



Sovereign Wealth Funds 3.0

Market Update prepared for NDFI conference

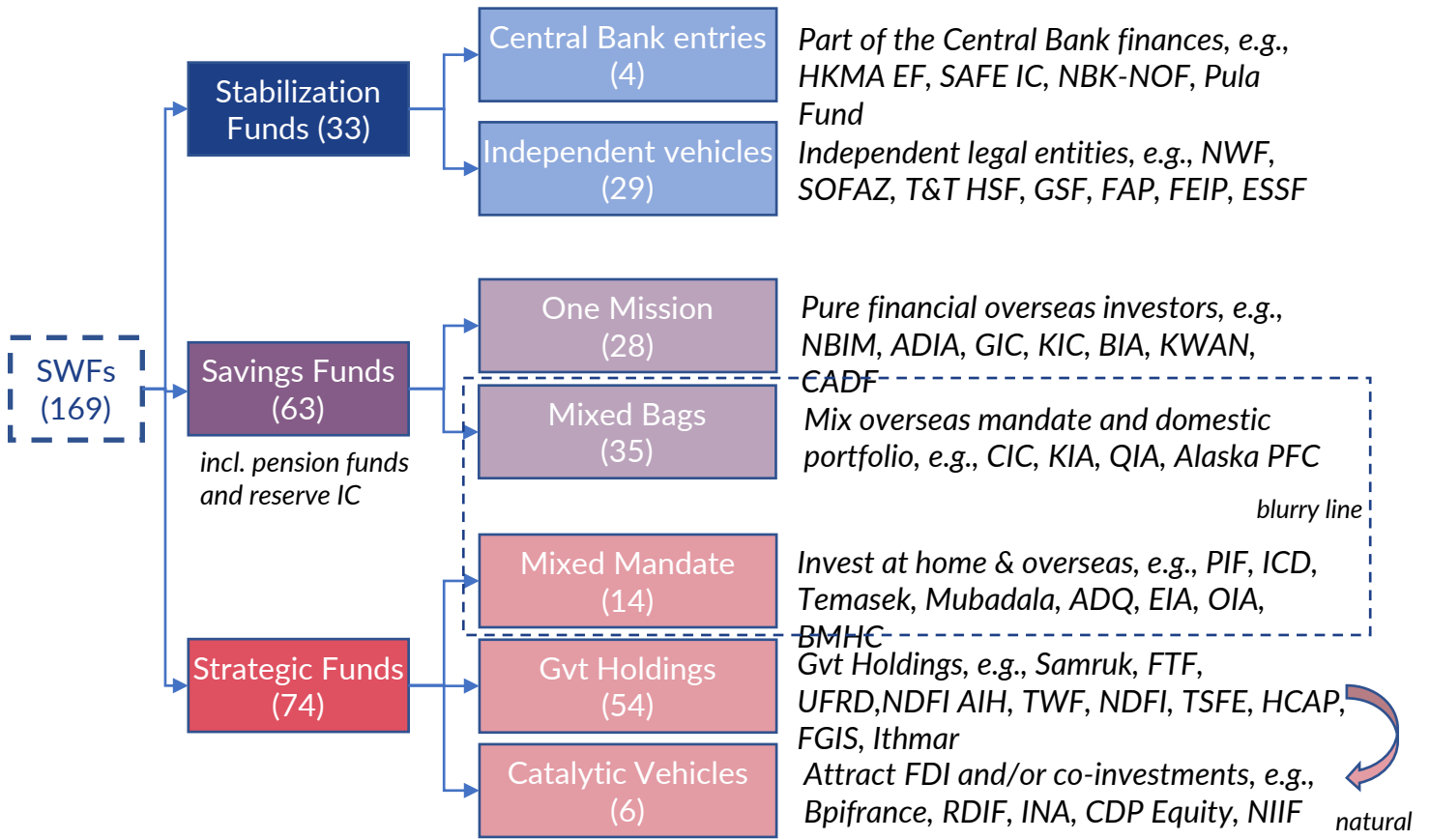
May 17, 2022

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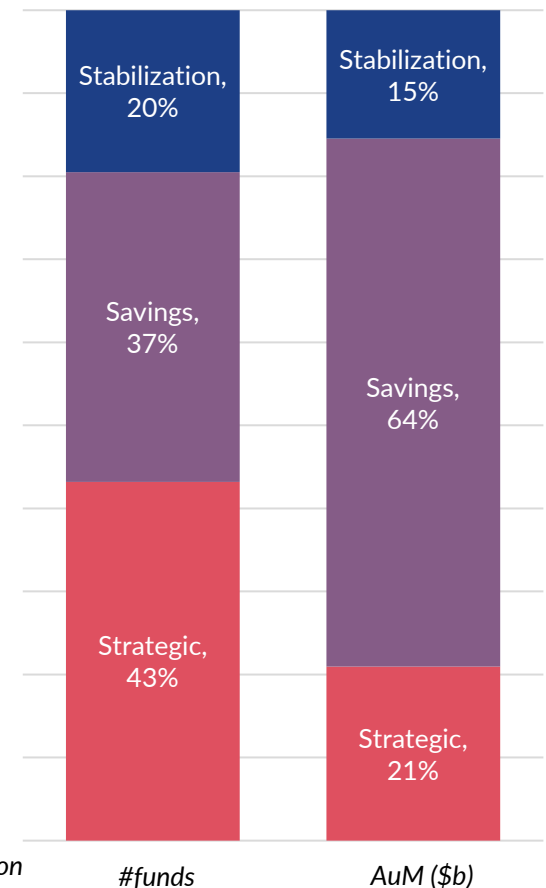
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Basics (I) – Definitions and Objectives

- Today, there are 170 Sovereign Wealth Funds and quasi-SWFs in the world.
- That is, 170 VERY different Government funds operating in different environments and with different mandates.
- Funds are mostly defined by source of wealth, mandate or purpose, and investment restrictions.
- In practice, we could differentiate the existing investment and strategic vehicles as per follows:

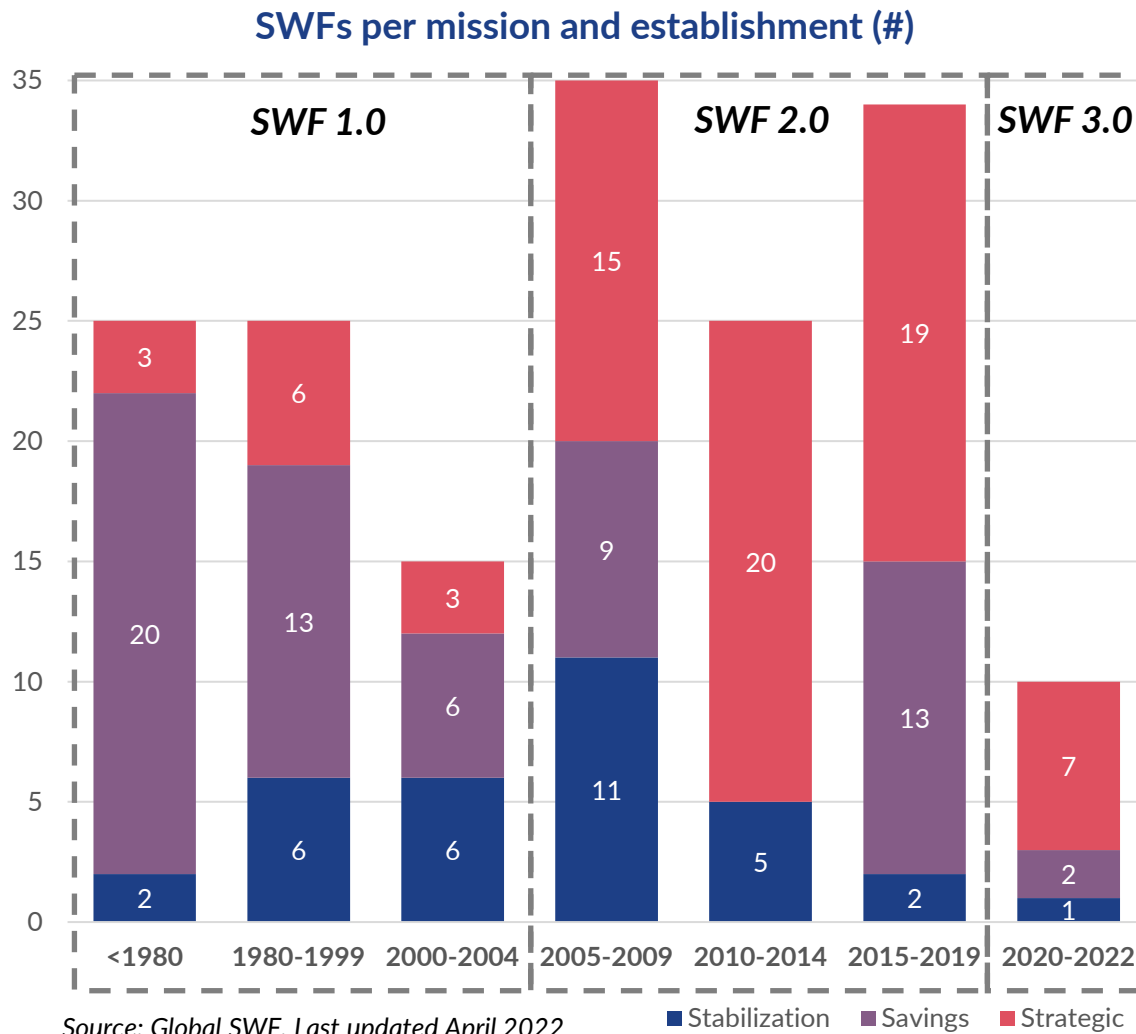


SWFs today (# / AuM)



Basics (II) – Evolution of the SWF industry

- The SWF industry has matured significantly in the past two decades, and most new funds are now “strategic”.
- Beyond managing a country’s excess of wealth, a SWF can now serve for a variety of macro and fiscal objectives.



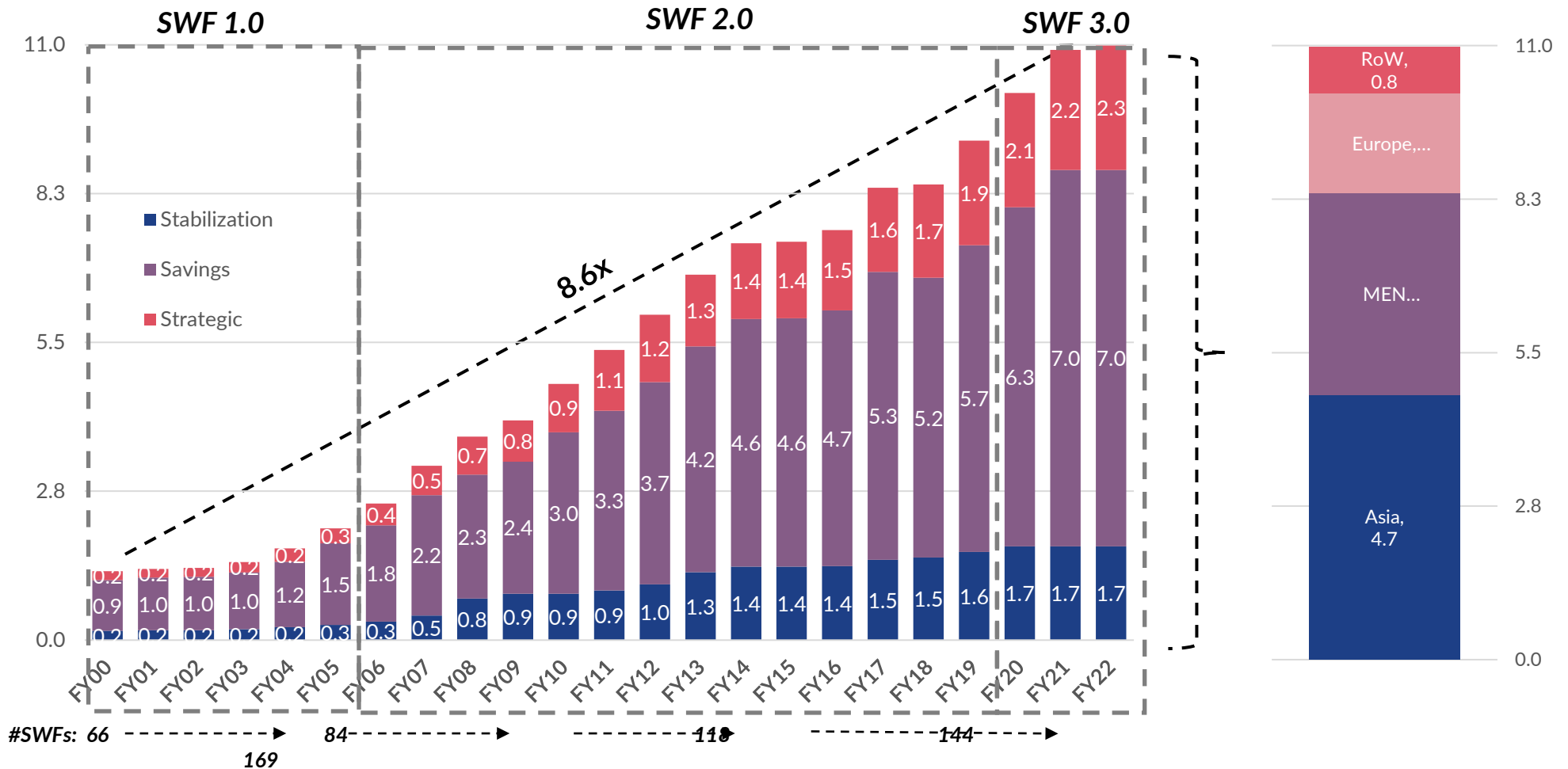
Latest 20 SWFs to be established

Fund	Country	Mission	Year
EIH	Ethiopia	Strategic	2022
Citizen Fund	Israel	Savings	2022
Welwitschia	Namibia	Strategic	2022
AIH	Azerbaijan	Strategic	2021
BIDF	Bangladesh	Strategic	2021
FSERJ	Brazil - RJ	Savings	2021
FSGIP	Cape Verde	Stabilization	2021
OIA	Oman	Strategic	2020
INA	Indonesia	Strategic	2020
FSD	Djibouti	Strategic	2020
ANIF	Armenia	Strategic	2019
KIDF	Kazakhstan	Strategic	2019
NIF	Cyprus	Savings	2019
Fujairah Hld	UAE - F	Strategic	2019
NRF	Guyana	Savings	2019
ADQ	UAE - AD	Strategic	2018
TSFE	Egypt	Strategic	2018
MIIF	Ghana	Strategic	2018
NDF	Saudi Arabia	Strategic	2017
TVF	Turkey	Strategic	2017

Basics (III) – Scale and Significance

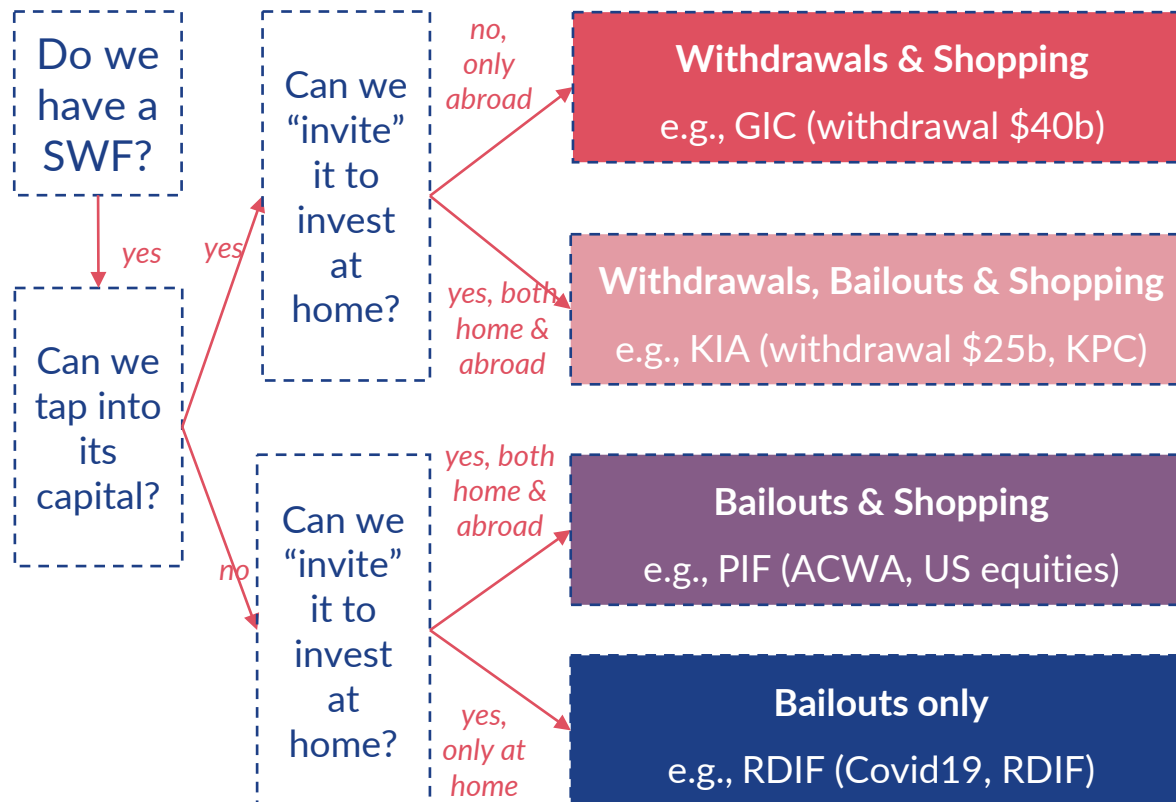
- Sovereign Wealth Funds have multiplied their wealth by almost nine times since year 2000.
- However, most of the latest SWFs that were set up in 2020-2022 are “wealth-less” and focused on inbound capital.
- We expect the investment returns will stabilize but SWFs’ AuM will keep growing to over US\$ 15 trillion by 2030.

Growth in AuM (US\$ trillion) in 2000-2022



Covid-19 and SWFs (I) – Responses

- Covid-19 was a very important market shock for SWFs, with **US\$ 211 bn** in withdrawals and **US\$ 57 bn** in bailouts.
- The response of each SWF was determined by the ability to tap into its capital and/or to invest domestically:



Case Study – Nigeria	Pre-COVID19	COVID-19	Post-COVID19
Stabilization Fund	0.35	- 0.15	= 0.20
Future Generations Fund	0.89	+ 0.25	= 1.09
National Infrastructure Fund	1.25	+ 0.31	= 1.56
NSIA	2.44	+ 0.41	= 2.85

First Responders – Withdrawals		
Fund	Country	US\$ bn
GIC	Singapore	40.1
NBIM	Norway	38.3
KIA	Kuwait	25.0
ADIA	UAE - AD	24.0
SAMA	Saudi Arabia	13.3
FAEP	Colombia	12.1
OIA	Oman	10.9

Second Responders – Bailouts		
Fund	Asset	US\$ bn
KIA	KPC	8.3
Temasek	Sing Airlines	4.7
KIA	KFH	4.4
Temasek	Sembcorp	3.6
ICD	Emirates	2.0
QIA	Qatar Airw.	2.0
KIA	Zain	2.0

Opportunistic Funds		
Fund	Investment	US\$ bn
PIF	US Equities	7.7
Temasek	Blackrock	2.6
Mubadala	Apollo JV	2.5
Mubadala	Silver Lake	2.0
GIC	RIIHL	1.9
ADQ	LDC	1.7
GIC	ADNOC Gas	1.7

Covid-19 and SWFs (II) – Comparison with GFC



2008 – The Financial Crisis 90 SWFs with US\$ 4trn AuM

1. Independent and random pools of capital
 - Governance & Transparency
 - Not much talk among them yet
2. **Major players:** Savings Funds
 - **ADIA, CIC, GIC, KIA, QIA**
3. **Major opportunities:** Financial Services

SWF	FS entity/ies	Injection (\$b)
ADIA	Citi, Apollo, Ares	8.4
CIC	MS, BLK, BX	10.0
GIC	UBS, Citi	16.6
ICD	LSE, Nasdaq	2.5
KIA	Citi, ML, Visa	5.8
KIC	ML	2.0
MIC	Carlyle, Barclays	8.2
QIA	Barclays, CS, LSE	12.0
Temasek	Barclays, ML	6.4
Total GFC		71.2

vs



2020 – The Health Crisis 155 SWFs with US\$ 9trn AuM

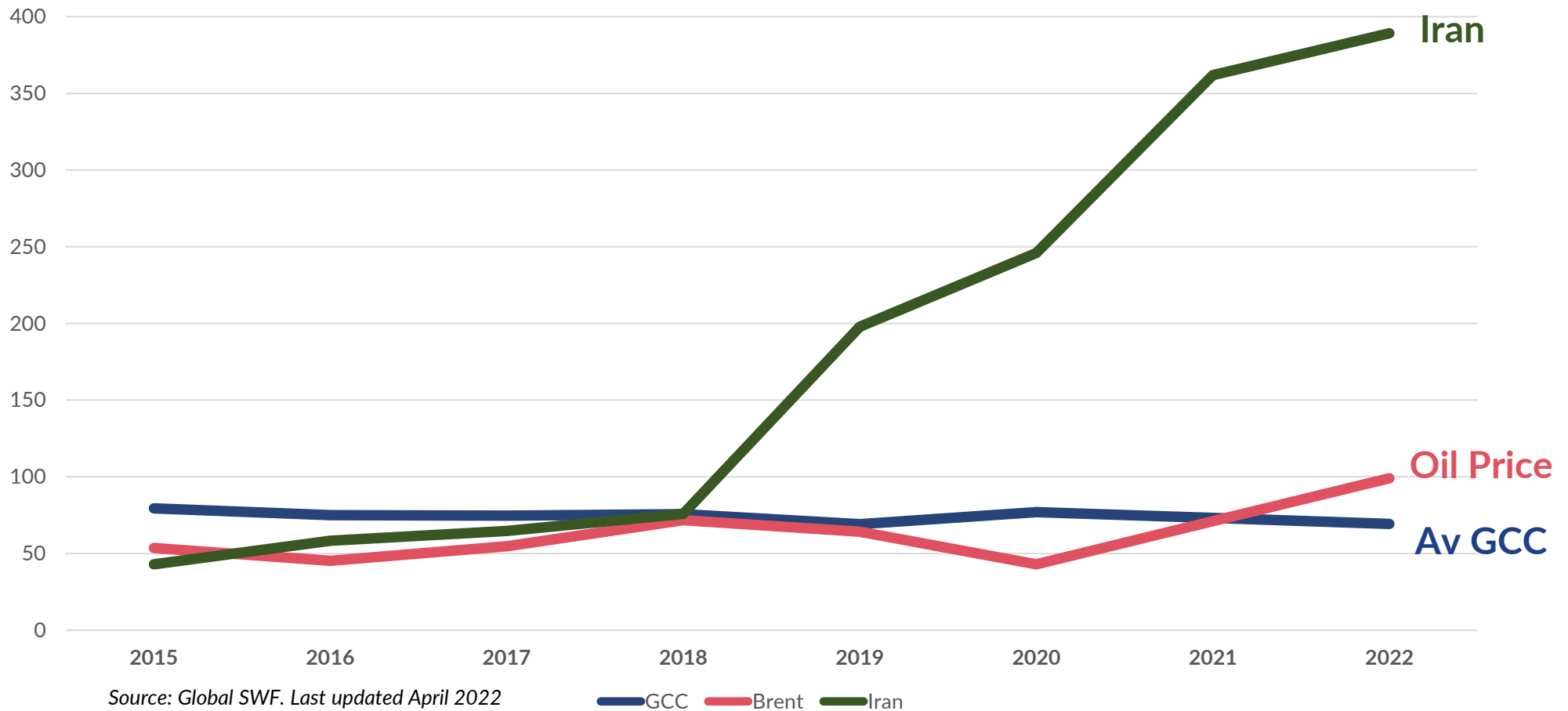
1. Large and sophisticated organizations
 - Sustainability & Resilience
 - Collaboration, co-investments
2. **Major players:** Development Funds
 - **Mubadala, PIF, RDIF, Temasek, TVF**
3. **Major opportunities:** HC, Tech & Travel

SWF	Airline	Injection (\$b)
Temasek	Singapore Airlines	4.7
QIA	IAG (IB-BA-VY)	4.1
ICD	Emirates	2.0
QIA	Qatar Airways	2.0
PIF	Saudia	1.4
NWF, RDIF	Aeroflot	1.2
TWF	Turkish Airlines	1.0
KN	Malaysia Airlines	0.9
QIA	Latam	0.9
SCIC	Vietnam Airlines	0.4
UFRD	Uzbekistan Airways	0.4
ISIF	Air Lingus	0.2
CDC	Air Sénégal	0.1
Aviation Bailouts		19.3
Other Bailouts		27.0
Pandemic		
Bonds/Funds		10.5
Total Covid-19		56.8

Long Term Effects (I) – Oil & Gas winners and losers

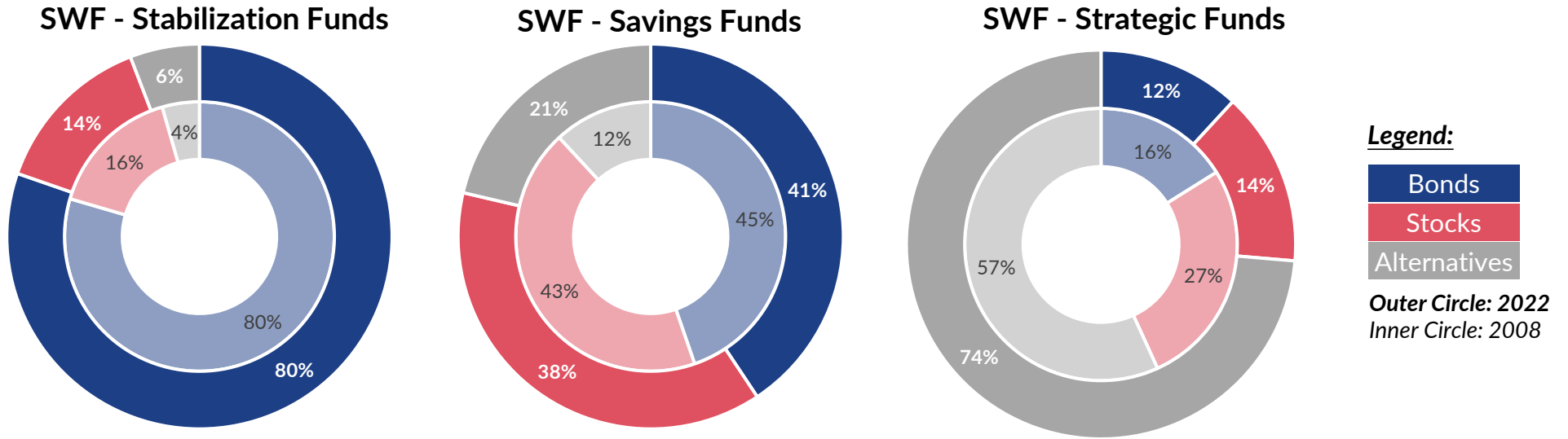
- With oil prices at \$100/barrel, Gulf SWFs are set to be flush with liquidity and free from fiscal pressures.
- The situation has dramatically changed since 2020, when several SWFs experienced significant withdrawals.
- However, Iran's situation has worsened rapidly since 2015, where its breakeven point was lower than oil prices.

Average Fiscal Breakeven Prices vs Oil Prices

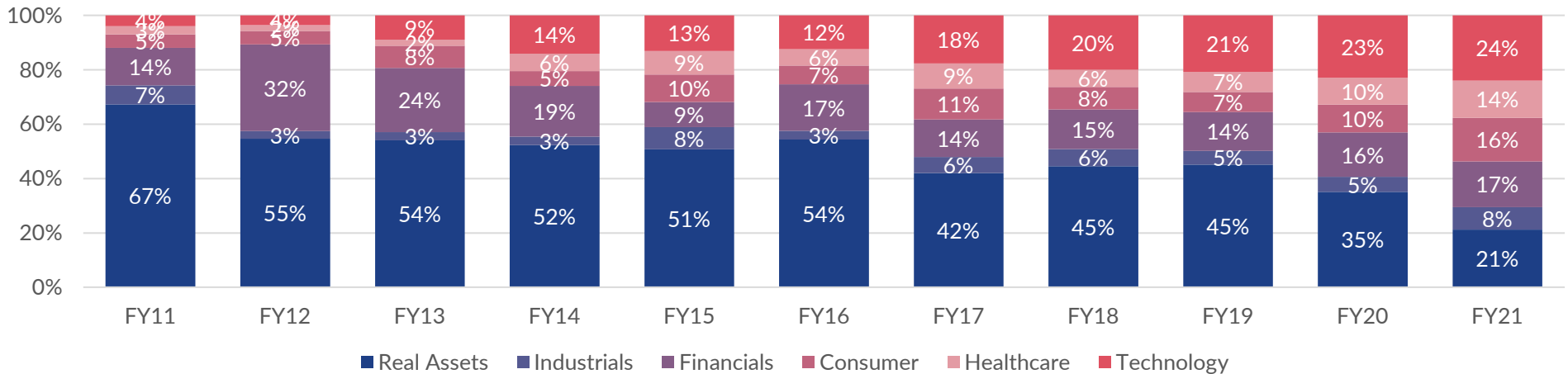


Long Term Effects (II) – Investment Preferences

- Most State-Owned Investors have increased their allocation to alternatives significantly during the past 15 years.
- Real Assets have lost significant ground since 2011, to the benefit of Technology, Consumer and Healthcare.

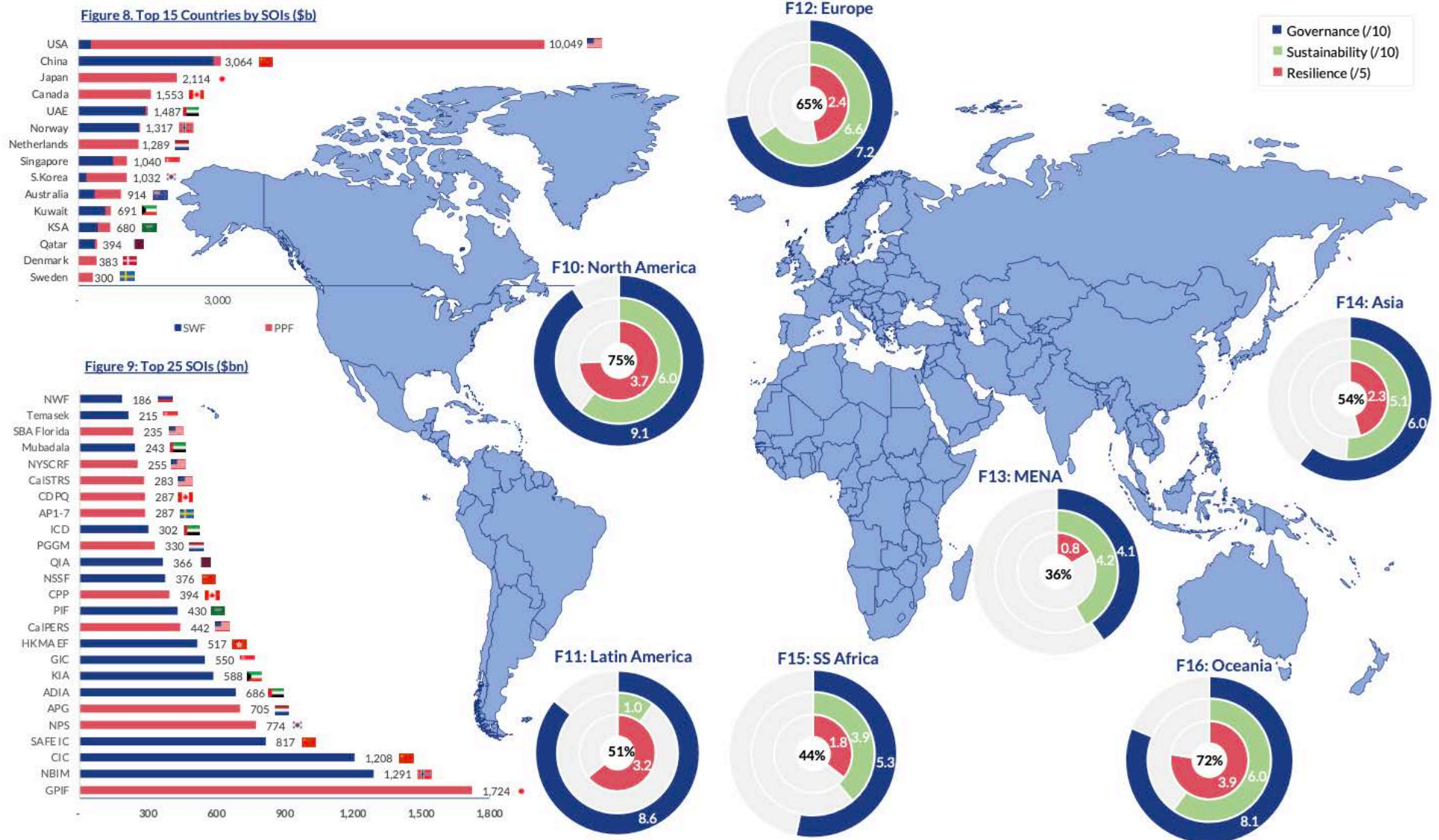


Investments per industry (#deals)



Long Term Effects (III) – Governance, Sustainability & Resilience (GSR)

- The 2020 and 2021 GSR Scoreboards highlighted great disparities between regions around best practices.
- The 2022 edition is currently being prepared and will be published on July 1, 2022, upon funds' acknowledgement.



Long Term Effects (IV) – Geopolitics, Inflation & Other Risks

- Sovereign Investors did not have a significant exposure to Russian assets, and further activities have halted.
- However, further ramifications including de-dollarization and China may have a profound effect in the industry.
- Russia's NWF is being used as a piggy bank, while the future of RDIF is unclear at the moment.

