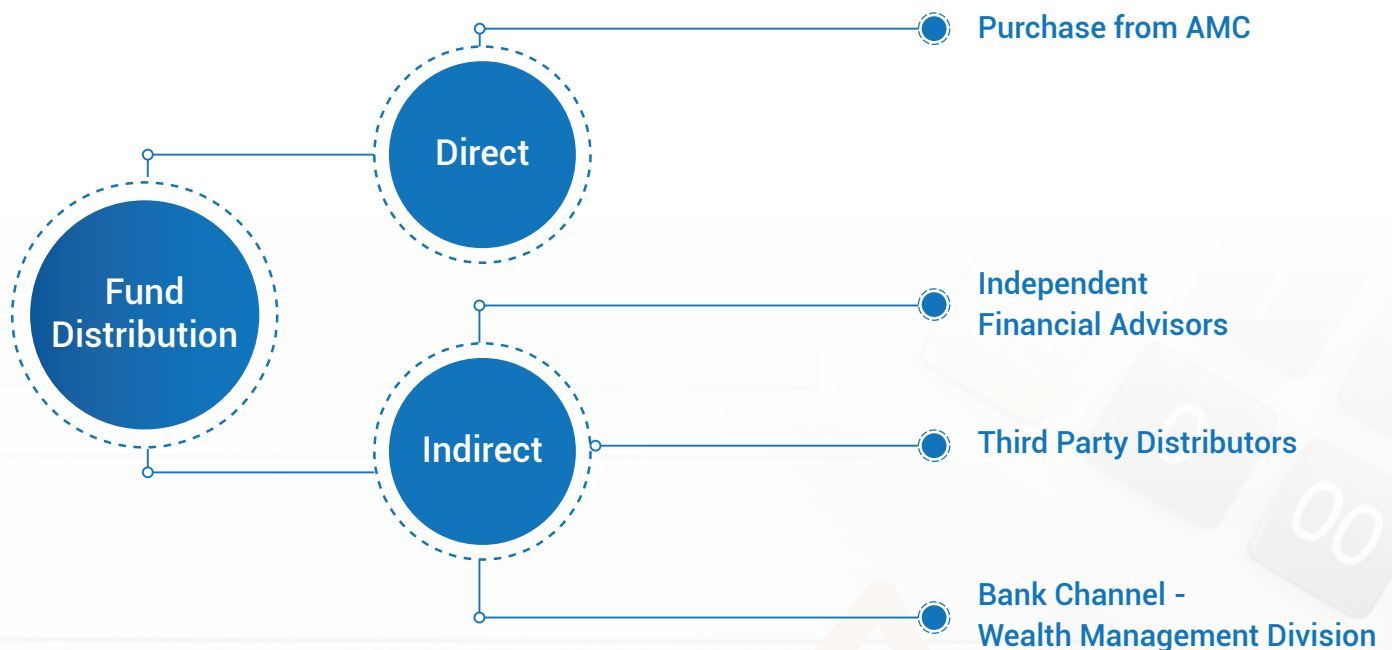
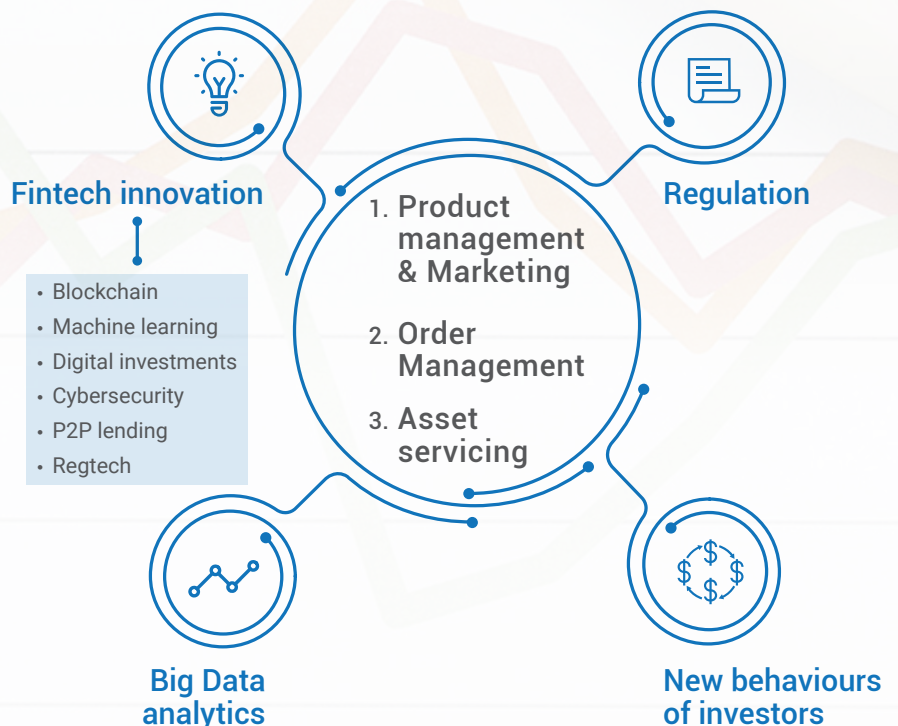


# GCC Asset Management



## Research Highlights

Analyzing the state of GCC asset management industry in terms of market size, fund performance, regulations and operational challenges.



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# About Marmore

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## Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company.** To learn more, visit [www.e-marmore.com](http://www.e-marmore.com)

## Experience/Qualifications


Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

*Marmore's strengths can be summarized as follows:*

- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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# Executive Summary

GCC Asset Management Industry manages mutual fund assets of USD 27.8billion in about 287 funds as of October 2018. Geographically, Saudi Arabian mutual funds account for 78.8% of the total (USD 21.97bn), followed by Kuwait mandated funds with 10.2% share. In terms of products, money market/trade finance fund leads the pack with a 63.9% share, followed by equity at 30.3% and real estate at 3.8%, while the remainder is in bond market and mixed assets. In terms of the number of funds, Saudi Arabia mandated funds lead the table with 158 funds (55.1%). Product wise, there are 200 equity funds, 38 money market/trade finance funds, 30 real estate funds, 12 mixed asset funds and 7 bond funds.

AUM /GDP ratio for the mutual funds in GCC region was 1.9% compared to 15.3% global average, implying potential for growth of mutual fund industry in the region. Consequently, the industry also has potential for job creation as its ecosystem provides many white-collar job opportunities. However, there are also structural reasons for the smaller size of the GCC equity mutual fund assets. First, in the region large holding of equity assets are outside the mutual funds like portfolio managed accounts and Pension Fund and Insurance equity assets. In addition, the market capitalization of GCC equity markets is lower compared to world averages and the free float market capitalization in the stock markets is lower in GCC compared to global markets.

The GCC mutual fund asset management market is concentrated among the top asset management companies, with the top 10 asset managers (out of 101 managers) accounting for 75% of the total assets being managed. NCB Capital leads the list of asset management companies with USD 7.72bn in assets (27.7% market share), followed by Samba Capital and Investment Management Co with USD 3.1bn in assets (11.2% share).

Equity funds in GCC region, on an average, charge 1.59% as fund management fee (annual recurring charge applicable at the expense of the Net Asset Value of a fund) while it averaged 0.55% for money market/trade finance funds and 0.69% for bond funds. This is apart from administration, custodian and performance fees. The management fee for large size equity mutual funds (with AUM > 1.0 US \$ billion) is 1.46% but is much higher at about 1.61% for medium and small size mutual funds. Saudi equity funds charge the highest management fee at 1.7% followed by Kuwait at 1.4%. The fees in the region are higher compared to developed markets like the U.S.A. possibly due to their comparatively smaller size.

The ranking of GCC countries in terms of number of funds domiciled, indicate that country of domicile relates to the size of each country's asset management industry with only a few exceptions. There were 252 funds domiciled in Saudi Arabia, managing USD 25.2bn in assets, followed by Kuwait with 40 funds, managing USD 4.2bn.

Considering that local investors make up the bulk of participants in GCC funds, local markets tend to suffice as domiciles for these funds, with respective countries being the most popular choices. Demand for 'Sukuk' (Islamic bond) as an asset class has been on the rise even among conventional fund managers who are increasingly looking at this option as the debt here is fully backed by real assets.

Market volatility and increased political risk has kept risk-averse clients away from the market, resulting in stagnant industry AUMs. Smaller funds sizes and evolving regulations, which vary from country to country, have constrained business growth. Asset growth and higher fees that had hitherto been driving profitability are fast replaced by cost containment measures. Negative returns in GCC Stock Markets over past 5 years and underperformance of the mutual fund industry compared to index returns may have negatively affected equity mutual funds' growth.

However, during the months leading to the inclusion of UAE and Qatar into the MSCI EM index in 2014, there was a significant uptick in foreign inflows into both countries. The inclusion was estimated to have brought additional foreign inflows of close to USD 800 million for UAE and Qatar combined. A similar uptick in liquidity and capital inflow is expected for Saudi Arabia and Kuwait markets with passive inflows worth close to USD 10bn and USD 900mn respectively.

Our study shows, that mutual fund industry in GCC is smaller in size in comparison to that in other global markets. It has potential to grow larger in the future, if the governments in these countries take steps aimed at attracting more retail investors. Investment in financial assets, increasing the market cap of the local equity markets with more equity listings would help. More investment opportunities for private investors including mutual funds, and selling part of the equity investments held by sovereign funds in favor of retail investors will open more investment avenues to mutual funds investors.

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