Sovereign Wealth Funds: Love and Loathing in the Financial Markets

This case was written by Sachin Govind and Barnali Chakraborty, under the direction of S.S. George, IBS Center for Management Research. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
Sovereign Wealth Funds: 
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“The claim that sovereign wealth funds are causing threats to state security and economic security is groundless. We don’t need outsiders to come tell us how we should act.”

- Jesse Wang, Executive Vice President and Chief Risk Officer, China Investment Corp., in March 2008

“We cannot allow non-European funds to be run in an opaque manner or used as an implement of geopolitical strategy.”

- Jose Manuel Barroso, President, European Commission, in February 2008

“We have already enough protectionism on trade and investments. We are now adding protectionism [fears] on SWFs without any evidence that they’ve done anything wrong so far. We should incorporate them.”

- Angel Gurria, Secretary-General, Organisation for Economic Cooperation and Development (OECD), in January 2008

INTRODUCTION

In early June 2008, Kuwait Investment Authority (KIA), a Kuwaiti Sovereign Wealth Fund (SWF), announced that it might invest further in Citigroup Inc. (Citigroup) and Merrill Lynch & Company Inc. (Merrill Lynch). Earlier in January 2008, the fund had invested in these two financial institutions, when they sought to increase their capital and strengthen their balance sheets following massive losses due to the sub prime crisis. Later in June 2008, when the question was raised whether KIA was planning to raise its stakes in these companies, Bader Al-Sa’ad, managing

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2 The China Investment Corp is a Sovereign Wealth Fund. It was founded in September 29, 2007. It has US$ 200 billion of assets under management.


4 The European Commission (EC) is the executive branch of the European Union and is responsible for proposing legislation, implementing decisions, upholding the Union’s treaties and the general day-to-day running of the Union. (Source: http://en.wikipedia.org)


6 The Organization for Economic Co-operation and Development (OECD) is an international organization of those developed countries that accept the principles of representative democracy and a free market economy. (Source: http://www.nationmaster.com)

7 Citigroup Inc. is a major American financial services company based in New York City.

8 Merrill Lynch is one of the world’s leading wealth management, capital markets and advisory companies. (Source: http://ml.com)

9 The subprime crisis caused a serious credit crunch in the global banking system, and sprang from increasing rates of default on home loans, particularly those given to borrowers with low credit scores.
director of the fund, said, “In Citi or Merrill, if there is good opportunity, we will look into it. Do we increase our stake? It all depends on the performance and strategy.” These capital injections, however, elicited a strong response from some US-based analysts who objected to American institutions going into the hands of foreigners.

The global financial crisis in early 2008 saw many SWFs investing in troubled financial institutions in the US and Europe. While these investments helped rescue the institutions from collapse, the SWFs were not universally welcomed. “The SWFs have tried to help - often on a very expedited basis - troubled western financial institutions and, unfortunately, they have been rewarded so far with losses as well as criticisms over their lack of transparency,” said David Rubenstein, Co-Founder of Carlyle Group.

While the International Monetary Fund (IMF) recognized that SWFs brought “a variety of economic and financial benefits”, policymakers and analysts in several countries were concerned about the impact of these funds on the financial stability of their countries. These critics of SWFs became even more vocal after SWFs invested more than US$ 40 billion in some troubled US- and European Union (EU)-based banks between November 2007 and March 2008.

**SOVEREIGN WEALTH FUNDS: THE WHAT AND THE WHY**

SWFs are “pools of money derived from a country’s reserves, which are set aside for investment purposes that will benefit the country’s economy and citizens.” The money for investment “comes from central bank reserves that accumulate as a result of budget and trade surpluses, and even from revenue generated from the exports of natural resources.”

The objectives of SWFs vary. A government of a country whose economy is excessively dependant on income from the export of a non-renewable commodity (such as oil, or metals such as copper) may establish a SWF to diversify its source of revenues. Among other reasons, SWFs may also be established to:

- Earn greater returns than on foreign exchange reserves;
- Assist monetary authorities dissipate unwanted liquidity;
- Increase savings for future generations; and
- Fund social and economical development.

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11 The Carlyle Group is one of the world’s largest private equity firms.


13 The International Monetary Fund (IMF) is an international organization that oversees the global financial system by observing exchange rates and balance of payments, as well as offering financial and technical assistance when requested.


17 SWF Institute, [http://www.swfinstitute.org/swf.php](http://www.swfinstitute.org/swf.php)
Sovereign Wealth Funds: Love and Loathing in the Financial Markets

An IMF report identifies five types of SWFs, based on their dominant objectives: 18

- Stabilization funds: These funds are created by countries rich in natural resources. A portion of the revenues from exports of these commodities in good years (when price and demand are high) are set aside for investment, so that the budget and the economy of the country are protected against price swings;

- Savings funds for future generations: The objective of these funds is to share a country’s wealth with future generations. Revenue from the export of non-renewable resources is invested in a diversified portfolio of international financial assets;

- Reserve investment corporations: These are created to reduce the cost of holding reserves, or to invest the reserves in assets yielding better returns;

- Development funds: These are created to fund socio-economic projects or promote industrial policies that facilitate economic growth; and

- Pension reserve funds: These provide for pension, and/or contingent-type liabilities on the government’s balance sheet.

SWFs have existed since the 1950s. One of the first SWFs was the one created by Kuwait in 1953, as a reserve fund for future generations.

In the 1970s and the 1980s, with the rise in oil revenues, many oil-exporting countries accumulated substantial foreign exchange reserves. Theoretically, the increase in forex reserves, increased money supply in the domestic economy, which contributed to inflation, undermining economic and financial stability. Central banks usually sterilized foreign exchange inflows by issuing bonds that sucked out the excess liquidity. The money that central banks raised by issuing bonds were usually invested in safe, liquid assets like US Treasury bills and government securities issued by other wealthy countries whose currency they kept as reserves. However, as these financial instruments sometimes did not earn more than the interest that the bank would have to pay the bond holders, the central banks incurred a cost of carrying reserves, referred to as ‘quasi-fiscal’ costs 19. Also the value of the reserves could be eroded due to foreign exchange fluctuations as well as due to inflation.

Therefore, many oil-rich countries started setting up SWFs. Exporters of some other non-renewable resources too set up SWFs using their export earnings.

Some countries that were able to drastically improve their export performance due to cheap labor, a favorable exchange rate, and economies of scale also set up SWFs in order to deploy their burgeoning foreign exchange reserves more profitably.

Countries with large funds – more than what they felt was required as a defense against international financial turmoil – invested in riskier assets and for longer periods. “For economies with plentiful foreign reserve assets, greater and more prudent diversification reflects sound and responsible asset management,” said Udaibir S. Das, an expert on SWFs in the IMF’s Monetary and Capital Markets Department. 20

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19 www.rbi.org.in.
GROWING INFLUENCE OF SWFs

In the 2000s, a large number of new funds came into existence and SWFs started gaining prominence in the international financial markets (Refer Exhibit I for the growth in the number of SWFs). The growing number of SWFs in the emerging economies reflected the remarkable shift of emerging market economies from having current account deficits to having surpluses. In contrast, the developed countries like the US and the UK were recording current account deficits.

The total assets under the management of these funds increased considerably in the 2000s. While in 1990, the SWFs had assets worth approximately US$ 500 billion, as of mid-2008, this had grown to an estimated US$ 2–3 trillion. As of mid-2008, more than 20 countries had SWFs, with those of the United Arab Emirates (UAE), Norway, Saudi Arabia, China, Kuwait, Singapore, and Russia being the largest (Refer Exhibit II for the inception years of different SWFs and their assets).

SWFs have been playing an increasingly important role during times of global financial turmoil. While during the turmoil in the global equity market between 2000 and 2002, the Norwegian Government Pension Fund was a large buyer of global equities, in the financial turmoil of 2007-08, the number as well as the role of SWFs expanded, as they invested billions of dollars in US and European banks and other financial institutions which suffered huge losses. For example, Temasek of Singapore invested US$ 5.6 billion in Merrill Lynch in November 2007. In the same month, the Abu Dhabi Investment Authority (ADIA) invested US$ 7.5 billion in Citigroup. On January 15, 2008, Singapore’s Government Investment Corporation (GIC) and SWFs belonging to Kuwait and South Africa together invested US$ 21 billion in Citigroup and Merrill Lynch (Refer Exhibit III for capital injection by SWFs in different financial institutions in 2007-2008).

According to a report released in 2007 by Dealogic Inc., a financial information firm, the value of cross border deals by SWFs increased by 65 percent in 2007 to US$ 48.5 billion, compared to the figures for 2006. In the first two months of 2008, SWFs had already invested around US$ 24.4 billion, with most of the investment going into US and European banks. In the US alone, SWFs invested US$ 43.1 billion from the beginning of 2007 through mid-March, 2008.

Many countries like India, Brazil, and Japan were also planning to establish SWFs. According to Surya P. Sethi, Energy Adviser of the Planning Commission in India, “A decision on this (SWF) would be taken after the budget. The fund would invest in overseas energy assets like Temasek of Singapore does.” Saudi Arabia planned to launch a new SWF with around US$ 6 billion. According to Muhammad Al-Jasser, Vice Governor of the Saudi Arabian Monetary Agency, “The Ministry of Finance is looking into a new fund. It will probably mostly invest in equities.”

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TRANSPARENCY ISSUES

While the size and influence of SWFs were growing, concerns were voiced about their lack of transparency. The fact that it was difficult to differentiate a foreign institutional investor (FII)\(^28\) from an SWF was also a matter for discussion. While FIIs were driven by the profit maximizing objective, the real investment objectives of SWFs were not clear to many.

With a few exceptions like Norway’s SWF, the quantum of funds available with most SWFs and where they were invested was not clear (Refer Exhibit IV for the structure of the major SWFs). Analysts in developed countries were concerned about the purchase of large equity stakes in major banks by SWFs of some Gulf countries and China. They worried that these funds would allow foreign governments to gain control over major industries and companies that were important to national security. “…you need the money but you don’t want to give up control. You don’t want to sell up a part of such an important part of your infrastructure,” said Filip Weintraub, Portfolio Manager at Norway’s Skagen Global\(^29\,30\).

The governments of some of these countries were also concerned that the investments made by these funds might be driven by strategic or political motives. For example, some people believed that China Investment Corporation’s investment in Morgan Stanley could pose a threat to US ‘economic security.’ The enormous amount of money available with these funds only made the critics more vociferous. The European Council (EC)\(^31\) also expressed concern about these funds, opining that they should be more transparent about their investment strategies.

There were even threats that the activities of SWFs would be restricted if they did not become transparent. Nicolas Sarkozy, President of France, warned that the country would not allow those funds which did not follow “the transparency criteria one is entitled to expect in a civilized world.”\(^32\) Joaquin Almunia, the EU’s Economic and Monetary Affairs Commissioner, was also of the view that these funds should be restricted in the EU if they were not transparent with their investment strategies.

There were also instances where foreign companies were kept out of sectors which were considered strategically important. For example, China National Offshore Oil Corporation (CNOOC)\(^33\) Ltd. was prevented from buying the US energy firm Union Oil Company of California (UNOCAL) Corporation\(^34\) in 2005. Similarly, in 2006, Dubai Ports World (DPW)\(^35\) had taken over Peninsular and Oriental Steam Navigation Company (P&O), a British firm. As part of the deal, DPW assumed P&O’s leases to manage six major US ports. However, because of opposition

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28 A Foreign institutional investor is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. (Source: http://www.investopedia.com)
29 Skagen Global is an equity fund that invests in global equities. It was launched on August 7, 1997, and it has been managed by Filip Weintraub since September 2001. (Source: http://www.skagenfunds.fi)
31 The European Council brings together the heads of state, the government of the EU and the president of the Commission. It defines the general political guidelines of the European Union. (Source: www.consilium.europa.eu)
33 China National Offshore Oil Corporation (CNOOC) Ltd. is China’s largest state owned offshore oil and gas Company.
34 UNOCAL Corporation was a major petroleum explorer and marketer. In 2005, the company merged with Chevron Corporation and became a wholly owned subsidiary.
35 Dubai Ports World is a subsidiary of Dubai World, a holding company owned by the government of Dubai in the UAE.
within the US, DPW had to sell its US operations to Halliburton Energy Services.\textsuperscript{36} Considering these facts, it was argued that SWFs too should be restricted if a country’s strategic interests were affected by the investment choices of the SWFs.

However, not all were critical of SWFs. In fact, some analysts were of the view that SWFs should not be restricted in any way. Analysts who were not in favour of restricting the SWFs argued that these funds were good for the financial markets. “To the extent that SWFs improve market liquidity, particularly in a way that is not herdish like other types of short-term capital flows, SWFs should be a positive factor for markets in general,” said Stephen Jen, Global Head of Currency Research at Morgan Stanley.\textsuperscript{37} Perhaps not surprisingly, the banks which received funds from SWFs also argued in their favor. According to Michael Klein, Chairman and Co-Chief Executive of Markets and Banking Department of Citigroup, “I would make an argument today that the greatest single benefit to the longevity of the US and UK financial structure is investment made by sovereign wealth funds into financial institutions.”\textsuperscript{38} The IMF also echoed such views. According to John Lipsky, the IMF’s First Deputy Managing Director, “From the viewpoint of international financial markets, SWFs can facilitate a more efficient allocation of revenues from commodity surpluses across countries and enhance market liquidity, including at times of global financial stress. They also tend to be long-term investors with limited withdrawal needs, which enable them to withstand market pressures in times of crisis and dampen volatility.”\textsuperscript{39}

Some analysts, while agreeing that the lack of transparency of SWFs was a major concern, argued that too much control over their activities would not be in a country’s best interests. The OECD shared a similar view. “The OECD is saying buyers have to have transparency, abide by market rules. But sellers: don’t overreact, don’t overregulate, don’t over control, [and] don’t over legislate…,” said Angel Gurria, Secretary-General of the OECD.\textsuperscript{40}

The managers of the SWFs on their part claimed that there was no evidence to support the charge that they were not transparent, and were driven by strategic or political reasons. “It’s as though sovereign wealth funds are guilty before proven innocent,” said Bader Al-Sa’ad.\textsuperscript{41} The SWFs, while resisting formal regulation and excessively restrictive voluntary codes of conduct, emphasized how their long-term investment horizon and absence of leverage made them superior sources of capital, when compared to more short-term focused and less dependable investors. The governments to which the SWFs belonged supported the view. China’s Finance Minister, Xie Xuren, said, “SWFs’ investments are generally long-term, not speculative, so they are beneficial to the growth of investment and the economy.”\textsuperscript{42}

Many prominent businessmen supported SWFs. Investment guru Warren Buffet dismissed the charges that they were agencies that furthered the political and strategic interests of foreign governments. He said, “This is our doing. Our trade equation guarantees massive foreign investments in the US. When we force-feed US$2 billion daily to the rest of the world, they must invest in something here. Why should we complain when they choose stocks over bonds?”\textsuperscript{43}

\textsuperscript{36} Halliburton Energy Services is a US-based Multinational Corporation.


\textsuperscript{42} “A Force for Good?,” The Straits Times, June 30, 2008 (www.asiaone.com)

\textsuperscript{43} “A Force for Good?,” The Straits Times, June 30, 2008 (www.asiaone.com)
SWFs received support from other quarters as well. According to Robert Kimmit, the Deputy US Treasury secretary, “At this point in time, sovereign wealth funds are generating higher investment returns without generating political controversy.”44 David McCormick, Under-Secretary of the US treasury, also said that there was “no evidence of them making investments for anything but economic reasons.”45

**MORE REGULATION**

However, the growth in the size and number of SWFs led to more calls for regulation. “Best practices and principles could help ease the concerns about SWFs in recipient countries,” said Jaime Caruana, Director of the Monetary and Capital Markets Department of the IMF.46

In February 2008, Australia officially came up with a set of principles that SWFs would have to follow when they invested in that country. In March 2008, the US Treasury officials met with executives from two SWFs, ADIA of UAE and GIC of Singapore. Both parties reached an agreement regarding the norms that the funds would have to follow to invest in the US. “Singapore and UAE have long-established, well-respected funds and are showing real leadership by joining with us today,” said Henry Paulson, Treasury Secretary of the US.47 Charles E. Schumer, US Senator for New York, said, “Now it is up to other sovereign wealth funds to follow this lead. I hope the administration, the IMF and other governments will encourage them to do so.”48

The EU suggested that SWFs disclose “investment positions and asset allocation, the exercise of ownership rights, leverage and currency composition, size and source of resources, country regulation and oversight governing the SWF.”49 Although as of 2008, some of the SWFs like that of Norway and to some extent Singapore’s Temasek Holdings met these criteria, most SWFs did not. The EC stressed on the need for a “voluntary code of conduct for SWFs and defining principles for recipient countries at international level.”50

In early 2008, the IMF said that it would come up with a set of guidelines that SWFs could follow so that they became more transparent.

On March 31, 2008, the OECD and the IMF organized a conference on ‘Sovereign Wealth Funds in the Global Investment Landscape: Building Trust’ in London. This conference provided a platform for representatives of different SWFs, private financial institutions, and recipient countries to discuss the actions that would have to be taken in future to build mutual confidence and trust.

**THE ROAD AHEAD**

According to IMF forecasts in 2008, the combined current account surplus of China and oil-exporting countries would be around $800 billion over the next three years. The IMF estimated that SWF assets could grow to US$ 6-10 trillion within the next five years.51 According to Morgan

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Stanley, the world’s SWFs would grow from US$ 2.5 trillion in 2008 to almost US$ 12 trillion by 2015.

As SWFs were controlled by governments, their growth seemed to strengthen the role of government in business and in making investment decisions. Some analysts said that this was nothing but “re-nationalization”. And, as governments did not always take investment decisions in the way a profit-maximizing firm would, these funds might not invest in the most profitable avenues, they argued.

Some analysts foretold testing times ahead for SWFs. According to them, once the financial turmoil passed, SWFs might find themselves less welcome in the developed countries. And, if these countries adopted a protectionist stance, the SWFs would be left with few avenues to invest their money.

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52 Morgan Stanley is one of the world’s largest diversified financial services companies. (Source: http://www.morganstanley.com)

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Exhibit I

Number of Sovereign Wealth Funds: 1950s-2000s


Exhibit II

Some Sovereign Wealth Funds

<table>
<thead>
<tr>
<th>Countries</th>
<th>Assets ($bn)^</th>
<th>Inception Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE: Abu Dhabi Investment Authority</td>
<td>875.0</td>
<td>1976</td>
</tr>
<tr>
<td>Norway: Government Pension Fund-Global</td>
<td>380.0</td>
<td>1996</td>
</tr>
<tr>
<td>Singapore: GIC</td>
<td>330.0</td>
<td>1981</td>
</tr>
<tr>
<td>Saudi Arabia: Various</td>
<td>300.0</td>
<td>-</td>
</tr>
<tr>
<td>Kuwait: Reserve Fund for Future Generation</td>
<td>250.0</td>
<td>1953</td>
</tr>
<tr>
<td>China: China Investment Corporation#</td>
<td>200.0</td>
<td>2007</td>
</tr>
<tr>
<td>Singapore: Temasek Holdings</td>
<td>159.2</td>
<td>1974</td>
</tr>
<tr>
<td>Libya: Oil Reserve Fund</td>
<td>50.0</td>
<td>2005</td>
</tr>
<tr>
<td>Qatar: Qatar Investment Authority</td>
<td>50.0</td>
<td>2005</td>
</tr>
<tr>
<td>Algeria: Fond de Regulation des Recettes</td>
<td>42.6</td>
<td>2000</td>
</tr>
<tr>
<td>US: Alaska Permanent Fund Corporation</td>
<td>38.0</td>
<td>1976</td>
</tr>
<tr>
<td>Brunei: Brunei Investment Authority</td>
<td>30.0</td>
<td>1983</td>
</tr>
<tr>
<td>Other</td>
<td>171.4</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2876.3</td>
<td>-</td>
</tr>
<tr>
<td>Oil and gas related assets out of total assets</td>
<td>2103.4</td>
<td>-</td>
</tr>
</tbody>
</table>

^: Estimated, excluding Norway
# Includes Central Huijin Investment Co.

### Exhibit III

**Capital Injection by SWFS in Different Institutions: 2007-2008**

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>SWF</th>
<th>Amount (in US$ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>United States</td>
<td>Kuwait Investment Authority (KIA)</td>
<td>12,500.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kuwait, GIC (Singapore)</td>
<td></td>
</tr>
<tr>
<td>UBS</td>
<td>Switzerland</td>
<td>GIC</td>
<td>11,535.0</td>
</tr>
<tr>
<td>Citigroup</td>
<td>United States</td>
<td>Abu Dhabi Investment Authority (UAE)</td>
<td>7,500.0</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>United States</td>
<td>KIA, Korea Investment Corp. (Korea)</td>
<td>6,600.0</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>United States</td>
<td>Temasek Holdings (Singapore)</td>
<td>5,600.0</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>United States</td>
<td>China Investment Corp. (China)</td>
<td>5,000.0</td>
</tr>
<tr>
<td>Laureate Education</td>
<td>United States</td>
<td>Caisse de Depot de Placement (Canada)</td>
<td>3,677.5</td>
</tr>
<tr>
<td>OMX</td>
<td>Sweden</td>
<td>DIFC (UAE)</td>
<td>3,551.4</td>
</tr>
<tr>
<td>Barclays</td>
<td>United Kingdom</td>
<td>China Development Bank (China)</td>
<td>2,980.1</td>
</tr>
<tr>
<td>Budapest Airport</td>
<td>Hungary</td>
<td>Caisse de Depot de Placement</td>
<td>2,610.4</td>
</tr>
<tr>
<td>London Stock Exchange</td>
<td>United Kingdom</td>
<td>DIFC</td>
<td>1,648.0</td>
</tr>
<tr>
<td>Related Cos</td>
<td>United States</td>
<td>Mubadala Development Co. (MDC) (UAE)</td>
<td>1,400.0</td>
</tr>
<tr>
<td>Carlyle Group</td>
<td>United States</td>
<td>MDC</td>
<td>1,350.0</td>
</tr>
<tr>
<td>Och-Ziff Cap Mgmt Group</td>
<td>United States</td>
<td>Dubai International Capital (DIC) (UAE)</td>
<td>1,258.6</td>
</tr>
<tr>
<td>Alliance Medical</td>
<td>United Kingdom</td>
<td>DIC</td>
<td>1,248.7</td>
</tr>
<tr>
<td>Mauser</td>
<td>Germany</td>
<td>DIC</td>
<td>1,159.8</td>
</tr>
<tr>
<td>OMX</td>
<td>Sweden</td>
<td>DIFC</td>
<td>1,100.6</td>
</tr>
<tr>
<td>Bharti Infratel</td>
<td>India</td>
<td>Temasek Holdings (Singapore)</td>
<td>1,000.0</td>
</tr>
<tr>
<td>Chapterhouse Holdings Ltd</td>
<td>United Kingdom</td>
<td>GIC Real Estate (Singapore)</td>
<td>954.2</td>
</tr>
<tr>
<td>Barneys New York</td>
<td>United States</td>
<td>Istithmar PJSC (UAE)</td>
<td>942.3</td>
</tr>
<tr>
<td>Pearl Energy</td>
<td>Singapore</td>
<td>MDC</td>
<td>877.5</td>
</tr>
</tbody>
</table>

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Exhibit IV

Structure of Some SWFS^

<table>
<thead>
<tr>
<th>Country</th>
<th>Fund Name</th>
<th>Sources of Fund</th>
<th>Ownership and Investment Management</th>
<th>Investment Strategy and Strategic Asset Allocation (SAA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>Abu Dhabi Investment Authority (ADIA)/Abu Dhabi Investment Council (ADIC)</td>
<td>Oil</td>
<td>Owned by the emirate of Abu Dhabi, ADIA has been the primary conduit for investing oil surpluses in overseas assets since 1976. Recently a separate legal entity, the ADIC, was established to encourage competition with the ADIA. Abu Dhabi’s surpluses will now be allocated to both the ADIA and ADIC.</td>
<td>Investment strategy and asset allocation is unknown.</td>
</tr>
<tr>
<td>Norway</td>
<td>Government Pension Fund—Global</td>
<td>Oil</td>
<td>Owned by the government and managed by Norges Bank Investment Management.</td>
<td>Global asset allocation with 40 percent in equities and 60 percent in global fixed income.</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>No designated name</td>
<td>Oil</td>
<td>Saudi Arabia Monetary Agency manages the foreign assets: US$ 225 billion is held on its own balance sheet, a portion of which is designated as reserves, and US$ 51 billion is managed on behalf of various government agencies.</td>
<td>The investment strategy and SAA is not known beyond broad indications.</td>
</tr>
<tr>
<td>Kuwait</td>
<td>Kuwait Investment Authority (KIA)/General Reserve Fund (GRF) and Future Generations Fund (FGF)</td>
<td>Oil</td>
<td>The KIA is an autonomous government body responsible for the management of the GRF and FGF, as well as any other funds entrusted to it on behalf of the Government of Kuwait.</td>
<td>The GRF invests in the local, Arab, and international financial markets. The FGF has a global asset allocation based on investment guidelines approved by the FGF board.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Government Investment Corporation (GIC)</td>
<td>Other</td>
<td>Owned by the Government.</td>
<td>Global asset allocation (not made public). Invests in all major asset classes.</td>
</tr>
<tr>
<td>Country</td>
<td>Fund Name</td>
<td>Sources of Fund</td>
<td>Ownership and Investment Management</td>
<td>Investment Strategy and Strategic Asset Allocation (SAA)</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
<td>-----------------</td>
<td>---------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Temasek Holdings</td>
<td>Other</td>
<td>Temasek Holdings is a private company, set up to hold and manage investment previously held by the principal shareholder, the Ministry of Finance.</td>
<td>SAA weights unknown. Geographical distribution as of March 2006 was 38 percent Singapore assets, 40 percent in rest of Asia, 20 percent in the Organization for Economic Cooperation and Development, and 2 percent in other countries.</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>State Foreign Exchange Investment Corporation</td>
<td>Other</td>
<td>To be determined.</td>
<td>To be determined.</td>
</tr>
<tr>
<td>Russia</td>
<td>Oil Stabilization Fund</td>
<td>Oil</td>
<td>Owned by the government and managed by the Russian Central Bank.</td>
<td>Invests largely in fixed-income assets, with 44 percent in US dollars, 46 percent in euros, and 10 percent in pound sterling.</td>
</tr>
<tr>
<td>Australia</td>
<td>Australian Future Fund</td>
<td>Other</td>
<td>Owned by the government and managed by the Future Fund Management Agency. The aim is to underwrite the government’s future superannuation liabilities.</td>
<td>-</td>
</tr>
<tr>
<td>United States (Alaska)</td>
<td>Alaska Permanent Reserve Fund</td>
<td>Oil and minerals</td>
<td>Owned by the state of Alaska, and managed by the state-owned Alaska Permanent Fund Corporation.</td>
<td>SAA consists of 53 percent equities, 29 percent fixed income, 10 percent real estate, and 8 percent alternative assets.</td>
</tr>
<tr>
<td>Brunei</td>
<td>Brunei Investment Authority</td>
<td>Oil</td>
<td>Owned by the government and managed by the Brunei Investment</td>
<td>Invests in a large global portfolio of financial and real assets. SAA not</td>
</tr>
<tr>
<td>Country</td>
<td>Fund Name</td>
<td>Sources of Fund</td>
<td>Ownership and Investment Management</td>
<td>Investment Strategy and Strategic Asset Allocation (SAA)</td>
</tr>
<tr>
<td>---------------</td>
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<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>General Reserve Fund</td>
<td></td>
<td>Agency.</td>
<td></td>
<td>made public.</td>
</tr>
<tr>
<td>Korea</td>
<td>Korea Investment Corporation</td>
<td>Other</td>
<td>Manages $20 billion of entrusted foreign exchange reserves, of which $17 billion is from Bank of Korea and $3 billion from the government.</td>
<td>Plans to invest in a global asset allocation. SAA not yet available.</td>
</tr>
<tr>
<td>Canada</td>
<td>Alberta Heritage Savings Trust Fund</td>
<td>Oil</td>
<td>Owned by the government of the Province of Alberta, managed by Alberta Finance.</td>
<td>Invests in a global SAA with 30 percent fixed income, 45 percent equities, 10 percent real estate, and 15 percent alternative assets.</td>
</tr>
<tr>
<td>Chile</td>
<td>Economic and Social Stabilization Fund</td>
<td>Copper</td>
<td>Owned by the government and managed by the Central Bank of Chile as a fiscal agent.</td>
<td>SAA consists of 72 percent Government bonds and 28 percent money market instruments in U.S. dollars, euros, and yen.</td>
</tr>
<tr>
<td>Pension Reserve Fund</td>
<td></td>
<td>Copper</td>
<td>Owned by the government and managed by the Central Bank of Chile as a fiscal agent.</td>
<td>SAA consists of 79 percent Government bonds and 21 percent money market instruments in US dollars, euros, and yen.</td>
</tr>
<tr>
<td>Botswana</td>
<td>Pula Fund</td>
<td>Diamonds</td>
<td>Owned jointly by the government and the Bank of Botswana. The Government’s share of the Pula Fund is accounted for on the balance sheet of the Bank of Botswana.</td>
<td>The fund invests in public equity and fixed-income instruments in industrialized economies. The fund does not invest in emerging markets, as they may be highly dependent on commodities.</td>
</tr>
</tbody>
</table>

*Other countries with known sovereign wealth funds include Azerbaijan, Kingdom of Bahrain, Chad, Ecuador, Equatorial Guinea, Gabon, Islamic Republic of Iran, Ireland, Kazakhstan, Kiribati, Libya, Malaysia, Mauritania, Mexico, Oman, Qatar, Sudan, Taiwan Province of China, Timor-Leste, Trinidad and Tobago, Uganda, and Venezuela.

References and Suggested Readings:


