ARCAPITA

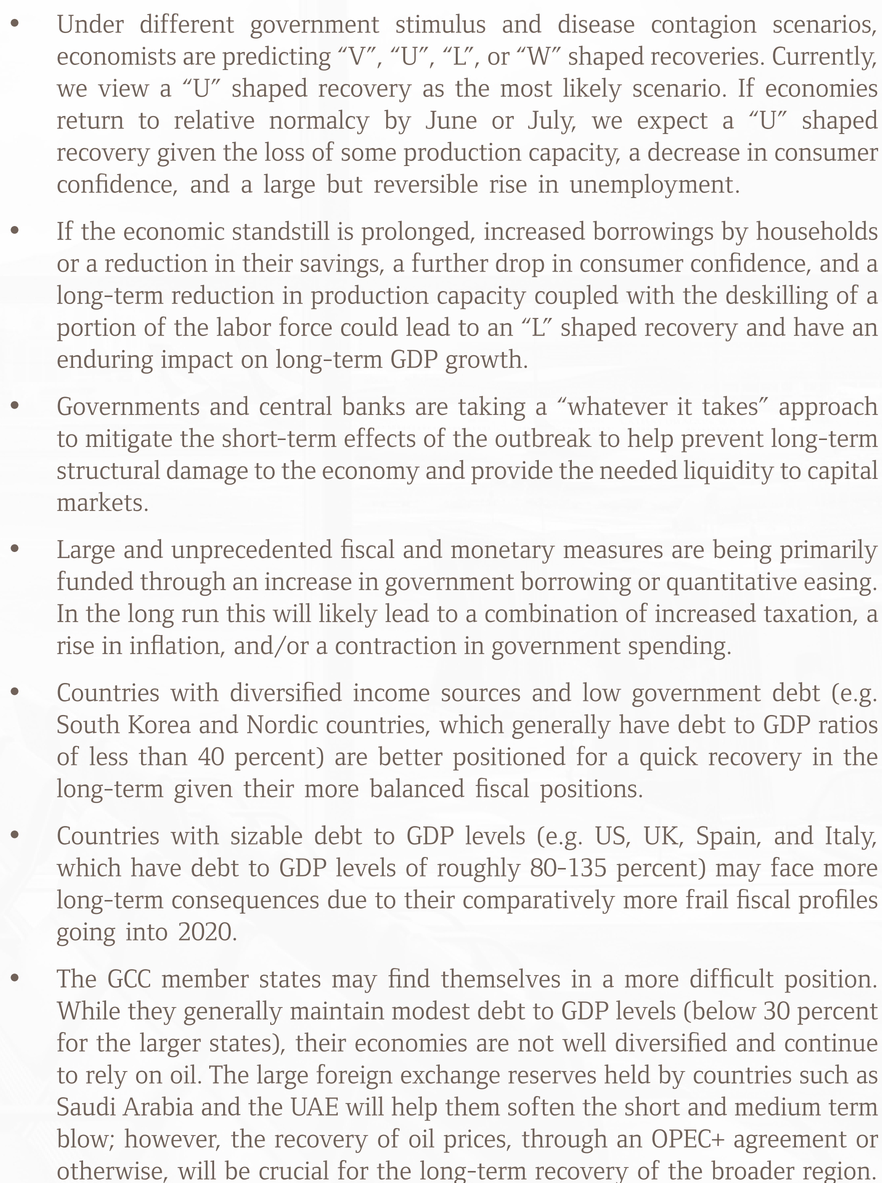
Arcapita Point of View

COVID-19: Economic Perspectives and Implications

April 2020

Summary

- Economists are predicting that the COVID-19 pandemic will lead to the US economy shrinking by over 5 percent in 2020, the steepest drop since 1946, and are comparing it with traumatic periods such as the second world war and the 1930s global depression.
- The global economy is facing unprecedented levels of uncertainty, with the virus infecting over a million people globally and dealing a severe blow to financial markets across the globe. On average, equity markets are down roughly 30 percent year to date, corporate bond spreads have nearly doubled, and investors have fled to safe assets such as treasury bills and gold.
- There is agreement amongst epidemiologists that social distancing, traffic restrictions, and early action by governments such as China's can contain the spread of the virus and cushion the social and financial implications of the outbreak.
- There is general consensus between economists that the global economy will face a recession in 2020; while Q1 saw a modest decline in economic activity, Q2 GDP is expected to contract by a staggering 15-30 percent for some countries, on an annualized basis. There is, however, still debate on the extent of GDP contraction for the full year and on how the economic recovery will take place.
- Recovery in Q3 and Q4 2020 will depend on the effectiveness of government lockdown measures and the epidemiological characteristics of the virus, which are yet to be fully understood. If lockdowns, travel restrictions, and higher temperatures in May and June help contain or eradicate the virus, a "V" shaped recovery may be plausible provided there is minimal loss in production capacity and aggregate demand is not materially dampened by the interim loss of income and unemployment.
- Given how the outbreak in the US is evolving and that the virus continues to spread in Italy and Spain despite lockdown measures, it is becoming increasingly less likely that the outbreak will be eradicated by June. Lockdown measures and/or some forms of travel restriction are expected to remain in place through the summer months.



- Under different government stimulus and disease contagion scenarios, economists are predicting “V”, “U”, “L”, or “W” shaped recoveries. Currently, we view a “U” shaped recovery as the most likely scenario. If economies return to relative normalcy by June or July, we expect a “U” shaped recovery given the loss of some production capacity, a decrease in consumer confidence, and a large but reversible rise in unemployment.
- If the economic standstill is prolonged, increased borrowings by households or a reduction in their savings, a further drop in consumer confidence, and a long-term reduction in production capacity coupled with the deskilling of a portion of the labor force could lead to an “L” shaped recovery and have an enduring impact on long-term GDP growth.
- Governments and central banks are taking a “whatever it takes” approach to mitigate the short-term effects of the outbreak to help prevent long-term structural damage to the economy and provide the needed liquidity to capital markets.
- Large and unprecedented fiscal and monetary measures are being primarily funded through an increase in government borrowing or quantitative easing. In the long run this will likely lead to a combination of increased taxation, a rise in inflation, and/or a contraction in government spending.
- Countries with diversified income sources and low government debt (e.g. South Korea and Nordic countries, which generally have debt to GDP ratios of less than 40 percent) are better positioned for a quick recovery in the long-term given their more balanced fiscal positions.
- Countries with sizable debt to GDP levels (e.g. US, UK, Spain, and Italy, which have debt to GDP levels of roughly 80-135 percent) may face more long-term consequences due to their comparatively more frail fiscal profiles going into 2020.
- The GCC member states may find themselves in a more difficult position. While they generally maintain modest debt to GDP levels (below 30 percent for the larger states), their economies are not well diversified and continue to rely on oil. The large foreign exchange reserves held by countries such as Saudi Arabia and the UAE will help them soften the short and medium term blow; however, the recovery of oil prices, through an OPEC+ agreement or otherwise, will be crucial for the long-term recovery of the broader region.

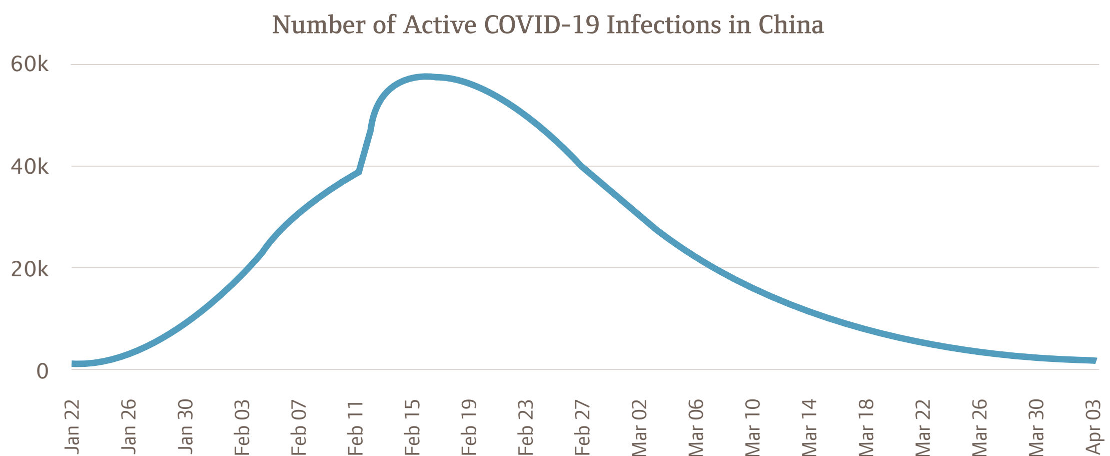
COVID-19 Initial Spread and Evolution

China

Early cases of the virus were detected in China in late December 2019 after the emergence of a few dozen cases of pneumonia with unexplained origins in the Chinese city of Wuhan. Initially, the Chinese government downplayed the severity and impact of the virus: businesses remained open, public transport was accessible to all, and basic measures such as regular disinfections of public places were not implemented. In part due to the government's slow response, the COVID-19 virus rapidly spread across Wuhan and infections spiked to over 60 thousand in the span of a single month.

However, as the severity of the virus became apparent, the Chinese government took drastic measures. Regions of Wuhan were completely locked down, movement of labor was shut off, stores were closed and mandatory curfews were put in place. In addition, the government initiated mass testing, tracked individuals suspected of being infected, and enforced self-isolation. Roughly two to three weeks following the implementation of these measures – the long tail of the incubation period for this virus – there was a significant reduction in the number of new infections. While the spread of the virus was exponential before these measures were enacted, the growth rate later began to decelerate and eventually decreased significantly. In mid-February, the number of active cases (infected people less those who recovered or passed away) flatlined and began a sharp downward trajectory towards the last week of February.

Number of Active COVID-19 Infections in China

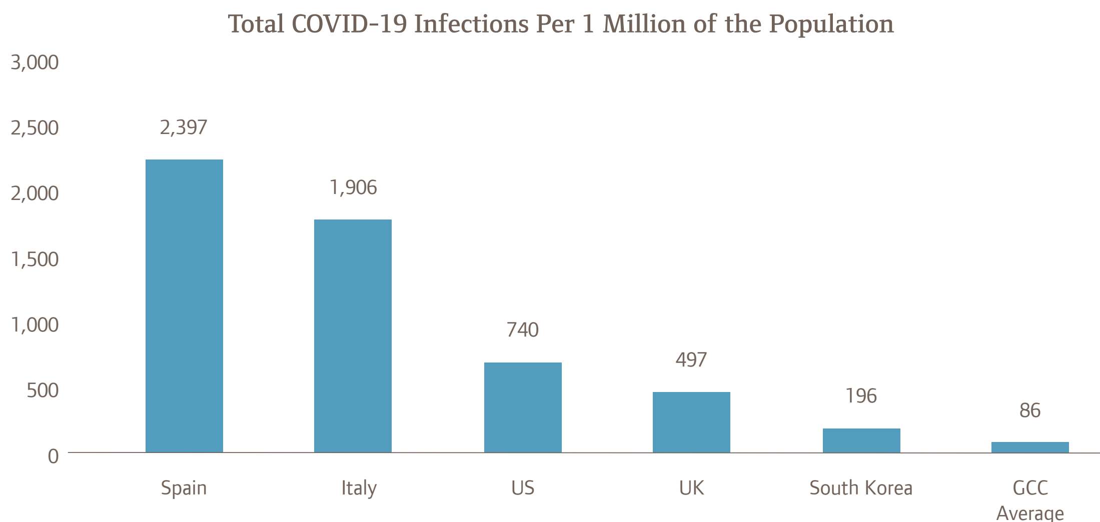


Source: World Health Organization.

The data from China, which some authorities dispute and claim may be materially understated, still shows the extent to which effective policymaking can drastically halt the spread of the virus. While the data may be under reported, epidemiologists unanimously agree with the effectiveness of such measures. The head of the Department of Biostatistics at Harvard University attributes China's success in controlling the outbreak to social distancing, extensive testing, centralized quarantining, and the complete lock-down of Wuhan, among other draconian but effective measures.

The GCC, Asia, and Europe

The GCC governments realized early on that the most important component of any government response to a pandemic is the public health policy. The priority is to gain control over the disease's spread to minimize economic disruption, rather than treating the economic disruption after it has occurred. Though the GCC remains at an early stage of the outbreak, it is currently performing well, as widespread testing is available, and because social distancing measures have been adopted. The GCC countries have been aided by the effective presence of competent centralized governments, especially in the critical domains of health and security. This allowed the GCC countries to react to the situation within a matter of days as schools were shut, restaurants and non-essential businesses were closed, and curfews or regional lockdowns were imposed in some member states. In addition, these measures were put in place well before the virus began to spread in the region. The data indicates that these measures have paid off. Infection and mortality rates in the GCC have been contained and are significantly below global levels.

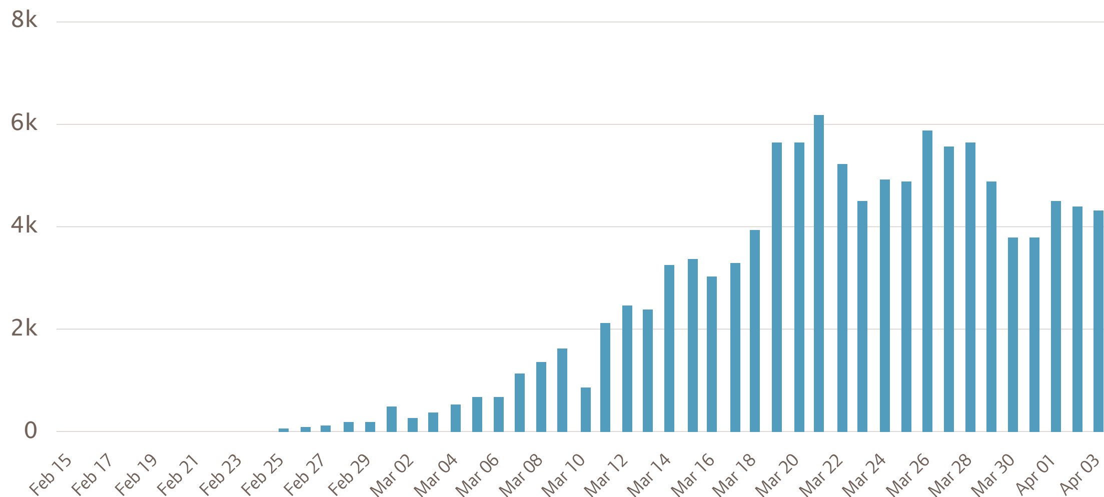


Source: World Health Organization, Arcapita analysis.
Note: Data as of April 2, 2020. The GCC average is calculated as a weighted average based on the population size of member states.

Several Asian countries have also been more successful in their handling of the crisis compared to their western counterparts. For example, South Korea has been able to test patients for the coronavirus rapidly and in high volume, decreasing the required levels of social distancing, and ensuring that medical treatments are allocated efficiently. Singapore has used effective tracking methods to more efficiently contain the virus.

In contrast, European countries have suffered from inadequate medical resources and from a lethargic response by public health authorities, leading to the rapid proliferation of the virus in countries such as Italy and Spain. These countries are currently the epicenter of the outbreak in Europe and their public health systems have been stretched thin. Following an initial slow response, countries such as Italy and Spain put in place strict lockdown and social distancing measures which seem to be bearing fruit; while the number of new daily infections was on an exponential trajectory at the start of the outbreak, it has recently flatlined and appears to be trending downwards.

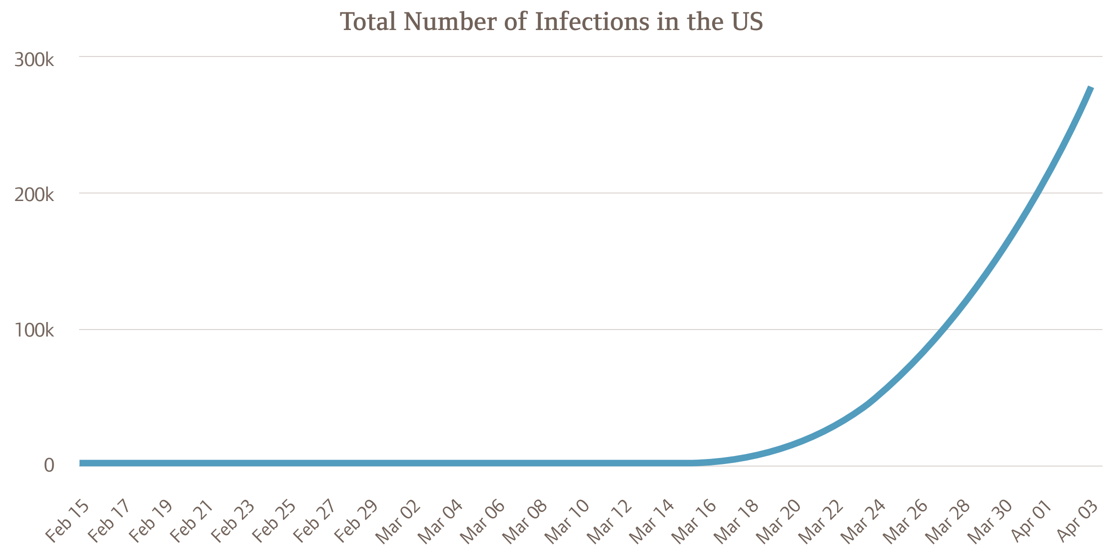
Number of New Daily Infections in Italy



Source: World Health Organization.

United States

The US seems to be struggling to adopt the correct health measures, due to certain policy choices made by the White House, such as the large-scale defunding of public health institutions and the disbanding of pandemic-response units, and due to the slow initial response from the White House and the decentralized and collective nature of decision making in the US political system. In addition, individual states are acting independently of one another, and despite major local outbreaks that saw the US become the global epicenter of the virus, many states are yet to implement meaningful lockdown measures. Despite having a population of just under 330 million, roughly a quarter of China's population, the number of infections in the US has risen to a staggering 277,000 within two weeks.



Source: World Health Organization.

While the data may be somewhat skewed given limited initial testing abilities and faulty test kits that were used at the early onset of the outbreak (meaning that some of the newly reported cases might have been old infections that were not previously identified), the number of cases in the US is expected to continue to grow at an exponential rate. Experts estimate that total infections will be between 1-2 million if social distancing and movement restrictions are enforced effectively, but that the virus could infect anywhere between 20-60 percent of the US population under the status quo.

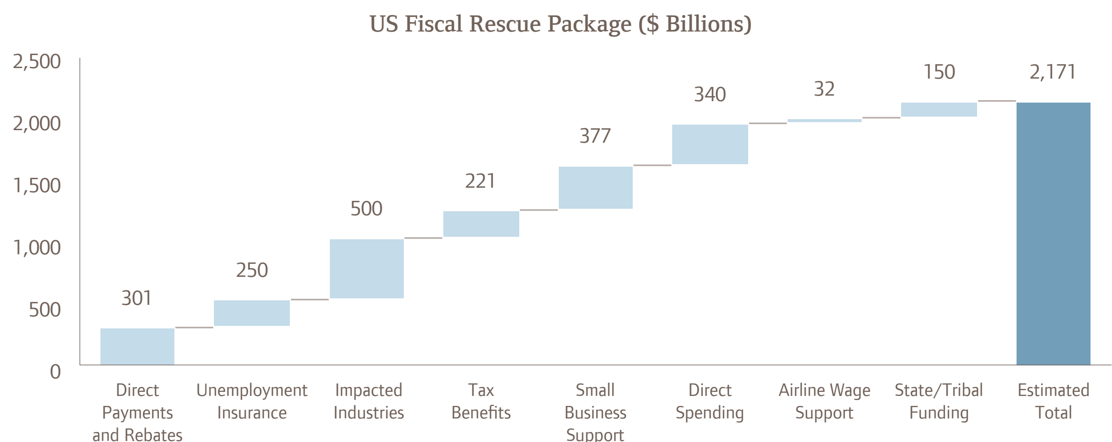
Government Response and Stimulus Plans

Short-term Measures

Beyond health policy, many countries have unveiled a combination of monetary and fiscal measures to limit the long-term structural damage to the economy arising from the short-term economic losses. On the monetary side, these include lowering interest rates to near-zero levels, large asset purchase programs, and the relaxation of post-2008 reserve requirements that were designed to limit leveraging. The goal is to ensure that revenue-strapped companies that are seeking credit to avoid defaulting on their obligations, are provided with such credit by banks. The European Union has less room to work with in this regard, because Eurozone interest rates have been zero for some time, and quantitative easing has been a chronic feature of the Eurozone's monetary policy since the global financial crisis.

The Federal Reserve has explicitly avoided citing a ceiling to its support, signaling to markets their willingness to do "whatever it takes" to stem the impact of the outbreak to the financial system. In addition, Congress has agreed to a $2.2 trillion stimulus package, the largest in modern American history, to provide billions in direct financial assistance to affected individuals and families, extend loans to small businesses and distressed companies, and provide unemployment benefits to those rendered jobless as a result of the economy coming to a virtual standstill. While rescue packages ranged between 1.5 to 2 percent of GDP for most European economies, the US rescue package stands at a staggering 10 percent of GDP.

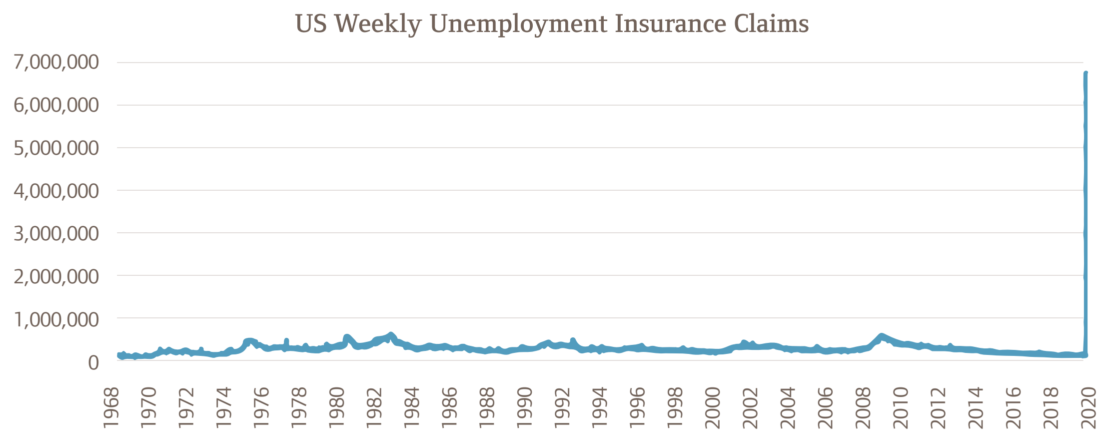
US Fiscal Rescue Package ($ Billions)



Source: Moody's Analytics.

On the fiscal side, the governments have wisely avoided the traditional option of launching public investment programs or implementing indiscriminate tax cuts. Instead, they have opted to use a combination of legal and financial means to incentivize employers and workers to let sick or potentially sick people stay at home. In the case of the US, that includes tax rebates and other forms of financial support for companies that are being legally forced to grant sick leave. The US and EU governments are also contemplating direct grants equaling thousands of dollars to households. In the GCC, the governments have focused on direct financial transfers to businesses.

While actual US GDP data will take some time to emerge and Q1 figures will not fully capture the size of the contraction given the timing of the outbreak, the economic impact of the virus is highlighted by the number of filed weekly unemployment insurance claims. Unemployment claims surged to 3.3 million in the third week of March, and later doubled to 6.6 million in the following week, which brings the total number of claims in the two week period to approximately 10 million.



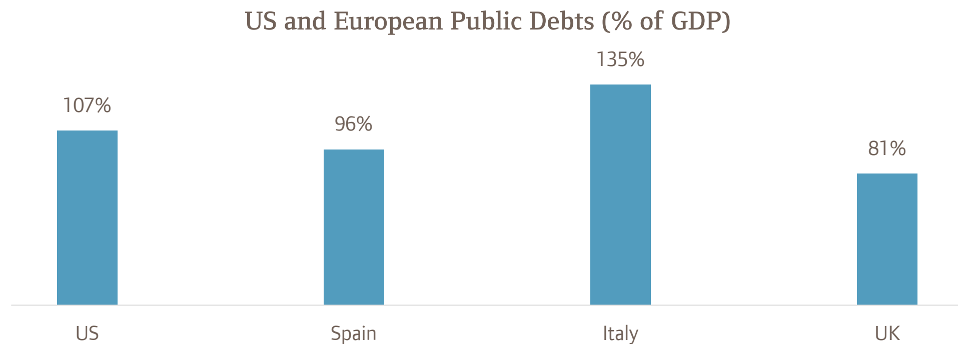
Source: US Employment and Training Administration.

The European countries should be able to act more decisively than the US due to their political institutions being more conducive to swift action; the political polarization and executive/legislature misalignment that together stall the US government at present are both largely absent in most major EU member states. European countries have also introduced stronger employee protection or retention incentives, such as the UK's scheme which pays up to 80 percent of the salaries of employees that have been affected by COVID-19. Generally speaking, we expect Europe to fare better in terms of unemployment figures.

Medium Term Implications

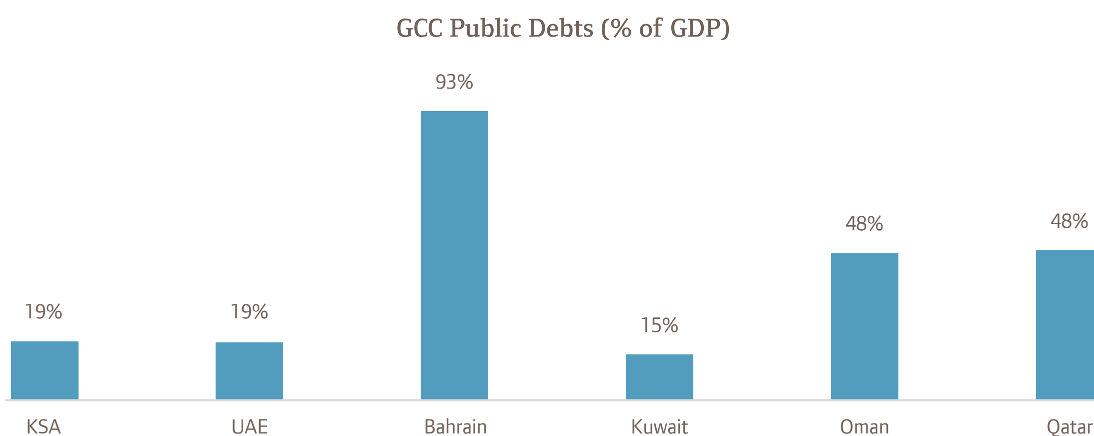
Both monetary and fiscal policy interventions come with significant risks. On the monetary side, the specter of 2008 looms large, as loose monetary policy and high levels of liquidity breed irresponsible financial decision-making. While on the fiscal side, there is simply the question of how the massive debt incurred will be settled. The US public debt has already surpassed 100 percent of GDP, and it is close to that for many major European countries, which are still trying to address the large increases in debt that emerged during the global financial crisis. The proposed policies will push these figures higher.

US and European Public Debts (% of GDP)



Source: Tradingeconomics.com.
Note: Figures are for 2018 or 2019 depending on the latest officially reported data.

In the GCC, public debt levels are generally lower, but the economic models are less diversified, and the region is yet to generate consistent growth that is independent of increases in oil prices and production. Moreover, expansionary fiscal policy combined with falling oil prices could pose challenges to the GCC countries' abilities to defend the peg to the US dollar. This is because the debts are denominated in US dollars, while the falling oil prices lead to an outflow of US dollars as imports begin to exceed exports.



Source: Tradingeconomics.com.
Note: Figures are for 2018 or 2019 depending on the latest officially reported data.

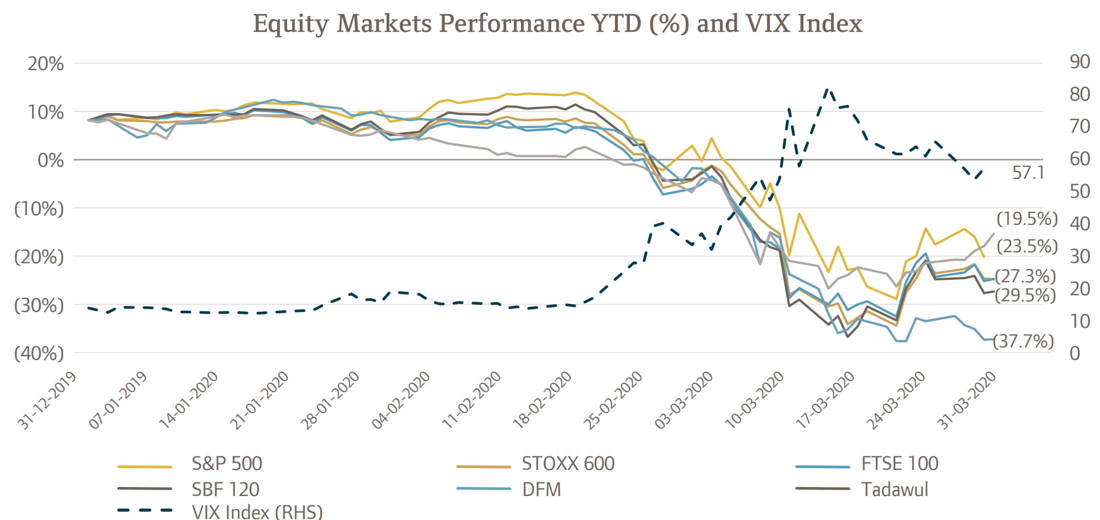
In the case of the GCC economies, oil prices will be temporarily depressed as total global demand for oil shrinks sharply. They have already fallen by over 50 percent, but it is difficult to isolate the effect of the pandemic vis-à-vis other important contributors, such as the contemporaneous collapse of talks at OPEC+, and the decreasing likelihood of a 2020 resolution to the Sino-American trade dispute.

It is worth noting, however, that under most scenarios, oil prices are likely to return to the $40-50 per barrel range, and possibly higher, after the crisis' peak has come to pass. This is because, unlike other widely traded financial instruments, oil is primarily traded for the purposes of its use as a production input, meaning that demand and supply ultimately determine its market price. Post-COVID-19, and provided the OPEC+ disputes are resolved, global oil demand and supply should both approach their previous levels, along with the price.

Equity Markets at a Glance

Given the widespread uncertainty surrounding the virus, financial markets have witnessed a major sell-off that has unwound most of the gains made over the last two years. Major stock indices are down 25 to 30 percent year to date, and it is unclear when markets can reasonably be expected to bottom. The question in investors' minds has shifted in the past few weeks from how much room does the global economy have to continue to grow, to how much longer will equity markets, oil prices, and interest rates continue to fall. In other words, "how large will this trough be?"

Equity Markets Performance YTD (%) and VIX Index



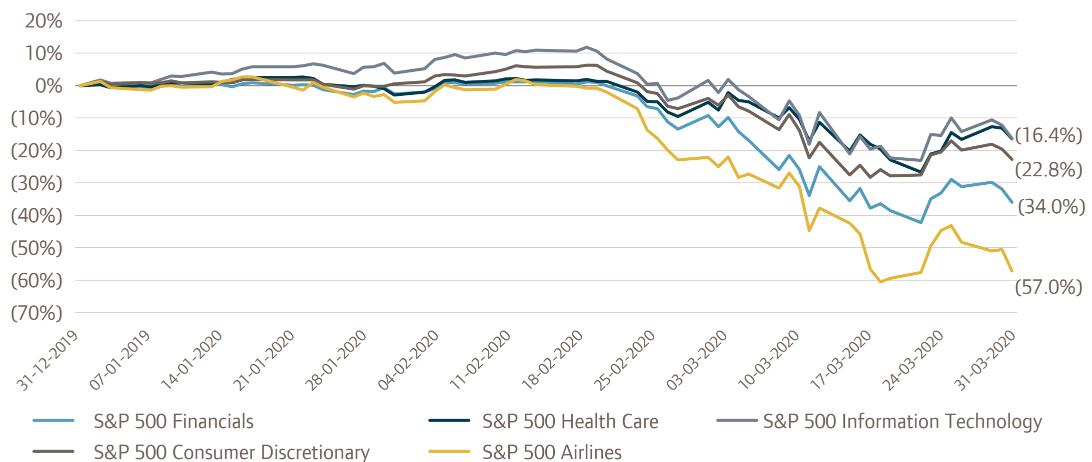
Source: S&P Capital IQ, Rothschild & Co research.

As shown above, major equity indices have dropped by an average of roughly 25-30 percent since the start of the year and the VIX index – also known as the "Fear Gauge" index – which measures the market's expected 30-day volatility, reached an all-time high. Both the drop in stock indices and the skyrocketing of the volatility index are understandable; most if not all firms have revised their 2020 earnings downwards, often significantly. Issues ranging from the disruption of supply chains and the closure of retail outlets, to mass layoffs and the suspension of capital projects have severely impacted companies across a variety of sectors.

Some sectors have been hit harder than others. Industries that require physical presence of staff or customers such as manufacturing, retail, and aviation have borne the brunt of the hit. Airlines have been hit the most given the complete or near-complete shutdown of operations, causing most to lose over 50 percent of their market value since the beginning of the year. For example, easyJet – a low cost British airline – has seen a drop in its share price north of 60 percent year to date, compared to a 24 percent gain in 2019. It is likely that many airlines will be unable to stay afloat without government support.

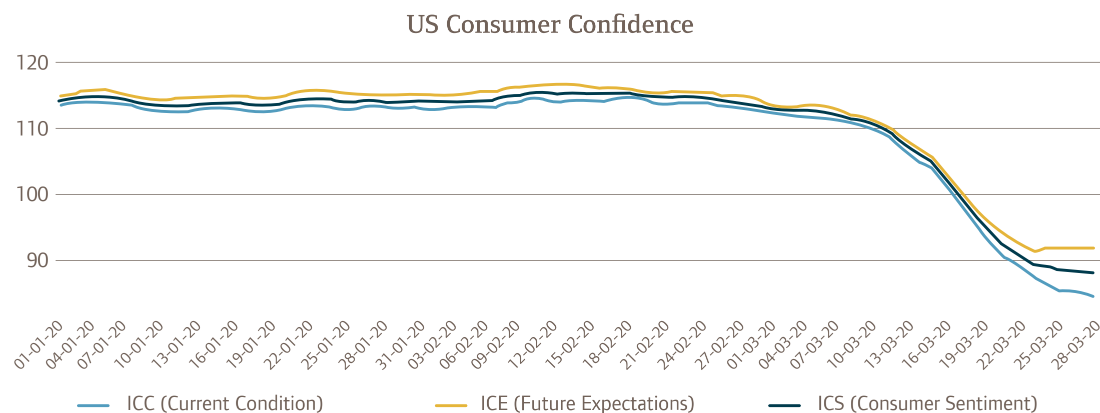
Other sectors which are more reliant on technology to deliver services and products, and those where working from home causes minimal disruption to operations, have seen smaller hits, although they continue to be directly impacted by lower consumer confidence, and indirectly impacted by disruptions that their customers are facing. The drop in valuations of such companies has been materially lower, and, as one would expect, companies with strong balance sheets and long-term contractual revenues have witnessed much smaller declines in value given their ability to better withstand this downturn.

Oracle, for example, experienced a share price drop of just over 10 percent since the start of the year compared to a 24 percent drop in the S&P 500 index, while Amazon's share price remained flat driven by an increase in demand for delivery services that was offset by disruptions across some of its warehouses where there were minor COVID-19 infections amongst its delivery staff. On the other hand, some companies have benefited from this situation. Netflix has had its share price grow by roughly 10 percent year to date as more people subscribed for its content streaming service as they followed social distancing measures and spent more time indoors.



Source: S&P Capital IQ.

While there is a general downward trend across all sub-indices of the S&P 500, the stark differences between industries indicates that a significant portion of investors have remained somewhat rational in terms of how they value assets and have not sold off equities indiscriminately – a positive sign that should help markets recover when the COVID-19 situation is resolved. That being said, it is important to note that investor sentiment was very positive at the start of 2020, and that US price to earnings multiples were near decade highs following a 10-year long bull run. Given this, we expect that even under an optimistic economic recovery scenario, equity prices will not return to pre-COVID-19 levels in 2020 given the increased investor caution and lower market confidence that typically follow recessionary periods.



Source: Morning Consult Research.

As shown above, consumer confidence in the US has dropped significantly since the start of the year. It is currently at a 32-month low, although considerably higher than the months that followed the 2008 financial crisis. Given that roughly two-thirds of US GDP is driven by consumer spending, negative sentiment could lead to a slower recovery.

Our High-level Views on Private Markets

Real Estate

Volatility in debt capital markets and uncertainty over near-term rent collection has reduced yielding real estate transaction volume to a minimum. Developments and high value-add deals have been temporarily sidelined given severely restricted labor mobility and construction capacity, while sellers of stabilized assets are under no pressure to sell with lenders insisting on interest rate floors and a general expectation amongst buyers that debt spreads will rise.

However, improvements in the public health situation are expected to see a commensurate normalization of activity across secondary debt markets, allowing transactions to find a price equilibrium. We expect certain property types that possess more defensive characteristics to recover first. Properties facing dislocation caused by longer lasting disruption from COVID-19, specifically retail and lodging, will experience prolonged shortages of access to capital, likely creating distressed investment opportunities over the next two years.

When looking at how different sectors will be impacted, we think that in the short term, multi-family, student housing, and industrial real estate will be the least impacted, while senior housing, office, retail and lodging will face both short and long term difficulties. Student housing properties benefit from need-based demand and non-cancellable leases with parental guarantees. It's worth mentioning that while leasing activity for the 2021 academic year has been muted since early March, it is expected to stabilize around historical levels by the summer. Similarly, multi-family occupancies are expected to be stable over the short term. In addition, the COVID-19 outbreak may have the effect of further decreasing home ownership rates, thus increasing demand for rental housing over the long term.

If the downturn is short-lived, student housing and multi-family assets will continue to perform well. However, a prolonged downturn and a sharp increase in unemployment may lead to higher multi-family defaults, while parental guarantees on student housing accommodations may prove less effective. For industrial real estate, customer activity for most tenants has remained less impacted. In certain cases, the recent global supply chain disruptions are likely to cause companies to hold higher levels of domestic inventory and this should help support their demand for industrial real estate in the future. As such, we expect the sector to perform positively, both in the short and long run.

In contrast, senior housing assets are expected to face short term difficulties arising from: (i) increased labor costs; (ii) increased mortality rates amongst seniors; and (iii) the temporary inability to admit new residents. That being said, we maintain a positive long term view on the asset class. Supportive demographic trends and limited construction of new facilities in 2020 should support a long term rebound in occupancies for senior housing facilities.

The outlook for office, retail, and lodging is less positive, both in the short and long term, especially in the event of a prolonged business disruption. Adjustments to tenants' office needs, which were already underway pre-COVID-19, will be accelerated by social adjustments and technology adoption. Retail's fate will be further tested by a wave of tenant bankruptcies. We expect selective adaptive re-use buying opportunities to emerge from distressed assets across both sectors. Lodging, on the other hand, will be subject to a protracted period of uncertainty and lack of capital access which we think will result in significant distress over the coming years.

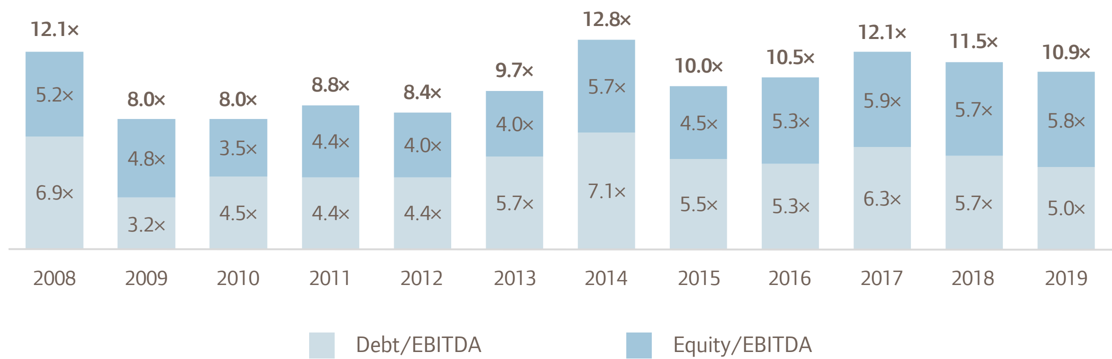
Private Equity

We think that there will be opportunities to acquire good businesses for a bargain price, and possibly highly attractive businesses for a good price in this downturn. Given the current climate, however, patience is critical; while it may be possible to buy a company at a significant discount compared to three months ago, such a company may face serious difficulties in the upcoming months, depending on how the COVID-19 situation unfolds.

We believe the timeframe for this buying opportunity will last quarters or years, not weeks or months. This highlights the importance of investing in sectors that we know well in terms of supply and demand dynamics and supply chain requirements. For example, in the GCC, we believe that opportunities may emerge to acquire leading businesses at attractive single-digit EV/EBITDA multiples in the business services and B2B segments. In the US, with the exception of potential opportunistic add-on acquisitions for our current portfolio companies, we do not intend to make new acquisitions in the next one to two months as we continue to monitor how the situation is evolving, but are watching several sectors and companies closely to see if we can capitalize on any attractive opportunities.

While we expect asset managers and sellers to hold on to quality assets for longer to avoid selling at a discount, opportunities may arise with sellers that face fund-life issues or those who are poorly capitalized and are unable to support portfolio companies that have been over-levered during the past few years. Additionally, much like after the 2008 financial crisis, we expect a significant opportunity to acquire quality family-owned and founder-owned companies as they realize the importance of having an institutional sponsor.

US Median Private Equity Buyout EV/EBITDA Multiples 2008 – 2019



Source: PitchBook 2019 Annual US PE Report.

Furthermore, similar to the period that followed the 2008 financial crisis, private markets have begun to witness a drop in both deal activity and valuations as buyers and sellers exercise increased caution and banks and credit funds curtail their lending activities. Generally speaking, lenders are offering limited leverage for private equity deals compared to 2019 and early 2020. Until spreads tighten in the secondary market, we do not expect lenders to have much of an appetite to lend to private equity transactions at attractive leverage levels or pricing. We plan to be creative in our investment structures to differentiate ourselves from traditional US-based sponsors and in doing so, offer our investors additional security and/or current yield.

Possible Shapes of the Economic Recovery

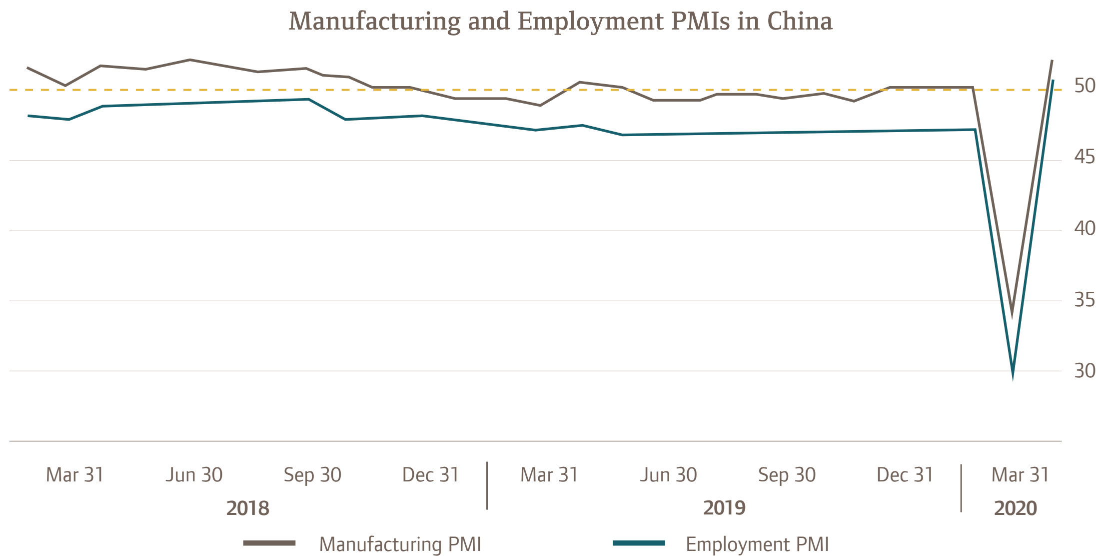
There is a fair amount of speculation regarding how the economic recovery will take place following the containment of the virus. At the start of the outbreak, economists and financial markets were expecting a V-shaped recovery, in which the rebound is as rapid as the decline. This seemed like a reasonable scenario in January and February given that many pandemics in recent history were followed by a V-shaped rebound in economic activity.

While the size of the trough has differed across the Spanish Flu, H1N1, SARS, and MERS epidemics, all were characterized by speedy recoveries following the initial dip. In fact, when analyzing the potential impact of the COVID-19 virus at its early stages, it seemed all but certain that a V-shape recovery was going to take place. This view, however, has begun to change after the epidemiological characteristics of the virus and its ability to spread rapidly have become more understood, and as the economic disruption continues.

In beginning to evaluate how economic recovery will take place, it is helpful to understand the virus's unique characteristics and how it can spread. What makes COVID-19 different from previous epidemics is its: (i) long incubation period; (ii) highly contagious nature; and (iii) a possibly lengthy asymptomatic contagious period. While infected individuals normally take 2-7 days before the onset of symptoms, a moderate amount of cases take up to two weeks, and some outlier cases over three weeks. Additionally, roughly 50 percent of infected individuals do not show symptoms at all, 30 percent experience mild symptoms, and only 20 percent of cases require hospitalization. Infected individuals can also spread the disease up to two days before they begin to show symptoms. All the aforementioned factors make the disease's diagnosis and spread very difficult to control. In fact, it is not the death toll that is causing the severe economic contraction that we are witnessing today; the highly infectious nature of the disease warrants severe lockdown measures, and it is these measures that have driven some industries to a complete standstill.

V-Shaped Recovery

Under this scenario the virus spread is eradicated in Europe and the US by May, allowing governments to ease social distancing measures, open travel routes, and recommence production at factories. In such a case, pent-up demand for travel, entertainment, dining, among others, coupled with a labor force that is still largely employed will cause a large uptick in economic activity and global GDP should fully recover by early 2021. While the likeliness of this scenario has decreased, it remains possible as evidenced by the restart of industrial activity in China and the returning to pre-crisis production levels within two weeks.

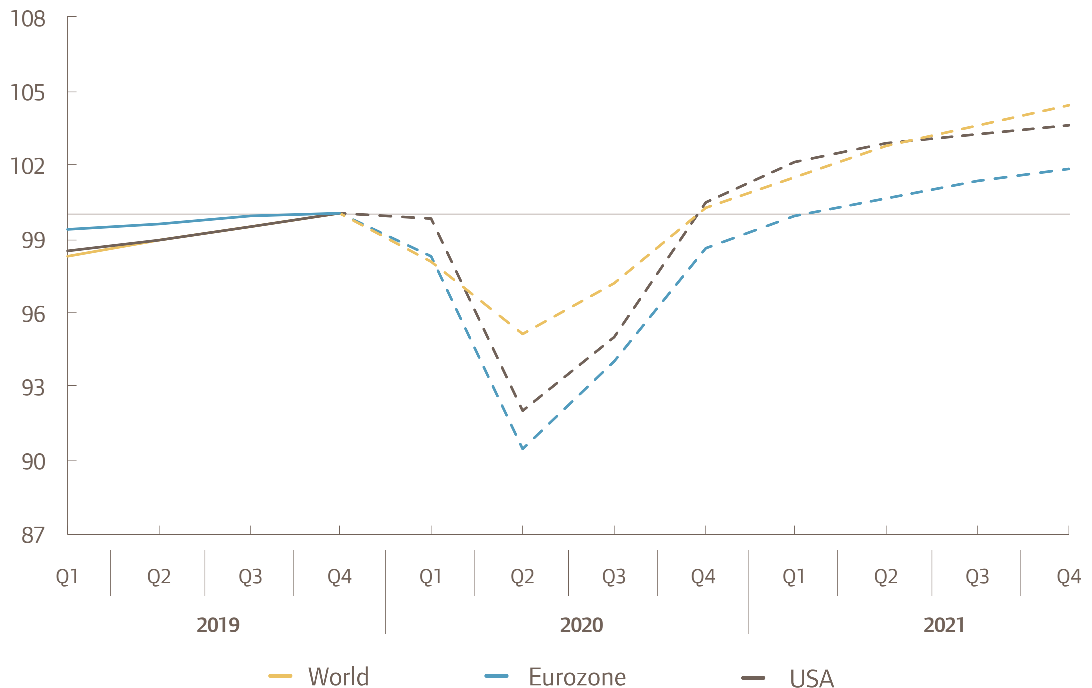


Source: McKinsey analysis, in partnership with Oxford Economics.
Note: Data has been seasonally adjusted by Oxford Economics.

U-Shaped Recovery

Should the virus continue to spread until June or July, travel restrictions and social distancing measures will continue to bear heavily on the global economy. We expect some production capacity to be lost in this scenario, at least in the short term, given that companies will need to lay off a portion of their workforce and will require more time to rebuild their capacity. There should also be lower pent-up demand due to decreased consumer confidence and increased borrowings by households that will need to be paid off, which would reduce discretionary spending. Under this scenario, the global economy will recover slowly, with the return to pre-crisis levels of output not expected until mid-2021 or beyond. **We view this as the most likely scenario** given current data; however, we expect the depth of the trough and the duration of the flattening of economic activity to vary highly between different countries, depending on the effectiveness of government policy and each country's fiscal strength going into the crisis.

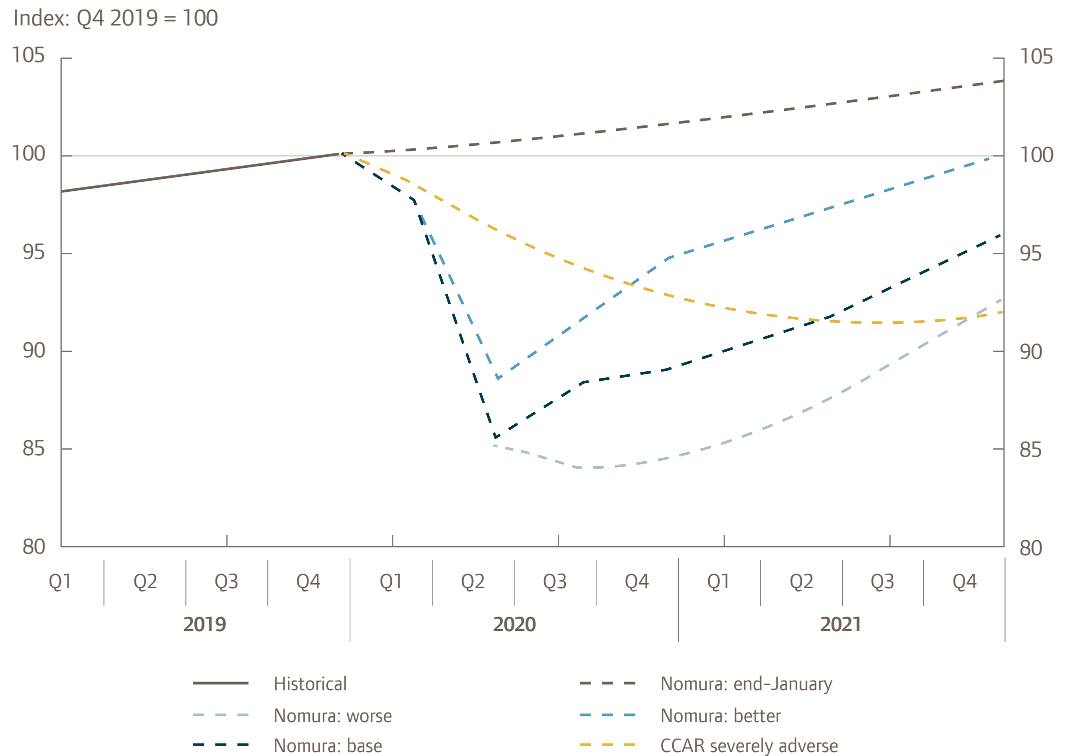
Potential Real GDP Growth Under a U-Shaped Recovery



Source: McKinsey analysis, in partnership with Oxford Economics.
Note: Data has been seasonally adjusted by Oxford Economics.

L-Shaped Recovery

While drastic measures taken by governments and early data from China indicate that Europe and, to a lesser extent, the US should be able to avoid an extended outbreak that runs through Q3 and Q4, an L-shaped recovery remains plausible. Under this scenario, support measures by governments will be unable to offset the job and production capacity losses as economic costs continue to pile up and government borrowings soar. Similarly, households will continue to borrow to the extent possible, unemployment will rise, and discretionary spending will drastically decrease. This will cause a lengthier recession and it will be difficult to avoid long-term structural damage to the economy.



Source: BEA, Federal Reserve, Haver, Nomura.

Other Potential Recovery Routes

There is potential for a W-shaped recovery if a second wave of outbreaks begins after the virus is initially eradicated. This would effectively result in the re-imposing of travel restrictions and social distancing measures which could spark another downturn. Researchers expect such a scenario to materialize if the efforts to control the pandemic are relaxed prematurely. This was observed during the outbreak of the Spanish Flu in 1918 when the virus was nearly eradicated, but some countries lifted lockdowns and another wave of outbreaks started after the summer. We do not expect this scenario to materialize, at least not on a global scale. While there may be outbreaks in countries that relax measures too early, we expect other countries to impose travel bans if this were to happen given that the severity of the virus has become increasingly understood.

Other potential outcomes include a "tick" shaped recovery if business activity is eased slowly or if domestic restrictions are lifted while international travel restrictions are kept in place or eased in gradually. We see the former as unlikely as we expect most or all domestic restrictions to remain in place as long as there is threat of an outbreak, while there is little reason to keep portions of the economy locked-down when there is relative certainty that the threat is gone. Meanwhile, some economists predict a muddled path to recovery that does not follow a particular shape or pattern.

In conclusion, given the data emerging from China and the evolution of infection figures in Italy and Spain to a lesser extent, as well as the drastic measures enacted by governments globally to keep their economies afloat, we expect a U-shaped global recovery with the main lasting legacy of this outbreak being higher public debt levels, and an increased possibility of inflation and higher interest rates in the future.

Arcapita Overview

With two decades of experience, Arcapita's management has built a global investment platform to access the opportunities that exist in our core markets of the US, Europe, Middle East and Asia.

Arcapita originates Shari'ah compliant alternative investments for its investors and shareholders. At the center of one of the fastest growing wealth markets in the world, Arcapita's management has been serving an exclusive group of investors in the GCC region and Southeast Asia over the past two decades. With offices in Bahrain, Atlanta, London and Singapore, Arcapita's management team has completed over 90 transactions with a total value of approximately $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 all market conditions and a group of professionals with deep expertise in their areas of focus.

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