Real Estate Investment Opportunity

Table of Contents

- Kuwait Market Overview 4
- Markaz Added Value 6
- MREF Terms 8
- MREF Asset Allocation 10
- MREF Operational Performance 12
- MREF Financial Performance 14
- Risks 16
Real Estate Investment Opportunity

Kuwait Market Overview
• Kuwait real estate market is expected to remain stable in the short term, as we have reached the cycle curve bottom, and expected to appreciate in the medium and long term in terms based on positive demographics and the normal real estate cycle.

• The outlook weighs mainly on government-related actions:
  o New legislations affecting demand
  o Major infrastructure projects
  o Promoting small & medium businesses

• The investment sector is still facing challenges due to competition coupled with a limited growth in expatriate population, although fair priced & well serviced buildings in good locations are expected to sustain high occupancy.

• The retail sector is expected to remain high in demand for prime location shops, while other properties could start witnessing reduced rents and reduced occupancy due to the large volume of speculative supply.

• The office sector is expected to stabilize for the medium term having witnessed healthy growth in prices and rental rates for past few years.
Real Estate Investment Opportunity

Markaz Added Value
Markaz has built an expertise in real estate and specifically in income generating real estate, having made for the past decade prudent quality investments and managed properties efficiently yielding stable income and generating above market returns to its investors.

Markaz added value lies in:

- **Acquiring valuable properties** selecting sectors based on supply/demand, location based on market trends and appeal to end-users.
- **Managing Acquisition Risk** carrying thorough legal, technical, operational and commercial due diligence on target properties.
- **Managing Investment Risk** through balancing the fund exposure sectorial and geographical wise.
- **Efficiently managing acquired Properties** through improving rent levels, improving collection rates, reducing vacancy, maintaining the properties, supervising operation expenses and creating value through value-added activities.
Real Estate Investment Opportunity

Markaz Real Estate Fund “MREF” Terms
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 7% 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 1.349 as of April 2019
Real Estate Investment Opportunity

MREF Asset Allocation
Real Estate Investment Opportunity

MREF Asset Allocation

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

- MREF holds a balanced portfolio of 17 income producing properties and 1 under construction land plot.
- Properties are distributed across sectors and governorates.
- Fund Net Assets Value reached KD 78.06m as of April 2019.
Real Estate Investment Opportunity

MREF Operational Performance
MREF has performed well, maintaining a high collection rate and occupancy rate in 2019.

The average collection and occupancy rates for 2019 are as follows:

- Maintained high collection rate at 99% (one year average) and 98.9% as of April 2019.
- Average occupancy at 92.5% (one year average) and 94.1% as of April 2019.
Real Estate Investment Opportunity

MREF Financial Performance
MREF’s prudent and systematic strategy allowed it to weather the downturn and yield a solid performance.

**Return Since Inception:** +146.05%

**Total Return Annualized:** +7.21%

As of April 2019
Real Estate Investment Opportunity

Risks
Real Estate Investment Opportunity

There are a number of inherent risks associated with private equity real estate investments which can cause the investments to lose value or to produce lower yields to the Investors than what has been projected. Prospective investors in the Fund should therefore confer with their own professional legal, fiscal and financial advisors prior to taking any investment decision in the Fund.

Key yet non-comprehensive risk factors

- Political and Economic Risk
- Real Estate Industry Risk
- Structuring Risk
- Currency Risk
- Illiquidity Risk
- Income Distribution Risk
- Interest Rate Risk
- Insurance-related Risk
- Operational Risk
- Concentration of Investments
- Legal and Regulatory Consideration

Please refer to the fund articles of association for a detailed non-exhaustive list of risk factors.
Real Estate Investment Opportunity

Disclaimer

The information in this document is in draft form and is subject to updating, completion, revision, verification and amendment.

Recipients of this document who intend to subscribe to Units of the Fund following approval of the final documents relating to the Fund are reminded that any issue of Units will be made solely on the basis of the information contained in the final documents of the fund as approved by the Capital Markets authority, which may substantially differ from the information contained in this document. This document shall not be construed as an offer, or as providing legal, financial or tax opinions or advice. Recipients of this document shall seek advice from their own legal counsel, investment, tax and financial advisors.

No representation or warranty, expressed or implied, is given by the fund, the Fund Manager, Kuwait Financial Centre, K.P.S.C. “Markaz” or their respective directors, officers, representatives and/or employees (the "Parties") as to the accuracy or completeness of the material, information or opinions contained in this document and the Parties shall have, and accept, no liability for any statements, opinions, information or matters (expressed or implied) arising out of, contained in or derived from this document or any omissions from this document, or any other written or oral communication transmitted or made available to any other party in relation to the subject matter of this document. Past Performance is not a guarantee of future results.

Any forward-looking statements in this document such as “will”, “may”, “expect”, “project” and any other words of similar effect whatsoever are the results of the exercise of personal professional judgments. Any forward-looking statement does not constitute an offer nor a promise of future results. Therefore, there is no guarantee that such statements would be materialized or ever occur and the Fund Manager, Kuwait Financial Centre, K.P.S.C. “Markaz” or its directors, officers, representatives and/or employees accept no liability whatsoever as a result of such forward-looking statement.

This document and its contents are confidential and should not be distributed, published or reproduced in whole or in part or disclosed to any other person, party and/or entity without the written consent of Kuwait Financial Centre, K.P.S.C. "Markaz".
Kuwait Financial Centre K.P.S.C. "Markaz"
P.O. Box 23444, Safat 13095
State of Kuwait

Tel: +965 2224 8000
Fax: +965 2242 5828
Email: info@markaz.com
markaz.com