

Summary

Manama, Bahrain 8-10 May 2018

Investing in a Challenging World

10 May

Key points

- A long-term, disciplined approach to investing is still critical in this era of fast-paced news cycles.
- Taking risk into account is part of investment decision-making, but overreacting in the short term is counter-productive.
- Good corporate governance and transparency are key criteria for deciding where to invest.

Synopsis

A long-term, disciplined approach to investing remains critical in the current era of fast-paced news cycles. “You have to define your criteria, think about the long term, keep emotion out of it, give things some time and don’t react immediately to news,” said Farouk A. Bastaki, Managing Director (Group Chief Executive Officer), Kuwait Investment Authority, Kuwait, “Think about the long term – about 10 years, not two hours.” It is important to be disciplined, and to have a strategy and a view, he said.

Taking risk into account is part of investment decision-making, but overreacting to it in the short term is counter-productive. When investing globally in all kinds of assets, the major risk may be geopolitical – for example, issues concerning North Korea and Iran, cross-border cyberattacks and the US–China trade dispute. “These are the things that keep us up at night,” said Bastaki.

Accounting for risk but with a long-term view can pay dividends, according to Yong Kwek Ping, Chief Executive Officer, Inventis Investment Holdings, China, as when his company invested in China in 2000, an experience that proved so fruitful that it may lead his company to invest in Russia. Taking risks when no one else does – as in 2009 during the financial crisis – can also yield dividends.

When focused on long-term objectives, investors who are constantly in the market can minimise excessive risks. “We don’t chase yield,” said Shaikh Abdulla bin Khalifa Al Khalifa, Chief Executive Officer, Osool Asset Management, Bahrain. Geopolitics is not considered a risk as it affects every investor in some way. Geopolitics “is all noise to us”, he said, adding, “As long as you have a clear strategy and asset allocation, you’re fine.”

Others may have a more conservative strategy, such as the Kingdom of Bahrain’s sovereign wealth fund, where “we work for the people of Bahrain”, said Mahmood H. Alkooheji, Chief Executive Officer, Mumtalakat, Bahrain. Bahrain’s sovereign wealth fund sees healthcare and education as two interesting sectors – healthcare because 2 billion people will reach the age of 60 by 2050, and education because of the country’s need for educated and trained workers. In any case, being disciplined and following a strategy will be critical, as well as answering the question: what are we doing for stakeholders?

For the Kuwait Investment Authority, investments in private equity began 35 years ago; currently, it has 200-250 funds worldwide, in multiple sectors. It invests in the public market as well as directly in technologies, such as alternative energies and electric buses.

Good corporate governance and transparency are key criteria when deciding where to invest. “We like to invest in things where we have visibility of the cash flow,” said bin Khalifa Al Khalifa. Political stability and private company growth rates are important, and private markets can provide more opportunities than public markets, especially in infrastructure.

Some investors take into account a country’s gross domestic product when making investment decisions. Thus, investments in the United States would be proportionally higher, as would investments in China in times to come. Government may not be a critical factor in deciding whether to

invest in a country; the question may rather be: what is needed in a region? However, it is important to remember that governments have a role to play in public-private partnerships, in concession agreements that influence the cash flow, and as regulators.

Going ahead, “[w]e have a hundred challenges investing globally,” said Kwek Ping, citing for example the issues of how to link investments to the smartphone and the digital world, requiring a more concentrated look at technologies; how to help China’s companies as the country becomes a large importer; and how to supplement the Chinese Belt and Road strategy. “We’re putting different funds into the region,” he added.

Session panellists

Shaikh Abdulla bin Khalifa Al Khalifa, Chief Executive Officer, Osool Asset Management, Bahrain

Mahmood H. Alkooheji, Chief Executive Officer, Mumtalakat, Bahrain

Farouk A. Bastaki, Managing Director (Group Chief Executive Officer), Kuwait Investment Authority, Kuwait

Yong Kwek Ping, Chief Executive Officer, Inventis Investment Holdings Ltd, China

Moderator: **Adnan Nawaz**, Broadcaster, TRT World, United Kingdom

Disclosures

This summary was produced by the Bahrain Economic Development Board. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Gateway Gulf Investor Forum.

Copyright 2018 Gateway Gulf Investor Forum

This material may be copied, photocopied, duplicated and shared, provided that it is clearly attributed to the Gateway Gulf Investor Forum. This material may not be used for commercial purposes.