Global SWF Times

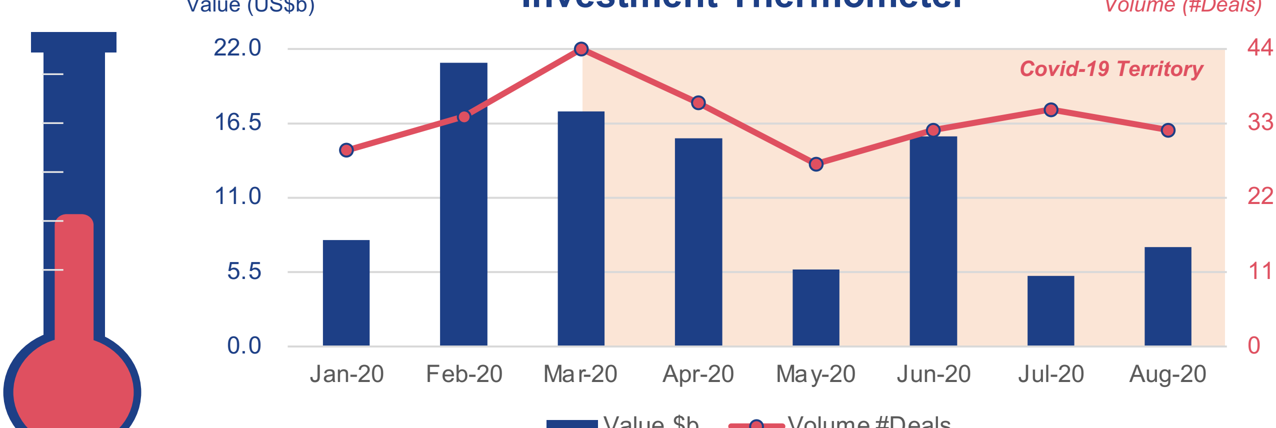
August 1ST-31ST 2020

- *CoViD-19:* Governments continue to confim SWF withdrawals, a total of 24 so far – see next page for details.
- *Reporting:* AIIB, APFC, AP1-4, BCI, CDPQ, CPP, GPIF, ISIF, NBIM, OTPP, SOFAZ, SVF issued reports in August.
  - Late: We are still missing the 2019 reports of 7 major funds: ADIA, CIC, FRR, KWAP, NSIA, NSSF, TVF.
- *Trends:* SWFs are being more active than PPFs in every industry except for real assets in 2020 so far – see article.
- *Rumors:* GPIF continues to expand its portfolio of alternatives and is hiring new RE and infrastructure managers.
- *People:* Major funds including CDPQ, NPS and QIA continue to reorganize their teams on the back of Covid-19.
- *Closure:* Angola's Zenú received a 5-year jail term, weeks after Malaysia's Najib got 12. Jho Low's still on the run.
- *Equities:* Q2 13-F filings were made available, highlighting strategic shifts by KIC, PIF, PSP and Temasek.
- *Running Out:* Kuwait changed rules to make transfers to FGF dependent on surplus. GRF withdrawals continue.
- *Multitasking:* After fundraising from citizens, Agaciro Fund is helping sell some assets, acting as Rwanda's IPA.
- *Offices:* OTPP poached an MD from OMERS to open a new office in Singapore, after Toronto, London and HK.

Fund	Investment	Country	Industry	Fund	Investment	Country	Industry
ADIA	INOX Leisure	India	TMT	Mubadala	Sever-1 Park,Moscow	Russia	RE
APG	VIA Outlets	Regional	RE	Mubadala	XPeng Motors	China	IP
AuSuper	Blackbird Fund IV	Australia	FS	NZ Super	Healthscope NZ Pathology	NZ	HC
BCI	Tower Infra Trust	India	Infra	NYSCRF	Castlelake Aviation Fund	Regional	Infra
CDPQ	Melbourne Logistics	Australia	RE	OPTrust	Cascade Power Project	Canada	ENR
Future Fund	Blackbird Fund IV	Australia	FS	OTPP	Epic Games	USA	TMT
GIC	Ampol (Caltex)	Australia	ENR	OTPP	Healthscope NZ Pathology	NZ	HC
GIC	Beijing Office property	China	RE	PGGM	PGGM-BAM PPP JV	Netherlands	Infra
GIC	HDFC	India	FS	QIA	XPeng Motors	China	IP
GIC	Tower Infra Trust	India	Infra	SBA	Cohen and Steers REIT	USA	RE
GIC	Yanlord Res JV	China	RE	SBA	DWS REIT	USA	RE
IMCO	Kingsett Aff. Housing	Canada	RE	SBA	CBRE Asia Value Partners	Regional	RE
IMCO	WPT Industrial REIT	Canada	RE	Temasek	Omio	Germany	TMT
KEVA	Infranode II Fund	Finland	Infra	Temasek	Impossible Foods	USA	RC
Mubadala	PCI Pharma Services	USA	HC	Temasek	Unfold	Singapore	TMT
Mubadala	Science 37	USA	TMT	Temasek	Zomato	India	TMT

Fund	Movers & Shakers	Internal / External
AP1	Kristin Magnusson Bernard replaces Teresa Isele as CEO of AP1	External Hire (Nordea)
AP3	Adam Kjörling becomes Equity Portfolio Manager at AP3	External Hire (Aberdeen)
AP3	Sharish Aziz becomes Fixed Income Portfolio Manager at AP3	External Hire (Danske)
CalPERS	Dan Bienvenue replaces Yu Ben Meng as (Interim) CIO	Internal Promotion
Future Fund	Genevieve Murray replaces Megan Ford as Head of Listed Equities	External Hire (AMP)
HKMA	Samson Wong to replace Clara Chan as (Deputy) CIO of Private Markets on Oct 1	Internal Promotion
ICD	Sheikh Hamdan (Fazza) replaces his father MbR as Chairman	Internal Promotion
ICD	Sheikh Maktoum replaces his older full brother Sheikh Hamdan (Fazza) as Vice Chair	Internal Promotion
NBIM	Nicolai Tangen replaces Yngve Slyngstad as CEO	External Hire (AKO)
OTPP	Bruce Crane becomes Managing Director and Employee #1 of Singapore Office	External Hire (OMERS)
PIC	Sholto Dolamo replaces Dan Matjila as (Acting) CIO	Internal Promotion

Investment Thermometer



Source: Global SWF's Global Track and Activity

In-depth Analysis: COVID Tracker

2020 is testing the *resilience* of global investors and the way they look at investment strategy and portfolio theory. The second quarter of the year saw a recovery in financial markets following a significant drop in the first quarter, but this gain was offset by several governments withdrawing from SWFs.

The scale of losses that SWFs and PPFs endured in the first quarter was highly dependent on the funds' mandate and asset allocation. The worst reported performance was from **NZ Super**, which keeps 70% of its portfolio in listed equities and lost 26% of its value in US$ terms in February and March alone. Among PPFs, Japanese giant **GPIF** broke all existing records when it announced that it had lost US$ 154 billion of pensioners' money during Q1.

The overreaction of the market was partly, if not fully, recovered during Q2. If it was not for the krone devaluation, Norway's **NBIM**, whose allocation remains almost entirely in liquid assets, would be 3% up this year. Other funds, including those susceptible to withdrawals, remain heavily affected, e.g. **SAMA**'s reserves are still down 10% in 2020. The SWF and PPF sector lost on aggregate 16% of its value during Q1, and recovered 13%-14% during Q2.

Here's That Rainy Day

According to data compiled by **Global SWF**, 24 Governments from all six continents have announced intentions to recover capital from their SWFs. The withdrawals from Norway's **NBIM** and Singapore's **GIC** are significant, but the situation is most critical in Emerging Markets including Africa and Latin America, where some funds may get exhausted altogether. Peru's **FEF** and Colombia's **FAEP**, which have been around for 20+ years, may have their days numbered.

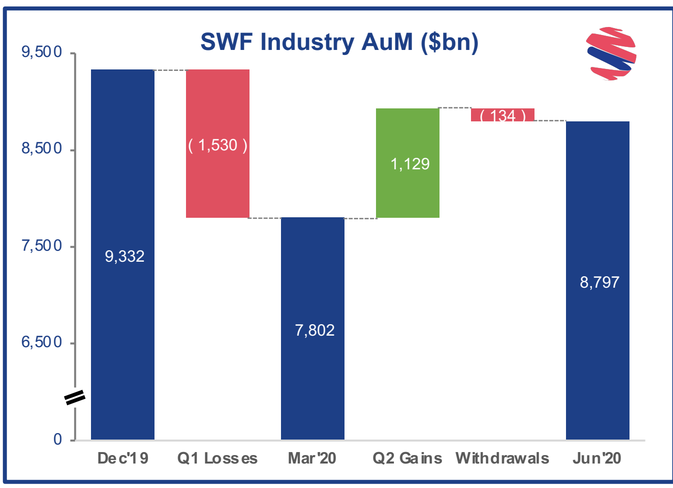
Most withdrawals are ocurring from stabilization funds honoring their mandate; however, savings (Kuwait's **KIA**, Bahrain's **FGRF**) and development funds (Iran's **NDFI**, Angola's **FSDEA**) are also being drawn down.

Lastly, there is a group of funds including Canada's **CDPQ**, Ireland's **ISIF** and Norway's **Folketrygdfondet** that have created sub-vehicles to be used for the support of their domestic economy and businesses.

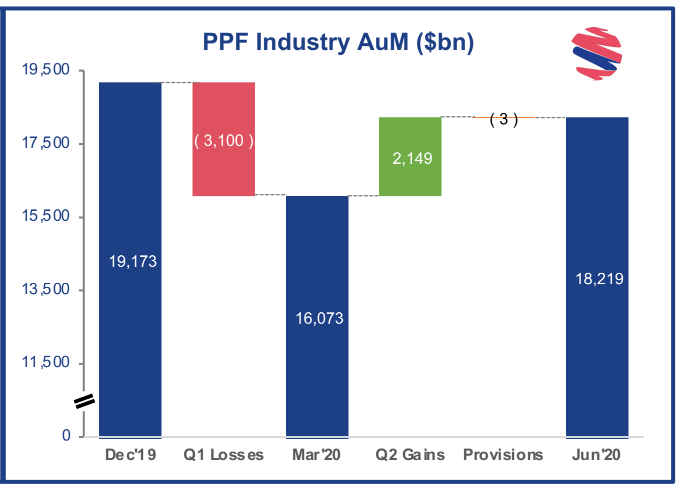
In any case, this crisis is far from over, and we will be monitoring the significant withdrawals that will happen by year-end, especially in the Middle East region.

Country	Fund	AuM ($b)	Withdrawal ($b)	% AuM
Canada	CDPQ**	244	-2.8	1%
USA	ESF*	10	-4.6	46%
Mexico	FEIP	6	-0.9	14%
Panama	FAP	1.4	-0.1	6%
T&T	HSF	6.3	-1.5	24%
Colombia	FAEP	12	-12	100%
Peru	FEF	5.5	-5.5	100%
Chile	ESSF	11	-2	19%
Norway	GPFG/NBIM*	1,076	-37	3%
Norway	GPFN/Folk.**	23	-4.7	21%
Ireland	ISIF**	12	-2.2	19%
Nigeria	NSIA-SF	0.4	-0.2	43%
Ghana	GPF-GSF	0.3	-0.2	60%
Angola	FSDEA	4.6	-1.5	33%
Botswana	Pula Fund	4.5	-0.2	1%
Kuwait	KIA-FGF*	559	-6.9	1%
Bahrain	FGRF	0.9	-0.5	49%
KSA	SAMA**	448	-13	3%
Iran	NDFI	68	-1.1	2%
Azerbaijan	SOFAZ	43	-2.7	6%
Kazakhstan	NBK-NOF	58	-1.4	2%
Singapore	GIC	488	-36	7%
Taiwan	NTSF**	17	-0.03	0%
Timor-Leste	PF	18	-0.3	1%
Total	**24**		**-137**	**24%**

** To be confirmed ** Via Pandemic Funds, Bonds or Provisions*



Source: Global SWF analysis



Source: Global SWF analysis

Case Study: Angola's FSDEA

Fundo Soberano de Angola

The *Fundo Soberano de Angola* (FSDEA) was established in 2012 with an initial injection of USD 5 billion from O&G proceeds, which made it (and still is) the largest SWF in all of Sub-Saharan Africa. Since then, the fund has gone through various Governance issues, with the son of the country's President, José Filomeno "*Zenú*" dos Santos, acting as its Chairman. On August 15, 2020, after an eight-month trial, Zenú was sentenced to five years in jail for embezzling US$ 0.5 billion from the Central Bank. This could be a second chance for the SWF, despite the significant withdrawals faced during the past 14 months. We had the pleasure of catching up with Miguel Carneiro, former Head of Alternatives Investments at FSDEA and currently a partner at AFC & Partners.

[GSWF] Could you walk us through the recent developments in Angola, and what these have meant for the FSDEA?

[MC] Since late 2017 the current Angolan economical decision makers have been trying to jumpstart an economy known to be at the complete mercy of global crude markets. Angola is going through a revolutionary development program aimed at renovating its primary infrastructures, which have been crippled by 35 years of civil war. The new investments include major renovation projects for roads, ports, airports, power production and transportation, as well as water infrastructures.

*The country has contracted massive amounts of foreign debt as a result of this gigantic effort, with China as its biggest international creditor. As part of the most recent economic reforms, the Angolan Government formalized in July 2019 a decree to withdraw **US$ 1 billion** from the **FSDEA**. Five months later, the country made its latest issuance of sovereign debt for **US$ 3 billion**, which was oversubscribed three times attracting interest from investors in the US among others.*

*During the Covid-19 pandemic, and especially during Q1 2020 with the oil contango dipping oil future contracts to negative levels, the Angolan Government was forced to cancel its plans to issue supplementary debt, and the **FSDEA** was brought in as the main base of support amid the early shockwave. The initial **US$ 1 billion** withdrawal of July 2019 was followed by an additional **US$ 1.5 billion** in April 2020, taking the total capital call to **US$ 2.5 billion** in the short span of ten months.*

Today, a new set of challenges and opportunities lie ahead for the Angolan SWF: the country's budget is in dire need of cash and the government needs to sustainably develop key sectors such as agriculture, which has so far been affected by low yields and high operation costs. The government has given clear signals of its aim to boost domestic agriculture production with the adoption of protectionist measures; however, the reduction of operational costs remains a key challenge.

*Those initial difficulties within the upstream and midstream part of the agriculture value chain present excellent mid-sized investment opportunities for the **FSDEA**. The local agriculture sector critically requires low cost and efficient energy generation, feedstock production as well as storage and processing facilities. Outside of Angola, the African continent has recently observed a number of SWFs in Nigeria (**NSIA**), Morocco (**Ithmar**), and Rwanda (**Agaciro**) taking leading roles by promoting investments in key domestic sectors, fully aligned with the respective country's national economic agenda.*

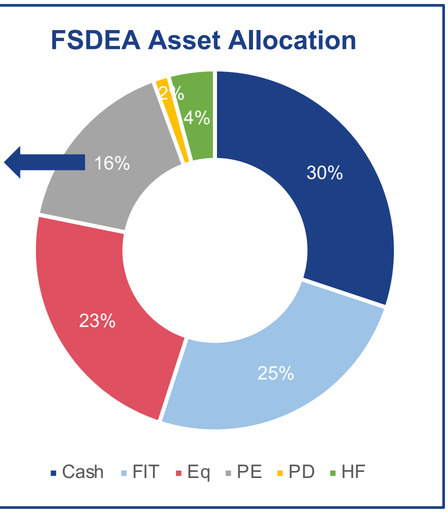
Going forward and despite the existing challenges, the Angolan SWF has the unique opportunity to take an "anchor investor" position in mid-sized investment tickets, aimed at boosting the competitive framework of the Angolan agriculture sector.

Mr. Miguel Carneiro, former Head of Alternative Investments at FSDEA and partner at AFC & Partners

Alternative Investments - PE

Fund / Subsidiary	Value ($m)
Hotel Invest. Fund	225
Africa Invest. Fund	216
Africa Mezz. Fund	106
Africa Mining Fund	81
Africa HC Fund	72
Africa Agro Fund	23
Kijinga	12
Africa Timber Fund	9
Total PE Dec'19	**745**

FSDEA Asset Allocation



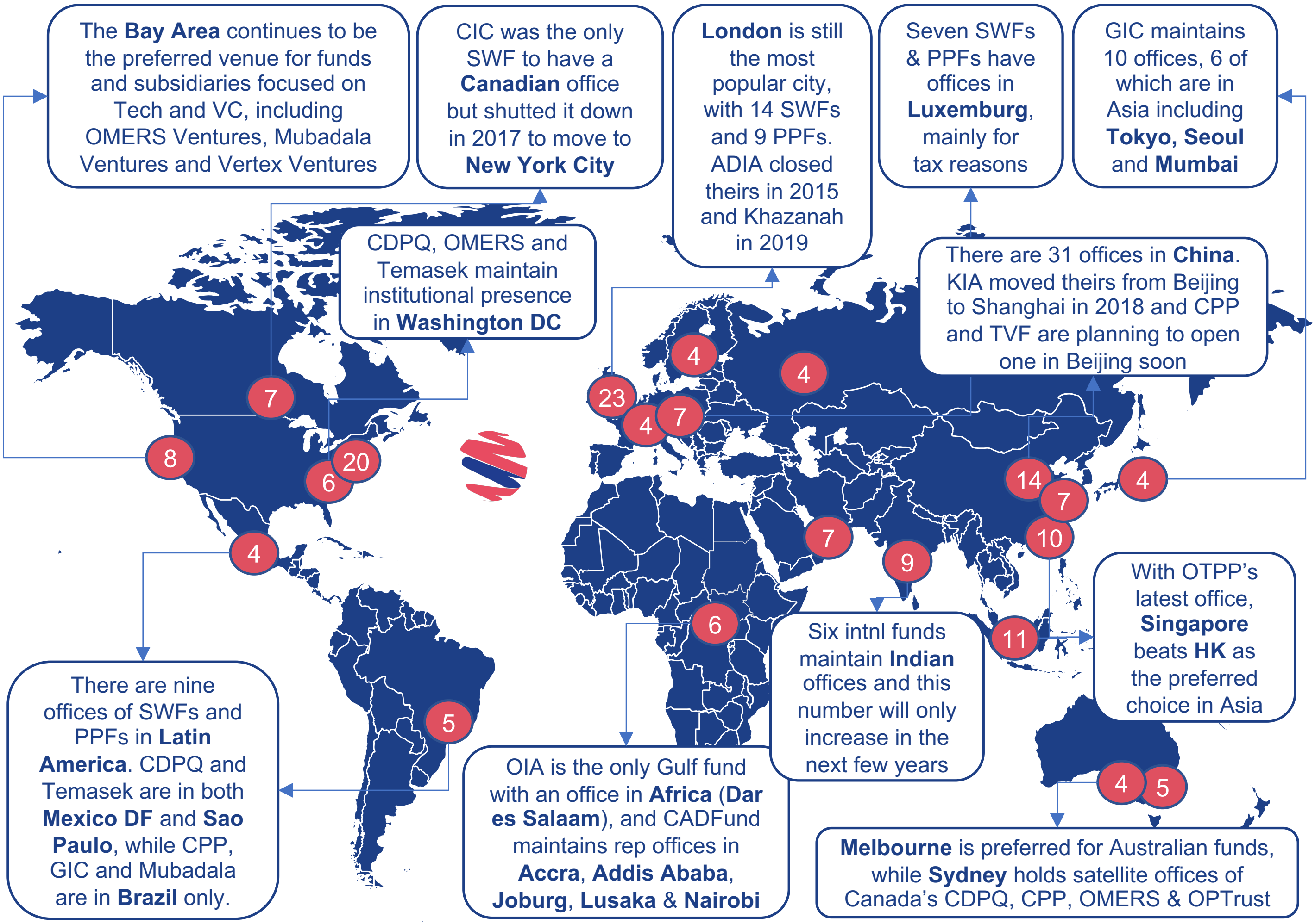
Source: FSDEA Annual Report, 31 December 2019

Latest Trends: Poaching and Satellite Offices

A few days ago, it was reported that Bruce Crane, an MD leading **OMERS** Infrastructure in Singapore, would leave the firm after 8 years, in order to help **OTPP** open its satellite office in the Lion City. This is important because:

- It talks about the fight for talent between funds. Mr. Crane will lead OTPP's Infra team in Asia Pacific while the Americas team is led by Kevin Kerr, another former MD at OMERS. There are at least 16 former employees of OMERS currently working for OTPP, while at least 32 have changed North York for Old Toronto. This would be difficult to see in other regions, especially in leadership roles. In the Gulf, there are very few cases of personnel moving between **ADIA**, **KIA**, **PIF** or **QIA** due to cultural sensitivities. In Asia, there is a precendent of a "*hold harmless agreement*" when **KIC** agreed not to hire **NPS** personnel, after the latter moved out of Seoul in 2017.
- It signals the increasing strength of Singapore as Asian hub due to the ongoing developments in Hong Kong, and more generally, the importance of Asia Pacific in the future investment strategy of SWFs and PPFs alike. Over a third of all satellite offices are already in the region, with 31 offices in China (incl. HK) and 9 in India. Last year alone, **APG** opened outposts in both Beijing and Shanghai and **PSP** in Hong Kong; and **CPP** and **TVF** may be the next tenants in Beijing. India has also gained a significant presence of funds in the past few years, including **CDPQ**, **CPP**, **GIC**, **Khazanah**, **QIA** and **Temasek**, which may be joined by **OTPP** in Mumbai soon.

Global SWF estimates that the Top 100 Funds employ today 45,000+ people, of whom 9% sit outside of the HQs. With the increasing insourcing of talent, and the expected weight of alternative assets and emerging markets in the funds' investment strategies, we believe that both these numbers will only increase during the next few years.



Source: Global SWF Analysis, last updated August 2020. See full breakdown at https://globalswf.com/offices

Zoe's corner: Human Capital as a function of ESG

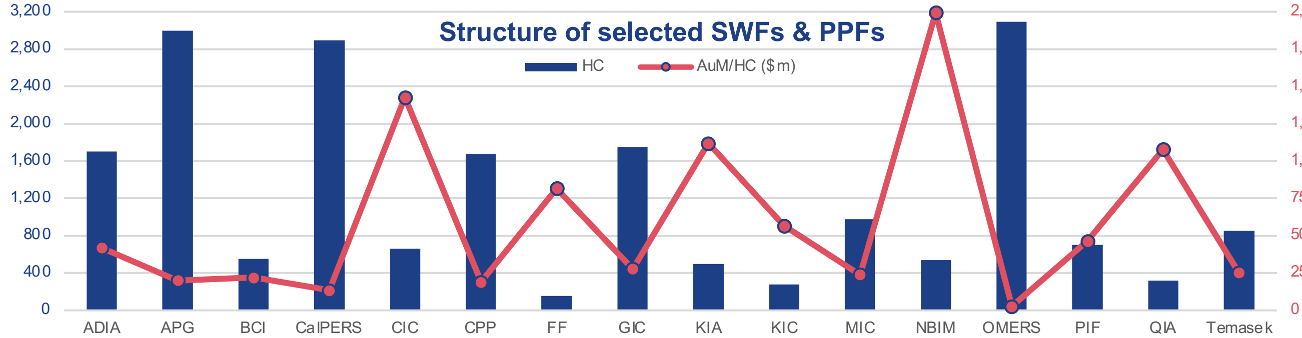
Two recent developments have highlighted the strong links between Human Capital and ESG at SWFs and PPFs. On the one hand, **NBIM**'s process to hire Nicolai Tangen as the fund's new CEO has exposed the potential conflict of interests, challenges and political influences of a position like that, even in a country as transparent as Norway. On the other hand, the departure of **CalPERS**' CIO Ben Meg after only 18 months in the post has flagged some mistakes in the fund's disclosure policies and ended with months of strong accusations by US policymakers.

Executive-level positions of large funds are high-stakes jobs that inevitably attract attention from stakeholders. This means strict scrutiny and pushback from all levels of governments is likely, especially if the fund has suffered large losses. The cases of Tangen and Meng show that external pressure in times of geopolitical tensions and market uncertainty complicates the already very difficult task of finding and maintaining investment talent.

As an ethnic Chinese who also served as the deputy CIO of **SAFE**, Meng's exodus comes at a time when US and China are heading towards complete decoupling and speaks of another important social aspect in SWFs/PPFs: inclusion and diversity. Research shows that an increased diversity increases employee performance and thus investment returns. Funds like **ADIA** (65 nationalities), **AIIB** (52), **GIC** (40), **NBIM** (38) and **Temasek** (32) employ personnel hailing from different backgrounds, although normally in lower echelons. It is known that ADIA has only had one non-Emirati director in 44 years, and Temasek failed to bring in its first non-Singaporean CEO in 2009. Domestic constituents' reluctance to embrace foreign executives could be a hurdle beyond the fund's control.

In fact, building a successful public investment organization is not an easy task. This year alone, Saudi's **PIF** and Korea's **NPS** have announced grand hiring plans despite the challenges of attracting and retaining top talent in Riyadh and Jeonju, respectively. China's **CIC** has also made some headlines recently, due to the high turnover of their key executives, at a time when it needs them the most, over lack of dealflow, opportunities and pay.

This brings us once again to the question: what is the optimal size of a fund's payroll, and what is the ideal balance between in-house capabilities and external managers? Our [Top 100 Funds] employ over 45,000 people to manage US$ 15 trillion in assets. Some funds like Japan's **GPIF** rely heavily on external managers for an almost fully liquid portfolio, with a ratio of over US$ 10 billion per employee. Others like Canada's **OMERS** have built strong internal teams in 10 different offices for a 61% illiquid portfolio, maintaining a ratio of US$ 27 million per employee.



Canada's **BCI** is an interesting case. The fund has chosen not to open any office overseas, and has the entirety of its 550 staff based out of Victoria, presenting one of the highest ratios of AuM/personnel among Canadian PPFs. However, it collaborates with **AustralianSuper** and **OMERS** to exchange personnel and it uses external managers for a 40% illiquid portfolio. In its annual report, BCI sheds light on its rationale by breaking down the costs of its internal employees (15 cents per $100 managed) and external managers (64 cents per $100 managed).

Like we always say, SWFs and PPFs form a highly heterogenous universe and funds must find their own balance, but their success will eventually depend upon the formation and retention of key investment and support staff.

__Global SWF__ is a financial advisory boutique with presence in New York, London and Singapore. Since 2018, we have assisted organizations such as the World Bank and the United Nations with their work and in-roads into the institutional investment industry. Our ultimate mission is to promote a better understanding and connectivity into and between sovereign wealth funds and public pension funds.

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