

# INCOME GENERATING: RESIDENTIAL COMPOUNDS, KSA



The First Investor QSCC ('TFI') is pleased to present an attractive Shariah compliant investment opportunity for Sophisticated Investors to participate in Kingdom of Saudi Arabia ("KSA") to acquire operating or newly developed residential compounds in KSA offering excellent return potential to its investors.

This Executive Summary does not constitute an offer to sell or a solicitation of an offer to buy shares in Manazel Al Mamlaka in any jurisdiction or to any person to whom it is unlawful to make such an offer or sale. An investment in the Fund is speculative. This Executive Summary should be read in conjunction with the Information Memorandum ("IM") and the Principal Documents.

## INVESTMENT STRATEGY

- To acquire and accumulate a portfolio of income generating properties in KSA; with a focus on residential compounds, at wholesale prices, in order to deliver regular dividend income to investors.
- Additionally, pursue properties that have upside potential, either through existing below-market leases or properties that are well-occupied but in need of refurbishment and can benefit from enhanced management services.
- The compounds will be selected based on existing leases (or anchor lease), location, amenities and mix of units.
- Exit will be achieved through Trade Sale or Buy back or IPO when value has been created

## WHY RESIDENTIAL COMPOUNDS?

Compounds represent the most sought after high income expat housing which presents high yields to the investors

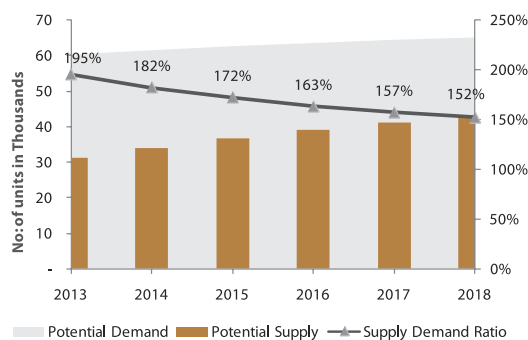
<b>Expat Population</b>	<ul style="list-style-type: none"> <li>High income earning expats (circa 3-4% of population)</li> <li>Demand for comfortable lifestyle</li> </ul>
<b>Rental Yields</b>	<ul style="list-style-type: none"> <li>High rental yields of 7%-10% pa</li> <li>Compounds are highest land value use</li> </ul>
<b>Lease Structures</b>	<ul style="list-style-type: none"> <li>Upfront annual rentals</li> <li>3-5 year corporate leases or indiv. ann. leases</li> </ul>
<b>Barriers to Entry</b>	<ul style="list-style-type: none"> <li>Need ministry approvals for operations</li> <li>Security needs (Saudi military)</li> </ul>
<b>Supply-Demand</b>	<ul style="list-style-type: none"> <li>Almost 100% wait list in compounds</li> <li>The demand for compound units in Riyadh, Jeddah and Dammam currently stands at almost 200% of the supply. (Source: JLL, May 2013)</li> </ul>

## Indicative Terms

<b>Fund Name</b>	Manazel Al Mamlaka (the "Fund"), a Cayman Islands exempted company with limited liability
<b>Fund Manager</b>	TFI
<b>Minimum Subscription</b>	SAR 1,000,000
<b>First Closing</b>	To raise up to SAR 375 million ("mn") by 30 April 2015 (the target "First Closing Date")
<b>Seed Closing</b>	SAR 120 mn
<b>Fund Term</b>	Three years with two one year extension options from the First Closing Date (at the discretion of the Fund Directors)
<b>Target Returns *</b>	Net distributions: 7%-9% per annum ("pa") Target Net IRR: 14%-18%
<b>Fees</b>	<i>Placement fee: 3% of subscription amount</i> <i>Structuring fee: 2% of subscription amount</i> <i>Management fee: 1% pa of gross asset value</i> <i>Transaction fee: 1% of transaction value</i> <i>Financing arrangement fee: 1% of the financing amount arranged</i> <i>Performance fee: 20% of excess profits over a hurdle IRR of 10%</i>
<b>Exit Strategy</b>	Through Trade Sale or IPO

\* The Fund Manager does not guarantee the target returns and prospective Investors are advised to consider the risk factors as set out in the IM.

**Riyadh Residential Compound Market**  
Compound units Supply & Demand



Source : JLL, May 2013

PROJECT ADVISORS

<b>Legal Counsel</b> Trowers & Hamlins	
<b>Legal Counsel (Cayman Islands)</b> Maples	
<b>Tax Advisor</b> KPMG	
<b>Market Advisor</b> JLL	

KEY RISKS

Risks	Mitigants
Market Risk	<ul style="list-style-type: none"> <li>Strong underlying demand due to acute lack of ready to occupy compound properties</li> </ul>
Financing Risk	<ul style="list-style-type: none"> <li>Banks interested in funding income generating assets</li> <li>KSA banks have significant capital to be deployed</li> </ul>
Execution Risk	<ul style="list-style-type: none"> <li>TFI brings strong structuring and local KSA expertise and knowledge</li> </ul>

The above key risk factors is not an exhaustive list of the risks involved in an investment in the Fund. Prospective Investors should read the IM along with this Executive Summary in its entirety and consult with their own advisors before deciding to subscribe.

ABOUT TFI

TFI, regulated by Qatar Central Bank, is a wholly owned subsidiary of Barwa Bank. The core activity of TFI is providing key financial services and solutions to our clients while ensuring compliance with Shariah laws. We have developed specialized services that are provided by our three business units - Investment Banking, Real Estate Investments (REI), Asset Management.



TFI is a preferred real estate adviser, arranger, structurer and fund manager and has a proven track record:

- Through its strong international network of relationships, and deep technical expertise, TFI can provide global reach to its clients in helping them formulate, deliver and manage their real estate strategies
- TFI has a strong track record in sourcing and executing global real estate transactions

IMPORTANT NOTICE

The Fund is not governed by the laws of the state of Qatar and it is not regulated by the Qatar Central Bank and it is not subject to the overview of the Qatar Central Bank. The Fund is not governed by the law number 25 of 2002 (Investment Funds Law) of the state of Qatar. Prospective investors should satisfy themselves as to the risks associated with investing in the Fund, as the fund is an unregulated fund where the risks may be higher than a regulated fund. The information, opinions, rankings or recommendations contained in this report are submitted solely for informational purposes. The First Investor QSCC opinions and estimates reflect current judgment; they are neither all-inclusive nor can they be guaranteed to be complete or accurate. The opinions expressed are our current opinions as of the date appearing on the review only. Our analysis is subject to possible change without notice. The First Investor QSCC does not warrant the information or services provided herein, either expressly or impliedly, for any particular purpose and expressly disclaims any implied warranties, including but not limited to, warranties of title, non-infringement, merchantability or fitness for a particular purpose. The First Investor QSCC is not nor will not be responsible for any loss or damage that could result from interception by third parties of any information mentioned in this report. Reiterating, The First Investor QSCC cannot and does not guarantee the accuracy, validity, timeliness or completeness of any information or data made available to you for any particular purpose. In no event will The First Investor QSCC nor any of its directors, officers or employees or any such parties be liable, whether in contract or tort, for any direct, special, indirect, consequential or incidental damages or any other damages of any kind even if The First Investor QSCC or any other such party has been advised of the possibility thereof. None of the information contained in this report constitutes a recommendation, solicitation or offer by The First Investor QSCC to buy or sell any securities or other financial instruments of any person or provide any investment advice or service. Unless otherwise specified, this report is for your personal and non-commercial use only and you may print, copy and use any information or portion of this report for your personal use only. You, the recipient or the user may not modify, copy, distribute, transmit, display, perform, reproduce, publish, license, frame, create derivative works from, transfer, sell, profit or otherwise use in any other way for commercial or public purposes in whole or in part any information, products or services obtained from this report, except for the purposes expressly provided herein, without The First Investor QSCC prior written approval.

- TFI has an experienced team of real estate professionals who possess expertise in the field of structuring and management of real estate funds worldwide

INVESTMENT HIGHLIGHTS

High Demand Asset Class

- Attractive yields in KSA residential compound market, with high returns for Investors
- One of the few underserved residential markets in GCC, with huge supply demand gap for residential compounds

Attractive Dividends and Returns

- Investors are seeking dividend yielding investments
- The Target Investor IRR in the range of 14%-18% is attractive considering the low medium risk nature of the income generating opportunities

SEED ASSET

<b>Location</b>	North East of Riyadh city, near Princess Nora Bint Abdul Rahman Universit
<b>Acquisition Date</b>	November 2014
<b>No: of Units</b>	229 units (160 apartments and 69 villas)
<b>Acquisition Cost</b>	SAR 325 mn (incl. cash reserves of SAR 20mn)
<b>Financing</b>	SAR 205 mn by Alinma Bank
<b>Tenant</b>	Jzala Trade & Real Estate Inv. Co (sub-leased to Saudi Airlines)
<b>Lease term</b>	2+1+1+1+1 years

INVESTOR CASH FLOW FOR RADIUM COMPOUND

For SAR 1 mn investment (Returns are net of all fees and expenses)	Year 1 (6 mos)	Year 2	Year 3	Year 4	
Investment	(1,000,000)				
Distributions	43,983	97,694	94,825	102,057	
Exit				1,505,865	
<b>Net cash flow</b>	<b>(1,000,000)</b>	<b>43,983</b>	<b>97,694</b>	<b>94,825</b>	<b>1,607,922</b>
Equity Yields*	9.6%	8.8%	9.8%	9.5%	10.2%
<b>IRR</b>	<b>14.2%</b>				

\*Equity yields are annualized. The yields shown above are equity yields and the distributions will vary as there are cash reserve requirements from the financing bank, but investor distributions will be in the range of 7%-9%. Year 1 is 6 months (July -December 2015)

