

## Q&amp;A INTERVIEW

# Driving Saudi Arabia's Investment Management Revolution

SAB Invest's growth as the Saudi investment market rises to new heights under Vision 2030.

FORMAT: Q&A | SECTOR: FINANCIAL SERVICES | MARKET: SAUDI ARABIA | SUBJECT: SAB INVEST

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ALI ALMANSOUR · SAB INVEST

**How has Saudi Arabia's Vision 2030 initiative driven interest in the market since it was first introduced in 2016?**

The Financial Sector Development Program under Vision 2030 has been pivotal in developing the sector. The excellent work by the Capital Market Authority and Saudi Tadawul Group in reforming regulations and operating model has significantly impacted the market. The introduction of the qualified foreign investors program in 2015 and the inclusion into international indices in 2019 have brought substantial foreign investments. Other changes such as the introduction of real estate investment trusts and specific regulatory changes allowing foreign investments in real estate funds have also contributed to a positive outlook amongst investors. These measures along with the introduction of more market instruments such as short selling, securities lending and single security options have given the market more depth and capabilities.

The economic transformation under Vision 2030 has been a major differentiator for Saudi equities, including growth in spending and economic activities, the introduction of new sectors and the transformation of existing ones. Additionally, the opening of the market to more investor segments and the increase in initial public offerings have brought new liquidity and extended the universe of investable securities. The Saudi equity market has delivered an 8.5% annualized return over the past five years, compared to an average of 3.5% on the Morgan Stanley Capital International Emerging Market index. Limited currency risk due to the Saudi riyal being pegged to the US dollar is another advantage.

Having the Financial Sector Development Program as part of Vision 2030 has been crucial for developing our sector. The reforms, regulatory changes and market opening have had a direct impact on our industry. From 2019 to 2023, the total assets under management in Saudi Arabia grew by 75%, reaching a value of around \$230 billion, mostly linked to the Vision 2030 reforms. The diversification of sectors beyond petrochemicals and banking to include logistics, healthcare, insurance, pharmaceuticals and real estate has allowed us to build more diversified strategies. The nation's giga projects are also providing new investment opportunities. While the market has been traditionally dependent on banking for financing, it is now attracting investment managers to participate.

**How are Saudi banks and financial services players benefiting from the current positive investment sentiment?**

Several factors are creating this investors' optimism, especially in the local market. These include growth in spending under the Vision 2030 initiatives, the development of new sectors, new initial public offering activities, regulatory changes and market openings by the regulator. We have seen increased activity from investors, whether topping up existing mandates, establishing new ones or just engaging in a dialogue. SAB Invest is in a unique position to benefit from interest of both local and foreign investors. Being a well-established local player with a long and strong track record and being affiliated with HSBC Group give us that edge in the market. Investors are usually familiar with our brand and franchise and naturally come to us first. This year, we started onboarding non-resident retail clients who are interested in the Saudi market. After being onboarded, they invest in our mutual funds, which is a new trend that we expect to continue. Additionally, the increase in initial public offering activities – whether from government-owned or family-owned businesses – has created opportunities that local and foreign investors want to participate in.



**Ali Almansour**  
Managing Director & CEO

## Can you give us the highlights of SAB Invest's transformational milestones under its current five-year strategy?

In 2021 and 2022 we moved the wealth and investment management business from a joint venture which the bank owned a stake in, to SAB Invest, a fully owned subsidiary. This was a decision made by the shareholders, including our parent company Saudi Awwal Bank. The bank provides banking products, and we offer wealth and investment products. Often, our clients require both. This comprehensive offering usually prevents clients from looking elsewhere and has contributed significantly to our growth. However, we currently only serve around 4% of Saudi Awwal Bank's client base, and there is significant room to expand within the franchise. Once the shift to manage the wealth and investment business under a fully owned subsidiary was complete, we began to focus on our long-term growth and came up with a five-year strategy that we launched in January 2023. One of our central focuses is to ensure we have the right people. We already had very good people working at the company, but we needed to attract more professionals to close certain gaps. We are fortunate that the highly regarded professionals within the industry whom we approached had agreed to join and lead our various businesses. The energy since the launch of this strategy is evident. People now have a vision, new targets and new ambitions. Our approach to interacting with clients has changed.

The 73% growth in our assets under management in 2023 was equivalent to a rise of \$3 billion. About 60% came from our existing and new clients. This is significant given the number of changes we have made at the company; we are happy to see that our clients have endorsed and embraced our transformation. In 2023, our ultra-high net worth and institutional client base expanded by 35%. The other 40% of rise in AUM came from the performance of our various strategies during the year. Our equity strategy – our most active strategy – delivered a more than 50% return in the same year exceeding its benchmark by 30%. Given that our business has existed for decades, this kind of growth is extremely encouraging and a great base for our new strategy. While we cannot promise growth of the same magnitude every year, our strategy is designed to sustainably capture the market upside when it is available while keeping an eye on downside protection.

We focused on maintaining our solid long-term track record and building on it.

The growth of our assets under management is not a primary objective for us and not a key performance indicator but rather an outcome. Our primary objective is to deliver strong performance over the long term and heighten the quality of the services we provide to our clients.

We were also recognized by the Saudi Capital Market in its annual forum as the best asset manager for 2023, which was a proud moment for us. While we celebrated many successes on the asset management side of the business last year, our brokerage business did not enjoy a similar level of performance. As you may appreciate, the brokerage business is volatile and linked to overall market trading activities and volumes. Last year, trading volumes in the overall market dropped by around 22%, which had a large impact on the sector. This year, trading volumes reversed and are more than 70% higher than last year and it driving good performance for the brokerage business. We also have a number of digital initiatives we are delivering to our brokerage clients to enhance the trading platform's user experience and capabilities.

Another important initiative is a new business born from our strategy providing global investment solutions. The new segment has two main objectives: to provide access to high-quality and unique global opportunities for our local client base and act in a fiduciary capacity on behalf of investors who want to outsource fully or partially their investment function, also known as the outsourced chief investment officer (OCIO) model. Last year, we focused on building the team, infrastructure and systems required to run this business. This year, this segment has begun getting mandates and launching products. It is a very promising new business.

## What unique ethos separates SAB Invest from other wealth and investment management companies?

Our number one and key differentiator is our people. In investment management, we are essentially selling the talent of our professionals. I am proud of the quality and discipline of our team who have adopted a long-term approach to investing. We do not believe in short-term, hit-and-run investing. Instead, we focus on building the right exposures and wait patiently, allowing investment theses to play out. This approach fosters rewarding relationships with clients who share a similar mindset as evidenced by our market leading track record. We have a long history in the market, having launched the first Saudi equity mutual fund in the early 1990s, which we still manage today. Our legacy and heritage in investing are strong, and we continue to innovate with new strategies and exposures to different asset classes. Our affiliation with HSBC also provides a competitive advantage through active collaboration and adoption of global standards and practices.