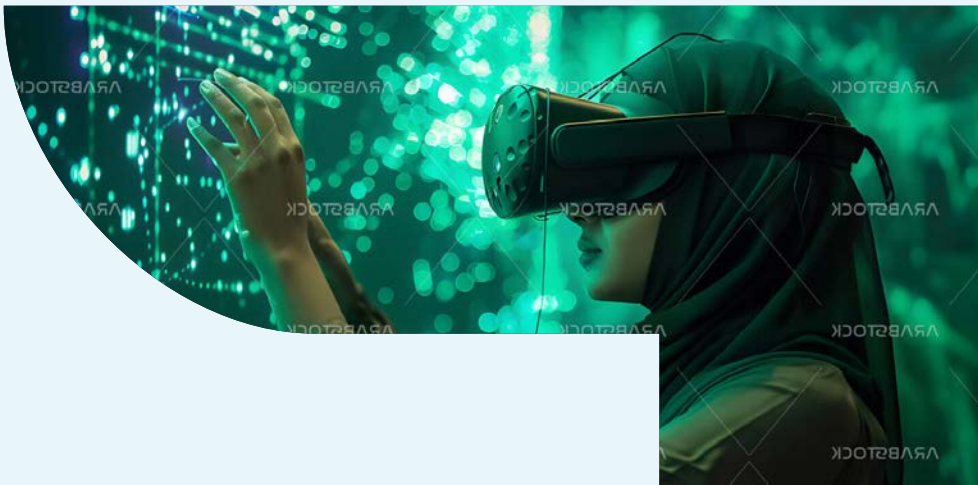


# Prudent ethical investment with a global perspective

Annual Report 2023





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## **SEDCO Capital**

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## About SEDCO Capital

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.



### 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.

## Highlights of 2023

# 13,600

We successfully closed the SEDCO Capital Inspire Boulevard Fund, with more than 13,600 investors contributing SAR 250 million in an unprecedented six hours through the Aseel fundraising platform.



# UCITS

We launched a range of new UCITS funds, including the SC Global Small Cap Equity Fund, the SC China Equity Fund, and the SC Global REITs Passive Fund.



# 33.8 %

The SC US Passive Fund (our largest fund) delivered a remarkable return of 33.8%, outperforming the S&P 500 Index by 7.5%.



# 2.9x MOIC

We exited four private equity co-investments during the year, generating gross returns of 2.9x MOIC and 28.8% IRR.





## Chairman's Statement

**2023 was a year of extraordinary challenges and opportunities, marked by significant shifts in global capital markets, rising geopolitical tensions, escalating inflation across key markets, and multiple interest rate hikes. Against this backdrop, SEDCO Capital was able to strengthen its financial metrics and generate healthy returns for its shareholders, clients, and investors.**

A major highlight of the year was the inauguration of our new Riyadh office, which was commemorated in October with a gala event in Diriyah for the firm's clients and business partners. Our expansion and new state-of-the-art office in Riyadh's King Abdullah Financial District illustrate our continuous efforts to support the aspirations of the Kingdom's leadership by contributing to the expansion and diversification of the national economy, a central tenet of Saudi Vision 2030.

This initiative positions SEDCO Capital to further strengthen our partnerships within the public and private sectors, pursuing a diverse array of investment opportunities that drive economic growth and social development.

In terms of 2023 performance, the firm grew its bottom line, while fortifying the balance sheet. Net income increased by approximately 11%, while our cost-to-income ratio was contained at 77%, in line with industry standards. The firm's well-diversified balance sheet helped us to reduce risk exposures and navigate reasonably well through a volatile year.

At the same time, we increased third-party fundraising by SAR 1.8 billion, reaching SAR 8.6 billion (34%) of the firm's total Assets under Management (AUM) of SAR 25 billion.

Third-party revenue grew significantly, mainly through recurring fees, accounting for around 48% of the firm's total revenue.

Our focus on cultivating long-term strategic relationships, successfully marketing our distinctive ethical investment proposition, and delivering robust risk-adjusted returns has been instrumental in attracting and retaining third-party clients, further solidifying our position in the market.

Some of our business and operational highlights in 2023 included growing the firm's regional public equity AUMs by 15% to USD 278.5 million, with two new discretionary mandates secured. Our successful completion of the second capital increase for the SEDCO Capital REIT Fund (SC REIT) in May was 41% oversubscribed.

In Luxembourg, we launched a range of new UCITS (Undertaking for Collective Investment in Transferable Securities) funds, including the SC Global Small Cap Equities Fund, the SC China Equity Fund, and the SC Global REITs Passive Fund. We also continued to migrate our existing Luxembourg-domiciled SIF funds to UCITS, demonstrating our commitment to achieving global growth and investor trust.

I take this opportunity to thank the Saudi Arabia's wise leadership, led by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud - may Allah protect them - for their unlimited support and counsel.

On behalf of the Board of Directors, I extend sincere thanks to the firm's management and employees and congratulate you on the results achieved during this pivotal year.

Thanks are also due to our shareholders, our regulators in Saudi Arabia, Luxembourg, and the UAE, and, of course, our clients and investors. We look forward to rewarding your trust by continuing to generate outstanding returns while always safeguarding your interests.

**A major highlight of the year was the inauguration of our new Riyadh office, which was commemorated in October with a gala event in Diriyah for the firm's clients and business partners.**

**Abdullah Baarmah**  
Chairman



## Board of Directors



**Abdullah Baarmah**  
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.



**Rayyan Nagadi**  
Vice Chairman

Eng. Nagadi is CEO of SEDCO Holding. He was previously an advisor to His Excellency the Minister of Finance and currently serves on the boards and executive committees of several companies including the Capital Market Authority's Advisory Committee.

Eng. Nagadi brings more than 20 years of experience in both the public and private sectors, leading mega projects in various sectors including banking, public utilities, petrochemicals, infrastructure and building materials.

He holds a Bachelor's Degree in Applied Electrical Engineering from King Fahd University of Petroleum & Minerals (KFUPM), Dhahran, Saudi Arabia.



**Khalid Al-Gwaiz**  
Board Director

Mr Al-Gwaiz has more than 40 years' experience in banking, business, and strategic management. He is Chairman of the Board at Riyadh Cables, chairs the Executive Committee, and is a member of the Nomination and Remuneration Committee. Additionally, he serves on the Boards of Bawan Company, Al Rajhi Bank, and SPIMACO.

Mr Al-Gwaiz's career has included key management positions at ACWA Holding, Samba Financial Group, Arab National Bank, and the National Company for Cooperative Insurance.

He received his Bachelor's degree in Urban Planning from the University of Washington in Seattle, Washington, USA.





**Ahmed Aljasser**  
Board Director

Mr Aljasser's 29-year career includes leadership roles in the investment and banking sectors, focusing on capital markets, fund management, insurance, audit, risk management, and corporate governance.

He is currently Deputy Governor of the National Development Fund and is a distinguished member of the boards and executive committees of numerous public, semi-public, and private entities. These include the Saudi Fund for Development, Saudi Post, Saudi Venture Capital Company, Saudi Mortgage Guarantee Services Company (Dhamanat), Arab Sea Information Systems, SPL Digital Services Company, and the King Abdullah Endowment for KAA & Patriots Foundation.

Mr Aljasser holds a Bachelor's in Industrial Management from King Fahd University of Petroleum and Minerals, Dhahran, 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.



**Ossama Banaja**  
Board Director

Mr Banaja is Chief Direct Investments Officer of SEDCO Holding. He also serves on multiple boards and executive committees, including Saudi Entertainment Ventures (SEVEN), National Unified Procurement Company (NUPCO), Pharmaceuticals Investment Company, Uptown Jeddah Company, Red Sea Cruise Company, and Noon.

He has 16 years of experience in private equity and investment banking where he managed a variety of principal investments and served in several strategic roles including Director of Local Holdings Investments at the Public Investment Fund (PIF), Vice President of Private Equity at Jadwa Investment, and AVP of Private Equity at Partners Group.

Mr Banaja has an MBA from New York University, USA.

## CEO's Message

**In 2023 we achieved outstanding results in international public equity, with our Luxembourg-based client portfolio growing by 21.3%.**

**Samer Abu Aker**  
Chief Executive Officer



**Throughout 2023, SEDCO Capital maintained its growth trajectory and resilience, achieving a number of milestones across our business lines and asset classes amid macroeconomic and geopolitical challenges in the international markets.**

In liquid assets, we delivered solid performance across all asset classes: money market (+4.6%), sukuk (+5.1%), private infrastructure (+4.6%), and leasing (+6.5%). The SC Global Sukuk fund continued its stellar performance, achieving strong AUM growth of 17%. In private infrastructure - a recent addition to our offerings - we fully deployed a new mandate into three promising investment opportunities.

SEDCO Capital's regional public equity AUMs grew by 15% in 2023, and two new DPM mandates were secured. We outperformed the benchmark, with the firm's income and growth strategies delivering 6.45% and 7.50% respectively.

We achieved outstanding results in international public equity, with our Luxembourg-based client portfolio growing by 21.3%. Our largest offering on the SCLux platform - the SC US Equities Passive Fund - delivered a remarkable return of 33.8%, outperforming the S&P 500 Index by 7.5%. The LO Global ESG Equities Fund returned 30.2%, placing it in the top decile of global funds for 2023.

Our private equity funds also achieved a record year, with total client distributions of USD 115 million. On a three-year annualized basis, our private equity funds outperformed the benchmark of +2.5% by 187 bps.

We made three new private equity co-investments while achieving partial or full exits in four portfolio companies and generating gross returns of 2.9x MOIC and 28.8% IRR. The new investments included Rocket, a Brazilian tire distributor and retailer with a rapidly growing omnichannel e-commerce platform, and Beacon, a US-based global manufacturer of fire safety and emergency communication equipment.

In domestic real assets, we achieved a 41% net return to investors following our successful exit of the SEDCO Capital Built-To-Suit Real Estate Fund I. In mid-2018, the fund commenced operations, acquiring two education-zoned plots in Jeddah's Al-Shati District to develop two campuses to be operated by Al-Yusr International School.

Following growing market interest in acquiring the properties, the fund's Board approved their divestment. Post-liquidation, the fund was expected to achieve an equity multiple of 1.41x for investors in the form of dividends and capital gains distribution.

We also launched five new real estate funds during the year, including the Rikaz SEDCO Capital Fund, the SEDCO Capital Ajdan Fairmont Fund, the SEDCO Capital Grand Square Fund, the MASAR SEDCO Capital Real Estate Fund, and the SEDCO Capital Inspire Boulevard Fund. The latter saw more than 13,600 investors contribute SAR 250 million through the Aseel fundraising platform.

The Inspire Boulevard Fund emerged as the largest Shariah-compliant fund raised in the Saudi fintech landscape, reaching this landmark in a record-breaking six hours.

Internationally, we completed the sale of six real estate assets in the USA, UK, and

Europe. These included the British International School of Houston, for USD 82 million; ABC West in Germany; New Malden and Waterside House in the UK; Coral Landings III in the USA; and the Avio property in the Netherlands.

In September, we were honored to receive the Global Islamic Finance Award (GIFA) for Market Leadership (Islamic Asset Management) for 2023.

We published the firm's first Task Force on Climate-Related Financial Disclosures Report in August. Then, in November, we participated in COP28 - the first COP event hosted in the Middle East. Our Chief Risk Officer spoke at the Global Ethical Finance Initiative (GEFI) COP28 panel, entitled 'Path to COP28 - Unlocking Islamic Finance,' about the practice of sustainable Islamic investing.

Looking toward 2024, we are making good progress on the firm's strategy and governance reviews, and I anticipate a busy and exciting year ahead while working on a healthy pipeline of new strategic initiatives and investment offerings.

As always, I acknowledge the vital guidance provided by the Capital Market Authority (CMA) in Saudi Arabia, the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, and the Dubai Financial Services Authority (DFSA).

Finally, I thank the Board of Directors for their wise counsel, as well as all members of our ever-growing team. Throughout 2023, they demonstrated the world-class knowledge, experience, and dedication that have become SEDCO Capital's hallmark.

## 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.



**Abdulwahhab Abed**  
Chief Business  
Development Officer

Mr. Abed is the Chief Business Development Officer, marking the latest chapter in his 17-year tenure with SEDCO Capital. He chairs the Company's Product Development Committee and sits on the Investment and Management Committees

His long experience with SEDCO Capital makes him particularly skilled in strategy development for private equity funds and co-investments. Previous roles at the firm 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**  
Chief Financial Officer

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.



**Rayan Habis**  
Chief Human Resources Officer

Mr 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.



**Akram Aljehani**  
Chief Business Development Officer

Mr Aljehani joined SEDCO Capital in 2023 as Chief Business Development Officer. He has more than 28 years of experience in wealth and asset management and has overseen an investor network comprising high-net-worth individuals, family offices, and institutional investors. In addition to asset management, his expertise extends to corporate and private banking.

He previously served as Executive Director and Head of Wealth Management at UBS Saudi Arabia. Prior to this, he held several Executive Director positions at global financial institutions including Citi-SAMBA, Credit Suisse, Saudi Fransi Capital, and UBS Bank in London, Bahrain and the UAE.

Mr Aljehani holds a Master's in Marketing Management from Middlesex University, UK. He is also a member of Young Arab Leaders, the Arab Bankers Association, and the Chartered Institute of Marketing.



**Montaser Foudah**  
Chief Governance and Compliance Officer

Mr Fouda joined SEDCO Capital in 2023 as Chief Governance and Compliance Officer. With more than 24 years' experience in investment and banking, he is a Certified Compliance Officer (CCO), Certified Wealth Manager (CWM) and Certified Financial Planner (CPFP).

Before joining SEDCO Capital, he was Head of Governance, Compliance and MLR at Watani Wealth Management (2017-2023). From 2007 to 2016, he held various roles at Alkhabeer Capital, including Head of Custody and Awqaf, Deputy Chief Risk and Compliance Officer, Head of Governance and Compliance, and Vice President of Wealth Management. Mr Foudah was Acting Head of the Financial Planning and Remuneration Program Unit, and Senior Client Advisory Manager at The National Commercial Bank.

Mr Foudah has a Bachelor's degree in Business Administration (1999) from King Abdulaziz University.



**Anas Baksh**  
Head of Internal Audit

Mr Baksh joined SEDCO Capital in 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.



# Business Review



## 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

The firm offers expert advice to investors seeking returns and capital appreciation from Shariah-compliant money markets, Sukuk, leasing, and infrastructure investments. We manage [two] flagship funds - one a local money market fund and the other in global Sukuk - and oversee a number of discretionary mandates.

In 2023, we delivered a solid performance across all Income Asset classes: money market (+4.6%), Sukuk (+5.1%), private infrastructure (+4.6%), and leasing (+6.5%). The SC Global Sukuk fund continued its stellar performance, on an annualized 5-year basis, achieving strong AUM growth of 17% during the year. In private infrastructure, a recent addition to our offerings, we fully deployed a new mandate into three promising investment opportunities.

Looking forward, money market investments are well positioned to benefit from current high interest rates, an expected delay in the Federal Reserve's easing of monetary policy, and increasing demand for deposits by Saudi banks.

Despite a volatile start to 2024 for Sukuk, the outlook for the year remains positive, mainly due to higher profit rates, strong and growing structural demand for Sukuk, and potential price gains driven by the interest rate cuts expected later in the year.

As our leasing and private infrastructure programs continue to perform well, private income assets are expected to deliver their targeted returns in 2024, supported by their essential nature and the high credit quality of both programs' counterparts. We note that residual value risks remain important to our leasing program, especially with the expected liquidation of one of the funds in the program by the end of 2024.

### Public Equity

#### Regional Public Equity

SEDCO Capital outperformed the benchmark and target returns across all regional public equity strategies in 2023, with our relative return strategy generating an alpha of 1.17% and our REIT strategy achieving an alpha of 1.7%. Income and growth strategies delivered excess returns, of 6.45% and 7.50% respectively.

This performance was achieved by adopting a multi-faceted approach, without excessive reliance on IPOs, through our stock selection across the portfolio size spectrum. Large caps contributed to higher alpha for large DPMs and small- to mid-caps contributed to higher alpha for growth strategy DPMs.

In 2023, the firm's regional public equity AUMs grew by 15% to USD 278.5 million and two new DPM mandates were secured.

These impressive results were achieved by utilizing fully automated back-end processes. Following the earlier automation of our front office functions, SEDCO Capital can manage more than 100 DPMs concurrently, thus providing a highly efficient service to our clients. Our new and established team members now ensure truly end-to-end portfolio management.

Looking ahead to 2024, we plan to launch several new products, further diversifying the firm's regional public equity offerings. We believe rates will remain largely unchanged, although 2025 may see aggressive cuts of up to 200 bps. We foresee global and local markets factoring in the rate cuts, especially if the US reaches its inflation target of 2% by 2026.

Against this backdrop, national level project announcements and updates may keep the local market focused on mid- to small-cap stocks, while the banking and petrochemical sectors should see healthy growth from the second half of 2024 onwards.

# 17%

The SC Global Sukuk fund continued its stellar performance, on an annualized 5-year basis, achieving strong AUM growth of 17% during the year.



# USD 278.5mn

The firm's regional public equity AUMs grew by 15% to USD 278.5 million and two new DPM mandates were secured.



## Business Review

### International Public Equity

After facing challenging market conditions in 2022 - coinciding with the highest surge in inflation for four decades - global stock markets rebounded in 2023. Consequently, our client equity portfolio grew by 21.3% over the year.

The recovery was driven by a robust US economy, better-than-expected corporate earnings, a surge of new AI and other technologies, and the apparent end of the Federal Reserve's interest rate hikes.

2023 was a pivotal year for SEDCO Capital's Luxembourg-based UCITS platform. We transferred a significant number of existing SIF funds to UCITS and successfully launched several new funds, including the SC Global Small Cap Equity Fund, the SC China Equity Fund, and the SC Global REITs Passive Fund.

Our Luxembourg platform (SCLux) AUMs reached USD 2.0 billion by the end of 2023, up from USD 1.75 billion in 2022. SCLux funds delivered strong relative returns, compared to industry peers.

Our largest offering on the platform - the SC US Passive Fund - delivered a remarkable return of 33.8%, outperforming the S&P 500 Index by 7.5%. The LO Global ESG Equities Fund returned 30.2%, placing it in the top decile of global funds for the year. Additionally, the SC Europe Equity Fund delivered a 28.5% return, outperforming its benchmark by 9%.

We enter 2024 with cautious optimism. Despite challenges stemming from central bank policies and persistent inflation, the resilience of certain economic sectors and a number of technological innovations may present opportunities for investors.

We expect to migrate all remaining SCLux funds to UCITS during 2024. In addition, we plan to launch two new funds: the SC Global Quality Fund and the SC Global Technology Fund. These will provide clients with diverse investment opportunities by focusing on investments in financially sound companies and innovative tech sectors.



## Private Equity

### Private Equity Funds

SEDCO Capital invests in private equity funds valued between USD 250 million and USD 1 billion. We focus on mid-market and value-add managers who offer deep sector focus in the healthcare, technology and consumer sectors. Our portfolio continues to move closer to its target 70/30 geographic split between developed and emerging markets.

In accordance with our Shariah and ESG guidelines, the firm avoids funds that deal in non-ethical activities or hold a large proportion of portfolio companies with leverage ratios of 33% or higher.

Despite the challenging economic conditions, SEDCO Capital's private equity funds achieved another record year in 2023, with total client distributions of USD 115 million. On a three-year annualized basis, our private equity funds outperformed the benchmark of +2.5% by 187 bps.

We achieved these results by offering private equity investments aligned with the firm's strategy and market demand. During the year we committed to an India-based education-technology fund with an audited net multiple of 2.45x, as of Q4 2023.

Looking ahead, our strategic growth will be largely driven by opportunities in regional private equity. We recognize the growing opportunities to effectively harness local markets, while increasing our efforts to identify potential international co-investments by leveraging the firm's global network.

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# 187bps

On a three-year annualized basis, SEDCO Capital's private equity funds outperformed the benchmark of +2.5% by 187 bps.



### Private Equity Co-investment

SEDCO Capital made three new co-investments in 2023, while achieving partial or full exits in four portfolio companies.

The new investments included Beacon, a US based global manufacturer of fire safety and emergency communication equipment; and Rocket, a Brazilian tire distributor and retailer with a rapidly growing omnichannel ecommerce platform. The four partial or full exits we completed generated gross returns of 2.9x MOIC, and an IRR of 28.8%.

The firm's co-investment team continues to seek attractive opportunities in fast-growing companies, focused on identifying quality businesses with relatively low leverage and favorable valuations.

### Real Assets

At SEDCO Capital, we offer both private and institutional clients a comprehensive suite of real estate asset management services and products, leveraging our advanced asset allocation expertise and fund-structuring capabilities. Our dual objectives are to identify potential investment opportunities and create a diversified portfolio to maximize returns and minimize risks.

### Regional Real Estate

In the MENA region, our strategy focuses on identifying and capitalizing on Shariah-compliant real estate investment opportunities and developing portfolio strategies designed to deliver robust risk-adjusted returns. Our portfolio is designed to meet the investment needs of a diverse range of investors, encompassing various risk profiles and spanning multiple sectors, including residential, retail, office, hospitality, mixed-use, and education.

Building on the momentum we gained throughout 2022, we successfully completed our second capital increase for SEDCO Capital REIT Fund (SC REIT). In addition, buoyed by the positive market outlook for public and private diversified real estate funds, we embarked on two key initiatives in 2023:

SC REIT expansion strategy - this involved identifying and assessing real estate properties that align with the fund's investment strategy and objectives.

New line of real estate development funds - we formed strategic partnerships with reputable developers and collaborated with established land bank owners to develop market-driven projects in the Kingdom's primary cities. This initiative was primarily driven by the rising interest rates observed in the market.

The firm also structured and successfully launched five new real estate development funds in 2023, encompassing a diverse range of investment opportunities. These include:

**Rikaz SEDCO Capital Fund** - a real estate investment fund (target size: SAR 372.2 million) that aims to acquire two vacant land plots in prime areas of Al-Khobar. These will be utilized to develop the Sakaya Residence apartment complex and RIKAZ Uptown, a mixed-use project.

**SEDCO Capital Ajdan Fairmont Fund** - a real estate private equity fund (target size: SAR 445 million) that aims to develop a five-star seafront luxury hotel - the Fairmont Ajdan Al-Khobar - through a regulated investment vehicle to achieve capital growth.

**SEDCO Capital Inspire Boulevard Fund** - a real estate crowdfunding fund (target size: SAR 560 million) that aims to develop a commercial business park, including support retail, on one of Riyadh's main arterial roads. Equity financing was obtained through Aseel, an online crowdfunding platform.

**SEDCO Capital Grand Square Fund** - a real estate investment fund (target size: SAR 1.03 billion) that aims to develop a vacant plot of land located on King Abdulaziz Road in Jeddah. Grand Square is a mixed-use development project that will include residential (for sale), support retail, hospitality, and office spaces.

**MASAR SEDCO Capital Real Estate Fund** - a real estate investment fund (target size: SAR 1.11 billion) that aims to develop a four-star hotel within Makkah's MASAR Destination Masterplan. This will be conducted through a regulated investment vehicle to achieve capital growth and sustainable income.



## Business Review

In reviewing the firm's current portfolio, it is evident that SC REIT continues to deliver healthy performance, mainly characterized by high occupancy rates. The fund continues to deliver cash distributions aligned with its target dividend policy.

Looking forward, particularly in light of the rising interest rates witnessed throughout 2023, SEDCO Capital's Regional Real Estate team will continue to provide a variety of new real estate development funds across the region.

Illustrating the significant progress made in 2023, our team has already secured Memorandums of Understanding - collectively valued at between SAR 1 billion and SAR 2 billion - for several prospective real estate development funds that are expected to come onstream in 2024-2025. Furthermore, we are committed to the ongoing assessment and acquisition of high-quality, income-generating assets for the SC REIT Fund.

### International Real Estate

Our International Real Estate team operates globally from the firm's offices in London and Jeddah, with platform support from the firm's Luxembourg office. With assets in the US, UK, and continental Europe, the firm manages and invests in commercial real estate, mainly high-quality office, multi-family, industrial/logistics, and healthcare properties in gateway cities.

In 2023, we completed the sale of six properties in the USA, UK, and Europe. These include the British International School of Houston for USD 82 million, resulting in a cash-on-cash return of 9.5% and an IRR of 9%, net of fees and taxes. Following the sale of ABC West in Frankfurt, Germany, the USD 30 million proceeds were invested in the SC Money Market Fund. We also completed the sale of our New Malden property and Waterside House, both in the UK; Coral Landings III, a neighborhood retail center in Florida, USA; and the Avio property in the Netherlands.

Favorable refinancing terms were negotiated for two French properties - Convergence Building in Rueil-Malmaison and Levallois-Perret, both in Paris - as well as the Eddie Stobart warehouse in the UK, and the 150 Minuteman Road office building in Massachusetts, USA.

We secured a loan modification for the 1899 Pennsylvania Avenue office building in Washington, DC. The initial capex plan was finalized and demolition works were commenced, with the building permit application also submitted.

Construction of The Village, an assisted-living and memory-care facility in Texas, USA, was completed, with an impressive 91.5% occupancy achieved by the end of 2023.

### 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.

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

The key disciplines that contribute to an investment's performance - 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.

We continued to seek ways of improving our disciplines to achieve a consistent overall performance. To this end, the introduction of Bloomberg Automation has helped to reduce the time spent on manual reconciliations.

# 91.5%

Construction of The Village in Texas was completed, with 91.5% occupancy achieved by the end of 2023.







As well, we successfully implemented the newest equipment from ZATCA E-Invoicing for linking invoices with the provided timeline. We also delivered all required reports and data to regulators within the required timelines.

Our targets for 2024 are to enhance efficiency by automating inputs in the NAV calculation process for managed funds, and by streamlining our clients' balance confirmations.

### Advisory

SEDCO Capital'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.

The firm's outstanding achievement in 2023 was securing six new DPM relationships. The advisory team also maintained its engagement with long-standing investors, keeping them abreast of market trends.

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 re-balancing; and managing gaps in the portfolio structure.

We facilitate our clients' investment decisions by providing access to the advisory team's exceptional 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.

# 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 business development, risk management, finance and treasury, compliance, Shariah monitoring and governance, operations, human resources, IT, business continuity, internal audit, product development, legal, middle office, and marketing and communications.

### Business Development

Leadership in Prudent Ethical Investing sits at the heart of SEDCO Capital's corporate culture, underpinned by our skill in strategic business development and tailoring innovative products to meet 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 2023.

### Regional Business Development

Throughout 2023, SEDCO Capital secured a number of new investment mandates from Saudi Arabia based endowments, charitable foundations, family offices, and ultra-high net worth individuals, including a record 13 new Discretionary Portfolio Management (DPM) client relationships.

In regional public equity, our assets under management grew remarkably by 70% and, close to the year-end, we completed SC REIT's second capital increase of SAR 600 million, bringing its market value to around SAR 2.5 billion.

By the end of December, 50,477 Saudi and foreign investors were shareholders in SC REIT, which is publicly listed on the Saudi Exchange (Tadawul).

In income assets, our future plans include a structured product to provide clients with efficient access to diverse investment ideas, and the launch of three new funds: SC Global Sukuk Feeder Fund, Al-Ittihad MMF, and SC Multi Asset Fund.

We have finalized plans to introduce a Shariah compliant leveraging facility for DPM clients, and 2024 promises to be equally positive for regional real estate, having now secured MoUs for real estate development funds - SAR 1 billion for four funds - which will become operational in 2024.

### International Business Development

SCLux raised a record USD 85 million from third-party clients during the year, with total assets under management remaining stable at about USD 1.75 billion. In terms of third-party assets under management, the scalability strategy of our Luxembourg platform has been validated.

In 2024, we will migrate our five remaining SIF funds to the new UCITS platform, having obtained regulatory approval during 2022. We are also progressing the launch of a new passive REIT fund, a global small cap fund, and an Asia growth equity fund. UCITS funds are perceived as safe and well-regulated investments and are popular among retail investors.

Our private equity co-investment team - now based at Dubai International Financial Centre (DIFC) - had an active year, completing three transactions. The investee companies are in the technology, human resources and F&B sectors, based in the Netherlands, UK and US respectively.

Close to the year-end, we announced the first closing of the SC Private Equity Global Co-Investment Master Fund II, with a target size of USD 175 million and a focus on co-investments in mid-market, high growth opportunities in the Americas, Europe and Asia.

### Risk Management

In 2023, SEDCO Capital successfully published its first Task Force on Climate-Related Financial Disclosures (TCFD) report. In addition, we completed the United Nations Principles for Responsible Investment (UNPRI) annual assessment, achieving scores ranging from 89-100%. Most notably, we achieved a 5-star rating in most categories.

We contributed to the firm's thought leadership role on Prudent Ethical Investment (PEI) by presenting on seven conference regional panels during the year. Highlights were Chief Risk Officer (CRO) presentations at 'Path to COP28' and the United Nations' UNCTAD World Investment Forum.

For the first time, Risk Management estimated carbon emissions for the firm's Luxembourg fund platform. We also conducted monthly risk reviews, completed annual service provider assessments, and undertook liquidity stress analysis for the Luxembourg platform.

In addition, the department conducted reviews of all Capital Market Authority (CMA) registered products and enhanced the operational due diligence process for investment managers, resulting in upgraded procedures aligned with the firm's asset management objectives.

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# SAR 2.5bn

In 2023 we completed SC REIT's second capital increase, bringing its market value to around SAR 2.5 billion.





## Corporate Review

Throughout the year we maintained our commitment to robust governance and risk management practices. This involved quarterly reviews and submissions of policies and procedures manuals; completion of annual Business Continuity Planning (BCP) training and tests; reviews of operational risk issues; and a series of cybersecurity penetration tests. Conflict-of-interest reviews were conducted and we completed a comprehensive review of the firm's policies and procedures manuals.

Risk Management plays a crucial role in risk governance, catering to institutional clients with heightened service requirements, and ensuring our asset management teams maintain robust risk-managed business processes to effectively meet these needs.

We evaluated a number of new investment opportunities, emphasizing the firm's reliable investment process, backed by data-driven decision-making. We also conducted independent assessments and evaluations of our external investment managers.

The current practice of desktop reviews was supplemented by regular due diligence meetings to underscore the governance of the investment process.

Looking ahead, we plan to utilize data analytics and artificial intelligence (AI) to enhance our risk management capabilities. This will involve proactive identification and mitigation of emerging risks such as cybersecurity, climate change, geopolitical instability, and technological disruptions. We will emphasize organizational resilience, given the current economic environment of uncertainty and complexity.

### Finance and Treasury

The Finance and Treasury Department oversees 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 counter parties. 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.

Throughout 2023, we worked to improve SEDCO Capital's return on investment, monitor costs, and maintain its financial strength. We maintained adherence to capital ratios to support the company's current activities and future plans.

Finance and Treasury will continue to work with other departments to implement the firm's strategies and achieve its goals by staying updated with new financial regulations in the Kingdom and attending various workshops and forums.

### Governance and Compliance

The Governance and Compliance 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) and the Commission de Surveillance du Secteur Financier (CSSF) for external compliance.

In 2023, the firm had no regulatory violations, due to our strict compliance with local and international regulations. The successful implementation of Anti-Money Laundering (AML) training programs for all employees has enhanced their awareness of the regulatory requirements and expectations.

We also ensure compliance with Shariah guidelines by aligning all activities, investments and operations within SEDCO Capital with the principles of Shariah law. To maintain this compliance, we collaborate the firm's internal Shariah Advisor and obtain approval from the Shariah Board. This ensures that guidelines are in line with Shariah principles and comply with regulatory standards.



## 5-star

In 2023 we completed the UNPRI annual assessment, achieving scores ranging from 89-100%. Most notably, we achieved a 5-star rating in most categories.



## 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; screening and selecting different service providers; and maintaining the Investment Book of Record (IBOR) and Accounting Book of Records (ABOR).

Throughout 2023, we developed new reports, utilizing e-Front (a technology solution for alternative investment management) and produced an updated and approved operations manual reflecting the latest e-Front processes.

In 2024, we will focus on developing the firm's new investor portal, collaborating with the IT Department. Our objectives are to enable clients to open their accounts online, update their KYC details, and facilitate their access to portfolio performance information. We aim to complete this important project by the end of 2024.

## Human Resources

The Human Resources Department's mission is to provide best practices and quality services to the firm's employees, while ensuring a unified culture. The department's main duties are to hire qualified personnel to predetermined standards; to create a healthy pipeline of future leaders and successors; to develop a training and development plan to promote individual success that will build the firm's overall value; and to offer a competitive reward and compensation scheme.

In 2023 we implemented the first phase of succession planning, identifying potential leaders and planning their development. The performance management system was upgraded and automated to reflect our SMART (specific, measurable, attainable, relevant and time-bound) objectives.

We finalized and approved the firm's updated Human Resources manuals, and conducted a workload analysis exercise across the company to identify work and structure gaps, mitigating our findings through organizational optimization.

In 2024 we aim to translate competencies into a learning journey for each employee, identifying how these competencies may impact the firm's overall corporate culture. An engagement survey and cultural assessment will be conducted to measure results.

## Information Technology

Information technology is a key strategic driver, 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, the firm has invested in technology, people, and processes, in collaboration with our vendors, to strengthen our security against such incidents. These enhanced cybersecurity measures include robust security protocols with state-of-the-art tools to protect sensitive data and systems from cyber threats.

In 2023, the department built the IT infrastructure and fully equipped the firm's new Riyadh office. We also initiated the investor portal project and conducted multiple cyber-security awareness workshops to increase employee awareness of cyber-security threats.

Looking toward 2024, we aim to launch the firm's new investor portal ahead of time. We will also implement a new customized Real Estate Information Service (REIS), enabling the firm's regional real estate team to more efficiently manage the properties under their management.

In addition, we will undertake a major upgrade of the self-service system used by employees with new features and functionality, including a mobile application.

## Business Continuity

SEDCO Capital has a Business Continuity Plan (BCP) that can be activated quickly in response to events that might have a significant impact on the business. Since the timing and impact of disasters and disruptions are unpredictable, we need to be flexible when responding to actual events as they occur. The BCP ensures the effective management of risk to enable the firm to operate with minimal disruption in the event of an incident.

We use employee training and testing to verify that the necessary resources for the recovery of all critical business functions are in place and can operate to the required recovery specifications. While using cost-effective and technologically proven systems, equipment and techniques, the Risk Department regularly updates the firm's recovery plans and technology to minimize the time required to recover from a disruption.

## Internal Audit

The Internal Audit Department serves as an independent, objective assurance and consulting function within our organization. Utilizing a systematic approach, the department conducts evaluations to assess the effectiveness of risk management, control, and governance processes, thereby enhancing the firm's operational efficiency.

The department is aligned with the professional standards established by the Institute of Internal Auditors and operates under the oversight of the Audit Committee, which is appointed by the Board of Directors. The purpose, authority, and responsibilities of the department are formally defined and approved in the Internal Audit Charter to ensure clarity and alignment with organizational objectives.

In 2023, all assignments and tasks - including regulatory reviews, process evaluations, and management requests - were completed in accordance with the risk-based audit plan approved by the Audit Committee. Audit findings and observations were presented to the committee, accompanied by management action plans and targeted closure dates. This highlights our commitment to fostering continuous improvement across the organization.

## Product Development

The Product Development Department turns ideas and insights into investment tools that align with market opportunities and investor appetites. We play a strategic role in developing and structuring new opportunities into innovative investment solutions.

Throughout the year, the department focused on expanding SEDCO Capital's local and international fund offerings, as well as expanding our investors' access in the local market through a number of initiatives.



## Corporate Review

The firm obtained regulatory approval to launch six new regional real estate private placement funds in 2023. In addition, we broadened the offerings available through our Luxembourg-based SEDCO Capital Global UCITS platform, launching several new strategies catering to diverse client segments - including retail investors - across multiple geographies.

We also established feeder funds with the Capital Market Authority (CMA) for two of our liquid strategies under the UCITS platform. This initiative simplifies the process for Saudi investors seeking UCITS compliant options, and further feeder funds are now being prepared.

In 2024 we will launch two further CMA regulated funds:

**SC Multi Asset Trade Fund** - a closed-ended traded fund, providing the opportunity to invest in a diversified global portfolio including various asset classes.

**SC IPO Fund** - a public fund focused on the Saudi IPO market.

In addition, several new regional real estate funds will explore new opportunities to contribute to SEDCO Capital's long-term growth objectives.

### 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 is dedicated to optimizing and reviewing all types of customer experience. It involves detailed assessment of content and design and bench marking against best practice to ensure the highest quality of investor reporting.

Given SEDCO Capital's diverse range of clients, the Middle Office is currently working on various report types tailored to meet individual client expectations.



The plan moving forward is to streamline and consolidate our client reporting by developing standard investor communications methods. However, for clients with special requirements, the Middle Office will continue to offer customized reporting solutions to meet their specific requests.

The Middle Office is committed to excellence in reporting quality and customer satisfaction, thereby reinforcing the firm's reputation for professionalism.

### Corporate Communications

In 2023, SEDCO Capital was selective about its marketing and communications activities. We endeavored to maintain the momentum of previous years, optimally positioning the firm by engaging various stakeholders through corporate communications, media engagement, events and conferences, and social media.

Early in the year, the Chief Executive Officer delivered a speech at the second edition of the Saudi Capital Market Forum, outlining the exciting opportunities in asset management and trends driving the sector's growth in Saudi Arabia and internationally. This event gained widespread coverage and contributed to raising the firm's profile.

Later in the year, we made headlines at the Financial Sector Conference by announcing our partnership with Rikaz Properties to create a closed-end real estate development fund valued at SAR 372.2 million. The firm also sponsored the AIM Summit in [Dubai], which the firm's executives attended to network with major regional and global players in the alternative asset management industry.

In November 2023, the UAE hosted COP28. In line with SEDCO Capital's Prudent Ethical Investment initiative, it was important from a corporate-positioning perspective to contribute to this narrative. The firm's Chief Risk Officer spoke at the Global Ethical Finance Initiative (GEFI) COP28 panel, entitled 'Path to COP28 - Unlocking Islamic Finance,' about the practice of sustainable Islamic investing.

Throughout the year, we engaged in various deal-related announcements, such as SEDCO Capital's successful exit of its Built-To-Suit Real Estate Fund I and the completion of SC REIT's capital expansion.

We published a number of thought leadership pieces during the year, including a Q&A in Citywire Middle East regarding money market funds, which was authored by the firm's Head of Income Assets.

SEDCO Capital appeared in Forbes China's article entitled 'Made in Saudi Arabia' that explained SEDCO Capital's positioning to the Chinese market in terms of Shariah-compliant investing, its various offerings, opportunities in China, the asset management implications of Vision 2030, the development of Saudi Arabia's capital markets, and ESG.

We also continued to build the firm's social media presence throughout the year, creating engaging and strategic content and connecting with broader audiences on platforms like Twitter and LinkedIn. By sharing key findings and creative visuals in our Eyes on Markets report, we elevated the attractiveness of our monthly market analysis, promoting SEDCO Capital as a thought leader.