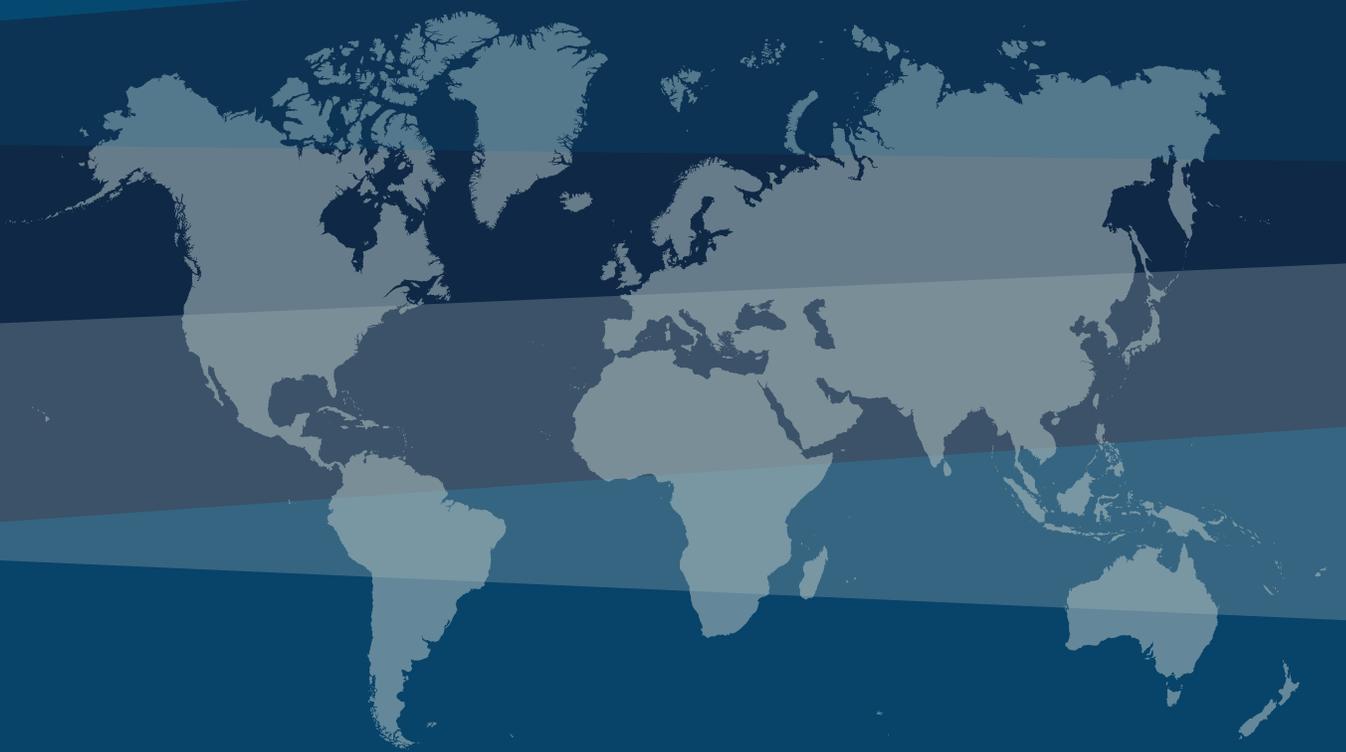


THE SEVENTH

Sovereign Wealth Funds Conference Proceedings

2020



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Acronyms

ACS	All Compliance Services
APHF	Africa Public Health Foundation
AU	American University
AUM	Assets under Management
CFIUS	Committee on Foreign Investment in the United States
DVC	Doha Venture Capital Fund
FAP	The Fondo de Ahorro de Panamá
FDI	Foreign Direct Investment
FIRMA	The Foreign Investment Risk Review Modernization Act
FWC	Fund Weighted Composite Index®
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPO	Initial Public Offering
KIA	Kuwait Investment Authority
KIB	Kuwait Investment Board
KIO	Kuwait Investment Office
KSB	Kogod School of Business
MENA	The Middle East and North Africa
NCUSAR	The National Council on U.S.-Arab Relations
OECD	The Organisation for Economic Co-operation and Development
PwC	PricewaterhouseCoopers
QH	Qatar Holding
QIA	Qatar Investment Authority
REIT	Real Estate Investment Trust Fund
SMIF	Student Managed Investment Fund
SWF(s)	Sovereign Wealth Fund(s)
SWFI	Sovereign Wealth Fund Institute
UAE	United Arab Emirates
VLA	VentureLift Africa
WEO	World Economic Outlook

Executive Summary

INTRODUCTION

American University's Kogod School of Business (KSB) convened its Seventh Annual Sovereign Wealth Funds (SWF) Conference on October 14, 2020, held virtually from American University (AU) in Washington, DC. The topic of this year's conference was **The 21st Century Pandemic: How Resilient Are Sovereign Wealth Funds?** As such, the conference examined the impact of the COVID-19 pandemic on SWF operations and recent changes in SWFs since last year's meeting.

Each year the conference aims to generate interest in the area of SWFs in terms of new courses and research in this area, acknowledging that SWFs remain relatively neglected because of unique investment goals and structures and the "sovereign" focus of these funds. However, while somewhat neglected in the past, technological advancements and the growing global SWF footprint have increased interest in how SWFs function and interact with global financial markets.

SWFs, as defined by the International Monetary Fund, are:

"a special purpose investment fund or arrangement, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer financial assets to achieve financial objectives, and employ a set of investment strategies, which include investing in foreign financial assets. SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports."

Since AU's Sixth SWF Conference in October 2019, the world has been stricken by a major pandemic that has severely impacted global societies in a number of ways. Declining world economic conditions have forced countries to provide a social network to their citizens, to curtail some investment plans, and to create task forces to pursue a vaccine, among other things. The International Monetary Fund (IMF) forecasted a nearly 5 percent decline in the world economy, and the forecast is still under review. SWFs are not immune to this decline and have been impacted by the pandemic as well—COVID-19 has forced them to face a new reality.

In general terms, Asia and the Middle East still occupy a leading role in the spread of SWFs globally. According to the Sovereign Wealth Fund Institute (SWFI), 41.4 percent of the SWFs are in Asia, 34.7 percent in the Middle East

(specifically in the GCC), and 17.4 percent in Europe, with the rest scattered in other parts of the world. The largest 12 individual SWFs are located in China, Norway, UAE, Qatar, Kuwait, Saudi Arabia, and Singapore. Ranking SWFs by asset undermanagement by country, China comes first, followed by the UAE, and then Norway.

The pandemic has forced SWFs to reassess their operations. Some have focused on their local economies to provide the needed resources, while others have developed emergency funds to sustain their portfolios and helped to seek international loans for their countries. While the assessment of the pandemic's impact is still ongoing, SWFs have been implementing changes in their own operations to keep up with the business stresses during the pandemic. Some even began seeking short-term investment opportunities, and while these activities have their justifications, these strategies represent quite a departure from the traditional *modus operandi* to act as a long-term, lower-risk investor. The Seventh SWF Conference was designed to address these new developments, to assess how the global pandemic is impacting SWFs, and to assess the resilience of SWFs across the world to these types of circumstances.

In total, we had four keynote speakers and 12 panelists present papers and give remarks this year. The conference was generously supported by the Embassy of the State of Qatar in Washington, DC, HRH Prince Abdulaziz bin Talal Al Saud, the Embassy of the United Arab Emirates in Washington, DC, the Kogod School of Business, and American University.

CONFERENCE SYNOPSIS

Please note that some of the speakers and panelists provided written papers, statements, and/or PowerPoint presentation slides, all of which are being included as appendices to these proceedings. Below are brief synopses of key parts of the conference:

Keynote Remarks

The list of keynote speakers included:

- the chairman of the board of the Free Zones of the State of Qatar and a former CEO of the Qatar Investment Authority,
- the CEO and CIO of Panama Sovereign Wealth Fund,
- the founding president and chief executive officer of the National Council on US-Arab Relations,
- the deputy division chief of the Monetary and Capital Markets Department at the International Monetary Fund, as well as
- the former dean of Stanford University's Graduate School of Business and a Nobel Prize Laureate, who shared his remarks via a pre-recorded video interview.

The keynote remarks addressed how this pandemic had impacted SWFs along with the global economies and reviewed the financial losses suffered and the many ways in which they occurred. The primary driver was the unexpected contraction in the world economic system, which forced governments to borrow money to finance social programs. Likewise, state budgets in some countries tried to access the marketplace to borrow funds to bridge budget deficits.

Speakers and panelists articulated many SWF challenges, including:

1. That the world is experiencing a dangerous pandemic that we have not experienced since 1918. The trade war between the US and China is still on. The IMF forecast for economic growth is gloomy, and wealthy countries are going to the international markets to borrow against their natural resources. The IMF currently predicts that the global economy will contract by 4.9 percent this year, a full 1.9 percentage points below the April 2020 World Economic Outlook forecast.
2. The pandemic has forced SWFs to face a new reality. SWFs face, concurrently, the decline in prices of natural resources, an increase in the state budget, shocks in the national economies, shrinking economic growth, and demands on governments to provide a social network.
3. While the assessment is still in the making, there

are movements in the SWF space that depart from the standard norms. The S&P 500 Monthly Returns showed fluctuations from -12.51 percent in March to 5.41 percent in July before dipping again by -3.92 percent in September. With national economies suffering from revenue shortages and populations in need of additional government support to mitigate the impacts of the crisis, many SWFs have seen their roles transformed.

Renewed interest in having an SWF in the US was raised again, to benefit workers and businesses in the country, which is the basic purpose of the creation of an SWF. This is how it was envisioned more than 70 years ago by the late HH Sheikh Abdullah Al Salem Al Sabah. He established the Kuwait Investment Board (KIB) in 1953, and after Kuwait gained its independence in 1961, the Kuwait Investment Office (KIO) in 1965, followed by establishing KIA as a parent organization in 1982 when the visionary and renowned, HE Abdlatif Al Hamad was the Minister of Finance.

While the world market economies have contracted, threats and opportunities in the market have been magnified, so some SWFs sold part of their assets to fund government budget deficits while others borrowed money to acquire new assets at advantageous prices. Speakers emphasized that SWFs should move towards developmental finance in the sense that more investment should be done locally. For example, the Qatar 2030 plan is moving towards developing the knowledge economy and funding startups.

The Panama SWF is the first in the Latin American region and is based on a collaborative structure. Aside from the traditional layers in SWFs, it has a supervisory Commission that represents civil society. The fund contributed \$105 million to the government for housing and is staying the course in cooperating with private enterprise. The movement towards LNG and transportation in cooperation with private equity firms is driving expectations of solid returns on investments.

Participants briefly reflected on the West's involvement in the East and pointed out that SWFs owned by governments have been doing investment work regarding the transfer of technology to the East and noting there continues to be a lack of trust in the West regarding SWFs. While the West specifically trains more than half a million Arab students, there have been zero American students educated completely in any Arab countries, even though these countries have a large and growing number of universities. What is interesting is that since this part of the world is important for the US, the West should look at these countries as investors with good ideas and not simply as commodity suppliers. Some SWFs invest in infrastructure, private equity, real estate and

other sectors in the northwest Indian Ocean region and other countries, areas where China actively invests and where investment from the West would be welcome and perhaps profitable.

Recent IMF statistics indicate that a worldwide recovery will be seen shortly after the pandemic subsides, but challenges remain for governments to adjust to fixed income market changes, to adjust financing for policy support, and to match long-term liabilities with long-term assets. Participants mentioned that while oil prices, the prices of food, and metal prices are rebounding, overall debt levels are increasing and, consequently, the SWFs could be called upon to assist with increased investment returns. Switching to alternative assets is one way to seek these increased returns.

We are still learning long-term impact of the pandemic, but the pandemic has definitely accelerated the adoption of digital technology within SWFs. While the recovery will come, it will take time, and economic sectors will rebound differently. Certain sectors, such as hospitality and healthcare, have been hit especially hard, with world stock prices generally hit hard as well. Stock prices always reflect expectations of the future and can serve to inform changes in SWF policies and procedures. Like other investors, SWFs could overreact to market prices but should stay focused on existing goals. Surely SWFs will play a major role in the economies of many countries but primarily as relatively opaque long-term investors self-selective in terms of sharing information and details. For now, the relative lack of studies and research on SWFs justifies more attention to SWF issues in the future.

Panel Debates

One thing we know for sure is that the future is going to be very different in the post-pandemic world, but in what ways might it be different? Are these SWFs going to assume more risk and increase exposure to risky sectors? What might happen to the Santiago principles? Are they being implemented, and will they be followed going forward? Are SWFs considering cooperating among themselves, or are they still competing against each other? Might SWFs become a branch or department within the central bank? These questions and others were addressed in the two panels of this year's conference: Panel A: Assessment of Recent Changes (SWFs in Crisis), and Panel B: Assessment of The Proposed Going Forward (SWFs Post Crisis).

The two panels were moderated by the managing director of global SWF and the president of SWFI, respectively, and included panelists from a well-known law firm representing countries from the GCC, an advisory group with international exposure, an investment firm, an international consulting firm, a

firm dealing with international regulatory activities, an advisory group focusing on sovereign wealth funds operations, and scholars from academia.

Panel A: Assessment of Recent Changes (SWFs in Crisis)

In the GCC, there is a need to reform economic and fiscal policies now, an opportunity presented since the 2014 fiscal deficit. These countries need to borrow money to fill budget gaps, and the problem is convincing governments of this need. Overlaying this issue is the need for transparency so citizens are informed about SWFs, especially since SWFs are intended to benefit future generations, not simply the current one. COVID-19's negative impact on tourism and transportation encouraged some SWFs like Oman to consolidate their funds to improve liquidity. Private pension funds have been typically more versatile than SWFs, and they are borrowing to invest and to fund investment. Likewise, governments should coordinate borrowing against state assets. For example, the Kingdom of Saudi Arabia borrowed \$30 billion to invest in the market. On the investment side, online education, advancement in medical technology, and agriculture are becoming growing subsectors in SWF portfolios.

The World Bank is helping to create funds in both Africa and Asia (Djibouti and Indonesia, for example). In Africa most of the investment is in green energy, focusing on climate change and transportation. There seems to be an emphasis on the economic rate of return, instead of the financial rate of return, which is an interesting and relatively new development. These funds are hybrids, with 50 percent of funds provided by the government and 50 percent by the private sector. They form limited partnerships with the companies required to publicly disclose performance information. Consequently, these initiatives will help to address concerns about the lack of data in the future.

Panel B: Assessment of the Proposed Going Forward (SWFs Post Crisis)

SWFs in Africa are changing in large part because they do not have excessive natural resources. Africa established the Africa Public Health Foundation in affiliation with the Gates Foundation. By some metrics, this impact investment is going well, but some suggested the need to more clearly define what is meant by success. Future efforts will focus on risk mitigation and extracting risk/reward analyses from SWF initiatives. Some argue against these affiliations, but others would like to establish parallel funds that cover areas like healthcare, venture capital, and free trade agreement in Africa. Highlighting the importance of transparency, the anti-money laundering issue with one of the SWFs was noted. China is investing in heavy startups like Jack Ma's new IPO. China is also facing lots of competition in

the worldwide marketplace. China's ability to advance their financial sector is reaching a level by which real economic growth, productivity, and the positive direct investment will be poised to expand going forward. China has many opportunities in this area, with alternative assets becoming more important. Selected government supported companies are likely to invest in education, health care, transportation, and other promising sectors. China is investing heavily in health care and food security directly competing for many of the investment opportunities of SWFs.

Closing Remarks

Closing remarks focused on the continuing disconnect between the East and the West and highlighted the need for SWFs to rise to the challenge. SWFs are challenged to restructure their operations specially to meet the quality demand of their nations. There was a mention of Harvard Management (which manages Harvard's endowment) as a good exemplar because they invest based on the available liquidity that they have. The need to evaluate how to balance economic return with a financial return is something that deserves investigation.

The Kogod School of Business noted relevant programs and courses, including a first private equity course and how finance courses focus on recognizing and minimizing agency conflicts, some of the same conflicts faced by SWFs. The SWF world interfaces with finance practice and theory on many levels. Notably, Panama's SWF focuses on investing outside the country due to a lack of liquidity within the country, highlighting how liquidity considerations can completely overshadow many other investment objectives. Conference participants referenced various research papers and how cooperation between industry and academia has led to interesting and topical research publications in the past. Greater transparency from SWFs holds the promise to create future research endeavors that may help to better solve existing problems within this sphere.

Conference Adjournment

The conference recognized the continuing need to discuss and analyze SWFs on many levels. We believe that there is tremendous value in disseminating information about SWFs, particularly as SWFs adjust to these unusual times. The Eighth SWF Conference will take place at American University (tentatively) on October 13, 2021.

Respectfully submitted,

Ghiyath Nakshbendi

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Seventh Sovereign Wealth Funds Conference Agenda

THE 21ST CENTURY PANDEMIC: HOW RESILIENT ARE SOVEREIGN WEALTH FUNDS?

Wednesday, October 14, 2020

- 10:00 – 10:15 a.m. **Welcome**
Dr. John T. Delaney
Professor of Management and Dean, Kogod School of Business, American University
- Professor Parthiban David**
Senior Associate Dean and Professor Department of Management, Kogod School of Business, American University
- 10:15 – 10:30 a.m. **Opening Remarks**
Dr. Ghiyath Nakshbendi
Senior Professorial Lecturer, Department of Finance and Real Estate, Kogod School of Business; Affiliate Faculty at the School of International Service and the College of Arts and Sciences' Arab Studies Program, American University
- Keynote Remarks**
- 10:30 – 10:45 a.m. **H.E. Ahmad Al-Sayed**
Minister of State, and the Chairman of the Board of Directors, Free Zones Authority, Qatar
- 10:45 – 11:00 a.m. **Mr. Abdiel Santiago**
Secretariat (CEO/CIO), Fondo de Ahorro de Panamá
- 11:00 – 11:10 a.m. **Break**
- 11:10 – 11:25 a.m. **Dr. John Duke Anthony**
Founding President and Chief Executive Officer, National Council on US-Arab Relations
- 11:25 - 11:40 a.m. **Mr. Charles Cohen**
Deputy Division Chief, Debt Capital Markets Division, Monetary and Capital Markets Departments, International Monetary Fund (IMF)
- 11:40 - 11:50 a.m. **Professor Michael Spence**
Nobel Prize Laureate in Economic Sciences (2001); Philip H. Knight Professor Emeritus of Management and former Dean of the Graduate School of Business, Stanford University; Adjunct Professor, Bocconi University, Milan
- 11:50 a.m. - Noon **Break**
- Noon - 12:30 p.m. **Panel A: Assessment of Recent Changes (SWFs in Crisis)**
Moderator: Mr. Diego López
Managing Director, Global SWF
- Mr. Amer Altameemi**
Senior Consultant, Kuwait Investment Projects Company
- Mr. Geoffrey Davis**
Partner, Squire Patton Boggs
- Dr. Archana Hingorani**
Co-Founder, Siana Capital; Adjunct Faculty, Kogod School of Business, American University
- Mr. Michel Noel**
Co-Founder and Managing Partner, Sovereign Fund Advisory LLC; Senior Consultant, the World Bank

- 12:30 – 12:45 p.m. **Panel A: Q&A**
- 12:45 – 12:55 p.m. **Break**
- 12:55 – 1:25 p.m. **Panel B: Assessment of the Proposed Going Forward (SWFs Post Crisis)**
Moderator: Mr. Michael Maduell
President, Sovereign Wealth Fund Institute
- Dr. Wilmot Allen**
Post-Doctoral Fellow, Africa Center for the Study of the U.S., Wits University, South Africa
- Mr. Babak Hafezi**
Founder and Partner, Hafezi Capital International Consulting; Adjunct Professorial Lecturer, Department of International Business, American University
- Mr. Kareem Nakshbendi**
Founder and CEO, All Compliance Services
- Dr. Timothy Timura**
Professorial Lecturer, Department of Finance and Real Estate, Kogod School of Business, American University
- 1:25 – 1:40 p.m. **Panel B: Q&A**
- 1:40 – 1:50 p.m. **Closing Remarks**
Dr. Jeffrey H. Harris
Gary D. Cohn Goldman Sachs Chair In Finance, Chair, Finance and Real Estate Department, Kogod School of Business, American University
- 1:50 – 2:00 p.m. **Closing Remarks**
Dr. Ghiyath Nakshbendi
Senior Professorial Lecturer, Department of Finance and Real Estate, Kogod School of Business; Affiliate Faculty at the School of International Service and the College of Arts and Sciences' Arab Studies Program, American University

Speaker Biographies



Dr. John T. Delaney

Professor of Management and Dean, Kogod School of Business, American University

John T. Delaney is professor of management and dean of the Kogod School of Business at American University. Prior to his appointment at AU in 2016, he served as the Henry E. Haller, Jr. Dean of Business at the University of Pittsburgh from 2006 until 2015. Delaney earned a BS degree from LeMoyné College and AM and PhD degrees from the University of Illinois. He held faculty positions at the Columbia University Graduate School of Business, University of Iowa, Michigan State University, and the University of Pittsburgh before joining AU. At Iowa, he also served as director of the Industrial Relations Center, university ombudsman, and chairperson of the Department of Marketing. At Michigan State, he served as associate dean for MBA Programs. He is widely recognized for his scholarship in negotiation, dispute resolution, and labor-management relations. He has given expert testimony to the National Labor Relations Board and the Subcommittee on Labor of the US Senate Committee on Labor and Human Resources and has regularly served on business school accreditation review committees for the AACSB.



Professor Parthiban David

Senior Associate Dean and Professor Department of Management, Kogod School of Business, American University

Professor David holds the Collins Chair in Strategy at the Kogod School of Business in American University. He currently serves as senior associate dean. He teaches strategic management. His research studies the relationship between corporate governance, corporate strategy, and firm performance. His current research focuses on the governance role of financial reporting. His research has been published in journals such as the *Academy of Management Journal*, *Strategic Management Journal*, *Management Science*, and *Journal of Management*. He serves on the editorial boards of *Academy of Management Journal*, *Strategic Management Journal*, *Journal of Management*, and *Journal of Management Governance*, and on the International Advisory Board of the *Journal of Enterprising Culture*. He has served on the faculty at the University of Oklahoma, University of Notre Dame, and Nanyang Technological University in Singapore. He earned a PhD in management from Texas A&M University. He has an undergraduate degree in mechanical engineering and has six years materials management experience in the power plant equipment manufacturing industry in India.



Dr. Ghiyath Nakshbendi

Senior Professorial Lecturer, Department of Finance and Real Estate, Kogod School of Business; Affiliate Faculty at the School of International Service and the College of Arts and Sciences' Arab Studies Program, American University

Ghiyath was one of the first groups of sovereign wealth funds experts working for Kuwait Investment Authority (KIA) headquarters in Kuwait, the oldest sovereign wealth fund in the world at the time. He teaches graduate and undergraduate courses in finance and international business. Ghiyath was a pioneer in introducing and teaching Islamic finance courses and structured the first graduate certificate in Islamic finance in the US at American University. He has extensive international business experience. His early career in academia (Montgomery College, George Mason U, and King Saud U) was followed by more than 25 years

of senior positions working in developmental financing, sovereign wealth funds (SWFs), and commercial real estate. Dr. Nakshbendi has worked in business in 15 countries in the Middle East and North Africa, the UK, France, Switzerland and the US. He is active in US and international organizations and has frequent international and domestic speaking engagements, including two speaking tours with the US State Department. Ghiyath is a Non-Resident Fellow at Sovereign Investment Lab, Baffi Center on International Markets, Money, and Regulation, Università Bocconi, Milan, Italy, and International Business & Investment Affairs Fellow at the National Council on US-Arab Relations (NCUSAR), Washington, DC. Ghiyath is a Fulbright scholar. He earned his bachelor of commercial sciences (BCom) from the University of Aleppo, and his MBA from Mays School of Business, Texas A&M University, and was awarded his PhD from American University's School of Business.



H.E. Ahmad Al-Sayed

Minister of State, and the Chairman of the Board of Directors, Free Zones Authority, Qatar

His Excellency Ahmad Al-Sayed is the Minister of State and the Chairman of the Board of Directors, Free Zones Authority, Qatar. H.E. Al-Sayed is also the chairman and managing director of Doha Venture Capital Fund (DVC), board member of Qatar Development Bank and Board Member Msheireb Properties. Free Zones Authority is established to regulate and promote foreign direct investment (FDI) to Qatar and working to make Qatar a Global business hub. His Excellency Al-Sayed served as chief executive officer of Qatar Investment Authority and Qatar Holding, where he played a critical role to build, oversee, and manage Qatar Sovereign Wealth Fund. During his tenure, he executed mega deals such as the QIA/QH's investment in Credit Suisse, engineered the merger of VW and Porsche, as well as Xstrata and Glencore, the takeover of Songbird and Canary Wharf Group, and the acquisition of Harrods Group, Iberdrola Energy, Tiffany, Heathrow Airport and others. Prior to QIA, His Excellency Al-Sayed held key roles in various local and international institutions, including the Supreme Council for Economic Affairs and Investment. He has also served as board member for different local and international companies like Qatar National Bank, Canary Wharf Group, and Volkswagen Group, vice chairman of Qatar Exchange, and executive chairman of Harrods LHD. His Excellency Al-Sayed holds his MBA with Trium Global (from LSE, NYU Stern, HEC Paris), a master's of international banking and financial law from Boston University, and an LLB from Qatar University. He was awarded an honorary doctorate degree (DLitt) in July 2019 from Swansea University, United Kingdom.



Mr. Abdiel A. Santiago

Secretariat (CEO/CIO), Fondo de Ahorro de Panamá

Santiago is the Secretariat (CEO/CIO) of the Fondo de Ahorro de Panamá (Panama's Sovereign Wealth Fund), a ~\$1.4 billion investment vehicle for stabilization and intergenerational wealth-creation. He has over 20 years of financial experience in the financial sector, including executive roles in equity investment research, investment banking, restructuring and financial regulation. Prior to his current role, he was an equity investment research executive at Morgan Stanley in New York covering the energy and industrial sectors (over \$200 billion in market cap.) and worked in teams that consistently ranked no. 1 in equity research. Earlier in his career, Santiago served as a financial analyst at the US Securities & Exchange Commission overseeing financial/regulatory matters at broker-dealers and asset managers, and also served in the US Air Force. Santiago is a Board Leadership Fellow with the National Association of Corporate

Directors (NACD), Washington, DC. He received an MBA from the Kellogg School of Management at Northwestern University and a bachelor's degree from the University of Denver.



Dr. John Duke Anthony

Founding President, National Council on US-Arab Relations

John Duke Anthony is the founding president and chief executive officer of the National Council on US-Arab Relations. On June 21, 2000, H.M. King Muhammad VI of Morocco knighted Dr. Anthony, bestowing upon him the Medal of the Order of Ouissam Alaouite, the nation of Morocco's highest award for excellence. Dr. Anthony currently serves on the United States Department of State Advisory Committee on International Economic Policy and the Committee's Subcommittee on Sanctions. Dr. Anthony is the only American to have been invited to each of the Gulf Cooperation Council's Ministerial and Heads of State Summits since the GCC's inception in 1981. Annually since 2009, he has chaired and served as the core lecturer in the Council's Annual 10-Week University Student Summer Internship Program's yearly academic seminar on "Arabia and the Gulf." He is former chair, Near East and North Africa Program, Foreign Service Institute, US Department of State as well as former chair of the department's Advanced Arabian Peninsula Studies Seminar.



Mr. Charles Cohen

Deputy Division Chief, Debt Capital Markets Division, Monetary and Capital Markets Departments, International Monetary Fund (IMF)

Charles Cohen is deputy division chief in the debt Capital Markets Division of the Monetary and Capital Market Departments of the International Monetary Fund (IMF). He joined the IMF in 2017 where he focuses on financial stability and debt market issues. He was previously at the Financial Stability Oversight Council at the US Treasury, prior to which he worked at Bain Capital Credit in corporate and sovereign debt portfolio management, and also at the Boston Consulting Group. He has wide-ranging private and public sector experience in financial markets analysis and financial stability policy and regulatory issues. Charles has a PhD in economics from Harvard University, and MS and BS degrees in mathematics from the University of Chicago and Stanford University.



Professor Michael Spence

Nobel Prize Laureate in Economic Sciences (2001); Philip H. Knight Professor Emeritus of Management and former Dean of the Graduate School of Business, Stanford University; Adjunct Professor, Bocconi University, Milan

He is the Philip H. Knight Professor Emeritus of Management in the Graduate School of Business at Stanford University, a Senior Fellow of the Hoover Institution at Stanford and a Distinguished Visiting Fellow of the Council on Foreign Relations. He is an adjunct professor at Bocconi University in Milan, and an Honorary Fellow of Magdalen College, Oxford University. In 2001, he received the Nobel Prize in Economic Sciences for his work in the field of information economics. He is a senior advisor to Jasper Ridge Partners and a senior advisor to General Atlantic Partners. He co-chairs (with Dr. Victor Fung) the Advisory Council of the Asia Global Institute, and was the chairman of the Independent Commission on Growth and Development (2006-2010), where he served with Montek Singh Ahluwalia. He is a member of the Advisory Council of the Luohan Academy in Hangzhou. He served as dean of the Stanford Business School from 1990 to 1999 and dean of the Faculty of Arts and Sciences at Harvard University from 1984 to 1990. He was a member of the board of the Stanford Management Company, which manages

the Stanford University endowment, and the International Chamber of Commerce Research Foundation. He earned his undergraduate degree in philosophy at Princeton summa cum laude, and was awarded a Rhodes Scholarship at Magdalen College, Oxford, where he earned a BA/MA in mathematics. He earned his PhD in economics at Harvard. He was awarded the John Kenneth Galbraith Prize for excellence in teaching and the John Bates Clark Medal for a "significant contribution to economic thought and knowledge." The Clark Medal was awarded, at that time, every two years to an Economist under the age of 40.

Dr. Jeffrey H. Harris

Gary D. Cohn Goldman Sachs Chair In Finance, Chair, Finance and Real Estate Department, Kogod School of Business, American University



Jeffrey Harris is currently the Gary D. Cohn Goldman Sachs Chair in Finance and department chair for finance and real estate at Kogod. Dr. Harris recently served as chief economist and division director for the Division of Economic and Risk Analysis at the US Securities and Exchange Commission. Previously he served as chief economist at the US Commodity Futures Trading Commission and as visiting academic at the Nasdaq Stock Market. He has previously held faculty appointments as the Dean's Chair in Finance at the Whitman School of Management at Syracuse University, as the Collins Chair of Finance in the Cox School of Business at Southern Methodist University (visiting), at the University of Delaware, at the University of Notre Dame, and at the Ohio State University.

Panelist Biographies

PANEL A



Moderator

Mr. Diego López

Managing Director, Global SWF

Diego López is the managing director of Global SWF, a financial advisory boutique that has assisted since 2018 institutions such as the World Bank and the United Nations with their work and in-roads into SWFs. Global SWF's ultimate mission is to promote a better understanding and connectivity into and between state-owned investors, including sovereign wealth funds and public pension funds. Diego is a seasoned consultant and banker with over 14 years of work experience in the world's main financial markets, including Europe, the Middle East, China, Brazil, and the US. Prior to founding Global SWF, he spent five years building up PwC's footprint in the SWF industry as the director and COO of the global practice, based in Abu Dhabi and New York. Prior to PwC, he worked for five years in KPMG and for two years in Accuracy. Diego earned his master's in finance from the London School of Economics (LSE) after completing his bachelor's in economics in the Universities of Madrid and Milan. He is frequently quoted by leading news media including the FT, New York Times, Bloomberg and Reuters.

Panelists

Mr. Amer Altameemi

Senior Consultant, Kuwait Investment Projects Company



Mr. Altameemi is a senior consultant at the Kuwait Investment Projects Company. He received his BS in economics from Clarkson University in Potsdam, New York. From 1994 till 2004 he was the chairman of the Kuwait Economic Society and has been the senior advisor of the United Nations Development Program, Kuwait, since 2008-2009. He has written many articles and research papers on economic issues.

Mr. Geoffrey Davis

Partner, Squire Patton Boggs



Geoffrey G. Davis is a partner at Squire Patton Boggs. At the firm, he concentrates his practice in domestic and international business transactions. He has extensive global experience in private equity transactions on behalf of one of the largest private equity investors in the world and has consummated more than 200 substantial private equity transactions in the United States, Europe, and Asia in recent years. Mr. Davis holds a master's degree in international law from Cambridge University.



Dr. Archana Hingorani

Co-Founder, Siana Capital; Adjunct Faculty, Kogod School of Business, American University

Dr. Hingorani has over 30 years of experience in the asset management business. In her formative years, she helped create a new company and raise resources focused on oil exploration, a first for India. This laid the foundation for understanding private markets. She has rich experience in fund raising, investing, nurturing investments through four different economic cycles, carving exit paths, and more. Currently, she runs Siana Capital, an asset management business focused on technology and impact investments. She also serves on the University of Pittsburgh's Chancellor's Global Advisory Council and the advisory board of TalentNomics, a Washington-based group focused on encouraging upward movement of women in the workforce, and Global Impact Initiative, an Australian firm focused on impact investments. In the recent past, she has also served on the Real Estate and Investment Commissions of the United Nations Environment Programme and has been recognized for leadership by Business World, Fortune India, and Asian Investor. She is an adjunct faculty at the Kogod School of Business, American University, for private equity and alternative assets.



Mr. Michel Noel

Co-Founder and Managing Partner, Sovereign Fund Advisory LLC; Senior Consultant, the World Bank

Michel Noel is co-founder and managing partner of Sovereign Fund Advisory LLC and senior consultant at the World Bank. Until 2017, he was head of investment funds and practice manager for Non-Bank Financial Institutions in the Finance and Markets Global Practice of the World Bank, and lead financial sector specialist in the Africa and in the Europe and Central Asia Regions of the World Bank. He was vice-president at Dexia Asset Management in Geneva and London from 2000 to 2003 responsible for the development of local infrastructure private equity funds in Central Europe. Previously, Michel held a number of positions in the Africa and Europe and Central Asia Regions of the World Bank, and he was a consultant at the OECD Development Research Center in Paris. Michel holds a MA in economics and social sciences from the University of Namur, Belgium.

Panelist Biographies

PANEL B



Moderator

Mr. Michael Maduell

President, Sovereign Wealth Fund Institute

Michael Maduell is President & Chairman of SWFI. SWFI provides research and data to a variety of clients including investment banks, asset managers/owners, private equity, law firms, universities, governments and corporations. He received his Master's in Investment Management and Financial Analysis from Saint Mary's College and a Bachelor's in Finance & Risk Management.

Panelists

Dr. Wilmot Allen

Post-Doctoral Fellow, Africa Center for the Study of the US, Wits University, South Africa



Dr. Wilmot Allen is a post-doctoral fellow at the Africa Center for the Study of the US at Wits University in Johannesburg and a researcher on sovereign wealth management and global capital with SovereignNET at the Fletcher School of Tufts University. Wilmot is an experienced emerging market investor, entrepreneur, management consultant and political economist. Based in Nairobi, he is founder of VentureLift Africa (VLA), an investment advisory firm with a fintech and curation platform for scaling African startups and SMEs through innovative financing and curated matches with Diaspora and other trade supply chains, technology transfer, talent, and advisory partners. Wilmot is also a Venture Partner with RH Managers based in Johannesburg, a private equity fund investing in healthcare and currently raising a fund to invest across Southern and Eastern Africa. Related to healthcare, he was recently a management consultant to the African Union Centers for Disease Control and Prevention (CDC) and co-created the strategy, fundraising, and operational plan for its new Africa Public Health Foundation (APHF). The APHF is the African institution leading the continent's COVID-19 response. He served on the AU CDC COVID-19 Response Taskforce. He previously worked as the director of East Africa with CrossBoundary LLC, leading the transaction advisory practice for the East Africa Trade and Investment Hub from Nairobi. Prior, Wilmot worked with the International Finance Corporation in Washington, DC, executing investments totaling over \$300 million and managing a portfolio of \$2.5 billion with the private equity and financial institutions groups. At the IFC, he was also senior advisor to the CEO on entrepreneurship initiatives in Africa, Asia, and the Middle East, in conjunction with the World Economic Forum. In other roles, Wilmot executed over \$4 billion in combined transactions as a venture capital investor with the Commonwealth Enterprise Fund in Boston, a technology M&A investment banker with JPMorgan H&Q to Silicon Valley and international companies in San Francisco and a private placement and IPO investment banker with Merrill Lynch in New York. Wilmot has a PhD from Georgetown University in comparative political economy, an MBA from the Wharton Business School, an MPA from Harvard University, and BA from Yale University. He is a former Robert Toigo Fellow and was selected as Young Global Leader at the World Economic Forum.



Mr. Babak Hafezi

Founder and Partner, Hafezi Capital International Consulting; Adjunct Professorial Lecturer, Department of International Business, American University

Babak Hafezi has advised numerous clients in market entry strategies as well as service improvements to members of the Pakistani Parliament, Mongolia president and congress, and Global Fortune 5000 companies and CEOs. HafeziCapital continuously advises clients on the capital markets in the areas of venture capital, private equity and sovereign wealth funds. HafeziCapital's consulting department focuses on providing clients with help in scaling operations, capitalization, and internationalization. Babak Hafezi obtained a bachelor's degree in international relations with a focus on Middle Eastern studies and a master's degree (MA) in international peace & conflict resolution from the School of International Service at the American University in Washington, DC. He subsequently obtained a master's in business administration (MBA) from the Kogod School of Business at the American University and pursued a post-graduate education certificate in strategy development from the Sloan School of Management at the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts. Babak Hafezi also enjoys teaching and thus is serving his alma mater at the Kogod School of Business at the American University as an adjunct professor, teaching in the areas of international business and business formation at both the graduate and undergraduate levels.



Mr. Kareem Nakshbendi

Founder and Chief Executive Officer, All Compliance Services LLC

Kareem is the founder and CEO of All Compliance Services (ACS), a cybersecurity and regulatory technology company. Kareem is a subject-matter expert in counter threat finance and financial crime compliance. As an entrepreneur, investigator, operational executive, and professional investor, he has invested within the US and abroad.

Dr. Timothy Timura

Dept. of Finance, Kogod School of Business, American University

Dr. Timothy Timura, CFA, is an executive in residence in finance and real estate and the faculty director of the Student Managed Investment Fund (SMIF) and the Real Estate Investment Trust Fund (REIT). Prior to Kogod, Professor Timura spent over 30 years as an institutional money manager with Federated Investors, the State Teachers Retirement System of Ohio, and Principal Financial. A chartered financial analyst and a University of Wisconsin-Madison Applied Security Analysis Program alumnus, Timothy earned doctorates from the University of Pennsylvania and Case Western Reserve University and completed post-doctoral studies (with a focus on alternative assets) at the University of Florida-Gainesville.

Slides of Dr. Ghiyath Nakshbendi

The Seventh Annual

Sovereign Wealth Funds Conference



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KOGOD
SCHOOL of BUSINESS
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**The 21st Century Pandemic:
How Resilient Are Sovereign
Wealth Funds?**

**October 14, 2020
Ghiyath Nakshbendi**

**7th Annual Sovereign Wealth
Funds Conference
American University
Washington, D.C.**





THE ISSUES

- ❖ The world is experiencing a dangerous pandemic.
- ❖ Challenges: Economic, Financial, Social, and Educational.
- ❖ Decline in prices of natural resources,
- ❖ An increase in the state budget.
- ❖ Demand on governments to provide a social network.

The assessment is still in the making.

A departure from the standard norms. i.e. shifting from a long-term—investor to investor looking for opportunities!



IMF Forecast



Global growth is projected at −4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast.

The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast

Source: <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>





U.S. Indicators

The S&P 500 Monthly Returns, showed fluctuations from -12.51 in March to 5.41 in July then, it dipped again in the negative area of -3.92 last month of September.



S&P 500



Date	Value
September 30, 2020	-3.92%
August 31, 2020	7.01%
July 31, 2020	5.51%
June 30, 2020	1.84%
May 31, 2020	4.53%
April 30, 2020	12.68%
March 31, 2020	-12.51%
February 29, 2020	-8.41%
January 31, 2020	-0.16%

https://ycharts.com/indicators/sp_500_monthly_return

Oil Prices



Brent Crude Oil



<https://www.rigzone.com/news/commodity/> (10.10.2020)

Initial Estimate of Oil Price Shock

“.....Put simply, it has probably been the most destructive sell-off since the Great Depression.\$12 trillion has been **wiped** of **world stock markets**, **oil** has slumped 60% as Saudi Arabia and Russia have started a **price war** and emerging **markets** like Brazil, Mexico and South Africa have seen their currencies plummet more than 20%”.

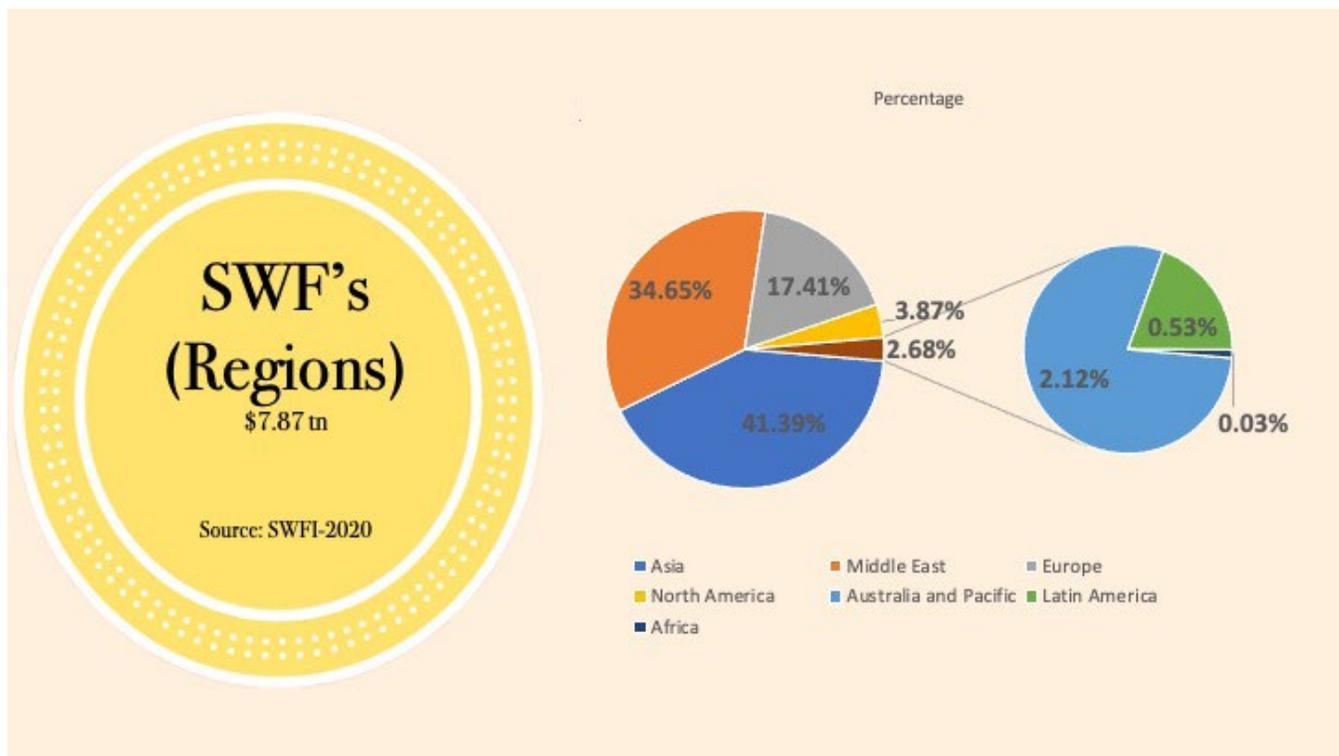
Source: <https://www.reuters.com/article/us-global-markets-q1-graphic/three-months-that-shook-global-markets-idUSKBN21G005>



Away from Emerging Markets

Sovereign wealth funds flocked to U.S. equities and bonds in the first quarter at the expense of riskier investments such as those in emerging markets as the coronavirus spread around the world, data shows.

Source: <https://www.reuters.com/article/us-health-coronavirus-swf/sovereign-wealth-funds-fly-to-relative-safety-of-u-s-assets-amid-pandemic-idUSKBN22V106>



SWF's (Regions)

Sovereign Wealth Funds \$ Billions

Region	Assets	Percentage
Asia	\$3,257	41.39%
Middle East	2,726	34.65%
Europe	1,370	17.41%
North America	304	3.87%
Australia and Pacific	167	2.12%
Latin America	41	0.53%
Africa	2,6	0.03%
Total	7,870	100.00%

Source: SWFI-2020

The World's 12 Largest SWF's

Source: SWFI-2020

The 12 Major Sovereign Wealth Funds-AUM

	Name	Country	\$Billions
1	Norway Government Pension Fund	Norway	1,109
2	China Investment Corporation	China	1,046
3	Abu Dhabi Investment Authority	United Arab Emirates	580
4	Kuwait Investment Authority	Kuwait	534
5	Hong Kong Monetary Authority	Hong Kong	528
6	GIC Private Limited	Singapore	453
7	Temasek Holdings	Singapore	417
8	Public Investment Fund	Saudi Arabia	390
9	National Council for Social Security	China	325
10	Investment Corporation of Dubai	United Arab Emirates	305
11	Qatar Investment Authority	Qatar	295
12	Mubadala Investment Company	United Arab Emirates	232
	Total		6,214

Source: SWFI 2020

U.S. SWF?

- Renewed interest in having a SWF in the U.S. was raised again by Professor Stiglitz.
- The oldest SWF in the world was envisioned by Kuwait, more than 70 years ago.
- Kuwait Investment Board (KIB) was established by HH Sheikh Jaber Al Ahmad Al Sabah , the Amir of Kuwait (1950-1965) and headquartered in the City of London in 1953 and was replaced by Kuwait Investment Office (KIO) back in 1965.
- Then Kuwait Investment Authority(KIA) was established as a parent organization of KIO in 1982 when H.E. Abdelatif Al Hamad, the renowned finance personality was the Minister of Finance of Kuwait. (1981-83)



Thank
You

Written Remarks: H.E. Ahmad Al-Sayed

Good morning, everyone. I would like to start by thanking Prof. John Delaney, dean of the Kogod School of Business, Professor Ghiyath Nakshbendi, and the team at the American University Kogod School of Business for their invitation. It's always a pleasure to be part of this event.

Globally

The IMF predicts that the global economy will contract by 4.9 percent this year, down from growth of 2.9 percent in 2019, while the World Bank has forecasted a fall of 5.2 percent, the worst contraction since the Second World War. This has created threats and opportunities, where some SWF needs to offload investments in order to generate cash to support the government budgets, while other funds such are being opportunistic and are buying the down turn. Moreover, SWF, which has an economic development angle and focuses on sectors such as technology and new economies, proved to be more resilient and have shown good returns during the pandemic. Hence, worldwide we are seeing that SWF are starting to play a more crucial role in helping and facilitating economic development.

Qatar

In Qatar, and in line with the Qatar 2030 vision which focuses on economic diversification and creating a knowledge-based economy, we have decided to position Qatar Free Zones as a global hub for innovation and doing business. Therefore, we have focus on diversifying our economy via attracting emerging technologies and new economy businesses. As a part of those efforts we have established Doha Venture Capital Fund (DVC) as an economic development sovereign wealth fund. DVC is an investment fund which intends to support the economic activities and the overall ecosystem within Qatar Free Zones and Qatar in general. Therefore, the fund will invest in small and medium innovative companies globally in order to attract them to set up a substantial presence utilizing Qatar Free Zones as a regional hub. DVC's companies appreciate and value our strategic long-term capital commitment and leverages our expertise and wide network globally and locally. This investing model over the long run will create clusters of sustainable industries within Qatar Free Zones and will generate attractive returns. Moreover, I would like to add that with technology, new economy and innovation is the focus space of DVC. The fund has managed to cope well with the Covid-19 impact as demand for technology went up and some of our portfolio companies realized higher revenues. We can see the rising demand for technology affecting both the public and private space. As you are all aware, the NASDAQ has been up more than 30 percent

year-to-date due to the increase of tech companies' share prices.

Finally, I would like to conclude that sovereign wealth funds models need to fit the economic objectives of the country. Seeking only financial performance is not always the optimal solution to the problem of utilization of wealth.

Thank you very much.

Slides: Mr. Abdiel Santiago



Fondo
Ahorro
Panamá

Fondo de Ahorro de Panamá

September 22, 2020

“Exploring the resiliency of Sovereign Wealth Funds in Managing their long-term investment objectives amidst the current COVID-19 induced economic crisis”

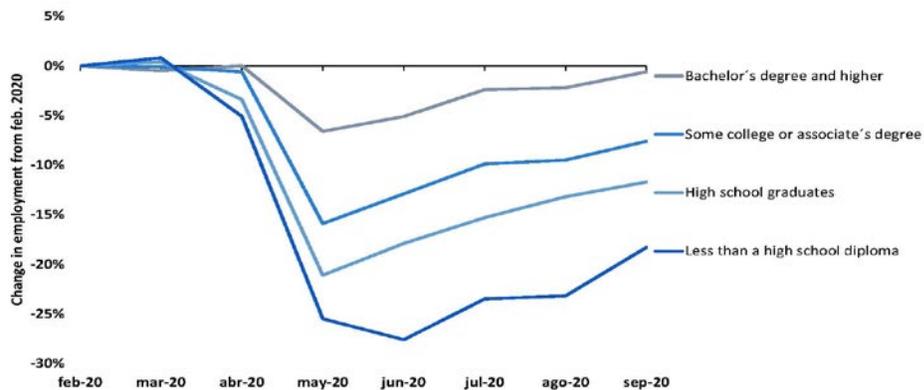
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PH Tower Financial Center | Calle Elvira Méndez, Bella Vista | Panamá, Rep. de Panamá | www.fondoahorropanama.com

Education: Driver of the “K” shape economic recovery

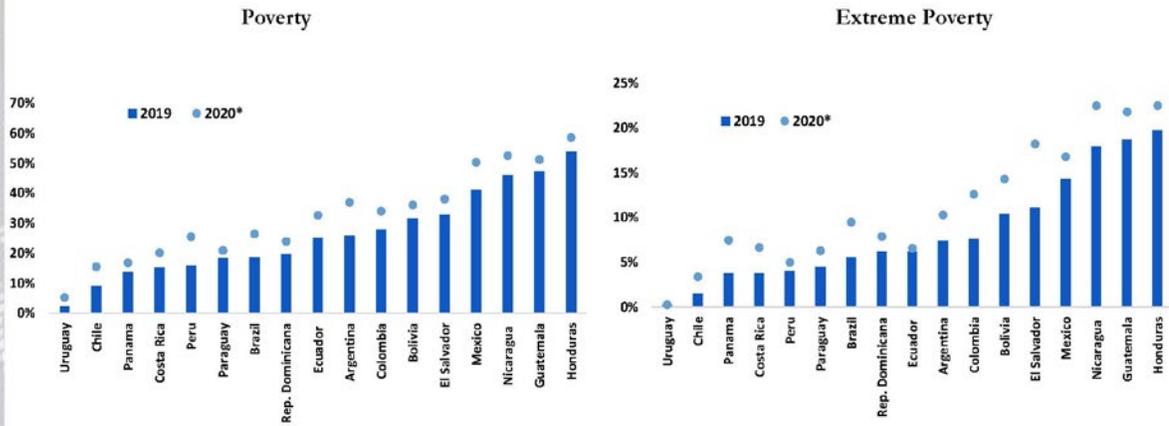


Job recovery according to the education level in the US



Source: Labor Department, Wall Street Journal, and FAP
Fondo de Ahorro de Panamá | www.fondoahorropanama.com

Effects of COVID-19 exacerbates poverty in Latin America

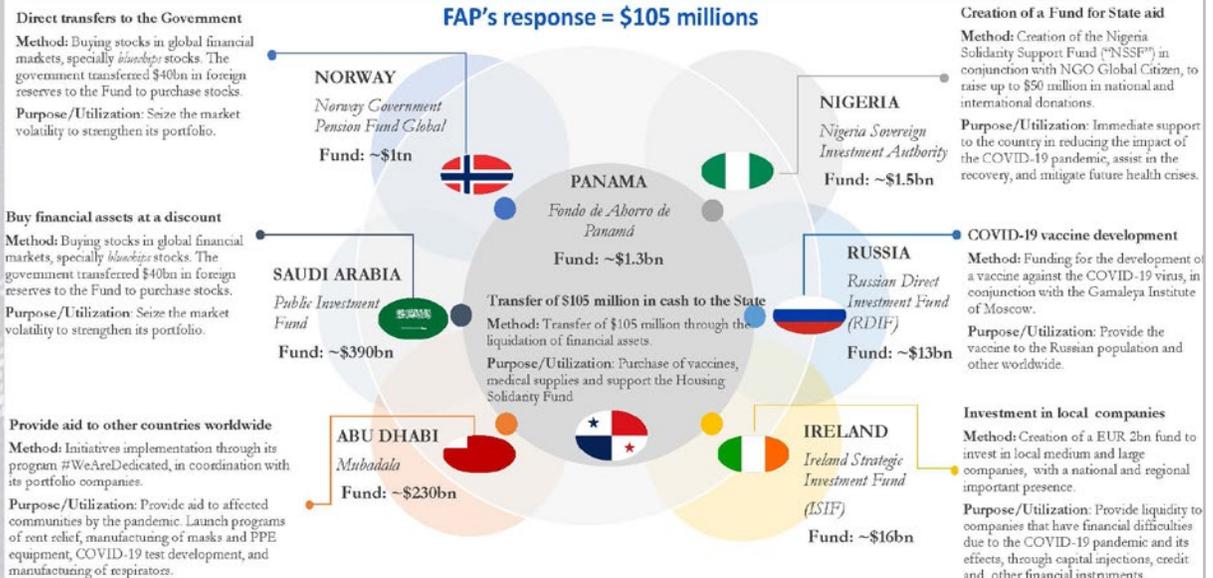


Notes: *Figures for 2020 are projections. The potential effects of the measures announced to mitigate the impact of COVID-19 are not included. The results only reflect the impacts of labor markets deterioration. If the impact of the fall in remittances is considered, the effects are much worse.

Source: United Nations "Policy Brief: The Impact of COVID-19 on Latin America and the Caribbean", and FAP.

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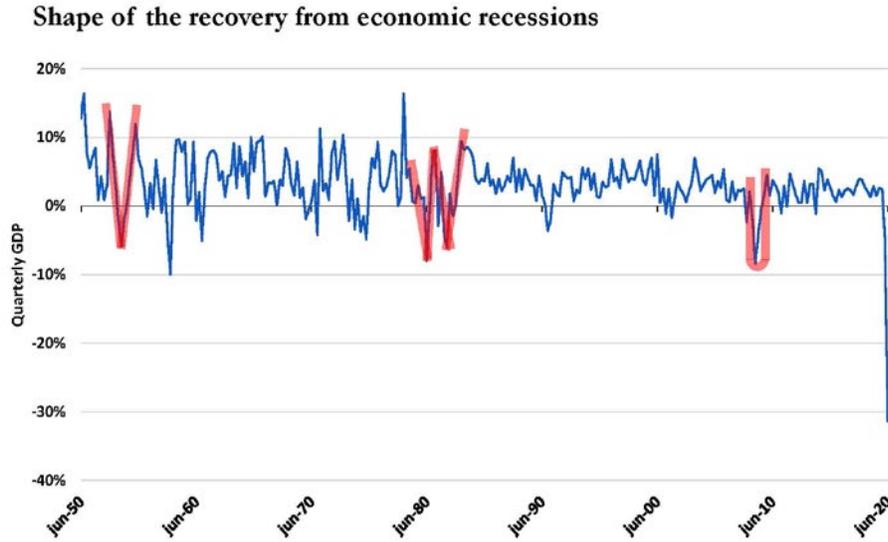
FAP's and Sovereign Wealth Funds role during COVID-19



Source: The information displayed in this presentation comes from current articles and news, and not necessarily from official government documents. Bn = Billions, Tn = Trillions

Fondo de Ahorro de Panamá | www.fondoahorropanama.com

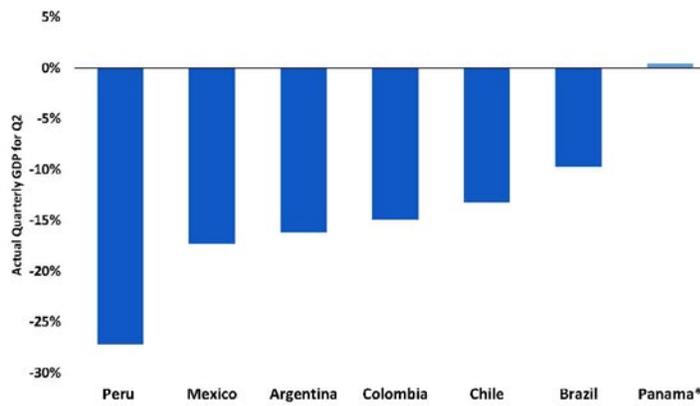
Economic recovery shapes in past recessions



Source: Bloomberg, and FAP
 Fondo de Ahorro de Panamá | www.fondoahorropanama.com

COVID-19 hit hard to LatAm countries

% change in GDP for LatAm countries in the second quarter of 2020



According to the last estimates of CEPAL, Panamá will face a total GDP contraction of **-6.5%** in 2020, and in aggregate the LatAm region a **-9.1%**.

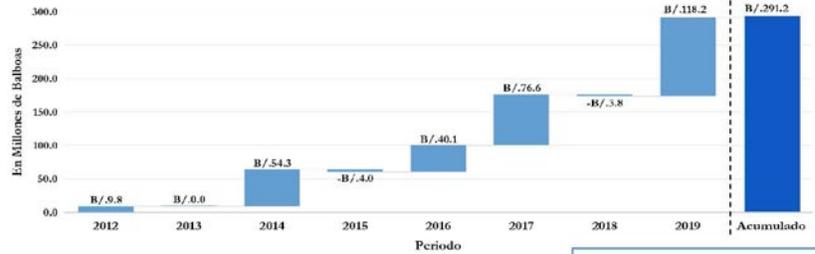
Notes: *Data available for Q1, no available data for Q2 GDP.

Source: Bloomberg, and FAP,
 Fondo de Ahorro de Panamá | www.fondoahorropanama.com

Withdrawals due to COVID-19 and distributed returns

The FAP has established itself as a countercyclical instrument for the Panamanian economy

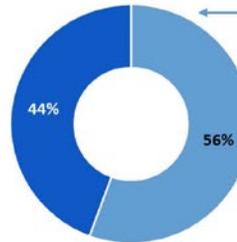
Fund earnings: years 2012-2019



Utilization of the Fund for the COVID-19 crisis and distributed surpluses

● Withdrawals due to COVID-19 crisis |

Housing Solidarity Fund	B/. 80.0 MM
Medical supplies	B/. 5.0 MM
Vaccine purchases	B/. 20.0 MM
State of emergency withdrawal	B/. 105.0 MM



● FAP's distributed returns since inception |
B/. 131.5 MM

Source: FAP
Fondo de Ahorro de Panamá | www.fondoahorropanama.com



Slides: Mr. Charles Cohen



Fiscal and Financial Implications of COVID-19 for Sovereign Wealth Funds

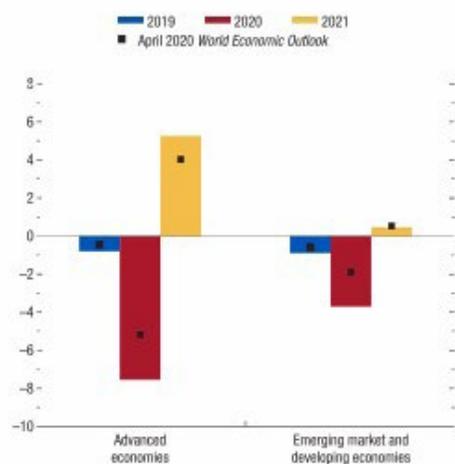
7th Sovereign Wealth Fund Conference

CHARLES COHEN
IMF DEBT CAPITAL MARKETS DIVISION
OCTOBER 14, 2020

The views expressed herein are solely the author's and should not be attributed to the IMF, its Executive Board, or its management.

Fiscal support has been unprecedented

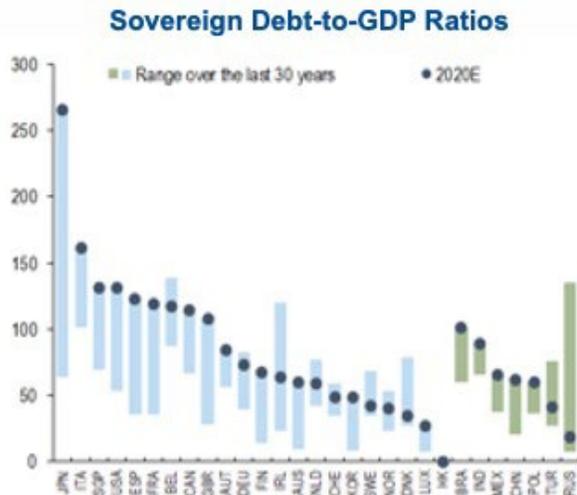
Fiscal Stance, 2019-21
(Change in structural fiscal balance, percent of potential GDP)



- Extension of fiscal countermeasures represent an upside risk to global growth
- At the same time, debt levels continue to rise precipitously

Source: IMF October 2020 WEO

Sovereign debt is now at historically high levels



- Lower interest rates may offset higher debt levels and lower growth rates
- But sovereign debt vulnerabilities are high

Source: IMF October 2020 GFSR

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Challenges for SWFs after COVID-19

- **Traditional sources of returns may be hard to come by**
 - SWFs will be tempted to continue their expansion into alternative assets
- **Local institutions may need capital**
 - Potential for heightened pressure for SWFs to invest in the domestic market
 - May include support for challenged or even insolvent institutions
- **Many countries may face strong fiscal pressures**
 - Decisions must be made about short-term budget support versus investing against long-term liabilities

In this environment a strong SWF institutional framework is critical

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Outline

- COVID-19: Financial and Fiscal Implications
- **SWF Policy in the Current Crisis**

Remain true to broader medium-term fiscal policy objectives and asset-liability management

- **In the present crisis, if governments are running large deficits, the SWFs assets could be used to fund the budget.**
 - However, it is important this is done as part of a medium-term fiscal strategy that ensures fiscal and debt sustainability.
- **More generally, the objectives and management of the SWF should be well aligned with the overall fiscal policy objectives.**
 - For example, if the main concern is to ensure enough stabilization savings to manage the volatility in resource revenue and protect the budget, the SWF strategy should be geared towards liquid assets that are easily available if needed.
- **The assets and liabilities of a fund should be included in the government's overall asset and liability position, to allow for better management of the public sector balance sheet.**
 - For example, governments should avoid borrowing expensively if they have assets in the SWF that have lower returns.

COVID-10 related actions: transparency is essential

- **If governments plan to use the funds from the SWF to tackle the COVID-related crisis, spending should be done through the government's budget process.**
 - If the SWF does engage in spending, it should be subject to the same scrutiny and accountability as any other government spending – it should also be included in the government's budget documents.
- **If the SWF is involved in granting loans or guarantees during the pandemic, it is important to create safeguards to avoid political interference and ensure effective monitoring and transparency of these activities.**
 - These actions should be costed, including potential fiscal risks, and approved by government.
 - Preferably they should be approved through the budget process or, at a minimum, be included in budget documents.
- **Special caution will be needed if the SWF governance is weak.**
 - This will require mechanisms to ensure a high degree of scrutiny of the decisions of the SWF
 - Decisions must be in line with public policy objectives, done transparently, and at arm's length.

Time to act on long-standing reforms to improve management of SWFs

- **Many SWFs still lack key elements of good governance and transparency**
 - This undermines good management of the large financial assets they hold.
 - Reforms would help ensure these assets are better managed and could potentially lead to higher returns.
- **The operations of the fund should be transparent and there should be a strong governance structure**
 - Transparency requirements should include regular and frequent disclosure and reporting on the principles governing the fund, its inflows and outflows, the investment policy, and the allocation and return on assets.
- **SWFs should strive to fully converge to the 24 Generally Accepted Principles and Practices (GAPP), known as the “Santiago Principles”**

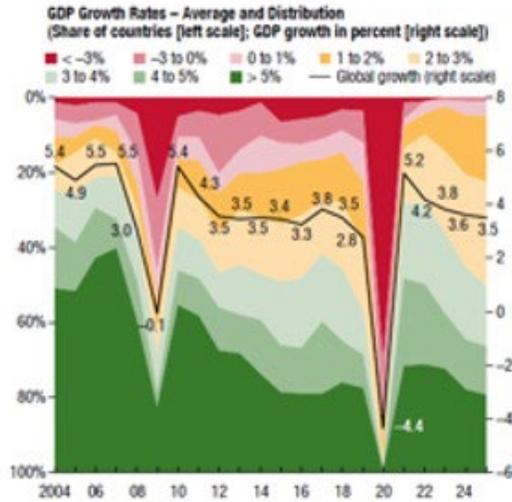
Outline

- COVID-19: Financial and Fiscal Implications
- SWF Policy in the Current Crisis

Outline

- **COVID-19: Financial and Fiscal Implications**
- SWF Policy in the Current Crisis

COVID-19: A more severe and widespread shock than the Global Financial Crisis (GFC)

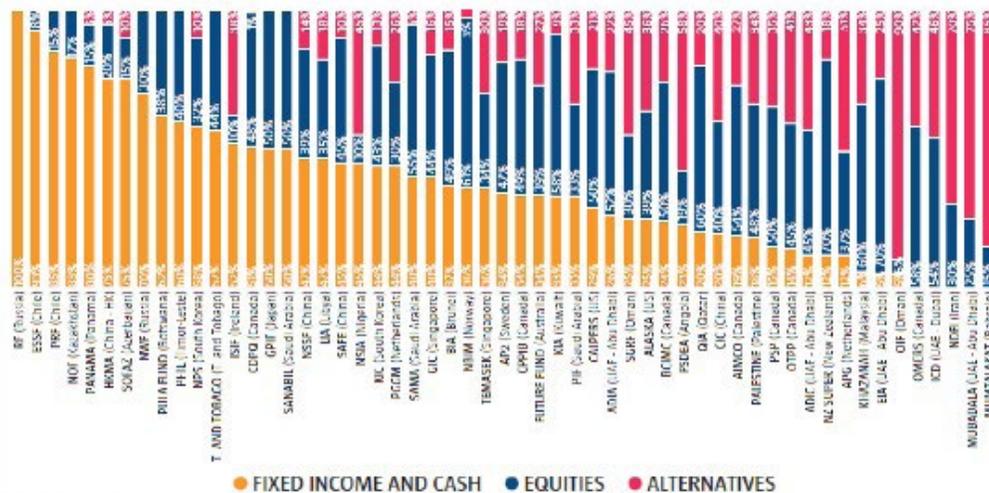


Sources: IMF, the October 2020 World Economic Outlook; and IMF staff calculations.

Source: IMF October 2020 GFSR

SWFs invest across a variety of assets, all of which have been impacted by the COVID-19 Crisis

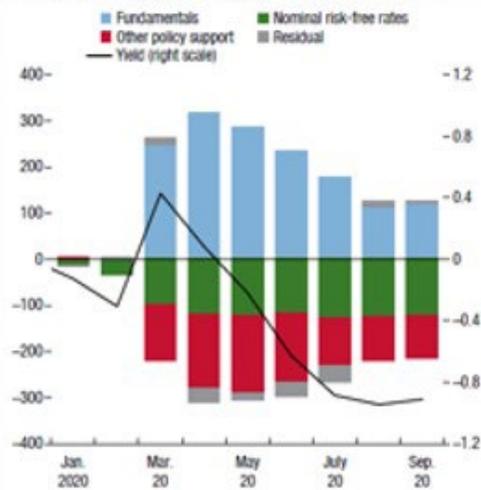
Sovereign Wealth Funds and Pension Funds: Asset Allocation



Source: Global SWF 2018 Report

Fixed Income: policy support has outweighed fundamentals in compressing bond yields

Decomposition of Changes in US Investment-Grade Corporate Bond Yields
(Basis points, left scale; percentage points, right scale)

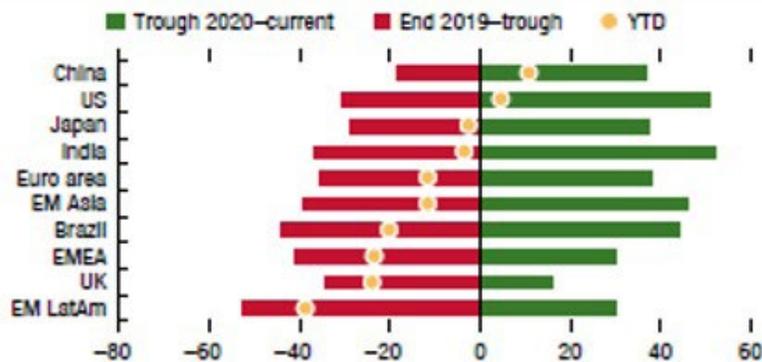


- For investors (like many SWFs) looking to match long-term liabilities with long-term assets, fixed income presents a challenging investment environment

Source: IMF October 2020 GFSR

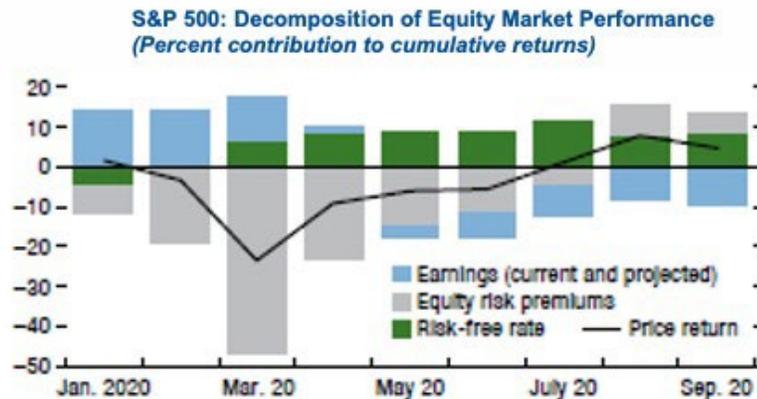
Equities: Markets rebounded on strong policy support, but with clear differentiation across countries

Global Equity Markets: Countries and Regions (Percent)



Sources: IMF October 2020 GFSR

Equities: falling risk-free rates have supported equity market performance



- What will future equity returns look like with a weaker and more uncertain earnings outlook?

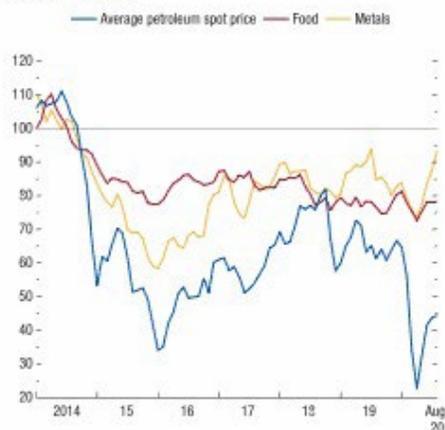
Source: IMF October 2020 GFSR

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Energy prices have been particularly affected by the crisis

Commodity Prices
(deflated using US consumer price index;
2014 = 100)



Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

Source: IMF October 2020 WEO

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Written Remarks: Mr. Kareem Nakshbendi

At last year's Sixth Annual SWF Conference at American University (2019), I spoke on the supervision and regulation panel and presented my paper (contact me for a copy) on the novel approach of leveraging emerging technologies into the CFIUS process (Committee on Foreign Investment in the United States) as a key factor in recent trends related to regulation and national security. Over the following 12 months, we heard a lot about CFIUS actions regarding Chinese-owned technology applications which neither sought nor received CFIUS's consent before taking that ownership position. Those ownership positions in companies such as ByteDance (TikTok), Tencent Holdings (WeChat), Shiji Group (StayNTouch), Beijing Kunlun (Grindr), iCarbonX (PatientsLikeMe), and more have been proven to have national security implications for the US.

This year, the Seventh Annual SWF Conference at American University (2020) sparked new thought as to how resilient SWFs are and will be going forward. This year, I was invited to speak on the panel that discussed what the future will hold for SWFs in our post-COVID world and to present thoughts on SWF risk analytics and actionable insights. As the primary representative of the RegTech industry among my distinguished panelists, I formed my perspective with one eye on risk management and the other on investment outlook. The views I expressed during the event and these remarks regarding how the world will continue to adjust to the pandemic conditions reflect a combination of my own research and my agreement with market forecasts provided by notable investors with outstanding track records that I have been following for years.

US Situation

US elections will be finalized in a couple of weeks, likely sending us into a more heavily regulated environment. Since most SWFs acquire US assets, this will have an impact on the risk/return profile of targeted assets.

1. US interest rates will stay at a low level for a while. This will encourage global investments into US assets, of which SWFs will have a more prominent role than in the past.
2. As of October 2020, the US unemployment rate of 7.9 percent (Bureau of Labor Statistics, 10/2/20) is misleading as it does not count people that have been unemployed for more than 2 years; the real unemployment rate is likely closer to 15 percent today.

3. The US will be in slow recovery mode for a while, and this recovery should not be compared to the recovery we experienced after the 2008 financial crisis—this is going to be a new type of recovery from a structural perspective.

Global Situation

Large layoffs are ahead as more and more large organizations will realize that they do not need all of their current workforce to get the job done. As a result, we will see a shift in the human capital pool as people transition to new industries that they have never worked in before. Companies of all sizes will continue to maintain a sizable remote workforce and video calls will become the new normal. Business travel will no longer be a necessity as it was before.

Remote workforces mean that multinational corporations/global organizations will benefit more fully from the global talent pool. However, an increase in virtual business leaves all operations more vulnerable to cybersecurity threats, which will drive the need for more relevant and effective regulation across all industries (financial institutions, governments, healthcare, energy, etc.) to mitigate real risk across the threat landscape.

Oil & Regulation

The SWF conference is an investment-focused forum, so we cannot avoid specificity about oil revenues and their part in the investment allocation strategy going forward. Oil prices will stay in the \$40–49 range in the near-term and approach \$52 in 12 to 18 months from today. The oil war between Russia and the Kingdom of Saudi Arabia is over for now, and we are seeing a more stable MENA region as compared to a year ago. We will not see oil at \$60 a barrel anytime soon. The CFIUS process which was enhanced by FIRRMA (which I discussed last year) will be more relevant to SWFs in the near term and coming years ahead.

Investment & Regulation

Investments in the largest US technology stocks are doing well because they are accounting for the forward-focused potential of their earnings. Of course, this success only applies to a few companies, which is why the US Department of Justice is going to start the process of suing Big Tech over illegal monopolistic issues, which will lead to regulating these organizations in a new way for the first time.

1. Social impact investments in businesses that create social good are expected to produce higher returns than traditional investments. This is the first time in my 20-year career that I have seen this transformative shift in investor mindset.
2. Commercial real estate will be more of a focus as cheap debt floods the market and sellers liquidate their position in good quality assets.
3. Distressed businesses which had sound business models and successful track records before the COVID-19 pandemic will create a significant buying opportunity for SWFs.

Illicit Activities & Regulation

The pandemic conditions mean easier credit access and cheap debt pouring out of central banks to prop up global economies. As a result, the opportunity for corruption, fraud, money laundering, and terrorist financing will prove to be a significant concern as illicit actors capitalize on known and emerging vulnerabilities that will overload the current controls, monitoring systems, and payment networks.

An example of known vulnerabilities as reported in the press is the 1MDB fraud and corruption scandal, in which Goldman Sachs has agreed to pay nearly \$3 billion to end a probe into their role in defrauding the SWF of Malaysia. We should expect to see many more similar investigations into past and future SWF investment transactions.

An example of emerging vulnerabilities is the recent action by FinCEN (Financial Crimes Enforcement Network) penalizing their first Bitcoin “Mixer” for violating anti-money laundering laws and operating an unregistered money service business (MSB). This is the beginning of many more similar actions by government regulators to come.

In sum, the COVID-19 pandemic is forcing all market sectors worldwide to recognize the importance of regulation for the health of their business operations. ACS’s SAFE platform, which bundles technology capabilities to meet the needs of each particular use case on a pay-per-use basis, is the most suitable and cost-effective way for all industries to meet the increasing regulatory requirements of the digital age.

Technology & Regulation

The Financial Stability Board published a report highlighting the increased use of SupTech/RegTech this month: “The Use of Supervisory and Regulatory Technology by Authorities and Regulated Institutions: Market developments and financial stability implications”; please visit <https://allcomplianceservices.com> to read this report and other information on COVID-19 regulatory trends in the US and abroad.

Slides: Dr. Timothy Timura

The New Normal

Risk

Liquidity

Real Returns

Economic Growth Investments

Timothy Timura