

The shares of US\$0.01 each (the "**A Class Ordinary Shares**", as defined more fully below) in the capital of The EFG-Hermes Middle East and Developing Africa Fund Limited (the "**Company**") issued or available for issue were admitted to listing on the Official List of the Dubai Financial Market (the "**DFM**") on 8 February 2003.

The Directors of the Company, whose names appear under the Directory section of this Explanatory Memorandum, accept responsibility for the information contained in this Explanatory Memorandum. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything which is likely to affect the import of such information. The Directors accept responsibility accordingly.

---

## **THE EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED**

(an exempted company incorporated with limited liability  
under the laws of Bermuda with registered number 25155)

### **A FEEDER FUND INTO FIM MENA HORIZON FUND**

*Manager:*

#### **Frontier Investment Management Partners Ltd.**

(a company limited by shares incorporated in the  
Dubai International Financial Centre with registered number 0742)

---

This Explanatory Memorandum should be read in conjunction with (i) the most recently available annual report and audited accounts of the Company and (if more recent) the most recently available unaudited interim report and accounts and (ii) the Prospectus of FIM MENA Horizon Fund (as may be amended or supplemented from time to time). This Explanatory Memorandum replaces and overrides any other explanatory memorandum or share offer document issued by or on behalf of the Company prior to the Publication Date.

**The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") and, subject to certain exceptions, may not be offered, sold, transferred or delivered, directly or indirectly, in the United States of America, or to or for the account of U.S. Persons (as defined in Regulation S of the 1933 Act). Accordingly, the Ordinary Shares are being offered outside the United States pursuant to the exemption from registration under Regulation S under the 1933 Act and may be offered inside the United States pursuant to the exemption from registration under Regulation D under the 1933 Act. The Ordinary Shares are being offered in the United States in transactions not involving any public offering only to persons who are both (a) "accredited investors" (as defined in Regulation D under the 1933 Act) and (b) "qualified purchasers" (as defined in Section 2 (a) (51) of the United States Investment Company Act of 1940, as amended (the "1940 Act"), and related rules in reliance on exemptions from the registration requirements of the 1933 Act and the 1940 Act. The Company has not been and will not be registered under the 1940 Act nor has this Explanatory Memorandum been filed with or reviewed by the U.S. Securities and Exchange Commission or any U.S. federal or state agency. Neither the U.S. Securities and Exchange Commission nor any state or federal agency has passed upon the accuracy or adequacy of this Explanatory Memorandum or endorsed the merits of this offering. The Ordinary Shares have not been recommended by any U.S. federal or state securities commission or any U.S. regulatory authority. Any representation to the contrary is a criminal offence in the United States.**

**The Company is an unregulated collective investment scheme for the purpose of the Financial Services and Markets Act 2000 ("FSMA"), the promotion of which in the United Kingdom is restricted by Section 238 of the FSMA. No Ordinary Shares in the Company may be offered or sold in the United Kingdom by an authorised person by means of this Explanatory Memorandum other than in accordance with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (SI 2001/1060), or the conduct of business rules of the United Kingdom Financial Services Authority's New Conduct of Business Sourcebook (and in particular COBS 4.12 thereof). Except as described above, no communication, including this Explanatory Memorandum, made or issued in connection with Ordinary Shares in the Company may be passed on to any person in the United Kingdom; except in accordance with the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) (the "Order").**

<p><b>The content of this Explanatory Memorandum has not been approved by an authorised person within the meaning of the FSMA. Reliance on this Explanatory Memorandum for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested.</b></p>
--

**This Explanatory Memorandum is exempt from the general restriction (in Section 21 of the FSMA) on the communication of invitations or inducements to engage in investment activity on the ground that it is directed only at (i) persons outside the United Kingdom; or (ii) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Order; or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or (iv) certified high net worth individuals as defined in Article 48 of the Order.**

The requirements that must be met for an individual to be certified as a certified high net worth individual are that such person had, during the immediately preceding financial year, an annual income to the value of £100,000 or more or net assets to the value of £250,000 or more. Net assets for these purposes do not include: (i) the property which is his primary residence or any loan secured on that residence; (ii) any rights of his under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or (iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of his service or on his death or retirement and to which he is (or his dependents are), or may be, entitled.

**Persons of any other description to the above in the United Kingdom may not receive and should not rely on or act upon this communication or any other marketing materials relating to the Company. Any investment or investment activity to which this communication relates is only available to and will only be engaged in with such persons and persons within the United Kingdom who receive this communication.**

**Any individual who is in any doubt about the investment to which the communication relates should consult an authorised person specialising in advising on investments of the kind in question.**

This Explanatory Memorandum amends and restates the Explanatory Memorandum dated 18 January 2016 and is dated 2 January 2018

## **IMPORTANT INFORMATION FOR INVESTORS**

No broker, dealer or other person has been authorised by the Company, its Directors or the Manager to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of Ordinary Shares other than those contained in this Explanatory Memorandum and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company, its Directors or the Manager.

This Explanatory Memorandum does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for, or otherwise acquire, any Ordinary Shares by any person in any jurisdiction:

- (a) in which such offer or invitation is not authorised;
- (b) in which the person making such offer or invitation is not qualified to do so; or
- (c) to any person to whom it is unlawful to make such offer or invitation.

The Ordinary Shares may not be purchased by persons under the age of 21.

Permission under the Exchange Control Act 1972 of Bermuda, as amended (and regulations made thereunder) has been obtained from the Bermuda Monetary Authority (the "**Authority**") for the issue (and subsequent transfer) of the Ordinary Shares being offered pursuant to this Explanatory Memorandum to persons not resident in Bermuda for Exchange Control purposes. The Company has been authorised as a Bermuda standard fund under the Investment Funds Act 2006 of Bermuda, as amended. In addition, a copy of this Explanatory Memorandum has been delivered to the Registrar of Companies in Bermuda (the "**Bermuda Registrar**") for filing pursuant to the Companies Act 1981 of Bermuda, as amended. Authorisation by the Authority does not constitute a guarantee by the Authority as to the performance or creditworthiness of the Company. Furthermore, in authorising such a fund the Authority shall not be liable for the performance of the Company or the default of its operators or service providers, nor for the correctness of any opinions or statements expressed with regard to them.

Neither the admission of the Ordinary Shares of the Company to the DFM nor any approval of this Explanatory Memorandum pursuant to the listing requirements of the DFM shall constitute a warranty or representation by the DFM as to the competence of service providers or any other party connected with the Company, the adequacy of information contained in this Explanatory Memorandum or the suitability of the Company for investment purposes.

## **SPECIAL NOTICE TO FLORIDA INVESTORS**

THE FOLLOWING NOTICE IS PROVIDED TO SATISFY THE NOTIFICATION REQUIREMENT SET FORTH IN SUBSECTION 11(A)(5) OF SECTION 517.061 OF THE FLORIDA STATUTES, 1987, AS AMENDED:

UPON THE ACCEPTANCE OF FIVE (5) OR MORE FLORIDA INVESTORS, AND IF THE FLORIDA INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE 1940 ACT, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE ACT), THE FLORIDA INVESTOR ACKNOWLEDGES THAT ANY SALE OF ORDINARY SHARES TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE ISSUER, OR AN AGENT OF THE ISSUER, OR WITHIN

THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

### **ENFORCEMENT OF JUDGMENTS**

The Company is a company incorporated under the laws of Bermuda. The majority of the Company's assets are located outside the United States. Two of the Directors are citizens and residents of the United States but none of the other Directors are United States citizens or residents. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce outside the United States judgments obtained against the Company or such persons in the United States, including without limitation judgments based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Bermuda. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under US securities laws.

**Prospective investors should not treat the contents of this Explanatory Memorandum as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to:**

- (a) **the legal requirements within their own countries for the purchase, holding, redemption or other disposal of Ordinary Shares;**
- (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 Ordinary Shares.**

**Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax and related matters concerning the Company and any investment therein.**

**Prospective investors should be aware that investment in the MENA countries carries a significant degree of risk. The Company is only suitable for investment by investors who are aware of and understand the risks involved and are able to withstand the loss of their invested capital. Prospective investors are referred to the Risk Factors section for a summary of certain of the risks involved.**

**All parties shall resolve conflicts of interest that arise on an equitable basis having regard to their contractual obligations to the Company and other clients. Should a material conflict of interest actually arise, the Directors will endeavour to ensure that it is resolved fairly.**

## TABLE OF CONTENTS

<b>Headings</b>	<b>Page</b>
<b>DEFINITIONS</b>	6
SUMMARY	10
RISK FACTORS	14
IMPORTANT INFORMATION	27
DIRECTORY	39
INFORMATION ON THE COMPANY	41
INVESTMENT POLICY	43
MANAGEMENT AND ADMINISTRATION	45
APPLICATIONS AND REDEMPTIONS	50
DISTRIBUTION POLICY	58
FEES AND EXPENSES	59
TAXATION	61
ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS	72
GENERAL INFORMATION	76

## DEFINITIONS

The following definitions apply throughout this Explanatory Memorandum:

- "A Class Ordinary Shares"** means the shares of the Company (previously defined as Ordinary Shares) currently in issue and which are to be issued which carry, among other things, certain obligations in respect of the Management Fee as set out in the Fees and Expenses section of this Explanatory Memorandum
- "Administration Agreement"** means the agreement between the Company and the Administrator, the material terms of which are set out in the General Information section of this Explanatory Memorandum
- "Administrator"** means HSBC Securities Services (Bermuda) Limited, a company incorporated and established under the laws of Bermuda and having its registered office at 6 Front Street, Hamilton HM 11, Bermuda
- "Auditor"** means Deloitte & Touche Middle East (Bahrain)
- "Business Day"** means any day on which banks in Bahrain and Bermuda are open for normal banking and foreign exchange business
- "Bye-laws"** means the memorandum of association and bye-laws of the Company, as may be amended from time to time
- "Company"** means The EFG-Hermes Middle East and Developing Africa Fund Limited, a company incorporated and established under the laws of Bermuda on 30 June 1998 with registered number 25155 and whose registered office is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda
- "C Class Ordinary Shares"** means the shares of the Company to be issued which carry, among other things, certain obligations in respect of the Management Fee as set out in the Fees and Expenses section of this Explanatory Memorandum
- "Classes"** means classes of Ordinary Shares in the Company at any time and "Class" should be construed accordingly
- "Custody Agreement"** means the agreement between the Company and the Global Custodian, the material terms of which are set out in the General Information section of this Explanatory Memorandum
- "Dealing Cut-Off"** means close of business Bahrain time on a Business Day which is two Business Days prior to the Valuation Day
- "DFM"** means the Dubai Financial Market
- "Directors"** means the members of the board of directors of the Company
- "Distribution Fee"** means the fee payable by the Company to the Manager in respect

of the issue of C Class Ordinary Shares and in accordance with the Management Agreement effective 1 May 2008 between the Company and the Manager, as novated by a Novation Agreement dated 2 January 2018, such fees being more detailed under the section headed "Fees and Expenses" of this Explanatory Memorandum

- "Dividend Reinvestment Plan"** means the dividend reinvestment plan as described in the Distribution Policy section of this Explanatory Memorandum
- "Front End Charge"** means a charge of up to 2 percent of the total Subscription Price paid by an applicant for A Class Ordinary Shares payable to the Placing Agent by whom such A Class Ordinary Shares were placed, such charge to be waived in full or in part at the discretion of the Manager
- "FSMA"** means the Financial Services and Markets Acts 2000, as may be amended from time to time
- "Global Custodian"** means HSBC Bank Middle East Limited a limited liability company incorporated in Jersey and regulated by the Jersey Financial Services Commission with registration number 85600, acting through its branch in Bahrain appointed as the Custodian of the Company in accordance with the Custody Agreement or such other entity appointed to act in such capacity from time to time by the Company
- "Global Custody Fee"** means the fee payable by the Company to the HSBC Group, such fee being more detailed under the section headed "Fees and Expenses" of this Explanatory Memorandum
- "HSBC Group"** means HSBC Bank Middle East Limited and HSBC Securities Services (Bermuda) Limited and its subsidiaries and affiliates
- "Initial Offer"** means the initial offer of A Class Ordinary Shares (previously named Ordinary Shares) which closed in July 1999
- "KYC" or "Know Your Customer"** means the 'know your customer' due diligence required under the laws of Bermuda (and any other applicable jurisdiction) and policy and relevant guidelines to verify the identity of the Shareholders and ascertain the nature of their business
- "Law of 2007"** means the Luxembourg law of 13 February 2007 relating to specialised investment funds, as amended from time to time
- "Management Agreement"** means the agreement between the Company and the Manager, the material terms of which are set out in the General Information section of this Explanatory Memorandum
- "Management Fee"** means the fee payable by the Company to the Manager in accordance with the Management Agreement, such fee being more detailed under the section headed "Fees and Expenses" of

this Explanatory Memorandum

<b>"Manager"</b>	means Frontier Investment Management Partners Ltd., operating under the trading name FIM Partners, a company incorporated in the Dubai Financial Centre with registered number 742 and regulated by the Dubai Financial Services Authority, and whose registered address is at Unit - Unit 10 , Floor-4, Currency House - Building 1, Dubai International Financial Centre, Dubai, 482011, United Arab Emirates
<b>"Master Fund"</b>	means FIM Mena Horizon Fund, an open-ended investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualifies as a société d'investissement à capital variable – fonds d'investissement spécialisé (SICAV-SIF). The Master Fund is authorised as an undertaking for collective investment under the Law of 2007
<b>"MENA"</b>	means Middle East and North Africa countries ("MENA countries") including, but not limited to Turkey, Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan, Lebanon Tunisia and Morocco
<b>"Money Laundering Regulations"</b>	means the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 of Bermuda, as amended from time to time
<b>"NAV" or "Net Asset Value"</b>	means the net asset value of the Company or per Ordinary Share of the relevant class, as the context may require, calculated as described in the Applications and Redemptions section of this Explanatory Memorandum
<b>"OECD"</b>	means The Organisation for Economic Co-operation and Development
<b>"Ordinary Shares"</b>	means ordinary shares of US\$0.01 each in the Company, being either A Class Ordinary Shares or C Class Ordinary Shares, as the relevant context requires
<b>"Placing Agent"</b>	means any distributor or placing agent retained by the Company from time to time for the purpose of placing of Ordinary Shares in the Company
<b>"Performance Fee"</b>	means the performance fee payable by the Company to the Manager in respect of each Ordinary Share in issue/outstanding, such fee being more detailed under the section headed "Fees and Expenses" of this Explanatory Memorandum
<b>"Publication Date"</b>	means 2 January 2018
<b>"Redemption Day"</b>	means the Valuation Day in each week and/or such other Valuation Days as the Directors determine to permit redemptions

<b>"Redemption Price"</b>	means the price at which Ordinary Shares will be redeemable both in respect of redemptions at the option of Shareholders and in respect of compulsory redemptions at the option of the Company and calculated as described in the Applications and Redemptions section of this Explanatory Memorandum
<b>"Registrar"</b>	means HSBC Securities Services (Bermuda) Limited, a company incorporated and established under the laws of Bermuda and having its registered office at 6 Front Street, Hamilton HM 11, Bermuda
<b>"Registrar Agreement"</b>	means the agreement between the Company and the Registrar, the material terms of which are set out in the General Information section of this Explanatory Memorandum
<b>"Resident Representative"</b>	means such individual as may be employed by the Administrator and approved by the Directors from time to time
<b>"Secretary"</b>	means Conyers Corporate Services (Middle East) Limited or such person as may be appointed by the Directors from time to time
<b>"Shareholders"</b>	means the registered holders of Ordinary Shares from time to time
<b>"Subscription Price"</b>	means the price at which Ordinary Shares are being offered as of any Valuation Day being the price calculated as described in the Applications and Redemptions section of this Explanatory Memorandum, plus, in both cases, any applicable Front End Charge
<b>"UCI"</b>	means an undertaking for collective investment under the Law of 2007
<b>"UCITS"</b>	means the European Union Directive - Undertakings for the Collective Investment of Transferable Securities
<b>"Valuation Day"</b>	means Monday of every week (or where Monday of the relevant week is not a Business Day the next Monday that is a Business Day) and/or such other days as the Directors may nominate as a Valuation Day
<b>"Valuation Point"</b>	means 12pm Bahrain time on the Valuation Day or such other time as the Directors may determine from time to time

**In this Explanatory Memorandum references to "US Dollars" or "US\$" are to the lawful currency of the United States of America.**

## SUMMARY

The following summary should be read in conjunction with the full text of this Explanatory Memorandum:

- The Company:** The EFG-Hermes Middle East and Developing Africa Fund is an investment company incorporated in Bermuda for the purpose of providing Shareholders with the opportunity of investing indirectly in the MENA region.
- The Master Fund:** To effect its investment objective, the Company will invest substantially all of its assets through a “master-feeder” fund structure in FIM Mena Horizon Fund (the “**Master Fund**”). The Master Fund is an open-ended investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualifies as a société d’investissement à capital variable – fonds d’investissement spécialisé (SICAV-SIF). The Master Fund is authorised as an undertaking for collective investment under the Law of 2007. Because the Company’s strategy is achieved by investing in the Master Fund, investors in the Company are subject to substantially the same considerations applicable to an investment in the Master Fund, which are discussed in the prospectus of the Master Fund. Accordingly, investors should carefully review such prospectus in its entirety.
- Investment Objective and Policy:** The principal investment objective the Company (through its investment in the Master Fund) is to achieve long term capital appreciation. The Company will invest (through its investment in the Master Fund) primarily in transferable listed securities such as equity securities and fixed income securities of companies (i) incorporated in MENA countries and/or (ii) which have their principal business activities in MENA countries across the market capitalisation spectrum as well as in financial derivative instruments. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity linked notes dealt in either on regulated markets or over-the-counter.
- Prior Placing:** Investors should refer to the latest Net Asset Value information in the marketing materials of the Company and available on request from the Manager, details of whom are set out in the Directory section of this Explanatory Memorandum.
- Subscriptions:** Ordinary Shares may be issued on a weekly basis as of any Valuation Day at prices calculated by reference to the Net Asset Value per Ordinary Share of the relevant class plus, in the case of A Class Ordinary Shares a discretionary Front End Charge of up to 2 percent of the Subscription Price. The minimum investment by an applicant is US\$10,000.

The Company will invest the subscription monies for Ordinary Shares in the Master Fund in return for the issuance of Class USD A Shares the Master Fund.

**Management:** The Manager of the Company is Frontier Investment Management Partners Ltd.

**The Ordinary Shares:** The Ordinary Shares are issued in registered form and rank *pari passu* in all respects. The Ordinary Shares have been accepted for clearance through Euroclear and Clearstream with the common code 9864580.

**Listing:** The A Class Ordinary Shares were admitted to listing on the Official List of the Irish Stock Exchange in July 1999 and were delisted from the Irish Stock Exchange in February 2003 and listed on the DFM on 8 February 2003.

The Company may, at the discretion of the Directors and the Manager, make an application to list the C Class Ordinary Shares on the DFM. There is no guarantee that such application will be made and investors should not rely on such an application being made.

**Transfer Restrictions:** There are limitations on transfers and redemptions of all Ordinary Shares meaning that Ordinary Shares may not be transferred or assigned if the transfer would, in the opinion of the Directors, result in a breach of certain qualification and eligibility criteria as set out in the Bye-laws. In addition, any transfer of Ordinary Shares requires the prior execution by the transferor of a transfer agreement in a form and substance satisfactory to the Company containing representations, warranties and agreements similar to those contained in the subscription agreement and acceptable to the Company.

No transfer of Ordinary Shares may be made if such transfer would in the opinion of the Directors: (i) prejudice the tax status or residence of the Company or any of the Shareholders; (ii) cause the Company or any of its Shareholders to suffer any pecuniary, fiscal or legal or regulatory disadvantage; (iii) cause the Company to require to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply; or (iv) cause the aggregate number of US Persons who are beneficial owners of Ordinary Shares to exceed eighty (or such greater number as the Directors may determine, subject to an overall limit of one hundred) or require registration of the Company as an investment company under the 1940 Act.

**Redemptions:** The Ordinary Shares are redeemable at each weekly Redemption Day, subject to the restrictions and limitations on redemptions referred to in the Applications and Redemptions section of this

Explanatory Memorandum.

Distribution Policy:	<p>The Company distributes its net investment income from interest and dividends annually at the discretion of the Directors. The Company reinvests all of its realised capital gains.</p> <p>Potential investors are free to choose to either receive distributions directly, or to opt to have such distributions automatically reinvested in new Ordinary Shares of the Company.</p>
Taxation:	<p>Under currently prevailing taxation law and practice, no tax (other than the annual registration fee) will be payable by the Company in Bermuda. A summary of the tax position in Bermuda, the United Kingdom and the United States of America appears in the Taxation section of this Explanatory Memorandum</p>
ERISA and Other Plan Investors:	<p>Employee benefit plans subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA) may subscribe for Ordinary Shares in the Company. Investment in the Company of the assets of employee benefit plans, tax-advantaged retirement and welfare accounts and other similar arrangements requires special consideration. Trustees, administrators and other fiduciaries investing assets of such plans and arrangements are urged to carefully review the matters discussed in this Explanatory Memorandum and to consult their own legal advisors. The Company does not intend to permit investments by “benefit plan investors” (as defined in Section 3(42) of ERISA and regulations of the Department of Labor) to equal or exceed 25% of the value of any class of equity in the Company, but reserves the right to do so at any time. See “<i>ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS</i>” for more information.</p>
Custody:	<p>HSBC Bank Middle East Limited has been appointed as the Company’s global custodian.</p>
Accounting, Administration and Registrar Services:	<p>HSBC Securities Services (Bermuda) Limited is the Company’s Registrar and Administrator (in which capacity, among other things, it calculates the Net Asset Value).</p>
Management Fees:	<p>In relation to the issue of A Class Ordinary Shares, the Manager is entitled to a Management Fee accruing weekly, at the rate of 1.4 percent per annum of the Net Asset Value attributable to A Class Ordinary Shares and a Performance Fee of 15 percent of any positive return for the relevant year in excess of a hurdle rate of 10 percent (refer to the Fees and Expenses section of this Explanatory Memorandum for more details).</p> <p>In relation to the issue of C Class Ordinary Share, the Manager is entitled to a Management Fee accruing weekly at the rate of 1.4 percent per annum of the Net Asset Value attributable to C Class Ordinary Shares and a Performance Fee of 15 percent of any</p>

positive return for the relevant year in excess of a hurdle rate of 10 percent. In addition, the Manager is entitled, in relation to the issue of C Class Ordinary Shares, to receive a Distribution Fee accruing weekly at an annual rate of 1 percent of the Net Asset Value attributable to C Class Ordinary Shares (refer to the Fees and Expenses section of this Explanatory Memorandum for more details).

**Front End Charge:**

A Front End Charge of up to 2 percent of the Subscription Price is payable out of the proceeds of the issue of any A Class Ordinary Shares. This Front End Charge is payable to the Placing Agent to whom the relevant A Class Ordinary Shares were placed. The Front End Charge may be waived in whole or in part (at the discretion of the Manager) in respect of persons who assist in placing of A Class Ordinary Shares (whether as principal or agent).

**Other Fees and Expenses:**

In consideration for the services and functions to be performed by the Global Custodian, the Company has agreed to pay to the Global Custodian such fees as may be agreed between them from time to time along with all expenses incurred by the Global Custodian or any other person appointed by it to perform such services and functions. The Company (save as mentioned above) bears all brokerage commissions and other transaction and dealing costs and taxes, and all operational and administrative expenses including the fees of the Registrar and Administrator (refer to the Fees and Expenses section for details of such fees). The cost of obtaining a listing of the A Class Ordinary Shares on the DFM on 8 February 2003 amounted to US\$994 and was borne by the Company. The ongoing cost of maintaining the listing of Ordinary Shares on the DFM is US\$817 per annum. Currently, there is no fee in obtaining a listing of the C Class Ordinary Shares, as the A Class Ordinary Shares are already listed.

**Risk Factors:**

An investment in the Company carries significant risk and should be regarded as long term in nature and is only suitable for investors who understand the risks involved. Investors may not recover monies invested. Potential investors are referred to the Risk Factors section below for a summary of certain of the risks involved.

## **RISK FACTORS**

**Investing in the Company involves certain considerations in addition to the risks normally associated with making investments in securities. The value of the Ordinary Shares may go down as well as up and there can be no assurance that on a redemption, or otherwise, investors will receive back the amount originally invested. Accordingly, the Company is only suitable for investment by investors who understand the risks involved and who are able and willing to withstand the total loss of their investment.**

Before subscribing for Ordinary Shares prospective investors should consult independent qualified sources for investment, legal and tax advice and consider, among other factors, those below:

### **Potential Market Volatility in the MENA region**

The prices of certain securities listed on stock markets in the MENA region have been subject to sharp fluctuations and sudden declines and no assurance can be given as to the future performance of listed securities in general. Volatility of prices may be greater than in more developed stock markets. Prospective investors should therefore be aware that the value of Ordinary Shares and the income derived from them is likely to fluctuate.

### **Foreign Investment Infrastructure**

The infrastructure for the safe custody of security and for purchasing and selling securities, settling trades, collecting dividends, initiating corporate actions, and following corporate activity is not as well developed in all the markets of the MENA region as is the case in certain more developed markets. Additionally, some markets within these regions are developing fast and this can give rise to strains on the investment infrastructure.

### **Corporate Disclosure, Accounting and Regulatory Standards**

Companies in some countries in the MENA region are not subject to disclosure, accounting, auditing and financial standards which are equivalent to those applicable in more developed countries. Such information as is available is often less reliable. There is less rigorous government supervision and regulation. Regulatory regimes relating to foreign investment are still in their infancy in these countries. This may mean that rules are being applied for the first time or inconsistently, which may result, inter alia, in the amount and nature of information available to the Company about investee companies and potential investments being inconsistent from time to time and from company to company. In addition, companies involved in the provision of financial and investment services have only recently been subject to a more developed regulatory regime and, in particular, to restrictions on the disclosure of information. In particular new regulations drafted to impose strict requirements and conditions on such companies, equivalent to those in more developed markets have not all been implemented as yet.

### **Political Climate and Extremism**

Many countries in the MENA region have historically been subject to political instability and their prospects are tied to the continuation of economic and political liberalisation in the region. Instability may result from factors such as government or military intervention in decision-making, terrorism, civil unrest, extremism or hostilities between neighbouring countries. An outbreak of hostilities could result in substantial losses for the Company. Extremist groups in certain countries have traditionally held anti-Western views and are opposed to openness to foreign investments. If these movements gain strength they could have a destabilising effect on the investment activities of the Company.

In addition, the region has recently been exposed to political instability due to violent protests and demonstrations which have led to a regime change in some countries. Such political instability may continue. The unstable geopolitical climate may negatively impact market value, increase market volatility, and affect liquidity, all of which could have an adverse effect on the Company's expected returns. No assurance can be given as to the effect of these events on the value of the Ordinary Shares.

### **Investment in Smaller Companies**

The companies in which the Company invests may include small unlisted companies, and even many of the listed companies in which the Company invests will have a lower market capitalisation than many companies listed in OECD countries. Investment in the securities of smaller companies can involve greater risks than is customarily associated in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

### **Master-Feeder Structure**

The Company will act as a feeder fund and accordingly will generally invest all or substantially all of its assets in the Master Fund. This structure presents certain particular risks to investors. For example, a smaller fund investing in the Master Fund may be materially affected by the actions of a larger fund so investing. If a larger fund invested in the Master Fund redeemed all its shares in the Master Fund, the remaining shareholders invested in the Master Fund may experience higher pro rata operating expenses, thereby providing lower returns. The Master Fund may become less diverse due to the redemption of a larger feeder fund or shareholder, resulting in increased portfolio risk. The use of a Master Feeder structure may also create a conflict of interest in that different tax considerations for the Company and the Master Fund may cause the Master Fund to structure or dispose of an investment in a manner that is more advantageous to one shareholder in the Master Fund. It should also be noted that the Manager of the Company is the investment manager to the Master Fund. Because the Company's strategy is achieved by investing in the Master Fund, investors in the Company are subject to substantially the same considerations applicable to an investment in the Master Fund, which are discussed in the prospectus of the Master Fund. Accordingly, investors should carefully review such prospectus in its entirety.

### **Conflicts of Interest**

Due to the widespread operations undertaken by the Manager and the Directors of the Company and their respective affiliates, employees and agents, conflicts of interest may arise. For example, any such party may promote, manage, advise, sponsor or be otherwise involved in further collective investment vehicles and, in particular there could arise conflicts relating to the allocation of investment opportunities between the Company and such other collective investment schemes or other clients of the Manager. In such circumstances the the Manager has agreed to allocate such opportunities equitably between such clients and the Company. The Manager has agreed to use best efforts to resolve any such conflict fairly. In addition any such party may provide services to, or deal with the Company, as principal or agent. This may include entities related to Directors or the Manager acting as agent or broker in connection with the acquisition and/or disposal of investments by the Company or selling securities to the Company, as principal or agent, where such affiliate is a promoter, sponsor or underwriter or otherwise involved in the distribution of such securities. In all such cases the terms on which such services are provided or upon which such transactions are effected (including brokerage commission rates) shall be no less favourable to the Company than could have been expected had the transaction or service been effected with, by or through an

independent third party. The Manager will report to the Directors, on a half-yearly basis, full details of the volume of brokerage handled by any affiliates of the Manager and entities related to board members as well as the amount of brokerage commission charged.

It should also be noted that the Manager of the Company is the investment manager to the Master Fund. Karim Moussa is a director of the Company and the Manager.

**All parties shall resolve conflicts of interest that arise on an equitable basis having regard to their contractual obligations to the Company and other clients. Should a material conflict of interest actually arise, the Directors will endeavour to ensure that it is resolved fairly.**

### **Business Risk**

There can be no assurance that the Company will achieve its investment objective. The investment results of the Company will be reliant upon the success of the Manager in pursuing the investment objective and investment policy of the Company.

### **General Investment and Trading Risks**

All investments present the risk of loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability of national and international politics and governmental events and changes in income tax laws. Moreover, the Company may have only limited ability to vary its investment portfolio in response to changing economic, financial and investment conditions. The Company's investment programme may utilise a wide variety of investment techniques, including option and margin transactions, short sales, commodity contracts, forwards, futures, swaps and spot contracts. In certain circumstances, trading such instruments can substantially increase the adverse impact to which the Company may be subject. No guarantee can be made that the Company's investments will be successful.

### **Derivatives Risk**

The Company may use derivatives and this may involve risks which are different from and possibly greater than the risks associated with investing directly in securities and traditional instruments. Derivatives are subject to liquidity risk, interest rate risk, market risk and default risk. They also involve the risk of improper valuation and the risk that the changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. The Company, when investing in derivative transactions, may lose more than the principal amount invested.

The Company may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences as part of their investment policy. These instruments can be highly volatile and expose investors to a high degree of loss. The low margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, collateral calls or delays in

collateral recovery. The Company may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the Company could incur an unlimited loss.

### **Forward Contracts**

Forward contracts and options thereon, unlike commodity interests, are not traded on exchanges and are not standardised. Rather, banks and dealers act as principals on these markets and negotiate each contract on an individual basis. Forward and "cash" trading is substantially unregulated. There is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal with the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant durations. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and at which they were prepared to sell.

### **Trading in Options and Swap Agreements**

The prices of all derivative instruments, including options and total returns swaps, are highly volatile. Payments made pursuant to swap agreements also may be highly volatile. Price movements of option contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments and national and international political and economic events and policies. The value of options and swap agreements also depends upon the prices of the debt securities or commodities underlying them. In addition, the Company is also subject to the risk of the failure of any of the exchanges on which they trade or of their clearing houses.

The Company may purchase and sell (write) options. The seller (writer) of a put option which is covered (i.e. the writer has a short position in the underlying asset) assumes the risk of an increase in the market price of the underlying asset above the sales price in establishing the short position of the underlying asset plus the premium received, and gives the opportunity for gain on the underlying asset below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is fully hedged if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying asset below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put options. If the buyer of the put holds the underlying asset, the loss on the put will be offset in whole or in part by any gain on the underlying asset.

The writer of a call option which is covered (e.g. the writer holds the underlying asset) assumes the risk of a decline in the market price of the underlying asset below the value of the underlying asset less the premium received, and gives the opportunity for gain on the underlying asset above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying asset above the exercise price of the asset. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying asset, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying asset.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Company may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including the risks relating to the financial soundness and creditworthiness of the swap counterparty.

### **Short Selling**

Short selling involves the sale of an asset that the Company does not own in the expectation of purchasing the same asset, or an asset which is exchangeable for it, later and at a lower price. To make delivery to the buyer, the Company often must borrow the asset and the Company is obliged to return the asset to the lender, which is accomplished by a later purchase of the asset by the Company. When the Company makes a short sale of an asset on exchange, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or other securities sufficient under current margin regulations to collateralise its obligation to replace the borrowed assets that have been sold. If short sales are made on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the asset, which could result in an ability to cover the short position and a theoretically unlimited loss. The extent to which the Company engages in short sales depends on its investment strategy and perception of market direction. The Company has no policy limiting the amount of capital it may deposit to collateralise its obligations to replace borrowed assets sold short. Short selling involves trading in margin and accordingly can involve greater risk than investments based in a long position. There can be no guarantee that securities necessary to cover a short position will be available for purchase.

### **Debt Securities**

The Company may invest in fixed income securities which may be unrated by a credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Company may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Company may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Company will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk from debt securities involves uncertainty because credit-rating agencies throughout the world have different standards, making comparisons across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

### **Interest Rate Risks**

Interest rate risk refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. Investment with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than investments with shorter durations.

### **Commodity Interests**

Commodity markets are highly volatile and are influenced by factors such as changing supply and demand, governmental programmes and policies, national and international political and economic events and changes in interest rates. In addition, because of low margin deposits normally required in commodity trading, a high degree of leverage is typical of commodity trading. As a result, a relatively small price movement in a commodity may result in substantial losses to the Company. Moreover, commodity positions are marked to market each day and variation margin payments

must be paid to or by the Company. In addition, the Commodity Futures Trading Commission of the US and various exchanges in the US may impose speculative position limits on the number of positions that the Company may hold or control in particular commodities.

### **Leverage**

The low margin deposits normally required in certain investments, for example commodities, may result in an extremely high degree of leverage. In addition, the Company's investment activities in securities and other investments may also be highly leveraged through borrowings. As a result, relatively small price movements may result in substantial losses to the Company and ultimately to its Shareholders. The Company may borrow funds from brokerage firms and banks on behalf of the Company in order to increase the amount of capital available for investment. In addition, the Company may, in effect, borrow funds through entering into repurchase agreements and may leverage investment returns with options, commodity interests, swaps, forwards and other derivative instruments. The amount of borrowings the Company may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates generally and the rates at which the Company can borrow in particular will affect the operating risks to the Company. For example, should the securities pledged to brokers to secure the Company's margin accounts decline in value, the Company could be subject to a margin call pursuant to which the Company must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Company assets, the Company might not be able to liquidate assets quickly enough to pay off its margin debt. There is no leverage limit imposed in respect of the investments made by the Company.

The Company may use borrowing for the purpose of making investments. The use of borrowing creates special risks and may significantly increase the Company's investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Net Asset Value of the Ordinary Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value of the Ordinary Shares may decrease more rapidly than would otherwise be the case.

### **Hedging Transactions**

The Company may utilise the assets in which it invests both for investment purposes and to seek to hedge against fluctuations in the relative values of the Company's portfolio positions as a result of changes in market interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain of the value if the portfolio positions should increase. Moreover, it may not be possible for the Company to hedge against an interest rate fluctuation that is so generally anticipated that the Company is not able to enter into a hedging transaction at the price sufficient to protect the Company from the decline in value of the portfolio position anticipated as a result of such a fluctuation. Further, if the particular hedging strategy does not correlate with a particular investment, the Company's hedging technique could result in a loss, regardless of whether the interest was to reduce risk or increase return.

### **Reverse Repurchase Agreements**

The entering into of reverse repurchase agreement involves certain risks. For example, if the seller of assets underlying a reverse repurchase agreement defaults on its obligation to repurchase the underlying assets, as a result of its bankruptcy or otherwise, the Company will seek to dispose of such assets, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Company's ability to dispose of the underlying assets may be restricted. If the seller fails to repurchase the assets, the Company may suffer a loss to the extent proceeds from the sale of the underlying assets are less than the repurchase price.

### **Over-the-Counter Trading**

Assets that may be purchased or sold by the Company may include assets which are not traded on an exchange. This will include, but is not limited to, swap transactions, forward foreign currency transactions and bonds and other fixed income securities. Over-the-counter options, unlike exchange traded options, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of non-performance by the obligor on such an instrument may be greater and the ease with which the Company can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between bid and asked prices for assets that are not traded on an exchange. Assets not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments and, of the protections afforded to participants in a regulated environment, may not be available in connection with such transactions.

To the extent that the Company engages in these transactions, it must rely on the creditworthiness of its counterparty. In certain instances, counterparty or credit risk is affected by the lack of a central clearing house for foreign exchange trades. To reduce its credit risk exposure, the Company may trade in forward currency markets through money centre banks and leading brokerage firms.

### **Currency and Exchange Rate Risks**

The Company may invest in debt and equity assets denominated in currencies other than US Dollars and also in assets which have their prices determined with reference to currencies other than the US Dollar. The Company though will generally value its assets in US Dollars. To the extent that they are unhedged, the value of the Company's investments shall be in the various local markets and currencies. Thus any increase in the value of the US Dollar compared to the other currencies in which the Company may make investments will reduce the effect of increases and magnify the US Dollar equivalent of the effect of decreases in the prices of the Company's assets in their local markets. Conversely, a decrease in the value of the US Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Company's non-US Dollar assets. The Company may also utilise forward currency contracts and options to hedge against currency fluctuations. There can, however, be no assurance that such hedging transactions will be effective.

The Ordinary Shares are denominated in US Dollars, and, as such, will be issued and redeemed in that currency. Certain assets of the Company may, however, be invested in securities and other investments which are denominated in currencies other than US Dollar. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Manager may seek to hedge the resulting foreign currency exposure of the Company. However, the Company will necessarily be subject to foreign exchange risks. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the US Dollar and such other currencies.

### **Credit Risk and Default Risk**

The Company could lose money if the issuer or granter of a fixed-income security or the counterparty to a derivatives contract or a repurchase agreement does not make timely payments or honour its obligations. Debt instruments are subject to varying degrees of credit risks which are reflected in credit ratings. Debt instruments in the Company's portfolio may range in credit from unrated to investment grade 1 debt.

### **Non-US Exchanges**

The Company will trade on exchanges and markets located outside the US. Trading on exchanges outside the US is not regulated by the SEC or the Commodities Futures Trading Commission and therefore may be subject to greater or different risks than trading on US exchanges. These can include the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments made in non-US securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commission rates and custody fees.

### **Counterparty and Settlement Risk**

Transactions by the Company will not be limited to transactions on, or effected under the rules of, major securities or futures exchanges and it is expected that a significant number of trades will be effected off-exchange, directly with counterparties. The Company will take a credit risk on the parties with which they trade or with which they engage in securities lending, and therefore the Company acting through the Manager will seek to transact only with major established counterparties. The Company will also bear the risk of settlement default by clearing houses and exchanges. Any default will also be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

### **Market Liquidity**

In some circumstances, investments may be relatively illiquid, sometimes as they are subject to legal or contractual restrictions on their resale and sometimes due to a relatively inactive market. This can make it difficult to acquire or dispose of these investments at the prices quoted on the various exchanges and over-the-counter. At times it may be difficult to obtain price quotes at all. Therefore, the Company may be adversely affected by a decrease in market liquidity for the instruments in which they invest and this may impair the Company's ability to adjust its positions subject to delay and administrative uncertainties and it may experience adverse price movements upon liquidation of its investments. In addition, the sale of such assets often requires more time and results in higher brokerage charges and other selling expenses than does the sale of investments which are eligible for trading on exchange or for which there is an active over-the-counter market. The size of the Company's positions may magnify the effect of a decrease in market liquidity for such instruments.

### **Market Risk**

The market price of an investment owned by the Company may go up or down, sometimes unpredictably. The value of an investment may decline due to general market conditions, such as real or perceived adverse economic conditions or general adverse investment sentiment. Investments may also decline in value due to factors which affect a particular market sector.

### **Concentration of Investments**

The Company will invest all of its assets, to the extent not retained in cash, in accordance with the investment objective and investment policy. Although it will be the policy of the Company to diversify its investment portfolio, the Company may at certain times hold relatively few

investments. The Company could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer. Additionally, historical correlations may undergo dramatic change, thereby reducing expected diversification protections.

### **Dependence on the Manager**

Subject to any delegation properly made of its duties, the Manager shall have ultimate responsibility to make all decisions with respect to the investment and trading activities of the Company. Shareholders will not have the opportunity to evaluate fully for themselves the relevant economic, financial and other information regarding the Company's investments. Shareholders will be dependent on the Manager's judgment and abilities. There is no assurance that the Manager will be successful. Accordingly, no person should purchase any Ordinary Shares unless it is willing to entrust all aspects of the trading activities of the Company to the Manager, including such other advisers to whom the Manager may properly delegate its duties.

### **Profit Sharing**

In addition to receiving a Management Fee, the Manager may also receive a Performance Fee based on the appreciation in the Net Asset Value per Ordinary Share and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may create an incentive for the Manager to make investments for the Company which are riskier than would be the case on the absence of a fee based on the performance of the Company.

### **Substantial Fees Payable Regardless of Profit and Transaction Costs**

The Company will incur obligations to pay brokerage commissions, option premiums and other transactional costs to the brokers. They may also incur obligations to pay a weekly Management Fee to the Manager and pay its operating, legal, accounting, auditing, marketing, travel, Directors' and other fees and expenses including the costs of the offering of the Ordinary Shares. These expenses will be payable regardless of whether the Company makes a profit. In addition, a Performance Fee may be paid to the Manager within fourteen days of the end of each fiscal year. Please see the section headed "Fees and Expenses".

The Company's investment approach may involve a high level of trading and turnover of the Company's investments which may generate substantial transaction costs which will be borne by the Company.

### **Amortisation of Organisational Costs**

The Company's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS does not permit the amortisation of organisational costs. Notwithstanding this, the Company may, at the discretion of the Directors, amortise its organisational costs over a period of time and, if it does, the financial statements may be qualified in this regard.

### **Net Asset Value Considerations**

The Net Asset Value per Ordinary Share is expected to fluctuate over time with the performance of the Company's investments. A Shareholder may not recover his initial investment when he chooses to redeem his Ordinary Shares or upon compulsory redemption if the Net Asset Value per Ordinary Share at the time of such redemption is less than the amount he paid on subscription (including any variation due to equalisation) or if there remain any unamortised costs and expenses of establishing the Company.

## **Price Fluctuations**

It should be remembered that the value of the Ordinary Shares and the income (if any) derived from them can go down as well as up.

## **Illiquidity of Ordinary Shares and Limitations on Transfer**

Notwithstanding the application for the listing of the A Class Ordinary Shares and the intended application for listing of C Class Ordinary Shares in the Company, such Ordinary Shares will not be open to trading and it is not expected that any secondary market will develop. In addition, there are limitations on transfers and redemptions of all Ordinary Shares meaning that Ordinary Shares may not be transferred or assigned if the transfer would, in the opinion of the Directors, result in a breach of certain qualification and eligibility criteria as set out in the Bye-laws, including a violation of any applicable securities laws. Further, no transfer of Ordinary Shares may be made if such transfer would in the opinion of the Directors: (i) prejudice the tax status or residence of the Company or any of the Shareholders; (ii) cause the Company or any of its Shareholders to suffer any pecuniary, fiscal or legal or regulatory disadvantage; (iii) cause the Company to require to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply; or (iv) cause the aggregate number of US Persons who are beneficial owners of Ordinary Shares to exceed eighty (or such greater number as the Directors may determine, subject to an overall limit of one hundred) or require registration of the Company as an investment company under the 1940 Act. Transfers of Ordinary Shares are subject to the prior execution, by the transferor, of an executed transfer agreement in a form and substance satisfactory to the Company containing representations, warranties and agreements similar to those contained in the subscription agreement and acceptable to the Company. Investment in the Company is therefore relatively illiquid and involves a high degree of risk. Subscription for Ordinary Shares should be considered only by sophisticated investors who are financially able to maintain their investment and can afford to lose all or a substantial part of their investment in the Company.

## **Limitations on Redemptions**

Ordinary Shares may only be redeemed on the Redemption Days by a Shareholder giving notice no later than close of business (Bahrain time) two Business Days prior to the relevant Redemption Day. Further, in exceptional circumstances the Company may suspend redemptions entirely or delay payment until such time as the exceptional circumstances no longer exist. After the Redemption Day, a redeeming Shareholder is a creditor of the Company and if the Company experiences losses at such time, it is possible that it may have insufficient assets to pay all or even some of the redemption proceeds due to the redeeming Shareholder.

## **Compulsory Redemption**

The Company reserves the right to compulsorily redeem some or all of the Ordinary Shares where the Directors consider that certain Shareholder(s) continuing to hold Ordinary Shares would be detrimental to the pecuniary, taxation, material, legal or regulatory interests of the Company or its Shareholders as a whole. Investors should consider the summary of the compulsory redemption provision in the Applications and Redemptions section of this Explanatory Memorandum.

## **Classes of Ordinary Shares are not Separate Legal Entities**

In the unlikely event that the assets attributable to one class of Ordinary Shares were completely depleted by trading losses and a trading deficit remained, a creditor could enforce a claim against the assets of other classes of Ordinary Shares.

### **Liability and Indemnification of Service Providers**

The Company, Manager, Administrator, Global Custodian and Registrar will not be liable to the Company under certain circumstances. Please see the section headed "Material Contracts".

### **Custodial Risk**

The assets of the Company will generally be held by the Custodian directly or through its agents, sub-custodians, or delegates pursuant to the Custody Agreement. The Custodian may, on the instructions of the Directors, open accounts with any bank or financial institution (including any bank or financial institution which is not a member of the HSBC Group as defined under "Custody" in the section headed "Management and Administration") and instruct the Custodian to place the cash of the Company in such accounts. The Custodian shall control, operate and monitor the bank accounts periodically but will not be responsible or liable to any person whatsoever (including the Directors) in respect of any loss of the cash, securities and/or other assets comprising the assets of the Company held in such accounts or not deposited with or held to the Custodian's order, occasioned by reason of the liquidation, bankruptcy or insolvency of such bank, financial institutions or other persons.

The Custodian may also, on the instructions of the Directors, leave shares in trading accounts in various stock exchanges/depositories for the purchase and sale of investments in the name of the Company where the shares are credited into the trading account. The Custodian shall monitor and reconcile timely and promptly the level of investments held in such trading accounts. However, the Custodian will not be responsible for the loss suffered by the Company for shares held in these trading accounts.

### **Lack of Investment Shareholder Participation**

Shareholders will not have any right or power to take part in the management of the Company, other than in accordance with the Company's Bye-laws, as amended from time to time.

### **Competition**

The investment industry is extremely competitive. In pursuing its investment objectives and policy, the Company will compete with commodities and securities firms, including many of the larger investment advisory and private investment firms and also institutional investors and, in some circumstances, market makers, banks and broker-dealers. In relative terms, the Company may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staff and more investment professionals than the Company has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an asset may be purchased by the Company and the price it expects to receive upon consummation of the transaction.

### **Lack of U.S. Regulatory Oversight**

The Company will seek to qualify for an exemption from the definition of "investment company" under the 1940 Act and will not register as an investment company in the United States under the 1940 Act. Accordingly, the Company will not be subject to the various statutory and SEC regulatory requirements applicable to registered investment companies. For example, the Company is not required to maintain custody of its securities or place its securities in the custody of a bank or a member of a U.S. securities exchange in the manner. The Investment Manager is however registered as an investment adviser with the SEC. As a result, the Investment Manager will be subject to certain reporting requirements, recordkeeping and other obligations as determined from time to time by the SEC. The Manager may also be subject to SEC inspections.

## **Withholding Tax Considerations**

Where the Company invests in securities that are not subject to withholding tax at the time of the acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Company will not be able to recover such withheld tax and so any change would have an adverse effect on the Net Asset Value of the Ordinary Shares. Where the Company sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Company.

## **US Tax Status**

The Company has not requested a ruling from the United States Internal Revenue Service ("**IRS**") or an opinion of legal counsel as to any tax matters, including whether the Company will be treated as a partnership (and not as an association taxable as a corporation) for US federal income tax purposes. Potential investors who are US taxpayers should be aware that the Company made an election, effective 1 September 2009, to be treated as a partnership for US federal income tax purposes and expects to be so treated for US federal income tax purposes. As a result of such election, a US Shareholder (as defined herein) of Ordinary Shares as of the effective date of the election will be taxed annually on its allocable portion of the Company's net realised profits and income, whether or not such amount is distributed to, or redeemed by, the US Shareholder. Because the Company will not make regular cash distributions to Shareholders, a Shareholder may be subject to taxes on income allocated to it but which they have not received. Furthermore, special tax rules apply to certain categories of Shareholders, including Individual Retirement Accounts and other tax-exempt Shareholders. Prior to the election, the Company was treated as a corporation and as a "passive foreign investment company" for US federal income tax purposes. Furthermore, if the election was not effective, the Company would still be treated as a corporation rather than as a partnership for US federal income tax purposes, the Company itself would be taxed on its taxable income at corporate tax rates, there would be no flow-through of items of Company income, gain, loss or deductions to the Shareholders, and Company distributions generally would be taxable as dividends.

## **Benefit Plan Regulatory Risks**

The Directors intend to limit investment by "benefit plan investors" (as described under "ERISA and Other Benefit Plan Considerations") so that the assets of the Company will not constitute the "plan assets" of a Shareholder which is subject to the fiduciary responsibility provisions of Title I of ERISA or to Section 4975 of the Code. Accordingly, the Directors do not anticipate that the Company, the Directors or the Manager will be subject to the fiduciary and other requirements of ERISA, the prohibited transaction rules of ERISA or the Code, or any related requirements with respect to any benefit plan investor. However, if the Company were at any point treated as holding "plan assets" for purposes of ERISA or the Code, the activities of the Company would become subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code, and the operations and investments of the Company may be limited as a result, resulting in a lower return to the Company than might otherwise be the case. Further, in the absence of compliance with ERISA and the prohibited transaction rules of the Code, the Directors or the Manager, could be exposed to litigation, penalties and liabilities which might adversely affect their ability to fully satisfy their obligations to the Company.

## **Regulatory Risks for Investment Funds**

The regulatory environment for investment funds is evolving and changes therein may adversely affect the ability of the Company to obtain the leverage it might otherwise obtain or to pursue its

investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Company. The effect of any future regulatory or tax change in the Company is impossible to predict.

The legislative framework in some markets where the Company may invest is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in debt instruments. Consequently, the courts in such markets may consider that any nominee or custodian as registered holder of securities would have full ownership thereof and that a beneficial owner may have no rights whatsoever in respect thereof.

### **U.S. Reporting and Withholding Requirements relating Foreign Account Tax Compliance Act**

The Company will be required to comply (or be deemed compliant) with extensive new reporting and withholding requirements designed to inform the U.S. Department of the Treasury of U.S.-owned foreign investment accounts. Failure to comply with these requirements will subject the Company to U.S. withholding taxes on certain U.S.-sourced income and gains beginning in 2014. Shareholders may be requested to provide additional information to the Company to enable the Company to satisfy these obligations. Failure to provide such information when requested may subject a Shareholder to liability for any resulting U.S. withholding taxes or U.S. tax information reporting or compulsory redemption of Shares. Detailed guidance as to the mechanics and scope of this new reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Company.

### **Verification and Authenticity**

There may be particular difficulties in establishing the authenticity and verifying the ownership and the validity of debt instruments or participatory notes settled in the MENA region into which the Company may invest.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN THE OFFERING OF SHARES. POTENTIAL INVESTORS SHOULD READ THIS EXPLANATORY MEMORANDUM, THE BYE-LAWS OF THE COMPANY AND THE MATERIAL CONTRACTS IN THEIR ENTIRETY BEFORE DECIDING WHETHER OR NOT TO SUBSCRIBE FOR SHARES.**

## **IMPORTANT INFORMATION**

The attention of existing and potential investors is drawn to the "Risk Factors" section of this Explanatory Memorandum.

Investment in the Company will involve certain risks and special considerations. Existing and potential investors should be able and willing to withstand the loss of their entire investment. The investments of the Company are subject to normal market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur. The price of Ordinary Shares and the income from such Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment.

### **General**

This Explanatory Memorandum has been produced for the purpose of the issue of new A Class Ordinary Shares and C Class Ordinary Shares. In making an investment decision regarding the investment in Ordinary Shares, investors must rely on their own examination of the Company, including the merits and risks involved in an investment in the Ordinary Shares. Ordinary Shares are issued solely on the basis of this Explanatory Memorandum and in accordance with the Subscription Agreement.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice and who understand and are capable of assuming the risks of an investment in this Company and who have sufficient resources to bear any losses which may result therefrom.

No broker, dealer or other person has been authorised by the Company, its Directors, the Manager, the Administrator, the Registrar, the Global Custodian, the HSBC Group or any other party to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of the Ordinary Shares, other than those contained in this Explanatory Memorandum and, if issued, given or made, such advertisement, information or representations must not be relied upon as having been authorised by the Company, its Directors, the Manager, the Administrator, the Registrar, the Global Custodian, the HSBC Group or any other party.

Existing and potential investors should not treat the contents of this Explanatory Memorandum as advice relating to legal, taxation, investment or any other matters. Existing and potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Existing and potential investors must rely upon their own representatives, including their own legal advisors and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Explanatory Memorandum are based on the law and practice currently in force in Bermuda, Dubai International Financial Centre, England and Wales and the United States and are subject to changes therein. Prospective investors should assume that the information appearing in this Explanatory Memorandum is accurate only as of the date on the front cover of this Explanatory Memorandum, regardless of the time of delivery of the Explanatory Memorandum or of any offer or sale of Ordinary Shares. The business, financial condition and prospects of the Company may have changed since that date. The Company expressly disclaims any duty to update this Explanatory Memorandum except as required by applicable law.

This Explanatory Memorandum should be read in its entirety before making any investment in the Company. All prospective Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Bye-laws of the Company.

### **Forward-Looking Statements**

This Explanatory Memorandum includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Explanatory Memorandum and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments invest and, where applicable, issue securities. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward looking statements contained in this Explanatory Memorandum. In addition, even if the investment performance, results of operations, financial condition and liquidity of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this Explanatory Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- (a) the risk factors set out in the section headed "Risk Factors" in this Explanatory Memorandum;
- (b) changes in economic conditions generally and the Company's ability to achieve its investment objective and returns on equity for investors;
- (c) changes in the Company's business strategy and the audited financial history of the Company not being indicative of its future performance;
- (d) the Company's ability to invest the cash on its balance sheet and the proceeds of the issue of Ordinary Shares in suitable investments on a timely basis;
- (e) changes in interest rates and/or credit spreads, as well as the success of the Company's investment strategy in relation to such changes and the management of the uninvested proceeds of any issue of Ordinary Shares;
- (f) impairments in the value of the Company's investments;
- (g) the availability and cost of capital for future investments;
- (h) competition within the industries in which the Company seeks to invest;
- (i) the departure of key members employed by the Manager;
- (j) the termination of, or failure of the Manager to perform its obligations under the Management Agreement with the Company;

- (k) changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company's business or companies in which the Company makes investments; and
- (l) general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Explanatory Memorandum.

Although the Company and the Manager undertake no obligation to revise or update any forward-looking statements contained herein (save where required by any local law or regulation, as the case may be), whether as a result of new information, future events, conditions or circumstances, any change in the Company's or the Manager's expectations with regard thereto or otherwise, Shareholders are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through a regulatory information service or equivalent news service.

### **Selling Restrictions**

This Explanatory Memorandum does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

### **For the attention of Bahraini residents**

The Company (with respect to the C Class Ordinary Shares) has been registered with the Central Bank of Bahrain in accordance with Central Bank regulation. All applications for investment in C Class Ordinary Shares by investors in Bahrain must be made to Takaad Savings and Pension B.S.C, the fund's placement agent in this market.

No invitation to the public to invest in the Ordinary Shares of the Company may be made in the Kingdom of Bahrain, and this Explanatory Memorandum may not be issued, passed or made available to the public generally.

This memorandum is therefore intended only for "accredited investors" as defined in below.

The financial instruments offered by way of private placement may only be offered in minimum subscriptions of USD100,000.

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

The Board of directors and the management of the issuer accept responsibility for the information contained in this Explanatory Memorandum. To the best of the knowledge and belief of the board of directors and the management, who have taken all reasonable care to ensure that such is the case, the information contained in this Explanatory Memorandum is in accordance with the facts and does not omit anything likely to affect the reliability of such information."

The official Central Bank of Bahrain definition of an "Accredited Investor" is as follows:

"a. individuals holding financial assets (either singly or jointly with their spouse) of USD 1,000,000.- or more;

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)."

#### **For the attention of Belgian residents**

This Explanatory Memorandum is not, will not, and has not been submitted for approval by, and no advertising or other offering materials have been filed with the Financial Services and Market Authority (in Dutch: "Autoriteiten voor Financiële Diensten en Markten", or in French: "Autorité des services et marchés financiers"). This Explanatory Memorandum does not constitute a public offering in Belgium. Accordingly, any person who is in possession of this Explanatory Memorandum understands and agrees that no action whatsoever has been taken that would, or is intended to permit, or otherwise result in a public offering in Belgium. Neither this Explanatory Memorandum nor any other advertising or offering materials may be distributed or made available, directly or indirectly, to the public in Belgium and may not be used to solicit, provide advice or information to, or otherwise provoke requests from, the public in Belgium in relation to the offering of any financial instrument described herein.

Any offering in Belgium pursuant to this Explanatory Memorandum is made exclusively on a private basis in accordance with Article 5 of the Belgian Law of 3 August 2012 on certain forms of collective investment undertakings (the "Law of 3 August 2012) and is addressed only to, and subscription will only be accepted from, investors who are both 'professional and institutional investors', as defined by Article 5, § 3 of the Law of 3 August 2012, and as such definitions have been extended by the Belgian Royal Decree.

#### **For the attention of Danish residents**

This Explanatory Memorandum does not constitute a prospectus under Danish securities law and consequently is not required to be nor has been filed with or approved by the Danish Financial Supervisory Authority as this Explanatory Memorandum either (i) has not been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market within the meaning of the Danish Securities Trading Act or any Executive Orders issued pursuant thereto, or (ii) has been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market in reliance on one or more of the exemptions from the requirement to prepare and publish a prospectus in the Danish Securities Trading Act or any Executive Orders issued pursuant thereto. Furthermore, this Explanatory Memorandum does not constitute a prospectus under Danish financial regulation and consequently is not required to be nor has been filed with or approved by the Danish Financial Supervisory Authority as this Explanatory Memorandum has not been prepared in the context of direct or indirect marketing of units in a collective investment scheme comprised by the Danish Investment Association Act or any Executive Orders issued pursuant thereto, under circumstances where the collective investment scheme may not rely on one or more exemptions from the Act. Accordingly, this Explanatory Memorandum may not be made available nor may the Ordinary Shares otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be considered as marketing of the units in Denmark or an offer of the units to the public in Denmark.

#### **For the attention of Dutch residents**

The Ordinary Shares described herein will not, directly or indirectly, be offered, sold, transferred or delivered in the Netherlands, except to or by individuals or entities that are qualified investors

("gekwalificeerde beleggers") within the meaning of Article 1:1 of the Dutch Financial Supervision Act.

**For the attention of Egyptian residents**

The Ordinary Shares to which this Explanatory Memorandum relates have not been, and are not being, publicly offered, sold, promoted or advertised in Egypt. Further, this Explanatory Memorandum does not constitute a public offer of the Ordinary Shares in Egypt and is not intended to be a public offer.

The Egyptian Financial Supervisory Authority (EFSA) does not make any representation as to the accuracy or completeness of this Explanatory Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Explanatory Memorandum. Prospective purchasers of the Ordinary Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Ordinary Shares. If you do not understand the contents of this Explanatory Memorandum you should consult an authorized financial adviser.

**For the attention of Finnish residents**

This Explanatory Memorandum does not constitute an offer to the public in Finland. The Ordinary Shares cannot be offered or sold in Finland by means of any document to any persons other than "Professional Investors" as defined by the Finnish Mutual Funds Act (Fin: Sijoitusrahastolaki, 48/1999), as amended. No action has been taken to authorize an offering of the Ordinary Shares to the public in Finland and the distribution of this Explanatory Memorandum is not authorized by the Financial Supervision Authority in Finland. This Explanatory Memorandum is strictly for private use by its holder and may not be passed on to third parties or otherwise publicly distributed. Subscriptions will not be accepted from any persons other than the person to whom this Explanatory Memorandum has been delivered by the Company or its representative. This Explanatory Memorandum may not include all the information that is required to be included in a prospectus in connection with an offering to the public.

**For the attention of French residents**

The Company is not approved to be marketed in France under Article L. 214-1, II, of the French Monetary and Financial Code and this Explanatory Memorandum has not been submitted to or approved by the Autorité des Marchés Financiers. Therefore the Ordinary Shares of the Company cannot be marketed or distributed in France.

This Explanatory Memorandum does not constitute and may not be construed as an offer of the Ordinary Shares to investors in France.

**For the attention of German residents**

This Explanatory Memorandum, the Ordinary Shares, and the placing of the Ordinary Shares have not been and will not be notified for public distribution in Germany, be registered or otherwise be cleared by the German Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht", "BaFin") or any other competent German authority. This Explanatory Memorandum and the Ordinary Shares may therefore not be offered, distributed, transferred or delivered, directly or indirectly, to persons in Germany except in compliance with applicable private placement restrictions under German law.

Individual sales of the Ordinary Shares to any person in Germany may only be made if, and to the extent that, German securities, tax and other applicable laws and regulations are complied with. The Ordinary Shares may qualify as foreign investment units within the meaning of the German Investment Act and the German Investment Tax Act and investments in the Ordinary Shares may

expose German tax-resident investors to detrimental tax consequences under applicable German tax laws.

**For the attention of residents in Hong Kong**

The Company has not been authorized as a collective investment scheme or otherwise by the Hong Kong Securities and Futures Commission. Accordingly: (i) the Ordinary Shares may not be offered or sold in Hong Kong by means of any document other than to persons that are considered “professional investors” within the meaning of the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder or in other circumstances which do not result in such document being a “prospectus” as defined in the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue, or have in its possession for the purpose of issue, any invitation, advertisement or other document relating to the Ordinary Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors”.

**WARNING: The content of this Explanatory Memorandum has not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering. If you are in any doubt about any content of this Explanatory Memorandum, you should obtain independent professional advice.**

**For the attention of residents of Italy**

This Explanatory Memorandum is solely intended for the individuals to whom it is delivered and may not be considered or used as an offering of Ordinary Shares in the Company in the meaning of, and for the purposes of, section 42 and section 93-bis and seq. of Legislative Decree no. 58 of 24 February 1998, as subsequently amended.

In addition, any person who is in possession of this Explanatory Memorandum understands that the Company has not been and will not be authorized by the Bank of Italy to offer the Ordinary Shares to Italian residents pursuant to section 42 of Legislative Decree no. 58 of 24 February 1998.

Accordingly, the Ordinary Shares may not be offered, sold or delivered and neither this Explanatory Memorandum nor any other offering material relating to the Shares may be distributed or made available to Italian residents. This Explanatory Memorandum cannot be construed as a solicitation by any person to investors in Italy to subscribe for the Ordinary Shares.

Individual sales of the Ordinary Shares to any person in Italy may only be made according to Italian securities, tax and other applicable laws and regulations.

**For the attention of Japanese residents**

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”), and accordingly, the Ordinary Shares will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly in Japan, except pursuant to an exemption from the registration requirement of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

**For the attention of residents in the Kingdom of Saudi Arabia**

This Explanatory Memorandum may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

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

**For the attention of Kuwaiti residents**

This Explanatory Memorandum is not for general circulation to the public in Kuwait. The Ordinary Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Ordinary Shares in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990 and the implementing regulations thereto (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Ordinary Shares is being made in Kuwait, and no agreement relating to the sale of Ordinary Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Ordinary Shares in Kuwait.

**For the attention of residents in Luxembourg**

This Explanatory Memorandum is strictly private and confidential, is being issued to a limited number of institutional investors and high net worth individuals, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient. This offering should not be considered as a public offering in the Grand-Duchy of Luxembourg and the Company is not registered as a foreign undertaking for collective investment with the Luxembourg regulatory authority.

**For the attention of Malaysian residents**

No approval from the Securities Commission of Malaysia is or will be obtained for making available, offering for subscription or purchase or issuing any invitation to subscribe for or purchase Ordinary Shares in Malaysia and neither will this Explanatory Memorandum be, nor has it been, registered by the Securities Commission of Malaysia on the basis that the Ordinary Shares will be issued and offered exclusively to persons outside Malaysia. Accordingly, the Ordinary Shares will not be made available or offered for subscription or purchase or sold, directly or indirectly, in or from Malaysia, and neither this Explanatory Memorandum nor any other offering material or advertisements or other publicity materials in connection with the offering or placing of Ordinary Shares will be issued, circulated, distributed or published in or from Malaysia.

**For the attention of Norwegian residents**

The Company is an open-ended, unregulated investment vehicle and the marketing and sale in Norway of Ordinary Shares are encompassed by the provisions of the Norwegian Securities Funds Act. The Company has not obtained an approval for marketing in Norway pursuant to the Securities Funds Act section 6-13. Consequently, the Company may not be marketed in Norway and investors in Norway may not be invited or solicited to invest in Ordinary Shares in the Company. However, investors in Norway who on their own initiative and without any prior solicitation express an interest in investing in the Company may be furnished with a copy of this Explanatory Memorandum and may invest in Ordinary Shares in the Company.

This Explanatory Memorandum is for the recipient only and may not in any way be forwarded to any other person or to the public in Norway.

**For the attention of Omani residents**

This Explanatory Memorandum does not constitute a public offer of securities in the Sultanate of Oman, as contemplated by the Commercial Companies Law of Oman (Royal Decree No. 4/1974) or the Capital Market Law of Oman (Royal Decree No. 80/1998) and Ministerial Decision No.1/2009 or an offer to sell or the solicitation of any offer to buy non- Omani securities in the Sultanate of Oman.

This Explanatory Memorandum is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to make an offer to the Company to enter into commitments to invest in the Company upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient.

Additionally, this Explanatory Memorandum is not intended to lead to the making of any contract within the territory of the Sultanate of Oman.

The Capital Market Authority and the Central Bank of Oman take no responsibility for the accuracy of the statements and information contained in this Explanatory Memorandum or for the performance of the Company nor shall they have any liability to any person for damage or loss resulting from reliance on any statement or information contained herein.

**For the attention of Qatari residents**

This offering is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the State of Qatar. The offer of Ordinary Shares has not been and will not be licensed pursuant to Law No. 33 of 2005 (“QFMA Law”) establishing the Qatar Financial Markets Authority (“QFMA”) and the regulatory regime thereunder (including in particular the QFMA Regulations issued vide QFMA Board Resolution No.1 of 2008, QFMA Offering and Listing Rulebook of Securities of November 2010 (“QFMA Securities Regulations”) and the Qatar Exchange Rulebook of August 2010) or the rules and regulations of the Qatar Financial Centre (“QFC”) or any laws of the State of Qatar.

The Ordinary Shares and interests herein do not constitute a public offer of securities in the State of Qatar under the QFMA Securities Regulations or otherwise under any laws of the State of Qatar.

The Ordinary Shares are only being offered to a limited number of investors, less than a hundred in number, who are willing and able to conduct an independent investigation of the risks involved in an investment in such Ordinary Shares. No transaction will be concluded in the jurisdiction of the State of Qatar (including the QFC).

**For the attention of South Korean residents**

The Ordinary Shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Financial Investment Services and Capital Markets Act of Korea ("FSCMA") and the decrees and regulations thereunder. The Ordinary Shares have not been registered with the Financial Services Commission of Korea under the FSCMA. Furthermore, the sale and purchase of Ordinary Shares should comply with the requirements under the Foreign Exchange Transaction Law. Neither the Company nor any placement agent makes any representation with respect to the eligibility of any recipients of this Explanatory Memorandum to acquire the Ordinary Shares under the laws of Korea, including but without limitation the Foreign Exchange Transaction Law and regulations thereunder.

**For the attention of Swedish residents**

This Explanatory Memorandum has not been approved by or registered with the Swedish Financial Supervisory Authority (Finansinspektionen) pursuant to the Swedish Financial Instruments Trading Act (lagen 1991:980 om handel med finansiella instrument). Nor has this Explanatory Memorandum been approved by or registered with the Swedish Financial Supervisory Authority pursuant to the Swedish Investment Funds Act (lag 2004:46 om investeringsfonder). Accordingly, this communication has not been, nor will it be, approved by the Swedish Financial Supervisory Authority. The Company may only be marketed in circumstances that will not result in the Company being deemed as marketed in Sweden pursuant to the Swedish Investment Funds Act. Prospective investors should not construe the contents of this Explanatory Memorandum as legal or tax advice. This Explanatory Memorandum has been prepared for marketing purposes only and should not be understood as investment advice.

**For the attention of Swiss residents**

The Company is not publicly offered within the meaning of Article 652a or Article 1156 of the Swiss Code of Obligations. As a consequence, this Explanatory Memorandum is not a prospectus within the meaning of these provisions and therefore may not comply with the information standards required thereunder. This Explanatory Memorandum is not a listing prospectus according to Articles 27 et seq. of the listing rules of the SIX Swiss Exchange and therefore not comply with the information standards required thereunder or under the listing rules of any other stock exchange.

The Company qualifies as a foreign collective investment scheme pursuant to Article 119 of the Swiss Federal Act on Collective Investment Schemes (CISA). The Ordinary Shares will not be licensed for public distribution in and from Switzerland. Therefore, the Ordinary Shares may only be offered and sold to so-called "qualified investors" in accordance with the private placement exemptions set forth by the CISA (in particular, Article 10 para. 3 CISA and Article 6 of the implementing ordinance to the CISA). The Company has not been licensed and is not subject to the supervision of the Swiss Financial Market Supervisory Authority FINMA (FINMA). Therefore, investors in the Ordinary Shares do not benefit from the specific investor protection provided by CISA and the supervision of the FINMA.

**For the attention of Taiwanese residents**

The Ordinary Shares may be made available outside Taiwan for purchase outside Taiwan by residents of Taiwan, but may not be offered or sold within Taiwan except that, subject to compliance with regulatory requirements applicable thereto, the Ordinary Shares may be made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") pursuant to the private placement provisions of the Rules Governing Offshore Funds. Qualified Institution purchasers of the Ordinary Shares via such private placement are not permitted to sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

**For the attention of the residents in the United Arab Emirates ("UAE")***Onshore UAE*

By receiving this Explanatory Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees:

- i. that this Explanatory Memorandum has not been approved by or filed with the Emirates Securities or Commodities Authority ("SCA"), the UAE Central Bank or any other

- authorities in the UAE, nor has the Company been registered for distribution in the UAE under the Regulations as to Mutual Funds (SCA Board Decision No 37 of 2012 as amended ("IFRs")) or otherwise;
- ii. nor has the Investment Manager received authorisation or licensing from SCA, the UAE Central Bank or any other authorities in the UAE to market or sell the Ordinary Shares within the UAE;
  - iii. no marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE;
  - iv. that either:
    - a. details relating to this offering and the Company (whether in this Explanatory Memorandum or previously, as may be the case) were provided to it as the result of a request made by it on its own initiative and that this Company was not promoted or marketed to it by the Investment Manager prior to such request and that it is a professional or sophisticated investor, or
    - b. one of the following applies:
      - A. the investor is a financial portfolio owned by the Government of an Emirate of the UAE;
      - B. the investor is a company, corporation or entity whose main purpose (or included among its purposes) is to invest in financial securities and that any investment made pursuant to the Explanatory Memorandum provided to it is to be acquired for its own benefit and not for the benefit of its clients; or
      - C. the recipient of the Explanatory Memorandum is an appropriately authorised investment manager who has the exclusive power to make the investment decision pursuant to the Explanatory Memorandum.
  - v. that the Investment Manager has/have not advised it in any way in relation to investment pursuant to the Explanatory Memorandum or otherwise, and that it will rely on its own assessment of the Company before deciding whether to subscribe to it, and that the interests to which this Explanatory Memorandum relates may be illiquid and/or subject to restrictions on their resale;
  - vi. in the event it makes an investment, the Investment Manager will not be obliged to comply with any obligations applicable to local promoters of a foreign fund in the UAE as prescribed by the IFRs; and
  - vii. it should not be assumed that the Investment Manager is a licensed broker, dealer or investment manager under the laws applicable in the UAE, or that it advises individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling units, securities or other financial products; and
  - viii. in relation to its use in the UAE, this Explanatory Memorandum is strictly private and confidential and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The Ordinary Shares may not be offered or sold directly or indirectly to the public in the UAE.

*Dubai International Financial Centre*

This Explanatory Memorandum relates to an exempted company established in Bermuda and

classified as a "Standard Fund" under the Investment Fund Act 2006 of Bermuda (as amended) and regulated by the Bermuda Monetary Authority. The Company is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA").

The DFSA has no responsibility for reviewing or verifying any offering memorandum, prospectus, or other documents in connection with this Company. Accordingly, the DFSA has not approved this Explanatory Memorandum or any other associated documents nor taken any steps to verify the information set out in this Explanatory Memorandum, and has no responsibility for it.

The Ordinary Shares to which this Explanatory Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Ordinary Shares. If you do not understand the contents of this Explanatory Memorandum you should consult an authorised financial adviser.

The Investment Manager is licensed by the DFSA and is distributing this Explanatory Memorandum to Professional Clients (as such term is defined under the DFSA Rules) in the DIFC. This Explanatory Memorandum is intended only for Professional Clients (as defined in the Conduct of Business Module of the DFSA Rulebook ("COB") and no other person should act on it. This Explanatory Memorandum is not directed at Retail Clients (as defined in COB).

#### **For the attention of residents in the United Kingdom**

The Company is an unregulated collective investment scheme for the purposes of the UK Financial Services and Markets Act 2000 ("FSMA") and the Ordinary Shares in the Company may not be marketed in the United Kingdom to the general public.

This Explanatory Memorandum may not be distributed in the United Kingdom by a person that is an authorised person within the meaning of FSMA other than in accordance with the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (SI 2001/1060), or the conduct of business rules of the United Kingdom Financial Services Authority's Conduct of Business Sourcebook (and in particular COBS 4.12 thereof).

The contents of this Explanatory Memorandum have not been approved by an authorised person within the meaning of the FSMA. Reliance on this Explanatory Memorandum for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested.

This Explanatory Memorandum is directed only at (i) persons outside the United Kingdom to whom it may lawfully be directed; or (ii) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) (the "Order"); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order.

Any investment or investment activity to which this communication relates is only available to and will only be engaged in with such persons and persons within the United Kingdom who receive this communication (other than persons falling within (ii) and (iii) above) should not rely on or act upon this communication.

Any individual that is in any doubt about the investment to which the communication relates should seek its own personal financial advice from an appropriately qualified independent adviser authorised pursuant to FSMA if in the United Kingdom or otherwise regulated under the laws of that individual's own country.

**For the attention of US residents**

The Company has not been and will not be registered under the 1940 Act. The Ordinary Shares are being offered outside the United States pursuant to the exemption from registration under Regulation S under the 1933 Act and may be offered inside the United States pursuant to the exemption from registration under Regulation D under the 1933 Act. Each investor and subsequent transferee of Ordinary Shares that is a U.S. person will be required to represent that it is (a) "accredited investor" (as defined in Regulation D under the 1933 Act) and (b) a "qualified purchaser" (as defined in Section 2 (a) (51) of 1940 Act). In addition, each investor and subsequent transferee of Ordinary Shares will be required to represent, warrant and covenant that on each day it holds any Ordinary Shares, including the date it acquires or disposes of such Ordinary Shares, it is not (i) a "benefit plan investor" (as defined in 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, or acting on behalf of or using the assets of a benefit plan investor, or (ii) an Other Plan, or acting on behalf of or using the assets of any Other Plan with respect to the purchase, holding or disposition of any Ordinary Shares.

**The Ordinary Shares may only be resold or transferred in accordance with the restrictions set forth in this section of this Explanatory Memorandum, and in accordance with the Bye-laws of the Company and any other terms which may have been agreed between the Company and any investor in relation to restrictions on the transfer of Ordinary Shares.**

The Company is furnishing this Explanatory Memorandum in connection with an offering exempt from the registration requirements of the 1933 Act, solely for the purpose of enabling a prospective investor to consider the subscription for or acquisition of Ordinary Shares and on a confidential basis only. The information contained in this Explanatory Memorandum has been provided by the Company and other sources identified herein. Any reproduction or distribution of this Explanatory Memorandum in whole or in part, disclosure of its contents or use of the information contained herein in the United States for any purpose other than in considering an investment by the recipient in the Ordinary Shares is prohibited.

## DIRECTORY

<p><b>Registered Office of the Fund</b></p> <p>Clarendon House 2 Church Street Hamilton HM 11 Bermuda</p>	<p><b>Registered Office of the Master Fund</b></p> <p>HSBC Bank plc, Luxembourg Branch 16, boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg</p>
<p><b>Directors of the Fund</b></p> <p>Samuel L. Hayes III Ziad Al Tunisi Mark Taborsky Amr El Sawaf Karim Moussa Amr Diyab</p> <p>All of whom are of: The EFG-Hermes Middle East and Developing Africa Fund Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda</p>	<p><b>Directors of the Master Fund</b></p> <p>Peter Dickinson (Chairman) Jason Rea Mark Samuel Heaney</p>
<p><b>Manager of the Fund</b></p> <p>Frontier Investment Management Partners Ltd. Al Fattan Currency House Office 903, 9th Floor, Tower 1 Dubai International Financial Centre P.O. Box 482011 Dubai United Arab Emirates</p>	<p><b>Investment Manager of the Master Fund</b></p> <p>Frontier Investment Management Partners Ltd. Al Fattan Currency House Office 903, 9th Floor, Tower 1 Dubai International Financial Centre P.O. Box 482011 Dubai United Arab Emirates</p>
<p><b>Global Custodian of the Fund</b></p> <p>HSBC Bank Middle East Limited 1 Grenville Street St Helier Jersey JE4 8UB</p>	<p><b>Depository Bank and Paying Agent of the Master Fund</b></p> <p>HSBC Bank plc, Luxembourg Branch 16, boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg</p>

<p align="center"><b>Registrar and Administrator of the Fund</b></p> <p align="center">HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM11 Bermuda</p>	<p align="center"><b>Registrar and Administrator of the Master Fund</b></p> <p align="center">HSBC Bank plc, Luxembourg Branch 16, boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg</p>
<p align="center"><b>Auditors of the Fund</b></p> <p align="center">Deloitte &amp; Touche - Middle East (Bahrain) Office 44 Al-Zamil Tower Government Avenue PO Box 421 Manama, Kingdom of Bahrain</p>	<p align="center"><b>Auditors of the Master Fund</b></p> <p align="center">PricewaterhouseCoopers, société coopérative 2, rue Gerhard Mercator L-2182 Luxembourg, Grand Duchy of Luxembourg</p>
<p align="center"><b>Legal Adviser of the Fund (in relation to matters of United States law and United States tax law)</b></p> <p align="center">Morgan, Lewis &amp; Bockius LLP One Federal Street Boston, MA 02110 United States of America</p>	<p align="center"><b>Legal Adviser to the Master Fund (in relation to matters of Luxembourg law)</b></p> <p align="center">Arendt &amp; Medernach S.A. 41 A, avenue J.F. Kennedy L-2082 Luxembourg, Grand Duchy of Luxembourg</p>
<p align="center"><b>Legal Advisers of the Fund (in relation to matters of Bermudan law)</b></p> <p align="center">Conyers Dill and Pearman Limited Dubai International Financial Centre Gate Village 4, Level 2 PO Box 506528 Dubai United Arab Emirates</p>	

## **INFORMATION ON THE COMPANY**

### **Company Overview**

The Company was incorporated in Bermuda on 30 June 1998, as an exempted mutual fund company with limited liability and of unlimited duration. The Company invests (through its investment in the Master Fund) in a managed portfolio consisting principally of transferable listed securities such as equity securities and fixed income securities of companies incorporated in the MENA countries and/or which have their principal business activities in MENA countries across the market capitalisation spectrum as well as in financial derivatives. Frontier Investment Management Partners Ltd. ( or “**FIM Partners**”) has been appointed as Manager to the Company. HSBC Bank Middle East Limited has been appointed as the Company's Global Custodian. HSBC Securities Services (Bermuda) Limited acts as the Company's Registrar and Administrator (in which capacity, it calculates the Net Asset Value).

### **The Master Fund**

The Master Fund is an open-ended investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualifies as a société d'investissement à capital variable – fonds d'investissement spécialisé (SICAV-SIF). The Master Fund is authorised as an undertaking for collective investment under the Law of 2007. The Master Fund is a stand-alone fund. The shares of the Master Fund are not currently listed on a stock exchange. The Master Fund was incorporated for an unlimited period in Luxembourg on 20 January 2011. The base currency of the Master Fund is the USD and all the financial statements of the Master Fund will be presented in USD. The Master Fund has appointed FIM Partners to supply it with investment management services in connection with the management of the investments of Master Fund. FIM Partners is a company incorporated in the Dubai International Financial Centre and is regulated by the Dubai Financial Services Authority. FIM Partners is also the Manager of the Company. See “MANAGEMENT AND ADMINISTRATION FOR MORE INFORMATION”.

### **Investment Objective**

The investment objective of the Company (through its investment in the Master Fund) is to achieve long term capital appreciation through investment in MENA listed securities such as equity securities and fixed income securities of companies. The Directors believe that the Middle East and North Africa offer attractive and varied investment opportunities which provides the Company with the opportunity of investing in a diverse range of countries and companies.

The assets of the Company are managed in accordance with the Company's investment policy, as described herein, with a view to achieving the investment objective referred to above.

### **Ordinary Share Issue**

Prior to being listed on the DFM, the A Class Ordinary Shares were listed on the Irish Stock Exchange. The A Class Ordinary Shares were delisted from the Irish Stock Exchange in February 2003 and listed on the DFM on 8 February 2003. The Ordinary Shares are issued in registered form and will, unless otherwise provided for in the Bye-laws of the Company, rank pari passu for all dividends and other distributions hereafter declared, paid or made on the Ordinary Shares. The Ordinary Shares are redeemable at the option of holders on any of the weekly Redemption Days (subject to the restrictions and limitations referred to in the Applications and Redemptions section below).

The Company may, at the discretion of the Directors and the Manager, make an application to list the C Class Ordinary Shares on the DFM. There is no guarantee that such application will be made and investors should not rely on such an application being made.

Ordinary Shares may be issued on a weekly basis as of any Valuation Day at prices calculated by reference to the Net Asset Value per Ordinary Share of the relevant class as at the relevant Valuation Day as described in the Applications and Redemptions section plus a discretionary Front End Charge of up to 2 percent in the case of A Class Ordinary Shares of the total Subscription Price. The Directors also have the right to issue further Ordinary Shares pursuant to the Dividend Reinvestment Plan described in the Distribution Policy section below.

## INVESTMENT POLICY

### **Investment Objective and Policy**

The Company's investment objective is to achieve long term capital appreciation. The Company seeks to achieve this by investing in shares in the Master Fund.

### **Investment Markets and Strategy**

The Company's investments will undergo a period of transition of approximately one month. During this time, the Company will be simultaneously invested directly in equities and in shares of the Master Fund.

The Master Fund invests primarily in transferable listed securities such as equity securities and fixed income securities of companies (i) incorporated in the Middle East and North Africa countries ("**MENA countries**") including, but not limited to Turkey, Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan, Lebanon Tunisia and Morocco, and/or (ii) which have their principal business activities in MENA countries across the market capitalisation spectrum as well as in financial derivative instruments. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity linked notes dealt in either on regulated markets or over-the-counter.

The Master fund may also invest, on an ancillary basis, in other transferable securities, bonds, and convertible bonds, money market instruments, units of UCITS and other UCIs and deposits. However, investments in UCITS and UCIs may not exceed a total of 10% of the net assets.

In addition, the Master Fund may also use derivative financial instruments including, but not limited to, the following:

- options and futures, including options and futures on transferable securities or money market instruments as well as index futures and options;
- swaps, including total return swaps, that are derivative financial instruments linked to a swap agreement in which one party makes payment based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which include both the income it generates and any capital gains.

The Master Fund will not engage in short sales.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Master Fund may also seek investment opportunities in other types of transferable securities, which do not fulfil the requirements set out above.

### **Investment Rationale**

The Directors believe that the capital markets of the MENA countries are at an early stage of development and will continue to grow. Many governments across this area are increasingly opting to grant access to long term direct and portfolio investment. This trend is being encouraged through the pursuit of more rigorous economic policies which promote stability and growth. Private sector companies are seeking to expand by tapping into local savings networks through stock exchange listings. Private sector growth is being actively cultivated in order to diversify the economic base of many countries away from commodity production and international exports. Many companies are simply too small to seek listings on international exchanges and are therefore accessible only to those investors who have an understanding of local conditions.

## **Investment Restrictions**

The Company may only invest in the Master Fund. The Master Fund is subject to certain investment restrictions described in the Prospectus of the Master Fund. The Master Fund is subject to and will conduct its investment operations in compliance with the following general investment restrictions.

- (i) The Master Fund may not invest more than 30% of its assets in securities of the same kind issued by the same issuing body.

This restriction does not apply to:

- investments in securities issued or guaranteed by a member state of the OECD, or by its local authorities or by supranational institutions and bodies of a European, regional or worldwide nature;
- investments in investment vehicles which are subject to risk diversification requirements at least similar to those provided for in relation to investment vehicles ruled by the Law of 2007;

For the application of this restriction, each compartment of a target issuer with an umbrella structure is to be considered as a separate issuer, provided that the principle of segregation of commitments of the different compartments of such target issuer in relation to third parties is ensured.

- (ii) The Master Fund may not invest more than 10% of its asset outside the MENA countries.
- (iii) When making use of derivative instruments, the Master Fund must ensure a comparable risk diversification through an appropriate risk diversification of underlying assets.
- (iv) The Master Fund may borrow up to 30% of its net assets with no restriction in respect of the intended use thereof.
- (v) It may be departed from the diversification restrictions above for a period of six months after the launch of the Master Fund.
- (vi) The Master Fund may not invest more than 10% of its net assets in UCITS and UCI.

If any of the above percentages are exceeded as a result of the exercise of subscription or redemption rights or as a result of any events other than the making of investments, the situation shall be remedied taking due account of the interests of the Shareholders.

## MANAGEMENT AND ADMINISTRATION

### **The Directors**

The Directors of the Company are responsible, inter alia, for establishing the investment objectives and policy of the Company, for monitoring the Company's performance and for appointing, supervising, directing, and if necessary, replacing the Manager and the Company's other service providers. The Directors are further responsible for monitoring and reviewing any conflicts of interest that exist or may arise.

The following are the Directors of the Company:

#### **Samuel L. Hayes III**

Professor Samuel L. Hayes III holds the Jacob H. Schiff Chair in Investment Banking at the Harvard Business School, Emeritus, where he has taught since 1971, prior to which he was a tenured member of the faculty of the Columbia University Graduate School of Business. He received a BA in Political Science at Swarthmore College in 1957 and an MBA (with Distinction) and DBA from Harvard Business School in 1961 and 1966, respectively.

Professor Hayes has over 40 years of both academic and professional experience in the financial industry. His accounting experience includes chairing Harvard's International Senior Manager Program and the Corporate Financial Management Program and he has also written numerous articles (in publications such as the Harvard Business Review) and books on capital markets and on the corporate interface with the securities markets including *Competition in Investment Banking Industry* (Harvard Industry Press 1983) and *Investment Banking and Diligence* (Harvard Business School Press 1986). He has also co-authored the book *Islamic Law and Finance* (Kluwer 1997).

His professional experience includes consulting for a number of corporations, financial institutions and government agencies including the US Justice Department, the US Treasury Department, the US Federal Trade Commission and the SEC.

He currently serves on the Board of Swarthmore College (where he chaired the investment committee for more than 10 years). He also served on the board of Eaton-Vance mutual funds for many years and served as Lead Director and then Chair of that fund group for some 10 years.

#### **Ziad Al Tunisi**

Mr. Al Tunisi is the Vice President and Chief Operating Officer of Al Faisaliah Group ("AFG"), a Saudi-based conglomerate established in 1970. AFG comprises eleven subsidiaries engaged in diversified businesses and in several sectors such as dairy, food & beverages, consumer electronics, multimedia, IT and specialty chemicals. Serving as the Chief Operating Officer, Mr. Al Tunisi overlooks the day-to-day operations of AFG's existing subsidiary companies apart from the investment activities of AFG. He holds an MSc degree in International Banking Securities from the University of Reading in the UK.

## **Mark Taborsky**

Mark is CEO/CIO of MarkerTree Capital, an investment firm specializing in creating and managing custom co-investment portfolios in Alternatives for institutional investors. Prior to founding MarkerTree Capital, Mark was a Managing Director at BlackRock and ran the Markets and Strategy team within BlackRock's US Client Solutions Group. Prior to joining BlackRock, Mark was an Executive Vice-President at PIMCO, responsible for the fundamental asset allocation business globally. He also co-headed the global solutions business and ran the European solutions business. Prior to joining PIMCO, Mark was the Managing Director of External Management at Harvard Management Company (HMC). He and his team managed Harvard's external investments (over \$22 billion) in all asset classes except for Private Equity and Timber. Mark also oversaw the \$1+ billion Harvard Master Trust pension plan. Prior to joining Harvard, Mark held a number of senior roles at Stanford Management Company, lastly as the Managing Director of absolute return, fixed income and internal trading. He also has experience as a senior trader and strategist at the commodities trading advisor John W. Henry and Company. Mr. Taborsky began his investment career in 1993.

Mark received a Bachelor of Commerce in Joint Honors Economics and Finance from McGill University (1988) where he graduated with First-Class Honors. He holds an MBA in Finance and Policy from the University of Chicago's Booth School of Business (1993) where he graduated with Honors and *Beta Gamma Sigma*. He also holds a CFA designation.

## **Amr El Sawaf**

Mr. Amr El Sawaf is currently the Managing Director of Promotrade in Cairo, which is a family owned business that he set up in the early 1980's as commercial representatives of foreign companies in Egypt, focusing on power generation, cement, fertiliser, chemical, petrochemical, oil and gas, sugar, glass, edible oil, soaps and detergents sectors. Over the past five years Promotrade has assisted in the execution of contracts with a total value of over US\$5,000,000,000. Mr. El Sawaf sits on the board of Al-Ahly for Development and Investment, an Egyptian Joint Stock Company with an authorised capital of 500,000,000 Egyptian Pounds.

## **Karim Moussa**

Head of Private Equity and Asset Management at EFG-Hermes and CO-CEO of EFG Hermes' Investment Bank, Mr. Moussa joined EFG Hermes in 2008, with primary responsibility for building the group's infrastructure private equity platform. During this time, he also closed a number of flagship private equity deals. He led the creation of the Vortex Energy Platform and raised and deployed over USD350m of equity in yielding renewable energy assets across Europe. Karim has recently been appointed Co-CEO of EFG Hermes Investment Bank, responsible for the entire buy-side business of the Group. Karim sits on the Investment Committee of several EFG Hermes' sponsored funds and on InfraMed's Investors Board, with combined assets under management of approximately USD2.5 billion. He is also a director of various portfolio companies. Karim also serves on the board of directors of the Manager.

Prior to joining EFG Hermes, Mr. Moussa was a VP at Deutsche Bank, in the Global Banking division, with responsibilities for M&A, ECM and DCM advisory in MENA. In this role, he advised on the USD4.2bn Dubai Ports World IPO, the USD670m sale of Sokhna Port to Dubai Ports World, and the USD1.4bn LBO of the Egyptian Fertilizers Company by Abraaj Capital. Mr. Moussa joined Deutsche Bank in 2001 as an Analyst in the M&A execution team in Frankfurt, advising on several mid-cap transactions in Continental Europe. He moved to Dubai in 2005 with the CEO of Deutsche Bank MENA to help establish the bank's regional business. Prior to Deutsche

Bank, Mr. Moussa worked as an Investment Analyst at Berlin Capital Fund, a Venture Capital Fund managed by the Berliner Bank.

Mr. Moussa holds a Master's in Business Administration and Mechanical Engineering (Diplom Wirtschaftsingenieur) from the Technical University of Berlin.

### **Amr Diyab**

Amr Diyab joined EFG Hermes in 1991 as a Financial Analyst, working on valuations for a variety of sectors including cement, banking & real estate). After 4 years in that role he moved on to relationship management, working with Hermes Securities Brokerage (“HSB”)’s high net worth clients. Mr. Diyab was consequently assigned the firm’s top clients from the Middle East (Kuwait, UAE and Bahrain). After 14 successful years with HSB in Egypt, Mr. Diyab was selected to join the nucleus team tasked with setting up the firm’s UAE operation, as Head of GCC Institutional Sales. Mr. Diyab spent 6 years in this role, after which he moved to the coverage team. In this new role he is responsible for establishing and maintaining long-term relationships with top tier decision makers (CEOs, CFOs, treasurers, etc.) in a variety of business settings (corporations, financial institutions, high net worth individuals and family offices) promoting the firm’s full product suite and expertise, from investment banking solutions, brokerage execution and asset management services to all its clients. Mr. Diyab has a Bachelor degree in Accounting from the Cairo University in Egypt.

Each Director's address in their capacity as Directors of the Company is the registered office of the Company.

### **Resident Representative**

Conyers Corporate Services (Bermuda) Limited of Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda has been appointed as Resident Representative of the Company.

### **Secretary**

Conyers Corporate Services (Middle East) Limited of Dubai International Financial Centre, Gate Village 4, Level 2, PO Box 506528, Dubai, United Arab Emirates has been appointed as Secretary to the Company.

### **Management**

Pursuant to the Management Agreement, FIM Partners was appointed as Manager to the Company. Under the terms of the Management Agreement, the Manager is responsible for the management of the Company's investment portfolios and for the day-to-day management of the Company, subject to supervision by and subject to the specific directions of the Directors.

Further details of the terms of the Management Agreement, and the fees payable thereunder, are contained in the General Information and Fees and Expenses sections of this Explanatory Memorandum.

FIM Partners is a company incorporated in the Dubai International Financial Centre and is regulated by the Dubai Financial Services Authority. FIM Partners is also registered as an investment adviser with the United States Securities and Exchange Commission. FIM Partners is a specialist investment manager focused on emerging and frontier markets. The firm’s assets under management are invested on behalf of university endowments, sovereign wealth funds, outsourced CIO’s, and pension plans from North America, Europe and the Middle East. FIM Partners is also an investment manager to the Master Fund.

## **Custody**

Pursuant to an agreement effective 1 May 2008 between the Company and the Global Custodian (the "**Custody Agreement**"), HSBC Bank Middle East Limited was appointed to act as the Company's global custodian and to provide, amongst other things, custody services to the Company.

HSBC Bank Middle East Limited is established as a limited liability company in Jersey and is regulated by the Jersey Financial Services Commission with branches in several Middle Eastern countries, including Bahrain. HSBC Bank Middle East Limited 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.

In performing its duties, the Global Custodian may appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (included in such appointment are powers of sub-delegation), provided that the Global Custodian will at all times remain liable for any acts or omissions of any person(s) howsoever appointed as if such acts and omissions were those of the Global Custodian. The Global Custodian shall be responsible for the payment of the fees of any agent, sub-custodian or delegate that it appoints.

Under the terms of the Custody Agreement, the assets of the Company will generally be held by the Global Custodian directly or through its agents, sub-custodians or delegates. The Global Custodian may, on the instructions of the Directors or the Manager, open accounts with any bank or financial institution (including any bank or financial institution which is not a member of the HSBC Group) and instruct the Global Custodian to place cash of the Company in such accounts. The Custodian shall control and operate the bank accounts but will not be responsible or liable to any person whatsoever (including the Directors and the Manager) in respect of any loss of the cash, securities and/or other assets comprising the assets of the Company held in such accounts or not deposited with or held to the Global Custodian's order, occasioned by reason of the liquidation, bankruptcy or insolvency of such bank, financial institutions or other persons.

The Global Custodian is entitled to be indemnified against any and all actions liabilities, obligations, losses, damages, penalties, judgments, suits, proceedings, claims, demands, costs, expenses or disbursements whatsoever (other than those resulting from the fraud, negligence or wilful default of the Global Custodian) which may be made against or incurred by the Global Custodian arising out of or in performing its obligations or duties.

The Global 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 The Office of Foreign Assets Control of the US Department of the Treasury.

Notwithstanding anything to the contrary contained in this Explanatory Memorandum, the Global Custodian's liability to the Company for any cause whatsoever and regardless of the form of the action, will at all times be limited to the direct loss suffered by the Company.

Pursuant to the terms of the Custody Agreement, the Global Custodian has agreed to keep property held on the Company's behalf segregated from assets held by the Global Custodian for its own account. Further details of the Custody Agreement and the fees payable to the Global Custodian are contained in the General Information section of this Explanatory Memorandum.

The Company will use participatory notes and other instruments to enable it to continue to access securities and markets within its investment objective.

## **Accounting Services**

The Administrator has agreed to provide certain accounting services to the Company including maintaining accounting records of the Company.

## **Registrar and Administrator**

Pursuant to an agreement effective 1 May 2008 between the Company and the Registrar (the "**Registrar Agreement**"), HSBC Securities Services (Bermuda) Limited was appointed as Registrar of the Company. Under the terms of the Registrar Agreement, the Registrar performs, among other things, the following duties: (i) keeping the register of Shareholders of the Company, (including keeping relevant details in the Register of Shareholders' names, addresses and the number of Ordinary Shares held by them); (ii) dealing with redemption requests; and (iii) dealing with and answering all correspondence from or on behalf of the Shareholders relating to the function of the Registrar under the Registrar Agreement.

HSBC Securities Services (Bermuda) Limited was also appointed as Administrator of the Company pursuant to an agreement between the Company and HSBC Securities Services (Bermuda) Limited effective 1 May 2008 (hereinafter the "**Administration Agreement**"). Pursuant to the Administration Agreement, the Administrator performs, among other things, the following duties: (i) keeping at its premises, or causing to be kept at its service, all administrative books, records and statements necessary to give a complete record of all investments held and transactions carried out by it on behalf of the Company as may be required by its Bye-laws and this Explanatory Memorandum; (ii) making available for inspection by the Company and its duly authorised agents all such books, records and statements; and (iii) acting, procuring, entering into, making and performing, all contracts, agreements and other undertakings as may in the opinion of the Company be necessary in the performance of the Administration Agreement.

None of the Administrator, Global Custodian or Registrar or their employees, service providers or agents are directly involved in the business affairs, organisation, sponsorship or management of the Company, and are not responsible for the preparation or issue of this Explanatory Memorandum.

## **APPLICATIONS AND REDEMPTIONS**

### **Subscriptions**

The Directors have the power to issue Ordinary Shares on a weekly basis with effect from any Valuation Day at prices calculated by reference to the relevant Net Asset Value per Ordinary Share of the relevant class and calculated as at the relevant Valuation Day as described below.

A Front End Charge of up to 2 percent may be levied, at the discretion of the Manager, on the total Subscription Price, in the case of the issue of A Class Ordinary Shares only.

The minimum additional investment by any applicant is US\$10,000 (in respect of each investment made after the Initial Offer).

The Directors reserve the right to issue either A Class Ordinary Shares or C Class Ordinary Shares on any application for Ordinary Shares. The Directors or the Manager may at their discretion accept late subscriptions for Ordinary Shares at any time after the Dealing Cut-off but prior to the Valuation Point of each relevant Valuation Day provided the Manager advises the Administrator before the Valuation Point.

### **Application Procedure**

Applications for Ordinary Shares will be accepted by facsimile in order to meet delivery deadlines but original documents must be received within three days after the relevant Valuation Day before the subscription process will be completed. Applications should be sent to the Administrator at the following address:

The EFG-Hermes Middle East and Developing Africa Fund Limited  
c/o HSBC Securities Services Department (IFS)  
HSBC Bank Middle East Limited  
HSBC Head Office Building  
1<sup>st</sup> Floor, Building 2505  
Road 2832  
Al Seef 428  
P.O. Box 57  
Kingdom of Bahrain  
Tel: +973 17569587  
Fax: +973 17569574  
Email: investor.bahrain@hsbc.com

Applications for Ordinary Shares in respect of any Valuation Day should be sent so as to arrive no later than close of business (Bahrain time) two Business Days prior to the relevant Valuation Day (which shall be each Wednesday prior to the relevant Valuation Day). The Administrator may process such applications on that Valuation Day or on a subsequent Valuation Day if such authorisation is obtained from the Manager. Investors should note that the Company will operate on a forward pricing basis and hence the Subscription Price per Ordinary Share will only be calculated (as described below) after the Valuation Day. Investors may subscribe for Ordinary Shares by specifying a cash amount in US Dollars and settlement should also be made in US Dollars. Payment for such Ordinary Shares should be made by one of the methods described below.

The actual transfer of funds by an investor must be made prior to the relevant Valuation Day, however funds may arrive up to close of business (Bahrain time) on the second Business Day following the relevant Valuation Day. The Manager may, in its sole discretion, accept subscriptions made in Ordinary Share denominations.

The Company and the Manager will ensure the proper performance of KYC procedures and requirements as may be required under Bermudan law. The Company and the Manager may delegate any KYC responsibilities which may relate to the issue of Ordinary Shares in the Company to such parties as they may consider appropriate from time to time to ensure compliance with any applicable KYC procedures and requirements. If the Company or the Administrator suspects that a payment to the Company (by way of subscription or otherwise) or a payment from the Company (by way of redemption or otherwise) contains the proceeds of criminal conduct, the Company or the Administrator is required to report such suspicion under Bermuda's Proceeds of Crime Act 1997 (as amended) and related regulations.

Payment for Ordinary Shares should be made in US Dollars by inter-bank transfer to the following account:

*Correspondent Bank Details:*

HSBC New York

SWIFT: MRMDUS33

A/C No: 000-03691-9

CHIPS: CH030433

*Beneficiary Bank Details:*

HSBC Bank Middle East Limited, Bahrain

SWIFT Code: BBMEBHBX

A/C No: 001-297332-100

For credit to: THE EFG MEDA-FUND LTD SUB AC

Investors should note that in order to be received in Bahrain by the specified payment deadline payment will need to be made to the account for value at least one Business Day prior to the deadline.

All subscription monies must originate from an account held in the name of the applicant. No third party payments shall be accepted.

The Directors or the Manager reserve the right in their discretion to either decline or carry over applications, either generally in relation to any Valuation Day or in relation to a specific application. The Manager may also scale down any or all applications. Any monies paid in respect of such rejected or scaled down applications shall be returned to applicants at their risk and without interest, if permitted by applicable law, to the bank account from which the monies were originally transferred at the expense and risk of the applicant.

Each potential investor will be obligated to represent and warrant in its application that, among other things, such investor is purchasing Ordinary Shares for its own account and that such investor is able to acquire Ordinary Shares without violating appropriate laws (including compliance with the Money Laundering Regulations). Investors seeking to redeem shares may similarly have to

comply with the Money Laundering Regulations and failure to do so may result in suspension of processing such redemption requests.

The Ordinary Shares are in registered form. Unless a Shareholder specially requests in writing, no share certificates will be issued. Each Shareholder not requesting a certificate will, however, be issued, within five Business Days of receipt of all required documentation and payment, a personal account number relating to such Shareholder's purchase of shares. Such personal account number should be kept confidential and should be quoted by any investor seeking to redeem any Ordinary Shares, make further investments or otherwise when corresponding with the Company or the Registrar. Neither the Company, the Registrar, the Manager nor any other person shall be responsible for acting on the instructions of any person quoting the personal account number and purporting to be, or to have been authorised by the Shareholder to whom such personal account number was allocated.

Although Ordinary Shares will not be issued until the applicable issuing day, subscription monies will be immediately deposited into the Company's account and kept in custodial status without interest. Prior to the issue of Ordinary Shares, the Administrator may, at the direction of the Directors or the Manager release subscription monies to ensure that investment by the Company can be effected on the relevant issuing day. The Administrator will not be liable for any loss which an investor may suffer as a result of the release of subscription monies in these circumstances.

#### **Euroclear and Clearstream**

The Ordinary Shares have been accepted for clearance through Euroclear and Clearstream with the common code 9864580. The ISIN code for the A Class Ordinary Shares is BMG294041030. The ISIN code for the C Class Ordinary Shares is BMG294042020. Redemptions of Ordinary Shares held through Euroclear and Clearstream should be made in accordance with the procedures from time to time of Euroclear or Clearstream (as the case may be).

#### **Redemptions**

Ordinary Shares may be redeemed by Shareholders specifying a cash amount or number of Ordinary Shares on a weekly basis with effect from any Redemption Day, subject to the provisions relating to suspension of redemptions referred to below. Requests for redemptions may be made to the Administrator in writing by facsimile in order to meet delivery deadlines but original documents must be received within three days after the relevant Redemption Day before the redemption process will be completed. Redemption requests should be sent to the following address/numbers so as to be received by no later than close of business (Bahrain time) two Business Days prior to the relevant Redemption Day (which shall be each Wednesday prior to the relevant Redemption Day):

The EFG-Hermes Middle East and Developing Africa Fund Limited  
c/o HSBC Securities Services Department (IFS)  
HSBC Bank Middle East Limited  
HSBC Head Office Building  
1<sup>st</sup> Floor, Building 2505  
Road 2832  
Al Seef 428  
PO Box 57  
Kingdom of Bahrain

Tel: +973 17569587

Fax: +973 17569574

Email: investor.bahrain@hsbc.com

Redemption requests should state the Shareholder's registered name, personal account number (if any) and the number of Ordinary Shares proposed to be redeemed or the amount of redemption proceeds requested. The processing of redemption requests is subject to compliance with the Money Laundering Regulations. Any redemption request which would reduce the value of a Shareholder's holding below US\$10,000 may be treated, at the discretion of the Directors, as a request for redeeming the Shareholder's entire holding. Save as mentioned under "Suspension of Dealings" below, redemption requests shall be irrevocable save by notice in writing or by fax delivered by the redeeming Shareholder as above and arriving no later than close of business (Bahrain time) on the relevant Redemption Day.

Redeeming Shareholders should return the relevant share certificate(s) (if any) and, in the case of a faxed redemption request, should confirm the same in a written request delivered so as to arrive as soon as practicable following the Redemption Day concerned.

Redemption requests may be submitted by facsimile provided the original follows promptly. Investors are reminded that if they choose to send a redemption request by facsimile, they bear the risk of it not being received. Neither the Directors, the Manager, nor the Administrator accept any responsibility for any loss resulting from the non-receipt or illegibility of a faxed redemption request or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons. Redemption proceeds will only be transferred to the investor's nominated bank account after the receipt of original documents.

Ordinary Shares are redeemed at prices calculated by reference to the Net Asset Value per Ordinary Share calculated as at the relevant Redemption Day, as described below. The Directors or the Manager, may at their discretion, accept late redemption requests received at any time after the Dealing Cut-off but prior to the Valuation Point of each Valuation Day provided the Manager advises the Administrator before the Valuation Point of the receipt of requests for each respective Redemption Day.

If the Company receives net redemption requests (that is, redemption requests less valid applications received for new Ordinary Shares in respect of the same Redemption Day) in respect of an aggregate of 10 percent or more of the outstanding Ordinary Shares on any Redemption Day, the Directors or the Manager may elect to restrict the total net number of Ordinary Shares redeemed pursuant to such requests to 10 percent (or such higher percentage as the Directors may determine) in which case all such redemption requests will be scaled down pro rata to the size of the request. If any redemption requests are not satisfied in full in any such case the balance of all such redemption requests will be carried forward to the next Redemption Day, subject to the same 10 percent restriction. Such redemption requests carried forward will be given priority over subsequent redemption requests.

Remittance of redemption amounts will be made in Ordinary Shares or in US Dollars by inter-bank transfer as soon as is reasonably practicable following the Redemption Day concerned and generally within five Business Days from the relevant Redemption Day, except that no redemption proceeds will be paid out until the Registrar is in receipt of any applicable Ordinary Share certificate(s) and written confirmation of any telexed or faxed redemption request. The Company will not pay redemption proceeds to any third party.

In keeping with applicable anti-money laundering regulations, additional documentation may be required to accompany the subscription for Ordinary Shares. This documentation will be used to comply with these regulations and to verify the identity of investors, and will remain confidential. The Company, Administrator and Registrar reserve the right to request further documentation or information from the investor as is required by relevant Know Your Customer regulations and other requirements of the Central Bank of Bahrain which are in force at the time. Failure to provide such documentation will result in the rejection of the subscription and/or payment of redemption proceeds.

### **Calculation of Net Asset Value and Subscription and Redemption Prices**

The Net Asset Value per Ordinary Share and Subscription and Redemption Prices are calculated by the Administrator in US Dollars weekly as of the close of business (Bahrain time) on each Valuation Day. The Net Asset Value calculated as of each Valuation Day forms the basis for determining Subscription and Redemption Prices. Details of Subscription and Redemption Prices of Ordinary Shares and the Net Asset Values for Ordinary Shares are published by the DFM and are available on request from the Manager. Once calculated, the Net Asset Value per Ordinary Share shall be notified to the DFM without delay by the Manager. In addition Shareholders will be sent a monthly statement of their holdings.

The Net Asset Value of the Company will be determined by subtracting the liabilities of the Company (including, without limitation, its accrued expenses (including any accrued Management Fee and/or Performance Fee) and such amount in respect of contingent or projected expenses as the Directors consider fair and reasonable from the value of the Company's assets (including without limitation, any unamortised expenses).

The assets of the Company are valued in accordance with the directions from time to time of the Directors. Listed investments are valued on the basis of closing prices (or, if there is no closing price, the last available closing bid price) as derived or reported by Reuters or any other reporting or information system in common use. Unlisted securities and quoted securities for which a price is unavailable are valued on such basis as may be determined by the Directors or the Manager. Liabilities and deposits are valued with accrued interest or at market prices as appropriate. If the Directors consider that any of the above valuation rules do not give rise to a fair value or if they consider by reason of market illiquidity, repatriation restrictions or otherwise, the Company could not reasonably be expected to realise an investment at such value, they may adopt or approve such other valuations as they consider fair in the circumstances.

The Net Asset Value per Ordinary Share of a particular class as of any Valuation Day is calculated by attributing such proportion of the Net Asset Value of the Company to Shareholders of that class as provided in the Bye-laws and dividing such sum by the number of Ordinary Shares of that class (should such shares be in issue) (including any Ordinary Shares to be redeemed). Please refer to the section headed "Fees and Expenses" for further information on the fees payable in respect of each class of Ordinary Shares.

In calculating the Net Asset Value of the Company and Net Asset Value per Ordinary Share, the Administrator will not be liable or otherwise responsible for any loss suffered by the Company or any other person by reason of any inaccuracy, error or delay in any pricing information provided by automatic pricing services or other service providers, brokers, market makers or intermediaries used by the Administrator in providing its services, or by the manager, administrator or valuation agent of any collective investment scheme into which the Company invests. The Administrator will not be liable or otherwise responsible for any loss suffered by the Company or any other person by reason of any inaccuracy, error or delay in information provided to the Administrator by or for the Company or any person associated with the Company (including any broker, market maker or

intermediary or any third party service provider that the Company has required the Administrator to use).

In circumstances where the Administrator is directed by the Directors or the Manager to use particular determinations of fair prices, particular pricing services, the Administrator shall not be liable for any loss suffered by the Company or any other person by reason of error in the calculation of the Net Asset Value of the Company and / or Net Asset Value per Ordinary Share resulting from any inaccuracy in such fair prices or the information provided by such pricing services.

For the avoidance of doubt, the Administrator is not responsible for the valuation or pricing of any investments of the Company, or the validation of such valuations or pricing information, and will rely solely upon any valuations or pricing information provided to it by the Company or any valuer, third party valuation agent or other third party which in each such case is appointed or authorised by the Company to provide valuations or pricing information of the Company's investments to the Administrator. The Administrator shall have no responsibility or liability for such valuations or pricing information, relying on such valuations or pricing information or not validating such valuations or pricing information.

Subscription and Redemption Prices will be calculated as follows:

*Subscription Prices*

The Subscription Price per A Class Ordinary Share under the Initial Offer was US\$10.20 (inclusive of the front end charge of US\$0.20 per A Class Ordinary Share payable to the Placing Agent through whom the relevant A Class Ordinary Share was placed). The front end charge of US\$0.20 per A Class Ordinary Share relates to the Initial Offer and is provided in this Explanatory Memorandum for historical and informational purposes only.

The Subscription Price per A Class Ordinary Share for each Valuation Day following the Initial Offer shall equal:

- (i) the Net Asset Value per Ordinary Share as at the relevant Valuation Day; plus
- (ii) a Front End Charge of up to 2 percent of the Subscription Price, such amount to be payable to the Placing Agent through whom the relevant A Class Ordinary Share was placed.

The Subscription Price per C Class Ordinary Share for each Valuation Day following the Initial Offer shall equal the Net Asset Value per C Class Ordinary Share as at each respective Valuation Day.

All prices are rounded to the nearest US\$0.01, with US\$0.005 being rounded up.

*Redemption Prices*

The Redemption Price per Ordinary Share on any Redemption Day shall equal the Net Asset Value per Ordinary Share of the relevant class as at the relevant Redemption Day.

**Suspension of Dealings**

The Directors may (but shall not be obliged to) declare a temporary suspension of the determination of the Net Asset Value and Subscription Prices and Redemption Prices in respect of any Valuation Day:

- (a) when one or more exchanges or other regulated markets which provide the basis for valuing a significant portion of assets of the Company are closed other than for or during holidays or if dealings therein are restricted or suspended or where trading is restricted or suspended in respect of securities forming a material part of the Company's assets;

- (b) when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Company, including (without limitation) delays in settlement or registration of securities transactions, the disposal of assets of the Company is not reasonably practicable without materially and adversely affecting and prejudicing the interests of continuing Shareholders, or if, in the opinion of the Directors, a fair price cannot be calculated for the assets of the Company;
- (c) in the case of a breakdown of the means normally used for calculating the Net Asset Value or valuing a significant portion of investment of the Company or if for any reason the value of any asset or assets of the Company which is material in relation to Net Asset Value (as to which the Directors shall have sole discretion) may not be determined as rapidly and accurately as required; or
- (d) if, as a result of foreign exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of the Company are rendered impracticable, or if purchases, sales, deposits and withdrawals of the assets of the Company cannot be effected at the normal rates.

If there is a suspension of the determination of the Net Asset Value then the issue of Ordinary Shares on such Valuation Day is suspended and the redemption of Ordinary Shares is suspended and all subscription applications and redemption requests are carried forward to the first Valuation Day on which the determination of Net Asset Value shall resume. Any suspension lasting for more than seven Business Days shall be notified to Shareholders and all suspensions shall be notified to the DFM without delay. An applicant for Ordinary Shares or a redeeming Shareholder may withdraw any subscription application or redemption request (as the case may be) at any time while the calculation of Net Asset Value is suspended. If the notice is not so withdrawn, the redemption request will be dealt with on the first Valuation Day following termination of such suspension. Where possible all reasonable steps will be taken to bring any period of suspension to an end as soon as practicable.

### **Compulsory Redemption**

By giving any Shareholder not less than seven Business Days' written notice prior to any Valuation Day, the Company may require that a Shareholder redeem the whole or a specified percentage of his shareholding if the Directors consider that such Shareholder continuing to hold Ordinary Shares would be detrimental to the pecuniary, taxation, material, legal or regulatory interests of the Company or its Shareholders as a whole. Without prejudice to the foregoing, the Company will seek to ensure that it does not become subject to the provisions of the 1940 Act and, to this end, will seek to restrict the number of US Shareholders to approximately eighty. The Company may exercise its right of compulsory redemption with respect to any US Person acquiring Ordinary Shares in order to so restrict the number of US Shareholders or to prevent the Company from being required to register under the 1940 Act. In order to give effect to the foregoing, the Company may request such declarations and information from Shareholders and potential Shareholders as the Directors may consider appropriate and the Ordinary Shares of holders failing to supply any such declarations or information may also be compulsorily redeemed. It should be appreciated, however, that it may not always be possible for the Company to ascertain whether or not a particular Ordinary Share is beneficially held by a US Person.

In addition, the Company may, in its absolute discretion, compulsorily redeem all outstanding Ordinary Shares if the Net Asset Value falls below US\$10,000,000.

**Placing Arrangements**

The Company may accept subscriptions for Ordinary Shares through Placing Agents, engaged from time to time by the Manager on behalf of the Company, for the purpose of placing Ordinary Shares in the Company with current Shareholders and new investors.

Subject to the discretion of the Manager, where Ordinary Shares are placed by a Placing Agent, investors will be issued A Class Ordinary Shares, which will be subject to the fees and expenses as detailed more fully under the section in this Explanatory Memorandum headed "Fees and Expenses".

Subject to the discretion of the Manager, where an investor subscribes for Ordinary Shares in the Company, in circumstances other than being placed by a Placing Agent, Shareholders will be issued C Class Ordinary Shares, which will be subject to the fees and expenses as detailed more fully under the section in this Explanatory Memorandum headed "Fees and Expenses".

## **DISTRIBUTION POLICY**

### **Distribution Policy**

Dividends, interest and other income received by the Company are to be applied first in the payment of fees and expenses. The Directors intend that any net income after payment of such fees and expenses (and less such amount as the Directors consider appropriate in respect of any projected or contingent fees and expenses) is distributed to Shareholders. No dividends are paid out of capital or out of unrealised or realised capital gains.

### **Dividend Reinvestment Plan**

Unless and until the Company otherwise determines, each dividend declared in respect of Ordinary Shares may, at the election of each Shareholder, be paid in cash or reinvested in additional Ordinary Shares at the Subscription Price per Ordinary Share as of the Valuation Day immediately following the issue of the dividend. An election to receive dividends in cash or to have such dividends automatically reinvested in Ordinary Shares is made at the time Ordinary Shares are initially applied for and may be changed seven Business Days prior to the relevant payment date in respect of the dividend. No Front End Charge shall be levied in connection with the reinvestment of dividends. A Shareholder who has elected to reinvest a dividend will be sent a written confirmation of the reinvestment and, if applicable, a share certificate.

## **FEES AND EXPENSES**

### **Manager**

In relation to A Class Ordinary Shares which are currently in issue or which may be issued from the date of this Explanatory Memorandum, the Manager is entitled to receive from the Company a management fee accruing weekly at the annual rate of 1.4 percent of the Net Asset Value (the "**Management Fee**") (calculated for these purposes prior to deduction of this Management Fee) attributable to A Class Ordinary Shares on each Valuation Day and payable quarterly in arrears.

A Class Ordinary Shares which may be issued by the Company from the date of this Explanatory Memorandum shall be subject, at the discretion of the Manager, to a Front End Charge.

In relation to C Class Ordinary Shares which may be issued from the date of this Explanatory Memorandum, the Manager is entitled to receive from the Company the Management Fee accruing weekly at the annual rate of 1.4 percent and a distribution fee accruing weekly at an annual rate of 1 percent of the Net Asset Value (the "**Distribution Fee**") (the Management Fee and Distribution Fee being calculated for these purposes prior to the deduction of these fees) attributable to C Class Ordinary Shares on each Valuation Day and payable quarterly in arrears.

In addition, the Manager is entitled to receive from the Company, in respect of each Ordinary Share in issue/outstanding, a Performance Fee of 15 percent of any out-performance of each Ordinary Share (in terms of movements in the Net Asset Value and dividends paid in respect of such Ordinary Shares) in excess of a fixed hurdle rate for returns of 10 percent (the "**Performance Fee**"). Currently, the Performance Fee is calculated annually, and is payable within fourteen days following the last Valuation Day in June of each year (save that, in respect of any Ordinary Share redeemed during the course of the year, such fee shall accrue on the Valuation Day on which such Ordinary Share is redeemed). Currently the Performance Fee is calculated as a percentage of NAV as at 30 June of each year for the preceding financial year such that a different Performance Fee will be charged for each of the Valuation Days. However, as of 1 July 2008, the Performance Fee will be calculated by determining the rise in NAV between the first Valuation Day of a fiscal year and the last Valuation Day of that fiscal year. To the extent that the rise in NAV exceeds a fixed hurdle rate of 10 percent, the Company shall be entitled to 15 percent of such rise over the 10 percent hurdle rate (save that, in respect of any Ordinary Share redeemed during the course of the year, such fee shall be realised on the Valuation Day on which such Ordinary Share is redeemed).

Finally, the Manager is also entitled to be reimbursed all reasonable out-of-pocket and third party expenses incurred in the performance of its duties. The Manager is entitled to waive or rebate any part of its Performance Fee or annual management fee or rebate an amount in respect of subscriptions of Ordinary Shares to persons who assist in the placing of Ordinary Shares or persons who subscribe for Ordinary Shares (whether as principal or agent).

### **Global Custodian, Administrator and Registrar**

The Global Custodian of the Company is HSBC Middle East Limited and the Administrator and Registrar of the Company is HSBC Securities Services (Bermuda) Limited. The HSBC Group is entitled to receive from the Company fees for the provision of administration services, investor services and custodian services to the Company.

## **Directors**

The Company will be responsible for the payment of the Directors' travel and accommodation expenses only (the "**Directors' Fees**"). Each of Ziad Al Tunisi, Mark Taborsky, Samuel Linton Hayes III, Amr El Sawaf and Amr Abdel Salam Diyab are paid Directors's Fees of US\$15,000 per annum. The Company is responsible for all brokerage and commissions and other dealing costs, stamp duties, taxes, foreign exchange costs, bank charges, registration fees relating to investments, insurance and security costs, any out of pocket expenses of the Directors, and all fees and out of pocket expenses of the Auditor, Registrar, Administrator, Global Custodian and legal and certain other expenses incurred in the administration of the Company and in the acquisition, holding and disposal of investments. The Company is also responsible for the costs of preparing, printing and distributing all valuations, statements, accounts and reports. The expenses of preparing and publishing the Net Asset Value and all Subscription Prices and Redemption Prices are also borne by the Company.

All fees and expenses incurred in connection with the establishment of the Company, and the Initial Offer and all costs incurred in connection with obtaining a listing of the A Class Ordinary Shares on the Irish Stock Exchange, and all legal costs and all out of pocket expenses were borne by the

Company and were amortised over the Company's first five financial years. The total fees and expenses associated with the Initial Offer and listing of the A Class Ordinary Shares on the Irish Stock Exchange amounted to approximately US\$200,000. The total fees and expenses associated with the listing of the Company on the DFM amounted to US\$994. The ongoing cost of maintaining the listing of a class of shares on the DFM is currently US\$817 per annum.

The Company may decide to list the C Class Ordinary Shares on the DFM. There is currently no fee levied for the listing of an additional class of shares on the DFM.

## TAXATION

### General

The taxation of income and capital gains of the Company and the Shareholders is subject to the fiscal law and practice of Bermuda, and any other jurisdiction in which the Company invests and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following summary of the anticipated tax treatment in certain jurisdictions does not constitute legal or tax advice and is based on the taxation law and published practice in force at the date of this Explanatory Memorandum. The summary applies only to persons holding Ordinary Shares as an investment.

This summary does not consider all aspects of taxation which may be relevant to a particular Shareholder in the light of their particular circumstances (for example, tax consequences in the Shareholder's jurisdiction of residence). Investors should consult their own advisers on the taxation and exchange controls implications of their acquiring, holding or disposing of Ordinary Shares under the laws of any jurisdictions in which they are or may be liable to taxation.

While this summary is considered to be a correct interpretation of existing laws and practice in force on the date of this Explanatory Memorandum, no assurance can be given that courts or other authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or practice will not occur.

### Bermuda

At the date of this Explanatory Memorandum, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or Shareholders, other than Shareholders ordinarily resident in Bermuda. Neither the Company nor Shareholders will be subject to stamp duty on the issue, transfer or redemption of Ordinary Shares.

The Company has obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gains or appreciation of any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any persons ordinarily resident in Bermuda and holding such Ordinary Shares, debentures or other obligations of the Company.

As an exempted mutual fund company, the Company is liable to pay in Bermuda an annual registration fee, which, based upon its current authorised share capital, will be US\$6,275 at the current rate or such other amount as may be determined by the relevant Bermudan authorities from time to time.

### United Kingdom

The following is a summary of various aspects of the United Kingdom taxation regime which may apply to United Kingdom resident or ordinarily resident persons acquiring Ordinary Shares in the Company, and where such persons are individuals only to those domiciled in the United Kingdom. It is intended as a general summary only, based on current tax law and published practice in force as of the date of this Explanatory Memorandum. Such law and practice may be subject to change, and the below summary is not exhaustive. Further, it will apply only to those United Kingdom Shareholders holding Ordinary Shares as an investment rather than those which hold Ordinary Shares as part of a financial trade; and does not cover United Kingdom Shareholders which are tax exempt or subject to special taxation regimes.

## **The Company**

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation of the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for United Kingdom tax purposes.

Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a branch or agency situated therein that constitutes a permanent establishment for United Kingdom taxation purposes), the Company will not be subject to United Kingdom income tax or corporation tax other than on United Kingdom source income. The Directors and the Manager each intend that the respective affairs of the Company and the Manager are conducted so that no permanent establishment will arise insofar as this is within their respective control, but it cannot be guaranteed that the conditions necessary to prevent any permanent establishment coming into being will at all times be satisfied.

## **Shareholders**

### *The UK offshore funds regime: Reporting Fund Status*

Shareholdings in the Company will constitute interests in "offshore funds", as defined for the purposes of the Taxation (International and Other Provisions) Act 2010 ("**TIOPA 2010**"), with each Class treated as a separate "offshore fund" for these purposes.

Therefore unless a Class applies for and is granted approval as a "reporting fund" (under previous rules, a "distributing fund") any profit on disposal (including a redemption) of Ordinary Shares referable to such Class by a United Kingdom resident Shareholder should be taxed as an "offshore income gain" for UK tax purposes, and should be subject to current UK income tax or corporation tax rates, as appropriate.

The Offshore Funds (Tax) Regulations 2009 (as amended) provide that if an investor resident in the United Kingdom for taxation purposes holds an interest in an offshore fund and that offshore fund is a "non-reporting fund", any gain accruing to that investor upon the sale or other disposal of that interest (which will include a redemption) will be charged to United Kingdom tax as income rather than a capital gain. Alternatively, where an investor resident in the United Kingdom holds an interest in an offshore fund that has been approved by HM Revenue & Customs ("**HMRC**") as a reporting fund for all periods of account for which they hold their interest, any gain accruing upon sale or other disposal of the interest (which will include a redemption) will be subject to tax as a capital gain rather than income.

Where an offshore fund has been a non-reporting fund for part of the time during which the UK Shareholder has held their interest and a reporting fund for the remainder of that time, it will be possible for the shareholder to make an election so that they are deemed to dispose of their interest at market value on the day before the Class becomes a reporting fund. The Shareholder would pay tax at the UK income tax rate on the deemed disposal. Future gains would be taxed at capital gains tax rates. In these circumstances, from the date the offshore fund changes status such elections have specified time limits in which they can be made.

In broad terms, a "reporting fund" is an offshore fund that has been approved as such by HMRC and that meets certain annual reporting requirements to HMRC and its shareholders. The Directors intend to manage the affairs of the Company such that they will be able to seek HMRC approval of each Class as a reporting fund and the requisite annual reporting duties are met and continue to be met on an ongoing basis. The Directors have obtained reporting fund status for the period commencing 1 July 2010 for the Ordinary Shares, and it should remain in place permanently provided the annual reporting requirements are satisfied.

Such annual reporting duties will include calculating and reporting the "reportable income" returns of the offshore fund for each reporting period (as defined for United Kingdom tax purposes) on a per-share basis to all relevant Shareholders (as defined for these purposes). UK Shareholders who hold their interests in the Company at the end of the reporting period to which the reported income relates, will be subject to income tax or corporation tax (as appropriate) on the excess of their share of the reportable income over any cash distributions actually paid out during the reporting period. The reported income (not paid out in cash) will be deemed to arise to United Kingdom Shareholders on the date the report is issued by the Directors provided that it is reported within 6 months of the year end (otherwise it is deemed to arise at the yearend). To the extent that cash distributions are paid by the Classes, they will be subject to UK tax as dividends in the normal way. It is currently intended that the reportable income information will be published via the Company website, using the link:

<http://www.efg-hermes.com/Funds/EFG-Hermes MEDA Fund>

If any investor requires a different format for the annual reporting process, they should inform the Directors as soon as possible.

### ***Dividends***

Subject to their personal circumstances, Shareholders resident in the United Kingdom for taxation purposes will be liable to United Kingdom income tax or corporation tax (as appropriate) in respect of dividends or other distributions of income by the Company, whether or not such distributions are reinvested, and also on amounts of reported income to the extent this exceeds dividends received.

Following the enactment of Finance Act 2009, from 1 July 2009, United Kingdom resident corporate shareholders in receipt of dividends from the Company may be able to rely on one of a number of exemptions from United Kingdom corporation tax in respect of such dividends. In addition, distributions to non-United Kingdom companies carrying on a trade in the United Kingdom through a permanent establishment in the United Kingdom may also fall within the exemption from United Kingdom corporation tax to the extent that the Ordinary Shares held by that company are used by, or held for, that permanent establishment. Reported income will be treated in the same way as a dividend distribution for these purposes.

The Corporation Tax Act 2009 ("**CTA 2009**") provides that, if at any time in an accounting period a person within the charge to United Kingdom corporation tax holds an interest in an offshore fund (as defined for these purposes), and there is a time in that period when that fund fails to satisfy the "non-qualifying investments test", shares in that fund will be treated as a loan relationship for United Kingdom Corporation Tax purposes. A fund is deemed to have failed the "non-qualifying investments test" if it invests more than 60 per cent of its assets in interest bearing (or similar) assets. Where the interest is treated as a loan relationship all returns on that interest in respect of such a person's accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a "mark to market" basis. Accordingly, such a person who acquires Ordinary Shares in the Company may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Ordinary Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Ordinary Shares). Based on the current investment strategy, these rules are unlikely to apply.

### **Other United Kingdom Tax Considerations**

Corporate investors resident in the UK should note the provisions of Chapter IV of Part XVII of ICTA 1988. These provisions may subject UK resident companies to corporation tax on profits of non-resident companies, controlled by persons resident in the UK, in which they have an interest. These provisions affect UK resident companies who have an interest of at least 25 percent in the

profits of a non-UK resident company, where that non-UK resident company is controlled by residents of the UK and is resident in a low tax jurisdiction. This legislation is not presently directed towards the taxation of capital gains. Corporate shareholders should note that these rules are currently under review by the UK Government as part of a wider consultation process covering the Taxation of Foreign Profits. Although the scope of any reform cannot be accurately predicted, it is now expected that changes to the regime will be introduced by the Finance Bill 2012.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the United Kingdom and may render them liable to income tax in respect of undistributed income and profits of the Company on an annual basis to the extent that they have not already been taxed on such income. The legislation is not directed towards the taxation of capital gains.

The attention of persons resident or ordinarily resident in the United Kingdom for taxation purposes should be drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992. These provisions could be material to any such person whose proportionate interest in the Company (whether as a Shareholder or otherwise as a "participator") when aggregated with that of persons connected with that person is 10 percent, or greater, if, at the same time, the Company is controlled in such a manner that it would be a "close" company for United Kingdom taxation purposes, were it to be resident in the United Kingdom. Section 13 could, if applied, result in a person with such an interest in the Company being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any capital gain accruing to the Company (such as on a disposal of any of its investments) had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Company (determined as mentioned above). It is anticipated that the holdings of the Ordinary Shares in the Company will be such as to ensure that the Company would not be a close company for the purposes of this UK legislation.

Because the Company is not incorporated in the United Kingdom and the register of holders of the Ordinary Shares will be kept outside the United Kingdom, no liability to stamp duty reserve tax will arise by reason of the transfer, subscription for or redemption of Ordinary Shares. Liability to stamp duty will not arise provided that any instrument in writing transferring Ordinary Shares in the Company is executed and retained at all times outside the United Kingdom.

### **United States Federal Income Taxation**

The following is a brief summary of certain US federal income tax consequences that may be relevant to prospective investors. This summary is not a full description of the complex tax rules involved and is based upon the sections of the US Internal Revenue Code of 1986, as amended (the "**Code**"), US Treasury regulations, published IRS rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. The Company has not sought any ruling from the IRS with respect to the statements made and the conclusions reached in this summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary does not discuss all aspects of US federal income taxation that may be relevant to a particular shareholder in light of his or her individual circumstances or to certain types of Shareholders subject to special treatment under the Code (for example, insurance companies, financial institutions, dealers or traders in securities, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, persons or entities that have a

functional currency other than the US dollar and holders of Ordinary Shares who hold them as part of a straddle, hedging or a conversion transaction). Special rules may apply in the case of Shareholders that are former citizens of the United States or that are considered, for US federal tax purposes, to be personal holding companies, "controlled foreign corporations" (each a "**CFC**"), "passive foreign investment companies" (each a "**PFIC**") or corporations subject to the accumulated earnings tax, and in some situations special rules may also apply to shareholders of the foregoing. This summary does not address any such special rules and does not take into account or anticipate any state, local or non-US tax considerations.

Accordingly, prospective purchasers of the Ordinary Shares should consult their own tax advisers with respect to the tax treatment of the acquisition, ownership and disposition of Ordinary Shares in light of their particular circumstances.

#### US Taxation of the Company

Effective 1 September 2009, the Company made an election (the "**Election**") to be treated as a partnership for US federal income tax purposes and expects to be so treated for US federal tax purposes. As of the effective date of the Election and based on the structure and operation of the Company, a Shareholder's allocable portion of the Company's income and gain generally should not be subject to US federal income tax, except as provided below.

Prior to the Election, the Company was taxable as a corporation for US federal income tax purposes. Furthermore, if the Election was not effective, the Company would be subject to regular US federal corporate income tax, plus a 30 percent branch profits tax, on its income (if any) effectively connected with a US trade or business, and any distributions to US Shareholders would be taxable as dividends to the extent of the earnings and profits of the Company. In addition, the Company could be classified either as a CFC or, more likely, as a PFIC, which could result in adverse tax consequences to the US Shareholders. Under present laws and regulations and judicial interpretations thereof, the Company does not believe that it will be classified and treated as an association taxable as a corporation as of the effective date of the Election.

A Shareholder would be subject to US federal income taxes on its allocable portion of the Company's income and gain realised by it only if the Company were viewed for US federal income tax purposes as being "engaged in a trade or business within the United States". Whether the Company will be viewed as engaged in a trade or business within the United States is a question of fact the answer to which will depend principally upon the activities that the Company conducts within the United States, including through any pass-through entity in which the Company invests. However, subject to certain exceptions, pursuant to a statutory "safe harbour" a non-US person (other than a dealer in stocks or commodities) that engages in trading stocks or securities (including contracts or options to buy or sell securities) for its own account is not deemed to be engaged in a US trade or business. The Company intends to conduct its businesses in a manner so as to meet the requirements of the safe harbour. The Company's anticipated trading activities, therefore, should not constitute a US trade or business and thus the Company should not be subject to the regular US federal income tax on any of its trading profits.

However, even if the Company complies with the requirements of this safe harbour, it is possible that the Company could be deemed to be engaged in a US trade or business as a result of its other investment activities (such as investments in certain pass-through entities engaged in a US trade or business). If the Company were deemed to be engaged in a US trade or business (for example, as a result of owning a limited partnership interest in a US business partnership or a similar ownership interest), a Shareholder's allocable portion of the income and gain deemed to be effectively connected with that trade or business would potentially be subject to US federal income tax at

graduated rates. The Company will attempt to structure its investments so as to avoid US federal income taxation under the rules discussed in this paragraph.

In general, however, certain US source income that is not effectively connected with a US trade or business will be subject to US federal income tax at a flat rate of 30 percent on the gross amount, generally this tax is payable through withholding. Income subject to such a flat tax rate is described in the Code as being of a fixed or determinable annual or periodic nature, including dividends (which includes dividend equivalent amounts as such term is defined in the Code and certain interest income. If the Company earns such income (i.e. through an investment in another flow-through entity) the 30 percent tax rate may be reduced if a Shareholder is a resident of a country that has an income tax treaty with the United States.

Certain types of income specifically are exempted from the 30 percent tax and thus withholding is not required on payments of such income. The 30 percent tax does not apply to deposits with US banks or interest that qualifies as "portfolio interest". The term "portfolio interest" generally includes interest (including original issue discount) on an obligation in registered form and with respect to which the US person that would otherwise be required to deduct and withhold the 30 percent tax receives the required statement that the beneficial owner of the obligation is not a US person. Under certain circumstances, interest on bearer obligations issued before March 19, 2012 also may be considered portfolio interest. Contingent interest, however, is never "portfolio interest". Also exempt from the 30 percent tax is income from original issue discount obligations and obligations that are payable no more than one hundred and eight three days from the date of issue.

Furthermore, unless the Company enters into an agreement with the United States Treasury to perform diligence regarding their investors and report certain information to the IRS, and meet certain other conditions, then (A) payments to the Company of dividends, interest, and certain other categories of income from sources within the United States that are made after January 1, 2014 (other than such payments made with respect to certain "pre-existing" obligations), and (B) payments to the Company of gross proceeds from sales or other dispositions of property that can produce U.S. source interest or dividends that are made on or after January 1, 2017, may be subject to a 30% U.S. federal withholding tax.

#### US Taxation of Shareholders

For purposes of this summary, the term "US Shareholder" means a holder of Ordinary Shares that, for US federal income tax purposes, is: (a) an individual citizen or resident of the United States; (b) a corporation (including an entity treated as a corporation for US federal income tax purposes) that is created or organised in or under the laws of the United States, any State thereof or the District of Columbia; (c) an estate the income of which is subject to US federal income taxation regardless of its source; or (d) a trust (i) as to which one or more US persons (as defined for US federal tax purposes) have the authority to control all substantial decisions and over which a court within the United States is able to exercise primary supervision or (ii) that was in existence on 20 August 1996, was considered a US trust as of that date, and has in effect an election to continue to be so treated. The term "Non-US Shareholder" means a holder of Ordinary Shares that is not a US Shareholder. In general, beneficial owners in partnerships and other flow-through entities should be regarded as the relevant Shareholders of the Ordinary Shares (i.e. the relevant shareholder). Further, the following summary should be understood to pertain solely to investors who will own Ordinary Shares as capital assets within the meaning of the Code.

#### Non-US Shareholders

A Non-US Shareholder that is not considered to be "engaged in a trade or business within the United States" or otherwise subject to US taxation should generally not be subject to US federal income, branch profits or withholding taxes on any gain realised on a disposition of Ordinary

Shares outside the United States or on Company distributions. However, in the case of a non-resident alien individual, such gain will be subject to US federal income tax at a 30 percent rate (or lower tax treaty rate) if such individual is present in the United States for one hundred and eighty three days or more during the taxable year and if certain other conditions are satisfied.

#### US Shareholders

As mentioned previously, the ownership of Ordinary Shares by US Shareholders generally will be restricted to Exempt Organisations and US Persons that qualify as "qualified purchasers" (as defined in the 1940 Act and the regulations promulgated thereunder). Where Ordinary Shares are held by an Exempt Organisation, special tax considerations apply.

#### General Taxation of Exempt Organisations

In general, a US Shareholder that is an Exempt Organisation will not be subject to federal income taxation except to the extent that it has "unrelated business taxable income" ("**UBTI**"). With exceptions for certain types of entities, UBTI generally is defined as gross income from a trade or business regularly carried on by an Exempt Organisation that is unrelated to its exempt purpose less any deduction attributable thereto and less a de minimis deduction of US\$1,000. Activities of the Company will be attributable to an Exempt Organisation for purposes of determining UBTI. UBTI does not include (among other items) dividends, interest, royalties or gains from the sale or exchange or other disposition of property (other than inventory or property held primarily for sale to customers in the ordinary course of a trade or business). The definition of UBTI does, however, embrace the concept of "unrelated debt-financed income," which generally includes any income derived from property to the extent that there is "acquisition indebtedness" outstanding with respect to such property during the taxable year. Acquisition indebtedness includes any indebtedness incurred directly or indirectly to purchase such property.

The Company expects to neither incur indebtedness with respect to its investments nor generate UBTI from its investments. If an Exempt Organisation does not incur any indebtedness in connection with its acquisition of Ordinary Shares, the Company does not anticipate an Exempt Organisation to incur UBTI with respect to its ownership of Ordinary Shares.

If, however, an Exempt Organisation incurs indebtedness in connection with its acquisition of Ordinary Shares, all or a portion of the income or gain attributed to those Ordinary Shares will be included in and taxable as UBTI under the "debt financed property" regime described above.

#### Tax Shelter Regulations Considerations

Treasury regulations pertaining to the identification of "tax shelters" may require the Company (and possibly other parties) to maintain a list of US Shareholders. This list sets forth the identity and taxpayer identification number of each US Shareholder, and may be subject to disclosure to the US tax authorities upon request. In addition, each US Shareholder may also be required to make certain annual disclosures to the IRS with respect to an investment in the Company.

#### Reporting

A U.S. person within the meaning of the Code that transfers cash to a non-U.S. partnership will likely be required to report the transfer to the IRS if (i) immediately after the transfer, such person holds (directly, indirectly or by attribution) at least 10% of ownership interest of such partnership or (ii) the amount of cash transferred by such person (or any related person) to such partnership during the twelve-month period ending on the date of the transfer exceeds US\$100,000. The Company has not committed to provide all of the information about the Company or its Shareholders needed to complete the return. US Shareholders are urged to consult their own tax advisors concerning this and any other reporting requirement.

A US person (and, in certain cases, a non-US person who is engaged in business in the US) who owns an interest in certain foreign financial accounts that, in the aggregate, are worth more than US\$10,000 during any part of a calendar year should file a Report of Foreign Bank and Financial Accounts (an "FBAR") with respect to such accounts by June 30 following the close of such calendar year. It is not clear whether a Shareholder's investment in the Company should be treated as a foreign financial account for purposes of the FBAR filing requirements. The penalties for failing to file an FBAR when required can be severe.

United States Treasury Circular 230 Notice

## **FATCA**

### United States

The United States of America (U.S.) Foreign Account Tax Compliance Act ("**FATCA**") provisions enacted under the Hiring Incentives to Restore Employment Act, 2010, and regulations issued thereunder require foreign financial institutions ("**FFIs**") to agree *inter alia* (i) to report to the Internal Revenue Service of the U.S. ("**IRS**") certain taxpayer information (including name, address and taxpayer identification number and account details) regarding U.S. account holders (or in the case of account holders that are non-U.S. entities owned by U.S. owners, regarding those U.S. owners) and (ii) to impose U.S. withholding tax of 30 per cent (the "**Withholding Tax**") on certain payments made to a recalcitrant account holder or a non-participating FFI.

As part of the process of implementing FATCA, the U.S. government has negotiated intergovernmental agreements ("**IGAs**") with many foreign jurisdictions to make it easier for FFIs in those partner jurisdictions to comply with the provisions of FATCA. Bermuda has signed a Model 2B (non-reciprocal) inter-governmental agreement with the U.S. (the "**U.S. IGA**") to give effect to the reporting rules. Under the U.S. IGA, FFIs will be required to enter into a foreign financial institution agreement ("**FFI Agreement**") with the IRS to obtain the status as a participating FFI and will be required to report information on U.S. account holders to the IRS.

As a Bermuda Reporting Financial Institution ("**Bermuda FI**"), the Company generally will be required to register with the IRS as soon as possible and to agree to identify relevant "Specified U.S. Persons" (being any U.S. Shareholder and any non U.S. Shareholder with U.S. owners). Provided that the Company complies with the U.S. IGA and the FFI Agreement, it will not be subject to the related Withholding Tax. Shareholders will generally be required to provide to the Company information that identifies their direct or indirect U.S. ownership. Any such information provided to the Company will be disclosed to the IRS annually on an automatic basis unless it is otherwise exempt from the reporting and withholding rules.

### **The OECD Standard for Automatic Exchange of Financial Account Information (Common Reporting Standard)**

The Standard for Automatic Exchange of Financial Account Information (commonly referred to as the "**Common Reporting Standard**" or "**CRS**") is a regime developed by the Organisation for Economic Co-operation and Development (OECD) to facilitate and standardise the exchange of information on residents' assets and income, primarily for taxation purposes, between numerous jurisdictions around the world ("**participating foreign jurisdictions**"). Bermuda is a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which permits participating foreign jurisdictions to enter into agreements that provide for the automatic exchange of information with respect to certain tax matters. On 29 October 2014, Bermuda signed the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (the "**MCAA**") which provides the legal basis by which participating foreign jurisdictions can agree to implement and exchange information under the CRS. Bermuda, together with over 60 other participating foreign jurisdictions, committed to implement CRS with effect

from 1 January 2016 and, as a result, the Company is required to identify accounts held directly or indirectly by residents in participating foreign jurisdictions and to report information on such persons to the relevant tax authority in Bermuda, which will then exchange such information annually with foreign fiscal authorities in the participating foreign jurisdictions (the “**foreign fiscal authorities**”).

In future, it is possible that IGAs similar to the U.S. IGA and the MCAA may be entered into with other countries or jurisdictions by the Bermuda Government to introduce similar regimes for reporting to other countries’ or jurisdictions’ fiscal authorities.

#### General Points

By investing (or continuing to invest) in the Company, Shareholders shall be deemed to acknowledge and agree, and have given their consent to, the following:

- (i) the Company (or its agent) disclosing to the IRS, HMRC and the relevant tax authority in Bermuda and other foreign fiscal authorities certain information in relation to the Shareholder or, if the Shareholder is an entity, its direct or indirect shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) (including, but not limited to, the name, address, jurisdiction of residence, date and place of birth, tax identification number (if any), social security number (if any) of the Shareholder (or any of the persons specified above), as well as financial information, information regarding the Shareholder's investment in the Company, and any information relating to any of the persons specified above);
- (ii) the relevant tax authority in Bermuda automatically exchanging information as outlined above with foreign fiscal authorities;
- (iii) the Company (or its agent) disclosing to the IRS, HMRC, the relevant tax authority in Bermuda and other foreign fiscal authorities certain confidential information when registering with such authorities and, if such authorities contact the Company (or its agent) directly, assisting with further enquiries;
- (iv) the Company requiring the Shareholder to provide additional information and documentation which the Company is required to disclose to the IRS, HMRC, the relevant tax authority in Bermuda and other foreign fiscal authorities;
- (v) in the event that a Shareholder’s failure to comply with any FATCA or CRS related reporting requirements results in any Withholding Tax or other withholdings, costs (including without limitation all costs, legal fees, professional fees and other costs), expenses, fines, interest, penalties, debts, losses or liabilities being incurred by the Company, the Master Fund, the Manager, the Administrator or any other agent, delegate, employee, director, officer or affiliate of any of the foregoing persons related to FATCA or the CRS (collective “**relevant liabilities**”), the Company reserves the right to ensure that the relevant liability is economically borne by such Shareholder (including, without limitation, by deducting such amounts from any account of, or distribution or other payment due to, the Shareholder;
- (vi) in the event a Shareholder does not provide the requested information or documentation and has not itself complied with the applicable requirements, whether or not that actually leads to compliance failures by the Company, or a risk of the Company’s or its Shareholders' being subject to Withholding Taxes or other relevant liabilities as a result of FATCA or CRS, or otherwise results in withholding tax being imposed or any relevant liabilities being incurred, the

Company reserves the right to take any action and/or pursue all remedies at its disposal (including without limitation the immediate compulsory redemption or withdrawal of the Shareholder from the Company for an amount equal to the Net Asset Value of the Shareholder's Shares, the compulsory transfer, re-designation or conversion of the Shareholder's Shares, the allocation of the relevant FATCA/CRS liabilities to the Shareholder and the deduction of such allocations from any account of, or distribution or other payment due to, the Shareholder;

- (vii) no Shareholder (to include a person who has ceased to be a Shareholder) affected by any such action or remedy pursued by or on behalf of the Company in order to comply with FATCA or CRS, or mandatory tax information reporting requirements to which the Company is subject (or any relevant legislation, regulations or official guidance published in connection therewith) (together, the "**Reporting Requirements**") shall have any claim against the Company, the Master Fund, the Administrator, the Manager or any other agent, delegate, employee, director, officer or affiliate of any of the foregoing persons for any form of damages or liability as a result of such action or remedy and the Shareholder shall be deemed to have consented to the taking of such action or the exercise of such remedy and to have waived any and all rights or claims in respect thereof, to the fullest extent permitted by applicable law; and
- (viii) each Shareholder (including without limitation any person who has ceased to be a Shareholder) indemnifies the Company, the Master Fund, the Manager, the Administrator and their respective agents, delegates, employees, directors, officers or affiliates for any withholding(s) (to include U.S. withholding tax), and all other relevant liabilities incurred by the relevant person(s) for or arising out of or in connection with as a result of any failure (directly or indirectly, including by virtue of the status, action or inaction of any person related or connected to such Shareholder, including without limitation the direct or indirect shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such Shareholder) to comply in a timely manner with any Reporting Requirements, to the fullest extent permitted by applicable law.

This summary does not address all of the provisions of FATCA, U.S. IGA, the CRS, the MCAA or other Reporting Requirements that might be applicable to the Company or a particular Shareholder. Moreover, changes in applicable tax and regulatory laws after the date of this Explanatory Memorandum may alter anticipated tax consequences or the matters referred to in this summary. None of the Company, the Master Fund, the Manager, the Administrator, or any of their respective officers, directors, delegates, employees, agents, accountants, counsel or consultants assumes any responsibility for the tax consequences to any Shareholder of an investment in the Company.

Shareholders should consult their own tax advisors regarding FATCA, the CRS and any equivalent or similar regime or Reporting Requirements and the possible implications of such rules for their investments in the Company.

An investment in the Company could result in significant adverse tax consequences for Shareholders, which are not discussed herein. Accordingly, such prospective investors should not invest in the Company without first consulting their tax advisors.

**Taxation of Investments in the MENA countries**

Investments held in the MENA countries by the Company may be subject to withholding and other taxes on the sale or transfer of such investments and in respect of dividends or other income received in respect of such investments.

## **ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS**

United States Treasury Circular 230 Notice

**THE TAX DISCUSSION CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING US FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE ORDINARY SHARES DESCRIBED IN THIS EXPLANATORY MEMORANDUM. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

### **In General**

In considering whether to invest assets of any benefit plan in the Company, the persons acting on behalf of the plan should consider in the plan's particular circumstances whether the investment will be consistent with their responsibilities and any special constraints imposed by the terms of the plan and by applicable U.S., state or other law, including ERISA and the Code. Some of the responsibilities and constraints imposed by ERISA on employee benefit plans subject to the fiduciary responsibility provisions of Title I of ERISA ("ERISA Plans") and by the Code on retirement plans and other arrangements subject to Code Section 4975, including plans covering only partners or other self-employed individuals ("Keogh" plans) and individual retirement accounts (collectively, "Qualified Plans" and, together with ERISA Plans, "Plans"), are summarized below. The following is merely a summary of those particular laws, however, and should not be construed as legal advice or as complete in all relevant respects. In addition, governmental plans, certain church plans, non-U.S. plans and other benefit plans not subject to ERISA or the prohibited transaction provisions of the Code may nevertheless be subject to similar federal, state, foreign or other laws. All investors are urged to consult their legal advisors before investing assets of a benefit plan, including an ERISA Plan or Qualified Plan, in the Company, and must make their own independent decisions. In addition, ERISA Plans and Qualified Plans should consider the applicability to them of the Code provisions relating to unrelated business taxable income or "UBTI."

### **Fiduciary Responsibilities With Respect to ERISA Plans**

Persons acting as fiduciaries on behalf of an ERISA Plan are subject to specific standards of behaviour in the discharge of their responsibilities pursuant to Section 404(a)(1) of ERISA. Consequently, in determining whether to invest assets of an ERISA Plan in the Company, the Plan's fiduciaries must conclude that an investment in the Company would be prudent and in the best interests of Plan participants and their beneficiaries. They must also determine that any such investment would be in accordance with the documents and instruments governing the ERISA Plan, would provide the Plan with sufficient liquidity in light of the limitations upon a Shareholder's ability to redeem or transfer Ordinary Shares in the Company, and would satisfy applicable diversification requirements. They must consider the potential returns on the proposed investment in the Company, taking into account the risk of loss and opportunity for gain. In making those determinations, such persons should take into account, among the other factors described in this Explanatory Memorandum, that the Company will invest its assets in accordance with the investment objectives and policies expressed in this Explanatory Memorandum without regard to the particular objectives or investment policies of any class of investors, including ERISA Plans and Qualified Plans. Such persons should also take into account, as discussed below, that it is not expected that the Company's assets will constitute the "plan assets" of any investing ERISA Plan

or Qualified Plan, so that none of the Company, the Directors, the Manager, or any of their principals, agents, employees, or affiliates, will be a fiduciary as to any investing ERISA Plan or Qualified Plan. See also “Identification of Plan Assets” below.

### **Prohibited Transactions**

ERISA Plans and Qualified Plans are subject to special rules limiting direct and indirect transactions involving the assets of the Plan and certain persons related to the Plan, termed “parties in interest” under ERISA and “disqualified persons” under the Code. Parties in interest and disqualified persons include any fiduciary to a Plan, any service provider to a Plan, the employer sponsoring a Plan, and certain persons affiliated with a fiduciary, service provider or employer. In addition, ERISA and the Code prohibit fiduciaries of a Plan from engaging in various acts of self-dealing. A party in interest engaging in a “prohibited transaction” may be subject to substantial excise tax penalties and possibly personal liability. Further, any fiduciary to an ERISA Plan taking or permitting any action which the fiduciary knows or should know constitutes a “prohibited transaction” may be personally liable for any loss resulting to the ERISA Plan from such transaction, and subject to forfeiture of any gain derived by the fiduciary from the transaction. The persons acting on behalf of an investing Plan should consider whether an investment of Plan assets in the Company might constitute such a prohibited transaction, as might occur for example if the Manager or one of its affiliates were a fiduciary to the investing Plan with respect to the purchase of Ordinary Shares in the Company.

### **Identification of Plan Assets**

Under Section 3(42) of ERISA and U.S. Department of Labor Regulations Section 2510.3-101, as modified by Section 3(42) of ERISA (together, the “Plan Asset Rules”), an investing Plan will be treated as owning Ordinary Shares in the Company, but the underlying assets of the Company will not be treated as part of the assets of the investing Plan. Under the Plan Asset Rules, however, the assets of the Company may be considered to include assets of the investing Plans if, immediately after any acquisition of an equity interest in the Company, twenty-five percent (25%) or more of the value of any class of equity interests in the Company is held by “Benefit Plan Investors.” A Benefit Plan Investor means an ERISA Plan, a Qualified Plan, or an entity deemed to hold plan assets under the Plan Asset Rules by reason of investment in the entity by ERISA Plans or Qualified Plans. However, entities which hold plan assets are generally considered to be Benefit Plan Investors only to the extent that their equity interests are held by Benefit Plan Investors, although special rules apply to certain entities, including insurance companies investing assets of their separate accounts and bank collective trust funds. In performing the 25% calculation, interests in the Company held by persons (and their affiliates) who provide investment advice to the Company for a fee, direct or indirect or have discretionary authority over the Company’s assets, are disregarded (including the Manager and the Directors). Based on Department of Labor guidance, the 25% test should be performed after each acquisition, redemption or transfer of Ordinary Shares in the Company.

### **Consequences of Plan Asset Status**

Under ERISA and the Code, a person who exercises any discretionary authority or discretionary control respecting the management or disposition of the assets of a Plan or who renders investment advice for a fee to a Plan is generally considered to be a fiduciary of such Plan. Consequently, should the 25% threshold be exceeded as to any class of equity interest in the Company, the Directors and the Manager could be characterized as fiduciaries of the investing Plans. As a result, various transactions between the Company on the one hand and these parties or their affiliates, or other parties in interest or disqualified persons with respect to the investing Plans on the other, could constitute prohibited transactions under ERISA or the Code. In addition, the prudence standards and other provisions of Title I of ERISA applicable to investments by ERISA Plans and

their fiduciaries would extend to investments made by the Company and the ERISA Plan fiduciaries who made a decision to invest the Plan's assets in the Company could, under certain circumstances, be liable as co-fiduciaries for actions taken by the Company, the Directors or the Manager. As a result, the operations and investments of the Company may be limited, resulting in a lower return to the Company than might otherwise be the case. Finally, certain other requirements of ERISA, such as the "indicia of ownership" rules (see below under "Holding of Indicia of Ownership"), may become applicable to, but not be satisfied as to, the assets of the Company.

#### **Limitation on Investment by Benefit Plan Investors**

In order that the assets of the Company are not treated as including "plan assets" under ERISA and the Code, the Board of Directors does not currently intend to permit the investment by Benefit Plan Investors in any class of the Company's equity interests to equal or exceed twenty-five percent (25%) at any time. Accordingly, the Directors have the right, in their sole and absolute discretion, to reject any proposed investment by a prospective or existing investor, to deny approval for any transfer of Ordinary Shares and to require that a Shareholder redeem all or part of its Ordinary Shares. However, the Directors reserve the right, in their sole discretion, to permit investment by Benefit Plan Investors to exceed the 25% threshold and to comply thereafter with the applicable provisions of ERISA and the Code.

#### **Representations by Benefit Plan Investors**

The fiduciaries of each ERISA Plan or Qualified Plan proposing to invest in the Company will be required to represent that they have been informed of and understand the Company's investment objectives, policies and strategies and that the decision to invest the Plan's assets in the Company is consistent with the Plan's terms and the applicable provisions of ERISA and the Code. The fiduciaries of investing Plans will also be required to represent that they are not relying upon the investment or other advice of the Company, the Directors or the Manager, or their affiliates in investing in the Company, and that the acquisition and holding of Ordinary Shares in the Company will not constitute a non-exempt "prohibited transaction" under ERISA or the Code. Finally, any entity that is a Benefit Plan Investor immediately prior to its acquisition of an interest in the Company or at any time thereafter while it continues to hold any interest in the Company must notify the Company of its status as a Benefit Plan Investor prior to its initial acquisition, or, if it first becomes a Benefit Plan Investor after its initial acquisition of an interest in the Company, a reasonable time in advance of becoming a Benefit Plan Investor. Each entity that is a Benefit Plan Investor must also advise the Company of the percentage of its equity interests which are held by Benefit Plan Investors, and must notify the Company a reasonable time in advance of any change in that percentage.

#### **Holding of Indicia of Ownership**

Assets of ERISA Plans must comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA, which require the fiduciaries of ERISA Plans to maintain the indicia of ownership of any assets of the Plans within the jurisdiction of the United States district courts. For purposes of ERISA, a Shareholder's ownership will be evidenced by the Shareholder's fully executed subscription document. Fiduciaries of ERISA Plans who are considering an investment of Plan assets in the Company should consult their own legal advisers regarding compliance with these rules.

#### **Reporting Requirements**

ERISA Plans and Qualified Plans are required to determine the fair market value of their assets as of the close of each Plan's fiscal year. ERISA Plans and certain Qualified Plans are also required to

file annual reports (Form 5500 series and Form 5498) with the Department of Labor or the Internal Revenue Service. To facilitate fair market value determinations, and to enable fiduciaries of Plans to satisfy their annual reporting requirements as they relate to an investment in the Company, Shareholders will be furnished annually with audited financial statements as described in this Explanatory Memorandum. There can be no assurance (i) that any value established on the basis of such statements could or will actually be realized by investors upon the Company's liquidation, (ii) that investors could realize such value if they were able to, and were to sell their Ordinary Shares, or (iii) that such value will in all circumstances satisfy the applicable ERISA or Code reporting requirements.

In addition, the fiduciaries of a Plan investing in the Company are notified that the information in this Explanatory Memorandum in relation to: (w) the compensation received by the Manager hereunder; (x) the services provided by the Manager for such compensation and the purpose for the payment of the compensation; (y) a description of the formula used to calculate the compensation; and (z) the identity of the parties paying and receiving the compensation, is intended to satisfy the alternative reporting option with respect to compensation of the Manager that is reportable on Schedule C of the Plan's Form 5500.

## GENERAL INFORMATION

### 1. Incorporation and Ordinary Share Capital

The Company was incorporated in Bermuda on 30 June 1998 with limited liability and unlimited duration under the Companies Act 1981 of Bermuda and its registered number is 25155.

The Company was incorporated with an authorised share capital of US\$12,000 divided into 1,200,000 Ordinary Shares at a par value of US\$0.01 each. On 28 June 1999, the authorised share capital of the Company was increased to US\$250,000 by the creation of an additional 23,800,000 Ordinary Shares. The minimum share capital of US\$12,000 was initially subscribed for by the Manager (upon terms that such A Class Ordinary Shares would form part of the Initial Offer and would be paid in full at a price of US\$10.00 on or shortly after the closing date) upon incorporation of the Company and such Ordinary Shares were allotted and issued on 1 July 1998.

From February to April 2008, the Company was over-subscribed, which in turn meant that, due to a discrepancy, the Company has issued 5,660,640 Ordinary Shares in excess of its authorised share capital. Please note that the discrepancy had no impact on the Net Asset Value of the Company. The Company has since rectified this issue by following the appropriate Bermudan law procedures. The authorised share capital is now US\$500,000, which means the Company may issue at total of 50,000,000 Ordinary Shares to investors. This discrepancy has had no impact on the value of existing Shareholder's investments in the Company.

Investors are advised to consult the marketing information on the Company for up-to-date information on the issued share capital of the Company.

Subject to the transfer restrictions set out under the heading "Important Information" of this Explanatory Memorandum and any other terms which may be agreed between Shareholders and the Company on subscription for Ordinary Shares, the Ordinary Shares issued by the Company are freely transferable (save where the holding of the Ordinary Shares by the transferee would result in any regulatory or legal disadvantage for the Company or its Shareholders as a whole), and are issued in registered form and holders are entitled, on request to a certificate in respect of their holdings. Fractions of Ordinary Shares may be issued.

No pre-emption rights exist in respect of the Ordinary Shares, either under Bermuda law, under the Bye-laws or otherwise.

Save as disclosed in this paragraph 1 above:

- (a) no Ordinary Shares have been issued or agreed to be issued for cash or other consideration and no such Ordinary Shares are now proposed to be issued;
- (b) no commissions, discounts or brokerages or special terms have been granted in connection with the issue or sale of the Ordinary Shares; and
- (c) no Ordinary Shares are under option or agreed conditionally or unconditionally to be put under option.

### 2. Shareholder Rights

The following is a summary of the respective rights attaching to the A Class Ordinary Shares and C Class Ordinary Shares.

The Ordinary Shares carry the sole right to receive income and on a liquidation carry the sole right to participate in any amounts payable to Shareholders. On a show of hands every holder of Ordinary Shares shall have one vote, and on a poll, Ordinary Shares each carry one vote. The Ordinary Shares are redeemable at the option of the holder and at the option of the Company in

accordance with the provisions detailed in the Applications and Redemptions section of this Explanatory Memorandum.

The Net Asset Value of any Ordinary Share is calculated by determining the Net Asset Value maintained in and dividing the resultant sum by the number of Ordinary Shares of that class in issue.

The rights attached to any class of Ordinary Shares may be varied or abrogated with the consent in writing of the holders of not less than three-fourths of the issued Ordinary Shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of Ordinary Shares of that class by a majority of three-fourths of the votes cast at such general meeting. The provisions of the Bye-laws relating to general meetings apply, mutatis mutandis, to every such separate general meeting, except that the quorum shall comprise at least two members representing not less than one-third of the issued Ordinary Shares of that class, or if the meeting is adjourned through lack of quorum, the holders of any Ordinary Shares of that class.

### **3. Directors and Other Interests**

The following information should be noted in relation to the Directors and the Company:

- (a) there are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed;
- (b) save as disclosed herein, no Director has any interest, direct or indirect, in the promotion of the Company and no Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company or is unusual in its nature;
- (c) save as disclosed herein, no Director of the Company or any connected person has any interest, direct or indirect, in the share capital of the Company; and
- (d) Directors' Fees of US\$15,000 per annum are payable to Ziad Al Tunisi, Mark Taborsky Samuel Linton Hayes III, Amr El Sawaf and Amr Abdel Salam Diyab.

### **4. Ordinary Share Certificates**

Ordinary Shares are issued in registered form in the Shareholder's name in the register of members of the Company. Unless a Shareholder specially requests in writing, no share certificates will be issued. Each Shareholder not requesting a certificate will, however, be issued with a personal account number relating to such Shareholder's purchases of Ordinary Shares. Upon written request, certificates for any number of Ordinary Shares will be issued by the Company and sent to the Shareholder at the address entered on the register of Shareholders. In the event of a request for a certificate, a certificate of Ordinary Shares will be sent to the person in whose name they are registered or, if more than one person, the first person whose name appears on the register, at the risk of the holder of such Ordinary Shares.

### **5. General Meetings**

The Company is required to have one annual general meeting of the Shareholders in each year. Special general meetings of the Shareholders may be convened by the Directors or upon the written requisition of a Shareholder or Shareholders in the Company carrying the right to not less than one-tenth of the votes exercisable at general meetings of the Company. The quorum requirement for general meetings is two shareholders present in person or by proxy holding or representing not less than one-quarter of the Ordinary Shares then in issue.

Notice of an annual general meeting must be sent to each Shareholder at his address in the register of Shareholders at least twenty-one days before the meeting takes place stating the time, date, place and the object of the meeting.

Notice of a special general meeting must be sent in the same manner.

## **6. Memorandum and Bye-laws**

The principal object of the Company, as specified in clause 6 of its Memorandum of Association is to be a mutual fund and in furtherance thereof to acquire, hold, sell, dispose of and otherwise deal in property of all kinds.

In addition to provisions effectively dealt with elsewhere in this Explanatory Memorandum, the Bye-laws contain the following additional material provisions:

### *Directors' Interests*

Provided the nature and extent of his interest is or has been declared in accordance with the Bye-laws, a Director may enter into any contract or arrangement with the Company or in which the Company is interested and such contract or arrangement shall not be liable to be avoided and the Director concerned shall not be liable to account to the Company for any profit or benefit realised by any such contract or arrangement by reason of his holding of that office or the fiduciary relationship so established and may hold any other office (except that of the auditors) or place of profit with the Company in conjunction with the office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

A Director shall not vote, or be counted in the quorum, at a meeting of the Directors on any resolution in respect of his appointment (or the arrangement of the terms of such appointment) to hold any office or place of profit with the Company or in respect of any contract or arrangement in which he is materially interested. This prohibition does not apply (in the absence of some material interest other than as indicated below), inter alia, to:

- (a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company;
- (b) the giving of any security, guarantee or indemnity to any third party in respect of any debt or obligation of the Company for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement by a Director to guarantee or underwrite shares or debentures in the Company; or
- (d) any proposals concerning any other company in which he is interested (directly or indirectly) as an officer, shareholder, creditor or otherwise, provided that he is not the holder of or is beneficially interested in no more than 1 percent, of any class of the issued equity share capital of such company or of the voting rights available to members of the relevant company, any such interest being deemed for the purposes of the Bye-laws to be a material interest in all circumstances.

The Company in general meeting may suspend or relax the provisions described above to any extent or ratify any transaction not duly authorised by reason of a contravention thereto.

Each Director (except for Karim Moussa) shall be entitled to such remuneration for his services as the Directors may determine provided that the aggregate remuneration of the Directors in any one year shall not exceed US\$15,000 per Director plus expenses or such other sum as the Company may in general meeting determine.

### *Increase and Reduction of Capital*

Subject to the laws of Bermuda, the Company may in general meeting increase its capital by such sum divided into shares of such amounts and in such classes with such rights as the resolution shall prescribe, and may consolidate and divide its shares or any of them into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person or sub-divide its shares or any of them into shares of a smaller amount or change the currency denomination of its share capital. All new shares are subject to the provisions of the Bye-laws with reference to transfer, transmission, redemption and otherwise. The Company in general meeting may by resolution reduce its share capital and may reduce any capital reserve or any share premium account in any manner authorised by law.

### *Variation of Rights*

Whenever the Company's share capital is divided into more than one class, the rights attached to any class of share may be varied or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of shares of that class by a majority of three-fourths of the votes cast at such general meeting. Provisions of the Bye-laws relating to general meetings apply, mutatis mutandis, to every such separate general meeting, except that the quorum shall be at least two members representing not less than one-third of the issued shares of that class, or if the meeting is adjourned through lack of quorum, the holders of any shares of that class.

### *Borrowing Powers*

Subject to any other restriction which appears in this Explanatory Memorandum, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, and assets or any part thereof, and to issue debentures, debenture stock or other securities, whether outright or as a security for any debts.

### *Retirement of Directors*

There is no provision for the retirement of Directors on their attaining a certain age.

### *Transfer of Ordinary Shares*

There are limitations on transfers and redemptions of all Ordinary Shares meaning that Ordinary Shares may not be transferred or assigned if the transfer would, in the opinion of the Directors, result in a breach of certain qualification and eligibility criteria as set out in the Bye-laws, including a violation of any applicable securities laws. Further no transfer of Ordinary Shares may be made if such transfer would in the opinion of the Directors: (i) prejudice the tax status or residence of the Company or any of the Shareholders; (ii) cause the Company or any of its Shareholders to suffer any pecuniary, fiscal or legal or regulatory disadvantage; (iii) cause the Company to require to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply; or (iv) cause the aggregate number of US Persons who are beneficial owners of Ordinary Shares to exceed eighty (or such greater number as the Directors may determine, subject to an overall limit of one hundred) or require registration of the Company as an investment company under the 1940 Act. Transfers of Ordinary Shares are subject to the prior execution by the transferor of an executed transfer agreement in a form and substance satisfactory to the Company containing representations, warranties and agreements similar to those contained in the subscription agreement and acceptable to the Company.

### *Unclaimed Dividends*

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be automatically forfeited and shall revert to the Company.

## **7. Miscellaneous**

- (a) There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since incorporation of the Company which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
- (b) The Company assumes no responsibility for the withholding of tax at source (investors are referred to the Taxation section above for more details of the tax treatment of the Company and its Shareholders).
- (c) The Company does not, nor has it had since its incorporation, any employees.
- (d) The Company has not established and does not intend to establish a place of business in the United Kingdom.
- (e) No application is being made for any Ordinary Shares issued pursuant to this Explanatory Memorandum to be listed on any other stock exchange of investment exchange other than the DFM.
- (f) As at the date of this Explanatory Memorandum, the Company has no loan capital (including term loans) outstanding or created but unissued, nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.
- (g) As a result of money laundering and KYC legislation in Bermuda (and any other jurisdiction, as may be applicable), the Company, Administrator and Registrar reserve the right in all cases to request further documentation and information from or relating to places or applicants for the issue of Ordinary Shares. Such documentation and information will be used to verify the identity of existing or potential investors or the status of financial intermediaries.
- (h) Save as required for the Company to meet its obligations under the rules and regulations of the DFM and any applicable local laws, as amended from time to time, the publication or delivery of this Explanatory Memorandum shall not under any circumstances imply that the information contained in this Explanatory Memorandum is correct as at any time subsequent to the date of this Explanatory Memorandum or that there has not been any change in the affairs of the Company since that date.
- (i) The Company is not and does not intend to be registered or licensed in any jurisdiction or with any supervisory or regulatory authority outside Bermuda (other than as regards a listing on the DFM).

## **8. Material Contracts**

The Company has entered into the following contracts which are or may be material:

- (a) the Management Agreement as novated by a Novation Agreement dated 2 January 2018 pursuant to which the Manager has agreed to provide certain investment advisory and investment management services to the Company. Certain details relating to the Management Agreement are contained in the Management and Administration section of this Explanatory Memorandum. In addition, the Management Agreement contains detailed provisions relating to the responsibilities of the Manager and excludes it from any liability to the Company or any Shareholder for any error of judgment or loss suffered, except in the case of fraud, bad faith, negligence or wilful default on its part. Details of the

fees payable to the Manager are described in the Fees and Expenses of this Explanatory Memorandum;

- (b) the Custody Agreement effective 1 May 2008, pursuant to which the Global Custodian has agreed to act as the Company's Global Custodian and to provide, amongst other things, custody services to the Company. Details of the fees payable under the Custody Agreement are described in the General Information section of this Explanatory Memorandum. Under the terms of the Custody Agreement:
- (i) the Global Custodian may appoint agents, sub-custodians or delegates, to perform the custody services on its behalf and may delegate any of its powers under the agreement to such person. In the event that the Global Custodian does so delegate its powers, it shall remain liable for the negligence or wilful default of any such appointee as if no such appointment had been made, provided that it will not be liable in respect of the negligence or default of any entity providing central depository, clearing and/or settlement facilities;
  - (ii) the Custodian will indemnify the Manager and/or the Company against all claims, liabilities, damages, costs and expenses which are incurred by the Manager and/or the Company (as applicable) and all actions or proceedings which may be brought against the Manager and/or the Company (as applicable) except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Manager or Company (as the case may be), and/or its employees in connection with the provisions of the services set out in the Custodian Agreement, provided that the Custodian shall not be liable to indemnify the Manager or the Company (as applicable) for any indirect or consequential losses incurred or suffered by any of them; and
  - (iii) the Manager and/or the Company (as applicable) will indemnify the Custodian against all claims, liabilities, damages, costs and expenses which are incurred by the Manager and/or the Company (as applicable) and all actions or proceedings which may be brought against the Manager and/or the Company (as applicable) except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Custodian, and/or its employees in connection with the provisions of the services set out in this Agreement provided that the Manager and/or Company (as applicable) shall not be liable to indemnify the Custodian for any indirect or consequential losses incurred or suffered by it;
- (c) an Administration Agreement effective 1 May 2008 between the Company and the Administrator pursuant to which the Administrator has agreed to provide administration and corporate secretarial services to the Company ("**Administration Agreement**"). The fees payable to the Administrator are set out under the section headed "Fees and Expenses". This agreement excludes the Administrator and any of its directors, offices or agents for any liability for any loss, expenses or consequences on account of anything done or suffered by them in good faith in the proper performance of that agreement, except in the case of negligence, wilful default, fraud or bad faith and provides that the Company will indemnify the Administrator against all claims, liabilities, damages, costs and expenses of any kind which are incurred by them and all actions and proceedings which may be brought against them in connection with the provision of services set out in the Administration Agreement except insofar as such actions result from fraud, negligence or wilful default by the Administrator. Details of the fees payable to the Administrator are

described in the Fees and Expenses section of this Explanatory Memorandum. Under the terms the Administration Agreement:

- (i) the Company will indemnify the Administrator, its officers and employees or its affiliate (the "**Administrator/Affiliate**") against all claims, liabilities, damages, costs and expenses which are incurred by the Administrator/Affiliate and all actions or proceedings which may be brought against the Administrator/Affiliate except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Administrator/Affiliate in connection with the provisions of the services set out in this Agreement provided that the Company shall not be liable to indemnify the Administrator for any indirect or consequential losses incurred or suffered by the Administrator/Affiliate and or its officer and employees;
- (ii) the Administrator/Affiliate will indemnify the Company against all claims, liabilities, damages, costs and expenses which are incurred by the Company and all actions or proceedings which may be brought against the Company except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Company in connection with the provisions of the services set out in this Agreement provided that the Administrator/Affiliate shall not be liable to indemnify the Company for any indirect or consequential losses incurred or suffered by it;
- (iii) The Administration Agreement may be terminated as follows:
  - a. on three months' written notice, for convenience;
  - b. on thirty days' notice if there is a breach by a party of the Administration Agreement and that breach is capable of being remedied and the party who committed the breach fails to remedy that breach to the satisfaction of the other party within thirty days of receipt of notice of the breach;
  - c. at any time where notice in writing is given by the party to another if that party goes into liquidation (except a voluntary liquidation for the purpose of the construction and amalgamation) or if a receiver of any of the assets of the defaulting party is appointed; or
  - d. immediately subject to the appointment of a new administrator if the Administrator ceases to be regulated by the relevant authority to act as Administrator.
- (d) the Registrar Agreement effective 1 May 2008, pursuant to which the Registrar has agreed to provide registrar services to the Company. The fees payable to the Registrar are set out under the section headed "Fees and Expenses". This agreement excludes the Registrar and any of its directors, offices or agents for any liability for any loss, expenses or consequences on account of anything done or suffered by them in good faith in the proper performance of the Registrar Agreement, except in the case of negligence, wilful default fraud or bad faith and provides that:
  - (i) the Registrar will indemnify the Company against all claims, liabilities, damages, costs and expenses which are incurred by the Company and all actions or proceedings which may be brought against the Company except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Company in connection with the provisions of the services set out in this

Agreement provided that the Company shall not be liable to indemnify the Registrar for any indirect or consequential losses incurred or suffered by it;

- (ii) the Company will indemnify the Registrar against all claims, liabilities, damages, costs and expenses which are incurred by the Registrar and all actions or proceedings which may be brought against the Registrar except so far as such actions result from fraud, negligence, wilful default, breach or non-performance of the Registrar in connection with the provisions of the services set out in this Agreement provided that the Company shall not be liable to indemnify the Registrar for any indirect or consequential losses incurred or suffered by it;
- (iii) the Registrar Agreement may be terminated as follows:
  - a. on three months' written notice, for convenience;
  - b. on thirty days' notice if there is a breach by a party of the Registrar Agreement and that breach is capable of being remedied and the party who committed the breach fails to remedy that breach to the satisfaction of the other party within thirty days of receipt of notice of the breach;
  - c. at any time where notice in writing is given by the party to another if that party goes into liquidation (except a voluntary liquidation for the purpose of the construction and amalgamation) or if a receiver of any of the assets of the defaulting party is appointed; or
  - d. immediately subject to the appointment of a new registrar if the Registrar ceases to be regulated by the relevant authority to act as Registrar.

#### **9. Significant change statement**

Subject to any disclosures concerning the business of the Company made throughout this Explanatory Memorandum, the Directors confirm that as at the Publication Date, there are no events which have occurred subsequent to the date of the latest audited financial statements of the Company and prior to the Publication Date that either provide material additional information relating to conditions that existed at the date of such financial statements or which cause significant changes to assets or liabilities relating to the Company or which will or may have a significant effect on the future operations of the Company.

Investors are referred to the marketing material relating to the Company as may be available from the Manager from time to time.

#### **10. Accounts**

Audited accounts of the Company will be prepared for the period of 1<sup>st</sup> July to 31 December 2017. Thereafter, the Company will prepare annual accounts on a calendar year basis (to 31 December in each year). Unaudited interim accounts will be prepared in respect of the first six months of each annual accounting period of the Company.

Shareholders and the DFM are sent a copy of the Company's annual report and audited financial statements within six months of the end of the period to which they relate and not less than twenty-one days before the annual general meeting. Unaudited interim accounts are sent to Shareholders and the DFM within four months of the end of the period to which they relate.

#### **11. Documents available for inspection**

Copies of the following documents are available for inspection at the registered office of the Company during usual business hours (Saturday and public holidays excepted) for a period of

fourteen days from the date of this Explanatory Memorandum, or for the duration of any offer to which this Explanatory Memorandum relates, if longer:

- (a) the material contracts referred to in paragraph 8 above;
- (b) the Memorandum of Association and Bye-laws of the Company;
- (c) the Companies Act 1981 of Bermuda, as amended;
- (d) the Investment Funds Act 2006 of Bermuda, as amended;
- (e) this Explanatory Memorandum and any other offering or placing documents produced from time to time by the Company;
- (f) the most recent Annual Report and Accounts of the Company (when available); and
- (g) any interim or periodic accounts and/or reports sent to Shareholders.

Copies of the Articles of Incorporation of the Master Fund and the latest financial reports of the Master Fund may be obtained by the Shareholders without cost on request from the Company.

If you have any questions in relation to the EFG-Hermes Middle East and Developing Africa Fund Limited or any of the information contained this Explanatory Memorandum, please do not hesitate to contact [investorrelations@fimpartners](mailto:investorrelations@fimpartners)