SCALES
ADVISORS

BANKING | FINANCE | INVESTMENTS

About

- Scales Advisors FZ LLC **(SCALES)** is a specialist advisory company incorporated in the RAKEZ free zone in the UAE since 2009, with specific institutional focus on advising and structuring Banking, Finance and Investment Banking transactions, Private Investments advisory, as well as Placement and Distribution of financial products.
- We aspire to deliver personalised solutions through our expertise, providing a specialised approach to meet your objectives.
- Our panel of advisors ensure that our clients and their organizations benefit from our proactive approach, making us integral in their continued success.
- Our international pool of associates also allows us to specialise in originating and structuring cross border transactions, raising funding for our clients on a global scale.

Strategy

We pursue a business strategy covering;

- Banking & Finance advisory
- Investment Banking advisory
- Private Wealth / Investment Advisory
- Placements & Distribution of financial products

Private Wealth / Investment Advisory

Broadly the financial asset classes that we advise fall under the following products categories,

- ***Equities***
- ***Fixed Income***
- ***Funds***
- ***Currencies***
- ***Commodities***
- ***Structured Products***

Equities: Brief Product Overview

- There are various types of equity, but equity typically refers to shareholder equity, which represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off.

- We can think of equity as a degree of ownership in any asset after subtracting all debts associated with that asset.

- Equity represents the shareholders' stake in the company. The calculation of equity is a company's total assets minus its total liabilities.

We offer advise to clients' to invest directly in publicly listed and traded equities across the Global Stock Exchanges. For 'informed investors' we also offer participation in private equity investments.

Fixed Income: Brief Product Overview

- Companies and Governments issue debt securities to raise money to fund day-to-day operations and finance large projects. Fixed-income instruments pay investors a set interest rate return in exchange for investors lending their money. At the maturity date, investors are repaid the original amount they had invested—known as the principal.

- Fixed income is a type of investment security that pays investors fixed interest payments until its maturity date. At maturity, investors are repaid the principal amount they had invested. Government and Corporate bonds are the most common types of fixed-income products. Bonds trade Over-the-Counter (OTC) on the bond market and secondary market.

We offer advise to clients' to buy / sell bonds in the Local, Regional and International bond market, including Islamic Sukuk (bonds).

Funds: Brief Product Overview

- A fund is a pool of money set aside for a specific purpose.

- Those pools are often invested and professionally managed.

- Individual and institutional investors can also place money in different types of funds with the goal of earning money. Examples include mutual funds, which gather money from numerous investors and invest it in a diversified portfolio of assets, and hedge funds, which invest the assets of high-net-worth individuals (HNWI) and institutions in a way that is designed to earn above-market returns. Governments use funds, such as special revenue funds, to pay for specific public expenses.

We advise to clients' to invest directly in Mutual Funds, Money Market Funds, Exchange-traded Funds (ETF), Hedge Funds and Government bond Funds.

Currencies: Brief Product Overview

- Currency is a generally accepted form of payment, issued by a Government and circulated within its jurisdiction.
- The value of any currency fluctuates constantly in relation to other currencies. The currency exchange market exists as a means of profiting from those fluctuations.
- Many countries accept the U.S. dollar for payment, while others peg their currency value directly to the U.S. dollar.
- 180 national currencies recognized by the United Nations are currently in circulation. Another 66 countries either use the U.S. dollar or peg their currencies directly to the dollar.
- The exchange rate is the current value of any currency in exchange for another currency. This rate fluctuates constantly in response to economic and political events.
- Those fluctuations create the market for currency trading. The foreign exchange market where these trades are conducted is one of the world's largest markets in sheer volume. All trades are in large volumes, with a standard minimum lot of $100,000. Most currency traders are professionals investing for themselves or for institutional clients including banks and large corporations.
- The foreign exchange market has no physical address. Trading is entirely electronic and goes on 24 hours a day to accommodate traders in every time zone.

We advise clients' to hedge loan interest rates through Foreign Exchange trading. We can also structure products using currencies as the underlying.

Commodities: Brief Product Overview

- A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type.
- Investors and traders can buy and sell commodities directly in the spot (cash) market or via derivatives such as futures and options.
- Owning commodities in a broader portfolio is encouraged as a diversifier and a hedge against inflation.
- There are two types of traders that trade commodity futures. The first are buyers and producers of commodities that use commodity futures contracts for the hedging purposes for which they were originally intended. Theses traders actually make or take delivery of the actual commodity when the futures contract expires.
- The second type of commodities trader is the speculator. These are traders who trade in the commodities markets for the sole purpose of profiting from the volatile price movements. Theses traders never intend to make or take delivery of the actual commodity when the futures contract expires.
- Commodities do not typically trade in tandem with equity and bond markets, some commodities can also be used effectively to diversify an investment portfolio. Commodity prices typically rise when inflation accelerates, which is why investors often flock to them for their protection during times of increased inflation—particularly unexpected inflation. Because commodities prices often rise with inflation, this asset class can often serve as a hedge against the decreased buying power of the currency.

Structured Products: Brief Product Overview

- Structured products are designed to facilitate highly customized risk-return objectives. This is accomplished by taking a traditional security, such as a conventional investment-grade_bond, and replacing the usual payment features (e.g. periodic coupons and final principal) with non-traditional payoffs derived not from the issuer's own cash flow, but from the performance of one or more underlying assets.

- structured products closely related to traditional models of option pricing, although they may also contain other derivative categories such as swaps, forwards and futures, as well as embedded features that include leveraged upside participation or downside buffers.

- The ability of the structures to offer customized exposure to otherwise hard-to-reach asset classes and subclasses make structured products useful as a complement to traditional components of diversified portfolios.

We offer tailor made structured products to suit the risk-return profile of our clients.

Structured Product Synopsis

Creativity of the product provider combined with the risk return pay-off of the investors has given way to a variety of structured products that are offered in the market with variety of asset classes as the underlying. The products ranges from,

- **Capital Protected Products**

Capital-protected products are suitable for risk-averse investors. This product guarantees a specified minimum amount to be repaid at maturity determined by the protection level (usually 100% of the amount invested) if the underlying performs negatively. In case the underlying performs positively the investor gets all this growth or even more depending on the participation level. In some cases, this gain can be capped with a cap level which determines the maximum redemption the investor can get. Usually these products need long maturities.

- Total or almost protection of the capital invested no matter the performance of the underlying
- Investor gains all the growth of the underlying or even more

Structured Products Synopsis

- **Yield Enhancement Products**

Yield enhancement products are structures with capped upside potential, without capital guarantee and which risk will be comparable to the performance of the underlying asset. Their aim is to generate a return higher than traditional bond yields.

- **Reverse Convertible**

  A classical reverse convertible will pay a guaranteed coupon at maturity but it's fully exposed to the downside performance of the underlying. Usually the product will be structured as a worst-of basket of underlying and the investor will add a capital protection barrier thus limiting the risk but also expecting less yield at maturity.

  - Guaranteed coupon at maturity
  - If the product has a barrier and the stock doesn't decline below a certain threshold, the investor will receive 100% of the notional + coupon at redemption. The simple purchase of a stock would make the investor incur in a loss at even the slightest decline of the underlying.

Structured Products Synopsis

➢ Credit Linked Note

A credit linked note works in a way very similar to a bond. It will pay the investor a coupon on the pre-prescribed observation dates unless the underlying company incurs in a credit event. If that's the case, the loss of the investor will be determined by the type of basket chosen:

- Market recovery basket: A calculation agent determines the value of the entity defaulted and that's what the client receives
- 0 recovery basket: The investor will lose the whole notional

- ✦ Risk can be more controlled as the decline of a stock price is way more likely than a credit event.
- ✦ Credit events aren't homogenic across different issuers
- ✦ If the credit even were to happen, chances are the investor, even when choosing a market recovery basket, will lose almost the totality of the notional

Structured Products Synopsis

➢ Participation Product

Participation products are financial constructs closely linked to the performance of their underlying asset(s), which sometimes feature a conditional downside protection or a leveraged upside. They have no certain capital guarantee, they neither pay a guaranteed coupon nor are they issued at any significant discount. Nevertheless, they offer partial, full or even leveraged participation on the underlying risky asset.

⦿ Tracker Certificates

Tracker Certificates are structures that simply track an underlying asset or multiple underlying assets. There is no cap or protection that makes you always get the performance of the underlying(s). With tracker certificates, you have a simple and cost-effective means of investing in an entire stock market without having to buy each of the individual shares. Moreover, tracker certificates facilitate your access to exotic markets where, as a general rule, you would not even be able to trade.

- Simple and low-cost way of investing in an entire market or sector instead of buying multiple individual stocks
- Risk exposure diversification across a wide range of individual stocks
- Investor gains all the growth of the underlying as there is no cap

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Structured Products Synopsis

➢ Range Accrual Product

A range accrual product offers the potential to receive periodic coupons of which the amount depends on how many trading days during the measurement period the underlying finishes within the specified range. A typical range accrual product pays a fixed return multiplied by the number of days that the underlying asset closed within a certain range and divided by the number of days occurring during the observation period. Capital is at risk if the barrier is breached and will be reduced in line with the fall of the underlying.

- If the index finishes within the range on every measurement day, investors receive the maximum periodic coupon above the risk free rate.
- Capital is at risk if the 50% barrier is breached and the underlying asset finishes below its initial level.
- This product is suitable for an investor who wants to receive income in excess of the risk free rate and is prepared to take on capital risk.

Structured Products Synopsis

➢ Synthetic Zero and Growth Certificates

Synthetic zero and growth certificates offer a fixed return on the investment providing the particular product's requirements are met. This product type typically pays a fixed return if the final level of the underlying asset is above a specific level on a pre-determined observation date. Capital is usually at risk subject to barrier conditions. These types of products usually have one of two possible ways to generate upside returns. The first way is that the product will return full capital plus a fixed bonus amount if the index has reached the required level at maturity. Capital may or may not be at risk. The second is that fixed returns are locked-in throughout the product term and paid at maturity if the index reaches the required level on the relevant observation dates. Capital is at risk and repayment of capital is sometimes treated independently to the payment of the fixed returns on the upside.

- The product provides a reasonable return even on moderate market growth. However, investors do not benefit from any further index growth and cannot receive more than the fixed amount.

Structured Products Synopsis

- **Auto Call Product**

Auto call products offer the investor a pre-determined rate of return if the underlying asset performs sufficiently well on one of a given series of dates. An auto call product has a series of dates and a target index level for each of those dates. For the first date that the index has finished at or above its target level, the product matures with a given return. These tests are applied for each date in succession. If the product is not called on any date then it runs to its full term and pays according to the formula at maturity. The most common type of auto call pays a return proportional to the length of time it takes for the product to be called and usually does not require index growth. However if the product is not called, capital is at risk. Alternatively an auto call product may be capital protected but offer a fixed return part-way through the investment term if the index rises sufficiently. Auto call products can also be linked to more than one index or asset. In such cases generally all relevant indices have to be above the target level for the product to successfully be called. Because this is less likely to occur the corresponding return is higher.

- Opportunity to make an early return above the risk-free rate if product requirements are met.
- Uncertainty of product maturity and re-investment opportunities.
- This type of product is aimed at an investor who wants to achieve a pre-determined return in the event that the index performs to target.

Structured Products Synopsis

- **Accumulator**

Entails the investor entering into a commitment to purchase a fixed number of shares per day at a pre-agreed price (the "Accumulator Price"). This Price is set (typically 10-20%) below the market price of the shares at initiation. This is portrayed as the "discount" to the market price of the shares. The contract is for a fixed period, typically 3 to 12 months. If the market price of the shares rises above a pre-specified level ("Knock- Out price") then the obligation to purchase shares ceases. This Price is set (typically 2% to 5%) above the market price of the shares at initiation.

If the market price falls below the Accumulator Price (10-20%) below the market price at initiation), then the investor would be obligated to purchase more shares. This is called the Step-Up feature.

- Margin is required to minimize counterparty risks. The investor generally benefits where the share prices remain relatively stable preferably, between the Knock Out Price and the Accumulator Price.

Contact

Scales Advisors FZ LLC
T2-4F-1F RAKEZ Amenity Center
Al Hamra Industrial Zone-FZ
RAK, UAE
Phone: +971 55 236 5750
www.scalesadvisors.com

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