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Q2 | 2019

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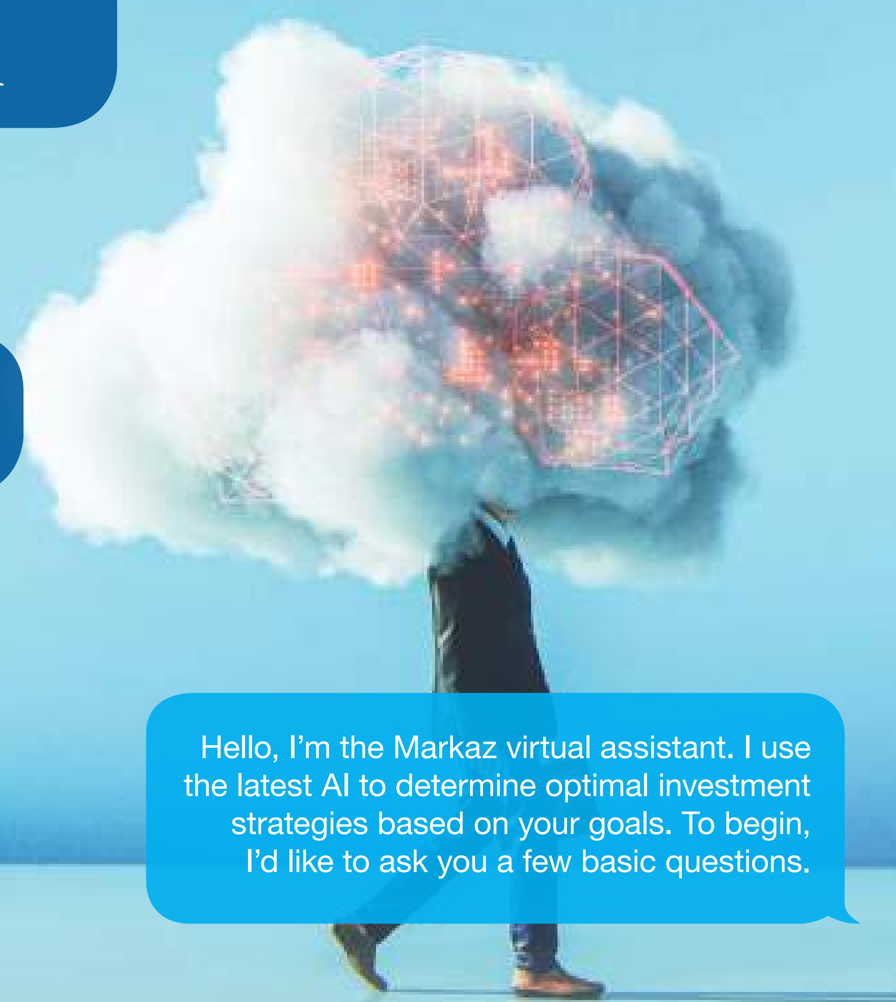

Hello, I'm the Markaz virtual assistant. I use the latest AI to determine optimal investment strategies based on your goals. To begin, I'd like to ask you a few basic questions.

engage

Issue 12, Q2 2019

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Markaz: strong H1 2019 performance with 42% revenue growth

Kuwait Financial Centre "Markaz" reported Total Revenue of KD 12.47 million during H1 2019 compared to KD 8.77 million in H1 2018. Net Profit attributable to shareholders of Markaz was KD 4.82 million (EPS 10 fils per share) for H1 2019, with a margin of 39%.

Mr. Manaf A. Alhajeri, CEO of Markaz, said in a statement, I am pleased to announce that Markaz has delivered 42% growth in Total Revenue along with a 9% increase in Asset Under Management on a year on year basis. This growth was primarily driven by gains from investments measured at fair value through profit or loss amounting to KD 6.67 million.

Markaz continues to drive growth across its investment businesses with income from total investments up by 87.8% to KD 8.47 million. Furthermore, return on total investments approached 9.35% on an annualized basis. Given the transactional nature of mergers and acquisitions, our Investment Banking fees were KD 0.32 million, lower compared to same period last year but our pipeline remains robust. AUM at the end of the period was KD 1.11 billion, registering a growth of 9% y-o-y.

During H1 2019, GCC markets delivered strong YTD performances driven by international capital inflows despite heightened geopolitical tensions, the US-China trade war and broader concerns over global economic growth. During Q2 2019, the S&P GCC benchmark delivered a positive performance of 2.27% with Kuwait being the best performing market in the region. On a year to date basis, the Kuwait All Share price Index gained 14.8% being supported by the much awaited upgrade of Kuwait's status from Frontier Market to Emerging Market by MSCI. Saudi Arabia was the second best performing market in the region as Tadawul All Share Index (TASI) recorded gain of 12.7%. In the UAE, DFM General Index and Abu Dhabi Securities Exchange General (Main) Index recorded gains of 5.1% and 1.3% respectively."

Markaz Fund for Excellent Yields (MUMTAZ) provided investors with returns of 15.0% YTD outperforming the Kuwait All Share Index. Markaz's other equity funds also delivered strong growth with Forsa Fund, MIDAF, Markaz Islamic Fund generating gains of 17.7%, 14.5%, and 12.5% respectively. On YTD basis, Markaz Fixed Income return outperformed the benchmark return.

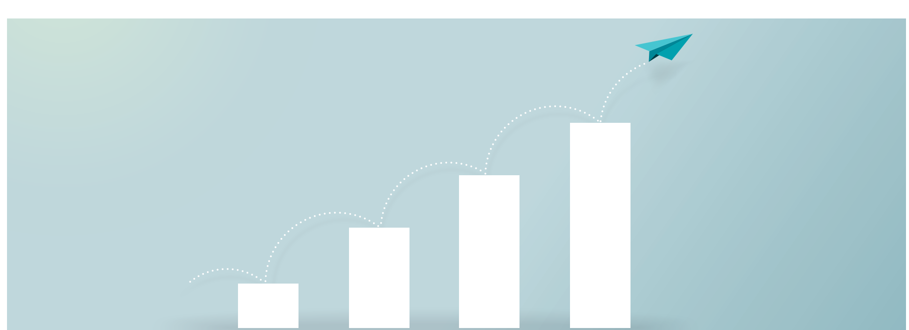
Markaz delivered 42% growth in total revenue along with a 9% increase in asset under management primarily driven by gains from investments

In contrast to the equity market, real estate across the region particularly in the UAE remains relatively weak with lower real estate rental rates and sale values. Despite these challenging market conditions, Markaz MENA real estate team was able to maintain occupancy levels of 95% across its portfolio in Kuwait, UAE and KSA. Markaz real estate fund (MREF) delivered positive returns of 1.9% on a YTD basis. Looking forward, the real estate sector is expected to remain under pressure due to the overall soft economic environment. With this backdrop in mind, the Markaz MENA real estate team continues to actively manage our portfolios and implement cost saving initiatives such as in-house property management to enhance operational efficiency and improve profitability. The team is also evaluating the launch of a program focused on identifying and acquiring select distressed assets.

International commercial real estate continued its positive trend in Q2 2019 with property prices marginally increasing by approximately 0.5% (CPPI) and the NAREIT index increasing by 1.8% during the quarter. The industrial sector was the best performing asset class with property values increasing by 5% underpinned by higher rentals. Our international real estate team has started construction of two new industrial development projects in the Ridgefield (US) and Wroclaw (Poland), both of which are progressing in line with our expectations. We continue to seek new development transactions, however, we are becoming increasingly selective given the demand and supply dynamics and the resulting pricing environment.

From an investment banking perspective, the Kuwait market started Q2 2019 with the announcement of several transactions across various industry sectors. Our advisory team has developed a strong pipeline of corporate transactions reflecting the quality of our advice and execution capabilities. We expect some of these existing mandates to close in second half of this year. Our capital markets team successfully completed a rights issue for KD 18 million for United Projects Company for Aviation Services ("UPAC") and are currently working on the two debt issuances, which are likely to be completed in the coming quarters.

Global markets ended on a positive note at H1 2019 although concerns about earnings growth and geopolitical risks continue to impact investor sentiment. Central Bank policies across major economies will continue to play an important role in shaping capital flows. All of our business areas are attuned to these factors and have positioned themselves accordingly to deliver sustainable financial performance. Markaz is one of the leading wealth management and investment banking financial institutions in the region that has gained the trust and loyalty of its clients over the last 40 years.



MARKAZ NEWS

Markaz: Fintech should enable financial sector to develop societies towards inclusion of all segments to achieve sustainable development

Markaz sponsored the sixth session on banking and finance titled: Fintech and Blockchain at Arab British Economic Summit 2019 in London.

- **The partnership between Britain and the Arab countries post brexit should aspire to raise the rankings of the Arab countries in the global competitive indicators**
- **Innovation in Arab countries is still at its early stages**
- **The financial sector is one of the most regulated and cannot improve without innovation**
- **Fintech in the Arab countries is about transformation, with traditional institutions maintaining the lead**
- **Technological opportunities in the asset management industry seem to be in the aggregation of clients, realizing efficiencies, and P2P**
- **Social lending and peer-to-peer lenders is another area of a promising future in the Arab countries**
- **The traditional standards of solvency in the financial sector allowed many online platforms to act as intermediaries offering capital services to the customers**

Mr. Manaf A. Alhajeri, Markaz CEO, moderated the Sixth Session on Banking and finance: Fintech and Blockchain at "Arab British Economic Summit 2019", which was sponsored by Markaz and held in London on Wednesday, July 3rd, 2019 with the participation of Kuwait Chamber of Commerce & Industry. The session welcomed expert speakers from the financial sector who discussed Fintech and its impact on the financial industry, and the potential opportunities for investment in the UK and Arab countries in the Fintech industry. The summit was attended by a number of business leaders, governmental entities, chambers of commerce and economic figures from both the Arab and British sides.

A wise policymaker knows how to create the conditions, secure the talent, and develop a risk tolerance to cope with fintech transformations

The speakers discussed whether we would see a trend where conventional currencies are overtaken by crypto currencies in Arab countries, at least in the next 5 years. The discussions clarified that although the financial sector will be a key buyer of the technology, innovation in the region is still at its early stages.

Post Brexit, and with the challenges faced by the governments of the Arab countries due to the fluctuations of the oil prices, the partnership between UK, with its expertise in the innovation field, and the Arab countries, with their huge needs, should aspire to raise the rankings of Arab countries in the global competitive indicators.

Kuwait's banking sector, and largely the asset management sector, are well established and firmly entrenched in their economy. Fintech is about transformation, with traditional institutions maintaining the lead. The financial sector, one of the most regulated sectors, is unlikely to be the natural place for innovation and R&D Fintech, cryptocurrencies, and their underlying blockchain technologies that are about innovation and that is more

likely to be found in the more talent rich and education mature environments. But luckily, all fintech players are cross border. Fintech should enable the financial sector to develop our societies towards inclusion and partnership with all segments to achieve the international sustainable development goals and increase competency, which is what the financial sector is about, allowing people or businesses to have access to useful and affordable financial services or products.

The discussions stated that in the emerging new banking scenarios, incumbents and fintech firms may operate as joint ventures or collaborating partners, leading up to a situation of clients using many financial service providers; instead of staying fully loyal to one financial partner. Therefore, a wise policymaker knows how to create the conditions, secure the talent resources, and develop a risk tolerance to cope with fintech transformations.

In many respects, that is what the Arab countries' governments and central banks are doing; they are building capacity building programs and creating conditions to cope with the change. Kuwait has made many improvements over the last two years to improve the country's overall investment climate and international appeal. Growth in the financial market would help in developing fintech sectors in investment banking, underwriting, auditing, taxation and accounting services, which would go well with the Kuwait's long-term objective of diversification.

The session speakers affirmed that the financial sector has emerged as a priority sector in all Arab countries vision plans, there is no doubt about that, but it cannot advance without innovation. Innovation too is a race, there are leaders and followers. Therefore, a timely and effective deployment of the UK technologies in the Arab countries, if the knowledge favorable appreciation of such technologies is not in place, is unlikely to happen. More government-to-government programs in fintech innovation with centers of excellence are required to deal with challenging areas in the global rankings of the Arab countries when it comes to innovation and the knowledge economy.

With all the hype on fintech, success in fintech has been variable so far. In the banking sector in the GCC, fintech has been largely about payments, and in the asset management industry, the opportunity seems to be in the aggregation of clients, realizing efficiencies, and P2P.

Full online robo-advisors have been successful in the USA, mainly due to the Local 401k pension plan specificity, but other fully automated robo services as in other countries have not gained traction, and are more or less all losing money. People are hesitant when it comes to taking investment decisions alone in front of a mobile screen, unless they are individual traders, having their own securities account. Some people are afraid of auto-rebalancing and everything, which could become out of control. Therefore, Digital tools are a good way to educate, help clients to compare different options, people like to trust humans who they meet, who are managing their money and who they could see through recorded videos for instance.

Financial services are intermediation between entrepreneurs and depositors/investors. Social lending and peer-to-peer lenders operate websites that enables borrowers to secure money straight from lenders and is considered another area of a promising future in the Arab countries. Since the global financial crisis, the traditional standards of solvency in the financial sector allowed many online platforms to act as intermediaries offering capital services to the customers. For example, the new model of P2P lending matches lenders with credit-worthy borrowers, using information beyond the credit scores used by banks (e.g. social data). In government contracts for example, payments by Arab government entities are made on average in up to 270 days from the date of presenting the invoices, or sometimes longer. As a result, vendors who conduct significant part of their business with Arab government entities are over inflated with government receivables and highly leveraged with bank debt to finance these receivables.

MARKAZ NEWS

M. R. Raghu participates in Middle East Asset Management Forum 2019

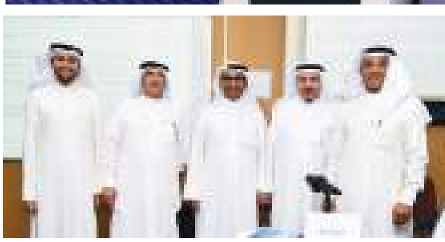
On 29 April 2019, Mr. M. R. Raghu, Executive Vice-President, Published Research at Markaz, took part in a panel discussion at Middle East Asset Management Forum in Bahrain that discussed 'Issues, Opportunities and Challenges facing the Asset Management Industry in the Middle East'. The Forum that saw participation of over 180 delegates, provided insights on latest trends, growth opportunities, regulations pertaining to the asset management industry in the region.

The panel discussion revolved around fixed income outlook with focus on Shariah-compliant Sukuk market. The panel discussed why corporates are increasingly opting for Sukuk in recent years. Further reasons behind lower volumes of Islamic bonds issuance and how to persuade issuer to consider Sukuk issuance over conventional bonds were discussed. The panel ended the discussion with their concluding remarks on expectations for Sukuk market in 2019 and beyond.

MARKAZ NEWS

Alhajeri: Developing capital market with a national investment policy leads to sustainable inclusive economy

During the seminar titled "Shaping our financial markets to become inclusive, economically productive and sustainable".



Manaf Abdulaziz Alhajeri, Markaz CEO, presented on April 10th, 2019 a seminar titled, "Shaping our financial markets to become inclusive, economically productive and sustainable", in collaboration with Department of Economics, College of Business Administration.

Developing institutional capability & clear communication of reforms is essential for success

Alhajeri stressed on the need to improve the quality of our institutions in order to fully realize the value of our human capital. Job creation, better delivery of services to citizens, geopolitical stability, and economic sustainability are becoming increasingly pressing needs in the GCC region. As the drive to embark on a clear long term vision to deal with such challenges, the need for quality institutions is imperative to effectively realize our human capital potential. For long we have admired the institutional capability and infrastructure quality of developed nations, it is time we start building our own.

There have been numerous starts and reform measures, largely dictated by the level of oil prices and geopolitical situation. For the measures to be effective and to have an impact, it is essential that need for reforms and the essence of its outcome reaches one and all. An inclusive partnership among the state, key stakeholders and the citizens needs to be established for the reforms to be successful. While most challenges are being tackled now in a comprehensive manner, establishing an effective and inclusive Capital Market seems to be one of the missing key pieces towards better execution.

The drive to embark on a clear long term vision to deal with the need for quality institutions is imperative to effectively realize our human capital potential

Broadening financial market is crucial for establishing sustainable and inclusive growth

Both globally and regionally, financial sectors remain among one of the best regulated sectors. Asset management and investment banking, part of the financial sector, can provide an efficient skill sets towards better collective investment schemes in various ways such as privatization of state assets, pooling capital for appropriate risk transfer, public private partnerships, capital for risky projects, hence towards a better cascading of economic benefits.

Currently, Kuwait financial sector is dominated by the banking system. For instance, banking assets account for approximately 91% of overall financial assets in Kuwait as against 80% for the GCC region and just 43% in the U.S. Over reliance on banking system for the capital needs to build infrastructure and cater to the economic development needs of the state could create inefficiencies. With fiscal deficit being the norm and the state spending being a huge driver of economic activity, Kuwait could do well to establish and nurture various non-bank financial institutions.

Holistic development of financial markets assumes significance

A holistic development of the financial sector that shall cater to appetite of risk profiles across spectrum, including Small Medium Enterprises (SME) financing, and capital requirements across various time horizons such as long-term infrastructure projects could be self-propelling and push the state towards realizing its aim of being a vibrant financial center. Leveraging the available technology in this regard could help Kuwait leapfrog over its peers.

Despite the availability of capital, one of the paradoxes of the current prevailing policies are in favor of attracting foreign direct investments. However, is it mainly to transfer know-how or to create jobs or to improve the primary market (Initial Primary Offerings, IPOs), a clear and coherent stately policy and commitment has room to improve.

Being home to one of the world's largest 10 sovereign funds, Kuwait's bourse thin trading and lack of growth of mutual funds are examples of bottlenecks against a rapid growth of Kuwaiti private sector. The landscape in asset management industry is highly fragmented and is disproportionately dominated by Kuwait Investment Authority (KIA).

A clear domestic investment policy is seriously needed

Kuwait could do well to focus on the development of its debt market as it could yield rich dividends in the years to come. Near-term improvements are usually achieved through policy reforms and institutional development. Typically, capital market offerings of debt securities start with the highest credit quality issuers that are able to attract investors in a nascent market. The highest quality issuer, particularly in local currency, is typically the government, and government bond markets, beginning with short term money market instruments and extending to longer tenor bonds, forming the basis for further market development by establishing price points along a yield curve and providing instruments for liquidity management.

Efforts can be focused on developing the investor base. Though the presence of international investors could lead to growth and efficiencies, the most reliable and stable investor base would be the domestic institutions. Nurturing domestic investible asset pools via pensions, insurance, and savings vehicles for individuals to deploy into capital markets is critical for local sustainable capital market development itself and answer to Kuwait's most pressing sustainability facets, job creation and diversification of national revenues, national capital markets have had intermittent incentivizing policy by the state. Capital markets development rarely follows a linear path. Developing local capital markets and making greater use of them to fund private investment and strategic economic needs tends to happen in stages. Therefore, some sequencing of policies is essential.

Kuwait's sustainability challenge is further exacerbated by recent budgetary deficits. Whilst the credit rating is still robust, the general reserves is under strain to meet salary commitments at the expense of a clear policy towards non-oil investments through Kuwait's mature and job producing sector.

Mr. Manaf concluded that the way forward is to develop a revamped national investment policy based upon clear investment guidelines towards empowering capital markets towards a sustainable and inclusive economy.

Souq Al-Manakh and Five Other GCC Crises

Markaz launches a special publication that features six lessons for our economic sustainability.

The publication discusses at length how each major financial crisis impacted the financial landscape of the GCC

Coinciding with 40 years since Souq Al-Manakh crisis, Kuwait Financial Centre "Markaz" launched a special publication titled "Souq Al-Manakh and Five Other GCC Crises". The publication was prepared by Marmore MENA Intelligence, the research arm of Markaz, as part of the ongoing efforts of providing thought leadership on the most critical issues that have shaped the current economic situations in the GCC region.

The publication covers major financial crises such as Souq Al-Manakh, the subprime crisis in 2008, Dubai 2009 Real Estate Meltdown, the default of a major Saudi group, the 2014 decline of oil prices and the diplomatic rift in the GCC in 2018.

The publication discusses at length how each major financial crisis impacted the financial landscape of the GCC, from the beginning of the crisis, analyzing the reasons behind it, through its effects locally in chronological order, describing the outcomes of each crisis and ways to resist under current circumstances. The book is explicitly chronological because most of these crises resulted from the accumulation of a series of consecutive events.

In this regard, Mr. Raghu, Executive Vice President, Published Research in Markaz and Managing Director of Marmore said, "We were keen to offer clarity to businesses and investors about a range of previous economic crises that have impacted the GCC region, through analysis and reviews based on research from reliable sources. This publication is intended as a summary of six major financial crises, in which we hope to shed useful insights on some of the most important events that shaped the financial landscape in the GCC region."

He added, "Markaz and Marmore followed the chronological approach in the publication, helping the readers to understand both the roots of the current economic situation and the opportunities for constructive change, as those are important lessons for our economic sustainability."

Markaz has launched this special publication as part of its corporate social and economic responsibility strategy. Markaz was the first to publish research to broaden the knowledge of the financial sector. A special department was dedicated to publish research consisting of a skilled team with extensive experience in the field of economic policies research in the MENA region. The research is disseminated to decision makers and stakeholders in Kuwait, and research findings are discussed with them to reach best practical solution.

MARKAZ NEWS

Markaz Pivotal Forum:
Novel ideas by our human talents translate into initiatives

"Markaz Exchange Pivotal Forum has been an amazing platform for our prime capital, human talent, to express their opinions constructively on how to improve our internal and external business environment, raise issues that are deemed critical by the attendees and provide ideas on how to improve the competitiveness at Markaz."

1 Jyoti Tauro
Digital Marketing Analyst,
Published Research

Choosing the right social media platform for your business
Jyoti explained how the power of social networking is such that the number of worldwide users is expected to reach some 3.02 billion monthly active social media users by 2021, around a third of Earth's entire population. Therefore, there is a necessity today to build on companies' online presence and be conscious of social media posts by constantly engaging with the audience.

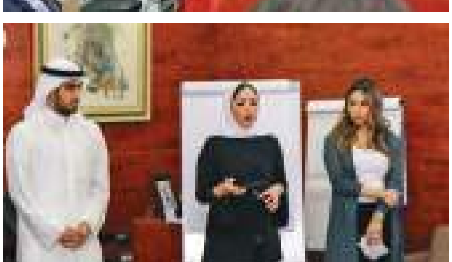
2 Abdulmohsen Al-Mudhaf
Trainee, Markaz Graduates
Development Program

Algorithmic trading & the future
Abdulmohsen describes the potential capabilities of algorithmic trading in our industry and encouraged tying the ideas together to come up with an implementation strategy whereby Markaz can increase its exposure to this investment medium.

3 Markaz Trainees
Markaz Graduates
Development Program

Coding, fintech & startups
The premise of the presentation was to share the graduates experience at CODED training bootcamps with a select number of Markaz employees. Moreover, the graduates group emphasized the importance of a marriage between the financial and technological realms, and explained why that is necessary for Markaz to succeed as a financial market participant.





Markaz hosts a tailored governance program offered by Nestor Advisors

In its continuous endeavor to strengthen the skills of its leaders.

Keen to enhance the leadership skills of its teams, Markaz hosted Nestor Advisors, a leading global firm in corporate governance advisory services, to offer a tailored governance program for Markaz employees who are Nominee Directors and members of the Corporate Affairs team.

The "Nominee Director Development Program" was held on April 24th 2019 at The Chairman's Club. It was delivered by Mr. Stilpon Nestor, Founder and Managing Director of Nestor Advisors, and former Head of OECD Corporate Governance, along with Mr. Florian Sommer, Principal at Nestor Advisors and former Corporate Governance Associate at Cartica Management.

The collaboration between Markaz and Nestor Advisors provided a platform to share expertise in providing custom training to boards and senior management on corporate governance, internal controls and risk management. The seminar addressed the key areas of the role of the board, the role of nominee directors, and related board dynamics.

Markaz CEO Manaf Alhajeri stated, "Markaz believes in the importance of empowering its leaders and employees and enhance their skills. Therefore, Markaz hosts such seminars and programs regularly to continue our mission in building a sustainable wealth for our clients and partners. Responsible and informed board membership is a core competency for our industry seniors."

He added, "Our collaboration with Nestor Advisors affirms Markaz's culture to perform at the highest proficiency level, build confidence in a competitive market and support careers that fulfill both professional and personal goals."

Nominee Directors and members of the Corporate Affairs team came away with a fully rounded understanding of corporate governance concepts, and with an increased awareness of how to approach their responsibilities as board members of investee companies.

Nestor Advisors is a London-based advisory firm founded in 2003, specializing in corporate governance and organizational design. Nestor Advisors has worked with the boards and senior management of financial institutions, companies and not-for-profit organizations in Europe, Middle East, Africa, Latin America and Asia. The firm concentrates on improving decision making, organizational structures, controls and incentives.

Markaz attracts regional expertise to discuss latest business trends in the region

Markaz reputation for being a thought leader in the market and its significant role in introducing ideas that are always ahead of the market allow Markaz to attract international experts looking to share expertise and discuss well-researched information about the latest trends in the business.

Markaz Executive Management welcomed Mr. Jamal Shaheen from Dynamic Holding and Mr. Robert C. Bush, Senior Partner at The Philips Group to exchange knowledge in the real estate sector in Europe, US and the GCC. They shed light on how technology can play a major role in the construction and real estate sector.

The meeting discussed the need to enhance synergy between the institutions from the public and private sectors in order to guarantee winning results. They shed light on Kuwait as a case and how developing the nation's skillsets and enhancing the business environment can lead to sustainable economic development.

GETTING TO BUSINESS

Al-Refai: USD377m worth of real estate assets managed by Markaz in the USA, Europe and Turkey in Q1 of 2019

"During the first quarter of 2019, the value of real estate assets under management at Kuwait Financial Center "Markaz" reached USD 377 million through various investment products in the United States, Europe and Turkey. Markaz will continue to enhance its investment program designed to take advantage of the value-added opportunities in the United States and some European markets such as Poland and Germany", said Deena Youssef Al-Refai, Senior Vice President, Wealth Management and Business Development at Markaz.

Markaz usually avoids investing in single-tenant properties. Such investments can yield good returns, but depend on tenants rather than the real estate

Speaking about Markaz strategy for International Real estate investment in the short term, Al-Refai added: "in the light of the volatility in the region's markets, investors will continue to seek the geographical diversification of investments through new investment products outside the region. Markaz is embracing this strategy through its real estate investment products in the United States and Europe." She continued: "Since 1998, Markaz has invested in several real estate projects in the United States through its investment arm, Mar-Gulf, located in Los Angeles, California." Since 1988, Markaz and Mar-Gulf have acquired and developed 120 properties at a total cost of more than USD1.6 billion within multiple property types including residential, office, retail, industrial, self-storage and land".

Al-Refai pointed out that Markaz's investment strategy is cyclicality and sector driven, and this allows Markaz to capitalize on key opportunities within the market as conditions change. Historically Markaz has invested in Value Add, Development, and Core properties depending on the real estate cycle. Markaz has also historically invested in sectors such as industrial warehouses, office projects, residential properties and retail in accordance with the sector's fundamentals and capital markets outlook. Markaz will continue its current development strategy aimed at targeting locations with "strong fundamentals such as increasing rental rates and a healthy supply vs. demand imbalance", she said. Al-Refai indicated that Markaz usually avoids investing in single-tenant properties. Although such investments can yield good returns, most of the value is dependent on tenant credit rather than the underlying real estate value.. Markaz also avoids investment in certain asset classes that are operationally intensive such as hotels and senior housing (memory care etc).

Markaz Projects and Partnerships: Markaz is keen to provide the best investment opportunities available through its strategic partnerships with banks, real estate brokers, legal institutions, real estate developers and others. "The network of partners enables us to finance and struc-

ture real estate transactions efficiently. Markaz is currently working on renewing its partnership with Wood Partners, which Markaz previously collaborated in the Alta Fillmore apartment project that generated a Net Internal Rate of Return of 16.9% and a Net Return on Investment Multiple of 1.46 times. The new venture aims to develop a 300 unit apartment project located in Phoenix, Arizona. The project site is currently under development and strong economic fundamentals such as positive net migration, rent growth, and limited supply are key drivers of the investment opportunity. The positive net migration contributed to the increase in employment from 2.38 to 2.89 million employees in the period between 2010 – 2019. Al-Refai said: "it is noteworthy to state that during the first quarter of 2019, Markaz began development on two new projects in the industrial sector in the United States; in Stockton, California and Phoenix, Arizona. In addition, Markaz completed Hacımimi Gardens real estate development project In Turkey which is a residential complex located in Beyoglu, Istanbul with a total area of 3,988 square meters. The Hacımimi Gardens project consists of 33 units ranging from 80 to 180 square meters. The project features a privileged location near the metro station with underground parking, a unique selling point compared to competing projects. "

Al Refai also noted that e-commerce is key driver of the industrial sector per-

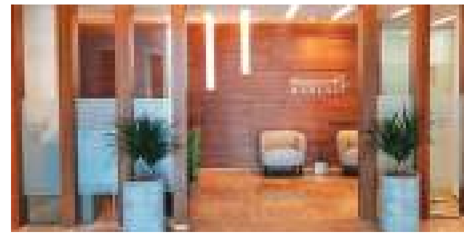
Markaz seeks to take advantage of e-commerce trends by investing in distribution warehouses geared towards online delivery

formance over the last several years. Key value drivers such as faster delivery, convenient shopping, and changing consumer behavior have contributed to an increase in online sales from 4.2% to 9.9% of total retail sales between 2010 to 2019. This has positively impacted the sector with lower vacancy rates and rental growth.

Markaz will continue monitoring the market and studying emerging opportunities. Wealth Management and Business Development at Markaz aims to build long-term relationships with customers, while providing wealth management services as per highest standards. The team succeeded to strengthen Markaz relations with the sovereign funds, the pension funds, banks, family companies and high-net-worth individuals, advising them and enabling them to reach a wide range of its financial solutions and products. Wealth Management and Business Development is continuing its efforts to strengthen the Markaz collaboration with the local institutions in efforts to develop distribution channels towards providing innovative products and solutions to customers.

GETTING TO BUSINESS

Wealth Management & Business Development update



The move: Al-Duaij Building was known to be the home of the Wealth Management & Business Development Department, (previously known as Private Banking) for over 10 years. As the Markaz family grew, they had to shift locations and landed in Universal Tower since 2008. Yet, the WMD remained in the original location. However, after a long wait, the WMD has finally relocated to Universal Tower on the Mezzanine floor. Besides the modern and elegant interior, this move is a big deal, since it is more convenient and efficient to be closer to the rest of the team.

GCC trips: The WMD has worked profoundly with high net worth individuals, family offices and governmental institutions in Kuwait. They are now widening their horizon by visiting neighboring countries in the GCC and meeting offices there to create synergies. In the past month, a couple of members of the team have visited two countries and met with several family offices. We are hoping to work with them in the near future.

European deals: Up until 2017, Markaz provided International real estate deals only in the US. Clients' appetite started to shift towards diversifying their portfolios and invest in deals in Europe. In 2017, the IRE department launched the first European deal based in Germany. In 2018, they also launched a deal in Europe but strictly for Markaz's books. When they saw strong returns, the WMD started listening to the clients and trying to cater their need. Therefore, in 2019, IRED and WMD worked together and lauched one Poland deal, 2 more deals in Poland and one in Germany are to be launched soon.

GETTING TO BUSINESS

Rise of Markaz robo-advisor: a digital portfolio planner tool

By: Hussein Zeineddine, Executive Vice President, Management Information Systems and Operations, Risk Management
By: Suhail Sheikh, Assistant Manager, Management Information Systems and Operations, Risk Management

Artificial intelligence (AI) is changing the world of retirement and future course of income planning, by using enhanced datasets and algorithms to efficiently deliver solutions tailored to Investor's needs. AI can help them save, invest and retire better. One of the hottest trends to emerge in this area that use the data supplied by clients to create and automatically manage their investment portfolios.

Robo-advisors have achieved significant success, managing $128 billion in assets as of November 2017, an increase of $88 billion from 2015

Robo-advisors have achieved significant success in recent years. Robo-advisors managed $128 billion in assets as of November 2017, an increase of $88 billion from 2015. Organizations launched robo-advisor solution in 2016 and have amassed $19 billion in assets during a one-year period, which shows that performance of robo-advisors is quite appreciating.

According to John Stein, CEO of robo advisor Firm that manages over $8 billion for 240,000 customers, their growth path over the past few years has been faster than the growth of mutual funds and ETFs and the reason is the robo-advisors. Even when those products were new, in their early days. This idea of technology-driven, smarter investing is really transforming the way that people think about what they do with their money. It is taking off in a way that has never been seen before.

However, are they the most effective solution?

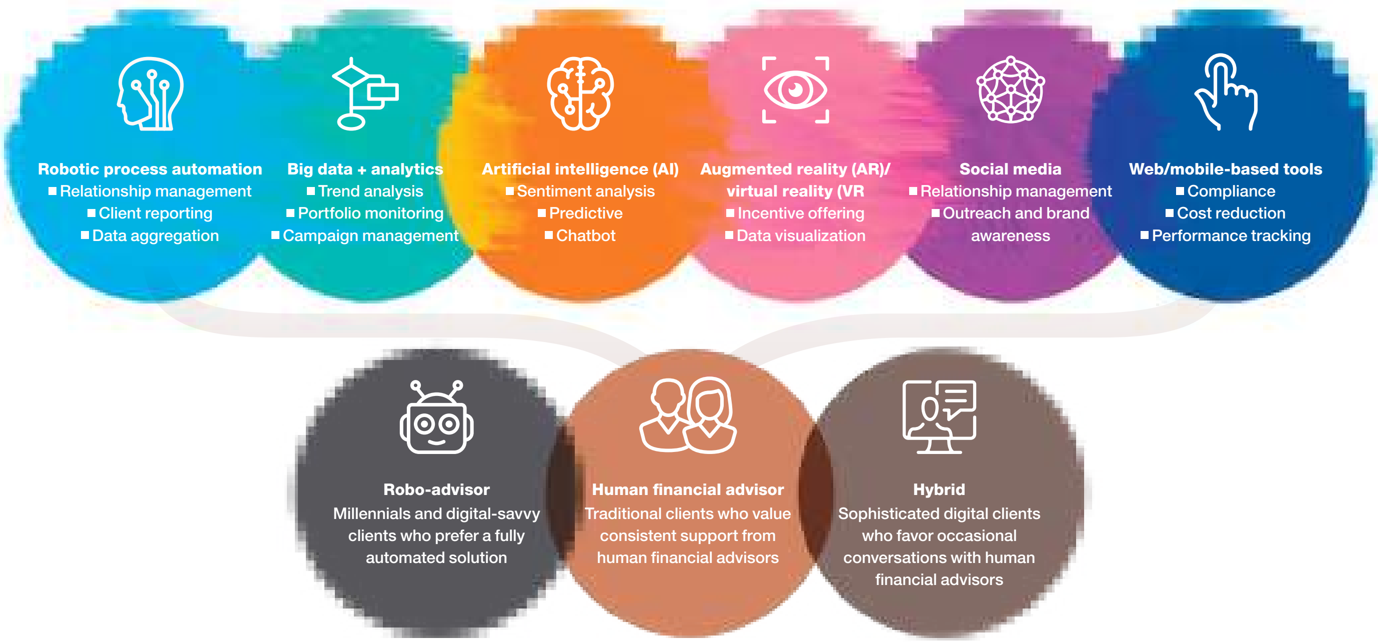
Based upon the above data and monitoring closely the recent trends that are taking place in financial industry, Markaz's pioneering Management, Information Technology Services team and highly qualified analysts along with some of authentic service providers in market are working together in order to introduce a new Portfolio Planner tool that will change the future course of investments for its clients within the zone.

Rise of robo-advisor at Markaz

Markaz robo-advisor is an authentic online financial advisory platform that provides algorithm-based investment management services, including automated portfolio planning, automatic asset allocation, online risk assessments, account rebalancing and numerous other digital tools. Markaz is a customer driven organization where client's needs are put first. High-end technology and qualified analysts at Markaz ensure client requirements are taken care of. When it comes to client's dynamic financial goals, Markaz leaves no stone unturned in order to ensure client assets are safe.

Customers need human interaction and customization as well

While robo-advisors are completely machine based tools, they appear particularly strong in the areas of account opening, enrollment and investment management, but they seem to lag behind in areas such as



customer relationship management, wealth planning and client servicing. Nevertheless, Markaz's newest tool will remove all these obstacles for our esteemed customers.

Markaz robo-advisors will have a number of benefits, including an easier onboarding process, a suite of automated capabilities and minimal investment requirements compared to traditional alternatives. Markaz's combination of human and robotic intelligence is going to bring revolution in the Kuwait financial industry. The algorithmic mathematical analysis by Markaz robo-advisor on client investments is combined with robust planning by highly qualified relationship officers (analysts). Robo-advisors also typically use their reduced fees to target millennials and low-income households. Markaz robo-advisor will offer its customers an automated solution to help them take their investment decisions. Our customers are our pride and keeping in consideration their dynamic financial goals, Markaz is bringing this brilliant tool to the market.

Some special features of Markaz robo-advisor

- Markaz robo-advisor will target minimum assets under management (AUMs) and simpler account types that only vary based on the risk level
- Robo-advisors available at market cannot have deeper conversations as financial advisors do to further understand client interests and build a more customized goal plan. However, robo-advisory service at Markaz will ensure additional support is provided at any point of time especially in terms of changing goals and plans also helping clients to reassess the risk profiling and online questionnaires

Robo-advisors excel in account opening, enrollment and investment management but lag in relationship management and client servicing

- Current robo-advisors available around are lacking at adapting to changing circumstances and cannot provide life-stage management effectively. However, Markaz robo-advisory services would provide our clients a human touch services as well
- Markaz robo-advisory is bought into functionality only after a detailed research and analyzing some of the current shortcoming of market Robo advisors

Markaz robo-advisor uses the artificial intelligence technology. This will be interlinked with one of the Markaz's sophisticated asset management system called **Vestio,** which will serve as a primary data source. It is accompanied with few of the markets data providers with whom Markaz is integrating in order to extract market data information. Once a client fills up the questionnaire regarding his personal information; investment goals and risk tolerance. Markaz robo-advisor compiles all this information and provides reliable results. Markaz robo-advisory services is going to be available online and through a mobile app. A client can access his details anywhere anytime. With this, Markaz is all about brining innovation to clients' doorsteps.

GETTING TO BUSINESS

Inside the mind of Markaz leaders: Mr. Peter Kelly, Executive VP, Human Resources

Connecting employees with the organization and its goals, the human resources (HR) role has become crucial in today's ever-faster paced environment. It has a unique part to play in setting the tone for the way a firm operates, and in how the business is viewed internally and externally. Being an HR professional for over 30 years, Mr. Peter Kelly shares his expertise in this field and his initiatives towards continuing to achieve our Markaz vision of becoming the choice for wealth creation.

Tell us about yourself

A quick picture is that I am a lifelong HR professional and leader. I started out in London, and have worked in one capacity or another in public services, oil & gas, telecoms, retail, family groups, engineering & construction and banking. I hold a Masters in HR, and am a Fellow of the UK's Chartered Institute of Personnel and Development.

I am very familiar with Kuwait and the wider Levant region, having worked here, and in the UAE and in Qatar both in leadership roles and as a consultant over many years now. Europe, Japan, South East Asia and the US have also been part of my journey. I am really enjoying my recent return to Kuwait, building on my past experiences with leading local organizations.

I have had the privilege of learning so many things from so many people, countries and types of businesses. Different sectors and cultures have a lot more in common than they might think when it comes to inspiring and enabling their people.

What are the key pillars for HR to have an impact in any organization?

Many things are important to make the people part of the equation come out as a positive number. Of course, at certain points in the business and economic cycle, some HR activities need more innovation

For a business to perform successfully over the longer term, to be truly sustainable, it is extremely important to have a fully 'joined-up' HR system

and emphasis than others—when times are good, finding the right talent takes the lead, and when there is a prolonged low, retaining and retraining draw our attention.

What I have seen, however, is that for a business to perform successfully over the longer term, to be truly sustainable, it is extremely important to have a fully 'joined-up' HR system.

Over-specialization in just some aspects of HR delivery can actually hamper growth, such as focusing too heavily on compensation to drive results, or providing training that has only a weak impact on overall performance.

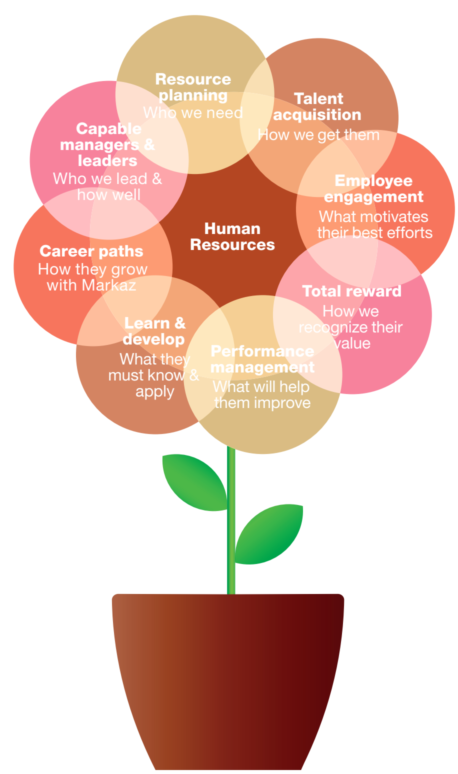
The 8 key 'pillars' of an integrated approach to HR are very simple to define.

Experience tells me that unless these different HR accountabilities mesh well, you can't achieve a balanced approach that can be tuned according to varying market conditions.

On the other hand, with platforms and standards in place for each of these pillars, it is much easier to adjust the emphasis and importance of our activities—and the resources allocated to them—in a sustainable way, and not get stuck in a revolving door of short term activity—what I like to call 'flavor of the month' or 'life raft' initiatives—which are too often the hallmark of worthy, well-intentioned, but ultimately low value, HR.

HR with impact

Human Resources



What are the HR priority pillars for 2019?

Our stated aim is: 'We build sustainable capabilities for our clients and in our changing markets through the right people, developed and motivated to achieve and deliver.'

In ascending order of impact, with all 8 'HR pillars' in mind, we have been firstly ensuring continuity, delivering through existing processes; this overlaps our present stage of HR system development, where we are putting renewed frameworks in place—frameworks that will take our people along a consistent 'straight path' as we hire, pay, develop and grow them in our business.

Our 2019 priority areas are learning and development, career paths, rewards, leadership and engagement.

With this work well under way, we expect 2020 to be all about enhancing performance—using both Markaz's positive traditions and these re-energized frameworks to become agile, and highly adaptive to opportunities, technologies and competition. All three of these challenges are multiplying fairly quickly, and we want to be ahead of the curve!

What is Markaz doing to train, develop and grow its leaders?

Leader development is one of the top sustainability priorities for us. A good deal of energy has been put into establishing our core leadership competencies, and assessing our most senior tier of leaders. We will be extending those initiatives into impactful executive development programs.

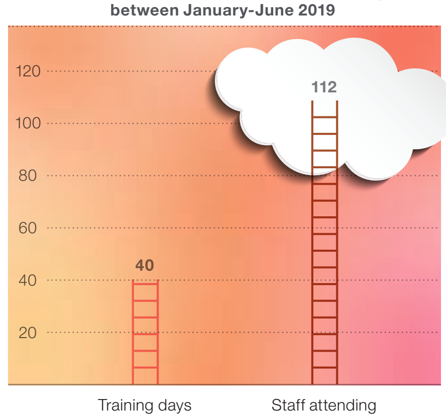
We are also just about to energize our mid-level managers and future leaders with their own programs. Our thinking here is that they will have a solid foundation in core management skills, equipping them for greater responsibilities as their careers progress with us. To do that, we have to work out a clear and well-managed development path as they prepare to be our 'key role successors' in future.

It is absolutely within our vision, as well as being an established Markaz tradition, to enable any of our graduate trainees or junior professional staff to both aspire to, and obtain the experience and skills to, one day lead at the highest levels of our business.

We develop a picture of what someone should be able to do, and also what doing it well typically 'looks' like in terms of positive behaviors

Training

Over 60% of our people received training between January-June 2019



What are Markaz initiatives in terms of learning and development?

In the first half of this year, in line with our continuity theme, we have been ticking off longstanding and well-known needs.

For instance, we brought in a specialized banking and investment sector governance advisory firm so staff who are nominee directors for our associate companies and SPV's have a clear understanding of their roles and how to correctly manage board and Markaz duties; we also refreshed internal skills for project management, inter-department workflows and client communication, and upgraded some staff in individual market skills such as portfolio management, equity investment and financial modeling, through a combination of in-house events, external providers and individual programs. In parallel, there has been healthy attendance of market-relevant seminars and conferences.

From here on, however, we are reluctant to organize courses unless they close capability gaps or link to career plans. That's why we are prioritizing construction of our competency framework, as it will give us both a valid map and a business case for every training.

What are Markaz competencies and the HR role in improving employees' capabilities?

We are tackling this on two fronts: taking a 'capability snapshot' and creating our overall 'competency map'.

The snapshot, assessed by managers, tells us where every person in the Markaz team is on the growth and talent spectrum. This gives us a baseline to support and act on development needs while we are engaged in the slightly longer project of building a valid competency framework.

But what are competencies? In a nutshell, they describe whether someone is at the 'Entrant', 'Emerging', 'Experienced', or 'Expert' level.

Essentially, we develop a picture of what someone in a particular job should be able to do, and also what doing it well typically 'looks' like in terms of positive behaviors. PG 16

Capability snapshot

POTENTIAL				
	HIGH	**Emerging Performer** Noticeable capability. Demonstrates potential. Very ready to be coached.	**Emerging Performer** Capable Performer. Needs priority development to progress.	**Emerging Performer** On fast track for promotion. Successor. Future Leader
	MEDIUM	**Neutral Employee** New role, or 'disengaged. Not delivering on capability. Needs to be pushed, encouraged, energized.	**Core Employee** Reasonably reliable. Still developing, or, falling behind change. Could contribute more.	**High Impact Performer** Ready for new / additional challenges. Ready to move up one level.
	LOW	**Under Performer** Business risk. Being carried by colleagues. Manage up or manage out.	**Effective Performer** Specialist. Reliable, solid. At career progress limit.	**Trusted Professional** Hard to Replace. Expert. Role Model.
		LOW	MEDIUM	HIGH
		PERFORMANCE		

GETTING TO BUSINESS

CONTINUED FROM PG 15

Mr. Peter Kelly, Executive VP, Human Resources

They are only useful if easy to understand and easy to observe; once in place, we will use them as a consistent matrix for all of the important 'people progress ladders' inside our business.

HR and our business seniors are working together to create this consistent framework for Markaz as a whole, and we expect rollout during our fourth quarter—in time to be used for 2019 performance appraisals and next year's training plan!

Is online training a priority for Markaz?

Well, it's definitely the way to go. We aim to run as efficiently as possible, and to be a technologically-adept organization. Online learning means our people can keep up their knowledge base and raise their skills in sync with actually doing business. While there are some types of learning that will always require live interaction to obtain the benefit, equally, there are many areas of development where self-directed studies are by far the optimal way forward—we like our team members to 'learn as you go'.

Online training provides this facility, and it also offers us the chance to set up, automate, track and recognize individual learning goals and achievements.

The choices in online learning platforms, which we would want to integrate into a 'Learning Management System', are however, many! Some are commercially available, like LinkedIn Learning, for instance. At the other end of the scale, there are smaller applications that act more like a repository for training material you both source from outside and create yourself. And then there are also more formal modular learning offerings, through which certifications and qualifications can be earned, and that is a yet higher level of online learning and quality assurance to aim for.

Markaz is very willing to mentor young graduates, and we highly value this initiative, which supports the transition from study to employment

We're currently exploring choices, and we will involve experts from within Markaz in assessing the suitability and coverage of 'ready-made' content. I anticipate that a hybrid approach, where we can access relevant industry-standard training and complement this by uploading some of our own content, will be the likely end result.

What is the Markaz Graduate Development Program? and how does it impact the society and the economy?

Well, let me first say that this program, which is currently in its third year of operation, was principally introduced by our CEO, Mr. Manaf Alhajeri, and is

Having a positive culture is the only real differentiator between organizations with otherwise comparable assets

directly managed by my colleague Hana Al-Zeraie, our Senior Vice President, HR and Administration. It has been a great success in Markaz to date.

Markaz seniors are very willing to mentor these young graduates, and highly value this initiative, which is designed to support the transition from study to employment. We open doors for young Kuwaiti professionals to make their way in the private sector, as one of our several corporate social responsibility interventions for the public good.

So what we do is provide a solid year of paid development in our business for fresh Kuwaiti graduates. While with us, participants are given direct training in core business skills relevant to our sector, and then placed for an extended work experience within one of our departments. Here, they undertake real and meaningful work as part of that team, putting into practice what they have learned.

We don't guarantee employment at the end of the trainee experience, although I am very pleased to say that on average, from each batch of 10-12 trainees, 2-3 per year have been selected for permanent employment with us. Where we do not have an available vacancy on completion, we strongly support our MGDP alumni, recommending them to other potential employers.

I can personally vouch for the quality of the program, being fortunate to have a very good junior HR colleague, Ms. Bibi Maqames, who came from our first batch, and she is now handling not only the selection process and day-to-day program management of the MGDP itself, but is also responsible within HR for recruitment and training administration in general!

Finally, what can HR do to influence the company culture?

Quite a lot, actually! We're in the process of commissioning a third party to carry out an independent employee engagement & employee experience survey for later in 2019.

In a company, culture is how we interact with each other day after day. It is net positive if it allows everyone to do their work well, and with a high feeling of ownership and satisfaction.

Having a positive culture is the only real differentiator between organizations with otherwise comparable assets in terms of people, resources and collective know-how.

What is great about Markaz is that we have a flat team structure, no big hierarchies, and it's relatively easy to talk to everyone in the business. Collaboration, generating ideas and executing conscientiously are 'Markaz DNA'.

HR can promote the best of this culture by ensuring that key skills in communication, collaboration, innovation and execution are formally developed, and that we go out of our way to highlight successes, share challenges, and above all, actually ask our people what helps them to achieve and what 'gets in the way'. And of course, do something about that!

GETTING TO BUSINESS

Markaz Real Estate Fund distributions

By: Abdulrahman AlSanad, Analyst Operations, MENA Real Estate

The Markaz Real Estate Fund is an open ended fund investing mainly in income generating properties with the aim of producing stable income and returns through prudent acquisition, management and disposal of properties in the most promising segments of the real estate market in Kuwait.

MREF operates a total of 17 income generating properties in two real estate sectors (investment and commercial) 4 of which are commercial buildings representing 31% of the fund, 13 investment properties representing 48% of the fund and 1 under development investment building in Dasman representing 21% of the fund.

MREF team has built an expertise in real estate and specifically in income generating real estate, having made for the past decade prudent quality investments and managed properties efficiently yielding stable income.

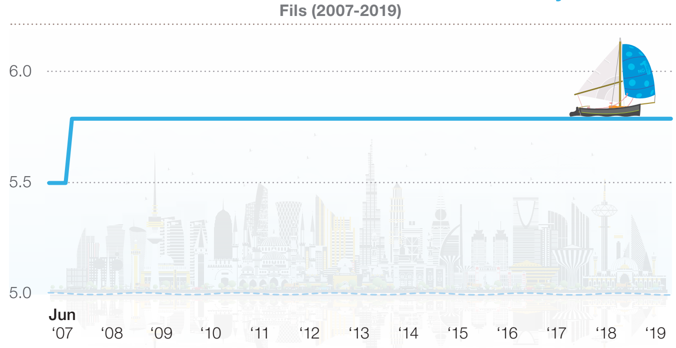
In January 2008, MREF increased its monthly distributions to 5.833 fils per unit, an approximate increase of 6%

The fund distributed 5.833 fils per unit in cash during June 2019 (i.e. equivalent to 7% per annum of the nominal par value) in line with the steady monthly distributions. The total distributions since the fund's inception in June 2002 till the end of June 2019 amounted to 1123 fils.

Since MREF inception in February 2003 the monthly distributions were 4.4 fils per unit and then increased by approximately 25% to reach 5.5 fils of monthly distributions per unit. In January 2008, MREF increased its monthly distributions to reach 5.833 fils per unit, an approximate increase of 6%. The below table shows the distribution over the last 12 years showing the increase from 5.5 fils per unit to 5.833 per unit.

MREF distributions over the last 12 years

Fils (2007-2019)



INFORMED OPINION

Saudi Aramco's acquisition of SABIC leads the top GCC M&A transactions during Q1 2019

By: Abdulrazzaq Razooqi, Assistant Vice President, Investment Banking

The industrials, financials and consumer discretionary sectors witnessed the highest number of transactions.

Saudi Arabia's industrial sector leads the top GCC M&A transactions during Q1 2019 as per a report recently issued by the Investment Banking Department at Kuwait Financial Centre "Markaz". The top reported deal value during Q1 2019 was $69.1 billion and involved Saudi Aramco's acquisition of a 70% stake in SABIC from the Public Investment Fund of Saudi Arabia.

Two of the top transactions involved the announced merger of banks. Kuwait Finance House (KFH) has announced its intention to merge with Ahli United Bank (AUB) at an average exchange ratio of 2.3 shares of AUB for each share of KFH. ADCB and Union National Bank have agreed to merge and collectively acquire Al-Hilal Bank, whereby the merged entities will have a $114 billion asset base. Italy's Eni and Austria's OMV will collectively acquire a 35% stake in ADNOC Refining for an estimated $5.8 billion, whereby ADNOC will retain the remaining 65% stake in the company. KKR and BlackRock have acquired a 40% stake in ADNOC Oil Pipelines, an entity that will lease ADNOC's interest in 18 pipelines for 23 years.

GCC M&A growth

According to Markaz' report, the number of closed M&A transactions in the GCC during Q1 2019 witnessed a 39% increase compared to Q1 2018. Among the region, Kuwait reported the highest increase in the number of closed transactions in Q1 2019 compared to Q1 2018, while Qatar was the only country among its GCC counterparts that did not witness any change in the number of transactions during the same period.

The number of closed M&A transactions in the GCC during Q1 2019 jumped 39% compared to Q1 2018, with a 70% increase in foreign buyers

Top 5 M&A deals by reported value* - Q1 2019

Target company	Target country	Buyer	Buyer country	% sought	Value (USD mn)	Status
SABIC	Saudi Arabia	Saudi Aramco	Saudi Arabia	70	69,100	Closed
Ahli United Bank	Bahrain	KFH	Kuwait	100	N/A	Announced
ADNOC Refining	UAE	Eni/ OMV	Italy/ Austria	35	5,800	Announced
ADNOC Oil Pipelines	UAE	KKR/ BlackRock	USA	40	4,000	Closed
Union National Bank	UAE	ADCB	UAE	100	N/A	Announced

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
*Top deals were chosen based on transactions, which had all necessary information provided

Acquirers and targets

GCC acquirers accounted for 60% of the total number of transactions during Q1 2019 and 75% during Q4 2018. Foreign acquirers accounted for 34% of the total number of transactions during Q1 2019 and 17% during Q4 2018. Buyer information was not available for 6% of the transactions in Q1 2019.

Each of the GCC acquirers seemed to have a different appetite with regards

Number of closed GCC M&A transactions

Country	Q1 '19	Q4 '18	Q1 '18	Change (Q4 '18)	Change (Q1 '18)
Bahrain	0	1	1	-100%	-100%
Kuwait	16	18	5	-11%	220%
Oman	1	4	3	-75%	-67%
Qatar	1	3	1	-67%	0%
Saudi Arabia	13	7	5	86%	160%
UAE	19	20	21	-5%	-10%
Total	**50**	**53**	**36**	**-6%**	**39%**

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
*% changes are in comparison to Q1 2019

Sector-wise classification of deals - Q1 2019

Sector	GCC buyers	Foreign buyers	Other*	Grand total	%
Industrials	9	7	0	16	32
Financials	8	0	0	8	16
Consumer Discretionary	4	2	1	7	14
Energy	2	2	0	4	8
Real Estate	2	1	1	4	8
Healthcare	3	0	0	3	6
Consumer Staples	2	0	0	2	4
Information Technology	0	2	0	2	4
Media	0	1	0	1	2
Insurance	0	1	0	1	2
Telecommunication Services	0	0	1	1	2
Aviation	0	1	0	1	2
Grand Total	**30**	**17**	**3**	**50**	**100**

*Other refers to deals where buyer information is not available

UAE represented 71% of the closed transactions by foreign acquirers in Q1 2019, while Saudi Arabia and Kuwait represented 23% and 6% respectively

to M&A transactions during Q1 2019. Kuwaiti acquirers preferred investing in their home country. Saudi Arabia mostly invested in their home country and equally between other GCC countries and outside the GCC. UAE acquirers mostly invested outside the GCC and within their home country. Bahraini acquirers only invested outside the GCC. Qatari and Omani acquirers each engaged in one acquisition in their respective countries.

Foreign buyers

Q1 2019 witnessed a 70% increase in the number of completed transactions by foreign buyers compared to Q1 2018. In comparison to Q4 2018, the number of such transactions grew by 89%.

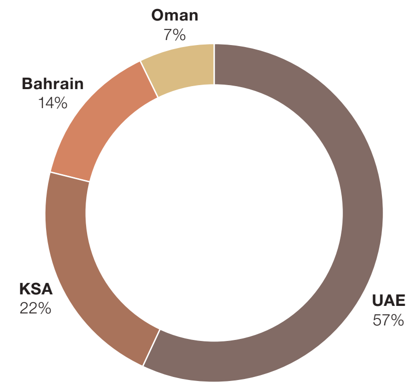
UAE targets represented 71% of the closed transactions by foreign acquirers during Q1 2019, while Saudi Arabia and Kuwait represented 23% and 6% respectively of the transactions during the same period. Bahraini, Omani and Qatari targets did not attract any foreign buyers during Q1 2019.

Sectorial view

The industrials, financials, and consumer discretionary sectors witnessed

Geographical distribution by number of announced pipeline transactions

(Q1 2019)



the highest number of transactions, collectively accounting for 62% of the total closed transactions during Q1 2019. The media, insurance, telecommunication services, and aviation sectors each accounted for 2% of the total closed transactions during Q1 2019; collectively amounting to 8% of the transactions during the period.

Deals pipeline

There was a total of 14 announced transactions in the pipeline during Q1 2019; representing a 27% increase in the number of announced transactions compared to Q4 2018.

UAE and Saudi Arabia collectively accounted for 79% of the announced transactions during Q1 2019. Oman and Bahrain made up 21% of the announced transactions.

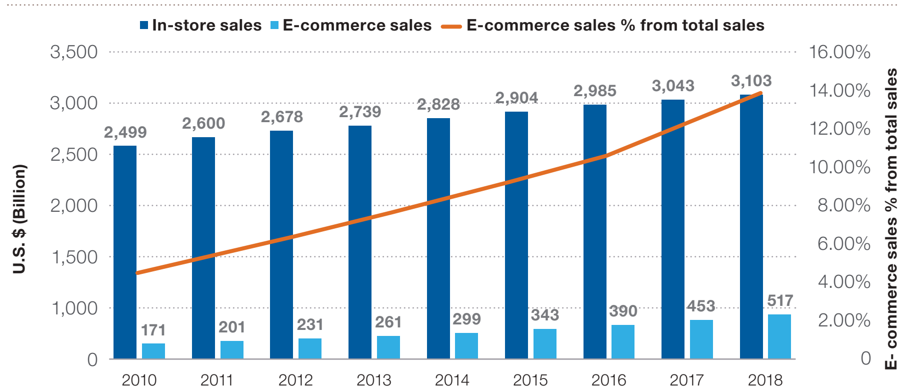
INFORMED OPINION

International real estate: U.S. retail - second quarter 2019

By: Ahmad Hayat, Assistant Manager, International Real Estate

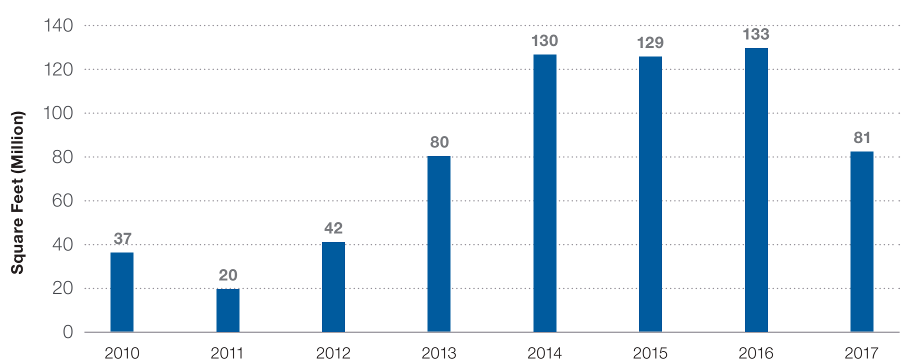
The International Real Estate Department at Markaz released its quarterly report aiming to provide our investors with our views and analysis of key trends that impact our real estate investments and real estate investment strategy. The Q2 2019 report covers key indicators within the U.S. brick and mortar retail market (such as strong total retail sales and positive net store openings) and retail fundamentals.

Historical In-store, e-commerce sales and e-commerce percentage from total sales



Source: U.S. Commerce Department

Net store openings



Source: U.S. Census Bureau, Co Star, Business Insider

Section A: Key Retail Indicators

❶ E-commerce vs. Brick and Mortar

The U.S. brick and mortar retail market ("B&M retail") has been viewed under a negative lens over the past several years partially due to the strength of the e-commerce sector. Although e-commerce sales have been increasing at a rapid pace (CAGR 13% between 2010 and 2018) traditional B&M retail still makes up 85% of the US$ 3.6 trillion consumer retail market.

❷ Net Store Openings

The strong number of store openings that have been witnessed over the past 8 years also signifies the strength of the brick and mortar retail market. Trends such as the expansion of discount stores and traditional B&M retail stores acting as brand ambassadors have been two of the key components fueling positive net store openings. Although there have been store closures they have been primarily driven by highly leveraged private equity firm acquisitions in which decreasing sales resulted in downward pressure on bottom lines. Between 2010 and 2017, the retail market experienced over 652 million square feet of positive net store openings.

The number of closed M&A transactions in the GCC during Q1 2019 jumped 39% compared to Q1 2018, with a 70% increase in foreign buyers

Section B: Retail fundamentals and capital markets

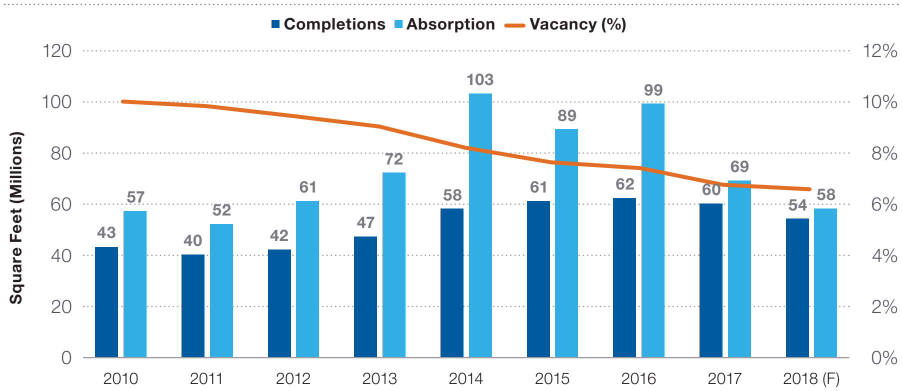
❶ Supply and Demand

Overall demand has outpaced supply between 2010 and 2018 with net absorption totaling 660 million sf vs. completions totaling 467 million sf. The delta between supply and demand peaked between 2014 and 2017 (total of 110 million sf net differential between supply and demand) with the sector returning to near equilibrium levels in 2017 (resulting in stable vacancy rate levels).

❷ Rents and Vacancy

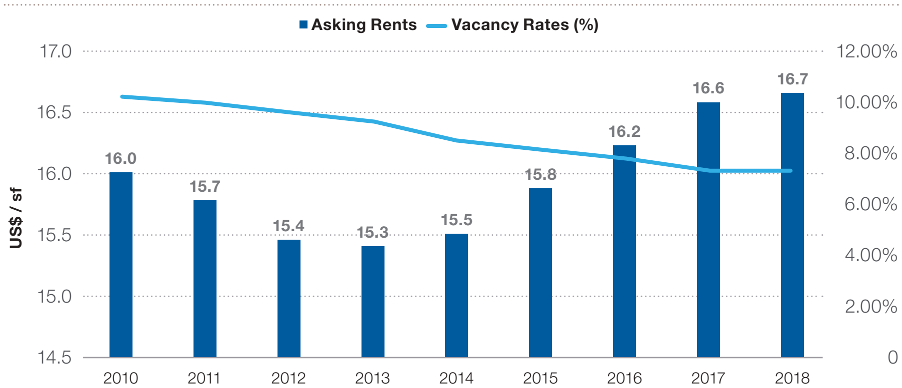
Due to positive net absorption and limited levels of new supply, the retail market vacancy rate has reached 6.6% (its lowest levels in the last 10 years). Retail rents have also been trending upwards, reaching an average rate of US$ 16.7 / sf.

Supply and demand



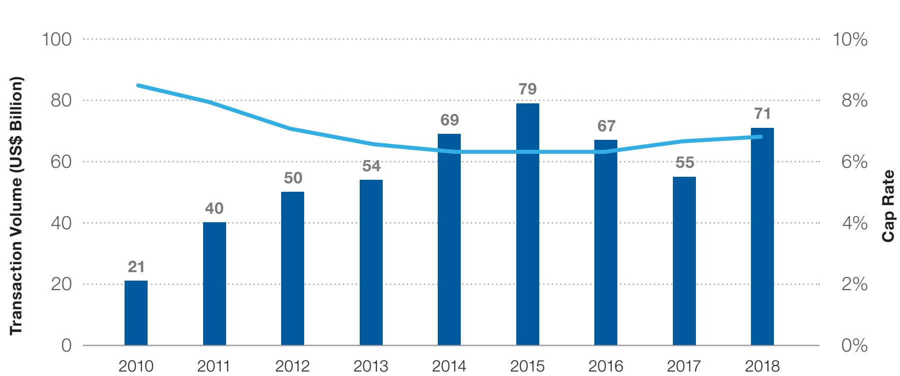
Source: Marcus and Millichap

Rents and vacancy



Source: Cushman and Wakefield

Transaction volumes and cap rates



Source: JLL, CBRE

❸ Transaction Volumes and Cap Rates

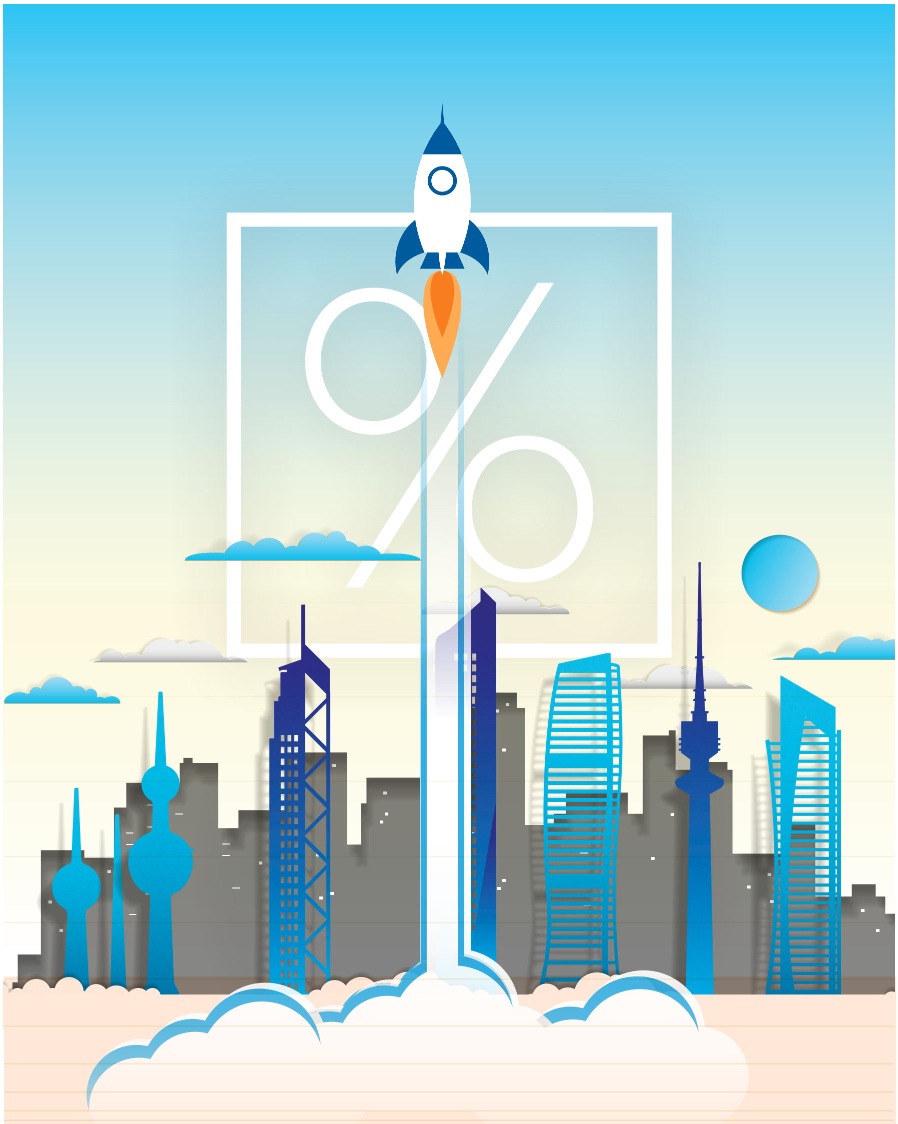
Retail transaction volumes have also been increasing steadily between 2010 and 2018, reaching US$ 71 billion in 2018 from US$ 21 Billion in 2010 (CAGR 16.58%). Within the same period, the average prime retail cap rate has compressed from 8.80% in 2010 to 6.79% in 2018 representing a 201 basis point compression.

Yes, e-commerce has disrupted the B&M retail segment over the past several years but examples of the importance of the B&M retail segment can be exemplified by Amazon's US$ 13.7 billion acquisition of Whole Foods and Dominos' expansion plan that aims to add 9,700 stores (60% increase in stores) by 2025 (Source: Bloomberg, Dominos). This coupled with positive store openings, healthy sales levels, and steady market fundamentals; portions of the retail market are expected to remain healthy.

INFORMED OPINION

MSCI upgrades Kuwait to emerging market

By: MENA Equities Department



The upgrade could attract USD 2.8 billion worth of inflows provided that Boursa Kuwait rolls out services and products international investors look for

MSCI decided to upgrade Boursa Kuwait to its emerging market index. The final decision will be made after introducing more reforms before the end of November 2019, such as introducing omnibus accounts structures and NIN cross trades.

There will be a one-step inclusion process, at the May 2020 semi-annual index review, and will include nine stocks in the premier market with an estimated value of KD 19.7 billion, which represents 58.6% of the total market value of the stock exchange.

Upgrading Boursa Kuwait to MSCI emerging-market index could attract USD 2.8 billion worth of inflows providing that Boursa Kuwait rolls out services and products that international investors look forward to, such as short selling, stock borrowing, margin trading and a market making. Also, Boursa Kuwait should amend some regulations, upgrade its infrastructure, not to mention starting the public offering of Boursa Kuwait, which is expected to be followed by other initial public offerings IPOs (two companies per annum). There are upcoming projects such as electronic disclosures and the requirement of CAR, taking into account the efforts made over the past three years, which included changing the stock price intervals, profits maturity, market segmentation and foreign ownership limits.

The proposal of the potential benefit of treasury shares within the market making processes was initially approved by CMA. These reforms are important to enhance the trading levels of value and volume.

The importance of upgrading Boursa Kuwait to MSCI Index is that MSCI is the world's largest market indices provider and its EM indices are followed by assets of about USD1.8 trillion. This results in positive factors such as improved liquidity, higher level of governance, transparency and increased investor confidence.

In general, Kuwait has a stable economic environment thanks to:

1. Low breakeven oil price
2. The cost of public debt due in 2027 does not exceed 2.6%, taking into account all risks
3. A constant growth in profits
4. Kuwaiti market index weight (Frontier) rises to 31.4% from 25.6%
5. Very limited representation of foreign investors
6. The P/E at 17 times earnings, higher by 13% of the average (P/E) over the past 5 years. However, as it is customary before any upgrade, these multipliers will see significant increases

Boursa Kuwait has also developed a plan for a more sustainable future that encourages private sector contribution and investment in human capital with a value starting from USD60 billion to USD100 billion. Also, the Silk Road project is estimated to add USD220 billion to Kuwait's GDP.

However, there are threats such as the volatility in oil prices, the geopolitical tensions and the worsening trade war.

Institutional investors and real estate portfolios

By: Muaz Al-Ateeqi, Manager, MENA Real Estate Department

Institutional investors are the biggest investors in any market. They are the whales of the market and can play the role of market maker, such as; pensions fund, hedge funds, insurance companies, mutual funds and sovereign wealth funds. For such institutions, they tend to look for steady growth, low risk and long-term investments.

Real Estate sector is a natural magnet for governmental institutions because it's hedged against inflation, relatively less volatile than other sectors, it's a tangible asset and provide periodic cash returns.

Institutional investors can diversify their investments within the real estate sector depending on which asset class they want. To do so, they mainly have two entries; through a real estate fund or a real estate portfolio.

The main differences between a fund and a portfolio are:

A fund is a pool of investments which are converted into 'units' or 'shares' that are managed by a professional fund manager. The fund manager has full control on the processes and procedures within the fund. The investors buy 'shares' or 'units' of the fund. Institutional investors generally invest in well-diversified, well managed funds that has proven track records.

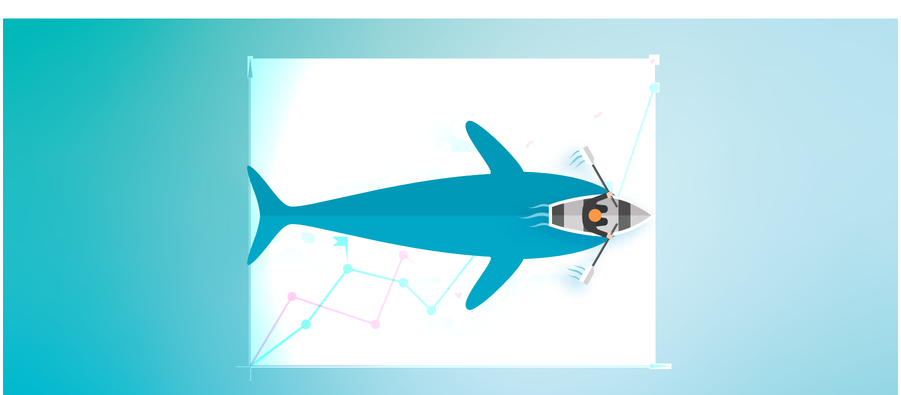
A portfolio is collection of funds or/and properties that are owned by a single entity. That entity has full control on the policies and procedures to run the portfolio. The main disadvantages are:

1. All funds are from a single individual
2. Governments tend to have a long bureaucratic process which sometimes lead to waste investment opportunities and decisions

So, to overcome the government bureaucracy while maintaining full control on assets, institutional investors engage a third experienced party to manage all or part of their assets, this is called investment outsourcing.

A portfolio manager helps in:

1. Having a governance system similar to private sector
2. Maintaining the value of the assets through an experienced portfolio manager
3. Overcoming governmental decision making process bureaucracy through private sector
4. Providing the necessary in-depth studies, analysis and recommendations for the owner
5. Executing the owner's vision more efficiently



The SME trend

By: Mariam AlMarzouq, Trainee, Wealth Management & Business Development Department

The MENA and GCC region have been considering SMEs to be a driver of the economy, industry and employment. SMEs have a great potential to become large-scale companies, considering the fact that they provide new technologies, services and products to serve the market. There are several ways to approach SMEs, the most common would be either by angel investors or venture capital firms. Governments in the GCC are recognizing the importance of SMEs and are coming up with tactics to promote that community.

To keep a sustainable economic growth in the GCC, SMEs are considered a crucial component. An estimated 15%-30% of the GCC's GDP comes from SME activities. Starting 2010, the youth community's mindset began shifting from traditional ways of making a living to leaning towards creating their own business. The entrepreneurs captured the youths' mindset and came up with business ideas that fulfills the community's needs.

The first and most known entrepreneur is Mohammed Jaffar. In 2010, Jafar started his career in the e-commerce business through Talabat. After 5 years, due to Jafar's profound management skills, he was able to increase the valuation of Talabat from KD 850,000 to KD 50,000,000, which is equivalent to a 6,000% increase. With Talabat reaching this price, one of the biggest tech companies known as Rocket Tech acquired it. This acquisition opened doors for young entrepreneurs to start seizing opportunities in the market. Some examples are Carriage, Boutiqaat, Cofe, etc.

Clearly, SMEs play an important role in Kuwait's economy and Investors are now serious of the SME segment. In 2013, the Kuwaiti government established a National Fund for SME Development to help build a collaborative and innovative environment for entrepreneurs.

INFORMED OPINION

Markaz: total value raised by GCC corporate entities increased by 40% in H1 2019

By: Rasha Othman, Executive Vice President, Investment Banking (Fixed Income & Capital Markets)

Saudi Arabia based issuers led the GCC in H1 2019 raising a total of USD 30.81 billion through domestic and international debt issuances.

Markaz highlighted, in its recent research report titled GCC Bonds & Sukuk Market Survey, the trends pertaining to bonds and sukuk issuances in the GCC region during H1 2019.

The aggregate primary issuance of bonds and sukuk by GCC entities, including central banks local issuances and GCC sovereign and corporate issuances, totaled USD 94.79 billion in H1 2019, marginally lower (0.47%) from the total amount raised in H1 2018. Saudi entities were the top issuers in terms of total value issued.

GCC central banks local issuances (CBLI's) decreased by 8.9% to USD 29.77 billion

Central Bank local issuances are issued by GCC central banks in local currencies and with short maturities for regulating levels of domestic liquidity. During H1 2019, a total of USD 29.77 billion was raised by the GCC central banks, namely by the Central Bank of Kuwait, Bahrain, Qatar, and Oman. (The only publically available information is from the Central Bank of Bahrain, the Central Bank of Kuwait, the Central Bank of Oman, and the Central Bank of Qatar.) The Central Bank of Bahrain raised the highest amount with USD 11.96 billion (BHD 4.51 billion), representing 40.19% of the total amount raised by CBLIs through 44 issuances, followed by the Central Bank of Kuwait, which raised a total of USD 8.13 billion (KWD 2.47 billion).

GCC sovereign and corporate bonds & sukuk market

A total of USD 65.03 billion was raised in the GCC sovereign and corporate bonds and sukuk market in H1 2019, an increase of 3.94% from USD 62.57 billion raised in H1 2018.

The first quarter of 2019 recorded the highest value of GCC issuances, with a total of USD 38.49 billion raised through 111 issuances, while a total of USD 26.54 billion was issued in the second quarter through 118 issuances.

Geographical allocation: Saudi Arabia based issuers led the GCC in H1 2019, raising a total of USD 30.81 billion through 15 issuances and representing 47% of the total value raised in the GCC, followed by Qatar with 26% and UAE with 25%. Kuwaiti issuers made up 0.46% of the primary market with a single issuance

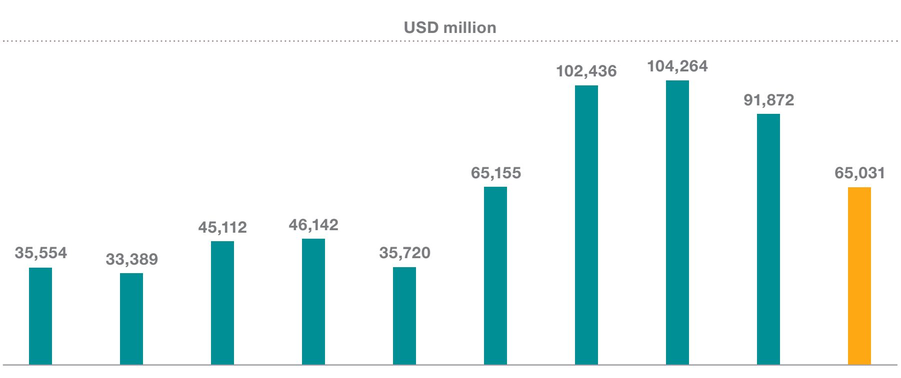
The first quarter of 2019 recorded the highest value of GCC issuances, with a total of USD 38.49 billion raised through 111 issuances

during H1 2019.

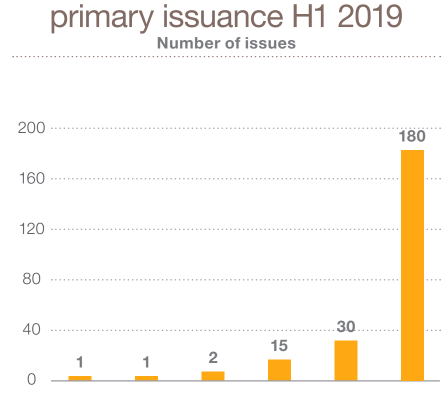
Sovereign vs. corporate: Sovereign issues contributed 60.2% to the overall market with a total value of USD 30.13 billion as compared to USD 37.68 billion in H1 2018. Total value raised by corporate entities in H1 2019 increased by 40%, to USD 34.91 billion in H1 2019 from USD 24.89 billion in H1 2018. The Saudi Arabian government raised USD 16.93 billion out of which USD 9.43 billion (SAR35.35 billion) was through domestic bonds and USD 7.5 billion through US dollar denominated bonds and sukuk. The government of Qatar issued bonds totaling to USD 12 billion with maturities of 5, 10 and 30 years while the government of Sharjah issued USD 1.2 billion in through two sukuks maturing in 2025 and 2026.

Conventional vs. sukuk: Conventional issuances were lower by 4.29% versus last year as it raised USD 48.02 billion, representing 73.84% of the total amount raised. During H1 2019, sukuk issuances raised USD 17.01 billion, 37.21% higher as compared to USD 12.40 raised in H1 2018 and represented a share of 26.15% of the market in H1 2019.

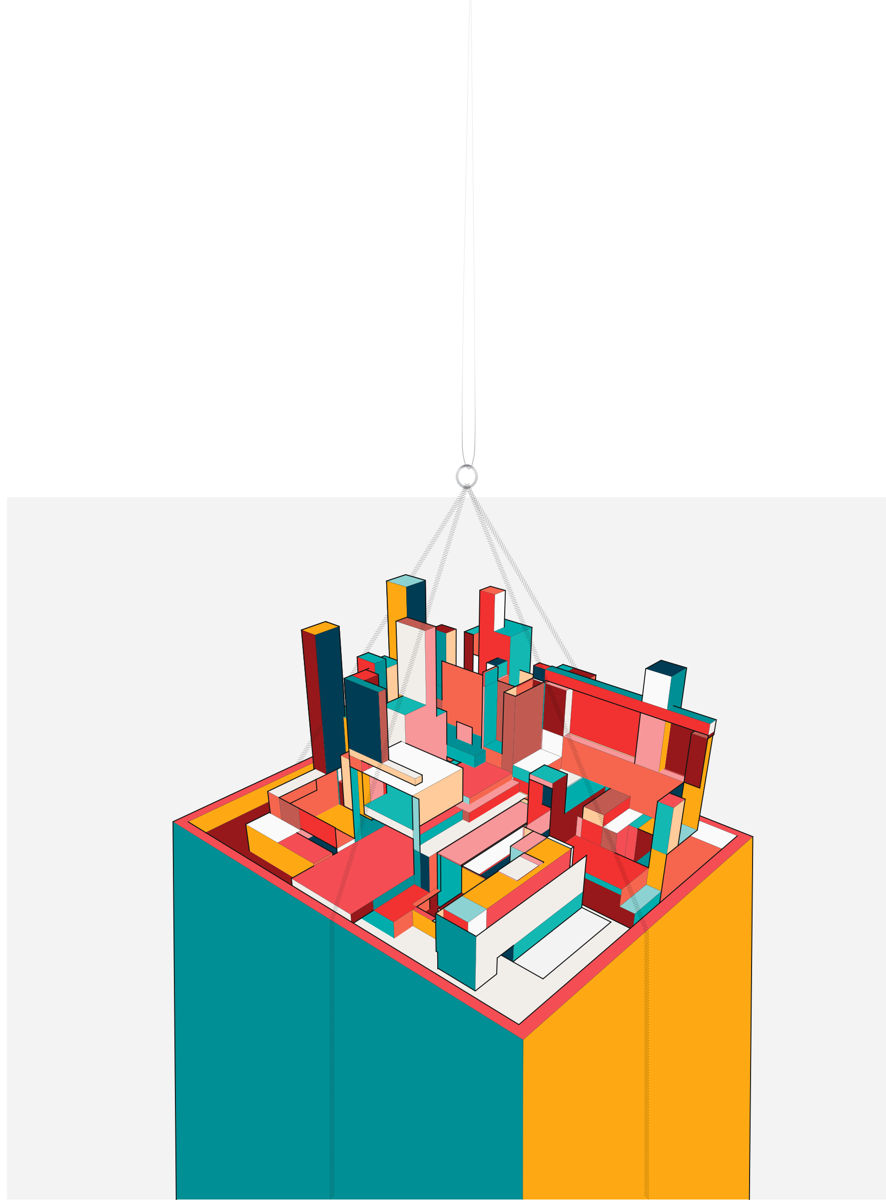
GCC bonds and sukuk market primary issuance H1 2019



GCC bonds and sukuk market primary issuance H1 2019



As of 30th June, 2019, the total amount outstanding of corporate and sovereign bonds and sukuk issued by GCC entities was USD 528.95 billion



Sector allocation: Government sector accounted for the largest amount raised during H1 2019, with USD 30.13 billion representing 46.3% of the total amount raised as compared to USD 37.68 billion issued in H1 2018. The financial sector followed with USD 20.1 billion (30.9% of total market) raised through 207 issues.

Maturity profile: Issuances with tenures of more than ten years raised the highest amount, USD 26.22 billion, through 35 issuances, representing 40.3% of the total amount raised. Issuances with maturities less than 5 years represented 32.8% with USD 21.35 billion.

Issue size profile: The sizes of GCC bonds and sukuk issuances during H1 2019 ranged from USD 5 million to USD 6 billion. Issuances with principle amounts greater than or equal to USD 1.0 billion raised the largest amount - USD 47.54 billion, representing 73.10% of the total value.

Currency profile: US dollar denominated issuances lead the GCC bonds and sukuk market, raising USD 50.5 billion (77.66% of the total amount raised) through 137 issuances. Followed by issuances in Saudi Riyal raising USD 9.55 billion (SAR 35.85 billion) through 6 issuances and represented 14.70% of the total amount raised.

Rating: During H1 2019, a total value of 77.8% of the Sovereign and Corporate issuances were rated by either one or more of the following rating agencies: Moody's, Standard & Poor's, Fitch, and Capital Intelligence - out of which 94.62% issuances had investable grade ratings.

Listing: During H1 2019, 59% of the total issuances or 136 GCC Bonds and Sukuk issuances, with an aggregate value of USD 61.22 billion were listed on exchanges. Listing on international exchanges accounted for 92.06% with London accounting for the listing of 47 of such issuances.

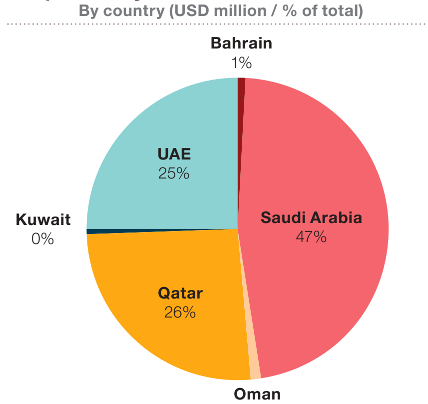
Bonds and sukuk total amount outstanding in the GCC

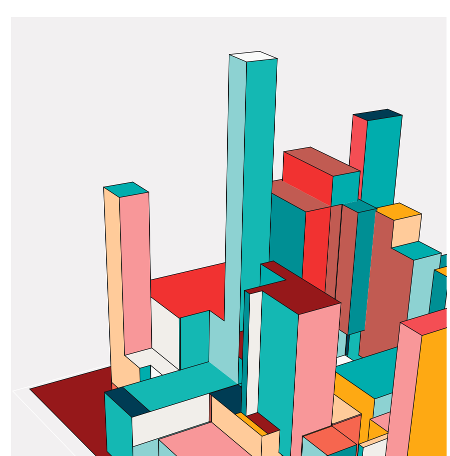
As of 30th June, 2019, the total amount outstanding of corporate and sovereign bonds and sukuk issued by GCC entities was USD 528.95 billion. Government issuances made up 50.7% of the total amount. Financial sector led the corporates with a total amount outstanding of USD 123.05 billion, or 23.3% of the total amount.

Of the amount outstanding as of 30th June 2019, USD 217.41 billion, or 41.10% were issued by Saudi Arabian entities. Bonds and Sukuk by Kuwaiti entities represented USD 20.56 billion, or 3.89% of the total amount outstanding.

GCC bonds and sukuk market primary issuance H1 2019

By country (USD million / % of total)





INFORMED OPINION

Historical significance of capital appreciation vs. traditional saving

By: Abdulmohsen Al-Mudhaf, Trainee, International Investments Department

Growing up, most individuals are conditioned to think under a certain umbrella of operations and actions. One that is fairly universal and familiar to us is the idea of saving which, as we will examine later on, carries with it a wide range of definitions. Conventional thinking adopts a low-risk, 'sensible' method of saving in its usage of commercial banking savings accounts. While this may be a fairly easy option for most, historical evidence may advocate for other means of appreciating collected savings and could point to a vast difference in both. The objective of this piece is to highlight both ideologies and, hopefully, set the scene for an argument that has existed since the dawn of the modern-day financial era. Moreover, when we examine the aforementioned methodologies for what they are and understand exactly how they satisfy certain related subgroups of the general population, we are able to then visualize the spectrum of risk appetites and see just how intricate that spectrum can get.

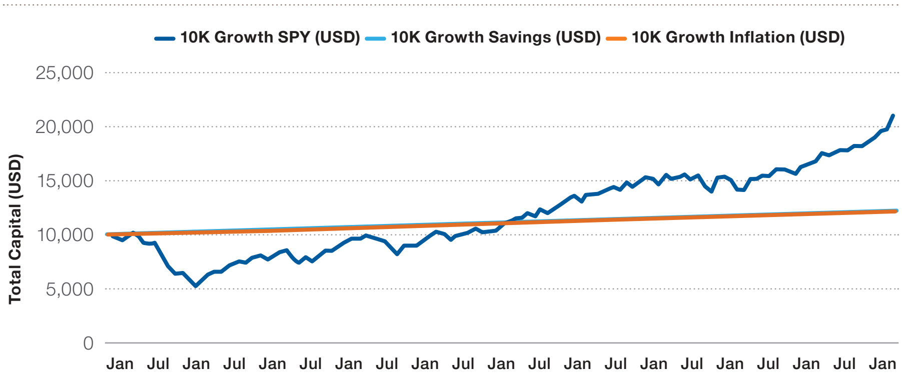
When we generally think about our 'savings', more often than not we are thinking about the money collected through time in our respective bank accounts (i.e. checking and/or savings account). The availability and increasing accessibility of commercial banking nowadays provides us with the opportunity to easily save our hard earned cash with no additional worry of lacking the financial knowledge needed to do so. Adding to that, should the individual choose to place his or her money into a savings account that accrues interest (i.e. fixed or compounding) over time, they are also getting the additional benefit of interest payments over time; or so they believe. Unfortunately, the economic climate pertaining to our financial world isn't as black and white as we would like it to be. There are many crucial variables that must be accounted for when thinking about the long term effect of our savings. One of the more relevant variables to our equation is inflation and how it, unfortunately, has the potential to offset the interest payments collected over time through traditional savings accounts. For example, assume an individual in the US saves $10,000 at a fixed 2% compounded every year for 10 years. Assume also, that the average annual inflation rate is 2.1% (rounded average CPI from 2000-2018). The principal amount ($10,000) plus interest (2%) leaves that individual with $12,189.94 at the end of those 10 years. However, assuming a 2.1% inflation rate, the principal amount ($10,000) is now worth $12,309.98, so, in actuality, the individual has actually lost $120.04. This is a very basic example that skips over some of the more technical aspects of the concept, but the general message remains the same: inflation has the potential to offset interest gains from conventional saving.

One of the more relevant variables to interest payments is inflation and how it has the potential to offset interest payments collected over time

The opposing side of this argument comes by way of capital appreciation in the financial markets. The process here is geared more towards investing (either self-invested or through an investment advisor) in financial securities and reaping the benefits through appreciation of the funds invested. One obvious downside to investing, however, is the susceptibility of exposure to all types of risks (i.e. market risk, liquidity risk, margin risk etc.). This is the main driver for the hesitancy that individuals exhibit when exploring such an option. Common practice and historical evidence have shown us otherwise, however, in that the use of sound investment practice has the capability of generating returns that far exceed those of the conventional saving model. Let's revise our earlier example, but instead of investing the principal with a constant 2% annual rate, let's assume the same individual instead invests the amount into an S&P500 ETF ($SPY) allowing for a broad US equity exposure. Let's also assume that same individual invests at a peak right before the recession in 2008. This situation is contrary to what sound investment practices advise individuals to do. However, with that being said, the return on a less than ideal investment scenario, as our example illustrates, would still yield better results than our conventional savings example (within the same 10 year span). The amount an investor receives on a $10,000 investment placed on January 31st 2008 into an S&P500 ETF alone is $20,521.22 (including principal) on January 31st 2018.

Capital appreciation vs. Saving

(2008-2018)



Data source: MorningStar, Jan 2008 to Jan 2018. Past performance is no guarantee of future results.
*Please note slight overlap of Savings and Inflation lines.

INFORMED OPINION

GCC ride sharing sector: estimating the market size

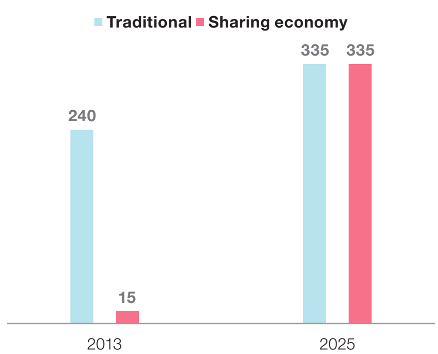
By: Anna Elias, Policy Analyst, Marmore MENA Intelligence

Digital ride sharing platforms are placed within the wider framework of an emerging disruptive model that is referred to as the sharing economy. The sharing economy is an economic model based on peer-to-peer (P2P) activities of acquiring, providing or sharing access of goods and services that are facilitated on a community based online platform. Also referred to as 'collaborative consumption' and 'access economy', businesses within the sharing economy operate through an online platform, enable consumer-to-consumer transactions and provide temporary access to a good or service with no transfer of ownership. The sharing economy formally developed in the United States as one of the responses to the financial crisis of 2008, when people needed to access things that they could not either afford or own. The sharing economy spans across sectors including transport, logistics, warehousing, travel and hospitality, home services, dining, food and beverages, and finance.

Ride sharing or shared mobility offers an innovative transportation solution to users by providing them access to various modes of transportation on a needs basis. The ride sharing service platforms operate on the model of offering affordable, safe and convenient alternative to traditional transportation options through the use of efficient applications that connect the drivers to the passengers. Transportation is estimated to evolve as the largest sector in the sharing economy that will generate global revenues of USD 335 billion by 2025 across 5 key sectors.

Sharing economy sector and traditional rental sector projected revenue growth

(US$ billion)



Source: PwC

Note: Sharing economy includes peer-to-peer lending and crowdfunding, online staffing, peer-to-peer accommodation, car sharing, music and video streaming traditional rental sector: equipment rental, B&B and hostels, book rental, car rental, DVD rental

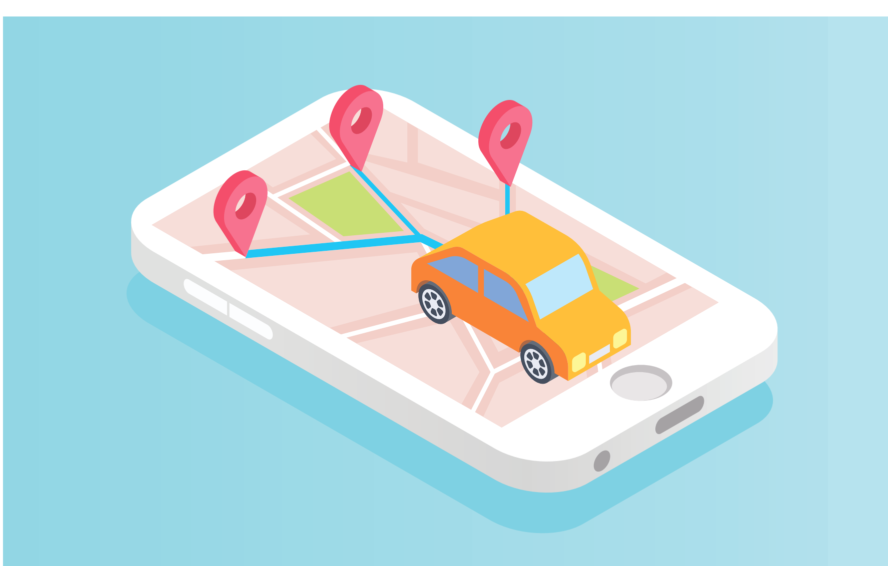
Gross bookings of ride sharing in the GCC is presently estimated at USD 1.52 billion. Saudi Arabia is expected to account for the largest market at USD 863 million

Aided by transformative technologies like smartphones, cloud and Global Positioning System (GPS), the ride sharing companies have grown to completely replace or pose challenge to existing modes of transportation. Prominent ride sharing players such as Uber, Careem and Ola offer a cost-effective, safe and convenient alternative to conventional transportation options like hired taxis or public transport, and promote consumption without ownership.

The GCC region is buzzing with activities in the sharing economy with the emergence of various key companies across sectors. A consistently available young and tech savvy labor force, high levels of urbanization, high technology adoption rates, national digitization policies and availability of investment capital are factors that aid in the growth of sharing economy. The region has some prominent names in sharing economy to its credit, one being Careem, which was recognized as a unicorn in 2016 and was acquired by Uber in a record deal worth USD 3.1 billion in 2019. GP Solutions DMCC launched KiwiRide in Dubai, the first locally established platform to provide electric scooter sharing using which scooters can be geolocated, used and paid for through the mobile application.

Start-ups and corporates have entered the ride sharing market as a response to growing demand from consumers. Darb, Carpool Arabia, Easy Taxi, eKar provide varied transportation options to commuters across the GCC region.

Based on Marmore research, it is seen that the gross bookings of ride sharing in the GCC countries is presently estimated at USD 1.52 billion. Saudi Arabia is expected to account for the largest market at USD 863 million as it has the largest population among the GCC members.



PG 28

INFORMED OPINION

Libra cryptocurrency

By: Chirag Popat, Research Analyst, Marmore MENA Intelligence

In May of 2019, Facebook registered Libra Networks LLC in Geneva, Switzerland, to create a new digital currency. After months of speculation, on 18 June Facebook released a whitepaper (blueprint) of launching a new cryptocurrency, called Libra. The whitepaper highlights the issues that Libra is targeting to solve.

The paper begins by recognizing the fact that in today's world, traditional financial transactions, such as wire transfers and ATM withdrawals, are generally coupled with high fees and a long waiting period. Additionally, people living in remote locations are subjected to the highest fees to avail these services. Moreover, there exist 1.7 billion people in the world today who do not have a bank account. Therefore, they lack access to the essential services provided by the traditional banking system. Libra is presented as a solution to these problems. Facebook sees many of these unbanked population as potential users for the Libra currency as most of these people do have access to a smartphone and access to the internet. Although Libra is not breaking new ground in the problems, it has purported to tackle, as the introduction of Bitcoin and other similar decentralized cryptocurrencies follow identical principles. Facebook is positioning Libra as the first cryptocurrency with potential to become mainstream due to its massive user base.

Libra's mission is to enable a simple global currency and financial infrastructure that empowers billions of people

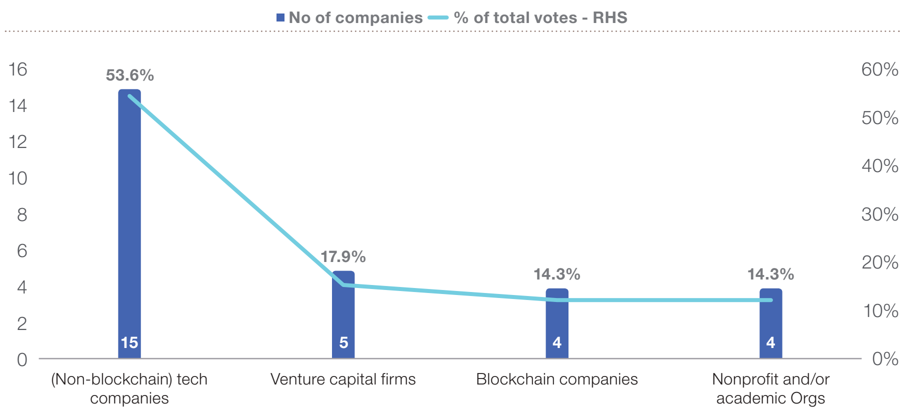
The Libra cryptocurrency and Libra reserve

Libra is designed to be a stable digital cryptocurrency or **stable coin,** that is backed by a reserve of low-volatile assets, like bank deposits, and short-term government securities in currencies from stable and reputable central banks. The value of the Libra will fluctuate with the value of the underlying assets, which have been chosen strategically to minimize volatility. The assets in reserve will be held by a network of custodians with the aim to promote decentralization. Facebook has emphasized on the fact that it is these assets, which will act as the main difference between Libra, and the existing cryptocurrencies, which fluctuate based on market demand-supply dynamics. As a basket of assets will back the Libra cryptocurrency, these assets will earn interest over time. This interest on the reserve assets will be used to cover the costs of running the system, ensure low transaction fees, pay dividends to investors who provided capital at the initiation of the ecosystem, and support further technological developments.

The Libra Blockchain

- **Pseudonymous and open-source blockchain:** The Libra Blockchain, which will act as the underlying technology on top of which the Libra currency will operate, is defined as pseudonymous in the whitepaper. This means it will allow one user to hold multiple addresses without linking it to their real-world identity. The software that implements the Libra Blockchain is open source, which means any consumer, developer, or business can view the code and use it to build products on top of it. However, not everyone will have the right to make changes to the existing code without the prior approval of Facebook.

High-level breakdown of Libra Association members by type



Source: Libra Whitepaper

Libra is scheduled to launch in H1 2020 and Facebook hopes to have approximately 100 members in the Libra Association by that time

- **Permissioned to permission-less blockchain:** At the time of the launch, Facebook will have complete autonomy on which entities can act as validator nodes tasked with the processing of transactions. However, according to the whitepaper, one of the goals of the Libra Association will be to transition into a permission-less network and that this work will begin within five years of the public launch of the Libra Blockchain and ecosystem.
- **Libra programing language:** Facebook has developed a new programing language called "Move" which will be used for implementing transaction logic and smart contracts on the Libra blockchain. A smart contract is a programmable contract which runs on the blockchain without any human intervention. Safety and security are identified as the highest priorities for the Move language and is specifically designed to prevent assets from being cloned on the blockchain.
- **Libra consensus protocol:** A consensus protocol makes sure that the validity of every new block that is added to the blockchain is agreed upon by the majority of nodes in the Blockchain and therefore is the one and only version of the truth state of the blockchain at that point in time. According to the whitepaper, the Libra blockchain uses a consensus protocol that is designed to function even if one-third of validator nodes are dysfunctional. It does not require any form of energy consumption like the one seen in the "proof of work" consensus protocol used by Bitcoin. Moreover, the Libra Blockchain is a single data structure which records states of the overall blockchain over time, unlike others that view the blockchain as a collection of blocks of transactions.

The Libra Association

The Libra Association is an independent, not-for-profit organization with its headquarter in Switzerland. Currently, it comprises of 28 entities, which will go on to become the founding members once they finalize the association's charter. Each of these member companies has paid a sum of USD 10 million to Facebook to become a part of the system and have an equal vote on how the currency will be governed. The purpose of the Libra Association is to facilitate the operations of the Libra Blockchain in the form of validating transactions as well as managing the Libra Reserve. The various entities are as follows:

- **Payments:** Mastercard, PayPal, PayU, Stripe, Visa
- **Technology and marketplaces:** Facebook/Calibra, Booking Holdings, eBay, Farfetch, Lyft, MercadoPago, Spotify AB, Uber Technologies
- **Telecommunications:** Iliad, Vodafone Group
- **Blockchain:** Anchorage, Bison Trails, Coinbase, Xapo Holdings Limited
- **Venture capital:** Andreessen Horowitz, Breakthrough Initiatives, Ribbit Capital, Thrive Capital, Union Square Ventures
- **Nonprofit and multilateral organizations, and academic institutions:** Creative Destruction Lab, Kiva, Mercy Corps, Women's World Banking

Libra is scheduled to be launched in the first half of 2020 and Facebook hopes to have approximately 100 members in the Libra Association by that time. The Libra Association members will hold separate tokens allowing them voting rights to govern decisions about Libra. It is the Libra Association, which has the sole authority that can create (mint) and destroy (burn) Libra coins. Coins are minted when authorized buyers have bought those coins from the association with fiat assets which will be stored to back the new coins fully. Existing coins are burned when the authorized sellers sell Libra coin to the association in exchange for the underlying assets. Authorized resellers will always be able to sell their Libra coins to the reserve at a price equal to the value of the basket at that point in time. All decisions concerning the governance of the network and reserve will be brought to the Libra council, which governs the Libra Association, and major policy or technical decisions require the consent of two-thirds of the voters.

Facebook has already met with strong resistance from governments all PG 28

INFORMED OPINION

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Libra cryptocurrency

across the globe since the launch of its whitepaper. Donald Trump launched an attack on Facebook's coin and warned that the social media giant might be subject to full banking regulation if it is to launch the project. France's finance ministry said the country would not allow a private group to set up the equivalent of a national currency, meaning that a currency such as Libra issued by a

Facebook has already met with strong resistance from governments all across the globe since the launch of its whitepaper

company with billions of customers would carry unacceptable systemic risks. Moreover, India's Economic Affairs Secretary said that the design of the Facebook currency had not been fully explained and the existence of a private cryptocurrency is not something the government is comfortable with. It remains now to be seen how Facebook will tackle these international issues regarding their ambitious project and bring it to reality.

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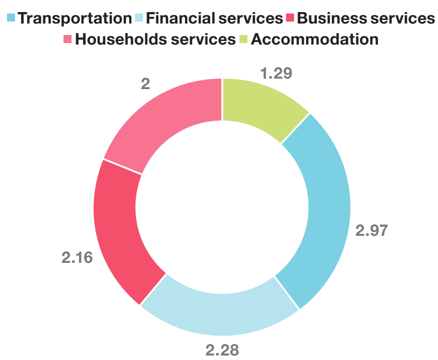
GCC ride sharing sector: estimating the market size

Sharing economy sector spending for GCC

(In US$ billions), 2016



Source: Strategy&

Sharing economy entails collaborative consumption that promotes concepts like community ownership, localized production, sharing and cooperation, growth of small-scale enterprise, improved economic and environmental consciousness. The major challenge of these new and emerging platforms within the sharing economy is that they do not fit into the existing legal and policy frameworks. The sharing economy is characterized by an overlap of concepts and services based on multiple networks. Therefore, in order to reap the maximum benefits from the sharing economy, each country needs a differentiated regulatory framework tailored to the market requirements of the region that will facilitate the balance of rewards and risks depending on the socio-economic nuances of the region.

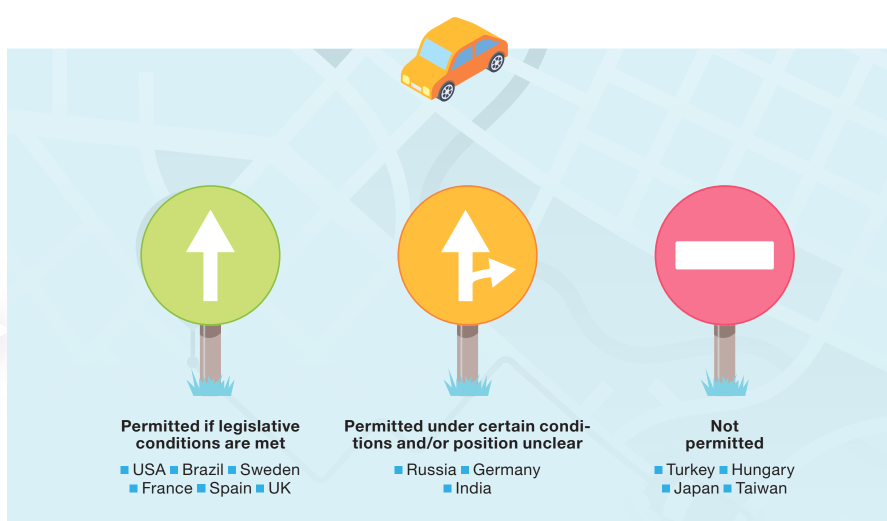
The sharing economy promotes concepts like community ownership, localized production, sharing and cooperation and growth of small-scale enterprise

Although ridesharing platforms are placed within the Transportation Network Company (TNC), and defined as digital applications that match potential riders with drivers in real time, there still lacks a consensus among policy makers about whether ridesharing platforms are communication platforms or taxi services.

In order to stay relevant and develop into sustainable businesses, ride sharing platforms are diversifying into adjacent sectors like delivery services and payments, with the aim of increasing their customer base and popularity.

Ride sharing has substantially reduced the need for vehicle ownership for the purpose of mobility. The ideal future of mobility, especially in urban areas, is an integration of new travel options like ride sharing into the current system to create a multimodal solution.

Legal status of ridesharing businesses across countries



Source: Baker McKenzie

Markaz proudly collaborates with key organizations to support the community & economy

In its constant endeavor to actively participate in community service and contribute to building a strong and sustainable economy in Kuwait, Markaz adopted a corporate social and economic responsibility strategy aimed at fulfilling our responsibilities to society and national economy.

The Markaz CSR strategy is founded on three main pillars, namely:

1. **Building human capacity**
2. **Aligning our business environment with the principles of sustainable development**
3. **Promoting good governance in the business environment**

In the second quarter of 2019, Markaz has supported a number of reputable organizations and activities who contribute in developing human capabilities.

Kuwait Red Crescent Society

Markaz is a proud "Humanitarian Partner" with the Kuwait Red Crescent Society. Together with KRCS, Markaz renders financial aid to patients who hail from low-income families. In addition, Markaz supports the education of underprivileged children.

KBA Marathon

For the second year in a row, Kuwait Banking Association held "Night Run" at Murooj Complex. This initiative aimed to raise the awareness on the importance of health and fitness activities. Markaz has supported KBA Marathon, from its belief in the importance of supporting social initiatives that improve society's health and sports awareness among its members.

UNHCR

In collaboration with the United Nation High Commissioner for Refugees (UNHCR), Markaz has contributed to support displaced families in Yemen through UNHCR's Cash Assistance Program, which aims to reach refugees families in the Arab World. This care included the health, food, shelter and other supplies.

Fikra

Markaz is a proud partner of Fikra Program, an intensive training program that aims to empower a new generation of Kuwaiti entrepreneurs and provide them with the tools they need to develop their business ideas into successful established businesses.

AC Milan Soccer Academy

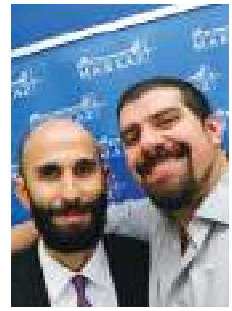
In the sports field, Markaz continues its partnership with AC Milan Soccer Academy, which has trained and developed the skills of hundreds of players during the past seasons. This year, the closing season ceremony was held on May 1st 2019 where trainees got rewarded for their efforts and hard work.

CODED

Believing in the crucial role of tech in the business world, Markaz collaborated with CODED, the 1st Coding Academy in the Middle East. Graduate Development Program trainees participated in a customized 3-day program covering basic concepts in financial technology (fintech). The training also focused on software development to prepare trainees for the demanding job market.

MARKAZ FAMILY

Markaz family gathers for Graish and shares scrumptious dishes just before Ramadan



Markaz Ghabga gathering 2019

A testament of family values and genuinely unique culture.







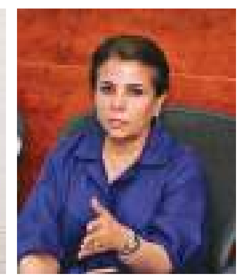
'Breakfast Meetings' initiative

Markaz continued the 'Breakfast Meetings' initiative launched by the Executive Management to meet with key Markaz employees twice a month to exchange professional views on methods to better achieve our strategic objectives. In addition, the attendees share the latest trends in the industry and the market in general.



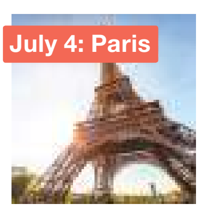






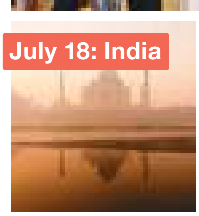
#Beat the Heat 2

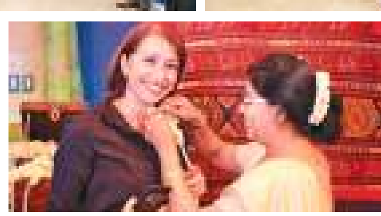
To cool down in July, HRAD organized international themed Thursdays for its staff.


July 4: Paris

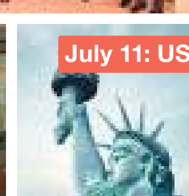





July 11: Egypt

July 18: India







July 11: USA

MARKAZ FAMILY

Interns at Markaz

As part of its corporate social responsibility, Markaz has committed itself to providing an opportunity for students to utilize their academic classroom experience in a real-world setting by emerging them into a career experience and facilitate their transition into the workplace. Markaz have welcomed the following interns to date:

1 Vineetha Rebecca Jacob
Currently pursuing Bachelor's of Commerce from CHRIST University (Deemed to be University) in Bengaluru, India.
Internship period: 22nd April 2019-20th May 2019 at Financial Management Department.

2 Astrel Rebecca
Currently pursuing Bachelor's of Commerce from St. Aloysius College in Mangalore, India.
Internship period: 1st May 2019-30th May 2019 at the Financial Management Department.

3 Aditya Dhanasekharan
Currently pursuing Bachelor's in Business Economics, Management and Finance from the Wilfrid Laurier University, Canada.
Internship period: 1st may 2019-22nd August 2019 in the Published Research Department.

4 Analee Maria D'Silvia
Currently pursuing Bachelor's in Business Management and Management Information System from the Pennsylvania State University, Harrisburg.
Internship period: 26th may 2019-17th June 2019 at the Financial Management Department and MIS & Operations Department.

5 Nourah Al Jouan
Currently pursuing Bachelor's in Industrial Engineering with a Minor in Business Administration from the Northeastern University, Boston.
Internship period: 7th July 2019-22nd July 2019 in the MIS & operations Department.

6 Zaid Al Hunaidi
Currently pursuing Bachelor's in International Business and Finance from the Drexel University, Philadelphia.
Internship period: 7th July 2019-30th July 2019 in the Wealth Management & Business Development Department, International Investments Department and the Financial Management Department.

7 Thomas Omar Shabshab
Currently pursuing Bachelor's in Economics from the New York University, NY.
Internship period: 14th July 2019-5th August 2019 in the MENA Equities Department and Investment Banking Department.

8 Fatima Al Dhaferi
Bachelor of Law, LLB from Kuwait University.
Internship period: 5th May 2019-7th May 2020 in Corporate Affairs and Fund administration Department.

TRAINING NEWS

Training highlights

CODED programming training

The graduates spent time with CODED, a leading Kuwaiti startup and the first coding academy in the region, with the aim of training and educating participants in software development and programming in the Arabic language—breaking a major barrier to future-critical skills for aspiring talent in the region.

To demonstrate the economic importance and financial life cycle of startup companies, the three-day tailored workshop introduced our graduates to financial technology (fintech), the fundamentals of founding tech startups, and illustrate the key role of venture capital.

Advanced skills program

Additionally, a planned in-house advanced skills program deepened our executive secretaries', personal assistants' and office managers' collective practical management, organizing, coordinating and communicating abilities, smoothing and optimizing interdepartmental workflows.

What's next?

Our graduates will undergo a customized Public Speaking and Presentation Workshop provided by Amideast on July, 2019, to help enhance their abilities and skills in such area with specific learning objectives including:

- Gain rapport with your audience
- Reduce nervousness and fear
- Recognize how visual aids can create impact and attention
- Create a professional presence
- Prepare and organize information in different ways

TRAINING NEWS

CMA registration

The Capital Markets Authority (CMA) has adapted its plan to implement the Professional Qualifications Program (PQP) for registered employment positions to qualify the workforce in the capital markets industry and to raise the level of professional competency and technical capabilities in accordance with the best regional and international practices.

Through a qualification system, the PQP aims to raise the level of financial institutions and local markets to create an attractive investment environment

This program is a product of the CMA's project of Qualifications Examinations for Registered Employment Positions, in collaboration with the Chartered Institute for Securities & Investment (CISI). The program consists of three different qualifications, all of which are relevant to the financial sector. Each qualification is obtained by passing its respective exam successfully.

The PQP represents a main part of applying fit and proper rules to licensed persons and their registered employment positions. This in turn aims to raise the level of financial institutions and local markets, and create an attractive investment environment with the required features. As the implementation of this program acts in accordance with the preventions of article (3-3-3) of chapter 3 (Registered Persons) of module 5 of the executive bylaws of law No. 7 of 2010 regarding the establishment of the capital markets authority and regulating security activity and their amendments.

The qualifications vary between a general financial sector qualification, a second local qualification related to the CMA's rules and regulations, and a third qualification specializing in the nature of each registered employment positions. The qualifications also vary in the extent to which their application is mandatory as follows:

Professional Qualifications Program

Three tests to pass

1 **Technical qualifications:** a general international technical qualification of CISI for the financial sector, with a worldwide recognition (mandatory unless one the exemption policy determinants applies to the individual).

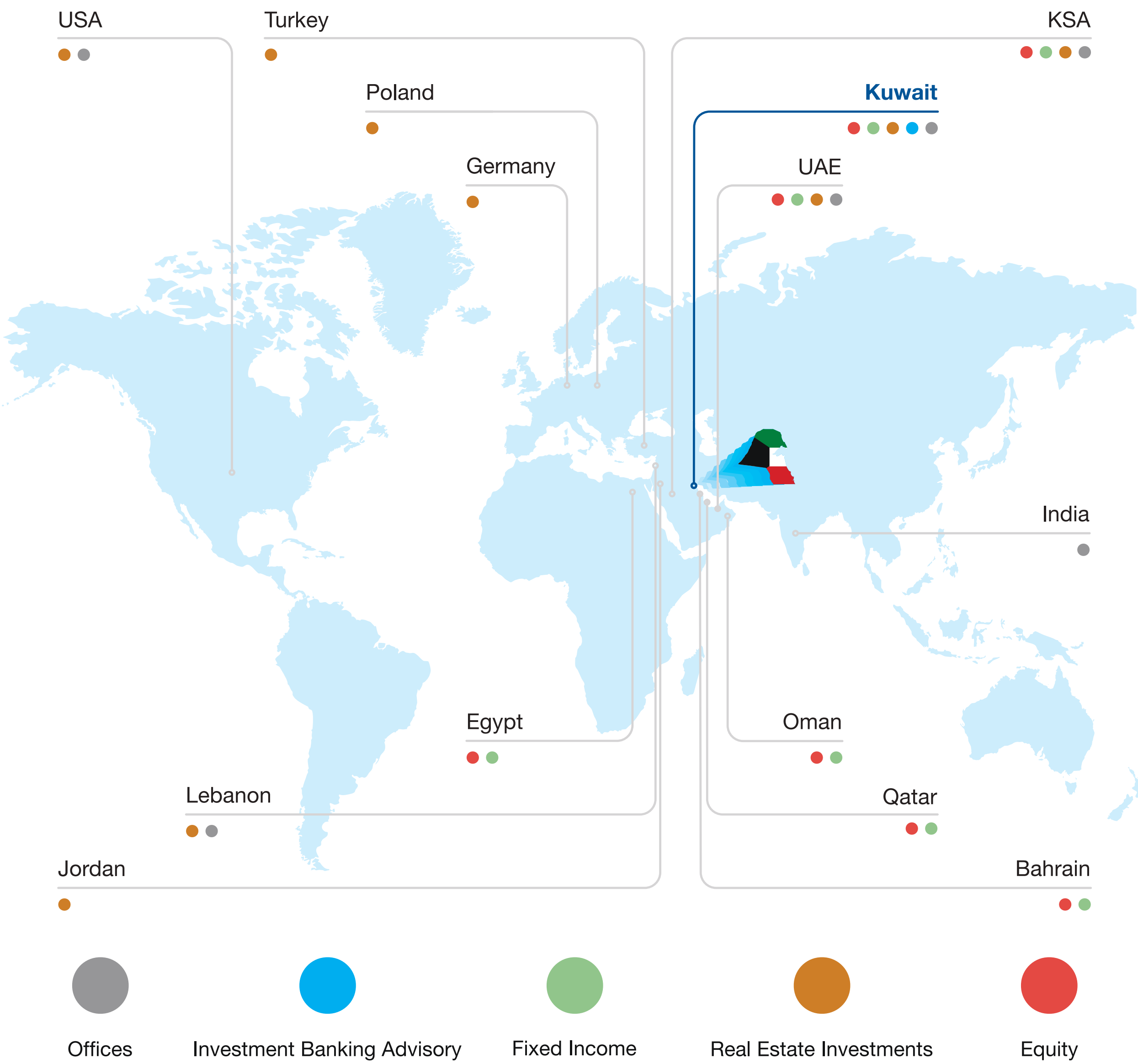
2 **Regulatory qualifications:** A local qualification for th laws and Bylaws of the CMA (Mandatory with no exemption).

3 **Specialized qualifications:** An international qualification of CISI, recognized on a global scale that varies according to the nature of each position (optional non-mandatory).

How to train for the professional qualifications examinations:

The preparation and training for the professional qualifications examinations depends mainly on self-directed study. The CISI have accredited external partners which offer such material and training according to their rules and procedures.

Sustainability and Innovation win us Trust.



Since its creation in 1974, Markaz has successfully weathered market turbulence by always meeting its responsibilities to its investors and corporate clients, employees, shareholders and the society at large.

Our asset management business thrives on product innovation, fundamental analysis and geographic diversification. Our investment banking business delivers transaction experience, industry expertise and structuring excellence.

At Markaz, innovation drives long term sustainable growth with our client's trust always coming first.

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