

# QNB Global Funds ICAV

## QNB MENA Equities Fund

[16 July] 2021

(A sub-fund of QNB Global Funds ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds under the laws of Ireland and authorised by the Central Bank pursuant to the UCITS Regulations).

This Supplement (the “Supplement”) forms part of the Prospectus dated [16 July] 2021 (the “Prospectus”) in relation to QNB Global Funds ICAV (the “ICAV”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus (notwithstanding that the name given for the Sub-Fund in the Prospectus is QNB MENA Fund) and contains information relating to the QNB MENA Equities Fund (the “Sub-Fund”) which is a separate sub-fund of the ICAV, represented by the QNB MENA Equities Fund series of shares in the ICAV (the “Shares”).

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.

The ICAV and the Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the ICAV and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The ICAV and the Directors accept responsibility accordingly.

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

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|---|--|
| <b>Base Currency</b>                          | US Dollar  |
| <b>Benchmark Index</b>                        | S&P Pan Arab Composite LargeMidCap Capped 10/40 Index  |
| <b>Business Day</b>                           | Any day, other than Saturday or Sunday, in which the securities markets are open for business in Saudi Arabia, the United Arab Emirates, Qatar and Kuwait and banks are open for business in Ireland.  |
| <b>Calculation Day</b>                        | One Business Day (D+1 day) following each Dealing Day  |
| <b>Dealing Deadline</b>                       | For subscriptions and redemptions, 12:00 Noon (Irish time) on each Dealing Day   |
| <b>Dealing Day</b>                            | Each Business Day  |
| <b>Distribution Policy</b>                    | Accumulating   |
| <b>ISIN</b>                                   | IE00BD3GLW41   |
| <b>Minimum Initial Subscription Amount</b>    | USD1,500   |
| <b>Minimum Subsequent Subscription Amount</b> | USD1,500, or such other amount as may be determined by the Directors from time to time and notified to Shareholders  |
| <b>Minimum Redemption Amount</b>              | USD1,500 or such other amount date as may be determined by the Directors from time to time and notified to Shareholders  |
| <b>Settlement Deadline</b>                    | For subscriptions, appropriate cleared subscription monies must be received by 12:00 Noon (Irish time) on the second Business Day after the Dealing Day, or such later date as may be determined by the Directors and notified to Shareholders from time to time |
| <b>Share Classes</b>                          | Class A USD Retail   |
| <b>Valuation Point</b>                        | 2:00 pm (Irish time) on each Business Day (including a Dealing Day)  |

## INVESTMENT OBJECTIVE AND STRATEGY

**Investment Objective.** The objective of the Sub-Fund is to provide long term capital appreciation through investment in equity securities on Recognised Markets located in the Middle East and North of Africa (“**MENA**”).

**Investment Policy.** The Sub-Fund is actively managed and will seek to outperform the Benchmark Index by investing primarily in equity securities listed on Recognised Markets in MENA, including Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates. The Sub-Fund has no particular industry or market capitalisation focus. If the Sub-Fund is unable, for any reason, to invest directly in a local market at any time, it may take exposure to the relevant market by investing in global depository receipts, American depository receipts and / or equity-linked participation notes (“**P-Notes**”) by means of providing indirect exposure to the region. P-Notes are notes that are unleveraged and the return on such notes is based on the performance of underlying securities. P-Notes will be used by the Sub-Fund to gain exposure to equity securities listed on Recognised Markets in MENA such as Saudi Arabia in which the Sub-Fund may not invest directly due to regulatory restrictions. Such P-Notes may not embed derivatives or create leverage. There is no limit to investment in such equity-linked P-Notes provided that they constitute transferable securities that are listed or traded on Recognised Markets in MENA. The Sub-Fund may invest up to 10% of its net assets in equity-linked participation notes that are not listed on Recognised Markets.

Allocations will be based on fundamental research and will incorporate a bottom-up analytical approach with a top-down macroeconomic overlay in order to identify companies with the best long term growth potential. The bottom-up approach is based on fundamental analysis of listed companies on a case-by-case basis by the buy-side research team. Fundamental analysis includes, but is not limited to, financial strength, competitiveness, profitability, growth prospects (such as future business expansion and sources of income) and quality of management (in terms of the understanding of the business and capacity to oversee risk and adverse situations as well as lead to expansion and growth in income). Moreover, the Investment Manager’s fund management and research teams engage in management meetings with issuing companies in order to stay abreast of current trends. The “top-down” approach involves forming and executing a macroeconomic view on the MENA region, taking into account economic, political and other factors that influence the broader regional economy (interest rates, currencies, inflation, economic growth etc.). The quantitative impact of the top-down approach is allocation of weights to geographical and industry sectors. This approach is independent of the financial/operational performance of listed securities and is only concerned with macroeconomic/political factors at the industry, sovereign and regional level.

The Sub-Fund shall invest at least 80% of its Net Asset Value in equity securities listed on Recognised Markets in MENA, including access to equities through the P-Notes referred to above.

The Investment Manager may also buy swaps, futures and options for efficient portfolio management purposes and for investment purposes where it is believed by the Investment Manager to be in the best interests of the Sub-Fund in order to fulfil its investment policy and to gain exposure to the securities set out above. Swaps, futures and options and their use for this purpose are described under “Use of Financial Derivative Instruments” in the “Investment Objectives and Policies” section of the Prospectus. The securities in which the Sub-Fund invests (other than unlisted securities) will be primarily listed or traded on Recognised Markets in MENA in accordance with the limits set out in the UCITS Regulations. The Sub-Fund may hold ancillary liquid assets (such as deposits; commercial paper or other high quality short-term fixed income instruments (such as treasury bills or certificates of deposit) and short term commercial paper; and up to 10% of its Net Asset Value in units in UCITS eligible exchange traded funds) in accordance with the UCITS Regulations and all investments will be made in accordance with local investment restrictions.

The Sub-Fund will not enter into total return swaps, repurchase, reverse repurchase or stock lending agreements in respect of its assets.

### **Benchmark Index**

The Benchmark Index is designed to track the performance of large and mid-cap stocks from 11 pan arab equity markets including Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates. The Benchmark Index reflects the float available to Gulf Co-operation Council residents, which is typically larger than that available to investors based outside the region.

Further information on the Benchmark Index (including its construction methodology) can be found at <https://us.spindices.com/documents/methodologies/methodology-custom-slice-and-dice-indices.pdf>.

As of the date of this Supplement, the Sub-Fund uses the Benchmark Index as a benchmark (within the meaning of the Benchmark Regulation). As of the date of this Supplement, the benchmark administrator is listed on the ESMA Register referred to in Article 36 of the Benchmark Regulation.

### **Sustainable Finance**

The Sub-Fund’s investment policy and the nature of the assets in which it invests means that the Investment Manager will not generally take Sustainability Risks into account in making investment decisions. Investors should refer to the “*Sustainable Finance*” and “*Sustainability Risks*” section of the Prospectus for further details with respect to Sustainability Risks for the Sub-Fund.

### **INVESTMENT RISKS**

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. **As the Sub-Fund has material exposure to emerging markets, an investment in the Sub-Fund should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.**

While the Sub-Fund will be leveraged as a result of its use of FDIs, such leverage will not exceed 100% of the Sub-Fund’s Net Asset Value. For information in relation to risks associated with the use of financial derivative instruments, please refer to “*Derivatives Risk*” in the “*Risk Information*” section of the Prospectus.

**Emerging Markets Risk.** Investment in emerging markets such as MENA may subject the Sub-Fund to a greater risk of loss than investment in developed markets. This is due to, among other things:

- greater market volatility;

- lower trading volume and liquidity issues;
- limited securities markets;
- restrictions on purchases of securities by foreign investors;
- the imposition of currency or capital controls or the expropriation or nationalisation of assets
- political, social and economic instability;
- economic dependence on a few industries or on international trade or revenue from particular commodities;
- high levels of inflation, deflation or currency devaluation;
- regulatory, financial reporting, accounting and disclosure standards that may be less stringent than those of developed markets;
- settlement and custodial systems that are not as well-developed as those in developed markets that may cause delays in settlement and possible “failed settlements”;
- potential difficulty, expense or delay in enforcing legal rights, particularly against governments;
- precarious financial stability of issuers (including governments);
- uncertainty and unexpected variations in the application of tax rules;
- greater risk of market shut down; and
- more governmental limitations on foreign investment policy than those typically found in a developed market.

The foregoing factors may cause the Sub-Fund’s investments to be more volatile than if the Sub-Fund invested in more developed markets and may cause the Sub-Fund to realise losses. This risk of increased volatility and losses may be magnified by currency fluctuations relative to the Base Currency.

**Unhedged Exposure Risk.** The Sub-Fund will not hedge its local currency risk. The assets of the Sub-Fund will generally be invested in securities denominated in the local currencies of MENA countries (“**MENA Currency**”) and any income or capital received by the Sub-Fund from these investments will, likewise, be received in a MENA currency. As Shares in the Sub-Fund are denominated in US Dollars (USD), changes in currency exchange rates between a MENA Currency and USD may affect the value of the Shares. As the currency exchange rates of emerging market countries, such as those listed in the above section headed “Investment Policy”, tend to be more volatile than those of more developed economies, the effect of changes in exchange rates on the value of Shares in the Sub-Fund may be more pronounced than it would be for funds which invest in more developed markets.

Furthermore, the Sub-Fund will accept subscriptions and pay distributions and redemption proceeds, in USD, while it invests in MENA Currency and will therefore incur costs in connection with conversions between these currencies. Currency exchange dealers realise a profit based on the difference between the prices at which they buy and sell various currencies. Thus, a dealer normally will offer to sell currency to the ICAV at one rate, while offering a lesser rate of exchange should the ICAV wish immediately to resell that currency to the dealer. Due to the relatively high volatility of certain MENA Currencies, the spread between a dealer’s sell and offer prices for MENA Currency may be greater than that for the currencies of more developed economies, which may result in relatively high currency exchange costs for the Sub-Fund. The ICAV will conduct its currency exchange transactions on a spot (i.e. cash) basis at the spot rate prevailing in the currency exchange market. It is anticipated that most of the Sub-Fund’s currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Sub-Fund.

## INVESTOR PROFILE

The Sub-Fund may be suitable for investors who seek capital appreciation over the long-term, do not seek regular income from their investments and have a reasonably high risk tolerance and can withstand volatility in the value of their investment.

## SUBSCRIPTIONS

Shares, denominated in USD, are available in the Sub-Fund.

Shares will be issued in respect of each Dealing Day at the Net Asset Value per Share calculated on the applicable Calculation Day, with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Investors may subscribe for Shares for cash on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the "*Purchase and Sale Information*" section of the Prospectus. Consideration, in the form of cleared subscription monies, must be received by the applicable Settlement Deadline.

## REDEMPTIONS

Shareholders may effect a redemption of Shares on any Dealing Day at the NAV of the applicable Calculation Day, subject to an appropriate provision for Duties and Charges, provided that a written redemption request is signed by the Shareholder and received by the Administrator by the Dealing Deadline, in accordance with the provisions set out in this section and at the "*Purchase and Sale Information*" section of the Prospectus. Settlement will normally take place within four Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

Shareholders should note that: (i) any redemption request which would result in a Shareholder holding Shares with a value of less than the Minimum Redemption Amount; and (ii) any redemption request submitted by a Shareholder which holds Shares with a value of less than the Minimum Redemption Amount may, at the discretion of the Directors, upon consultation with the Manager, be treated as a request to redeem all of that Shareholder's Shares.

## FEES AND EXPENSES

**Total Expense Ratio (TER).** The TER for the Sub-Fund will be up to 1.50% per annum of the Net Asset Value.

### Investment Management Fee

The Investment Manager shall be entitled to receive out of the net assets of the Sub-Fund an annual fee not exceeding 1.00% of the Net Asset Value of the Sub-Fund (the "**Investment Management Fee**") in respect of its investment management services. The Investment Management Fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears. The Investment Manager may at its discretion waive the whole or any part of its Investment Management Fee. Reasonable out-of-pocket expenses incurred by the Investment Manager in the performance of its duties may be reimbursed by the Sub-Fund.

For the avoidance of doubt, the Investment Management Fee will be included within the TER.

### Performance Fee

The Investment Manager shall be entitled to receive out of the assets of the Sub-Fund a performance fee (the "**Performance Fee**") which will accrue on each Valuation Point and be paid annually in

arrears at the last Valuation Point of each financial year (the “**Calculation Period**”) in an amount equal to “A”.

$$\text{“A”} = 10\% \times \text{“B”} \times \text{“C”}$$

Where;

“B” = the excess amount by which the Sub-Fund outperforms the Benchmark Index with reference to the relevant Calculation Period

“C” = the number of Shares in issue at the end of each Calculation Period

Where “B” is zero or less, no Performance Fee is paid.

Any underperformance compared to the Benchmark Index in preceding Calculation Periods will be clawed back before the Performance Fee becomes due in subsequent Calculation Periods.

The Performance Fee shall be calculated by the Administrator (subject to verification by the Depositary). For the purposes of calculating the Performance Fee, the current Net Asset Value per Share shall be determined prior to the accrual of any Performance Fee applicable to such Shares but after the deduction of all other Sub-Fund expenses, including without limitation, the Investment Management Fee.

The Performance Fee will accrue and be taken into account in the calculation of the Net Asset Value per Share on each Dealing Day. In the event that the Sub-Fund suffers a redemption of Shares on a Dealing Day within a Calculation Period, the Investment Manager shall be entitled to receive the Performance Fee per Share accrued in respect of such redemption. Any such entitlement to Performance Fees in respect of redemptions of Shares will not be repayable although such entitlement will be taken into account in calculating the Performance Fee entitlement, if any, in respect of the Calculation Period as a whole.

As the Performance Fee is based on net realised and net unrealised gains and losses as at the end of each Calculation Period, the Performance Fee may be paid on unrealised gains which may subsequently never be realised.

The methodology used in calculating the performance fees in respect of the Shares may result in inequalities as between Shareholders in relation to the payment of performance fees (with some investors paying disproportionately higher performance fees in certain circumstances which include paying performance fees which include performance from a period prior to their subscription where subscriptions are received during a Calculation Period) and may also result in certain Shareholders having more of their capital at risk at any time than others (as no equalisation methodology is employed in respect of the performance fee calculation).

**Subscription Fee.** An initial sales charge of up to 2.00% of the Net Asset Value of the Shares to be subscribed for shall be payable in respect of subscriptions for Shares.

**Redemption Fee.** A redemption charge of up to 0.50% of the Net Asset Value of the Shares to be redeemed shall be payable in respect of redemptions of Shares.

**Duties and Charges.** Subscription and redemption prices of Shares may, at the discretion of the Directors, be subject to appropriate provision for Duties and Charges.

Further information in this respect is set out in the “*Fees and Expenses*” section of the Prospectus.