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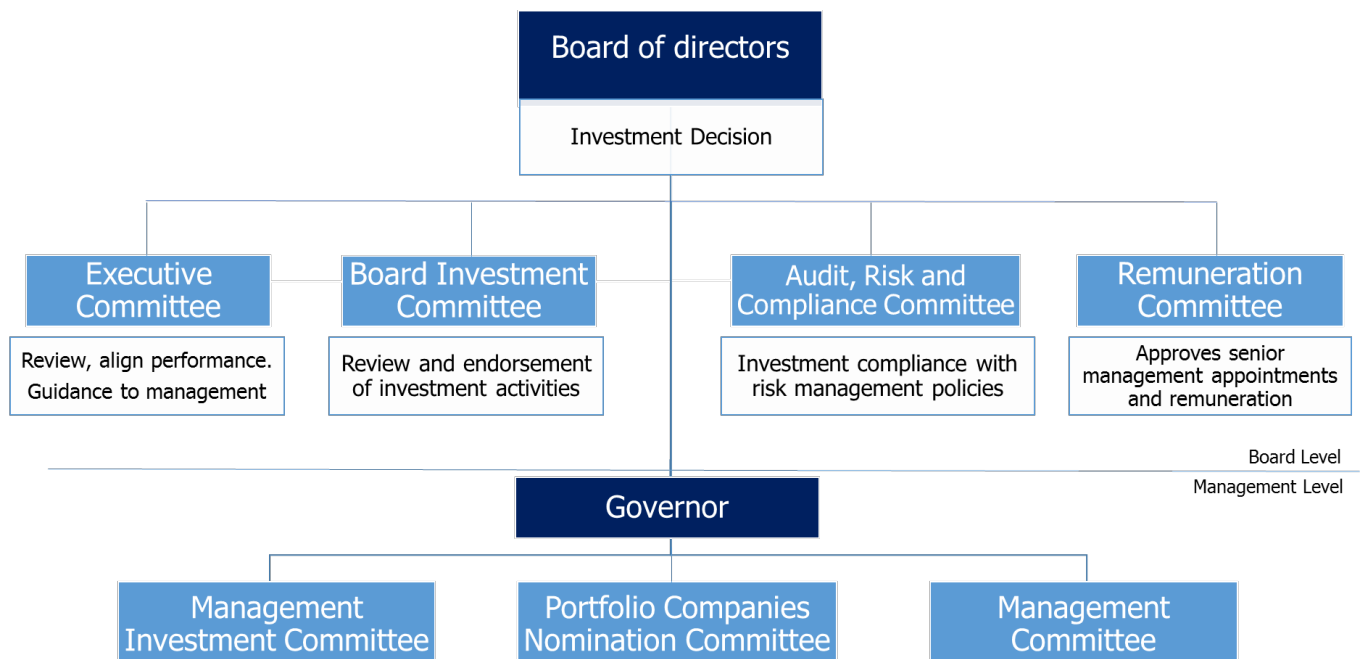
# Cut to the Chase

## Public Investment Fund (PIF)

# WHAT is Public Investment Fund (PIF)?

Public Investment Fund (PIF) is the 11th largest sovereign wealth fund globally, based in Kingdom of Saudi Arabia founded in 1971. It seeks to invest through equity, medium and long-term loans or guarantees and allocation of public funds to large-scale government and private industrial projects. Its Assets under Management (AuM) stands at approximately USD 224bn as of Sep 2017.

## Governance Structure



# WHERE does PIF source its funds from?

- Capital injections from the government into PIF
- Government asset transferred to PIF
- Loans and Debt Instruments
- Retained investment earnings

PIF would also look to divest a portion of the state assets including 5% stake in national oil giant Saudi Aramco which could raise tens of billions of dollars and Saudi Basic Industries Corp.

All the major sectors in Saudi Arabia where state plays development role involves PIF. As a part of diversification plan, PIF would focus on investing in sectors with little to no linkage with hydrocarbons and explore investment opportunities globally. Private sector would also be seeded with investments by PIF.

Crown Prince Mohammed bin Salman's ultimate target is for the PIF's assets under management to reach USD 2Tn.

The following table shows expected returns from various investment pools:

Investment Pool	Expected average annual returns
Saudi Equity Holdings	8.5%
Saudi Sector Development	9.0%
Saudi Real Estate & Infrastructure Development	7.0%
Saudi Giga-Projects	8.5%
International Strategic Investments	8.0%
International Diversified Pool	6.5%

Source: PIF website

## WHAT are the future targets for PIF?

- Grow the assets of the Public Investment Fund to \$400 billion by 2020

In order to climb up the ladder focus should be to increase value of investments by maximizing value of under-utilized government assets.

- Unlock new sectors through the Public Investment Fund

PIF Program is an important catalyst for the Kingdom's economic transformation and for the launch and development of new sectors by creating new companies, new ecosystems, and developing large-scale infrastructure and real estate projects.

- Build strategic economic partnerships

Strategic partnerships will bolster the Saudi Arabia's position on the world stage as a leader and enabler of the future global economy and build its international reputation as a preferred investor and partner of choice.

KPI	Target 2020
PIF AUM	USD 400 Bn
Total Shareholder Return	4-5% (Baseline 3% for 2014-16)
Share of assets in new sectors	20%
New sector assets' direct contribution to GDP	USD 8 Bn
Share of assets in international investments	25% (Baseline of 5% 2017)
Cumulative 3-year contribution of PIF Program to FDIs	USD 5.3 Bn (2018-2020)
Number of new direct high-skilled jobs created	11,000
Investments in cutting-edge technology and in R&D	USD 56 Bn

Source: PIF website

## HOW PIF plan to allocate capital on various projects?

Initiative	Investment Capital (USD Bn)
Giga-Project Initiatives: NEOM Project	500
Soft Bank Vision Fund	100
US Infrastructure Investment Program Initiative	40
Russian Direct Investment Fund (RDIF) Initiative	10
Uber Investment Initiative	3.5
Establishing the Entertainment Investment Company	2.67
Establishing the Saudi Real Estate Refinancing Company	1.34
Establishing The Fund of Funds to Boost SME Funding	1.01
Establishing the National Energy Efficiency Services Company	0.51

Source: PIF website

The PIF also plans to fund megaprojects such as an entertainment complex outside Riyadh by 2022. The fund is also set to launch defence industries and recycling and fuel efficiency companies. It has also committed half the \$1bn capital required to set up Noon, an e-commerce retailer to compete with Amazon in the region.

## References

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5. <https://www.bloomberg.com/view/articles/2017-04-05/aramco-ipo-is-just-the-first-step-for-saudi-arabia>

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# Research Library

## Capital Market Research

- Most Valuable Companies in GCC
- GCC High Margin Industries
- GCC Sovereign Debt Issuances
- Berkshire Hathaway (2015)
- Apple: 5 Questions (Bilingual) (2015)
- Kuwait's new Law on Preference Shares (2015)
- Mother of All IPOs: National Commercial Bank (Bilingual) (2015)
- Kuwait Investment Sector (2012)

## Economic Research

- SME Startup Stories in GCC
- Bitcoin to Blockchain
- Financing Options in GCC
- Are GCC Businesses Leveraging Social Media
- The What of VAT
- FINTECH in GCC
- Kuwait Projects: KWD 10bn Awarded
- Kuwait Economic Themes
- Qatar Economic Themes
- Saudi Economic Themes
- UAE Economic Themes
- Emerging Markets (MSCI) – Threat of a Debt Crisis
- GCC Liquidity Fall
- Is China Stalling?
- Crowdfunding in the GCC: A New Source of Funding?
- Geopolitical and Macroeconomic Implications of the Iranian Nuclear Deal for GCC (Bilingual)
- Kuwait – Dealing with Construction Permits
- Negative Interest Rates
- Central Bank Shocks: What next? (Bilingual)
- Fiscal Breakeven Oil Price (Bilingual)
- Kuwait Electricity Tariff Hikes (Bilingual)
- Swiss Franc (Bilingual) (2015)
- Rising Fuel Prices in Kuwait (Bilingual) (2015)
- GCC Research Knowledge Gap (2014)
- Cloud Computing (2014)
- GCC Free Trade Zones (2014)
- Disruptive Technology: Bitcoins(2014)
- The Internet of Things ! Big Data (2014)
- Kuwait SME's (2014)
- FIFA World Cup 2022: Qatar (2013)

## Industry Research

- Private Equity: GCC
- Brokerage: UAE, Saudi
- Asset Management: UAE, Saudi
- Banking: Kuwait, Saudi, UAE, Qatar
- Contracting: Saudi, UAE, Kuwait
- Education: GCC, Saudi, UAE
- Investment Banking: GCC, UAE
- Healthcare: UAE, GCC, Saudi
- Insurance: GCC, Saudi
- Petrochemicals: GCC, Kuwait Petrochemicals, Saudi
- Retail: Kuwait Luxury Retail, UAE Luxury Retail, GCC Luxury Retail, Saudi Retail, GCC Retail, GCC Online Retail
- Wealth Management: UAE Wealth Management, GCC Wealth Management
- Media: UAE Media, UAE Social Media, GCC Social Media, GCC Media
- Other Industries: GCC Institutional Investors SWF, Saudi Remittance Industry, Saudi Mortgage, GCC Family Business, Saudi Hospitality, GCC Islamic Finance, Offsets in the GCC, GCC Hospitality, GCC Islamic Finance, Metals and Mining, When GCC Women Invest

## Infrastructure Research

- Power: Kuwait, UAE, Qatar, Egypt, Saudi
- Water: Saudi, Kuwait, Qatar
- Ports: Saudi, Kuwait, UAE, Qatar, Oman
- ICT: UAE, Qatar, Saudi, Kuwait
- Aviation: Qatar, Kuwait, GCC Aviation: Full Service Carriers (FSC), GCC Aviation: Low Cost Carriers, UAE, Saudi
- Roads and Railways: Saudi, Qatar
- Real Estate: Qatar Residential Real Estate, Saudi Residential Real Estate, UAE Residential Real Estate, GCC Office Real Estate, Saudi Office Real Estate, GCC Affordable Housing, Kuwait Real Estate (Bilingual) (2015)

## Policy Research

- An Innovation driven Economic Diversification Strategy for Kuwait (KFAS)
- Kuwait – Starting Business
- Kuwait Reforms (series): Education (2015)
- Oil & Gas Markets and the Emergence of New Resources (2014)
- GCC Countries & Asia: Bolstering Energy Ties (2014)
- GCC Energy Strategies: The Way Forward (2014)
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- Kuwait: Private Labor Market (2013)
- Kuwait: Alternatives for Power Generation (2013)
- Kuwait: Sustainable Power Strategy (2012)
- Tools to Strengthen & Support Kuwait's Private Sector (2012)

## Regulatory Research

- Kuwait's BOT law (2014)
- Land Reforms in Kuwait (2014)
- Kuwait's PPP Law (Bilingual) (2013)
- Bankruptcy Law in the GCC (2013)

## Company Reports

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  - Al Rajhi Bank
  - Almarai Group
  - Company for Cooperative Insurance (Tawuniya)
  - Jarir Marketing Co.
  - National Commercial Bank Riyadh Bank
  - SABIC
  - Samba Financial Group
  - Saudi Arabian Fertilizer Co.
  - Saudi Arabian Mining Company
  - Saudi British Bank
  - Saudi Cement Company
- Saudi Electricity Co
- Saudi Telecom
- Savola Group
- TASNEE National Industrialization Company
- The National Shipping Co. of Saudi Arabia (BAHRI)
- Qatar
  - Barwa Real Estate Co QSC
  - Commercial Bank of Qatar
  - Ooredoo
  - Qatar Electricity and Water Co
  - Qatar Insurance Co
  - Qatar National Bank




- UAE
  - Abu Dhabi Commercial Bank
  - Abu Dhabi National Hotels Co
  - Air Arabia
  - Aldar Properties PJSC
  - Arab National Bank
  - Arabtec Holding Company
- Aramex
- Dubai Islamic Banking
- EMAAR Properties
- Emirates NBD
- Emirates Telecom
- First Gulf Bank
- National Bank of Abu Dhabi




## Periodic Reports

- Daily Morning Brief
- Daily Fixed Income
- Kuwait Daily
- Monthly Market Review
- International Market Update
- GCC M&A Report
- GCC Bonds and Sukuk Market
- GCC Corporate Earnings
- GCC WACC
- GCC Stock & Debt Market Outlook
- GCC Regulatory Digest

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