

INSTITUTIONAL INVESTOR
**ASIA/MID EAST GOVERNMENT FUNDS
ROUNDTABLE**

Kuala Lumpur | November 2-3, 2010

FOR GOVERNMENT FUNDS, INCLUDING CENTRAL
BANKS, COUNTRY PENSION FUNDS,
COMMODITY WEALTH FUNDS
AND STATE INVESTMENT
CORPORATIONS

SOVEREIGN FUNDS
CENTRAL

November '2010



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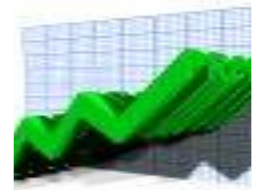
SETTING THE SCENE FOR THE RISK & REWARD RELATIONSHIPS

- ❖ The global financial crises have challenged the conventional risk/reward equation both for the developed world and emerging markets.
- ❖ Prior to the global financial crises the SWF and UHNWI were quite happy to do a piggy back as Co-Investors with large reputable names: transparency, well established and proven corporate governance practices and integrity considerations always edged the investors to allocate assets in the developed markets compared to the emerging markets.
- ❖ However, since Sept 2001, the Enron and Worldcom crises, the disappearance of Arthur Anderson, and most certainly the crises in confidence have taken a huge hit with the recent Great Recession.



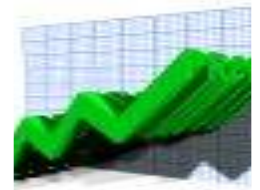
SETTING THE SCENE FOR THE RISK & REWARD RELATIONSHIPS

- ❖ New risks have surfaced with: the unions getting priority over the bond holders, the famous phrase of printing oneself out of the trouble ,solvency, greed, debt buildup and the financial stability of not only the financial institutions, not only the countries but a continent is now the concern.
- ❖ While all this has surfaced the emerging markets have come out of it mostly unscathed even with the convention risk factors still remaining like lack of transparency & regulatory framework, in the case of GCC (my region) one commodity economy, middle east geopolitical risk, illiquidity, lack of credible data etc.



WHAT HAS CHANGED IN THE EMERGING MARKETS ?

- ❖ Emerging Markets were quick in learning their lessons. After the Asian financial crises none of the Asian banks have so far suffered in the recent crises. Dubai's lesson is well learnt - evident from the large scale reduction in projects.
- ❖ Most Emerging markets & most certainly the GCC being pegged to the US \$ have managed to hedge the risk against oil price movements with the conventional oil/US \$ relationship.
- ❖ Emerging Markets have started to invest within their own countries – taking advantage of demography, opportunity to enhance productivity by improving transports and energy infrastructure and human capital.



WHAT HAS CHANGED IN THE EMERGING MARKETS ?

- ❖ Emerging Market Sovereign Funds and UHNWI are taking advantage to safeguard against the future appetite for commodity and energy needs and environment protection, etc and perhaps to mitigate against the long term US \$ prospects.
- ❖ Today SWFs & UHNWI in the GCC has wealth exceeding US \$ 3 trillion thus the returns on the foreign assets have provided an important diversification from the one commodity economy perception.
- ❖ With over 12 million expatriates the GCC is the second largest source of private financial transfers, second only to the US. Annual remittances sent home by expatriates in the Gulf States are estimated at \$40 billion.
- ❖ Most of the GCC exports (mainly oil) go to Asia and to this extent the GCC is somewhat immune to the double dip fears in the OECD countries.

A Greater Strategic Role...



HOW IS OMAN & OMANI SWFS MITIGATING THE RISKS

**Sustainable growth is a country's
speed limit!**





HOW IS OMAN & OMANI SWFS MITIGATING THE RISKS

Oman as a Country

- ❖ Capital preservation remain still the primary focus evident by Oman building up contingency reserves and infrastructure reserves
- ❖ Capitalizing on the energy play and improving its human capital and infrastructure, focusing on technological transfer and strategic location (outside the state of Harmouz) – productive enhancement is the focus.
- ❖ Development of Private Sector - First Telecom and Power Privatization in the GCC.
- ❖ Facilitating Competition and Regulating the Industry.





HOW IS OMAN & OMANI SWFS MITIGATING THE RISKS

Omani SWFs

- ❖ Structuring the investments more on a debt convertible model with tangible collaterals.
- ❖ Due diligence , macroeconomic insight, sensitivity analysis
- ❖ Emerging markets usually have small ticket transactions where there is opportunity to engage more.
- ❖ Partnership with states (Oman India joint venture etc)



A Greater Strategic Role...



CAN MENA PROVIDE THE GREAT BALANCING ACT?

