ARCAPITA

Arcapita *Point of View*

Special Report

INVESTMENT INSIGHT

Finding Opportunities in Uncertain Times

January 2017

CONTENTS

2016
OVERVIEW

2016 proved to be an eventful year both economically and politically. Despite the global economy's strong start to the year, by end of 2016 global forecasts by the World Bank were revised downwards due to the weaker growth in advanced economies, low commodity price environment, unanticipated market shocks caused by the Brexit vote and volatility in the global equities markets.

2016 Overview

2016 witnessed a sharp drop in the price of global oil benchmarks. The sustained low oil price environment significantly impacted the economies of oil-producing countries, resulting in spending cuts on large scale projects. In efforts to rebuild economic activity, oil-dependent GCC countries are attempting to diversify their economies through alternative sectors.

The Chinese economy witnessed a period of subdued growth as a result of an underperforming manufacturing industry, which indirectly affected the economic performance of surrounding Asian countries. Additionally, 2016 ended with the election of Donald Trump as the 45th President of the United States, causing a surge in small-cap and mid-cap equities, bank equities and interest rates as the economy anticipated implications of his policy agenda.

If 2016 was the year of surprises, headlined by the Brexit referendum, the US presidential elections and USD 30 per barrel oil, 2017 is expected to be the year when these shocks begin to have tangible effects on the global economy. Uncertainty and change offers well-positioned investors the opportunity to realize outsized returns.

Key Events of 2016

January	February	March	April
China's Index Shock	**Oil Prices Plunge to USD 26**	**Fed Cuts GDP Growth Outlook**	**Saudi "Vision 2030"**
Following China's "Black Monday", the Shanghai Composite Index witnessed the shortest trading day recorded.	US crude futures drop to approximately USD 26 per barrel.	Fed cuts GDP growth outlook for 2016 to 2.2% from anticipated 2.4%.	Saudi Arabia announces its "Vision 2030", a plan to enhance both economic and social status.

Sources: AlArabiya, 2016, Wall Street Journal, 2016
Financial Times, 2016, Business Insider, 2016, Arcapita Research

June	September	October	November	December
Brexit	**G20 Summit**	**IMF Cuts Saudi Growth**	**Trump Elected**	**Fed Hikes Interest Rates**
United Kingdom voted to leave the European Union – as a result GBP/USD dropped 8% upon announcement.	Saudi Arabia and Russia agree to cooperate on oil prices to create more stabilized markets.	IMF cuts economic growth forecast for Saudi Arabia's non-oil sector to 0.3% due to slump in crude prices.	Donald Trump is elected as the 45th president of the United States.	Fed increases the target by 25 basis points, to a range of 0.50 – 0.75% and anticipates three additional increases in 2017.

WORLD
ECONOMY 2017

Key trends that are likely to impact the world economy in 2017

Oil Prices
Despite the recent rise in oil prices due to the OPEC production cut deal, revenues of net oil exporters will be adversely impacted as a result of lower oil prices, resulting in many countries seeking to diversify their economies and find alternative revenue streams.

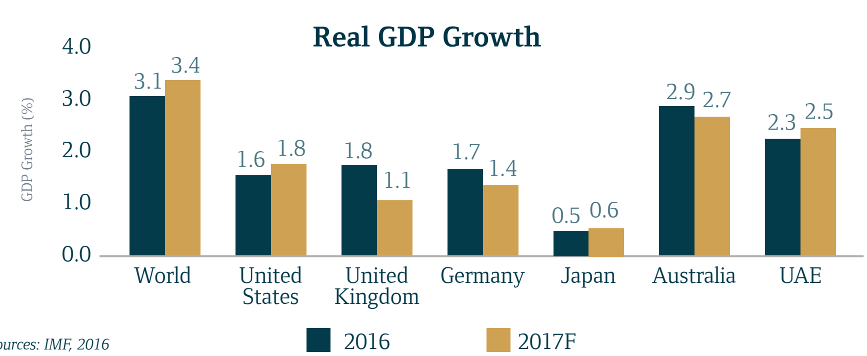
China Restructuring
China's attempts to rebalance and restructure its economy may continue into 2017 as it grapples with slowing manufacturing output and increased national debt levels.

Brexit
The decision of a “hard” exit versus a “soft” exit will have implications for the global economy as any volatility in Britain or the European Union will spill into other markets.

Global Political Uncertainty
US policy uncertainty due to recent elections and MENA geopolitical unrest may result in tepid investment in these markets.

Interest Rates
Experts believe that the Fed will remain cautious in order to maintain a balance between economic growth and inflation. It is expected the Fed will increase interest rates three times throughout 2017.

Global Source of Volatility



Sources: IMF, 2016
CNBC, 2016

OUTLOOK ON OIL PRICES

In late 2016, oil prices increased by 20% as OPEC members created a joint plan with many non-members to effect a coordinated decrease in oil production, due to take effect at the start of 2017.

The short-term implications of the agreement are higher oil prices and overall higher volatility in oil prices. In the long term, oil prices may revert to pre-deal levels as the agreement unravels and non-participants increase production. Historically, OPEC members violate their quotas 96% of the time, and the last time that Russia agreed to cut its output as part of a deal with OPEC, it reneged and increased output. However, since some of the output cuts are due to organic declines in oil production, rather than willful contributions to a coordinated output cut, an unraveling of the deal is still likely to leave oil prices at around USD 45-USD 50, slightly above their pre-deal levels.

Crude Oil (Barrel)

Source: Reuters

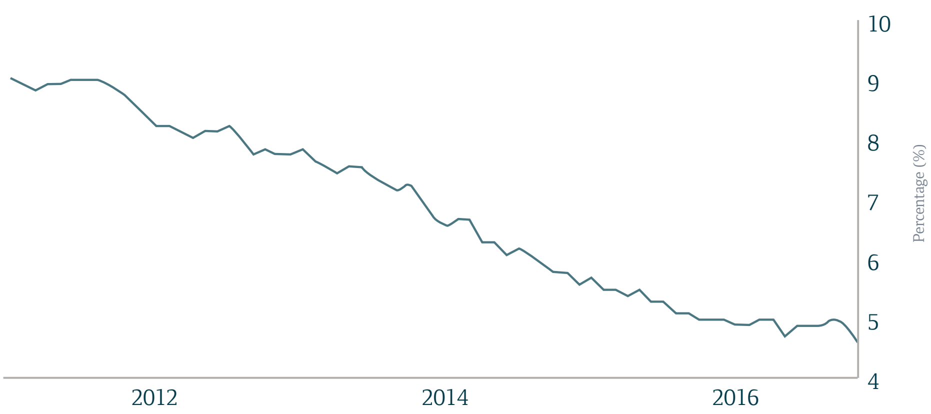
Regardless of whether the agreement holds, experts agree that it is highly unlikely for oil prices to rise above USD 60 over the coming year, due to the emergence of US shale oil. Unlike conventional oil, shale oil production is highly flexible, as new wells can be brought online at minimal cost and in a compressed timeframe. While there remains a high degree of uncertainty over the precise production costs of shale oil companies, as such information is a commercial secret, most experts agree that a sustained increase in prices to USD 60 would induce a significant expansion in US shale oil production, increasing global oil supply and putting deflationary pressures on oil prices.

The Trump administration's proposed policies are likely to magnify downward pressures on oil prices as deregulation impacts the cost structures of US oil producers, allowing producers to profit at lower price points. Policies of deregulation and a focus on utilization of natural resources may slow investments in and development of alternative renewable energy. The long-term implications of such policies may be increased demand for fossil fuels, including oil.

UNITED STATES
ECONOMY

- The recent rise in interest rates (+25 bps) that followed the election has increased the cost of financing and may also strengthen the dollar
- Consistent, moderate GDP growth, combined with contained inflation has been underpinned by aggressive monetary policy easing
- Low oil prices have led to decreased energy costs, which has promoted growth across most industries
- The official unemployment rate fell to 4.6% in November 2016, indicating increased demand for labor. Low unemployment and the resulting competition for labor has started to increase wages for low-earning American workers, giving the bottom quartile more disposable income
- Headwinds created by a strong US dollar that were expected to recede in the second half of 2016, have largely remained and increased due to a weaker global economy

US Unemployment Rate



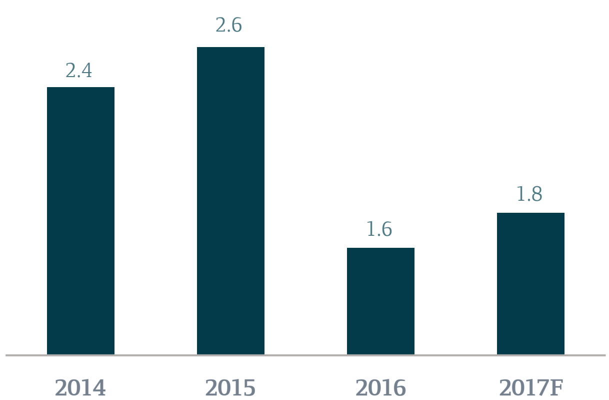
Sources: Trading Economics, 2016

United States 2017 Outlook

Lower energy costs, a robust labor market and low interest rates have created a US environment that has seen average annual GDP growth of 2% over the last 5 years. The prospect of additional interest rate increases remains after the Federal Reserve suggested that rates may be increased as many as three times during 2017

- The Federal Reserve decided to raise short-term interest rates by 25 basis points in December 2016 and announced plans to raise interest rates three times in 2017, indicating a more confident outlook for the US economy which will lead to an increased cost of financing
- The US economy has benefited from inflation below 2% per annum and low unemployment. These trends will likely continue in 2017, allowing for wage increases as demand for labor tightens the labor market
- While oil prices may rise in the short term due to the OPEC agreement, long-term energy costs should remain consistent with current levels as the new administration deregulates the energy industry and US oil rig count increases with the increase in oil price
- Trump's views on international trade may result in policies of protectionism and tariffs (at least as it relates to perceived unfair practices by other countries)
- Trump's plan to repeal and replace the Affordable Care Act may result in opportunities in healthcare as the market reacts to new legislation
- Trump plans to reduce both corporate and personal taxes, which would boost earnings of corporations and give investors more disposable income for consumption

United States GDP Growth Forecast



Source: IMF – World Economic Outlook Update, 2016; World Bank, Wall Street Journal, Bureau of Economic Analysis

Arcapita's US Core Focus Sectors for 2017

US real estate investments continue to provide investors with attractive risk-adjusted returns. Investment in new developments has accelerated as the economy continues to recover from the financial crisis. High investor liquidity and large foreign investment have led to increased capital availability

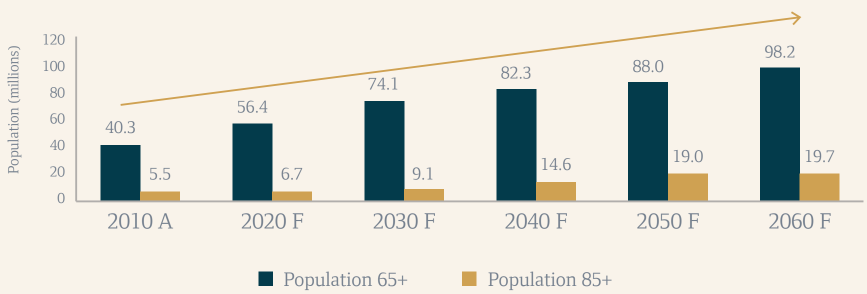
Seniors Housing
The 65+ age group is expected to double in size by 2050

Real Estate

Healthcare (Seniors Housing)

- The US healthcare market is about USD 3 trillion in size and continues to exhibit capability to grow rent and maintain high occupancy rates
- The Senior Living industry is underpinned by the growth of the 65+ age group, which is expected to grow to roughly two times its 2010 size by 2050

Number of People Aged 65 and Over Compared to 85 and Over



- Senior population fastest growing demographic in the US
- By the end of 2017, the baby boomer population is expected to control 70% of disposable income

AMERICA IS AGING
By 2030, the number of adults aged 65-74 will nearly double from 21.7 million to 38.6 million.

132 MILLION
In the next 20 years, the population aged 50 and over will increase from 109 million to 132 million.

1 IN 5
people will be 65 and over in 2030.

1 IN 8
people will be 75 and over in 2040.

Sources: CBRE Senior Housing Market Insight, Q1 2016 Real Capital Analytics (RCA) Seniors Housing & Care Report, Q1 2016 and NIC MAP Data

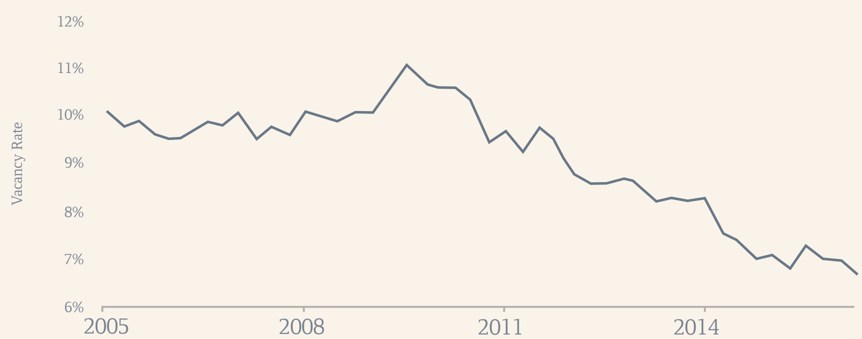
Multifamily

US rental vacancy rate has continued to compress despite a surge in new construction

Multifamily

- Multifamily housing continues to be an attractive long-term investment as the rates of home ownership have decreased to 62.9% in Q2 2016, the lowest rate in 48 years
- Due to consistently increasing demand, multifamily housing investments have demonstrated an ability to grow rents and maintain healthy occupancy levels
- Multifamily sector exhibits solid rent growth and healthy occupancy
- More than 300,000 multifamily units were built in 2015 — the most since 1989
- Based on the Freddie Mac Apartments Investment Market Index, multifamily investing grew stronger in Q2 2016 both nationally and in major metro markets
- Rent growth is moderate and is expected to remain above the historical average throughout 2017

US Rental Vacancy Rates



Source: Freddie Mac, 2016

Arcapita Point of View

Arcapita's US Core Focus Sectors for 2017

Industrial
Industrial real estate returns have benefited from limited increases in supply in conjunction with surging demand

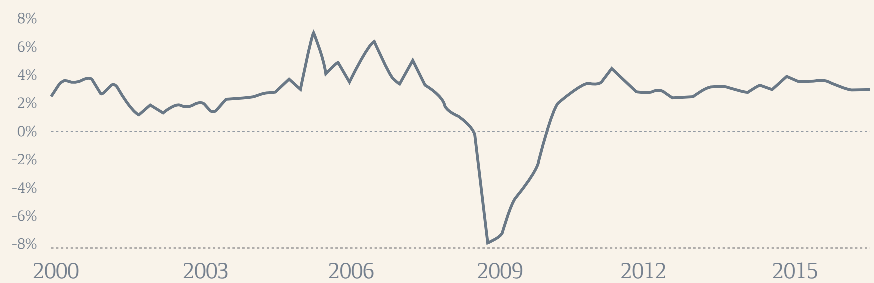
Industrial

- Investment in industrial real estate totaled USD 19 billion in the first half of 2016
- The industrial sector continues to be favorable as global yield environment drives investors to US real estate

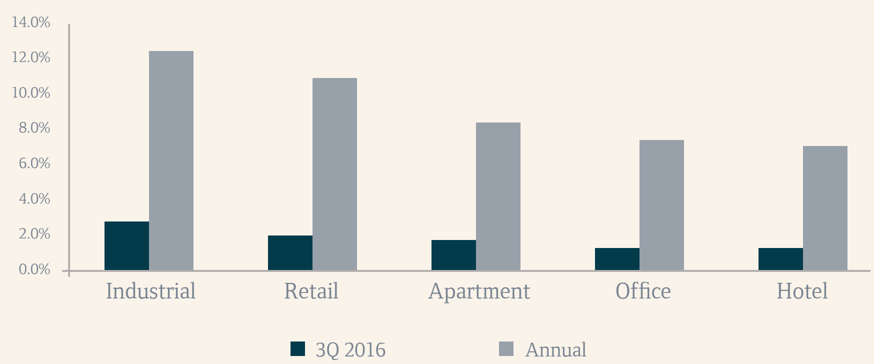
Demand for Industrial Space

- This sector is experiencing strong real estate fundamentals given the overall positive state of the US economy and the limited supply in certain sub-markets

Quarterly Industrial Real Estate Returns



NPI Total Returns by Property Type

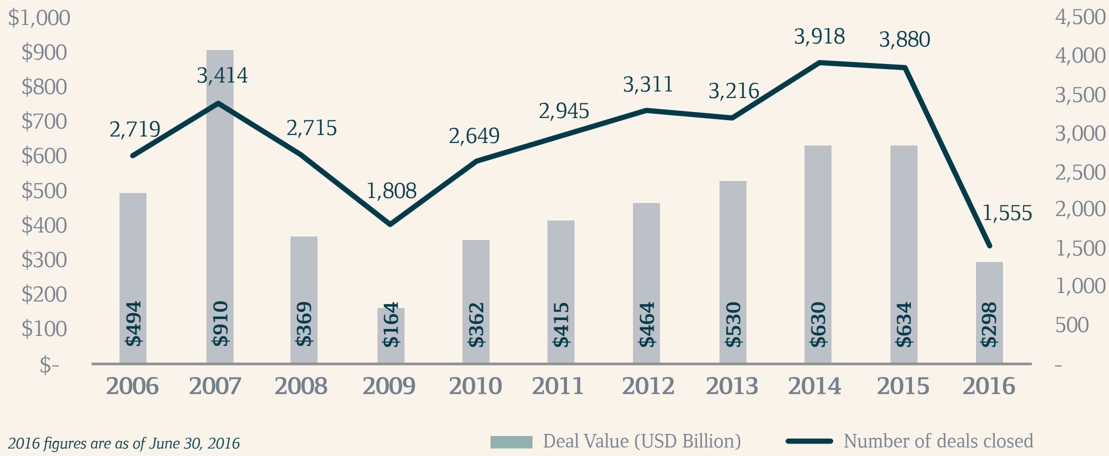


Sources: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; US. Bureau of Labor Statistics
Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; NCREIF Property Returns Index
NCREIF, 3Q2016
NPI: National Property Index

Private Equity

- The global private equity markets continue to show signs of improvement and present areas of opportunity within several markets
- US private equity activity remained strong through the first two quarters of 2016 with USD 298 billion invested in 1,555 deals for an average transaction size of USD 192 million. This deal activity remains in line with the post-crisis highs witnessed in 2015 of USD 634 billion. The current low interest rate environment continues to enable private equity firms to execute more transactions given the low cost of financing. This tailwind may recede if the Fed continues to increase interest rates

US Private Equity Market Activity (USD Billion)



2016 figures are as of June 30, 2016

- Private equity continues to be the asset class of choice for a majority of institutional investors. According to a recent survey conducted by Ernst and Young, 47% of HNWI respondents stated that private equity remains their preferred asset class. During the period between 2013 and 2015, private equity firms returned hundreds of billions of dollars in capital to investors from exited investments, including several public listings of large-scale portfolio companies. These high exit proceeds and strong returns have drawn in additional investors, thus shifting investor appetite more towards this asset class
- Arcapita is focused on taking advantage of attractive valuations; more importantly, not relying on price arbitrage to make returns but rather on long-term fundamentals and value enhancements due to Arcapita's post-acquisition capabilities

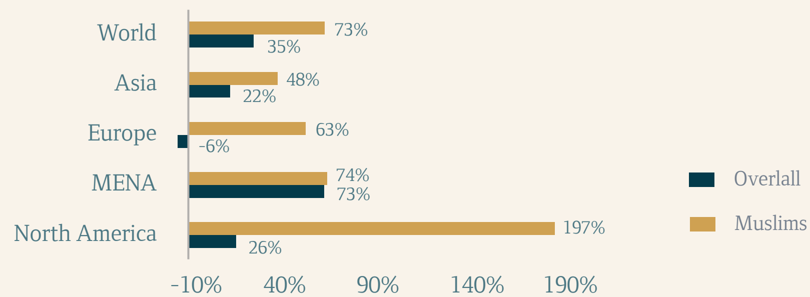
Source: Bloomberg, 2016

Arcapita's US Core Focus Sectors for 2017

Consumer-Focused Private Equity

- Arcapita is focusing on consumer-driven sectors fueled by growing Muslim population, expanding middle class and increased brand awareness
- The expected growth rate of the global Muslim population is two times the growth rate of the non-Muslim population for the upcoming 20 years, with an average expected annual growth rate of 1.5% for Muslims, compared with 0.7% for non-Muslims
- Arcapita seeks to capitalize on the increasing amount of consumer spending - particularly within the global Muslim population

Muslim Population Growth Compared With Overall Growth in Each Region (2010-2050)



The Halal Food Market

1.8b
the number of Muslims in the world

140%
growth in the number of Muslims in Europe in a decade

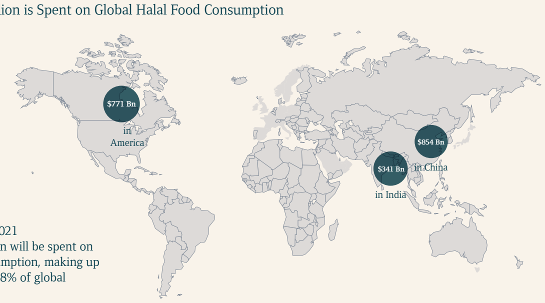
30m
Muslims make their homes in the Russian Federation

16%
of the world food trade is part of the halal food market

1b
Muslims live in Asia

Halal Food Consumption in Select Markets

USD 1,173 billion is Spent on Global Halal Food Consumption



Potentially by 2021
USD 1,914 billion will be spent on halal food consumption, making up approximately 18% of global expenditure

Sources: CFA Society, 2016
State of Global Islamic Economy, 2016

Case Study: Impact of US Presidential Election on US Investments

Since Trump's election, the economy witnessed a spike in long-term interest rates by approximately 25 bps, but there has been no material change in short-term rates as a result. The result has been a general steepening of the yield curve since the elections

Tax Reform

- The proposal to reduce the federal business tax rate (from 35% currently to a proposed 15%) would boost business earnings and investor returns to the extent that such returns are subject to US corporate taxes
- The proposal to reduce personal income tax rates and simplify the tax code could increase disposable income for consumers and lead to increased consumer spending
- Trump has proposed making elderly care expenses tax deductible, similar to the way in which child care expenses are currently treated, which could make elderly care more affordable and allow for deeper market penetration

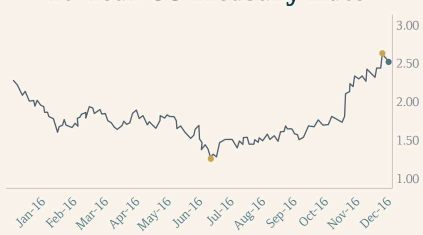
Healthcare Reform

- Healthcare reform, such as a repealing and replacement of the Affordable Care Act, could reduce instability in the healthcare market. As Arcapita focuses on private pay facilities, the expected impact to Arcapita's senior housing investments is limited
- Healthcare reform would have a greater impact on facilities that provide more acute levels of care, such as skilled nursing facilities (SNFs)

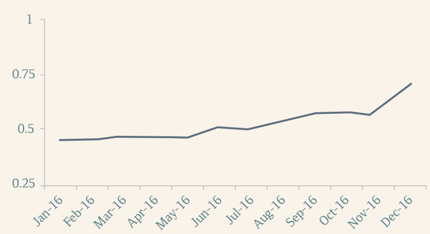
International Trade

- President-Elect Trump's position on international trade may result in domestic-focused and isolationist policies. These policies could have an impact on the price of goods, which may impact volume of goods sold and consumer spending

10-Year US Treasury Rate



1-Month LIBOR Rate



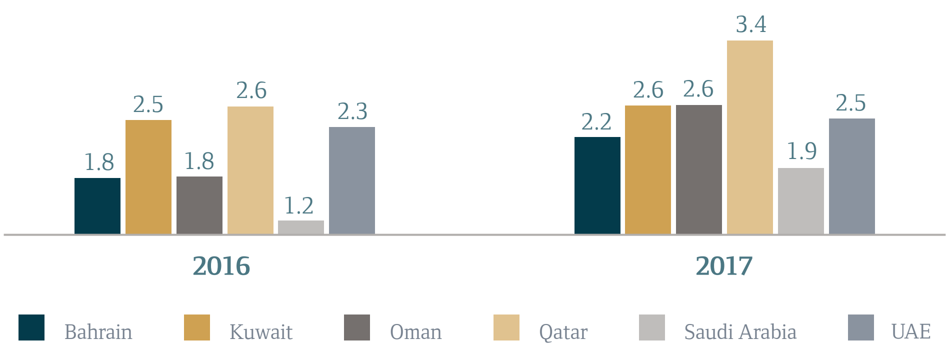
Sources: Global Rates, 2016
Market Watch, 2016

GCC ECONOMY

Expected increase in political and economic uncertainties in the short to medium term due to declining oil prices, GCC sovereign rating downgrades, fiscal pressures and reduction in regional liquidity

- Economists project an era of lower oil prices driven by continued slowdown in China with weaker demand for oil
    - Analysts are projecting oil to stabilize at USD 45-50 with projections above USD 60 considered outliers
- Low oil prices have forced GCC government revenues down, leading to several subsidy cuts and the need to introduce alternative revenue streams such as potential taxation
- Low oil prices are forcing GCC countries to aggressively diversify their economies to non-oil sectors and through this are creating attractive investment opportunities
    - **Saudi Arabia** – Vision 2030 envisages to reform the country into a post oil era. Steps to be taken also include setting up a USD 2 trillion mega fund
    - **UAE** – Dubai is also set to host the Dubai Expo 2020, the 3rd largest global event after the Olympics and FIFA World Cup
        - Expected to attract 25 million visitors and likely to generate USD 23 billion (24% of Dubai's current GDP)
        - Up to USD 150 billion in FDI in sectors such as real estate, tourism and transport

Growth Forecast



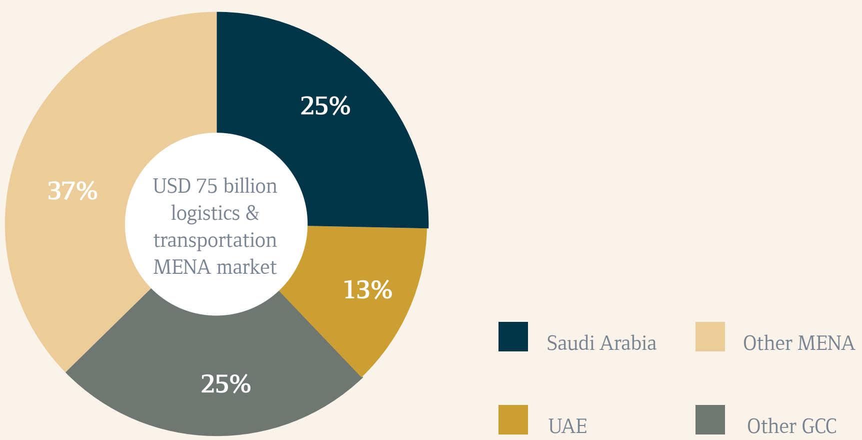
Source: IMF – World Economic Outlook, October 2016

Deep Dive: Logistics Market in the GCC

After the recent drop in oil prices, most of the GCC countries are branching out to non-oil sectors. Logistics has recently emerged as a major sector for revenue growth and the demand for logistics hubs and warehousing has exceeded current supply. Strategy& estimate that the GCC countries' logistics sector currently represents around 2.3% of GDP and it is believed that this sector will grow to 10% (including warehousing, logistics and freight forwarding) mainly due to the strategic location of GCC countries. Additionally, the logistics market is estimated to grow by 7.5% annually, reaching over USD 4 billion by 2017.

The GCC logistics market acts as a gateway for goods coming from Asia, Europe or North America, and as a distribution point for goods moving within markets in the Middle East. Saudi Arabia is the single largest logistics market, accounting for 40% and 25% of the GCC and MENA transportation and logistics industry respectively, with a market size of USD 19 billion.

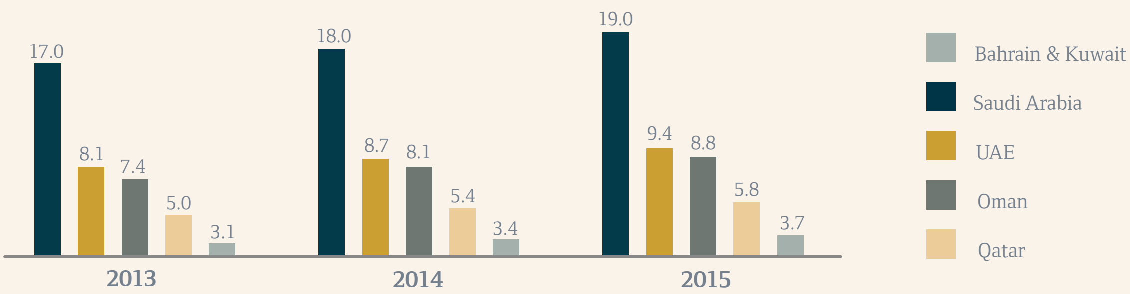
MENA Logistics Markets by Industry Revenue, 2015 (USD billion)



Sources: Solidiance
Mark Millar, 2016
Transport Intelligence, 2016

Deep Dive: Logistics Market in the GCC

Top GCC Logistic Markets by Industry Revenue (USD billion)



Why Logistics in Dubai?

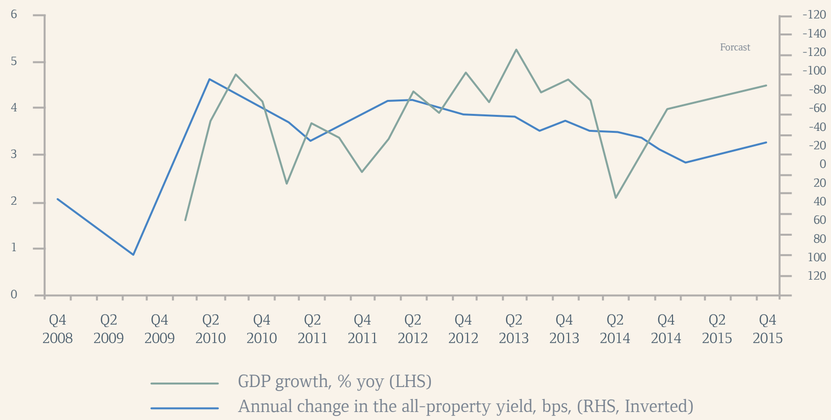
- Dubai's geographical location, supply chain (ports and airports), legislation and infrastructure make it an ideal re-distribution gateway
- Strategically located in Dubai, Jebel Ali port is at the crossroads of a region providing market access to over 2 billion people
- Jebel Ali port is the largest port in the MENA region and the 9th largest port in the world with 15.24 million TEU
- The Dubai Air Cargo industry is the 11th busiest in the world and is due to grow with the full completion of the new airport
- Air cargo volume in Dubai is expected to grow by 4.5% by next year, reaching 2.61 million tons
- Dubai has established itself as a logistics hub, and has a competitive advantage as evidenced by its increased trade with Africa and Asia
- Total retail sales reached USD 70.9 billion in the UAE, achieving a CAGR of 5.3% over the past five years; Dubai accounts for the majority of sales
- The UAE's trade sector is expected to grow by 6.4% by the end of 2015 and 5% by 2016

Why Now?

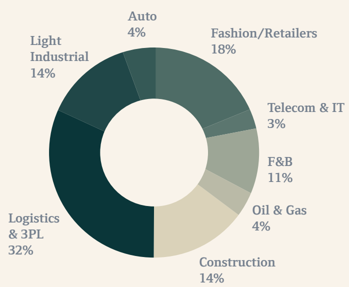
- Lack of available quality warehousing units resulted in continued growth in rentals for logistics facilities (4% over the past six months)
- Demand for warehousing has increased as a result of increased demand from food & beverage, fashion and home improvement retailers

Source: Solidiance

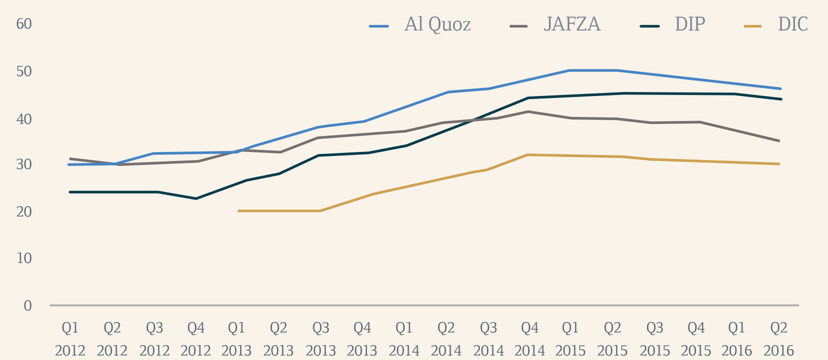
Dubai GDP Growth



Industrial Warehousing Demand by Sector



Average Industrial Lease Rentals in Key Microlocations (Grade A)



Sources: Dubai Statistics Center, DED and Knight Frank
A.T. Kearney, Emirates NBD Research

Why Logistics in KSA?

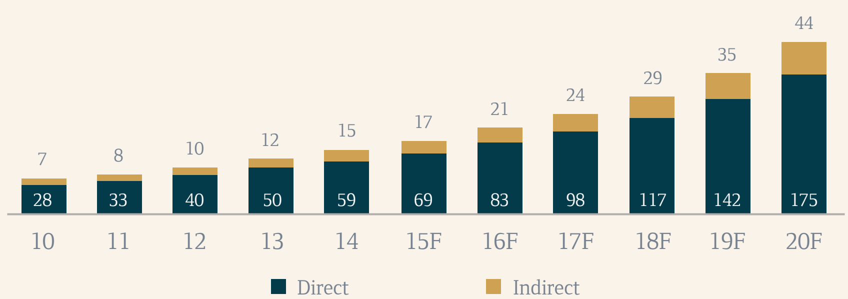
- As Saudi Arabia works towards its Vision 2030 of growing its non-oil sectors, the logistics and transportation sector is set to benefit from increasing imports and consumption buoyed by a strong population growth
- Saudi Arabia is highly regarded as a leading logistics investment destination in MENA, ranked highly in sector growth, compatibility and connectedness
- Saudi Arabia is the single largest logistics market accounting for 40% and 25% of the GCC and MENA transportation and logistics industry respectively, with a market size of USD19 billion
- Saudi Arabia is a dominant importer of goods with 75% coming from North America and Asia; over 70% of goods coming into Jebel Ali port in Dubai are destined for Saudi Arabia
- The logistics, transportation and point-to-point delivery sector expected to grow, which will increase the demand for 3PL services thereby increasing demand for quality warehouses

Saudi ranks 1st in MENA in terms of economic output, projected sector growth rate, financial stability and population demographics

Saudi Arabia ranks 4th in MENA in terms of market accessibility and business regulation, foreign direct investment (FDI), market risk, security threats and overall demand for logistics services

Saudi Arabia ranks 2nd in MENA in terms of transport infrastructure

Saudi Arabia Point-to-Point Delivery Market (USD million)



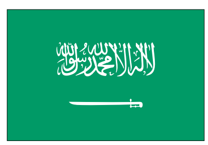
Investment Case for Kingdom of Saudi Arabia

Price Recovery of Oil

- Oil prices continue their upward progress as they hit a two-month high of above USD 50 a barrel with recent announcement of production freeze from Saudi Arabia, Russia, Venezuela and Qatar
- Global demand for oil is expected to rise in the near future with analysts expecting the manufacturing industry to rebound
- The Saudi government is "very optimistic" about oil price recovery for 2017 as oil revenue is projected at SAR 480 billion compared to the SAR 326 billion in 2016

Economic Reforms & Privatization

- The decision to open the Saudi stock market to foreigners has been one of several initiatives being pursued by the government with IPO activity upbeat
- The Kingdom continues to take steps towards increased economic diversification, a process that includes privatization of state-owned assets such as the recent announcement to privatize international and domestic airports by 2020



Continued Spending on Infrastructure

- Despite the prolonged drop in oil prices, the government continues to expand and improve infrastructure through public-private-partnerships ("PPP")
- By leveraging its growing pipeline of PPPs the government is expected to stimulate capital markets, relieve budget constraints and improve quality of public services
- Through PPPs major projects such as roads, airports and economic zones would be completed at a faster pace
- Based on the recently released Saudi 2017 Budget, oil and non-oil revenues are estimated at SAR 692 billion while expenditure is projected at SAR 890 billion

Strong Demographics

- The country's population is expected to exceed 30 million with the median age of 26.3 making it the youngest in the GCC region
- With more than half of the population below 25 years, immense opportunities are created in demographically driven sectors such as Education, Healthcare and F&B

With a robust young growing population, investment opportunities lie in demographically driven sectors

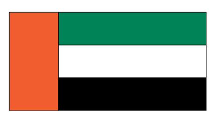
Investment Case for United Arab Emirates

Diversified Economy

- The UAE's more diversified economy and strong foreign reserve position make it well positioned to withstand low oil price environment
- As of 2016, UAE's hydrocarbon revenues accounted for 25% of GDP, however more than 50% of the country's budget continues to rely on non-oil sector developments and projects
- Key service sectors such as tourism and aviation continue seeing growth
- Dubai announced an expansionary budget for 2016 with investment to increase by 20.6%

Expo 2020

- The Expo 2020 projects remain on track and the event will likely generate USD 23 billion for the Emirates
- Expo 2020 is likely to boost the already strong performing tourism and hospitality sectors as the event is expected to attract 25 million visitors
- The sustained high level of foreign reserves and consistent increase in FDI inflow is indicative of investor confidence in UAE's non-oil growth prospects



Resilient Banking Sector

- Despite the slowdown in the region, companies have been offering attractive dividend yields
- The high dividends from the banking sector has helped attract local liquidity

UAE as a Regional Center

- The UAE has established itself as the regional center for finance, logistics and entertainment over the past five years
- The country continues to spend on improving infrastructure with projects like Khalifa Port, Fashion District, global Theme Parks and with the introduction of a Metro and Tram service
- The government has recently emphasized on SMEs as an ultimate priority helping to achieve its goal of a knowledge-based economy which is driven by creativity and innovation

UAE economy continues to see balanced growth, enhancing competitiveness and overcoming obstacles

Arcapita's GCC Core Focus Sectors for 2017

Logistics

- Regional demographics and boom in e-commerce fuel demand for logistics infrastructure
- Opportunities to develop and lease high-end quality logistics/ warehousing facilities

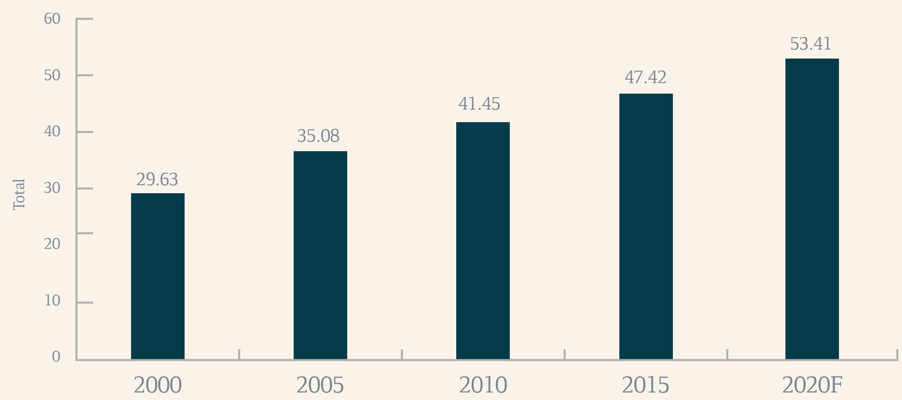
Retail

- The GCC retail sales are expected to grow at a 7.3% CAGR to reach USD 284.5 billion by 2018
- The retail industry in the GCC region has been growing due to a positive mix of economic, social and demographic factors
- Target strip retail with strong anchor tenant

Residential, Offices, Commercial

- Prices declining in key cities of the region e.g. Dubai, Riyadh, Jeddah
- Transaction volume reduced due to market uncertainty
- Introduction of new policies/taxes affecting the market as in the case of white land fees in KSA

GCC Population



Source: IMF; Economist Intelligence Unit long-term forecasts.

EUROPE AND ASIA ECONOMY

Regional slowdown expected in the wake of Brexit but given the complexity of the exit negotiations that may take several years to unravel, it is difficult to fully assess the impact on the region until outcomes of the negotiations are clear albeit waves of contagion expected to hit the region through trade, financial and investment channels in the medium term

In the case of the UK, it is expected that the government will initiate Brexit, and the economy will not collapse, and may even thrive, should the government pursue the right policies.

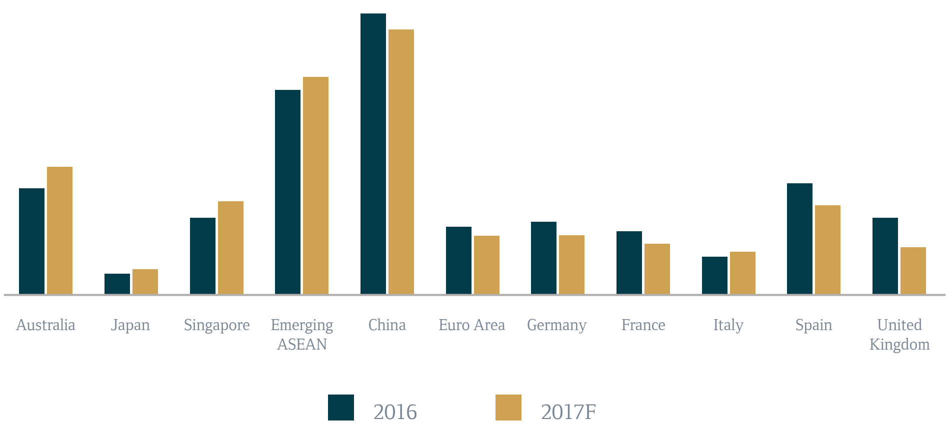
This will further expose the fundamental weakness of the European economy, and the Eurozone in particular, which is why the first Chief Economist of the European Central Bank, Otmar Issing, recently remarked that Europe will continue going through crises and will focus on survival.

Judging global trade policies presents a key opportunity for investors to secure gains. The general trend since the conclusion of the second world war has been the removal of trade barriers, such as tariffs. However, the process is often slow because entrenched interests, such as domestic industries benefiting from protection, block free trade deals. In the wake of the Brexit vote, and the UK's likely loss of access to the European single market, Prime Minister Theresa May has proclaimed a desire to secure free trade deals for the UK, and recent trips to India and the GCC point to her seriousness. The UK's potentially precarious economic situation may assist May in securing the political will necessary to overcome traditional obstacles to free trade, in turn opening many new investment opportunities.

On the other side, Trump has been threatening to adopt protectionist policies, including the erection of new barriers against China. Some analysts argue that this may trigger a global tariff war, which would have adverse consequences for the long-term health of the world economy.
The two key Asian economies of China and India are also in a state of flux, but with cautiously optimistic outlooks for 2017. China is in the midst of a fundamental restructuring, away from export-led manufacturing, toward domestic services, and it seems to be bearing fruit, with growth projected to exceed 6%. India is using improved terms of trade as a launch pad for rising sentiment, and higher investment, backed by a government that is keen to leverage global trade and capital as sources of growth. However, its economy will remain hamstrung unless it can reform its overly bureaucratic structure of governance, and significant progress on this issue is unlikely over the course of 2017.

Asia Pacific remains the most dynamic part of the global economy but is facing severe headwinds from a still weak global recovery, slowing global trade, and the short-term impact of China's growth transition. However the region is well positioned to meet the challenges ahead given strong domestic demand and provided reform efforts are strengthened

GDP Growth Forecast



Sources: IMF – World Economic Outlook, April 2016
IMF – World Economic Outlook Update, July 2016, ECB

ARCAPITA
OVERVIEW AND OFFICES

Arcapita offers investors and shareholders diversified investment opportunities which adhere to Shari'ah principles. At the center of one of the fastest growing wealth markets in the world, Arcapita's management team has been serving an exclusive group of investors in the GCC region and Southeast Asia for 19 years.

With offices in Bahrain, Atlanta, London and Singapore, Arcapita's senior management team has completed over 70 transactions with a total transaction value of approximately USD 30 billion and possesses a footprint to invest on a global scale. The business is defined by the quality of its people - a management team with extensive experience gained in a variety of market conditions and a group of professionals with deep expertise in their respective fields. In its approach to business, Arcapita embraces the values of originality, integrity, transparency, professional excellence and adheres to an ethical investment policy.

As of June 30, 2016, Arcapita had a total balance sheet of approximately USD 140 million, an equity capital base of USD 123 million and employed 73 individuals across its four offices. Over the past three years, Arcapita has cumulatively outperformed its equity plan targets and generated total revenues of USD 100.7 million and a net income of USD 33.7 million.

Arcapita's financial performance has been driven in part by a series of successful and accelerated exits from the legacy investment portfolio. The firm's ability to enhance the value of this portfolio and realize profitable exits for investors allowed it to earn significant performance and incentive fees of approximately USD 83 million over the past three fiscal years. Through these realizations, Arcapita has now returned over USD 3.4 billion to investors across 20 exits, ahead of schedule.

Arcapita Overview and Offices

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