



The gulf's next chapter: beyond sovereigns, towards capital formation

From Emerging Market Debt

The GCC¹ has spent much of the past two decades earning a reputation as one of the world's most resilient emerging market regions. Vast sovereign wealth pools, strong public balance sheets, stable currency regimes and prudent fiscal management have created an investment backdrop that compares favourably with many developed markets.

The events of 2020 provided a significant stress test. Regional conflict disrupted trade routes, reduced tourism activity, weakened business confidence and challenged assumptions that had underpinned years of investment and hiring. Yet despite these headwinds, sovereign ratings remained broadly stable, banking systems continued functioning normally, currency pegs held firm and governments retained access to capital markets.

For investors, resilience is no longer the investment thesis. It is the starting point. In a world characterised by rising sovereign indebtedness, fiscal constraints and political fragmentation, balance sheet strength itself has become increasingly valuable.

The more important question is where investors can capture value from the next phase of GCC development. Increasingly, the answer lies beyond sovereign debt and

into strategic corporates, infrastructure, real assets and private credit. (see table on next page)

Public credit: more than a sovereign story

The traditional GCC allocation has centred on sovereign and quasi-sovereign debt. That remains justified. The UAE, Qatar, Kuwait and Saudi Arabia continue to rank among the strongest credits in the emerging market universe, supported by exceptional financial resources and stable policy frameworks. However, the opportunity increasingly extends into corporate credit. The most attractive issuers are those positioned at the centre of regional transformation.

Logistics and infrastructure: the DP world example

One company neatly captures both the strengths and challenges of the modern GCC investment story is DP World. Headquartered in Dubai, DP World is one of the world's largest ports and logistics operators, managing a global network of ports, terminals, freight forwarding, warehousing and supply-chain infrastructure across more than 70 countries. While often viewed as a UAE corporate, its business is increasingly global in nature, making it a useful proxy for broader trends in international trade, logistics and economic diversification across the Gulf.

1. GCC stands for the Gulf Cooperation Council. The council includes six nations: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab

Emirates (UAE)

GCC: Large net asset positions underpin credit quality

Country	Moody's	S&P	Fitch	Fiscal Balance, % GDP 2025	Government Debt, % GDP	Estimates Sovereign Wealth Assets	SW Assets, % GDP	FX Reserves
Saudi Arabia	Aa3	A+	A+	-3.7%	32%	c.\$1.2trn	c.100%	\$487bn
UAE ¹	Aa2	AA	AA-	+5.1%	31%	c.\$2.5trn	c.400%	\$258bn
Qatar	Aa2	AA	AA	-0.3%	43%	c.\$550bn	c.200%	\$72bn
Kuwait	A1	AA-	AA-	+27%	22%	c.\$1trn	c.600%	\$36bn
Oman	Baa3	BBB-	BBB-	+0.4%	33%	c.\$50bn	c.50%	\$19bn
Bahrain	B2	B	B	-10.7%	152%	\$18bn	c.35%	\$1.8bn

Debt refers to Federal-level debt only. FX reserves are held at the Central Bank of the UAE. Sovereign Wealth assets are primarily held by the Emirate of Abu Dhabi (c.70%), followed by Dubai (25%).

Source: : IMF, September 2026

The GCC enters periods of uncertainty with balance sheets that most developed economies can only aspire to .

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On the surface, the company appears highly exposed to geopolitical disruption. Jebel Ali, historically one of its most important assets, has been significantly impacted by shipping disruptions and reduced vessel traffic. Yet the broader group has remained remarkably resilient. According to the company's latest financial report, revenue continued to grow across logistics and marine services,

earnings proved far more robust than expected, liquidity remained strong and the company continued investing in new infrastructure such as Fujairah terminals and alternative trade corridors.²

The broader lesson is important. Many GCC corporates are no longer domestic champions. They are increasingly global businesses with diversified revenue streams, strategic infrastructure assets and substantial operating resilience.

Real estate: when headlines and credit fundamentals diverge

There is no sector better demonstrates the importance of security selection than Dubai real estate.

By almost any measure, the market has cooled sharply. Off-plan sales have fallen approximately 60-80% from peak levels, rental growth has reversed and transaction activity has slowed considerably³. For equity investors, those trends matter enormously. For fixed income investors, they matter less than cash flows. Today's market differs materially from the 2008 cycle, during which Dubai experienced a severe property and economic crash triggered by the Global Financial Crisis. This time escrow protections are stronger, leverage is lower, regulation is tighter and developers carry substantial contracted sales backlogs already in collection. Leading developers continue to hold significant future receivables capable of supporting project completion and debt service even under weaker market conditions. (see table on next page)

2. <https://www.dpworld.com/en/investors/financials-presentations>

3. Source: JP Morgan research, Dubai Real Estate Workshop", September 18, 2026

Key considerations in comparing developers

	Damac	Sobha	Binghatti	Arada	Omniyat
GDV sold as % of launched	89%	82%	64%	81%	66%
GDV collection as % of sold	50%	51%	52%	43%	29%
Gross Debt / Total GDV sold	7%	14%	40%	21%	24%
Gross Debt / GDV to be collected	13%	28%	83%	36%	33%

GDV: Gross Development Value.

Source: JP Morgan research, Dubai Real Estate Workshop", September 18, 2026

Therefore, real estate market weakness does not automatically translate into credit deterioration. In many cases property transactions have deteriorated much faster than developer cash collection profiles. Credit differentiation is paramount, as periods of sector stress often create the most attractive entry points for disciplined credit investors.

Private credit: financing the next growth cycle

If public credit remains the anchor allocation, private credit may represent the region's most compelling opportunity.

Across the Gulf, governments continue to pursue ambitious development strategies spanning logistics, digital infrastructure, transportation, healthcare, education, renewable energy and industrial expansion. Despite geopolitical uncertainty, project pipelines remain extraordinarily large. At the same time, corporate financing needs are beginning to outgrow the capacity and risk appetite of traditional lenders.

This is creating a financing gap. Unlike North America and Europe, where private credit largely emerged alongside leveraged buyouts, GCC private credit is fundamentally linked to economic development. The opportunity lies primarily outside sponsor finance. It is infrastructure finance, logistics finance, asset-backed lending and corporate growth capital.

We believe attractive segments include ports and logistics assets, data centres and digital infrastructure, renewable energy projects, healthcare platforms and education providers. In many cases, these assets sit within ecosystems anchored by sovereign wealth funds and government-led development plans, such as "[Saudi Vision 2030](https://www.vision2030.gov.sa/en)"⁴.

Risks and limitations

Despite our overall constructive outlook, we are mindful of several risks.

The first remains geopolitics. We believe a sustained recovery in growth ultimately requires greater stability

across regional trade routes, improved investor confidence and reduced disruption to travel and logistics.

The second is valuation. While there are pockets of value in selective corporates, GCC sovereign and quasi-sovereign spreads increasingly reflect their strong fundamentals, limiting the scope for future rerating.

Third, private markets remain relatively immature. Legal frameworks continue to improve, particularly within DIFC (Dubai International Financial Centre) and ADGM (Abu Dhabi Global Market), which are independent financial free zones and common-law jurisdictions inside the UAE. However, creditor protections and restructuring processes remain less established than in major developed-market jurisdictions.

Finally, not all sectors will benefit equally. Real estate, hospitality and consumer-exposed businesses may continue to face pressure if economic growth remains below pre-conflict expectations.

Conclusion

The common perception is that the GCC remains an oil story. The investment reality is increasingly different. The region's greatest strength today is not hydrocarbons themselves, but the balance sheet capacity those hydrocarbons have created. That capacity is now being redeployed into logistics networks, financial centres, data infrastructure, healthcare systems, industrial development and private enterprise.

The events of 2026 have already answered the question of resilience. The more important question for investors is how to participate in what comes next.

We believe our answer is increasingly clear: remain anchored in sovereign quality, selectively add exposure to strategic corporates, and position early for the emergence of a much larger GCC private-credit ecosystem.

That is where the next decade of Gulf investing is likely to be found.

4. <https://www.vision2030.gov.sa/en>

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