



Follow the Money

A Strategic Call
to the Heart of The Gulf



Mathieu Bortot
Portfolio Manager

In a world where geopolitical tensions often dictate the ebb and flow of international markets, the Gulf Cooperation Council (GCC) nations stand apart, against common misconception. Indeed, despite the heated climate of their geographic vicinity, these countries appear to have chosen a path of peace and economic prosperity. This deliberate pivot towards stabilisation and development represents not only a political stance but also a burgeoning opportunity for global investors.



The most unique and transformative part of the Gulf’s success story in recent years has been the trillions of dollars that have been and will be invested back into their own economies.

A Commitment to Peace and Prosperity

Peace in the region has been a critical initiative that the GCC has pursued over the past decade. In 2020, Bahrain and UAE normalised their relations with Israel through the Abraham Accords, which created new economic and diplomatic opportunities. Even more recently, Gulf States have actively engaged in diplomatic initiatives to de-escalate tensions between Israel and Iran since the October 2023 attacks. For instance, collective calls from the UAE, Saudi Arabia, and other regional partners have emphasised the importance of dialogue, adherence to international law, and respect for the UN Charter to ensure regional stability. Saudi Arabia has also been directly involved in discussions with Iran, focusing on the potential repercussions of regional tensions, highlighting ongoing efforts to manage relations and prevent conflict escalation. We have observed the positive impacts of these initiatives on the local stock exchanges, with the Tadawul Index (Saudi Arabian Stock Exchange) gaining 15% since the events of October 7th, 2023.

Global Investment Powerhouses

GCC countries have emerged as significant global investors through sovereign wealth funds such as the Saudi Public Investment Fund (PIF) and the Abu Dhabi Investment Authority (ADIA), boasting an estimated combined asset base of over \$2 trillion. The Saudi Public Investment Fund (PIF) has launched various local investment initiatives to support and diversify the Kingdom’s economy in alignment with Vision 2030 across all strategic sectors. Furthermore, these sovereign funds have become well-established and seasoned international investors with substantial holdings in companies like Uber and Lucid Motors, aligning their objectives with foreign investors investing alongside them domestically.¹

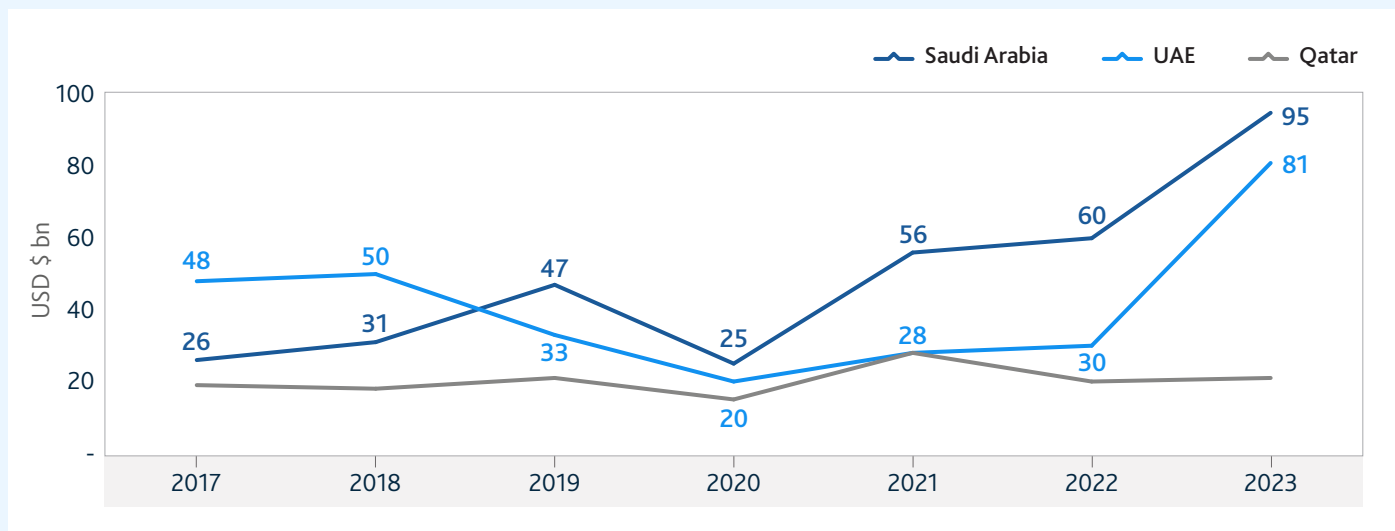


However, the most unique and transformative part of the Gulf’s success story in recent years has been the trillions of dollars that have been and will be invested back into their own economies. This sets the regions’ countries apart from almost every other energy-producing country today or throughout history. Recent geopolitical events in the region do not seem to have interrupted the pace or size of domestic investment in the local economies. Local investors believing in the long-term future of their own country and its economy has historically been very positive for long-term development. The examples of capital flight from FX rich emerging markets are plentiful and tend to result in the same negative outcome for economies and equity markets.

Infrastructure Spend

Over the past six years, the Gulf Cooperation Council (GCC) countries have been investing a significant amount of capital in their local economies. They have a pipeline of cross-sector projects worth \$2.7 trillion, primarily concentrated in Saudi Arabia (\$1.53 trillion) and the United Arab Emirates (\$600 billion). This level of investment surpasses both the United States’ Infrastructure Investment Program (\$1 trillion) and the European Union’s “NextGenerationEU” Recovery Plan (\$800 billion).²

Value of GCC contracts awarded by country, 2017-23 (USD \$bn)



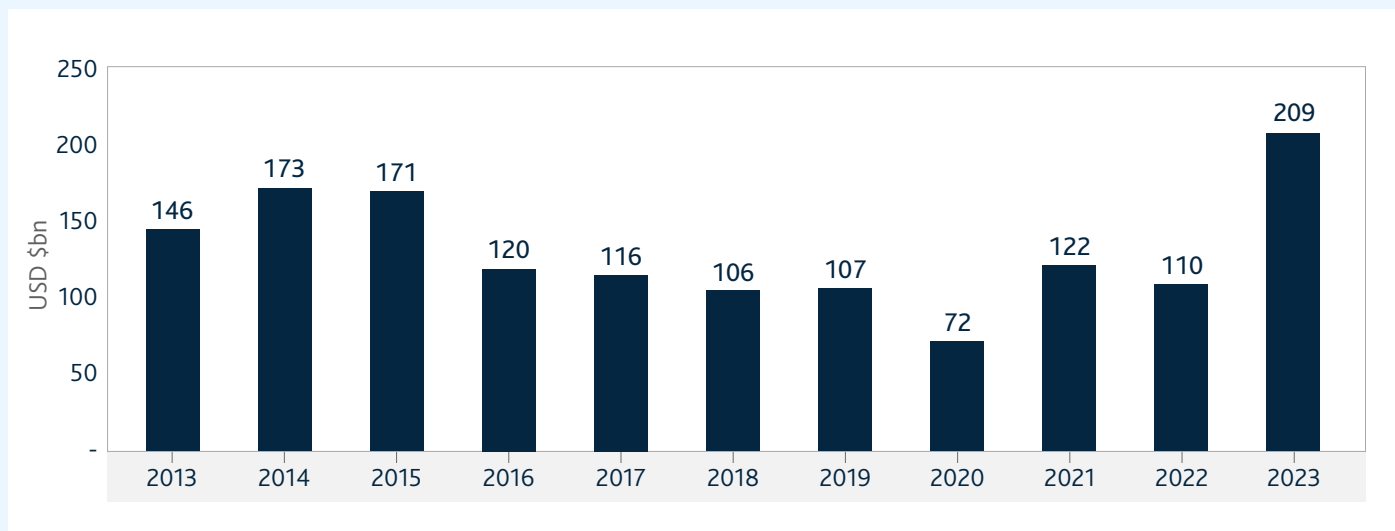
Source: Global Data. MEED, “The Saudi Arabia Opportunity – A Projects Market Like No Other”, April 22, 2024

In Saudi Arabia, Vision 2030, launched in 2016, aims to diversify the economy away from its reliance on oil. One of the most ambitious projects is NEOM, a \$500 billion mega-city that seeks to be a hub for innovation and tourism. Last year, almost \$110 billion in contracts were awarded, and as of March this year, \$194 billion worth of contracts had been tendered or are under bid evaluation. These investments in infrastructure are transforming the country’s economy, providing significant benefits to local companies and non-oil sectors, creating jobs, and attracting foreign investors like us. From a macroeconomic perspective, the impact is substantial, with Saudi Arabia’s non-oil economy growing by nearly 5% in 2023, compared to a contraction in its oil economy.³ From a bottom-up perspective, there is now an ecosystem of companies seeing strong earnings growth from direct links to these projects or indirectly through increased labour participation in the domestic economy, creating an emerging consumer class. It is essential to highlight that these reforms also accompany social developments involving all members of society, with female labour force participation rising to almost 40% in 2023, up from 18% in 2016.⁴

In the UAE, several visa reforms have been implemented in recent years to attract more expatriates, investors, professional workers and tourists. This large influx of inhabitants has fuelled the real estate development market to accommodate them, and more significant projects are being initiated to connect urban areas and benefit from the new human capital to grow new economic sectors. The current real estate projects underway amount to an estimated value of \$50bn, the extension of the Al Maktoum International Airport \$82bn, the Etihad Rail project linking Saudi Arabia and Oman to the UAE at \$11bn, and Mohammed bin Rashid Al Maktoum Solar Park in Dubai at \$13bn.

These initiatives maintained momentum even as oil prices reached a \$68 barrel low in 2023, sending a strong signal about these countries’ long-term commitment to this investment and reform process.

Value of GCC contracts awarded 2013-23 (USD \$bn)



Source: Global Data. MEED, “The Saudi Arabia Opportunity – A Projects Market Like No Other”, April 22, 2024

Contrasting Global Oil Exporters: The strategic reinvestment of oil revenues into domestic economies sets the GCC apart from other oil-exporting countries. For instance, while Venezuela and Nigeria have seen economic volatility and underinvestment in infrastructure, leading to economic stagnation, the GCC’s proactive approach has led to more robust financial health. Saudi Arabia’s budget surpluses and continuous GDP growth, which remained positive even during global downturns, illustrate the successful utilisation of oil wealth for economic diversification and development.

Untapped Potential in Emerging Market: Despite substantial growth and investment, institutional exposure to GCC markets is relatively limited. Although the GCC now represents over 7% of the MSCI Emerging Markets Index, against less than 2% five years ago, most Emerging Market investors are underweight or not invested in the region.⁵

Fiera Capital Approach: The team’s exposure to the region is focused on the growing non-oil economy, with exposures from 5% to 30% across our various global Emerging and Frontier Strategies. Additionally, we have managed a dedicated MENA strategy for over ten years. Our success in the region stems from our benchmark agnostic approach, which can often trap indexed foreign investors into the less attractive segments of the market. We also entertain close ties with local market participants by visiting the region very regularly to develop our bottom-up research and be a strong presence on primary issues.



Endnotes

- 1 <https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund>
- 2 <https://outlook.gihub.org>
- 3 Oxford Economics, Databank Statistics, Apr 2024.
- 4 <https://oxfordbusinessgroup.com/reports/saudi-arabia/2022-report/economy/sea-change-educational-and-social-reforms-in-line-with-vision-2030-seek-to-increase-womens-participation-in-the-workplace>
- 5 JPMorgan, EM Manager Survey Apr 2024.

uk.fieracapital.com

Important Disclosure

Fiera Capital Corporation (“**Fiera Capital**”) is a global independent asset management firm that delivers customized multi-asset solutions across public and private classes to institutional, financial intermediary and private wealth clients across North America, Europe and key markets in Asia. Fiera Capital trades under the ticker FSZ on the Toronto Stock Exchange. Fiera Capital does not provide investment advice to U.S. clients or offer investment advisory services in the US. In the US, asset management services are provided by Fiera Capital’s affiliates who are investment advisers that are registered with the U.S. Securities and Exchange Commission (the “SEC”) or exempt from registration. Registration with the SEC does not imply a certain level of skill or training. Each affiliated entity (each an “**Affiliate**”) of Fiera Capital only provides investment advisory or investment management services or offers investment funds in the jurisdictions where the Affiliate and/or the relevant product is registered or authorized to provide services pursuant to an exemption from registration.

This document is strictly confidential and for discussion purposes only. Its contents must not be disclosed or redistributed directly or indirectly, to any party other than the person to whom it has been delivered and that person’s professional advisers.

The information presented in this document, in whole or in part, is not investment, tax, legal or other advice, nor does it consider the investment objectives or financial circumstances of any investor.

Fiera Capital and its Affiliates reasonably believe that this document contains accurate information as at the date of publication; however, no representation is made that the information is accurate or complete and it may not be relied upon. Fiera Capital and its Affiliates will accept no liability arising from the use of this document.

Fiera Capital and its Affiliates do not make recommendations to buy or sell securities or investments in marketing materials. Dealing and/or advising services are only offered to qualified investors pursuant to applicable securities laws in each jurisdiction.

Past performance of any fund, strategy or investment is not an indication or guarantee of future results. Performance information assumes the reinvestment of all investment income and distributions and does not account for any fees or income taxes paid by the investor. All investments have the potential for loss. Target returns are forward-looking, do not represent actual performance, there is no guarantee that such performance will be achieved, and actual results may vary substantially.

This document may contain “forward-looking statements” which reflect the current expectations of Fiera Capital and/or its Affiliates. These statements reflect current beliefs, expectations and assumptions with respect to future events and are based on information currently available. Although based upon what Fiera Capital and its affiliates believe to be reasonable

assumptions, there is no guarantee that actual results, performance, or achievements will be consistent with these forward-looking statements. There is no obligation for Fiera Capital and/or its Affiliates to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Strategy data such as ratios and other measures which may be presented herein are for reference only and may be used by prospective investors to evaluate and compare the strategy. Other metrics are available and should be considered prior to investment as those provided herein are the subjective choice of the manager. The weighting of such subjective factors in a different manner would likely lead to different conclusions.

Strategy details, including holdings and exposure data, as well as other characteristics, are as of the date noted and subject to change. Specific holdings identified are not representative of all holdings and it should not be assumed that the holdings identified were or will be profitable.

Certain fund or strategy performance and characteristics may be compared with those of well-known and widely recognized indices. Holdings may differ significantly from the securities that comprise the representative index. It is not possible to invest directly in an index. Investors pursuing a strategy like an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns, whereas an index does not. Generally, an index that is used to compare performance of a fund or strategy, as applicable, is the closest aligned regarding composition, volatility, or other factors.

Every investment is subject to various risks and such risks should be carefully considered by prospective investors before they make any investment decision. No investment strategy or risk management technique can guarantee returns or eliminate risk in every market environment. Each investor should read all related constating documents and/or consult their own advisors as to legal, tax, accounting, regulatory, and related matters prior to making an investment.

The ESG or impact goals, commitments, incentives and initiatives outlined in this document are purely voluntary, may have limited impact on investment decisions and/or the management of investments and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes associated with investments made by funds managed by the firm. The firm has established, and may in the future establish, certain ESG or impact goals, commitments, incentives and initiatives, including but not limited to those relating to diversity, equity and inclusion and greenhouse gas emissions reductions. Any ESG or impact goals, commitments, incentives and initiatives referenced in any information, reporting or disclosures published by the firm are not being promoted and do not bind any investment decisions made in respect of, or stewardship of, any funds managed by the firm for the purposes of Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures, in

the financial services sector. Any measures implemented in respect of such ESG or impact goals, commitments, incentives and initiatives may not be immediately applicable to the investments of any funds managed by the firm and any implementation can be overridden or ignored at the sole discretion of the firm. There can be no assurance that ESG policies and procedures as described herein, including policies and procedures related to responsible investment or the application of ESG-related criteria or reviews to the investment process will continue; such policies and procedures could change, even materially, or may not be applied to a particular investment.

The following risks may be inherent in the funds and strategies mentioned on these pages.

Equity risk: the risk that the value of stock may decline rapidly for issuer-related or other reasons and can remain low indefinitely. **Market risk:** the risk that the market value of a security may move up or down, sometimes rapidly and unpredictably, based upon a change in market or economic conditions. **Liquidity risk:** the risk that the strategy may be unable to find a buyer for its investments when it seeks to sell them. **General risk:** any investment that has the possibility for profits also has the possibility of losses, including loss of principal. **ESG and Sustainability risk:** ESG and sustainability risk may result in a material negative impact on the value of an investment and performance of the portfolio. **Geographic concentration risk:** geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the portfolio's assets are concentrated. **Investment portfolio risk:** investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Operational risk:** operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

For further risks we refer to the relevant fund prospectus.

United Kingdom: This document is issued by Fiera Capital (UK) Limited, an affiliate of Fiera Capital Corporation, which is authorized and regulated by the Financial Conduct Authority. Fiera Capital (UK) Limited is registered with the US Securities and Exchange Commission ("SEC") as investment adviser. Registration with the SEC does not imply a certain level of skill or training.

United Kingdom – Fiera Real Estate UK: This document is issued by Fiera Real Estate Investors UK Limited, an affiliate of Fiera Capital Corporation, which is authorized and regulated by the Financial Conduct Authority.

European Economic Area (EEA): This document is issued by Fiera Capital (Germany) GmbH ("Fiera Germany"), an affiliate of Fiera Capital Corporation, which is authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This document is issued by Fiera Capital Inc. ("Fiera U.S.A."), an affiliate of Fiera Capital Corporation. Fiera U.S.A. is an investment adviser based in New York City registered with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

United States - Fiera Infrastructure: This document is issued by Fiera Infrastructure Inc. ("Fiera Infrastructure"), an affiliate of Fiera Capital Corporation. Fiera Infrastructure is registered as an exempt reporting adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

United States - Fiera Comox: This document is issued by Fiera Comox Partners Inc. ("Fiera Comox"), an affiliate of Fiera Capital Corporation. Fiera Comox is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

Canada

Fiera Real Estate Investments Limited ("Fiera Real Estate"), a wholly owned subsidiary of Fiera Capital Corporation is an investment manager of real estate through a range of investments funds.

Fiera Infrastructure Inc. ("Fiera Infra"), a subsidiary of Fiera Capital Corporation is a leading global mid-market direct infrastructure investor operating across all subsectors of the infrastructure asset class.

Fiera Comox Partners Inc. ("Fiera Comox"), a subsidiary of Fiera Capital Corporation is a global investment manager that manages private alternative strategies in Private Credit, Agriculture, Private Equity and Timberland.

Fiera Private Debt Inc. ("Fiera Private Debt"), a subsidiary of Fiera Capital Corporation provides innovative investment solutions to a wide range of investors through two distinct private debt strategies: corporate debt and infrastructure debt.

Please find an overview of registrations of Fiera Capital Corporation and certain of its subsidiaries here:

www.fieracapital.com/en/registrations-and-exemptions.

VERSION_STRENG001