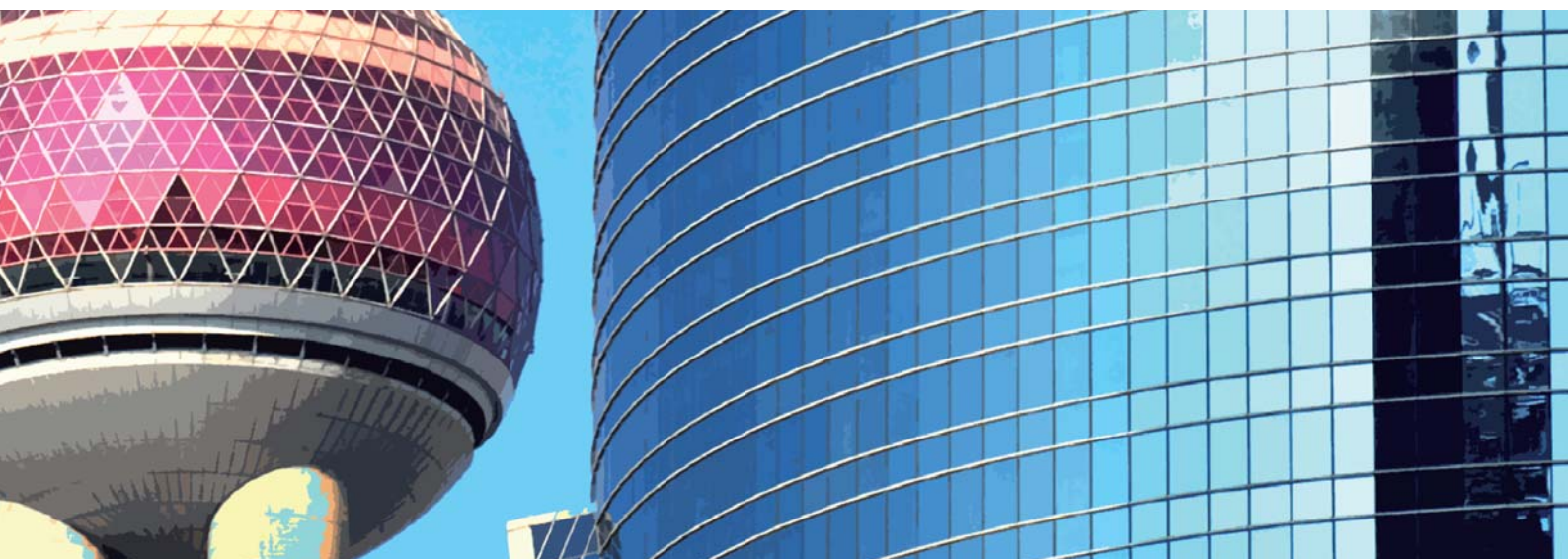


Preqin Special Report:

Sovereign Wealth Funds

May 2010



Private Equity • Real Estate • Hedge Funds • Infrastructure

Sovereign Wealth Funds: SWFs Total Assets Continue to Grow

In the year since the release of the 2009 edition of Preqin's Sovereign Wealth Fund Review publication, the world has started to see the beginnings of recovery following the onset of the global financial crisis in 2008. A large rally in public markets was experienced, following their bottoming out in March 2009, helping investors recover some of their losses from the previous year. This was also the case for certain sovereign wealth funds: Norway's Government Pension Fund – Global, for example, reported record-breaking returns from its equities portfolio over 2009.

However, some sovereign wealth funds have also had to cope with government withdrawals to make up for budget deficits and fund government spending. Russia's Reserve Fund has more than halved in size over the past year due to withdrawals by the Russian government, and is likely to be totally depleted by the end of 2010. Other SWFs, such as New Zealand Superannuation Fund, have stopped receiving annual payments from their respective governments.

Increase in SWF Assets in 2010

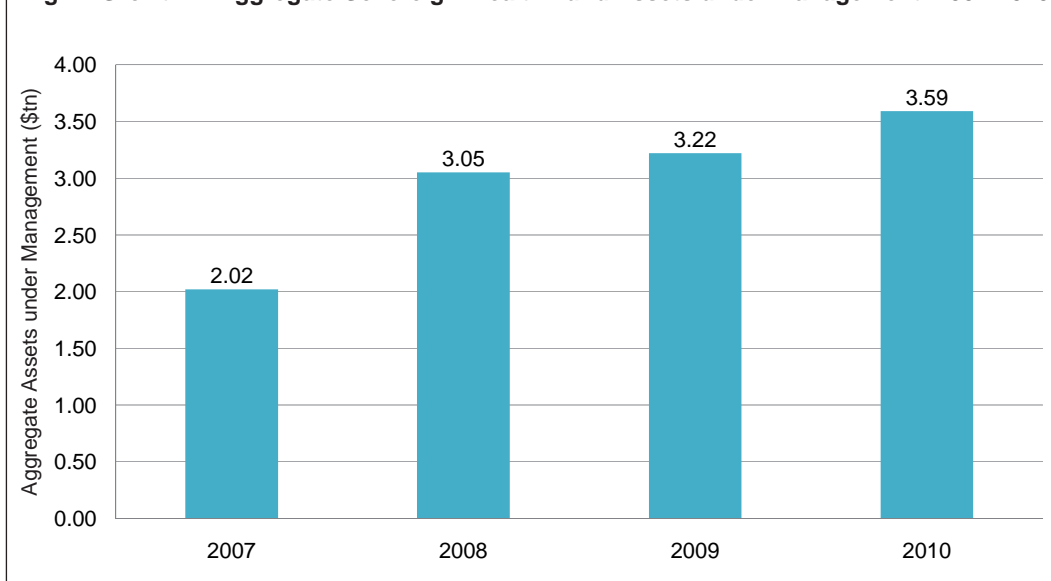
Despite these issues affecting sovereign wealth funds, their influence as a large group of institutional investors has not

diminished. The start of a global economic recovery has helped the aggregate assets under management of all sovereign wealth funds to reach \$3.59 trillion, which represents a 11% increase from last year, confirming that SWFs have retained their collective significance in the world of institutional investors. As mentioned previously, Norway's Government Pension Fund – Global has enjoyed considerable growth in the last year, and its assets under management in dollar terms have increased significantly, though part of this is due to the Norwegian kroner's appreciation against the US dollar. Although the media excitement surrounding sovereign wealth funds has dampened somewhat more recently, SWFs remain an extremely important source of capital.

Differences from Other Institutional Investors

In an atmosphere of increased institutional investor caution, sovereign wealth funds have an especially important role to play. Unlike other institutional investors such as pension funds, many sovereign wealth funds do not have liabilities to meet and are not subject to withdrawals by external investors (although some have been subject to government withdrawals over the past year). As a result SWFs tend to have very long-term investment horizons and are often free to invest in riskier, less liquid, and alternative investments.

Fig. 1: Growth in Aggregate Sovereign Wealth Fund Assets under Management: 2007-2010



Sovereign Wealth Funds: SWFs Total Assets Continue to Grow

Significant Role to Play in Alternatives

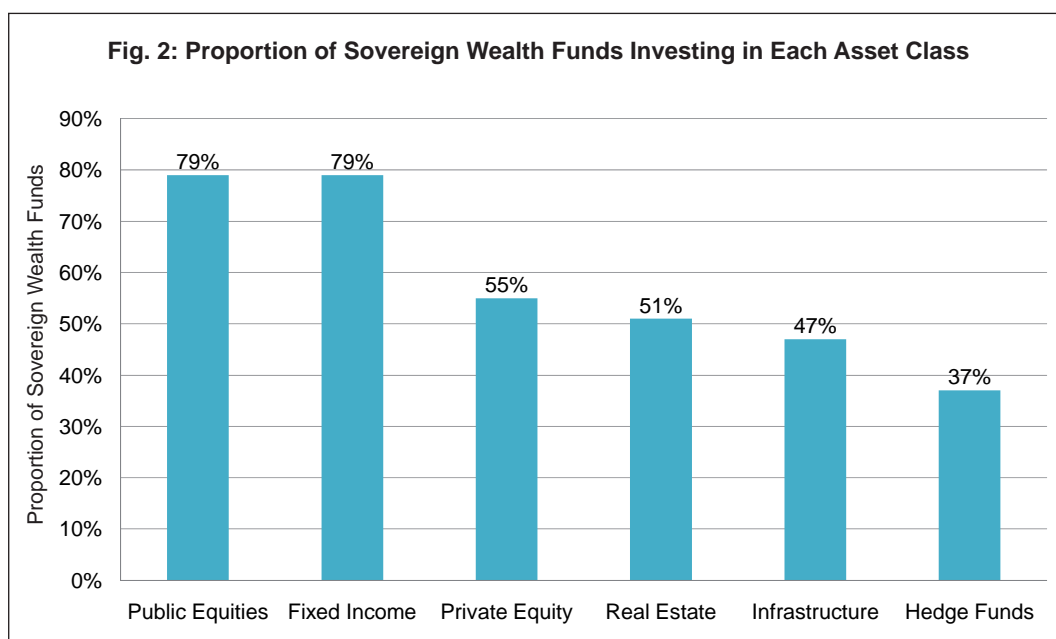
At a time when fundraising for many alternative investments, for example private equity funds, continues to be very slow (private equity funds raised just \$35 billion in Q4 2009 compared to \$53 billion in Q3 2009 and \$158 billion in Q4 2008), sovereign wealth funds, given their relatively few restrictions on investment, represent a vital source of potential funding. This is particularly important in the current market, with other types of institutional investor proving more reluctant to invest in the more illiquid alternative investment funds than in previous years.

Fig. 2 displays the proportion of sovereign wealth funds that are known to invest in each of the asset classes of public equities, fixed income, private equity, real estate, infrastructure and hedge funds. As can be seen, 55% of SWFs are currently active in the private equity industry. 80% of these (i.e. 44% of all SWFs) invest in private equity funds alongside any direct private investments they may make, while the remaining 20% only invest directly.

Outlook for 2010

In 2010, some sovereign wealth funds that had put plans to expand diversification in their portfolios on hold due to the economic downturn are likely to begin resuming these programs again, and we could see an even greater proportion of SWFs investing in alternatives as they expand beyond the traditional asset classes.

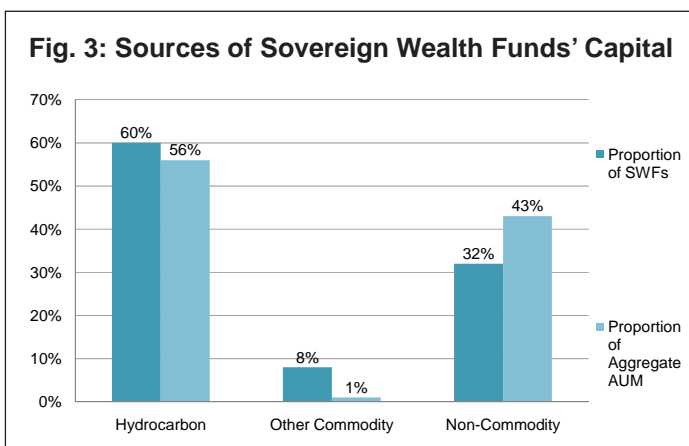
Given the amounts of capital at their disposal, the sovereign wealth funds that invest in alternative assets can play an important role in the sector. One recent example of a major commitment to private equity by a sovereign wealth fund is China Investment Corporation's (CIC) secondary purchase of investor stakes in Apax Europe VII. CIC had originally offered to purchase up to €800 million of existing investor stakes in the fund, if any existing investors wished to reduce or totally withdraw their commitments and increase their liquidity. In the end, CIC purchased €685 million worth of commitments in the innovative deal.



Sovereign Wealth Funds: Overview

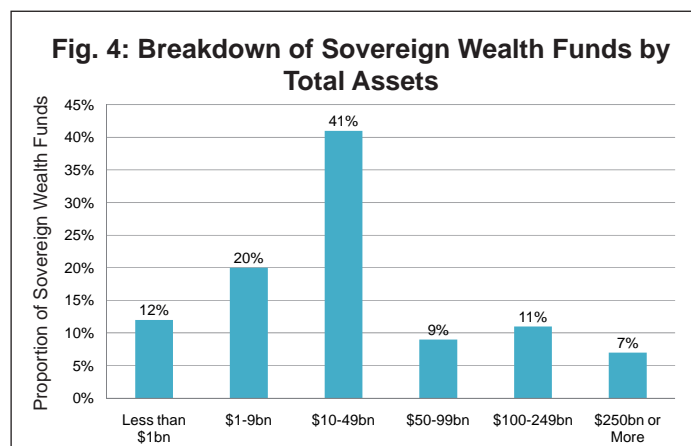
Sources of Capital for Sovereign Wealth Funds

- Hydrocarbon export-funded sovereign wealth funds make up the largest group, both by number and by aggregate assets under management. Fig. 3 shows that these sovereign wealth funds account for 60% of the overall number and 56% of the aggregate assets under management of all sovereign wealth funds.
- Sovereign wealth funds that have been established with revenues from the export of commodities other than hydrocarbons account for 8% of all sovereign wealth funds, but only 1% of their aggregate value. Such funds include Chile's two sovereign wealth funds (funded through copper exports) and Botswana's Pula Fund (funded through diamond and mineral exports).
- Sovereign wealth funds that are not financed by revenues from the export of commodities account for 32% of the total number of SWFs and 43% of their aggregate assets under management.



Assets under Management of Sovereign Wealth Funds

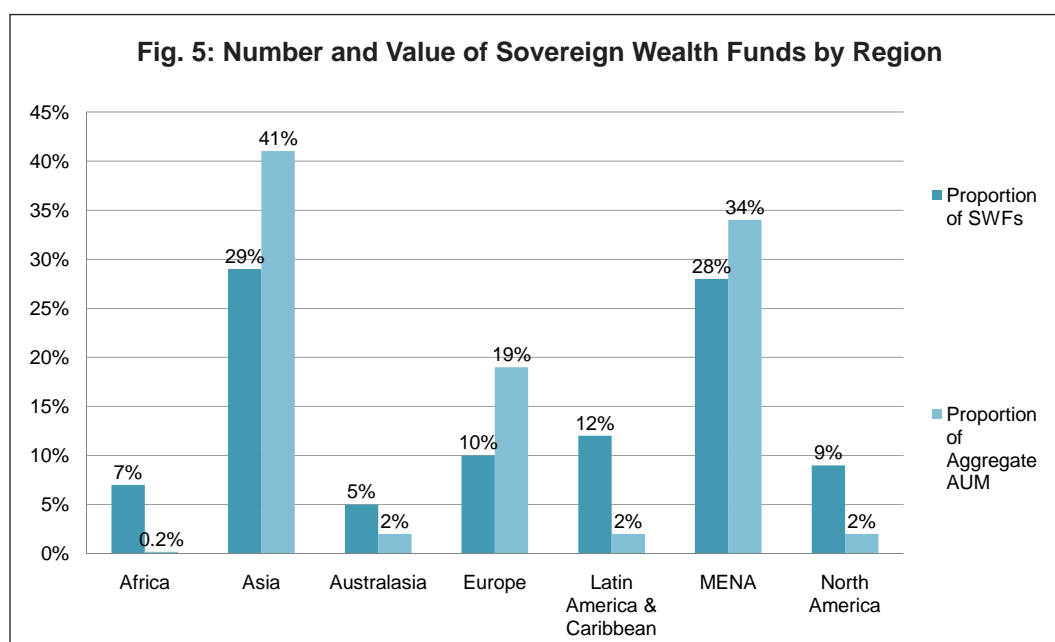
- 12% of sovereign wealth funds have less than \$1 billion in total assets, as shown in Fig. 4. One example is Kiribati's Revenue Equalization Reserve Fund, which was established in 1956 to manage revenues from phosphate exports and has around \$400 million in assets under management.
- Just over a quarter of sovereign wealth funds have \$50 billion or more in assets under management, and 18% have \$100 billion or more. Just under a third of sovereign wealth funds manage assets of less than \$10 billion.
- Although it has never released information on its assets under management, Abu Dhabi Investment Authority is likely the largest sovereign wealth funds in the world. The next two largest sovereign wealth funds are Norway's Government Pension Fund – Global and China's SAFE Investment Company. The three largest sovereign wealth funds together are estimated to manage well over \$1 trillion in assets.



Sovereign Wealth Funds: Overview

Number and Value of Sovereign Wealth Funds by Region

- Asia and MENA are home to the largest numbers of sovereign wealth funds, and account for 57% of all sovereign wealth funds between them. Furthermore, funds based in the two regions make up three-quarters of the aggregate value of all sovereign wealth funds worldwide, as shown in Fig. 5, demonstrating that some of the largest sovereign wealth funds in the world are based in these regions.
- The next most significant region is Europe (including the two Russian sovereign wealth funds), with sovereign wealth funds based there accounting for 19% of the global aggregate assets under management.
- Sovereign wealth funds based in Australasia, Latin America and Caribbean, and North America each account for approximately 2% of the aggregate assets under management. African sovereign wealth funds (excluding those in the MENA region) make up just 0.2% of global sovereign wealth fund assets under management.



Sovereign Wealth Funds: League Table - Top 25

Rank	Sovereign Wealth Fund Name	Country	Year Established	Source of Capital	Total Assets (\$mn)
1	Abu Dhabi Investment Authority	UAE	1976	Hydrocarbon	625,000
2	Government Pension Fund - Global	Norway	2006	Hydrocarbon	456,368
3	SAFE Investment Company	China	1997	Non-Commodity	350,000
4	China Investment Corporation	China	2007	Non-Commodity	290,000
5	Government of Singapore Investment Corporation	Singapore	1981	Non-Commodity	247,500
6	Kuwait Investment Authority	Kuwait	1982	Hydrocarbon	202,800
7	Hong Kong Monetary Authority Investment Portfolio	Hong Kong	1993	Non-Commodity	193,400
8	Temasek Holdings	Singapore	1974	Non-Commodity	119,180
9	National Social Security Fund - China	China	2000	Non-Commodity	113,728
10	Dubai World	UAE	2003	Hydrocarbon	100,000
11	National Wealth Fund	Russia	2008	Hydrocarbon	91,560
12	Libyan Investment Authority	Libya	2006	Hydrocarbon	70,000
13	Reserve Fund	Russia	2008	Hydrocarbon	60,500
14	Qatar Investment Authority	Qatar	2005	Hydrocarbon	60,000
15	Future Fund	Australia	2006	Non-Commodity	59,583
16	Revenue Regulation Fund	Algeria	2000	Hydrocarbon	47,000
17	Strategic Investment Fund	France	2008	Non-Commodity	38,314
18	Alaska Permanent Fund Corporation	US	1976	Hydrocarbon	33,851
19	National Pensions Reserve Fund	Ireland	2000	Non-Commodity	31,453
20	Brunei Investment Agency	Brunei	1983	Hydrocarbon	30,000
21	Samruk Kazyna National Welfare Fund	Kazakhstan	2008	Hydrocarbon	29,000
22	National Development Fund	Venezuela	2005	Hydrocarbon	27,000
23	Korea Investment Corporation	South Korea	2005	Non-Commodity	27,000
24	Khazanah Nasional	Malaysia	1993	Non-Commodity	23,100
25	Mubadala Development Company	UAE	2002	Hydrocarbon	21,600

Full League Table available in the 2010 Preqin Sovereign Wealth Fund Review,
For more information, to view sample pages or to order a copy, please visit: www.preqin.com/swf

The 2010 Preqin Sovereign Wealth Fund Review



Sovereign wealth funds currently control an aggregate \$3.59tn in assets under management, up from \$3.2tn in 2009. With a number of new funds being set up in the past year, their influence on the worldwide economy continues to grow. They represent a vitally important source of capital, and continue to make important investments across all the different asset classes.

We have expanded the content of the Review significantly this year, with all existing information being completely revised by our dedicated team of researchers. The publication contains exclusive information gained via direct contact with SWFs, advisors, consultants, fund managers and others.

The Preqin Sovereign Wealth Fund Review is the leading source of information on all aspects and areas of SWF investments. This year's Review contains information on the following areas:

- Equities
- Fixed Income
- Private Equity
- Hedge Funds
- Real Estate
- Infrastructure

Highlights include:

- Overview of the SWF market
- Separate analysis sections identifying all key trends and patterns for SWF activity in each asset class
- League table of top SWFs
- Full profiles for all SWFs, including:
 - SWF background
 - Key financial information
 - Overall investment plan
 - Asset class specific investment plans and preferences
 - Fund investments and public/private holdings
 - Advisors and consultants used
- Key contact information, including direct email addresses and phone numbers

More information:
www.preqin.com/swf

2010 Preqin Sovereign Wealth Fund Review - Chapters

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2010 Preqin Sovereign Wealth Fund Review: Order Form

The 2010 Preqin Sovereign Wealth Fund Review is the finance industry's leading source of information on sovereign wealth funds and their investment strategies, providing coverage on all different asset classes contained within their portfolios. Features include:

- Profiles for all known sovereign wealth funds, with details on their investment activities generally, drilling down into asset class-specific preferences, information and future plans.
- Names of external investment managers and consultants, investments in notable firms, and sample alternatives fund investments are included. Also covered is key financial information, such as total assets and allocations, and full contact details for fund and staff.
- Informative analysis on the world of sovereign wealth funds, including a detailed overview and specific sections providing statistics, trends and outlook for public equities, fixed income, private equity, real estate, infrastructure and hedge funds.
- Information on funds in the process of being established, countries considering the establishment of a fund and countries that have considered a fund, but have since shelved their plans.



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