

NBAD Islamic Funds - NBAD Islamic MENA 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

Islamic Shariah Consultant

Sheikh Nizam Yaquby



1. Introduction

This Term Sheet describes the terms upon which Units in NBAD Islamic Funds – NBAD Islamic MENA Growth Fund (herein, the ‘Fund’) are offered to Investors. This Term Sheet must be read in conjunction with the current Prospectus for NBAD’s Islamic 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.

National Bank of Abu Dhabi is licensed by the Central Bank of the UAE.

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) based on Islamic Shariah principles listed or traded on recognized exchanges worldwide or ‘over the counter’ arrangement, and other related securities including third party collective investment schemes, with a view to achieving capital growth.

3. Investment guidelines

The investment strategy will ensure that all investments are Islamic Shariah compliant as advised by either the Islamic Shariah Consultant or an independent methodology as determined by the Manager and confirmed by the Islamic Shariah Consultant.

As a general rule, individual companies whose activities are prohibited or are involved in sectors whose activities are prohibited (“Haram”), will be excluded. Those companies which are highly leveraged will also be excluded.


The Fund’s Investment guidelines are as follows:


3.1 No investments will be made in companies involved in prohibited activities as defined by Islamic Shariah. These prohibited activities are:

- Alcohol and tobacco related products
- Casino, hotel and gambling
- Conventional Banking and financial institutions
- Conventional Money markets
- Pork related products
- Weapons related products
- Leisure and illicit film industry
- Conventional Insurance and home financing

3.2 Investments which have been approved by the Islamic Shariah Consultant and that have financial ratios which comply with the prescribed Islamic Shariah filters.

3.3 Although it is the objective of the Fund to remain fully invested, any uninvested cash will be deposited on terms or will be invested in a manner which satisfies Islamic investing principles.

- 
- 3.4 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.
 - 3.5 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.
 - 3.6 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; Any un-invested cash will be deposited in a manner which satisfies Islamic Shariah investing principles.
 - 3.7 The Fund may invest up to 15% of its Total Assets to invest in, underwrite or subscribe for public issues or pre initial public offering placements which are likely to come to market within eighteen (18) months.
 - 3.8 The Fund may invest in third party Islamic Shariah collective investment schemes (including ETFs) but such investments will be limited to 15% of the Fund's Net Asset Value and shall not exceed 10% of the Net Asset Value of any one of the collective investment schemes the Fund is invested in.
 - 3.9 The Fund may involve itself in matters concerning shareholder rights (and the exercise thereof) in companies in which the Fund invests where the Manager considers it appropriate for the Fund to do so.
 - 3.10 Income received from the Fund's investments will be re-invested in the Fund. The Manager does not intend to pay any dividends. The dividend income will be credited to the Fund (and therefore to its NAV).
 - 3.11 The Fund may invest up to 20% of its Total Assets in Islamic Shariah compliant emerging markets equities worldwide.
 - 3.12 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), based on Islamic Shariah principles .
 - 3.13 The Fund's Islamic Shariah Investment guidelines and criteria may change from time to time on the advice of the Islamic Shariah Consultant.
 - 3.14 The Manager and the Islamic Shariah Consultant shall regularly review the Fund's investments to ensure compliance with Islamic Shariah, but due to market conditions or other circumstances the Fund and its advisors may not be immediately alerted to an investment becoming non-compliant. To the extent that due to market or other circumstances, any of the above restrictions are not met the Fund shall take corrective measures as soon as is reasonably practicable to purify the Fund of any non-Islamic



Shariah investments by way of donation to a charity under the guidance and supervision of the Islamic Shariah Consultant. The directors, the Manager, and investment adviser may consult with the Islamic Shariah Consultant for guidance as to the conformity of any investment to Islamic Shariah.

3.15 Notwithstanding the foregoing provisions of Clause 2 above the Manager may in 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. The Islamic Shariah Consultant

NBAD has appointed Sheikh Nizam Yaquby as the Islamic Shariah Consultant to advise the Manager, the Fund's Investment Review Committee, the Fund's Advisory Board and the Fund.



7. Investment timetable

The Investment Guidelines for the Fund will be implemented on a gradual basis, with full investment of the 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 29 December 2004.

8. 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 20 million.

9. 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

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

"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 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.

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

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

11. Lock in period

6 months from the First Closing Date relative to a particular 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.

12. Terms & conditions

Investment in the Fund is subject to the terms & conditions as set out in Attachment 1 to this Term sheet.

13. 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.

14. 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 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" preceding the relevant "NAV Day".

15. Fees and expenses

15.1 Subscription fee: 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 Shariah 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 (including the fees of the Islamic Shariah Advisor) and audit, legal and other costs relating to the set up, promotion, administration, and operation of the Funds. The Fund will also bear the costs of preparing, printing and distributing Annual Reports, Interim Reports and other notices and communications to Investors. Certain 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:

- 
- 16.1 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;
 - 16.2 Where there is no potential harm to any other Investor due to the process of transferring such ownership;
 - 16.3 Where the transferor sends a written application to transfer the ownership to the Registrar & Transfer Agent in the form that it requests; and
 - 16.4 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 Islamic Funds – NBAD Islamic MENA 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;

- 
- (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 this Prospectus is intended to convey to Investors that the Fund is established in accounting terms in the books of the Manager as separate and discrete 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 have nevertheless to recognize that there is no established concept of trust under UAE law and therefore despite the 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 the 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 to risk arising out of unforeseen events (including changes in law and/or regulatory requirements) and Acts of God, such as earthquake, fire, or flood.
3. Prospective Investors should be aware that there may be occasions that investments may become non-Islamic Shariah without the prior knowledge of the Fund as for instance when a corporate entity in whose stocks the Fund invests fails to meet the Fund’s Islamic Shariah compliance criteria through an unforeseen act or omission by such entity. In such event the Manager will respond with appropriate action as soon as practicable to ensure Islamic Shariah compliance of the Fund and to purify the investment. Purification or Zakat may involve non-Islamic money being donated to charitable bodies selected by the Manager.
4. To the extent any Fund may invest in equities traded on the ‘over the counter’ market, or in equities or securities in a newly created or emerging financial market then the relevant Fund may require to do so in the absence of detailed financial information and/or reporting in respect of the companies in question and the absence of disclosure of the trading circumstances of such companies (which may make determination of accurate valuations difficult) and in the light of a certain level of lack of market and other organization. The 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 the more developed markets. Particularly liquidity in any ‘over the counter’ in 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 a relevant Fund wishes to deal and/or may involve dealing at unfavourable prices. This may also cause difficulty in adhering to Islamic Shariah principles identified to either include or eliminate non-Islamic Shariah compliant stocks from the portfolio.
5. Clearing, settlement and share registration processes and procedures vary widely, and the same may affect the NAV of a particular Fund, and the liquidity of that 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 particular Funds.
 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 a 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 (but after the Lock in Period) should realise that the amount originally invested (by that Investor) in the relevant Fund may be the subject of relevant charges and fees both at the time of subscription and redemption. Investors should view investment in a particular Fund as being one for (at least) the 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 recognized 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.

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.

P.O.Box: 4, Abu Dhabi - U.A.E
For further information:
Please call Toll Free 800 2211 or
Visit us at: www.nbad.com