

Finding opportunities in a volatile world

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EDITORIAL TEAM

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Markaz delivered a net profit attributable to shareholders of KD 2.86 million in 2022

- Management fees and commission up by 14.8% y-o-y to KD 11.3 million and reached high record
- AUM increased to KD 1,154 million, up by 10.8% from December 2021
- Total revenue of KD 18.8 million

Kuwait Financial Centre “Markaz” reported its financial results for 2022 with total revenues of KD 18.8 million, as compared to KD 30.64 million in 2021. Markaz delivered a net profit attributable to shareholders of KD 2.86 million, as compared to KD 14.99 million in 2021, and earnings per share of 6 fils for the year ended 31 December, 2022.



Growth in management fees and commissions plus a rebound in Kuwait's real estate market helped offset setbacks in global equity markets

to KD 11.3 million compared to KD 9.8 million in 2021, generating record-high management fees. In addition, Kuwait's real estate market has recovered from the lows caused by the pandemic, supported by rising oil prices and waving Covid restrictions during 2022, which boosted rental and occupancy rates. Our net rental income was KD 3.64 million, compared to KD 3.48 million in 2021, an increase of 4.7% y-o-y. This was driven by the gradual improvement of rental occupancy levels across our real estate portfolios. Markaz's assets under management also grew 10.8% to KD 1.15 billion as of December 31, 2022.

Markaz launched new products and services during the year, including Market Making, new international real estate projects, and made improvements to our existing offerings. Our investment banking department continued to execute mandates successfully, and our Wealth Management and Business Development team enhanced its services by adding private equities and private debt to the platform. In addition, Markaz has not only strengthened its ability to withstand unfavorable and unstable market conditions, but also established a solid foundation for generating value and maintaining long-term growth.”

Mr. Diraar Yusuf Alghanim, Chairman stated: “The year 2022 witnessed major events and various challenges that impacted the global markets. These include the Russian war on Ukraine, the tightening of monetary policies by central banks through raising interest rates to curb inflation levels due to the increasing energy prices, in addition to China's aggressive measures to counter the spread of the Covid-19 pandemic. As a result, these challenges took a toll on the recovery achieved by the global markets in 2021,

as most global indices declined.

Although setbacks seen in the equity markets in general and the global markets in specific impacted the company's overall activities, Markaz managed to minimize the impact on the company's overall activity and overcome the ramifications, recording total revenues (excluding gain from investments at fair value) of KD 18.07 million, up by 19.4% y-o-y. The growth was led by a strong performance in management fees and commissions which increased by 14.8%

MARKAZ NEWS

Markaz consolidates market leadership with 8 prestigious awards in 2022

Markaz witnessed yet another highly rewarding year as it was presented with eight coveted awards and rankings in 2022. Thanks to the remarkable performance of its teams, Markaz has consistently delivered on its promise to cater to the financial aspirations of its clients and sustained business and asset growth despite varying market conditions, thereby cementing its standing as a reliable partner of choice in wealth creation over the past 12 months. The prestigious awards recognized Markaz’s accomplishments and its strong commitment to excellence



Euromoney rankings take multiple sources of qualitative and quantitative data, both from institutions as well as external clients, to referee data and build an objective picture of leaders

recognized Markaz’s efforts to provide a single point of access to the regional and global asset management industry for its clients.

The prestigious WealthBriefing award comes close on the heels of Markaz’s recent winning of the “Best Private Bank in Kuwait” category at Global Finance’s World’s Best Private Banks Awards for 2023 and ‘Kuwait Wealth Manager’ at Euromoney’s Global Investor MENA 2022 Awards, allowing the company to end 2022 on a high note. Earlier this year, Markaz was designated as the ‘Best Investment Bank in Kuwait’ for 2022 by Global Fi-

Markaz was named the “Best Private Bank or Wealth Manager Servicing the State of Kuwait” by WealthBriefing at the Ninth Annual WealthBriefing MENA Awards 2022. Markaz’s Wealth Management team accepted the coveted recognition at the ceremony held at The Address Dubai Mall on 23 November. It cements Markaz’s

standing as the leading wealth management institution in Kuwait and celebrates its strong track record in successfully serving individual, corporate, family office, quasi-government and government clients with its bespoke and comprehensive solutions. In the award citation, the respected judges of the WealthBriefing MENA Awards



nance, which marks the 11th time it was awarded the coveted title in the past 12 years.

Commenting on the achievement, Mr. Abdullatif W. Al-Nusif, Managing Director of Wealth Management and Business Development at Markaz, said: “We are thrilled that Markaz has joined the ranks of an elite global group of organizations that have won WealthBriefing awards and further strengthened its standing in Kuwait’s financial services sector. This award is a tribute to our highly committed professionals who have made a mark in wealth generation by creating effective investment roadmaps for the investment journey of our clients. On this occasion, I extend my deepest gratitude to them for helping Markaz cater to clients’ investment needs during the past year and be recognized by reputed awards.”

Markaz’s Wealth Management and Business Development team enjoys highly experienced wealth managers, who hold certifications and accreditations in several internationally acclaimed training programs, are adept at creating optimal asset allocation models and selecting investments that suit the risk profile, as well as the return and liquidity objectives of its clients.

Combining their in-depth market knowledge with personal relationships built on trust and confidence, Markaz’s investment professionals, who keep abreast of shifts and trends in local and international markets, also offer its clients customized investment opportunities. Markaz places a strong focus on fostering excellence and innovation in its mission to build and maintain legacies, and manage governance structures and succession planning charters for family-owned businesses. Amidst the COVID-19 pandemic and global lockdowns, Markaz’s investment in technology and stringent internal controls ensured that communication with clients and investment performance management continued in an effective and efficient manner.

Markaz’s operational approach entails specific phases. After gaining a thorough understanding of their clients’ financial needs, aspirations, and goals, the company’s highly experienced professionals help them set their financial objectives and design strategies to achieve those goals,

manage their investments and finances, and execute successful estate planning. They ensure that all investment, regulatory and reporting complexities are simplified and that clients’ requests are executed diligently and in a timely fashion.

In another major achievement, Markaz was highly rated in four categories of Euromoney Market Leaders in Kuwait, which is Euromoney’s new rankings for the financial and banking sector. This further strengthened its reputation as a market leader and one of the most progressive and socially responsible investment banking and asset management organizations in the country.

Markaz has been named one of the

We are thrilled Markaz has joined the ranks of an elite global group that have won WealthBriefing awards and further strengthened its standing in Kuwait's financial services sector

Highly Regarded institutions in Euromoney Market Leaders’ Digital Solutions and Corporate Social Responsibility (CSR) categories, while it was featured among Notable performers in Diversity and Inclusion. These achievements come as a result of Markaz’s CSR strategy and its efforts to nurture a diverse, equitable and inclusive company culture and workforce. The strategy is founded on three pillars, namely, building human capacity, aligning its business environment with the principles of sustainable development, and promoting good governance in the business environment.

Euromoney Market Leaders rankings take multiple sources of data including qualitative and quantitative, both internally from institutions, as well as external client referee data to build a robust and objective picture of industry leaders. Using a vigorous methodology, the team of analysts build rankings across categories and by country, creating a global index of banking and finance leaders to provide definitive guide to leading institutions. The new rankings designate Markaz as an Investment Banking Market Leader, offering yet another solid testimony to its pre-eminent position in Kuwait’s financial services sector.

Commenting on the achievements, Mr. Ali H. Khalil, CEO of Markaz, said: “With a long-standing track record in fostering excellence in its products and services, Markaz has firmly established its market leadership in investment banking in Kuwait. While a highly qualified team of investment banking professionals with extensive experience, outstanding technical execution capabilities, and in-depth industry knowledge and a research-driven culture have remained the cornerstones of this success, our ability to adapt to fast-evolving client expectations through the embrace of technology and digitization has afforded us a distinctive advantage in the competitive financial services sector. Above all, a sustainable business model at the heart of which lies our commitment to working towards the greater benefit of our people and communities has enabled our journey from strength to strength. We are proud that Euromoney Market Leaders recognized Markaz’s commitments, endeavors, and accomplishments with the new coveted rankings.”

In the 48 years since its establishment, Markaz has carved out a stellar reputation as a reliable partner of choice in wealth creation by consistently delivering on its promise to cater to the financial aspirations of its clients and sustained business growth despite varying market conditions. It is thanks to Markaz’s research-driven culture and dedicated wealth managers who strive to protect and grow its clients’ wealth. These key factors played a pivotal role in granting Markaz dozens of prestigious industry awards throughout its history. The many awards it won in the past year include ‘Best Investment Bank in Kuwait’, ‘Best Asset Manager in Kuwait’ for the ninth consecutive year, and the ‘Sustainability Award in the Middle East’ at EMEA Finance magazine’s Middle East Banking Awards 2021; in addition to Global Finance magazine’s ‘Best Investment Bank in Kuwait’ in 2022 award, which marks the 11th time Markaz was awarded the coveted title in the past 12 years. Markaz provides diverse investment banking products and services in equity capital markets and debt capital markets, IPOs, listings, capital structure advisory, restructuring, disposition services, and mergers and acquisitions advisory.

Markaz's five-year unsecured bond rating affirmed with Stable Outlook by Capital Intelligence ratings

Markaz announced that the bond rating of its KWD 35 million or USD equivalent 5-Year Senior Unsecured Bond due 20 December 2025 has been affirmed by Capital Intelligence Ratings (CI Ratings; CI) with a Stable Outlook, which indicates that the issue rating is likely to remain unchanged over the next 12 months. CI Ratings has been providing credit analysis and ratings since 1982, and currently rates over 300 banks, corporates, financial instruments and sovereigns based in 26 countries.



CI CAPITAL Intelligence In its announcement, CI said the rating was driven by Markaz's resilient financial metrics in terms of liquidity, good debt maturity profile, and moderate leverage. The credit rating agency also considered other supporting factors such as the high level of unencumbered assets and the maintenance of substantial unutilized but committed funding lines. The rating also reflects Markaz's well-established franchise and good reputation in the region, especially in Kuwait and is a testimony to the performance of its experienced management team, which succeeded in effectively navigating the company through challenging times.

CI Ratings noted that Markaz has main-

CI said the rating was driven by Markaz's resilient financial metrics in terms of liquidity, good debt maturity profile, and moderate leverage

tained its reputation as being amongst the stronger fund managers in Kuwait, notwithstanding the big swings of the financial markets in recent years and despite its small size. Reflecting Markaz's business model, financial investments and investment properties constituted the bulk of its asset base. The portfolio of financial investments remained spread across a range of industries and in many countries,

although there remains some concentration towards the more regulated financial institutions and the GCC countries. The largest proportion of these financial investments is also in funds and portfolios that Markaz manages. However, CI added, as these investments are classified as FVT-PL (fair value through profit or loss), they expose Markaz to the potential volatility relating to financial market movements, which is considerable and unavoidable.

In recent years, Markaz has built up a book of investment properties and investments in various real estate projects in the GCC region leveraging on its long-term experience in the real estate sector. These investments, which include a managed

fund, are held for capital gains from future disposals or exits. At the end of H1-22, this portfolio accounted for over a third of total assets, which constitutes a high exposure to the real estate sector. This concentration risk is mitigated to some extent by the diversification by property type and geography. Moreover, the bulk of investment properties consist of income-generating properties with good occupancy rates and the fund is managed by Markaz. Rental income has also been rising and provides a boost to earnings.

Markaz's assets are largely funded by equity and a moderate level of borrowings. Expansion of the equity base has been largely through the retention of earnings. Historically, internal capital generation has been weak due to Markaz's fairly generous dividend payment policy. No dividend was, however, paid in 2020 due to the net loss position. While dividends resumed for FY2021, the payout ratio was moderate and the internal capital generation rate improved in 2021.

CI Ratings pointed out that Markaz's borrowings declined in 2021 but picked up moderately in H1-22, and there remains some concentration in the bond under review. The successful lengthening of the debt profile in 2020 placed Markaz in a good position to weather the challenging times of the pandemic; this was largely maintained in 2021 and H1-22. Following the trend of debt, leverage declined in 2021 but increased to a still moderate level at the end of H1-22. The debt-to-equity ratio also moved in tandem but remained sound at the end of H1-22. However, given the comparatively moderate level of earnings, CI notes that there remains a reliance on asset sales or refinancing to repay large facilities such as the bond under review.

Nonetheless, CI Ratings asserts that Markaz has maintained its track record

of debt servicing and repayments in both 2021 and H1-22 through effective cash flow management, a good debt maturity profile position, and the maintenance of a good level of liquidity. Refinancing risk is considered moderate given its good access to the capital market; this is supported by Markaz's well-established franchise, good reputation in the market, and high level of unencumbered assets.

The rating announcement from CI also highlights that Markaz continues to exhibit good liquidity metrics given the large portfolio of quoted securities and managed funds, and a sound level of cash and deposits. Furthermore, the asset and liability mismatch position was positive in all maturity buckets and Markaz continued to maintain a substantial level of unutilized but committed lines at the end of H1-22. It also remains well in compliance with the Central Bank of Kuwait's financial requirements relating to liquidity and leverage.

CI Ratings further highlights that Markaz's assets under management (AUM) business segment improved in 2021 and the level of AUM more than fully recovered by the end of H1-22 from the

Markaz continues to exhibit good liquidity metrics given the large portfolio of quoted securities and managed funds, and a sound level of cash and deposits

substantial fall seen in 2020. The well-performing financial markets in both these periods in turn contributed to a sizeable pick up of management fee and commission income in 2021 and H1-22, although they were moderate in absolute money terms. Other recurring income relating to dividend and interest income was also fairly limited. However, the rising rental income has provided a sound boost to

earnings. Markaz's return to a substantial net profit in 2021 was due largely to an equally significant fair value gain from its FVTPL investments. Its earnings growth moderated in H1-22 due to weakening markets. Both operating and net profitability ratios improved substantially in 2021 on the back of the high fair value gains; these were however unsustainable and both ratios fell back to more moderate but still fairly good levels in H1-22.

Touching on the challenges facing Markaz, CI Ratings noted that the key constraint remains the volatility of its earnings, which relates to its substantial portfolio of financial assets measured at FVTPL. Other challenges include the high concentration in terms of individual holdings and the high exposure to the real estate sector, in addition to the concentration in funding sources and the reliance on asset sales and/or refinancing for repayment of the bond under review.

Going forward, Markaz's earnings are once again likely to come under pressure from the volatile financial markets. These weakened in Q2-22 and remained so in Q3-22. With no significant recovery anticipated for the final quarter of this year, this is likely to result in fairly sizeable fair valuation losses relating to the portfolio of FVTPL financials for the full year 2022. The anticipated recovery of the real estate sector in the region from next year onwards could, however, provide a boost to earnings through exits and disposals of related investment properties. The quality of earnings is expected to remain moderate in line with the relatively low proportion of recurring income while the high level of FVTPL investments is likely to keep earnings volatile. CI Ratings adds that, on a positive note, EBITDA coverage of interest expense – even excluding fair valuation gain – was good in 2021 and improved further in H1-22.

Markaz Team attends 6th edition of Future Investment Initiative (FII) Conference

Markaz's team attends the 6th edition of Future Investment Initiative (FII) conference, held in KSA from 25-27 October 2022.



Marmore participates in MENA Investment Congress

Marmore MENA Intelligence, wholly owned subsidiary of Markaz, concluded its participation in the MENA Investment Congress, which took place in Abu Dhabi on November 24. Marmore's participation in the conference is a crucial step in utilizing objective analysis of global events that will allow Markaz to make better-informed, more effective business decisions.



Organized by the CFA Society Emirates in association with Abu Dhabi Global Market (ADGM), this year's MENA Investment Congress gathered more than 300 global attendees to explore new investment strategies, analyze emerging fintech solutions and discuss the next frontiers of the regional investment landscape.

M.R. Raghu, Chief Executive Officer of Marmore MENA Intelligence, participated in a roundtable discussion at the congress entitled "MENA Outlook 2023" articulating his thoughts about the evolution of GCC stock markets, their role in supporting economic diversification and development and opportunities to bring foreign investment into the region via fixed income, equity and alternative investments. In the roundtable moderated by Hussein Sayed, CFA and anchor at CNBC Arabia, Raghu participated in the discussion alongside senior representatives from Nomura As-

Mr. Raghu cited several regional figures that projected a positive outlook for stock markets, including 27 IPOs in 2022 raising USD 14.5 billion and USD 7 billion of foreign capital

set Management and St. Gotthard Fund Management AG.

During the discussion, Mr. Raghu cited several poignant figures that projected a positive outlook for regional stock markets, including 27 IPOs in the GCC in 2022, raising a total of USD 14.5 billion, and upwards of USD 7 billion of foreign capital invested into Middle Eastern stocks in March 2022, according to Franklin Templeton. Raghu explained the difference between attracting family business and state-owned enterprises into the IPO fold. He said that

later is easier and is a low hanging fruit for swift depth of the market.

Mr. Raghu also identified significant geopolitical events and macroeconomic shifts that would continue to have an impact on GCC markets. The Russia-Ukraine conflict, monetary tightening policies, high inflation rates and growing concerns regarding recessions were all referred to as specific causes for global market changes. Within GCC, countries are continuing to transition from oil-reliant economies. In consideration of high oil prices, the macro outlook for the GCC remains strong measured by GDP, fiscal balance and current account balance. Raghu opined that private sector would play a key role in this transition.

Raghu noted that GCC capital markets have significantly evolved over the years leading to increased listings, liquidity, products and valuation. Also, he highlighted the strides made by capital market authorities in the region launching various reforms that is likely to attract foreign inflows. Raghu said that the GCC's share in the MSCI EM index is likely to increase in the coming years due to these factors.

Marmore, which was established as a subsidiary of Markaz in 2010, continues to grow as one of the most reputable strategic intelligence and market advisory organizations in the MENA region. By leveraging the analytical aspect of global events, Markaz aims to leverage Marmore's research-oriented findings to make informed decisions and offer best-in-class investment opportunities to its clientele.

Markaz expands services with the launch of Margin Trading

Markaz announced the launch of its newest service, Margin Trading, a service offered to clients who seek to optimize their returns through leverage. The launch of this new service falls in line with the company's continuous commitment to offering new services and products to its clients, while contributing to the further development of the Kuwait stock market. Furthermore, the tool is a culmination of a series of developments initiated by Markaz. This builds on Markaz's successful track record and leadership in the financial services sector, the long years of experience in the Kuwaiti market, and its deep knowledge of the markets.



We continuously seek to cater to our clients' various needs, and with the launch of Margin Trading, we cater to a new segment of clients looking to optimize their trading profits

provided with the necessary support when needed, in addition to the various integrated services provided by Markaz to its clients.

Commenting on the launch of the service, Fahad S. Al-Rushaid, Vice President, MENA Equities at Markaz, said: "At Markaz, we continuously seek to cater to our clients' various needs, and with the launch of Margin Trading, the company caters to a new segment of clients looking to optimize their trading profits."

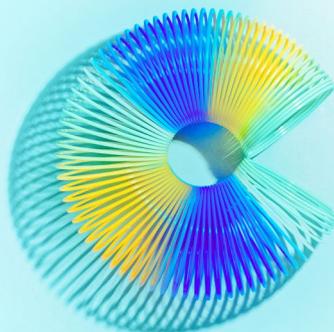
"Enhancing the Kuwaiti capital market and the development of new investment tools are two key success factors attributed to the significant role played by the Capital Markets Authority, the Central Bank of Kuwait and Boursa Kuwait, through their continuous encouragement of financial institutions to provide new

services to their clients. In alignment with this encouraging business environment, Markaz will also launch other investment products and services in the near future, to further expand on its offerings", he added.

Moreover, Markaz launched a set of portfolios, including the "Opportunistic Portfolio", which aims to invest in potential stocks, representing an opportunity based on a conviction by the portfolio management team of the potential of the selected investments. The second type of new investment portfolios is the "Dividend-Yield Portfolios", which are portfolios that invest in companies that have sustainable dividend growth strategy. In addition, Markaz has pioneered innovation over the years through developing new concepts resulting in the creation of new investment channels. These channels enjoy unique characteristics and helped Markaz widen investors' horizons. Examples include Mumtaz (the first mutual fund in Kuwait), MREF (the first real estate investment fund in Kuwait) and Forsa Financial Fund (the first and only options market maker in the GCC since 2005), all conceptualized, established and managed by Markaz.

To benefit from the services, clients can open the Margin Trading portfolio either by transferring funds or by transferring owned stocks to the portfolio, where Markaz then finances the client appropriately. The portfolio is managed by the client, for trading in shares of a group of approved companies listed on Boursa Kuwait.

Markaz provides appropriate channels of communication with a specialized team in the buy and sell of shares, to ensure that client requests are addressed and catered to in a seamless manner, and



Al Mubarakhi: Prudent management and resilient strategy deliver 20 years of excellence at Markaz Real Estate Fund

Mr. Khaled A. Al Mubarakhi, Senior Vice President, MENA Real Estate at Markaz, answers some key questions regarding the strategy of the Markaz Real Estate Fund (MREF) in light of the challenges arising from global events and promising investment opportunities in the real estate sector in Kuwait.



1 Marking 20 years of excellence in a dynamic sector like real estate is certainly noteworthy. What factors do you think have helped the Markaz Real Estate Fund to continue to grow and further strengthen its position as a partner of choice for investors in Kuwait, while achieving sustainable returns over the past two decades?

The success of the Markaz Real Estate Fund, which is the only real estate fund in Kuwait that continues to thrive since its

establishment in 2002, is surely attributed to the fund's prudent management and its dynamic approach to managing the fund's activity. Over the years, the approach to managing the fund has proven flexible and resilient in dealing with real time data and variables in the Kuwaiti real estate market. This has led to the fund's continuity and ability to achieve sustainable returns for investors despite the challenges witnessed over the years and across various markets, which include the global financial crisis in 2008, the decline in oil prices in late 2014 (which lasted for several years) and the most recent of all, the COVID-19 pandemic that broke out in early 2020 and continues to impact countries across the world to date.

2 Over the past two decades, the global economic events have had an impact on the Kuwaiti real estate sector. How did the Markaz Real Estate Fund overcome these challenges and continue to achieve stable and recurring returns to meet the financial aspirations of its clients

Fundamentally, the fund's management

has adopted a twofold approach. The first is to monitor closely the variables across the real estate market, and the second is to minimize risk by refraining from borrowing. This has been the case throughout its 20-year journey of the fund, where it has completely refrained from borrowing or seeking any loans. Moreover, the team diligently strives to lower risk exposure by focusing on broad geographical distribution of investments and diversified asset allocation across business sectors along with a prudent strategy that allows for review and adjustments in line with market conditions. In addition, investing in the quality of the fund's properties is our utmost priority.

3 What are the main opportunities that MREF benefited from to record assets worth 72.27 million Kuwaiti dinars during the past twenty years, despite the challenges in the global and regional economic scene?

MREF continuously invests in promising sectors and exits from them when these sectors reach appropriate price rates, as the fund aims to invest in sectors at the



beginning of their economic cycle and exit when the cycle reaches its peak, and to search for opportunities in other sectors, in parallel. Therefore, the Fund was able to achieve this asset value in spite of the challenges posed by global economic conditions and political factors in the region, and their impact on the rise in oil prices that impact the ability of countries to capital spending, which drives demand for all sectors, including the real estate sector.

4 What is the fund's current position in Kuwait and what distinguishes it from its competitors?

Due to the challenges facing the Kuwaiti real estate scene, there are very few real estate funds in the country. That said, the Markaz Real Estate Fund is the oldest real estate fund in Kuwait, and is considered an ideal and suitable investment tool for many investors wishing to invest in real estate, as it provides investors the opportunity to invest in this sector with small amounts, unlike real estate purchases, which require large sums. The value of the Fund also lies in Markaz's strong management, experience in the field of leasing, collection, maintenance and development of real estate, and its capabilities in acquisitions and exits in a timely manner, according to economic cycles, whether at a sector or regional level.

5 How does the fund maintain diversification of its portfolio, taking into consideration the new developments and real estate located within the country?

Markaz follows a very precise mechanism to diversify the fund's portfolio, where the market and its variables are closely monitored in order to seize the appropriate opportunities, and to form a distinctive income-generating real estate portfolio, as part of our efforts to achieve sustainable returns for investors.

6 What differentiates MREF from other existing traditional funds?

In my opinion, the most important factor in distinguishing the performance of a fund is its management style. The fund's management aims to invest its money in strong real estate in terms of the sector

The success of MREF—the only real estate fund in Kuwait that continues to thrive since 2002—is due to its prudent management and dynamic activity

and the levels of demand for that sector. In addition, diversifying real estate in terms of geography and sectors is also a key factor, where Markaz focuses on investing in the right sector at the right time to reap maximum benefit of economic cycles, while closely managing real estate, and focusing on raising occupancy and collection rates. All of these factors lead to the fund's distinction.

7 How would you describe the performance of the fund during the past year and first half of this year?

In light of the Covid-19 crisis, 2021 was full of challenges, however the fund's performance was good despite these difficult circumstances, as it did not stop generating revenues and hence, distribution of profits to investors. Our main concern was to meet the needs of our clients and investors ensuring continuous leasing and collection, while raising the level of our properties to be the best within their different categories.

As for the first half of 2022, thanks to the great efforts made to raise the level of real estate, many real estate properties have returned to achieve high rental and collection rates, supported by the reopening of the airport and the comeback of economic and commercial life in Kuwait.

To view the performance of the Fund since inception, visit the Markaz website: <https://tinyurl.com/2p8hrceX>

We encourage investors to review all necessary information about investment and to conduct their research before taking any investment decisions (Disclaimer: <https://tinyurl.com/muffp9m8>)

8 Investors are seeking the best investment opportunities in the real estate sector. How do you respond to these aspirations? What are the real estate categories that you focus on?

At Markaz, we pride ourselves on

the extensive experience and in-depth knowledge in meeting the requirements of investors, and we always aim at providing them with the best possible opportunities, by discussing their investment objectives and then exploring their abilities to take on risks. Following that, and drawing upon our long journey in the field of real estate development, we set short-term and long-term investment goals for each client, according to their individual investment needs.

By adopting the highest international standards, we develop meticulously studied plans to meet the objectives of our clientele's investment through our extensive network of financial institutions, partners, consultants, and construction companies, and real estate brokers with extensive experience in their field, as well as legal offices, across all real estate categories, including income-generating properties, land development and real estate development.

In general, our investments in the Middle East and North Africa region vary across many real estate sectors, and we invest in projects in their various stages and invest in residential, commercial, industrial and other sectors through land development, building construction and income-generating real estate management. We are also working on structuring investment portfolios for any of these sectors.

9 What are your expectations for the remainder of this year and the coming years? What trends do you think will prevail and shape the real estate market in the short and long term?

Based on our reading of the real estate market, we expect the occupancy and collection rates to continue to grow and maintain stability in the current period. As for the coming years, our vision for the market is positive, taking into consideration investment opportunities in promising sectors and regions as well as the reservations from entering into high-risk real estate investments. As for the trends that will prevail in the foreseeable future, we expect the return of capital from the private housing sector to the investment and commercial sectors, which have decreased in demand in the past five years due to the high demand in that period for private housing.

Markaz expands Market Maker portfolio to include stocks of nine companies

Markaz announced the expansion of its Market Maker portfolio with the addition of two new companies, Arzan Financial Group for Financing and Investment and Al Ahli Bank of Kuwait. With the new development, a total of nine companies are benefiting from Markaz's Market Maker services. These two new additions further solidify clients' trust in Markaz as a credible Kuwaiti financial institution and its commitment to supporting the development of the Kuwaiti capital market.



Markaz's market making services for its portfolio of clients contributed to 31% of total trades in the exchange for Q3 2022, with a 99% recorded presence in daily trades

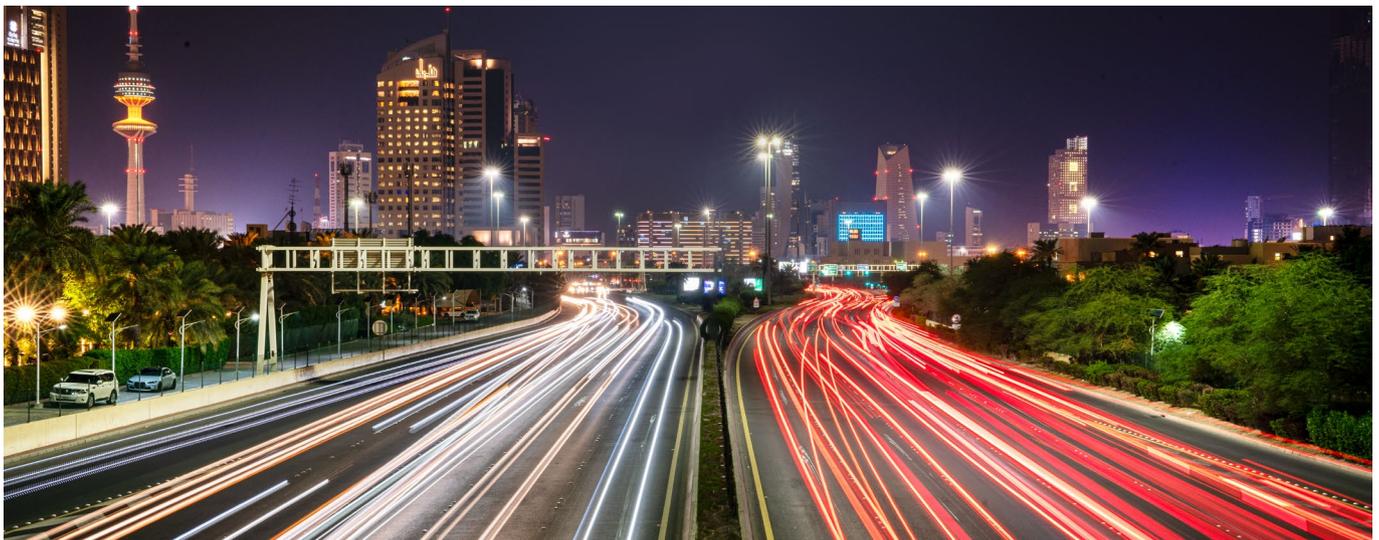
stability. Markaz will play a role in working towards creating a fair balance between bids and asks.

Notably, Markaz's market making services for its portfolio of clients contributed to 31% of total trades in the exchange for the third quarter of 2022, with a 99% recorded presence in daily trades, a testament to the company's level of service excellence presented by the Markaz team, for the benefit of the beneficiaries.

Mr. Abdullatif Al-Adwani, Senior Market Maker, MENA Equity Manager at Markaz, said: "We take great pride in the trust Arzan Financial Group for Financing and Investment, and Al Ahli Bank of Kuwait have placed in the capabilities of the Markaz team, and in the team's capacity as a market maker on their stocks. It also undoubtedly reaffirms Markaz's successful track record in enhancing the value delivered to clients and investors alike."

"We will continue to be fully committed to the highest international standards for market maker services, under the management of our highly qualified team of experts and specialists in the field of trading, as part of our ongoing efforts to contribute to the development of the Kuwaiti capital market," Al-Adwani added.

Markaz boasts a team of experts and specialists in stock trading who deploy the best systems to provide market making services in accordance with international best practices. Markaz's role as market maker is based on its firm belief in the importance of this tool on the financial markets and the shares of listed companies. The market maker service aims to create a balance between supply and demand, bridge the gap between the buying and selling prices, and thus increase revenues for companies benefiting from these services. Market making can positively affect companies' borrowing costs, the value of their shares and their ability to trade at more appropriate prices. Market making services also support the overall development of the Kuwaiti economy by motivating companies to list their shares on the national stock exchange.



Markaz participates in Market Maker seminar organized by Boursa Kuwait

Markaz announced its successful participation in the 'Market Maker' seminar, organized and led by Boursa Kuwait on 26 September 2022 at the Al Kharafi Hall, Boursa Kuwait headquarters. Mr. Fahad S. Al-Rushaid, Vice President - MENA Equities, represented Markaz and was joined by Mr. Sulaiman Al Musallam, Assistant Senior Manager, Market Maker Department in the Asset Management Sector at Kuwait Investment Company.



The event was moderated by Mr. Bader Al Nesef, Assistant Director - Institutional Investor Affairs, at Boursa Kuwait.

Markaz's participation in the seminar reinforces its position as one of Kuwait's leading financial institutions that plays a major role in raising awareness among market participants and encouraging the adoption of international best practices and developing new operational tools, while giving innovation and leadership in the field of financial services a new definition.

During the seminar, Al-Rushaid addressed the impact of liquidity on stock value of listed companies, highlighting its contribution to higher company ratings, reduction of costs incurred by the investor in the event of purchase or exit, and reduction of volatility by closing the gaps in the orders, making stock more attractive and reflecting its true value. Adequate liquidity also helps reduce the company's borrowing cost, diversifies the investor base, and provides an opportunity to enter the emerging market indices.

Al-Rushaid also touched on how a Market Maker guarantees the provision of liquidity on the stock, clarifying that the market maker is mandated by the exchange to trade at least 10% of the stock's overall trades, in addition to providing bids and asks within a certain framework, according to the liquidity bucket the stock is in. Moreover, the exchange requires Market Makers to assign accredited system providers, in order to ensure that it performs these specific tasks. It is also a requirement that the trader has marked at least 5 years of trading experience.

Al-Rushaid shed light on the demand for cooperation with the Market Maker by companies that qualify for the first market, knowing it provides an opportunity for companies to reach the first market or to maintain a steady presence in the first market.

In response to a question about the cases in which the Market Maker faces difficulties in providing liquidity, Al-Rushaid said

that the most prominent of them is the lack of liquidity on certain shares, in which case the solution lies in lending the Market Maker the company's shares, or registering more than one Market Maker on the stock. He added that it is very difficult to source liquidity from scratch, however; trading can be revitalized by filling the order books with bids and asks, in addition to the presence of borrowed shares with the Market Maker, which can contribute to increasing liquidity on passive shares.

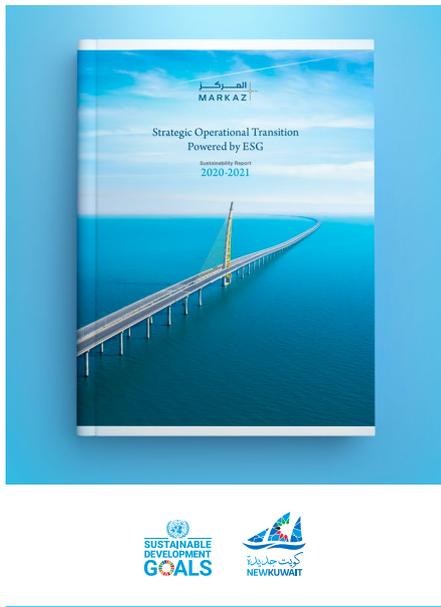
In 2020, Markaz announced that it was approved officially to operate as Market Maker in the Kuwait capital market, making it one of the first companies in Kuwait to take on this role. Reflecting its commitment to supporting the development of the Kuwait market and reinforcing its credibility amongst its clients and stakeholders, Markaz has been appointed as market maker for each of Boursa Kuwait, Al Eid Food Company, Gulf Cable and Electrical

Industries Company "Cable", Kuwait Real Estate Co., Combined Group Contracting Co., and Rasiyat Holding Company. Markaz's role as market maker comes from its strong belief in the impact of this tool on financial markets in general, and on shares of listed companies in specific, and is keen to take part in raising further awareness on its importance amongst key market participants.

It is worth noting that Market-Making services mainly aim at finding a continuous balance between supply and demand and bridging the gap between the buying and selling prices, which may contribute to the flow of liquidity in favor of the listed companies, in the market to which these services are provided. This in turn will have a positive impact on the company's borrowing costs and support the trading of its stocks at a rate closer to its fair value. In addition, Market-Making services encourage more companies to list their shares on the stock exchange, which ultimately supports the comprehensive development of the Kuwaiti economy.

Markaz issues third edition of sustainability report in line with GRI standards

As part of its continuous commitment to ensuring sustainability throughout all aspects of its operations, Markaz has launched its third sustainability report. The report highlights the organization's strong performance in key Environmental, Social and Governance areas (ESGs) during the period between 2020 and 2021, together with disclosures pertaining to all relevant parties including shareholders, customers, work teams and the wider community.



The report follows international standards for sustainability developed by the Global Reporting Initiative, the UN Sustainable Development Goals, Kuwait's National Development Plan and Boursa Kuwait's sustainability indicators

ness continuity and contingency measures it implemented in response to the global pandemic. These served to accelerate Markaz's ongoing evolution, which is characterized by a long-standing commitment to digitalization, as well as attracting and allocating assets that contribute to a more sustainable future.

Commenting on the third edition of the sustainability report, Deena Y. AlRefai, Senior Vice President – Investor Relations at Markaz, said: “We are pleased to present this comprehensive report to our partners, client and internal and external stakeholders, which details the adaptation undertaken over the past two years to ensure greater resilience and agility in the face of rapidly changing market conditions. Most importantly, this report underlines Markaz's remarkable capabilities to maintain business-as-usual during tough times, and bring added value to investors and the communities in which we operate, all while reflecting to the highest standards of governance and sustainability, which has been made possible thanks to our well-structured, proactive and dedicated teams.”

Also commenting on the report, Sondos Saad, Vice President- Media & Communications at Markaz said: “Markaz's keenness to voluntarily issue the sustainability report reflects our commitment to understanding our stakeholders and addressing topics of key importance to them, transparently and in line with global standards. It also reflects on the company's past efforts

and its future vision, and helps address potential gaps, to ultimately achieve our corporate goals and fully cater to our clients' needs. Moreover, the sustainability approach adopted by Markaz since the beginning of its journey has contributed to maintaining a solid and secure foundation, which has been positively reflected on the company's financial performance over the past years.”

Key components of Markaz's sustainability report

Impact of Covid-19



History will recall the global disruption triggered by Covid-19 as the defining feature of the last two years. The report details how Markaz

successfully remained on track with its strategy during the crisis through the activation of well-defined business continuity processes. The organization invested in pandemic-related measures, as well as accelerating its pre-existing digital transformation strategy to implement remote work solutions while maintaining the same levels of operational efficiency. Despite the challenges of the lockdown period, no data leaks were registered. During 2020, Markaz launched the iMarkaz App, which enabled users to continue their investment journeys from the safety of their homes.

Maintaining employee health and safety was also a top priority for Markaz, which rapidly implemented a full range of hygiene practices and precautionary measures in line with evolving government advice. As a result of these procedures, there have been zero recorded cases of Covid-19 transmission in the workplace since the pandemic began. In addition, Markaz intensified its efforts to successfully control all business activities and ensure seamless operations. This was achieved by creating clear channels of communication with key stakeholders, allowing the institution's var-

The publication of the detailed report underlines Markaz's commitment to ensuring transparency in communications regarding available opportunities and emerging risks, with a strong focus on how its operations have been successfully managed throughout the Covid-19 pandemic. In a continuation of the diligent approach applied in the first and second editions, the new report was drafted in accordance with the latest international standards for sustainability reporting developed by the Global Reporting Initiative (GRI), with the aim of showcasing Markaz's contributions to achieving global goals. The report also aligns with the United Nations Sustainable Development Goals (SDGs), together with Kuwait's National Development Plan (KNDP) and Boursa Kuwait's sustainability indicators.

Evolving to meet global challenges

Presented under the theme “Strategic Operational Transition Powered by ESG”, the report highlights the transformation undertaken by Markaz as part of the busi-

ious departments to assess the economic impact of the pandemic and ensuring all findings were not only communicated to the relevant parties in a timely manner, but also addressed instantly.

Economy



In line with its belief that a diverse market leads to greater economic resilience and sustainability, Markaz has continued to attract and retain a client base of high net-worth individuals, governments, quasi-government institutions, and investment arms of corporations, both in the GCC and globally. In addition to building agility in challenging times, diversification supports Markaz's efforts to ensure a positive economic impact in Kuwait and contributes to achieving key national economic commitments linked to the Sustainable Development Goals and New Kuwait Vision 2035.

Corporate governance



During the period covered by the report, Markaz continued to maintain its robust corporate governance framework and apply ESG principles across all of its business functions. The institution's activities are closely aligned with the applicable regulatory requirements and international best practices, as well as internal policies, systems and controls. In an important development, Markaz's Board of Directors set a conservative policy that was transformed into a governance system prior to the issuance of related laws and legislation. With the efficient implementation of this policy, it has become one of the few Kuwaiti institutions to develop an official corporate governance structure with voluntary compliance.

People



One of the essential elements of Markaz's strategy for sustainable development is its deeply-embedded commitment toward its people. Throughout the years, the benefits of an inclusive workplace culture have been reflected in high levels of employee satisfaction, retention, and engagement, en-

abling Markaz to overcome external challenges ranging from economic recessions to global pandemics. The organization's dedication to diversity can be seen in its high levels of female employees, who comprised 27% of the workforce in 2020, a figure that grew to 30% by the end of 2021. Markaz is also committed to empowering Kuwaiti nationals, with a Kuwaitization rate of 45% in 2021. Nurturing employees remains a top priority for Markaz, which supports team members through performance management, learning opportunities, and policies that ensure their rights are properly upheld.

Community



Markaz's CSR strategy is founded upon three main pillars of building human capacity, promoting good governance, and aligning its business environment with the principles of sustainable development. With the Covid-19 pandemic heralding a global digital revolution, Markaz escalated its digital communication methods and adapted its operations accordingly. This process not only enabled the organization to maintain a seamless business flow, but also contributed to reduced costs in many areas. One of the areas that benefited from digitalization was the Markaz Graduate Development Program (MGDP), which

continued with the same effectiveness at an 87% lower cost than the previous on-site program.

The environment



Adopting a culture that reinforces sustainability and nurtures innovation is not only central to Markaz's philosophy, but also recognized as an important driver of improved operational efficiency. In line with its belief that protection of the environment is integral to good business practice, Markaz has successfully adopted a number of initiatives, including paper and plastic waste reduction and recycling programs. These efforts were supported by a shift towards digitalization, as well as the launch of Kuwait's first personalized investment app iMarkaz, a New Residents' Services Portal, and the application of global best practices in information security.

Markaz continues to lead by example by placing the interests of key stakeholders at the heart of its extensive reporting and research efforts. With the publication of its 2020-2021 sustainability report, the Markaz has further emphasized its commitment to transparency by delivering in-depth evaluation and reporting across the business that provides valuable insights on how it is contributing to a more sustainable tomorrow.

Key highlights

Highlight	2020	2021
Awards and recognitions	3 achieved	5 achieved
Increase in female employment *	5%	
Increase in females in managerial positions *	13%	
Number of regulatory training hours *	951	
Total employee training hours *	5,518	
Workplace Covid-19 transmission cases *	Zero (0) incidents	
Customer privacy and data protection *	Zero (0) leakage	
Kuwaitization rate	44%	45%
Increase in number of local suppliers *	14%	
Total amount of paper recycled *	2,000 KG	
Greenhouse gas emissions avoided by paper recycling *	7.56 MT CO2e	
Total scope III greenhouse gas (GHG) emissions	30 MT CO2e	38 MT CO2e
Energy saved due to paper recycling *	9,964 kWh	
Water saved due to paper recycling *	43,000 US gallons	

Source: * Values / outcomes given are the totals for 2020 and 2021

National Industries successfully completes KD 40 million bond issuance with joint lead managers Markaz and Gulf Bank

With National Industries Group Holding K.P.S.C. (“NIGH” or the “Group”) as the Issuer, and Markaz and Gulf Bank serving as the Joint Lead Managers, the three parties announced in a joint statement the success of the KWD bond issuance for the National Industries Group Holding with a nominal value of 40 million Kuwaiti Dinars for a five-year term.



The latest bond issuance demonstrates investors' trust in the quality of the offer and the high creditworthiness of National Industries Group Holding, as well as the effectiveness of distribution by Markaz and Gulf Bank as the lead managers. Furthermore, the issuance marks the first Kuwaiti Dinar-denominated bond issuance so far in Kuwait in 2022.

The National Industries Group Holding bonds were issued in two tranches, the first with a fixed rate at 5.25% per annum, payable on a quarterly basis, and the second tranche with a floating rate at 2.25% above the Central Bank of Kuwait (CBK) Discount Rate, and payable on a quarterly basis.

The new bonds mark the seventh debt issuance by National Industries Group Holding. It is worth noting that these bonds, due in 2027, are issued in Kuwaiti Dinars and have a credit rating of (BBB-) from Capital Intelligence.

Mr. Ahmed Hassan, CEO of National Industries Group Holding, said: “With its seventh bond issuance coming to fruition, National Industries Group Holding has reached a new distinguished milestone. The offer’s success reinforces our reputation for creditworthiness and dependability as a highly diversified business with robust fundamentals. It is also a strong testimony to the Kuwaiti capital market’s standing as a flourishing investment destination that provides lucrative opportunities for both issuers and investors.”

He continued: “In addition to the flexible structure and fair pricing of the new bonds, the issuance’s effective execution played a critical role in the wide participation of investors. As the main managers of this process, both Markaz and Gulf Bank have proven their abilities in arranging the subscription and distribution processes

in an outstanding manner.”

Hassan expressed that National Industries Group Holding is looking forward to strengthening its long-standing relationship with both Gulf Bank and Markaz, benefiting from their market strengths and extensive distribution networks to further grow their business.

Mr. Ali H. Khalil, CEO of Markaz, said: “As we complete yet another bond issuance with success, we are pleased that Markaz’s mandate as a joint lead manager has been well executed, further cementing our market leadership in investment banking. The offer was attractive to investors given National Industries Group Holding’s outstanding reputation. The quality of the issue was complemented by the excellent execution and distribution efforts made by us and our partner, Gulf Bank.”

Mr. Khalil added: “The new debt issuance adds to our long track record of placing and executing successful large transactions helping our clients meet their financing objectives. We have assisted several local companies operating in various sectors in issuing bonds and ‘sukuk’ to secure the funding required to support their businesses. 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 capital market needs, companies, and investors.”

On his part, Mr. Tony Daher, CEO of Gulf Bank, commented: “We are pleased to have participated in National Industries Group Holding’s latest bond issue as a joint lead manager with Markaz.”

He added: “The positive reception from investors and the successful completion of the National Industries Group Holding’s bond issue mark the outcome of both a strong offering and the successful execution of a strong Markaz-Gulf Bank

partnership. Our latest achievement is a testament to Gulf Bank’s ongoing commitment to meeting the banking and investment needs of our clients. It also reflects Gulf Bank’s constant efforts to diversify its revenue streams and provide its shareholders with strong returns.”

Established in 1960, NIGH is a multi-industry conglomerate and a holding company headquartered in Kuwait regarded as a major player in the industrialization of modern Kuwait. NIGH’s highly diversified portfolio includes several successful business establishments, including Kuwait Cement Company K.P.S.C., National Industries Company for Building Materials K.P.S.C., Noor Financial Investment Company K.P.S.C and Mabane Company K.P.S.C. NIGH was listed on Boursa Kuwait in 1984, and is currently a constituent of the Premier Market on Boursa Kuwait.

As at 30 June 2022, the Group’s total assets reached KWD 1,442 million with an equity attributable to owners of the Parent Company of KWD 513 million. The Group achieved net profits attributable to owners of the Parent Company of KWD 31.2 million for the six months ended 30 June 2022 compared to KWD 43.6 million for the same period in 2021.

The international credit rating company Capital Intelligence affirms the investment grade rating of NIGH’s bonds at “BBB-” with a stable outlook. It stated in its report that NIGH’s large asset base comprising of a significant portfolio of quoted equities, as well as its diversification across multiple sectors coupled with its sound operating performance at most subsidiaries and associated companies, are factors for supporting the stabilizing of the rating. Furthermore, the rating reflects the strength of the Issuer, comfortable effective liquidity, lowered leverage on the back of its recent capital increase, and good reputation of the company.

Exploring the growth of private credit funds in the current investment landscape

By: Khaled Al-Dousari, Senior Analyst - International Investments

The current investment landscape is highly unpredictable due to various changes in the global economy and world events, leading to increased market volatility. Factors such as inflation, slower growth, shifting monetary policies, and rising interest rates are impacting major asset classes such as public equities and real estate, causing significant changes in investment strategies and returns. To navigate this uncertainty, it is important to have a well-diversified asset allocation strategy in place.



Private credit funds are pools of actively managed capital that primarily invest in loans to private companies which in turn collect interest and principal payments from the companies

interest and principal payments from the companies it lends to and distributes them to its investors, providing a stable source of income.

In light of these conditions, many investors are turning to private credit funds as a source of income generation. Private credit funds are pools of actively managed capital that primarily invest in loans to private companies. The managers of these funds have a more direct and hands-on approach to investing, allowing them to make more informed and precise investment decisions, potentially leading to higher returns. The fund lastly collects

Due to new regulatory constraints, companies are facing difficulties accessing traditional forms of financing such as bank loans, creating an opportunity for private credit funds to step in and provide financing in exchange for a higher yield. Private lenders are becoming preferred financing partners due to their sophistication, flexibility, certainty of execution, and the critical support they can offer to borrowers in challenging environments.

Private credit debt can take various forms, including senior debt, mezzanine debt, and subordinated debt. Senior debt

is the most secure form and has first priority in loan repayment, while mezzanine debt is higher risk and has a lower priority in loan repayment. Subordinated debt is considered the highest risk and usually carries a higher interest rate. Investors must carefully weigh the different levels of risk and reward associated with each form of private credit debt before making an investment decision.

Investing in private credit funds can also provide a stable source of income as the interest payments from the loans made to private companies are typically contractual and can provide a reliable source of income for investors. However, it is important to note that private credit investments carry certain risks, such as credit risk, interest rate risk, and market risk. Therefore, it is crucial for investors to carefully consider the risks involved and seek professional advice before investing in private credit funds.

In conclusion, the current investment landscape presents numerous challenges and uncertainties, making it crucial for investors to have a well-diversified asset allocation strategy. Over the past few years, the growth of private credit has made it a popular investment option for those seeking higher yields and a more diverse investment portfolio. The direct and hands-on approach of private credit fund managers, coupled with new regulatory constraints that make traditional financing difficult to access, create an opportunity for these funds to step in and provide financing to private companies. However, private credit investments also carry risks, so it is essential for investors to carefully consider the risks involved and seek professional advice before making an investment decision. In the end, private credit funds can provide a stable source of income for investors, making them an interesting alternative in today's unpredictable investment landscape.



Multiply Group leads GCC M&A transactions for Q3 2022

By: Investment Banking - Advisory

Multiply Group topped M&A transactions in GCC during Q3 2022 as per a report recently issued by the Investment Banking Department at Markaz. The report highlights the USD 2.7 billion transaction that was announced by the Emirati company whereby it acquired a 7% stake in Abu Dhabi National Energy Company.



The GCC sealed 59 transactions in Q3 2022, which implies a growth of 23% year over year. KSA recorded the greatest QoQ growth at 175%, while the UAE recorded the greatest level of YoY growth at 50%

Following this is Al Salam Bank, which recorded the second largest transaction when it sealed its USD 2.2 billion acquisition of Ithmaar Bank's consumer banking businesses alongside a portfolio of sukuk issued by the Government of Bahrain and the group's indirect shareholdings in Bank of Bahrain and Kuwait, Solidarity Group Holding, Mastercard Inc. and the Benefit Company. ADES Arabia Holding plc took

on the following transaction, penning a binding agreement with Seadrill Limited to acquire the shares of seven of its entities, each of which owns and operates a jack up drilling rig, for a total consideration of USD 628.0 million. The company expects to seal the deal in Q4 2022, upon obtaining regulatory approvals. Moreover, Qatar Electricity & Water Company (Qatar Electricity) finalizes its acquisition of a 40% stake

in Nebras Power for a total consideration of USD 530.0 million, upon which it became the sole owner of the company. Qatar Electricity acquired this stake from Qatar Holding L.L.C. through its wholly owned subsidiary, Raslaffan Operating Company W.L.L. Lastly, the Saudi Public Investment Fund signed a non-binding agreement to acquire a 30% stake in Almosafer Travel & Tourism Company from Seera Group Holding for a total consideration of USD 413.8 million, which includes an earnout component amounting to USD 102.8 million. This is based on an enterprise value of USD 998.6 million.

GCC M&A growth

According to Markaz's report, the GCC market sealed a total of 59 transactions throughout Q3 2022, which implies a growth of 23% year over year. Saudi Arabia recorded the greatest level of growth quarter over quarter, at 175%, while United Arab Emirates recorded the greatest level of growth year over year, at 50%.

Acquirers and targets

The majority of closed transactions during Q3 2022 and Q3 2021 were carried out by GCC acquirers. Of the total number of transactions that closed during Q3 2022, GCC acquirers accounted for 74% while foreign acquirers accounted for 19%. The remaining 7% represents transactions for which the buyer information was not available. GCC acquirers also dominated the market during Q3 2021 as they accounted for 69% of the total number of closed transactions while foreign acquirers accounted for 27%. Once again,

Top 5 M&A deals by reported value* - Q3 2022

Company	Country	Buyer	Buyer	%	\$ million	Status
Abu Dhabi National Energy Company	UAE	Multiply Group	UAE	7	2,722	Closed
Ithmaar Holding Consumer Banking Business & Assets	Bahrain	Al Salam Bank	Bahrain	100	2,200	Closed
Seadrill Limited Drilling Rig Entities	KSA	ADES Arabia Holding plc	UAE	100	628	Announced
Nebras Power	Qatar	Qatar Electricity & Water Company	Qatar	40	530	Closed
Almosafer Travel & Tourism Company	KSA	Public Investment Fund	KSA	30	414	Announced

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

*Top deals were chosen based on transactions, which had all necessary information provided.

Number of closed GCC M&A transactions*

Country	Q3 2022	Q2 2022	Q3 2021	% QoQ	% YoY
Bahrain	3	3	3	0%	0%
Kuwait	6	7	9	-14%	-33%
Oman	2	1	0	100%	n/a
Qatar	1	2	0	-50%	n/a
KSA	11	4	12	175%	-8%
UAE	36	26	14	38%	50%
Total	59	43	48	37%	23%

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

Classification of deals by sector - Q3 2022

Sector	GCC buyer	Foreign	Others*	Total	%**
Financials	1	8	0	9	15%
Industrials	0	7	1	8	14%
Consumer discretionary	0	5	1	6	10%
Insurance	1	4	1	6	10%
Real estate	1	3	1	5	8%
Information technology	3	1	0	4	7%
Healthcare	0	4	0	4	7%
Education	1	2	0	3	5%
Media	1	1	0	2	3%
Consumer staples	0	2	0	2	3%
Utilities	0	2	0	2	3%
Logistics	0	2	0	2	3%
Materials	1	1	0	2	3%
Energy	0	1	0	1	2%
Construction	1	0	0	1	2%
Communications services	0	1	0	1	2%
Marketing	1	0	0	1	2%
Total	11	44	4	59	100%

Source: *Other refers to deals where buyer information is not available. **Totals may exceed 100% due to rounding.

the remaining 4% represents transactions for which the buyer information was not available.

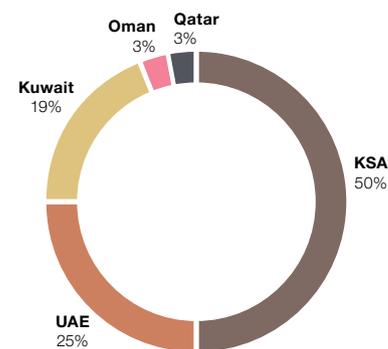
Furthermore, GCC acquirers primarily invested in companies within their local markets and in international markets, and targeted regional companies to a lesser extent. Throughout Q3 2022, GCC acquirers closed a total of 39 transactions within their local markets, compared to 23 transactions in Q2 2022. In addition, GCC acquirers sealed 18 cross-border transactions throughout Q3 2022, relative to 24 cross-border transactions in Q2 2022. It is worth noting that UAE buyers

accounted for approximately 44% of the total number of cross-border transactions that closed in Q3 2022, followed by Saudi Arabia and Kuwaiti, who accounted for 33% and 17%, respectively.

Foreign buyers

The GCC market received a slightly lower level of interest from foreign buyers in Q3 2022 compared to Q2 2022 and Q3 2021. Throughout Q3 2022, foreign buyers closed 11 transactions compared to 15 transactions in Q2 2022 and 13 transactions throughout Q3 2021. The UAE

Geographical distribution by number of announced pipeline transactions (Q3 2022)



continued to be an attractive contender compared to its GCC constituents which is evident as they accounted for all of the foreign-led transactions that closed throughout the quarter.

Sectorial view

The transactions that closed during Q3 2022 targeted companies that operate across various sectors, highlighting another trend that has remained strong throughout the past few quarters. With that being said, the sectors that witnessed the greatest level of activity throughout Q3 2022 were the Financials, Industrials, Consumer Discretionary and Insurance sectors. Collectively, these four sectors accounted for 49% of the transactions that closed throughout the quarter.

Deals in the pipeline

By the end of Q3 2022, there was a total of 32 announced transactions in the pipeline, which is relatively stable compared to Q2 2022, which ended with 30 transactions announced. The majority of these transactions involved Saudi targets, who accounted for 50% of the total number of announced deals, followed by United Arab Emirates and Kuwait at 25% and 19%, respectively. The remaining transactions involved Omani and Qatari targets while Bahrain ended the quarter with no transactions in the pipeline. It is worth noting that Saudi Arabia and Kuwait were the only two markets that witnessed growth in its pipeline relative to the previous quarter.

GCC markets witness highest number of companies going public in 2022

By: Investment Banking - Capital Markets

Markaz recently released its GCC equity primary offerings overview where it reported that the GCC markets witnessed a total of 90 initial public offerings (“IPO”) in the period from 2016 to August 2022, with a total offering amount of USD 55.9 billion as of 31 August, 2022.



The report issued by Markaz also highlighted that over the past seven years, the GCC markets witnessed the highest number of companies going public in the year 2022 with 27 IPOs raising a total of USD 14.5 billion. Meanwhile, the year 2019 witnessed the highest value for IPO offerings with a total of USD 27.3 billion, out of which Saudi Aramco’s offering constituted 94% of the total value offered for the year.

GCC equity primary offerings: 2016 - 31 August 2022

Total value by country

In the period from 2016 - 31 August 2022, Saudi Arabia’s stock market witnessed both the highest number of IPOs and the largest total offering amount

The energy sector constituted 49% of total GCC equity primary offerings raising USD 27.7 billion. It is worth noting that Saudi Aramco’s IPO in 2019 constitutes about 92% of the sector’s primary offerings

among GCC stock markets, with a total of USD 38.9 billion of proceeds through 60 IPOs. It is followed by the United Arab Emirates (“UAE”) with total equity primary offerings value of USD 14.5 billion through 11 IPOs. Abu Dhabi Securities Exchange (“ADX”) accounted for 46 per cent of total UAE equity primary offerings with a total of USD 6.7 billion raised while the Dubai

Financial Market (“DFM”) accounted for 54 per cent with a total of USD 7.9 billion raised. During the same period, Boursa Kuwait witnessed a total 5 IPOs with a total offerings value of USD 803 million.

Sector allocation

In the past seven years, The Energy sector constituted 49% of total GCC equity primary offerings raising a total of USD 27.7 billion in proceeds. It is worth noting that Saudi Aramco’s IPO in 2019 constitutes about 92% of the GCC Energy sector’s primary offerings. The Utilities and Materials sectors follow with 14% and 6%, respectively, of total GCC equity primary offerings raising a total of USD 7.6 billion and USD 3.5 billion, during the same period.

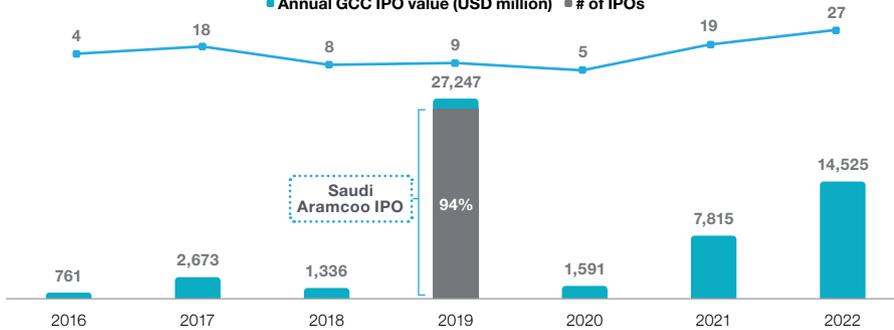


GCC equity offerings

As of 31 August 2022

Equity offerings only (excludes direct listings, REITs, ETFs, CEF)

■ Annual GCC IPO value (USD million) ■ # of IPOs



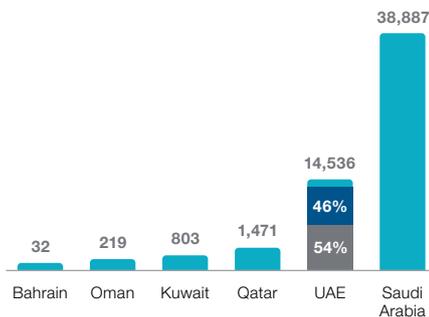
Total IPO value by country

2016 - 31 August 2022 (USD million)

Equity offerings only

(excludes direct listings, REITs, ETFs, CEF)

■ DFM: \$ 7,862 million ■ ADX: \$ 6,674 million



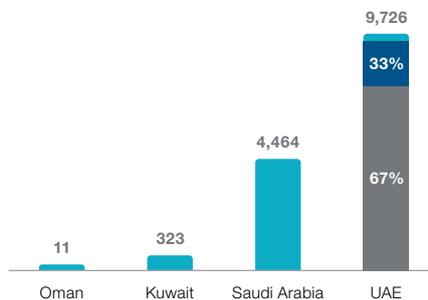
Total IPO value by country

YTD 2022 (USD million) as of 31 August 2022

Equity offerings only

(excludes direct listings, REITs, ETFs, CEF)

■ DFM: \$ 6,532 million ■ ADX: \$ 3,194 million



2022 witnessed the largest IPO by value for the year after the USD 6.1 billion offering of DEWA.

Total IPO value by country

In 2022, the UAE witnessed the highest offering amount for the year with a total value of USD 9.7 billion being raised through 5 IPOs. DFM accounted for 67% of total UAE equity primary offerings for the year with a total of USD 6.5 billion being raised in proceeds while ADX accounted for 33% with a total of USD 3.2 billion being raised in proceeds. Saudi Arabia saw the highest IPO volume, compared to its GCC peers, with 20 IPOs raising USD 4.5 billion in proceeds.

Boursa Kuwait witnessed 1 IPO with Ali AlGhanim Sons Automotive Company raising a total of USD 323 million through its IPO. The automotive company floated 45% in June 2022 by offering 124,875,000 shares with an offer price of 793 fils.

Sector allocation

The utilities sector constituted 42% of total GCC equity offerings for the year where the sector raised USD 6.1 billion in proceeds following DEWA's offering, followed by Materials and Consumer Staples raising a total of USD 2.5 billion which constituted 17% and USD 2.0 billion which constituted 14%, respectively.

Top equity offerings

DEWA's IPO on DFM raised the most proceeds at USD 6.1 billion in April 2022 after its 18% share sale, making it the largest GCC IPO for the year and the biggest IPO for the region since Saudi Aramco's 2019 offering. As of 31 August 2022, DEWA constituted 42% of total GCC IPO amount YTD. Borouge PLC came in second after successfully listing on ADX in June 2022, making it the largest-ever IPO for Abu Dhabi. The company floated 10% of its total issued share capital, raising a total of USD 2.0 billion which constituted 14% of total GCC equity offerings YTD.

Top equity offerings

Saudi Aramco's IPO on Tadawul was the largest GCC equity offering by value after its 2% share sale, making it the largest IPO in history not only for the region but globally too (total value of ~USD 25 billion).

Dubai Electricity and Water Authority PJSC ("DEWA") and Borouge PLC came in second and third respectively after their equity offering in 2022, where DEWA offered 9.0 billion shares on DFM at an offer price of AED 2.48 (total value of ~USD 6.1 billion), while Borouge offered 3.0 billion shares on ADX with an offer price of AED 2.45 (total value of ~USD 2.0 billion).

Kuwait witnessed 1 IPO with Ali AlGhanim Sons Automotive raising USD 323 million. The automotive company floated 45% in June 2022 by offering 124,875,000 shares with an offer price of 793 fils

GCC equity primary offerings: YTD 2022 (as of 31 August, 2022)

For the year 2022, GCC markets raised a total of USD 14.5 billion through 27 IPOs with the month of February witnessing the highest activity with 7 IPOs raising a total of USD 2.1 billion, whereas April

MENA IPO bonanza is far from over with GCC equity markets hitting the gas on IPO issuances

By: Taiba Al Fulajj, Trainee, MENA Equities

MENA 2022 IPO market summary: activity burgeoned, proceeds and issuances proliferated.



Relative to global markets, the IPO activity in the MENA region outstripped global peers, earning a substantial growth rate in IPO volumes and proceeds

GCC 2022 IPO market summary

The GCC IPO market witnessed a flurry of IPO listings during 2022 on the back of rising oil prices and supportive governmental measures. Despite global economic turbulences, GCC markets recorded 48 issuances, 2.4 times its issuances during 2021. In terms of proceeds, GCC issuers were able to collectively raise approximately \$22 billion worth of proceeds, a 195% incline from the previous year.

GCC IPO activity by country: UAE leads in terms of proceeds, while Saudi Arabia dominates GCC equity listings

Saudi Arabia spearheaded the GCC equity markets with regards to IPO issuances. Out of the 48 GCC listings, 36 of them were listed in Saudi Arabia; 19 on Tadawul Nomu and 17 on Tadawul Main Market. Consequently, Saudi Arabia is-

MENA equity markets experienced a healthy pipeline of IPO listings for the year 2022, with the bigger chunk of the listings taking place in the GCC. Relative to global markets, the IPO activity in the MENA region outstripped global peers, earning a substantial growth rate in IPO volumes and proceeds (MENA FY22: +148% in IPO Volumes, +183% in IPO proceeds vs Global FY 22: -45% in IPO volumes, -61% in IPO proceeds). It is also interesting to notice that GCC IPO activity was the hottest during Q2 and Q4, periods in which equity markets both globally and in the MENA region were most volatile.

suers raised a total of approximately \$10 billion worth of proceeds. On the other hand, the UAE recorded 10 equity listings, with 5 of them listed on ADX and the other 5 on DFM. According to PWC, 3 of the top 10 largest global IPOs took place in the UAE; 1 in DFM and 2 in ADX. Cumulatively, UAE issuers were able to raise \$12 billion worth of proceeds. It is worth mentioning that 51% of the IPO proceeds came from the listing of DEWA (Dubai Electricity and Water Authority) on DFM during the second quarter of 2022. Following UAE, Oman has also been taking active measures to revitalize its stock market. Oman saw 2 issuances on MSX, which brought in \$72.1 million worth of proceeds. Also, Kuwait saw 1 issuance on Boursa Kuwait Premier Market, raising \$325.5 million worth of proceeds.

IPO/stock exchange

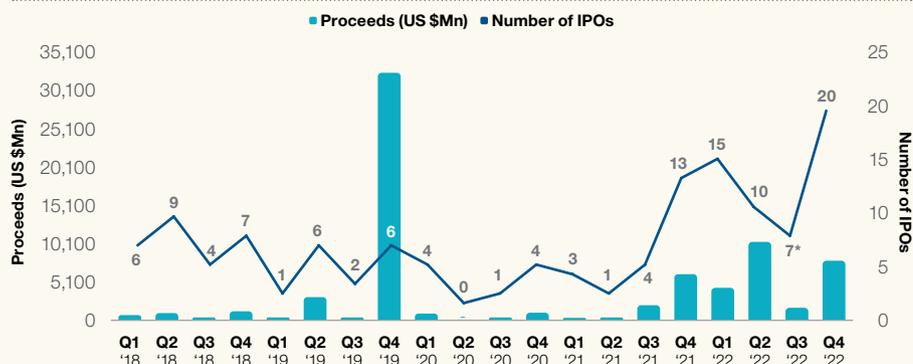
Exchange	Issuances	USD million
Tadawul Main	17	9,091.2
Tadawul Nomu	19	657.4
ADX	5	3,477.4
DFM	5	8,485.2
Boursa Kuwait	1	325.5
Oman MSX	2	72.1
Bahrain Se	0	0
Qatar QSE	0	0

Top 5 GCC equity listings

- 1 DEWA: raised \$6.1 billion from its listing on DFM. It is also considered one of the top 10 largest global IPOs for the year 2022, according to PWC
- 2 Borouge: a JV between ADNOC and Borealis of Austria, successfully raised \$2 billion worth of proceeds from its IPO on ADX
- 3 Americana: one of the largest restaurant operators in the MENA region, raised \$1.8 billion from its IPO and dual listing on ADX and Tadawul
- 4 Nahdi Medical Company: a leading chain of Saudi retail pharmacies, raised \$1.37 billion from its IPO on Tadawul
- 5 Saudi Aramco Base Oil (Luberef): a leading supplier of base oils globally raised \$1.31 billion worth of proceeds

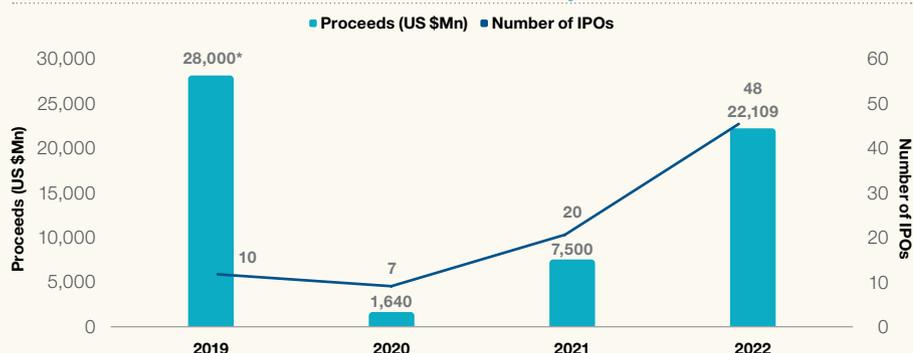


MENA IPO activity



*Cross Listing of Americana on ADX and Tadawul.
Source: EY, PWC.

GCC IPO activity



Source: EY, PWC, Markaz Research.
*Including proceeds from the listing of Aramco.

Top 5 Listings

Top 5 listings	USD million	Exchange
DEWA	6076.9	DFM
Bourouge	2005.2	ADX
Americana	1802.6	ADX
Nahdi Medical Co.	1379.4	Tadawul
Saudi Aramco Base Oil Co. (Luberef)	1317.9	Tadawul

Relative to global markets, the IPO activity in the MENA region outstripped global peers, earning a substantial growth rate in IPO volumes and proceeds

GCC IPO activity outlook

GCC equity markets buckle up for another year of equity listings. The IPO pipeline across the GCC region this year seems propitious, with several state-owned and private companies announcing their intention to list. Also, GCC stock exchanges are exploring dual listing options with both regional and global stock exchanges.

Saudi Arabia: Tadawul approved 18

companies wishing to list during 2023, and 70 applications are being reviewed. Saudi Arabia may experience the first listing of a global company onto its exchange, Olam Group, which has recently announced intentions on a concurrent listing on Tadawul and Singapore. In the next 3-5 years, Tadawul has plans to list approximately 272 companies onto the exchange, 210 on the Main market and 62 on Nomu. According to Reuters, Saudi Arabia is working with Lazard on a potential listing of Masar, a \$27 billion mega project in the holy city of Mecca.

Upcoming IPOs to watch for in GCC

KSA
MBC Group
Matarat
Ras Al Khair Integrated Desalination & Power
ADES International Holding
BENA Steel Industries Company
Knowledge Net Company
Food Gate Trading Company
Waja Company
Mawarid Manpower
Morabaha Marina Financing
Saudi Lime Industries Company
Al Ittefaq

UAE
IHC Adnoc natural gas business
PureHealth
International ENERGY Holding
Lulu Hyper Group
Al-Ansari Exchange

Qatar
MEEZA Academy

Oman
Abraj Energy Services S.A.O.C
Oman Oil Company
Majis Industrial Services

Furthermore, Saudi Arabia Tadawul recently signed a MOU with Hong Kong Stock Exchange to collaborate across ESG, dual listing opportunities, and FinTech.

Oman: As part of the country's 2040 Vision toward economic diversification, Oman Investment Authority plans to list 6 state-owned companies onto its stock exchange, MSX, with 3 IPOs already being approved for this year. Furthermore, Oman, recently, formally joined Bahrain Bourse and Abu Dhabi ADX's newly launched digital exchange hub, Tabadul, with plans to boost liquidity across its financial markets and broaden its investor base.

INFORMED OPINION

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MENA IPO bonanza

UAE: The UAE has 11 confirmed equity listings in its pipeline. IHC, one of UAE's investment powerhouses, seeks to list 20% of its technology unit onto ADX. To

add on, Abu Dhabi's ADX formed a \$1.4 billion IPO fund with goals of attracting companies to list in the UAE. Dubai Financial Market, DFM, is also on track on

its plans to list 10 state-owned entities to increase the size of its exchange to \$816 billion, AED 3 trillion.

2022 IPOs

Date	Issuer	Proceeds (USD Mn)	Price (USD)	2022 quarter	1st day return	Share price performance	Sector	Exchange
5-Jan	Jahez International Company for Information System Technology	426.8	226.0	Q1	11%	-30.19%	Consumer Discretionary	Tadawul (Nomu)
6-Jan	Advance International Company for Communication and Information Technology	0.0	29.3	Q1	72%	-42.14%	Technology	Tadawul (Nomu)
18-Jan	Alwasail Industrial Company	12.7	5.1	Q1	30%	8.72%	Industrials	Tadawul (Nomu)
7-Feb	Gas Arabian Services Co.	19.0	24.0	Q1	17%	-36.58%	Industrials	Tadawul (Nomu)
14-Feb	East Pipes Integrated Company	134.4	21.3	Q1	6%	-39.18%	Materials	Tadawul
16-Feb	Elm Information System Co.	819.2	34.1	Q1	30%	184.26%	Technology	Tadawul
20-Feb	Raoom Trading Co.	21.3	21.3	Q1	30%	41.42%	Industrials	Tadawul (Nomu)
27-Feb	Barka Desalination Company	11.4	0.4	Q1	4%	-10.17%	Utilities	MSX
28-Feb	Scientific&Medical Equipmment House LLC	83.2	13.9	Q1	30%	23.89%	Healthcare	Tadawul
2-Mar	Al Jouf Healthy Mineral Water Bottling Co.	5.8	9.3	Q1	30%	-20.75%	Consumer Staples	Tadawul (Nomu)
3-Mar	Arabian International Healthcare Holding Co.	110.7	21.9	Q1	-4%	-48.94%	Healthcare	Tadawul
14-Mar	Aldawaa Medical Services Co.	502.6	19.5	Q1	8%	3.89%	Consumer Staples	Tadawul
22-Mar	Nahdi Medical Company	1,379.4	34.9	Q1	15%	41.31%	Consumer Staples	Tadawul
29-Mar	Al Masane Al Kobra Mining Company	336.8	16.8	Q1	30%	16.94%	Materials	Tadawul
12-Apr	Dubai Electricity and Water Authority PJSC	6,076.9	0.7	Q2	16%	-8.21%	Utilities	DFM
20-Apr	Saudi Home Loans Co.	159.9	5.3	Q2	30%	0.69%	Banks	Tadawul
27-May	ADC Acquisition Corp PJSC - SPAC	99.9	2.7	Q2	9%	18.79%	SPACS	ADX
3-Jun	Borouge PLC	2,005.2	0.7	Q2	22%	4.24%	Basic Materials	ADX
6-Jun	Ali Al Ghanim&Sons Automotive	325.5	2.6	Q2	12%	6.93%	Consumer Discretionary	Boursa Kuwait-Premier Market
12-Jun	Arabian Food&Dairy Factories Co.	5.3	18.9	Q2	30%	34.13%	Food and Beverages	Tadawul (Nomu)
14-Jun	Ladun Investments Co.	24.0	4.8	Q2	-6%	-13.92%	Real Estate	Tadawul (Nomu)
16-Jun	Amwaj International Co.	11.5	19.2	Q2	30%	25.23%	Retail	Tadawul (Nomu)
27-Jun	Retal Urban Development Co.	383.9	32.0	Q2	1%	3.13%	Real Estate	Tadawul
5-Jul	TECOM Group	463.0	0.7	Q3	-9%	-10.93%	Real Estate	DFM
9-Aug	Alamar Food Company	325.9	30.7	Q3	6%	26.25%	Consumer Services	Tadawul
15-Aug	Naqi Water Company	110.2	18.4	Q3	26%	-5.97%	Food and Beverages	Tadawul
17-Aug	Saudi Networks Services Co.	28.4	18.9	Q3	-1%	-26.66%	Software and Services	Tadawul (Nomu)
22-Aug	International Human Resources Co.	4.5	9.1	Q3	30%	69.90%	Commercial & Professional Services	Tadawul (Nomu)
7-Sep	Naba Al Saha Medical Services Company	21.3	15.2	Q3	-8%	-26.34%	Healthcare Equipment and Services	Tadawul (Nomu)
29-Sep	Salik Company PJSC	1,017.0	0.5	Q3	11%	41.03%	Transportation	DFM
5-Oct	Arabian Plastic Industrial Co.	7.2	7.2	Q4	30%	25.88%	Materials	Tadawul (Nomu)
10-Oct	Burjeel Holdings PLC	299.9	0.5	Q4	15%	19.25%	Healthcare Equipment and Services	ADX
18-Oct	Al Babbain Food	11.1	20.5	Q4	-17%	-36.28%	Food and Beverages	Tadawul (Nomu)
31-Oct	Bayant Al PLC	171.1	0.3	Q4	281%	288.43%	Industrial and Commercial Services	ADX
7-Nov	Arabian Drilling Co.	710.6	26.6	Q4	23%	35.29%	Energy	Tadawul
14-Nov	Pearl REIF	60.7	0.3	Q4	4%	3.28%	Real Estate	MSX
15-Nov	Emirates Central Cooling Systems Corporation (Empower)	724.1	0.4	Q4	3%	5.50%	Industrials	DFM
16-Nov	Perfect Presentation for Commercial Service Co.	221.7	49.3	Q4	2%	-11.22%	Software and Services	Tadawul
17-Nov	Knowledge Tower Trading Co.	3.7	10.6	Q4	30%	60.95%	Retail	Tadawul (Nomu)
23-Nov	Marafiq Power&Water Utility Co. for Jubail & Yanbu	894.7	12.2	Q4	3%	1.82%	Utilities	Tadawul
29-Nov	Taaleem Holdings PSC	204.2	0.8	Q4	-15%	-12.2%	Education	DFM
30-Nov	Al Waha REIT	8.6	2.7	Q4	1%	11.57%	REIT Fund	Tadawul (Nomu)
12-Dec	Americana Restaurants International PLC - Dual Listing	901.3	0.7	Q4	2%	44.30%	Consumer Services	ADX
12-Dec	Americana Restaurants International PLC - Dual Listing	901.3	0.7	Q4	8%	42.43%	Consumer Services	Tadawul
19-Dec	Riyadh Cables Group Co.	377.6	11.4	Q4	-12%	-6.00%	Capital Goods	Tadawul
20-Dec	Molan Steel Co.	3.4	6.4	Q4	30%	49.32%	Materials	Tadawul (Nomu)
22-Dec	Saudi Top Plastic Trading Co.	31.1	35.4	Q4	-11%	-28.92%	Materials	Tadawul (Nomu)
27-Dec	Al Saif Stores for Development & Investment Co.	321.2	30.6	Q4	-15%	-18.98%	Retail	Tadawul
28-Dec	Saudi Aramco Base Oil Company (Luberef)	1,317.9	26.3	Q4	-4%	-2.29%	Materials	Tadawul

Source: EY, Markaz. * Share price performance = IPO price to Feb 6, 2023.

Housing problem in Kuwait and the way forward - cost of construction and its components

By: MENA Real Estate

Markaz released a new report, through its research arm Marmore, on various challenges facing Kuwait's residential real estate sector that stem from a long-standing housing crisis.



Kuwait's residential affordability is the lowest in the GCC, with a price-to-income ratio of 15.8, making it one of the least affordable places in the world

Titled 'Housing Problem in Kuwait and the Way Forward', the report also includes recommendations to solve the widening supply-demand gap in the state housing program and address the growing demand for housing mainly driven by a youthful demographic and fast-paced urbanization in the country.

The report pointed out that Kuwait has been catering to the housing needs of its citizens through a state housing program. The Public Authority for Housing Welfare (PAHW) provides Kuwaiti citizens with either a house or a land plot and a long-term interest-free loan by the Kuwait Credit Bank (KCB) of KWD 70,000. However, the supply of housing units does not keep pace with the demand, with the number of housing applications pending action at PAHW reaching 91,794, as of 2020, and stretching waiting times between application and allocation to almost 10 years. The supply shortfall has also pushed up the prices for private housing, reducing the affordability of owning private residences.

Furthermore, the Markaz report notes that Kuwait's residential affordability is the lowest in the GCC region, with the price-to-income ratio standing at 15.8, making it one of the least affordable places in the world to own a residence. This ratio, which is measured by the median house price divided by median household income, is approximately three times that of Dubai and Abu Dhabi, five times that of Saudi Arabia, and is higher than London and New York. Moreover, the land price currently accounts for 80% of the value of a house, significantly above the international standard of 30%.

According to the report, a lack of private

sector participation, low-density zoning in near urban areas, limited access to financing, high capital costs associated with developing infrastructure and the high rate of urbanization are the key factors that exacerbate the housing problem. The government owns 90% of the land in Kuwait and regulates residential real estate development through parceling and allocation of land plots. The Kuwaiti laws prevent private companies from buying and trading residential property. This restrictive zoning led to the establishment of housing neighborhoods outside of Kuwait City, as the city was zoned exclusively for commercial development. The residential areas outside the city require a minimum 375sq.m. plot per residential dwelling by PAHW and limit population density at 12 units per hectare. These have led to urban sprawl and higher housing prices.

A lack of funding is another major bottleneck. The Kuwait Credit Bank is the main source of financing for housing in Kuwait. However, its capital is dwindling as demonstrated by a June 2021 PAHW report, which estimates that KCB could finance only 12,000 plots. Local banks are prudent in lending because the law restricts the ability of banks to foreclose on first homes even if they are mortgaged. With 100% urbanization and a relatively high population density of 232 people/sq. km, Kuwait has seen a concentration of infrastructure development, and the existing infrastructure is not geared for the needed higher density in construction. While new areas need to be developed to meet the demand for residential real estate, the capital outlay required for supporting physical infrastructure such as roadways, schools,

universities, and hospitals is expected to be significantly high.

A sustained fast growth in demand for housing in Kuwait is projected for the foreseeable future on the back of a young population, three-quarters of which are youth aged below 39 years, and high annual household formation rates. The Markaz report suggests that a holistic approach combined with the collaboration of multiple stakeholders, structural reforms, as well as swift and targeted initiatives would be pivotal in addressing key pain points in the residential real estate sector and solving the long-persisting social issue of housing in the country.

Putting forward its recommendations, Markaz stresses the need to increase the supply of suburban land, relax zoning requirements by increasing the density of residential urban land together with improvement in infrastructure and accessibility, revising the floor area ratio to stimulate the development of higher density residence, offer a differentiated housing program for high-income and lower-income households, legislate laws for co-ownership of properties, and increase affordability through private sector financing. The report provides a view of how a greater supply of land, the participation of the private sector in land development, and incentivizing banks to provide financing will help Kuwait quickly bridge the supply-demand gap in housing and reduce the application backlog at PAHW.

Marmore MENA Intelligence, a fully owned subsidiary of Markaz, prepared the 'Housing Problem in Kuwait and the Way Forward' with the aim of driving growth in Kuwait's real estate sector and the greater economy, thereby contributing to national efforts to help Kuwaitis achieve sustainable prosperity and increased quality of life.

International real estate roundup

By: Abdulaziz Al-Ajeel, Trainee, International Real Estate

As we draw a close to 2022, inflation reached a record high of 11.1%, 10.6% & 9.1% across the UK, Europe, and the US during the second half of 2022. The existing crisis in Ukraine and sanctions on Russia have had global economic consequences. While European countries are most affected, the US is still feeling the repercussions of the conflict. Most significantly, the sanctions and supply chain challenges have resulted in an increase in food, shelter, and energy prices.



In December 2022, data suggested that global inflationary pressures continue to ease. Under the baseline scenario, global inflation is forecast to hit 8.9% in 2022 and then fall to 6.2% in 2023

In December 2022, data suggested that global inflationary pressures continue to ease and show signs of slowing. Under the baseline scenario, global inflation is forecast to reach 8.9% in 2022 and then fall to 6.2% in 2023. The annual inflation rate in the US decreased in December, and the CPI (consumer price index) dropped for the sixth consecutive month, reporting a 6.5% annual increase. The Eurozone inflation returned to single figures; in December the CPI rose at an annual rate of 9.2% in December. UK's

inflation is predicted to reach 9.1% by Dec 2022 and moderate to 7.3% in 2023. Core inflation is still an ongoing issue. Although there are signs of gradual decreases, central banks don't necessarily believe the trend will last so they feel they must raise interest rates higher than planned to make it more expensive for employers to borrow money to hire and invest, limiting job growth and wage increases.

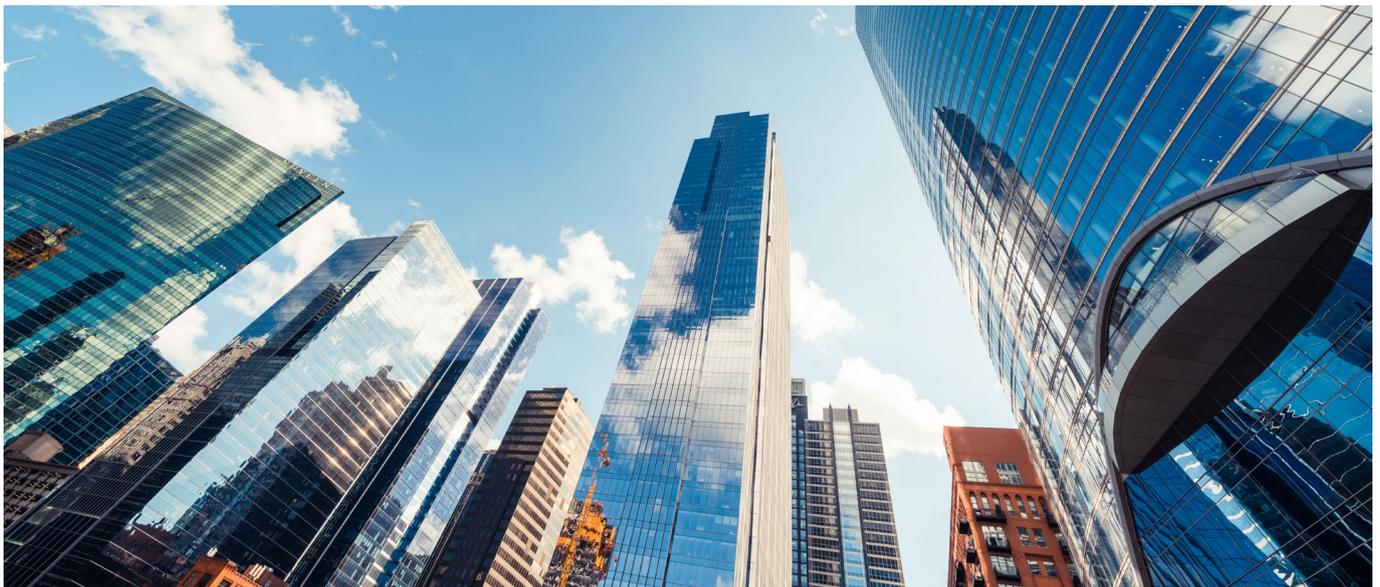
Interest rates continue to rise but downshifted the magnitude of the increase. In 2022, we experienced interest rates increase four, seven, and nine times by the ECB (European Central bank), US Federal Reserve, and BOE (Bank of England) respectively. In December, the US Federal Reserve increased interest rates to 4.25% a level last seen in 2008;

they merely considered slowing their rate increase, and they may raise its benchmark rate by 25 bps soon instead of the previously expected 50 bps. BOE raised interest rates from 0.1% in December 2021 to 3.5% in December 2022 and the ECB has raised its interest rate to 2.5% during the same time.

The debt market for commercial real estate is challenged as liquidity is tighter, credit standards are higher, rates are up both 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 in pricing and terms and are heavily dependent on project specifics, including asset class, sponsorship, and loan size. Multifamily and spec industrial developments LTC's (loan to cost) are now at 50% - 55% in the mid-200s to mid-300s over Secured Overnight Financing Rate (SOFR). These spreads are likely to remain wider until the macro picture becomes clearer.

Investment volume

US commercial real estate investment volume fell by 63% YoY in Q4 2022 to



\$128bn. Investment volume declined 17% from the previous year's record level of \$671bn to the second highest on record. Multifamily led the way with \$48bn in Q4 volume, followed by industrial and logistics with \$32bn and office with \$19bn. As stated by CBRE, Single asset sales fell by 58% YoY in Q4 to \$93bn, while portfolio sales fell by 80% to \$19bn, and entity level sales fell by 40% to \$16bn.

In Europe, the amount of completed transactions declined 37% YoY to €53bn in the third quarter, with reductions in all major real estate sectors and markets. The third quarter saw a decline in transaction volumes in nine of the ten major national markets, headed by the UK, Germany, and France.

Industrial sector

In 2022, the industrial market in the US experienced record rent and supply growth, as well as the second-highest year total of net absorption. Average asking rent rose by 3% QoQ and 13% YoY to a record \$9.63 per sq. ft. Construction completions totaled 134.5 million sq. ft. in Q4, the highest quarterly total on record. For the year, completions increased by 24% to 446 million sq. ft., 73% of which was occupied by year-end. The main driver of demand for the industrial sector was supply chain resiliency, as corporations used multiple ports of entry, increased onshore manufacturing, and employed third-party logistics providers to reduce supply chain costs and defend against import interruptions.

European industrial and logistics reported an 8% fall in investment during 2022 compared with 2021, reaching a total of €57.7bn. However, the annual growth was skewed by an exceptionally strong result in Q1 of €17.5bn. Continental Europe as a whole was just 2% lower in 2022 at €42.3bn. The UK, the largest market, was the main country to be weaker, with a 20% fall. During Q4 2022, investment was 59% lower YoY at €9.4bn and fell 38% QoQ. Industrial prime rents in the UK increased QoQ by 2.1% in Q4. Rental growth was driven by industrials in rest of the UK, mainly in the Northwest and West Midland. Prime yields showed the greatest movement of all sectors in Q4, increasing 79 bps to 5.4%, meaning yields moved 125 bps across the whole

of 2022. Of the largest markets, Germany fell 44%, France 60% and the UK 69%, but all against exceptional quarters in Q4 2021. Core CEE was also down 67%, mainly due to weaker volumes in Poland. Pricing clearly became more of a concern for investors during the second half of the year, but the sector continued to be supported by the occupational fundamentals.

In Europe, the amount of completed transactions declined 37% YoY to €53bn in the third quarter, with reductions in all major real estate sectors and markets

Residential sector

National US supply and demand for multifamily housing have both fallen to their lowest levels since 2009. In Q4 2022, net absorption and new construction leveled off at around 10,000 units, keeping national multifamily vacancy at 4.4%. The average multifamily going in cap rate increased by 38 bps to 4.49% in Q4 2022, exceeding the pre-pandemic Q4 2019 average of 4.16%. Heightened market volatility and higher borrowing costs have pushed the cap rate up by 113 bps over the past nine months. Overall housing demand weakened as the 30-year fixed mortgage rate consistently hovered above 6% in Q4 2022 and new/existing home sales fell 30-40% below last year's volume. As affordability concerns weighed on rent growth, annual effective rent growth dropped from 17.6% in Q2 2022 to 9.6% in Q4 2022, respectively.

Residential occupier markets in Europe are seeing a mixed picture. While vacancy rates remain extremely low, tenants are feeling the effects of higher inflation and the knock-on effect of indexation in lease terms. In response to this trend, rent regulation is being implemented in various countries, most notably in Denmark, France, Scotland, and Spain, with varying degrees of effect on rental levels. Significant increases in mortgage rates, as well as other challenges in the mortgaged housing market, will make renting the favored option. This helps the demand side of the housing market.

Office sector

US office market fundamentals weakened in Q4 2022. After four consecutive quarters of positive demand, the market recorded 5.9 million sq. ft. of negative net absorption. With occupiers returning more space to the market, the national overall vacancy rate increased by 30 basis points (bps) to 17.3%. The downtown vacancy rate exceeded the suburban rate for the third consecutive quarter. Economic uncertainty, coupled with occupier downsizing due to hybrid work, caused leasing activity to drop by 23% QoQ and by 36% YoY to 39 million sq. ft. in Q4, the lowest level since Q1 2021. Average asking rent increased slightly in Q4 to \$35.38 per sq. ft., up by 1% from a year ago.

According to Savills the European office take-up reached 2.1m sqm (22.6 million sq. ft.) during 2022, in line with the five-year average. Among the strongest performing markets have been Lisbon (+111% against five-year YTD average), Cologne (+41%) and Prague (+30%). With vacancy rates hovering around 7.8% and headline rents rising, office markets remain resilient. Prime office rents in tier-one cities reached new records in the first half of 2022 due to restricted prime supply and the ongoing recovery in leasing activity following the pandemic.

Retail sector

According to Moody's Analytics, net absorption in neighborhood and community shopping centers increased by 44% in Q4 2022 compared to the previous quarter in the US. New construction deliveries fell short of 600,000 sq. ft. (55,700 sqm), causing inventories to rise slightly beyond 3 million sq. ft. (278,700 sqm) for the year, less than half of the record set in 2019. Because of the relative balance of supply and demand, national vacancies for neighborhood and community shopping malls remained unchanged at 10.3% for the sixth consecutive quarter. Effective rents were up slightly by 0.2% in Q4 2022 and remained in the \$18/sq. ft. range, unchanged since 2018. Regional mall properties however continue to be the most at-risk retail subtype; vacancy ticked up 10 bps to 11.2%, identical to the same time last year.

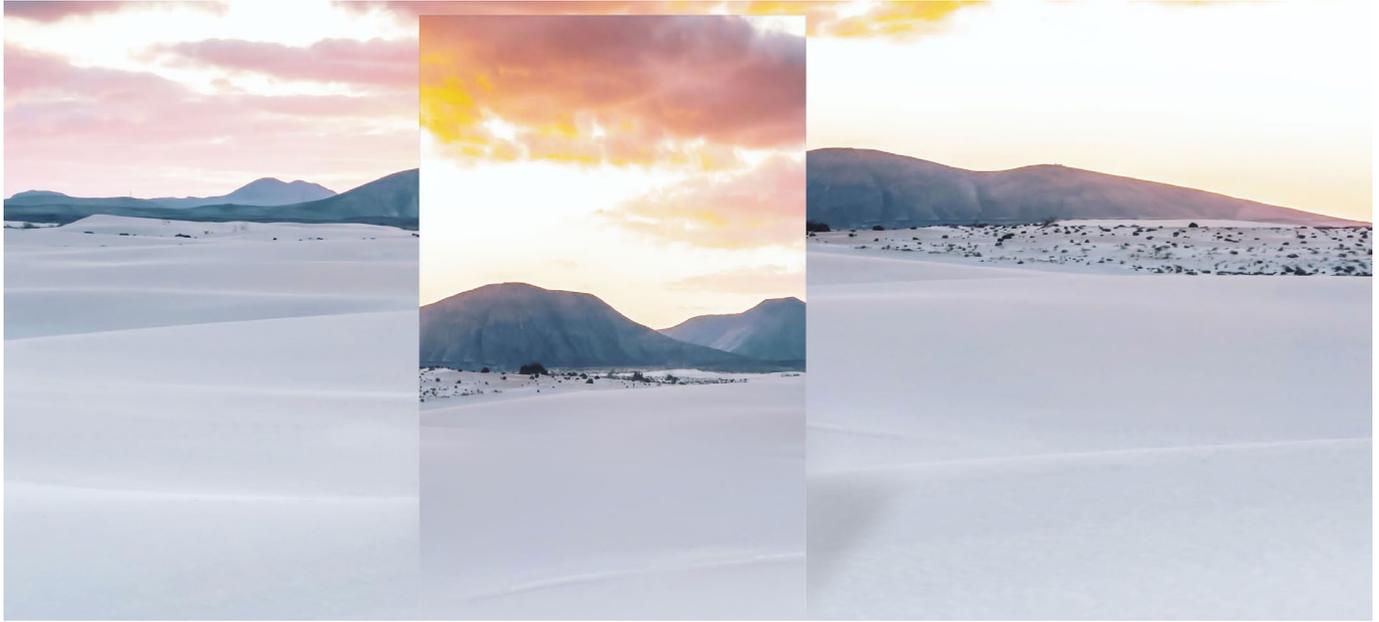
Retail markets in Europe have been under fresh strain as consum-

INFORMED OPINION

Five major challenges faced in 2022

By: Sankara Narayanan, Assistant Vice President, Marmore

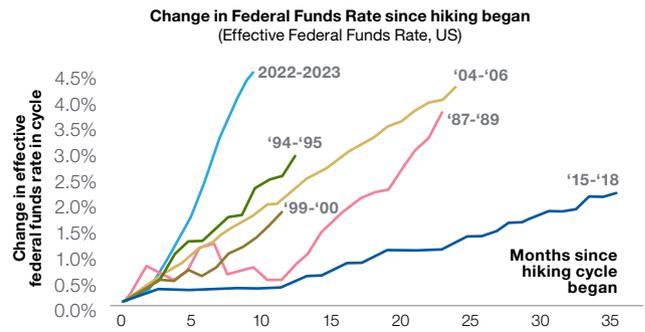
As we have stepped into 2023 with a plethora of uncertainties and a possible recession in advanced economies, we take a look back into the five major challenges that were faced in 2022. These challenges shaped the course of action of central banks, businesses, policy makers and investors.



1 Central banks' interest rate hikes

In 2022, the U.S. Fed raised interest rates by 425 bps, from a range to a range of 4.25%-4.5% as inflation peaked in the U.S. This was the fastest rate hike in memorable history. Previously in 1978, the Fed increased interest rates by 350 bps. As most GCC currencies are pegged to the U.S. Dollar, GCC Central Banks also followed suit with similar hikes. Major central banks across the world increased interest rates in line with the Fed. The resultant effect of such historic monetary tightening was the sudden increase in cost of capital for businesses and individuals from historic lows during 2020-21 (during the pandemic). Real estate and manufacturing sectors that are highly capital intensive were largely affected by the monetary tightening. Apart from this, interest rate hikes also affected capital flows into emerging markets, led to bearish investor sentiments and have dampened consumer confidence.

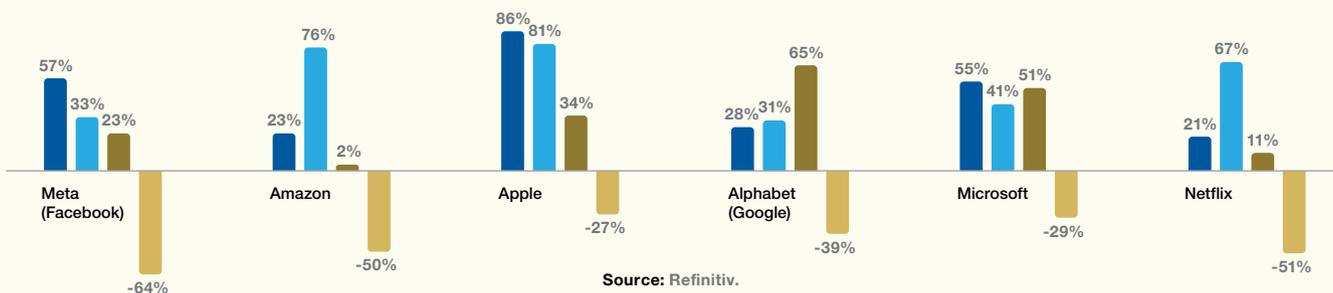
The Fed is hiking further & faster than any time in modern history



Source: Federal Reserve.

FAANGM - yearly performance

2019 2020 2021 2022



Source: Refinitiv.

2 Dollar strength

The U.S. Dollar Index appreciated by 8% in 2022. It had been yet another year of strong performance for the greenback which had increased by 6.7% in 2021. By far, this 2021 and 2022 have been the fastest pace of appreciation in the US Dollar. Fears of a global recession, U.S. Fed rate hikes, high energy prices and flight to safety from investors were the major reasons for the appreciation of the U.S. Dollar in 2022. The appreciation of the U.S. Dollar had wide ranging implications for the global economy. Global investors tend to prefer U.S investments to secure their dollar returns.

In December 2022, data suggested that global inflationary pressures continue to ease. Under the baseline scenario, global inflation is forecast to hit 8.9% in 2022 and then fall to 6.2% in 2023

This leads to outflow of foreign investments from emerging markets thereby resulting in depletion of their foreign exchange reserves. Hence, in 2022, repayment of foreign currency loans became costlier for both governments and corporates because of the Dollar strength. This has widened fiscal deficit for many emerging economies, affecting budgetary management.

3 Energy crisis

One of the major concerns that emanated from the Russia - Ukraine conflict was the threat of energy crisis in Europe in the winter months of 2022. Thanks to a less harsh winter in Europe and alternate supplies, a major energy crisis was averted. Nevertheless, high oil and gas prices has translated into higher inflation across the globe. Oil prices surpassed USD 130/barrel in February-March 2022 before returning to USD 80/barrel later in 2022. While higher energy prices have been supportive for the GCC economies that are oil and gas exporters, two major consumers – India and China – have been altering the supply dynamics in the market by shifting their source of procurement to Russia at a lesser price despite price caps placed on Russian oil and gas exports by EU, U.S etc. OPEC+ has decided to trim supplies of crude oil to prevent a steep fall in prices and protect their market shares. The energy crisis of 2022 had differing implications in different parts of the world. European nations have begun to re-evaluate their dependence on Russian gas supplies, which had been a primary energy source, especially in the winter months. European governments have started focusing on building self-reliance in energy by focusing on strengthening their renewable energy capacities. Emerging nations such as Sri Lanka were hard hit by the higher energy prices.

4 Bear markets

In an exceptional scenario in 2022, both equity and fixed income markets performed poorly. S&P 500 and NASDAQ 100 indices fell by 19.4% and 32.5% respectively. In the fixed income segment, US 10-year Treasury yields moved from 3% in the beginning of H2 2022 to 3.9% by December 2022. While rising inflation and interest rates affected the fixed income markets, economic uncertainties led to a decline in the equity markets.

U.S treasury yields' performance (2022)

Sector	Dec 2021	Dec 2022	Yield (bps)
U.S 2-year treasury	0.73%	4.41%	+365
U.S 10-year treasury	1.52%	3.88%	+236

Source: *U.S Department of Treasury.

Performance of equity and dollar indices (2021 and 2022)

Sector returns	2022	2021
Equity (ETF-based performance)		
US Equity	-19.5%	20.1%
Nasdaq 100	-33.1%	26.8%
All World Equity ex-U.S.	-17.9%	6.0%
Emerging Markets	-22.4%	-5.5%
S&P GCC	-7.2%	31.4%
Fixed income (ETF-based performance)		
U.S. Aggregate Bond	-13.0%	-1.8%
U.S. Inv. Grade Corporate	-17.9%	-1.8%
U.S. High Yield Corporate	-11.0%	3.7%
Emerging Market Bonds	-18.6%	-2.2%
GCC Bonds	-14.1%	0.1%
Currency (ETF-based performance)		
U.S Dollar	8.5%	5.7%

Source: Refinitiv.

With both equity and fixed income markets generating negative returns, 2022 was an unusual year that challenged the fundamentals of asset allocation. In times of economic uncertainty, with equities likely to be more volatile, investors tend to shift more towards fixed income assets, in view of them being considered as safe-haven investments. However, with both asset classes providing negative returns, investors had no escape from the bear market resulting in depleting wealth.

5 Rout in the technology sector

The year 2022 witnessed nearly 130,000 tech job firings, mainly from FAANG (Facebook, Apple, Amazon, Netflix, Google) companies. Tech stocks generated positive returns between 2019-21 but steep falls in 2022. The reason behind the layoffs are increasing cost of capital, and rampant hiring post-Covid by tech companies in anticipation of new projects. Tech layoffs might not end soon. As recession sets in, layoffs might spread to other sectors as well. Big tech companies are under pressure from newly emerging competition such as ChatGPT. Easy money during the pandemic encouraged tech companies to enter some risky bets. In 2023, credit would be dearer and hence tech companies are likely to face another challenging year.

2022 has been challenging for policy makers, businesses, consumers, and investors. The overarching theme for 2023 is likely to revolve around a mild recession, softening inflation, stable U.S. dollar, slower monetary tightening by the U.S. and range bound energy prices provided the geopolitical situation in Russia and Ukraine does not escalate further.

Emerging cybersecurity threats and their impacts

By: Pradeep Rajagopalan, Executive VP, MIS & Internal Controls; Velmurugan Natarajan, Vice President, Risk Management

Cybersecurity threats are a growing concern in the digital age, as more and more sensitive information and critical infrastructure are being connected to the Internet. In recent years, there has been a significant increase in the number and sophistication of cyberattacks, making it increasingly important for organizations and individuals to be aware of the latest emerging cybersecurity threats. We will discuss some of the most significant emerging cybersecurity threats and their potential impact.



1 Artificial intelligence (AI) and machine learning (ML) based attacks: these are rapidly advancing technologies that can be used for malicious purposes. AI-based attacks can automate the process of identifying vulnerabilities and launching attacks, making it easier for attackers to carry out cyberattacks on a large scale. AI-based tools can also be used to bypass security systems and evade detection. Using ML, a hacker can rapidly analyze a large amount of data to discern patterns and trends in the organization's IT security architecture. Hence it is important to exercise vigilance on even small segments of data as they can be used to build a potential attack.

2 Internet of Things (IoT) devices: these devices are becoming increasingly popular and are being used in a wide range of applications, from smart homes to critical infrastructure. However, many IoT devices have poor security functions and are vulnerable to attack, making them a prime target for cyber criminals. Hackers can use IoT devices to launch attacks on other systems or steal sensitive information from the devices themselves. There are several reports of videocams of unsuspecting users being switched on without their permission which results in infiltrating the personal spaces of individuals.

3 Ransomware: a type of malicious software that encrypts the victim's data and

demands a ransom payment in exchange for the decryption key. Ransomware attacks can have devastating consequences, especially for organizations that rely on their data to operate. The frequency and severity of ransomware attacks are increasing, making it important for organizations to implement strong security measures to protect their data and systems. The key to a successful ransomware attack is the focus on the weakest link in the organization's security infrastructure. Open USB access or weak passwords can be exploited to insert a ransomware into the organization. A typical ransomware attack uses three major steps: infiltration, data exfiltration and system lockup. There are instances of ransomware attacks exploiting the vulnerability in the infrastructure as reported as ransomware exploits and vulnerabilities in the Cyberwire (<https://theycyberwire.com/>)

4 Cryptojacking: a type of cyber-attack that uses the victim's computer to mine cryptocurrency without their consent. Cryptojacking attacks can consume a significant amount of computing resources, slowing down the victim's computer and causing other performance issues. These attacks are often difficult to detect, as they do not cause any visible harm to the victim's system.

5 Supply chain attacks: these occur when a hacker targets the supply chain of a company in order to compromise the company's systems and steal sensitive information. These attacks can be particularly devastating, as they allow the attacker to bypass the company's security systems and gain access to sensitive data. Supply chain attacks can also be used to

The increasing sophistication of cyberthreats requires everyone to be vigilant and proactive in their efforts to protect themselves against attacks

spread malware to other systems, making it important for organizations to carefully vet their suppliers and implement strong security measures to protect their supply chain.

6 5G security threats: The rollout of 5G technology is creating new security risks, as 5G networks will be used to connect a wide range of critical systems and infrastructure. 5G networks will also be more vulnerable to attacks, as they will be used to transmit large amounts of sensitive data. It is important for organizations to be aware of the security risks associated with 5G technology, and to implement strong security measures to protect their networks and systems.

7 Cloud security threats: The increasing use of cloud computing is creating new security risks, as organizations are relying on cloud providers to store and manage their sensitive data. Cloud security threats can include data breaches, unauthorized access to cloud systems, and attacks on cloud infrastructure. It is important for organizations to be aware of the security risks associated with cloud computing, and to implement strong security measures to protect their data and systems.

In conclusion, the increasing complexity and sophistication of cyberthreats requires organizations and individuals to be vigilant and proactive in their efforts to protect themselves against cyberattacks. By understanding the latest emerging cybersecurity threats, organizations can take steps to protect their systems, data, and infrastructure from cyberattacks. This includes implementing strong security measures, regularly monitoring their systems for vulnerabilities, and staying informed about the latest threats and trends.



Experiments with ChatGPT

By: Pradeep Rajagopalan, Executive VP, MIS & Internal Controls; Sameera Khan, Manger, Internal Controls, Compliance & Risk

ChatGPT (Chat Generative Pre-trained Transformer) is a chatbot launched by OpenAI in November 2022. As many of us would have read, ChatGPT is creating a buzz in terms of its detailed responses and articulate answers across many domains of knowledge. It is built on top of OpenAI's GPT-3 family of large language models and uses both supervised and reinforcement learning techniques.



We selected the topic of Robo advisory and posed a series of increasingly complex questions to test the program.

Q1. What is robo-advisory in 100 words

ChatGPT Robo-advisory is a digital platform that provides automated financial advice based on algorithms and artificial intelligence. The platform collects information about an investor's goals, risk tolerance, and investment history, and uses this information to provide personalized investment recommendations. Robo-advisory services often offer low-cost investment options, such as exchange-traded funds (ETFs), and automate the process of portfolio rebalancing and tax-loss harvesting. The use of robo-advisory technology eliminates the need for human financial advisors, making investment advice more accessible and affordable for a wider range of investors. (85 words)

Comment: Excellent basic definition; lays out the basics of robo-advisory.

Q2. What is robo-advisory, advantages and disadvantages in 100 words

ChatGPT Robo-advisory is a digital platform that provides automated financial advice based on algorithms and artificial intelligence. The main advantages of robo-advisory include low cost, 24/7 accessibility, and personalized investment recommendations. However, there are also some disadvantages, such as a lack of human interaction and limited ability to address complex financial situations. Additionally, robo-advisory services may have limited investment options and may not be suitable for all types of investors. It is important for individuals to carefully

We selected the topic of robo-advisory and posed a series of increasingly complex questions to test the program, these question were posed to ChatGPT on the 7th and 8th of Feb, 2023

consider the benefits and drawbacks of robo-advisory before making investment decisions, and to seek professional financial advice if needed. (95 words)

Comment: Details a good summary of advantages and disadvantages.

Q3. What is robo-advisory, advantages and disadvantages for a professional investor in 100 words

ChatGPT For professional investors, the use of robo-advisory platforms can provide some advantages, including low costs, efficient portfolio management, and instant access to investment information. Robo-advisory can also offer a more objective approach to investment decisions, as it is not influenced by personal biases or emotions. However, professional investors may also see some disadvantages, such as a lack of customization options and limited ability to address complex financial situations. Additionally, robo-advisory platforms may not be able to provide the same level of personal attention and expertise as a human financial advisor. As a result, professional investors may need to weigh the advantages and disadvantages of robo-advisory and determine if it is the right fit for their investment needs and goals. (119 words)

Comment: There is change in the recommendation based on the fact that the professional investor is more savvy.

Q4. What is robo-advisory, advantages and disadvantages for a professional fixed income investor in Kuwait in 100 words

ChatGPT For professional fixed income investors in Kuwait, the use of robo-advisory platforms can offer several advantages, such as low costs, instant access to investment information, and efficient portfolio management. Robo-advisory can also provide a more objective approach to investment decisions, eliminating the influence of personal biases or emotions. However, professional fixed income investors in Kuwait may also face some disadvantages, such as limited investment options and a lack of customization options specific to their fixed income needs. Additionally, there may be concerns about data privacy and security when using robo-advisory platforms. As a result, professional fixed income investors in Kuwait may need to carefully consider the benefits and drawbacks of robo-advisory and determine if it is the right fit for their investment needs and goals, taking into account local regulatory and market conditions. (133 words)

Comment: Here again the AI program is unable to handle the extra layer complexity in the question in terms of the investor having a preference for fixed income.

Conclusion

AI tools are good for initial understanding, they have a limitation in terms of coming up with specific advice for sophisticated investors. The tool is very flexible and can adapt to the varying nature of questions, but the level of sophistication is still far away from a human fund manager. For e.g., one would expect a good portfolio manager to highlight that the bonds of many banks in Kuwait are offering good yields for the risk levels. ChatGPT is evolving, and it is learning from every interaction and mistakes. We have interesting times ahead in terms of technology and its ability to help us in the decision-making process.

You can test out ChatGPT at <https://chat.openai.com/chat>.

Markaz provides training in financial transactions & people management for future leaders in Kuwaiti oil sector

As part of its ongoing efforts to contribute to creating a sustainable future for Kuwait and its society, “Markaz” hosted senior professionals from oil sector companies in the country for a training session, held in collaboration with Al Yassra for Human Development & Consultancy. Markaz’s experts provided mentorship in financial transactions and people leadership for the trainees under the Leadership Skills Development program of Kuwait Petroleum Corporation’s Petroleum Training Center.



As part of the initiative, twelve team leaders and supervisors from companies operating in Kuwait’s oil sector were invited to Markaz, where they were provided with a high-level overview of financial transactions such as initial public offerings and mergers and acquisitions, as well as insights into the best standards and practices for achieving high performance through people leadership. The three-hour training program was designed to support emerging business leaders’ career growth and development.

Markaz’s support for the training program falls in line with the ‘human capacity building’ pillar of its corporate social responsibility (CSR) strategy and furthers the success of its broad-ranging initiatives aimed at developing local talent and future leaders. The mentors at this session included Markaz’s Executive Vice President, Capital Markets, Ms. Rasha Othman, Vice President, Investment Banking- Advisory, Mr. Abdulrazzaq Razooqi, and Executive Vice President, Human Resources, Mr. Peter Kelly.

Mr. Peter Kelly said: “With ‘human capacity building’ being a key pillar of our CSR strategy, we have collaborated with several organizations on initiatives focused on realizing the

potential of both younger people and more experienced professionals to become successful individuals and leaders. We were extremely pleased to host our guests and look forward to continually providing insights that will be of value to drive success and heighten leadership capabilities within the Kuwaiti public and private sectors.”

Dr. Nidal Alhasan, Independent Expert Leadership Trainer at Al Yassra for Human Development & Consultancy, commented: “In alignment with our aim to raise the competencies of professionals to take on higher positions within their respective Kuwaiti companies, we have a keen focus on providing professionals with the opportunity to experience and learn first-hand from organizations who have demonstrated leadership and management excellence. We are proud to collaborate with Markaz as they share our vision and commitment to further advancing professions with their careers.”

Markaz’s corporate social responsibility strategy is founded on three pillars, namely, building human capacity, aligning its business environment with the principles of sustainable development, and promoting good governance in the business environment.

12 team leaders from Kuwait’s oil sector were invited to Markaz, where they were provided a high-level overview of financial transactions and best practices for people leadership

Markaz serves as gold sponsor of Kuwait's first MoneyTech Summit

Markaz announced the conclusion of its gold sponsorship and participation in the MoneyTech Summit, a one-day event organized by Al Jarida Summits and Kuwait's first-ever money and technology-focused event. Representing Markaz at the event, which was held on November 14th, 2022 at the Grand Hyatt Kuwait Hotel, was VP - Strategic Planning at Markaz, Mr. Salman Olayan.



Mr. Olayan took part in the panel titled 'Exporting Kuwait's MoneyTech', alongside other experts from the fintech industry who shared insights and experiences of Kuwaiti companies that expanded beyond Kuwait and successfully navigated the region's varied markets. The panel also addressed the investment prospects of cross-border fintechs in the region in an increasingly expensive capital market.

Mr. Olayan took the lead in shedding light on the disruption led by the uprise of fintech and the resilience shown by investment companies as they have adapted to the new technology. He also addressed how both fintech companies and investment companies could collaborate within the region to drive further growth in the financial services sector, which is a significant contributor to GDP and a growth engine for the private sector.

"Fintech companies should be clear on the value proposition that they are offering to end-users, namely the problem they are solving or greater convenience they are providing. At the same time, financial Institutions need to accept

To be successful, however, fintech companies will need to invest their focus and efforts in harnessing the potential of automation, which is crucial to business growth

some risks when it comes to adopting innovative ideas" Mr. Olayan said.

He added, "Funding is available in the market; however, valuations are under pressure. Investors have safer choices when interest rates are high, where they are spending more time on due diligence and becoming more selective."

Mr. Olayan also pointed out that Kuwait is emerging as a leading force in fintech supported by young Kuwaitis who are both entrepreneurial and tech-savvy. He added that the country's financial services sector will experience further growth and become competitive regionally and internationally if more fintech enterprises succeed and flourish.

"To be successful, however, fintech companies will need to invest their focus

and efforts in harnessing the potential of automation, which is crucial to business growth. At Markaz, we place a strong emphasis on automation across our operations with three imperatives driving its adoption: as a tool to enhance client experience and interaction, providing the client with a window to access markets worldwide; as an enabler to manufacture and deliver safely profitable investment products, and as a facilitator of efficiency that enables us to streamline and scale up our business."

The MoneyTech summit witnessed more than 150 attendees, with more than 10 startups who pitched their business concepts to leaders in the Kuwaiti fintech market. The summit also featured more than four panel sessions and keynotes that addressed various aspects of fintech, from digital banking opportunities to regulatory opportunities and challenges.

Markaz will continue to support local initiatives that generate awareness and add value to the Kuwaiti economy as a whole, while sharing insights and expertise based on its track record of 48 years in the financial sector.

Markaz renews partnership with AC Milan Soccer School in Kuwait and LOYAC's Al Jawhar program

Furthering its support for developing local youth talent, Markaz has renewed its partnership with LOYAC AC Milan Soccer School, one of the leading soccer schools for children and adolescents in the country. Markaz's long-standing partnership with LOYAC AC Milan Soccer School in Kuwait has lasted for 13 years and has led to the training of more than 360 young players who have developed their skills on the field, learning from international experts. The company's re-endorsement of the soccer school further reflects Markaz's commitment to supporting younger generations within Kuwait and the platforms that allow them to unleash their potential.



The soccer school's framework offers a fantastic environment for young participants to become more health-conscious and grow in the area of social development. In addition, many players obtained the opportunity to participate in several international tournaments organized by the AC Milan Club in Italy, helping to facilitate a rewarding transfer of knowledge in the process and creating a positive long-lasting impact on the young participants. Markaz's support of the soccer school came in recognition of its effort in helping introduce world-class, innovative coaching practices within Kuwait, helping the youth within the nation to fine-tune their abilities and compete at a high standard.

Commenting on the longstanding partnership and its renewal, Sondos Saad, Vice President- Media & Communications at Markaz said: "Markaz has continuously activated key initiatives that are mission-driven, sustainable and reflect the values and beliefs of Markaz. The company's continued support of the school and its young participants is aligned with the 'human capacity building' pillar of Markaz's corporate social responsibility strategy (CSR), which is attentively focused on youth empowerment. The company continues to contribute through a variety of initiatives that encourage youth engagement in sports, education, culture and entrepreneurship. We are proud of our partnership with LOYAC AC Milan soccer school, which plays an effective role in nurturing the youths and improving their sports skills."

Many players got the chance to participate in international tournaments organized by the AC Milan Club in Italy, helping facilitate a rewarding transfer of knowledge



Founded in 1899, AC Milan is one of the first soccer clubs in the world to recognize the benefit of youth training and start a junior club. The celebrated Italian club first established the landmark academy in Kuwait in conjunction with LOYAC, a local non-profit organization focused on youth development within the country. Guided by the knowledge and tutelage of experienced soccer coaches, LOYAC AC Milan Soccer School continues to provide a nurturing structure for young people in Kuwait to train and compete in both local and international tournaments. In a landmark achievement for the school and its members, the academy was the first Arab team to participate in the International Youth Peace Tournament hosted in Verona, Italy.

In line with its CSR strategy that aims at supporting the development of youth, Markaz announced the renewal of its sponsorship as a strategic partner of Al Jawhar program's new season for 2022-2023, organized by LOYAC Academy of Performing Arts (LAPA). Markaz's support falls in line with 'human capacity building'; a key pillar in its CSR strategy.

The Al Jawhar program trains youth to help them acquire media interview management skills to enable them to conduct and manage fruitful dialogue. Held through a series of workshops conducted by prominent media figures from across the Arab world, the program is concluded with a discussion panel with one of these figures. The workshops also offer training in relation to key skills necessary for any successful media rep-

Al-Othman commended the exemplary efforts of LOYAC toward facilitating the program and stated that Markaz is proud to partner with such a non-profit Kuwaiti organization

the formation of the Arab culture and are considered a source of inspiration for the new generation, with the aim of building cultural bridges between Arab generations.

Mr. Bassam N. Al Othman, Managing Director of MENA Real Estate, attended the closing ceremony of the 2021/2022 season of the Al Jawhar program held at the Four Point Hotel in June on behalf of Markaz. During the event, he was presented with an honorary plaque from Ms. Fareah Al Saqqaf, Chairperson of LOYAC and Managing Director of LOYAC Academy of Performing Arts (LAPA), in recognition of the company's continuous support for the Al Jawhar program and LOYAC's initiatives.

While speaking at the closing ceremony, Mr. Al-Othman commended the exemplary efforts and commitment of LOYAC toward promoting and facilitating professional development. He also stated that Markaz is proud to partner with the renowned, non-profit Kuwaiti organization that is keen on developing the skills of Kuwaiti youth across all cultural, professional, sports and scientific fields.

He stated: "Markaz believes that supporting human capabilities are key to creating sustainable communities. Therefore, we are always keen on collaborating with organizations on initiatives that unlock the youths' potentials and enable them to compete efficiently in the job market, which in turn enriches the private sector. We are proud of being part of this constructive program that has contributed to training more than 60 participants on media dialogue skills. The program gives young participants a special opportunity to benefit from the rich experiences of prominent media figures from the Arab world, who shared their past experiences in Al Jawhar program.

Ms. Al Saqqaf said: "The Arab youth are the driving force behind the region's continued advancement. The contributions made by Arab pioneers represent the essence of Arab culture and the secret to its continuity. We are proud of the Al Jawhar program which has achieved remarkable success amongst all participants, including trainers, beneficiaries and guests. The program's success has prompted us to seriously consider transforming the program into a stand-alone media academy. We would like to thank Markaz for its continuous support for LOYAC's and LAPA's programs targeted at Arab youth, which reaffirms the importance of the private sector's role in societal and cultural development."

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

representative, including body language, voice training and Arabic language skills. The program also seeks to recognize iconic media symbols of previous generations that contributed to

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International real estate roundup

er confidence has declined. Consumers in most European economies are more pessimistic than at any time in history. Higher interest rates, declining real household earnings, and the Ukraine conflict are all impacting on morale. Tenant defaults are projected to escalate, putting retail rents at risk of additional falls. Supermarkets and convenience stores will be more resilient, but they will not be immune to recession.

Hotel sector

In the US, hotel real estate fundamentals improved year on year in Q4. Demand increased 3.6%, occupancy increased 3.6%, revenue per available room (RevPAR) jumped 16.2%, and average daily rate (ADR) increased 12.1%. Total daily airline passengers in the US have already surpassed 2019 levels in 2023. The reduction of travel restrictions in Asia is also projected to increase travel demand. In Q4 2022, RevPAR for all location categories topped 2019 levels, with resort and interstate hotels showing the greatest relative rise.

Investor interest in the European hotel sector is likely to remain due to healthy operating performance. As stated by CBRE, Europe TRevPAR (total revenue per available room) is up 71% for Q3 2022 vs Q3 2021. Total gross operating profit PAR of €58.68 YTD is 256% higher than 2021 YTD levels. UK has seen strong operational performance with RevPAR's exceeding pre-pandemic levels. However, operational costs are increasing due to rises in payroll, procurement costs and utility prices. Although P&L performance is strong, investors are concerned with increasing interest rates and

weaker economic forecasts.

Conclusion

The real estate market is showing maturity in its ability to respond to new pricing norms to maintain investment activity. Appetite is clearly there and remains high. The Russia-Ukraine conflict reinforced inflation and prompted a spike in the cost of electricity, gas, power, and industrial raw materials causing an adverse effect on the property market. Investors will refocus on core, prime assets, which is again attracting more attention, although all markets will experience some yield expansion in all sectors.

The multifamily and logistics sectors will 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. Slowing consumer spending will have a detrimental impact on overall retail and leisure investment volumes. Historically, when times are uncertain, investors shift their activity domestically since their domestic market is easier to read and access.

There is much uncertainty about monetary policy and the path of global interest rates. The market needs to see progress in inflation data to assess economic policy and the path of interest rates more accurately to predict its economic impact before spread products can tighten. As we look ahead to 2023, with the upward trajectory for base rates and the macro outlook for growth likely to weigh on spreads, it's unlikely that interest rates will improve in Q1 2023.

Markaz extends support to Soroptimist Kuwait's online corporate directors program

Markaz officially sponsored the Corporate Directors Training Program (CDP), developed by the International Finance Corporation (IFC) program, and organized by Soroptimist Kuwait, in association with EIG – Tamayyaz.



strategy and the New Kuwait Vision 2035's key goals.

As an organization that is committed to delivering excellent services and playing a key role in Kuwait's development as a global leader on all fronts, Markaz has always remained keen on adopting and promoting global best practices in corporate governance, diversity and inclusion. Markaz's support for the CDP helps in accelerating national efforts to build a thriving private sector that will lead to the development of an equal and prosperous society.

The online program consists of five parts, namely

- 1 Introduction to corporate governance and the role, responsibilities and duties of the board of directors
- 2 Practical tools
- 3 Internal control framework, disclosure and transparency
- 4 The role of the board in protecting shareholders rights
- 5 Gender diversity on boards

The program was designed to provide participants with tools to improve their corporate governance practices, highlighting the positive impact that improved internal procedures lead to. The program also emphasized the importance of corporate boards to fulfill their roles and responsibilities and support sustainable growth, while also highlighting the importance of gender diversity in boardrooms.

In a strong endorsement of the purpose and principles of the initiative, three of Markaz's senior members participated in the online program. Through its sponsorship and participation, Markaz reiterates its commitment to fostering corporate governance and advancing gender diversity and the empowerment of women in Kuwait, in line with its corporate social and economic responsibility

The CDP enables participants to strengthen their commitment and knowledge regarding good governance, understand the board's role, responsibilities

Through its sponsorship and participation, Markaz reiterates its commitment to fostering good corporate governance and advancing gender diversity in Kuwait

and duties, and activate appropriate structures and policies to optimize the board's efficiency.

The program also provides international best practices and case studies on key aspects of good governance such as disclosure and transparency (financial and non-financial disclosure) and delivering a robust internal control framework (including risk management and internal audit functions). In addition, the program encourages participants to adopt shareholder protection practices, which prioritize equal treatment of all shareholders, and provides guidance on how to manage related party transactions, conflicts of interest and alternative mechanisms for managing corporate issues.

Finally, the gender diversity on boards program identifies the key challenges faced when promoting gender diversity while also focusing on the international best practices and solutions to overcome these challenges.



Markaz golden sponsor of Engineering and Petroleum distinguished students' honorary ceremony

Markaz sponsored the Engineering and Petroleum honorary ceremony for overachieving students, organized by the Society of Engineering and Petroleum, held on October 5th 2022 at the Jumeirah Messilah Beach Hotel. Markaz's sponsorship of the ceremony falls in line with its strong belief in supporting human capacities and encouraging youth to make a continuous effort to develop both their academic and practical skills.



Distinguished students are the nation's real investment, and their relentless efforts are setting the bar for the standards around which communities will be built

Markaz was represented by its Managing Director of Wealth Management and Business Development, Abdullatif Al Nusif, who gave a speech during the ceremony, stating: "Markaz is proud to be part of today's event, as it falls in line with a key pillar of our corporate social responsibility strategy, 'Building Human Capacities' and reinforces our support of Kuwait's youth and their capabilities across multiple areas. With aims of helping to create a sustainable future, we

strongly believe that empowering youth can only be achieved by equipping them with the appropriate academic skills to ensure they can overcome challenges along their journeys."

"Distinguished students are the nation's real investment, and their relentless efforts are setting the bar for the standards around which communities will be built, especially in the field of engineering and petroleum; which has a vital impact on the national economy. That said, applying and further developing what they've learned throughout their years of education, in line with international

standards, is a valuable responsibility they hold. As high achievers, we have no doubt that they will soar to new heights." Abdullatif Al Nusif added.

Over the years, Markaz has sponsored the graduation projects of students from the Engineering and Petroleum faculty, in an effort to motivate and encourage them to bring their creative ideas to life. The company's ongoing community efforts fall under its corporate social responsibility strategy, which is founded on three pillars; namely: building human capacity, aligning its business environment with the principles of sustainable development, and promoting good governance in the business environment. Markaz continuously collaborates with various organizations to launch far-reaching community initiatives, such as Red Crescent Society, Kuwait Association for the Care of Children in Hospital (KACCH), LOYAC, AC Milan Soccer School and the Indian English Academy School.

Markaz launches sixth annual Graduate Development Program

Markaz starts receiving applications from high-achieving Kuwaiti graduates to participate in the sixth Markaz Graduate Development Program (“MGDP”). The one-year program, which started in 2017, offers an opportunity for Kuwaiti graduates to gain valuable direct training and work experience that is intended to lay the foundation for a successful career in the financial sector. The program seeks to upskill talented graduates in a supportive and collaborative environment.



The program allows participants to understand the financial sector through an engaging mix of practical tasks and interactive training sessions held at Markaz

MGDP will continue to equip recent graduates with the tools to succeed. In previous programs, and during the COVID pandemic, Markaz trained participants through online sessions, an indicator of Markaz’s determination to deliver the program.

MGDP is open to Kuwaiti nationals with a business-related degree from an accredited university. The participants can immerse themselves in actual work tasks across all the company’s departments. The program allows participants to understand the financial sector thoroughly through an engaging mix of practical tasks and interactive training sessions held at Markaz. The applicants undergo a thorough assessment of their capabilities,

and once accepted, they are assigned to specific departments that best suit their interests, career goals, and abilities.

Ali H. Khalil, Chief Executive Officer of Markaz, said: “Through MGDP, we have the opportunity to assist the young generation of Kuwaitis in fulfilling their aspirations by developing the necessary skills. The program allows participants to refine their career aspirations and experience a stimulating work environment while gaining an in-depth understanding of the investment banking and asset management sectors. We recognize that the financial services industry has a pivotal role in helping Kuwait maintain its role as a regional financial hub, in line with Vision 2035. We are proud to develop a program that contributes to developing Kuwait’s future leaders to thrive.”

He added: “What makes the MGDP so valuable is that we allow participants to consistently engage with the finance professionals and executive management within our organization. This first-hand experience is crucial in helping the young talented trainees gain insights into how companies operate. With experience earned in asset management and investment banking, we aim to help the interns gain a clearer picture of their careers moving forward and understand what is required to reach their goals.”

Markaz Graduate Development Program (MGDP), which commences in February each year, is open to Kuwaiti graduates proficient in Arabic and English. To be eligible, applicants should complete several qualifying tests and interviews. Since establishing its MGDP, Markaz has trained 42 graduates in total, hiring 38% of the program’s participants. Upon successful enrollment into the program, a celebratory welcome heralds the beginning of an exciting year. Last year’s event was held at Al-Nada Tower, offering a first-hand view of one of the premier development projects within the Markaz Real Estate Fund (MREF).



Markaz shines light on women's empowerment during internal employee seminar

Markaz rounded out its human development activities for the year with a seminar around the theme of career resilience, particularly focused on women empowerment in the asset and wealth management industry. Covering the topics of gender equality and self-preservation regarding career progression, the activity allowed Markaz's staff to engage with one another and explore methods to help ensure a cohesive and healthy work climate.



The workshop was hosted by the guest speaker, Dr. Rania Azmi, a member of the Executive Education Board at the Wharton Business School of the University of Pennsylvania. With more than two decades of experience strategically advising the International Finance Cooperation (IFC), the World Bank Group, the United Nations Industrial Development Organization (UNIDO) and the Sovereign Wealth Fund of Kuwait, Dr. Azmi utilized her years of experience to share insights into the enduring value of gender equality within the workplace.

Throughout the day's events, Dr. Azmi explored the importance of resilience – for men and women alike – to collectively flourish and achieve sustainable results within the investment banking and asset management industry. With her extensive international experience as a notable speaker worldwide, she poignantly raised attendees' level of awareness of the key challenges that can disproportionately affect female professionals.

"We have always been an avid promoter of all our staff's continual career growth and development. While there are shared traits that we encourage all our team members embody such as integrity, compassion and empathy, we understand that our team member's identities and experiences are unique, particularly with regard to gender. By gaining a deeper understanding of the crucial value of women empowerment, we at Markaz are on the right track towards realizing the full potential of all our staff, and successfully meeting clients' needs in an increasingly dynamic market," stated Peter Kelly, Executive Vice President of Human Resources, Markaz.

Leveraging her first-hand expertise to pinpoint solutions, Dr. Azmi outlined techniques to help persevere through career hurdles and ways active consideration can be shown to team members in an industry traditionally underrepresented by women. By encouraging male colleagues to demonstrate

With more than two decades of global experience, Dr. Azmi raised attendees' awareness of key challenges that can disproportionately affect female professionals

an understanding of women's experiences within the workplace, Dr. Azmi affirmed that opportunities can be rebalanced to the benefit of everyone, the business and its clients included.

Markaz's team members who attended the workshop were given the opportunity to present questions to Dr. Azmi and participate in an interactive discussion to collectively gain a better understanding of the significance of women's empowerment within the workplace. The closing activity for the 2022 calendar year embodies Markaz's commitment to uplifting its employees, equipping them with the right skills to overcome challenges and establishing pathways for team members to reach their fullest potential.

Markaz's last event of 2022 wraps up a year-long series of activities for its employees, which include a strategic marketing communications masterclass, a training program for its Wealth Management team entitled 'Know Your Client' and a 'Growth Mindset Energizer' summit, amongst others.



Markaz hosts 'Growth Mindset Energizer' seminar

Markaz has successfully wrapped up its internal employee seminar aimed at encouraging staff to adopt ways of thinking that bring consistent advancement and improvement. Entitled 'Growth Mindset Energizer,' the seminar brought staff together from across all of Markaz's business areas to learn about the skills necessary to develop an optimistic outlook on life and work. Participants learned how to identify the difference between a fixed and a growth mindset, how to overcome setbacks, and the long-term benefits of adopting and practicing positivity.



The seminar took place at the Chairman's Club and was led by Mr. Hamza Taqi, Founder and Chief Excitement Officer for the Knowledge Consulting Company. Mr. Taqi, who is an Accredited ATD Master Trainer, spent the session sharing both practical and theoretical methods with Markaz's team members. With a

career stretching more than 30 years in the banking, telecom and talent development sector, Mr. Taqi has worked alongside several noteworthy multinational brands including Visa, Nokia, MasterCard and Disney. Through a range of informative and highly engaging activities, employees were presented with a variety of ways to build, develop, and practice habits that growth depends on.

"We were honored and appreciative to have Mr. Hamza Taqi guide our end-of-the-year energizer session and help cultivate growth mindsets within Markaz," commented Peter Kelly, Executive Vice President, Human Resources at Markaz. "The intention of the event was to help team members gain awareness about the ways to foster growth in Markaz, amongst their colleagues and, most importantly, within themselves, reflecting Markaz's dedication to strengthening our leadership and performance capabilities. All in all, the 'Growth Mindset Energizer' was a refreshing and highly interactive session that has surely empowered our team as they look towards 2023."

Markaz holds breast cancer awareness lecture

Reinforcing the importance of screening during breast cancer awareness month, Markaz held an awareness lecture for its female employees, in collaboration with Taiba Hospital.



The awareness lecture falls in line with Markaz's CSR strategy and one of its key pillars, Building Human Capacity, to actively support overall health awareness. The initiative also reinforces the importance of Markaz's role within the communities in which it operates, to promote a health driven culture across all segments.

The interactive educational lecture was presented by Dr. Laila AlZaghal AlMajali, an Obstetrics & Gynecology Consultant

at Taiba Hospital. Dr. AlMajali highlighted the most important information about breast cancer, including its causes, most common symptoms, preventive measures to reduce risk, and the various types of treatments available.

The lecture presented Markaz's team with the opportunity to address any questions they had in relation to the disease and women's health in general, where Dr. AlMajali reaffirmed the importance of regular periodic screening.

Commenting on this initiative, Vice President- Media & Communications at Markaz, Sondos Saad said, "At Markaz, we strongly believe that early detection and regular screening for breast cancer is indeed a lifesaving act. Year after year, we realize the importance of raising awareness and encouraging women of all ages to take the time to get screened. As a beneficiary of this lecture, I truly appreciate the effort made to bring this event into fruition and the value it brought to us all".

According to World Health Organization statistics in 2020, the most common type of cancer is breast cancer, marking more than 2.2 million cases. To that effect, Markaz offered its employees a special discount on mammograms, to encourage periodic screening for early detection of breast cancer.

Karting race

“Speed, agility and responsiveness are the keys to future success.” - Anita Roddick. The Markaz group embodied the famous quote in the latest “Need for Speed” karting event held at Q8 Karting for employees and their families.



Escape room challenge

A fun team building activity with Markaz staff was held at the Dream Factory, where everyone put their wits to the test and competed to solve riddles in various escape rooms before time runs out.



Year end celebration 2022!

Markaz organized its annual employee end of year gathering event at Dar Hamad, as an appreciation for their dedication throughout the year and to network outside of work. The event was highlighted by several entertainment and musical segments amidst an exceptional ambience.



Rule based versus principle based regulatory framework

By: Pradeep Rajagopalan, Executive VP, MIS & Internal Controls;
Anu Abraham, Vice President, Compliance

Rule-based regulations and principle-based regulations are two different approaches to regulating the financial services industry. The main difference between these two approaches lies in the level of detail and specificity provided in the regulations. Rule-based regulations are more prescriptive, providing clear and specific rules for financial institutions to follow, while principle-based regulations provide a more general set of guidelines and principles for institutions to follow.



Rule-based regulations are detailed and highly prescriptive but can stifle innovation and flexibility. Principle-based regulations are based on a broader set of guidelines

Rule-based regulations are designed to address specific issues and provide a clear framework for financial institutions to follow. They are typically detailed and highly prescriptive, providing a clear set of rules and guidelines on what is and is not allowed. Compliance with these rules is monitored and enforced by regulatory bodies, such as the Securities and Exchange Commission (SEC) in the US. The advantage of rule-based regulations is that they provide a clear and predictable environment for financial institutions. Institutions know exactly what is required of them and can plan their operations accordingly. Rule-based regulations can also help to prevent potential abuses and misconduct in the financial services industry, as they provide a clear framework for preventing and punishing illegal activities.

However, rule-based regulations can also have some disadvantages. They can stifle innovation and flexibility in the financial services industry, as institutions are limited to the specific rules set by the regulators. Institutions may find it difficult to adapt to changing market conditions or to address new challenges that arise, as they are required to comply with the specific rules set by the regulators. Additionally, rule-based regulations can lead to a lack of consistency in the way that financial institutions operate, as different institutions may interpret the rules differently, leading to confusion and potential disputes. One good example for a rule based approach are the Basel regulations for banking sector. They have provided a

uniform set of metrics to evaluate and study the risk in banking sector across the globe. However, we are already on to the 4th version of the rules and one criticism of the Basel regulations is the ease with which sophisticated banking institutions have been able to get around the spirit of these regulations.

Some of the prominent rule-based regulators are the SEC in and the US Commodity Futures Trading Commission (CFTC).

Principle-based regulations, on the other hand, are based on a broader set of principles that guide financial institutions in their decision making. They provide a more general set of guidelines and principles, rather than specific rules. UK based regulators like FCA follow a principle-based regulation wherein they specify a broad framework but do not detail each and every case instead relying on the context and specific framework behind their decision making process.

These principles are meant to guide financial institutions in their decision making, but provide more discretion and flexibility in how they are implemented. For example, a principle-based regulation may require that financial institutions act in a manner that is fair and ethical, but it does not provide specific rules for how this should be done. This approach is meant to promote more innovation and flexibility in the financial services industry, as institutions have the freedom to find their own solutions to challenges. However, principle-based regulations can

also lead to a lack of consistency in how institutions operate, as they may interpret the principles differently.

In conclusion, rule-based regulations and principle-based regulations both have their advantages and disadvantages. Rule-based regulations provide a clear and predictable environment. A rule based regime is easier to follow as you need to look at the precedent and just implement the directives. However, a rule based regulatory framework can stifle innovation and flexibility. Rather than using logic or discretion, compliance officers may find it easier to just apply the regulatory ruling.

On the other hand, principle-based regulations promote innovation and flexibility, but can lead to a lack of consistency and clarity. In a principle-based approach, the entire organization has to think and would be expected to do the right thing. The challenge with a principle-based approach is that with hindsight things are very clear. However at the heat of the moment a principle-based approach may result in multiple approaches depending on how the individual interprets the principle.

Some of the prominent principle-based regulators are the FCA in UK, The Australian Securities and Investment commission (ASIC), the Monetary Authority of Singapore (MAS), the Hong Kong Monetary Authority (HKMA) and the Central Bank of Ireland (CBI).

The choice between the two approaches depends on the specific goals and priorities of the regulatory body and the financial services industry. Some regulators may choose a combination of both approaches, depending on the particular issue they are trying to address. One popular framework for securities regulators are the IOSCO Principles which provide a template for local securities regulations. Similarly in the AML field, the FATF guidelines provide a solid framework to structure the local AML regulations.



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