



Annual Report 2021

Prudent ethical investment with a global perspective

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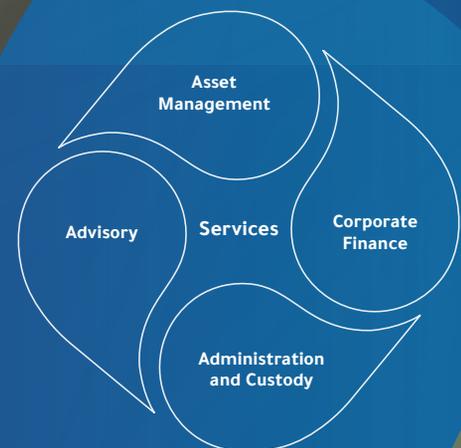
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SEDCO Capital
CMA license No. 11157-37
CR 4030194994

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SEDCO Capital's strategies are designed to deliver robust performance to the firm's clients, who comprise institutions, family offices, endowments, sovereign wealth funds, pension funds, ultra high net worth individuals, and other sophisticated investors.



1.8 SAR billion

Our capital increase offering for the publicly listed SEDCO Capital REIT Fund boosted its asset value by 64%, to SAR 1.8 billion.



+15%

The sale of Waterside House in the UK for £57 million resulted in a 15% net IRR for this core international real estate asset purchased five years ago.



500 SAR million

Our appointment to manage a major sovereign wealth fund's SAR 500 million Saudi listed equities portfolio is a strong endorsement of our capabilities.



SEDCO Capital Luxembourg continued to attract global investors impressed by our fund range and investment management skills, resulting in record levels of AUM growth from third-party clients.

Asset Classes

Income Assets

SEDCO Capital invests in Shariah-compliant fixed income securities with high credit grades and low risk profiles, as well as other income generating assets such as leasing and infrastructure transactions.

Our fixed income investments in developed and emerging markets are diversified across global money market, sukuk, leasing and infrastructure investments depending on clients' needs, investment objectives, and risk appetite.

Public Equity

SEDCO Capital is an innovator in Shariah-compliant public equity investments. We were one of the first to commission Shariah scholars to establish practical guidelines for investing in equities traded across world stock markets, and we were the first to encourage and work with Dow Jones to establish Islamic indices.

We continued innovating by applying ESG criteria to all our strategies and building strong relationships with 30+ equities asset managers around the world. This drive for innovation provides SEDCO Capital and its clients with a wide choice of investment strategies and themes. We are one of few firms to offer such a large range of regional and international strategies, including both passive and active management.

Private Equity

We are pioneers in Shariah-compliant private equity investments in the mid-market, high potential growth segments across Europe, Latin America, US, and Asia, having established and implemented the criteria in 1997.

We provide our clients with access to private equity through two dedicated teams - focusing on private equity funds and co-investments - that have cultivated an extensive network of managers and partners representing a portfolio of more than 1,000 companies over 60+ funds.

Real Assets

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

We invest on a principal, direct and active basis. We apply a rigorous pricing discipline and a strict underwriting process in all our investments, conducting thorough due diligence and well-defined asset management and business planning.

Our investment approach and planning are executed on prudent underwriting and acquisition pricing discipline, driven by fundamental property level asset management, value-based asset refurbishment and redevelopment, property repositioning and a clear exit strategy.

Building on a decade of performance, trust and credibility



The positive capital market environment in 2021 had a favorable impact on SEDCO Capital's performance in terms of investment returns - particularly for public and private equities, global REITs and real estate.

Government stimulus packages designed to support economies following the global pandemic resulted in strong capital market valuations, which were further boosted by recovering earnings and low interest rates. The Fed, however, was forced to announce a tightening of monetary policy in response to supply-chain disruptions and rising inflation. This had a positive impact on bond yields and on equity markets in developed countries, but weighed negatively on equities in emerging markets.

For SEDCO Capital, 2021 was characterized by some significant business achievements, the development of a new five-year strategy to guide the firm's ongoing advancement, and a pleasing increase in our Saudization ratio.

Key among these business highlights was our highly successful REIT capital increase offering -- oversubscribed 339% - reaching a fund size of SAR 1.8 billion with the total number of subscribers exceeding 227,000 - and our selection by a major sovereign wealth fund to manage its Saudi listed equities portfolio.

All our funds far exceeded their targeted returns and continue to be well-positioned in the markets with, notably, our Global sukuk Fund ranked first among its peers based on the last three years' annualized returns.

Turning to SEDCO Capital Luxembourg (SCLux), third-party assets under management passed the USD 100 million threshold for the first time, while the total AUMs of our Luxembourg liquid assets platform reached USD 1.8 billion, an increase of 27% on 2020.

SCLux also launched its new UCITS strategy with the new SC LO Global ESG Equities Fund, focused on developed market equities, and we launched the private infrastructure fund program, investing USD 24 million in the Axiom Infrastructure Fund.

As part of the firm's thought leadership program, in 2021 we sponsored a white paper on integrating climate considerations into investment decision making and risk management processes, which was subsequently published by the World Economic Forum on its website.

On the technology side, we implemented the eFront investment software solution, improving the automation and flexibility of our investor reporting, in line with best industry standards. We also rolled-out our Ousos management trainee program during the year.

SEDCO Capital received several prestigious awards during the year, including Best Asset Management Firm by MEA Finance Awards, and Forbes Middle East named Samer Abu Aker as one of the Top CEOs in the region.

In closing, I would like to thank our Board of Directors, regulators and management team for their business acumen and dedication to the firm's continued growth and success. Their combined efforts have helped SEDCO Capital emerge stronger from the challenges of the last two years and, critically, with no loss of commitment to serving our many loyal clients around the world to the very best of our abilities.

Ahmed Suleiman Banaja
Chairman

Board of Directors



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 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.

Hasan Aljabri Board Director

Mr Aljabri was previously CEO of SEDCO Holding (2019-21) and SEDCO Capital (2010-19). He has more than 33 years' banking and investment experience, including senior roles at the National Commercial Bank, NCB Capital and Samba Financial Group.

While at NCB Capital, Mr Aljabri was a Board member and Managing Director, and also served as Chairman of the Funds Board covering all of NCB Capital's 27 mutual funds.

He 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.



Abdulrazzak Elkhrajy

Board Director

Mr Elkhrajy 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 Elkhrajy 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.

Abdullah Alhowaish

Board Director

Mr Alhowaish 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, Alessa Industries Co. and Al-Ittefaq for Steel Industries Company.

Mr Alhowaish 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' 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 Alhowaish holds a Bachelor's degree in Economics from King Abdulaziz University, Jeddah, Saudi Arabia.

Hashim Almihtar

Board Director

Mr Almihtar 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.

Challenging ourselves against global benchmarks

SEDCO Capital performed well across all asset classes in 2021, particularly public and private equities, but also global REITs and real estate, while our fund-raising initiatives also generated positive results.

A new institutional client's sizeable commitment to our regional equities' capabilities was confirmed with the selection of SEDCO Capital to manage the client's Saudi listed equities portfolio.

We successfully completed the SEDCO Capital REIT Fund capital increase offering, which was covered by 339%, reaching a fund size of SAR 1.8 billion, with the total number of subscribers exceeding 227,000.

In international real estate, the sale of Waterside House in the UK for £57 million resulted in a 15% net IRR for a core asset that was purchased for £37 million five years ago.

Our Luxembourg-based SEDCO Capital Global Funds (SCGF) are acknowledged as the world's largest and most diverse range of Shariah-compliant and ESG funds. All funds exceeded their targeted returns and continue to be well positioned in the markets.

The success of our scalability strategy was never more evident than in our Luxembourg platform which, for the first time since inception, passed the USD 100 million threshold in terms of third-party assets under management, reaching a historical level of USD 166 million by year end, an increase of 225%.

We launched two new global passive equity funds in partnership with Amundi during the year. The SC Global Listed Infrastructure Equity Fund pursues a passive investment strategy which enhances our clients' exposure to infrastructure-focused equities. The SC Global Low Volatility Equity Fund aims to measure the performance of the 300 least volatile stocks in the Dow Jones Islamic Market World Index.

These achievements demonstrate the widespread trust in SEDCO Capital and the credibility the firm enjoys. They are also the outcome of an extensive outreach to attract new international institutional clients by positioning ourselves against internationally-recognized benchmarks.

In private equity, we launched the Global Co-investment Fund II, with the program sitting at a realized exit multiple to date of 2.35x. We received distributions from the program of about SAR 500 million, achieving a DPI of 1.84x for the year.

Throughout 2021 the firm was fully ESG compliant and we were awarded the highest rating under the UN Principles for Responsible Investment (PRI).

A key element in SEDCO Capital's strategy for the year ahead is to further strengthen our Luxembourg platform. Operationally, we will be unrelenting in once again delivering the excellent performance that our stakeholders expect of us.

I thank our investors and business partners around the world for the trust and faith that they vest in SEDCO Capital. We look forward to justifying their support by achieving positive results over the year ahead.

I also pay tribute to our internal teams. Investing in the further development of our people's knowledge and capabilities is an ongoing priority as we strive to create an even more dynamic and supportive work environment.

As always, we acknowledge the valuable guidance provided by the Capital Market Authority of Saudi Arabia, the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, and our regulators in the UK and UAE.

I remain positive that our growth momentum will propel us from good to great in the upcoming years across our various investment themes. The future holds much promise for SEDCO Capital.

Samer Abu Aker
Chief Executive Officer



Executive Management



Samer Abu Aker Chief Executive Officer

Mr Abu Aker is CEO of SEDCO Capital and brings more than 20 years' 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 in setting the direction of 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 Science (Finance and Accounting) double major and an MBA with a focus on finance from Bentley University's McCallum School of Business in the US.

Ahmed Tourson 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.



Christian Guckel
Chief Risk Officer

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

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.

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.

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

Anas Baksh
Head of Internal Audit

Mr Baksh joined SEDCO Capital in January 2021. His experience over 15 years includes key roles in global and leading Saudi companies. His expertise spans external and internal audits, risk, control and assurance and finance.

He began his auditing career with Deloitte in assurance and external auditing. This was followed by his role as a Retail Banking Financial Controller at The National Commercial Bank (NCB), before moving into NCB's Internal Audit Department with responsibility in the Finance and Risk areas. Before joining SEDCO Capital, he headed the newly established Finance Department at the Ministry of Culture (Jeddah Historical District Program).

Mr Baksh is a Certified Fraud Examiner (CFE) and holds a Master's of Accounting & Information Systems degree from Middle Tennessee State University (MTSU) in the USA and a Bachelor's in Accounting from King Fahd University of Petroleum and Minerals, Saudi Arabia.

Rayan Habis
Head of Human Resources

Rayan Habis joined SEDCO Capital in 2021 as Head of Human Resources, based in Jeddah. He has more than 16 years' professional HR experience in leading private wealth management; utilities and trading services industries; active involvement and responsibilities in building policies; leading different HRM initiatives; executing mega projects in manpower resourcing and rewarding; organization development, learning and development; and employee relations.

Mr Habis started his career at Rabigh Arabian Water & Electricity Company in the Human Resources Department. He then joined SEDCO Holding as Head of Organization Development & Excellence in 2014.

Currently, he is a member of the Compensation & Nomination Committees for Yusr International Schools and Alshiaka. He has an MBA and a Bachelor's degree in International Business Administration.



Our international public equity funds continued to outperform most conventional and Islamic competitors.

Asset Management

SEDCO Capital's strategy has consistently delivered robust investment performance to clients that include institutions, family offices, endowments, sovereign wealth funds, ultra high net worth individuals and other sophisticated investors.

Income Assets

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

Central banks maintained an expansionary monetary policy in 2021 to support economic recovery and growth during Covid-19. Later in the year we started to see signs of tighter monetary policy to combat inflation risks, leading to higher short-term interest rates and an upward shift in US treasury yields.

With short-term interest rates remaining low throughout the year, money market investment returns reached their lowest level in five years. The team focused on enhancing the money market fund's absolute and relative returns by expanding its network of active counterparties and managing its duration.

Sukuk returns were also muted. The US treasury yield curve shifted upward in 2021 as market participants started to price-in higher yields over the coming few years, given strong growth and high US inflation figures.

On the other hand, sukuk spreads tightened significantly and softened the negative impact of higher US treasury yields on sukuk prices. As a result, sukuk achieved a positive absolute return for the year.

Leasing strategies maintained their strong profit distribution profile, despite challenges including global supply chain constraints and less favorable pricing for used equipment. On Infrastructure, we invested for the first time in two open-ended private infrastructure funds expected to deliver strong cash distributions.

SEDCO Capital's funds and portfolios achieved positive returns in a difficult year, without taking excessive credit risks. Credit quality remains one of the firm's top priorities. Taking into account the market and economic outlook, our team focused on implementing the correct strategy to enhance returns.

Looking ahead, we expect better returns for money market strategies as short-term rates continue to rise. sukuk returns may be muted once again on higher rates and limited spread tightening but, as sukuk yields adjust to higher market rates, these are expected to grow later in the year and over the next few years.

Leasing and private infrastructure investments should continue to provide strong cash distributions in 2022, but valuations may come under pressure as short-term interest rates edge higher. We will continue to manage our strategies to achieve the best possible outcomes in both absolute and relative terms.

Public Equity

Regional Public Equity

The year was one of recovery as the S&P Saudi Shariah Domestic Total Return Index registered growth of 35%. More than seven Initial Public Offerings were listed on the main market as valuations remained high throughout the year.

SEDCO Capital's Regional Public Equity team successfully doubled its number of Discretionary Portfolio Mandates (DPMs) in 2021. Assets under management rose by 13.7% to USD 190 million, and USD 12 million in profits were distributed to DPM clients. In addition, two new equity funds were launched, focused on absolute and relative strategies.

Our absolute return Income and Growth strategies achieved annual returns of 7.8% and 11.4% respectively, against targets of 7.5% and 10%. The Saudi Relative Return strategy generated 177 bps alpha starting from February onwards, returning 29.7%.

International Public Equity

Following the stellar returns of the last two years, SEDCO Capital's international public equity funds continued to outperform most conventional and Islamic competitors. Among the best were the SC Global Real Estate Equities Fund (+36.8%), the SC US Equities Passive Fund (+28.7%), the SC Europe Equities Fund (+27.6%) and the SC Global Sustainable Equities Fund (22.8%).

13.7%

The firm's DPM assets under management rose by 13.7% to USD 190 million in 2021.



29.7%

Our Saudi Relative Return strategy returned 29.7% starting from February onwards.



Business Review

The year's highlight was SEDCO Capital's UCITS platform (Undertakings for the Collective Investment in Transferable Securities) which went live in September with the launch of the SC LO (SEDCO Capital Lombard Odier) Global ESG Equities Fund. This Shariah compliant fund will encompass a systematic, multi-factor and rational approach to construct a portfolio that fulfils all key sustainability and ESG criteria.

In May, two passive funds were launched in conjunction with Amundi Asset Management. One was a global listed infrastructure equity fund and the other a global low volatility equity fund.

As the world economy recovered from the Covid-19 recession, public equity markets advanced, supported by strong earnings and GDP numbers, and the improved economic outlook. The Dow Jones Islamic Market World Index was 19.8% higher, with the US being the best regional performer at +28.8%.

While capital markets (measured by the Dow Jones Islamic Market World Index) delivered average returns of 26% over the last three years - including the recession caused by Covid-19 - we are expecting higher volatility and lower returns in the coming few years.

Looking ahead, we will continue to focus on constructing robust portfolios that can withstand higher volatility, inflation and interest rates. Our thematic focus will continue to be on innovation and disruptive technology, changes in socio-demographics and ESG and sustainability.

Private Equity

Private equity performance was up 26.7% from the previous year, a solid recovery from pandemic lows as portfolio companies witnessed solid operational growth and higher valuations. Although the recovery was not as strong as public equities, we expect the trend to continue in the upcoming quarters, with private equity catching up to public markets.

Private Equity Funds

In accordance with the firm's Shariah and ESG guidelines, there were no investments in funds holding a large proportion of portfolio companies with leverage ratios higher than 33% or dealing in non-ethical business activities.

For our funds program, we target fund sizes ranging from USD 250 million to USD 1 billion, focusing on mid-market and value-add managers with deep sector-focus in the healthcare, technology and consumer sectors.

SEDCO Capital's fund portfolio continues to move closer to its target 70/30 geographic split between developed and emerging markets, respectively.

The firm invested in four new funds during the year: a US consumer fund with a focus on education; a European tech fund focused on software and artificial intelligence; a Chinese healthcare fund; and, a Latin American consumer fund. Three of the commitments were re-ups (renewals) and one was a new manager in the program.

Our thematic focus will continue to be on innovation and disruptive technology, changes in socio demographics and ESG and sustainability.

26.7%

Private equity performance rose 26.7% as portfolio companies saw strong operational growth.



6.3%

SC REIT's cash distribution grew to 6.3%, up from 5.5% a year earlier.



The year 2021 was a solid year of distributions that netted a distribution to paid-in capital (DPI) of 1.58x, highlighting the self-financing quality of the program.

Looking forward, the firm will continue to act in line with its strategic targets: seeking new top-tier managers in developed and emerging markets, and re-ups with select existing managers.

Private Equity Co-investment

SEDCO Capital's co-investment team completed one transaction in 2021. The company is a leading global player in the CPaaS (Communication Platform as a Service) market, and the deal was led by one of Europe's top tech managers.

In September, we successfully launched the SC Global Co-investment Fund II, receiving commitments for 50% of the target fund size by the year end.

Real Assets

SEDCO Capital offers private and institutional clients a range of real estate asset management services and solutions, applying the firm's sophisticated asset allocation capabilities. Our primary aim is twofold: to help clients enhance income generated from their real estate assets and to 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 will achieve healthy risk-adjusted returns. The portfolio caters for investor appetites across the risk spectrum and in all sectors.

Building on the momentum of previous years, 2021 saw a shift in focus to a few key areas with a view to creating sustainable change. We started the year by focusing on two significant initiatives: our first capital increase transaction to expand our publicly listed SEDCO Capital REIT Fund (SC REIT) and the divestment plan for SC Real Estate Income Fund II. SC REIT Fund maintained its strong performance with an average occupancy rate of 95%, a slight increase on 2020. Cash distribution also grew to 6.3%, up from 5.5% the year before.

In December, the Regional Real Estate team completed a successful capital increase for SC REIT, reaching a milestone in the firm's short to medium term strategy. The offering boosted the fund's asset value by SAR 702 million, or 64%, to reach SAR 1.80 billion between in-kind and cash subscriptions and additional Shariah-compliant financing.

The fund offered up to SAR 250 million cash subscriptions, received 78,231 subscription requests with a total value of SAR 848 million, and resulted in a 339% oversubscription.

In addition, the fund offered up to SAR 325 million through in-kind subscriptions.

The additional capital was used to acquire eight assets within SC Real Estate Income Fund II - including several educational and commercial income-generating properties in Riyadh and Dammam - providing good sectoral and geographic diversification. We expect the portfolio to generate a gross rental income of SAR 49.4 million per annum, which translates to a rental yield of 7.5%. The net targeted return post increase in total asset value is expected to exceed 7.0%.

Since then, we have achieved greater visibility and experienced a boost in trading volumes from local and international investors. Following its capital increase, we anticipate SC REIT's inclusion in the MSCI index, which will further enhance its reputation in the market.

In appreciating the true value of the SC Real Estate Income Fund II portfolio, and its ongoing resilience in a turbulent market, we obtained unitholder approval to acquire the portfolio in full through SC REIT, providing the owners with an exit plan that is both liquid and transferable and achieves a 1.5x equity multiple.



Business Review

Of the 10 assets held under SC Real Estate Income Fund II, our team successfully liquidated two of them - both auto showrooms - and transferred the remaining eight assets to SC REIT. This allowed for SC Real Estate Income Fund II unitholders to achieve a partial cash exit, while also transferring their interests to a publicly-traded fund. Given the prevailing market conditions, this exit strategy was well received by unitholders.

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 2021 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 successfully exited one UK asset in 2021: Waterside House, an office/data center property located in Bracknell with an exit value of £57 million. The property was acquired in 2016 and through this exit a 15% net IRR was achieved, which is strong performance for a core asset.



Corporate Finance

SEDCO Capital's 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 research and invaluable decision-making intelligence.

The department's buy-side activity has also played a key role in attracting new clients from the MENA and international markets. Our team provides ad hoc services, such as market intelligence and valuations, and we retain specialist consultants to meet demand and assist wherever their services are needed.

The year has seen us strengthen our sell-side advisory services and relationships with financial advisors, corporate investors and family businesses, while we have continued to target equity and debt placement services.

Administration and Custody

Key disciplines that contribute to the performance of an investment - from the simplest to the most complex - are flawless execution, safekeeping and asset maintenance. Our expertise in these areas, allied to a comprehensive infrastructure, help to minimize transactional, legal and taxation risks, and is integral to our consistent approach and overall performance.

Over the last two years, we have collaborated with eFront, a specialist financial services software provider owned by BlackRock, to use eFront Invest for fund administration, investor reporting and internal reporting.

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

Advisory

The firm's advisory services are tailored to help clients make informed decisions about their investments. Clients benefiting from bespoke services often upgrade their accounts to Discretionary Portfolio Management (DPM), testimony to the quality of our services in this area.

Our strategy is to target high net worth individuals, family offices, sovereigns, endowments and other institutional clients with the firm's advisory offering. Our role - in close collaboration with clients - normally extends 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.

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

Throughout 2021, 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.

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.

We sold ABC West in Frankfurt for €52.9 million, resulting in a property-level IRR of about 30%.

€52.9mn



Corporate Review

SEDCO Capital's reputation for excellence in asset management, advisory, corporate finance and administration and custody is backed-up by specialist teams in all middle and back office functions. These include risk management, finance and treasury, compliance, operations, human resources, IT, internal audit, product development and Shariah monitoring, legal, middle office, and marketing and communications.

Business Development

Leadership in Prudent Ethical Investing sits firmly at the heart of SEDCO Capital's corporate culture and is underpinned by our skill in strategic business development and tailoring innovative products to meet our clients' needs.

It is a proven approach that has forged our reputation for excellence across all of the firm's capabilities and products, as evidenced by a strong, across the board performance during 2021.

Regional Business Development

The firm's appointment by a major, new institutional client - one of the region's leading sovereign wealth funds - to manage its SAR 500 million Saudi listed equities portfolio was a highlight of the year and a sound endorsement of the firm's regional equity management capability.

In a further vote of confidence, this time in our Saudi real estate investment strategy, we successfully completed the capital increase offering for the SEDCO Capital REIT Fund, our publicly listed fund, which was covered by 339% to reach a fund size of SAR 1.8 billion, with more than 227,000 subscribers.

We signed four new multi-asset strategy Discretionary Portfolio Management (DPM) mandates with Saudi clients, including endowments, high net worth individuals and a charity, building on our successes in 2020, when we signed our highest ever number of DPMs.



In 2021 we signed four new multi-asset strategy DPM mandates with Saudi clients.

International Business Development

SEDCO Capital Luxembourg (SCLux) grew its total assets under management (AUM) from USD 1.2 billion to USD 1.8 billion, a vindication of the strategy to add new asset classes to our offerings. European and other international institutions now account for the majority of investors in our Luxembourg-based funds.

In terms of third-party AUMs, the scalability strategy for our Luxembourg has been validated, with SCLux passing the USD 100 million threshold to reach an historical high of USD 166 million, an increase of 225%.

In partnership with Amundi, we launched two new global passive equity funds. The SC Global Listed Infrastructure Equity Fund and the SC Global Low Volatility Equity Fund. Private equity was also active, with the launch of the SEDCO Capital Global Co-investment Fund II, for which we achieved commitments for 50% of the target fund size by year end - an exceptional achievement.

SCLux also launched SEDCO Capital Global UCITS Funds under the 'Undertakings for the Collective Investment in Transferable Securities' (UCITS) structure, a regulatory framework that allows for the sale of cross-Europe mutual funds.

UCITS funds are perceived as safe and well-regulated investments and are popular among retail investors. There are now two funds under the new UCITS umbrella: the SC Lombard ESG Global Equities Fund and the SC Global sukuk Fund.

In another key development, we opened a new international office at the Dubai International Financial Centre (DIFC). Our private equity co-investment team is now based at DIFC and will manage existing global co-investment funds, while developing new offerings.

Looking ahead to 2022, our listed REIT Fund will launch another capital increase and we have ambitious plans to create a second publicly listed offering in the Kingdom, this time an income fund with a target value of SAR 1 billion. Further exciting UCITS offerings are also in the pipeline.

Risk Management

The Risk Management Department provides risk assessment for processes, investment instruments and asset managers. In overseeing SEDCO Capital's responsible approach to investment, the department has defined the firm's 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 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.

Finance and Treasury

Finance and Treasury has responsibility for overseeing the firm's financial platforms, book-keeping, proprietary investments, budgeting activities and reporting systems. It also manages liquidity and funding requirements, while maintaining key relationships with banks, external auditors, Zakat consultants, tax authorities and counterparties. The department routinely draws on economic analysis to improve the firm's business strategies and to ensure that the business runs effectively and with minimum disruption.

This analysis helps to benchmark the firm's performance versus industry peers and the market, helping the management team to make informed business decisions and develop data-driven strategies.

The department produces performance reports to ensure that management decisions align with the firm's strategy, and also to optimize costs and maximize profitability. Feasibility and forecasting analysis is used to assess the firm's financial health, to mitigate any challenges and to estimate future financial success.

Finance and Treasury also periodically generates reports to highlight business investment opportunities. Effective cash flow management ensures the adequate and timely provision of funds for the firm's operations and capital expenditure planning, as well as to facilitate investments and capitalize on business opportunities.

Compliance and Anti-Money Laundering

The 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.

Central to the department's role is to build and maintain strong relationships with regulators, specifically the Capital Market Authority (CMA) as well as the Commission de Surveillance du Secteur Financier (CSSF) for external compliance. 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, including the Board of Directors and Executive Management team. Each program illustrates the roles and responsibilities of each employee in compliance and in fighting financial crime.

The firm was subject to due diligence by one of the sovereign funds in 2021, achieving satisfactory results and reflecting the success of obtaining the respective mandate.

Operations

SEDCO Capital's Operations Department offers a broad range of services, to the highest international standards, by investing in human capital and technology.

The department's activities include fund and DPM administration; client reporting; trade matching; reconciliation; and maintaining the Investment Book of Record (IBOR) and Accounting Book of Records (ABOR).

Corporate Review

Highlights in 2021 include greater automation of fund administration and DPMs by expanding the IT infrastructure; further improvement of the firm's client reporting by harnessing new functionalities to automate invoicing and reconciliation; and further innovation and evolution of investment structures to streamline the execution of client, investment and fund transactions.

Human Resources

The Human Resources Department's main duties include creating a healthy pipeline of future leaders and successors for key roles, helping to improve the effectiveness of current leaders, offering rewarding careers that position the firm as a magnet for talent and an employer of choice, and establishing a healthy working environment for staff at all levels.

The department completed a number of key initiatives in 2021, including drafting new HR manuals, completing the first year of the Management Trainees Program, and developing a succession plan framework and annual manpower plan.

Information Technology

The IT Department is one of SEDCO Capital's key strategic drivers, promoting the effective stewardship of a secure, highly reliable technology infrastructure with high-quality services and support to meet the requirements of the business.

Against the backdrop of a growing number of cyber-attacks, SEDCO Capital has invested in technology, people and processes, in collaboration with our vendors, to strengthen our security against such incidents.

We have put processes in place, hold regular cybersecurity awareness sessions and launched anti-phishing campaigns to raise employee awareness of the threat. In addition to the cybersecurity team's efforts, we hired an external consultant to conduct a site survey and penetration testing of our IT infrastructure and applications to protect our clients' data. In terms of technology, further multiple layers of security - hardware, software, tools and techniques - are managed, controlled and checked as a matter of routine.

As a result, our IT services, including the network, firewalls, disaster recovery, email and backup, remain uncompromised, without a single incident or high-risk audit observation.

One of the key initiatives of the year was the launch of Frontinvest, from eFront/BlackRock, to strengthen our overall processes and the reporting of our core business application.

Oracle web-based applications, which automate certain internal processes, have further increased productivity and enhanced the work environment, while complying with the requirements of the regulatory bodies.

Business Continuity

To ensure that SEDCO Capital's IT operations and services are not adversely impacted, our IT Department conducts annual tests, training sessions and processes within the parameters of the Business Continuity Plan (BCP).



These tests, carried out in collaboration with our Risk Department, proved vital to our success, particularly during the Covid-19 pandemic and subsequent lockdowns.

As a result, our employees, clients, vendors and business partners communicated seamlessly from home, using the firm's full IT infrastructure. In addition, secure conference applications, communication tools and VPN connectivity were made available to help users communicate and access the company's vital resources with the necessary IT support.

Internal Audit

Internal Audit Department acts as an independent, objective assurance and consulting unit, adding value and strengthening SEDCO Capital's policies and procedures. It helps the firm accomplish its objectives by bringing a systematic approach to evaluate and enhance the effectiveness of the risk management, control and governance processes.

The department functionally reports to SEDCO Capital's Audit Committee, which is appointed by the Board of Directors and oversees the financial reporting, audit processes, internal control and compliance with laws and regulations.

During 2021, Internal Audit completed all assignments and tasks including regulatory and process reviews, and management requests, in line with the risk-based audit plan approved by the Audit Committee. All audit findings and observations raised during the year were presented to the Audit Committee, together with management action plans and their targeted closure dates.

Product Development and Shariah Monitoring

The Product Development Department turns ideas and insights into investment tools that align with market opportunities and investor appetites.

The department carries out feasibility studies on potential products to gauge the market response and then collaborates with other departments to ensure that the necessary tools are in place to develop new products and offer them to market. We play a strategic role in developing and structuring new opportunities into innovative investment solutions and products.

In 2021, we continued to undertake new projects internationally and locally, successfully establishing SEDCO Capital Global UCITS (the UCITS platform) in Luxembourg and launching the SEDCO Capital Lombard Odier Global ESG Equities Fund, its first ESG Fund under UCITS.

Also launched were the SEDCO Capital Global Low Volatility Equity Fund and SEDCO Capital Global Listed Infrastructure Equity Funds, under SEDCO Capital Global Funds, which is the largest Shariah compliant SIF (Specialized Investment Fund) in Luxembourg.

We also launched SEDCO Capital Global Co-investments Fund II in Luxembourg and in the Cayman Islands.

At a local level, the team structured and developed the subsequent offering and capital increase of SEDCO Capital REIT Fund and the liquidation of SEDCO Capital Real Estate Income Fund II. Further, two regional public equity Funds, SEDCO Capital High Conviction Saudi Equity Fund and SEDCO Capital Total Return Fund, were structured and developed.

Legal

The Legal Department manages SEDCO Capital's legal affairs and those of its subsidiaries and funds in the various jurisdictions in which it operates. Its primary responsibilities include safeguarding SEDCO Capital's assets, reputation and operations against legal risks arising out of its business relationship agreements, transactions, compliance with applicable laws and litigation.

Middle Office

The Middle Office Department fulfils a series of key functions, such as ensuring that all compliance requirements have been completed, comprehensive reporting to clients and attending to product-related Board meetings.

The department oversees the full range of fund administration, from management meetings to annual assemblies, record-keeping and the preparation and approval of agreements. 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.

Reporting is a multi-faceted task, covering financial statements to reporting to the regulator and making public announcements concerning the firm and its funds.

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.

USD1.8bn

SCLux grew its total assets under management from USD 1.2 billion to USD 1.8 billion in 2021.



In a key development, we opened a new international office at the Dubai International Financial Centre.

Corporate Review

Marketing and Communications

Throughout 2021, SEDCO Capital reinforced its corporate positioning and built greater market awareness by refreshing its narrative and key messages to stakeholders, using targeted channels such as traditional and digital media, events and conferences, and internal communications.

The firm took a proactive stance to external communications during the year. This resulted in prominent regional and international media coverage of the key achievements and news announcements.

These included the oversubscription of SEDCO Capital REIT Fund's additional offering; the launch of two new global equity funds in partnership with Amundi; the SEDCO Capital Lombard Odier Global ESG Equities Fund launch; and completing the acquisition of the iconic 1899 Pennsylvania Avenue property in Washington, DC.

We showcased the strength in depth of SEDCO Capital spokespeople, as both thought leaders and opinion formers, by increasing their share of voice on relevant investment themes and market trends.

In an interview with Arab News, the firm's CEO highlighted the firm's distinctive ethical investment strategy and expressed his views on emerging investment opportunities in Saudi Arabia. He also shared insights with Arabian Business on why ESG and Shariah-compliant investments deliver above-average returns.

The Chief Investment Officer was extensively featured in Expert Views, a Citywire Middle East series, discussing stagflation, rising inflationary pressures, ESG investments and the impact of China's economic slowdown on Middle East investors' portfolio strategies.

We sponsored a white paper entitled 'Climate change considerations in portfolio management - not just an ethical checkbox, but a fundamental driver of returns' on integrating climate considerations into investment decision making and risk management processes. The World Economic Forum published the research on its website, and it was featured on Citywire Middle East and the Islamic Finance News Thought Leadership Report.

We highlighted the white paper's findings at various industry events, including the Reuters Events ESG Investment Europe 2021 virtual panel entitled 'Crystal clear: the need for data clarity', with the firm's Chief Risk Officer participating as a speaker. More than 3,000 attendees worldwide participated.

SEDCO Capital received several prestigious awards, including nomination as one of the Middle East's 30 Biggest Asset Managers by Forbes Middle East, and Best Asset Management Firm by MEA Finance Awards. The firm's CEO was named one of the Top CEOs in the Middle East by Forbes Middle East.

SEDCO Capital's social media presence was further strengthened, in addition to the C-suite's thought-leadership led social media activities, with topical content posted on Twitter and LinkedIn.

We also continued to drive effective employee engagement, using townhall meetings, corporate updates and industry news sharing to bring the firm's business strategy and culture to life.

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