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Discretionary Portfolio Management (DPM) and Private Investment Funds in KSA

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Marmore MENA Intelligence

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.

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- Data/Information requirements

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- We conduct channel checks to authenticate information
- Having our Parent in Kuwait, we are well versed with cultural aspects of the region and attune our findings accordingly
- We have the ability to come up with solutions which actually works for the region

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Current market landscape of wealth/fund management in KSA

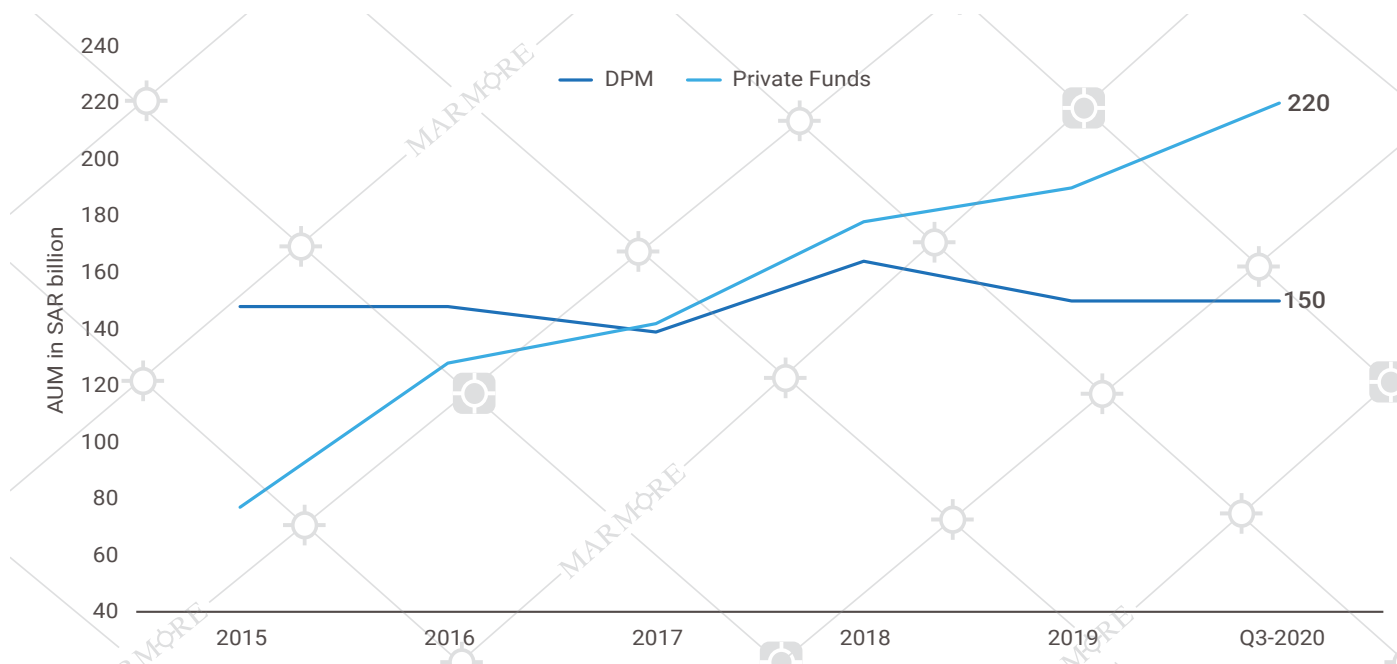
Discretionary Portfolio Management (DPM) and private funds remain the mainstay in Saudi Arabia asset management industry. Of the total assets (SAR 500 billion or USD 133 billion) being managed - private funds constituted 38% while DPM amounted to 30% share. Public funds such as mutual funds and the like amounted for the rest.

DPM refers to specialized services provided to institutional and high net-worth investors, tailored to clients' specific risk, and return objectives. They are not pooled together with other investors' assets like investment funds. Private funds are a category of investment funds in which subscribers apply through private placements. Investors can buy units in a private fund based on the size of their investment, which is then invested according to the fund objectives.



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Assets managed under DPM has remained flat while private funds are growing



Source: CMA

The AUM under DPM's has remained range bound for the past five years. The total AUM has remained flat or seen negative growth in all years except 2018. This could be explained from the poor performance of Saudi equities in this period, when the Tadawul index made minimal gains.

Total DPM AUM from 2015-2019 (In SAR billion)

Investment Type	2015	2016	2017	2018	2019	Q3-2020
Local Equities	57.0	58.5	60.2	63.9	54.6	57.9
Investment Funds	44.9	44.5	49.6	46.3	48.2	45.0
Other	33.1	37.8	23.4	47.8	41.1	42.1
Debt Instruments	11.4	5.4	3.3	3.8	4.1	3.4
International Equities	1.8	2.6	2.6	2.2	2.2	2.1
Total	148	148	139	164	150	150

Source: CMA

By Investment type, we can observe that local equities and investment funds have largely remained stagnant. On the other hand, debt instruments have seen a decrease in the period. The share of local equities has remained at around 40% of the total due to the tendency of Saudi Investors preferring trade finance (Murabaha) and other debt instruments over equities.

HOW CAN MARMORE HELP ?

Marmore MENA Intelligence has been providing research services to various clients across the GCC region for well over a decade now. Our presence in Kuwait aids us in better understanding the nuances of the region and support our clients with research and consulting services.



ASSET MANAGERS

Right from raising funds to deployment of the same, there are so many activities that an asset management firm undertakes. Typically, Asset management teams are much smaller compared to the brokerage firms. Asset Managers can deploy Marmore for various activities as mentioned below:

- Economic Research
- Industry/Sector Research
- Stock Screener
- Equity Research (buy-side)
- Valuation
- Fund Research
- Competitors analysis
- Management Analysis
- Portfolio Analysis
- Portfolio rebalancing
- Risk Dashboard
- Fund monitoring and Reporting
- Attribution analysis
- Due Diligence
- Robo advisory
- Capital Market Expectation models
- Content Writing Support



INVESTMENT BANKS

Some of the activities wherein Investment Banks can engage Marmore include:

- Due Diligence
- Pitch book preparation
- Sector Expertise
- Macro-economic and Industry Research
- Deep dive Company research
- Valuation models (detailed)
- Deal Intelligence



BROKERS

As brokers rely on generating revenues through trading commissions, they are also required to maintain a sell-side research desk for their clients. Brokers could engage Marmore for the following functions:

- Equity Research (sell-side)
- Thematic Research
- Industry/Sector Research
- Financial Modelling and valuation
- Offshore Associate
- Real time Result Updates

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This report is an extension of our **Saudi Arabia Capital Market 2021 Leaders, Profitability, and Business Model** report released in January 2021.

To access the report [Click Here](#)



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