

أوسول وبخيت  
OSOOL & BAKHEET  
INVESTMENT | الاستثمارية

**Al Ma'ather REIT Fund**

**Annual Report  
2021**

- **INVESTMENT FUND INFORMATION**

Name of investment fund.

Al Ma'ather REIT Fund

Investment objectives, Strategies:

The fund aims to invest in real estate assets, within the Kingdom of Saudi Arabia, which are achievable periodic rental income, and to distribute at least 90% of the fund's net profits annually.

The fund invests as a secondary asset of the fund in real estate development projects, provided that:

1. Fund's assets invested in developed real estate assets, that generate income periodically, shall not be less than, about 75% of the total assets of the fund according to the latest audited financial statements
2. The fund shall not invest its assets in Idle Lands.

Dividends Distribution Policy.

The fund manager aims to provide an annual cash dividend of no less than ninety percent (90%) of the fund from operation to the units holders, after actual collection on annual basis, and after the approval of the Fund Board of Members. Dividends due during the first quarter of each year.

The fund manager can pay dividends more than once a year.

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### 1- Assets in which the fund is investing in:

Al-Ma'ather REIT Fund invests in several assets and has a total of 14 assets. Majority of assets are located in Riyadh and Khobar, Unaizah as follows:

#	Assets	Sector	Tenant	Average latest valuation	Location
1	Genx Al Ma'ather	Commercial / office / hospitality	Several tenants	158,655,500	24°40'53.2"N 46°40'03.4"E
2	Al Mohammadia	Commercial / office	Several tenants	106,590,000	24°40'55.0"N 46°41'12.1"E
3	Al Sahafa building 1	office	Medical Services - Ministry of Interior	46,696,000	24°47'49.1"N 46°37'59.8"E
4	Al Sahafa building 2	office	Saudi Health Council	54,921,500	24°46'48.0"N 46°38'31.1"E
5	Al Tkahssusi showrooms	Commercial	Hala Auto Company	66,806,000	24°40'51.4"N 46°40'39.2"E
6	Genx Al Rabie	Commercial / hospitality	Several tenants	40,207,500	24°46'56.2"N 46°38'56.9"E
7	Hair warehouses	Industrial	Several tenants	18,561,000	24°33'48.3"N 46°44'29.8"E
8	Sulai warehouses	Industrial	Several tenants	45,037,000	24°40'30.9"N 46°50'12.3"E
9	Towlan Hotel Suites	hospitality	Towlan Hotel Suites Company	28,094,000	26°18'13.4"N 50°10'31.9"E
10	Al Quds (leasehold)	Commercial	Several tenants	1,047,888	24°45'36.0"N 46°44'25.0"E
11	Wadi Laban (leasehold)	Commercial	Several tenants	2,214,500	24°38'06.8"N 46°34'08.2"E
12	Al Dabbab (leasehold)	Commercial	Several tenants	3,315,000	24°39'38.0"N 46°42'33.4"E
13	Al Nokhba Educational Schools	Educational	Al Nokhba Educational Schools	33,459,000	26°04'20.1"N 44°00'25.3"E
14	Al Salam Schools	Educational	Al Salam Schools	50,343,500	24°42'27.5"N 46°49'12.0"E

## 2- Assets in which the fund is aiming to invest in:

In the previous period, the fund's management was able to increase the diversity of the invested properties in terms of sectors and geographical location, and it headed towards the defensive sectors, and with the completion of the acquisition of the Burjeel Hospital property in Sharjah, the fund will add investment in the health sector within a diversified investment portfolio that covers most of the market sectors. The fund's management believes that the coming period will be ripe for the continued growth of the fund's assets in the commercial sector, the hospitality sector and the warehousing sector, and these sectors will benefit from the gradual recovery from the impact of the Corona pandemic, as well as the growth of the Saudi economy in 2022..

It is important to note that the fund's acquisitions in the previous period and during low interest rates were focused on cash consideration, and with the rise in interest rates in the coming period, the fund's management believes that the direction in the future is to grow the fund gross aum, preparing to focus on acquisition in exchange for a mixture of in-kind and cash consideration.

Although the fund manager has clarified his orientation to acquire specific sectors in the coming period, nevertheless, the fund manager will not hesitate to study any opportunities presented to him in any sector, if he sees potential interests of unit owners and maximizing returns during the coming period, if the appropriate returns and value are available.

## 3- The percentage of the value of the leased real estates and the percentage of unleased real estates to the total value of the owned real estates :

The name of the property	Occupancy rate
Genx Al Ma'ather	90.2%
Al Sahafa building 1	100.0%
Al Sahafa building 2	100.0%
Al Tkahssusi showrooms	100.0%
Al Mohammadia	100.0%
Genx Al Rabie	100.0%
Hair warehouses	100.0%
Sulai warehouses	98.9%
Al Quds (leasehold)	100.0%
Al Dabbab (leasehold)	100.0%
Wadi Laban (leasehold)	100.0%
Towlan Hotel Suites	100.0%
Al Nokhba Educational Schools	100.0%
Al Salam Schools	100.0%
<b>Total</b>	<b>%98.2</b>

Note: The total occupancy percentage was calculated based on the weighted average

4- The percentage of rent amount for each asset in the total rent of the fund's assets:

The name of the property	Occupancy rate
Genx Al Ma'ather	26%
Al Sahafa building 1	8%
Al Sahafa building 2	8%
Al Tkahssusi showrooms	6%
Al Mohammadia	16%
Genx Al Rabie	3%
Hair warehouses	3%
Sulai warehouses	8%
Al Rabie (leasehold)	1%
Al Quds (leasehold)	1%
Al Dabbab (leasehold)	2%
Wadi Laban (leasehold)	1%
Towlan Hotel Suites	4%
Al Nokhba Educational Schools	7%
Al Salam Schools	5%

5- The percentage of uncollected revenues from total revenues, and the ratio of non-cash expenditures from the fund's net profits :

the percentage of uncollected revenues from total revenues	the ratio of non-cash expenditures from the fund's net profits before zakat
%4.90	%240

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### 6- Performance table covering the last (3) financial years (or since inception), highlighting:

	31/12/2019	31/12/2020	31/12/2021
a) The fund net assets value at the period end.	SAR 594,819,654	SAR 549,405,253	SAR 533,851,202
b) The fund net assets value per unit at the period end.	SAR 9,69	SAR 8.95	SAR 8.70
c) Highest net asset value per unit for each financial year*	SAR 9,69	SAR 9.13	SAR 8.75
c) Lowest net asset value per unit for each financial year	SAR 9.57	SAR 8.95	SAR 8.70
d) The number of units in issued at the end of each financial year	61,370,000 UNIT	61,370,000 UNIT	61,370,000 UNIT
e) Income distribution per unit (net of Zakat).	0.62 Halala	0.39 Halala	0.57 Halala
f) Expense ratio to the fund net assets**	1.15%	1.70%	1.88%

\* The highest and lowest net assets value of the fund was calculated for each unit as of the date of the financial statements.

\*\* It has been calculated as the sum of the total expenditures that the fund has incurred directly for the letters in paragraph 3 of clause B of this report note that the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense are excluded from the expense ratio.

\*\*\* Expense ratio has been calculated from the net asset value of the fund as of 12/31/2021

\*\*\*\* The fund manager amended the TC on 2020, and announced that dividends will be net of Zakat from 2019 .

#### p) Loan summary

Loan Summary for property acquisition:

Project name	Loan ratio to total debt	Payback date	fulfillment period	Adjusted fulfillment period
Towlan Hotel Suites	3.33%	03/09/2024	849	344
Al Nokhba Educational Schools	4.93%	19/02/2025	680	404
<b>Total</b>	<b>8.26%</b>		<b>1529</b>	<b>748</b>

Loan Summary for development:

Project name	Loan ratio to total debt	Payback date	fulfillment period	Weighted fulfillment period
Al Salam Schools - 1	4.70%	07/09/2025	479	362
Al Salam Schools -2	0.89%	08/01/2026	330	47
Al Salam Schools -3	0.62%	27/01/2027	311	31
<b>Total</b>	<b>6.21%</b>		<b>1120</b>	<b>441</b>

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### 7- Performance record:

a) The aggregate return for 1 year, 3 years and since inception since July 9, 2017.

Al Ma'ather REIT fund	2021	Year 3	Since inception*
Total return SAR (Total rental income)	51,759,626	156,672,071	229,792,302
Total return ratio %	8.43%	25.53%	37.44%

\*The date of commencement of the fund's work on 09/07/2017, The lease due for the fund began during August 2017 when real estate title deed was transferred to the ownership of fund, it is calculated on the basis of the fund's value at creation

\*\* The percentage of total return from capital

b) The annual total revenue for each of the last (10) fiscal years.

Al Ma'ather REIT fund	2021	2020	2019	2018	2017*
Total return SAR	51,759,626	51,337,805	53,574,640	52,619,553	20,500,678
Total return ratio %	%8.43	%8.37	%8.73	%8.57	%3.34

\*The date of commencement of the fund's work on 09/07/2017, The lease due for the fund began during August 2017 when real estate title deed was transferred to the ownership of fund, it is calculated on the basis of the fund's value at creation

\*\* The percentage of total rental from capital

c) The table below showing actual fees and fund expenses paid by the investment fund during the year.

The Total Expense Ratio also clearly disclosed.

The fund manager has not waived or rebates any fees.

Expenses	Value in SAR
Chartered accountant fees	55,000
Board members fees	48,000
Custodian fee	255,718
Legal advice	4,000
Bank charges	26,390
Management fees	3,309,364
Feasibility study expenses	0

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Expenses	Value in SAR
Other expenses	3,181,838
Operator fees	2,241,564
Capital Market Authority fees	7,500
Tadawul fees	174,453
Non-Performing Rent Provision	(836,377)
Property Evaluation fees	235,500
Lease Hold contracts	1,399,205
Lease operation and property Management	3,911,373
Zakat Expenses	2,737,585
Depreciation and amortization	17,929,028
<b>Total expenses 1</b>	<b>34,680,142</b>
<b>*The percentage</b>	<b>6.50%</b>
<b>Expenses 2:</b> (only the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>24,644,794</b>
<b>Expenses:</b> (Without the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>10,035,348</b>
<b>*Percentage of the expenses 3:</b> (Without the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>1.88%</b>

Note: There is impairment in the value of real estate investments equal to (12,267,759), that was not included in the expenses, The fund manager has not reduced or waived any fees, and performance data calculation methodology in addition to any assumption have been applied consistently.

\* Expense ratio has been calculated from the net asset value of the fund as of 12/31/2021.

### 8- Material changes that occurred during the period and affected the performance of the fund:

- On 11/02/2021 (29/06/1442 Hijri): Osool & Bakheet Investment Company announces the mortgage of two real estate located in Riyadh city, defined as Al Tkahssusi showrooms and Genx Al Rabie properties to Al Rajhi Bank "Bank" on Thursday 29/06/1442H corresponding to 11/02/2021G. This mortgage is given as a guarantee for sharia compliant facility intended to be provided by the Bank for the fund.
- On 14/03/2021 (01/08/1442 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 28/01/1442H corresponding to 16/09/2020G, concerning of evacuation Al-Rabie GENX asset that located on prince



- Mohammed bin Salman road-Riyadh, Osool & Bakheet would like to clarify that the latest update related to the claim case against the “Gulf ELCON Company for Trading and Contracting” at General Court of Riyadh, where the judicial department issued a trial judgment obligate the tenant to pay SAR 4.250 Million worth (Four Million Two Hundred fifty Thousand Saudi Riyal) from the remaining rent on the defendant for one year and nine months period, as consequence the tenant has appealed the trial judgment then transmit the case to the Court of Appeal in Riyadh to initiate on it and contemplation the trial vision of the decision handed down by the judicial department based on the observations given by the Court of Appeal directed to judicial department. The judge had decided on Tuesday 25/07/1442H corresponding to 09/03/2021G it’s not appear to him what could impact on his previous trial judgment therefore he ordered retransmit the case to the Court of Appeal to proceed on it without any change on the previous trial.
- c) On 30/03/2021 (17/08/1442 Hijri): The fund manager received a letter from the General Directorate of Medical Services MOI acting as a tenant of Al Sahafa building 1 located in Al Olaya street in Riyadh city according to the following coordinate (24°47'49.2"N 46°38'00.3"E), it states the tenant’s desire not renewing a contract that expires on 21/01/1443 Hijri Corresponding to 29/08/2021G , which is the annual rental value of SAR 3,800,000 (three million eight hundred thousand), it represents 7% from the total annual rents, note that the rental value already received until the end of the contract term.
- d) On 13/04/2021 (01/09/1442 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 01/08/1442H corresponding to 14/03/2021G, concerning of retransmit the case related to the rent claim against the “Gulf ELCON Company for Trading and Contracting” to the Court of Appeal. The court have released its final judgment, decided to endorse the previous decision without any change with call to obligate the “Gulf ELCON Company for Trading and Contracting” to pay SAR 4.250 Million worth (Four Million Tow Hundred Fifty Thousand Saudi Riyal) from the remaining rent amount due from the defendant for one year and nine months period
- Osool & Bakheet Investment wants to clarify that the judgment acquired the final character with support of the Court of Appeal to obligate the defendant “Gulf ELCON Company for Trading and Contracting” to pay SAR 4.250 Million worth (Four Million

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Tow Hundred Fifty Thousand Saudi Riyal) from the remaining rent due from the defendant for one year and nine months period, and therefore the fund manager working to enforce the final judgment on the defendant to guarantee of preserving and protecting the rights of fund unit owners.

- e) On 26/05/2021 (14/10/1442 Hijri): Osool and Bakheet announces signing of a lease contract for hospitality units available in Rabie GENX property which is located at the intersection of Al Qiyas Street with Prince Mohammed bin Salman road in Riyadh, and the duration of the contract is 8 years, given that first three years of the contract are binding and the follow five years are optional for the tenant.

The tenant is Taleen, well know operator for hospitality units, and the value of the first year's rent is 2.2 million (two million and two hundred thousand Saudi riyals), and the rental value increases by 10% as of the fourth year, as the total rental values obtained for the contract period are 18.7 million riyals (eighteen million seven hundred thousand Saudi riyals)

The fund manager notes that the hotel units in Al Rabie Genx property had previously evicted the tenant from "Gulf ELCON Company for Trading and Contracting " under a rent claim case and a judgment in favor of the fund has been issued and is being implemented.

- f) On 09/08/2021 (01/01/1443 Hijri): Osool and Bakheet announces clarify the status of Al-Rabie leasehold contract, which is located in Al-Rabie neighborhood on King Abdulaziz road in Riyadh City according to the coordinates (24°47'16.9"N 46°39'31.9"E).

This leasehold contract ends within three months, on 30/03/1443H Corresponding to 05/11/2021G. The net income of the expiring contract after lease expenses is SAR471,760, which account a percentage of 0.9% from the gross fund rent income.

- g) On 07/09/2021 (30/01/1443 Hijri): Further to the announcement of Osool and Bakheet Investment Company, the manager of Al-Ma'ather REIT Fund, published on 11-01-1443 AH corresponding to 19-08-2021G regarding the contractual status with the tenant "General Directorate of Medical Services MOI" acting as a tenant of Al Sahafa building 1 located in Al Olaya street in Riyadh city according to the following coordinate (24°47'49.2"N 46°38'00.3"E).

The fund manager would like to inform the unit owners that he has received a letter from the tenant stating his desire to renew the contract for a period of one year

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- starting from 22/01/1443 AH until the date of 21/01/1444 AH, with an annual rental value of 3,800,000 (three million eight hundred thousand) Saudi riyals. Accordingly, the property will continue to be occupied by the tenant for an additional year.
- h) On 16/12/2021 (12/05/1443 Hijri): Osool & Bakheet Investment Company announces a change in the classification of Fund Board of Al Ma'ather REIT Fund member effective, 12/05/1443H corresponding to 16/12/2021G, we would like to Note that there has been no change in the members of the board and the change is only by appointing Ziyad Al Rugaib as chairman of the board instead of the Abdulaziz Al Omran.
- i) On 27/01/2022 (24/06/1443 Hijri): Osool & Bakheet Investment Company, The Manager of Al-Maather REIT Fund announces the completion process of mortgaging the title deeds of three real estate properties, as follow 1. Al Salam Schools in Riyadh, 2. Al Nokhbah Schools in the city of Unayzah, 3. Towlan Hotel Suites in the city of Khobar.

### 9- Main topics the Fund Board discussed over the period:

#### A. Topics discussed:

- Oversee the fund operation.
- Discussing the fund's real estate occupancy rates.
- Discussing the estimated budget for 2021.
- Discussing the realized and expected cash dividends of the fund
- Discussing strategy / opportunities to acquire new real estate assets
- Discussing the effect of COVID-19 pandemic on Alma'ather REIT Fund
- Discussing investor Suggestions
- Discussing the general situation of the real estate market

#### B. The decisions have been taken: -

### 10- Any special commission received by the fund manager during the period:

There is no special commission received by the fund manager during the period, and all amounts obtained by the fund manager were disclosed during the period

### 11- Any other data and other information required by CMA Regulations to be included in this report.

- a) Conflict of interest disclosure: There is no conflict of interest
- b) Disclosure of details of the fund manager's investments in the fund's units:  
 The fund manager invests in 350,819 units of the fund as of 12/31/2021
- c) Summary of all valuation and pricing errors: There is no valuation and pricing errors.

12- Risk Assessment report:

**Risk Assessment Report**

**Investment risks within the fund:**

	Related risks to the fund	Impact	Probability	*Value
1	Geographical concentration of the Fund's investments	1	2	2
2	Loss of key employees of the fund manager	2	1	2
3	Risks of poor liquidity of the fund investments and the ability to quickly exit from the real estate investments in the fund	2	2	4
4	The risk of market fluctuations and trading at a price less than the market value	3	2	6
5	Risks of increasing the fund's capital and reducing the relative shares of unite holder	1	1	1
6	Risks of not achieving operating or rental returns	3	3	9
	Related risks to the assets of the fund	Impact	Probability	*Value
7	Risks of economic downturn and stagnation of the real estate market in general	1	2	2
8	The risk of rising interest rates and the impact of this on increasing the expected returns and the required rental returns on real estate assets and thus declining their value	1	1	1
9	Possibility to challenge the Fund's ownership of the real estate assets or disqualify the Fund's assets instruments	1	3	3
10	The possibility of increasing competition in the sectors in which the Fund invests (health, education, hospitality, offices, trade fairs)	2	1	2
11	Risks of not being able to attract and retain suitable tenants and/or effectively manage real estate assets	1	1	1
12	The possibility of declining operational returns as a result of bearing high fixed and operational costs without being associated with an increase in rental returns	1	2	2
13	The fund's reliance on significant operational support from the property manager and the risk of the property manager not fulfilling its contractual obligations	1	1	1
14	The negative impact of the lack of or non-compliance with regulatory approvals and licensing requirements on real estate assets	1	1	1
15	The possibility of the real estate assets being subject to substantial damage due to natural disasters and other causes beyond the control of the fund manager and for which insurance (if any) may not be sufficient	1	2	2
16	Risks of concentrating rental returns on some of the fund's properties with one tenant	1	1	1
17	The risk of tenant defaults and its impact on the fund's operating flows	2	1	2
18	he possibility of rescinding the utility contracts from their owners	1	1	1
	Other Risks:	Impact	Probability	*Value
19	Macroeconomic risks and market dependence on oil prices, and the impact of any fundamental decline in oil prices on the real estate market	1	3	3
20	The political, economic and legal environments continue to be subject to continuous changes	2	3	6
21	The impact of Covid 19 and the emergence of mutations that may lead to restrictions in the movement of visitors to the Fund's real estate, and thus a decrease in demand for the Fund's properties or the tenants' claiming relative exemptions from the rental payments due	2	3	6

\*Value: The product of multiplying the impact by the probability, to obtain the risk factor