

## Q&amp;A INTERVIEW

## Building Wealth, Realizing Visions

Alinma Investment Company's rise in the local investment market against a boom in foreign capital flowing into Saudi Arabia under Vision 2030.

FORMAT: Q&A | SECTOR: FINANCIAL SERVICES | MARKET: SAUDI ARABIA | SUBJECT: ALINMA INVESTMENT COMPANY

*"Saudi Arabia is witnessing its most optimistic and well-structured growth story that should not be missed; the nation should be a diversification option for any portfolio in the market today."*

MAZIN FAWAZ BAGHDADI · ALINMA INVESTMENT

Can you give us an overview of Alinma Investment Company's (AIC's) current products and growth strategy in 2024?

AIC has recorded around \$22.3 billion in assets under management in 2023 and we expect to surpass this value in 2024 with new products and organic growth of existing ones. Our growth stems from the same basic strategy AIC had when it started, which is to consistently open a wide range of products to satisfy a diversified range of investments. AIM is now active in all licenses available in the market, including asset management, investment banking and brokerage. AIC offers a diverse range of products such as public, private, active, traded and endowment funds. AIC was the first in the latter segment to launch a fund and recorded six in 2023 with more to come in 2024. AIC utilizes a proactive approach. We meet with our different clients to understand their investment mandates and cater to their needs. We are open to all ideas. We have also met with foreign investors willing to enter the Saudi markets and helped them look into products that meet their objectives.

We are affiliated with Alinma Bank, one of the largest banks in the region with a huge client base and a very diverse network. AIC and the bank are involved in an alignment and cross-selling strategy. There is a very minimal overlap. This has allowed both businesses to become more advanced and interconnected. The bank's clients are now exposed to not only banking products but to the entire package of products offered by AIC, and vice versa with our clients. Real estate is our largest product in terms of assets under management and is a huge beneficiary of Alinma Bank's banking products. We are currently expanding AIC's product offerings; we aim to enter untapped markets, more promising asset classes and opportunistic investments.

What is AIC doing to expand its range in Saudi Arabia's real estate sector?

The local real estate sector is considered one of the most important and promising sectors in the Kingdom of Saudi Arabia. It has recently witnessed a lot of development and achievements alongside the Vision 2030 initiative, which has made the nation a major target for many investors. Both Saudi and foreign investors are keen to take their share of the developments the country is witnessing. The growth of the Kingdom's many new sectors will surely fuel the economy and give back to its shareholders. Given AIC's wide real estate experience in areas such as Riyadh, Jeddah and Makkah, we have recently tapped into the Taif and Madinah regions as part of our expansion plans. We have a very professional team specialized in structuring and managing real estate funds. Real estate opportunities are constantly being reviewed and comprehensive plans are being developed. We cover the entire journey, starting from establishing a fund, determining its objectives and arranging the required financing to completing the marketing and selling procedures and achieving returns for investors. AIC is committed to welcoming investors to Saudi Arabia and acting as a trusted asset manager and advisor.



**Mazin Fawaz Baghdadi**  
CEO & Managing Director

## What factors have caused foreign investment in Saudi Arabia to rise in the last five years?

We are seeing improving economic data in developed markets despite the increase in global inflation and interest rates. Over the past two years, the Saudi economy was resilient to these shocks. However, we witnessed heightened interest from foreign investors in Saudi markets even prior to volatile incidents, and the recent cooling of inflation and slowdown of interest hikes have only added more appetite. There are four main reasons for the rise in investment in Saudi Arabia. The first is better valuations in the nation versus those of other emerging markets. The second is the country's giant Vision 2030 program that has had a large impact on all business areas and increased demand for local and foreign investment with returns well beyond those available in, for example, the USA and Europe. Saudi Arabia is well regulated and very stable. The third reason has to do with the current privatization of different public sectors in the country, noticeably in health and education. The final reason is the large universe of expected initial public offerings (IPOs) in the market. We are currently witnessing a rebalancing and reallocation of assets in reaction to the aforementioned slowdown effect. Usually, in such uncertain environments, it is always better to diversify your investments and make multi-asset investments, especially in equity and fixed income segments.

Saudi Arabia opened its stock exchange or Tadawul to qualified foreign investor's direct investments in 2015. Prior to that, foreigners were able to invest through indirect means such as swap agreements and exchange-traded funds. This was an excellent move towards easing more foreign investments and an important step in the Kingdom's efforts to diversify its economy away from oil dependence and satisfy the goals of its Vision 2030 reform programs. The Saudi government has also established special economic zones and investment funds to facilitate and promote foreign investments. Additionally, the recent changes to tourism and visa systems are easing traveling to and residing in Saudi Arabia for leisure and business. Comparative advantages to investing in Saudi equities include efforts to improve the regulatory environment to reach global standards, competitive and friendly tax rates, cash and capital availability, the recent large number of IPOs and the privatization of the different public sectors. As of July 2024, the qualified ownership in the Tadawul All-Share Index was at 9.81% in comparison to 2019 where it stood at 4.42%.

## What impact has the Vision 2030 initiative had on Saudi Arabia's capital markets and local investment trends?

Vision 2030 has created a wide range of investment opportunities in multiple sectors such as tourism, technology, renewable energy, education and healthcare. All sectors are providing significant returns. Concurrently the investment environment has gone through a comprehensive regulatory reform towards a more business-friendly environment. Sector-related reforms have helped to improve the ease of doing business, such as those making it easier for investment banks to operate and compete through the creation of a more dynamic and growth-oriented environment. The results of these are seen in the high volume of new capital market transactions including IPOs, mergers and acquisitions and sukuk issuances. Heightened investment is leading to growth in several areas including the following: a need for saving products; a growth in demand for multi-asset investment solutions; a general appetite for IPOs; a demand for mutual funds due to an increase in public, semi-public and private investments; and the overall exposure of the investment world and products. Saudi Arabia is witnessing its most optimistic and well-structured growth story that should not be missed in terms of new opportunities; the nation should be a diversification option for any portfolio in the market today.