

# NBAD Growth Funds - NBAD MENA Income & Growth Fund Term sheet

Valid as at 30 November 2014

**Manager**

National Bank of Abu Dhabi

**Custodian**

National Bank of Abu Dhabi

**Auditors**

KPMG  
Abu Dhabi

**Legal Advisors**

Allen & Overy LLP  
Abu Dhabi

## 1. Introduction

This Term Sheet describes the terms upon which Units in NBAD Growth Funds - NBAD MENA Income & Growth Fund (herein, the 'Fund') are offered to Investors. This Term Sheet must be read in conjunction with the current Prospectus for NBAD's Growth Funds (the 'Prospectus') which further details matters relating to this Fund. Terms used in this Term Sheet have the same meanings as set out in the Prospectus.

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## 2. Investment objectives

The Fund's primary/ objective is to invest in a portfolio of MENA equities and/or equity related securities (such as convertible bonds, ADRs and GDRs) listed or traded on recognised exchanges worldwide or 'over the counter' arrangements. MENA income producing assets such as fixed income securities and real estate and real estate related investment instruments and related securities including third party collective investment schemes, with a view to both achieving capital growth and distributing dividend income.

## 3. Investment guidelines

The Fund's investment guidelines are as follows:

- 3.1 Investment by the Fund in any particular company shall not exceed the lower of 10% of that company's then total market capitalisation or any restrictions on investment prescribed by applicable law and/or the relevant company's Articles of Association;
- 3.2 Except as required to reflect "Benchmark" weighting of a stock, investment by the Fund in securities of any company shall not exceed 25% of the Funds Total Assets at the time of investment.
- 3.3 Generally up to 50% of the Fund's Total Assets may, at any time be held in the form of cash or cash equivalents in order to meet redemptions and to take advantage of investment opportunities as they arise;
- 3.4 The Fund may invest up to 15% of its Total Assets to underwrite or subscribe for public issues or pre initial public offering placements which are likely to come to market within eighteen (18) months;
- 3.5 The Fund may borrow up to 10% of its NAV at any relevant time for a maximum of 1 year in order to meet redemptions;
- 3.6 Income received from the Fund's investments may wholly or partially be accumulated and re-invested or distributed in the form of dividend at the discretion of the Manager, according to the Fund's dividend policy as set out in Article 14 of this Term Sheet.
- 3.7 The Fund may invest up to 20% of its total NAV in non-MENA income producing assets that the Manager considers may add value to Investors in terms of risk and return.

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- 3.8 When the Manager considers it to be necessary or appropriate, the Fund may hedge currency and/or other portfolio related risks exposure through derivatives (including options); and
- 3.9 The Fund may invest in third party collective investment schemes (including ETFs) but such investments will be limited to 15% of the Fund's NAV and shall not exceed 10% of the net asset value of any one of the collective investment schemes the Fund is invested in.

Notwithstanding the foregoing provisions of this Clause 3, the Manager may at its discretion (subject however to the Manager's evaluation of market conditions supporting the same) liquidate some or all of the Fund's investments.

#### **4. The Fund's Investment Review Committee**

The Fund is managed according to NBAD Asset Management Group's investment process which is designed to deliver returns consistent with the Fund's objective whilst playing close attention to risk. The investment processes draws primarily on the expertise of the relevant investment teams and are supplemented where required by outside expertise. All AMG portfolios and funds are overseen by the Investment Review Committee who meets on a quarterly basis to ensure that risk and return outcomes are consistent with requirements and objectives.

The Investment Review Committee is formed of the following members of AMG:

- Managing Director and Chief Investment Officer - Chairman
- Head of Equities
- Head of Fixed Income

#### **5. The Fund's Advisory Board**

The Advisory Board for this Fund will consist of the following persons:

**Sheikh Ahmed Bin Mohammed Bin Sultan Al Dhaheri**, Director, ETISALAT, Director, National Corporation for Tourism & Hotels, Director Abu Dhabi Aviation and Director, NBAD.

**Khalaf Sultan Al Dhaheri**, Chairman, ADNIF (Islamic Subsidiary of NBAD), Al Wathba Company for Central Services (AWCCS), and Islamic Financial Consultant (IFC), Board Member, Abu Dhabi Investment Company (ADIC), and Al Rayan Bank-Doha, Group Chief Operating Officer, NBAD.

**Mahmood Al Aradi**, Senior Managing Director & Head Of Global Markets, NBAD.

Representatives of institutional Founder Investors may be invited to join the Advisory Board.

#### **6. Investment timetable**

The Investment Guidelines for the Fund will be implemented on a gradual basis, with full investment of Fund's Total Assets on the day after the Fund's First Closing Date taking place between six (6) and twelve (12) months thereafter. The Manager anticipates the Fund's First Closing Date being on or before 23 January 2006.



## **7. Intended fund size**

NBAD intends that the Fund raise initially (as at the First Closing Date) AED 100 million, with a minimum Fund size as at that date of AED 50 million.

## **8. Notices and information**

Notices and information (including Annual and Interim Reports) as to the performance and other matters concerning this Fund may be found at the Manager's website for this Fund being [www.nbad.com](http://www.nbad.com)

## **9. Subscription**

Business day for the purpose of this term sheet means each day (Sunday to Thursday) the banks in the UAE are open for business.

Investors must properly complete the prescribed Applications and supply copies of the relevant supporting documents (as may be prescribed by the Manager from time to time) by no later than the "Cut-off Time".

"Cut-off Time" for the purpose of this Term Sheet means 2:00pm (UAE time) on the business day immediately preceding the relevant "NAV Day", which is the latest the Manager can accept duly completed applications for subscriptions and/or redemptions in order for investors to take the NAV of the same business day. The Manager may substitute another specific day or date, as the Manager shall at its discretion determine from time to time.

"NAV Day" for the purpose of this Term Sheet means each business day when the NAV for the previous business day's valuation is published. The Manager may substitute another specific day or date, as the Manager shall at its discretion determine from time to time.

Minimum Subscription: AED 500 and thereafter in multiples of AED 1.

The minimum subscription amount can be reduced based on The Manager's discretion.

## **10. Lock In period**

Six (6) months from the first closing date of the Fund.

This Fund is not available for investment by United States Persons (within the meaning set out in Regulation S of the United States Securities Act of 1933, as amended). The Fund will not be offered to or available for investment by a U.S. Person in any circumstances.

The Manager may encash and utilise for the benefit of the Fund all amounts received into the Subscription Account, whether or not Units are subsequently issued to the applicant. Where appropriate partial or total refunds will be made in due course: applicants will not however receive interest on refunded monies.



## 11. Terms & conditions

Investment in the Fund is subject to the Terms & Conditions as set out in Attachment 1 to this term sheet

## 12. Risk factors

In addition to those set out in the Prospectus, the Risk Factors to which prospective investors in the Fund are exposed, are as stated in Attachment 2 to this Term Sheet. Please read, understand and carefully consider these. Prospective Investors should consult with their own advisors before deciding to subscribe for Units in the Fund.

## 13. Redemptions

Business day for the purpose of this term sheet means each day (Sunday to Thursday) the banks in the UAE are open for business.

Subject to the terms of the Prospectus, the Manager will make settlement of redeemed Units, in respect of which it has received a Redemption Notice by no later than the "Cut-off Time", within three(3) Business Days of the relevant "NAV Day". Payment of redemption proceeds in all cases will be made in AED by crediting the relevant Investor's account with NBAD.

"NAV Day" for the purposes of this Term Sheet means each business day when the NAV for the previous business day's valuation is published. The Manager may substitute another specific day or date, as the Manager shall at its discretion determine from time to time.

"Cut-off Time" for the purpose of this Term Sheet means 2.00 pm (UAE time) on the business day immediately preceding the relevant "NAV Day", which is the latest the Manager can accept duly completed applications for subscriptions and/or redemptions in order for investors to take the NAV of the same business day. The Manager may substitute another specific day or date, as the Manager shall at its discretion determine from time to time.

**Redemption Notices:** These should be for a minimum value of AED 500 or, if lower, in the amount of all the relevant Investor's then outstanding Units. Partial redemptions of an Investor's Units will not be permitted if, subsequent to redemption, the value of that Investor's then remaining Units would be less than AED 500. The value of Units for the purpose of Redemption Notice only, will be calculated by reference to the last published NAV. Redemption Notices should be received by the Manager from the Investor by the "Cut-off Time" of the relevant "NAV Day".

## 14. Dividend policy

It is the intention of the Manager to distribute dividends to Unit holders however the Manager may, at its sole discretion, refrain from making any distributions to the Investors if it deems it appropriate in the interests of the Investors.

In the event the Manager decides to distribute dividend then the below guidelines will apply:

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- 14.1 Dividends are determined and are payable on a semi-annual basis or more frequently, as approved by the Manager.
- 14.2 No dividend will be payable where realized gains and/or accrued income from underlying assets do not make such payments possible.
- 14.3 The Investment Review Committee upon recommendation of the Manager may decide to alter this policy at any time.
- 14.4 Dividend announcement date: The date on which the Manager announces that a dividend payment will be made.
- 14.5 Ex-Dividend date: The NAV Day announced by the Manager on the Dividend Announcement Date.
- 14.6 Record date: The date on which a Unit holder must officially own Units to be entitled to a dividend. The record date will be announced by the Manager on the dividend announcement date.
- 14.6.1 Investors that appear on the Fund's Register as of the Record Date shall be eligible for the relevant dividend distribution.
- 14.7 Dividend distribution policies: Distribution of dividend proceeds in all cases will be made by way of either:
- Dividend Payout; or
  - Dividend Reinvestment.
- 14.7.1 Dividend payout: the dividend proceeds will be paid in AED within 12 Business Days after the Ex-Dividend Date in the currency of the Fund, which is AED by crediting the relevant Investors' accounts with NBAD.
- 14.7.2 Dividend reinvestment: the dividend proceeds will be reinvested in the Fund at the Unit NAV as of the relevant Ex-Dividend Date and Units will be issued to the relevant Investors within [12] Business Days after the Ex-Dividend Date. Investors will receive a receipt for the amount reinvested in the Fund, the same also stating the number of Units issued and the price per Unit. No subscription fees shall be applicable to the issue of such Units.

The choice of opting for either Dividend Payout or Dividend Reinvestment will be at the discretion of the Investor at the time of application.

## **15 Fees and expenses**

- 15.1 Subscription fees: Investors subscribing to Units in the Fund will pay a subscription fee of up to 5% of the value of their subscribed funds to the Manager in its own right at such time at the time of subscription.



15.2 Management fee: a management fee of 1.5% per annum of the Fund's NAV is payable monthly to the Manager by the Fund, calculated and to accrue on a daily basis.

15.3 Performance fee:

The Manager shall be entitled to receive out of the assets of the Fund a performance fee (the "Performance Fee").

- The Performance fee will be 10% of relative outperformance of the Fund over the S&P Pan Arab Large-Mid Cap TR Index (the "Benchmark") and the latest NAV that prompted a performance fee payment during the relevant calendar year (the "High Watermark").
- No Performance Fee may be accrued unless the Net Asset Value per Share exceeds the previous highest Net Asset Value per Share on which the Performance Fee was paid within the same calendar year.
- The "High Watermark" is reset at the end of each calendar year.
- The performance fee will be accrued daily and charged to the Fund on a quarterly basis

15.4 Redemption fees: Nil.

15.5 Costs and expenses: The Fund will bear all costs related to its proper setting up (including marketing), administration and operation, as determined by the Manager. These costs will include costs relating to the purchase, holding or sale of investments, dealing and commission expenses, foreign exchange costs, bank charges, registration fees on investments, insurance and security costs, fees and expenses of the Advisory Board and audit, legal and other costs relating to the set up, promotion, administration and operation of the Fund. The Fund will also bear the costs of preparing, printing and distributing annual reports, Interim Reports and other notices and communications to Investors. Some of these costs may be depreciated over such period as the Manager considers appropriate after consultation with the Fund's auditors.

## **16. Transfer of the ownership of Units:**

No Investor shall have the right to transfer the ownership of all of its Units or any part thereof to any other Investor except through the Registrar & Transfer Agent in coordination with the Investment Manager and only in cases of inheritance, gifts, the transfer of ownership to relatives of first degree and judicial rulings and any other cases that the Investment Manager deems as necessary and which the SCA approves of. The Investment Manager or Registrar & Transfer Agent shall not approve any transfer of ownership of the Units except in the case:

- 13.1 Where the transferor provides sufficient written evidence to the Investment Manager and Registrar & Transfer Agent proving that the potential transferee is an Eligible Investor and that it is not a Restricted Person;

13.2 Where there is no potential harm to any other Investor due to the process of transferring such ownership;

13.3 Where the transferor sends a written application to transfer the ownership to the Registrar & Transfer Agent in the form that it requests; and

13.4 Where the transferee provides the documents that may be requested by the Registrar & Transfer Agent.

The sale or transfer of Units to a Restricted Person shall lead to compulsory redemption of the relevant Units.

## **17. Caution**

This term sheet contains a summary of relevant matters relating to NBAD Growth Funds - NBAD MENA Income & Growth Fund. It should be read in conjunction with the Prospectus. Prospective Investors are particularly referred to the terms of the Prospectus for clarification of matters under this Term Sheet.

### **Attachment 1: Terms & conditions**

The Application to invest in the Fund is made subject to and with the benefit of these Terms and Conditions:

- I. The Investor expressly and irrevocably appoints the Manager to act, for the duration of the Fund, as the Investor's portfolio manager and agent and empowers the Manager, in its capacity as the agent of the Investor to invest (either itself or through nominees), through collective investments on behalf of all Unit holders, and subject to and with the benefit of the provisions of this Term Sheet and the Prospectus. Without prejudice to the foregoing, the Manager is authorized and empowered on behalf of the Investor to:
  - (a) represent the Investor's interest as a Unit holder in all aspects before all competent regulatory and Government authorities, departments and agencies;
  - (b) manage, maintain, develop and exploit the assets acquired pursuant to collective investments for the benefit of the Unit holders;
  - (c) identify investment opportunities, invest in and acquire, hold and register assets on behalf of the Fund in the name of the Manager or nominees;
  - (d) do all acts, and things necessary or incidental to the collective investments on behalf of the Investor in the acquisition, protection, management and/or disposition of assets of the Fund;

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- (e) review the performance of the assets of the Fund and to dispose of them as the Manager may deem appropriate;
  - (f) provide information to and assist the Investment Review Committee and/or Advisory Board in respect of their supervision of the Fund;
  - (g) appear before all courts and to appoint lawyers and to make and settle claims and disputes arising out of or relating to the collective investments and the assets of the Fund;
  - (h) to appear before the appropriate authorities and to admit and execute sale deeds, and documents and papers in connection with the acquisition, protection, sale or other disposition for value of the assets of the Fund; and
  - (i) take or carry out all steps, legal formalities and other procedures, to the extent reasonably possible under law, to protect the collective investments and the assets of the Fund.
- II. The Manager and Investment Review Committee will be entitled to seek, obtain and rely upon the advice of professionally or suitably qualified advisors to the Fund and shall incur no liability in respect of any act or omission taken or omitted by such advisors unless due to the gross negligence or willful misconduct of the Manager or Investment Review Committee.
- III. The Investor agrees and undertakes to ratify and abide by all decisions taken by the Manager in accordance with the Term Sheet and the Prospectus, including without limitation, decisions in respect of:
- (a) the duration of the Fund;
  - (b) the extent of the collective investments subject to the limits specified in the Term Sheet;
  - (c) decisions in respect of the method or manner of management of the assets of the Fund;
  - (d) the structuring of the collective investments to protect the interests of the Unit holders;
  - (e) the acquisition, sale or other disposition for value of the assets of the Fund;
  - (f) type, nature, location, and value of assets of the Fund; and
  - (g) the timing of acquisition and disposition of the assets of the Fund.

## Attachment 2: Risk factors

### Prospective Investors in any fund should take to account, amongst others the following risk factors:

1. The reference to the Funds being “paper” funds in Clause 1 of the Prospectus is intended to convey to Investors that the Fund is established in accounting terms in the books of the Manager as separate and sums of money managed and held by the Manager for and on behalf of the Investors. Investors should note that efforts have been made by the Manager to establish fiduciary relationships and duties with the Investors so as to endeavour to ring fence and protect the Funds from the effects of UAE insolvency laws. Investors nevertheless are to recognize that there is no established concept of trust under UAE law and therefore despite efforts of the Manager, courts may not rule for the assets to be protected from liquidators of the Manager in the unlikely event of the Manager becoming insolvent.
2. Investment in Funds is subject to risks associated with the markets in which individual Funds invest. These risks include, but are not limited to market risk, political risk, corporate risk and country risk as well as the risks arising out of unforeseen events (including changes in law and/or regulatory requirements) and Acts of God such as earthquake, fire or flood.
3. To the extent any Fund may invest in equities traded on the MENA ‘over the counter’ markets, or in equities securities in a newly created or emerging financial market, then the relevant Fund may be required to do so in absence of detailed financial information and/or reporting in respect of the companies in question and in absence of disclosure of the trading circumstances of such companies (which may make determination of accurate valuations difficult) and in the light of lack of market and other organisation. Level of liquidity, volatility and the efficiency with which such markets operate is not necessarily of the order of more developed markets, nor do such markets necessarily operate in the same way as more developed markets. Particularly liquidity in any ‘over the counter’ market and/or particular equities and/or securities therein may be low. In consequence of the foregoing, the purchase or sale of certain equities and/or securities may not be possible at the time the relevant Fund wishes to deal and/or may involve dealing at unfavourable prices.
4. Investment in equity markets, international fixed income securities, real estate and real estate related investment instruments is subject to risks associated with those markets including liquidity risk, market risk, political risk, corporate risk, and country risks. Investors should make their own assessment and seek independent advice as to whether they wish to invest in this Fund.
5. Clearing, settlement and share registration processes and procedures vary widely, and the same may affect the NAV and liquidity of the particular Fund.
6. There may be circumstances in which individual Funds may not invest in particular equities and/or securities, and where the purchase of the same through nominees may be impracticable. These circumstances may restrict investment opportunities for the particular Fund.

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7. The use of nominees represents a level of technical risk but may be the only practicable way for a particular Fund to invest in a particular equity and/or security: the use of nominees is not considered to constitute significant risk. Nonetheless, Investors should note that if a Nominee is declared bankrupt, insolvent or, where the nominee is an individual, were to die, there is a risk of the liquidator, administrator or Nominee's estate (as the case may be) claiming rights over assets in the name of the Nominee despite the Manager having taken contractual steps to avoid any such claim succeeding.
  8. An Investor who redeems Units after a short period should realise that the amount originally invested (by that Investor) in the relevant Fund may be subject to relevant charges and fees both at the time of subscription and redemption. Investors should view investment in the Fund as at least being one for a medium term.
  9. Given the likelihood of a limited number of stocks in the Fund there may be an over-exposure to one stock.
  10. The Fund will be segregated from other Funds held by the Manager but such segregation is subject to the application of the laws of the UAE as applied in its Emirates.
  11. The units in each of the Funds represent an investment linked to equities and/or equity related securities (such as convertible bonds, ADRs and GDRs) listed or traded on recognised exchanges worldwide or 'over the counter' arrangements. The price of units and the income from them can go down as well as up and the Investor may not get back all of the initial investment. The Investor should, therefore, regard the investment as medium to long-term.
  12. The value of an investment in the Fund may fluctuate. There is no guarantee nor can any assurance be given that the Fund will perform, that any other strategic objectives of the Fund will be achieved, or that the Investors will receive a return over part or all of their investment.
  13. The investment in the Fund is not a deposit or other obligation of the Manager or other financial institutions and is not guaranteed by the Manager or other financial institutions. An investment in the Fund is therefore subject to investment risks including the possible loss of the principal amount invested.
  14. Foreign Investors should be aware that any investment in the Fund will be denominated in AED and therefore will be subject to any fluctuation in the rate of exchange between AED and the currency of the Unit holders' own jurisdiction. Such fluctuations may have an adverse effect on the value or income of an investment in the Fund.
  15. As the Fund is investing in securities across the MENA equities and/or equity-related securities (such as convertible bonds, ADRs and GDRs), listed or traded on Recognized Exchanges worldwide or 'over the counter' arrangements and other related securities including third party collective investment schemes there will be an increased exchange rate risk as the Fund is denominated in AED. Such fluctuations may have an adverse effect on the value or income of an investment in the Fund.

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16. Valuation Risk: A Fund may invest some of its assets in unquoted securities or instruments. Such investments or instruments will be valued by the Fund administrator in good faith in consultation with the Manager as to their probable realization value. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or “close-out” prices of such securities.
  17. The nature of a Fund’s investments, in certain circumstances, valuations of these complex instruments may only be available from a limited number of market participants who may also act as counterparties to these transactions. Valuations received from such market participants may therefore be subjective and there may be substantial differences between any available valuations.
  18. OTC Markets Risk: Where any Fund acquires securities on OTC markets, there is no guarantee that the Fund will be able to realize the fair value of such securities due to their tendency to have limited liquidity and comparatively high price volatility.
  19. Liquidity Risk: Not all securities or instruments invested in by the Funds will be listed or rated and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavorable prices. The Funds may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

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us at: [www.nbad.com](http://www.nbad.com)