Press Statement
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Alkhabeer Capital releases 2016 Global Outlook Report

- **Caution remains on emerging economies exposed to high dollar-denominated debt**
- **Commodity-importing economies will benefit from low prices**
- **GCC economies cutting back non-essential expenditures, introducing healthy reforms**
- **Non-oil sector growth in Saudi Arabia and UAE remains resilient**

Jeddah, Saudi Arabia – 22 February 2016: Alkhabeer Capital, the asset management and investment firm based in Jeddah, Saudi Arabia, today released the 2016 edition of its annual market insight report. Analyzing the growth prospects of the region's largest economy, Alkhabeer's Global Outlook Report 2016 tracks market performance and economic developments over the past year, and highlights key indicators and trends for 2016.

"Overall, 2015 has been a year of high volatility and accelerating developments," said Alkhabeer Capital Outlook Report. "The past 12 months have presented the Kingdom of Saudi Arabia with an opportunity to reinforce its economic fundamentals while spurring a move towards greater diversification. Looking at 2016, we see a number of challenges facing markets regionally and globally, which will require careful management and prudent preparation to weather potential headwinds."

The report provides Alkhabeer's insights as to the world's key financial markets, including a number of asset classes spanning equities, fixed income, commodities and currencies. It also outlines themes that will dominate business during the year and reviews the expectations of the previous year's report.

According to the Alkhabeer's report, a persistent weakness in oil prices has taken a toll on GCC countries. The recent budget announcements for this year by Saudi Arabia and its fellow GCC member states signal that governments across the region are scaling back non-essential spending, but are continuing to invest significantly in infrastructure, education, and social programs.

Over the course of 2016, Alkhabeer expects GCC countries to implement a series of additional reforms to help boost government revenue. Saudi Arabia, for instance, recently announced that it would implement a value-based tax on undeveloped lands, in order to increase revenues and discourage landowners from holding vacant plots. Real estate experts believe that this move would add up to $13 billion (SAR 50 billion) in government revenues. Reports also suggest that GCC countries are moving closer to implementing a Value-Added Tax (VAT), or sales tax regime, in the region, which could help increase domestic revenue.

The report also outlines that while growth performance in non-oil sectors has been impacted to an extent, they have remained largely resilient. Although non-oil sector Purchasing Managers' Index (PMI) readings, which measure the economic health of the manufacturing sector, have trended lower in recent months in Saudi Arabia and the UAE, they still indicate further expansion as the two countries continue to benefit from previous and ongoing diversification initiatives.

The Global Outlook Report 2016 also examines the state of the global economy, including the US, Europe and emerging markets. After months of speculation, the US Federal Reserve finally hiked its key interest rates as 2015 ended, diverging from the accommodative policies of the Eurozone and Japan. The US dollar, which has surged over the past year amidst talk of higher interest rates, is expected to strengthen further in 2016 as the Fed continues to gradually increase borrowing costs.

“The US economy is expected to outperform its peers, but we remain concerned about the dollar’s elevated strength paired with weakness in overseas markets, which might drag down the US economy.” The report commented.

As expectations of higher Fed rates gained momentum, US Treasury yields surged at the beginning of last year, but tumbled as Chinese stock markets slumped and investors looked to US treasuries as a safe haven. Currently, while the US economy seems to be on a steady recovery path, Alkhabeer remains cautious of the possible headwinds to the inflation outlook, as commodity markets continue to slump.

In the Eurozone, indices remained buoyed by the European Central Bank’s ultra-loose monetary policy, despite domestic issues and headwinds from abroad. Profit margins among European companies, however, declined towards the end of 2015, despite a weaker Euro, making exports more attractive to foreign buyers.

“Going into 2016,” said the report, “The substantial fall in the Euro has helped the region’s export activity, but this may have a limited effect on European stocks as weakening overseas demand may result in lackluster corporate performance, a symptom of the fragile Eurozone recovery.”

Closer to home, GCC equity markets witnessed a sell-off as crude oil prices continued to slip, and Alkhabeer foresees that the region’s markets will face continued pressure.

“We recommend that investors selectively invest in GCC markets, and focus on companies that are not overly reliant on hydrocarbons” the report continued

According to the report, Alkhabeer recommends that investors also focus on companies with good balance sheets that are able to maintain their dividend payouts over a prolonged period.
“Overall, there are reasons for positivity in 2016 in spite of several risks to the global economy, and therefore, pockets of opportunity for diligent investors. As we see a deliberate and continued

improvement in macro conditions and private sector confidence, we maintain a cautiously optimistic outlook for the future," the report concluded.

Full details of Alkhabeer Capital's Global Outlook Report 2016 can be found here: http://goo.gl/jfWOXA

Alkhabeer Capital is a leading asset management and investment firm, authorized by the Capital Market Authority (license number 07074-37).

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About Alkhabeer Capital

Alkhabeer Capital is a leading asset management and investment banking firm providing world-class investment products and services that endeavors to help institutions, family groups and qualified investors access to and/or allocate capital in ways that deliver real and enduring economic value.

It is licensed by Saudi Arabia's Capital Market Authority (CMA) under license number 37-07074. The asset management area provides investment opportunities through a large and growing portfolio of public and private funds in the areas of real estate, private equity and capital markets, while the investment banking area offers specialized Sharia compliant capital raising and M&A advisory services to businesses, private investors and families.

Alkhabeer Capital also provides advisory services on structuring Waqf entities and Waqf wealth management through its "Waqf" Program, which targets educational institutes, charitable foundations, family groups, high net worth individuals and other philanthropists who wish to establish Waqf entities.

Alkhabeer Capital has offices in Jeddah and Riyadh.

For more details on Alkhabeer Capital, please visit www.alkhabeer.com

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