

RISK ASSESSMENT REPORT

| EXPECTED RISKS | RISK DESCRIPTION | RISK MITIGATION TECHNIQUES |
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| Rent Collection Risks | <p>Inability of the tenants to pay rents due to the Fund in accordance with the lease agreements signed with them, whether because of the tenant's insolvency or given the lack of liquidity when the rent becomes due. As such, the Fund will not be able, or will fail, to fulfill its periodic or targeted distribution obligations towards Unitholders in the future in accordance with the Terms and Conditions of the Fund.</p> | <ul style="list-style-type: none"> □ The Fund Manager entered into long term lease agreements with key tenants. The Fund Manager continually endeavors to ensure that the Fund has a diverse and solid tenant base, including government and private sector tenants. This is considered the best strategy to minimize risks of tenant default. □ To implement specific marketing strategies through relevant property managers and operators to maintain and increase the occupancy rate of the Fund's properties. □ The average lease term of the Fund's properties was around 10 years. □ As collateral for payment of the rental values of the assets, 259 promissory notes were signed for a total value of SAR 1,644 million to guarantee rental payments. □ The Fund Manager also closely monitors the performance of the Fund's assets. Moreover, the Fund Manager regularly meets with the agents and operators of the properties to closely monitor the assets' performance and take immediate action to ensure that the Fund achieves its aspired objectives. □ The Fund Board approved a rent collection policy and an escalation policy in the event of failure of any tenant to pay rent when due. |
| Exit Risks | <p>Inability of the Fund Manager to timely liquidate the initial assets in accordance with the Fund's strategy. This risk becomes more significant as the Fund approaches the end of its specified term.</p> | <ul style="list-style-type: none"> □ The Fund Term is very long (99 years, renewable), during which the Fund Units will continue to be traded on the Exchange, giving Unitholders the ability to exit at the time of their choosing at prevailing market prices. |
| Interest Rate Risks | <p>Risks of fluctuation of the value of financial instruments due to the changes in the rates of return, which are affected by the interest rates.</p> | <ul style="list-style-type: none"> □ To mitigate high interest rate risks, the Fund Manager signed a Shari'a compliant hedging agreement: <ol style="list-style-type: none"> 1. In respect of the first financing amount drawn from Al Rajhi Bank in the sum of SAR 340 million, the Fund Manager signed on 19 November 2019, a Shari'a compliant hedging agreement with Banque Saudi Fransi to fix |

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| | | <p>the profit margin of the signed credit facilities.</p> <p>2. In respect of the second financing amount drawn from Al Rajhi Bank in the sum of SAR 397.5 million, the Dund Manager signed on 27 July 2021, a Shari'a complaint hedging agreement Al Rajhi Bank to fix the profit margin of the signed credit facilities.</p> |
| <p>GEOGRAPHIC AND SECTOR CONCENTRATION RISKS</p> | <p>Risks related to the concentration of the Fund's assets in a particular geographic or real estate sector.</p> | <ul style="list-style-type: none"> □ The Fund Manager endeavors to maintain low geographic concentration levels, thus reducing the severity of the effect caused by an economic recession potentially affecting a given geography or a specific real estate sector, on the Fund's assets. □ The Fund's assets are distributed across the retail, office, residential, education and logistics sectors in Jeddah, Riyadh and Tabuk. The Fund Manager aims to expand the scope of diversification by acquiring properties in new areas and sectors. |
| <p>REGULATORY AND GEOPOLITICAL RISKS IN THE COUNTRY OF INVESTMENT</p> | <p>The risks of suffering potential adverse effects caused by new government regulations, policies and taxes or a sociopolitical instability, on the Fund's performance and/or liquidity.</p> | <ul style="list-style-type: none"> □ At present, the Fund invests all of its assets in the Kingdom of Saudi Arabia. Investment abroad will not exceed 25% of Fund Size, in accordance with the Real Estate Investment Traded Funds Instructions. □ The Fund manages the various risks related to the country in which it invests, including any changes in regulations, policies and taxes, by closely monitoring the regulatory / political / taxation conditions in the Kingdom of Saudi Arabia and anticipating and preparing for any possible change. |
| <p>ECONOMIC RISKS</p> | <p>The risks of suffering a potential effect caused by a macroeconomic deterioration, on the performance and valuation of the initial assets, and consequently on the Fund.</p> | <ul style="list-style-type: none"> □ The Fund Manager continues to closely monitor the macroeconomic condition in general, and any development in the real estate sector in particular, to ensure proper decisions are made accordingly. |
| <p>OPERATIONAL RISKS</p> | <p>Operational risks are the risks of incurring a direct or indirect loss as a result of unforeseen operating or capital expenses for the improvement and maintenance of the properties, whether for a cause related to the Fund's service provider, or for other externalities, in addition to the credit, liquidity,</p> | <ul style="list-style-type: none"> □ The Fund Manager, Alkhabeer Capital, has an outstanding track record and vast experience in asset management. □ To ensure application of best practices, some of the key functions which require specialized expertise, were assigned to experienced and reputable service providers with good track records. |

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| | <p>currency and market risks, such as those which may arise as a result of the legal and regulatory requirements.</p> | <ul style="list-style-type: none"> □ The Fund's overall objective is to manage the operational risks to strike a balance in minimizing the financial losses and damages which may be caused to the Fund's reputation by achieving the Fund's investment objective, namely realizing returns to Unitholders. □ The Fund Manager also closely monitors the performance of the initial assets through periodic visits. It also holds regular meetings with the property managers to assess any issues / events which may lead to poor Fund performance. |
| <p>REGULATORY COMPLIANCE RISKS</p> | <p>Failure of the Fund to comply with applicable laws, rules and regulations in effect in the countries where it aims to invest. Such risks include the legal, regulatory and Shari'a compliance risks.</p> | <ul style="list-style-type: none"> □ The Fund Manager continues to monitor the Fund's compliance with applicable laws and regulations and the Fund's Terms and Conditions. It will also take all necessary action to fulfill these requirements. |
| <p>VALUATION RISKS</p> | <p>The risks that the Fund's market value drops far below the Fund's Net Asset Value (NAV), which could occur as a result of an exaggerated valuation of the initial assets above their actual market value.</p> | <ul style="list-style-type: none"> □ The Fund Manager addresses these risks by: <ul style="list-style-type: none"> ○ Before Acquisition: Carrying out due diligence and valuation. ○ After Acquisition: Focusing on realizing benefits and increasing the value in the long term for Unitholders, as well as on its ability to generate sustainable periodic rental income yield with the capacity to achieve long term growth. □ The risks of valuation of the Fund Units below the Net Asset Value (NAV) are subject to the overall market sentiment and the prevailing views on the real estate investment traded funds sector as a whole and the properties sector in general. When compared to global valuation, real estate investment traded (REIT) funds are traded in most countries at a price that is lower than the NAV. |
| <p>LIQUIDITY RISKS</p> | <p>Liquidity risks relate to the potential inability of the Fund to secure sufficient cash resources to fully pay its obligations when they become due, or the Fund's inability to do so except with extremely unfavorable and harsh conditions.</p> | <ul style="list-style-type: none"> □ The Fund Manager monitors the liquidity requirements by ensuring the availability of sufficient funds to fulfill any obligations when they arise, either through the allocation of a cash reserve, disposal of investment properties, or obtaining short term loans. |
| <p>FUND MANAGER RISKS</p> | <p>Unitholders may not have the opportunity to participate in the day-to-day operations or</p> | <ul style="list-style-type: none"> □ The Fund Manager has developed systems and controls to ensure the Fund's continued |

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| | <p>decisions of the Fund or exercise any control thereon, including the investment decisions and actions taken by the Fund Manager, which may affect the Fund's performance.</p> | <p>compliance with regulations at all times, and manage the Fund's risks accordingly.</p> <ul style="list-style-type: none"> □ The Fund Manager relies on the expertise of its highly experienced investment team to best serve the interests of Unitholders and realize the Fund's long term growth aspirations. □ When certain functions / activities are assigned to third parties, the Fund Manager shall perform the proper due diligence on those service providers and ensure their acceptance of, and compliance with, the Fund Manager's work conditions. |
| <p>DEVELOPMENT RISKS</p> | <p>Relate to the Fund's assets under development, including the delay in the completion of works beyond the approved time schedule, any estimated development cost overrun, the inability to sign lease contracts to generate expected revenues, the failure of any of the contractors, in addition to factors related to the construction sector which are beyond the Fund Manager's control (including bad weather conditions, environmental changes, and unavailability of building materials in the market), obstructing the completion of the development works, and thus resulting in the inability to generate the projected revenues upon completion of the development activities.</p> | <ul style="list-style-type: none"> □ The Fund invests the majority of its assets in developed properties. Investment in assets under development shall not exceed 25% of Fund Size, in accordance with applicable laws and regulations. □ The Fund Manager shall assign the development works to experienced service providers capable of completing works. |
| <p>LEGAL RISKS</p> | <p>Relate to potential cases arising from disputes related to the contracts signed by the Fund with counterparties.</p> | <ul style="list-style-type: none"> □ The Fund Manager shall have the contracts reviewed by the Fund's Legal Advisor before their signing to ensure the protection of the Fund's rights. □ In the event of a dispute, the Fund Manager shall appoint a qualified legal advisor to follow up the case. |
| <p>COVID-19 PANDEMIC RISKS</p> | <p>The spread of the COVID-19 pandemic or any other pandemic may cause the Fund's properties to suspend operation or fail to achieve their projected income, due to curfew or</p> | <ul style="list-style-type: none"> □ The Fund Manager will adopt a number of strategies to minimize the effects of such events, including for example: □ Signing long term lease agreements with master tenants. |

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| | <p>restriction of movement in the areas where the Fund properties are located, or as a result of other consequences of the pandemic. This will give rise to a period of economic slowdown with a material adverse effect on amounts available for distribution to Unitholders.</p> | <ul style="list-style-type: none"> <li data-bbox="863 309 1382 398">□ Continually endeavoring to ensure that the Fund has a diverse and solid tenant base in the public and private sectors. <li data-bbox="863 421 1326 454">□ Asset class and geographic diversification. <li data-bbox="863 477 1382 768">□ The Fund Manager ensures maintaining low levels of geographic concentration, with the assets distributed in diverse real estate sectors. The Fund's assets are currently distributed in the retail, office, residential, education and logistics sectors, in Jeddah, Riyadh and Tabuk. The Fund Manager seeks to expand the diversification sphere by acquiring properties in new regions and sectors. <li data-bbox="863 790 1382 1014">□ Continuously managing and monitoring the Fund's cash flows and effectively communicating with all tenants of the Fund's real estate assets during the crisis period, as well as endeavoring to find appropriate solutions (if applicable) to maximize benefit to the Fund. <li data-bbox="863 1037 1302 1104">□ Strict compliance with the preventative measures and other government rules. |
