

# Bright future



**Al Dhabi Capital** is a focused and active manager based in Abu Dhabi's financial centre, specialising in MENA equities. It is a local asset manager which also has a dedicated global long/short fund.

"Since inception, it has harnessed its competitive edge by generating consistent returns on its portfolios (MENA Equity strategy has returned 361.04% since inception versus S&P Pan Arab 119.33% and the Global Long/Short Strategy has returned 137.68% versus MSCI World 102.12% during the same time frame\*).

The firm's investment specialists are experienced professionals with strong academic qualifications, whose blend of diverse skillsets and backgrounds enables them to effectively navigate market cycles and deliver exceptional performance for our clients. Al Dhabi Capital's objective is to deliver long-term value to investors and contribute to the growth and success of the MENA region as an asset allocator.

Nabil Sleiman (pictured above), Chief Investment Officer at Al Dhabi Capital, caught up with Global Investor to discuss some of the main trends in the region.

## Can you discuss the current state and potential growth prospects for MENA equities, specifically in the GCC region?

We believe the MENA region is entering a period of unprecedented growth, both for the real economy and capital markets. We are bullish on energy prices, particularly the outlook for oil, given the long period of lack of

capex, a recovery in demand coming from India and China, Russian sanctions, and low inventories. On average, a US\$70 barrel of oil can continue to support the capex boom cycle for Saudi Arabia and the UAE. We are also very constructive on the real economies in the GCC such as Saudi Arabia, where a capex boom is happening as the country leverages its investment prowess to create a more diverse and sustainable economy. Saudi Arabia is also pursuing initiatives to increase tourism to 10% of their GDP\*, and has huge ambitions to increase female participation in the work force (currently at 37%\*\*) which has a positive impact on productivity and bringing new talent to the economy.

Reforms will also have a positive impact. For instance, the Golden visa initiative in the UAE aims to attract long term foreign talent – this could translate into consumption as foreigners buy houses, invest in their children's education and look to make the Middle East their second home. Similarly Saudi Arabia is targeting an increase of their population from the current 36 million to 50-60 million by 2030\*\*\*, with half being expats. These positive drivers for economic growth translate into positive returns for specific names in the local stock markets.

## What are the benefits and risks of investing in global long/short funds?

A global long/short fund can invest across sectors and countries and can benefit from market upturns as well as downturns. By going short during market downturns, a global long/short fund can make profits even during market downcycles. Its ability to diversify across sectors and geographies also protects it from single sector/market risk.

Our global long/short strategy uses a combination of top/down and bottom/ up approaches. From a top-down perspective, the team selects their preferred and less preferred sectors and geographies every year and then from a bottom-up perspective look for the best single names to represent these sectors and geographies, both on the long and short sides. The fund has cumulatively outperformed the MSCI ACWI Index since 2012\*\*\*\*.

## Why do you believe active management is suitable for investing in MENA equities and what opportunities does the current IPO market within MENA present for local fund managers?

GCC markets are still inefficient and illiquid compared to developed markets such as US and Europe,

“ We invest in companies where we see intrinsic value but have the flexibility to be opportunistic where we spot market inefficiencies leading to price anomalies ”

particularly during this period of tight liquidity which creates dislocation. Accessing the market through an established team of experienced MENA investment specialists who have in-depth knowledge of the market and listed companies can help investors meet their investment objectives. There is a huge drive in the GCC to optimise capital markets, and the flurry of recent IPO activity is attracting both domestic and foreign capital. As more companies decide to float, it provides greater opportunities to invest in many sectors within the GCC that were previously inaccessible to investors. As more companies decide to list, the closer investors get to the real economies of the GCC and take part in the growth story. As investment increases, this will impact the weight of the GCC in emerging market indices. Currently the region is still a heavy underweight in the emerging market space, therefore there is huge scope for growth.

#### **How do you see the growth trend of MENA companies continuing? How can Al Dhabi Capital capitalise on this growth?**

The prospects for listed GCC companies are bright in the immediate future, with oil prices sustaining levels which are comfortable for the fiscal health of the region. The current state of transition for oil-producing nations is both critical and fertile with opportunities. At Al Dhabi Capital, we intend to capitalise on this opportunity by investing in firms that stand to benefit from this rising tide of liquidity, government

reforms, and measures to enable economic diversification (away from hydrocarbons).

#### **What is Al Dhabi Capital strategy to success?**

Our approach is consistent and disciplined using rigorous top/down and bottom/up stock selection, combined with precise risk management. We perform in-depth industry analysis and quality research to identify well-managed companies that can generate attractive returns on invested capital along with sustainable growth in cash flows and earnings. We invest in companies where we see intrinsic value but have the flexibility to be opportunistic where we spot market inefficiencies leading to price anomalies.

#### **Can you highlight any plans and initiatives to develop Abu Dhabi as a finance centre and attract more investments to the region?**

We are very proud to be based in Abu Dhabi, which continues to grow as an exciting leading financial hub and business centre and is attracting a wealth of new companies and talent to relocate their offices to the ADGM (Abu Dhabi Global Market).

Abu Dhabi's sovereign wealth funds deployment of capital in both local and international projects combined with the role of Abu Dhabi's financial centre will continue to attract investment to the region. ■

*\*Source: Vision2030.gov.sa*

*\*\*Al Arabiya News,10/01/2023*

*\*\*\*www.argaam.com,26/01/2023*

*Source: Bloomberg, Al Dhabi Capital Global Fund SI Returns 137.68 versus MSCI World 102.12%.*

**Nabil Sleiman,**  
Chief Investment Officer,  
**Al Dhabi Capital**



Nabil is a co-founder of Al Dhabi Capital. Previously he was Chief Investment Officer at Al Dhabi Investment PJSC. He has over 35 years of experience in the hedge fund industry. Before joining Al Dhabi Investment PJSC, he was Chief Investment Officer of SFG Asset Advisors in San Francisco, US. He also held portfolio management positions at Manning & Napier Advisors and at the Abu Dhabi Investment Authority.

Nabil holds a CFA charter and has PhD in International Studies from the Josef Korbel School of International Studies, University of Denver in the US, and an MBA in Finance as well as a Master's degree in International Management from the Daniels College of Business at the same university.

He is a member of the Security Analysts of San Francisco. Nabil is a Board member and a member of the Investment Committee at Emirates Insurance.