Share applicable on the Redemption Date less any Dilution Levy), subject to a minimum redemption amount of USD 50. If the value of a Shareholder's holding on the relevant Redemption Date is less than the fixed USD amount which the Shareholder has applied to redeem or if, following the requested redemption a Shareholder will hold Shares in the Mashreq Al Islami Equity Fund worth less than the minimum holding, the Shareholder will be deemed to have requested the redemption of all his Shares.

### **Prior Notice Requirement for Redemptions**

No Redemption Request will be accepted unless the application is received at least two Business Days prior to the desired Redemption Date. Redemption Requests received after such deadline will be dealt with on the next Redemption Date after the desired Redemption Date. The Fund Manager may in its discretion waive this requirement.

### **Payment of Redemption Proceeds**

Redemption proceeds, net of any applicable Dilution Levy, will be paid in United States Dollars (USD) or United Arab Emirates Dirhams (AED) as soon as reasonably practicable and normally within five Business Days after the Redemption Date. Redemption proceeds will only be paid in favour of the relevant Shareholder and will be paid by electronic transfer (net of the electronic transfer fee) to the account instructed by that Shareholder or, if no account details are held, by cheque mailed to the address of the Shareholder recorded in the Shareholder Register.

Whilst the Fund intends to make all redemptions in cash, if requested by a Shareholder, redemptions may be made in kind (in specie) at the discretion of the Fund Manager. In order to satisfy payment of the redemption proceeds to such Shareholder in kind, the Fund Manager will allocate to the Shareholder assets of the Mashreq Al Islami Equity Fund equal to the value of the Shares to be redeemed. The nature and type of assets to be transferred in such case shall be determined on a fair and reasonable basis and without prejudicing the interests of the other Shareholders. The valuation used shall be confirmed by a special report of the Registered Auditor. The costs of any such redemptions in kind shall be borne by the redeeming Shareholder.

### **Transaction Charges Redemption Costs and Expenses.**

If the Mashreq Al Islami Equity Fund incurs any costs, expenses or losses in respect of any redemption of Shares, including any profit paid or payable or any loss, premium, penalty or expense that may be incurred in liquidating or employing securities, deposits or financing to fund the redemption amount, these may be recovered from the redemption amount payable to the redeeming Shareholder.

### **Voting Rights**

Class "E" Shares, Class "F" Shares, Class "G Accumulation" Shares, Class "G Income" Shares, Class "G AED Accumulation" Shares and Class "G AED Income" Shares shall not confer any voting rights on a Shareholder, provided however that a Shareholder shall be permitted to vote in those circumstances specifically stated in the Articles of Association or otherwise in accordance with the Law, the CIR and the Rules. This includes the right to vote on any

matters (or amendments) which would affect the rights or entitlements of a Shareholder, such as a fundamental change requiring a Special Resolution or a materially significant change requiring an Ordinary Resolution.

### **Distribution**

The Class "G Accumulation" Shares, the Class "G Income" Shares, Class "G AED Accumulation" Shares and Class "G AED Income" Shares will develop a distinct Net Asset Value per Share. The Director intends to declare distributions in respect of the Class "G Income" Shares and Class "G AED Income" Shares. The Fund Manager in its capacity as Director of the Fund shall at its discretion decide the timing and amount of any distributions to be made. Any such distribution can, at the discretion of the Fund 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 paid to the Shareholders of record within 20 Business Days for the preceding quarter. Upon the declaration of any distributions to the Shareholders of the relevant Share Classes of the "G Income" Shares and the "G AED Income" Shares, the Net Asset Value per Share of the relevant Share Class of the Mashreq Al Islami Equity Fund will be reduced by the amount of such distributions. Payment of the distributions will be made as indicated on a Shareholder's subscription application form, as amended from time to time, to the account indicated on the Shareholder Register or via the issuance of additional Shares. All Shareholders recorded in the register of the Registrar and Transfer Agent at the end of the Record Date (including the Record Date transactions) shall be eligible for such distribution. Distributions will be paid out either via bank transfer or via the issuance of additional Shares to the relevant Class "G Income" and Class "G AED Income" shareholders. Shareholders have the option to opt for the method of payment of their choice by way of the submission of their subscription agreement. The selection upon subscription to subscribe for Class "G Income" Shares and Class "G AED Income" Shares may be changed by the relevant Shareholder by giving notice to the Fund Manager no less than 30 days before the relevant Valuation Date for determining the Net Asset Value per Class for the Class "G Income" Shares and Class "G AED Income" Shares. The Fund Manager may waive or reduce such prior notice period to be given by a Shareholder at its own discretion.

The Director does not currently intend to declare other distributions in respect of the Class "E" Shares or Class "F" Shares, but reserves the right to do so at any time in its discretion or if such distribution are necessary in light of prevailing market conditions. The declaration of any distributions will be made in accordance with the Law, the CIR and the Articles of Association.

Any distribution unclaimed after a period of twelve months from the date of declaration of such distribution will be automatically forfeited and will be donated to a registered charity approved by the Shariah Supervisory Board.