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# engage

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Q4 2018

## Expanding the capacity of individuals to perform

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## EDITORIAL TEAM

**Alrazi Albudaiwi:** Editor-in-Chief; **Sondos Saad:** Assistant Editor-in-Chief; **Talal Al-Othman:** Editor International Investment; **Anjali Parkhi:** Editor Human Resources; **Khaled Almubarak:** Editor MENA Real Estate; **Ahmad Al-Shalfan:** Editor MENA Equities; **Hammad Khan:** Editor Advisory; **Hussein Abdulla:** Editor Fixed Income; **Abdulrazzaq Razzoqi:** Editor Corporate Finance; **Murtaza Pattherwala:** Editor Published Research; **Anu Abraham:** Editor Compliance and Risk Management

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# Alghanim moderates the U.S-Kuwait 2<sup>nd</sup> Annual Economic Forum

Forum highlights the strength of bilateral economic and commercial relations between Kuwait and the United States.



**Key topics included a macro overview of structural challenges, reform efforts, 'Vision 2035' and key sectors for investment opportunities**

further their collaboration.

Mr. Diraar Yusuf Alghanim, Chairman of Markaz and board member of Kuwait Chamber of Commerce & Industry, participated as a moderator for the first panel titled "Key Opportunities for U.S. Companies in Kuwait". The panelists included KDIPA's Director General Sheikh Dr. Meshaal Jaber Al-Ahmad Al-Sabah; Mr. Khaled Abdulrazzaq Al Khaled, CEO, Boursa Kuwait; Mr. Bernard Dunn, President of Boeing Middle East, North Africa and Turkey; and Mr. David Walker, Head of Public Sector to Europe, Middle East and Africa, Citi Group.

Mr. Alghanim along with the panelists discussed strategic insights from the Kuwaiti government and companies. Key topics highlighted included an overview of the macro challenges, such as structural challenges, reform challenges, 'Vision 2035' and key sectors for investment opportunities. They also highlighted the institutions' role in the economic environment, such as KDIPA, CITI Group and Boeing. In addition, the panelists shed light on the mega northern projects such as Silk City and Boubyan Island, as well as the reforms in the capital markets with Kuwait Capital Market Authority, Boursa Kuwait and the inclusion of Kuwait in FTSE Russel index.



The U.S. Chamber of Commerce, in partnership with the Kuwait Chamber of Commerce & Industry and the Kuwait Direct Investment Promotion Authority (KDIPA), organized the "U.S-Kuwait 2<sup>nd</sup>

Annual Economic Forum" on 14 January, 2019. The forum aimed at highlighting the strength of bilateral economic and commercial relations and the pivotal role of the private sector in both countries to



# Sustainable Growth Story Initiative implemented across the organization



Dear Colleagues,

We are witnessing a dynamic time in the industry, with international capital expected to be drawn to Kuwait and the region in the near term as the MSCI and FTSE realign their emerging market indices. With a potential corresponding equity market rerating, Bursa Kuwait has already started to deliver new investment platforms for international investors. More recently regional asset managers have started to adopt transformational financial technologies, not only to better serve clients, but to drive operating efficiencies across organizations.

Coping with these dynamic changes, Markaz has launched the Sustainable Growth Story initiative through an initial Leadership Team workshop in September 2018, not only to establish common goals and objectives, but to emphasize the importance of sharing ideas and best practices. Markaz senior management's role has been to facilitate plan development through individual facilitation sessions and team wide seminars covering common topics such as the impact of fintech on asset management. Attracting talent for new upcoming business areas and ongoing retention across the firm remain one of the highest priorities. The initiative was concluded with the Leadership Team presenting their final growth plans formally to the Executive Management of Markaz.

Markaz has grown over the years through a history of successful innovation embedded in a unified and professional investment culture. As a result, it now encompasses multiple business dimensions to serve its clients such as products with

different revenue models and varying capital requirements. With the additional context of current industry trends, the Leadership Team was challenged to plan 3 years ahead for further product innovation,

**Leadership was challenged to plan 3 years ahead for product innovation, fintech, strengthening human talent and passing process gains to clients**

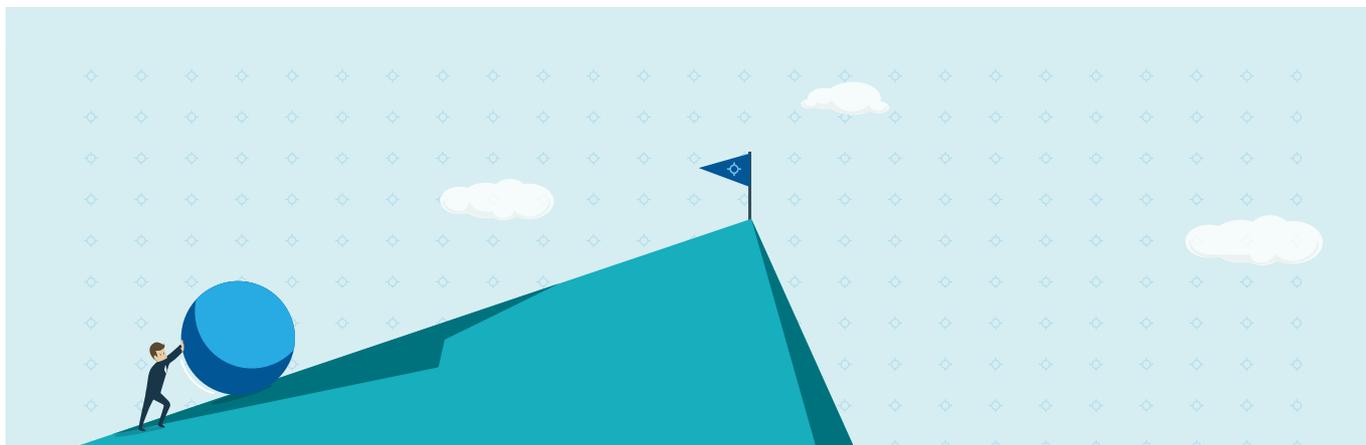
the adoption of fintech, the strengthening of human talent and to pass on the benefits of any process efficiency gains to clients. Given the diversity and complexity of the Markaz business model, continuously 'connecting the dots' internally allows success to be greatly magnified.

From a client perspective, the Sustainable Growth Story initiative is also timely, with the need for greater product innovation and focused services to satisfy the increasingly complex investment require-

ments going forward. Family offices further seek to diversify their investment portfolios geographically to de-risk the impact of oil price volatility and geopolitical tensions on regional economies. Investment decision makers are now also often second-generation family members with international backgrounds and greater acceptance of technology platforms, for both reporting and investment decisions purposes, and attraction to non-traditional asset classes such as alternative investments.

The long-term prospect of a declining oil price will create opportunities for Markaz through the privatization of state owned assets, but requires both the investment banking and asset management businesses to be finely tuned to anticipate future market conditions and industry trends. The Sustainable Growth Story initiative has firmly established such a framework across the organization.

**Manaf A. Alhajeri**  
Chief Executive Officer



# Alhajeri participates at “Gulf Region in the Global Economy” conference

Organized by the Gulf Center for Economics & Business Research.



Speaking at the inaugural Conference Board Gulf Center for Economics and Business Research on 28 November 2018 that was held at Kuwait Chamber of Commerce and Industry, Mr. Manaf A. Alhajeri, CEO of Markaz referred to four touchpoints that need to be fulfilled for the Gulf region and Kuwait to realize its full potential. Fittingly, Mr. Manaf chose to commence his address by reminding the audience about the nuances of labor productivity and workforce growth, driving home the point the technological advancements in the world is yet to lead to productivity growth. On the contrary, the world has witnessed a productivity loss and this can be due to uneven spread of technological benefits with few benefiting enormously at the cost of vast majority.

Emphasizing the fact that Kuwait enjoys a strong fiscal position, Alhajeri nevertheless pointed out that there is a problematic

***It does not make any sense if all investments are overseas; investing in Kuwait helps develop institutions and a bright economic future***

economic sustainability picture in the long run. This has invariably led to a mixed picture in terms of success of economic reforms so far. “The region is impacted by two key variables in terms of the momentum of the reforms, namely oil prices and geopolitical risks. I think it is an interplay between these two factors, which ends up with a matrix of four scenarios,” said Alhajeri.

Alhajeri highlighted that the best scenario is when the Gulf enjoys a moderate oil price and geopolitical stability, as this combination provides maximum tailwinds for reform efforts. Stressing the importance of

innovation in structuring investments domestically in Kuwait, Alhajeri said, “It does not make any sense if all investments are overseas.” Kuwait Investment Authority (KIA) being a major investor, even globally, comes to mind. Through its investments in Kuwait, it can help support the continuous development of sound institutions for a bright economic future.

Citing the investment gap, Alhajeri lamented that institutional investors are usually discouraged from investing in the region, which ends up in a sort of a vicious circle. “So, we will never reach seriously the developed status unless we have a clear strategy in terms of investing in our own country,” said Alhajeri.

Moving to his second touchpoint, Alhajeri stressed the importance of “enlightened institutions”. “We need more institutions that embrace the knowledge economy, believe in innovation and building human capacity, where recruitment is based more on merit rather than any other factor,”. He urged for the creation of a national HR policy in that regard.

Alhajeri’s third line of argument was the necessity of a “functional public sector” in order for healthy privatization to occur. “The simplest reason is that privatization can lead to less employment rather than more employment. So, I do not think it will create jobs, but it can create other projects and develop new professions in the future, but I think we will see a distorted picture.” He cited that one of the most successful examples of privatization on the back of a functional public sector was the privatization of the stock market. Alhajeri said, “I do not know if it is going to be very successful, but I think the conditions introduced by the Capital Markets Authority to make this event happen is probably a good example.”

In closing out the four points, Alhajeri urged the importance of a “trust building mechanism”. Highlighting producing institutions in Kuwait that works on evidence based factors Alhajeri emphasized that such trust building mechanisms should be based on better accountability and adopting the best practices of human resources in terms of putting the right person in the right place. Such an approach will lead to fulfilled objectives for such institutions.



# Markaz named “Best Investment Bank in Kuwait for 2018”

Markaz announced winning the “Best Investment Bank in Kuwait for 2018” award for the seventh time in eight years by Global Finance magazine, a specialized financial and investment magazine.



Global Finance named Markaz as “Best Investment Bank in Kuwait” based on a set of criteria used by their editors and industry experts, including market share, number and size of deals, service and advice, structuring capabilities, distribution network, efforts to address market conditions, innovation, pricing, after-market performance of underwritings and market reputation.

In light of this achievement, Mr. Ali Hassan Khalil, Chief Operating Officer at Markaz, stated, “Naming Markaz as the ‘Best Investment Bank in Kuwait 2018’ by Global Finance magazine affirms their trust in the quality of our invest-

ment banking services in the areas of advisory services related to mergers and acquisitions, capital restructuring and disposition, in addition to equity and debt issuances, listing advisory and other advisory services.”

Mr. Khalil added, “This award is the result of Markaz completing several successful transactions across a wide number of investment banking activities and confirms our relentless efforts,

***This award is the result of successful transactions across a wide number of investment activities and confirms our understanding of client needs***

continuous hard work and in-depth understanding of our clients’ needs and investment requirements. We believe that each client has a unique requirement, for which a consultative approach is adopted to formulate and advise optimal solutions. Markaz team is committed to meeting these needs through specialized expertise and flexibility in adapting to market variables in order to maximize value for our clients.”



Mr. Khalil noted, “Since 1997, Markaz has successfully executed over USD4.03 billion (as of 30 June 2018) of debt and equity mandates in the region across a wide number of activities, including M&A transactions, restructurings, and general advisory transactions. Our achievements record over more than 40 years enforces our clients’ trust in our investment banking services, and encourages our dedicated investment banking team to continue providing innovative solutions while following prudent investment policies.”

Markaz’s performance continues to attract recognition from experts in the region’s financial industry. Markaz was recognized twice in 2017 as “Best Investment Bank in Kuwait” by Global Finance and EMEA Finance. Markaz was also named “Best Asset Manager in 2017” by EMEA Finance. Markaz received these awards for its professional skills in executing many successful transactions for its clients in the fields of credit markets, equities, merge and acquisitions along with offering financial consultancy services.



# Markaz recognized with 43 awards since 2007

<p>2018</p>	<p><b>Best Investment Bank in Kuwait</b></p>	<p><b>Most Innovative Financial Institution in Middle East</b>  <b>Best Local Investment Bank in Kuwait</b>  <b>Best Asset Manager</b></p>	<p><b>Research Firm of the Year</b></p>
<p>2017</p>	<p><b>Best Investment Bank in Kuwait</b></p>	<p><b>Best Investment Bank</b>  <b>Best Asset Manager</b></p>	<p>2016</p> <p><b>Kuwait Equity, Markaz Mumtaz Fund</b></p>
<p><b>Best Investment Bank in Kuwait</b>  <b>Most Innovative Investment Bank</b></p>	<p>2015</p>	<p><b>Best Local Investment Bank in Kuwait</b>  <b>Best Asset Manager</b></p>	<p><b>Best Equity Manager in Kuwait</b></p>
<p><b>Best Investment Bank</b>  <b>Best Asset Manager</b></p>	<p>2014</p>	<p><b>Best Asset Manager</b>  <b>Best Investment Bank in Kuwait</b></p>	<p><b>Best Asset Manager in Kuwait</b></p>
<p><b>Best Fund, Markaz Arabian Fund</b></p>	<p><b>Best Investment Bank</b></p>	<p><b>Best Asset Manager</b>  <b>Best Investment Bank in Kuwait</b></p>	<p><b>Best Investment Bank in Kuwait</b></p>
<p>2013</p>	<p><b>Best Asset Manager in Kuwait</b></p>	<p><b>Markaz Islamic Fund</b></p>	<p><b>Best Asset Manager</b>  <b>Best Investment Bank in Kuwait</b></p>
<p><b>Best Investment Bank in Kuwait</b></p>	<p>2012</p>	<p><b>Kuwait Equity, Markaz Mumtaz Fund</b>  <b>Markaz Islamic Fund</b></p>	<p><b>Best Asset Manager in Kuwait</b></p>
<p><b>Best Investment Bank</b></p>	<p>2011</p>	<p><b>Kuwait Equity, Markaz Mumtaz Fund</b>  <b>Markaz Islamic Fund</b></p>	<p><b>Best Asset Manager in Kuwait</b></p>
<p><b>Best Investment Bank</b></p>	<p>2010</p>	<p><b>Markaz Arabian Fund</b>  <b>Kuwait Equity, Markaz Mumtaz Fund</b>  <b>Markaz Islamic Fund</b></p>	<p><b>Best Asset Manager in Kuwait</b></p>
<p><b>Kuwait Equity, Markaz Mumtaz Fund</b></p>	<p><b>Best Investment Company</b></p>	<p>2008</p>	<p><b>Kuwait Equity, Markaz Mumtaz Fund</b>  <b>Markaz Islamic Fund</b></p>
<p>2007</p>	<p><b>Kuwait Equity, Markaz Mumtaz Fund</b></p>		

# Investing in the Kuwait stock market: the latest developments and emerging opportunities

Markaz: it is our responsibility as an active institutional investor to assess opportunities in light of new developments without ignoring risks.



■ **Alhajeri:** It is our duty to acquire a deep and prudent understanding of business models and their vulnerability to risks, away from all exaggerated optimism.

■ **Al-Omani:** We need to enforce the concept of investment rather than saving to contain inflation and encourage seeking prudent opportunities to achieve the investor's interest.

■ **Al-Osaimi:** The main market includes many promising companies with high profits, providing attractive opportunities for investors.

■ **Al-Ghannam:** Kuwait remains a safe haven and the least risky market of all the GCC countries due to its attractive valuations, improved earnings and anticipated upgrade in MSCI Index.

■ **Al-Abdulqader:** Kuwait stock market upgrade to FTSE emerging market index creates investment opportunities, which requires qualified and experienced investment managers to seize them.

Markaz organized a seminar for its clients and investors titled “Investing in Kuwait Stock Market: The Latest Developments and Emerging Opportunities” on Monday, October 15, 2018, at the Four Seasons Hotel. The seminar agenda addressed a number of significant developments within Kuwait Stock Market, including the upgrade of Kuwait market in international indices and the market segmentation on Boursa Kuwait, shedding light on potential investment opportunities arising from these developments.

## Asset allocation and latest developments

In his keynote speech, Mr. Manaf A. Alhajeri, CEO, Markaz said: “The goal of this event is to fulfill our responsibility as an active institutional investor by launching a discussion platform with stakeholders aiming to assess the

opportunities arising from the reforms undertaken by the Capital Market Authority and Boursa Kuwait, without ignoring the various types of risks that affect our region; particularly, geopolitical risks. The in-depth understanding of these risks is no longer an option but a necessity.

***The goal of this event is to fulfill our responsibility as an active institutional investor by launching a discussion platform with stakeholders***

We believe that it is our duty to make optimal use of the market research and databases to acquire a deep and prudent understanding of business models and their vulnerability to risks, away from all exaggerated optimism. The market faces a number of challenges; perhaps the main

ones being: the decline in the number of initial public offerings (IPOs), the low level of market liquidity and the modernity of debt markets and associated legislations. Markaz policy towards asset allocation, investment strategies development and seizing of opportunities is marked by its commitment to prudent management of investments amid volatile regional and global markets.”

## Role of investment funds

Alhajeri added: “I would like to stress the importance of institutional investors like Markaz in modernizing Kuwait capital market. It is also important to note that local investment funds, as natural market makers and institutional investors, contribute significantly in laying the appropriate ground to attract investors.” He continued, “Foreign investors’ attention has shifted to premier segment comprising 17



stocks, while the main market segment has 146 companies. This will allow the local investment funds to actively benefit from investing in all listed companies. In that way, investment funds play a crucial role in attracting investment into domestic institutions, by companies with extensive and strong experience, knowledge and performance”.

#### **Appeal of the Kuwaiti market**

Alhajeri stated: “The Kuwaiti Market is the home country of the Kuwaiti investors, their funds, savings and businesses. It is a market in which bank distributions amount to 3-4% annually and real estate distributions to 6-7%, making it a good market for investment. Even the global markets in which we invest are low in return owing to political stability”.

Mohamad Al-Abdulqader, Assistant Vice President, MENA Equities, gave a presentation on Kuwait Financial Market Outlook. The presentation provided insight into the Kuwaiti market index performance following the FTSE Russell promotion of Kuwait market to Emerging market status, the change in the liquidity levels, government spending on infrastructure and projects, improved levels of corporate profits and strong financial position of Kuwait.

Al-Abdulqader emphasized the important role of qualified investment managers in addressing potential risks within an investment environment and seizing favorable opportunities arising

from the market’s repercussions. The region continues to experience volatile environment as a result of oil prices continuing to fluctuate and geo-political risks, in addition to the challenges faced by the Kuwaiti market represented by the low profitability in the main market compared to the primary market, poor transparency in general and the absence of quality data, making it difficult to make an investment decision solely without the need to seek help from qualified institutional investment manager.

#### **Promotion of Kuwaiti markets**

Al-Abdulqader highlighted Kuwaiti market promotion to Emerging market status noting that: “The upgrade of the Kuwaiti market to FTSE Russell Emerging Markets Index is expected to boost liquidity levels to \$800 million. On the other hand, liquidity levels are projected to continue to rise

***It is our duty to use market research and databases to acquire a deep and prudent understanding of business models and their vulnerabilities***

to as high as \$2 billion as a result of the expected upgrade of MCSI Kuwait Index to Emerging Market status. The positive effects of this upgrade can be summarized by increased levels of liquidity in the stock market on the short term, improved visibility of the market and attraction of foreign

investors, which increases their potential to engage in the market activities on the long-term.”

He added: “The upgrade will create favorable opportunities. It is expected that the focus on blue-chip stocks would mean neglecting many other companies that are not included in the index, especially those traded in the main market. In order to capitalize on the opportunities presented by these challenges, a number of key factors must be in place to succeed with investment management: Long experience and high degree of professionalism of the investment manager as well as availability of research and studies that support the decision-making process and facilitate seizing opportunities arising from challenges.”

#### **Markaz funds**

The seminar included a panel session on the “Latest Developments and Emerging Opportunities”, moderated by Osama Rasheed, CNBC Arabia.

Amani I. Al-Omani, Executive Vice President, MENA Equities, stated: “Since the global financial crisis to date, investors have become more conscious of the importance of access to experienced and qualified investment managers to manage their investments and avoid associated risks. The establishment of the Capital Markets Authority and Boursa Kuwait has also contributed to changing the regulatory environment and thus changing the behavior of investors. With over PG 10

## Investing in Kuwait Stock Market



40 years of experience, Markaz has successfully overcome many challenges due to its strong foundations. Markaz funds have outperformed the market indices and are characterized by lower risks, making them suitable for any investor. Markaz promotes professionalism, integrity, credibility and in-depth analysis in all its activities. However, our institution is part of an economic system and an investment environment that requires cooperation between all stakeholders to achieve Kuwait's 'Vision 2035' and attract the local investor before the foreign investor to deepen the confidence and trust in the existing opportunities and institutions to achieve the best possible returns. We need to enforce the concept of investment rather than saving to contain inflation and encourage seeking prudent opportunities to achieve the investor's interest."

With regard to existing risks, Al-Omani pointed out that: "Risks and loss are part of the nature of business and investment. In our view, experienced investment managers provide a more accurate assessment of risk. Temporary and limited risks have shorter-term effect. Longer-term risks, on the other hand, must not be overlooked. The Kuwaiti market is characterized by the general policy of non-interference by the government in financial crises, unlike the other GCC countries where governments purchase the stock banks, instead, Kuwait came up with portfolio plan, leaving it to the market to correct itself without interference. In the end, the nature of the investment depends on calculated risks and chasing of returns."

### More regulated market

Ghazi Al-Osaimi, Senior Vice President, MENA Equities, said: "After the establishment of the Capital Market Authority, the Kuwaiti market entered a new stage of transparency and compliance. In addition,

with the establishment of Boursa Kuwait, the market has become more regulated. We have witnessed new listings for companies with high-value. The market segmentation mainly aimed at increasing the liquidity levels; however, this can only be achieved through extended investment tools that will lead to increasing liquidity gradually. We believe that the reforms and developments would need to evolve over time to create positive impact on the market in the long term, especially with the development of all segments of economy including the service and supporting sectors."

***Markaz funds have outperformed market indices and are characterized by lower risks, making them suitable for any investor***

About the emerging opportunities in the main market, he said: "The main market include many promising companies with high profits providing that doubled their prices by 100% and achieved good profits during 2018. These companies provide attractive opportunities for professional investment managers. We expect that the emphasis would be placed on those opportunities in the coming period, not only the premier market."

### Indices periodic reviews

Mohammad Al-Ghannam, Assistant Vice President, MENA Equities, said: "There are several conditions that need to be achieved in order to be added to the periodic reviews. They include the minimum market value for shares (USD 253 million) and liquidity. In previous reviews on some GCC markets, it was noted that some investors and expert houses focused on shares that satisfy all of the liquidity and market value conditions

during a 10-month period from the last 12-months of review. This has resulted in unprecedented activity in those companies and significant increase in the share price prior to being included in a stock index. This could activate the role of market maker. There is also another potential option during the review period, which is the change in shares weights in the indices between the reviews, due to the changes in the emerging markets performance, the shares percentage and the foreign ownership percentage during that period. An example for this would be the increment of foreign ownership percentage to 49% in some Qatari blue-chip companies this year, which increased the weights of these companies in FTSE and MSCI indices and in return attracted foreign inflows of USD 1.5 million."

He added: "I believe that foreign inflows played a pivotal role in the performance of the region's markets. This is evident when comparing Dubai market to Abu Dhabi market, as Dubai market has declined significantly as a result of the abundant supply of properties and high interest rates, leading the lowest valuations ever since the beginning of the oil crisis. Qatar index achieved the highest performance among its GCC peers due to the increased percentage of foreign ownership despite the political challenges. On the other hand, the Saudi market inclusion in FTSE and MSCI indices and the increased oil prices contributed significantly to attracting foreign inflows estimated at USD 3 billion and the surge in the market by 11% since the beginning of the year. We believe that the positive performance will continue in the Saudi market with a higher revaluation of the multiples of profitability and book value as witnessed in the historical market evidence between the decisions to upgrade to the implementation. In addition, foreign investment is still low in the expected inflows for the coming year. The current market is only 15% of the expected inactive flows and 5% of the total active and inactive funds. In our view, the Saudi market will not be isolated from sharp fluctuations due to geopolitical risks. However, based on those considerations, I strongly believe that Kuwait remains the safest haven and the least risky market of all the GCC countries due to its current attractive evaluations, improved earnings and anticipated upgrade in MSCI Index."

# Alhajeri: foreign funds await harmonized trading with our institutional investors like mutual funds

In his key interview at Euromoney Kuwait Conference 2018.



- This change will find its way in other fields like M&A and AGMs, which will be more efficient and sound with more institutional investors
- Investment banks incubated & developed many companies leading some to be included in FTSE Russel emerging markets index
- International portfolio managers and family offices clients seek our sector's expertise due to local challenges that cannot be overcome without solutions we offer
- The hydrocarbon sector crowds out all the liquidity and nothing is left for the institutional money to invest in non-hydrocarbon projects
- How can we move Kuwait market from Frontier to Developed if international consultants advise our institutional investors to invest abroad because Kuwaiti market is too risky?

Mr. Manaf A. Alhajeri, CEO of Kuwait Financial Centre "Markaz" stated, during his key interview at Euromoney Kuwait Conference 2018, that the inclusion in FTSE Russel has been the highlight of the year. He stressed on the importance of asking ourselves about the coming steps in order to achieve sustainable liquidity in the Kuwaiti market.

Alhajeri said, "The inclusion in FTSE Russel is a necessary step for market reforms. However, it is not the only step. We need to ask ourselves, what is next? The country's efforts to attract foreign investments through borrowings or foreign investments do not only aim to attract foreign liquidity but also to raise the standards of our practices."

He added, "I think Kuwait's inclusion in FTSE Russel is about confidence, bringing better practices to the market,

institutional investing and shifting the mindset from speculation to institutional investing. I genuinely believe that this should not stop at the stock market itself. It should find its way to other parts of the financial practices in Kuwait such as M&As or AGMs. These could be more professional if they include a multiplicity of institutional investor through mutual funds for example, which should play a much more important role in the future to dance with the international money, in addition to institutional funds from abroad."

Asked about governance in the private sector, he said: "Listed companies are under thorough regulations by the Capital Market Authority, especially the financial sector institutions including banks and other financial companies like Markaz which are regulated by the Central Bank of Kuwait. I think the financial sector,

banks and non-banks, is certainly the best regulated sector in the GCC economy and in Kuwait. I do not think it is over regulated, because they need more transparency, more alignment of interest and more accountability, which leads to higher economic competency. The governance culture in the financial sector has witnessed a huge transformation since the establishment of the CMA. We can do much better in terms of restoring confidence in the stock market."

Mr. Alhajeri stated, "Now that we attracted foreign funds; I think we need to go back to the domestic institutional funds with a specific strategy for restoring their active role in the market. I am not just talking about domestic funds; I am talking about portfolio managers and key financial institutions in Kuwait, who have played a major role in the genesis of the stock market, even before the advent of the CMA, and should continue with these policies which proved yield strong returns."

Alhajeri pointed out that Kuwait has many success stories in the financial sector in comparison with the broad economy which included more challenging topics such as education and health. He stressed that the inclusion in FTSE Russel, in addition to other measures in the same direction, will help in closing the gap between the status of frontier markets and developed markets, which has been a key challenge for the financial sector. "I have to say that the achievements of this sector since the establishment of Kuwait Investment Authority represent key milestones, like in the 1990s when KIA actually launched the mutual funds industry in Kuwait. There have been successes and we need to capitalize on these successes," he noted.

About the diversity in geographic allocation for Kuwaiti investments, he said: "most of the Kuwaiti investors are either listed companies or family offices, who derive their main wealth from Kuwait, specifically in the local real estate sector, which yields high returns overpassing those in developed countries, but the latter is better in terms of geopolitical stability. These companies require local asset managers to manage their

## AlAbdulqader delivers a presentation on 'Kuwait Financial Market Outlook'

Bursa Kuwait holds investor relations workshop focusing on country's capital markets opportunities.



Bursa Kuwait, in collaboration with the Middle East Investor Relations Association (MEIRA) Kuwait Chapter, organized its fourth Investor Relations workshop titled 'Kuwait Financial Market Outlook'. The workshop was held at the Bursa Kuwait premises on

26 November. Conducted with the aim of offering a deeper understanding of the best investor relations practices and raising awareness on the latest developments at the national stock exchange, the workshop witnessed great interest from key executives of companies listed on Bursa Kuwait and capital markets professionals.

Mohammed AlAbdulqader, Assistant Vice President, MENA Equities, Markaz, delivered a presentation that highlighted new investment opportunities and strong growth prospects in Kuwait's capital markets. He also shared his insights on the Kuwaiti economy from a macro perspective, including market performance, profitability indicators and the impacts of upgrading Bursa Kuwait to the FTSE and MSCI indices, among other topics. He stated, "Kuwait's stock market enjoys a positive outlook supported by favorable underlying fundamentals

**Bursa Kuwait's potential inclusion into the MSCI could attract up to USD 1.8 billion while the second tranche at FTSE should be a short-term catalyst**

driven by strong fiscal position with lower breakeven oil price vs. GCC putting the Kuwaiti government in comfortable financial position to support Kuwait's 2035 and project spending. Corporate profits are improving coupled with reasonable valuation further support overall positive outlook."

Moreover, he noted, "Bursa Kuwait's potential inclusion into MSCI emerging market index, decision expected during June 2019, could attract up to USD 1.8bn of passive inflow and second tranche of FTSE inclusion in December 2018 should act as a short-term catalyst for the market."

AlAbdulqader concluded, "While we think the market will continue its positive momentum into next year, we believe risk factors should not be ignored especially the higher volatility that could be driven by geopolitical factors, International trade tariffs and lower oil prices."

## Markaz leads all Kuwaiti companies and banks in compliance

Markaz is pleased to announce that it leads all Kuwaiti companies and banks in compliance with 6 licenses and a record free of any violations during the past three years (according to *Al-Qabas* newspaper article published on 6 December, 2018). This has been achieved with the efforts of all Markaz teams and especially the Compliance team.



### خلال السنوات الثلاث الأخيرة 7 شركات وبنوك سجلها خال من المخالفات

- الوطني و«الخليج» و«بوبيان» و«المركز» و«كفيك» و«التسهيلات» و«التمدين الاستثمارية»
- المخالفة الأكبر قيمة من نصيب «المقاصة».. وتغريم البورصة 3 آلاف دينار
- 5 شركات وساطة من دون مخالفات هي «بيتك» و«الشرق» و«التجاري» و«هيرمس إيفاء» و«الأولى»

3 الاف دينار، مع رد منفعة بقيمة 909 الاف دينار، في حين سجلت مخالفة ضد شركة البورصة بغرامة 3 الاف دينار، وتم الغاء المعاملة محل المخالفة.

الشركات المرخص لها بين الاصدار والتخفيف والغرامة التقديرية، فيما تراوحت الغرامات بين الف دينار و5000 دينار، في حين سجلت عقوبات متكررة شهريا لحين انتهاء

3 الاف دينار، مع رد منفعة بقيمة 909 الاف دينار، في حين سجلت مخالفة ضد شركة البورصة بغرامة 3 الاف دينار، وتم الغاء المعاملة محل المخالفة.

احتفظت 7 شركات مدرجة بسجل ناصح المياض من المخالفات خلال السنوات الثلاث الماضية، وتحديداً

سالم عبدالغفور

## Alhajeri a keynote speaker at Sciences Po Conference



Mr. Manaf A. Alhajeri, CEO, Markaz participated in the opening keynote session of Kuwait Program at Sciences Po Conference, supported by Kuwait Foundation for the Advancement of Sciences (KFAS), held in Paris on 3-5 October 2018, under the theme "Europe and the Middle East and North Africa".

The conference provided a platform for conversations amongst researchers in political sciences, diplomats and students from Sciences Po representing 150 countries worldwide who debated the current state and the future of relations between Europe, the Middle East and North Africa. Discussions focused on the areas of international and diplomatic relations, reciprocal dynamics of public opinion and academic collaboration, of which strong links across these continents are based.

# Markaz's research subsidiary 'Marmore' wins "Research Provider of the Year 2018" award by Global Investor

Award serves as testament to Marmore's strong performance in research and client service.



**MARMORE** Marmore, research subsidiary of Kuwait Financial Centre 'Markaz', has been awarded as the 'Research Provider of the Year' by Global Investor, a magazine owned by Euromoney group, which is specialized in investment and capital markets globally. Marmore was selected by specialized jury based on a number of criteria over the last 12 months including performance, growth,

unique offering and services.

Manaf A. Alhajeri, Chief Executive Officer of Markaz and Chairman of Marmore said, "It gives me great pleasure to know that Marmore has been recognized for the exceptional business and research performance that it has been delivering. It is a testament to the robust methodology that it deploys in both research processes and client service.

***We believe that the award demonstrates the effectiveness of our continuous market growth, research innovation, and client service leadership***

It tells us that our focus on strategy, client commitment and innovation leadership has found resonance among our stakeholders."

"Marmore is thankful to the award organizers for choosing to honor our work. It is truly an honor to be recognized by a prestigious industry forum like of Global Investor. We believe that the award demonstrates the effectiveness of our continuous market growth, research innovation, and client service leadership. Our quest is to continuously differentiate ourselves with high-quality research outputs, shaping client and market perceptions constructively in the process," said M.R. Raghu, EVP and Head of Research at Markaz and Managing Director of Marmore.

He added, "Our relentless pursuit to leverage industry and market intelligence to successfully advice on strategies and client projects has resulted in strong customer satisfaction and competitive brand positioning. Marmore believes that this award clearly recognizes that dimension of our strong overall performance. This award would not be possible without the support of our clients and key stakeholders, who have helped Marmore thrive in an environment of intense competition and escalating market challenges and uncertainties."

By building a strong Me-na-focused research strat-

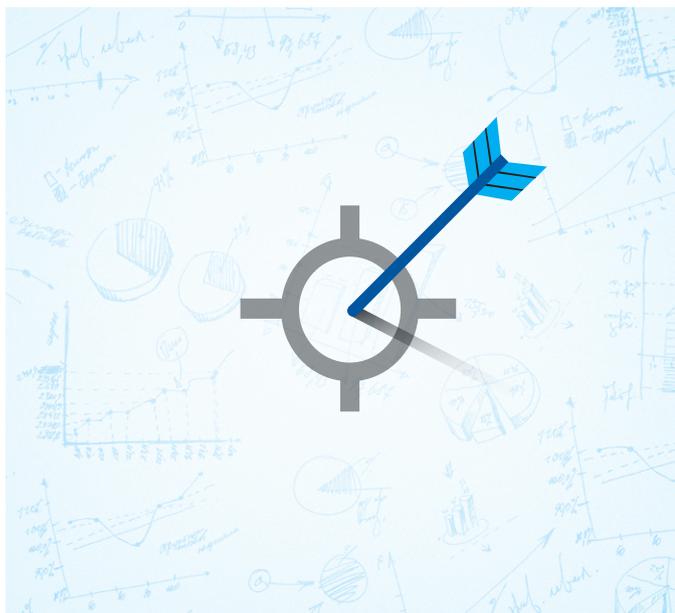
egy and execution capacity, Marmore has charted a clear path towards future growth opportunities. Marmore's vision is not only economic value creation

through usable research, but to contribute to healthy research ecosystems and robust debates around critical market problems.

Marmore, since inception in 2010, has undergone a series of transformations in the scope of research deliverables and sectors' coverage. In order to enhance or cover all elements of client requirements, we have also built a policy research practice over the years.

Our commitment to develop innovative products is underpinned by the work of our analysts and consultants, to whom we owe gratitude during this moment of recognition and happiness. They help Marmore stand out from other research companies on multiple complementary criteria highlighting our innovations in the research development and delivery process.

Marmore believes in connecting internal quality research management processes to carefully chosen alliance or ecosystem partners too. This serves us well given the complexities of today's business environment in terms of anticipating market changes and planning strategically to respond effectively to changing client requirements. As a result of the contributions of all our stakeholders, Marmore is uniquely positioned to provide quality domain knowledge and high client retention rates.



# Marmore reveals “top 30 stocks in GCC based on RODE metrics”

A presentation organized in collaboration between Markaz research arm and UIC.



Markaz research arm, Marmore MENA Intelligence, organized a presentation in collaboration with the Investment Studies Center (ISC) at the Union of Investment Companies (UIC) titled “Top 30 Stock Picks in GCC based on RODE Metrics” on December 17 at the Kuwait Chamber of Commerce & Industry. The presentation by M. R. Raghu, Head of Research at Markaz and Managing Director of Marmore, is based on a report by Marmore that revealed the portfolio of top 30 stocks identified using metrics such as **ROIC** (return on invested capital), **ROE** (return on equity) and **RODE** (return on dividend yield and earnings yield) as stock filters/screens. It also dwelled on the back-testing results and highlighted how much an investor could have gained over the benchmark index through simple stock selection methods.

Raghu stated, “Businesses with strong

fundamentals are most certain to weather market volatility and build shareholder wealth in the long run. The scenario is no different when it comes to stock selection and building a portfolio. The stocks identified using RODE metrics reveal stocks with fundamentally strong businesses that could generate wealth, irrespective of the way the broader equity markets sway.”

***Stocks identified using RODE reveal companies with strong fundamentals that generate wealth irrespective of broader equity markets sways***

Raghu added, “In order to pick fundamentally strong stocks, it is vital that an investor is well-aware of metrics such as ROIC, ROE, dividend yield and earnings yield, data that reflect the fundamental

value of a company most appropriately irrespective of the direction equity markets take.”

He pointed out, “Better performing businesses, in general, efficiently use their capital to generate healthy free cash flow and they do so consistently, which is measured by the financial metric ROIC for non-banking stocks and through ROE for banking stocks. We have considered those companies, which have consistently achieved ROIC/ROE over their weighted average cost of capital, as they add economic value.”

Distribution of the cash flow generated to shareholders is measured by dividend yield and earnings yield as this helps one to determine the valuation of the stock on a relative basis when compared with its peers. The companies were subjected to other stock filters such as stocks that have a dividend yield of at least two-thirds

Company	Country	Sector	$\bar{x}$ ROIC/ROE 2013-2017	$\bar{x}$ dividend yield 2013-2017	Earnings yield	
1	Qatar National Bank	Qatar	Banks	19%	3%	10%
2	First Abu Dhabi Bank	UAE	Banks	14%	4%	7%
3	Al Rajhi Banking & Investment Corporation	KSA	Banks	17%	3%	7%
4	Samba Financial Group	KSA	Banks	13%	4%	9%
5	National Bank of Kuwait	Kuwait	Banks	10%	4%	7%
6	Riyad Bank	KSA	Banks	11%	5%	9%
7	Emaar Properties	UAE	Real estate	9%	2%	14%
8	Masraf Al Rayan	Qatar	Banks	17%	5%	8%
9	Dubai Islamic Bank	UAE	Banks	16%	6%	15%
10	Qatar Islamic Bank	Qatar	Banks	13%	5%	9%
11	Aldar Properties	UAE	Real estate	10%	4%	12%
12	Qatar Fuel	Qatar	Energy	17%	5%	9%
13	Abu Dhabi Islamic Bank	UAE	Banks	13%	5%	16%
14	Advanced Petrochemical	KSA	Materials	20%	7%	6%
15	Dubai Investments	UAE	Capital goods	9%	5%	11%
16	Qatar International Islamic Bank	Qatar	Banks	14%	6%	10%
17	Oman Telecommunications	Oman	Telecom	18%	7%	11%
18	Aramex	UAE	Transportation	15%	4%	7%
19	Qurain Petrochemical Industries	Kuwait	Materials	10%	5%	10%
20	Qassim Cement	KSA	Materials	25%	7%	6%
21	Qatar National Cement	Qatar	Materials	15%	5%	9%
22	Al Meera Consumer Goods	Qatar	Food & staples retailing	14%	5%	7%
23	Arriyadh Development	KSA	Real estate	12%	6%	8%
24	National Gas and Industrialization	KSA	Utilities	11%	5%	8%
25	Saudi Chemical	KSA	Chemicals	14%	5%	7%
26	Qatar Industrial Manufacturing	Qatar	Capital goods	12%	6%	11%
27	Kuwait Portland Cement	Kuwait	Capital goods	11%	7%	8%
28	Al Babtain Power & Telecommunication	KSA	Capital goods	14%	6%	13%
29	Widam Food	Qatar	Food, beverage & tobacco	27%	5%	10%
30	Bahrain Duty Free Shop Complex	Bahrain	Retailing	17%	6%	8%

of S&P MENA bond yield and whose earnings yield are at least twice that of the S&P MENA bond yields. Thus, the 'RODE' metrics helps investors filter out stocks that are involved in efficient business operations, are shareholder friendly and are not overvalued.

Shortlisted companies were further screened based on other parameters such as the free float, turnover ratio and market capitalization to ensure that the stocks have adequate liquidity and that a potential investor could take a position in the stock without impacting its price, to arrive at the list of GCC top 30 stocks.

While the Marmore report exhibits 30 stocks, one example would be Dubai Islamic Bank, a large cap bank from the UAE with a free float of 64.7%. The stock exhibited an average ROE of 16% during the period of assessment, commanded an

average dividend yield of 6% and had an earnings yield of 15%. A dollar of shareholder's money invested at the beginning of 2013 in the company has increased over three times in 5 years and is worth over 3.37 dollars at the end of 2017.

***Companies that were shortlisted were further screened based on other parameters such as the free float, turnover ratio and market capitalization***

The GCC top 30 RODE group consists primarily of large cap stocks and is well diversified in terms of sector. The group of stocks consists of 11 banks followed by four capital goods and materials companies each, and three real estate companies.

Furthermore, the Marmore report also analyzed the top 30 stocks in terms of market capitalization, both at the country level as well as at the broader industry level.

The report also underwent a comparative analysis of the performance of a portfolio consisting of top 30 RODE stocks with that of the S&P GCC index, a widely used equity benchmark for the region. On performing a back-test, the portfolio comprised of the top 30 RODE stocks returned 11.2% annually for the period between 2013 to 2017 against the S&P GCC Index's annualized return of 1.6% for the same period.

The objective of this comparison is to show how stock selection using specific parameters could result in substantially higher returns as compared to the benchmark.

# Markaz launches its first sustainability report in accordance with Global Reporting Initiative standards

Preparing the report with Markaz internal capabilities proves that sustainability is a valuable asset in its business model.

Markaz launched its first Sustainability Report, highlighting Markaz performance and activities for the reporting period 2016-2017. It reflects our commitment to sustainability as a core pillar of our corporate strategy. The report focuses on Economic, Social and Environmental categories, in addition to material topics that are most important to our stakeholders and to our business. The report was prepared in accordance with the Global Reporting Initiative (GRI) standards, an international independent organization aiming to ensure the highest quality and transparency of institutions' reports disclosing the impact of their business activities on sustainability aspects.

In this regard, Alrazi Y. Albudaiwi, VP and Head of Media & Communications Department at Markaz said, "This sustainability report affirms Markaz's determination to ensure responsible, sustainable and joint progress towards corporate innovation and social consciousness. It also represents our purposeful goals and corporate social responsibility to direct organizational outcomes in a transparent manner. Since its establishment more than 40 years ago, Markaz sustainability approach has provided a strong, safe corporate base, which was reflected on the company's performance over the years. During the report period, Markaz has contributed in a number of social and economic initiatives, including sound governance, human capabilities, creating job opportunities and enhancing the business environment, reflecting Markaz commitment to achieve a positive change in the society and national economy, while encouraging partners to pursue the same goals."

Albudaiwi added, "The report reflects and reinforces Markaz's commitment towards bettering the quality of engagements for all stakeholders involved within our circle of activities and society in general. Further, it illustrates our determination to be cognizant of possible opportunities and to listen to feedback from stakeholders about what is important

to them, in order to achieve our institutional goals and fulfil our clients' needs. We have prepared the complete report using our internal capabilities and that of our research subsidiary, Marmore MENA Intelligence. Our self-reliance demonstrates our determination to immerse ourselves fully in the process of corporate self-discovery, proving that sustainability for us is a valuable asset."

Albudaiwi pointed out that the report, through the data and the case studies,

***The GRI is an independent organization aiming to ensure the quality and transparency of institutions' business activities on sustainability aspects***

conveys Markaz efforts in creating shared value through its activities by thinking long-term and focusing on sound principles adhering to best practices and standards. This report will help in delivering our stated objectives through benchmarking past performances with targeted future outcomes.

Markaz's sustainability report focuses on the categories defined by GRI, which are the Economic, Social and Environmen-

tal categories, as well as the material aspects for all the stakeholders and Markaz. In addition, it also demonstrates the intersection points of Markaz initiative and the Sustainable Development Goals of the United Nations Development Programme (UNDP SDGs). This reflects Markaz's keenness to follow the best international practices and the global business trends affirming its sustainable vision.

The report showcases 9 case studies of Markaz initiatives aiming towards achieving sustainability, namely:

- 1 Innovation in finance by the creation of new investment channels with unique characteristics that widen the investors' choice
- 2 Introducing new professions for the youths by supporting small real estate evaluators
- 3 Youths training by investing in education and developing their skills in schools, universities and cultural centers
- 4 NGOs support through strong relationships with non-profit organizations aiming to developing human capabilities in the fields of culture, health, education and sports
- 5 Supporting SMEs to build Kuwaiti entrepreneurs' skills with programs such as Fikra Program and Junior Achievement Programs (INJAZ)
- 6 Capacity building with The Develop & Hire program and Markaz pivotal exchange forum
- 7 Science, technology and innovation knowledge transfer in collaboration with Kuwait Direct Investment Promotion Authority (KDIPA) on two vital programs; GE Kuwait Technology Center and National Offset Program
- 8 Launching 'Public Sector Reforms' initiative with Kuwait Economic Society aiming to boost public sector performance
- 9 Research and developments by partnering with international think tanks and establishing Marmore MENA Intelligence, a research subsidiary of Markaz focusing on the MENA region.



# Marmore MENA Intelligence & the Sovereign Wealth Fund Institute announce knowledge partnership

Marmore will be SWFI's Knowledge Partner in the Middle East, providing insights and intelligence on the regional markets. Selected Marmore reports will also be showcased on the SWFI's website and accessible to a wide range of the Institute's subscribers.



***SWFI: Having Marmore as a partner creates an innovative new knowledge platform with insights that benefit of our global institutional clients***

nership, M. R. Raghu, Managing Director of Marmore Mena Intelligence, said, "We are delighted to be joining forces with the SWFI to accelerate Marmore Mena Intelligence's market-leading research in understanding the Middle East region, and showcase our cutting-edge research products to the wider set of readers around the world",

Michael Maduell, President, SWFI, said, "This collaboration creates an innovative new knowledge platform for the benefit of SWFI's global institutional clients. There is a synergy between our two brands that will result in a profitable relationship for both of us. It's an honor to be able to publish their insights alongside our team."

Rachel Pether, Senior Advisor, SWFI, commented, "Marmore Mena Intelligence's expertise in producing quality research reports on the Middle East is already well established. This collaboration between Marmore Mena Intelligence and SWFI will help accelerate the development of an insightful knowledge society. It is a tangible example of how global and regional organizations can successfully combine to advance research pursuit."

Marmore Mena Intelligence, Markaz research subsidiary, has announced the signing of a Memorandum of Understanding (MoU) with the US-Based Sovereign Wealth Fund Institute (SWFI).

The MoU will make Marmore Mena Intelligence the "Knowledge Partner" of SWFI in the Middle East, and will enable it to share insights and intelligence on the region's financial markets, policy, economic, corporate, and banking sectors to the SWFI. The partnership will also enable SWFI's subscribers to access local Middle East market data through Marmore Mena Intelligence's database.

Under the terms of the deal, SWFI will also publish select reports of Marmore Mena Intelligence on its website.

SWFI is a global organization designed to study sovereign wealth funds, pensions, endowments, superannuation funds, family offices, central banks and other long-term institutional investors in the areas of investing, asset allocation, risk, governance, economics, policy, trade and other relevant issues. SWFI facilitates sovereign fund, pension, endowment, superannuation fund and central bank events around the world.

Commenting on the prestigious part-



# Early adoption of successful fintech strategies allows us to enhance the overall Markaz customer experience

Workshop on “Winning through Digital Innovation” for its leadership team.



Markaz recently organized a case study based workshop for its Leadership Team and employees on “Winning through Digital Innovation” at the J W Marriott in Kuwait City. Bosky Subramanian, Chief Digital Evangelist at Eywa Media, hosted the interactive sessions and presented his insights on global fintech trends with a focus on asset management and investment banking. The workshop aimed at refining Markaz’s position as a pioneer in driving innovation for growth through superior customer engagement, creative product solutions and operating efficiency.

***This workshop highlights Markaz’s ongoing commitment to technology led innovation and builds on our various leading edge investment products***

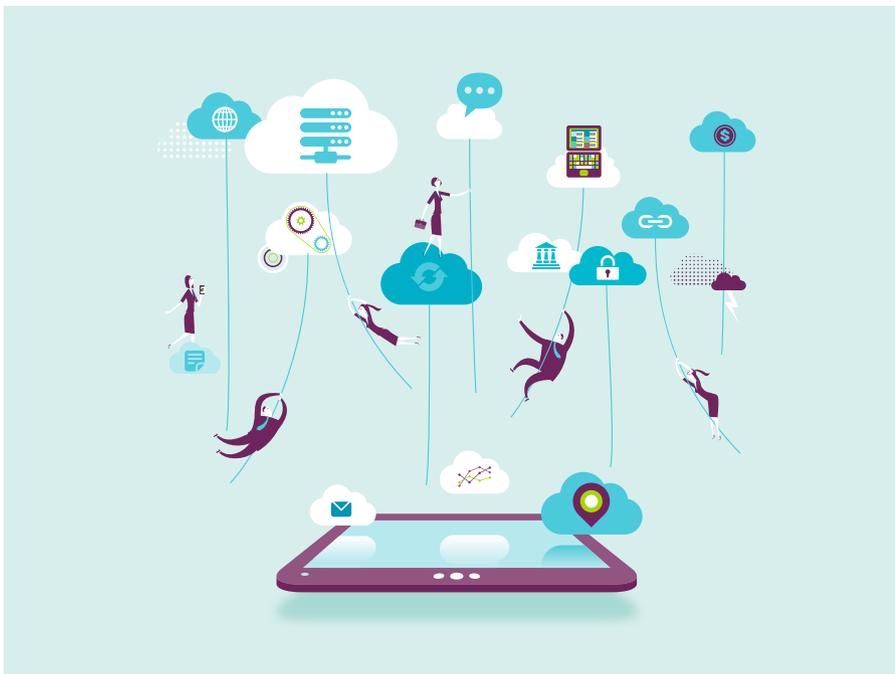
Over the two days, the Leadership Team explored international and regional perspectives on the role of fintech in cultivating both product and customer service innovation. The breakout team sessions inspired cross functional debates on how Markaz can best further strengthen its

innovation mindset and also continue to circumvent barriers that can often stifle the adoption of change in organizations.

Manaf A. Alhajeri, CEO, Markaz said, “This two day workshop highlights Markaz’s ongoing commitment to technology led innovation and successfully building on our various leading edge investment products launched over the years. Many of these product innovations have not only contributed to the development of the financial sector in Kuwait but also fostered an overall environment of technological evolution amongst Kuwaiti companies and entrepreneurs. Our approach to fintech is anchored on three clear stages: actively monitor evolving technology models, rigorously assess their potential value creation impact on Markaz and then finally to focus on successful adoption. With fintech now providing access to various technology possibilities (such as Artificial Intelligence and Blockchain), Markaz is well positioned to move up the learning curve and to continue on its digital journey in becoming not only the most trusted but also the most innovative asset manager and investment bank in Kuwait.”

The workshop had a pragmatic format covering the entire digital ecosystem with discussion topics including the international fintech landscape, digital wealth management, real estate technologies, challenges across customer engagement, the new product development process and customer journey design concepts. It also triggered idea exchanges on the cultural and mindset change required to think of the ‘art of the possible’ and the skill sets required to achieve these technology based transformations in practice.

Over the years, Markaz has always prioritized product innovation and the adoption of technology as competitive advantages. In line with this approach, the workshop debates and case studies importantly allowed the Leadership Team to refine Markaz’s digital vision to ensure its continued full alignment to the firm’s overall strategic direction and reinforce its role in delivering a superior customer experience across all service offerings.



# Markaz continues to attract international institutions

The continuous international interest in Markaz expertise is a manifestation of the company's leadership as a regional thought leader that enjoys solid institutional track record and a deep reservoir of well researched information.



## Markaz meets with Dr. Sophie Oliver-Ellis London School of Economics

On 30 September 2018, Markaz hosted Dr. Sophie Oliver-Ellis, Research Officer - Kuwait Program: Middle East Centre at London School of Economics and Political Science to discuss how the government can encourage the private sector to diversify the economy, as well as how to prepare to contribute to the knowledge economy.



## Markaz welcomes Mr. Richard Kastelein Editor-in-Chief of Blockchain News

On 30 September 2018, Markaz welcomed Mr. Richard Kastelein, Editor-in-Chief of Blockchain News, in collaboration with the Kuwait Foundation for the Advancement of Sciences (KFAS), to share knowledge learning on Blockchain and explore the latest international trends.



## Meeting with Mr. John Rodney Chargé d'Affaires, and Ms. Emily Haji Regional Economic & Finance Counselor

On 24 September 2018, Mr. Manaf A. Al-hajeri welcomed Mr. John Rodney and Ms. Emily Haji, Regional Economic and Finance Counselor (GCC) in which they discussed business and foreign direct investment (FDI) in the GCC and Kuwait.

CONTINUED FROM PG 11

## Alhajeri: foreign funds await harmonized trading

assets and liabilities efficiently. In Markaz for instance, we diversify our investments in different asset classes globally. The general trend so far has been to go to international players who are active in the family office business. With time, we realized that these international managers will come to us, sometimes the family offices themselves, because there are real-life constraints that cannot be overcome without the support of what we offer. The international investment manager does not have the right expertise in the local real estate management for example, which is the largest part of the Kuwaiti investors' assets."

When it comes to the challenges that investment companies face in Kuwait in the financial technology field, Alhajeri said, "There are many challenges facing the financial sector like fintech and adaption to technology trends in this sector. However, I think fintech is not something new; it is an area where we keep investing in with more time and resources, especially in the fields of cyber security and client interface."

He added, "Looking at the business model of a company like Markaz, a company that is in the business of asset management largely institutional and family office money, in addition to investment banking, we and other investment banks, actually incubate the companies you see today in the stock market. Some of them have made it to the global ranking in the FTSE index. Whereas the international money has 16 companies in the premier market, we actually have full view of the 175 companies. We believe that it is our role to enable them to get there and achieve sustainable growth, which is a strength in the investment banking sector in Kuwait. Now the main challenge in a market like Kuwait is that the growth of corporate earnings and bank credit is not strong enough."

He noted, "The government spending in the economy was not reflected on the listed companies. Not much of that has gone to the well-regulated financial sector. The key challenge lies in the coordination of Kuwait's economic policies. While we

talk about diversifying the economy away from the hydrocarbon sector, we find that the hydrocarbon sector crowds out other sectors when it comes to liquidity and nothing is left from the institutional money in non-hydrocarbon projects. I think that the international consultancy industry are creating this challenge. How can we move Kuwait market from Frontier to Developed if international consultants advise our institutional investors to invest abroad because Kuwait is too risky?"

Alhajeri concluded, "I am optimistic about the future of the financial sector because it proved its capability to innovate and keep up with the private sector challenges. I am also optimistic about the private sector role with the entry of international players and with the increase of sophistication because there is no way international players can help a company grow without the help of local investment banking and asset management companies, who can help them do IPOs, capital increases, issuance of debts and many more. The local investment institutions with track record and expertise can play an efficient role in attracting investments to all listed companies."

# Alhajeri attends World Policy Conference



1 Conference kicks off with a panel discussion on economic challenges over the next five years

Mr. Manaf A. Alhajeri attended The World Policy Conference, held from October 26<sup>th</sup> to 28<sup>th</sup> 2018 in Rabat. During which, he documented some of the key highlights from a number of reputable participants through social media posts.

## Friday, October 26

### Plenary session 1: Major economic challenges in the next five years

- China a rising political power for sure
- US on its trajectory to protectionism to address the above
- A developing new Cold War
- Multilateralism was hardly there and it cannot happen without the US
- Interestingly, the World Bank managed to increase its capital under Trump!
- We are at the cusp of a technological revolution and that can be the new multilateralism
- Technology is not necessarily a force of democratizing economy. If any thing, it can increase income discrepancies

### Plenary session 2: Conversation:



2 Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal S.A.

### Thierry de Montbrial, Founder and Chairman of the WPC with Jean-Paul Agon, Chairman and CEO of L'Oréal

- Despite mounting tariff measures, protectionism, prospects of Cold War, radicalism, and cultural tensions, our company seems to be one thing the world agrees on. We are in the top 3 brands in the US, Europe, China, Russia, and the Middle East (and I am proud my background is marketing)
- Africa became a high growth market to us when we noticed that African women change their hair styles 10 times a year and we gave up on convincing non-Asian men to buy skin care products

### Plenary session 3: Conversation: Jim Hoagland, Contributing Editor, The Washington Post with Jean-Yves Le



3 Jean-Yves Le Gall, President of Centre National d'Études Spatiales

### Gall, President of the Centre National d'Études Spatiales (CNES), President of the International Astronautical Federation (IAF), Chair of the Council of the European Space Agency (ESA)

- 26 out of 50 climate variables can be only measured by satellites

### Lunch debate with Olivier Blanchard, a Fred Bergsten Senior Fellow at the Peterson Institute for International Economics, former Chief Economist of the IMF

- I am not as pessimistic as the IMF in Bali
- Expansion doesn't die of old age and most populist leaders are not fiscally responsible and tend to overpromise, they end up with large deficits that trigger reversing their policies



3 Olivier Blanchard, Senior Fellow at the Peterson Institute and former Chief Economist at the IMF



5 Panel discussing preparing children and youth for jobs in the 21st century

### Plenary session 5: Preparing children and youth for jobs in the 21st century

- In a panel on preparing the youth
- Chittaranjan Kaul: according to a Gallup study, Only 18% of employees are engaged in their jobs

### Plenary session 6: Religion and politics in China

- China has one of the highest coefficients of inequality in the world and 1 million Muslims in Xinjiang were detained in a camp that was later legalized

### Plenary session 7: Middle East

- The international community never misses an opportunity to miss an opportunity
- Debate with Laurent Fabius, President of the Constitutional Council, former Prime Minister, France

## Saturday, October 27

### Plenary session 8: The consequences of Trump

- A busy panel on Donald Trump
- Beyond his person, Donald Trump may or may not be a cyclical phase of a socialist versus a capitalist president. His presidency may be symptomatic of a structural policy change in the US against Chinese Expansionism



7 Laurent Fabius, President of the Constitutional Council, former Prime Minister, France



6 Franciscus Verellen, Director of Hong Kong Centre, former Director of the Ecole Française d'Extrême-Orient

### Plenary session 9: Conversation: Thierry de Montbrial, Founder and Chairman of the WPC with Carlos Ghosn, Chairman and CEO of Renault-Nissan-Mitsubishi, Chairman and CEO of Renault, Chairman of Nissan Motor Company and Mitsubishi Motors

Carlos Ghosn (PDG of Renault, Mitsubishi, and Nissan) on a question of the tariff war:

- We don't think in terms of political labels, we have different markets (eg Japan, Brazil, and France) and products and they have different strengths and weaknesses.
- There is a misconception about globalisation; people assume global companies like globalisation and they don't. Globalisation favors consumers and means you compete everywhere with everybody, and this is a situation where margins get thinner...
- The demand for mobility will explode, and this is not measured in number of cars sold but in miles travelled and this can mean more people sharing cars...
- The question whether we will invest in vertical travel (aviation) is obsolete, we "engineer" the system by internalizing knowledge...
- We had a production capacity bottleneck, and we hesitated between Romania, Slovenia, and Turkey



8 A panel discusses President Trump's policies and their effects on the world stage



7 Miguel Ángel Moratinos, former Spanish Foreign Affairs Minister, former EU Special Representative for Middle East

- The Moroccans hear about this and then the King of Morocco sends me a message that his country is open to our investment and it took us 5 months to discuss
- 5 years later, we have a facility in Tanger that produces 300,000 units per year and the automotive is now the first exporting sector of Morocco

### Plenary session 11: One Belt, One Road

- Central Asian countries, vast and long abandoned, are large beneficiaries
- A 5 connectivities concept; policy, trade, facility, transport, and people
- Positioned and claims to address sustainability objectives
- US hadn't signed yet
- India is uneasy given previous \$62 billion corridor between China and Pakistan and due foreclosure by Chinese on a Bangladesh port that gave rise to a 100 year lease of that port (Djibouti is another example). Potential more debt-laden small economies is a concern
- Mahathir of Malaysia called it a neocolonialism
- A key question would be will it be a Sino-centric or a multilateral project?
- IFRI in the ranking of the top think tanks (see chart next page)
- Proud of our strategic Markaz partnership since 2011

© PG 22



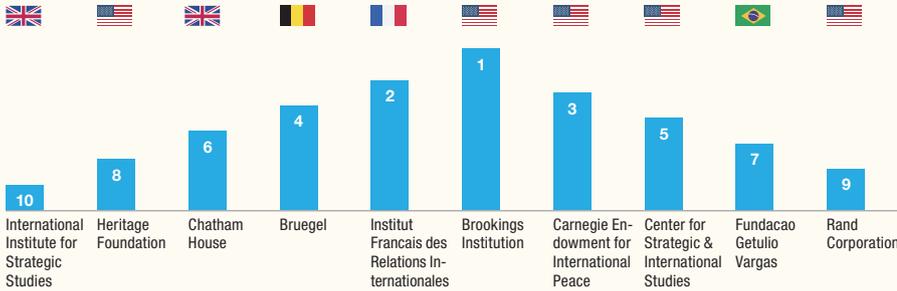
9 Carlos Ghosn, Chairman and CEO of Renault-Nissan-Mitsubishi

MARKAZ NEWS

CONTINUED FROM PG 21

# Alhajeri attends World Policy Conference

Top 10 most influential think tanks in the world  
Ranking according to the GGTTI - 2017



■ IFRI now is the second most influential think tank worldwide (including in the US), preceded only by Brookings Institution...

### Plenary session 12: The future of the euro

Trichet on European governance:

■ GDP per capita discrepancies between some US states is higher than between European counties but assuming that

a confederation can equalize income is naive; it necessitates strong governance at both national and federal level

■ if the US applies sanctions against Iran the euro can not replace the dollar. This is not only about payments, it's about underlying assets and business networks

■ Germany needs a higher inflation rate to give room to smaller countries to implement their adjustments



11 A panel discusses "One Belt, One Road" policies on Central Asian economies



12 Jean-Claude Trichet, President of Bruegel and former President of the ECB



Will the Troy War Happen? "The Trojan War Will Not Take Place"

### Workshop 1: Finance and economy

This title of a 1936 play (by Jean Girardeaux) was written in a climate of nervous expectations of a WWII, on Troy's generals complacent failure to preempt an imminent war against ancient Athens) was recurrent when a potential financial crisis was evoked. Most opinions in the workshop where not rosy:

**Trichet (former President of the ECB):** Banks are well capitalized, but mounting debt and bias of its structure tilting to emerging markets presage a slowdown, and shadow banking pose serious risks

**Yide (Shanghai Foundation):** same prognostic on the back of an overheated economy

**Meyer (Rothschild):** an extended cycle

**Badré (World Bank):** misallocation of capital, obsession with marking to market rather than long term thinking, fixation with

compliance, accounting, and risk management rather than ethical principles. Why finance Suisse bonds instead of South American colossal infrastructure gaps?

**Frieden (Harvard political economist):** global backlash against globalization by angry creditors (Germany) and debtors (US middle class). Trump's fundamental hostility to banks

**Dainah (Romanian CB):** central banks with more unconventional methods will be the only game in town

# Alhajeri participates in 'Delivering New Kuwait' conference organized by HSBC



On 10 September, Mr. Manaf A. Alhajeri, CEO, Markaz participated at 'Delivering New Kuwait: a transformative roadmap to 2035' conference organized by HSBC. The event topics included the macro outlook for 2018-2021, activating the vision's blueprint, future-proofing Kuwaiti businesses through innovation and corridors that lead to 2035

Alhajeri was part of a panel discussion titled "Funding for Growth", which shed light on a number of crucial topics such as:

- Capital Markets - Diversifying the investor base and attracting investors
- Growth of Islamic funding
- Sustainable financing
- Utilizing working capital





# Markaz: Kuwait targeted in 4 out of the top 5 GCC M&A transactions in Q3 2018

Financials and Information Technology sectors witnessed the highest number of transactions.



Kuwaiti companies have been targeted in 4 of the top 5 GCC M&A transactions during Q3 2018 as per a report recently issued by Kuwait Financial Centre “Markaz”. The top reported deal value during Q3 2018 was \$491 million and involved United Energy Group reaching an agreement to acquire 100% of Kuwait Energy.

India’s Shree Cement acquired 93% of UAE’s Union Cement for a total of \$305 million in an effort to expand its footprint in the GCC. Humansoft’s major shareholder, Fahad Al Othman, has exited an additional 17% of his stake in the company for a total of \$226 million, leaving his remaining stake in the company to amount to 20%. KAMCO has completed its acquisition of 70% of Global Investment House for a total of \$157 million. The stake was acquired from NCH Ventures, which represents the creditor’s group holding. NBK Capital

was announced to have acquired a 56% stake in Kuwait-based online platform, 4SALE, for a total of \$100 million. It is worth noting that Q8Car acquired 4SALE in 2013 for \$1 million.

***GCC acquirers accounted for 69% of the total closed transactions while foreign acquirers accounted for 24% during Q3 2018***

## GCC M&A growth

According to Markaz’s report, the number of closed M&A transactions in the GCC during Q3 2018 were the same compared to Q3 2017, and 26% lower compared to Q2 2018. Among the region, transactions in Bahrain witnessed the highest growth while Saudi Arabia

reported the sharpest decline in the number of transactions during the same period. There were no closed transactions involving Qatari targets during Q3 2018.

## Acquirers and targets

According to the report, GCC acquirers accounted for 69% of the total closed transactions while foreign acquirers accounted for 24% of the total number of transactions during Q3 2018. Buyer information was not available for 7% of the transactions during the same period.

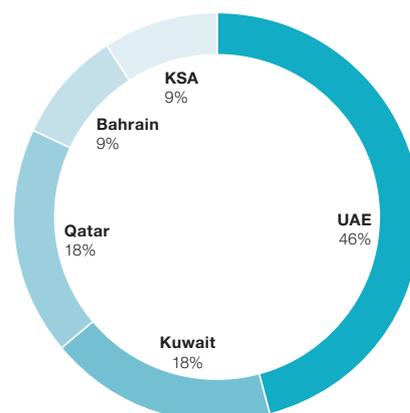
Markaz noted that each of the GCC acquirers seemed to have a different appetite with regards to M&A transactions during Q3 2018. Kuwaiti acquirers preferred investing in their home country. Saudi acquirers mostly invested in the GCC region. UAE, Qatari, and Bahraini acquirers preferred investing outside the GCC. Omani acquirers didn’t engage in any transactions either within or outside the GCC during Q3 2018.

## Foreign buyers

Q3 2018 witnessed a 13% decline in the number of completed transactions by foreign buyers compared to Q3 2017. In comparison to Q2 2018, the number of such transactions decreased by 36%.

UAE targets represented 100% of the closed transactions by foreign acquirers during Q3 2018, similar to the same period in 2017. Saudi Arabia was the only country other than the UAE that seemed to attract foreign acquirers during Q2 2018.

Pipeline transactions by geography (Q3 2018)



**During Q3, 2018, the Financials and IT sectors witnessed the highest number of activity, accounting for 42% of total transactions**

**Sectorial view**

The Financials and Information Technology sectors witnessed the highest number of activity, accounting for 42% of the total transactions. Meanwhile, the Healthcare, Media, and Utilities sectors each accounted for 3% of the

total number of transactions during the same period.

**Deals pipeline**

There was a total of 11 announced transactions in the pipeline during Q3 2018, representing a 35% decrease in the number of announced transactions compared to Q2 2018.

The UAE, Kuwait and Qatar collectively accounted for 82% of the announced transactions during Q3 2018. Bahrain and Saudi Arabia made up 18% of the announced transactions.

**Top 5 M&A deals by reported value\* - Q3 2018**

Target company	Target country	Buyer	Buyer country	% sought	Value (USD mn)	Status
Kuwait Energy	Kuwait	United Energy Group	China	100	491	Announced
Union Cement	UAE	Shree Cement	India	93	305	Closed
Humansoft	Kuwait	N/A	N/A	17	226	Closed
Global Investment	Kuwait	KAMCO	Kuwait	70	157	Closed
4Sale	Kuwait	NBK Capital	Kuwait	56	100	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 '18	Q2 '18	Q3 '17	Change* (Q2 '18)	Change* (Q3 '17)
Bahrain	3	0	0	N/A	N/A
Kuwait	8	11	7	-27%	14%
Oman	2	1	1	100%	100%
Qatar	0	1	0	-100%	N/A
Saudi Arabia	2	8	4	-75%	-50%
United Arab Emirates	14	18	17	-22%	-18%
<b>Total</b>	<b>29</b>	<b>39</b>	<b>29</b>	<b>-26%</b>	<b>0%</b>

Source: S&P Capital IQ, GCC Stock Exchanges, Local Newspapers, Markaz Analysis  
\*% changes are in comparison to Q3 2018.

**Sector-wise classification of deals - Q3 2018**

Sector	GCC acquirers	Foreign acquirers	Other*	Grand total	%
Financials	5	1	0	6	21
Information Technology	3	3	0	6	21
Industrials	4	1	0	5	18
Insurance	2	1	0	3	10
Consumer Discretionary	2	0	0	2	7
Real Estate	1	0	1	2	7
Education	1	0	1	2	7
Healthcare	1	0	0	1	3
Media	0	1	0	1	3
Utilities	1	0	0	1	3
<b>Grand Total</b>	<b>20</b>	<b>7</b>	<b>2</b>	<b>29</b>	<b>100</b>

\*Other refers to deals where buyer information is not available.

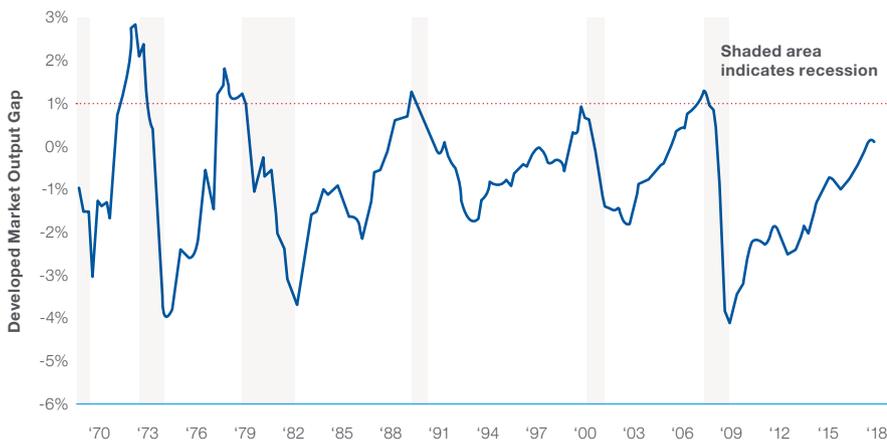


# Crowdfunding in the GCC region

By: Marmore MENA Intelligence



As the winds of change sweeps, the GCC countries fueled by regulatory and policy reform drive to boost non-oil economy and privatization, there is rapid growth in alternative funding sources like the crowdfunding. Crowdfunding contrasts with traditional funding in the sense that while the latter involves large amounts from one, or a few sources, the former collates many small sums from a large group of individuals. Over the past two years, the crowdfunding space in the GCC region has gained significant momentum and now boasts of several local players across the region, each with a strong backing and support from the local venture capital and entrepreneurship biosphere.



**Notes:** Output gap reflects a GDP weighted estimate of the output gaps of US, EU, UK and Japan, based on central bank estimates of potential GDP and actual GDP.

## Select crowdfunding platforms in the GCC region

Platform	Country of origin
Beehive	UAE
Humming Crowd Realty	UAE
Eureeca	UAE
Durise	UAE

Source: Marmore Research

In August 2017, the Dubai Financial Services authority (DFSA), introduced region's first regulatory framework for loan and investment based crowdfunding platform. The regulations are in line with DFSA's roadmap with creating an innovation-friendly ecosystem. Regulation intends to license, organize and protect the rights and obligations of all

parties involved in specific crowdfunding activities.

However, it must be noted that rather than attempting to squeeze crowdfunding into existing regulatory activities, the authorities set it out as a separate regulatory domain where they created regulated activities of operating a loan based crowdfunding platform and operating an investment based crowdfunding platform; which essentially includes the operation of an electronic platform that facilitates bringing people together based on their interests and preferences.

DFSA crowdfunding regulations have the ability to catalyze growth in the financial technology (FinTech) industry in the UAE and the region, by targeting the specific requirements of crowdfunding platforms. The creation of region's first formal regulatory framework for the development of crowdfunding market, which represent an increasingly important source of funding in the UAE, has encouraged many SME's players. UAE being the hub of SME's and start-up is at the top rank in terms of crowdfunding activities followed by Saudi Arabia. Meanwhile, in Saudi Arabia, entities are funding entrepreneurs such as Saudi Credit and Savings Bank, by giving those loans with low interest. There are also

***The creation of region's first formal regulatory framework for the development of crowdfunding has encouraged many SME's players***

different incubators like Bader ICT Incubator at King Abdul-Aziz City for Science and Technology, and Verso. However, we are yet to see a crowdfunding platform coming from within Saudi Arabia.

Following UAE's initiative in crowdfunding financing area, Bahrain followed suit. Bahrain in 2017 launched new regulations covering crowdfunding activities. For the first time in Bahrain, the regulations allow SME sector to raise sharia-compliant financing through crowdfunding.

Donation and rewards based crowdfunding are quite well established and debt-based models are starting to make their mark. Over the years, the equity-based crowdfunding has dominated

# Cycles and asset classes

By: Dekheel Al-Dekheel, International Investments

the MENA region accounting for 67% of the total alternative finance channels.

The alternative funding largely is a substitute for mainstream financing across the world, and the UAE is no exception. This is because 50-70 percent of the small and medium size enterprises' application for funding is rejected. Loans to SMEs in the UAE account for just 4%, much less than the MENA average of 9.3%.

However, not all GCC countries have sunny days. Crowdfunding or even asking for donation publically sans administrative permit is an offense under Oman Penal Code and people could land up in jail as a penalty. On the contrary, Kuwait operates in two way, friends-relatives channel and official platform for raising funds-Jaribha.

Potential for funding through relatives, friends and social network is high in Kuwait and works well as developing platform for financing, although it involves personal elements and hardly can be regarded as a reliable mechanism in general. Furthermore, in Saudi Arabia many platform operate but no formal regulations exist. Recently Scopeer launched its first web platform where Zoomaal and others function simultaneously. The unwillingness and sense of reservation among the conventional funders has led the evolution of crowdfunding where the wisdom and ideas of the public converge and lead to something that cannot be replicated under the conventional system of lending.

However, it must be noted that Middle Eastern project owners are micro-prenuers, with high expectations and standards of transparency. The factor of disappointing backers and breaking their trust can be a source of huge discomfort for the fund seekers. One could argue that gaining the trust of an Arab consumer will take much more psychological pitch gymnastics, supported by an unusual amount of communication to raise awareness and transparency. Without such efforts, the Arab consumer may not reach that tipping point after which their suspicious attitude is overturned. However, many experts opine that crowdfunding would grow in the GCC region due to scarcity of venture capital and public offerings for entrepreneurs, and can act as a powerful financial tool.

Developed equity markets, led by the US, have been steadily climbing for the past few years, with major US indices achieving new all-time highs multiple times during that period. So why should investors be cautious if things seem so great? The answer, though simplified, is that markets and economies tend move in wave-like motions called Cycles.

A Cycle is a term that refers to trends & patterns that occur during different economic or market environments. During a cycle, some securities, sectors, or asset classes tend to outperform others since market conditions align with their business model for growth. Economic Cycles come in four stages that include Full Recession, Early Recovery, Late Recovery, and Early Recession. Market Cycles experience similar stages, in the same order, and are referred to as Bottom Market, Bull Market, Top Market, and Bear Market. Market Cycles have traditionally preceded Economic Cycles.

When the economy is in Full Recession phase, the Market Cycle should have already achieved its lowest point (Market Bottom) for the year and started its Bull Market phase. In this phase, Cyclical, Financial and Technology sectors tend to outperform in the beginning with Industrials and Basic Materials improving towards the end.

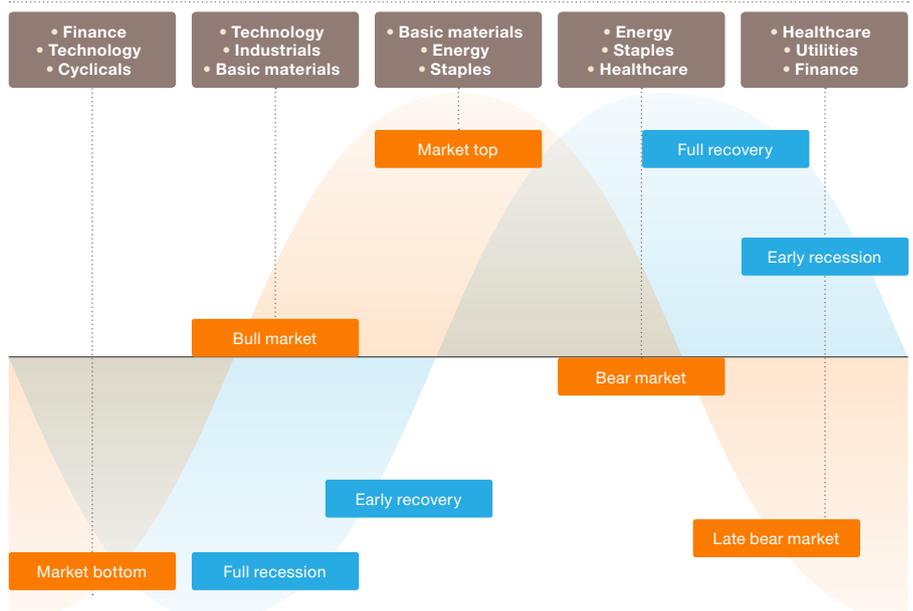
During the Early Recovery phase of the Economic Cycle, the Market Cycle should be continuing its bull run with investors taking on higher levels of risk while the economy sees higher levels of production

and consumption. Technology, Industrials and Basic Materials sectors do well in this phase with Energy and Consumer Staples doing well as the market reaches its top.

As the market reaches its top and begins dipping into Bear Market territory, the economy will still show signs of improving during the Full Recovery phase. However, the economy will soon follow the market as it moves into its Early Recession phase. Investors tend to shift their focus to defensive sectors at this point. Consumer Staples, Healthcare and Utilities sectors benefit the most at this stage, with Cyclical and Financials coming back into play as the cycle restarts.

Although, historically, certain asset classes and sectors tend to outperform others in different stages of a cycle, history does not necessarily always repeat itself. Investors need to be diligent in identifying both the current and approaching stage of a cycle they are in. Knowing where you are in an Economic Cycle can significantly mitigate risk in any investors' portfolio. It can also help them capitalize on certain opportunities that might have been missed had they not prepared for them.

## Market vs. economy cycles and sector rotation



# Uses of Microsoft SharePoint

By: Information Technology

SharePoint is a web-based collaborative platform that integrates with Microsoft Office. Launched in 2001, SharePoint is primarily used as a document management and storage system, but the product is highly configurable and usage varies substantially among organizations. Microsoft states that SharePoint has 190 million users across 200,000 customer organizations.



## Benefits of Microsoft SharePoint

- **Provide a simple, familiar & consistent user experience** - SharePoint is tightly integrated with familiar client desktop applications, e-mail and Web browsers to provide a consistent user experience that simplifies how people interact with content, processes and business data.
- **Simplify everyday business activities** - Take advantage of readymade workflows for initiating, tracking and reporting common business activities, such as document review and approval, issue tracking and signature collection.
- **Help meet regulatory requirements** - By specifying security settings, storage policies, auditing policies and expiration actions for business records in accordance with compliance regulations, you can help ensure your sensitive business information can be controlled and managed effectively.
- **Effectively manage and repurpose content** - Business users and content authors can create and submit content for approval and scheduled deployment to intranet or Internet sites.
- **Simplify access to business data** - Give your users access to business

data found in business systems like CRM systems (in Markaz environment - Vestio) through SharePoint. Users can also create personalized views and interactions with business systems through a browser by dragging configurable back-end connections.

- **Connect employees with information and expertise** - Enterprise Search incorporates business data along with information about documents, people and Web pages to produce comprehensive, relevant results.
- **Accelerate shared business processes** - You can use smart, electronic forms-driven solutions to collect critical business information from customers, partners and suppliers through a Web browser. Built-in data validation rules help you gather accurate and consistent data that can be directly integrated into back-end systems to avoid redundancy and errors that result from manual data re-entry. An example would be using HR System forms.
- **Share without divulging sensitive information** - Give your employees access to real-time, interactive Microsoft Office Excel spreadsheets from a Web browser through Excel Services running on SharePoint. Use

these spreadsheets to maintain and efficiently share one central and up-to-date version while helping to protect any proprietary information embedded in the documents, such as financial models.

- **Enable employees to make better-informed decisions** - SharePoint makes it easy to create live, interactive business intelligence (BI) portals that assemble and display business-critical information from disparate sources, using integrated BI capabilities, such as dashboards, Web Parts, scorecards, key performance indicators (KPIs) and business data connectivity technologies. Centralized Report Center sites give users a single place for locating the latest reports, spreadsheets or KPIs.
- **Provide a single, integrated platform** - SharePoint is built on an open, scalable architecture with support for Web services and interoperability standards. The service has rich, open application programming interfaces (APIs) and event handlers for lists and documents. These features provide integration with existing systems and the flexibility to incorporate new non-Microsoft IT investments. An example is integrating Vestio with SharePoint.

*You can use smart, electronic forms-driven solutions to collect critical business information from customers, partners and suppliers through a Web browser*

## SharePoint in Markaz

- **Versioning** - With versioning feature in SharePoint list or library, you can store, track, and restore items in a list and files in a library whenever they change. Versioning, combined with other settings, such as checkout, gives you a lot of control of the content that is posted on your site and can provide real value if you ever have a need to look at or restore an old version of an item or file. Versioning is available for list items in all default list types—including calendars, issue tracking lists, and custom lists. It is also available for all file types that can be stored in libraries, including Web Part pages.

# Markaz sponsors B2B4SME Forum for SMEs and entrepreneurs

Organized by the Association of Small and Medium Enterprise of Kuwait.



**Mr. Alhajeri met a number of SMEs and entrepreneurs to discuss collaborative opportunities and to explore solutions to meet challenges**

Fulfilling its CSR strategy and committing to building human capabilities, Markaz has sponsored B2B4SM forum for SMEs, organized by Association of Small and Medium Enterprise of Kuwait (ASMEK) on 5 December 2018 at Al-Shaheed Park. The forum aimed to create a platform for SMEs to interact with leading corporations and among each other. The event was attended by high-level officials from private and public sector.

During which, Mr. Manaf A. Alhajeri, CEO, Markaz met a number of SMEs and entrepreneurs to discuss potential collaboration opportunities with the SMEs participating in the forum and explore the possible solutions to meet the challenges that they face in a 'speed-networking' format, with each entrepreneur has 1 minute to present the business idea.

You can use versioning to:

- Track history of a version
- Restore a previous version
- View a previous version

A good versioning example can be managing and maintaining a Policies and Procedures library, where it is important to know the contents of each draft of a particular updated Policy or Procedure.

## ■ Excellent automation (workflows)

- SharePoint workflows are pre-programmed mini-applications that streamline and automate a wide variety of business processes. Workflows can range from collecting signatures, feedback, or approvals for a plan or document, to tracking the current status of a routine procedure. SharePoint workflows are designed to save you time and effort, and to bring consistency and efficiency to tasks that you perform on a regular basis.

The operational efficiency achieved by automation will also help in improving personal productivity as employees can focus on solving the right problems rather managing administrative work.

A good example of Automation is a Workflow enabled Memorandum Process. Once the establisher prepares a particular Memo, the workflow takes the necessary approval path and establisher is updated on each step and process until its completion. This is a highly efficient model in cases where many individuals are involved for a particular business process.

- **Easy document management** - As more and more information is generated on daily basis and stored in different formats and locations, it becomes very difficult and time consuming for employees to search for the accurate information they are looking for. An effective and robust document management system can make the information faster and easier to access.

SharePoint can:

- Store, organize, and locate documents
- Ensure the consistency of documents
- Manage metadata for documents
- Help protect documents from unauthorized access or use

- Ensure consistent business processes (workflows) for how documents are handled

Additional benefits of SharePoint document management:

- **Security** - Management by share drive or email is not only cumbersome and ineffective, it is also not secure. From a security perspective, it is a lot safer to leave important documents behind a firewall where employees can get it when they need it, instead of sharing it through share drive or sending it through email.
- **Version history** - Sometimes in corporate environments, a document will be emailed back and forth and it gets difficult to determine which is the most up-to-date version. With SharePoint, you can check out documents, have employees edit them, and then check them back into SharePoint.
- **Easy team collaboration** - It is easy to work on projects when the documents your team needs are in one place. Microsoft even says that SharePoint lets you "Collaborate effortlessly and securely with team members inside and outside your organization, across PCs, Macs, and mobile devices."

**SharePoint lets you collaborate effortlessly and securely with team members inside and outside your organization, across PCs, Macs, and mobile devices**

Regardless of industry, all organizations strive for increased productivity and having a tool in place like Microsoft SharePoint can make all of the difference. The collaboration features easily translate to increased productivity and cost savings for any organization. SharePoint's online migration will not be a task once we are Cloud ready and when implemented and tailored to our requirements here at Markaz, this tool can make significant improvements in our organizational effectiveness.

# Markaz: Kuwait financial sector poised to support “New Kuwait”

Within its gold sponsorship for “Kuwait Investment Outreach Roadshow” at Silicon Valley.



Markaz has recently participated as a Gold Sponsor to ‘Kuwait Investment Outreach Roadshow’, organized by Kuwait Direct Investment Promotion Authority (KDIPA) in collaboration with the Financial Times and fDi magazine, in Silicon Valley on November 29, 2018. The conference aimed at allowing investors to explore new investment opportunities in Kuwait and promoting Kuwait as an attractive market. It was part of a roadshow that was launched in London last year and will be held in Singapore next year.

Sohail F. Ladha, SVP, Investment Banking (Advisory) at Markaz participated in a panel discussion that focused on New Kuwait from the public sector’s perspective, along with H.E. Sheikh Dr. Meshaal Jaber Al Ahmad Al Sabah, Director General, KDIPA, Sheikh Nawaf Saud Al Sabah, Chief Executive Officer, Kuwait Foreign Petroleum and Ms. Aliah F. AlTameemi, Executive Director, Alternative Investments,

Kuwait Investment Authority. The session discussed the Kuwaiti government’s role in attracting FDI, the reasons businesses are choosing Kuwait as an investment destination and the suitability of oil & gas and fintech for FDI markets. Mr. James King, Middle East and Africa Editor, The Banker, Financial Times moderated the interactive panel and chaired the event.

During the panel discussion, Ladha stated, “Capital markets in Kuwait have come a long way over the last 10 years.

***All these positive elements have created an environment where the capital markets support the State’s agenda for 2035 vision in many important ways***

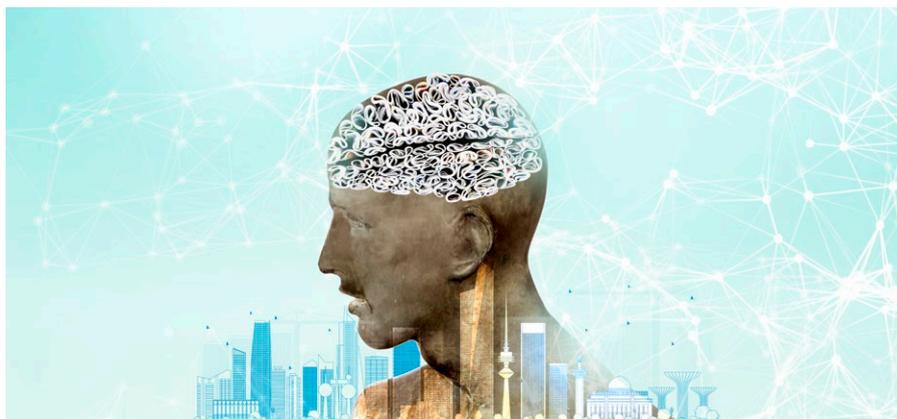
They have made significant advancements from the perspective of international and institutional investors, supported by several factors. One of which is the

CMA law of 2010, which has added to the transparency of our capital markets and the governance frameworks of participating companies and contributed to Bursa Kuwait being upgraded to FTSE Emerging Market status and soon is likely to result in MSCI upgrade as well. Another factor is the New Companies’ law, which has made it easier to establish companies, initiate new structures, new instruments, provide collateral, etc. The third factor is the establishment of KDIPA, which allows 100% foreign ownership as well as incentives to foreign companies participating in Kuwait. The fourth factor is US\$ 6.5 billion SME fund, which encourages the growth of small and medium-sized enterprises. The fifth factor is Kuwait’s issuance of a long-term international bond in 2017 has increased awareness internationally. Another factor is profitable and stable banking sector that is supportive of growth as well. Finally, the dynamic M&A market was a supporting factor, where 2017 was a record year and 2018 will match that year. Four of the 16 largest tech M&A transactions in MENA region over the last few years involved Kuwaiti targets.”

He added, “All these positive elements have created an environment where the capital markets support the State’s agenda for 2035 vision in many important ways such as supporting privatizations, executing Public Private Transactions, creating an ecosystem for SMEs and attracting foreign investment to Kuwait.”

Ladha concluded, “An important challenge going forward lies in Kuwait’s insolvency regulation, which is outdated and needs to be improved. What is needed is a proper scheme of arrangement, equivalent to U.S. chapter 11, which allows the better functioning of the creative destruction process. The State is working on this and progress is being made.”

It is worth mentioning that the event discussion allows attendees to explore the economic outlook for Kuwait and the wider region, discover the new opportunities created for investors and Kuwait’s diverse future economy, blend with foreign investors with varied investments in the Kuwaiti market and find out about Kuwait’s new pro-investment FDI laws, KDIPA’s one-stop-shop, and how to take the next step in investing in Kuwait.



## Markaz sponsors Kuwait Association of Accountants and Auditors

Markaz sponsored the ‘6<sup>th</sup> Conference for Accountants & Auditors 2018’ organized by Kuwait Association of Accountants & Auditors on 5-6 December 2018 under the patronage of the Minister of Commerce and Industry HE Mr. Khaled Al-Roudan in the presence of HE Dr. Talal Abu-Ghazaleh, the keynote speaker in his capacity as Chairman of the International Arab Society of Certified Accountants (IASCA).



The conference acted as a platform to exchange opinion and ideas on accounting topics and trends with the aim to achieve economic development goals. Topics discussed included:

- Auditing and its role in fighting corruption
- Tax and Zakat accounting
- Governance and internal audit in the public and private sectors
- Trends in the accounting systems and their role in improving the profession
- Emerging markets and the quality of financial statements

## Markaz participates in PAAET’s 2<sup>nd</sup> Annual Careers Fair

On November 26-28, 2018, Markaz participated in the 2<sup>nd</sup> Annual Careers Fair organized by the Public Authority for Applied Education & Training. The fair aimed at educating Kuwaiti youths in schools and universities about careers opportunities in the market. Markaz’s participation in this fair affirms its keenness to supporting youths in taking the right career decision as part of building human capabilities, which is one of Markaz’s corporate social responsibility pillars.



## Alhajeri among members of the Syrian refugees education Project by KFAS



In this picture, left to right: Dr. Amani Albedah, Qais Dashti, and Abrar Alsudani from KFAS, and H. E. Mr. Abdulaal Al-Qinae, Kuwait’s Ambassador to Lebanon

Among members of the Syrian Refugees Education Project (SREP) Committee by the Kuwait Foundation for the Advancement of Science (KFAS), Mr. Manaf A. Alhajeri, CEO, Markaz, attended a meeting on 18 December 2018 in Beirut, UNESCO headquarters. “I am very pleased to have been part of the committee that managed the full execution and delivery

of educational facilities and programs towards the education of the children of Syrian refugees”, Alhajeri stated.

Directed mainly to the age group most vulnerable to the risk of leaving the educational system, the programs’ central beneficiaries were students between 15 and 24 years old. Agencies that collaborated with KFAS to execute were UNES-

**The \$50 million donation by KFAS and the Kuwaiti private sector funded 38,000 class seats of Syrian children in Lebanon and Jordan**

CO, UNICEF, the American University of Madaba (AUM), the Arab Open University AOU and a number of Arab NGO’s.

Part of an overall \$300 million donations upon instructions from His Highness the Emir, the \$50 million donation by KFAS and the Kuwaiti private sector funded the education infrastructure and programs directed to 38,000 class seats of Syrian children in Lebanon and Jordan.

The event addressed challenges met, including the scarcity of data, the unmet strong demand for education solutions, the lack of triggers to mitigate high dropout rates, and the vulnerability of student demand that exposes them to illegal exploitative labor.

# The choice for wealth creation

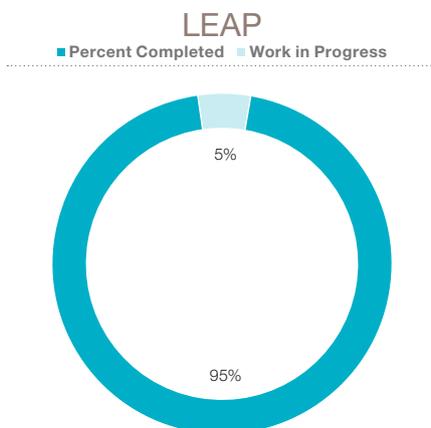


Markaz Leadership Development Program (LEAP) was initiated in April 2018 in collaboration with Ernst & Young to identify and develop Markaz future leaders. Since we at Markaz believe that our human resources are our most valuable asset, our aim is to expand the capacity of individuals to perform in leadership roles within Markaz.

Aligning with Markaz vision and strategies along with the objectives of the LEAP program, the following objectives have been completed:

- Identification and development of Markaz next generation leaders
- Development of Markaz leadership competency framework along with a competency maturity model
- Identification of high potential employees and leadership pipeline
- The institutionalization of “best-in-class” leadership development process
- Establishing leadership development center framework
- Developing individual development road-map for next generation of leaders
- Establish individual development road-map template
- Execution of learning interventions and the development of an individual road-map for identified high potentials and future leaders

***LEAP will enter its next phase in identifying future leaders at Markaz and providing them the visibility and tools to identify career growth opportunities***



### What’s next?

HR team at Markaz in collaboration with EY will share custom-made Individual Development Plan for the participants of the first development center.

LEAP will also enter its next phase where the focus will be on institutionalizing the required processes for identification of future talents and leaders at Markaz and providing them required visibility and tools to identify career aspirations and growth opportunities.

### Markaz core skills framework

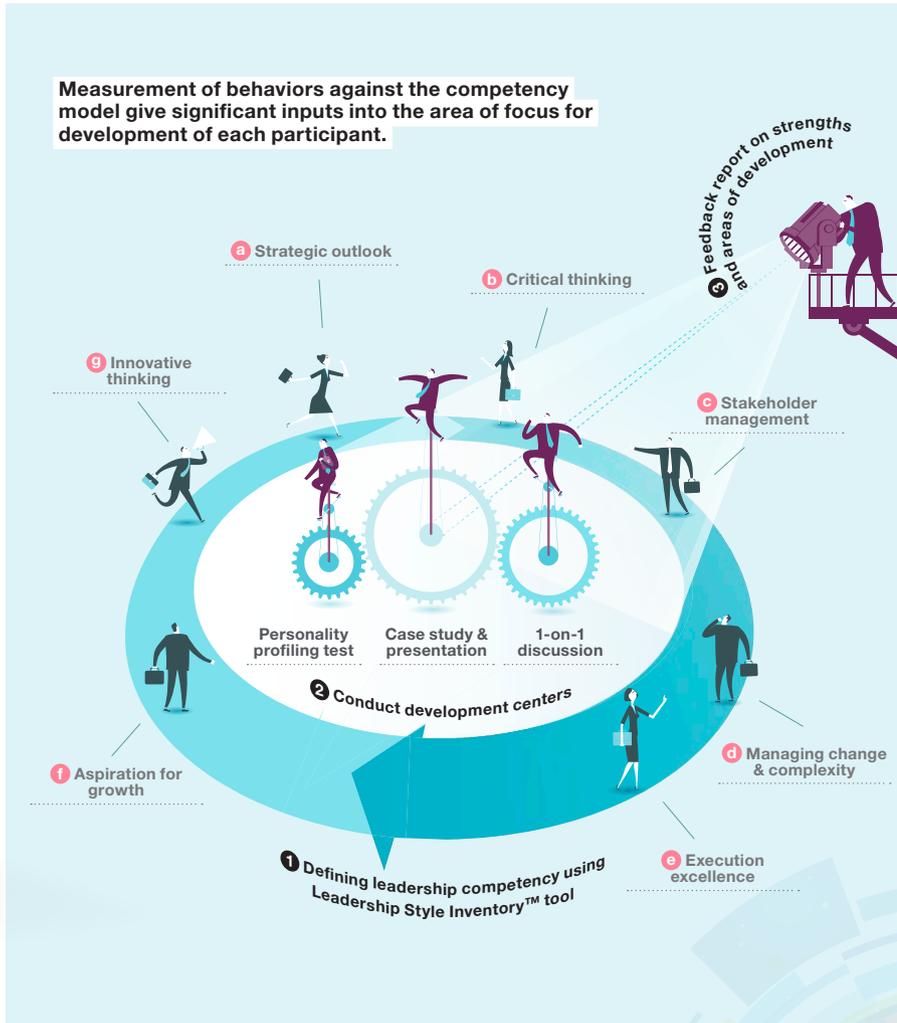
#### a Strategic outlook:

- Demonstrates the ability to read the big picture for Markaz
- Is able to anticipate future trends and technologies to develop strategies for Clients
- Ensures a positive impact on the Markaz brand while proposing solutions/services for clients or changes in existing ways of working/ practices

#### b Critical thinking:

- Demonstrates drive and ability to gather facts, analyze data, and identify patterns and hidden trends.
- Is able to effectively plan and prioritize resources (time, human, financial) to solve

Measurement of behaviors against the competency model give significant inputs into the area of focus for development of each participant.



**f Aspiration for growth:**

- Shows a drive for performance and for achieving the ultimate standard of excellence
- Proactively monitors milestones and timelines; takes preventive and corrective steps to ensure targets are achieved and clients are satisfied
- Takes accountability to identify business development opportunities and acquiring new clients

**g Innovative thinking:**

- Demonstrates a desire for doing things better or adopting new and better ways of working and serving clients
- Encourages others to share new ideas, providing the right atmosphere for tolerating failures to an acceptable level
- Ensures that a realistic implementation plan is in place for innovative ideas and improvement initiatives

- organization/client issues and challenges
- Is able to make and communicate timely decisions even if they are difficult or unpopular

**c Stakeholder management:**

- Manages people within the team (recruit, motivate & manage performance)
- Collaborate effectively with other teams of the organization when required
- Manages external stakeholders including Regulatory Authorities, Partners, Consultants
- Fosters long term relationships with clients and customers

**d Managing change and complexity:**

- Energizes and engages others by taking accountability and motivating individuals/groups towards implementing change
- Identifies the required change, translates overall vision for change into meaningful execution plans and visibly leads and

***Managing complexity identifies the required changes, which translates overall vision into meaningful execution plans and champions change projects***

- champions change projects
- Demonstrates the ability to perform under pressure in complex situations
- Manages bureaucratic processes with the required composure and compliance mindset

**e Execution excellence:**

- Demonstrates the ability to consistently deliver superior results to clients
- Develops and ensures compliance to client centric systems & processes
- Ensures effective knowledge management and optimal distribution of work and resources in the team to achieve desired outcome for clients.



MARKAZ FAMILY

# Year end event

What better way to end a year and start a new one other than be around your family? Markaz family gathered in a delightful, entertaining night that reflected the cozy atmosphere and friendly environment between its Management and employees.



# Markaz organizes an in-house training on wealth management for its key managers



Markaz organized an intensive 2-day training course in September 3-4 for its investment advisors and Fund administration managers focusing on Trust services, succession and philanthropy covering any Investment Management activity. The training allowed the participants to expand their knowledge on many levels and to:

- Have an understanding of the structure of a family office and effective family office management approaches
- Learn about family governance mechanisms
- Explore how to structure wealth and manage intergenerational wealth transfer and succession issues
- Be able to understand how family offices are managed including how to select advisors, to cost and reputation management as well as asset allocation strategies
- Explore different services provided by family office and how to arrange them
- Understand trends within the industry

# Analyzing internal controls

By: Naser Mohammad Alqabandi, Senior Analyst, Compliance



## The significance of internal controls

As business organizations grow, they become more complex, thus making it more difficult for management to oversee and control. Firms may employ different policies and procedures to enhance internal control over its operations and to safeguard its assets. Internal controls have gained prominence in recent years due to the increasing need to minimize losses and maximize profitability. By establishing appropriate internal controls, it is possible for organizations to improve their financial performance by ensuring the efficiency and effectiveness of business operations while also maintaining all accounting records effectively. Succinctly, internal controls enhance the performance of corporations by minimizing errors that might cause losses at different stages of business operations.

## Internal controls as proactive measures

Additionally, internal controls enable businesses to prevent particular risks from affecting their assets and profitability. Risk management models identify risks that might affect businesses while internal controls ensure all operations are secured and that organizations remain focused on their objectives. Proactive or preventive internal controls are used to ensure objectives are being met. For instance,

an organization must ensure that every employee observes all laws and regulations. Also, organizations should use different security features to safeguard financial and communication data.

For organizations to compete effectively with their rivals, they are customarily compelled to adopt new and advanced technologies, such as sophisticated systems, and new business models. In order to implement such technologies effectively and successfully, adequate internal controls must be implemented. For instance, the internal controls may help to store large volumes of data and protecting them from theft or loss. While adopting latest technologies such as Artificial Intelligence, Blockchain etc. can be beneficial to corporations, it can lead to complicated problems if there are inadequate internal controls in place. It is for this particular reason that internal controls must be utilized. Notably, backing up the data is part of the internal controls system.

Proactive controls include segregation of duties, process for approvals, authorizations and verifications, security of assets.

## Internal controls as detective measures

Internal controls may help organizations detect different types of errors. It provides the financial experts and other employees with the opportunity to identify some of the errors that might have been made, thus giving them the chance to make timely corrections. The type of internal controls that are usually used to detect issues are referred to as *detective internal controls*. In most cases, firms conduct random and planned inspections, cash counts, internal audits, and re-

view the systems to determine whether they are functioning as expected.

Detective controls also include performance reviews, reconciliations, inventory counts and audits.

## Internal controls as corrective measures

It is important to note that organizations have specific procedures to guide employees while responding to different errors or problems. Such processes may be referred to

## *Internal controls allow organizations to improve their financial performance while maintaining all accounting records effectively*

as *corrective internal controls*. After detecting different types of errors, corrective and responsive measures must be taken for the organization to reduce the likelihood, impact and velocity of additional undesirable conditions, events and effects.

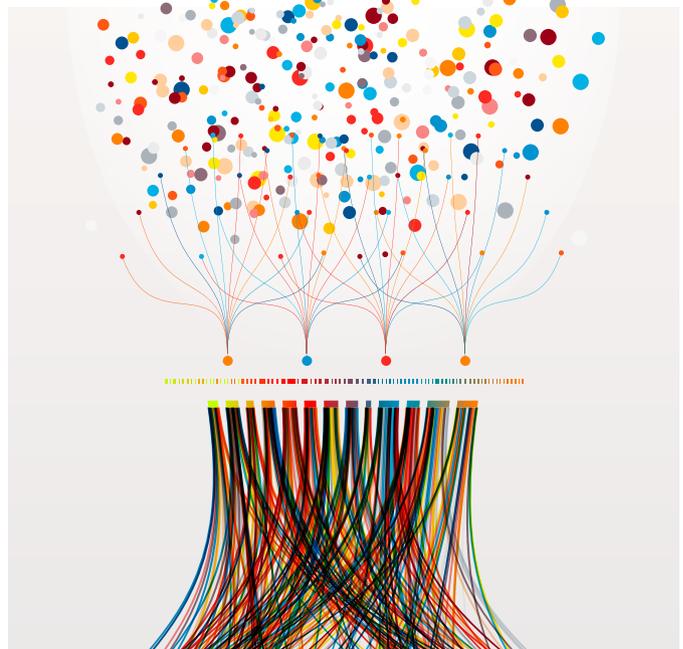
Corrective controls include

training, amending policy and procedures, establishing programs to reward desirable conduct and prevent undesirable conduct.

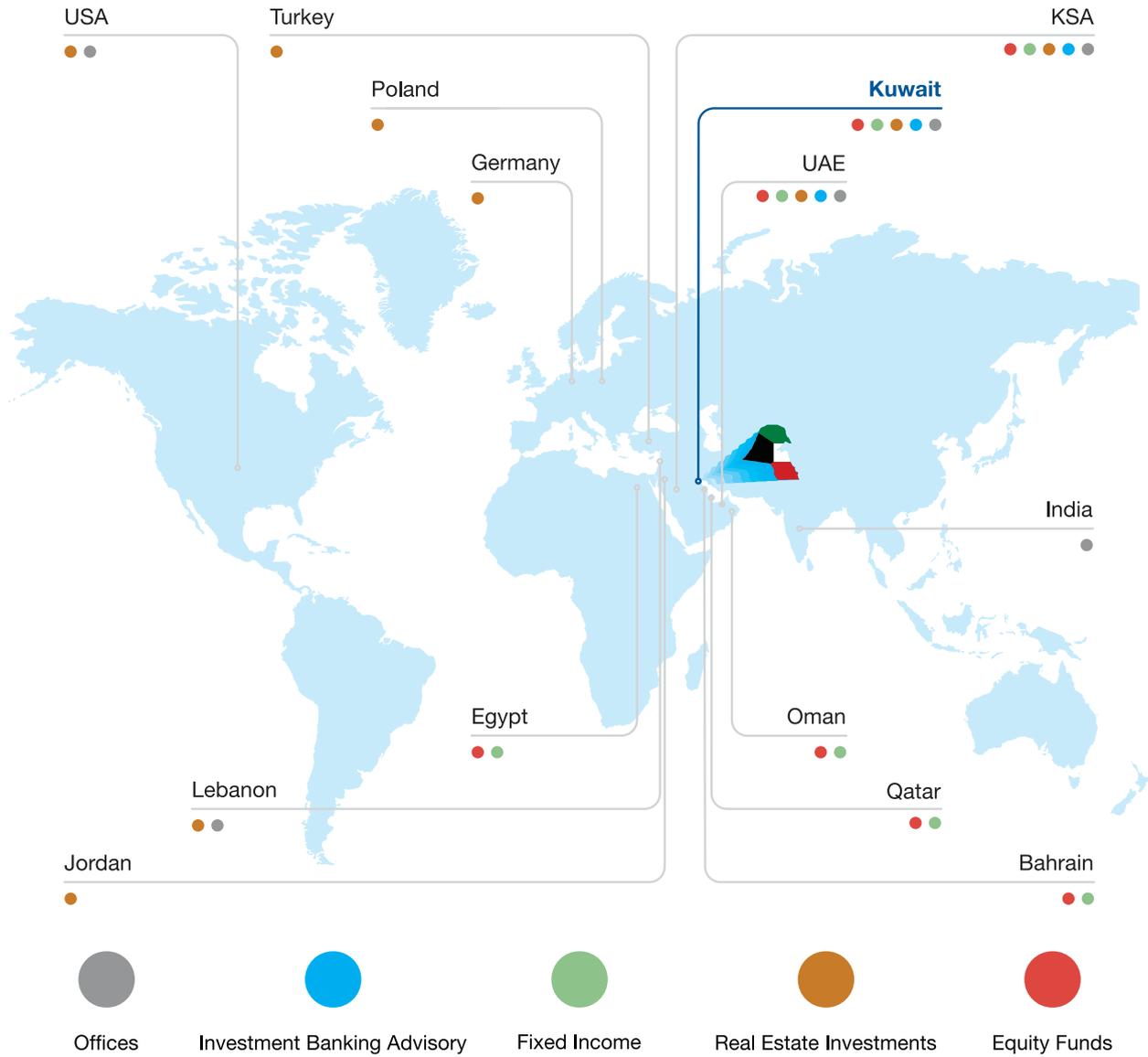
Based on the analysis, internal controls enable business enterprises to minimize losses and increase profitability. Specifically, different types of internal controls may be implemented at various stages to serve particular purposes. In order to protect data and assets, preventive internal controls are usually employed.

Such procedures help organizations to avoid some common errors. Since some mistakes are inevitable, organizations must use detective internal control methods, such as random inspections other than the regulated inspections and internal auditing among others to identify issues.

Finally, the procedures that dictate how employees are supposed to address the errors are part of the corrective internal control systems.



# Sustainability and Innovation win us Trust.



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

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

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

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