

## **MAKASEB EMIRATES EQUITY FUND PROSPECTUS**

This Prospectus was approved by the Central Bank of Bahrain (CBB) on November 11, 2004. The Central Bank of Bahrain, the Bahrain Stock Exchange and the Ministry of Industry & Commerce of the Kingdom of Bahrain take no responsibility for the accuracy of the statements and information contained in this Prospectus or for the performance of this Fund, nor shall they have any liability to any person, an investor or otherwise, for any loss or damage resulting from reliance on any statement or information contained herein.

### **MAKASEB EMIRATES EQUITY FUND MAKASEB FUNDS COMPANY BSC (C) MASHREQBANK PSC**

The date of this Prospectus is October 26, 2008.  
Potential investors are strongly advised to take professional advice in relation to the contents of this Prospectus.

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

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

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

## NOTICE TO INVESTORS

This Prospectus is the lawful property of Makaseb Funds Company BSC (C) (the "Funds Company") and may not be distributed, reproduced or copied, as a whole or in part, nor may any of its contents be disclosed without the prior written and express permission from the Funds Company or Mashreqbank psc (the "Investment Manager").

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

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

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

Under Bahrain Law, an application must be made to the Central Bank of Bahrain (CBB) to obtain its consent to offer to investors in Bahrain participation in a new or in an existing collective investment scheme. Under the CBB CIU rules this Fund has been classified as a Retail CIU.

Under Bahrain Law, Makaseb Emirates Equity Fund (the "Fund") is subject to periodic financial reporting requirements pursuant to which the Fund's un-audited semi-annual statements and audited annual statements must be approved by the CBB and forwarded to the investors of the Fund within two and four months respectively of the end of the relevant period.

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

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

The Fund is an open-ended collective investment scheme designed for Investors seeking long-term capital appreciation primarily through investing in the equity markets of the United Arab Emirates.

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

Each investor may acquire Units solely for investment purposes. The Units may not be directly or indirectly sold, transferred, or assigned, by operation of law or otherwise, without the prior written consent of the Funds Company. Any attempt by an Investor to transfer Units constitutes a tender to the Directors for the redemption of such Units.

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

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

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

Investors will be notified at least 14 calendar days before the changes take effect, subject to prior approval by the CBB, in the following circumstances:

1. Any changes in the investment policy;
2. Change in the operator, manager, administrator or custodian of the Fund;
3. Fee increases
4. Merger, division or termination of the Fund;
5. Changes in the directors of the Fund; and
6. Any major issue that may affect the investors of the Fund.

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

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

The Fund's directors declare that the prospectus as at the date of publication:

- a) does not contain information that is untrue, misleading, or is unfairly prejudicial to the interests of the CIU participants generally or to the participants of other classes of instruments issued by the CIU; and
- b) does not contain any provision that conflicts with any rule in this Rulebook, or

other legal or regulatory requirements that apply to the CIU or other relevant persons connected to the CIU.

The information in this Prospectus is given as of the date hereof, unless expressly otherwise specified herein.

## 1.0 Executive Summary

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

**The Funds Company:** Makaseb Funds Company B.S.C. (C), is a Bahraini funds company approved by the Central Bank of Bahrain and was incorporated on 22<sup>nd</sup> August 2004 as a Bahraini Joint Stock Closed Company with Commercial Registration Number 55378. Under the current capital structure of the Funds Company 99.9% of its share capital is owned by Mashreqbank psc and 0.1% by Mr. Abdul Aziz Al-Ghurair. Under the CBB CIU rules this Fund has been classified as a Retail CIU.

The registered address of the Makaseb Funds Company B.S.C. (C) is:

Flat 141, Building 3  
Road 365, Block 316  
Manama  
Kingdom of Bahrain

The Makaseb Funds Company B.S.C. (C) has been established to act as an umbrella vehicle for funds including the Fund.

**Place of Creation:** The fund has been created in the Kingdom of Bahrain.

**Investment Objective:** The fund seeks long term capital appreciation through investments primarily in equities listed on the UAE stock exchange

**Currency:** The Fund is denominated in U.S. Dollars

**Investment Manager:** Mashreqbank psc, Dubai, United Arab Emirates.

**Custodian:** HSBC Bank Middle East Limited

**Administrator:** HSBC Bank Middle East Limited

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

**Registrar and Transfer Agent:** Keypoint Consulting W.L.L., Bahrain.

**Representative:** Keypoint Consulting W.L.L., Bahrain.

**Auditor:** Deloitte & Touche, Bahrain

**Legal Counsel:** Afridi & Angell, UAE

**Subscription:** Units may be subscribed on any Dealing Day, subject to the condition

that the Funds Company should have received a duly authorized subscription request in writing at least seven (7) Business Days prior to the Dealing Day. The Units will be offered at their respective Net Asset Value (NAV) on the preceding Valuation Day, plus in each case the Subscription Fee.

**Redemption:** Units may be redeemed on any Dealing Day, subject to the condition that the Funds Company should have received a duly authorized redemption request in writing at least seven (7) Business Days prior to the Dealing Day. The Units will be redeemed at their respective Net Asset Value (NAV) on the preceding Valuation Day. A Redemption Fee may be charged, if applicable.

**Minimum Subscription:** The initial subscription must be for a minimum amount of U.S. Dollars 10,000 and any subsequent subscription in an amount in multiples of U.S. Dollars 1,000.

**Initial Subscription Price:** U.S. Dollars 10.00 (at Fund launch date).

**Minimum Holding:** 1,000 units or U.S. Dollars 10,000.

**Listing:** The Fund will be listed on at least the Bahrain Stock Exchange but may seek to list on other exchanges as the Directors may determine is necessary or appropriate.

**High Water Mark:** The High Water Mark (HWM) would be the highest NAV as on the end of where the Performance fee was calculated for actual collection at the end of any financial year.

**Investment Management Fee:** A maximum of 2.0% per annum of the Net Asset Value (NAV) of the Fund paid to the Investment Manager quarterly in arrears. The fee is accrued on each valuation day.

**Administration Fee:** The fee payable to the fund's investment advisor or its affiliates for administration of the fund's assets.

**Custody Fee:** The fee payable to the custodian for safe keeping of the fund's assets.

**Registrar and Transfer Agent Fee:** The fee payable to the institution that acts as the registrar and is responsible for keeping records of the shareholders. The institution also maintains records of investors and account balances and transactions, cancels and issues certificates, and processes investor mailings.

**Performance Fee:** Up to 10% of the appreciation in the Net Asset Value (NAV) of the Fund which exceeds 10% p.a. of the high water mark during a calendar year paid to the Investment Manager annually in arrears. The fee is calculated on each valuation day for the purpose of subscription and redemption price but will be ignored at the year end while calculating the performance fee payable to the Investment Manager.

On redemption the applicable performance fee will be immediately payable to the Investment Manager.

**Redemption Fee:** 5% of the Net Asset Value (NAV) if Units are redeemed by the investor within the first three months of their purchase, 4% if they are redeemed

between three to six months, and 3% if they are redeemed between six to twelve months. No redemption fee will be charged if units are redeemed after twelve months of purchase.

**Subscription Fee:** Up to 5% of the Net Asset Value (NAV) or the Initial Subscription Price.

#### **ADDRESSES OF PARTIES:**

##### **Custodian and Administrator:**

HSBC Bank Middle East, Bahrain Branch  
HSBC Securities Services  
2nd Floor, HSBC Head Office Building, Seef  
P.O. Box 57, HSBC Bank Middle East Limited  
Kingdom of Bahrain

##### **Placement Agent & Investment Manager:**

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

##### **Registrar, Transfer Agent & Representative:**

Keypoint Consulting W.L.L., Bahrain  
24 th Floor, The NBB Tower  
Government Avenue,  
Manama  
Kingdom of Bahrain

##### **Auditor:**

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

##### **Legal Counsel:**

Afridi & Angell, UAE  
P.O. Box 9371,  
Emirates Towers – Level 35,  
Sheikh Zayed Road, Dubai,  
United Arab Emirates.

## **2.0 DEFINITIONS**

**Administration Agreement:** The administration agreement between HSBC Bank Middle East Limited and the Makaseb Funds Company, BSC (C).

**Articles of Association:** The Articles of Incorporation of the Makaseb Funds Company, BSC (C) (which are available for inspection at the company's registered office).

**Base Currency:** United States Dollars

**Business Day:** means a day which is a normal business day in both Bahrain and the United Arab Emirates (UAE).

**Custodian Agreement:** The Custodian Agreement between HSBC Bank Middle East Limited and the Makaseb Funds Company, BSC (C).

**Dealing Day:** Every Business Day.

**Directors:** The Directors of the Makaseb Funds Company, BSC (C).

**Equity Securities:** Shares (preferred, common, or other) traded on an exchange, over the counter, or through a market maker.

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

**GCC:** The Gulf Cooperation Council States.

**Investment Management Agreement:** The fund management agreement between Mashreqbank psc Dubai, United Arab Emirates and the Funds Company.

**Investors:** Unit holders in the investment schemes of the Makaseb Funds Company, BSC (C).

**MENA:** Middle East and North Africa.

**Ministry:** Bahrain Ministry of Industry & Commerce.

**Net Asset Value:** As determined in accordance with Section 6.0.

**Placement Agency Agreement:** The placement agency agreement between Mashreqbank psc and Makaseb Funds Company BSC (C).

**Placement Agent:** Mashreqbank psc, Dubai, United Arab Emirates.

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

**Redemption Notice:** The redemption notice to be completed and signed by a Unit Holder.

**Registrar and Transfer Agency Agreement:** The Registrar and Transfer Agency Agreement between Keypoint Consulting W.L.L., Bahrain and the Funds Company.

**Subscription Agreement:** The subscription agreement attached to this prospectus.

**Switching:** Units may be switched from one Makaseb Fund to another Makaseb Fund without any subscription/ redemption charges. Only a flat nominal fee of USD

100/- will be charged on each switch, irrespective of the value of switch.

**Unit Holders:** At any time, owners of Units of the fund.

**Units:** Individual units of the Fund representing an investor's investment participation in the Fund.

**U.S. Dollar:** The legal currency of the United States of America.

**Valuation Day:** Every Business Day.

### 3.0 THE FUND COMPANY / THE FUND

The Makaseb Funds Company BSC (C) (the Fund Company) has been established in accordance with the provisions of the Bahrain Commercial Companies Law Decree Number 21, 2001. The purpose of this company is to create Investment Funds / Collective Investment Schemes and to enter into instruments for the creation and issue of participating investment units. The issued capital is BD 1,000 (USD 2,652) and has been fully subscribed by Mashreqbank psc. Mashreqbank psc is the promoter and sponsor of the Fund.

The **Makaseb Emirates Equity Fund** (the Fund) is an open-ended investment fund established by the Fund Company. The Fund is a collective investment scheme established pursuant to the Central Bank of Bahrain Module for Collective Investment Undertakings issued in April of 2007 and effective from June 2007. The Funds Company has been registered at the Ministry and the Fund has been authorized and approved by the CBB and established for a period of 25 years. The life of the Fund can be extended by the Funds Company at the end of 25 years.

The base currency of the Fund is US Dollars. Units are equal to one ordinary class share and have a price of US Dollars 10 (ten only) each. The minimum initial subscription is US Dollars 10,000 (Ten thousand only). The Fund, being an open-end fund, will offer Units on a continuous basis by the Placement Agents and through distributors authorized by the Placement Agent (see 'Subscription,' 'Redemption,' and 'Transfer of Units'). The Fund intends to seek listing on one or more Stock Exchanges within the GCC where its Units may be traded.

Any change to the Prospectus must be made by the Directors of the Fund and shall be subject to the approval of the Central Bank of Bahrain and will be reported to Unit Holders of the Fund. For more information on these and other important matters related to the management and administration of the Fund, see section titled 'Management of the Fund.'

#### 3.1 Investment Objective

The Fund's primary objective is to achieve long term capital appreciation by investing mainly in the shares of companies listed in the Stock Exchanges of the United Arab Emirates (UAE). These investments may be made both directly and through sub-funds when deemed appropriate. The Fund may also invest in unlisted securities subject to certain conditions (see 'Investment Policies'). The Fund seeks to achieve competitive returns over a complete market cycle as measured against reference indices.

### 3.2 Investment Strategy and Process

As the largest private bank in the UAE, the Investment Manager has substantial resources at its disposal to analyze the UAE and regional economies both at a micro and macro level. The Investment Manager is in the midst of developing a substantial proprietary research capability to make individual security recommendations, which will include making frequent company visits and maintaining close dialogues with companies' management.

Security selection will utilize a blended top down and bottom up approach. Stock specific research will be combined with a fundamental analysis of sectoral and economic conditions. Technical analysis and charting techniques will be used to assist in the final investment decision and portfolio construction. The portfolio risk will be managed with reference to an index comprised of the largest capitalized companies which also have a reasonable free float of shares available for investment. The objective is to ensure that the Fund remains a viable vehicle for all investors who wish to gain exposure to the UAE market by remaining significantly invested in UAE listed securities at all time.

### 3.3 Targeted Markets

The Fund will invest primarily in securities listed on Stock Exchanges established in the UAE. However, it may invest in securities listed on other GCC Stock Exchanges. These investments may be made directly or indirectly through sub-funds and / or with sub-managers as the Investment Manager deems appropriate. The Fund may also invest in securities listed on Stock Exchanges established in the Middle East and North Africa region. These investments may be made directly or indirectly through sub-funds and / or with sub-managers as the Investment Manager deems appropriate.

### 3.4 Investment Policies

#### I. Investment Guidelines

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

- A. Invest primarily in shares of listed companies with investments in the United Arab Emirates comprising at least 50% of the NAV of the Fund;
- B. Investments in shares of unlisted companies is permitted up to a maximum level of 10% of the NAV of the Fund;
- C. Investments in securities listed on Stock Exchanges other than those of the United Arab Emirates up to a maximum level of 50% of the NAV of the Fund;
- D. The Investment Manager is authorized to employ the services of other investment managers, through collective investment schemes, up to a maximum of 20% of the NAV of the Fund, if it is determined to be in the best interest of investors;
- E. The Investment Manager is authorized to employ the services of other investment managers, through segregated accounts, up to a maximum of 10% of the NAV of the Fund, if it is determined to be in the best interest of

investors;

- F. The Investment Manager may invest cash balances in US Dollars and / or other convertible currencies in fixed return securities including, but not limited to, fixed deposits, treasury notes, certificates of deposit, money market funds, and Islamic securities, which maturities fall within one year or less;
- G. The Investment Manager may invest a maximum of 10% of the Fund's total assets in the shares of a single company except as approved by CBB regulations;
- H. The Investment Manager may invest in derivative securities, synthetic instruments, and over the counter instruments / securities up to a maximum of 20% of the Fund's assets;
- I. The Investment Manager may arrange short term finance for the Fund to manage its liquidity requirement, provided that it does not exceed 25% of the Fund's total Net Asset Value (NAV);
- J. The Investment Manager expects to reinvest any dividends received by the Fund, and does not anticipate making any dividend distributions to the Fund's shareholders. Any dividend distributions will be subject to the prior approval of the CBB.

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

## **II. Investment Restrictions**

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

- A. Granting loans;
- B. Short selling;
- C. Granting collaterals and guarantees;
- D. Acting as principle guarantor of issues;
- E. Trading in commodities;
- F. Trading in real estate;
- G. Discounting checks;

## **4.0 MANAGEMENT OF THE FUND**

### **4.1 The Directors**

The Directors of the Fund Company have overall authority and responsibility for the operations of the Fund. The Directors will exercise supervision and control of the Fund, including deciding matters of general policy and reviewing the actions of the

Investment Manager, the Custodian, the Administrator, and the Registrar and Transfer Agent. The Funds Company may appoint new Directors and Officers or remove them from time to time.

The following individuals have been appointed as Directors:

#### **4.1.1 Mr. Nabeel Waheed, Chairman**

Mr. Waheed has over 23 years of experience serving banking and financial services industry in Pakistan, Sub-Continent, and Middle East. Mr. Waheed joined Mashreqbank as Head Division of Treasury, Investments, and Capital Markets in 1996. He is also a member of the investment committee, credit policy committee, ALCO, and Leadership forum of Mashreqbank. Prior to joining Mashreqbank, he was with Bank of America for 15 years where he assumed various senior roles in Relationship Management, Investment Banking, Capital Markets, and Treasury. He also has featured as a speaker at both GCC and national banking and Capital Markets Authority conferences. Mr. Waheed is a Fellow of the Institute of Financial Risk Management (FRM) and obtained his B.Sc in Business Administration from Syracuse University, New York, US.

#### **4.1.2 Mr. Denis Sabourin, Director**

Mr. Denis Sabourin is serving as an independent director on the board of the Fund Company. In his professional career spanning more than two decades he has been in various senior marketing positions at globally recognized banks and investment companies. He brings a wealth of experience which is suited to the international clientele of the Fund. His understanding of the region from a global perspective gives the Fund an edge in servicing clients based in different countries. Mr. Sabourin has obtained Masters Degrees in both Economics and Business Administration from the University of Montreal and INSEAD, Fontainebleau, France in 1982 and 1985 respectively.

#### **4.1.3 Mr. John Iossifidis, Director**

Mr. John Iossifidis is an Executive Vice President and the Head of International Banking at Mashreqbank, which he joined in January 2009. John's prime responsibility is to develop the Bank's franchise outside the UAE. Prior to joining Mashreq Bank, John was Regional Head, Origination and Client Coverage, Wholesale Banking for Standard Chartered Bank. John graduated from Monash University, Australia in 1984 [B.Ec (Acctg)], completed an MBA again from Monash University in 1992. He is a member of the Australian Society of CPAs and is a Fellow of the Australian Institute of Bankers.

#### **4.1.4 Mr. Ali Raza Khan, Director**

Mr. Ali Raza Khan is the Head of Corporate Affairs Division at Mashreqbank. He joined Mashreqbank in 1980. During the past 25 years, Mr. Khan has served in different positions as Manager of Operations, Controller, Manager of Central Accounts Division and Division Head of Human Resources. He is a member of the asset and liability committee of Mashreqbank. Mr. Khan is a member of the Institute of Chartered Accountants of India since 1978. Mr. Ali obtained his B.Sc in Finance from Kanpur University in 1973.

#### **4.2 Investment Manager**

The Fund has appointed Mashreqbank psc, a UAE based public joint stock company, as the Investment Manager. Mashreqbank psc is one of the leading banks in the UAE

having originally been established as Bank of Oman Ltd. in 1967 in Dubai. Mashreqbank has been granted license as a banking company by the Central Bank of UAE. As at 31 December 2007, Mashreqbank's total assets were US Dollars 23,857 million and its shareholders' equity was US Dollars 2,617 million. The Bank has achieved broadly consistent, profitable growth since incorporation and has continued to grow in the face of the difficult economic cycles that accompanied the oil price crisis of 1987 and the 1991 Gulf War. Mashreqbank is the only bank that maintains branches in all seven constituent emirates of the UAE - Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain. Mashreqbank has strong brand equity in the dynamic and highly competitive UAE market place, having pioneered many innovative products and services. Mashreqbank's foreign currency deposit rating has been upgraded to A2/Prime-1 by Moody's.

The diverse range of Mashreqbank's products and services include credit cards, consumer lending, trade finance, project finance, treasury and capital markets, correspondent banking, and asset management. Mashreqbank has been developing its range of investment products for several years now, and has developed a dynamic and disciplined investment research capability to support its discretionary asset management business. Mashreqbank is currently acting as the investment manager for the Makaseb family of funds.

The Funds Company has appointed Mashreqbank as its Investment Manager pursuant to an Investment Management Agreement. The Investment Manager, with the guidance of the Directors of the Fund, is responsible for the Fund's management and investment strategy. This includes overseeing the efficient operation of the Fund, ensuring the proper provision of services by the service providers, as well as developing and implementing a viable and robust investment process for the Fund.

#### **4.3 Placement Agent**

The Funds Company has appointed Mashreqbank as its Placement Agent pursuant to a Placement Agency Agreement. The Placement Agent has been appointed by the Funds Company to obtain funding for the Fund during the initial offering period and on a continuous basis after the close of the initial offering period. The Placement Agent's duties include coordinating all investor follow-up efforts, receiving and forwarding to the Funds Company completed Subscription Agreements, and arranging for the Funds Company to receive subscription amounts paid by investors. In addition, the Placement Agent is authorized to appoint sub-agents to assist in obtaining funding for the Fund, provided that the Placement Agent remains fully responsible for the actions of the sub-agents.

#### **4.4 Custodian**

HSBC Bank Middle East Limited, Bahrain Branch has been appointed as the custodian of the Fund's assets (the "Custodian"), which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodian Agreement.

HSBC Bank Middle East Ltd having its registered office at 1 Grenville Street, St. Helier, Jersey JE4 8UB, Channel Islands has been granted license by the CBB to operate as a full commercial bank. HSBC is one of the largest financial institutions in the world. HSBC is a Group with deeply embedded traditions of good corporate conduct. Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. HSBC's international network comprises over

9,800 offices in 77 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a comprehensive range of financial services.

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

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

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, placement agents, brokers or any other party outside the Custodian's global custodian network. Due to local laws, regulations, customs or market practices, the assets/investments of the Fund may be held in the name of the Company or its affiliates and, in some circumstances, the Custodian may not have effective control over such assets/investments.

#### **4.5 Administrator**

HSBC Bank Middle East Limited, Bahrain Branch has been appointed to provide administrative services in respect of the Fund (the "Administrator") pursuant to the Administration Agreement.

The Administrator is responsible for the general administration of the Fund which includes amongst other things, arranging calculation of asset valuations and fees, and administration of uninvested cash of the Fund.

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

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

#### **4.6 Registrar and Transfer Agent**

Keypoint Consulting W.L.L. offers unsurpassed expertise in a range of advisory services in the Middle East region. Keypoint ensures that results, professionalism and efficiency are the cornerstone of the services Keypoint clients receive. Keypoint assists its clients with a host of services including company formation, company secretarial, business advisory, fund administration, share registry, fundamental accounting services and human resources. Keypoint is registered with the Central Bank of Bahrain to provide ancillary financial services.

#### **4.7 Auditors**

The Fund has appointed Deloitte and Touche, Bahrain as its independent auditors. The Auditors shall submit its report to the general annual meeting of the Unit Holders. Such report will provide an opinion regarding the Fund's financial statements for the financial year and assessing the accounting principles used.

Deloitte, Bahrain is one of Deloitte's 12 national practices in the Middle East, and is one of the leading public accounting and consulting firms in the country. Deloitte delivers world class professional services including Audit services, Consulting, Enterprise Risk Services, Financial Advisory, and Tax. As an auditor, Deloitte's audit process is rooted in a close and sound understanding of each client, the business, and the environment. After a through assessment of the business essentials, they carry out audit procedures that are specifically designed to avoid any material misstatement risks.

#### **4.8 Financial Year**

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

### **5.0 THE FUND PARTICIPATION**

#### **5.1 Subscription**

Units are available for subscription on each Dealing Day provided the Fund has received both a completed Subscription Agreement and confirmation of the receipt of cleared funds credited to the customer's investment account at least 7 Business Days prior to such Dealing Day (subject to the discretion of the Directors to waive such notice period). If the Subscription Agreement and / or cleared funds are received after the deadline, it will (unless otherwise determined by the Directors of the Fund) be treated as a request for subscription on the next Dealing Day.

Units will be offered at the Net Asset Value (NAV) per participating share, subject to the initial minimum subscription of USD 10,000. The initial NAV per unit shall be USD 10.00 (at Fund launch date) and subsequent subscriptions will be accepted at the prevailing NAV of each Unit, and are subject to a minimum subscription of USD 1,000. A Subscription Fee of up to a maximum of 5% may be charged on the initial subscription amount, and thereafter on the NAV of subsequent subscriptions. Such fee may be shared by the Fund with authorized placement agents.

The minimum initial subscription from each investor is USD 10,000. Details of the account are set out in the Subscription Agreement. The Fund reserves the right to reject or accept subscriptions in its absolute discretion and without assigning any reason thereof. Prospective investors will be required to complete and return a Subscription Agreement in the form attached. The completed Subscription Agreement should be sent to the Investment Manager or its delegate, or an authorized placement agent, details of which are provided in the Subscription Agreement, and must be received at least 7 business days prior to the relevant Dealing Day (or such time as may be agreed by the Directors of the Fund at their sole discretion). If the Subscription Agreement and/or cleared funds are received after the deadline, it will (unless otherwise determined by the Directors of the Fund) be treated as a request for subscription on the next Dealing Day.

The completed Subscription Agreement will, save as determined by the Directors, be irrevocable and may be sent by facsimile, provided that the customer has signed a fax indemnity form. The originals of any Subscription Agreement sent by facsimile should be sent immediately by post or by internationally recognized courier. Failure to provide the original Subscription Agreement may, at the discretion of the Directors; result in cancellation of the allotment of Units.

Fractions of Units will be issued to the nearest three decimal places where the balances of the subscription monies for Units represent less than the subscription price per unit. Subscription monies representing less than US Dollars 1.00 will not be returned to the applicant but will be used to accrue units in the Fund.

Confirmations will be sent to applicants on approval of their application soon after the relevant Dealing Day and once Net Asset Value has been calculated setting out details if the Units they have been allotted.

Units will be issued only in book-entry form. The Registrar will maintain the official participating share register of the Fund. Certificates representing Units will be issued at the discretion of the Board of Directors without charge only if requested in writing by a Unit Holder. Since certificates must be returned to the Registrar prior to the processing of redemption requests, the Fund discourages participating Unit Holders from requesting certificates.

## **5.2 Redemption**

Units may be redeemed by the holder as of each Dealing Day at the redemption price per participating share as of such Dealing Day provided the holder gives notice to the Registrar 7 business days prior to the relevant Dealing Day, subject to the discretion of the Board of Directors to waive such notice. Redemptions may be made at such other times with the consent of and upon such terms of payment as may be approved by the Board of Directors in its sole discretion.

A request for redemption must be made on the redemption form attached and once submitted to the Registrar, may not be withdrawn by the holder except on a suspension of redemptions, otherwise, the consent of the Directors is required for any withdrawal of a redemption request.

Redemption proceeds may be paid in cash or in specie. Cash payments will be made in US Dollars or UAE Dirhams and will be remitted by wire transfer to the account designated by the Unit Holders in the redemption form after deduction of all relevant expenses.

Partial redemptions will be declined if they are for less than USD 10,000, or if they will cause an investor to have an interest of less than the minimum holding unless the Directors determine otherwise in their sole discretion. The Fund has the right upon 7 business days notice to compulsorily redeem on a Dealing Day any Unit held by a Unit Holder at the redemption price per participating share as at the valuation day immediately prior to such Dealing Day for the following reasons:

- a) the Units are held for the benefit (directly or indirectly) of any restricted person, or any other person whose continued holding would subject the Fund, its holders of Units, and / or the Investment Manager to regulation deemed burdensome by the Fund or such other party under the laws of the applicable jurisdiction or would result in any adverse tax consequences for the Fund, its holders of Units, and / or the Investment Manager;
- b) the number of the Units held by the Unit Holders is less than 1,000 or such other minimum number of units as may be determined by the Board of Directors in its sole discretion.
- c) any of the representations given by the Unit Holders in its subscription Agreement were not true or have ceased to be true;
- d) the Articles of Association of the Fund otherwise require such redemption; or
- e) for any reason the Fund deems appropriate.

The maximum interval between the request for redemption and the dispatch of the redemption proceeds to the customer's investment account is seven (7) business days.

### 5.3 Redemption Price

Units will be redeemed at a price equal to the NAV per Unit as determined on the relevant Valuation Day, which is the Valuation Day before the applicable Dealing Day. A redemption fee may be deducted from the value of any redemption proceeds and will be paid to the Funds Company. A Redemption Fee will be charged, which shall be 5% of the Net Asset Value (NAV) if Units are redeemed by the investor within the first three months of their purchase, 4% if they are redeemed between three to six months, and 3% if they are redeemed between six to twelve months. No redemption fee will be charged if units are redeemed after twelve months of purchase.

### 5.4 Suspension of Subscription and Redemption of Units

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

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

During the suspension period, the Fund shall not issue, redeem, or transfer Units. Where a suspension occurs as described above, the Registrar shall notify the CBB as soon as possible with the reasons thereof. Prior approval from the CBB will be sought before recommencement of calculation of the Net Asset Value per Unit.

### **5.5 Listing and Transfer of Units**

The Fund may seek listing on any other Stock Exchange, especially other GCC Stock Exchanges. The Investment Manager does not intend at this time to make a secondary market in the Units, but may do so in the future.

The Units are freely transferable during trading on the Bahrain Stock Exchange, except to restricted persons (see Ownership Restriction and Compulsory Redemption). Transferees shall be subject to the same terms and conditions as subscribers including but not limited to the provision of information, documents and minimum subscription amount. No transfer will be effected unless a transfer form is completed and signed by both the seller and purchaser or their respective agents and submitted to the Transfer Agent.

### **5.6 Ownership Restrictions and Compulsory Redemption**

Investors may subscribe provided legislation or regulations in Bahrain and in their country of citizenship, residence, domicile or incorporation permits them to do so.

Persons under 21 years of age are not allowed to subscribe unless s/he has the written authorization of his / her lawful guardian.

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

The Fund may compulsorily redeem any Unit, at the prevailing Net Asset Value per Unit, if the Investment Manager, in its absolute discretion, determines that the holding of any Unit by the relevant Unit Holders is in contravention of any applicable laws or regulations or would result in adverse tax consequences to the Fund.

## **6.0 DETERMINATION OF NET ASSET VALUE**

The Net Asset Value will be determined as of each Valuation Day. The Net Asset Value per Unit will be calculated by the Administrator in conjunction with the Custodian(s) using the formula:

- The total assets of the Fund less the total liabilities divided by
- The total number of outstanding Units of the Fund prior to such Valuation Day.

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

For determination of the Net Asset Value, normally traded securities shall be valued at the last available closing bid price on the day immediately preceding the Valuation Day at which such security traded, unless such price is not representative. A security for which a representative price is not readily available or is not regularly traded, the value shall be based on estimated realizable value. For other types of assets, the Administrator and Representative shall determine the method of valuation. The value of all assets and liabilities denominated in a currency other

than US Dollar shall be converted to US Dollars at the last available closing exchange rate on the day immediately preceding Valuation Day.

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

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

The Net Asset Value of the Fund and the Units will be expressed in US Dollars and any items denominated in other currencies are translated at prevailing exchange rates as determined by the Administrator.

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

For the purpose of determining prices at which units in the Fund may be sold or repurchased, the assets of the Fund will be valued and the Net Asset Value per Unit will be issued by five pm (Bahrain time) on each dealing day.

## **7.0 THE FUND FEES AND EXPENSES**

The Fund fees and expenses incidental to its operation include:

### **7.1 Launching Cost**

These include legal, translation, printing, postage and circulation costs of the Prospectus and related documents, registration and listing fees, advertising, road show and initial organizational and offering expenses associated with the establishment of the Fund. These costs are estimated at U.S. Dollars 275,000 and will be capitalized and amortized over a period not exceeding 5 years.

### **7.2 Subscription Fee / Redemption Fee**

Investors will pay a Subscription Fee and/or redemption fee in accordance with Section 5.0.

### **7.3 Investment Management Fee**

Under the Investment Management Agreement, the Fund will pay the Investment Manager a fixed fee of a maximum of 2% per annum of Net Asset Value payable quarterly, and an incentive fee of 10% per annum of the appreciation in Net Asset Value which exceeds 10% per annum payable semi-annually in arrears, subject to a "High Water Mark".

### **7.4 Sub-Management Fee**

Where the Investment Manager utilizes the services of sub-managers and sub-funds it will pay all sub-management and incentive fees, which will be inclusive of the investment management fees charged to the Fund.

### **7.5 Ongoing Operating Costs**

- a) All transactional costs, including brokerage, banking, sales and purchase commissions and exchange fees;
- b) All professional fees, including fees and charges of the Auditor, the Registrar and Transfer Agent, and Legal Counsel. Fees and charges of the Auditor are expected to be approximately BD 2,000 plus reimbursement of the Auditor's incidental out-of-pocket costs. Fees and charges of the Registrar and Transfer Agent are expected to be BD 3 per subscription or redemption, subject to a minimum annual fee of up to BD 4,500 plus reimbursement of the Registrar and Transfer Agent's incidental out-of-pocket costs. Legal fees will vary based on the specific ongoing requirements of the Fund.
- c) HSBC Bank Middle East Limited, Bahrain Branch as the Administrator and Custodian, will be paid a fee based on the net assets of the Fund. The Administration Fee is expected to commence at a rate of 0.25% per annum subject to a annual minimum fee of U.S. Dollars 70,000. The Custody Fee varies from market to market but ranges from 0.28% to 0.25% per annum based on the asset size of the fund. A nominal transaction Fee is also applicable. The Administration fee and the Custody fee are expected to come down as the assets of the Funds Company increase;
- d) All government charges and duties; and
- e) On-going offering costs.

## **8.0 ADDITIONAL INFORMATION**

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

Pursuant to the provisions of Legislative Decree No.4 of 2001, Law No. 54 of 2006 and Law No.58 of 2006, as amended from time to time, for the purpose of prevention of money laundering and terrorist financing, and other laws and regulations in this behalf issued by the CBB from time to time, the Placement Agent on behalf of the Fund, its affiliates, subsidiaries or associates will require detailed verification of the background of any investor applying to invest in the units of the Fund, including the investor's identity, any beneficial owner underlying such

subscription, the account, and the source of funds. Within this context the prescribed application form must be accompanied, in the case of individuals, by, inter alia, a copy of a valid identification document bearing the investor's full name, date and place of birth, complete residential address, nationality, photograph and signature. Documents for verification of source of funds, including employment details, business establishments, business income details and/or any requisite declarations concerning the sources of funds would also be required.

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

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

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

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

### **8.2 Alternative Service Provider**

The various agreements with the Fund's service providers including custody, administration, auditor, registrar and legal counsel states that in the event of termination of their services, such services may not be terminated until an alternative service provider has been appointed and approved by the CBB.

### **8.3 Life and Liquidation of the Fund**

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

### **8.4 Indemnity**

The Fund shall hold the Investment Manager and its directors free and harmless

against any claim or liability that they may have incurred while performing their duties, except for their respective willful misconduct or gross negligence.

### 8.5 Risk Warnings

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

- a) Price movements in the equities market can be highly volatile. It should be noted that the price of Units in the Fund may go down as well as up. Past performance is not necessarily a guide for future performance. An investor may not get back the amount that s/he has invested;
- b) The price of the Unit is denominated in US Dollars, and that changes in rates of exchange between currencies might cause the value of the investment to decrease as well as increase;
- c) 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;
- d) The Target Markets are considered emerging markets, and investing in emerging markets may involve special risks different from, or greater than, the risks of investing in developed countries. In particular, emerging markets are characterized by the relative lack of availability of information about issuers or markets due to lax disclosure requirements and accounting standards and/or the absence of stringent regulatory practices;
- e) Volatility risk in financial markets is the likelihood of fluctuations in the exchange rate of currencies. Therefore, it is a probability measure of the threat that an exchange rate movement poses to an investor's portfolio in a foreign currency;
- f) The capital return and income of the Fund are based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in the value of the underlying investments;
- g) The information in this document is based on existing legislation, including taxation legislation, which may be subject to 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;
- h) The regulatory supervision, legal infrastructure and accounting, auditing, and reporting standards in emerging markets may not provide the same degree of shareholder protection of information to investors as would generally exist in more mature or developed markets. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards. This may affect the valuation of the assets in which the Fund invests;
- i) The performance of the Fund may be affected by changes in economic and political conditions, as well as in legal, regulatory, and tax requirements. The Fund will be responsible for paying its own fees and expenses regardless of the level of its profitability.
- j) The Fund Company is licensed by the CBB to operate one or more collective investment schemes, such as the Fund. In the event that the Fund Company operates additional collective investment schemes, investors in the Fund will

only have recourse to the assets of the Fund.

### **8.6 Voting Rights**

No voting rights are associated with the units of the Fund.

### **8.7 Taxation**

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

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

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

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

### **8.8 Unit Holder Taxation**

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

### **8.9 Reporting**

Under Bahrain Law, Makaseb Emirates Equity Fund (the "Fund") is subject to periodic financial reporting requirements pursuant to which the Fund's un-audited semi-annual statements and audited annual statements must be approved by the CBB and forwarded to the investors of the Fund with within two and four months respectively of the end of the relevant period. The relevant periods are June 30 for semi-annual financial statements and December 31 for annual financial statements.

The NAV of the Fund will be published on each Dealing Day on Bloomberg and the Funds Company website.

### **8.10 Directors' Meeting**

The Directors of the Funds Company will meet at least annually to review the performance and other matters pertaining to the Fund. All investors may be invited

to attend an 'Open Session' with the Directors at the discretion of the Directors.

### **8.11 Inspection of Documents**

This Prospectus, the Articles and Memorandum of Association of the fund company, and contractual agreements of the fund (i.e. Fund Management, Administration Agreements, etc.) are the documents constituting the Collective Investment Undertaking and these documents can be inspected free of charge at the Registered office of the Fund.

All investors have the right to examine all material agreements pertaining to the Fund at the Registered Office of the Fund during normal business hours.

### **8.12 Governing Laws**

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

Makaseb Funds Company BSC (C) Registered Office: Flat 141, Building 3, Road 365,  
Block 316, Manama, Kingdom of Bahrain.  
Investment Manager & Sponsor: Mashreqbank psc, Al Ghurair City, 7th Floor,  
P.O. Box 1250, Dubai, U.A.E. Tel: +9714 2078461