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GCC Asset Management Report 2024 – Executive Summary – Marmore MENA Intelligence

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Executive Summary

The GCC Asset Management industry has substantially improved in the past five years, driven by positive regulatory reforms and the support from governments to achieve the objective of opening up the GCC economies to foreign investment. The improvement is underpinned by the developments in the GCC capital markets, which has resulted in the increase of foreign ownership, inclusions in global indices, and a surge in IPOs and debt issuances.

GCC Asset Management Industry manages mutual fund assets of USD 30.8 bn in more than 200 funds as of March 2024.[1] Geographically, Saudi Arabian mutual funds account for 72.5% of the total (USD 22.3bn), followed by Kuwait mandated funds with 14.9% share. In terms of products, money market/trade finance fund leads the pack with 59.0% share, followed by equity at 34.0% and real estate at 2.0%, while the remainder is in bond market and mixed assets. In terms of the number of funds, Saudi Arabia mandated funds lead the table with 120 funds (57.7%). Product wise, there are 137 equity funds, 44 money market/trade finance funds, 2 real estate funds, 14 mixed asset funds and 8 bond funds.

Mutual fund assets per capita for GCC countries is lower than other emerging markets, implying potential for growth of mutual fund industry. However, structural factors contribute to the for the smaller size of the GCC mutual fund assets. First, large holdings of equity assets are outside the mutual funds in the form of managed accounts. In addition, ratio of market capitalization of GCC equity markets to GDP and the free float market capitalization in the stock markets is lower in GCC compared to other emerging markets.

The GCC asset management market is concentrated among the top asset management companies, with the top 10 asset managers (out of a total of 79 fund managers) accounting for nearly 70% of the total AuM in the fund management industry in GCC region. Likewise, the GCC mutual fund asset management market is concentrated

[1] Based on data as provided by Refinitiv; May not be exhaustive

among the top asset management companies, with the top 10 asset managers (out of 74 managers) accounting for 83% of the total assets being managed.

Equity funds in GCC region, on average, charge 1.87% as fund management fee (annual recurring charge applicable at the expense of the Net Asset Value of a fund) while it averaged 1.69% for money market/trade finance funds and 1.02% for bond funds. This is apart from administration, custodian and performance fees. The ranking of GCC countries in terms of number of funds domiciled indicate that country of domicile relates to the size of each country's asset management industry with only a few exceptions. There were 148 funds domiciled in Saudi Arabia, managing USD 23.2bn in assets, followed by Kuwait with 28 funds, managing USD 4.8bn.

Recently, HNWIs and other investors are showing higher inclination towards local investments amid strengthening macro fundamentals, emerging growth opportunities supported by business-friendly policy initiatives. Emerging alternative investment avenues, fragmented nature of the industry, revenue pressures are some challenges facing the industry. Asset growth and higher fees that had hitherto been driving profitability are fast replaced by cost containment measures.

Geopolitical issues present some headwinds for the asset management industry. But positive oil price outlook, rebound in non-oil activity, pick up in IPO momentum, supportive regulatory measures such as UAE Security and Commodities Authority's new regulations in 2023, which amongst many amendments, introduced new fund categories and limited distribution of foreign funds to professional investors, launch of playbook for the UAE Fund Management Industry favour growth of the industry in the region. Various measures such as improvement in product range, pursuit of M&As, leveraging technology etc. would improve their growth prospects amid favorable policy environment.

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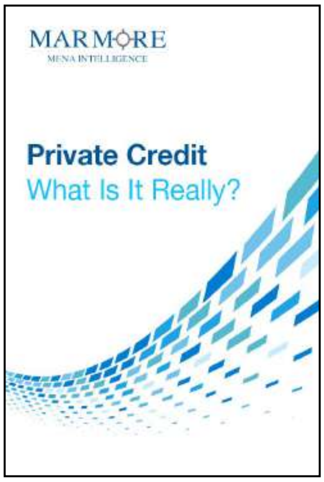

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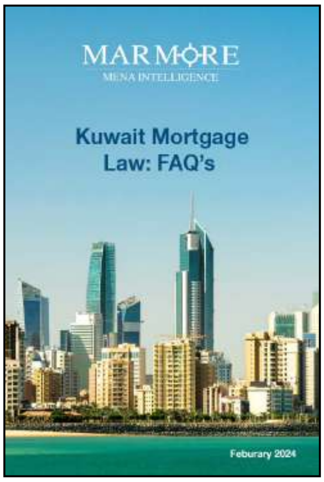

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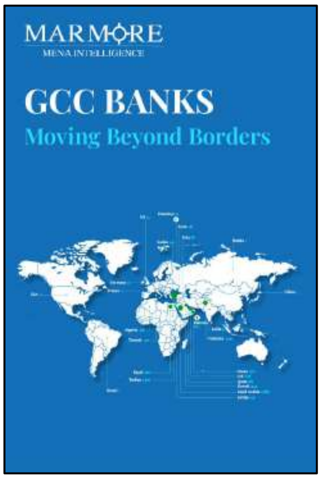

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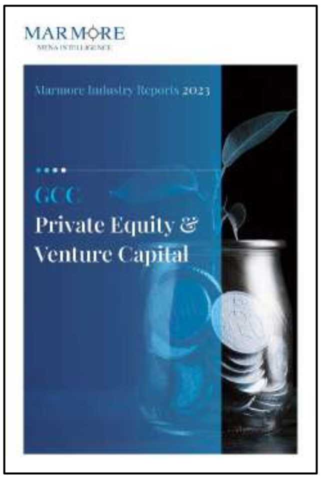

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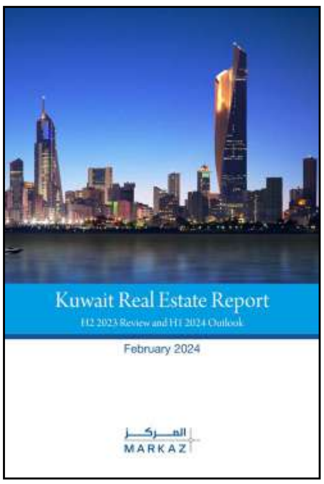

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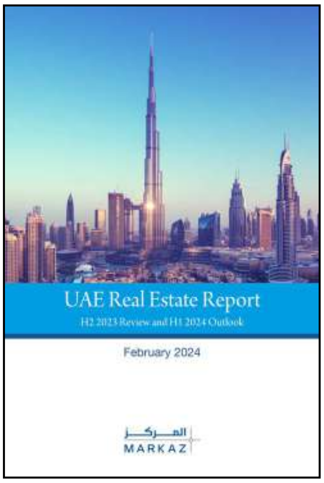

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