PREQIN

SOVEREIGN WEALTH FUNDS IN MOTION

MAY 2021

Baker McKenzie.

preqin

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Preqin is the Home of Alternatives™, the foremost provider of data, analysis, and insights to the alternatives industry. The company has pioneered rigorous methods of collecting private data for almost 20 years so that 110,000+ global professionals are streamlining how they raise capital, source deals and investments, understand performance, and stay informed. Through close partnerships with its clients, Preqin continuously builds innovative tools and mines new intelligence to enable them to make the best decisions every day. For more information visit www.preqin.com.

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Foreword

Welcome to Preqin's 2021 Sovereign Wealth Fund Report. The report title, *Sovereign Wealth Funds in Motion*, really does sum up this investor segment in a few words. Over the past decade, sovereign wealth fund (SWF) assets under management (AUM) have almost doubled, rising 98% to $7.84tn, accounting for around 7% of total worldwide AUM (see page 9).

Yet some commentators have said the 'golden age' for SWFs is over. It is true that funds that have prospered during the longest bull run in history, pursuing the best investments wherever they find them, are at the start of a new decade – one that will look very different to the last. Climate change and COVID are rewriting the rules for SWFs, leading to the wider adoption of 'double bottom lines,' where strategic, environmental, social, and economic development goals will sit alongside financial ones.

For SWFs that embrace change, the next decade could herald the start of a new Age. Forward-thinking funds are using their firepower to gain exposure and insight into the industries of the future, forging partnerships with corporations and private funds, and using their capital to stimulate and steer domestic economies.

Alternative assets have played a significant part in sovereign funds' success. Median allocations to the big three private capital asset classes – private equity & venture capital, real estate, and infrastructure – have risen from 18% in 2011 to 30% today. As a group, SWFs are well below their target commitment levels, so we expect them to become an even more important source of capital for alternatives fund managers over the next 10 years.

Preqin is honored to share data, information, and insight with the leading sovereign funds. We are committed to delivering the most extensive and accurate alternatives data to help you make the best strategic decisions. As we move into the future, our data will stretch further than ever before, providing greater depth on key areas.

Developments in our pipeline include:

- More offices, in addition to those in Sydney and Dubai we opened last year
- A significant expansion of our ESG offering to provide you with critical visibility of GP-LP environmental, social, and governance factors at a firm, portfolio, and asset level
- Hundreds of reports and articles – published by our expanded team of research, journalism, and data science professionals – in exciting digital formats and via our new premium service, Preqin Insights+
- Growing our data platform, adding new profiles and deepening existing ones. Preqin Pro now has more than 20k investor profiles, 117k funds, and 43k GPs

As you have come to expect from Preqin, The Home of Alternatives®, we will continue to invest heavily, ensuring you have the most comprehensive view of the alternative assets industry.

SWFs: In Numbers

$7.84tn

SWF assets under management (AUM) as of September 2020, up 98% over the past decade

24%

Median target allocation to alternatives of SWFs in 2020. Many of the largest funds are currently substantially below target

80bps

Premium over average private equity return achieved by SWFs in vintages 2011-2017

19

Number of SWFs with an ESG policy (out of 98), although these funds control 54% of SWF AUM

50%

Proportion of SWF private capital fund commitments going to funds larger than $1bn; 22% of commitments are to $5bn+ funds

1,700

Number of employees at Abu Dhabi Investment Authority, the most of any sovereign fund

Executive Summary

The role of SWFs is changing, with many funds taking a more active role in domestic economies and seeking to leverage their investments to drive future prosperity

Sovereign wealth funds (SWFs) boast assets under management (AUM) of $7.84tn as of the end of 2020, equal to roughly 7% of global AUM of $111.2tn. Their AUM has grown at a compound rate of 8% per annum since the end of 2011, almost doubling (+98%) over the past decade. Growth has come from both established and new SWFs, created by governments keen to emulate the successes of other countries.

SWFs' median allocation to alternatives stands at 24% of AUM, with an average of 33%. The largest SWFs are below this median and tend to be at the lower boundary or below their own stated minimum target. Such is their colossal size that if the largest SWFs were to meet their target allocations, there would be a considerable increase in capital flows to alternatives.

Recover and Rebuild

The 'golden age' of SWFs operating free from interference is over. With economies suffering unprecedented slumps due to COVID-19, many SWFs are pivoting to be tools of reconstruction. In some cases, SWFs have rescued companies or injected cash into depleted government coffers, while others are focusing their investments closer to home.

An increasing number are topping up their asset bases in the capital markets. In the past year, Singapore's Temasek, Mubadala Investment Company from the United Arab Emirates (UAE), China's CIC-Huijin, Ireland Strategic Investment Fund (ISIF), and France's Bpifrance have all completed billion-dollar-plus investment-grade bond issues, while other funds have tapped high-yield markets. Asset sales are also expected to increase, as SWFs look to raise capital to re-invest in domestic recovery.

Higher-Returning Alternatives

Median SWF target allocations to alternatives as a percentage of AUM over the past 10 years have increased in all asset classes except hedge funds. There have been particularly large increases in target allocations to private equity, real estate, and infrastructure – their combined median targets were 18% back in 2011 and grew to a weighty 30% in 2020.

SWFs have a preference for strategies where they can deploy significant capital, such as private equity buyouts, and where they can achieve higher returns. In real estate, SWF commitments to core-plus and value added are considerably higher than these strategies' asset class weighting by AUM, similarly for value added in infrastructure and also opportunistic strategies. In recent years, SWF returns from private equity, real estate, and private debt have been higher than asset class averages.

Fit for the Future

Just 19% of the 98 SWFs tracked by Preqin have a formal ESG policy at present, but these 19 account for 54% of SWF AUM. There is a widespread and growing belief among SWFs that consideration of ESG factors is a source of long-term value creation and an important component of risk mitigation.

The new challenges for SWFs in ESG lie in implementing quality frameworks for each aspect, tracking and measurement, and resource capacity – but the same is true for all investors. Integration of ESG into the investment process will be a long and sometimes challenging journey, but SWFs are at least taking the first steps.

SWFs Get Fit for the Future

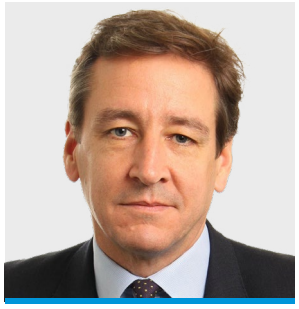
Sovereign funds are adapting to a change in their environment, embracing sustainable investment and new technologies. Where the big funds have led, others will follow

Over the past 15 months, our sovereign wealth fund (SWF) clients have had to navigate numerous challenges as they respond to the volatility and market dislocation caused by the global pandemic. They have had to contend with growing geopolitical tensions and increased scrutiny of their international investments by foreign states. They have sought to discharge their own fiduciary duties to existing and future generations by maximizing the value of their portfolios, while simultaneously keeping a keen eye on the sustainability of their investment decisions. But with every challenge comes an opportunity and, for those who have seized the opportunities and successfully turned them to their advantage, the rewards have been manifest.

Local and Global

There were some high-profile domestic interventions by SWFs in the early stages of the pandemic. For some, this involved shoring up strategically important sectors and companies. For others, it meant providing capital infusions to support the government by providing liquidity to finance emergency support packages to pandemic-affected sectors.

Considering the impact of the pandemic on the global economy, with a few notable exceptions, the level of domestic interventions appears to have been lower than many commentators had anticipated. In many cases, it has made more sense for governments to borrow at historically low rates than to liquidate higher-yielding assets for short-term liquidity. By contrast, some SWFs have seized upon opportunities beyond their borders presented by market corrections. Resulting deals have included significant equity investments in sectors hit by the pandemic, such as oil exploration and production, travel, and leisure.



James Burdett
Global Sovereigns Group

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James Burdett co-leads Baker McKenzie's Global Sovereigns Group and leads the firm's London Investment Funds team. He has a broad practice which includes advising a mix of sovereign wealth funds, pension funds, endowments, and family offices in relation to their investments into private funds, co-investment programs, consortium deals, and solo directs. He also regularly advises a selection of fund sponsors on the formation and ongoing operation of their private funds.

Baker McKenzie is a world-leading global law firm with a best-in-class practice advising sovereign wealth funds and the broader sovereign universe. The combination of its deep international experience, bench strength, and unparalleled global footprint makes it the go-to counsel for sovereign wealth funds.

Foreign Investment Restrictions

But this is not to say the SWF international spending spree has been untrammeled. What had been a steady movement toward increased scrutiny of and controls on foreign investment by a number of countries in recent years – driven by a mixture of national security concerns, state development strategies, and increasing geopolitical risk – was given a shot in the arm by the pandemic. The global economic shock triggered a fear that strategically important sectors and assets would be weakened and fall prey to state-owned or affiliated foreign investors. This prompted many countries to rush through measures to protect domestic companies from foreign takeover and ensure a secure supply of business-critical inputs in the public health sector.

While advanced economies remain eager to attract foreign investment, many have continued to tighten their screening rules or are introducing new measures to protect strategically important or sensitive national assets. Such measures include the UK's introduction of the long-anticipated National Security & Investment Act, which significantly expands the UK Government's powers to review the national security implications of transactions. In Australia, major changes were made to its foreign investment framework designed to address increasing national security risks and improve compliance with its Foreign Investment Review Board's approval conditions.

Investing for the Future

SWFs' investment focus is also changing. Historically they have eschewed venture and early-stage investments, not least because such opportunities could not accommodate the large investment tickets that SWFs typically need to write in order to efficiently deploy their sizable capital allocations. However, with the acceleration of technological development in several sectors such as finance, mobility, and life sciences – often driven by small and dynamic market entrants – SWFs have turned their attention and capital toward this increasingly important segment.

The past year has been a bumper one for venture capital. Much of this interest can be linked to an expanding market opportunity for tech companies, both those whose performance correlates to pandemic-driven opportunities and others who would likely have profited in any event. SWFs' forays into the venture and growth capital arena have covered a broad range of asset groups, including self-driving vehicles, challenger banks, video-streaming services, and gene editing companies among many others.

No one could have got through the past year without observing the inexorable rise of sustainability up the investment agenda, and SWFs are no exception. Indeed, there has been a growing momentum across the SWF community toward a more sustainable investment future. This has been propelled by a combination of internal initiatives and stakeholder pressure from within the funds, and a variety of recent national and international regulatory developments that affect SWFs' financial counterparties, such as fund and asset managers. Most notable on the regulatory front has been the EU's Sustainable Finance Disclosure Regulation, which marks a major milestone in the bloc's efforts to ensure that market participants are able to finance growth in a more sustainable manner over the long term while combating so-called 'greenwashing.'

Though some SWFs still lag in the sustainability journey, a growing number are demonstrating that they mean business when it comes to the environment. Individually, several have adopted their own comprehensive sustainability criteria by which they measure and benchmark each of their investments. Collectively, they have taken action through the establishment of the One Planet Sovereign Wealth Funds group (OPSWF). This was founded by six of the world's largest SWFs in 2017 and since then a further nine have joined. OPSWF members are guided by a voluntary framework for the systematic integration of climate change considerations into their decision-making and the disclosure of measures they are taking collectively to support ambitious global climate action.

We are increasingly seeing these trends play out in SWF investments, with a growing level of capital deployment into low-carbon technologies and a trend away from higher-emitting investments. Where the larger funds lead, others will surely follow.

Small in Number, Big in Impact

Sovereign funds' firepower allows them to invest where others avoid

SWFs are a vital component of the private capital industry. SWFs can be both high profile and secretive and are often subject to a range of misconceptions. Capital can come from different sources, although many funds are built on fiscal surpluses from exports, whether from natural resources or trade. What is undisputed is the sheer weight these funds carry.

SWFs around the world boast AUM of $7.84tn as of the end of 2020 (Fig. 1.1), equal to around 7% of the global asset pool of $111.2tn.[1] Their AUM has grown at a rate of 8% per annum since the end of 2011, nearly doubling (+98%) over the past decade.

Not all of this growth comes from established SWFs, as a number of new funds have been created in recent years (see page 35). Governments around the world have been keen to emulate the successes of other countries, so have created their own with varying sources of capital and investment remits. Some SWFs invest domestically, often with the aim of delivering large-scale infrastructure projects, national regeneration, or to encourage the development of particular sectors. Others look to diversify outside of their home country, seeking financial returns and sometimes access to expertise and emerging technologies (see page 15).

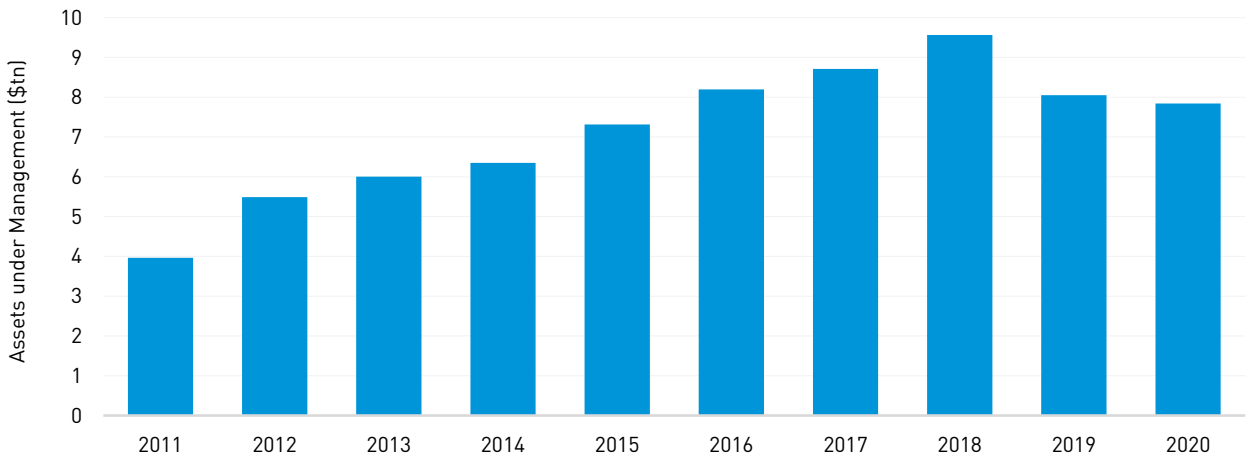
SWFs Are a Global Force

Although the US and Europe dominate alternative assets generally, these regions are less prominent in SWFs (Fig. 1.2). In 2020, the US accounted for less than 3% of SWF AUM, with Europe home to a shade over 20%, much of which is controlled by Norway's $1tn+ Government Pension Fund Global (GPFG, otherwise known as Norges Bank Investment Management [NBIM]).

These two regions are dwarfed by Asia (41% of AUM) and the Rest of World region, which includes the Middle East (36%). This market structure has not evolved significantly over the past nine years, with Europe up

[1] *https://www.pwc.com/ng/en/press-room/global-assets-under-management-set-to-rise.html*

Fig. 1.1: SWF Assets under Management, 2011 - 2020



Source: Preqin Pro

only 2% since 2011 (18%), Asia down slightly from 44%, and the Rest of World region unchanged (36%).

What could explain the relative decline in Asian SWF AUM? A significant portion of the region's assets is located in China, which has had an increasingly fractious relationship with the US in recent years, culminating in a trade war between the two countries. Given that a significant portion of China's SWF assets are derived from, or linked to, FOREX reserves, changes in the composition of Chinese trade have impacted them. To put the shift into context, total Chinese reserves peaked at around $4tn in 2014 and have since fallen to around $3.2tn.[2] There are a number of drivers impacting the movement in reserves and the scale of the change could be a factor in the reduction of Asian SWF AUM.

For Middle Eastern SWFs, however, the challenges have been more domestic. Across the board, SWF AUM as measured in dollars peaked during 2018 (Fig. 1.2). This can be partially attributed to movements in FOREX reserves, and also due to a fall in Brent Crude oil prices from $84 a barrel in October 2018 to $52 in December 2018, and then even lower in 2020. Many Middle Eastern SWFs manage capital derived from oil exports, so this would explain the hit to AUM in the region, dropping $1.88tn from almost $4.7tn in 2018 to $2.81tn at the end of 2020.

The Middle East has also been impacted by regional geopolitical tensions, with the imposition of travel bans and a region-wide embargo on Qatar hitting both sentiment and activity. SWFs will have been impacted by the fall in oil prices to a low of $21 in Q2 2020, and the benefits of a recovery to more than $60 will take time to feed into AUM numbers.

Regional tensions have begun to ease, however, with leaders of Qatar, Saudi Arabia, Bahrain, the UAE, and Egypt meeting at a Gulf Co-operation Council summit early in 2021[3] and agreeing to end the three-year embargo, pointing toward a more favorable environment.

SWFs Fall Short of Alternatives Targets

SWFs' median allocation to alternatives stands at 24% of AUM, with an average of 33%. This masks the reality that, currently, the largest SWFs are below this median and tend to be at the lower boundary or below their own stated minimum target allocations to alternatives.

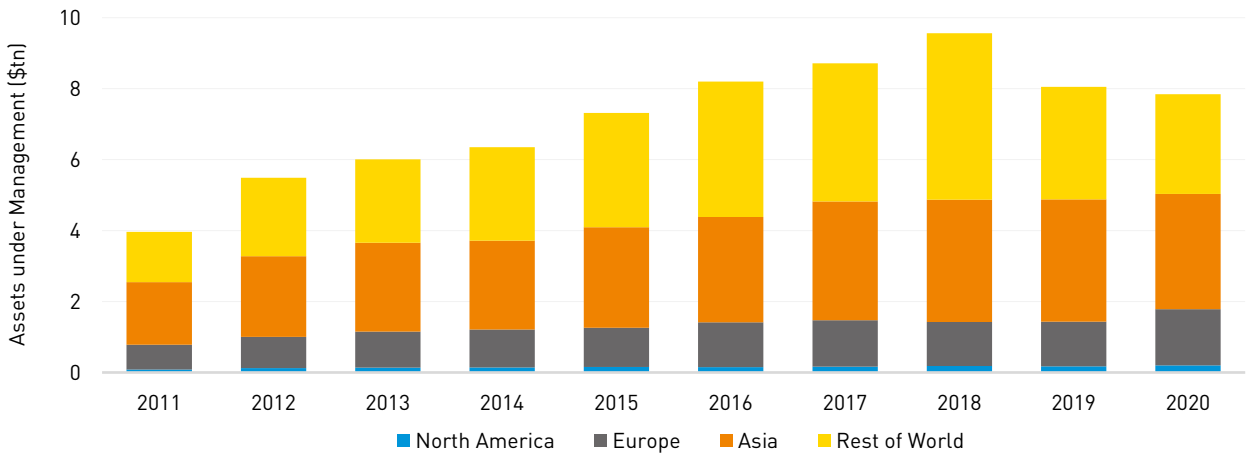
Singapore's GIC, for example, has a current allocation of 20%, equal to its minimum target, while its maximum target is 28%. Korea Investment Corporation (KIC) has a current allocation of 15%, substantially below its stated minimum target of 25%. On the other side of the scale, some smaller SWFs have much higher allocations – ISIF has 64% allocated to alternatives.

This under-allocation relative to targets suggests that if the largest SWFs were to achieve their target allocations, capital flows to alternatives would increase significantly.

The distinction between strategic and tactical asset allocations is important here, with target allocations more likely to reflect longer-term strategic portfolio intentions. With the long-term focus of private capital

[2] *https://fred.stlouisfed.org/series/TRESEGCNM052N*
[3] *https://www.bbc.co.uk/news/world-middle-east-55538792*

Fig. 1.2: SWF Assets under Management by Region, 2011 - 2020



Source: Preqin Pro

more aligned with a strategic asset allocation approach, looking beyond business cycles and short-term market dynamics, tactical allocation approaches are less relevant for private capital commitments and SWFs – the most patient of investors – and more relevant for public equity allocations in anticipating shorter-term market adjustments.

In recent years, asset allocations to alternatives among SWFs have shifted markedly. Private equity and private debt have seen slight increases in weighting, but the big change has been a move out of hedge funds and into real assets, including real estate, infrastructure, and natural resources.

Private equity is still one of the single biggest recipients of SWF capital, with the proportion of AUM allocated to it rising from 31% in 2016 to 33% in 2020. The deals SWFs are involved with are often high profile in nature, either by virtue of their size or the nature of the underlying assets.

Examples of high-profile transactions involving SWFs include McLaren Group, owner of the McLaren Formula 1 team (Bahrain's Mumtakalat), and Paris Saint-Germain football club (Qatar Sports Investments). However, while these direct investments garner many column inches, the bulk of SWF activity is through the investments they make in large private equity funds (see page 22).

In recent years, venture capital investments have been targeted by SWFs, whose historic exposure to this asset class has been limited by high minimum ticket sizes relative to the size of venture capital funds. However, SWFs are finding ways to invest in large venture funds, as well as through partnership and bespoke deals. Saudi Arabia's Public Investment Fund (PIF) backed the $99bn Softbank Vision Fund[4], committing up to

Sovereigns are some of the most well-capitalized institutional investors globally. But beyond the money they have a certain character, which is different from any other institutional investor. Sovereigns can take a longer view and historically have allocated more to illiquid assets than their private counterparts, which has served them well.

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Baker McKenzie

[4] *https://pro.preqin.com/funds/66764*

Fig. 1.3: SWF Median Allocation to Alternative Asset Classes*

Source: Preqin Pro

**Median values are calculated based on different samples of SWF's reported allocations. They should not be added to one another to create an All Alternatives allocations estimate*

$45bn, while also investing directly in a number of high-profile companies, including Uber, Magic Leap, and CloudKitchens.

The scale of PIF's ambition was highlighted in January 2021 by Saudi Crown Prince H.R.H. Mohammed bin Salman. The plan, VRP2 (the second Vision Realization Program), aims to boost growth of new sectors both domestically and internationally, and establishes PIF as a leading SWF. PIF's commitments under VRP2 include $40bn of new investments every year until the end of 2025, a figure equal to 5% of GDP.[5]

Last year, Abu Dhabi-based Mubadala signed a $2bn, 25-year partnership deal with technology buyout firm Silver Lake which will invest right across the capital structure, in different geographies and industries, as well as across the spectrum of early- to late-stage opportunities.[6]

Private debt investments account for a fraction of SWF allocations, representing just 1.3% of the total in 2016 and 1.6% in 2020. This trend could be set to change, however, as more SWFs appear to be either seeking more private debt exposure or partnering with established players to enter this asset class at scale. Mubadala unveiled a direct lending partnership with New York-based Apollo Global Management in July 2020, outlining ambitious plans to deploy up to $12bn in just three years.[7]

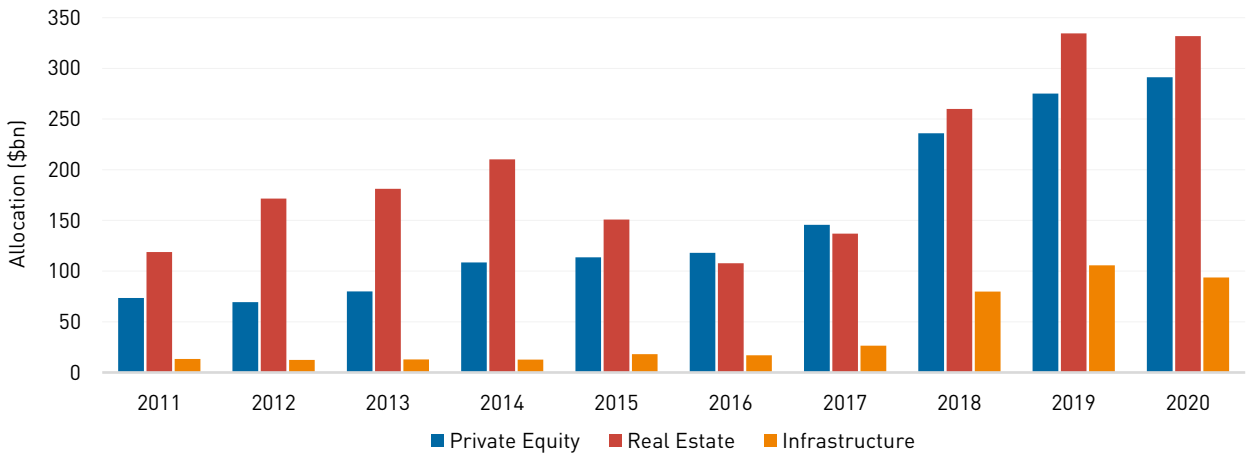
SWF allocations to hedge funds have fallen dramatically over the past five years, down from 34% of cumulative allocations in 2016 to 11% in 2020. During this period, equity markets were not particularly volatile, and returns for many hedge fund strategies suffered. As the economic cycle progressed and global economies grew, equities benefited, with the benchmark S&P 500 Index rising 71% from the end of 2016 to the end of 2020. Against this backdrop, public equity investments may have been favored over more expensive hedge funds. However, there are signs of recovery in the hedge fund universe, with funds faring well through the pandemic, first by mitigating losses and then by recovering more quickly. Net capital flows to hedge funds turned positive in Q3 2020 for the first time since early 2018, and were positive in both Q4 2020 and Q1 2021.

The pandemic could have a profound impact upon future hedge fund allocations. Public equity valuations appear to be relatively stretched and are pricing in solid earnings growth. Any disappointment during the post-COVID recovery phase, or slip-up from central banks around the world, could lead to equity market sell-offs. In this type of environment, hedge funds are well placed to deliver solid returns, as they proved during the first half of 2020, so hedge fund allocations may begin to increase as we progress through 2021 and into 2022.

The main beneficiaries of the shift away from hedge funds have been real assets (real estate, infrastructure, and natural resources). Allocations to real assets increased from 34% of the cumulative total allocations in 2016 to 55% in 2020.

[5] *https://ussaudi.org/saudi-arabias-public-investment-fund-new-strategies-investments-and-diversification/*
[6] *https://www.preqin.com/insights/research/blogs/sovereign-wealth-funds-worlds-in-motion*
[7] *https://www.ft.com/content/6a05c195-1918-4a92-8b27-4ae24f8a70a8*

Fig. 1.4: SWF Allocations to Private Equity, Real Estate, and Infrastructure, 2011 - 2020



Source: Preqin Pro

According to Preqin data, SWFs represent just 1% of real estate investors, but punch far above their weight in terms of capital deployed across the asset class, accounting for 8% of real estate AUM. Average commitment sizes sit at around $136mn, in line with superannuation schemes and far higher than all other investor types. Furthermore, Preqin data shows the top 20 SWFs boast real estate allocations of more than $300bn – close to 30% of real estate AUM.

Often focusing on high-quality trophy assets in major cities, SWFs are uniquely equipped to take long-term and counter-cyclical positions. While many SWF asset purchases generate significant attention, they do serve an important role in the diversification of assets. Given their nature and large size, these investments are often direct (73%) or through unlisted (73%) funds; one-third invest via the listed funds route. As a result, Preqin's real estate fund commitment data only captures a proportion of total SWF allocations to real estate.

We can see similar trends for SWF infrastructure investments. Across SWFs, 88% of funds invest directly in infrastructure assets, with 63% investing via unlisted funds. Less than one-fifth invest via listed funds.

This ability to take a time horizon measured in decades rather than years ensures SWFs can close deals other investors or managers may be reluctant to. These types of asset are much more likely to be held outside of fund structures, which can be too short term in nature. Underpinned by stable cash flows, investments in international infrastructure projects can secure significant sources of external capital, with these returns potentially delivering at different points in the economic cycle – often providing a counter-cyclical return to the fund's domestic market. In April 2021, Norway's GPFG acquired a 50% stake in the Borssele 1 & 2 offshore wind farm in the Netherlands for €1.38bn. The farm became fully operational in December 2020 and will generate enough power for one million Dutch homes. This investment will provide guaranteed income for GPFG through long-term power purchase agreements (PPAs).

Is SWF Secrecy Coming to an End?

SWFs have mostly kept a low profile, even while some of their investments have thrust them into the limelight. But there are signs that this is beginning to change, with funds such as Saudi Arabia's PIF being increasingly transparent about their strategy, while retaining tight control over how information reaches the public domain.

Technology is the bedrock of the global economy, fundamental to all other sectors currently being significantly digitalized. Our goal is to be well positioned to take advantage of this accelerated digital transformation and its potential.

Khaldoon Al Mubarak

Managing Director and Chief Executive Officer
Mubadala

Mubadala's support has enabled us to launch an innovative strategy that is unprecedented in its multi-decade time horizon. The creative structure of this new strategy provides significant added flexibility for Silver Lake to capitalize on a wide range of investment opportunities, including those outside the mandates of our existing funds.

Egon Durban

Co-Chief Executive Officer
Silver Lake

Funds in markets that are already transparent, such as those in Australia and Europe, have followed the regulatory path within their domicile countries and share a significant amount of detail around their operations. Australia's Future Fund[8], for example, highlights its reporting around legislation and governance[9] as well as the various acts that underpinned its creation. This level of detail could be a model for both existing and future SWFs and, while many funds are not open to institutional investors, disclosure of this kind is of benefit to target acquisitions and other counterparties, as well as competitors.

SWFs clearly play in important role in the global financial system. They can take outsized or counter-cyclical positions across individual assets or asset classes. Outside private markets, they have stepped in to offer support with capital raising at difficult times, particularly with banks, financial institutions, and consumer-facing companies during the Global Financial Crisis (GFC), and in strategic industries during the COVID-19 pandemic (see page 17). These firms can be subject to political sensitivities – unsurprising given they are generally entities created by governments or national bodies. But, while few in number, they pack a serious punch.

[8] *https://pro.preqin.com/investor/8586*
[9] *https://www.futurefund.gov.au/about-us/legislation-and-governance*

What Is a Sovereign Wealth Fund?

The Sovereign Wealth Fund Institute[8] defines an SWF as a state-owned investment fund or entity commonly established from: balance of payments surpluses; official foreign currency operations; the proceeds of privatizations; governmental transfer payments; fiscal surpluses; and/or receipts resulting from resource exports.

The definition of sovereign wealth fund excludes: foreign currency reserve assets held by monetary authorities for the traditional balance of payments or monetary policy purposes; state-owned enterprises (SOEs) in the traditional sense; government-employee pension funds funded by employee/employer contributions; and assets managed for the benefit of individuals.

One Size Does Not Fit All

Some SWF roles and remits are subject to evolution over time, depending upon political and economic circumstances

Not all SWFs are created equal. Many were established with a specific purpose, such as spurring investment either domestically or regionally. Others have a much more global investment remit, with diversification the main purpose. Liquidity is another major consideration, as some SWFs may need to finance government spending, either now or at some point in the future. Exposure to risk is another major differentiating point for SWFs.

Some countries are home to more than one fund. Singapore, for example, hosts two – Temasek and GIC – while the MAS (Monetary Authority of Singapore) also invests the nation's financial assets but is not considered an SWF. GIC and Temasek operate at different ends of the risk spectrum, with Temasek taking on risk that would fall outside of GIC's remit.[1]

Of the three investment organizations, MAS is by far the most conservative. A major proportion of its portfolio consists of liquid financial market instruments. Temasek, which aims to maximize shareholder value over the long term, can take on significantly higher-risk investments across its portfolio in the pursuit of higher returns. GIC is a relatively conservative investor, with a global, diversified portfolio. While the bulk of GIC's assets are held in liquid public markets, a large proportion is held in less liquid alternatives, such as private equity, real estate, and infrastructure. In the pursuit of their returns, both SWFs are global in nature. These organizations could be considered as focusing on the delivery of returns, irrespective of their risk appetite.

GPFG, Norway's SWF, could be considered in the same category. In its own words, "the fund was set up to shield the [Norwegian] economy from ups and downs in oil revenue. It also serves as a financial reserve and as a long-term savings plan so that both current and future generations get to benefit from our oil wealth."

The Norwegian fund is widely considered to be the single largest global investor in public equity markets, with 72.8% of its investments invested in public equities.[2] It is only recently that the fund began investing directly in real estate assets, and these now account for 2.5% of the fund's investment by value. A proposal in 2018 that would have allowed it to invest in private equity was rejected by the Ministry of Finance, which decides the fund's overall strategy, because of concerns over "reputational risks, high cost, and lack of transparency."[3]

Other investment organizations are sometimes classed as SWFs by market participants, even though the organizations and their respective governments do not use the term. Lines can be blurred between national public pension funds and SWFs, with crossover between the two.

For example, Canada Pension Plan Investment Board (CPPIB) clearly states that its mandate is based on a governance structure that distinguishes it from SWFs, while many market participants hold a differing view, given the profile of its investments. The CPPIB Act, under which the plan was created, safeguards against any political interference.

In contrast, Alaska Permanent Fund Corporation (APFC) was created by the Alaska Legislature in 1980 as a quasi-independent state entity, tasked with prudently investing and managing the assets of the Alaska

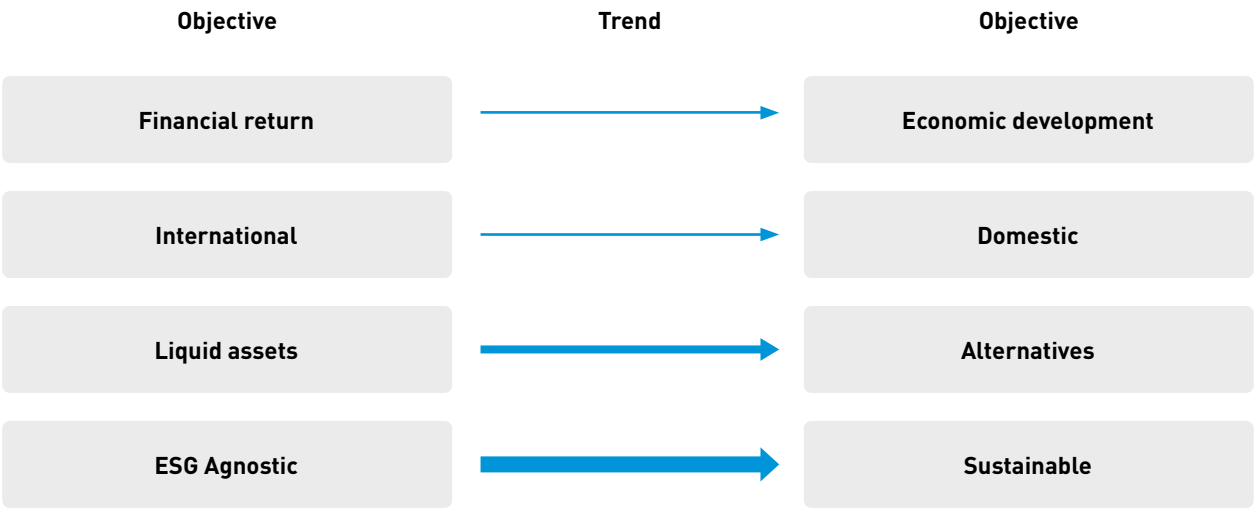
[1] *https://www.gic.com.sg/faq/*
[2] *https://www.nbim.no/en/the-fund/investments/#/*
[3] *https://www.institutionalinvestor.com/article/b17q8601nxqmt5/norway-blocks-wealth-fund-from-investing-in-private-equity*

Permanent Fund. This fund is the largest state-level fund of its kind in the US and was among the first SWFs to be established.

The remit of the fund changed significantly when Alaskan Legislature adopted a mechanism where fund earnings were not used simply to pay dividends, but to contribute to state government revenues under a percent of market value (POMV) methodology. Under this framework, the state operating budget for fiscal year 2019 included a $2.7bn POMV draw from the fund. The POMV draw is based on a percentage of the average market value of the fund for the first five of the preceding six fiscal years. The draw is subject to appropriation and is set in statute at 5.25% for fiscal years 2019-2021 and 5.0% from 2022 onwards. This change meant that in 2020, the fund became Alaska's number-one source of unrestricted general fund revenues for the state's budget.

The roles of SWFs are subject to change over time, which is perhaps unsurprising, given the significance of these funds and their high profile both domestically and internationally. It is likely that a fund classification and remit now would be subject to evolution, depending upon the prevailing financial and political conditions and sensitivities of the time. What is without doubt is the longevity and significance of SWFs in the global investment world – across both public and private markets. This is very unlikely to change in either the short or the long term.

Fig. 1.5: SWFs: Strategic Shifts



SWFs have a range of objectives, with many pursuing dual – or even multiple – bottom lines when determining their investment strategies. We expect the broad trends witnessed in recent years to accelerate post-pandemic, with a greater emphasis on sustainability, alternatives, domestic economies, and strategic economic development.

The Great Reconstruction

Some SWFs have dived into turbulent waters created by COVID. Over the longer term, the pandemic will lead to fundamental changes in their form and function

A crucial factor in the success of SWFs has been their arms-length relationship with the states that own them. Broadly speaking, SWFs have been able to pursue their investment mandates free from interference. The approach has served them well, with AUM climbing from $3.96tn in 2011 to $7.84tn as of September 2020, a rise of 98%. While that includes a number of new funds (see page 35), the bulk of the growth has come from established funds.

There are clear signs that this 'golden age' is over. With economies suffering unprecedented slumps due to COVID-19, SWFs are becoming tools of reconstruction. In some cases, it has been immediate and visible, rescuing companies or injecting cash into depleted government coffers. In others, we are seeing a pivot to a more domestic focus, while some funds may not even be fully aware of the demands that will inevitably be made of them.

Most of the large SWFs are built on either commodities or trade surpluses. Prices of the former plummeted, while the latter curtailed dramatically, adding to a slowdown resulting from geopolitical tensions, particularly between China and the US. Governments were hit by a double whammy of declining tax revenues and increased demands to spend on healthcare and vaccine development and deployment, while simultaneously paying people not to work and stepping in to support struggling companies.

With government debt soaring to levels never before seen in peacetime, the temptation to raid the coffers of sovereign funds was impossible to resist. Some SWFs made high-profile interventions in the early stages of the pandemic. Emergency legislation was passed in April 2020 allowing Turkiye Varlik Yonetimi (Turkey Wealth Fund), which had been established in 2016 to invest in regional infrastructure projects, to shore up state-supported companies. The fund moved quickly to support strategically important businesses in aviation, telecoms, banking, insurance, oil & gas, and Turkey's stock exchange, Borsa Istanbul.[1]

The game is one of necessity. This is not politicians or academics sitting around discussing economic theory. It is a desperate situation, and most countries cannot afford to have SWF assets sitting under-utilized. Sovereign funds will be obliged to step up and assume a central and energetic role in national and regional regeneration.

Michael Doran
Partner
Baker McKenzie

In Asia, Singapore's Temasek is making a virtue of its role in the COVID response. In addition to stepping in with a $13bn rescue package for Singapore Airlines, a $1.5bn rights issue for rig builder Sembacorp Marine,

[1] *https://www.dailysabah.com/business/economy/turkey-wealth-fund-to-focus-on-home-before-eyeing-global-expansion-ceo-says*

raising $2.75bn through a bond issue with terms up to 50 years, and increasing the size of its medium-term note program from $20bn to $25bn, the fund's foundation arm has provided free reusable antimicrobial masks to all Singapore residents.

Other funds are being tapped for cash. Outflows from Norway's NOK 10.01tn ($1.16tn) GPFG were NOK 302bn ($35bn) in 2020[2], compared with a net inflow from the government in 2019 of NOK 18bn ($2.1bn).[3] Saudi Arabia's PIF will pay a one-off dividend of up to SAR 25bn ($6.7bn) to the Saudi Government to plug a gap created by declining oil revenues.[4] Funds in Kuwait, Iran, and Nigeria have reportedly paid out dividends to support government expenditure.

Preparing for a Slow Recovery

Among those SWFs with a longer-term action plan is PIF, which has $360bn in AUM. PIF has turned its focus to the Saudi economy, increasing investment in domestic projects from $16bn in 2019 to $40bn annually from 2020 through to 2025.[5] PIF aims to contribute $320bn to non-oil GDP over the next five years, to grow AUM to over $1.07tn, and create 1.8 million direct and indirect jobs by the end of 2025.

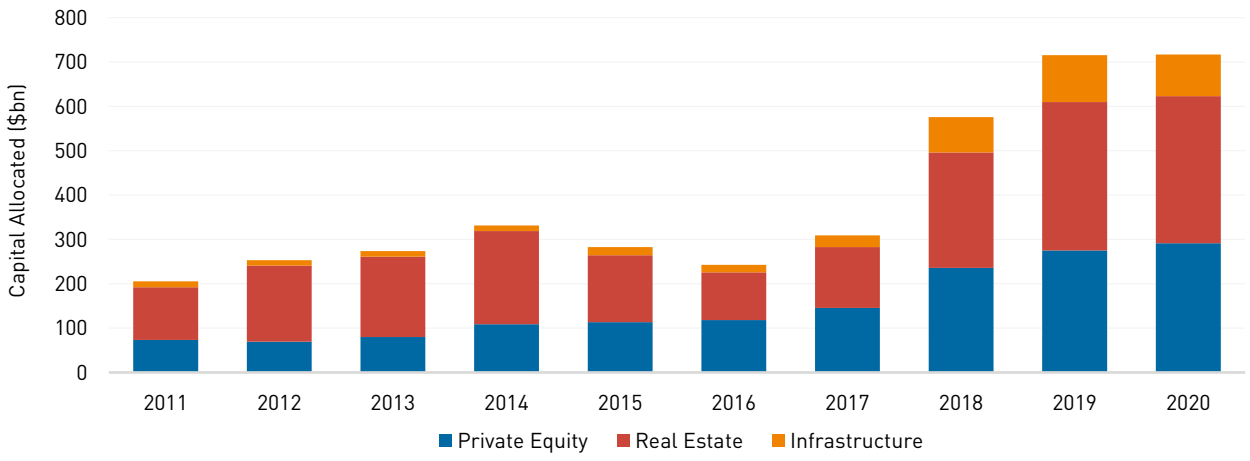
In Europe, Ireland's ISIF, which has €7.9bn ($9.5bn) of AUM, accelerated an already-established initiative to direct more of its resources to the domestic economy. It also set up a €2.0bn ($2.4bn) Pandemic Stabilisation and Recovery Fund (PSRF) to support larger businesses,

We will continue to drive the economic transformation of Saudi Arabia, enable the private sector, and serve as an important catalyst for the development of the industries and opportunities of the future. Core to our strategy is our focus on funding new human futures by improving quality of life, driving environmental and economic sustainability, and developing new sectors and jobs.

Yasir Al-Rumayyan
Governor
Public Investment Fund

[2] *https://www.nbim.no/contentassets/b4ca181199544d5788dc80c0db9db738/20210128_press-conference_english_-final_pdf.pdf*
[3] *https://www.nbim.no/contentassets/3d447c795db84a18b54df8dd87d3b60e/spu_annual_report_2019_en_web.pdf*
[4] *https://www.reuters.com/article/saudi-budget-minister-int-idUSKBN28P2VP*
[5] *https://www.pif.gov.sa/en/MediaCenter/Pages/NewsDetails.aspx?NewsID=64*

Fig. 2.1: SWF Cumulative Allocations ($bn), 2011 - 2020



Source: Preqin Pro

which was later increased to €3.4bn ($4.1bn).[6] ISIF said that 90% of 2020 investments were under the PSRF.[7]

Directing Investment Where it's Needed

Alternative investment funds are one way SWFs can play a part in the reconstruction and recovery efforts. SWF investments in private equity, real estate, and infrastructure funds have grown substantially over the past decade, with cumulative allocations rising from $206bn in 2011 to $717bn in 2020 (Fig. 2.1).

Historically, SWFs have focused on large funds, driven by their need to deploy sizable amounts of capital. But investments in sub-$500mn private capital funds, which in 2020 accounted for 22% of the number of fund commitments recorded by Preqin, are likely to increase given the role SMEs will be expected to play in driving an economic recovery.

The destination of SWF fund commitments reveals where there is room for strategic shifts. The mature economies of North America and Europe make the vast majority of investments in their home region (72% and 73%, Fig. 2.2). This is not true of less established markets: Asian SWFs make half of their investments within the continent, and in the Middle East just 8% of the commitments made by SWFs are to funds based in the region.

SWFs Fill up Their Tanks

Not only do SWFs have capital, but they can provide a vehicle for governments to intervene in economies with greater flexibility and, in some instances, reduced risk of adverse changes to national credit ratings. There has been a significant increase in equity and debt issues by SWFs over the past 12 months, according to analysis by Global SWF.

Singapore's Temasek raised $2.75bn of bonds through three tranches of 10 years, 30.5 years, and 50 years in October 2020. The AAA-rated bonds are listed on the Singapore Exchange Securities Trading and are part of Temasek's $25bn guaranteed global medium-term note program, intended to fund the SWF's "ordinary course of business." The most demand for the 10- and 50-year bonds came from Asian investors, while US investors

[6] *https://isif.ie/pandemic-stabilisation-and-recovery-fund*
[7] *https://isif.ie/news/press-releases/ireland-strategic-investment-fund-publishes-2020-update*

The Recovery Fund will be targeted and help to stimulate increased domestic demand and employment. Crucially, given the evolving nature of COVID-19 and Brexit, the fund will be flexible in its design in order to provide the Irish Government with the means to react swiftly to a constantly changing environment.

Paschal Donohoe
Minister of Finance
Ireland

The PSRF complements ISIF's other investment activity and is subject to the same 'double bottom line' mandate – generating a commercial return and supporting economic activity and employment in Ireland. Feedback from potential investees indicates that their investment requirements are driven primarily by their medium- to long-term growth plans for the post-pandemic recovery phase.

Nick Ashmore
Director
Ireland Strategic Investment Fund

acquired most of the 30.5-year bond. This followed Temasek's November 2019 bond program when it issued €1bn of 12- and 30-year notes.

Although most SWFs have the cash flow to carry out their operations without turning to the capital markets, a growing number of funds are topping up their asset bases with third-party money. Last year, funds such as the UAE's Mubadala, China's CIC-Huijin, Ireland's ISIF, and France's Bpifrance raised capital through bond or equity issuance. The purposes of the funding exercises differed, but the emphasis was on supporting SMEs and dealing with the consequences of the COVID-19 pandemic.

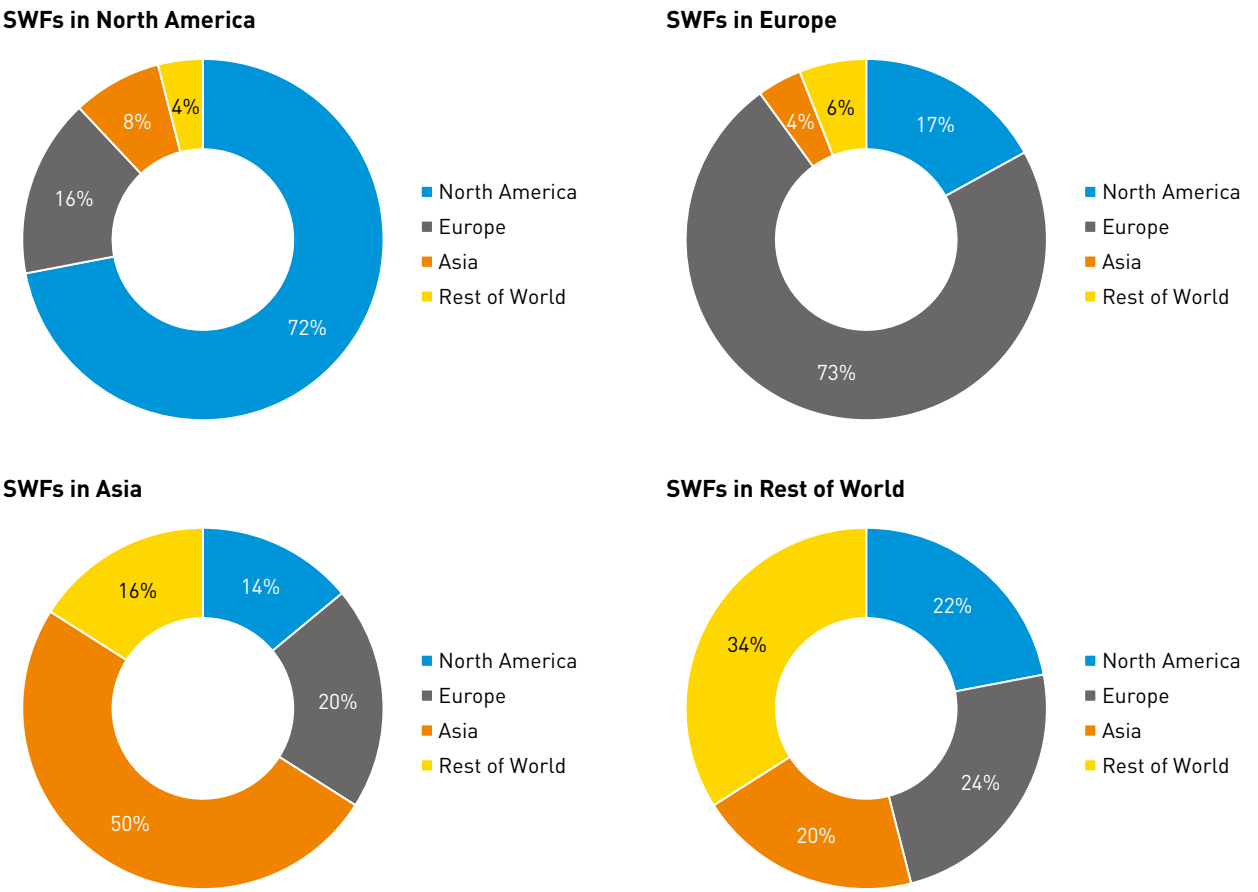
Bpifrance issued a seven-year COVID-19 recovery bond in April 2020, raising €1.5bn to help businesses with cash flow and recovery loans. By 2020, Bpifrance had raised €45bn through its Euro Medium Term Notes (EMTN) program, with issuances averaging just over €4bn per year since 2011. Over 60% of investors in the SWF's bonds are asset managers, central banks, and other official institutions. The bonds are rated Aa2 by ratings agency Moody's and AA by Fitch.

Funds from Azerbaijan, Georgia, Vietnam, Turkey, Greece, Oman, Uzbekistan, Bharain, Rwanda, Senegal, Egypt, Gabon, Tunisia, Mongolia, Nigeria, Angola, Mozambique, Argentina, and Venezuela have also tapped high-yield markets.

Fitch says that strong state support means the ratings for SWFs reflect those of their countries.[8] Last year the ratings agency added nine SWFs to its Government-Related Entities Rating Criteria (seven in EMEA and two in Asia-Pacific), differentiating between so-called

[8] *https://www.fitchratings.com/research/international-public-finance/sovereign-wealth-funds-ratings-are-driven-by-state-support-01-12-2020*

Fig. 2.2: Geographic Focus of SWF Investments/Fund Commitments by Location



**Rest of World includes Africa, Australasia, Central & South America, Middle East, and Diversified Multi-Regional.*

Source: Preqin Pro

'pure' SWFs and national strategic holding companies (NSHC).[9] Pure SWFs have a range of purposes from stabilization to protect the economy against commodity-price fluctuations, to reserves or strategic development. NSHCs, on the other hand, tend to own majority shares in national strategic companies, aiming to control certain sectors of the economy for the government.

An SWF's rating depends on its relationship with its government. Fitch proved this when it upgraded Turkey Wealth Fund's rating from negative to stable due to its strong links with Turkey and the country's incentive to provide "extraordinary support" if needed.[10] Fitch added that a "weaker assessment of the overall support factors could result in Turkey Wealth Fund's ratings being notched down once from the sovereign ratings," indicating that an SWF's ratings are subject to change over time.

It is likely that some SWFs will continue to raise more capital from external sources, while others may sell off assets to provide liquidity for governments that are increasingly concerned about their credit ratings but still need to provide liquidity, credit support, or direct investment across the state sector. SWFs have an opportunity to be an engine for national and regional economic reconstruction and sustainable recovery through the greening of their economies.

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[9] *https://www.fitchratings.com/research/international-public-finance/sovereign-wealth-funds-strategic-holding-companies-01-12-2020*

[10] *https://www.fitchratings.com/research/international-public-finance/fitch-revises-outlook-on-turkey-wealth-fund-to-stable-on-sovereign-action-04-03-2021*

SWFS IN ALTERNATIVE ASSETS

Dipping Toes in the Deep End

SWFs are slowly catching up to their growing target allocations, often pursuing opportunities at the higher end of the risk spectrum

The sheer scale and relative scarcity of SWFs requires a different approach to investment compared with other investor types. The three largest SWFs command one-third of the combined AUM of the 82 for which there is reliable data. Norway's GPFG has AUM of $1.27tn and was established in 1990 to invest the country's oil wealth; China Investment Corporation (CIC) has AUM of $941bn and was established in 2007 to manage and diversify China's foreign exchange reserves; and the $578bn Abu Dhabi Investment Authority (ADIA) was established in 1976 to manage the Emirate's budget surplus, principally derived from the national oil company ADNOC.

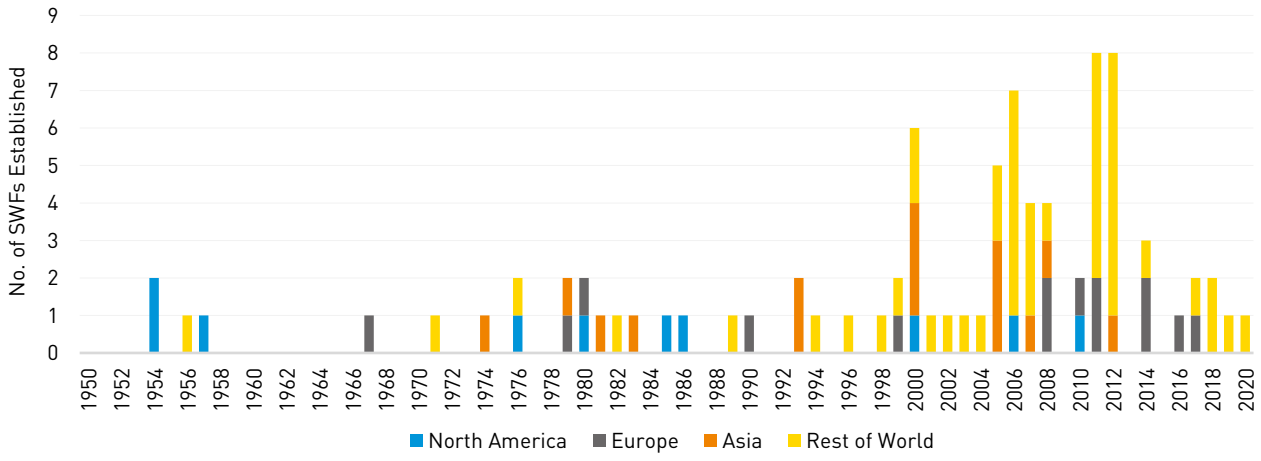
These top three funds reflect the diversity within sovereign funds, with variance in national strategic importance, funding sources, political mandates, and investment strategies. Given their relation to states and governments, SWFs have sourced capital from tax revenues, foreign exchange reserves, and receipts from nationalized industries (which are often natural resource based). Historically, SWFs have operated at arms-length from governments, but demands can be placed on them to finance the governments that own them as well as strategically important industries, especially in periods of economic disruption, such as the GFC and COVID-19 pandemic (see page 17).

What Are the Trends in Asset Allocation at SWFs?

As investors in alternative assets, SWFs are following the broad trend of an increase in target allocations. Given their size, even a small increase in target allocation, or a narrowing of the gap between current and target allocations, would have a significant impact on private markets, both in terms of capital available and demand for underlying assets.

Median target allocations as a percentage of AUM over the past 10 years have increased in all asset classes except hedge funds, where recent appetite has wavered

Fig. 3.1: Establishment of SWFs by Region, 1950 - 2020



Source: Preqin Pro

(Fig. 3.5). There have been particularly large increases in target allocations to private equity, real estate, and infrastructure – their combined median targets were 18% back in 2011 and grew to a weighty 30% in 2020 (Figs. 3.3, 3.6, and 3.7). However, these increases in target allocation have yet to be fully realized, with actual allocations increasing at more tempered rates, leading to a general increase in the gap between target and current allocations. This likely means the next few years will witness more strenuous efforts from SWFs to catch up and commit more capital to alternatives.

The asset class with the largest gap between target and actual allocation as a percentage of AUM is real estate, at 3.3 percentage points. While this might imply that a sharp increase in real estate commitments is imminent, SWFs as a group have been below their target allocations to real estate by an average of 3.1 percentage points over the past decade (Fig. 3.6), meaning it would be presumptuous to expect the gap to close rapidly in the near term.

Not all asset classes are under-allocated when compared to SWFs' stated targets. Natural resources is the only asset class to show persistent over-allocations, which may partially reflect the sources of funds that many SWFs rely on feeding through to their allocations.

SWF allocations to infrastructure funds exceeded targets between 2012 and 2014, though are now more in line following a near doubling of targets from 4% in 2016 to 7.5% in 2018. Median SWF allocations to infrastructure have been on a long-term decline since 2012 and stood at 3.9% in 2020. This may in part reflect the dearth in new greenfield project pipelines that many investors cite as a challenge for deployment.

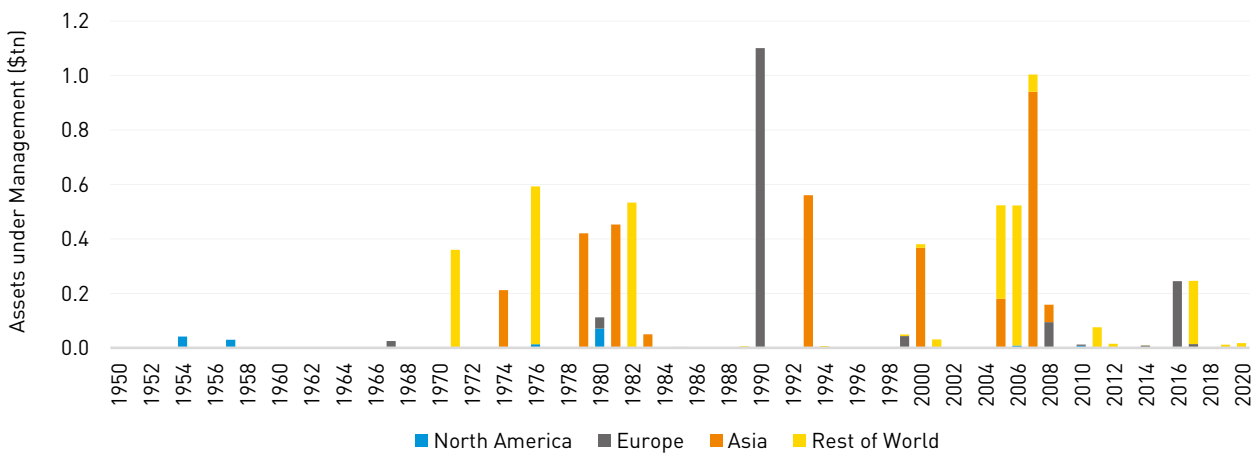
SWFs' median allocation to alternatives stands at 24% of AUM, with an average of 33%. But the largest funds are below this, at the lower boundary, or below their own stated minimum targets. This under-allocation suggests that if the largest SWFs were to strive to achieve their stated target allocations, there would be a considerable increase in capital flows to alternatives.

Dave Lowery
Head of Research Insights
Preqin

How Important Are Alternatives?

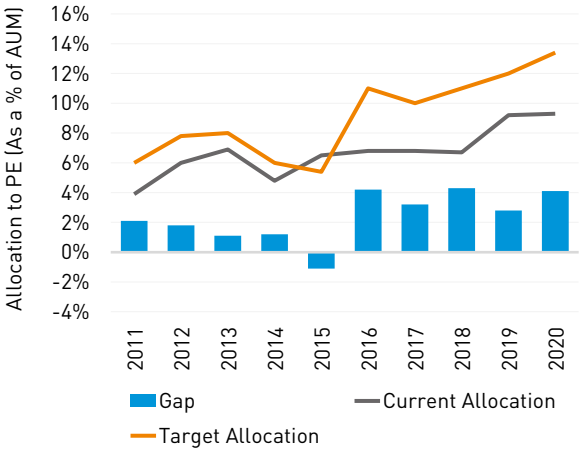
Alternative assets provide valuable diversification from SWFs' positions in public equities and fixed income products. This is particularly important for funds that act as stabilizers in periods of turmoil and uncertainty. Diversification also helps deliver better risk-adjusted returns for those more focused on building AUM.

Fig. 3.2: Current SWF Assets under Management by Region and Year Established



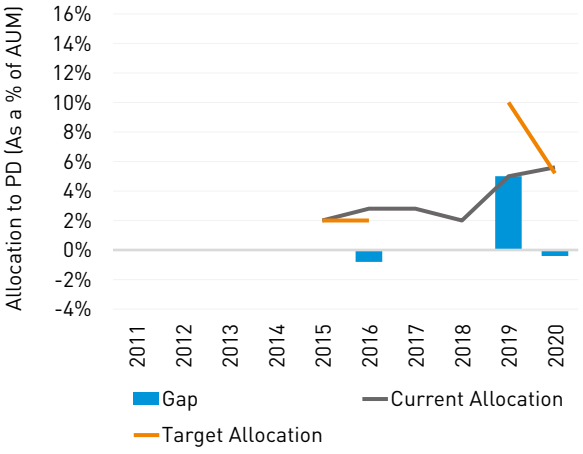
Source: Preqin Pro

Fig. 3.3: Median SWF Current and Target Allocations to Private Equity, 2011 - 2020



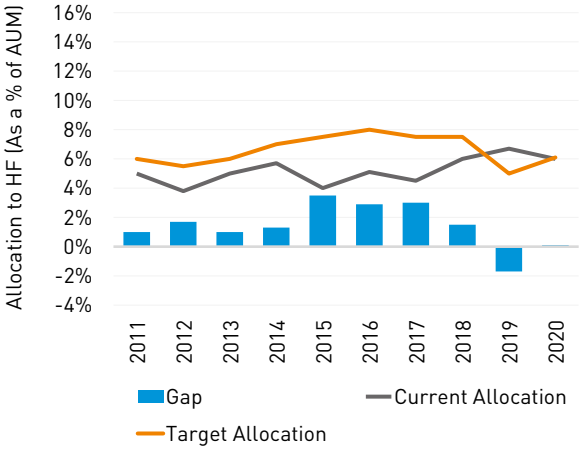
Source: Preqin Pro

Fig. 3.4: Median SWF Current and Target Allocations to Private Debt, 2011 - 2020



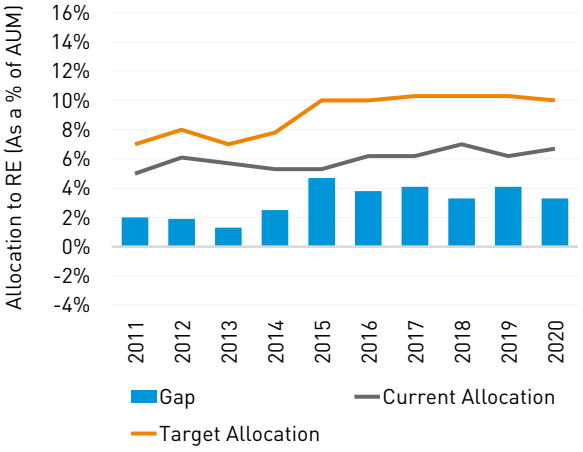
Source: Preqin Pro

Fig: 3.5: Median SWF Current and Target Allocations to Hedge Funds, 2011 - 2020



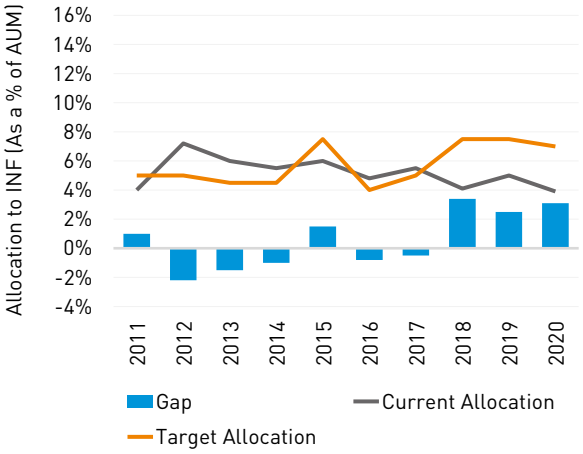
Source: Preqin Pro

Fig. 3.6: Median SWF Current and Target Allocations to Real Estate, 2011 - 2020



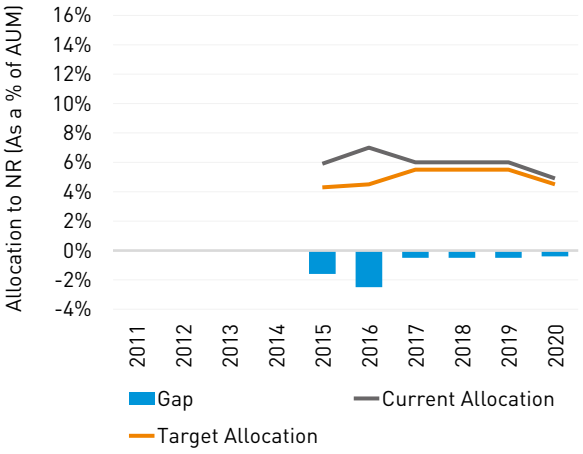
Source: Preqin Pro

Fig. 3.7: Median SWF Current and Target Allocations to Infrastructure, 2011 - 2020



Source: Preqin Pro

Fig. 3.8: Median SWF Current and Target Allocations to Natural Resources, 2011 - 2020



Source: Preqin Pro

While many investors in alternatives value the income stream from private debt or real estate assets, SWFs are among the most patient of capital providers in the investor universe. They are attracted to long-hold strategies in assets that bring an inflation hedge, which can help them deliver on their intergenerational ambitions.

Further, their growing appetite for infrastructure investments through increased target allocations is not just about capturing the internalized returns from discrete investments. Alongside an often domestic or close proximity focus (Fig. 2.2), their investments look to actively promote wider economic development through the positive externalities that infrastructure investment and services can bring. While the rise of ESG is encouraging many investors to think more broadly beyond a sole focus on the internal rate of return, SWFs have, to varying extents, always had public policy goals and the external benefits of investment as additional ambitions to pure return generation.

An SWF's overarching strategy is reflected in their investment commitments and decision-making, with a contrast between those focusing on financial returns and those prioritizing strategic and economic development goals, or delivering financial stability. Most funds consider multiple objectives, both at the strategic portfolio and individual investment level.

It should also be noted that these objectives need not be mutually exclusive, especially given the reality that SWFs' investments are often made close to home (Fig. 2.2). What is good for host economies, including stability, tends to be good for returns, at least in the long run.

We have a global mandate and can find the best value in every market, what we view as global relative value. We can move up and down the capital structure and be a solutions capital provider at scale. We have now narrowed down the number of GP relationships we have, and our relationship with that core group has become very important.

Sherwood Dodge

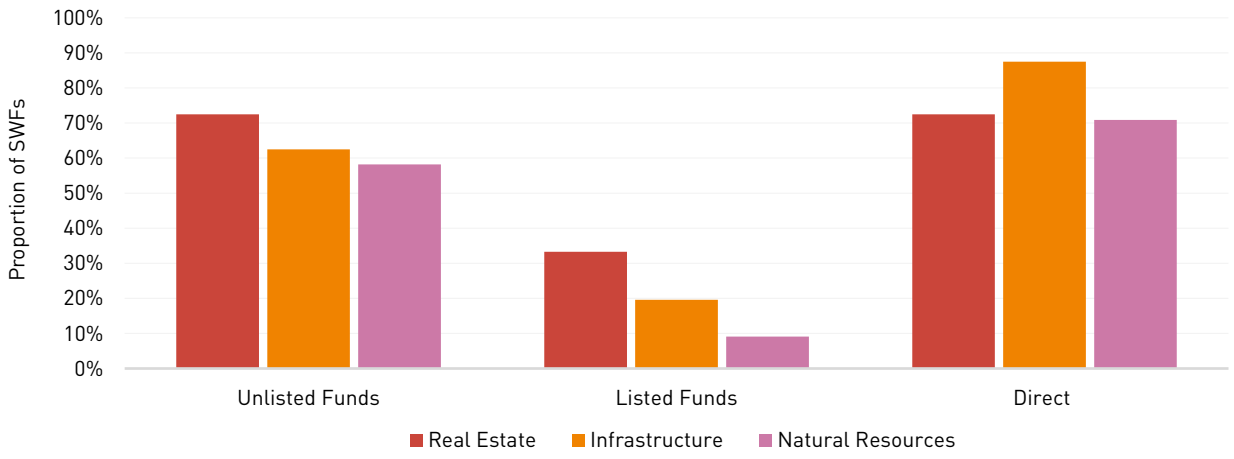
Global Head of Private Equities Department
ADIA

But this tendency to invest locally and in sectors related to their sources of wealth can undermine some SWF objectives of shielding domestic economies from cycle-inducing fluctuations in commodity prices.[1]

SWFs have evolved into some of the most sophisticated investors in alternatives. The perception that they are small teams deploying vast reserves of capital is, at

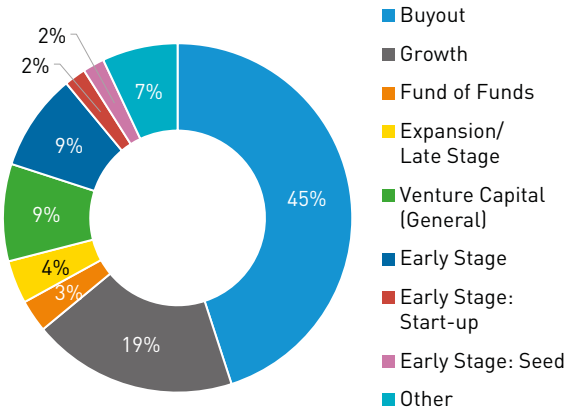
[1] *https://www.oecd.org/finance/private-pensions/40345767.pdf*

Fig. 3.9: SWF Routes to Market across Real Assets



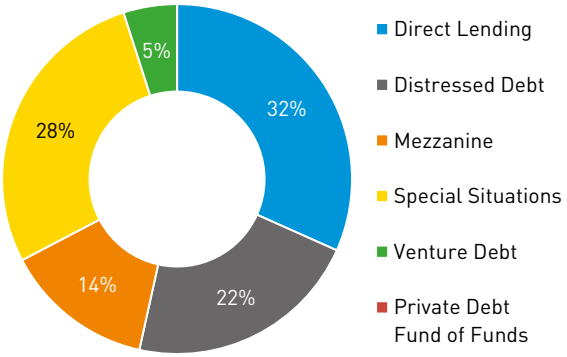
Source: Preqin Pro

Fig. 3.10: SWF Private Equity & Venture Capital Fund Commitments by Fund Type (Vintages 2011-2020)



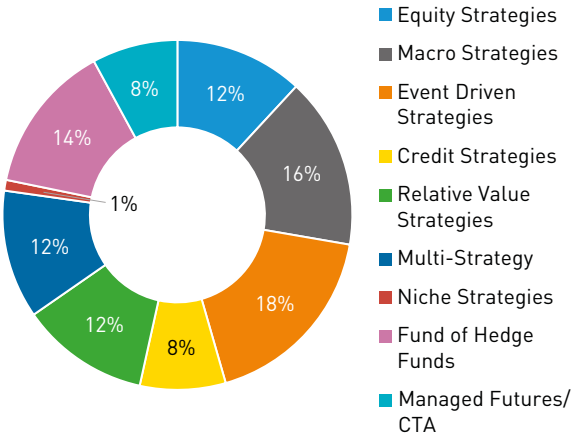
Source: Preqin Pro

Fig. 3.11: SWF Private Debt Fund Commitments by Fund Type (Vintages 2011-2020)



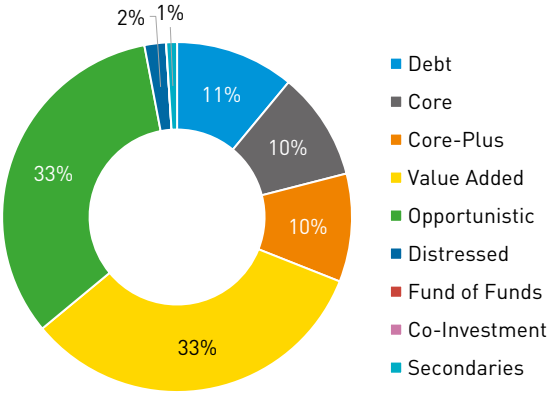
Source: Preqin Pro

Fig. 3.12: SWF Hedge Fund Commitments by Top-Level Strategy (Vintages 2011-2020)



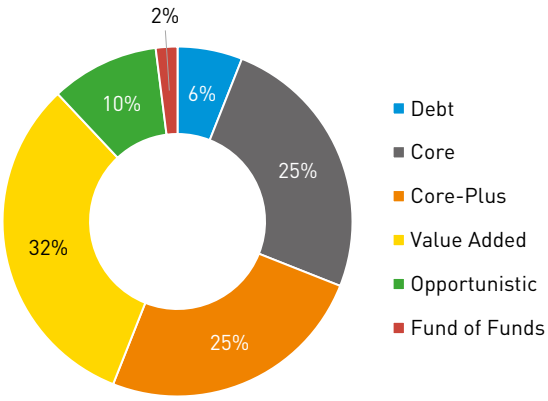
Source: Preqin Pro

Fig. 3.13: SWF Real Estate Commitments by Strategy (Vintages 2011-2020)



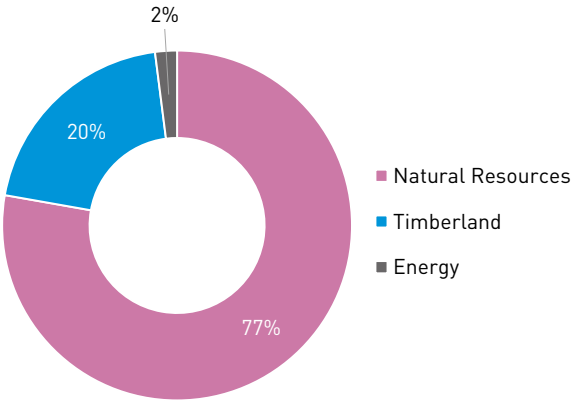
Source: Preqin Pro

Fig. 3.14: SWF Infrastructure Commitments by Strategy (Vintages 2011-2020)



Source: Preqin Pro

Fig. 3.15: SWF Natural Resources Commitments by Strategy (Vintages 2011-2020)



Source: Preqin Pro

best, out of date. Norway's GPFG, for example, has more than 500 executives from 38 countries and operates out of offices in Oslo, London, New York, Singapore, and Shanghai.[2] Even some smaller funds have a presence across the globe, such as Abu Dhabi's Mubadala, which has offices in London, Rio de Janeiro, Moscow, New York, San Francisco, and Beijing.[3]

SWFs' increasing professionalization and sophistication are undoubtedly factors in their outperformance over other types of alternatives investors in recent years, alongside an appetite for higher-return strategies. These capabilities also underpin a desire among some sovereign investors to get closer to the underlying assets, partly to reduce fees and partly to gain greater insight into operations and technologies.

Direct investments can expose SWFs, which are publicity shy at the best of times, to negative press. A deal was lined up in December 2019 for a Carlyle-led consortium, which included Singapore's GIC, to take a share of the American Express travel business. But the arrival of the pandemic led to Carlyle citing a "material adverse event" clause to back away.[4] The ensuing lawsuits were dropped after the parties reached a confidential agreement and agreed to cover their own legal fees. Deals failing to get over the line are, of course, not unusual in M&A, but exposure to the kind of publicity that accompanies aborted transactions is new ground for SWFs.

However, it is not all bad news. GIC and Carlyle have had success in the past, acquiring Akzo Nobel's Speciality Chemicals business in a €10bn ($12bn) deal in 2018. In other examples, ADIA worked with TPG Capital on a $1.2bn investment in UPL Corporation Limited in 2018, and in 2019 partnered with EQT Partners on a $11bn deal to acquire Galderma from Nestlé. The Russian Direct Investment Fund (RDIF) and China's CIC each invested $1bn in the Russia-China Investment Fund (RCIF) in 2011 specifically to target private equity opportunities "that advance bilateral economic cooperation between Russia and China."[5]

SWFs' Investment Performance

A more formal approach is that of Mubadala, the third-largest UAE SWF with $232bn in AUM. In September

Our investment in the Vision Fund will act as a platform to access a range of exciting, emerging opportunities in the technology sector, which will help enable the Public Investment Fund's role in supporting the Kingdom of Saudi Arabia's strategy to develop a diversified, knowledge-based economy.

Yasir Al-Rumayyan
Governor
Public Investment Fund

2020 it partnered with Silver Lake, a Silicon Valley-headquartered technology buyout firm.[6] The two inked a $2bn investment partnership deal spanning 25 years, breaking new ground not only for size and horizon, but also flexibility. The venture can invest across geographies and industries, as well as investment and capital structures, and across the spectrum of early- to later-stage opportunities. Mubadala also acquired a sub-10% stake in Silver Lake from investment group Neuberger Berman.

Mubadala is expanding the scope and scale of its partnerships, including one for a sustainable energy development with Schneider Electric[7]; and another for hydrogen development with Snam, an Italian energy infrastructure company.[8] Earlier this year the SWF launched a partnership with the UK Government which will invest £1bn (£800mn from Mubadala and £200mn from the UK) in UK life sciences.[9]

[2] *https://www.nbim.no/en/*
[3] *https://www.mubadala.com/en/who-we-are/about-the-company*
[4] *https://www.ft.com/content/caeb6f87-cdcb-4985-b613-8b1537a77c56*
[5] *http://rcif.com/en/anchor-investors.htm*
[6] *https://www.mubadala.com/en/news/silver-lake-and-mubadala-partner-establish-unique-long-term-investment-strategy*
[7] *https://www.mubadala.com/en/news/mubadala-and-schneider-electric-explore-collaborative-opportunities*
[8] *https://www.mubadala.com/en/news/mubadala-and-snam-sign-mou-explore-potential-opportunities-foster-hydrogen-development-uae*
[9] *https://www.mubadala.com/en/news/uae-and-uk-launch-sovereign-investment-partnership*

An alternative strategy is to encourage the assets to come closer to the fund. Saudi Arabia's PIF is looking to tempt companies to set up operations in the Kingdom, with a focus on the health sector, as well as companies within SoftBank's $99bn Vision Fund[10], in which PIF is the largest investor with a $45bn commitment. These initiatives form part of a drive to modernize the Saudi economy and reduce its dependency on oil, and will see the fund invest $40bn domestically each year to 2025. Some of PIF's deployments on home soil have drawn criticism, with some observers suggesting the huge scale of investment is crowding out rather than catalyzing private investment.[11]

Appetite for Risk

Examining SWF commitments across the various strategies within each asset class gives valuable insight into their risk appetite, deployment constraints, and overall approach to investment management.

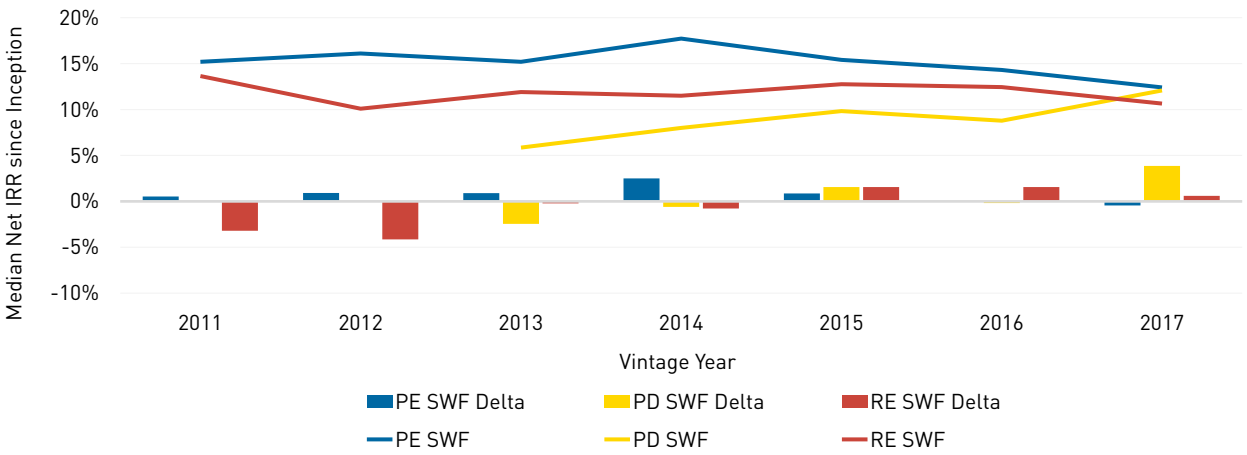
Starting with private equity, nearly half (45%) of known commitments are to buyout funds, 19% to growth funds, and 26% to venture capital strategies (Fig. 3.10). These proportions show an overweight position to these strategies relative to their AUM in the wider asset class, with buyouts accounting for 41% of PEVC AUM, growth 14%, and venture capital 23%. Just 3% of SWF commitments to PEVC are through funds of funds, which account for 12% of wider PEVC AUM, an indicator of the experience and expertise SWFs have in the asset class. Just looking at commitment counts will understate this effect, given the tendency for SWFs to have higher commitment sizes compared with other investors (Fig. 4.2, page 33).

[10] *https://www.ft.com/content/8bfb7adc-eacb-4a62-ab04-3ddc0fc5c741*
[11] *https://www.ft.com/content/8bfb7adc-eacb-4a62-ab04-3ddc0fc5c741*

ISIF's investments in the tech sector aim to support economic activity and employment in Ireland by adding to the existing tech and software ecosystem. Our investment in Stripe will deepen the company's roots in Ireland, as it adds an additional 1,000 jobs here, as well as help Stripe support more than 10,000 Irish businesses to grow their global presence.

Nick Ashmore
Director
Ireland Strategic Investment Fund

Fig. 3.16: Median Net IRRs of Funds Committed to by SWFs by Asset Class and Vintage Year



Source: Preqin Pro. Most Up-to-Date Data

Commitment data in real estate and infrastructure clearly shows a preference for higher-return, higher-risk strategies (Fig. 3.14). In infrastructure, SWF commitments to the lowest-risk debt strategies are only 6%, against these strategies' 13% share of AUM in the wider asset class. Further up the risk spectrum, SWF commitments to value-added and opportunistic strategies are 32% and 10% of their exposure to the asset class, respectively, against their 27% and 8% shares of asset class AUM. SWF commitments to core-plus and value added in real estate are at 10% and 33% respectively (Fig. 3.13), against their share of AUM at 7% and 27% – although exposure to opportunistic strategies is comparable with the wider market.

What is driving SWFs' high-risk preference? One factor could be that SWFs are using their alternatives allocations to boost overall portfolio returns. Another is simple pragmatism driven by the amount of capital SWFs have to deploy – it is not possible to invest a lot of capital in PEVC without considerable exposure to buyouts.

Another reason for high-risk appetites might be SWFs' sheer scale and ability to absorb higher-volatility returns than other types of investors, given their funding status. Further, their desire to invest in higher-risk prospects for the delivery of longer-term social outcomes to bolster economic growth could be a driver. They may be attempting to take risks that the market deems too pricy or large, such as with the growing appetite for governments to provide more early-stage finance to businesses in emerging industries and sectors, with the long-term goal of spurring economic development and a return to the productivity improvements seen in earlier decades.[12]

The Bottom Line for Alternatives

The trillion-dollar question is whether the preference for higher-risk strategies in some asset classes is paying off in terms of returns. Unsurprisingly, the picture is mixed. SWFs' return from private equity investments maintained a consistent premium above the wider asset class, averaging 0.8 percentage points (pp) for vintage years 2011 to 2017 (the most recent year for which returns data is meaningful) when measured by IRR.

Real estate, however, shows SWF returns were considerably below wider asset class returns in 2011 (-3.2 pp IRR) and 2012 (-4.1 pp IRR). More recently, the performance of SWF investments in real estate has improved, with average outperformance above the wider asset class of 0.5 pp IRR from 2013 to 2017. This may reflect SWFs' early preferences for trophy real estate assets that felt the corrections of the GFC more harshly than more diversified real estate portfolios.

Increasing professionalization and sophistication are undoubtedly factors in SWFs' outperformance in recent years, alongside an appetite for higher-return strategies. These capabilities also underpin a desire by some sovereign investors to get closer to the underlying assets, partly to reduce fees and partly to gain greater exposure to operations and technologies.

Alex Murray
VP, Research Insights
Preqin

Private debt results show a recent uptick in SWF investment returns, which were well above the asset class average in 2017. This may well be the source of the significant jump in target allocations for the asset class in 2019 to 10% (Fig. 3.4). However, this has fallen back to 5.2% in 2020, in part driven by concerns over defaults stemming from pandemic-induced economic disruption. SWFs are more likely going direct with their lending of late as they have been relied upon to support struggling, strategically important industries on their home turf (see page 17).

As SWFs catch up on their target allocations, they will of course look at past performance of funds but, more than any other investor type, will also place increasing weight on ESG credentials, given their social remit.

[12] *https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966131/UKIB_Policy_Design.pdf*

SWFS AND ESG

Not All Aspects of ESG Are Equal

As SWFs begin to see ESG as an opportunity rather than a challenge, there is disparity in the implementation of environmental, social, and governance policies

SWFs have always taken a long-term approach to investments. But while sustainability in the fundamental sense – the ability to continue over a period of time – is intrinsic to their investment decisions, as a group they have lagged behind other types of investor when it comes to implementing environmental, social, and governance (ESG) policies.

Just 19% of the 98 SWFs tracked by Preqin have a formal ESG policy at present (Fig. 5.1). However, in general terms it is the larger funds that are committed to ESG, with $4.24tn (54%) of the $7.84tn total SWF AUM managed by funds that have stated policies (Fig. 5.2).

It should also be noted that many SWFs have had *de facto* policies via funds in which they have invested. SWFs tend to allocate to larger funds because of their high minimum commitment levels, and larger funds are more likely to have ESG policies at the firm, fund, and asset level. Indeed, half of all SWF commitments to private capital funds in 2020 went to funds larger than $1bn, with 22% going to $5bn+ funds (Fig. 4.3).

Preqin analysis of ESG data by fund manager size finds that GPs in the top quartile by AUM have significantly better transparency scores at the firm (41%), portfolio (26%), and asset (22%) levels than managers in the second AUM quartile (28% at firm level, 15% at portfolio, and 12% at asset), which in turn score better than managers in the bottom two AUM quartiles.[1]

More SWFs are expected to embed ESG criteria into their operations and investment decisions over the next few years, with climate change a particular driver. A 2020 survey of 139 sovereign investors and central bank reserve managers by Invesco found that 83% believe that climate change requires immediate action, and just 3% say it does not.[2] Crucially, more respondents in the two largest regions for SWFs in Invesco's survey, Asia (88%) and the Middle East (77%), believed their own region would be disproportionately affected by climate change compared with those in the West (33%).

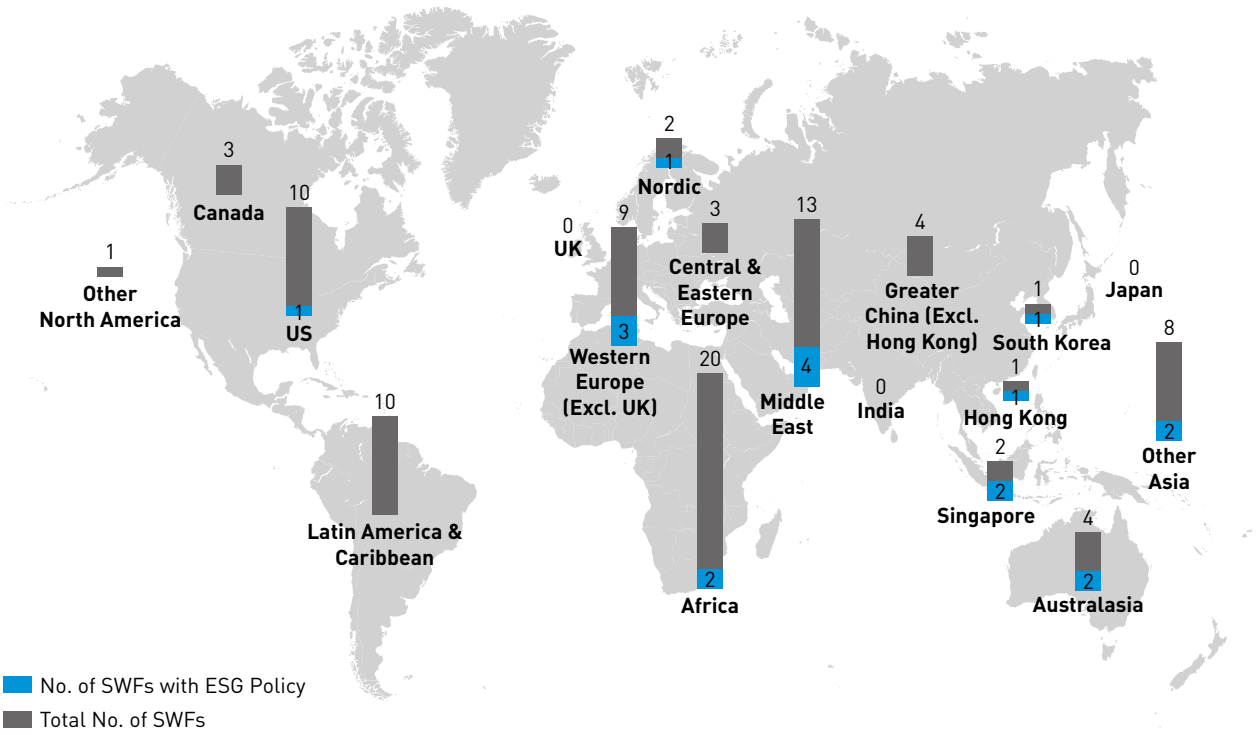
Though slow on the uptake, SWFs are now taking ESG seriously. In 2017, six funds – ADIA, Kuwait Investment Authority (KIA), New Zealand Superannuation Fund

Responsible investment management is enshrined in our mandate. This requires us to make active choices. Active management is therefore a key part of the fund. We use our voting rights to elect the best board. We have a close dialogue with the management of the world's largest companies, and it means that they listen to us.

Nikolai Tangen
CEO
Norges Bank Investment Management

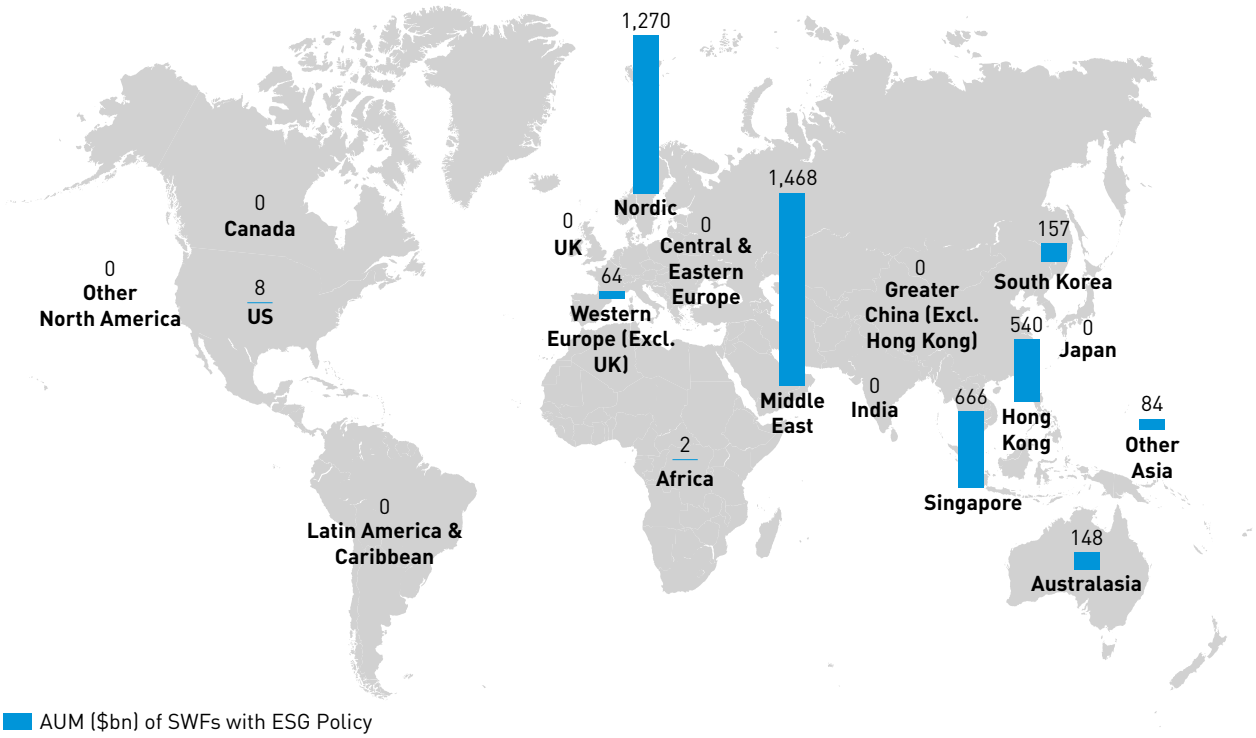
[1] *https://www.preqin.com/insights/research/blogs/why-esg-transparency-is-easier-for-larger-managers*
[2] *https://www.invesco.com/content/dam/invesco/igsams/en/docs/Invesco-Global-Sovereign-Asset-Management-Study-2020-Global.pdf*

Fig. 4.1: Number of SWFs with an ESG Policy by Region



Source: Preqin Pro. Data as of January 2021

Fig. 4.2: Assets under Management of SWFs with an ESG Policy by Region



Source: Preqin Pro. Data as of January 2021

(NZSF), GPFG, PIF, and Qatar Investment Authority (QIA) – established a Sovereign Wealth Funds Working Group as part of the One Planet Summit.[3] They have since signed up nine more funds from countries including Ireland, France, Italy, Spain, Kazakhstan, the UAE, India, South Korea, and Senegal.

Europe is the clear leader on ESG across alternatives as a whole, driven by EU-wide regulations. Preqin data shows that 80% of private capital AUM in Europe is managed under ESG commitment, compared with 47% in North America, 39% in the Middle East, and just 24% in Asia. Given the nascency of ESG, legal frameworks offer guidelines to these new and unchartered terrains. The varying levels of disclosure obligations laid out by the EU's new Sustainable Finance Disclosure Regulation (SFDR) highlight the level of granularity across firms, funds, and assets that the region is aiming to achieve, and its level of commitment.[4]

Unsurprisingly, the largest SWF in terms of both total AUM and ESG-committed AUM is Norway's GPFG, which accounts for $1.27tn of the $7.84tn currently managed by all SWFs globally (see page 9). Very often with ESG, fund managers take the lead from investors who are demanding better transparency and monitoring.

Nicolai Tangen, who took over as CEO of NBIM last year, has put ESG front and center and increased the pace of divestments for ESG reasons, with the aim to "use risk in a more clever way."[5] The fund had already sold out of 42 companies in 2019, mostly for using or producing coal, but also for breaching its expectations on human rights, anti-corruption, and other ESG standards. Tangen said he wanted that number to increase and in 2020 the fund reduced its proportion of equity holdings in oil & gas and basic materials from 9.9% to 7.4%.[6]

It Started with a G

The Nordics are known for their ESG policies and have long had an emphasis on governance. Governance can take various forms, such as incentivization and alignment of interests, board composition, and oversight. The fundamental principle of Nordic corporate governance is to provide the shareholder majority with strong powers to control the company, while giving minority shareholders effective protection against abuse of power by the majority.[7] The system thus affords dominant shareholders the motivation and tools to act as engaged owners and take long-term responsibility for the company. It is likely that, since governance is the most straightforward and economical of the three aspects to implement, those who are new to ESG will tackle it first.

Investor demands have been crucial to the adoption of ESG policies at alternative fund managers. SWFs can leverage their immense buying power to demand best-practice reporting at the firm, fund, and portfolio levels. ESG investing is at a critical juncture as investors look to turn good intentions into deliverable actions.

Bob Vickers
Sustainability Solutions
Preqin

Despite being a mature market within alternative assets, North American SWFs have been slow to take to ESG. Only one of the 14 SWFs in the region has a policy, the North Dakota Legacy Fund. The shortfall is not for lack of interest, at least not among the general public. A survey by asset manager Schroders shows 61% of Americans agree investment funds should consider sustainability factors.[8] Still, only 15% say they put money in sustainably themed investments, while companies

[3] *https://oneplanetswfs.org/*

[4] *https://www.bakermckenzie.com/en/insight/publications/2020/11/eu-sustainable-finance-disclosure-regulation*

[5] *https://www.ft.com/content/39e5f806-1797-4b6a-8961-e223dbb53722*

[6] *https://www.nbim.no/contentassets/3d447c795db84a18b54df8dd87d3b60e/spu_annual_report_2019_en_web.pdf ; https://www.nbim.no/contentassets/fd871d2a4e2d4c1ab9d3d66c98fa6ba1/annual-report-2020_government-pension-fund-global_web.pdf*

[7] *https://scholarship.law.columbia.edu/faculty_scholarship/1895*

[8] *https://www.businesswire.com/news/home/20190917005774/en/Schroders%E2%80%99-Global-Investor-Study-Finds-that-US-Investors%E2%80%99-Ambitions-Fail-to-Reflect-Their-Actions-within-Sustainable-Investments*

are worried about a backlash from shareholders, the possibility of lower returns, and a regulatory environment that has been less than supportive.

And Became an E

Environmental investment has been the highest-profile component of ESG for most of the past two decades. It initially gained traction through biofuels in the mid-2000s, but the GFC shifted the focus to survival, and environmental issues all but dropped off the radar for many in alternative assets. Since then, initiatives like the 2016 Paris Agreement under the UN Framework Convention on Climate Change have helped to slowly bring the E back into focus.

Legislation, emissions reduction targets, technological improvements in electrification and batteries, and COVID-19 have all come together to not only focus attention, but also to create potential for real and meaningful change. Moves to ramp up climate-related strategies seem genuine this time around. In a recent IFSWF report, 88% of surveyed SWFs claimed to take climate change into account in their investment processes in some way, though multi-asset and whole-portfolio approaches are still only adopted by a minority of investors.[9]

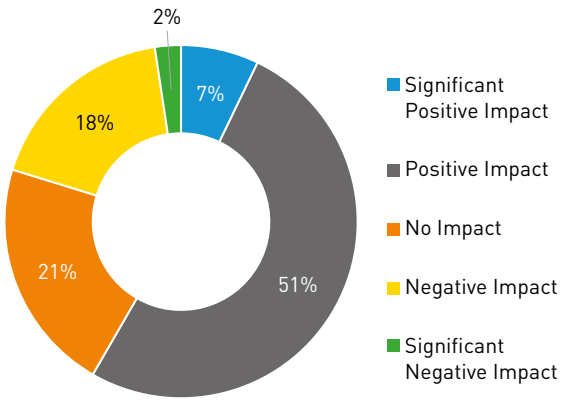
But We're Still Waiting for the S

The last evolution is usually a step in the direction of social impact. This is perhaps the hardest to implement independently, as many social measures are combined with environmental efforts. But over the past year a number of sovereigns have embraced a social role in their country's pandemic response.

Temasek Foundation, for example, has been working with multiple partners to provide support in and outside Singapore in response to COVID-19.[10] In Singapore it has orchestrated and financed the distribution of face masks, while outside Temasek has contributed Personal Protection Equipment (PPE), oxygen concentrators, ventilators, and diagnostics kits to healthcare partners in some 40 countries.

There is a widespread and growing belief among SWFs that consideration of ESG factors is a source of long-term value creation. Front runners will make the most headway when it comes to navigating ESG, shaping the learning curve and forging a path for other SWFs to follow. More importantly, they will also be taking

Fig. 4.3: Investor Views on How ESG Policies Impact Returns



Source: Preqin Future of Alternatives Survey, November 2020

As a large and long-term investor in Ireland, the fund has a duty to actively contribute to the sustainability of the Irish economy for future generations and to encourage others to do the same. We want to achieve better risk-adjusted returns from market exposures by removing inefficiency and costs associated with poor management of ESG issues.

Nick Ashmore
Director
Ireland Strategic Investment Fund

[9] *https://www.ifswf.org/general-news/sovereign-wealth-funds-report-material-action-climate-change*

[10] *https://www.temasek.com.sg/en/news-and-views/news-room/news/2021/one-free-reusable-hi-tech-mask-for-each-singapore-resident*

advantage of the inherent risk management qualities that have shown to help, rather than hinder, returns.

In a survey by Preqin conducted in late 2020, a majority of alternatives investors saw ESG as having a positive (51%) or significant positive (7%) impact on returns, compared with 21% seeing no impact and 20% a negative or significantly negative impact (Fig. 4.3).

As we have seen across alternative assets, the new challenges for SWFs in ESG lie in implementing quality frameworks for each aspect, tracking and measurement, and resource capacity. Integration of ESG into the investment process will be a long and sometimes challenging journey, but SWFs are at least taking the first steps.

Sovereign investors know that their future and the future of their economies – even oil economies – are very much tied to developing clean food, clean technology, and clean energy. As a result, access to people and portfolio companies in areas such as clean energy and sustainable processes are important considerations.

Edwin Wong
Partner, Funds Group
Baker McKenzie

NEW FUNDS

The Bigger, Wider World of SWFs

Since the turn of the millennium, SWFs have expanded beyond their origins in oil-rich and export-driven economies, becoming an important element of states' plans to deliver long-term prosperity

It is 167 years since the Texas Legislature appropriated $2m to establish the Texas Permanent School Fund (PSF), now considered the world's oldest SWF. The fund was established with just $61mn of capital (adjusted for inflation) which has grown via investments, and some income from state land sales, to $22bn today.

Notwithstanding PSF, SWFs as we now know them are a relatively new phenomenon – there are just four funds operational today that were in existence in 1970. The 1970s saw the establishment of seven funds, including Saudi Arabia's PIF, Singapore's Temasek, and Abu Dhabi's ADIA (Fig. 5.1).

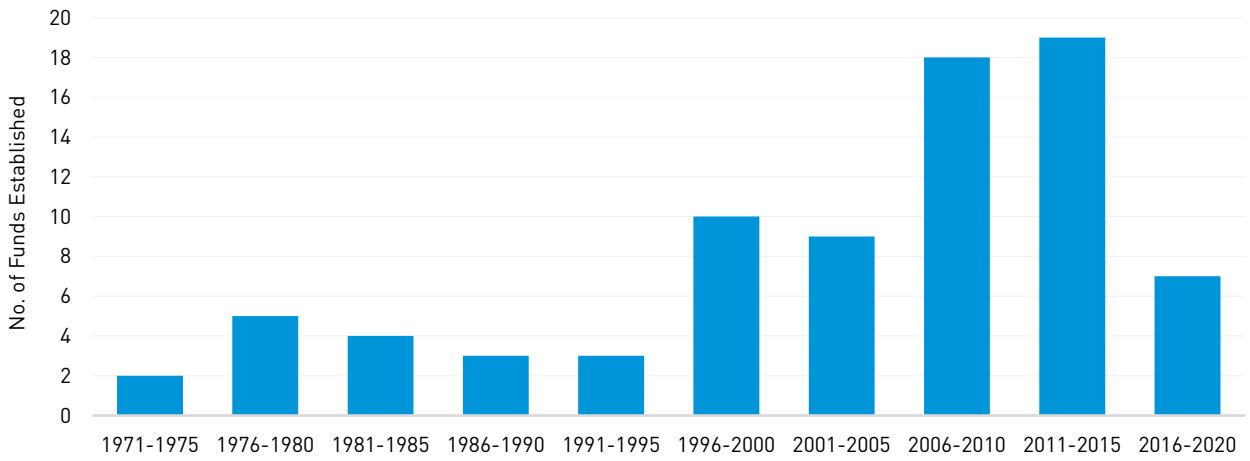
By the turn of the millennium, SWFs were starting to get noticed, often following high-profile acquisitions of landmark properties. In the alternatives world, large private equity funds were finding that SWFs, with a long-term investment horizon and appetite for opportunities further up the risk spectrum, were an ideal source of capital.

The pace of establishment sped up and 27 funds were set up in the 2000s (in addition to the six established in the millennium year), as far afield as Equatorial Guinea, New Zealand, China, Qatar, the UAE, Libya, Algeria, Russia, Finland, Canada, the US, Algeria, Venezuela, and Brazil. The past decade has been characterized by the establishment of funds in some of the world's least developed and, in some cases, troubled countries, such as Rwanda and South Sudan, as well as in the most developed economies of the US, Italy, Germany, and Luxembourg (Fig. 5.2).

Countries with established SWFs have also been adding new funds and strategies to the mix. The UAE, already home to the near-$600bn ADIA, has set up the Investment Corporation of Dubai (2006), the Emirates Investment Authority (2007), Sharjah Asset Management (2008), Mubadala Investment Company (2017), and the Abu Dhabi Investment Office (2018).

The idea of sovereign funds is firmly established. Many governments – and some of their citizens – look enviously at Norway, which is home to one of the world's

Fig. 5.1: Establishment of New SWFs



Source: Preqin Pro

most generous retirement systems. A combination of minimum state pensions, compulsory occupational schemes, and income underscored by its SWF, GPFG, delivered an average pension income in 2016 of $65,000, according to the OECD.[1]

SWFs have, by and large, delivered on their long-term objectives. The pace of establishment of new funds will likely be slower over the next decade, for the simple reason that many countries now have a fund. But for governments looking to demonstrate that they are planning and preparing for a prosperous future for their citizens, a sovereign fund ticks many boxes.

[1] *https://www.oecd.org/els/public-pensions/PAG2017-country-profile-Norway.pdf*

Fig. 5.2: List of All SWFs Established since 2010

Sovereign Wealth Fund	Year Established	Country
Oman Investment Authority	2020	Oman
Misr Fund	2019	Egypt
Abu Dhabi Investment Office	2018	United Arab Emirates
The Sovereign Fund of Egypt	2018	Egypt
Kenfo	2017	Germany
Mubadala Investment Company	2017	United Arab Emirates
Turkey Wealth Fund	2016	Turkey
Ghana Infrastructure Investment Fund	2014	Ghana
Ireland Strategic Investment Fund	2014	Ireland
Sovereign Intergenerational Fund of Luxembourg	2014	Luxembourg
Bayelsa Development and Investment Corporation	2012	Nigeria
Fondo de Ahorro de Panamá	2012	Panama
Fundo Soberano de Angola	2012	Angola
National Investment Corporation	2012	Kazakhstan
Nigeria Sovereign Investment Authority	2012	Nigeria
Oil Revenue Stabilization Account	2012	South Sudan
Sovereign Fund for Strategic Investments	2012	Senegal
Western Australian Future Fund	2012	Australia
Agaciro Development Fund	2011	Rwanda
CDP Equity	2011	Italy
Fondo de Ahorro y Estabilización	2011	Colombia
Ghana Heritage Fund	2011	Ghana
Ghana Stabilization Fund	2011	Ghana
Hellenic Republic Asset Development Fund	2011	Greece
Ithmar Capital	2011	Morocco
National Development Fund of Iran	2011	Iran
North Dakota Legacy Fund	2010	US
States of Jersey Common Investment Fund	2010	Jersey

Source: Preqin Pro

Inside the Funds

Fig. 6.1: Europe

Fund Name	AUM ($bn)	Established	Country	Offices	Regions Invested In	Alternatives Invested In
Government Pension Fund Global	1,273.8	1990	Norway	Oslo, London, New York, Singapore, Shanghai, Tokyo (RE), Luxembourg (RE)	Africa, Asia, Europe, International, Latin America, Middle East, North America, Oceania	PE RE INF NR
Bpifrance	41.4	1980	France	Ile-de-France, Brussels	France (regional and national)	PE PD VC
Österreichische Beteiligungs	25.1	1967	Austria	Vienna	Austria	PE RE
Kenfo	14.0	2017	Germany	Berlin	USA, Great Britain, Germany, France, Sweden, Japan, Switzerland, Hong Kong, Belgium, Canada, Luxembourg (and others)	PE PD RE INF NR VC
Ireland Strategic Investment Fund	10.4	2014	Ireland	Dublin	Ireland, global	PE PD HF RE INF NR VC
Solidium	7.8	2008	Finland	Helsinki		
States of Jersey Common Investment Fund	4.2	2010	Jersey	St Helier	Jersey, UK	PE PD HF RE INF NR
CDP Equity	3.5	-	Italy	Milan	Italy	PE PD RE INF NR VC
Société Régionale d'Investissement de Wallonie	3.0	1979	Belgium	Liège	Wallonia (Belgium)	PE PD VC
Hellenic Republic Asset Development Fund	0.2	2011	Greece	Athens	Greece	PE RE INF NR

Source: Preqin Pro

Fig. 6.2: Asia-Pacific

Fund Name	AUM ($bn)	Established	Country	Offices	Regions Invested In	Alternatives Invested In
National Social Security Fund - China	301.9	2000	China	Beijing		PE RE INF NR VC
Turkey Wealth Fund	245.3	2016	Turkey	Istanbul, Ankara	Turkey	RE INF NR
Temasek Holdings	212.4	1974	Singapore	Singapore, São Paulo, Beijing (2), Shanghai, Mumbai, Mexico, London, New York, San Francisco, Washington, Hanoi	Singapore, China, North America, Asia, Europe, Australia, New Zealand, Africa, Middle East, Latin America	PE PD HF RE INF NR VC
Korea Investment Corporation	157.3	2005	South Korea	Seoul, Singapore, London, New York, San Francisco	North America, Europe, Australia, New Zealand, Latin America, Asia, Middle East, Africa	PE PD HF RE INF NR VC
Future Fund	131.1	2006	Australia	Melbourne	Australia, Emerging Markets, Developed Markets	PE PD HF RE INF NR VC
National Wealth Fund	86.9	2008	Russia	Moscow	Austria, Belgium, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Spain, Sweden, UK, USA	INF NR
National Fund of the Republic of Kazakhstan	65.5	2000	Kazakhstan	Almaty		INF NR
Samruk-Kazyna National Welfare Fund	64.1	2008	Kazakhstan	Nur-Sultan		RE INF NR
Brunei Investment Agency	50.0	1983	Brunei	Bandar Seri Begawan		PE PD HF RE INF NR VC
State Oil Fund of the Republic of Azerbaijan	43.6	1999	Azerbaijan	Baku		PE PD RE INF NR VC
New Zealand Superannuation Fund	31.1	2001	New Zealand	Auckland	New Zealand, Global	PE PD HF RE INF NR VC
Khazanah Nasional Berhad	20.2	1993	Malaysia	Kuala Lumpur, Shanghai, Mumbai, Istanbul, San Francisco		PE PD RE INF NR VC
Timor-Leste Petroleum Fund	19.0	2005	Timor-Leste	Dili		PE RE INF NR
State Capital Investment Corporation	4.3	2005	Vietnam	Hanoi, Da Nang, Ho Chi Minh City		PE INF NR
National Investment Corporation	1.0	2012	Kazakhstan	Nur-Sultan	Global	PE PD HF RE INF NR VC
Western Australia Future Fund	0.9	2012	Australia	Perth		
Revenue Equalization Reserve Fund	0.7	1956	Kiribati	Tarawa		
National Financial Stabilization Fund	0.1	2000	Taiwan - China	Taipei		
Zamrud Sovereign Wealth Fund	-	-	Brunei			

Source: Preqin Pro

Fig. 6.3: Americas

Fund Name	AUM ($bn)	Established	Country	Offices	Regions Invested In	Alternatives Invested In
Venezuelan National Development Fund	15.0	2005	Venezuela	Caracas		RE INF
Alberta Heritage Savings Trust Fund	13.4	1976	Canada	Edmonton	Canada, Global Developed, Emerging Markets, Frontier Markets	PE PD HF RE INF NR VC
Economic and Social Stabilization Fund	12.2	2007	Chile	Santiago		
Pension Reserve Fund	10.0	2006	Chile	Santiago		
Quebec's Generations Fund	8.9	2006	Canada	Québec City		PE INF
North Dakota Legacy Fund	7.9	2010	US	Bismarck	USA, Global	PE PD HF RE INF NR VC
Texas Permanent School Fund General Land Office	7.7	1854	US	Austin		RE INF NR
Peru Fiscal Stabilization Fund	6.4	1999	Peru	Lima		
Heritage and Stabilisation Fund	6.0	2007	Trinidad and Tobago	Port of Spain		
Fondo Mexicano Del Petroleo	5.8	2000	Mexico	Mexico City		
Alabama Trust Fund	3.7		US	Montgomery		HF RE
Fondo de Ahorro y Estabilización	3.1	2011	Colombia	Bogota		
Fondo de Ahorro de Panamá	1.5	2012	Panama	Panama City		PE PD VC
The Kevin P. Reilly Sr. Louisiana Education Quality Trust Fund	1.4	1986	US	Baton Rouge		
Little Red River Cree Nation Sovereign Wealth Fund	0.2	-	Canada	Alberta	Canada	RE INF NR
Fundo Soberano do Brasil	-	2008	Brazil	Brasília		
National Oil Account	-	2004	Sao Tome and Principe	São Tomé		
Procific	-	-	Cayman Islands	Grand Cayman		PE VC
Southern Ute Indian Tribe Growth Fund	-	2000	US	Ignacio	North America, Europe	PE PD RE INF NR VC
West Virginia Future Fund	-	-	US	Charleston	North America	NR

Source: Preqin Pro

Fig. 6.4: Rest of World

Fund Name	AUM ($bn)	Established	Country	Offices	Regions Invested In	Alternatives Invested In
Abu Dhabi Investment Authority	579.6	1967	United Arab Emirates	Tel Aviv, New York, San Francisco, Frankfurt, London, Paris, Beijing, Seoul	Europe, Americas, Asia	PE PD HF RE INF NR VC
Kuwait Investment Authority	533.7	1953	Kuwait	Safat, Shanghai, London	Europe, Americas, Asia, Middle East, North Africa	PE PD HF RE INF NR VC
Public Investment Fund	360.0	1971	Saudi Arabia	Riyadh	Saudi Arabia, North America, Europe, Asia, Latin America, Africa	PE PD HF RE INF NR VC
Qatar Investment Authority	328.0	2005	Qatar	Doha, Mumbai, Lusail, New York (QIA Advisory)	Qatar, Global	PE HF RE INF NR VC
Investment Corporation of Dubai	301.6	2006	United Arab Emirates	Dubai	North America, South America, Europe, Africa, Asia, Australia	PE RE NR VC
Mubadala Investment Company	232.0	1984	United Arab Emirates	Abu Dhabi, Rio De Janeiro, Moscow, London, Oakland, Portland, San Francisco, New York	North America, Latin America, Europe, Middle East, North Africa, United Arab Emirates, Asia, Australia	PE PD HF RE INF NR VC
National Development Fund of Iran	68.0	2011	Iran	Tehran		INF NR
Libyan Investment Authority	67.0	2006	Libya	Tripoli	Africa, Europe, North America	PE PD HF RE INF NR VC
Emirates Investment Authority	45.0	2007	United Arab Emirates	Abu Dhabi	Europe, Middle East, North Africa, Americas, Asia, Australia, UAE	PE PD HF RE INF NR VC
Bahrain Mumtalakat Holding Company	18.8	2006	Bahrain	Bahrain	Middle East, North Africa, Europe, North America	PE PD HF RE INF NR VC
Oman Investment Authority	17.7	2020	Oman	Muscat	North America, South America, Europe, Africa, Asia, Australia	PE PD RE INF NR VC
Misr Fund	12.0	2019	Egypt	Cairo		PE
Revenue Regulation Fund	7.6	2000	Algeria	Algiers		
Pula Fund	7.3	1994	Botswana	Gaborone		
Fundo Soberano de Angola	5.0	2012	Angola	Luanda	North America, South America, Europe, Africa, Asia, Oceania	PE PD HF RE INF NR VC
Sovereign Fund for Strategic Investments	5.0	2012	Senegal	Dakar		RE INF NR
Nigeria Sovereign Investment Authority	2.2	2012	Nigeria	Abuja	Nigeria, Developed Markets, Emerging Markets, Frontier Markets	PE PD HF RE INF NR VC
Gabonese Fund for Strategic Investments	1.8	-	Gabon	Liberville	Gabon	PE RE INF NR VC
Palestine Investment Fund	1.0	2003	Palestine	Ramallah, Amman	Palestine	PE RE INF NR VC

Fund Name	AUM ($bn)	Established	Country	Offices	Regions Invested In	Alternatives Invested In
Ghana Heritage Fund	0.5	2011	Ghana	Accra		
Ghana Infrastructure Investment Fund	0.3	2014	Ghana	Accra	Ghana	INF NR
Ghana Stabilization Fund	0.3	2011	Ghana	Accra		
Agaciro Development Fund	0.2	2012	Rwanda	Kigali	Rwanda	RE
Equatorial Guinea Fund for Future Generations	0.2	2002	Equatorial Guinea	Malabo		NR
Ithmar Capital	0.2	2011	Morocco	Rabat	Morocco	INF NR
Oil Revenue Stabilization Account	0.2	2012	South Sudan	Juba		
Bayelsa Development and Investment Corporation	0.1	2012	Nigeria	Kpansia		
National Fund for Hydrocarbon Reserves	0.1	2006	Mauritania	Nouakchott		
Abu Dhabi Investment Office	-	-	United Arab Emirates	Abu Dhabi, Tel Aviv, New York, San Francisco, Frankfurt, London, Paris, Beijing, Seoul		PE INF VC
Minerals Development Fund of Namibia	-	1996	Namibia	Windhoek		PE NR VC
Sharjah Asset Management	-	2008	United Arab Emirates	Sharjah, Singapore		PE PD RE INF NR
The Sovereign Fund of Egypt	-	2018	Egypt	Cairo	Egypt	PE

Source: Preqin Pro

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