



# Alinma Retail REIT Fund

Risk Assessment  
Report  
2024

## 14- Risk Assessment Report:

### **Definition and identification of risks:**

The activities of real estate investment funds shall be reviewed to determine the risks associated with the Fund to protect the interests of the company and investors. The Fund's activities shall be reviewed in relation to the Fund Manager's business risks, financial risks, market risks, operational risks, and compliance risks, etc.

### **Business risks of the Fund Manager:**

The risks specific to the nature and activities of the Fund's investments.

### **Financial Risks:**

The risks related to the financial management of the Fund, including the provided facilities, if any, the payments and their maturity, in addition to the administrative fees for the Fund Manager and their adequacy, and distributions to Unitholders, if any.

### **Market Risks:**

The special risks related to all aspects that affect the Fund's financial performance, which are related to the risks of changing the prices of profit rates in the event of financing, in addition to the real estate evaluation mechanism, and the risks of competitors that may lead to a decrease in the Fund's revenues and cash flows.

### **Operational Risks:**

The special risks related to the Fund's management mechanism by the Fund Manager, which leads to a negative impact on the Fund's performance.

### **Compliance Risks:**

The risks related to the laws and regulations of the legislating bodies, which shall be adhered to and implemented in all cases and in the event of changes to those regulations or the issuance of other relevant regulations.

### **Risk assessment and measurement mechanism**

The inherent risks of real estate funds and their potential relative importance shall be assessed, in addition to identifying and testing a methodology for their measurement. The risks associated with the Fund's business shall be included, as mentioned in the terms and conditions memorandum, and the possibility of their occurrence and their impact on the company in general and on the Fund's performance in particular.

### **Monitoring mechanism to control risks**

The inherent risks of real estate funds and their potential relative importance shall be assessed, in addition to identifying and testing a methodology for their measurement. The risks associated with the Fund's business shall be included, as mentioned in the terms and conditions memorandum, and the possibility of their occurrence and their impact on the company in general and on the Fund's performance in particular.

### **Risk Review and Treatment**

One of the following strategies is used to review and treat the risks:



### **Risk Avoidance**

In the event that the Fund is unable to bear the risks, or if such risks may be considered a violation of the set laws and regulations.



### **Risk Mitigation**

The mechanism followed for accepted risks due to the nature of the Fund's operations, which the Fund acknowledges its existence and is considered an "inherent risk", which may need to develop a mechanism to manage such risks.



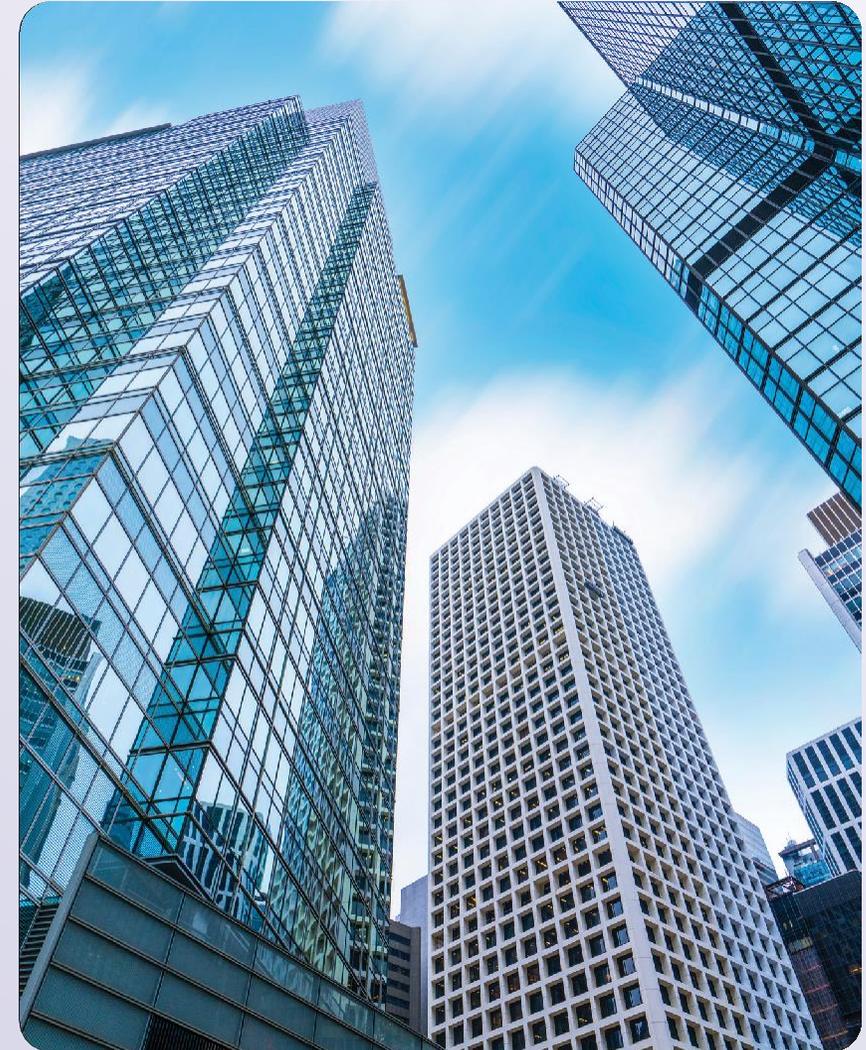
### **Risk transfer**

and transferring them to other parties: This is through insurance products or outsourcing, etc.



### **Acceptance of risks**

The Fund adopts an approach to accept certain risks based on their classification. The Fund Manager may choose several controls to reduce the current risks or maintain similar risk levels that are subject to constant monitoring.





To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

| No.                            | Type of risk   | Description of risks   | Probability of its occurrences |        |     | Risk assessment mechanism   |
|--------------------------------|--|--|--------------------------------|--------|-----|---|
|                                |  |  | High                           | Medium | Low |   |
| A. Risks related to the Fund : |  |  |                                |        |     |   |
| 1                              | Risks of concentrating the Fund's investments in the commercial centers sector | <p>When the fund was established, the fund's investments were concentrated in the retail sector by owning three real estate assets and one usufruct contract consisting of commercial complexes. As a result, the Fund's revenues and net income are linked to the demand for commercial space in the cities in which those assets are located. Any decline in the level of demand for commercial spaces in general in those cities may affect the fund's performance and the value of its units to a greater extent than if the fund's investments were in real estate assets distributed among different sectors.</p> <p>The fund is newly established with no previous operating history which enables potential investors to predict the future performance of the fund. Also, the previous results of similar funds or the previous performance of the real estate assets subject to the fund's acquisition are not necessarily an indication of the fund's future performance. Therefore, the recent inception of the fund may negatively affect the fund manager's expectations and thus the unit returns</p> |                                | ✓      |     | <p>The Fund Manager works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals.</p> <p>Concentrating the fund's assets in one sector would focus all operating parties on the specific sector and appoint the operating companies according to their specialization in the sector, the most important of which is the Property and Leasing Manager, which is one of the companies specialized in the commercial centers sector</p> |
| 2                              | Risks of no past operational past of the Fund                                  | <p>The Fund shall rely on management and advisory services provided by the Fund Manager's employees. It may be difficult to replace some key personnel, especially in the fund manager's senior management. If one of these employees leaves work and the Fund Manager is not able to find a suitable replacement for him/her, the performance of the Fund's business may be negatively affected.</p>  |                                |        | ✓   | <p>The current fund manager has extensive experience in managing investment funds, and all risks resulting from subscribing to the fund have been stipulated in the fund's terms and conditions</p>   |
| 3                              | Risks of relying on key employees of the fund manager                          | <p>Investors usually maintain their investments and rely on the returns accrued on the invested capital. But in other cases, some investors want to liquidate their investments depending on many factors, including the income and value of real estate assets, the overall performance of the fund and similar investment instruments. Given that the amount of liquidity for traded real estate investment fund units may be less than its counterpart for traded company shares, it is possible that the investor in the fund's units will face difficulty in exiting and liquidating his units in the fund at the price offered by that investor, which may lead to the investor exiting of the fund at a value less than the market value of the fund's assets.</p>  |                                |        | ✓   | <p>The fund manager is a financial company that is proficient in the scope of the funds' work, with a distinguished professional team that can cover the loss of any member of its administrative staff with the same efficiency and ability, without affecting the course of the fund's work.</p>  |
| 4                              | Liquidity risk   | <p>The Fund Manager ensures consideration of market conditions and studies the appropriate procedures when planning to sell fund assets, knowing that there is no interest to sell the assets in the near future.</p>  |                                |        | ✓   | <p>The Fund Manager ensures consideration of market conditions and studies the appropriate procedures when planning to sell fund assets, knowing that there is no interest to sell the assets in the near future.</p>   |

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|                                |  |  | High                           | Medium | Low |  |
| A. Risks related to the Fund : |  |  |                                |        |     |  |
| 5                              | Risk of trading at a price lower than the market value | Trading in units may be exposed to factors that lead to fluctuations in their value, including factors that may negatively affect local and global stock markets, prevailing and expected economic conditions, interest rates, financing costs, investor trends, general economic conditions, and large sales of fund units. Accordingly, purchasing units is only suitable for investors who can bear the risks associated with these investments, especially since this may lead to difficulty for the investor to exit the fund or to exit with a value less than the fair value of the fund's assets.  |                                | ✓      |     | The Saudi stock market shall be considered one of the largest markets in the region, and the fact that the fund's units are traded in the main market reduces the aforementioned risks.  |
| 6                              | Risks of increasing the fund's capital                 | If the Fund Manager decides with the unit holders to increase the Fund's capital by issuing new units, whether in exchange for in-kind or cash contributions, this will lead to a reduction in the relative shares of the unit holders in the Fund at that time in the event that the Fund's capital is increased by issuing new units in exchange for in-kind subscriptions. Also, if the fund's capital is increased by issuing new units in exchange for cash subscriptions, this could lead to a reduction in the relative shares of the unit owners in the fund at that time to some extent, unless the unit owners at that time exercise their rights to subscribe to the new units. The capital increase may negatively affect the value of the units, which negatively affects the investments of the unit owners. |                                | ✓      |     | The fund manager works to study the most appropriate structure for the fund's capital in a way that achieves the maximum interest of the fund's unitholders, and this shall be clarified in the terms and conditions of the fund.  |
| 7                              | Risk of not achieving returns on investment            | There will be no guarantee that the operations of the Fund's assets will generate profits, or that the Fund will succeed in avoiding losses, nor will the Fund generally have any source of funds from which to pay distributions to unit owners other than returns from rents and capital returns that may come from the sale of Some or all of its assets. Therefore, there is no guarantee that the Fund will achieve returns on unitholders' investments in the Fund, and it is possible that investors in the Fund may lose all or some of their capital invested in the Fund.  |                                | ✓      |     | The fund manager analyzes the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals.<br>The fund manager also works to review the fund's assets and developments with the aim of making the optimal decision that will serve the fund and achieve its goals. |
| 8                              | Risks of conflict of interest                          | Situations may arise in which the interests of the Fund, the Fund Manager, or members of the Fund's Board of Directors conflict with the related parties or with the Fund. Which may negatively affect the Fund's investments, returns, and distributions.   |                                |        | ✓   | The fund manager works to ensure that there is no conflict of interest that has not been disclosed, and in the event of a conflict of interest, the Fund's governance regulations and conflict of interest policies shall be applied.  |

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| <b>A. Risks related to the Fund :</b>          |  |  |                                |        |     |  |
| 9  | Risks of appointing a replacement fund manager                             | A decision was issued by the unit owners and Capital Market Authority on 25/02/1443 AH corresponding to 30/11/2021 AD to remove the previous fund manager and appoint Alinma Investment Company as an alternative fund manager. The alternative fund manager may face difficulty in making some decisions due to the lack of all previous information or inaccuracy and inadequacy of the information, data and documents provided by the previous fund manager, which may affect his ability to make a decision regarding the management of the fund, and the alternative fund manager does not bear responsibility for the decisions or actions taken from the date of the founding of the fund until the date of the dismissal of the previous fund manager and the resulting risks or losses..   |                                |        |     | During the period of transfer of duties, the previous fund manager worked on handing over the contracts and agreements related to the fund to the current fund manager, who in turn shall analyze the data related to the fund and build a strategy that seeks to achieve the fund's investment objectives.  |
| <b>B. Risks related to the Fund's Assets :</b> |  |  |                                |        |     |  |
| 1  | General risks of real estate investment                                    | The return on real estate investments is subject to many interrelated factors, including adverse changes in local, regional, or international economic conditions, adverse conditions in the local market, the financial conditions of renters, buyers, and sellers of real estate, changes in operating expenses, environmental laws and regulations, and governmental laws, Financial policies, energy prices, changes in the relative demand for various types and locations of real estate, risks resulting from reliance on cash flows, operational problems and risks, in addition to force majeure, uninsurable losses and other factors outside the fund manager's control. Any of these factors may contribute to material risks that negatively affect the value of the Fund's assets and the Fund's ability to generate any returns on its investments. |                                |        |     | يعمل مدير الصندوق على تحري وتوقع الجدوى الاستثمارية للصندوق وذلك من خلال تحليل الوضع الاقتصادي والسوق المستهدف وملائمة أصول الصندوق لتحقيق مستهدفاته الاستثمارية.<br>كما يعمل مدير الصندوق على تعيين شركة متخصصة في أعمال إدارة الأملاك والتأجير مما يحفز تشغيل الأصول المملوكة للصندوق بأفضل الظروف الممكنة.  |
| 2  | Risks of fluctuations in the value of real estate and liquidity deficiency | Real estate shall be considered an asset class with low liquidity, and its degree of liquidity fluctuates depending on the demand and desire for this type of investment. If the Fund needs to liquidate its real estate investments, or part of them, at an inappropriate time, the selling price may be less than the book value. Therefore, any delay or difficulty that the Fund may encounter in disposing of its assets may negatively and significantly affect the return obtained by unit holders.   |                                |        |     | يعمل مدير الصندوق على تحري وتوقع الجدوى الاستثمارية للصندوق وذلك من خلال تحليل الوضع الاقتصادي والسوق المستهدف وملائمة أصول الصندوق لتحقيق مستهدفاته الاستثمارية.<br>كما يعمل مدير الصندوق على البحث عن طرق بديله مناسبة في حال كان هناك لحاجه لتسييل استثمارات الصندوق العقارية   |
| 3  | Risks of challenging the ownership of the fund for real estate assets      | The integrity of the title deeds does not necessarily represent the full rights to dispose of real estate ownership and may be subject to challenge. Therefore, the real estate assets acquired by the Fund may be subject to any legal disputes related to the ownership of those assets, which in turn may impair the Fund's ability to dispose of or transfer the real estate assets in a manner free of mortgage and restrictions, and this may in some cases cause the Fund to lose ownership of the real estate assets Which it believes was acquired legally. In addition, these disputes over ownership may materially affect the value of real estate assets, and thus the value of units in the Fund.  |                                |        |     | فيما يتعلق بالأصول المستحوذ عليها حاليا من الصندوق فإنه قد مضت على استحوادها مدة كافية لتوقع بأن الخطر يعد منخفضا بوجود رهون أو قيود أو نزاعات أو خلافات حول ملكية الأصول.<br>كما أن مدير الصندوق يعيّن مكتب قانوني متخصص يعمل على التحري حيال ملكية الأصول من قبل الجهات القانونية المتخصصة والتأكد من أنها تمثل كامل حقوق التصرف وليست عليها أي رهن أو حق أو طعن لم يتم الإفصاح عنه، كما أن عقود شراء العقار تتضمن التزام البائع بخلو العقار مما المخاطر المذكورة. |



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|  |  |  | High                           | Medium | Low |   |
| <b>B. Risks related to the Fund's Assets :</b> |  |  |                                |        |     |   |
| 4  | Risks of competitive nature in the retail sectors and commercial centers in the Kingdom  | <p>Some of the initial real estate assets are located in areas characterized by strong competition in the retail sector in general and the commercial centers sector in particular. In addition, commercial centers may be developed and established located directly near real estate assets, which leads to creating direct competition with real estate assets. In light of this, the returns and market value of real estate assets will depend on the ability of real estate assets to compete for tenants with other competitors. Therefore, the success of other competitors in attracting and retaining tenants may affect the Fund's real estate asset returns and have a material adverse effect on the Fund's business, financial condition, cash flows and operating results.</p>  |                                | ✓      |     | <p>The Fund Manager works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals.</p> <p>The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions.</p> |
| 5  | Risks that the Fund's future rental income will depend on its ability to attract and retain suitable tenants and its effective management of real estate assets. | <p>There can be no assurance that the Fund will be able to attract and retain suitable tenants on the terms and conditions it seeks. Moreover, the financial stability of the Fund's tenants may affect the Fund's financial performance. The financial stability of tenants may change over time as a result of factors directly related to tenants or the overall economy of the Kingdom, which may affect their ability to pay rent amounts. In addition, the Fund may incur costs related to retaining existing tenants and attracting new tenants, and the costs and time required to enforce the rights under the lease with a distressed tenant, including eviction and re-letting costs, which may be huge. Failure to attract and retain suitable tenants may have a material adverse effect on the Fund's business, financial condition, cash flows and operating results, and may also negatively affect the value of real estate assets.</p> |                                | ✓      |     | <p>The Fund Manager works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals.</p> <p>The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions.</p> |
| 6  | Risks of loss of main tenants in the initial real estate assets  | <p>If some or all of the major tenants decide not to continue or do not renew their leases, this may result in potentially significant rental space becoming vacant, which may delay the rapid finding of a replacement tenant to occupy those spaces. Therefore, terminating the contracts of any of the major tenants or not renewing them may negatively affect the financial position, cash flows and operating results, and may also negatively affect the value of real estate assets.</p>   |                                | ✓      |     | <p>The fund manager has appointed a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions. If the tenants leave, the fund manager shall work in cooperation with the property manager to study the economic situation, the market, rent the units to other tenants, and operate the assets in the best possible conditions.</p>                  |

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|  |   |  | High                           | Medium | Low |  |
| <b>B. Risks related to the Fund's Assets :</b> |   |  |                                |        |     |  |
| 7  | Risks that the Fund may be subject to certain fixed costs that will not decrease as revenues decrease                         | Rents and operating income that will be returned to the Fund may decrease as a result of various adverse changes affecting the Fund's real estate assets or tenants. It shall be noted that some of the Fund's main expenses, including management fees, maintenance costs, and operational costs of real estate assets, will not be reduced due to the decrease in revenues. Therefore, if rents and operating income decline while costs remain the same, the Fund's revenues and available funds for distribution to unit owners may decline.   |                                | ✓      |     | The fund manager studies all circumstances and the possibility of reducing costs as much as possible and operating the fund in the best possible conditions, in cooperation with the property manager, who works hard to maintain the current operating expenses rate Through its effective management.  |
| 8  | Risk of not guaranteeing that rental prices will be maintained in accordance with prevailing market prices                    | Rental prices for real estate assets depend on several factors, including, but not limited to, the prevailing supply and demand conditions and the quality and designs of the real estate assets. There is no guarantee that the Fund Manager (through the Property Manager) will be able to secure new leases or renew existing ones at prevailing rental rates. Accordingly, the failure of the Fund Manager (through the Property Manager) to do so may have a material adverse effect on the Fund's business, financial condition and operating results.   |                                | ✓      |     | Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions. |
| 9  | Risks of the Fund relying on significant operational support from the property manager  | The real estate assets shall be managed by the retail real estate company in accordance with a real estate management and operation agreement signed between the fund manager and the retail real estate company. The delay or failure of the retail real estate company in fulfilling its obligations, including the maintenance of real estate assets, may have a material negative impact on the Fund's business, financial condition and operating results.  |                                | ✓      |     | The fund manager also periodically evaluates the companies providing essential services to the fund, and presents this evaluation to the fund's board of directors. In the event that it turns out that the property manager's evaluation is not consistent with Fund requirements, corrective action shall be taken.  |
| 10   | Risks of Negative Impact of Lack or Non-Compliance with Regulatory Approvals and Licensing Requirements of Real Estate Assets | All regulatory approvals and licenses for operation of commercial centers shall be obtained. It is not possible to guarantee that all regulatory approvals for real estate assets will be obtained or renewed in a timely manner. In addition, violation of the terms of any of these regulatory approvals may result in cancellation, withdrawal, suspension or imposition of financial penalties by the relevant regulatory authorities. Any amendments to existing laws and regulations may impose unexpected and more expensive requirements and the Fund's compliance with such laws or regulations will result in incurring large capital expenses, or other obligations or responsibilities, which may have a substantial negative impact on the Fund's business, financial position, cash flows and operating results. |                                | ✓      |     | Appointing a property management and leasing management company would mitigate risks related to regulatory issues, given the property manager's experience in managing assets similar to those owned by the fund. Additionally, the fund manager continuously reviews the latest updates and changes in the legal regulatory to ensure the fund's compliance.  |

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|  |  |  | High                           | Medium | Low |   |
| <b>B. Risks related to the Fund's Assets :</b> |  |  |                                |        |     |   |
| 11   | Risks that real estate assets may be subject to significant damage due to natural disasters and other causes beyond the fund manager's control and for which insurance (if any) may not be sufficient. | Real estate assets may be vulnerable to physical damage from fire, storms, earthquakes, or other natural disasters, or other causes such as political unrest. If any such event occurs, the Fund may lose the invested capital in real estate assets, as well as expected income. In addition, no assurance can be given that resulting losses (including loss of rental income) may be fully compensated under insurance cover (if any) and there are certain types of risks and losses (for example, losses resulting from political unrest, business war or some natural disasters) may not be economically or generally insured. If any of these events occur, it may have a material negative impact on the Fund's business, financial condition, cash flows and operating results. |                                | ✓      |     | The Fund Manager analyzes the risks that may arise from natural disasters and takes them into account. It is customary to insure the investments properties to mitigate force majeure risks, thereby reducing potential risks resulting from force majeure events.  |
| 12   | Risks of expropriation of real estate assets   | The state has the right to compulsorily seize real estate for public benefit, including - but not limited to - building roads and public facilities. Although compensation may be paid for expropriation, there is a risk that the value of the compensation will be insufficient in comparison to the size of the investment, the lost profit or the increase in the value of the investment. If expropriation is achieved, the value of distributions to unitholders, the value and trading price of the units may decline, and unitholders may lose all or part of their invested capital   |                                | ✓      |     | Risks of the possibility of challenging the ownership of the real estate shall be considered relatively low, based on the structure of the fund before its establishment, which was conducted through due diligence studies.<br><br>If there is expropriation, the Fund shall be compensated with the value of the expropriated assets              |
| 13   | Risks of e-commerce changing the competitive environment of traditional retail businesses  | store tenants in initial real estate assets mainly rely on traditional sales operations through existing outlets in commercial markets. These traditional businesses may be negatively affected by the noticeable increase in electronic stores that use the Internet as their platform, which has arisen with great demand from consumers and sellers of retail products, as this may lead to a shrinkage of the customer base of traditional stores and visitors to malls, which could have a material negative impact on the Fund's business, financial condition and operating results.  |                                | ✓      |     | The fund manager works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, the suitability of the fund's assets to achieve its investment goals, and by searching for the best investments that may have a positive impact for the fund                                    |
| 14   | Real estate development risks  | Developing and marketing a new real estate project involves several risks, including but not limited to: delay in timely completion of work, exceeding specified costs, poor quality of work, inability to achieve sales, and force majeure. Starting a new project also involves other risks, including delays in obtaining the necessary governmental approvals and permits for development, and other required governmental approvals and permits, and since investing in units in the Fund is an indirect investment in any real estate development project in which the Fund invests, any development of a real estate project (if any) shall have a direct and significant impact on the value of the fund's units.  |                                |        | ✓   | Appointing a development company with sufficient experience in the field of real estate development would reduce development risks, and the fund manager has sufficient experience to deal with events that may arise during the real estate development phase with the developer, including the quality of work and delays in completing the work. |



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| <b>B. Risks related to the Fund's Assets :</b> |  |   |                                |        |     |   |
| 15   | Financing Risk                           | <p>It is possible that the Fund may obtain bank financing to finance the development of its assets, or the acquisition of additional real estate, which involves a high degree of risk, and may expose the Fund and its investments to other factors such as high financing costs (the financing cost obtained by the Fund may increase if High rates of financing profits, which negatively affects its performance. In addition, the fund's assets may be mortgaged to financing donors, and the financing bank may demand execution on the assets in the event of any default by the fund, which also depends on the terms of that financing.</p>  | ✓                              |        |     | <p>The Fund Manager is working on studying the most appropriate structure for the fund's capital in a way that achieves the maximum interest of the fund's unitholders.</p>   |
| 16   | Risks of investing in money market funds | <p>These are all risks similar to the risks of investing in money market funds licensed by the Capital Market Authority, which may be exposed to other investment funds in which the Fund may invest, which are represented by the failure of any debtor to the Monetary Fund to fulfill its contractual obligations with the party agreed upon with it, which may cause a loss to the Fund for all or part of the amount invested in these transactions, which in turn may negatively affect the fund's performance and thus the value of the unit will decrease.</p>  |                                | ✓      |     | <p>The fund manager works to invest cash surpluses in low-risk products, provided that the returns of these funds and the risks associated with them shall be reviewed, noting that the amounts invested in money market funds shall be considered insignificant compared to the size of the fund's assets.</p> <p>Investment returns in money market funds shall also be included in the periodic reports to unitholders and the fund's financial statements</p> |
| 17   | Risk of uninsured losses                 | <p>The Fund will maintain commercial liability insurance, title insurance, and other types of insurance covering all properties owned and managed by the Fund, to the type and limits that it believes are adequate and appropriate given the relative risks applicable to the property and at the cost of appropriate coverage, while applying good industry practices. It is also possible to insure against certain losses, taking into account some contracts, including the restrictions of insurance policies.</p> <p>Therefore, the Fund may incur material losses that exceed insurance proceeds and may become unable to continue obtaining insurance coverage at commercially reasonable prices. If the Fund faces an uninsured loss or a loss that exceeds its insurance limits in relation to the ownership of one or more properties, it is possible that the Fund will lose the invested capital in the damaged property as well as the expected future returns from this property. Certainly, any such loss is likely to negatively affect the Fund's financial condition, the results of its operations and the resulting cash flows, and thus the Fund's ability to provide financial distributions to unit holders.</p> |                                |        | ✓   | <p>The fund manager works to insure the real estate subject of investment to avoid the risks of force majeure and losses, and thus the potential risks resulting from all losses are reduced. The fund manager seeks to ensure that the insurance coverage is sufficient for all risks that may arise on the assets.</p>  |

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|                       |   |  | High                           | Medium | Low |   |
| <b>C. Other Risks</b> |   |  |                                |        |     |   |
| 1                     | Risks of the Fund's dependence on the Kingdom's economy and its position in the global market   | The Fund's results and financial condition will be affected by the state of the economy in the Kingdom and global economic conditions that affect the Kingdom's economy. Despite its growth in other sectors, the Saudi economy still depends on the price of oil and gas in global markets, and therefore a decline in oil and gas prices may slow down or disrupt the Saudi economy, and the resulting impact on liquidity could negatively affect demand in Real estate sector. In addition, any adverse change in one or more macroeconomic factors, such as the exchange rate, commission rates, inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on the Fund's business, financial condition and operating results..   |                                | ✓      |     | In the event of negative impacts resulting from unexpected economic events that may affect the fund's performance, the fund manager will discuss them with fund's board of directors by analyzing the negative impact on the fund and developing a strategy to mitigate potential damage  |
| 2                     | Risks of continuing political, economic and legal environments being subject to ongoing changes | The political, economic and legal environments in the Kingdom have undergone continuous developments. Adverse social, economic and political developments in the Kingdom, neighboring countries or others in the region may have a material adverse impact on the Fund's business, financial condition, cash flows and operating results.  |                                | ✓      |     | The fund manager analyzes the events surrounding the fund's investments, seeks to avoid avoidable risks, and reduces the distribution of those risks, with the aim of avoiding potential harm.  |
| 3                     | Risks of litigation with others (third parties)   | The Fund's asset activities are likely to be exposed to the risks of entering into legal disputes with third parties, and the Fund will bear defense fees against third party claims and settlement amounts or judgments, which would affect the Fund's assets and reduce potential distributions.   |                                |        | ✓   | The Fund Manager will claim the Fund's rights amicably or through the judicial authorities. As usual, litigation and pleading fees are claimed from the losing party. The Fund Manager will work to take the necessary legal advice to protect the Fund from legal claims from others, the Fund Manager, in cooperation with the Fund's advisor, will investigate the likelihood of success of any case before claiming it. |
| 4                     | Risks of future data or future statements   | Certain statements in these terms and conditions constitute or may be deemed to constitute "future statements". It is possible to infer these future statements through the use of some future words such as "intends," "estimates," "believes," "anticipates," "expects," "targets," "targeted," "it is possible," or "it will be." or "must" or "expected" or precluding forms of these words and other words that are close or similar in meaning. These future statements reflect the Fund Manager's current view regarding future events, but do not constitute a guarantee of future performance.<br>There are many factors that may lead to the actual results, actual performance or actual achievements achieved by the Fund Manager being significantly different from what was explicitly or implicitly expected. Article 10 (Risks of Investing in the Fund) of these Terms and Conditions contains a more detailed description of some of the risks and factors that could lead to such an effect. If one or more of these risks or uncertainties materialize, or if any of the assumptions prove incorrect or accurate, the Fund's actual results may differ materially from the results stated in these terms and conditions as estimated, believed, expected or planned. Accordingly, potential investors shall examine all future statements in light of these interpretations and not rely solely on these statements. |                                |        | ✓   | In the Event of materially adverse effects that differ from forward-looking statements and may impact the fund's performance, the fund manager will discuss them with fund's board of directors by analyzing the negative impact on the fund and developing a strategy to mitigate potential damage   |

# Thank You

For more information about the fund and project, Please contact us via one of the following channels:

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