

FAB Growth Funds - FAB UAE Trading Fund

Term sheet

Valid as at 15 February 2022

Manager

First Abu Dhabi Bank

Custodian

First Abu Dhabi Bank

Auditors

KPMG
Abu Dhabi

Legal Advisors

Allen & Overy LLP
Abu Dhabi

1. Introduction:

This Term Sheet describes the terms upon which Units in FAB Growth Funds - FAB UAE Trading Fund (herein, the 'Fund') are offered to Investors. This Term Sheet must be read in conjunction with the current Prospectus for FAB'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. Founder Investors who have committed to invest in this Fund include First Abu Dhabi Bank.

2. Investment Objectives:

The Fund aims to capture short-term trading opportunities arising primarily in UAE equities. The Fund aims to provide attractive returns over medium-term, while reducing directional downward risk in the underlying markets. The Fund will invest in a portfolio of UAE and Middle East and North Africa (MENA) equities and related securities including third party collective investment schemes, across sectors, whether listed on the Dubai or Abu Dhabi Financial Markets or, where appropriate, purchased through the 'over the counter' arrangements. The purchase and sale of assets will be dependent on market volatility and the relative asset attractiveness at a given time. The Fund's Manager will seek returns over the short-term via active management, sector rotation, stock picking and cost-effective trading.

3. Investment Guidelines:

The Fund's Investment Guidelines are as follows:

- 3.1 No more than 45% of the total assets will be non-UAE stocks (in MENA).
- 3.2 Investment by the Fund in any particular security shall not exceed 10% of that company's then total market capitalization, subject to any restrictions on investment prescribed by applicable law and/or the relevant company's Articles of Association;
- 3.3 Except as required to reflect market 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.
- 3.4 Up to 100% of the Fund's Total Assets may, at any time be held in the form of cash or cash equivalents in order to take advantage of investment opportunities as they arise and meet redemptions;
- 3.5 The Fund may use up to 15% of its Total Assets to subscribe for public issues or pre initial public offering placements which are likely to come to market within eighteen (18) months;

- 3.6 The Fund may borrow up to 50% of its NAV at any relevant time in order to take advantage of investment opportunities or to meet redemptions;
- 3.7 The Fund will endeavour to be well positioned to achieve opportunistic returns in the various sectors in which equity investments are available in the UAE and to achieve higher returns in the short run;
- 3.8 Dividends received from the Fund's investments will be reinvested;
- 3.9 Pending full investment of the Fund's Total Assets on the day subsequent to the First Closing Date, the Fund may invest in securities in the developed markets in order to obtain a balanced return on assets employed;
- 3.10 When the Manager considers it to be necessary or appropriate the Fund may hedge currency and/or other portfolio related risks but will not have an exposure to naked derivatives (including options), nor will the Fund write options, unless part of a hedging strategy; and
- 3.11 The Fund may invest in third party collective investment schemes (including ETFs) but such investments will be limited to 10% of the Fund's NAV and shall not exceed 5% 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 2 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 FAB 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 - 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, FAB.

Khalaf Sultan Al Dhaheri

Chairman, ADNIF (Islamic Subsidiary of FAB), Al Wathba Company for Central Services (AWCCS), and Islamic Financial Consultant (IFC), Board Member, Abu Dhabi Investment Company (ADIC), and Al Rayan Bank-Doha, General Manager and Chief Risk Officer, FAB.

Mahmood Al Aradi

Senior Managing Director & Head of Global Markets, FAB Representatives of institutional Founder Investors may be invited to join the Advisory Board.

6. Investment Timetable:

The Fund's First Closing Date is 29 January 2004.

7. Intended Fund Size:

FAB intends that the Fund will initially (as at the First Closing Date) raise AED 100 m, with a minimum Fund size as at that date of AED 30 m. The target size of the fund over the medium term is aimed at AED 500m.

8. Initial Closing:

FAB currently manages an internal fund investing in short-term trading opportunities similar to the planned strategy for the proposed fund. In order to avoid any future, potential conflict of interest, FAB will transfer all its holdings in the internal fund (subject to the approval of the Investment Committee) at Net Asset Value calculated on the prices prevailing as at that date, on an arm's length basis.

FAB will stop trading for its internal portfolio from this day forth, except in the securities not approved by the Investment Committee for inclusion in the Fund.

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: www.bankfab.com.

10. Subscription:

Business day for the purpose of this term sheet means each day (Monday to Friday) 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 02.00 pm UAE time on each 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 week. 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 purposes of this Term Sheet means each business day when the NAV for the previous business day is published. The Manager may substitute another specific day or date, as the Manager shall at its discretion determined 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.

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. Investors may purchase Units in the Fund (each of which has an initial Unit Price of AED 10 pending the Fund's First Closing Date).

The Manager may encash and utilize 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.

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

- 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) 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) 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;
 - (f) 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 Funds;
 - (g) 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; and
 - (h) do all reasonable acts, deeds and things possible under law to protect the rights and interests of the Unit holders as collective investors.
- II. The Manager and the Investment 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 the Investment Committee.

- III. The Investor agrees and undertakes to ratify and abide by all decisions taken by the Investment Committee 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;
 - (g) the timing of acquisition and disposition of the assets of the Fund.

11. Risk Factors:

The Risk Factors to which prospective investors in the Fund are exposed are as stated in Attachment 1 to this Term Sheet. Please read, understand and carefully consider these. A prospective Investor in doubt about any aspect of these should please seek professional advice.

12. Redemptions:

Business day for the purpose of this term sheet means each day (Monday to Friday) 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 “NAV Day”. Payment of redemption proceeds in all cases will be made in AED by crediting the relevant Investor’s account with FAB.

“**Cut-off Time**” for the purpose of this Term Sheet means 02:00 pm UAE time on each 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: 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.

13. Fees and Expenses:

13.1 Subscription Fees: Investors subscribing to Units in the Fund will pay a subscription fee of up to 1% of the value of their subscribed funds to the Manager in its own right at such time.

13.2 Management Fee: a management fee of 2% per annum of the Fund’s NAV is payable quarterly to the Manager by the Fund, calculated and to accrue on a daily basis.

13.3 Performance Fee: a performance fee of 10% will be levied and charged by the Manager on the increase in the Fund’s NAV above the “Hurdle Rate”. The Hurdle Rate will be calculated as an increase of 2% per quarter over the last highest NAV of the Fund on which performance fees have been charged. The fees will be accrued daily and charged to the Fund on a quarterly basis.

13.4 Redemption Fees: Nil.

13.5 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 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.

14. Caution:

This Term Sheet contains a summary of relevant matters relating to FAB’s UAE Trading 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 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.
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.
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: 6316,
Abu Dhabi - U.A.E. For further information,
please call Toll Free 600525500
or visit us at: www.bankfab.com