

(E) Risk Assessment Report

Expected Risks	Risk Description	Risk Mitigation Techniques
Rent Collection Risks	Inability of the tenants to pay rents due to the Fund in accordance with the lease agreements signed with them, whether because of the tenant's insolvency or the lack of liquidity when the rent becomes due. As such, the Fund will not be able, or will fail, to fulfill its periodic or targeted distribution obligations towards Unitholders in the future in accordance with the Terms and Conditions of the Fund.	<ul style="list-style-type: none"> The Fund Manager entered into long-term lease agreements with key tenants. The Fund Manager continually endeavors to ensure that the Fund has a diverse and solid tenant base, including government and private sector tenants. This is considered the best strategy to minimize the risks of tenant default. To implement specific marketing strategies through relevant property managers and operators to maintain and increase the occupancy rate of the Fund's properties. The average lease term of the Fund's properties was around 10 years. As collateral for the payment of the rental values of assets, 259 promissory notes were signed for a total value of SAR 1,644 million to guarantee rental payments. The Fund Manager also closely monitors the performance of the Fund's assets. Moreover, the Fund Manager regularly meets with the agents and operators of the properties to closely monitor the assets' performance and take immediate action to ensure that the Fund achieves its aspired objectives. The Fund Board approved a rent collection policy and an escalation policy in the event any tenant fails to pay rent when due.
Exit Risks	Inability of the Fund Manager to timely liquidate the initial assets in accordance with the Fund's strategy. This risk becomes more significant as the Fund approaches the end of its specified term.	The Fund Term is very long (99 years, renewable), during which the Fund Units will continue to be traded on the Exchange, giving Unitholders the ability to exit at the time of their choosing at prevailing market prices.
Interest Rate Risks	Risks of fluctuation of the value of financial instruments due to changes in the rates of return, which are affected by interest rates.	<p>To mitigate high interest rate risks, the Fund Manager signed a Shari'a-compliant hedging agreement:</p> <ol style="list-style-type: none"> With respect to the first financing amount drawn from Al Rajhi Bank in the sum of SAR 340 million, the Fund Manager signed on 19 November 2019, a Shari'a compliant hedging agreement with Banque Saudi Fransi to fix the profit margin of the signed credit facilities. With respect to the second financing amount drawn from Al Rajhi Bank in the sum of SAR 397.5 million, the Fund Manager signed on 27 July 2021, a Shari'a complaint hedging agreement with Al Rajhi Bank to fix the profit margin of the signed credit facilities. In November 2024, the Fund Manager signed a hedging agreement with Al Rajhi Bank for 50% of the first tranche at a rate of 5.04%, and also in March 2025 for 50% of the first tranche and the entire second tranche at a rate of 4.96%. An amount of SAR 150 million of existing financing was paid from the proceeds of the sale of B&Q and Ahlan Court.
Geographic and Sector Concentration Risks	Risks related to the concentration of the Fund's assets in a particular geographic or real estate sector	<ul style="list-style-type: none"> The Fund Manager endeavors to maintain low geographic concentration levels, thus reducing the severity of the effect caused by an economic recession potentially affecting a given geography or a specific real estate sector, on the Fund's assets. The Fund's assets are distributed across the retail, office, residential, education, and logistics sectors in Jeddah, Riyadh and Tabuk. The Fund Manager aims to expand the scope of diversification by acquiring properties in new areas and sectors.
Regulatory and Geopolitical Risks in the Country of Investment	The risks of suffering potential adverse effects caused by new government regulations, policies and taxes or sociopolitical instability, on the Fund's performance and/or liquidity.	<ul style="list-style-type: none"> At present, the Fund invests all of its assets in the Kingdom of Saudi Arabia. Investment abroad will not exceed 25% of the Fund's size, in accordance with the Real Estate Investment Traded Funds Instructions. The Fund manages the various risks related to the country in which it invests, including any changes in regulations, policies and taxes, by closely monitoring the regulatory / political / taxation conditions in the Kingdom of Saudi Arabia and anticipating and preparing for any possible change.
Economic Risks	The risks of suffering a potential effect caused by a macroeconomic deterioration, on the performance	The Fund Manager continues to closely monitor the macroeconomic situation in general, and any development in the real estate sector in

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	and valuation of the initial assets, and consequently on the Fund.	particular, to ensure proper decisions are made accordingly.
Operational Risks	Operational risks are the risks of incurring a direct or indirect loss as a result of unforeseen operating or capital expenses allocated for the improvement and maintenance of properties, whether due to a cause related to the Fund's service provider, or other external factors, in addition to the credit, liquidity, currency and market risks, such as those which may arise as a result of legal and regulatory requirements.	<ul style="list-style-type: none"> The Fund Manager, Alkhabeer Capital, has an outstanding track record and vast experience in asset management. To ensure the implementation of best practices, some of the key functions that require specialized expertise were assigned to experienced and reputable service providers with good track records. The Fund's overall objective is to manage operational risks to strike a balance in minimizing the financial losses and damages that could affect the Fund's reputation by achieving the Fund's investment objective, namely realizing returns to Unitholders. The Fund Manager also closely monitors the performance of the initial assets through periodic visits. It also holds regular meetings with the property managers to assess any issues / events which may lead to poor Fund performance.
Regulatory Compliance Risks	Failure of the Fund to comply with the applicable laws, rules and regulations in effect in the countries where it aims to invest. Such risks include legal, regulatory and Shari'a compliance risks.	The Fund Manager continues to monitor the Fund's compliance with applicable laws and regulations and the Fund's Terms and Conditions. It will also take all necessary action to fulfill these requirements.
Valuation Risks	The risks that the Fund's market value drops far below the Fund's Net Asset Value (NAV), which could occur as a result of an exaggerated valuation of the initial assets above their actual market value.	<p>The Fund Manager addresses these risks by:</p> <ul style="list-style-type: none"> Before Acquisition: Carrying out due diligence and valuation. After Acquisition: Focusing on realizing benefits and increasing value in the long term for Unitholders, as well as on its ability to generate sustainable periodic rental income yield with the capacity to achieve long-term growth. The valuation risks of Fund Units below the Net Asset Value (NAV) are subject to overall market sentiment and prevailing views regarding the real estate investment traded funds sector as a whole, and the properties sector in general. When compared to global valuation, real estate investment traded (REIT) funds are traded in most countries at a price that is lower than the NAV.
Liquidity Risks	Liquidity risks relate to the potential inability of the Fund to secure sufficient cash resources to fully pay its obligations when they become due, or the Fund's inability to do so except with extremely unfavorable and harsh conditions.	The Fund Manager monitors the liquidity requirements by ensuring the availability of sufficient funds to fulfill any obligations when they arise, either through the allocation of a cash reserve, disposal of investment properties, or obtaining short-term loans.
Fund Manager Risks	Unitholders may not have the opportunity to participate in the day-to-day operations or decisions of the Fund or exercise any control thereon, including the investment decisions and actions taken by the Fund Manager, which may affect the Fund's performance.	<ul style="list-style-type: none"> The Fund Manager has developed systems and controls to ensure the Fund's continued compliance with regulations at all times, and manage the Fund's risks accordingly. The Fund Manager relies on the expertise of its highly experienced investment team to best serve the interests of Unitholders and realize the Fund's long-term growth aspirations. When certain functions / activities are assigned to third parties, the Fund Manager shall perform the proper due diligence for those service providers and ensure their acceptance of, and compliance with, the Fund Manager's work conditions.
Development Risks	Risks related to the Fund's assets under development, including any delay in the completion of works beyond the approved time schedule, any estimated development cost overrun, the inability to sign lease contracts to generate expected revenues, the insolvency of any of the contractors, in addition to factors related to the construction sector which are beyond the Fund Manager's control (including bad weather conditions, environmental changes, and the unavailability of building materials in the market), obstructing the completion of the development works, and thus resulting in the inability to generate the projected revenues upon completion of the development activities.	<ul style="list-style-type: none"> The Fund invests the majority of its assets in developed properties. Investment in assets under development shall not exceed 25% of the Fund's size, in accordance with applicable laws and regulations. The Fund Manager shall assign the development works to experienced service providers capable of completing them.

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Legal Risks	Risks relevant to potential cases arising from disputes related to the contracts signed by the Fund with counterparties.	<ul style="list-style-type: none"> The Fund Manager shall have the contracts reviewed by the Fund's Legal Advisor before their signing to ensure the protection of the Fund's rights. In the event of a dispute, the Fund Manager shall appoint a qualified legal advisor to follow up on the case.
COVID-19 Pandemic Risks	<p>The spread of the COVID-19 pandemic or any other pandemic may cause the Fund's properties to suspend operations or fail to achieve their projected income, due to curfews or the restriction of movement in the areas where the Fund's properties are located, or as a result of other consequences of the pandemic.</p> <p>This will give rise to a period of economic slowdown with a material adverse effect on the amounts available for distribution to Unitholders.</p>	<ul style="list-style-type: none"> The Fund Manager will adopt a number of strategies to minimize the effects of such events, including for example: <ul style="list-style-type: none"> Signing long term lease agreements with master tenants. Continually endeavoring to ensure that the Fund has a diverse and solid tenant base from the public and private sectors. Asset class and geographic diversification. The Fund Manager maintains low levels of geographic concentration, with the assets distributed in diverse real estate sectors. The Fund's assets are currently distributed in the retail, office, residential, education, and logistics sectors, in Jeddah, Riyadh, and Tabuk. The Fund Manager aims to expand the scope of diversification by acquiring properties in new areas and sectors. Continuously manage and monitor the Fund's cash flows and effectively communicate with all tenants of the Fund's real estate assets during the crisis period, as well as endeavor to find appropriate solutions (if applicable) to maximize the benefit to the Fund. Strict compliance with preventative measures and other government rules.
Preventing annual increases in property rents	Council of Ministers decision to prohibit annual increases in property rents.	<ul style="list-style-type: none"> The fund manager undertakes development work on a number of real estate units, contributing to increase asset value and improved ability to achieve fair rental values. This work includes - but is not limited to - upgrading building facades, improving external facilities, and enhancing the quality of services provided within the complexes. The fund manager reviewed all existing lease agreements to identify those concluded before 2024, with the aim of examining the possibility of challenging the rental value where legal grounds exist. Negotiations are underway with tenants to increase rental values in line with fair market prices where applicable.