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MARKAZ المركز

A resilient start to 2019 with AUM reaching a five-year high

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Markaz AGM approves a cash dividend of 5 fils

During the Annual General Meeting (AGM) of Kuwait Financial Centre "Markaz", Mr. Diraar Yusuf Alghanim, Chairman of Markaz, said, "With unprecedented GCC geopolitical risk in 2018, Markaz delivered a relatively excellent performance across its equities and investment banking business. The difficult environment most impacted GCC real estate excluding Kuwait, which Markaz counteracted with operating efficiency initiatives across its real estate portfolio to preserve invested capital."

Mr. Alghanim stated, "With this backdrop, I am pleased to announce that during 2018 Markaz was named 'Best Asset Manager in Kuwait' by EMEA Finance Awards. This is a testament of our asset management teams' expertise in successfully managing portfolios in recently volatile market conditions internationally and across the GCC region. In addition, Markaz was named 'Best Investment Bank in Kuwait' and 'The Most Innovative Financial Institution in Middle East' by EMEA Finance Awards. Markaz was also named 'Best Investment Bank in Kuwait' by Global Finance. These award recognitions affirm the quality of our investment banking services across mergers and acquisitions, capital restructurings, in addition to equity and debt issuances and listing advisory. Furthermore, our published research subsidiary, Marmore, was awarded 'Research Provider of the Year' by Euromoney."

This is a testament of our asset management teams' expertise in managing volatile market conditions internationally and across the GCC

He added, "The stock markets of the GCC region are benefiting from the inclusion of Saudi Arabia and Kuwait markets in FTSE Russel emerging markets index and the anticipated inclusion of Kuwait market in the MCSI Emerging Markets Index. In addition, the improved liquidity levels in the market will attract foreign investors and increase local investors' confidence. This will create more opportunities for Markaz to continue its leadership journey, as it has pioneered innovation through developing new concepts resulting in creation of new investment channels. Markaz is keen to collaborate with Boursa Kuwait and other regulatory entities to continue providing our clients with the best investment opportunities.

We are also focused on increasing shareholder value as we continue to streamline our business operations by refining internal procedures and lowering costs without compromising quality."

MARKAZ NEWS

Markaz: A resilient start to 2019 with AUM reaching a five-year high

Markaz reported Total Revenues of KD 7.38 million during Q1 2019 compared to KD 4.90 million in Q1 2018. Net Profit attributable to shareholders of Markaz was KD 3.64 million (EPS 8 fils per share) for Q1 2019, with a margin of 49%.

Mr. Manaf A. Alhajeri, Markaz CEO, stated, "I am pleased to announce that Markaz has started 2019 on a positive note, delivering a sustainable financial performance across our asset management, investment banking and principal investments. Asset management fees reached KD 1.77 million up by 6.2% y-o-y and investment banking fees, a very transaction timing driven business, were at KD 0.15 million for the quarter. Our principal investments delivered revenue of KD 5.36 million, an increase of 82.1% y-o-y, and achieved 3.84 percent quarterly returns on shareholders equity. The AUM at the end of the quarter touched a five-year high at KD 1.16 billion, registering a growth of 12% y-o-y.

Developed markets ended the quarter positively, with the NASDAQ Composite Index and the S&P 500 Index advancing 16.5% and 13.1% respectively. Encouragingly, the MSCI World Index expanded as well gaining 11.9% and emerging markets rebounded with the MSCI Emerging Market Index gaining 9.6%. The constructive dialogue between China-US on their negotiations and the conservative position taken by the Federal Reserve with no anticipated rate hikes for the rest of the year have contributed to the upswing.

Coming to the GCC markets, the Saudi Arabia benchmark was the top performer and gained 12.7% in the quarter. In the UAE, both Dubai and Abu Dhabi markets recorded gains after recovering from losses during Q4 2018, with the Dubai index gaining 4.2% and the Abu Dhabi index gaining 3.2%. Kuwait was the GCC's second highest performer, with the All Share Index gaining 10.6% on higher volumes led by large caps and the banking sector. The Kuwait markets would further benefit from the anticipated upgrade to emerging market status by MSCI in June 2019. In line with the market, Markaz' equity funds achieved notable growth with Markaz Investment & Development Fund (MIDAF) and Markaz Fund for Excellent Yields (MUMTAZ) recording returns of 7.90% and 8.67% YTD respectively.

The GCC economies have started to show initial signs of stabilization in Q1-2019 with government led initiatives such as relaxation in restrictions on foreign property ownership, implementing new visa regulations and adopting economic stimulus plans. These measures are expected to be positively reflected across real estate pricing dynamics.

Kuwait was the GCC's second highest performer, with the All Share Index gaining 10.6% on higher volumes led by large caps and the banking sector

Despite the sharp decline in oil prices and unstable geopolitical conditions last year, resulting in weak performance of GCC real estate markets, the MENA Real Estate team was successful in maintaining occupancy levels across its portfolio of income generating assets. Occupancy rates were about 95% in Markaz managed assets across Kuwait, UAE and KSA. In addition, leasing activities commenced in Rihab Pearl, a 148 unit residential compound in Riyadh, with initial positive feedback. During Q1 2019, Markaz also commenced the roll-out of in-house property management activities for select assets as part of its ongoing initiatives to reduce operating costs. Markaz's flagship fund, MREF was able to weather market conditions and register a positive YTD total return of 1.04% to investors during the quarter.

Internationally, commercial real estate continued its positive trend in Q1 2019 with property prices marginally increasing by approximately 0.5% (CPPI) and the NAREIT index increasing by 16.7% during the quarter. Stability in Federal Reserve rates in 2019 is expected to have a positive impact on REIT values and the NAREIT index.

Real estate fundamentals remained stable with estimated YTD rent growth of industrial 2.2%, office 0.8% and multifamily 0.5%. Vacancy rates across asset classes have also remained stable with completions matching demand levels. However, in the near term, elevated supply levels in the industrial and multifamily sectors are expected to result in marginally higher vacancy rates.

During Q1 2019, Markaz started construction on two new industrial development projects in the U.S. located in Stockton, California and Phoenix, Arizona. Our development strategy will continue to target locations with strong fundamentals, rental growth and development projects with inherent competitive advantages. Our International Real Estate team continues to expand its investment program designed to capitalize on value-add opportunities in the U.S. and selected European markets such as Poland and Germany.

The Kuwaiti M&A market started 2019 strongly with a substantial number of transactions across various sectors such as energy and banking. In Q1 2019, our Investment Banking team received many requests for various advisory mandates and interest from both buyers and sellers for M&A transactions. Sectors such as education, healthcare and food and beverage continue to attract strong interest from potential buyers. We expect more transactions going forward as the valuation gap between buyers and sellers continues to converge. We are now in the

HIGH-LIGHTS

- **Total AUM increased to KD 1.16 billion | 12% y-o-y growth**
- **Total Revenue of KD 7.38 million | 51% y-o-y growth**
- **Net Profit to shareholders KD 3.64 million | 113% y-o-y growth**

final stages of closing existing mandates. Our Investment Banking team continues to leverage its sector experience and execution excellence to deepen relationships with existing and potential clients.

Overall, the global capital markets have recorded a positive start to the year although sentiment remains unpredictable and continues to be impacted by muted industrial growth forecasts and persisting geopolitical tensions. As the markets tread with caution, the Markaz management team is focused on providing customized and insightful advice to its core corporate and investor clients with a view to achieving their wealth management objectives. Markaz capital market team completed the first listing of the year on Boursa Kuwait for Al-Manar Finance and Leasing Company during February 2019. Markaz also assisted United Projects Company for Aviation Services in raising funds through a capital increase with total size of KD18 million. We also continue to streamline our business operations by refining internal procedures and lowering costs without compromising quality. Markaz is one of the leading wealth management and investment banking financial institutions in the region that gained the trust and loyalty of its clients over the last 40 years."

MARKAZ NEWS

Markaz wins two awards in 2019

In recognition of the continuous efforts of Markaz teams to create innovative investment solutions in asset management and investment banking, Markaz has received two reputable international awards this year, adding to its impressive track record of achievements.

For the sixth year in a row, Markaz was named the 'Best Investment Bank in Kuwait in 2019' by Global Finance, a reputable international finance magazine. In addition, Markaz Investment & Development Fund "MIDAF" was named the 'Best Equity Fund in Kuwait in 2019' by MENA Fund Manager. Markaz was awarded based on a set of criteria used by these reputable organizations and industry experts, including market share, number and size of deals, service and advice, structuring capabilities, distribution network, efforts to address market conditions, innovation, pricing, after-market performance of underwritings and market reputation.

We are proud of adding these two prestigious awards to our records, which affirms our in-depth understanding of clients' needs and market dynamics

In light of these achievements, Mr. Ali Hassan Khalil, Chief Operating Officer of Markaz said, "We are proud of adding these two prestigious awards to our record which affirms our continuous efforts, dedicated work and our in-depth understanding of our clients' needs, while adapting to market dynamics in order to achieve the best for their investments."

He added, "We thank Global Finance and MENA Fund Manager for their trust in the financial services that we provide in Markaz in the areas of advisory services related to mergers and acquisitions, capital restructuring and disposition, equity and debt issuances, listing advisory and other advisory services. In addition, the performance of MIDAF find reflects our ability to appropriately allocate our assets based on well-researched policies that guarantees achieving the best possible returns amidst a highly volatile investment climate."

Markaz's performance continues to attract recognition from experts in the region's financial industry. Markaz was also named 'Most Innovative Financial Institutions in the Middle East for 2018', 'Best Local Investment Bank – 2018' and 'Best Asset Manager in Kuwait – 2018' by EMEA Finance. In addition, Markaz research arm, Marmore MENA Intelligence, was named 'Research Provider of the Year' by Global Investor. All these awards are a testament of Markaz focus on strategy, client commitment and innovation leadership.

MARKAZ NEWS

Alhajeri participates in a roundtable on economics and the finance sector

Mr. Manaf A. Alhajeri, Markaz CEO, has participated in a roundtable on economics and the finance sector, which was hosted by Central Bank of Kuwait and organized by Global Finance among Kuwait's leading banks and financial sector's executives.

Mr. Alhajeri stated during the roundtable, “We always ask ourselves, as Kuwaitis, to what extent do we matter in the world. Do Arabs or Gulf countries matter in the world? I think there are three or four things that come to mind.

First, there is the oil sector, or the oil reserves. We have a significant weight in that field. We have one of the best-run and the oldest sovereign wealth funds in the world. Then there is our foreign policy. I think we have gained tremendous respect and admiration from the international community in recent years. Finally, we are big purchasers of defense and arms. I think these are the areas where we matter internationally and we can build on this. Our private sector is not very big. We have some of the best run banks in the world, but not in absolute size; I don't think we're big enough to compete globally. Also, I think we have a capital market that needs to be revamped. We are in a hyperactive region where leadership has become significantly younger, more technologically savvy, and I don't think Kuwait has yet formulated a coherent capital-market investment strategy to cope with this competition. I believe there is a pressing need for a fresh look—a new investment policy to deepen the non-bank financial sector in order to restore the investment sentiment. The non-banking financial sector, a mature and highly regulated sector, should now be instrumentalized in the execution of Vision 2035.”

> ***We are in a hyperactive region where leadership has become younger, more tech savvy. I don't think Kuwait has yet formulated a capital-market strategy***

Mr. Alhajeri added, “I feel that we have some roadblocks on the way that are stopping us from reaching the levels of innovation we want. First, there is risk appetite. Innovation is associated with failures, trials and errors. We've got to develop some tolerance for calculated risks and learn to stomach the losses. Another thing that worries me in innovation is that, yes, we see a lot of fintech, but most of the companies we are seeing now are utilitarian as opposed to really disruptive and innovative. Practically nothing is fueled by research and development. On the investment side, one should keep in mind that this is a surplus region. It is a paradox. We have massive surpluses and yet innovation is extremely low. We do not have many VCs, and those that exist do not have a very strong deal flow. So actually, we have large amounts of liquidity that chases very few ideas. Moreover, I

have to say that I am impressed by the rapid moves of the central bank. I am convinced that fintech can have a renewed momentum if endorsed by central banks."

He said, "At the end of the day, cybersecurity and internal controls are like any other controls. I don't think we have a choice but to implement it. We must protect our companies and our clients. However, at the end of the day, we should look at our spending, and if it ends up being exorbitantly high then this is where regulator should step in. It is highly related to productivity.

At the end of the day, the private sector must be productive. If it is spending all its revenues on internal controls and cybersecurity, it means that the business environment has a problem. That goes back to the initial promises of empowering the private sector and capital markets. If growth is not there, I think we have a problem. I would link the two parameters together."

Mr. Alhajeri explained, "Everyone is happy because the banking sector was a large beneficiary of all the projects that have happened. However, if you look at the ecosystem of the capital market of Kuwait, it is rather poor. We do not have many PPPs. We do not have many bond issuances for projects. SMES are hardly there. Yes, we have a large fund, but I do not think it came out in a meaningful way, so I do not think our ecosystem is that diverse. It continues to be largely dominated by the banking sector. If you look at the stock market now, most of the liquidity is chasing the banking sector and I do not think we are having a trickle-down effect on any other segments or industries. I do not think this is sustainable. You must have more diversity—different industries and different businesses. Today, no one is talking about the diversification of financial instruments. I think capital markets are poorly understood. People confuse capital that is coming to invest in the stock market with serious, patient FDI. They use them interchangeably and this should not be the case, in my opinion. I think we are making a grave mistake. FDI inflows went down last year. They have not come up, and all the numbers that we are seeing now are in the stock market and this can be liquidity that can leave. On the other hand, many of our institutions, because we do not have a clear investment policy, are using this opportunity to leave the market and sell to foreign investors. I am talking about public institutions, and I do not think this shows a real commitment to investment in Kuwait. If we want to transcend the logic of frontier to emerging markets, we must understand that this is not an administrative label. This is a mindset that must be changed."

In the end, the private sector must be productive. If it is spending all its revenues on internal controls and cybersecurity, we have a problem

Othman speaks at GBSA Kuwait Debt Capital Market Conference

The Gulf Bonds and Sukuk Association (GBSA), held the fourth annual Kuwait Debt Capital Market Conference, which was attended by a number of government and private sector representatives that were invited to participate in the conference.

Ms. Rasha Othman, Executive Vice President, Capital Markets and Fixed Income, Markaz, participated as one of the speakers in the event representing Markaz. The conference discussed a number of key issues such as:

- Economic outlook for Kuwait and the Gulf region
- Global economic trends that are impacting the markets
- The new role of environmental, social and governance factors in Gulf investing
- Latest developments in global and regional regulation
- The latest on financial sector consolidation
- Who will be issuing in 2019
- The 'why, when and how' of credit ratings

MARKAZ NEWS

Raghu: M&A sweeping across GCC banking sector calls for in-depth research to maximize benefits

Continuing its valuable partnership with Kuwait Banking Association (KBA), which resulted in many successful events related to the financial industry, Markaz held another seminar titled "GCC Banking Mergers". The seminar was presented by Mr. M. R. Raghu, EVP and Head of Research at Markaz and MD of Marmore MENA Intelligence, a research subsidiary of Markaz. He showcased major banking mergers transactions in the GCC. The seminar attracted a number of reputable representatives of local and international banks.

Mr. Raghu said during the seminar, "At a time when mergers and acquisitions have been sweeping across the GCC banking industry, the research provides an in-depth analysis of previous banking mergers in the GCC region. Mergers are one of the widely adopted corporate strategies that help an organization grow. However, not all mergers yield positive outcomes. Sometimes, they end up destroying value for the shareholder. Especially in the context of the GCC Banking sector where high-profile mergers have been few and far between in the past, it is easy for shareholders to get carried away by all the hype around recent mergers announcements. Therefore, it becomes imperative to examine the outcome of previous mergers in an objective way."

Mr. Raghu pointed out that the rise or fall of banking assets in the GCC region has always had a high correlation with the countries' GDP, which in turn is correlated with oil prices. After the fall in oil prices during 2014, GCC governments have had to dip into government deposits to offset the impact of loss on oil revenues, putting pressure on the regional banks. In addition, the increase in compliance cost, introduction of VAT and keeping abreast with the technological developments have affected them from a cost perspective.

He added that with the GCC region being largely overbanked, a viable option for banks to stay competitive is by consolidation through mergers and acquisitions. GCC banks, while reasonably big in local terms, continue to be small in size when compared to global peers. Consolidation of banks into larger entities would give them the size required to compete in the global market place. The economy and the banking sector as a whole would undoubtedly benefit from the change in dynamics, as stronger and more resilient banks are expected to emerge out of this phase. However, these positive factors do not necessarily guarantee that these mergers would be value accretive to the shareholders involved.

Mergers are one of the widely adopted corporate strategies that help an organization grow. However, not all mergers yield positive outcomes

The seminar was derived from Marmore's report on GCC Banking Mergers, which identifies and analyzes some of the previous high-profile mergers in the region based on their pre and post-merger performance. Further, the research report also analyzes the operating conditions, shareholder perception and economic conditions when these mergers took place and examines their impact on the outcome. Based on these factors, the report concludes whether these mergers have created value for the shareholder.

The report choses three mergers that have taken place in the past two decades to conduct a pre and post-merger analysis based on key performance metrics. The performance metrics taken into consideration include Return on Equity (RoE), Return on Assets (RoA), cost-to-income ratio, revenue growth and earnings per share growth. Gauging the changes in RoA and RoE before and after the merger allows us to identify how efficient the management has been in using the combined asset and equity base of both banks to generate more income. Variations in cost-to-income ratio helps in capturing the temporary effect of integration costs on earnings and reflect whether the merger is able to create synergies by reducing operating costs. Revenue growth analysis helps in identifying whether the merged entity is able to create revenue synergies through additional revenue generation and examines the rate at which revenues of the new entity grew when compared to that of the individual entities. Earnings per share growth provides a decisive picture whether the bank has been consistently profitable for its shareholders. Based on these metrics, the Marmore report examines the synergies generated through the merger and whether they were substantial enough to offset the costs incurred, ultimately justifying whether the merger was value accretive to shareholders.

AlAbdulkader a panelist at Boursa Kuwait & MEIRA

Discussing the “Importance of Investor Relations from Local Fund Managers’ Perspective”.

Mr. Mohammad K. AlAbdulkader, Assistant Vice President, MENA Equities, “Markaz” participated as a panelist at a seminar titled “Importance of IR from Local Fund Managers’ Perspective”. The seminar is organized by Boursa Kuwait and the Middle East Investor Relations Association (MEIRA). It welcomed reputable local fund managers who shared their thoughts about how to enhance the communication between the investment community and the IR teams.

Mr. AlAbdulkader said, “Investor relations play an important role in establishing a healthy two-way communication between a company and the financial community. The objective of investor relation contribute significantly in helping a company security achieve its fair valuation in the stock market. Investors requires accurate, relevant and timely information to be able to take informed investment decisions thus leading to the great importance of active investor relation function within a company. A company can gain a lot of benefits through higher transparency by increasing trading liquidity, reducing stock volatility and building healthy shareholder base of long-term investor, which contribute positively to the company share price and the overall market. Furthermore, importance of transparency increase at this very stage of the Kuwaiti market as it is on the verge of a massive transformation and is anticipating a much more diverse and sophisticated investor base where transparency is an expectation.”

Alhajeri shares his insights at the 2nd Leadership Forum

Discuses leadership of the private sector and its role in achieving future development.

Believing in the crucial role of the private sector in driving Kuwait’s economy, Mr. Manaf A. Alhajeri, Markaz CEO, participated as a panelist in the “2nd Leadership Forum” organized by the Handis Academy. The forum was held on January 10, 2019, with the aim of highlighting the leadership importance and its role in achieving the New Kuwait Vision 2035, in addition to the skills required by young leaders to achieve development.

Mr. Alhajeri shared his insights on the private sector’s role and the vital need for partnership between the private and public sectors.

Markaz Executive Management meets key tech-business founders to explore innovative investment trends

Committed to technology-led innovations in the field of financial services, Markaz met with key business founders who have a long profile in investment and entrepreneurship to explore global investment trends. The meeting included Mr. Reid Hoffman, Co-founder of LinkedIn and PayPal, Mr. Mark Pincus, Founder of Zynga and Tribe.net, and Mr. Michael Thompson, Founder, Managing Member and Portfolio Manager for BHR Capital.

The meeting discussed the latest investment trends and global case studies. The guests also presented to Markaz Executive Management potential investment opportunities for the company and select clients.

MARKAZ NEWS

Alhajeri: The main choices to develop our economy are four, and capital markets are key players to achieve 2035 vision

During his participation at Kuwait Industrial Conference and Forum 2019.

- Private funding is an alternative but needs the right return/risk
- Regional FDI competition is ferocious
- Our strategic choices are clear, either traditional (tradable industry or services) or non-traditional (clean energy or digital knowledge economy)
- Formulating a national investment policy is crucial in view of incentives or subsidies
- 80% of growth is explained by technology, not labor or resources
- Functional government sector, procurement governance, enforced capital markets and showcasing opportunities are crucial enablers

Mr. Manaf A. Alhajeri, Markaz CEO, participated in Kuwait Industrial Conference and Forum and put forth recommendations to develop the Kuwait economy and effectively utilize the capital markets. During the event, he said, “Though certain sectors are supported and their production is encouraged to ensure food security and national security, Kuwait would do well to focus on sectors in which it has an inherent competitive advantage such as downstream petrochemical industries, trading and financial services, alternative energy and knowledge-based industries. This shall also help in transformation of the Kuwait economic base that is aligned with the Vision 2035 goal of developing as a leading financial and commercial center in the region.”

Kuwait would do well to focus on downstream petrochemical, trading and financial services, alternative energy and knowledge-based industries

Mr. Alhajeri added, “Capital markets are underutilized and by developing clear national policies, they could be effectively utilized to realize the Kuwait economic vision. Kuwait has large scale capital needs and a properly functioning financial system is fundamental in ensuring the efficient allocation of capital. Capital markets essentially serve as a financial intermediary that allows raising capital that are long-term or riskier in nature.”

Financing needs for augmenting infrastructure capacity including providing for housing, addition of power capacity, expansion of capacity at airports and seaports, development of roads, and climate adaptation and mitigation are massive. For instance, Kuwait has envisioned over USD 100bn worth of infrastructural projects as part of its National Development Plan. It wouldn’t be prudent to entirely rely on the government or the banking sector for funding the investments. An alternative is greater use of primary capital markets—both local and international—to help close the gap. Private sector debt raising and equity finance are important sources of financing for Public Private Partnership (PPP) projects. Developing local debt capital markets is crucial in providing innovative financial solutions. Debt capital markets can mobilize private sector funds to finance infrastructure, housing and other priority sectors, thereby reducing dependence on government financing.

Mr. Alhajeri pointed out that Kuwait needs to build upon the progress that it has already made in improving its business environment. Setting up of a robust regulatory framework and providing incentives would go a long way in encouraging private sector to play a greater role in the economy. Kuwait needs to channelize its efforts by selectively choosing focus sectors that are in line with their long-term objectives.

Mr. Alhajeri noted that Kuwait intends to enhance the industrial output by 25% from the existing levels in the coming years. However, it faces the challenging task of allocating limited industrial land and awarding licenses to boost & upgrade industrial capacity in Kuwait.

While the choices are simple, the decisions are clouded due to market distortions such as inflated land prices and subsidized electricity prices. Social imperatives such as job creation for the nationals needs to be considered when the world is fast embracing robotics and work automation. Once we attain clarity on how to steer Kuwait economy, we could devise the incentives that shall encourage participation from the private sector and foreign players. The existing subsidies could also be overhauled so that the government expense supports productivity growth.

Mr. Alhajeri stressed on the need to focus on innovation as 80% of growth is accounted by innovation and the accompanying technological advancements. Globalization and liberalized markets have led emerging leaders take it all. In this regard, the rise of global service providers such as Google, Facebook, Amazon, or Uber are appropriate examples.

Government is a crucial enabler to drive forward the economy. In Kuwait context, we have established KDIPA as premier institution to facilitate foreign investments and to capitalize on the upcoming economic opportunities. However, what we lack are the opportunities. Government being a large scale player in the Kuwait economy could attune its procurement policies in such a way that the private sector, particularly the SMEs, stand to benefit by being part of global supply chains. In this regard, emphasis must be laid on technology transfer programs that is imperative for domestic firms to move up the value chain. To attain such a state, Kuwait needs to overcome structural impediments and challenges that are inherent in public sector including lack of experience, poor accountability and badly attuned procurement guidelines.

Marmore signs MoU with TAC ECONOMICS

Marmore Mena Intelligence, a subsidiary of Kuwait Financial Centre 'Markaz' and a research house focused on conducting Mena-specific business, economic and capital market research, has announced the signing of a Memorandum of Understanding (MoU) with TAC ECONOMICS s.a.s (TAC) to facilitate meaningful and purposive research exploration, especially in terms of developing collaborative and proprietary risk models.

The Marmore-TAC partnership will possess a wide range of sophisticated modeling and combined statistical expertise that can be applied across diverse sectors and industries. Thus, external clients availing the services of the partnership can benefit from evidence-based research and decisions, enabling reliable strategic foresight for them to guide their entities. The partnership can provide clients with significant value enhancement, especially in areas where information asymmetries can hamper growth opportunities for companies. The synergies between Marmore and TAC significantly strengthens our capabilities in the areas of risk assessment and evidence-based or quantifiable management approaches, using which stakeholders (like banks) can pursue optimal performance on their business and strategic decisions.

Commenting on the development, Mr. M. R. Raghu, Head of Research at Markaz and Managing Director of Marmore said, "It is a win-win scenario for both Marmore and TAC. We have multiple capabilities that can combine well to produce a unique partnership model to accelerate innovative research that stakeholders in Kuwait and the wider GCC region seek in this hour of shifting economic and business realities."

Dr. Thierry Apoteker, Chairman of TAC ECONOMICS added, "We are delighted to engage in a fruitful research collaboration with Marmore, so that we can combine their in-depth local knowledge of economic, financial and market characteristics and issues in the GCC region with our capabilities in terms of complex modelling and data-based analytical approaches to risk and opportunities in the region".

The synergies between Marmore and TAC significantly strengthens our capabilities in risk assessment and quantifiable management approaches

The research partnership underlines Marmore's commitment to build an ecosystem for high quality research in collaboration with premier international research entities. The partnership will not just significantly impact our mutual offerings in the GCC, but help promote the paradigm of reliable research underpinning evidence-based business and policy decisions.

Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these thought-provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums.

TAC is a fully independent European research group, headquartered in France, providing advisory services on macroeconomics, country risk analyses, international economic and financial issues for industrial companies, financial investors and multilateral organizations. Since the 1990s, TAC has established a strong reputation for being able to understand the key economic issues pertaining to emerging markets and apply relevant quantitative techniques, modeling and AI tools in order to deliver operational results to its private sector customers as well as to multilateral institutions.

MARKAZ NEWS

Markaz Pivotal Forum:
A platform for our human talent to conceptualize novel ideas and translate them into certainties

“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.

To begin this year's first Markaz Exchange Pivotal Forum of 2019, we chose a different approach. We have invited Mr. Ali Mubarak, an upcoming entrepreneur to share his experiences with Markaz team. He has worked passionately to change the approach of Kuwaiti youth, guide them in their careers and to raise the level of their creativity and professionalism. Mubarak is the Founder and Chairman of the National Incubator, the first handicraft incubator in Kuwait. He has founded and worked in a number of SME businesses, including Kuwait zone website, which specialized in cars sales and other industrial products including the renowned Kosher Bites Restaurant. Mubarak also worked for 11 years in the oil sector, and contributed to the establishment of an educational institution. He is also a prominent Social Media influencer.

In addition, the forum welcomed ideas from graduates who are part of Markaz Graduates Program for this year.

1 Abdulmohsen Al-Mudhaf
Emerging Markets: Finding a Conservative Approach

Abdulmohsen presented on the characteristics of emerging markets and the parameters for Markaz to consider in order to maximize our returns. He explained that the investment environment for emerging market in Kuwait is mostly non-existent and, thus, provides an opportunity for further discovery and market-leading implementation.

2 Mohammed Al-Baqsami
The Automotive Industry

Over recent years, car manufactures are starting to develop products unrelated to the car industry. Some manufactures have taken their Knowledge and expertise to create products related to Health care, Aviation/railway, Technology and Energy. Mohammed showcased one of the international car manufacturers as a potential investment opportunity for Markaz.

3 Sulaiman Al-Ablani
Bank-Corporate Client Relationship

Sulaiman's presentation outlined reasons why keeping a solid bank-corporate-client relationship is crucial for our business. He argued that doing so is a must for being able to develop and maintain a strong model for allocation of funds with banks in order to achieve sustainable profitability.

4 Fawaz Al-Buaijan
Strategy & Business Development

Fawaz's presentation focused on strategy and business development at Markaz, using data and new technologies to better serve both employees and customers. The three main takeaways for affecting these changes were: transforming culture, becoming client centric, and being technology led.

5 Mariam Al-Marzouq
Performance Coaching

Performance coaching is the process of one person facilitating another to achieve full potential. It is a way to improve performance in a question/answer way. The point is to help employees come up with their own solutions to problems. With that, employees become more confident, engaged, and effective communication.

6 Abdulredha Khorsheed
Digital Healthcare

Abdulredha spoke about digital healthcare and its use of technology to assists people with daily life. He recommended applying more research on digital healthcare as a fast growing investment opportunity.

Raghu participates in "The future of technology startups" event with KES

In collaboration with Kuwait Economic Society (KES), Markaz participated in a seminar titled "Startups and Technology Projects in Kuwait - Challenges and Opportunities".

Mr. M. R. Raghu, EVP, Published Research and Managing Director of Marmore MENA Intelligence, presented insightful opinions on "The Future of startups in Kuwait and GCC". In addition to Mr. Raghu, the seminar hosted Mr. Mohammed Jaafar, CEO of Faith Capital Holding, Mr. Abdulwahab Al-Essa, CEO of Boutiqat and Mr. Abdullah Al-Mutawa, Co-Founder & CEO of Carriage.

GETTING TO BUSINESS

Markaz acted as listing advisor for Al-Manar Company

Affirming its expertise and strong track record in the investment banking sector, Markaz acted as a listing advisor for Al-Manar Financing & Leasing Co. at Boursa Kuwait.

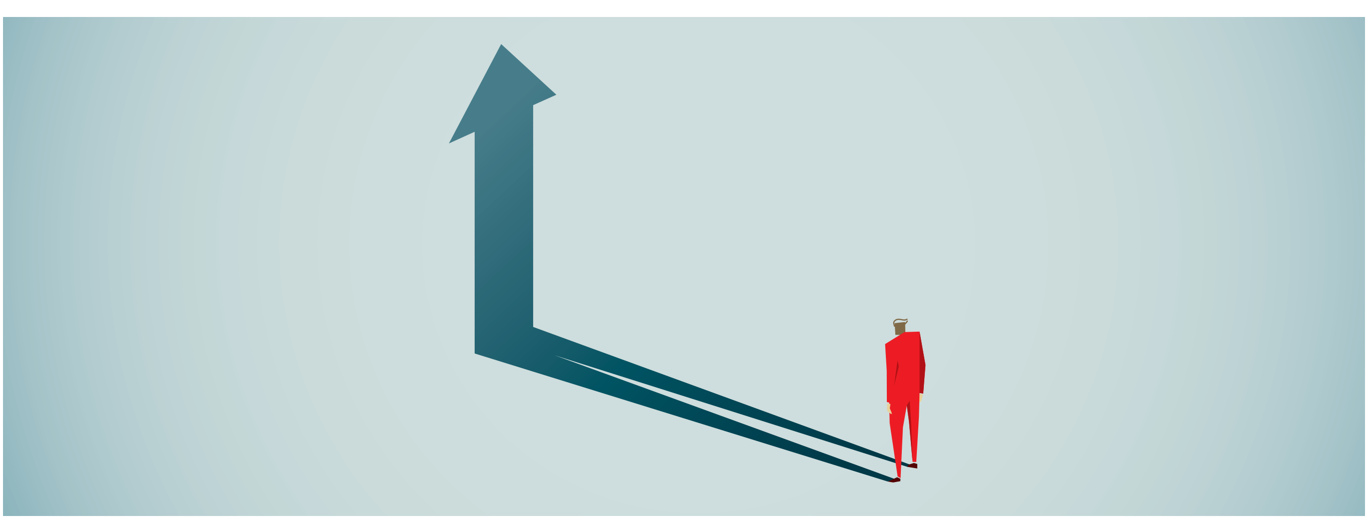
Mr. Manaf Abdulaziz Alhajeri, CEO of Markaz, said, “We are delighted to have been working with Al-Manar as listing advisor. Markaz provided a comprehensive assessment on the impact of listing on Boursa Kuwait, in addition to providing advice on CMA listing rules and regulations and the process and steps of listing on Boursa Kuwait. We believe that listing Al-Manar will contribute to the diversification of listings in different sectors in the Kuwaiti market and will encourage more companies to follow. We thank Al-Manar for their trust in Markaz and its investment banking team. This trust is stemmed from Markaz’s track-record, executing several successful transactions in the region with a total value of KD 1.2 billion spanning across equity issuances, debt issuances, mergers and acquisitions, listing and credit rating advisory and other advisory transactions.”

This trust stems from Markaz’s track-record, having executed transactions worth KD 1.2 billion spanning equity, debt issuance, M&A, listing and credit advisory

Al-Manar Financing & Leasing Company held an investors’ presentation at Boursa Kuwait before listing the shares of the company on the main market of Boursa Kuwait. The presentation highlighted the company’s history, Management and operations, in addition to Al-Manar’s Sharia-compliant financial services which are primarily focused on financing, and investments to a lesser degree. The presentation also provided a financial analysis of the company’s performance and stressed on the stable performance of Al-Manar, its dividends distributions over the past years, the well maintained loans portfolio, its well capitalized balance sheet and comfortable debt service ability; all which contributed to substanial improvement in its credit rating to BB credit rating from Capital Intelligence.

Mr. Abdulla Saud Al-Bader, CEO of Al-Manar Financing & Leasing Co. said, “We are keen to satisfy the financial needs of individuals and businesses to best enable them to achieve their goals through Al-Manar’s Sharia-compliant innovative financial instruments. The company has achieved positive profits over the last five years and maintained a four-year stable dividend of 5 fils per share. Al-Manar’s future strategy focuses on developing and growing its loan portfolio, diversifying its sources of finance in addition to exiting from non-profitable investments.”

It is worth mentioning that Al-Manar’s capital amounted to KD 30.9 million (as of September 2018). Total assets value amounted to KD 44.7 million and liabilities amounted to KD 9.4 million. Al-Manar achieved earnings per share of 5.6 Fils in 2017. Major shareholders of the Company include Qatar Investment & Projects Development Holding Company (QIPCO) with 18.4% ownership, Wafra International Investment Co. with 14.6% and Financial Assets Bahrain WLL with 13.7% ownership.

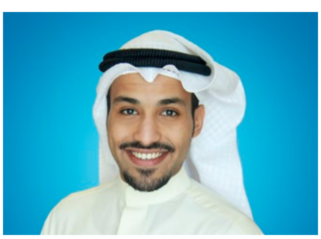


GETTING TO BUSINESS

Second year of Markaz Graduates Development Program - Class of 2018

Markaz's program (MGDP) for developing and investing in the skills of young Kuwaitis completed its second successful year. Ten Kuwaiti graduates successfully completed their one-year development experience with Markaz, designed to give them highly practical exposure to all areas of our organization. Through core business skills training, comprehensive on-job learning, and one-on-one coaching, our trainees developed and grew competencies to take with them as they build their future careers.

"I am truly thankful for the year I spent taking part in Markaz's Graduates' Development Program as it provided me with the opportunity to grow as a finance professional. We closed significant transactions in the equity capital markets and provided top-quality service to our clients. The time I spent here has proven to be a constant learning curve, and I am grateful for the opportunity to interact and learn from the team." Abdulaziz Al-Roumi, Capital Markets, Investment Banking Department



"The Markaz Graduate Development Program is an ideal program for graduates who are interested in Investment Banking and Asset Management. Rotation through all departments within the company gives a great overview on all operations within the company and concentrated training within a single department helps developing technical skills. Markaz's longevity proves their consistency of higher standards within the industry. One of the main reasons is due to the highly qualified professionals, with a friendly work environment that enhances the learning process." Dakheel Al-Dakheel, International Investments

Third year of Markaz Graduates Development Program - Class of 2019 starts up

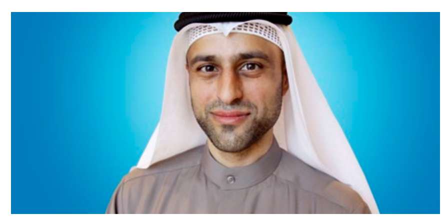
The incoming group of Markaz graduates attended Business Etiquette and Time Management Workshops, first steps that help them establish a baseline standard for their verbal and written communication, and consider how to conduct themselves positively in a business setting. They also learned how to organize for peak efficiency, and how to take control of their personal productivity at work.

Graduates' mentors

True leaders breed new leaders. One of the key strengths of MGDP is the quality time and mentoring that all senior Markaz leaders provide to graduates during their time with us. Based on feedback from programme participants, we especially recognise 'The Top Five' mentors:

Abdullatif Al-Nusif
EVP Wealth Management & Business Dev.

Ali Al-Shemali
SVP Treasury



Talal Al-Othman
AVP International Investments

Amr Hafez
Senior Legal Counsel

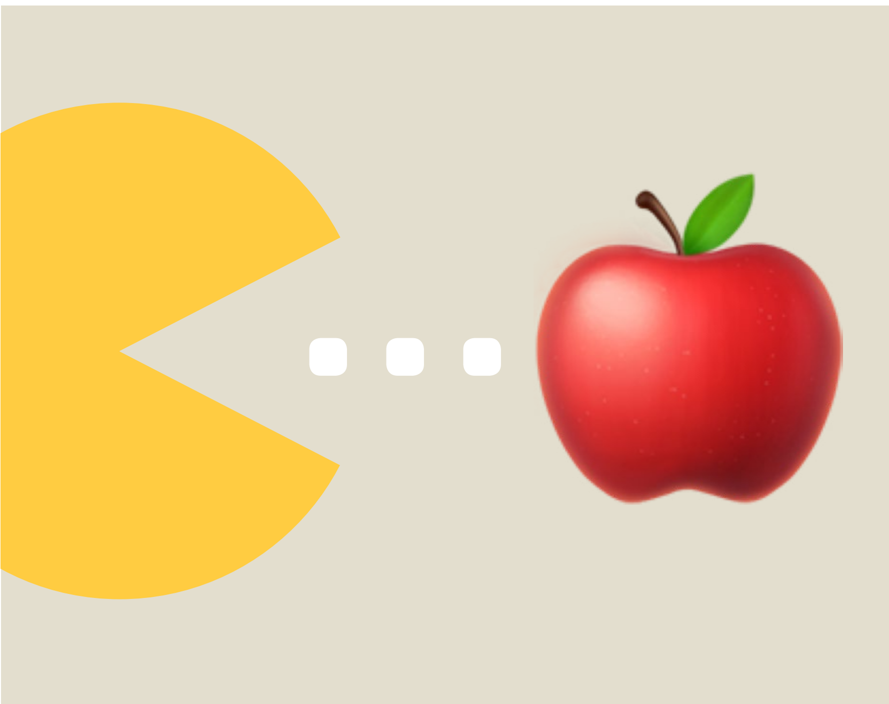
Humoud Al-Sabah
Assistant Manager Published Research

INFORMED OPINION

Markaz: Kuwait's private education sector is a vital alternative and receives widespread interest from investors

By: Investment Banking

Land and brand name are key factors to consider when acquiring schools.



The Investment Banking Department at Kuwait Financial Centre "Markaz" said that Kuwait's education sector has witnessed a strong interest from investors over the past few years, which has mainly stemmed from the sector's categorization as a defensive one, in addition to the increased shift in parents' preference towards private education for their children. Existing education sector players have worked to expand their portfolio of schools by either acquiring additional schools or establishing new ones, institutional investors who had no prior exposure to the sector are acquiring stand-alone schools or stakes in educational companies, and family offices who invest in a number of different sectors are adding education sector assets to their portfolios.

Sector overview

As of the 2017/2018 academic year, the number of private schools in Kuwait amounted to 551 schools (40% of the total schools) according to the Central

There are 551 private schools in Kuwait (representing 40% of total schools) with a collective enrollment of 266,621 students (41% of total students)

Statistical Bureau with a collective enrollment of 266,621 students (41% of the total students). Some of these schools are non-profit schools. Kuwaiti students represent 27% of the total student population in private schools. Foreign schools (ex. American, Bilingual, English, etc.) make up 68% of the total number of private schools in Kuwait, followed by Arabic schools at 32%. Tuition fee increases in the schools are usually capped at 3% annually; however, such increases have recently been halted.

Major players

The largest owners and operators of private schools in Kuwait include Al-Jeri Holding, Al-Faisal Educational Establishment Company, and Al-Rayan Holding amongst others. Al-Jeri Holding has a portfolio of 20 schools including Bilingual, English, Arabic, Pakistani, Indian, Filipino, and special needs schools. Al-Faisal Educational Establishment Company has a portfolio of 10 schools including Bilingual, Pakistani, Indian, and Filipino schools. Al-Rayan Holding has a portfolio of five schools including Indian, Pakistani, Arabic, and English schools. Each of the respective major players has built their portfolio of schools by establishing the schools themselves, acquiring schools from motivated sellers, or both.

M&A activity

The sector has witnessed a number of M&A transactions over the past few years with Boubyan Petrochemical Company's acquisition of a majority stake in Educational Holding Group being the largest amongst them. Boubyan had first acquired a 53% stake in Educational Holding Group during Q2 2017 for $129 million, later increasing its stake by 25% through a mandatory tender offer during Q4 2017 for $63 million. During 2016, Osos Holding Group sold Kuwait British Educational Services Company and Al-Marefa Exemplary Company for Educational Services for $122 million. Al-Sayer Group acquired a 45% stake in Al-Razzi Holding Company during 2017 for $89 million, which owns a 55% stake in Sama Educational Company (the owner and operator of American Creativity Academy). Boubyan Petrochemical Company acquired a 14% stake in Nafais Holding during Q4 2015 for $26 million, which is the owner and operator of Gulf English School and A'Takamul International School. Al-Fay Kuwait Real Estate Company later acquired a 17% stake in Nafais as well for $54 million during Q4 2016. Hong Kong-based Nord Anglia acquired The British School of Kuwait (BSK) in 2017, representing an international education provider's interest in a well-established Kuwait-based school. Also, a diverse Kuwait-based family office had acquired a controlling stake in the American School of Kuwait (ASK) a few years ago.

Key factors to consider in acquiring a school

The land that houses each of the respective schools is usually rented from the Ministry of Education (MOE), Ministry of Finance (MOF), private parties or owned by the school's owners. Land rented from MOE or MOF is the most favorable as rent is nominal and lease periods are usually longer than those undertaken with private parties. Renting land from private parties is relatively expensive and can have a significant impact on a school's profitability.

The shift towards private education has increased the demand for existing schools resulting in enrollment waiting lists for some of them. New schools are also entering the market and others are under construction, which has led to sufficient supply. Going forward, large well-established players with a strong brand name are expected to continue their positive performance as they usually have long waiting lists and enjoy a high degree of brand loyalty. New schools in the market will face difficulty in filling capacity due to the sufficient supply in the market and lack of a strong brand name.

Large well-established schools with a strong brand name are expected to continue their positive performance as they usually have long waiting lists

Schools that predominantly focus on lower-income expatriates and lack strong brand names or affiliations are expected to face a reduction in enrollment. As such, investors are expressing a higher interest in schools with a strong Kuwaiti population.

Overall demand for the sector is expected to continue in the foreseeable future, however investors should selectively pick which schools to acquire given the general market dynamics.

INFORMED OPINION

Real estate valuation approaches

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

Valuations are widely used by governments and financial institutions. The international Valuation Standards Council (IVS) have set a framework that contain procedures for undertaking valuation assignments using generally recognized concepts and principles.

As defined and explained by IVS and Saudi Authority for Accredited Valuers (Taqeem), here are the most commonly known valuation approaches:

1. Market (comparison) approach: an indication of value by comparing the subject asset with similar assets for which price information is available recently. It is important to adjust the price information from other transactions to reflect any differences in the terms of the actual transactions and basis of value and assumptions to be adopted in the valuation being undertaken.

2. Cost approach: an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. It is calculated by adding land value to construction cost minus depreciation.

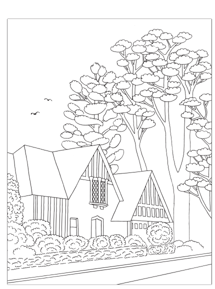
3. Income approach: an indication of value by converting future cash flows to a single current capital value. There are four methods fall under the income approach:

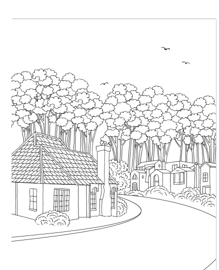
a. Income Capitalization Method: the valuer must provide an estimated income based on the prevailing rental rates of similar properties as well as an estimated expenses. It is calculated by estimating the annual net income divided by capitalization rate.

b. The Discounted Cash Flow Method: applying a discount rate to a series of cash flows for future periods to discount them to a present value. The main difference between capitalization rate and discount rate is that capitalization rate assumes infinity income, whereas discount rate is limited to a certain time period.

c. Profits Method: this method is used for special buildings that were designed for special business activities such as: schools, hospitals, petrol stations, standalone restaurants...etc.

d. Residual Value Method: this is the most commonly used valuation method for land developments, where gross development value is deducted by development costs to get the residual value 'land value'.



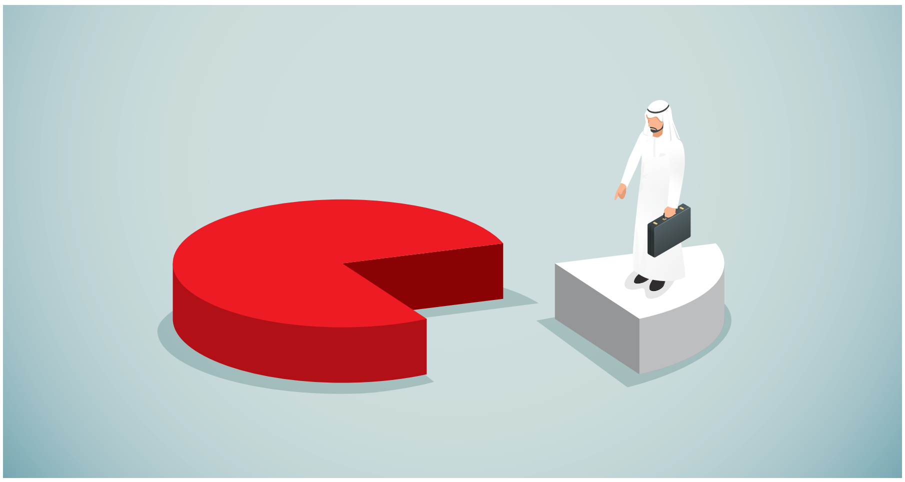


INFORMED OPINION

Markaz: GCC sovereign and corporate issuances decreased by 12% in 2018

By: Fixed Income, Investment Banking

Saudi Arabia based issuers led the GCC in 2018 raising a total of USD 28.51 billion.



Markaz, in its recent research report titled GCC Bonds & Sukuk Market Survey, has highlighted the trends pertaining to bonds and sukuk issuances in the GCC region during 2018.

The aggregate primary issuance of bonds and sukuk by GCC entities, including Central Banks Local Issuances, GCC sovereign and corporate issuances, totaled USD 153.74 billion in 2018, a 11.7% decrease from the total amount raised in 2017. Saudi entities were the top issuers in terms of total value issued.

GCC Central Banks Local Issuances decreased by 11.5% to USD 61.87 billion

Central Bank Local Issuances are issued by GCC central banks in local currencies and with short maturities for the purpose of regulating levels of domestic liquidity. During 2018, a total of USD 61.87 billion was raised by the GCC central banks, namely by the Central Bank of Kuwait, Bahrain, Qatar, and Oman. (The only publicly 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 Kuwait raised the highest amount with USD 30.43 billion (KWD 9.14 billion), representing 49.18% of the total amount raised by CBLIs through 42 issuances, followed by the Central Bank of Bahrain, which raised a total of USD 15.42 billion (BHD 5.79 billion).

A total of USD 91.87 billion was raised in the GCC sovereign and corporate bonds and sukuk market in 2018, a decline of 11.89% from 2017

GCC Sovereign and Corporate Bonds & Sukuk market

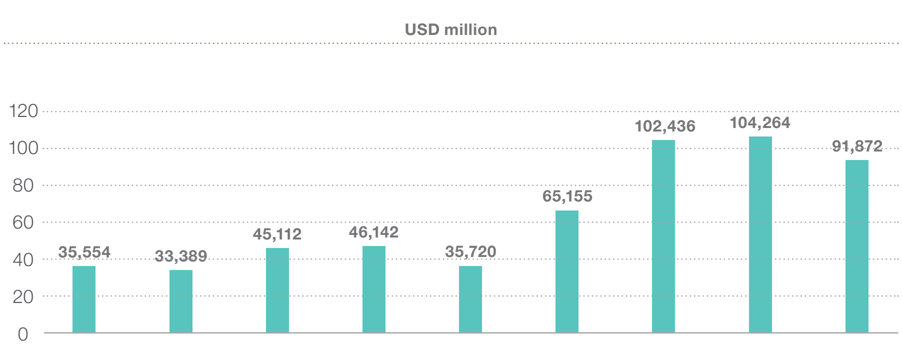
A total of USD 91.87 billion was raised in the GCC sovereign and corporate bonds and sukuk market in 2018, a decline of 11.89% from USD 104.26 billion raised in 2017.

Second quarter of 2018 recorded the highest value of GCC issuances with total value of USD 36.08 billion through 90 issuances, while fourth quarter was the least active with total value of issuances of USD 13.13 billion through 61 issuances.

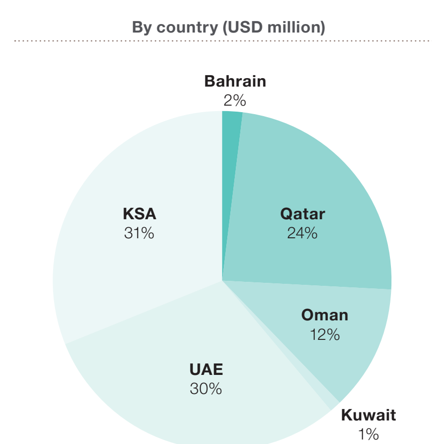
- Geographical allocation: Saudi Arabia based issuers led the GCC in 2018, raising a total of USD 28.51 billion through 22 issuances and representing 31% of the total value raised in the GCC, followed by UAE with 30% and Qatar with 24%. Kuwaiti issuances represented 1.4% of the total issuances, raising USD 1.3 billion through 8 issuances compared to USD 10.83 in the previous year. Total value of Omani issuances was USD 10.8 billion through 10 issuances representing 12% of total GCC issuances. Qatari issuances totaled USD 22.23 billion representing an increase of 259.22% compared to its level in 2017. Bahraini issuances represented 2.2% of total GCC issuances with US$2.02 billion through 4 issuances.

- Sovereign vs. corporate: Sovereign issues contributed 50.3% to the overall market with a total value of USD 46.19

GCC bonds & sukuk market primary issuance



By country



billion as compared to USD 65.28 billion in 2017. Total value raised by corporate entities in 2018 increased by 17.19%, to USD 45.68 billion in 2018 from USD 38.98 billion in 2017. Saudi Arabia Government raised USD 23.88 billion out of which USD 10.88 billion (SAR 48.78 billion) was through domestic bonds and USD 13 billion through US Dollar denominated Bonds and Sukuk. Qatar, Oman, Sharjah and Bahrain governments raised USD 12 billion, USD 8 billion, USD 1 billion and USD 1 billion respectively. Kuwait was the only GCC sovereign entity not tapping the international bond markets in 2018.

- Conventional vs. sukuk: Conventional issuances were lower by 16.4% last year as it raised USD 68.09 billion, representing 74.11% of the total amount raised. During 2018, Sukuk issuances raised USD 23.78 billion, 4.10% higher as compared to USD 22.85 raised in 2017 and represented a share of 25.89% of the market in 2018.

- Sector allocation: Government sector accounted for the largest amount raised during 2018, with USD 46.19 billion representing 50.3% of the total amount raised as compared to USD 65.28 billion issued in 2017. The Financial sector followed with USD 27.20 billion (29.6% of total market) raised through 250 issues.

- Maturity profile: Issuances with tenures of less than five years raised the highest amount, USD 38.76 billion, through 237 issuances, representing 42.2% of the total amount raised. Issuances with maturities more than 5 years to 10 years represented 31% with USD 29.13 billion.

- Issue size profile: The sizes of GCC bonds and sukuk issuances during 2018 ranged from USD 0.77 million to USD 6 billion. Issuances with principle amounts greater than or equal to USD 1.0 billion raised the largest amount - USD 52.42 billion, representing 57.05% of the total value.

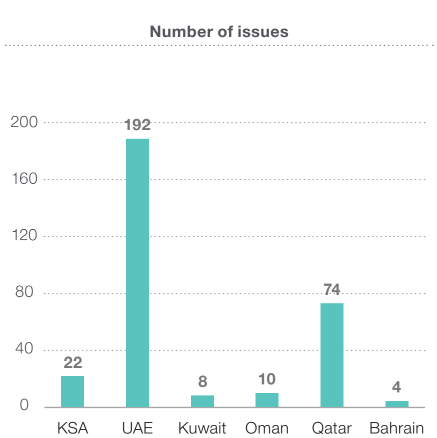
- Currency profile: US Dollar denominated issuances lead the GCC Bonds and Sukuk market, raising USD 72.88 billion (79.32% of the total amount raised) through 204 issuances. Followed by issuances in Saudi Riyal raising USD 10.88 billion (SAR 48.78 billion) through 12 issuances and represented 11.84% of the total amount raised.

As of 31st December 2018, the total amount outstanding of corporate and sovereign bonds and sukuk issued by GCC entities was USD 484.02 billion

- Rating: During 2018, a total value of 80.5% 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 91.2% issuances had investable grade ratings.

- Listing: During 2018, 88.9% of the total issuances or 189 GCC Bonds and Sukuk issuances, with an aggregate value of USD 81.71 billion were listed on exchanges. Listing on international exchanges accounted for 91.1% with Dublin accounting for the listing of 61 of such issuances.

Number of issues



Bonds and Sukuk total amount outstanding in the GCC

As of 31st December 2018, the total amount outstanding of corporate and sovereign bonds and sukuk issued by GCC entities was USD 484.02 billion. Government issuances made up 50.3% of the total amount. Financial sector led the corporates with a total amount outstanding of USD 109.86 billion, or 22.7% of the total amount.

Of the amount outstanding as of 31st December 2018, USD 188.44 billion, or 38.93% were issued by Saudi Arabian entities. Bonds and Sukuk by Kuwaiti entities represented USD 20.75 billion, or 4.28% of the total amount outstanding.

INFORMED OPINION

Razooqi: Kuwait emerges as second largest M&A target market in the GCC

By: Abdulrazzaq Razooqi, Assistant Vice President, Advisory, Investment Banking

Kuwait M&A Activity between (2014 – 2018).

The Investment Banking Department at Kuwait Financial Centre "Markaz" said Kuwait has emerged as the second largest M&A target market in the GCC between 2014 and 2018 in terms of the number of closed transactions, surpassing Saudi Arabia, which used to hold that position up until 2016.

In this context, Abdulrazzaq Talal Razooqi, Assistant Vice President, Advisory, Investment Banking at Markaz said, "The number of transactions in Kuwait grew by 163% between 2014 and 2018, increasing from 16 to 42 transactions respectively. Most of the growth was witnessed in 2017 as the number of closed transactions increased by 131% from the prior year. A total of 127 closed transactions involved Kuwaiti targets between 2014 and 2018, representing 23% of the total number of transactions in the GCC during the same period. The top transactions in Kuwait between 2014 and 2018 involved targets from the food and beverage, telecommunications, education, and technology sectors."

Sector analysis

Food and Beverage

Razooqi added that Adeptio's acquisition of Al-Khair National for Stocks and Real Estate Company's 67% stake in Kuwait Food Company (Americana) for $2.3 billion in 2016 marked the largest transaction within the food and beverage sector during the 2014 to 2018 period. Adeptio later increased its stake in Americana to 94% by acquiring an additional 27% stake through a mandatory tender offer (MTO) for a total of $932 million. Brazil-based BRF acquired a 75% stake in Al-Yasra Food Company's Frozen Food Division for a total of $160 million in 2014, effectively acquiring one of its distributors, which it had also replicated with Oman-based Al-Khan Foodstuff. The latest transaction in the sector includes Abdulrazzaq Abdulhameed Al-Sane Group's acquisition of a 92% stake in New Technology Bottling Company, the manufacturer of Abraaj Water, from a subsidiary of Kuwait Finance House for $66 million.

The top transactions in Kuwait between 2014 and 2018 involved the food & beverage, telecommunications, education, and technology sectors

Telecommunications

Oman Telecommunications Company (Omantel) acquired a cumulative 22% stake in Mobile Telecommunications Company (Zain) by first acquiring Zain's 10% treasury shares for $844 million during Q3 2017 and later acquiring Al-Khair National for Stocks and Real Estate Company's 12% stake for $1.3 billion during Q4 2017. Saudi Telecom Company (STC) increased its stake in Kuwait Telecom Company (VIVA) by acquiring an additional 26% stake in 2016 through a voluntary tender offer (VTO) for a total of $425 million, thereby increasing STC's stake in VIVA to 52%.

Education

Transactions on Humansoft Holding Company led the activity in the education sector during the 2014 to 2018 period. Al-Othman Commercial Enterprises first exited a 15% stake in Humansoft during 2017 for $184 million, later exiting an additional 17% stake during 2018 for $226 million. Al-Imtiaz Investment had also exited part of its stake amounting to 10% in Humansoft during 2017 for $120 million. Boubyan Petrochemical Company acquired a 53% stake in Educational Holding Group during Q2 2017 for $129 million, later increasing its stake by 25% through a MTO during Q4 2017 for $63 million. Al-Sayer Group acquired a 45% stake in Al-Razzi Holding Company during 2017 for $89 million, providing it with exposure to both the education and healthcare sectors.

Number of closed GCC M&A transactions

Country	2014	2015	2016	2017	2018	Total
United Arab Emirates	45	50	35	48	73	**251**
Kuwait	16	16	16	37	42	**127**
Saudi Arabia	25	17	17	9	22	**90**
Oman	4	6	12	8	10	**40**
Qatar	8	6	3	2	5	**24**
Bahrain	5	5	6	1	5	**22**
Total	**103**	**100**	**89**	**105**	**157**	**554**

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis

Top 5 M&A deals in Kuwait by reported value (2014 - 2018)

Target Company	Buyer	Buyer Country	Percent Sought	Value (USD mn)
Americana	Adeptio	United Arab Emirates	94*	3,261
ZAIN	Omantel	Oman	22*	2,193
VIVA	STC	Saudi Arabia	26	425
Humansoft	N/A	N/A	17	226
Talabat	Rocket Internet	Germany	100	170

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis
*These transactions include two acquisitions by the same buyer on the target company at different points in time.

Technology

The acquisition of Talabat by Germany's Rocket Internet for $170 million in 2015, marked the largest transaction in the Kuwaiti technology sector, later resulting in other sizeable acquisitions in the sector. Carriage was acquired by Germany's Delivery Hero in 2017 for $97 million, nearly a year after commencing its operations. NBK Capital recently acquired a 56% stake in 4SALE for $100 million. Also, Boubyan Petrochemical Company acquired a minority stake in online beauty product retailer, Boutiqaat, for $46 million during 2018.

Summary and outlook

The Kuwaiti M&A market has witnessed tremendous growth between 2014 and 2018. Large deals took place including the acquisition of Americana by Adeptio, Omantel's acquisition of a stake in Zain, STC increasing its stake

The Kuwaiti M&A market saw tremendous growth between 2014 - 2018, but going forward it is difficult to predict how many mega transactions will be seen

in VIVA, the sale of considerable stakes in Humansoft by its major shareholders, and Rocket Internet's acquisition of Talabat. While there were active Kuwaiti acquirers in the market like Boubyan Petrochemical Company, the top five deals between 2014 and 2018 were all led by acquirers from other GCC countries or foreign (non-GCC) acquirers.

Going forward, the Kuwait M&A market is expected to continue its growth, however it is difficult to predict with accuracy how many mega transactions will be witnessed. Increased foreign interest in Kuwaiti companies, improved legislation by the Capital Markets Authority (CMA) and Boursa Kuwait, consolidation amongst industry players, and investments in non-conventional sectors by institutional investors, are expected to drive that growth.

The inverted yield curve & its significance

By: Dakheel Al-Dakheel, Assistant Analyst, International Investments

Many investors were extremely worried when the 3-month yield ticked higher than the 10-year yield in US Treasuries in late March of this year, as it is known as cautionary signal of a recession. Equity markets reacted negatively during that week while worries were increasing. When the yield curve has higher short-term yield than the long-term, that is knows as an Inverted Yield Curve. Although it does not make a top by itself, it is significant. In recent history, this has occurred in 2000 and 2007.

In April of 2000, the 3-month yield reached the same level of 10-year yield and by July, the 3-month yield ticked above the 10-year. The 10-year yield made a new 52-week low by September, which coincided with the final high of the S&P 500. Although the S&P's final high was not the market top, which occurred in the previous month, it was, however, an indication of where investors would have wished to exit the equities market before the "dotcom" bubble burst into a recession.

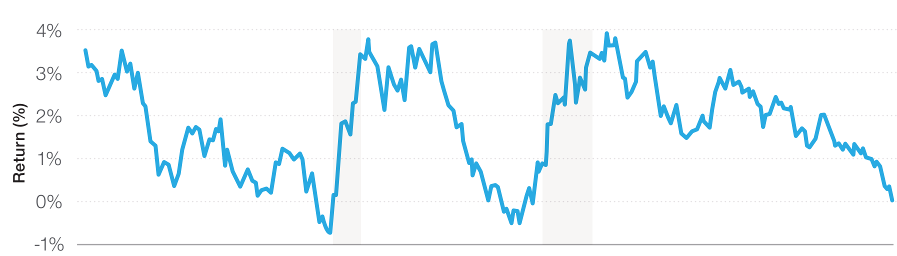
There were two more cases of an Inverted Yield Curve after 2000, in 2006 and 2007. In 2006, although an Inverted Yield Curve occurred, the 10-year yield did not reach its 52 weeks low, thus not confirming market fears just yet and the markets eventually recovered. However, when the Inverted Yield Curve occurred in 2007, the 10-year yield did make a 52 week low within a few weeks of the final high. In November 2007, the S&P 500 reached its final high with a sharp rally, which ended when 10-year yield plummeted to its 52-week low. It also coincided with a time when equity prices were considered overvalued.

In March of this year, the same conditions as 2007 occurred. On March 22nd, the 10-year yield closed lower than the 3-month yield. The day after, the 10-year yield closed at a new 52 week low, while the equity market rallied to a debatable point once again. The conditions seemed eerily similar to 2007. Plummeting yields, along with global slowdowns, underperforming bank stocks and weak commodities are often seen as a recipe for an upcoming recession. However, increased market participation corrected the yield curve back to normal by the end of the month and fears eventually subsided.

In summary, although the Inverted Yield Curve is not an absolute warning shot that markets will collapse, the inversion in the yield curve shouldn't be overlooked by investors, specifically when the 3-month ticks higher than the 10-year yield and the 10-year reaches a 52 week low. Additionally, other economic indicators have to be taken into consideration before moving from equities to cash as we saw equities rebounded. The opportunity cost of not staying invested may lead to more loses. However, the Inverted Yield Curve should, at the very least, be considered an indication of potential storms brewing and investors would be wise to take it seriously.

Yield curve inversions have preceded U.S. recessions by 1 to 2 years

U.S. Treasury Yield Spread, 3 Month Vs. 10 Year



Data source: Bloomberg, L.P., 1 Jan 1993 to 31 Mar 2019. Past performance is no guarantee of future results. Shaded areas denote NBER U.S. recessions

INFORMED OPINION

5G implications for GCC businesses

By: Anna Elias, Policy Analyst, Marmore MENA Intelligence

5G or fifth generation is a new wave of innovation enabling radically faster wireless internet. 5G is different from the previous generations of wireless internet in the sense that it does not simply connect a device to a network. It connects networks to networks, making Internet of Things a reality. At the outset, 5G is expected to be 'ultra-reliable' and more flexible offering higher speed, lower latency and greater capacity.

Therefore, 5G technology with its low latency and high capacity is expected to generate an array of value-added use cases across sectors including transportation, governance, banking, entertainment and health. These use cases pave the way for new businesses or a radical growth in the productivity of existing businesses.

With the growing smartphone adoption and increasing mobile broadband users in the GCC, the region is expected to be early adopters of 5G networks. The exhibit below illustrates some of the 5G possible use cases that GCC operators might consider during the 2019-2030 period.

With its low latency and high capacity, 5G is expected to pave the way for new businesses or create growth in the productivity of existing businesses

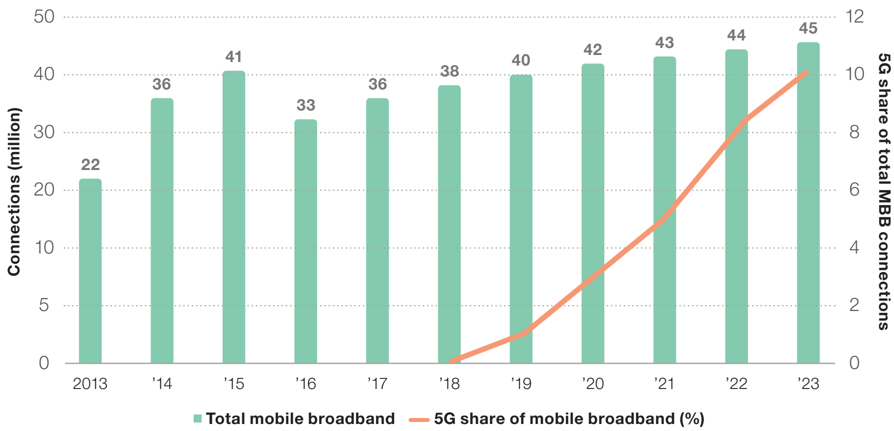
Transport

With 5G, transport sector can not only increase the user experience but also provide a safer driving experience. The vehicle to vehicle and vehicle to roadside infrastructure communication using 5G will extensively benefit the transportation system. With everything connected including bus stops, buses, other vehicles on road, users will be much more aware of their travel environment. The V2X (vehicle to everything) concept can potentially eliminate the unsafe outcomes in autonomous vehicles.

In Japan, Samsung successfully completed 5G train test achieving peak download speeds of 1.7Gbps and downloading the highest resolution 8K video via the train's on-board router. Though entertainment is an obvious beneficiary, the 5G service would enable improved passenger information and increased security.

With 5G, urban issues like limited parking facilities can be addressed. Use of connected sensors can benefit the smart parking systems. Etisalat's trial of smart parking solutions in Dubai and Abu Dhabi found that NB-IoT (Narrowband IoT) enabled connected sensors can be used for a range of services including coverage, availability of parking spaces and the usage of individual bays. Zain Saudi Arabia worked with Nokia to trial NB-IoT technologies in Makkah Province for smart metering connectivity and smart parking.

Mobile broadband connections forecast and 5G share of mobile broadband



Source: Huawei

Retail

Innovative trends are reshaping the retail markets in the GCC region and are set to disrupt the conventional market. As customer experience is key to the retail market, retailers continue to digitally transform their business. 5G can help these business collect precise data for improving the customer experience and marketing and thus help improve sales. For example, 5G is expected to revolutionize the retail shopping experience through technologies like AR, VR, video, pattern recognition of shoppers and interactive mobile apps.

Banking and finance

Financial industry has been at the forefront of technological adoption, with increasing number of customers embracing digital options of banking. 5G can make contactless payments using wearables devices easier. As 5G can link devices to a single network, phones, smartwatches, activity bands and virtual/augmented reality headsets, will be connected and swap data enabling payments to be made from any wearable. As all of these devices capture biometric data, the sharing of the data among them and with the cloud will create a strong multi-layered customer authentication mechanism. Also with smart branches, 5G can offer better customer experience. Information gathering using 5G's low latency bandwidth might immensely help across the financial services industry which require real time decision making.

Manufacturing

Manufacturing industries around the world aim to be as efficient as possible as they face increasing pressure to deliver products faster and cheaper. Also installing wired cables for communications in the production facilities could be expensive. 5G in manufacturing is expected to bring in smart factories, making the manufacturing processes more efficient with a relatively low upfront investment. Similarly, Augmented Reality (AR) powered by 5G, can enable engineers diagnose problems remotely, opening opportunities for remote maintenance.

If 5G delivers everything it promises, it will be key in the digital transformation of the region as many organizations within the GCC are looking to increase automation and use data to create a more agile

5G is expected to revolutionize the retail shopping experience through AR, VR, video, pattern recognition of shoppers and interactive mobile apps

business. With the provision of access to highly flexible and efficient network to every business, the competitiveness in the economy as a whole will increase. GCC Governments have already evinced good interest and are investing in introducing several cloud, blockchain and AI-based applications, in their services and 5G can make such projects more reliable and operationally feasible. Enterprise Application Software is well established in GCC businesses and the transition to IoT in business can get a fillip from 5G. Digital technology applications in shared public services in GCC can also increase to a higher trajectory with 5G with its many features being an important enabler. All in all, 5G introduction in GCC can lead to improvement in the quality of life of residents and increased competitiveness in industries, better allocation and targeting government expenditures and revamping of the business and investment environment.

5G use cases that might be considered across GCC

2019-2022
Location analytics
In vehicle entertainment
V2X services

2019-2022
Ultra high frequency mobile trading
AR for operations support
Blockchain based banking

2026-2030
AR for financial data visualization
V2X services for self driving cars
Remote control of factory robots

Source: Huawei. Only four major sectors considered

INFORMED OPINION

Algorithmic trading: the future of trading

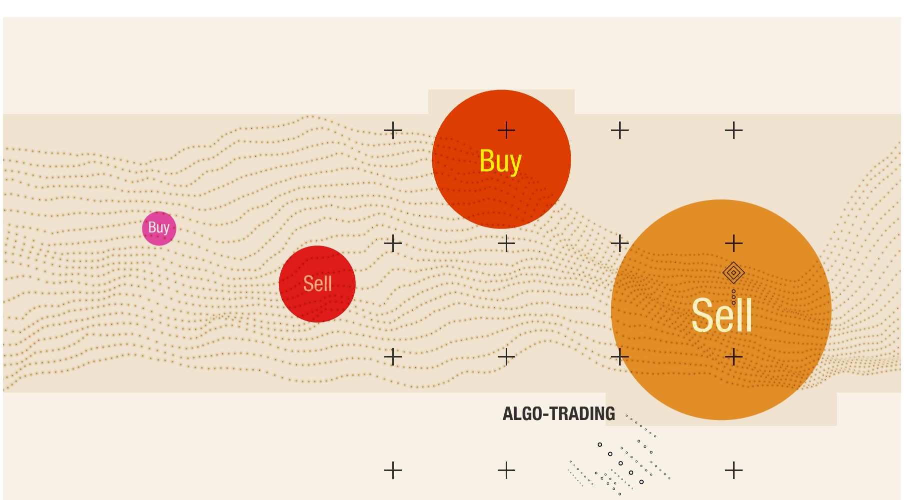
By: Abdulmohsen Al-Mudhaf, Trainee

One of the more persistent messages being regurgitated nowadays is the eerie concept of automation and how it is poised to take over many of our human-dominated industries. However, with that being said, I am able to find solace in the fact that, at the end of the day, machines are machines and we evidently push the buttons that control them (unless they don't have buttons, in which case we are probably doomed). In the world of financial services, no topic is more fascinating to me than that of Algorithmic Trading ('algo-trading' for short). Algo-trading, ultimately, encompasses two major art forms into one; the art of trading (buying/selling financial securities on a global exchange or marketplace) and the art of programming (machine-learning, algorithms, etc.). The process begins by way of a pre-determined list of objectives and/or variables that are input into the system by the investor or someone investing on that person's behalf. Through these inputs, the machine will then constantly monitor live market data, if prompted, and react accordingly to either buy or sell securities based on those same predetermined inputs.

We now ask ourselves, how does this idea translate to our financial services world and how can we reap the benefits of such an unconventional and under-utilized ideology? Through trial and implementation, these questions become easier for us to answer and we begin to see the purpose behind the madness (the 'light', if you will). We know that traders study market and price data through two major, yet waveringly different, beliefs; Technical Analysis and Fundamental Analysis. I feel inclined to bring out a set of spears and shields whenever I talk about these two ideologies together because of how war-like the atmosphere is between them. Both sides of the fence seem to completely and whole-heartedly disagree with the opposing side's beliefs and this has been the case for many years. Luckily, algo-trading doesn't pick sides in this argument and offers a solution to either party. For the technical analyst, algo-trading offers the precise reading and analysis of charts at faster rates than that of the human eye. It accounts for inefficiencies such as human error, number rounding, timeliness etc. For the fundamental analyst, however, the machine is more adept for inefficiencies such as second-guessing and others of that nature. The main purpose of the machine in this instance, however, is to conglomerate companies' financial (balance sheet, income statement, ROA, ROE, etc.) and market (competition, sector-specific, consumer sentiment, etc.) data at a faster rate and ultimately make buy/sell decisions based on the criteria input by the investor.

Algo-trading doesn't pick sides in the long-standing technical analysis vs. fundamental analysis argument, offering solutions to both parties

We are fostering a generation of technologically savvy individuals at a rapid and derivatively increasing pace. At the same time, and most probably as a byproduct of the aforementioned point, the world is pivoting towards being more tech-focused and tech-led; it would be naïve of us to not see the change looming and adapt accordingly. Change does not come easy, however, and we are simply not going to put all previous ideals to the side for the express purpose of adaptation. With that being said, extremes have never been welcomed in our industry anyways and we (Markaz) pride ourselves on being a leading and innovative institution that accepts change gradually. Algo-trading is still a fairly nascent concept and our implementation should be as such. Once the global market begins to efficiently maximize its algo-trading practices in its corresponding institutions, I believe then, and only then, should we follow suit. Moreover, if we are able to capitalize on this area of trading as market leaders in Kuwait or the GCC area, we give ourselves the possibility of opening doors that provide us with a leverage gain as it pertains to decisions regarding our products in the aforementioned regions, which is always to our benefit. Lastly, the importance associated with coding and programming is increasing year-by-year and the pool of candidates that possess those skills and also increasing in correlation. As that pool widens and the practice increases in implementation, we have to ask ourselves: How are we contributing to this change? Are we investing our time and energy into the training of these practices in our existing and future employees? How important is it that we do so and where does it fall on the company's figurative totem pole? At some point we need to address these questions because, as common knowledge has taught us over the years, time does not and will not stop for anyone. Let's move with it.



INFORMED OPINION

Close your eyes, and imagine your workplace. Are you at risk of acquiring MSDs?

By: Rahaf Al-Gharabally, Trainee

According to the Occupational Safety and Health Administration (OSHA), carpal tunnel syndrome, tendinitis, muscle strains and lower back injuries are musculoskeletal disorders (MSDs) that lead to negative physical effects to your muscles, nerves, blood vessels, ligaments and tendons. In order to help prevent workers from acquiring MSDs, every employee should practice good ergonomics at their workplace.

What is ergonomics?
It is the practice of fitting the job to the worker, not fitting the worker to the job. This means avoiding tasks that have high risks leading the worker to injuries.

The five major ergonomics risk factors to avoid are:

- **Repetition.** Possibly will result in trauma to your joints and surrounding tissue. Examples such as typing on a keyboard, flipping through paperwork, clicking a mouse or using a calculator.
- **Static loading or sustained exertions.** Which can result in muscle tension due to sustained exertions continuously applied for long periods of time. Examples include keeping your head still while looking at your monitor, holding down the shift key on your keyboard and sitting without making any movements for an extended time period.
- **Awkward positions and postures.** By slouching or leaning forward in his or her chair, cradling a phone between the ear and shoulder, reaching up and over to access the keyboard or mouse, and bending at the waist to load a copy machine is how an office worker can experience awkward postures.
- **Mechanical contact stress.** It occurs when a person's soft tissues, are being pressed by hard or sharp surfaces or objects. Examples of mechanical contact stress are when a wrist rests on the edge of a desk while typing, when elbows lean against a hard armrest or when sitting in a chair that places pressure on the back of a worker's thighs.
- **Force.** Forceful tasks that require a moderate amount of force to be applied to small muscles in the beginning, but after some time it could result in muscle and ligament strains, swelling and fatigue. Examples of such office work include, grasping heavy folders, gripping a mouse too tightly and "pounding" on a keyboard to type.

All of these risks may not seem obvious or threatening in the beginning, but it could possibly lead to serious injuries in the long run if not addressed early

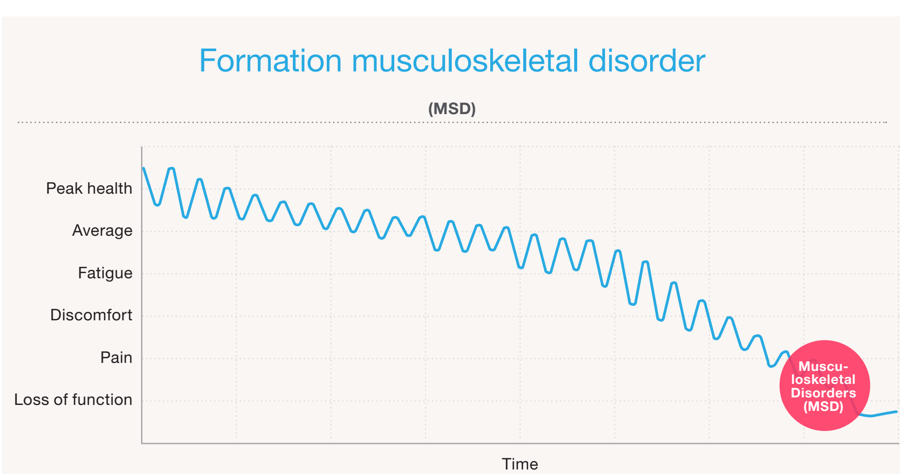
All of these risks may not seem obvious or threatening in the beginning, but it could possibly lead to serious injuries in the long run if they are not addressed early on.

Solution
To prevent MSDs, a proactive ergonomics process identifies ergonomic risk factors and then reduces them through engineering and administrative controls before an injury occurs.

Engineering Controls:
- To eliminate or reduce awkward postures with ergonomic modifications that seek to maintain joint range of motion to accomplish work tasks within the mid-range of motion positions for vulnerable joints.
- Proper ergonomic tools should be utilized that allow workers to maintain optimal joint positions.

Administrative Controls:
- Job rotation
- Counteractive stretch breaks.

Remember that a proactive ergonomics process has the following characteristics:
- Is implemented before an injury occurs
- Is viewed as a continuous improvement process



INFORMED OPINION

Cloud technology

By: IT Department

Third-party clouds enable organizations to focus on their core businesses instead of expending resources on computer infrastructure and maintenance. Advocates note that cloud computing allows companies to avoid or minimize up-front IT infrastructure costs, however ongoing cost (opex) could exceed expectations based on several factors including recurring fee, mandatory application upgrade and others. Proponents also claim that cloud computing allows enterprises to get their applications up and running faster, with improved manageability and less maintenance, and that it enables IT teams to more rapidly adjust resources to meet fluctuating and unpredictable demand. Cloud providers typically use a "pay-as-you-go" model, which could lead to additional operating expenses as we go.

The availability of high-capacity networks, low-cost computers and storage devices as well as the widespread adoption of hardware virtualization, service-oriented architecture, autonomic and utility computing has led to growth in cloud computing.

Cloud advantages

Some of the advantages that Cloud Technology offer are but not limited to:

- Extremely scalable
- Efficient costing
- Latest technologies/platforms
- Task automation
- Operational flexibility and superior mobility

On the other hand, some of the challenges that cloud technology brings in are the concerns about data sensitivity, cloud security, application interoperability in addition to the time and cost of cloud migration itself.

Proponents claim cloud computing allows enterprises to get applications up and running faster, with improved manageability and less maintenance

Challenges in Markaz environment

Cost - Cloud itself is affordable, but tuning the platform according to the company's needs can be expensive. Furthermore, the expense of transferring the data to public clouds can prove to be a problem for short-lived and small-scale projects. Companies can save some money on system maintenance, management, and acquisitions. However, organizations have to invest in additional bandwidth, and to avail additional control(s) due to the absence of essential control(s) in an infinitely scalable computing platform.

Service provider reliability - The capacity and capability of a technical service provider are as important as price. The service provider must be available when you need them. The main concern should be the service provider's sustainability and reputation.

Downtime - Downtime is a significant shortcoming of cloud technology. Even though cloud vendors can promise a platform that is free of possible downtime, we also have dependencies on third party providers such as Internet Service Provider (ISP) to help facilitate our solutions.

Information security - Confidentiality, integrity and availability (CIA triad) is a model designed to guide policies for information security within an organization. The elements of the triad are the three most crucial components of security. In this context, confidentiality is a set of rules that limits access to information, integrity is the assurance that the information is trustworthy and accurate, and availability is a guarantee of reliable access to the information by authorized people. A weak cloud platform possesses various threats to any of these elements.

Vendor lock-in - Entering a cloud computing agreement is easier than leaving it. "Vendor lock-in" happens when altering providers is either excessively expensive or just not possible. It could be that the service is nonstandard or that there is no viable vendor substitute.

Lack of resources/expertise - Technology workers with knowledge of the latest developments in cloud, open source, mobile, big data, security and other technologies will only become more valuable to businesses in the years ahead. Many companies are hoping to overcome this challenge by hiring more workers with cloud computing certifications or

Some of the challenges the technology brings concern data sensitivity, security, interoperability in addition to the time and cost of cloud migration itself

skills. Experts also recommend providing training to existing staff to help get them up to speed with the technology.

Cloud Technology is a good choice in today's world, as we all need to move ahead with technology. However, Cloud consumers have to be smart by selecting the right platform for their products.

Cloud service models

Though service-oriented architecture advocates "everything as a service", cloud-computing providers offer their "services" according to different models, of which the three standard models per National Institute of Standards and Technology (NIST) are Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS). These models offer increasing abstraction, often portrayed as layers in a stack: - Infrastructure, Platform- and Software but these need not be related. However, any of the models being implemented, Disaster Recovery as a Service (DRaaS) must go hand in hand with it.

Cloud migration

Cloud migration involves the process of moving relevant business data, applications, and other important elements of an organization from its desktops and servers to the cloud. This process can sometimes also entail moving data between different cloud environments provided by different service providers based upon their area of expertise. Cloud migration makes cloud computing possible, wherein the cloud performs all the computing that earlier was performed by mobile devices, laptops, or desktops.

Markaz cloud implementation roadmap

Phase 1: SaaS model

Software as a service (SaaS) is a software distribution model in which a third-party provider hosts application and makes them available to customers over the Internet through web and/or application interfaces.

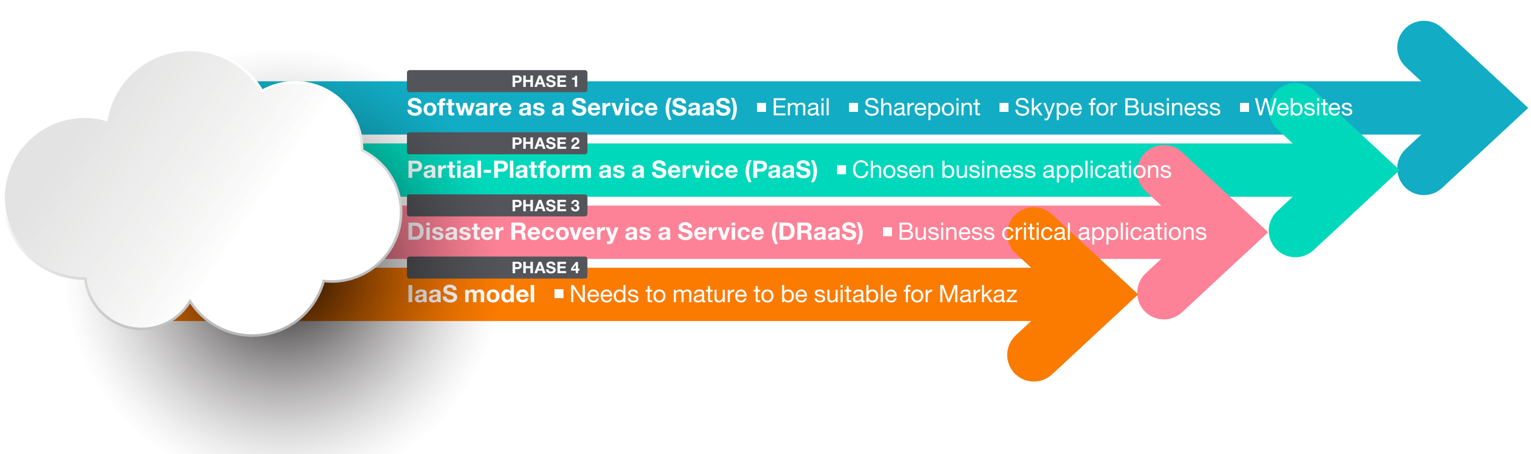
Microsoft M365

Microsoft 365 is a subscription service aimed at providing improved integration and security between Microsoft products. M365 comes bundled as Office 365, Windows 10 Pro, and Enterprise Mobility + Security (EMS).

We are on switching our Microsoft business applications to the cloud version (SaaS), we will benefit substantially by successfully implementing Microsoft cloud platform (M365). We expect the project completion by early Q4 2019.

Phase 1 of cloud migration includes the following

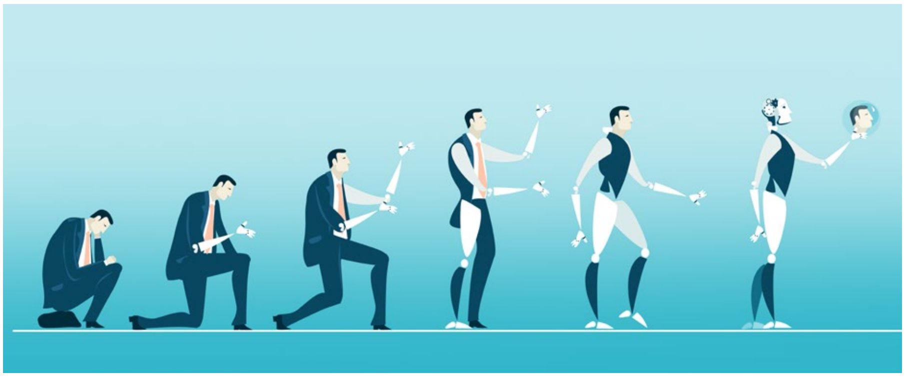
- Email
- SharePoint
- Skype for Business
- Websites



INFORMED OPINION

Wealth management's portfolio planner

By: Wealth Management and Business Development Department



In the current competitive environment we are facing today, financial organizations are working with fintech to switch manual systems to automated technology. Organizations around the world such as J.P Morgan, Wells Fargo and Morgan Stanley are spending large amounts in order to implement Robo advisory systems in Wealth Management. These systems try to assess investors with risk free and better returns asset classes. Robo-advisors use mathematical algorithms to help investors analyze their own investments. It processes information based on client's inputs that determine the risk appetite or liquidity factors, which then proposes a suitable investment opportunity. Robo-advisors are considered mainstream, while they have swelled in popularity as investors are in search of low-cost, automated investment opportunities. Some well-known Institutes are predicting that Robo-Advisory market strength would go up to 2.2-3.7 trillion by 2020 and 16 trillion by 2025 - (reference article by Deloitte on Robo Advisory).

The combination of Morningstar APIs together with our internal asset management system will help make better investment decisions for our clients

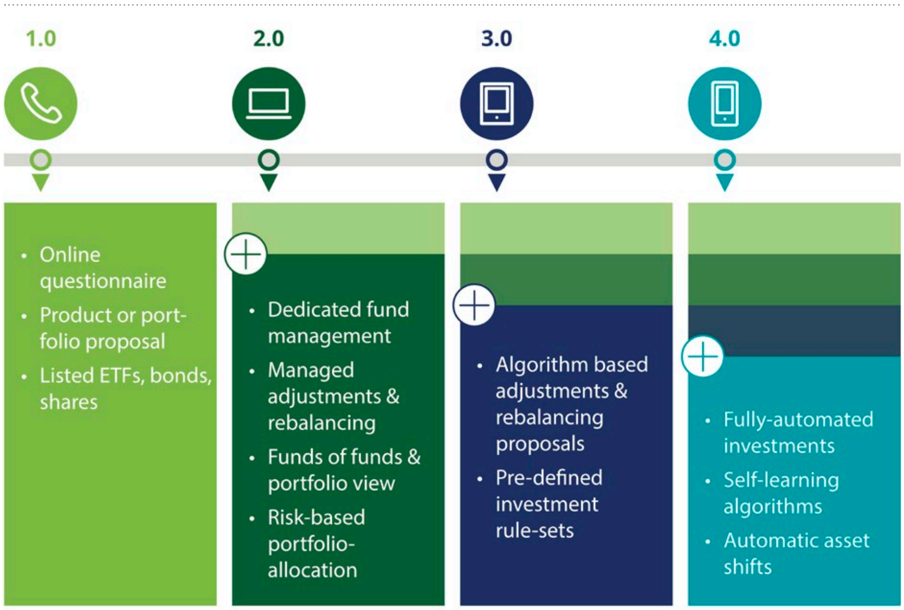
While the demand for Robo-advisors is increasing, Kuwait's Finance industry is bringing new technology to their clients. Markaz Management has requested to build a tool that will advise our clients on investment decisions based on their specific need and their risk appetite.

Markaz is collaborating with some of the well-known technology service providers, Morningstar and New Wealth Technologies, who provide APIs and web components to provide a robo-advisor and provide access to wide range of asset classes. Clients will need to fill out a questionnaire regarding personal information; investment goals and risk tolerance, which will then create a portfolio and manage it for them. Morningstar Portfolio Planner is a web-based application used by financial advisers to provide personalized financial advice to investors. It guides advisors through a systematic process to get client data, determine risk tolerance, identify a model portfolio and construct a suitable portfolio. The combination of Morningstar App through APIs while working with our internal asset management system (Vestio) will help to make better investment decisions for our clients. It involves linking of Morning Star API's with Vestio, which will further go into the pool of assets available at Markaz database. Markaz will also develop a mobile app with the same features using the help of Morningstar by connecting to New Wealth, a mobile app developer. By using robo-advisors, clients will have the ability to improve their portfolios with the list of Markaz products.

Portfolio Planner achieves the best practices in terms of advisory by emphasizing preferences based on risk tolerance. It also stays on track with individual goals, while it automatically rebalances the portfolio. With the help of algorithmic techniques, Robo-advisors would process client's information and provide them with asset classes based on the questionnaire. The algorithms monitor and satisfy pre-defined investment strategies. It is up to the client whether to follow or dismiss the proposed decision.

There are millions of reasons, why investors may choose robo-advisors as opposed to financial advisors or portfolio managers. The most important and attention grabbing would be the low fees and no conflict of interest. Second, robo-advisors have a much lower requirement, a price that is more attainable than investing with a financial advisor. Robo-advisors are always available, as long as you have internet connection you get all the help and accessibility you need.

Robo-Advisory evolution- Digital Wealth Management from 1.0 to 4.0



Positive momentum in anticipation of MSCI upgrade

By: MENA Equities Department

The Kuwait stock market witnessed positive performance during the first quarter of 2019. The All Share Market Index gained 10.6% on higher volumes, mainly supported by a 32% increase in oil prices, foreign inflows, strong earnings and higher dividends making the Kuwaiti stock exchange the second best performer in the GCC after the Saudi market.

The foreign investment inflow started in the second half of 2018 when Kuwait was upgraded by FTSE to an Emerging Market. The upgrade was implemented in two tranches: the first tranche was in September 2018 followed by the second in December 2018. The latest FTSE index rebalancing took place in March 2019 which increased the net foreign inflows in Q1 to KD 215 million in liquidity to the stock market. That affected the market performance positively during the first quarter of this year.

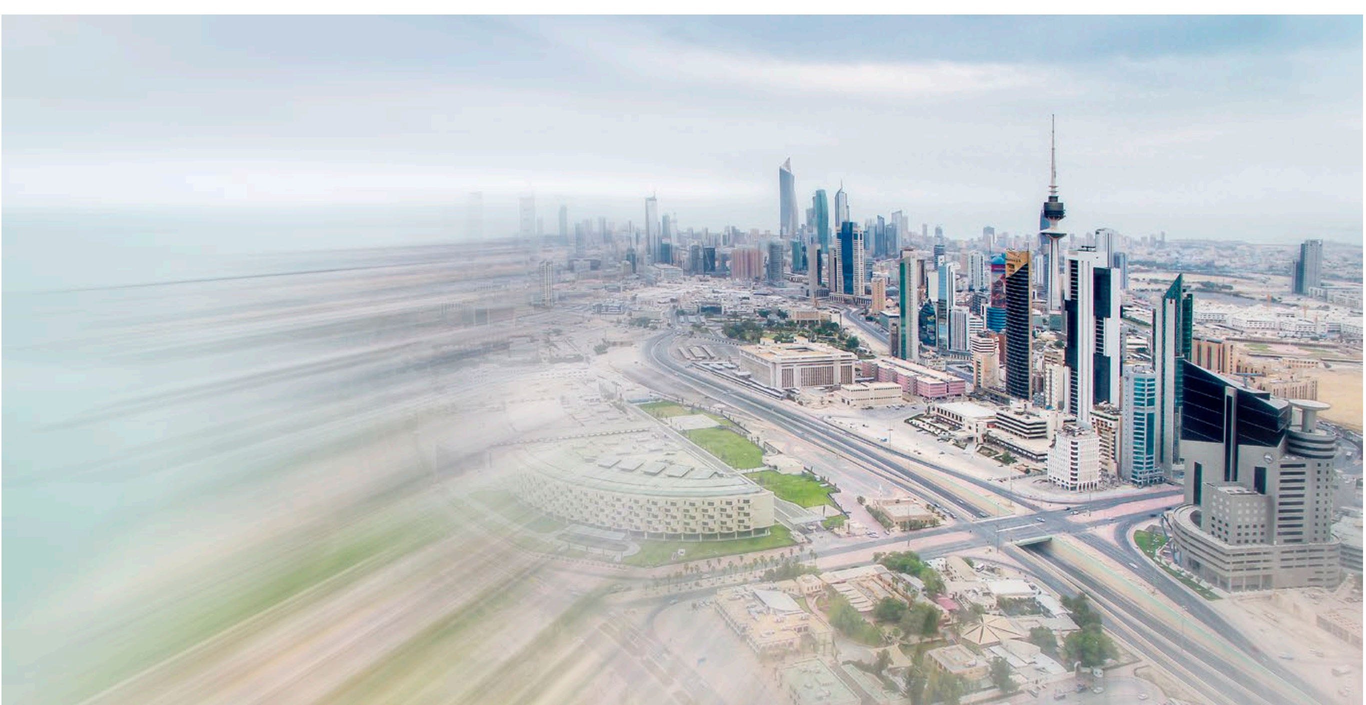
In the meantime, we witnessed several indicators showing us that investors increased their appetite towards the Kuwait stock market, especially the banking sector. The banking sector unfolded positive annual results compared to the previous year in addition to higher dividends. The sector's consolidated net profit grew by 18.7% to reach KD 984 million, the highest in 11 years, supported by a 6.6% growth in operating income and higher interest rates. Furthermore, the increase in government projects under construction have in turn boosted the banks' credit growth.

The latest FTSE index rebalancing took place in March 2019 which increased the net foreign inflows in Q1 to KD 215 million to the stock market

In addition, Kuwait Finance House's acquisition of Bahrain's Ahli United Bank also contributed to the momentum of the Kuwait Stock Exchange.

In step with these developments, the KSE is going through a development project to improve their rules and regulation. The first stage of this program was launched in May 2017 where they extended the settlement cycle from T+0 to T+3, changed the units of price, and introduce the random closure. The second stage started in April 2018, where the major changes included dividing the market into three categories; Primary Market, Main Market and Auction Market. In addition, the second stage also included introducing trading breaks to stocks and indices, special transaction procedures and the OTC trading platform. These improvements aided in Kuwait being upgraded to FTSE emerging markets status. These changes also increase Kuwait's chances for being included in the MSCI Emerging Market Index in June 2020, while MSCI will announce its final decision on June 2019.

The expected effect on the Kuwait market should be positive. In comparison, the MSCI upgrade effected the Qatari and Abu Dhabi stock exchanges positively, where Qatar traded at a 38% premium to their historical P/E while Abu Dhabi had a similar impact trading at 37% premium to their historical P/E, while Dubai was considered an exception as its multiple expanded by 100% but coming from a low base.



CSR ACTIVITIES

Markaz: corporate social responsibility is key to our nation's sustainability

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 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 Q1 2019, Markaz has supported a number of reputable organizations and activities that contribute in developing human capabilities.

Foundation of Hope

Since 2003, The Foundation of Hope has been supporting children with special needs and learning difficulties through its education fund with the aim to enhance their confidence levels and the ability to become efficient members of the society.

KACCH

Markaz support to the Kuwait Association for Childcare in Hospitals (KACCH) and its Child Life program enabled the association's staff and volunteers to provide the highest standards of care to the children by reducing the stressful impact of hospitalization on sick children and their families.

Bareeq

Bareeq is a comprehensive education program that aims to spread positive thinking behavior through a variety of simple activities to high school and university students. The program is held during the studying days inside the classes or outside. Currently, 275 teachers are part of the program, teaching around 8,000 students. The program offers scholarships to the best teachers to Berkley University as well as an award to the best school and university that apply the program.

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Al-Bayan Bilingual School National Day Carnival

Al-Bayan Bilingual School (BBS) held a National Day Carnival that aimed to promote good citizenship values through various activities for Bayan Bilingual School students and their families, restaurants fair, SMEs fair and music concert. The event also raised funds for the Parent Teacher Association activities including (Maker Space) initiative supporting innovation in science, technology, mathematics, engineering and arts.

Rebounce

An event organized by the youth with the goal of uniting them in one community to hold responsibility. The event has the main theme of car related shows and activities at Sirbb circuit.

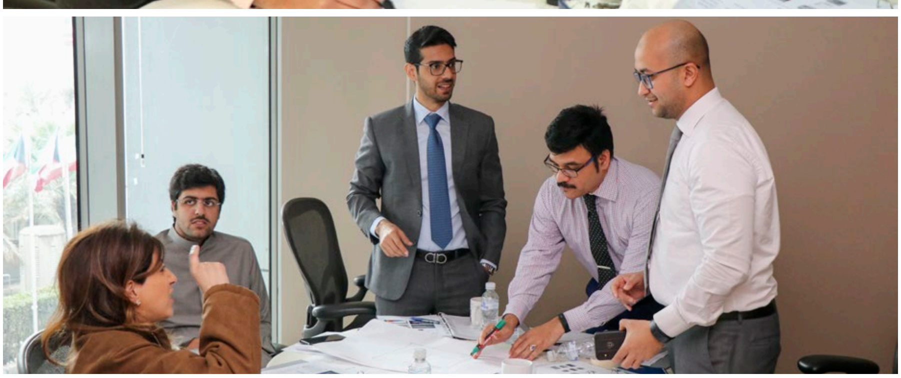
TRAINING NEWS

Core skills enhancement - Markaz staff

The development year for selected Markaz staff got off to a very good start during February and March 2019, with an emphasis on core business-enabling skills.

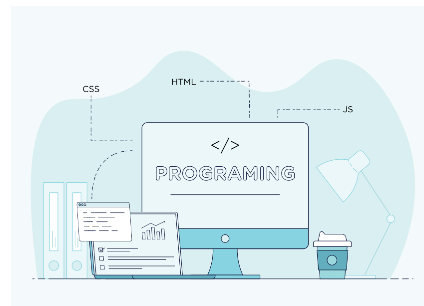
Ms. Auhood Esabi, from consultants EY, delivered a three-day February workshop, which was very much 'learn by doing', focusing on how to apply a project management process to complex real world scenarios.

In March, Mr. Ben Dobbs from Leoron Training delivered an effective communications course at Markaz. This intensive, interactive and highly enjoyable event developed the confidence and abilities of the attendees in their overall communicative skills, and in how to work in styles that fit our business aims and target audiences.



Coming soon…

Markaz will continue its culture of continuous learning and improvement in the coming months with the following activities:



1 The graduates will spend 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.

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

3 Additionally, a planned in-house advanced skills program will deepen our Executive Secretaries', Personal Assistants' and Office Managers' collective practical management, organizing, coordinating and communicating abilities, smoothing and optimizing interdepartmental workflows.

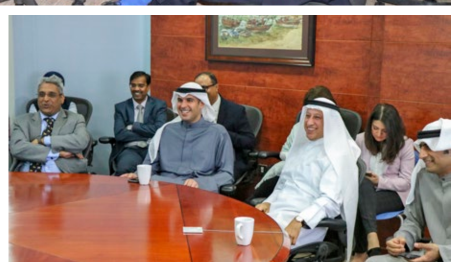
4 And also on our training radar, Nestor Advisors, a leading global firm in corporate governance advisory service will offer a tailored seminar for Markaz staff who are Nominee Directors for Markaz companies and SPV's, joined by the Corporate Affairs and Fund Administration team.

MARKAZ FAMILY

Breakfast meetings

Markaz launched 'The Breakfast Meeting' initiative where Executive Management and key employees meet twice a month to exchange professional views on salient projects or views to better achieve our strategic objectives. All attendees exchange and give heads up on what we are doing for the week ahead, and share any other important news.






Ali Al-Shamali, elected to board of KFMA

We are proud to inform you that Mr. Ali Al-Shamali, VP, Treasury has been elected as a Board Member of Kuwait Financial Markets Association (KFMA), a professional non-profit organization, established in 1977 representing the Treasury, Financial and Capital Markets Industries. KFMA aims to educate its members to meet challenges in the fast evolving banking and financial markets by strengthening the nature of the Kuwait wholesale financial markets, communicating timely information from local and global sources, shaping global markets, supplying education programs and seminars and organizing informative meetings and events.

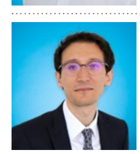
Such achievement affirms the skills of Markaz teams, including Mr. Al-Shamali, and their strong reputation in the financial sector.

New employees

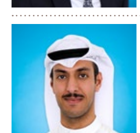
Jyoti Reetica Tauro
Research Analyst
Published Research

Yousef A Y AlJeeran
Copywriter
Media & Communications

Abdullah Tareq Al Mailam
Senior Analyst
Advisory, Investment Banking



Ali Hussein Ramadan
Analyst
Capital Markets, Investment Banking



Mohammad Basel Abdulrazzaq AlFahad
Manager
Advisory, Investment Banking

Markaz family celebrates Kuwait National & Liberation Days!

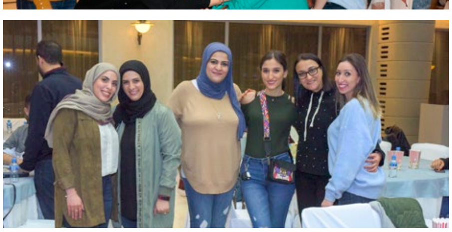


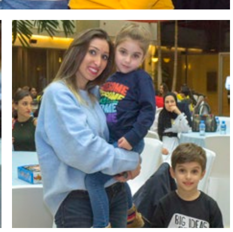


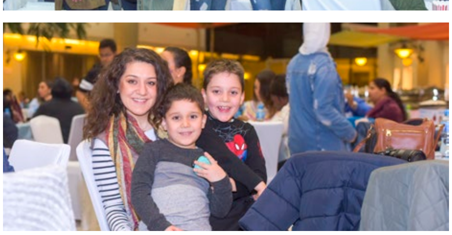
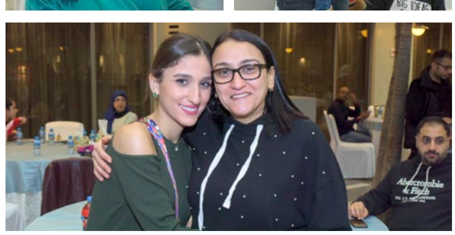
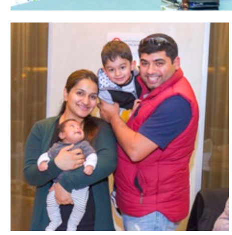
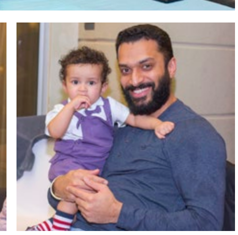



A day to remember with Markaz family at Marina Hotel!

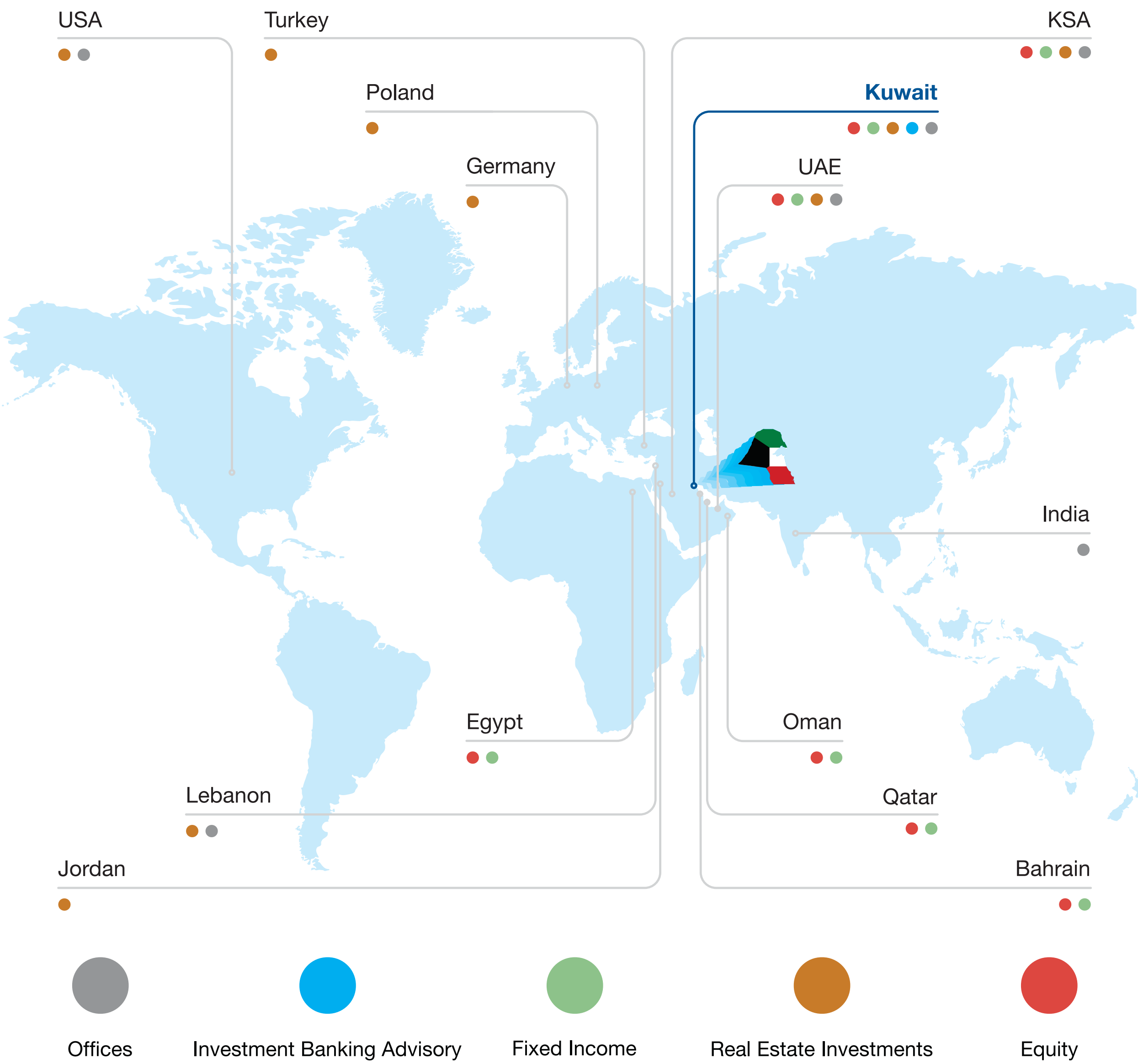




Sustainability and Innovation win us Trust.



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.

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info@markaz.com

+965 2224 8000 | markaz.com

Kuwait Financial Centre - Markaz   @markaztweets   Kuwait Financial Centre "Markaz"   @markazkuwait

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