



The Abu Dhabi Investment Authority owns hotel assets in the UK, such as the London Lanes borough and Gatwick Airport. GCC sovereign wealth funds (SWFs) have accumulated close to \$2.67 trillion at the start of 2015 and constitute more than 37 per cent of global SWFs. — Bloomberg

Oil decline re-emphasises GCC SWFs' diversification

GCC SWFs must diversify within region and across the globe



INSIGHT

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GCC SOVEREIGN WEALTH FUNDS, or SWFs have become the primary state-sponsored financial vehicles for managing national wealth, focusing on investments with higher potential returns.

GCC SWFs have accumulated close to \$2.67 trillion at the start of 2015 and constitute more than 37 per cent of Global SWFs.

UAE SWF is more than \$1.07 trillion, \$763 billion by Saudi Arabia, \$548 billion by Kuwait and \$256 billion held by Qatar. Oman and Bahrain maintain \$19 billion and \$11 billion respectively.

Saudi Arabia has traditionally managed the country's investment of oil surpluses abroad, focusing on low-risk assets such as US treasuries, however has started diversifying in other segments as well. In July 2015 Saudi Arabia's Public Investment Fund, or PIF, agreed to invest \$10 billion over the next five years approximately in the Russia Direct Investment Fund, or RDIF, a government-run investment fund.

The funds from Saudi Arabia would be invested in areas such as infrastructure and agriculture, as well as healthcare, retail and real estate.

Earlier PIF has also established companies on the domestic front such as the Saudi Rail Road Company, the National Company for Unified Procurement of Medicine, Al Elm Information Security Company and the Saudi Stock Exchange.

UAE SWF Abu Dhabi Investment

13%

Adia stake in German property owner Deutsche Annington

Authority, or Adia, owns considerable hotel assets in the UK, such as the London Lanes borough and Gatwick Airport.

In January 2014 Marriott International, sold the London edition, Miami Beach Edition and New York Edition for \$815 million to Adia. Adia has more than 13 per cent stake in German property owner Deutsche Annington, Germany's largest publicly traded owner of apartments.

Qatar's investments are concentrated largely in Western European countries and is worth more than \$65 billion. The most prominent investments in UK are London's Shard Tower, Heathrow airport, Chelsea Barracks and Harrods department store.

In France it includes Le Brantano! stores and La Tanneur leather industries. In Germany it includes Volkswagen, Siemens and Hochtief constructions. Kuwait Investment Authority, or KIA, is an investor in German auto maker Daimler AG. In 2013 the KIA started to invest directly in infrastructure, founding a new London-based subsidiary, Wren House Infrastructure Management, to focus on its infrastructure assets.

The KIA was seeking to invest as

much as \$5 billion directly over the next 3-5 years in infrastructure assets, mostly in the UK.

Since 2013 Omani sovereign wealth fund has planned to grow investment locally through boosting investment in tourism, mining and fisheries and reducing the proportion of its assets overseas to soothe the social discontent.

The fund is seeking to have 70 per cent of its assets in Oman and 30 per cent in other emerging markets. GCC SWFs have focused on emerging economies in recent years on account of surge in their growth and from the opportunities coming therein.

Qatar Investment Authority, or QIA, holds \$2.7 billion worth of shares of Agriculture Bank of China. QIA plans to put as much as \$15 billion to \$20 billion into Asia in the next five years.

Qatar's sovereign-wealth fund plans to set up a \$10 billion investment venture with China's Citic Group as it seeks to diversify from retail and property assets in Europe. Kuwait Investment Authority has increased its investments in emerging Asia and has stake in Agriculture Bank of China.

Adia invests a minimum of 15 per cent and a maximum of 25 per cent in emerging markets. In April 2015 Adia has signed to buy Grand Hyatt Hong Kong, Renaissance Harbour View and the Hyatt Regency Hong Kong for HK\$18.5 billion.

The fall in oil prices is going to impact the fiscal and current account in the GCC region, the fund flows to SWFs and thereby their investment strategies. According to IMF April 2015 outlook, GCC current account surplus expected to fall from \$271.8 billion in 2014 to \$40.2 billion in 2015.

AT A GLANCE...

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➤ **The funds from Saudi Arabia** would be invested in areas such as infrastructure and agriculture, as well as healthcare, retail and real estate.

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Saudi Arabia has a budgeted deficit of \$38.6 billion for 2015 and in July 2015 had issued \$4 billion worth bonds to local banks. Oman's 2015 budget had projected a deficit of \$6.49 billion and will fund through reserves, loans and borrowings.

Qatar's extended budget for 2015 has a surplus of \$1.5bn. Kuwait's 2015-16 has a budget deficit of KD 8.18 bn. Bahrain had a budget deficit of \$2.41 billion in 2014. The drop in oil price has re-emphasised the importance of diversification through creating new sources of income and hence GCC SWFs should carry on the diversification both within the region and across the globe.

The writer is Group CEO of Doha Bank. Views expressed are his own and do not reflect the newspaper's policy.