

Q&A INTERVIEW

Innovating Wealth Solutions in the Kingdom

New investment opportunities as Saudi Arabia opens to foreign participation, and Riyadh Capital's role in helping investors enter a rapidly growing market.

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ABDULLAH ALSHWER · RIYAD CAPITAL

What road has Riyadh Capital taken to provide its clients with its full suite of investment management services?

Before the company started independent operations in 2008, Riyadh Capital was an investment management division of Riyadh Bank. After the Capital Market Authority (CMA) required the separation of investment banking from commercial banking, Riyadh Capital became independent and began operating under the CMA and Saudi Central Bank. Since it was established, Riyadh Capital has focused on managing public equity assets and has grown to become one of the largest in this segment. We also offer brokerage and comprehensive research services and have become the largest security services provider in the market. Although we operate independently as a regulated entity, we are fully owned by Riyadh Bank. We leverage each other's client bases and services through cross-selling and ensure we comply with regulations. This allows us to offer comprehensive financial services to both retail and corporate clients.

We are active in both equity capital markets and debt capital markets. We provide advisory services, including for mergers and acquisitions. We have launched new initiatives, such as the Riyadh REIT fund, one of the largest real estate investment trusts in the Saudi market. We have also expanded into global real estate investments with successful exits since 2018. We are well known for our expertise in real estate, equities and fixed income streams, which has been a major focus in recent years. We have also introduced innovative products such as direct and indirect lending funds for small and medium-sized enterprises and retail finance. These initiatives align with our commitment to attract international investors, especially institutional ones.

We have diversified our services and expanded into new asset classes; we are now a world-class, full-service investment management company. Being a diversified company helps us reduce revenue volatility. Each business line has its cycles. For example, 2023 was not great for brokerage due to lower trading volumes compared to the previous year. However, our asset management division compensated, and our security services grew significantly, making us the largest custodian in the market and possibly the region. As the country opens up many new opportunities are emerging. Regulatory developments are reviewed frequently in consultation with market players. We actively communicate with regulators to align with the goals of the country's Vision 2030 roadmap. Riyadh Capital's board approved an upcoming initial public offering (IPO) in April 2024. An IPO is a natural milestone for a successful company. It brings transparency, improves governance and builds trust, especially with institutional investors who prefer transparent entities. We see our IPO as a significant step for us, pending regulatory approval.

How is Riyadh Capital positioned as a competitive partner for foreign clients?

International clients seek a trusted local partner with a strong track record that follows robust regulations and believes in transparency. We have one of the strongest regulatory environments around the world, which gives our clients confidence. Riyadh Capital is the second largest in terms of assets under management and the largest in custody, with \$260 billion in custody. Additionally, our infrastructure and adherence to global cybersecurity and information technology standards make us a reliable partner. Saudi Arabia's stable economy, pegged to the dollar since the 1980s, and the nation's disciplined fiscal policies enhance our corporate appeal.



Abdullah Alshwer
CEO

What kind of interest are we seeing in terms of foreign direct investment into Saudi Arabia?

There is growing interest in investing in Saudi Arabia, not just in listed equities but also in real assets such as real estate and private equity. Significant capital has flowed into education and healthcare over the past few years. Saudi Arabia's improving competitiveness — as shown by its recent global rankings — makes it an attractive destination for both Western and Eastern investors. Key measures for the growing interest in the Saudi Exchange include increased net inflows into the equity market, especially after Saudi Arabia was included in the MSCI Emerging Markets Index and Financial Times Stock Exchange Index in 2019. This move attracted passive and later active international managers. Trading volumes and values have risen sharply, showing increased trust in the market. The existing infrastructure strongly supports business from overseas.

Whether it is long-term investments in infrastructure and manufacturing or more immediate opportunities in the public market, there are many investment options in Saudi Arabia. Investment opportunities depend on the investor's time horizon and risk appetite. Tourism is thriving. Since the introduction of tourism visas in 2019, the number of tourists has exceeded expectations. Visitors come not only for religious purposes but also as general tourists. Many Saudis are also now discovering their own country. Saudi Arabia offers diverse climates, mountains, beaches and over 1,000 islands in the Red Sea region. Growth in tourism is tied to the real estate sector, particularly in areas related to mega projects. Infrastructure is another significant area of investment, supported by favorable demographics and low unemployment rates. Vision 2030's progress is visible, and people are feeling its impact.

How has the Financial Sector Development Program helped to innovate the local financial services sector?

The Financial Sector Development Program, which is part of the Vision 2030 initiative, aims to establish more than 500 fintech companies in Saudi Arabia by 2030. The introduction of open banking by the Saudi Central Bank is expected to enhance services in fintech and benefit existing financial institutions by improving customer experiences. Fintech is a natural fit for Saudi Arabia, given the country's demographics, smartphone access and strong information technology infrastructure. Many successful Saudi fintech companies were founded by individuals who studied abroad and brought back new ideas. In 2023, fintech led the venture capital space, accounting for more than 50% of the country's deployed capital totaling more than \$700 million.

What recent legislative reforms have benefited the local capital market?

The reforms driven by Saudi leadership have instilled confidence. The positive communication between regulators such as the Central Bank and the CMA has led to significant milestones, such as the opening of the market to foreign investors, introduction of the qualified foreign investor framework and Saudi Arabia's inclusion in global indices. The Saudi Aramco IPO in 2019 was a global success, and recent developments such as the launch of a parallel market and derivatives market have further strengthened the local capital market. The development of the debt market, particularly with the listing of government sukuk and bonds, has created a useful yield curve for price discovery and new issuances. These new reforms are aligned with Vision 2030's goal to make Saudi Arabia one of the top five capital markets globally. We are currently ranked around ninth or 10th, but with continued progress we believe we can achieve this goal. Saudi Arabia is a sleeping giant that is waking up.