

Sovereign Wealth Funds: A Bottom-up Primer

- Assets under management (AuM) of the over 50 Sovereign Wealth Funds (SWFs) covered in this primer totaled between US\$3.0 to 3.7 trillion at the end of 2007
- While SWFs are large, many projections of their future growth are overstated. The bottom-up approach used in this Primer yields a range of growth scenarios. In a high inflow/high return scenario, SWF assets achieve 20% annual growth, to reach US\$9.3 trillion AuM in 2012, which matches that cited by many commentators. However, in a low inflow/low return scenario, total assets grow at less than 11%, totaling US\$5 trillion in 2012.
- The asset class that will see the largest impact will be alternatives, with SWFs share in total alternatives to rise to at least 10% and possibly as high as 17% by 2012.
- However, the impact of SWFs on bond and equity markets will remain low. SWFs share in either market is in the low single-digits and unlikely to change significantly. Moreover, their investments are well diversified. This stands in contrast to central banks, which are highly concentrated around the much smaller government bond market.
- SWFs have become more active in primary and M&A transactions and this trend is likely to continue.
- The creation of a broad set of “best practices” for SWFs and for recipient countries is encouraging. But what is more important is what SWFs are actually doing. We find that, in terms of disclosure practices, investment approach and market behavior, SWFs are more in line with best practices than political rhetoric suggests.



David G. Fernandez^{AC}
(65) 6882-2461
david.g.fernandez@jpmorgan.com

Bernhard Eschweiler
(65) 6882-2212
bernhard.eschweiler@jpmorgan.com

www.morganmarkets.com

JPMorgan Chase Bank, N.A., Singapore Branch

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Sovereign Wealth Funds: A Bottom-up Primer

Introduction

Sovereign wealth funds (SWF) have become all the rage. They get more media coverage than hedge funds and private equity firms combined, financial institutions are courting them as never before, they are the favored topic of economic and financial forums, and they have become a hot political topic. SWFs are accused of having hidden agendas and yet are welcomed as saviors of Wall Street's finest. Four developments are behind the current focus on SWFs:

- The phenomenal rise of foreign reserves, chiefly among oil exporting countries and some of the current account surplus countries in Asia;
- The establishment of new SWFs, such as China's Investment Corporation (CIC) or Russia's Stabilization Fund;
- Some high-profile attempts by foreign government entities to purchase large stakes in companies in the US and Europe that are viewed to be of strategic or even national security importance;
- The recent multi-billion dollar investments by leading SWFs to help recapitalize some of the world's leading financial institutions.

Against this current background, it is important to remember that SWFs are nothing new. Indeed, many of the established funds have been around for several decades. It is the sheer size and growth of these funds, and the unease about their ultimate intentions, that have raised a number of issues about their potential impact on financial markets, competitiveness, corporate governance and even national security.

This Primer is divided into two parts: The first section is an essay that provides some background to SWFs and analyzes their potential market impact and the related political debate. The second section provides detailed descriptions of each fund including their background, objectives, size, funding sources, governance, institutional structure and investment approach. The following is a summary of the key findings.

- Although the label "SWF" is used like a homogeneous term, there are huge differences between the more than fifty funds in terms of purpose, size, source of funding, structure, transparency and asset allocation.
- SWF assets are highly concentrated, with the top ten funds accounting for 80% of total assets. About two thirds of SWFs are commodity based.
- With more than USD3 trillion in total assets, SWFs have become an important investor group, bigger than hedge funds and private equity combined.
- SWFs will undoubtedly grow further, but growth projections can easily be overstated. SWF growth is the inevitable outcome of the secular rise in oil prices and Asian surplus savings. But how these forces play out going forward needs to be analyzed on a country-by-country basis, just like the return that each SWF is likely to generate in the future. The bottom-up analysis used in this Primer shows

shows that SWF assets are unlikely to surge into double-digit trillion dollar figures over the next five years.

- Still, SWFs are likely to double in the next five years, raising questions about their potential impact on the relative pricing between bonds and equities. Such concerns seem overdone. SWFs' share in either market is too small and unlikely to change significantly. Moreover, their investments are well diversified. This stands in contrast to the central banks, which are highly concentrated around the much smaller government bond market.
- SWFs have become more active in primary and M&A transactions and this trend is likely to continue. Political issues aside, this is not bad news since SWFs are likely to be stable providers of long-term funding.
- The largest growth and asset allocation impact will probably be in alternative investments. Already, some SWFs have large exposures to alternatives, especially private equity, and more will join, which is likely to make alternatives the biggest growth area for SWFs.
- Given their absolute size and relatively limited resources, efficiency is a legitimate concern. Not surprisingly, the majority of SWFs use external managers to fill the skill gap and diversify investment risks.
- Financial market gains from SWF growth, however, seem unlikely to ease political concerns. Despite some acrimony, progress on "best practices" for SWFs and for recipient countries is encouraging, with formal proposals to be put forward later this year. And even though some key countries may resist the IMF-led effort on best practices for SWFs, their actual actions (disclosure practices, investment approach and market behavior) are more in line with best practices than the rhetoric suggests.

Sources and purpose

SWFs are broadly defined as special government asset management vehicles which invest public funds in a wide range of financial instruments. Unlike central banks, which focus more on liquidity and safe-keeping of foreign reserves, most SWFs have the mandate to enhance returns and are allowed to invest in riskier asset classes, including equity and alternative assets, such as private equity, property, hedge funds and commodities.

It is not always easy to differentiate between "pure" SWFs and other forms of public funds, such as conventional public-sector pension funds or state-owned enterprises (SOE). For example, it is not entirely clear why Norway's Government Pension Fund and Australia's Future Fund are usually classified as SWFs, while the Stichting Pension Fund (ABP) in the Netherlands and the California Public Employees' Retirement System (CalPERS) are viewed as conventional pension funds.

SWFs are usually distinguished by their funding sources and purpose. In terms of funding, three types of sources stand out:

- **Commodity sources** are largely oil and gas related, although some funds are also based on revenues from metals and minerals (e.g. Chile). Most commodity revenues are generated either directly through state-owned companies or commodity taxes. Commodity revenues are viewed as "real wealth" as they typically have no corresponding liability on the government's balance sheet.

- **Fiscal sources** can come from fiscal surpluses, proceeds from property sales and privatizations or transfers from the government's main budget to a special purpose vehicle. Most fiscal sources are "real wealth", although some have liabilities. China, for example, is funding the transfer of foreign reserves from the central bank to CIC by issuing government bonds.
- **Foreign reserves** represent often "borrowed wealth" as the reserve build-up in many countries stems from sterilized foreign exchange interventions, in which case the central bank issues interest bearing liquidity notes to fund the interventions and mop up the excess liquidity. However, part of the foreign reserves may also represent "real wealth", thanks to asset appreciation and the accumulation of interest income. The share of foreign reserves managed by SWFs is typically viewed as "excess" reserves as it exceeds the portion of foreign reserves deemed necessary for the conduct of foreign exchange policy and precautionary reasons.

The classification of SWFs based on their purpose usually can be broken down into four types of funds:

- **Revenue stabilization funds** are designed to cushion the impact of volatile commodity revenues on the government's fiscal balance and the overall economy.
- **Future generation (savings) funds** are meant to invest revenues or wealth over longer time periods for future needs. The sources of these funds are typically commodity based or fiscal. In some cases, these funds are earmarked for particular purposes, such as covering future public pension liabilities.
- **Holding funds** manage their governments' direct investments in companies. These may be domestic state-owned enterprises and private companies as well as private companies abroad. Holding funds typically support the government's overall development strategy.
- **Generic sovereign wealth funds** often cover one or several of the previous three purposes, but their size tends to be so large that the main objective becomes optimizing the overall risk-return profile of the existing wealth. These funds often manage part of the "excess" foreign reserves.

The following table provides some typical examples of the four main fund purposes and their funding sources.

Table 1: Examples of SWF sources and purposes

Purposes/sources	Commodity revenues	Fiscal sources	Foreign reserves
Revenue stabilization	Russia: Reserve Fund Kuwait: Reserve Fund Mexico: Oil Stabilization Fund		
Future generations / public pensions	Russia: National Prosperity Fund Kuwait: Future Generation Fund Norway: Government Pension Fund	Australia: Future Fund New Zealand: Super Fund	
Management of government holdings	Mubadala Saudi Arabia: Public Investment Fund	Singapore: Temasek Malaysia: Khazanah Vietnam: State Capital Investment Corporation	China: Bank holdings managed by CIC
Wealth or risk/return optimization	Abu Dhabi Investment Authority (ADIA) Brunei Investment Authority (BIA) Qatar Investment Authority (QIA)	Singapore: Government Investment Corporation (GIC)	Singapore: Foreign reserves managed by GIC Korea: Foreign reserves managed by KIC China: Foreign reserves managed by CIC

Source: JPMorgan

In reality, however, the current universe of SWFs cannot be neatly summarized in the above matrix. Besides the already mentioned four main purposes, some SWFs serve a number of other motives. For commodity-based economies, SWFs help diversify the revenue base and shield the domestic non-commodity sector from the risk of sharp currency revaluations, so called “Dutch disease”. SWFs also help enforce fiscal discipline and transparency, especially where funding and spending is governed by specific rules. This role is particularly important for newly emerging commodity economies that historically lacked fiscal discipline and transparency. A few countries use their SWFs as catalysts to promote the development of the domestic financial sector. Finally, some countries use their SWFs to pursue strategic interests by investing in specific sectors that are viewed important for the overall economic development of the country, especially skills transfer.

SWFs differ in many other aspects besides objectives and funding sources.

- **Ownership and governance:** All SWFs belong to the public sector, but some are directly owned by the government and others are statutory entities. All SWFs have a board, but some are entirely government controlled, while others have mixed representations from the government and private experts and a few are even independent from the government yet answerable to the legislature (e.g. Australia’s Future Fund).
- **Disclosure:** Standards vary between full transparency (e.g. Norway) and absolute secrecy. However, disclosure is becoming more accepted as best practice and some notoriously secretive funds have started to reveal information about their fund size, performance and basic asset allocation. The more recently launched funds also show a higher degree of transparency than some of the long established funds.
- **Institutional structure:** The main difference is between SWFs that act as separate entities with their own balance sheet (e.g. ADIA, Temasek) and those

that act as agent for one or several public-sector entities (e.g. GIC, Korea Investment Corporation (KIC)). In some cases, the central bank acts as the agent that manages the assets of the SWF (e.g. Norway, Saudi Arabia Monetary Authority (SAMA)).

- **Investment types:** The asset allocation depends partly on the purpose: stabilization funds tend to invest in liquid and less risky instruments, while future generation funds tend to invest in higher-yielding asset classes. In total, the largest share of SWF assets are invested in public securities (bonds and stocks), but the share of alternatives (private equity, property, hedge funds and commodities) is rising. The majority of SWF assets are invested in foreign markets, but there are notable exceptions of funds that invest partially or largely in the domestic market (e.g. Temasek, Khazanah).
- **Currency allocation:** In theory, SWFs can choose their own currency allocation. In practice, many SWFs are constrained by their country's foreign exchange policy regime. With many countries targeting the dollar in some shape or form, their SWFs ability to diversify into other currencies is limited.
- **Benchmarks:** Most SWFs have benchmarks, but use them in different ways. Some have overall portfolio benchmarks (index or total return), while others use separate benchmarks for each asset class. The majority of benchmark indices are based on market indices, but many are customized. In the past, most SWFs tried to outperform their benchmark indices, but a number of funds are moving to passive benchmark tracking, especially in equity. A few funds are also using portable alpha strategies.
- **Investment process:** Depending on their size and resources, some funds perform many activities internally and outsource only some operations (e.g. GIC). Others outsource essentially all front and back office operations and focus entirely on the strategic asset allocation, manager selection and basic control functions (e.g. Australian Future Fund, NZ Super Fund).

Current size and future growth: A bottom-up approach

Part of the concern about SWFs relates to their growing size. Estimating the aggregated size of all SWFs is not without difficulties. While most SWFs provide timely updates of their total assets under management, a few of the largest funds provide little if any information.

Using a broad definition of SWFs, but excluding conventional public pension funds which are already paying benefits (such as ABP and CalPERS), there are currently more than 50 funds in operation with total assets under management estimated to be between USD3.0 and USD3.7 trillion (see table below and summary tables on pages 21/22). Of the total size, nearly 20% of the funds are also included in official foreign reserves and should not be double counted when calculating the combined size of official reserves and SWF assets. Furthermore, roughly 10% of SWF assets are held in local domestic assets (often state enterprises) and should not be viewed as international financial assets.

Table 2: SWF assets*

	USD billion	% of total SWF assets
Total SWF assets	2,998—3,737	100
Of which:		
Top ten SWFs	2,367—3,034	79—81
Commodity funds	1,900—2,504	63—67
East Asia	999—1,139	30—33
Middle East	1,168—1,730	39—46
Europe & Central Asia	637	17—21
Africa	82—114	-3
Americas	114-119	3-4
<i>Memo items</i>		
<i>Official reserves**</i>	7,155	
<i>Hedge funds and private equity</i>	2,800	
<i>Private pension, insurance and mutual funds</i>	74,900	
<i>Global financial assets</i>	190,000	

* Estimates are mostly based on 2007 year-end figures, but also include some 2007 mid-year figures as well as figures for early 2008.

** Official reserves including gold at market value as of December 2007.

Source: JPMorgan

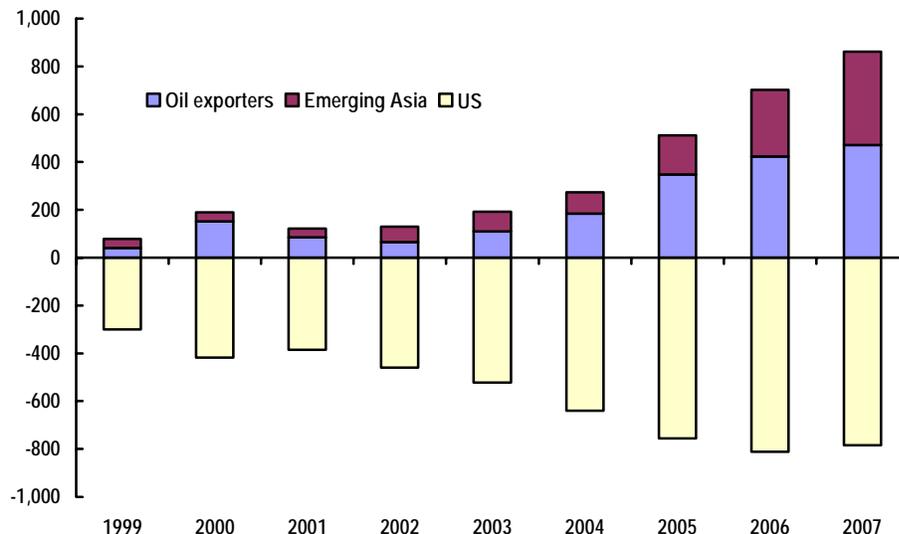
SWF assets are highly concentrated:

- The top ten funds account for about 80% of all SWF assets
- The largest SWF, ADIA, accounts for about 20-to-25% of all SWF assets
- Roughly two thirds of all SWF assets are held by commodity exporting countries
- East Asia and the Middle East account for more than three quarters of all SWF assets

Without doubt, SWFs are large players among the new financial power brokers. Total SWF assets are larger than hedge fund and private equity assets combined and account for about half the size of all official foreign reserves. Yet, they are still relatively small compared to the overall investor and market universe. SWF assets account for less than 2% of global financial assets and less than 5% of the assets of all private pension, insurance and mutual funds.

While coming from a relatively small base in aggregate, SWFs will undoubtedly grow and gain more significance. Consensus forecasts put the annual growth rate of total SWF assets at about 20% for the next five to ten years. Coincidence or not, this rate is about the same as that of official reserves over the last five years. As a directional indication, this may be sufficient; especially as any forecast of SWF asset growth is likely to have a large margin of error. Still, using past reserve growth as a guide has substantial shortcomings. The rise in SWFs has much to do with the macro drivers behind the surge in foreign reserves, in particular the large current account imbalances between the US and the surplus economies in Asia and the oil exporting countries (see chart). However, extrapolating past reserve growth forward would imply that these current account imbalances not only persist, but will grow further. This is questionable, especially in light of the current downturn in the US economy.

Figure 1: Current account balances (USD billion)



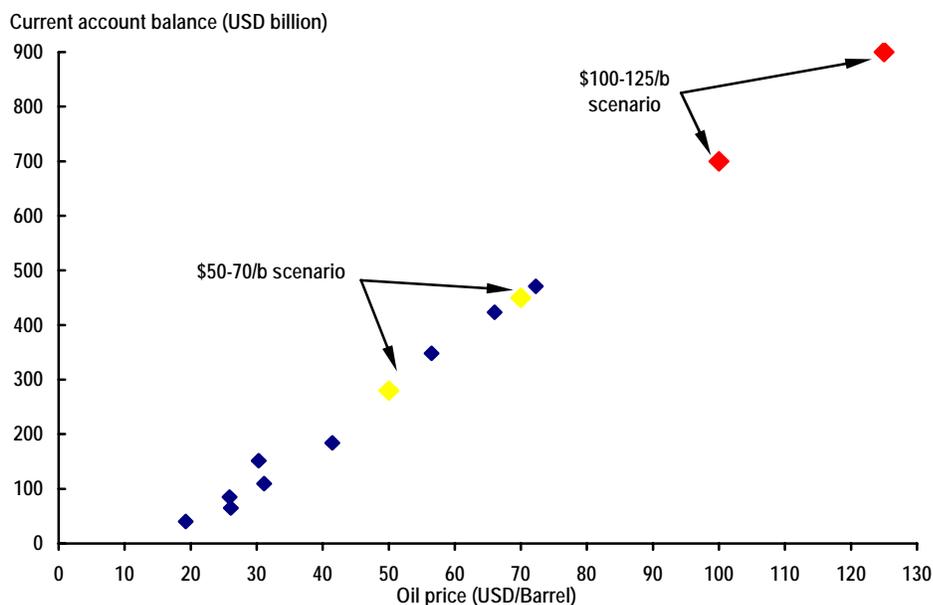
Source: JPMorgan

A comprehensive, bottom-up, forward projection of SWF assets should be built on scenarios around the following factors:

- Oil price
- FX policy of surplus countries
- Current account dynamics in the US and its main trade partners in Asia
- Allocation of new reserves or other surpluses to SWFs
- Establishment of new SWFs
- Rate of return

With a large number of SWFs residing in commodity exporting countries, the outlook for commodity prices, especially oil, is critical for estimating future current account inflows. Two basic scenarios emerge: first, oil demand continues to outstrip supply due to rapid growth in emerging markets, resulting in oil prices ranging between \$100 and \$125 per barrel over the next five years; second, recession in the US and a global slow down leads to a substantial decline in demand, causing oil prices to fall to a range of \$50 to \$70 per barrel. In the oil boom scenario, current account surpluses of oil exporters could rise as much as 50%. In the oil decline scenario, current account surpluses would probably drop 50% and for many countries it could imply that there are few excess savings to be channeled into SWFs.

Figure 2: Oil exporter current account balances and oil prices



Source: JPMorgan

For the surplus economies in Asia, key factors are the current account dynamic in the US and their own FX policy. Two scenarios seem plausible: first, a relatively quick recovery leaves the US current account deficit relatively unchanged at the 2007 level of around 5% of GDP (this projection is also consistent with the higher oil price scenario) and the Asian surplus countries do not let their currencies appreciate faster; second, recession and a drop in oil prices squeeze the US current account deficit to about 2% of GDP, while Asian countries allow their currencies to appreciate faster. In the first scenario, Asian current account surpluses are likely to remain broadly unchanged. In the second scenario, Asian current account surpluses would drop by roughly 50% and may even disappear in some cases.

With foreign reserve holdings exceeding reserve adequacy requirements in most countries that have SWFs, it is reasonable to assume that a larger share of any incremental balance of payments surplus will be allocated to SWFs. However, it would be misleading to apply a general formula or assume that central banks will reduce reserves and shift those funds to SWFs. In the Middle East, for example, most SWFs already get all surpluses, with official reserves staying at minimum adequacy levels. In Russia, growth of the Stabilization Fund is directly linked to the tax revenues from oil exports. In China, the decision to move reserves from the central bank to CIC is completely discretionary, and how soon and how much will be transferred next is likely to depend greatly on how well CIC performs.

A related issue is whether other countries will establish SWFs in coming years and, thus, add to the total size of SWF assets. A look at the list of surplus economies shows that most of them already have one or even several SWFs. However, a few may join. For example, Brazil recently announced its intention to set up a fund, though it appears that investments may be restricted to the financing of the internationalization of Brazilian companies. In Japan, there is growing political pressure to establish a SWF, but some potent forces are resisting such a move.

Disagreement includes the purpose: should the fund primarily support the Japanese financial market or invest abroad. There is also talk in India, Taiwan and Thailand about launching new funds. Meanwhile, Saudi Arabia is considering plans to merge its various funds into one super fund.

Lastly, in terms of forecasting rates of return, using historic returns of leading SWFs (such as Singapore's GIC and Temasek, and Norway) as benchmarks for all funds is not representative. While total SWF assets are relatively balanced between fixed income and equity and some residual exposure to alternatives, there are vast differences on a fund-by-fund basis, which get compounded by the size differences. In a bullish scenario, those funds with a high allocation to equity and alternatives are likely to push average returns close to double digits. But the opposite is likely as well, especially in the near term, which could result in lower, single-digit returns.

Summarizing the impact of these different factors on total SWF assets produces two main scenarios: 1) low inflows and returns; 2) high inflows and returns. Given the differences in size, funding and asset allocation, these scenarios should be applied to each individual SWF and not the total of all SWF assets. In this analysis, inflow and return scenarios have been projected for each fund based on its specific circumstances and initial size estimates. Aggregating the results across all SWFs and adding assets from potentially new funds produces two basic outcomes.

- In the low inflow/return scenario, new inflows over the next five years total about USD1 trillion (which would be roughly half the inflows over the last five years) and the average return is around 5%. Based on this and starting from the low end of the initial size estimates, total SWF assets rise on average 11% per year to reach USD5 trillion in 2012.
- In the high inflow/return scenario, new inflows are nearly 3 times larger than in the low inflow/return scenario (or roughly 50% larger than over the last five years) and average returns are close to 10%. Coming off a higher initial AuM estimate, total SWF assets will rise by about 20% per year to come slightly above USD9 trillion by 2012.

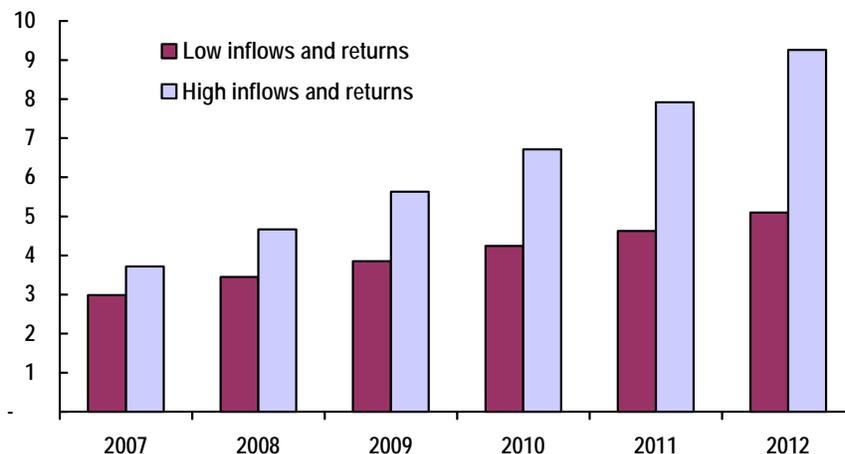
Table 3: SWF growth scenarios

	AuM 2007 (USD tn)	Inflows 2008-12 (USD tn)	Average return (%) 2008-12	AuM 2012 (USD tn)	CAGR (%) 2007-12
Low inflow/ return scenario	3.0	1.0	5.4	5.0	10.9
High inflow/ return scenario	3.7	2.8	9.7	9.3	20.0

Source: JPMorgan

Based on these calculations, the consensus growth forecast for SWF assets of 20% per year is on the optimistic side of the likely scenarios. More realistic is probably a growth rate in the mid teens, which would imply that total SWF assets roughly double over the next 5 years to USD6-to-7 trillion.

Figure 3: SWF asset projections (USD tn)



Source: JPMorgan

Asset allocation and market impact

These estimates appear more modest compared to the double digit trillion dollar figures often quoted in the market place, but are still large in absolute terms and raise questions about SWFs' potential market impact. The popular view is that the rise of SWFs will have distorting market implications. First, SWFs are believed to increase the overall demand for risky assets and with that drive down their risk premia. Second, part of the growth in SWFs is seen to come from a reduction in central bank reserves. This expected substitution effect is believed to reduce the demand for government bonds and drive up bond yields. Furthermore, there is the concern that SWFs may abandon their traditional passive approach and become more active as both traders and shareholders.

The following analysis addresses some of these concerns by taking a closer look at SWFs' current and likely future asset allocation. In summary, the analysis suggests that SWFs are unlikely to have a significant distorting impact on financial markets.

- First, even if SWF assets triple or quadruple over the next five-to-ten years, they will remain relatively small compared to the financial universe, accounting for no more than 3-4% of global financial assets.
- Second, while SWFs have the mandate to take more risk and target higher returns than central banks, they remain public-sector institutions and are unlikely to turn into hedge funds and private-equity firms that engage in speculative trading and use extensive leverage. Indeed, most SWFs will probably behave more like large institutional asset managers that have long-term horizons and broadly diversified investment portfolios.

Analyzing SWFs' investment approach is not without difficulties as only half of all SWFs disclose their asset allocation. Still some basic estimates of the overall asset allocation between fixed income (mostly bonds but also some cash), public equity and alternatives are feasible. These show that essentially all SWFs are in fixed income, of which the bulk is in government bonds and agencies. Some funds also hold credit products, ranging from high-grade corporates, ABS and MBS to high-yield and emerging market debt (both hard currency and local currency markets).

Nearly three quarters of all SWFs are in public equity, which consist of mostly OECD equity markets and some emerging markets. In some cases, there are large individual stock holdings. Nearly half of all SWFs are in alternatives, with the bulk in private equity, followed by property and hedge funds, but limited exposure to commodities. In terms of total SWF assets, 35%-to-40% are in fixed income, 50%-to-55% are in public equity and 8%-to-10% are in alternatives. These figures are biased towards the bigger SWFs, which have larger holdings of public equity. The average SWF has a higher fixed income allocation (more than 50%) and a lower public equity allocation (about 40%).

Table 4: SWF current and future asset allocation

		Fixed income	Public equity	Alternatives
Current	% of all SWFs	100	73	46
	% of all SWF assets	35-40	50-55	8-10
Future	% of all SWFs	100	80-100	60-80
	% of all SWF assets	20-30	55-60	15-20
US endowment funds (% of assets equally weighted)		25	58	17

Source: JPMorgan

The stated intentions of most SWFs suggest that this broad asset allocation is likely to change over the next five to ten years, with more funds moving into public equity and, especially, alternatives. Role models are SWFs like Singapore's GIC, which is believed to have 30% in fixed income, 50% in public equity and 20% in alternatives, and Norway's Government Pension Fund, which recently increased its equity allocation from 40% to 60% and announced that it will soon start investing in some alternatives. But there are also role models outside the SWF spectrum, like the US endowment funds, which over the last ten years successfully increased their allocations to alternatives.

So, what impact will this have on each asset class? Intuitively, one would think that this will be negative for bonds, positive for public equity and very positive for alternatives. A closer look, however, suggests that such allocation shift may only have meaningful implications for alternatives and little impact on the broader bond and equity markets.

Fixed income

SWFs currently hold USD1.1-to-1.4 trillion in fixed-income assets (a small fraction of that is in cash). This is about 1.8%-to-2.2% of the global debt market. Depending on the degree to which SWFs reduce their fixed income allocations as well as the growth in underlying SWF assets and debt markets, SWFs' share in global fixed income markets will vary between 1.2% and 3.0% by the year 2012. On average, however, the share will be roughly the same in five years as it is now, namely around 2%. The relatively unchanged market share despite lower fixed-income allocations reflects the expectation that SWF assets will grow faster than the global debt market.

Table 5: Share of SWF fixed-income assets in global debt market

	2007	2012		Average
	35-40% fixed-income allocation	20% fixed-income allocation	30% fixed-income allocation	
Low AuM scenario	1.8%	1.2%	1.9%	1.6%
High AuM scenario	2.2%	2.0%	3.0%	2.5%
Average	2.0%	1.6%	2.4%	2.0%

Source: JPMorgan

With SWFs not expected to reduce their overall fixed-income market share, an outright negative effect on fixed-income markets is unlikely. Furthermore, a negative substitution effect is also unlikely as the majority of central banks will probably not reduce their reserves and, thus, bond holdings. In the Middle East, official reserves are already small as all surplus funds go into SWFs. For the large reserve holders in Asia, which are also the largest holders of government bonds, it seems more likely that additional reserves will be channeled into SWFs, but that existing reserves stay in place. Indeed, an overall reduction in official reserves seems only likely if balance of payments dynamics reverse and net inflows become net outflows. But in such scenario SWF assets are unlikely to grow anyway.

In contrast to central banks which focus their investments on the much smaller market of liquid government bonds, SWFs are likely to diversify their fixed income portfolios. Corporate bonds, emerging market debt and mortgage-related securities will probably form a growing part of many SWFs' fixed income portfolios over time. Thus, SWFs may not add much to the demand pressure on government bonds from central banks, which would be a welcome relief.

Public equity

SWFs currently hold USD1.6-to-2.0 trillion in public equity. This is about 3.2%-to-3.8% of the global equity market. Depending on the degree to which SWFs change their equity allocations as well as the growth in underlying SWF assets and stock markets, SWFs share in global equity markets will vary between 3.9% and 6.0% by the year 2012. On average, SWFs' share in global equity markets will probably be a bit more than one percentage point higher in five years than it is now, which seems too small an increase to have any significant impact on pricing. In essence, the total exposure of SWFs to public equity is already very large. Especially most of the large funds have very sizable equity portfolios and are unlikely to increase their share further. Thus, smaller funds moving into stocks or increasing their equity portfolios will not make a huge difference.

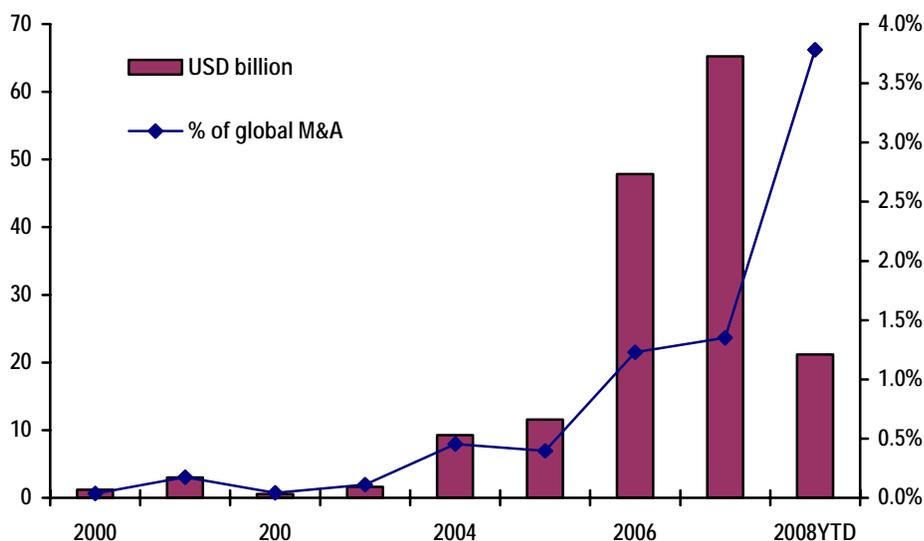
Table 6: Share of SWF public equity assets in global stock market

	2007	2012		Average
	50-55% public equity allocation	55% public equity allocation	60% public equity allocation	
Low AuM scenario	3.2%	3.9%	4.3%	4.1%
High AuM scenario	3.8%	5.5%	6.0%	5.7%
Average	3.5%	4.7%	5.1%	4.9%

Source: JPMorgan

Having said that, individual funds will probably have more impact on single transactions and stocks. This will be particularly visible in primary and M&A transactions where SWFs will increasingly function as lead or anchor investor. A few years ago, SWFs did essentially not participate in primary and M&A deals, but activity picked up in 2006/07 and reached new highs in late 2007 and early 2008, when a few SWFs invested more than USD40 billion in some of the world's largest financial institutions. However, it would be wrong to view this increased M&A activity as distorting. To the opposite, SWFs act more as providers of stable long-term risk capital.

Figure 4: SWF M&A volumes



Source: Dealogic and JPMorgan, includes USD43.3 of financial recapitalization deals in 2007/08

Table 7: Recent investments in major financial institutions by SWFs

Investor	Target	Date	Deal type	Size (USD bn)
ADIA	Citigroup	27-Nov-07	Convertible	7.5
CIC	Morgan Stanley	19-Dec-07	Convertible	5.0
GIC	UBS	10-Dec-07	Convertible	9.7
	Citigroup	15-Jan-08	Convertible	6.8
KIA	Citigroup	15-Jan-08	Convertible	3.0
	Merrill Lynch	15-Jan-08	Convertible	2.0
KIC	Merrill Lynch	15-Jan-08	Convertible	2.0
QIA	Credit Suisse	22-Feb-08	Common	0.5
Temasek	Merrill Lynch	24-Dec-07	Common	4.4
	Merrill Lynch	24-Dec-07	Option	0.6
Unknown ME SWF	UBS	10-Dec-07	Convertible	1.8
Total				43.3

Source: JPMorgan

Alternatives

Given SWFs' growing risk appetite and higher return targets, alternatives are likely to experience the largest allocation increase. SWFs currently hold roughly USD270-to-340 billion in alternatives. This is about 6.8%-to-7.5% of total alternatives. Of that, at least half is private equity. Especially some of the Gulf funds have sizable private equity portfolios. Hedge fund exposure has been smaller, but is on the rise. SWFs have little commodities exposure, but several have significant property holdings, often consisting of large direct investments. Depending on the degree to which SWFs increase their allocation to alternatives as well as the growth in underlying SWF assets and the alternative sector, SWFs' share in total alternatives will rise to at least 10% and possibly as high as 17% by the end of 2012. On average, SWFs' share in alternatives is likely to double over five years to about 13%.

Table 8: Share of SWF alternative assets in total alternative sector

	2007	2012		Average
	8-10% alternative allocation	15% alternative allocation	20% alternative allocation	
Low AuM scenario	6.0%	10.4%	13.9%	12.1%
High AuM scenario	7.5%	12.5%	16.6%	14.5%
Average	6.7%	11.4%	15.2%	13.3%

Source: JPMorgan

The main beneficiaries of the increased allocation by SWFs to alternatives are set to be private equity firms and hedge funds. These managers offer skills, resources and expertise that would be difficult for most SWFs to develop on their own. Already, several major SWFs have forged strategic relationships with some of the leading hedge funds and private equity firms. These include investments by SWFs in the general partnership of private equity firms and hedge funds, which give them better performance participation.

The increased investments by SWFs will be welcome news for private equity and hedge fund managers, as it will boost fees, but it is not clear whether this will have a lasting impact on the direction of the underlying markets in which these funds operate. True, more funding from SWFs will allow private equity firms and hedge funds to operate on a somewhat larger scale, but their impact is more likely to be felt in terms of individual transactions and trading activity rather than the overall market direction. There is also talk that SWFs may provide private equity firms with debt funding for LBO deals, replacing some of the bank financing. However, this would require the very type of credit skills and expertise that SWFs are lacking.

It is similar unlikely that SWFs will have a large aggregated effect on the property market, but they may drive up prices of particular developments. Least clear is what impact SWFs will have on commodities. The oil producers have little reason to invest in energy commodities (although a few Gulf funds are investing in exploration and refining projects in other parts of the world), but may be interested in metals, especially precious, and soft commodities. For the large funds in Asia, energy commodities may be most interesting. Despite much speculation, however, very little has happened so far, which may suggest that many SWFs view commodities as too speculative and current prices as too high. So, the overall impact on commodity markets may be negligible, but that would not rule out some Gulf funds going long agriculture indices and some Asian funds overweighting energy indices.

More broadly, a big beneficiary of the SWF growth will be the asset management industry (both traditional portfolio manager as well as alternative managers). Already, roughly 60% of SWFs use external managers, with about half of SWF assets managed externally. Most of the external mandates are equity and alternatives. Going forward, the share of externally managed SWF assets is set to rise as more funds move into equity and alternatives. But the biggest boost will come from the underlying asset growth.

The high degree of outsourcing is not only good news for the asset management industry, but probably has also a stabilizing market impact. SWFs are not immune to making mistakes, but they diversify these risks by outsourcing large pools of their assets to many professional managers.

Summarizing, it seems reasonable to conclude that the rise of SWFs, although significant, is unlikely to have material distorting effects on overall markets. This is because SWFs will remain small relative to the market universe in which they operate. Second, they will diversify their investments across a wider range of assets and managers. This stands in contrast to central banks, which focus mostly on the liquid and low risk markets.

To the opposite, one could argue that SWFs may have a stabilizing effect on markets. They are long-term investors with stable funding sources that are unlikely to be withdrawn quickly (low redemption risk). Second, as public-sector entities, SWFs are unlikely to engage in speculative activities and use much if any leverage. Instead, risk management will be high on their agenda and be reflected in well diversified portfolios. Combined with their higher return targets, this means that SWFs are likely to be stable providers of long-term risk capital. Indeed, SWFs have not been seen following the mainstream and compounding volatility in the current market crisis.

Friend or enemy

Even though it appears that SWFs are a positive and stabilizing for markets thus far, their public policy discussion is currently dominated by concerns that their activities need to be restricted or more closely regulated. In the US, there is talk of barring SWFs from having voting rights in their investments or of making tax exemptions contingent on SWFs' compliance with a code of conduct.

These concerns focus on the motives and operating style of SWFs. From recipient countries, three main issues have emerged behind this unease:

- The acquisition of private companies by foreign government entities raises questions about the impact of those investments on the recipient country's competitiveness and efficiency. Indeed, some industrialized countries question why they should privatize state-owned enterprises only to see them snapped up by foreign government entities.
- Since SWFs are generally not subject to the disclosure standards that apply to regulated investors, the concern is that this lack of transparency leaves little insight of their motives and portfolios.
- SWFs may not make investments with the commercial intention of maximizing returns, but rather pursue the political or foreign policy interests of their

countries. This then raises national security issues such as giving foreign government control or access to defense-related technologies.

For their part, SWFs have said they voluntarily restricted their investments choices to avoid criticism, while others have forthrightly complained about being singled out unfairly. One prominent SWF manager, for example, is quoted as saying, "the consequences of imposing regulations on sovereign wealth funds will result in an adverse impact on global capital flows.... these regulations will not solve or prevent any future financial crises." Another high-profile SWF official said a code of conduct for SWF would only "hurt feelings."

At this stage, the focus is on efforts at the multilateral level to mitigate the concerns raised by recipient countries, while assuring SWFs that they will not be subjected to unwarranted regulations or scrutiny. In particular, the G-7 Finance Ministers, spearheaded by the US, mandated the OECD to develop guidelines for recipient countries, while the IMF focuses on best practices for SWFs.

As for recipient country guidelines, in April, the OECD published its report on recipient guidelines. The OECD's approach is basically for recipient countries to apply the same principles to investments from SWFs as they do to any investments from foreign entities. In particular, the OECD draws on its guidelines (what they call "investment instruments") whose key principles are non-discrimination (treat foreign investors not less favorably than domestic investors) and transparency (make restrictions on foreign investment clear and accessible). The OECD investment instruments also call for progressive, unilateral liberalization, which means that members commit to the gradual elimination of restrictions on capital movements, without condition of reciprocity, and to not introducing new restrictions (known as "standstill").

However, the key issue when it comes to recipient guidelines is how to deal with national security concerns. On this score, the OECD adopts a very broad set of principles, that boil down to each country determining when an investment by a foreign entity should be deemed a national security concern and how that investment should be dealt with. Specifically, each country has a right to determine what is necessary to protect its national security (self-judging). As to the application of the core OECD investment instrument of non-discrimination, if a country feels application of this principle does not adequately safeguard its national security, then any specific measures taken with respect to individual investments should be based on the specific circumstances of the individual investment which pose a risk to national security. Whether or not any single country is adhering to these principles would be decided by the other recipient countries from a "peer review."

As for voluntary best practices for SWFs, in October, the IMF is expected to rollout its recommendations at the time of the IMF-World Bank Annual Meetings. Already, this March, the US, Abu Dhabi, and Singapore reached agreement on principles for sovereign wealth investment that can be seen as a preview of what is to come in October. On objectives, the agreement states that SWFs should formally say that their investment decisions are based solely on commercial grounds, and not to advance, directly or indirectly, geopolitical goals. On disclosure, SWFs should make public not only their purpose and investment objectives, but also institutional structure, and asset allocation, benchmarks, and historical rates of return.

As these efforts at the macro level, led by the OECD and the IMF, proceed, it is useful to keep in mind the individual stories of the motivations and investment practices of the SWFs to date. First, it should be recognized that the existence of SWFs and their purpose are well justified. Development experts widely agree that emerging economies with large commodity sectors are best off if they stabilize volatile commodity revenues and spread the commodity wealth over several generations rather than fueling a domestic investment and consumption bubble. Concerning the surplus economies in Asia, especially China, the principle issue is not SWFs, but their industrial, trade and currency policies that generate the surpluses. These economies need to reform their domestic goods and financial markets and liberalize their currencies. However, most experts agree that this should happen gradually while SWFs are an efficient way to manage the excess savings in the meantime for future generations and liabilities.

Second, although not all funds comply with the same standards, well ahead of any best practices put forward by the US or the IMF, some basic best practices concerning governance, transparency and accountability have emerged organically among the SWFs. And increasingly, other SWFs are starting adopting them. For example, most newly-launched SWFs are based on legislation that defines the basic mandate of the fund, have a board of government representatives and independent experts that decides on the basic investment policy and is answerable to the legislature, and publish audited financials.

Examples of newly launched SWFs that comply with those standards include the Australian Future Fund, Korea's Investment Corporation, Russia's Stabilization Fund and the Chilean Pension Reserve Fund to name just a few. China has yet to disclose what standards it will adopt, but the openness in which it conducted its recent high profile investments and the way it tenders its mandates for external managers suggest that transparency and accountability are high on the agenda. Encouraging also are some of the recent changes among the long-established funds. In Singapore, Temasek is morphing into a public corporation with audited financials and the Government's Investment Corporation reported at its 25th anniversary for the first time on its long-term performance and basic asset allocation. In the Middle East, the Kuwait Investment Authority reported last year for the first time on its asset size and performance and the Qatar Investment Authority revealed its currency allocation.

Lastly, while the tenor of the public policy debate focuses on ways that SWFs might behave irresponsibly relative to other investors, it should be noted that SWFs have not participated in any hostile takeover and the recent large-scale investments in financial institutions have been done with a high degree of transparency. If at all, it is not SWFs but large state-owned enterprises (SOE) and their foreign investment ambitions that should be the focus of scrutiny. SWFs are not set up and have little interest to actively manage the operations of the companies they invested in. SOEs, on the other hand, have a high interest to get involved in the operations of the companies they buy to integrate them in their own operations and make them part of their overall business and development strategy.

To encourage more progress in these directions, industrialized countries are best advised to engage SWFs and their governments, not villainize them. Trying to address these concerns through capital flow restrictions is likely to fuel protectionist forces and may even undermine current trade negotiations. Capital flow restrictions

could also lead to distortions as they deprive companies in the industrialized countries of long-term risk capital and undermine the development efforts in emerging economies. Safeguarding national security with respect to investments from sovereign wealth funds must be done in a way that preserves open markets and avoids protectionist responses. SWFs, for their part, should recognize heightened scrutiny of their activities is inevitable and that a transparent operating framework addresses most of the concerns currently being raised.

Sovereign Wealth Funds: Summary tables

By Assets Under Management (in declining order)

No	Country	Fund/institution name	Inception	Funding source	AuM (\$bn)	Page no
1	United Arab Emirates	Abu Dhabi Investment Authority (ADIA)	1976	Oil	500-1,000	23
2	Norway	Government Pension Fund - Global	1990	Oil	373	24
3	Singapore	Government of Singapore Investment Corporation (GIC)	1981	Fiscal/Reserves	200-330	26
4	Saudi Arabia	Saudi Arabia Monetary Authority (SAMA)	1952	Oil	327	28
5	Kuwait	Kuwait Investment Authority (KIA)	1960	Oil	213-250	29
6	China	China Investment Corporation (CIC)	2007	Fiscal/Reserves	200	31
7	Hong Kong	Hong Kong Exchange Fund	1935	Fiscal/Reserves	182	33
8	Singapore	Temasek	1974	Fiscal	160	35
9	Russia	Oil & Gas Fund	2004	Oil, Gas	157	37
10	Australia	Queensland Investment Corporation (QIC)	1992	Fiscal	65	39
11	Qatar	Qatar Investment Authority (QIA)	2000	Oil	40-60	40
12	Australia	Future Fund	2006	Fiscal	55	41
13	France	Pension Reserve Fund	2001	Fiscal	51	43
14	Libya	Libyan Investment Authority (LIA)	1981	Oil	50	45
15	Algeria	Fonds de Régulation des Recettes (FRR)	2000	Oil	44	46
16	United States	Alaska Permanent Reserve Fund	1976	Oil	37	47
17	Australia	Victorian Funds Management Corporation (VFMC)	1994	Fiscal	36	49
18	Brunei	Brunei Investment Authority	1983	Oil	25-35	51
19	Ireland	National Pension Reserve Fund	2001	Fiscal	31	52
20	Malaysia	Khazanah Nasional BHD	1993	Fiscal	26	54
21	Saudi Arabia	Kingdom Holding Company (KHC)	1980	Oil	25	55
22	Kazakhstan	National Oil Fund	2000	Oil	23	56
23	South Korea	Korea Investment Corporation (KIC)	2006	Fiscal/Reserves	20	58
24	Venezuela	National Development Fund (Fonden)	2005	Oil/Reserves	15-20	60
25	Canada	Alberta Heritage Fund	1976	Oil	17	61
26	United States	New Mexico Permanent Trust Funds	1958	Fiscal	16	63
27	Chile	Economic and Social Stabilization Fund (FESS)	1985	Copper	16	65
28	Taiwan	National Stabilization Fund (NSF)	2000	Fiscal	15	66
29	Saudi Arabia	Public Investment Fund (PIF)	1973	Fiscal	10-15	67
30	United Arab Emirates	Dubai International Capital	2004	Fiscal	13	68
31	Nigeria	Excess Crude Fund	2004	Oil	13	69
32	New Zealand	New Zealand Superannuation Fund	2001	Fiscal	10	70
33	Iran	Oil Stabilization Fund	2000	Oil	10	72
34	United Arab Emirates	Mubadala	2002	Oil	10	73
35	Iraq	Development Fund for Iraq (DFI)	2003	Oil	8	74
36	Botswana	Pula Fund	1993	Diamonds	6	75
37	Oman	State General Reserve Fund	1980	Oil, Gas	6	76
38	United Arab Emirates	Istithmar World	2003	Fiscal	6	77
39	United States	Permanent Wyoming Mineral Trust Fund	1974	Minerals	4	78
40	Mexico	Oil Stabilization Fund	2000	Oil	2	80
41	East Timor	Timor-Leste Petroleum Fund	2005	Oil	2	81
42	Azerbaijan	State Oil Fund (SOFAZ)	1999	Oil	2	82
43	Trinidad & Tobago	Heritage and Stabilization Fund	2007	Oil, Gas	2	84
44	Colombia	Oil Stabilization Fund	1995	Oil	2	86
45	Vietnam	State Capital Investment Corporation	2005	Fiscal	2	87
46	Chile	Chile Pension Reserve Fund	2006	Copper	1.4	89
47	Venezuela	Investment Fund for Macroeconomic Stabilization	1998	Oil, Gas	0.8	90
48	Kiribati	Revenue Equalization Reserve Fund (RERF)	1956	Phosphates	0.6	91
49	Gabon	Fund for Future Generations	1998	Oil	0.5	69
50	Mauritania	National Fund for Hydrocarbon Reserves	2006	Oil, Gas	0.3	92
51	Angola	Reserve Fund for Oil	2007	Oil	n.a.	69
52	United Arab Emirates	Emirates Investment Authority (EIA)	2007	Fiscal	n.a.	93
53	United Arab Emirates	Investment Corp of Dubai	2006	Oil	n.a.	94
				Total	2,998—3,737	

By Country (in alphabetical order)

No	Country	Fund/institution name	Inception	Funding source	AuM (\$bn)	Page no
1	Algeria	Fonds de Régulation des Recettes (FRR)	2000	Oil	44	46
2	Angola	Reserve Fund for Oil	2007	Oil	n.a.	69
3	Australia	Queensland Investment Corporation (QIC)	1992	Fiscal	65	39
4	Australia	Future Fund	2006	Fiscal	55	41
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13	Colombia	Oil Stabilization Fund	1995	Oil	2	86
14	East Timor	Timor-Leste Petroleum Fund	2005	Oil	2	81
15	France	Pension Reserve Fund	2001	Fiscal	51	43
16	Gabon	Fund for Future Generations	1998	Oil	0.5	69
17	Hong Kong	Hong Kong Exchange Fund	1935	Fiscal/Reserves	182	33
18	Iran	Oil Stabilization Fund	2000	Oil	10	72
19	Iraq	Development Fund for Iraq (DFI)	2003	Oil	8	74
20	Ireland	National Pension Reserve Fund	2001	Fiscal	31	52
21	Kazakhstan	National Oil Fund	2000	Oil	23	56
22	Kiribati	Revenue Equalization Reserve Fund (RERF)	1956	Phosphates	0.6	91
23	Kuwait	Kuwait Investment Authority (KIA)	1960	Oil	213-250	29
24	Libya	Libyan Investment Authority (LIA)	1981	Oil	50	45
25	Malaysia	Khazanah Nasional BHD	1993	Fiscal	26	54
26	Mauritania	National Fund for Hydrocarbon Reserves	2006	Oil, Gas	0.3	92
27	Mexico	Oil Stabilization Fund	2000	Oil	2	80
28	New Zealand	New Zealand Superannuation Fund	2001	Fiscal	10	70
29	Nigeria	Excess Crude Fund	2004	Oil	13	69
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47	United Arab Emirates	Investment Corp of Dubai	2006	Oil	n.a.	94
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51	Venezuela	Investment Fund for Macroeconomic Stabilization	1998	Oil, Gas	0.8	90
52	Venezuela	National Development Fund (Fonden)	2005	Oil/Reserves	15-20	60
53	Vietnam	State Capital Investment Corporation	2005	Fiscal	2	87

United Arab Emirates

Abu Dhabi Investment Authority (ADIA)



Fund size:

\$500-1,000bn

Website:

<http://www.adia.ae>

Major investments

Company (Country)	% of Company
EFG Hermes (Egypt)	8.3
Apollo Management LP (USA)	9.0
Suez Cement Company (Egypt)	7.6
Toll Brothers (USA)	4.5
Banque de Tunisie et des Emirats (Tunisia)	
Citigroup (USA)	4.9

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

History and objectives

The Abu Dhabi Investment Authority (ADIA) was set up and is owned by the government of Abu Dhabi. It was established in 1976, making it the first UAE investment company. It is responsible for investing the government's oil revenues and assets in countries across the world. The objective is to invest the Abu Dhabi government's surpluses across various asset classes, at limited risk.

Funding details

ADIA's main funding source is from the financial surplus of oil exports.

Institutional structure

Ownership and governance

The fund is owned by the Government of Abu Dhabi and operates under the Abu Dhabi Investment Council under which a number of state owned enterprises are present, including the Abu Dhabi Investment Corporation (ADIC). ADIC is jointly owned by Abu Dhabi Investment Council (98%) and the National Bank of Abu Dhabi (2%). It was set up in 1977 as a joint stock company and specializes in providing investment and corporate finance services.

Management structure

Chairman of the Board of Directors: Khalifa Mohammed Al-Kindi

Board of Directors: Hareb Al Darmaki, Salem Rashed Al Mohannadi, Serge L. Desjardins, Eissa Ghanem Mohammed Al Suwaidi.

Disclosure

ADIA has never disclosed its fund size, portfolio structure, or performance.

Investments and operations

Investment process

ADIA invests in all international markets – equities, fixed income, real estate, private equity and other alternatives. Each asset class has its own fund managers and in-house analysts covering it. Almost every asset class is managed both internally and externally. Overall between 70% and 80% of the organization's assets are managed by external fund managers. It traditionally invested in public equity and fixed income markets, and low-profile transactions, but it has recently started investing in undervalued banks and real estate companies, including \$7.5bn in Citigroup, giving ADIA 4.9% of the company's shares.

ADIA also invests in the energy sector through the Abu Dhabi's International Petroleum Investment Corporation (IPIC), a joint venture with the Abu Dhabi National Oil Company. IPIC's investment portfolio is reported to be over US\$8 billion with investments in Austria, Denmark, Egypt, South Korea, Pakistan, and Spain.

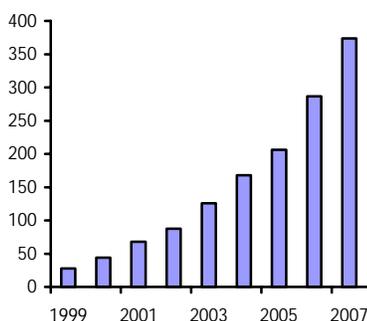
Norway

Government Pension Fund - Global

Fund size:
\$373bn

Website:
<http://www.norges-bank.no/>

Assets under management (GPF-Global) (US\$bn)



Source: Norges Bank website

Norway economic indicators

	06	07	08f
GDP (\$bn)	350	446	487
Real GDP (%oya)	2.5	3.5	3.4
CPI (%oya)	2.3	0.7	2.9
Current account (\$bn)	55.3	66.4	72.4
% of GDP	15.8	14.9	14.8
FX reserves (\$bn)	56.8	60.8	65.0

Source: JPMorgan.

Note: GDP above refers to "total GDP" which includes oil and gas production. The key measure for tracking policy developments in Norway is "mainland GDP."

Overview

History and objectives

Established in 2005, the Government Pension Fund is a continuation of the former Petroleum Fund, which was established in 1990. The Fund comprises of the Government Pension Fund – Global (GPF – Global, previously the Government Petroleum Fund) and the Government Pension Fund – Norway (GPF – Norway, previously the National Insurance Scheme Fund). The purpose of the Government Pension Fund – Global is to support government savings to fund public pension expenditures and to promote long-term considerations in the application of government petroleum revenues.

Funding details

The Government Pension Fund – Global has three sources of income: the return on the Fund's assets, the cash flow from petroleum activities that is transferred from the central government budget, and net financial transactions associated with petroleum activities. The return on the Pension Fund - Norway is added to the fund's capital, and there are currently no transfers from this fund to the state budget.

The total fund size of the GPF – Global was US\$373bn at the end of 2007. The GPF – Norway had an additional US\$20bn.

Institutional structure

Ownership and governance

The Norwegian Ministry of Finance owns and is responsible for the management of the Fund. It sets the strategic asset allocation and investment guidelines, but has delegated responsibility for the operational management of the Government Pension Fund – Global to Norges Bank Investment Management (NBIM) which is a separate part of the Norwegian central bank (Norges Bank). Responsibility for the operational management of the Government Pension Fund – Norway is delegated to Folketrygdfondet, a government entity specifically designed to manage this Fund.

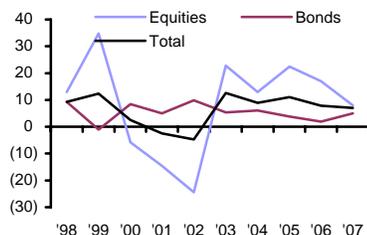
Management structure

The NBIM has its own management headed by a CEO. Folketrygdfondet, the government body responsible for managing the Government Pension Fund – Norway, is headed by a Board of Directors.

Disclosures

Norges Bank reports results for the Government Pension Fund – Global on a quarterly basis. The auditing of the Fund is assigned to the Office of the Auditor General, which bases its audit on the work performed by the Central Bank Audit.

Portfolio performance (%)



Source: Norges Bank website; estimated data

Investments and operations

Investment process

For the Government Pension Fund –Global, NBIM uses both internal and external managers. At the end of 2007, the Fund had 25 external equity managers and 22 external fixed income managers. The broad strategy and framework determines the distribution of investments among various asset classes, such as bonds and equities, and the distribution by country. The management strategy for the investment portfolio has two main components consisting of the long-term strategy, which is reflected in the benchmark portfolio, and the active management of the Fund.

Investment objectives

The objective of the Fund is to generate high return subject to moderate risk in order to contribute to safeguarding the basis of future welfare. The Fund's performance is measured relative to the Benchmark Portfolio.

Asset Allocation

The Ministry of Finance has defined a benchmark portfolio which consists of specific equities and fixed income instruments. The GPF - Global is invested in non-Norwegian financial instruments (bonds, equities, money market instruments and derivatives), spread over 42 developed and emerging equity markets and 31 fixed-income markets. In the past, the broad asset allocation was 60% fixed income and 40% equities. In 2007, it was decided to include a small-cap segment in the benchmark portfolio for equities, and to increase the equity portion of the benchmark portfolio from 40% to 60%. Furthermore, the Fund is considering investing in some alternative assets.

Strategic benchmark portfolio

Asset class	Overall strategic benchmark	Europe	Americas/Africa	Asia/ Oceania
Fixed income	40%	60%	35%	5%
Equities	60%	50%	35%	15%

Source: Norges Bank website

¹ As of December 31, 2007; Source: NIBM report based on USD/NOK = 0.1851

Singapore

Government of Singapore Investment Corporation (GIC)



Fund size:

\$200-330bn

Website:

<http://www.gic.com.sg/>

Singapore economic indicators

	06	07	08f
GDP (\$bn)	137	161	184
Real GDP (%oya)	8.2	7.7	4.5
CPI (%oya)	1.0	2.1	5.7
Current account (\$bn)	42.7	43.0	44.8
% of GDP	31.2	26.7	24.3
FX reserves (\$bn)	135.7	158.7	171.7

Source: JP Morgan.

Overview

History and objectives

Incorporated on May 1981, the Government of Singapore Investment Corporation (GIC) was set-up as a global investment management company to manage Singapore's foreign exchange assets on behalf of the Government of Singapore and the Monetary Authority of Singapore (MAS). The impetus of setting up GIC was to invest its rapidly growing reserves in the 1970's in longer-term and high-yielding assets. The reserves had grown owing to increases in private savings, yearly public-sector surpluses, and strategic currency and bond investments.

Funding details

The Corporation receives its funds from the Government, as well as the MAS, and has no other sources of funds.

Institutional structure

Ownership and governance

GIC is wholly owned by the Government of Singapore, functioning independently, and having a client-fund manager relationship with the government.

Management structure

- **Board of Directors:** Provides overall guidance and direction. Chairman, Lee Kuan Yew (Minister Mentor); Deputy Chairman, Lee Hsien Loong (Prime Minister); Deputy Chairman & Executive Director, Tony Tan Keng Yam.
- **Group senior management:** Consists of Executive Director (ED), Group Managing Director (MD), Group Chief Investment Officer (CIO), Group Chief Risk Officer (CRO).

The Corporation's funds are managed by three groups; GIC Asset Management, which invests in public markets, GIC Real Estate, which makes direct and indirect investments in property, and GIC Special Investments, which invests in venture capital, private equity funds, private companies and infrastructure. The three groups have their own Board and management. At the group level, the ED, Group MD, Group CIO and Group CRO each run a committee to coordinate the management of the three groups and overall corporate services.

Disclosure

The Corporation has several board committees include independent advisors among their members and is also required to submit its financial statements and proposed budget to the President for approval.

Deputy Chairman Tan is quoted as saying that GIC is working with the Ministry of Finance on a document that would provide more information on the fund's processes and governance and the purposes of its investments. In addition, the GIC plans to report the rate of return on its investments more regularly.

Investments and operations

Investment process

GIC manages funds on behalf of the government and does not have funds of its own. Investments are made after a detailed process involving three levels of decisions. The first level is the long-term allocation of funds for the various asset classes based on the investment objectives, time horizon, risk tolerance, and the return and risk expectations of each asset class. Second, the management then decides on how the policy mix should be implemented. Decisions are made on the proportion of funds to be actively and passively managed; types of investment strategies to be employed; allocation of risk capital and manager selection. The third category of decisions is portfolio construction or decisions by portfolio managers. These decisions include country, industry and sector allocation; yield curve management, security selection and currency trading.

Investment objective

GIC has a wealth enhancement objective, which is to achieve a real rate of return (5%) over and above G3 inflation. Over its first 25 years of operation, GIC achieved an annual return of 9.5% (5.3% in real terms). In addition, GIC benchmarks the performance of its investment groups against the relevant industry indices. For example, it uses the Morgan Stanley Capital International (MSCI) World Equity Index for equities and an enhanced Lehman Brothers World Bond Index for bonds.

Asset allocation

At the time of the 25th anniversary, the broad asset allocation was roughly 30% fixed income, 50% public equity and 20% alternatives. About 25% of all assets were farmed out to external managers.

Major investments

On January 15, 2008, GIC announced that it has decided to make an investment in Citigroup's private offering of convertible preferred securities through an investment of US\$6.8bn. Including GIC's current holdings of 0.3%, the investment, if converted to shares, will bring GIC's holdings of Citigroup shares to about 4% of the expanded capital base. On December 10, 2007, GIC invested US\$9.7 billion in UBS.

Saudi Arabia

Saudi Arabian Monetary Agency (SAMA)

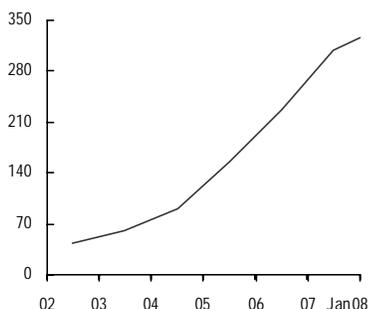


Fund size:
\$327bn¹

Website:

www.sama.gov.sa

SAMA foreign currency assets
 \$ billion



Source: SAMA

Saudi Arabia economic indicators

	05	06	07f
GDP (\$bn)	316	349	374
Real GDP (%oya)	6.1	4.3	4.1
CPI (%oya)	0.6	2.3	4.1
Current account (\$bn)	90.1	95.5	100.8
% of GDP	28.5	27.4	26.8
FX reserves (\$bn)	26.8	27.8	37.0

Source: IMF

Overview

History and objectives

Established in 1952, the Saudi Arabian Monetary Agency (SAMA) is the central bank of the Kingdom of Saudi Arabia. SAMA also supervises the commercial banks in Saudi Arabia. While formally not a sovereign wealth fund, SAMA manages most of the Kingdom's foreign currency assets.

Funding details

Official reserves are about 10% of all foreign currency assets under SAMA's control. The remainder is mostly deposits from the central government and other government entities, which are a function of oil revenues and the government's general fiscal position.

Institutional structure

Management structure

- **Board of Directors:** Consists of the Governor, Vice Governor and 3 nominated members from the private sector

Disclosure

SAMA is primarily a central bank and banking supervisor and, thus, disclosure about its investments is limited. Nevertheless, SAMA publishes monthly reports as well as an annual report that contain a breakdown of the balance sheet.

Investments and operations

SAMA's asset management approach is more akin to that of a central bank, which means a large portion of the assets are in cash and liquid government securities. Nevertheless, SAMA has substantial investments in public equity markets. Most likely, all equity portfolios and some of its fixed income portfolios are managed by external fund managers.

¹ Source: SAMA website as of January 31, 2008

Kuwait

Kuwait Investment Authority (KIA)



Fund size:

\$213-250bn¹

Website:

www.kia.gov.kw

Kuwait economic indicators

	05	06e	07f
GDP (\$bn)	81	99	111
Real GDP (%oya)	11.4	6.3	4.6
CPI (%oya)	4.1	3.1	5.0
Current account (\$bn)	34.3	51.1	52.7
% of GDP	42.5	51.7	47.4
FX reserves (\$bn)	9.0	12.7	16.8

Source: IMF

Overview

History and objectives

Established in 1982, the Kuwait Investment Authority (KIA) was set-up with a mission to achieve a long-term return on the country's reserves for purposes of intra-generational wealth transfer. It is responsible for the management and administration of the General Reserve Fund (GRF), the Future Generations Fund (FGF), as well as any other funds entrusted to it by the Government. The GRF functions like a stabilization fund (or the government's

Funding details

The GRF receives all state revenues (including all oil revenues) with state expenditures paid from the Fund. The GRF also holds all government assets including public enterprises and participation in international organizations. The FGF was initially created by transferring 50% from the GRF in 1976. Since then, 10% of state revenues are transferred to the FGF annually. No assets can be withdrawn from the FGF unless approved by law. The FGF accounts for about 80% of KIA's assets.

Institutional structure

Ownership and governance

KIA is an independent legal entity operating under the Ministry of Finance.

Management structure

- **Board of Directors:** Consists of 4 Ex-officio members (the Minister of Finance, who is the Chairman of the Board, the Minister of Energy, the Governor of the Central Bank of Kuwait and the Undersecretary of the Ministry of Finance) and 5 other members, representing the private sector, who are appointed by the Council of Ministers.
- **Executive Committee:** Consists of 5 Board members, of whom at least 3 are private sector appointees, formed from the Board. A Managing Director heads the Committee. The primary role is to assist the Board of Directors in setting strategic goals and objectives.

Disclosure

KIA makes annual closed door presentations on full details of all funds under its management to the Council of Ministers as well as to the National Assembly. More recently, KIA started to report publicly once a year on the size of its assets and performance. KIA's website also provides information on its mandate, structure, governance, and investment process.

Investments and operations

Investment process

The majority of KIA's assets are managed by external managers. A smaller, but not insignificant, portion is managed by the Kuwait Investment Office (KIO), which is a London-based subsidiary of KIA. The KIO is a global investor, with investments in all main geographical areas, which are managed by portfolio managers on an active basis. It is a long-term investor and the in house investment management team covers equities, fixed income, treasury, private equity and property.

Investment objective and asset allocation

KIA aims to achieve a rate of return on its investments that, on a 3-year rolling average, exceeds the composite of all its portfolio benchmarks. Each of the various asset classes has its own benchmark and objectives. KIA's asset allocation process is based on World GDP contributions with mandates given for each asset class and geography.

KIA does not reveal its asset allocation, but more than 50% of its assets are believed to be in public equity. The fixed income share is about a third and the remainder is in alternatives.

Asset	Region	Mandate	Benchmark
Fixed Income	US/Canada/ Global	Core/TIPs/Bills	
Equity	USA/Canada	US large cap (Core, Value, & Growth) Canadian large cap	S&P500 S&P/TSX Capped Composite
Equity	Europe	Pan-European European small & mid cap	
Equity	Asia	Japanese Pacific	
Equity	Emerging Markets	Asia and other EM	
Private Equity			Excess of 500bps over 10yr rolling S&P 1200 Global Index
Real Estate			Excess of 125bps against UBS Global Real Estate Index
Hedge Fund			Excess return of 100bps against the HFRT1 Fund of Funds composite Index

Source: KIA website

Major investments

On January 15, 2008 KIA invested US\$2 billion in Merrill Lynch. The investment was in the form of a convertible with a 9% coupon and a conversion into common stock within 33 months. KIA also invested US\$3 billion in Citigroup's 9% convertible preferred securities on the same day. The KIA further has a 7.2% stake in Daimler and a long-term investment in British Petroleum.

¹ As of March 2007 according to a KIA press release. The value of total assets may have reached US\$250 billion by the end of 2007.

China

China Investment Corporation (CIC)



Fund size:
\$200bn

Website: NA

China economic indicators

	06	07	08f
GDP (\$bn)	2,627	3,243	4,186
Real GDP (%oya)	11.6	11.9	10.5
CPI (%oya)	1.5	4.8	5.8
Current account (\$bn)	248.1	301.2	299.8
% of GDP	9.4	9.3	7.2
FX reserves (\$bn)	1,073	1,530	1,780

Source: JPMorgan

Overview

History and objectives

Established in September 2007, China Investment Corporation (CIC) was mandated to manage part of China's foreign exchange reserves, starting with the size of US\$200 billion, with the objectives to invest in overseas financial assets in order to diversify and improve investment returns; to help with further banking sector reform and stability of the domestic financial system through capital injections and to improve corporate governance of the state-owned financial institutions; as well as to foster overseas acquisitions in strategic sectors such as energy, resources and commodities.

Funding details

CIC is funded by the Government, which issued RMB1.55 trillion of special treasury bonds and used the proceeds to buy foreign reserves from the central bank as well as its holdings of state bank shares. CIC is expected to produce a return that exceeds the government annual interest cost of the special treasury bonds. Over time and depending on CIC's performance, the Government is expected to increase CIC's assets by issuing more special treasury bonds and using the proceeds to buy more foreign reserves from the central bank.

Institutional structure

Ownership and governance

CIC is fully-owned by the Government, ultimately reporting to the State Council. The Government of China has maintained that the CIC operates on pure commercial principles despite its government background. The CIC is given full authority to make independent investment decisions, and government interferences will be reduced to the absolute minimum.

Management structure

- Executive directors: Seven
- Non-executive directors: Five
- Independent directors: Two

The CIC Board of Directors consists of senior officials from the People's Bank of China (PBoC), the Ministry of Finance (MoF), the National Development and Reform Commission (NDRC), the Ministry of Commerce, and the State Administration of Foreign Exchange (SAFE). Lou Jiwei, a deputy secretary general of China's State Council, serves as Chairman of the CIC, directly reporting to the Prime Minister. Lou is part of a seven-person Executive Committee that is responsible for managing CIC's investment decisions and regular operations. The other high-profile committee member is Gao Xiqing, the deputy head of the National Social Security Fund. The rest of the executive committee includes senior officials from the China Banking Regulatory Commission, the MoF, the NDRC, and the Central Huijin.

Disclosure

CIC has maintained that it has a complete corporate management structure, effective internal controls and risk control systems, and will increase transparency within the normal commercial practicalities. It has reported on the overall fund size, its funding sources as well as the broad split

between overseas assets and domestic bank assets. Specifically, CIC has revealed all its domestic bank holdings by name and size as well as its major foreign acquisitions. It also runs an open tender process for its external fund mandates.

Investments and operations

Not many details have been released regarding the CIC's investment process, though it is understood to have been closely modeled on Singapore's GIC and Temasek Holdings.

The CIC has recently suggested that, out of the \$200 billion funds under its management, up to \$90 billion could be invested in overseas financial assets, with a diversified portfolio including international equity and fixed income products, real assets, private equity, and other alternative investments. Note that the original intention was to invest \$66 billion in offshore investments, but this was raised after it became clear that fewer funds than expected would be needed for investments in domestic financial institutions.

Indeed, the other significant portion of CIC's assets will be invested in domestic financial institutions, including taking over the central bank's equity stakes in the Bank of China, the China Construction Bank, the Industrial and Commercial Bank of China, and the Bank of Communications. The CIC's investment time horizon is mainly for long-term investment, with consideration of liquidity requirements. For the global portfolio, the investment style will be largely passive in the initial stage. Besides, a significant share of the overseas portfolio investment is expected to be outsourced to external managers.

Major investments

In May 2007, before its official launch, CIC made a US\$3bn pre-IPO investment for a 10% stake in Blackstone.

On December 19, 2007 CIC had invested US\$5bn in Morgan Stanley (MS) in the form of mandatory convertible equity units, which would represent a 9.9% stake in MS.

In February 2008, it was reported that CIC was setting up a US\$4 billion private equity fund with JC Flowers (in which CIC will have about 80% share) to invest in ailing financial institutions.

Other significant investments by the CIC included US\$100 million IPO investment in China Railway Group and US\$100 million IPO investment in VISA.

Hong Kong

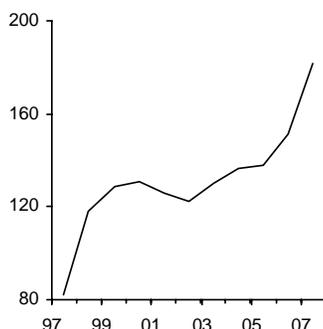
Exchange Fund

Fund size:
\$182bn¹

Website:

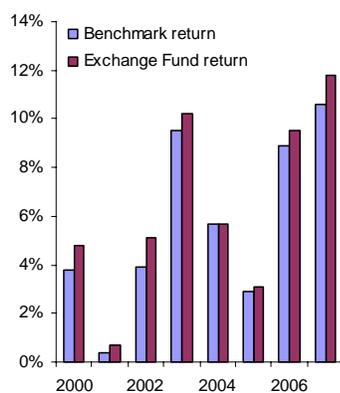
www.info.gov.hk/hkma/eng/exchange/index.htm

Exchange Fund assets
\$ billion



Source: HKMA

Exchange Fund performance



Source: HKMA

Overview

History and objectives

Set up in 1935, the Exchange Fund's original role was to back Hong Kong's notes issue. Its role was expanded in 1976, when the bulk of foreign currency assets held in the Government's General Revenue Account was transferred to the Fund along with the government's fiscal reserves. The Fund's statutory role is to safeguard the exchange value of the currency and promote the stability and integrity of Hong Kong's monetary and financial system.

Funding details

The Government places the surpluses of the General Revenue Account with the Exchange Fund. For the fiscal reserves placed with the Exchange Fund, the Fund pays a fee for the use of the reserves.

Institutional structure

Ownership and governance

The Fund is owned by the Hong Kong Special Administration Region (HKSAR) with the Financial Secretary responsible for the Fund.

Management structure

- **Financial Secretary** is responsible for the overall functioning of the Fund
- **Exchange Fund Advisory Committee (EFAC)** advises the Secretary in carrying out his/her duties. The members of the committee are appointed by the Secretary
- **The Reserves Management Department (RMD)** of the Hong Kong Monetary Authority (HKMA, Hong Kong's de facto central bank) carries out the day-to-day management of the Fund

Disclosure

The size of the Exchange Fund is reported on a monthly basis and the HKMA publishes an annual report which contains a detailed description of the funds performance and its major asset allocation.

Investments and operations

Investment process

The Exchange Fund's investment strategy is determined by the Financial Secretary on the advice of the EFAC. The Fund's long-term asset allocation strategy is governed by the investment benchmark. The investment managers of RMD monitor the global investment markets and identify suitable investment opportunities to generate returns above the benchmark. The Fund also employs external fund managers to manage about one third of the Fund's assets, including all of its equity portfolios and other specialized assets.

Investment objective

The Fund's strategic asset allocation and benchmark selection are set to meet the following investment objectives:

Hong Kong economic indicators

	06	07	08f
GDP (\$bn)	190	207	224
Real GDP (%oya)	7.0	6.3	4.6
CPI (%oya)	2.0	2.0	4.5
Current account (\$bn)	20.6	16.1	18.3
% of GDP	10.8	7.8	8.2
FX reserves (\$bn)	133.2	152.7	161.7

Source: JPMorgan

- Preserve capital
- Ensure that the entire Monetary Base at all times will be fully backed by highly liquid US dollar denominated securities
- Ensure that sufficient liquidity will be available for the purposes of maintaining monetary and financial stability
- Achieve an investment return that will preserve the long-term purchasing power of the Fund

Asset Allocation

The Fund is divided into two main portfolios: the Backing Portfolio and the Investment Portfolio. While the Backing Portfolio holds highly liquid US dollar-denominated securities (mostly Treasury bills and notes) to provide full backing of the Monetary Base as required under the Currency Board arrangements, the balance of the Exchange Fund is held in the Investment Portfolio, which is invested primarily in equity and bond markets of OECD countries and more recently some alternative assets like hedge funds. Given the nature of Hong Kong's currency board, most assets are in US dollars.

¹ As of December 31, 2007. Source: HKMA website; converted at 0.1282 per HKD

Singapore

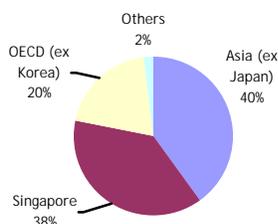
Temasek Holdings

TEMASEK
HOLDINGS

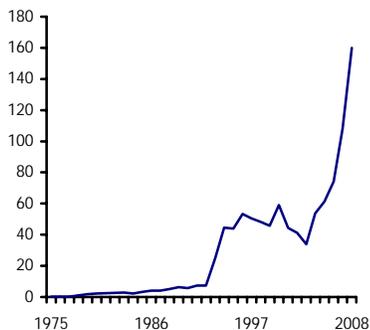
Fund size:
\$160bn

Website:
<http://www.temasekholdings.com.sg/>

Geographic distribution as of 31st Mar 2007 (%)



Assets under management (US\$bn)



Source: Temasek website

Note: AUM numbers approximation of actual

Overview

History and objectives

Temasek was established in 1974 with an objective of finding a better way to manage the portfolio of companies and investments accumulated by the Ministry of Finance in the first decade since Singapore's independence in 1965.

Funding details

The Corporation receives discretionary funds from the Government and retains all investment returns.

Institutional structure

Ownership and governance

Temasek is wholly owned by the Government of Singapore functioning as a commercial entity. It is incorporated under the Singapore Companies Act as an investment holding company. Temasek is accountable to the government through the Ministry of Finance, which is its shareholder. However, the Singapore Government is not involved in investment, divestment or other day-to-day business decisions.

Management structure

- **Board of Directors:** Provides overall guidance and direction. S Dhanabalan, Chairman; Kwa Chong Seng, Deputy Chairman; Simon Israel, Executive Director; and Ho Ching, Executive Director and CEO.
- **Senior management:** Runs the day-to-day operations of the company and is headed by the Chief Operating Officer, Vijay Parekh.

Disclosure

Temasek publishes annual financials and runs a comprehensive website outlining investments and investment policies. It submits its annual report to the Ministry of Finance which is its sole shareholder.

Investments and operations

Investment strategy and objective

Investment decisions are guided by commercial interests of the fund and the government is not involved in its investment decisions. It invests in companies and industries which correlate with the economic transformation of the country, have deepening comparative advantages and are best-in-class, be it regionally or globally. Temasek also does not direct the commercial and operational decisions of portfolio companies.

Asset allocation

Temasek has gradually increased its allocations geographically toward investments in non-Japan Asia, outside of Singapore. Initially, almost all holdings were Singapore based. As of March 2007, exposure to Singapore declined to 38% compared to 40% for non-Japan Asia, 20% for OECD and 2% for other countries. By sector, 61% of the portfolio is in financial services, telecoms and media.

Singapore economic indicators

	06	07	08f
GDP (\$bn)	137	161	184
Real GDP (%oya)	8.2	7.7	4.5
CPI (%oya)	1.0	2.1	5.7
Current account (\$bn)	42.7	43.0	44.8
% of GDP	31.2	26.7	24.3
FX reserves (\$bn)	135.7	158.7	171.7

Source: JPMorgan

Major investments

Recent investments include ABC Learning Centres (Australia), Intercell AG (Austria), Country Garden and Yingli Green energy (both China), INX Media (India), Mitsui Life (Japan, PIK Group and VTB Bank (both Russia).

In July 2007, Temasek invested almost US\$2 billion in Barclays. Temasek also holds 17.22% in Standard Chartered.

In December 2007, Merrill Lynch (ML) announced it would raise up to \$6.2 billion of newly issued common stock in a private placement with Temasek and Davis Selected Advisors. The common stock, together with options of \$0.4 billion, put Temasek's total investment in ML at \$5 billion.

Russia

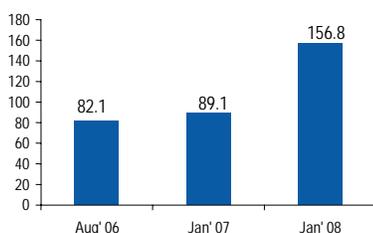
Oil & Gas Fund

Fund size:
\$157bn¹

Website:

<http://www1.minfin.ru/en/stabfund/>

Fund value (\$bn)



Source: Ministry of Finance, Russia website

Currency composition

Currency	%
US\$	45%
Euro	45%
British Pound	10%

Source: Ministry of Finance, Russia

Russia economic indicators

	06	07f	08f
GDP (\$bn)	989	1,290	1,706
Real GDP (%oya)	7.4	8.1	7.1
CPI (%oya)	9.8	9.1	13.3
Current account (\$bn)	94.4	78.3	75.6
% of GDP	9.5	6.1	4.4
FX reserves (\$bn)	295.3	444.2	551.4

Source: JPMorgan

Overview

History and objectives

The Oil & Gas Fund (OGF), formerly called the Stabilization Fund, was established on January 1, 2004 as a part of the federal budget with an objective of keeping the federal budget in balance at times when the oil price falls below a cut-off price. The Fund was set-up to serve as a tool for absorbing excessive liquidity, reducing inflationary pressure, and insulating the economy from volatility of raw material export earnings.

In February 2008, the OGF was divided into two parts. First, the Reserve Fund (\$125bn), which will be invested in a similar way as the original Stabilization Fund. Second, the National Prosperity Fund (NPF, \$32bn) which is to be invested into more risky instruments, including the shares of foreign companies. The Finance Ministry has planned that the NPF should purely be a portfolio investor, and should not buy strategic packages of shares. The NPF will have the rest of the amount of funds in the Oil & Gas Fund after appropriating to the Reserve Fund. The size of the Reserve Fund is to be kept at about 10% of GDP.

Funding details

Originally, the OGF accumulated funds as long as the price for Russia's Urals oil exceeded a certain cutoff price. The OGF was to be tapped for covering federal budget deficits when the price of oil fell below the cutoff price. The OGF collected revenues from a portion of the export duty on crude oil and a portion of the mineral resources extraction tax on oil. Both refer only to that part of the tax that stems from the price in excess of the cutoff price. In addition, parts of the federal budget surpluses were transferred to the OGF.

Starting from 2008, the mechanism of OGF funding changed. Now, the OGF accumulates funds from all oil and gas related taxes, after a certain portion of these revenues have been transferred to the federal budget to finance recurrent expenditures (the "oil transfer" has been set at 6.1% of GDP for 2008, 5.3% for 2009, 4.5% in 2010 and 3.7% thereafter). Therefore, under this new mechanism, the OGF receives all oil and gas related revenues above a certain threshold set as percent of GDP, effective from 2008.

The Reserve Fund will be used to bolster tax revenue if oil prices fall dramatically, and otherwise it will be maintained at 10% of GDP. The NPF will be used to cover spending on social items such as Pension Fund deficits, mostly drawing on its earnings.

Institutional structure

Ownership and governance

The Fund is owned by the Russian Government and is administered by the Ministry of Finance.

Disclosure

The Ministry of Finance publishes a monthly report on the Fund's accumulation, spending and balance. The Ministry of Finance reports to the Government on accumulation, investment and spending of the capital of the Fund both on a quarterly and annual basis. Asset allocation norms and investment guidelines are also published.

Investments and operations

Investment process

The assets of the Fund are to be invested in foreign sovereign debt securities. The eligibility of the securities is subject to the Government's approval. The Ministry of Finance is empowered to establish the Fund's currency composition and its strategic asset allocation, in line with the investment policy. For purposes of investment, the funds are allocated to the Federal Treasury's accounts with the Bank of Russia in foreign currency with the total return based on indices composed of eligible foreign debt securities and defined by the Ministry of Finance. The Bank of Russia currently performs all investment operations, but the Fund is allowed to use other external managers going forward.

Asset Allocation

The Fund can invest in sovereign debt securities of Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, the United Kingdom, and the USA, denominated in US Dollars, Euros and British Pounds. Issuers must have a AAA/Aaa long-term credit rating from at least two of the following three rating agencies: Moody's, Standard and Poor's, and Fitch. Funds can only be invested in debt securities on the date of purchase with a minimum remaining maturity of 0.25 years and not exceeding 3 years.

The currency allocation is 45% US dollar, 45% Euro, and 10% Pound. The NFP is expected to be authorized to extend its investments to public equity, which it plans to do with the help of external managers.

¹ As of January 30, 2008; Source: Ministry of Finance, Russia website

Australia

Queensland Investment Corporation (QIC)



Fund size:
\$65bn¹

Website:
www.qic.com

Australia economic indicators

	06	07	08f
GDP (\$bn)	738	854	981
Real GDP (%oya)	2.8	3.9	3.1
CPI (%oya)	3.5	2.3	3.7
Current account (\$bn)	-42.0	-56.0	-74.0
% of GDP	-5.6	-6.6	-7.6
FX reserves (\$bn)	53.6	24.9	26.0

Source: JPMorgan

Overview

History and objectives

Established in 1991, QIC provides investment and fund management services to the State public sector superannuation and insurance schemes, the Queensland Government, charitable bodies, financial services companies and educational institutions.

Funding details

QIC is structured like a commercial asset manager and receives its funds from a variety of public sector institutions as well as some private organizations.

Institutional structure

Ownership and governance

QIC is a Queensland Government-owned corporation that operates as a fully commercial organization, charging fees for services and paying dividends to the Queensland Government.

Management structure

- **Board of Directors:** Appointed by the Governor-in-Council, it guides and monitors the Corporation's business affairs. The Board wholly comprises non-executive Directors.
- **Executive Committee:** Consists of the Chief Executive and General Managers. The committee looks into strategic corporate issues and provides assistance and advice to the Chief Executive and the Board.

Investment Strategy Committee: Consists of senior investment staff from each asset division and client service staff. .

Disclosure

QIC publishes all relevant information on its web site.

Investments and operations

QIC offers an extensive range of investment services encompassing all the major asset classes (fixed income, equity and alternatives). Additionally, it offers tailored strategic solutions, to help clients meet their investment objectives. Each asset class team undertakes its own research and arrives at its own views on markets. The Corporation offers a broad range of solutions across equities, fixed interest, international property, infrastructure, absolute return strategies, asset class rebalancing and currency hedging.

¹ Source: Website; As of February 2008; converted at US\$0.92828 per AUD

Qatar

Qatar Investment Authority (QIA)

Fund size:
\$40-60bn

Website: NA

Qatar economic indicators

	05	06	07f
GDP (\$bn)	42.5	52.7	67.8
Real GDP (%oya)	9.2	10.3	14.2
CPI (%oya)	8.8	11.8	13.8
Current account (\$bn)	14.1	16.4	23.4
% of GDP	33.2	30.6	34.6
FX reserves (\$bn)	4.5	5.4	9.5

Source: IMF

Overview

History and objectives

Qatar Investment Authority (QIA) was set up in 2005, replacing the Supreme Council for Economic Affairs and Investment. QIA's prime objective is to achieve revenue diversification for the state of Qatar over the next 10 to 15 years.

Funding details

QIA is backed by surplus funds (after meeting domestic spending needs) originating from the sale of crude oil.

Institutional structure

Ownership and governance

QIA is owned by the Government of Qatar, but provides little information about its structure, governance, size and activities.

Investments and operations

QIA follows a four-pronged investment strategy

- Tactical, short-term investments
- Gaining knowledge of a particular sector by investing with another party that will take a larger stake and assume management responsibilities
- Investing equally with other partners
- Investing with strategic and possibly geopolitical goals in mind

Asset Allocation

To diversify away from the domestic oil sector, the fund invests in international markets (US, Europe and Asia) and within Qatar outside the energy sector. The fund focuses on four investment types; public equity, real estate, private equity and investment funds. QIA recently announced its currency allocation of 40% USD, 40% Euro, and 20% other OECD currencies, including GBP.

Major investments

- In 2006, QIA bought 100% of Four Seasons Healthcare in the UK.
- The QIA was a co-investor in Dubai International Capital's July 2007 purchase of a 3.12% stake in European Aeronautic, Defence & Space Co. (EADS).
- On September 20, 2007, QIA bought a 20% stake in the London Stock Exchange.
- In February 2008, QIA bought a stake in Credit Suisse amounting at that time to just under 3%. The Agency is also said to be in the process of investing around US\$15bn in European financial institutions.

Australia

The Future Fund



Fund size:

\$55bn¹

Website:

www.futurefund.gov.au/

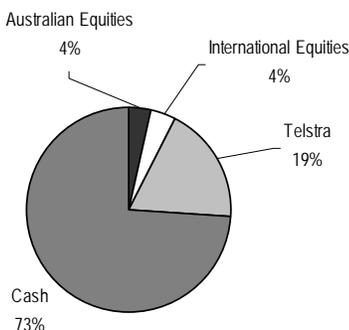
Australia economic indicators

	06	07f	08f
GDP (\$bn)	738	854	981
Real GDP (%oya)	2.8	3.9	3.1
CPI (%oya)	3.5	2.3	3.7
Current account (\$bn)	-42.0	-56.0	-74.0
% of GDP	-5.6	-6.6	-7.6
FX reserves (\$bn)	53.6	24.9	26.0

Source: JPMorgan.

Future Fund Asset Allocation

As on June 2007



Source: Website

Overview

History and objectives

The Future Fund was established in April 2006 to help the Australian government meet its unfunded superannuation liabilities over time. Its goal is to grow to a size of A\$140bn by 2020, which is the estimated unfunded superannuation liability at that time. The Future Fund manages the fund contributions, which are mostly fiscal surpluses and privatization proceeds with the aim to achieve a higher investment return. The Future Fund also manages the Higher Education Endowment Fund (HEEF).

Funding details

Initial seed capital of US\$13.7³ was transferred by the Government to the Fund in May 2006. Since then, the Fund has received the proceeds of the T3 Telstra sale during 2006-2007. This included US\$14.5bn in January 2007³, US\$3.6bn⁴ in February 2007 and the receipt of 2.1bn shares in Telstra in February 2007, valued at US\$6.9bn⁴ at transfer. The Fund also received a fiscal surplus contribution of US\$5.8bn⁵ in August 2007. Subsequent contributions to the Future Fund and the HEEF will come from the Government's budget surpluses.

Institutional structure

Ownership and governance

The Fund is owned by the Government. The Board functions as an independent body and is accountable to the Government.

Management structure

The Fund is overseen by an independent Board of Guardians that is responsible for making investment decisions and the performance of the Future Fund as well as the HEEF.

- **Board of Guardians:** The Board comprises a Chair and six other members. Members of the Board are appointed for terms of up to five years.
- **Management Agency:** Assists the Board in developing and implementing its investment strategy, provides executive support and is responsible for the operational activities associated with investments. The Chair of the Board is the CEO of the Agency with day to day operations delegated to a General Manager.

Disclosure

The Future Fund publishes an annual report, which contains all investment details and financial performance, as well as regular updates on investments.

Investments and operations

Investment process

The Board of Guardians is responsible for all investment decisions. Along with the Management Agency, the Board builds the investment strategy. Actual investments are made through external professional investment managers selected by the Board. The Board also employs the services of external advisors on areas of investment policy, including asset allocation

Future Fund External Manager

External Manager	Asset Class
Vanguard Investments	Australian Equities
Vanguard Investments State Street Global Advisors	Global Equities
Vanguard Investments Colonial First State	Property Cash
Global Asset Queensland Investment Corporation Reserve Bank of Australia	

Source: Website

and manager research.

Investment objective

The Fund is mandated to maximize returns over the long term. The current mandate sets a target return of between 4.5% and 5.5% above the Consumer Price Index (CPI) measure of inflation over the long term, interpreted as an objective to provide a return of at least 5% above CPI over rolling 10 year periods.

Asset Allocation

The Fund has identified the following asset classes for investment at this stage:

- Global equities comprising allocations to large/mid capitalization, small capitalization and emerging markets equities
- Australian equities of companies listed, or shortly to be listed, on the Australian Stock Exchange
- Global fixed interest, including sovereign debt and non-sovereign debt
- Australian fixed interest comprising sovereign debt or corporate debt
- Property comprising Australian and international unlisted assets and listed property securities.
- Private market assets which have less liquidity than, and/or are lowly correlated with, listed securities
- Commodities futures comprising a broad basket of futures prices for frequently traded commodities

1 Source: Website; As of February, 2008; Converted at US\$0.92828 per AUD; Does not include US\$5.57 billion of the Higher Education Endowment Fund

2 Converted at US\$0.76425 per AUD;

3 Converted at US\$0.78358 per AUD;

4 Converted at US\$0.78210 per AUD

5 Converted at US\$0.83148 per AUD

France

Pension Reserve Fund



Fund size:

\$51bn¹

Website:

<http://www.fondsdereserve.fr/spip.php?article22>

France economic indicators

	06	07f	08f
GDP (\$bn)	2,229	2,615	2,678
Real GDP (%oya)	2.2	1.9	1.7
CPI (%oya)	1.9	1.6	3.0
Current account (\$bn)	-28.3	-38.2	-31.6
% of GDP	-1.3	-1.5	-1.2
FX reserves (\$bn)	42.7	45.7	49.0

Source: JPMorgan

Overview

History and objectives

Established in early 2000 by the Social Security Financing Act for 1999, the FRR (Fonds de Reserve pour les Retraites) originally emerged as a separate accounting section within the French Old Age Solidarity Fund. The FRR became a stand-alone unit in 2001. The Fund's mandate is to manage funds until 2020, after which they will be used to contribute to the long-term survival of mandatory old age insurance plans (the general plan, CNAVTS) and aligned plans for salaried farm workers (ORGANIC) and skilled crafts-persons (CANCAVA).

Funding details

The Fund receives funds from four broad categories: a portion of the 2% social tax on income from estates and investments, surplus sums from the French National Old Age Fund (Caisse Nationale d'Assurance Vieillesse – CNAV), proceeds from the sale of certain state-owned assets (through privatization, the sale of Caisse d'épargne units, the sale of UMTS licenses, etc) and miscellaneous endowments and allocations.

Institutional structure

Ownership and governance

The FRR is a publicly owned, state-funded agency governed by an Executive Board and a Supervisory Board.

- **Supervisory Board:** Members include legislators, labor & management stakeholders, representatives of the ministries under whose general supervision the FRR operates (i.e., the ministries of Social Security and of the Economy, Finance and Industry) and individuals with recognized credentials in fields that are relevant to Fund's stated missions. It is responsible for defining general investment policy orientations for the Fund's assets, in accordance with the objective and timeframe for use of the Fund's resources. The chairman of the FRR Supervisory Board is appointed from among its members
- **Executive Board:** The Executive Board has three members and is chaired by the Chief Executive Officer of the CDC (Caisse des dépôts et consignations). It is responsible for directing the agency and for ensuring its smooth operation. It executes investment policy guidelines and ensures compliance with them. It reports to the Supervisory Board on its management of the Fund

Disclosures

The Fund discloses its strategy and financial statements to the public at regular intervals.

Fund performance (%)

As at June 30, 2007	Since inception	Since Jan '07
Total asset performance	10.8%	6.0%
Performance of assets invested under delegated mandates	15.8%	6.2%
<i>Equities</i>	20.0%	10.1%
<i>Bonds</i>	3.1%	(2.3%)

¹ As of December 31, 2007; Source: FRR website; Converted at USD/EUR = 1.4729
Source: FRR website

Strategic asset allocation (%)

Asset class	Weight
Equities	60%
<i>Euro Area issuers</i>	33%
<i>International issuers</i>	27%
Bonds	30%
<i>Euro Area issuers</i>	21%
<i>International issuers</i>	9%
Diversification assets¹	10%

¹ Includes private equity, real estate, commodities and infrastructure.
Source: FRR website

Investments and operations

Investment process

The overall investment policy is crafted by the Supervisory Board which approves the list of assets in which the FRR may invest in. The Board may modify the list on recommendation of the Executive Board. The investments are made by external managers who are selected as a result of a tendering process. The investments to be made by the managers have to be in line with the Strategic Allocation. The Fund seeks to strike an effective balance between benchmark-driven management styles, which allow for comfortable and low-cost exposure to the most efficient markets, and the more active investment strategies, which are more likely to generate performance levels over the long term.

Investment objective

The Fund states that the objective of the Fund's investment policy "is to optimize the return on its investments, made under the best possible conditions of security and subject to the risk constraints defined.." The long-term funding cost to the FRR for the government has been estimated at 4.4 %; hence the Board has set limits on the Fund's risk exposure, by indicating that the asset allocation must not only limit the risk of capital loss at maturity in 2020, but also maximize the probability of generating over the entire period a performance at least equal to the long-term funding cost or about 4.4%.

Asset Allocation

The Supervisory Board, on advice of the Executive Board decides on the structure of the strategic allocation. The strategic allocation, which was initially defined in April of 2003, was revised by the Supervisory Board on May 16, 2006. The Fund is now mandated to invest in alternative assets (private equity, real estate and commodities). As the Fund is understood to be a long-term investor, it seeks to invest in assets which are more volatile over the short term but that increase the possibility of higher returns over the long term, while achieving adequate diversification to ensure that it contains risk. The Fund has also developed a tactical allocation process that applies to all specialized mandates. The tactical allocation process allows the Fund to adjust its exposures to the principal asset classes on the basis of economic and stock market cycle considerations.

¹ As of December 31, 2007; Source: FRR website; Converted at USD/EUR = 1.4729

Libya

Libyan Investment Authority

Fund size:
\$18-50bn¹

Website: NA

Libya economic indicators

	05	06e	07f
GDP (\$bn)	41.7	49.7	57.1
Real GDP (%oya)	6.3	5.6	6.8
CPI (%oya)	2.0	3.4	6.7
Current account (\$bn)	17.4	25.6	24.3
% of GDP	41.6	51.6	42.5
FX reserves (\$bn)	39.7	59.5	79.7

Source: IMF

Overview

History and objectives

The Libyan Investment Authority (LIA) was set up in mid-2007 through a funds allocation from the Libyan Central Bank, as well as the merger of other state funds, including the Lybian Arab Investment Company (LAFICO). The Libyan government states that its strategy was to reduce the country's oil dependence and diversify its sources of income. The Authority is headed by an Executive Director.

Funding details

Initial funds were allocated from the Central Bank of Libya as well as other state funds with the Authority getting a portion of the surplus oil revenues each year going forward.

Disclosure

The Authority does not give out any financials or investment policy reports, though investment guidelines can be gauged from various press releases made by the management.

Investments and operations

Investment process

The Authority has offices in London and Tripoli. Its plans are laid out in broad stages, with the first stage being to concentrate on portfolio investments managed through foreign banks and asset managers. But, later, it also intends to buy real estate worldwide and, when it is more established, look at private equity transactions.

The Authority has invested in hydrocarbon development projects and is partnering with BP in a US\$900m exploration contract. The management states that the intentions of the fund are purely commercial.

¹ Source: News sources

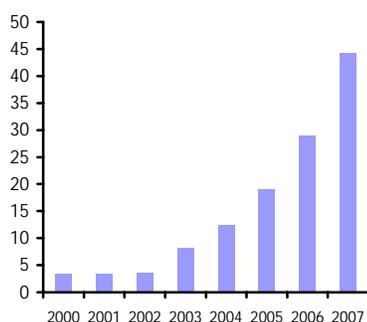
Algeria

Revenue Regulation Fund (FRR)

Fund size:
\$44bn

Website: NA

Assets under management
 (US\$bn)¹



Source: IMF

¹ Actual data is available for 2000-2003 and 2007. For the years 2004-2006, fund size grown at constant rate.

Algeria economic indicators

	06	07f	08f
GDP (\$bn)	116	127	140
Real GDP (%oya)	2.7	5.0	5.5
CPI (%oya)	2.5	3.9	4.0
Current account (\$bn)	28.1	28.0	33.6
% of GDP	24.4	22.1	24.0
FX reserves (\$bn)	77.8	110.0	140.0

Source: JPMorgan

Overview

History and objectives

The Revenue Regulation Fund (FRR) was set up in 2000 as an (off-budget) hydrocarbon stabilization fund to reconstitute the cushion of external reserves that had been used in 1998-99 during a period of low hydrocarbon revenues, to service the stock of public debt and to smooth the longer-term profile of expenditures. This Fund was originally intended to pay off the principal portion of the public debt and to finance a budget deficit. The hydrocarbon stabilization fund does not have intergenerational transfer purposes.

The law states a two-fold objective of the Fund: finance the budget deficit in case of lower-than-budgeted hydrocarbon revenues and reduce the outstanding national debt. In the 2006 supplementary budget, the rules of the hydrocarbon stabilization fund were amended only to allow for the direct financing of the non-hydrocarbon deficit (unless the balance of the FRR drops below US\$10bn). The Fund is managed by the Central Bank.

Funding details

All hydrocarbon revenues in excess of those budgeted are deposited into the stabilization fund. In the 2004 draft budget, the law stated that the amount of money that can be drawn from the fund is limited to the shortfall in hydrocarbon revenues resulting when realized hydrocarbon prices are lower than those projected in the budget law.

Disclosure

The Fund does not give out any information on its financial balances or investment policy.

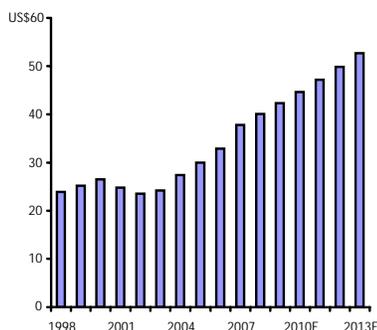
United States

The Alaska Permanent Fund

Fund size:
\$37bn¹

Website:
<http://www.apfc.org/>

Assets under management (US\$bn)



Source: Alaska Permanent Fund website

Fund performance (%)

Returns ¹	1Q	1 yr	3 yr	5 yr
Alaska Fund	(6.6)	3.2	9.4	12.0
Benchmark	(6.2)	3.3	9.4	12.1

Source: Alaska Permanent Fund financial performance report

¹ As of 31st January 2008

US economic indicators

	06	07f	08f
GDP (\$bn)	13,195	13,841	14,346
Real GDP (%oya)	2.9	2.2	1.2
CPI (%oya)	3.2	2.9	4.0
Current account (\$bn)	-811.5	-738.6	-689.9
% of GDP	-6.2	-5.3	-4.8
FX reserves (\$bn)	54.9	59.5	65.0

Source: JPMorgan

Overview

History and objectives

The Alaska Permanent Fund was set up in 1976 for purposes of inter-generational wealth transfer and equity for all Alaskans. Its objective is to maintain the safety of the principal while maximizing total return. The Fund is made up of the reserved fund (the principal) which is invested permanently and cannot be spent without amending the state constitution through a majority vote of the people and the unreserved fund (the realized income). Any decisions to use the unreserved portion are made each year by the Alaska State Legislature and the Governor.

Funding details

At least 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received are placed in the Fund. Other amounts can also be placed in the Fund by the state.

Institutional structure

Ownership and governance

The fund is owned by the state of Alaska and is operated as a public trust.

Management structure

- **Alaska Permanent Fund Corporation (APFC):** It manages and invests the assets of the Fund. The Corporation is headed by a CEO.
- **Board of Trustees:** A governor-appointed board of six trustees sets APFC policy. The APFC Board is comprised of four public members, the Commissioner of Revenue and one additional cabinet member of the governor's choosing. Public members serve staggered four-year terms

Disclosure

The fund publishes an annual report for the 12 months ending in June as well as a monthly fund performance & financial report.

Investments and operations

Investment process

The Board reviews the investments and asset allocation on an annual basis, with the review conducted by the APAC investment staff along with an external consultant. The asset allocation is equity-dominant along with other assets with varying risk and return. Further asset allocation among asset classes are also made depending on factors such as relative asset capitalization size, liquidity needs, growth vs. value, diversification of investment approach, degree of market development and geographical location. An independent three-person investment advisory council has been set-up to review the investments made, make recommendations concerning investment policies, investment strategy, and investment procedures and advise on the selection of performance consultants and on the form and content of annual reports and provide other advice as requested by the Board. The Fund hires a pool of investment consultants for general advice or asset/strategy specific areas to help with the investment decisions. Apart from APFC investment staff, the Fund hires specialized external investment managers to make investments with each manager evaluated on the basis of benchmarks assigned to each one.

Asset allocation (%)

Assets	Target	Actual ¹
Domestic stocks	26.4	27.0
Non-domestic stocks	13.6	13.0
Global stocks	14.2	14.0
Domestic bonds	25.4	23.0
Non-domestic bonds	3.4	3.0
Real estate	10.8	10.0
Private equity	1.6	4.0
Absolute return	4.2	4.0
Infrastructure	0.4	2.0

Source: Annual report

¹ As of Feb 29, 2008

Investment benchmarks

Assets	Benchmark
Internal managed domestic bonds	Internal (APFC) domestic portfolio
External managed domestic bonds	Lehman Aggregate
Non-domestic bonds	Salomon Non-US World Gov Bond (50% hedged)
Total domestic stocks	Blended: S&P 500 - 81.48% & Russell 2500 - 18.52%
Total non-domestic stocks	Blended: MSCI EAFE - 69.23% & MSCI Emerging Markets - 30.77%
Global stocks	MSCI World
Absolute return	One-month LIBOR + 4%
Private equity	Absolute LT return (13-15% net of fees)
Real estate	Blended: NCREIF Property Index - 80% & Morgan Stanley REIT index - 20%

Source: Annual report

Investment objective

The long-term investment goal for the Fund is to achieve a real rate of return of 5% per year. The planned asset allocation is considered important in the context of achieving the target return as it is estimated that up to 90% of all investment returns are attributable to asset allocation.

Asset Allocation

The asset types the Fund currently holds are publicly traded stocks, private equities, bonds, real estate and absolute return strategies. In 2007, the Board added an allocation to infrastructure investments and adjusted the stock investments to include a specific allocation to a global stock strategy, in recognition that global markets are becoming more linked to one another.

¹ As of February 29, 2008; Source: Alaska Permanent Fund Corporation website (Monthly report)

Australia

Victorian Funds Management Corporation (VFMC)



Fund size:
\$36bn¹

Website:
www.vfmc.vic.gov.au

Funds under management

Client	USD bn
Super Emergency Services & State Super	16.6
Victorian Work Cover Authority	9.5
Transport Accident Commission	6.7
Victorian Managed Insurance Authority	1.1
Parliamentary Trustee	0.3
Others	1.9
Total	35.9

Source: Website; As of Dec. 31, 2007

Asset classes and benchmarks

Australian FI	UBS Australia CBI
International FI	Lehman Aggregate
Australian Equities	S&P/ASX 300
International Equities	MSCI World (ex Australia)

Source: Website

Australia economic indicators

	06	07f	08f
GDP (\$bn)	738	854	981
Real GDP (%oya)	2.8	3.9	3.1
CPI (%oya)	3.5	2.3	3.7
Current account (\$bn)	-42.0	-56.0	-74.0
% of GDP	-5.6	-6.6	-7.6
FX reserves (\$bn)	53.6	24.9	26.0

Source: JPMorgan

Overview

History and objectives

VFMC was established under state legislation in 1994 to manage the investments of a number of Victorian Government entities. As of 31 December, 2007 the Corporation managed the funds of 14 public sector clients. To invest with VFMC, clients must be a Public Authority as defined under the Victorian Funds Management Corporation Act and a minimum fund size of \$20 million is required.

Funding details

The Corporation receives its funds from the various Public Sector clients for whom the Corporation manages funds.

Ownership and governance

The Corporation is part of the Government of Victoria and reports to the Treasurer of Victoria. The management of the Corporation is done professionally with specialist fund managers selected to invest assets.

Management structure

- **Board of Directors:** The Board is responsible for strategic planning, the annual budget, investment policy, risk management procedures, compliance controls and the effective monitoring of client mandates and management.
- **Chief Executive Officer:** Carries out administration and operation of the Corporation with the assistance of three management committees: the Management Investment Committee; the Operational Risk Management Committee and the Executive Committee

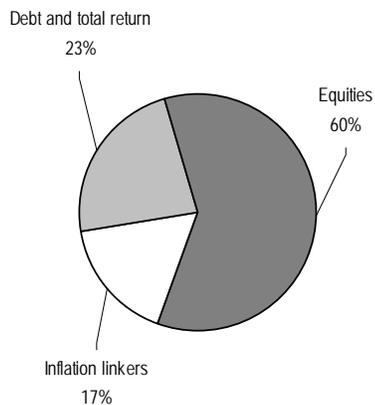
Investments and operations

Investment process

VFMC adopts a centralized asset management approach with the investment strategy constructed across clients, taking into account their individual investment objectives and liability profiles. Asset classes of clients are then grouped into three main investment categories, namely short term (nominal bonds and absolute return), inflation sensitive (CPI bonds, infrastructure and property) and long tail (listed and private equities) to develop a portfolio. In constructing client portfolios, VFMC uses the 'portable alpha' concept. The Corporation is moving towards building an in-house investment team with the following activities targeted for in-house management:

- Basic beta management: Equitisation of cash and portfolio transitions
- Australian equities managed on fundamental indexation principles
- CPI bonds managed passively
- Listed and unlisted infrastructure assets managed passively as strategic holdings
- Private equity and hedge fund selection

Asset allocation



Source: Website

Investment objective

The clients set objectives which are set in terms of long-term real return targets. The Corporation also has set different benchmarks for various classes of assets it invests in.

Asset Allocation

Asset classes are divided into one of 3 corresponding categories:

- Equities (public and private)
- Inflation linked assets (CPI bonds, infrastructure, property)
- Debt & other absolute return (hedge funds)

1 Source: Website; As of December, 31 2007; converted at US\$0.8767 per AUD

Brunei

Brunei Investment Authority

Fund size:
\$25-35bn

Website:
<http://www.finance.gov.bn/bia.htm>

Brunei economic indicators

	05	06	07f
GDP (\$bn)	9.5	11.6	12.4
Real GDP (%oya)	0.4	5.1	0.4
CPI (%oya)	1.1	0.2	0.4
Current account (\$bn)	5.0	6.5	7.1
% of GDP	52.8	55.9	57.3
FX reserves (\$bn)	—	—	—

Source: IMF

Overview

History and objectives

Established in 1983, the Brunei Investment Authority (BIA) was set up to manage the government's external assets, to act as an agent for its General Reserve Fund, and to provide the government with money management services.

Funding details

The initial funding came with the transfer of the sultanate's investment portfolio from the Crown Agents of the UK on achieving full independence from Britain. It has since received funds from oil revenues of the sultanate.

Institutional structure

Ownership and governance

BIA is owned by the government and operates under the Ministry of Finance.

Management structure

- **Board of Directors:** The policy and general administration is conducted by the Board. The Board comprises of a Chairman and a number of other directors appointed by the Sultan. The Sultan appoints one of the directors to be the Managing Director.

Disclosure

The fund does not issue regular financial statements or disclose the contents of its portfolio. However, it is required to meet quarterly with the Finance Ministry.

Investments and operations

Although not disclosed, the BIA is believed to have investments in a variety of asset classes, including, gold, other commodities, bonds, public equity, private equity, real estate, and hedge funds. Investments made must be specifically authorized within the BIA Act and approved by the Board.

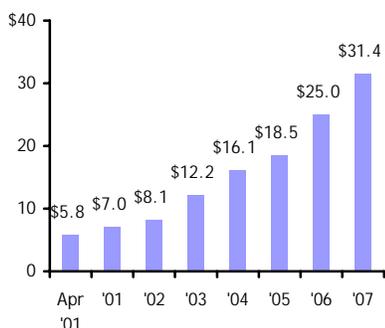
Ireland

National Pension Reserve Fund (NPRF)

Fund size:
\$31bn¹

Website:
<http://www.nprf.ie/>

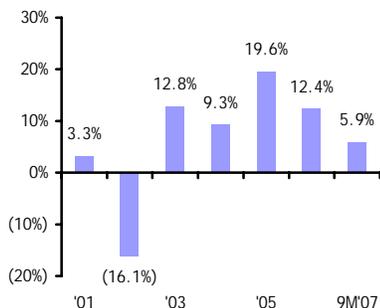
NPRF fund value (\$bn)



Source: Annual report

Note: All values converted at end of each year exchange rate

NPRF historical performance (%)



Source: Annual report

Overview

History and objectives

The National Pensions Reserve Fund (NPRF) was established in April 2001 to partly pre-fund the public pension system. Its objective is to meet, as much as possible, the costs of social welfare and public service pensions from 2025 onwards, when these costs are projected to increase dramatically due to the aging of the population.

Funding details

The Government is required to invest 1% of GNP in the NPRF annually. All withdrawals are to be made after 2025 from whereon draw-downs will continue until at least 2055.

Institutional structure

Ownership and governance

The NPRF is controlled and managed by the National Pensions Reserve Fund Commission. The National Treasury Management Agency (NTMA) acts as Manager of the NPRF and the Commission performs its functions through the NTMA. The Fund is independent of the Government.

Management structure

- **NPRF Commission:** Consists of 7 members appointed by the Minister for Finance. The Commission sets the Fund's asset allocation strategy and the parameters within which Fund assets may be invested and reviews Fund performance and strategy implementation.

Disclosure

The NPRF has a transparent reporting system and makes public its annual accounts.

Investments and operations

Investment strategy

Strategic Asset Allocation is the critical element guiding the investment strategy of the Fund. The long-term strategic asset allocation is broken down for investment purposes into a number of regional investment mandates. The Commission has outsourced the management of these mandates to specialist investment management institutions in a number of cases. Tactical and stock level investment decisions are delegated to the individual managers. Investment mandates are both passive (where the manager's target is to reproduce the return at a specified market index) and active (where the manager's target is to outperform a specified market index). Certain mandates are managed by the NTMA internally. These are the passive bond mandate, the management of the Fund's unallocated cash and the centralized currency overlay program.

Investment objective

The investment objective of the Fund is to accumulate enough funds by 2025 so that the NPRF can meet as much as possible of the cost of the social welfare pensions and public service pensions until at least 2055. Assets are invested so as to secure the optimal total financial return. The

Strategic asset allocation

Assets	Allocation
Total equity	76.2%
Large cap equity	70.2%
Small cap equity	4.0%
Emerging markets equity	2.0%
Alternative assets	4.3%
Private equity	0.6%
Property	2.2%
Commodities	1.5%
Bonds and cash	19.5%
Government bonds	15.5%
Corporate bonds	2.0%
Currency funds	1.0%
Cash	1.0%

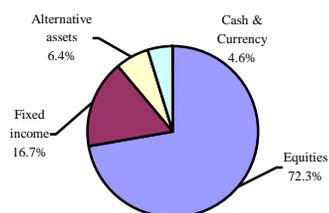
Source: Annual report

management determines appropriate benchmarks against which the investment return of the Fund can be assessed. It measures the Fund performance relative to a benchmark portfolio consistent with its strategic asset allocation. The Fund's overall benchmark return is the weighted average of the returns to the benchmarks for each asset class as per the strategic asset allocation.

Asset allocation

The asset allocation strategy is based on the premise that real assets, such as equities and property, whose performance is linked to the rate of economic growth will continue over the long term to outperform financial assets such as bonds. The long-term investment horizon enables the Fund to accept the volatility in equities as a trade-off for the higher expected return and hence allocate a large amount of its funds.

Asset allocation (as of Dec 31, 2007)



1 As of December 31, 2007; Source: Ireland Information Memo (NTMA website); Converted at \$1.4729 per EUR

Total: US\$31.4bn

Source: Website

Ireland economic indicators

	05	06	07
GDP (\$bn)	201	219	255
Real GDP (%oya)	5.9	5.7	5.3
CPI (%oya)	2.4	3.9	4.9
Current account (\$bn)	-7.2	-9.1	-12.7
% of GDP	-3.6	-4.1	-5.0
FX reserves (\$bn)	0.8	0.7	0.8

Source: JPMorgan, official sources

Malaysia

Khazanah Nasional



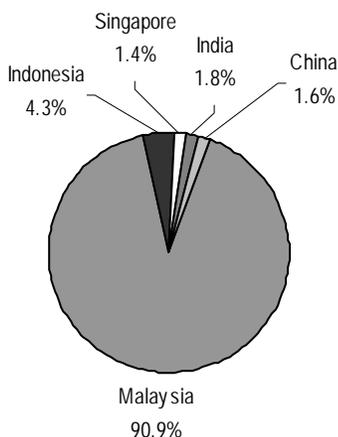
Fund size:

\$26bn¹

Website:

www.khazanah.com.my

Country allocation of investments



Source: 2007 Khazanah Review

Malaysia economic indicators

	06	07f	08f
GDP (\$bn)	156	187	221
Real GDP (%oya)	5.9	6.3	4.7
CPI (%oya)	3.6	2.0	2.7
Current account (\$bn)	25.5	28.7	24.1
% of GDP	16.3	15.4	10.9
FX reserves (\$bn)	79.2	91.2	116.2

Source: JPMorgan

Overview

History and objectives

Incorporated in September 1993, Khazanah Nasional is the investment holding arm of the Government of Malaysia. The primary objectives are to manage the investments entrusted to it by the Government of Malaysia and to undertake new investments in strategic opportunities, including in new sectors and countries. It also has a mandate to restructure and streamline Malaysia's government-linked companies (GLCs)

Funding details

Initial funding came with the transfer of assets held by the Ministry of Finance (MoF). The assets were mainly shares in government companies floated on the stock market under the privatization program. Since then, Khazanah has issued domestic bonds (government-guaranteed bonds, Khazanah Bonds, EPF loans), exchangeable bonds, and Islamic bonds to finance its operations.

Institutional structure

Ownership and governance

All of the equity of Khazanah is owned by MOF (Inc), which is in turn owned by the Ministry of Finance. In essence Khazanah is a wholly owned entity of the Malaysian Government. The only exception is one (1) share owned by the Federal Land Commissioner.

Management structure

- **Board of Directors:** Has an eight member Board comprising representatives from the public and private sectors with the Prime Minister as its Chairman
- **Management:** The Managing Director, who is also a member of the board, manages the day-to-day operations.

Disclosure

Khazanah discloses on an annual basis its total fund size, returns, and investment holdings. Its website provides additional information on the institutional structure, governance and investments.

Investments and operations

Khazanah makes strategic investments in selected sectors and markets with a long-term view as an active stakeholder. Currently, investments are within the finance, media and communications, utilities, information technology and transportation industries with investments in over 50 major companies.

The entity's has made investments in legacy investments (companies where the government had holdings) where the objective is to streamline and restructure the companies and GLC's. It has also made investments in new sectors and geographies. The large majority of investments are in Malaysia (91%), but Khazanah is actively seeking new investment opportunities abroad.

¹ As of May 31, 2007

Saudi Arabia

Kingdom Holding Company



Fund size:

\$25bn¹

Website:

<http://www.kingdom.com.sa/index.asp>

Saudi Arabia economic indicators

	05	06	07f
GDP (\$bn)	316	349	374
Real GDP (%oya)	6.1	4.3	4.1
CPI (%oya)	0.6	2.3	4.1
Current account (\$bn)	90.1	95.5	100.8
% of GDP	28.5	27.4	26.8
FX reserves (\$bn)	26.8	27.8	37.0

Source: IMF

Overview

History and objectives

Founded in 1980 by Prince Alwaleed bin Talal, the Kingdom Holding Company (KHC) is a diversified private investment company with holdings in a large number of Saudi Arabian, Middle Eastern and international companies. KHC is not strictly speaking a SWF, but is often put in this category due to its link to the royal family and, thus, the sovereign.

Institutional structure

Ownership and governance

The company is headed by Prince Alwaleed bin Talal who is the Chairman. The Chairman is advised by three Executive-Directors, one each for Development & Domestic Investments, International Investments and Private equity.

Disclosure

The company is a public company with an insider holding of 95%.

Investments and operations

Investment process

The Company's investment philosophy is to invest in high performing and leading brands with a long-term investment approach. It seeks to acquire and extract value from undervalued and underperforming assets. Historically the company has focused on growth sectors, predominantly real estate, hotels and hotel management companies, banking and financial services and to a lesser extent TMT, consumer, healthcare and industrial sectors. The company balances the geographical portfolio of its investments to take advantage of the evolving global investment climate and it optimally times entry into each specific investment.

¹ As of December 31, 2006; Source: KHC website

Kazakhstan

National Oil Fund

Fund size:
\$23bn¹

Website: NA

Kazakhstan economic indicators

	05	06	07f
GDP (\$bn)	57.1	81.0	103.8
Real GDP (%oya)	9.7	10.7	8.5
CPI (%oya)	7.6	8.6	10.8
Current account (\$bn)	-1.1	-1.8	-6.9
% of GDP	-1.8	-2.2	-6.6
FX reserves (\$bn)	6.2	17.9	15.9

Source: IMF

Overview

History and objectives

The National Fund, often called the Future Generations Fund, as well as the Oil Fund, was established in August 2000 in order to accumulate and invest long-term state savings, reduce dependence of the national budget on volatility of oil prices, and ensure intergenerational equity for current and future citizens of the Republic of Kazakhstan. The Fund is patterned after the Norwegian model to accumulate excess tax revenues from oil & mining companies, stabilize the budget if necessary, and save for the needs of future generations.

Funding details

The Fund receives its funds from earnings from mining sector organizations in the part exceeding the parameters determined in the budget on corporate income tax, VAT, excess profit tax, bonuses, royalty and PSA. The other sources of income are budget transfers in the amount of 10% of earnings planned in the budget from mining sector organizations. All investment income earned is reinvested. The Government can use the funds only to compensate for budgetary deficits.

Institutional structure

Ownership and governance

The Fund is owned by the government and is not a legal entity. The National Bank of Kazakhstan serves as trustee of the Fund.

Management structure

The Fund is managed by a Managing Council formed by the President of Kazakhstan. The Council includes the President, the Prime Minister, and the Chairman of the Senate of the Parliament, the Chairman of the Majilis of the Parliament, the Chairman of the National Bank, the Deputy Prime Minister, the Minister of Finance, and the Chairman of Accounting Committee on Control.

Disclosure

The National Bank of Kazakhstan discloses the sources and uses of the Fund on an annual and monthly basis.

Investments and operations

Investment process

The National Bank of Kazakhstan serving as trustee of the Fund invests on its own, including entrusting a part of the Fund to external managers. The Bank develops and approves investments transactions regulations and provides the Government with the report on results of the serving as trustee of the Fund. The Fund has two portfolios: A Stabilization portfolio (minimum 20% of the Fund) which is to ensure lower volatility of returns and a Savings portfolio which is to ensure higher long term returns.

Investment objective

Both portfolios have their own benchmarks. The Stabilization portfolio has the Merrill Lynch 6-month US Treasury Bill Index benchmark, while the Savings portfolio has a mixed benchmarked of 75% Salomon World Government Bonds Index (80% USD hedged) and 25% MSCI World (ex energy).

Asset Allocation

The Fund can invest in Government Bonds included in Citi World Government Bond Index, Corporate Bonds with A- credit rating or higher, Mortgage Backed Securities and Asset Backed Securities with credit rating above AA-, Stocks included in MSCI World Index and use derivatives for tactical asset allocation and hedging.

¹ As of March 2008; Source: Public news sources

South Korea

Korea Investment Corporation



Fund size:

\$20bn¹

Website:

www.kic.go.kr/en/

Korea economic indicators

	06	07f	08f
GDP (\$bn)	888	970	974
Real GDP (%oya)	5.1	5.0	4.4
CPI (%oya)	2.2	2.5	3.8
Current account (\$bn)	5.4	3.5	-11.9
% of GDP	0.6	0.4	-1.2
FX reserves (\$bn)	239.0	264.0	273.0

Source: JPMorgan

Overview

History and objectives

Set up in July 2005, the Korea Investment Corporation (KIC) was launched with two objectives: (1) managing part of Korea's foreign reserves and other public funds entrusted by the Government, the Bank of Korea and other public entities and (2) developing the asset management industry by placing large public funds to private asset managers.

Funding details

KIC had been given an initial endowment of US\$20bn of which: (1) US\$17bn came from the Bank of Korea (BoK) under a fund-management contract and (2) an additional US\$3bn came from the Ministry of Strategy and Finance's Exchange Stabilization Fund. In December 2007, it was announced that KIC will receive an additional US\$10bn in 2008. It is also expected to receive another US\$20bn in 2009.

Institutional structure

Ownership and governance

KIC is a government-owned company, operated commercially and independently. The KIC Act emphasizes and ensures KIC's independence with regard to its organization and investment management.

Management structure

- **Steering Committee:** It is the highest governing body of KIC which sets basic policies, sets up mid-to-long term investment policy and evaluates performance. It is composed of not more than 12 members; including the Chairman
- **Board of Directors:** Looks after the day-to-day operations of the corporation with a President presiding over it

Disclosure

KIC discloses annual financial statements and accounting standards. The Steering Committee may entrust a private accounting firm to inspect the business.

Investments and operations

Investment process

KIC manages funds on behalf of various entities (entrusted funds) and does not have funds of its own. It establishes investment plans in cooperation with the entity on whose behalf it is managing the assets. Most of its investment portfolios are currently outsourced to domestic or foreign external managers, but it is also building up internal investment capabilities. The direct investments are made through its Investment Management Team.

Investment objective

KIC's investment objective is to achieve stable and continuous return exceeding the benchmark within an appropriate level of risk and time. The corporation's aim is to generate alpha relative to global benchmarks. Investment principles are

- Minimize risks from individual markets and assets through diversification
- Exercise proper flexibility to actively seize investment opportunities while pursuing sustainable increases in return under prudent and responsible asset management policies

Asset Allocation

The Asset Allocation Plan, prepared by the CIO, decides what proportion of entrusted assets will be invested in different asset classes. Currently, KIC holds assets in fixed income and public equity in the major developed markets and plans to expand its investment universe to include hedge funds, private equity, property and commodities.

The asset allocation is classified as either Strategic Asset Allocation (SAA) which is determined by the Investment Guidelines provided by clients or Tactical Asset Allocation (TAA) which is made within the limit of the Investment Guidelines, to achieve excess return by taking advantage of short-term market conditions.

Major investments

On January 15, 2008, KIC announced that it made an equity investment of US\$2 billion in Merrill Lynch (ML). The investment will be in ML's preferred stocks with a 9% dividend p.a. and the stocks will be converted into common stock within 33 months after the investment which amounts to over 3% stake in ML. KIC entered this transaction on behalf of the Ministry of Strategy and Finance.

¹ JPMorgan estimate as of December 2007 based on initial funding plan.

² Investment guidelines are provided by clients, which lays down investment objectives, benchmark, eligible asset classes, investment limits, standard and methods for performance evaluation and reporting methods.

Venezuela

National Development Fund (Fonden)



Fund size:

\$15-20bn

Website:

<http://www.fonden.gob.ve/>

Venezuela economic indicators

	06	07f	08f
GDP (\$ bn)	181.8	228.0	301.8
Real GDP (%oya)	10.3	8.4	6.0
CPI (%oya)	13.7	18.7	30.0
Current account (\$ bn)	26.2	20.1	20.5
% of GDP	14.4	8.8	6.8
FX reserves (\$bn.)	29.4	24.4	23.8

Source: JPMorgan

Overview

History and objectives

Fonden was formed in 2005 as part of a reform to the charter of the Central Bank of Venezuela. The fund has a mandate to invest in projects in the “real, productive” sector, as well as in education and health. It also has a mandate to carry out external debt liability management, and to finance “special situations” deemed necessary by its Board.

Funding details

Fonden has received US\$35 billion in inflows in the 29 months from its inception to March 2008. Of these, US\$18.5 billion have come from “excess” Central Bank reserves relative to a benchmark of “adequate” reserves determined annually by the Central Bank. The remainder of inflows originated from ad hoc direct transfers from state oil company PDVSA. Fonden will going forward be the beneficiary of an oil windfall tax approved in April 2008.

Institutional structure

Ownership and governance

The fund is wholly owned by the Venezuelan government via the Finance Ministry.

Management structure

The fund has a five member Board of Directors chaired by the Minister of Finance. The Energy Minister and the Planning Minister are also members along with two other directors named by the President. The Board meets bi-monthly or whenever three of its members request a meeting.

Disclosure

Fonden must present an annual report to the Permanent Finance Committee of the National Assembly. Fonden occasionally publishes very limited financial information via its website, and the finance minister occasionally provides partial financial information to the press.

Investments and operations

Investment process

Few details have been disclosed about Fonden’s investment process. An operating committee that manages the fund’s resources must report to the Board at least monthly.

Asset allocation

Fonden has assigned US\$24 billion to various projects, and roughly US\$18-20 billion has been disbursed. The ministry has disclosed ambitious plans for infrastructure projects, and Fonden was used to repurchase more than US\$4.7 billion of external debt (including most of Venezuela’s Brady bonds) in 2006. As of the end of 2006, the Fonden had invested in US\$6.2 billion credit-linked notes written by foreign investment banks, most of which were linked to sovereign credit risk of a number of Latin American countries. Fonden has been liquidating these notes since the middle of 2007, and is currently thought to possess around US\$1.5–2.0 billion.

Canada

Alberta Heritage Fund



Heritage Fund

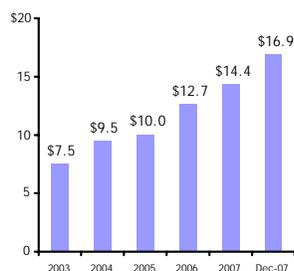
Fund size:

\$17bn¹

Website:

<http://www.finance.gov.ab.ca/business/ahstf/index.html>

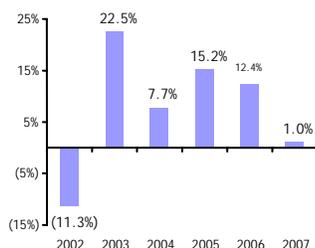
Fund value (\$bn)



Source: Annual report

Note: All values converted at end of period exchange rate

Historical performance



Overview

History and objectives

Created in 1976, the Alberta Heritage Fund was set-up to save and invest oil and gas revenues for purposes of inter-generational wealth transfer.

Funding details

On inception, the Fund received 30% of non-renewable resource revenue. Since then, amounts in various proportions have been transferred to the Fund. There have been no transfers to the Fund in periods of low oil prices and budget deficits. The income earned by the Fund has been taken out and used to support various projects, such as healthcare, education, infrastructure, keeping taxes low and debt reduction. All of its investment income is transferred to the General Reserve Fund (GRF) except for an amount retained in the Fund to protect its value from inflation.

Institutional structure

Ownership and governance

The Fund belongs to the Government of Alberta with the Ministry of Finance and Enterprise responsible for the Fund and its investments.

Management structure

- **Standing Committee:** Reviews and approves the business plan and annual report of the Fund. The Committee has representation from the major parties of the legislature
- **Alberta Investment Management Corp:** Manages the day-to-day investment operations of the Fund

Disclosure

The Fund publishes annual reports and has a comprehensive website detailing investment objectives.

Investments and operations

Investment strategy and objective

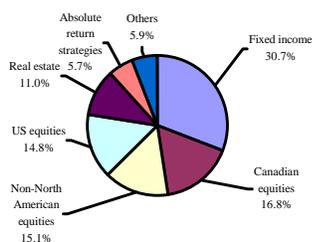
The investment objective of the Fund is to optimize long-term financial returns, subject to an acceptable level of risk, based on diversification and a long-term planning horizon to earn greater returns. Each asset class is assigned a target asset mix representing a percentage of the overall portfolio and a policy benchmark representing a market-based index or other measure to which its actual return is compared. The total asset mix return is expected to exceed the Canadian Consumer Price Index (CPI) plus 4.5%. The investment portfolio of the Heritage Fund is managed by professionals in the Alberta Investment Management Corporation with external specialized private sector managers managing specific investment mandates.

Canada economic indicators

	06	07f	08f
GDP (\$bn)	1,111	1,405	1,370
Real GDP (%oya)	2.8	2.7	1.0
CPI (%oya)	2.0	2.1	1.7
Current account (\$bn)	18.1	13.0	0.6
% of GDP	1.6	0.9	0.0
FX reserves (\$bn)	35.0	41.0	45.0

Source: JPMorgan.

Asset allocation (as of Dec 31, 2007)



Total: US\$16.9bn

Source: Quarterly report

Asset allocation

Strategic asset allocation

Assets	Asset mix	Benchmark
Cash and Absolute Return Strategies	6.0%	
Money market	1.0%	Scotia Capital (SC) 91-Day Treasury Bill
Absolute Return Strategies	5.0%	HFRX Global Investable Index
Fixed income securities	29.0%	Scotia Capital Universe Bond Index
Inflation sensitive	16.0%	
Real Estate	10.0%	Investment Property Databank Large Institutional Index
Private income	4.0%	CPI plus 6%
Timberland	2.0%	CPI plus 4%
Equities	49.0%	
Canadian equities	15.0%	S&P/TSX Composite Index
United States	15.0%	S&P 1500
Non-North American	15.0%	MSCI (EAFE) Index
Private equities	4.0%	CPI plus 8%

Source: Annual report

¹ As of December 2007; Source: Quarterly report

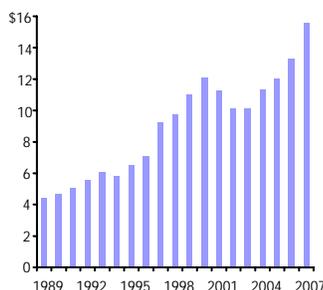
United States

New Mexico Permanent Trust Funds

Fund size:
\$16bn¹

Website:
http://www.sic.state.nm.us/permanent_funds.htm

Assets under management (US\$bn)



Source: Annual and quarterly reports

¹ Sum of Land Grant and Severance Tax Funds

US economic indicators

	06	07f	08f
GDP (\$bn)	13,195	13,841	14,346
Real GDP (%oya)	2.9	2.2	1.2
CPI (%oya)	3.2	2.9	4.0
Current account (\$bn)	-811.5	-738.6	-689.9
% of GDP	-6.2	-5.3	-4.8
FX reserves (\$bn)	54.9	59.5	65.0

Source: JPMorgan

Overview

History and objectives

The New Mexico Permanent Trust Funds, established in 1953, consists of the Land Grant Permanent Fund (LGPF), Severance Tax Permanent Fund (STPF), Tobacco Settlement Permanent Fund (TSPF) and funds from other clients (mostly state agencies). The purpose of the three permanent endowment trust funds is to contribute recurring revenues for the operating budget of the state and to provide resources to various fund beneficiaries. The investments goals of the Funds are to preserve the permanent endowment funds for future generations and to provide future benefits by growing the funds at a rate at least equal to inflation. The Trust funds also include funds from other clients also (mostly state agencies).

Funding details

The LGPF is the largest endowment and permanent fund which gets its funds from leasing fees on mineral resources, royalties on state land and income from land. The STPF, established in 1973, gets its taxes collected on natural resources extracted. The state severance tax revenues are first used to pay the required debt service on severance tax bonds issued by the state and the remaining (~12.5%) of the severance tax receipts are then transferred to the STPF. The TSPF is the most recent fund, set up in 2000 as the result of a legal settlement between most states and tobacco companies. Half of the annual payments which the settlement provides are deposited into the TSPF. The present plan is to retain all annual payments on the fund to reach sufficient size.

Institutional structure

Ownership and governance

The funds are owned by the State of New Mexico and managed by the State Investment Council which is a non-cabinet level agency reporting to the Governor.

Management structure

- **State Investment Council (SIC):** It is responsible for the investment of the funds. The Council is a 9-member team headed by the Governor.
- **State Investment Office:** It is responsible for carrying out the policies of the SIC in day-to-day investment management functions and is headed by a State Investment Officer

Disclosure

The Investment offices publish financials on a monthly and annual basis. They also provide investment policies and the Trust has a comprehensive website.

Investments and operations

Investment process

Investment procedures are laid down by the SIC within which each manager operates. Investments are made in line with benchmark asset allocation of the Trust which in turn defines the target return of each asset class and the Trust. Though the funds are managed by SIC internally,

Asset allocation

(%)

Assets	Target	Actual ¹
Domestic equities (Large cap)	42.0	37.5
Domestic equities (Small/mid cap)	11.0	14.6
International equities (Developed markets)	7.0	6.7
International equities (EM)	3.0	5.9
Real estate	3.0	2.7
Private equity	6.0	6.5
Hedge funds	10.0	8.8 ²
Domestic fixed Income (Investment grade)	15.0	16.1 ³
Domestic fixed income (High yield)	3.0	0.3
Cash	0.0	0.8

Source: Annual report

¹ As of Sept 30, 2007

² Absolute return pool

³ Includes US Core Bonds Pool, Credit & structured finance and economically targeted investments

external managers are employed for various mandates. The total Fund investment portfolios are benchmarked against a custom index made up of various assets.

Investment benchmarks

Assets	Benchmark
Domestic equities (Large cap)	S&P 500 Index
Domestic equities (Small/mid cap)	S&P 400 Index
International equities (Developed markets)	FTSE index
International equities (EM)	MSCI emerging markets free index
Real estate	NCREIF index
Private equity	Actual portfolio weighting and performance
Hedge funds	90-Day T-Bill +200 basis points
Domestic fixed Income (Investment grade)	Lehman aggregate index
Domestic fixed income (High yield)	Merrill Lynch BB/B constrained index
Cash	90-Day T-Bill

Source: Investment policy document

Investment objective

The objective of the Trust is to preserve the permanent endowment funds for future generations by growing the funds at a rate at least equal to inflation, plus distributions. The Trust identifies inflation as the most significant risk it faces.

Asset Allocation

Asset allocation is set in the investment policy of the Trust. Presently the following asset classes are permitted: US large-cap equity, private equity, US mid/small cap equity, real estate and US fixed income which come under traditional assets. The Trust also invests in non-traditional assets such as hedge funds, US high yield fixed income, international equity and emerging market equity. These assets have been recently added to optimize returns and also diversify portfolio to reduce risk against down market cycles. The Trust also makes investments which produce both investment returns and direct benefits to New Mexico, known as economically-targeted investments.

¹ As of September 30, 2007; Source: Quarterly report

Chile

Economic and Social Stabilization Fund (FESS)

Fund size:

\$16bn

Website: NA

Chile economic indicators

	06	07f	08f
GDP (\$bn)	146	164	197
Real GDP (%oya)	4.3	5.1	3.5
CPI (%oya)	3.4	4.4	6.7
Current account (\$bn)	5.6	7.2	1.3
% of GDP	3.8	4.4	0.6
FX reserves (\$bn)	19.4	16.9	24.9

Source: JPMorgan.

Overview

History and objectives

The Economic and Social Stabilization Fund (FESS) was established in 2006, replacing the Copper Stabilization Fund. The Fund will be used for counter-cyclical social spending during economic downturns to ensure that public spending is no longer dependent on the fluctuations of international copper prices and the international economic outlook.

Funding details

The FESS was constituted with an initial deposit of US\$6bn. Since then, any budget surplus above 1% of previous-year's GDP is transferred to the Fund each year.

Institutional structure

Ownership and governance

The Fund is currently managed by the Chilean Central Bank, with the supervision of a team at the Finance Ministry and an advisory committee.

Disclosure

The Chilean government plans to produce detailed monthly reports on the fund showing the latest transfers, as well as the size, the types of investments and the currencies.

Investments and operations

Investment process

The Fund is a "passive investment fund" which will not seek to make investments directly into companies. A committee of local experts has advised Chile's government to invest 15% of the fund in variable income securities and 20% in fixed corporate debt by end-2008. The government has not yet determined the parameters for the investments, but there will be some minimum requirements in terms of quality and creditworthiness. The Fund is likely to be fully invested in foreign currency, which helps maintain the competitiveness of the Chilean peso.

Taiwan

National Stabilization Fund

Fund size:
\$15bn

Website: NA

Taiwan economic indicators

	06	07f	08f
GDP (\$bn)	366	383	425
Real GDP (%oya)	4.9	5.7	3.5
CPI (%oya)	0.6	1.8	2.8
Current account (\$bn)	24.7	31.7	38.5
% of GDP	6.7	8.3	9.1
FX reserves (\$bn)	267.5	270.5	282.5

Source: JPMorgan

Overview

History and objectives

The National Stabilization Fund (NSF) was set up in 2000 with the objective of supporting the stock market, futures and other financial markets during times of political crisis or other major non-economic events that may cause financial system disorder or threaten national security.

Funding details

The size of the NSF's total source of funds was set at NT\$500bn (\$16.5bn). The NSF could mobilize funds from the government supervised labor pensions, labor insurance and public servant pension funds, postal savings deposits and the national treasury, up to a total of NT\$300bn (\$9.9bn). In addition, the national stabilization fund could borrow up to NT\$200bn (\$6.6bn) from banks using stocks in state-owned corporates as collateral.

Institutional structure

Ownership and governance

The Fund operates under the Executive Yuan with the decision to intervene in financial markets dependent on the Government.

Management structure

- **Management committee:** The NSF is chaired by the vice premier of the Executive Yuan, with the Governor of the Central Bank, Minister of Finance, Minister of Transportation and Communications, Director-General of Budget, Accounting and Statistics, Chairman of the Council of Labor Affairs, Director-General of the Central Personnel Administration and a panel of scholars and experts recommended by the legislative caucuses as its members.

Investments and operations

The funds primary objective is to intervene in the stock markets to bolster it against unusual volatility caused by non-economic factors. The Fund acquires stakes of various companies during market turmoil and sells them when the markets stabilize. According to local press reports, the Fund sold off all its domestic stock holdings in 3Q07.

Saudi Arabia

Public Investment Fund (PIF)

Fund size:
\$10-15bn

Website:
www.mof.gov.sa/en/docs/ests/sub_invbox.htm

Saudi Arabia economic indicators

	05	06	07f
GDP (\$bn)	316	349	374
Real GDP (%oya)	6.1	4.3	4.1
CPI (%oya)	0.6	2.3	4.1
Current account (\$bn)	90.1	95.5	100.8
% of GDP	28.5	27.4	26.8
FX reserves (\$bn)	26.8	27.8	37.0

Source: IMF

Overview

History and objectives

Established in 1973, the Public Investment Fund (PIF) was set up to provide financing for projects of commercial nature and played a significant role in developing the national economy, which the private sector lacked to undertake alone.

To date, PIF focused primarily on domestic investments, but there are plans to expand its mandate to invest part of the Kingdom's assets and future oil revenues overseas.

Indeed, on April 29, 2008, the Secretary General of the PIF announced plans for setting up a Sovereign Wealth Fund. The investment company, wholly owned by the PIF, will be set-up with an initial capital of US\$5.3bn. The proposed investment company would be a portfolio investor focusing on maximizing long-term rates of return. Its strategy would be similar to that of a number of existing portfolio investors, with the Government Pension Fund of Norway and the Government of Singapore Investment Corporation cited as examples.

Funding details

The funding of PIF is done through the State budget. The Secretariat General proposes the allocations to be earmarked in the budget for the replenishment of PIF and approval of its financial position.

Institutional structure

Ownership and governance

PIF is part of the Ministry of Finance. A board of directors supervises the operations of the Fund. The main decision-making body is the Secretariat General, which is responsible for receiving and verifying investment applications, and for reviewing the feasibility and profitability of the project with respect to the national economy.

Disclosure

The Fund provides details of its loan and equity portfolio such as loan amount disbursed and amount of equity participation, but the information is dated.

Investments and operations

Projects financed by PIF include local refineries, lubricant refining and processing, petroleum products storage tanks, iron and steel factories, fertilizer factories, petrochemical factories etc. PIF has also participated in providing the capital of a number of national corporations, with equity participation worth of SR16.8bn (US\$4.5bn) in 23 national corporations. On behalf of the government, PIF has also participated in the capital funding of a number of bilateral and Arab corporations. PIF has a capital stake in 31 bilateral and Arab corporations, working in different sectors. PIF's total equity participation value in these corporations amounted to SR3.9bn (US\$1.0bn).

United Arab Emirates

Dubai International Capital

Fund size:
\$13bn

Website:
<http://www.dubaiic.com>

Major Investments

Company (Country)	Amount (US\$bn)
Tunisie Telecom (Tunisia)	2.25
Tussads Group (UK)	1.50
Doncasters (UK)	1.30
Travelodge Hotels (UK)	1.30
DaimlerChrysler (Germany)	1.00
Sunbelt apartments (USA)	1.00
EADS (Europe)	0.84
ICICI Bank (India)	-0.74

Source: Public websites

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

History and objectives

Dubai International Capital (DIC) was launched in 2004 and is a subsidiary of Dubai Holding, together with Dubai Investment Group (DIG). DIC primarily focuses on direct investments and private equity in a wide range of sectors around the globe. It makes direct investments and private equity investments both as transaction lead and as co-investor alongside top-tier private equity managers.

Launched in October 2004, Dubai Holding (DIC's parent company) was created to consolidate the various large scale infrastructure and investment projects in Dubai that were created over the past five years, as well as to research, identify and execute major future projects that will benefit the UAE. Each of the Dubai Holding operating companies focuses on key areas which will support the development of Dubai as a world leading hub for commerce, leisure, and finance. Dubai Holding currently has 20 companies operating in 11 sectors including health, technology, finance, real estate, education, tourism, energy, communication, industry, biotechnology and hospitality

Funding details

DIC receives about one third off the cash flow of Dubai Holdings. DIC also invites other investors to join its funds.

Institutional structure

Executive chairman and chief executive officer: Sameer Al Ansari.

Investments and operations

DIC targets above average risk-adjusted returns and assists in the diversification of Dubai Holdings portfolio. Investments consist primarily of large holdings in public companies and private equity funds. Please see table for examples of major investments.

Other Sub-Saharan Africa

Nigeria, Angola, Gabon, Mauritania

**Total fund size:
Around \$15bn**

¹ Estimated fund sizes

Country	Amount (US\$bn)
Nigeria (Excess Crude Account)	13.00
Angola (Reserve Fund for Oil)	1.00
Gabon (Fund for Future Generations)	0.50
Mauritania (National Hydrocarbon Revenue Fund)	0.04

Nigeria economic indicators

	06	07e	08f
GDP (\$bn)	145.6	165.8	217.0
Real GDP (%oya)	6.0	6.4	10.0
CPI (%oya)	8.2	5.4	7.4
Current account (\$bn)	13.8	1.3	11.6
% of GDP	12.2	0.8	5.3
FX reserves (\$bn)	41.8	53.0	75.6

Source: JPMorgan

Gabon economic indicators

	06	07e	08f
GDP (\$bn)	9.6	10.7	13.6
Real GDP (%oya)	1.2	5.6	4.2
CPI (%oya)	-0.1	4.4	3.0
Current account (\$bn)	1.7	1.4	2.2
% of GDP	18.0	13.3	16.1
FX reserves (\$bn)	1.1	1.8	3.1

Source: Quarterly report

Overview

History and objectives

A number of countries in Sub-Saharan Africa have taken initial steps to save proceeds from the exploitation of mineral resources for future generations. Some producers of soft commodities, such as Cote d'Ivoire, still run stabilization funds to smooth rural incomes but their assets are small. Despite rapid growth in resource revenues, pressing domestic spending pressures will prevent funds in the region from playing a major role in international capital flows. Some, such as Uganda, have sought to smooth the spending of the proceeds of debt relief or donor funds in the same way, but such funds are typically small and will soon be exhausted. They are even less likely than commodity stabilization funds to be significant sources of cross-border investment.

Typically, the existing funds of oil exporters are not governed by comprehensive or explicit rules. There is little transparency around their operations. A broad rule in the budget generally sets a threshold level (for revenues or for the oil price) above which government revenues are supposed to be saved in the fund, but frequent exceptions generally mean that accumulated assets remain low. At present, funds may be segregated from other international reserves but are likely to be invested in the same way, in short-term deposits or liquid securities, pending greater clarification of investment guidelines. The chronic infrastructure deficit in countries such as Nigeria and Angola suggests that funds will be devoted to domestic capital projects rather than cross-border investment.

In Nigeria's case, the constitutional provision that all three tiers of government share in federal revenues has forced the distribution of some \$4bn from the Excess Crude Account in 2008 to state and municipal governments. From 2008 onwards, only 20% of oil revenues above the benchmark oil price will be saved in the Excess Crude Account, so the accumulation of assets will slow sharply. The benchmark oil price for 2008 has been set at \$59 per barrel.

Angola economic indicators

	06	07e	08f
GDP (\$bn)	45.2	58.7	84.3
Real GDP (%oya)	18.6	23.4	26.6
CPI (%oya)	12.2	10.0	8.0
Current account (\$bn)	10.5	6.9	16.2
% of GDP	23.3	11.8	19.2
FX reserves (\$bn)	8.6	10.5	16.4

Source: JPMorgan

New Zealand

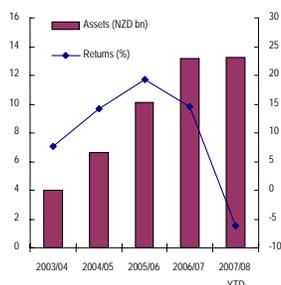
New Zealand Superannuation Fund



Fund size:
\$10bn¹

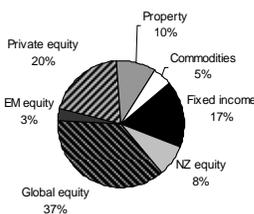
Website:
www.nzsuperfund.co.nz

Assets and returns



Source: NZ Super Fund website

Exchange Fund performance



Source: NZ Super Fund website

New Zealand economic indicators

	06	07f	08f
GDP (\$bn)	103	126	124
Real GDP (%oya)	1.5	3.1	1.9
CPI (%oya)	3.4	2.4	3.2
Current account (\$bn)	-9.1	-10.2	-7.0
% of GDP	-8.8	-8.1	-5.6
FX reserves (\$bn)	14.1	17.2	20.0

Source: JPMorgan

Overview

History and objectives

With the burden of pension liabilities expected to double by 2050, the New Zealand Superannuation Fund was created in 2001 to partially provide for the future cost of funding New Zealand's superannuation payments.

Funding details

The Fund receives its funds from the Government which has plans to allocate around NZ\$2bn a year to the fund until 2028. The Fund began investing in September 2003 with NZ\$2.4bn in cash. The Fund is expected to grow to around NZ\$109bn by 2025.

Institutional structure

Ownership and governance

The Fund is governed by a separate entity called the Guardians of New Zealand Superannuation (Guardians). The Guardians function independently though the Minister of Finance may give directions to the Guardians regarding the Government's expectations as to the Fund's performance, but not any direction that is inconsistent with the duty to invest the Fund on a prudent and commercial basis.

Management structure

The Board of Guardians is selected by the Minister of Finance with the Board comprising of at least five, but no more than seven, members. The Board operates four committees:

- **Audit and Risk Committee:** Oversees financial reporting, internal and external audit of the Fund, internal risk management, compliance amongst others
- **Responsible Investment Committee:** Researches, develops and implements policies, standards and procedures in relation to responsible investing
- **Employee Policy and Remuneration Committee:** Oversees the development and operations of employment and remuneration policies
- **Private Markets Committee:** Considers private equity opportunities

Disclosure

The Superannuation Fund is considered to be one of the most transparent SWFs, providing detailed information on its mandate, structure and governance. The Fund publishes an independently audited annual report as well as monthly updates on its asset under management and returns. Its website also contains detailed information on its investment strategy, asset allocation and individual holdings.

Investments and operations

Investment process

The Fund appoints external managers for the various asset classes where it is mandated to invest according to its asset allocation plan. Apart from the asset allocation factor, the proportion of funds allocated to various managers depends also on the level of risk that the manager normally operates within and the capacity of the manager to take on additional assets.

Investment objective

The objective of the Fund is to “maximize return without undue risk to the Fund as a whole.” The long-term performance objective is to exceed, before New Zealand taxes, the risk free rate of return (interest rate on 90-day New Zealand Treasury bills) by at least 2.5% p.a. over rolling 20-year periods.

Asset Allocation

The Fund follows a strategic asset allocation (SAA) policy that determines the percentage of funds to be invested in each asset class. Majority of non-New Zealand exposure is hedged back to New Zealand dollars to reduce the volatility of returns due to foreign currency fluctuations. The Board reviews the strategic asset allocation on a regular basis every couple of years. The initial SAA took effect on 30 September 2003 with revision being made in March 2005 and November 2007.

Major investments

As of November 30, 2007, the 10 largest holdings in international equities were:

- Exxon Mobil
- JPMorgan Chase
- Pfizer
- Microsoft
- Conocophillips
- Chevron
- Westpac Banking Corp
- Vodafone
- Nokia
- Petrol Brasileiros

The above 10 holdings represent approximately 2.1% of the Fund’s value.

¹ As of 31st January, 2008; Source: Website; Converted from NZ\$ to US\$ at 0.788

Iran

Oil Stabilization Fund (OSF)



Fund size:

\$10bn

Website: NA

Iran economic indicators

	05	06	07f
GDP (\$bn)	188	222	294
Real GDP (%oya)	4.7	5.8	5.8
CPI (%oya)	10.4	11.9	17.5
Current account (\$bn)	16.6	20.7	30.5
% of GDP	8.8	9.3	10.4
FX reserves (\$bn)	—	—	69.2

Source: IMF

Overview

History and objectives

The Oil Stabilization Fund (OSF) was created in December 2000 in order to cushion the government budget from fluctuations in oil revenues due to international price changes. As such, the Fund balances annual government expenditure regardless of trends in world oil prices.

Institutional structure

Iran's OSF is totally outside of the national budget, and is theoretically run by a seven-member Board of Trustees composed of senior government officials from various ministries under the chairmanship of the head of the Management and Planning Organization. Transparency is low and the government is believed to tap the fund to finance current spending despite rising oil revenues.

Investments and operations

An amendment to the original plan in November 2000 stipulated that 50% of the fund reserves should be set aside for lending to domestic private entrepreneurs – in foreign exchange, and at low interest rates for productive investments in the third plan's priority sectors.

Initially, the fund was primarily dollar based, but the government recently announced that it is shifting the currency base of all its funds, which is likely to include the OSF) to Euros.

United Arab Emirates

Mubadala



Fund size:

\$10bn

Website:

<http://www.mubadala.com>

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

History and objectives

Established in October 2002, Mubadala is an investment vehicle of Abu Dhabi. It has a mandate of establishing new companies and the acquiring strategic stakes in existing companies, either in the UAE or abroad. The Fund focuses on generating sustainable economic benefits for Abu Dhabi through a selection of business ventures – in partnership with local, regional and international investors.

Institutional structure

The Fund is wholly owned by the Government of the Emirate of Abu Dhabi. The Fund is overseen by a Board of Directors which is chaired by the chaired Crown Prince of Abu Dhabi. It has a management in place headed by a Chief Executive Officer and Managing Director.

Disclosure

The Fund does not disclose its financials or assets under management. The Fund, however, does disclose its key investments.

Investments and operations

Mubadala invests in a wide range of strategic sectors including energy, utilities, real estate, public-private partnerships, basic industries and services.

Key investments with stake acquired

Company	Stake (%)
Piaggio Aero Industries	35.0
Spyker Cars NV	17.0
AMD	8.1
The Carlyle Group	7.5
Ferrari	5.0

Iraq

Development Fund for Iraq (DFI)

Fund size:
\$8bn

Website: NA

Iraq economic indicators

	06	07f	08f
GDP (\$bn)	49.5	—	—
Real GDP (%oya)	2.8	3.8	3.5
CPI (%oya)	3.5	2.3	2.9
Current account (\$bn)	-40.5	-53.6	-60.8
% of GDP	-5.5	-6.0	-6.4
FX reserves (\$bn)	12.1	19.6	21.3

Source: IMF

Overview

History and objectives

The Development Fund for Iraq (DFI) was established in May 2003 under the sanction of the United Nations Security Council Resolution 1483.

The DFI is intended to administer proceeds from the export sales of Iraq's oil, as well as funds remaining from the UN Oil-for-Food Program, and other assets seized from the defunct regime.

Funding details

The main sources of funding are

- Export sales of petroleum
- All surpluses in the UN Oil for Food program transferred to the fund
- Investment income

Institutional structure

Ownership and governance

The United Nations transferred the authority to approve expenditures from Iraq's oil revenue to the Coalition Provisional Authority (CPA). The CPA was to administer the fund on behalf of the Iraqi people.

Since the transfer of sovereignty in June 2004, the DFI has been managed by the Iraqi Transitional Government. The fund's assets are mostly US Treasury bills (3-6 months maturity).

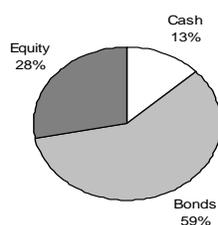
¹ Ernst & Young, Development Fund for Iraq, Interim Results as of June 30, 2007.

Botswana

Pula Fund

Fund size:
\$6bn

Asset allocation



Botswana economic indicators

	05	06	07f
GDP (\$bn)	10.6	11.0	12.3
Real GDP (%oya)	4.7	3.6	5.4
CPI (%oya)	8.6	11.6	7.1
Current account (\$bn)	1.6	1.9	2.1
% of GDP	15.3	17.6	16.8
FX reserves (\$bn)	6.3	8.0	9.8

Source: IMF

Overview

History and objectives

Management of Botswana's foreign exchange reserves has been sub-divided into two tranches to meet different objectives. The Pula Fund, established in November 1993, manages the portion of reserves invested in long-term assets, with the objective to maximize expected return on the long-term assets.

Funding details

The Government contributed approximately 54% of the capital employed by the Fund, the rest was contributed by the Bank of Botswana, the country's central bank.

Institutional structure

Ownership and governance

The Fund is owned by the Government and managed by the Central Bank of Botswana.

Investments and operations

Investment process

The objective of the Fund is to ensure that the national savings are deployed to optimize their contribution to sustained national economic development and to "depoliticize" the investment of financial resources so as to mitigate demands for their immediate utilization for what could be unproductive or unsustainable public purposes.

Another objective of the Pula Fund is to take advantage of the high level of foreign exchange reserves and invest part of them in longer term assets (generally with a Modified Duration of 6 years), such as longer term bonds and equities, with the expectation of earning a higher return than could be achieved over time on conventionally managed foreign exchange reserves.

Oman

State General Reserve Fund (SGRF)



Fund size:

\$6bn

Website:

www.sgrf.gov.om

Oman economic indicators

	05	06	07f
GDP (\$bn)	30.9	35.7	40.1
Real GDP (%oya)	6.0	6.8	6.4
CPI (%oya)	1.9	3.2	5.5
Current account (\$bn)	4.7	4.3	4.0
% of GDP	15.2	12.1	10.0
FX reserves (\$bn)	4.4	5.0	9.5

Source: IMF

Overview

History and objectives

Established in 1980, the State General Reserve Fund (SGRF) acts as a fund for future generations. However, it has also acted as a stabilization fund for government budget purposes during years of weak oil prices.

Funding details

Initially, the SGRF received 15% of Oman's oil revenues. Since 1998, revenues of the government in excess of the budgeted prices for oil and gas are accumulated in the SGRF to be utilized if there is a budget shortfall in subsequent years.

Institutional structure

The SGRF has an institutional arrangement for consultations with the central bank concerning various investment-related issues, such as composition of benchmark and portfolio performance.

Major investments

In 2006, SGRF finalized the acquisition of the new headquarter of Italian media group RCS in Milan through its Italian subsidiary, Rizzoli Property Holdings, in a US\$65mm deal.

United Arab Emirates

Istithmar World

Fund size:
\$6bn

Website:

<http://www.istithmarworld.com/>

Company (Country)	% of Company
Barneys New York (USA)	100
Time Warner (USA)	2.39
Loehmann's Holdings Inc (USA)	100
GLG Partners (UK)	2.10
Standard Chartered (UK)	2.7
SR Technics (Switzerland)	—
Hans Energy (China)	—
Spice Jet (India)	3.34
Palm Marine (UAE)	100
Palm Water (UAE)	100
Arcapita Bank (Bahrain)	2.7

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

History and objectives

Established in 2003, Istithmar World is a private equity and alternative investment house. It comprises of three divisions: Istithmar World Capital, which is the private equity and alternative house; Istithmar World Aviation, which invests in various sectors of the aviation and aerospace industry including manufacturing, engineering and financing; and the Istithmar World Ventures, which invests in promising start-ups and greenfield ventures by providing them with the necessary financial and managerial resources.

Institutional structure

Ownership and governance

Istithmar World is wholly owned by Dubai World, which is in turn 100% owned by the Government of Dubai.

Board of Directors:

Mr. Sultan Ahmed Bin Sulayem
 Mr Adel Abdul Aziz Al Shirawi
 Mr David Jackson
 Mr Ahmed Bin Sulayem
 Mr Saeed Ahmed Saeed
 Mr Laiboon Yu

Disclosure

The Fund has a website but does not divulge financial information or investment policies of the Fund.

Investments and operations

Istithmar World Capital's private equity division focuses on investments in medium to large-sized companies with strategic market positions and notable growth potential. Istithmar World Capital's portfolio of investments includes over 50 blue-chip companies with total capital deployed in excess of US\$3bn.

Investments by Istithmar World include Barneys and Time Warner in America; GLG Partners and Standard Chartered in Europe and Hylfux Ltd in Asia.

United States

Permanent Wyoming Mineral Trust Fund

Fund size:
\$4bn¹

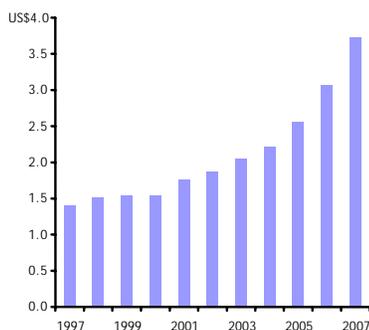
Website: NA

Fund performance (%)

Returns ¹	1Q	1 yr	3 yr	5 yr
Permanent Mineral Trust	0.4	9.7	8.7	8.6
Benchmark index	0.2	7.6	7.7	7.7

Source: Wyoming Treasurer financial performance report

Assets under management (US\$bn)



Source: Annual report

US economic indicators

	06	07f	08f
GDP (\$bn)	13,195	13,841	14,346
Real GDP (%oya)	2.9	2.2	1.2
CPI (%oya)	3.2	2.9	4.0
Current account (\$bn)	-811.5	-738.6	-689.9
% of GDP	-6.2	-5.3	-4.8
FX reserves (\$bn)	54.9	59.5	65.0

Source: JPMorgan

Overview

History and objectives

The Mineral Trust Fund was set up in 1974 to direct income from mineral resources towards a permanent fund for the purpose of inter-generational wealth transfer and equity. The primary investment goals of the Trust are capital appreciation, total return, and protection against inflation. It is a permanent fund which transfers income and capital gains to the General Fund of the state. The Trust is part of number of other funds and trusts run by the state treasury.

Funding details

The Trust receives its funds from a tax levied on the gross product of petroleum, natural gas, oil shale and other minerals extracted. This tax is in addition to any other taxes on the minerals. All the income made through investments is transferred to the State Treasurer in the general fund.

Institutional structure

Ownership and governance

The Fund is owned by the state of Wyoming and is run by the State Treasury Department.

Management structure

- **State Loan and Investment Board:** The five-member Board is responsible for the fiduciary oversight of the invested public funds, which includes the Permanent Trust Fund
- **State Treasurer:** Officials of the Treasury Office are responsible for investment research, monitoring of consultant recommendations, monitor trade execution and developing and recommending policy, asset allocation, portfolio structure

Disclosure

The State Treasurer publishes financial reports for all the public funds, including the Permanent Trust Fund. The State has also laid down investment policies and process to be followed which are in public domain.

Investments and operations

Investment process

The investment policy of the Trust is determined by the Board on an annual basis, including the strategic asset allocation of the Trust. Investments are made by the State Treasurer and the Trust can hire external managers for investments in specific mandates. A consultant is employed to advise the Board on its investment policy, strategic asset allocation and select investment managers. Investment managers are judged on specific benchmarks for each asset class.

Asset allocation (%)

Assets	Target	Actual ¹
Large Cap US equity	16.0	15.9
Small Cap US equity	8.0	8.2
International equity	14.0	17.3
Private equity	4.0	2.3
Real Estate	5.0	3.8
Absolute return	5.0	3.2
Convertibles	2.0	2.0
Fixed income	43.0	40.6
Cash equivalents	3.0	6.2

Source: Investment policy

¹ As of 31st December, 2007; Does not include 0.6% of overlay strategies

Investment benchmarks

Assets	Benchmark
Fixed income	Lehman Aggregate Bond Index
Large Cap US Equity	S&P 500
Small Cap US Equity	Russell 2500
International equity	MSCI EAFE Index
Private equity	State's actual private equity investment returns
Core real estate	NCREIF Fund Index – Open-End Diversified Core Equity
Non-core real estate	NCREIF Property Index,
Absolute return	HFN Fund of Funds Multi-Strategy Average Index
Convertibles	Merrill Lynch All Convertibles All Quality Index
State Agency Pool	State Agency Pool Custom Index

Source: Annual report

Investment objective

The primary investment goals are capital appreciation, total return, and protection against inflation with the long-term return goal of 400 basis points above the CPI.

Asset Allocation

The target asset allocation represents the long-term asset allocation objectives for the fund. However, the State Treasurer has the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the Fund. The overall Wyoming investment policy does not allow the Trust to hold more than 1% of the outstanding common shares of any corporation or invest 1.5% of book value of the Permanent Funds in one corporation, except for Alternative Investments.

Mexico

Oil stabilization fund

Fund size:

\$2bn

Website: [NA](#)

Mexico economic indicators

	06	07f	08f
GDP (\$bn)	840	893	960
Real GDP (%oya)	4.8	3.3	2.6
CPI (%oya)	3.6	4.0	4.5
Current account (\$bn)	-2.2	-7.4	-9.6
% of GDP	-0.3	-0.8	-1.0
FX reserves (\$bn)	76.3	86.6	93.0

Source: IMF

Overview

History and objectives

The Oil Stabilization Fund was established in 2000 to offset the effects of any future drops in the price of crude oil and thus help to cover future budgetary shortfalls.

Funding details

On establishment, the Government had placed ~\$583mm into the Fund. The Fund is allocated money by the Government when there is a surplus in oil income, with 25% of net surpluses earmarked for the Fund. In 2007, due to increased oil revenue resulting from high crude prices, the government distributed Peso17Bn (US\$1.55bn) to the Oil stabilization fund.

Institutional structure

The Fund is managed by the Central Bank. At the moment, the Fund invests only in fixed income products, mostly US Treasuries. However, a strategic allocation to equities is planned, going forward.

East Timor

Petroleum Fund

Fund size:
\$2bn¹

Website:
www.bancocentral.tl/PF/main.asp

East Timor economic indicators

	05	06	07f
GDP (\$bn)	0.4	0.4	0.5
Real GDP (%oya)	2.3	-3.4	19.8
CPI (%oya)	1.8	4.1	7.8
Current account (\$bn)	0.2	0.7	1.2
% of GDP	61.0	192.2	253.3
FX reserves (\$bn)	—	—	—

Source: IMF

Overview

History and objectives

The Petroleum Fund was established under the provisions of the Petroleum Fund Law in August 2005. The Fund's objectives are to save wealth for future generations, de-link spending from volatile revenue, and invest abroad to help maintain macroeconomic stability through sound and transparent management of East Timor's oil revenues.

Funding details

The initial funding was made in September 2005 with US\$79.6 million transferred from the Timor Gap Account and US\$125mm transferred from the Consolidated Fund of Timor-Leste. Since then all petroleum revenues have flowed into the Fund with the amount necessary to finance the government budget deficit (excluding petroleum revenues) taken out annually.

Institutional structure

Ownership and governance

The Government of Timor-Leste, represented by the Minister of Planning and Finance, owns the Fund. The operational activities are carried out by the Banking and Payments Authority of Timor-Leste (BPA) which has established the Petroleum Fund Management Department to execute the activities.

Management structure

- **Petroleum Fund Management Department:** Headed by an Executive Director of BPA accountable to the General Manager and comprises of:
 - **Investment Division:** Responsible for investment management
 - **Risk Management Division:** Responsible for performance measurement and to monitor and manage risk

The BPA submits quarterly reports and an annual report which provide financials, investment and other details.

Investments and operations

Investment process and asset allocation

The Fund invests in debt instruments issued by the US Government with the benchmark for its investments being the Merrill Lynch 0-5 year government bond index.

Investment objective

The Fund is passively managed close to the benchmark, so that in normal circumstances the objective is to achieve a return within 25bps of the benchmark. It keeps the duration of the portfolio within a range of +/- 0.2 year of the benchmark.

¹ As December 31, 2007; Source: Petroleum Fund quarterly report

Azerbaijan

State Oil Fund of the Republic of Azerbaijan (SOFAZ)



Fund size:

\$2bn¹

Website:

www.oilfund.az

Azerbaijan economic indicators

	05	06	07f
GDP (\$bn)	13.2	20.9	31.3
Real GDP (%oya)	24.3	30.6	23.4
CPI (%oya)	9.7	8.4	16.6
Current account (\$bn)	0.2	3.7	9.0
% of GDP	1.3	17.7	28.8
FX reserves (\$bn)	1.2	2.5	4.3

Source: IMF

Overview

History and objectives

Set up in December 1999, the State Oil Fund of the Republic of Azerbaijan (SOFAZ) was launched to manage the country's oil and gas revenues for the general economic benefit and for intergenerational wealth transfer.

Funding details

SOFAZ received initial funding of US\$271million, which constituted revenues generated under the oil contracts. Subsequent inflows were from Azerbaijan's share in the proceeds from oil and gas sales, bonus payments, rentals, acreage fees and other payments from foreign oil companies.

Institutional structure

Ownership and governance

SOFAZ is defined as an "extra-budgetary fund" functioning as a separate legal entity. It has its own management team and supervisory board.

Management structure

- **Supervisory Board:** The Board is Chaired by the Prime Minister and consists of representatives of executive and legislative powers, including government ministers and members of Parliament. The Board reviews the Fund's annual budget, annual report and financial statements.
- **Executive Director:** Looks after the day-to-day operation of the fund.

Disclosure

SOFAZ discloses its financial statements and also has a comprehensive website.

Investments and operations

Investment process

The Executive Director of the Fund manages the assets in line with the Investment Strategy. Financial institutions (external managers) may be invited to manage some portion of the investment portfolio.

Investment objective

Investment principles of the Fund are

- Protect the value of the Oil Fund's assets
- Increase the assets through effective management of the Funds.

The Fund's assets may be also used for construction and reconstruction of strategically significant infrastructure facilities and in other projects that bring about socio-economic progress.

Asset allocation

Asset type	%
Government bonds	3.3
Agency securities	12.6
Mortgage securities	6.1
Financial Inst. Bonds	63.7
Corporate bonds	14.1
Corporate equity	0.3
Total	100.0

Source: Annual report

Asset Allocation

SOFAZ is allowed to invest only in investment grade securities. The Fund's assets were invested in the following categories of debt instruments: Foreign government securities, debt issued by foreign governmental agencies, debt issued by financial institutions and banks. SOFAZ also invests in corporate debt and has a very small equity portfolio.

¹ As of October 1, 2007; Source: Website.

Trinidad and Tobago

Heritage and Stabilization Fund

Fund size:
\$2bn¹

Website: NA

Trinidad & Tobago economic indicators

	05	06	07f
GDP (\$bn)	15.1	18.2	20.7
Real GDP (%oya)	8.0	12.0	5.5
CPI (%oya)	6.9	8.3	7.9
Current account (\$bn)	3.6	4.7	4.2
% of GDP	23.7	25.6	20.2
FX reserves (\$bn)	4.9	6.6	6.7

Source: IMF

Overview

History and objectives

Formed in March 2007 the Heritage and Stabilization Fund replaced the Interim Revenue Stabilization Fund (which had been established in 2000). The purposes of the Fund are: (1) to save and invest surplus petroleum revenues to insulate fiscal policy and the economy from swings in international oil and gas prices; and (2) to accumulate savings from the country's exhaustible assets of oil and gas for future generations.

Funding details

On its inception, funds were transferred from the Interim Revenue Stabilization Fund. The Fund gets petroleum revenues collected in each quarter exceeding the estimated petroleum revenues for that quarter by more than 10% of the USD equivalent. In the event of excess revenue not exceeding 10% of the estimate, the management may transfer all or part of the excess revenue. Investment income earned from investments is reinvested. A minimum of 60% of the aggregate of the excess revenues shall be deposited to the Fund during a financial year. In the event of any shortfall to the estimated revenue by at least 10%, the government can withdraw funds an amount minimum of 60% of the amount of the shortfall of petroleum revenues for that year or 25% of the balance standing to the credit of the Fund at the beginning of that year. However, no withdrawal can be done such that the balance in the fund becomes less than US\$1bn.

Institutional structure

Ownership and governance

The Fund is owned by the Government and operates under the Ministry of Finance. The Fund is a public account and is audited annually by the Auditor General.

Management structure

- **Minister of Finance:** Advises the President on the appointment of the Board in accordance with the legislation. The Finance Ministry also makes deposits and withdrawals and annually reports to the Parliament.
- **Board:** Is responsible for the arrangement of the Fund and decided on its Investment objectives and Strategic Asset Allocation. It reviews the performance of the Fund and reports to the Minister of Finance.
- **Central Bank:** Is responsible for day-to-day management of the Fund.

Disclosure

The Fund does not give out financials or any information with regards to assets under management and investments. The Fund plans to publish financials going forward.

¹ As of September 2007; Source: Central Bank

Investments and operations

Investment process

The Board will define the risk tolerance of the Fund and consequently sets a target for portfolio returns. With the target portfolio return determined the Board is to decide on the mix of assets (Strategic Asset Allocation) that could meet the target portfolio returns. The Fund plans to employ external managers for the management of Funds.

Investment objective

The rate of return on the Funds reserves assumes greater importance than in the case of official reserves and hence the risk tolerance of the investments ranges from moderate to high. The objective as stated by the Central Bank *“is to maximize expected investment returns while meeting a set of risk constraints.”*

The Fund is expected to build up assets of up to US\$40bn by 2020, if the non-energy fiscal deficit is brought down to 10% of GDP from the current 15% of GDP and based on investment returns of 4% in real terms.

Colombia

Oil Stabilization Fund (FAEP)

Fund size:
\$2bn¹

Website: NA

Colombia economic indicators

	06	07f	08f
GDP (\$bn)	136	172	215
Real GDP (%oya)	6.8	7.5	5.0
CPI (%oya)	4.3	5.5	5.6
Current account (\$bn)	-3.1	-5.9	-8.3
% of GDP	-2.3	-3.4	-3.8
FX reserves (\$bn)	15.3	20.9	23.0

Source: JPMorgan

Overview

History and objectives

The Colombian Oil Stabilization Fund (FAEP) was established as a contingent stabilization and savings fund through legislation in June 1995. The Fund was created with a portion of the oil revenues, to guard against slowdowns in production and oil-price declines, as well as to avoid over-spending on social programs in the early years.

Funding details

State oil company, Ecopetrol, planed to put aside US\$2bn in revenues between 1996 and 1999, when the Cusiana and Cupiagua oil fields were expected to hit peak production. A part of Ecopetrol's oil revenues are deposited in the Fund through a complex formula with the residual is used to cover investment and exceptional contributions to its pension funds.

Oil price stabilization fund

Colombia's government is creating an oil price stabilization fund (FEPC) that will be used to cushion domestic oil prices from unexpected rises on international markets. The Finance Ministry will administer the Fund, which would receive financing from the existing oil stabilization fund. The existing Fund, FAEP, is due to transfer US\$1.6bn of the US\$1.9bn it has to the state by 2010. 90% of the transfer will go to finance external debt payments and 10% will be used to fund FEPC

Institutional structure

Ownership and governance

The Colombian central bank, Banco de la Republica Colombia, administers the Fund under a contract signed by the Ministries of Finance and Public Credit and Mines and Energy.

Investments and operations

All revenues are invested outside Colombia to avoid causing appreciation of the Colombian peso and inflation while the fields are in peak production. Every investment policy requires an approving vote from the Ministry of Finance and Public Credit. Investments can include securities representing Colombian external debt.

Vietnam

State Capital Investment Corporation (SCIC)

Fund size:
\$2bn

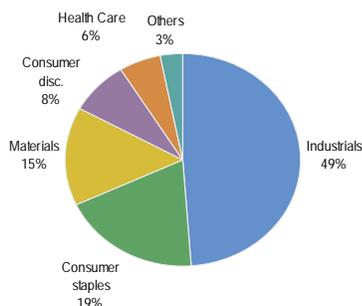
Website:
<http://www.scic.vn>

Vietnam economic indicators

	06	07	08f
GDP (\$bn)	60.9	69.9	81.1
Real GDP (%oya)	8.2	8.5	7.0
CPI (%oya)	7.5	8.4	17.0
Current account (\$bn)	-0.2	-2.0	-3.4
% of GDP	-0.3	-2.8	-4.2
FX reserves (\$bn)	13.4	25.0	35.0

Source: JPMorgan

Investments¹ in SCIC linked companies



Portfolio companies as of 15th Dec 2007: 805

¹ Capital invested
 Source: Website

Overview

History and objectives

Incorporated on June 20, 2005, the State Capital Investment Corporation (SCIC) officially started operation in August 2006 with an objective to represent government ownership in government invested enterprises and invest government funds in domestic and international businesses.

Funding details

The Corporation received an initial funding of VND5trn (US\$312mn), with VND 1trn allocated from the state budget and the rest from capital taken from SCIC-linked companies. Additional capital comes from the funds allocated by government for implementation of investment projects, stakes acquired from other SCIC-linked companies, and capital accumulated from profits and raised from other sources.

Institutional structure

Ownership and governance

SCIC is a wholly owned entity of the Vietnamese Government and operates as a special economic organization of the government. The Corporation is an independent unit and has financial autonomy.

Management structure

The organizational structure is made up of a Managing Board, a Control Board, a general director, deputy general directors and other members

- **Managing Board:** Consists of at most 7 members at most headed by a Chairperson
- **Control Board:** Consists of 3-5 members headed by a Director who is a member of the Managing Board, and assists the Managing Board in supervising operations
- **General Director:** Carries out regular activities

Transparency

The Corporation discloses its investments in linked-companies and has a website.

Investments and operations

Investment process

The Corporation through its Board decides on investment projects, investment mode, capital level and investment term for each project and enterprise within the capital amount managed by the Corporation. The various forms of investment the corporation makes are:

- Projects to setup new enterprises
- Capital contributions to joint ventures, associations or joint-stock companies with other enterprises (including government enterprises)
- Buying assets or other enterprises

- Investments in securities market
- Association with financial institutions and investment funds to explore investment opportunities

Investment objective

The Corporation invests in key and strategic areas, which help boost the economic development and in also in profitable ventures. It also has a mandate to reduce investment in areas which government control is not required and the industries are capable of attracting resources from other economic.

Chile

Pension Reserve Fund

Fund size:

\$1.4bn¹

Website: NA

Chile economic indicators

	06	07f	08f
GDP (\$bn)	146	164	197
Real GDP (%oya)	4.3	5.1	3.5
CPI (%oya)	3.4	4.4	6.7
Current account (\$bn)	5.6	7.2	1.3
% of GDP	3.8	4.4	0.6
FX reserves (\$bn)	19.4	16.9	24.9

Source: JPMorgan

Overview

History and objectives

The Pension Reserve Fund was established in 2006, along with the Fund for Economic and Social Stabilization, to replace the Copper Stabilization Fund.

Funding details

Initial funding of US\$600mm from Chile's 2005 budget surplus was allocated to the Fund. Since then, each year, any budget surplus between 0.5% and 1.0% of previous-year's GDP is further invested in the fund.

Institutional structure

Ownership and governance

The Fund is currently managed by the Chilean central bank (Banco Central de Chile) with the supervision of a team at the Finance Ministry and an advisory committee.

Disclosure

The Government plans to produce detailed monthly reports on the Fund showing the latest transfers, as well as the size, the types of investments, and currencies.

Investments and operations

Investment process and objectives

The Fund is a "passive investment fund" which will not seek to invest directly in companies. The Government has pledged it will tender the management of a part of the two fiscal funds to foreign investment banks and fund managers in 2008. The government has not yet determined the parameters for the investments, but there will be some minimum requirements in terms of quality and creditworthiness. The Fund is likely to be fully invested in foreign currency, which helps maintain the competitiveness of the Chilean peso.

Asset Allocation

A committee of local experts has advised Chile's government to invest 15% of each of the fund in variable income securities and 20% in fixed corporate debt by end-2008. Currently, 30% of the funds are invested in money market financial instruments, while the rest of the portfolio is in sovereign bonds.

¹ As of July 2007; Source: IMF

Venezuela

Investment Fund for Macroeconomic Stabilization

Fund size:
\$0.8bn¹

Website: NA

Venezuela economic indicators

	06	07f	08f
GDP (\$bn)	182	228	302
Real GDP (%oya)	10.3	8.4	6.0
CPI (%oya)	13.7	18.7	30.0
Current account (\$bn)	26.2	20.1	20.5
% of GDP	14.4	8.8	6.8
FX reserves (\$bn)	29.4	24.4	23.9

Source: JPMorgan

Overview

History and objectives

The Investment Fund for Macroeconomic Stabilization was set up in 1998 with the purpose of ensuring that fluctuations in oil income do not affect the necessary fiscal, exchange and monetary equilibrium of the country. The Fund reached a peak of US\$7 billion in at end-2001, but was drained of nearly all its resources in 2002-03 during the time of a strike impacting national oil company PDVSA. The Fund has not received any meaningful inflows since that time.

Funding details

The Fund resources are received from contributions by the Republic, the state entities and Petróleos de Venezuela, S.A. and any contributions by the National Executive. Net income obtained as proceeds from the operations and from disposal of assets is part of the overall pool of funds.

Institutional structure

Ownership and governance

The Investment Fund is administered by the Central Bank of Venezuela. The Board of the Central Bank of Venezuela acts as the Board of the Investment Fund for Macroeconomic Stabilization. The resources of the Fund is not part of the international reserves or of the net worth of the Central Bank of Venezuela.

Management structure

- **Board:** The Board of the Fund exercises the highest level of control over the Fund. It approves of the annual operating budget, approves disbursements and establishes the investment policies and criteria amongst others.

Disclosure

The Fund does not publish any financial reports or make disclosures on the assets managed.

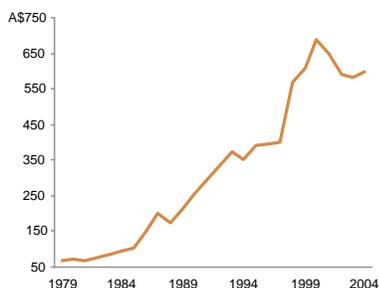
Kiribati

Revenue Equalization Reserve Fund (RERF)

Fund size:
\$0.6bn¹

Website:
<http://www.kic.go.kr/en/>

RERF fund size (A\$m)¹



Kiribati economic indicators

	05	06e	07f
GDP (\$bn)	0.06	0.06	0.07
Real GDP (%oya)	1.7	2.4	2.0
CPI (%oya)	-0.5	-0.2	0.2
Current account (\$bn)	-0.03	-0.02	-0.02
% of GDP	-42.2	-27.6	-31.1
FX reserves (\$bn)	—	—	—

Source: IMF

Overview

History and objectives

Established in 1956, the Revenue Equalization Reserve Fund (RERF) was set-up with an objective of long-term income generation and intra-generational wealth transfer. Before independence in 1979, it was realized that phosphates exports, revenues from which accounted for roughly 50% of government revenue, would eventually be exhausted. Hence, the RERF, a trust, was set-up where royalty revenues from phosphate mining were placed instead of being used for consumption. Interest income from the Fund has been used by the Government for budgetary expenditure since independence in 1979.

Funding details

Royalty revenues from phosphate mining were transferred to the fund. Initial funding to the trust was worth A\$68mm.

Investments and operations

The RERF is a major source of income for the government. The large income from the RERF makes it possible for the Government to buffer year-to-year movements of the current account and to cover deficits on the fiscal balance. Though initially there were no guidelines to withdrawal of funds for budgetary purposes, in 1996 the Parliament decided to hold RERF's expected real per capita value constant.

¹ Estimated as of 2006

Mauritania

National Hydrocarbon Revenue Fund (FNRH)

Fund size:

NA

Website: NA

Mauritania economic indicators

	05	06e	07f
GDP (\$bn)	1.9	2.7	
Real GDP (%oya)	5.4	11.4	0.9
CPI (%oya)	12.1	6.2	7.3
Current account (\$bn)	-0.9	0.0	-0.2
% of GDP	-47.2	-1.3	-6.7
FX reserves (\$bn)	—	—	—

Source: IMF

Overview

History and objectives

The National Hydrocarbon Revenue Fund (FNRH) was set up in April 2006. The Fund is an account of the treasury that centralizes petroleum revenues. The resources of the FNRH are saved in order to smooth the adjustment of public spending if prices were to fall and to repay outstanding debt, including government debt vis-à-vis the central bank.

Funding details

The Fund receives all oil revenues that accrue to the government, i.e. shares of profits and bonuses, taxes paid by all enterprises in the sector and dividends paid by the Mauritanian Hydrocarbon Company.

Institutional structure

The FNRH is managed independently by the Central Bank of Mauritania (BCM). Government accounting principles apply to FNRH and an investment committee (Comite Consultatif d 'Investissement, CCI) oversees the management.

Disclosure

The Central Bank submits monthly, quarterly and yearly report on the risks and returns of the Fund during the previous 12 months to the Ministry of Finance.

Investments and operations

The Comiti National de Suivi des Revenue des Hydrocarbures (CNSRH) is vested with the role of monitoring oil revenues and their use. It provides the ground work including projections of flows between the FNRH and the budget as a basis for drafting the Budget law.

United Arab Emirates

Emirates Investment Authority (EIA)

Fund size:
NA

Website: NA

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

Emirates Investment Authority (EIA) is a federal wealth fund which was set up in the latter half of 2007. The body is responsible for investing funds set for investment on behalf of the federal government and to contribute funds to support the federal government's budget. It is mandated to draw and coordinate policies of investing Federal Reserve funds to provide viable returns on investment. The Authority is owned and controlled by the Government.

Institutional structure

Board chairman Sheikh Mansour Bin Zayed Al Nahyan, Minister for Presidential Affairs

United Arab Emirates

Investment Corporation of Dubai



Fund size:

NA

Website:

<http://www.icd.gov.ae>

UAE economic indicators

	05	06	07f
GDP (\$bn)	133	163	190
Real GDP (%oya)	8.2	9.4	7.7
CPI (%oya)	6.2	9.3	11.0
Current account (\$bn)	24.3	35.9	41.7
% of GDP	18.3	22.0	21.6
FX reserves (\$bn)	21.0	27.6	75.7

Source: IMF

Overview

History and objectives

The Investment Corporation of Dubai was set up in May 2006 to supervise the Government's investment portfolio and generate a high rate of return on its investments. The Fund's focus is on local investments, though it has been increasingly international in scope.

Funding details

The Corporation was formed with the transfer of the government's portfolio of investments from the Department of Finance's Investment Division.

Investments and operations

The Corporations investment portfolio includes financial, transportation, utilities and energy, industrial, real estate and leisure companies.

Countries contemplating SWFs & funds not included

Brazil economic indicators

	06	07	08f
GDP (\$bn)	1,073	1,314	1,581
Real GDP (%oya)	3.8	5.4	4.4
CPI (%oya)	4.2	3.6	4.9
Current account (\$bn)	13.6	3.3	-21.2
% of GDP	1.3	0.3	-1.3
FX reserves (\$bn)	85.6	179.8	200.0

Source: JPMorgan

Brazil

History and objectives

The first discussions about international reserves diversification in Brazil started in 2006, when the public sector became a net USD-creditor on the back of a huge reserves building strategy, coupled with a sovereign external debt buyback program. Since then, further BRL appreciation (amid further reserves accumulation), the discovery of gigantic oil reserves in Brazil's deep waters, and the achievement of Investment Grade rating by S&P prompted authorities to think about creating a SWF. On May 14, 2008, Minister of Finance Mantega indicated that a bill will be sent to Congress in the coming weeks to create an SWF for Brazil. The formal objective is to support the internationalization of Brazilian companies, and strategic projects abroad, but the creation of a mechanism to step up fx interventions could be considered also in line with government's priorities.

Funding details

In the press conference, Minister Mantega said that the SWF would be funded through the excess of the primary budget surplus over the 3.8% of GDP target. Note that currently, Brazil's primary surplus is running at 4.5% of GDP, but it still runs a nominal deficit (including interest payments) of 1.6% of GDP. This means that although the excess of primary surplus will determine the amount of resources being transferred to the fund, the existence of nominal fiscal deficits places Brazil into the "borrowed wealth" definition. Indeed, the primary fiscal resources to be transferred to the fund will have to be, at the end, financed by issuing government bonds. It was also mentioned that part of the funding in the future could be raised from a tax on future oil production that is expected to come from recently discovered reserves.

Ownership and governance

The Ministry of Finance intends to own Brazil's SWF, but the operational management responsibilities are not clear yet.

Management structure

A Deliberative Committee will be created to define instruments, terms, and nature of the investments.

Investments and operations

Indications are that most of the new SWFs funds would be allocated to purchasing securities from a new external subsidiary of BNDES (Brazil's Development Bank) that will be created to finance the internationalization of Brazilian companies.

India economic indicators

	06	07	08f
GDP (\$bn)	919	1,173	1,327
Real GDP (%oya)	9.6	8.7	7.0
CPI (%oya)	5.8	6.4	5.9
Current account (\$bn)	-9.6	-14.8	-26.3
% of GDP	-1.0	-1.3	-2.0
FX reserves (\$bn)	192.4	281.6	325.0

Source: JPMorgan

India

Foreign exchange reserves held by the Reserve Bank of India (RBI) have risen from \$27bn in 1998 to \$300bn currently.

There are several arguments put forward in India for the creation of an SWF: First, as is the case in other Asian countries, this rapid reserve accumulation has led to calls to achieve higher returns on the fx reserves held by the RBI. Second, there is also a view that a SWF can play a vital role in securing India's future energy needs, and can also play a constructive and complementary role in the broader geo-political and economic strategy of the country. Third, a SWF could parcel out funds that would boost the local fund management industry investing in overseas markets.

The key concerns about an Indian SWF are: (1) The country runs fiscal deficits; (2) India current account deficit has been more than covered by surging capital inflows in recent years, but this trend may not be sustained.

In a way, India already has created a quasi-SWF by setting up of a special purpose vehicle that will use a small portion of the foreign exchange reserves to aid infrastructure projects.

At this stage, the policy discussion over an Indian SWF is not very advanced, and with elections due by next year, the idea at this point seems unlikely to make significant headway anytime soon.

Japan

More remote is the possibility of Japan following in the footsteps of other large Asian countries, like China and Korea. Japan's foreign currency reserves are substantial at \$978 billion and are invested in an very conservative way, largely in US Treasuries. Clearly there is room to invest a least some portion of these reserves into higher-yielding assets.

Within Japan, the idea of a setting up an SWF is strongly opposed by the Ministry of Finance, which sees issues of international relations with the US as of higher importance than increasing financial return by diversifying away from USD investments.

SWFs not covered in this Primer

Chad's Revenue Management Plan is intended to better manage the country's petroleum revenues with a goal of increasing spending on poverty relief (note that it is mired in long-standing political dispute). Uganda's Poverty Action Fund channels savings from debt relief into services for poor communities in Uganda. Papua New Guinea's Mineral Resources Stabilization Fund was closed in 2001.

Japan economic indicators

	06	07	08f
GDP (\$bn)	4,706	4,444	4,340
Real GDP (%oya)	2.4	2.0	1.6
CPI (%oya)	0.2	0.1	1.0
Current account (\$bn)	172.2	212.0	237.2
% of GDP	3.7	4.8	5.5
FX reserves (\$bn)	879.7	952.8	1,000

Source: JPMorgan

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Bernhard Eschweiler
(65) 6882-2212
bernhard.eschweiler@jpmorgan.com

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