

Cut to the Chase Public Investment Fund (PIF)



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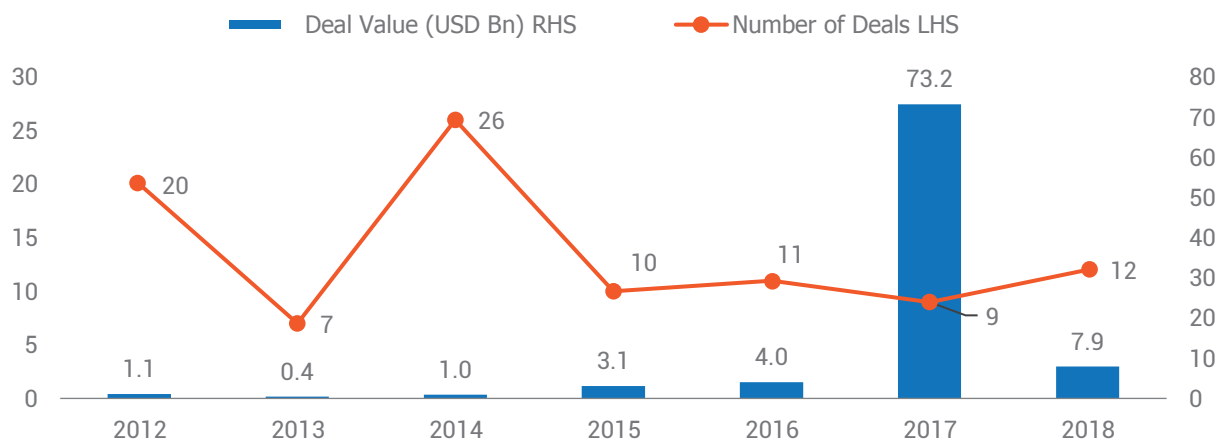


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WHAT is the Public Investment Fund (PIF)?

Public Investment Fund (PIF) is the 10th largest sovereign wealth fund in the world, owned by the government of Saudi Arabia. The fund, which was founded in 1971, 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. The fund has gained traction lately, as Saudi Arabia's Crown Prince Mohammed bin Salman has chosen it to spearhead his vision of modernizing the domestic economy. The transformation of the fund into one of the world's most active Sovereign Wealth funds took place under his supervision, with a noticeable uptick in deals since 2015. The PIF also hosted an annual event named Future Investment Initiative (FII) or "Davos in the Desert" starting from 2017 to discuss trends in the world economy and investment environment. The Assets under Management (AuM) of the Public Investment Fund stands at approximately USD 360bn as of Oct 2018.

Saudi PIF Deals



Source: SWF Institute, Bloomberg

The PIF has now become central to the government's effort to diversify the economy away from oil, under Saudi Arabia's Vision 2030. In the three years since Crown Prince Mohammed increased his involvement in the fund's operations, the PIF has invested heavily both at home and abroad in companies including Uber, Magic Leap, and in ventures with Blackstone and SoftBank.

WHERE does the PIF source its funds?



Capital injections from the government into PIF

Government asset transferred to PIF

Loans and Debt Instruments

Retained investment earnings

The PIF also expected to raise a significant amount of funds through the divestment of a portion of the state's assets including 5% stake in national oil giant Saudi Aramco and Saudi Basic Industries Corp. However, the plans faced a setback as the potential IPO of Saudi Aramco, which was expected to take place in the second half of 2018, was postponed as it failed to reach the expected valuation of USD 2 trillion. Recently, Prince Mohammed mentioned that the IPO would take place in 2021.

WHAT are the future targets for 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. Development of the domestic non-oil sector and increasing private sector participation in the economy remains one of the key investment mandates of the fund. Crown Prince Mohammed bin Salman's interim target is to increase the assets under management of the PIF to USD 600 billion by 2020. The fund also envisions to unlock new sectors that would be strategically important in the development of the economy and also build strong partnerships internationally.

KPI	Target 2020
PIF AUM	USD 600 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, Prince Mohammed's interviews

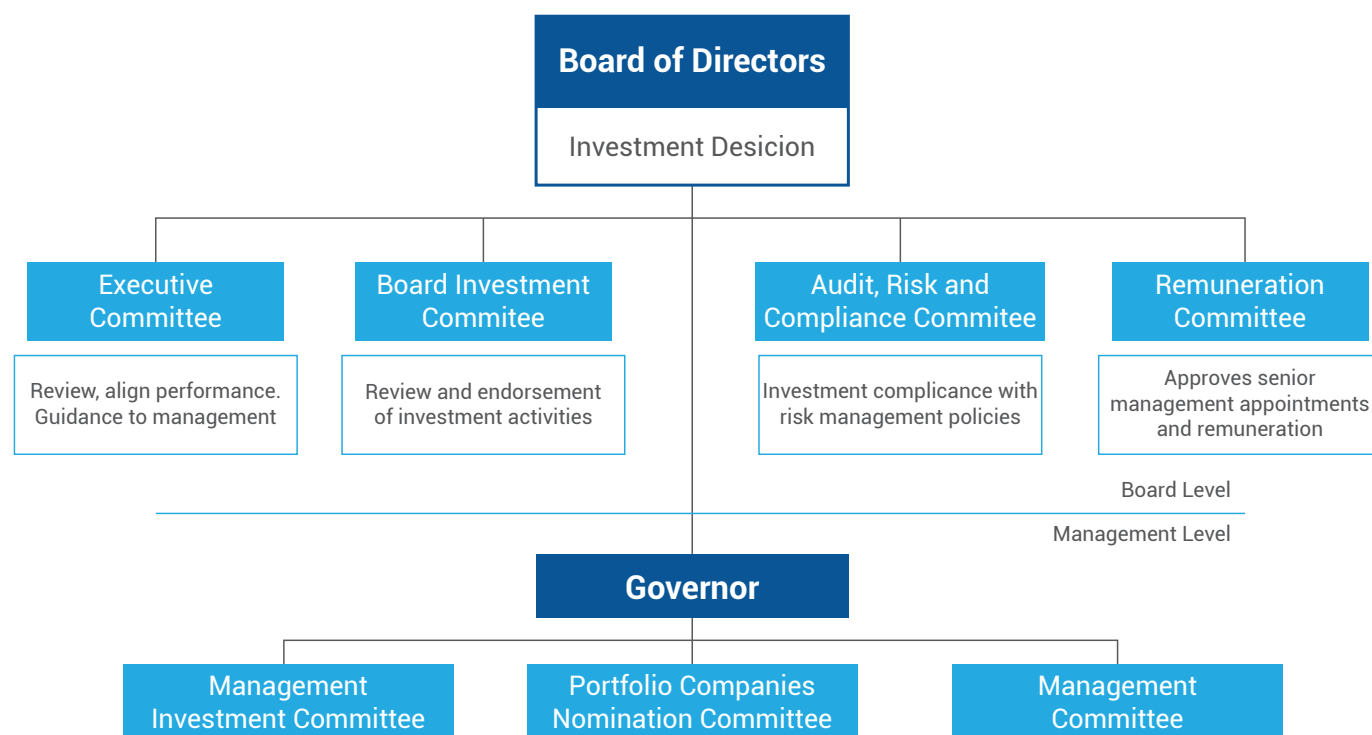
WHAT PIF plans to allocate capital on various projects?

The PIF plans to make large investments both in domestic and international projects. Lately, it has been heavily involved in projects related to transportation technology. The PIF is in talks with electric car manufacturer Tesla Inc. to acquire a 5% stake valued at nearly USD 2 billion. In addition, it plans to invest USD 1 billion in Tesla's rival Lucid Motors. The PIF 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 committed half the USD 1bn capital required to set up Noon, an e-commerce retailer to compete with Amazon in the region.

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

Appendix



References

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About marmore

Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making

Our aim

Advocate intellectual research on MENA economics, businesses and financial markets and provide customized, actionable solutions.

Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

Published research

Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

