

September 2023

Greetings from Washington,

A few years ago, few outside the world of finance were aware of Saudi Arabia's Public Investment Fund (PIF), the Qatar Investment Authority (QIA), or Abu Dhabi's Mubadala. Today, many know them as state-owned investment funds or sovereign wealth funds (SWFs), as they are widely known. With approximately [\\$5 trillion in assets](#), Gulf SWFs have emerged as a formidable force in global finance. Once stealthy and passive investment vehicles for preserving the wealth of future generations of oil-rich economies, Gulf SWFs have become proactive and visible investors seeking to lead global deals. While their primary objective remains to earn outsized returns, they act strategically to diversify their local economies and play a more significant role in international markets.

Since the establishment of the Kuwait Investment Authority in 1953, the first sovereign wealth fund, Gulf SWFs have invested their surplus capital into Western markets and conservative assets such as government and corporate securities, public equities, and real estate. You may not have known it, but you likely purchased goods or rented office space from a company backed by one of these funds. With the rise of private equity and hedge funds at the turn of the century, SWFs seeking higher returns began allocating capital to alternative assets. Today, the riskier asset class of alternatives represents between [23 – 37 percent](#) of the total assets of the top three Gulf SWFs. This foray into a more assertive investing strategy changed their perspective on what is possible. Many began to co-invest considerable sums alongside the best private equity fund managers, exposing them to opportunities and techniques not available in the public markets but, in many cases, more lucrative with less oversight and regulatory burdens.

In recent years, Gulf SWFs have shifted their investment strategies to become sophisticated and more active investors, much like the fund managers they invested in. They are increasingly investing in private equity and more innovative and disruptive technologies, either directly or through venture capital funds. Their investment in building internal talent and attracting top-tier investment professionals has drastically changed their profile and posture. As their capabilities and confidence increase, they are becoming more creative by leading deals where financial and strategic outcomes converge, such as the [PIF's investment in Lucid Group](#). This partnership [resulted](#) in the first EV (electric vehicle) manufacturing plant in Saudi Arabia. Mubadala's Fortress [Investments](#) acquisition is another example that will significantly expand the sovereign wealth fund's capabilities and opportunities in the growing private credit markets while establishing a strong presence in Abu Dhabi. These investments point to a more deliberate strategy to make financial returns while building local industries. This marks a shift from the days they invested in Softbank's Vision Fund, plowing hundreds of billions of dollars for someone else to manage.

Aside from their global investments and partnerships, several Gulf SWFs are mandated to build local industries. PIF is the most active, taking a leading role in developing several key sectors, including tourism, aviation, construction, and sports, to name a few. ADQ in Abu Dhabi is adopting a similar strategy with investments in food and agriculture, tourism, energy, and logistics. While there is a concern about crowding out the private sector, Gulf SWFs find it necessary to build capital-intensive industries, at least during the early stages, to accelerate transformation and diversification. Time will tell whether they divest these assets through local public markets and reduce their ownership to increase competitiveness in the market. They are also responsible for developing the local entrepreneurial ecosystem through investment and educational initiatives. While the figures pale compared to their global investments, they are making a concerted effort to build a local venture capital industry capable of lubricating a startup pipeline that will lead to initial public offerings on local exchanges.

In the next decade, we will witness the shift of Gulf SWFs as they manage more of their money directly to increase their financial and strategic outcomes. While they see this as a natural step in their evolution, others may interpret their new strategy through a political lens, as we have seen recently with the [LIV Golf and PGA Tour partnership](#). Gulf SWFs must navigate carefully and transparently to execute their investment strategy, as politics will undoubtedly challenge their ambitions. The U.S. has already increased its scrutiny of new deals and may effectively limit investments in U.S. assets in the name of national security. This approach may accelerate their eastward shift as several Gulf SWFs are already increasing their allocation to China and India, where their capital may be more required and welcomed. While challenges and risks are associated with the growing influence of Gulf SWFs, a balanced approach is needed, given they are significant investors in major U.S. industries and investment funds. With many countries struggling to clean up their finances after the pandemic, an uncertain global economy in transition, and tightening monetary policy reducing risk appetite, Gulf SWFs may be the only answer for many needing large sums of capital. The headline in a recent Wall Street Journal article sums it up: ["The Middle East Becomes the World's ATM."](#)

Sincerely,

Amjad Ahmad
Chairman, empowerME
Rafik Hariri Center for the Middle East
Atlantic Council

Upcoming Events

Atlantic Council empowerME

WOMEN'S ECONOMIC PARTICIPATION AND ITS IMPACT ON HEALTHCARE IN SAUDI ARABIA

Wednesday, October 18
12:00 p.m. (ET); 7:00 p.m. (KSA)

#WinFellowship

The Atlantic Council's [empowerME initiative](#) is hosting a hybrid [Win Fellowship workshop](#) to catalyze a nuanced dialogue on the shifting roles of women in Saudi society and their impact on the healthcare sector on **Wednesday, October 18th at 12 pm ET, 7 pm KSA**.

This workshop is part of the Win (Women Innovators) Fellowship, led by the Atlantic Council's empowerME Initiative in cooperation with Georgetown University's McDonough School of Business with support from US Embassy Riyadh and PepsiCo. The American Chamber of Commerce Saudi Arabia's Women in Business Committee is the program's in-person event partner.

[Register Here](#)

Atlantic Council empowerME

THE IMPACT OF FINTECH ON WOMEN'S FINANCIAL INCLUSION

Wednesday, November 1
11:00 a.m. (ET); 6:00 p.m. (Bahrain Time)

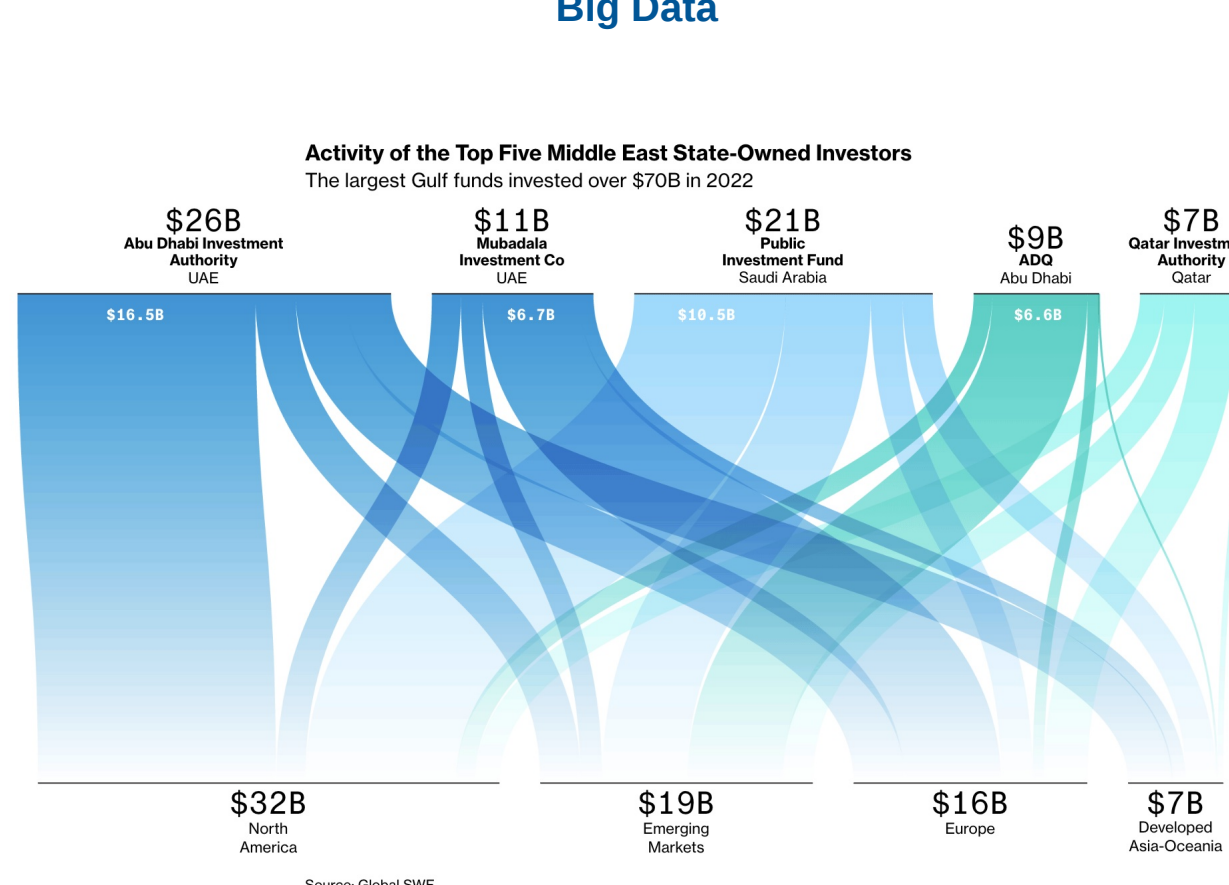
#WinFellowship

The Atlantic Council's [empowerME initiative](#) is hosting a hybrid [Win Fellowship Workshop](#) to discuss factors that enable women entrepreneurs to succeed and the obstacles they encounter in Bahrain's fintech industry on **Wednesday, November 1st at 11:00 am ET, 6:00 pm Bahrain Time**.

This workshop is part of the Win (Women Innovators) Fellowship, led by the Atlantic Council's empowerME Initiative in cooperation with Georgetown University's McDonough School of Business with support from US Embassy Manama. Bahrain FinTech Bay is the program's in-person event partner.

[Register Here](#)

Big Data



Big Question

Are SWFs playing an effective role in investing their funds while building local economies?

Omar Al-Ubaydli
Director of Studies & Research
Director of Economics & Energy Studies
Bahrain Center for Strategic, International and Energy Studies (DERASAT)

"Gulf SWFs like to keep their cards close to their chest, making it difficult to appraise their activities. Engaging the public more openly about their strategic goals and their activities would potentially allow them to leverage the benefits of more brains contributing to their investment decisions, but this would have to be balanced against the perceived benefits of maintaining the confidentiality of their actions."

"An emerging trend we're seeing with regard to SWFs is how they're increasingly being dispatched toward the energy transition. Countries that leverage their SWFs to either stand-up or scale, say, infrastructure for renewable hydrogen production, storage, and transportation infrastructure, CCUS, or carbon-free electricity, for instance, are not only diversifying their domestic economies and improving local public health outcomes, but are laying the groundwork for continued replenishment of their SWFs via "new energy" exports."

Mona Dajani
Partner - Global Head of Renewables, Co-Head of Global Energy & Infrastructure and Head of Hydrogen & Ammonia Practice groups
Shearman & Sterling LLP

Alia Moubayed
Managing Director
Fixed Income Strategy
MENA & Pakistan Chief Economist
Jefferies

"SWFs help GCC economies on two fronts. On the one hand, they generate a diversified stream of investment income from externally acquired assets and bolster non-oil fiscal revenues. On the other hand, they helped expand investment acting as a catalyst for economic growth and job creation in both the public and the private sector. Continued improvement in the transparency and governance of SWFs is critical to maintain an open and stable investment climate in the region and globally."

"Sovereign wealth funds in the GCC have a very positive impact on domestic economic growth, by helping to drive foreign direct investment and providing funding for local businesses to flourish on a global stage. The importance of their international and domestic investment will only grow in the years ahead as the pace of global competition picks up."

Amr Nosseir
Senior Advisor
Clayton Dubilier & Rice

Big Reads

- [Abu Dhabi throws a surprise challenger into the AI race](#) (The Economist)
- [Unleashing Mideast Fintech](#) (International Monetary Fund)
- [Start-ups will help the UAE double its GDP by 2031, Ministry of Economy says](#) (The National News)
- [The Middle East Becomes the World's ATM](#) (The Wall Street Journal)
- [Egypt Buys Oil Hedge to Stave Off Volatility as Economy Squeezed](#) (Bloomberg)

About empowerME

empowerME is changing the conversation about the Middle East by focusing on economic prosperity. Watch this video to learn more about empowerME and its unique chairman, regional venture capital pioneer Amjad Ahmad.

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[empowerME](#) shapes solutions to empower entrepreneurs, women, and the private sector and builds influential coalitions to drive regional economic integration, prosperity, and job creation.

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