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Discretionary Portfolio Management (DPM) and Private Investment Funds in KSA

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Current market landscape of wealth/fund management in KSA

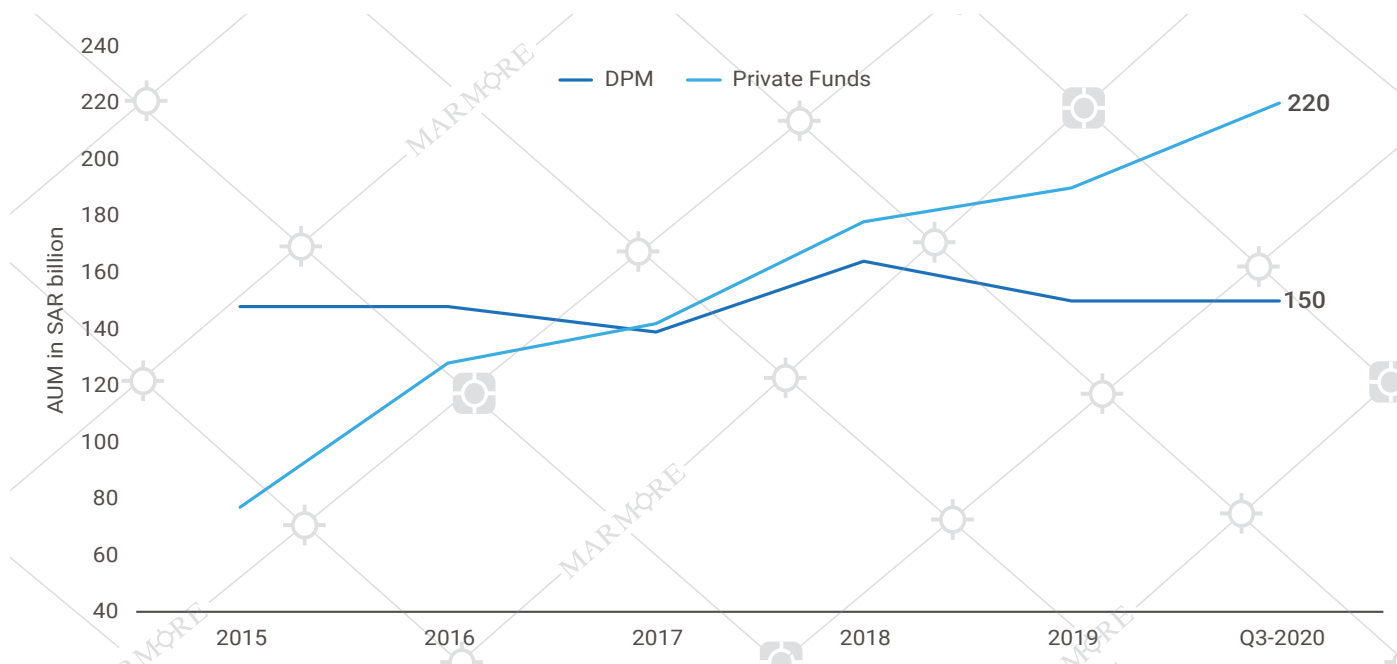
Discretionary Portfolio Management (DPM) and private funds remain the mainstay in Saudi Arabia asset management industry. Of the total assets (SAR 500 billion or USD 133 billion) being managed - private funds constituted 38% while DPM amounted to 30% share. Public funds such as mutual funds and the like amounted for the rest.

DPM refers to specialized services provided to institutional and high net-worth investors, tailored to clients' specific risk, and return objectives. They are not pooled together with other investors' assets like investment funds. Private funds are a category of investment funds in which subscribers apply through private placements. Investors can buy units in a private fund based on the size of their investment, which is then invested according to the fund objectives.



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Assets managed under DPM has remained flat while private funds are growing



Source: CMA

The AUM under DPM's has remained range bound for the past five years. The total AUM has remained flat or seen negative growth in all years except 2018. This could be explained from the poor performance of Saudi equities in this period, when the Tadawul index made minimal gains.

Total DPM AUM from 2015-2019 (In SAR billion)

Investment Type	2015	2016	2017	2018	2019	Q3-2020
Local Equities	57.0	58.5	60.2	63.9	54.6	57.9
Investment Funds	44.9	44.5	49.6	46.3	48.2	45.0
Other	33.1	37.8	23.4	47.8	41.1	42.1
Debt Instruments	11.4	5.4	3.3	3.8	4.1	3.4
International Equities	1.8	2.6	2.6	2.2	2.2	2.1
Total	148	148	139	164	150	150

Source: CMA

By Investment type, we can observe that local equities and investment funds have largely remained stagnant. On the other hand, debt instruments have seen a decrease in the period. The share of local equities has remained at around 40% of the total due to the tendency of Saudi Investors preferring trade finance (Murabaha) and other debt instruments over equities.

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This report is an extension of our **Saudi Arabia Capital Market 2021 Leaders, Profitability, and Business Model** report released in January 2021.

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