Global SWF Times

July 1st-31th 2021

- *Investments:* Most active month so far in 2021, with 84 transactions
  - Largest deal: a US$ 3.6bn financing round of India's Flipkart with the participation of **ADQ**, **CPP**, **GIC**, **Khazanah** and **QIA**
  - Brookfield raised US$ 7bn from **OTPP**, **Temasek**, **PSP** and **IMCO** among others, for an impact fund to help reduce carbon footprints
  - **GIC** & **CPP** are once again the most active funds, with US$ 3bn+
  - Venture Capital is set to break records in terms of value & volume
- *Reporting:* A number of SOIs closing in March / June issued results:
  - In Asia, **GPIF** grew a 25.2%, **GIC** a 37.5% and **Temasek** a 24.5%
  - In America, **NYSCRF** a 33.6%, **CalPERS** a 21.3%, **CPP** a 20.4%
- *Footprint:* Funds are restructuring their offices overseas:
  - **AustralianSuper** is about to boost its presence in London & NYC
  - **BCI** will be adding PE to its QuadReal teams in New York in 2022
  - **QIA** has replaced Mumbai and Beijing for a new hub in Singapore
  - **Temasek** opened offices in Brussels (#13) and Shenzhen (#14)
- *Lending privately:* Private Credit continues to be popular among funds
  - **GIC** keeps growing its credit teams in London and New York
  - **QIC** appointed three new PD members in New York and Brisbane
- *Expect delays:* Israel **Citizen's Fund**, sourced from taxes on O&G is not expected to launch until 2022, when it will reach US$ 305 million.
- *Clean slate:* **Agaciro** appointed a new Board and is changing its strategy after it stopped receiving capital from the Rwandan diaspora.
- *High-flying jobs:* there continues to be rotation of CEOs and CIOs:
  - In America, **CalPERS** has resumed its search for a new CIO, and **ND RIO** is seeking a replacement for CIO Dave Hunter
  - In Africa, Gabon's **FGIS** is looking for a CIO for the VC division and South Africa's **PIC** is looking for a Head of Real Estate
  - In Australia, the CEOs of **AustralianSuper** and **QIC** have both announced their intention to retire by the end of 2021

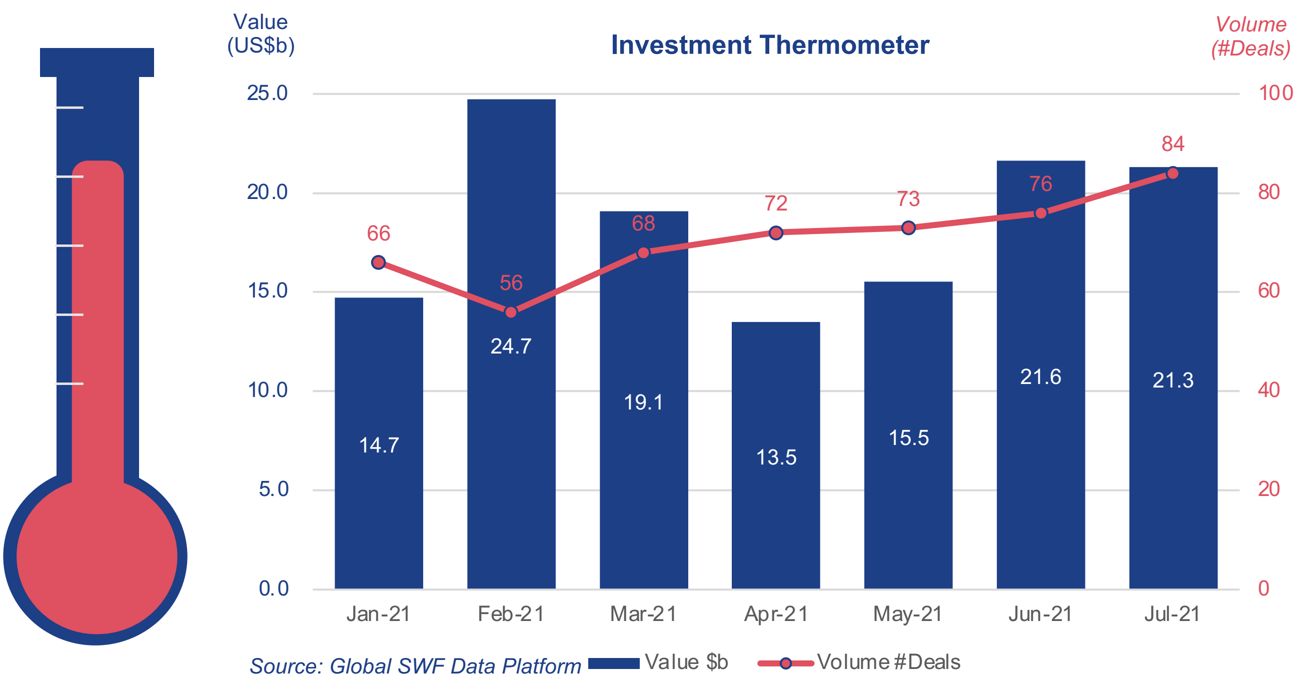
Most active SOIs in Jul'21

Fund	#Deals	Value ($b)
GIC	13	3.4
CPP	11	3.1
Temasek	17	2.3
OMERS	3	1.8
OTPP	3	1.6
Mubadala	5	1.3
AuSuper	2	1.0
PIF	4	0.9
NPS	1	0.9
DW	1	0.9
Others	24	4.1
Total Jul'21	**84**	**21.3**

Appointments at SOIs in Jul'21

Fund	Position/s
ADIC	Chief Strategist
Agaciro	Board of Directors
AIMCo	CEO, Head Public Equities
APG	Managing Director
FutureFund	Deputy CIO, Port Strategy
GIC	MD Technology & Data
Khazanah	Managing Director
NZ Super	Head Asset Allocation
QIA	Singapore-based team
QIC	Private Debt team
PIF	Co-Head MENA Invest.
Temasek	MD, Tech Investments

Source: https://globalswf.com/activity



Source: Global SWF Data Platform

In depth analysis: Sovereign Wealth Funds in times of Pandemic

Since the start of the pandemic, media and experts have tried to explain how SWFs have been of help to their governments. However, no analysis is complete without differentiating the funds by mandate, accountability and investment constraints. SWFs are indeed a heterogenous bunch: from the ones that are forbidden from investing domestically but are accountable through withdrawals; to the ones that can only invest at home regardless of any pandemic; and everything in between.

SWFs that can be asked for capital		SWFs that can be asked to invest domestically	
Funds that invest abroad only	*Funds that invest both abroad and at home ("mixed-mandate")*		*Funds that invest at home only*

Funds that invest abroad only (can be asked for capital)

ADIA	GIC
BIA	GPF
CADF	HSF
ESSF-PRF	KIC
FAP	NBIM
FEIP-FMP	TLPF

Funds that invest both abroad and at home ("mixed-mandate")

Can be asked for capital and to invest domestically:

FSDEA	NSIA
Khazanah	OIA
KIA	QIA
NDFI	Temasek

Can be asked for capital:

APFC
HKMA
NOF
NWF
Pula Fund
SAFE
SOFAZ

Can be asked to invest domestically:

ADQ	LIA
BMHC	MIC
CIC	NSSF
DPW	NZSF
FF	PIF
ICD	

Funds that invest at home only (can be asked to invest domestically)

Agaciro	ISIF
Bpifrance	Ithmar
CDP Eq	NIIF
COFIDES	PIF.PS
DH	RDIF
EIA	Samruk
FGIS	SCIC
FONSIS	TSFE
INA	TWF

Source: Global SWF

As we analyzed in our 2021 Annual Report, Governments have withdrawn US$ 192 billion from their SWFs since March 2021. The most significant calls in absolute terms were experienced by Norway's **NBIM** (US$ 19.1 billion), by Abu Dhabi's **ADIA** (estimated at US$ 24.0 billion) and by Singapore's **GIC** (US$ 40.1 billion). These three funds could not be more different but have something in common: they are forbidden from investing domestically, and are therefore only accountable "via dividends".

At the other end of the spectrum we have those funds whose main mission is to manage stakes in national champions, to invest in domestic companies for their local or international expansion, and/or to attract further investment into their country. Indonesia's **INA** and Djibouti's **FSD** were established in 2020 and are part of this group – but do not get mistaken: funds of this type existed well before the Covid-19 pandemic and should be not be considered a shift in SWF domestic investment trends.

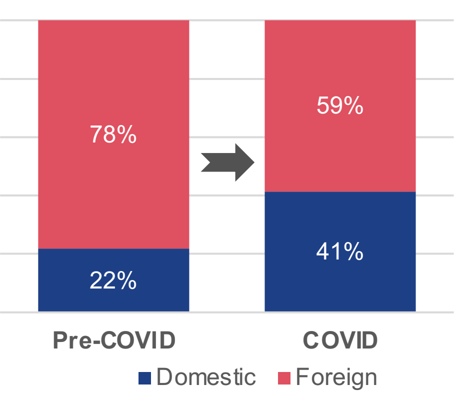
The remaining group is comprised by funds that can invest both abroad and at home, and is the most relevant for this analysis. Funds such as Kuwait's **KIA**, Nigeria's **NSIA** and Malaysia's **Khazanah** have both been asked for capital and been invited to invest in national companies. Others, like the stabilization funds or central banks' sub-accounts, are accountable via dividends but are not asked for investments. A third sub-group of funds led by Australia's **Future Fund**, Saudi Arabia's **PIF** and UAE's **Mubadala** have significant domestic portfolios but are not normally asked for dividends (even if technically they could).

Global SWF has analyzed the investment activity of the mixed-mandate funds both pre-Covid (January 2017 to March 2021) and from the outbreak of the pandemic (since March 2021). The results are extraordinary: funds are investing almost double as much (41% vs 22%) at home as they used to before the crisis, in terms of value.

Part of this effort has been dedicated to airlines, including Qatar Airways (**QIA**), Aeroflot (**NWF**) and Malaysian Airlines (**Khazanah**). Kuwait decided to sell its last performing assets to its Sovereign Wealth Fund to help bridge its yawning budget deficit. And Saudi Arabia's **PIF** continued to be a significant domestic player with investments like ACWA and the Red Sea Terminal.

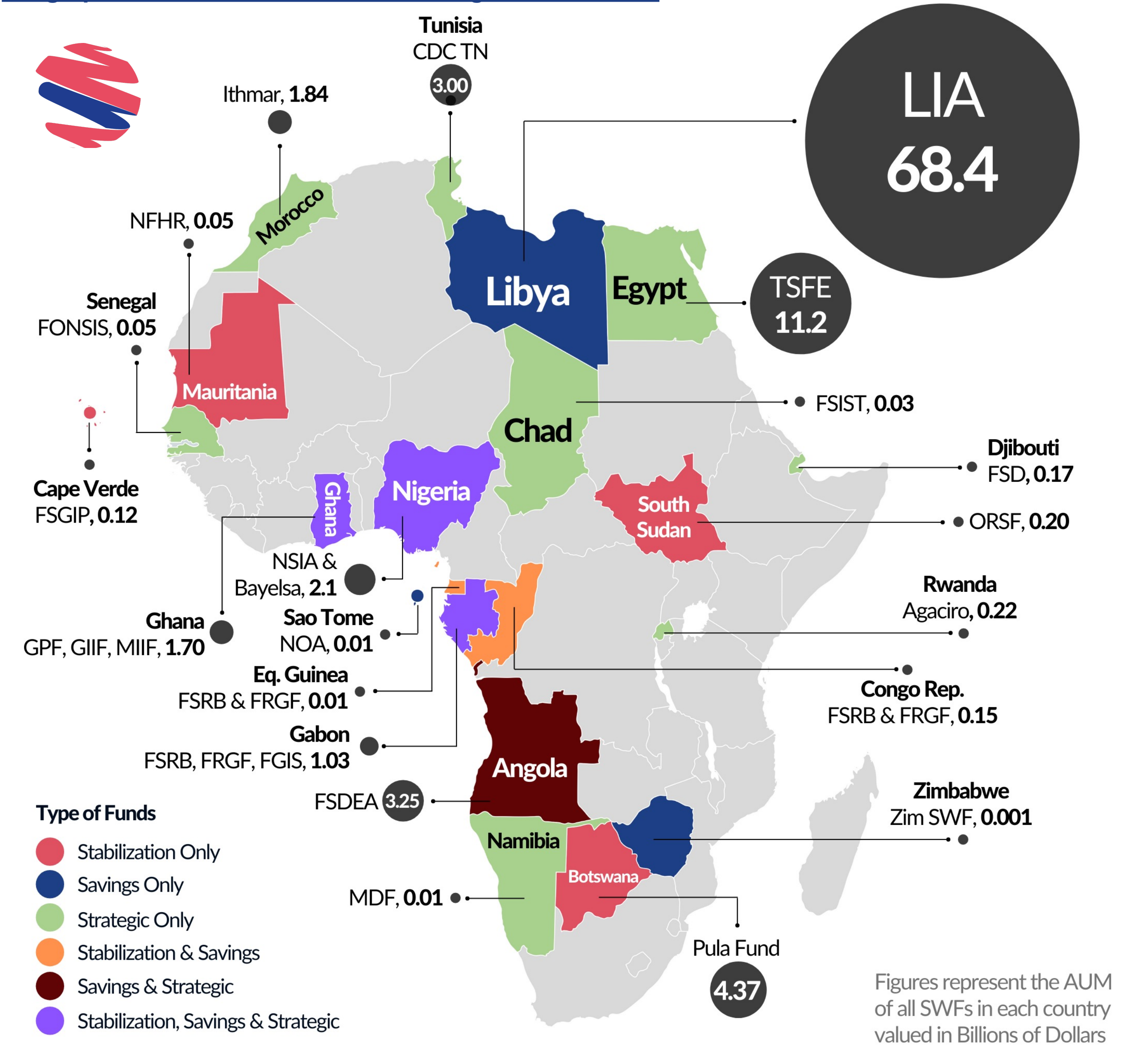
High levels of activity in domestic economies are likely to continue. However, we expect to see funds moving from "imposed investments" into "opportunistic deals" as economies recover to normal levels at the end of 2021 and 2022. Only those funds allowed to invest everywhere will be able to assess prospects on the same scale and to cherry pick the bargains.

Mixed-mandate funds



Source: Global SWF Data Platform

Infographic of the Month: African Sovereign Wealth Funds



Source: Global SWF Data Platform

The African continent is vast in size, diversity and wealth - and its SWFs need specific guidance on governance and resilience. Today, its wealth of US$ 97.9 billion is managed by 30 SWFs or sub-funds: 9 stabilization, 9 savings and 12 strategic funds. This capital is unevenly distributed, with significant differences between the North and the South of the Sahara desert.

North African countries have traditionally benefited from vast oil and gas reserves. Libya's **LIA**, which is in the process of having its assets unfrozen, is by far the continent's largest, and Morocco, Tunisia and Egypt also have sizeable SWFs. Algeria's **RRF** was once the king of the continent with c.US$ 80 billion but was rapidly depleted and is now exhausted.

In the South, the most significant funds are Botswana's **Pula Fund** (sourced from diamonds), Angola's **FSDEA** (recently restructured) and Nigeria's **NSIA**. The latter constitutes a best-in-class example not only of good governance (following the failure of the **ECA**), but also for its ability to mix three different mandates, with both domestic and foreign investments.

The future of the continent's SWFs is largely dependent on its politics. South Africa is the third largest economy but is unable to agree on an optimal structure. Mozambique has been cursed with civil unrest since huge gas reserves were discovered in the North of the country. And Kenya has been unable to formalize its fund, seven years after it drafted its first national bill. Given the endemic problem of fiscal deficits across Africa, the best option may fall on strategic funds that attract further FDI.

Fund of the Month: Nigeria Sovereign Investment Authority ("NSIA")

Last June was the 10th anniversary of the Establishment Act of the Nigeria's **NSIA**, a multi-billion, multi-mission fund that has rapidly emerged as a role model for SWFs and Governments across the continent. In our **2021 GSR Scoreboard**, the fund scored 100% in Governance and Resilience. We had the immense privilege to talk with Mr. Uche Orji, **NSIA**'s CEO since 2012, about the fund's success factors and future plans.

Mr. Uche Orji, Managing Director / CEO of the NSIA

[GSWF] The NSIA is one of the most sizeable SWFs in all of Sub-Saharan Africa, along with the Angola's and Botswana's funds. Do you feel a Pan-African responsibility?
*[NSIA] In some way, although that is secondary to our main mission, which is to convince our stakeholders and **gain the trust** of the Nigerian Government and people. That said, we do get together often with other African SWFs and discuss best practices and mutual interests..*

[GSWF] The NSIA didn't have an easy task given the legacy of the ECA; yet, it has been highly stable and praised for the past 10 years. What is your formula of success?
*[NSIA] I need to give credit to everyone that supported the establishment of the NSIA starting with Mr. Olusegun Olutoyin Aganga and Dr. Ngozi Okonjo-Iweala, who pushed the SWF agenda as Ministers of Finance. Since **NSIA**'s beginning, its main characteristics have been the **clarity** of its establishment act and structure, including a solid withdrawal mechanism; the **independence** and transparency, including the hiring process of all the staff; our **risk aversion**, with no losses since the start of the fund; and our **internal culture** where everyone is encouraged to contribute.*

[GSWF] How do you manage three sub-funds with different missions, risk profiles and asset allocation with little staff?
*[NSIA] The guidelines set by the Board of Directors form the foundation of the funds' management. We started by deciding on asset allocation and by selecting the fund managers for each of the sub-funds. Our activities are overseen by a number of **mechanisms**, including the externally managed and direct investment committees, the audit and finance committee and the governance committee.*

Fund	Goal	Pre-COVID19 (Dec'19)	COVID19 assistance	Post-COVID19 (Sep'20)
SF	Stabilization	US$ 351 m	*– US$ 150 m withdrawal*	= US$ 201 m
FGF	Savings	US$ 890 m	*+ US$ 250 m contribution*	= US$ 1,089 m
NIF	Strategic	US$ 1,250 m	*+ US$ 311 m contribution*	= US$ 1,561 m
NSIA	**Multi-mission**	**US$ 2,440 m**	***+ US$ 411 m net effect***	**= US$ 2,851 m**

Source: NSIA, Global SWF

[GSWF] NSIA's blended return in 2019 was 6.4%. What can you tell us about the performance of the fund in 2020?
[NSIA] In 2020, we rotated our equities position more into developed markets equities, which fueled the fund's performance to the double digits. We also changed our hedge fund managers resulting in superior performance.

[GSWF] The FGF allocates a significant portion to private markets, incl. 25% to PE. How did the Abraaj situation affect you?
*[NSIA] The allocation is based on the premise that private markets will grow more in the longer term, although our public investments have also helped us. Private Equity in **emerging markets** is tricky because it implies **trust** – our investment in the Abraaj Healthcare fund, which was our only exposure to the Abraaj Group, was not large and we were able to recover part of the capital; but it was certainly a challenging experience that we have learned a lot from.*

[GSWF] How much of the total portfolio is invested in Nigeria and how much overseas? Did Covid-19 change this share?
*[NSIA] 60% of our capital is invested overseas, and **40% into domestic infrastructure**. We are doing a lot of the domestic heavy lifting in agriculture, toll roads, power, gas, financial markets and technology. The fund invests in projects of national importance but they must also have commercial sense, and we aim at attracting other parties. We are currently developing a number of key projects:*
- ***Fertilizer plant** – with the objective of developing an industrial platform that will produce fertilizers for all of Nigeria;*
- ***Gas industrialization** – a US$ 1.4b plant along with Morocco's **OCP** to produce ammonia, which aligns with our **ESG strategy**;*
- ***Financial markets infrastructure** – incl. infra bonds via InfraCredit with partners PIDG and AFC; AfDB and KfW; mortgage refinancing via NMRC; and support to the country's MSMEs thanks to our stake in and partnership with the Dev. Bank of Nigeria;*
- ***Toll-roads** – via the PIDF, including the Second Niger Bridge, and the Lagos-Ibadan and Abuja-Kano Expressways; and*
- ***Healthcare** – we have a cancer treatment center, a couple radiology and diagnostics centers and we now have plans to build 20 new projects in Nigeria ranging from a world class hospital to outpatient centers – cancer, renal, diagnostics and radiology.*

All these projects are running ahead of schedule and making some decent money for us, so we are very happy with them.

[GSWF] Around ESG, are you planning to join the UN PRI, the One Planet SWF or any other similar alliance in the future?
[NSIA] We are observer members of One Planet SWF and have been members from inception. We are focused on pushing the domestic sustainability agenda, including deforestation, reduction in gas flaring, land degradation neutrality, water management, etc.

[GSWF] What is your summary of the past 10 years, and what do you expect for the NSIA in the next 10 years?
[NSIA] My ten-year tenure will end by October 2022. I believe the continuous success of the organization will depend on the following:
- *An **active asset management**, where we receive not only cash but also assets, i.e., "**NSIA** as a combination **GIC** and **Temasek**";*
- *A **nimble asset allocation** that optimizes our risk-return profile and drives our financial returns and performance;*
- *A **monetization** of the assets we have developed or been given, e.g., listing the toll road management company; and*
- *A continued **independence** from political interference.*

August 2021 Newsletter

Half-year update: A US$ 30 trillion industry

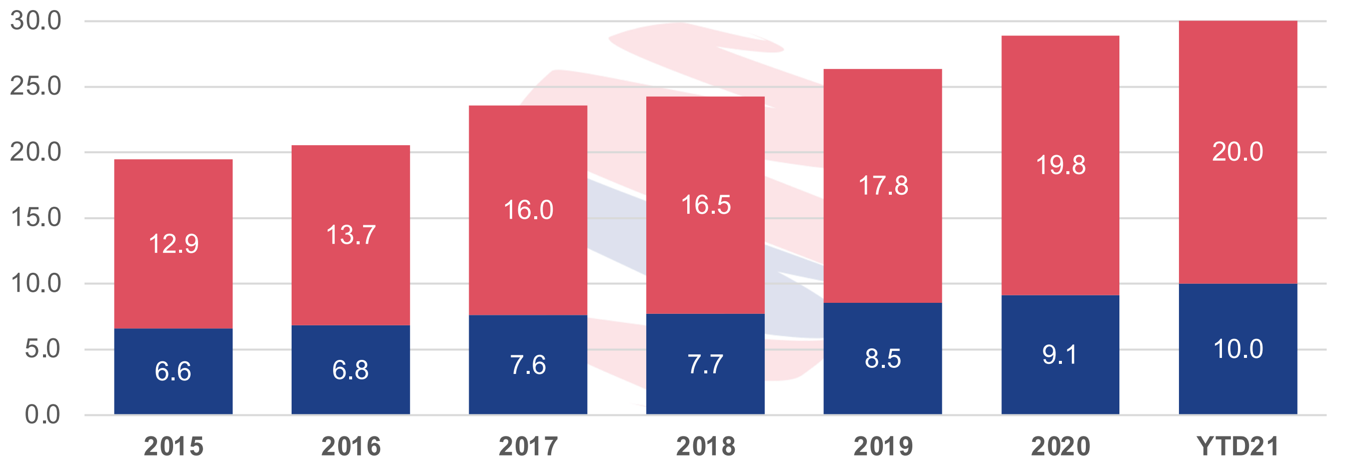
This past week State-Owned Investors passed a significant milestone and became a US$ 30 trillion industry. Sovereign Wealth Funds and Public Pension Funds continue to benefit from the rally of global stocks and bond prices, and their AuM is reaching all-time highs.

The rise of SWFs to US$ 10 trillion has been led by **GIC** and **Temasek**, who reported important gains at 37.5% (estimated) & 24.5%. Kuwait's **KIA** has also reportedly reaped the benefits of higher oil prices and returns, and recovered to levels close to US$ 700 billion.

PPFs from all ends of the world are also performing very strongly. US' retirement systems **CalPERS**, **CalSTRS** and **NYSCRF**, Canadian pension funds **BCI**, **CPP** and **PSP**, and Japanese giant **GPIF** have all contributed to the rise of PPFs to US$ 20 trillion.

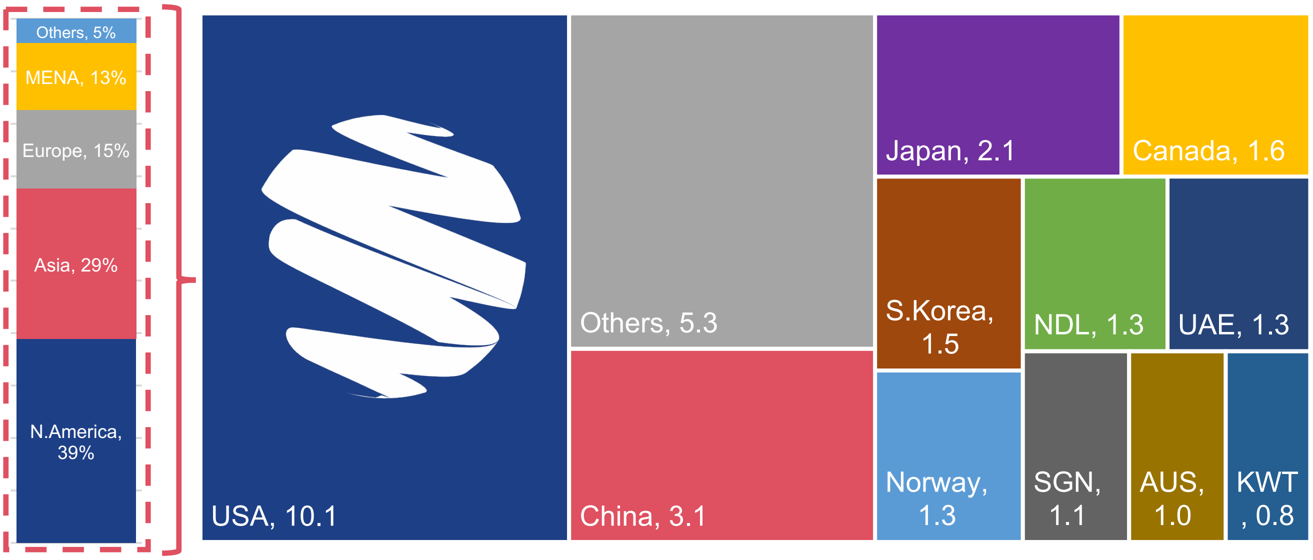
We cannot be sure of how big of a market correction we might see in the coming months / years, and how this might affect asset owners, but our prediction for the SOI industry to reach US$ 50 trillion by year 2030 seems more achievable every day.

Industry AuM growth (US$ trillion)



Source: Global SWF's Global Track

The US$ 30 trillion Global Pie



Source: Global SWF's Country Inc. series

***Global SWF** is a financial boutique focused on State-Owned Investors, including Sovereign Wealth Funds and Public Pension Funds. We assist governments to establish or reformulate their investment funds (**Consulting**), and run the most comprehensive platform of SWFs' / PPFs' strategies, portfolios and executives (**Data Services**)*

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