جهاز أبوظبي للاستثمار
Abu Dhabi Investment Authority

ADIA

# 2015 Review

Real Progress

# OUR MISSION

*ADIA's mission is to sustain the long-term prosperity of Abu Dhabi by prudently growing capital through a disciplined investment process and committed people who reflect ADIA's cultural values.*

# CONTENTS



*Since 1976, the Abu Dhabi Investment Authority has been prudently investing funds on behalf of the Government of Abu Dhabi with a focus on long-term value creation.*

# AT A GLANCE

*ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub-categories.*

*With a long tradition of prudent investing, ADIA's decisions are based solely on its economic objectives of delivering sustained long-term financial returns.*

**Our People**

ADIA's people are as diverse and international as our business, with more than 60 nationalities working together to create a collaborative environment that embodies our cultural values.

We strive to attract, develop and retain world-class talent, and to enable our people to realise their full potential.

*See* "People" on pages 54–67

1,700
employees

67
nationalities

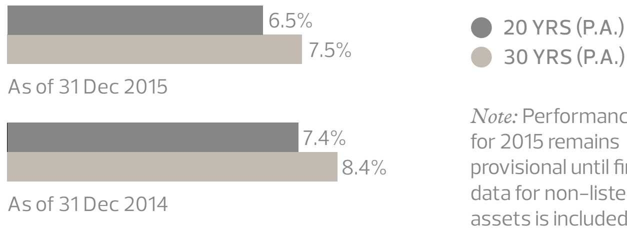
# 40

years' experience of investing in global markets

## Investment Performance

In U.S. Dollar terms, the 20-year and 30-year annualised rates of return for the ADIA portfolio were 6.5% and 7.5% respectively, as of 31 December 2015. Performance is measured based on underlying audited financial data and calculated on a time-weighted basis.

Annualised Returns %




*Note:* Performance for 2015 remains provisional until final data for non-listed assets is included.

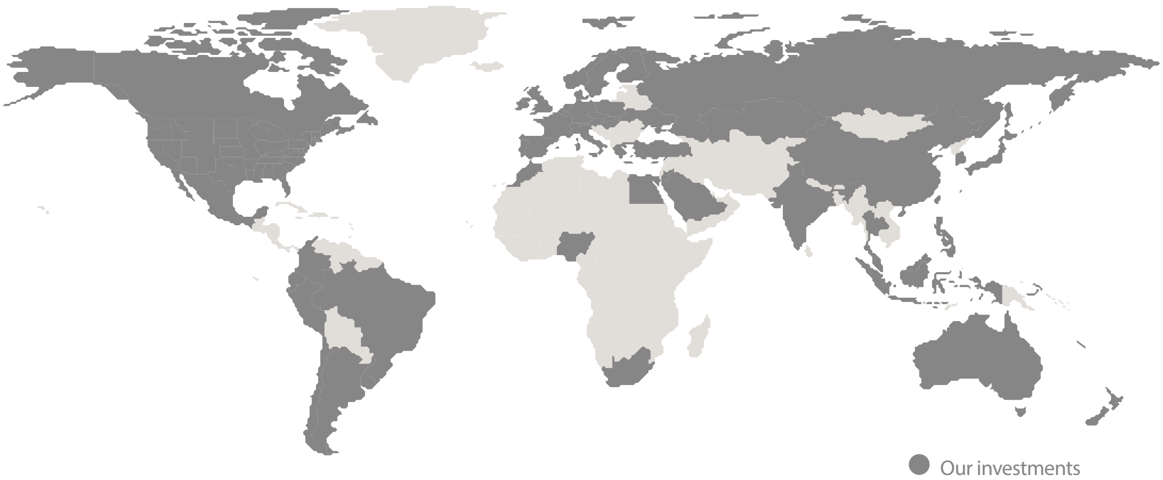
# 60%

of ADIA's assets are managed by external fund managers whose activities are subject to careful oversight by internal ADIA teams

# 50%

of ADIA's assets are invested in index-replicating strategies

## Where we invest




## Relationship with the Government of Abu Dhabi

ADIA carries out its investment activities independently and without reference to the Government of the Emirate of Abu Dhabi.

ADIA has no visibility on either the spending requirements of the Government of the Emirate of Abu Dhabi or the activities of other Abu Dhabi-owned investment entities. ADIA's assets are not classified as international reserves.

*See* "Relationship with the Government of Abu Dhabi" on pages 44–45 and "Governance" on pages 46–49

# LETTER FROM HAMED BIN ZAYED AL NAHYAN

*Managing Director*

ADIA made continued strides in 2015 toward ensuring it is optimally positioned for the opportunities and challenges of the future.

On the investment front, we introduced new initiatives to enhance ADIA's flexibility to capture opportunities that meet our rigorous risk-return requirements. Once again, recruitment and employee development were priorities, with several key internal and external appointments made during 2015, and steps taken to further refine our approach to developing UAE National talent.

Almost 40 years have passed since the Government of Abu Dhabi created ADIA as an independent entity with the mission to generate economic returns for the benefit of future generations. Now, as then, this mission serves as a powerful guide and steadying influence to ensure we remain prudent and disciplined in everything we do, recognising the cumulative effect that our decisions can have on ADIA's success. It also provides a powerful incentive to remain calm and focused on our long-term goals, particularly during more challenging market environments when the temptation to react may be strong.

However, long-term success also requires a willingness to adapt, recognising that the world is constantly evolving, and we must remain alert and open to innovation where it can bring genuine benefits.

On this theme, last year saw a number of enhancements to our top-down investment process, as well as our ability to generate "alpha", or market outperformance, within investment departments.

For more than two decades, ADIA has designed its portfolio in a way that seeks to anticipate major trends in global markets over the long term. In 2015, we further developed our analytical tools, which, together with increased collaboration between the Strategy Unit, Investment Services Department and our investment departments, enabled us to also make tactical allocation decisions that led to improved returns within asset classes.

In addition, ADIA successfully implemented a customised "Smart Beta" portfolio, with a view to further enhance returns from our index-replicating strategies. Whilst relatively small, this portfolio complements our existing tailored approaches to maximising returns over the long term.

ADIA's new operating model for investment departments, which was introduced in late 2014, was implemented last year, allowing our internal managers to access a broader range of investment opportunities. In the Fixed Income & Treasury Department, for example, a newly introduced mandate provided investment managers with increased flexibility to allocate across the fixed income space, enabling "beta" allocation decisions in a risk-controlled manner.

In a separate development, the Alternative Investments Department expanded its investment universe to include co-investments in "special situations" alongside its managers, as well as an ability to invest in smaller managers.

Together, these initiatives and others provide an insight into the behaviours and ways of thinking that have made ADIA successful over the years, as expressed by our cultural values – prudent innovation, effective collaboration and disciplined execution; the Smart Beta project alone was the result of close teamwork between eight ADIA departments. We are proud of ADIA's culture, which plays a vital role in ensuring that we continue to fulfil our mission, even in a lower-growth environment.

From an overall portfolio perspective, ADIA put in a creditable performance in 2015 despite volatile market conditions that saw equity markets end the year little changed from where they began.

ADIA's 20-year and 30-year annualised rates of return were 6.5% and 7.5% respectively, primarily as a result of strong returns from the mid-1980s and 1990s falling out of the rolling averages over the periods in question. Nonetheless, ADIA's real rate of return has remained consistent with historical levels.

It was another busy year on the organisational front, with the General Services Department being folded into the Human Resources Department, in order to combine it with other related functions that support ADIA's employees.+

Within the Private Equities Department, a leadership transition saw Hamad Shahwan Al Dhaheri assume the position of Executive Director, with responsibility for and oversight of the Department's activities. We are grateful for the contribution provided by Hareb Al Darmaki, one of ADIA's longest-serving leaders, in building and guiding the Department over so many years, and I am pleased that he will continue to contribute to ADIA's success, both as an Advisor and in his continuing role as Deputy Chair of the Investment Committee.

The Private Equities Department also appointed a new Global Head of Private Equities, reporting to Mr. Al Dhaheri, who joined in early 2016.

The Internal Equities Department appointed a Head of U.S. Equities and began building out its U.S. team during 2015. The team also added a new Head of Japan, and appointed several professionals to a newly created High Conviction Global mandate.

As in previous years, a key focus during 2015 was employee education and development. This included the creation of a new Recruitment and Development Committee with a mandate to develop an integrated view of UAE National development across the organisation.

Looking forward, I am confident that the considerable experience accumulated within ADIA over almost 40 years, and its continuous ability to evolve, means that it remains strongly positioned to fulfil its mission, irrespective of market conditions.

It is worth noting that throughout ADIA's history there have been prolonged periods during which oil prices have hovered around or below current levels. Still, the declines witnessed in late 2015 and into 2016 offer a clear reminder of the sound logic underpinning ADIA's diversified and disciplined approach to portfolio management. At its core, this has always involved closely monitoring market conditions and prudently maintaining appropriate liquidity at different points of the economic cycle. This ensures we are always able to meet our obligations to the Government of Abu Dhabi, if required, without compromising long-term investment goals.

## Review of the Year

After the strong performance of previous years, most markets delivered comparatively lacklustre returns in 2015. Global equities and bonds both had small negative total returns for the year. Emerging markets once again under-performed developed markets, due in large part to the continued erosion of prices of energy and many other commodities. For similar reasons, credit markets underperformed sovereign debt.

Global growth appears to have held up relative to admittedly weak expectations. In some major areas, for example Europe and China, there were early signs of a pickup in activity.

Last year's ADIA Review highlighted three trends that had begun to take shape and were expected to remain important in 2015: declining energy prices, divergences in economic policies and adjustment in China. All three indeed played important roles in defining the year's outcome.

As commodity prices resumed their downward spiral, there was ongoing debate about the two possible root causes: weak demand and excessive global supply. As 2015 went on, it appeared that supply was the more instrumental factor. The extent of stress suffered by producing countries and firms also became apparent, offsetting in part the benefits to consumers of lower commodity prices, although this should eventually ease through reduced new investment in supply.

Monetary policy in major economies was quiet for much of last year. Only in December did the long-awaited increase in interest rates from the U.S. Federal Reserve take place. Importantly, in the same month the European Central Bank took another small easing step, extending its quantitative easing, or QE, programme and moving its deposit rate slightly further into negative territory. Divergences in U.S. and European monetary policies have occurred before but typically have not lasted long. This current episode is being amplified by stubbornly low inflation in the Euro area, and may persist for some time.

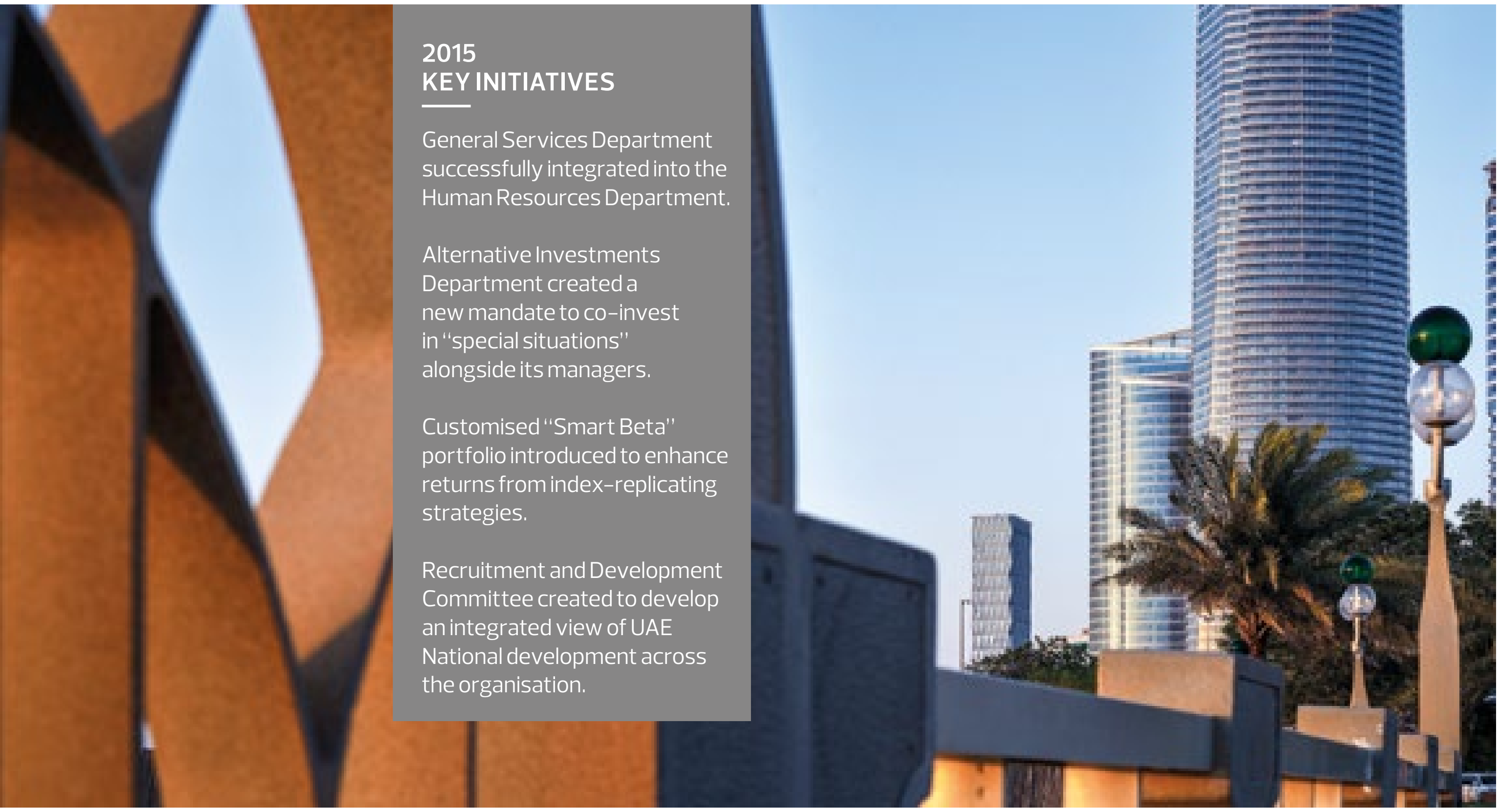
Events in China's capital markets last year were particularly noteworthy. China's equity markets experienced sharp swings in the first half of 2015, and the policy response to this volatility highlighted the challenges China faces in regulating its financial markets. But by the end of the year, the authorities seemed to have controlled the situation and the economic fallout was limited. In addition, China made important progress in liberalising and opening its capital markets and the International Monetary Fund responded by adding the Renminbi to its Special Drawing Rights basket.

## Outlook

The contours of the post-crisis world have become clearer. Economic growth is slower but also more differentiated across regions and industries. Financial assets, with a few notable exceptions, appear fair-valued, pointing to the probability of future returns being below historical experience.

Slow growth in developed economies is partly the result of expected demographic changes and partly weaker-than-expected productivity, the latter of which has now lasted long enough to perhaps be structural. However, we know from experience that productivity growth can slow or accelerate without warning, so it is important not to be unduly pessimistic about the future. Still, in the absence of a sustained improvement in economic data, investors would be prudent to prepare for slower growth in the medium term.

The potential for better growth outcomes in emerging markets remains clear but is more nuanced. Commodity-producing economies face the challenge of developing alternative engines of economic growth. This will be driven partly in response to currently depressed commodity markets but also through the growing recognition that economic development cannot be sustained solely through the extraction of basic commodities. Some producers are already responding to this by diversifying into downstream industries, such as refining, plastics and fertilizers that can deliver better secular gains in employment and technology.



## 2015 KEY INITIATIVES

General Services Department successfully integrated into the Human Resources Department.

Alternative Investments Department created a new mandate to co-invest in "special situations" alongside its managers.

Customised "Smart Beta" portfolio introduced to enhance returns from index-replicating strategies.

Recruitment and Development Committee created to develop an integrated view of UAE National development across the organisation.

Those emerging economies that are positioned more as commodity consumers are better placed to grow in the years ahead. China and India dominate this group, of course, and both offer promise based on evident efforts to reform. China is making great strides in integrating its capital markets into global markets, and there are optimistic signs that India is seeking to open its markets to trade and outside investment. In both cases these are processes, not events, and we look forward to continued progress on these fronts and offering our support wherever possible.

And, importantly, even with these challenges the emerging economies continue to make impressive progress. According to The World Bank, the global population in poverty fell below one billion people in 2012, and is expected to have declined further to around 700 million last year. The Bank has further documented the ongoing "digital transformation" in emerging markets and its potential to broaden economic opportunity and lift living standards. In addition, the global community agreed in the COP-21 meeting in Paris to provide finance and technology to emerging countries to help them develop alternative sources of energy. Evidently, these trends also hold the potential for more interesting opportunities to invest.

Against a backdrop of slowing global growth, ADIA's investment strategy will remain focused on identifying long-term trends and patiently growing capital.

In the years ahead, investors may benefit less from tailwinds from demographics, falling interest rates or QE. It will also likely become more difficult to maintain conviction in markets where returns are lower but volatility remains high. However, this will only increase the importance of discipline and consistency in order to ensure that returns, even if lower than in the past, still compound over time to deliver significant capital growth.

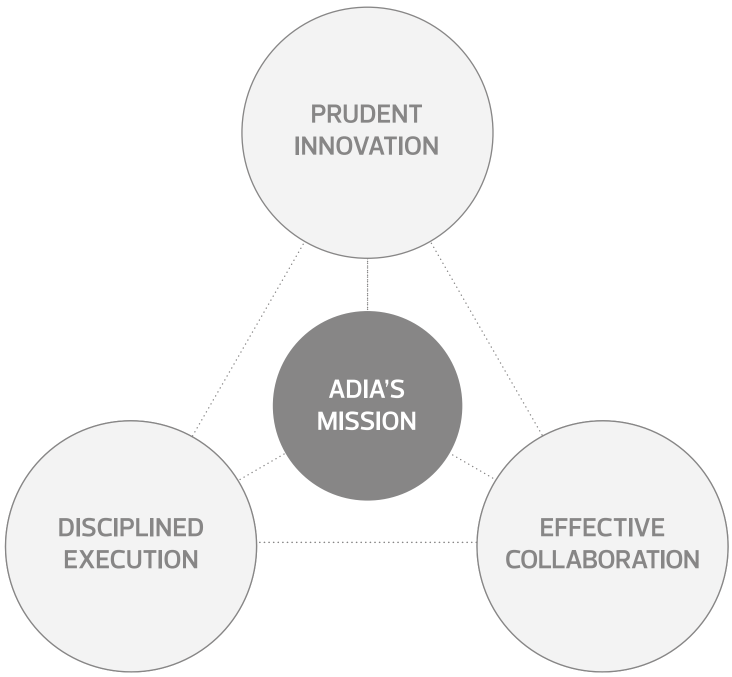
Hamed bin Zayed Al Nahyan
*Managing Director*

# OUR CULTURAL VALUES

*ADIA's cultural values guide the way we work and the way decisions are made. They provide direction for how we think and behave as individuals and as a unified institution.*

*These values play a fundamental role in driving our people and the organisation forward to achieve long-term growth and business success. We work to ensure that our cultural values are fully embedded in our selection, developmental, promotion, measurement and incentive processes.*

The three ADIA cultural values that we encourage employees to demonstrate are:



## Prudent Innovation

At ADIA, we encourage our people to innovate. Our culture of prudent innovation inspires us to generate new ideas, continually improve our individual and departmental performance, support ADIA-wide change initiatives, and advance our investment strategy processes. This involves appropriately challenging the status quo and leveraging improvement opportunities. However, as a risk-sensitive business, it is vital that consideration of change is approached in a thoughtful manner so that all innovations are fully analysed, considered and reviewed to balance opportunities with their associated risks. We are careful to consider both anticipated as well as unanticipated consequences for all innovations. Professional judgement should demonstrate caution and ensure a full awareness of the balance between opportunities and the risks involved in pursuing them.

With that intent, we recognise the importance of personal and professional development and encourage employees to drive their own and others' development while at ADIA. In addition to individual growth, ADIA is focused on accelerated organisational improvement and ensuring the business is able to anticipate change and take advantage of market developments.

OUR CULTURE OF INNOVATION INSPIRES US TO GENERATE NEW IDEAS, CONTINUALLY IMPROVE OUR INDIVIDUAL AND DEPARTMENTAL PERFORMANCE, AND SUPPORT ADIA-WIDE CHANGE INITIATIVES.

AT ADIA, WE ENCOURAGE EMPLOYEES TO COMMUNICATE OPENLY WITH EACH OTHER AS A MEANS OF BUILDING SOLID PROFESSIONAL RELATIONSHIPS.

## Effective Collaboration

ADIA places strong emphasis on collaboration and supports individuals to build relationships and informational networks – both internally and externally – that deliver results. We encourage individuals and teams to gather input from those with different knowledge and opinions, across departments and at all levels within the business. We acknowledge that identifying, importing, sharing, interpreting and utilising information from all sources contributes to our present and future success. ADIA values those who take responsibility for working together towards ADIA's mission and are supportive of team objectives and decisions.

At ADIA, we encourage employees to communicate openly with each other as a means of building solid professional relationships and improving performance. Those who share opinions while also listening to the views of others, both within and across departments, create greater value for ADIA and its mission. This means getting involved in challenging yet positive debates where ideas and suggestions can be discussed in a constructive and productive manner. We have found that when employees collaborate across departments, they are more likely to continually improve and execute their personal responsibilities.

## Disciplined Execution

ADIA has a long and successful history of disciplined execution. Individuals are encouraged to set and achieve high standards that are aligned with our mission and long-term objectives. A central enabling feature of ADIA's mission is prudently growing capital through a disciplined investment process. ADIA's investment process has been carefully refined over the years. Employees are given responsibility for contributing to ADIA's investment success by putting in place realistic, clear and practical plans to ensure that expected results are achieved. We do so by holding ourselves and our teams accountable for delivering on their plans.

Effective delegation and the ability to drive projects to completion are essential for meeting objectives. We encourage individuals to demonstrate the energy, drive and commitment to deliver results and maintain focus and integrity, and to overcome any inevitable difficulties or challenges that come their way.

EMPLOYEES ARE GIVEN RESPONSIBILITY FOR CONTRIBUTING TO ADIA'S INVESTMENT SUCCESS BY PUTTING IN PLACE REALISTIC, CLEAR AND PRACTICAL PLANS.

*By making continuous enhancements, ADIA has built an investment strategy that is not simply based on asset class or geographic allocations, but one that is both robust and increasingly focused on return drivers.*

# INVESTMENT STRATEGY

*ADIA has a disciplined investment process that aims to generate stable returns over the long term within established risk parameters.*

The Strategy Unit plays a central role in the investment process, with responsibility for developing, maintaining and periodically reviewing ADIA's policy portfolio mix of more than two dozen asset classes and sub-categories. It also identifies medium-term tactical opportunities for generating returns in excess of those achieved by the long-term policy portfolio while maintaining ADIA's target risk profile.

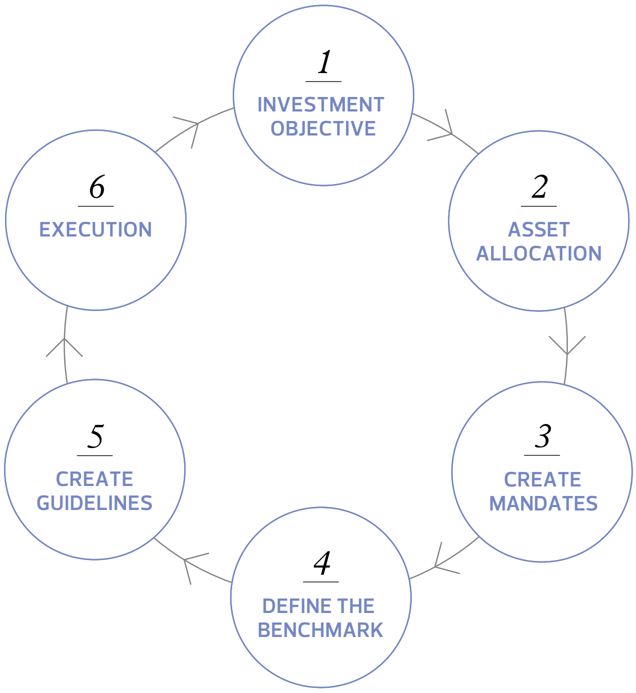
In accordance with ADIA's prudent governance structure, the Strategy Unit's recommendations are evaluated by the Strategy Committee, before being submitted to the Investment Committee and ultimately the Managing Director. Once approved, funds are allocated to the respective investment departments, which are responsible for implementation in line with their mandates, benchmarks and guidelines.

In order to achieve its long-term objectives, ADIA must be able to execute on its desired asset allocation in a timely fashion, in size, while minimising transaction costs. It is for this reason that slightly more than half of ADIA's portfolio consists of index-replicating, or passive, strategies within quoted markets. This is offset by skilfully designed, actively managed investments across asset classes, in areas with genuine potential to generate market outperformance, or alpha, over the long term.

We recognise that a structured yet flexible approach is needed to ensure opportunities and trends can be captured as they arise. As a result, ADIA has expanded its in-house capabilities in a number of asset classes and support functions in recent years. On a macro level, this has enhanced the organisation's ability to take a globally strategic view of opportunities, both across and within asset classes. It has also enabled ADIA to become increasingly tactical and opportunistic where potential opportunities and trends arise.

By making continuous enhancements, ADIA has built an investment strategy that is not simply based on asset class or geographic allocations but one that is both robust and increasingly focused on return drivers. This allows for a sophisticated approach that can be more granular in nature and provides us with the ability to focus on sector-based or thematic investments with attractive risk and return characteristics.

## Overview




### 1 INVESTMENT OBJECTIVE

To invest funds on behalf of the Government of Abu Dhabi and make available the financial resources to secure and maintain the future welfare of the Emirate.

### 2 ASSET ALLOCATION

Design the long-term strategic neutral benchmark for the total portfolio. Define the appropriate level and mix of assets to maximise expected returns subject to risk tolerances and liquidity constraints.

### 3 CREATE MANDATES WITHIN AN ASSET CLASS

Allocate and manage funds across the mandates at the asset/sub-asset class levels.

### 4 DEFINE THE BENCHMARK

Set a policy benchmark for each investment mandate that is achievable and reflective of the asset/sub-asset class. Success of the investment teams is measured against tailored performance targets.

### 5 CREATE GUIDELINES

Institute guidelines for investment managers that highlight the objectives of the mandate and specify the relevant investment constraints.

### 6 EXECUTION

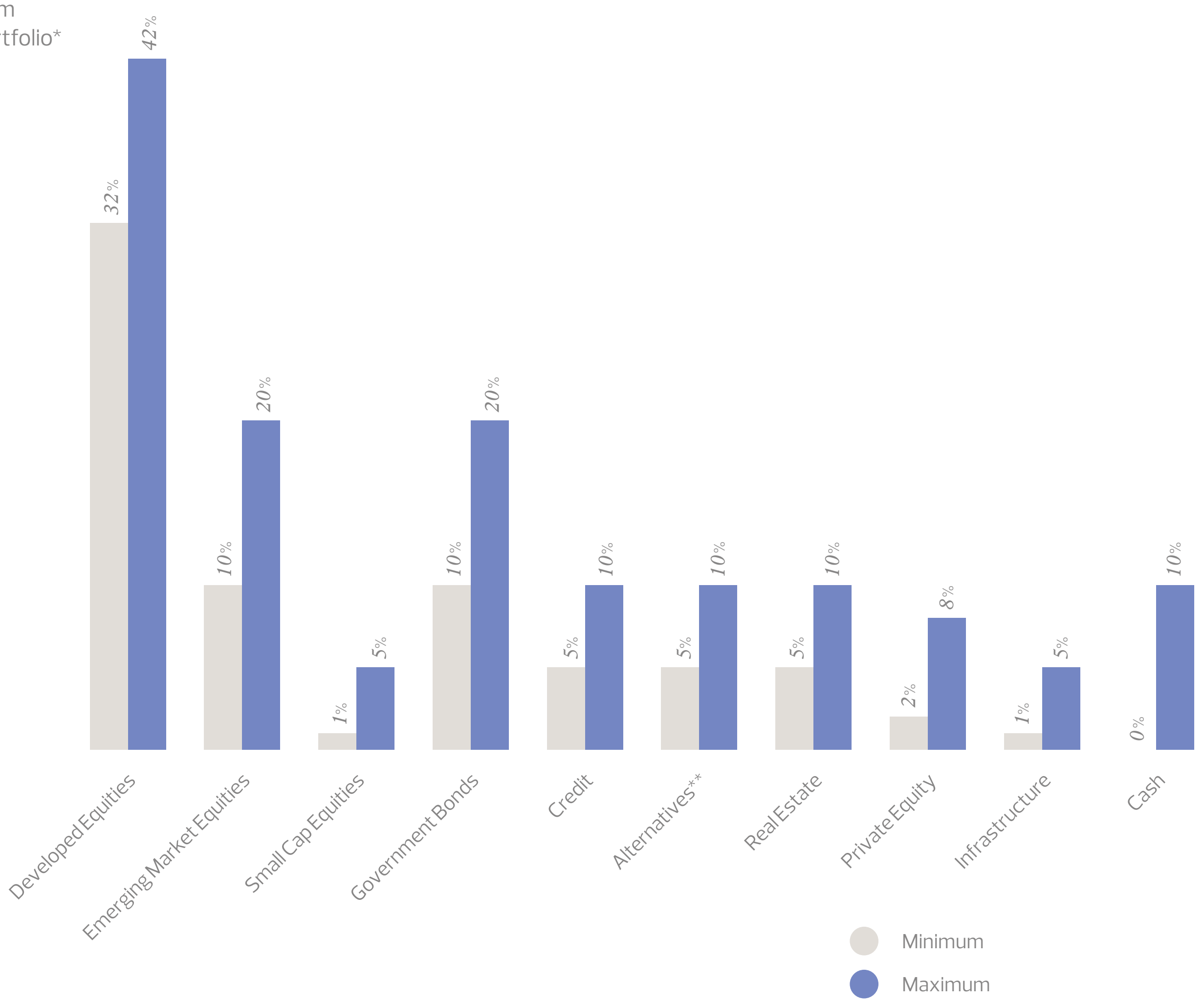
Put in place the appropriate investment teams needed to implement the overall investment strategy.

# PORTFOLIO OVERVIEW

*ADIA manages a diversified global investment portfolio across more than two dozen asset classes and sub-categories. We invest directly in global financial markets, alongside trusted partners and through a network of carefully selected external managers.*

By asset class

Long-term policy portfolio*

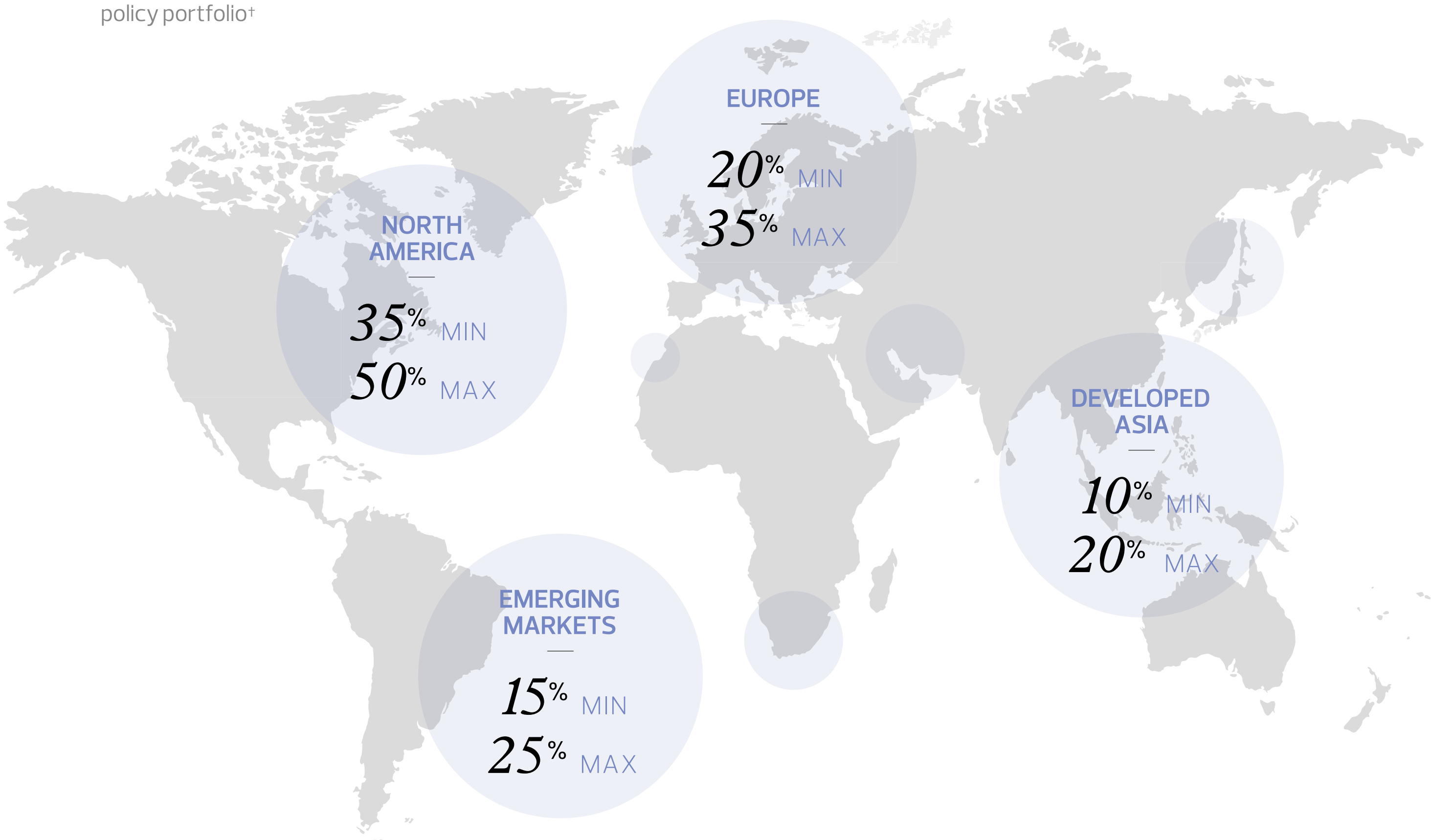



* The above denotes long-term policy portfolio ranges within which allocations can fluctuate; hence they do not total 100%.

** Alternatives comprises hedge funds and managed futures.

By region

Long-term policy portfolio†




† ADIA, as a matter of practice, does not invest in the UAE.

# INVESTMENT ACTIVITIES

*ADIA's investment departments are responsible for building and managing investment portfolios within the parameters set for them through the asset allocation process.*

*These departments, which invest across multiple asset classes and geographies, have discretion over the origination and recommendation of investment proposals.*

Overview


**Investment Departments**

- Indexed Funds
- Internal Equities
- External Equities
- Fixed Income & Treasury
- Alternative Investments
- Real Estate & Infrastructure
- Private Equities

# INVESTMENT ACTIVITIES

## *Equities*

### Indexed Funds Department

The Indexed Funds Department manages the largest proportion of ADIA's equities with the objective of achieving index returns with the flexibility to add value within approved guidelines.

Indexed Funds comprises two teams: External, which oversees the activities of external investment managers who manage the majority of the assets allocated to Indexed Funds by ADIA; and Internal, which directly manages the remaining assets. Both the External and Internal asset pools are subject to close monitoring and strict guidelines to ensure objectives are met and risk is controlled. The Indexed Funds Department is supported directly by its Risk, Research and Operations teams, and governance is provided by the Department's Executive Committee.

### Internal Equities Department

The Internal Equities Department invests directly in global equity markets and actively manages these investments in order to generate returns that outperform the relevant benchmarks.

Internal Equities identifies investment opportunities based on bottom-up fundamental research, focusing on companies' structural value propositions.

The Department manages multiple internal active portfolios that are organised by geography, sector and/or theme. It utilises a fundamentals-driven, research-based stock selection approach that seeks to generate alpha within predefined risk parameters. Each team is led by a portfolio manager, backed by a deputy, and consists of analysts as well as sector and/or country specialists.

### External Equities Department

The External Equities Department oversees the activities of external investment managers who employ active strategies to invest in global equity markets. External Equities constructs and manages a single global equities pool consisting of multiple external managers, overseen by internal portfolio managers with regional specialisations and an objective to outperform the benchmark within a predetermined set of investment guidelines.

The internal portfolio managers seek to identify the best external managers in global markets to generate sustainable outperformance. The Department conducts extensive due diligence on a qualitative and quantitative basis, which includes multiple engagements with prospective managers. Throughout this process and post-appointment, External Equities requires maximum transparency from its external managers, with portfolio monitoring conducted on a continuous basis.

REVIEW *of* THE YEAR

Equity markets entered 2015 against a backdrop of gradually improving global growth, low inflation and a belief that supportive monetary stimulus in most major economies would remain necessary. The one caveat was a concern that the need to "normalise" rates in the U.S., where the recovery seemed most advanced, could prove to be a headwind. These concerns were at least partly borne out, with the MSCI AC World Index posting an overall 1.8% decline in 2015, driven in large part by outflows from emerging markets. As speculation grew during the year about a U.S. rate rise, the impact of a strong U.S. dollar (USD) on countries with current-account deficits became harder to disguise. It also took a toll on USD-leveraged balance sheets and corporate profitability.

Meanwhile, reduced investment spending and subdued consumer demand, despite an energy windfall, had a dampening effect on returns elsewhere. Cuts in capital expenditure, forced by low commodity prices, hit both sentiment and the bottom line for many companies with either direct or indirect exposure to the commodity sector. This trend also contributed towards a more selective approach by investors, who favoured high-quality companies with growth potential and positive cash flows.

Among emerging markets, in USD terms, the BOVESPA in Brazil declined by 41.8%, the Turkish ISE 100 market lost 33.0% and the South African FTSE JSE All Share fell by 21.5%.

The picture in developed markets was more mixed, with core U.S. markets once again providing strong relative returns. The S&P 500 closed up 1.4%, while the Nasdaq rose 7.0%. Europe struggled to build momentum, despite aggressive quantitative easing and a weak Euro, with the MSCI Europe Market Index declining by 2.3%. It also had to contend with a refugee influx from the Middle East that placed a strain on sentiment and raised political tension throughout the Euro region.

Elsewhere, Australia's S&P ASX200 fell 8.8% as prices for the country's commodity exports fell sharply, while Hong Kong's Hang Seng Index lost 3.9%. Japan's Nikkei 225 bucked the trend, rising 11.0% in local currency and 10.6% in USD, driven by continued Central Bank stimulus and an increased allocation to equities by its Government Pension Investment Fund. China's CSI 300 also ended the year 2.4% higher, having previously soared as much as 50.2% in USD terms at its peak before concerns about growth and the transition to a domestic consumption story burst the market euphoria.

Concerns about the strength of global growth are likely to persist during 2016, with the official interest rate in most countries expected to remain low, despite the gradual tightening under way in the U.S.

In the U.S., valuations ended 2015 within historical norms, limiting the potential for continued strong gains in the absence of robust earnings growth. In the Eurozone, the recovery remains in its early stages, with the European Central Bank pledging to deliver further support if needed. Such accommodative policy, and an increasing focus by investors on non-U.S. companies in the early stages of the tightening cycle, should support continental European equities in 2016. The Chinese economy, meanwhile, remains in a transitory phase, with lower growth forecasts and deflationary pressures likely to test the government's skills, and prompt close scrutiny from investors and the country's major trading partners. Emerging markets may be due some short-term relief, after steep declines in 2015, although they could remain vulnerable to U.S. interest rate rises and a strengthening USD.

2016 will be the first time since the early 1990s that monetary policy has decoupled across the Atlantic, raising the prospect of shifts in capital flows and risk attitudes. Together, these should make for an interesting and eventful year.

## Key Developments

ADIA's equities departments had another active year in 2015.

In Internal Equities, a recruitment drive resulted in a number of key appointments being made in the Europe and Asia Pacific teams. In addition, the Department appointed a Head of U.S. Equities and began building out its U.S. team, as well as adding professionals to a newly created High Conviction Global mandate. Research was a focus during the year, as global sector teams began providing research to benefit the Department and ADIA as a whole. Meanwhile, five UAE National trainees were placed into various roles across the department, as part of ADIA's Early Career Development programme.

In External Equities, the team focused on refining existing processes and developing new capabilities since the appointment of its new Global Head of Equities in late 2014. This enhanced the Department's ability to develop relevant insights into capital markets and investment managers, and improve the chances of achieving its objectives.

Both the Internal and External Equities Departments produced positive relative performances against their benchmarks in 2015.

# INVESTMENT ACTIVITIES

## *Fixed Income & Treasury*

The Fixed Income & Treasury Department serves multiple functions, which include managing ADIA's liquidity needs and cash investments in the short-term money markets, as well as managing its portfolio of investments across a broad range of fixed income securities. The Department's objectives are to meet ADIA's liquidity needs and to obtain returns matching or outperforming its respective fixed income benchmarks through disciplined execution while maintaining an acceptable level of risk.

The Department's fixed income allocation is managed both internally and through external managers, with a goal of maximising returns while adhering to strict investment guidelines. Fixed Income & Treasury investments can be grouped into five broad categories: global government bonds, global inflation-linked bonds, emerging market bonds, global investment-grade credit and non-investment-grade credit. It also has a dedicated Treasury function, which monitors ADIA's liquidity needs and aims to preserve capital while ensuring access to daily and short-term liquidity.

All are supported internally by an operations team, which provides operational support and infrastructure to the department and works closely with other support functions across ADIA, and a risk team, which is responsible for identifying and evaluating risks at a departmental level and feeding its analysis into ADIA's broader risk management framework.

REVIEW
*of*
THE YEAR

2015 was a relatively quiet year in government bond markets. Yields generally ended where they had started and local-currency returns were low and positive. Most sovereigns had negative returns in U.S. dollar (USD) terms due to currency effects.

It was an active year on the monetary policy front. The Federal Reserve began its long-awaited normalisation of interest rates, in contrast to the European Central Bank, which late in the year moved its main policy interest rate slightly further into negative territory. Volatility was more evident in currency and credit markets, with the latter in particular portending what may be more significant challenges in 2016.

The USD was one of the big stories of the year in currency markets. While the Federal Reserve raised interest rates only at the end of the year, anticipation of that event had given the USD a boost as early as 2014. Broad-based appreciation continued through 2015, given added impetus by the stress of falling commodity prices on exporting countries. In turn, the currency's strength sapped some of the momentum from the U.S. economy, helping to limit the upside to Treasury yields and probably delaying action by the Federal Reserve. The stronger USD, together with weak commodity prices, provided a difficult environment for emerging markets bonds and currencies, and this trend was exacerbated by various local issues in some countries as well as by China's decision to allow the Renminbi (RMB) to slip around 4.5% against the USD.

The RMB was involved in a number of other big currency stories during the year. Most significant was the International Monetary Fund's decision in November to include it as one of the currencies in its basket for Special Drawing Rights (SDRs). Meanwhile, having allowed the RMB to decline meaningfully against the USD in the second half of 2015, Chinese authorities indicated that future currency policy would be oriented around a basket of currencies.

European sovereign debt markets were subject to bouts of volatility in the first half of the year as Greece and the European authorities negotiated further debt relief. The outcome was favourable in terms of continued support for Greece in exchange for it enacting further fiscal reforms. But Greek debt levels – and those of several other Euro-area sovereigns – remain high and a source of concern for the long-term stability of these markets.

Credit markets performed poorly over the year, especially lower-quality debt such as high-yield bonds. The chief source of stress in credit markets was the persistent weakness in prices of energy and other commodities. As prices of energy-related debt fell, investors also became more cautious about credit in general, especially in light of the rapid growth of corporate borrowing over the past several years. In addition, investors worried about reduced liquidity in corporate debt markets – a consequence of tougher regulation of the financial sector – and much higher participation by retail mutual funds. The big issue going forward for credit markets will be the extent to which defaults actually materialise. Currently defaults are low outside of the energy and materials sectors. If this continues in 2016, credit may perform well.

## Key Developments

During 2015, Fixed Income & Treasury successfully implemented a multi-beta investment strategy aimed at combining active risks across market segments and efficiently utilising active risk budgets. The Department's new diversified portfolio, managed both internally and externally, provides the ability to implement a broader range of strategies across fixed income sectors in a risk-controlled manner.

Meanwhile, the Treasury Group within the Department continued to develop its investment process and services to other ADIA investment departments whilst maintaining its key objective of preserving capital and ensuring access to daily and short-term liquidity.

Fixed Income & Treasury continued to selectively grow the size of its team in 2015 to support the organisational structure and its evolving strategy, and further develop its asset management and risk management capabilities.

# INVESTMENT ACTIVITIES

## *Alternative Investments*

The mandate of the Alternative Investments Department is to invest in liquid, non-traditional funds employing strategies that seek to diversify and enhance risk-adjusted returns in ADIA's overall portfolio.

The Department operates three externally managed investment mandates. Of these, two are hedge fund-specific mandates that invest across discretionary global macro, relative value, event-driven and equity hedge strategies. The third is a systematic trading mandate comprising commodity-trading advisers (CTAs) and other quantitative hedge fund strategies. Alternative Investments is responsible for identifying, vetting and engaging investment managers who can best fulfil its mandates, while continuously monitoring and evaluating their performance and portfolio fit.

The Department also has an internally managed portfolio with a small allocation to a limited range of systematic strategies.

Hedge funds employ strategies that are mainly driven by discretionary investment themes, take both long and short positions, and use varying degrees of leverage to produce unique risk/reward profiles. CTAs, meanwhile, execute systematic strategies that employ a wide range of quantitative techniques to trade equities, commodities, fixed income and currency markets worldwide, principally in futures and foreign exchange markets. Other systematic strategies use advanced modelling and data-capture techniques to exploit various anomalies with varying degrees of emphasis on fundamental and technical inputs.

REVIEW *of* THE YEAR

2015 was a year in which economic growth and inflation levels increasingly diverged across countries, while policies pursued by central banks and governments also adjusted sharply from their paths since the onset of the global financial crisis.

This divergence within and among policy objectives and settings led to an eventful year in markets worldwide. Prices moved substantially and often very quickly in response to surprises or delays to expected events. Investors generally struggled with these bursts of intense volatility, which included the Swiss Franc/Euro decoupling in January, unexpectedly sharp selloffs in German Bunds and Chinese shares in April and July respectively, and a sudden reversal of previously upbeat sentiment around U.S. healthcare stocks in September. The only persistent trends were strength in the U.S. dollar, sustained commodity price falls and declines in most emerging market currencies and securities. These trends were driven principally by expectations of the first rate rise in about a decade by the U.S. Federal Reserve. When this finally occurred in mid-December, it was a fitting end to an unsettling year for many investors.

Equity markets had a mixed performance in 2015; China, Japan and most European markets provided high single-digit returns while the U.S. whipsawed during the year to a small loss. Emerging markets ended the year in the red, leading to an overall slightly negative year for global equities.

Global bonds were similarly mixed around central bank actions and inactions. The most significant moves occurred in peripheral Europe in response to events in Greece and around sustained outflows from emerging bond markets. Credit, particularly in the natural resource and energy sectors, was hit hard by developments in commodity markets.

Commodity prices fell almost across the board and exhibited higher volatility in 2015. The movements in oil prices dominated headlines, but all other commodities, excluding cocoa, sold off significantly, with the leading broad commodity index falling 27.7% in 2015 for a cumulative loss over the past five years of 49.5%.

Given the unpredictable market conditions, liquid alternative strategies posted broadly flat returns on average in 2015, with notable individual outliers at either end of the spectrum. With its broad diversification of strategies and high-quality managers, the Alternative Investments Department ended the year in positive territory, with good outperformance of the benchmarks that guide our strategy allocations and manager selection.

For CTAs, the year began with a continuation of the positive trends that had developed in the latter half of 2014, only to reverse in the second quarter as sentiment shifted gear and new trends emerged. The second half saw returns rise and fall on a monthly basis with gains in one asset class largely offset by losses in another. The overall positive but modest result in trend-followers was supported by managers with a commodity bias in their portfolios. Other systematic managers with models focused on fundamentals and non-trend technicals delivered positive returns ranging from modest to excellent.

Equity hedge managers, meanwhile, performed solidly despite the mixed picture in equity markets worldwide, with ADIA's portfolio benefiting from a low weighting to emerging market managers and those focused on natural resources and energy. European managers benefited from the positive market backdrop and market-neutral managers often posted strong returns through careful security selection and excellent hedging disciplines.

Discretionary macro managers had a better year in 2015 in general, with several managers distinguishing themselves by remaining committed to their views and avoiding adverse events through skilful trading. Relative value managers had very good absolute and relative performance, taking advantage of mispricing in and among sovereign bonds, credit and their derivatives, and also in select cross-asset class opportunities. Event-driven strategies tended to struggle as the dispersion in returns among special situation, activist and distressed debt managers was unusually high.

**Key Developments**

2015 was a year of growth for the Alternative Investments Department in assets, skills and capacities. Importantly, the Department's investment universe was expanded to allow co-investments in "special situations", alongside our managers, as well as investments in smaller, more nimble managers at earlier stages of their life-cycle. These changes should provide ADIA with access to a broader range of attractive market and manager opportunities, while lowering costs and improving returns. There was also a concerted focus on improving processes in the front, middle and back offices to meet the highest level of professional best practice. In 2016, the Department plans to recruit selectively to gain certain specialist skills for its investment and risk teams.

# INVESTMENT ACTIVITIES

## *Real Estate & Infrastructure*

The Real Estate & Infrastructure Department is responsible for building and managing globally diversified portfolios of real estate and infrastructure assets, each with their own dedicated teams.

THE REAL ESTATE TEAM CONTINUED TO DEPLOY CAPITAL IN 2015 ACROSS A BROAD RANGE OF STRATEGIES AND MARKETS, WHILE INCREASING ITS FOCUS ON ASSET AND PORTFOLIO MANAGEMENT.

The Department is staffed with a broad mix of experienced professionals and has a mission to provide ADIA with the diversification benefits of real estate and infrastructure investing by effectively managing its portfolio to achieve attractive risk-adjusted returns over the long term. Identifying, pricing and managing risk is paramount in our investment approach.

In real estate, the Department executes its business plan through a collaborative approach that includes joint ventures with experienced local partners as well as third-party fund managers, whose performance is monitored by ADIA's in-house team. It employs a flexible strategy focusing on global relative value and market cyclicality that allows for investing across a variety of real estate asset types and also at various entry points in the capital structure. The Real Estate team seeks to structure its involvement in transactions in such a way as to maximise control over its capital.

In Infrastructure, the core focus is on assets with strong market-leading positions and relatively stable cash flows, including utilities, transport infrastructure and energy infrastructure. The primary strategy is to acquire direct minority equity stakes alongside proven financial and strategic partners, with an emphasis on developed markets but also an increasing focus on emerging markets. An ability to invest via externally managed funds, the listed market as well as mezzanine debt, complements the strategy. The Infrastructure team does not seek to control or operate the assets in which it invests.

REVIEW
*of*
THE YEAR

Despite a resurgence of volatility in the public equity and fixed income markets in 2015, real estate continued to attract robust interest across the capital spectrum from a broad range of investors.

While demand for yield remained an important driver, the ongoing recovery in underlying real estate market fundamentals re-emerged as an additional catalyst for increased investment activity.

As in recent years, competition for assets pushed pricing higher and yields lower across most markets. High-quality, cash flow-generating assets in major global cities continued to draw the most bidders. However, improving fundamentals led investors to broaden their focus to assets with potential to add value through leasing or renovations, as well as higher-yielding properties in non-prime locations and secondary markets.

The Real Estate team continued to deploy capital in 2015 across a broad range of strategies and markets, while increasing its focus on asset and portfolio management as evidence mounted that the real estate cycle was approaching a more mature phase. This new phase was most apparent in the U.S., where rising rents set into motion a new cycle of development activity after a prolonged period of virtually no new supply.

In Europe, the real estate cycle once again lagged the U.S. market, particularly on the continent. Nevertheless, similar dynamics were at work as capital flows picked up noticeably, creating more competition for income-producing assets and leading to a pickup in new construction activity. Major cities such as London and Paris remained favourites among investors, but investment volumes in southern Europe, notably Spain and Italy, and in Ireland, increased as lenders took advantage of demand from private equity funds to reduce their inventories of loan portfolios and bank-owned assets.

Market dynamics were somewhat different in Asia, where the slowdown in China had an impact on the region as a whole. While some markets, such as Japan and Australia, remained in strong demand, the uncertain impact of weaker Chinese growth dampened capital flows. This relative lack of liquidity created opportunities for long-term investors to collaborate with local partners on existing assets and new development projects alike.

Perhaps the greatest impact of the slowdown in China and the strengthening U.S. dollar (USD) was seen in commodity-driven emerging markets, particularly Brazil and Russia, where asset values dropped sharply in local and USD terms. Although the near-term outlook for these economies remains uncertain, the negative market sentiment and depressed pricing levels appear to provide a healthy margin of safety for long-term investors.

Meanwhile, a number of similar themes were evident in the infrastructure investment landscape throughout 2015. The low interest rate environment and increasing allocations to infrastructure continued to drive strong competition and pressure expected returns, especially for the lowest risk assets, while spurring interest in new sectors and markets.

Whilst the U.K., Europe and Australia remain key jurisdictions for many investors and provide reasonable deal flow, there was more meaningful interest and activity in certain Latin American markets as well as a continued focus on India.

## Key Developments

While asset and portfolio management remained priorities during 2015, the Real Estate team continued to selectively grow its portfolio through investments in existing assets and development opportunities. Key acquisitions in 2015 included significant investments in the U.S. warehouse market and a 50% interest in a portfolio of Hong Kong hotels. In the dominant global cities that have captured the bulk of investment in recent years, and where the recovery in occupier demand has been strongest, development opportunities appeared to present a more compelling risk-reward trade-off and the most attractive means to access prime assets. The team also took advantage of strong demand in both the investment and occupier markets to fine-tune its portfolio by selectively selling assets and redeploying capital into a range of asset types with more attractive fundamentals, in keeping with the Real Estate team's "global relative value" approach to portfolio management. Performance was further enhanced at the asset level through leasing and other initiatives.

The Infrastructure team, meanwhile, continued to be active during 2015 in sourcing, reviewing and executing new investment opportunities. The core strategy of acquiring minority stakes in high-quality assets alongside leading partners in stable markets continued, as evidenced by significant investments into Germany's leading motorway services group, Tank & Rast, and Transgrid, the electricity transmission business in the state of New South Wales, Australia. The year also saw the completion of the team's first direct investment in emerging markets – a significant minority stake in ReNew Power, one of India's largest clean energy companies. In addition, the diversification of the infrastructure portfolio was enhanced through investments in new sectors including LNG infrastructure, rolling stock leasing, bulk liquid storage and mobile telecommunication infrastructure.

A number of new appointments were made during the year providing additional resources to grow and more actively manage the portfolio.

# INVESTMENT ACTIVITIES

## *Private Equities*

The Private Equities Department is responsible for investing in private equity and debt globally through externally managed primary and secondary funds and through investments in private companies, typically alongside external partners. ADIA began investing in private equity in the late 1980s to seek risk-adjusted returns that exceed long-term public market returns and to diversify its portfolio.

The Department is organised primarily into Funds and Principal Investment teams. The Funds teams invest in private equity funds globally and are organised by region. The Principal Investment team invests alongside private equity funds and other partners into private companies and is divided by sector with a global mandate. The Venture Capital, Secondaries and Private Debt sub-teams also invest on a global basis. Investment teams are supported within the Department by the risk and finance functions.

REVIEW *of* THE YEAR

Despite being a challenging year for global markets, the private equity industry posted another solid relative performance in 2015, according to interim data. Once again, private equity markets provided significant liquidity, with exits outpacing new investments for the sixth year in a row, as funds took advantage of demand from strategic buyers to sell down their pre-financial-crisis unrealised investments. In aggregate, investment activity continued to steadily increase, reflecting the positive fundraising of previous years as well as ease of access to leveraged finance. In general, investor sentiment for private equity remained healthy. While preliminary data suggests fundraising activity contracted marginally during 2015 as a whole, volumes picked up as the year progressed to make up for a slow start. Fundraising for funds targeting emerging markets investments slowed the most, reflecting concerns about economic growth and the impact of rising U.S. interest rates. Conversely, U.S. venture capital benefited from growing investor appetite, due in large part to the relatively strong performance of the technology sector.

Global private equity investment volumes grew in 2015, continuing to recover from the depth of the financial crisis, although they remained well below the 2006-2007 peak. The majority of investment activity took place in the U.S. market, whereas activity in Asia and Europe was in line with 2014 levels. Despite this, "dry powder" – capital committed but yet to be deployed – reached record-high levels. Assuming the environment remains broadly supportive, aggregate levels of investment are expected to remain well supported.

Valuations were pushed higher by a combination of factors, including availability of debt, pressure to deploy capital, increased competition with strategic buyers and IPOs. This was particularly pronounced in the U.S., where entry multiples reached record levels.

Private equity houses were able to deploy significant amounts of leverage in their transactions, supported by accommodating debt markets and low interest rates. This was predominantly the case in the U.S., where transactions closed with levels of leverage just shy of the 2007 peak, albeit with healthier interest coverage ratios.

Exit activity remained strong in 2015, coming in just below the peak levels recorded in 2014. Markets remained liquid, particularly in the case of strategic buyers, which accounted for the vast majority of exits. In a low growth environment, companies took advantage of their cash reserves to find growth through mergers and acquisitions, which reached the highest annual value in history for a total of USD 3.9 trillion. While private equity firms retain a backlog of pre-financial crisis investments, this process of unwinding appears to be reaching its conclusion as the average holding period of realised investments declined in 2015 for the first time since 2008.

The latest available data on returns suggest a solid performance for private equity investments in 2015, particularly when compared with losses posted in listed equity markets. However, a combination of high valuations, increasing competition and raising interest rates in the U.S. are likely to have a dampening effect on absolute returns going forward.

### Key Developments

In 2015, the Department continued the prudent implementation of its strategy in a market approaching cyclical maturity. This involved strengthening its focus on investing in funds and alongside partners with proven track records in navigating more challenging conditions. It also continued to invest globally alongside key sponsors and corporates to support the completion of transactions with attractive risk return characteristics. This was illustrated by, among others, ADIA's significant role in the consortium that agreed to acquire LeasePlan Corporation N.V., the global leader in fleet management and driver mobility.

The Department is continuously involved in active portfolio and market monitoring with a view to allocating capital to strategies, sectors, geographies and with managers that it deems attractive going forward. In line with this approach, it continued to enhance systems, data collection and processes to strengthen its monitoring capabilities.

2015 marked a leadership transition within the Department, with Hamad Shahwan Al Dhaheri assuming the position of Executive Director, with responsibility for and oversight of the Department's activities. Mr. Al Dhaheri had previously served as Deputy Director of the Private Equities Department. Other appointments during the year included a new Deputy Director and the addition of professionals in several investment and support teams.

Meanwhile, in keeping with ADIA's emphasis on developing its UAE National talent, the Department instituted a rotation programme in 2015 to provide them with unique training and exposure to all aspects of the management of a private equity programme.

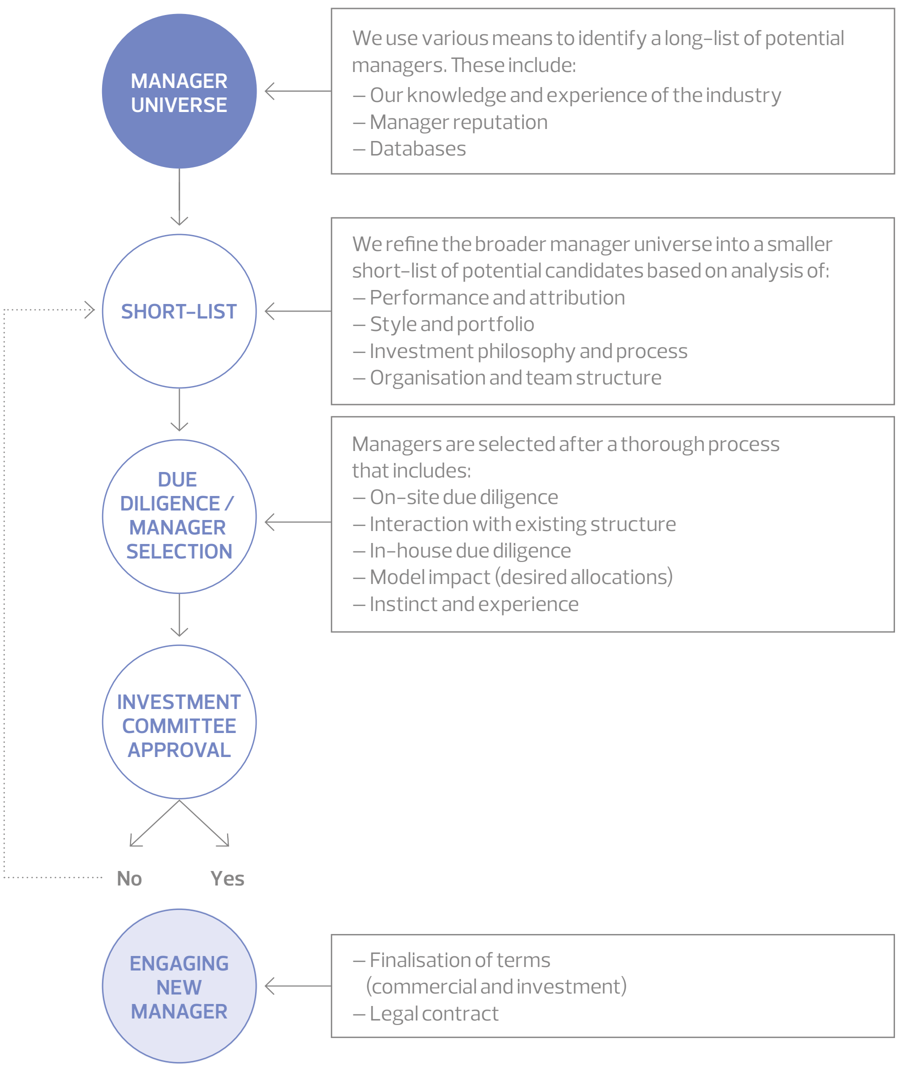
In early 2016, the Department appointed a new Global Head of Private Equities with joint responsibility alongside Departmental management for setting private equity strategy, overseeing the private equity programme and making investment recommendations. It plans to continue to recruit selectively during 2016.

The Department will also continue to engage earlier in the execution of negotiated investments (including participating in valuing and structuring) alongside its co-investors.

# SELECTION OF EXTERNAL MANAGERS

*In addition to our internal investment teams, we recognise that external managers often bring desired skills or experience that allow ADIA to successfully capture "alpha", or returns that beat the market, as well as managing its exposure to "beta" strategies that track the overall market.*

Manager selection process



In total, around 60% of ADIA's assets are managed externally in areas including equities, fixed income, money markets, alternative investment, real estate and infrastructure, and private equities. We engage managers across the risk spectrum, from index-replicating to actively managed mandates, and typically tailor each fund to our specific needs and internal guidelines.

ADIA's alpha-seeking managers operate in a wide variety of geographies and asset classes and employ a comprehensive array of strategies to meet their objectives. Our goal is to ensure that we employ only those managers in whom we have the highest level of conviction operating across structurally attractive geographies and asset classes, who combine to produce the levels of alpha we demand from active management.

ADIA uses external managers to complement its internal capabilities in the management of our index-replicating – or "beta" – investments across the various asset classes and geographies.

In recognition of the important role they play, we devote time and effort to the process of recruiting and monitoring external managers. Our due diligence teams begin by creating a long-list of potential managers in any given asset class and strategy, sourced from extensive internal databases. We then analyse these managers on the basis of ADIA's "Four Ps Framework".

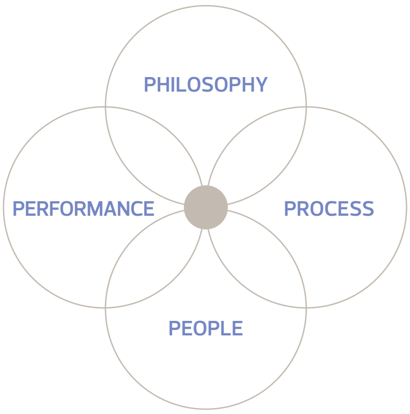
This process involves discussions and face-to-face meetings with managers before we create a short-list, allowing us to build a well-rounded understanding of their backgrounds and potential to deliver sustainable outperformance against their mandates.

The teams then gather and analyse relevant data to back up their qualitative views on the attributes of each manager. In this way, we set clear expectations of the behaviours of each external manager and are able to put their performance in context against differing market conditions.

ADIA has developed robust systems and processes over many years that require our external managers to remain compliant with their agreed investment and operating parameters. Once appointed, teams in each department continuously monitor our managers, analysing portfolio performance, positions, risk exposures and investment styles, and hold regular follow-up meetings with them, both on-site and in their offices. These teams are supported by the Internal Audit Department, Evaluation & Follow-Up Division, Operations Department, Investment Services Department and Accounts Department, in coordination with ADIA's custodian banks.

The use of external managers also ensures that ADIA retains up-to-date knowledge and is kept abreast of developments across the investment industry. While we have a clear focus on investment performance, our preference is to have long-term relationships with our external managers.

ADIA's Four Ps Framework



# INVESTMENT SUPPORT

*ADIA's ability to fulfil its mission and deliver sustainable long-term returns is underpinned by a network of professional teams across the organisation.*

*These teams, which have been developed over many years to support ADIA's specific needs, ensure that the business continues to operate efficiently and effectively at all levels to support ADIA's investment goals.*

**Accounts Department**
The mission of Accounts is to contribute to the safeguarding and long-term growth of ADIA's assets. Accounts fulfils its mission by maintaining financial integrity and control, and providing financial planning and insights.

The Department has two main functional areas: Accounting, and Financial Planning and Analysis.

The Accounting team is responsible for:

– Investment accounting and related controls;
– Valuation oversight and support;
– Tax reporting and filing oversight; and
– Preparing ADIA's annual financial statements in accordance with International Financial Reporting Standards (IFRS), liaising with external auditors and reporting to the Audit Committee.

Financial Planning and Analysis is responsible for:

– Budgetary planning and control;
– Management reporting to provide transparency on financial variables; and
– Providing insights and scenarios relating to the financial contribution of activities and strategies.

**Central Dealing Department**
The mission of Central Dealing is to facilitate and manage the implementation of ADIA's investment decisions. It achieves this through the trading and execution of securities, including global equities, fixed income, foreign exchange, money markets and derivatives, and by managing transitions on behalf of ADIA's internal investment departments.

Central Dealing seeks to add value by providing:

– Skilful trading and execution, and management of transitions, to ensure performance is not diluted during the implementation of investment decisions; and
– Advice to ADIA's investment teams on markets, securities, transitions and trading.

The Department's experienced teams make use of technically advanced electronic trading systems and processes, which are employed within a centralised, transparent and consistently applied compliance and risk framework. Its approach ensures that Central Dealing is able to execute its activities professionally, with due care and minimal operational risk, thereby maintaining ADIA's reputation as a respected and trusted counterpart.

## Human Resources Department

The mission of Human Resources is to enable ADIA's investment success by building and sustaining organisational capabilities and individual talent.

The Department is divided into a number of key sections:

- Human Resource Business Partners is responsible for delivering coordinated and impactful HR-related support and guidance to ADIA's leadership and departments. Its goal: to help ADIA attract, develop, motivate and retain world-class talent, and achieve its business goals.
- The Recruitment team is responsible for identifying and hiring top talent from the UAE and around the world.
- The Scholarship team aims to identify, recruit and provide ongoing support to UAE Nationals with the potential to build successful, long-term careers at ADIA.
- The Talent team provides training and development opportunities to ensure that employees continue to grow and meet their full potential.
- The Rewards team ensures that employees' pay and rewards are closely aligned with their performance contribution and are competitive with our global peers.
- The Organisational Development team designs and seeks to continuously refine ADIA's organisational capabilities to enable ADIA to implement its mission and achieve its investment goals.
- The Facilities & Procurement teams enable a productive and secure working environment for ADIA employees.
- The Employee Services teams improve the efficiency and productivity of ADIA employees by delivering outstanding support and services.

These areas, along with a number of other functions in Human Resources, combine to enable the Department to offer an integrated service, promoting efficiency throughout the organisation and supporting ADIA's ambitious recruitment and talent management goals.

## Corporate Communications & Public Affairs

Corporate Communications & Public Affairs is responsible for protecting and promoting ADIA's brand and reputation, improving understanding of ADIA and its activities, coordinating relationship management, and providing communications advice on a wide range of matters.

### Information Technology

Information Technology is responsible for designing, developing and maintaining ADIA's technology platforms. This covers a wide range of technology from large vendor-based systems to smaller in-house developments. The Department has a customer-focused approach with an emphasis on using innovation and state-of-the-art technology to improve its service to ADIA's employees.

Within Information Technology, quality assurance and service delivery professionals ensure that the Department provides a first-class service to internal partners, while its business analysts, software engineers and project managers are responsible for constantly developing new functionality to support ADIA's business. In addition, Information Technology is responsible for ensuring a secure working environment through advanced cyber-security techniques and strategic disaster-recovery planning.

The Department has two core teams:

- Infrastructure Management, which ensures that ADIA's hardware and networks are up to date and provide a fast, stable service; and
- Application Management, which works closely with business colleagues to create best-in-class financial and mobile applications to support ADIA's investment goals.

### Internal Audit Department

Internal Audit's mission is to provide assurance to stakeholders that internal controls are operating as prescribed, through the provision of independent audits, consultations and advisory activities, delivered by qualified staff in line with ADIA's cultural values and best practice.

The Department reports both to the Audit Committee and to the Managing Director.

Internal Audit is primarily a review function which:

- Independently evaluates ADIA's internal control systems to ensure they adequately safeguard ADIA's assets, activities and interests, and reviews them regularly to ensure they are both efficient and effective; and
- Provides an additional layer of security to ensure all transactions are undertaken in accordance with ADIA's policies and procedures.

The Department's work conforms with the International Standards for the Professional Practice of Internal Auditing.

### Managing Director's Office

#### Evaluation and Follow-Up Division

Evaluation & Follow-Up advises and supports the Managing Director, the Investment Committee and other committees that support ADIA's governance framework.

The Division provides independent analyses and recommendations on all investment and asset allocation proposals generated by ADIA's investment departments and Strategy Unit prior to their presentation to the Investment Committee. It also evaluates and prepares periodic reports on investment departments' performance, strategies, risk profile, structure and resources, and on ADIA's overall investment performance including the impact of its asset allocation decisions.

Evaluation & Follow-Up's role also involves reviewing and providing recommendations on ADIA-wide strategic, organisational and governance matters.

The Global Research Unit provides the Managing Director and the leadership of ADIA with insights on global economic issues to aid discussion and decision-making across ADIA.

### Legal Division

Legal is responsible for identifying and evaluating all legal, regulatory, and tax-related issues and associated risks, and for advising ADIA and its senior management on such matters.

### Strategy Unit

Please see "Investment Strategy" on page 18.

## Investment Services Department

Investment Services provides risk management, data and information management, and project management support to ADIA's committees and departments to strengthen its end-to-end investment process.

The Department is divided into three main areas of focus: Risk Management, Data & Information Management, and the Project Management Office.

- Risk Management leads the development and implementation of ADIA's enterprise-wide risk management framework. It advises the Investment Committee and Risk Management Committee and provides an independent, holistic assessment of ADIA's risk profile. It also fosters the continuous development of a culture of risk awareness across ADIA through its relationship with each department; as part of Risk Management, Compliance independently reviews, monitors and provides guidance to relevant stakeholders on ADIA's investment activities and related internal rules and guidelines. Business Continuity Management (BCM), meanwhile, works closely with all ADIA departments to operate a best practice BCM programme, enabling ADIA to continue critical business processes in the event of any significant business disruptions.
- Data & Information Management ensures the delivery of timely, accurate data and information across all asset classes, and provides detailed investment performance reports to key stakeholders.
- The Project Management Office collaborates with ADIA departments to manage long-term, complex projects that deliver strategic change to ADIA. It also provides regular updates to senior management on ADIA's project portfolio.

## Operations Department

Operations is responsible for protecting ADIA's assets in relation to both new and continuing activities, through a broad range of quality support services delivered by experienced and skilled professionals.

The Department oversees the following key asset safety and processing areas: global custody, trade capture, trade settlement, transitions support, and portfolio-related cash management including corporate actions. It also manages ADIA's involvement in global class-action recoveries. The Department seeks to generate incremental revenue through efficient portfolio cash management, and to earn revenue through activities such as securities lending. It continuously develops its straight-through processing capability to maximise efficiency without compromising operational risk, while remaining compliant with all regulations and guidelines.

Operations supports ADIA's global investment mandates by maintaining strong technical knowledge of global financial markets and staying up to date with relevant settlement, regulatory and tax requirements.

# RISK MANAGEMENT

*In keeping with our prudent culture, identifying and managing risk plays a central role in every stage of ADIA's strategic and day-to-day decision-making.*

ADIA's risk management framework is holistic in nature, having been designed to comprehensively identify and analyse all types of risks across asset classes and ensure that any potential issues are managed efficiently and effectively.

AT ADIA, WE BELIEVE THAT MANAGING RISK IS A CORE RESPONSIBILITY OF ALL EMPLOYEES. RISK MANAGEMENT IS EMBEDDED IN ALL OF ADIA'S INVESTMENT AND RELATED ACTIVITIES, FROM ASSET ALLOCATION TO INVESTMENTS IN INDIVIDUAL ASSET CLASSES AND ULTIMATELY TO TRADE EXECUTION.

The Managing Director has ultimate responsibility for ADIA's risk management, with assistance and advice from several committees and departments, including the Investment Services Department, Strategy Unit, Evaluation and Follow-Up Division, Internal Audit Department, and Legal Division.

## Governance

The Risk Management Committee (RMC) is the primary committee that is responsible for dealing with risk management at ADIA. The RMC, which has the same composition as the Investment Committee, is tasked with overseeing the effective implementation of ADIA's risk management framework and ensuring that all risks are addressed by relevant departments in a timely manner. Its objective is to ensure that a proactive dialogue exists between all senior risk executives in order to help protect ADIA from unexpected loss of capital or calls for liquidity, failure of key operational processes, or reputational damage. Other key objectives of the RMC include ensuring alignment of departmental risk activities with ADIA's risk appetite and overall risk framework, and serving as a conduit for the escalation of risk issues arising from within or across departments. The Investment Services Department is at the heart of this process. It identifies risk issues to be escalated to the RMC, sets the agenda, coordinates meetings and monitors the execution of approved risk management actions. Other committees are also involved in risk management matters, as required.

### Risk Management

At ADIA, we believe that managing risk is a core responsibility of all employees. Risk management is embedded in all of ADIA's investment and related activities, from asset allocation to investments in individual asset classes and ultimately to trade execution.

The Investment Services Department, working closely with investment teams, is responsible for protecting ADIA's assets and adding value to the investment process through its core risk management responsibilities. These entail leading the disciplined execution of the risk management framework, advising on and monitoring adherence to risk appetite, supporting the RMC with an independent assessment of ADIA's concentrations, and promoting a culture of risk awareness.

The Investment Services Department's risk analysis includes:

- Continuously assessing all sources of risk on both an absolute and a relative basis, including through proprietary portfolio modelling;
- Developing a comprehensive risk assessment across all risk types, including "top-down" aggregate portfolio risk, "bottom-up" investment risk by asset class, credit and counterparty risk, operational risk, operational due diligence, business continuity, and compliance risk; and
- Identifying, monitoring, and escalating risk mitigation strategies to address emerging and ongoing risk issues on a timely basis.

In addition, and to ensure connectivity with Investment Services, each investment department has its own departmental-level risk framework.

By cascading down from the ADIA-wide framework, these combine a unity of purpose with the necessary flexibility to capture risks that are unique or specific to each asset class. The Virtual Risk team — a network of risk managers within investment departments and other key functions — is an integral part of the link between the ADIA-wide and the departmental risk management frameworks.

### Risk Culture

ADIA's risk management framework is underpinned by the emphasis we place on education to support the continuous development of a culture of risk awareness across ADIA. In this respect, the Risk Academy — a series of in-house workshops on topical risk issues facilitated by world-renowned experts — is a leading initiative driven by Investment Services and ADIA's Learning & Development team. It brings the whole of ADIA together on a regular basis, with the objective of enhancing risk awareness and risk management knowledge across all departments.

At ADIA, we expect our people to demonstrate the highest standards of ethics, integrity and professional competence. ADIA's employees must adhere to a Code of Conduct that sets the standards of behaviour that are expected of them in order to preserve ADIA's integrity and reputation and enable it to fulfil its mission.

*ADIA has robust governance standards with clearly defined roles and responsibilities that ensure accountability.*

# RELATIONSHIP WITH THE GOVERNMENT OF ABU DHABI

*ADIA is a public institution established by the Government of the Emirate of Abu Dhabi in 1976 as an independent investment institution.*

ADIA carries out its investment activities independently and without reference to the Government of the Emirate of Abu Dhabi.

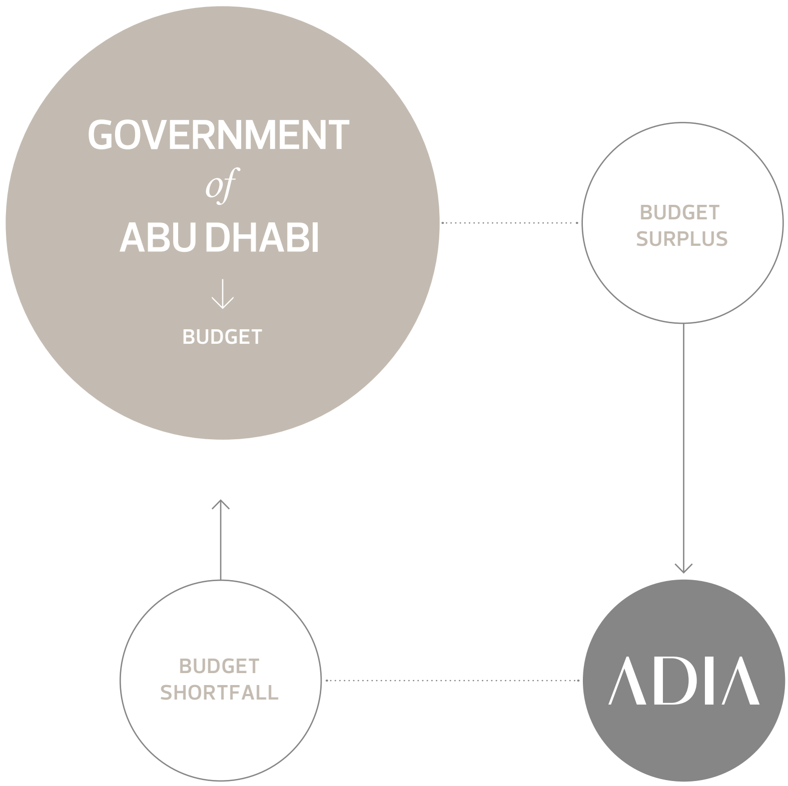
ADIA has no visibility on either the spending requirements of the Government of the Emirate of Abu Dhabi or the activities of other Abu Dhabi-owned investment entities. ADIA's assets are not classified as international reserves.

## Source of Funds and Approach to Withdrawals

Under the UAE Constitution, the natural resources and wealth of the Emirate of Abu Dhabi are the public property of Abu Dhabi. The Government of the Emirate of Abu Dhabi provides ADIA with funds that are allocated for investment and surplus to its budgetary requirements and its other funding commitments.

ADIA is required to invest and reinvest these funds and make available to the Government of the Emirate of Abu Dhabi, as needed, the financial resources to secure and maintain the future prosperity of the Emirate. In practice, such withdrawals have occurred infrequently.

Source of funds from the Government of Abu Dhabi



# GOVERNANCE

*ADIA has robust governance standards with clearly defined roles and responsibilities that ensure accountability.*

*Management of ADIA is vested in ADIA's Board of Directors, which comprises a Chairman, a Managing Director and Board members who are appointed by a decree of the Ruler of the Emirate of Abu Dhabi.*

*The Board has primary responsibility for the discharge of ADIA's activities and meets periodically for the establishment and review of ADIA's overall strategy but does not involve itself in investment or operational decisions.*

ADIA's Managing Director has sole responsibility for the implementation of ADIA's strategy and administering its affairs, including all decisions related to investments. Investment decisions are based solely on economic objectives in order to deliver sustained long-term financial returns.

The Managing Director, or those to whom he delegates, act as ADIA's legal representative in dealings with third parties.

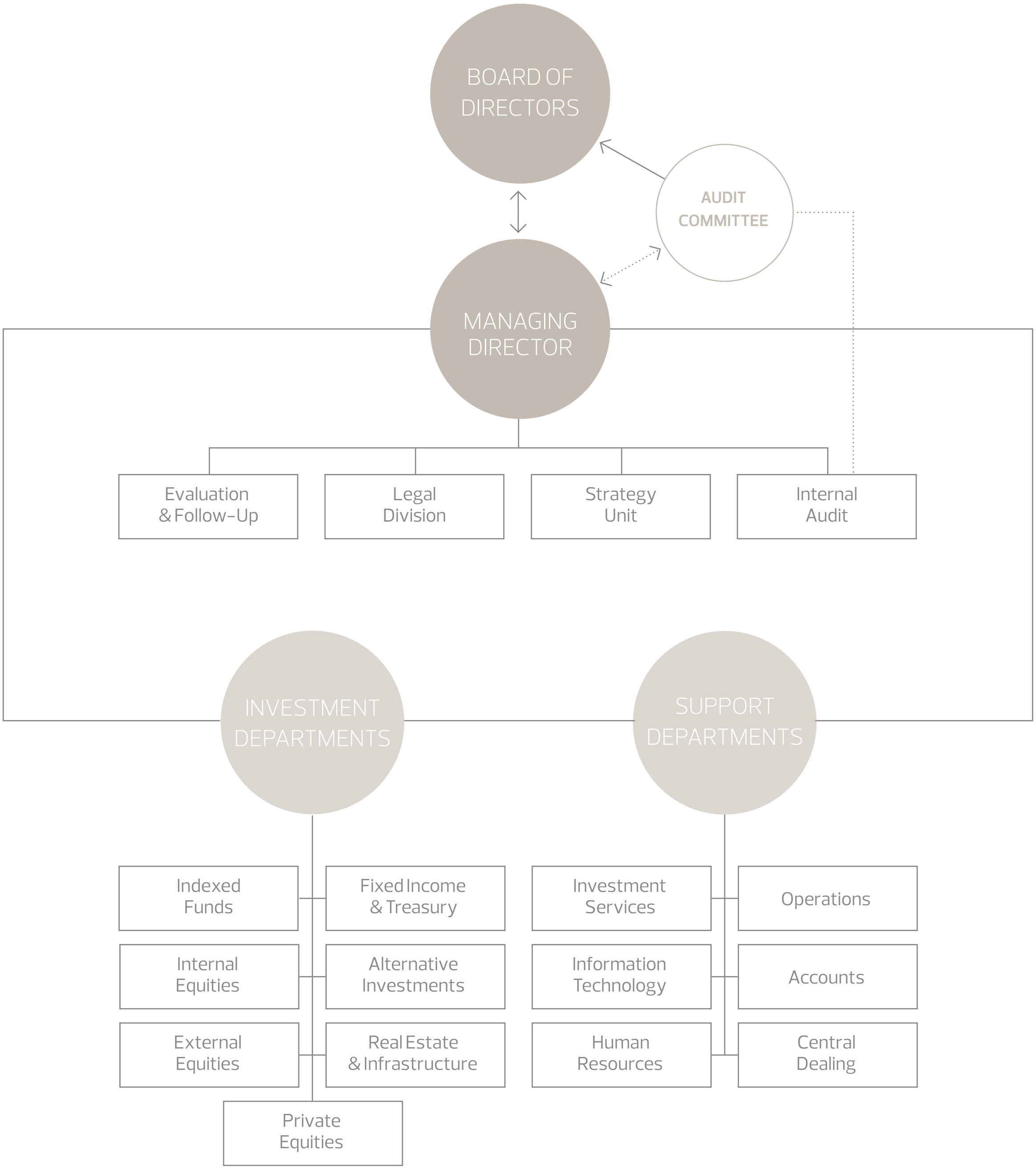
A number of key committees support the governance framework:

**The Audit Committee** is appointed by, and reports to, the Board and provides oversight on the appointment of external auditors, financial reporting in accordance with International Financial Reporting Standards, systems of internal control and internal audit processes.

**The Investment Committee** assists the Managing Director, and is responsible for managing and overseeing investment-related matters. The Managing Director chairs the Investment Committee, assisted by two Deputy Chairmen, with the participation of the Executive Directors of all investment departments and representatives of some control functions, as required.

**The Risk Management Committee** reports to the Managing Director and is responsible for overseeing the implementation of ADIA's risk management framework. It comprises members of the Investment Committee.

## Structure


BOARD OF DIRECTORS
AUDIT COMMITTEE
MANAGING DIRECTOR
Evaluation & Follow-Up
Legal Division
Strategy Unit
Internal Audit
INVESTMENT DEPARTMENTS
SUPPORT DEPARTMENTS
Indexed Funds
Fixed Income & Treasury
Internal Equities
Alternative Investments
External Equities
Real Estate & Infrastructure
Private Equities
Investment Services
Operations
Information Technology
Accounts
Human Resources
Central Dealing

# GOVERNANCE

**The Strategy Committee** advises the Investment Committee on ADIA's overall investment strategy and the composition of ADIA's long-term policy portfolio.

**The Investment Guidelines Committee** assists the Investment Committee with achieving consistency and clarity in investment guidelines.

**The Management Committee** reports to the Managing Director and is responsible for managing and overseeing non-investment and organisational related matters including ADIA-wide planning, department planning and the ADIA budgeting process.

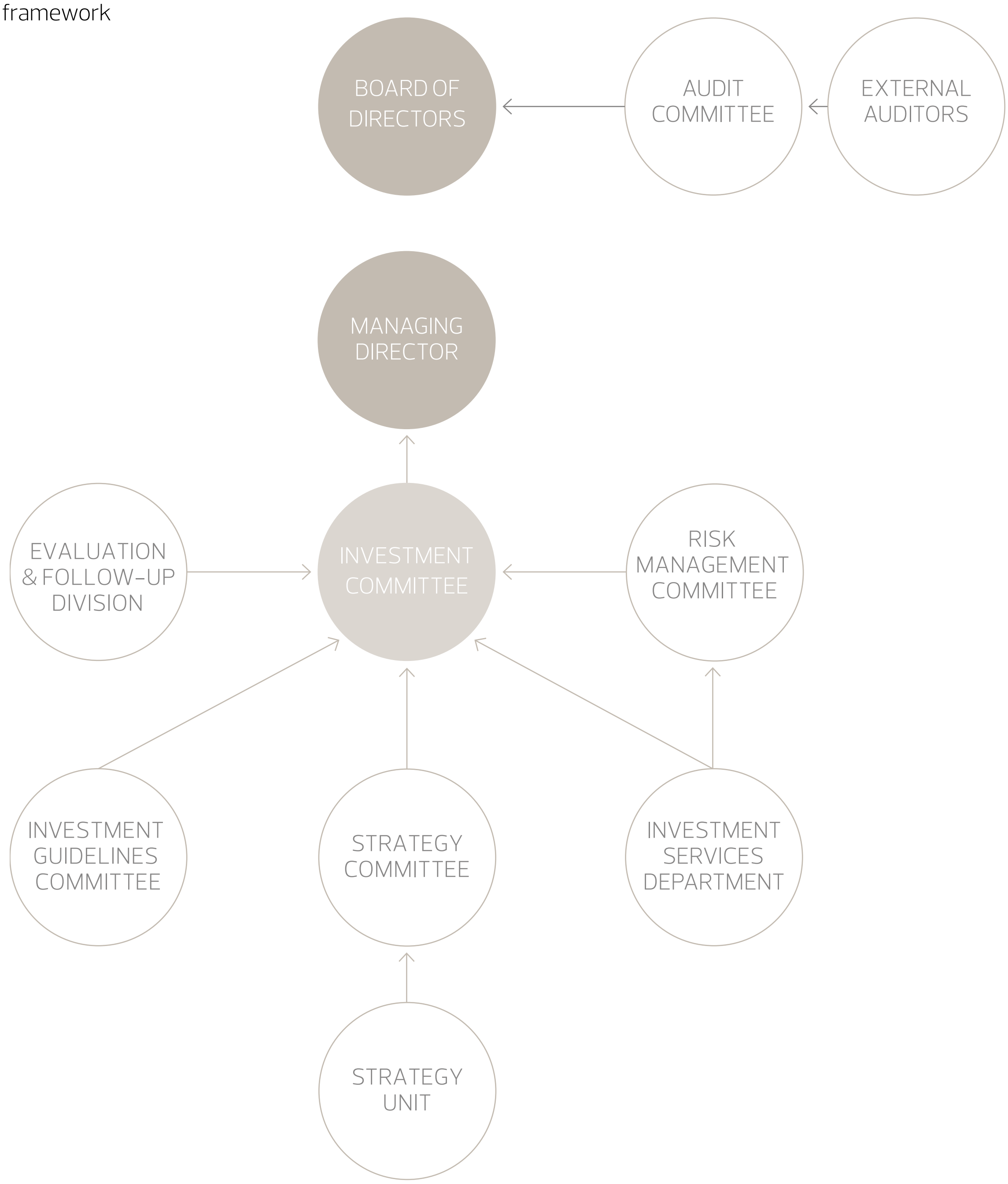
### Investment Governance: Voting and Shareholder Disclosures, Know Your Customer

ADIA is a leading global institutional investor and endorses the free flow of global capital and investments. ADIA understands, and is committed to fulfilling, its responsibilities as a global investor.

As a shareholder, ADIA exercises its voting rights in certain circumstances to protect its interests or to oppose motions that may be detrimental to shareholders as a body. ADIA does not actively seek to manage the public companies in which it invests.

ADIA seeks to apply best practices to all of its disclosure processes and regularly makes disclosures, as required, in relation to its investments in global markets. ADIA is also mindful of its counterparties' obligations with respect to "Know Your Customer" and strives to provide all necessary disclosures to enable them to fulfil those obligations. ADIA recognises the importance of international standards of compliance and risk management and the associated transparency required.

Governance framework



# BOARD OF DIRECTORS

H.H. Sheikh Khalifa bin Zayed Al Nahyan
*Chairman*

H.H. Sheikh Mohammed bin Zayed Al Nahyan

H.H. Sheikh Sultan bin Zayed Al Nahyan

H.H. Sheikh Mansour bin Zayed Al Nahyan

H.H. Sheikh Hamed bin Zayed Al Nahyan
*Managing Director*

H.H. Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan

H.E. Mohammed Habroush Al Suwaidi

H.E. Hamad Mohammed Al Hurr Al Suwaidi

H.E. Khalil Mohammed Sharif Foulathi

# INVESTMENT COMMITTEE

H.H. Sheikh Hamed bin Zayed Al Nahyan
*Board Member, Managing Director (Chairman, Investment Committee)*

H.H. Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan
*Board Member, Executive Director, Indexed Funds*

H.E. Khalil Mohammed Sharif Foulathi
*Board Member (Senior Deputy Chairman, Investment Committee)*

H.E. Hamad Mohammed Al Hurr Al Suwaidi
*Board Member, Audit Committee Chairman*

H.E. Hareb Masood Hamad Rashed Aldarmaki
*Advisor (Deputy Chairman, Investment Committee)*

Mohamed Ahmed Mohamed Bandouq Alqamzi
*Executive Director, Internal Equities*

Obaid Murad Hassan Abdulla Alsuwaidi
*Executive Director, External Equities*

Nasser Shotait Salem Rashed Al Ketbi
*Executive Director, Fixed Income & Treasury*

Khalifa Matar Khalifa Qaroona Almheiri
*Executive Director, Alternative Investments*

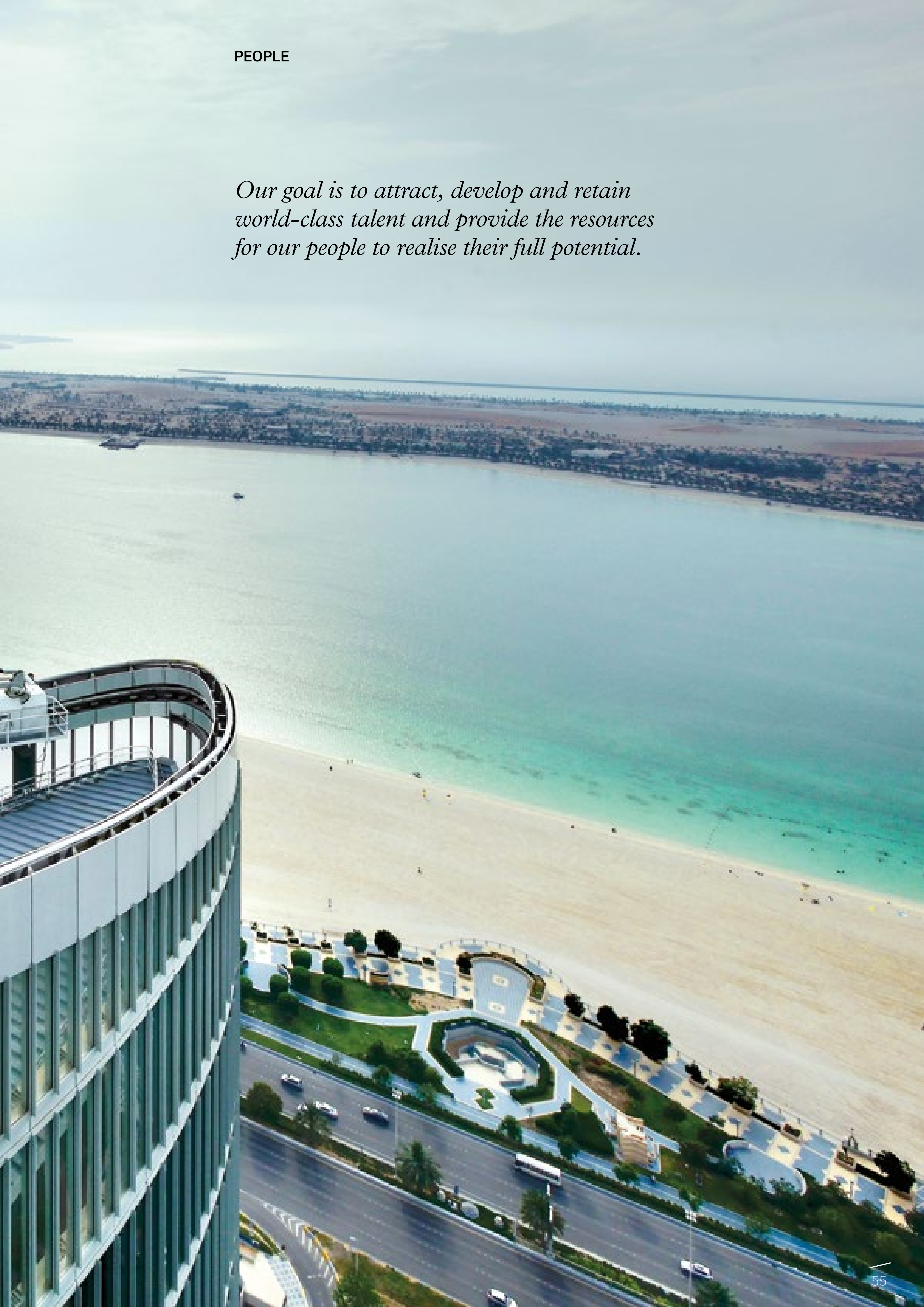
Majed Salem Khalifa Rashed Alromaithi
*Executive Director, Real Estate & Infrastructure*

Hamad Shahwan Surour Shahwan Aldhaheri
*Executive Director, Private Equities*

Juma Khamis Mugheer Jaber Alkhyeli
*Executive Director, Investment Services*

Salem Mohamed Helal Rashed Almazrouei
*Executive Director, Accounts*

*Our goal is to attract, develop and retain world-class talent and provide the resources for our people to realise their full potential.*

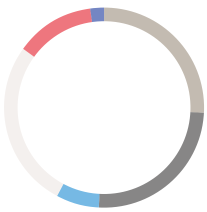


# OVERVIEW

*ADIA's people are as diverse and international as our business, with more than 60 nationalities working together to create a collaborative environment that embodies our cultural values.*

We strive to attract, develop and retain world-class talent, and to enable our people to realise their full potential. We achieve this by committing to employees' development, training and career progression. ADIA seeks to create a fully rounded work environment where committed people can build rewarding careers while contributing to ADIA's continued long-term success. We place a particular emphasis on the development and training of UAE Nationals, many of whom currently, or will go on to, hold prominent roles within ADIA and in the UAE.

ADIA employees by nationality



| | |
|---|---|
| UAE | 26% |
| Europe | 27% |
| Asia/Pacific | 25% |
| Americas | 13% |
| Middle East/Africa | 7% |
| Australasia | 2% |

## Culture

At ADIA, we define culture as a combination of behaviours and values that enable us to fulfil our mission in an optimal and sustainable way. We are proud that ADIA's cultural values – prudent innovation, effective collaboration and disciplined execution – are becoming a way of life and delivering tangible benefits for our people and for ADIA as a whole.

Our cultural values are not mere words; they are embedded in the ways in which we think and behave, how we organise ourselves, recruit new talent, and develop and reward employees. At ADIA, we are committed to promoting collaboration within and between departments. People are encouraged to share their perspectives and insights informally, and through targeted initiatives. These include regular forums, which bring together our senior investment managers for debates on investment-related themes and to identify investment opportunities that might otherwise go unnoticed.

We conduct a regular survey of employees that measures progress being made on these fronts and identifies areas for improvement.

## Recruitment

We believe that ADIA's broad spectrum of nationalities is one of our core strengths, ensuring a breadth of knowledge, expertise and perspectives is represented in our decision-making processes. We are a world-class employer, and our priorities are to attract and retain the best international and local talent. We achieve this by seeking high-performing individuals in specialised fields, while also identifying top UAE National recruits with the skills and attributes that will underpin ADIA's continued success. Our structured recruitment process is designed to assess candidates' experience, technical skills and behaviours while providing them with a thorough and comprehensive understanding of ADIA's culture, work environment, and life in Abu Dhabi. During 2015, we continued to support ADIA's long-term objectives with a focus on enhancing our active and internal investment capabilities through a comprehensive recruitment effort.

WE BELIEVE THAT ADIA'S BROAD SPECTRUM OF NATIONALITIES IS ONE OF OUR CORE STRENGTHS.

Our targeted approach to recruitment, coupled with career development opportunities, contributes to high employee engagement and low annual turnover of less than 5% on average.

< 5%
average annual staff turnover

## Developing our People

In an investment landscape that is constantly evolving and increasing in complexity, it is essential that our people continually maintain and update the skills they need to perform at the highest level.

Our approach to talent and performance management ensures that employees clearly understand the goals and behaviours that constitute success and how their individual objectives align with ADIA's high-level goals and culture. Our annual review process encourages managers to take time to discuss and review the performance of every employee, while identifying ways to develop their strengths and ensure that ADIA continues to grow its leadership and technical capabilities for the future.

ADIA actively supports its employees in their professional and personal development by offering a wide range of targeted development programmes. The combination of classroom training and on-the-job development contributes substantially to employee growth and success.

ADIA is proud to employ the highest number of CFA Charterholders of any organisation in the Middle East.

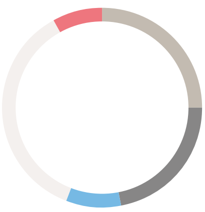
Our emphasis on investment training is complemented by other challenging and rewarding developmental opportunities, with a strong focus on fostering collaboration and innovation.

In addition, we host regular internal events, with speakers from within ADIA as well as corporate leaders and other subject matter experts from respected national and international organisations, aimed at stimulating innovative thinking and ensuring employees stay current on the latest industry trends.

ADIA's leaders reflect our values and act as examples for others. To assist them in fulfilling this role, we offer management, leadership and executive development programmes, which combine the best of our in-house knowledge and experience with contemporary thinking and practices from around the world. We have relationships with a number of leading academic institutions and learning organisations, whose courses are customised to meet ADIA's needs, in many important areas of talent development.

# OVERVIEW

Training course statistics



| | | |
|---|---|---|
| ● | Investment & Professional Skills Programmes | 25% |
| ● | Management & Leadership Development | 22% |
| ● | Professional Certifications Programmes (e.g. CFA) | 9% |
| ● | Personal Development | 36% |
| ● | IT Skills | 8% |

**Our UAE National Talent**
As one of the UAE's most established and enduring institutions, ADIA is firmly committed to developing local talent. We do this through a range of programmes that aim to identify and nurture outstanding UAE National students to prepare them for future careers with ADIA.

THE GOAL OF THESE INITIATIVES IS TO NURTURE TALENT THROUGH EXPOSURE TO BEST EDUCATIONAL PRACTICES.

Our Early Preparation Programme works closely with local schools to identify, develop and track young UAE Nationals with strong academic performance and early leadership skills. Short-listed candidates undergo a rigorous selection process, involving interviews as well as language, psychometric and competency skills testing in applying for ADIA's Scholarship Programme, through which selected candidates are supported to attend leading universities around the world. The goal of these initiatives is to nurture talent through exposure to best educational practices.

Once selected, UAE National new joiners are placed in ADIA's Year One Graduate Programme. This provides them with an immersive introduction to ADIA and an opportunity to develop the key skills and financial knowledge needed to succeed. The programme's guided study aims to develop financial knowledge and skills while interactive simulations and rotational work assignments across different departments build core analytical skills. Through these activities, new joiners become familiar with all of ADIA's activities and asset classes. Upon completion of this initial year, graduates are placed in a department where they continue their development through rotational programmes and on-the-job learning. Using this multi-stage approach, ADIA enables UAE National graduates to make a smooth transition into the work environment and provides a strong platform on which to build long-term careers.

# GLOBAL INVESTMENT FORUM 2015

## *A New Growth Paradigm*

15 November 2015


ADIA hosted its second Global Investment Forum (GIF) in November 2015, building on the success of 2014's inaugural event. The GIF aims to bring some of the world's foremost business thinkers to Abu Dhabi to exchange ideas with ADIA staff and address major issues shaping international financial markets both now and into the future.

The GIF was created as an annual internal ADIA event to promote cross-departmental knowledge sharing, collaboration and innovative long-term thinking. The theme of GIF 2015 was "A New Growth Paradigm", with the event programme examining issues as diverse as urbanisation to productivity, and technological innovation to behavioural finance.

The event's opening plenary session considered the question: "Is Slow Growth Inevitable?" Olivier Blanchard, Fred Bergsten Senior Fellow at the Peterson Institute for International Economics, and Barry Eichengreen, Professor of Economics at the University of California, Berkeley, debated whether the traditional drivers of rapid economic development – new technologies, expanding emerging markets and interconnected global trade, among others – have now exhausted their ability to stimulate high growth into the future.

The efficacy of activist investment strategies in delivering shareholder value was discussed by Daniel Loeb, Founder and CEO of Third Point LLC, and Jeffrey Sonnenfeld, Senior Associate Dean for Leadership Studies at Yale University's School of Management.

In a wide-ranging and thought-provoking session on technological innovation, a panel comprising leading figures from the IT industry, academia and journalism provided insights into which of today's technologies are most likely to thrive over the next ten years. The audience heard how autonomous vehicles and other transport technologies could fundamentally change the way businesses interact with their customers, transforming the nature of cities in the process. Meanwhile, the sectors most-likely to benefit from rapid technological advances will be defined not by the technologies themselves but by the gradual and sometime unpredictable pace of changing social conventions.

Increased urbanisation was the topic of a panel discussion entitled "Innovative Cities of the Future", where Ed Glaeser, Professor of Economics at Harvard, made a strong case for cities acting as the world's major facilitators of economic development and social change.

Other sessions included an examination of the characteristics of frontier markets, the ability of big data to create a competitive advantage, the impact of state capitalism on global financial markets and a panel answering the question: "What Drives Investors – Psychology Or Calculus?"

Each of GIF 2015's 11 sessions invited audience interaction through a mobile app that allowed attendees to ask questions and participate in a number of snap polls to gather opinions on the topics of discussion in real time.

**400**
attendees

**21**
external speakers

# WORKING AT ADIA

*Consistent with its mission to sustain the long-term prosperity of Abu Dhabi, ADIA encourages its employees to look beyond the immediate and consider longer time horizons. We apply this long-term thinking through the ways we behave and interact, the teams we build, and the enduring cultural values we share. In doing so, we strive to create an engaging, collaborative and respectful workplace that offers employees the opportunity to grow and develop.*

## Meet the panel

Christophe Florin
*Head of Emerging Markets Fund Investment*

Private Equities Department

Aysha Ahmed Al Hallami
*Research Specialist*

Strategy Unit

Saskia Cremelie
*Manager*

Investment Services Department

Alexander Garrod
*Senior Investment Manager*

Real Estate & Infrastructure Department

**To understand how long-term thinking is applied at ADIA on a day-to-day basis, we brought together a cross-section of ADIA employees and asked them a few questions about what it's like to work here.**

### *01* What is your role at ADIA, how did you come to join, and what were your initial impressions?

**AYSHA** — I joined ADIA in the Strategy Unit five years ago, first in the research and portfolio construction team before moving into the private equity strategy team. Joining ADIA was my first job, and I was faced with a steep learning curve to get up to the level of my colleagues, some of whom have 30 years' experience in the field. It was a challenge, of course, but one that I really enjoyed and got a lot of satisfaction from.

# WORKING AT ADIA

**CHRISTOPHE** — I head the team within Private Equities responsible for emerging markets investment and joined four years ago. We mostly invest in private equity funds, but we also look at co-investment opportunities in various emerging markets. For me, one of the reasons I joined ADIA was the opportunity to build our emerging markets team and capability, which we've successfully achieved over the years. It has been an exciting journey.

**SASKIA** — I've recently joined the Investment Services Department after spending six years in the Information Technology Department. Now I work in Business Continuity Management (BCM). We plan for "black swan" events – those that are rare but have the ability to have a significant impact on ADIA – as well as more common events that can disrupt business operations, such as IT failures. It's a very interesting role because it's broad and involves interacting with a number of different departments across ADIA.

**ALEX** — I'm a senior investment manager in the hospitality team of the Real Estate & Infrastructure Department, which is responsible for investing in hotel assets. I was originally attracted to ADIA for its global outlook and, as a hospitality real estate specialist, its dedication to the sector. The hotel industry is global and so to be in an organisation that, by definition, takes a worldwide approach, creates a lot of opportunities. We can take the pulse of the global market-place and compare things from a relative value perspective. It gives you a broader view.

## *02* How diverse is ADIA's workforce and what kind of a working environment does that create?

**CHRISTOPHE** — It's something that I really appreciate; in my team, I think we have 20 different nationalities. And the diversity isn't only reflected in the different cultures represented here – there is also diversity in the expertise of our people. The quality of people at ADIA from all over the world is something that always impresses me.

**AYSHA** — I think that applies to the organisation as a whole. Of course, ADIA is well diversified and we invest all over the world. With that comes a depth and diversity of in-house knowledge, which is a huge advantage. Because of the amount of expertise, and the variety of it, we have a broad knowledge base that we can regularly draw upon when considering new initiatives.

**SASKIA** — In a diverse workplace like ADIA's, clear communication is so important – it makes you really focus on how you interact with and work with others. Because people know you are from a different culture, they make more of an effort to listen and understand where you're coming from.

DIVERSITY ISN'T ONLY REFLECTED IN THE DIFFERENT CULTURES REPRESENTED HERE – THERE IS ALSO DIVERSITY IN THE EXPERTISE OF OUR PEOPLE.

## *03* How does ADIA support employees' development through access to training and providing opportunities to progress?

**SASKIA** — I certainly have the sense that people are presented with the chance to evolve, to change roles, to move upwards or sideways into another department. I'm a good example of that. I joined the IT Department and, after six years, I was keen to try something different. I was made aware of an opportunity to move into BCM, a very diverse field and a function that involves working with all ADIA departments, so I was immediately attracted to it. It was new for me but I was very interested and, now that I'm here, I'm really enjoying the new role. I think this shows the type of thinking that goes into individual career planning at ADIA, and it contributes to the stability of the team.

**ALEX** — The scale of ADIA's investment activities and its portfolio create opportunities to develop and grow professionally. The culture is open and there is an emphasis on exposure at all levels to management decision-making and the organisation's objectives. I originally joined as an analyst and have progressed from there. The opportunities to take on more responsibility have been matched with support from the business, through access to training and hard skills, of course, but also by giving me exposure to different experiences and on-the-job training.

**AYSHA** — Here in the UAE, it's well known that ADIA has always been committed to developing its staff over the years and investing in education, so I was hopeful when I joined that I would benefit from this. One week into the job and I was enrolled in the CFA programme. In time, I worked my way through the various CFA levels to become a CFA Charterholder, so I can attest to the fact that there are ample opportunities to develop here.

**SASKIA** — I've been encouraged to go on numerous courses, and whenever I attend one I find that I come back with new ideas to apply to my role. I think there can be a mentality within some organisations that if you spend your time solely at your desk, concentrating on your day-to-day work, you are seen as being productive. I don't think that is the case at ADIA. A training course may take me out of the office for five days but I get that time back – and more – by returning with lots of new ideas. And that's something that's encouraged.

**CHRISTOPHE** — Another example is the Global Investment Forum. For what is, essentially, an internal event, it is very impressive. We bring some of the world's best-known financial minds to Abu Dhabi, and we can take the ideas and concepts raised to then refine how we approach our jobs – it's motivating and keeps you always focused on how we can do things differently or anticipate changes in the markets.

# WORKING AT ADIA

## *04* ADIA's mission is expressly long term. How is that reflected in your departments?

**ALEX** — The real strength of ADIA's long-term thinking is the optionality it provides. Long-term thinking doesn't necessarily mean holding an asset for a long period, but it means that you are not constrained by timelines and, as a result, have maximum discretion based upon the environment you operate in.

> ADIA PLACES GREAT VALUE ON HAVING OPEN FORUMS TO DISCUSS IDEAS, WHERE YOU HAVE ACCESS TO SENIOR MANAGEMENT AND WHERE ANY IDEA WILL BE VIEWED ON ITS MERIT.

**AYSHA** — For me, it comes down to the very design of the portfolio to meet long-term objectives – that's the basis of everything. Of course, we adapt to short-term influences and take decisions based on them, but we are creating a portfolio not just for now, but for the next ten, 20 years and beyond. It goes back to the purpose of ADIA – to preserve and grow capital – so to serve this mission, you need a broad variety of assets, different maturities, different horizons and objectives, all viewed with long-term goals in mind.

**SASKIA** — Similarly, the fact that we have a sophisticated BCM team points to the long-term thinking at ADIA. We plan for events that might happen once every 50 years – so it's a clear sign that even at an operational risk point of view, we are actively thinking in decades, not only weeks and years.

**CHRISTOPHE** — This was another reason I joined. Our investment horizon means we can engage with our partners for the long term and that's important not just for us but for the institutions, funds and entrepreneurs we work with and also the teams we recruit. It means that short-term considerations don't distract from the organisation's long-term strategy. They are factored in – of course they are not ignored – but they are not the sole driver of our decisions.

## *05* How does the organisation's long-term thinking influence ADIA as a place to work, and how does it apply to you on a day-to-day basis?

**AYSHA** — There is acknowledgement here that we are patient, and we should take the time to do the research and use the best methods before making decisions. We commit time to robust, rigorous research and that ties back to ADIA's overall approach.

**SASKIA** — The way decisions are made here is instructive on this point. At ADIA, people often adopt a consensus-driven approach, gathering input from a range of sources, taking in different views and discussing them, and then reaching a decision. It is an approach that can consider all the risks and make decisions that don't have to be reversed later.

**ALEX** — I'd agree with that. ADIA places great value on having open forums to discuss ideas, where you have access to senior management and where any idea will be viewed on its merit. It's this approach that drives a lot of the consensus-based decision-making. It's an open process where ideas are discussed at all levels of the organisation.

**CHRISTOPHE** — Another example is how we assess risk – we need to ensure we preserve capital, as well as to grow it. However, this shouldn't be mistaken for being rigid or inflexible. I think this is an open-minded organisation that is willing to consider new ideas, new approaches. You can explore new territories and new ways to invest, and this is a way of looking long term as well, to make sure you anticipate changes and are ready for future opportunities. For me working in emerging markets, this is very important.

## 06 ADIA's cultural values – Prudent Innovation, Effective Collaboration and Disciplined Execution – have been in place for a number of years. How do they shape the way you work? How do they remain relevant?

**SASKIA** — Our cultural values are embedded in the organisation and they are talked about regularly – they're kept fresh in everyone's minds, not least because they form part of our performance appraisals, so people remained aligned with them. I think they have remained relevant for as long as they have because they are a fair reflection of how ADIA operates.

For instance, innovative thinking is valued here, but a risk assessment is always factored in – so "Prudent Innovation" is an accurate way to describe it. Prudent innovation acknowledges that you need to be innovative to stay competitive, but you can't do so over the long term without considering and managing risk.

**CHRISTOPHE** — I think the values are also reflected in ADIA's organisational structure. Certainly the way the departments are structured and how they interact with one another encourages collaboration. There are many skilled people in their fields in every department at ADIA, and if we want to fully harness that, it's important we assemble the right people and work together to achieve our goals.

**AYSHA** — Collaboration is a factor in everything we do here. For us in the Strategy Unit, to set a benchmark or contribute to the investment guidelines, we have to have an open, constructive dialogue with people throughout the organisation. We want to build long-standing relationships internally as well as externally. We do this through open communication – and that means we make sure we listen as well – and we exchange information regularly. Through this process, we always try to find new ways of solving problems and making decisions.

## 07 ADIA works in partnership with other organisations around the world, and has built long-standing relationships with many of them. How do these relationships create opportunities for ADIA?

**CHRISTOPHE** — We have long-term capital and the teams are very stable, so the efforts made in building a relationship with ADIA can – and often do – produce results over a number of years. As a result, I strongly believe we are viewed as a partner of choice for institutions around the world. From our perspective, when we develop a relationship it's with the mindset of building trust – trust is not something that you can achieve from day one. Trusting relationships endure good times and bad, and come out of both stronger as you have alignment on values and viewpoints. It's very important.

**ALEX** — Partners can offer unique opportunities in markets, sectors or structures that otherwise would be difficult to penetrate. Developing these relationships over time, with the expertise and efficiencies they can bring, can be very effective to our business.

**SASKIA** — Even away from our investment partners, with suppliers and other companies we work with, we aim to build trust and understanding over time. It helps with all stages of a project's implementation, from identifying our needs through to delivery.

# OUR HISTORY

## 1960–1970

### 1967

Creation of Abu Dhabi's "Financial Investments Board" under the Department of Finance (mandate given to UBS, Robert Fleming, Morgan Guaranty Trust and Indosuez).

### 1976

Decision to separate ADIA from the Government of Abu Dhabi as an independent organisation. Created the following departments: Equities & Bonds, Treasury, Finance & Administration, Real Estate and Local & Arab Investments.

## 1980

### 1986

Started investing in alternative strategies.

### 1987

Equities and Bonds departments became regional (North America, Europe and Far East).

### 1988

Number of employees exceeded 500 mark.

### 1989

Started investing in private equity.

## 1990

### 1993

Started formal asset allocation process with a set of benchmarks and guidelines. Bonds moved from Equities Department to Treasury Department.

### 1997

Creation of the global Private Equities Department.

### 1998

Started investing in inflation-indexed bonds.

# 2000

## 2005

Added a dedicated allocation to small caps within Equities, and investment-grade credit within Fixed income.

## 2007

Started investing in infrastructure sector. Moved into new headquarters.

## 2008

Creation of Internal Equities Department.

Participated in the development of policy principles for international investments with the U.S. Department of the Treasury.

Appointed co-Chair with the IMF of the International Working Group of Sovereign Wealth Funds.

## 2009

Creation of Investment Services Department. Became founding member of the International Forum of Sovereign Wealth Funds (IFSWF).

# 2010

## 2011

Creation of Indexed Funds Department and External Equities Department.

Combined real estate and infrastructure operations to create Real Estate & Infrastructure Department.

## 2012

Creation of three new departments:
- Human Resources;
- Central Dealing;
- General Services.

Launched Year One Graduate Programme, which aims to provide our UAE National recruits with key workplace skills, hands-on training and experience across all asset classes.

## 2013

Reorganised Accounts Department.

Restructured IT Department.

## 2014

New operating model for investment departments introduced.

Two new mandates added in Internal Equities Department, and new organisational design for Infrastructure Division.

Inaugural Global Investment Forum held in November, a two-day event to stimulate cross-departmental sharing of insights and experience.

## 2015

General Services Department successfully integrated into the Human Resources Department.

Alternative Investments Department creates new mandate to co-invest in "special situations", alongside its managers.

Recruitment and Development Committee created to develop an integrated view of UAE National development across the organisation.

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