



Asset Management Review 2021

Responding to an evolving landscape
in Saudi Arabia

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Foreword

Saudi Arabia's asset management industry looks resilient in 2021, with official stock market listings and the increased presence of foreign investors set to be the major trends this year.

According to a report by the Capital Market Authority (CMA), the total value of assets held by public and private investment funds in Saudi Arabia grew by 18% year-on-year (YoY) to SAR 523.7 billion in 2021.

By the conclusion of the year, there were 751 investment funds, comprising 256 public funds and 495 private funds, a new high. The investment funds are made up of a collection of securities that are chosen based on certain criteria to meet the fund's investment goals. It is split into two categories: public and private funding.

The asset management industry is expected to see increase competition in the market and investors seeking more value from their fund managers, firms will need to differentiate themselves through demonstrating diversification of investment ideas to generate alpha.

According to experts, Saudi asset managers should investigate and analyse other potentially lucrative markets for their customers in developing world. While the UK, US, and China may not now provide significant returns on investment, areas such as Malaysia, India, Bangladesh, Indonesia, Greece, Romania, Eastern Europe, Poland, and other developing countries might be viable options for Saudi investors.

Robust Financial Position



Strengthening Financial Position

- According to a report by the Capital Market Authority (CMA), the total value of assets held by public and private investment funds in Saudi Arabia grew by 18% year-on-year (YoY) to SAR 523.7 billion in 2021.
- By the conclusion of the year, there were 751 investment funds, comprising 256 public funds and 495 private funds, a new high.
- The investment funds are made up of a collection of securities that are chosen based on certain criteria to meet the fund's investment goals. It is split into two categories: public and private funding.
- In addition to dividends, an investment fund's profit is usually made up of capital gains, which arise from any increase or decrease in the price of the securities it owns.
- The number of Saudi investment fund subscribers reached about 536,500 in 2021, the highest level since 2005, up from 364,200 at the end of 2020.

Investment Funds				
Period	Funds	Number of Funds	Number of Subscribers ('000)	Asset Values (SAR bln)
Q2 2021	Public	254	358.9	209.7
	Private	437	5.3	232.3
	Total	691	364.2	442.0
Q3 2021	Public	256	529.3	227.2
	Private	495	7.2	296.5
	Total	751	536.5	523.7
Variation		+9%	+47%	+18%

Assets Under Management (Trend)

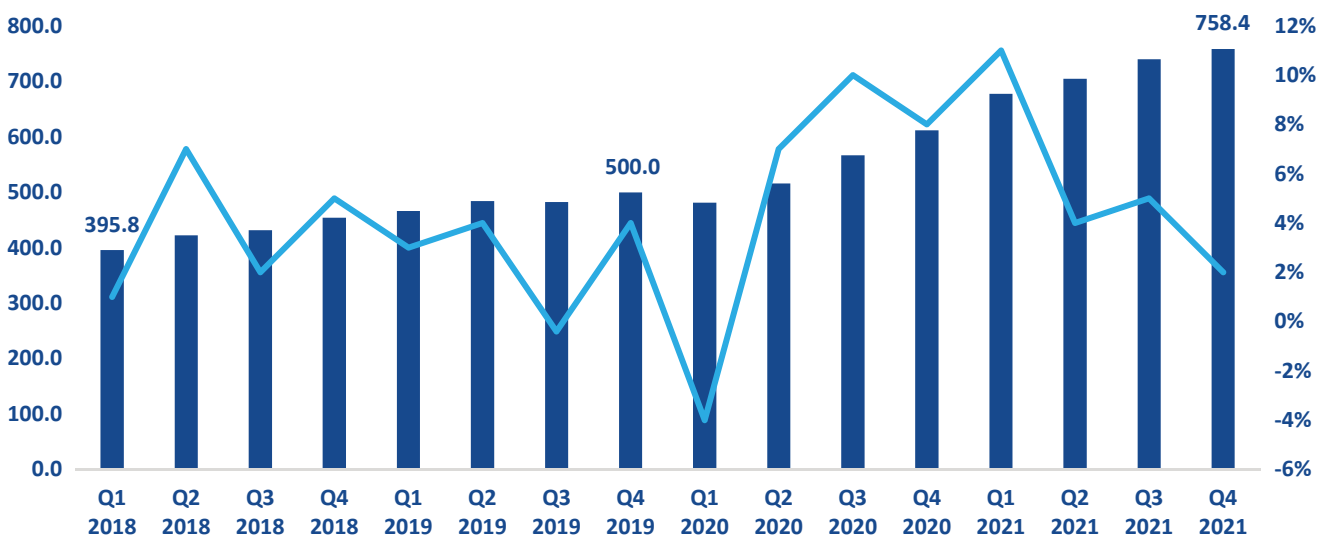
هيئة السوق المالية
Capital Market Authority



Trend of Assets Under Management Over The Years

- The total assets under management (AUMs) held by licensed asset managers (public and private funds, and private portfolios) in Saudi Arabia increased 2%, or SAR 18.4 billion, quarter-on-quarter (Q-o-Q) to SAR 758.4 billion in Q4 2021, data from the Capital Market Authority (CMA) showed.

Assets Under Management (SAR bln)



Companies with Most Increase/Decline in AUMs



Companies with Most Increase in AUMs (SAR mln)

Company	Q3 2021	Q4 2021	Change	Change (%)
Merak Capital	1,3.70	6,2.60	+4,8.90	+357%
Impact Capital	30,3.09	54,7.59	+24,4.50	+81%
Darfin Capital	5.00	6.56	+1.56	+31%
Emirates NBD Capital Saudi Arabia	262,0.27	332,6.86	+70,6.59	+27%
Investcorp Saudi Arabia	17,0.56	20,9.27	+3,8.71	+23%

Companies with Most Decline in AUMs (SAR mln)

Company	Q3 2021	Q4 2021	Change	Change (%)
Swicorp	93,9.28	--	(93,9.28)	(100%)
SEDCO Capital	403,3.82	306,0.74	(97,3.08)	(24%)
Al-Nefae Investment	32,3.23	27,5.42	(4,7.81)	(15%)
Osool & Bakheet Investment	111,2.86	95,7.87	(15,4.99)	(14%)
Audi Capital	45,3.55	39,5.19	(5,8.36)	(13%)

Remarks:

- Swicorp reported the biggest drop in AUMs at 100% in Q4 2021, followed by SEDCO Capital with a drop of 24%.
- Meanwhile, Merak Capital reported the highest increase in AUM of 357% to SAR 62.6 million in Q4 2021, primarily attributable to significant acquisitions in technology sector in the last quarter of 2021.

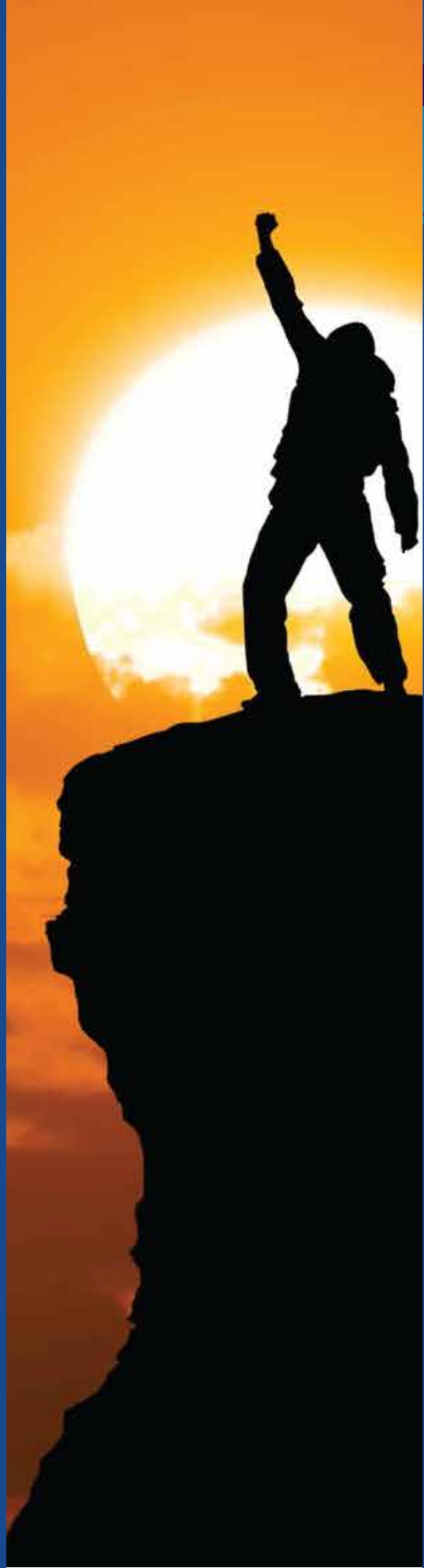
Source: Argaam

Positive Future Posture



Positive Future Posture

- Environmental, social, and governance (ESG) investments are becoming increasingly popular around the world, and it's only a matter of time until ESG becomes a key priority for both investors and fund managers in Saudi Arabia.
- It is expected to see increased competition in the market and investors seeking more value from their fund managers, firms will need to differentiate themselves through demonstrating diversified investment ideas to generate Alpha.
- The risk appetite of retail investors has already been decreased, and as part of their continued risk management, they are likely to adopt a diversification agenda.
- Most importantly, there is an uptick in the deployment of necessary capital to start-ups and entrepreneurs through venture capital or private equity type investments arising from imminent privatizations.
- As risk/reward appetite changes in the market and fund managers modify their investment strategies properly, fund managers are expected to present a diversified investment suite to potential investors, in line with the global trend.



Investment Outlook



Investment outlook

- The evolving economic dynamics is testing the efficacy of decision-making and execution strategies of asset managers in the Kingdom, along with their ability to proactively manage client's needs and expectation.
- According to experts, Saudi asset managers should investigate and analyse other potentially lucrative markets for their customers in developing world. While the UK, US, and China may not now provide significant returns on investment, areas such as Malaysia, India, Bangladesh, Indonesia, Greece, Romania, Eastern Europe, Poland, and other developing countries might be viable options for Saudi investors.
- Larger asset managers are better positioned to absorb the resultant pressures, which may lead to consolidation among smaller firms over time.
- Increase in global oil demand, triggering a sharp increase in prices might encourage the kingdom's asset managers to increase the positive exposure to oil assets.



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