

Sovereign Wealth Fund Total Assets Swell to \$4tn

Aggregate AUM swells 11% in 12 months; SWFs intensify alternative investment programs.

Research for the 2011 Preqin Sovereign Wealth Fund Review publication has revealed that the aggregate AUM of SWFs currently stands at almost \$4tn, making 2010 the second year running in which SWF AUM has increased by 11%. The proportion of SWFs investing in alternatives also rose over 2010, despite the challenging financial climate.

SWFs are both large and important investors in alternative assets. They have longer-term investment horizons than other investors, and generally do not have to meet as many liabilities. They are therefore better able to commit larger proportions of their portfolios to longer-term and alternative investments.

SWFs and Alternatives: The Facts

- The proportion of SWFs investing in infrastructure has increased from 47% in 2010 to 61% at the beginning of this year
- There has also been an increase in the proportion of SWFs investing in real estate and private equity – 51% to 56%, and 55% to 59% respectively.
- The proportion of SWFs investing in hedge funds has remained static at around 36%.
- Aggregate AUM of SWFs increased from \$3.59tn in 2010 to \$3.98tn at the start of 2011.
- Some SWFs were subject to capital withdrawals – Russia's Reserve Fund was used to balance the federal budget over the course of 2010. Its total assets now stand at \$25.4bn compared to \$60.5bn at the start of 2010.
- Unrest in the Middle East and North Africa could have ramifications for the future investment policies of Libyan Investment Authority. The \$70bn SWF has been able to invest more freely over the past couple of years to manage the country's oil revenues but its mandate could alter following any political change in the country.
- The SWFs of both Algeria and Bahrain could also be affected. Collectively, the MENA-based SWFs in question have hundreds of billions of dollars in assets and changes in their investment policies would be widely felt.
- The number of SWFs investing in alternatives is likely to continue to increase throughout 2011 as they pursue higher returns and seek increased diversity.

Comment:

"Following global economic stabilization, many sovereign wealth funds that had delayed plans to diversify their holdings as a result of the economic downturn have now resumed these plans. Therefore we expect the proportion of SWFs moving into the various alternative asset classes, as well as the amount invested by SWFs in alternatives, to continue to increase in the coming year. The significant collective assets under management of SWFs means that they represent an important potential source of capital for fund managers across all asset classes."

Sam Meakin – Managing Editor of the 2011 Preqin Sovereign Wealth Fund Review

About Preqin:

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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