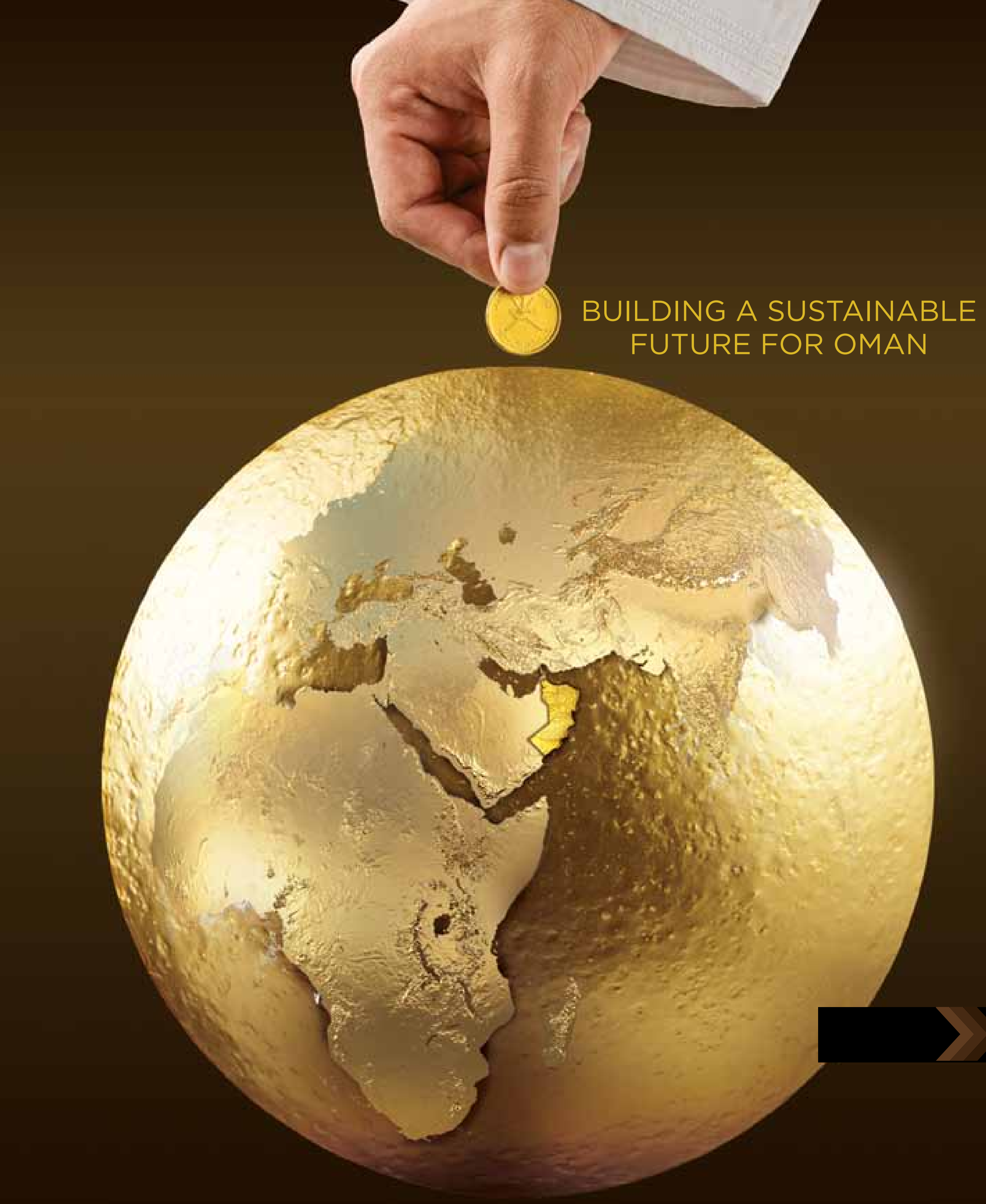

BUILDING A SUSTAINABLE FUTURE FOR OMAN

State General Reserve Fund
Ministry of Finance

Annual Report 2014

"The strengthening of the Sultanate's economic relations with the GCC, other Arab countries and regional groups, and the positive interaction with the international economic system for the interests and benefit of Oman are very important matters. They will enable us to participate in the huge growth of international trade and investment, and make use of the expanding open market."

His Majesty Sultan Qaboos Bin Said

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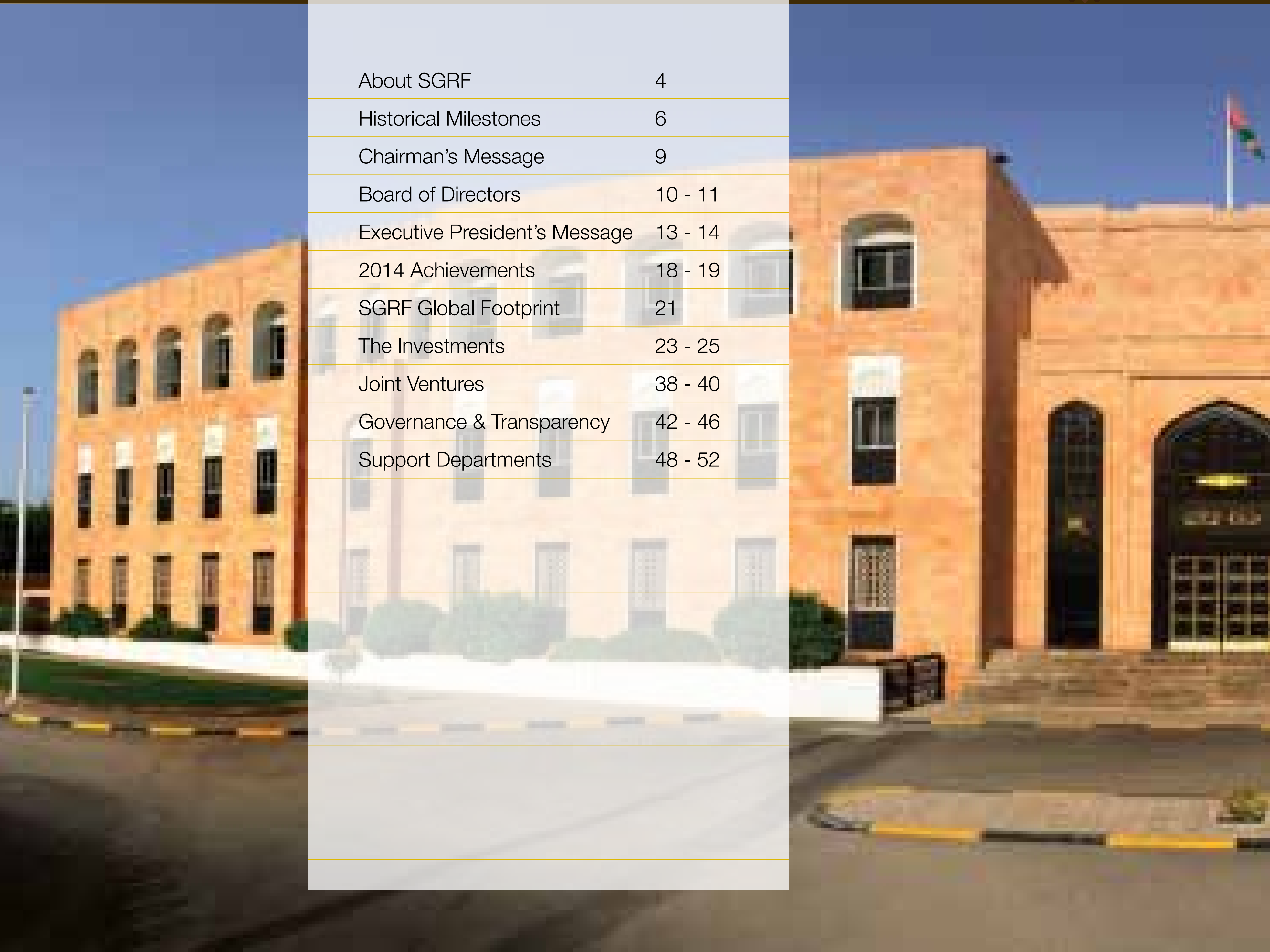

Ministry of Finance, Muscat

About SGRF

It is the sovereign wealth fund of the State that undertakes the investment of any financial surplus forwarded to it. It is also the main investment arm of the country which acts on behalf of the government of Oman in managing and investing the surplus achieved by the state from Oil and Gas revenues. SGRF aims to achieve the best possible returns in the long-term to support the government's efforts in diversifying income resources and securing returns for future generations, and to achieve stabilization to the supreme financial policies of the State.

The Fund was established in 1980 pursuant to Royal Decree number 1/1980 and the subsequent amendments to this decree which include R.D. 29/1992, R.D 39/1992, R.D 84/2002 and R.D 47/2005. The Fund has a separate juristic entity, which has complete independence in managing its administrative and financial affairs. It is supervised by the Ministry of Finance in accordance with the decisions issued by the Financial Affairs and Energy Resources Council (FAERC) in determining the policies and rules to be followed when investing the Fund's money.

The resources of the Fund comprise of the following:

- Emerging resources resulting from exceeding the ceiling of the proposed oil prices during the approved five year development plan;
- Any surplus results by the end of the financial year;
- Investment revenues on the fund's money;
- The tradable assets of the government that existed as surplus of the state prior to 1st January 1980;
- Any other funds that should be attached to SGRF if the government deems appropriate.

State General Reserve Fund invests mainly outside the Sultanate as is the case with most sovereign wealth funds around the world. It also plays a major role in investing inside the country through its subsidiary companies, and via its shareholding companies. The country has other funds such as Oman Investment Fund, Oman Oil Company, General Directorate of Investment at Ministry of Finance and various pension funds, whose main objective is to invest inside the Sultanate.

Our Vision

To be a substantial resource that strengthens the government's efforts in achieving financial stability and diversity in the country's economy, and an effective player in ensuring the continued development of the state. This ensures that the wealth of the country will be reserved for future generations.

Our Mission

To achieve sustainable financial revenues through the investment of financial surplus of the state in various assets that have acceptable risks outside the Sultanate, and carrying out a leading role in catalyzing and strategic projects inside the Sultanate.

Our Objectives

- To maximize the investment returns while prudently managing the risk profiles.
- To achieve best possible returns on investments, taking into account the distribution of risk criteria.
- To Invest strategically with a long-term time horizon.
- To be the leading entity in implementing best international practices.
- To attract global investments and expertise to Oman through its international network, and act as a catalyst in investing locally.
- To communicate and engage with the community in SGRF's role in the future of Oman.
- To become the Center of Excellence in the economic and financial sector by developing the national competencies.

Historical Milestones

1980

The establishment of State General Reserve Fund pursuant to the Royal Decree 1/1980

1992

- Issuance of Royal Decree number 39/1992 which grants the Financial Affairs and Energy Resources Council (FAERC) the power to regulate the fund's employees affairs.
- Raising of the administrative level of the investment unit to an independent department responsible for the financial markets, currencies and government bonds.

1998

تنمية
TANMIA

Establishment of Oman National Investment Development Company (Tanmia), a local investment arm of SGRF.


Kempinski Hotel

2004

The first direct investment in real estate sector after the acquisition of Regent Wharf property in London, United Kingdom.


Star Mall China

2006

The first direct investment in Private Equity after acquiring 6.1% of AWAS shares. AWAS is an Irish company operating in the aviation field.

2012

Issuance of Royal Decree number 28/2012 appointing Abdulsalam Al Murshidi as Executive President of SGRF

2013

- SGRF Board approved SGRF's corporate governance and the internal regulations.
- Expanding the short-term assets portfolio to include deposits in the local banks.
- Expanding the international bonds portfolio range to include emerging markets and Islamic Sukuk.
- Approving the new SGRF organizational structure.
- Establishing Asset Management Department.

2014

- Approving the investment strategy of the Fund.
- Launching local initiatives aiming at catalyzing projects that have strategic dimensions through partnerships with international economic groups in various industrial, service and logistics fields.


Real Estate Project by ASAS

Chairman's Report

This year, the State General Reserve Fund celebrates its 35th anniversary since the issuance of the Royal Decree 1/1980 establishing the Sovereign Fund. May this Decree be the beginning of a long term governmental investment to ensure a decent life for Oman's people, residents and future generations.

During these three and a half decades, the world has witnessed many economic fluctuations and global economic crises with, on one hand, the declines in oil price every now and then, and on the other hand, the mortgage crises plaguing the global currency rate. The Sultanate is not immune to these fluctuations; however, the wise policy of His Majesty Sultan Qaboos Bin Said for a peaceful and sustainable economic growth had a great role in keeping the impact of these crises at their minimal levels on the Sultanate's economy and institutions and worked on seizing the opportunities generated by these crises.

When it comes to the Fund's investments, we, at the SGRF, take this wise policy as an approach which made this financial institution move steadily to achieve an average annual income that reaches 7.36% on its investment portfolio, through maintaining a diverse investment portfolio spanning the five continents, from East to West, along with a flexible strategy that adapts with the expected political, social and demographic changes – according to studies and analyses – and goes with the global trends to achieve the best sustainable revenues.

In the time that the executive management works on finding promising investment opportunities that complies with the Fund's policy and plans, the Fund's Board of Directors has a monitoring and assisting role to draw the Fund's policies and trends in a way that does not conflict the Royal Decree 1/1980 and its amendments establishing the Fund. The BoD membership is represented by the Ministry of Oil and Gas, the Ministry of Commerce and Industry, the Ministry of Finance and the Central Bank of Oman representatives; in order to find continuous harmony and cooperation between the parties permanently related to economy, which will enhance the Board's capability to fulfil its supervising role on one of the most important sovereign funds in the Sultanate.

This year, we continue the journey we have started in 1980 establishing the State General Reserve Fund and we celebrate 35 years of investment and savings for future generations. In this occasion, and on behalf of myself, the members of the Financial Affairs & Energy Resources Council and the Fund's Board of Directors, I am honoured to congratulate His Majesty Sultan Qaboos Bin Said on the occasion of the Sultanate's celebration of a 45-year Renaissance journey.

It is also my pleasure to mention the members of the Fund's Board of Directors for the cooperation and support shown by each member of the team and the members of the Executive Management for their work on finding investment opportunities with sustainable returns on the Sultanate's future generations. May Allah keep this country safe and help us to always provide the best for our future generations of citizens and residents on the land of this generous country.

H.E. Darwish Ismail Al Balushi
The Minister Responsible for Financial Affairs
The Chairman

Board of Directors

H.E. Darwish Ismail Al Balushi
Minister Responsible of Financial Affairs
The Chairman

H.E. Ali Mohammed Al Moosa
Vice President of the Council of Governors at Oman Central Bank
Member

H.E. Mohammed Hamad Al Rumhi
Minister of Oil & Gas
Member

H.E. Dr. Ali Masood Al Sunaidi
Minister of Commerce and Industry
Member

H.E. Nasser Khamis Al Jashmi
Under-Secretary of Ministry of Finance
Member

H.E. Abdulsalam Mohammed Al Murshidi
Executive President of SGRF
Member

Executive President's Message

Since its establishment in 1980, the State General Reserve Fund has come a long way in its investment strategy to achieve its goals in accordance to international best practices, which was reflected in a positive way on its financial performance. The Fund has been achieving continuous annual profits since its establishment despite the fluctuations of the global market. The annual return on the SGRF investments reached more than 7% annually from the establishment of the Fund until 2014, which is considered to be a good rate compared to similar global funds.

Each year had its own challenges and each investment has lessons. The year 2014 specifically witnessed many positive achievements and results in the different investment sectors and geographical regions in which the Fund works, which led to positive overall results. The Fund, just as other global sovereign funds, faced several challenges, of which some are related to the market fluctuations and others related to some investments which needed more diligence and assessment. By forming specialised teams, solutions to those challenges were found and transformed them to a motivation factor in order to achieve more success in addition to the knowledge gained from each experience.

In terms of public markets, the Fund maintained a good level of growth in 2014 for each of the global shares portfolio and bonds despite the nose dive in oil prices in the last quarter of the year. The average annual income of the public markets portfolios reached more than 7% since the creation of the portfolio.

As for the private markets; the performance of a portfolio which represents in direct and non- direct investments was good, where about 8% of net IRR was generated. In overall, the growth in the value of this portfolio is equivalent to a multiple of one and -a-half of the cost of investments since the creation.

The Fund emerged in the past period with many achievements that will fulfil the Fund's strategies. Among these international achievements the signing of agreements between the Sultanate and other countries in the world in the following fields:

- MoU with Tanzania and China to develop a port and a free economic zone in Bagamoyo in the Republic of Tanzania. This project has an important impact on connecting East African countries with landlocked countries and creating an industrial, commercial and logistic base in Eastern Africa by using the natural resources available in this continent in addition to the search of investment opportunities for the Omani private sector in these promising markets.
- MoU with 21 countries to establish the Asian Infrastructure Investment Bank (AIIB). This is one of the most important initiatives launched by China in order to develop the infrastructure in these countries which will contribute to the creation of jobs and increase the GDP of the countries participating in this agreement, increasing to 57 participating countries.
- Establishment of a joint fund with Spain to invest in Spanish companies targeting the transfer of industries and technological services from Spain to the Sultanate.

This international expansion of the Fund has also benefited the country. We decided to direct our investment policy to benefit from the Fund's wide network of funds and financial, industrial and services institutions around the world to attract investments to the Sultanate and create investment opportunities that would promote local trade and economy and diversify the income in general. We extend our hands to the private sector and the economic institutions operating in the Sultanate to cooperate with them on the economic projects that serve our country. Among those benefits are:

- Investing in Glass Point Solar, a leading American company in the field of solar energy use in the oil production, which will be the Sultanate's first stop before presenting its services to the rest of world.

• Establishment of the Oman Brunei Aviation Leasing Company to serve international aviation companies, starting with the Oman Air as a first client.

• Establishment of the Muscat National Development and Investment Company (ASAS) for the development and construction of touristic, entertainment, marketing and services facilities in the Sultanate in cooperation with public and private entities.

These achievements and developments are a mere reflection of the high efficiency of our Human Resources, selected according to highly efficient and professional standards and bases. In 2014, and due to the expansion of the Fund in terms of different activities and especially investments, the number of new employees appointed at all levels is 35 employees which represents more than 30% of new blood to the Fund's manpower. The Fund's participation in the job fair at the Sultan Qaboos University, the Jobex and the rest of the recruitment events had an important impact in attracting national distinctive competencies. Among our 2014 proud achievements is a number of Omani youth performing their duties in the USA, UK, China, Vietnam, Uzbekistan, Tanzania, whether supervising and maintaining the Fund's assets and operations or acquiring experience and knowledge through the secondment programs with peer institutions, associates and subsidiaries.

In addition to this, these achievements also resulted from the distinctive managerial and technical systems recently updated or developed by the Fund. For example, on the scale of risk management, the Fund has made concentrated efforts to find self-censorship environment on the individual, managerial and investment level by launching the Enterprise Risk Management (ERM) to include the Administrative Support Unit in addition to the investment units and by launching the whistleblowing policy which aims at maintaining the employee and the institution's rights at the same time.

With this growth in management and investments, it is our duty to work on developing a governance system that regulates the Fund's work process, defines the responsibilities of the boards, committees and management and the capacities of each in order to achieve integrity and efficiency of the performance; and accordingly, coping with the international standards and practices. The governance framework and the code of business conducts have been prepared and approved.

The Fund's aspirations are directed towards the Far East, Pacific Asian region, the Asian semi-continent and Latin America, in addition to Eastern Africa after the emergence of economic recovery signs in these regions as investment destinations that make global trade bonds a way to boost our national economy in particular, and to enhance our position on the investment map in the global markets in general by investing in developed countries in Europe and North America. This requires from us to adapt the Fund to this level in order to implement the investment strategies in the achievement of a growing reserve to realise sustainable development of our dear country and to avoid the monopoly of the wealth by this generation at the expense of future generations.

I would like to take this opportunity to extend my sincere thanks and gratitude to His Majesty Sultan Qaboos Bin Said for his vision and wise direction in the support and stability of the national economy.

I would also like to express my gratitude to the Board of Directors for their unlimited support and the Fund's employees for their efforts and commitment at work which resulted in important achievements and successes on all levels.

Abdulsalam Mohammed Al Murshidi
Executive President


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2014
Key Achievements

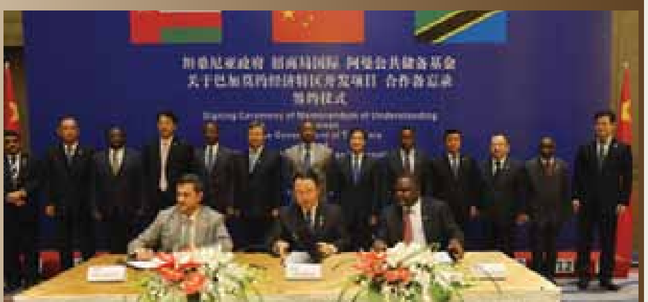
Key Achievements in 2014

General Performance

7.36%

SGRF's annual revenue in average has reached 7.36% since its establishment

Agreements



- Signing a Memorandum of Understanding to establish and develop the special economic zone and Bogamoyo port in Tanzania with the Government of Tanzania and China Merchants Co. LTD. SGRF succeeded in its negotiations with China and Tanzania to secure a stake in the giant logistic and industrial project in East Africa. This project in turn will be the basis for Omani projects in East Africa and pave the way for private sector companies to utilize the investment opportunities there.

- SGRF (representing the Sultanate) signed a Memorandum of Understanding with 21 Asian countries to establish Asian Investment Infrastructure Bank (AIIB) which will be based in China. This achievement is the result of a careful strategy to change the map of the world for the benefit of Asian countries led by China

Local Initiatives

SGRF has entered into about 20 new investments during the 2014, including, for the first time, direct investment in four local projects as part of its local initiatives:

- GlassPoint Solar Project for the production of solar power;
- Establishment of Oman-Brunei Aviation Leasing Co.;
- Establishment of Muscat National Development and Investment Company (ASAS);
- Establishment of Small & Medium Enterprises (SME) Development Fund.

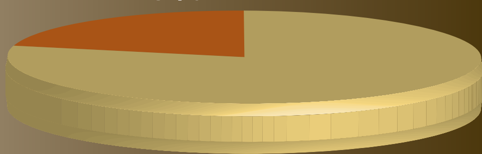
Corporate Governance

- Approval of the Corporate Governance manual by the Financial Affairs and Energy Resources Council which defines the responsibilities and authorities of SGRF's Board, committees, and the management.

- Launching of the Whistle Blowing Policy to ensure reporting of all cases of potential or suspected irregularities in order to manage them in timely and appropriate manner.

Key Achievements in 2014

Employment and Training



- Appointment of 35 employees in various departments and administrative units achieving an outstanding number in employment throughout the year. For the first time, the Omanisation rate reached 78.7%, and there were a number of Omani employees seconded to the USA, the United Kingdom, Vietnam, Uzbekistan and Tanzania for on-job training, and to work directly with partners of the Fund outside Oman.
- Launching an advanced employees performance management system
- Comprehensive review of the manpower plan to determine SGRF's human resources needs in the short and medium term

Communications

In a move towards more transparency, SGRF launched its website (www.sgrf.gov.om) to disclose, for the first time, the Fund's objectives and key indicators relating to performance and the asset allocation framework.

Information Technology

- Moving to a fully automated accounting system to manage all the Fund's financial transactions world-wide.
- Launching the internal portal to facilitate communication among departments.

International Organizations

IFSWF
International Forum of Sovereign Wealth Funds

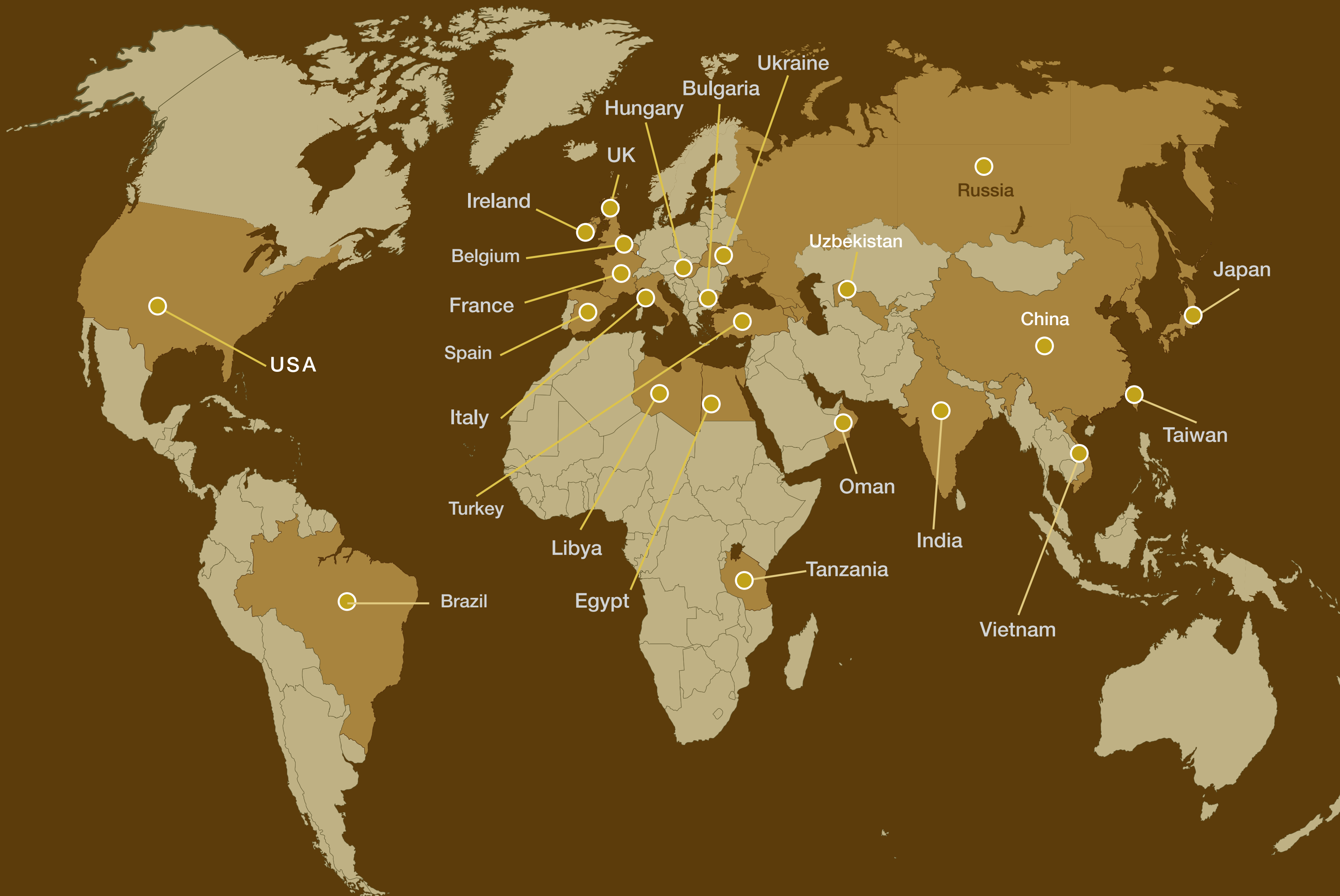
Obtaining full membership of the International Forum of Sovereign Wealth Funds (IFWSF), which promotes transparency and governance procedures in sovereign wealth-funds.

Risk Management & Compliance

Implementing COSO Enterprise Risk Management (ERM) framework to include, beside the investment units, the administrative and support units.

Our Global Footprint

Our Global Footprint



The Investments

The Fund aims to build an investment portfolio centered on a diversified pool of investment tools and assets (including a wide range of geographies and sectors) in addition to strategic investments in order to ensure sustainable long term returns.

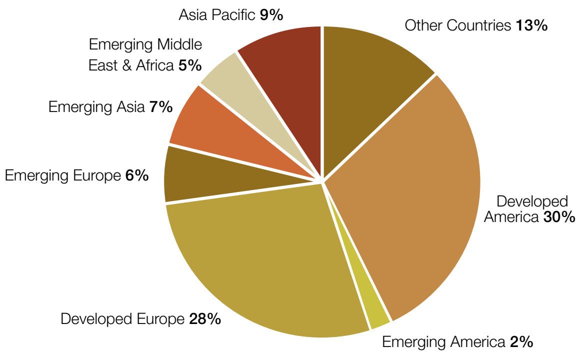
SGRF applies a carefully structured investment strategy in a detailed and flexible manner, exhibiting a cautious approach in adhering to high standards in managing risk. The Fund also adopts global best practices in developing its investment strategy through its overall asset allocation framework and geographical distribution, in addition to the selection of attractive sectors. Strategy formulation is conducted by the Business Strategy Department through continuous monitoring and review of asset allocation weights and ensuring consistency with SGRF's policy and overall asset allocation framework, while taking the necessary steps to develop the framework in line with changing economic and market environments and cycle.

Glass Point Project, Oman

The Investments

The Fund focuses on two main investment categories: Public Markets Assets (tradable) that include global equity, fixed income bonds and short-term assets, and Private Markets Assets (non-tradable) which includes private investments in real estate, logistics, services, commercial, and industrial projects.

Geographical distribution of assets



Investment Categories

Public Markets Assets (Tradable)
- Global Equities
- Fixed Income Bonds
- Short Term Assets

Private Markets Assets (Non-tradable)
- Private Equities
- Real Estate

The fund allocates 65% to 85% of its assets in Public Markets (tradable) and 15% to 35% in Private Markets (non-tradable) as follows:

Assets	Minimum Rate	Targeted Distribution	Maximum Rate
Public Markets Assets	65*	70	85*
Global Shares	25	35	45
Bonds	10	20	30
Short term assets	10	15	40
Private Markets Assets	15*	30	35*
Private	10	25	25
Properties	5	10	15

*Note: the sum of percentages under each assets' category (Tradable & Non-Tradable) does not necessarily add up to the minimum or maximum rates for each category

The Business Strategy Department aims to develop the overall framework of the Fund's asset allocation in a way that enhances the target returns while maintaining risks within acceptable levels. The Department has developed a number of initiatives, particularly in the public markets domain where it continues to keep an eye on the evolution of investment products and assesses their compatibility with the fund's investment strategy.

The Department assists the Fund's management with the fund's decision-making process through providing general economic overviews and focused economic analysis, which examines and forecasts market trends, fiscal and monetary policies of major economies while linking this to the Fund's investment strategy.

The Department also undertakes the sourcing, screening, selection of external financial institutions that manage the Fund's money, ensuring the ability of these institutions to achieve desired returns. This is done through studying various qualitative and quantitative measures such as historical track record and investment team stability, in addition to analyzing their risk management framework, compliance, accounting and control systems.

Key achievements:

- Expansion of the financial institutions base to include Active portfolios managers (Active Mandate) for emerging market equities, global bonds markets and emerging market debt.
- Creation of a portfolio that directly invests in global equity securities through the public markets team, which will source the best investment ideas for listed securities globally.
- Creation of a new Multi-Assets portfolio (Multi Assets) that aims to utilise available opportunities within various asset classes, geographies and sectors.
- Development of the overall Fund Investment Guideline reflecting global best practices in order to guide the Fund's investment activities within the acceptable risk limits, and to ensure the highest level of transparency and control.

Global Mega Trends

Main Factors on International Level

When planning and implementing an investment strategy, the Fund analyses key economic indicators and their impact on the direction of the market around the globe in the medium and long terms with the aim of identifying the emerging markets, key sectors, potential risks, and investment opportunities. Researchers at the Fund have identified Six major trends have been identified which the management believes will have a significant impact, and which represent promising investment opportunitiesthese as listed below:

Patterns of Population Distribution

The world will witness growth in population. Studies reveal an increased percentage of the aging rate in developed countries. This is contrary to emerging economies which witness an increased young population.

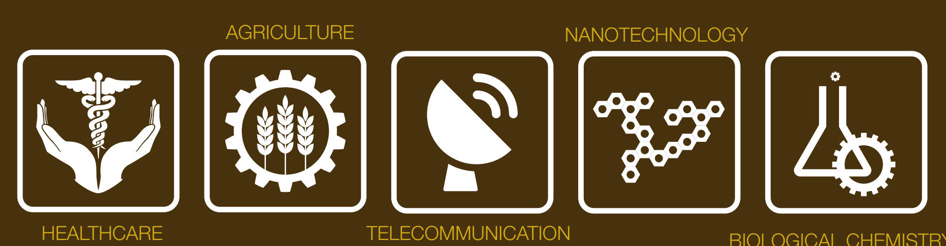
In 2012, people over sixty represented 11% of the total population of 809 million

By 2030, people over sixty will reach 16% of the total population of 1375 million

By 2050, people over sixty will reach 22% of the total population of 2050 million

Technological Development

It is expected that technological development will have a huge impact on a lot of sectors, such as healthcare, agriculture, biological chemistry, telecommunication, nanotechnology, and energy which will significantly increase productivity, efficiency, and services in all fields.



Global Mega Trends

Increase of middle class around the globe

Studies indicate that countries around the globe will witness a substantial growth in middle class. The countries include those from Asia - in particular, China, India and the Middle East. Countries in Africa will see a similar growth.

60% of the world's population will be part of the middle class by 2030

80% of this class will live in the emerging markets

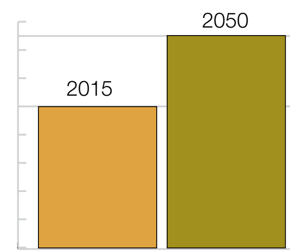
75% of China's population will be classified as middle class (rising from the current 25%) by 2030

Change in international balance of power

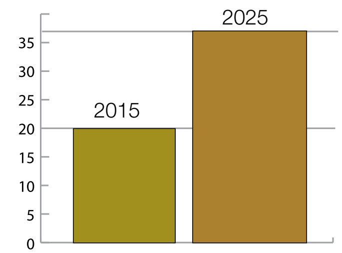
As Asian economies such as China and India gain more power in local production, population, military, and technology investments, it is expected that the international balance of power will lean towards developing countries by 2030. It is likely that the situation will lead to new alliance between various powers.

Modernization

- The increase in population, expansion of middle class, and immigration will lead to unprecedented increase in city expansion. 80% of modern growth that will be witnessed by the world in the coming twenty years will be in Africa and Asia;
- By 2050 the population percentage in the world who live in cities will increase from the current 50% to 75%.
- The number of big cities (with population in excess of 10 million) will increase from the current 20 cities to 37 cities by 2025.



By 2050 the global population percentage who live in cities will increase from 50% to 75%



The number of cities whose populations exceed 10 million will increase from 20 currently to 37 by 2025

Natural Resources Scarcity

- With population growth, geographic expansion, and climate change, further limitation on scarce resources, may result in creating more opportunities for promising investments.
- The International Power Agency indicates that there will be an increase of 40% in the global demand for power by 2030 due to economic growth, population growth, and technology development.
- Food production will be increased by 50% to satisfy the demands of growing population.
- It is likely that the increase in demand and non-stability of production rates due to climate changes will lead to a doubling the cost of food materials by 2030.
- Approximately 1 billion people will live in areas that suffer from drought by 2030.

Public Markets

Investments in this sector include financial securities subject to circulation that can be converted into cash easily at any time at a reasonable cost. This class includes three major assets: shares, international bonds, and short-term assets.

Public Markets

The Global Equities portfolio invests in several main areas around the globe: North America, Europe, the Pacific Ocean Area, and emerging markets. These regions are comprised of more than 45 countries, which allows the Fund to diversify its investments, leading to lower risks exposure.

The Fund's investments vary across ten economic sectors. These diversify the investment portfolio consistently with changes in international markets among the type of investments and the targeted areas. The aim is to minimise negative impact that may result due to diverse economic changes.

The public market portfolio also invests in 33 bonds markets around the world. The Fund is continuously seeking investments and strategies around the parameters of public markets, which develop and diversify the returns of the portfolio.

The assets of these portfolios vary and includes government bonds in the emerging and developed markets in addition to the bonds issued by establishments with high ratings, and sovereign Sukuks. Short-term assets including American Treasury Bills and deposits in local banks.

To maximize returns on the assets, the Business Strategy Department regularly conducts reviews on the public market assets and its geographical distribution in a way that is consistent with the changes in international markets, and to minimize the negative impacts resulting from economic changes.

The public market investments have the ability to diversify the portfolio of the Fund in a way that is consistent with the changes in international markets among the type of assets and targeted sectors, in addition to the geographical areas. The Fund is always seeking new investments and strategies in public markets, which maximizes and diversifies the returns with an acceptable and reasonable risk levels at the same time.

Selection Process of External Investment Manager

External Management of Investments

SGRF takes a cautious approach in selecting the appropriate External Investment Manager based on specified sector and investment area. The External Manager analyses market opportunities in accordance with the investment strategy of SGRF, and raises recommendations to the relevant committees to make the appropriate decision.

SGRF continuously monitors the performances of External Investment Managers and ensures compliance with procedures associated with investment risks. It analyses the performances of investments and portfolios generally. The Manager produces detailed monthly performance reports about the performance of their funds, and the SGRF team holds two meetings per annum with the Fund Manager. SGRF also visits the work sites of these investments.

An Overview of 2014 Performance

Despite the slowdown in the growth of the global economy and the substantial reduction of oil prices in the last quarter of the year, the public markets sector continues to thrive and make gains. This is due to Fund management's sound decisions: an increase of investment in equities, maintaining the level of investment in global bonds pursuant to the improvement in economic forecasts, the continuation of cash facilitation policies in developed economies, and increasing the investment in equities from 27% to 33% in the first quarter of 2014 while maintaining the same percentage in global bonds.

The slowdown in the US market during the first quarter of 2014 resulted in shrinking of global economic growth prospects, and delayed the timing restriction in monetary policy, which led to rising stock prices as well as enhancing the performance of global bonds in the first half of the year.

During the third quarter, the economic performance in the United States witnessed recovery and better performance due to the strong performance of equities in North America. Stocks saw the highest increase in 2014, which was a suitable selling opportunity, thus, SGRF liquidated these shares, benefiting from high stock prices.

The last quarter of the year witnessed significant volatility in Equity, Bond, Commodity and Currency markets as widening growth and policy divergences became more apparent. With the Eurozone struggling amid sluggish growth and deflationary pressure along with a broadening slowdown in China, growing concern over global growth momentum drove a sharp Equity sell-off that coincided with a spectacular drop in the oil price.

Due to the changes in the market that were witnessed in the last quarter of 2014, the Fund reduced the size of its shares from 29% to 26% in October. The market of shares flourished in the following months as a reaction to the strong economic growth in the USA. The performance of shares ensured that the market closed with good financial gains at the end of 2014.

On Short-Term Assets, the high weighting, compared to the rest of the assets, throughout the year has caused a drag in performance given the low level of yield in money markets. Overall, the sudden and sharp rally in US Dollar has significantly impacted the performance of the fund in 2014. However, the Fund has achieved good profits.

Locally, SGRF has bought more shares in Muscat Securities Market in the fourth quarter of the year, taking advantage of low prices at attractive levels, and that prompted the IMF board to make this decision as an independent investment firm looking to sieze investment opportunities.

Private Equities

Glass Point Project, Oman

Beside the investments in public markets, State General Reserve Fund seeks to diversify its portfolio in the long-term through investment in non-tradable assets that are represented in unlisted private companies and real estate.

Private Equities

Investment in Private Equity focuses on a number of criteria with the emphasis of investments being long-term. It also takes into consideration the geographical diversification of the portfolio's targeted sectors. The investment in Private Equity is preceded by legal, technical, financial, commercial, valuation and background due diligences for all aspects associated with these investments- including identification and evaluation of relevant risks. The Fund observes the fact that it shall form strategic partnerships with the best investors when investing in private equity, family commercial groups with good reputations and other entities with strong positions and good performance in the markets in which the investments are made.

During 2014, SGRF refined its private equity strategy and evolved a set of investment guidelines for the future. As part of this, SGRF has made the decision to build in-house sector expertise in a number of core sectors, which are expected to be a focus of direct investments. These sectors include: (i) healthcare, (ii) mining & resources, (iii) logistics, (iv)infrastructure, (v) food value chain, (vi) power & utilities.

SGRF has been on an active recruitment drive to bring in expertise in these sectors as well as generalists in order to boost its overall Private Equities capabilities for the future. At the same time, SGRF recognizes the importance of training and qualifying employees working in different divisions associated with investments as part of the complete strategy of the Fund's human resources. In 2014, a number of new employees joined the Private Equities team, and there were a number of staff seconded for varied periods to work in the Fund's investments outside the Sultanate as part of exchanging knowledge and experience.

Private Equities

SGRF's investment strategy is based on criteria that include: the assessment of the sector in which the investment is made; the challenges and risks that can be faced by the sector in the future; the assessment of political and economic stability indicators; the assessment of the technical, commercial, and legal challenges of the project; the added value and projected growth in the coming years following the investment; the operational risks and challenges of the project in the future; the possibility of the Sultanate benefiting from the project directly or indirectly; and finally, the feasibility of exiting the project at the appropriate time.

The Private Equities portfolio is divided into three categories: Direct Investment, Investment Funds, and Investment through Joint Ventures. SGRF has an independent department for **Asset Management**, which in turn follows up on the performance of the investments continuously and aims to participate in the development of the performance of such assets.

Key Achievements:

- Four investments have been added to the local initiatives portfolio.
- The Investment Funds' portfolio has generated 13% net IRR, and a multiple of 1.6X the investments.

Direct Investments

The Direct Investments portfolio is diversified across a number of sectors and in more than 22 countries.

Despite the fluctuation in Direct Investments, 78.6% of the investments witnessed growth or stability in the market value during 2014, where 21.4% of investments witnessed a decline in the market value. However, the overall outcome was positive for SGRF as the direct Investments recorded a growth of 6% from the total value at the end of 2013.

The investment of the Fund in Corporate Commercial Bank in Bulgaria was a special case due to bank run and the Bulgarian Central Bank's decision to withdraw the banking license at the end of 2014. SGRF is exploring all avenues including legal channels, on the basis of the Mutual Investment Protection Agreement signed between the Sultanate and the Republic of Bulgaria in Feb 2007, to try and recover value from this investment.

Given the specific operational challenges and market conditions relating to each investment, target exits and IRR's were adjusted accordingly. The investments in Numericable and Alliance Boots have achieved good profits by partial exits during 2014. Several other partial exit opportunities are likely to materialize during Q1 of 2015.

Joint Ventures

The investments through joint agreements with some countries have achieved a growth in total value at a rate of 20% on the capital investment. SGRF is also working on setting up a Joint Investment Fund with Spain with an initial capital of €200 million to be contributed equally between Oman and Spain.

Investment Funds

In general, the year 2014 was an active year for the Private Equities industry globally. About $495 billion of aggregate capital was raised globally by 994 funds, the second highest year since 2008. The aggregate buyout deal value was $332 billion, the

Private Equities

Kumport, Turkey

highest annual amount since 2007. The year was also notable for exits, with total exits amounting to $428 billion, 30% more than in 2013.

The Private Equity Funds portfolio of SGRF currently shows very sizeable distributions from commitments made in the years 2006-08. The portfolio today is over 90% realized. In order to maintain the Private Equities funds position as part of SGRF's total portfolio, the team at SGRF has been actively investing in new funds during the year 2014, targeting the best performing Managers for specific regions, strategies, and sectors, based on the overall allocation for Private Equities. During the year 2014, there were 6 new fund commitments closed for a total of $520 million. The commitments were diversified across various regions and strategies.

The Fund is currently involved in 60 private equity funds which covers most investments sectors and geographically distributed to all of the world. The investments in Private Equities funds generated 8% Net IRR, and a multiple of 1.6 times the investments since inception, while also generating a return of 13% during 2014.

SGRF's trends to invest locally

We at SGRF, invest for a better future and sustainable development for generations to come. Hence, we are working to diversify our investments to serve this goal as well as other goals of the fund-. In addition to our investments in different continents of the world, we are targeting a number of areas where we believe in their ability to achieve economic and social added value for the people of the Sultanate of Oman and the economy as a whole.

The targeted sectors include those associated with the food industry, building materials industries and health services, which is one of the most important sectors that ensures the achievement of a decent life for future generations in the Sultanate and which is within the sectors of focus for the Omani government, promoted through local initiatives and entering into regional and international investments across the government various investment arms.

In addition, the logistics sector and related projects is considered as one of the key infrastructural sectors upon which a large number of pharmaceutical, mining industries and other projects are based.

The Technology sector forms one of the promising areas to create sustainable economic opportunities in the Sultanate and the Fund will also focus on promising economic sectors such as mining and hospitality, as well as energy field related projects, especially renewable ones.

More importantly, the government is targeting to focus on projects and initiatives that aim at developing the necessary knowledge and skills in recent/modern economic sectors in the Sultanate. Consequently, the Sultanate will become a platform for the provision of competencies and skills of higher qualifications in different present and future growth sectors.

The State General Reserve Fund, with its extensive network of international contacts and relations, aims to harness these connections to bring in international investments to the Sultanate including local investment initiatives adopted by SGRF. Through fulfilling this objective, SGRF is a link in the search for the most suitable global investment partners and a catalyst for the launch of new economic projects, in line with SGRF's investment trends in local affairs.

Private Equities (Local Initiatives)

As part of these initiatives, four local investments have been added to the private equity portfolio during 2014:

- GlassPoint Solar: a venture capital investment in a US-based company that has developed technology that uses solar energy to generate steam for enhanced oil recovery. The company has run a successful pilot project with Petroleum Development Oman and has sizeable potential in Oman and the Arab Gulf region.

- Oman Brunei Aircraft Leasing Company (OBALC): an Oman-based aircraft leasing company, administered by Oman Brunei Investment Company, an affiliate of SGRF. OBALC is targeting the rapidly growing aircraft leasing industry in the GCC region, with the mandate to bring this new asset class to Omani and regional investors.

- Muscat National Development and Investment Company (ASAS): is working on developing a number of services and tourism and investment projects. The Company's plan includes, at the current stage, the development of nearly 25 projects to develop a range of sites in the governorate of Muscat, and then to expand accordingly to other regions in the Sultanate.

- SME Development Fund (SME Fund): The Fund was established in 2014, to support, develop and finance the SMEs. The SME Fund, in which SGRF owns a 25% stake, has an authorized capital of RO 100 million to be paid in installments. It has been created to support the government's efforts in nurturing a strong entrepreneurial culture among youngsters in the Sultanate by providing them loans ranges from RO 50,000 to RO 300,000. The SME Fund also supports SMEs in implementing best business practices to increase their performance and reduce their credit risks.

Real Estate

Real estate with its different asset types and strategies is considered to be amongst the strong alternative investment sectors; depending on the strategy and the allocation along the risk spectrum. Real estate offers capital preservation attributes and long term income generation. The Real Estate department in SGRF diversifies its portfolio between core/core-plus, value-add and development projects to achieve the desired risk and return profile.

SGRF's core real estate assets are defined as direct investments in developed markets benefiting from long-term lease contracts with strong tenant covenants aiming to achieve sustainable income. On the value-add real estate assets and development projects, SGRF enters into partnerships with real estate partners and developers in emerging and developed markets to leverage on their technical knowledge and expertise. Additionally, SGRF has also committed to various real estate funds with proven track record in which SGRF is a passive investor.

Four Seasons Hotel, Budapest

Real Estate

Real estate with different classes is considered to be among the good investment sectors. It has the feature of reservation of the share capitals and return on long-term investment. Real estate investment is selected (taking into consideration each market) by diversifying among investments in tourism, commercial, or residential properties. The Real Estate Investment division at the Fund diversifies its portfolio between basic assets, real estate development investments, and real estate investment funds in order to achieve diversification required with good returns on investment.

Summary of Real Estate Performance:

SGRF's real estate strategy was revisited in the early part of 2014 to explore new investment opportunities in the developed and emerging markets of Asia and also selectively, Latin America, Sub-Saharan Africa; this revision was also driven by the Fund's overweight exposure to Europe. The broader real estate strategy remains unchanged and still aims at exploring investments across select developed and emerging economies and across asset classes.

Overall, 2014 was a good year for SGRF in terms of real estate, with growth recorded in the total value of the overall real estate portfolio, predominantly in the developed markets within Europe and in North America. The key updates for the year 2014 are as follows:

- The real estate portfolio delivered a return of 6.55% in 2014.
- SGRF exited from the Freeport structured-debt investment in November 2014. SGRF received a total distribution of €131 million against an initial investment of €94 million.
- The investment in Heron Tower (which was re-named to 110 Bishopsgate) achieved an occupancy rate of over 85% in comparison to 53% in 2013, resulting in a significant uplift in value.
- SGRF entered into an agreement with CIT (a London based real estate developer) to form a joint venture pursuing real estate investment opportunities in the UK and other key cities in Europe.
- SGRF committed funds to an India-focused real estate fund managed by HDFC, one of India's largest real estate investment managers in India. HDFC is also expected to provide SGRF with co-investment opportunities in real estate in India.
- SGRF also committed funds to a Brazil-focused real estate fund managed by Patria Investimentos, one of the largest real estate fund managers in Brazil.
- SGRF is currently involved in 14 real estate funds covering most parts of the world

Key Achievements:

- The real estate portfolio delivered a return of 6.55% in 2014.
- A return on investment IRR of 12% has been achieved during three years with the European Carlyle real estate fund 2.

Star Mall, China

Joint Ventures

The joint ventures that have been established so far are the results of the Sultanate distinct diplomatic relations with these countries. These JVs are mostly concentrated in the Asian markets, which constitutes a strong start to entering into these promising markets.

Vietnam Oman Investment (VOI)

Vietnam Oman Investment (VOI) was founded in 2008 as a Joint Venture between State General Reserve Fund and the State Capital Investment Corporation of Vietnam at an initial capital of USSD 75 million and increased later by additional USD 125 million. The company aims to invest in Vietnamese companies and projects of good yields and which contribute to developing the State and creating sustainable economic growth.

VOI has completed nine investments and achieved a growth of 31.66% in value since inception.

With professional private equity team, VOI has been able to invest and manage large portfolio of infrastructure projects, such as: toll roads and bridges, water distribution, water processing, power generation, and general infrastructure - which are witnessing a strong growth in Vietnam; VOI's investee projects in infrastructure are yielding not only very high return to the firm but making significant contribution to development of key economic regions and improving quality of life for communities throughout Vietnam: Hanoi, Ho Chi Minh City, Mekong Delta, Central Highland.

Besides reputation of an investment authority in infrastructure development in Vietnam, VOI has been making significant investments in sectors that cater well success story of Vietnam, such as: agriculture, and health care. In 2014 sold its stake in Vinmec Int'l Hospital – the largest international hospital in Vietnam- for USD 33.5 million on its USD 25 million investment commenced in 2012.

Oman India Joint Investment Fund (OIJIF)

A 50:50 joint investment fund between the State General Reserve Fund and State Bank of India. It was founded in 2011 to invest in projects in different sectors in India.

After the success of the first portfolio with the corpus of US $ 100 million, work is currently going on to establish a second portfolio. The Fund has 7 investments so far, the total amount of these acquisitions was approximately US $ 81.21 million. The total value of investments by the end of 2014 was around 118.81 million USD, achieving a growth of 46 % in the value of the assets.

Joint Ventures

Uzbek Oman Investment Joint Venture (UOI)

Pursuant to the decision of the Governments of Oman and Uzbekistan, SGRF formed an investment JV in in 2010 in partnership with the Fund for Reconstruction and Development of Uzbekistan (FRD) to invest in Uzbekistan.

The initial capital of UOI is USD 100 Million of which SGRF owns 75% of the shares, versus 25% for FRD. Uzbek Oman Investment Company (UOIC) owns the assets of the Fund while UzOman Capital manages them. The two companies were established under a Presidential Decree by which UOIC is exempted from taxes for 10 years and permitted to invest in foreign currencies.

Since its inception, this joint venture has committed USD 75 Million in various sectors, including Financial Services, Packaging, Building Material, Food Processing and Real Estate. All investments are performing in line with Investment forecasts.

So far the Company has carried out two investment projects at acquisition value of 27 Million USD. In 2014 the Company reported a profit of 16%. The Company has ambitious plans to carry out more investment projects that aim to provide a raw material and food stuff for the Sultanate beside the financial objectives.

Oman Brunei Investment Company

The Oman Brunei Investment Company was established in October 2009 as a joint venture between State General Reserve Fund (SGRF) and Brunei Investment Agency (BIA) on a 50:50 basis.

The Company's investment strategy is to invest its capital in companies which possess high growth opportunities through private acquisition or investing in new projects and joint ventures. The Company seeks to diversify its investment portfolio through investing in important economic and industrial sectors.

The Company has also a long-term objective of making an above average return and achieving IRR not less than 12-15% through a diversified portfolio includes industrial, health, educational, tourism and services.

By the end of 2014, the Company carried out five investment projects at a total acquisition value of 56.9 Million USD. The existing projects concluded with a growth rate of 99% in the fair value of the assets of $ 18.1 million in 2013 to $ 36.1 million in 2014.


Direct investments

Governance and Transparency

At SGRF, we believe that success can only be achieved by gaining trust and building a name that is linked to transparency and governance. This is particularly true if such a name is to shoulder the responsibility of providing a decent life for the Sultanate's future generations as well as those living on its noble soil.

In light of this, SGRF has taken a number of steps that create a solid internal foundation to maintain high levels of governance and transparency. The most notable step taken towards achieving this goal is the issuance of the Authorities and Responsibilities Manual in 2013, which draws the roadmap for each department in SGRF in order to prevent any conflict of responsibilities or undesired overlap between the authorities granted to each department and to maintain the integration between the duties of departments in a manner that achieves SGRF objectives.

In addition to the above, SGRF adopted the Code of Business Conduct. This is a guide for all SGRF staff outlining the ethics and behaviours, which an SGRF employee should emulate, as they reflect SGRF's integrity. The goal behind this is to gain the trust of those whom SGRF deals with.

SGRF also launched the Whistle Blowing Policy so that each of SGRF employees becomes a guard and custodian of the Fund and wealth of the future generations. Through this system, employees can secretly report any illegal or suspicious transactions, or any claims of fraud, misconduct as well as the violations that may be committed by any SGRF staff, to help employees conduct their dealings with honesty. The ultimate goal for introducing this system to SGRF staff is to ensure integrity of transactions and compliance with the laws and legislations regulating SGRF business.

In 2014, SGRF initiatively applied for full membership at the International Forum of Sovereign Wealth Fund (IFSWF), which is considered as an international platform that bridges the gap between sovereign wealth funds and works towards achieving mutual exchange of views and experiences in the area of governance in accordance with international best standards and practices.

Communication and transparency can only be achieved through developing a gateway that connects SGRF staff with the public home and abroad. And, a key to this objective was the launching of the SGRF website in both Arabic and English, disclosing information about the nature of Fund's business, its investments and future visions.

Governance Framework

SGRF Management has been working towards updating and improving SGRF governance frameworks to keep pace with the latest requirements and achieve a better operational and investment performance. It also aims to realize the goals entrusted with the Fund, pursuant to Royal Decree No. 1/80, and its amendments,

SGRF applies the best international practices in the area of governance to guarantee the enforcement of an effective and flexible system that interacts with the requirements of each stage without contravening the existing laws.

The governance structure of SGRF comprises of a set of executive, administrative and regulatory levels that include the SGRF regulative body represented by the Financial Affairs and Energy Resources Council (FAERC), SGRF Board of Directors, the Audit Committee which is independent together with its Internal Audit Team, and the Executive team which includes the Management Committee, the Investment Committee, the Human Resources Committee, Tenders Committee, and the Information Technology Committee.

Duties and Responsibilities

SGRF Regulative Body:

The Financial Affairs and Energy Resources Council (FAERC) serves as SGRF Regulative Body, which is responsible for the integrity of its operations and its financial status. The Council's responsibilities include overall supervision of SGRF, monitoring the integrity of financial operations, identifying its tasks and goals, approving its strategy and forming and defining Board of Directors' roles and responsibilities.

FAERC is also responsible for appointing an investment custodian with the aim of preserving SGRF financial assets. The council is further involved in appointing one or more companies according to the Board's recommendations to assess the Fund's Investment Portfolio Management. FAERC's other responsibilities include discussing and approving performance appraisal reports, appointing an external auditor and specifying the related fees in accordance with the recommendations of the Board of Directors.

FAERC is also responsible for approving the Corporate Governance Framework and identifying the types of assets, including currencies that SGRF can invest in and approving the establishment of investment companies.

SGRF Board of Directors:

FAERC forms the SGRF Board of Directors and defines its jurisdiction, according to the recommendations of the Minister Responsible for Financial Affairs. The Board of Directors supervises the Executive Management in charge of SGRF investments. In particular, the Board of Directors is responsible for ensuring the implementation of provisions of all relevant Royal Decrees. Moreover, the Board's responsibilities include the approval of SGRF Strategic Asset Allocation, Investment Guidelines, Remuneration Structure, Governance Policy and Procedures Manuals, approval of the annual budget, issuing the decisions pertaining to selection of financial institutions for investment purposes. Other responsibilities include final approval of agreements and transactions falling outside the purview of the Executives of SGRF and review of SGRF financial status and performance.

Audit Committee (AC):

The Audit Committee is responsible for overseeing the financial statements and financial reporting process. This committee is affiliated to the Board of Directors and helps it perform its regulatory responsibilities, which include ensuring the integrity of SGRF's financial statements, the financial reporting process, internal accounting systems and financial control. It also reviews the performance of the Internal Audit Manager, the independent annual audit of the Fund statements, the engagement of the independent auditors and the evaluation of their performance. The responsibilities of the Audit Committee also include the compliance of SGRF to the legal, legislative and regulatory frameworks, including the controls and procedures of disclosure. Moreover, the Audit Committee is authorised to assess the administrative proceedings and the risk management process. The Internal Audit Manager submits the performance reports to the Audit Committee

Investment Committee (IC):

The Investment Committee is the main body responsible for making investment decisions. It is also concerned with the implementation of the Fund strategies and allocation of the assets approved by the Board of Directors. Consequently, it takes responsibility for SGRF's overall supervision of the investment portfolio. It also determines the tactical distribution of assets within the framework of the approved limits, decides on the implementation of the annual investments plans, and reviews the proposals of public, private and real estate investments prepared by the relevant business units. Generally, the Investment Committee bases its resolutions on the proposals tabled by the various business units of the Fund, monitors the performance of the investment funds and make its recommendations for reconsidering the distribution of the strategic assets in line with global variables so that the Board of Directors of the Fund make a final decision about them.

Management Committee (MC):

The Management Committee defines the operational trend of SGRF. The committee coordinates and supervises SGRF's non-investment activities. It facilitates discussions, and decision making on the initiatives and issues that determine the operational and business plans of the Fund. Accordingly, the Management Committee plays the role of an intermediary that brings about synergy between business and support units and departments. It outlines the policies of the Fund to achieve efficient performance and internal communication between the Fund's units within an integrated work system and a well-defined hierarchy.

Human Resources Committee (HRC):

The Human Resources Committee is responsible for drawing up HR's overall strategy as well as policies and plans aiming at enhancing the skills and competencies of SGRF human resources. This is made possible by appointing new efficient employees or training and qualifying the existing ones. The Committee is also entrusted with the termination of contracts and the contracting procedures, in addition to finding solutions to the challenges relating to human resources, reviewing staff remuneration, bonuses, incentives and promotions as well as reviewing and assessing the annual performance of the Fund personnel. The annual plans of Human Resources are reviewed and approved by the Management Committee which also supervises the implementation of the strategy approved for the Fund human resources.

Internal Tenders Committee (TC):

The Internal Tenders Committee of SGRF formulates tenders and bidding procedures for tenders worth less than the amount specified for the Tender Board. The Committee is mandated to assess the bids technically and commercially and submit its recommendations to those authorized to accept or reject the recommendations. The committee includes a number of senior staff from SGRF and a representative from the Ministry of Finance to ensure compliance with the procedures set forth for offering, evaluating and awarding tenders.

IT Committee:

The Information Technology Committee (or ITC) was established under Office Order 99/2013 in December 2013. The ITC has been created to provide the strategic and tactical guidance for managing SGRF's overall technology systems for the short and long term based on the approved IT strategy. It will ensure systems development and maintenance projects initiated are consistent with the strategic business goals.

Internal Audit and Control Systems

Corporate Governance Manual:

SGRF has recently issued a Corporate Governance Manual. This Manual elaborates the responsibilities of each SGRF unit, It also contains the FAERC's capacity as the SGRF's Regulative Body, as well as SGRF Board and the Executive Management. The aim behind this is to prevent any conflict of authorities between the Regulative Body, FAERC and the Executive Team and to ensure smooth and effective performance. The Manual also defines the roles of the Risk & Compliance, and Finance Departments, as well as the roles of the Management Committee, Human Resources Committee, Investment Committee, and Tenders Committee, including the mechanisms for selecting their members and the documentation of their meetings in order to ease the auditing process.

Whistle Blowing Policy:

In 2014, SGRF launched the Whistle Blowing Policy. It is one of SGRF's multiple lines of defence. The System has a high level of confidentiality to hide the identity of the whistle-blower. The launching of this System came as a result of SGRF's strong belief in the importance of standing together to prevent any SGRF staff from committing wrong practices that may damage SGRF's reputation or jeopardize its financial status. The system allows the whistle-blower to describe certain incidents or employees who violate the work systems or the procedures applicable at SGRF, whether the same has to do with financial transactions like tenders and investments or administrative operations. Based on such reports, an independent committee carries out an internal investigation and then refers its report to the competent authorities.

Internal and External Audit:

To ensure transparency and achieve the best control of its transactions, SGRF goes through three different auditing stages. Through the Internal Audit Committee, the financial statements as well as SGRF transaction-related data are drawn-up and audited. Besides this, SGRF Board puts up its recommendations relating to the appointment of an independent auditor to the FAERC for approval of the same. SGRF also undergoes a periodical audit by State Audit, an independent regulative body that oversees the performance of different Government authorities in the Sultanate and presents its unbiased notes on the financial performance, investments and other SGRF transactions to ensure its compliance with the laws and regulations.

Support Departments

Towards achieving its investment objectives, SGRF relies on an integrated system including a number of units and departments that provide the investment units with the necessary technical and administrative support. The system includes the following departments:

Support Departments

Finance Department:

The Finance Department aims to prepare and present reliable financial information according to International Financial Standards, particularly those related to the Fund's accounts and its financial performance reports and assets' evaluation. One of the main tasks of the Finance Department is the preparation of periodic financial statements as per the best practices and reporting these to the Audit Committee and Board of Directors for adoption before the approval of the FAERC. The Department also prepares the annual current balance of the Fund, distributes it to the different units of the Fund and follows up its implementation and compatibility with the Fund's objectives. It is also responsible for preparing periodic financial reports related to the comprehensive and detailed financial performance of the different portfolios to measure the funds managers' performance in comparison with the target performance. In addition to this, the Finance Department monitors money transfers and settlements and supports investment transactions through managing Special Purpose Vehicles (SPV) through which the Fund acquired its investments to achieve the best control on these investments and optimum financial efficiency.

Key Achievements:

- Achieve operational efficiency and financial abundance through the restructuring of the Special Purpose Vehicle (SPV) to match best practices.
- Develop a follow-up system for the expenditure level against the approved balance and linking it to the investment projects and commitment level with the plans established for each unit of the Fund.
- Shift to an electronic system for all the money transfers using SWIFT system and via Bloomberg platforms.
- Creation of an electronic system compatible with the Global Investment Performance Standards (GIPS) to calculate the overall and detailed performance for the different internal and external portfolios of the Fund.

Legal Department:

The Legal Department is one of SGRF's central departments. It studies the subjects referred thereto from the legal perspective, and gives its legal opinion thereon in accordance with the applicable local and international laws and regulations. The duties of the Department can be summed up as follows:

- Providing legal support over subjects pertaining to management of the investment projects carried out by SGRF in the past. This is to be added to giving the legal opinion on the important decisions relating to the methods of managing these investments and the issues that emerge in relation thereto.
- Offering legal support on legal issues as well as formation of contracts and agreements appertaining to SGRF's new investments, whether in terms of private equity, real estate, or money markets, in accordance with the laws and regulations applicable in the country where investments are carried out.
- Giving legal advice and opinion on the subjects pertaining to other SGRF departments and divisions.

Support Departments

Risk and Compliance Management:

The main objective of Risk Management & Compliance is to prepare a comprehensive risk and compliance system to be applied to all Fund departments. The department is responsible of identifying, monitoring and mitigating all the risks involved in the Fund's activities. In addition, building a culture upon which the staff feel responsible for protecting SGRF from any risk. The department reviews and asseses the risk and compliance management policies and procedures on a regular basis, and provides advice with regard to strengthening internal controls

In collaboration with all departments and units, the Risk Management and Compliance Department's responsibilities also include analyzing and identifying all the risks that arise from the various operations of the Fund, whether in investment activities or administrative. Accordingly, it develops strategic and operational plans to reduce the likelihood of risk occurrence and its negative impact on the fund.

One of the most important responsibilities of the department is to study the risks related to the investments in private equity, public markets, and real estate. The Fund seeks to manage all risks during each phase of the investment cycle , including the search for deals the process of acquisition,the period of investment and exit . The investment team oversees the daily operations of the Fund, while Risk Management & Compliance holds a risk review all the Investment Management Services and their impact on the Fund. The department provides all the necessary evaluations of the investment with the opportunity to highlight the major risks before committing. The department prepares an effective methodology to ensure the Fund's commitment to all laws and regulations.

The department raise Risk and Compliance reports quarterly to the Audit Committee and the Board of Directors, while the daily operations are under the direct supervision of the Executive President. The Board of Directors is responsible for establishing the firm approach adopted by the Fund in relation to Risk Management and Compliance and the Board of Directors to review and evaluate the Fund's policies, processes and procedures for risk management

Key Achievements:

- Launching the whistleblowing system and procedures
- Code of Business Comducts
- Producing a Guideline for all the risks and compliance terms
- Developing money laundering and terrorism financing combating system
- Conducting internal workshop to introduce to the Management and the Audit Committees on the ERM ((COSO ERM and its importance for the Fund .
- Train all staff about risk management Mosseh COSO ERM))
- Conducting an internal workshop for risk assessment and business strategy for all Fund staff

Information Technology Department:

The Information Technology Department is concerned with overseeing the provision and development of information services and systems for all SGRF departments and divisions. The Department has a team of highly experienced technicians that qualify it to provide comprehensive services and solutions. Its skilled staff also enable it to overcome all the challenges in the domain of information infrastructure.

The internal e-Portal, set-up in 2014, is considered as one of the most outstanding projects carried out by the Department. The most important objectives of this project include linking and integrating the e-Portal with human sources and procurement applications, in addition to digitizing documents, offering services and managing work progress. A major contribution of the project is felt in the time effectiveness of multiple procedure implementation as well as classification and standardization of documents.

The Department has also successfully relocated the Data Recovery Site to CBO complex located in Knowledge Oasis Muscat (KOM). Furthermore, the Oracle System has been updated to avoid errors that may lead to faulty reports from the human and financial resources systems.

Key Achievements:

- Creation of an internal e-Portal for SGRF staff
- Relocation of Data Recovery Site during disasters

Support Departments

Human Resources Department:

SGRF believes that their workforce is the most valuable asset and driving force behind their success. Hence, organizing training programs to enhance the employees' skills forms the core strategic goal of the Human Resources Department. They also help plan and develop incentive schemes as well as solutions to keep the employees motivated. This ensures the development and empowerment of the employees. Such an approach helps provide the country with efficient, capable financial and economic leaders for the future.

The year 2014 marked many accomplishments for the department. Along with reaching 80% in Omanisation a new record was set when 35 new employees were recruited across units and departments. In response to the expansion which SGRF's has witnessed in its various activities, the work force had increased to 123 employees by the end of 2014,, The recruitment process was carried out with neutrality and transparency. Media used to reach out to hopeful candidates included advertisements in local newspapers, on websites and participation in career fairs held at Sultan Qaboos University as well as Oman International Exhibition Centre.

SGRF has set ambitious goals in the field of investments spanning new economic sectors. To achieve the same, the HR Department has been exerting huge efforts to scout various skilled professionals whoenjoy a high and outstanding credentials , especially in the fields of medicine , mining, engineering and various sciences, as well as financial, accounting and administrative areas, to contribute towards the successful implementation of different investment plans and projects.

As 2014 dawned, the Department established new evaluation norms for the employees. The aim was to aid the line managers in making right and objective evaluations of their juniors' performance. Guest lectures as well as professional workshops were held to educate the staff about modern evaluation systems and their application in the performance appraisal process.

Key Achievements:

- Omanisation: 78.8%
- Recruiting 35 new employees
- Implementing a new employee performance evaluation system.
- Training 114 employees in the use of different programs.
- Delegating employees to work abroad in Vietnam, Uzbekistan, USA, UK, and Tanzania.
- Participating in the SQU, and JOBEX career fair.

As far as training and development are concerned, the Department carried out a number of training courses that can be summed up as follows:

Types of Training Courses	Number of Beneficiaries
Internal courses	42 employees
Long-term courses	3 employees
Short-term courses	66 employees
On-the- job training at fellow organizations based abroad	3 employees
Total	**114 employees**

Support Departments

Administration Department:

The department looks after the procurement systems and supplies the departments with equipment and offices. It is responsible for safety and security of the premises, as well as liaising with the relevant authorities in issuing clearances for non-Omani employees. The Department includes the following divisions: Tenders and Contracts, Direct Procurement, Ticketing, and Safety and Security.

In 2014, the Department fulfilled the relocation of SGRF's Head Office. The mammoth task of shifting bases from the Ministry of Finance to Beach One Building was achieved in a record time. In under 3 months, the new site was equipped with all the tools necessary to facilitate and implement the relocation process. The Department also played a key role in this project by preparing the geometric designs and supervising its implementation.

Key Achievements:

- Relocating SGRF Head Office at the Ministry of Finance to Beach One Building located in Al-Qurum

Corporate Communications Department:

The Corporate Communications Department is one of SGRF's important administrative units. It acts as SGRF's window to the outside communities. It was formed towards the end of 2013 to enhance communications between SGRF and its employees as well as the other stakeholders. The Department derives its importance from being responsible for SGRF's image and reputation among the public. It strives to create a good perception by building strong and distinguished relationships between SGRF and its various stakeholders to achieve maximum awareness about SGRF's role, and the mission it seeks to fulfil.

Based on its keenness to improve this relationship and the belief in transparency and professionalism in work, SGRF has put within its plans for 2014, to produce its first Annual Report. The report highlights general facts and reviews about SGRF performance and investments. The Corporate Communications Department has undertaken full supervision over producing the report. SGRF does its best to provide all its information and news on a regular and periodical basis through its new website www.sgrf.gov.om, which was launched in the second quarter of 2014.

Key Achievements:

- Issuing SGRF's First Annual Report
- Launching SGRF Website: www.sgrf.gov.om
- Organizing SGRF's staff day