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# engage

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Issue 23, H1 2023



## EDITORIAL TEAM

**Sondos Saad:** Editor-in-Chief; **Khaled Almubarak:** Editor MENA Real Estate; **Ahmad Al-Shalfan:** Editor MENA Equities;  
**Rasha Othman:** Editor Capital Markets; **Abdulrazzaq Razzoqi:** Editor Advisory; **Sadon Al-Sabt:** Editor International Real Estate;  
**Peter Kelly:** Editor Human Resources; **Johny Al-Khoury:** Editor Information Technology;  
**Anu Abraham:** Editor Compliance; **Velmurugan Natarajan:** Editor Risk Management

[engage@markaz.com](mailto:engage@markaz.com)



# Markaz relocates to new headquarters





# A message from the Chairman

Ladies and gentlemen, I am delighted to see that you have settled in the new premises at this iconic tower, Burj Alshaya. This strategic move will revolutionize the way we work, collaborate, and thrive towards achieving Markaz’s goals, and I am glad to see that you have settled in the new premises, enjoying all the benefits and unique facilities.



**Every aspect of the move was considered carefully to ensure the new facilities align with our company’s objectives as well as being compliant in terms of safety and technology**

Before I delve into the details of this decision, let me assure you that it was not taken lightly. Our Management, with the support of the Board of Directors, researched and analyzed various options, keeping in mind the best interests of our employees and stakeholders to achieve

the objectives of our new growth strategy. The primary motive behind this move is to create a work environment that catalyzes productivity and teamwork. Every aspect was considered carefully, from layout to location, to ensure that the new facilities align with our company’s objectives as well as being technically compliant in terms of safety and technology in today’s ever-evolving business landscape. An interacting floor plan is at the core of this design, enabling seamless communication and collaboration

between teams. In a modern space, barriers are broken down, where information flows effortlessly, and where active minds synergize like never before. Through an interacting floor plan, we are fostering a sense of unity and togetherness that will propel us towards greater achievements.

By investing in this move, we are investing in your growth and success. Together, we will break new ground, forge new partnerships, and set new benchmarks for excellence.

This strategic decision marks a milestone in our company’s history. One that will amplify our impact in the industry, locally and regionally.

I and the Board of directors sincerely welcome all of you to participate in this exciting journey and wish you all a healthy and successful future.

**Diraar Yusuf Alghanim**

# Markaz journey of evolution event

An internal celebration of Markaz’s milestones since its inception served as an inspirational driving force for an even brighter future. A segment was also reserved to recognize the tremendous efforts of colleagues, the ‘Markaz Makers’, who worked with external partners to make the shift to Burj Alshaya a seamless transition.





## Markaz achieves profit for the Q2-2023 of KD 1.9 million and a loss for H1-2023 of KD 1.3 million

Markaz announced its financial results for H1-2023 ended 30 June 2023 and reported total revenues of KD 7.15 million, a net decline of 38% when compared to KD 9.88 million in H1-2022. The decline is primarily attributable to a loss from financial assets at the fair value of KD 1.59 million as compared to a gain of KD 1.83 million in H1-2022. Markaz reported a net profit attributable to shareholders of KD 1.9 million for Q2-2023, and a net loss attributable to shareholders of KD 1.31 million for H1-2023.

***Despite a relatively better outlook for 2023, concerns remain around risk-adjusted investment returns, the servicing of corporate debt and the escalating impact of climate change***

ities. However, the global growth downturn in 2023 is expected to be less severe than originally anticipated, with a projected growth rate of 2.3%, up from the earlier forecast of 1.9% in January (according to the United Nations Department of Economic and Social Affairs report issued on June 1, 2023). This is primarily due to improved household expenditure in the United States and the European Union and China's economic recovery. Despite this relatively better outlook, concerns remain around risk-adjusted investment returns, the servicing of corporate debt, and the escalating impact of climate change.

Looking ahead, the world economy is expected to gain momentum, expanding by 2.5% in 2024 (according to the aforementioned report), with inflationary pressures gradually easing.

Markaz asset management fees were KD 3.61 million, a decrease of 37.1% compared to H1-2022, while investment banking and advisory fees increased by 19.0%, reaching KD 0.31 million.

During H1- 2023, Markaz launched real estate mezzanine debt investment products. In addition, Markaz substantially sold the residential projects in the UAE. The net rental income for H1-2023 was KD 1.68 million, compared to KD 1.85 million for the same period in the previous year. As of June 30, 2023, Markaz's assets under management (AUM) increased to KD 1,173 million, compared to June 30, 2022.

Despite prevailing economic uncertainties, we maintain an optimistic outlook due to the resilience of our well-diversified portfolio, sustained favorable performance across our investment products, and a robust risk management culture. We remain committed to delivering value to all our stakeholders."

Mr. Diraar Yusuf Alghanim, the Chairman stated: "The outlook for the world economy appears challenged due to persistent inflation, rising interest rates, and continued geopolitical uncertainties.

## Markaz's 2022 general assembly approves board's recommendation of 5% dividends

On March 22, 2023, Markaz held its ordinary General Assembly for 2022. The assembly approved all items on the agenda, including the Board's recommendation to distribute cash dividends of 5% per share or 5 fils per share.



During the meeting, Markaz's Chairman, Mr. Diraar Yusuf Alghanim said that Markaz managed to achieve positive results in 2022, supported by the capabilities of its teams in finding opportunities across different markets and sectors in line with the dynamic changes. Further reinforcing the Company's position in the market, Markaz received nine prestigious award recognitions in 2022 across its various business disciplines, including investment banking, asset management, wealth management, digital solutions, diversity and inclusion, and CSR. These awards were presented by Global Finance, EMEA Finance, Global Investor, Euromoney, and WealthBriefing, as a testament to Markaz's successful approach towards building long-term client relationships and delivering quality services across all offerings."

Mr. Alghanim added: "During the year 2022, Markaz rolled out the new Company strategy, which was revised and developed in 2021 in collaboration with an international consulting firm, based on the latest market trends. The strategic pillars put forth entail product launches, wealth management and distribution, and the development of the operational model, in an effort to attain organizational growth, elevate efficiency levels and further reinforce the digital transformation journey, while achieving organic growth."

Markaz CEO, Mr. Ali Hassan Khalil, commented saying: "Our primary strategic driver is to enhance our investment offerings by launching new products and solutions catering to a younger and exposed investor base, improve and scale existing investment programs, and expand investment banking services. We have always been pioneers and innovated new investment products in Kuwait. A central pillar of our strategy is to enhance our wealth management offerings and distribution capabilities, and reinforce Markaz's position as a reliable wealth advisor in Kuwait and the GCC. We place a high priority on enhancing our customer journey through digitization to attain a leading position as a market leader in digital offerings. We continuously seek to take the necessary steps to optimize our operating model through technology to remain agile and efficient."

MARKAZ NEWS

# Embracing change: relocation as the next step in our evolving journey

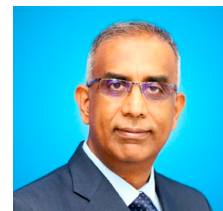
On June 1, 2023, we at Markaz officially completed the highly anticipated relocation to our new headquarters at Burj Alshaya in the heart of Kuwait City. This strategic move represents more than a mere change of address; it symbolizes our dedication to forging a new era for Markaz, empowering our organization to better serve the evolving demands of clients and stakeholders in the ever-changing landscape of the financial services industry.



**Peter Kelly**  
Executive Vice President,  
Human Resources

“ The HR department’s role in our transition to Burj Alshaya was all about maintaining morale and team spirit. By nurturing a culture of collaboration, communication, and camaraderie, we ensured that our teams seamlessly acclimated to their new environment. This strategic move has undoubtedly set the stage for us to move forward as a more empowered and united workforce.”

Our Risk Management and Compliance departments deftly navigated the intricate regulatory landscape inherent to such an endeavor. Their dedicated collaboration with regulators ensured that our move aligned seamlessly with Kuwait’s compliance standards. This effective coordination with regulatory bodies yielded a timely and well-coordinated process, further emphasizing our steadfast commitment to upholding integrity and accountability.



**Pradeep Rajagopalan**  
Executive Vice President,  
MIS & Internal Controls

This transition underscores our dynamic approach and sets the stage for elevated integration, efficiency, and accessibility. Furthermore, it directly aligns with our unwavering commitment to growth, efficiency, and transformation.

Thoughtfully scheduled during off-hours, the office transition timeline ensured zero impact on business operations and information security. This was made possible thanks to many months of meticulous and interdepartmental planning that spanned our Human Resources, Information Tech-

nology, Real Estate, Risk Management, Compliance, and Media and Communications departments.

Our HR team was instrumental in facilitating a smooth and harmonious transition to our new headquarters at Burj Alshaya. In addition to managing the logistical intricacies, HR prioritized cultivating our company’s culture during this transformative phase. Through the creation of an improved work experience and a supportive environment, HR fostered increased interaction and collaboration among teams.

“ Our clients and partners’ business continuity was our top priority; we are grateful for the trust of our clients and the partnership with our vendors, Burj Alshaya infrastructure team and respective governmental authorities. The project was extremely complex, physically laborious, had multiple dependencies, and needed extensive project management to move multiple servers to our new premises and the DRP site. Though we used state of art



project management tools, the positive edge was due to the quality of our human capital. I am so proud of the hard work and dedication of our IT and Admin team. They worked tirelessly and overnight during the Eid holidays to ensure that the server migration was completed on time and without interruption. Their dedication to our clients and their commitment to excellence is an inspiration to us all.”

The Real Estate department’s influence cannot be understated. Their careful considerations extended to the choice of Burj Alshaya as our new hub, weighing strategic location and sustainability features. Their proficiency in interior office design helped create a vibrant, interactive workspace. Integrating sustainable elements such as sensor-based water faucets and lighting, they helped express our dedication to eco-conscious practices across this new environment.



**Mohamed Kadry**  
Senior Vice President,  
MENA Real Estate

“ The impact of the Real Estate department’s efforts transcends traditional design and structural considerations, weaving seamlessly into the fabric of our organizational ethos. Throughout the careful selection process of Burj Alshaya, an emphasis was placed on sustainability and environmental stewardship. This new workspace is a testament to our core principles, mirroring our unwavering commitment to fostering innovation, nurturing collaboration, and championing responsible practices.”

The IT department played a crucial role in orchestrating a seamless technological shift to our new headquarters. Their attention to detail ensured the smooth transition of essential components such as internet connectivity, office hardware, servers, data transfer, and backup systems. This unwavering dedication to technological continuity safeguarded our operations and ensured uninterrupted client services. Their diligence and commitment also underscores our dedication to using

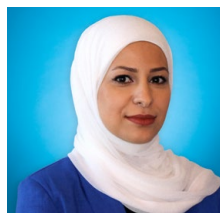
technology as a catalyst for growth and efficiency.



**Johny El-Khoury**  
Vice President,  
Information Technology

“ During the recent move to Burj Alshaya, our department’s technical prowess played a defining role. Beyond the tangible aspects, such as internet connectivity and data transfer, their dedication ensured that our operations ran uninterrupted. This technological continuity, backed by the IT team’s unwavering commitment, serves as a testament to our organizational growth and resilience.”

The Media and Communications department skillfully narrated our transition, leading both internal and external stakeholders through our journey. Internally, they crafted evolving announcements based on sentiment surveys, addressing the questions and concerns of all team members. Launching a staff Instagram account during the move campaign also maintained team engagement across all phases. Externally, the team crafted impactful client letters and social media updates. Comprehensive updates, encompassing factsheets, website enhancements, and location videos, facilitated client access and firsthand insight into our growth. Thoughtful staff welcome gifts further drove home their dedication to making all feel welcome and appreciated on their first day at the new office.



**Sondos Saad**  
Vice President,  
Media & Communications

“ Through strategic communication, the Media and Communications team were our steadfast navigators during this transformative journey to Burj Alshaya. Building a cohesive narrative for both internal and external stakeholders, they captured the true essence of our change

**Thoughtfully scheduled during off-hours, the office transition timeline ensured zero impact on business operations and information security**

and growth at Markaz. Their thoughtful initiatives, from social media engagement to staff welcome gifts, magnified our appreciation for their role in this undertaking.”

Burj Alshaya stands out for its contemporary design, top-tier amenities, and sustainability alignment, offering Markaz a prestigious location in a bustling financial hub. The building hosts diverse facilities like meeting rooms, eateries, prayer spaces, and a gym, catering to staff needs, and elevating productivity. With these new surroundings comes new perspectives, collaborations, and trajectories for everyone at Markaz.

The move to our new headquarters at Burj Alshaya is a cornerstone of our growth strategy, enabling us to create a more integrated, efficient, and innovative workspace. As we continue to evolve and adapt, this relocation will serve as a stepping stone towards a future where Markaz remains at the forefront of excellence in the financial services industry.

**We are moving!**

We are excited to announce that our office move is just around the corner!

Stay tuned for a series of communications outlining all you need to know.

Meanwhile, tell us how you feel about moving to a new office

MARKAZ

MARKAZ NEWS

# Markaz launches first of its kind “GCC Momentum Fund”

Markaz announced the launch of its newest “GCC Momentum Fund,” the first fund of its kind to invest in the GCC markets. The Fund’s strategy is to invest in shares with high momentum score and tracks the S&P Momentum GCC Composite Index. The Fund is the first in the GCC to implement factor-investing, whereby the index provider follows a transparent process to select stocks in line with best international practices, considering the level of liquidity and market depth. The GCC Momentum Fund offers our individual and institutional investors exposure to stocks with the best risk-adjusted returns.

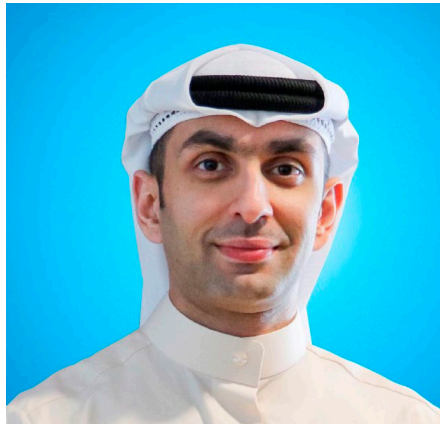


**The momentum strategy has increasingly attracted the demand of investors. In the past ten years, the S&P GCC Momentum Index outperformed S&P GCC Composite Index by 1.7% per annum**

The momentum strategy has increasingly attracted the demand of investors. In the past ten years, the S&P GCC Momentum Index outperformed S&P GCC Composite Index by 1.7% per annum. The fund is catered to investors seeking to invest in the GCC markets and with an investment objective to achieve a long-term favorable risk-adjusted return. The fund’s investors will benefit from the compounding effect by investing long-term. The fund is a gateway to Markaz’s “factor strategies.”

Also commenting on the fund, Vice President MENA Equities at Markaz, Mr. Fahad S. Al-Rushaid, said: “The Markaz’s momentum methodology selects stocks according to factors and foundations that are in line with the global markets’ practices. To enhance liquidity and volatility, the stocks are selected from those that collectively compose 50% of the market capitalization of the GCC markets. The constituents of the index are reviewed every six months. Markaz GCC Momentum Fund offers a lower expense ratio than other GCC equities funds.”

Markaz has continuously and effectively innovated investment products and financial services, and this is evident through the development of unique investments to cater to the various investor needs. Amongst these products are “Mumtaz,” the first domestic mutual fund, and “MREF”, the first real estate investment fund in Kuwait, as well as “Forsa Financial Fund”, the first options market maker in the GCC since 2005.



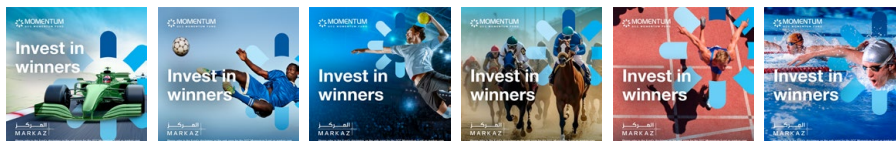
Mohammad Al-Ghannam



Fahad Al-Rushaid

The “GCC Momentum Fund” launch reflects Markaz’s ongoing effort to offer its clients innovative investment tools and solutions to improve risk-adjusted returns to its investors. The fund’s methodology has been developed internally by Markaz’s MENA Equities technical team, who spent over two years analyzing and doing due diligence to test and prove the concept’s validity in collaboration with the index provider S&P.


Commenting on the fund, Senior Vice President Fund & Portfolio Management, MENA Equities, Mr. Mohammed A. Al-Ghannam, said: “We are pleased to launch the “GCC Momentum Fund”, as the first passive Fund in the GCC that adopts earning momentum methodology. The process was developed by conducting a thorough historical analysis and comparing several investment methodologies factoring in stock performance and risk.







# Momentum wins

 **MOMENTUM**  
GCC MOMENTUM FUND is the first of its kind to invest in the GCC markets. The Fund's strategy is to invest in shares that have sustained high momentum scores over the past 12 months and tracks the S&P Momentum GCC Composite Index.

The Fund caters to investors seeking to invest in the GCC markets and with an investment objective to achieve a long-term favorable risk-adjusted return, and benefiting from the compounding effect.

For more information  
about the Fund



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Asset Management | Investment Banking

[markaz.com](http://markaz.com) | +965 2224 8202

Important disclaimer  
before investing



# Markaz is the first to introduce “Securities Lending” to enhance trading activities and liquidity on Boursa Kuwait

Markaz announced the launch of Securities Lending and Borrowing (SLB) services in the Kuwaiti capital markets after receiving the final approval of the Capital Markets Authority (CMA). Markaz is offering the new service through the Forsa Financial Fund and in accordance with the rules and regulations stipulated by the Kuwait Clearing Company, Boursa Kuwait, and CMA.



Ahmad Al Shalfan

***It reflects our ongoing commitment to providing investors with a wide spectrum of innovative tools to manage their risk and grow their wealth***

Commenting on the announcement, Mr. Ahmed K. Al Shalfan, Vice President – MENA Equities, Markaz, said: “We are pleased to launch our Securities Lending service through Forsa Financial Fund as part of our efforts to further develop Markaz’s capital markets product offering. It reflects our ongoing commitment to providing traders and investors with a wide spectrum of tools and techniques to manage their risk, grow their wealth and diversify their holdings. This will contribute to developing the Kuwaiti capital markets. The service will allow investors to take positions such as short selling, enabling investors to potentially benefit in both directions of the market; this also will improve the liquidity of the shares by closing the mismatch between supply and demand.”

An important tool in capital markets, Securities Lending and Borrowing services enable investors to borrow and trade such shares on Boursa, hence, develop and implement sophisticated trading strategies when managing their portfolios, and hence, improve their risk-weighted returns.

Notably, Securities Lending plays an important role in facilitating short selling. The new service will also contribute towards reducing market volatility, bring greater liquidity and efficiency to the market and contribute to its development.

It is worth mentioning that the launch of this new tool underpins Markaz’s commitment in creating innovative products and services, to cater to the market and investors’ needs. Over the years, Markaz had pioneered in developing new concepts and investment channels including Mumtaz ‘the first domestic mutual fund’, and Forsa Financial Fund ‘the first and only options market maker in the GCC since 2005’, in addition to launching Market Maker service and managing a variety of funds and portfolios.



Markaz, in line with its history of innovation in investment products, is the first to launch Securities Lending and Borrowing services in Kuwait. Following the introduction of the new service in mid-2022, the company worked to ensure compliance with the norms and regulations set by the local regulators.

## Markaz participates in investor relations workshop

Mr. Mohammad K. AlAbdulkader, Senior Vice President at MENA Equities - Markaz, participated at investor relations workshop, hosted by Boursa Kuwait in collaboration with the Middle East Investor Relations Association (MEIRA - Kuwait Chapter).

The workshop shed light on the performance and structure of the equity market and the vital role of investor relations departments at companies.

The diagram illustrates various investor relations activities, including: Refinement of investment case & messaging, Financial results, Crisis communications, M&A & capital markets activities, Annual, finance, sustainability reports, and Internal reporting. It also lists communication tasks such as managing media strategy, digital and social communications, and handling government/public affairs.

The group photo shows six individuals, including Mr. Mohammad K. AlAbdulkader, standing together in a professional setting during the investor relations workshop.



# Global Finance, Euromoney, and MEED bestow five awards to Markaz in H1 2023

Recognizing the achievements of the investment banking, real estate, wealth management, and research departments.



Reinforcing its track-record of excellence in serving its clients, Markaz announced winning five prestigious awards in the first half of 2023.

Markaz was named the 'Best Private Bank in Kuwait' by Global Finance, as part of the magazine's eighth annual World's Best Private Banks Awards for 2023, which was held in New York City on March 16.

The company was also honored by Euromoney with two awards - the 'Middle East's Best for Investment Research' and the 'Best Domestic Private Bank in Kuwait', awarded at the Global Private Banking Awards 2023 ceremony, held in London on March 29. The awards honored institutions that best serve the needs of high-net-worth individuals as they seek to enhance, preserve and pass on their wealth. The judges select the winners with input from executives and industry insiders, information submitted by the institutions, and independent research. Markaz was praised for how it leverages its network of relationships to provide the best



***The remarkable wins further augment Markaz's list of achievements and recognitions throughout 2023 thus far, solidifying its position as a the partner in wealth creation***

products and services for its clients. Its investment in technology, provision of customized solutions to clients and approach to ESG was also deemed notable.

In addition, Markaz received two prestigious awards, "The MENA Investment Bank of the Year" and "The Excellence in Real Estate Investment Award", at the MENA Banking Excellence Awards 2023. The event was organized in Dubai this May by MEED, a prominent business intelligence and information platform focused on the Middle East region. The Awards serves as a platform to acknowledge and celebrate the remarkable achievements and contributions of leading financial institutions and professionals across the Middle East and North Africa region.

The remarkable wins further augment Markaz's list of achievements and recognitions throughout 2023 thus far, solidifying its position as a leading investment institution and the partner in wealth creation.





# Markaz takes part in the 2<sup>nd</sup> Kuwait Public Private Partnership Conference as a Gold sponsor

Bolstering its CSR strategy under the pillar of ‘promoting good governance in the business environment’, Markaz participated at the 2<sup>nd</sup> Kuwait Public Private Partnership Conference (PPPKW2) as a Gold sponsor under the theme “Partnership for Development”, which was held from 12-14 June, 2023.



potential of public and private sector partnership, which can strengthen the country’s economy. There is no doubt that such partnerships will contribute to the creation of job opportunities and the diversification of income sources. Markaz has always participated in strategic partnerships by bidding on several projects in the residential, industrial, and infrastructure sectors. We have also pioneered innovation in the financial sector by offering innovative solutions, including enabling individual investors to invest with small amounts in the real estate sector to overcome prevalent entry barriers. We believe that there are still many unexplored avenues for fruitful collaborations and we hope to continue being part of sustainable development in future projects.”

***We believe in the immense potential of public and private sector partnership, which can strengthen the country’s economy. Such partnerships contribute to the creation of job opportunities and the diversification of income sources***



The three day event hosted a series of panel discussions and saw the participation of government entities and private sector institutions, concerned with public and private partnership and development projects. PPPKW2 sought to shed light on all the legislative and legal aspects necessary to succeed in such partnership projects and showcased methods to

overcome any potential obstacles along the way. The conference also highlighted some of the best international practices in the field.

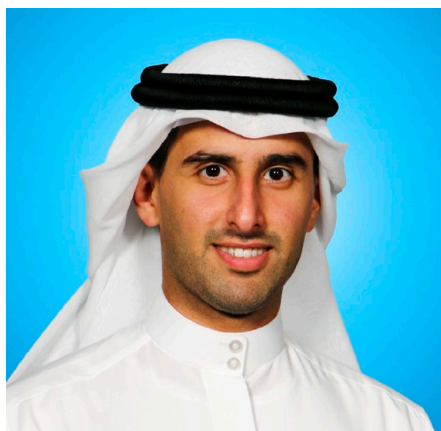
Speaking at the opening ceremony, Mr. Abdullatif W. Al-Nusif, Managing Director of Wealth Management and Business Development at Markaz, said: “At Markaz, we believe in the immense

As part of Markaz’s panel participation, Mr. Khaled A. AlMubarak, Senior Vice President of MENA Real Estate at Markaz, contributed his insights to the panel discussion under the title, “The partnership between public and private sectors as a tributary of sustainable development.” He shared his views on the current and new tools that will contribute to strengthening this partnership such as the real estate development law, the importance of government support for such initiatives, and the need to accelerate the legislative process to keep pace with key development.



# How will near-term market sell-off risks affect MENA equities?

In an interview with CityWire Middle East, fund managers discussed how investors can position portfolios in MENA equities to protect their investments against the risk of a sell-off in the near-term, while capitalizing on long-term opportunities.



Abdullah Al Mailam

Abdullah T. Al Mailam, Manager, MENA Equities at Markaz, said: “Despite the risk of a global recession that may have an indirect impact on regional markets, we believe that on an overall view, the market still has opportunities and that a decent approach would be of selecting winners through bottom-up screening approach for such times. This approach should provide portfolio managers flexibility in selecting companies, regardless of industry, based purely on fundamentals such as a strong balance sheet, products or services with demand inelasticity, high margins, growth, etc.

In addition, some opportunities could be seen in financial services sectors, more specifically in banking. Following the recent bank-related events in the US that have trickled down on markets, we could see the banking sector rebounding while rates stabilize and gradually converge to the long-term rate over the short to medium term, thereby, relieving banks from higher funding costs.”

***We believe that on an overall view, the market still has opportunities and that a decent approach would be of selecting winners through bottom-up screening approach***

## MARKAZ NEWS

# Sultan Center successfully completes the issuance of the first convertible bond in Kuwait

Markaz and Sultan Center Food Products Company K.S.C.P. (“Sultan”) announced in a joint statement the success of completing the first KD-denominated convertible bond issuance for Sultan with a nominal value of 9.65 million Kuwaiti Dinars for a 10-year term.



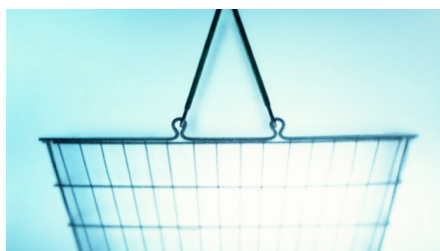
The securities were issued through a private placement with a total fixed coupon rate of 8.0% per annum, payable partly in cash and partially deferred, on a semi-annual basis; the convertible bonds can be converted at the option of the bondholder during the first five years of the bonds’ terms into common ordinary shares in the capital of the issuer. The Bonds were issued as part of a financing restructuring plan that Sultan started in 2017, and the net proceeds from the issue of the bonds will be utilized for general corporate purposes.

Mr. Ali H. Khalil, Markaz’s Chief Executive Officer (CEO), stated: “As the Structuring Advisor and sole Lead Manager, we take pride that our name is associated with the first KD convertible bond to be issued in Kuwait. The prominence and the

long-standing name of The Sultan Centre in the Kuwaiti market contributed to its success.” He also expressed Markaz’s sincere gratitude to the Capital Markets Authority for their support and continuous cooperation for innovative investment tools and the development of the Kuwaiti capital market.

Ms. Rasha Othman, Executive Vice President, Investment Banking (Capital Markets and Fixed Income) at Markaz

stated: “The new debt issuance showcases our capabilities in structuring innovative products. It also adds to our long track record of placing and executing successfully large and unconventional transactions helping our corporate clients from various sectors meet their financing needs. In addition to structuring the first convertible bond, Markaz’s track record includes the first BOT-Backed bonds in Kuwait, the first sukuk for a Kuwaiti real estate company, and the first high-yield bonds in the country. It is our highly qualified team of investment banking professionals with extensive experience, outstanding technical execution capabilities, and in-depth industry knowledge that enables us to continue serving the needs of capital market players, businesses, and investors.



INFORMED OPINION

# A deep dive into the Technology Champion Initiative at Markaz

By: Salman Olayan, Vice President, Post Acquisition, Strategic Planning

The Technology Champion Initiative (TCI) was introduced in March 2023 with the aim of scaling up the technology and digital ecosystem within Markaz. This article explores the origins of this initiative, its numerous benefits, and the exciting path forward as we continue to empower Markaz staff members and equip them with the optimal platforms to drive innovation.



Salman Olayan

***Harnessing the potential of technology requires passionate and capable individuals who serve as catalysts for change and not solely invest in IT tools and infrastructure***

### The mechanics

It was critical to develop a clear mechanism to identify the technology champions that is objective and based on pre-defined metrics which are stated below:

**Track record:** A strong understanding of technology

**Enthusiastic:** A willingness to embrace and lead change

**Leadership:** A proven capability to positively influence others to use technology

**Communication:** A collaborative mindset with Team members.

### Benefits and way forward

The Tech champions have been provided with four generic KPIs to work on with regular follow-up on their progress

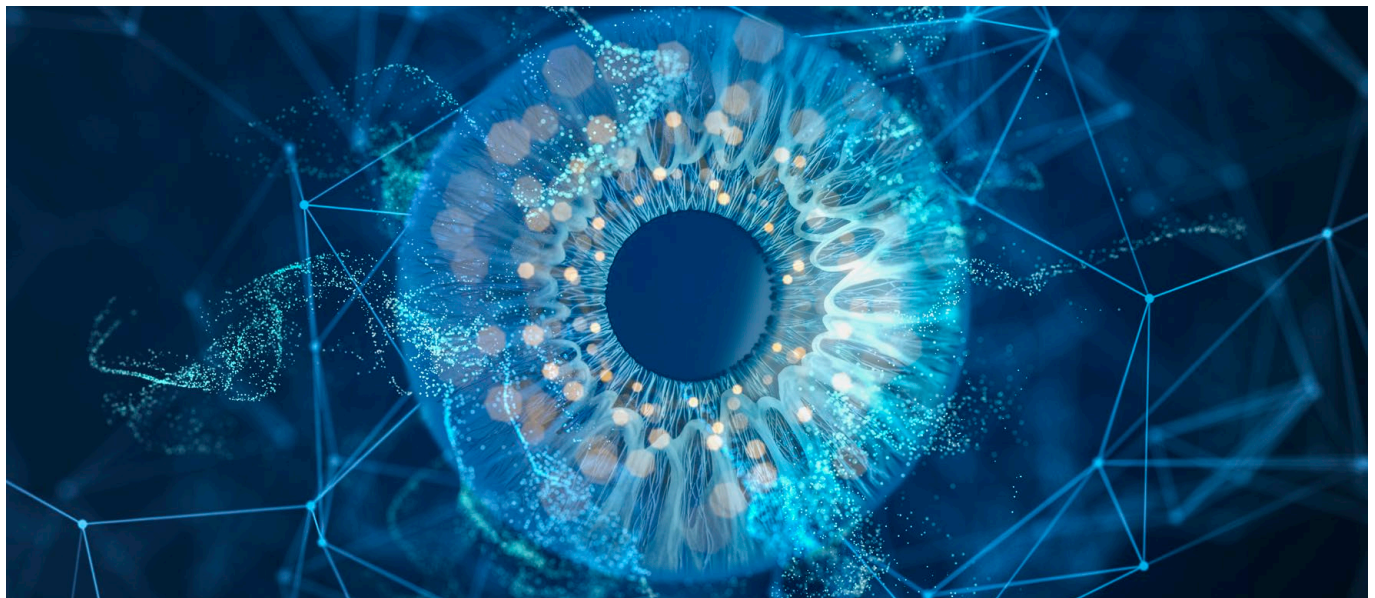
with the strategic planning department. The KPIs revolve around systems performance, Training (BI & analytics), Resolving issues, and Ad hoc Technology initiatives.

Since the launch of the program, we have seen enhanced collaboration between the teams, continuous learning with several trainings provided on applications such as Microsoft Power BI and others, and promising improvements when it comes to automation of manual tasks.

In conclusion, the initiative is at its early stages, and this will continue to be a centralized part of Markaz’s journey to enhance efficiency, embrace technology, and foster collaboration within the organization.

### The champions

These individuals, known as Technology Champions, were carefully selected from various departments and backgrounds. They possessed a deep understanding of both the company’s operations and emerging technological trends, making them ideal candidates to spearhead digital transformation efforts.





# Markaz participates in Annual Investment Meeting in Abu Dhabi

## Meet the Technology Champions



**Munirah Al Mailam**  
Strategic Planning



**Hatem Abouelfetouh**  
FMD



**Maryam Al Rifae**  
WMBD



**Hamad Al Khudair**  
MENA Equities



**Eric Noronha**  
TPR



**Faisal Bali**  
Middle Office



**Mohammad Safsouf**  
Fund Administration



**Sameera Khan**  
Compliance



**Vel Natarajan**  
Risk Management



**Raoul Pinto**  
IT



**Muaz Al Ateeqi**  
MENA Real Estate



**Sulaiman Ablani**  
Treasury



Sheikh Humoud Salah Al Sabah

Markaz participated in the 12<sup>th</sup> edition of the AIM that was held in Abu Dhabi from May 8-10, 2023 under the theme “The Investment Paradigm Shift: Future Investment Opportunities to Foster Sustainable Economic Growth, Diversity and Prosperity.”

The event witnessed the attendance of distinguished global representatives, prominent investors, and international business leaders from both the public and private sectors, who gathered to discuss the most recent advancements in the economy.

Markaz’s participation, represented by Sheikh Humoud Salah Al-Sabah, Vice President, Investment Advisory, at Markaz, reinforces its commitment to staying at the forefront of economic trends, allowing it to identify emerging opportunities across various markets, and hence, catering to its clients’ investment goals.



## “ Feedback from the team

### Maryam Al Rifae

Introducing the technology champion in Markaz is a good initiative to advance the tech aspects within the organization and stay at the forefront of technological developments. By embracing digital technologies, the entity can automate processes, streamline operations, and reduce manual errors resulting in improved productivity and cost savings. Moreover, digitization allows for enhanced client experience offering convenient and personalized services while ensuring robust security measures to protect sensitive financial data. Our goal as tech champions is to adapt, evolve, and thrive in an increasingly digital landscape.

### Hatem Abouelfetouh

I am very grateful to Markaz – for taking the initiative to start such a program. Technology has grown exponentially and has completely transformed the way we work. Such programs give us the opportunity to work smarter and faster, rather than harder

### Muaz Al Ateeqi

TCI is already showing a positive impact on the Real Estate MENA team. Training team members has given us the means to adopt technology more efficiently. The more we learn of our systems (Yardi, AutoCAD), the better equipped we are to resolve our issues. TCI has given me the chance to collaborate with other departments as well as others from outside of the company. I have gained new skills that hopefully, will complement the objectives of the department and the strategic pillars of Markaz.

# GCC stock markets raise USD 5.3 billion in IPOs during H1 2023<sup>1</sup>

By: Capital Markets team

Markaz research report titled “Initial Public Offerings (IPO) in the GCC markets” stated that the region raised a total of USD 5.3 billion in proceeds through 21 offerings during the first half of 2023, marking a year-on-year decline in value by 61% compared to the first half of 2022, when GCC issuers raised a total of USD 13.6 billion through 21 offerings.



## Geographical allocation

Markaz’s report stated that the UAE led the region in terms of IPO proceeds raising a total of USD 4.0 billion from 4 offerings, constituting 75% of the total proceeds raised during the period. Abu Dhabi Securities Exchange (ADX) witnessed the highest proceeds with USD 3.7 billion through the offerings of ADNOC Gas, ADNOC Logistics and Presight AI while Dubai Financial Market (DFM) raised a total of USD 210 million from AI Ansari Financial Services IPO. This marked a drop of 57% year-on-year in value of UAE IPO proceeds compared to H1-2022. The Saudi Exchange (Tadawul) witnessed 15 initial public offerings in H1-2023 gener-

***The UAE led the region in terms of IPO proceeds raising a total of USD 4.0 billion from 4 offerings, constituting 75% of the total proceeds raised during the period***

ating total proceeds of USD 0.9 billion and constituting 17% of total GCC IPO proceeds. Saudi IPOs marked a drop of 78% year-on-year in value when compared to proceeds raised in H1-2022. Muscat Securities Market (MSM) witnessed 1 IPO with total proceeds of USD 244 million, constituting 5% of total proceeds raised

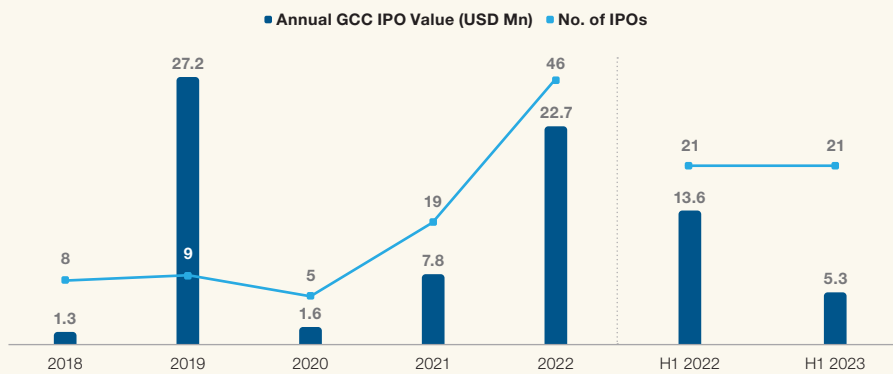
during the period. Qatar Stock Exchange (QSE) hosted 1 IPO with total proceeds of USD 193 million, constituting 4% of the total IPO proceeds in GCC during H1-2023.

## Top 5 GCC IPOs by proceeds during H1-2023

Markaz’s report highlights the top 5 GCC IPOs by proceeds during H1-2023: Abu Dhabi National Oil Company’s gas business, ADNOC Gas, has raised USD 2.5 billion in proceeds marking the largest IPO on ADX and surpassing Bourouge, which raised USD 2.0 billion in June 2022. ADNOC Gas offered 3.84 billion shares, or 5% stake, which was covered more than 50 times. ADNOC Gas IPO proceeds con-

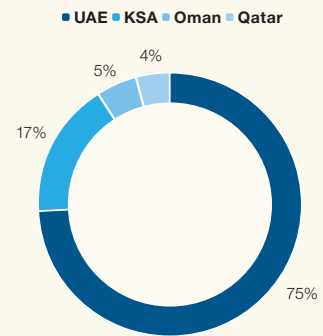


## IPO value and frequency



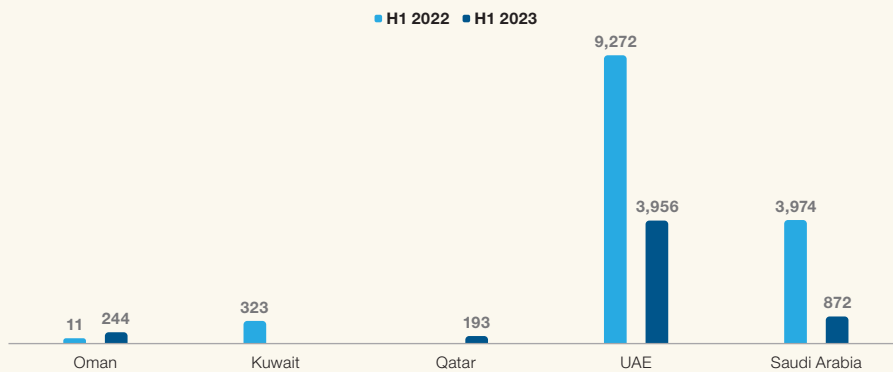
## IPO Proceeds

H1-2023



## IPO proceeds by country

USD (mln)



stituted 47% of total GCC IPO proceeds in H1-2023. ADNOC Logistics & Services raised a total of USD 772 million in its IPO on ADX which offered 1.41 billion shares, or 19% stake, that was covered 163 times. ADNOC L&S IPO proceeds constituted 15% of the total GCC IPO proceeds during the period. Presight AI IPO raised a total of USD 496 million in proceeds through the sale of 1.35 billion shares, or 32% stake, on ADX with total demand of investors which reached 136 times. Presight IPO constituted 9% of total GCC IPO proceeds during the period. Jamjoom Pharma raised a total of USD 336 million in its IPO on Tadawul. Jamjoom offered 21.0 million shares, or 30% stake, which was covered 67 times.

### **The top GCC IPOs by proceeds during H1-2023: Abu Dhabi National Oil Company's gas business, ADNOC Gas, raised USD 2.5 billion in proceeds marking the largest IPO on ADX**

The proceeds of the IPO constituted 6% of the total value raised by GCC IPOs. First Mills Company IPO raised a total of USD 266 million in proceeds. The company floated 16.6 million shares, or 30% stake, on Tadawul with a coverage ratio of 69 times. First Mills IPO proceeds constituted 5% of total GCC IPO proceeds in H1-2023.

## GCC IPO pipeline

MBC Group is said to be planning to meet investors for its IPO in the Saudi market and working with HSBC Holdings Plc and JPMorgan Chase & Co. on the planned share sale.

Professional Medical Expertise Company has set the share offering price range for its IPO on Tadawul at SAR 63-68. The company plans to float 1.05 million ordinary shares, or 30% of the issued capital, on the Nomu-Parallel Market. The book-building process for qualified investors will run between July 9-16.

Marble Design Company intends to float 600,000 shares, or 10% of its SAR 60 million capital, on Nomu-Parallel Market. The book-building process for qualified investors will run from July 23-27.

Investcorp Holdings, a Bahrain-based alternative asset manager, is planning a \$600 million IPO of its investment vehicle Investcorp Capital in Abu Dhabi as soon as September. Amanat Holdings, a Dubai-based healthcare and education investment firm, confirmed it is assessing monetization options for its healthcare platform, including a possible regional IPO in the near term.

<sup>1</sup> Published on August 9th, 2023 in local newspapers and Markaz's official website ([markaz.com](http://markaz.com))

# Markaz hosts '2023 Outlook' seminar to highlight investment trends and opportunities

Markaz underlined its commitment to helping investors make informed and responsible decisions with the hosting of a special seminar titled 'Markaz 2023 Outlook: Identifying Investment Opportunities in Light of Current Market Challenges'. The seminar, which took place on January 22nd, brought together expert speakers from Markaz and other leading regional and global organizations to discuss the most effective strategies for capturing opportunities across various markets.



Markaz's highly qualified senior leaders, who have extensive experience and deep expertise in asset management, investment banking and wealth management, took a deep dive into the changing market conditions arising from challenges such as mounting inflation, tight monetary policies, and geopolitical pressures, to inform investors about the different factors that are currently impacting various asset classes. The event attracted more than 300 participants, who benefitted from expert advice on how to mitigate risks amid a climate of uncertainty and yield sustainable returns on their investments.

Commenting on the significance of the

**Markaz has a long-standing record of supporting the development of the Kuwaiti financial services sector and the wider Capital Market by fostering an informed generation of investors; today's conference comes as an extension of that**

seminar, Mr. Ali H. Khalil, Chief Executive Officer, Markaz, said: "As an industry leader, Markaz has a long-standing track record of supporting the development of the Kuwaiti financial services sector and

the wider Capital Market by fostering an informed generation of investors; and today's conference comes as an extension of that commitment. With macroeconomic and geopolitical challenges continuing to shape the markets, it has become critical for investors to be fully aware and diligent to effectively achieve their investment goals. We are pleased to take the initiative to help them make informed and responsible investment decisions and deploy the ideal mixture of opportunities across asset classes to successfully maximize returns."

The event commenced with introductory remarks from Mr. Abdullatif Al-Nusif, Managing Director – Wealth Management





& Business Development at Markaz, who provided a brief assessment of the 2022 market performance and moderated the event. This was followed by insights from Mr. M. R. Raghu, Chief Executive Officer of Marmore MENA Intelligence, the research arm of Markaz. Mr. Raghu examined key factors that will influence markets in 2023, including interest rates, the strength of the dollar, the future of equity and bond bear markets, and the potential impact of the global energy crisis on investments.

One of the main highlights of the seminar was a one-on-one interview with guest of honor Mr. Farouk Bastaki, former Managing Director of the Kuwait Investment Authority (KIA), and Mr. Ali H. Khalil. Mr. Bastaki shared insights on how challenging situations such as the 2008 financial crisis can equip investors with the knowledge and experience to make better decisions, and discussed effective strategies to overcome challenges and build sustainable wealth.

The first panel of the day focused on regional markets. Ms. Rasha Othman, Executive Vice President, Capital Markets and Fixed Income at Markaz, discussed 2022 key trends and elaborated on the opportunities identified in relation to fixed income, bond issuances and respective

rates. Mr. Khaled A. Al-Mubarak, Senior Vice President, MENA Real Estate at Markaz, discussed the impact of interest rate hikes on real estate and the emerging opportunities in the region. Mr. Fahad S. Al-Rushaid, Vice President, MENA Equities at Markaz, explored key challenges and opportunities emerging from the positive sentiment in the region, and highlighted the key benefits of opportunistic portfolios. The panel also featured insights from Mr. Abdulrazzaq T. Razooqi, Vice President, Advisory and M&A who shed light on M&A activity, family companies and

***With macroeconomic and geopolitical challenges continuing to shape the markets, it has become critical for investors to be fully aware and diligent to effectively achieve their investment goals***

conglomerates and where opportunities exist for each.

During the second panel discussion, Mr. Sami Shabshab, Managing Director of Mar-Gulf, the real estate arm of Markaz in

the US, shed light on key factors influencing the US market including the impact of inflation and interest rates on real estate. In addition, he shared his thoughts on which sectors are likely to offer the best opportunities for investors during the year ahead. Sheikh. Humoud Salah Al-Sabah, Assistant Vice President for International Investment Advisory at Markaz, highlighted the crucial role of due diligence and manager selection in successful investing, as well as the importance of setting clear goals, assessing risk tolerance thresholds, and ensuring the effective allocation of assets.

Other reputable guest speakers included Mr. Lawrence E. Golub, Chief Executive Officer of Golub, and Mr. Walid Zein, Middle East Partner at Hamilton Lane. Mr. Golub stated that the US economy is fundamentally healthy and that the market today is the most "lender-friendly" it's been for years, and highlighted that base rates are at their highest since the Great Financial Crisis. Mr. Zein provided an overview on how the democratization of private markets is increasing the number of open-ended semi-liquid funds, and highlighted the attractive risk-adjusted returns offered by private credit in an environment of increasing interest rates.

# International real estate: CRE debt market and the real estate opportunity

By: The International Real Estate team

The economic conditions remain challenging in many countries, with high inflation and the pressures facing markets during 2022 persisting into 2023. Rates have risen the most rapidly in decades, and it is taking investors time to adjust as they develop long-term strategies and portfolio shifts.



The Fed's raised interest rates ten consecutive times between March 2021 and May 2023 (5.25%), the Bank of England (BoE) raised the U.K.'s interest rate to 5.00% in June, and the European Central Bank (ECB) announced an increase of 50 bps from the bank rate last raised in March, increasing the interest rate to 3.5%. The rapid increase in interest rates has increased the cost of capital for all real estate asset classes, which has meaningful, direct implications for the investment landscape. Currently, the debt market for commercial real estate is challenged as liquidity is tighter, credit standards are higher, rates are up in indexes and spreads, and leverage is down to account for rising interest rates and uncertainty around value. Banks and debt funds have become more selective, where pricing and terms heavily depend on project specifics, including asset class, sponsorship, and loan size.

## The opportunity

Real estate loan repricing has been dramatic; In Q3 2021, a typical whole loan for a stabilized building in a strong sector was priced at Secured Overnight Financing Rate (SOFR) + 200 bps at 75% LTV; that same loan today will be financed at SOFR + 300 - 350 bps at 60% - 65% LTV. The mezzanine/junior loan tranches could earn 250 bps or more incremental spread compared to Q3 2021 (SOFR + 600 bps today vs. SOFR + 350 bps). In addition, we have seen Multifamily and spec industrial developments LTC's (loan to cost) are now at 50% - 55% in the mid-200s to mid-300s + SOFR over the

past year. With the move in SOFR from approximately zero to approximately 5% over the last 12 months, the overall pricing for these subordinated tranches has moved from low-to-mid single digits to low double digits returns. At the same time, lenders take substantially less risk, given the lower LTVs and better terms.

According to Real Capital Analytics (March 2023), more than USD 1 trillion of real estate loans are due to mature in 2023 and 2024. With less debt capital available, lenders will likely gain pricing and negotiating power and can be far more selective about which assets and sponsors they lend to.

## What asset class

The living and logistics sectors continue to be the most desired asset classes. A structural supply and demand imbalance favors rental growth in both sectors. In the future, property fundamentals will once again be the primary drivers of all investment decisions. U.S. investment volumes in the multifamily sector during Q2 2023 increased by 2.7% over Q1 to USD 27.5 billion. Among commercial property types, multifamily accounted for the largest share (35%) of total commercial real estate investment volume in Q2, up from 30% in Q1 2023. The student housing sector has set an all-time high in transaction volume for 2022, with an annualized total of \$18.9 billion, surpassing the previous year-end high of \$11.5 billion in 2021. Many investors consider student housing recession-proof.

The Industrial & logistics sector investment volume reached USD 18 billion in

Q1 2023, a 55% decrease since Q1 2022. However, the national vacancy rate is below 5%, indicating significant demand in this sector. Although the European industrial investments declined 69% YoY, totaling €5.8 billion (USD 5.3 billion). Core CEE volumes increased by 34% due to strong performance in Poland and Romania, Polish investment volumes more than quadrupled YoY to €401 million (USD 372 billion). Sharp drops in Q1 2023 investments were experienced in The United Kingdom, France, and Germany.

## Conclusion

The current economic factors weigh heavily on the current market environment, macroeconomic variables are substantially influencing consumer sentiment. Investor activity has been slower than prior years, resulting in the slowest first quarter since 2013. Cap rates continue to be varied and, in some cases, broader than they should be, creating possibilities for aggressive purchasers. Higher interest rates, tight credit conditions, and economic uncertainty will limit commercial real estate activity. Capital market activity is not expected to pick up until early 2024, with leasing activity likely to begin recovering During H2 2023.

The current debt market displacement will create opportunities in real estate credit. The high base rates and spreads have widened for new credit originations, and loan terms have tightened. Loans have lower LTVs, better interest coverage on higher interest rates, and more lender-friendly covenants and structures.



# International Advisory: the importance of multi-asset portfolio construction

By: Khaled Al Saleh, Senior Analyst, International Advisory, Wealth Management & Business Development

It is important for any investor to build a strong and resilient portfolio. The importance is being highlighted this year during a time in which markets are moving opposite as investors, analysts, and economists were expecting during the start of the year. Investors were promised a continuation of the bear market which we experienced in 2022, however, short sellers and cash holders were hit hard as the S&P as of July 30, 2023, is up 20% for the year while the Nasdaq has experienced its best first half of the year since 1983, a whopping forty years. This highlights Markaz's alignment with the old adage 'Time in the market is better than timing the market' as well as the fact that one has to have a multitude of assets to carry the portfolio during turbulent times.



Khaled Al Saleh

***Like an architect, a portfolio manager has to keep quite a few things in mind. Variables play a big role during the asset allocation, with the theme of the past year being interest rates***

erating portfolio becomes particularly essential in ensuring a reliable source of funds throughout their lifetime. By striking the right balance between capital appreciation and income generation, these portfolios foster financial security and peace of mind for investors, making them a vital component of a well-rounded investment strategy.

As experienced asset managers, we at Markaz understand that interest rates will not be as high as they are today forever. The Federal Reserve in the United States has raised rates 11 times going all the way back to March 2022, taking the Federal Funds Rate to 5.25% - 5.50%—the highest level since 2001. This is why at Markaz we believe in long-term investing by diversifying across various asset classes, such as stocks, bonds, real estate, alternatives, and cash

equivalents, investors can spread their risks and potentially achieve more stable returns over time. Different asset classes tend to perform differently under varying market conditions, allowing a multi-asset portfolio to remain resilient even during economic downturns or market volatility. Something we are experiencing today. Moreover, it enables investors to capitalize on opportunities in different sectors and regions, enhancing the potential for higher returns. Additionally, a well-constructed multi-asset portfolio is at the forefront of Markaz's approach as we take the client on a journey starting from understanding each client's underlying financial needs as well as gauging their risk tolerance via a risk profile questionnaire and understanding the goals needed to be achieved using the said portfolio to create a bespoke asset allocation that can align with individual risk tolerance and financial goals, promoting a balanced and customized approach to wealth management.

Overall, the importance of a multi-asset portfolio lies in its ability to enhance diversification, manage risk, and optimize returns, making it a vital tool for investors seeking long-term financial success.

Like an architect, a portfolio manager has to keep quite a few things in mind. Variables play a big role during the asset allocation process, with the theme of the past year being interest rates. During low-interest rate environments, something we experienced for almost a decade between 2012 – 2022, many investors shied away from money market funds, fixed income, and income-generating products due to the low rewards being offered for the underlying risks.

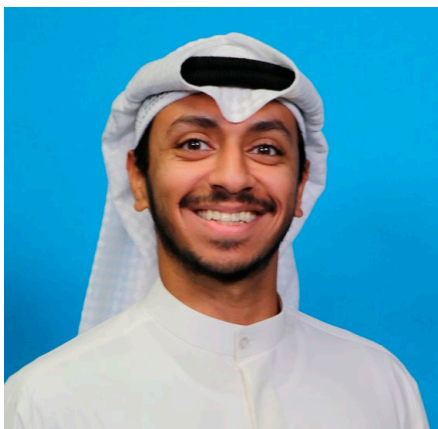
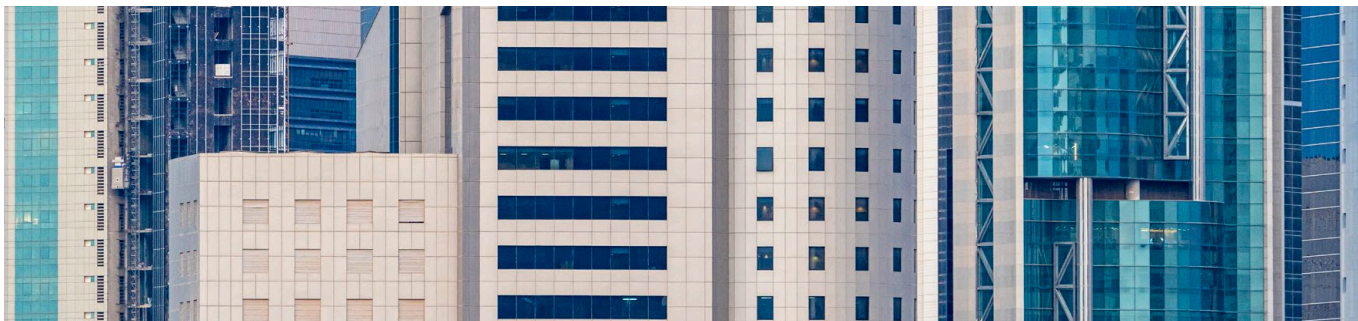
Today, income-generating portfolios play a crucial role in securing a stable and sustainable financial future. By focusing on investments that generate regular income, investors can create a steady cash flow stream to meet their financial needs and objectives. This regular income can provide a buffer during economic downturns, allowing investors to weather market volatility with greater confidence. Moreover, income generated from such portfolios can be reinvested or used to cover living expenses, offering financial independence and flexibility. For those seeking passive income, an income-gen-



# MENA real estate: navigating a post-Covid Kuwaiti real estate market

By: Mishal Al Refae, Assistant Analyst, MENA Real Estate

It is likely we will never truly be able to pinpoint every minuscule aspect of the Covid-19 pandemic's impact on us, but we can observe its broad changes in consumer demand in the realm of real estate.



Mishal Al Refae

The real estate market in Kuwait has undergone a shift over the past few years; it is not the same as it was pre-pandemic. As we adjust to post-Covid life, we can see fundamental changes in investor appeal and appetite reflected in today's market. This underscores why diligent study and upkeep, staples of Markaz's investing approach, are essential in navigating the changing tides of the post-Covid real estate market. During 2020, the Kuwaiti real estate market saw a decline of 32% YoY in terms of the value of all real estate transactions compared to 2019. In 2021, the value of all real estate transactions rose by 63% YoY, and then slightly declined in 2022 by 1% YoY. The first two quarters of 2023 have seen declines in the total value of real estate transactions, indicating a slowdown in the market. It is also crucial to note stark differences in the performance of each sector when examining real estate transaction values for the year, most notably the

varying impacts on the private housing, investment, and commercial sectors.

When we examine the contributions each real estate sector made to the total value of real estate transactions for the years before Covid (2014-2019), private home sales on average comprised 44.7% of the total value of real estate transactions each year. Meanwhile, the average for the investment sector for the same period (2014-2019) was 36%, and the average for the commercial sector was 15.5% for the same period. For the post-Covid years of 2021-2022, the averages are 61% for the private housing sector, 23.4% for the investment sector, and 10.8% for the commercial sector. This data suggests a clear shift towards private housing and a decline in both the investment and commercial sectors. In addition, during the pandemic the restrictions on the airport created an influx of demand for local tourism. This had a huge impact on private housing especially in the Khiran area where people bought beach houses for leisure as well as investment in some cases.

The averages are also reflected in capitalization rates. When looking at income-generating properties (excluding private housing), the capitalization rate provides crucial insight into property income and its market value. Cap rates for both the investment and commercial sectors saw a significant shift during 2020 and 2021 but have mostly returned to the rates seen in 2019. Although cap rates are recovering, neither the market nor the country is the same as before 2019. The supply of tenants has taken a severe hit due to the non-issuance of family visas for

expatriates. Considering that expatriates and their families represent roughly 70% of Kuwait's population as well as the main demographic when it comes to renting apartments, any restrictions on the inflow of expatriates will negatively impact occupancy rates for the investment sector. This especially affected the medium to high-quality investment buildings.

As for the commercial sector, the shift towards digitization has reduced the appeal of a physical storefront. Why should a restaurant open a physical location when it can operate from a less expensive location and only operate through deliveries, also known as a ghost kitchen? Retail commercial buildings have yet to see any form of recovery post-pandemic.

The Ministry of Trade and Commerce now allows specific businesses to operate without a physical office space. This targets medium to low-quality commercial office space that small businesses rent to fulfill the previous government requirement. These two factors will likely decrease the demand for commercial real estate, a trend that is also supported by the volume and value of transactions.

In conclusion, it may seem like the real estate market is surrounded by negativity, but it appears to be at a turning point. Cap rates are stabilizing to pre-Covid levels, and the Kuwaiti economy is thriving with higher oil prices. This could be the lowest point of the market. The future for real estate is looking optimistic, although it seems to be favoring specific sectors over others. Staying informed and actively monitoring the market is imperative in these times to capitalize on improving trends.



# Markaz signs UN-supported 'Principles for Responsible Investment'

Further strengthening its commitment to integrating environmental, social and governance (ESG) considerations into its investment decisions and practices, Markaz announced that it has become a signatory to the United Nations-supported Principles for Responsible Investment (PRI). Following the signing, Markaz is amongst the first Kuwaiti companies to join the leading international network of institutional investors committed to responsible investment.



Signatory of:



The partnership with the UN-supported PRI along with the pledge to abide by its regulations and rigid reporting process comes as part of Markaz's ongoing efforts to serve the best interest of its clients by incorporating sustainability principles into its investment and keeping them informed through transparent reporting and ESG disclosures. It also comes in alignment with Markaz's Corporate Social Responsibility (CSR) strategy, a key pillar of which is aligning its business environment with the principles of sustainable development. The other two pillars are building human capacity and promoting good governance in the business environment.

The world's leading proponent of responsible investment, the UN-supported PRI is a collaborative, investor-led initiative. It is a community of over 5,000 organizations around the world that have publicly demonstrated their commitment to putting into practice six principles for responsible investing. The global platform provides value to its diverse signatories, with opportunities for learning and development, sharing best practices, collaborative engagement and driving responsible investment.

The six Principles for Responsible Investment stipulate voluntary commitment from investors to incorporating ESG issues into their investment analysis and decision-making processes; being active owners and incorporating ESG issues into their ownership policies and practices; seeking appropriate disclosure on ESG issues by the entities in which they invest; promoting acceptance and implementation of the Principles within the investment industry; working together to enhance their effectiveness in implementing the Principles, and reporting on their activities and progress toward implementing the Principles.

Commenting on the announcement, Ali H. Khalil, Chief Executive Officer at Markaz, said: "We are delighted that Markaz has

***PRI is a collaborative community of over 5,000 global organizations that have publicly demonstrated their commitment to practice six principles for responsible investing***

joined the UN-supported PRI, thus reaching a new milestone in our endeavors to embed sustainable and responsible practices in our investment decision-making and operations to achieve positive outcomes for our clients, shareholders, and community, as well as the planet. Through frequent disclosures and awareness initiatives, we have also been delivering on our stewardship

commitment, thereby educating and enlightening our investors on the importance of ESG issues and how they add value lead through higher returns and better risk management. We look to leverage our PRI membership to actively contribute to global conversations on sustainability and gain deeper insights into emerging trends in the world of ethical and responsible investing."

David Atkin, CEO at the PRI, comments: "We're pleased to welcome Markaz as a signatory to the PRI. Firms that integrate ESG into their investment activity are demonstrating their commitment to investing for the long-term benefit of their clients. We welcome Markaz's commitment to ESG and responsible investment and look forward to working with the firm as a valued signatory in the future."

In addition to ensuring ethical, responsible and environmentally friendly practices throughout all aspects of its operations, Markaz has published three Sustainability Reports that covered years from 2016 to 2021, in keeping with its commitment to ensuring transparency in communications regarding existing and emerging opportunities and risks. The company's strong track record and achievements in sustainability have been recognized by prestigious international awards. In 2022, Markaz has received a total of 8 prestigious awards. Most recently, Markaz was named one of the Highly Regarded institutions in Euromoney Market Leaders' CSR and Digital Solutions categories and was featured among Notable performers in Diversity and Inclusion.

# Markaz sponsors Watheefti career fair

Markaz participated in the Watheefti career fair, which took place at The Arena Kuwait in 360 Mall for three days from 5 to 7 January. Held under the patronage of Public Authority of Manpower, the career fair which attracted more than 20,000 visitors served as an ideal platform to showcase Markaz as one of the Kuwaiti companies that attracts national talents to pursue careers in the private sector. Markaz's sponsorship falls in line with the 'human capacity building' pillar of its corporate social responsibility (CSR) strategy and the company's commitment to further promote developing local talent and future leaders.



Markaz's pavilion in the exhibition was staffed by its HR team, who engaged seriously with more experienced job seekers as well as to increase awareness of its Markaz Graduate Development Program (MGDP) among fresh graduates. Launched in 2017, the one-year program offers young Kuwaiti graduates the opportunity to gain work

experience across the company's Investment Banking, Asset Management, Real Estate Investment, Wealth Management and Research departments. In addition, it provides the opportunity for participants to consistently engage with the finance professionals and executive management within Markaz. This first-hand experience

is essential for the trainees to acquire real insights on how businesses operate on daily basis.

Commenting on Markaz's participation in the event, Ahmad Yaqoub Ali, Assistant Vice President, Human Resources, Markaz, said: "We are proud at Markaz to serve as one of the primary sponsors of the Watheefti career fair, which demonstrates our commitment to be present in forums that offer the opportunity to attract the national youth cadres interested in the financial sector in Kuwait. We are keen on developing their capabilities and skills throughout a range of programs and trainings."

He added: "We also make sure that we provide fresh graduates with essential tools to kick-start a successful professional life throughout Markaz Graduate Development Program (MGDP). The program assists them to set the foundation for their career path in the financial sector by acquiring valuable and marketable skills in a supportive and vibrant work environment that enhances their capabilities."

## Let's all beat plastic pollution!

As a part of Markaz's ongoing effort to be as sustainable as possible, Markaz celebrated World Environment Day under the theme of "Beat Plastic Pollution" by publishing an insightful infographic that spread awareness on the magnitude of the plastic pollution in Kuwait. Internally, the Markaz family have also continued to limit their use of single use plastic by using reuse-able mugs.





# Markaz renews its partnership with reputable non-profit organizations

## 1. The Children’s Cancer Center of Lebanon



Markaz renewed its Gold Sponsorship of the Children’s Cancer Center of Lebanon (CCCL). The non-profit organization offers free treatment and psychosocial support to children and their families affected by cancer. Markaz has been supporting the center for the last 13 years as part of its corporate social responsibility strategy, which focuses on three pillars: building human capacity, aligning the business environment with sustainable development principles, and promoting good governance in the business environment.

To highlight and garner support for CCCL’s humanitarian efforts, the organization hosted a charity concert on March 15th at the St. Regis Kuwait Hotel. The event was held under the patronage of His Excellency Sheikh Salem Abdullah Al-Jaber Al-Sabah, Minister of Foreign Affairs of the State of Kuwait, and was attended by more than 450 people, company repre-

sentatives, and high-level officials. The attendees expressed their support for the center’s mission of providing free medical treatment to children.

Commenting on the occasion, Mr. Abdullatif W. Al-Nusif, Managing Director, Wealth Management and Business Development at Markaz, said: “Markaz is proud to support the vital role that CCCL played in the lives of more than 5,000 children from Lebanon and the region for more than 20 years. Their commitment to providing world-class healthcare services, sans any discrimination, to those in need is a beacon of hope across the region. Our belief in the importance of private sector humanitarian support in the pursuit of common social objectives will see us continue to aid the center’s growth. These efforts reflect our dedication to promoting good health and well-being for all, one of the United Nation’s Sustainable Development Goals.”

## 2. KACCH Child Life Program



Markaz renewed its annual partnership with the Kuwait Association for the Care of Children in Hospital (KACCH) to support its Child Life Program.

Markaz and KACCH enjoy a longstanding relationship, and the company’s contributions over the years have helped the association provide nearly 30,000 Child Life-related services across 8 hospitals and 2,500 similar services in Bayt Abdullah Children’s Hospice (BACCH), the only children’s hospice of its kind in the Middle East. Markaz’s donation this year will further help KACCH staff members and volunteers reduce the stressful impact of hospitalization on sick children and their families by providing the highest standards of care.

Established in 2003, the program offers psychosocial and emotional support for hospitalized children and their families across eight hospitals in Kuwait. The program’s services include therapeutic plays for children and their families in hospital wards, in the playrooms and bedside, outpatient, and imaging centers, as well as surgical wards and on-call rooms for doctors and nurses, to support children undergoing difficult



procedures anywhere in the hospital. They communicate with children using play to help them understand why they are in hospital, how their treatment works, and how to use coping strategies to alleviate their fears.

# Ten emerging investment product themes

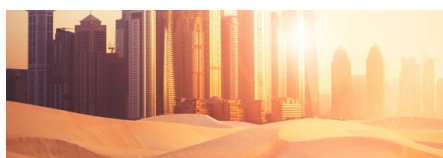
By: Ajay Samuel, Senior Manager, Research, Marmore

Beating the market and generating alpha on a consistent basis has become increasingly harder with the rise of passive investing creating a more challenging environment for stock picking. One plausible way of generating excess returns would be allocate a portion of one's investment corpus on emerging investment themes that are still at a nascent stage but expected to perform well over a longer time horizon. Early investors are generally the biggest beneficiaries when an investment theme kicks off due to a structural shift in an industry. However, with high rewards come higher risk. Thematic funds experience much more volatility compared to large cap and index funds, with certain themes even running the risk of obsolescence. Identifying the right theme is the tricky part as there is a likelihood that certain themes do not play out the way we expect or may sometimes play out a little later than when we expected.



Ajay Samuel

A good way of spotting themes that have been creating a buzz in the markets would be to track the launch of new indices and funds by global index providers and fund houses. Typically, indices and funds are launched based on market demands and could indicate an expression of interest from a group of investors. Some of the emerging product themes based on fund and index launches in 2022 and H1 2023 are as follows:



**1 Climate change** - The increased focus on climate-change related initiatives such as the Paris Agreement on Climate Change and the Kyoto Protocol to mitigate the risks of climate change has led to the emergence of this investment theme, where funds specifically focus on investing in companies that follow sustainable

practices and drive innovation focused on addressing climate change. In addition to the social angle of aligning investment portfolios with environmental values, there is also a good likelihood that policymakers will enforce stringent regulations that could increase the demand for products or technologies that help companies comply with the regulations. Higher demand could in turn have a positive impact on the climate-changed-focused companies, helping them increase their revenue. Currently, there are around 123 equity ETFs and 99 equity indices focused on climate-friendly companies across geographies.



**2 Carbon credit** - Carbon credit has become a very popular asset class lately due to greater focus from environmental regulators to reduce carbon emissions. Carbon credits are like contracts that permit companies to emit fixed units of carbon dioxide or equivalent greenhouse gases. Companies that pollute the environment are given a certain amount of carbon credits by the regulator through a cap-and-trade program. The company then has the option to use the carbon credits and trade unutilized credits in the market to companies that need them. This approach incentivizes companies whose emissions are lower by allowing them to sell unused credits in the market and penalizes companies that emit excess greenhouse gases by making the companies purchase additional credits at a higher cost. Although the program is

at its infancy, nearly 11 U.S. states have adopted the approach to the reduction of greenhouse gases. An ETF was also recently launched by KraneShares with the underlying comprising of the most traded carbon credit futures contracts.



**3 Alternative energy** - Alternative energy funds are another subset of environmentally focused funds that have seen traction in recent months. The investment thesis focuses on investing in companies that produce energy from solar, wind, hydro, biomass, and other renewable sources or are involved in clean energy technologies. Most funds tagged as Alternative energy-focused funds invest in companies that 50% or more of their revenues from products and services in Alternative energy. Currently, there are nearly 18 equity indices and 22 ETFs that are focused on alternative and clean energy.



**4 Medtech** - Medtech is a broad discipline that has caught the attention of investors during the past two years. Medtech covers applications serving healthcare systems with the aid of technology. Considering the emergence of new diseases and lifestyle-related ailments in younger individuals, heavy investments



have been made in the Medtech space, leading to the growth of the sector. German based index provider Solactive launched a MedTech index in 2023 that has exposure to Chinese Medtech companies while Factset launched a similar index in 2022 comprising of U.S. Medtech companies.



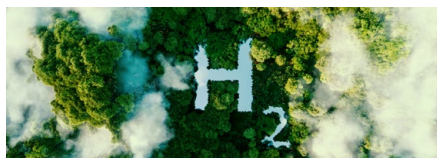
**5 Electric vehicle** - Global EV sales has picked up substantially in the past two years with car manufacturers increasing their EV product offerings in the past two years. Nearly 10.5 million new electric vehicles were delivered in 2022, a 55% increase compared to 2021. However, market penetration is still low with a good growth runway for EVs in the next decade. Companies that are involved in the manufacturing of EVs, their subcomponents and charging infrastructure are being sought after by investors, which is also evident from the launch of new indices and funds that are focused on investing specifically in companies that form a part of the EV ecosystem. According to SSGA, there are nine funds focused on investing in companies that are related to Electric and Autonomous vehicles, with an aggregate AuM of USD 1.6 billion in H1 2023.



**6 Metaverse** - Metaverse is a concept that has fascinated people across the globe due to its potential applications for the future. Megacap tech companies like Facebook and google have invested in Metaverse applications, indicating its potential for disruption. S&P defines Metaverse as a new ecosystem where the physical and virtual worlds communicate, blend, and integrate using the next generation of Internet and Extended Reality technology. Fund managers have been trying to capitalize on this trend at an early stage by focusing on small-cap

**Although thematic investments appear attractive, there are risks involved. Thematic funds are not well diversified: a threat to a particular industry could affect all companies in the portfolio**

companies that are involved in developing applications and hardware related to Virtual Reality, Augmented Reality and other technologies related to Metaverse. Despite being in a conceptual stage, there are 6 ETFs and 6 indices tracking Metaverse companies.



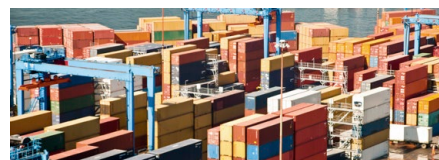
**7 Hydrogen economy** - Hydrogen economy is an energy delivery infrastructure that involves the process of storing hydrogen and converting it into electrical energy. Although a part of alternative energy, there has been traction in this specific theme due to its potential use cases. Indices have been launched during the past twelve months to track companies that derive more than 50% of their revenues from hydrogen economy. If successful, the technology has huge potential to disrupt the energy industry. Global fund manager VanEck launched a thematic ETF on the Hydrogen economy, which currently has a fund size USD 123 million.



**8 Foodtech** - Disruption in food supply during the Russia-Ukraine crisis, climate-change related events and the Covid-19 pandemic have led to greater investments in FoodTech to ensure food security. Increased usage of technology in food production, processing and supply has also led the better market opportunities for emerging Foodtech players. There are 5 equity indices and 6 ETFs focused on futuristic food technology and agritech.



**9 Robotics & artificial intelligence** - Funds focused on robotics & AI witnessed the highest inflows among thematic next generation funds, with a net inflow of USD 1.4 billion in H1 2023 to 17 AI-focused funds, which is nearly 36% of the total AuM of the 17 funds. The presence of a high number of industrial use cases for robotics and the capability of AI for disruption across verticals has led to the rush of funds into this segment.



**10 Supply chain** - Supply chain logistics has been an evergreen theme favoured by investors due to increased globalization of trade and companies outsourcing manufacturing of products to different countries. Retail-oriented supply chain logistics has also witnessed a paradigm shift after the introduction of e-commerce, creating several potential opportunities in the space. With companies focusing on improving efficiency and scale, supply chain operators are becoming a sought-after bet for investors.

#### In conclusion...

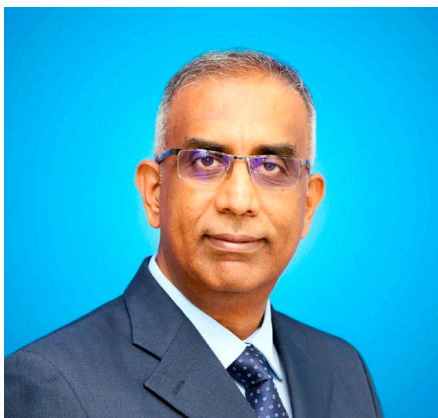
Although thematic investments appear more attractive, there are risks involved as well. Thematic funds are not well diversified, implying that a threat to a particular industry could affect all the companies in the fund's portfolio. In addition, a good story or a good theme need not necessarily lead to wealth creation. Valuation and market timing are also key factors that determine the performance of the underlying stocks in the fund.

Technology could be a transformative theme, but investing at the peak of the dot com bubble would have led to a wait of over 15 years to recover the capital invested. Therefore, investors need to tread cautiously while considering thematic investing.

# Artificial intelligence in the fight against financial crime

By: Pradeep Rajagopalan, Executive Vice President, Analytics and Internal Controls

Financial crime is a major problem that costs the global economy trillions of dollars each year. World Economic Forum estimates that approximately \$2.4 trillion in crime proceeds is laundered through the world's financial system<sup>1</sup>.



In recent years, artificial intelligence (AI) has emerged as a powerful tool for fighting financial crime. AI can help to detect and prevent financial crime in a number of ways, including:

## ***The use of AI in the fight against financial crime is still in its early stages, but it has the potential to revolutionize the way that financial crime is detected and prevented***

- **Analyzing large amounts of data:** AI can analyze vast amounts of data, including customer transactions, account information, and social media posts, to identify patterns and anomalies that may indicate financial crime.
- **Learning from past data:** AI can learn from past data to identify new patterns of financial crime. This allows AI to stay ahead of criminals who are constantly changing their methods.
- **Automating tasks:** AI can automate

many of the tasks involved in fighting financial crime, such as screening transactions for suspicious activity. This frees up human resources to focus on more complex tasks.

- **Preemptive controls based on analyzing leading indicators of fraud:** If a financial institution can use AI to analyze and learn from trends and typologies in fraud across various markets, it can take preventive measures to keep its clients and systems safe.

The use of AI in the fight against financial crime is still in its early stages, but it has the potential to revolutionize the way that financial crime is detected and prevented. As AI technology continues to develop, it is likely that AI will become even more effective at fighting financial crime. Organizations may get immediate



benefits by getting AI to integrate with other systems: AI can be integrated with other systems, such as customer relationship management (CRM) systems and fraud detection systems. This allows AI to access a wider range of data and make more informed decisions.

#### The benefits of using AI to fight financial crime include:

- **Increased accuracy:** AI can analyze vast amounts of data in real-time and identify patterns that may not be detectable by humans. This allows financial institutions to identify suspicious transactions and behaviors better and reduce false positives.
- **Improved efficiency:** AI can automate many of the tasks involved in fighting financial crime, such as screening transactions for suspicious activity. This frees up human resources to focus on more complex tasks.
- **Reduced costs:** AI can help to reduce the costs of fighting financial crime by automating tasks and improving efficiency.

#### On the other hand, the challenges of using AI to fight financial crime include:

- **The complexity of financial crime:** Financial crime is a complex and constantly evolving problem. AI must be able to keep up with the latest trends in financial crime in order to be effective. Further, criminals are always coming up with new ways to execute financial crime.
- **The availability of data:** AI requires large amounts of data to train and operate. Not all financial institutions have access to the data that is needed to use AI effectively. Further not all data would be clean or usable from a training perspective.
- **The ethical implications of using AI:** There are ethical implications to using AI to fight financial crime. For example, AI could be used to discriminate against certain groups of people. AI could also be corrupted with the hidden and unconscious biases of the programming team.

Overall, the use of AI to fight financial crime is a promising development. AI has the potential to revolutionize the way that financial crime is detected and prevented. However, there are challenges that need to be addressed before AI can be used effectively.

#### In addition to the trends mentioned above, there are a number of other ways that AI is actively being used to fight financial crime. AI is currently being used by regulators to:

- Identify and track individuals and entities involved in financial crime.
- Analyze social media data to identify potential threats.
- Develop new methods for detecting and preventing money laundering.

### *Researchers hope this AI technology will help police stop crime as it happens and deter potential crime from occurring by using facial and gait recognition technology*

#### A few examples

Researchers in Malaysia are developing AI software for CCTV cameras to lower the number of street crimes in the country<sup>2</sup>. This software can autonomously detect these crimes only by analyzing the footage in the security camera. This software would do the following:

- Detects if a person in the footage is wielding a weapon.
- Inspect if the suspect in question is engaging in “aggressive actions.”
- The software then informs law enforcement if a crime is suspected.

Researchers hope this AI technology will help police stop crime as it happens and deter potential crime from occurring by using facial and gait recognition technology to identify criminals and gauge aggressive behavior.

On a similar note, The Indian Tax authorities are using AI to catch tax evaders<sup>3</sup>. AI is being used to identify traits which indicate tax evasion. This

is then used to identify cases for further scrutiny or send notices for enhanced return filing.

Google Cloud recently announced the launch of AML AI, their artificial intelligence (AI)-powered product designed to help global financial institutions more effectively and efficiently detect money laundering<sup>4</sup>. Using this service HSBC found AML AI identified 2-4x more suspicious activity, while reducing alert volumes by more than 60%.

In conclusion, as AI technology continues to develop, it is likely that we will see even more innovative ways to use AI to fight financial crime.

<sup>1</sup> World Economic Forum, [Why we need to talk about financial crime](#), David Craig, Jan 2018

<sup>2</sup> [Caught on camera: Using AI to combat street crime](#), Monn Vishnu & Marcus Lim, Nov16, 2021

<sup>3</sup> [AI catches tax evaders in India](#), Anjali Raja, Jun 27, 2023

<sup>4</sup> [Google Cloud Launches AI-Powered Anti Money Laundering Product for Financial Institutions](#), Jun 21, 2023

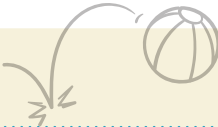


MARKAZ FAMILY

# Markaz’s human capital – one of our most valuable assets

With people being its biggest asset, the company fosters an employee-driven culture where staff contributions to service excellence are highly valued and recognized. Markaz strives to sustain a diverse, inclusive, collaborative, and rewarding workplace that offers tremendous opportunities for growth and development. Markaz continues to enforce team building and engagement through various employee-centered activities throughout the year.

## Markaz’s open day



Markaz organized a fun filled open day event at Hilton Kuwait Resort for employees and their families.



## First employee wellness event of 2023



Markaz kicked off the year with a wellness seminar hosted by multidisciplinary psychotherapist and founder of Masar Consults, Zaina Al Zabin, who shared practical strategies to positively cope with major change and its inevitable stress on work performance and personal life.



## National day celebrations

Markaz celebrated Kuwait’s national day over Arabic coffee and traditional snacks whilst enjoying a live performance from a Kuwaiti band.

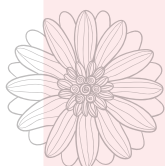






# Graish gathering

Markaz welcomed Ramadan with celebrating Graish with delicious dishes from native cuisines.



# International Women's Day

A tribute to the women who empower, inspire and pave the way for generations to come, Markaz celebrated the International Women's Day with its female staff.



## Markaz sponsors Australian University exhibition



Markaz sponsored Australian University's Engineering Students' Projects Exhibition as a part of its 'human capacity building' pillar of Markaz's CSR strategy. Through such initiatives, Markaz seeks to support the next generation and provide them with opportunities to excel in their chosen fields.

The exhibition featured a total of 56 student projects completed by 250 students from various engineering disciplines, including civil engineering, electrical and electronics engineering, petroleum engineering, and mechanical engineering. These projects were particularly noteworthy for their ingenious exploration of renewable and sustainable energy, AI, cyber security, and smart technologies, among others. The projects underwent evaluation by faculty members, external entities, and industrial companies. The best projects were carefully chosen to stimulate competition and foster innovation.

## Markaz renews sponsorship of Al-Jawhar program by Loyac



Markaz renewed its sponsorship to the Al-Jawhar program for the fourth year in a row for its 2023-2024 season. "Al Jawhar" program aims to train youth on Media Dialogue Management Skills by prominent Kuwaiti and Arabic media professionals and provide them with opportunities to conduct and manage fruitful dialogues

with distinguished leading national and Arab personalities.

As a people-driven organization, Markaz has long identified human capacity building as a key pillar of its CSR program, and has placed special emphasis on empowering the next generation of leaders through the development of their skills throughout the years.

## Markaz participates in the judgment panel of Speak Up 2023



The Markaz-sponsored program ended with a competitive event, where participants shared their stories or messages with their society. Representing Markaz on the judging panel to

Speak Up Kuwait is a non-profit self-developmental program dedicated to helping senior University students and fresh graduates enhance their skills of public speaking through the application of the science of Business Psychology, and gain several personal, business, and entrepreneurial skills to assist them to overcome the many challenges faced in the business world today.

choose the "Speaker of Kuwait 2023" was Abdullatif W. Al-Nusif, who shared his experience in dealing with clients and the importance of building a team with the program's participants.





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For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait  
Tel: +965 1804800 Fax: +965 22450647. Email: [media&communications@markaz.com](mailto:media&communications@markaz.com)

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markaz.com  
+965 2224 8000