



Elzaad Sukuk Fund

Private Placement Memorandum

This Private Placement Memorandum is dated 22 November 2022



Important Information

All defined terms in this section have the meanings given to them in Section headed “Definitions / Glossary”.

This Private Placement Memorandum is issued by SICO Fund Company IX B.S.C.(c) (the Fund Company) and is submitted to you on a confidential basis. By accepting this Private Placement Memorandum and other information supplied to prospective investors by the Fund Company the recipient agrees that neither it nor any of its employees or advisers shall use such information for any purpose other than for evaluating an investment in the Fund or divulge such information to any other party. This Private Placement Memorandum shall not be photocopied, reproduced or distributed to others without the prior written consent of the Fund Company. If the recipient determines not to apply to invest in the Fund it will promptly return all material received in connection herewith (including this Private Placement Memorandum) to the Fund Company without retaining any copies, provided that, the recipient and its advisors may nevertheless retain all the material to the extent required by law, regulation or by any governmental or competent regulatory authority, internal document retention policy or which has been created pursuant to automatic electronic archiving procedures and/or back up systems.

The Fund Company has taken reasonable care to ensure that the information presented herein has been correctly and properly extracted or compiled and has taken reasonable care to ensure that it is correctly and fairly reproduced and presented.

All statements of opinion and/or belief contained in this Private Placement Memorandum and all views expressed relating to future events, including those attributed to the Fund Manager, represent the Fund Company’s own assessment of information available to it as of the date hereof and there can be no guarantee that such views are correct.

Notwithstanding that the Directors of the Fund Company are responsible for ensuring that all reasonable care is taken to ensure that the facts stated in this document are true and accurate in all material respects and that there is no misleading information contained herein, no other directors, officers, agents, employees of the Placement Agent, Fund Manager or Fund Operator, and other advisors assume any liability for any representation or warranty (expressed or implied) enclosed within, or omitted from this Private Placement Memorandum, or any other written or verbal information transmitted to the recipient (or any of their advisors), in the course of the recipient’s assessment of any proposed investment.

Under the CBB Rulebook, Volume 7, the Fund qualifies as a Bahrain Domiciled Exempt CIU and is therefore intended only for Accredited Investors.

“Accredited Investors” are defined in Volume 7 as investors who meet the following criteria:

- a. Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 1,000,000, excluding that person’s principal place of residence;
- b. Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 1,000,000; or
- c. Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).

Individuals and commercial undertakings may elect in writing to be treated as accredited investors subject to meeting at least two of the following conditions:

- a. The investor has carried out trading/investing transactions, in significant size (i.e., value of transactions aggregating USD 200,000) over the last 12-month period;
- b. The size of the investor’s financial assets portfolio including cash deposits and financial instruments is USD 500,000 or more; and/or
- c. The investor works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged (i.e., the position was professional in nature and held in a field that allowed the client to acquire knowledge of transactions or services that have comparable features and a comparable level of complexity to the transactions or services envisaged).

Exempt CIUs are only regulated to the extent that they must be notified to the CBB prior to being offered,

may only be offered to Accredited Investors, and are subject only to high level-disclosure and reporting requirements. Exempt CIUs are not subject to any restrictions on their investment policies.

The Fund is subject only to notification with the CBB and the CBB does not assume any obligations or liabilities as a result of its notification. The Fund will not violate the laws of the Kingdom of Bahrain or any other jurisdiction.

The Fund is not subject to the regulations of the CBB that apply to public offerings of securities and the extensive disclosure requirements and other protections that these regulations contain.

No broker, dealer or other person has been authorised by the Fund Company, its Directors, the Fund Manager to issue any advertisement or to give any information or to make any representations in connection with an investment in the Fund and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Fund Company, its Directors, the Fund Manager, or the Fund Operator. Notwithstanding the foregoing, third party placement agents and distribution agents may be engaged by the Fund Company to distribute the Transaction Documents.

Unless specifically attributed to another source, any targets, forecasts, estimates and projections contained herein have been prepared by the Fund Company and involve elements of subjective judgement and analysis which may or may not be correct. The statements contained herein that are not historical facts are forward-looking statements. These forward-looking statements are based on (a) current expectations, estimates and projections about the industry and markets in which the Fund Company or the Fund, as the case may be, operates, and (b) the Board's beliefs, and assumptions made by the Board. Words such as "expects", "anticipates", "should", "intends", "aims", "plans", "believes", "seeks", "estimates", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the factors that could cause actual results to differ materially are the general economic climate, competition and the political situations in the Fund's markets, interest rate levels and other risks associated with the ownership of securities. No representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any assumptions, targets, forecasts, projections, estimates or prospects with regard to the anticipated future performance of the Fund.

Prospective investors should seek professional advice as to the legal requirements, exchange control regulations and applicable taxes in the countries of their citizenship, residence or domicile. Prospective investors should not treat the contents of this Private Placement Memorandum as advice relating to legal, taxation, financial, investment or any other matters. This Private Placement Memorandum is for the information of prospective investors only and nothing in this Private Placement Memorandum is intended to endorse or recommend a particular course of action. Prospective investors should independently inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, redemption or other disposal of Units; (b) any foreign exchange restrictions which they might encounter; and (c) the income and other tax consequences which may apply in their own countries relevant to the purchase, holding, redemption or other disposal of Units.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, financial and related matters concerning the Fund and the merits and risks of an investment in the Fund.

Statements made in this Private Placement Memorandum are based upon the law and practice currently in force in Bahrain and are subject to change.

By signing and submitting the Subscription Agreement to the Fund Manager, (or Administrator) the recipient hereof agrees to be bound by the terms set out in this Private Placement Memorandum.

General Notice

The distribution of this Private Placement Memorandum and the offering or purchase of Units may be restricted in certain jurisdictions and the Fund may not be marketed nor this PPM distributed in any jurisdiction where this is not permissible under the regulations of the relevant jurisdiction unless all necessary registrations or approvals having been obtained. No persons receiving a copy of this Private Placement Memorandum or the accompanying Subscription Agreement in any such jurisdiction may treat this Private Placement Memorandum or such Subscription Agreement as constituting an invitation

to them to subscribe for Units, nor should they in any event use such Subscription Agreement, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such Subscription Agreement could lawfully be used without compliance with any registration or other legal requirements or the registration and legal requirements have been met. Accordingly, this Private Placement Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is unlawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Private Placement Memorandum and any person wishing to apply to invest in the Fund pursuant to this Private Placement Memorandum to inform them of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the legal requirements of so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence, incorporation or domicile.

Important – if you are in any doubt about the contents of this Private Placement Memorandum, 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 notified to the Central Bank of Bahrain, 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.

For Residents of the Kingdom of Bahrain (“BAHRAIN”)

This offer is a private placement. It is not subject to the regulations of the central bank of Bahrain that apply to public offerings of securities and the extensive disclosure requirements and other protections that these contain. This memorandum is intended only for “Accredited Investors” as defined in CBB Rulebook Volume 7.

The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss however arising from reliance upon the whole or any part of the contents of this document.

The Board together with the Fund Operator accepts responsibility for the information contained in this document as being accurate at the date of publication. To the best of the knowledge and belief of the board, who has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

For residents of the kingdom of Saudi Arabia (“KSA”)

This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities to be offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The Elzaad Sukuk Fund has been certified as being Shariah compliant by the Shariah Advisor appointed for the Fund.

For Residents of the State of Kuwait (“KUWAIT”)

The Investors are required to make their investments in the Fund in compliance with the Kuwait Capital Markets Authority Law (CMA) No. 7 of 2010, and its executive bylaws (each as amended) (together the “CMA Rules”), together with the resolutions, regulations, directives and instructions issued by Kuwait Capital Markets Authority (the “Authority”) from time to time.

No securities can be issued or offered, directly or indirectly, unless prior approval from the Authority is obtained pursuant to CMA Rules. Therefore, no securities (such as the Units) can be marketed, offered for sale or sold without CMA's prior approval in Kuwait.

The Private Placement Memorandum is not for public circulation to any person in Kuwait nor any of the Units may be offered or sold by public offering in Kuwait. The Units may be marketed, offered or sold in Kuwait pursuant to CMA's prior approval through a licensed person duly authorised to undertake such activity pursuant to the CMA Rules. Investors from Kuwait acknowledge that the CMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever as to the contents of this Private Placement Memorandum and do not approve the contents thereof or verify the accuracy of its contents. The CMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages or losses that may result from relying (in whole or in part) on the contents of this Private Placement Memorandum. It is recommended that any investor, before subscribing or purchasing any Units must seek professional advice from its advisers in respect to the contents of this Private Placement Memorandum in order to determine the appropriateness of subscribing for or purchasing the Units.

The Fund shall not carry out any activities inside the State of Kuwait that involves funding third parties. Investors are informed about all potential risks when investing in the fund given the tax regulations in the fund's country of domicile and the impact it may have on their investment in the fund and expected returns. Investors are further requested to obtain their own tax and financial advice (concerning investments and returns thereof) prior to investing in the Fund.

The procedure for ownership transfer stipulated in PPM in the State of Kuwait does not conflict with the provisions of Article 5-10 (Transfer of Ownership of Collective Investment Scheme Units) of section 5 (Marketing of Collective Investment Scheme Domiciled out of the State of Kuwait) of Rulebook 13 of the Executive Bylaws No.7 year 2010 and its amendments.

The CMA's approval in respect of marketing of the Fund in Kuwait does not mean a recommendation to invest in the Fund. Any such approval is only limited to the ability and suitability of the marketer to market the shares and Units of the Fund in the State of Kuwait and that the CMA is not liable for the default of any of the relevant parties within the fund in carrying out the tasks and duties thereof, or the accuracy and safety of the information set out in the PPM, this responsibility however will be undertaken by all the other parties mentioned/listed in the PPM who shall be held liable in accordance with their respective roles and duties set out in the PPM.

For Residents of the State of Qatar (“QATAR”)

The Units have not been registered for public offer or distribution in Qatar. The Units must not be distributed within Qatar by way of a public offer, public advertisement or in any similar manner, and this Private Placement Memorandum and any other document relating to the Units, as well as information contained therein, may not be supplied to the public in Qatar or used in connection with any offer for subscription of the Units to the public in Qatar. This offering has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatari governmental body or securities exchange.

This Private Placement Memorandum does not, and is not intended to, constitute an invitation or offer of securities in the State of Qatar and accordingly should not be construed as such.

This Private Placement Memorandum is being issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand that the Fund has not been approved or licensed by or registered with the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other applicable licensing authorities or governmental agencies in the State of Qatar; and (ii) on the condition that it will not be provided to any person other than the original recipient, is not for general circulation and may not be reproduced or used for any other purpose.

Persons into whose possession this Private Placement Memorandum comes are advised to consult with their own legal advisors with respect to any applicable laws that may restrict the distribution of this Private Placement Memorandum. Neither this Private Placement Memorandum nor any part of it shall be relied upon in any way in connection with any contract for the acquisition of the Units nor shall its issue be taken as any form of commitment on the part of the Fund to proceed with any transaction.

In making an investment decision regarding the Units, investors must rely on their own examination of the terms of the offering, including without limitation the merits and the risks involved.

For Residents of the Sultanate of Oman (“OMAN”)

The information contained in this Private Placement Memorandum is confidential and for your information only and nothing in this Private Placement Memorandum is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation. This Private Placement Memorandum neither constitutes an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 18/2019 as amended) or the Capital Market Law of Oman (Royal Decree 80/98 as amended), nor does it constitute the marketing of non-Omani securities in the Sultanate of Oman as contemplated by the Executive Regulations to the Capital Market Law (issued pursuant to Decision No. 1/2009) (the “Executive Regulations”). The Units have not and will not be listed on any stock exchange in the Sultanate of Oman. The Manager is not a licensed broker, dealer, financial advisor or investment advisor licensed under the laws applicable in the Sultanate of Oman, and, as such, does not advise potential investors in the Sultanate of Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products. Additionally, this Private Placement Memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the Sultanate of Oman and is not intended to constitute legal, tax, accounting or other professional advice in, or in respect of, the Sultanate of Oman. The recipient of this Private Placement Memorandum acknowledges and agrees that neither this Private Placement Memorandum nor the Fund has been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce, Industry and Investment Promotion, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, nor is the Manager authorised or licensed by the Central Bank of Oman, the Oman Ministry of Commerce, Industry and Investment Promotion, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, to market or sell the Units in the Fund within the Sultanate of Oman. Further, the recipient of this Private Placement Memorandum represents that it is a sophisticated investor (as described in Article 139 (f) of the Executive Regulations) and has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in securities.

For Residents Of The United Arab Emirates (“UAE”)

Exempt Investors

Units in the Fund are being offered in the United Arab Emirates (the UAE) exclusively to investors exempted under the Investment Fund Regulations of the UAE Securities and Commodities Authority (the “SCA”) in accordance with SCA Board of Directors’ Chairman Decision No. 9/R.M. of 2016 Concerning the Regulations as to Mutual Funds (as amended) and Chairman Resolution No. 3/R.M. of 2017 Concerning the Regulation of Promotion and Introduction (as amended). By receiving this Private Placement Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that neither this Private Placement Memorandum, nor the Units in the Fund have been approved, disapproved or passed on in any way by the Central Bank of the UAE, the SCA or any other authority in the UAE, nor has the entity conducting the placement in the UAE received authorisation or licensing from the Central Bank of the UAE, the SCA or any other authority in the UAE to market or sell Units in the Fund within the UAE. The SCA accepts no liability in relation to the Fund and is not making any recommendation with respect to an investment in the Fund. Nothing contained in this Private Placement Memorandum is intended to constitute UAE investment, legal, tax, accounting or other professional advice. This Private Placement Memorandum is for the information of prospective investors only and nothing in this Private Placement Memorandum is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

Offshore

By receiving this Private Placement Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that neither this Private Placement Memorandum, nor the Units in the Fund have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the UAE Securities and Commodities Authority or any other authority in the UAE, nor has the entity conducting the placement in the UAE received authorisation or licensing from the central bank of the UAE, the UAE Securities and Commodities Authority or any other authority in the UAE to market or sell the Units within the UAE. The UAE Securities and Commodities Authority accepts no liability in relation to the Fund and is not making any recommendation with respect to an investment in the Fund. No services relating to the Units in the Fund, including the receipt of applications and/or the allotment of such Units have been or will be rendered within the UAE by the Fund. Nothing contained in this Private Placement Memorandum is intended to constitute UAE investment, legal, tax, accounting or other professional advice. This Private Placement Memorandum is for the information of prospective investors only and nothing in this Private Placement Memorandum is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

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1 Definitions/Glossary

1.1 Words and expressions not otherwise defined in this Private Placement Memorandum have, unless the context otherwise requires, the following meanings:

AAOIFI means the Accounting and Auditing Organisation for Islamic Financial Institutions;

Applicant means applicants wishing to subscribe for Units;

Accredited Investor are defined as investors meeting the following criteria:

- a. Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 1,000,000, excluding that person's principal place of residence;
- b. Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 1,000,000; or
- c. Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).

Individuals and commercial undertakings may elect in writing to be treated as accredited investors subject to meeting at least two of the following conditions:

- a. The investor has carried out trading/investing transactions, in significant size (i.e. value of transactions aggregating USD 200,000) over the last 12-month period;
- b. The size of the investor's financial assets portfolio including cash deposits and financial instruments is USD 500,000 or more; and/or
- c. The investor works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged (i.e. the position was professional in nature and held in a field that allowed the client to acquire knowledge of transactions or services that have comparable features and a comparable level of complexity to the transactions or services envisaged);

Administrator means Apex Fund Services Bahrain W.L.L. or any duly appointed replacement from time to time;

Administration and Registrar Agreement means the agreement between the Fund Company and the Administrator dated 21 August 2022 as may be amended or replaced from time to time;

Anti-Money Laundering and Know Your Client Regulations means the Legislative Decree No. (4) of 2001 (as amended) with respect to Prohibition and Combating of Money Laundering and the various Ministerial Orders issued there under including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering, the Anti-Money Laundering and Combating Financial Crime Module contained in the CBB Rulebook, Volume 6. Decree as well as the anti-money laundering laws, rules and orders applicable to any Investor as they may respectively pertain to any or all of the Administrator, Registrar, Custodian, the Fund Manager, Placement Agent, the Fund and the Fund Company;

Articles means the memorandum and articles of association of the Fund Company, as may be amended, modified or restated from time to time;

Bahrain means the Kingdom of Bahrain;

Benchmark means the Bloomberg EM GCC USD Sukuk Total Return Index;

Board of Directors or Board means the board of directors of the Fund Company;

Business Day means any day (other than (i) a Friday or (ii) Saturday or (iii) a day on which banks in Bahrain are authorised or obligated to close) on which clearing banks in Bahrain are open for banking transactions;

Capital Account has the meaning given to it in the Section headed “Executive Summary”;

CBB means the Central Bank of Bahrain;

CBB Rulebook means the rulebook issued by the CBB from time to time (and published on the CBB’s website) which regulates financial affairs in Bahrain;

Class A Units Investor means any corporation, partnership, individual, trustee or other entity or person which commits to invest at least USD 1,000,000 in the Fund by entering into a Subscription Agreement (and whose subscription is accepted by the Fund Manager) for so long as it remains a Class A Units Investor in accordance with the terms of the Transaction Documents;

Class A Units means such Units offered to and subscribed for by Class A Units Investors;

Class B Units Investor means any corporation, partnership, individual, trustee or other entity or person who commits to invest in the Fund by entering into a Subscription Agreement (and whose subscription is accepted by the Fund Manager) which is not a Class A Units Investor for so long as it remains an Investor in accordance with the terms of the Transaction Documents;

Class B Units means such Units offered to and subscribed for by Class B Units Investors;

Commitment means, with respect to any Investor, the aggregate sum agreed to be contributed to the Fund by such Investor for Units as set out in that Investor’s Subscription Agreement;

Custodian means HSBC Bank Middle East Limited, Bahrain or any duly appointed replacement from time to time;

Custodian Agreement means the custodian agreement dated 11 August 2022 between the Fund Company and the Custodian as may be amended or replaced from time to time;

Directors means the members of the Board of Directors of the Fund Company;

Distribution Agent means such distribution agent appointed from time to time on behalf of the Fund by the Fund Company in respect of the subscription of Units in the Fund as nominees on behalf of an Applicant;

EM means emerging markets;

Financial Year means the period commencing on the Initial Closing Date and ending on 31 December 2022 and thereafter, each period commencing on 1 January and ending on 31 December;

Fund means Elzaad Sukuk Fund a Bahrain Domiciled Exempt CIU established by the Instrument by the Fund Company pursuant to the CBB Rulebook;

Fund Assets means the assets of the Fund, held by the Fund Company on behalf of Investors in the Fund (excluding its issued and paid-up share capital) including all monies standing to the credit of the Investor’s Capital Accounts and all proceeds of the foregoing;

Fund Company means SICO Fund Company IX B.S.C.(c), a fund company formed as a closed joint stock company incorporated in Bahrain with commercial registration number 153995 and its registered address at World Trade Centre, East Tower, 16th Floor, P.O. Box 1331, Manama, Kingdom of Bahrain.

Fund’s Structure means the structure of the Fund as described in Section 5 of this Private Placement Memorandum;

GCC means the Gulf Cooperation Council;

Governing Law means the laws of the Kingdom of Bahrain;

Instrument means the legal instrument issued by the Fund Company;

Initial Closing Date has the meaning given to it in Section 2 headed “Executive Summary”;

Investment means an investment by the Fund in Securities;

Investment Advisor means Wafra International Investment Company K.S.C.C.;

Investment Advisory Agreement means the investment advisory agreement dated 1 September 2022 between the Fund Company, the Fund Manager and the Investment Advisor as may be amended from time to time;

Investment Objectives has the meaning given to it in Section 4.1 (Investment Objectives) of this PPM;

Investment Restrictions means the restrictions set out in Section 4.14 (Investment Restrictions) of this PPM;

Investor or Unitholder means any Class A Units Investor and Class B Units Investor;

KWD means Kuwaiti Dinars being the lawful currency of the State of Kuwait from time to time;

Laws means all applicable laws and regulations and, if applicable, the prevailing rules, regulations, requirements, determinations, practices and guidelines of the Kingdom of Bahrain and the CBB and any other jurisdiction or authority to which the Fund, the Fund Company and the Fund Manager are subject;

Lock-Up Period means the three-month period from the date of Subscription in which an Investor may not submit a Redemption Request;

Management Fees means the management fees payable by Investors described in Section 4.17 (Management Fees) of this PPM;

MENA means the Middle East and North Africa;

Minimum Subscription means the minimum subscription per Investor as set out in this Private Placement Memorandum being USD 100,000;

MOICT means the Bahrain Ministry of Industry, Commerce and Tourism;

NAV or Net Asset Value means the net asset value of the Fund as determined in accordance with the valuation methodology set out in the Section headed “Corporate Governance, Reporting and Conflicts of Interest”;

Offering means the offering for Units described in this Private Placement Memorandum;

OTC means ‘over the counter’ and refers to the trading of Securities by way of a dealer network as opposed to a centralized exchange;

Private Placement Memorandum means this private placement memorandum as may be amended from time to time;

Redemption means the redemption of the Units by a Unitholder in accordance with Section 4.10;

Redemption Day has the meaning given to it in the section head Executive Summary;

Redemption Request has the meaning given to it in Section 4.10 of this PPM;

Registrar means Apex Fund Services Bahrain W.L.L. or any duly appointed replacement from time to time;

Securities has the meaning given to it in Section 2 headed “Executive Summary”;

Shari’ah Advisor means Shariah Review Bureau W.L.L;

SICO means SICO B.S.C.(c);

Shari’ah Investment Guidelines means the guidelines set out in Section 4.16 of this PPM;

Subscription Agreement means the subscription between the Fund Company and an Applicant, required to be signed and delivered by an Applicant to the Fund Manager in connection with an application to the Fund Company to subscribe for Units, in each case in such form as the Fund Company and/or the Fund Manager may require;

Subscription means a request to subscribe for Units by any prospective investors upon payment of the amount stated in the Subscription Agreement;

Transaction Documents means this Private Placement Memorandum, any Subscription Agreement, the Fund Management Agreement, the Instrument, the Articles, the Custodian Agreement and the Administration and Registrar Agreement;

Units means the Units in the Fund with a nominal value of USD 100 which are in issue from time to time, which represent the rights of the Investors in the Fund;

USD, US\$ or \$ means the United States Dollar, the legal currency of the United States of America;

U.S. Persons means a person described in one or more of the following paragraphs or such other person as the Fund Manager may, in its sole discretion, identify from time to time:

- a. with respect to any person, any individual or entity that would be a U.S. Person under Regulation S of the U.S. Securities Act of 1933, as amended (the **Securities Act**);
- b. with respect to individuals, any U.S. citizen or “resident alien” within the meaning of U.S. Income tax laws as in effect from time to time; and
- c. with respect to persons other than individuals, (i) a corporation or partnership created or organized in the United States or under the law of the United States or any state, (ii) a trust where (a) a U.S. court is able to exercise primary supervision over the administration of the trust and (b) one or more U.S. persons have authority to control all substantial decisions of the trust and (iii) an estate which is subject to U.S. tax on its worldwide income from all sources.

Wafra means Wafra International Investment Company K.S.C.C.

YoY means year on year; and

YTM means yield to maturity.

- 1.2 Except to the extent that the context otherwise requires, any reference to this Private Placement Memorandum or any other deed, agreement, document or instrument (including any of the Transaction Documents) is a reference to this Private Placement Memorandum or, as the case may be, the relevant deed, agreement, document or instrument as amended, supplemented, replaced or novated from time to time and includes a reference to any document which amends, supplements, replaces or novates this Private Placement Memorandum or, as the case may be, the relevant deed, agreement, document or instrument.
- 1.3 References in this Private Placement Memorandum to a person or persons or words importing persons include, without limitation, individuals, firms, partnerships, joint ventures, trusts, governmental entities, committees, departments, authorities and other bodies, corporate or incorporate, whether having distinct legal personality or not, or any member of any of the same.
- 1.4 The information in this Private Placement Memorandum does not relate to events occurring subsequent to the date hereof.

2 Key Parties

| | |
|--|---|
| Fund | Elzaad Sukuk Fund |
| Fund Company | SICO Fund Company IX B.S.C.(c) World Trade Centre, East Tower, 16 th Floor, P.O. Box 1331, Manama, Kingdom of Bahrain |
| Fund Manager and Fund Operator | SICO B.S.C.(c) Bahrain World Trade Center, East Tower, P.O. Box 1331 Manama Kingdom of Bahrain |
| Placement Agent – Kingdom of Bahrain | SICO B.S.C.(c) Bahrain World Trade Center, East Tower, P.O. Box 1331 Manama Kingdom of Bahrain |
| Placement Agent – State of Kuwait | Wafra International Investment Company K.S.C.C. Al-Murqab, Block 1, Building 7, Twin Tower A State of Kuwait |
| Placement Agent – Kingdom of Saudi Arabia | SICO Capital CJSC CMC Tower 5 th floor, 7702 King Fahd Road Al Malqa District 13524 Riyadh City, Central Province, Kingdom of Saudi Arabia |
| Shari'ah Advisors | Shariyah Review Bureau Building 872 – Road 3618 4 th Floor, Office 41 & 42 PO Box 21051 Seef District Kingdom of Bahrain |
| Administrator | Apex Fund Services Bahrain WLL Wind Tower – Road 1705 – Block 317 Office 82 Diplomatic Area Kingdom of Bahrain |
| Registrar | Apex Fund Services Bahrain WLL Wind Tower – Road 1705 – Block 317 Office 82 Diplomatic Area Kingdom of Bahrain |
| Custodian | HSBC Bank Middle East Limited, Bahrain Building 2505 – Road 2832 – Block 428 Seef District Kingdom of Bahrain |
| Investment Advisor | Wafra International Investment Company K.S.C.C. Al-Murqab, Block 1, Building 7, Twin Tower A State of Kuwait |
| Auditor | Ernst & Young (EY) Bahrain World Trade Centre, 10 th Floor, East Tower PO Box 140 Manama Kingdom of Bahrain |

| | |
|---|---|
| Broker | SICO B.S.C.(c) Bahrain World Trade Center, East Tower, P.O. Box 1331 Manama Kingdom of Bahrain |
| Bahrain Tax, FATCA, and CRS Advisors | PricewaterhouseCoopers M.E Limited Bahrain Financial Harbour West Tower 47 th Floor P.O. Box 60771 Manama Kingdom of Bahrain |
| Legal Adviser (in matters as to Bahrain Law) | Hassan Radhi & Associates Building 361 – Road 1705 – Block 317 ERA Business Centre, 18 th & 19 th Floors Diplomatic Area Kingdom of Bahrain |
| Legal Adviser (in matters as to International Law) | Trowers & Hamlins Bahrain World Trade Centre 7 th Floor, West Tower PO Box 3012 Manama Kingdom of Bahrain |
| Principal Fund Bank Account | HSBC Bank Middle East Limited, Bahrain Building 2505 – Road 2832 – Block 428 Seef District Kingdom of Bahrain |
| Fund Corporate Services | SICO Fund Services B.S.C.(c) Bahrain World Trade Center, East Tower, P.O. Box 1331 Manama Kingdom of Bahrain |

Executive Summary

The following executive summary is qualified in its entirety by the detailed information included elsewhere in this Private Placement Memorandum and the other Transaction Documents and should be read in conjunction with the full text of this Private Placement Memorandum and the Transaction Documents. In the event of any conflict between this Private Placement Memorandum and any of the other Transaction Documents, the Private Placement Memorandum shall prevail.

2.1 FUND OVERVIEW

2.1.1 Fund Name

Elzaad Sukuk Fund

2.1.2 Fund Company

SICO Fund Company IX B.S.C.(c) is a fund company incorporated in Bahrain with commercial registration number 153995.

The Fund Company is a closed joint stock company incorporated under the laws of Bahrain.

The Fund Company is 99 per cent owned by the Fund Manager. It is a requirement under the Bahrain Commercial Companies Law No. 21 of 2001 for a closed joint stock company to have at least two shareholders, and the remaining 1% is owned by SICO Ventures Company W.L.L. as nominee shareholder on behalf of the Fund Manager.

The Fund Company is operated by the Fund Manager. The Fund Company is a party to the Fund Management Agreement and will be a party to any Subscription Agreement.

2.1.3 Fund Company Jurisdiction and Fund Domicile

Kingdom of Bahrain.

The Fund is not intended to be listed, quoted or dealt in on any securities exchange.

2.1.4 Investment Objectives

The Fund is being established as an open-ended fund to invest in a diversified portfolio of OTC-tradeable Sukuk and Shari'ah compliant fixed income instruments (the **Securities**) issued largely by sovereign, quasi-sovereign and private issuers.

The Fund's primary objectives, through prudent investment management, will be to maximize total return, including profit income and capital appreciation vis-à-vis the Benchmark. The Fund aims to become one of the largest Shari'ah compliant fixed income funds in the region.

The Investment Objectives of the Fund may be amended with the approval of a majority in Units held by the Investors.

2.1.5 Investment Restrictions

The Fund will be subject to the following investment restrictions at all times:

- a. The Securities targeted are to be USD denominated or any other currencies pegged to the USD or denominated in KWD;
- b. The Securities targeted are OTC tradeable or tradeable on a licensed exchange;
- c. With the exception of Securities issued by governments/quasi-government entities and excluding perpetual issuances, the Securities targeted are to have a maximum tenor of 10 years or to be callable if for a longer time horizon;
- d. Aggregate exposure to any one country will not exceed 40% of the Fund's NAV;

- e. Aggregate exposure to any one issuer will not exceed 20% of the Fund's NAV;
- f. Shari'ah-compliant leverage of the underlying portfolio, on a consolidated basis, is limited to a maximum of 60% of the Fund's NAV;
- g. A maximum of 75% of the aggregate Securities NAV will have non-investment grade ratings; and
- h. The Securities will adhere to the Shari'ah Investment Guidelines (referred to in Section 4.16 below).

2.1.6 Benchmark

The Fund shall be benchmarked against the Bloomberg EM GCC USD Sukuk Total Return Index. The Benchmark was established in 2013 and is comprised of over 100 securities. The Benchmark uses a market-value weighted approach, is USD denominated, and is unhedged and subject to monthly rebalancing. The Benchmark's Financial Instrument Global Identifier (FIGI) is 'BBG00GTWV6Z6'.

2.1.7 Targeted Investors

The Fund will target Class A Units Investors and Class B Units Investors including government, quasi-government, corporations, high net worth individuals and family offices and any such investors that fall within the following definition of "Accredited Investors" under the CBB Rulebook:

- a. Individuals who have a minimum net worth (or joint net worth with their spouse) of USD 1,000,000, excluding that person's principal place of residence;
- b. Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 1,000,000; or
- c. Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).

Individuals and commercial undertakings may elect in writing to be treated as accredited investors subject to meeting at least two of the following conditions:

- a. The investor has carried out trading/investing transactions, in significant size (i.e. value of transactions aggregating USD 200,000) over the last 12-month period;
- b. The size of the investor's financial assets portfolio including cash deposits and financial instruments is USD 500,000 or more; and/or
- c. The investor works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged (i.e. the position was professional in nature and held in a field that allowed the client to acquire knowledge of transactions or services that have comparable features and a comparable level of complexity to the transactions or services envisaged).

The Fund will not be open to investment from U.S. Persons.

2.1.8 Functional Currency

United States Dollars (USD).

2.1.9 Target Size of Fund

The Fund has set an initial target size of USD 100 million. However, the Fund shall not be affected by achieving, or not achieving, such initial target.

2.1.10 Minimum Commitment (per Investor)

A minimum of USD 1 million for Class A Units Investors and a minimum of USD 100,000 for Class B Units Investors.

2.1.11 Initial Closing

The initial closing of the Fund is to be 60 calendar days from the official launch date of the Fund (the **Initial Closing Date**). Thereafter the Fund will accept Subscriptions on a monthly basis on the first Business Day of each calendar month.

2.1.12 Tenor of the Fund

As an open-ended Fund, the Fund will have no fixed term unless terminated in accordance with the Instrument.

2.1.13 Initial Investment

The Investment Advisor will make a Commitment to the Fund through the transfer of Securities to the Fund beneficially held by the Investment Advisor and under the management of the Fund Manager and/or cash which have a cumulative valuation of circa USD 19.66 million as of 20 April 2022.

The Fund Manager will make a Commitment of a minimum of USD 5 million in the Fund.

Investment Commitments by the Investment Advisor and the Fund Manager shall be deemed as subscriptions to the Fund's Units (for the avoidance of doubt, such Commitments shall not be deemed as Seed Capital as defined by the CBB) and shall be *pari passu* to all other Class A Investors.

2.1.14 Redemption

The Fund will offer monthly redemption of Units on the first Business Day of each month (each a **Redemption Day**), in respect of which Unitholders may submit their units for redemption. The deadline for submissions of Redemption Requests is 15 calendar days ahead of each Redemption Day.

2.1.15 Management Fee

Class A Units Investors of the Fund will be charged Management Fees in the amount of 0.75% per annum which shall accrue monthly on the basis of the Fund's monthly NAV, and shall be payable by the Fund to the Fund Manager on a quarterly basis.

Class B Units Investors of the Fund will be charged Management Fees in the amount of 1.00% per annum which shall accrue monthly on the basis of the Fund's monthly NAV, and shall be payable by the Fund to the Fund Manager on a quarterly basis.

2.1.16 Reinvestment

The Fund may, at the Fund Manager's sole discretion, reinvest any distributions received from its investments in permitted Securities, including but not limited to any profit income received from deposits and underlying Securities as well as any proceeds from the disposal of such Securities or from principal receipts from any maturing deposits and Securities. Such reinvestment may include, for the avoidance of doubt, the re-investment in permitted Securities without restriction and may be conducted until (and if) an Investor redeems its Units in the Fund following which there will be no reinvestment in respect of the value of the underlying Securities represented by the Units to be redeemed.

2.1.17 Capital Accounts

There shall be established for each Investor, on the books of the Fund, an account of all Commitments made by that Investor to the Fund. The Administrator shall be responsible for maintaining and updating the Investors' Capital Accounts.

2.1.18 Drawdowns

All Commitments to the Fund will be fully (100%) drawn down and payable on each Investor's Subscription to the Fund.

2.1.19 Fees

The Fund Manager shall receive annual Management Fees which shall be accrued monthly on the basis of the Fund's monthly NAV and shall be paid quarterly by the Fund. Such fees are to be split between the Class A Units Investors and Class B Units Investors in such amounts as set out below in the Section headed "Fund Terms and Conditions".

In addition, Placement Fees of up to 1% plus VAT on the Commitment may be charged to each Investor by the Placement Agent or the Distribution Agent in their sole discretion on any Subscriptions.

The Fund company has appointed SICO B.S.C.(c) as the Broker for the Fund. In its capacity as Broker, SICO B.S.C.(c) shall not be entitled to any fees or spreads for its own account other than as outlined in this Private Placement Memorandum.

Further details of the fees payable by the Fund are set out in Annexure 2.

2.1.20 Expenses

Costs and expenses incurred in connection with the establishment, organisation, launch and funding of the Fund and the Fund Company including structuring fees, legal, administration and accounting fees, printing costs, out-of-pocket expenses and filing fees will be borne equally between the Fund Manager and the Investment Advisor. Although the Fund shall not be charged in relation to the Fund's establishment, certain advance fees paid to the Administrator of USD 2,200, has the CBB of USD 3,539 and the Shari'ah Advisor of USD 8,615 shall be recoverable from the Fund upon its Initial Closing Date. Each of the Fund Manager and the Investment Advisor will be responsible for its day-to-day operating expenses, and these shall not be payable by the Fund.

Notwithstanding the foregoing, the Fund will bear the costs and expenses relating to its operation and administration, including all costs and expenses of the Fund Company, and including the fees and expenses of the Fund appointed relevant persons and advisors. Such costs borne by the Fund shall include the cost of leverage provided to the Fund which shall also include a 0.05% per annum surcharge over and above the annual cost of any leverage arranged/provided to the Fund via the Fund Manager.

2.1.21 Fund Company Board

Overall responsibility of the Fund rests with the Directors. The Board is the most senior decision-making body of the Fund and has overall authority over, and responsibility for, the operations and management of the Fund and will exercise supervision and control of the Fund and the Fund Company including deciding matters of general policy and reviewing the actions of the Fund Manager, the Custodian, the Registrar, the Administrator and other professional advisers to the Fund. The Board will be responsible for monitoring the performance of the Fund.

The Board will initially comprise of three (3) Directors appointed by the Fund Operator.

2.1.22 Reporting and Financial Year

The financial year of the fund ends on 31st December of every year. The Administrator will send to each Investor, on a monthly basis, a factsheet that details the Fund's performance along with market commentary and Fund statistics. In addition, the Board shall report (or procure the reporting of) to each Investor and the CBB the following:

- a. Semi-annual financial statements prepared in accordance with AAOIFI standards as reviewed by the Auditor for the first six (6) months of the Fund's Financial Year, within two (2) months after such period; and

- b. Annual financial statements prepared in accordance with AAOIFI standards as audited by the Auditor, within four (4) months of the end of the Fund's Financial Year.

In addition to the above, the annual audited financial statements of the Fund Company must be submitted to the CBB within three (3) months of the end of the Financial year of the Fund Company.

Both the semi-annual and annual reports of the Fund will include the total Net Asset Value of the Fund.

2.1.23 Shari'ah Compliance

The Fund Operator undertakes that the Fund will be operated in accordance with Shari'ah as further set out in the section headed Shari'ah Investment Guidelines.

2.1.24 Anti-Money Laundering

In order to comply with regulations aimed at the prevention of money laundering and combating of terrorist financing, the Fund will require detailed verification of identity and source of funds from all Investors to be undertaken by each Placement Agent and Distribution Agent and approved by the Administrator.

2.1.25 Governing Law

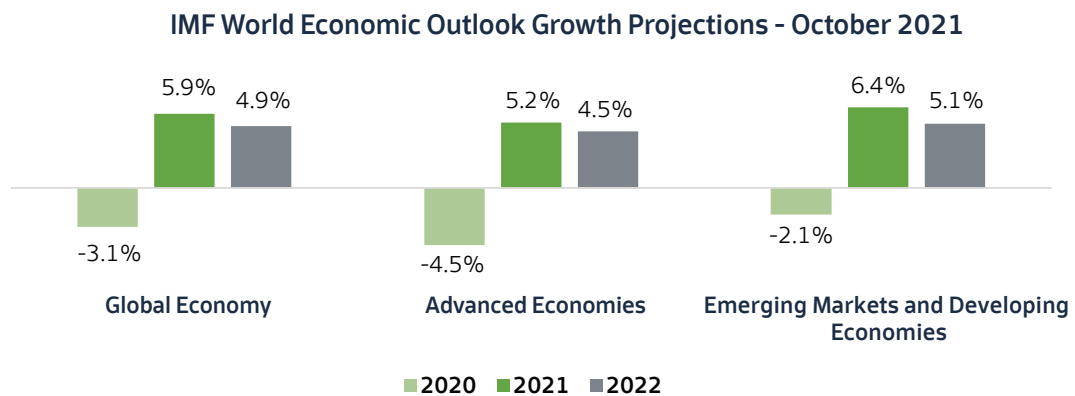
The Transaction Documents shall be governed by and construed in accordance with the laws of Bahrain and any dispute in relation to these documents will be interpreted and resolved by the Bahrain Courts.

3 Market Opportunity

3.1 GLOBAL ECONOMIC UPDATE

The International Monetary Fund (IMF) has projected the global economy to have grown by 5.9% in 2021, with further expansion of 4.9% in 2022 and moderate growth to about 3.3% beyond 2022 over the medium term. Advanced economy output is forecast to exceed pre-pandemic projections according to the IMF, while by contrast persistent output losses are expected for emerging markets and developing economies due to a slower vaccine rollout, outbreak of new variants, and generally less policy support compared to developed and advanced economies.

Global economies are facing new challenges primarily led by rising inflation due to pandemic-related supply chain shortages, higher commodity prices (namely oil and gas), coupled with great uncertainty on emergence of aggressive COVID-19 variants before widespread vaccination is reached. These uncertainties pose headwinds to the IMF's global growth outlook, with vaccine support and early policy support heavily required to support economic recovery amid pandemic resurges.



3.2 MENA ECONOMIC UPDATE

Economic activity in the MENA region is expected to accelerate in 2022 making it the only region worldwide to see rising growth rates according to Fitch Solutions. They have projected growth to accelerate from an estimated 3.2% in 2021 to 4.1% in 2022, as hydrocarbon output increases and a recovery in the non-oil sector continues to gain ground. Meanwhile, inflation in the region is projected to increase to 12.9% in 2021 up from 10.4% in 2020, with higher food and energy prices and monetary accommodation in some countries, before subsiding to 8.8% in 2022.

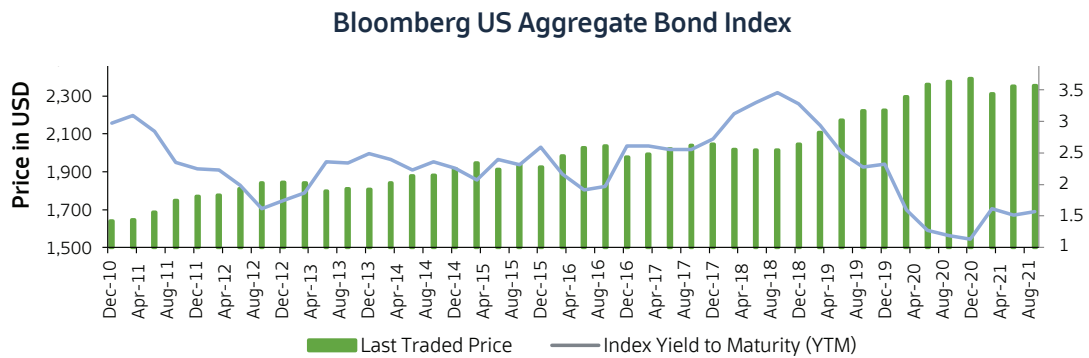
Consistent with global trends, there has also been a pick-up in trade in the MENA region, as well as a pick-up in tourism and hotel demand recovering to pre-pandemic levels in certain GCC markets. Meanwhile headline inflation has been rising, with the implementation of VAT in Oman, and VAT tax increases in Saudi Arabia (2020) and Bahrain (2022).

In 2022, Fitch Solutions expects the MENA region's fiscal deficit to narrow from an anticipated 3.1% of GDP in 2021 to 1.4% of GDP—the smallest deficit in nearly a decade. The increase in government gross debt for MENA oil importers (projected at more than 100% of GDP in 2021) led to a close to 50% rise in gross financing needs during 2021–22 (to \$390 billion) compared to 2018–19 for the region. Meanwhile, higher oil prices have given oil exporting countries a fiscal breather, enabling them to narrow deficits or report surpluses as in the case of Saudi Arabia's newly published budget for 2022.

The IMF continues to see that recovery, whether it be in the MENA region or globally will be defined by the confluence of certain factors namely: rate of vaccination rollouts, financial markets policy and other government policy actions relating to lockdowns, inflation prospects, and commodity price volatility. For oil exporters like the GCC members, higher oil prices will enable a faster recovery, benefiting from the recovery of global oil demand amid a surge

in gas prices. As of October 2021, the vaccination rates for all GCC countries have crossed 40% of their populations and are expected to cover over 70% by the end of 2021. Further, GCC countries have embarked on supportive – booster vaccine rollouts, restricting certain measures with regards to social distancing and mandatory vaccine-booster completion to entries in the work place and businesses. This could have further economic implications on the overall economic recovery for the region.

3.3 GLOBAL BOND MARKETS PERFORMANCE



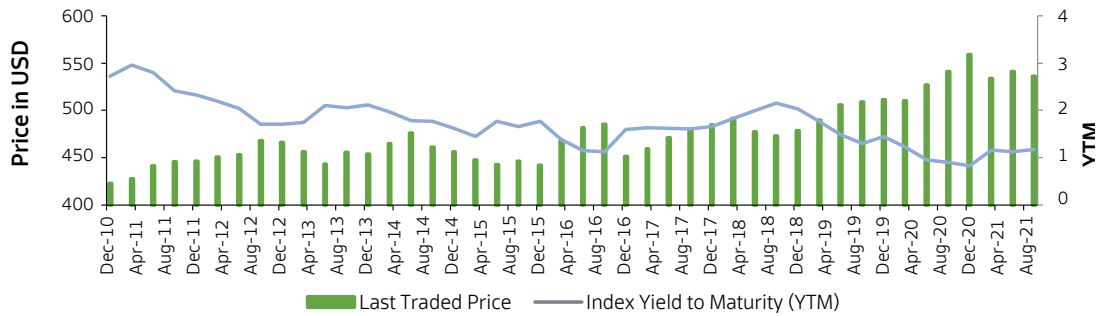
The Bloomberg US Aggregate Bond Index is a broad-based market capitalization-weighted bond market index that measures investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, Mortgage Backed Securities (MBS), Asset Backed Securities (ABS) and Commercial Mortgage Backed Securities (CMBS) (agency and non-agency) traded in the United States.

The 2020 global pandemic shook credit markets and saw a decline in US yields across the board, with 2-year treasuries starting the year at 1.57% and going below 0.2% and 10-year treasuries at 1.87%, hitting a low of 0.5% in August 2020 and then beginning to rise gradually. The panic brought by the pandemic forced investors to flock to safe haven assets such as government bonds, driving bond yields sharply lower. In that period, the spread in yields between the 2 and 10-year Treasuries declined and caused the yield curve to flatten, highlighting investors’ fears of the pandemic and looming recession.

By the end of 2021, the benchmark Bloomberg U.S. Aggregate Index had dropped by more than 4% YoY with yields increasing by 0.56% YoY from 1.16% (yield to worst of 1.72% as of Dec 17, 2021), as market participants sold off bonds in light of the Federal Reserve’s (“Fed”) foregoing hawkish sentiment. The benchmark’s return slumped by 1.04% YoY (as of Dec 20, 2021); however, the overall benchmark’s return was still up by 33.5% on a 10-year basis.

Minutes from the Fed’s recent December 2021 meeting show that Fed officials had discussed shrinking the U.S. central bank’s overall asset holdings as well as raising interest rates sooner than expected to fight rising inflation. The Fed kicked off the taper of its \$120 billion per month purchase of government bonds in November 2021 and said it would aim to wrap up the taper by March 2022 rather than its earlier mid-year target, and its “dot plot” showed a more aggressive path for rate increases than investors were expecting with two rate increases projected in 2022.

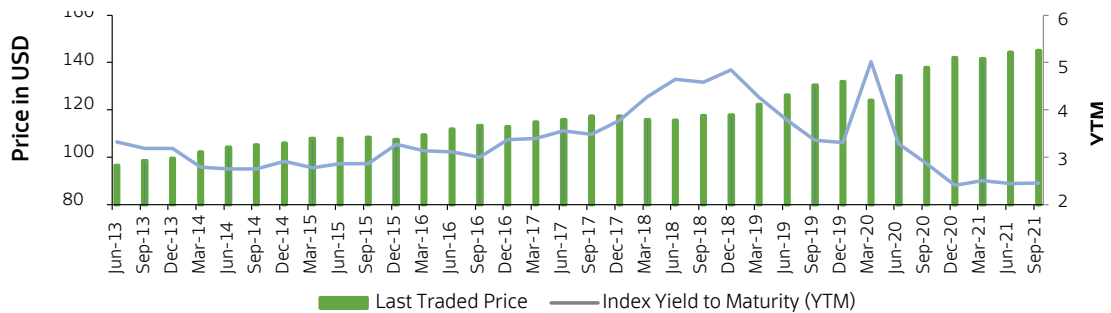
Bloomberg Global Aggregate Index



The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Meanwhile, the Bloomberg Global Aggregate Index which measures global investment grade debt in multiple currencies from both developed and emerging markets issuers, performed worse in 2021 than the US bond benchmark with returns dropping by 4.18% YoY and yields increasing by 0.40% YoY from 0.85% (yield to worst of 1.25% as of Dec 17, 2021). The index's return was still up by 20% on a 10-year basis.

Bloomberg EM GCC USD Sukuk Total Return Index



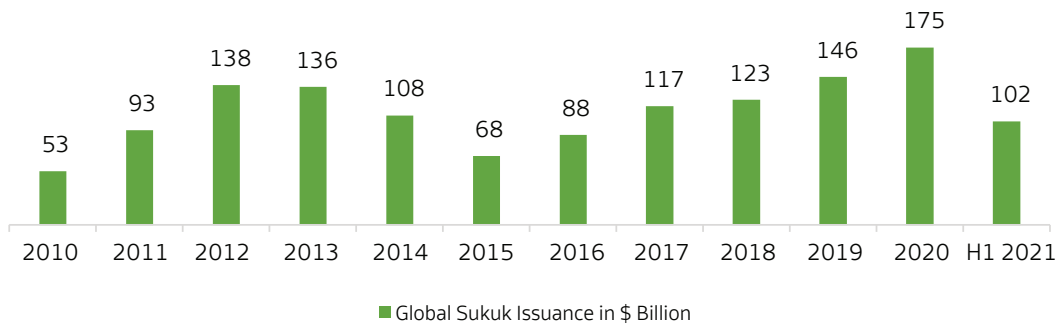
The Bloomberg EM GCC USD Sukuk Total Return Index is a market-value weighted index established in 2013 and comprised of over 100 securities. The index is USD denominated and is unhedged and subject to monthly rebalancing.

As for the Bloomberg EM GCC USD Sukuk index, Sukuk issuances in the GCC have increased in volume as Saudi Arabia dominated the issuance market in 2020. Geographically speaking the most active Sukuk issuers are located in the GCC (Saudi Arabia, UAE and Bahrain). The index's returns increased by 2.47% YoY (as of Dec 20, 2021) and by 29.3% on a 5-year basis. Yields have reduced from their early pandemic high in 2020, and normalized to a 2.5% range, the lowest since the index's inception in 2013.2021). The index's return was still up by 20% on a 10-year basis.

3.4 SUKUK MARKET PERFORMANCE

Since the issuance of the first modern Sukuk in 1996, the cumulative issuance of Sukuk has crossed the \$1 trillion mark globally. In 2020, the coronavirus pandemic widened fiscal deficits across major Sukuk-issuing sovereigns leading to higher borrowing needs and pushing global issuance above the \$175 billion for the year, an increase of ~20% YoY.

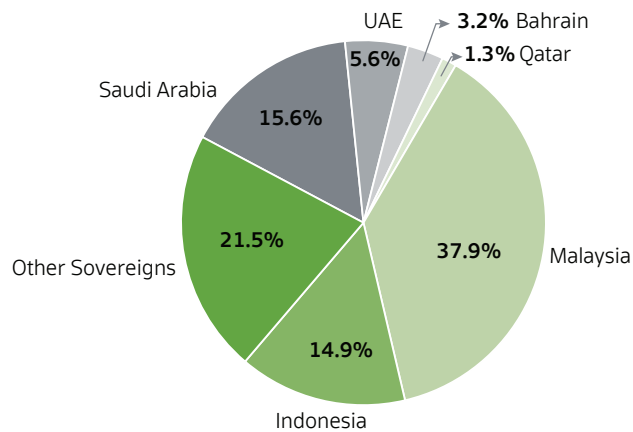
Global Sukuk Issuance (All Tenors and All Currencies)



Includes issuances from sovereigns and supranationals, corporates and financial institutions (FIs). Source: Moody's Investors Service and IIFM Sukuk Market Report 2021

The steady issuance volume during 2020 was mainly due to sovereign Sukuk issuances from Asia, GCC, Africa and other jurisdictions, with sovereign Sukuk issuances reaching \$109 billion up by 49% compared to 2019, as the pandemic worsened the fiscal positions of key Sukuk-issuing sovereigns. The market is dominated by the GCC, Malaysia and Indonesia, which together account for 78.50% of the outstanding sovereign Sukuk as of the end of 2020 (Source: IIFM Sukuk Market Report 2021). S&P Global project total Sukuk issuances of US\$150 billion in 2022.

Sovereign Sukuk Issuance (2020)



As of 2020, Malaysia due to its deep Islamic capital market continues to maintain its lead over its peers in Asia and the GCC in terms of issuances with a market share of 37.9%, followed by Indonesia (14.92%), Saudi Arabia (15.61%) and Turkey (15.10%) (Source: IIFM Sukuk Market Report 2021).

Global Sukuk Issuance over the Last Ten Years

Source: IIFM Sukuk Market Report 2021

| Issuer | Number of Issues | Amount in USD Millions |
|----------------------|------------------|------------------------|
| Malaysia | 7,800 | 799,945 |
| Saudi Arabia | 261 | 174,611 |
| Indonesia | 552 | 124,958 |
| United Arab Emirates | 155 | 98,395 |
| Turkey | 708 | 66,915 |
| Bahrain | 467 | 39,396 |
| Qatar | 56 | 35,967 |
| Pakistan | 117 | 22,792 |
| Brunei Darussalam | 195 | 11,830 |

| | | |
|--------|-----|-----|
| Gambia | 556 | 430 |
|--------|-----|-----|

Over the last ten years on a cumulative basis, Malaysia continued to maintain its top position of Sukuk issuances with combined domestic and international issuances of around \$800 billion, followed by Saudi Arabia with \$174.60 billion, Indonesia with \$124.90 billion, UAE \$98.39 billion and Turkey \$66.90 billion.

The international Sukuk market, though just around 24% of overall Sukuk issuances since inception, is the real attraction and driver of the Sukuk market from a global perspective. Denominated in USD and other stable currencies, international Sukuk issuances are being issued in longer tenors which include 30 years and perpetual (generally with a 5-year call option).

Domestic markets consist of long and short-term Sukuk denominated in over 26 different currencies. During 2020, domestic Sukuk markets made up the majority of the Sukuk market with around 75.80% (\$132.2 billion). Malaysia continued its domination with a market share of 65% over the last ten years, although other regular Sukuk issuance jurisdictions are increasing their market share including, notably, Saudi Arabia. Saudi Arabia dominates the GCC since the inception of its domestic Sukuk issuance program in 2017 with all domestic fixed income issuances by the Government of Saudi Arabia in Sukuk form.

Domestic Sukuk issuances continue to grow with countries like Indonesia, Saudi Arabia, Turkey, and Bahrain playing an active role in issuance for liquidity management, project financing, and meeting fiscal budgetary requirements.

Top 10 Global Sukuk Issuances in 2020 (Sovereigns, Financial Institutions and Corporates)

Source: IIFM Sukuk Market Report 2021

| Issuer | USD Million or Equivalent | Issuance Currency | Tenor (Years) |
|----------------------------------|---------------------------|-------------------|---------------|
| Ministry of Finance Saudi Arabia | 3,972 | SAR | 30 |
| Government of Indonesia | 3,206 | IDR | 3 |
| Government of Malaysia | 2,352 | MYR | 19 |
| Islamic Development Bank | 2,000 | USD | 5 |
| Government of Malaysia | 1,800 | MYR | 30 |
| Dubai DP World | 1,500 | USD | Perpetual |
| Ministry of Finance Turkey | 1,100 | USD | 2 |
| Central Bank of Bahrain | 1,000 | USD | 7 |
| Government of Dubai | 1,000 | USD | 10 |
| Government of Indonesia | 1,000 | USD | 10 |

Long-term Positive Outlook for the Sukuk Market

There has been a stream of new entrants to the Sukuk market in recent years – Saudi Electricity Company’s (SEC) \$1.3bn Green Sukuk issuance, representing the kingdom’s first ever green issuance and the largest Saudi corporate issuance in 2020, Saudi Arabian Oil Company (Saudi Aramco), and the Government of Maldives debut Sukuk issuances in 2021.

Despite that, Sukuk remain underrepresented in global finance comprising only 5% of global financial assets (Source: Moody’s Investors Service). By comparison, the Muslim world population at around 1.8 billion makes up 24% of the global population. The appeal of Sukuk as an investment tool is growing as shown by high demand for issuances with order books exceeding the offered amount by three to six times. Many majority-Muslim countries, such as Turkey, Indonesia and Malaysia are promoting growth of Islamic finance to meet the needs of their populations and to diversify their funding sources.

Sukuk has been, and continues to be, a vehicle carrying the opportunity to provide resources

compatible with Shari'ah rules and principles. Its market has dramatically grown to become one of the fastest emerging alternative instruments and a significant capital markets tool which is increasingly used globally by governments, supranationals, financial institutions, and corporates.

Improving economic conditions and rising confidence are expected to restore access to capital markets and make it easier for financial institutions and corporates to issue more Sukuk, relative to sovereigns. The Sukuk market is expected to maintain its long-term positive growth trend over the medium to long term, backed by low penetration compared to conventional bonds, new entrants and innovative new Islamic products, such as green and Environmental, Social and Governance (ESG) related Sukuk along with improving legislation. Additionally, the demand for Sukuk from GCC countries and other Islamic jurisdictions including Malaysia, Indonesia, Turkey, Pakistan, Brunei Darussalam, the Africa region (such as Nigeria and Egypt) and the Islamic Development Bank provides the impetus for stronger growth in issuances.

4 Fund Terms And Conditions

4.1 INVESTMENT OBJECTIVES

The Fund is being established as an actively managed, open-ended fund to invest in a diversified portfolio of Sukuk and Shari'ah compliant fixed income instruments (the **Securities**) issued largely by sovereign, quasi-sovereign and private issuers.

The Fund's primary objectives, through prudent investment management, will be to maximize total return, including profit income and capital appreciation vis-à-vis the Benchmark (the **Investment Objectives**). The Fund aims to become one of the largest Shari'ah compliant fixed income funds in the region.

The Investment Objectives of the Fund may be amended with the approval of a majority in Units held by the Investors.

4.2 UNITS

The Fund will issue and offer initial units of USD 100 par value each to the Investors. Subsequent Subscriptions following the Initial Closing Date, will be based on the Net Asset Value per Unit prevailing at the time of Subscription. There will be two classes of Units offered by the Fund: (1) Class A Units; and (2) Class B Units. Both classes of Units will be redeemable pursuant to the terms set out in the Transaction Documents. No physical certificates will be issued to Unitholders; however each Unitholder will be provided with written confirmation of their investment.

Class A Units will be offered to qualifying Class A Units Investors with a minimum initial investment of USD 1 million into the Fund. Should such Class A Units Investor redeem any Units thereafter, the qualification of such Units as Class A Units will be based on the Net Asset Value of the Units retained by the Investor following the time of such Redemption remaining above USD 1 million. Should the Net Asset Value of the Units retained by the Investor following the time of such Redemption fall below USD 1 million, such Units shall be reclassified as Class B Units unless a specific exemption from such conversion is provided by the Fund Manager acting in its sole discretion.

Class B Units will be offered to qualifying Class B Units Investors with a minimum initial investment of USD 100,000 into the Fund.

There will be no difference in voting rights in respect of the two classes of Units offered by the Fund, and no Unit shall have voting rights with regard to matters concerning the Fund Company. The Instrument sets out the provisions in respect of the rights attaching to the Units, including the provisions in respect of meetings of the Unitholders. The Directors may call a meeting of the Unitholders to discuss matters that directly affect the Unitholders' rights. In such cases, Units will be assigned voting rights of one vote per Unit. The quorum for any such

general meeting of Unitholders shall be the attendance in person or by proxy of Unitholders who together hold more than half the issued and unredeemed Units. At any meeting, voting will be by a show of hands, unless a poll is demanded by Unitholders holding not less than a majority of the Units. All resolutions of the Unitholders shall be passed if passed by a majority of the votes cast by those present and voting on such resolution.

4.3 SUBSCRIPTIONS

Prospective Investors may subscribe for Units in the Fund by executing a Subscription Agreement and delivering the same to the Fund Manager evidencing their offer to make a Commitment to subscribe for Units in the Fund subject to the terms and conditions set out in the Transaction Documents. Such Subscription Agreement must be delivered by hand or by email (with the original to follow, without delay, by courier) to the Fund Manager. Subscriptions to the Fund will be processed by the Fund on a monthly basis.

Once accepted by the Fund Manager on behalf of the Fund Company, all Commitments to the Fund must be paid by wire transfer in full (net of all banking charges) in accordance with the terms of the Subscription Agreement to the Fund Company (or as directed by it) at the same time or before it is delivered as required above. Irrespective, the lodging of the Subscription Agreement will constitute an irrevocable commitment by the Investor to pay up in full the Commitment due by it pursuant to the Subscription Agreement. Please note however that the Fund Company reserves the right at its absolute discretion, to reject any application for Subscription by any Investor. Each Investor is required to comply with the Anti-Money Laundering and Know Your Client provisions as contained in the Subscription Agreement, and provide along with a Subscription Agreement, all such Know Your Client documentation that may be required by the Fund Manager, the Fund Company or the Administrator.

Once executed and delivered, each Subscription Agreement will, if and to the extent accepted by the Fund Company, upon such acceptance constitute an irrevocable and legally binding commitment by the Investor and evidence such Investor's agreement to subscribe for Units in the Fund on the terms and subject to the conditions set out in the Transaction Documents and to pay the Commitment to the Fund Company in full, which shall be transferred at the same time as or before the Subscription Agreement is delivered.

A copy of the executed Subscription Agreement will be returned by the Administrator to each Investor as an acknowledgement of receipt. The Administrator shall retain the original in such manner as it sees fit from time to time.

4.4 INITIAL INVESTMENT

The Investment Advisor will make a Commitment to the Fund through the transfer of Securities to the Fund beneficially held by the Investment Advisor and under the management of the Fund Manager and/or cash which have a cumulative valuation of circa USD 19.66 million as of 20 April 2022.

The Fund Manager will make a Commitment of a minimum of USD 5 million in Class A Units of the Fund.

Investment Commitments by the Investment Advisor and the Fund Manager shall be deemed as subscriptions to the Fund's Units (for the avoidance of doubt, such Commitments shall not be deemed as Seed Capital as defined by the CBB) and shall be *pari passu* to all other Class A Unitholders.

4.5 LOCK-UP PERIOD

Units subscribed for by Investors will be subjected to a three-month lock-up period from the date of Subscription. During this period an Investor may not submit a Redemption Request for any Units issued in this period.

4.6 VALUATIONS

The valuation of the Units shall be undertaken monthly by the Administrator and the Net Asset Value calculation issued on the first Business Day of each month.

The Net Asset Value of each Unit will generally be determined as assets minus liabilities of the Fund divided by the number of Units in issue. The pricing sources shall be provided by the Administrator. Notwithstanding the foregoing, the Fund, the Directors or the Fund Manager may, at their absolute discretion, permit such other method of pricing or valuation which, in their opinion, better reflects fair value and direct the Administrator to apply this to the calculation of the Net Asset Value of the Units.

4.7 SUSPENSION

If, at any time the Fund, Fund Company or Fund Manager is declared bankrupt, insolvent or otherwise enters into certain insolvency related proceedings, or the Units suffer profound illiquidity or valuation difficulties, as determined in the sole discretion of the Fund Manager (a **Suspension Event**), then the Board may postpone or suspend:

- a. The calculation of the NAV;
- b. The issuance of Units to Investors or prospective Investors;
- c. The Redemption of Units; and/or
- d. The payment of Redemption proceeds.

4.8 TRANSFER

An Investor may not transfer, assign, pledge or otherwise dispose of its Units without the prior written consent of the Board.

Any sale, assignment, transfer, pledge, mortgage or other disposition which violates this provision shall be void and the purported buyer, assignee, transferee, pledgee, mortgagee, or other recipient shall have no interest in or rights to the Fund's assets, profits, losses or distributions and the Fund Company shall not be required to recognise any such interest or rights.

If the Board (acting in its sole and absolute discretion) gives its written consent to any transfer, it shall be a condition to such transfer becoming effective that the proposed transferee provides to the Fund Manager all information and documentation requested by the Fund Manager or Administrator to ensure compliance with Anti-Money Laundering and Know Your Client Regulations and provision of Subscription Agreement representations and warranties.

4.9 DISTRIBUTIONS

On a bi-annual basis, or any other period as determined by the Investment Committee, the Investment Committee shall recommend to the Board the allocation of profits arising out of Investments (after payment of or provision for the Fees and Expenses of the Fund) to the Capital Accounts, and thereafter the distribution at the discretion of the Fund Company to the Investors, subject always to the Laws, CBB approval and the provisions of this Private Placement Memorandum. Such distributions shall at all times be in proportion to the number of Units of the Investors.

Any such distributions shall be paid by telegraphic transfer to the bank account provided by the Unitholder and in the name of such Unitholder. Any changes to the bank account details provided by a Unitholder are to be received by the Fund Manager and such receipt confirmed by email or in writing by the Administrator to the Investor applying for such change at least 10 (ten) Business Days before the date of such distribution.

The Fund Company shall not be obliged to cause any distribution to be made:

- a. unless there is sufficient cash available to make that distribution;
- b. if any such sum is of an insignificant amount or if the cost of the distribution would be prohibitive or uneconomic;

- c. which would render the Fund insolvent;
- d. which, in the reasonable opinion of the Fund Company, would or might leave the Fund with insufficient funds to meet any future contemplated obligations or contingencies;
- e. subject to Investment Committee approval, if any distribution is to be used to enhance, protect or preserve the value of any Investment; or
- f. if such distribution cannot for any reason be made under applicable law on the basis of a legal opinion from a reputable law firm specialised in such matters.

4.10 REDEMPTION

The Fund will offer monthly redemption on the first Business Day of each calendar month (each a **Redemption Day**), in respect of which Unitholders, subject to any applicable Lock-Up Period, may submit in writing their Units for Redemption (a **Redemption Request**). The deadline for such submissions for Redemption shall be no less than 15 calendar days prior to each Redemption Day unless the Fund Manager, at its sole discretion, permits on a case by case basis later submissions for Redemption.

The Administrator shall assess the volume of Redemption Requests as a proportion of the Fund's total NAV, and after adjusting for any Redemption Gate (defined below), shall determine the proportion of the Fund to be redeemed (the **Redemption Proportion**) based on the volume of Units accepted for Redemption pursuant to the received Redemption Requests. The Administrator shall thereupon partition the Fund's assets and liabilities so that the Redemption Portion of each such asset and liability is separately accounted as a separate portfolio (the **Redemption Portfolio**), provided that the Administrator may adjust the Redemption Proportion of any asset or liability to allow for divisibility and rounding and make such further adjustments based on prevailing fair valuations.

If on a given Redemption Day, the aggregate value of Units requested to be redeemed exceeds 25% of the aggregate NAV of the Fund, the Board may impose a redemption gate in its sole discretion (the **Redemption Gate**). Upon imposition of a Redemption Gate, if Investors request redemption of more than 25% of the aggregate outstanding Units as of the relevant Redemption Day (such 25% of the aggregate outstanding Units being the **Available Units**), then the aggregate amount requested to be redeemed will be reduced to the Available Units, and the Available Units will be allocated first to any Holdover Request (as defined below) from prior Redemption Days and, second, pro rata to the Unitholders then requesting Redemption at the subsequent Redemption Day.

Any Redemption Requests for Units in excess of the Available Units (**Holdover Requests**) will be held over until the next Redemption Day. At that time, each Holdover Request will be subject to the Available Units limitation for that redemption period only to the extent the aggregate outstanding Holdover Requests exceed the Available Units limitation. The Fund may increase the percentage of Available Units in its sole discretion.

Any such distributions shall be paid by telegraphic transfer to bank account provided by the Unitholder and in the name of such Unitholder. Any changes to the bank account details provided by a Unitholder are to be received by the Fund Manager and such receipt confirmed by email or in writing by the Administrator to the Investor applying for such change at least 10 (ten) Business Days before the date of such distribution.

4.11 COMPULSORY REDEMPTION

The Fund Company may at its sole discretion redeem the whole or a specified percentage of a Unitholder's Units if the Board determines (**Compulsory Redemption Determination**) that such Unitholder (**Prejudicial Investor**) continuing to invest in the Fund would be detrimental to the pecuniary, taxation, material, legal, regulatory or other interests of the Fund, the Fund Company, or the Investors as a whole, or if such holding is in contravention of any of the

prohibitions contained in this Private Placement Memorandum or any other Transaction Document, or if any of the representations, warranties or statements given by such Investor in its signed Subscription Agreement are inaccurate or untrue or have ceased to be true or accurate. Without limiting the foregoing, the Fund Company may redeem the whole or a specified percentage of a Prejudicial Investor's Units if the Directors become aware that an Investor is not, or ceases to be, an Accredited Investor. Such Units to be redeemed may, at the sole discretion of the Fund Company, first be offered to other existing Investors on a pro-rata basis at the price to be determined by the Board in consultation with the Investment Committee.

Any Units redeemed following a Compulsory Redemption Determination will be redeemed at Net Asset Value as at the date of the Compulsory Redemption Determination, net of charges, legal fees and expenses. For the purposes of such redemption, Net Asset Value will be calculated in accordance with AAOFI.

4.12 FUND STRUCTURE, TERMINATION, AND LIQUIDATION

The Fund is structured as an open-ended fund and as such has no fixed term.

Notwithstanding this, under the terms of the Instrument, the Fund Company reserves the right to terminate the Fund at any time without penalty to any party involved in the following events and after obtaining the CBB's approval:

- a. The cancellation of the Fund's registration with the CBB;
- b. Withdrawal of the Fund Manager's licence from the CBB, or its dissolution;
- c. The occurrence of any other unavoidable circumstances preventing the Fund from maintaining or implementing its Investment Policy and Objectives in accordance with the PPM; or
- d. Where the Fund Company determines such termination is appropriate for any other reason at its sole discretion.

On the termination of the Fund, the Units shall become automatically redeemable and within six months (or later if approved by the Unitholder) from the notice of such termination, the Investments constituting the Fund shall be realised and the proceeds of such realisations (less all proper costs and disbursements, commissions, brokerage fees and other outgoings and all proper provision for liabilities) shall be divided between the Unitholders in proportion to the number of Units based on the Net Asset Value of such Units of which they are the Unitholders at the date of giving such notice. The redemption payment may be subject to delay indefinitely if there is no orderly market at the relevant to exit the underlying investments to satisfy the redemption requirements.

4.13 PERMITTED SECURITIES

The Fund may invest in any of the following permitted Shari'ah-compliant fixed income securities:

- a. Cash deposits with one or more Islamic financial institutions;
- b. Sukuk issued by Shari'ah compliant issuers;
- c. Islamic perpetual fixed income instruments; or
- d. Any other fixed income security deemed Shari'ah-compliant by the Shari'ah Advisor.

The balance of the Fund may be invested in Shari'ah compliant money market funds. Any fees payable in respect of such Shari'ah compliant money market funds shall be an expense of the Fund save that where such Fund is under the management of the Fund Manager, no such

fees may be charged to the Fund without the approval of the Investment Committee.

4.14 INVESTMENT RESTRICTIONS

The Fund will be subject to the following investment restrictions at all times:

- a. The Securities targeted are to be USD denominated or any other currencies pegged to the USD or denominated in KWD;
- b. The Securities targeted are OTC tradeable or tradeable on a licensed exchange;
- c. With the exception of Securities issued by governments/quasi-government entities and excluding perpetual issuances, the Securities targeted are to have a maximum tenor of 10 years or to be callable if for a longer time horizon;
- d. Aggregate exposure to any one country will not exceed 40% of the Fund's NAV;
- e. Aggregate exposure to any one issuer will not exceed 20% of the Fund's NAV;
- f. Shari'ah-compliant leverage of the underlying portfolio, on a consolidated basis, is limited to a maximum of 60% of the Fund's NAV;
- g. A maximum of 75% of the aggregate Securities NAV will have non-investment grade ratings; and
- h. The Securities will adhere to the Shari'ah Investment Guidelines (referred to in Section 4.16 below).

4.15 BENCHMARK

The Fund shall be benchmarked against the Bloomberg EM GCC USD Sukuk Total Return Index. The Benchmark was established in 2013 and is comprised of over 100 securities. The Benchmark uses a market-value weighted approach, is USD denominated, and is unhedged and subject to monthly rebalancing. The Benchmark's Financial Instrument Global Identifier (FIGI) is 'BBG00GTWV6Z6'.

4.16 SHARI'AH INVESTMENT GUIDELINES

All securities and other investments recommended for investment by the Fund Manager will be subject to strict Shari'ah investment guidelines. These are set out in the following guidelines. The Fund Manager, where applicable, shall observe these criteria when considering securities for investment.

At all times and in addition to the any other investment restrictions set out in this PPM, the Fund shall only invest in activities and instruments allowed under Shari'ah and shall not be invested in activities and instruments that are prohibited under Shari'ah.

All of the Fund's investments and strategies shall be Shari'ah compliant.

The Fund's cash liquidity shall only be invested in Shari'ah compliant instruments.

All contracts and agreements executed by the Fund shall be Shari'ah compliant.

In addition, the Fund may invest in the following:

- a. Shari'ah compliant murabaha transactions;
- b. Shari'ah compliant murabaha funds managed by Shari'ah compliant investment managers that have a Shari'ah supervisory board supervising their activities;
- c. Shari'ah compliant sukuk approved and supervised by a Shari'ah supervisory board; and

- d. Shari'ah compliant sukuk funds managed by Shari'ah compliant investment managers that have a Shari'ah supervisory board supervising their activities.

Save for investments set out in the preceding paragraph, all of the Fund's investment transactions shall be reviewed and approved by the Shari'ah Advisor prior to their execution.

The Fund shall not invest or acquire conventional bonds, preferred shares and financial instruments based on interest rates such as options, futures contracts, swaps or similar financial instruments. Additionally, the Fund is not permitted to sell shares on margin bases, unless such bases are structured in a Shari'ah compliant manner and approved by the Shari'ah Advisor.

Investments by the Fund in the following Securities, if issued by entities which are primarily active in or generate over 5% of their annual revenues (cumulatively) from one or more of the following, are not permissible:

- companies in the financial services industry that are involved in interest-based lending and/or distribution of interest-based products. This includes financial intermediaries such as conventional banks, conventional insurance and interest-based lending entities (excluding windows operating in compliance with Shari'ah principles);
- manufacturing or distribution of alcohol and tobacco;
- companies operating in betting and gambling operations like casinos or manufacturers and providers of slot/gambling machines;
- the production, packaging, processing, or any other activity related to pork and non-halal food and beverages;
- bio-technological companies involved in human genetic manipulation, alteration, mutation and cloning excluding those that are involved in medical research;
- Shari'ah non-compliant entertainment, such as the operation of cinema theaters; composing, production and distribution or sale of music or pornography; or the operation of Shari'ah non-compliant television or radio stations; and
- Any other activities not permissible under Shari'ah, as determined by the Shari'a Advisor.

The Shari'a Advisor's advice shall be sought where there may be doubt regarding whether an investment falls within any of the above categories or not. In such cases the investment shall be reviewed and investigated by the Shari'ah Advisor on case to case basis for a final decision.

Once the identified issuing entities have cleared the abovementioned initial screening, a detailed analysis of their financials will take place based on their last audited financial statements. Investments shall not be made in companies, entities or other issuers with the following financial ratios:

- a. total conventional debt (interest bearing) divided by the total asset of the company that is equal to or greater than 33%;
- b. the sum of cash plus interest-bearing securities divided by the total asset is equal to or greater than 30%; and
- c. non-permissible income equal to or greater than 5% of revenue.

Investment tools

It is not Shari'ah compliant to acquire any security using any of the following investment tools:

- a. futures contracts;
- b. options;

- c. swap transactions;
- d. preference shares; and
- e. derivatives.

Cleansing Process

Any non-permissible income received by the Fund shall be purified and donated to a charity in accordance with the instructions of the Shari'ah Advisor.

Periodic Review

The Fund's transactions will be audited by the Shari'ah Advisor audit team once in a year to confirm its compliance with the Shari'ah Advisor's rules and guidelines.

4.17 MANAGEMENT FEES

Class A Units Investors of the Fund will be charged Management Fees in the amount of 0.75% per annum which shall accrue monthly on the basis of the Fund's monthly NAV, and shall be payable by the Fund to the Fund Manager on a quarterly basis.

Class B Units Investors of the Fund will be charged Management Fees in the amount of 1.00% per annum which shall accrue monthly on the basis of the Fund's monthly NAV, and shall be payable by the Fund to the Fund Manager on a quarterly basis.

The Management Fees shall be charged to the Fund exclusive of any applicable VAT which VAT shall be payable by the Fund in addition to the Management Fees.

It is intended that the Management Fees payable to the Fund Manager by the Fund shall be retained by the Fund Manager unless the Fund's NAV is at or above USD 50,000,000 at which point the Management Fees shall thereafter, from the following month's NAV Management Fee accruals, be shared with the Investment Advisor provided that it remains as Investment Advisor under the terms of the Investment Advisory Agreement at the time. The Investment Advisor has accepted that it must maintain a minimum number of Units having a NAV of above USD 5,000,000 as a condition to remaining as Investment Advisor. This fee sharing between the Fund Manager and the Investment Advisor shall continue as long as: (a) (i) the Investment Advisor remains the Investment Advisor and (ii) the NAV of the Fund remains at above USD 50,000,000; or (b) (i) the Investment Advisor remains as Investment Advisor, (ii) the Fund's NAV falls below USD 50,000,000 but does not thereafter fall below USD 30,000,000 and (iii) prior to the NAV falling below USD 50,000,000, the Fund's NAV was a minimum of USD 50,000,000 for a period of at least 12 continuous months. In these circumstances the Management Fees shall be shared as follows:

- a. 65% of the Management Fees received by the Fund Manager shall be retained by the Fund Manager; and
- b. 35% of the Management Fees received by the Fund Manager shall be paid to the Investment Advisor by the Fund Manager on a quarterly basis.

4.18 PLACEMENT FEES

Placement fees of up to an amount equal to 1% plus VAT on each Investor's Commitment payable by each Investor may be charged to each Investor by the Placement Agent or the Distribution Agent in their sole discretion on any Subscriptions. For the avoidance of doubt, the Placement Fee is not included in the calculation of Investors' returns.

4.19 THIRD PARTY FEES

The Fund will be responsible for the fees of such third-party advisors appointed on behalf of the Fund, including as set out in Appendix 2.

4.20 OTHER FEES

In addition, any appointed Distribution Agent will be entitled to receive as a one-off fee, 0.25% on the aggregate amount of Commitments received from the Distribution Agent after the Lock-Up Period. Any such payment will be paid by the Fund Manager and the Investment Advisor in proportion to the Management Fees received by the Fund Manager and the Investment Advisor. Although the Fund shall not be charged in relation to the Fund's establishment, certain advance fees paid to the Administrator of USD 2,200 and Shari'ah Advisor of USD 8,615 shall be recoverable from the Fund upon its Initial Closing Date. Each of the Fund Manager and the Investment Advisor will be responsible for its day-to-day operating expenses, and these shall not be payable by the Fund.

The Fund Company has appointed SICO B.S.C.(c) as the Broker for the Fund. In its capacity as Broker, SICO B.S.C.(c) shall not be entitled to any fees or spreads for its own account.

The Fund will appoint a qualified independent external auditor located in Bahrain and acceptable to the CBB. Pursuant to the auditor engagement letter, the Auditor will be entitled to receive from the Fund an audit fee for its audit services. The fee may change from time to time.

4.21 FUND EXPENSES

Costs and expenses incurred in connection with the establishment, organisation, launch and funding of the Fund and the Fund Company including structuring fees, legal, administration and accounting fees, printing costs, out-of-pocket expenses and filing fees will be borne equally between the Fund Manager and the Investment Advisor.

Each of the Fund Manager and the Investment Advisor will be responsible for its day-to-day operating expenses, and these shall not be payable by the Fund.

Notwithstanding the foregoing, the Fund will bear the costs and expenses relating to its operation and administration, including all costs and expenses of the Fund Company, the cost of leverage (which shall also include a 0.05% per annum surcharge over and above the annual cost of any leverage arranged/provided to the Fund via the Fund Manager) and the fees and expenses of the Fund appointed relevant persons and advisors.

To this end, the Fund shall be responsible for paying, and shall so far as permitted by the Law reimburse the Fund Manager and its attorneys, delegates and/or agents from the Fund Assets for the following:

- a. costs relating to the making, managing, and exiting of Investments;
- b. all expenses of every nature of or incidental to deposits of cash made by the Fund;
- c. any stamp and other duties, taxes, governmental charges, commissions, brokerage, transfer fees, registration fees and other charges payable in respect of the acquisition, holding or realisation of any Fund Assets and any foreign exchange transactions carried out in connection therewith;
- d. all taxes and corporate fees payable by the Fund to any governmental or other authority or to any agency of such government or authority whether in Bahrain or elsewhere;
- e. the Fund Manager's legal and professional expenses incurred in relation to the negotiation, preparation and settling of the Transaction Documents and the proper performance of their duties thereunder and all legal and professional expenses incurred or to be incurred in the preparation of any documents amending the provisions of such Transaction Documents, and any legal and professional expenses incurred in relation to establishing the Fund or the Fund Company;
- f. all audit fees of the Fund Assets and legal expenses in connection with the Fund Assets;
- g. all expenses incurred in connection with the calculation of the Net Asset Value;

- h. all expenses of and incidental to producing, printing and posting or otherwise despatching (i) the semi-annual and annual reports and accounts of the Fund (and any report of the Board, Fund Manager and/or auditors therewith) and (ii) any other document sent to Investors;
- i. the cost of insurance (if any) for the benefit of the Fund, and all premiums paid by the Fund Manager towards directors' and officers' insurance or professional indemnity insurance that is obtained for the benefit of the directors, officers and employees of the Fund Manager in connection with the management of the Fund;
- j. all compensation paid to the Directors for the performance of their services to the Fund, and all out-of-pocket expenses reimbursed to the Directors as contemplated in this Private Placement Memorandum;
- k. any costs and expenses in connection with the termination and liquidation of the Fund;
- l. litigation and indemnification expenses; and
- m. all other expenses payable to the Fund Manager by the Fund (pursuant to this Private Placement Memorandum or otherwise),

but so that the liability of the Fund is limited to expenses authorised to be paid out of the Fund Assets by the Laws.

4.22 INDEMNIFICATION

The Fund will indemnify (a) the Fund Manager and its directors, officers and employees; (b) the directors, officers and employees of the Fund Company; (c) the Investment Advisor and its directors, officers and employees; (d) any other agent of the Fund (including but not limited to the Custodian, sub-custodian and any of their affiliates, the Administrator, the Registrar and any member of the Investment Committee) appointed from time to time (the **Indemnified Parties**) out of the Fund Assets against, all actions, proceedings, liabilities or claims (including losses, damages, costs and expenses incurred in connection therewith) incurred by them by reason of their activities on behalf of the Fund, except in the event of gross negligence, fraud or wilful default on the part of such Indemnified Party or a failure by such Indemnified Party to comply with the CBB regulations.

In addition, subject to the foregoing and save for any liability it may have to Indemnified Parties under the Fund Management Agreement (which shall be met out of the Fund Assets), the Fund Company shall not be liable to any person for, and shall to the fullest extent permitted by applicable law be indemnified out of the Fund Assets against, all actions, proceedings, liabilities or claims (including losses, damages, costs and expenses incurred in connection therewith) incurred by the Fund Company by reason of its activities on behalf of the Fund, except in the event of gross negligence, fraud or wilful default on the part of the Fund Company or a failure by the Fund Company to comply with the CBB regulations.

Each Investor acknowledges that the Fund Management Agreement contains provisions which limit the liability of the Indemnified Parties referred to therein.

Investors will not be individually obligated with respect to such indemnification beyond the amount of their Commitments.

4.23 MEDIA AND MARKETING

Any media and marketing of the Fund will be subject to the prior approvals of the regulators in each jurisdiction (including, but not limited to, the CBB) in which the Fund is to be marketed, prior to such marketing occurring. For the avoidance of doubt, the promotion of the Fund will be limited to Accredited Investors and no public offering or mass marketing is permitted or will take place.

Subject to the approval of the Investment Committee, the cost of any advertising of the Fund may be charged to the Fund.

5 Fund Management And Governance

The Fund Manager has established a robust corporate governance framework in line with industry best practice to maintain oversight over general strategy, governance, management and operations. This section provides an overview of the various corporate governance structures and fora that constitute the corporate governance framework of the Fund.

The Fund Company, the Fund Manager and their respective directors and officers shall at all times comply with all applicable laws and regulations relating to corporate governance, supervision, compliance and the management of conflicts of interest in respect of the Fund and the Fund Company.

The Fund will maintain an adequate framework for the governance and operation of the Fund to ensure that it is governed effectively and in the best interests of the Investors.

For the avoidance of doubt, none of the foregoing will obviate the Fund Manager's regulatory responsibilities including the management of conflicts and the requirement, if any, to inform the CBB of matters in which it could reasonably have any interest.

5.1 THE FUND

The Fund Company by Instrument has created the Fund in which Investors will be invited to subscribe for Units. The Instrument is governed by and construed in accordance with the laws of Bahrain.

Monies raised from Subscriptions and drawn down from Investors will be segregated for accounting purposes from the Fund Company's other assets, by being placed in the Fund Company's fund account (the **Fund Account**) and will be invested in accordance with the Investment Objectives. The Fund Company's only asset shall be its BD1,000 share capital.

5.2 FUND COMPANY

The share capital of the Fund Company is BHD1,000 divided into 100 shares of BHD10 each. The Fund Manager holds 99 per cent of the shares in the Fund Company equalling 99 shares and SICO Ventures Company W.L.L., holds the remaining 1% equalling one share. It is a requirement under the Bahrain Commercial Companies Law No. 21 of 2001 for a closed joint stock company to have at least two shareholders.

Overall responsibility for the management of the Fund rests with the Directors.

5.3 FUND COMPANY BOARD

Overall responsibility of the Fund rests with the Directors. The Board is the most senior decision-making body of the Fund and has overall authority over, and responsibility for, the operations and management of the Fund and will exercise supervision and control of the Fund and the Fund Company including deciding matters of general policy and reviewing the actions of the Fund Manager, the Custodian, the Registrar, the Administrator, and other professional advisers to the Fund. The Board will be responsible for monitoring the performance of the Fund.

In addition to the foregoing, the Board will have the following responsibilities:

- a. maintaining all documents pertaining to the Fund, consistent, current and updated, in line with the Law, and as approved by or notified by the CBB, as appropriate;
- b. making available to the Investors, on a prompt basis, copies of the following documents, including but not limited to:
 - i. the Transaction Documents;
 - ii. all contractual agreements related to the Fund; and

- iii. all annual and semi-annual financial reports issued by the Fund.
- c. ensuring compliance of the Fund with the requirements of the CBB and the Transaction Documents;
- d. appointing all third parties required for the Fund;
- e. taking all reasonable steps to rectify any failure to comply with the obligations specified above, and to notify the CBB of any breach as soon as it becomes aware of the fact;
- f. ensuring compliance of the appointed third parties with the terms and conditions of the contractual agreements signed with the Fund;
- g. ensuring that all applicable Anti-Money Laundering and Know Your Client Regulations are complied with;
- h. liaising with the CBB as necessary from time to time for the purposes of its general oversight of the Fund;
- i. ensuring that proper corporate governance is in place for the Fund in line with the CBB's regulations;
- j. avoiding any conflict of interest in all respects and promptly referring any conflict of interest which may arise (and not set out or specifically contemplated herein) for approval by the Investment Committee;
- k. ensuring that all reports submitted to the CBB and the Investors, by relevant persons are accurate and submitted on a timely basis. Such reports include but are not limited to:
 - i. the annual and semi-annual financial statements of the Fund for each Financial Year; and
 - ii. the quarterly statistical return to the CBB;
- l. calling any general assemblies of Unitholders pertaining to any changes of the Transaction Documents, Fund Policy and Objectives, limits, or other significant matters; and
- m. any other responsibility required to be undertaken by the Board under CBB regulations.

The Board will initially comprise of three (3) Directors, appointed by the Fund Operator:

- **Najla Al Shirawi (Chief Executive Officer – SICO, Chairperson of the Fund)**

Najla Al Shirawi has more than 23 years of investment banking experience. Having been part of SICO since 1997, she was appointed CEO in 2014 following her appointment as deputy CEO in 2013. Najla served with Geneva-based Dar Al-Maal Al-Islami Trust, where she established private banking operations for the Group in the Gulf region. Najla is a Board member at the Bahrain Economic Development Board (EDB) and a Chairperson on the Board of Directors for two SICO subsidiaries: SICO Funds Services Company (SFS) in Bahrain and SICO Financial Brokerage in Abu Dhabi, as well as a Vice Chairperson for SICO Subsidiary SICO Capital in Saudi. She is also an Independent Board Member of Eskan Bank BSC(c) and a Board Member of the Future Generation Reserve Council, Deposit Protection Scheme, the Bahrain Associations of Banks, and the Bahrain Institute of Banking and Finance. She holds an MBA in Business Administration and Finance from the American College in London and a BA in Civil Engineering from the University of Bahrain.

- **Anantha Narayanan (Chief Operating Officer – SICO)**

With over 30 years of diversified experience in the areas of operations, audit, and risk in the banking industry, Anantha joined SICO in 2008. Prior to joining SICO, he worked for Credit

Agricole, BBK, Commercial Bank of Oman/Bank Muscat, and PricewaterhouseCoopers. Anantha is a Chartered Accountant and Cost Accountant (India), a Certified Information Systems Auditor (USA), Financial Risk Manager (USA), and an Associate Member of the Institute of Financial Studies (UK). He holds a BSc (Honours) from the University of Manchester, UK.

- **K. Shyam Krishnan (Chief Financial Officer - SICO)**

K. Shyam Krishnan has 30 years of experience in finance, accounting, audit, investments, and risk management, with the majority of his career spent in conventional and Sharia-compliant banking. Shyam currently also serves as a Board Member of SICO Financial Brokerage. Prior to joining SICO in 2015, he was Group Head of Finance at Al Salam Bank in Bahrain. Before this, he was Head of Hedge Funds' Operational Risk Management at Investcorp, Bahrain and Audit Supervisor at the Bahrain office of Ernst & Young. He is a Chartered Accountant and Management Accountant from India and a Chartered Financial Analyst, Certified Internal Auditor and a Certified Information Systems Auditor. He holds a Bachelor of Commerce from Madras University, India.

The Fund Operator may from time to time remove and/or replace any Director, by way of written notice to the Fund Company.

The Directors will not be entitled to compensation apart from being reimbursed by the Fund for out-of-pocket expenses reasonably incurred by them in undertaking their duties as Directors.

5.4 INVESTMENT COMMITTEE

The Fund Manager will establish an Investment Committee comprising members appointed by the Fund Manager. The Investment Committee will comprise:

- a. two (2) members appointed by the Fund Manager; and
- b. two (2) members nominated by the Investment Advisor, provided that such representative is suitably qualified with appropriate investment experience.

The initial members of the Investment Committee shall be:

- **Fadhel Makhloq (Chief Capital Markets Officer – SICO)**

With over 38 years of professional experience, Fadhel Makhloq joined SICO in 2004 as Head of Brokerage before being appointed Head of Investments & Treasury in 2008. He was re-appointed Head of Brokerage in 2010 and then assumed the position of Chief Capital Markets Officer in 2018. Prior to joining SICO, he worked for a number of leading financial institutions including Investcorp and Chemical Bank (now JPM Morgan Chase). He currently also serves as Board Member of SICO Financial Brokerage in Abu Dhabi and SICO Capital in Saudi. Fadhel holds an MBA from Glamorgan University, UK.

- **Wissam Haddad (Head of Investment Banking and Real Estate - SICO)**

Wissam has over 20 years of experience in investment banking, private equity and Investment Banking. Recently he led the structuring and IPO of Bahrain's first real estate investment trust, the structuring and listing of the first Bahraini-dinar denominated perpetual security and the first 100% merger of two listed entities by share swap. He has worked with leading regional investment banks and private equity houses including the National Bank of Dubai's (NBD) Sana Capital, Unicorn Capital, and the National Commercial Bank's (NCB) Eastgate Capital Group among others. Wissam is a graduate from Concordia University, Montreal, Canada with a Bachelor of Commerce.

- **Manei Al-Sanei (Executive Vice President – Head of Asset Management – Wafra)**

Mr. Al Sane has 23+ year experience in investments, portfolio management and fund management. He has master's degree in civil engineering from Kuwait University and has joined Wafra in 2000, ascending to EVP Head of Asset Management Sector. He is currently on the board of Pioneers Holding (Egypt) and was the Chairman of the Board of

Sanam Real Estate and Afaq Educational Company, and former board member at Salam Bounian Development (Qatar).

- **Meshal Al Saleh (Vice President- Head of Fixed Income - Wafra)**

Meshal has over 10 years of experience in Treasury, investment banking and Fixed Income Portfolio Management. Before he joined Wafra, he was Head of Fixed Income at Boubyan Bank managing more than US\$ 1.5 billion in the bank Global Sukuk Portfolio. Throughout his career, he advised on more than USD 5 billion in Global Sukuk and bonds issuances from more than 10 local and regional issuers including names such as Boubyan Bank, Kuwait Finance House, Masraf Al Rayan and others. He has also worked with leading names in Kuwait including NBK Capital and Commercial Bank of Kuwait. Meshal holds a master's degree in finance from Cambridge University in the UK.

Each of the Fund Manager and Investment Advisor shall be entitled to remove and replace such persons nominated to the Investment Committee by notice in writing to the Fund Manager provided that the replacement is suitably qualified with appropriate investment experience.

All decisions of the Investment Committee will be determined by a majority of all of the members of the Investment Committee. The Fund Manager will appoint the Chairperson of the Investment Committee and, in the event of a deadlock, the Chairperson will have a casting vote.

All material investment management decisions made on behalf of the Fund will be made in accordance with the procedures of the Investment Committee, including all such decisions relating to the acquisition or disposal of any Investments, the financing, refinancing or management of the Securities and any other matter pertaining to any existing or prospective Investment.

Notwithstanding the foregoing, the Investment Committee shall have the following responsibilities:

- a. oversight of the Fund's adherence to the Investment Objectives, limits, Investment Restrictions and Shari'ah Investment Guidelines defined in this Private Placement Memorandum;
- b. approving conflicts of interest referred to it by the Board in relation to such conflicts not otherwise set out or specifically referenced in this Private Placement Memorandum, including but not limited to:
 - i. purchasing or disposing of Securities from or to the Fund Manager or the Fund Manager's clients, which for the avoidance of doubt, may only be made on an arm's length basis; or
 - ii. purchasing or disposing of Securities from or to the Investment Advisor, which for the avoidance of doubt, may only be made on an arm's length basis,
- c. recommendations of any changes to the Investment Objectives, limits, Investment Restrictions and Shari'ah Investment Guidelines to the Board;
- d. receive updates from the Fund Manager on the performance of the Fund and market outlook;
- e. periodic discussions of the Fund Manager's investment strategy within the context of the Investment Objective and limits; and
- f. approval of the initial overall investment strategy pertaining to the Fund and any subsequent changes thereafter, but within the context of the Investment Objectives and limits of the Fund.

In respect of the approval of conflicts of interests as referred to the Investment Committee by the Board, any member of the Investment Committee reasonably deemed to be conflicted

in relation to such conflict, shall not be entitled to vote on such conflict matter before the Investment Committee.

5.5 FUND MANAGER

SICO B.S.C.(c) will act as the Fund Manager of the Fund pursuant to a fund management agreement entered into between SICO B.S.C.(c) and the Fund Company (the **Fund Management Agreement**). Accordingly, the Board will empower the Fund Manager to conduct the day-to-day management and operation of the affairs of the Fund. The Fund Manager will provide discretionary fund management services to the Fund and will be responsible for the investment strategy and execution of such pursuant to the Fund Management Agreement and in accordance with the Investment Objectives of the Fund.

The Fund Manager has the powers and authorities set out in the Fund Management Agreement and this Private Placement Memorandum, including amongst other things, decision making powers in relation to the structuring (including tax structuring), acquisition, holding and disposition of Investments, and has the power to implement such decisions. In exercising its powers and authorities under the Fund Management Agreement and under this Private Placement Memorandum, the Fund Manager is authorised to act in the name of, and to bind, the Fund and the Fund Company.

In providing its services under the Fund Management Agreement, the Fund Manager shall be subject to the overall directions of the Board. The Fund Manager has agreed to act as the fund manager and operator of the Fund in accordance with the terms of this PPM and the regulations of the CBB with respect to fund management.

Under the terms of the Fund Management Agreement, the Fund Manager is appointed, in consultation with the Fund Company as the exclusive fund manager and operator of the Fund. The Fund Manager has agreed that it will perform its fund management services in good faith, with reasonable skill and care and perform its duties in a manner consistent with the practice and procedures followed by reasonable and prudent fund managers for funds of a similar nature and in similar circumstances. The Fund Manager shall carry out its services in accordance with the investment policies and objectives set out in this PPM and the applicable regulations of the CBB.

The Fund Manager is licensed wholesale bank set up to provide investment, investment management and other related advisory services to funds and other parties. The Fund Manager may render services to others including to funds with investment strategies, objectives and restrictions substantially similar to those of the Fund so long as this does not interfere to any material extent with the Fund Manager's ability and responsibility to provide the services to the Fund in accordance with its obligations under the Fund Management Agreement. In this regard, the Fund Manager may provide investment, investment management and other related advisory services of any nature to third parties and perform an arranging role and conducting due diligence in any investment opportunity for investors in the same sector as the Fund or in relation to any Investment made by the Fund.

The Fund Management Agreement provides that in the event of conflict, the Fund Manager may notify the Fund Company, as soon as reasonably practicable, of any existing conflict which it or its affiliates may have or, to its actual knowledge, which any of its affiliates may have in relation to any investment opportunity or divestment subject to certain protocols relating to information barriers and the maintenance of confidentiality. These notifications shall contain specific information in relation to the relevant investment opportunities or divestments and the measures, if any, taken by the Fund Manager to mitigate any potential conflict of interests arising from them. Under the terms of the Fund Management Agreement, the Fund Manager is not required to disclose to the Fund, the Fund Company, the Board or the Investment Committee any fact or thing which may come to its knowledge in the course of the Fund manager rendering similar services to other persons in the course of its business or in any other capacity.

The Fund Manager also has the benefit of an indemnity given by the Fund as set out in the Fund Management Agreement in respect of liabilities which the Fund Manager may suffer as a result of any omission or act performed on behalf of the Fund, the Fund Company or an Investment, or as a result of it acting with connection with the business of the Fund.

The Fund Company will forthwith inform the Investors if the Fund Manager ceases to hold any material licenses, permits, authorisations, consents and exemptions required under the Laws to enable it to provide its services to the Fund Company under the terms of the Fund Management Agreement.

It is intended that the Fund Manager will delegate, subject to the necessary and relevant approvals, to its Saudi based subsidiary, the filing for distribution of the Fund with the Capital Markets Authority of Saudi Arabia. The Fund Manager is provided a power of delegation under the Fund Management Agreement to its affiliated entities but remains responsible for any activities or omissions conducted by its affiliated entities under such delegation.

The management team of the Fund Manager is comprised of the following identified individuals who form the SICO Fixed Income team which will be entrusted with the management of the Fund:

- **Ali Marshad, CFA (Head of Asset Management Fixed Income)**

Ali Marshad is the Head of Asset Management Fixed Income and has over 14 years of industry experience. He joined SICO in 2008 and set up the fixed income desk after having previously worked as an analyst in the United Kingdom for Mercer Investment Consulting. He also worked as a performance analyst for UBS Global Asset Management London and has been a Chartered Financial Analyst since 2013. Ali sits on SICO's Asset Liability Committee and on the Asset Management Committee of SICO Capital.

- **Manuel Almutawa, CFA (Senior Portfolio Manager)**

Manuel Almutawa is a senior portfolio manager in the fixed income department and has 10 years of industry experience. Coming from a proprietary desk background covering multi-asset classes, he is now responsible for covering the GCC fixed income market. In his current role, Manuel performs portfolio management, bond analysis and is involved in portfolio structuring. He graduated with a master's degree in Investment Management from Reading University/ ICMA, holds the International Fixed Income and Derivatives certificate and is a CFA charterholder.

- **Mohamed Abdulmalek, CFA (Associate)**

Mohamed is an associate in the fixed income department. Prior to joining SICO, Mohamed worked in Bank of Jordan and Turkiye Is Bankasi as a treasury and global markets dealer. Additionally Mohamed had previously worked as a risk management consultant at Protiviti Inc. Mohamed Graduated with BSc in Banking and Finance, MSc in Finance from Bangor University, and is CFA Charterholder.

- **Kamal Gautam, (Senior Research Analyst)**

Kamal Gautam is a senior researcher in the fixed income department and has over 13 years of industry experience. Coming from a research background focusing on fixed income, he is now responsible for covering the GCC fixed income market across the various sectors. Prior to SICO he has worked for a few research houses focusing on the fixed income issuer and providing third party research for global asset managers. In his current role, Kamal performs the buy side research and ongoing reviews for the asset management department on the various sectors on a regular basis. He graduated with a master's degree in Finance and Investment Banking from ICFAI Hyderabad.

- **Abdulla Al Meer (Analyst)**

Abdulla is an analyst in the fixed income department. He previously worked in Arabian Sugar Company as an Assistant Manager Finance and he graduated with a bachelor's degree in finance from the Queensland University of Technology in Australia. Abdulla is currently working towards becoming a Certified Financial Analyst and is currently a level III candidate.

Under the terms of the Fund Management Agreement, the Fund Manager shall be entitled to resign immediately upon notice to the Fund Company if: (a) the Fund Company or the Fund goes into liquidation, bankruptcy, dissolution or insolvency; or (b) it becomes unlawful for the Fund Manager to continue to undertake any of the Services to be provided by the Fund

Manager. The Fund Manager may also resign (i) upon 30 days' notice for non-payment of sums due to the Fund manager or if the Fund Company has committed a material breach of the Fund Management Agreement which has not been cured within 30 days (or such other period as the parties may agree) of notice of the breach and (ii) otherwise upon 6 months prior notice subject to receipt of all required regulatory approvals.

The Fund Company may also terminate the Fund Manager upon notice if:

- a. the Fund Manager shall go into liquidation, bankruptcy, dissolution or insolvency;
- b. the Fund Company ceases to be the fund company for the Fund pursuant to the terms of this PPM;
- c. notice has been served on the Fund Company by the Unitholders with the support of a 75% majority of the votes of such Unitholders establishing that the Fund Manager has engaged in wilful, wanton or reckless misconduct, fraud, wilful illegal act or intentional or reckless disregard of duty in its capacity as Fund Manager or in material breach of the Fund Management Agreement and such breach and has not remedied such breach within 30 Business Days of the notice of the breach; or
- d. notice has been served on the Fund Company by the Unitholders with the support of a 75% majority of the votes of such Unitholders establishing that the Fund Manager has demonstrated a manifest and tangible failure to perform its duties over a prolonged period pursuant to the terms of this PPM.

5.6 INVESTMENT ADVISOR

Wafra will act as the Investment Advisor of the Fund pursuant to an investment advisory agreement entered into between Wafra, the Fund Company and the Fund Manager (the Investment Advisory Agreement).

Wafra was established in 1994 with a paid-up capital of KD 15 million. The company is specialized in asset management and investment services and is affiliated with the Public Institution for Social Security to further maximize capital. The current activities of the company mainly revolve around direct investments, fund management, investment portfolio management, and financial services through sectors such as asset management and capital markets. Shareholders' equity amounted to approximately KD 100 million at the end of June 2021 and total Assets Under Management (AUM) amounted to roughly 2.70 billion KD as of 30 September 2021.

The Investment Advisor will be responsible for:

- a. if determined by the Fund Manager as in the interests of the Fund, to file the Fund with the Kuwait Capital Markets Authority;
- b. reporting to the Kuwait Capital Markets Authority as required (if applicable);
- c. reviewing the performance of the Fund and other activities of the Fund;
- d. sharing any reports obtained from the Administrator and the factsheets prepared by the Fund Manager, with any Investors in Kuwait;
- e. appointing two suitably qualified representatives to participate in the Investment Committee; and
- f. any other responsibilities required to be undertaken by the Kuwait Capital Markets Authority and/or the CBB to the extent applicable to the Investment Advisor.

5.7 SHARI'AH ADVISOR

The Shari'ah Advisor will be Shari'ah Review Bureau W.L.L.

The Shari'ah Advisor will conduct annual Shari'ah audits on the Fund so as to ensure that the Fund's operations and investments are conducted in compliance with Shari'ah principals and in accordance with the Shari'ah Investment Guidelines. The Shari'ah Advisor will further review and approve all Transaction Documents.

The Shari'ah Advisor will be appointed by the Fund Company pursuant to the Shari'ah Advisory Agreement.

The biographies of the board which will be used by the Shari'ah Advisor in the provision of its services are set out below:

- **Sh. Muhammad Ahmad**

Shaikh Muhammad has over 10 years of experience as a Shari'ah consultant and academic in various parts of Islamic finance.

He has worked predominantly in the financial services along with retail and investment banking and has expertise in corporate advisory and real-estate funds. Sheikh Muhammad works extensively with leading global and domestic financial institutions across the GCC. His work ranges from redesigning conventional Sukuk, organizational structures of funds in the banking, insurance and private equity sector. He procured his Masters (A'alamiyah) in Fiqh and Usool ul Fiqh from Jami'ah Ahsan Ul Uloom and procured Bachelors in Islamic sciences from Jamia Dar-ul-Uloom.

- **Dr. Salah Fahad Al Shalhoob**

Shaikh Salah is a Shari'ah scholar who procured his PhD from Edinburgh University (UK) and master's from Al Imam University (KSA). He has led a broad range of engagements in the US, Europe and the GCC with a focus on banking and investment products, real-estate acquisitions, Islamic Insurance management, listed securities and private equity fund. His product based experience spans sukuks, home mortgages, leasing, SME Financings and asset management transactions. He is an Assistant Professor at Islamic & Arabic Studies College of Applied Studies at King Fahd University of Petroleum & Minerals and has written several research papers.

- **Mufti Irshad Ahmad Aijaz**

Shaikh Irshad completed his Takhassus in Ifta, Phd in Islamic Studies; on the topic: The activities of Stock market and its analytical study from Shariah Perspective from the University of Karachi. He is also a candidate of M Phil in Islamic Finance & Banking. Apart from being a member of Shari'ah Advisors Forum formed by State Bank of Pakistan for developing and implementing Shari'ah Standards for Islamic Financial Institutions he also leads the Task force for Islamic alternatives for agricultural finance; and the Committee for review of AAOIFI Shari'ah standards on Mudarabah. He is also a visiting faculty member of Iqra University, National Institute of Banking and Finance, a subsidiary of State Bank of Pakistan, Centre for Islamic Economic, and Sheikh Zayed Islamic Center.

The CIU representative for the Shari'ah Advisor is Raafat M. Al Shalabi, Shari'ah Review and Audit Manager, PO Box 21015, Manama, Bahrain.

5.8 LEGAL ADVISOR (INTERNATIONAL) - TROWERS & HAMLINS

Trowers & Hamblins is a London based international law firm with offices in the UK, Abu Dhabi, Bahrain, Dubai, Oman and Malaysia. The firm provides a full range of corporate, property, business and commercial legal services. The firm has been involved in the corporate structuring of Shari'ah compliant leveraged acquisitions of shares and assets, establishing Shari'ah compliant funds and offerings of shares in fund companies.

For further information on Trowers & Hamblins, please view the website, www.trowers.com.

5.9 LEGAL ADVISOR (BAHRAIN LAW) - HASSAN RADHI & ASSOCIATES

Hassan Radhi & Associates renders legal consultancy and advice on all facets of Bahraini laws to national and international clients. Hassan Radhi & Associates specializes in corporate, banking and finance, insurance, securities market, funds as well as other general areas of law. The firm was involved in Bahrain's major mergers and acquisitions in banking and insurance sectors. It continues to assist clients on conventional and Shari'a compliant transactions of various nature. The firm also provides litigation, domestic and international arbitration services.

For further information on the firm please visit www.hassanradhi.com.

5.10 AUDITOR

The first Auditors of the Fund and the Fund Company will be Ernst & Young. The Auditors of the Fund and the Fund Company shall always be one of the internationally recognized auditing firms operating in Bahrain. The Fund Company will notify the Investment Committee within a reasonable period if there is a change in the auditor.

5.11 ADMINISTRATOR

Apex Fund Services Bahrain W.L.L. has been appointed as administrator to the Fund pursuant to the terms of the Administration and Registrar Agreement.

The Administrator will be responsible for providing certain fund administration services to the Fund in accordance with the provisions of the Administration and Registrar Agreement. These include (but are not limited to) (i) the calculation of the Net Asset Value of the Fund and the Net Asset Value per Unit, (ii) keeping the books and records of the Fund, keeping the register of Unitholders, (iii) arranging the issue, allotment, transfer and redemption of Units of the Fund; (iv) notify the CBB, the Fund Manager and the Directors of any suspension in the determination of the Net Asset Value; (v) liaise with the auditors in relation to the audit of the Fund's annual financial statements (vi) reconciliation of Investments and cash position of the Fund; (vii) calculation of operating expenses; (viii) providing information to the Fund; (ix) maintaining the Fund's accounts and records; (x) preparing semi-annual and annual financial statements for the Fund; (xi) compliance monitoring; (xii) reporting to the CBB; (xiii) and (xiv) handling the Unitholders' enquiries and complaints, (if any).

The Administrator's obligations and liabilities are only to the Fund and only as provided in the Administration and Registrar Agreement. Under the Administration and Registrar Agreement: (i) the term of the appointment of the Administrator and Registrar is for one year which will automatically renew unless terminated through a notice of termination given at least ninety days prior to the renewal date; and (ii) the Administrator shall not be liable to the Fund, any investor or any other person unless it has been grossly negligent, committed a fraud, is guilty of willful default or committed any breach of the Administration and Registrar Agreement.

The Administrator shall be responsible for the "know your client" (KYC) and anti-money laundering compliance of the Fund, including the periodic update of Unitholder identification and other KYC documentation on record. The Fund pays the Administrator fees for its services as agreed from time to time by the Fund and the Administrator pursuant to the Administration and Registrar Agreement.

The Administrator will be the point of contact for Unitholder enquiries and complaints at SICO@apex.bh.

5.12 CUSTODIAN

HSBC Bank Middle East Limited (**HBME**) has been appointed by the Fund Company as the Custodian to the Fund pursuant to the Custodian Agreement.

HBME is established as a limited liability company in the Dubai International Financial Centre and regulated by the Dubai Financial Service Authority (**DFSA**) and has branches in

several Middle Eastern countries including Bahrain. HBME Bahrain is a conventional retail bank licenced in Bahrain and regulated locally by the Central Bank of Bahrain, and lead regulated by the DFSA. HBME is an indirect wholly owned subsidiary of HSBC Holdings Plc, a public company incorporated in England and Wales. HSBC Holdings Plc, its subsidiaries and associated companies (the **HSBC Group**) is one of the largest banking and financial services organisations in the world with well established businesses in Europe, the Asia Pacific region, the Americas, the Middle East and Africa. For the avoidance of doubt, all services provided by HBME Bahrain to the Fund Company and the Fund are offered on a conventional basis.

HBME Bahrain has been appointed as the custodian of the assets belonging to the Fund Company as are delivered to the Custodian and accepted by the Custodian under its control in accordance with the Custodian Agreement. The Custodian will only act as custodian for such of the Fund Company's assets as may be delivered to it and accepted by the Custodian from time to time. The Custodian will not act as custodian nor have any responsibility for any other assets of the Fund not properly delivered to it and accepted by the Custodian under its control. All cash held by the Custodian in a cash account will be held by the Custodian as banker. The Custodian has no decision-making discretion relating to the Fund Company's investment.

The Custodian is authorised to delegate any of its duties under the Custodian Agreement to sub-custodians and delegates (**Delegates**), on the terms set out in the Custodian Agreement, which will not include clearing or settlement systems, selected by the Custodian.

The Custodian will not be liable or responsible to the Fund Company or the Fund for any acts or omissions of any Delegates other than any liability to the Fund which is caused directly by the fraud, negligence or wilful default of the Custodian and will not be liable or responsible for any losses suffered by the Fund, the Fund Company, the Fund Manager, Investment Committee or any investor by reason only of the liquidation, bankruptcy or insolvency of any correspondent howsoever appointed.

The Custodian is entitled to be indemnified by the Fund Company against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Custodian) which may be reasonably imposed on, incurred by or asserted against the Custodian as directly resulting from, the securities of the Company delivered to and accepted by the Custodian under the Custodian Agreement, being registered in the name of the Custodian.

The Custodian will not be liable or responsible for the loss of or damage to any assets, documents of title or other property of the Fund or for any failure to fulfil its duties under the Custodian Agreement if such loss, damage or failure is caused, inter alia, by the failure of any relevant exchange, clearing system (including central securities depository) and/or broker to perform its obligations for any reason.

The Custodian will not, in the absence of fraud, negligence or wilful default, be liable to the Fund, the Fund Company, the Fund Manager or to any investor for any act or omission in the course of or in connection with the services rendered by it or for any loss or damage which the Fund, the Fund Company, the Fund Manager or any investor may sustain or suffer as a result or in the course of the discharge by the Custodian, Delegates or their respective nominees or agents of their duties.

The Custodian will have certain tax information-gathering, reporting and withholding obligations relating to payments arising in respect of assets held by the Custodian or a sub-custodian.

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 sanctions by OFAC.

The Custodian in no way acts as guarantor or offeror of the Fund's Units or any underlying investment.

The Custodian is a service provider to the Fund and has no responsibility or authority to make investment decisions, or render investment advice, with respect to the assets of the Fund.

The Custodian is not responsible for and accepts no responsibility or liability for any losses suffered by the Fund or any investors in the Fund as a result of any failure by the Fund, the Fund Company or the Fund Manager to adhere to the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines.

The appointment of the Custodian may be terminated without cause by not less than thirty (30) days' notice.

The Custodian is a service provider to the Fund Company and the Fund and is not responsible for the preparation of this document or for the activities of the Fund Company and the Fund and therefore accepts no responsibility for any information contained in this document.

5.13 REGISTRAR

Apex Fund Services Bahrain W.L.L. has been appointed as the Registrar of the Fund pursuant to the terms of the Administration and Registrar Agreement.

The Fund pays the Registrar fees for its services as agreed from time to time by the Fund and the Registrar pursuant to the Administration and Registrar Agreement.

5.14 PLACEMENT AGENT

The Fund Company has appointed SICO B.S.C.(c) as the Placement Agent for the Fund in Bahrain.

The Fund Company has appointed Wafra as the placement agent for the Fund in Kuwait.

The Fund Company has appointed SICO Capital as the Placement Agent for the Fund in Saudi Arabia.

6 Reporting And Conflicts Of Interest

6.1 REPORTING AND METHODS OF VIEWING REPORTS

The Administrator will send to each Investor, on a monthly basis, a factsheet that details the Fund's performance along with market commentary and Fund statistics. In addition, the Board shall report (or procure the reporting of) to each Investor and the CBB the following:

- a. Semi-annual financial statements prepared in accordance with AAOIFI standards as reviewed by the Auditor for the first six (6) months of the Fund's Financial Year, within two (2) months after such period; and
- b. Annual financial statements prepared in accordance with AAOIFI standards as audited by the Auditor, within four (4) months of the end of the Fund's Financial Year.

In addition to the above, the annual audited financial statements of the Fund Company must be submitted to the CBB within three (3) months of the end of the Financial year of the Fund Company.

Both the semi-annual and annual reports of the Fund will include the total Net Asset Value of the Fund.

The Investment Advisor may, as requested from time to time by the Fund Manager, assist the Fund Manager in the dissemination of information and the satisfaction of the reporting obligations to Investors in Kuwait.

6.2 AAOIFI

For the avoidance of doubt all audited reports shall be prepared in accordance with AAOIFI standards.

6.3 VALUATIONS

The valuation of the Units shall be undertaken monthly by the Administrator and the Net Asset Value calculation issued on the first Business Day of each month.

The Net Asset Value of each Unit will generally be determined as assets minus liabilities of the Fund divided by the number of Units in issue. The pricing sources shall be provided by the Administrator. Notwithstanding the foregoing, the Fund, the Directors, or the Fund Manager may, at their absolute discretion, permit such other method of pricing or valuation which, in their opinion, better reflects fair value and direct the Administrator to apply this to the calculation of the Net Asset Value of the Units.

6.4 OTHER REPORTING

In accordance with applicable CBB regulations, the Investors will be notified by the Fund Manager at least 30 calendar days before any material changes in respect of the Fund take place, including in the following circumstances:

- a. any changes in the Investment Objectives of the Fund;
- b. any changes in the Investment Restrictions of the Fund;
- c. any changes in the Shari'ah Investment Guidelines of the Fund;
- d. any changes in the Fund Operator, the Fund Manager, the Administrator or Custodian;
- e. the merger, transfer, or termination of the Fund; and
- f. any major issues that may affect the Investors.

6.5 CONFLICTS OF INTEREST

By acquiring Units in the Fund, each Investor will be deemed to have acknowledged the existence of any actual and potential conflicts of interest set out in this Private Placement Memorandum and have waived any claim with respect to any liability arising from the existence of any such conflicts of interests to the fullest extent permitted by Law. References to "conflicts of interest" in this Private Placement Memorandum shall be deemed to include indirect, as well as direct, conflicts of interest. For the avoidance of doubt such conflicts of interests set out in this Private Placement Memorandum are not necessarily a comprehensive list of all potential conflicts of interest.

In particular, each Investor acknowledges that: (i) the directors of the Fund Company are exclusively comprised of persons nominated by the Fund Manager; (ii) the Fund Manager will also act as Placement Agent of the Fund; and (iii) the Broker and leverage arranger of the Fund will be SICO B.S.C.(c); (iv) SICO B.S.C.(c) and its affiliates manage and provide services to other funds and investment structures with similar investment objectives and targeted investment universe to those of the Fund; and (v) the Investment Advisor is appointed as placement agent of the Fund in Kuwait.

Conflicts of interest may exist or arise from time to time between the Fund Company on the one hand and any of the Investment Advisor, the Fund Manager, the Shari'ah Advisor, the Administrator and their respective affiliates, directors, officers, employees and agents and other funds sponsored or managed by any of them on the other hand (collectively, the **Relevant Parties**).

The Relevant Parties will attempt to resolve any conflicts of interest by exercising their good faith judgment considering the interests of all affected parties or entities taken as a whole and believe that they will generally be able to resolve any conflicts on an equitable basis, although it is always possible that potential conflicts may not be resolved in favour of the Fund Company.

There are no restrictions on the Relevant Parties organising, acting as a promoter for, raising, managing or acting as manager or adviser or administrator to any other funds or investment vehicles having investment objectives similar or identical to those of the Fund Company, or from investing separately for their own respective accounts in other investment funds.

6.6 OTHER SERVICE PROVIDERS

The Administrator, the Registrar and the Custodian will not be devoting their full business efforts to the activities of the Fund. This may involve a conflict of interest with respect to the commitment of resources.

6.7 BAHRAIN ANTI-MONEY LAUNDERING REGULATIONS

The Fund and the Fund Company will comply with Bahrain's Legislative Decree No. (4) of 2001 (as amended) with respect to Prohibition and Combating of Money Laundering and the various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to the Institutions' Obligations Concerning the Prohibition of and Combating Money Laundering in addition to complying with the Anti-Money Laundering and Combating Financial Crime Module contained in the CBB Rulebook, Volume 6.

As a result of the applicable anti-money laundering regulations, "know your client" documentation may be required along with an Investor's Subscription Agreement. The Board, the Fund Manager and the Administrator reserve the absolute right to require further verification of the identity of the Investors and/or the source of funds. This will be used to comply with these regulations and to verify the identity of the Investors and will remain confidential. The Investors will be required to provide satisfactory evidence of identity and if so, required the source of funds within a reasonable time period determined by the Board. Pending the provision of such evidence, subscription will be postponed. If any Investor fails to provide satisfactory evidence within the time specified, or if an Investor provides evidence but the Fund Company, the Fund Manager or the Administrator is not satisfied therewith, that Investor's subscription may be rejected immediately in which event the money received into the subscription account, if any, will be returned to the account of the relevant Investor from which it was originally debited without interest payment.

The Fund Company, the Administrator, the Fund Manager or the Placement Agent will not be liable to any Investor for any loss suffered by the Investor as a result of the rejection or delay of any subscription for Units in the Fund as a result of any of the above.

In the event of none of the foregoing applying to the Investors, the Investors may be required to provide proof of identity and source of funds to the Fund Manager and/or the Administrator as set out in that Investor's Subscription Agreement and/or this Private Placement Memorandum.

This Section is only a summary of the regulations and laws and is not a comprehensive disclosure regarding all laws and regulations applicable to the Fund and/or its Investments. Furthermore, the laws and regulations referred to under this section are subject to changes from time to time.

Please note that the regulations discussed hereunder are based on the current provisions of the laws, and the regulations are all subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. Any such changes could have different legal and regulatory implications for the Fund.

6.8 DATA PROTECTION

The information which a prospective Investor provides in connection with its Subscription for Units in the Fund or subsequently by whatever means which relates to the prospective Investor (if it is an individual) or a third party individual (**Personal Data**) will be held and processed by the Administrator and the Fund Manager in compliance with the relevant data protection legislation (**Data Protection Legislation**). A privacy notice setting out how Personal Data will be used, stored, transferred or otherwise processed is attached as a schedule to the Subscription Agreement. The Fund Company shall act as data controller and the Administrator

and the Fund Manager shall act as data processor(s) for the purposes of the Data Protection Legislation and in such capacity the Fund Company shall oversee any processing of personal data and determine the purposes for which and the manner in which such personal data is to be processed. Such personal data will be held and processed by the Administrator and the Fund Manager and/or the Fund's service providers for the following purposes:

- a. verifying the identity of prospective Investors for the purpose of complying with the statutory and regulatory requirements of the Fund and any function of the Fund in relation to Anti-Money Laundering and Know Your Client Regulations;
- b. evaluating and complying with Anti-Money Laundering and Know Your Client Regulations, regulatory and tax requirements in respect of the Fund;
- c. contacting Investors with information about other products and services provided by the Fund Manager which the Fund Manager considers may be of interest to the Investors;
- d. carrying out the function of the Fund Manager of the Fund and administering the Investor's investment in the Fund;
- e. meeting the legal, regulatory, reporting and/or financial obligations of the Fund or any functionary of the Fund in the Kingdom of Bahrain or elsewhere; and
- f. any purpose ancillary to the management and operation of the Fund and/or any of its investments.

Where appropriate it may be necessary for the Fund Company, the Fund Manager or the Fund's appointed functionaries to:

- a. disclose personal data to third party service providers or agents or advisers appointed to provide services for the purpose of operating the Fund; and/or
- b. transfer personal data outside of the Kingdom of Bahrain to countries or territories which do not offer the same level of protection for the rights and freedoms of investors as the Kingdom of Bahrain.

If such a disclosure or transfer of personal data is made, the Fund Company will, where appropriate, ensure that contracts are in place to ensure that any third party service provider or agent to whom the personal data is disclosed or transferred are contractually bound to provide an adequate level of protection in respect of such data.

Prospective Investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions and the privacy notice should be brought to their attention.

7 Principal Risk Factors And Investment Considerations

An investment in the Units involves risk and therefore should be undertaken only by prospective investors capable of evaluating the risks related to an investment in the Fund and capable of bearing the risks such an investment entails. Prospective investors should carefully consider the factors below, in addition to the matters set forth elsewhere in this Private Placement Memorandum, prior to purchasing any Units. The Fund is not a suitable investment for prospective investors who are not able to assume the risks of long-term investments, and an investment in the Fund should not be viewed as a complete investment program. The risks set forth below are not a complete list of all risks involved in connection with an investment in the Units. There can be no assurance that the Fund will be able to achieve its investment objective or that Investors will receive a return on their capital. Prospective investors should also note that the information contained in this Private Placement Memorandum has not been prepared, reviewed or confirmed by any independent expert or financial auditor.

An investment in the Fund involves risk and is suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment. No guarantee or

representation is made that the Fund will achieve its Investment Objectives or that an Investor will not lose all or a substantial portion of its investment. Investment results may vary substantially on a monthly, quarterly, or annual basis and an investment in the Fund does not constitute a complete investment program.

The value of an investment in the Fund may decline as well as rise and prospective investors should carefully review and evaluate the merits and the risks and the other information contained in this document before making a decision to invest in the Fund. If you are in any doubt about the contents of this Private Placement Memorandum you should consult your lawyer, auditor or other independent financial adviser.

The Fund has not been registered under the securities' laws of any jurisdiction other than Bahrain. The resale or transfer of Units is restricted as set forth in this Private Placement Memorandum. There is no secondary market for the Units, nor is one expected to develop.

The risks set out below are the risks which are considered to be material but are not the only risks relating to the Fund or an investment in the Fund. There may be additional material risks that the Directors do not currently consider to be material or of which the Directors are not aware.

7.1 INVESTMENT RISKS

7.1.1 General Risk

No representation is or can be made as to the future performance of the Fund and there is no assurance that the Investment Objectives of the Fund will be achieved. Investors should be aware that by investing in the Fund, there is no guarantee of any income distribution, returns or capital appreciation. The Fund could lose all or some of the capital it invests in any particular Investment, and such loss could have a significant adverse impact on the performance of the Fund as a whole.

Exempt CIUs are only regulated to the extent that they must be notified to the CBB prior to being offered, may only be offered to Accredited Investors, and are subject only to high level-disclosure and reporting requirements. Exempt CIUs are not subject to any restrictions on their investment policies (save those set out herein this Private Placement Memorandum) and as such may exhibit high risk characteristics. Because of this, Exempt CIUs may only be offered to a highly restricted investor base (i.e. those defined as Accredited Investors).

There can be no assurance that the Fund Manager will be able to locate suitable investments.

7.1.2 Legislative and Regulatory Risk

The structure of the Fund is based on Bahrain law in effect as at the date of this Private Placement Memorandum. No assurance can be given as to the impact of any possible change to Bahrain law after the date of this Private Placement Memorandum, nor can any assurance be given as to whether any such change could adversely affect the ability of the Fund to make payments to Investors.

7.1.3 Sovereign Risk

Government interference with international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investment by residents, changes to banking and insurance laws, limits on flows of investment funds from abroad and debt moratoria may expose the Fund to unanticipated losses. Additionally, the general volatility may produce events which negatively affect the Fund's ability to complete its investment, restructuring and disposal program.

7.1.4 Market and Economic Risk

Global, regional and national economic conditions may impact on the value of the Fund. In a recessionary environment, a security may need to be sold at a discount

to the fair market value of the security. This in turn could depress the NAV and the growth of the Fund. Generally, all investments are subject to a degree of economic risk depending on the nature of the investment instrument, market, sector and other factors. The value of investments may fluctuate in response to the activities of individual companies and general Sukuk, fixed income and bond market sentiments and local and global economic conditions. In certain time periods, debt markets may be subject to higher volatility than usual which may increase the risks associated with investment in a fund, especially for investors with a very short-term (say 1 year or less) time horizon of investments. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Credit ratings downgrades may also negatively affect securities held by the Fund and any underlying funds. Even when markets perform well, there is no assurance that the investments will increase in value along with the broader market. In addition, market risk includes the risk that geopolitical events will disrupt the economy on a national or global level. For instance, terrorism, market manipulation, government defaults, government shutdowns, and natural/environmental disasters can all negatively impact the securities markets, which could cause the Fund to lose value. Any market disruptions could also prevent the Fund from executing advantageous investment decisions in a timely manner. Funds that have focused their investments in a region enduring geopolitical market disruption will face higher risks of loss. Certain market conditions may pose heightened risks with respect to funds that invest in fixed income securities, as discussed more under “interest rate risk”. Any future interest rate increases could cause the value of any fund that invests in fixed income securities to decrease. As such, the fixed income securities markets may experience heightened levels of interest rate, volatility and liquidity risk. If rising interest rates cause a fund to lose enough value, such fund could also face increased unitholder redemptions, which could force it to liquidate investments at disadvantageous times or prices, therefore adversely affecting the Fund and the value of the Units. Exchanges and securities markets may close early, close late or issue trading halts on specific securities, which may result in, among other things, a fund being unable to buy or sell certain securities or financial instruments at an advantageous time or accurately price its portfolio investments.

7.1.5 Political and/or Regulatory Risks

The Fund may be adversely affected by uncertainties such as political developments, changes in government policies, taxation, restrictions on investment and currency repatriation, and other developments in the laws and regulations of the countries in the Fund’s investment universe and other relevant jurisdictions. Over recent years global financial markets have undergone fundamental disruption and regulators in many jurisdictions have implemented or proposed a number of regulatory measures and may continue to do so. Legislation and regulation may render a transaction, to which a Fund is a party, void or unenforceable. It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed in the future and/or the effect of such restrictions on global markets and the Fund Manager’s ability to implement the Fund’s investment objectives.

7.1.6 Interest Rate Risk

Changes in, or expected changes in, global and regional interest rates may have a profound affect on the Fund’s NAV as the prices of securities generally increase as interest rates decline and decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than do short-term securities. This may lead to volatility in Sukuk and fixed income security prices and thereby to possible movements in the NAV. A wide variety of factors can cause interest rates to rise (e.g. monetary policies, fiscal policies, inflation rates, commodity prices,

investor expectations, general economic conditions, etc.). This is especially true under economic conditions where interest rates are at low levels. Thus, funds that invest in fixed income securities may face a heightened level of interest rate risk. Very low or negative interest rates may magnify interest rate risk. Changing interest rates, including rates that fall below zero, may have unpredictable effects on markets, may result in heightened market volatility and may detract from a fund's performance to the extent a fund is exposed to such interest rates. Measures such as average duration may not accurately reflect the true interest rate sensitivity of a fund. This is especially the case if the fund consists of securities with widely varying durations. Therefore, a fund with an average duration that suggests a certain level of interest rate risk may in fact be subject to greater interest rate risk than the average would suggest.

7.1.7 Inflation Risk

Inflation can erode the real rate of return on an investment i.e., the return received after taking away inflation. Inflation is one of the major risks to investors over a long-term period and results in uncertainty over the future value of investments.

7.1.8 Other risks

The performance of an Investment may depend heavily on public contracts: performance could be adversely affected by dramatic political changes and public policy changes.

7.2 SECURITIES RISKS

7.2.1 OTC Risk

The Investments to be made by the Fund are traded OTC and as such liquidity may be affected by external factors. Dispositions of the Securities purchased may be subject to the OTC other limitations on transfer, and other restrictions may exist that would interfere with such dispositions or adversely affect the terms thereof. This illiquidity may limit the ability of the Fund to react promptly to changes in economics or other conditions.

In addition, in general the rise in market interest rates lead to a fall in fixed income securities values. Therefore, the NAV of the Fund may fall when interest rates rise or are expected to rise.

The Fund will actively invest in a full spectrum of available Securities including non-investment grade and unrated securities which may limit the liquidity of the Fund and ability to realise its investments promptly.

7.2.2 Credit Risk

The Fund will invest in Securities and carries credit risk as an issuer may be unable make the profit payments and/or repay the principal when due as a result of (including but not limited to) liquidation risk, damage risk, performance risk or any other related risk to the underlying assets. The performance of the Fund is directly correlated to the performance of the Securities and of the manager of those assets (which may not be an Issuer). The Fund's ability to meet its investment objectives will depend upon the ability of an Issuer to fulfil its payment obligations. If an Issuer becomes delinquent in the making of profit or other payments to the Fund, the Fund may be unable to make distributions resulting from net realised gains at its targeted levels and may lose all or a portion of its capital invested with that issuer. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Because of this risk, corporate Sukuk and fixed income securities are often issued and sold, and often trade, at a yield above those offered on their local government securities, which are sovereign obligations and are generally perceived to have a lower probability of default. Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the return required for someone to be compensated for the increased risk.

7.2.3 Unspecified underlying assets

Unitholders will not have an opportunity to evaluate for themselves, or to approve, the specific assets which be the subject matter of a Security. Investors must depend solely upon the ability and judgement of the Fund Manager (and its sub-contractors or delegates) and the Investment Committee.

7.2.4 Ownership Risk

It is not intended that an issuer will be the owner of the underlying assets to which the relevant Security is linked, accordingly, if an issuer becomes delinquent in the making of profit or other payments to the Fund, there may not be any recourse to the underlying assets, as they may be owned by an entity other than an Issuer, to which the Fund will have no recourse.

7.2.5 Counterparty Risk

When the Fund conducts transactions it may be exposed to risks relating to the credit standing of its counterparties and their ability to fulfil the conditions of the contract that it enters into with them. The Fund Manager will endeavour to minimize this risk by performing credit research and analysis to determine the creditworthiness of its counterparty prior to entry into transactions.

7.2.6 Currency Risk

The Fund will only invest in securities and other assets denominated in USD, any other currencies pegged to the USD, or KWD however issuers with non USD cashflows issuing USD Securities acquired by the Fund may pose a currency risk to the Fund. The Fund may (but is not obliged to) seek to hedge foreign currency risk. However, any such hedges may be imperfect or unsuccessful. Accordingly, Investors may bear the risk of adverse movements in the USD exchange rate against the currencies in which Investments are denominated and against the Investors own base currency.

Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of a fund's investments to diminish or increase. In particular if the rate between the currency of investments and the currency of the Units changes, this may have a material impact on the value of and the return on the Units. While the Fund will limit its investments to those denominated in USD, those pegged to the USD or denominated in KWD the underlying cash flows of issuers may be in a different currency and may result in a negative situation for such security. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates also can be affected unpredictably by intervention (or the failure to intervene) by governments or central banks, or by currency controls or political developments. In addition, in the event that a fund invests in a currency (i) which ceases to exist or (ii) in which a participant in such currency ceases to be a participant in such currency, it is likely that this would have an adverse impact on a fund's liquidity. The Fund will be investing in securities globally with United States Dollar (USD) as its primary currency. The Fund may also make investments in securities issued currencies that have been pegged to the U.S. dollar and there is a risk that such peg may be re-evaluated in and a break of the currency peg may have materially adverse effect on the value of the Units. Further, any investments made in securities which are pegged to the USD may be subject to foreign exchange related volatility even with such peg in place. The investment returns on such securities shall include any currency conversion related charges and currency translation related gains or losses, if and when applicable.

7.2.7 Custody Risk

There are risks involved in dealing with custodians or prime brokers who hold assets of the Fund and who settle the Fund's trades. Securities and other assets deposited with custodians or prime brokers may not be clearly identified as being assets of the Fund, and hence the Fund may be exposed to a credit risk with regard to such parties. Further, there may be practical, or time problems associated with enforcing the Fund's

rights to its assets in the event of the insolvency of any such party (including sub-custodians or agents appointed by the custodian in jurisdictions where sub-custodians are not available).

7.2.8 Valuation Risk

Financial instruments that are illiquid may not have readily available prices and may therefore be difficult to value leading to poor price discovery, greater impacts costs and spreads which may impact returns. Dealer-supplied quotations, third party information aggregators, or pricing models developed by third parties, the Fund Manager, or their respective affiliates and/or delegates, may be utilized in valuations and the calculation of the NAV of the Fund. Such methodologies may be based upon assumptions and estimates that are subject to error. Investors should be aware that in these circumstances a possible conflict of interest may arise, as the higher the estimated valuation of the securities the higher the fees payable to the Fund Manager and the Investment Advisor. Any party providing valuation services may, in the absence of its negligence, be indemnified out of the property of a fund from all claims and losses which such party may incur directly or indirectly arising out of or in connection with the performance of such valuation services. In addition, given the nature of such investment, determinations as to their fair value may not represent the actual amount that will be realised upon the eventual disposal of such investments.

7.2.9 Dependence on the Fund Manager

The Fund is dependent on the diligence, skill and network of its Fund Manager and its management team (set out in Section 5.5) and business contacts. They, together with other investment professionals, will evaluate, negotiate, structure, realize, monitor and service the Fund's Investments. The performance of the Fund Manager cannot be guaranteed. Investors will not be entitled to contribute to the management of the Fund and will have no influence on the operations and decisions of the Fund. Therefore, the success of the Fund is substantially dependent upon the continued personal efforts of the individuals employed by the Fund Manager who will exclusively manage the Fund. It cannot be expected that all of the individual employees of the Fund Manager will continue to be available to the Fund throughout its term. The loss of any one, some or all of these key personnel or difficulties in attracting and retaining such personnel could materially adversely affect the Fund's performance. The past performance of the management team and key personnel provide no assurance of the future results of the Fund.

7.2.10 Disclosure of identity

Under certain circumstances, the Fund Manager or the Fund Company may be required to disclose certain information in respect of the identity of Unitholders, including beneficial owners of a Unitholder.

7.3 FUND RISKS

7.3.1 Regulatory Approvals and Permits

The failure to obtain or to continue to comply with all necessary approvals, licenses or permits, including renewals thereof or modifications thereto, may adversely affect the Fund's performance or the ability of the advisers to perform their services on behalf of the Fund, as could delays caused in obtaining such consents due to objections from third parties.

7.3.2 No Operating History

Because the Fund is a newly formed entity, it has no operating history upon which prospective Unitholders can evaluate the possible performance of the Fund.

7.3.3 Fees and Expenses

The Fund will incur fees and expenses regardless of whether it is profitable. The Fund must therefore make significant profits from its Investments to avoid depletion or exhaustion of its assets from such expenses.

7.3.4 Conflicts of Interest

Conflicts of interest exist in the structure and operation of the Fund's business as described in the Section 6.5 headed Conflicts of Interest".

Each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates undertake business for clients other than the Fund and the Unitholders. Each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates may face conflicts between, respectively, their interests, the interests of the Fund and the interests of their respective other clients. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment to their interests does not remain.

Each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates may, respectively, establish, hold or unwind opposite positions (i.e. buy and sell) in the same security at the same time for different clients. This may prejudice the interests of their respective clients on the buy or the sell side. Additionally, each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates may have different management mandates; they may each sell a security in some portfolios that they hold in their other respective portfolios. Investment decisions to sell in one account may also impact the price, liquidity or valuation of securities held in another client account, or vice versa.

Each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates may receive, respectively, material non-public information in relation to securities in which they each invest respectively on behalf of clients. To prevent wrongful trading, each of the Fund Manager and its affiliates and the Investment Advisor and its affiliates erects information barriers between their respective investment team(s) concerned in the security concerned. Such restrictions may negatively impact the investment performance of client accounts.

The Fund may, subject to applicable laws, pay third parties for distribution and related services. Such payments could incentivise third parties to promote the Fund to investors against such investors' best interests.

Additional Conflict of Interests of the Investment Advisor: Investment in Related Party Products. While providing investment advisory services for the Fund, the Investment Advisor may recommend funds, other instruments, products or strategies ("Related Party Products") that the Investment Advisor or one of its affiliates manages or in which it otherwise owns an interest. Investments by the Fund in such Related Party Products will likely increase the revenue of the Investment Advisor or one of its affiliates by adding to the fees payable with respect to the Fund, the relevant fees and revenues that would be due to the Investment Advisor or one of its affiliates in connection with the Fund's investment in the Related Party Product. The Investment Advisor, pursuant to the Investment Advisory Agreement, has agreed that it shall endeavour to ensure such conflict is resolved fairly in the interests of Fund Company and in compliance with the requirements of this Private Placement Memorandum.

Additional Conflict of Interests of the Fund Manager: Brokerage Services and leverage provision/arranging. It is anticipated that the Fund Manager or its affiliated entities may be appointed as a broker to provide brokerage services to the Fund as well as a provider or an arranger of leverage for the Fund. In this regard there is a potential for there to be conflicts of interest associated with the brokerage services and investment management services under which, for example, the Fund Manager may be incentivised to increase the number of trades in relation to the equity securities and equity-oriented securities undertaken by the Fund to increase the fees associated with brokerage transactions. However, the Fund Manager has agreed not to charge any brokerage spreads or commissions for trades pertaining to the Fund. The Fund Manager will receive additional compensation for arranging and/or providing leverage to the Fund.

Investment objectives and restrictions of the Fund are subject to change: The investment objectives and restrictions stated for this Fund in this Private Placement

Memorandum may be changed following the launch of the Fund based on changes in regulations, the Fund Manager's and Investment Advisor's view of the global economic and market scenario as well as based on other external and internal factors. Any such changes will be subject to a majority vote of the Unitholders as well as CBB notification.

7.3.5 Use of Leverage and Repos

The Fund may utilise Shari'ah compliant debt and repurchase arrangements to enhance the Fund's ability to maximise the Securities it can invest in. Such debt arrangements will typically be secured over the Securities of the Fund at loan to value ratios and with maturity profiles which in the ordinary course of events will be capable of being met through management of the portfolio. It is possible however in the event of liquidity issues in relation to financing or the ability to dispose of the Securities in a timely manner at suitable valuations that the leverage, if not refinanced, will require the sale of the Securities at values which generate negative returns for the Fund.

7.3.6 Fund Domicile

The Fund is established and registered in Bahrain as an open ended exempt collective investment undertaking. The regulatory environment for funds in Bahrain is mature and has been stable for some time but as with all jurisdictions, funds regulation develops from time to time and such developments may have effects on the requirements associated with the fund and the associated expenses for meeting such requirements.

7.3.7 Waiver

By acquiring a Unit, the Investor will be deemed to have acknowledged the existence of the actual and potential conflicts of interest discussed herein and, to the extent permitted by applicable law, to have waived any claims with respect to the existence of any conflicts of interest.

7.3.8 Acts or Omissions of Indemnified Parties

As set out in this Private Placement Memorandum and the other Transaction Documents, the Indemnified Parties shall not be liable to any person for, and shall to the fullest extent permitted by applicable law be indemnified out of the assets of the Fund against, any claims, liabilities, costs and expenses, including reasonable legal fees, incurred by them by reason of their activities on behalf of the Fund, except in the event of gross negligence, fraud or wilful default by such Indemnified Party. Therefore, Investors may have a more limited right of action than they would have absent the terms and conditions set out in this Private Placement Memorandum and the other Transaction Documents.

Investors will not be individually obligated with respect to such indemnification beyond the amount of their Commitments.

7.3.9 Risks of non-compliance with Shari'ah principles

The Fund Manager will undertake the investment activities of the Fund in a Shari'ah compliant manner. As a consequence, this may mean that the Fund performs less well than other investment funds, with comparable investment objectives that do not seek to adhere to Islamic Shari'ah compliance. Shari'ah compliance may require the Fund to dispose of Investments in circumstances that are less advantageous than might otherwise be the case. For instance, cash balances held by the Fund from time to time may be deposited on terms which shall grant no return on the sum deposited to the benefit of the Fund.

Although it is intended to undertake the investment activities of the Fund in compliance with the Shari'ah principles, no assurance or warranty of full compliance can be given, as there may be occasions when the Fund accidentally breaches the Shari'ah Investment Guidelines for factors outside the control of the Fund Manager.

The Fund will operate within the requirements of Shari'ah as interpreted by the Shari'ah Advisor which may limit certain investment opportunities and may impose structural

requirements that could increase costs. This restricted investment universe may result in higher volatility and lower returns. Prospective investors should not rely solely on the pronouncement of the Shari'ah Advisor on the compliance of the Fund and the Investments with Shari'ah in deciding whether to become a Unitholder. Prospective investors should consult their own Shari'ah consultants and advisors as to whether the Fund and the Investments are fully Shari'ah compliant. The restrictions dictated by the Fund's Shari'ah Advisor in connection with the Fund's Investments may result in costs or changes in operations that would not be involved if the Fund's business were operated without regard to Shari'ah. Thus, Islamic restrictions under which the Fund will be operated may, under certain circumstances, have an adverse effect on the financial performance of the Fund's assets, as compared to results possibly obtained in the absence of such restrictions.

In addition, certain Investments, in which the Fund has invested, may be later deemed by the Shari'ah Advisor to no longer comply with the Shari'ah principles for various reasons, such as human error, corporate actions such as mergers or acquisitions, or accounting ratio issues or by virtue of evolution within Islamic finance practice. In such circumstances, the Fund may have to divest such Investments within a set period of time under market conditions, including pricing, which may not necessarily be favourable to the Fund. This includes divesting of such Investments as a means of 'purification', and as directed by the Shari'ah Advisor, to approved charities. These changes may cause the Fund to incur additional costs that it otherwise would not have incurred. The Fund may engage in financing that is acceptable under Islamic law. However, the structural use of such techniques may increase the cost of such financing.

7.3.10 Accumulation of Fees, Charges and Expenses

As the Fund may invest in other funds, the Unitholders may incur a duplication of fees and commissions (such as, but not limited to, management fees including performance fees, custody and transaction fees, subscription and redemption fees, administration fees and other service providers' fees). To the extent these funds are permitted to invest in turn in other funds, Unitholders may incur a third layer of the fees (and potentially additional fees).

7.3.11 Issuer Risk

The Fund's performance on the performance of individual securities to which such it has exposure. Any issuer of these securities may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, expiration of patent protection, disruptions in supply, labour problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or at their own discretion, decide to reduce or eliminate dividends, which may also cause their security prices to decline.

7.3.12 Liquidity Risk

The Fund could be exposed to liquidity risk in case traded volumes of securities in which such fund has invested, experience a decrease in total volumes, which in turn might make it difficult to provide liquidity when unitholders request redemptions and can result into higher impact cost. The primary measure of liquidity risk for fixed income securities is the spread between the bid price and the offer price quotation. While the liquidity risk for government securities and other short maturity Sukuk and fixed income securities may be low, it may be high in case of medium to long maturity Sukuk and fixed income securities. This may also relate to, among other things, any lock-in periods that are imposed at the time of investments.

7.3.13 Reinvestment Risk

This risk refers to the profit rate and return levels at which cash flows received from the investments of the Fund are reinvested. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed or originally achieved.

7.3.14 Prepayment Risk

A Sukuk or fixed income security held by the Fund could be repaid or “called” before the original maturity / due date, and such proceeds may be reinvested at lower returns.

7.3.15 Variable and floating rate securities

In addition to traditional fixed-rate securities, the Fund or any underlying fund may invest in securities with variable or floating profit rates or dividend payments. Variable or floating rate securities bear rates of profit that are adjusted periodically according to formulae intended to reflect market rates of profit. These securities allow the Fund to participate in increases in interest rates through upward adjustments of the coupon rates on such securities. However, during periods of increasing interest rates, changes in the coupon rates may lag the change in market rates or may have limits on the maximum increase in coupon rates. Alternatively, during periods of declining interest rates, the coupon rates on such securities readjust downward and this may result in a lower yield.

7.3.16 New Issues

The Fund may invest in new Sukuk and fixed income issues. The prices of securities involved in new Sukuk and fixed income issues are often subject to greater and more unpredictable price changes than more established securities. Furthermore the Fund may bid for a larger than desired allocation of a new issuance that is deemed over-subscribed and unexpectedly receive more or less of an allocation than initially desired.

7.3.17 Extension Risk

During periods of rising profit and interest rates, the average life of certain types of securities may be extended because of slower-than-expected principal payments. This may lock in a below-market profit and interest rate, increase the security’s duration, and reduce the value of the security. Extension risk may be heightened during periods of adverse economic conditions generally, as payment rates decline due to higher unemployment levels and other factors.

7.3.18 Security Ratings

The Fund may invest in investment grade securities, however, where such security is subsequently downgraded it may continue to be held in order to avoid a distressed sale. To the extent that such fund does hold such securities, there will be an increased risk of default on repayment, which in turn translates into a risk that the capital value of the Fund will be affected. Investors should be aware that the yield or the capital value of the Fund (or both) could fluctuate.

7.3.19 Concentration Risk

The Fund’s investments may be concentrated in by country, region, industry or group of countries or industries, and accordingly may be more susceptible to any single economic, market, political or regulatory occurrence affecting that country, region, industry or group of countries or industries. The Fund may then be more susceptible to greater price volatility when compared to a more diverse fund. This could lead to a greater risk of loss to the value of your investment.

7.3.20 Global Securities

Investing in securities on a global basis involves special risks and considerations. Unitholders should consider carefully the substantial risks involved for funds that invest in securities issued by companies and governments on a global basis. These risks include: differences in accounting, auditing and financial reporting standards; the possibility of nationalisation, expropriation or confiscatory taxation; adverse changes in investment or exchange control regulations; and political instability. Individual foreign economies may differ favourably or unfavourably from an investor’s economy in such respects as growth of gross domestic product, rates of inflation, capital reinvestment, resources, self-sufficiency and balance of payments position. The securities markets, values of securities, yields and risk associated with certain securities markets may change independently of each other. Also, certain securities and dividends and profit

payable on those securities may be subject to foreign taxes, including taxes withheld from payments on those securities. Global securities may trade with less frequency and volume and therefore may exhibit greater price volatility. Investments in securities on a global basis may also involve higher custodial costs than domestic investments and additional transaction costs with respect to foreign currency conversions. Holders of sovereign Sukuk and fixed income securities may be requested to participate in the rescheduling of such securities. In addition, there is no clear bankruptcy proceeding by which defaulted sovereign securities may be collected.

7.3.21 Euro and Eurozone risk

The deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, has exacerbated the global economic crisis. Concerns persist regarding the risk that other Eurozone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Italy, Ireland, Spain and Portugal. This situation as well as the United Kingdom's Brexit referendum have raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Eurozone. The departure or risk of departure from the Euro by one or more Eurozone countries could lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of a fund's investments whether it is in the Eurozone or otherwise.

7.3.22 Emerging Markets

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of any fund's acquisition or disposal of securities. Practices in relation to the settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because a fund will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if a fund is unable to acquire or dispose of a security. In certain emerging markets, registrars are not subject to effective government supervision nor are they always independent from issuers. Investors should therefore be aware that the Fund could suffer loss arising from these registration problems.

The Fund Manager has broad discretion to identify and invest in countries that the Fund Manager considers qualifying as emerging securities markets. In making investments in emerging markets securities, a fund emphasises countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and the developing countries of Europe.

Additional risks of emerging markets securities may include: greater social, economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organised and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement problems may cause a fund to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security. Such a delay could result in possible liability to a purchaser of the security.

7.3.23 Sukuk / Fixed Income Securities Issued by Financial Institutions

Sukuk / fixed income securities issued by a financial institution may be subject to the risk of a write down or conversion (i.e. “bail-in”) by a relevant authority in circumstances where the financial institution is unable to meet its financial obligations. This may result in Sukuk and/or fixed income securities issued by such financial institution being written down (to zero), converted into equity or alternative instrument of ownership, or the terms of the Sukuk and/or fixed income securities may be varied.

7.3.24 High Yield Risk and Junk-Rated Securities

Securities rated lower than Baa3 by Moody’s or lower than BBB- by S&P or equivalently rated by Fitch are sometimes referred to as “high yield” or “junk” bonds. Investing in high yield securities and securities of distressed companies (including both debt and equity securities) involves special risks in addition to the risks associated with investments in higher-rated fixed income securities. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities and securities of distressed companies typically entail greater potential price volatility and may be less liquid than higher-rated securities. High yield securities and debt securities of distressed companies may be regarded as predominately speculative with respect to the issuer’s continuing ability to meet principal and profit payments. Issuers of high yield and distressed company securities may be involved in restructurings or bankruptcy proceedings that may not be successful. Analysis of the creditworthiness of issuers of debt securities that are high yield or debt securities of distressed companies may be more complex than for issuers of higher quality debt securities.

High yield securities and debt and fixed income securities of distressed companies may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. The prices of these securities have been found to be less sensitive to interest-rate changes than higher-rated investments, but more sensitive to adverse economic downturns or individual corporate developments. A projection of an economic downturn, for example, could cause a decline in prices of high yield securities and debt securities of distressed companies because the advent of a recession could lessen the ability of a highly leveraged company to make principal and interest payments on its debt securities, and a high yield security may lose significant market value before a default occurs. If an issuer of securities defaults, in addition to risking payment of all or a portion of interest and principal, the funds by investing in such securities, may incur additional expenses to seek recovery of their respective investments. In the case of securities structured as zero-coupon or pay-in-kind securities, their market prices are affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities which pay interest periodically and in cash.

In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high yield and distressed company securities, especially in a thinly-traded market. When secondary markets for high yield and distressed company securities are less liquid than the market for other types of securities, it may be more difficult to value the securities because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is less reliable, objective data available.

The use of credit ratings as the sole method of evaluating high yield securities can involve certain risks. For example, credit ratings evaluate the safety of principal and profit payments of a debt security, not the market value risk of a security. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was last rated.

7.3.25 Illiquidity of Sukuk and Fixed Income Securities Close to Maturity

There is a risk that bonds which are nearing maturity may become illiquid. In such cases, it may become more difficult to achieve fair value on the purchase and sale thereof.

7.3.26 Operational Risk

An investment in the Fund, like any fund, can involve operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, failure in systems and technology, changes in personnel and errors caused by third-party service providers. The occurrence of any of these failures, errors or breaches could result in a loss of information, business or regulatory scrutiny, or other events, any of which could have a material adverse effect on the Fund. While the Fund seeks to minimize such events through controls and oversight, there may still be failures that could cause losses to the Fund.

7.3.27 Management Risk

The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund Manager will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these will produce the desired results. Certain securities or other instruments in which the Fund seeks to invest may not be available in the quantities desired. In such circumstances, the Investment Adviser may determine to purchase other securities or instruments as substitutes. Such substitute securities or instruments may not perform as intended, which could result in losses to the Fund. To the extent a fund employs strategies targeting perceived pricing inefficiencies, arbitrage strategies or similar strategies, it is subject to the risk that the pricing or valuation of the securities and instruments involved in such strategies may change unexpectedly, which may result in reduced returns or losses to such fund. Additionally, legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to the Fund Manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment objective.

7.3.28 New / Small Fund Risk

A new or smaller fund's performance may not represent how the fund is expected to or may perform in the long-term if and when it becomes larger and has fully implemented its investment strategies. Investment positions may have a disproportionate impact (negative or positive) on performance in new and smaller funds. New and smaller funds may also require a period of time before they are fully invested in securities that meet their investment objectives and policies and achieve a representative portfolio composition. Fund performance may be lower or higher during this "ramp-up" period, and may also be more volatile, than would be the case after the fund is fully invested. Similarly, a new or smaller Fund's investment strategy may require a longer period of time to show returns that are representative of the strategy. New funds have limited performance histories for investors to evaluate and new and smaller funds may not attract sufficient assets to achieve investment and trading efficiencies. If a new or smaller fund were to fail to successfully implement its investment strategies or achieve its investment objective, performance may be negatively impacted, and any resulting liquidation could create negative transaction costs for the Fund and tax consequences for investors.

7.3.29 Taxation Risk

The tax position of Investors in the Fund may differ according to each Investor's particular financial and tax situations. The tax structuring of the Fund or the Fund's Investments may not be tax efficient for all Investor given that amounts distributed or allocated to Investors may have particular characteristics and no assurance can be given that any specific tax treatment will be enjoyed. Prospective Investors should consult their own tax adviser in this regard. Neither the Fund Manager or the Fund Company, nor any of its affiliates, officers, directors, members, partners, employees, advisers or agents can take responsibility in this regard.

While it is intended to structure the Fund's Investments in a manner that is intended to achieve the Fund objectives, there can be no guarantee that the structure of any investment will be tax efficient for a particular Unitholder or that any particular tax result will be achieved.

The Fund may be liable to pay taxes, duties or any other type of government levy, on its security investments in the respective jurisdiction/country where the purchased security is listed. These may be applicable at the time of purchase or sell or at the time of receiving any dividends or interests and/or any other corporate action. The rate at which such tax/duty/levy is paid may increase or decrease in the future thus impacting the returns of the Fund. Please see below for further taxation risks.

Prospective investors and Unitholders should be aware that they may be required to pay income tax, withholding tax, capital gains tax, wealth tax, stamp taxes or any other kind of tax on distributions or deemed distributions of the Fund, capital gains within the Fund, whether or not realised, income received or accrued or deemed received within the Fund, etc. The requirement to pay such taxes will be according to the laws and practices of the country where the Units are purchased, sold, held or redeemed, the country of residence or nationality of the Unitholder and any other relevant jurisdiction from time to time; such laws and practices may change from time to time. Any change in applicable taxation legislation could affect (i) the Fund's ability to achieve its investment objective, (ii) the value of the Fund's investments or (iii) the ability to pay returns to Unitholders or alter such returns. Any such changes, which could also be retroactive, could have an effect on the validity of the information stated herein based on current tax law and practice. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Fund will endure indefinitely. If, as a result of the status of a Unitholder, the Fund, the Fund Manager or an underlying fund becomes liable to account for tax, in any jurisdiction, including any interest or penalties thereon, the Fund shall be entitled to deduct such amount from any payment(s) made to such Unitholder, and/or to compulsorily redeem or cancel such number of Units held by the Unitholder or the beneficial owner of the Units for the purposes of obtaining sufficient monies to discharge any such liability. The relevant Unitholder shall indemnify and keep the Fund indemnified against any loss arising to the Fund by reason of the Fund becoming liable to account for tax and any interest or penalties thereon on the happening of an event giving rise to a tax liability including if no such deduction, appropriation or cancellation has been made. Unitholders and prospective investors' attention is drawn to the taxation risks associated with investing in the Fund. Any change in the Fund's tax status, or in taxation legislation, could affect the value of the Investments and the Fund's ability to achieve its investment objective or alter the post-tax returns to Investors. Each Investor should carefully review and evaluate its own taxation position by consulting an independent professional adviser.

7.3.30 Foreign Account Tax Compliance Act

The foreign account tax compliance provisions ("FATCA") of the Hiring Incentives to Restore Employment Act 2010 which apply to certain payments are essentially designed to require reporting of Specified US Person's direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service, with any failure to provide the required information resulting in a 30% US withholding tax on direct US investments (and possibly indirect US investments). In order to avoid being subject to US withholding tax, both US investors and non-US investors are likely to be required to provide information regarding themselves and their investors. To the extent the Fund however suffers US withholding tax on its investments as a result of FATCA, or is not in a position to comply with any requirement of FATCA, the Administrator acting on behalf of the Fund may take any action in relation to a Unitholder's investment in the Fund to redress such non-compliance and/or ensure that such withholding is economically borne by the relevant Unitholder whose failure to provide the necessary information or to become a participating foreign financial institution or other action or inaction gave rise to the withholding or noncompliance, including compulsory redemption of some or all of such Unitholder's holding of Units in the Fund. Unitholders will be required to provide certifications as to their non-U.S. tax status, together with such additional tax information as the Administrator may from time to time request. Failure to furnish requested information or (if applicable) satisfy its own FATCA obligations may subject a Unitholder to liability for any resulting withholding taxes, U.S. information reporting and mandatory redemption of such Unitholder's Units in the Fund. Unitholders and prospective investors should consult

their own tax advisor with regard to US federal, state, local and non-US tax reporting and certification requirements associated with an investment in the Fund.

7.3.31 Common Reporting Standard

The Fund Company and/or the Fund may be required to obtain and report certain confidential information relating to the Unitholders and in some cases its beneficial owners (including, without limitation, disclosing the identity, tax residence, tax identification number and Common Reporting Standard (CRS) classification of the Unitholder and/or its beneficial owners) to the regulatory authorities in order to enable the Fund Company to fulfil its own legal obligations under the CRS, which in May 2016 Bahrain committed to. The CRS is a way for countries to automatically exchange information about non-residents holding bank accounts and other financial accounts offshore. CRS has been developed by the Organisation for Economic Cooperation and Development (OECD) and provides a framework for countries to obtain information from their financial institutions and automatically exchange that information with other countries. Unitholders will through their subscription be asked to acknowledge the potential disclosure requirements under CRS in relation to their information.

7.3.32 GDPR Related Risk

Under the GDPR, data controllers are subject to additional obligations including, amongst others, accountability and transparency requirements whereby the data controller is responsible for, and must be able to demonstrate compliance with the rules set down in the GDPR relating to data processing and must provide data subjects with more detailed information regarding the processing of their personal data. Under the GDPR, data subjects are afforded additional rights, including the right to rectify inaccurate personal information, the right to have personal data held by a data controller erased in certain circumstances and the right to restrict or object to processing in a number of circumstances. The implementation of GDPR may result in increased operational and compliance costs being borne directly or indirectly by an underlying fund or the Fund. Further there is a risk of non-compliance by the Fund or its service providers and as such the Fund or its service providers could face significant administrative fines.

7.3.33 Cyber Security Risk

As the use of technology has become more prevalent in the course of business, funds have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause a fund to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause a fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to a fund's digital information systems (e.g. through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e. efforts to make network services unavailable to intended users). In addition, cyber security breaches of a fund's third party service providers or issuers that a fund invests in can also subject a fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, there are risk management systems designed to reduce the risks associated with cyber security which the Fund will implement. However, there is no guarantee that such efforts will succeed, especially since the funds do not directly control the cyber security systems of issuers or third party service providers.

7.3.34 Complaints Procedure

All queries and any complaints should be addressed to clients@sicobank.com

Annexure 1

In accordance with applicable CBB regulations, this Annexure lists the Transaction Documents, and all other documents constituting the Fund:

1. **Form of Subscription Agreement;**
2. **Fund Management Agreement;**
3. **Instrument;**
4. **Articles;**
5. **Administration and Registrar Agreement;**
6. **Custodian Agreement;**
7. **Investment Advisory Agreement;**
8. **Shari'ah Advisory Agreement;**
9. **Fatwa from the Shari'ah Advisors;**
10. **Placement Agreements for Bahrain, Kuwait and Saudi Arabia; and**
11. **External Auditor Agreement.**

These documents are available for review free of charge at the offices of SICO Fund Services B.S.C.(c), BMB Centre, 4th Floor, P.O. Box 20233, Manama, Kingdom of Bahrain.

Annexure 2

This Annexure sets out the third-party service providers and advisor fees which shall be the responsibility of the Fund:

1. **Administrator Fees**

The fee for the Administrator has been agreed and set out in the Administration and Registrar Agreement. The fee may change from time to time.

2. **Custodian Fees**

The fee for the Custodian has been agreed and set out in the Custodian Agreement. The fee may change from time to time.

3. **Registrar Fees**

The fee for the Registrar has been agreed and set out in the Administration and Registrar Agreement. The fee may change from time to time.

4. **External Auditor Fees**

The fee for the External Auditor has been agreed and set out in the External Auditor Agreement. This fee may change from time to time.

5. **Shari'ah Advisor Fees**

The fee for the Shari'ah Advisor has been agreed and is set out in the Shari'ah Advisory Agreement. This fee may change from time to time.

6. **Investment Advisor Fees**

The fee for the Investment Advisor has been agreed and is set out in the Investment Advisory Agreement and is described in this Private Placement Memorandum at section 5.17 (Management Fees).

