

Sovereign Wealth Fund Assets Surge in 2018

Assets under management increase by 13% in a year to reach \$7.45tn as of March 2018

The 2018 Preqin Sovereign Wealth Fund Review finds that sovereign wealth funds have seen a resurgence in the growth of their assets over the past 12 months. AUM for sovereign wealth funds has increased year-on-year since the end of 2009, but in recent years the pace of growth has slowed. Having grown by just 4% from March 2015 to March 2017, though, global assets held by sovereign wealth funds have jumped by 13% in the year to March 2018. Funds worldwide added \$866bn in AUM, and the investor class now oversees a record \$7.45tn. Seventy-one percent of sovereign wealth funds saw their assets increase, although almost one in five (19%) saw a decrease. Notably, Norway's Government Pension Fund Global broke the \$1tn barrier to record \$1.06tn in assets as of March. Conversely, Russia's Reserve Fund ceased operations in early 2018, as its capital was used to cover budget shortfalls.

For more information, see the sample pages of the 2018 Preqin Sovereign Wealth Fund Review here:

<http://docs.preqin.com/reports/The-2018-Preqin-Sovereign-Wealth-Fund-Review-Sample-Pages.pdf>

Key Findings from the 2018 Preqin Sovereign Wealth Fund Review:

- The assets under management of **sovereign wealth funds grew by \$866bn in the 12 months to March 2018.**
- This puts **total assets for the investor class at \$7.45tn.**
- It represents **an increase of 13% over the past 12 months**, compared to growth of 3% in the year to March 2016 and just 1% in the year to March 2017.
- **There are now 78 sovereign wealth funds** active globally. This is a net gain of two funds over the past 12 months.
- **Norway's GPFG remains the largest sovereign wealth fund** with \$1.06tn in assets. Russia wound down its Reserve Fund in early 2018.
- The largest proportions of sovereign wealth funds – 82% and 78% respectively – invest in public equities and fixed income.
- However, **interest in real assets is increasing.** Sixty-four percent and 59% of sovereign wealth funds invest in infrastructure and natural resources respectively. This is an increase of one percentage point for infrastructure and four for natural resources over the past 12 months.

Selina Sy – Editor, 2018 Preqin Sovereign Wealth Fund Review:

“In the 2017 Preqin Sovereign Wealth Fund Review we noted that the pace of growth in sovereign wealth fund assets had slowed considerably in recent years, as these investors faced significant challenges from falling oil prices and domestic budget shortfalls. This seems to have reversed in the past 12 months, though, and sovereign investors have seen their assets resurge to almost \$7.5tn. This is in part due to the recovery in oil prices, as well as stronger-than-expected growth in emerging markets such as China.

With so much capital under their control, sovereign wealth funds are undoubtedly one of the most influential investor groups despite their relatively small number. It is interesting, then, to see that they seem to be balancing their portfolios away from traditional asset classes such as public equities and fixed income, and becoming increasingly involved with alternative assets. In particular, more sovereign wealth funds have begun investing in real assets over the past year, seeking diversification and long-term inflation hedges. Given that most operate with long horizons and capital growth priorities, real assets suit many sovereign investors' requirements, and we may see this shift continue over the coming years.”

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