The 2012 Preqin Sovereign Wealth Fund Review

1. Executive Summary

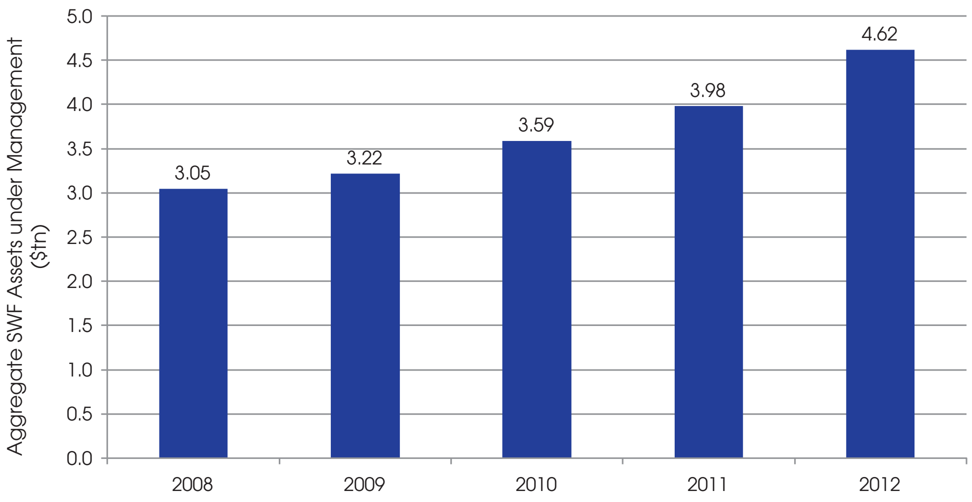
Rising Assets

Since the release of last year's Preqin Sovereign Wealth Fund Review, the aggregate total assets of all sovereign wealth funds worldwide have increased considerably yet again. Despite widespread economic uncertainty regarding the sovereign debt crisis, volatility in many world financial markets and underperformance of certain asset classes, sovereign wealth fund aggregate assets have jumped by over half a trillion dollars across 2011-2012.

One of the reasons that sovereign wealth fund assets have increased by 15% in the last year is that in recent years we have seen a number of new sovereign wealth funds launched and many of these funds are now fully operational, or are gearing towards putting their capital to work. In addition, while 2009 and 2010 saw several large sovereign wealth funds being used to withdraw capital in order to balance governmental fiscal shortfalls, this activity has now tapered off. For example, as of 2012 Russia's Reserve Fund, which was drained of 50% of its assets across 2009 and had $35bn withdrawn in 2010, has seen its assets again rise to over $61bn due to a cash injection originating from the Russian government's 2011 surplus. Elsewhere, China's National Social Security Fund's assets under management increased to over CNY 0.9tn across the last year, and the sovereign wealth fund hopes its total assets will exceed CNY 1.5tn within the next three years.

Fig. 1.1 shows that despite sustained global economic uncertainty, the collective influence of sovereign wealth funds has grown still further in the past year, with aggregate assets under management now standing at $4.62tn.

Fig. 1.1: Aggregate Sovereign Wealth Fund Assets under Management, 2008-2012



Alternative Strategy

In addition to their position as a highly significant group of investors within the institutional investor landscape, sovereign wealth funds tend to have longer-term investment horizons than other types of investor and generally do not have to meet liabilities in the same way that a pension fund or insurance company, for example, has to. Sovereign wealth funds are thus often better equipped to commit more significant proportions of their portfolios to longer-term and alternative investments.

As shown in Fig. 1.2, the proportion of sovereign wealth funds that allocate to the different alternative asset classes remains relatively consistent to last year. In 2010 we anticipated that more sovereign institutions would begin allocating to alternatives and this prediction was realized in 2011, with the proportions rising significantly for private equity, real estate and infrastructure. In 2012, the number of sovereign wealth funds with exposure to alternatives has actually increased; however due to a number of new sovereign wealth funds launching, and some of these newer institutions not yet having alternatives programmes, the proportions have decreased slightly, with the exception of hedge funds, which has risen to 38% of all sovereign wealth funds.

Over the last year we have seen that institutional investor appetite for alternative investments remains strong; however the fundraising market – particularly for private equity and real estate - is at its most crowded level ever. Many investors are now more cautious than before and have higher return expectations when it comes to selecting funds and managers. For this reason, and given the difference between the investment objectives of sovereign wealth funds compared to other types of investor, sovereign wealth funds represent an important and large potential source of capital for alternative investment managers. The number of sovereign wealth funds investing in alternatives has risen, buoyed by new institutions beginning to put into place their strategic allocations and older sovereign wealth funds dipping into alternative asset classes for the first time. For example, Norway's Government Pension Fund – Global, one of the largest sovereign institutions in the world, has now put into place its maiden 0.4% allocation of total assets to real estate, which it aims to raise to 5% in the long term.

Outlook

The current and potential future impact of sovereign wealth funds in the alternatives space is significant. The level of resources available to sovereign wealth funds and their investment objectives make many of these institutions ideal candidates for investment in alternatives. As such, alternative asset fund managers' interest in securing capital from sovereign wealth funds has increased across the years and notable large-scale fund investments have only helped cement these institutions as highly sought after investors. For example, Apax Partners' Apax Europe VIII fund, which reached a first close in March 2012 having raised €4.3bn towards its €9bn target size, has attracted large contributions from sovereign wealth funds. A combined €900mn was committed to the fund by China Investment Corporation (CIC), Australia's Future Fund and Government of Singapore Investment Corporation (GIC). While large fund commitments make the headlines, however, there are also numerous smaller investments made by sovereign wealth funds that fly under the radar. For example Alaska Permanent Fund Corporation has committed amounts ranging from $5mn to $250mn to a wide variety of 2011 vintage private equity funds of various strategies.

What does the future hold for sovereign wealth funds? In addition to the new funds that have launched in the past year, some sovereign wealth funds that have been under pressure due to the impact of the financial crisis or political upheaval may now find firmer footing in the near future. In last year's Sovereign Wealth Fund Review we noted the example of the Libyan Investment Authority, which was called into doubt due to the violent uprising within the country. While political normalcy has yet to resume, in late 2011 and early 2012 steps have been taken by the new provisional government (the National Transitional Council) towards putting the sovereign wealth fund back to work, with future investment likely to focus on direct infrastructure projects.

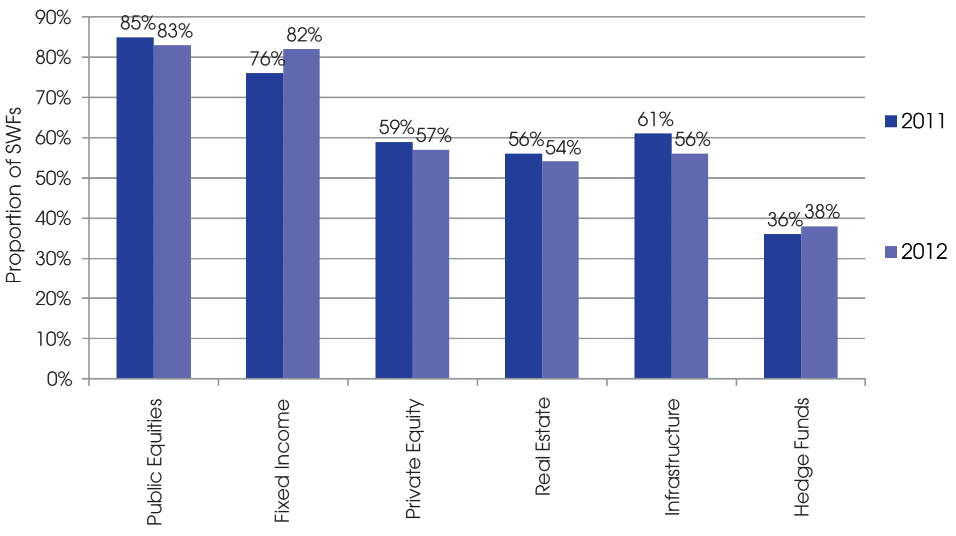
With discussions regarding new sovereign wealth funds for nations such as Japan, Iceland, India, and Bolivia at various stages of development, interest in this important class of institutional investor looks set to increase further. In 2012 and beyond, we anticipate that sovereign wealth funds will continue to grow their collective assets, with greater numbers expanding into alternatives in the longer term.

The 2012 Preqin Sovereign Wealth Fund Review

Preqin released the inaugural Sovereign Wealth Fund Review in 2008 in response to our clients in the private equity and private real estate sectors requesting a source of information on sovereign wealth fund activity in these areas. Following its release, we received hundreds of enquiries from professionals in all areas of finance and research who were seeking a source of data and information on the more general strategies of sovereign wealth funds, along with money managers in specific areas seeking intelligence.

In response, we launched the 2009 edition with a comprehensive overview of entire SWF investment portfolios, including exclusive information gained directly from SWFs and their advisors. The 2012 Preqin Sovereign Wealth Fund Review is the fifth and most comprehensive edition yet. Alongside a general investment strategy for each investor, we also have detailed individual sections showing the plans and preferences in the following areas:

Fig. 1.2: Proportion of Sovereign Wealth Funds Investing in Each Asset Class, 2011 vs. 2012



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

In addition, we have specific analysis sections outlining trends and activity in each of these sectors for the sovereign wealth fund universe. We hope that the 2012 Preqin Sovereign Wealth Fund Review serves to further the understanding of this class of investor, and we appreciate any feedback and comments you may have.

The 2012 Preqin Sovereign Wealth Fund Review

A comprehensive guide to sovereign wealth funds

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the fund's real estate allocation is split equally between direct investments and private real estate fund investments.

Listed real estate is less popular with sovereign wealth funds, with 35% including listed real estate investments as part of their overall real estate allocation.

International Direct Real Estate Holdings

Many sovereign wealth funds that invest directly have the ability and resources to target opportunities on an international basis. For example, Norway's Government Pension Fund - Global (GPF) invests directly in the real estate asset class and its maiden real estate investment was the acquisition of a 25% stake in Crown Estate's £1.6bn Regent Street portfolio. It has also acquired a €1.4bn portfolio of offices located in Paris. The State General Reserve Fund of The Sultanate of Oman (SGRF) is another example of a sovereign wealth fund that invests directly in real estate and has international holdings. Some of its investments include providing equity for the development of the Heron Tower in the City of London, a 41 storey office tower providing approximately 462,000 sq ft of net lettable space, including restaurants and bars. This investment was made through SGRF's joint venture with Heron and Strategic Real Estate Advisors. Elsewhere, Brunei Investment Agency owns the Dorchester Group, which holds a number of historic hotels in Europe and America, all of which are members of the Leading Hotels of the World consortium.

Private Real Estate Fund Strategy Preferences

Opportunistic and value added are the strategies most favoured by the sovereign wealth funds that invest in private real estate funds, as shown in Fig. 7.6. New Zealand Superannuation Fund is one sovereign wealth fund that has committed to a number of value added and opportunistic real estate funds, with notable examples including Willis Bond Capital Partners, a value added fund that invests in mixed use, residential, commercial, office, retail and industrial assets in New Zealand. In addition, the sovereign wealth fund has also committed to Gateway Capital Real Estate Fund III, an opportunistic real estate fund that targets investment in the Greater China region.

While opportunistic and value added funds are relatively high risk, 55% of sovereign wealth funds that invest in private funds also have a preference for core strategy funds. Low risk core funds became increasingly popular with all types of investor following the financial crisis, and sovereign wealth funds are no exception. Debt and distressed funds are also popular, being favoured by 55% and 45% of sovereign wealth funds respectively, while 40% have a preference for core-plus vehicles. Real estate funds of funds and secondaries funds are the least popular fund strategies among sovereign wealth funds that invest in private real estate funds, with just 10% expressing a preference for investing in vehicles with these strategies.

Geographic Preferences for Real Estate Investments

Fig. 7.7 shows the regional investment preferences of sovereign wealth funds investing in private real estate funds. North America is the most popular region, with 79% of sovereign wealth funds investing in the region through their private fund commitments, while Asia and Europe are

Fig. 7.5: Proportion of Sovereign Wealth Funds Investing Directly, in Private Funds and in Listed Funds

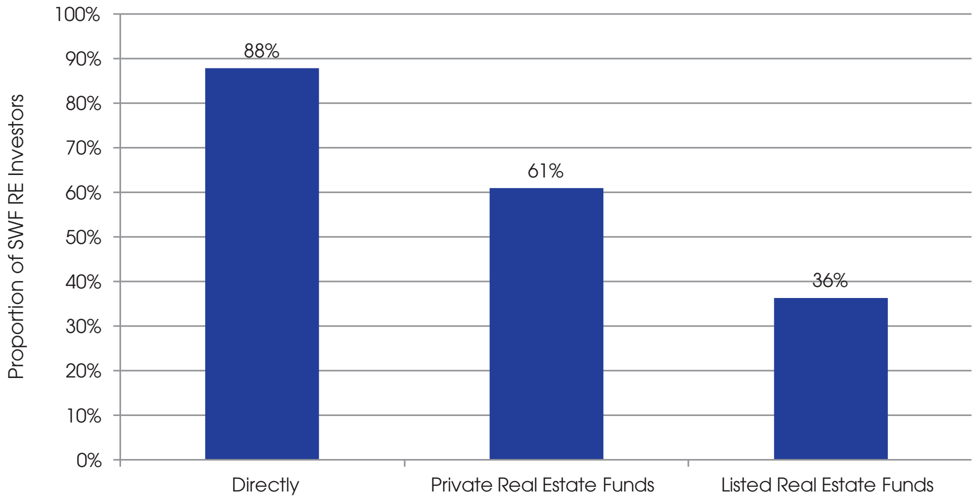
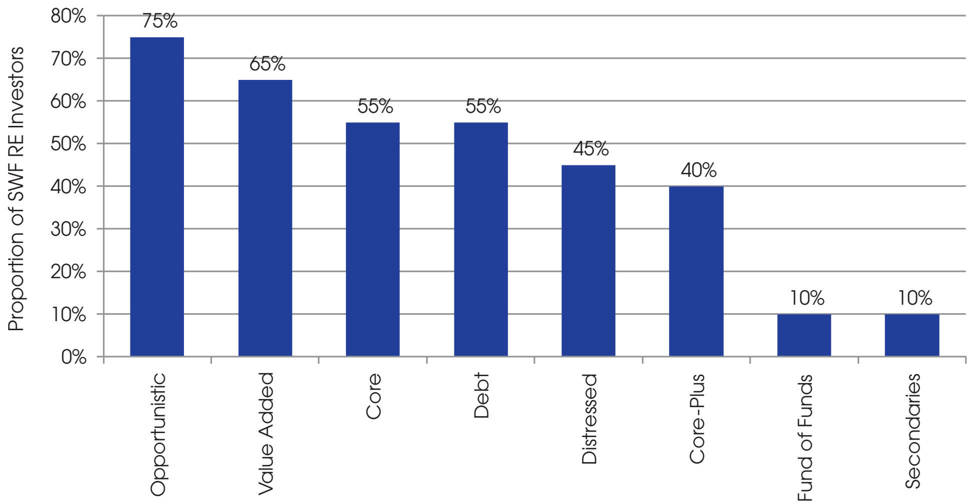


Fig. 7.6: Private Real Estate Fund Strategy Preferences of Sovereign Wealth Funds Investing in Real Estate



Abu Dhabi Investment Authority

Year Founded: 1976

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Abu Dhabi Investment Authority (ADIA) was originally founded in 1976 and has grown into one of the largest government investment vehicles in the world. ADIA is responsible for investing a large proportion of the Abu Dhabi government's oil revenues, which it commits to a range of investments internationally. Its mission is to secure and maintain the current and future prosperity of the Emirate of Abu Dhabi. While ADIA is internationally focused, its sister company, Abu Dhabi Investment Council, is focused more on local and regional investments, and holds stakes in the National Bank of Abu Dhabi and Abu Dhabi Commercial Bank.

Source of Capital: **Hydrocarbon**

Total Funds Under Management	627,000	USD (mn)		% of Assets	
		Current	Target	Current	Target
Equities					46-70%
Fixed Income					15-30%
Private Equity					2-8%
Real Estate		47,025		7.5%	8-10%
Infrastructure					1-5%
Hedge Funds					5-10%

Abu Dhabi Investment Authority (ADIA) has an extensive investment portfolio which is focused on long-term value creation. As a result, it invests a considerable percentage of its total assets across the alternative asset classes. The actual allocations to the investment areas of the organization are not known, but it targets a portfolio that is balanced and as a result it will continue to be active in real estate, hedge funds, infrastructure and private equity. ADIA does not invest in UAE or the Gulf region in general except in instances where investments are part of an index. Otherwise it invests across all geographies including emerging markets. The majority of the alternative investments of the organization are managed externally.

Equities Preferences

Large Cap	Small Cap	
•	•	

N. America	Europe	Asia	MENA	Other	Global
•	•	•	•	•	•

ADIA has a broad allocation to equities, comprising investments in developed markets, emerging markets and small cap equities. It invests between 46% and 70% of its total equities allocation between the three pools. The developed equity allocation constitutes between 35% and 45% of the total. In 2011, the sovereign fund changed the structure of its equity unit. Previously it was divided among four geographic units - Europe, North America, the Far East and emerging markets - but the new approach involved the separation of equity units into one handling indexed funds and one for actively managed funds. In the future, the fund aims to increase its exposure to indexed funds, due to concerns with volatility. ADIA uses index tracking strategies for the majority of its assets in emerging market equities and it uses S&P indices in the US and MSCI indices for the rest of the world. ADIA's portfolio includes a 7% investment in Sorough, the second biggest developer in Abu Dhabi. The developer may merge with Aldar Properties, the largest developer in the capital, into an organization which would have total assets of $15bn.

Fixed Income Preferences

Sovereign	Corporate	High Yield	Investment Grade
•	•		•

N. America	Europe	Asia	MENA	Other	Global
•	•	•	•	•	•

ADIA's investments in fixed income securities are grouped into four broad categories: global government bonds, inflation-linked bonds, emerging market bonds and global investment-grade credit. The aim of the debt portfolio is to meet the overall liquidity needs of the sovereign wealth fund and achieve returns above respective benchmarks, whilst maintaining a commensurate level of risk. ADIA is a major holder of US Treasury Bills. The sovereign wealth fund's exposure to portable alpha strategies has increased in order to offer a higher degree of diversification.

Private Equity Preferences

Buyout	Venture	Distressed PE	Mezzanine	F o Fs	Secondaries	Other
•	•	•			•	

N. America	Europe	Asia	MENA	Other	Emerging Managers
•	•	•	•	•	No

ADIA is a flexible investor and does not have a particular fund preference or geographic investment focus. The most important factors taken into consideration when appraising opportunities are the track record of fund managers. ADIA's investments have an international focus although the wealth fund does not typically invest in UAE or the Gulf region.

ADIA typically invests in private equity funds with assets greater than $500mn and its minimum commitment size is approximately $50mn. It seeks a diverse portfolio with respect to geography, industry, investment philosophy and vintage. The private equity investment division is split into a number of main areas, focused on investing in primary funds, secondary investments, and distressed funds.

ADIA is an active investor in distressed private equity funds focused on North America and Europe. It does not invest in first-time distressed private equity funds but it will invest with a spin-off team. It invests in the fund type in order to balance its private equity portfolio. As of September 2011, it anticipated increasing its allocations to distressed private equity in the next two to three years, and maintaining it in the longer term.

As of Q1 2012, ADIA was looking to increase its exposure to private equity. The sovereign wealth fund anticipated increasing numbers of staff in its private equity unit, which stood at around two dozen people. At that time, ADIA had not yet decided on its new target allocation of total assets to private equity, which as of September 2011, stood at between 2% and 8%. ADIA was looking to expand its geographical expertise in Latin America, Asia, Africa and Australia. In December 2011, ADIA hired Benjamin C. Weston as global head of alternative investments. It had an allocation to alternatives of 35% of its total assets under management.

Real Estate Preferences

Core	Core-Plus	Value Added	Opportunistic	Debt	Distressed	F o Fs	Secondaries
		•	•				

N. America	Europe	Asia	MENA	Other	Emerging Managers
•	•	•		•	

ADIA is a significant investor in real estate, allocating between 8% and 10% of its total assets to the asset class. It invests both directly and in private and public funds. Its direct portfolio constitutes approximately 65% of its allocation and has international exposure. The majority of its residential real estate purchases have been in Europe and the US, including a UK portfolio worth $4bn. The Authority also invests in the India through real estate or private equity funds. In the future, it will look to make direct investments in the country.

The sovereign wealth fund's private investments include both opportunistic and value added real estate funds. The investments account for approximately 30% of its real estate portfolio, whereas public funds account for an estimated 5% of the portfolio.

In 2010, ADIA announced plans to focus on augmenting its direct portfolio. As a result, it was looking to invest in joint ventures, club deals and purchasing properties over a long-term horizon. ADIA looked to make a number of commitments to private real estate, but it could not disclose information with respect to the number of funds or amount of capital it would commit. In 2011, the sovereign wealth fund invested $475mn in a Goldman Sachs hotel portfolio. The deal is part of a restructuring for Goldman Sachs' Whitehall Real Estate Funds and includes refinancing of debt.

In February 2012, ADIA hired Pascal Duhamel as Head of European Real Estate Investments. Duhamel was previously Group Executive Director at Carrefour Property. Prior to joining Carrefour, Duhamel was a managing director at Morgan Stanley Real Estate Investing. Duhamel is a graduate of HEC business school.

Infrastructure Preferences

Greenfield	Brownfield	Secondary Stage		Economic	Social	PPP/PFI	F of Fs
•	•	•		•	•	•	
N. America	**Europe**	**Asia**	**MENA**	**OECD**	**Other**	**Emerging Managers**	
•	•	•	•		•		

ADIA is an active investor in the infrastructure asset class gaining exposure through direct investments, co-investments and both unlisted and listed infrastructure funds. ADIA began investing in infrastructure in 2007 and in the long term it aims to invest between 1% and 5% of its total assets in infrastructure. ADIA's primary strategy is to acquire minority equity stakes alongside proven partners as opposed to seeking control of the operation of assets.

ADIA invests in all stages of asset development but it has a particular preference for brownfield assets with strong market-leading positions and relatively stable cash flows, such as utilities and transportation assets. ADIA invests internationally, but it will not invest in either the Gulf region or UAE. The exception to this is in instances where investments in these regions comprise part of an index. The majority of its infrastructure investments are in developed markets, but it will consider opportunities in emerging markets.

ADIA's direct infrastructure portfolio includes a stake in Infrastructure Leasing & Financial Services (IL&FS), an Indian infrastructure development and finance company. In 2009 and 2010, ADIA made a number of acquisitions including the addition of a minority stake in the Chicago Metered Parking System concession through Tannadice Investments, its wholly owned subsidiary. In 2010, the sovereign wealth fund acquired a 15% stake in London's Gatwick Airport from Global Infrastructure Partners for $125mn.

As of Q1 2012, ADIA's 5% target allocation to infrastructure equated to approximately $31.2bn. It was actively looking to increase its infrastructure exposure over the coming 12 months and diversify its portfolio across investments in North America, Europe, the Far East and Australia. It expected to focus on long-term assets providing a long-term stable yield such as airports, roads, hospitals, power stations and gas pipelines.

Hedge Fund Preferences

L/S Equity	Macro	Event Driven	Distressed Securities	Fixed Income Arbitrage	F of Fs	Other	Any
•	•	•			•	•	
N. America	**Europe**	**Asia**	**MENA**	**Other**	**Global**	**Emerging Managers**	
•	•	•	•	•	•		

ADIA began investing in hedge funds in 1986 and has been active in the space since that time. It typically invests between 5% and 10% of its total assets in hedge funds. ADIA's portfolio contains a broad range of investment strategies including global macro, relative value, event driven, CTAs and market neutral equity-focused funds.

The sovereign wealth fund invests in hedge funds through both single-manager and multi-manager vehicles. The Authority looks to allocate funds to managers with a track record of at least two years and minimum assets under management of $200mn. In the past, ADIA has shown concern over the transparency, fee structures and liquidity provisions of funds.

External Investment Managers & Other Firms Invested With

Firm Name	Asset Class
Copernicus Capital Partners	Private Equity
New Venture Partners	Private Equity
Taurus Funds Management	Private Equity
Walden International	Private Equity

Notable Holdings

Firm Name	Firm Location	Stake
Apollo Management	US	9.0%
Ares Management	US	375.0 USD
Banque de Tunisie et des Emirats	Tunisia	38.9%
Citigroup	US	4.9%
EFG Hermes	Egypt (MENA)	8.0%
Gatwick Airport	UK	15.0%
Sorouh	United Arab Emirates	7.0%

Sample Fund Investments - Alternatives

Fund	Vintage	Asset Class	Location	Size (mn)	Committed (mn)
Macquarie International Infrastructure Fund	2005	Infrastructure	ROW		
DS3 Fuel Infrastructure Fund	2010	Infrastructure	Europe	200 USD *	
ECI Eurofund	1989	Private Equity	Europe		
Advent Central & Eastern Europe	1994	Private Equity	Europe	63 USD	
Advent Central & Eastern Europe II	1998	Private Equity	Europe	180 USD	
Actis India Fund 2	2004	Private Equity	ROW	325 USD	
GI Partners II	2005	Private Equity	US	1,437 USD	
3i Europe Partners V	2006	Private Equity	Europe	5,000 EUR	
EQT V	2006	Private Equity	Europe	4,250 EUR	
AP Alternative Assets	2006	Private Equity	US	1,850 USD	
Shell Technology Ventures Fund 1 B.V.	2007	Private Equity	Europe		
Panorama Capital	2007	Private Equity	US	240 USD	
Schroder Asian Properties	2000	Real Estate	ROW	82 USD	

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Qatar Investment Authority

Year Founded: 2005

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The State of Qatar founded Qatar Investment Authority (QIA) in 2005. QIA aims to strengthen the economy of Qatar by diversifying into new asset classes over the next 10 to 15 years. Situated in Doha, the sovereign wealth fund utilizes Qatar's natural resources. The sovereign wealth fund targets long-term strategic investments to provide capital and economic drive when its oil reserves begin to decrease (predicted to occur around 2020). QIA invests in a diverse range of asset classes and in a range of geographical areas.

Qatar Investment Authority hopes to strengthen the country's infrastructure while establishing Qatar as an international focal point for finance and investment management.

Source of Capital: Hydrocarbon

Total Funds Under Management 80,000

	USD (mn) Current	USD (mn) Target	% of Assets Current	% of Assets Target
Equities		48,000		60.0%
Fixed Income		16,000		20.0%
Real Estate	25,651		32.0%	

Qatar Investment Authority (QIA) is active in a range of asset classes including private equity, infrastructure, hedge funds, real estate, fixed income and listed securities. The sovereign wealth fund invests in financial and commercial sectors in developed and emerging markets. QIA maintains a diverse portfolio in order to strengthen the Qatari economy and ensure the long-term sustainability of its national wealth in light of the country's reliance on hydrocarbon exports.

Since its inception in 2005, QIA has built up a diverse, global investment portfolio that contains many 'trophy' assets. QIA invests through several of its wholly owned subsidiaries and has historically allocated significant proportions of its portfolio to public equity investments, with smaller allocations dedicated to fixed income and alternative assets.

Qatar Investment Authority seeks long-term investments and going forwards is likely to target European investments in the energy and defence sectors.

Equities Preferences

Large Cap	Small Cap	
•	•	

N. America	Europe	Asia	MENA	Other	Global
•	•	•	•	•	•

Qatar Investment Authority invests in public equities in Qatar, as well as internationally. The investments are made through its subsidiary, Qatar Holding.

Qatar Holdings has invested in public equities in a diverse range of geographical areas such as Europe, Latin America and Asia. Qatar Holding has acquired stakes in high-profile publicly traded companies such as J Sainsbury and Four Seasons Healthcare. QIA has invested in banks and financial institutions, both globally through investments in the London Stock Exchange, Barclays and Credit Suisse, and domestically in Doha Bank.

Fixed Income Preferences

Sovereign	Corporate	High Yield	Investment Grade
•	•	•	•

N. America	Europe	Asia	MENA	Other	Global
•	•	•	•	•	•

Qatar Investment Authority invests in fixed income instruments such as US government and corporate bonds, and also invests in fixed income globally. QIA has roughly 20% of its total assets allocated to fixed income investments.

Private Equity Preferences

Buyout	Venture	Distressed PE	Mezzanine	F o Fs	Secondaries	Other
•	•					

N. America	Europe	Asia	MENA	Other	Emerging Managers
•	•	•	•	•	

Qatar Investment Authority (QIA) actively invests in the private equity asset class, both directly and through fund investments. It has a preference for buyout and venture funds focusing on opportunities across North America, Europe, Asia, MENA and emerging markets.

QIA prefers to invest in funds with an overall size of at least $500mn and will not typically commit more than 5% of the overall fund size. QIA is also involved in local private equity and venture capital initiatives, such as the Qatar Foundation – an educational foundation dedicated to educating Qatar's rising generation to the highest standard.

QIA invests globally in direct private equity opportunities. It has numerous investments in Europe and Asia. It is also known to have stakes in a number of Qatari blue chip companies such as QNB as well as prominent international acquisitions. In 2010, the sovereign wealth fund acquired UK-based luxury retailer Harrods for £1.5bn. However, the Harrods investment was unusual as QIA typically prefers to take many smaller stakes in numerous different companies in order to increase its overall portfolio diversification.

QIA is an active investor in cleantech private equity funds. In 2008, it made a commitment to Qatar-UK Clean Technology Investment Fund, which was set up as a partnership between the sovereign wealth fund and Carbon Trust Investments. It invests in cleantech companies focused on reducing carbon emissions in the UK. In December 2009, QIA was reportedly backing London's Carbon Trust in the creation of an investment fund to tackle climate change. An agreement between the Carbon Trust and China Energy Conservation Investment Corporation (CECIC) was made earlier in the year to create and deploy low carbon technologies in China.

As of February 2012, QIA remained an active investor in the private equity asset class, both directly and through funds. At this time, the sovereign wealth fund preferred not to disclose specific details regarding its investment strategy.

Real Estate Preferences

Core	Core-Plus	Value Added	Opportunistic	Debt	Distressed	F o Fs	Secondaries

N. America	Europe	Asia	MENA	Other	Emerging Managers
•	•	•	•	•	

Qatar Investment Authority (QIA) invests in real estate through its subsidiary Qatari Diar Real Estate Investment. Established in 2004, Qatari Diar Real Estate Investment is a real estate investment and development company. As of Q4 2011, QIA was estimated to have approximately 32% of its total assets in real estate.

Qatari Diar invests in property globally. It targets property in Qatar with an aim to develop the country's tourism and to provide structure and quality control for the country's real estate developments. It also invests in the wider MENA region, in particular Morocco, Egypt, Syria and Oman, as well as in the UK, Europe and the US. Qatari Diar invests in high-profile properties such as Chelsea Barracks in London, the Raffles Hotel in Singapore and a £1.6bn stake in The Shard, a new skyscraper office development in London that will become the tallest building in the EU when completed in 2012.

Despite a preference for direct investments in real estate, Qatari Diar has historically made investments in real estate funds. Following a period of inactivity in the funds space, Qatari Diar made a soft commitment in 2010 to a private real estate fund managed by The First Investor, a firm under QIA control. The commitment will give Qatari Diar exposure to Brazilian property markets.

QIA focused heavily on real estate opportunities in emerging markets in 2010. The sovereign wealth fund committed an initial $75mn to a joint initiative with the Cypriot government in order to develop a new 50,000 sq metre hotel, office and residential complex in Nicosia. The first phase of this project will be a five star hotel, while the second phase will be apartments and offices. Furthermore, QIA pledged to invest up to $5bn in a joint fund with the Malaysian sovereign wealth fund 1Malaysia Development Berhad. The new fund will focus on developing real estate and energy opportunities in Klang Valley. In 2010, an agreement was reached between QIA and Gazprombank, Russia's largest non-state owned bank, to invest $150mn each towards a commercial real estate project.

In terms of investments in developed markets, in May 2010, QIA acquired the Knightsbridge-based store Harrods from Mohamed al-Fayed for £1.5bn. The sovereign wealth fund planned to upgrade and improve the store. In June 2010, QIA purchased Park House, an office and retail development project in London's West End district, for $370mn. In October 2010, Canary Wharf Group, a subsidiary of QIA holding Songbird, entered into a joint venture with Land Securities to construct a 690,000 square foot London-based office. QIA, alongside fellow sovereign wealth fund China Investment Corporation (CIC), will purchase 70% of Canary Wharf Group's commitment to the £500mn project. The sovereign wealth fund will commit a further $4-5bn in London over the coming years. At this time the sovereign wealth fund also acquired a 40% stake in Canada-based Fairmont Raffles for $847mn and will be the majority shareholder. The acquisition is believed to consist of three components with $467mn given for the 40% stake, $275mn for a hotel and $105mn in return for hotel management contracts that Qatari Diar will give to Fairmont Raffles for other hotels under its ownership. As part of the deal it also acquired the premier Raffles Hotel in Singapore for $275mn from Fairmont Raffles.

In April 2011, QIA made its maiden investment in the US. The $700mn building, City-CentreDC, would be one of the largest developments in the US. QIA was the cornerstone investor in a fund financing the development. The equity came from Barwa Bank, through The First Investor, which set up and co-invested in the fund, which is part owned by Qatari Diar. The development project is overseen by Hines and Archstone which also have financial stakes in the project. The project was to have two phases; the first would involve the construction of six buildings containing 458 apartments, 216 condominiums, 520,000 square feet of office space and more than 185,000 square feet of retail. The second phase planned to construct a 350 room hotel and a further 185,000 square feet of retail property.

In August 2011, Qatari Diar acquired London's Olympic Village for £557mn. This investment had been undertaken as part of a joint-venture with UK developer Delancey. The property had been identified for its long-term rental income potential. The deal gave both Qatari Diar and Delancey an equal stake in 1,439 residential units in close proximity to the Olympics site. As of January 2012, Qatari Diar's total assets amounted to $4bn and it has over 49 projects under development, or planning, in Qatar and globally.

Infrastructure Preferences

Greenfield	Brownfield	Secondary Stage	Economic	Social	PPP/PFI	F of Fs
•	•	•	•	•	•	

N. America	Europe	Asia	MENA	OECD	Other	Emerging Managers
•	•	•	•		•	

Qatar Investment Authority (QIA) gains exposure to the infrastructure asset class via its subsidiary Qatar Holding. Qatar Holding invests through direct investments and both unlisted and listed infrastructure funds. The sovereign wealth fund has a diverse portfolio including both social and economic infrastructure projects in the greenfield, brownfield and secondary stages of development. QIA has a global investment focus and will consider investing in developed markets such as Europe and North America and also in emerging markets.

Across 2009 and into 2010, QIA was placing more emphasis on its investments in infrastructure both domestically and internationally. In December 2010, Qatar Holding purchased a 9.1% stake in German construction service company Hotchief for EUR 400mn. At this time QIA also planned to invest up to EUR 5bn in transport, tourism and renewable energy infrastructure in Greece. Part of this project was to be the redevelopment of a disused sports complex from the 2004 Olympics in Athens.

In November 2011, QIA announced it would invest $1bn in African infrastructure through a 50-50 joint venture with Morocco, helping the North African country to fund major development projects. This investment is indicative of QIA's strategy to acquire a globally diversified direct infrastructure portfolio.

The sovereign wealth fund will be instrumental in providing a share of the estimated $57bn required to be invested in Qatari infrastructure in the lead up to the 2022 FIFA World Cup.

Hedge Fund Preferences

L/S Equity	Macro	Event Driven	Distressed Securities	Fixed Income Arbitrage	F of Fs	Other	Any
					•	•	

N. America	Europe	Asia	MENA	Other	Global	Emerging Managers
•	•	•	•	•	•	

Qatar Investment Authority (QIA) invests in hedge funds as part of its diverse portfolio. The sovereign wealth fund invests both directly in funds and via funds of hedge funds.

In terms of geographical location, the sovereign wealth fund predominately invests in the Middle East but has global exposure in the asset class, including Europe, North America and Asia. QIA invests in a wide range of hedge fund strategies; however it has a particular preference for CTA and commodity-based approaches. In addition to its fund investments, QIA holds a minority equity stake in Fortress Investment Group, which both raises and manages hedge funds.

Following the Madoff scandal in 2008 and the subsequent regulatory debate surrounding the asset class, QIA has demanded increasing transparency from potential hedge fund managers and its level of investment has reportedly dropped as a result.

As of 2011, QIA was still actively investing in the hedge fund asset class.

Notable Holdings

Firm Name	Firm Location	Stake
J Sainsburys	UK	25.0%
Harrods	UK	100.0%
London Stock Exchange	UK	20.0%
Credit Suisse	Switzerland	10.0%
Barclays	UK	7.0%
Porsche	Germany	17.0%

Sample Fund Investments - Alternatives					
Fund	Vintage	Asset Class	Location	Size (mn)	Committed (mn)
InfraRed Infrastructure Fund II	2004	Infrastructure	Europe	300 GBP	
PME African Infrastructure Fund	2007	Infrastructure	ROW		400 USD
EQT V	2006	Private Equity	Europe	4,250 EUR	
3i Europe Partners V	2006	Private Equity	Europe	5,000 EUR	
White Knight VIII	2009	Private Equity	Europe	1,000 EUR	

Contact Name	Position	Telephone	Email
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