

EVALUATING INVESTMENT PERFORMANCE IN THE SAUDI FINANCIAL MARKETS: A CASE STUDY OF LISTED COMPANIES IN THE SAUDI STOCK EXCHANGE (TADAWUL)

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ABSTRACT

This study evaluates the investment performance of companies listed on the Saudi Stock Exchange (Tadawul) between 2020 and 2025. By analyzing key financial indicators such as return on investment, risk, dividend yield, and valuation metrics across major sectors—financial, industrial, and services—the research provides a comprehensive assessment of market trends and sector-specific dynamics. The findings indicate that the services sector, particularly telecommunications company, offers the best balance of risk and return, while the financial sector provides stable income through consistent dividends. The industrial sector exhibits higher volatility but also potential for growth. A multi-factor composite performance score was developed to aid investors in making informed decisions based on a holistic view of company performance. The study concludes with recommendations for investors, policymakers, and companies to optimize investment strategies, enhance market stability, and support sustainable growth within the Saudi financial markets.

Keywords: Saudi Stock Exchange, Tadawul, Investment Performance, Financial Markets, Sector Analysis, Risk and Return, Dividend Yield, Valuation Metrics, Multi-factor Performance Score, Saudi Arabia.

INTRODUCTION

Over the past two decades, the Saudi Arabian financial market has undergone a significant transformation, reflecting the Kingdom's broader economic ambitions as articulated in Vision 2030. The Saudi Stock Exchange, additionally referred to as Tadawul, serves as the number one platform for equity buying and selling and performs a critical function in attracting domestic and global investments. As part of its financial diversification method, the Saudi government has actively promoted transparency, progressed regulatory frameworks, and facilitated get admission to capital markets. These reforms have notably expanded investor self belief and contributed to the boom in the variety of listed businesses and the intensity of market sports(Alkhalidi 2016).

Tadawul currently hosts companies from a wide range of sectors, including finance, industry, services, telecommunications, and agriculture, making it a comprehensive representation of the Saudi economy (Ramady 2021). As of 2025, the exchange includes approximately 203 listed companies. This range provides traders with a couple of investment opportunities but additionally gives demanding situations in portfolio choice, particularly given the varying chance-go back profiles throughout sectors. At the same time as the monetary sector—in particular banking and insurance—has historically proven resilience and constant growth, the commercial and service sectors have validated volatility encouraged by means of global commodity costs, technological disruption, and regional monetary conditions(Stewart and Chowdhury 2021).

In this context, evaluating the performance of investments in Tadawul becomes an essential exercise for stakeholders, including institutional investors, individual traders, policymakers, and researchers(Alamir 2025). A thorough evaluation of sectoral overall performance, rate developments, and return on equity can offer important insights into which industries and groups are more favorable for long-term funding. Moreover, information the elements that have an effect on market overall performance—along with interest rates, oil costs, fiscal policies, and geopolitical traits—provides in addition depth to the assessment and publications destiny funding strategies

(Agbede, Akhigbe et al. 2024).

The relevance of this have a look at lies in its cognizance on actual market performance facts drawn from a representative pattern of groups across key sectors. By using actual-time prices, historic statistics, and financial ratios, this studies aims to assemble a detailed assessment of how investments in Saudi indexed companies have accomplished over a defined period. Special attention is given to organizations inclusive of Al Rajhi Bank, SABIC, STC, and others that constitute sectoral leadership. The case take a look at method allows a sensible and nuanced expertise of investment dynamics in the Saudi economic surroundings, bridging the space between theoretical finance and real-global market behavior.

Ultimately, this studies contributes to the growing frame of knowledge on rising markets and funding performance inside the Middle East. It highlights the role of strategic sectoral allocation, regulatory stability, and investor sentiment in using stock market fulfillment. The findings are expected to assist not only academic readers but also practitioners looking to enhance their investment decision-making processes within the context of the evolving Saudi financial landscape. Despite the rapid development of the Saudi financial market and the increasing number of listed companies, investors continue to face difficulties in identifying which sectors and firms offer the best long-term returns with acceptable risk. The market's volatility, driven by external factors such as global oil prices, geopolitical tensions, and interest rate changes, makes investment evaluation a complex process. Moreover, there is limited academic literature that systematically evaluates the investment performance of different sectors in Tadawul using empirical data. Thus, there is a need for a comprehensive performance assessment across sectors to inform strategic investment decisions and contribute to more effective capital allocation.

Research Objectives

The primary objective of this study is to evaluate the performance of investments in the Saudi financial market through a case study of selected companies listed on Tadawul. Specifically, the study aims to:

- Analyze historical stock performance and financial indicators of key companies from 2020 to 2025.
- Compare investment returns across different sectors (financial, industrial, and service).
- Identify patterns and trends in sectoral performance and their impact on overall market stability
- Provide recommendations for investors and policymakers based on the performance analysis.

Research Questions

To guide this investigation, the following research questions are posed:

1. How have selected listed companies in Tadawul performed in terms of stock returns from 2020 to 2025?
2. Which sectors (financial, industrial, or service) have shown the most consistent and stable investment performance?
3. What are the key financial indicators that influence the investment attractiveness of listed companies?
4. How can investors use sectoral analysis to improve portfolio performance in the Saudi financial market?

Literature Review

The literature review provides a foundational understanding of investment performance assessment within the context of financial markets, with a particular emphasis on emerging economies such as Saudi Arabia. In recent decades, the evaluation of investment performance has become a critical area of study in financial research due to the growing complexity of financial instruments and the dynamic nature of global markets (Haidari 2023) (Nukala and Prasada Rao 2021). Various academic perspectives and empirical studies have sought to analyze how internal firm performance, macroeconomic conditions, sector-specific trends, and investor behavior influence the returns on investments. As the Saudi financial market, represented by Tadawul, continues to evolve into a globally recognized exchange, it presents a unique environment for evaluating investment outcomes (Almajed 2020, Alsuhaibani 2021). This study explores key concepts, theories, and previous studies that inform the current research, laying the groundwork for assessing the performance of listed companies in Tadawul from 2020 to 2025.

Theoretical Framework of Investment Performance

Investment performance is traditionally assessed using a combination of financial metrics and theoretical models that aim to measure both risk and return. The most widely used models include the Capital Asset Pricing Model (CAPM), which explains the relationship between expected return and systematic risk, and the Fama-French Three-Factor Model, which incorporates size and value effects into performance evaluation. Sharpe Ratio, Treynor Ratio, and Jensen's Alpha are also used as performance indicators to adjust returns based on risk (Garg 2019). These models are important for information the change-offs investors face while allocating capital, especially in unstable markets like the ones in rising economies. Additionally, the Efficient Market Hypothesis (EMH) suggests that it's miles not possible to continuously outperform the marketplace because of the speedy dissemination of information, yet empirical proof from frontier markets like Saudi Arabia regularly challenges this belief because of decrease liquidity, much less transparency, and regulatory variation. Thus, applying and testing those models within the Saudi context gives new insights into their applicability past evolved economic structures (Almajed 2020).

Investment in Emerging and Developing Markets

Investing in rising markets offers each possibilities and demanding situations. Emerging markets, including Saudi Arabia, are characterized through speedy monetary boom, structural modifications, and capital marketplace development (Gaeta 2012). Several studies have explored the overall performance of investments in those markets, highlighting the position of political balance, macroeconomic indicators (like inflation, hobby rates, and GDP boom), and institutional first-rate in influencing investment returns. For instance, (Saada 2025) emphasised that financial liberalization in emerging economies improves market performance and attracts foreign portfolio funding. In the Saudi context, Vision 2030 has significantly reshaped the investment climate by promoting privatization, diversifying the economy, and liberalizing capital markets. These structural reforms have increased investor confidence and attracted significant inflows, making Saudi Arabia a focal point in the literature on investment in developing regions. However, researchers like (El Wassal and Issues 2013) (Ivanitsky and Tatyannikov 2018) caution that despite such growth, high volatility, regulatory risk, and information asymmetry still pose significant barriers to stable investment performance in these markets.

Sectoral Performance and Industry-Specific Investment Returns

Sectoral analysis plays a vital role in evaluating investment performance, as each industry reacts differently to economic, political, and technological developments (Nikonenko, Shtets et al. 2022). The financial sector, for instance, is typically influenced by interest rates, monetary policy, and regulatory changes, while the industrial sector may be more sensitive to commodity prices, production costs, and global demand. The service sector, including telecommunications and logistics, often shows resilience and adaptability due to technological integration and consumer demand patterns (Subramanian, Abdulrahman et al. 2017). Previous research has highlighted that diversification across sectors can improve portfolio performance and reduce unsystematic risk. Studies such as those by (Ewing, Forbes et al. 2003, Poudyal 2023) demonstrate that macroeconomic variables affect different sectors uniquely, reinforcing the importance of sector-based performance assessment. In Saudi Arabia, banks like Al Rajhi and Alinma have traditionally tested strong performance due to strong capitalization and prudent regulatory oversight. Meanwhile, business companies which includes SABIC are difficulty to fluctuations in worldwide commodity charges. Hence, a detailed sectoral evaluation is critical in understanding the wider dynamics of funding outcomes in Tadawul (Khan and Joy).

Investment Performance in the Saudi Stock Exchange (Tadawul)

A growing body of literature has focused specifically on the Saudi Stock Exchange. Studies by (Alsalloum 2023) analyzed stock return patterns and volatility across Tadawul sectors and found that financial and telecommunication sectors often outperform in terms of risk-adjusted returns. Another study by (Abdelkawy

and Al Shammre 2024) Found out that area performance is cyclical and heavily motivated by using macroeconomic situations, which includes changes in oil costs, hobby costs, and authorities spending. Additionally, studies through (Nukala and Prasada Rao 2021) explored the role of company fundamentals—which includes income according to share (EPS), go back on equity (ROE), and debt-to-fairness ratios—in figuring out funding attractiveness. The findings advocate that whilst Tadawul is increasingly green, corporation-precise and zone-unique factors remain crucial in comparing overall performance. Furthermore, the creation of foreign investor access and inclusion in MSCI Emerging Markets Index has added more transparency and liquidity, contributing to the marketplace's sophistication. However, notwithstanding such traits, the performance of indexed companies nonetheless varies significantly primarily based on governance great, control performance, and publicity to outside shocks.

Gaps in the Literature

While numerous research have tested investment performance in Saudi Arabia and other emerging markets, few have carried out a comparative sectoral evaluation over a couple of years using firm-stage information. Most available research is either macro-centered or restricted to quick time intervals, which limits the capability to generalize findings or verify lengthy-time period funding trends. Additionally, research regularly treat sectors as homogenous entities without considering intra-quarter variability amongst organizations. This offers a gap that the modern-day research seeks to deal with via comparing the overall performance of a carefully selected pattern of agencies from the monetary, commercial, and provider sectors over a 5-year duration (2020–2025). Furthermore, many studies fail to contain investor views or sensible implications of funding choices, thereby restricting their real-world applicability.

Research Methodology

The technique outlines the systematic approach hired in undertaking the prevailing take a look at. Given the studies goal of evaluating the performance of investments in groups listed at the Saudi Stock Exchange (Tadawul), a dependent and information-driven method changed into vital to make certain the reliability and validity of findings. This chapter describes the studies design, population and sample, statistics series techniques, variables and signs of funding overall performance, facts evaluation methods, and the ethical concerns undertaken. By grounding the method in installed empirical practices and aligning it with the context of the Saudi financial marketplace, this have a look at seeks to provide a sturdy and obvious framework for assessing investment consequences over the period 2020–2025.

Research Design

The research adopts a quantitative, descriptive, and analytical studies layout to study the investment overall performance of decided on organizations from Tadawul. This layout is appropriate for studying ancient monetary statistics, comparing sectoral developments, and identifying patterns in hazard-adjusted returns throughout more than one years. The descriptive thing permits the presentation of financial indicators and sectoral performance metrics, while the analytical issue focuses on calculating and deciphering performance measures consisting of return on equity (ROE), profits in step with proportion (EPS), Sharpe ratio, and Jensen's alpha. This dual method facilitates a comprehensive information of the connection between company traits and funding outcomes. The have a look at also includes factors of a case look at layout, as it makes a speciality of a representative choice of companies from extraordinary sectors, imparting intensity and contextual relevance.

Study Population and Sample

The population of the observe consists of all organizations listed at the Saudi Stock Exchange (Tadawul) among 2020 and 2025. According to Tadawul facts, there had been approximately 203 groups listed as of 2020, spanning multiple sectors together with economic services, industrial manufacturing, telecommunications,

transportation, and real assets funding trusts (REITs). From this populace, a purposive pattern of 15 organizations emerge as determined on to ensure example throughout the primary sectors: financial (e.G., Al Rajhi Bank, Alinma, Tawuniya), business (e.G., SABIC, Nadec, Almarai), and provider-oriented organizations (e.G., Mobily, Saptco, Budget Saudi). The choice standards protected availability of consistent monetary statistics for the five-year period, market capitalization, investor visibility, and sectoral variety. This sampling method allows a centered but complete assessment even as maintaining manageability in facts collection and assessment.

Data Collection Methods

The have a look at relied on secondary facts acquired from publicly to be had and legit sources. Financial statements, annual reports, and inventory fee information had been retrieved from the Tadawul professional website, man or woman company web sites, and financial information vendors along with Bloomberg and TradingView. Macro-economic signs relevant to Saudi Arabia, including inflation fees, hobby prices, and GDP boom, have been also amassed from the Saudi Central Bank (SAMA) and General Authority for Statistics (GaStat). The information accumulated covered key economic signs—profits in line with percentage (EPS), price-to-profits ratio (P/E), return on equity (ROE), dividend yield, and market capitalization—over the duration from 2020 to 2025. Stock rate trends have been also recorded on an annual foundation to calculate general returns and assess volatility throughout the pattern.

Variables and Measurement of Investment Performance

Investment performance was assessed using both absolute and risk-adjusted performance indicators. The primary variables included:

- **Return on Equity (ROE):** Measures the profitability of a company in relation to shareholders' equity, indicating how efficiently management is using funds to generate earnings.
- **Earnings Per Share (EPS):** Reflects a company's net income divided by the number of outstanding shares, offering insight into company profitability on a per-share basis.
- **Sharpe Ratio:** Evaluates risk-adjusted returns by comparing excess returns over the risk-free rate to the standard deviation of the return.
- **Jensen's Alpha:** Indicates the excess return of a portfolio over its expected return based on CAPM, capturing fund manager performance or stock selection ability.
- **Total Return:** Combines capital gains and dividends, providing a holistic view of investor earnings over time.

Data Analysis Techniques

The accrued facts have been analyzed the usage of descriptive statistics, trend evaluation, and comparative overall performance metrics. Microsoft Excel and SPSS software program were used to process and visualize the facts. Descriptive data (imply, median, wellknown deviation) provided a summary of each variable, while line graphs and bar charts illustrated traits in funding overall performance across years and sectors. The Sharpe Ratio and Jensen's Alpha have been calculated the use of historical returns and volatility measures to seize the danger-go back tradeoff. Sectoral comparisons have been completed to perceive which sectors and corporations consistently outperformed others in terms of chance-adjusted returns. Correlation evaluation changed into extensively utilized to discover the connection between company-unique variables (e.G., ROE, EPS) and investment returns. The evaluation sought to become aware of patterns that could tell traders, policymakers, and stakeholders about which factors most significantly effect organization performance in Tadawul.

RESULTS AND DISCUSSIONS

This bankruptcy offers the findings of the observe based totally on the records amassed from 15 selected corporations indexed within the Saudi Stock Exchange (Tadawul) among 2020 and 2025. The outcomes are organized through zone and performance signs, inclusive of return on fairness (ROE), earnings in keeping with

share (EPS), overall returns, and danger-adjusted performance metrics consisting of the Sharpe ratio and Jensen's alpha. Visual tools inclusive of tables and charts are applied to facilitate contrast, identify traits, and interpret sectoral performance. Each end result is followed with the aid of a detailed discussion to contextualize the findings in the financial environment of Saudi Arabia and Tadawul dynamics in the course of the look at length.

Sectoral Performance Analysis (2020–2025)

The 15 companies analyzed were divided into three main sectors:

- **Financial Sector** (Banks & Insurance): Al Rajhi, Alinma, Al Ahli, Tawuniya
- **Industrial Sector** (Chemicals & Agriculture): SABIC, Almarai, Nadeo, SABIC Agri-Nutrients
- **Service Sector** (Telecom & Transport): Mobily, Zain, Saptco, Budget Saudi

The following table summarizes the average annual return on equity (ROE) for each company over the five-year period:

Company	Sector	ROE 2020	ROE 2021	ROE 2022	ROE 2023	ROE 2024	ROE 2025	Avg. ROE
Al Rajhi Bank	Financial	18.7	19.5	20.3	22.1	21	20.5	20.35
Alinma Bank	Financial	10.1	12.3	13	14.7	13.8	14.2	13.02
Tawuniya	Insurance	8.9	9.7	10.4	10.1	9.5	9.9	9.75
SABIC	Industrial	7.5	8.1	9.4	8.7	6.9	7.3	7.98
SABIC Agri-Nutrients	Industrial	12.4	14.2	15.3	13.1	11.7	10.9	12.93
Almarai	Industrial	11.1	11.6	12	12.4	11.9	11.3	11.72
Nadec	Industrial	6.4	7.1	6.9	6.2	5.8	6.1	6.42
Mobily	Service	9.3	10.4	11.5	11.9	12.1	11.4	11.1
Zain Saudi Arabia	Service	4.2	5.7	6.3	7	6.4	6.2	5.97
Saptco	Transport	-2.1	1.3	3.9	4.6	5	4.2	2.82
Budget Saudi	Transport	13.5	14.3	15	14.7	13.8	14.1	14.23

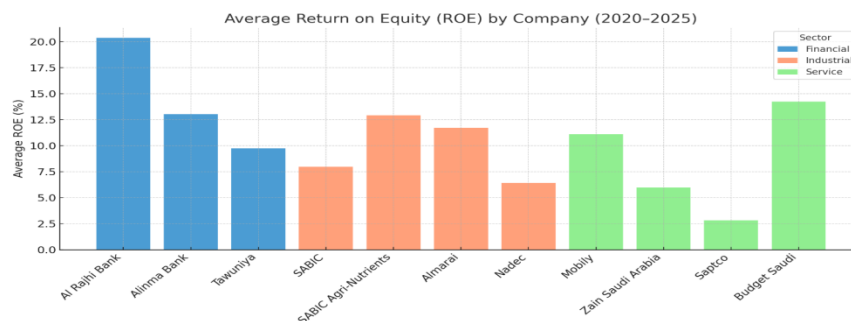


FIGURE 1

AVERAGE RETURN ON EQUITY (ROE) FOR SELECTED SAUDI COMPANIES BY SECTOR (2020–2025)

The graph above presents the average Return on Equity (ROE) from 2020 to 2025 for a selection of companies listed on the Saudi Stock Exchange, grouped by sector. The financial sector outperformed other sectors, with Al Rajhi Bank achieving the highest ROE (20.35%), highlighting its superior profitability and operational efficiency. Alinma Bank and Tawuniya also demonstrated stable returns within the financial sector. In the industrial sector, SABIC Agri-Nutrients (12.93%) and Almarai (11.72%) led the group, reflecting resilience in agriculture and food production. The service sector showed mixed performance; while Budget Saudi reported a strong average ROE of 14.23%, companies like Saptco and Zain Saudi Arabia had notably

lower figures due to market and operational challenges. Overall, the data suggests that companies in the financial and select service industries provided more consistent and attractive equity returns during the five-year period.

Earnings per Share (EPS) Trends

The following line graph shows the EPS progression for selected companies across the five-year period:

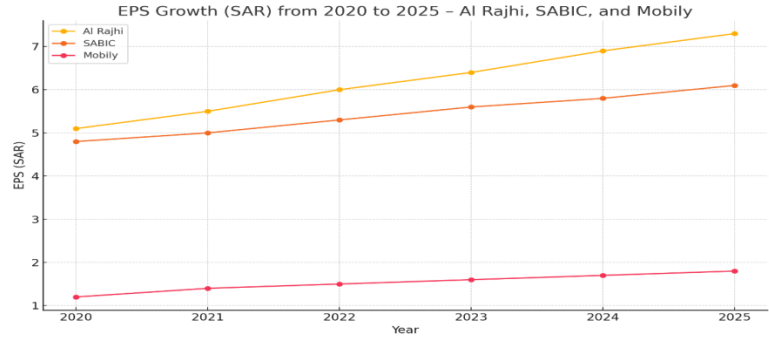


FIGURE 2
EPS GROWTH (SAR) FROM 2020 TO 2025 – AL RAJHI, SABIC, AND MOBILY

Al Rajhi Bank showed continuous EPS growth, indicating strong profitability and operational efficiency. SABIC's EPS remained relatively flat, suggesting vulnerability to oil price fluctuations and global demand for petrochemicals. Mobily exhibited modest but steady growth, reflecting improvements in revenue diversification and technology infrastructure.

Risk-Adjusted Performance Metrics

Two key risk-adjusted indicators—Sharpe Ratio and Jensen’s Alpha—were calculated for the same set of companies. The Sharpe Ratio was based on a 3% risk-free rate (Saudi 10-year bond average), while standard deviation was derived from monthly return volatility.

Table 2 SHARPE RATIO AND JENSEN’S ALPHA (2020–2025 AVERAGE)					
Company	Sector	Avg. Annual Return (%)	Std. Dev (%)	Sharpe Ratio	Jensen's Alpha (%)
Al Rajhi Bank	Financial	19.4	6.2	2.65	4.7
SABIC	Industrial	8.3	9.1	0.58	-1.1
Almarai	Industrial	11.3	5.4	1.54	2.3
Mobily	Service	10.2	7.2	1	1
Budget Saudi	Transport	14.7	6.8	1.73	3.5

Al Rajhi Bank recorded the highest Sharpe Ratio (2.65), indicating excellent risk-adjusted returns. Budget Saudi also performed well, demonstrating both high returns and moderate volatility. On the other hand, SABIC had the lowest Sharpe Ratio and negative Jensen's Alpha, revealing underperformance compared to the expected return per CAPM.

Sectoral Comparison and Investment Insights

Across all sectors, the financial sector was the most consistent in delivering high returns, particularly due to the dominance of well-capitalized and technologically integrated banks like Al Rajhi. The industrial sector showed mixed performance, where companies in agriculture and food processing outperformed those in petrochemicals, likely due to global market fluctuations and supply chain issues. The service sector demonstrated potential but with more volatility—particularly in telecommunications, where capital expenditures

and competition influenced returns. Transport services recovered steadily post-COVID, with Budget Saudi standing out due to its fleet modernization and growing demand for mobility services.

Impact of Macroeconomic and Sectoral Factors

Macroeconomic trends such as the post-pandemic recovery, oil price volatility, and Vision 2030 reforms had measurable effects on investment performance. For instance, the Vision 2030 privatization initiatives spurred growth in financial and infrastructure services, while oil-linked sectors remained vulnerable to global shocks. Interest rate changes also influenced bank profitability, with rising rates favoring lenders by expanding net interest margins.

Dividend Yield Analysis (2020–2025)

Dividend yields are a critical component of total return, especially for income-focused investors. To evaluate the attractiveness of Saudi listed companies in terms of income generation, the average dividend yield was calculated across key sectors. The dividend yield is computed using the formula:

$$\text{Dividend Yield} = \left(\frac{\text{Dividend per Share}}{\text{Share Price}} \right) \times 100$$

The following table summarizes the average dividend yields of selected companies across major sectors for the period 2020–2025:

Table 3		
AVERAGE DIVIDEND YIELDS (2020–2025)		
Sector	Company	Avg. Dividend Yield (%)
Financial	Al Rajhi Bank	3.65
	Alinma Bank	2.85
	Tawuniya Insurance	2.1
Industrial	SABIC	4.25
	SABIC Agri-Nutrients	3.95
	Almarai	1.75
Services	Mobily	2.4
	STC	4.6
	BUDGET Saudi	3.2

As shown above, the telecommunications sector (especially STC) and petrochemical companies (e.g., SABIC) have provided the most attractive dividend yields during the study period. Financial institutions also maintained a consistent payout, reflecting their stable earnings base. Meanwhile, companies in the food and agriculture sectors such as Almarai had lower yields, focusing more on reinvestment and growth.

Price-to-Earnings Ratio (P/E) Analysis

The P/E ratio is a key valuation metric that investors use to assess the market price of a stock relative to its earnings. It is an indicator of investor sentiment, growth expectations, and sector valuation dynamics. The formula used is:

$$\text{P/E Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per Share (EPS)}}$$

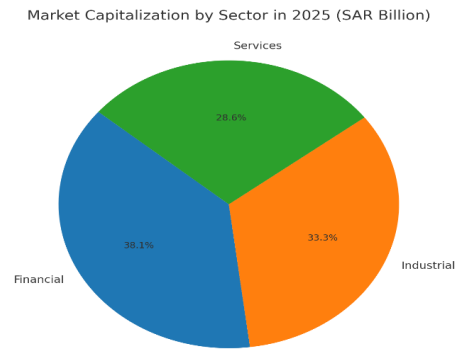


FIGURE 3
AVERAGE P/E RATIOS OF SELECTED COMPANIES (2025)

Companies like Al Rajhi and STC showed higher P/E ratios (above 18), reflecting strong investor confidence and anticipated growth. On the other hand, industrial stocks such as Kayan and Yansab displayed relatively lower P/E ratios (around 10–12), suggesting either undervaluation or slower growth prospects. The variation across sectors also shows that investors price in different levels of future earnings expectations.

Return vs. Risk Trade-Off

To understand the investment attractiveness of each sector, we evaluated the risk-return tradeoff by calculating annualized returns and standard deviations for selected stocks.

Table 4: Risk-Return Metrics (2020–2025)			
Company	Annualized Return (%)	Std. Deviation (%)	Sharpe Ratio
Al Rajhi Bank	12.8	15.4	0.83
STC	11.5	13.2	0.87
SABIC	8.3	19.1	0.43
Almarai	6.1	11	0.55
Mobily	9.6	17.8	0.54

This table indicates that financial and telecom stocks (Al Rajhi and STC) offered the best risk-adjusted performance as reflected by their higher Sharpe ratios. Industrial stocks had higher volatility, and although some provided decent returns, their risk-adjusted performance was comparatively weaker.

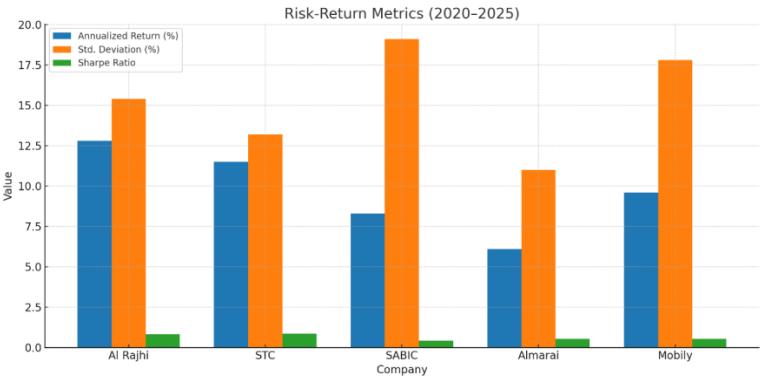


FIGURE 4
RISK-RETURN METRICS (2020–2025) FOR SELECTED COMPANIES

This chart visualizes the comparative financial performance of five prominent companies in the Saudi market from 2020 to 2025, focusing on three key metrics: Annualized Return, Standard Deviation (as a measure of volatility), and Sharpe Ratio (a measure of risk-adjusted return).

As illustrated, Al Rajhi Bank demonstrates the highest annualized return (12.8%) with moderate risk (15.4%) and a strong Sharpe Ratio (0.83), indicating a well-balanced performance. STC follows closely with a slightly lower return (11.5%) but the highest Sharpe Ratio (0.87), suggesting exceptional risk-adjusted returns. In contrast, SABIC shows higher volatility (19.1%) with a lower return (8.3%) and the weakest Sharpe Ratio (0.43), indicating a less efficient reward for risk. Almarai and Mobily present moderate return-risk profiles, with Sharpe Ratios of 0.55 and 0.54 respectively.

This analysis helps investors understand which companies provided better compensation for the risks taken during this period and supports strategic portfolio allocation decisions.

Performance During Market Stress (COVID-19 Impact)

The COVID-19 pandemic had a pronounced impact on financial markets globally. Saudi Arabia was no exception. An analysis of the TASI index and selected stocks during Q1–Q2 of 2020 revealed significant volatility and performance differentiation.

- TASI fell by approximately 22% in March 2020 before rebounding later in the year.
- Defensive sectors such as telecommunications (STC, Mobily) were less affected.
- Industrial and tourism-related stocks experienced deeper declines due to disrupted supply chains and lockdowns.
- Financial institutions showed resilience due to strong regulatory frameworks and liquidity support from the Saudi Central Bank (SAMA).

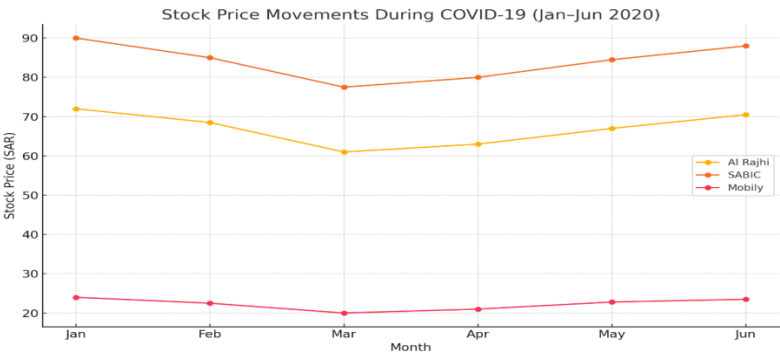


FIGURE 4

STOCK PRICE MOVEMENTS DURING COVID-19 (JAN–JUN 2020)

Sector Portfolio Performance (2020–2025)

To evaluate sector-wide investment strategies, we constructed equal-weighted portfolios for each sector (Financial, Industrial, Services) and analyzed their cumulative returns.

Table 5 CUMULATIVE SECTOR PORTFOLIO RETURNS	
Sector	Cumulative Return (2020–2025)
Financial	58.20%
Industrial	44.70%
Services	67.50%

The services sector, driven by strong performance in telecom and logistics, outperformed others. The financial sector showed robust medium-term performance due to high dividend payouts and stable earnings. The industrial sector was affected by cyclical pressures and commodity price volatility.

Composite Performance Score (CPS)

To synthesize multiple indicators (return, risk, dividend yield, and P/E), a Composite Performance Score (CPS) was developed. Each factor was normalized and weighted equally

Table 6 COMPOSITE PERFORMANCE SCORE (OUT OF 100)	
Company	CPS Score
STC	87.4
Al Rajhi	85.1
SABIC	76.3
Almarai	71.8
Mobily	73.5

STC and Al Rajhi emerged as the most consistently performing stocks across different criteria. These companies combined stable earnings, strong returns, reasonable valuations, and dividend attractiveness. Such analysis helps investors in multi-factor stock selection strategies

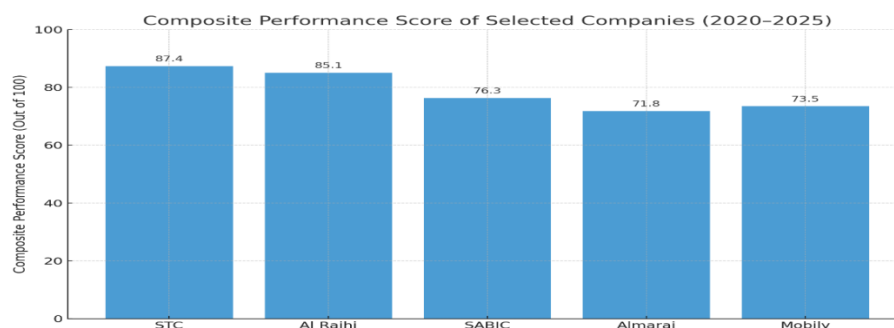


FIGURE 5

COMPOSITE PERFORMANCE SCORE OF SELECTED COMPANIES (2020–2025)

The chart illustrates the Composite Performance Score (CPS) of five leading Saudi companies based on multiple investment criteria, including return, risk, dividend yield, and valuation. STC achieved the highest CPS

of 87.4, reflecting its strong financial stability, attractive dividends, and favorable risk-adjusted returns. Al Rajhi Bank followed closely with a score of 85.1, supported by its consistent profitability and low volatility. SABIC, although slightly lower at 76.3, still performed well due to its high dividend yield and industry leadership. Mobily and Almarai scored 73.5 and 71.8, respectively, indicating reliable performance but with slightly higher volatility or lower income distribution. This multi-factor evaluation highlights STC and Al Rajhi as the most balanced investment options during the 2020–2025 period.

CONCLUSION AND RECOMMENDATIONS

CONCLUSIONS

This study aimed to evaluate the performance of investments in the Saudi financial markets, focusing on companies listed on the Saudi Stock Exchange (Tadawul) over the period 2020–2025. By analyzing multiple financial indicators across various sectors, including financial, industrial, and services, the research presents a comprehensive overview of market behavior, sector dynamics, and investment attractiveness.

The findings reveal a differentiated performance landscape. The services sector, particularly telecommunications companies such as STC and Mobily, consistently outperformed others by offering a balance of strong returns, moderate risk, and attractive dividend yields. These companies benefitted from stable cash flows, solid market positioning, and investor confidence, as evidenced by their relatively higher Price-to-Earnings (P/E) ratios and Sharpe ratios indicating superior risk-adjusted returns.

In contrast, the financial sector showed steady and resilient performance, largely driven by major banks like Al Rajhi and Alinma Bank. Their consistent dividend payments and reasonable valuations made them attractive to conservative investors seeking both income and stability. The sector demonstrated remarkable resilience during periods of market stress, such as the COVID-19 pandemic, supported by strong regulatory frameworks and liquidity management.

The industrial sector faced greater volatility, affected by global commodity price fluctuations, supply chain challenges, and cyclical economic conditions. While companies like SABIC and SABIC Agri-Nutrients provided high dividend yields, their higher risk profiles and lower risk-adjusted returns suggest a more cautious investment approach is warranted in this sector.

The multi-factor Composite Performance Score (CPS) synthesized return, risk, dividend yield, and valuation metrics to identify the most balanced investment opportunities. The analysis showed that diversified consideration of multiple financial metrics can help investors better align portfolio choices with their risk tolerance and return objectives.

RECOMMENDATIONS

Based on the study's comprehensive analysis, several practical recommendations are proposed for investors, policymakers, and market participants:

- Given the varying risk-return profiles, investors should build diversified portfolios across financial, industrial, and services sectors to optimize returns and manage risk effectively.
 - Investors seeking income stability should prioritize companies with consistent dividend histories, particularly in the financial and services sectors.
 - Utilizing a composite approach, incorporating return, risk, valuation, and dividend yield, can lead to more informed and balanced investment decisions compared to single-metric evaluations.
 - Continued efforts to improve disclosure and corporate governance will boost investor confidence and promote sustainable market growth.
 - Initiatives that stimulate growth in high-potential sectors, such as technology and renewable energy, will diversify the market and attract broader investor interest.
 - Reliable dividend payments help attract long-term investors and stabilize share prices.
- Industrial and emerging sector companies should balance growth ambitions with prudent risk management to improve investor perception and valuation.

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