



Markaz Real Estate Fund

March 2024

المركز
MARKAZ

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عالم
Years
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Contents

- 3 Markaz Real Estate Fund - MREF
- 4 Kuwait Real Estate Market Overview
- 5 Real Estate Investment Opportunity
- 6 MREF Strategy
- 7 Real Estate Investment Opportunity
- 8 MREF Financial Performance
- 9 MREF Monthly Distribution
- 10 MREF Operational Performance
- 11 Investment Risk
- 12 Disclaimer

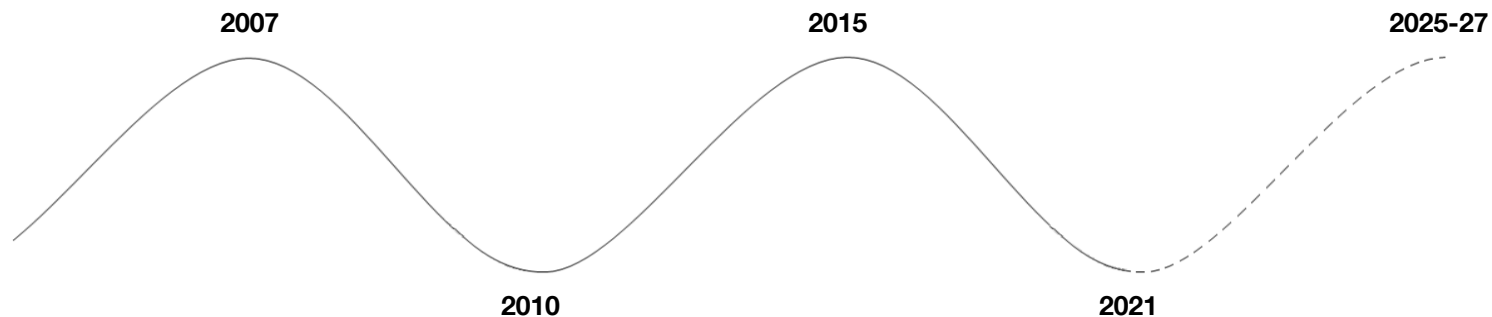
Markaz Real Estate Fund - MREF

Executive Summary

- **MREF:** an open ended shariah compliant income generating fund, targets generating returns of c. 8%, distributing cash to investors of 5% with limited operational risk exposure.
- **Risk Control:** There are risks associated with real estate investments which we aim at minimizing in our operations through proactive management of the fund and its properties.
- **Performance:** MREF generated total returns of 171% since inception in 2003 equivalent to an IRR of 7.5% p.a between 2003 and Feb 2024 and made monthly distributions of c.5%.
- **Operational Excellence:** MREF maintains healthy occupancy and collection levels through an efficient and hands-on approach to the daily management of the fund and the fund service providers.
- **Investment Opportunity:** MREF presents a long term investment opportunity generating monthly cash dividends in addition to the potential upside from going into the real estate market at the current point in the real estate cycle.

Kuwait Real Estate Market Overview

Kuwait Real Estate market is expected to stabilize over the coming period with moderate increase marking the beginning of a new cycle



Sectors Overview

- **Residential Apartments:** witnessed a moderate upward movement mainly in the low-medium level buildings while high-end buildings are still struggling due to closure of expats visitors visas.
- **Office:** the sector is witnessed stabilization during 2023, it is expected to maintain this stability depending on location and asset class.
- **Retail:** the sector is witnessing an upward recovery movement since 2022 and expected to maintain this movement depending on location and asset class.
- **Industrial:** the sector reached its peak in 2022 followed by a slowed demand and prices decrease due to new government legislations of increased annual and transfer fees.

Real Estate Investment Opportunity

Markaz Real Estate Fund “MREF” Terms

MREF is an open-ended fund, investing mainly in income generating properties with the aim of generating stable income and returns through prudent acquisition, management and disposal of properties in the most promising segments of the real estate market in Kuwait.

- **Term:** Open ended, operational since 2003
- **Distribution:** Monthly dividends equal to 6.25% pa on nominal unit value (one KD)
- **Subscription:** Monthly on NAV
- **Redemption:** Every 6 months from subscription date
- **Leverage:** 0%
- **Fees:** Placement fees: 2%
 - **Management fee:** 10% of net income
 - **Carried interest:** 20% of net realized income over 8% p.a. required return to unitholders
- **NAV:** KD 1.295 as of February 2024

MREF Strategy

MREF, open ended Shariah compliant real estate fund, targets generating returns of 8%, distributing cash monthly of 5% to investors with limited risk exposure

MREF adopts the following strategy:

- Invest in a diverse portfolio of properties with a focus on Kuwait, with the following current Asset Allocation guideline:

Geography		Sectors	
Kuwait	100%	Residential	60-70%
Within 4 th ring road	60-70%	Commercial	30-40%

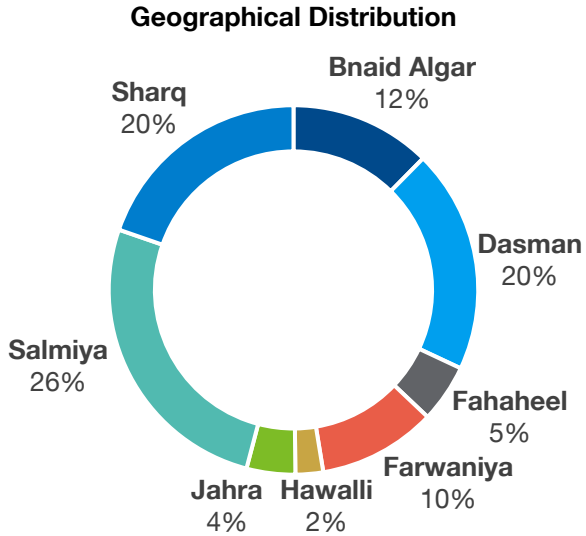
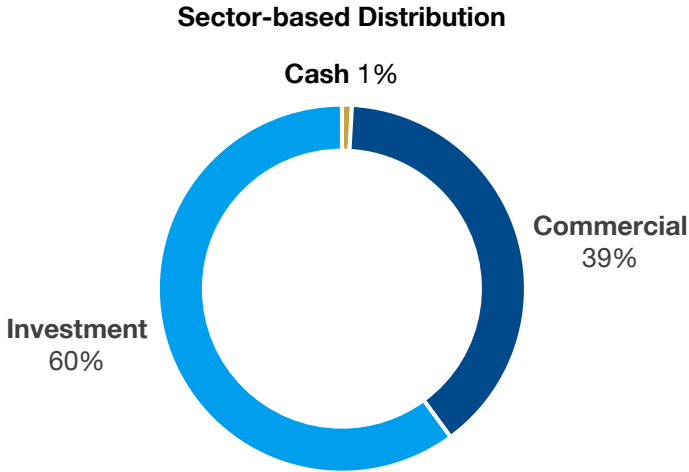
- Assets Quality:** Targeting assets without violations, rented at prevailing market rates, well maintained and low tenant concentration
- Assets Size:** Total AUM of KWD 72.7 Mn which includes a large proportion of liquid assets with a value of 1.5 - 2.5m KD
- Cash Levels:** Targeting cash levels of 5 to 10%
- Distribution:** stable monthly dividends with a target of 5%

Real Estate Investment Opportunity

Asset Allocation

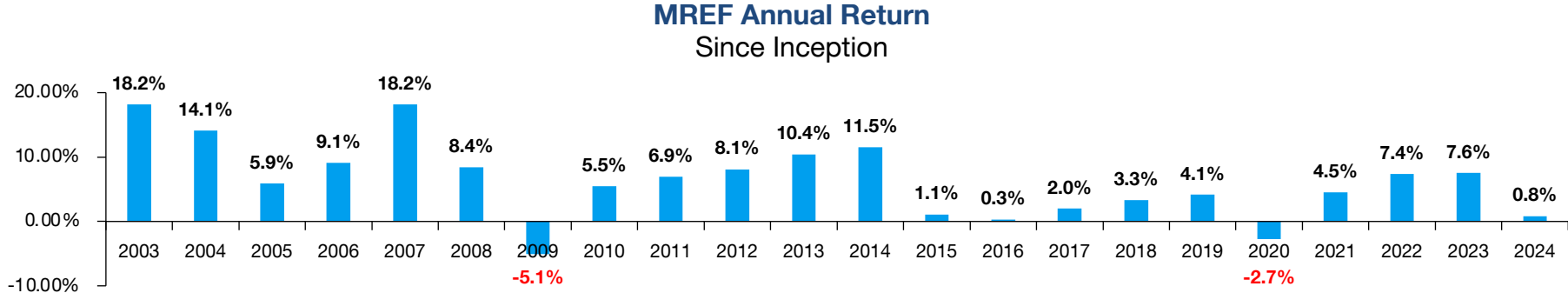
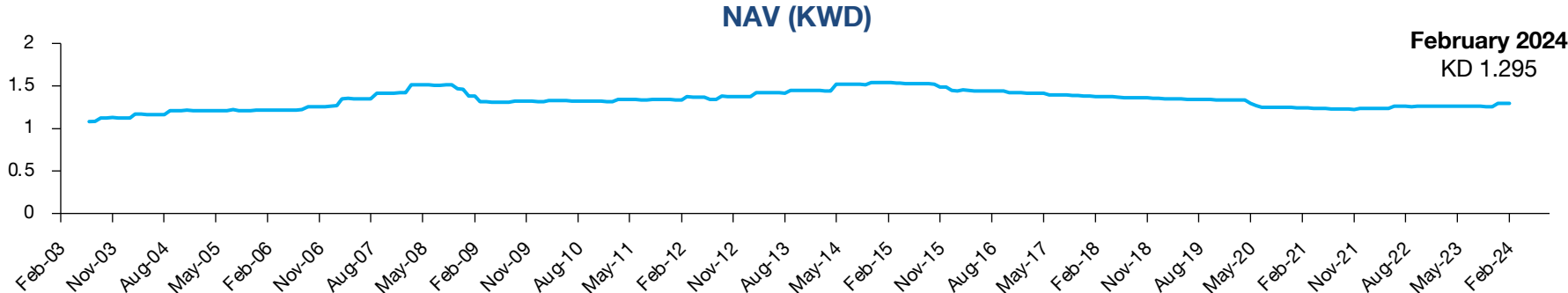
MREF invests in a diverse portfolio of real estate properties in lower risk sectors and high concentration areas within the state of Kuwait.

- MREF holds a balanced portfolio of 17 income producing properties
- Properties are distributed across sectors and governorates
- Fund Net Assets Value reached KD 70.8m as of February 2024



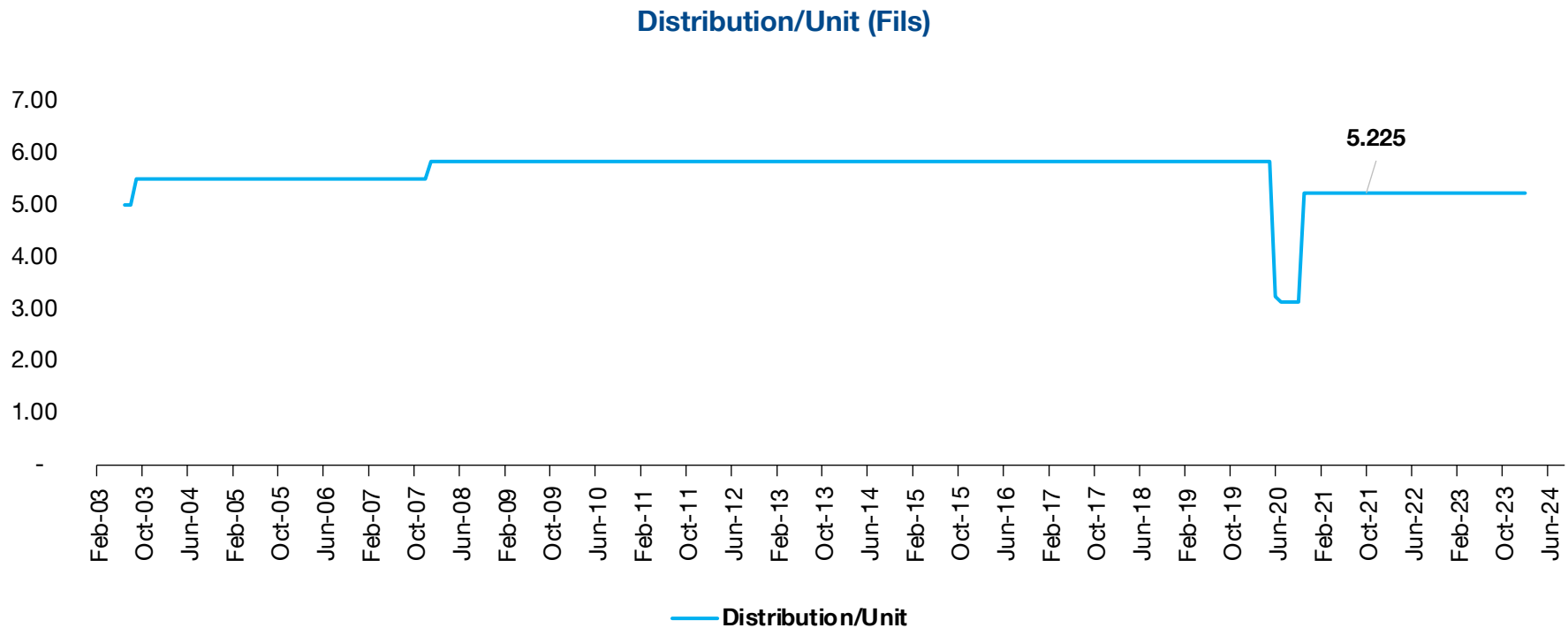
MREF Financial Performance

MREF, with 0% leverage, generated total returns of 171% since inception in 2003 equivalent to an IRR of 7.5% p.a between 2003 and February 2024 and distributed monthly cash dividends of c.5%



MREF Monthly Distributions

Since MREF establishment in 2003, the fund successfully made monthly distributions. Since November 2020, distributions stand at 5.225 Fils per unit per month, representing 4.8% annualized yield on NAV

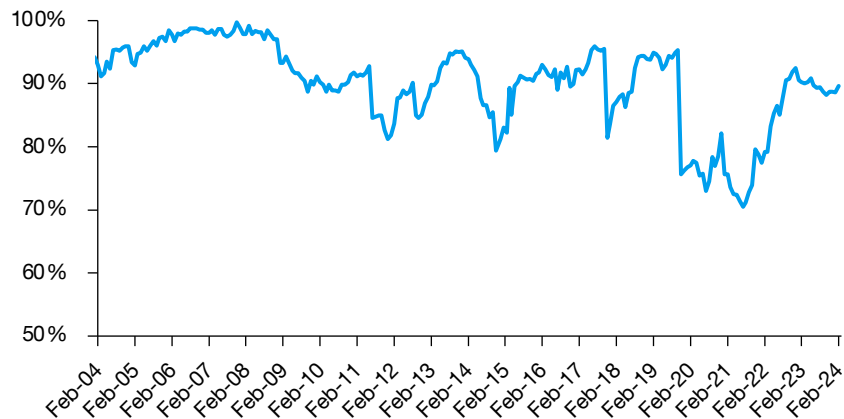


MREF Operational Performance

MREF targets healthy occupancy and collection levels through an efficient and hands-on approach to the daily management of the fund and the fund service providers

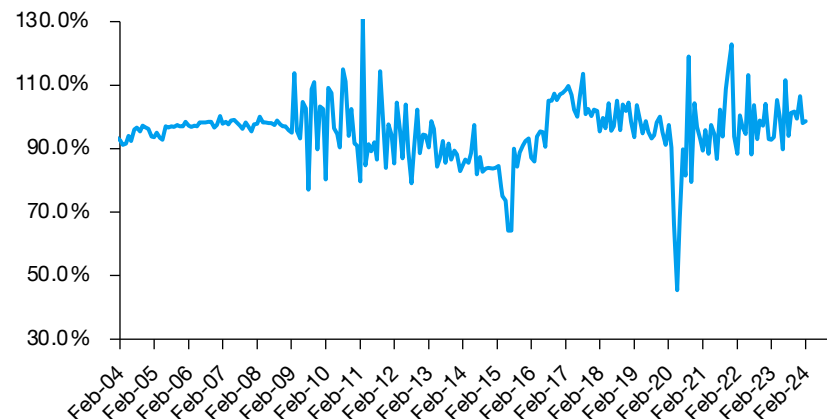
Occupancy:

MREF occupancy rate stands at 90% as of February 2024



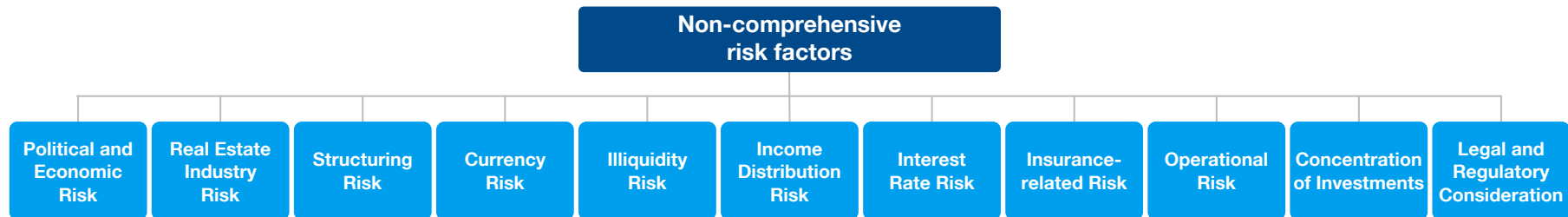
Collection:

MREF collection rate stands at 99% as of February 2024, with a 12-month average of 100%



Investment Risk

There are risks associated with real estate investments which we aim at minimizing in our operations



- The risks associated with real estate can cause the investments to lose value or to produce lower yields to the Investors than projected
- Prospective, investors should therefore confer with their own professional legal, fiscal and financial advisors prior to taking any investment decision

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