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TORRENT OF MIDDLE EASTERN MONEY FLOODING INTO GLOBAL MARKETPLACE

— EXPECTATIONS FOR NEW BUSINESS OPPORTUNITIES —

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SUMMARY

- Sovereign wealth funds (SWFs) are carving out a more prominent position for themselves in the global investment market. The balance of assets under management by such funds has reached US$13 trillion. Of total assets managed by the world's SWFs, Middle Eastern SWFs (such as ADIA and PIF) now account for more than 40%.
- SWFs in the Middle East have invested in a variety of areas such as natural resources, infrastructure, and advanced technology, and major multinational investment funds such as Blackstone and KKR are working to strengthen their intake of Middle Eastern money.
- There is potential for further collaboration among the players managing these massive funds to create new value that transcends industry boundaries. It is also expected that some Japanese companies will take this as an opportunity to strengthen their competitiveness.

In recent years, Middle Eastern sovereign wealth funds (SWFs) have dramatically increased their presence in the global economy. Backed by huge revenues from oil exports, those SWFs are aggressively investing in strategic areas such as technology, real estate, and infrastructure, and have become a major force in the global marketplace. This report analyzes the characteristics and aims of leading Middle Eastern SWFs, the role of US institutional investors as partners, and investigates potential new business opportunities.

1. OVERVIEW OF SWFS

1-1. What are SWFs?

What exactly is an SWF? Although there is no clearly established definition, the International Working Group of Sovereign Wealth Funds (IWG) (precursor to the International Forum of Sovereign Wealth Funds (IFSWF)), which was launched in April 2008 at the initiative of the IMF to develop best practices for SWFs, and it defines SWFs as "special-purpose investment funds or arrangements, owned by the general government (which includes both central governments and subnational governments)." Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies, which include investing in foreign financial assets[1].

SWFs can be divided into two main types: "resource-based," financed by revenues from natural resources such as crude oil and gas, and "non-resource-based," financed by foreign exchange reserves and fiscal surpluses, and about 80% of SWFs are resource-based types. Among resource-based SWFs, Norway's Norges Bank Investment Management (NBIM) has the largest assets under management, but most of the others are Middle

[1] Sovereign Wealth Funds: Generally Accepted Principles and Practices "Santiago Principles" -- October 2008. (See P27)

Eastern. There are also a number of large non-resource-funded SWFs, such as China Investment Corporation (CIC) in China and Government of Singapore Investment Corporation (GIC) in Singapore (Figure 1).

Figure 1: World's leading sovereign wealth funds (SWFs)

Resource-based			
SWF	Country	Year established	Assets under management (US$ bn)
NBIM	Norway	1997	1,743
ADIA	UAE (Abu Dhabi)	1967	1,110
KIA	Kuwait	1953	969
PIF	Saudi Arabia	1971	925
QIA	Qatar	2005	510
ICD	UAE (Dubai)	2006	360
Mubadala	UAE (Abu Dhabi)	1984	330
ADQ	UAE (Abu Dhabi)	2018	249
NDF	Saudi Arabia	2017	132

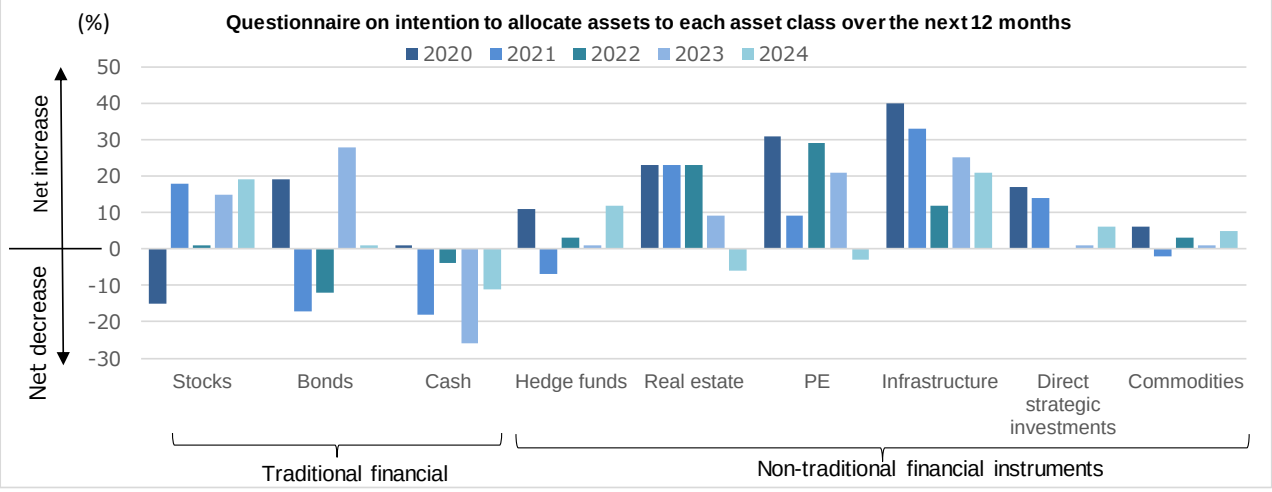
Non-resource-based			
SWF	Country	Year established	Assets under management (US$ bn)
CIC	China	2007	1,332
SAFE IC	China	1997	1,235
GIC	Singapore	1981	847
Temasek	Singapore	1974	288

Note: Based on data as of December 2024

Source: Compiled by MGSSI based on Global SWF data

A common approach among many SWFs is to take a medium- to long-term perspective and evaluate investment results from multiple viewpoints, including strategic significance, technology transfers, and job creation. This is attributable in part to the fact that their missions are directed by national policy. Although there is a wide variety of asset management policies among SWFs, most funds invest in traditional financial instruments with high liquidity, such as stocks and bonds, with such investments accounting for approximately 70% of their total assets. In recent years, however, many SWFs have indicated their intention to increase their investment allocation to alternative assets, such as real estate, private equity, and infrastructure, in search of higher income opportunities (Figure 2). This approach is different from the strategies of pension funds that tend to focus on stable asset management and allocate more assets to highly liquid traditional financial instruments, mainly bonds.

Figure 2: Intention to increase/decrease asset allocations by global SWFs (annual)



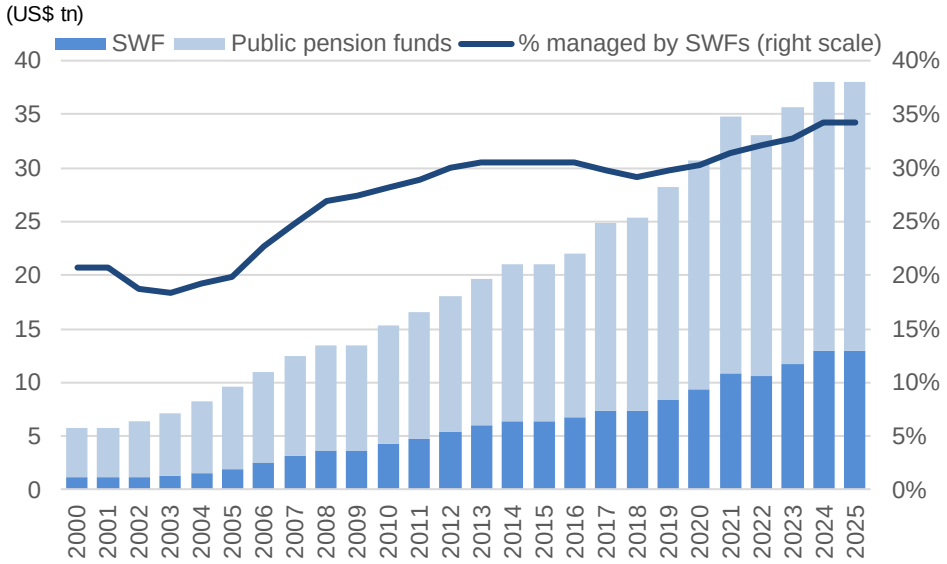
Note: Sample size = 74

Source: Compiled by MGSSI based on Invesco's "Global Sovereign Asset Management Study 2024" (published in July 2024)

1-2. SWFs as state-owned investors

Like SWFs, state-owned investors (SOIs) also include public pension funds[2], such as Japan's Government Pension Investment Fund (GPIF). According to research firm Global SWF, as of January 2025, public pension funds around the world had a total of approximately US$25 trillion in assets under management. By comparison, SWFs had approximately half of that amount, or US$13 trillion in assets under management. In recent years, however, the amount of assets under management by SWFs has increased markedly to account for nearly 35% of total assets managed by public pension funds and SWFs, compared to only about 20% some 20 years ago (Figure 3).

Figure 3: Balance of assets managed by SWFs and public pension funds



Note: Data as of January 2025

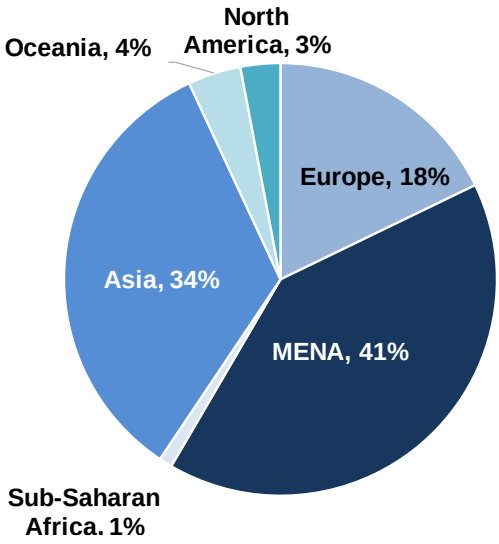
Source: Compiled by MGSSI bsed on Global SWF

1-3. Growing presence of Middle Eastern SWFs

SWFs in the Middle East are contributing significantly to this increase. Of the US$13 trillion in assets under management by SWFs worldwide, 41% can be attributed to SWFs in the Middle East and North Africa (MENA), followed by Asia (34%) and Europe (18%) (Figure 4). Given the difference in the sizes of the economies, the market presence of Middle Eastern SWFs is exceptional, indicating their hearty appetites.

[2] By definition, central banks may also be included.

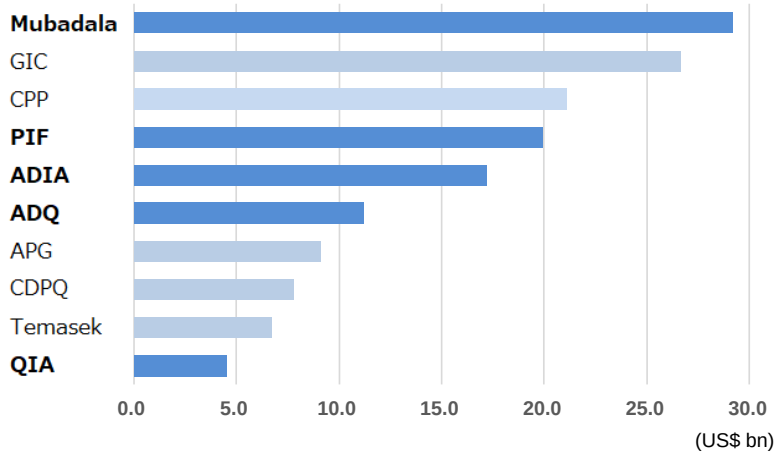
Figure 4: SWF assets under management by region



Note: Based on data as of January 2025
Source: Compiled by MGSSI based on Global SWF data

This aggressive attitude is evident in the amount of funds invested. Looking at the top 10 SOIs in terms of capital invested as of 2024, the largest is Mubadala Investment, followed by four Middle Eastern SWFs, including Public Investment Fund (PIF) and Abu Dhabi Investment Authority (ADIA) (Figure 5).

Figure 5: Top 10 state-owned-investors (SOIs) in terms of funds invested (as of 2024)

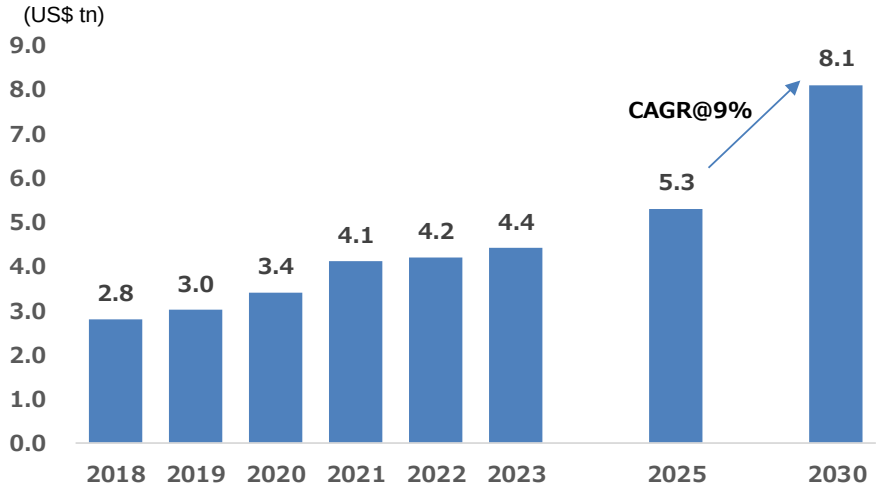


Note: Dark blue indicates Middle Eastern SWF
Source: Compiled by MGSSI based on the data of Global SWF and Statista

Given this situation, the scale of Middle Eastern SWF assets is expected to continue to increase going forward. The abovementioned Global SWF estimates that the assets under management by SWFs in the MENA region[3], which is dominated by Middle Eastern countries, will grow at an average annual rate of approximately 9% during the period from 2025 to 2030 (Figure 6). This is well above the projected economic growth (in the low 3% range for the world as a whole, and in the high 3% range for the Middle East region).

[3] Of the US$5.377 trillion in total assets under management by SWFs in the MENA region, approximately 90%, or US$4.790 trillion, is managed by SWFs in four major Middle Eastern countries — the UAE, Saudi Arabia, Qatar, and Kuwait (based on Global SWF data, as of February 2025).

Figure 6: Assets under management by SWFs in the Middle East and North Africa (MENA) region



Source: Compiled by MGSSI based on Global SWF data

The fact that Middle Eastern SWFs are increasing their assets under management much faster than the pace of economic growth, taking risks unlike pension funds, and actively investing in non-traditional financial instruments in pursuit of higher returns are the reasons why SWFs in the Middle East are now recognized as having a growing presence in the financial markets. Middle Eastern SWFs, which were previously seen simply as well-paying customers for private equity funds and other investments, are now playing a "partner" role, and have established a presence that is commanding the closer attention of major institutional investors in the US and Europe.

2. SYNOPSES OF LEADING MIDDLE EASTERN SOVEREIGN WEALTH FUNDS

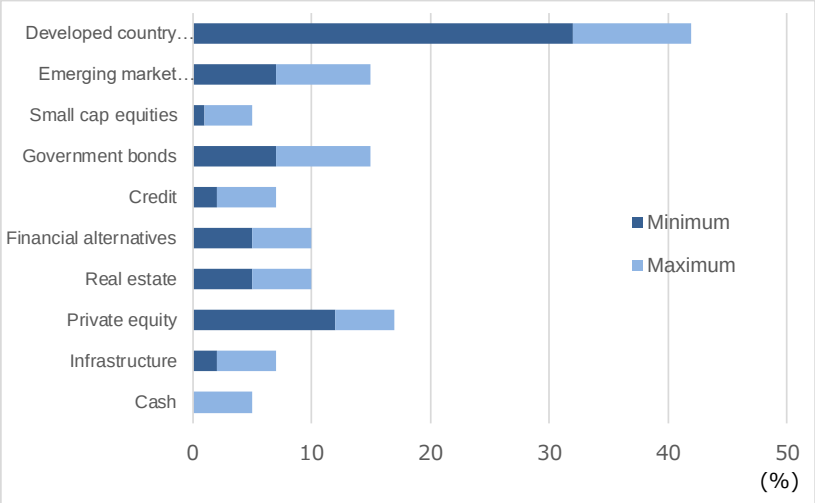
Conventionally, Middle Eastern SWFs primarily invested in Western financial markets, but as noted above, in recent years they have been actively investing in non-traditional financial products, including a diverse range of infrastructure, private equity, emerging industries, and technology companies throughout the world. Synopses of the leading Middle Eastern SWFs are provided next.

2-1. Abu Dhabi Investment Authority (ADIA)

ADIA, established in 1967, is one of the world's largest SWFs, with assets under management estimated at approximately US$1.1 trillion (as of 2024)[4]. ADIA's investment strategy is based on a long-term perspective and emphasizes global diversification. Its portfolio is weighted with nearly 50% in traditional financial instruments, with 32-42% of that in developed country equities and 7-15% in emerging market equities and government bonds, but it also has large allocations to private equity (12-17%), real estate (5-10%), and infrastructure (2-7%) (Figure 7). As for asset allocation by region, North America has the largest share of investments at 45-60%, Europe 15-30%, developed Asia 5-10%, and emerging markets 10-20%.

[4] The balance of assets under management for each country's SWF is based on Global SWF data. The same applies for the figures for each SWF in Section 2 of this report.

Figure 7: ADIA's long-term asset allocation goals



Source: ADIA's "2023 ADIA Review"

While market conditions remain difficult for private equity and other sectors due to rising interest rates, ADIA is not only investing in limited partnerships but is expanding direct investments jointly with other investment institutions, focusing especially on projects in the software, financial, healthcare, and industrial sectors. Specifically, it has invested in the leveraged buyout of the US company Cvent, a provider of event management process solutions, in a collaborative deal with Blackstone and others; invested in the acquisition of NetCo, the fixed-line operator of Italy's Telecom Italia, together with KKR; and invested in the Italian company TeamSystem, a business software developer, in a joint deal with Google's corporate venture capital firm CapitalG and others. In addition, ADIA has also been involved in a variety of projects in various countries and sectors, including the privatization of the UK company Dechra Pharmaceuticals, a specialist in veterinary pharmaceuticals, and investments in the Indian eyewear brand Lenskart and Indian retailer Reliance Retail. ADIA intends to continue to pursue its flexible investment strategy and seek out optimal risk/return opportunities while keeping a close eye on trends such as capital solutions, AI, digitization, and energy transformation.

2-2. Mubadala Investment

Mubadala Investment is an SWF of the government of Abu Dhabi established in 1984[5] and it had approximately US$330 billion in assets under management as of 2024. The fund focuses on investing in key growth sectors, including technology, aerospace, renewable energy, healthcare, and real estate. Mubadala's asset mix includes 38% private equity, 25% listed equities, and 16% real estate and infrastructure, which means it holds a higher proportion of private equity investments than ADIA.

An example of an investment by Mubadala is the agreement reached with Bain Capital to acquire Apleona, a German facility management company, from investment firm PAI Partners for 4 billion euros. The fund has also invested in a number of technology companies, including TruKKer, a Dubai-based provider of a truck dispatch platform. Among other investors in TruKKer is Riyad Taqnia Fund, a venture capital fund backed by PIF, the Saudi SWF. Mubadala also continues to invest in projects related to oil and gas, which now account for about 20% of its portfolio. At the same time, the SWF is actively investing in renewable energy, aiming to contribute to climate change mitigation and diversification of the UAE economy. In collaboration with G42, a holding company specializing in the AI sector[6], Mubadala established MGX Fund Management Limited (MGX), a

[5] More precisely, the International Petroleum Investment Company (IPIC) was founded in 1984. Mubadala Development Company, founded in 2002, merged with IPIC in 2017 to become Mubadala Investment.

[6] Although G42 is a private company with a US$1.5 billion investment from Microsoft, it has deep political ties. Its controlling shareholder and chairman is Sheikh Tahnoun bin Zayed Al Nahyan, who serves as the National Security Advisor of the UAE and is a brother of the UAE president. Mubadala also has a stake. The company is working with Mubadala to strengthen its involvement in

technology investment firm focusing on three main areas: AI infrastructure, semiconductors, and AI core technologies and applications. This is a large project, with assets under management possibly exceeding US$100 billion within a few years.

2-3. Abu Dhabi Development Holding Company (ADQ)

ADQ is a relatively new SWF established in 2018 and had approximately US$249 billion in assets under management as of 2024. ADQ's main objective is to accelerate the development of Abu Dhabi's non-oil sector and diversify the economy. Its investment strategy focuses primarily on key sectors of Abu Dhabi's economy, such as logistics, transportation, energy, healthcare, agrotechnology, and manufacturing.

An investment example is the fund's stake in Trojan Construction Group, a construction services company in Abu Dhabi. Elsewhere within the UAE, investments include that in Dubai-based health tech company Okadoc. The fund is also increasing its overseas investments. It acquired Circle Health Group, the largest private healthcare provider in the UK, for US$1.2 billion, in partnership with PureHealth, a healthcare giant in Abu Dhabi. In addition, ADQ acquired Network International, a provider of payment services in the Middle East and Africa, for 2.2 billion pounds through a consortium that also includes Mubadala.

2-4. Investment Corporation of Dubai (ICD)

Established in 2006, ICD has assets under management estimated at approximately US$360 billion (as of 2024). ICD serves as Dubai's primary commercial investment arm, investing in a wide range of sectors including aviation, financial services, real estate, retail, mining, and energy. ICD's portfolio includes investments in leading Dubai companies such as the airline Emirates, Emirates National Oil Company (ENOC), and Borse Dubai (holding company of the Dubai Financial Market and NASDAQ Dubai).

Although specific percentages are not disclosed with respect to asset allocation, the SWF's investment portfolio by sector includes transportation (28%), entertainment (17%), real estate (16%), financials (15%), and retail (14%) (as of December 2023). ICD has also increased its investments in the technology sector in recent years, particularly in fintech companies. This is in line with the strategic goal of positioning Dubai as a global financial technology hub.

2-5. Public Investment Fund (PIF)

PIF, the Saudi SWF, was established in 1971 and had approximately US$925 billion in assets under management as of 2024. It aims to grow into one of the world's largest SWFs and is targeting an asset portfolio worth 10 trillion riyals (approximately US$2.6 trillion) by 2030. The fund has greatly expanded its influence and position as an institution that plays a central role in Saudi Arabia's "Vision 2030" growth strategy that is aimed at breaking away from oil dependency and achieving inclusive development. PIF had set an asset allocation strategy of distributing 30% of funds to domestic investment, 40% to strategic direct investment through private equity, and 30% to diversified foreign investment. However, since the country's economic diversification has progressed more slowly than expected, PIF plans to invest a larger amount domestically and reduce the percentage of foreign investment to 18-20%. PIF's basic policy is to commit to long-term partnerships with companies in which it has invested. However, if a company no longer meets certain governance standards or is no longer able to generate financial returns, the fund will be poised for an exit.

In addition to being a major shareholder in leading domestic companies such as Saudi Aramco and Saudi Telecom, PIF has also been active in overseas investments. Investment areas include advanced technology, infrastructure, mining, and sports and entertainment. PIF is also expanding its portfolio on a global scale, focusing on strategic investments in emerging markets.

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cutting-edge technology areas, and their collaborative efforts include the establishment of M42, a technology-enabled integrated healthcare company.

A specific investment example is PIF's investment in NEOM, a huge US$500 billion urban development project in its home country. Among its overseas activities, the fund invested approximately US$3.7 billion in 2022 in EV manufacturer Lucid Group, acquiring an 18.5% stake in the automaker. In December 2024, PIF, together with French private equity firm Ardian, obtained a 37.6% stake in Heathrow Airport in the UK for 3.3 billion pounds from Ferrovial of Spain and other companies. Saudi Arabia is also concentrating on fostering the gaming industry, including holding e-sports competitions, and in this context, PIF acquired an 8.58% stake in Nintendo (as of June 2024)[7]. Another area where PIF is focusing its attention is the renewable energy sector, and it has, for example, invested in Oman's ACWA Power, which aims to achieve 18.5 GW of wind and solar capacity in 2025.

2-6. Qatar Investment Authority (QIA)

QIA was established in 2005 and had approximately US$510 billion in assets under management as of 2024. The SWF adopts a globally diversified investment approach and is known for its strategic investments in luxury real estate, luxury brands, and financial institutions, concentrated in Europe and North America. As a specific investment example, QIA invested US$940 million in EV battery maker SK On in May 2023, jointly with South Korean private equity firm MBK Partners and US-based asset manager BlackRock. This investment demonstrates QIA's increasing focus on the Asian market and the sustainable technology sector. QIA also has a large real estate investment in the Canary Wharf area of London, estimated at an investment value of approximately 4.5 billion pounds.

2-7. Kuwait Investment Authority (KIA)

Established in 1953, KIA is one of the oldest SWFs in the world and had US$969 billion in assets under management as of 2024. It manages and administers both Kuwait's General Reserve Fund (GRF) and Future Generations Fund (FGF). KIA's asset allocation strategy is 55-65% global equities, 23-33% bonds and cash, and 8-12% alternative investments (real estate, private equity, etc.). It has a higher exposure to traditional financial products and more conservative investment policy than other SWFs.

Examples of specific investments include those in German automaker Mercedez-Benz, India's largest automaker Maruti Suzuki, and Corsair Capital, which is a private equity firm spun off from US financial giant J.P. Morgan. In addition, KIA acquired a 50% stake in refrigerated container leasing company SeaCube Container Leasing from the Ontario Teachers' Pension Fund, together with global infrastructure investment firm Wren House (UK). In 2024, the fund participated in a US$6 billion financing project for xAI, an AI company founded by Elon Musk. KIA, like ADIA, promotes sustainable investment practices as a member of the One Planet SWF Initiative.

[7] However, as of December 31, 2024, this investment stake had decreased to 4.19%.

Figure 8: Overview of leading SWFs in the Middle East, their strategies, and investment examples

SWF	AUM (US$ bn)	Vision & role	Investment strategy and examples	
ADIA	1,110	Steadily increase capital through a disciplined investment process and a workforce that embodies ADIA's cultural values, thereby supporting Abu Dhabi's long-term prosperity.	The fund's strategy is based on a long-term investment perspective, but it is flexible and open to new investment opportunities. It invests in equities, bonds, government bonds, infrastructure, real estate, private equity, and alternative assets.	
			• Cvent (US) — software (B2B) • NetCo (Italy) — telecommunications • TeamSystem (Italy) — software (B2B)	• Dechra Pharmaceutical (UK) — pharmaceuticals • Lenskart (India) — consumer goods • Reliance Retail (India) — retail
Mubadala	330	Focus on global growth segments and cutting-edge innovation areas to create opportunities for future generations.	The fund's strategy is based on the following two principles: 1) to continuously improve portfolio performance through the preservation, enhancement, and realization of investment value; and 2) to pursue growth consistent with policy objectives by allocating capital to new or existing sectors that are consistent with the investment strategy and policy priorities	
			TLC20250300	• Trust Insurance Services (UK) — insurance • Dental Care Alliance (US) — healthcare • Paradigm Health (US) — healthcare
ADQ	249	Create value through investment, development, and commitment to a results-oriented culture. Deliver sustainable growth and value to enhance Abu Dhabi's resilience for multiple future generations. Focus on accelerating the transition to a globally competitive, knowledge-based economy as a strategic partner to the government.	Work with portfolio company management teams to provide cross-functional insight across each company's business areas, populations, and ecosystems, and share expertise in a variety of ways to capture economic and commercial opportunities.	
			• Trojan Construction (Abu Dhabi) — construction • Okadoc (Dubai) — healthcare • Kitopi (Dubai) — business software	• Circle Health Group (UK) — healthcare • Network International (UK) — fintech • Louis Dreyfus (France) — food
ICD	360	Secure a prosperous future for the country and its people. Invest in attractive opportunities that can deliver appropriate risk-adjusted returns over the long term. Conduct sustainable and responsible engagement across a variety of asset classes, sectors, and geographic areas.	The portfolio consists primarily of businesses and assets that are wholly or partially owned by the government of Dubai. Portfolio companies are selected from a wide variety of sectors to diversify investments and limit risk, and reflect Dubai's growth plans and strategic focus areas.	
			• Emirates (Dubai) — aviation • ENOC (Dubai) — crude oil • Imdaad (Dubai) — facility management services	• Borse Dubai (Dubai) — financial • Dubai Islamic Bank (Dubai) — financial • Atlantis The Palm (Dubai) — hotel
PIF	925	Positioned to drive Saudi Arabia's "Vision 2030" for social transformation. In addition to pursuing profits from foreign investments, the fund invests in strategic industries within Saudi Arabia. Through these efforts, expand non-fossil fuel-derived GDP, create jobs, promote private industry, improve quality of life, and secure a leading position for Saudi Arabia in the region.	In 2021, the fund presented its five-year strategy (2021-2025) as part of its Vision Realization Program. The strategy has the following four points: (1) invest at least US$40 billion annually in domestic projects and investments, (2) contribute a cumulative US$320 billion to non-oil-derived GDP through portfolio companies, (3) increase total assets to US$1.07 trillion, and (4) create 1.8 million jobs directly or indirectly by the end of 2025.	
			• NEOM (Saudi Arabia) — urban development • Lucid Group (US) — transportation equipment • Heathrow Airport (UK) — airport	• Nintendo (Japan) — game software • ACWA Power (Oman) — energy • Blackstone (US) — financial
QIA	510	Invest the country's surplus funds to create long-term value and ensure prosperity for future generations. Support the development of the country's economy by providing liquidity as needed to stabilize the country's economy and by investing in companies that fill gaps in the market.	In 2020, adopted an asset allocation process based on a more stylized top-down approach to encourage medium- and long-term growth of the overall portfolio. The reference portfolio is designed to achieve long-term return targets within the risk and liquidity constraints set by the Board.	
			• SK On (South Korea) — Automotive parts (EV batteries) • Canary Wharf (UK) — harbor/commercial district • London Stock Exchange (UK) — financial	• Qatar National Bank (Qatar) — financial • Porsche (Germany) — transportation equipment • Volkswagen (Germany) —transportation equipment
KIA	969	Manage financial surpluses entrusted by the government to achieve long-term investment returns. Create revenue streams aside from those generated by oil that will enable the country's future generations to address uncertainties with greater confidence.	Design and maintain a portfolio with low correlation assets while meeting the required level of return commensurate with risk, and achieve a return on investment that exceeds the composite benchmark on a three-year moving average basis.	
			• Mercedes-Benz (Germany) — transportation equipment • Daimler Truck (Germany) — transportation equipment • Maruti Suzuki (Japan/India) —	• Corsair Capital (US) — financial • SeaCube Container (US) — container leasing • xAI (US) — AI

Source: Compiled by MGSSI based on the data of each company, Pitchbook, and JETRO

3. STRENGTHENING TIES BETWEEN GIANT INVESTMENT FUNDS AND MIDDLE EASTERN SWFS

In global financial markets in recent years, giant funds and Middle Eastern SWFs have been increasingly collaborating with each other, transcending the traditional regional- and industry-specific investment frameworks (see Figure 9). This has enabled a widening of investment targets and the financing of huge projects and is laying the groundwork for initiating innovative projects in a broad range of fields, including infrastructure, AI, and energy. Middle Eastern SWFs tend to seek extensive funds from their co-investment partners in consideration of the large scale of the projects in which they invest. As such, collaboration with small private equity funds is less common, and the partners typically include leading PE firms such as BlackRock, Blackstone, KKR, SoftBank Vision Fund (SVF), and Apollo Global Management, as well as large global financial institutions. For

SWFs, working with these funds has the added benefit of making it easier to obtain foreign investment approval from the regulators of a project's destination country.

The following discussion will examine the significance and synergies of these collaborations by looking at the specific initiatives of BlackRock, Blackstone, KKR, and SVF.

Figure 9: Examples of SWF investments in major private equity funds

Fund	Fund type, category	Main investment targets and regions	Participating Middle Eastern SWF (specific examples)	SWF investment amount	Fund size	Collaboration characteristics and key points	Year established
BlackRock Middle East Infrastructure Fund	Infrastructure, opportunistic (focus on Middle East infrastructure projects)	Middle East (general infrastructure)	Saudi Arabia's Public Investment Fund (PIF) Hassana Investment Company	Unclear	Unclear	Infrastructure investment specializing in the Middle East region. Local SWFs are familiar with local conditions and provide long-term stable funding.	2023
Blackstone Infrastructure Partners	Infrastructure, core plus (stable management + pursuit of growth)	US (energy, telecommunications, renewable energy)	Saudi Arabia's Public Investment Fund (PIF)	Approx. US$20 bn (Approx. ¥3 tn, at an exchange rate of USD=¥150)	Approx. US$31.53 bn (Approx. ¥4.73 tn)	Providing large-scale funding for infrastructure projects in the US. SWF's large investments help to diversify risk and support growth over the long term.	2017
Blackstone Real Estate Partners Europe III	Real estate, opportunistic (Real estate redevelopment, improvement)	Europe, US, India, New Zealand (Food & beverage, hotels, leisure)	Kuwait Investment Authority	Approx. US$131.18 mn (Approx. ¥19.67 bn)	Approx. US$4.99 bn (Approx. ¥748.5 bn)	Aiming to increase corporate value through large-scale real estate deals. Large investments by the Middle Eastern SWF helps expand the scale of transactions and enable stable, long-term investments.	2008
KKR Real Estate Partners Americas II	Real estate, opportunistic	Centered on the US (Restaurants, hotels, leisure, real estate, energy-related)	Kuwait Investment Authority	Approx. US$150 mn (Approx. ¥22.5 bn)	Approx. US$1.92 bn (Approx. ¥288 bn)	Actively investing in real estate in the US market. Large investment by Saudi PIF helps realize high leverage and risk diversification.	2017
Middle Market Apollo Institutional Private Lending	Direct lending fund (direct loans to private companies = debt investment)	US small and medium enterprises (loans for working capital and to support growth)	Mubadala Investment Company (Abu Dhabi)	Unclear	Approx. US$400 mn (Approx. ¥60 bn)	Direct lending to SMEs generates stable interest income. The Middle East side participates as a provider of low-risk, long-term operating funds	Unclear
SoftBank Vision Fund	Venture capital fund (Investment in innovative technology companies)	Global (US, Europe, Asia) (Ai, robotics, IoT)	Saudi Arabia's Public Investment Fund (PIF) Mubadala Investment Company (Abu Dhabi)	Approx. US$45 bn (Approx. ¥6.75 tn) Approx. US$15 bn (Approx. ¥2.25 tn)	Approx. US$98.6 bn (Approx. ¥14.79 tn)	Large-scale investments in advanced technology. Huge investment by Middle Eastern SWFs expands the size of the fund and promotes investment in innovative companies around the world.	2017
SoftBank Vision Fund II	Venture capital fund	Global (US, Europe, Asia) (healthcare, logistics, fintech, edtech, commercial transportation, IT)	Saudi Arabia's Public Investment Fund (PIF) Mubadala Investment Company (Abu Dhabi)	Unclear	Approx. US$56 bn (Approx. ¥8.4 tn)	Slightly smaller in size than Vision Fund I, but supports market creation by investing in next-generation technology companies. Specific investment amounts by the Middle Eastern SWFs are not stated in the materials.	2019

Source: Compiled by MGSSI based on the data of PitchBook and materials of each company

3-1. BlackRock

BlackRock, founded in 1988, is a leading multinational asset management firm in the US and one of the largest in the world with US$11.5 trillion in assets under management. In 2024, the Saudi government and the country's SWF, PIF, contributed US$5 billion to establish BlackRock Riyadh Investment Management, a multi-class investment company[8]. The objective is to attract capital from abroad, enrich Saudi Arabia's capital markets internationally, and promote the country's economic transformation[9]. In 2024, BlackRock also launched an over-US$30 billion AI investment fund with Microsoft and MGX, which is sponsored by the Abu Dhabi SWF Mubadala, to advance data centers and energy projects to meet the growing demand for AI. Microsoft and MGX will serve

[8] While SWFs may invest in projects on their own or in direct partnerships with technology companies, in general, investments are increasingly taking the form of co-investments. Involvement in limited partnerships (LPs) has also gradually declined, and participation in joint venture funds has increased in recent years.

[9] BlackRock aims to attract additional capital from abroad to Saudi Arabia through various investment funds it manages to further develop the country's capital markets. This is part of BlackRock's strategy to deepen its relationship with the Middle East and win investment commissions as the world's largest asset manager. Last summer, the company appointed Amin Nasser, CEO of Saudi Aramco, Saudi Arabia's state-owned oil company, to its Board of Directors. In recent years, SWFs have been strongly urging investment funds to become more involved in areas of investment that are aligned with their long-term interests in their home economies and to increase the transparency of their investments. As a result, SWFs are increasingly focusing their partnerships on a smaller number of large funds. In addition, Middle Eastern SWFs, given their overwhelming financial strength and influence on global financial markets, are also influencing the long-term strategies of the funds themselves. Specific requests from SWFs include those for more frequent local meetings, opening offices, and assigning permanent staff. And the funds are complying with such requests. For example, Apollo Global Management has relocated 200 employees to Abu Dhabi, and Blackstone is providing seminars through its own team for investors interested in Middle Eastern SWFs.

as the general partners[10] of the fund, while MGX aims to reap the benefits of bringing AI technologies to the Middle East region.

3-2. Blackstone

Since its founding in 1985, Blackstone has grown to become one of the largest private equity funds in the world, with assets under management reaching US$1 trillion. A 2017 visit by then-US President Donald Trump[11] led to a plan to establish a US infrastructure investment fund as a vehicle to strengthen cooperation with Saudi Arabia's PIF and obtain US$20 billion in support. This move was more than just for fund procurement and project expansion, it was a steppingstone for Blackstone to enter into large-scale infrastructure development around the world, and collaboration with Middle Eastern SWFs as a source of long-term funding[12] is an important element in facilitating strategic investment diversification of the firm's portfolio. In addition, Blackstone's collaboration with PIF comes with the potential to expand beyond traditional infrastructure investments, and includes investments in technology innovation areas, such as global AI startups.

3-3. Kohlberg Kravis Roberts & Co. Ltd. (KKR)

KKR is a leading US private equity fund established in 1976 and is well known for its acquisitions and investments around the world, including large leveraged buyouts. The firm has US$519 billion in assets under management, and is active in Asia, Europe, and the Middle East. In the Middle East, KKR has established long-term cooperative relationships through several industrial investment projects and joint ventures. In 2023, the company co-invested US$4.2 billion in collaboration with the Abu Dhabi SWF Mubadala and Intel Capital to acquire Israel's Tower Semiconductor (previously known as TowerJazz). In addition, KKR also serves as a “bridge” to promote growth in investment in Asia and Europe. For example, in the Japanese market, there have been cases of large-scale capital movements, such as its acquisition of a Hitachi subsidiary, and there may be room for more large-scale M&As and joint ventures in the future. KKR's strategy is not simply to pursue short-term capital gains, but to deepen cooperation with Middle Eastern SWFs from a long-term perspective to ensure a stable supply of funds to the overall global market and diversification of risks.

3-4. SoftBank Vision Fund (SVF)

SVF, established in 2017 by SoftBank Group spearheaded by Masayoshi Son, has secured a total of approximately US$93 billion in investment capital, of which a large portion was contributed by Saudi Arabia's PIF. SVF's investment strategy positions AI as the foundation for next-generation industries and focuses on long-term investments in AI infrastructure technologies and applications, such as for automated driving, healthcare, and financial operations. Reflecting its collaboration with PIF, SVF is characterized by investment activities that go beyond the mere pursuit of short-term returns, as it implements initiatives that focus on the creation of new markets and sustainable growth driven by technological innovation. This partnership is of great

[10] A general partner (GP) is a partner who is responsible for the management of the fund and receives management and success fees from the partnership as compensation for managing the fund. Generally, a GP contributes at least 1% of the fund's total committed capital.

[11] Blackstone CEO Stephen Schwarzman and President Trump have a longstanding business relationship and have deepened their ties as leaders in the business world. During the first Trump administration, Schwarzman chaired the President’s Strategic and Policy Forum, which played an advisory role regarding economic policy. He has also influenced the US administration on infrastructure investment and relations with the Middle East and China. However, following the Charlottesville rally and the January 6th attack on the Capitol, Schwarzman has maintained a certain distance from Trump. Nevertheless, it is believed that he still maintains a Republican-leaning position, and how he will influence the second Trump administration will draw attention. Schwarzman has also shown interest in Japan. On October 3, 2024, he said that he is “only going to get busier” ahead of a Japanese asset management event and he was also scheduled to meet with Prime Minister Shigeru Ishiba on March 10, 2025.

[12] While there are no explicit conditions regarding the percentage of funds contributed by private equity partners, the average investment period for SWFs has continued to lengthen, growing from 7.8 years in 2018 to 11.3 years in 2023. This is part of a long-term investment strategy to manage risks such as those posed by resource price fluctuations and economic volatility. Therefore, it is essential that collaboration with SWFs be based on long-term investments, and that the partner companies be major companies of a certain size.

significance to SoftBank for the furtherance of expanding its global innovation network and promoting the practical application of advanced technologies. Moreover, SoftBank Group has been tapped as a key partner in Stargate, a large-scale AI infrastructure investment project announced by US President Trump on January 21, 2025. Stargate's investors include not only SoftBank Group, OpenAI, and Oracle, but also the AI investment fund MGX, which is partly funded by the Abu Dhabi government's SWF Mubadala, and it is said that MGX will invest approximately US$7 billion in the project. With anticipation of rapid advancements in the AI field, the collaborations between SVF and Middle Eastern SWFs is predicted to have great potential for creating wide-reaching industry synergies and prospects for expanding into other advanced technology areas.

4. FUTURE PROSPECTS: MULTILAYERED CAPITAL ALLIANCES AND CREATION OF INDUSTRY SYNERGIES

As the strengthening of each fund's ties to Middle Eastern SWFs, described in Section 3, is not limited to collaboration on a single project, the trend has the potential to induce a structural transformation of the entire global economy. Private equity funds and SWFs are providing funds directly to companies, and this is changing the role played by some banks into that of "intermediaries for moving money"[13]. For instance, in September 2024, Citigroup and Apollo Global Management, a private equity fund management company, formed an alliance in the area of corporate finance[14], and other similar multilayered capital alliances are underway. Especially in today's world of huge funds and cutting-edge technologies, the cross-industry trend among industries that had previously existed as separate fields is expected to create synergies for new value creation. The following is a discussion of the outlook from multiple perspectives.

4-1. Cross-industry trend

Traditionally, sectors such as infrastructure, AI, and mining have typically operated independently by industry. However, the collaborations between giant funds, Middle Eastern SWFs, and funds active in advanced technology investment could turn the tide toward a blending of these areas in the future. In the infrastructure sector, AI technology is expected to be increasingly applied to improve the efficiency of urban planning and energy supply. In the mining field, the adoption of AI and robotics throughout the process, from mining to refining and even recycling, is expected to boost productivity and reduce environmental impacts. These technology innovations have the potential to transform traditional industry structures and stimulate cross-industry collaborations[15] as a result of new value-creation platforms formed from the massive funding networks.

4-2. Implications for Japanese companies

This trend of strengthening collaborations is expected to accelerate capital movement in the global market and, at the same time, have significant implications for Japanese companies. Traditionally, Japanese financial institutions have been low risk oriented and cautious about investing in new businesses and technological innovations that involve risk. For these areas where Japanese financial institutions are cautious, inflows from foreign investment funds and Middle Eastern SWFs could provide strong impetus to promote R&D, global expansion, and technological innovation. Specifically, there is the possibility of large investments from foreign sources in AI-driven robotics companies, renewable energy development companies, and even the animation

[13] Goldman Sachs has newly established its Capital Solutions Group. In this group, teams responsible for private equity and fixed income underwriting will work with asset management teams managing huge assets to connect clients with investable assets and those needing financing.

[14] Apollo plans to provide US$25 billion in financing to Citigroup clients over the next five years. Mubadala, the UAE's sovereign wealth fund in Abu Dhabi, and Athen, an insurance company affiliated with Apollo, will also participate.

[15] Temasek, Singapore's SWF, is working with investment banks and private equity funds in Asia (e.g., Grab and Sea Limited) to promote investments in companies that are driving the digital economy in Southeast Asia. The coming together of companies in previously unassociated industries, such as finance, telecommunications, logistics, and payments, to work collaboratively is leading to synergies in new value creation.

and entertainment industries, as well as many other fields[16]. This will give Japanese companies the opportunity to strengthen their international competitiveness beyond the domestic market and establish their own distinctive presence in the global economy[17].

4-3. In conclusion

US President Trump, now leading his second administration, has stated that the US will establish its own SWF[18], and there are moves to position the SWF as part of national policy in consideration of national security and geopolitical risks. Such a move could have implications for the collaborations involving other SWFs and private equity funds. It will be interesting to see how the collaborations involving those funds, including the planned US SWF, the SWFs of Saudi Arabia, and other Middle Eastern countries, and SoftBank Group, will evolve and how they will respond to policy changes in their respective countries. If a new model of global capital tie-ups is established, cooperation beyond conventional borders and industry boundaries is highly likely, and that should contribute to revitalization of the global economy. For this reason, the activities of each fund and trends in policy changes deserve close monitoring.

[16] SBI Holdings and Albilad Capital, the largest exchange-traded fund (EFT) manager in Saudi Arabia, reached an agreement in 2024 to mutually offer investment trusts in each other's country. SBI Holdings plans to launch a Japanese equity investment trust for Saudi Arabian investors in 2025, which will be the first Japanese equity investment trust that Saudi Arabian investors can purchase in Saudi Arabia.

[17] Japan's close relationship with the US has been pointed out as one of the advantages of Japanese companies. The US is pressuring Middle Eastern countries to curb investment and cooperation with Chinese companies, especially on technologies, with the view of leveraging the Japan-US partnership to capture the Middle East market. Middle Eastern countries have significant needs in the area of food security, in addition to areas such as AI, next-generation mobility, clean energy, semiconductors, and data centers. It has been pointed out that addressing these needs represents good prospects for business opportunities for Japan. At the same time, it should be noted that, at this point, Japan lags China and South Korea in terms of partnerships with Middle Eastern SWFs, and as such, more collaborations are expected going forward.

[18] An SWF proposed by Trump and provisionally named MAGA after his slogan, "Make America Great Again." It is planned to manage the federal government's assets (buildings, land, money, etc.) and increase capital to pay national debt or to spend on important projects. It may bring some benefits, such as reduced national debt, economic growth, and investment returns to citizens. However, it is expected to involve some high risks, including influence from politics and lack of management transparency. For individual investors, such an SWF can be a new investment opportunity, but they would be advised to be fully aware of the risks.