



SEDSCO Capital REIT Fund

Annual Report
2022

December 2022



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Management Statements

It is our honor to present the annual report of SEDCO Capital REIT Fund to unitholders. This report highlights key activities, achievements, operational results and general views with regards to the portfolio along with the financial statements for the period ended 31 December 2022.

SEDCO Capital REIT Fund portfolio comprises 20 income-generating assets, geographically diversified across the Eastern Province (41%), Jeddah (19%) and Riyadh (40%). The portfolio enjoys sectoral diversification across the entertainment (29%), office (13%), retail (30%), residential (4%), hospitality (2%) and Education (22%) sectors.

Despite the challenging market conditions facing the portfolio over the last 6 months, the average occupancy rate reached 98.6%, showing a slight increase by 0.1% compared to December 2021.

Properties leased to single tenant represent 69% of the current portfolio with long term leases permitting for stability, while 31% of the properties are leased to multi-tenanted with multiple lease agreements providing growth potential. The weighted average lease expiry (WALE) stood at 8.3 years.

The average value of the Fund's property portfolio, as valued by two independent valuers, was estimated at SAR 1,795.2 million, slightly decreased by 3.29% compared to the total purchase price.

In terms of dividend distribution, the Fund distributed a SAR 0.71 per unit amounting to SAR 83,425,000 for the period from 01 January 2022 to 31 December 2022 which translate to 7.10% based on par value on an annual basis, exceeding the targeted returns stated in the Fund's terms and conditions.

We would like to express gratitude towards our unitholders for their trust during these challenging times. We remain committed to efficiently managing our properties and proactively addressing operational risks and challenges, while capitalizing on growth opportunities for the portfolio

“ Despite the rapid change and economic uncertainty experienced worldwide in the last couple of years, SEDCO Capital retains a relatively positive outlook for the Saudi real estate market in 2023 and beyond.

2022 was one of change in the real estate landscape both locally and globally. Geopolitical events, inflationary pressures and interest rate movements impacted transactions, leasing activities, and financing, while also challenging developers and real estate operators. Throughout this, SEDCO Capital REIT has proven resilient; benefiting from an interest rate hedge that was placed by the Fund Manager in 2020.

While the first half of 2023 is expected to continue to be heavily influenced by the aforementioned factors, we may see real estate investment activity levels rebound stronger and faster than anticipated.

Vision 2030 projects are expected to trigger a real estate boom in Saudi Arabia, which will be supported by private sector participation as well as foreign investors who are taking an interest in becoming part of the socioeconomic transformation that is currently underway.

As there is strong demand in the market for better quality assets across all real estate sectors, we continue to see a large portion of activity in real estate development. The preference for both developers and investors is to establish funds around these projects; to provide for greater transparency and governance while also acting as an important financing channel to provide liquidity.

To that end, SEDCO Capital REIT will continue to play a key part in this upcoming real estate cycle, addressing the needs of the market and our investors in-line with the Fund's strategy and objectives. ”

Faozan Shokri
Senior Vice President and Head of Regional Real Estate

Fund Name

SEDCO Capital REIT Fund is a closed-ended Shariah-compliant traded real estate investment Fund, established in accordance with the laws and regulations applicable in the Kingdom of Saudi Arabia and complies with the regulations and instructions of the Capital Market Authority (“CMA”).

Fund Factsheet

Fund Size Upon Listing	SAR 600 million
Number of Units Upon Listing	60 million units
Fund Size After Increasing the Fund's Assets	SAR 1,175 million
Number of Units After Increasing the Fund's Assets	117.5 million units
Currency	Saudi Riyals (SAR)
Headquarter	Kingdom of Saudi Arabia
Operation Date	1 April 2018
Listing Date	1 May 2018
Fund Term	99 years following the date of listing
Target Dividend	6.10%
Actual Dividend as of Reporting Date (on an annual basis)	7.10%

Fund Strategy

and Objectives and Dividend Policy

Acquire developed and ready to use properties in order to generate regular rental income and distribute at least 90% of the Fund's net profit to the unitholders throughout the term of the Fund. The Fund Manager is expected to announce dividends, record dates and distribution dates within 40 business days from the end of June and December of each calendar year. Dividends will be deposited within 90 business days of the announcement. Excluding capital gains from the sale of assets which may be reinvested for acquiring assets for the interests of unitholders.

Assets Targeted by the Fund for Investment

The Fund intends to achieve its objectives and enhance the value of shareholders' capital by:

- Investing in developed and ready to use properties in order to generate regular rental income.
- Re-invest the annual retained earnings (10% of total annual income) and capital gains from property sales in developed and ready to use assets in order to generate regular rental income, upon distribution of at least 90% of the Fund's net profit throughout the term of the Fund to the unitholders.
- Invest in low-performing assets, but promising, as the Fund Manager sees in view of their location or structural and design characteristics, in order to increase their operational efficiency and raise their rates of return more than those generated at the time of acquisition by modifying one or some of the characteristics such as design, leasing strategies associated with tenant mix and lease price, and reasons for use.
- Invest no more than 25% of the Fund's total assets value, according to the latest audited financial statements, in real estate development activities, whether owned by the Fund or not, or to renovate or redevelop those assets.

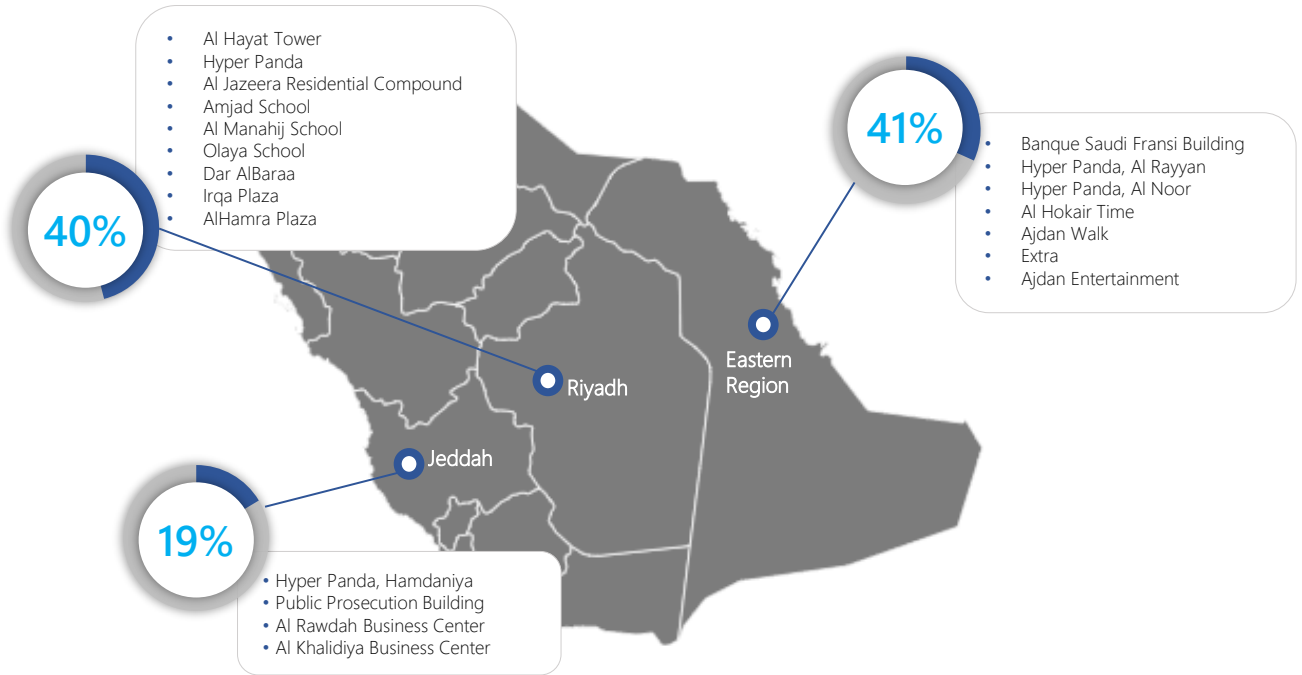
A review of the investment activities during the period and Fund Updates

- During the period, The Fund Manager initiated the process of increase the total value of the Fund's assets, as the Fund Manager signed a purchase agreement for a commercial complex located in Jeddah with a purchase value of SAR 492,500,000 (excluding real estate transaction tax and other acquisition costs) on 05/17/1444 AH corresponding to 11/12/2022AD. This agreement is subject to completing the legal procedures to increase the total value of the Fund's assets by offering additional units, including the completion of the due diligence procedures, and obtaining the approvals of Capital Market Authority, the unitholders and any other regulatory requirements.
- The occupancy rate reached 98.6% with increase of 0.1% compared to December 2021.
- JLL and ValuStart valued SEDCO Capital REIT Fund properties. As of 31 December 2022, the fair value of the Fund's assets has slightly increased by 0.95% reaching SAR 1,795.2 in comparison to latest exercise in June 2022.
- The Fund's cash balance amounted to 26,550,920 as of 31 December 2022, including rent received and Murabaha placed. Part of the balance will be used for dividend distribution and to pay the Fund's obligations.

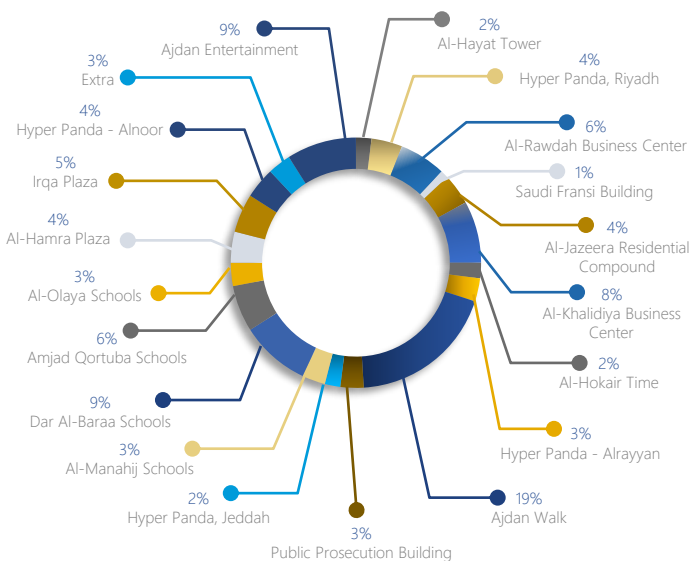
Portfolio Description

Geographical Diversity:

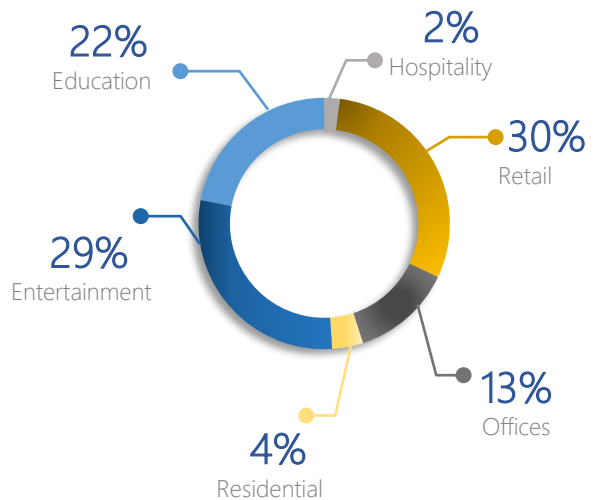
The Fund's assets are diversified across Riyadh 40%, Jeddah 19% and Eastern Province 41%.



Assets Allocation



Sectoral Diversification of the Portfolio



Properties – Riyadh

Al Hayat Tower Apartments Hotel



Description	Hotel apartments located on Ka'ab Bin Malik Street, Al Maathar District, Riyadh
Sector	Hospitality
Land Area/m ²	1,495
Building Area/m ²	6,574
Occupancy Rate	100%
Annual Income	SAR 1,500,000 represents 1.09% of the total rent
Uncollected Revenue	NA
Tenant	Al Hafla Al Raeah Hotel Apartment Est.
Weighted Average Lease Expiry	4.1 years

Hyper Panda - Riyadh



Description	Hypermarket in Riyadh - Ishbillia District Branch
Sector	Retail
Land Area/m ²	23,604
Building Area/m ²	10,784
Occupancy Rate	100%
Annual Income	SAR 5,822,670 represents 4.24% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.5 years

Al Jazeera Residential Compound



Description	Residential compound located in the center of Riyadh on Mashaja Bin Saud Street, Sulaymaniyah District
Sector	Residential
Land Area/m ²	20,758
Building Area/m ²	12,696
Occupancy Rate	%100
Annual Income	SAR 7,436,000 represents 5.42% of the total rent
Uncollected Revenue	0.20%
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.4 years

Properties – Riyadh

Al Hamra Plaza



Description	Al Mansoura Dist. Al Baths St, Riyadh
Sector	Retail
Land Area/m ²	21,120
Building Area/m ²	13,021
Occupancy Rate	100%
Annual Income	SAR 5,432,000 represents 3.96% of the total rent
Uncollected Revenue	NA
Tenant	Unified Real Estate Development
Weighted Average Lease Expiry	3.1 years

Irqah Plaza



Description	Al Irqah Dist. Pr. Mishaal Bin Abdulaziz St, Riyadh
Sector	Retail
Land Area/m ²	14,269
Building Area/m ²	9,148
Occupancy Rate	97%
Annual Income	SAR 6,816,727 represents 4.96% of the total rent
Uncollected Revenue	0.24%
Tenant	Multiple tenants
Weighted Average Lease Expiry	9.4 years

Al Manahij School



Description	Al Ghadeer Dist. Noth of Northern Ring, Riyadh
Sector	Education
Land Area/m ²	9,200
Building Area/m ²	17,058
Occupancy Rate	100%
Annual Income	SAR 4,000,000 represents 2.91% of the total rent
Uncollected Revenue	NA
Tenant	Nabaa Education Co.
Weighted Average Lease Expiry	10.1 years

Properties – Riyadh

Dar Al Baraa School



Description	Al Narjis Dist. Al Sunbulah St, Riyadh
Sector	Education
Land Area/m ²	15,385
Building Area/m ²	33,429
Occupancy Rate	100%
Annual Income	SAR 12,134,063 represents 8.84% of the total rent
Uncollected Revenue	NA
Tenant	Al Mseef Education Co.
Weighted Average Lease Expiry	18.8 years

Olaya School



Description	Al Mursalat Dst. Abdulaziz Abo Hussain St, Riyadh
Sector	Education
Land Area/m ²	10,500
Building Area/m ²	12,314
Occupancy Rate	100%
Annual Income	SAR 4,752,400 represents 3.46% of the total rent
Uncollected Revenue	NA
Tenant	Tadrees Co. Ltd
Weighted Average Lease Expiry	10.5 years

Amjad Qortuba School



Description	Qortuba Dst. Dammam Road. Riyadh
Sector	Education
Land Area/m ²	14,300
Building Area/m ²	34,231
Occupancy Rate	100%
Annual Income	SAR 8,328,394 represents 6.07% of the total rent
Uncollected Revenue	NA
Tenant	Amjad Qortuba for Educational Services Co.
Weighted Average Lease Expiry	9.2 years

Properties – Jeddah

Public Prosecution Building



Description	The Public Prosecution Building, located on the Rahmaniya Road, Al Rayyan District, Jeddah
Sector	Office
Land Area/m ²	4,767
Building Area/m ²	19,342
Occupancy Rate	100%
Annual Income	SAR 4,400,000 represents 3.20% of the total rent
Uncollected Revenue	NA
Tenant	Public Prosecution
Weighted Average Lease Expiry	0.2 years

Al Khalidiya Business Center



Description	A commercial/office center located on Prince Sultan Street, Al Khalidiyah District, Jeddah
Sector	Office
Land Area/m ²	7,903
Building Area/m ²	26,713
Occupancy Rate	85%
Annual Income	SAR 10,186,522 represents 7.42% of the total rent
Uncollected Revenue	0.64%
Tenant	Multiple tenants
Weighted Average Lease Expiry	2.5 years

Hyper Panda - Jeddah



Description	Hypermarket is located on Hamdaniya Street, Al Hamdaniya District, Jeddah
Sector	Retail
Land Area/m ²	13,686
Building Area/m ²	5,858
Occupancy Rate	100%
Annual Income	SAR 2,845,151 represents 2.07% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.1 years

Properties – Jeddah

Al Rawdah Business Center



Description	A commercial/office center located on Prince Saud Al Faisal Street, Al Rawdah District
Sector	Office
Land Area/m ²	2,463
Building Area/m ²	17,526
Occupancy Rate	93%
Annual Income	SAR 8,120,924 represents 5.91% of the total rent
Uncollected Revenue	1.57%
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.8 years

Properties – Dammam & Khobar

Banque Saudi Fransi Building



Description	A building leased by Banque Saudi Fransi located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
Sector	Retail
Land Area/m ²	5,191
Building Area/m ²	879
Occupancy Rate	100%
Annual Income	SAR 2,000,000 represents 1.46% of the total rent
Uncollected Revenue	NA
Tenant	Banque Saudi Fransi
Weighted Average Lease Expiry	2.9 years

Hyper Panda - Dammam



Description	Panda Hypermarket is located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
Sector	Retail
Land Area/m ²	18,145
Building Area/m ²	9,800
Occupancy Rate	100%
Annual Income	SAR 5,228,170 represents 3.81% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	7.1 years

Properties – Dammam & Khobar

Al Hokair Time Center



Description	Al Hokair Time is located on the East Coast of Dammam
Sector	Entertainment
Land Area/m ²	5,156
Building Area/m ²	3,326
Occupancy Rate	100%
Annual Income	SAR 2,200,000 represents 1.60% of the total rent
Uncollected Revenue	0.84%
Tenant	Abdulmohsen Al Hokair Group for Tourism and Development Company
Weighted Average Lease Expiry	14.9 years

Ajdan Walk



Description	Ajdan Walk is located on Prince Turki Street in Al Khobar
Sector	Entertainment / Office
Land Area/m ²	16,966
Building Area/m ²	32,212
Occupancy Rate	100%
Annual Income	SAR 25,000,000 represents 18.21% of the total rent
Uncollected Revenue	NA
Tenant	AlOula Real Estate Development Company
Weighted Average Lease Expiry	6.1 years

Hyper Panda



Description	Panda Hypermarket is in Al Noor Dist. King Saud st, Dammam
Sector	Retail
Land Area/m ²	13,807
Building Area/m ²	5,348
Occupancy Rate	100%
Annual Income	SAR 4,975,500 represents 3.62% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	11.9 years

Properties – Dammam & Khobar

Extra Store



Description	Al Azizeah Dist. Gulf Road, Dammam
Sector	Retail
Land Area/m ²	8,258
Building Area/m ²	4,404
Occupancy Rate	100%
Annual Income	SAR 3,785,600 represents 2.76% of the total rent
Uncollected Revenue	NA
Tenant	United Electronics Company
Weighted Average Lease Expiry	10.7 years

Ajdan Entertainment-New



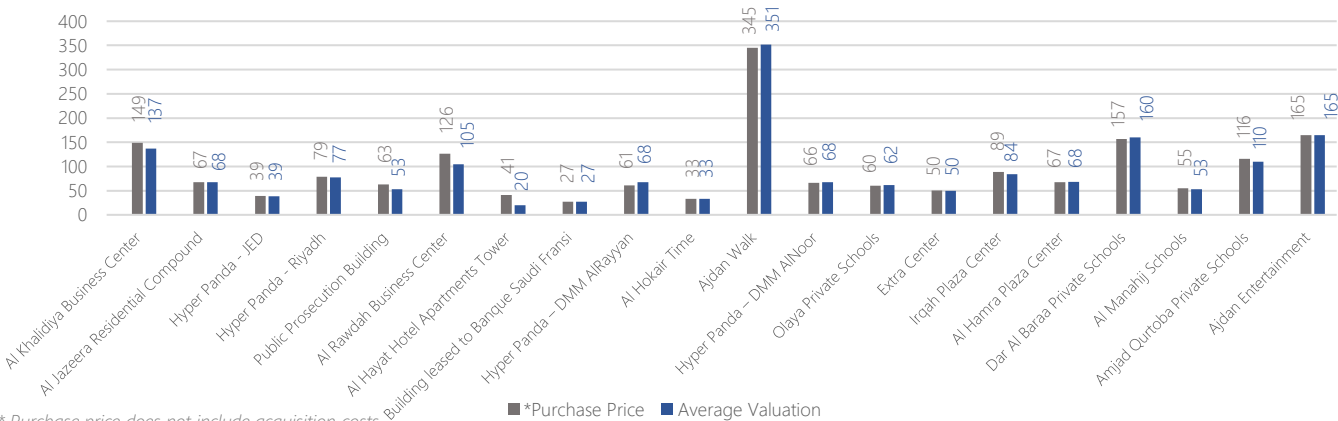
Description	Ajdan Entertainment is located on Prince Turki Street in Al Khobar
Sector	Entertainment
Land Area/m ²	6,866
Building Area/m ²	16,093.4
Occupancy Rate	100%
Annual Income	SAR 12,341,838 represents 9.10% of the total rent
Uncollected Revenue	5.31%
Tenant	Multiple tenants
Weighted Average Lease Expiry	13.7 years

Fair value vs. Purchase Price and Book Value

As at the end of December 2022 and based on the average valuation of two independent accredited real estate valuers; ValuStrat and JLL, the fair value of the Fund’s assets recorded a 0.95% increase when compared to June 2022, and a decrease of 1.57% when compared to December 2021 (excluding the acquired property during the year 2022 (“Ajdan Entertainment”)).

The portfolio recorded a 3.29% decrease when compared to the total purchase cost –(excluding transaction costs). The fair value of the total Fund’s assets as of 31 December 2022 is SAR 1,795.2 million.

Acquisition Vs Current Market Value (SAR M)



* Purchase price does not include acquisition costs

Summary of Leased and Non-leased Assets, Occupancy Rate, and Weighted Average Lease Expiry (WALE)

Property	Leased/Non-leased	Occupancy	WALE
Al Hayat Hotel Apartments Tower	Leased	100%	4.1 Years
Hyper Panda - Riyadh	Leased	100%	5.5 Years
Al Jazeera Residential Compound	Leased	100%	0.4 Years
Public Prosecution Building	Leased	100%	0.2 Years
Al Khalidiya Business Center	Leased	85%	2.5 Years
Hyper Panda - JED	Leased	100%	5.1 Years
Al Rawdah Business Center	Leased	93%	0.8 Years
Building leased to Banque Saudi Fransi	Leased	100%	2.9 Years
Hyper Panda – DMM AlRayyan	Leased	100%	7.1 Years
Al Hokair Time	Leased	100%	14.9 Years
Ajdan Walk	Leased	100%	6.1 Years
Al Manahij Schools	Leased	100%	10.1 years
Dar Al Baraa Private Schools	Leased	100%	18.8 years
Extra Center	Leased	100%	10.7 years
Al Hamra Plaza Center	Leased	100%	3.1 years
Olaya Private Schools	Leased	100%	10.5 years
Hyper Panda – DMM AlNoor	Leased	100%	11.9 years
Amjad Qurtoba Private Schools	Leased	100%	9.2 years
Irqah Plaza Center	Leased	97%	9.4 years
Ajdan Entertainment	Leased	100%	13.7 years

100% of the Fund’s assets are leased and generating income

Portfolio Average Occupancy Rate 98.6%

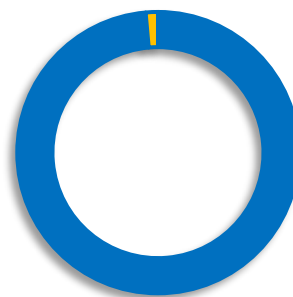
Portfolio Average WALE
8.3 years

Portfolio Occupancy Rate

As of 31 December 2022, the occupancy rate reached 98.6% with increase of 0.1% compared to December 2021.

Dividend Distributions

The Fund Manager intends to distribute semi-annual cash dividends to investors of no less than 90% of the Fund's net profit within 90 calendar days following the end of June and December of each calendar year, excluding capital gains arising from the sale of assets which may be reinvested in additional assets for the interests of unitholders. Since listing, the Fund has distributed the following CoC dividends:



98.6%
Occupancy Rate

2018	Q2	Q3	Q4
Yield*	6.1%	6.1%	6.1%
Total amount	9,150,000	9,150,000	9,150,000
Per unit (SAR)	0.1525	0.1525	0.1525
Number of units	60,000,000	60,000,000	60,000,000

2019	Q1	Q2	Q3	Q4
Yield*	6.6%	6.6%	6.6%	6.6%
Total amount	9,900,000	9,900,000	9,900,000	9,900,000
Per unit (SAR)	0.165	0.165	0.165	0.165
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2020	Q1	Q2	Q3	Q4
Yield*	6.1%	6.1%	5.0%	5.0%
Total amount	9,150,000	9,150,000	7,500,000	7,500,000
Per unit (SAR)	0.1525	0.1525	0.125	0.125
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2021	Q1	Q2	Q3	Q4
Yield*	6.1%	6.1%	6.5%	6.5%
Total amount	9,150,000	9,150,000	9,750,000	9,750,000
Per unit (SAR)	0.1525	0.1525	0.1625	0.1625
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2022	Q1	Q2	Q3	Q4
Yield*	6.9%	7.0%	7.25%	7.25%
Total amount	20,268,750	20,562,500	21,296,875	21,296,875
Per unit (SAR)	0.1725	0.1750	0.18125	0.18125
Number of units	117,500,000	117,500,000	117,500,000	117,500,000

Transactions with Related Parties

- The Fund Manager's transactions with related parties are summarized as follows:
- The rental of units at Al Khalidiya Business Center.
- Maintenance and operation contracts for three of the Fund's properties.
- Rents with related parties represent 0.26% of total Fund revenues whereas maintenance contracts account for 1.78% of total Fund expenses. The Fund Manager confirms that all these transactions and contracts have been based on the principle of equality among all customers and without any preference.

The Related parties are:

- Al Mahmal Facilities Services Company
- Tazweid Talent Co.

* Annual basis

Material Development During the Year

- The Fund Manager wishes to clarify that a 5-year lease agreement has been signed with a local operator for Burj Al-Hayat property in Riyadh, starting from 01/01/2022G. The annual rental value for the first three years should be SAR 1,500,000, and it will rise by 6.7% to reach SAR1,600,000 in the fourth and fifth years.
- During the period, an agreement was signed to acquire Ajdan Entertainment Complex in Al-Khobar city worth SAR 164,750,000.
- The Fund Manager announced the signing of a Sharia-compliant banking facilities agreement with Bank Aljazira (the strategic partner of the Fund), at a value of SAR 1,716,000,000, through which the Fund Manager succeeded in obtaining a profit margin for facilities that is approximately 30% less compared to the financing currently granted to the Fund. The financing period is 6 years.
- During the period, The Fund Manager initiated the process of increase the total value of the Fund's assets, as the Fund Manager signed a purchase agreement for a commercial complex located in Jeddah with a purchase value of SAR 492,500,000 (excluding real estate transaction tax and other acquisition costs) on 05/17/1444 AH corresponding to 11/12/2022 AD. This agreement is subject to completing the legal procedures to increase the total value of the Fund's assets by offering additional units, including the completion of the due diligence procedures, and obtaining the approvals of Capital Market Authority, the unitholders and any other regulatory requirements.

Subsequent Events

- NA

Stock Performance

The stock witnessed different levels of volatility during the period, recording its highest price at 11.96 SAR, and lowest at 9.51 SAR, to end the last trading session on 29 Dec 2022 at 10.32 SAR.



Changes to the Fund's Documents During the Year

- Updated The portfolio of assets to include all the assets that are currently owned by SEDCO Capital REIT Fund.
- Updated the Shariah Purification Clause.
- Updated the Fund Termination.
- Updated the Fund Board Responsibilities.
- Updated the Fund Manager Responsibilities.
- Updated the Fund Manager Information.
- Updated the removing & replacing clause of the Fund Manager.
- Updated the removing & replacing clause of the Custodian.
- Updated Reporting clause for Unitholders.
- Updated Unitholders' meeting clause.
- The Fund's Auditor has been changed to Ernst & Young replacing KPMG for a total annual fee of SAR 140,000.
- The terms and conditions have been amended by adding the information of the additional asset that was acquired after increasing the total value of the Fund's assets in the supplementary appendix to increase the total value of the Fund's assets.

Summary of Fund's Performance

Based on the financial results and achievements during the year The Fund has successfully achieved its target objective by distributing 7.10% cash dividend -on an annual basis- for the period between 1 January 2022 and 31 December 2022.

Topics Discussed and Resolutions Issued by the Fund Board

TOPICS	RESOLUTIONS
<ul style="list-style-type: none"> Updating the Fund's T&C 	<ul style="list-style-type: none"> Approved the updated Terms & Conditions ("T&C").
<ul style="list-style-type: none"> Renewing with AlMahmal 	<ul style="list-style-type: none"> Approved to renew the service agreement with Al-Mahmal Facilities Services Company as the Facility Manager for Al-Rawda Business Center for an annual amount of SAR 491,952 and Khalideya Business Center for an annual amount of SAR 753,264, while also renewing Facility Management and Property Management agreement for Al-Jazeera Compound for an annual amount of SAR 1,817,460.
<ul style="list-style-type: none"> Potential Acquisition – Residential Compound 	<ul style="list-style-type: none"> The Fund's Board of Directors approved, sign a non-binding memorandum of understanding for the acquisition of Residential Compound on behalf of SCREIT for a maximum purchase price of SAR 165,000,000 (excluding transaction costs).
<ul style="list-style-type: none"> Q1 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q1 2022: 01 JAN 2022 to 31 MAR 2022) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 20,268,750 being an annualized return of 6.90%.
<ul style="list-style-type: none"> Ajdan Entertainment Acquisition 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the acquisition of Ajdan Entertainment for a purchase price of SAR 164,750,000 (excluding transaction costs).
<ul style="list-style-type: none"> Appointing EY as the Fund Auditor 	<ul style="list-style-type: none"> The Fund's Board of Directors approved to appoint EY as the Auditor of SCREIT - replacing KPMG for a total annual fee of SAR 140,000.
<ul style="list-style-type: none"> Q2 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q2 2022: 01 APR 2022 to 30 JUN 2022) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 20,562,500 being an annualized return of 7.00%.
<ul style="list-style-type: none"> Refinancing Existing Facilities with Aljazira Bank 	<ul style="list-style-type: none"> The refinancing of the existing facilities has been approved with Bank Aljazira
<ul style="list-style-type: none"> Updating the Fund's Terms and Conditions memorandum 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the updated terms and conditions memorandum that on July 17, 2022.
<ul style="list-style-type: none"> 2nd Increase of the Total Asset Value of SCREIT 	<ul style="list-style-type: none"> The Fund's Board of Directors approved proceed with the plan of the 2nd increase of the total asset value of the Fund by acquiring a commercial complex in Jeddah.
<ul style="list-style-type: none"> PWC as a VAT Advisor for the Fund 	<ul style="list-style-type: none"> The Fund's Board of Directors approved to appoint PWC as the VAT Advisor of the Fund.
<ul style="list-style-type: none"> Draft of Interim Financial Statements - Period Ended 30 JUN 2022 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the interim condensed financial statements of the Fund for the period ended 30 June 2022
<ul style="list-style-type: none"> Q3 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q3 2022: 01 Jul 2022 to 30 Sep 2022) to the Fund unitholders. The total amount to be distributed is SAR 21,296,875 being an annualized return of 7.25%.
<ul style="list-style-type: none"> 2nd Capital Increase - Commercial Complex located in Jeddah Acquisition 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the proceed with the 2nd increase of the total asset value of SCREIT with a minimum equity of SAR 300 million and a maximum equity of SAR 600 million. The Fund's Board of Directors approved to acquire Commercial Complex located in Jeddah on behalf of SCREIT for a maximum purchase price of SAR 492.5 million (excluding transaction costs).
<ul style="list-style-type: none"> Appointment of Representatives of the Issuer 	<ul style="list-style-type: none"> The Fund's Board of Directors approved to delegate Mr. Samer Abu Aker and Mr. Abdulwahhab Abed as representatives before the Exchange for all purposes relating to the Listing Rules.
<ul style="list-style-type: none"> Exceptional Tenants Requests (Management process) 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the recommendations regarding the Fund and dealing with the tenants were agreed on a case-by-case basis
<ul style="list-style-type: none"> Q4 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period 01 Oct 2022 to 31 Dec 2022) to the Fund unitholders. The total amount to be distributed is SAR 21,296,875 being an annualized return of 7.25%.

Financial Performance

Fund Size	As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2020	As of 31 Dec 2019
Net market value of the Fund's assets at the end of the financial year (Fair Value)	1,032,202,870	1,062,310,241	565,014,116	589,037,823
Net market value of the Fund's assets per unit at the end of the financial year (Fair Value)	8.7847	9.0409	9.4169	9.8173
Net market value of the Fund's assets at the end of the financial year (Book Value)	997,395,948	1,039,710,604	537,948,379	561,523,849
Net market value of the Fund's assets per unit at the end of the financial year (Book Value)	8.4885	8.8486	8.9658	9.3587
Highest net asset value per unit for each financial year (Fair Value)	8.8489	9.0409	9.6297	9.9039
Lowest net asset value per unit for each financial year (Fair Value)	8.7847	8.9975	9.4169	9.8173
Income distribution per unit	1.35	0.62	1.14	1.30
Percentage of expenses borne by the Fund	11.43%	10.20%	9.72%	10.01%
Net income / (Loss)	41,110,344	(35,437,775)	9,721,346	22,139,932
Distribution yield (based on market traded price)	6.88%	2.54%	5.94%	6.63%
Number of units in issue	117,500,000	117,500,000	60,000,000	60,000,000

Services, Fees and Commissions Charged to the Fund Throughout the period

Indicator	As of 31 Dec 2022	As of 31 Dec 2021	Cap (Limit)
Operating expenses	14,042,280	8,233,950	Not to exceed 7% of the rental income of the property
Management fees	10,568,854	5,524,303	1% of the Fund's net assets according to the latest financial statements
Finance fees	34,525,866	12,480,293	NA
Professional fees	1,434,607	3,255,174	NA
Other costs	1,478,865	1,280,520	1% of the Fund's net assets according to the latest financial statements
Depreciation and amortization	55,970,265	77,573,811	NA
Total expenses	118,020,737	108,348,051	-
Expenses ratio	6.24%	6.18%	-
Ratio of Non-Cash Expenses to the Net income of the Fund	136%	186%	

Performance Record

Period	Total Return*
Since Inception	6.34%
One Year	7.10%
Three Years	6.32%
Five Years	N/A

*on an annual basis

	2022	2021	2020	2019	2018
Total Return*	7.10%	6.30%	5.55%	6.60%	6.10%

*on an annual basis

Special Commissions Received by the Fund Manager

The Fund Manager has not received any special commission during the period.

Fund Manager's Investment

The Fund Manager holds 376,651 units as at the end of Dec 2022.

Leverage (Borrowing percentage of the Fund's total asset value and maturity date)

- Financing amount equals SAR 800 million, representing 42% of the total asset value.
- Maturity date 16 October 2028

Risk Assessment

The Fund’s activities expose it to a variety of different risks factors that are exogenous such market risk, credit risk and liquidity risk as well as operational process related risks. Furthermore, there are risks related to the asset class REITs as such. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund’s financial performance. Consequently, the risk assessment process focuses on the most significant risk factors, which include but are not limited to:

Main Risks	Description	Assessment
Market Risk	Market Risk arises from external factors such as macroeconomic conditions, competition, supply & demand, political changes, FX etc.	The Manager monitors on a regular basis the fluctuation and changes in the overall economic environment, local real estate markets including cap rates, inflation rate, taxes, valuations, competition from other available premises and various other factors. Given these factors, the Fund Manager believes that the impact of current market factors is mitigated through diversification of assets that adds stability to the portfolio while reducing vulnerability to economic fluctuations. Additionally, vacancy risks are managed through a proactive asset management approach. Market research is conducted to avoid any economic constraints as much as possible.
Risks related to the use of debt	The use of debt results in risks such as profit/interest rate, leverage related to refinancing risks. Profit/interest rate risk is the potential for financial loss arising from increases in profit/interest rates and ultimately adversely impacting the financing terms of the Fund.	The Manager uses debt with the objective to enhance investor returns. Based on the expected trend of profit/interest rates, the Fund Manager may consider other financial instruments to manage/hedge this risk. Leveraging may also further exacerbate any losses. Additionally, while increasing profit/interest rates may be a challenge, real estate investments can perform well in a rising rate environment due to variety of factors, such as increasing rent revenue, demand, and prices.
Credit Risk	Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.	Credit risk is mitigated by industrial and geographical diversification, diversity both in its tenant mix and asset mix and by conducting tenant credit assessments. For new leases, credit evaluation is performed and on an ongoing basis, tenant credit and arrears are closely monitored by the Fund Manager.
Completion Risk	Risk associated with development projects underway include construction delays and their impact on financial performance, cost overruns which could impact the profitability and/or financial viability of a project; and the inability to meet revenue projections upon completion. Delays may result in legal risk.	This risk is somewhat mitigated based on the fact that Fund is entitled to invest only up to 25% of the value of its assets in real estate development. The Fund Manager also aims to mitigate this risk through management of the contractual framework of the properties.
Operational Risk	Risk of loss resulting from failure of internal processes, operational procedures, external events, loss of key personnel, service provider and counterparty risk as well as business continuity risk.	The Fund Manager has in place a monitoring framework to manage the day-to-day activities and mitigate operational risks. These include periodic meetings to identify potential operational risks, reviewing and resolving operational issues. The Fund Manager has established processes to identify, monitor and manage operational risks associated with day-to-day management and maintenance of the Fund’s properties. Internal audits are also carried out periodically to review compliance with processes, and to identify and rectify any lapses in procedures. A business continuity plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations. Service providers and counterparty performance is regularly monitored.

Risk Assessment – Cont.

Main Risks	Description	Assessment
Liquidity Risk	Liquidity Risk has many dimensions such as the risk of being unable to meet any payment obligations for exiting properties according to plan.	Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses. Therefore, the Fund Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner. Additionally, The Fund Manager also has a cash management process in which he has the option to utilize any excess cash in short-term deposits. Any decline in liquidity in the Saudi real estate market may affect valuations. Any exit below acquisition cost (including transaction cost) can lower the returns.
Regulatory Risk	Fund operates within guidelines as set out in the "Real Estate Investment Traded Funds Instructions" from Capital Market Authority. There can be further regulatory risk related to real estate market or public policy. Examples include new taxation, building code requirements, energy efficiency standards, Operational improvement requirements, etc. Changing regulations can add substantial time, risk, and cost to completing development projects and can also impose new and often burdensome operating restrictions on existing properties.	The Fund Manager has implemented processes to monitor regulatory requirements in all fund management functions, such as Compliance and Risk Management aiming to provide another layer of assurance that proper controls are in place to avoid any non-compliance.
Legal Risk	Risks involved in legal arrangements, contracts, agreements and obligations.	The Fund Manager has dedicated Legal and Compliance departments, who are responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to. Regarding legal suits, any adverse ruling may potentially have a negative financial impact on the Fund.
Risk of crimes such as cyber security risks	Crimes such as cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of the company's information resources and may result in financial losses.	The Fund Manager has implemented processes, procedures, and controls to help mitigate these risks. However, these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results would not be negatively impacted by the occurrence of any such event.
Valuation Risk	Risk that the valuation is notably incoherent from actual market prices.	Two independent appraisals are performed for asset valuations. The 3rd party Valuers are accredited by TAQEEM (i.e. Saudi Authority for Accredited Valuers). The Fund Manager uses the average of the two independent Valuers for reporting purpose. In case of any material contradiction between the two Valuers, the Fund Manager assigns a third Valuer.
Capital Deployment Risk and Reinvestment Risks	Risk of delay in capital deployment.	There is risk mitigation currently since the Fund has deployed its capital. Nevertheless, any portfolio rebalancing actions may create future deployment and/or reinvestment risks.

Risk Assessment – Cont.

Main Risks	Description	Assessment
General Risks Related to the Asset Class REIT	General risks of the asset class include among other aspects volatility of the share price, potential deviations between net asset value and the share price in the market, potential drop in share price and liquidity risks.	The market price of the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Fund Manager.
Environmental, Social and Governance (ESG) Risks, in Particular Climate Risk	Environmental, Social, and Governance (ESG) risks refer to the three factors of measuring the sustainability and societal impact of an investment. ESG criteria can help to better determine the future financial performance of companies (return and risk). Any environmental issues of properties, such as the use of hazardous materials, could adversely impact its value. As part of ESG risks, climate risks may result in increased exposure to loss as assets become less liquid, generate lower income or may be subject to environmental regulation. Additionally, Climate change could make insurance prohibitively expensive.	The Fund Manager assesses ESG risks in the analysis of investment opportunities and in its monitoring according to its responsible investment policy. In the Fund Manager’s experience, ESG assessment can complement traditional financial analysis and due diligence. The Fund Manager has implemented processes, procedures and controls to help mitigate these risks. However, these measures, as well as its increased awareness of ESG risks, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.
Risks Related to Geopolitical Events, Natural Catastrophes, Terrorism and Health Pandemics	Geopolitical events, instability, terrorism, natural catastrophes and events such as health pandemic may negatively impact assets from valuation as well as income perspective.	The escalation of geopolitical conflicts, such as the Ukraine war, may be reflected in the risk premia of global risk assets and thus may impact the Fund, too. Given the fact that these events are highly uncertain and unpredictable and therefore the Fund as well as the Fund Manager may be negatively impacted by the occurrence of any such event.
Property Management Risk	Risk of lower income (i.e., return on investment) due to inappropriate or insufficient property management, resulting in high vacancy rates, high operating expenses and below market rental income etc.	Manager recognizes that management is essential to success in real estate investment and therefore, mitigates this risk by engaging suitable, qualified, and experienced property managers when outsourcing is done. In this regard, roles & responsibilities are clearly defined and agreed through legal documentation i.e., agreements, contracts etc. The Manager has implemented necessary processes to mitigate insufficiencies related to property management. Particularly, increasing energy costs may bring heightened focus on the energy efficiency of buildings, because of the impact on tenants’ bills.
Inflationary Pressure / Supply chain issues	Risk that production and supply chain bottlenecks likely to lead to unexpected inflation level.	While inflation is a risk factor, there is some mitigation of inflation through rent escalations in lease agreements. Based on historical data, REITs provide reasonable protection against inflation because rents are not as sticky as other prices. The alleviation of pandemic restrictions may ease some supply chain bottlenecks that have been a cause of inflation.

Risk Assessment – Cont.

Main Risks	Description	Assessment
Pandemic Risk	Threat of new waves of infections, impacting overall economy negatively.	<p>Manager recognizes that the emergence of the new infections/variant of COVID-19 looms all aspects of economy. However, since the start of the pandemic more resilience has been established.</p> <p>An increasing number of countries have even waived all or substantially eased pandemic restrictions. Expectations is that more countries will follow regionally and globally.</p>
Concentration Risk	Risk of a scenario where too much investment capital has been put into a single property type or geographical location.	<p>Manager recognizes portfolio diversification to manage concentration risk involves spreading investment capital across different property types as well as different geographical locations. Tenant diversification is an important factor considered by the Manager.</p> <p>This practice can reduce concentration risk and reduce exposure to market volatility or asset devaluations.</p>



Socioeconomic and Demographic Overview

KSA



Country Profile

Saudi Arabia holds an estimated 15% of the world's proven oil reserves and has the largest economy in MENA, making it a critical player not only in the region, but on a global scale.

As part of the Vision 2030 development plan, Saudi Arabia has embarked on a major economic and social transformation to diversify the economy away from its dependence on oil. However, booming oil-based revenues in 2022 allowed the Kingdom to book its first fiscal surplus since 2013, at USD 23.9 billion (2.3% of GDP). The fiscal windfall is anticipated to continue in 2023, with the fiscal surplus projected to be USD 2.4 billion (0.2% of GDP) at the year end.

The IMF revised Saudi Arabia's 2023 growth forecast significantly downwards to 2.6% on the back of lower expected output. The downgrade mainly reflects lower oil production in line with an agreement through OPEC+, while non-oil growth is expected to remain robust. A consecutive, albeit narrower, surplus is forecast in 2023, clouded by global economic concerns and an uncertain oil demand outlook.

GDP

Saudi Arabia's real GDP grew by 8.7% in 2022, compared to 3.2% in 2021, driven by growth in oil activities by 15.4%, while non-oil activities expanded 5.4% and government services activities increased by 2.2%. Saudi Arabia's GDP hit the USD 1.07 trillion mark, with growth in private consumption and gross fixed capital formation driving overall GDP growth. The government has set a GDP target of USD 1.7 trillion by 2030.

In Q4 2022, real GDP advanced by 5.4% from a year earlier, following a downwardly revised 8.7% rise in the previous period. It was the seventh straight quarter of economic expansion, largely driven by a 6.2% increase in non-oil activities. Meanwhile, oil activities expanded by 6.1% and government services activities rose by 1.8%.

Saudi Arabia is the world's biggest producer of oil and oil extraction accounts for 46% of GDP. The services sector represents 36% of the wealth including government services (13%), wholesale and retail trade and restaurants and hotels (8%) and financing, insurance and real estate (7.9%). Other sectors are manufacturing (10%), construction and electricity, gas and water distribution (6%) and agriculture, forestry and fishing (2%).

Inflation

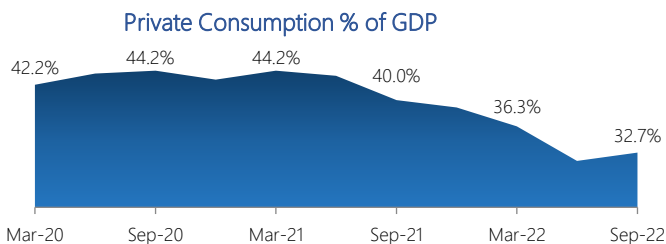
Annual inflation grew by 3.3% in December 2022 as compared to 2.9% in November 2022, beating market expectations of 3%. It was the highest inflation rate since June 2021, due to faster rises in housing, food and transport prices.

Prices mainly accelerated for both housing and utilities (5.9% vs 4.7%), amid rising costs of actual rentals, while prices of food and beverages gained by 4.2% (vs 3.5% in November), mainly due to food prices (4.3%), in particular meat and poultry prices (5.9%). Transport costs increased by 4.1%, following a 4.0% increase in November.

By contrast, prices fell for both personal goods and services (-0.4% vs -0.4%); clothing and footwear (-1.4% vs -1.3%), due to the decline in garment prices (-2.4%). On a monthly basis, consumer prices rose by 0.3%, the most in three months, after edging up 0.1% in November.

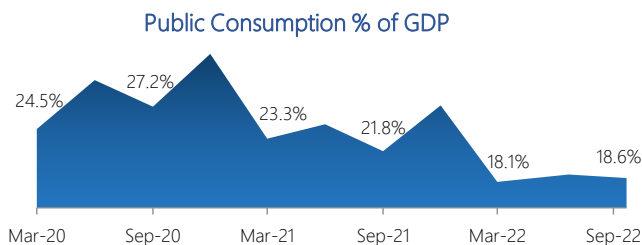
Private Consumption

Private Consumption accounted for 32.7% of nominal GDP in September 2022, compared to 31.5% in the previous quarter. Private Consumption share has grown in the recent years, with the average ratio standing at 32.9% from Mar 2003 to Sep 2022.



Public Consumption

Public Consumption accounted for 18.6% of nominal GDP in September 2022, compared to 19.0% in the previous quarter. Public consumption share has an average ratio of 22.2% from March 2003 to September 2022.



Saudi Arabia Vision 2030

"Saudi Vision 2030" is the long-term economic blueprint of Saudi Arabia, recognizing that a diverse market-based economy, high output/production, and investment in human capital are essential for growth. Vision 2030 is set to create growth opportunities throughout several key sectors of the economy with help of various programs.

The PIF program saw its AUM grow by USD 40 billion to USD 620 billion, compared to USD 580 billion in February 2022. The PIF has created 500,000 jobs through 54 companies operating in 10 sectors. The PIF plans to invest a minimum of USD 40 billion annually, contribute USD 320 billion to non-oil GDP, grow its AUM to over USD 1.07 trillion, and create more than 1.8 million direct and indirect jobs by the end of 2025.

In January 2023, Saudi Arabia hosted the Real Estate Future Forum, during which over 50 MoUs were signed and dispersed across real estate development and building technologies, the development and construction of housing units, the establishment of real estate funds, as well as the provision of advisory and administrative services.

The ambitious Saudi vision 2030 has seen continued investment as demand for real estate and infrastructure projects increases, topping USD 1.1 trillion. As part of the vision 2030 project, over 555,000 residential units, more than 275,000 hotel keys, in excess of 4.3 million sqm of retail space and over 6.1 million sqm of new office space is expected by 2030.

Real Estate Sector Overview

Riyadh, Jeddah and Dammam





Real Estate Market Overview – Riyadh

Hospitality Sector

The inauguration of Mansard Hotel and Residences in the third quarter increased Riyadh's total hotel stock to 20,000 keys. Around 3,000 keys are planned to be delivered in Riyadh in Q4 2022. The government has made substantial efforts to lure investment to the kingdom through measures such as visa reforms and the introduction of new development legislation. The latest available hotel statistics showed the kingdom's well-organized roster of year-round activities, which has helped sustain growing demand. In the first eight months of 2022, Riyadh's occupancy rate increased to 58%, a jump of more than 10% over the same period previous year. During the same time period, the average daily rate (ADR) rose by 23% year on year to USD 169. As a result, revenue per available room (RevPAR) increased 36% year on year to USD 98.

Supply Assessment



20,000 Keys
Existing supply



3,000 keys
to be delivered by Q4 2022

KPI YoY % change YTD August 2022



ADR
USD 169

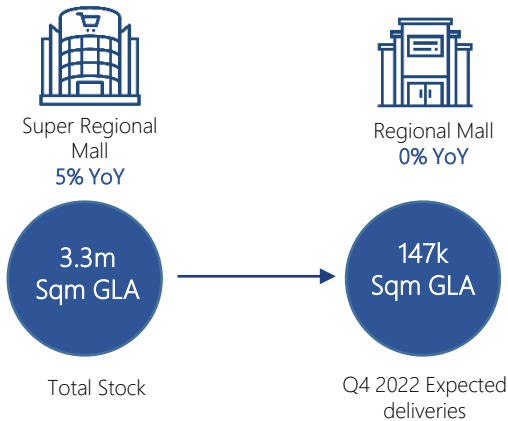


Occupancy Rate
58%



RevPAR
USD 98

Retail Sector Performance – Occupancy Rates and Deliveries



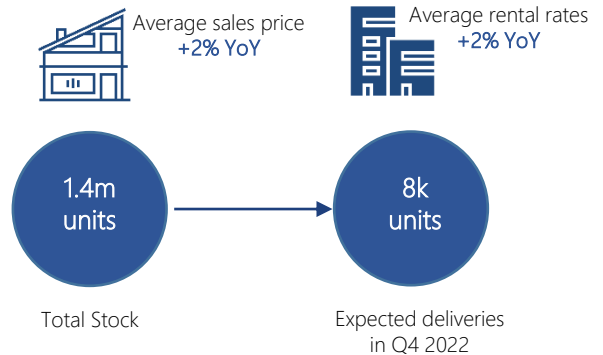
Retail Sector

Lumiere Center was Riyadh's sole noteworthy retail construction built in Q3, bringing the capital's total retail GLA to 3.3 million square meters. Footfall in retail malls has increased, with F&B and entertainment shops benefiting in particular from increased demand. According to Google's Mobility Index, which tracks people's movements between points of interest, retail and leisure activities in Riyadh in September 2022 were 21% higher than the baseline (which represents the average footfall for the first five weeks of 2020). The boost in consumer confidence was also reflected in the most recent Saudi Central Bank data, which showed a 19% annual increase in the value of point-of-sale transactions to SAR 317 billion between January and July 2022. In Riyadh, average rentals for super-regional malls increased by 5% year on year, while regional malls experienced no change in Q3. Although retailers are typically wanting to expand, they are being picky by choosing sites with high foot traffic as well as smaller areas to decrease capital and operating costs.

Residential Sector

In the third quarter of this year, around 7,800 residential units were constructed in Riyadh, bringing the capital's total stock to 1.4 million units. The northern portion of the capital is booming as several new and planned master planned communities with high quality housing attract the local population. More broadly, we are witnessing the concretization of a recent trend of rising numbers of young families choosing flats due to their relative affordability. The capital is also expanding in the same direction as multiple new & planned master planned communities comprising high quality dwellings attract the local population. More broadly, we continue to see the crystallization of a recent trend of increasing numbers where young families are opting for apartments due to their relative affordability.

Residential Sector Performance



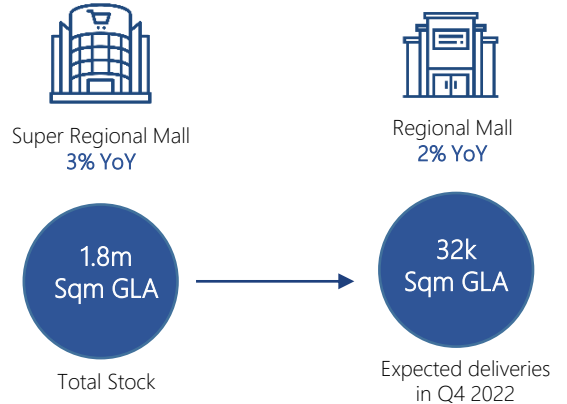


Real Estate Market Overview – Jeddah

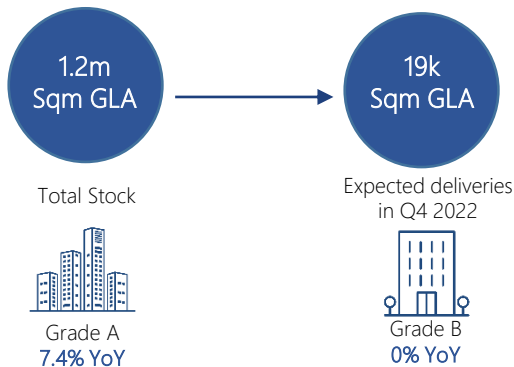
Retail Sector

In H1 2022, about 16,000 sqm of GLA was added to Jeddah's total retail supply, which now stands at 1.8 million sqm. Approximately 2,000 square meters were added to Jeddah's retail stock over the same time in 2022. It is anticipated to expand another 32k square meters in Q4 2022. A total of 179,000 square meters of retail space is scheduled to be delivered throughout the two cities (Riyadh and Jeddah) in the fourth quarter of this year, with the capital accounting for the majority of the impending supply (147,000 sq. m.). In Jeddah, average rents for super-regional and regional malls climbed to 3% and 2%, respectively. Online sales in KSA have been expanding in step with the increasing move towards omnichannel commerce as businesses attempt to meet the changing expectations of customers. E-commerce sales in the kingdom are expected to increase by 12% to reach SAR 21.6 billion in 2022, growing substantially faster than retail sales overall (5%).

Retail Sector Performance – Occupancy Rates and Deliveries



Office Sector Performance – Deliveries and Lease Rates



Office Sector

In Q3 2022, there were no major office completions in Jeddah, therefore the city's total office gross leasable area (GLA) remained steady at 1.2 million sq. m. An additional 207,000 sq. m. of GLA is expected to join the market in the capital and 19,000 sq. m. in Jeddah in the fourth quarter of this year.

Corporates have been expanding towards the north-west in Jeddah due to better parking ratios and less traffic congestion. Smaller firms in Jeddah are gravitating towards the east of the city due to the relative affordability of office rents.

Grade A office rentals in Jeddah climbed by 7.4% in the year to December 2022, reaching an average of SAR 1,175 per square meter. During the same time span, Grade B rentals were consistent at SAR 700 per square meter. Occupancy rates for both Grade A and Grade B offices increased throughout the course of 2022, reaching 90.6% and 76.0%, respectively, up from 87.8% and 78.7% in 2021.

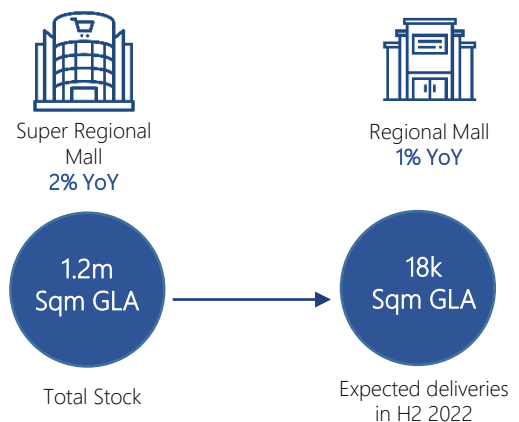


Real Estate Market Overview – Dammam

Retail Sector

Post the pandemic, high frequency indicators point to a strong recovery in domestic demand. Given the government's decision to remove restrictions associated with the tourism visa and GCC boarder control, additional number of visitors are anticipated to further boost the tourism sector. This along with increasing consumer spending is anticipated to push the sector's performance upwards. Dammam was the only market in Saudi with no completions recorded in H1 2022, leaving its total retail supply unchanged at 1.2 million sqm. In H2 2022, ~18,000 sqm of retail GLA is scheduled to be delivered. Performance of retail centers was broadly stable in H1 2022. Annual average rental values increased by 1% and vacancy rate declined by 1%. The average rental rates in super regional malls and regional malls increased by 2.0% and 1.0% YoY, respectively.

Retail Sector Performance – Occupancy Rates and Deliveries





Education Sector Overview

In recent years Saudi Arabia's education sector has received the highest proportion of government spending of all areas of the economy. For 2022, the government allocated SAR 185 billion towards education expenditure budget (19.4% of total budget).

The education sector is one of the main pillars of the Saudi Vision 2030 reform plan, with a particular emphasis on enabling the private sector to participate actively in its development. In line with the goals of Vision 2030, the government has launched a number of reform initiatives targeted at raising student attainment levels and enhancing the quality of teaching and curriculum.

The education system in Saudi Arabia is being redesigned to better equip the country's workers to compete in the increasingly information and technology-driven global economy. According to Vision 2030, the participation of private institutions in the pre-primary, primary, and secondary education sectors will increase from its current level – at approximately 12.5% to 25% by 2030.

The MoE wants to increase pre-primary enrollment to 90% by 2030 in order to lay a strong educational foundation for the Kingdom. By 2030, it is predicted that 1500 new pre-primary institutions would be needed to meet this target.

With almost 8.3 million students registered in schools and higher education institutions, Saudi Arabia has the largest education market in the GCC. However, the Kingdom has a lower share of enrollment in private schools compared to other GCC countries. This leaves significant room for development and investment in the region.

Saudi Arabia's private education market is expected to double and experience a higher growth rate over the coming years, due to factors such as Vision 2030 educational initiative (privatization of the industry), need for improvement in the quality of education, and an increase in number of students who prefer private schools. Post the implementation of Vision 2030's educational initiative, Saudi Arabia's private education sector is predicted to post a CAGR of 11%.

Major driver for the growth of the education market in Saudi Arabia is the high percentage of school-going population, as compared to other GCC countries. Strong growth drivers in the Kingdom have resulted in the education sector becoming an attractive investment opportunity.

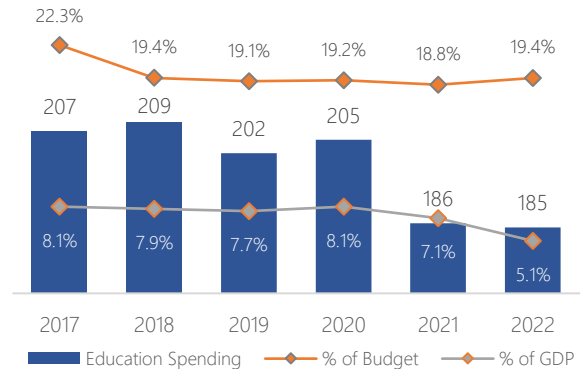
As a part of Vision 2030, the government aims to transition to a knowledge-based economy, with education as a critical component, the market is expected to become more favorable for private operators.

Recent Updates

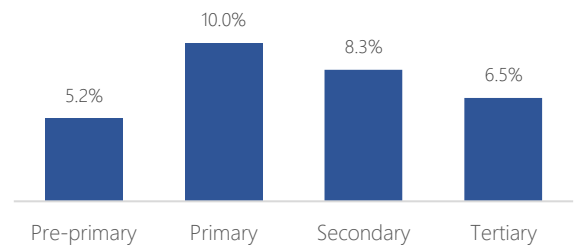
Saudi Arabia's Ministry of Education showcased investment prospects in the education industry at the FURAS Forum 2023. Through its participation in the forum, the Ministry aimed to highlight the investment opportunities provided by the Kingdom's education sector, whose economic returns are expected to reach SAR 27 trillion in a total of government and private spending, while highlighting the components and attractiveness of the educational market in the Kingdom.

During the Forum, the Ministry reviewed its approved paths of privatization in the education sector as well as the role of educational associations and institutions through numerous projects that enhance the role of the private sector in supporting and diversifying the national economy and achieving its sustainability.

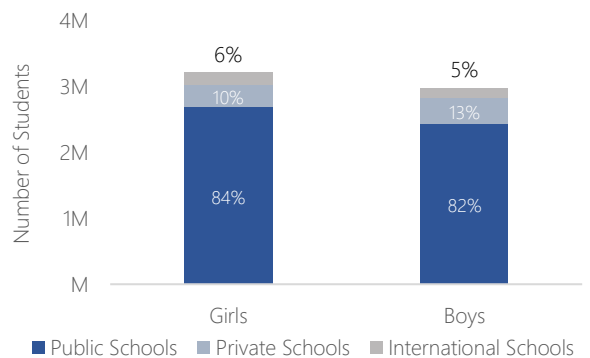
Education Expenditure % of GDP and % of Budget

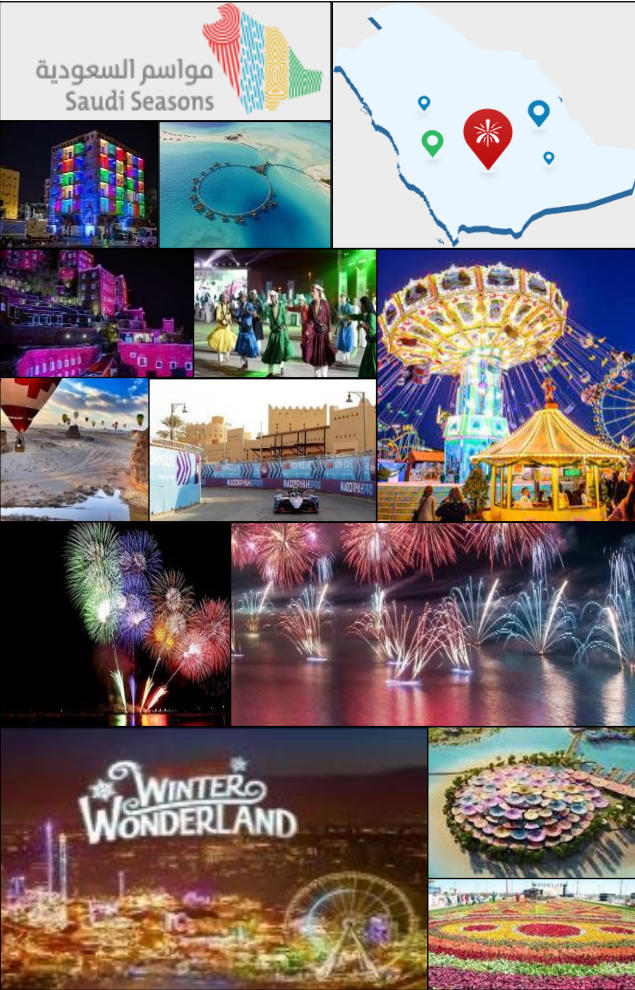


Students as a % of total population



Education Sector – Grade 1-12 students by school type






Entertainment Sector Overview

All major athletic and entertainment activities, such as performances, concerts, and art exhibitions, were cancelled because of the COVID-19 epidemic. However, the Kingdom's ambitious developing roster of athletic and entertainment events, which includes international events, elite events, regular national contests, and several smaller and public participation events, has gained traction and is anticipated to grow.

PIF established the Development and Investment Entertainment Company (DIEC), a subsidiary of GEA, in January 2018 with an initial capital of USD 2.6 billion. The corporation is forming a joint venture with a US partner to run theatres throughout the Kingdom. DIEC anticipates opening 30-40 theatres in about 15 Saudi cities over the next five years, with a total of 50-100 cinemas in approximately 25 Saudi cities by 2030. GEA has negotiated contracts to manage entertainment venues around the Kingdom with Six Flags, National Geographic, Cirque Du Soleil, and IMG Artists, in addition to AMC Theaters. Major French corporations have stated a desire to establish headquarters in Saudi Arabia's capital, Riyadh, to capitalize on these prospects. This occurred at the Federation of Saudi Chambers' welcome of a delegation of French company leaders and firms specializing in different sectors of entertainment in May 2022, as represented by the Saudi-French Business Council. The visit is in accordance with Saudi Vision 2030, which seeks to expand the contribution of the entertainment industry to 4.2 percent of GDP by 2030 and create 450,000 new jobs.

The decision by the Kingdom to abolish the 35-year ban on theatres in December 2017 has created chances for foreign and regional enterprises to support the growth of the local entertainment sector. Furthermore, the country has the greatest population among GCC countries, with 34.1 million people as of 2019, 60% of whom are under the age of 34 and hence prospective clients for the cinema business. The Public Investment Fund had taken the initiative to lead the local cinema industry by signing a deal formed as a joint venture between DIEC and the US cinema chain AMC Entertainment to open cinemas in the Kingdom, with the first movie theatre opening in Riyadh on April 18, 2018, and approximately 30 movie theatres to open in 15 cities across the Kingdom over the next five years. Following the launch of this joint venture, Vox Theaters, a subsidiary of the UAE-based entertainment giant Majid Al Futtaim, was given the second licence to open cinemas in the Kingdom in April 2022. The firm also intends to spend SAR 2 billion on 600 screens over the following five years, which authorities believe would increase the total number of cinemas in operation to 350 and the number of screens to 2,500 by 2030.

In April 2018, the Kingdom laid the groundwork for the Al-Qiddiya project, a new entertainment, sports, and cultural destination west of Riyadh with a total area of 334 square metres for six entertainment clusters, including a theme park, sports arenas, motor tracks, water and snow sports facilities, vacation homes, and cultural activity venues. The first phase is set to be completed in 2022, and by 2030, the project is estimated to create 57,000 employment and contribute SAR 17 billion to the GDP. The Qiddiya project, according to the PIF, seeks to attract 17 million entertainment tourists, 12 million retail visitors, and 2 million hotel guests by 2030.

Sources: Ministry of Finance; www.pif.gov.sa; www.CEIC.com; Trading Economics; Arab News; Reuters; consultancy-me.com; Zawaya; JLL Real Estate Market report Q3 2022; Saudi Arabia Entertainment & Amusement Market Report 2022, CBRE real estate report.

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Custodian

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Responsibilities of the Custodian:

- Registering the real estate assets of the Fund in the name of a subsidiary of the Custodian for the Fund or in the name of a subsidiary of an authorized financier that has provided financing for the Fund.
- Take all necessary procedures to separate the assets of the fund from any other assets independently, including the assets of the custodian.
- Keeping all necessary records and other documents that document the fulfilment of its contractual obligations.
- Comply with all requirements for custody the fund's assets and related documents in accordance with the Real Estate Investment Funds Regulations.

Auditor

Ernst & Young Professional Services
King's Road Tower - 13th floor
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PO Box 1994
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Kingdom Saudi Arabia



The Fund's report is available upon request free of charge

- There are no material changes to the Fund's Terms and Conditions except for what is mentioned in this report.
- The Fund doesn't invest substantially in other investment funds.
- There's no other information that would enable the unitholders of making an informed judgement about the Fund's activities during the period.
- There is no other data or information required by the Real Estate Investment Funds Regulations.
- Other than what is mentioned in this report, there are no material changes that occurred during the period and affected the performance of the Fund.
- The Fund Manager has not waived or rebated any fees.

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For more information

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Financial Statements
As of 31 December 2022