

Investments Brief (10)

Libya-Egypt-Oman-Bahrain-UAE-Saudi Kingdom

The Middle East and some African countries continued their strong investment momentum into global markets with a high level of diversification in geography and industry supported by recruiting some of the best minds from Asia, Europe, and the USA. Some of the changes adopted by the Big 5 (Saudi, UAE, Oman, Qatar, Kuwait) Gulf region funds especially the Saudis in 2023 were the increased focus and capital injection into local markets with significant investments across all sectors, especially Real Estate, including the tourism sector and job creating Medium to large industries. With plenty of cash on hand from the current high oil prices, all are in a big race to finish their 5–10-year economic visions on time and with success.

Recently, the government of Qatar issued an Amiri decree to allow its Qatar Investment Authority to direct investments into the local economy to support its growth and development.

High Investments & Divestments

The current high rate of investments by major Gulf funds, especially the Emirates and the Saudis, is of concern. UAE Mubadala reported a total revenue of \$29 billion for 2022, down **-3.0%** from 2021 in comparison to its often-strategic Asian partner Singaporean Temasek, which reported a 5.8% return in 2022 and an overall 20-year return of 8% to shareholders. It is important to note here that Mubadala divestments were as high as investments for 2022.

For the last six months, hardly a week has passed without a significant investment announcement coming out of Riyadh or Dubai. If long-term investment strategies are not deployed, this high-speed capital deployment run could end disastrously.

For future Merger & Acquisition deals, and to avoid a high rate of divestments and failures, Arab & African region investment funds should start paying close attention to organizational culture and corporate culture issues in the decision process.

Political Economy & Security

In its 4th month, the Sudanese civil war continues to rage, with over 15 broken cease-fire agreements. The most significant impact of this war will be on Saudi Arabia and Egypt. Across from the Saudi Kingdom, Sudan has over 800 kilometers of coastal line on the red sea, with a short distance of 320 kilometers by sea to the Saudi Kingdom. In my opinion, if this war is not brought to an end soon, this long stretch of seashore could be a significant security and safety issue for the Saudis and its future investment plans in the red sea region, where the Saudi Public Investment Fund (PIF) has made plans to spend billions on developing its tourism sector. In the long run, Billions will be diverted from investment plans to beef up its naval and border forces to protect that long shoreline. In short Sudan's peace and security is part of the Kingdom's stability and future economic growth.

Here is a look at some of the recent MENA region's most significant deals:

Bahrain - Mumtalakat

- The fund is buying Saudi Arabia's public investment fund (PIF) shares in car maker McLaren for **\$510.48 Million**. The deal includes the McLaren racing team as well.

Libya – Libya Investment Authority

- In June, the head of LIA, Mr. Ali Mahmud, announced that LIA profits from 520 companies in 2022 were \$1.2 billion on assets valued at \$71 billion—a return of (1.7%)
- 45% Of the \$1.2 billion in LIA's profits (about \$500 million) came from Tam Oil. Many within Tam Oil credit this success to its former chairman, an ENI Italy, veteran, Mr. Fouad Krekshi, and CEO Abdul Majid Al Shah, who took over company management a few years back when it was on the verge of bankruptcy and turned it around with yearly profits. They were both removed from their positions less than a year ago as a reward for their success.
- At the meeting, Mr. Mahmud announced that LAFICO, its primary subsidiary, made \$70 million in profits on \$7 billion in assets under management.
- Mr. Mahmud announced LIA's plans to invest in renewable energy, but no details were given.

Qatar – Qatar Investment Authority

- In its efforts to direct more capital into the local market's growth. The Qatari Government issued a decree allowing the fund to invest locally and announced the investment of \$275 million in the Qatar Stock Exchange.
- The fund announced an investment increase from 10% to 20% into private and public credit in Emerging markets, especially in China, India, and Brazil.
- The fund started negotiations for a 30% stake in the Egyptian hotel giant, the holding company for Tourism and Hotel. The company owns Cairo Marriott, Aswan Cataract, Haram Mena House, Luxor Winter Palace, Alexandria Cecil, Movenpick Aswan, and the Elephantine Aswan. The total value is estimated at \$750 Million.
- Qatar Investment Authority is in talks to acquire 45% of Telecom Egypt shares in Vodafone Egypt valued at circa \$1.2 billion.
- The fund is making a significant entry into the American sports business by investing \$4.05 billion in acquiring a 5% stake in a monumental company that owns the Washington Wizards team, Washington Mystics, a sports arena, and other sports ventures. The fund will have no seat or voting rights on the board of directors.
- The fund and other investment groups invested about \$1.2 billion in the Korean electric vehicle battery manufacturer Sk On.
- The fund invested in the Japan-based Kokusai Electric Corporation, a semiconductor equipment manufacturer.
- Along with Singapore's Temasek fund, the Qataris took part in a 255 million Euro investment in the German ITM Isotope Technologies Munich Se company, a radiopharmaceutical biotech company.

United Arab Emirates – Mubadala

- In Asia, after the appointment of Korean real estate expert Joseph Cha Hoon in 2022, the Emiratis continued their plans to strengthen their investment teams by hiring Korean investment expert Seunggu Ahn as senior director for Private Equity.
- The fund has plans to invest \$30 billion in Asia. In Korea, the Emiratis are intensely interested in Korea's cloud IT infrastructure market, which is expected to grow by 15% in the next five years to reach circa \$1.9 billion in sales.

Oman – Oman Investment Authority

- Over the next five years, Oman's Sovereign fund plans to invest \$5 billion in the Egyptian market. The fund's target is Wind energy, with a plan for a joint venture investment of \$1 billion for 2023. The Zaafarana wind power plant and the Jabal Al-Zayt power plant are of great interest to the Omanis.
- The fund was given a directive by the Sultan to launch a new 2 billion rial fund, the "Oman Future Fund," for the growth of the private sector and promotion of the local economy in line with the Sultanate 2040 vision.

Kingdom of Saudi Arabia – Public Investment Fund (PIF)

- In its efforts to play a significant role in the Electric Vehicle market and after heavy investments in the American-based Electric vehicle LUCID (60% ownership), the Saudis invested **\$5.6 billion** in China's luxury Electric vehicle **HIPhi**.
- The fund acquired 1.07 million shares in the solid-oxide fuel cells maker Bloom Energy, increased its shares in the Videogame publisher Electronic Arts company to 24.81 million shares, and increased its shares in the Singapore-based internet company Sea to 239.4k shares.
- PIF increased its shares in American-based PayPal by 6.2% and lowered its interest in Visa by 13.3%
- To gain a strong presence in the global pharmaceutical manufacturing market, the fund launched **Lifera** to commercially manufacture life-saving pharmaceutical products and essential medications on a large scale in the Kingdom. The fund's goal is to cooperate and partner with major international companies.
- Q1 Saudi economy's real GDP grew by 3.8% YoY—an equivalent of \$74 billion.
- Saudi Q1, Non-oil private sector grew by 5.4% YoY—an equivalent of \$44.8 billion.

Based on the last six months of business and Investment activities, we will see more Gulf region investments in the Asian markets. It is estimated that investment capital in Asia will grow to about \$10 trillion by the end of this decade, with \$1-\$2 trillion invested in China.

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