Sovereign Wealth Funds Quarterly Newsletter

From the collaboration between Bocconi's Sovereign Investment Lab and The Boston Consulting Group

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Foreword

The global macroeconomic outlook has been favorable for SWF over the period: Asian economies boomed with the resumption of global trade, and the oil price rally relieved the hard-pressed public finances of producing nations. FX reserves in EM grew in Asia, while in MENA (Qatar apart) decreased at a slower pace. But we are most likely at a turning point, which will have very deep implications in future SWF behavior. The protectionist tide is mounting under Trump policies in USA, a country becoming this year the largest oil producer and thus “energy independent”. A reduction in the US trade deficit will reduce foreign investments, and the increase domestic demand will generate inflationary pressures and interest rate hikes, which have already taken place, curbing equity prices. Absent geopolitical events, the engines of SWF growth, oil prices, trade surplus, and strong equity markets will be a spent force in the foreseeable future. Furthermore, governments in emerging markets (especially energy producing nations) will try to tap the SWF assets to equalize lost revenues and stabilize their domestic economies. The shut down of the Russian Reserve Fund and the change in strategy and reornanization taking place in some GCC are the opening salvos of this big change.

Key facts and figures

18
active SWFs completing an acquisition in Q4-Q1 2018

148
completed SWF deals

$32.6 BN USD
total reported deal value in Q4-Q1 2018

16.8%
of total investments in Q4-Q1 2018 were in the digital space for a total of 48 deals

60%
share of deal value in Europe

$14 BN USD
Q4 2017 was CIC’s acquisition of Logicor

The Leviathan Corner

The hidden cost of democracy: Norway GPFG's ban on private equity

Bernardo Bortolotti and Raphael Mimoun

The Norwegian SWF (the Government Pension Fund Global "GPFG") is the largest fund by assets under management around the world. Established in 1990, it received the first allocation in 1996, and then it steadily grew thanks to net cash flows contribution from all petroleum activities (including the dividends from the national oil company Statoil) to reach $1 trillion market value this year. GPFG is owned by the Ministry of Finance, and professionally managed by a dedicated arm of the central bank, the Norges Bank Investment Management. The MOF retains the decision-making power, and determines the fund's investment strategy, following advice from among others Norges Bank Investment Management and discussions in Parliament. By law, the management mandate defines the investment universe and the fund's strategic reference index.

On April 11, 2018, the Government of Norway announced its decision not to expand the mandate to invest in unlisted equities on a general basis. Presented by Norway's Minister of Finance Siv Jensen, the government's white paper on the GPFG claimed that "unlisted equities would challenge key characteristics of the current management model [of the Fund], such as low asset management costs, closely tracking the benchmark and a high degree of transparency"[1].

This decision caught observers by surprise. First, because there has been increasing appetite of SWFs for PE investment and unlisted targets. Examples from various geographies abound, including Saudi Arabia's $ 40 billion JV infrastructure fund between the Public Investment Fund and Blackstone, or Panama $1.4 billion SWF's decision to start investing in unlisted equities by end-2018, with a target allocation of 5-10% of assets. Second, the government's decision came against recommendations from both Norges Bank Investment Management and a government-appointed expert group that was set up last August to discuss the opportunity to expand the scope of the fund's mandate beyond public assets and real estate.

> "Many experts told that it was naïve to believe that a democratic system could manage such a big cash flow in a sustainable and responsible way, but the experience so far is that we have been able to do exactly that."
>
> **Jens Stoltenberg**
> Former Prime Minister of Norway

Beyond transparency and management fees, the MOF may have considered a "late entry" in an already crowded market translating into significant difficulties to source appropriate investment opportunities. Total amount of capital committed – but not yet invested – to private equity has surpassed $1 trillion in 2017[2], reflecting a growing imbalance between demand and supply of PE investment opportunities. Indeed, GPFG's sheer size would make it difficult to achieve even a small allocation target in unlisted equities. Based on end-2017 assets, a target of

1 https://www.regjeringen.no/contentassets/569f03a08ee74350b3778fdbb24dd406/en-gb/pdfs/stm201720180013000engpdfs.pdf (page 8/10)

2 http://docs.preqin.com/press/Fundraising-2017.pdf (page 2/6)

5% would require approximately $50bn of investment, i.e. a level on par with the biggest private equity firms in the world. This partially explains why the fund has so far failed to achieve its allocation target for unlisted real estate, since getting approval to invest in this asset class in 2010 (2.6% of the portfolio at end-2017, i.e. half of the target).

Nevertheless, the decision of a blanket ban on an entire asset class is puzzling. Mandates typically design a general framework for strategic asset allocation which should not be affected by current market outlook but to fundamental contribution a given asset can provide to the long-term risk-adjusted performance.Indeed, from a financial economics standpoint, there are compelling reasons for the GPFG to expand its portfolio towards PE investment.

Broadly speaking, investments in unlisted equities are particularly suited to the characteristics of the GPFG, a long-term investor without explicit liabilities and thus able to harvest illiquidity premia over long horizons. Investment in PE would also allow the fund to boost its sub-par return. Between January 1, 1998 and end-2017, the fund generated only a 6.1% annual return[3], certainly a modest performance given the large exposure to stocks. In 2017, the Fund reached a return of 13.7% return up only 0.7% on its benchmark index[4]. Key peers of the fund, such as Swedish AP funds, Canadian pension funds or the Netherlands' pension fund (ABP), have consistently outperformed the GPFG while having more stringent rules on capital allocation (pension funds have to maintain liquidity buffers to ensure payments to policy holders).

PE investment would also participate in reducing the Fund's exposure to stocks, which makes it vulnerable to market fluctuations. In March 2018, the Fund published estimates indicating that – owing to the strong exposure of the fund to listed equities – it could lose over 40% of its portfolio value in a single year, should adverse stock market price developments combine with a strengthening of the Norwegian Krone. As of end-2017, the GPFG's portfolio consisted of 97.4% of listed investments (66.6% in equity investments – to be increased to 70% in the medium-term – and 30.8% in fixed income) and 2.6% allocated to unlisted real estate.[5] Even without the materialization of a "Black Swan" scenario, the fund's overexposure to Europe and the U.S. makes it vulnerable to growing risks such as demographic decline or increasing sovereign debt levels. Besides, the decision of the government to increase its equity exposure to 70% will need to be carefully and gradually implemented in order to avoid buying stocks at inflated prices, as previous decisions of the GPFG to increase its equity exposure were made close to market highs (2007 and 1997).

Further to the government's decision, Per Stomberg, the director of the expert group, declared that it would likely "come at a considerable cost in lower returns in the future".[6] A back-of-the-envelope calculation of the opportunity cost of not investing in PE, assuming a 12% return and a gradual portfolio rebalancing to reach a 10% allocation in this asset class in five years time, yields a cost estimate in the ballpark of $70bn over a ten year holding period.

This statement begs a question: Why a respected, sophisticated organization with access to state-of-the-art knowledge and skills deliberately leaves so much money on the table? Our answer lies in the legacy of an overtly prudent, ultra-conventional investment style imposed in these last two decades by the political system. Seeking widespread political legitimacy in an established democracy founded on accountability and transparency, decision makers opted for the easiest investment model to explain to their electorate, the globally diversified portfolio of liquid stocks and bonds. The last decision on PE just follows in this wake. To some extent, the Norwegian democracy imposes an excessive risk aversion in the design and implementation of investment mandates, another form of political interference. This governance conundrum has led to a rather paradoxical situation whereby instead of investing in transformative projects that could shape tomorrow's global economy, the world's biggest sovereign wealth fund is sticking to a passive index tracking approach that is neither generating development impact, nor yielding a strong return.

3 https://www.nbim.no/en/the-fund/return-on-the-fund/

4 https://www.nbim.no/contentassets/49715a01ed684b1686ff-3c017f1efa12/press-conference---annual-report-2017---gpfg.pdf

5 https://www.nbim.no/contentassets/db0b28dc13934aa6a56596d81d-47a33a/return-and-risk-2017---government-pension-fund-global.pdf

6 https://www.ft.com/content/2092083c-3cb5-11e8-b7e0-52972418fec4

Global outlook for SWF investments

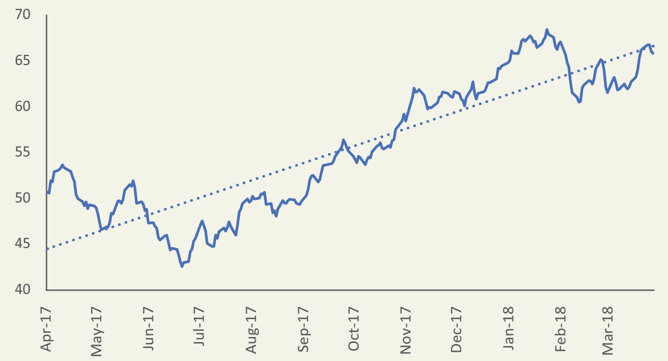
The global macroeconomic outlook has been favourable to SWFs in the last semester. The cyclical upswing that began in 2016 continued in 2017, with growth in the second half of the year above 4 percent, the strongest since the second half of 2010. Global trade recovered in 2017 after two sub-par years to an estimated real growth rate of 4.9 percent according to IMF. Emerging market and developing economies have a strong bearing in this process, with trade growth rising from 2.2 percent in 2016 to 6.4 percent in 2017. Asian economies and particularly China performed spectacularly well, and thanks to the improved outlook, countries with a SWF in the Asia-Pacific region saw their stock of foreign reserves growing 4.5% in 2017, reaching $3.9 trillion by the end of Q3-18.

Oil and natural gas price continue to rise, relieving the hard-pressed public finances of producing nations. The run-up that started in the second half of 2017 gained momentum, with the price of the OPEC's reference basket rising 20 percent during the last semester to closing at 65 $/b. The price movement was mostly ascribed to the political turmoil in Venezuela, which curbed supply by more than half a million barrels per day, according to the World Bank. This supply shock has been partly offset by a rise in non-OPEC production especially from USA, a country that according to the International Energy Agency could soon overtake Saudi Arabia and Russia as the world's biggest oil producer thanks to its large, unconventional resources.

The oil-price rally allowed current account balances of several countries in the MENA region to recover from the deficits reported in the last two years. In 2017, according to the IMF, countries in the analytical group with fuel as source of export earning posted a $63.6 billion surplus, 1.8 percent of GDP. However, the improved macroeconomic outlook did not prevent the stock of foreign reserves of many countries to continue to fall. Saudi Arabia limited its loss to 4 percent, while Qatar paid a huge toll to support its ailing economy still under the blockage, bringing down its reserves at the end of the first quarter to $17 billion, a 50 percent decrease from last year.

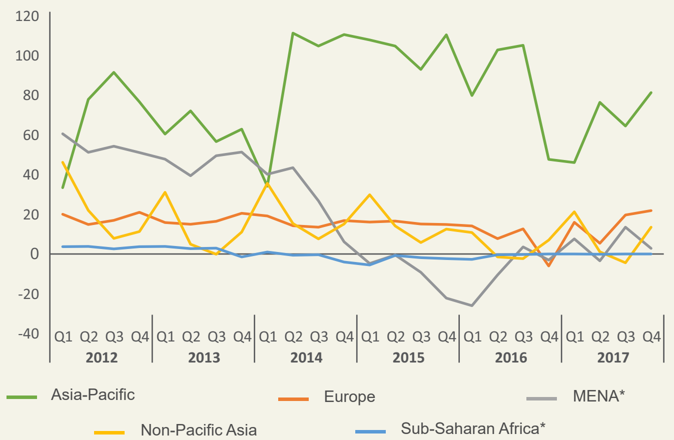
The Asian cyclical upswing and the improved (albeit not resolved) outlook in MENA is consistently reflected in our numbers on the reported positive trend in SWF equity investments. Total deal value doubled relative to the last semester, reaching $32.6 billion at the end of Q1 2018. Trade surplus SWFs added a stellar $15.6 to their investments, while commodity funds $1.3 billion, nothing spectacular in absolute terms but still a 40 percent increase relative to a very quiet 2017.

Chart 1. OPEC reference basket (Dollars per barrel)



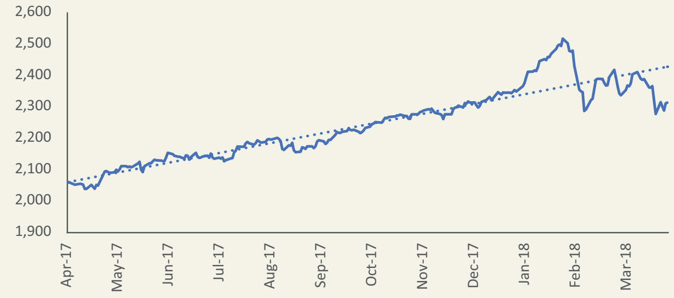
Source: OPEC

Chart 2.
Current Account, latest available data, USD BN



**Due to lack of data, the following countries have been excluded: Lybia, Oman, United Arab Emirates and Palestine in the MENA region; Nigeria in the Sub-Saharan African region*
Source: IMF

Chart 3. S&P Global 1200 (USD)



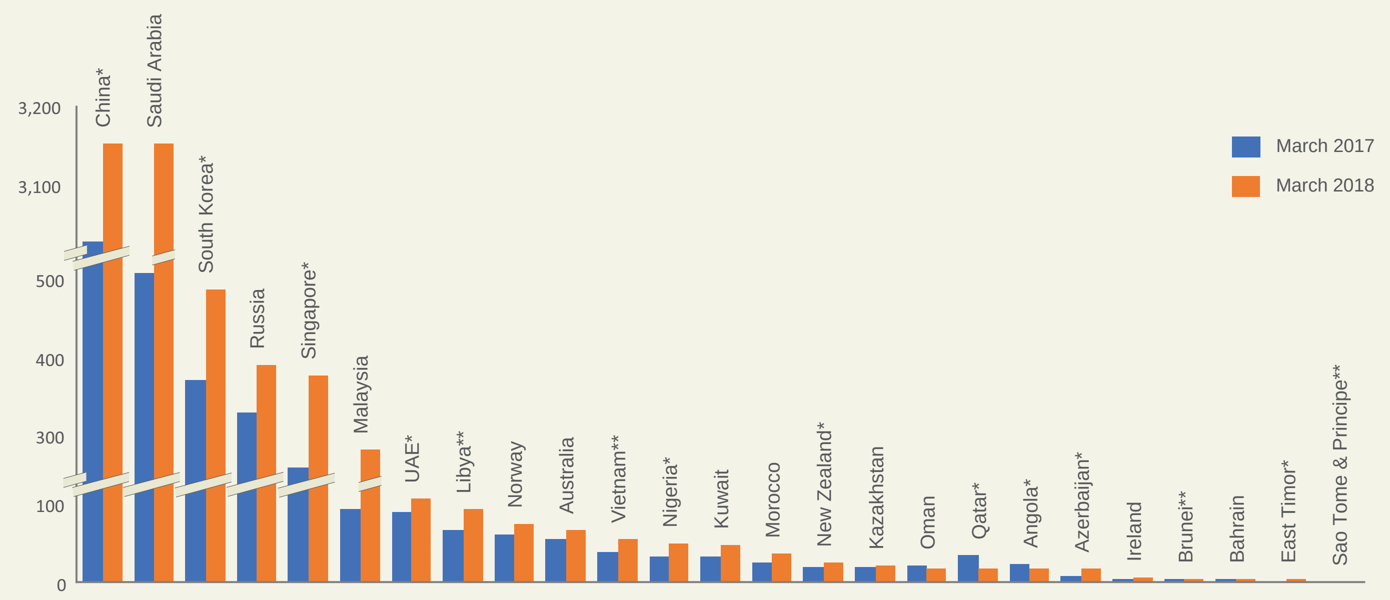
Source: S&P Dow Jones Indices

2017 will be recorded as a year of recovery for SWFs and their countries of origin, as the rise in oil price gave some fiscal air back to Gulf countries and the rebound of global trade has benefited exporting countries, in particular in the Asia-Pacific region. 2018 had a promising start from a macroeconomic perspective, but it may turn sour as soon as markets and investor will start realizing the fundamental changes that are occurring in the global economy across the board.

President Trump's "America First" policy shifted from announcements to execution. As we write, a steep increase in tariffs on steel and aluminium from Mexico, Canada, and the European Union has taken effect, opening the concrete possibility of a trade war which might involve US trade partners, including China. This has had tangible consequences on investors' sentiment: at the announcement of these trade barriers early in March markets tumbled again for the second time in a few weeks. Markets experienced already a correction early in February due to fear of raising inflation as a result of the overheating of the American economy after the announcement of huge tax cuts, and they have to deal with the non-trivial issue of the return to a more ordinary monetary policy, with the progressive end of the bond buying program of the European Central Bank and raising interest rates in the US.

The protectionist tide mounting under Trump's policies could effectively bring about a reduction in the US trade deficit and trade in general, with the ultimate consequence of curbing global growth and foreign investment by exporting nations. Absent major events and policy changes, the engines of SWF asset growth, oil prices, trade surplus, and strong equity markets will be a spent force in the foreseeable future. Furthermore, governments in emerging markets (especially energy producing nations) will try to tap the SWF assets to equalize lost revenues and stabilize their domestic economies. The shutdown of the Russian Reserve Fund and the change in strategy and reorganization taking place in some GCC countries are the opening salvoes of this big change.

Chart 4. International Liquidity, Total Reserves excluding Gold (USD BN)



**China, South Korea, Singapore, UAE, Nigeria, New Zealand, Qatar, Angola, Azerbaijan, East Timor latest available data February 2018*
*** Libya, Vietnam, Brunei, Sao Tome & Principe latest available data December 2017*
Source: IMF

Q4 2017 – Q1 2018 Deal Activity Summary

Activity

In the last quarter of 2017 and the first one of 2018 we observed 18 SWFs out of the 38 included in the SIL database completing 148 direct equity investments with a total publicly reported value of $32.6 billion, making this semester one of the strongest for SWFs in recent history. As compared to the previous semester, investment value doubled and deals increased by 45 percent. Thanks to a busy Q4, SWFs closed 2017 with a total of $56.8 billion of investments which represents a turning point for SWF investment after two consecutive years of decline.

SWFs were considerably more active in Q4: 80 deals jointly worth $26.3 billion were completed in this quarter, representing around 80% of the total value in the observed period. A significant part of the invested value in this quarter comes from the Logicor acquisition by CIC, however, even without this deal invested value in Q4 remains almost double than in Q1.

Deal highlights

In one of the largest private equity deals Europe has seen in a while, CIC bought 100% of European warehouse firm Logicor from private equity group Blackstone. Logicor, founded by Blackstone in 2012, is Europe's largest owner of logistics and distribution properties, with around 13 million square meters storage capacity all around Europe. The Chinese fund payed $14 billion for the company, making this acquisition also one of the largest international Chinese takeovers on record.

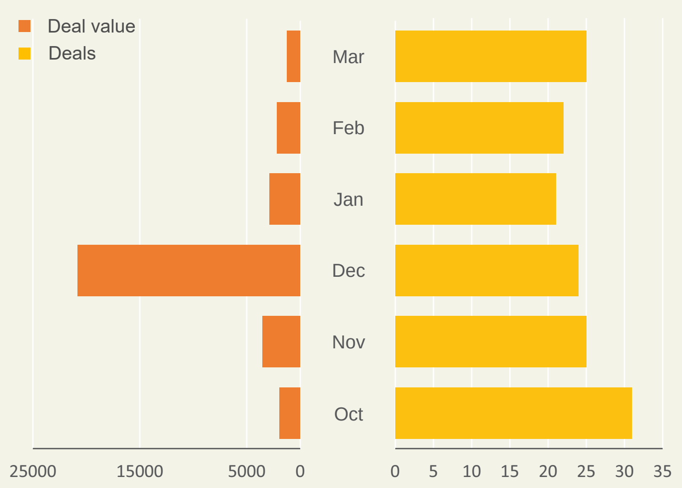
Geography

On a regional level we are witnessing a substantial shift back to Europe. Thanks to the Logicor deal, Europe has topped the rank as this semester's most attractive market with 31 deals jointly worth around $19.6 billion or 60% of the overall SWF investment. Even if we exclude this transaction, Europe is still the second most attractive market, losing closely to Asia – Pacific. If we consider the fact that 2016 was one of the worst years for SWF investment for the Old Continent, this represents a major turning point. In addition to this semester, the data show that the whole of 2017 was very positive for Europe. A total of $24.8 billion was invested by SWFs in Europe this past year, more than double than the previous year's winner, North America, which was in 2017 the second most attractive region, with $11.5 billion of investments.

The UK was the single most attractive country this semester; however this is primarily due to the Logicor deal which accounts for almost 95% of the $15.3 billion invested by SWFs in the country. The USA finished second this semester with 36 deals worth $3.9 billion, a strong performance overall, although considerably lower than the $6.3 billion from the previous semester.

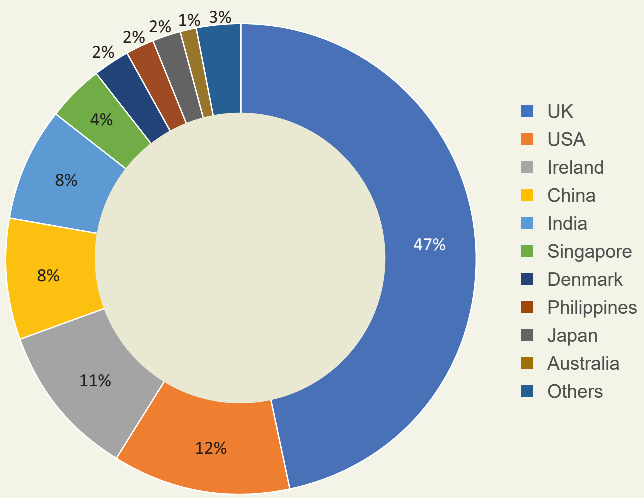
Emerging markets attracted $7.8 billion of investment or around 30% of the total value, which is in line with the previous reporting period. However, 82% of this investment was directed towards three countries: China, India and Singapore, placing them on the fourth, fifth and sixth place respectively on the rank of most attractive countries this semester.

Chart 5. Total deal number and value



Source: Sovereign Investment Lab, Bocconi University

Chart 6. Total deal value split by geography

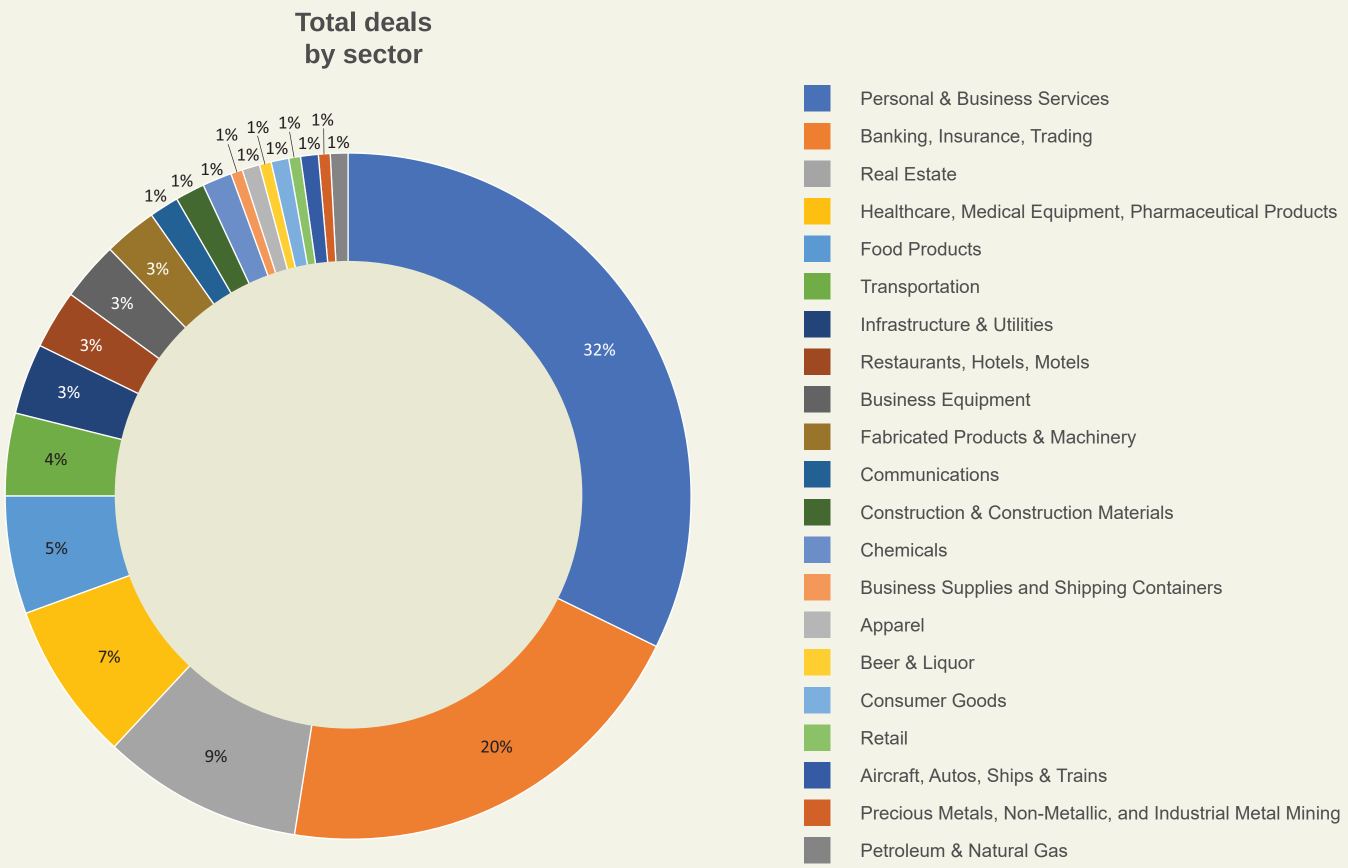


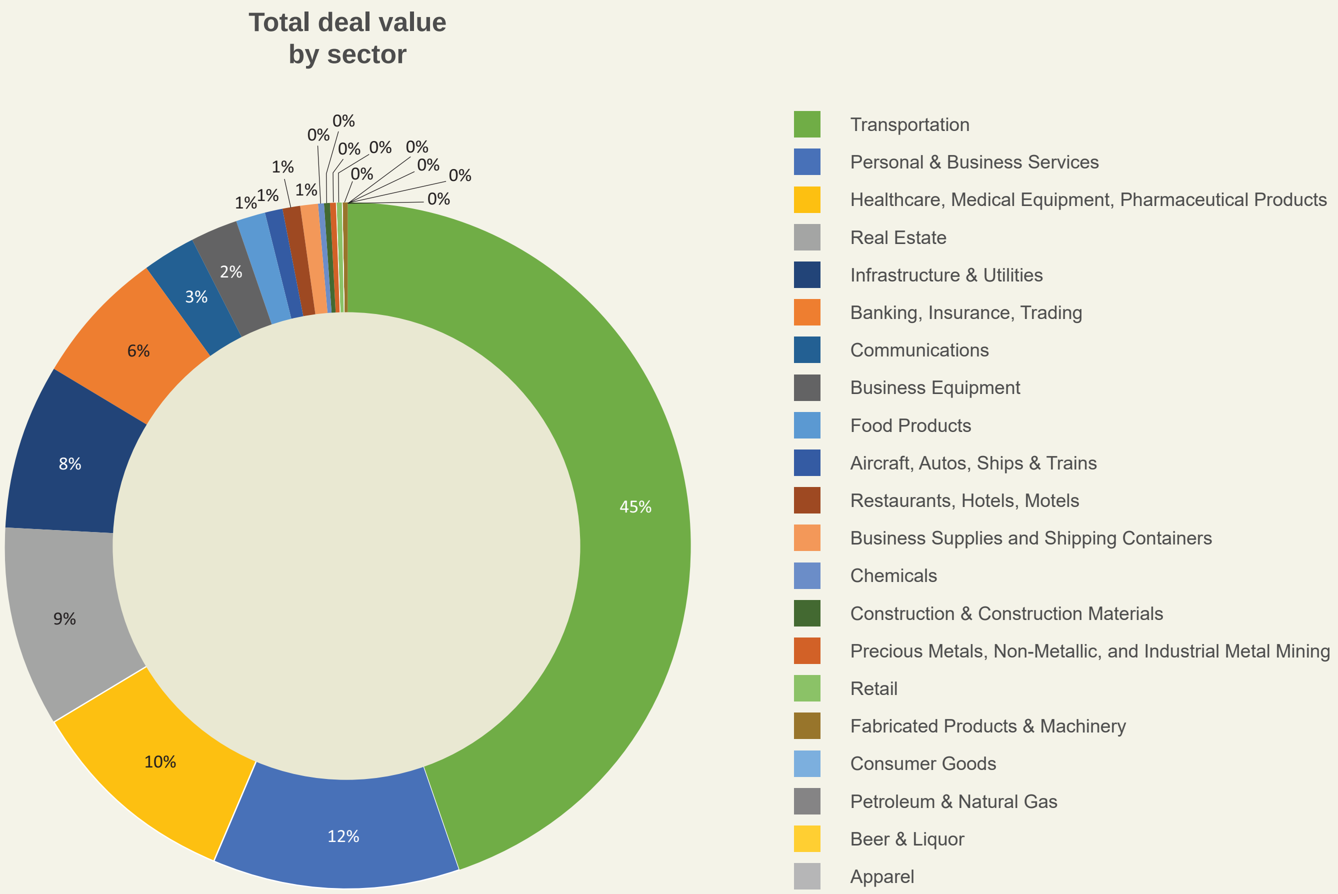
Source: Sovereign Investment Lab, Bocconi University

Deal highlights

India is steadily gaining ground as one of the key emerging markets for SWF investment. While the average ticket size is lower than that of other markets, this semester the country recorded two blockbuster deals. In one of the biggest foreign investments in India's real estate sector, GIC acquired a 33.34% stake in DLF Cyber City Developers (the rental arm of real estate developer DLF) for $1.39 billion. GIC also participated in a capital raise for mortgage lender Housing Development Finance Corp, with around $800 million.

Chart 7. Total deal number and value split by sector





Source: Sovereign Investment Lab, Bocconi University

Sectors

The lion's share of value reported in the transportation sector is due to the Logicor mega-deal, which by itself accounts for 44% of total SWF investments in this semester. Apart from this deal, SWFs did not make any other significant investment in the sector. The situation is identical in the healthcare sector, where GIC's investment in Irish pharmaceutical company Allergan accounts for almost 90% of the investments in the sector.

Digital ventures continue to be a top priority in SWFs' agendas. The majority of these deals fall under the personal & business service sector and in this reporting period, this sector attracted 48 deals worth $3.7 billion. Out of the 48 deals, 38 represent investments in IT-linked companies.

SWFs started investing in "safe assets" out of necessity, however it seems "safe assets" are slowly becoming a staple investment for them. This sector, bunching alternatives such as real estate assets and infrastructure, attracted 23 deals worth $5.8bn.

Deal highlights

The sovereign venture capitalist role keeps gaining momentum. One of the largest tech investments SWFs took part of in this semester was the $4 billion financing round of Uber's Chinese rival Didi Chuxing Technology Co. The round valued Didi at over $50 billion and the company said that the collected cash would be used for international expansion and further investments in AI. Mubadala was one of the key investors.

After years of declining investments in the financial sector, for the second semester in a row the sector manages to attract a considerable portion of SWFs' investments. Starting from October 2017 until April this year, SWFs made 30 investments worth $2 billion in the industry. The interest towards emerging markets continues to raise as the data show that two thirds of the deals were done in countries as India, China and Singapore.

Funds

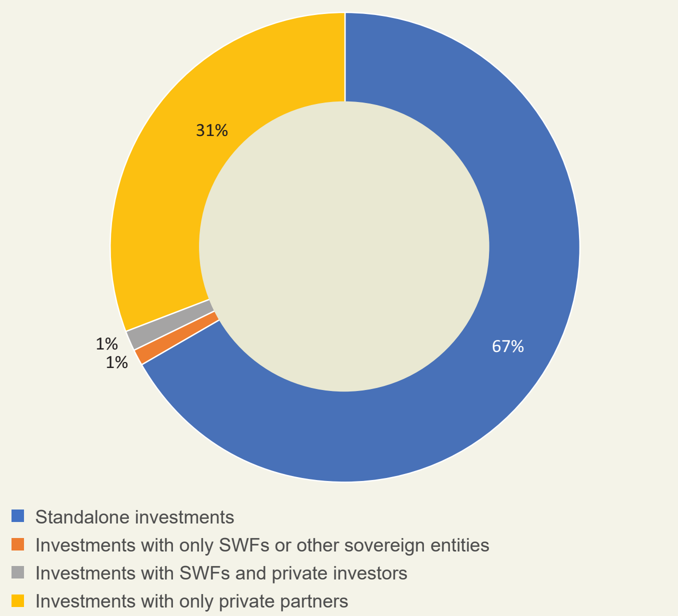
Non – commodity SWFs dominate their commodity funded counterparts in this semester as well. With 112 completed transactions worth $28 billion they account for 75% of all deals in the semester and 86% of total invested value. Both figures are up from the previous semester, in which trade surplus SWFs completed 71 transactions worth $12.4 billion.

CIC takes the trophy for the biggest spender this semester primarily due to the Logicor deal, in addition to this acquisition CIC made 6 other investments for a total of almost $16 billion. Singaporean funds GIC and Temasek, once again, are leaders in terms of activity as they are responsible for around 60% of the deals this semester. GIC was involved in all main geographies and sectors, while Temasek this semester was primarily focused on the services industry and in IT.

Despite the oil price rally, commodity funded SWFs remained quiet again this semester: they completed 36 deals worth $4.5 billion. This is only 5 more deals compared to the previous semester and around $1.3 billion more in invested value. Although low in absolute terms, this still represents a 40% increase compared to the previous semester.

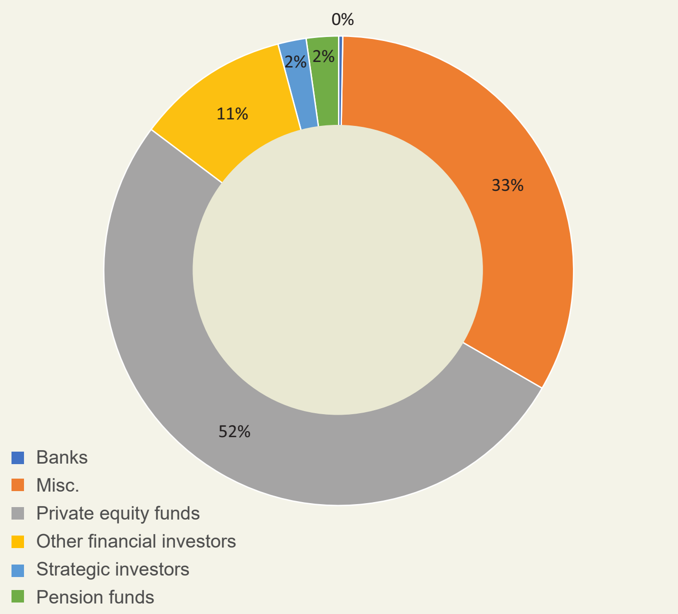
Mubadala was the only commodity SWF in the period that crossed the one billion mark in investments. ADIA had another quiet semester; however, also in this semester ADIA had a strong focus on India: 6 out of its 8 deals were made there.

Chart 8. Deal model split



Source: Sovereign Investment Lab, Bocconi University

Chart 9. Source of co-investments in SWF deals



Source: Sovereign Investment Lab, Bocconi University

Table 1.
SWF ranking by deal value

SWF name	USD MM
China Investment Corporation (CIC)	15987
GIC Pte Ltd	10450
Mubadala Investment Company PJSC	2121
Temasek Holdings Pte Ltd	1274
Qatar Investment Authority (QIA)	808
Abu Dhabi Investment Authority (ADIA)	748
Public Investment Fund (PIF)	475
Ireland Strategic Investment Fund	162
Government Pension Fund - Global	117
Future Fund	111
Russian Direct Investment Fund (RDIF)	101
Oman Investment Fund	93
New Zealand Superannuation Fund	73
Investment Corporation of Dubai	56
Kuwait Investment Authority (KIA)	3
Khazanah Nasional Bhd	1
Mumtalakat Holding Company	n.a.
State General Reserve Fund	n.a.
Total	**32579**

Source: Sovereign Investment Lab, Bocconi University

SWF name	Number of Deals
Temasek Holdings Pte Ltd	49
GIC Pte Ltd	42
Abu Dhabi Investment Authority (ADIA)	8
Mubadala Investment Company PJSC	7
China Investment Corporation (CIC)	7
Ireland Strategic Investment Fund	6
Government Pension Fund - Global	5
Kuwait Investment Authority (KIA)	4
Qatar Investment Authority (QIA)	3
Investment Corporation of Dubai	2
Russian Direct Investment Fund (RDIF)	2
Future Fund	2
Public Investment Fund (PIF)	2
Mumtalakat Holding Company	2
Khazanah Nasional Bhd	2
New Zealand Superannuation Fund	2
Oman Investment Fund	2
State General Reserve Fund	1
Total	**148**

Source: Sovereign Investment Lab, Bocconi University

Table 2. Q4_Q1 Top deals

Fund	Target name	Target country	Sector	Deal size (USD MM)	Stake
China Investment Corporation (CIC)	Logicor Europe Ltd	UK	Transportation	$14,418.37	100.00%
GIC Pte Ltd	Allergan Plc	Ireland	Healthcare, Medical Equipment, Pharma-ceutical Products	$2,939.96	5.11%
Mubadala Investment Company PJSC	Xiaoju Kuaizhi Inc. (Didi Chuxing)	China	Personal & Business Services	$2,000.00*	.*
GIC Pte Ltd	Dlf Cyber City Developers Ltd	India	Real Estate	$1,389.29	33.34%
China Investment Corporation (CIC)	Equis Energy Dvlps Pte Ltd	Singapore	Infrastructure & Utilities	$1,233.33 *	33.00%*

**Estimated Investment Value*
Source: Sovereign Investment Lab, Bocconi University

Key Trends

ESG Investing

Environment, Social and Governance (ESG) Investing has experienced significant growth in recent years, as there is a growing conviction among investors that sustainability will also drive financial performance through long-term value creation.

Embedding sustainable targets into the investment process was one of the key topics of last year's annual conference hosted by the International Forum of SWFs in Kazakhstan. Results from "early adopters" of ESG investing are so far mixed, as Norway's sovereign wealth fund stated in one of its latest reports that it has returned 1.6 percentage points less on an annualized basis over the last 12 years because it excluded some stocks for ethical reasons. In a more recent development, the Norwegian fund has also set out strong measures against corruption in the 8,985 companies it invests in.

Last December, six sovereign wealth funds including Abu Dhabi Investment Authority, Qatar Investment Authority, Kuwait Investment Authority, New Zealand Superannuation Fund, Norges Bank Investment Management, and Public Investment Fund of Saudi Arabia, formed a working group to develop a sustainable framework to address climate change issues and integrate related risks and opportunities in the management of their long-term assets. New Zealand Super fund adjusts its investments in anticipation of damage from global warming, and it has set out targets to reduce its carbon footprint.

Technology/VC Investment

The tech sector has been particularly attractive to sovereign investors in the recent past, primarily due to potentially high growth rates and return multiples not easily replicable in other sectors.

Sovereign investors are increasingly engaging with early-stage tech startups in order to benefit from the global technology sector's growth, and to realize rapid returns for their shareholders. The attraction seems to be reciprocal as, with longer investment horizons than venture capital funds, SWFs can provide patient capital, while also offering access to emerging and growing markets. Jeremy Kranz, head of the tech investment group within Singapore's GIC, recently stated that GIC is seeking "lifetime relationships" with the companies they invest in. These qualities make SWFs ideal investors for high-growth technology companies that value an incubation period without pressure to meet aggressive growth targets and return expectations.

There is especially strong appetite to invest in tech startups from sovereign funds in both Asia-Pacific and the Middle East, as they plan to leverage innovation and technology to drive economic-diversification. Saudi PIF's recently invested alongside Alibaba and Temasek Holdings in Magic Leap, a U.S. startup developing virtual retinal display. In the UAE, Mubadala Investment Company is planning to invest $400 million in early-stage startups in the U.S. after setting up an office in Silicon Valley last year.

China Investment Corporation launched a €150 million joint venture with Ireland Strategic Investment Fund, to invest in Chinese tech companies interested in entering the European market, as well as Irish companies planning to expand into China. Singapore's Temasek invested $1.5 billion in the Indonesian ride-hailing firm Go-Jek, while GIC participated in an $818 million Series C round for Chinese car sales platform Chehaoduo. New Zealand's Super Fund made a rare $65 million direct investment into U.S. recycling startup Rubicon Global.

Within tech investing, healthcare seems to be an area of growing interest. Mubadala Ventures, the VC arm of Mubadala Investment Company, participated in a US$ 110 million February round in CollectiveHealth, a San Francisco-based startup offering tech-savvy tools for managing health benefits. In May, telemedicine platform Doctis has sold a minority stake to a consortium led by the Russian Direct Investment Fund and the Russia-Japan Investment Fund.

Real Estate investments

Sovereign investors in the recent months have continued to seek opportunities in property and landmark acquisitions. Singapore's GIC is believed to have invested $3 billion in secured debt to finance the sale of The Center, one of the world's most expensive buildings in Asia. In a more recent development, GIC has invested $177 million in JustCo to develop co-working platform across Asia. Several SWFs are also realizing their real estate investments. In March, Norges Bank Real

Estate Management agreed to sell its stake in Meudon Campus, an office property of 45,000 square meters, to PGIM Real Estate for €128 million. About a month later, the partnership between Norway's SWF and Prologis sold their eight European logistics properties to a fund managed by Ares Management. GIC also sold the 740-room Arizona Biltmore hotel to Blackstone for $403 million in April.

Global Round-Up

Norway

The Government Pension Fund of Norway, the world's largest Sovereign Wealth Fund, became the first fund to reach the $1 trillion mark in AuMs last year. As strong global stock markets boosted the value of its portfolio, the fund doubled its return to 13.7 percent in 2017, up from 6.9 percent in 2016. It has become an increasingly activist shareholder over the years, speaking out on various topics such as executive compensation, ethical behaviors, and child labor. It is also streamlining its bond portfolio by shortening maturities and cutting corporate debt and fixed income in 20 currencies to only dollars, euros and pounds. However, Norway's government outlined regulations to prohibit the nation's SWF from investing in private equity citing lack of transparency and high fees.

Egypt

The Egyptian government has approved a bill to establish a sovereign wealth fund with $11.3 billion in initial capital last month. Some of its capital are raised by the privatization and sale of state-owned entities. The fund will managed unused state assets and has the authority to establish sub-funds and participate in similar Arab funds from neighboring countries.

Lebanon

Lebanon is planning to set up a sovereign investment vehicle funded through revenues from oil and gas. Earlier this year, the Lebanese president, Michel Aoun, said that the SWF will help preserve wealth for future generations with returns invested to finance development projects in Lebanon.

Kenya

Kenya is considering the possibility of establishing its first sovereign wealth fund by using profits from its state-owned enterprises. The new SWF will strategically help advance Kenya's commercial interest internationally. The proposed law and regulations to establish such fund have not yet been approved by the parliament.

Sovereign Wealth Funds, Assets under management

Country	Fund name	Inception year	Source of funds	AUM 2017 (USD BN)
Norway	Government Pension Fund – Global[£]	1990	Commodity (Oil & Gas)	**1034.18**
UAE-Abu Dhabi	Abu Dhabi Investment Authority[†]	1976	Commodity (Oil & Gas)	**828.00**
China	China Investment Corporation**	2007	Trade Surplus	**813.51**
Kuwait	Kuwait Investment Authority[†]	1953	Commodity (Oil & Gas)	**524.00**
Singapore	Government of Singapore Investment Corporationn[†]	1981	Trade Surplus	**390.00**
Qatar	Qatar Investment Authority[†]	2005	Commodity (Oil & Gas)	**320.00**
China	National Social Security Fund[†]	2000	Trade Surplus	**295.00**
UAE - Dubai	Investment Corporation of Dubai[6]	2006	Commodity (Oil & Gas)	**214.21**
Saudi Arabia	Public Investment Fund[†]	1971	Commodity (Oil & Gas)	**250.00**
Singapore	Temasek Holdings[µ]	1974	Trade Surplus	**197.00**
Russia	National Wealth Fund and Reserve Fund[66]	2008	Commodity (Oil & Gas)	**63.91**
Australia	Australian Future Fund[6]	2006	Non-Commodity	**102.48**
Republic of Korea	Korea Investment Corporation**	2005	Government-Linked Firms	**110.80**
Kazakhstan	Kazakhstan National Fund**	2000	Commodity (Oil & Gas)	**64.20**
UAE-Abu Dhabi	Mubadala Investment Company PJSC[£]	2017	Commodity (Oil & Gas)	**127.81**
Libya	Libyan Investment Authority[†]	2006	Commodity (Oil & Gas)	**66.00**
Brunei	Brunei Investment Agency[†]	1983	Commodity (Oil & Gas)	**40.00**
Malaysia	Khazanah Nasional Berhard[£]	1993	Government-Linked Firms	**38.85**
Azerbaijan	State Oil Fund of Azerbaijan***	1999	Commodity (Oil & Gas)	**37.63**
New Zealand	New Zealand Superannuation Fund[66]	2001	Non-Commodity	**27.14**
East Timor	Timor-Leste Petroleum Fund[†]	2005	Commodity (Oil & Gas)	**16.60**
UAE	Emirates Investment Authority[†]	2007	Commodity (Oil & Gas)	**34.00**
UAE-Abu Dhabi	Abu Dhabi Investment Council[†]	2007	Commodity (Oil & Gas)	**123.00**
UAE - Dubai	Istithmar World*	2003	Government-Linked Firms	**11.50**
Bahrain	Mumtalakat Holding Company**	2006	Government-Linked Firms	**10.40**

Country	Fund name	Inception year	Source of funds	AUM 2017 (USD BN)
UAE - Dubai	Dubai International Financial Center**	2002	Government-Linked Firms	**11.00**
Russia	Russian Direct Investment Fund†	2011	Non-Commodity	**10.00**
Oman	State General Reserve Fund*	1980	Commodity (Oil & Gas)	**9.15**
Ireland	Ireland Strategic Investment Fund6	2001	Non-Commodity	**19.70**
Oman	Oman Investment Fund†	2006	Commodity (Oil & Gas)	**6.00**
Angola	Fundo Soberano de Angola†	2012	Commodity (Oil & Gas)	**4.60**
UAE-Ras Al Khaimah	Ras Al Khaimah Investment Authority†	2005	Commodity (Oil & Gas)	**1.20**
Nigeria	Future Generations Fund**	2012	Commodity (Oil & Gas)	**0.51**
Vietnam	State Capital Investment Corporation£ß	2005	Government-Linked Firms	**2.76**
Palestine	Palestine Investment Fund**	2003	Non-Commodity	**0.86**
Kiribati	Revenue Equalization Reserve Fund**	1956	Commodity (Phosphates)	**0.63**
Kingdom of Morocco	Fonds Marocain de Développement Touristique**	2011	Government-Linked Firms	**0.20**
São Tomé & Principe	National Oil Account*	2004	Commodity (Oil & Gas)	**< 0,01**
		Total Oil & Gas		3,765.01
		Total Trade Surplus		1,695.51
		Total Other		346.31
		Total AUM		**5806.83**

£ AUM as of December 31, 2017.

† Estimate by SWF Institute as of April 2018.

** AUM as of December 31, 2016.

¥ AUM as of March 31, 2016.

µ AUM as of March 31, 2017. For Temasek, the net portfolio value is reported.

6 AUM as of June 30, 2017.

* Sovereign Investment Laboratory's estimate of assets under management (AUM) as of December 2017.
State General Reserve Fund as of December 2016.

66 As of May 1, 2018. The Russian Reserve Fund is as of January 1, 2018 exhausted.

*** As of April 1, 2018.

ß For the State Capital Investment Corporation (Vietnam) the charter capital was reported in previous repots/newsletters.
Now the total AUM are reported.

SWFs of Morocco and Palestine have been added to the SIL list in 2015.
Public Investment Fund has been added to the SIL list in 2016.

Team & Contacts

Bernardo Bortolotti
Director
Sovereign Investment Lab
Bocconi University

Markus Massi
Partner & MD
The Boston Consulting Group

Alessandro Scortecci
Principal
The Boston Consulting Group

Raphael Mimoun
Junior Researcher
Sovereign Investment Lab
Bocconi University

Giacomo Loss
Senior Researcher
Sovereign Investment Lab
Bocconi University

Nikola Trajkov
Junior Researcher
Sovereign Investment Lab
Bocconi University

For enquiries

Sovereign Investment Lab,
Bocconi University
Via G. Roentgen, 1
20136 Milano

tel. +39.02 58365306
fax +39.02 58365343
e-mail: bernardo.bortolotti@unibocconi.it

The Boston Consulting Group
Office Park at Dubai Internet City
Block D, 4th Floor PO Box 32257
Dubai, United Arab Emirates

tel. +971 44480300
fax +971 44480333
e-mail: scortecci.alessandro@bcg.com