



Shifting Sands: Sovereign Wealth Funds and The Global Economic Crisis



POLYGON

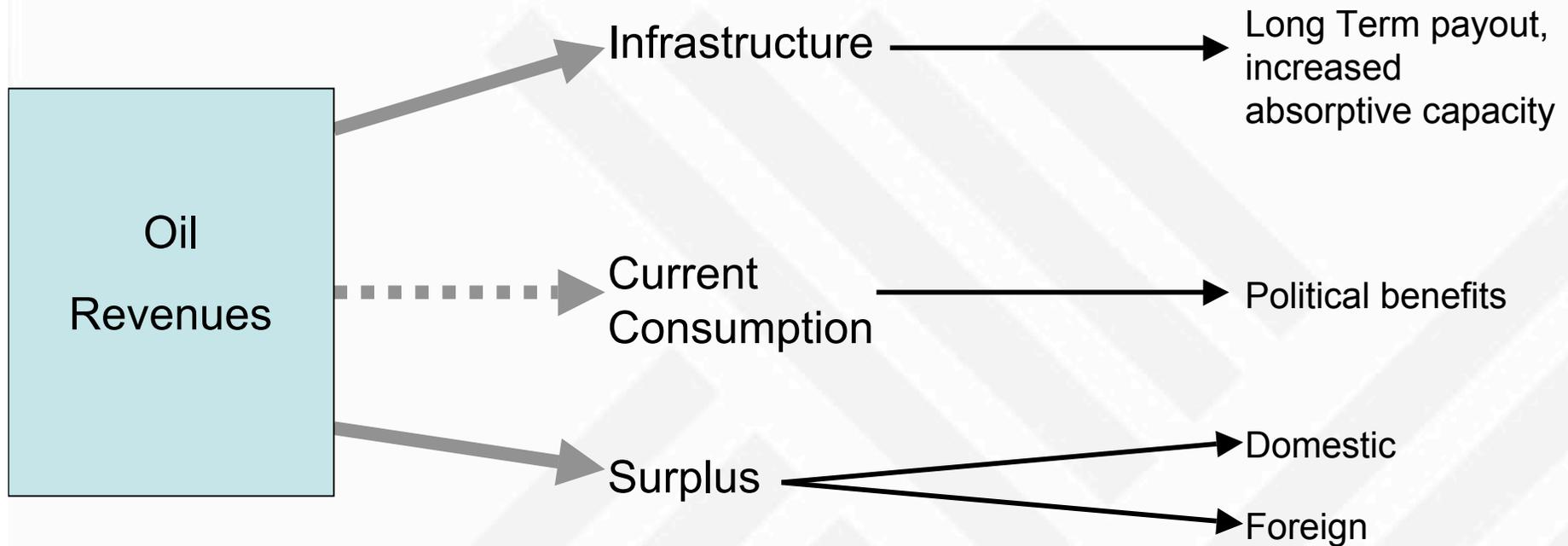
Investment Management

Select Arab Sovereign Wealth Funds

Country	Name	Created	Est. size (billions)
Kuwait	Kuwait Investment Authority (KIA)	1953	\$213
Qatar	Qatar Investment Authority (QIA)	2003	\$60
Saudi Arabia	Saudi Arabian Monetary Agency (SAMA)	1952	\$500
UAE (Abu Dhabi)	Abu Dhabi Investment Authority (ADIA)	1976	\$400-500
UAE (Abu Dhabi)	International Petroleum Investment Company (IPIC)	1984	\$12
UAE (Abu Dhabi)	Mubadala Development Company	2002	\$10
UAE (Dubai)	Istithmar World	2003	\$12
UAE (Dubai)	Dubai International Capital	2004	\$13
UAE (Dubai)	Investment Corporation of Dubai	2006	\$82

Source: Edwin M. Truman, "A Blueprint for Sovereign Wealth Fund Best Practices," Policy Brief 08-3, (Washington, D.C.: Peterson Institute for International Economics, April 2008), Polygon assessments.

Maximizing Return on Investment



Types of SWF's

	Central Bank	Long Term Investors	Domestic Synergy
Example	SAMA	ADIA, KIA, QIA	Mubadala Dubai Investment
Characteristics	Conservative Risk Averse Indigenous Workforce	Specialist Risk-Oriented Dependant on Ex-Pats	Domestic Focus More Entrepreneurial
Methodology	Excluding FX Reserves – 3 rd Party Managed	Primarily External Managers	Internally Managed Joint-Ventures
Investment Strategy	Bond-Oriented	Primarily Equities and Alternative Investments	Direct Investments

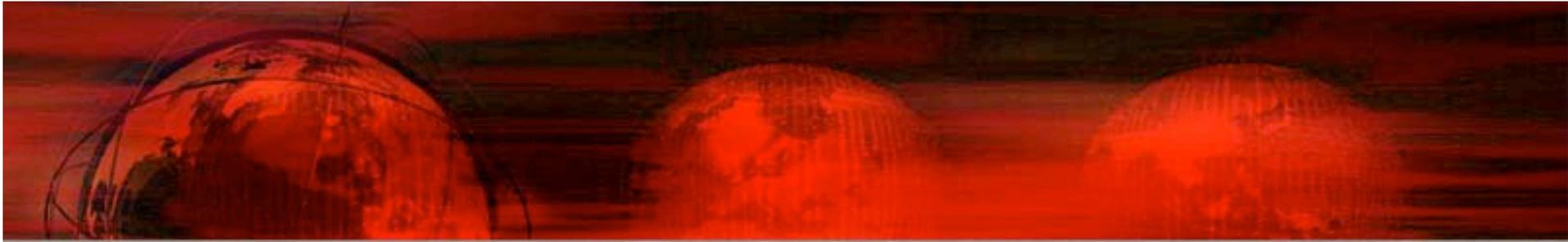
A Tale of Two Markets

2006-07

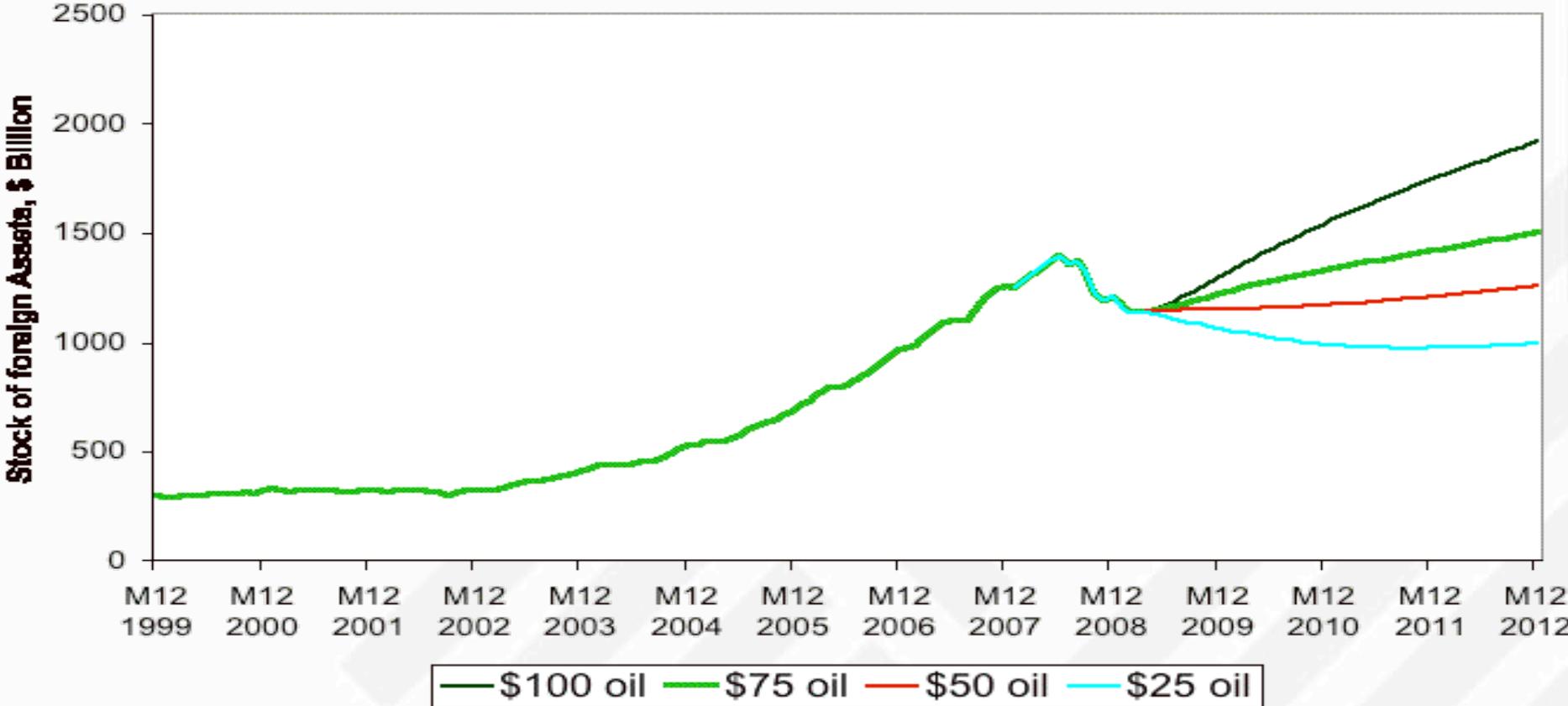
2008-09

Both oil prices and production surge	Prices and production plummet
Saudi current account surpluses averaged over \$100 bil. Qatar and UAE had surpluses of almost 50% p.a	GCC current account surpluses narrow dramatically
Global and local stock markets leap ahead SWF assets increased dramatically	Global equity meltdown Major local markets down 70% Combined losses of ADIA and KIA of \$250 billion
Overseas direct investments swell Generate higher profile	\$40 billion invested into foreign financial institutions Domestic economy and banks propped up
Antagonism in West	Increased needs both locally and in West

Cyclicality has not been repealed. Global imbalances remain

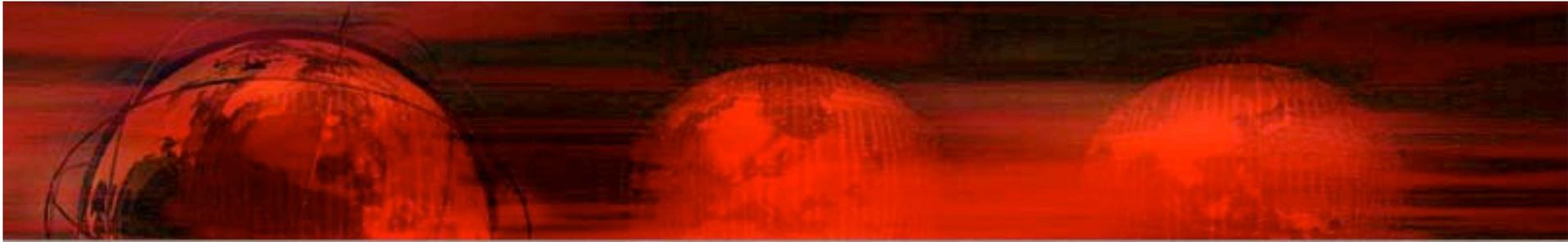


Estimated GCC foreign assets

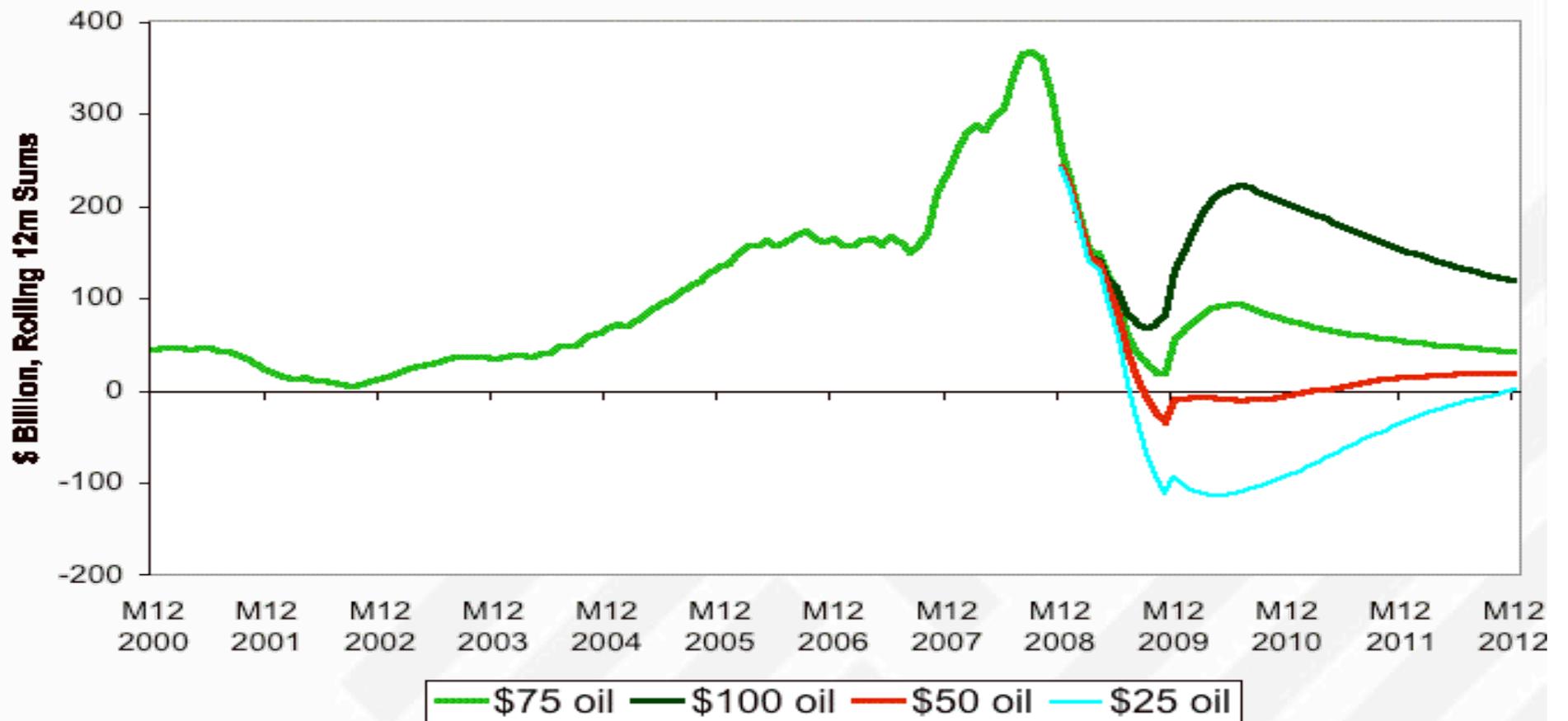


Source: B. Setser, Council on Foreign Relations





Estimated GCC purchases of foreign assets



Source: B. Setser, Council on Foreign Relations

Estimated Distribution of Foreign Investments

REGION

ASSET CLASS

US- 50%

Public Equity- 50%

EUROPE- 30%

Alternative Strategies- 15%

MENA- 10%

Fixed Income- 35%

ASIA- 10%

Domestic Economy Priorities

- Capture value added from investments
- Develop infrastructure
- Create institutional framework
- Diversify away from dependency on oil
- Generate employment
- Counter cyclical buffer

Conclusions

- Reciprocal political risk and interdependence with West
- Symbolizes global shift in economic power
- Potential contribution to local development
- Reinforces State domination