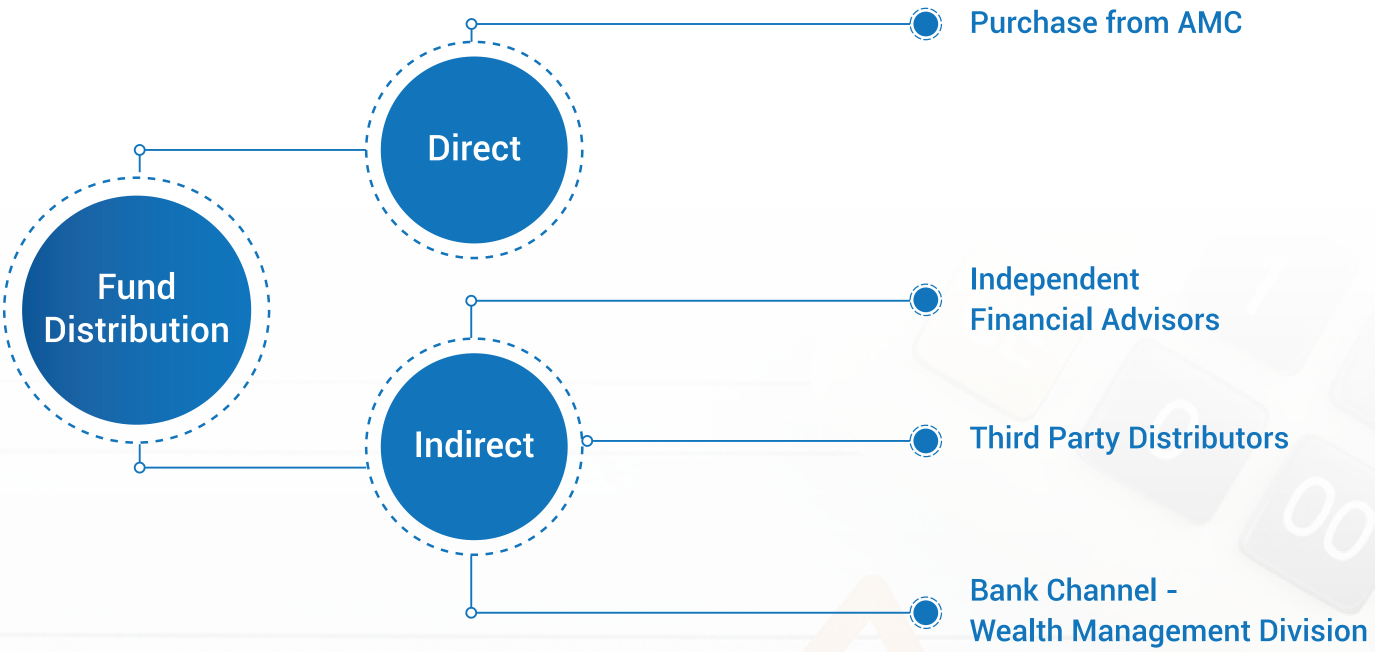
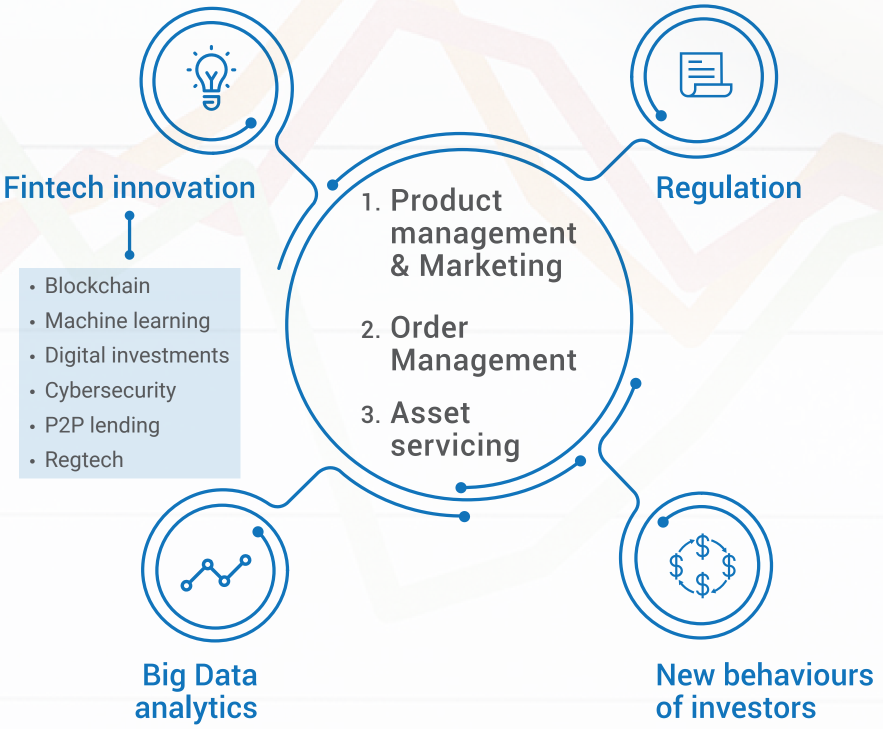
April 2019

GCC Asset Management



Research Highlights

Analyzing the state of GCC asset management industry in terms of market size, fund performance, regulations and operational challenges.



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Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please *click here*)

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Executive Summary

GCC Asset Management Industry manages mutual fund assets of USD 27.8billion in about 287 funds as of October 2018. Geographically, Saudi Arabian mutual funds account for 78.8% of the total (USD 21.97bn), followed by Kuwait mandated funds with 10.2% share. In terms of products, money market/trade finance fund leads the pack with a 63.9% share, followed by equity at 30.3% and real estate at 3.8%, 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 158 funds (55.1%). Product wise, there are 200 equity funds, 38 money market/trade finance funds, 30 real estate funds, 12 mixed asset funds and 7 bond funds.

AUM /GDP ratio for the mutual funds in GCC region was 1.9% compared to 15.3% global average, implying potential for growth of mutual fund industry in the region. Consequently, the industry also has potential for job creation as its ecosystem provides many white-collar job opportunities. However, there are also structural reasons for the smaller size of the GCC equity mutual fund assets. First, in the region large holding of equity assets are outside the mutual funds like portfolio managed accounts and Pension Fund and Insurance equity assets. In addition, the market capitalization of GCC equity markets is lower compared to world averages and the free float market capitalization in the stock markets is lower in GCC compared to global markets.

The GCC mutual fund asset management market is concentrated among the top asset management companies, with the top 10 asset managers (out of 101 managers) accounting for 75% of the total assets being managed. NCB Capital leads the list of asset management companies with USD 7.72bn in assets (27.7% market share), followed by Samba Capital and Investment Management Co with USD 3.1bn in assets (11.2% share).

Equity funds in GCC region, on an average, charge 1.59% as fund management fee (annual recurring charge applicable at the expense of the Net Asset Value of a fund) while it averaged 0.55% for money market/trade finance funds and 0.69% for bond funds. This is apart from administration, custodian and performance fees. The management fee for large size equity mutual funds (with AUM > 1.0 US $ billion) is 1.46% but is much higher at about 1.61% for medium and small size mutual funds. Saudi equity funds charge the highest management fee at 1.7% followed by Kuwait at 1.4%. The fees in the region are higher compared to developed markets like the U.S.A. possibly due to their comparatively smaller size.

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 252 funds domiciled in Saudi Arabia, managing USD 25.2bn in assets, followed by Kuwait with 40 funds, managing USD 4.2bn.

Considering that local investors make up the bulk of participants in GCC funds, local markets tend to suffice as domiciles for these funds, with respective countries being the most popular choices. Demand for 'Sukuk' (Islamic bond) as an asset class has been on the rise even among conventional fund managers who are increasingly looking at this option as the debt here is fully backed by real assets.

Market volatility and increased political risk has kept risk-averse clients away from the market, resulting in stagnant industry AUMs. Smaller funds sizes and evolving regulations, which vary from country to country, have constrained business growth. Asset growth and higher fees that had hitherto been driving profitability are fast replaced by cost containment measures. Negative returns in GCC Stock Markets over past 5 years and underperformance of the mutual fund industry compared to index returns may have negatively affected equity mutual funds' growth.

However, during the months leading to the inclusion of UAE and Qatar into the MSCI EM index in 2014, there was a significant uptick in foreign inflows into both countries. The inclusion was estimated to have brought additional foreign inflows of close to USD 800 million for UAE and Qatar combined. A similar uptick in liquidity and capital inflow is expected for Saudi Arabia and Kuwait markets with passive inflows worth close to USD 10bn and USD 900mn respectively.

Our study shows, that mutual fund industry in GCC is smaller in size in comparison to that in other global markets. It has potential to grow larger in the future, if the governments in these countries take steps aimed at attracting more retail investors. Investment in financial assets, increasing the market cap of the local equity markets with more equity listings would help. More investment opportunities for private investors including mutual funds, and selling part of the equity investments held by sovereign funds in favor of retail investors will open more investment avenues to mutual funds investors.

Mutual Fund Industry Worldwide and what it portends for GCC[1]

Worldwide Mutual funds continue to be among the most popular investing tools for both individual and professional investors who seek to access a broad range of investments rather than purchase stocks or bonds individually.

The mutual fund growth potential in GCC can be understood from increasing investor population in these countries. As an example, the Saudi Capital Market Authority (CMA) has revealed that the number of women investing in the Saudi stock market reached more than one million by the end of the third quarter of this year.

The total number of investors in the Saudi stock market was 4.72 million by the end of the third quarter of 2018 against the country's total national population of about 20 million. In contrast, in mid-2018, 56.0 million, or 43.9 percent of 127.6 million US households, owned mutual funds. In a market like USA, with a per capita GDP of around US$ 60,000, median per capita mutual fund holdings were $55,000.

The per capita mutual fund assets in a few other countries is given in the figure below.

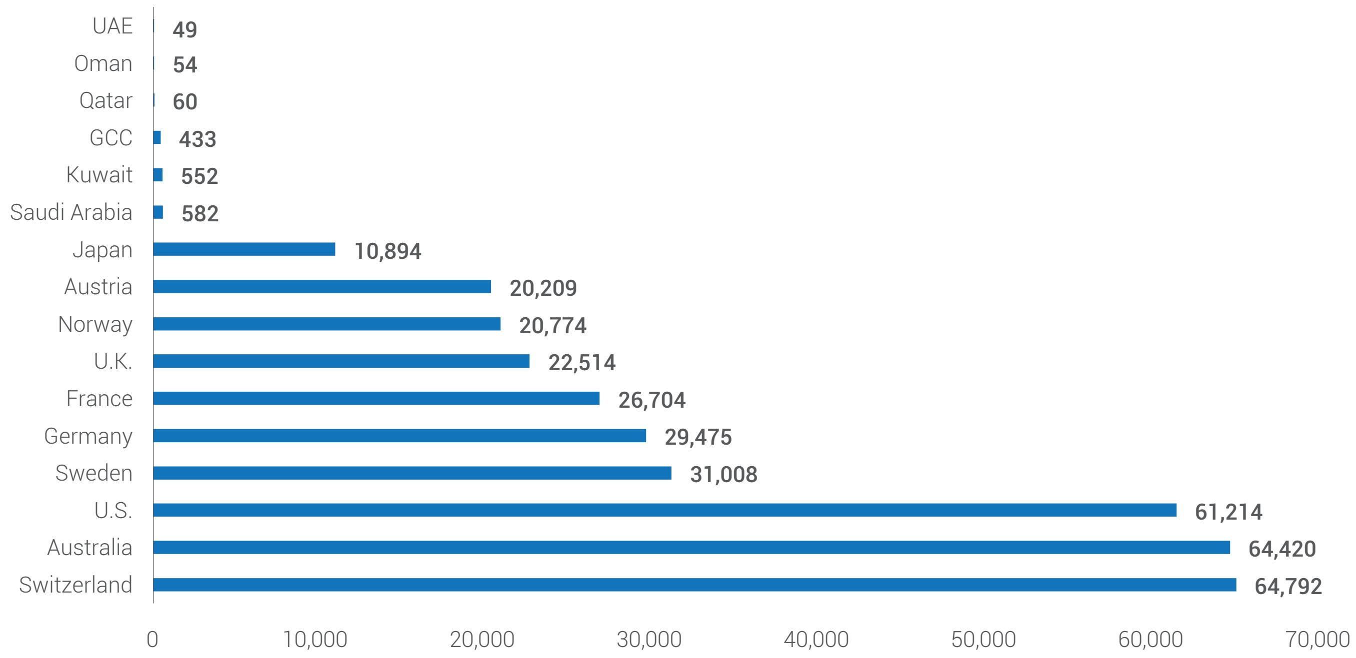
In markets like US and many other countries, the Mutual Fund ecosystem principally covers asset management companies (AMCs), fund accountants, exchanges, depositories and depository participants, registrar and transfer agents, couriers and postal agencies, channel partners, mutual fund utilities, payment aggregators, multiple banks, and others.

Innovations in distribution have contributed significantly to the growth of the mutual fund industry in recent years. In GCC, traditionally, financial institutions offered a limited product range— banks offered checking and savings accounts, bank mutual funds offered stocks and bonds, and insurance companies offered insurance. In recent years, however, a new financial landscape has emerged. Mutual funds are now primarily available from six distribution channels: full-service brokers, insurance agents, financial planners, banks, and directly from the banks and private mutual fund (AMC) companies.

The growth of the mutual fund industry in the GCC can be a good vehicle to create more white-collar jobs like investment advisory, intermediaries like agents, product marketing executives and wider spread of financial and investment journalism, in these countries. In U.S, the mutual fund employment per investing household is 3178 per million investing households.

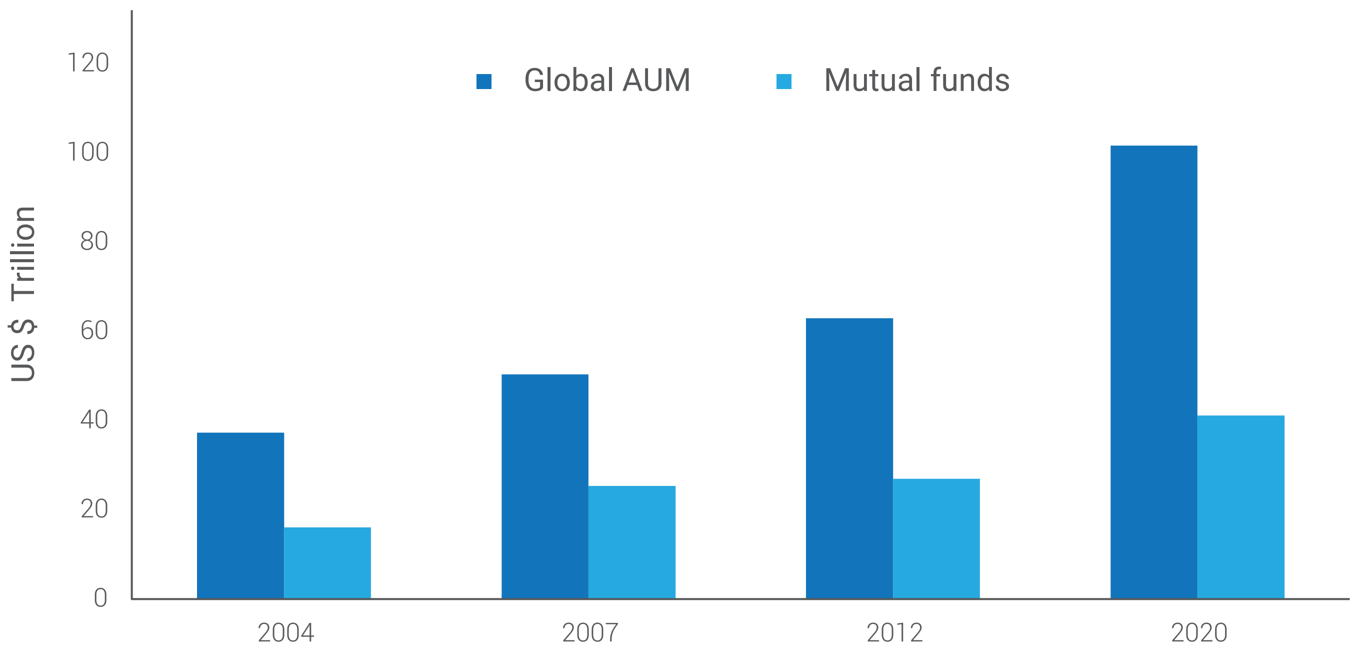
[1] *Our study exclude mutual fund investments through Employer Sponsored Retirement Plans*

Figure 1.1: Mutual Fund Assets per Capita (in Euros)



Source: Statista, Latest available, Data for GCC countries are 2018 estimates.

Figure 1.2: Global Trend - Mutual Funds Vs Global AUM



Source: Reuters, Marmore Research | Global assets under management consists of assets held by asset management firms, part of pension funds, sovereign wealth funds, hedge funds, HNWIs and private equity funds.

Globally, the Mutual fund assets are more than 40% of the total AUMs as per a PwC study as shown below.

Table 1.1: Global trends in Mutual Funds Vs Total AUM

Year (values in USD trillion)	2004	2007	2012	2020
Global AUM	37.3	50.4	63.0	101.7
Of which Mutual funds - Value	16.1	25.4	27.0	41.2
Mutual funds as % of AUM	43.2%	50.4%	42.9%	40.5%

Source: PwC analysis. Past data based on Hedge Fund Research, ICI, Preqin, Towers Watson and The City UK.

GCC Mutual funds vs Total AUM

Year (values in USD Billion)	2018
AUM (excluding sovereign funds)	655
Of which Mutual funds - Value	28
Mutual funds as % of AUM	4.3%

Source: Reuters, Marmore research

In the GCC, the Mutual fund assets is comparatively small at US $ 27.8 billion and of this, the equity assets are only about US $ 8.5 billion. In GCC, the holding of available equities in the capital market is concentrated in managed accounts (Portfolio Accounts) or held by Pension Funds and Insurance Assets. This maybe be one of the main reasons for the small size of the mutual fund industry in the region. Another reason for the relatively low mutual fund assets is the low ratio of market capitalization of equity markets to GDP in the GCC of 65.8% compared to similar ratio of 165.7% for USA and world average of 112.3% in 2017. However, the ratio for GCC can be expected to get a fillip once the mega IPO of Aramco in 2021 in Saudi Arabia happens. Finally, the poor returns given by the GCC Stock Markets in recent years, the underperformance of the GCC mutual fund industry compared to benchmark index returns and the comparatively higher management fee of the GCC mutual funds are hurdles to growth of the mutual fund industry.

Another constraining factor for GCC mutual fund industry is that the average Free Float Market Cap in GCC Equity Markets (i.e. excluding shares held by insiders, promoters and government from the total market cap) is low at 47% compared to around 95.8 % for S & P 500 in USA. This gap can be narrowed by sale of part of sovereign assets by GCC governments to GCC retail investors and GCC mutual funds.

All in all, international comparisons do point towards the potential for long term growth of the mutual fund industry in the GCC , by encouraging higher retail investments to flow into mutual funds through enabling policies by governments, better fund performance by the mutual funds, more equity listings like that of ARAMCO which will increase the market capitalization, and divestment of sovereign funds of their holdings in existing listed companies (the sovereign funds can thereby recycle their funds to other new investment projects) in favor of retail investors and mutual funds. In the immediate term, the GCC equity markets performance that has been low or negative in the recent past will be a negative that will hamper the growth of the mutual fund industry.

Industry Architecture

The Asset Management Company (AMC) is broadly the interplay of below factors and achieving success among all fronts would enable the firm to weather crisis and help establish it for the long haul.

Research

Blue chip stocks account for majority of the index capitalization in most of the GCC markets. For instance, Qatar National Bank (mcap USD 50bn) and Qatar Industries (mcap USD 22bn) together account for 52% of the Qatar Index market capitalization which stands at USD 140bn. Saudi Arabian Basic Industries Corporation (SABIC) commands a market capitalization of USD 92billion, which is larger than the entire market capitalization of Dubai, Muscat and Bahrain index. The GCC region lacks sufficient number in terms of research providers and few brokers are active across multiple countries in the region.

Analyst coverage

Cap breakdown	Kuwait	UAE	Qatar	Saudi Arabia
Number of large cap stocks	13	23	12	34
Number of mid cap stocks	14	14	13	21
Number of small cap stocks	156	84	18	117
Large Cap Analyst Coverage	6	18	9	29
Mid Cap Analyst Coverage	9	10	9	18
Small Cap Analyst Coverage	6	11	2	37
Total Analyst Coverage as a % of all stocks in the exchange	**11.5%**	**32.2%**	**46.5%**	**48.8%**

Source: Reuters

The few companies, which dominate the index in representation, also dominate in trading volume. In addition, most country indices are skewed in their sectorial representation with financial sector dominating the index in most GCC countries.

Table 2.1: Skewed Sectorial Representation

Country	Indices	Market Cap by Sector*
Saudi Arabia	TADAWUL	Financials – 35.5%, Basic Materials - 33.7%;
Qatar	All Share Index	Financials - 53.1%
Kuwait	All Share Index	Financials - 59.7%
Oman	Muscat	Financial, Utilities & Telecom - 76%
Bahrain	All Share Index	Financials - 69.5%
UAE	Abu Dhabi	Financials – 50.1%, Communication services – 32.9%
	Dubai	Financials – 46.5%, Real Estate – 34.4%

*Source: Marmore Research, *Data as of Nov, 2018*

Product Range

There were few options for a/retail investor in the GCC region; most funds and portfolios dealt with plain "vanilla" products like equity mutual funds. Fixed Income is only now gaining popularity as an investment opportunity, but even then, most investments are held to maturity and little-to-no secondary trading is available on these products. Today, however in GCC, investor options include a wide variety of mutual fund assets like equity funds, Sharia compliant equity funds, sector funds like financial institutions sector fund and cement sector fund, Murabaha Finance Funds, Sukuk Funds, International Equity Funds, Multi-Asset Funds, Exchange Traded Funds, REITs Funds, Growth and Income funds, Real Estate Income funds, Healthcare Trading funds, IPO Funds, Residential Developments Fund, Small & Midcap funds, and Multi Asset Conservative Fund.

A few derivative instruments have been brought to market; Kuwait Financial Centre "Markaz" has operated the Forsa Fund since 2004, which issues Call Options on Kuwaiti listed stocks. However, most Islamic markets have shunned derivatives as it is in direct conflict with the basic principles of sharia, such as riba (usury), gharar (uncertainty) and maysir (speculation). Muslim population accounts for 26% of the world, while sharia compliant assets are less than 1% of world's financial assets[2], implying there is huge opportunity yet to be tapped.

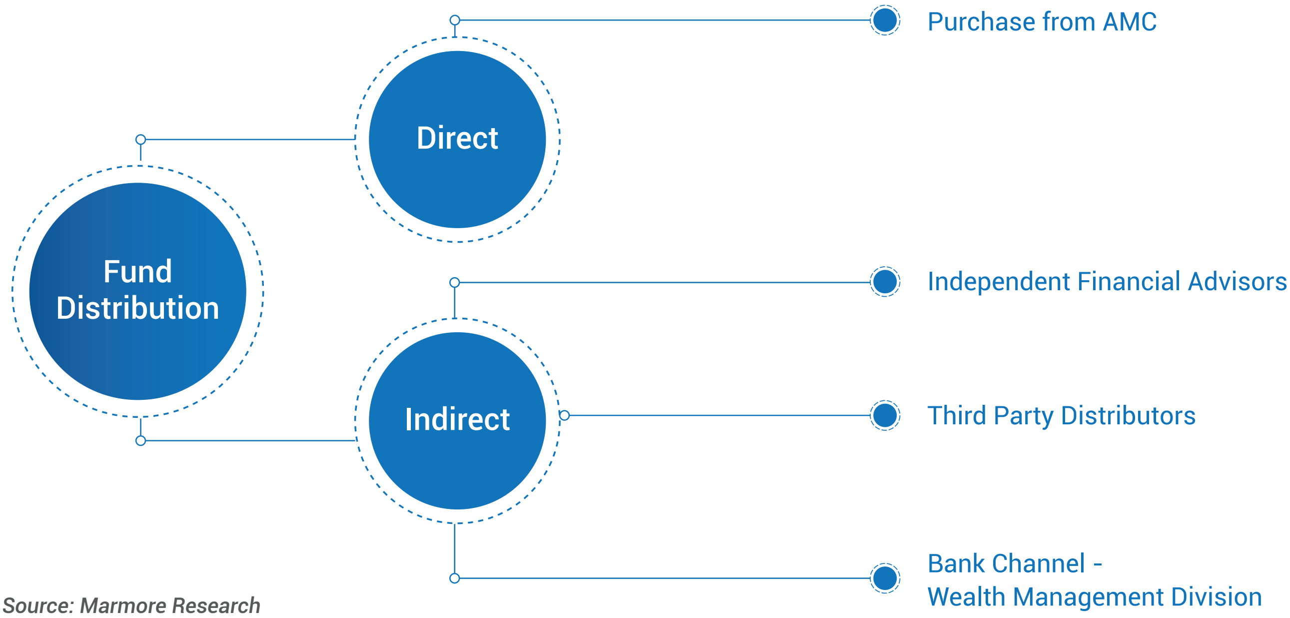
GCC Asset management industry also needs to evolve to keep up with the current times. Despite Baby boomers (born between 1945 and 1960) and Gen-X (born between 1961 and 1980) accounting for higher wealth share at the moment, fund houses must focus more on the growing Gen-Z population (born after 1995) as the former's needs are already been well taken care of by now and hence may represent a dwindling opportunity for GCC asset management houses. Products must be tailored towards Gen-Z, who are more tech savvy, flexible, more risk taking, and social media friendly. Use of technology in areas like customer profiling, portfolio options, product evaluation, performance reporting, etc. would be beneficial in this regard.

Marketing/Distribution of Funds

Distribution of funds is as important as the performance, as ease of access and ability to track investment is of importance to the investor. Distribution of funds can be through direct or indirect channels. Direct channel involves straight purchase from the fund AMC and is the most cost effective way. However, given the fact that wide varieties of funds are available, customer may not be able to choose the appropriate fund on his own, given his objectives and constraints. Indirect channel is the most preferred way through which common investor makes his fund purchases. The marketing & promotion of MF is weak in GCC, it can be improved with Technology, and MFs can benefit therefrom.

[2] *KPMG*

Figure 2.1: Fund Distribution Network



Source: Marmore Research

Banks Channel forms the backbone for fund distribution in GCC region. Bank customers often are the target group to whom funds are sold. AMCs often enjoy exclusive access to its parent bank group distribution network.

Independent financial advisors, who advise and assist in tax planning /wealth management strategies for a fee, have found much success in UAE especially among the vast expat community. However, this could be attributed to the investing needs of expat community in their home country funds rather than funds focused on GCC as their geography.

Third party distributors have their own infrastructure and work force to handle the necessary paper work to carry out purchase/redemptions request. Third party distributors help in serving investors who are spread across geographies including semi-urban or scarcely populated geographical areas. Nourishing third party distributors would help in establishing last mile connectivity and enhance the penetration of funds geographically in the long run.

We believe that as market matures, multi-channel mode of distribution would be embraced and consequently the accompanying distribution costs to fall, as has been the case in developed markets. Distribution costs for equity funds on an average fell by 73 percent while that of bond funds fell by 60 percent in US between 1980 and 2001[3].

Operational Support

While the above measures dealt with revenue enhancement for the firm, operational support ideally targets cost containment for the business. This could be achieved by exploiting synergies among operations. Weeding out unnecessary funds and funds with smaller AUM, which adds complexity to the operations, could aid in cost containment. Back office activities such as fund accounting, account reconciliation that are not part of

[3] *Investment Company Institute: MF Distribution Channels and Cost*

core activities could be outsourced. Embracing technological advances such as deployment of cloud based solutions and on-demand servers could enhance bottom line. Increased frequency of reporting, greater transparency of holdings and enhanced disclosures could be made possible with technological adoption.

Leadership Position

The GCC asset management market is concentrated among the top asset management companies, with the top 10 asset managers (out of a total of 101 fund managers) accounting for 75% of the total fund management industry in GCC region.

Table 2.2: Top Asset Managers in each Geographical Focus[4]

Geographic Focus	Fund Manager	AUM (USD mn)	Market Share*	No. Of Funds	Dominant Asset Class, as % of its AUM
KSA	NCB Capital	7,618	35%	11	Money market, 77%
Kuwait	Kuwait Financial Centre (Markaz)	972	34%	5	Equity, 74%
Oman	Bank Muscat	257	98%	3	Equity, 88%
UAE	Emirates NBD	364	62%	2	Real Estate, 78%
Qatar	Credit Suisse Fund Management	141	74%	1	Bond, 100%
GCC	SEDCO Capital	212	10%	2	Money Market, 76%

*Source: Reuters, Marmore research | * Market Share is calculated on the basis of funds under management to overall AUM for that geography*

NCB Capital leads the list of large asset management companies with USD 7.72bn in assets (27.8% market share) regionally followed by Samba capital & investment management co. with USD 3.1bn (11.2% market share).

In terms of geographical focus, different asset managers make it to the top spot in each of the geography. NCB Capital dominates Saudi Arabian fund management industry with 35% market share. While Oman is a monopolistic market, few players who dominate the market characterize markets such as UAE and Qatar. Kuwait and Saudi Arabia market remain the most competitive.

Cost

Equity funds in GCC region, on an average, charge 1.59% as fund management fee (annual recurring charge applicable at the expense of the Net Asset Value of a fund) while it averaged 0.55% for money market/trade finance funds and 0.69% for bond funds. This is apart from administration, custodian and performance fees.

[4] Funds with geographic focus specific to the region are used to compute the AUM. The total AUM managed by these fund houses can be different and higher due to managed accounts (discretionary and non-discretionary), custody assets etc., which have not been accounted in the study.

Saudi equity funds charge the highest management fee at 1.69% followed by Kuwait at 1.44%. Management fees for fixed income and money market/trade finance funds are much cheaper. Saudi money market/trade finance funds on the average charged 0.5% management fees. The average management fee of GCC equity mutual funds is higher than that in developed countries like U.S.A.

The Management Fee for different Fund size categories are shown in the table below. The data shows that for medium and smaller size funds are significantly higher, showing the need for regulation of the Management Fees to make it more attractive for retail investors to invest in mutual funds.

Table 2.3: Management Fees of GCC mutual funds

AUM Category	Mutual fund Size	Management fees % of Aum
>1Bn	Large	0.600
100-1000Mn	Medium	1.473
10-100Mn	Small	1.491
0-10Mn	Very small	1.568

Source: Reuters

Preferred Domicile of Funds[5]

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 252 funds domiciled in Saudi Arabia, managing USD 25.2bn in assets, followed by Kuwait with 40 funds, managing USD 4.2bn.

Table 2.4: AuM comparison of funds based on domicile and geographical focus

Country	No. of funds (Domicile)	AuM (USD Mn)		AuM (USD Mn)	% GF
		Domicile	Geographical focus (GF)		
Saudi Arabia	252	25,197	21,970	100	87%
Kuwait	40	4,245	2,841	106	67%
UAE	18	651	585	36	90%
Oman	16	540	262	34	48%
Bahrain	17	436	0	26	0%
Qatar	8	121	191	15	158%

Source: Reuters

[4] *Includes only funds which have GCC or one of the constituent countries as their geographic focus*

According to a survey by Emirates Islamic Bank, nearly 79% of high net worth individuals prefer to keep their assets close to home. Confidence in the stability of the local economy and the recognition of external risks are the key reasons behind their preference. While, the desire for diversification and risk management continues to be the driving force for investors to invest in funds outside their home country. Considering that local investors make up the bulk of participants in GCC funds, local markets tend to suffice as domiciles for these funds, with respective countries being the most popular choices.

Outside of the GCC region, Jersey Island, Cayman Islands is the most prevalent location for domiciliation of funds as they provide a tax neutral environment, diverse range of funds, no or limited exchange control restrictions among others. As the GCC asset management industry grows and aims to diversify the investor base by attracting more foreign and institutional investors, we would expect to see managers increasingly turning to other similar destinations including British Virgin Islands, Luxembourg or other European nations as domicile.

Market Segments

Capital Market

IPO/Primary market

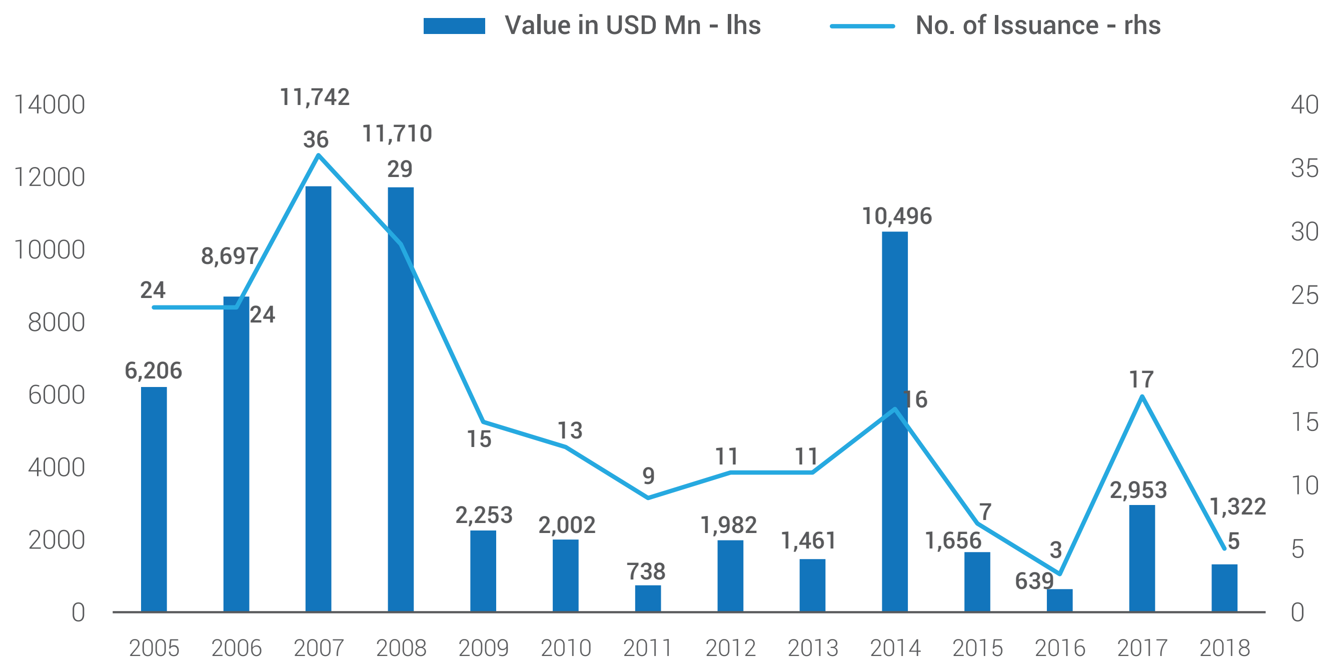
Saudi Arabia continued to lead the way for IPO activity in the region, with an increasing number of Real Estate Investment Trusts (REITs) being listed. Including both Tadawul and Parallel Market (NOMU), there were 18 IPOs, raising approximately USD 1.2bn in 2017.

UAE market witnessed 4 IPOs raising in excess of USD 2.5bn during 2017. Emaar Properties PJSC's USD 1.5bn IPO of its United Arab Emirates development business was one of the largest deal during the year.

The IPO of National commercial bank in 2014 has been the largest in terms of gross proceeds in over a decade amounting to USD 3,600Mn. The largest gross proceeds since 2005 has been of DP world in 2007 worth USD 4,218.9Mn.

The total value raised through IPO between 2005-2018 USD 67Bn. Compared to this, total equity mutual fund AuM is only USD 8.5Bn. Investors in the region continue to prefer investment in equity market through other channels as compared to investing through mutual funds.

Figure 3.1: IPO's in GCC region



Source: Reuters | Includes offerings that are live

In Qatar, Investment Holding Group has floated 60% of its shares in an initial public offering (IPO) on the Qatar Stock Exchange (QSE), the first IPO since 2014 and the only IPO during 2017. Interestingly, Kuwait was upgraded by FTSE and it would be part of its 'Emerging Market' index from 2018. However, despite the upgrade, there were no IPOs in the Kuwaiti market during 2017. Proactive measures taken by Boursa Kuwait in improving its trade settlement cycle, management of failed trades, improvement of custodial services and boosting market liquidity could have been the reasons.

Parallel markets

The Nomu market in Saudi Arabia, which launched in Feb 2017, is designed for small and medium sized businesses, requiring a market value of at least SAR 10mn (USD 2.67mn), minimum shareholder size of 35-50 shareholders, and an offering of at least 20 percent of its shares. In contrast to this, Tadawul requires minimum market cap of SAR 300mn and offer minimum 30% of their shares. The main objectives of Nomu are to broaden access to capital for issuers while deepening and increasing the diversification of the Kingdom's capital markets. By creating a new platform for Saudi companies to list, Nomu has strengthened the ecosystem for private equity (PE) and venture capital (VC), providing an attractive option for exits, opportunities for which have historically been somewhat limited in the Kingdom. Nomu's requirement have recently been reduced further and companies are now required to report only half-yearly results rather than quarterly results. Companies will also be allowed to join Nomu without conducting IPO.

Recently, Boursa Kuwait announced the introduction of an Over the Counter Market (OTC). The new market will serve as a trading platform for companies that are not listed on Boursa Kuwait. It gives small companies and start-up businesses that do not qualify for listing in the official market the opportunity to grow, and simplifies procedures. OTC transactions will be carried out through licensed brokerage offices working under Capital Market Authority bylaws and Boursa Kuwait rules for the OTC market. The newly introduced market will create a transparent environment by bringing buyers and sellers together using fully supervised mechanisms. The trading platform will adopt the clearing and settlement procedures. Boursa Kuwait has also developed a comprehensive offering for OTC market transactions, where records of shareholders will be subject to the maintenance by Kuwait Clearing Company.

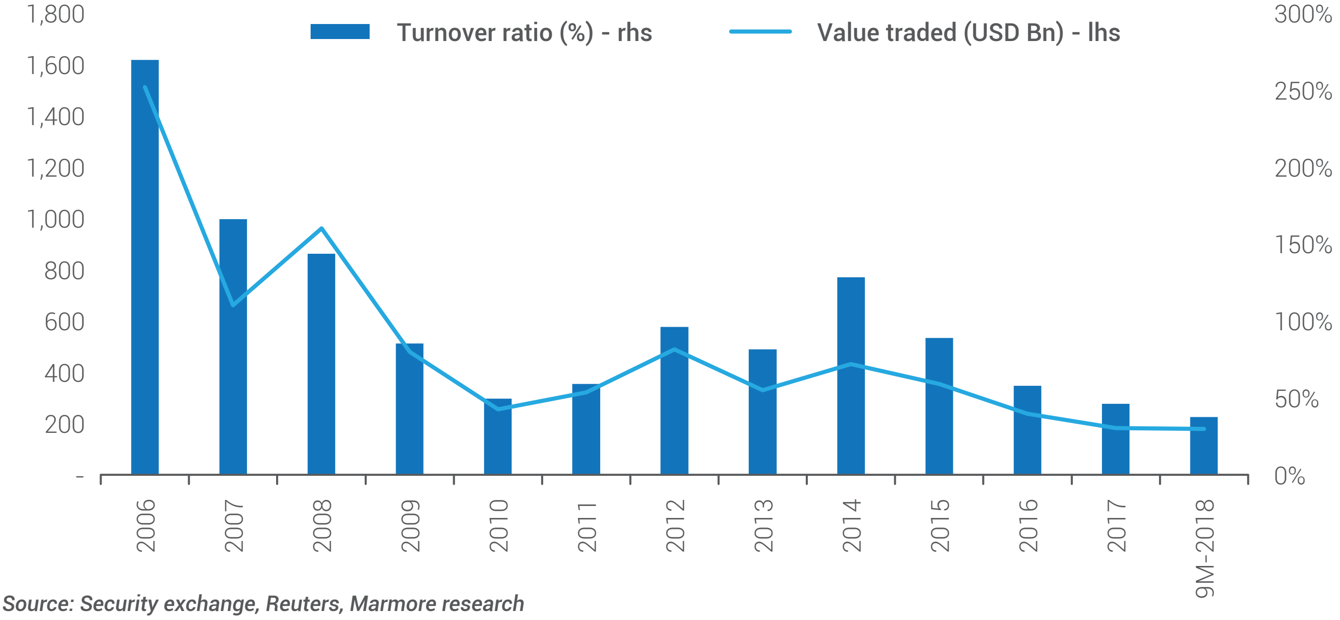
Liquidity

GCC stock markets had one of the lowest levels of liquidity in 2018 clocking in a turnover ratio of 30.5% despite the emerging market status of Qatar and UAE since 2014 and Saudi Arabia and Kuwait's inclusion announcement. In terms of year-to-year comparison, turnover ratio remained stable without any growth. The increase in liquidity in the Saudi market can be attributed to investor's expectation of inclusion on emerging market index.

This coupled with growing political uncertainty in the region due the Qatar diplomatic crisis, and the Saudi corruption purge, appear to have spooked the investors, keeping them away from the markets. However, several reforms are being adopted by the GCC countries to attract investors to their respective markets. For instance, Saudi's Capital Market Authority (CMA) has relaxed the entry norms, to enable smaller foreign funds in Saudi stock market.

After hitting a peak of USD 1.6 trillion in 2006, value traded for GCC stock markets hit a low of USD 296bn in 2010. At the end of 2014, total value traded was placed at USD 770 billion only to fall back again to make a new low of USD 276 billion in 2017 following oil price crisis.

Figure 3.2: GCC traded value in USD Billion

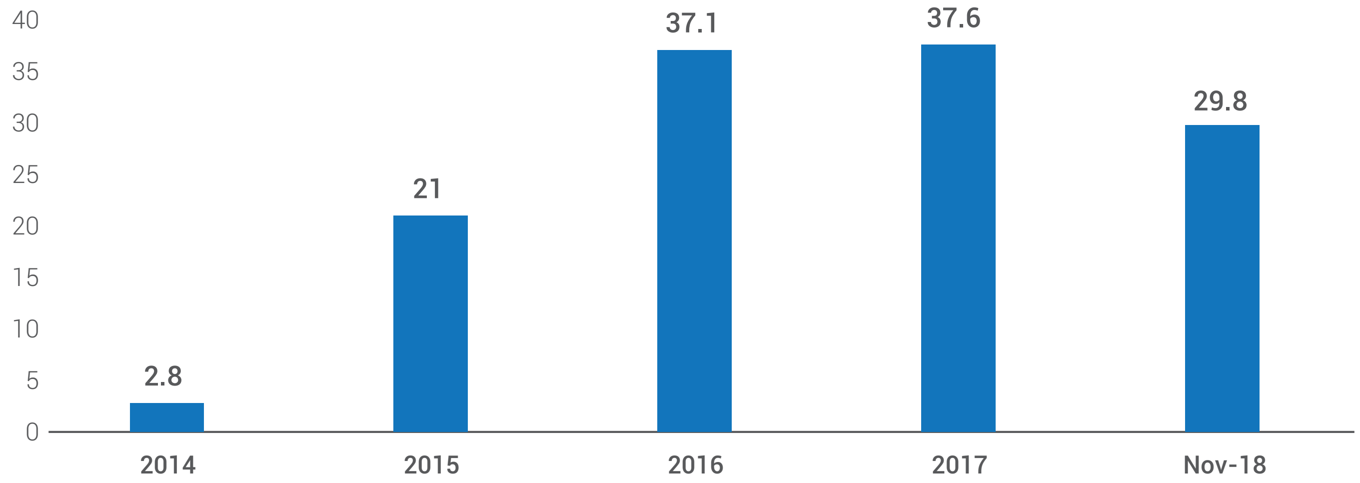


Source: Security exchange, Reuters, Marmore research

Debt Market

GCC countries have been among one of the most active players in the global fixed income market in the past three years. To give an idea about how rapidly the fund raising activity has changed, three years back, Saudi Arabia, Kuwait and Oman did not have any international debt on their balance sheets and were funded by oil revenues for a large part. However, things quickly went southwards as oil prices plummeted to its multi-year lows while governments kept spending in accordance to their development plan. Irrespective of all the countries owning a significant portion of their assets in foreign reserves with their SWFs (Sovereign Wealth Funds) they have been judicial in using them. In 2017, GCC sovereigns issued a record USD 50bn in international debt, helping push total GCC issuance - public and private - over USD 100bn for a second consecutive year. Despite this, reduced austerity and stronger commodity prices helped confidence return to the region.

Figure 3.3: GCC – Sovereign Issuances in 2018 in the international market (USD Bn)



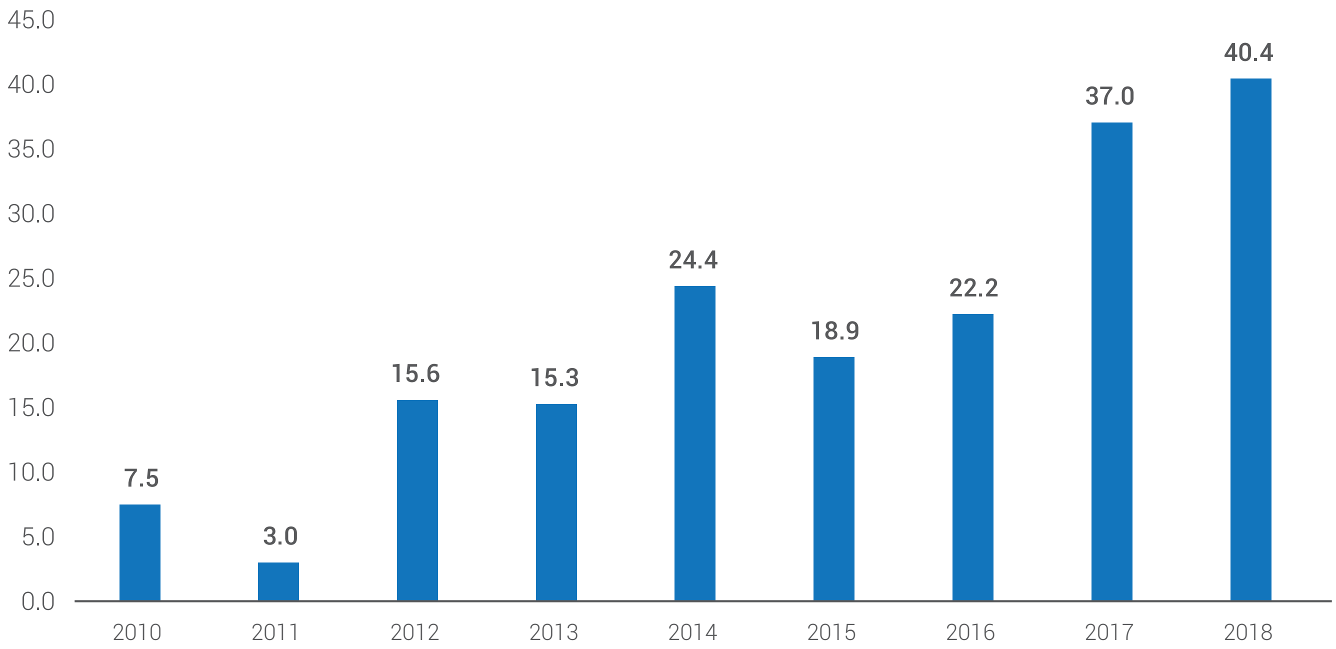
Source: Reuters

GCC countries have tried a combination of foreign reserves, drawing from SWFs, reducing government deposits in banks and issuing local and international debt to overcome the problem of burgeoning fiscal deficits. The debt issuances have also come at a time when international investors have been looking for investments that are higher yielding. Developed nations have only recently increased their multi-year low interest rates and as a result, all of these countries already had overvalued bond markets. In such a scenario, GCC debt issuances have been very attractive to investors looking for higher yields.

Corporate debt markets in the GCC region

The corporate debt market in the GCC region has seen a slew of activities during 2018. Total issuances by corporates in GCC region stood at USD 40.4Bn in 2018, exceeding USD 37Bn in 2017. UAE, Oman and Bahrain were the top three countries that raised USD 29.2Bn, USD 4.6Bn and USD 4.0Bn respectively. Banks in the region have been subscribing to government debt, which has squeezed funds available for the private sector. Banks have traditionally been the most active issuers of debt in the past two years. Banks have issued short-term papers and instruments to partly ease their liquidity constraints imposed by large-scale government borrowing as well as to match their liabilities with their assets. Total issuances from companies in banking sector issued USD 18.2Bn representing 45% of total issuances.

Figure 3.4: Corporate debt issuance in USD Bn



Source: Reuters

Debt Management Office

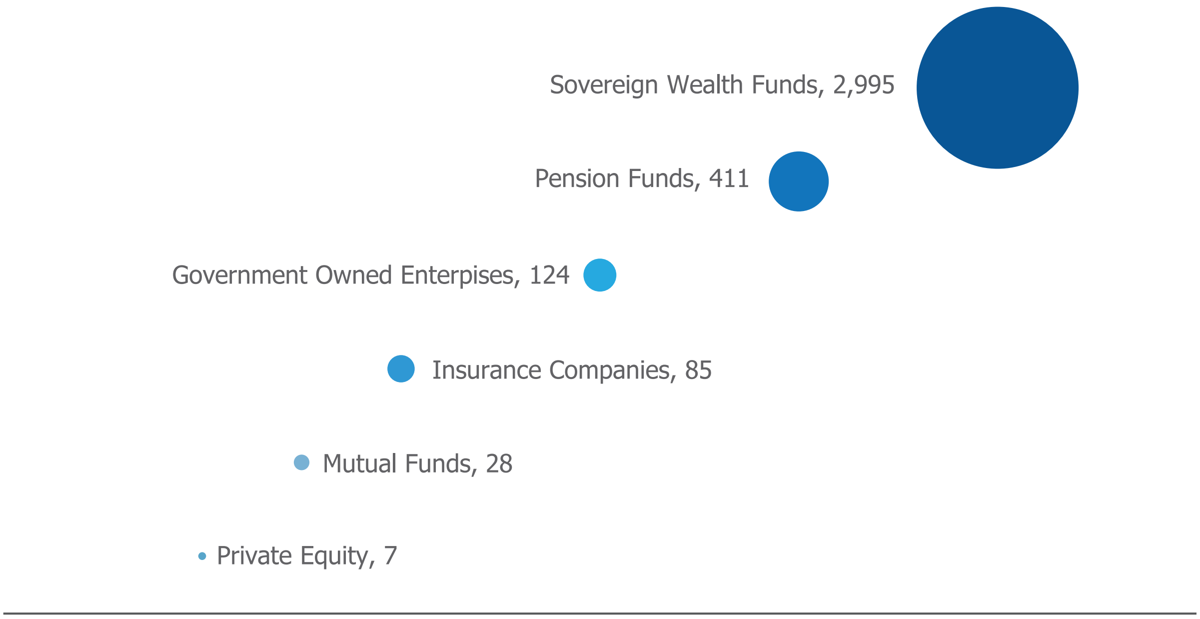
GCC governments have been active in setting up Debt Management Offices (DMO) in order to better understand and service their debt obligations. Hitherto, the role of issuing debt, servicing them and repaying them were all taken care of by the respective central banks. While that might have worked when the debt were minimal, a specialist DMO is required in order to manage them by establishing a separate, independent entity that is in charge of the debt management to avoid the burden on the central banks. GCC countries have established a Debt Management Office (DMO) that is independent but act according to the limits set by the finance ministry. DMO and treasury act in a co-ordinated manner and their collaboration relieves the central bank of such duties and it could concentrate on its most important functions.

In the GCC region, Dubai, Abu Dhabi, Kuwait, Qatar, Oman and Saudi Arabia have set up their debt management offices in order to perform the cash management functions of the government. They take care of the cash requirements of the government; borrowing funds when there is a shortfall and placing the funds when they have a surplus. In the larger sense, the DMO functions as the executive arm of the treasury/central bank of these governments. Each of these offices is structured differently and has various levels of roles and responsibilities. The governments of the region have also been very eager to raise funds from international markets, taking advantage of the prevailing low interest rates globally.

Asset under Management Analysis

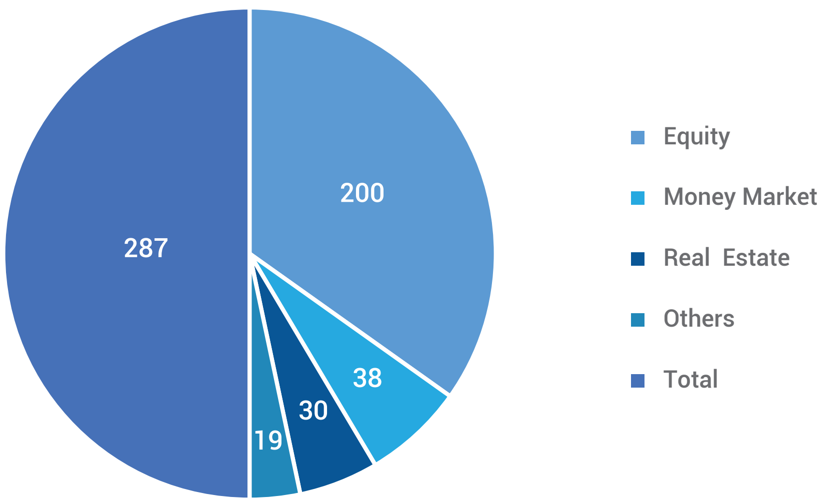
The institutional investors based in GCC countries had combined assets under management (AUM) of around USD 3,650bn. Around 82% of this was accounted for by sovereign wealth funds (SWFs) established by GCC governments as buffers to provide protection against the financial impact of lower energy prices and for other purposes. Two other pools of assets are associated with governments. These include pension funds, which provide retirement and other social welfare benefits to GCC nationals and government-owned enterprises (GOEs), with combined AUM of about USD 530bn. Insurance companies, mutual funds and private equity funds collectively had AUM of about USD 120bn.

Figure 4.1: GCC asset management industry snapshot (Aum in USD Bn)



Source: Reuters, SWF institute, Marmore research | Size represents AuM

Figure 4.2: Number of GCC Mutual Funds



Source: Reuters, Marmore Research

Mutual fund assets in the GCC are quite small compared to the size of the GCC economy. The total Assets under management (AuM) in the six GCC countries stands just at USD 27.9 billion. The categories within GCC mutual funds segment can be broadly categorized into bond, equity, money market/trade finance, real estate and mixed assets. Out of the total assets managed, money market/trade finance accounts for nearly 64% of the total asset under management followed by equity, a distant second, with 30%. The market share of real estate has been slowly increasing and it now accounts for close to 4% of the AUM.

In terms of number of funds, equity funds are way ahead with 200 funds representing 70% of the total number of funds Money market funds stood at second with 13% indicating much higher concentration of assets in fewer funds. The mutual funds industry within GCC is dominated by Saudi Arabia with 79% of the total assets in the region and 55% of the total number of funds.

Table 4.1: Mutual Funds in the GCC (Value in USD Mn)

Country	Bond	Equity	Mixed Assets	Money Market/ Trade finance	Real Estate	Total
Saudi Arabia	-	4,394	164	16,918	493	21,970
Kuwait	18	2,112	16	433	261	2,841
GCC (region)	139	1,457	90	336	-	2,021
UAE	-	221	-	79	285	585
Oman	-	232	-	29	-	262
Qatar	141	42	-	-	8	191
Total	**298**	**8,458**	**271**	**17,796**	**1,047**	**27,869**

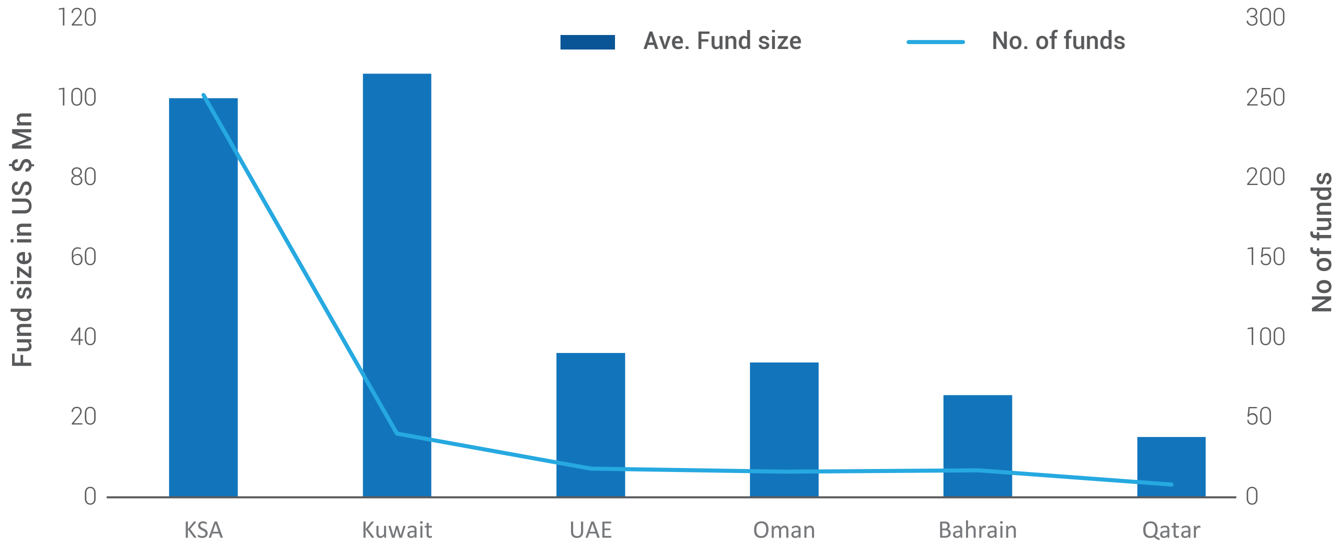
*Source: Reuters | AuM as of October 2018 | * - Sum of disclosed AuMs, List includes only funds whose geographical focus is within the GCC region.*

Table 4.2: Number of Mutual Funds in the GCC

Country	Bond	Equity	Mixed Assets	Money Market/ Trade finance	Real Estate	Total
Saudi Arabia	-	95	8	29	26	158
GCC (region)	5	64	2	4	-	75
Kuwait	1	22	2	3	1	29
UAE	-	11	-	1	2	14
Qatar	1	5	-	-	1	7
Oman	-	3	-	1	-	4
Total	**7**	**200**	**12**	**38**	**30**	**287**

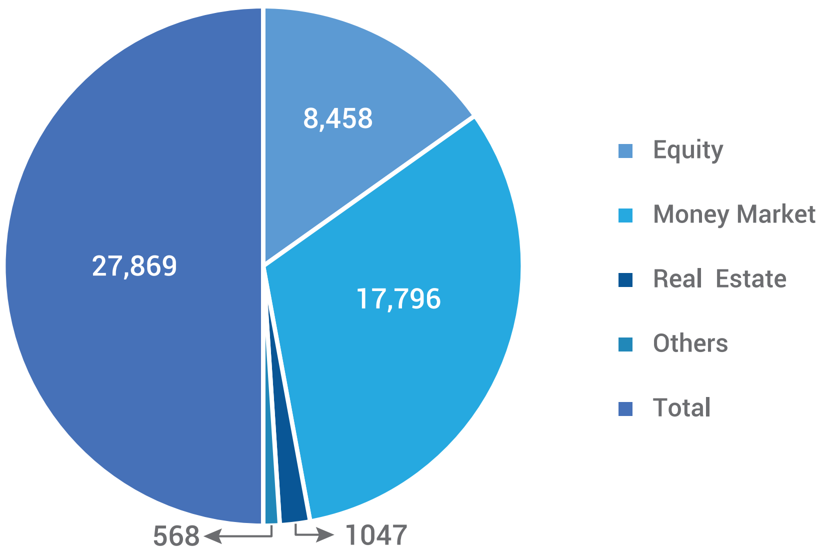
Source: Reuters, Marmore Research

Figure 4.3: GCC – Average Fund size & Number of Funds



Source: Reuters, Marmore Research

Figure 4.4: GCC Mutual Funds – Value in US $Mn



Source: Reuters

The following funds in Saudi Arabia contribute to 79% of total AuM of money market/trade finance funds and 61% of AuM of all mutual funds in the country.

Table 4.3: Top funds with highest AUMs

Asset Name	Fund AuM (USD Mn.)
AlAhli Saudi Riyal Trade Fund	4,773
AlAhli Diversified Saudi Riyal Trade Fund	2,274
Al Rajhi Commodities Mudaraba Fund - SAR	2,179
Samba Capital Intl Trade Finance Fd SunbullahSAR	1,973
Riyad SAR Trade Fund	1,474
AlJazira Saudi Riyal Murabaha Fund	805

Source: Reuters; Fund AuM as of 31 Oct 2018

In percentage terms, the total mutual fund AuM in GCC is just 1.7% of GDP. Considering the global equivalent of AuM to GDP of over 15%, there is plenty of scope and opportunities for the mutual fund assets to grow in the region. Mutual funds face difficulty in marketing and distribution to GCC nationals who are primarily reached through banks. AMCs often enjoy exclusive access to their parent bank's distribution network. This creates a situation where it is difficult for an AMC to compete if it does not have a network of bank branches. The result is a few AMCs dominating the asset management industry with fewer options for investors.

Asset gathering has traditionally been difficult in the region as seen from low size of mutual fund AuM compared to the GDP, despite the presence of abundant personal wealth. Equity mutual funds have not recovered substantially after the hit taken during the global financial crisis of 2008. In the current macroeconomic conditions, the outlook for AuM growth for the near term seems muted considering the threat of slowdown in global growth, geopolitical issues and outperformance of the US markets.

Table 4.4: Islamic vs Conventional Mutual funds

Geographical Focus	Conventional Funds		Conventional Funds		Conventional Funds	
	No. of Funds	AUM ($mn)	No. of Funds	AUM ($mn)	No. of Funds	AUM ($mn)
Saudi Arabia	36	2,486	122	19,485	158	21,970
Kuwait	16	1,535	13	1,307	29	2,841
GCC	35	1,062	40	959	75	2,021
UAE	12	254	2	331	14	585
Oman	7	262	0	0	7	262
Qatar	1	156	3	35	4	191

Source: Reuters, Marmore Research

Challenges

Various structural issues in Islamic asset management industry continue to persist that asset management firms need to address. Two of the most critical issues are related to the cost of running funds and the valuation of assets. According to Pwc report, Shariah-compliant funds add single-digit basis points to the cost of funds, which partially relate to the setting up and financing of Shariah boards. Further, the screening process can also be expensive, depending on the type of asset the fund invests in. In addition, the lack of scale in many funds magnifies the effect of costs. However, the impact of such costs is likely to reduce as the average fund size increases and economies of scale are found across the industry.

Outside of Saudi Arabia the Islamic asset management industry continues to work within a largely unsupportive regulatory framework, suffering from a lack of government support and absence of clear Shariah-compliant investment avenues. Islamic asset management industry lack the expertise and adequate compliance with new regulations leading to low confidence among investors thereby limiting investment scale and growth.

Further, as the market develops and product range expands, there will be increased demand for human resources, for people with key skills. At the same time, specific Islamic expertise – while still important – is likely to become subordinated to investing and business expertise as the sector matures. People skilled in sales, back office and product development will be in demand. The ability to attract and retain highly skilled labor continue to affect the growth potential of the industry.

Considerable challenges continue to affect the growth of Shariah-compliant funds and the overall Islamic management industry. However, for asset management firms with ambitions to enter this new, high-growth market the market environment appear enticing. New customers are continually coming on stream, structural issues are being resolved and products are evolving rapidly.

Mutual fund performance

We have considered the performance of the largest fund by asset under management for money market/trade finance and equity funds in GCC countries and compared their performance with their respective benchmarks. As evident from the table below money market/trade finance funds have in general underperformed in terms of 1year performance while long term performance couldn't be gauged due to lack of data availability. On the other hand, returns from equity funds over 5 years has been negative. Hopefully, the negative 5 year returns of the GCC equity funds will turn positive over the coming years with a better economic outlook compared to previous five years that had seen low oil prices. In addition, the mutual fund industry has to improve their fund returns by introducing specialized funds that will ensure positive returns and also generate alpha.

Money market/trade finance fund performance (Largest fund by country)

Country	Fund Name	AUM*	1-Yr		5-Yr	
			Fund	B	Fund	B
Saudi Arabia	AlAhli Saudi Riyal Trade Fund	15,102.3	2.2%	3.0%	7.4%	1.5%
Qatar	CS (Lux) Qatar Enhanced Short Duration Fund QB USD	144.6	2.0%	3.0%	-	-
Kuwait	Boubyan KD Money Market Fund II	120.4	2.6%	-	-	-
UAE	Emirates Islamic Money Market USD A Acc	46.5	2.50	3.0%	4.4%	1.5%
Oman	BankMuscat Money Market Fund	10.8	2.5%	-	9.0%	-

*Source: Reuters | *AuM in USD Mn | B- benchmark*

Equity fund performance (Largest fund by country)

Country	Fund Name	AUM*	1-Yr		5-Yr		10-Yr	
			Fund	B	Fund	B	Fund	B
Saudi Arabia	HSBC Saudi Companies Equity Fund	2,077.9	14.9%	14.3%	-8.8%	-10.8%	150.2%	101.6%
Qatar	NIC Al-Wataniya Investment	126.3	-1.4%	-3.6%	-2.6%	-15%	-	-
Kuwait	Oman Growth Fund	84.7	-9.2%	-15.8%	-37.5%	-41.5%	-15.2%	-13.8%
UAE	Al-Beit Al-Mali	76.7	9.2%	18.8%	-1.5%	-13.8%	135.4%	133.8%
Oman	ADCB SICAV UAE Equity Fund I	0.9	-7.3	12.5%	-	-	-	-

*Source: Reuters | *AuM in USD Mn | B- benchmark*

Specialized Funds

As the majority of funds across the region are of the "plain vanilla" equity variety, there is need to introduce new and innovative types of funds being introduced to deal with the unique dynamics and opportunities presented by the GCC markets. The specialized funds may range from standard sector specific funds, focused on such important sectors like Telecom, Banking & Financials, and Real Estate, to more specific funds such as those dedicated to IPOs, capital protection, and so on. Markaz Real Estate Fund is a good example.

Considering the unique opportunities and challenges facing the GCC markets, these types of funds are expected to provide growth opportunities over the coming years as asset managers and investors attempt to capitalize on local/regional developments. These types of funds are an attractive avenue for attracting diverse institutional and foreign investors in the industry and are expected to be strongly encouraged by local regulatory authorities.

Managed Accounts

The Central Bank of Kuwait (CBK) on a monthly basis publishes a detailed breakup of the assets of the investment companies, which includes the following: portfolio investments (managed accounts), equity, debt, and investment fund units held by local investment companies, custody accounts, foreign funds, commitments, and guarantees. This is by far the most transparent breakup of assets of the asset management industry available in the GCC region. This provides us with a preliminary breakup between managed accounts and mutual funds for Kuwait.

As of Nov 2018, the size of Kuwait fund management industry size, as disclosed by CBK, is at USD 5.7bn, and the assets managed under portfolios is at USD 52.2bn—a factor of 9x. Similarly for Saudi Arabia, Saudi Arabian Monetary Agency (SAMA) provides the total assets in investment funds. As of Q3 2018, the amount of investment funds amounted to USD 31.4bn. However, SAMA does not provide statistics for assets managed under managed accounts. We believe that Kuwait is an extreme outlier mainly due to the presence of higher number of investment companies as compared to the rest of the region.

The GCC market is seeing an increasing number of institutional investors in the past year. With SWF, Pension Funds being the largest set of institutional investors in the region. The surge in interest from institutional investors with the launch of a few closed ended real estate funds – sponsored by regulated entities and banks – that raised funds through regional institutional and private investors to invest in single asset or strategy funds. The Arab spring brought back interest of investors in the GCC markets.

The region sees the growth of the institutional investor that will be driven by the creation of more REITs and closed ended funds, coupled with further investment by regional pension funds and insurance companies. Other changes like regulations for increasing the transparency in the deals, sponsorship by investment banks and attractive market returns will definitely help in expanding the institutional investor base. Certain regulations like Pension funds, which are mandated to invest in the local stock markets, help increase the investor base. A large number of pension funds have exposures to equity market in GCC. As of latest data available, Saudi Arabia's general organization for social insurance held over half of its AUM in local stocks amounting close to USD 60Bn while for Public pension agency the same amounted for nearly USD 18Bn representing 21% of total AuM.

Table 4.5: Estimating the Size of Managed Accounts (USD billion)

Country/Region	Mutual Funds based on domicile	Portfolio Investments (Managed Accounts)#
Saudi Arabia	25.2	252.0
Kuwait	4.2	50.4
UAE	0.7	6.5
Oman	0.5	4.3
Bahrain	0.4	4.4
Qatar	0.1	2.4
GCC	**31.2**	**320.0**

Source: CBK, Reuters and Marmore estimates | #Includes custodial assets, discretionary and non-discretionary portfolios and other investment assets.

Finding out the amount of assets managed by the investment companies as part of managed accounts or discretionary portfolios is a challenging task as most of the firms do not disclose the information publicly. Among all the GCC countries, Central Bank of Kuwait is the only institution that collates and discloses details of the assets managed by various investment companies. As per the latest available data (Jan, 2019) the amount of assets managed by Kuwait investment companies stands at USD 50.4billion. This values is inclusive of custodial assets, discretionary and non-discretionary portfolios and mutual fund assets.

Among other GCC countries, certain investment firms that are subsidiaries of public banking firms disclose the overall fiduciary assets in their annual reports. For instance, assets managed by NCB Capital and Al-Rajhi capital are disclosed in their respective annual reports. In the case of UAE, apart from Emirates NBD data for other investment companies is elusive. On an overall basis, for the GCC region, we estimate the value of managed accounts to be at USD 320 billion.

Impact of Index Inclusion

a. UAE & Qatar, the Story So Far

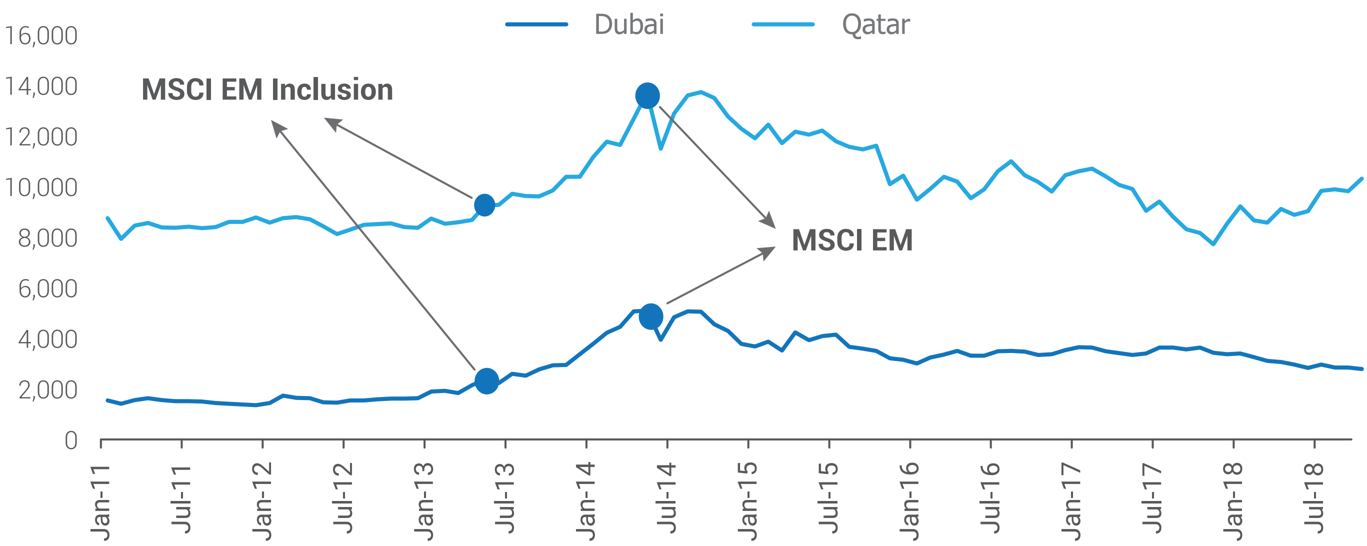
In the first six months of 2013, the UAE attracted USD 450mn, twice the inflows seen in the preceding six months. Following MSCI EM index inclusion announcement in June 2013, liquidity jumped to USD 334m, around 5.5 times that seen at prior levels. The Dubai Financial Market's benchmark index had rallied some 129% between the announcement of inclusion in MSCI EM index inclusion till the inclusion date while neighbour Abu Dhabi's market was up 47% and the Qatar Exchange's main stocks gauge added 48% in the same period.

Table 5.1: Performance of UAE & Qatar Markets, Pre & Post-MSCI Inclusion

Country/ Index	Date of Inclusion	Weightage	Performance before inclusion		Performance post inclusion
			T-2yr ;	T-1yr ;	T+1 year
Abu Dhabi	31-May-14	0.67%	46.0%	47.4%	-14.0%
Dubai	31-May-14		60.8%	115.0%	-21.4%
Qatar	31-May-14	0.80%	8.7%	66.3%	-2.4%

Source: Reuters/ MSCI EM index

Figure 5.1: History shows a positive momentum in index post announcement



Source: Reuters, Marmore Research

Key highlights of Kuwait and Saudi inclusion journey

Kuwait successfully implemented Phase 1 and Phase 2 of its Market Development Program in 2017 and 2018, respectively. Notable accomplishments for Phase 1, includes, the unification of a T+3 settlement cycle both for locals and non-residents, a custodian rejection facility, reduction in tick sizes, a new auction mechanism and an improved corporate actions timetable. On March 9, 2018, the Kuwait Clearing Company further reduced its documentation requirements for registration of non-residents and started accepting forms in English. As part of Phase 2, in its continuing effort to enhance its clearing and settlement system, Kuwait further implemented a cash close-out capability, buy-in board mechanism and the ability for a custodian to participate in the settlement process. The Boursa Kuwait further laid out plans for its Phase 3 and 4. Key areas among the planned changes would be a shift from Model 1 settlement to Model 2, with the Central Bank of Kuwait playing a key role for the payment settlement, creation of omnibus accounts, and introduction of a clearing membership model.

Over the past 3 years, the Saudi Arabian Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul) have also implemented several enhancements that have allowed the opening of the domestic equity market to international institutional investors. The access to the equity market evolved from indirect holdings using derivative instruments to direct holdings following the introduction of a Qualified Foreign Financial Institutions (QFFI) regulation by the CMA in 2015. Tadawul, on the other hand, implemented an overhaul of its operating model, including the introduction of the T+2 settlement and Delivery Versus Payment in 2017. The CMA and Tadawul made further enhancement efforts in 2018, with the CMA simplifying its QFFI regulations by removing the need for the QFFI to seek approval from the CMA. Under the new regulations, an Assessing Authorized Person (AAP) would register the QFFI to the CMA on their behalf. In addition, Tadawul introduced a new closing price mechanism on May 27, 2018, shifting from a value weighted average pricing to a closing auction.

b. Expectations for KSA & Kuwait

The MSCI and FTSE indices are tracked by several funds across the world. Over USD 1.8 trillion in assets are benchmarked to the MSCI EM index as of June 2018. As passive funds track these indices and do not engage in active stock picking, they will have to buy stock of Saudi and Kuwaiti companies according to its weightage in the index. Kuwait's upgrade in the FTSE EM index is expected to bring passive inflows of around USD 800-900 million (overall amount) in two tranches (September and December). Saudi Arabia's upgrade in the MSCI index is expected to bring passive inflows of around USD 10 billion[5]. Apart from passive inflows, several active foreign investors are also expected to enter the markets due to the increased investor confidence arising out of the index inclusion. During the months leading to the inclusion of UAE and Qatar into the MSCI EM index in 2013, there was a significant uptick in foreign inflows into both countries. In the first six months of 2013, UAE witnessed foreign inflows of close to USD 450 million, which was twice as much as what was witnessed in the previous six months. The inclusion was estimated to have brought additional foreign inflows of close to USD 800 million for UAE and Qatar combined. A similar uptick is expected for Saudi Arabia and Kuwait markets. The capital inflow into Saudi Arabia is also expected to trigger from potential IPOs and an increased quota for foreign investor holdings in coming months, with the market supported by fundamentals including higher energy prices and an ongoing recovery of corporate earnings.

[5] *Reuters*

Table 5.2: GCC countries' weightage in EM index and expected capital inflow

Country	Weightage in MSCI EM Index at time of inclusion	Expected Passive inflows (USD Mn)
UAE	0.40%	370
Qatar	0.45%	430
Saudi Arabia	2.60%	10,000
Kuwait	n.a yet (possibly 1%)	800-900

Source: MSCI, Reuters, Gulf base, Marmore research

Based on historical trend we believe that their will certainly be an increase in the trading volumes but the immediate impact could be less significant than many market participants expect, firstly because the majority of active funds that are interested in the Kuwait and Saudi Arabia exposure due to the upgrade are already present in the market. These investors are more likely to be net sellers once the upgrade is made effective than net buyers. Secondly, most inflows on the day of the change should come from passive investors. There is a possibility that passive funds may overweight as they are not obligated to match the exact country weight.

Chapter 6

Challenges to the Industry

Elusive Growth

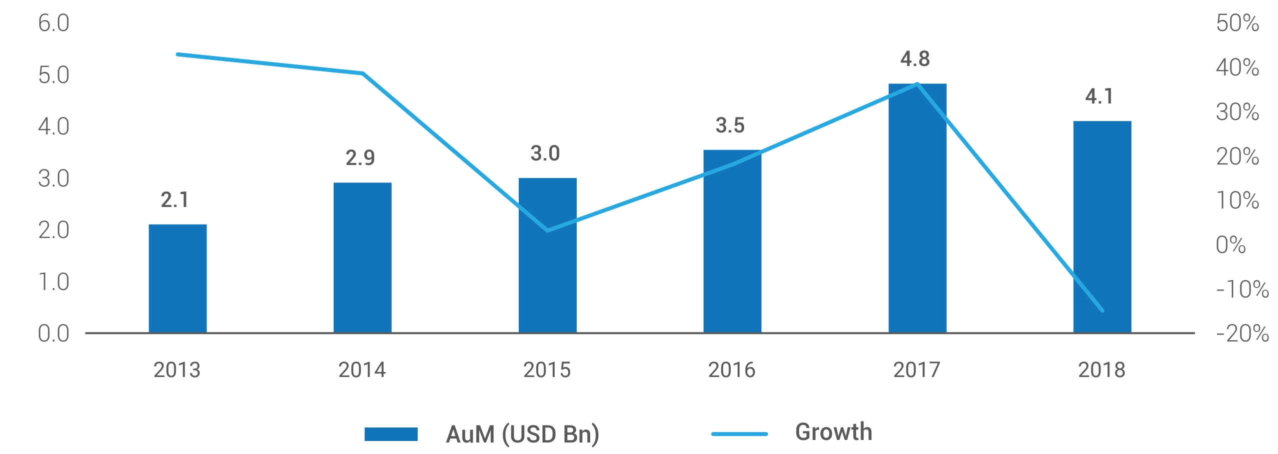
Carnage of global financial crisis is still felt with economic growth in most developed economies weak and outlook being uncertain. Investors who got badly bruised didn't just lose their capital but also the trust which they had in their advisors. While the global AUMs have been stagnant for the past four years, AUMs in GCC region has witnessed steady decline over the years.

Of the estimated USD 3.6trillion of assets under management in GCC, 82% is accounted by the Sovereign Wealth Funds (SWF). SWF are massive in size and too large for GCC markets and investing locally wouldn't help their cause in achieving diversification. Ultra-high net worth individuals (UHNI's) are a niche group who are predominantly served by private bankers. The retail clients are a polarized group, they either trade aggressively or shun markets altogether and invest in bank deposits.

Though sustained economic diversification efforts and implementation of large scale state sponsored infrastructure programs - driven by huge fiscal surpluses due to sustained higher oil prices, augur well for the positive economic outlook for the region, ensuing political unrest and the resultant volatility has made the task of raising funds a challenge.

Emirates NBD, over the years have increased its asset under management from USD 1.47Bn in 2012 to over USD 4.1Bn at the end of 2018. Mutual funds AuM stood at USD 1.2Bn while the remaining 71% are managed funds. Thus the asset management has seen tremendous growth over the years but managed funds continue to be the key driver in growth while the growth in mutual funds remain lackluster.

Emirates NBD asset under management



Source: Emirates NBD Annual report

Emirates NBD Asset Management is one of the largest asset managers in the GCC. Over the years the asset management company has launched wide range of funds catering to all types of clients across the institutional and retail space. Most of the funds are domiciled in Jersey and Luxembourg. Since 2011, the firm has launched only 3 new mutual funds of which one is a multi-asset fund with global focus, one is a fixed income fund and other is a sharia-compliant equity fund pertaining to Indian markets.

Emirates NBD Mutual funds launch over the years

Year	Money Market	Fixed Income	Equity	Multi-Asset	Total Funds
2009			3	5	8
2010	+1 (Islamic)	+2	MENA Fixed Income, Global Sukuk		11
2011					11
2012					11
2013	Global Quarterly Income			+1	12
2014					12
2015					12
2016					12
2017	Islamic India Equity		+1		13
2018		+1	Fixed Maturity Fund		14

Source: Emirates NBD, Marmore research | Size represents AuM

Table 6.1: AUM of other regional players (in USD Bn)

Country/Region	2014	2015	2016	2017
NBK Capital	-	-	6.3	6.0
(yoy growth)	-	-	-	-5%
EFG Hermes	3.1	2.6	1.5	3.1
(yoy growth)	2%	-16%	-42%	106%
Global Investment House	4.1	3.6	3.3	3.0
(yoy growth)	2%	-12%	-8%	-9%

Source: Respective Annual Reports

Benchmark Issues

International fund managers who would like to get regional exposure to GCC markets face difficulties due to lack of appropriate benchmark for the region. Various classifications exist to characterize the region in addition to the usual GCC. Classifications based on oil trade such as oil exporters and oil importers add up to further confusion.

Saudi Arabian market which accounts for almost 50% of GCC market is restricted to non-GCC members, resulting in indices being ex-Saudi Arabia. As an outcome of this, MSCI Frontier Index is highly skewed, with Kuwait and Qatar accounting for almost 40% of the Index[7]. Problem of concentration extends to sector composition and stock exposure with financials dominating the Index at 53% while Mobile Telecom Company, Kuwait amounts to c.38% weightage in telecom sector.

[7] *MSCI Frontier Index Factsheet, June 28, 2013*

Fund Size

GCC asset management industry also suffers from existence of funds which are much smaller in size in comparison with global peers. More than 82% of the existing funds are less than USD 50million in size and 47% among them are below USD 10 million in size. The cost of operating such small funds eats away the margins and threatens the viability of business continuity. Institutional managers who often have mandates that investable amount shouldn't exceed a particular percentage of total AUM, stay away from such small sized funds to avoid concentration risk.

Table 6.2: Average Fund Size in GCC

Fund Size (in USD million)	Percentage of Funds
Below 10	47%
10 to 50	36%
50 to 100	10%
Above 100	7%

Source: Marmore Research | as of Oct 2018

Marketing/Distribution of Funds

Due to competition, banks refrain from selling third party funds and the AMC enjoys exclusive access to its parent bank group. This single channel mode of distribution results in lack of fund choice for investors and often results in high distribution costs.

Independent asset managers, though successful performance wise, due to lack of distribution systems suffer from poor growth. Though some have been able to strike a deal with regional banks which doesn't have an AMC division, lack of independent distribution network acts a huge deterrent for new players.

Fluidic Regulations

While the Banking Sector underwent a radical change in GCC region post amendment of banking regulations by central bank to comply with Basel norms, capital markets have been left far behind. In most GCC countries, division of central bank continues to regulate and establish standards which are often understaffed and inadequate. Poor and non-standardized disclosures in annual reports could be a fall out of this.

Regulatory bodies are often established post de facto, as a consequence of firefighting measure - leaving little room for oversight and preventive measures. Rules are constantly amended, increasing the cost of compliance and affecting business operations, as it diverts the effort of top management from their core business activities. Limited foreign ownership and lack of unified regulations for the GCC region has often been criticized as it inhibits scalability of operations across the region.

Key questions in GCC Asset Management Industry that must be addressed

a. How to convince wealthy regional investors to invest more domestically?

The GCC fixed income is an attractive asset class that generally has lower volatility with higher yields as compared to developed market bonds. Further the underlying of these assets have strong fundamentals and higher credit ratings than emerging-market bonds in other regions. Investors might be of the opinion that active managers with a global or broad emerging-market mandate may already be providing sufficient exposure to GCC bonds which might not necessarily be the case. GCC fixed income is a growing asset class with characteristics of both emerging and developed markets and it could be instrumental in attracting more investor domestically.

The GCC bonds inclusion in emerging market bond index will further strengthen the case of domestic bond market. GCC index inclusion is a timely recognition of the fact that issuance from the region represents over 15 percent of the stock of emerging market debt, and provides important diversification benefits.

The Islamic asset management industry will also continue to remain a key driving factor in attracting investors regionally. It is highly possible that the distribution of this asset class which still remain underdeveloped could well provide the key catalyst for the next burst of growth in Islamic asset management.

b. How could the regional asset management players position themselves to accumulate assets?

Clients of GCC asset management companies generally comprise of high net worth clients and institutional investors like SWF's, Pension funds and insurance companies. Semi-skilled and high skilled expats in the GCC could prove to be a viable customer base for them to target. Due to the expatriates' inclination towards sending funds back to their home market, asset management companies in the GCC could possibly collaborate with fund houses in the expats' home market to launch products oriented towards their home markets to attract investments from expats.

GCC Asset management players also needs to evolve to keep up with the current times. Fund houses must focus on the growing Gen-Z population (born after 1995) who are more tech savvy, flexible, more risk taking, and social media friendly. Use of technology in areas like customer profiling, portfolio options, product evaluation, performance reporting, etc. would be beneficial in this regard.

The funds managed through mutual funds is still relatively very small when compared to sovereign wealth funds, pension funds etc. The preference for managed accounts can be gauged from the fact they are highly customizable and tailored to meet individual investing needs. Personalized service offering and the ability to own the underlying stocks enabling to reap tax benefits, add to the allure of managed accounts. Going forward, as the market matures, mutual fund asset managers need to offer more diversity and customization in order to attract larger investor base similar to managed accounts.

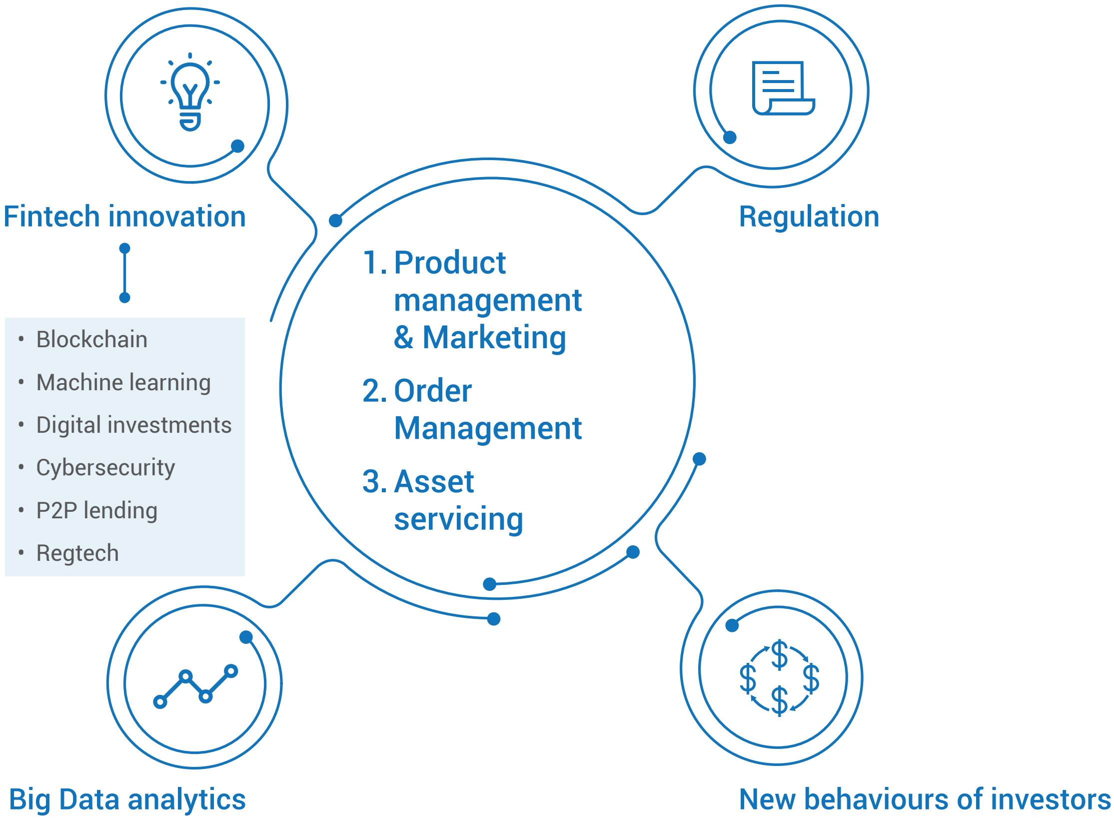
c. What opportunities and challenges could unfold for the regional players amid FinTech developments?

Asset management service providers can use the innovation of Fintech to provide solutions to their clients by using data analytics to enhance segmentation of investors; provide market intelligence and facilitate other direct consumer services. Fund managers can leverage the block chain platform to work directly with clients or retailers by offering investment services via a digital smart contact that would allow the management of distribution supply chain at a significantly lower cost. Further machine learning will help asset managers in automatic selection and implementation of optimal algorithmic strategy, boosting their capacity to analyze high volumes of data in real time.

One of the key element of customer service include providing monthly portfolio statements to clients. If the client reviews his overall portfolio numbers on a regular basis, he feels more in control and it has a positive rub off on the perception of effectiveness and customer engagement of the wealth manager brand. However the clients are less likely to open and read statements that may range anywhere from 7-12 pages. This is where wealth management firms can use the artificial intelligence to roll out statements in short videos that highlights the key data points in the statement. Research show that this not only increased the number of clients opening and viewing the statements but also the average time taken to prepare reports also trimmed down drastically from multiple days to within few hours. All of it needs to be done in Arabic for better appreciation and understanding of the retail investors. This will also enhance job opportunities for local educated youth.

Another interesting application of blockchain in the asset management space would be the introduction of Crypto bonds. Unlike conventional bonds, crypto bonds can be purchased directly from the issuer without any intermediaries. Smart contracts, with the help of blockchain technology will make crypto bonds programmable. This will allow these bonds to manage themselves without any manual intervention. Similarly, in other areas such as Real estate, blockchain has the potential to eliminate the need for human interventions. Effectively, the investor would be able to purchase real estate assets as easy as adding a product to the shopping cart. Blockchain will ensure that the sale deed is delivered to the buyer and the cash reaches the seller. It would also automatically register the deed with the regulatory authority.

Figure 7.1: Four trends that are impacting the fund distribution value chain



Source: Deloitte

The lower cost associated with blockchain may inspire a new generation of FinTech entrepreneurs – or indeed platforms from other industries – to make a disruptive push into the sector. There have already been moves in the region to use the technology in the private placement markets, and there is a real threat that P2P firms will use their distribution platforms to start providing a wider variety of investments. Asset and wealth managers who do not take the time to understand the potential impact of the technology, and consider how it will impact their business strategy, may find themselves at risk. Asset and wealth managers should watch FinTech companies closely and adopt a responsive digital strategy. Otherwise, they face losing part of their business to new entrants.

d. Why ETFs aren't popular in the region?

ETFs are less popular in the GCC region due to the inherent fact that it is a passive investment (does not need a fund manager's frequent intervention). ETFs are more popular in developed markets where the scope of generating alpha is very low due to various reasons such as market participation, variety of asset classes, availability of information etc. In a region such as GCC, where the scope of generating alpha for the investor is very high, the need and appeal of a passive investment strategy is very minimal. Hence there is very limited demand for ETFs in the region. According to Reuters, there were 5 ETFs having domicile within GCC region (3 Saudi Arabia and 2 Qatar) with a cumulative AUM of USD 260 million as of latest data.

Table 7.1: List of ETFs domiciled in GCC countries

Country	Name	Launch Date	AuM (USD)	Asset Type	YTD*	2017
Qatar	Al Rayan Qatar ETF	21-Mar-2018	148.5	Equity	-	-
Saudi Arabia	Falcom Saudi Equity ETF	28-Mar-2010	6.9	Equity	10.2%	0.8%
Saudi Arabia	Falcom Saudi Petrochemical ETF	10-Jul-2010	2.7	Equity	21.1%	6.7%
Saudi Arabia	HSBC Saudi 20 ETF	20-Nov-2011	2.1	Equity	11.2%	3.9%
Qatar	QE Index ETF (QETF)	12-Feb-2018	100.1	Equity	-	-

Source: Reuters | as of Oct 2018

e. What could be done to improve liquidity in the capital markets?

The decline in liquidity has been caused by several factors, most of which stem from financial crisis followed by the oil price crisis and its repercussions. The doubts among institutional investors during low price environment and low credit growth across the region resurfaced since oil crisis leading to a decline in liquidity on the exchanges. Shallow markets with trading centered majorly on few blue chips also affects the liquidity.

Liquidity is a key dimension for the survival and growth of the brokerage industry can be a key input for foreign investment. It is also an important factor for including GCC markets in global indices like the MSCI Emerging market index. At present, the UAE and Qatar have managed to enter this prestigious club Saudi Arabia and Kuwait soon to be included.

GCC stock markets are inherently more volatile than their emerging market peers primarily due to their nascent stage of development. Hence, managing this risk or volatility is a key underpinning for institutional investor entry. A buy and hold environment may not enable this. Availability of broader tools like derivatives (options and futures) can provide the needed tools for managing this volatility.

Growing the retail investor base requires investor education, the presence of a suitable investor protection scheme, and the existence of mechanisms to facilitate access to markets.

Part of the reason for low investor participation is the relative dearth and/or unattractiveness of available investment opportunities. The GCC markets should work on increasing the quality of listings and seek to increase the pool of securities and associated financial products.

These markets are often dominated by family-owned businesses (where the family is reluctant to allow outside shareholders) and/or state-owned enterprises. Allowing wider ownership outside the family will further increase the retail and institutional investor's interest and overall liquidity in the market.

f. What should be the key priority areas for the asset management industry regulator?

The current product structure is skewed more towards money market/trade finance funds followed by equities whereas asset classes like real estate, bonds, commodities, etc. have negligible share. While clients do look for consistently good performing funds, they are veering more towards wealth management solutions than fund opportunities. Wealth management solutions focuses more on asset allocation and fill them up with funds, preferably low cost. Wealth management also focuses on other client needs like trust services and online portfolio tools. It will turn the game from "product" based to "solutions" based. Banks are quick to realize this potential and are moving towards elevating their private banking into wealth management focused. Such a transition for asset management companies will enable to increase their assets and client base. Regulators must ensure transparency and eliminate information asymmetry in the industry. A push from the regulator's end is required to make certain disclosures mandatory rather than being optional for companies. Regulators must also provide a comprehensive view of the industry including visibility on managed accounts. Facilitating foreign inflows should be a key focus area for regulators as it would be a decisive factor for attracting investments from domestic institutions.

The opening up of GCC real estate sector led to the participation of institutional players like REITs, pension funds, insurance companies etc. in the real estate industry. The equity markets can also benefit similarly with more institutional players. GCC Pension funds can be mandated by regulation to invest in GCC equity markets, which will increase stock market liquidity and institutional participation, ultimately leading to increased AuM. Encouraging family owned private companies to list in stock exchanges can provide more investing options for fund managers and increase liquidity in markets.

The capital & liquidity requirements of asset management companies depends on the type of services that they offer, size of operations and market impact. Their risk profiles are so different from banks that employing capital & liquidity standards developed to mitigate risks for credit institutions may not be appropriate.

The business model of asset management companies encourages risk-taking. Certain companies may employ their own capital (proprietary trades) at risk, which incentivizes these firms to only accept a level of risk for which their owners are willing to bear. At times, when risky bets are taken the ICs bear the losses and lose out on their capital. Unlike banks, ICs are neither recapitalized during period of stress nor bailed out by the government. Prudent regulations therefore should be introduced to minimize the asset-liability mismatch. Suitable Risk Management practices should be adopted by the Mutual Fund Industry to increase investor confidence and participation in debt funds.

Handling client money and assets can also give rise to additional risk. Regulations pertaining to the ability of asset management companies to manage and their ability to use their clients' assets could be strengthened and strict segregation of clients' assets could be enforced. This segregation would ensure the timely return of the assets in the event of an insolvency of a firm.

Appendix

Saudi Arabian Funds[8]

Key Highlights

Saudi Arabia is the dominant player in GCC asset management landscape accounting for 78.8% (USD 22bn) of the total AUM being managed in mutual funds. Within Saudi Arabia money market/trade finance funds account for 77% of the total AuM while equity funds account for 20%. Noticeably, in spite of sharia regulator absence, the players have been quick to roll out products based on prevailing sharia standards to woo investors who seek sharia compliant funds.

Table 8.1: Assets under Management - Summary

Country/Region	AuM (USD Mn)	Total	Average fund size (USD Mn)*
Equity	4,394	95	47
Mixed Assets	164	8	21
Money Market/Trade finance	16,918	29	583
Real Estate	493	26	49
Total	**21,970**	**158**	**155**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

NCB Capital was the leading fund manager (in terms of AUM) with USD 7.6 billion in assets (35% market share), followed by Samba capital with USD 3.1 billion in assets under management (14% market share).

Table 8.2: Top Fund Management Company

Company	Equity	Mixed Assets	Money Market/ Trade finance	Real Estate	Total	Market Share	No. Of Funds
NCB Capital	370	96	7,054	97	7,618	35%	11
Samba Capital	733	-	2,231	95	3,059	14%	7
Riyad Capital	957	60	1,547	-	2,565	12%	14
Al Rajhi Capital	139	-	2,179	-	2,318	11%	6
HSBC Saudi Arabia	835	-	372	-	1,206	5%	8

Source: Reuters, Marmore Research

[8] *Country funds that invest in Saudi Arabia may or may not be domiciled in Saudi Arabia. Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.*

Kuwait Funds[9]

Key Highlights

The total asset under management of funds with geographical focus as Kuwait stood at USD 2.8Bn across 29 funds as of October 2018. Out of this, 22 funds with a share of over 74% equivalent to USD 2.1Bn were equity funds. Kuwait Weighted index gained 17.61% for the period.

Table 8.3: Assets under Management - Summary

Fund Type	AuM (USD Mn)	Count	Average fund size (USD Mn)*
Bond	18	1	18
Equity	2,112	22	111
Mixed Assets	16	2	16
Money Market	433	3	217
Real Estate	261	1	261
Total	**2,841**	**29**	**118**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

Kuwait Financial Centre was the leading asset manager in terms of AUMs with USD 972Mn in assets, followed by Boubyan Bank and National Investments Company with USD 450Mn and USD 443Mn in AUMs, respectively.

Table 8.4: Top Fund Management Company

Company	Bond	Equity	Mixed Assets	Money Market	Real Estate	Total	Market Share	No. Of Funds
Kuwait Financial Centre	-	711	-	-	261	972	34%	5
Boubyan Bank	-	-	16	433	-	450	16%	3
National Investments Company	-	443	-	-	-	443	16%	2
Wafra International Investment	18	259	-	-	-	277	10%	3
Global Investment House	-	268	-	-	-	268	9%	3

Source: Reuters, Marmore Research

[9] *Country funds that invest in Kuwait may or may not be domiciled in Kuwait.*
Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.

UAE Funds[10]

Key Highlights

UAE mutual funds manage USD 585Mn in assets spread among 14 funds. Real estate funds overtook equity funds to become the largest category, managing USD 285Mn in 2 funds. In terms of index performance, was registered gain of 71.42%.

Table 8.5: Assets under Management – Summary

Fund Type	AuM (USD Mn)	Count	Average fund size (USD Mn)*
Equity	221	11	20
Money Market	79	1	79
Real Estate	285	2	285
Total	**585**	**14**	**45**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

Emirates NBD was the leading asset manager in terms of AUMs with USD 364Mn in assets (62% market share), followed by Abu Dhabi Commercial Bank and First Abu Dhabi Bank with USD 135Mn and USD 32Mn in AUMs, respectively.

Table 8.6: Top Fund Management Company

Company	Equity	Money Market	Real Estate	Total	Market Share	No. Of Funds
Emirates NBD	-	79	285	364	62%	2
Abu Dhabi Commercial Bank	135	-	-	135	23%	4
First Abu Dhabi Bank	32	-	-	32	5%	1
The National Investor	28	-	-	28	5%	1
Al Mal Capital	8	-	-	8	1%	1

Source: Reuters, Marmore Research

[10] Country funds that invest in Kuwait may or may not be domiciled in UAE.
Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.

Oman Funds[11]

Key Highlights

Conventional equity funds, the only available fund category in Oman, manage USD 401mn in six funds. The Muscat stock market index gained 11.48% during the valuation period.

Table 8.7: Assets under Management – Summary

Fund Type	AuM (USD Mn)	Count	Average fund size (USD Mn)*
Equity	232	3	77
Money Market	29	1	29
Total	**262**	**4**	**65**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

As per latest data, Bank Muscat manages the 98% of the funds that are geographically focused on Oman. Apart from Bank Muscat Vision investment services is the only company, managing equity funds of 5Mn.

Table 8.8: Top Fund Management Company

Company	Equity	Money Market	Total AUM (USD Mn)	Market Share	No. Of Funds
Bank Muscat	227	29	257	98%	3
Vision Investment Services Co SAOC	5	-	5	2%	1

Source: Reuters, Marmore Research

[11] *Country funds that invest in Kuwait may or may not be domiciled in Oman.*
Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.

Qatar Funds[12]

Key Highlights

Qatar has strengthened its debt segment aimed at asset management industry. Government of Qatar has already made moves to deepen the debt market and it intends to issue three and five-year domestic government bonds. Sovereign debt issues with maturities spread across time periods would help in establishment of sovereign yield curve and the local risk free rate, which would act as a benchmark.

Qatar has only equity mutual funds which amount to USD 365mn and spread among 13 funds. Qatar Index gained 9.77%, the index had a good run during the fag end of evaluation period on back of inclusion in MSCI Emerging Index, which eventually happened in June.

Table 8.9: Assets under Management – Summary

Fund Type	AuM (USD Mn)	Count	Average fund size (USD Mn)*
Bond	141	1	141
Equity	42	5	10
Real Estate	8	1	8
Total	**191**	**7**	**32**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

Credit Suisse Fund Management which manages USD 141mn, is the leading asset management company with 74% market share.

Table 8.10: Top Fund Management Company

Company	Bond	Equity	Real Estate	Total AUM (USD Mn)	Market Share	No. Of Funds
Credit Suisse Fund Management	141	-	-	141	74%	1
Amwal	-	22	-	22	12%	2
QWM Limited	-	6	8	14	7%	2
QNB Banque Privee	-	13	-	13	7%	1

Source: Reuters, Marmore Research

[12] *Country funds that invest in Kuwait may or may not be domiciled in Qatar.*
Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.

GCC Funds[13]

Key Highlights

GCC mandated funds manage USD 2.0Bn in assets, spread among 75 funds. Equity funds took the bulk of that with USD 1.5Bn assets managed in 64 funds. Amidst sell-off in equities in other parts of the world due to trade wars, S&P GCC gained 8.6% YTD as of Oct 2018.

Table 8.11: Assets under Management – Summary

Fund Type	AuM (USD Mn)	Count	Average fund size (USD Mn)*
Bond	139	5	35
Equity	1,457	64	24
Mixed Assets	90	2	45
Money Market	336	4	84
Total	**2,021**	**75**	**29**

*Source: Reuters, Marmore Research | *Includes only funds for which AUM data is available*

SEDCO capital was the leading asset manager in terms of AUMs with USD 212Mn in assets (10%), followed by Global Investment House and Ashmore Investment with USD 163Mn and USD 148Mn in AUMs, respectively.

Table 8.12: Top Fund Management Company

Company	Bond	Equity	Money Market	Total	Market Share	No. Of Funds
SEDCO Capital	-	51	161	212	10%	2
Global Investment House	-	163	-	163	8%	3
Ashmore Investment	-	-	148	148	7%	1
Housing Finance Co	-	130	-	130	6%	1
NCB Capital	16	88	-	104	5%	3

Source: Reuters, Marmore Research

[13] Country funds that invest in Kuwait may or may not be domiciled in GCC.
Returns for all funds have been computed for the period of Nov 1, 2017 to Oct 31, 2018.

List of Asset Management Companies in GCC

Country	Asset Management Company
Bahrain	SICO
	Bahrain Mumtalakat Holding Company B.S.C. (c)
	ASMA Capital Partners B.S.C. Closed
	Alpine Wealth Management B.S.C (Closed)
	BisB MMF Company B.S.C.
	Capivest Investment Bank B.S.C.
	J Equity Partners B.S.C.
	Tadhamon Capital B.S.C. Closed
	The Family Office Company B.S.C.
	Arcapita Investment Management B.S.C. Closed
	Instrata Capital BSC (c)
	Noriba Bank
	TAIB Bank B.S.C (c)
	SJ Investments
	Capital Growth Management WLL
	Al Zayani Investments WLL
	Osool Asset Management B.S.C Closed
	Ahli United Bank K.S.C.P.
Kuwait	Gulf Investment Corporation
	A'ayan Leasing and Investment Company K.S.C.P.
	ADEEM Investment & Wealth Management Company K.S.C.C.
	Ain Takaful Insurance Company K.S.C.
	Al Ahli Bank of Kuwait K.S.C.P.
	Al Manar Financing and Leasing Company K.S.C.
	Al Masar Leasing and Investment Company K.S.C. (Closed)
	Al-Ahleia Insurance Company S.A.K.P.
	Al-Aman Investment Company K.S.C.P.

Country	Asset Management Company
Kuwait	Arab Investment Company
	Bayan Investment Company K.S.C.
	BDO Al Nisf & Partners
	Boubyan Bank K.S.C.P.
	Burgan Bank K.P.S.C.
	CapCorp Investment Company K.S.C.
	Coast Investment & Development Company K.S.C.P
	Commercial Bank of Kuwait K.P.S.C.
	Commercial Facilities Co. S.A.K.
	Dimah Capital Investment Company K.S.C.
	Ekttitab Holding Company K.S.C.
	First Investment Company K.S.C.P.
	Gatehouse Capital K.S.C.C.
	Global Capital Management Limited
	Global Consultants Company for Business Advisory Services & Training WLL
	Global Investment House K.P.S.C.
	Gulf Bank K.S.C.P.
	Gulf Custody Company K.S.C.C.
	Gulf Insurance Group K.S.C.P.
	Gulf Investment Corporation G.S.C.
	Gulf Takaful Insurance Company K.S.C.C.
	International Financial Advisors - KPSC
	KAMCO Investment Company K.S.C.P.
	KFH Capital Investment Company K.S.C.C.
	KIC Financial Brokerage K.S.C. (Closed)
	Kuwait and Middle East Financial Investment Company K.S.C.P.
	Kuwait Clearing Company S.A.K.

Country	Asset Management Company
Kuwait	Kuwait Credit Bank
	Kuwait Finance and Investment Company K.S.C.P.
	Kuwait Finance House K.S.C.P.
	Kuwait International Bank K.S.C.P.
	Kuwait Projects Company Holding K.S.C.P.
	National Bank of Kuwait S.A.K.P.
	National Industries Group Holding - KPSC
	National Investments Company K.S.C.P.
	Noor Financial Investment Company K.P.S.C
	Osoul Investment Company K.S.C.P
	RSM Al Bazie Consulting WLL
	Securities Group Company K.S.C.
	Sharq Investment Company K.S.C.C.
	The Industrial Bank of Kuwait K.S.C.
	Wafra International Investment Company K.S.C.C.
	Warba Bank K.S.C.P.
	Watani Financial Brokerage Company K.S.C. (Closed)
	Watani Investment Company K.S.C. (Closed)
	Al Dar Asset Management Company K.S.C.C.
	Al Madar Finance and Investment Co. K.S.C. (Public)
Oman	United Securities LLC
	Ahli Bank SAOG – Asset Management Division
	Bank Muscat - Asset Management Division
	National Bank of Oman - Asset Management Division
	Oman Arab Bank - Asset Management Division
	Horizons Capital Markets SAOC
	National Investment Funds Company SAOC
	Gulf Baader Capital Markets SAOC
	Al Madina Investment Company SAOG
	Shurooq Asset Management Services Company
	Ubhar Capital SAOC

Country	Asset Management Company
Qatar	Amwal LLC
	Al Rayan Investment LLC
	QNB Asset Management
	Al Mal Holding
	Aventicum Capital Management (Qatar) LLC
Saudi Arabia	Muscat Capital Co
	Alkhair Capital Saudi Arabia
	Alawwal Capital JSC
	AlJazira Capital CJSC
	Audi Capital JSC
	Blominvest Saudi Arabia JSC
	FALCOM Financial Services Ltd
	GIB Capital LLC
	Jadwa Investment CJSC
	Middle East Financial Investment CJSC
	Saudi Fransi Capital
	HSBC Saudi Arabia Limited JSC
	AlKhabeer Capital Co
	Al Wasatah Al Maliyah SJSC
	Alinma Investment Co
	Alistithmar Capital
	Al-Nefaie Investment Group S.J.S.C
	Arbah Capital CJSC
	Itqan Capital SJSC
	Mulkia Investment Company CJSC
	Musharaka Capital Company CJSC
	Swicorp Co
	Al Rajhi Capital
	Albilad Capital
	Bakheet Investment Group
	Adeem Capital Company

Country	Asset Management Company
Saudi Arabia	Caam Saudi Fransi
	Golden Investments Services Limited
	Khalijia Invest
	Malaz Capital
	SAIB BNP Paribas Asset Management Company Limited
	Sidra Capital
	United Financial House Company
United Arab Emirates	Alpen Capital (Bahrain) B.S.C.
	Ajeej Capital - Saudi Arabia
	3i Capital Group Corporation (Dubai Branch)
	A/T Capital Management Limited
	Abu Dhabi Investment Company
	Eastspring Investments Limited
	Emirates Investment Bank P.J.S.C.
	Emirates NBD Asset Management Limited
	Gateway Investment Management Services (DIFC) Limited
	Gulf Capital Pvt. JSC
	SHUAA Asset Management Ltd
	Al Futtaim Investment Management Limited
	Dalma Capital Management Limited
	Etihad Capital P.J.S.C.
	FAD Investments LLC
	Frontier Investment Management Partners Limited
	Gulf International Finance Limited
	Man Investments Middle East Limited
	Mashreq Capital (DIFC) Limited
	Nakheel Asset Management and Infrastructure
	Sarwa Investment Management Limited
	SDI Capital Limited
	Ajeej Capital (DIFC) Limited
	Makaseb Funds Company

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