

Sovereign Investors: A Means for Economic Diversification?

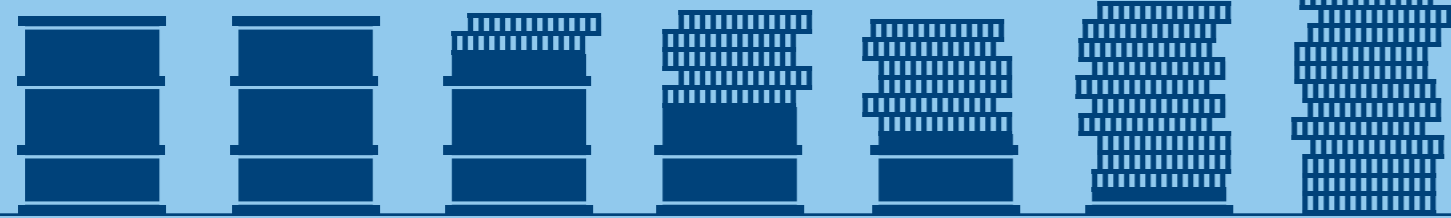
The number of sovereign wealth funds (SWFs) has risen over the past three decades, especially in oil- and gas-based economies and East Asian economies, who use the funds to provide economic stability in a time of need and to benefit future generations.

What is a sovereign wealth fund?

A state-owned investment fund which invests government revenue globally to maximize long-term return.

Most SWFs based in oil exporting nations are financed by exporting commodities. By investing short-term revenue for long-term profit, SWFs aim to provide economic diversification and stability.

Non-commodity-based SWFs are often based in East Asia. They are financed by an excess of foreign currency reserves accumulated from exporting products/goods.



A brief history of SWFs

1953: Establishment of the Kuwait Investment Authority (KIA) considered the oldest SWF.

2005: Creation of the 'sovereign wealth fund' term

Today: Since then roughly 50 countries have established SWFs, with close to 1/2 in the early 2000s.

The International Forum of Sovereign Wealth Funds

Promotes transparency, good governance, accountability, and prudent investment practices.



The Linaburg-Maduell Transparency Index (LMTI) rates sovereign investors on transparency.



12 SWFs received a 10/10 rating including Singapore's Temasek and UAE's Mubadala Investment Company



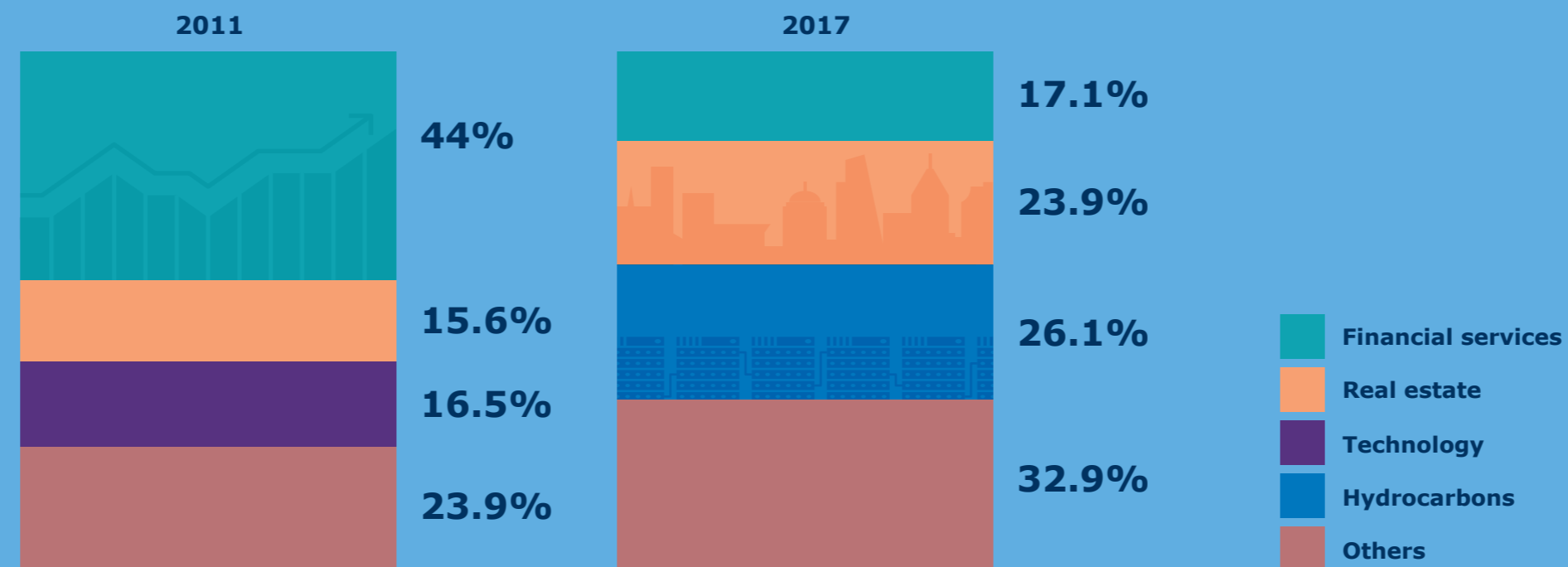
KIA received 6/10



Saudi Arabia's Public Investment (PIF) and Qatar Investment Authority (QIA) received 5/10

What sovereign wealth funds invest in

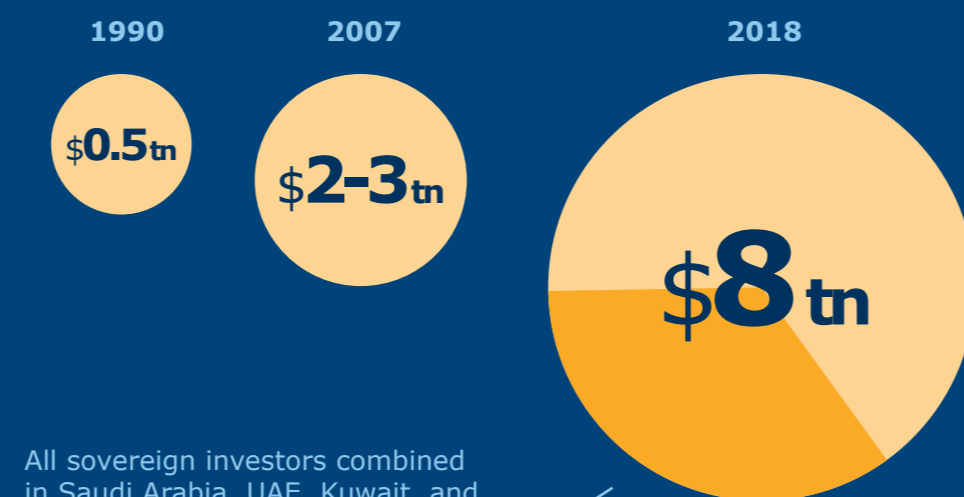
Top Sectors



Source: IE Sovereign Wealth Lab based on SWF transaction database (Tufts University)

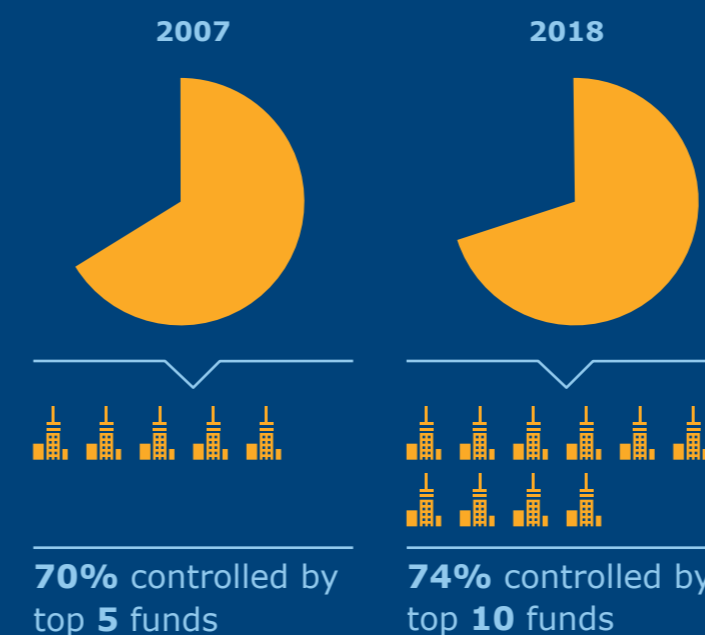
Sovereign investors: the concentration and influence issues

Assets owned by sovereign investors:

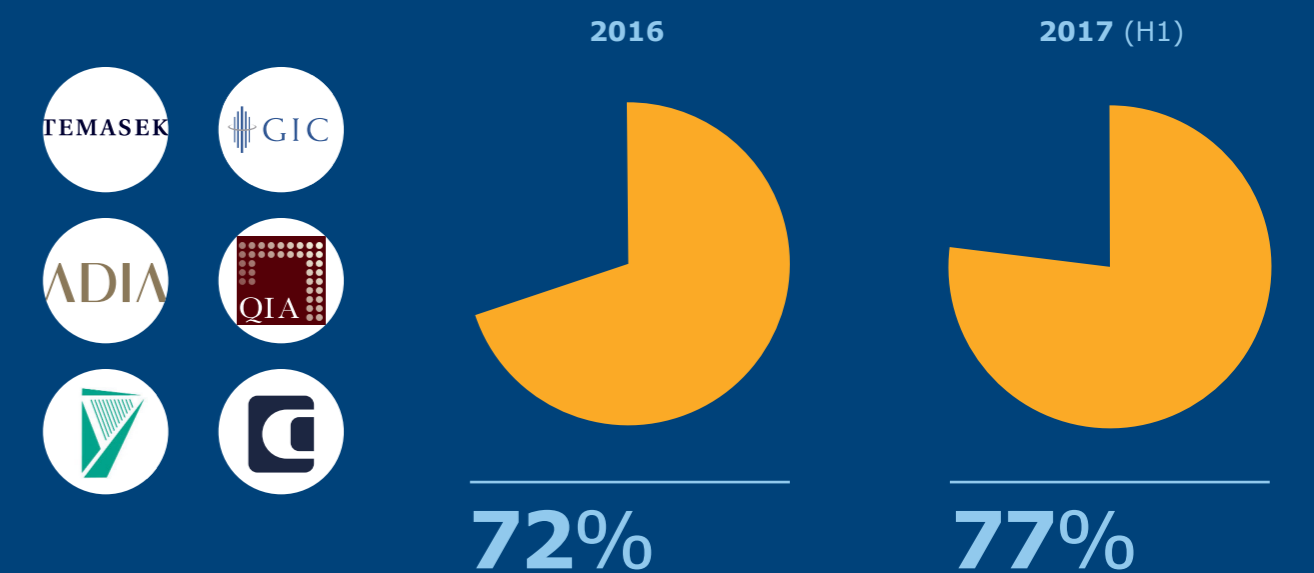


All sovereign investors combined in Saudi Arabia, UAE, Kuwait, and Qatar have over \$2.9 trillion

Percentage of of total assets under management globally:



Six sovereign investors represented 72% of the global acquisition count in 2016 and 77% of the global total in H1 of 2017: Temasek, GIC, Abu Dhabi Investment Authority (ADIA), QIA, Ireland Strategic Investment Fund, and China Investment Corp.



Source: Global Projects Center, Stanford University

Economic diversification: key for future generations

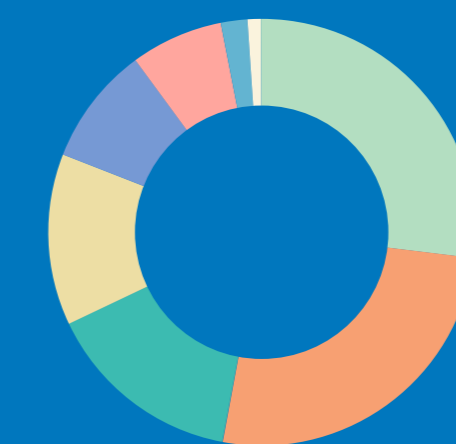
Limiting the over-reliance on oil & gas revenue has become an imperative due to volatility in commodity prices and the possibility of peak oil demand.

The Singapore Model

The country successfully drew on its strategic location, a harbor linking to the Strait of Malacca, through which around 40% of the world's maritime trade passes, to attract foreign direct investment. It is now known as a global financial and economic hub, as well as an energy trading and oil refinery center.



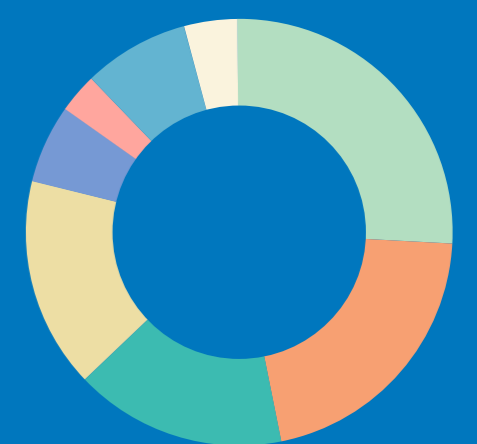
Temasek's Global Exposure and Investments



- Singapore
- China
- Rest of Asia
- North America
- Europe
- Australia & New Zealand
- Africa, Central Asia & Middle East
- Latin America

Source: "Our Portfolio: Geography," Temasek, last update unknown, accessed Nov 18, 2018
<https://www.temasek.com.sg/en/what-we-do/our-portfolio.html#geography>

Temasek's Portfolio by Sector



- Financial Services
- Telecom, Media & Technology
- Consumer & Real Estate
- Transportation & Industrials
- Life Sciences & Agribusiness
- Energy & Resources
- Multi-sector Funds
- Others (including credit)

Source: "Our Portfolio: Sector," Temasek, last update unknown, accessed Nov 18, 2018
<https://www.temasek.com.sg/en/what-we-do/our-portfolio.html#sector>