About this Survey

The GCC Wealth Insight Report 2019 is based on a survey of 100 High Net Worth Individuals (HNWIs) across the Gulf Cooperation Council (GCC), which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). For the purposes of this study, HNWIs are defined as individuals with US$2 million or more in investable assets.

This is the sixth edition of the GCC Wealth Insight Report, which has been released annually since 2014. The study is sponsored by Emirates Investment Bank (EIBank), an independent private bank based in the UAE. EIBank chose Brunswick Insight to conduct this study on their behalf in order to ensure the accuracy of the findings and independence of the analysis.

All data and findings are provided by Brunswick Insight.
For the sixth consecutive year, Emirates Investment Bank has commissioned an independent survey of high net worth individuals (HNWI) from across the Gulf Cooperation Council (GCC) to provide first-hand insight into their economic and investment views and their sentiment towards wealth and asset allocation.

Building on the original format of the GCC Wealth Insight Report, the 2019 edition has somewhat evolved and this year takes a more tailored and thematic approach, embracing the unique dynamics of the investment landscape in the GCC region.

This year we see a significant increase in the representation of GCC nationals, entrepreneurs and business owners in comparison to last year, which presents a more home grown view of the outlook for the region and allows us to really see what is on the mind of national GCC HNWIs. Interestingly, we see increased optimism and confidence in the prospects of the regional economy in the findings of this year’s Report, which shows us that sentiment is on the up.

Higher oil prices, further economic diversification and more economic reforms are seen as favourable conditions for business growth by the region’s HNWIs. The approaching launch of flagship events, such as the Special Olympics and Expo 2020 Dubai, seem to be giving the region’s HNWIs yet another reason for increased confidence in their local markets and the lucrative opportunities they will be home to. In a region that is known for its entrepreneurial culture, these factors create an ideal environment for HNWIs to look for growth, create an increased appetite to investing and to deploy capital in their own businesses. This sentiment explains the continued preference to grow wealth instead of preserving it.

The 2019 edition of the Report also takes a more forward-looking approach to assessing emerging trends in the GCC. The rising importance of technology as a part of modern life, as a sector and an asset class presented an interesting area to delve into. The findings show that technological advancements are on the radar of regional investors and so are the investment opportunities they are expected to bring – an emerging trend that is rapidly on the rise. New to our 2019 report, we invited industry leaders at Google and Dubai International Financial Centre’s FinTech Hive to talk to us about technological developments in the region and where they see the world tomorrow.

A local bank with a global outlook, Emirates Investment Bank is deeply immersed in the unique propositions of the GCC investment landscape, and the dynamics of its evolution in line with global trends. This distinctive perspective allows us to thoroughly understand the evolving needs of our clients and to provide them with the bespoke solutions they need to achieve their objectives throughout their wealth journey.
Survey Demographics

### COUNTRY
- 26% KSA
- 26% UAE
- 12% BAHRAIN
- 12% KUWAIT
- 12% OMAN
- 12% QATAR

### AGE
- 25-34: 16%
- 35-44: 42%
- 45-54: 29%
- 55+: 13%

### SOURCE OF WEALTH
- 64% SELF MADE
- 31% COMBINATION OF THE TWO
- 5% INHERITED

### PROFESSION
- ENTREPRENEUR: 56%
- EXECUTIVE: 19%
- PROFESSIONAL (Lawyer, Doctor, Accountant, Professor etc): 11%
- RETIRED: 5%
- OTHER: 9%

### GENDER
- 80% MALE
- 20% FEMALE
The first half of 2018 featured what economists refer to as a synchronized cyclical recovery. This recovery appeared to usher a longer period of sustainable growth and an end to the decade-long hangover caused by the 2008 downturn. Despite the shock of Brexit and the unpredictable behaviour of the Trump administration, rising investment and wages, alongside falling rates of unemployment, were on the horizon. Towards the end of the year however, the situation changed and we now see uncertainty for the outlook of future trade, as a potential trade war looms. This impact was reflected in the oil price correction during Q4 2018, alongside other factors. These conditions have prompted the IMF to revise global economic growth which now predicts that 2018 and 2019 will deliver growth rates on par with the previous 3 years average growth rate. However, the outlook for the MENA region, and especially the GCC, is relatively rosier than other regions, mainly bolstered by higher oil prices, despite the recent downward adjustment. Brent has averaged US$73 for 2018 versus US$54 for 2017, inducing a fuller conduit of petrodollars to flow into GCC coffers. Higher oil prices have rendered a boost to GCC economies, particularly Saudi Arabia, Oman and Kuwait, stoking sentiment among GCC HNWIs of positive times ahead. From our survey this year, we can clearly see that regional HNWIs are generally positive about global and GCC economic prospects and also that their investment strategies reflect this confidence.

Our survey of 100 HNWIs across the GCC was comprised this year of nearly 90% GCC nationals and a little over 10% of expatriates residing in the GCC. Conducted in November 2018, more than half of our survey participants were entrepreneurs and 64% of our sample’s net worth was self-made, with 71% of this cohort between the age of 35-54 years.

Survey Findings

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Global Economic Outlook

From our survey we see that HNWIs in the GCC are much more positive about the condition of the global economic situation today, than they have been in the last three years. Nearly half (45%) of respondents believe the global economic situation is improving, compared with just 32% last year; a sentiment bolstered by higher oil prices and more investment opportunities. An even higher percentage of 3 out of 4 respondents are somewhat optimistic for an even better 2019. The other half of the respondent’s share the view that the global economy will continue on trend as, in their eyes, there has been no concrete evidence of a directional shift away from the status quo.

When looking five years ahead, we see raised levels of optimism (85%) compared to 78% in 2018; however the optimism is a little more subdued in comparison to last year’s survey. 85% of respondents are optimistic for the coming five year period however only 10% of those are very optimistic; a drop compared with the very optimistic 28% of last year. This cautiously optimistic sentiment is on the back of stabilized oil prices and technological advancements that are rendering a multitude of business opportunities.

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GCC Economic Outlook

Views of an improved economic and business environment in the GCC more than doubled among HNWIs leaping from 31% to 71% of respondents, as the economies of Saudi Arabia, Oman, and Kuwait have strengthened. By the same token, we see that views of an economic deceleration have plummeted among HNWIs, with just 3% instead of last year’s 41% feeling that the situation is worsening. This is further demonstrating that a positive outlook is dominating sentiment for this year. One-in-four of the HNWIs we surveyed believe that the GCC economic situation will stay the same, citing that the lack of visible change means that the status quo will continue in 2019.

CONDITION OF THE GCC ECONOMY

Dramatic increase in perceived improvement

% Who say…

<table>
<thead>
<tr>
<th>Year</th>
<th>Improving</th>
<th>Staying the same</th>
<th>Worsening</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>17%</td>
<td>29%</td>
<td>54%</td>
</tr>
<tr>
<td>2017</td>
<td>20%</td>
<td>44%</td>
<td>36%</td>
</tr>
<tr>
<td>2016</td>
<td>35%</td>
<td>36%</td>
<td>29%</td>
</tr>
</tbody>
</table>

More than half of the GCC HNWIs that we surveyed this year are entrepreneurs. These fortune hunters see a multitude of opportunities in their respective countries for 2018, 2019 and over a 5-year period. The highest sense of optimism is among Bahrainis and Kuwaitis. Confidence leaped from 42% to 75% for a brighter 2019 in Bahrain and from 0% to 42% in Kuwait, with respondents convinced that the tough times are behind them and that higher oil prices and economic reforms will be conducive to growth in 2019.

VIEWS ON LOCAL ECONOMIC SITUATION

Positive economic outlook across the GCC

% Who say the economic situation in this country is…

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>75%</td>
<td>25%</td>
<td>42%</td>
<td>25%</td>
</tr>
<tr>
<td>Oman</td>
<td>67%</td>
<td>33%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Qatar</td>
<td>58%</td>
<td>25%</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>UAE</td>
<td>57%</td>
<td>32%</td>
<td>54%</td>
<td>38%</td>
</tr>
<tr>
<td>KSA</td>
<td>46%</td>
<td>19%</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>46%</td>
<td>51%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

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Strong optimism for the Gulf economy in the long term

Gulf Region Economic Outlook – Next Five Years

% Who say they are...

<table>
<thead>
<tr>
<th>Year</th>
<th>Very optimistic / Somewhat optimistic</th>
<th>Total optimistic</th>
<th>Very pessimistic / Somewhat pessimistic</th>
<th>Total pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>96%</td>
<td>62%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>2018</td>
<td>86%</td>
<td>54%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>2017</td>
<td>75%</td>
<td>45%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>2016</td>
<td>64%</td>
<td>38%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Investment Decisions

Alongside the optimism towards global economic growth, confidence in local and regional growth is more prominent and strengthening in 2019. This sentiment has prompted HNWIs to continue to keep their assets closer to home, which is in line with previous years. However, this year, we see an even further increase in HNWIs injecting more cash into their own businesses. Three-fourths say that they are focusing on local investment opportunities as opposed to investing globally, given that opportunities rendered in their home countries are perceived to be more lucrative than diversifying abroad.

When we asked our respondents to define what kind of investor they are, we interestingly see that overwhelmingly 9 in 10 categorise themselves as conservative investors. Yet, the statistics show that 91% of the respondents are inclined to accumulate wealth, as opposed to the conventional “capital preservation” model that conservative investors would typically follow. The investment decisions of the surveyed group may seem contradictory at first glance; however, a closer look will help us understand the rationale. We see that 90% are confident in their ability to make investment decisions and as mentioned earlier there is bias towards focusing on local investment opportunities and specifically investing in their own businesses and holding cash. As such, risk aversion among this cohort follows a simple computation; GCC HNWIs know their markets and businesses very well and perceive additional exposure to these asset classes as less risky than others.

Current Distribution of Wealth

HNWI continue to prefer investing in their own businesses and holding cash

Average distribution of current wealth (%)

<table>
<thead>
<tr>
<th></th>
<th>My own business</th>
<th>Cash / deposits</th>
<th>Real estate (as an investment)</th>
<th>Direct investment or private equity</th>
<th>Gold / precious metals</th>
<th>Bitcoin / Crypto</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>40%</td>
<td>23%</td>
<td>14%</td>
<td>1%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>2018</td>
<td>31%</td>
<td>21%</td>
<td>20%</td>
<td>6%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>2017</td>
<td>34%</td>
<td>27%</td>
<td>15%</td>
<td>6%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>2016</td>
<td>27%</td>
<td>24%</td>
<td>24%</td>
<td>5%</td>
<td>9%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Very optimistic / Somewhat optimistic | Total optimistic | Very pessimistic / Somewhat pessimistic | Total pessimistic

<table>
<thead>
<tr>
<th>Year</th>
<th>Very optimistic / Somewhat optimistic</th>
<th>Total optimistic</th>
<th>Very pessimistic / Somewhat pessimistic</th>
<th>Total pessimistic</th>
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</tr>
<tr>
<td>2016</td>
<td>64%</td>
<td>38%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Regional Geopolitics

Turning our attention to geopolitics, we see that interestingly the geopolitical landscape is driving concern among only 5% of the respondents this year, a considerable plunge from last year’s 34%, who said the economic situation is likely to deteriorate as a direct result of geopolitics.

When looking at the impact of regional geopolitics on investment decisions, we see that 84% of HNWIs have changed their investment approach as a result of geopolitics. The impact, for the majority, however has not been negative for the region; on the contrary, for 74% it has meant they have decided to focus more on local investments as a direct result of geopolitics.

On a country by country level, we see that changes in the geopolitical landscape have had the highest resonance among HNWIs in Oman where 83% say that they have changed their investment approach. Oman has benefitted from an increase in trade flows, which has resulted in an influx of business opportunities for the Ommani economy. Similarly, 100% of Kuwaiti responders stated that geopolitics have also affected their investment decisions, particularly because of Kuwait’s new foreign policy, dubbed Northern Gulf Gateway, linking the region to the One Belt One Road initiative, which will see Kuwait opening its doors to Chinese, Asian, European and US investors. On the other hand, in Saudi Arabia, 88% of HNWIs say that the geopolitical landscape will impact their investment decisions, either positively or negatively.

Strong agreement across the GCC that regional geopolitics has impacted investment decisions

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait</td>
<td>100%</td>
<td>85%</td>
<td>29%</td>
</tr>
<tr>
<td>Oman</td>
<td>83%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>KSA</td>
<td>29%</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>77%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Qatar</td>
<td>83%</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>Bahrain</td>
<td>75%</td>
<td>66%</td>
<td></td>
</tr>
</tbody>
</table>

Regional geopolitics have changed investment decisions for the majority of respondents

Has it changed your investment approach?

- 2019: 44%
- 2018: 50%
- 2017: 65%

IMPACT OF GEOPOLITICAL SITUATION ON INVESTMENT DECISIONS
Impact of Key Economic Factors in 2018

A slew of economic factors have also guided investment decisions considerably, such as movements in oil prices, monetary policy, currency fluctuations, and the impact of VAT on the GCC economies. Other factors such as structural reforms, performance on global stock markets and Trump administration policies have had an impact, although lesser in comparison.

Interestingly, it is worth noting that only 22% of HNWIs that we spoke with have a global investment remit. Accordingly, it comes as no surprise that the current YTD (December 2018) Brent average of US$73, versus US$54 average for 2017, would have a considerable impact on investor sentiment, especially given that 40% have injected additional capital into their own businesses.

When looking at the impact of currency fluctuations, it is understandable that this has also dictated some weight to HNWI investment decisions, particularly given that the GCC currencies are pegged to the USD (with the exception of the KWD).

We can see a clear shift, positively into cash deposits, evident by the 27% allotment of their wealth towards this asset class mostly in local banks.

On the flipside, interest rate hikes have made other investors more cautious, especially for those investors with businesses that have considerable leverage or perhaps even negatively for those investors looking to raise additional debt. Regional investors (78%) say they are more informed about the region, which they perceive as secure, and feel confident in their investment strategies that capitalize on attractive opportunities.

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### THE IMPACT OF SPECIFIC ECONOMIC FACTORS ON INVESTMENT DECISIONS

Oil prices and currency fluctuations have had the most impact

<table>
<thead>
<tr>
<th>% Who say…</th>
<th>Great deal/some</th>
<th>A little/Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movements in the price of oil</td>
<td><img src="image1" alt="Percentage Distribution" /></td>
<td><img src="image2" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Currency fluctuations</td>
<td><img src="image3" alt="Percentage Distribution" /></td>
<td><img src="image4" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Introduction of VAT in GCC member states</td>
<td><img src="image5" alt="Percentage Distribution" /></td>
<td><img src="image6" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Interest rate movements</td>
<td><img src="image7" alt="Percentage Distribution" /></td>
<td><img src="image8" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Performance of regional stock markets</td>
<td><img src="image9" alt="Percentage Distribution" /></td>
<td><img src="image10" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Regional structural reforms</td>
<td><img src="image11" alt="Percentage Distribution" /></td>
<td><img src="image12" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Performance of global stock markets</td>
<td><img src="image13" alt="Percentage Distribution" /></td>
<td><img src="image14" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Policies of the Trump Administration</td>
<td><img src="image15" alt="Percentage Distribution" /></td>
<td><img src="image16" alt="Percentage Distribution" /></td>
</tr>
<tr>
<td>Impacts of impending Brexit</td>
<td><img src="image17" alt="Percentage Distribution" /></td>
<td><img src="image18" alt="Percentage Distribution" /></td>
</tr>
</tbody>
</table>
Financial Allocation

With the majority of our respondents preferring to invest in the region and 56% of them being entrepreneurs, it is clear to see why the asset classes of choice, for investments next year, are cash and their own businesses.

On the other hand, global investors (22%) say that they have an inclination to seize opportunities abroad, with 45% of global investors preferring Asia now and over the next 5 years. It is worth noting that Asia has been a favourite investment destination for GCC HNWIs for the last 6 years. The MENA region has been tapped into, as a geographic diversification strategy for 1-in-5 investors, currently, and will continue to be on their radar over the next 5 years. Only 12% of GCC HNWI investors prefer North America and 8% have allotted some capital to investment opportunities in Africa.

New for this year, our survey enquired about sector picks and where GCC HNWIs see value over the medium-term. An overwhelming majority of HNWIs (70%) currently have considerable exposure to real estate followed by retail (55%). A quarter of investors currently allocate wealth to technology with as many saying they will increase their exposure to technology in the coming 12 months.

**LOCATION PREFERENCE FOR GLOBAL INVESTORS**

Asia is the preferred market now and into the near future

| % Preferred region currently vs. next 3-5 years |
|----------------|----------------|----------------|
| Asian         | 48%            | 46%            |
| European      | 18%            | 25%            |
| North America | 12%            | 8%             |
| Africa        | 4%             | 4%             |
| Middle East, excluding GCC | 20% | 17% |

**GLOBAL VS. REGIONAL INVESTMENT**

Preference for regional investments remains steady

<table>
<thead>
<tr>
<th>% Who say...</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2016</td>
</tr>
</tbody>
</table>

π Global Investor

Prefer to keep assets closer to home
2019 Emerging Theme: Technology

It can be seen from the survey that technology is emerging as a sector of interest for regional investors, with our respondents citing its importance in the next phase of growth, across multiple industries, as a fundamental factor in this view.

When drilling down further into the sentiment surrounding technology and its impact on them, we see that HNWIs view the impact of artificial intelligence, social media, and robotics as more significant on their way of life over the next 5 years than 3D printing and blockchain. The view that artificial intelligence will be attributed to enhancements in work performance, accurateness and reliable processes, is one of the underlying factors that support increasing exposure to this sector. The respondents also cite that social media’s quick accessibility to consumers, providing businesses with an unparalleled channel of communication, also makes investments in this sector an easy decision for GCC investors.

The omnipresence of technology has prompted dialogue and questions about the sustainability of the various technologies available, therefore presenting a conundrum to investors who are not technology experts but care to seize lucrative opportunities. The following two sections aim to outline the impact of technology over the medium term on businesses in the Middle East and how GCC investors can capitalize on opportunities in the region and beyond.
Tomorrow’s World

The future of technology in the region through the eyes of industry experts, Salim Edde from Google MENA and Raja Al Mazrouei from DIFC Fintech Hive.
are being remodelled or even recreated from scratch in line with leading developments in artificial intelligence and smart technology. Virtual reality, blockchain, robots, the Internet of Things—all of these innovations are redefining the way that companies, sectors and governments work, and the way in which they interact with the world.

From nanotechnology and biotechnology, to energy storage and quantum computing, the level of technological innovation now sweeping the globe is unprecedented. And, despite concerns about the unemployment and over-dependence that continued technological advancement could usher in, the prevailing pros appear to far outweigh the cons. Rather than reducing workforces, technology can be used to handle time- and labour-intensive tasks, freeing people up to focus on other aspects of their jobs and enabling them to work more efficiently. More importantly, alongside human hands, technology has the power to facilitate scientific and medical breakthroughs, increase health and safety in the workplace and make the world a smaller place thanks to strides in communications software.

These developments all combine to paint an exciting and promising picture of a tech-driven future, and nowhere is the outlook brighter than in the Middle East and North Africa (MENA), where technology is shaping not just tomorrow, but the present day too. In a region where fossil fuels have powered economies for decades, a concerted effort is now underway to diversify away from oil and gas in order to secure a bright and sustainable future for its peoples—and central to this campaign is technology in all its forms.

From fintech to renewable energy, and e-governance to smart grids, MENA governments are working hand-in-hand with private sector pioneers to prepare their economies and infrastructure for life in a world fuelled not by oil, but by technology. As a man with his finger on the regional pulse, Selim Edde, Head of Public Policy and Government Relations for Google MENA, knows better than most just how critical technology is in the region’s national agendas. "Government adoption of new technologies has really been accelerating," says Edde. "It is policy that sets the tone, and in countries like the UAE, it’s a mindset—these governments embrace change and innovation, with both the people and the private sector pitching in."
Raja Al Mazrouei, Executive Vice President for Fintech Hive at DIFC

has an objective to move all government transactions to blockchain by 2021. Fintech in particular has become the focus for significant attention and investment in the UAE and MENA more broadly, with more than $100 million of capital raised to date for finance-related tech startups. In a part of the world where the majority of transactions are conducted in cash, there is still much work to be done in the fintech space, but investments and initiatives aimed at addressing financial inclusion shortages in the region mark promising progress.

According to Al Mazrouei, one ongoing project will see a number of UAE banks using blockchain in the near future, while the UAE central bank and Saudi monetary authority are now exploring a possible joint digital currency. The next step, says the Fintech Hive VP, is for organisations to start testing the new emerging technologies. “This is what we are doing at the DIFC,” she says. “We are using the technologies from these start-ups and testing them to improve the customer experience or build efficiencies in our business processes today.”

The job now at the hands of DIFC’s Fintech Hive and other industry innovators, is to raise awareness of the impact that fintech will have moving forward. “What we are trying to do right now is to enable the financial institutions to understand that this wave is coming, and they have two options: either to innovate on their own... or we encourage them to collaborate with Fintechs,” explains Al Mazrouei, adding that Fintech Hive’s last accelerator program saw twenty proofs of concept emerge between start-ups and banks.

Away from fintech, it is not just industry leaders and government bodies that are doing their part to boost the region’s technological prowess, consumers across the MENA region are also playing a key role through their appetite for the latest technologies, especially when it comes to the mobile world. In fact, according to a recent report from the mobile network trade body, GSMA, the mobile industry alone contributed more than $165 billion to the region’s economy last year, a figure equivalent to 4.2 percent of MENA’s GDP.

For Selim Edde, such numbers reflect the regional demographic. “In the last decade, the shift from the simple telephone to the intelligent phone has transformed the landscape, and in a region where the local populations are young, adoption of such technology comes naturally,” he explains.

The impact of mobile uptake in MENA is impressive, but the outlook becomes all the more exciting when we consider that mobile technology is not where the story ends. In fact, global research and advisory firm, Gartner, has predicted that spending on information technology at large will reach $155 billion in MENA this year, up 3.4 percent on 2017, and all indicators suggest that there is more to come.

Another new year is upon us, and as it does, people are waking up to the world of possibilities offered by fintech, artificial intelligence and the ever-expanding array of smart technologies at our fingertips. Once upon a time, flip phones or dial-up internet were luxuries for aspirational households. Today, 3G wireless technology is sniffed at by some and yesterday’s cell phone is the Siri or Alexa now assuming pride of place in living rooms across MENA and beyond.

What tomorrow will bring, nobody knows. However, as Google’s MENA policy expert says, “in a region where the majority constituency is data native, the multiplier effect of machine learning, mobile and cloud technologies coupled with a drive to develop a vibrant business ecosystem, via policy reforms, will be exceptionally transformational for the MENA region’s tomorrow.”

Interviews conducted and article written by Ranya Afifi

MENA governments are working hand-in-hand with private sector pioneers to prepare their economies and infrastructure for life in a world fuelled not by oil, but by technology.
Investing in Technology Trends

Along with evolution comes opportunity. Asset Management expert Nadi Bargouti helps investors to capitalise on the growth in the technology sector.
Investing in Technology Trends

An Interview with Nadi Bargouti

When we look at the world today, we can see the evolution of technology and advancement all around us, impacting both the way we work and the way we live. It is without a doubt that the technology sector, due to the very nature of the world that we live in, presents attractive investment opportunities for both businesses and investors. However, in such a crowded space, the challenge for investors can be how to assess the opportunities amongst all the noise and identify those that will generate attractive returns.

The technology sector plays an important role in global financial markets and includes major companies that everyone knows, through to players both big and small that operate largely behind the scenes. The category is also home to emerging companies of all sizes, start-ups, and billion-dollar household brands. There is no sector of the modern economy that technology does not touch and that does not rely upon technology to improve quality, productivity, and/or profitability. And on the flipside, tech is notorious for its rabid competition and rapid obsolescence cycles. Both sides of the coin can present a conundrum for investors when deciding how to invest in technology, even if they are avid users of it.

Asset managers, like Emirates Investment Bank (EIBank), use a vigorous process that expends a lot of time, effort, research and adherence to due diligence and compliance protocols. EIBank provides an architectural platform with access to a wide spectrum of asset classes to enable them to provide a plethora of investment solutions depending on each investor’s goals and risk appetite. Nadi Bargouti, Head of Asset Management, describes the bank’s due diligence process that includes researching the technology industry, meeting with fund managers to understand their strategies, as well as monitoring their funds performances for an extended period of time prior to picking the best of the breed as investment options for their clients. He highlights that it is imperative for investors to understand that many technologies have emerged recently and as such it is important for one to consider a fund manager’s performance track record as opposed to the underlying technologies held in a fund.

“I investing in technology is available via a number of asset classes, ranging from exchange-traded funds (ETFs) to listed equity and private equity funds. Within the listed equity sphere, there are mature technology companies and others that fall under the small to mid-cap sized tech firms category, each catering to different risk profiles. Once we have helped clients determine their risk appetite, investment tenure, with liquidity being a decisive factor, we can advise clients on the most lucrative and viable investment solutions,” says Nadi, who also advises against cherry-picking tech stocks. Valuating a tech company is a tedious task that may not be able to take all risks into account. Accordingly, investors are advised to diversify their exposure and use a gradual approach in building a portfolio, perhaps by investing in a technology fund that offers exposure to a wide range of technologies across various sectors, preferably in developed markets. There are specialized tech funds that invest in the top 30-40 relatively mature technology companies that asset managers are more informed about and that could fit the profile of an investor that is relatively more risk averse - of course this assumes that valuation of the fund still offers upside potential. The risk/return profile for private equity funds that typically require a 7 year lock-up period is more fitting for an investor that is looking to capitalize on relatively new emerging technologies that have potential for higher reward, but with higher risks and liquidity constraints.

There is a lot of attention surrounding startups, especially as success stories have been accentuated in the media over the last few years. Providing financial support to startups and other new business ventures in different fields is a risky business. “The risk of startup financing is that bringing a new business entity into a competitive level takes considerable time. Similarly, the possibility of failure is also substantial. Despite
these risks, many seed financiers or angel investors like Sequoia and Softbank, have earned handsomely from their relatively small initial investment in Whatsapp and Alibaba, respectively. There are a number of venture capital funds springing up in the Middle East. Yet, startups, innovation and inventions have been limited as a function of the existing ecosystem, which requires development and reforms to enable innovators and inventors a higher chance to succeed” says Nadi.

Nevertheless, the regional tech sector is starting to garner some interest among global and regional investors. Bahrain is working towards positioning itself as the tech hub of the region and the UAE’s policies continue to support selected technologies via accelerators; although these efforts are in their infancy. Invention of new technologies is the vision for the future. Perhaps two other markets that have great potential are Saudi Arabia and Egypt for different reasons. Saudi Arabia’s potential lies in its sheer size to consume technology and its fiscal muscle to invest in technology. Egypt’s strength lies in its talent and its dire need to catch up with modern economic models, usually a trigger for creativity and innovation.

An unprecedented vote of confidence for the MENA region’s tech industry has been Amazon’s acquisition of souq.com, which has put the region on the global tech map, by upgrading the region’s tech infrastructure and its offering, by extension. If policymakers can build on this momentum by incentivizing entrepreneurs and introducing policies to expedite the region’s transformation to a knowledge-based and tech-led economy, we can then start to see more regional investment opportunities in the tech sector and in turn, regional investors can begin to reap the rewards.

Interview conducted and article written by Ranya Afifi
About Emirates Investment Bank

At Emirates Investment Bank, we provide our clients with a complete private banking experience, supporting them through every stage of their wealth journey. Our clients can depend on us to offer them bespoke solutions across all markets and a range of services, from Asset Management and Wealth Planning, to Investment Banking, to day-to-day banking.

Our flexible and personal approach enables us to proactively offer our clients innovative advice and cutting-edge services, tailored specifically for them in-house or sourced from all over the world, thereby helping them achieve their short- and long-term goals.

Emirates Investment Bank is independent and well-capitalised, with a strong, supportive shareholder base of prominent UAE business families. Having a global outlook, we apply the highest regulatory standards, aligned with internationally recognised best governance practices.
Research Background

In total, 100 HNWIs were included in the GCC Wealth Insight Survey from the Kingdom of Saudi Arabia (n=26), the United Arab Emirates (n=26), Kuwait (n=12), Bahrain (n=12), Oman (n=12), and Qatar (n=12). Interviews were held in each country, and conducted in Arabic and English among the national population as well as expatriates. Participants were asked for their views on a variety of topics linked to financial issues and investing, including:

- The current and future economic situation globally and in the Gulf region
- Current allocation of assets
- Impact of key economic factors on investment decisions

The fieldwork took place throughout the GCC in November 2018.

For this survey, Brunswick Insight led the data collection and data analysis process and presented the conclusion of findings.

Note: Where responses do not add up to 100% this may be due to multiple responses, computer rounding or exclusion of “don’t know” responses.

Partner Profile

Brunswick Insight is the practice within Brunswick Group, a leading global financial PR agency, which focuses on using opinion research to help clients better understand their relationships with stakeholders and communicate more effectively. Brunswick Insight uses a range of qualitative and quantitative research techniques to help companies and organisations develop more effective communications strategies.