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Gulf Cooperation Council (GCC) Sovereign Wealth Funds **Experience** Asset Growth

With the aim of reducing their dependency on hydrocarbons, diversification efforts of the GCC states have surged. As a part of these efforts, a large portion of their capital reserves collected over the years have been channeled into investments not only in their domestic economies, but also all over the world. These investment operations are carried out through sovereign wealth funds (SWFs), which have become one of the largest in the world with six out of the top twenty SWFs belonging

to the GCC region.

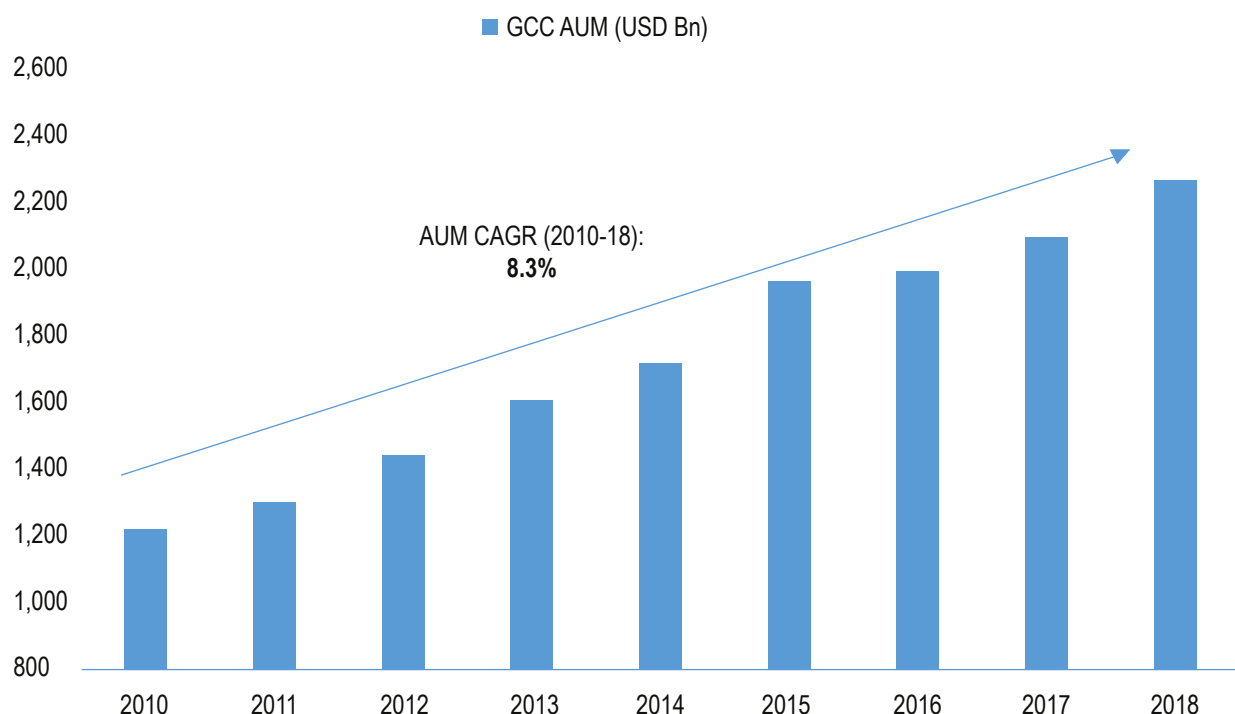
Moreover, when we compare the size of these SWFs to the population of the various GCC countries, we find that the per capita fund size are significant on an international scale and the amount invested by the GCC countries can have a significant influence in their economies. The assets under management of the GCC Sovereign Wealth Funds have grown at a significant pace of over 8% since 2010 to nearly USD 2.3 trillion in 2018.

SWFI RANKINGS BY TOTAL ASSETS

GCC SWF	Total Assets (USD Bn)	SWFI Rankings
Abu Dhabi Investment Authority	697	3 rd
Kuwait Investment Authority	569	4 th
Qatar Investment Authority	320	10 th
Public Investment Fund	290	11 th
Investment Corporation of Dubai	234	12 th

Source: Sovereign Wealth Fund Institute

GCC SWF ASSETS UNDER MANAGEMENT (USD BN)



Source: Sovereign Wealth Fund Institute

GCC SOVEREIGN WEALTH FUNDS

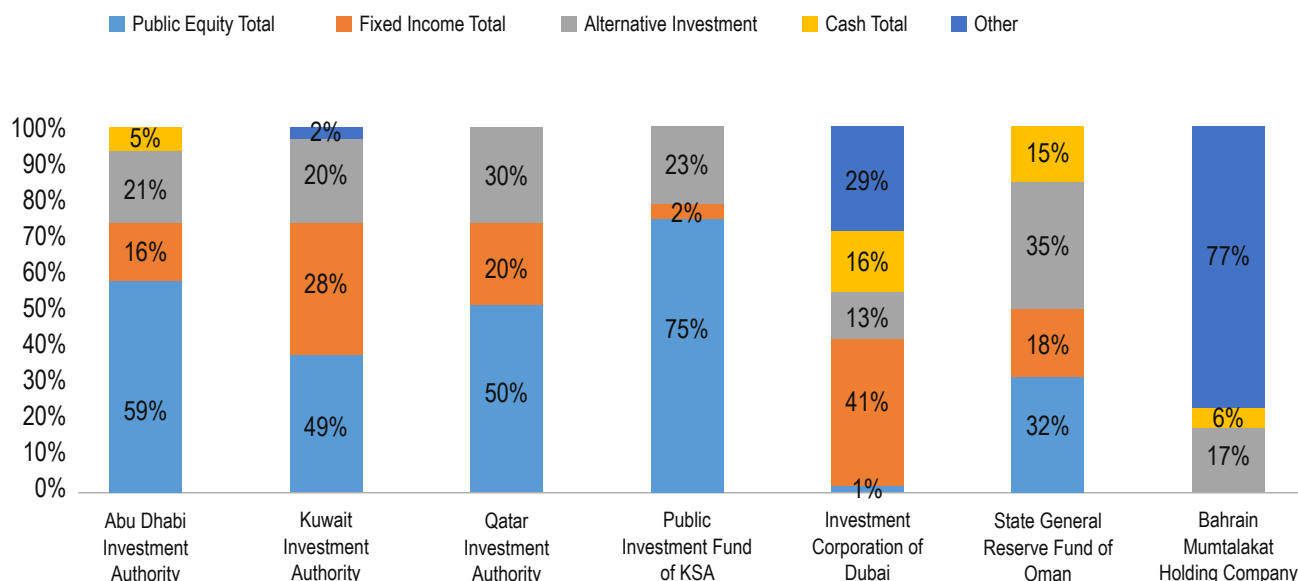
(As of 2018)	Abu Dhabi Investment Authority	Kuwait Investment Authority	Qatar Investment Authority	Public Investment Fund of KSA	Investment Corporation of Dubai	State General Reserve Fund of Oman	Bahrain Mumtalakat Holding Company
Country	UAE	Kuwait	Qatar	Saudi Arabia	UAE	Oman	Bahrain
AUM (USD Bn)	697	569	320	290	234	18	15
AUM CAGR % (2010-18)	2.2%	8.5%	20.9%	19.2%	4.2%	0.1%	1.6%

Source: Sovereign Wealth Fund Institute

As of 2018, Abu Dhabi Investment Authority, the largest SWF in the GCC region established by the Emirate of Abu Dhabi, holds a portfolio of assets close to USD 700Bn, and ranks third after the Government Pension Fund of Norway and China Investment Corporation

(SWFI Rankings as of 2018). While analyzing the growth in assets over the years, we see that Qatar and Saudi Arabia have dominated the region with a compounded growth of 21% and 19% between 2010 and 2018 respectively.

ASSET ALLOCATION OF GCC SOVEREIGN WEALTH FUNDS (2018)



Source: Sovereign Wealth Fund Institute

*Due to rounding, percentages may not total 100%

Abu Dhabi, Kuwait and Qatar have a well-diversified portfolio with investments in equities, fixed income and alternative investment vehicles like real estate and private equities. Abu Dhabi Investment Authority aims to generate stable returns over the long term within established risk parameters and does not adhere to a specific investment style. The firm diversifies investments across various asset classes, industries and geographic location. Kuwait Investment Authority (KIA) adheres to a long-term investment strategy, targeting investments in the local and international markets with the aim of providing an alternative to oil reserves. Investment Corporation of Dubai has a significant portion of their holdings in cash as its banking operations require a part of its reserves to be deposited with the central bank as a regulatory requirement. Saudi Arabia PIF has the highest allocation to domestic equities among its GCC peers. Contrary to PIFs investment strategy, the Qatar Investment Authority (QIA) focuses more on foreign investments than its domestic market, predominantly investing in international markets like Europe, United States, Asia-Pacific, and within Qatar outside of the

energy sector. Therefore, we see a very diverse portfolio among the GCC countries with each country following a different asset allocation strategy.

SAUDI PIF EVOLVING ASSET ALLOCATION

The Saudi Arabian Public Investment Fund (PIF) was established in 1971 to provide financing support for projects of strategic importance to the Saudi economy and has been one of the main investment vehicles for the government. Historically, PIF has focused its investments in domestic equities with the aim of providing financial support to local companies and help the country diversify away from hydrocarbons. Saudi Vision 2030, launched by Prince Mohammed Bin Salman plans to reduce the oil sector's grip on the economy and create more jobs and the Public Investment Fund is considered the main vehicle to implement this plan. PIF holds stakes in some of the biggest companies and financial institutions in Saudi Arabia which includes SABIC (the top petrochemicals producer in the Middle East), Saudi Telecom Company (Saudi Arabia's largest telecommunications operator)

and mining giant Ma'aden. It also owns stakes in two of the biggest lenders in the country, National Commercial Bank and Samba Financial Group .

However, in the recent years, PIF has followed a higher risk investment approach compared to traditional SWFs in the GCC region with respect to higher investment in equity, especially in private technology firms. This is a departure from traditional investments in fixed income and real estate that have dominated most SWF allocations in the region. The fund, which has historically invested in the domestic market on behalf

of the Saudi government, has expanded its international investments from 1% to over 10% of its total asset base between 2013-18. PIF is a significant investor in Soft Bank Group's USD 100bn Vision Fund with a contribution of USD 45Bn to the fund. It has already invested in about 50 to 60 companies through Softbank with the aim to help diversify the economy and generate employment in the country. According to press reports, PIF has plans to continue to invest in the technology sector, as it has the potential to offer returns that are difficult to achieve in some of the traditional investments.

PUBLIC INVESTMENT FUND HOLDINGS

Companies	Market Cap (USD Mn)	PIF Share in Company	
		(%)	(USD Mn)
Top Domestic Holdings:			
Saudi Basic Industries Corporation	89,600	70.0%	62,720
Saudi Telecom Company	51,733	70.0%	36,213
National Commercial Bank	43,440	44.3%	19,240
Saudi Arabian Mining Co	17,231	65.4%	11,274
Samba Financial Group	18,133	22.9%	4,154
Riyadh Bank	19,680	21.8%	4,280
Almarai Company	14,613	16.3%	2,385
Top International Holdings:			
Uber Technologies Inc	67,234	4.3%	2,918
Tesla Inc	41,065	4.7%	1,922

Source: Reuters

Norway Government Pension Fund Global and China Investment Corporation are the top two sovereign wealth funds in the world with AUMs of USD 990Bn and USD 941Bn respectively as of 2018. These two countries have built a large budgetary surplus due to natural resource abundance and high exports. Among the non-GCC sovereign wealth funds, China Investment Corporation has seen the highest growth in assets,

growing at a compounded rate of 11% since 2010 to reach USD 941Bn in 2018.

Among the non-GCC SWFs, we see greater diversification in asset classes with a higher allocation to equities being the common denominator. Equity allocations among the non-GCC SWFs range from 18% to 83% and fixed income allocations range from 4% to 69%. China Investment Corporation is skewed towards

equities whereas Hong Kong is skewed towards fixed income instruments. Among the non-GCC SWFs, we see greater diversification in asset classes with a higher allocation to equities being the common denominator. Equity allocations among the non-GCC SWFs range from 18% to 83% and fixed income allocations range from 4% to 69%. China Investment Corporation is skewed towards equities whereas Hong Kong is skewed towards fixed income instruments.

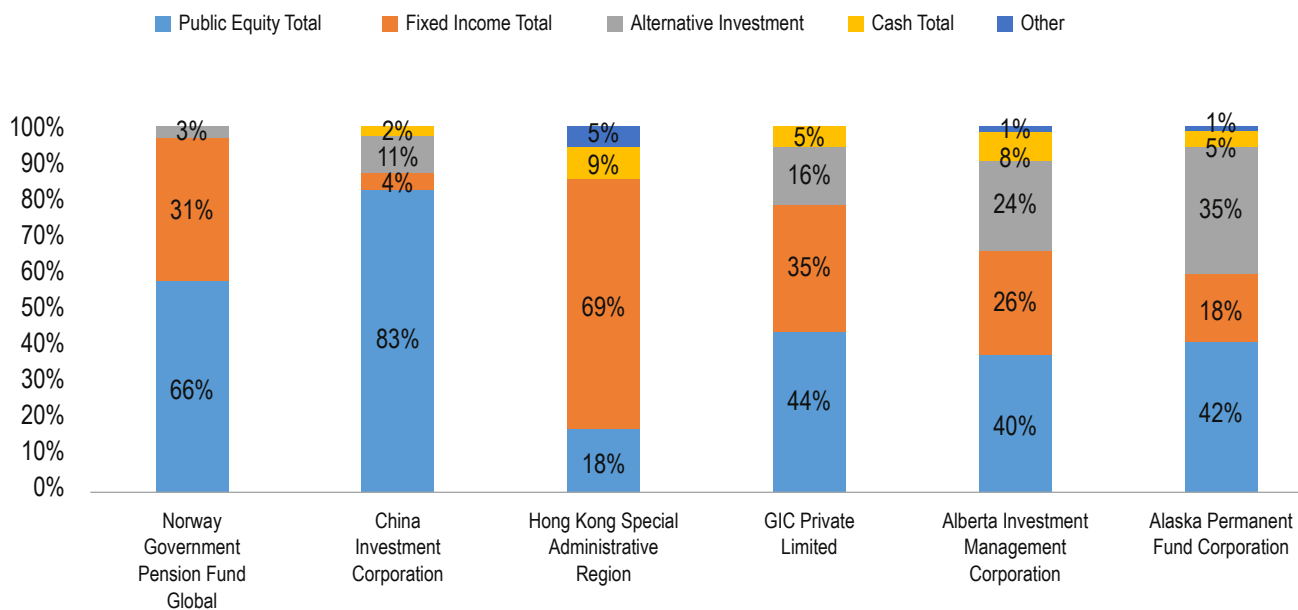
Similar to the GCC SWFs, nearly all the non-GCC sovereign wealth funds have a varied asset allocation approach according to their investment needs. However, with the exception of China, we see that the non-GCC SWFs proportionately have a higher contribution towards fixed income whereas the GCC SWFs have a higher allocation towards equities and alternative investment. ♦♦

NON-GCC SOVEREIGN WEALTH FUNDS

(As of 2018)	Norway Government Pension Fund Global	China Investment Corporation	Hong Kong Special Administrative Region	GIC Private Limited	Alberta Investment Management Corporation	Alaska Permanent Fund Corporation
Country	Norway	China	Hong Kong	Singapore	Alberta	Alaska
AUM (USD Bn)	990	941	509	390	83	66
AUM CAGR % (2010-18)	8%	11%	7%	6%	4%	7%

Source: Sovereign Wealth Fund Institute

ASSET ALLOCATION OF NON-GCC SOVEREIGN WEALTH FUNDS (2018)



Source: Sovereign Wealth Fund Institute

*Due to rounding, percentages may not total 100%





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