

## Information Memorandum

18 March 2021

# Principal Islamic USA Property Fund

**Manager** : **Principal Islamic Asset Management Sdn. Bhd.**  
(Registration No. 199101007531 (217841-M))

**Trustee** : **HSBC (Malaysia) Trustee Berhad**  
(Registration No. 193701000084 (1281-T))

This Information Memorandum of the Principal Islamic USA Property Fund is dated 18 March 2021.

This Fund was constituted on 11 March 2021.

**SOPHISTICATED INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS INFORMATION MEMORANDUM BEFORE SUBSCRIBING TO THE UNITS OF THE FUND. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

# ABOUT THIS DOCUMENT

This is an Information Memorandum (as defined herein) which introduces you to **Principal Islamic Malaysia** (as defined herein) and the Principal Islamic USA Property Fund, or the **Fund** which is a closed-end wholesale fund. This Information Memorandum outlines in general the information you need to know about the Fund and is intended for the exclusive use of the prospective Sophisticated Investor (as defined herein) who should ensure that all information contained herein remains confidential. All references to “us”, “we”, “our” and “ourselves” in this Information Memorandum are to Principal Islamic Malaysia, save where the context otherwise requires.

This Information Memorandum is strictly private and confidential and solely for your own use. It is not to be circulated to any third party. No offer or invitation to subscribe for or purchase the units of the Fund, the subject of this Information Memorandum, may be made to anyone who is not a Sophisticated Investor.

If you have any questions about the Fund, please call our **Institutional and International Sales** at **(603) 2084 8888** on any Business Day between 8:45 am and 5:45 pm (Malaysian time) on Mondays to Thursdays and between 8:45 am and 4:45 pm (Malaysian time) on Fridays (except on Kuala Lumpur public holidays).

## Responsibility Statement

This Information Memorandum has been reviewed by the authorised committee approved by the board of directors of Principal Islamic Malaysia. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements or omissions of other facts which would make any statement in this Information Memorandum false or misleading.

## Statement of Disclaimer

The relevant information and document in relation to the Fund, including a copy of this Information Memorandum has been lodged with the Securities Commission Malaysia under the Lodge and Launch Framework.

The lodgement of the relevant information and document in relation to the Fund, including this Information Memorandum, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Information Memorandum.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Islamic Malaysia’s responsibility for the Principal Islamic USA Property Fund and takes no responsibility for the contents of this Information Memorandum. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Information Memorandum, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

The Fund has been certified as Shariah-compliant by the Shariah Adviser appointed for the Fund.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

## Forward-Looking Statements

Certain statements in this Information Memorandum constitute “forward-looking statements”, which can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “would”, “could”, “should”, “seeks”, “approximately”, “intends”, “plans”, “projects”, “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases. Furthermore, any projections, targets or other estimates in this Information Memorandum, including estimates or targets of return or performance, are “forward-looking statements”.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Manager or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which the Fund and the Manager will operate in the future. Because these statements reflect the current views of the Manager concerning future events, these statements necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements. You should not place any undue reliance on these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of future events, new information or otherwise, subject to compliance with all applicable laws and regulations and/or the rules of the Securities Commission Malaysia and/or any other relevant regulatory or supervisory body or agency.

# DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Information Memorandum:

Blocker LLC	- A Delaware limited liability company, of which SPV 3 will own 95% of the value and SPV 2 will own 5% of the value and 100% of the voting power.
Business Day	- Mondays to Fridays when banks in Kuala Lumpur, Malaysia are open for business. <b>Note:</b> The Manager reserves the right to declare any day to not be a Business Day. This information will be communicated to you via our website at <a href="http://www.principalislamic.com">www.principalislamic.com</a> . Alternatively, you may contact our Institutional and International Sales at (603) 2084 8888.
Capital Call	- A call made by us for Capital Contribution to be made by a Unit Holder pursuant to a Capital Call Notice.
Capital Call Notice	- A notice issued by us to a Unit Holder to make a Capital Contribution to the Fund.
Capital Commitment	- In respect of each Unit Holder, the amount of such Unit Holder's commitment to make Capital Contribution to the Fund as set forth in such document (the form and content of which to be determined by us) and as accepted by us and, where applicable, any increase of such amount agreed.
Capital Contribution	- In respect of each Unit Holder, the amount contributed by such Unit Holder to the Fund pursuant to a single Capital Call Notice or the aggregate capital contributed, as the context may require.
Commodities	- Any Shariah-compliant commodity being either non-precious metals (excluding gold and silver), or other commodities traded on the Bursa Suq Al-Sila' or such other commodities trading platform, as approved by the Shariah Adviser.
Commodity Purchase Price	- The purchase price payable by the Trustee to the commodity broker for each purchase of Commodities by the Trustee.
CMSA	- Capital Markets and Services Act 2007.
Deed	- The principal and all supplemental deeds in respect of the Fund made between us and the Trustee, in which Unit Holders agree to be bound by the provisions of the Deed.
Final Closing Date	- The last date of the Offer Period, being the last day on which we accept subscriptions for units of the Fund.
Fund	- Principal Islamic USA Property Fund.
Information Memorandum	- This information memorandum in respect of the Fund and includes any addendum and/or supplemental to the information memorandum or replacement information memorandum, as the case may be.
Initial Offer Date	- 18 March 2021 (or such other date as may be determined by us), being the first day on which we accept subscriptions for units of the Fund.
Investment Period	- A period of 2 years from the Final Closing Date (or such other period as may be determined by us) during which we are permitted to make Capital Calls.
Islamic Funding Arrangements	- The Islamic funding arrangements as described in section 3.1 of this Information Memorandum.
LOLA	- SC Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.
LPD	- Latest Practicable Date i.e. 31 January 2021, in which all information provided herein, shall remain current and relevant as at such a date.
Management Fee	- A percentage of the NAV of the Fund that is paid to us for managing the Fund.
Manager or Principal Islamic Malaysia	- Principal Islamic Asset Management Sdn. Bhd.
Maturity Date	- The date on which the Fund automatically terminates, which shall be the 10th anniversary of the Final Closing Date. The Maturity Date may be extended by one additional period of 1 year by way of a Special Resolution.
Murabahah	- A contract of sale and purchase of assets whereby the cost and profit margin (mark-up) are made known to the buyer.
Murabahah Agreement	- The Commodity Murabahah Agreement entered into between the Trustee (in its capacity as trustee of the Fund) and SPV 1 for the purchase and sale of the Commodities, the proceeds of which are to be invested by SPV 1 into SPV 3 for indirect investment into the Real Estate Portfolio.
Murabahah Transaction	- The contract for the sale of Commodities by the Trustee (following a purchase from the Commodity Supplier) and the purchase of those Commodities by SPV 1 at the Murabahah Sale Price (which are on-sold to the Commodity Buyer) on deferred payment terms (the terms "Commodity Supplier" and "Commodity Buyer" are as defined in paragraph 3 of section 3.1 of this Information Memorandum).
Murabahah Sale Price	- The sale price payable by SPV1 to the Trustee, for the purchase of the Commodities on a deferred payment basis in a single payment at maturity date as set out in each of the Murabahah Transaction, which shall be an amount equivalent to the relevant Commodity Purchase Price plus the aggregate profit margin and determined prior to the sale of the relevant Commodities to SPV 1.
Musawamah	- A contract of sale and purchase of assets where the selling price of the asset is negotiated between the seller and the buyer, where the cost price is not disclosed or made known to the buyer.
Musawamah Agreement	- The Commodity Musawamah Agreement entered into between the Trustee (in its capacity as trustee of the Fund) and SPV 1 for the purchase and sale of the Commodities to capture any shortfalls in, or any realizations in excess of the aggregate Murabahah Sale Prices due to the Trustee, which are indirectly attributable to the actual realizations made from the Real Estate Portfolio.

Musawamah Transaction	- The contract for the sale of Commodities by either SPV 1 or the Trustee (as applicable) (following a purchase from the Commodity Supplier) and the purchase of those Commodities by either the Trustee or SPV 1 (as applicable) (which are on-sold to the Commodity Buyer) at the Musawamah Sale Price.
Musawamah Sale Price	- The sale price set out in the relevant Musawamah Transaction.
MYR	- Malaysian Ringgit.
NAV	- Net Asset Value.
NAV of the Fund	- The NAV of the Fund is the value of all the Fund's assets less the value of all the Fund's liabilities, at the point of valuation.
NAV per Unit	- The NAV attributable to a unit divided by the number of units in circulation for the Fund, at the valuation point.
Offer Period	- A period of 6 months from the Initial Offer Date during which we will accept subscriptions for units of the Fund. The Manager shall have the discretion to extend this period as it may determine from time to time.
Property Asset Manager or PrinREI	- Principal Real Estate Investors LLC.
Property Asset Management Fee	- A percentage of the NAV of the Fund that is paid to the Property Asset Manager to manage the Real Estate Portfolio.
Property LLC	- A Delaware limited liability company, which will be 100% owned by a Blocker LLC.
Property Manager	- Such third-party property management and leasing service providers that are appointed for the day to day management, maintenance and servicing of the Real Estate Portfolio.
Real Estate Portfolio	- All real estate property owned by all Property LLCs at any such relevant time.
SC	- Securities Commission Malaysia.
Shariah	- Islamic law, originating from the Qur'an (the holy book of Islam), and its practices and explanations rendered by the Prophet Muhammad (pbuh) and ijihad of ulama' (personal effort by qualified Shariah scholars to determine the true ruling of the divine law on matters whose revelations are not explicit).
Shariah Adviser or Amanie	- Amanie Advisors Sdn. Bhd.
Sophisticated Investor	- Refers to investors as we determine as qualified or eligible to invest in the Fund and that fulfil any laws, rules, regulation, restrictions or requirements imposed by the respective country's regulators where the Fund is open for sale. For investors in Malaysia, this refers to any person who falls within any of the categories of investors set out in Part 1, Schedule 6 and 7 of the CMSA.
	In addition, the investors will have to meet the requirements stated in Section 5.4 of this Information Memorandum.
	<b>Note:</b> For more information, please refer to our website at <a href="http://www.principalislamic.com">www.principalislamic.com</a> for the current excerpts of Part 1, Schedules 6 and 7 of the CMSA.
Special Resolution	- A resolution passed by a majority of not less than three-fourth (3/4) of Unit Holders voting at a meeting of Unit Holders duly convened and held in accordance with the provisions of the Deed. For the purpose of terminating or winding up the Fund, a Special Resolution is passed by a majority in number representing at least three-fourth (3/4) of the value of the units held by Unit Holders voting at a meeting of Unit Holders duly convened and held in accordance with the provisions of the Deed.
SPV 1	- A Singapore private company limited by shares which is 100% owned by a Labuan purpose trust.
SPV 2	- A private company limited by shares which is associated with the Principal Financial Group.
SPV 3	- A Delaware limited liability company, which will be 100% owned by SPV 1.
Trustee	- HSBC (Malaysia) Trustee Berhad.
Trustee Fee	- A percentage of the NAV of the Fund that is paid to the Trustee for its services rendered as trustee for the Fund.
Unit	- An undivided share in the beneficial interest and/or right in the Fund as provided by the Deed.
Unit Holder	- The registered holder for the time being of a unit of the Fund.
U.S., US or USA	- United States of America.
USD	- United States Dollar.
US Structure	- Collectively SPV 3, each Blocker LLC and each Property LLC that hold and/ or control the USA real estate investments.
Wakalah	- A contract whereby a party, as the principal authorizes another party as his agent to perform a particular task on matters that may be delegated, with or without payment of a fee.
Wholesale Fund	- A unit trust scheme established in Malaysia where the units are to be issued, offered for subscription or purchase, or for which invitations to subscribe for or purchase the units are to be made, exclusively to Sophisticated Investors.

**Note:** *Unless the context otherwise requires,*

- *words importing the singular number should include the plural number and vice versa;*
- *words importing one gender should include all genders;*
- *any action or obligation which is required or falls to be done on a stipulated day, shall be done on the next succeeding Business Day, if that action or obligation is required or falls to be done on a day which is not a Business Day;*
- *unless otherwise indicated, any reference in this Information Memorandum to any rules, regulations, guidelines, standards, directives, notices, legislation or statutes shall be reference to those rules, regulations, guidelines, standards, directives, notices, legislation or statutes for the time being in force, as may be amended, varied, modified, updated, superseded and/or re-enacted from time to time;*
- *any reference to a time, day or date in this Information Memorandum shall be a reference to that time, day or date in Malaysia, unless otherwise stated. Reference to “days” in this Information Memorandum will be taken to mean calendar days unless otherwise stated;*
- *all references to currency amounts and unit prices in this Information Memorandum are in USD unless otherwise indicated.*

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# 1. FUND INFORMATION

## 1.1. EXECUTIVE SUMMARY

The Principal Islamic USA Property Fund is a closed-end fund with the primary objective of investing indirectly, through commodity Murabahah transactions (on the basis of Wakalah), in a portfolio of income-producing real estate in the USA catered to the middle-income working-class population. The Fund is structured to be Shariah-compliant as advised by Shariah Adviser.

The Fund is a Wholesale Fund, managed by Principal Islamic Malaysia. The Trustee of the Fund is HSBC (Malaysia) Trustee Berhad. The Shariah Adviser of the Fund is Amanie Advisors Sdn. Bhd.

The Fund's proceeds will be used to fund indirectly the Real Estate Portfolio in the USA which will be managed by Principal Real Estate Investors LLC as the Property Asset Manager who will be responsible for asset allocation and asset selection. The Property Asset Manager will provide asset management oversight of the Real Estate Portfolio and engage and oversee third party property management and leasing service providers. Such third-party service providers will be responsible for the day-to-day management, operation, maintenance and servicing of the properties, including negotiation, administration, enforcement of tenancy agreements and collection of rent, as well as leasing of units to tenants.

## 1.2. KEY TERMS OF THE FUND

<b>Fund Category/Type</b>	: Wholesale Fund (Real estate - Shariah-compliant)/ Income.
<b>Base Currency</b>	: USD.
<b>Fund Objective</b>	: The Fund seeks to provide income by long term yield-oriented indirect investments in apartment buildings in the USA, through Murabahah transactions (on the basis of Wakalah), catered to the middle-income working-class population, while conforming to Shariah principles. <i>We will require the approval of Unit Holders if there is any material change to the Fund's objective.</i>
<b>Target Size</b>	: USD 200,000,000 (or such other amount as may be determined by us).
<b>Initial Offer Date</b>	: 18 March 2021 (or such other date as may be determined by us).
<b>Offer Period</b>	: 6 months from the Initial Offer Date. The Manager shall have the discretion to extend this period as it may determine from time to time.
<b>Final Closing Date</b>	: The last date of the Offer Period.
<b>Investment Period</b>	: 2 years from the Final Closing Date (or such other period as may be determined by us) during which we are permitted to make Capital Calls.
<b>Maturity Date</b>	: 10th anniversary of the Final Closing Date. The Maturity Date may be extended by an additional period of 1 year by way of a Special Resolution.
<b>Leverage</b>	: The Fund will not be taking any financing directly. However, the entities in the US Structure may seek financing, including third-party mortgage loan(s) for any of the property under the Real Estate Portfolio for the purposes of enhancing returns. Upon procurement of such financing, the financing shall not exceed 60% of the gross asset value of the subject property.
<b>Distribution Policy</b>	: Quarterly, depending on the availability of realised income and/or realised gains and at our discretion. We have the right to make provisions for reserves in respect of distributions.

### Investment objective and strategy

The Fund will invest up to 100% of its NAV indirectly in the Real Estate Portfolio through commodity Murabahah transactions (on the basis of Wakalah). The characteristic of the underlying investment of the Real Estate Portfolio includes:

- (a) apartment buildings in the USA catered to the middle-income working-class population;
- (b) primarily apartment buildings that are located in suburban areas of the USA which have positive employment trends, and/or show favourable supply and demand fundamentals allowing satisfactory risk adjusted returns;
- (c) where the market rent is affordable for individuals or families that earn between 75-105% of the US Median Household Income within a 3-mile radius of the property; and/or
- (d) an apartment building is considered affordable if the rent obligation represents 20-35% of the resident's gross income.

On select properties, the strategy may be to provide certain interior or exterior enhancement to the property to achieve a higher rental rate and enhance the overall return profile.

### Asset allocation

Up to 100% of the Fund's NAV will be invested indirectly in the Real Estate Portfolio through commodity Murabahah transactions (on the basis of Wakalah). Minimum cash at bank will be maintained to operate the Fund's expenses.

### Shariah compliance

At all times, the Fund shall invest in activities and instruments that are permissible under the Shariah and shall not invest in activities and instruments that are prohibited under the Shariah based on the Shariah Adviser's established parameters. Please refer to section 3 below for further information on Shariah compliance.

## **Offer Period**

The Offer Period shall be a period of 6 months from the Initial Offer Date. The Manager shall have the discretion to extend this period as it may determine from time to time. We will only accept commitments for units of the Fund during the Offer Period. For avoidance of any doubt, no units will be created until the Final Closing Date.

The Fund is targeting aggregate Capital Commitment of USD 200,000,000. We reserve the right not to proceed with the Fund if the aggregate Capital Commitment does not equal or exceed USD 200,000,000 at the end of the Offer Period. The price per unit of the Fund will be fixed at USD 1.00 at the first Capital Call.

## **Initial Offer Date**

The Initial Offer Date shall be 18 March 2021 (or such other date as may be determined by us).

## **Final Closing Date**

After the Initial Offer Date, we may continue accepting commitments for units of the Fund until the Final Closing Date, which shall be no later than 6 months from the Initial Offer Date (or such other date as may be determined by us).

## **Closed-end fund**

The Fund is a closed-end fund. The aggregate Capital Commitment will be fixed at the end of the Offer Period, i.e. the Final Closing Date. Unit Holders will have no right to redemption of their units during the tenure of the Fund.

## **Investment Period**

The Investment Period shall be a period of 2 years from the Final Closing Date (or such other period as may be determined by us). We will only make Capital Calls during the Investment Period.

## **Tenure of the Fund**

The Fund will automatically terminate on the Maturity Date, which shall be the 10th anniversary of the Final Closing Date. The Maturity Date may be extended by one additional period of 1 year by way of a Special Resolution.

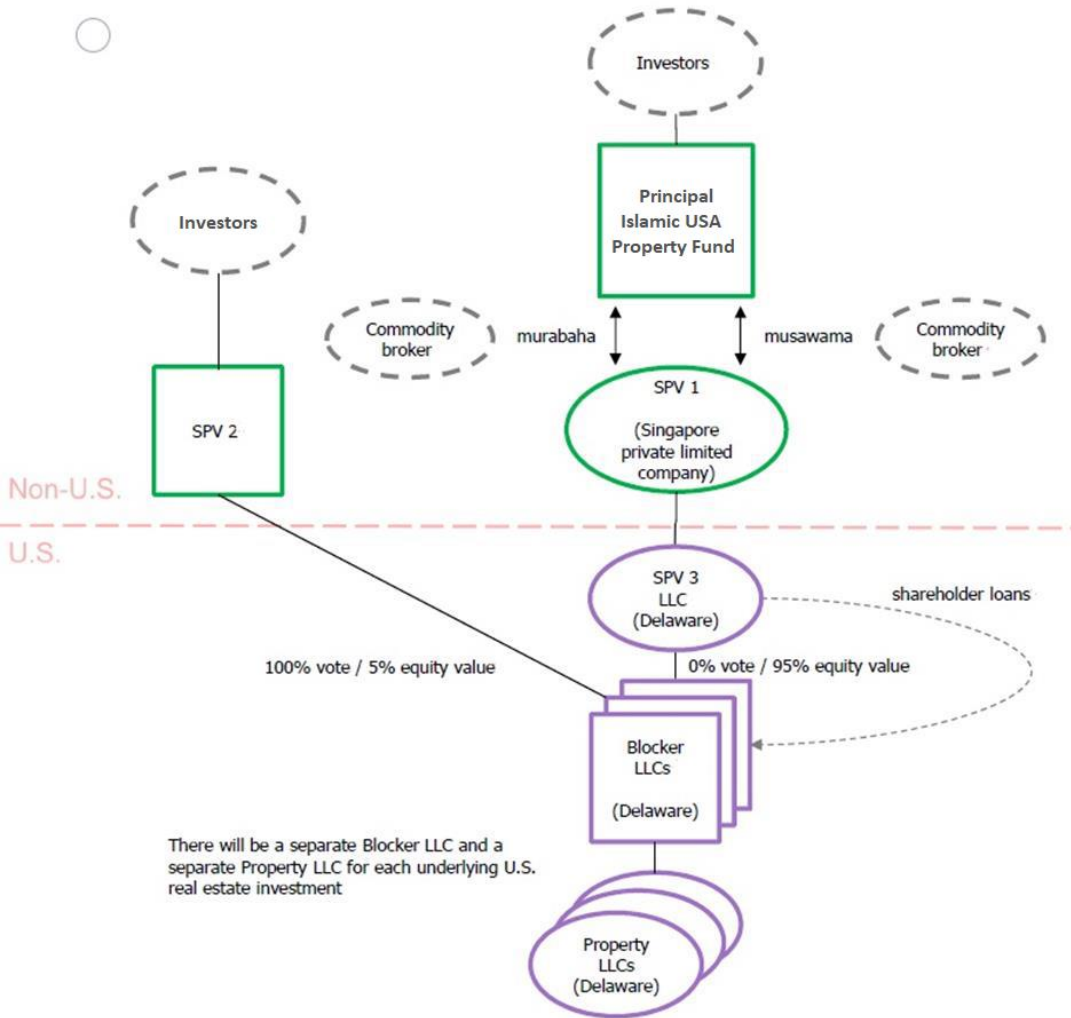
## **1.3. Fund Structure**

The Fund is managed on the basis of the Shariah contract of Wakalah and will invest indirectly in the Real Estate Portfolio through the commodity Murabahah transactions as follows:

- The Trustee (in its capacity as trustee of the Fund) and SPV 1, a Singapore private company limited by shares which is 100% owned by a Labuan purpose or orphan trust, will enter into (i) a Murabahah Agreement pursuant to which the Fund will commit to deploy, in aggregate, an amount up to the total Capital Commitment of the Unit Holders of the Fund and (ii) a Musawamah Agreement that will capture any shortfalls in, or any realizations in excess of, those realizations contemplated under the Murabahah Agreement and the Murabahah Transactions entered into thereunder.
- SPV 1 will use 100% of the proceeds from the commodity Murabahah Transactions, entered into pursuant to the Murabahah Agreement, to acquire 100% ownership in SPV 3, a Delaware limited liability company.
- SPV 3 will, in turn, utilize the proceeds to acquire 95% of the value of the equity interests in each Blocker LLC, each a Delaware limited liability company. Each Blocker LLC will be partially capitalized with debt in the form of shareholder loans from SPV 3. The remaining 5% of the value of the equity interests and 100% of the voting power in each Blocker LLC will be owned by SPV 2.
- Each Blocker LLC will acquire 100% ownership in a Property LLC, each a Delaware limited liability company.
- Each Property LLC will own a property asset under the Real Estate Portfolio.

Under this structure, the Fund will have at least 95% of the beneficial interest in the net returns generated from the Real Estate Portfolio. The structure of the Fund is designed to allow Unit Holders to invest in the real estate assets located in the U.S. in a Shariah-compliant manner, without becoming directly subject to U.S. tax payment or tax return filing obligations. Please refer to Illustration 1 on the Fund structure below.





**Illustration 1: Fund Structure**

Please refer to section 3.1 below for further information on the Islamic Funding Arrangements. Please also refer to section 4.1 below for further information on the US federal income tax considerations.

**Leverage**

The Blocker LLCs and/or Property LLCs may enter into one or more credit facilities or other similar arrangements to finance the Real Estate Portfolio or to pay fees and expenses related to the Real Estate Portfolio. This includes third-party mortgage loan(s) for each property under the Real Estate Portfolio for the purposes of enhancing returns. Upon procurement of any such financing, the financing shall not exceed 60% of the gross asset value of the property owned by the corresponding Blocker LLC and/or Property LLC. Financing may be either unsecured or secured.

## 2. INVESTMENT OPPORTUNITY AND INVESTMENT STRATEGY

### 2.1. INVESTMENT OPPORTUNITY

#### Executive Summary

The multifamily apartment sector is a large sector of the USA commercial real estate market that the National Multifamily Housing Council (“**NMHC**”) estimates to be more than USD 3 trillion in size with over 21 million apartment units. NMHC data shows that 80% of all apartments are either one or two-bedroom units. Multifamily apartments typically refer to properties with at least 5 units available for rent to tenants. Institutional investors invest in multifamily apartment properties with typically 150 or more units in a single property. Multifamily apartments represent about 25% of the National Council of Real Estate Investment Fiduciaries (“**NCREIF**”) index of institutionally owned real estate. With home ownership rates in the USA of approximately 65% there is a large proportion of the population that requires apartment rentals for their living occupation needs. According to NCREIF, the leading index for institutional real estate performance, multifamily apartments produced annualized returns of 13% since 1978 which comprised of 9% income returns and 4% appreciation. Due to the relatively low volatility of returns, multifamily apartments are seen as a ‘defensive’ sector. With USA savings rate below 10% (pre-Covid) according to the Federal Reserve there is a large segment of the population that is unable to afford home purchases which leads to a large and growing pool of multifamily apartment renters. Furthermore, demographics are favorable for apartment renting because the Millennials and GenZ segment are entering their peak rental years. In addition, the aging of the baby boomers is providing a large population base that is seeking to rent versus own their homes.

Middle income is generally defined as that segment of the population that earns two-thirds to double the USA median household income. This represents approximately 50% of the USA population. Middle income housing refers to families that 60%-100% of the area median income (“**AMI**”) live within their income means. This means that these families spend approximately 20%-35% of their annual income on rent. For areas with high cost of housing, the middle-income housing definition extends to 120% of AMI. Monthly rents range from USD 800- USD 1800. For the purposes of the Fund, middle income investing is defined as targeting the midpoint of the income demographic in the area and not a set income level of property quality.

Middle income apartments offer the largest pool of renters and offers attractive investment metrics. These apartments are suburban low-rise or mid-rise properties. Suburban apartments are significantly larger in number and are transacted far more in dollar volume than Central Business District apartments. 64% of the USA population lives in suburban locations and the trend of families moving from urban cities to the suburbs which began in 2015 has continued to accelerate and even more so with Covid-19.

#### Covid-19 Impact

The Manager believes that this is an opportune time to be acquiring middle income apartment investments. As indicated above the movement of renters from urban high-rise apartments to low and mid-rise apartments in suburban locations has further accelerated as a result of Covid-19. This benefits the demand for suburban multifamily apartments where our target acquisitions are located. Furthermore, impacts of Covid-19 will be modelled into the underwriting of potential investments which allows the investment to also benefit from recovery once Covid-19 has been resolved in future years. Financing costs for multifamily apartment have fallen noticeably as a result of Covid-19 which allows the Fund to put in place attractive leverage to increase annual cash yields. In addition, a direct consequence of systemic shocks is that risk aversion increases which is likely to delay construction of new apartments. Reduced new supply pipeline is beneficial for the stock of existing apartments because it removes the impacts of vacant new units that come onto the market that compete for renters. Reduction in new supply leads to lower vacancy and in turn higher rents over time.

The target areas are suburban locations in USA which have favorable employment trends, and/or show favorable supply and demand fundamentals allowing satisfactory risk adjusted returns. Examples include, but not limited to:

- Austin, Texas;
- Denver, Colorado;
- Tampa, Florida;
- Phoenix, Arizona;
- Atlanta, Georgia;
- Charlotte, North Carolina;
- Dallas, Texas;
- Minneapolis, Minnesota;
- Nashville, Tennessee
- Portland, Oregon
- Salt Lake City, Utah
- Jacksonville, Florida

#### Target Property Size

The target properties size is apartments/multi-family housing valued at between USD 40-100 million i.e. with an average acquisition price of around USD 70 million.

#### Target Number of Apartment Units per Property

The target number of apartment units per property will be properties with a total number of units between 175-550 units.

## 2.2. FUND AND PROPERTY ASSET MANAGEMENT

The Manager will have fund management and property asset management teams that will oversee the fund strategy and execution.

### Fund Manager

The fund manager of the Fund is Principal Islamic Malaysia which shall oversee all operational aspects of the Fund and the Property Asset Manager. This includes the management of the various entities in the US Structure and the Islamic Funding Arrangements between the Fund and SPV 1. The Manager will have a fund management team that will oversee the fund strategy and execution and will appoint the Property Asset Manager to manage the Real Estate Portfolio. For more information on Principal Islamic Malaysia and its members, please refer to section 9 of this Information Memorandum.

### Property Asset Manager: Principal Real Estate Investors LLC

The Manager appoints Principal Real Estate Investors LLC, an investment advisor registered with the U.S. Security and Exchange Commission to manage real estate in the USA, as the Property Asset Manager for the Real Estate Portfolio. For more information on PrinREI and its members, please refer to section 12 of this Information Memorandum.

### Acquisitions and dispositions

PrinREI will provide acquisition services to the Fund, including transaction sourcing, underwriting, due diligence, contract negotiations and closing. PrinREI's acquisition process utilizes a team-oriented, research-based, multi-disciplined approach. The acquisition process is highly standardized and is designed to be executed efficiently to create a high volume of quality investments.

### Transaction sourcing

PrinREI's acquisition group ("**Acquisition Group**") has been positioned with a view to source a high volume of quality investments that will enable the Fund to invest capital] in a timely manner. There are several distinguishing features of the transaction sourcing capabilities of the Acquisition Group, including:

- support provided by approximately 20 experienced PrinREI real estate investment professionals who participate in sourcing investment opportunities
- an extensive relationship network developed over the past 60 years (PrinREI is one of the nation's largest real estate equity and debt managers (Managers ranked by total worldwide assets (net of leverage), as of 30 June 2019. "Largest Real Estate Managers", Pensions and Investments, 30 September 2019)
- in-depth coverage of approximately 45 U.S. markets providing "street level" knowledge of investment opportunities
- market reputation and credibility, which serves to enhance transaction access as a preferred buyer or, in many instances, on a directly negotiated basis

### Preliminary investment review

The Manager will work closely with PrinREI's Acquisition Group to review potential investments and provide feedback regarding the Fund's investment needs and criteria. PrinREI's acquisition manager performs a preliminary review and analysis of the transaction, with input from the Manager and Shariah Adviser. Offers are made on properties with positive investment characteristics that meet the investment guidelines and current needs of one or more of PrinREI's clients. Once an investment is placed under a non-binding letter of intent, it is allocated on a rotational basis through PrinREI's equity allocation system.

### Investment allocation

PrinREI is committed to delivering fair and equitable treatment to all clients, including funds and affiliated and non-affiliated individually managed accounts, in terms of transaction access. No client has any ongoing preference or priority. To that end PrinREI has developed a proprietary private equity real estate allocation system that includes detailed investment criteria for each client and is linked to the equity acquisition database. Clients including the Fund and transactions are rotated through an allocation mechanism with a single queue for each property type and risk profile (for example, stabilized or development properties). The system includes a pre-allocation feature for any transaction that meets only one client's (which includes the Fund) investment criteria at the time of allocation.

### Underwriting and due diligence

A deal fact sheet on a proposed acquisition is submitted to the Acquisition and Disposition Committee set up to review and approve proposed transactions. The Acquisition and Disposition Committee will comprise certain members of PrinREI's Management Committee namely, Randy Mundt, Jim Halliwell and Guy Tcheau. Upon approval, the Fact Sheet is submitted to the Manager. The Manager will review the fact sheet and concurrently seek the approval of the Shariah Adviser on matters pertaining to Shariah compliance. The Manager will provide approval on the proposed investment within 5 business days including confirmation of the Shariah Adviser's approval. If no approval is given within 5 business days the proposed acquisition will be deemed to have been disapproved. The following facts will be highlighted to aid Shariah Adviser in their review:

- Commercial Space Available for Rent to businesses. Yes / No

If Yes,

- Commercial square feet available for lease
- Type of use of the Commercial space i.e. Retail / Office
- Tenants and businesses of the tenants that occupy commercial space
- % of total square feet of the property represented by commercial space
- % of total revenue of the property represented by the commercial tenants

Upon preliminary approval by the Manager and Shariah Adviser, PrinREI's Acquisition Group undertakes a comprehensive qualitative and quantitative review of the proposed property. The due diligence process is intended to reaffirm (or challenge, if necessary) the initial underwriting assumptions for the asset and the market. It also provides for a thorough examination of the financial and operating history of the property (if applicable), tenants and proposed operating/development partner. Third-party consultants (for example, legal, appraisal, engineering and environmental) are retained as needed and the proposed property management and leasing team will be involved in the due diligence process given their local knowledge and expertise.

The results of the due diligence process are included in the final investment proposal (described below) and presented to the Manager for review and final approval.

### **Final investment proposal**

Upon completion of due diligence and contract negotiations, a final investment proposal is prepared that typically includes the following information:

- Property and Market Summary
- Investment Terms and Financing Strategy
- Structure and Terms
- Valuation Summary – Hold/Sell Strategy
- Pro Forma Cash Flows and Returns – Closing/Funding Schedule
- Leasing Plan – Supporting Document and Exhibits

### **Closing process**

Upon approval of the final investment proposal by the Manager, PrinREI's Acquisition Group proceeds with final documentation and closing of the investment. PrinREI's in-house legal and Acquisition Group coordinate with outside counsel to complete closing checklist items and ensure items due from the seller are received. The Manager is kept informed of the closing process and funding requirements.

### **Property dispositions**

At the time a property sale is desired as determined by the Manager and recommended by PrinREI, the disposition team will proceed to execute the sale of the investment. The marketing of assets for sale are generally handled by qualified third-party brokers on a fully bid basis to ensure complete price discovery; however, in some instances, an acceptable offer may be received directly from a qualified buyer. Dispositions are subject to review and approval by the Manager. PrinREI has significant experience in property dispositions, having sold real estate assets held in client portfolios valued in excess of USD 25 billion of assets since 2003.

### **Property finance**

PrinREI may arrange third-party financing for property acquisitions either on a single-property basis or through portfolio financing. In addition to being one of the largest real estate lenders in the USA, PrinREI has arranged a significant volume of property financing for its equity clients and has a dedicated team to provide these services ("**Project Finance Team**") to its various clients.

Since 2001, the Project Finance Team has procured approximately USD 37.9 billion in financing, including more than USD 9.4 billion of subscription and line-of-credit facilities, and currently services more than USD 15.5 billion of third-party debt on behalf of clients as of March 31, 2020.

The Property Asset Manager will procure financing for the properties owned by the Property LLCs and will receive a fee for this service of 50 basis points ("**bps**") on the proceeds of the loan. Federal National Mortgage Association ("**FNMA**"), commonly known as Fannie Mae and Federal Home Loan Mortgage Corporation ("**FHLMC**"), known as Freddie Mac, are public government-sponsored enterprises ("**GSE**") that provide loans on multifamily apartments. The GSE's prescribe that borrowers work through their Delegated Underwriting and Servicing ("**DUS**") program which has a list of partners that borrowers must work with to obtain loans. A loan fee is payable to these DUS partners in addition to the financing fee payable to Property Asset Manager in such cases. If Property Asset Manager engages a third-party mortgage broker to assist with procuring financing on non GSE loans then the 50 bps fee payable to Property Asset Manager will be shared between Property Asset Manager and the third party mortgage broker.

### **Asset management and development oversight**

PrinREI will provide asset management and development oversight services to the Fund. The asset management group ("**Asset Management Group**") is actively involved in all stages of the investment life cycle. Asset managers participate in creating the strategy and tactical plan for each investment and have primary responsibility for its execution. The asset managers frequently visit each property and work closely with the local development, leasing and property management teams to identify the critical issues affecting property performance and value, such as increasing occupancy and cash flows and delivering a superior product to the market.

Specific goals and objectives are outlined in the annual operating budgets and business plans, with quarterly performance results provided to the Manager. In addition to drawing upon their property expertise and local market knowledge, the asset managers provide transaction-sourcing capabilities to the PrinREI Acquisition Group. As of December 31, 2019, the Asset Management Group managed more than 135 million square feet of property valued at approximately USD 33.8 billion.

## Property Management and Leasing

Property management and leasing services are expected to be provided by third-party agents who are not affiliates of PrinREI. The specific firm may vary based on geographic location as PrinREI desires to select a “best in class” firm, with the least amount of conflicts in a market. While the firms may vary, PrinREI applies specific criteria in its selection process, including, but not limited to:

- Depth of experience with at least 10,000 units under management
- Evaluation of a firm’s use of technology including web site design, search optimization capabilities, and use of data analytics.
- A firm’s experience with revenue enhancing software such as “Yieldstar” and “LRO”.
- Ability to work with and abide by PrinREI’s rigorous accounting, reporting and operational requirements.
- An evaluation of a firm’s educational programs regarding compliance with state and federal laws such as the Fair Housing Act.
- An evaluation of the contemplated specific personnel assigned to the property.

In addition, the Property Managers are required to execute PrinREI’s form contracts that include the ability to terminate the agreement with or without cause with a 60-day or less notice, and requirements that firms provide for appropriate insurance and licenses. In most cases, the selected firm will be a repeat vendor of PrinREI allowing for a seamless transition of services.

For each location, a Property Manager will be appointed.

## Real Estate Portfolio Valuation

All the Real Estate Portfolio within the Fund will be valued annually by an independent third-party valuation firm.

Please refer to section 7.1 of this Information Memorandum for further details on the valuation of the Real Estate Portfolio.

## Financial projections

The Fund targets to provide investors with an average annualized yield over the life of the Fund of 6.5% net of fees and U.S. federal and state income tax with an expected internal rate of return (“IRR”) net of fees and net of U.S. federal and state income tax of 7.5%-8%.

***Note:** The ultimate returns realised by the Fund will depend on numerous factors, which are subject to uncertainty. Further, it is expected that the annualized cash yield of the Fund will likely be below the target average annualized yield of 6.5% net of fees for at least the initial 2 years after the Final Closing Date. Accordingly, there can be no assurances or guarantee that any financial projection will be realised or achieved. In addition, there are a variety of risks that may impede the achievement of the financial projection. See “Section 5 - Risk Factors” and the disclaimers at the beginning of this Information Memorandum for additional information.*

## Key strategies

The Fund’s investment objective is to achieve attractive risk-adjusted returns by selecting and assembling a real estate portfolio of middle-income multifamily apartments as well as by pursuing key operational strategies as follows:

### Proactive asset management, asset enhancement and optimisation strategy

PrinREI’s strategy for organic growth is to actively manage the Real Estate Portfolio. Through such active management, PrinREI seeks to maintain at or above market retention and occupancy levels and achieve stable rental growth, as well as minimise the costs associated with marketing and renting space to new tenants. The Fund will also benefit from PrinREI’s experience in real estate investment and property asset management. PrinREI will seek to maximise returns from the Fund’s property portfolio through some of, but not limited to, the following measures:

#### *Maintaining above-market occupancy rates*

PrinREI shall endeavour to achieve and maintain high occupancies by working with the Property Manager to protect, add and create value through the following initiatives:

- work towards optimal rental benchmarks established for each property;
- proactively engage in early renewal negotiations with tenants in advance of tenancy expiration dates;
- actively market pending vacancies upon tenants advising that they will not renew;
- actively monitor rental arrears to minimise defaults by tenants and other aspects of tenant performance;
- subject to favourable rental and market conditions, endeavour to incorporate contractual periodic rental step-up provisions in tenancy agreements to provide an additional source of organic growth; and
- monitor and assess spaces which are sub-optimal or remain vacant for long periods and to redevelop or conduct asset enhancement works to suit prospective tenants’ needs and thereby improving the marketability of such spaces.

### *Implementing asset enhancement initiatives*

PrinREI will work closely with the Property Manager to enhance the rental income. To the extent possible and permitted by law and regulations, PrinREI may:

- seek to rationalise the use of space, create more rentable area, identify sub-optimal and ancillary areas that can be converted for higher returns and improve building efficiency; and
- undertake retrofitting and refurbishments of the Fund's properties where necessary, to improve the interior and exterior signages, lighting and other aesthetic aspects of the properties to enhance their attractiveness and achievable rental rates.

### *Implementing pro-active marketing plans*

PrinREI will work with the Property Manager to develop customised pro-active marketing plans for each applicable property. Each plan will focus on property-specific needs to maximise tenant interest and enhance the public profile and visibility with a view to increasing the value and appeal of the properties and to maintain the long-term value of the Real Estate Portfolio.

### *Rationalising operating costs*

PrinREI will work closely with the Property Manager to keep property operating expenses low while maintaining the quality of services. PrinREI intends to rationalise operating costs through the following:

- working closely with the Property Manager to manage and seek out opportunities to reduce the property operating expenses. Some cost management initiatives include (i) re-bidding service contracts in endeavouring to achieve cost savings, (ii) constantly reviewing workflow process to boost productivity, lower operational cost and foster close partnership with services providers to control costs and potential escalation, (iii) as cost-effective opportunities arise, to improve energy efficiency and reduce energy costs, and (iv) proactively engaging in property tax appeals directly with municipalities and through tax appeal attorneys; and
- exploiting the economies of scale associated with operating a portfolio of properties by, for example, bulk purchasing of supplies and cross-implementation of successful cost-saving programmes.

### **Economic, real estate and capital markets research**

PrinREI conducts macro- and micro-level research, providing economic, political, technological, capital market and real estate supply and demand analysis. It is a blend of top-down/bottom-up analysis with a slight bias toward the bottom-up approach as PrinREI has found that the right building in the right location can outperform even if there are macro headwinds. PrinREI's bottom-up analysis comes from its team of asset managers and acquisition managers as well as dozens of debt underwriters with in-depth day-to-day insight into their markets at the asset and occupancy levels. PrinREI's macro analysis comes from its real estate research team which has the benefit of working with the Principal Global Investors (multiple asset classes) Economic Committee as well as multiple third-party research providers.

### **Investments and acquisition growth**

PrinREI will pursue opportunities to acquire quality income-producing assets that it believes will meet with the strategy of the Fund to enhance the return to Unit Holders and to pursue opportunities for future income and capital growth. In evaluating acquisition opportunities, PrinREI will seek acquisitions that may enhance the diversification of the Real Estate Portfolio by location and economic base, and optimise risk-adjusted returns to the Unit Holders. Selection criteria will include:

- In-going cap rate;
- 10-year unlevered IRR;
- Discount to replacement cost;
- Discount to home values;
- Affordability spread;
- Market ranking;
- Qualitative submarket ranking;
- Asset quality and amenity base;
- Capture rate needed;
- Exit liquidity.

Supplemental criteria:

- Additional market rating;
- Three-mile spending power;
- Great school ranking;
- Gross rent multiplier;
- Discount to appreciate area home values.

PrinREI believes it is well qualified to pursue its acquisition strategy as it has extensive experience and a strong track record in sourcing, acquiring and financing real estate assets in the United States. The industry knowledge, relationships and access to market information of the management of PrinREI provide a competitive advantage with respect to identifying, evaluating and acquiring real estate assets.

## *Investment criteria*

In addition to the selection criteria above, in evaluating acquisition opportunities for the Fund, PrinREI, working with the Property Manager, will focus primarily on the following investment criteria in relation to the property under consideration:

- Yield requirements: PrinREI will seek to invest in income-producing properties that provide increasing distributions to Unit Holders over time, through the ability to increase the building's occupancy rate, renew existing tenancies to higher market rents at tenancy expiration, and from contractual rental increases in the tenancy agreements.
- Tenant mix and occupancy characteristics: PrinREI will seek to acquire properties with the potential to generate higher rentals and properties with potential for high tenant retention rates, relative to comparable properties in their respective micro-property markets.
- Location: Working with the Property Manager, PrinREI will assess each property's location and the potential based on desirability considerations in its market, as well as its impact on the overall geographic diversification of the portfolio. PrinREI will evaluate potential acquisition targets for micro-market location and convenient access to major roads and public transportation. PrinREI will also evaluate a range of location-related criteria including, but not necessarily limited to the following: rankings of neighbourhood schools according to Great Schools (which is a US national non profit organisation which provides school information and parenting resources), price of unit versus price of homes, price to reproduction cost, three mile spending power, area amenities and affordability spread.
- Value-enhancing opportunities: PrinREI may seek to acquire properties with opportunities to increase occupancy rates and enhance value through proactive property management. The potential to add value through selective renovation or other types of asset enhancement initiatives will also be assessed.
- Building and facilities specification: Working with the Property Manager, PrinREI will endeavour to conduct thorough property due diligence and adhere to the relevant quality specifications, with due consideration given to the size and age of the buildings, with respect to potential properties to be acquired by the Fund. PrinREI will seek to acquire buildings with good quality specifications and which are in compliance with the relevant building and zoning regulations, including energy conservation and health and safety regulations. PrinREI will rely on due diligence reports submitted by experts relating to the structural soundness of the building, repairs, maintenance, capital expenditure requirements and encroachment of site boundaries. These reports will be the basis upon which PrinREI will assess building conditions and the expected levels of future capital expenditures.

PrinREI currently expects that the Fund will hold the properties it acquires on a long-term basis, subject to the investment mandate and market conditions. However, in the future, where PrinREI considers that any property has reached a stage that offers limited scope for further growth, it may recommend divesting a property and recycling the proceeds into properties that meet its investment criteria.

## **Capital management**

PrinREI will seek to optimise the capital structure and cost of capital of the US Structure within the financing limits of the Fund and intends to employ a combination of debt and equity in financing acquisitions and asset enhancement initiatives.

PrinREI will also endeavour to:

- maintain a strong balance sheet;
- secure diversified funding sources to access both financial institutions and capital markets; and
- optimise its cost of debt financing.

Within the financing limits of the Fund, PrinREI will endeavour to employ an optimal capital structure, comprising an appropriate mix of debt and equity in financing the acquisition of properties and asset enhancement activities of its properties. PrinREI's capital management strategy involves adopting and maintaining aggregate leverage levels and debt maturity schedules that it believes will provide optimal returns to Unit Holders, while maintaining flexibility in respect of future capital expenditures or acquisitions.

## **Risk management**

PrinREI will seek to ensure proper governance of risk across the US Structure through sound risk management and internal control systems. An overall risk strategy to support the business objectives of the Fund will be employed by PrinREI, in order to achieve consistent and sustainable performance over the long-term for the benefit of the Fund and the Unit Holders. The risk management strategies will be reviewed to ensure applicability and appropriateness with consideration to the Fund's overall risk objectives and risk management plans, business strategy and changing external environment. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting. The identification and assessment of external environment for emerging risks plays a pivotal role in PrinREI's consideration for the overall risk strategy.

The following describes certain risk management strategies which may be used for the non-exhaustive list of key risks set out below:

### *Economic risk*

The US Structure may be adversely affected by economic and real estate market conditions in the US or globally, which may affect the rental income and market value of the properties. In order to reduce such risk, PrinREI will seek to adopt a disciplined approach towards financial management and closely monitor economic developments.

### *Regulatory and compliance risks*

The US Structure is required to comply with applicable and relevant legislations and regulations. PrinREI will establish a compliance monitoring programme which is reasonably designed and seeks to ensure compliance with the regulatory requirements, and actively monitor regulatory changes affecting the US Structure and implement appropriate mitigating strategies.

# 3. SHARIAH COMPLIANCE

## 3.1. ISLAMIC FUNDING ARRANGEMENTS

The Fund's capital will be indirectly utilized for investments in the Real Estate Portfolio through the US Structure. However, given the Real Estate Portfolio is based in the United States it is likely that certain of the quantitative Shariah screening requirements for a direct investment by the Fund would not be met. Thus, the proposed Shariah compliant funding arrangements (reflected by commodity Murabahah and Musawamah transactions as more fully described below) (together, the "**Islamic Funding Arrangements**") will enable the Unit Holders to indirectly participate in the Real Estate Portfolio in a Shariah compliant manner.

The relationship between the Fund and SPV 1 will be based on a debt instrument rather than an equity instrument and thus the returns due to the Fund will be based on a debt instrument (Murabahah) which will generate a profit element for the Fund (which will be directly attributable to the Unit Holders). SPV 1 will receive distributions from the US Structure (which will reflect the returns realized by the performance of the Real Estate Portfolio), which will then be paid in accordance with the Islamic Funding Arrangements by SPV 1 to the Fund (which will then disburse such proceeds to the Unit Holders pursuant to the terms of the Deed). All Islamic Funding Arrangements entered into by Trustee in its capacity as trustee of the Fund shall be acted upon the instruction of the Manager (such instruction shall not be given in a way that is inconsistent with the investment mandate or as described in the Information Memorandum of the Fund).

The Fund's indirect investments into the Real Estate Portfolio will be made through commodity Murabahah transactions with SPV 1 and is effected as follows:

- Pursuant to the Murabahah Agreement, SPV 1 as the buyer will issue a purchase order to the Trustee, in its capacity as trustee of the Fund, with an irrevocable and unconditional undertaking to purchase the Commodities that are purchased by the Trustee in reliance on such purchase order at the Murabahah Sale Price.
- Pursuant to the purchase order, the Trustee will purchase the Commodities on spot basis from a commodity broker at Bursa Suq al-Sila' and/or any other independent commodity trading platform approved by the Shariah Adviser (the "**Commodity Supplier**") at a Commodity Purchase Price not exceeding the capital contributed to the Fund.
- Upon acquiring the Commodities, the Trustee will sell those Commodities to SPV 1 at the Murabahah Sale Price. The Murabahah Sale Price shall be payable to the Fund on a deferred payment basis in a single payment at maturity.
- Upon the purchase of the Commodities, SPV 1 will immediately sell the Commodities to a commodity broker at Bursa Suq al-Sila' and/or any other independent commodity trading platform approved by the Shariah Adviser (other than the Commodity Supplier) (the "**Commodity Buyer**") on spot basis, at a selling price equivalent to the Commodity Purchase Price. At such point a "Murabahah Transaction" shall be concluded.
- The proceeds of the Murabahah Transaction are to be indirectly invested through SPV 3 in the form of capital contribution by SPV 1 into SPV 3. The proceeds will flow from the Fund to SPV 1 and then from SPV 1 to SPV 3. SPV 3 shall then provide funding to the Blocker LLCs via a mix of capital contributions and shareholder loans. The shareholder loans will be reflected through a loan agreement between SPV 3 and each Blocker LLC, and the capital contributions will be reflected in schedules to a limited liability company agreement of each Blocker LLC. The Blocker LLCs shall then fund the Property LLCs through capital contributions, which will be reflected in the limited liability company agreements of each Property LLC. Each Property LLC will then invest in real estate assets located in the U.S. that, together, comprise the Real Estate Portfolio.
- Any net rental income and net sale proceeds received from the Real Estate Portfolio will be returned to SPV 1 as returns of investment. Such returns will be captured through the US Structure as follows: (i) the limited liability company agreement of each Property LLC will provide that the relevant Blocker LLC, as the sole member of the relevant Property LLC, will be entitled to receive all distributions from the Property LLC and all net proceeds from the sale of a Property LLC; (ii) each Blocker LLC will first make interest and principal payments to SPV 3 in accordance with the terms of the shareholder loan agreement and once the shareholder loan has been repaid in accordance with its terms, the limited liability company agreement of the relevant Blocker LLC will address how and when equity distributions may be made by such Blocker LLC to SPV 2 (which holds 5% of the value of such Blocker LLC entitling it to 5% of such equity distributions) and SPV 3 (which holds 95% of the value of such Blocker LLC entitling it to 95% of such equity distributions); (iii) and thereafter, the limited liability company agreement of SPV 3 will provide that SPV 1, as the sole member of SPV 3, will be entitled to receive all distributions from SPV 3. For the avoidance of doubt, SPV 2 is not expected to receive any periodic equity distribution from a Blocker LLC prior to the liquidation or sale of a Blocker LLC. Each of the limited liability companies in the US Structure, i.e. SPV 3, each Blocker LLC and each Property LLC, will have a "manager", which person or entity will operate the applicable limited liability company in accordance with the governance provisions set forth in its limited liability company agreement.
- Such returns received by SPV 1 will then be utilised by SPV 1 to reduce its payment obligations due under the Murabahah Agreement and the relevant Murabahah Transactions as an early payment (as permitted pursuant to the terms of the Murabahah Agreement without penalty) to reduce the relevant Murabahah Sale Prices.
- In the event the aggregate returns generated from the Real Estate Portfolio are lower than the aggregate Murabahah Sale Prices due and payable pursuant to the Murabahah Transactions, the Trustee, upon confirmation by the Manager, will either extend an Ibra' (release, waiver or rebate) to SPV 1 directly or by way of a Musawamah transaction (such option to be decided by the Manager at the relevant time). In the event the aggregate returns generated from the Real Estate Portfolio are higher than the aggregate Murabahah Sale Prices due and payable pursuant to the Murabahah Transactions, the Trustee will enter into a commodity Musawamah transaction with SPV 1 pursuant to the Musawamah Agreement to realize such excess returns.



- Upside scenario: In the event the Real Estate Portfolio achieves any additional upsides in excess of the aggregate Murabahah Sale Prices due and payable under the Murabahah Transactions, a commodity Musawamah Transaction will be entered into by SPV 1 and the Trustee, whereby SPV 1 is to pay a Musawamah Sale Price to the Trustee based on the upside portion gained. The commodity Musawamah transaction shall be implemented in the same manner as the commodity Murabahah Transactions, however, the Commodity Purchase Price in such transactions can be a nominal amount and is not required to be disclosed.
- Loss scenario: In the event the Real Estate Portfolio is unable to achieve the returns necessary to make payment of the aggregate Murabahah Sale Prices due and payable under the Murabahah Transactions and given returns to Unit Holders are not guaranteed due to the nature of their investments:

- (a) A commodity Musawamah Transaction will be entered into by SPV 1 and the Trustee acting in its capacity as trustee of the Fund whereby the Trustee will agree to pay the Musawamah Sale Price to SPV 1 (thereby giving rise to an indebtedness to SPV 1) that is equivalent to the outstanding portion of the Murabahah Sale Prices that SPV 1 is unable to pay to the Trustee pursuant to the terms of the Murabahah Transactions;

For example, the Real Estate Portfolio fails to yield returns in favour of SPV 3 which would indirectly allow SPV 1 to satisfy its payment obligations to the Trustee, acting in its capacity as trustee of the Fund, upon confirmation of the Manager, pursuant to the Murabahah Transactions and such shortfall amounts to USD 1 million (the “**Shortfall**”). The Trustee pursuant to the terms of the Musawamah Agreement, will then be obliged to set off the Shortfall owed by SPV 1 to the Trustee (pursuant to the terms of the Murabahah Agreement and the Murabahah Transactions).

To execute the Musawamah Transaction, SPV 1 will purchase Commodities from the Commodity Supplier at a nominal cost.. The purchase price is not required to be disclosed in the Musawamah Transaction and a nominal amount will be acceptable to the platform for this purchase. SPV 1 then sells the Commodities to the Trustee at the Musawamah Sale Price of USD 1 million which will reflect the Shortfall (as described above). The Trustee will then sell the Commodities to the Commodity Buyer (the sale price amount here is not material provided it covers the nominal amount expended in the first purchase). With the execution of this Musawamah Transaction, SPV 1’s debt of USD 1 million is therefore set off with the Shortfall due and payable to the Trustee pursuant to the Murabahah Transactions.

- (b) Note, the intention is that a Musawamah Transaction will only be necessary at the point where the aggregate Murabahah Sale Prices are unable to be paid by SPV 1, given there will be no periodic payments due under the Murabahah Transactions. It is expected that a Musawamah Transaction will therefore only be necessary on or around the Maturity Date, although it can be exercised earlier if necessary (in accordance with the terms of the Musawamah Agreement), if for example, an excess is generated during the term of the Fund, where payments need to be made to the Trustee which go beyond the aggregate Murabahah Sale Prices due and payable under the Murabahah Transactions.
- (c) Note that there is no actual payment of the Musawamah Sale Price by the Trustee as the creation of debt here is to “set-off” the outstanding portion of the Murabahah Sale Price of the Murabahah Transactions. The Trustee then records the set off in the Fund accounts.

The Murabahah Agreement, each Murabahah Transaction and/or the Musawamah Agreement may be viewed by the Malaysian Inland Revenue Board as conveyances under paragraph 32(a) of the First Schedule of the Stamp Act 1949 and therefore subject to ad valorem stamp duty.

### 3.2. SHARIAH PRINCIPLES

#### Commodity Murabahah via Tawarruq

The Trustee, in its capacity as trustee of the Fund, shall enter into a commodity Murabahah Transaction via Tawarruq in which the Murabahah Sale Price shall reflect the amount of the Capital Call and a nominal profit amount to be paid on deferred payment terms. Tawarruq refers to the process of purchasing a commodity for a deferred price determined through Murabahah (mark-up sale) and selling it to a third party for a spot price so as to obtain cash. Permissibility of Tawarruq can be traced in the general texts of both the Al-Quran and As-Sunnah that permits sale transaction (Al-Quran, 2:275).

#### Shariah Screening

As the Fund will invest indirectly in SPV 3 (through SPV 1), the Shariah Adviser will first screen the business activity of SPV 3 to ensure it is not involved in Shariah non-compliant activities.

Secondly, the Real Estate Portfolio shall be screened by the Shariah Adviser prior to the investment (and also on an ongoing basis as deemed necessary by the Shariah Adviser) to ensure it is and remains in compliance with Shariah requirements and guidelines.

A fund that is Shariah compliant may invest in real estate where:

- all of its tenants carry out fully Shariah compliant activities; or
- some of the tenants carry out Shariah non-compliant activities, provided the percentage of rental received from all Shariah non-compliant activities (the “**Shariah Non-Compliant Rental**”) is less than 20% of the total turnover of the Real Estate Portfolio (the “**20% Threshold**”).

As the Fund will indirectly invest in rental apartment properties that cater to the middle-income working-class population the tenants / occupants are primarily individuals or families that rent to occupy for their housing / accommodation needs. A retail store (if any) at the rental apartment properties may conduct some Shariah non-compliant activities as listed below which will be permitted provided that the percentage of the Shariah Non-Compliant Rental received from all Shariah non-compliant rental tenants is less than the 20% Threshold.

The Shariah non-compliant activities are business establishments engaged in the following as a source of income:

- Conventional banking;
- Conventional insurance;
- Gambling;
- Liquor and liquor-related activities;
- Pork and pork-related activities;
- Non-halal food and beverages;
- Tobacco and tobacco-related activities;
- Stockbroking or share trading in Shariah non-compliant securities;
- Shariah non-compliant entertainment; and
- Other activities deemed non-compliant according to Shariah.

### **Musawamah**

In the event distributions from the US Structure (which will reflect the returns realized from rental income generated by the performance of the Real Estate Portfolio and divestments of such Real Estate Portfolio), are higher or less than the Murabahah Sale Prices due and payable, and an Ibra' is not extended, a Musawamah Transaction will be entered into. The Musawamah Transactions are entered into to reflect any additional upsides or losses realized as part of the investment which will reflect the performance of the underlying Real Estate Portfolio.

Musawamah refers to another type of sale and purchase of good in which the price of the good or service is not disclosed to the buyer. Permissibility of Musawamah can be traced in the general texts of both the Al-Quran and As-Sunnah that permits sale transaction (Al-Quran, 2:275).

### **Ibra'**

Ibra' may be given on the Murabahah Sale Price on the discretion of the Trustee, upon confirmation by the Manager to the SPV 1. The total return received by the US Structure from the investments into the Real Estate Portfolio shall be returned to SPV 1 as their returns of investment. These returns shall be used by SPV 1 to reduce its payment obligations due under the Murabahah Agreement and the Murabahah Transactions to the Fund as an early prepayment without penalty.

In the event the total return generated from the Real Estate Portfolio is lower than the aggregate Murabahah Sale Prices, the Trustee, upon confirmation by the Manager, may extend an Ibra' (rebate) to SPV 1 directly or pursuant to a Musawamah Transaction.

Ibra' means an act of releasing absolutely or conditionally Unit Holders' rights and claims on any obligation against a party which would result in the latter being discharged of its obligation or liabilities towards the Unit Holders. The release may be either partial or in full. Ibra' shall be made discretionary and not be part of Murabahah contract.

## **3.3. THE FUND'S COMPLIANCE WITH SHARIAH PRINCIPLES**

The Shariah Adviser is of the view that, given the prevailing circumstances, the Fund and its respective investments as disclosed and presented are acceptable and within the principles of Shariah, subject to proper execution of the legal documents and other transactions related to the Fund.

# 4. TAXATION

## 4.1. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary addresses certain U.S. federal income tax consequences of an investment in the Fund that may be relevant to non-U.S. Unit Holders. The following summary is based on current U.S. federal income tax law, which may be subject to changes, including changes with a retroactive effect.

### Tax Classification of the Fund

The Fund intends to be classified as an association taxable as a corporation for U.S. federal income tax purposes. Based on the structure and operations of the Fund, namely the fact that the Real Estate Portfolio assets will be held through the Blocker LLCs, which are treated as corporations for U.S. federal income tax purposes, the Fund generally is not expected to be subject to U.S. federal income tax or otherwise treated as engaged in a trade or business within the U.S.

For U.S. federal income tax purposes, the Fund will invest all of its assets indirectly (through SPV 1 and SPV 3) in the Blocker LLCs, each a Delaware limited liability company that will elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes. Each Blocker LLC will form a wholly owned Delaware limited liability company, each a Property LLC, which, by default, will be treated as disregarded as separate from the applicable Blocker LLC for U.S. federal income tax purposes. Each Property LLC will hold legal title to a separate Real Estate Portfolio asset.

Both SPV 1 and SPV 3 are expected to be treated as entities disregarded as separate from the Fund for U.S. federal income tax purposes and neither SPV 1 nor SPV 3 is expected to be subject to U.S. federal income tax.

### Taxation of the Fund and the Blocker LLCs

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes, such as the Fund, that is engaged in a trade or business within the U.S. is subject to U.S. federal income tax on all of its income that is effectively connected with such trade or business, and also may be subject to an additional thirty percent (30%) branch profits tax (subject to the potential application of certain tax treaties) with respect to that income. Because the Fund will invest through the Blocker LLCs, the Fund does not expect to be treated as engaged in a trade or business within the U.S. solely by reason of its indirect investment in the Property LLCs.

Each Blocker LLC will be required to file federal, state and local income tax returns and pay federal, state and local income tax at regular U.S. federal, state and local corporate income tax rates on its income derived from the applicable Property LLC. It is expected that the Blocker LLCs will be capitalized with a combination of debt, in the form of shareholder loans, and equity, such that the interest payable on the shareholder loans by each Blocker LLC is expected to be deductible in determining each Blocker LLC's net taxable income (subject to any applicable limitations on the deductibility of such interest for federal income tax purposes). The Fund's distributive share of any dividends or interest paid by each Blocker LLC will be subject to a 30% federal withholding tax, unless, in the case of interest, such interest is exempt from federal withholding tax as "portfolio interest". The Manager intends that interest paid by each Blocker LLC on shareholder loans will generally be exempt from withholding tax as "portfolio interest".

The Blocker LLCs are not expected to make distributions that would be treated as U.S. source dividends. Instead, to the extent that a Blocker LLC has cash available for distribution (after the Blocker LLC makes all required payments of interest and principal on the shareholder loans, pays any expenses, and establishes appropriate reserves for working capital or to fund future principal and interest payments on the shareholder loans), that available cash is generally expected to be repatriated to the Fund as a repayment of the principal amounts of the shareholder loans or as part of a non-taxable liquidating distribution. It is possible that a Blocker LLC may make a non-liquidating distribution that would be treated as a non-dividend "return of capital" (i.e., not made out of a Blocker LLC's current or accumulated "earnings and profits", as determined for U.S. federal income tax purposes), which return of capital distributions may be made without U.S. federal income tax withholding provided that the Blocker LLC obtains a withholding certificate from the Internal Revenue Service. If contrary to expectation, a Blocker LLC pays a dividend, such payment would generally be subject to the above described 30% withholding tax.

Each Blocker LLC is expected to be a "United States real property holding corporation" (a "USRPHC") under Section 897 of the Code. For U.S. federal income tax purposes, gain derived by a non-U.S. person, such as the Fund, from the sale of stock of a USRPHC (including as a result of certain distributions) is generally treated as income that is effectively connected with the conduct of a U.S. trade or business and subject to U.S. federal income taxation. The Manager intends to manage the process of disposing of the underlying Real Estate Portfolio assets so that the Fund and the Unit Holders do not recognize gain subject to tax under Section 897 of the Code. Specifically, it is expected that a Blocker LLC will first sell the underlying Real Estate Portfolio asset held by the Blocker LLC. Following the sale of the Real Estate Portfolio asset, the Blocker LLC will first repay any outstanding shareholder loan and will then, after adopting a plan of liquidation, make a liquidating distribution to its shareholders (SPV 2 and SPV 3). At the time of the liquidating distribution, the Blocker LLC will not be a USRPHC and the liquidating distribution is, therefore, not expected to be subject to U.S. federal tax withholding or to trigger any U.S. federal income tax payment or filing obligation for the Fund, the Unit Holders, or any other entity in the structure. Because each Real Estate Portfolio asset is expected to be held in a separate Blocker LLC, the liquidating distributions may be made shortly after the sale of the underlying Real Estate Portfolio asset. Because SPV 3 and SPV 1 are disregarded entities of the Fund for U.S. federal income tax purposes, SPV 3 can distribute the cash it receives in the liquidating distribution to SPV 1 and SPV 1 can further return the cash to the Fund through the Shariah arrangements free from U.S. federal tax withholding and without triggering any U.S. federal income tax payment or filing obligation.

While the Manager expects to be able to manage the Fund and the disposition of the Real Estate Portfolio assets in the manner described in the preceding paragraph there can be no assurance that the Manager will be able to do so in all circumstances that may arise. Unit Holders of the Fund are encouraged to consult their own tax advisors prior to investing in the Fund.

## **Taxation of the Property LLCs**

For U.S. federal income tax purposes, any income earned (e.g., rental income from the Real Estate Portfolio assets) by a Property LLC will flow from the Property LLC to its parent Blocker LLC and be taxable at the Blocker LLC level.

As disregarded entities, the Property LLCs are not expected to be subject to U.S. federal income tax at the entity level. However, the Property LLCs may be subject to state taxes such as real and personal property taxes. The application of state taxes will be dependent on the state in which the Real Estate Portfolio assets are located.

### ***FATCA Legislation Relating to Foreign Accounts and Foreign Entities***

Under Foreign Account Tax Compliance Act ("FATCA"), unless a "foreign financial institution," as defined in the Code and the Treasury Regulations promulgated thereunder, timely agrees to collect and disclose to the U.S. Treasury certain information with respect to its investors and its investors' investments, or collects and discloses such information to a foreign government pursuant to an applicable intergovernmental agreement between the U.S. and that foreign government, and meets certain other conditions, certain payments to that foreign financial institution of dividends, interest, and certain other categories of investment income from sources within the U.S. will generally, assuming certain other conditions are met, be subject to a thirty percent (30%) U.S. federal withholding tax. The Fund expects to be treated as a foreign financial institution for these purposes. If the Fund timely collects and discloses information to Malaysia pursuant to the Malaysia-U.S. Intergovernmental Agreement, then the Fund generally will not be subject to such withholding. However, under certain circumstances, if the Fund timely collects and discloses such information to Malaysia pursuant to the Malaysia-U.S. Intergovernmental Agreement and the Fund is treated as making certain U.S.-source payments (i) to Unit Holders that fail to provide similar information directly to the Fund or that, under certain circumstances, fail to provide similar information directly to the U.S. Treasury, or (ii) to Unit Holders that are "foreign financial institutions" and that fail to agree to provide similar information to the U.S. Treasury, or, in certain circumstances, to a non-U.S. government, with respect to their own (and possibly certain of their affiliates') account holders, then the Fund may under future guidance be subject to a thirty percent (30%) U.S. federal withholding tax with respect to certain amounts allocable to those Unit Holders. Unit Holders will be required to provide information to the Fund from time to time so the Fund can meet its obligations under these rules.

### ***Taxation in Other Jurisdictions***

Unit Holders should consult their own professional tax advisors regarding the possible tax consequences of an investment in the Fund under the tax laws of the country or countries in which they reside or do business.

THE FOREGOING ANALYSIS IS INCLUDED FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. ACCORDINGLY, PROSPECTIVE UNIT HOLDERS IN THE FUND ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN SITUATIONS REGARDING THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.

## **4.2. MALAYSIAN TAX**

The Fund has no Malaysian tax implications on income earned from overseas investment as such foreign sourced income is exempt from Malaysian tax by virtue of Paragraph 28 of Schedule 6 of the Malaysia Income Tax Act, 1967 and distributions from such income will be tax exempt in the hands of the Unit Holders. Unit Holders should seek their own tax advice with respect to their subscribing for Units into the Fund.

# 5. RISK FACTORS

## 5.1. GENERAL RISKS OF INVESTING IN A COLLECTIVE INVESTMENT SCHEME

Before investing, Unit Holders should consider the following risk factors in addition to the other information set out in this Information Memorandum.

### Returns not guaranteed

The investment of the Fund is subject to market fluctuations and its inherent risk. There is **NO GUARANTEE** on the investment which includes Unit Holder's investment capital and returns, nor any assurance that the Fund's investment objective will be achieved.

### Market risk

Market risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the Fund's NAV.

### Inflation risk

This is the risk that Unit Holder's investment in the Fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce Unit Holder's purchasing power even though the value of the investment in monetary terms has increased.

### Manager risk

This risk refers to the day-to-day management of the Fund by the Manager which will impact the performance of the Fund. For example, investment decisions undertaken by the Manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the Deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the Fund.

### Financing risk

This risk occurs when you obtain financing to finance your investment. The inherent risk of investing with money obtained from financing includes you being unable to service the financing payments. In the event units are used as collateral, you may be required to top-up your existing instalment if the price of units fall below a certain level due to market conditions. In addition, investment in the Fund is illiquid and committed for the long term and may not be redeemed during the life of the Fund towards settling the financing. Please refer to **Redemption risk; restrictions on transfer** risk under section 5.3 below.

## 5.2. SPECIFIC RISKS RELATING TO THE PROPERTIES

There are specific risks associated with investment in the Real Estate Portfolio, which include but are not limited to the following:

### Country/geographical concentration risk

The properties will all be located in the USA. Accordingly, the Fund is exposed to the risks associated with the geographical concentration of the properties. The Fund's investment may be affected by changes in the economic and political climate and other legal, tax, or regulatory developments in the USA. For example, deteriorating economic condition in the USA may adversely affect the value of the real estate portfolio. This in turn may cause the NAV of the Fund or price of units to fall.

### Property Asset Manager risk

The Manager will not be involved in the day-to-day management of the properties and is dependent on the Property Asset Manager for providing property asset management services. The Property Asset Manager may fail to provide adequate oversight of property management and maintenance services performed by third party service providers at each property, which may adversely affect the value of the properties and result in difficulty in securing new tenants, loss of existing tenants or lower rental rates. In addition, Principal Islamic Malaysia may have limited recourse against the Property Asset Manager for loss suffered as a result of acts or omissions by Property Managers or other third-party service providers.

Further, there is no assurance that PrinREI will remain as the property asset manager of the Fund. In the event that PrinREI ceases to be eligible to act or is removed as the property asset manager of the Fund, the Fund may need to appoint another property asset management company, which may materially and adversely affect the Real Estate Portfolio and may ultimately result in the liquidation of the Fund. For the appointment of a replacement property asset manager of the Fund, the Manager has a robust due diligence process which includes evaluation and assessment of capability and eligibility in carrying out relevant duties as required in the Information Memorandum.

### Risk relating to tenants

The inability to secure tenants for the properties, loss of tenants, or inability of tenants to pay rent or breach of obligations under tenancy agreements may adversely affect the performance of the Fund. Units within the properties may remain vacant for a long period of time if tenants cannot be secured, and tenants may decide not to renew their tenancies. The ability of tenants to meet rental obligations may also be adversely affected by general economic conditions.

### **Risk relating to amenities and transportation infrastructure**

There is no assurance that amenities, transportation infrastructure and public transportation near the properties will be completed or implemented as planned, or will not be closed, relocated, terminated or delayed. If any such an event were to occur, it could adversely impact the accessibility of the relevant property and the attractiveness and marketability of the relevant property to tenants, which may have an adverse impact on the demand and rental rates for the relevant property. Consequently, the ability of the Fund to make distributions to its Unit Holders may be adversely affected.

### **Risk relating to due diligence on properties**

Reasonable due diligence will be conducted prior to acquisition of the properties. However, such due diligence may not reveal all breaches of laws or regulations or defects or deficiencies affecting the properties. There can be no assurance that the properties will not have inherent defects or deficiencies which will require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties. Statutory or contractual representations, warranties and indemnities given by sellers of the properties are unlikely to afford satisfactory protection from costs or liabilities arising from such property defects.

### **Risk relating to capital expenditure on properties**

The properties may require significant capital expenditure. The Fund may not be able to fund capital improvements or obtain sufficient financing therefor on favourable terms or at all. It may not be possible to refurbish, renovate or improve the properties, which may adversely affect rental rates. The properties may also require unforeseen maintenance or repairs in respect of faults or problems that may develop or due to new laws or regulations. It may not be possible to collect rental on any affected space during rectification works.

### **Risk relating to adequacy of insurance**

The insurance policies taken out in respect of the properties may not adequately cover all types of risk to the properties. Should an uninsured loss or loss in excess of insured amounts occur, the Fund could be required to pay compensation and/or lose capital invested in the affected property as well as anticipated future income from that property as the property may not be able to be rented out or sold. The insurance policies and terms of coverage will be subject to renewal and negotiations on a periodic basis and there is no assurance as to the nature and extent of coverage that will be available on commercially reasonable terms in the future.

### **Risk relating to environmental matters**

Ownership of real estate is subject to risks associated with environmental contamination. Liability may arise in respect of environmental contamination at, or migrating from, the properties, including that created by prior owners or occupants, existing tenants, abutters or other persons. Various US federal and state laws impose liabilities upon property owners for any environmental damages arising at, or migrating from, properties they own. In some circumstances, applicable governmental authorities may impose a lien on a property if the governmental authority exercises its right to remedy an environmental condition on a property. The Fund may also have to incur expenses and make capital expenditures in order to comply with environmental laws.

### **Risk of acts of God, natural disasters and other catastrophes**

Some of the properties may be located in areas susceptible to natural disasters. Severe weather conditions, natural disasters such as volcano eruptions, tsunamis, earthquakes, floods, landslides and other incidents such as outbreak of fire or other emergency risks could cause damage to the properties, which may not be covered by insurance.

### **Risk of war, terrorist attacks, or increased hostilities**

Actual or threatened war, terrorist attacks, political unrest, increased hostilities and other acts of violence may cause damage to the properties, and the occurrence of any of these events could potentially lead to economic recession and may reduce overall demand for, or revenue from, the properties.

### **Risk of compulsory acquisition**

In the US, federal, state and local governments and other public bodies, as well as certain quasi-public entities (such as railroads and public utility corporations), have the right to acquire real estate for public use upon payment of just compensation to the affected owner through the exercise of the power of eminent domain. Such compulsory acquisition, even if adequate consideration is paid, could have an adverse effect on revenue and the value of the Real Estate Portfolio.

### **Risk relating to valuation of properties**

The purchase consideration paid for the properties are based on their appraised values. There can be no assurance that the assumptions relied on to derive the appraised values are accurate measures of the market, and the said values of the properties may be evaluated incorrectly. Property valuation in general involves using assumptions, estimates, subjective parameters and/or appropriate comparables.

### **Risk relating to legal ownership of real properties**

The Fund does not have legal ownership of SPV 1, SPV 3, any Blocker LLC, any Property LLC nor any of the Real Estate Portfolio. The Fund only has a beneficial and contractual interest in the returns generated from the Real Estate Portfolio. Unit Holders will not have a direct claim against the legal owner(s) of any of aforementioned entities nor any of the Real Estate Portfolio.

### **5.3. SPECIFIC RISKS RELATING TO THE FUND**

There are specific risks associated with investment in the Fund, which include but are not limited to the following:

#### **Concentration risk**

The Fund's principal investment strategy of investing in a portfolio of residential real estate properties located in the USA will subject the Fund to risks inherent in concentrating in real estate. The level of risk could be higher as compared to other types of funds that have a more diverse range of investments in other sectors.

#### **Risk relating to sourcing of investments**

There is no assurance that the Fund will be able to find suitable investments. This may affect the ability to implement the Fund's investment strategy and the Fund may not be able to fully invest its Capital Commitments at acceptable prices. Even if the Fund is able to successfully acquire properties, there is no assurance that the acquired properties will achieve its intended return on such acquisitions or investments.

#### **Liquidity risk**

Private real estate investments are relatively illiquid and such illiquidity may affect the Fund's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. In the event of an economic downturn or in any other events, there is no assurance that the Fund will be able to sell the properties in a timely manner nor at a suitable price.

#### **Risk of default on Capital Calls**

Unit Holders may default on Capital Calls for various reasons, including circumstances that affect the economy generally or the Unit Holder individually. If a Unit Holder defaults, it may be subject to various remedies as provided under the Deed, including forfeiture of its interest in the Fund. In the event of such default, the Fund may be unable to make suitable investments in a timely manner or may be unable to pay its obligations when due, which may adversely affect the performance of the Fund. Further, this may have an impact on the number of properties that are to be purchased.

#### **Credit and default risks**

Investment in the Fund may involve a certain degree of credit and default risks. Generally, credit and default risks are the risks of loss due to a counterparty's failure to perform its obligations. We aim to mitigate this risk by undertaking a due diligence on such counterparties prior to the entering of any transaction.

#### **Currency risk**

The base currency of the Fund is USD. Unit Holders may have to convert MYR or other currencies into USD before making Capital Contributions. In addition, the revenue received from the properties will be in USD, and a portion may have to be converted into other currencies to settle fees and expenses related to the Fund. The value of USD against foreign currencies fluctuates and is affected by changes in the US and international political and economic conditions and by many other factors.

#### **Taxation risk**

The structure of the Fund is intended to allow the Fund to operate in a manner that will not cause it to be treated as engaging in a trade or business within the U.S. or cause the Fund to be subject to U.S. federal income tax. However, there can be no assurance that the IRS will not successfully assert that the Fund is engaged in a U.S. trade or business. In such case, the Fund may be required to file a U.S. federal income tax return and may be subject to U.S. taxation.

The structure of the Fund includes entities which are established in Malaysia (including Labuan), Singapore and U.S.. Governments in these countries may also in the future amend tax legislation or rules, regulations, guidelines and practice relating to taxation with either prospective or retroactive effect and this may affect the overall tax liabilities of the entities within the Fund structure and result in significant additional taxes becoming payable by such entities.

#### **Legal and regulatory risks**

The Fund is constituted in Malaysia and the properties are located in the US. The laws, regulations (including tax laws and regulations) in Malaysia, Singapore and/or the US, and in particular laws in the US relating to real estate and corporations, and any other relevant jurisdictions are subject to change. New laws and regulations may also be introduced in these jurisdictions. There can be no assurance that these changes will not have a significant impact on the Fund's operations. In addition, such changes may adversely affect the ability of the Fund to make distributions to Unit Holders.

#### **Risks relating to the COVID-19 pandemic**

The ongoing COVID-19 pandemic, and the measures to prevent its spread, may adversely affect the performance of the Fund. The pandemic has resulted in lockdowns, quarantines, travel restrictions, and a general decline in economy activity. This may affect occupancy levels and rental rates. Tenants may experience deteriorating financial conditions and may be unwilling or unable to pay rent in full on a timely basis. The ability to collect rent or enforce remedies for failure to pay rent may also be affected by local, state or federal government initiatives. Access to capital and other sources of funding may become constrained and availability and terms of future financing may be adversely affected. The extent of the COVID-19 pandemic's effect on the performance of the Fund will depend on future developments, including duration, spread and intensity of the outbreak, and possible future outbreaks, all of which are uncertain and difficult to predict.

### **Redemption risk; restrictions on transfer**

Investment in the Fund is illiquid and committed for the long term and may not be redeemed during the life of the Fund. There is no public market for units of the Fund and none is expected to develop. There is also no, nor is there likely to be, any established secondary market for units of the Fund. Unit Holders may only transfer their units to another eligible Sophisticated Investor with the prior written consent of the Manager and subject to such terms and conditions stipulated in the Deed. An investment in the Fund is only appropriate for persons who do not have a need for liquidity in respect of any amounts invested in the Fund.

Unit Holders will not be able to redeem units and will only receive returns on the Maturity Date. The tenure of the Fund is 10 years and may be extended by an additional period of 1 year by way of a Special Resolution.

### **Contractual risk**

There is a risk that the Murabahah Agreement and/or the Musawamah Agreement is found to be Shariah non-compliant and/or invalid and unenforceable, with respect to the terms therein or their execution, by an arbitration tribunal or a court of law, in particular if the arbitrator or court is not familiar with Islamic financial transactions and instruments.

### **Shariah risk**

This risk refers to the management of the Fund by the Manager and the supervision and guidance provided by the Shariah Adviser to ensure that the Fund remains Shariah-compliant. The Manager may fail to observe the guidelines for management of the Fund as agreed with the Shariah Adviser. A view expressed by the Shariah Adviser with respect to certain investments may not be accepted as Shariah compliant and may not be accepted by the Sophisticated Investors who may require extraneous steps to be taken, for example, to reverse such investments.

Further, there is no assurance that Amanie Advisors Sdn Bhd will remain as the Shariah Adviser of the Fund. In the event that Amanie Advisors Sdn Bhd ceases to be eligible to act or is removed as the Shariah Adviser of the Fund, the Manager may need to appoint another Shariah adviser, which may have a different Shariah view and find the investments to be Shariah non-compliant.

### **Risk of reliance on the third-party Commodity Supplier, the Commodity Buyer and the Bursa Suq al-Sila'**

There is the risk that the Commodity Supplier and/or the Commodity Buyer are not able to carry out their functions or trades at the critical time(s) when the Commodities are being purchased or sold, which may cause the Islamic Funding Arrangements to fail.

There is also the risk that the Bursa Suq al-Sila' is not operating at the critical time(s) where the Commodities are being purchased or sold, and a suitable independent commodity trading platform cannot be found, which may cause the Islamic Funding Arrangements to fail.

## **5.4. SPECIFIC RISKS RELATING TO THE US STRUCTURE**

There are specific risks associated with the US Structure, which include but are not limited to the following:

### **Leverage risk; Interest rate risk or profit rate risk**

The Blocker LLCs and/or Property LLCs may obtain financing for liquidity reasons, including facilitating the making of investments pending receipt of Capital Contributions from Unit Holders. In using leverage, there is a risk that capital losses will exceed the net assets of the Fund. The availability of credit may be limited and financing costs may increase, in coming years. Lenders may also withdraw funding and require onerous financing covenants.

As the entities in the US Structure intend to use leverage, an increase in interest rates could increase interest expense or profit rates and adversely affect such entities' ability to service indebtedness and to make distributions, which will ultimately adversely affect distributions to the Fund.

### **Legal and regulatory risks**

Legal and regulatory (including taxation) changes could adversely affect the US Structure. Regulation (including taxation) of investment vehicles, such as those forming part of the US Structure, is subject to change. The effect of any future legal or regulatory (including taxation) change is difficult to predict but could be substantial and have a significant impact on the US Structure which may adversely affect the operations of the US Structure, the tax efficiencies of the US Structure and ultimately, will have an adverse effect on the returns of the Fund to Unit Holders.

### **Eligibility of Unit Holders**

The tax efficiencies of the U.S. Structure are premised on the Fund being eligible for the "portfolio interest" exemption discussed in section 4 of this Information Memorandum. For this reason, no Unit Holder may hold (or may be treated as holding under certain U.S. attribution rules) more than 50% of the beneficial interest of the Fund. In the event that any Unit Holder, for any reason whatsoever, holds (or is treated as holding) more than 50% of the beneficial interest of the Fund, such tax efficiencies may be severely affected, which ultimately could have an adverse effect on the returns of the Fund to Unit Holders. For this reason, the Fund has initially prohibited each Unit Holder from holding more than 40% of the beneficial interest of the Fund.

**The above summary of risks does not purport to be an exhaustive list of all the risk factors relating to investments in the Fund and are not set out in any particular order of priority. You should be aware that an investment in a Wholesale Fund may be exposed to other risks from time to time. If in doubt, please consult your professional advisers for a better understanding of the risks.**



# 6. FEES, CHARGES AND EXPENSES

## 6.1. FEES AND EXPENSES

The following describes the fees that Unit Holders may **indirectly** incur when they invest in the Fund.

### 6.1.1 Management Fee

The Manager is entitled to a fee of up to 0.3% per annum of the Fund's NAV. The Management Fee shall be accrued and paid quarterly based on the NAV of the Fund.

### 6.1.2 Trustee Fee

The Trustee is entitled to a fee of up to 0.03% per annum of the Fund's NAV.

### 6.1.3 Property Asset Management Fee

The Property Asset Manager is entitled to a fee of up to 0.7% per annum of the Fund's NAV. The Property Asset Management Fee shall be accrued and paid quarterly based on the NAV of the Fund.

### 6.1.4 Other expenses

The major expenses recoverable (directly or indirectly) from the Fund are as follows, where only direct expenses related to the Fund can be charged to the Fund, and indirect expenses will be incurred at the level of the other entities within the Fund structure:

- fees/expenses incurred in the structuring and setting up of the Fund including professional and advisory fees in relation to this Information Memorandum;
- expenses incurred in the transaction costs, operation, development, management or maintenance relating to the Fund's investments;
- costs, fees and expenses incurred for valuation of the Fund and transfer agency;
- tax (including but not limited to goods and services tax) and other duties charged on the Fund by the government and other authorities if any and bank fees;
- fees and other expenses properly incurred by the auditor, tax agent and Shariah Adviser;
- property management fees and fees for valuation of any investment of the Fund by independent valuers for the benefit of the Fund;
- the sale, purchase, insurance and any other dealings of investments including commissions or fees paid to brokers;
- costs incurred for the modification of the Deed otherwise than for the benefit of the Manager or Trustee;
- the engagement of valuers, professional advisers (including legal and tax) and contractors of all kinds;
- costs incurred for any meeting of Unit Holders other than those convened for the benefit of the Manager or Trustee;
- all costs and/or expenses associated with the distributions declared pursuant to the Deed and the payment of such distribution including without limitation fees, costs and/or expenses for any telegraphic transfer; and
- any other fees/expenses permitted in the Deed.

Expenses not authorised by the Deed must be paid by us or the Trustee out of our own funds if incurred for our own benefit.

We and the Trustee are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed which stipulates the maximum rate in percentage terms that can be charged.

We may alter the fees and charges (other than the Trustee Fee) within such limits, and subject to such provisions, as set out in the Deed.

### 6.1.5 Details of fees and expenses among other entities within the Fund structure

The following describes in further detail the fees and expenses that will be incurred at the level of the other entities within the Fund structure.

#### 6.1.5.1 Labuan purpose trust (holding 100% of the shares in SPV 1)

Type	Amount
Annual trustee fee	Approximately USD20,000 per annum
One-off establishment cost	Approximately USD5,000

#### 6.1.5.2 SPV 1

Type	Amount
Corporate secretarial services	Approximately SGD12,000 per annum
One-off establishment cost	Approximately SGD4,000
Audit services	Approximately SGD2,000 per annum
Accounting services	Approximately SGD4,000 per annum
Tax services	Approximately SGD1,500 per annum

**6.1.5.3 SPV 3**

Type	Amount
One-off establishment cost	Approximately USD500
Administration cost	Approximately USD2,500 per annum
Accounting services	Approximately USD10,000 per annum

**6.1.5.4 Blocker LLC**

Type	Amount
One-off establishment cost	Approximately USD500 per Blocker LLC
Accounting services	Approximately USD6,000 per annum per Blocker LLC
Tax services	Approximately USD13,500 per annum per Blocker LLC
One-off tax filing services	Approximately USD12,500
One-off tax advisory services	Approximately USD32,000
Tax report for shareholder loans	Approximately USD12,500 per report
Administration cost	Approximately USD2,500 per annum per Blocker LLC
Financing fee (as described under Section 2.2 above)	Approximately 50 bps on the proceeds of the loan

**6.1.5.5 Property LLC**

Type	Amount
One-off establishment cost	Approximately USD500 per Property LLC
Property management services	Approximately 2.5% to 3% of effective gross income of each property per annum
Accounting services	Approximately USD12,000 per annum
Administration cost	Approximately USD2,500 per annum per Property LLC
Annual valuation fee	Approximately USD125,000 per annum

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you.**

**The fees, charges and expenses above are strictly only estimates as at the date of this Information Memorandum and we have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and expenses from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you or seek your approval on the amendments to the fees and charges.**

# 7. TRANSACTION INFORMATION

## 7.1. VALUATION OF INVESTMENTS PERMITTED BY THE FUND

We will carry out the valuation of the Fund in a fair manner.

The Real Estate Portfolio shall be valued by an independent qualified valuer annually. The valuations will be performed towards the fourth quarter of each year. Upon the relevant Property LLC acquiring a new real property, the new property shall be valued at the acquisition cost plus capital expenditures less liabilities (no third-party valuation is required prior to the closing of the new acquisition) and the new acquisition will join the annual valuation cycle in the following year. In the event there is a diminution of the net operating income at a property on an annualized basis that is greater than 20% as compared to the net operating income as at the most recent third-party valuation then a new independent valuation by a qualified valuer shall be obtained.

## 7.2. UNIT PRICING

We adopt a single pricing method for any capital calls (save for the first capital call which shall be based on USD1.00 per Unit) based on historical prices.

After the first Capital Call, the Fund shall be valued quarterly. The method of determining NAV per Unit is calculated as follows:

$$\frac{\text{NAV}}{\text{Unit}^*} \quad \text{per} \quad = \quad \frac{\text{NAV}}{\text{Number of units in issue}}$$

*\*The NAV per Unit of the Fund will be rounded up to the nearest four (4) decimal places (half-adjusted). (USD0.00005 being rounded up).*

The NAV of the Fund is the sum of the value of all investments and cash held by the Fund (calculated in accordance with the Deed) including income derived by the Fund which has not been distributed to Unit Holders, less all amounts owing or payable in respect of the Fund which also includes any provisions that may be made by the Manager and the Trustee<sup>1</sup>. For example, a provision may be made for possible future losses on an investment which cannot be fairly determined.

The valuation of the Fund is in the base currency i.e. USD. As such, all the assets and liabilities of the Fund will be translated into USD for valuation purposes.

The Manager calculates the NAV of the Fund in accordance with the following policies:

- The value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received should be deemed to be its full amount (or, otherwise, a value deemed reasonable by the Manager);
- Investment in commodity Murabahah that is not listed may be carried at fair value through profit and loss;
- Despite the foregoing, the Manager may permit other valuation methods as determined in good faith by the Manager and verified by the auditors and approved by the Trustee that better reflects fair value of the assets;
- Any value (whether of a security or cash) otherwise than in the base currency will be converted into the base currency at the rate (whether official or otherwise) the Manager deems appropriate taking into account any relevant premium or discount and costs of exchange and other circumstances as appropriate; and
- The valuation of the fund will be determined in accordance with Malaysian Financial Reporting Standards as issued by the Malaysian Accounting Standards Board.

While the Manager will take all reasonable steps to ensure that the Units in the Fund are correctly valued and priced, in the event that there is incorrect pricing of the Units, unless it appears to the Manager that the incorrect pricing is of minimal significance, rectification will extend to the reimbursement of money:

- (a) by the Manager to any one or more of the following:
  - the Fund;
  - Unit Holders; or
  - Former Unit Holders; or
- (b) by the Fund to the Manager.

In this context, minimal significance means 0.5%.

## 7.3. MINIMUM INVESTMENT

The minimum Capital Commitment for an application for units of the Fund is USD 10,000,000 or such other amount as may be determined by us from time to time.

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<sup>1</sup>In the first few quarters of the commencement of the Fund, there is a possibility for the NAV of the Fund and therefore the price of Units in the Fund to fall below USD 1 as a result of the absence of income and the need to fund expenses.

## **7.4. CAPITAL CONTRIBUTION**

### **7.4.1 Capital Contribution**

Unit Holders will be required to make Capital Contribution to the Fund in such amounts and at such times as required by the Fund as determined by us during the Investment Period, which shall be a period of 2 years from the Final Closing Date (or such other period as may be determined by us).

### **7.4.2 Capital Calls**

We will request for Capital Contribution by issuing a Capital Call Notice which will specify the amount of Capital Contribution requested and the date by which such Capital Contribution must be paid, which will not be less than 14 Business Days from the date of the Capital Call Notice. Such amount must be paid by the Unit Holder on or before the date specified in the Capital Call Notice in USD by wire transfer in immediately available funds to the bank account specified in the Capital Call Notice.

Any Capital Call shall be made to all Unit Holders. In respect of each Capital Call, the amount of Capital Contribution requested from each Unit Holder shall be the Unit Holder's pro rata portion of the aggregate Capital Contribution requested from all Unit Holders, based on the number of units held by each Unit Holder. For the avoidance of doubt, the amount of Capital Contribution requested shall not exceed a Unit Holder's aggregate Capital Commitment, less any Capital Contribution already made by such Unit Holder.

Capital Calls will generally be made when suitable investments are found. The Trustee will enter into a Murabahah Transaction with SPV 1 in relation to each Capital Call.

### **7.4.3 Defaulting Unit Holder**

A Unit Holder will be regarded as a defaulting Unit Holder if the Unit Holder fails to contribute all or any portion of the amount of Capital Contribution set out in a Capital Call Notice on or before the date specified therein (or any extension of the date as may be agreed to by us in writing) and fails to remedy such shortfall or non-contribution within 5 Business Days after receipt of notice by us to remedy the failure ("**Remedy Period**").

After the expiry of the Remedy Period, we shall have the right to take any one or more of the following actions:

- (a) seek payment of the outstanding amount of Capital Contribution;
- (b) cause any distributions otherwise payable to the defaulting Unit Holder to be set off against the outstanding amount of Capital Contribution;
- (c) suspend all voting rights, rights to distributions and, to the fullest extent permissible by law, any other rights provided to the defaulting Unit Holder under the Deed;
- (d) cause the defaulting Unit Holder to forfeit all or a portion of its units in the Fund without any payment or other consideration therefor. The Manager shall offer such forfeited units to all non-defaulting Unit Holders on a pro rata basis according to the number of units held by each non-defaulting Unit Holder. Any non-defaulting Unit Holder acquiring such forfeited units shall assume the corresponding portion of the defaulting Unit Holder's Capital Commitment. Any forfeited unit not acquired by non-defaulting Unit Holders in accordance with the foregoing may be sold or otherwise transferred or disposed in such manner as we think fit.

A Unit Holder will cease to be a defaulting Unit Holder once it has paid the outstanding amount of Capital Contribution.

## **7.5. WITHDRAWAL**

Unit Holders are not entitled to redemption or repurchase of their units.

## **7.6. TRANSFER OF UNITS**

Unit Holders may only transfer their units to another eligible Sophisticated Investor with our prior written consent and subject to such terms and conditions stipulated in the Deed.

## **7.7. TEMPORARY SUSPENSION**

We and the Trustee may temporarily suspend the dealing in units of the Fund, subject to LOLA and/or the Deed. Please note that during the suspension period, there will be no NAV per unit available and hence, we will not accept any transactions for the applications and/or transfers of units. If we have earlier accepted your request for transfers of units, please note that there may be delay in processing those transactions and you will be notified accordingly. You will also be notified once the suspension is lifted.

## **7.8. DISTRIBUTION PAYMENT**

Distribution (if any) will be made at the end of each distribution period according to the distribution policy. Each unit of the Fund will receive the same distribution for a distribution period regardless of when those units were purchased. The distribution amount each Unit Holder will receive is in turn calculated by multiplying the total number of units held by the Unit Holder in the Fund by the cent per unit distribution amount. On the distribution date, the NAV per unit will adjust accordingly. For more information on the distribution policy, please see page 2.

Distribution payments, if any, will be made in the currency for the Fund. The distribution will be paid into the Unit Holder's bank account in our records (at the Unit Holder's cost and expense).

## **7.9. UNCLAIMED MONEYS**

Any moneys payable to Unit Holders which remain unclaimed after twelve (12) months as prescribed by Unclaimed Moneys Act 1965 ("**UMA**"), as may be amended from time to time, will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by Unit Holders with the Registrar of Unclaimed Moneys.

## 8. ADDITIONAL INFORMATION

### 8.1. FINANCIAL YEAR-END

31 August.

### 8.2. INFORMATION ON YOUR INVESTMENT

We will send to Unit Holders the following:

- Monthly statement of accounts showing details of transactions and distributions (if any); and
- Quarterly report and annual report showing snapshots of the Fund and details of the portfolio for the respective period reported. Both the quarterly report and the annual report will be sent to Unit Holders within two (2) months of the end of the period reported.

**The Fund's annual report is available upon request.**

### 8.3. TERMINATION OF FUND

We reserve the right not to proceed with the Fund if the aggregate Capital Commitment does not equal or exceed the target size of USD 200,000,000 at the end of the Offer Period.

The Fund may be terminated or wound up as proposed by us with the consent of the Trustee (which consent shall not be unreasonably withheld) by giving not less than three (3) months' notice in writing to the Unit Holders (a) if any law shall be passed which renders it illegal to continue the Fund, or (b) the Manager determines in its own discretion, in the event where PrinREI is for any reason no longer able to act, that it is not able to find a suitable replacement property asset manager.

The Fund may also be terminated by Unit Holders if a Special Resolution is passed at a Unit Holders' meeting of the Fund to terminate or wind up the Fund.

The Fund will automatically terminate on the Maturity Date, which shall be the 10th anniversary of the Final Closing Date unless extended by an additional period of 1 year by way of a Special Resolution.

The net proceeds of realisation, upon termination, shall be distributed to Unit Holders in proportion to the respective interest of each Unit Holder in the Fund.

### 8.4. RIGHTS, LIABILITIES AND LIMITATIONS OF UNIT HOLDERS

The money a Unit Holder has invested in the Fund will purchase a number of units, which represents its interest in the Fund. Each unit held by a Unit Holder in the Fund represents an equal undivided beneficial interest in the assets of the Fund. However, the unit does not give the Unit Holder an interest in any particular part of the Fund or a right to participate in the management or operation of the Fund (other than through Unit Holders' meetings).

A person will be recognised as a registered Unit Holder in the Fund on the Business Day the details are entered onto the Register of Unit Holders.

#### **Rights**

Please refer to section 13 of this Information Memorandum for information relating to the rights of Unit Holders.

#### **Liabilities**

Please refer to section 13 of this Information Memorandum for information relating to the liabilities of Unit Holders.

#### **Limitations**

Please refer to section 13 of this Information Memorandum for information relating to the limitations of Unit Holders.

### 8.5. DOCUMENTS AVAILABLE FOR INSPECTION

Unit Holders may inspect copies of the following documents or copies thereof in relation to the Fund (upon request) at our principal place of business and/or the business address of the Trustee (where applicable) without charge:

- The Deed;
- Information Memorandum and supplementary or replacement information memorandum, if any;
- The audited annual accounts (where applicable), together with any relevant reports of the auditor of the Fund, the Trustee and the Manager, constituent documents of SPV1, SPV 3, each Blocker LLC and Property LLC, valuation reports of the acquired real estate properties in the USA and such other quarterly financial reports of the US Structure as may be issued for the past one (1) year of the Fund or if less, during the period since the establishment of the Fund

## 8.6. POTENTIAL CONFLICTS OF INTERESTS AND RELATED-PARTY TRANSACTIONS

We (including our directors) will at all time act in the best interests of Unit Holders and will not conduct ourselves in any manner that will result in a conflict of interest or potential conflict of interest. In the unlikely event that any conflict of interest arises, such conflict shall be resolved so that the Fund is not disadvantaged. In the unlikely event that we face conflicts in respect of our duties as Manager to the Fund and to other Principal Islamic Malaysia's funds that we manage, we are obliged to act in the best interests of all our investors and will seek to resolve any conflicts fairly and in accordance with the Deed.

We shall not act as principal in the sale and purchase of any securities or investments to and from the Fund. We shall not make any investment for the Fund in any securities, properties or assets in which we or our officer has financial interest in or from which we or our officer derive a benefit, unless with the prior approval of the Trustee. We (including our directors) who hold substantial shareholdings or directorships in public companies shall refrain from any decision making relating to that particular investment of the Fund.

As at LPD, none of our directors and substantial shareholders has either direct or indirect interest in other corporations that carry on a similar business with Principal Islamic Malaysia, except for the following:

Director / Shareholder	Position	Shareholding (Direct / Indirect)	Name of corporation
CIMB Group Sdn. Bhd.	Shareholder	Direct	Principal Asset Management Berhad
		Indirect	CIMB-Mapletree Management Sdn. Bhd.*

**Note:** \*As at LPD, CIMB-Mapletree Management Sdn. Bhd. has passed a special resolution on 9 May 2019 of which CIMB-Mapletree Management Sdn. Bhd. be wound up as a members' voluntary liquidation and a liquidator be appointed.

The Fund may maintain deposits with CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad. We may enter into transactions with other companies within the Principal Financial Group and CIMB Group Sdn. Bhd. provided that the transactions are effected at market prices and are conducted at arm's lengths.

Principal Islamic Malaysia, Principal Islamic Malaysia's shareholders, any other entities within the Principal Financial Group and/or CIMB Group Sdn. Bhd. or any other entities related to CIMB Group Sdn. Bhd. may own together 100% equity interest in SPV 2 which in turn will hold 5% ordinary shares and 100% voting rights in each Blocker LLC. An employee of Principal Islamic Malaysia or an employee or director within Principal Financial Group may be a director in SPV 1.

PrinREI is a wholly owned subsidiary of Principal Global Investors LLC. Principal Global Investors LLC is a global asset management leader and a member of the Principal Financial Group. Principal Financial Group Inc. is the parent company for Principal Financial Services Inc. and Principal Global Investors LLC. The Manager is a joint venture which is 60% owned by Principal Financial Services Inc. Therefore, the Manager and PrinREI are related companies.

### Trustee

HSBC Institutional Trust Services (Singapore) Limited is appointed by the Manager as fund administration agents and transfer agents for the Fund. HSBC Amanah Malaysia Berhad will be appointed by the Trustee and SPV 1 as their commodity agent in relation to the commodity Murabahah and commodity Musawamah transactions. Trustee will act as intermediary in forwarding the commodity transaction instruction from SPV 1 to HSBC Amanah Malaysia Berhad. HSBC Institutional Trust Services (Singapore) Limited, HSBC Amanah Malaysia Berhad and the Trustee are members of HSBC Group.

In addition to the abovementioned, there may be related party transactions involving or in connection with the Fund in the following events:

- (a) where the Fund invests in instrument(s) offered by the related party of the Trustee (e.g. placement of monies, structured products, etc);
- (b) where the Fund is being distributed by the related party of the Trustee;
- (c) where the assets of the Fund are being custodied by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (Trustee's delegate); and
- (d) where the Fund obtains financing as permitted under LOLA, from the related party of the Trustee.

The Trustee has in place policies and procedures to deal with any conflict of interest situation, if any. The Trustee will not make improper use of its position as the owner of the Fund's assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit Holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any unit holder or enter into any contract or transaction with each other, the Fund or any form of such contract or transaction or act in the same or similar capacity in relation to any other scheme.

## 8.7. EMPLOYEES' SECURITIES DEALINGS

We have in place a policy contained in our Rules of Business Conduct, which regulates our employees' securities dealings. All of our employees are required to declare their securities trading annually to ensure that there is no potential conflict of interest between the employees' securities trading and the execution of the employees' duties to us and our customers.

# 9. THE MANAGER

## 9.1. ABOUT PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN. BHD.

Principal Islamic Malaysia is a dedicated Islamic global institutional asset management house offering holistic and pure management of Islamic assets with end-to-end processes in accordance with Islamic principles. It provides a holistic choice for investors looking for Shariah-compliant investment solutions across various asset classes and local, regional and global investment strategies.

Principal Islamic Malaysia is a joint venture between Principal Financial Services, Inc (a wholly owned subsidiary of Principal Financial Group) and CIMB Group Sdn. Bhd. Principal Islamic Malaysia obtained its license to operate as an Islamic Fund Management Company in August 2009 from the SC. Principal Islamic Malaysia is one of the first companies in the industry to be awarded an Islamic fund management license by the SC.

Headquartered in Kuala Lumpur, Principal Islamic Malaysia is strategically located in the world's first country with a complete Islamic financial system operating in parallel to the conventional banking system. This allows the firm to leverage on Malaysia's comprehensive Islamic financial infrastructure and its adopted global regulatory, legal and Shariah best practices.

The primary roles, duties and responsibilities of Principal Islamic Malaysia as the Manager of the Fund include:

- maintaining a register of Unit Holders;
- implementing the appropriate investment strategies to achieve the Fund's investment objective;
- ensuring that the Fund has sufficient holdings in liquid assets;
- arranging for the sale and repurchase of units;
- calculating the amount of income to be distributed to Unit Holders, if any; and
- maintaining proper records of the Fund.

As at LPD, there is no litigation or arbitration proceeding current, pending or threatened against or initiated by Principal Islamic Malaysia nor are there any fact likely to give rise to any proceeding which might materially affect the business/financial position of Principal Islamic Malaysia.

### Designated person responsible for fund management function

<b>Name:</b>	Mohd Fadzil Mohamed
<b>Designation:</b>	Chief Investment Officer, Principal Islamic Malaysia
<b>Experience:</b>	<p>Fadzil is the Chief Investment Officer of Principal Islamic Malaysia. He has more than 22 years of experience in asset management and accumulated knowledge in various aspects of the industry that includes but not limited to in fixed income fund management, economics and research.</p> <p>Under his management, Principal Islamic Malaysia has won three awards from a public pension fund namely Best 3-year ROI Global Sukuk Portolio Manager 2017, Best 3-Year ROI Domestic Sukuk Fund Manager 2019 and Best Domestic Sukuk Fund Manager 2019.</p> <p>He formerly served as CEO and CIO Fixed Income for a local asset management company with over 70 staffs. In his previous company, he has won two Morningstar awards in 2015 for Best MYR Bond Fund and Best MYR Islamic Bond Fund categories</p>
<b>Qualifications:</b>	BSc (Economics) Hons degree in Accounting and Finance from the University of Aberystwyth, Wales, UK.

<b>Name:</b>	Azlina Abdul Aziz
<b>Designation:</b>	Head of Equity, Principal Islamic Malaysia
<b>Experience:</b>	Azlina has more than 18 years of experience in managing equity funds. She was a Senior Fund Manager in an asset management company managing Conventional/Shariah/Ethical, TWRR and/or ROI funds across various types of clients.
<b>Qualifications:</b>	BSc degree in Actuarial Science from Ball State University, USA.

**Note:** For more and/or updated information, please refer to our website at [www.principalislamic.com](http://www.principalislamic.com).



# 10. SHARIAH ADVISER OF THE FUND

## 10.1. ABOUT AMANIE ADVISORS SDN. BHD.

Amanie Advisors Sdn Bhd ("Amanie") (200501007003 (684050-H)) is a company incorporated in Malaysia since 2005, with its registered address at Level 13A-2, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

Amanie is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. Amanie is a registered Shariah advisory company for Islamic unit trust with the SC. It has been established with the aim of addressing the global needs for experts' and Shariah scholars' pro-active input. This will ultimately allow the players in the industry to manage and achieve their business and financial goals in accordance with the Shariah principles. Amanie also focuses on organizational aspect of the development of human capital in Islamic finance worldwide through providing updated quality learning embracing both local and global issues on Islamic financial products and services.

The company is led by Datuk Dr. Mohd Daud Bakar and teamed by an active and established panel of consultants covering every aspect related to the Islamic banking and finance industry both in Malaysia and the global market. Currently the team comprises of seven (7) full-time consultants who represent dynamic and experienced professionals with a mixture of corporate finance, accounting, product development, Shariah law and education. As at 31 August 2020, Amanie has acquired over fifteen (15) years of experience in the advisory role of unit trusts with more than 97 funds which Amanie acts as Shariah Adviser.

Amanie Shariah Supervisory Board is to ensure the Shariah compliance of the Fund which involves, among other measures, making an initial evaluation of the Shariah compliance of the Fund and its initial portfolio, to ensure that the Fund is, and continues to remain, Shariah compliant, and issuing the Shariah certification.

As the appointed Shariah Adviser for the Fund, the roles and responsibilities of Amanie include:

- Review and provide Shariah expertise and professional guidance as well as suggest relevant changes to all relevant documents relating to Shariah principles including the Fund's deed, information memorandum and/or other relevant submission documents submitted by us for purposes of submission to any relevant authority to ascertain compliance to Shariah principles.
- Where relevant, prepare a report to be issued in the name of the Amanie Shariah Supervisory Board to be included in the Fund's report interim and annual report certifying whether the Fund has been managed and administered in accordance with Shariah principles for the period concerned.
- To advise on the breach of Shariah investment guidelines and purification of income (if any).
- To advise on any other matter pertaining to Shariah issues in relation to the Fund.
- Ensure that the Fund is managed and administered in accordance with the Shariah principles at all times by reviewing the investment process and other operational matters.
- Review the relevant Fund marketing and promotional documents submitted by us with the view to ascertain compliance to Shariah principles.
- To review and scrutinize the Fund's compliance report as provided by the compliance officer, and investment transaction reports provided by, or approved by the relevant responsible party to ensure that the Fund's investment are in line with Shariah principles.
- To undertake an annual compliance review of the Fund for purpose of issuance of an annual compliance report.

Amanie reviews the Fund's investments on a quarterly basis and meets the Manager quarterly to address Shariah advisory matters pertaining to the Fund, if any.

### Designated person responsible for Shariah Adviser function

Currently, the designated person responsible for Shariah advisory matters of the Fund is Datuk Dr. Mohd Daud Bakar as the Executive Chairman. Other consultants are:

- Suhaida Mahpot
- Ainul Azura Zakiyudin
- Ahmad Anas Fadzil

### Amanie Shariah Supervisory Board

Amanie Shariah Supervisory Board comprises four members. The panel members of the Shariah supervisory board and the relevant information on the credentials of the members of the Shariah supervisory board are set out below:

<b>Name:</b>	Dr. Mohamed Ali Elgari
<b>Designation:</b>	Chairman, Amanie Shariah Supervisory Board Members
<b>Experience:</b>	Dr. Mohamed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia. Dr. Ali Elgari is an advisor to several Islamic financial institutions throughout the world and is also on the Shariah board of the Dow Jones Islamic index. He is also a member of the Islamic Fiqh Academy as well as the Islamic Accounting & Auditing Organisation for Islamic Financial Institution (AAIOFI). Dr. Elgari has written several books on Islamic banking.
<b>Qualifications:</b>	Dr. Mohamed Ali has a Ph.D in Economics from the University of California.

<b>Name:</b>	Datuk Dr. Mohd Daud Bakar
<b>Designation:</b>	Executive Member, Amanie Shariah Supervisory Board Members.
<b>Experience:</b>	<p>Datuk Dr. Mohd Daud Bakar is the Founder and Executive Chairman of Amanie Group. One of its flagship companies namely Amanie Advisors, is operating in few cities globally. He serves as the Chairman of the Shariah Advisory Council (“<b>SAC</b>”) at the Central Bank of Malaysia, the Securities Commission of Malaysia, the Labuan Financial Services Authority, the Astana International Financial Centre (AIFC), Kazakhstan, the First Abu Dhabi Bank, and Permodalan Nasional Berhad (“<b>PNB</b>”).</p> <p>Datuk Dr Daud is also a Shariah board member of various global financial institutions, including the National Bank of Oman (Oman), Amundi Asset Management (France), Bank of London and Middle East (London), BNP Paribas Najma (Bahrain), Natixis Bank (Dubai), Oasis Asset Management (South Africa), Noor Islamic Bank (Dubai), Morgan Stanley (Dubai), Sedco Capital (Saudi and Luxembourg), and Dow Jones Islamic Market Index (New York) amongst many others.</p> <p>In the corporate world, Datuk is currently a member of the PNB Investment Committee. Previously, he also served as a Board Director at Sime Darby Property Berhad. Currently in the academic side, he is the 8th President of the International Islamic University of Malaysia (“<b>IIUM</b>”) due to his vast skill and experience serving the university. Previously, his last post there was as the Deputy Vice-Chancellor. He was also the third Chair Professor in Islamic Banking and Finance of Yayasan Tun Ismail Mohamed Ali Berdaftar (“<b>YTI</b>”) PNB at Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (“<b>USIM</b>”). In addition, he is the co-founder of Experts Analytics Centre Sdn Bhd and MyFinB</p>
<b>Qualifications:</b>	Prior to this, Datuk was the Deputy Vice-Chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, United Kingdom in 1993. In 2002, he completed his external Bachelor of Jurisprudence at University of Malaya.

<b>Name:</b>	Dr. Muhammad Amin Ali Qattan
<b>Designation:</b>	Member, Amanie Shariah Supervisory Board Members
<b>Experience:</b>	Dr. Muhammad Amin Ali Qattan is a lecturer as well as a prolific author of texts and articles on Islamic economics and finance. He is currently the Director of Islamic Economics Unit, Centre of Excellence in Management at Kuwait University. Dr. Qattan also serves as the Shariah advisor to many reputable institutions such as Ratings Intelligence, Standard & Poors Shariah Indices, Al Fajer Retakaful amongst others. He is a highly regarded Shariah Scholar and is based in Kuwait.
<b>Qualifications:</b>	Dr. Qattan has a Ph.D. in Islamic Banking from Birmingham University

<b>Name:</b>	Dr. Osama Al Dereai
<b>Designation:</b>	Member, Amanie Shariah Supervisory Board Members
<b>Experience:</b>	Dr. Osama Al Dereai is a Shariah scholar from Qatar. He has extensive experience in teaching, consulting and research in the field of Islamic finance. Dr. Al Dereai is a Shariah board member of various financial institutions which include the First Leasing Company, Barwa Bank, First Investment Company and Ghanim Al Saad Group of Companies amongst others.
<b>Qualifications:</b>	He received his Bachelor's degree specializing in the Science of Hadeth Al Sharef from the prestigious Islamic University of Madina. Dr. Al Dereai obtained his Master's degree from the International Islamic University (Malaysia) and was later conferred his Doctorate in Islamic Transactions from the University of Malaya.

# 11. THE TRUSTEE

## 11.1. ABOUT HSBC (MALAYSIA) TRUSTEE BERHAD

HSBC (Malaysia) Trustee Berhad (193701000084 (1281-T)) is a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at 13th Floor, Bangunan HSBC, South Tower, No. 2, Leboh Ampang, 50100 Kuala Lumpur. Since 1993, the Trustee has acquired experience in the administration of trusts and has been appointed as trustee for unit trust funds, exchange traded funds, wholesale funds and funds under private retirement scheme.

The Trustee's main functions are to act as trustee and custodian of the assets of the Fund (being the contractual rights ensuing from the Murabahah Agreement and the Musawamah Agreement) and to safeguard the interests of Unit Holders of the Fund. The Real Estate Portfolio is not registered in the name of the Trustee/ Fund, nor does the Trustee/ Fund possess, directly or indirectly, any legal right, title or beneficial interests in the Real Estate Portfolio or other rights ensuing from it including but not limited to any loss payee rights in any insurance policies taken out on the Real Estate Portfolio. In performing these functions, the Trustee has to exercise all due care, diligence and vigilance and is required to act in accordance with the provisions of the Deed, Capital Markets and Services Act 2007 ("**CMSA**") and LOLA. Apart from being the legal owner of the Fund's assets, the Trustee is also responsible for ensuring that the Manager performs its duties and obligations in accordance with the provisions of the Deed, CMSA and LOLA. In respect of moneys paid by an investor for the application of units, the Trustee's responsibility arises when the moneys are received in the relevant account of the Trustee for the Fund and in respect of termination of the Fund, the Trustee's responsibility is discharged once it has paid the proceeds of realisation to the Manager.

The Trustee has in place anti-money laundering and anti-terrorism financing policies and procedures across the HSBC Group, which may exceed local regulations. Subject to any local regulations, the Trustee shall not be liable for any loss resulting from compliance of such policies, except in the case of negligence, wilful default or fraud of the Trustee.

The Trustee is not liable for doing or failing to do any act for the purpose of complying with law, regulation or court orders.

The Trustee is not liable for the acts, omissions or failure of third-party depository such as central securities depositories or clearing and/or settlement systems and/or authorised depository institutions, where the law or regulation of the relevant jurisdiction requires the Trustee to deal or hold any asset of the Fund through such third parties. None of the entities in the US Structure is or should be treated as a delegate of the Trustee. The Trustee has no contractual relationship with any foreign entity other than SPV 1.

The Trustee shall be entitled to process, transfer, release and disclose from time to time any information relating to the Fund, Manager and Unit Holders for purposes of performing its duties and obligations in accordance to the Deed, the CMSA, LOLA and any other legal and/or regulatory obligations such as conducting financial crime risk management, to the Trustee's parent company, subsidiaries, associate companies, affiliates, delegates, service providers, agents and any governing or regulatory authority, whether within or outside Malaysia (who may also subsequently process, transfer, release and disclose such information for any of the above mentioned purposes) on the basis that the recipients shall continue to maintain the confidentiality of information disclosed, as required by law, regulation or directive, or in relation to any legal action, or to any court, regulatory agency, government body or authority.

### 11.1.1 Trustee's Disclosure of Material Litigation

As at LPD, the Trustee is not engaged in any material litigation and arbitration, including those pending or threatened and is not aware of any facts likely to give any proceedings which might materially affect the business/financial position of Trustee and any of the Trustees or any of its delegates.

### 11.1.2 Trustee's Statement of Responsibility

The Trustee has given its willingness to assume the position as Trustee of the Fund and all the obligations in accordance with the Deed and all relevant laws and rules of law applicable in Malaysia. The Trustee shall be entitled to be indemnified out of the Fund against all losses, damages or expenses incurred by the Trustee in performing any of its duties or exercising any of its powers under the Deed in relation to the Fund. The right to indemnity shall not extend to loss occasioned by breach of trust arising out of wilful default, negligence, fraud or failure to show the degree of care and diligence required of the Trustee having regard to the provisions of the Deed.

# 12. THE PROPERTY ASSET MANAGER

## 12.1 ABOUT PRINCIPAL REAL ESTATE INVESTORS LLC

### Property Asset Manager: Principal Real Estate Investors LLC

Principal Real Estate Investors LLC, an investment advisor registered with the U.S. Security and Exchange Commission to manage real estate in the USA, is the dedicated commercial real estate group for Principal Global Investors. Principal Global Investors is a member of the Principal Financial Group®, which is a public company listed on the NASDAQ exchange under the ticker symbol PFG. As of December 31, 2020, PrinREI managed or sub-advised USD 88.1 billion in commercial real estate assets, primarily for retirement plans and institutional clients. PrinREI is a top 10 manager (Managers ranked by total worldwide assets (net of leverage), as of 30 June 2020. "Largest Real Estate Managers", Pensions and Investments, 5 October 2020) of commercial real estate with over 500 institutional clients. PrinREI is of the view that its reach and commitment are underscored by the professional expertise of its real estate staff, the depth and breadth of its research, and the discipline of its investment strategies. PrinREI's depth of resources includes over 275 experienced real estate investment professionals based primarily in the United States and Europe with a presence in Asia. Its people and their broad relationship networks provide in-depth research and transaction coverage of approximately 45 USA markets.

Since 2001, PrinREI has executed over 27,000 leases for over 465 million square feet and has also been committed to socially responsible investing and development of properties with sustainable or green profiles. PrinREI entities have partnered with or been recognized by the United States Department of Energy's Energy Star program, the United States Department of Energy's Better Buildings program, the United States Department of Climate Disclosure Program as an S&P 500 Climate Performance leader, Global Real Estate Sustainability Benchmark ("GRESB") and Principles for Responsible Investment ("PRI").

PrinREI has found that its extensive national network of both debt and equity relationships provides a significant pipeline of off-market or limited bid transaction opportunities. PrinREI is an established investor in USA commercial real estate investments with approximately USD 11.7 billion in private real estate equity and debt transactions completed during 2020. PrinREI strives to provide timely and disciplined execution of complex transactions, both large and small, across geographic regions, property types and real estate market sectors.

PrinREI utilizes extensive research, local market coverage and investment monitoring techniques designed to uncover investment opportunities that have been overlooked or mispriced.

### Management Committee

PrinREI will assign a dedicated management team comprising senior members of its management team to provide oversight of acquisitions, asset management and dispositions of properties within Fund's portfolio. The members of the management committee are:

**Todd Everett - Chief Executive Officer** Todd Everett is the chief executive officer of PrinREI, the dedicated real estate unit of Principal Global Investors. He is responsible for leadership of all global commercial real estate operations and staff (including the business lines in private debt, private equity, CMBS and REITs). In addition, he is a board member for Principal Real Estate Europe and chair of the management committees for all U.S. real estate operations. Todd is also the leader of the Real Estate Strategic Working Group and chairman for many of the organization's investment committees. He joined the organization in 1985 and has served in a wide array of investment production, portfolio management and leadership positions. Todd is a graduate of the University of Nebraska with a degree in Finance and is a past chair of the CRE Finance Council's Portfolio Lenders Forum, member of North American Real Estate Investment Managers Association (NAREIM) and the Real Estate Roundtable.

**Randall C Mundt - Senior Real Estate Strategist** Randy is a senior real estate strategist of PrinREI. He is responsible for providing support to real estate senior management and leaders of the real estate quadrants in the development and execution of key business and investment strategies on a global basis. He re-joined PrinREI in early 2019 after having retired from the company in 2015, with his role prior to retirement having been Chief Investment Officer of PrinREI (2001 – 2015). Randy originally joined PrinREI in 1983 after receiving an MBA in finance from the University of Iowa and a bachelor's degree in business from Iowa State University. During his real estate career, Randy has been a member of the Association of Foreign Investors in Real Estate ("AFIRE"), the NCREIF, the Real Estate Roundtable and the Pension Real Estate Association ("PREA"). Randy has also served as a member of the University of Iowa Tippie College of Business Finance Advisory Council and has taught an MBA level real estate investments and finance course at the University of Iowa.

**John T. Berg - Senior Managing Director, Head of Private Equity Portfolio Management** John is a senior managing director at PrinREI and oversees the firm's private equity portfolio management group. He is also the portfolio manager of the Principal U.S. Property Account, a core open-end real estate strategy. John joined the firm in 1994 and has spent his entire tenure with the firm in the real estate equity area. In addition to portfolio management, John has significant experience in asset management and product development. John received an MBA from the University of Iowa and a bachelor's degree in economics and psychology from Georgetown University. John serves on PrinREI's investment committee.

**Rod Vogel - Senior Managing Director - Head of Private Equity Production** As senior managing director of Equity Production, Rod is in charge of asset management, development, acquisitions and dispositions for PrinREI. In this capacity, he has managed investment transaction activity while also providing strategic direction on the assets managed by the firm. Rod also manages the project finance area for PrinREI. In this role he oversees the capital structuring of transactions for clients of the firm. Rod joined the firm in 1986. He received a bachelor's degree in finance and real estate from the University of Nebraska. Rod is a member of the National Multi Housing Council ("NMHC") and the Urban Land Institute ("ULI"). He is also a voting member on PrinREI's Investment Committee.

**Guy Tcheau - Managing Director Investment Strategy** Guy is Managing Director investment Strategy and Head of Private Real Estate Asia-Pacific at Principal Global Investors. Guy joined the firm in 2010 and oversees investment strategy formulation and execution on behalf of PrinREI's sovereign wealth fund and institutional clients in the Asia Pacific region. As the former head of Real Estate for the Americas at Government Investment Corporation, Singapore ("**GIC**") sovereign wealth fund, Guy was responsible for a multi-billion dollar portfolio of real estate assets comprising direct property holdings, fund investments, public real estate securities and debt. He has an MBA from Syracuse University and a B.Sc. from the National University of Singapore. He is a former Board Member of the AFIRE. Guy served as a Course Practitioner/Lecturer for the Certificate of Real Estate Investment Finance ("**CREIF**") organized by the Asian Pacific Real Estate Association ("**APREA**") and as a member of the Unlisted Sector Strategy Group and the regulatory and liaison committee and tax transparency committee.

**Jim Halliwell - Managing Director, Acquisitions and Dispositions** Jim is managing director of acquisitions and dispositions at PrinREI and has been with the firm for 23 years. He has been in the real estate industry for over 34 years in areas of finance, asset management, workouts and equity production. At PrinREI, he is responsible for overseeing acquisitions and dispositions for the eastern half of the United States. He has been involved in equity transactions approximating USD 15 billion dollars. This investment activity includes structuring joint ventures, forward purchases, portfolio purchases and single asset acquisitions. These activities cover the risk spectrum from development to stabilized properties and encompass the four main product types of office, multifamily, industrial and retail. Jim is also a member of the Investment Committee for PrinREI and a contributing writer to the firm's economic research team. Prior to PrinREI, Jim was a senior vice president at Signet Banking Corporation where he was in charge of the real estate workout area. He received a bachelor's degree in finance from Georgetown University and an MBA from George Washington University where he has been a guest lecturer at the University's Center for Real Estate and Urban Analysis. Jim is a member of the Urban Land Institute serving on the commercial and retail development council.

**Robert Klinkner - Managing Director - Asset Management** Rob is a managing director-asset management at PrinREI. He is responsible for asset management and ground up development for the Eastern States Region involving 15 major real estate markets. Rob is also on the management committee for Principal Green Fund I and Green Fund II. He joined the firm in 1995 and has past asset management and development experience across much of the western region including Northern and Southern California, Seattle, Portland and Las Vegas. Rob also held the past position of Director of Principal Enterprise Capital, the entity level funding program of PrinREI. He received a master's degree in real estate and urban land economics as well as bachelor's degrees in real estate and finance from the University of Wisconsin. Rob is a member of the International Council of Shopping Centers ("**ICSC**") and is a past member of the National Association of Corporate Real Estate Executives ("**NACORE**").

**Brenda Wadle - Managing Director - Asset Management** Brenda is a Managing Director within the Asset Management – Equity area at PrinREI. She oversees a real estate portfolio of over five million square feet and is active in procuring and managing ground-up development opportunities for several East Coast States including North Carolina, South Carolina, and Florida. She joined the firm in 1994 and has spent her entire tenure in the real estate equity area, managing multiple product types including office, industrial, retail, and multi-family. Brenda is a member of the WIRE (Women in Real Estate) Steering Committee for PrinREI and co-chair of the PrinREI Mentoring Program. Brenda has a bachelor's degree in business from Grand View University and is a long-time member of the International Council of Shopping Centers ("**ICSC**").

**Indraneel Karlekar, Ph.D. - Senior Managing Director, Global Research and Strategy** Indy is a senior managing director, global head of research and strategy at PrinREI. His responsibilities include helping with allocation of capital via the creation of real estate portfolio strategies across the four quadrants of commercial real estate. He also helps disseminate our economic and real estate views to external clients and is a member of Principal Global Investors Economic Committee. Indy joined the industry in 2003 and PrinREI in 2013. Prior to his current role he has served as an executive vice president and chief investment strategist at Cole Real Estate Investments and head of global research and strategy at ING Clarion. At ING Clarion, he worked on creating global top-down asset allocation strategies by analyzing macroeconomic and real estate variables and was also responsible for investment research, white papers, and new product development. Prior to ING Clarion, Indy was a member of the global research team at AIG Global Real Estate. Indy started his career as an economic analyst at The Economist Intelligence Unit. He received a Ph.D. in economics from University of Cambridge and is a member of PREA, NCREIF and AFIRE.

# 13. PRINCIPAL TERMS OF THE DEED

## 13.1. DEED

The following is a summary of the principal terms of the Deed. The summary is qualified by reference to the Deed, which takes precedence over this summary and the other sections of this Information Memorandum.

<b>Parties</b>	<ul style="list-style-type: none"> <li>Principal Islamic Asset Management Sdn. Bhd., as Manager</li> <li>HSBC (Malaysia) Trustee Berhad, as Trustee</li> <li>Unit Holders</li> </ul>
<b>Fund</b>	Principal Islamic USA Property Fund
<b>Fund objective</b>	<ul style="list-style-type: none"> <li>Provide income by long term yield-oriented indirect investments in apartment buildings in the USA, through Murabahah transactions (on the basis of Wakalah), catered to the middle-income working-class population, while conforming to Shariah principles.</li> <li>Any change to the investment objective of the Fund must be approved by the Unit Holders of the Fund by way of a resolution of not less than two-thirds (2/3) of all the Unit Holders of the Fund at a Unit Holders' meeting duly convened and held in accordance with the terms of the Deed.</li> </ul>
<b>Islamic Funding Arrangements</b>	<ul style="list-style-type: none"> <li>Pursuant to the Murabahah Agreement, SPV 1 as the buyer will issue a purchase order to the Trustee, in its capacity as trustee of the Fund, with an irrevocable and unconditional undertaking to purchase the Commodities that are purchased by the Trustee in reliance on such purchase order at the Murabahah Sale Price.</li> <li>Pursuant to the purchase order, the Trustee will purchase the Commodities on spot basis from a commodity broker at Bursa Suq al-Sila' and/or any other independent commodity trading platform approved by the Shariah Adviser (the "<b>Commodity Supplier</b>") at a Commodity Purchase Price not exceeding the capital contributed to the Fund.</li> <li>Upon acquiring the Commodities, the Trustee will sell those Commodities to SPV 1 at the Murabahah Sale Price. The Murabahah Sale Price shall be payable to the Fund on a deferred payment basis in a single payment at maturity.</li> <li>Upon the purchase of the Commodities, SPV 1 will immediately sell the Commodities to a commodity broker at Bursa Suq al-Sila' and/or any other independent commodity trading platform approved by the Shariah Adviser (other than the Commodity Supplier) (the "<b>Commodity Buyer</b>") on spot basis, at a selling price equivalent to the Commodity Purchase Price. At such point a "Murabahah Transaction" shall be concluded.</li> <li>The proceeds of the Murabahah Transaction are to be indirectly invested through SPV 3 into in real estate assets located in the U.S. that, together, comprise the Real Estate Portfolio.</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>The trust shall continue until terminated or determined earlier under the provisions of the Deed or by law, whichever is the earlier.</li> <li>Notwithstanding the above, the trust shall automatically terminate on the Maturity Date without any prior notice from the Manager or the Trustee, unless earlier determined in accordance with the provisions of the Deed or by law.</li> <li>The Maturity Date may be extended by the Manager by an additional period of 1 year by way of a Special Resolution.</li> </ul>
<b>Rights of Unit Holders</b>	<ul style="list-style-type: none"> <li>Unit Holders have the right, among others, to: <ul style="list-style-type: none"> <li>(a) inspect the register, free of charge, at any time at our registered office, and obtain such information pertaining to its units as permitted under the Deed and LOLA;</li> <li>(b) receive the distribution of the Fund (if any), participate in any increase in the capital value of the units and to other rights and privileges as set out in the Deed;</li> <li>(c) call for Unit Holders' meetings under the following circumstances: <ul style="list-style-type: none"> <li>(i) to consider the most recent financial statements of the Fund;</li> <li>(ii) to require the retirement or removal of us or Trustee;</li> <li>(iii) to give to the Trustee such directions as the meeting thinks proper; or</li> <li>(iv) to consider any other matter in relation to the Deed.</li> </ul> </li> <li>(d) vote for the removal of the Trustee or us through a Special Resolution; and</li> <li>(e) receive annual and quarterly reports of the Fund.</li> </ul> </li> <li>Unit Holders' rights may be varied by changes to the Deed, LOLA or judicial decisions or interpretation.</li> </ul>
<b>Liability of Unit Holders</b>	<ul style="list-style-type: none"> <li>The liability of a Unit Holder is limited to the purchase price paid or agreed to be paid for a unit of the Fund.</li> <li>A Unit Holder need not indemnify the Trustee or the Manager if there is a deficiency in the assets of the Fund to meet the claim of any creditor of the Trustee or Manager in respect of the Fund.</li> <li>The recourse of the Trustee, the Manager and any creditor is limited to the assets of the Fund.</li> </ul>
<b>Limitations of Unit Holders</b>	<ul style="list-style-type: none"> <li>Unit Holders cannot: <ul style="list-style-type: none"> <li>(a) interfere with any rights or powers of ours and/or Trustee under the Deed;</li> <li>(b) exercise a right in respect of an asset of the Fund or lodge a caveat or other notice affecting the asset of the Fund or otherwise claim any interest in an asset of the Fund; or</li> <li>(c) require an asset of the Fund to be transferred to the Unit Holder.</li> </ul> </li> </ul>

<b>Capital Calls</b>	<ul style="list-style-type: none"> <li>• The Manager shall request for Capital Contribution by issuing a Capital Call Notice which shall specify the amount of Capital Contribution requested and the date by which such Capital Contribution must be paid, which shall not be less than 14 Business Days from the date of the Capital Call Notice. Such amount shall be paid by the Unit Holder on or before the date specified in the Capital Call Notice in USD by wire transfer in immediately available funds to the bank account specified in the Capital Call Notice.</li> <li>• Any Capital Call shall be made to all Unit Holders. In respect of each Capital Call, the amount of Capital Contribution requested from each Unit Holder shall be the Unit Holder's pro rata portion of the aggregate Capital Contribution requested from all Unit Holders, based on the number of units held by each Unit Holder. For the avoidance of doubt, the amount of Capital Contribution requested shall not exceed a Unit Holder's aggregate Capital Commitment, less any Capital Contribution already made by such Unit Holder.</li> <li>• A Unit Holder will be regarded as a defaulting Unit Holder if the Unit Holder fails to contribute all or any portion of the amount of Capital Contribution set out in a Capital Call Notice on or before the date specified therein (or any extension of the date as may be agreed to by the Manager in writing) and fails to remedy such shortfall or non-contribution within 5 Business Days after receipt of notice by the Manager to remedy the failure ("<b>Remedy Period</b>").</li> <li>• After the expiry of the Remedy Period, the Manager shall have the right to take any one or more of the following actions against the defaulting Unit Holder: <ul style="list-style-type: none"> <li>(a) seek payment of the outstanding amount of Capital Contribution;</li> <li>(b) cause any distributions otherwise payable to the defaulting Unit Holder to be set off against the outstanding amount of Capital Contribution;</li> <li>(c) suspend all voting rights, rights to distributions and, to the fullest extent permissible by law, any other rights provided to the defaulting Unit Holder under the Deed;</li> <li>(d) cause the defaulting Unit Holder to forfeit all or a portion of its units without any payment or other consideration therefor. The Manager shall offer such forfeited units to all non-defaulting Unit Holders on a pro rata basis according to the number of units held by each non-defaulting Unit Holder. Any non-defaulting Unit Holder acquiring such forfeited units shall assume the corresponding portion of the defaulting Unit Holder's Capital Commitment. Any forfeited unit not acquired by non-defaulting Unit Holders in accordance with the foregoing may be sold or otherwise transferred or disposed in such manner as the Manager thinks fit.</li> </ul> </li> <li>• A Unit Holder shall cease to be a defaulting Unit Holder once it has paid the outstanding amount of Capital Contribution.</li> </ul>
<b>Transferability of units</b>	<ul style="list-style-type: none"> <li>• Unit Holders may only transfer units of the Fund with the prior written consent of the Manager and subject to such terms and conditions as the Manager shall impose and determine.</li> <li>• A transfer is not effective until entered on the register of Unit Holders of the Fund by the Manager. The Manager may refuse to make any entry of any transfer of a unit of the Fund in its sole and absolute discretion.</li> </ul>
<b>Withdrawal of units</b>	<ul style="list-style-type: none"> <li>• Unit Holders shall not be entitled to redemption or repurchase of their units.</li> </ul>
<b>Distribution policy</b>	<ul style="list-style-type: none"> <li>• Quarterly, depending on the availability of realised income and/or realised gains and at the Manager's discretion. The Manager has the right to make provisions for reserves in respect of distribution.</li> <li>• For each distribution period the Manager will calculate and determine the amount (if any) to be distributed to the Unit Holders and the Trustee must distribute each Unit Holder's income entitlement. Any distribution so determined shall be at the discretion of the Manager.</li> </ul>



<b>Retirement and removal of the Trustee</b>	<ul style="list-style-type: none"> <li>• The Trustee shall retire as trustee of the Fund when required to retire by law.</li> <li>• Subject to the terms of the Deed, the Trustee may retire by giving 12 months' written notice to the Manager or any shorter notice mutually agreed by the Manager and the Trustee.</li> <li>• The Trustee covenants that it shall retire from the Fund if and when requested so to do by the Manager if: <ul style="list-style-type: none"> <li>(a) the Trustee shall go into liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose) or if a receiver shall be appointed of the undertaking of the Trustee or any part thereof;</li> <li>(b) if the Trustee ceases to carry on business;</li> <li>(c) the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any duty imposed on the Trustee by the Deed;</li> <li>(d) the Trustee ceases to be approved by the SC to be a trustee for collective investment schemes; or</li> <li>(e) by Special Resolution requiring the Trustee to retire or be removed.</li> </ul> </li> <li>• The Manager shall take the necessary steps to remove the Trustee where the Manager becomes aware that: <ul style="list-style-type: none"> <li>(a) the Trustee ceased to exist;</li> <li>(b) the Trustee has not been validly appointed;</li> <li>(c) the Trustee is not or has ceased to be eligible to be appointed or to act as trustee under the law for the time being applicable;</li> <li>(d) the Trustee has failed or refused to act as trustee in accordance with the provisions and covenants of the Deed or the CMSA;</li> <li>(e) a receiver or judicial manager is appointed over the whole or substantial part of the assets or undertaking of the Trustee and has not ceased to act under that appointment or a petition has been presented for the winding up of the Trustee (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Trustee becomes or is declared insolvent); or</li> <li>(f) the Trustee is under investigation for conduct that contravenes the Trust Companies Act 1949, the Trustee Act 1949, the Companies Act 2016 or any securities law.</li> </ul> </li> </ul> <p>and the Manager shall forthwith by instrument in writing remove the Trustee from its appointment under the Deed.</p>
<b>Indemnity of the Trustee</b>	<ul style="list-style-type: none"> <li>• The Trustee is entitled to be indemnified out of the assets of the Fund for any liability incurred by the Trustee in performing or exercising any of its powers or duties in relation to the Fund and arising out of the Trustee's execution of the Deed and the Trustee's performance of its duties hereunder provided that the Trustee has acted in good faith in performing its duties and in respect of any instructions given by the Manager or the Manager's authorised representatives or delegates. This indemnity is in addition to any indemnity allowed by law, but does not extend to liabilities arising from a breach of trust arising out from fraud, gross negligence or wilful default of the Trustee.</li> <li>• The Trustee shall not be liable for anything done or omitted to be done in accordance with any direction given to it by the Unit Holders at a Unit Holders' meeting convened under the Deed.</li> </ul>
<b>Retirement and removal of the Manager</b>	<ul style="list-style-type: none"> <li>• The Manager shall retire as manager of the Fund when required to retire by law.</li> <li>• Subject to the terms of the Deed, the Manager may retire by giving 12 months' written notice to the Trustee or any shorter notice the Trustee accepts.</li> <li>• The Manager covenants that it shall retire from the management of the Fund if and when requested to do so by the Trustee if: <ul style="list-style-type: none"> <li>(a) a Special Resolution is passed requiring the Manager to retire or be removed. The Trustee must summon a meeting of Unit Holders to consider whether the Manager is required to retire where (i) the Manager shall go into liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose) or if a receiver shall be appointed of the undertaking of the Manager or any part thereof; (ii) if the Manager ceases to carry on business, or (iii) the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any duty imposed on the Manager by the Deed;</li> <li>(b) the Manager ceases to be licensed by the SC as a fund manager.</li> </ul> </li> <li>• The Trustee shall take all necessary steps to remove the Manager: <ul style="list-style-type: none"> <li>(a) if a petition has been presented for the winding up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction, the Manager becomes or is declared insolvent);</li> <li>(b) if a receiver or judicial manager is appointed over the whole or substantial part of the assets or undertaking of the Manager and has not ceased to act under that appointment;</li> <li>(c) if the Manager ceases to carry on business;</li> <li>(d) if the Trustee is of the opinion that the Manager has, to the prejudice of the Unit Holders, failed to comply with any provision or covenant under the Deed or contravened any of the provisions of the CMSA; or</li> <li>(e) the Manager has failed or neglected to carry out its duties to the satisfaction of the Trustee and the Trustee considers that it would be in the interests of the Unit Holders to do so, after the Trustee has given reasonable notice to the Manager of that opinion and the reasons for that opinion, and has considered any representations made by the Manager in respect of that opinion, and after consultation with the SC.</li> </ul> </li> </ul> <p>In any of the cases aforesaid the Manager shall upon notice by the Trustee <i>ipso facto</i> cease to be the manager of the Fund and the Trustee shall by writing under its seal appoint some other corporation qualified and approved under the SC Requirements to act upon and subject to such corporation entering into such deed or deeds as the Trustee may be advised to be necessary or desirable to be</p>



	entered into by such corporation in order to secure the due performance of its duties as management company. this provision shall not prejudice the right of the Trustee to terminate the Fund in accordance with the provisions stated in the deed.
<b>Remuneration and expenses</b>	<ul style="list-style-type: none"> <li>• The Manager is entitled to an annual management fee not exceeding 0.3% per annum of the NAV of the Fund.</li> <li>• The Trustee is entitled to an annual trustee fee not exceeding 0.03% per annum of the NAV of the Fund.</li> <li>• Only the expenses (or part thereof) that are directly related and necessary to the operation and administration of the Fund are payable or reimbursable out of the assets of the Fund.</li> </ul>
<b>Reports</b>	<ul style="list-style-type: none"> <li>• The Manager shall send electronically, to each Unit Holder without charge, a copy of the annual report and interim report of the Fund within 2 months of the end of the respective financial period.</li> <li>• The Manager shall attach together, with the annual report and interim report, the report of the Trustee to the Unit Holders.</li> </ul>
<b>Meetings of Unit Holders</b>	<ul style="list-style-type: none"> <li>• A meeting of Unit Holders must be convened by notice in writing sent to every Unit Holder of the Fund entitled to attend and vote at the meeting.</li> <li>• Either the Manager or the Trustee may convene a meeting but must first give the other at least 7 days' notice of its intention to do so.</li> <li>• The Manager shall within 21 days after an application is delivered to the Manager at its registered office, being an application by not less than 50, or 1/10 in number, whichever is less, of the Unit Holders of the Fund, summon a meeting of the Unit Holders by sending notice for the purpose of considering the most recent financial statements of the Fund, for the purpose of requiring the retirement or removal of the Manager or Trustee, for the purpose of giving to the Trustee such directions as the meeting thinks proper, or for the purpose of considering any other matter in relation to the Deed.</li> </ul>
<b>Termination</b>	<ul style="list-style-type: none"> <li>• The Fund will automatically terminate on the Maturity Date, which shall be the 10th anniversary of the Final Closing Date. The Maturity Date may be extended by an additional period of 1 year by way of a Special Resolution.</li> <li>• The Fund may be terminated or wound-up as proposed by the Manager with the consent of the Trustee (whose consent shall not be unreasonably withheld) by giving not less than 3 months' notice in writing to the Unit Holders (i) if any law shall be passed which renders it illegal to continue the trust; or (ii) if the aggregate Capital Commitment does not equal or exceed the target size of USD 200,000,000 at the end of the Offer Period.</li> <li>• The Fund may be terminated by Unit Holders if a Special Resolution is passed at a Unit Holders' meeting to terminate or wind-up the Fund.</li> </ul>
<b>Amendments</b>	<ul style="list-style-type: none"> <li>• The Manager and the Trustee may by supplemental deed make any modification, alteration or addition to the Deed in such manner and to such extent as they may consider expedient for any purpose provided that the sanction of not less than 2/3 of all the Unit Holders of the Fund at a Unit Holders' meeting shall be required unless the Manager and the Trustee certifies that such modification, alteration or addition to the Deed does not materially prejudice the interests of the Unit Holders and does not operate to release the Trustee or the Manager from any responsibility to the Unit Holders.</li> <li>• Notwithstanding the above, the sanction of not less than 2/3 of all the Unit Holder of the Fund at a Unit Holders' meeting shall be obtained if the modification, alteration or addition to the Deed: <ul style="list-style-type: none"> <li>(a) would increase the maximum service charge or annual management fee payable to the Manager whether payment is made out of the property or assets of the Fund or otherwise;</li> <li>(b) would increase the maximum payment allowed to be made out of the property or assets of the Fund to the Trustee by way of remuneration for the Trustee's services; or</li> <li>(c) any material change to the investment objectives of the Fund.</li> </ul> </li> </ul>
<b>Governing law</b>	Malaysia.

# 14. PRINCIPAL TERMS OF THE ISLAMIC FUNDING AGREEMENTS

## 14.1. MURABAHAH AGREEMENT

The following is a summary of the principal terms of the Murabahah Agreement. The summary is qualified by reference to the Murabahah Agreement, which takes precedence over this summary and the other sections of this Information Memorandum.

<b>Parties</b>	<ul style="list-style-type: none"> <li>• HSBC (Malaysia) Trustee Berhad, as Trustee in respect of the Fund</li> <li>• SPV 1</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• The Trustee, in its capacity as trustee of the Fund, agrees to enter into commodity Murabahah transactions with SPV 1 in accordance with the terms of the Murabahah Agreement.</li> <li>• The sale proceeds from the commodity Murabahah transactions shall be used by SPV 1 to invest indirectly in the Real Estate Portfolio.</li> </ul>
<b>Commodity Murabahah transactions</b>	<ul style="list-style-type: none"> <li>• SPV 1 as the buyer will issue purchase orders to the Trustee, in its capacity as trustee of the Fund, with an irrevocable and unconditional undertaking to purchase the Commodities from the Trustee, in its capacity as trustee of the Fund, at the Murabahah Sale Price.</li> <li>• Pursuant to the purchase orders, the Trustee, in its capacity as trustee of the Fund, will purchase the Commodities on spot basis from the Commodity Supplier at the Commodity Purchase Price.</li> <li>• Upon purchasing the Commodities, the Trustee, in its capacity as trustee of the Fund, will sell the Commodities to SPV 1 at the Murabahah Sale Price which shall be payable in accordance with the terms of the Murabahah Transaction. The Murabahah Sale Price shall be payable to the Fund on a deferred payment basis in a single payment at maturity.</li> <li>• Upon the purchase of the Commodities, SPV 1 will sell the Commodities to the Commodity Buyer on spot basis for cash, at an amount equivalent to the Commodity Purchase Price.</li> </ul>
<b>Authorization</b>	<ul style="list-style-type: none"> <li>• SPV 1 appoints and authorises the Trustee to: <ul style="list-style-type: none"> <li>(a) receive the proceeds from the sale of the Commodities the amount of which is equivalent to the Commodity Purchase Price from the Commodity Buyer; and</li> <li>(b) the proceeds are received and transmitted to SPV 1 by the Trustee, as authorised by SPV 1.</li> </ul> </li> </ul>
<b>Profit</b>	<ul style="list-style-type: none"> <li>• The Murabahah Transactions will set out the nominal profit amount due under the same.</li> </ul>
<b>Ibra' (rebate)</b>	<ul style="list-style-type: none"> <li>• The Trustee, upon confirmation by the Manager, may grant ibra' (release, waiver or rebate) to SPV 1 in respect of the Murabahah Sale Price whether directly or by way of a commodity Musawamah transaction.</li> </ul>
<b>Payment of Murabahah Sale Price</b>	<ul style="list-style-type: none"> <li>• SPV 1 shall pay the Murabahah Sale Price due in accordance with the manner provided under each of the Murabahah Transactions.</li> </ul>

## 14.2. MUSAWAMAH AGREEMENT

The following is a summary of the principal terms of the Musawamah Agreement. The summary is qualified by reference to the Musawamah Agreement, which takes precedence over this summary and the other sections of this Information Memorandum.

<b>Parties</b>	<ul style="list-style-type: none"> <li>• HSBC (Malaysia) Trustee Berhad, as Trustee in respect of the Fund</li> <li>• SPV 1</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• The Trustee, in its capacity as trustee of the Fund, agrees to enter into commodity Musawamah transactions with SPV 1 in accordance with the terms of the Musawamah Agreement.</li> </ul>
<b>Commodity Musawamah transactions</b>	<ul style="list-style-type: none"> <li>• Commodity Musawamah transactions will be entered into to reflect any additional upsides or losses realised as part of the investment which will reflect the performance of the underlying Real Estate Portfolio. The commodity Musawamah transactions shall be implemented in the same manner as the commodity Murabahah transactions.</li> <li>• In the event of additional upside to the Real Estate Portfolio, a commodity Musawamah transaction will be entered into by SPV 1 and the Trustee whereby SPV 1 is to pay a Musawamah Sale Price to the Trustee, in its capacity as trustee of the Fund, based on the upside portion gained.</li> <li>• For losses to the Real Estate Portfolio: A commodity Musawamah transaction will be entered into by SPV 1 and the Trustee, in its capacity as trustee of the Fund, whereby the Trustee will pay the Musawamah Sale Price to SPV 1 (indebtedness to SPV 1) that is based on the outstanding portion of the Murabahah Sale Price in the Murabahah Transactions; <ul style="list-style-type: none"> <li>➢ Note that there is no actual payment of the Musawamah Sale Price by the Trustee as the creation of debt here is to "set-off" the outstanding portion of the Murabahah Sale Price of the Murabahah Transaction.</li> </ul> </li> </ul>
<b>Payment of Musawamah Sale Price</b>	<ul style="list-style-type: none"> <li>• The Musawamah Transactions are to provide the manner of payment for the Musawamah Sale Price.</li> </ul>

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