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CSOP Asset Management

Middle East Market Outlook – Saudi Arabia

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As with all investments, your capital is at risk



Connect Saudi Arabia, Share the Vision

November 2023



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Saudi Arabia Economy

The World's Fastest-Growing
Major Economy

An Energy Superpower



Saudi Arabia

المملكة العربية السعودية



Economy GDP: 4.16 Trillion SAR (1.11 Trillion USD) in 2022*

- The largest economy in the Middle East
- The 17th largest economy in the world
- The only Arabia country in G20

Capital Riyadh

Land Area 2.15 million km²

Population 32.18 million*

GDP Per Capita 129,203 SAR (~34,454 USD)*

Language Arabic عربي

Currency Saudi Riyal (SAR)
Adopting Fixed Exchange Rate Scheme: 1 USD = 3.75 SAR


Oil, the Economic Lifeline of Saudi Arabia



In 2022, **38.7%** of Saudi Arabia real GDP came from oil related sectors. Saudi Arabia GDP is highly correlated with oil price.*

World's Economic Engine Grasped by Saudi Arabia[#]

The world's 2nd-largest oil reserve


17%
of the world's total proved oil reserves



of the world's total proved natural gas reserves

4.6%



The world's 5th-largest natural gas reserve



Source: *General Authority for Statistics GASTAT. The map is from [geology.com](https://www.geology.com). #OPEC, US Energy Information Administration, 2021



But More Than Just an Oil Story

“Saudi Vision 2030” is a long-term economic transformation plan unveiled by Saudi Arabia government in 2016, targeting to push Saudi Arabia to grow at giga speed to a diversified future.

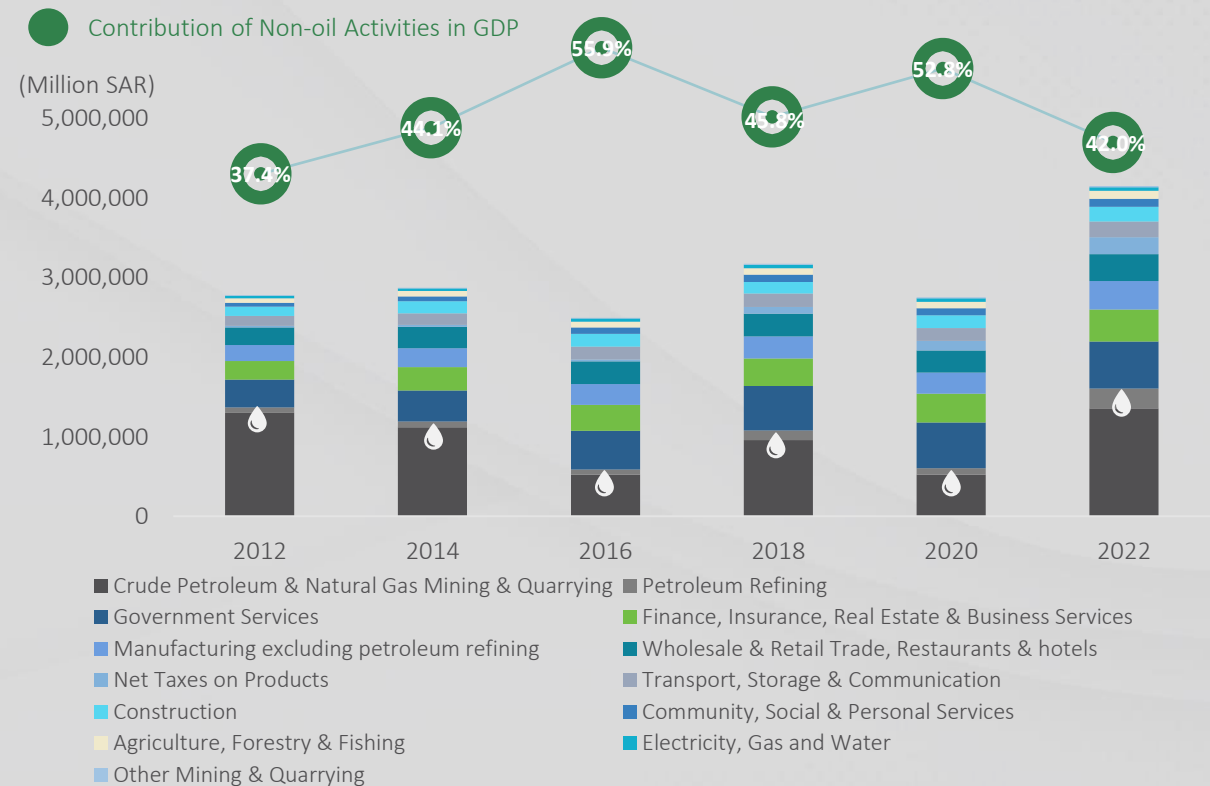


- Industrial
- Mining
- Renewable Energy
- Logistics
- Digital Economy
- Tourism & Sports

GDP Contribution of Non-Oil Sectors is Trending Up

The GDP Value by Sectors (Million of SAR)*

By 2030, The non-oil sector's contribution to government revenues to increase from 163 billion SAR (~43 billion USD) to 1 Trillion SAR (~270 billion USD), and non-oil exports were to treble from 16% to 50% of non-oil GDP^

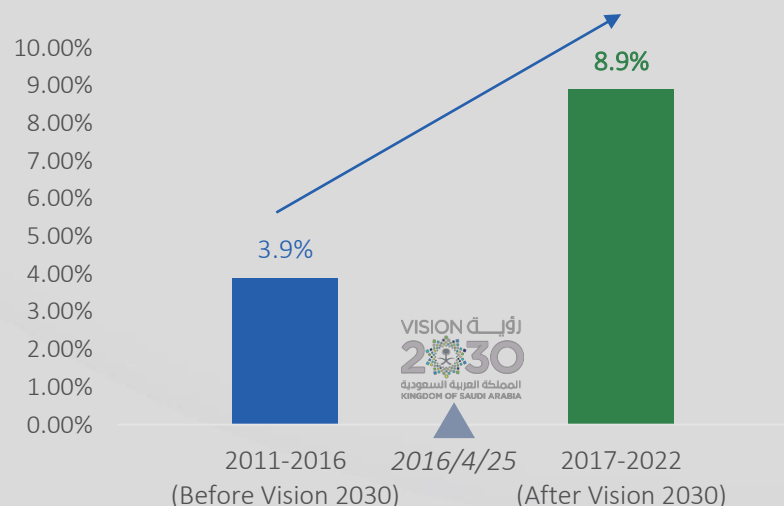


Source: *General Authority for Statistics GASTAT. ^Saudi Arabia “Vision 2030”

Economic Growth at Fastest Pace in a Decade

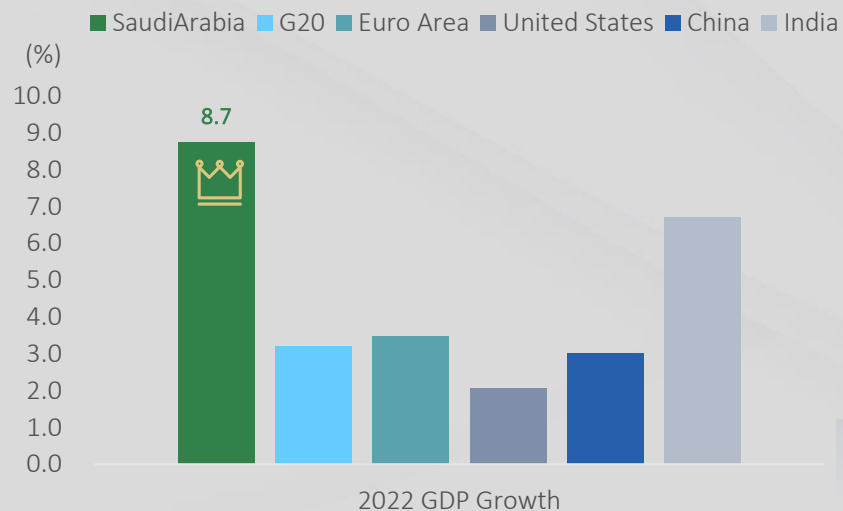
Saudi Arabia Economy Gained Momentum After Vision 2030 was Unveiled on 2016/4/25

In the first 6 years after the introduction of Vision 2030, the compounded annualized growth rate (CAGR) of Saudi Arabia GDP is much higher than the growth rate for 6 years before Vision 2030 is unveiled.*

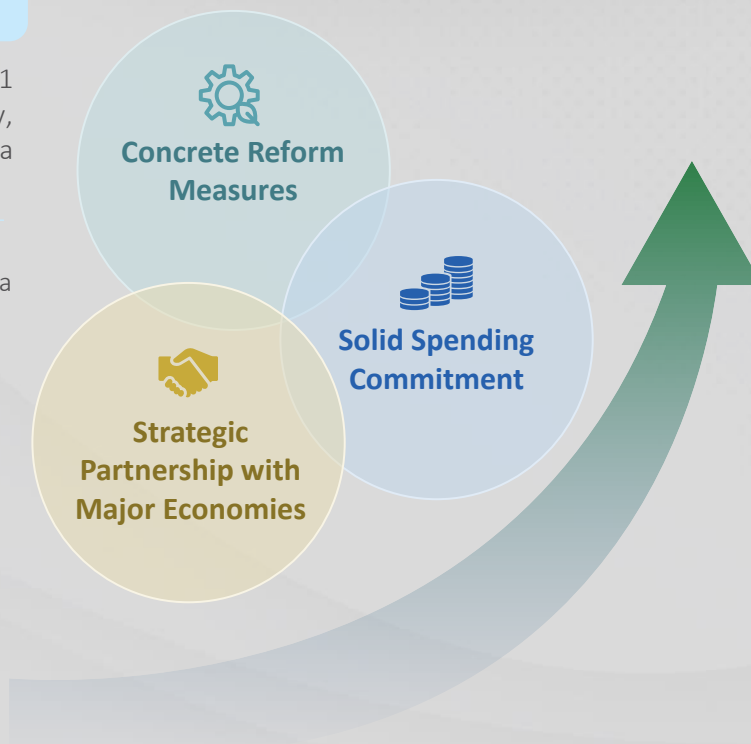


Saudi Arabia is Not Only the World's 17th Largest Economy, But Also One of the Fastest-Growing Economy Globally

Saudi Arabia's nominal GDP hit a record level of more than US\$1 trillion in 2022. Its real GDP growth reached 8.7% yoy, outperforming Middle Eastern peers and G20 peers. Saudi Arabia GDP growth was highest among G20 countries in 2022. **



Main Economic Growth Drivers



Source: *General Authority for Statistics GASTAT, CSOP. Based on nominal GDP. **OECD. Based on real GDP.

Concrete Reform Measures to Drive Prosperity

Under the Vision 2030, Saudi Arabia has introduced a series of economic reforms and social reforms to realize the Vision 2030 goals, so as to establish a vibrant society and thriving economy.

- **Giga- & mega-projects**
- Exploring significant mining resources
- Expanding **economic free zones**
- **Renewables** expansion: solar, wind/green hydrogen
- **Shareek** (promoting domestic capex via subsidies)
- **Tech/digital development**
- Growing **SME** segment
- Increasing **domestic savings levels**
-

Economic Reforms

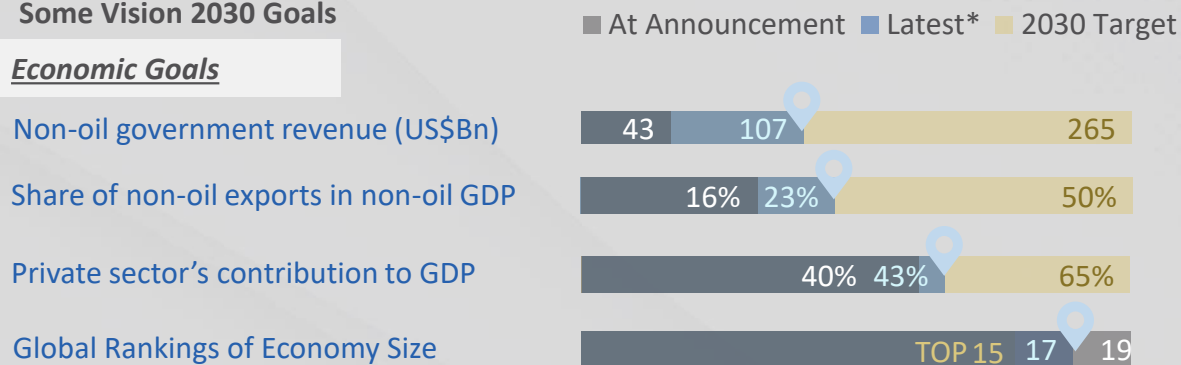
- Increasing **women's rights**, women joining workforce
- **Legal & judiciary reforms**, improving ease of doing business
- **Easing social restrictions** so far: women's rights, dress, gender mixing, leisure...
- Promoting exercise & healthcare, raising life expectancy
-

Social Reforms

Through these reforms, noteworthy progress has been achieved but more to go^

Some Vision 2030 Goals

Economic Goals



Social Goals



Source: ^Saudi Vision 2030. Morgan Stanley Research. *Latest represents the latest metric data available from 2019 to 2022.

Solid Spending Commitments to Empower Economic Development

- **The announced economic and social reforms received strong spending support.** Saudi Arabia’s Public Investment Fund (PIF), one of the world’s largest sovereign wealth fund, plays a vital strategic role to lead the investment.
- **Supported by Saudi Arabia Government and PIF,** Vision 2030 could bring a trillion-level investment opportunity with attractive return.

PIF: The Largest Investor of Saudi Arabia to Boost Economic Transformation



The “PIF Program” was launched in 4Q2017 , aiming to enhance the role of PIF in the investment of **strategic sectors of Saudi Arabia**, so that to accelerate its economic diversification and meet the goals of Saudi Vision 2030.

Share of Local Investment*: **70%**



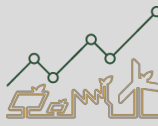
Giga-Projects

>US\$900 billion in giga-, mega-, and related project spending commitments to 2030, with US\$54billion already spent #



Equity Holdings

~30% of PIF’s domestic portfolio are equities, with stake in **around 20 companies listed in Tadawul**



Sector Development

PIF has established **30+ companies** across **10+ sectors**, including entertainment, tourism, renewably energy, refinancing, etc.

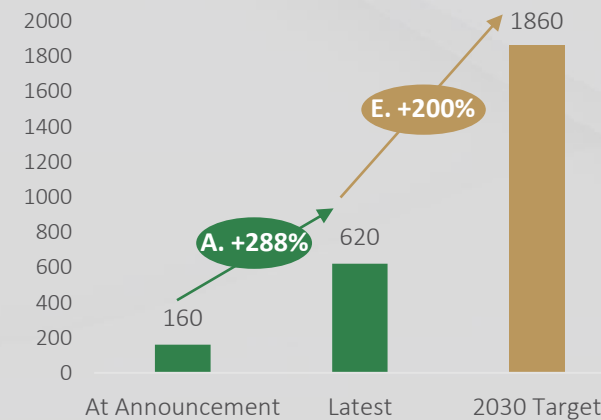


Real Estate & Infrastructure Development

PIF plays a central role in allocating capital to develop real estate and critical infrastructure. It has **14 real estate projects** as of 2021.

Annual New Local Investment** : +USD **40**Bn

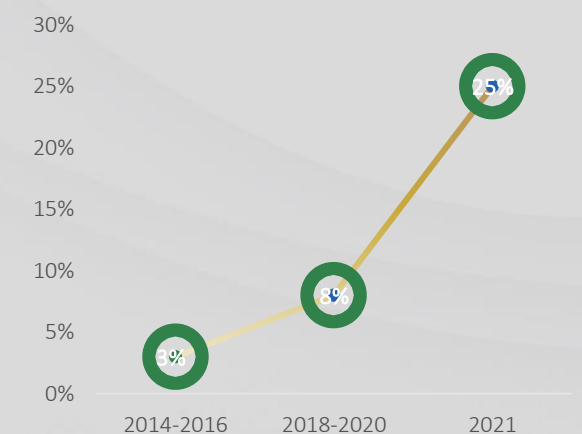
Assets of PIF for Domestic Investment (Billion USD)^



A: Actual growth, E: Estimated growth

Total Shareholder Return* : **+25%**

Total Shareholder Returns Keep Improving^^



Source: *PIF Annual Report 2021. #Morgan Stanley. **PIF Annual Report 2021. This is the target by 2025. ^Morgan Stanley. The latest represents the latest metric data available from 2019 to 2022. ^^PIF Annual Report 2021. Public Investment Fund Program Official Website. Past performance is not indicative of future performance.

Strategic Partnership to Boost International Trade

Saudi Arabia Actively Makes Friends with Leading Economies^



China is Saudi Arabia's Largest Trading Partner



Saudi Arabia worked with South Korea on 40 shared projects and initiatives

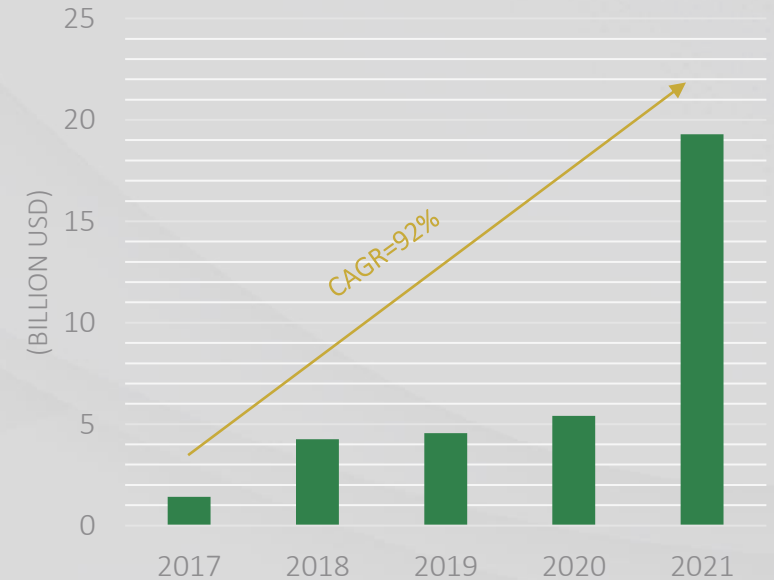


Saudi Arabia and France Deepen Bilateral Relationship



The US is Saudi Arabia's Second Largest Trading partner

Saudi Arabia's Foreign Direct Investment Realized High Double-digit Growth*



Saudi Arabia Joined Many Trade Agreements and Bilateral Investment Treaties

Trade Agreements	 Agreement on Liberalization of Trade in Services among Arab States
	 GCC Free Trade Agreement with EFTA Countries
	 GCC Free Trade Agreement with Singapore
	 GCC Economic Agreement
	 Agreement on Facilitating and Developing Inter-Arab Trade (Major Arab Free Trade Area)
Bilateral Investment Treaties (BITs)	Saudi Arabia has established BITs with more than 25 economies , including China, Japan, Singapore, India, Indonesia, France, Korea, Austria, Italy, etc.

Source: ^Media Reports. *World Bank. CAGR=Compounded Annualized Growth Rate.

China-Saudi, Hong Kong-Saudi Cooperation Continue to Deepen

- **President Xi Jinping visited Saudi Arabia in December 2022.** The two heads of state co-signed in person the comprehensive strategic partnership agreement.^ HKSAR Chief Executive John Lee also visited Saudi Arabia in February 2023 and more cooperation between Saudi and HKSAR are expected.
- In March 2017, Saudi Arabia's King Salman began his first official visit to China. The two heads of state oversaw the signing of deals worth potentially US\$65 billion.^^

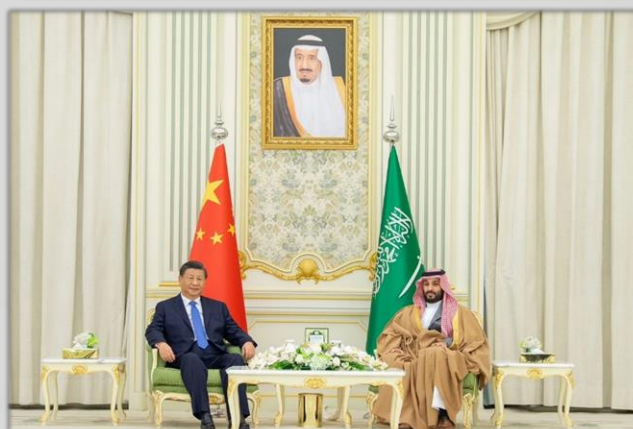


Hong Kong SAR - Saudi Arabia

- **6 Bilateral Deals** signed
- Announced negotiations on an Investment Promotion and Protection Agreement

- Signed **20 intergovernmental agreements and MOU**, and **multiple intercompany agreements and MOU**.
- Deepen cooperation in the fields of automobile industry, supply chain, logistics, seawater desalination, infrastructure, processing industry, mining industry and finance.

China - Saudi Arabia



HKEX - Saudi Tadawul Group

- HKEX also signed a **MOU** with Saudi Tadawul Group
- To explore cooperation opportunities in Fintech, ESG and **cross-listings**, etc.

Source: The pictures are from public resources. [HKEX](#), [HKTDC](#). ^[Ministry of Foreign Affairs of China](#). ^^[Xinhuanet](#), [CGTN](#). MOU= Memorandum of Understanding

02

Saudi Arabia Stock Market

A Rising Investment Destination



Saudi Arabia Stock Market Overview



Saudi Exchange

A subsidiary of the Saudi Tadawul Group



11th

Largest exchange in the world
19th largest if exclude Aramco*



3rd

Largest exchange in emerging markets



223

Listed companies, as of 2022



US\$2.6 trillion $\approx 1/2$ HK Stock Market

Market capitalization, as of 2022



68.2%

Stock market cap (ex-Aramco) to GDP in 2022



US\$1.8 billion $\approx 1/8$ HK Stock Market

Average daily turnover in 2022



+283%

Cumulative organic earnings growth over 2019-21*



+476%

Surge in market cap in last 5 years**



Saudi Aramco ~US\$2 trillion

Home to the 3rd largest company in the world by market cap^



Sunday through Thursday from 10 am to 3 pm AST (UTC+03:00)

Trading hours, equivalent with 3 pm to 8 pm in Hong Kong (GMT+08:00)

Ambitions under Vision 2030*

- **~100 IPOs** planned over 2022-2026E
- Market capitalization (ex-Aramco) targeted to reach **88%** of GDP by 2030, comparable to countries such as UK or South Korea
- Target to become **Top 10** capital market globally

Source: Website of Saudi Exchange. Hong Kong Stock Exchange. Goldman Sachs. *Saudi Vision 2030, Goldman Sachs, Morgan Stanley. **the Capital Market Authority's (CMA) Undersecretary for Strategic and International Affairs. ^Bloomberg, as of 2022. The above information is for reference only, and does not constitute an offer, solicitation, or recommendation to buy or sell any securities, funds or investment products. Investment involves risk.



Capital Market Ecosystem Grows in Saudi Arabia

- To achieve its ambitious 2030 goals in equity market, Saudi Arabia has introduced a raft of reforms in the past years. And great achievements have been achieved.
- Tadawul is to continue its commitment to market reforms to enhance the effectiveness of the Saudi capital market, foster an attractive investment environment for local and international investors and align its regulatory frameworks with international best practices.

Saudi Arabia's Capital Market Transformation*

Year	Selected Reform/Policy
2015	<ul style="list-style-type: none"> ➤ Allowing qualified foreign investors (QFIs) to invest through QFI framework ➤ Launch of the Independent Custody Framework
2016	<ul style="list-style-type: none"> ➤ Formation of Securities Depository Center Company, Edaa
2017	<ul style="list-style-type: none"> ➤ Establishment of the Parallel Market – “Nomu” for the SME sector ➤ Launch of securities borrowing and lending and short selling framework
2018	<ul style="list-style-type: none"> ➤ Formation of Securities Clearing Center Company, Muqassa ➤ MSCI, S&P, and FTSE announce intention to include it in EM indices
2019	<ul style="list-style-type: none"> ➤ Allowing foreign listed companies to list (on a dual listing basis) on its Main Market ➤ Completion of the Saudi Aramco IPO
2020	<ul style="list-style-type: none"> ➤ Activated clearing derivatives with the launch of the derivatives market
2021	<ul style="list-style-type: none"> ➤ The Saudi Stock Exchange is reorganized, whereby the Company is converted into a holding company and changes its name to “Saudi Tadawul Group” and a new company is established under the name “Saudi Exchange” and assumes all listing and trading services from the Company ➤ Tadawul group IPO completion
2022	<ul style="list-style-type: none"> ➤ Launched single stock futures ➤ Edaa announced the activation of linkage with Euroclear
2023	<ul style="list-style-type: none"> ➤ Announcement of cooperation on cross listings with Hong Kong Exchange

Source: *Company data, compiled by Goldman Sachs. Only the representative capital market reforms are selected.

Burgeoning IPO Market

1

More Institutional Participation

3

2030 Ambitions

2

Relaxation of Foreign Investment Limits to Attract Foreign Capital

4

Significant Increase in Internationally-recognized EM Index Weights



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1. Burgeoning IPO Market

- Saudi Arabia has introduced many policies to facilitate the domestic IPO market.
 - **Encouraging SMEs listings:** It targets increasing the number of micro and small companies as a percentage of total companies listed from a baseline of 41% in 2019 to 46% by 2025.
 - **Privatization program:** It encourages the planned privatization of SOEs through IPOs in the Saudi Stock Exchange.
 - **Potential IPO plans for some giga-projects and mega-projects,** such as NEOM, Red Sea Project, Masar.
- Through these policies, Saudi Arabia IPO market has grown rapidly and there are strong pipelines, with **almost 80 applications under review for IPOs** as of March 2023.

Main market IPO deals value has been on the rise in the last 5 years; 2022 remained robust despite the sharp decline[^] in global deal count*



Source: Website of Saudi Exchange. Goldman Sachs. [^]Ernst & Young report. *Goldman Sachs. Bloomberg.

Strong Subscription Demand with Attractive Returns

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- Since 2020, most of the new listings in Saudi Arabia obtained strong demand and chalked up positive return after listing.

 **Al Rajhi Banking & Investment**

The largest bank in the Middle East

Total return since listing +897%
(2000/1/12-2023/10/31)*

^IPO Oversubscribed -

 **Saudi Arabia Mining**

One of the largest mining companies in Middle East

Total return since listing +283%
(2008/7/27-2023/7/31)

^IPO Oversubscribed ** 117x

 **ACWA Power**

The first renewables company listed in Saudi Arabia

Total return since listing +305%
(2021/10/11-2023/10/31)

^IPO Oversubscribed 248x

 **Tadawul Group**

Largest stock exchange in Middle East

Total return since listing +58%
(2021/12/8-2023/10/31)

^IPO Oversubscribed 121x



Source: Bloomberg. As of 2023/10/31. *The listing date in 1988/12/1, but the earliest available date in 2000/1/12. **Official website. ^Company press release. All the IPO subscription are institutional coverage.

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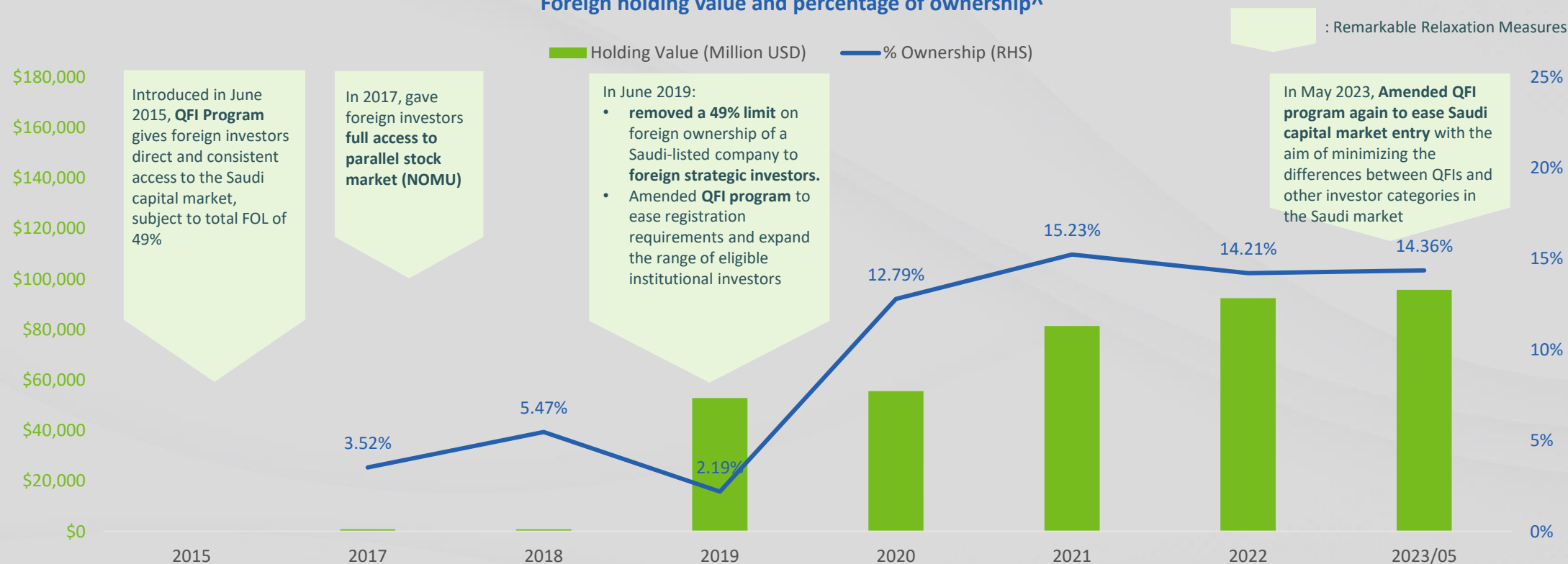
2. Relax Limits for Foreign Investors

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Saudi Arabia opened its stock market to foreigners on 15 June 2015 via **Qualified Foreign Investor (QFI) program** and keeps easing the application requirement and investment limit to attract foreign investment and increase foreign ownership in public equities.

Number of QFI	The number of registered QFIs on the Saudi Exchange surged from 118 in 2017 to 3,151 in 2022, an upsurge of 2,570% .
Flow	Saudi Exchange witnessed a historical level of foreign inflow in 2022, amounted to SAR 347 billion, a rise of 388% from SAR 71 billion in 2017.
Ownership	Foreign investor ownership accounted for 14.2% of free float on Tadawul in 2022, compared to 3.52% in 2017.

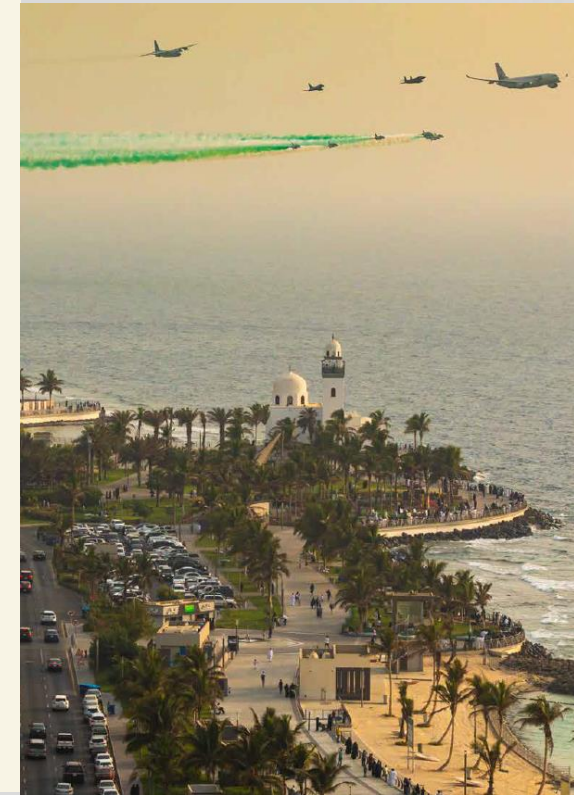
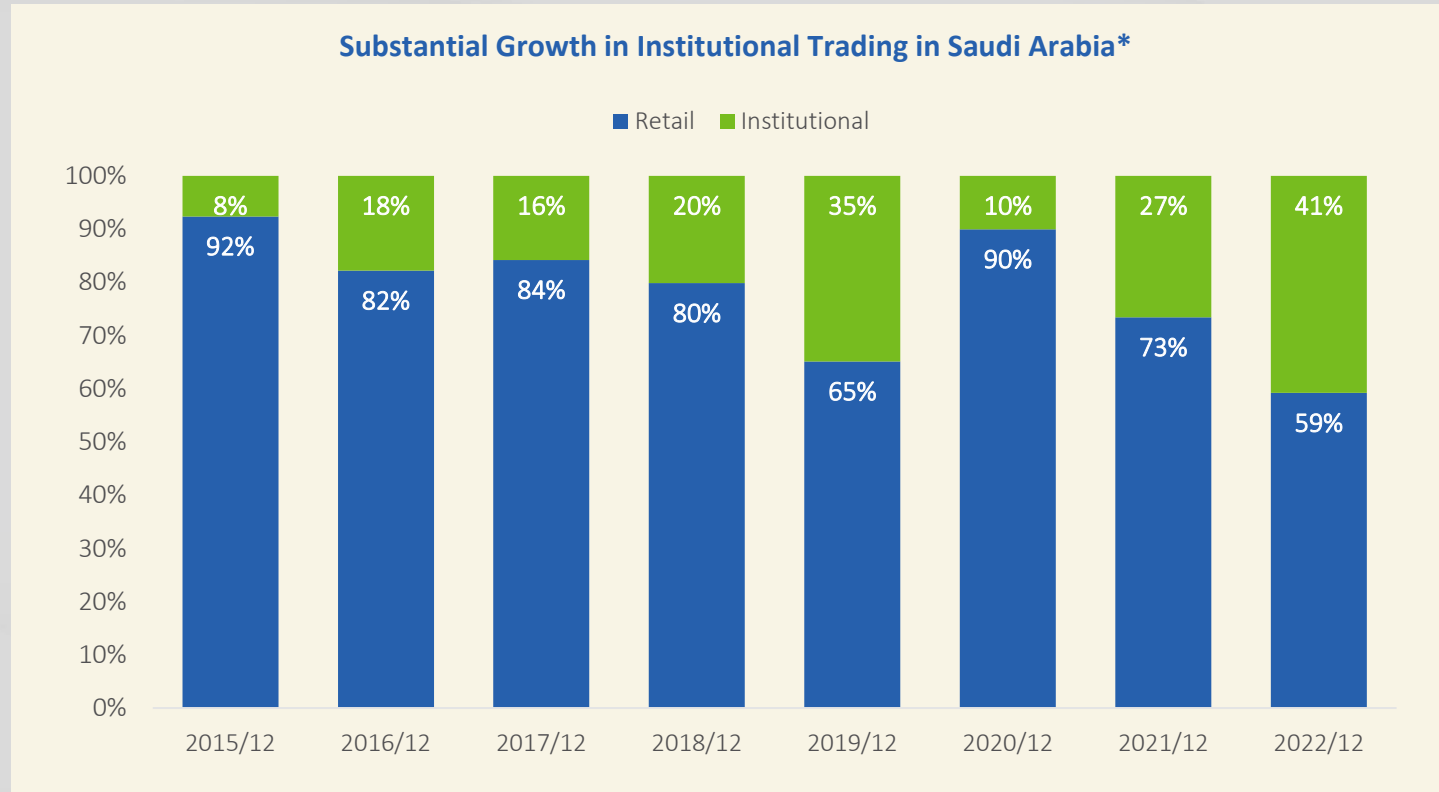
Foreign holding value and percentage of ownership[^]



Source: [^]“Monthly Trading and Ownership By Nationality Report” from Saudi Exchange. The Capital Market Authority (“CMA”). FOL=Foreign ownership limit.

3. Still Retail-Driven but More Institutional Participation

- Similar to many emerging markets, retail investors continue to drive trading in the Saudi equity market. However, with ongoing market reforms, there has been an increasing participation of institutional investors in trading activities.
- PIF is the most important institution to support the domestic equity market as the stakeholders.



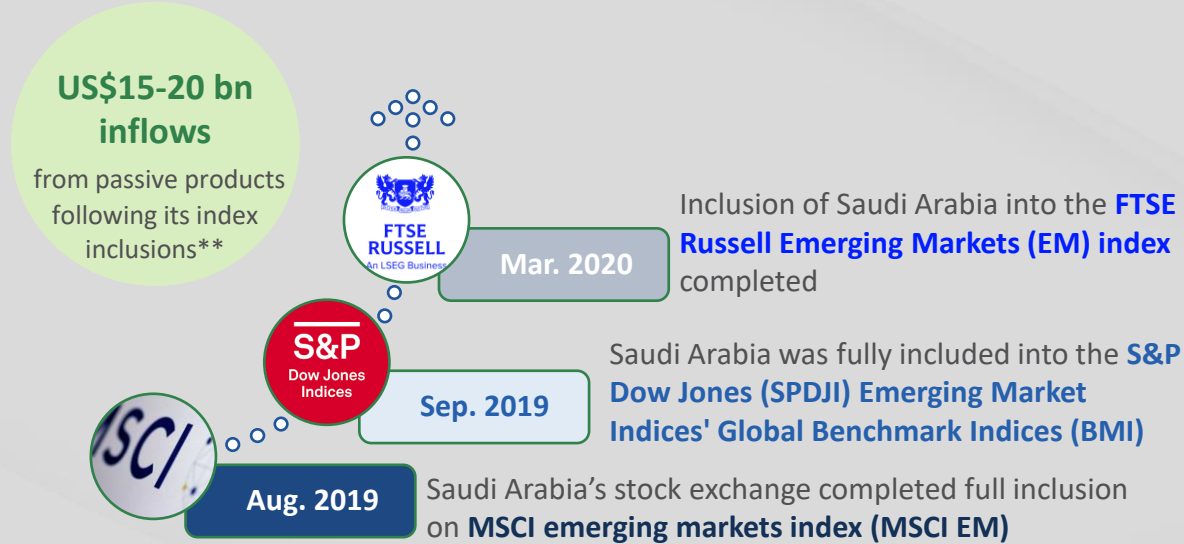
Source: *"Monthly Trading and Ownership By Nationality Report" from Saudi Exchange. Institutional refers to investors with institutional behavior including GREs, Saudi Corporates, Saudi Mutual Funds, Saudi and Non-Saudi DPMs, Saudi Individual Professional Investors (IPI), SWAP Holders, Foreign Strategic Partners and Qualified Foreign Investors (QFI). Retail refers to investors with non-institutional behavior including Saudi Retail Investors, Saudi High Net Worth Investors (HNWI), GCC Individuals and Foreign Residents.

4. EM Index Inclusion by Global Index Providers

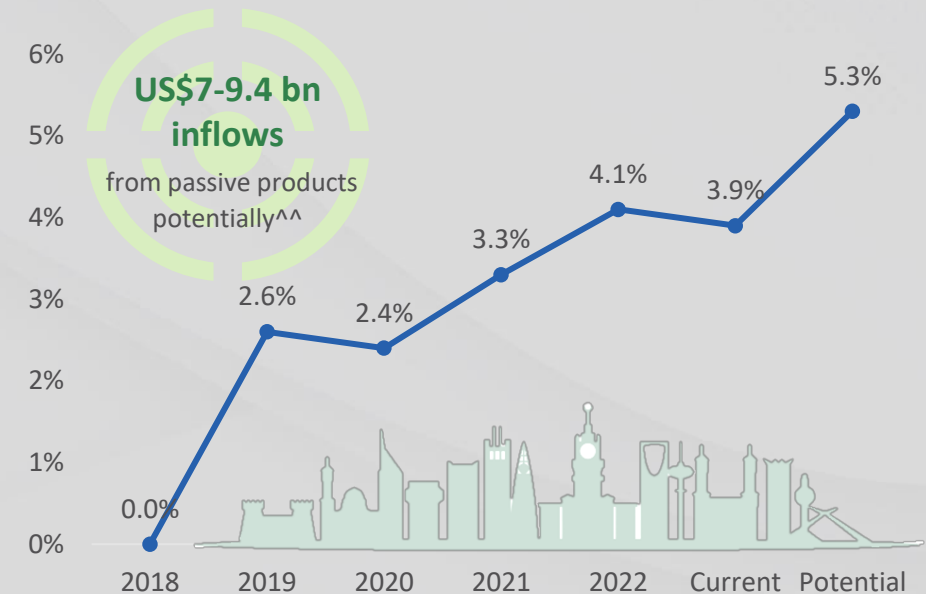
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- Following the continuous capital market transformation, Saudi equities have joined the globally recognized indices -- **MSCI, S&P, and FTSE Russell**.
- Driven by the new listing pipeline as per the Vision 2030 plan, and further potential foreign ownership limit and free float adjustments, Saudi Arabia's weight in world-recognized emerging market index could increase further, which is expected to attract more foreign inflow.

Index Inclusion to Attract Massive Inflow*



Saudi's weight in MSCI EM could potentially rise^



Source: *MSCI, FTSE Russell, S&P Dow Jones Indices. **Khalid al-Hussan, chief executive officer of Tadawul. 2019. ^MSCI, Goldman Sachs. The potential weight is calculated by Goldman Sachs assuming a 100% FOL scenario and all else equal (vs. current 3.9%). 2023/2/12. ^^Morgan Stanley, assuming a full removal of FOLs. 2023/1/30. The above information is for reference only, and does not constitute an offer, solicitation, or recommendation to buy or sell any securities, funds or investment products. Investment involves risk.

FTSE Saudi Arabia Index - Representation of Saudi Equity Market



The **FTSE Saudi Arabia Index** is a market-capitalization weighted index representing the performance of large and mid-cap Saudi Arabian companies that are constituents of the FTSE All-World Index.

The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 99% of the world's investable market capitalization.



Basic Information	
Index Name	FTSE Saudi Arabia Index (net total return version)
Launch Date	March 18, 2019
Base Date and Level	3191.73 (March 15, 2019)
Currency	Saudi Riyal (SAR)
Net Market Capitalization	1038.35 billion SAR (~276.77 billion USD)
BBG Ticker	WISAUNT
Number of constituents	56

Index Methodology	
Index Universe	FTSE All-World Index
Constituents Screen	<ul style="list-style-type: none"> • Country classification: Saudi Arabia; Exchange: Tadawul Stock Exchange (Main Market) • Company Inclusion: • Investability Screen: Actual free float applied and liquidity screened (free float >5%) . • Foreign Headroom Requirement: in Saudi Arabia, designated Qualified Foreign Investors (QFI's) are subject to a 49% Foreign Ownership Limits (FOL). QFI holding will be considered as foreign holdings. Foreign Headroom =(FOL – foreign holdings)/FOL; Headroom Requirement: existing constituent: 10%; non-constituent: 20%. • Trading Screen: No trading for 60 trading days during the past year will be not eligible. • Constituents Review: Rank all companies by total market cap in descending order and select the large and mid-cap stocks. Large Cap: Top 68% by total market cap in index universe; Mid Cap: Top 86%.
Rebalance	Semi-annually in March and September (effective after the closure of business on the third Friday).

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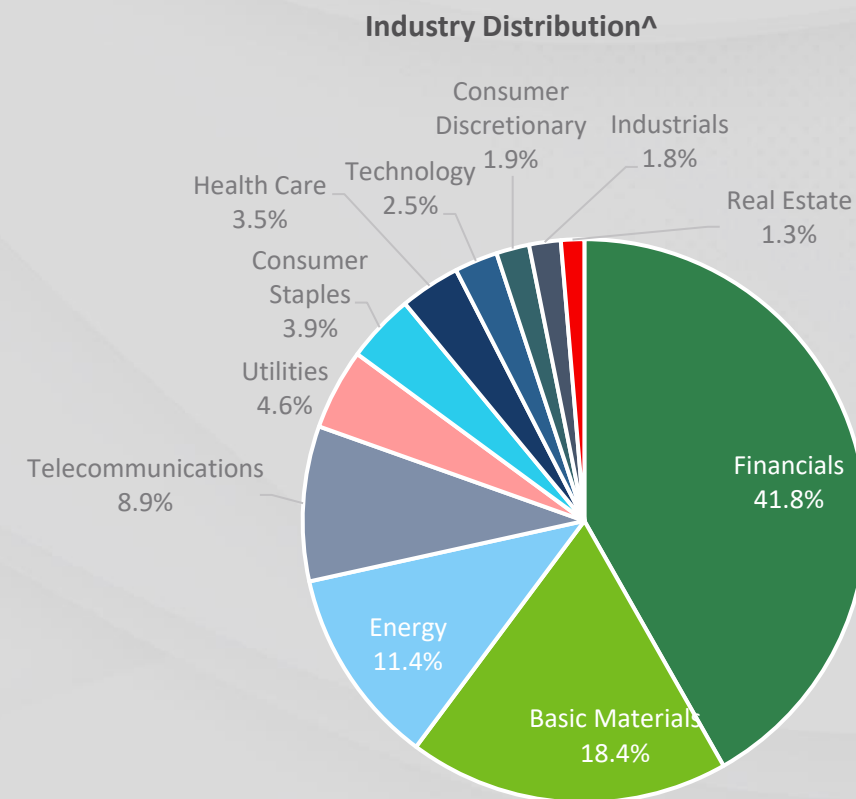
Source: FTSE Russel. As of 2023/10/31

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Sector Distribution and Top 10 Constituents

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	BBG Ticker	Constituent Name	ICB Industry	ICB Sector	Weight
1	RJHI AB	Al Rajhi Banking & Investment Corp	Financials	Banks	12.67%
2	ARAMCO AB	Saudi Aramco	Energy	Oil Gas and Coal	9.88%
3	SNB AB	The Saudi National Bank	Financials	Banks	9.42%
4	SABIC AB	Saudi Basic Industries Corp	Basic Materials	Chemicals	6.67%
5	STC AB	Saudi Telecom Co	Telecommunications	Telecommunications Service Providers	6.63%
6	MAADEN AB	Saudi Arabian Mining	Basic Materials	Industrial Metals and Mining	4.20%
7	RIBL AB	Riyad Bank	Financials	Banks	3.76%
8	ALINMA AB	Alinma Bank	Financials	Banks	3.11%
9	SABB AB	Saudi British Bank	Financials	Banks	3.05%
10	SAFCO AB	SABIC Agri-Nutrients Co	Basic Materials	Chemicals	3.01%
Top 10 Total					62.39%



Source: FTSE Russell · 2023/10/31

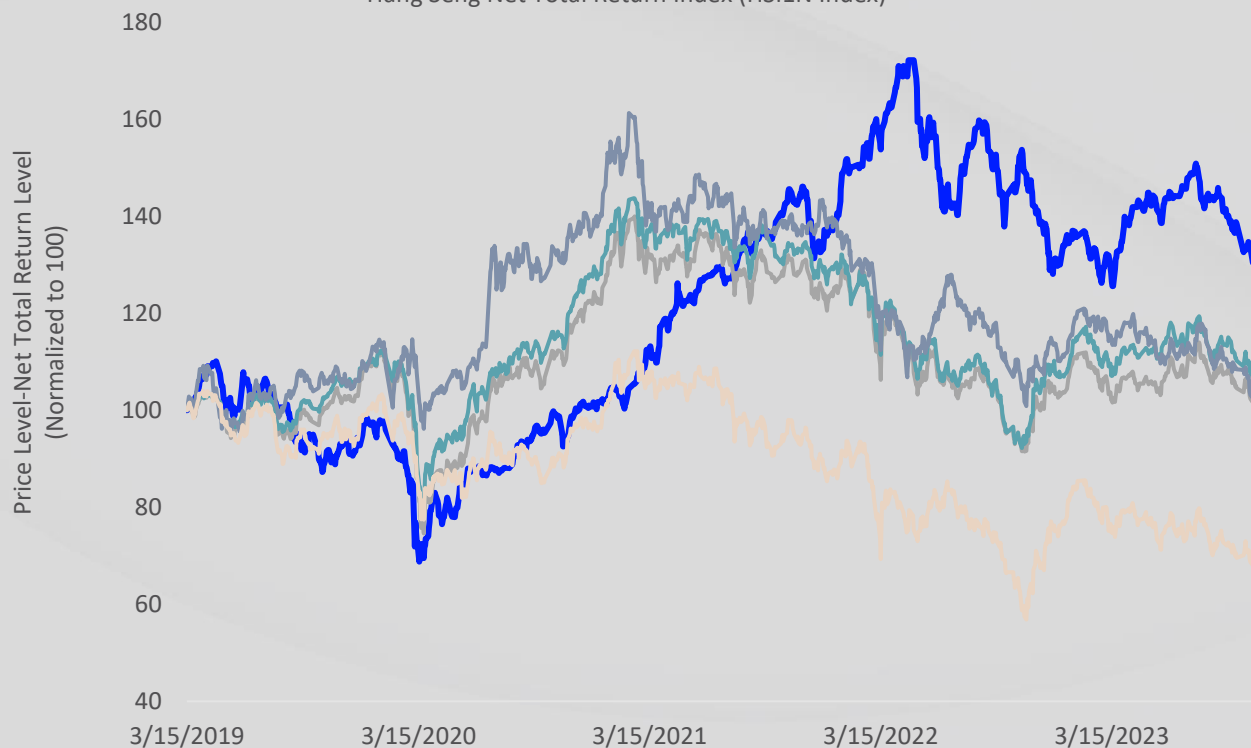
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Index Performance

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Historical Performance[#]

- FTSE Saudi Arabia Net Tax Index (WISAUNT INDEX)
- FTSE Emerging Net Tax Index TR USD (TAWALENU Index)
- MSCI Asia Pacific Net Total Return Index USD (M1AP Index)
- CSI 300 Net Total Return Index (CSIN301 Index)
- Hang Seng Net Total Return Index (HSI1N Index)



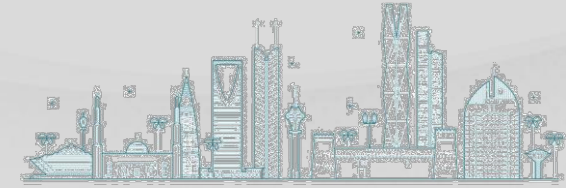
Performance and Volatility – Total Return [^]											
Index (SAR)	Return(%)						Return pa%*		Volatility %**		
	3M	6M	YTD	12M	3YR	5YR	3YR	5YR	1YR	3YR	5YR
FTSE Saudi Arabia Index – Net Tax	-8.9	-5.8	0.5	-9.5	45.3	/	13.3	/	13.6	16.3	/

Return/Risk Ratio and Drawdown - Total Return [^]								
Index (SAR)	Return/Risk Ratio				Drawdown (%)			
	1YR	3YR	5YR	10YR	1YR	3YR	5YR	10YR
FTSE Saudi Arabia Index – Net Tax	-0.7	0.7	/	/	-15.5	-27.3	/	/

Source: #Bloomberg, from index base date 2019/3/15 to 2023/10/31; [^]FTSE Russell · 2023/10/31. * Compound annual returns measured over 3 and 5 years respectively** Volatility – 1YR based on 12 months daily data. 3YR based on weekly data (Wednesday to Wednesday). 5YR based on monthly dataReturn/Risk Ratio – based on compound annual returns and volatility in Performance and Volatility tableDrawdown - based on daily data. The above information is for reference only, and does not constitute an offer, solicitation, or recommendation to buy or sell any securities, funds or investment products in any country or jurisdiction. Investment involves risk. Past performance is not indicative of future performance.

Small Step for HK ETF, Giant Leap for Saudi and HK Financial Market

With **ETF as a forerunner**, different public market activities such as IPO, debt issuances may be channeled through Hong Kong in near future, **connecting Saudi Arabia with the rest of the World**



Saudi Arabia

Leverage on Hong Kong's Channeling Capability

Leverage on HK's strong **capability in channeling** investment into Saudi's capital market

Natural Advantages of ETF

Directly invest in a **basket** of Saudi Arabia's local stocks, an **efficient investment tool** for relatively access-restricted Saudi Arabia Market

Capital Attraction

Attract both **China onshore** and **global capitals** interested in Saudi Arabia exposure

ETF

Derivative

IPO

Debt

Hong Kong SAR



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