

Prudent ethical investment with a global perspective

Annual Report 2020





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Our philosophy

SEDCO Capital's investment philosophy is built on three pillars: Principles, Partnership and Performance.

Principles

We are committed to complying with Shariah and environmental, social and governance (ESG) principles. In 2014, we were the first Saudi and Shariah-compliant asset manager to become a signatory of the UN Principles for Responsible Investment.

We adhere to a robust governance, compliance, and risk management framework ensuring that every stage of our investment process undergoes rigorous scrutiny, due diligence, and accountable approval processes.

Partnership

Partnerships create scale, spread costs of doing business, increase negotiation power and access to differentiated investment opportunities.

Our partnership model ensures transparency and creates lasting relationships, mutual trust and shared success. We have fostered and continue to build a large network of reliable business partners, enabling us to be a truly global asset manager.

Performance

We focus on maximizing returns while minimizing undue risks. We believe consistent performance is achieved through diversification across multiple asset classes, geographies and investment styles and strategies, all in an informed and controlled manner. Our disciplines endeavor to be diverse and innovative, satisfying investors' objectives of risks and returns.

Asset classes

Income Assets



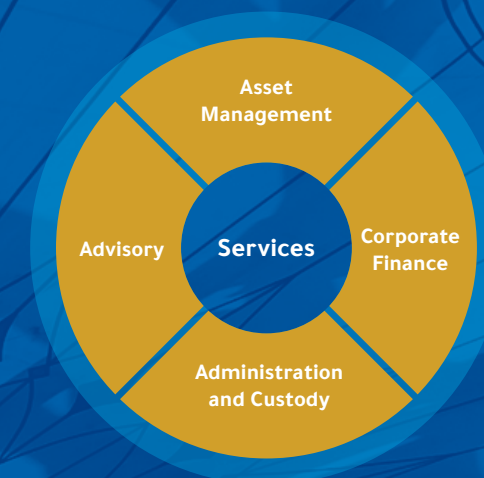
Public Equity



Global Private Equity



Real Assets



Highlights of 2020

INCOME ASSETS

Sukuk achieved returns of more than 7% in 2020, having declined in Q1 due to the global pandemic.

Money market returns declined, due mainly to the Fed's decision to cut interest rates. Our team mitigated the impact on the fund's yield by increasing tenure just before the interest rate cuts.

SEDCO Capital funds achieved good absolute and relative returns without taking excessive credit risks - the firm confining its exposure to investment-grade counterparties.



PUBLIC EQUITY

The SC Europe Equities Fund delivered 22.6%, outperforming the Dow Jones Europe Stock Index by 17.2%. The SC Global Sustainable Equity Fund achieved 30.8%, 14.9% ahead of the MSCI World Index.

In regional public equity, new assets under management amounted to more than \$15 million, while mandates worth \$3 million were closed down.

GLOBAL PRIVATE EQUITY

The private equity team completed two commitments in top tier international funds and two international co-investment deals.



REAL ASSETS

International Real Estate

Internationally, two real estate assets were acquired: Willis Avondale Multifamily in Atlanta, Georgia and 1899 Pennsylvania Avenue in Washington DC, purchased in a joint venture with Declaration Partners and Sterling Bay.

Four assets were sold: Galderma office/ industrial complex in Texas; the ABC West offices in Frankfurt, Germany; the Panorama shopping center in Italy; and One Lahrs Road in Queensland, Australia.



Regional Real Estate

Campus developments for Yusr International School under the SEDCO Capital Build-To-Suit Fund I were completed and handed-over, and are now generating income for the fund.

Despite challenging market conditions, the regional real estate team divested from a private real estate fund achieving a 1.4x equity multiple for unit-holders.



A case study in leadership, commitment and resilience

Against the backdrop of the global pandemic of 2020, it is testament to the Board's leadership, the acumen and proactivity of our management team, and the unwavering commitment of nearly 100 professionals worldwide, that SEDCO Capital has performed remarkably well.

Our success was in no small part thanks to the endeavors of the Saudi government, which deserves special praise for guiding the Kingdom through the Covid-19 period so swiftly and mobilizing resources to mitigate its impact.

We were not deflected from our commitment to Vision 2030, which continued to make a powerful contribution to strengthening and diversifying the Saudi economy. The Kingdom's transformation into one of the world's most attractive investment destinations creates a synergy with SEDCO Capital's own objectives and wider national aspirations that support and enhance our performance.

Equally noteworthy, the Capital Market Authority's strategy to create a regulatory environment conducive to supporting businesses, has heightened interest in share ownership among local and foreign investors. Our performance in 2020 owes much to initiatives such as the CMA's, which underpin the significant progress we have made across the broad spectrum of our activities.

Despite the challenging conditions, our flagship SC REIT Fund maintained its performance with an average occupancy rate of 94%.

The development of Jeddah's Yusr International School through the SEDCO Capital Built-to-Suit Real Estate Fund I was completed ahead of time - the new boys' campus taking 14 months and the girls' 20 months.

Overseas we completed two real estate acquisitions in the US and four exits in the US, Europe and Australia, achieving impressive capital growth and returns over the holding periods.

In regional public equity, new assets under management of more than \$15 million were activated and we completed a pre-launch exercise for the new Saudi Relative Return Fund.

In global private equity, the firm's clients enjoyed a high level of distributions, receiving about SAR 260 million at 1.3x the deployed amounts. We completed new commitments to top tier international funds, while the co-investment team concluded two international deals.

On behalf of the Board of Directors, I extend sincere thanks to our shareholders, the Board, our regulators and, of course, our clients for their commitment and support during this uniquely challenging year. Thanks are also due to the firm's management team and employees and I congratulate you for your outstanding performance amid the most trying conditions.

Ahmed Suleiman Banaja

Chairman

OUR SUCCESS WAS IN NO SMALL PART THANKS TO THE ENDEAVORS OF THE SAUDI GOVERNMENT, WHICH DESERVES SPECIAL PRAISE FOR GUIDING THE KINGDOM THROUGH THE COVID-19 PERIOD SO SWIFTLY AND MOBILIZING RESOURCES TO MITIGATE ITS IMPACT.





Ahmed Suleiman Banaja
Chairman

Mr Banaja joined SEDCO Capital's Board in 2008, and also served as the firm's first CEO from 2008 to 2010 - a position in which he helped oversee SEDCO Capital's founding and initial structuring. He also serves as a Board Member of SEDCO Holding.

He began his financial career with Citibank in 1971, and then went on to hold senior positions at the National Commercial Bank in an association lasting over 12 years. Later roles saw him serve as a Director of the Jeddah Urban Development and Regeneration Company and as a member of the Economic Advisory Team to the Supreme Economic Council.

Mr Banaja holds a BSc in Mathematics and Economics from the University of Kent, UK.

Abdullah Mubarak Baarmah
Vice Chairman

Mr Baarmah joined the SEDCO Capital Board in 2010, before which he was heading the Global Fixed Income Department at NCB Capital. He commenced his career in banking as a futures trader with the National Commercial Bank's Treasury division in 1994, and went on to hold positions of responsibility in the division.

He holds a degree in Business Administration from the University of Portland, Oregon, USA.

Abdulrazzak Mohammed Elkhraijy
Board Director

Mr Elkhraijy serves as Chairman of SEDCO Capital's audit committee. He has over 30 years' experience in regional banking, and has served in several senior roles with the National Commercial Bank including as Head of the bank's Islamic Banking Development Group.

Apart from his duties as a board member of SEDCO Capital, Mr Elkhraijy also serves on the board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institutions, and on the General Council for Islamic Banks and Financial Institutions.

He holds a BA in Economics and Business from Macalester College, St Paul, Minnesota, USA.

Hasan Aljabri
Board Director

Mr Aljabri is CEO of SEDCO Holding and was previously CEO of SEDCO Capital, from 2010. He has more than 33 years' banking and investment experience including senior roles at the National Commercial Bank, NCB Capital, and Samba Financial Group.

On joining SEDCO Capital, he became Chairman of the firm's Investment Committee, Chairman of SEDCO Capital Global Funds, and Chairman of the SEDCO Capital Luxembourg Boards.

Mr Aljabri served as Chairman of the Saudi Chapter of the World Presidents Organization. He is currently a board member of several Saudi companies.

He has a BSc in Engineering from American University of Beirut and is a graduate of Columbia University's Executive Management Program.

Abdullah Bin Ibrahim Al-Howaish
Board Director

Mr Al-Howaish is Chairman of Amlak International Real Estate Finance Company and Standard Chartered Capital Saudi Arabia. He is also a Vice-Chairman and a Director of several companies such as Halwani Brothers Company, Alesha Industries Co, and Al-Ittefaq for Steel Industries Company.

Mr Al-Howaish also holds the chairmanship and membership of multiple committees, including the executive and internal audit committees in many companies and in various vital sectors of the Kingdom.

He has 30 years of experience in banking and private and government companies, where he held senior executive positions with institutions such as the National Commercial Bank, the Saudi British Bank and the Arab National Bank.

Mr Al-Howaish holds a Bachelor degree in Economics from King Abdulaziz University, Jeddah, Saudi Arabia.

Hashim Almihdar
Board Director

Mr Almihdar is an expert in family wealth management through his work in several family offices and international companies across different sectors and industries.

He has a Master's degree, a Diploma in Management, Design and Manufacturing, and a Diploma in Financial Management for Non-Financial Managers (ACCA) from Cambridge, UK. He also holds a Bachelor's in Manufacturing Systems Engineering with Management from King's College, London, UK.

Strengthening our national, professional and personal commitments

WE REMAINED DISCIPLINED AND NEVER LOST FOCUS ON THE MARKETS, WHILE TRYING TO UNDERSTAND THE IMPACT OF THE CHANGES ON OUR CLIENTS AND ON OURSELVES. WE HAD TO EVOLVE AND RESPOND SWIFTLY TO THE CIRCUMSTANCES AND THE FAST-CHANGING ENVIRONMENT.



We started 2020 full of optimism and determined to surpass the successes of 2019. But as Covid-19 exacted its terrible toll around the world, we had to suspend those ambitions and make our top priorities the safeguarding of our investors, employees and shareholders, and protecting their interests.

Consequently, 2020 produced an array of outcomes as unprecedented as those generated by the pandemic: from positive investment returns and strong Saudi public equity performance, to the successful stress testing of our corporate governance, and the Saudi Government's record budget of one trillion Riyals to be fed into the economy over the next five years.

It is hard to comment on the year without repeating what has already been said about Covid-19 and the widescale disruption it caused. So I prefer to take a different perspective - suggesting that 2020 was a turning point, not only for business but on the personal level. The challenge was not just about how markets performed or how the underlying assets survived. It was also about the individuals who manage the investments, nurture our client relationships, ensure that our operation runs efficiently and, of course, our clients themselves.

One example is our international strategic partners. From dialogue that had always been 'business friendly', 2020 brought out a different side in all of us. It was no longer just about business, but also about the safety and wellbeing of people, their families and their communities.

It also brought us closer to our investors. Under normal circumstances, we are in frequent contact, but the crisis and market uncertainty encouraged us to be even more engaged and interactive: keeping clients closely informed about how their portfolios were performing and, in the process, strengthening relationships.

I believe our approach was textbook. We remained disciplined and never lost focus on the markets, while trying to understand the impact of the changes on our clients and on ourselves. We had to evolve and respond swiftly to the circumstances and the fast-changing environment.

Among many highlights of the year, we acquired two US properties: Willis Avondale Multifamily in Atlanta, and 1899 Pennsylvania Avenue in Washington DC, the latter in a joint venture with Declaration Partners and Sterling Bay. We also sold four international properties: Galderma in the US, ABC West in Germany, Panorama in Italy, and One Lahrs Road in Australia.

Our regional real estate team managed to divest from a private real estate fund, achieving a 1.4x equity multiple for unit-holders, another notable achievement given the prevailing market conditions.

Sukuk had another good year, achieving returns of more than 7% driven by a downward shift in US treasury yield. Sukuk prices declined significantly at the beginning of the year due to the pandemic, but recovered strongly as a result of interest rate cuts and credit spread tightening.

Among many lessons taken from the past year, we will remain cautious, as always. But, having withstood the impacts of the pandemic, we have emerged stronger for it and feel there is much about which to feel optimistic.

Our new Dubai office at DIFC, for example, will open in early 2021. Our Luxembourg-based SEDCO Capital Global Funds attracted premium clients to achieve the highest AUM growth of recent years and seems set to further boost our international credentials.

We gratefully acknowledge the wise counsel provided by our regulators, specifically the Capital Market Authority in Saudi Arabia and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

In this year of all years, SEDCO Capital's Board and our outstanding team of professionals have proved just how invaluable an asset they are. Similarly, I thank all our investors for their continued trust and support. We will look to repay that trust by always going the extra mile and working hard to help them achieve their investment goals.

Samer Abu Aker
Chief Executive Officer

Executive Management

Samer Abu Aker

Chief Executive Officer

Mr Abu Aker is CEO of SEDCO Capital and brings over 20 years of industry experience to his role. His association with SEDCO Capital spans 10 years.

Apart from his responsibilities as CEO, Mr Abu Aker chairs SEDCO Capital's Investment Committee and Management Committee, where he is involved with setting the direction on the firm's governance, investment, and compliance operations.

Before joining SEDCO Capital, he held senior management positions with the Bank of New York (New York), Alternative Investment services (Bermuda) and Royal Bank of Canada. He is a Certified Public Accountant (CPA), and holds a BA with an accounting major from Canada's Brock University.

Valerio Salvati

Chief Investment Officer

Mr Salvati brings almost 30 years of international asset and wealth management experience to his roles at SEDCO Capital as Chief Investment Officer and Head of Asset Management.

He began his banking career in the Fixed Income wing of Germany's Commerzbank before moving to the bank's Equities team. He later joined the Portfolio Management Department at BCC in Rome before transitioning to JP Morgan Asset Management as Head of Portfolio Management. After a significant term at JP Morgan, Mr Salvati moved on to head the Discretionary Portfolio Management Department for Deutsche Bank Wealth Management in the UK.

He is a member of the CFA UK Society, and holds an MBA in Banking and Insurance, complementing his Bachelor's in Political and Economic Sciences.

Abdulwahhab Abed

Chief Business Development Officer

Mr Abed is Chief Business Development Officer - his latest role in a 15-year association with SEDCO Capital. He chairs the firm's Product Development Committee and sits on the Investment and Management Committees.

His experience with SEDCO Capital makes him particularly skilled in due diligence, monitoring and divestment operations for private equity funds and co-investments.

Previous roles at SEDCO Capital include Head of Corporate Finance, and Vice President and Director of Private Equity, where he was involved in a portfolio of almost 100 private equity investments around the world.

Mr Abed has a Bachelor of Arts (Finance and Economy double major) and an MBA with a focus on finance from Bentley University's McCallum School of Business in the US.

Ayman AlBashir

Head of International Business Development and Advisory

Mr AlBashir is Head of International Business Development and also heads the advisory arm. He is a member of the firm's Investment, Management, and Product Development Committees.

Mr AlBashir joined SEDCO in 2008 through the firm's management training program and has established himself as an expert in asset management and allocation. He previously served in the firm's Asset Allocation Committee, led the International Liquid Assets team, and represented SEDCO Capital in the Investment Managers Committee supervised by the CMA.

Before joining SEDCO Capital, Mr AlBashir worked with STC as planning engineer, and as a network engineer for Olayan. He graduated from King Abdulaziz University with Bachelor's and Master's degrees in Industrial Engineering.

Christian Guckel

Chief Risk Officer

As Chief Risk Officer, Mr Guckel focuses on investment research, portfolio construction and portfolio analytics. He is a member of the Investment Committee, Asset Management Committee, and Tactical Asset Allocation Committee. Mr Guckel joined SEDCO Capital in 2014.

Previously he was an Investment Director for a Swiss asset management and advisory services firm. He also served as Portfolio Manager at Man Investments' multi-manager business, and with HSBC Trinkaus & Burkhardt in the Structured Solutions Group. He started his career in risk control and management with Stadtsparkasse Magdeburg.

Mr Guckel has an MBA from Colorado State University and a Master's (equivalent) in Finance from Otto-von-Guericke University, Germany. He is a certified Chartered Financial Analyst, a Financial Risk Manager, Chartered Alternative Investment Analyst, and an Energy Risk Professional.

Samer Shaaban

Head of Corporate Finance

Mr Shaaban currently is SEDCO Capital's Head of Corporate Finance. His association with the firm stretches back over a decade, having previously served as Head of International Real Estate - a role that saw him lead the acquisition and management of real estate transactions globally.

Before joining SEDCO Capital in 2005, he had held several managerial roles with Unilever across the UAE, UK and Saudi Arabia. He holds an MBA from the USA's Pepperdine University and a BSc in Industrial Engineering from the California State University. Mr Shaaban has also completed the Accelerated Development Programme from the London Business School in the UK and is both a Certified Professional Accountant (CFA) and a Certified Management Accountant (CMA).

Ahmed Tourson

Financial Controller - Head of Finance and Operations

Mr Tourson has been with SEDCO Capital since 2015. He previously worked with Deloitte & Touche Middle East and KPMG Saudi Arabia in independent auditing, quality assurance, and financial advisory.

Mr Tourson has more than 10 years' experience in investment operations, securities, support services, auditing, and financial analysis. He holds a Bachelor's in Accounting Sciences from King Fahd University of Petroleum and Minerals.

Sultan Sukkar

Head of Compliance and AML

Mr Sukkar is the Head of Compliance and AML at SEDCO Capital. He joined the firm in 2014 and has more than 15 years' experience. His previous positions include Head of Compliance and AML at Saudi Portfolio Securities; Compliance Manager, Private & Investment Banking at Samba Financial Group; and Senior Associate, Assurance Services at PricewaterhouseCoopers Saudi Arabia.

Mr Sukkar holds a BSc in Accounting from the College of Industrial Management, King Fahd University of Petroleum & Minerals in Dhahran, KSA, and an MBA from the Kania School of Management, University of Scranton, Pennsylvania, USA.

A number of other training and certifications include Islamic Finance Qualification (CISI), Certified Shariah Adviser and Auditor (AAOIFI), and CMA Advanced Certificates in Compliance and AML.



Providing best-in-class investment solutions is the core of what we do



OUR TEAM MITIGATED THE IMPACT OF DECLINING INTEREST RATES ON THE FUND'S YIELD BY SIGNIFICANTLY INCREASING TENURE JUST BEFORE THE INTEREST RATE CUTS.

13%

We were able to reduce costs by 13% YoY in response to the Covid-19 related challenges.

US\$15m

In 2020, the department activated new AUMs upwards of \$15 million, while closing mandates worth \$3 million.

Asset Management

Our funds and discretionary portfolio management (DPM) accounts are tailored to each client's objectives and risk appetite.

Our Luxembourg-based SEDCO Capital Global Funds are acknowledged as the world's largest and most diversified range of Shariah-compliant and ESG funds.

Income Assets

SEDCO Capital offers investors expert advice for seeking returns and capital appreciation from Shariah-compliant money markets, Sukuk, leasing and infrastructure investments. The firm manages two flagship funds - one local money market fund and the other in global Sukuk - as well as overseeing a number of discretionary mandates.

Most central banks lowered short term interest rates significantly as part of efforts to minimize the impacts of Covid-19, which significantly affected money market instruments and Sukuk prices and yield.

Absolute returns from money market investments decreased significantly, compared to 2019. This was driven mainly by the Federal Reserve's decision to cut short-term interest rates to near 0% to support the US economy. Our team mitigated the impact of declining interest rates on the fund's yield by significantly increasing tenure just before the interest rate cuts.

Sukuk, on the other hand, witnessed a strong recovery and achieved high, single-digit returns by year-end, despite having declined by more than 3% in the first quarter of 2020. This can be attributed to the Federal Reserve's interest rate cuts and tightening Sukuk spreads from Q2 onwards.

Our funds achieved good absolute and relative returns in 2020. This was without needing to take excessive credit risks because the firm confines its exposure to investment-grade counterparties.

Looking ahead to 2021, we expect returns to be muted given where interest rates are currently and considering current market valuations. Having said this, we will continue to manage our strategies with the same diligence to achieve the best possible outcomes.

The year will be remembered as the one in which the world experienced a once in a generation phenomenon. The key lessons from regional markets were heightened volatility and a disconnect from fundamentals, as the S&P GCC Shariah TR Index closed the year with +9% print on the board.

Public Equity

Regional public equity

In 2020, the department activated new AUMs upwards of \$15 million, while closing mandates worth \$3 million. Following the full implementation of the Bloomberg AIM module, we achieved 100% automation in order generation and execution. All department-related manuals were approved and concluded and a pre-launch exercise for the new Saudi Relative Return Fund was completed.

Our absolute return income and growth strategies achieved returns respectively of 4.7% and 5.8% for the year, against targets of 5.5% and 10%. 2020 also saw the implementation of a chart-based stock selection system in response to a complete market disconnect to fundamentals. And last, we were able to reduce costs by 13% YoY in response to the Covid-19 related challenges.

94%

Despite challenging market conditions, SC REIT maintained its strong performance in 2020 with an average occupancy rate of 94%, a slight increase from 2019.

International public equity

SEDCO Capital's public funds in Luxembourg comprise a broad array of diversified instruments, each under the care of a renowned asset manager. Our Shariah-compliant indices have outperformed their conventional and Shariah-compliant counterparts since 2017.

In 2020, our Prudent Ethical Investment (PEI) approach continued to deliver stellar performance.

The SC Europe Equities Fund delivered 22.6% and outperformed the Dow Jones Islamic Market Europe index by 4.6% and the Dow Jones Europe Stock Index by 17.2%. Similarly, the SC Global Sustainable Equity Fund achieved performance of 30.8%, outperforming the Dow Jones Islamic Market World index by 2.6% and the MSCI World Index by 14.9%.

Despite the impact of Covid-19 on company earnings, global equity markets saw prices and earnings ratios continue to improve. This was driven by massive stimulus from governments and central banks, as well as markets pricing low interest rates, low inflation and a low economic growth environment.

We will continue to position the portfolio with three major themes or trends identified earlier: innovation and disruptive technology, changes in socio-demographics, and ESG and sustainability. We believe the pandemic is unlikely to derail these themes - instead magnifying and hastening them.

We continued to optimize our core and satellite strategies and prepare for the launch of our new UCITs platform and four new funds in 2021: a Global ESG Equity Fund, a Global Listed Infrastructure Fund, a Global Small Cap Fund, and a new Asia Growth Equity Fund.

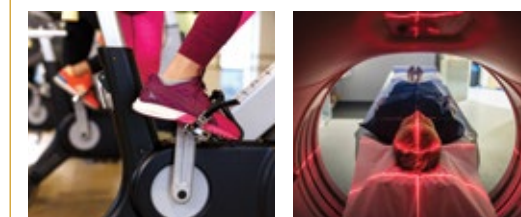
Global Private Equity

SEDCO Capital offers clients access to rewarding private equity investments through a dedicated team that has cultivated an impressive network of partners around the world and representing a portfolio of more than 500 companies. While we were not immune from pandemic related impacts, our private equity performance was, overall, positive in 2020.

Our portfolio fared well thanks to our multi-sector and geographic strategy. Our emphasis on IT, healthcare, and tech-enabled consumer businesses allowed us to survive, if not prosper, during the pandemic.

We have continued to invest in value-driven, stable companies despite some challenges in allocation - either because of over-subscription or highly leveraged top-quartile funds in developed markets.

Without altering our investment strategy, we sourced fund managers with impressive track records and who were willing to accommodate SEDCO Capital's prudent ethical investment principles. We preferred growth funds in the \$250 million to \$1 billion range, with a focus on middle-market companies with specialized managers.



Our co-investment team finished deploying their existing funds, with 19 investments around the world. The underlying portfolio companies - particularly those in healthcare and technology - continued to perform well.

Although emerging market allocation improved from 58% to 50% in 2020, we aim to reduce this to 30% by 2025. A robust pipeline of developed market managers will support us in this goal.

Amid the ongoing Covid-19 crisis, we committed to two new funds - a Chinese and a US tech-focused growth fund - with existing managers.

It is pleasing to report that our clients enjoyed a high level of distributions in 2020 - receiving about SAR 260 million at 1.3x the deployed amounts from our private equity program. As at 31 December 2020, the net IRR stood at circa 12%.

Our co-investment team finished deploying their existing funds, with 19 investments around the world. The underlying portfolio companies - particularly those in healthcare and technology - continued to perform well. As at December 2020, the overall co-investment portfolio performance was tracking 1.7x gross MOIC and 22% gross IRR (unaudited and based on an underlying valuation of portfolio companies held for over a year). Realized performance stood at 3.0x gross MOIC and 48% gross IRR.

Two new co-investments were made in 2020, including a US-based cyber security company and a leading dental chain in Brazil. In addition, we closed follow-on investments in two existing portfolio companies in the US.

In 2021, we expect to launch the next global co-investment fund, with the same strategy and sectoral focus, including healthcare, technology, consumer and business services.

Real Assets

SEDCO Capital provides a range of real estate asset management services and solutions to private and institutional clients, applying the firm's asset allocation capabilities. Our primary aim is to help clients enhance income generated from their real estate assets and boost the value of their holdings.

Regional Real Estate

In the MENA market, we look to generate and capitalize on opportunities in Shariah-compliant property investments and portfolio strategies that achieve optimized, risk-adjusted returns. The portfolio caters for investor appetites across the risk spectrum and in all sectors.

In 2019 our flagship SEDCO Capital REIT Fund (SC REIT) was included in the FTSE EPRA/NAREIT Global Real Estate Index, which tracks the performance of listed real estate companies in developed and emerging countries. Since then, we have achieved greater visibility and experienced a boost in trading volumes from local and international investors. SC REIT is now anticipating its inclusion in the MSCI index, which will further enhance its reputation in the sector.

Despite challenging market conditions, SC REIT maintained its strong performance in 2020 with an average occupancy rate of 94%, a slight increase from 2019. Cash distribution decreased slightly to 5.5% (2019: 6.6%) due to discounts offered to tenants who were most affected by the Covid-19 crisis.

Despite the global pandemic, we successfully divested SEDCO Capital Real Estate Income Fund I (SCREIF I), generating a 7% IRR and 1.4x equity multiple for the fund's unitholders.





We acquired two US properties for a total of \$144.6 million: a Class A office in Washington DC and a newly built multi-family property in Atlanta.

SEDCO Capital Real Estate Income Fund II (SCREIF II), a private fund comprising 10 assets in Riyadh and the Eastern Province, has a diversified portfolio and benefits from several long-term leases with a Weighted Average Lease Expiry (WALE) of 15.2 years and net targeted returns of 6-7%. The fund maintained stable performance in 2020 and distributed 6% dividends.

The development of Yusr International School through the SEDCO Capital Built-to-Suit Real Estate Fund I (SC BTS I) was completed ahead of schedule. The new boys' campus was completed in 14 months and the girls' campus in 20 months, against the underwriting construction period of 24 months.

We handed over both campuses to the operator in June 2020. The schools are now generating income for the fund. Cash dividends from SC BTS I have amounted to 5% since hand-over, targeting average dividends of 9% over the holding period.

International Real Estate

The international real estate team operates globally from the firm's offices in London and Jeddah, with platform support from the Luxembourg office. The team manages and invests in commercial real estate, with a focus on high-quality office, multi-family, industrial/logistics and healthcare properties in gateway cities.

With assets in the US, UK and continental Europe, our 2020 objective was to reconstitute the portfolio to higher quality and lower risk by divesting legacy investments and recycling capital into well-located core assets.

We acquired two US properties for a total of \$144.6 million: a Class A office in Washington DC and a newly built multi-family property in Atlanta. The first has a leasable area of 190,660 square feet on Pennsylvania Avenue, three blocks from the White House and the multi-family property encompasses 175,539 square feet of leasable area covering 197 residential units.

We also concluded several exits totaling \$103 million. ABC West in Frankfurt, Germany, acquired in 2017, sold for \$65 million, achieving a 30.5% return. One Lahrs Road, a cold storage facility in Australia acquired in 2015, sold for \$33 million, generating a return of 15.9%. Panorama Shopping Center, a retail property in Parma, Italy, was acquired in 2004 and sold for \$16 million.

Corporate Finance

Our Corporate Finance Department is an experienced sell-side and buy-side advisory resource that provides clients in Saudi Arabia with a combination of in-depth market intelligence research and invaluable decision-making information.

As new clients have been attracted from MENA and international markets, our buy-side activity fulfilled a key role. Our team also provides ad hoc services such as market intelligence and valuation, and we retain specialist consultants to meet demand and assist wherever their services were required.

Sell-side advisory services and relationships with financial advisors, corporate investors and family businesses, have also been strengthened. We continue to target equity and debt placement services.

Administration and Custody

Flawless execution, safekeeping and maintenance of assets are key disciplines that contribute to the performance of an investment, from the simplest to the most complex. Our expertise and comprehensive infrastructure minimize transactional, legal, and taxation risks and are integral to our performance.

Over the last two years we have collaborated with eFront, a leading provider of specialist software to the financial and financial services industries, and part of BlackRock, using eFront Invest for fund administration, investor reporting and internal reporting.

We currently administer six real estate and private equity funds in-house: SEDCO Capital REIT Fund; SEDCO Capital Real Estate Income Fund II; SEDCO Capital Built-to-Suit Fund I; and SEDCO Capital Built-to-Suit Fund II; SEDCO Capital Partners Group Co-investment Fund; and SEDCO Capital STIC Shariah Fund III.

Advisory

Our advisory services are tailored to help clients make informed decisions on their investments. Clients benefiting from bespoke services often upgrade their accounts to DPM in testimony to the quality of our services in this area.

Our strategy is to focus the firm's advisory offering on high net-worth individuals, family offices, sovereigns, endowments and institutional clients. Our role normally applies to strategic and tactical asset allocation, drafting investment policy statements, governance policies, terms of reference for various committees, periodic rebalancing, and managing gaps in the portfolio structure. This is undertaken in accordance with client needs and instructions.

We help clients to make investment decisions by providing access to the advisory team's executional capabilities in research, asset allocation recommendations and risk assessment.

Throughout 2020, the advisory team maintained its relationships with investors and kept them abreast of market trends through face-to-face visits. We also focused on industry outreach and knowledge-sharing.

We help clients to make investment decisions by providing access to the advisory team's executional capabilities in research, asset allocation recommendations and risk assessment.

Asset Allocation

Our asset allocation function is managed by the Cyclical Asset Allocation Committee that brings together experts with diverse competencies. The committee is chaired by the Chief Investment Officer, supported by research, risk and advisory teams, so that all asset classes are represented.

The committee reviews market fundamentals and sentiment to score asset classes. It takes the lead in assigning weights to asset classes and decides the conviction with which to follow a strategy. This information is then used to potentially rebalance and optimize client portfolios each quarter - along with a monthly economic health check. Our asset allocation system is now a mature framework that has been in place for four years and has helped deliver superior returns and service levels for clients.



Our business development function takes a global perspective

SEDCO Capital's reputation for excellence in asset management, advisory, corporate finance and administration and custody is underpinned by strategic business development, product innovation and proactive risk management. These activities are further supported by outstanding operational, legal and compliance resources, coupled with compelling regional and global marketing and communication initiatives.

Specialist teams safeguard regulatory compliance, perform periodic internal audits and conduct research into new products. Leadership in Prudent Ethical Investing sits firmly at the heart of the firm's corporate culture.

Business Development

Our business development function takes a global perspective. We gather intelligence, monitor trends and work closely with the product development and asset management teams to create the next generation of best-in-class investment products.

The process entails maintaining close relationships with local and international investors, drawing on their needs and aspirations to help generate peerless opportunities, while fostering awareness of SEDCO Capital's superior returns and expertise.

Meanwhile, we continue to build awareness and understanding of the benefits arising from investment products, such as specialized real estate for private investors and new income asset strategies focused on Shariah-compliant money market instruments, leasing and Sukuk.

Regional Business Development

The global pandemic did not lessen the appetite of local investors for Saudi shares, helping boost the performance of the Kingdom's public equity market.

We signed a new, multi-asset strategy through discretionary portfolio management accounts with prominent endowment, high net-worth individuals and a well-known charity, during a year which witnessed the highest number of DPMs ever signed. Several other new mandates included a leasing product, ATEL and SEDCO Capital Global Sukuk Fund.

In addition, we were recognized for playing a key role in the multi-asset management of an endowment's discretionary portfolio in Saudi Arabia. Our focus on multi-asset strategies and diversity of product offerings is a precursor to securing new endowment business and further expanding our overall client base.

International Business Development

In 2020 the firm won a number of international asset management mandates from eminent foreign endowments and charities.

Luxembourg-based SEDCO Capital Global Funds (SCGF) continued to attract new premium clients to achieve its highest AUM growth of recent years. SCGF has one of the world's largest Shariah-compliant fund offerings. As at 31 December 2021, assets under management exceeded [\$ 1.2 billion], sourced from family offices, institutions, sovereign wealth funds and endowments across the world.

The firm's Luxembourg and London operations each fulfil key roles in developing the firm's global investor portfolio. Key targets include international corporate wealth funds and institutional investors looking for ESG and Shariah-compliant products.

OUR FOCUS ON MULTI-ASSET STRATEGIES AND DIVERSITY OF PRODUCT OFFERINGS IS A PRECURSOR TO SECURING NEW ENDOWMENT BUSINESS AND FURTHER EXPANDING OUR OVERALL CLIENT BASE.



IN 2020 THE FIRM WON A NUMBER OF INTERNATIONAL ASSET MANAGEMENT MANDATES FROM EMINENT FOREIGN ENDOWMENTS AND CHARITIES.



The Principles for Responsible Investment (PRI) 2020 review of SEDCO Capital resulted in excellent scores, relative to industry peers.

Risk Management

Risk Management Department provides risk assessment for processes, investment instruments and in-house and external asset managers. In overseeing our responsible approach to investment, it has also defined our Prudent Ethical Investment philosophy which combines Shariah-compliant principles with the tenets of ethical and responsible investment.

The department also quantifies operational, market and business risk across portfolios and products; conducts research to deliver the theoretical bedrock for the firm's investment ethos; maintains oversight of the firm's responsible investing activities; and takes the lead in refining these guidelines and practices. The Chief Risk Officer regularly attends international conferences and events to present on responsible investing.

There are regular reviews of operational and investment risks, such as ICAAP and Basel Pillar 3, quarterly risk issues and credit. Self-reporting and process mapping workshops are held with various departments, while there are regular risk reviews for the Luxembourg platform, CMA-registered products, client portfolios and service providers.

The Principles for Responsible Investment (PRI) 2020 review of SEDCO Capital resulted in excellent scores, relative to industry peers.

Finance and Treasury

Finance and Treasury Department oversees the firm's financial platforms, book-keeping, proprietary investments, budgeting activities and reporting systems. The team also manages liquidity and funding requirements, while maintaining strong relationships with banks, external auditors, Zakat consultants, tax authorities and counterparties.

Compliance and Anti-Money Laundering

Compliance and Anti-Money Laundering Department ensures regulatory adherence throughout the firm. In setting stringent policies and procedures to maintain leadership in this area, there is a strong emphasis on fighting financial crime, including money-laundering and terrorist financing.

Building and maintaining strong relationships with regulators, specifically the Capital Market Authority (CMA) as well as the Commission de Surveillance du Secteur Financier (CSSF) for external compliance, are central to its role. The department's highly-experienced team also collaborates closely with management to develop and strengthen control mechanisms.

Annual training programs enhance compliance and AML/CTF awareness and understanding among all employees, from the Board of Directors and Executive Management team down. These programs illustrate the roles and responsibilities of each employee in compliance and fighting financial crime.

The firm was subject to an inspection by the CMA in the final quarter of 2020, achieving satisfactory results and reflecting the success of the internal compliance monitoring program.

Operations

Operations Department facilitates investment transactions for our managed funds and client investment portfolios such as subscriptions, redemptions, investment activity, client reporting, regulatory reporting and management reporting.

The team also handles cash management, performance calculations, custodian reconciliation, trade matching and confirmation, processing corporate actions, facilitate fund audits, and maintaining the Investment Book of Record.

Information Technology

IT Department oversees the firm's digital infrastructure and devices. The team regularly maintains all financial and reporting platforms that form the core of back-office operations. The team is also responsible for implementing risk-mitigation and cyber security measures to ensure the integrity of the systems and safeguard the privacy of data and information.

Internal Audit

Internal Audit is an objective assurance and consulting function designed to add value to our operations. The department helps to achieve corporate objectives by applying a systematic and disciplined approach to evaluate and improve the effectiveness of our risk management, control and governance processes.

TURNING IDEAS AND INSIGHTS INTO INVESTMENT TOOLS IS THE DOMAIN OF THE FIRM'S PRODUCT DEVELOPMENT DEPARTMENT, WHICH PREPARES PRODUCTS AND INSTRUMENTS THAT ALIGN WITH MARKET OPPORTUNITIES AND INVESTOR APPETITES.

Internal Audit Department provides management with an independent assurance of the effectiveness of the internal control system and environment. It also supports management in achieving operational effectiveness and efficiency, comply with laws and regulations and maintain financial integrity.

All audit observations or discoveries are presented to the Audit Committee, which is appointed by the Board to help it fulfil oversight responsibilities for the financial reporting and audit process, internal controls, and for monitoring compliance with laws and regulations.

Product Development and Shariah Monitoring

Turning ideas and insights into investment tools is the domain of the firm's Product Development Department, which prepares products and instruments that align with market opportunities and investor appetites.



SHARIAH MONITORING UNIT MEETINGS WERE HELD VIRTUALLY DURING THE SECOND QUARTER OF 2020 AND CONFIRMED THAT ALL SEDCO CAPITAL INVESTMENT ACTIVITIES ARE SHARIAH-COMPLIANT.

The team conducts feasibility studies on potential products to gauge market response and then collaborates with other departments to ensure they have the necessary tools to develop new products and offer them to market.

In 2020, the team continued to undertake new projects, completing its UCITS file submission to CSSF, and adding and removing additional sub funds from our SEDCO Capital Global Funds platform in Luxembourg. The department has continued to adapt the updated AML rules and regulations by enhancing our new AML policy locally and internationally.

Shariah Monitoring Unit meetings were held virtually during the second quarter of 2020 and confirmed that all SEDCO Capital investment activities are Shariah-compliant.

Legal

Legal Department is responsible for managing the firm's legal affairs and those of our various entities. Its primary responsibility is to safeguard SEDCO Capital's assets, reputation and operations against legal risks arising in relation to business relationships, contracts and agreements, and compliance with all applicable laws and litigation.

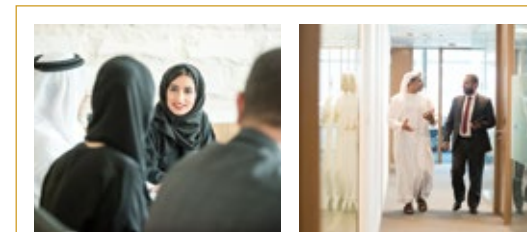
Middle Office

Middle Office Department fulfils a series of important functions, such as ensuring that all compliance requirements have been completed, attending to product-related Board meetings and comprehensive reporting to clients. It also oversees the full range of fund administration, from management meetings to annual assemblies, record-keeping and the preparation and approval of agreements.

Reporting alone is a multi-faceted task, covering everything from financial statements to reporting to the regulator and making public announcements concerning SEDCO Capital and its funds.

It is also responsible for supporting marketing, business development and product development. This includes preparing periodical publications and new business proposals, to customer care and dealing with complaints.

Product development includes the preparation of documents and marketing packages, market study and analysis, updating and maintaining fund documents, creating and maintaining charters and maintaining special purpose vehicles for global funds.



An important priority was setting the foundations for our digital presence, and we also established a corporate social media strategy.

Marketing and Communications

In 2020 SEDCO Capital refreshed its core narrative which articulates our purpose, proposition and positioning to key stakeholders. In addition, key communication activities included building our profile and achievements, enhancing the digital presence of the firm and its spokespeople, and participating in top-tier industry awards and events.

We received prominent coverage of key announcements - including receiving the highest ratings in the 2020 Principles for Responsible Investment (PRI) Assessment Report and the successful exit of the ABC West property.

An important priority was setting the foundations for our digital presence, and we also established a corporate social media strategy. Media coverage included several Eyes on Market reports and our senior executives' participation at events, also amplified through our LinkedIn page.

We were part of Forbes Middle East's G20 Special Edition which included a positioning piece for our CEO. The interview was published in English and Arabic versions of the publication's November 2020 issue, further amplified across Forbes ME's social media channels.

We participated in top industry events to demonstrate the firm's expertise and raise our profile among key stakeholders. The CEO participated as a speaker in the Ethical Finance Summit where he discussed how SEDCO Capital successfully integrates ESG and Shariah compliance as part of its PEI approach.

We also sponsored Private Equity International's 2020 Responsible Investment Forum in London, the longest running forum of its kind that brings together over 300 GPs and LPs to discuss key ESG issues and market trends. The firm's CIO participated as a panel speaker in a session titled 'What do investors want from fund managers on climate?'. In addition to the speaking role, several members of the leadership team participated as delegates to meet potential investors and partners through the event's virtual platform.

SEDCO Capital won the Market Leadership Award in Islamic Asset Management at the 2020 Global Islamic Finance Awards (GIFA), and Capital Finance International nominated the firm for the 'Best Shariah Compliant Real Estate Fund Management Team - Saudi Arabia' Award.

Contacts

Jeddah (head office)

South Tower of the Red Sea Mall, 2nd floor
King Abdulaziz (Malik) Road
P.O. Box 13396, Jeddah 21491
Kingdom of Saudi Arabia
Telephone: +966 (0) 12 690 6555
Fax: +966 (0) 12 690 6599
Email: info@sedccapital.com

Riyadh

Localizer Mall, 1st floor
Prince Mohammed Bin Abdulaziz Street
P.O. Box 230641, Riyadh 11321
Kingdom of Saudi Arabia
Telephone: +966 (0) 11 462 5662
Email: info@sedccapital.com

London

8th floor, 33 Cavendish Square
London, W1G 0PW, United Kingdom
Telephone: +44 20 3876 3153
Email: scire@sedccapital.com

Luxembourg

5 Rue Jean Monnet
L-2013 Luxembourg
Telephone: +352 436161422
Email: info@scgflex.net