

Main Risk Factors	Description	Assessment
Failure by tenants to meet their rental obligations	The performance of the Fund may be negatively affected if a substantial number of tenants are unable to satisfy their rental obligations. In addition, in case a tenant resorts to bankruptcy, insolvency or similar proceedings, such tenant may be able to terminate its lease, which in turn results in a decrease in the cash flow of the Fund. Therefore, in case a large number of tenants breach their obligations or become bankrupt, the cash flow of the Fund as well as the ability of the Fund to make distributions to unitholders may be negatively affected.	<p>The cash flow generated from the operation of the real estate portfolio is the main source of liquidity used to repay the Fund's periodical overhead and administrative expenses. Therefore, the Fund Manager shall ensure that it has sufficient funds to pay for all liabilities in a timely and effective manner. In addition, the Fund Manager will use the excess funds in short-term deposits in accordance with cash management policies and procedures.</p> <p>In addition, the abovementioned risks are mitigated through geographical diversification, diversification of the tenants and asset classes, and continuous evaluation of tenant credit ratings and rental arrears.</p>
Market risks	Market risks arise from external factors, including, for example but not limited to, economic conditions, competition, supply and demand, and political changes.	The Fund Manager will monitor the economic conditions, the real estate market, competition from similar assets, and various other factors, with a view of mitigating the impact these factors on the Fund through diversifying asset classes that add stability to the real estate portfolio while reducing exposure to economic volatility.
No guarantee of profits	There is no guarantee that the Fund will be able to achieve returns for its investors or that returns will be commensurate with the risk of investing in Fund. It is possible for the value of units in the Fund to decrease or that the investors lose some or all of the capital invested. There is no guarantee that the expected returns or the objective of the Fund will be achieved.	The Fund Manager will carry out valuation of the real estate portfolio twice a year to take necessary precautions to protect the value of the underlying assets.
Risks related to the use of bank financing	The level of risk that the Fund is exposed to increases in case it mortgages any of its assets in favor of a third-party financier. Under any mortgage arrangements, the Fund may lose title to any of its mortgaged assets, as per the terms of any financing documentation. Whereas the use of finance creates an opportunity to increase business efficiency and returns; it also involves a high degree of financial risks and exposes the Fund and its investments to other factors such as rising	The Fund Manager uses bank finance in order to enhance returns for investors. However, the Fund Manager may resort to financial instruments to mitigate the impact of financing risk on the Fund as the Fund Manager acknowledges that financing risks may lead to unforeseen losses.

	<p>costs of leverage and downturns in the economy. Furthermore, defaulting under any financing arrangements may allow the financiers to dispose of the mortgaged assets to recover the amounts owed, which in turn affects the performance and expected returns of the Fund.</p>	
Development risks	<p>There are development risks associated with real estate projects under development, which include (1) delays in the completion of work in a timely manner, (2) cost overruns, (3) inability to obtain rental contracts at targeted returns, and (4) force majeure resulting from factors outside the control of the Fund relating to the construction sector (including poor weather and environment conditions and shortage of building materials in the market) the matter which hinders the completion of development projects which may affect the profitability and/or financial viability of the project and lead to inability to meet the revenue expectations upon completion.</p>	<p>This type of risk is relatively mitigated based on the fact that the Fund has a limited right to invest as maximum 25% of its asset value in assets which are under development. The Fund Manager also aims to mitigate these risks through performing the development work after carrying out all necessary technical, financial and legal due diligence.</p>
Legal, regulatory and tax risks	<p>There may be legal, fiscal, regulatory or other changes in the Kingdom or other countries during the Fund's duration, which can have a negative impact on the Fund, its investments, or the unitholders. There are currently no taxes levied on investment funds within the Kingdom of Saudi Arabia. However, there is no guarantee that the current tax regime in Saudi Arabia will not change.</p>	<p>The Fund Manager adopts an effective approach to monitor regulatory requirements and any modifications to them which impact the management of the Fund, such as modifications which impact compliance and risk management requirements in relation to the Fund. Such practices by the Fund Manager aim to establish appropriate controls to avoid non-compliance by the Fund or Fund Manager.</p>
Real Estate Transaction Tax (RETT) Risk	<p>The fund is subject to real estate transaction tax, effective from October 4, 2020, at a rate of 5% of the value of the property to be sold or transferred by the fund, regardless of its condition or shape, and it includes the land and what is constructed or built on it. The tax is paid by the disposer of the property (including the fund in the event of disposing the property) unless the exceptions stipulated in the executive regulations for real estate transaction tax issued pursuant to Royal Order No. (A/ 84) dated 14/2/1442 H are applied. The tax is paid before or during the real estate</p>	<p>The Fund Manager adopts an effective approach to monitor tax requirements and any modifications to them which impact the management of the Fund, such as modifications which impact compliance and risk management requirements in relation to the Fund. Such practices by the Fund Manager aim to establish appropriate controls to avoid non-compliance by the Fund or Fund Manager.</p>

	disposal or notarizing contracts. In the event that real estate transaction tax is applied to any real estate disposed by the fund, the fund pays a tax of 5% of the property value to the General Authority of Zakat & Tax, which may affect the return to the fund and unitholders.	
Real estate valuation risks	For the purpose of estimating the value of a property within the Fund's investment portfolio, the Fund Manager shall carry out internal valuations in many cases for the Fund, in addition to obtaining third party valuations carried out by independent third parties. In this regard, valuations carried out by the Fund Manager are for guidance purposes only and are not an accurate measure of the value that can be obtained when selling the relevant property. The final verification of the market value of a property depends largely on negotiations between a seller and a buyer which may be affected by economic conditions and other circumstances beyond the control of the Fund and the Fund Manager.	The Fund Manager shall value the Fund's real estate assets based on valuations carried out by two independent valuers accredited by Saudi Authority for Accredited Valuers. The average of two valuations shall be adopted and in case of a substantial discrepancy between both valuations, the Fund Manager shall appoint a third valuator.
Epidemics risks	The Fund's properties may not be able to operate or achieve the expected income due to several factors associated with the spread of Coronavirus disease (COVID-19), including but not limited to, imposing a curfew on the areas where the Fund's properties are located, as such circumstances lead to an increase in real estate expenditures as it adapts to the prevailing circumstances, which may have a material negative impact on the amounts available for distribution to unitholders.	The Fund Manager monitors the epidemiological situation in the areas where the Fund's properties are located and considers all available options to reduce the damages resulting from the spread of the disease on the real estate and distributions to unitholders.
Risks of investing in real estate outside Saudi Arabia	The Fund may be exposed to various risks related to investing in real estate located outside the Kingdom. For example, foreign real estate markets are subject to a decline in public activity and rental levels. In addition, real estate or companies that own these properties are exposed to losses as a result of claims relating to environmental liability, occupational safety, insurance, tax or other legal or regulatory claims related to the ownership of foreign assets.	The Fund Manager studies the markets in which the fund invests using specialized advisors in the target markets to examine the markets in general and the potential risks of investment. After acquiring the property, the Fund Manager takes an effective approach to monitor the level of activity in the real estate markets in which the Fund invests, in addition to the regulatory requirements and any modifications to them. This contributes to establishing appropriate controls that allow the Fund

		Manager to make appropriate decisions that ensure the interests of the Fund and unit holders.
--	--	---