MANAZEL AL MAMLAKA

25 December 2017

[redacted]

Subject: Manazel Al Mamlaka (the "KSA Fund") - Update

[redacted]

Introduction:

We wrote to you in the recent past that the KSA Fund has been facing with unprecedented challenges in the Saudi market over the past months. This is due in part to slower economic growth and more importantly the blockade on the State of Qatar interest (investments and business within KSA). In that, the performance of the KSA Fund continues to deteriorate, unfortunately.

Status quo:

On the one hand the Qurtoba Labour Camp remains unused asset since September 2017. And, despite actively seeking a suitable user (tenants) to regenerate rental income, we have not been successful in this endeavor. This will have impact on the dividend payout going forward.

On the other hand, the lessee (Jzala Trade & RE Investments) of Radium residential compound has been taking advantage of the situation by delaying each due payment by several months. To date, the lessee is 5 months in arrears and despite many reminder and notices, he has not yet paid the due rent for Q2 and Q3 of this year.

Notwithstanding the above, Radium asset, as you are aware, was acquired with bank's finance (Alinma Bank) to enhance the dividend payout as per the Fund's strategy. Therefore, we have to maintain a cash buffer to meet reserve account covenants stipulated by the financing documents and under the circumstances, the bank will be more stricter on us to use any of the cash buffer.

Therefore, after serious consideration, the Fund will not be paying dividend planned for year end. We assure you that such a decision is critical to the greater good of the investors. We hope the circumstances change and revert back to normal to maintain the course. That said, we are also actively looking for a suitable buyer to both assets in an attempt to exit before further deterioration occur.

Yours truly,

Houssam Kharbotli,
Director

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