

Sovereign Wealth Funds & Private Equity of the GCC



Did you know that...?

- ◆ Sovereign Wealth Funds (SWFs) are state-owned funds which invest abroad as well as domestically, and, unlike central bank reserves, are free to invest in less liquid and more risky assets to seek better returns.ⁱ
- ◆ SWFs have been around since 1953, when the first one was formed by Kuwait. They are funded primarily from commodity exports, foreign exchange reserves and national budget surpluses.
- ◆ Abu Dhabi's SWF is the largest in the world, with an estimated \$627 billion in assets under management as of April 2009.ⁱⁱ
- ◆ Saudi Arabia has the second largest SWF with \$431 billion in assets.ⁱⁱⁱ
- ◆ "According to the European Central Bank in January 2008, sovereign wealth funds (SWFs) could become a stabilizing influence in today's crisis-racked financial markets."^{iv}
- ◆ According to some, SWFs are ideal stake holders because they stick by their investments long-term even through tough financial times without questions.^v
- ◆ SWFs are also beneficial because they are enormous. According to the Sovereign Wealth Fund Institute, SWFs have total assets worth more than \$3.6 trillion (April 2009), substantially larger than the hedge fund industry.^{vi}
- ◆ "Within the GCC countries, the growth in SWFs has been driven by the rapid rise in oil prices from \$16 a barrel at the end 2001 to about \$130 per barrel in May 2008."^{vii}
- ◆ Even with the significant drop in oil prices, there is still high liquidity that the SWFs are looking to invest.^{viii}
- ◆ "In late November 2007, Abu Dhabi Investment Authority bought 4.9% of Citigroup for \$7.5 billion to become its largest shareholder..."^{ix}
- ◆ Although reduced commodity prices and the global economic downturn have slowed their annual growth, projections by International Financial Services London, are that SWFs will likely double to about \$8 trillion by 2015.^x
- ◆ In 2009, the six GCC states are home to about 45% of the present global total of money in sovereign wealth funds.^{xi}

Articles for Further Reading

Private Equity in the GCC

- ◆ "Sovereign Wealth Funds to Play Vital Role in GCC's Future." *Zawya*—May 2009
- ◆ "A Queue in the Sand" *BusinessWeek.com*—December 6, 2007
- ◆ "Investing the Gulf's oil profits windfall" *The McKinsey Quarterly*—May 2008
- ◆ "The coming oil windfall in the Gulf" *McKinsey & Co.*—January 2008
- ◆ "What Are GCC Funds Buying? A Look At Their Investment Strategies" *RGE Monitor*—June 2008
- ◆ "Private Equity in the GCC Region" *GulfCapital.com*
- ◆ "Saudi Arabia approves setting up of new fund" *Financial Times*—July 16, 2008
- ◆ "Opportunities in Islamic Private Equity" *DinarStandard.com*—November 22, 2007

Private Equity in Real Estate

- ◆ "Foreign Investors Pile up More Pieces of Americana." *NYTimes.com*—July 10, 2008
- ◆ "Mideast investors lose interest in US real estate" *NYTimes.com*—March 18, 2007
- ◆ "Abu Dhabi: A World Winning City in the Making" *Middle East Review*—Vol. 9, 2008
- ◆ "Middle East Attracts Global Capital" *Jones Lang LaSalle Middle East Review*—Vol. 8 2007
- ◆ "Abu Dhabi Buys Chrysler Building" *NYTimes.com*—July 10, 2008

ⁱ Rising Oil Prices and the Growth of Gulf Sovereign Wealth Funds. Brookings Institute. Aug. 8, 2009.

www.brookings.edu/events/2008/0526_oil.aspx?rssid=energy+security

ⁱⁱ The Sovereign Wealth Fund Institute. <http://www.swfinstitute.org/funds.php>

ⁱⁱⁱ *Ibid.*

^{iv} Olson, Parmy. "World's Richest Sovereign Wealth Funds." *AME Info.* Jan. 24, 2008. <http://www.ameinfo.com/144711.html>

v *Ibid.*

vi The Sovereign Wealth Fund Institute. <http://www.swfinstitute.org/funds.php>

vii Rising Oil Prices and the Growth of Gulf Sovereign Wealth Funds. Brookings Institute. Aug. 8, 2009.

www.brookings.edu/events/2008/0526_oil.aspx?rssid=energy+security

viii "Middle East Economic Growth to Slow." AME Info. Dec. 10, 2008. <http://www.ameinfo.com/178140.html>

ix "The World's Richest Sovereign Wealth Funds." *Forbes*. http://www.forbes.com/2007/12/19/saudi-arabia-uae-biz-wall-cx_po_1219sovereign_slide_12.html?thisSpeed=15000

x International Financial Services London. http://www.ifsl.org.uk/upload/CBS_Sovereign%20Wealth%20Funds%202009.pdf

xi *Ibid.*

Resources

◆ Middle East Online — www.middle-east-online.com/english/?id=28501

We encourage you to visit local news magazines, AME, Financial Times, the Economist, BBC, private equity journals, and other news sources for recent articles on this subject.

This is meant to be a brief introduction, though please remember the topic and data are dynamic.

