

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**MULTI-YEAR EXPERT MEETING ON COMMODITIES  
AND DEVELOPMENT**

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**Sovereign wealth funds: managing windfall  
revenues**

by

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Sovereign wealth funds: managing windfall  
revenues

Sven Behrendt

## Sovereign wealth funds: what are they?

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### **Formal definition**

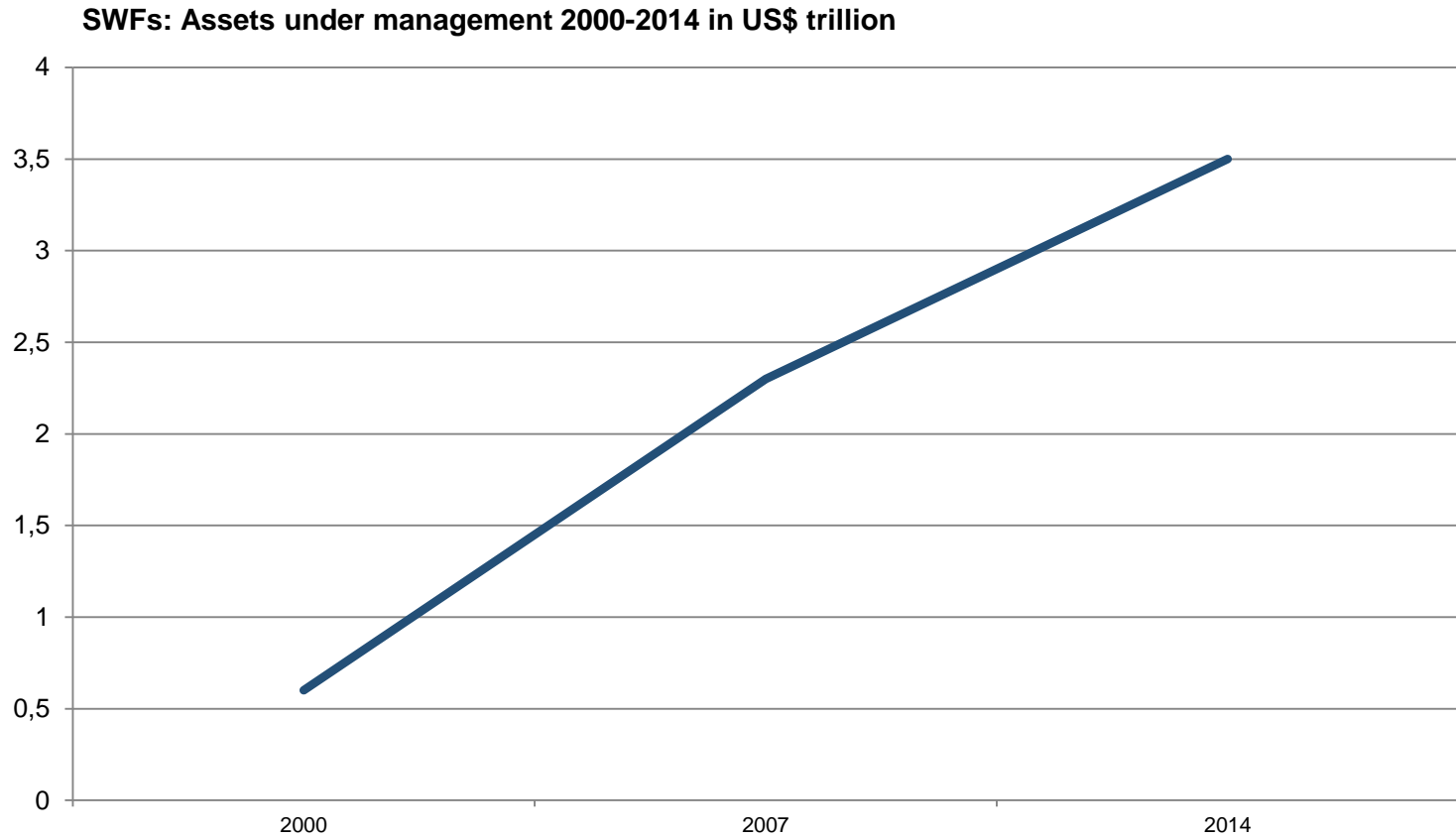
Sovereign wealth funds (SWFs) are special purpose investment funds or arrangements, owned by general government.

SWFs hold, manage, or administer 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 privatization, fiscal surplus, and/or receipts resulting from commodity exports.

## Global SWFs: assets under management

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## The world's largest SWFs

### World's largest SWFs by assets under management in US-\$

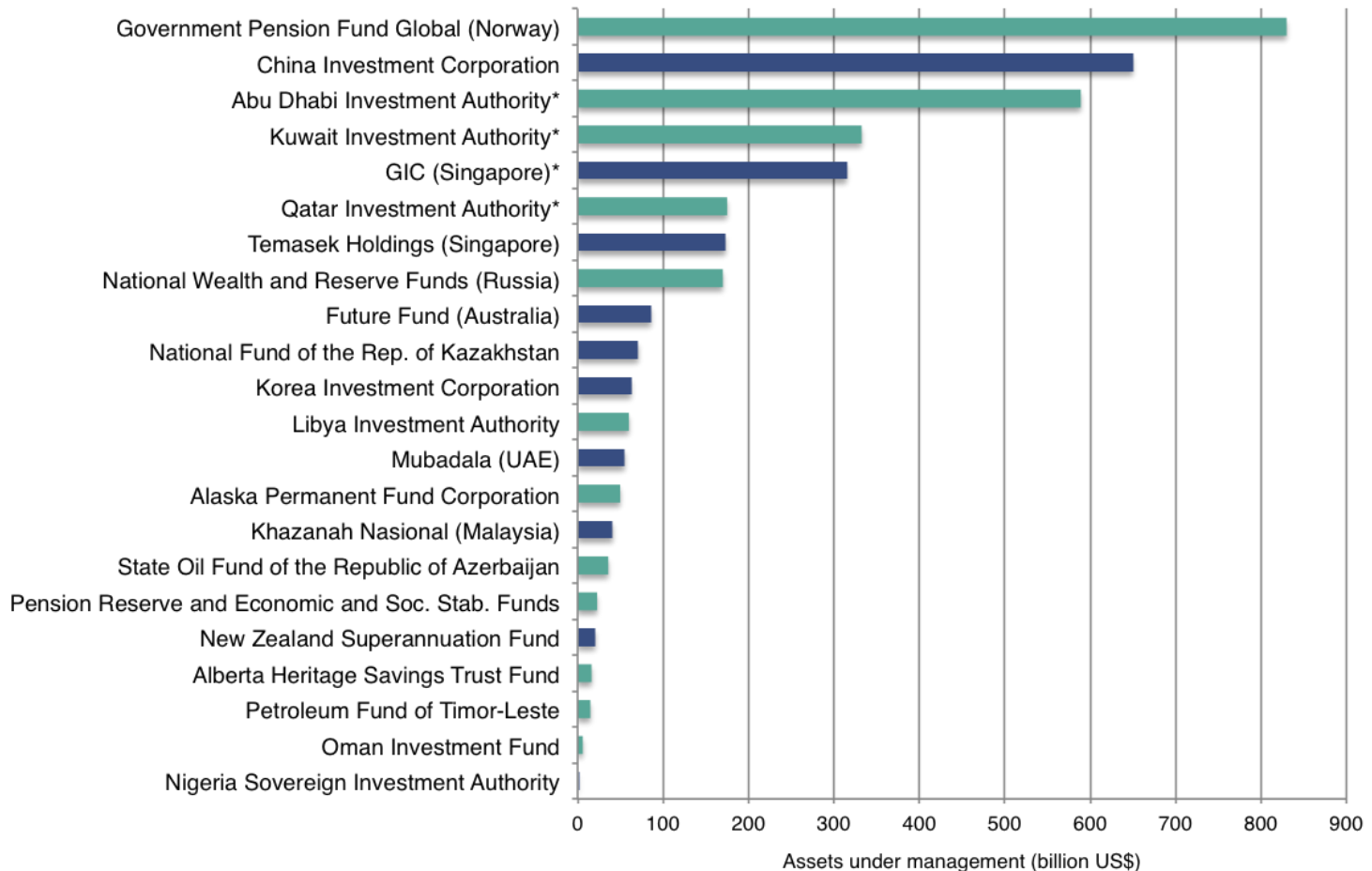
\* estimates



## The world's commodity based SWFs

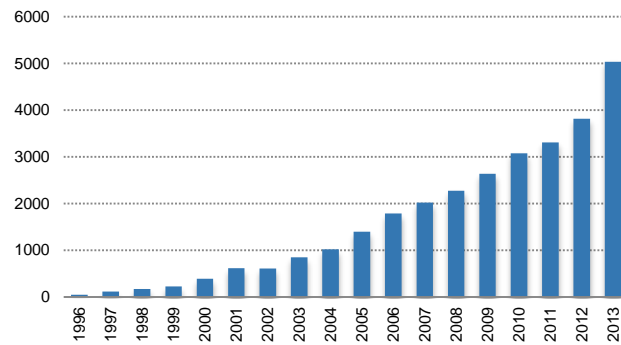
### World's largest SWFs by assets under management in US-\$

\* estimates

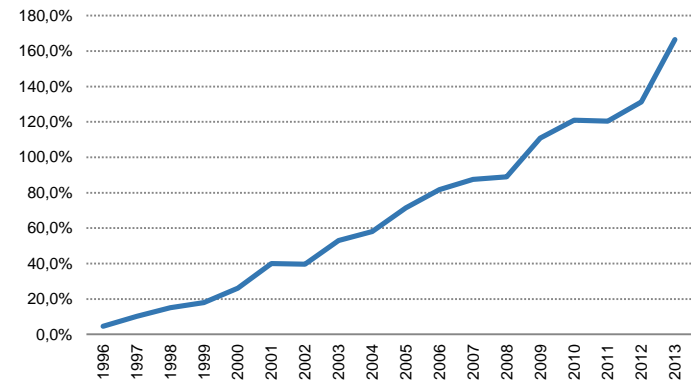


## Government Pension Fund Global (Norway): select data

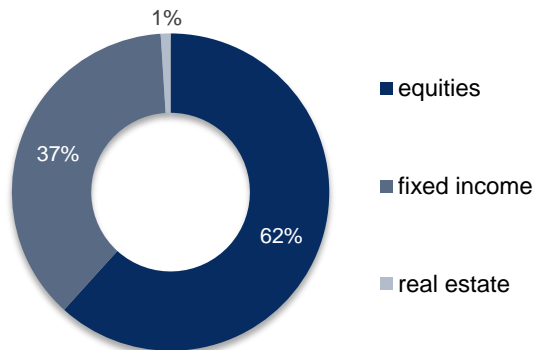
**GPFG asset growth 2001-2012**  
(in NK billion)



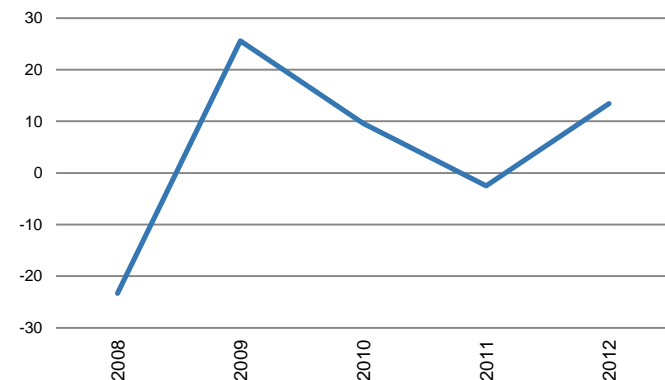
**GPFG assets under management as percent of Norway's GDP**



**GPFG: asset allocation 2013**

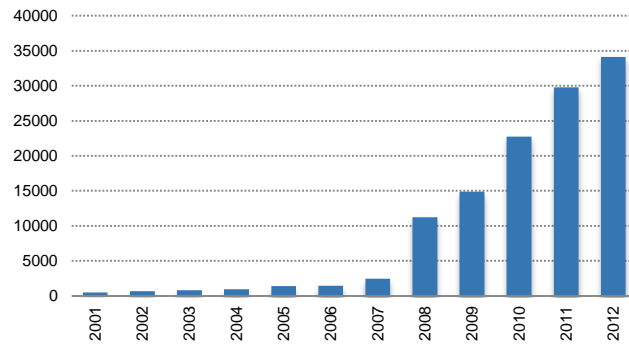


**GPFG: returns 2008-2012**

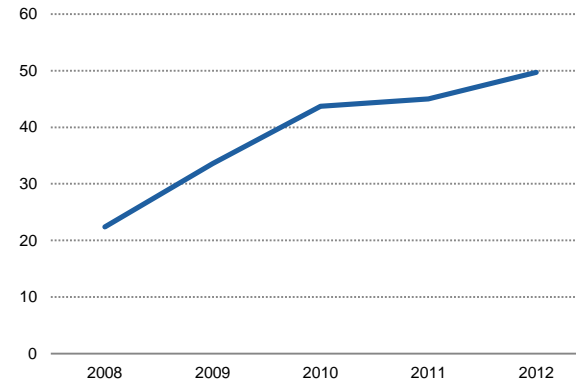


## State Oil Fund of Azerbaijan: select data

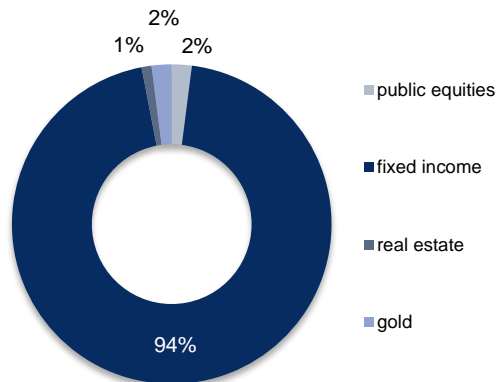
**GPFG asset asset growth: 2001-2012**  
(in USD million)



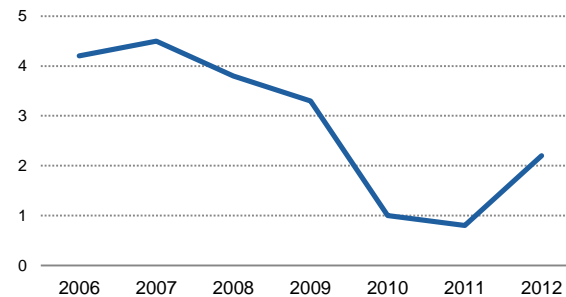
**SOFAZ's assets as share of Azerbaijan's GDP (in percent)**



**SOFAZ: Asset allocation 2012**



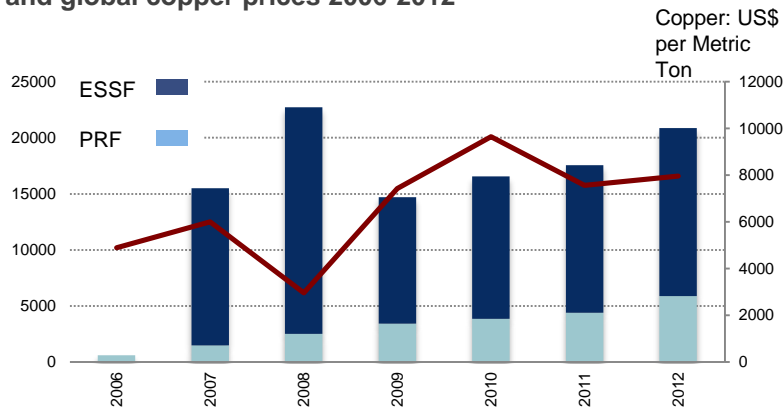
**Investment portfolio: rate of return 2006-2012 (in percent)**



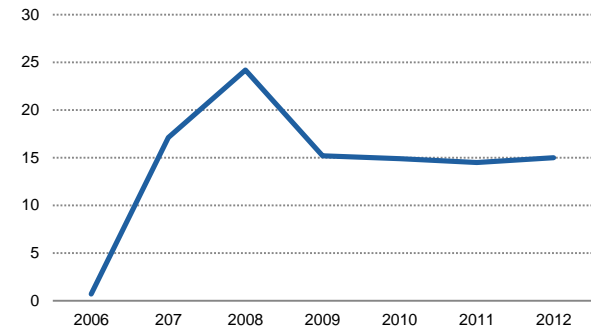


# Chile's Economic and Social Stabilization Fund (ESSF) and Pension Reserve Fund (PRF)

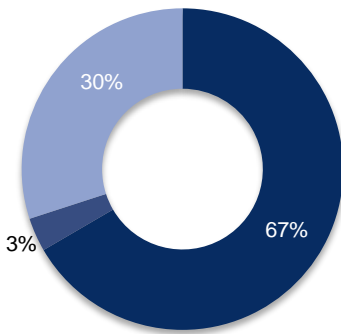
**ESSF/PRF market value (US\$ millions) and global copper prices 2006-2012**



**ESSF and PRF assets as share of Chile's GDP (in percent)**

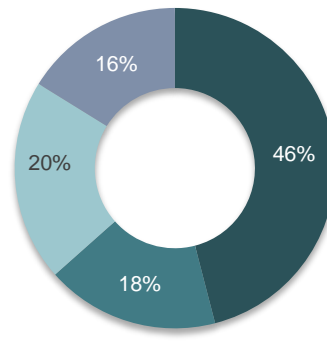


**ESSF asset allocation 2012**



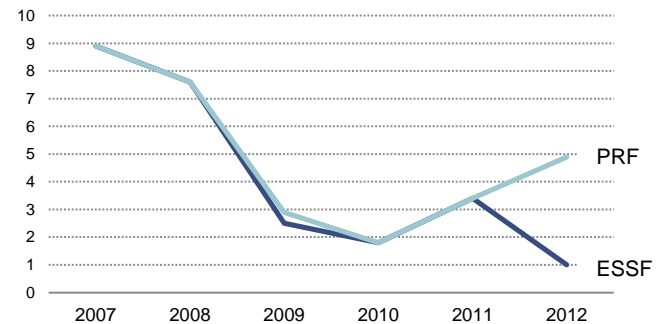
- sovereign bonds
- inflation indexed sovereign bonds
- money market

**PRF asset allocation 2012**



- sovereign and government related bonds
- inflation indexed sovereign bonds
- corporate bonds
- equities

**ESSF/PRF net annual return 2007-2012 (in percent)**



## **Financial transparency** and corporate governance indicators (1/2)

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**Size of assets under management**

How much money is stored in a fund?

**Funding arrangements**

Where does the money come from?

**Withdrawal arrangements**

Where does the money go to once it leaves the fund?

**Investment policies**

How are monies invested?

**Performance benchmarks**

How successfully are monies invested?

## Financial transparency and **corporate governance** indicators (2/2)

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### **Legal foundation**

Does the fund have a proper legal foundation?

### **Objective**

Is the objective of the fund clearly defined?

### **Role of the owner**

Does government disclose performance expectations?

### **Capable supervisory bodies**

Has the supervisory body the capacity and mandate to set investment strategies and supervise operational management?

### **Independent operational management**

Does the operational management implement investment policies without government intervention?

### **Proper auditing**

Is the fund properly audited?

SWFs: Managing windfall revenues towards a structural transformation.

**Key lessons**

## GeoEconomica

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