جهاز أبو ظبي للاستثمار
Abu Dhabi Investment Authority

ADIA

2019 Review
Prudent Global Growth

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.

OVERVIEW

Our Mission	1
2019 at a Glance	2
Letter from the Managing Director	4
Operational Review	8

INVESTMENTS

Equities	12
Fixed Income	14
Alternatives	16
Real Estate	18
Private Equity	20
Infrastructure	22

GOVERNANCE

Board of Directors	26
Investment Committee	28

2019 at a Glance

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

2019 Global Market Highlights

- Most equity indices surged by more than 20%, while bonds also delivered solid returns.
- Market strength was underpinned by widespread easing in monetary policy.
- Global growth remained weak, with lower industrial production balanced by strength in services and consumer spending.
- By late 2019, major economies began to show promising signs of recovery.

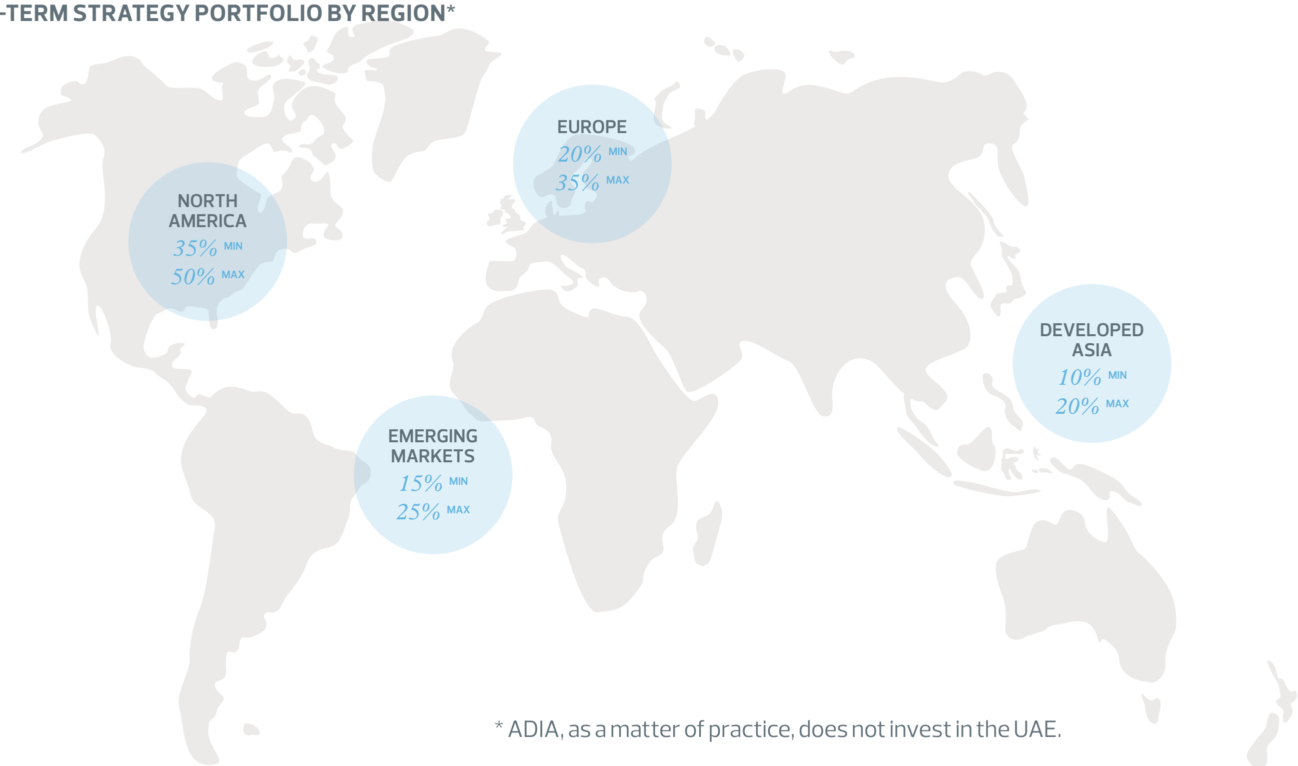
Key ADIA Developments During 2019

- Completed a major project to refine ADIA's strategy model.
- Launched a new ADIA-Wide Planning process.
- Increased collaboration between departments at a strategic level to enable ADIA to capture investment opportunities that fall between asset classes.
- ADIA hosted an Africa Investment Summit to explore opportunities on the continent for long-term focused investors.

Long Term Market Outlook

- Covid-19 outbreak has caused a significant slow down in the global economy. Long-term implications remain unclear.
- The financial system is more robust than in 2008, and more able to withstand a global slowdown.
- China and India likely to remain key drivers of global growth over the long term.
- Climate change and ESG considerations to continue gaining prominence among investors.
- Advances in technology to bring fundamental changes to the investment industry over the next decade.

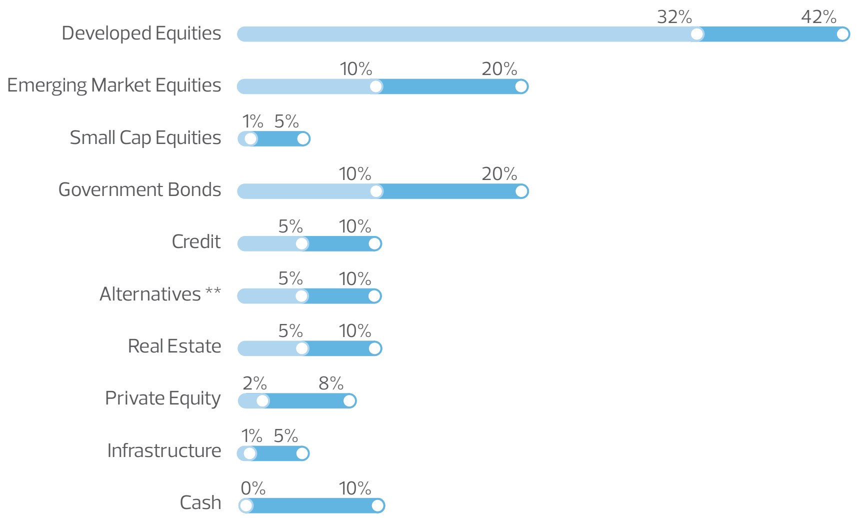
LONG-TERM STRATEGY PORTFOLIO BY REGION*



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

PORTFOLIO BY ASSET CLASS
LONG-TERM STRATEGY PORTFOLIO*

Minimum
Maximum



* The above denotes long-term strategy portfolio ranges within which allocations can fluctuate; hence they do not total 100%.
** Alternatives comprises hedge funds and managed futures.

Letter from Hamed bin Zayed Al Nahyan

MANAGING DIRECTOR

The start of a new decade always brings opportunities for reflection, particularly when faced with an economic and investment landscape that has few precedents in history.

As a long term investor, ADIA has an obligation to remain clear headed about the risks arising from imbalances in the financial system, while not allowing these to cloud our optimism over emerging innovations from technology and other advances in thinking.

For global markets, however, 2019 was not a year that was excessively burdened by reflection. Quite the contrary, as investors cast off the lingering concerns that had hampered returns a year earlier to ring in the new decade in buoyant fashion.

In what was a remarkable performance, given the complex backdrop, most equity indices surged by more than 20%, while bonds also delivered solid returns.

Unlike the equity rally in 2017, which was driven by a synchronised acceleration in global GDP, last year's strength was underpinned by widespread easing in monetary policy. The US Federal Reserve's decision in July to reverse course and start cutting rates quickly spread to other central banks, providing a fresh jolt of stimulus to markets.

The strong gains in 2019 were also partly a response to the sharp market sell-off in late 2018, which had been triggered by fears of a looming recession. As it turned out, those fears were exaggerated.

Real global GDP growth dropped from just above 4% in early 2018 to slightly below 3% at the end of 2019. However, this slowdown was caused mainly by a decline in industrial production, affecting mostly the automotive industry and trade, compounded by US-China trade tensions. While the global industrial powerhouses with a large share of trade-to-GDP were particularly impacted, economies that are more dependent on domestic consumption fared better.

As the year drew to a close, markets were further cheered by signs that economic stimulus was paying off, as major economies began to show promising signs of recovery.

The 'tug-of-war' between weak data on trade, as well as manufacturing and industrial activity on the one hand, and resilient data on services and consumer spending on the other hand, dominated global growth dynamics in 2019.

As it has done since its creation 43 years ago, ADIA continued in 2019 to deliver on its mission of prudently managing capital on behalf of the Government of Abu Dhabi. With a portfolio that is highly diversified, both across regions and asset classes, ADIA has successfully managed across market cycles to produce sustainable, long-term returns for the benefit of Abu Dhabi.

ADIA's 20-year and 30-year annualised rates of return at 31 December 2019, on a point-to-point basis, were 4.8% and 6.6% respectively compared to 5.4% and 6.5% in 2018. The 20-year rate of return in particular was negatively impacted by the exclusion from the rolling average of strong gains in the late 1990s.

When looking back over the past decade, it is impossible to overstate the impact of, and subsequent response to, the global financial crisis of 2008-2009. The unprecedented stimulus provided by central banks revived global growth, reinforced the stability of our financial system and underpinned financial markets. Low inflation and interest rates have generated strong demand for financial assets, with listed corporations buying back their shares and liability-driven investors buying long-term debt instruments.

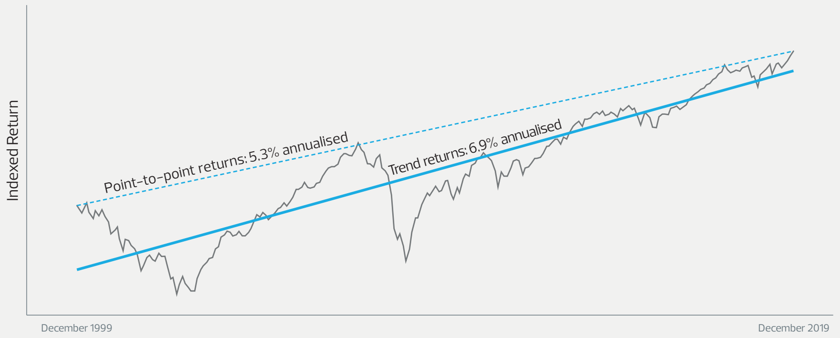
Private markets have also fared well, supported by a combination of robust earnings, low interest rates and higher equity market valuations. Real estate, private equity and infrastructure assets have benefited from important inflows, seeing their investor base broaden significantly. While they remain less liquid than public investments, investors now recognise that private markets offer complementary levers that can be used to build better-diversified and more resilient portfolios.

However, while the monetary policy response generated a rebound in overall growth and employment, it proved unable to generate much inflation outside of asset markets. With policy rates extremely low in several countries and regions, central banks have been left with limited scope for traditional monetary policy to assist in managing a global downturn.

COMPARISON BETWEEN POINT-TO-POINT AND TREND RETURNS

GLOBAL EQUITIES: 20 YEAR RETURNS[1]

20 year annualised returns for the MSCI ACWI Investable Market Index. Point-to-point returns depend solely on the first and last point, while trend figures are calculated with data from the whole period and can offer a more indicative view of returns over time.



1 MSCI ACWI IMI, total return gross dividends, monthly data, to 31 December 2019.

Letter from Hamed bin Zayed Al Nahyan continued

MANAGING DIRECTOR

Outlook

Financial and social systems are extremely difficult to forecast; all projections carry with them a wide range of assumptions and uncertainties and there is always a risk of external shocks. For this reason, we prefer to evaluate the spectrum of possible outcomes and build a portfolio that maximises our probability of reaching our objectives while remaining within agreed risk parameters.

Rather than trying to identify the exact timing of a downturn, our preference has always been to build resilience into our portfolio, while retaining the flexibility to capture opportunities that always arise when markets go through weaker periods.

What seems clear is that the years to come are likely to pose greater challenges for institutional investors than the decade that is ending. At the start of 2020, global markets fell sharply as it became clear that a coronavirus outbreak in China would become a global pandemic.

At the time of writing, the full implications of this unprecedented shock were still being assessed, but it already appears likely that the global economy will slow significantly, with a corresponding impact on investment returns.

More broadly, another risk remains a continuation of the trade tensions witnessed in 2019, spurred by both political and social pressures. Globalisation has been an important driver of the economic expansion of the past few decades, with financial markets and investors benefiting from the freedom of movement of goods, capital and people. However, the gains from global trade have not been shared equally between and within countries, which has led to growing social and political tensions across the globe.

It is likely that 2019 will be remembered as the tipping point when climate change and ESG considerations entered the mainstream. The momentum appears certain to continue, as evidence mounts of the attractive returns achievable through sustainable investing.

At ADIA, we view climate change as an opportunity. We already routinely incorporate climate change considerations into all of our investment proposals, and have been steadily expanding our exposure to renewable energy. ADIA's Infrastructure Division, for instance, has invested in platforms that generate more than 15 gigawatts of renewable energy around the world. Through our involvement in the One Planet Sovereign Wealth Fund Working Group, we also play a continuing role in fostering a framework for sovereign wealth fund investments in sustainable assets.

On a geographic basis, we continue to see China and India as key drivers of global growth in the years to come, although we recognise the importance of remaining open-minded about possible new sources of return. With an abundance of natural resources and young, growing and increasingly educated populations, African countries are among those offering the greatest potential for long-term investors.

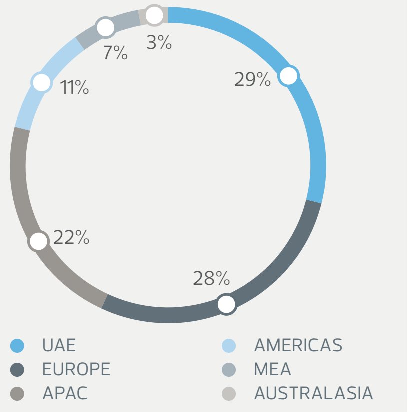
Of course, this comes with many challenges, which must be carefully weighed. However, we are monitoring developments closely and increasing our dialogue with potential local partners, with a view to accessing appropriate opportunities on the continent.

Looking ahead, advances in technology are likely to bring the greatest changes to the investment industry in the decade to come. The recent evolution in computational power has enabled machine learning techniques to tackle new problems of increased complexity, and this knowledge is now widely accessible through open source platforms. Investors are impacted by this technological revolution in multiple ways. Firstly, the companies they invest in are at risk of obsolescence if they do not adapt to this new reality. More directly, it is clear that investment processes themselves are being impacted. Well-designed systems can now process structured and unstructured financial information much more quickly and efficiently than any analyst, providing an unprecedented range of investment opportunities.

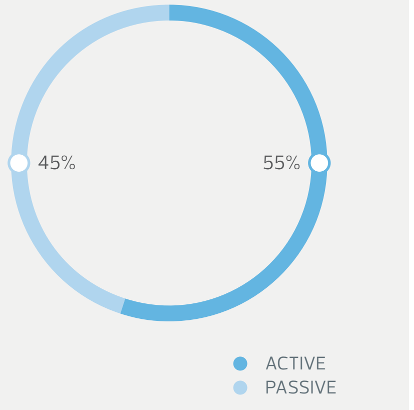
ADIA has made it a priority to integrate technology throughout our investment process, in ways that support our ability to generate insights and achieve superior returns. By enhancing our ability to process ever growing volumes of data, we are able to generate, test and implement new investment strategies with potential for higher marginal returns.

Finally, as in the past, I continue to have strong confidence in ADIA's ability to adapt to, and benefit from, the opportunities and challenges that lie ahead. We will achieve this by building on our core strengths, while enhancing the agility needed to compete in an environment where opportunities evolve dynamically. It is through this combination of resilience and flexibility that we will continue to deliver successfully on our mission.

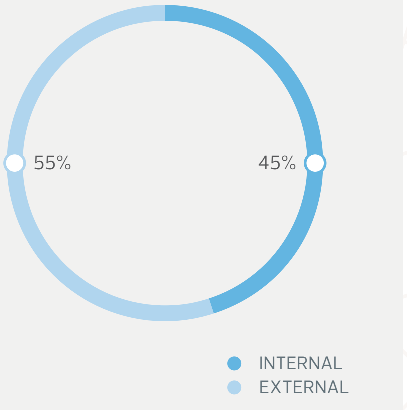
OUR PEOPLE
1,700 EMPLOYEES REPRESENTING 65 NATIONALITIES



PORTFOLIO OVERVIEW
ACTIVE VERSUS PASSIVE MANAGEMENT



PORTFOLIO OVERVIEW
INTERNAL VERSUS EXTERNAL MANAGEMENT



Operational Review

On the surface, 2019 bore all the hallmarks of a successful year. However, the strong market returns masked growing uncertainty as investors sought to navigate a complex assortment of fast moving events and longer-term paradigm shifts.

At ADIA, we believe this environment is the new normal; one characterised by greater competition for returns, economic and geopolitical volatility, and technological advances with the potential to transform the business of investing.

In response to this evolving landscape, ADIA has sought to increase its organisational agility, and sharpen how it generates insights and captures opportunities.

This effort gained momentum in 2019, with the completion of a major project to refine ADIA's strategy model. This comprises our long-term objectives as well as the skills and behaviours we must enhance or develop to drive our success in the future.

One of the most tangible outputs of this work was the launch of a new ADIA-Wide Planning (AWP) process late last year. AWP is a comprehensive management system aimed at ensuring that ADIA delivers on its long term objectives by dynamically evolving its strategy, its internal structure and its ability to execute as the investment environment changes.

The AWP process includes regular workshops in which senior leaders across departments provide feedback on each other's strategies and plans, within the context of ADIA's total portfolio and strategy objectives. In addition to harnessing the vast experience throughout ADIA, these workshops play an important role in identifying common themes and opportunities.

ADIA's investment departments act independently from one another in executing transactions and managing their portfolios. However, increased collaboration between departments at a strategic level is enabling ADIA to capture investment opportunities that fall between asset classes and might otherwise be overlooked.

In one example, the Real Estate & Infrastructure Department consulted with the Private Equities Department to identify best in class venture capital funds that it could collaborate with to remain at the forefront of emerging technologies in the real estate space.

This demonstrates why ADIA is empowering its investment professionals, as the experts closest to their markets, with greater discretion in how they deploy capital and risk. This increased autonomy enables investment teams to be more creative in seeking opportunities, and move more quickly when they arise.

Last year, the Fixed Income & Treasury Department completed its transition toward a Single Pool Framework, which is designed to reduce complexity, increase efficiency and empower the Department to manage more of its assets under a single active risk budget. This marked the successful culmination of what began as an experiment several years ago, initially with a small test portfolio with minimal constraints.

At ADIA, we believe a key driver of agility is a willingness to test our theories in low risk ways, as a means to learn and ultimately evolve through first-hand experience.

This approach provides valuable insights that often lead to more sustainable innovations.

One example is the work underway within the Alternative Investments Department to identify and test the performance of new asset types. Last year, the Department made its first investments in a new Emerging Opportunities mandate, which seeks to generate returns from new asset types such as insurance-linked products.

In striving to become more dynamic, we also recognise the important role that our employees play in this process. In order to keep pace with the rapidly changing investing landscape, employees are being encouraged to constantly challenge their assumptions and knowledge. ADIA's wide range of learning and development opportunities provide employees with the resources they need to maintain their edge. These include sharing insights between teams, such as the regular China Forum hosted by ADIA's Hong Kong office for employees across the organisation.

More broadly, meanwhile, we continued to play a role in fostering collaboration and debate with other sovereign wealth funds and long-term focused investors on matters of global significance. For instance, ADIA serves as chair of the International Forum of Sovereign Wealth Funds (IFSWF) and is a founding member of the One Planet Sovereign Wealth Fund Working Group.

In addition, last year ADIA held an Africa Investment Summit, a two-day event that brought together more than 180 representatives of sovereign wealth funds and other global institutional investors, with Africa-focused asset managers, banks, corporates and supra-national agencies. Held in Abu Dhabi, the Summit served as a platform to identify and debate actionable ways for long-term asset owners to access appropriate opportunities on the continent.

The year ahead promises a continuation of the projects now underway to make ADIA more dynamic. Another area of focus will be to increase our adoption of new technology across the organisation, both to enhance efficiency and increase returns. This will require the addition of highly skilled specialists in key areas as well as targeted training to ensure that existing employees remain at the cutting edge of technologies that may impact their work.

CASE STUDY

Operations Department

ADIA believes that organisational agility is a core attribute for success in a dynamically changing investing environment. This is measurable through what we describe as 'operational alpha', or the excess returns resulting from improving operational efficiency and maximising system functionality that leads to cost savings and increased income.

One example is ADIA's Operations Department, which has a broad mandate to support ADIA's investment processes while generating revenue through securities lending and other activities. Since 2016, the Operations Department has undergone a major transformation, which includes the following:

- Created a new Global Head of Operations role.
- Restructured the Department to function and grow effectively, creating two main and three specialist divisions.
- Implemented a five-year plan across nine specific initiatives to increase efficiency and revenues, delivering a 90% increase in income to date.
- Began work on automating most manual activities with a view to further enhancing straight-through processing (STP) rates.
- Implemented initiatives to significantly increase annual securities lending revenues without increasing risk.

In less than three years, these efforts have resulted in increased automation rates, with 80% of total achievable time savings being reached by the end of 2019. This is expected to increase across most business areas by 2021, with many activities being fully automated by this time.

Investments

Equities

After a shaky 12 months in 2018, equity markets soared in 2019, helped by better-than-expected corporate earnings and accommodative monetary policy, among other factors.

Investors began 2019 with expectations that the US Federal Reserve would continue to tighten monetary policy, but its decision to first hold and then begin to cut rates spurred market confidence as the year progressed.

Most markets recorded positive performance in 2019, with many indices reaching all time highs. Russia (MOEX), China (CSI300) and the US (S&P500) led the rally, while the few markets that lagged, such as Argentina (MERVAL), Chile (General) and Poland (WIG), were largely impacted by local issues.

Equity market volatility remained subdued for most of the year. Information technology stocks were among the leading gainers, posting their strongest rally in more than a decade. In developed markets, energy was the biggest laggard, and utilities and materials also underperformed, while among emerging equities the healthcare sector was the biggest underperformer. Equity investors maintained their preference for large cap companies with defensive characteristics, over value and smaller cap companies.

While most markets enjoyed strong gains, many of the factors that created challenges for active managers remained in place for much of the year.

In 2020, markets continue to be vulnerable to unexpected risks, as evidenced in the first quarter of the new year with the response to the outbreak of the Covid-19 coronavirus.

ADIA invests in equities through three departments: the Indexed Funds Department, which manages the largest proportion of ADIA's equities with the objective of achieving index returns with the flexibility to add value within approved guidelines; the External Equities Department, which oversees the activities of external investment managers who employ active strategies to invest in equity markets across all major geographies; and the Internal Equities Department, which invests directly in global equity markets and actively manages these investments in order to generate returns that outperform the relevant benchmarks.

The Indexed Funds Department introduced innovative 'Index Plus' strategies in early 2019, which provide moderate returns in excess of the benchmark and within established risk parameters, and these performed well throughout the year. The Department also developed a new mandate, based on in-house analysis, which aims to integrate climate change considerations into portfolio construction while delivering returns with a low tracking error. A pilot for this climate change portfolio has been approved and implemented, and will be monitored throughout 2020.

In the External Equities Department (EED), judicious manager selection and a sharp focus on its target markets helped offset the impact of challenging market conditions for active managers. The Department's strategy emphasises the targeting of less efficient markets and identifying quality managers who can produce high levels of excess returns within acceptable risk parameters. During 2020, the Department will continue to enhance its existing portfolio with a combination of active single country strategies as well as highly differentiated regional and global opportunities.

EED is planning to add Mexico to its group of single country mandates and has identified a reputable manager to lead its efforts in capturing local opportunities.

The Department will also fund a new strategy that targets modestly lower expected excess returns over time, with lower risk – an approach aimed at further enhancing EED's ability to generate consistent long term dollar alpha for the total ADIA portfolio.

For the Internal Equities Department (IED), macro risks associated with the US-China trade war and slowing global growth created challenges, but with its long term outlook the Department was able to deliver positive results for the year, with a strong alpha contribution coming from emerging markets.

> *"While most markets enjoyed strong gains, many of the factors that created challenges for active managers [in 2018] remained in place for much of the year."*

Fixed Income

Fixed income markets delivered strong returns in 2019 as central banks around the world reversed plans to tighten monetary policy, bond yields fell and expectations for global growth declined.

The marked slowdown in the global economy was mainly driven by cyclical weakening in the manufacturing and trade sectors, as well as broader uncertainties related to global trade relations. Inflation moderated and remained subdued across most developed and many emerging economies. Despite these factors, household consumption and labour markets held up well in the US and Europe, supporting domestic services activities.

Weaker growth and below-target inflation resulted in several major central banks such as the US Federal Reserve ('the Fed') and the European Central Bank cutting interest rates to prevent a deeper slowdown. Aggregate central bank balance sheets grew again in the second half of the year, resulting in lower bond yields for developed market sovereigns over the course of 2019. 10yr US yields fell by approximately 75bp, 10yr German bond yields saw new lows of -0.70% and yield spreads in Europe compressed.

The US Dollar ('USD') weakened in January as the Fed moved away from a hiking bias. However, the relative strength of US growth and a higher interest rate differential meant this depreciation was soon reversed and the USD strengthened over the remainder of the year.

Emerging market local currency government bonds rallied in 2019 due to weaknesses in both growth figures and inflation, as well as the lower interest rate environment for developed markets. Emerging market performance was also driven by idiosyncratic factors, including global trade exposures, domestic growth and inflation dynamics as well social and political events. High quality hard currency assets delivered the strongest performance.

In corporate credit, the weaker end of the credit spectrum saw cautiousness grow during the year, while low volatility, or low beta, credits enjoyed a rare rally with spreads driven tighter by the promise of renewed monetary easing.

The Fixed Income & Treasury Department introduced its Single Pool Framework at the start of 2019, which combined previously separate portfolios into one department-wide pool. This is designed to reduce complexity and increase efficiency as the Department transitions to managing more of its assets under a single active risk budget.

In support of the implementation of the single pool, the Department enhanced a number of back and middle office functions during the year. The Department will continue to explore ways to systemise and incorporate data into the investment process in 2020, as it deploys more of its active risk budget through the Single Pool Framework.

> *"Aggregate central bank balance sheets grew again in the second half of the year, resulting in lower bond yields for developed market sovereigns over the course of 2019."*

Alternatives

Financial markets remained buoyant throughout 2019, and this positive performance was reflected across alternative investment strategies.

Most established managers enjoyed a strong year, often achieving double-digit returns, and many regained their high water marks.

Systematic strategies came out of the blocks slowly, but by the end of the summer they were posting significant positive returns as strong price trends prevailed. Despite pulling back somewhat during the last quarter, these strategies still managed to finish the year higher.

Global Macro managers started 2019 strongly and performed well throughout, offsetting the dip in Systematic returns as the year drew to a close. Although economic data was not always positive, markets were rarely surprised and many Global Macro managers saw their themes play out.

As would be expected at a time of market confidence, strategies with a strong correlation to equities performed well. Equity Hedge managers finished the year strongly despite taking a glancing blow in September as market factors rotated from momentum into value.

A boom in US merger and acquisition activity, particularly in the large cap space, provided plenty of opportunities for Event Driven managers to recover from a relatively disappointing 2018. Meanwhile, Relative Value strategies continued their successes of the past few years.

Across the alternative investments industry, 2019 was another year in which fund closures outpaced launches, as regulatory demands continued to grow and the lure of roles within large multi-asset managers discouraged some from striking out on their own. A number of high-profile managers returned capital to their investors. Transitioning into a family office was the preferred option for many hedge fund managers.

ADIA's Alternative Investments Department provides diversified and enhanced risk-adjusted returns to ADIA's overall portfolio, primarily through its investments across a range of hedge fund strategies. The Department recorded strong performance in 2019 and made a positive contribution to the total portfolio for the year.

During the year, the Department made the decision to organise its investments across traditional hedge fund strategies into two distinct portfolios, comprising Systematic and Global Macro strategies in one and Equity Hedge, Event Driven, and Relative Value strategies in another.

The Emerging Opportunities mandate, which seeks to capture sources of return with low correlation to traditional asset classes that otherwise would not fit into ADIA's portfolio, also made its first investments in 2019. These included insurance-linked strategies, while the team also continued to research a range of other areas of potential interest.

The environment remains extremely competitive for managers in 2020. From a recruitment perspective, those seeking to attract and retain talent increasingly find themselves pitched not against their former employers in investment banking, but against technology companies keen to gather and monetise data. With investing talent continuing to find new career paths, managers that fail to secure the right people will, in turn, find it difficult to attract new investors.

The blurring of boundaries between investment strategies will continue apace, as the role of technology in investing evolves and permeates increasingly deeper into how managers operate. This will create new opportunities, and those that are able to adapt to this changing landscape are likely to thrive. Indeed, adaptability may emerge as one of the key characteristics of successful managers in 2020 and beyond.

As the Alternative Investments Department surveys this landscape, it continues to seek out those managers and strategies that are best placed to succeed in the current environment and are preparing to adapt to the opportunities of the future.

“Across the alternative investments industry, 2019 was another year in which fund closures outpaced launches, as regulatory demands continued to grow and the lure of roles within large multi-asset managers discouraged some from striking out on their own.”

Real Estate

Global real estate markets remained resilient in 2019, marking a decade of uninterrupted growth. Consistent with its long-term focus, ADIA's Real Estate Division continued to direct its activities in ways that seek to capture future growth trends.

This included increasing exposures to cities with knowledge-clusters and targeting sectors set to benefit from technology disruption such as logistics and data centres. The team also sought opportunities associated with the growing consumer classes in emerging markets, as well as in real estate debt and listed securities.

Another key focus in 2019 was on maximising value from assets whose performance diverged across and within real estate sectors and geographies. This included refinancing activity, to take advantage of favourable interest rates, reducing financing costs and optimising capital structures.

Substantial progress was made on a number of development projects during the year across multiple markets, from residential to mixed-use assets.

As 2020 began, there were good reasons to expect positive market conditions to continue. However, the outbreak of the Covid-19 virus stalled that momentum. While the duration of the virus pandemic is unpredictable, policy stimulus, pent-up demand and a lack of major imbalances suggest an upswing is possible when the virus threat clears.

Logistics remains one of the best-positioned sectors to adapt to changing consumer behaviour as demand for e-commerce increases, a trend that was accentuated during the Covid-19 outbreak. The data centre sector may also remain strong due to the growing reliance on cloud and network services as more people work from home and shop online.

The hotel and retail sectors were the most immediately impacted in early 2020 and new office leasing activity was, on the whole, paused. Tenant behaviour is expected to shift in light of current conditions, with more looking to renew leases early on renegotiated terms or explore short-term flexible space options.

Regardless of the short-term disruptions, the Real Estate Division will maintain its focus on the long term trends shaping the real estate sector. Indeed, changing market conditions could see some of these trends accelerate, potentially leading to the emergence of different operational models based on the new ways that people choose to live and work.

Technology will continue to be one of the most significant themes for real estate investors, rapidly changing the rate at which outdated building design and functionality begins to impact returns, and driving changes in space use.

Boundaries between traditional and alternative real estate are likely to continue to blur. Partnerships between office owners, hotels and retail centres, for instance, are aiming to provide greater variety and a higher quality of user experiences to tenants, guests and shoppers, utilising under-used space in the process. Meanwhile, properties in all sub-sectors are more vulnerable to changing end-user expectations, accelerating functional obsolescence even in core city locations, providing opportunities to capture demand for urban renewal.

Acute supply shortages in many locations will drive demand in the residential sector, which will offer opportunities across a broad range of sub-sectors and geographies.

The use of data science is growing rapidly in the real estate industry and offers a competitive edge to those that are able to harness big data to make better-informed decisions. The Real Estate Division has been investing in its data analytics capabilities to analyse both structured and unstructured data to help drive strategic decisions and predict market trends.

The Division's focus on emerging markets will continue in the coming years, particularly China, India and Latin America. The growing consumer class in these markets, combined with a scarcity of quality space across sub-sectors, is likely to provide a range of attractive opportunities.

Meanwhile, knowledge-clusters are expected to retain their relative strength, as highly-skilled workers are drawn to supply-constrained and desirable locations such as Silicon Valley, the Greater Bay Area in China, Shanghai, Berlin and many others.

"Another key focus in 2019 was on maximising value from assets whose performance diverged across and within real estate sectors and geographies."

Private Equity

The global private equity market remained active throughout 2019, with overall deal activity declining only slightly from the historic highs of 2018.

The robust deal volumes came despite warning signs that the cycle was nearing full maturity. Entry valuation multiples rose to more than 11-times earnings before interest, tax, depreciation and amortisation (EBITDA), reflecting heightened competition between investors as well as peak levels of dry powder, or funds available but not yet deployed. Investments were also funded by higher levels of leverage, with interest coverage deteriorating in both the United States and Europe. Meanwhile, around 40% of marketed transactions incorporated some form of earnings adjustments, a historical peak.

Buyout activity also became increasingly polarised during the year. While some investors concentrated on relatively stable companies with strong competitive positions, others sought more specialised and complex situations with a focus on creating value through operational improvements.

ADIA's Private Equities Department (PED) continued to deploy capital across its core regions and sectors while remaining mindful of the late stage environment, focusing on businesses well placed to manage a future downturn. Healthcare was a particular area of activity, with direct investments concluded in pharma, data analytics and life science tools, while technology deals were secured in the human capital management, supply chain management and AI sub-sectors.

In total, the Department completed 18 direct investments in 2019, up from 15 a year earlier, in addition to investing in a number of early stage companies alongside our VC partners. Direct investments in the year represented 45% of overall deployment, up from 40% in 2018, with the balance committed to funds. With valuations remaining at elevated levels throughout the year, the Department was also successful in returning capital from some investments that had met their objectives.

The impact of measures taken to contain the spread of the Covid-19 coronavirus in early 2020 has resulted in significant market dislocation across industries and geographies. For private equity investors, the year ahead will present very different challenges to those that preceded it.

Against this backdrop, PED will pursue the most compelling opportunities on a global relative value basis. It will explore opportunities in private debt markets and seek to deploy capital into strong businesses that are well equipped to weather the impact of negative market conditions while continuing to support its core group of general partners (GPs). In the first few months of 2020, the Department was active in providing expansion capital to new and existing portfolio companies in the financial services space and also made investments in the software and industrial services sectors.

PED also continues to seek opportunities in the healthcare sector, with a particular focus on specialty pharma, medical technology, healthcare IT and healthcare services.

In technology, we remain optimistic about the secular growth and long-term profitability prospects in key areas, including enterprise software, across both applications and infrastructure, and selected areas in IT services, consumer internet and emerging technologies. We will also seek to combine insights from across PED's industry practices in the pursuit of tech-enabled investment opportunities.

In the industrials sector, PED will continue to work closely with its partners to support businesses looking to retool for the digital age. Automation, digitisation and sustainability remain key themes impacting the industrial world.

In the consumer sector, the Department will pursue select opportunities and is following a number of trends, including the continued evolution and blurring of distribution channels, shifts in consumer attitudes, increasing consumption of experiences and generational ageing.

In the Asia-Pacific region, PED will continue to seek partnerships with GPs and respected local corporates to pursue both co-investments and direct investments. We remain confident of the demographic trends driving the growth of investment opportunities in the region, including those associated with consumers' rising spending power, increased demand for healthcare and education, and technology-led business transformations.

With its specialised sector teams and a broad mandate to invest globally, PED is well positioned to capitalise on these and other trends in 2020 and beyond.

“PED also continues to seek opportunities in the healthcare sector, with a particular focus on specialty pharma, medical technology, healthcare IT and healthcare services.”

Infrastructure

Strong global demand for infrastructure assets in 2019 was supported by sustained low interest rates and investors' continued search for stable cash flows.

The year was characterised by keen competition and elevated valuations for unlisted assets, strong fundraising activity, and an increased focus on attractive sub-sectors such as renewable energy and digital infrastructure.

Two of the largest unlisted infrastructure funds ever raised, amounting to more than US$40 billion combined, received substantial interest from investors during 2019. This was symptomatic of infrastructure's gradual transition from the fringes to a more mainstream role in investment portfolios, as a unique source of diversification, stability and attractive risk-adjusted returns.

The valuations of unlisted assets were underpinned by high levels of dry powder, or funds allocated to infrastructure but yet to be deployed, in the market. However, listed infrastructure securities fared less well in general, hampered by regulatory and political uncertainties in certain markets.

Over recent years, infrastructure investors have increased their focus on a small number of important sub-sectors, some of which may now be developing into standalone asset classes. Among these, renewable energy continued to attract capital in 2019 as wind and solar increased their share of new power generation and displaced conventional sources of energy. Digital infrastructure assets such as telecom towers, fibre optics and data centres also received growing interest from new and established investors as valuation multiples on core infrastructure assets in transport, utilities and energy continued to edge higher.

Against a backdrop of positive market conditions, 2019 was another strong year for ADIA's Infrastructure Division. The team has built a diverse portfolio of high quality assets and, during the year, returns were driven by strong dividend income, as well as capital gains from exited investments.

While remaining an active acquirer of new assets, the team's key focus in 2019 was on follow-on transactions and investments through existing portfolio companies, reflecting the highly competitive nature of many auction processes.

The Division now oversees an extensive renewable energy portfolio, holding interests in a number of platforms which account for more than 15 gigawatts of power generation capacity. The team's long-term approach and understanding of the risks and opportunities arising from climate change has resulted in a portfolio that is both resilient and well positioned for the future. In 2019, the Division increased its stake in Renew Power, an Indian renewable energy developer, and continues to see opportunities to grow its renewable energy exposure through new and follow-on investments in the sector.

During the year the Infrastructure Division increased its investment in Cube Highways, an independent roads owner and operator in India, and successfully divested its remaining stake in Gatwick Airport, held since 2009, alongside its partners. It also deployed more capital into Cellnex Telecom SA, Europe's largest independent telecom tower company, an investment that reflects the team's increased focus on opportunities in digital infrastructure.

Early in 2020, the infrastructure investment landscape shifted as a result of both the outbreak of the Covid-19 virus and dislocation in commodity markets. The impact varied across infrastructure sub-sectors, with transport and energy assets generally facing greater liquidity challenges than utilities and telecom assets.

Dry powder levels remain high, indicating buyers will still be in the market for what are fundamentally defendable assets. Nonetheless, we expect volumes of private transactions to decline, both because of the public-private pricing differential as well as uncertainty surrounding the length of the downturn and shape of the recovery. Some repricing of unlisted assets is likely, as evidenced already in the public markets. Volatility is to be expected in the listed space linked to the market response to the Covid-19 outbreak, geopolitical events and central bank policy.

In the year ahead, ADIA's Infrastructure Division will focus on supporting existing assets in the portfolio and selectively pursuing transactions that offer an attractive risk reward profile.

The Division's current portfolio has significant scale and is highly diversified by geography and sector, and we believe there remains considerable potential to support the growth of our portfolio companies through follow-on investments.

The competitive environment for unlisted assets means that we will remain selective in targeting market leading assets alongside partners that meet our risk-return criteria. Given the existing size and maturity of the portfolio, our focus in 2020 and beyond will be on larger scale acquisitions.

Infrastructure is not immune to the longer term market forces currently disrupting other asset classes, such as rapid advances in technology and climate change, but it is more insulated, and it remains a source of stable, predictable cash flows. Nevertheless, the team closely monitors the trends that could influence infrastructure asset valuations in the future to ensure its portfolio remains well placed to deliver long term, sustainable returns.

> *“… renewable energy continued to attract capital in 2019 as wind and solar increased their share of new power generation and displaced conventional sources of energy.”*

Governance

Board of Directors

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

H.H. Sheikh Khalifa bin Zayed Al Nahyan

Chairman

H.H. Sheikh Mohamed bin Zayed Al Nahyan

Deputy Chairman

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. Khalil Mohammed Sharif Foulathi

Investment Committee

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.

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 Department

H.E. Khalil Mohammed Sharif Foulathi

Board Member
Senior Deputy Chairman, Investment Committee

Majed Salem Khalifa Rashed Alromaithi

Executive Director, Strategy & Planning Department
Deputy Chairman, Investment Committee

Mohamed Ahmed Mohamed Bandouq Alqamzi

Executive Director, Internal Equities Department

Obaid Murad Hassan Abdulla Alsuwaidi

Executive Director, External Equities Department

Dhaen Mohamed Dhaen Mahasoon Alhameli

Executive Director, Fixed Income & Treasury Department

Khalifa Matar Khalifa Saif Almheiri

Executive Director, Alternative Investments Department

Khadem Mohamed Matar Mohamed Al Remeithi

Executive Director, Real Estate & Infrastructure Department

Hamad Shahwan Surour Shahwan Aldhaheri

Executive Director, Private Equities Department

Nasser Shotait Salem Rashed Al Ketbi

Executive Director, Investment Services Department

Juma Khamis Mugheer Jaber Alkhyeli

Executive Director, Accounts Department

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