**Manazel Al Mamlaka Fund Investor Update**
**March 2024**

The following report presents an update in relation to your investment in Manazel Al Mamlaka Fund ("Fund") as of March 31st, 2024.

**Background**

The Fund was incorporated in 2012 and invested in two real estate assets in Saudi Arabia:

1. Radium Compound, acquired in 2014; and
2. Qurtobah Labour accommodation, acquired in 2015.

In 2022, the Fund exited Qurtobah Labour accommodation through an auction process.

The Fund currently has a mortgage on the Radium Compound. This loan was taken in 2015 and the outstanding amount on the loan as of March 31st, 2024, is SAR 171.00 million, the mentioned amount is after the principal payment of SAR 8.00 million that was made on November 30th 2023. The next payment is due on May 30th 2024 for the amount of SAR 8.00 million. We are in the advanced stages of discussions with the Bank, to restructure the loan with an aim to reduce financing costs, if possible, and to possibly extend the principal repayment period, including a grace period for repayment. Furthermore, we are in discussion with other financial institutions to explore potential options for refinancing the loan with them, aiming to secure more favorable terms and conditions compared to our existing arrangement with the current bank.

We would like to bring to your attention that there are ongoing disputes with the Zakat authorities in the Kingdom of Saudi Arabia, and to efficiently address this matter, we have engaged the professional services of KPMG. For certain cases, final decisions have been ruled and we anticipate final decisions on the remaining in the second quarter of 2024. We have provisioned for such expenses and annual zakat liabilities in the NAV calculation. However, it should be noted that such provisioned amount could change significantly upon the final ruling.

During Q1 2024, there have been multiple disbursements made to the Zakat authorities, amounting to approximately SAR 20.81 million, in accordance with finalized court rulings and annual zakat liabilities.

**Radium Compound**

Radium Residential Compound is located within Al Munsiyah District, Riyadh, Kingdom of Saudi Arabia and it is situated approximately 200 meters northwest of Al Thumamah Road, 400 meters south of Saudi Railway Company headquarters, and 5 km northeast of Airport Road.

The immediate surroundings of Radium Compound have witnessed significant development in recent years, highlighted by the completion of the King Khalid International Airport's new terminal for domestic flights. Notably, plans are underway to expand the airport, projecting a remarkable capacity of 120 million travelers by 2030, reinforcing the area's prominence. Furthermore, the area is also well serviced by metro connectivity. Moreover, the retail landscape in the proximity of Radium Compound has undergone substantial upgrades, amplifying its appeal as a preferred destination for residents

**Property Details**

The Radium Compound has a land area of 44,689 sq. m and consists of 229 residential units (69 villas and 160 apartments) with a total built-up area of 35,175 sq. m. including facilities. The compound's facilities and amenities include landscaped garden areas, recreation center, swimming pools, multi-functional sport courts, an administration building and a mosque.

The Radium Compound is in good condition, fully insured with 24-hour security. However, certain upgrades are required to ensure that the compound remains in good standard to sustain its value and attract high quality tenants.

**Fund Strategy**

Building on the strong macro-economic position in KSA supported by stable oil prices and increased investment activities as well as the expansion of Riyadh city, we believe that the Radium Compound neighborhood is becoming more and more appealing to tenants. We have also recently received several enquiries from large local and multinational companies in relation to tenanting the compound. More importantly, the location of the compound is now becoming strategic due to its proximity to the metro station, the mega development project "Roshn development", expansion of KKIA and others. All of which are factors that will enhance the value of the compound and the rental rates. The Fund strategy continues to focus on maximizing the exit value for the investors.

**Rental strategy**

We are strategically aiming to secure a single tenancy agreement for the compound spanning a minimum duration of 5 years. Recent developments include receiving inquiries expressing interest in the property; however, before committing to any agreement, our priority is to optimize returns, if possible. To accomplish this, we are engaging with leasing agents to target Category A tenants, thereby ensuring robust and sustained rental inflows while maximizing the rental yield. Furthermore, we are currently in discussions with various parties including compound operators to explore the possibility of engaging their services to manage the compound, in the event that we couldn't secure credible single tenant.

**Maintenance strategy**

An engineering consultant company has been appointed and conducted an inspection of the compound and defined the necessary requirements for maintaining the compound in order for it to be in a good condition. This allowed us to cross-match the actual required maintenance work needed with the budgeted commercial offers received from the contractors. Accordingly, and following the consultant's recommendation, a contractor has been selected. Currently, we are in the final stages of contract finalization. Mobilization is anticipated immediately upon contract signing, with maintenance works scheduled to commence one week thereafter.

It is to be noted, that we are prioritizing essential maintenance to ensure the compound is in good condition. However, we will refrain from extensive refurbishments or furniture-related uplifts, recognizing that potential incoming tenants may have specific preferences or requirements. This approach allows tenants the flexibility to manage and personalize these aspects according to their needs, aligning with their individual preferences upon occupancy.

**Net Asset Value (NAV):**

As of March 31st, 2024, and based on the management accounts of the Fund, the Fund had the following key assets and liabilities. It should be noted that management accounts can vary from the audited financial statements.

<u>Key Assets:</u>

- **Radium Compound:** **SAR 221.40 million**
  (*Valuation report dated January 8th 2024, valued the Compound at SAR 246 million, however a 10% discount was applied to represent a more adequate value)*

- **Cash with Banks:** **SAR 34.63 million**

Key Liabilities:

- **Bank Loan:** **SAR 171.00 million**
- **Provisioned Liabilities:** **SAR 19.08 million**

**Estimated NAV**

**NAV:** **SAR 60.56 million**

**Estimated NAV per Unit:** **SAR 21.63**

We have received a comprehensive valuation report from a licensed service provider in Saudi Arabia (Dar Al Qias Evaluation), valuing the Compound at SAR 246 million. However, we find the indicated valuation doesn't accurately capture the compound's liquidity value. Conservatively, a discount of 10% was applied to better align the valuation with a more adequate liquidity value of the compound.

It is imperative to emphasize that the valuation price stipulated in the valuation report is not indicative of an offered price but rather serves as an estimate provided by the evaluator. This estimation is subject to significant fluctuations, potentially altering in a positive or negative direction upon an eventual exit from the investment. The dynamic nature of market conditions and variables pertinent to the property's performance may notably influence this valuation.

**Exit**

The Fund Manager is regularly assessing the exit options for the Fund and the ways to maximize such exit. The initial term of the Fund was for 5 years (3+1+1) and, since then, it has been extended on a yearly basis and the next review of the Fund's term will be in November 2024.

It should be noted that in the first quarter of the fiscal year 2024, the fund manager resolved to try to pursue the divestment of the compound through an auction process. Setting the floor price in close alignment with the valuation report dated January 8th 2024. Despite planning and following valuation insights, the auction didn't achieve the predetermined floor price. The Fund Manager remains committed to exploring exit options for Radium Compound and the ways to maximize its divestment, if possible.

We hope that once the Compound is maintained and leased, we will have multiple options to consider maximizing the exit value of the Radium Compound. In the meantime, we will continue to explore sale options as long as they are in line with our exit parameters.

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