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Asset allocation insights 2020

Middle East and Africa

Pension allocation insights from government, corporate and mandatory pension plans in the Middle East and Africa*

Mercer's Asset Allocation Insights 2020 report analyzes US$5.2 trillion in retirement plan assets across Latin America, the Middle East, Africa and Asia to help investors benchmark their portfolios in search of better outcomes.

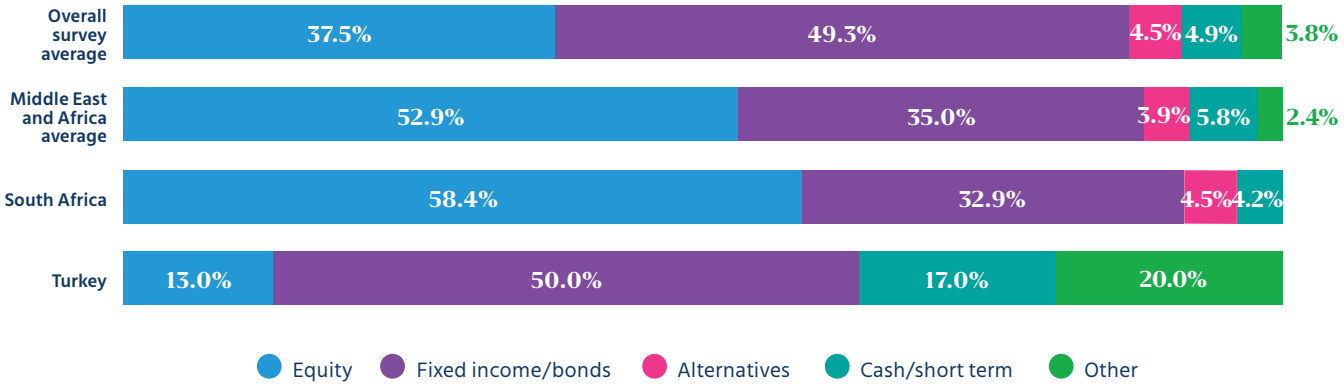
The Middle East and Africa region includes a number of large, sophisticated investors. Although investor data is not publicly available, we estimate that the Gulf Cooperation Council (GCC) region is home to more than US$5 trillion in institutional assets under management (AUM).

Middle Eastern investors have been moving into alternative asset classes. Many are particularly interested in private markets and some in hedge funds. South Africa and Turkey are both increasing their investments in foreign markets, with South Africa's move supported by recent regulation to open markets.

Environmental, social and governance (ESG) factors are becoming a discussion topic for pension fund investors in the GCC, driven by the regional sovereign wealth funds (SWFs) that make up the One Planet initiative.

https://www.mercer.com/our-thinking/asset-allocation-insights-2020.html

Middle East and Africa: Current asset allocation by country (%)



* This document summarizes our findings at the region and country level. Check out the full report to learn more about aggregated trends in Latin America, the Middle East, Africa and Asia.

GCC countries

- GCC investors are more exposed to growth assets than the survey as a whole, with sizeable allocations to foreign exposure and alternatives.
- The UAE launched the first government-sponsored Defined contribution (DC) savings scheme for expatriates in the market, the Dubai International Financial Center Employee Workplace Savings (DEWS) plan.
- Many large investors have extensive internal teams to manage their assets. Even so, they must balance a number of priorities and are taking steps to ensure they can manage their assets efficiently and provide the right level of oversight to any third-party managers.

South Africa

- South Africa has invested more than 58% in equities and 33% in fixed income, a more aggressive position than the survey averages of 37% and 49%, respectively.
- Exposure to foreign markets has increased within both equities and fixed income. This is due in part to relaxation in regulations allowing up to 30% foreign investments (up from 25%) plus a 10% exposure for Africa.
- The regulator has increasingly focused on corporate governance due to recent lapses, and some trustees are beginning to voice concern over their fiduciary duty with respect to climate change.

Turkey

- Concerns about economic and market volatility have led to an allocation of more than 67% to fixed income and cash combined.
- Turkey's investment management fees are on the high end, with the average above 1.2%. Pension reforms under discussion may address this issue.
- The Turkish Treasury determines the state contribution investment strategy. It comprises at least 70% government bonds and leasing certificates, 10% Turkish stocks, and 20% in deposits and private sector bonds.

Contact us

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