The GCC Asset Management Landscape

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The Gulf Cooperation Council (GCC) region, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), has historically been defined by its prosperity rooted in abundant oil and gas reserves. However, in recent years, GCC countries have recognised the necessity of diversifying their economies and enhancing their financial sectors, particularly the asset management industry. As we look ahead, several key trends and factors will shape the evolution of this industry regionally and globally.

Growing asset management industry

Asset management in the GCC has made significant strides and continues to develop in line with the global industry. PwC projects that the GCC's total onshore assets under management (AUM) will reach USD 500 billion by the end of 2026 — up from USD 400 billion at the end of 2022 — a number that continued to grow in 2024. Local institutional investors and sovereign wealth funds are playing an important role in the evolution of the GCC's asset management industry. As the industry evolves, its investment opportunities are attracting a growing and more astute base of institutional and retail investors looking to put their money to work away from traditional bank investment offerings.

Historically, a handful of firms have dominated the GCC asset management landscape. However, in recent years, the region's growing wealth has drawn increasing interest from local and international asset managers looking to tap into this lucrative market. In response, regulators are taking a more receptive role and helping to ease access to regional markets. Regulators, such as the Securities and Commodities Authority (SCA) in the UAE and the Capital Market Authority (CMA) in Saudi Arabia, are creating more conducive conditions for local and foreign asset managers as they compete to attract these entities into their respective markets.

The UAE End of Service Benefits initiative

The UAE's Ministry of Human Resources and Emiratisation (MoHRE) and the SCA began implementing the new alternative scheme for end of service benefits for employees working in free zones and the public and private sectors.

The scheme was launched under UAE Cabinet Resolution No. (96) of 2023 and Ministerial Resolution No. 668 of 2023. This voluntary scheme invests employees' end of service benefits in established investment funds with strong track records to provide investment returns to employees on their end of service benefits.

Introducing end of service benefits programmes provides many opportunities to licensed asset managers in the UAE and can significantly influence the asset management landscape in the following ways:

1. **Boost in capital flows**: The sudden influx of capital from end of service benefits will lead to a surge in the funds available for investment. Employees will look for opportunities to maximise and safeguard their returns by directing these funds towards savings, investments, and retirement accounts. Asset management firms can capitalise on this influx by creating tailored investment solutions for these beneficiaries, resulting in larger pools of AUM.
2. **Portfolio diversification**: With an increase in capital, asset managers can explore various asset classes across the globe. This capital growth can lead to more diversified portfolios as managers allocate resources across different industries and regions, potentially reducing risk and enhancing returns. This diversification is appealing to investors who prioritise stability and long-term growth.
3. **Broadening client base**: End of service benefits inject capital into and expand the client base of asset management firms, which could lead to corporations partnering with these firms to manage retirement packages effectively and opening up opportunities to serve corporate and individual clients. This expanded clientele would further diversify income sources and solidify the market presence of asset managers.
4. **Innovation in financial products**: The competition to attract funds will drive innovation within asset management firms. They will have to develop new investment products and services to appeal to end of service benefits recipients. These might include personalised retirement planning services and bespoke investment portfolios catering to retirees' unique needs or those entering a new phase of their careers.
5. **Promoting financial literacy**: The increase in end of service benefits highlights the need for increased financial literacy. Asset management companies can play a crucial role by offering education and resources and helping individuals make informed investment decisions. By fostering a more financially literate client base, firms ensure more engaged and savvy investors, which can lead to more stable investment behaviour.

The UAE End of Service Benefits programmes have the potential to transform the asset management landscape by increasing capital inflows, encouraging innovation, and expanding client services. By adapting to these shifts, asset management firms can enhance their growth, generate greater profits, and contribute to a more robust, diversified, and sustainable financial ecosystem.

First Abu Dhabi Bank (FAB), the UAE's largest bank and one of the world's largest and safest financial institutions, has received initial approval to make the FAB End of Service Benefits Funds available to UAE-based companies. This will allow employees to grow their end of service benefits through the new government Alternative EOSB Savings Scheme.

The rise of financial centres in the UAE

Strong growth and expansion of the financial centres in the UAE

Various projects are underway to boost the development of financial centres. For example, the Abu Dhabi Global Market (ADGM) cut fees for commercial licences by 50% from the start of 2025. The ADGM also plans to expand to Al Reem Island, offering relocation support for businesses.

The Dubai International Financial Centre (DIFC) has added nearly 1.5 million m^2 of commercial space over the past three years. This expansion reflects ambitious growth objectives and a commitment to offering more comprehensive financial services. The DIFC excels in financial advisory, banking, and wealth management, while the ADGM is positioning itself as a hub for virtual asset service providers and sustainable finance.

AUM in the DIFC rose by 58% from USD 444 billion to USD 700 billion, while the ADGM reported a 215% increase. Leading global asset managers have also set up their bases in the UAE and are on an expansion spree, including BlackRock (USD 11.5 trillion in AUM), PGIM (USD 1.33

trillion in AUM), and Nuveen (USD 1.2 trillion in AUM).

The SCA reported a USD 10 billion surge in AUM by portfolio management companies and investment funds in the UAE. This boost reflects the SCA's ongoing efforts to enhance the asset management sector, strengthen its regulatory framework to align with global best practices, and support the UAE's vision to become a leading hub for asset management. The sector is projected to expand, with the expected number of local investment funds reaching 58 as the SCA has received 25 new applications.

The positive developments in the sector are attributed to the SCA's efforts to strengthen the legislative environment. In January last year, the SCA implemented new investment fund regulations to promote market stability. The SCA is also updating its rulebook on financial activities related to investment fund management, aiming to attract global asset management firms and enhance the UAE's financial landscape.

Global integration and competition

Local factors and the influence of global economic dynamics are shaping the trajectory of the GCC's asset management industry. As seen in recent years, geopolitical tensions and fluctuations in oil prices affect economic stability and investor sentiment. As a result, the region continues its efforts towards economic diversification, which aligns with national visions such as Saudi Arabia's Vision 2030 and the UAE's Vision 2030. These initiatives aim to reduce dependence on oil revenues, resulting in increased investment in sectors such as technology, renewable energy, tourism, and healthcare. Promoting these sectors offers unprecedented opportunities for asset managers to develop innovative products and services tailored to market demands.

Regulatory enhancements are also poised to elevate the standards and attractiveness of the GCC as an investment hub. Ongoing reforms and the GCC's strategic location are expected to drive the continued influx of foreign direct investment. The introduction of more sophisticated investment products, improved reporting standards, and enhanced transparency is also set to boost investor confidence and global integration. Therefore, asset management firms must navigate a complex landscape of regulatory requirements, competition from established global players, and a developing investment climate.

Technological advancements

Technology is expected to be a significant factor in shaping the GCC asset management industry. The onset of fintech innovations, including digital platforms, robo-advisors, artificial intelligence (AI), and big data, is revolutionising the investment landscape. Through technology, the number of individual investors is increasing and gaining greater access to more investment options, signalling a move to a more democratised investment landscape. The challenge traditional investment advisory model practitioners face is adapting and incorporating these new technologies into their business strategy. We expect GCC asset management firms to adopt these technological advances to improve efficiency, lower costs, and enhance the customer experience.

Evolving investor preferences

As millennials and members of Generation Z inherit wealth, the asset management industry must adapt to changing investor preferences, such as prioritising ethical investing, sustainability, and corporate social responsibility. By 2025, the demand for environmental, social, and governance (ESG) investments in the GCC is expected to surge, emphasising the importance of integrating responsible investment strategies into asset management practices.

In addition, enhancing financial literacy and awareness about investment products will empower younger investors. Therefore, asset managers must update their offerings to ensure they align with the values of the new generation of investors seeking both financial returns and positive societal impact.

Conclusion

In summary, the GCC asset management industry is on the cusp of transformation. Factors such as economic diversification, regulatory reforms, technological innovations, shifting investor preferences, and global integration will all play pivotal roles in this evolution. Building on these trends, the GCC has the potential to become a formidable player in the global asset management arena.

Understanding and adapting to these elements will be crucial for regional stakeholders to be successful in the region's evolving market. Finding the right balance between local knowledge and global best practices will determine the future of the GCC's asset management industry and its place in the international financial landscape.