

## A Brief on Money & Investment (5)

### 2022 year-end brief

#### Sovereign wealth funds and the political economy of the Middle East & Africa

In 2022, globally and regionally, Gulf states continued to lead the investment world in the number and value of transactions. The region's financial heavyweights: the Saudis, Qataris, and Emiratis are in a financial world cup style marathon for the best of opportunities across all significant strategic sectors, including renewable energy, transportation, scientific research, food security, artificial intelligence, and quantitative research projects.

The Gulf has over 18 sovereign funds with over 7,500 personnel in human capital. The seven major Gulf Sovereign Wealth Funds (SWF) have combined assets of \$3.2 trillion, accounting for about 40% of SWF's global assets. In 2022, these significant GCC funds invested close to \$50 billion in Europe and the USA. Some of the top GCC funds and their assets are as follows:

The Abu Dhabi Investment Authority (\$829 billion).	<b>3<sup>rd</sup> globally</b>
The Kuwait Investment Authority (\$769 billion).	<b>4<sup>th</sup> globally</b>
The Saudi Public Investment Fund (\$620 billion).	<b>6<sup>th</sup> globally</b>
The Qatar Investment Authority (\$445 billion).	<b>9<sup>th</sup> globally</b>
The Investment Corporation of Dubai (\$300 billion).	<b>11<sup>th</sup> globally</b>
Abu Dhabi's Mubadala (\$284 billion).	<b>12<sup>th</sup> globally</b>
Abu Dhabi Development Holding Company (\$108 billion).	<b>19<sup>th</sup> globally</b>

At home, and over the next five years, hundreds of billions of dollars were committed to state-of-the-art future-generation infrastructure projects such as the \$500 Billion futuristic Neom city and the leisure city of Qiddiya in Saudi. These projects will transform the Gulf into a major global business and financial center with trade, tourism, manufacturing, and scientific research opportunities.

These investments will result in a better-trained and educated population, with an abundance of high-paying job opportunities for the locals and foreigners looking for adventure and better opportunities. All this future economic planning and growth will, without a doubt, lead to a solid and stable region. The Saudis, Emiratis, and Qataris are leading a powerful social and economic change in the region that will change the lives of millions in the area. For the Emiratis, with the introduction of the golden visa program, UAE is positioned to compete with Hong Kong and Singapore to turn its major cities into global financial and investment hubs.

On average, for the last 40 years, 45,000-55,000 Saudi students a year were educated in the U.S., along with a high number of Emirati, Kuwaiti, and other gulf state students. Many of these students, prepared with the best education in the world, are now in leadership positions to help their nations build, compete, and lead in the 21st century.

### Libya

Libya is the only country with vast resources in the MENA region that failed to reach its potential of building strong institutions and a stable nation for its citizens. Currently, Libya is Underdeveloped, with a large young population of stolen dreams.

Forty-three years of a dictatorial regime left the country without any strong institutions to help it rebuild after the 2011 civil war, which left the country in chaos and complete failure.

**The Libyan Investment Authority** is ranked 25th globally, but since its inception, Libya's massive \$67 billion investment fund has been poorly managed and failed to bring any meaningful change to Libya's population and economy. The fund and its subsidiaries lack the skills and knowledge to compete in a highly aggressive financial world.

## **Qatar**

### **Qatar Investment Authority (QIA):**

2022 was a busy year for the Qataris. One of the significant investments was a \$2.4 billion interest in the USA-based renewable energy RWE AG company. Also, in a \$1.1 billion joint venture agreement, **Qatar Energy** and **Qatar fertilizer giant GAFCO** signed a deal to build the largest blue ammonia project to produce fertilizers in Qatar. At a 1.2-million-ton capacity, this will be the largest blue ammonia project in the world. The fund ended the year with a significant investment in the USA-based **developer security company Snyk**.

The fund appointed the American Investment banker, Mr. Niall Byrne, as its new Chief Financial Officer.

## **Bahrain**

### **Bahrain Mumtalakat Holding Company (Mumtalakat):**

Founded in 2006, Mumtalakat has \$18.3 billion of local assets under management with direct ownership and control. The fund owns about 50 firms that employ and support over 12,000 jobs. In 2022, the fund adopted new investment strategies to continue to invest in the kingdom and support the domestic economy. The fund supported these investments with expert and high-quality board members to ensure high investment returns.

The fund has no significant investments in 2022 and owns stakes in the following companies: Bahrain Telecommunications Company, the British Envirogen Group, the FAI German Aviation Group, the Bahrain-based Gulf Hotel Group, and among others, the National bank of Bahrain.

## **Sultanate of Oman**

### **Oman Investment Authority:**

In 2023, this \$41.5 billion fund is planning a \$5 billion investment in 65 new and existing projects in the Sultanate. The focus will be on food, fisheries, logistics, energy, communications, and technology. The fund invested an unspecified amount in the **USA-based Group14 Technologies company** that specializes in developing lithium-silicon battery materials.

As part of its National Development program, the fund announced the investment of \$1.95 billion for projects across the Sultanate in partnerships with local and international investors.

## **Egypt**

### **The Sovereign Fund of Egypt (TSFE):**

Through Egypt's Sovereign Wealth Fund, Arab funds, especially the Saudi, Qatari, and Emirati, invested \$3.3 billion in key government-owned assets in Egypt. The Abu Dhabi Development Holding Company (ADQ) acquired stakes in five companies worth \$1.8 billion. The Egyptian fund signed an MOU with QIA

and **Qatar Energy** for a \$1 billion renewables project and a green ammonia facility in the Suez Canal Economic Zone.

### **UNITED ARAB EMIRATES:**

#### **Abu Dhabi Investment Authority (ADIA):**

Abu Dhabi Investment Authority (ADIA): Established in 1974, ADIA is the 3rd largest SWF globally. In its 2022 published report, the \$829 Billion fund reported its 2021 annual report with its 20-year annualized rate of return at 7.3%. Due to year-end market volatility, its 2022 rate of return is expected to be lower. Long-term asset allocation will focus on private equity and infrastructure and less on stocks and bonds. 45-60% of the fund's assets will be allocated to North American markets with fewer investments in the UK, Europe, and Asia.

As previously published in my briefs, ADIA is dedicating a large budget to building its quantitative research department and team to assist with researching and developing future investment strategies. For this, the fund recruited some of the best minds in the world. From the USA, Mr. Horst Simon from Berkely Lab as the director of the program, and from France, the well-known investment executive Mr. Pascal Blanque as the Global head of quantitative research and development.

Some of the big acquisitions for ADIA in 2022 were:

- ❖ A 10% stake in the American **giant Semptra infrastructure** for \$1.73 billion in cash.
- ❖ A joint acquisition with the **American Global infrastructure partners** for a 72.55% stake in the European railcar company **VTG Aktiengesellschaft**.
- ❖ In Asia, a joint venture, with Singapore's **SC Capital Partners** for \$2 billion to establish a data center platform in developed Asian economies.

#### **Mubadala Investment Company (Mubadala):**

Founded in 2017 and at \$284 billion in assets under management. Mubadala is ranked 13<sup>th</sup> globally with investments in over 76 businesses across 50 countries worldwide. The fund operates from 5 global offices in Abu Dhabi, London, Mosco, New York, and Beijing. Mubadala has plans to achieve \$500 billion of assets under management by 2030. Mubadala has consolidated two other state-owned companies into its portfolio to reach this goal. The international Petroleum Investment Co (IPIC), and the Abu Dhabi Investment Council (ADIC).

2022 was a busy year for this fund with acquisitions, mergers, and divestments across many sectors.

- ❖ The fund committed to buying full **TV rights for Brazil's football league**.
- ❖ Mubadala acquired a minority stake in a Sweden-based Fiber and data company **Global Connect**.
- ❖ It sold its stake of 25% in the Austria-based oil producer **OMV** for an unconfirmed amount estimated at close to \$4.5 billion.
- ❖ The fund sold its interests in the Spanish copper miner **Minas de Aguas Tenidas** for \$1.87 billion and sold four prime grade A commercial real estate in the Emirate for \$1.2 billion.

### 2022 key deals by Mubadala were:

- ❖ Mubadala agreed with the American global investment company **KKR & Co** to invest \$1 billion in performing private credit in the Asia Pacific region.
- ❖ In Europe, the fund signed a \$2.1 billion partnership with France's private investment company **Ardian**.
- ❖ Mubadala supported the \$800 million financing of the Sweden-based payment and shopping company **Klarna**.
- ❖ A \$400 million financing of the German-based digital insurance company **Wefox**.
- ❖ A \$768 million funding for the Turkish grocery delivery app **Getir**.
- ❖ A \$300 million capital raise for payments business **Spot** and, raised \$100 million for **Swedish fintech**.

Based on its 2022 activity, I predict great things for this fund in the next decade, especially in the technology sector.

### Abu Dhabi Development Holding Company (ADQ):

In an agreement with **Sudan's Dal Group**, ADQ committed to a \$6 billion investment package for building a \$4 billion port on the red sea including, a free trade zone and a large agricultural project with a system of roads and rails to major ports in the country.

### Kingdom of Saudi Arabia

#### Saudi Public Investment Fund (PIF)

To secure long-term strategic investments, and under the leadership and guidance of the Chairman of the board, crown prince Mohamed Bin Salman PIF was the most active and aggressive investment fund in the Middle East and Africa.

In 2022, the fund established seven major companies focusing on domestic economic growth in addition to the **Saudi Egyptian investment company (SEIC)** for the investment and acquisition of Egyptian-owned companies. Regionally, the fund invested \$185 million for a 23.97% stake in the Iraq/Jordan-based bank, the **Capital Bank Group**. The fund plans to set up six regional companies to invest \$24 billion across six Arab countries, such as Jordan, Oman, Sudan, Iraq, Bahrain, and Egypt.

In its plan to help Egypt's troubled economy, the fund is close to acquiring the **United Bank of Egypt** for \$600 million and has thus far committed close to \$10 billion in investments in Egypt for 2022. The Saudi fund, Qatar, and UAE have pledged to invest over \$25 billion in the Egyptian economy this year.

Internationally, PIF acquired a 0.9% stake in the British-based world's largest Industrial **gas company Linde**. The deal was valued at \$326 million and thus far brought in more than \$90 million in stock value appreciation. The fund also acquired a 9.5% stake in the world's largest German offshore wind developer **Skyborn Renewables**. The fund ended the year with a \$450 million investment in the **USA-based Augmented reality developer Magic Leap**.

As with many significant global funds, 2022 was a year of setbacks for some investments. The fund lost over \$6 billion of stock value from its USA-based Electric vehicle **Lucid investments**. Moreover, saw its USA technology portfolio drop by \$732 million.

On a national level, the fund announced a \$13 billion investment in entertainment across 14 major Saudi cities. All investments will be developed by **Saudi entertainment Ventures (SEVEN)**, a fund subsidiary. One hundred fifty major attractions are planned in partnership with local and international brands.

In New York, last December, the fund's governor, Mr. Yasir Al-Rumayyan, was awarded the 2022 **ABANA Achievement Award** for his and the fund's leadership in banking and finance between the USA and the MENA region.

The Saudi fund's success is highly attributed to its management's expertise and education. The fund's 2030 vision to grow its economy and diversify its income away from oil has led them to invest across all major business sectors, from low carbon to high technology and scientific research to logistics and finance. For the next decade, we will see European and American investment banks make their push for Saudi capital for investments in their financially dry companies.

How will this Saudi fund perform in the next decade will highly depend on its executive team's ability to create a strong balance between its political agenda and achieving returns from its investments.

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