



## Diversity = Equity Inclusion

[westwoodgroup.com/design-matters/diversity-equity-inclusion/](https://westwoodgroup.com/design-matters/diversity-equity-inclusion/)

DEI is an acronym that investors are very familiar with, and the topic has been brought back into focus this year. Using the words that make up DEI, this blog post highlights how the diversification of an investor base is resulting in the inclusion of equities within some major indexes.

Earlier this year, the Saudi Arabian Capital Market Authority (CMA) relaxed its longstanding restriction against foreign investments in real estate located in the holy cities of Makkah and Madinah. Foreign investors can now own up to 49% of shares or convertible debt instruments in companies that invest in real estate within the boundaries of these two special cities.

Makkah and Madinah are critical economic and religious centers, attracting millions of Muslim pilgrims and other visitors annually. This sustained influx fuels strong demand for hospitality, commercial real estate and infrastructure projects. However, foreign ownership of real estate in these cities has historically been highly restricted due to their religious and strategic significance. The Law of Real Estate Ownership and Investment by non-Saudis has long forbidden foreign individuals, companies, and even Saudi businesses with foreign ownership from owning and benefiting from properties in Makkah and Madinah. This framework, aimed at maintaining control over these sensitive areas, has served as a barrier to international capital inflows. Recognizing the need for foreign investment to drive economic expansion, a 2021 Royal Decree introduced flexibility to the previously restrictive framework by, among other things, exempting listed companies from such restrictions pursuant to regulations to be implemented by the CMA. However, the absence of a clear implementation mechanism delayed any material impact, until this year. The CMA's recent announcement formally activates this exemption, setting the stage for the diversification of the investor base in public companies with real estate holdings in the two holy cities.

This move creates the potential for several Saudi Arabian listed REITs' inclusion into country and industry level, regional and global indices. The two prominent indexes are MSCI EM and FTSE GEIS, and both have significant rebalancing events coming up: MSCI in May and FTSE in September.

The index selection is an active decision, and investors should understand the methodologies that they are investing in.

As with many things in life and especially in index investing, design matters.

The information contained herein represents the views of Westwood Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.