



High Investments & Divestments

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The Middle East and several African countries have continued their strong investment momentum in global markets, with a high level of diversification across geography and industries. This has been supported by recruiting some of the best talent from Asia, Europe, and the United States. Some of the key changes adopted by the “Big 5” Gulf funds—Saudi Arabia, United Arab Emirates, Oman, Qatar, and Kuwait—particularly by Saudi Arabia in 2023, include an increased focus on domestic markets and significant capital injections across all sectors. These investments have been especially concentrated in real estate, tourism, and job-creating medium- to large-scale industries. With substantial liquidity generated from high oil prices, these countries are in a competitive race to complete their 5–10-year economic vision plans successfully and on time.

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

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The current high pace of investments by major Gulf funds, particularly in the UAE and Saudi Arabia, is a growing concern. Mubadala Investment Company reported total revenue of \$29 billion for 2022, a decline of 3.0% from 2021. In comparison, its strategic Asian counterpart, Temasek Holdings, reported a 5.8% return in 2022 and an average 20-year return of 8% to shareholders. It is important to note that Mubadala’s divestments in 2022 were nearly as high as its investments.

Over the past six months, hardly a week has passed without a major investment announcement from Riyadh or Dubai. Without well-defined long-term investment strategies, this rapid pace of capital deployment could lead to unfavorable outcomes.

For future mergers and acquisitions, and to reduce high levels of divestment and failure, investment funds in the Arab and African regions should pay closer attention to organizational and corporate culture during the decision-making process.

Political Economy & Security

Now in its fourth month, the civil war in Sudan continues, with more than 15 ceasefire agreements having collapsed. The most significant impact of this conflict



will likely be felt by Saudi Arabia and Egypt. Sudan has over 800 kilometers of coastline along the Red Sea and lies just 320 kilometers across the sea from Saudi Arabia.

In my view, if this conflict is not resolved soon, this extensive coastline could pose serious security challenges for Saudi Arabia and its future investment plans in the Red Sea region, where the Public Investment Fund (PIF) has committed billions of dollars to tourism development. Over time, significant financial resources may need to be diverted from investment projects toward strengthening naval and border security. In short, Sudan's stability is closely tied to the Kingdom's long-term economic growth and security.

Recent Major Deals in the MENA Region

Bahrain – Mumtalakat

- The fund is acquiring shares held by Saudi Arabia's Public Investment Fund (PIF) in the car manufacturer McLaren Group for \$510.48 million. The deal also includes the McLaren racing team.

Libya – Libyan Investment Authority (LIA)

- In June, the head of LIA, Ali Mahmoud, announced that the fund generated \$1.2 billion in profits from 520 companies in 2022, based on total assets of \$71 billion—a return of 1.7%.
- Approximately 45% of LIA's profits (around \$500 million) came from Tam Oil. Many within the company attribute this success to its former chairman, Fouad Krekshi (a former Eni executive), and CEO Abdul Majid Al Shah, who successfully turned the company around from near bankruptcy to consistent profitability. Both were removed from their positions less than a year ago despite their achievements.
- At the same meeting, it was reported that LAFICO, LIA's primary subsidiary, generated \$70 million in profits from \$7 billion in assets under management.
- Ali Mahmoud also announced plans for LIA to invest in renewable energy, although no further details were provided.



Qatar – Qatar Investment Authority

- As part of its efforts to direct more capital into the growth of the local market, the Qatari government issued a decree allowing the fund to invest domestically and announced a \$275 million investment in the Qatar Stock Exchange.
- The fund announced an increase in its allocation to private and public credit in emerging markets from 10% to 20%, with a particular focus on China, India, and Brazil.
- The fund has begun negotiations to acquire a 30% stake in Egypt's Holding Company for Tourism and Hotels. The portfolio includes landmark properties such as Cairo Marriott, Aswan Cataract, Haram Mena House, Luxor Winter Palace, Alexandria Cecil, Mövenpick Aswan, and Elephantine Aswan. The total value of the deal is estimated at \$750 million.
- Qatar Investment Authority is also in discussions to acquire a 45% stake in Vodafone Egypt held by Telecom Egypt, with an estimated value of approximately \$1.2 billion.
- The fund is making a significant entry into the U.S. sports industry by investing \$4.05 billion to acquire a 5% stake in a major company that owns the Washington Wizards, Washington Mystics, a sports arena, and other sports assets. The fund will not hold a seat or voting rights on the board of directors.
- The fund, along with other investors, committed approximately \$1.2 billion to SK On, a South Korean electric vehicle battery producer.
- The fund also invested in Kokusai Electric Corporation, a Japan-based semiconductor equipment company.
- In partnership with Temasek Holdings, the fund participated in a €255 million investment in ITM Isotope Technologies Munich SE, a German radiopharmaceutical biotechnology firm.

United Arab Emirates – Mubadala Investment Company

- In Asia, following the appointment of Korean real estate expert Joseph Cha Hoon in 2022, the Emiratis have continued strengthening their investment teams by hiring Korean investment expert Seunggu Ahn as Senior Director for Private Equity.
- The fund plans to invest \$30 billion in Asia. In South Korea, Mubadala has shown strong interest in the country's cloud IT infrastructure market, which is



expected to grow by 15% over the next five years, reaching approximately \$1.9 billion in sales.

Oman – Oman Investment Authority

- Over the next five years, Oman’s sovereign wealth fund plans to invest \$5 billion in the Egyptian market. Its primary focus is on wind energy, including a planned \$1 billion joint venture investment in 2023. The Zaafarana Wind Power Plant and Jabal Al-Zayt Wind Farm are of particular interest.
- The fund has also been directed by the Sultan to launch a new 2 billion Omani rial fund, the “Oman Future Fund,” aimed at supporting private sector growth and strengthening the domestic economy in line with the Sultanate’s Vision 2040.

Saudi Arabia – Public Investment Fund (PIF)

- As part of its efforts to play a significant role in the electric vehicle market, and following substantial investments in the U.S.-based EV company Lucid Motors (in which it holds approximately 60% ownership), the fund invested \$5.6 billion in China’s luxury electric vehicle manufacturer HiPhi.
- The fund acquired 1.07 million shares in solid-oxide fuel cell manufacturer Bloom Energy, increased its holdings in video game publisher Electronic Arts to 24.81 million shares, and expanded its position in Singapore-based internet company Sea Limited to 239.4 thousand shares.
- PIF increased its stake in U.S.-based PayPal by 6.2% while reducing its holdings in Visa by 13.3%.
- To establish a strong presence in the global pharmaceutical manufacturing sector, the fund launched Lifera, a platform aimed at producing life-saving pharmaceutical products and essential medicines at scale within the Kingdom. The initiative seeks to partner with leading international companies.
- In the first quarter, Saudi Arabia’s real GDP grew by 3.8% year-over-year, equivalent to approximately \$74 billion.
- During the same period, the Kingdom’s non-oil private sector grew by 5.4% year-over-year, equivalent to approximately \$44.8 billion.

Based on investment and business activity over the past six months, it is expected that Gulf region investments in Asian markets will continue to increase. Total



investment capital in Asia is projected to reach approximately \$10 trillion by the end of the decade, with an estimated \$1-2 trillion directed toward China.