



GOVERNANCE & ACCOUNTABILITY INSTITUTE'S

TO THE POINT™



Timely News, Insights & Perspectives on Corporate Sustainability, Responsibility & Citizenship

September 2017

Governance & Accountability Institute shares timely news, insights and perspectives with corporate managers in key topic areas:

- ⦿ *Corporate Citizenship,*
- ⦿ *Corporate Responsibility,*
- ⦿ *Corporate Sustainability,*
- ⦿ *Community Affairs, and*
- ⦿ *Sustainable Investing.*

To the Point! is a fee-based educational resource for corporate executives and managers distributed each month with periodic brief updates for critical items.

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NORWAY SWF REACHES US\$1 TRILLION IN ASSETS UNDER MANAGEMENT — Is Your Company in its Global Investment Portfolio?

Issue 2.2



The first “Sovereign Wealth Fund” (“SWF”) was created in 1954 by the Middle East nation of **Kuwait** using oil revenues to establish a “fund for the future” to benefit the people of that strategic oil & gas producing country on the west end of the Persian Gulf.

In the decades since, numerous other nations have created a “SWF” of their own and typically have built sizable portfolios for the ultimate benefit of their citizens. The largest SWF in recent years was the **Abu Dhabi Fund** (“ADIA”), also in the Middle East — with more than a half-trillion-US dollars in Assets Under Management. The continuing depression in global oil revenues has had a negative impact on that SWF’s investment portfolio, of course.

The investing champion now is the **Norway SWF** with US\$ 1 trillion in AUM. Of significance as well is this country and its SWF having a firm focus on sustainable investing, responsible investing, corporate sustainability — and engagement with key companies in portfolio.



For some companies in portfolio, the enterprise is considered significant. We had a U.S. corporate client a few years ago that saw the SWF on the stockholder list and then began hearing from the SWF managers — they wanted to come to the USA and kick the tires. The representatives spent a few days with the company and then made a significant increase in the



company's shares, quickly moving into the Top 20 holders.

Norges Bank Investment Management is the manager of the SWF, with offices in Oslo, New York City, London, Shanghai, and Singapore. The Norwegian government is very involved (this is Scandinavia, after all); the government owns the fund's investment management firm.

There is a small broadening now of the world's SWFs in focusing on various aspects of corporate / institutional societal responsibility and corporate sustainability. But Norway is the clear leader in the field; that focus is typically not present in numerous other SWFs around the world.

Norway's financial and investment professionals care about human rights; forestry and logging; water; proxy access; environmental damage; corruption; ethical behavior; diversity and inclusion (especially in the board room of companies in portfolio); production of weapons; and other societal, environmental and governance issues.

Where did the US\$1 trillion come from? Oil and Gas!

The government of Norway made a strategic decisions back in 1996 as North Sea oil revenues began to become more significant factors in the country's economy: a portion of the royalties/revenues would be directed to the SWF for investment. (This originally was the "Government Petroleum Fund; the official name now is "**The Norwegian Government Pension Fund – Global**"). There is a separate smaller fund — The Government Pension Fund-Norway" which only invests in the country.



Note that the Fund's equity holdings include: **3M; AMD; Aflac; Agios Pharma; Air Products & Chemicals Inc; Akami Technologies; Alaska Air Group...**and many many more companies.

Probably, your company is in the portfolio. You can see the North American (and other) portfolio holdings here: <https://www.nbim.no/en/the-fund/holdings/?fullsize=true>

Are SWFs investing in your equities and fixed income? Beyond Norway...what



nations and states have SWFs?

There are SWFs established at least in these nations: Australia; Azerbaijan; Bahrain; Botswana; Brunei; Brazil; Canada; Chile; China; Finland; France; Hong Kong; Indonesia; Iran; Republic of Ireland; Italy; Kazakhstan; Kiribati; Kuwait; Libya (becoming just about insolvent after the country's problems erupted); Malaysia; Mauritania; the Netherlands; Nigeria; Norway; Oman; Qatar; Russia; Saudi Arabia; Sweden; Singapore; South Korea; Thailand; Timor-Leste; Trinidad and Tobago; United Arab Emirates (UAE); the United Kingdom (UK); and, Venezuela.

And here in the **United States of America** — did you know this country has SWFs? These individual states have SWFs or SWF-like funds: **Alabama Trust Fund; Alaska Permanent Fund Corporation; Arkansas Institutional Fund; Fund for Arkansas' Future; New Mexico State Investment Council Permanent Trust Funds.**

NOTES

The team at G&A Institute monitors and analyzes the investment activities of the world's sovereign wealth funds and SWF-like instruments, and related asset managers (many with close ties to the SWF in their country).

We watch the elites in certain countries that invest alongside the SWF or Trust Fund with separate portfolio management vehicles.

For example, **Prologis, Inc.** just created a \$1 billion U.S. real estate J/V with the Norway folks (**Norges Bank**); this involves 86 facilities/12.8 million SF across the United States. Another example: In the Middle East countries we see certain elites in power circles investing with their own organizations with as well as in parallel with SWFs.

Our Sustainability HQ platform tracks the activities of SWFs on a continuous basis; we use this resource to build our project work for corporate and investment clients.

FYI — the Norway SWF holds investments in equities, bonds and real estate (globally) — these are in North America, South America, Europe, the Middle East, Japan, Russia, China, India, Africa, the Far East, Australia, and New Zealand.

We advise Investor Relations Officers to know who the SWFs and related parties are that invest in their corporate issues and to explore opportunities to expand the holdings (of the SWFs) where that is possible. By definition, these should be long-term patient shareholders.