

# What Now for Saudi Arabia's Planned \$2 Trillion Fund?

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A. Saudi Crown Prince Mohammed bin Salman has a vision. PHOTOGRAPHER: BALKIS PRESS/ABACA/SIPA USA VIA AP PHOTO

Saudi Arabia is now looking for Plan B to propel its sovereign wealth fund into the ranks of global giants. The initial plan was to raise at least \$100 billion through an initial public offering of a small stake in Saudi Aramco

<https://www.bloomberg.com/view/quicktake/saudi-aramco>, the state-owned oil company, in the second half of 2018. Though the IPO is not going ahead as originally planned, the nation's Public Investment Fund still hopes to control more than \$2 trillion by 2030.

## 1. Why is Saudi Arabia trying to grow its fund?

PIF <https://www.pif.gov.sa/en/Pages/AboutPIF.aspx> , as it's known, is central to the government's effort to diversify the economy <https://www.bloomberg.com/politics/features/2017-10-16/saudi-arabia-s-great-makeover-can-t-afford-to-fail-this-time> away from oil, under a plan known as Vision 2030. The fund was set up in 1971 to support projects of strategic significance to the Saudi economy and for most of its history focused mainly on its home market. It holds about \$150 billion of assets in listed Saudi companies, including stakes in Saudi Basic Industries Corp., the world's second-biggest chemicals manufacturer; Saudi Telecom Co.; and National Commercial Bank, the kingdom's largest lender by assets. But in recent years, it has made headline-making investments around the globe. It currently has assets of about \$230 billion.

## 2. What kind of investments?

In 2017 alone, the PIF announced plans to invest as much as \$45 billion in a technology fund run by Japan's SoftBank Group Corp., build a \$500 billion city <https://www.bloomberg.com/news/articles/2017-10-24/saudi-arabia-to-build-new-mega-city-on-country-s-north-coast> called Neom <http://www.neom.com/> on the Red Sea, set up a \$1.1 billion fund to support small- and medium-sized enterprises, embark on a \$4.8 billion project to redevelop the Jeddah waterfront on the Red Sea and put \$20 billion <https://www.bloomberg.com/news/articles/2017-05-23/blackstone-softbank-deals-put-saudi-s-sovereign-fund-on-the-map> into a U.S infrastructure fund managed by Blackstone Group LP. More recently the fund has been said to be buying a \$400 million stake <https://www.bloomberg.com/news/articles/2018-03-18/saudi-fund-said-to-take-400-million-stake-in-emanuel-s-endeavor> in Endeavor, a major Hollywood talent and event manager, and was among investors that bought a 55 percent stake in Accor SA's property business. Its role in the planned IPO of Aramco was to provide the fund with a deep new stream of money to strike additional deals.

### 3. What happened to the Aramco IPO?

The IPO's importance seems to have waned as Crown Prince Mohammed bin Salman grapples with an agenda crowded with social and economic reforms at home and an assertive foreign policy. Without the Aramco IPO, the PIF has a long way to go before it becomes the world's largest sovereign wealth fund, said Rachel Pether, an adviser at the Sovereign Wealth Fund Institute. But she says rushing would be a mistake: "You only get one chance to make a first impression, and the world will be closely watching this IPO."

### 4. What will the PIF do instead?

Aramco is considering buying <https://www.bloomberg.com/news/articles/2018-07-26/aramco-is-said-to-weigh-global-bond-sale-to-finance-sabic-deal> as much as 70 percent of the PIF's stake in Saudi Basic Industries Corp., known as Sabic, which has a market value of about \$100 billion -- meaning the deal could raise \$70 billion in capital for the fund. PIF could raise more by selling its stakes in other Saudi-listed companies. Debt is another option. In early July, the fund was said to be approaching banks <https://www.bloomberg.com/news/articles/2018-07-11/saudi-wealth-fund-said-to-plan-first-multi-billion-dollar-loan> for a multibillion-dollar loan, which would be its first. The PIF is willing to borrow to diversify the Saudi economy and increase returns from investments.

### 5. Who runs the fund?

Its managing director is Yasir Al-Rumayyan, a former Saudi Fransi Capital executive who joined in 2015. Over the past year, the executive team around him has been beefed up with the addition of Abdulmajeed Alhagbani, HSBC Holdings Pic's local head of asset management, as a director; Alireza Zaimi, a Bank of America Merrill Lynch managing director, as head of corporate finance and treasury; and Rashed Sharif, previously the chief executive officer of Riyadh Bank's investment-banking unit, to head domestic investments. Michael Klein, a former Citigroup Inc. investment banker, is said to be working with the PIF on its global investment strategy and financing plans.

## The Reference Shelf

QuickTake explainers on [Mohammed bin Salman](#)

[<https://www.bloomberg.com/view/quicktake/mohammed-bin-salman>](https://www.bloomberg.com/view/quicktake/mohammed-bin-salman), the young leader behind the Saudi shakeup, and why Saudis [are thinking twice](#)

[<https://www.bloomberg.com/view/quicktake/saudi-aramco>](https://www.bloomberg.com/view/quicktake/saudi-aramco) about an Aramco IPO. The Public Investment Fund [website <https://www.pif.gov.sa/en/Pages/AboutPIF.aspx>](https://www.pif.gov.sa/en/Pages/AboutPIF.aspx).

Bloomberg Opinion columnist Liam Denning on [the downside](#)

[<https://www.bloomberg.com/view/articles/2018-07-19/saudi-aramco-considering-sabic-stake-is-bad-news-for-an-ipo>](https://www.bloomberg.com/view/articles/2018-07-19/saudi-aramco-considering-sabic-stake-is-bad-news-for-an-ipo) of the Aramco-Sabic deal. Visit (virtual) [Neom <http://www.neom.com/>](http://www.neom.com/), Saudi Arabia's "most ambitious project."

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