جهاز أبو ظبي للاستثمار
Abu Dhabi Investment Authority

ADIA

2021 Review
Prudent Global Growth

Real Progress

IN MEMORIAM

SHEIKH KHALIFA BIN ZAYED AL NAHYAN

1948-2022

The late Sheikh Khalifa bin Zayed Al Nahyan dedicated his life to the service of his nation and his people.

As President of the UAE and Ruler of Abu Dhabi from 2004, he pledged to safeguard the achievements of his father, the late Sheikh Zayed bin Sultan Al Nahyan, and to build upon his legacy. He did so with an unwavering commitment to the welfare of his people, leading the UAE to become the modern and dynamic country it is today.

On the international stage Sheikh Khalifa was known for his pursuit of peace between countries, understanding between cultures and harmony between faiths.

As ADIA's founding Chairman, Sheikh Khalifa oversaw its growth and evolution over the course of the past 46 years. His calm and far-sighted leadership guided ADIA with a steady hand, and ensured the institution remained singularly focused on its mission to sustain the long-term prosperity of Abu Dhabi.

The loss of Sheikh Khalifa has been deeply felt and widely mourned, reflecting the sense of gratitude felt by the people of the UAE for his lifetime of service to the nation, and the esteem in which he was held around the world.

HIS HIGHNESS

SHEIKH MOHAMED BIN ZAYED AL NAHYAN

PRESIDENT OF THE UAE AND RULER OF ABU DHABI

His Highness Sheikh Mohamed bin Zayed Al Nahyan was elected as President of the UAE on 14 May 2022, succeeding his brother, the late Sheikh Khalifa bin Zayed Al Nahyan, to become the country's third head of state since its formation in 1971.

Before that, Sheikh Mohamed served for 18 years as Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, working under the leadership of Sheikh Khalifa to guide the UAE through a period of rapid development and transformation.

Sheikh Mohamed has long emphasised the importance of stability, openness and tolerance as guiding principles for the UAE, applied across all aspects of the country's development. And throughout his life of public service, he has remained focused on building a prosperous nation for future generations.

As the UAE reflects on its first 50 years of nationhood – and all that has been achieved in that time – it also looks forward with confidence to its next phase of growth and progress under the leadership of Sheikh Mohamed.

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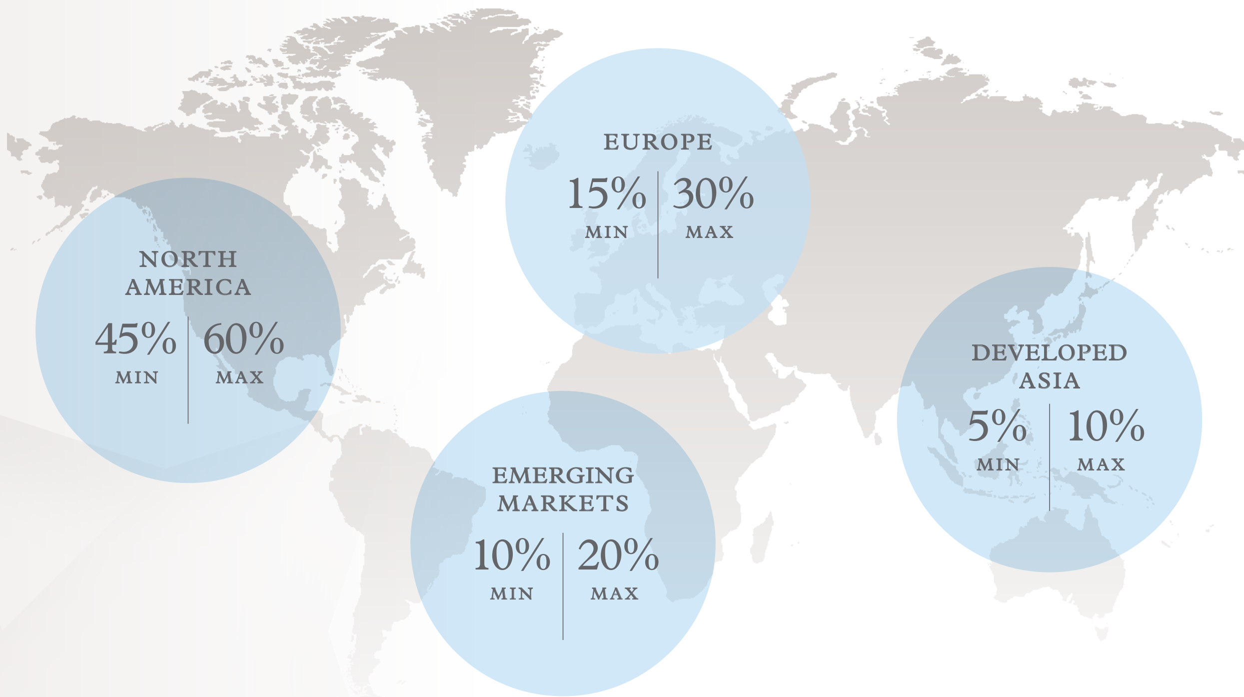
Overview

Our Mission

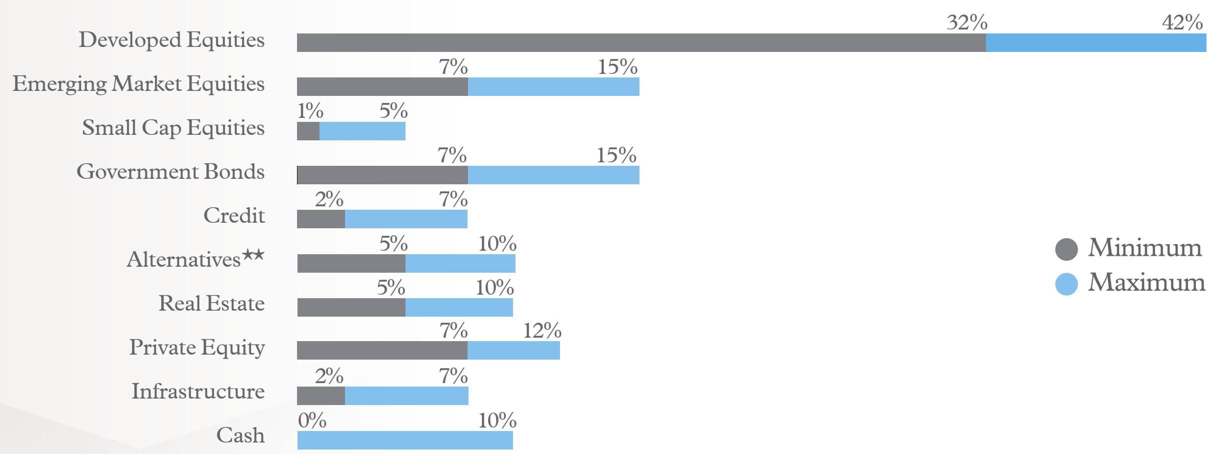
ADIA's mission is to sustain the long-term prosperity of Abu Dhabi by prudently growing capital through a disciplined investment process and committed people who reflect ADIA's cultural values.

Long term strategy portfolio by region*



* In 2021, the following changes were made to allocation bands: North America increased (from 35%-50% to 45%-60%), while bands were reduced for Europe (from 20%-35% to 15%-30%), Emerging Markets (from 15%-25% to 10%-20%) and Developed Asia (from 5%-15% to 5%-10%). As a matter of practice, ADIA does not invest in the UAE.

Portfolio by asset class
*Long-term strategy portfolio**



* The above denotes long-term strategy portfolio ranges within which allocations can fluctuate; hence they do not total 100%. In 2021, allocation ranges were increased for Private Equity (from 5%-10% to 7%-12%) and reduced for Emerging Market Equities (from 10%-20% to 7%-15%), Government Bonds (from 10%-20% to 7%-15%) and Credit (from 5%-10% to 2%-7%).
** Alternatives comprises hedge funds and emerging opportunities.

Overview

Letter from Hamed bin Zayed Al Nahyan

MANAGING DIRECTOR

Historians will look back at 2021 as a year in which the global economy and equity markets delivered a broad-based recovery after the pandemic-driven lows of the previous year. A closer inspection, however, reveals a more complex picture, involving structural and societal shifts that will likely play out for years to come.

Throughout 2021, major central banks maintained highly accommodative monetary policies, keeping interest rates near zero and injecting liquidity into markets through quantitative easing. In parallel, the U.S. and other leading economies approved vast fiscal stimulus packages to soften the impact of intermittent lockdowns.

This economic largesse served to crowd out issues that may have derailed markets in past years. These included new variants of the COVID-19 virus, supply chain disruptions and accelerating inflation, as well as a U.S. election.

The MSCI World Equity Index ended the year 19% higher led by buoyant US equities progressing 26%. Other asset classes also delivered strong returns, including private equity, infrastructure, segments of real estate and alternative investments.

The year's gains were neither steady nor evenly spread, reinforcing the importance of diversification, judicious asset allocation, and agility in capturing opportunities for outperformance.

Inflation was a key theme for policymakers and investors throughout 2021, as they sought to anticipate if, and to what extent, it would accelerate and hinder economic growth. Their early predictions proved to be conservative, as supply shortages met head-on with pent-up consumer demand and prices rose across the board. Meanwhile, labour market shortages led to higher wages, which added further impetus to the trend.

By year-end, the U.S. Consumer Price Index (CPI) had risen at the fastest rate on an annual basis since the early 1980s, forcing central banks to begin tightening monetary conditions earlier than previously anticipated.

Overall, ADIA was well positioned to benefit from market conditions in 2021, delivering strong returns both in absolute and relative terms while remaining aligned with its approved risk and liquidity profile.

> *"Overall, ADIA was well positioned to benefit from market conditions in 2021, delivering strong returns both in absolute and relative terms."*

Within its highly diversified mandate, ADIA sought out opportunities in regions and sub-regions with high potential over the long term and continued to build out its direct exposure to private markets. It also benefitted from positioning equity portfolios to capitalise on emerging trends, including opportunities arising from differing government responses to the pandemic.

Behind the scenes, meanwhile, ADIA continued to focus on simplifying governance structures and increasing internal agility, resulting in changes to both internal processes and departmental structure. These steps have centralised numerous middle and back office activities to unlock efficiency gains while increasing visibility of liquidity requirements and cash management activities. Ultimately, this has enhanced ADIA's ability to consider investment strategy and risk appetite at the total portfolio level.

A number of allocation ranges in ADIA's long term strategy portfolio were updated in 2021. These decisions align with changes to regional weightings in global indices on a geographic basis, and reflect the growth in private markets over recent years from an asset class perspective.

As at 31 December 2021, ADIA's 20-year and 30-year annualised rates of return, on a point-to-point basis, were 7.3% and 7.3% respectively*, compared to 6.0% and 7.2% in 2020. These increases can be attributed to a combination of both the years falling out of the calculations as well as performance in 2021, underlining our preference for focusing on long term trends.

* Performance is measured based on underlying audited financial data and calculated on a time-weighted basis. Performance for 2021 remains provisional until final data for non-listed assets is included.

Overview

Letter from Hamed bin Zayed Al Nahyan *Continued*

OUTLOOK

In 2022, the post-pandemic recovery is likely to face multiple challenges. At the time of writing, it is too early to assess the long term global economic consequences of the crisis in Ukraine. In the immediate term, growth forecasts are being lowered and inflation has increased, with associated issues rippling through markets around the world. How long-lasting and formative these effects prove to be, remains to be seen.

The unprecedented era of low interest rates that began after the financial crisis of 2008-2009, as well as the fiscal stimulus aimed at countering the worst effects of the pandemic, were already in the process of being unwound. In this post-pandemic environment, investors are being asked once again to differentiate between regions and countries, as policy responses and cyclical factors diverge and result in a broader range of outcomes.

"The global pandemic has had a significant impact on the way that people live and work, and this is likely to have a flow-on effect for many industries."

Inflation is likely to remain a key area of concern. After decades of remarkably low and stable prices, the global economy now appears to be transitioning to a period of higher inflation which will dampen returns across asset classes, due to higher discount rates and lower real returns.

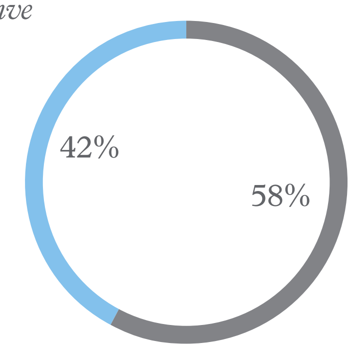
The pace of change in financial markets continues to accelerate. The global pandemic has had a significant impact on the way that people live and work, and this is likely to have a flow-on effect for many industries. Longer term, there are a number of other important themes that will profoundly reshape the investing landscape over time.

These include the rise of data-driven investing, which is providing new ways of identifying opportunities for outperformance, while also reducing the time available to capitalise on them. As a long-term investor, ADIA has always sought to remain at the vanguard of important developments in the business of investing, and this is no different.

In recent years, we have built our internal skill-sets in areas such as quantitative and data-driven investing, while instilling a more systematic, science-based approach throughout the organisation. To complement our fundamental investing talent, we have a specific focus on attracting new, specialist skill sets to ADIA, targeting STEM (science, technology, engineering and mathematics) backgrounds and those with strong research and development experience from across industries. Our objective is to foster a technology-enabled and scientific mindset, enabling us to identify, test and capture opportunities irrespective of market conditions. As part of this ongoing process, ADIA plans to roll out multiple in-house quantitative strategies in 2022 and will continue to grow its data analytics capabilities across the organisation.

Portfolio Overview

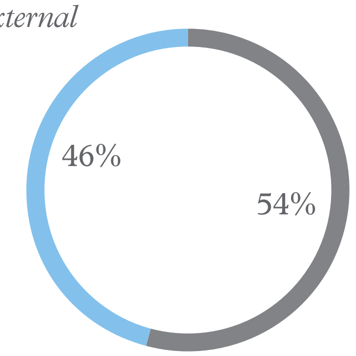
Active versus Passive Management



- Active
- Passive

Portfolio Overview

Internal versus External Management



- Internal
- External

In addition to the challenges of harnessing rapid technological advances – and the changing skillsets that investors will need to succeed – climate change remains an important theme with long-term and far-reaching consequences for the investment community.

ADIA integrated climate change considerations into its investment process in 2018 and continues to assess climate-related risks within asset classes while seeking opportunities associated with the energy transition. ADIA also plays an active role as a founding member of the One Planet SWF Working Group, which seeks to accelerate the integration of climate change into institutional investment management processes.

Finally, in a world facing increasingly complex problems, we believe that it is important for policymakers, corporate leaders and investors to seek out opportunities for targeted collaboration in areas of mutual interest.

In one such example, ADIA recently concluded its three-year tenure as Chair of the International Forum of Sovereign Wealth Funds (IFSWF). During this time, the IFSWF expanded its membership, continued to serve as a platform for funds to share experiences and best practices, and was active in promoting understanding of SWFs through research. In 2021, ADIA also supported the Government of Indonesia in developing its overall approach for the creation of the country's newly-formed SWF, the Indonesia Investment Authority (INA).

While 2021 was another strong year for returns at ADIA, it will also be remembered for the growing momentum behind the implementation of ADIA's vision for the future. We are enthusiastic about the opportunities that lie ahead, and in ADIA's ability both to identify and capture them. Doing so will ensure that ADIA is well positioned to continue, as it has for more than 45 years, in fulfilling its mission to sustain the prosperity of Abu Dhabi.

Overview

Operational Review

Against a complex global backdrop, ADIA made strong progress during 2021 in implementing the organisational priorities that will underpin its continued success.

Our core belief is that the investing landscape is evolving more rapidly than at any point in history, and will continue to do so.

To succeed in this increasingly dynamic environment, ADIA has pursued a more systematic approach to identifying and capturing opportunities. This has involved building capabilities in key areas, such as artificial intelligence, data and analytics, and instilling a more science-driven ethos throughout the organisation.

While this represents part of ADIA's overarching philosophy, it is supported by a number of other more specific, if no less important, initiatives aimed at driving its future success.

One of ADIA's core strengths has always been its ability to combine a long term, global outlook with deep specialisation across multiple asset classes. In 2021, ADIA continued to prioritise efforts to leverage the full power of its total portfolio by enhancing its ability to identify risks and opportunities at an aggregate level, and to act upon them. This enabled the development of insights that might otherwise be overlooked when viewing the world in a more narrowly-focused way.

We expect this total portfolio perspective to be a key driver of future returns. It also enhances our ability to assess ADIA's organisational requirements, increase internal agility and identify efficiency gains. In an example of this approach in action, ADIA reorganised a number of departments in 2021.

The Core Portfolio Department (CPD) was created to be the central implementation and execution function for ADIA's total portfolio. CPD is responsible for implementing ADIA's benchmark exposures across equity and fixed income markets; managing ADIA-wide Treasury related activities; and executing all equity, fixed income, money market and currency trades. Prior to the formation of CPD, these activities were managed across four separate departments and multiple teams. Combining these activities together into one department, supported by robust data and analytics and a systematic approach to decision making across markets, CPD delivers agility and efficiency in implementing asset allocation, treasury and trading decisions.

Meanwhile, the Central Investment Services Department (CISD) was created through the combination of functions from the former Accounts Department and Investment Services Department, while also centralising investment support functions from the Core Portfolio, Equities, Fixed Income and Alternative Investments departments.

Both new departments play a central role in supporting ADIA's total portfolio approach: in CPD's case, by allowing for more efficient, flexible trading and rebalancing for ADIA, while CISD creates a single point of visibility for the total portfolio and efficient investment support activities across the organisation.

In parallel to these structural changes, ADIA made substantial progress in simplifying systems and processes, to increase its ability to act quickly when it identifies fast-moving opportunities.

This multi-year and ongoing effort includes increasing the autonomy of front-line managers, consolidating ADIA's technology systems through an ongoing middle and back office optimisation programme, and simplifying internal processes and governance structures.

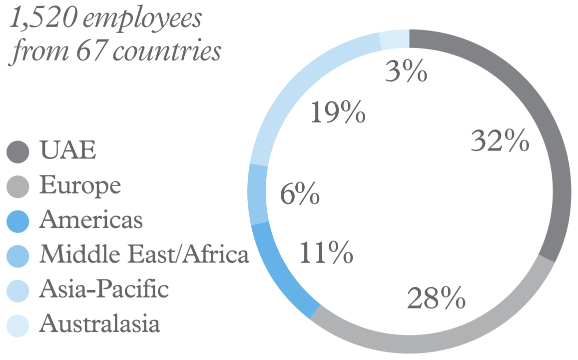
Together these initiatives have combined to create more streamlined teams, with a corresponding reduction in overall headcount. In parallel, ADIA has reallocated resources to areas of future growth, with significant recruitment activity in various parts of the organisation, such as in private markets and systematic quantitative investing, which will continue in 2022.

In line with a more systematic, science-based approach, ADIA has been broadening its mix of internal skill-sets and capabilities throughout the organisation.

One example is ADIA's Research & Development Lab and Factory, which comprises highly-skilled specialists with backgrounds in areas such as artificial intelligence, machine learning, big data, high performance computing and applied mathematics.

Our People

1,520 employees from 67 countries



A key feature of the ADIA R&D Lab and Factory is its highly collaborative, peer-reviewed and process-driven approach, combined with extensive testing. The team has already generated a range of new investment ideas with encouraging results, and its work is also contributing to the evolution of ADIA's overall investment process. As a result, ADIA plans to continue to grow its capabilities in this area in the coming years.

We believe that harnessing the power of data and high-performance computing to inform decision making will play an increasingly important role, both in investment and support activities. Multiple departments are actively recruiting for specialists in these and related fields.

ADIA is also developing in-house talent through partnerships with domestic and international academic institutions and research organisations, including the creation of programmes in data and computational sciences, and applied mathematics. We will continue to broaden our pool of collaborators by engaging with cutting-edge researchers, practitioners and academia.

Overall, these initiatives fit within ADIA's philosophy of embracing change as a state of being, rather than viewing it as a series of distinct events interspersed through time. We believe that insights do not appear fully formed, but rather are the outcome of a process of emergent learning.

Taken together, these initiatives are making ADIA more efficient, dynamic and agile, while building internal resilience and growing capabilities that align with our view of the future.

Investments

ADIA has a highly diversified portfolio that spans geographies, asset classes and asset types, with the objective of generating consistent, long-term returns throughout market cycles.

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Investments

Equities

Equities posted strong gains to reach new record highs in many markets during 2021, in most cases without suffering major corrections.

The strong performance across equity markets was fuelled by a combination of GDP growth in developed economies and the impact of government stimulus programmes. These then fed through to strong corporate earnings results throughout the year.

Developed market equities delivered strong absolute returns overall, led in large part by the U.S., and large cap equities generally outperformed their small cap peers.

Emerging market equities started the year on a strong note, but declined sharply in the third quarter to end flat. This was largely due to liquidity and debt issues in China's property market and declines in other areas such as technology and online-education companies. India and Taiwan were amongst the major emerging markets that posted strong gains.

Investor optimism tended to benefit cyclical stocks in 2021 at the expense of defensive stocks. In both developed and emerging markets, the energy sector led the way higher, followed by information technology, which recorded its ninth consecutive year of strong outperformance, and then financials.

The one dark cloud for equities in 2021 centred on supply chain disruptions and changing consumer behaviours brought on by the pandemic, which led to notable, if short-lasting, spikes in stock market volatility. The most affected industries included leisure, entertainment, airlines, personal products, autos and semiconductors. Defensive consumer staples lagged in developed equities, while consumer discretionary was lower in emerging markets.

"During 2021, EQD continued to concentrate its active management capabilities in areas with structural advantages and strong prospects for future relative growth."

ADIA actively manages public equity investments predominantly through the Equities Department (EQD).

During 2021, EQD continued to concentrate its active management capabilities in areas with structural advantages and strong prospects for future relative growth. The Department also allocated additional capital to low volatility strategies. At the other end of the risk spectrum, EQD also added several high-confidence external strategies with higher volatility profiles, to complement its existing risk exposures in preferred markets.

Investments

Fixed Income

Fixed income markets experienced a return to relative stability in 2021, as government stimulus policies ran their course and global economies began to reopen and recover. The only notable outliers were emerging markets, which underperformed due to inflation concerns, U.S. dollar strength, and rising core yields.

While the pandemic still dominated, vaccine developments and deployments helped governments to reopen their economies and keep them largely operating even as new variants emerged. Nominal growth in advanced economies rebounded strongly in response to additional fiscal stimulus and continued pledges from major central banks to support their economies. This backdrop saw core rates initially sold off in a bear-steepening fashion while the U.S. dollar stayed firm throughout.

As the year progressed, headline and core inflation measures, as well as medium-term inflation expectations, rose significantly on increased demand, supply bottlenecks, and sharply higher commodity prices. While central banks sought to see beyond transitory factors, inflation dynamics proved to be more persistent than initially anticipated. This prompted them to revise their forward guidance and begin the process of tapering asset purchases and hiking rates, earlier and faster than previously communicated.

Against this backdrop, the story in credit markets was one of resilience and falling dispersion between ratings, sectors, and single names. Investment grade spreads were largely unchanged at the index level, with high yield spreads moving tighter and delivering the strongest performance. Only the arrival of the Omicron variant at the end of November injected some volatility into the market, by adding to existing fears about higher inflation.

Emerging markets were a key outlier, despite strong growth and solid terms of trades. Many central banks in the LATAM and CEEMEA regions hiked rates aggressively to curb rising prices and inflation expectations. In parallel, emerging markets generally, and Southeast Asia in particular, responded more negatively than elsewhere to surges of COVID variants.

In China, meanwhile, other non-pandemic-related factors had an outsized impact on the economic cycle, with relatively tight policies and deleveraging in the real estate sector weighing on economic growth. Growth expectations only began to improve toward the end of 2021, as authorities signalled a more pro-growth policy stance.

In 2021, ADIA's Fixed Income Department continued to focus on increasing internal flexibility and alpha generation. To this end, the Department's core portfolio support activities, including beta replication, trading, liquidity and funding, were transferred into ADIA's newly-created Core Portfolio Department. In addition, its middle office activities were transferred to the Central Investment Services Department. As a result of these changes, the Fixed Income Department is now focused entirely on generating alpha.

In addition, the department funded a number of Global Aggregate managers during the course of 2021.

In 2022, the department will continue to build out its quantitative research capabilities to enhance investment decision-making and broaden its alpha generation activities. It will also seek to deploy further capital into less liquid areas of fixed income including private credit, in order to enhance returns in the low yield environment.

Financial Alternatives

Hedge funds were handed a breadth of opportunities in 2021, as economies continued to recover from the deepest and sharpest global recession since the 1940s. The resulting elevated, and often unpredictable, volatility led to positive performance for the majority of managers.

Funds with exposure to "risk-on" assets performed strongly as equity markets regularly scaled new all-time highs and commodity markets (excluding precious metals) rallied sharply. Among the strongest performers were capacity-constrained, fundamental equity-focused managers, who managed to adeptly navigate various challenges during the year.

For others, though, capturing alpha in 2021 was often complicated by an environment in which markets were driven more by swings in investor perception than by fundamentals. Many of the strongest performing equities and sectors in 2020 were among the best short-selling opportunities in 2021, as investors chose to discount the rising risk of inflation, near-term supply chain issues, and persisting COVID-19 directives. Several of the most successful managers benefited from this paradigm by refocusing on areas of cyclical value.

Relative Value strategies posted a strong performance in 2021. Strong capital markets activity during the first quarter created good opportunities in convertible arbitrage, SPACs and corporate credit. Structured Credit strategies also performed well as residential and commercial mortgages benefited from the tail end of government support policies and from the re-opening of global economies. Fixed Income Arbitrage strategies fared less well, as bouts of volatility in interest rates forced some to unwind highly leveraged positions and mark to market their losses.

It was also a challenging year for Discretionary Macro strategies, despite a positive first half fuelled by higher rates and a rally in value/cyclical equities. Sentiment shifted noticeably in June, when the Federal Reserve's surprise hawkish pivot on inflation prompted a massive flattening in developed market rates. Other global central banks then followed suit in October, materially increasing rate volatility and resulting in losses for managers.

"Funds with exposure to "risk-on" assets performed strongly as equity markets regularly scaled new all-time highs and commodity markets (excluding precious metals) rallied sharply."

CTAs and Systematic Quant Macro managers were able to capitalise on strong commodity trends for much of the year, particularly for energy markets as rising demand was met by supply shortages. This resulted in double-digit returns in some cases by managers most able to capture these moves in both traditional and alternative (smaller) commodity markets.

ADIA's Alternative Investments Department continued to refine its structure during 2021 by combining the two sub-pools for its main hedge fund allocation and reorganising its team responsibilities accordingly. This change enables the Department to further concentrate on its highest-conviction managers, with the objective of delivering uncorrelated returns to equities and bonds.

The Department managed this "single pool" in an agile way throughout the year, displaying its ability to act quickly, and in size, to attractive and unique time-bound opportunities in dislocated markets.

Looking ahead, the Department will maintain its focus on allocating to hedge fund strategies with predominantly low beta, while ensuring it continues to foster and build out its relationships with the industry's best-in-class managers.

Investments

Private Equity

The global private equity market continued to scale new heights during 2021, extending its rebound from pandemic-related uncertainty a year earlier.

Global deal flow powered to an estimated $1 trillion by value, almost doubling last year's volumes and surpassing the previous peak reached in 2006-07. In parallel, many private equity firms came back to the market sooner than expected, raising new, larger funds, while competition for deals and valuations both increased. While deals were spread across sectors, transactions involving technology and tech-enabled businesses featured heavily, with digitisation and ESG emerging as central investment themes for the PE industry.

ADIA's Private Equities Department (PED) had another busy year, deploying more capital than ever before. Direct investments accounted for 58% of PED's overall deployment in 2021, up from 55% in 2020, with the balance committed to funds. In total, PED completed 40 direct investments in 2021, up from 25 in the previous year, including 12 co-investments in early-stage companies alongside our venture capital partners.

While competition for deals was high in 2021, PED continued to benefit from its sector-driven investment approach, allowing its investment teams to derive insights across the full spectrum of opportunities and enabling better dialogue and alignment with the sector teams of core PE partners. The Department's recent creation of a sector-focused operating advisor network will take this a step further by helping to deepen investment themes and assist with due diligence and value creation more broadly.

PED continued to participate in large transactions during 2021, such as investments in Medline Industries Inc., a privately held manufacturer and distributor of medical supplies, athenahealth, a provider of cloud-based software and outsourced billing services to physicians, Ardonagh, a leading insurance broker, and Mphasis, a global technology services provider.

PED made a number of growth-stage investments and was also able to source attractive off market, follow-on investment opportunities from its growing portfolio. In one such case, PED deployed additional capital as part of the merger of two of its portfolio companies, Constellation Automotive Group and CarNext, both digital marketplaces for used cars.

In addition, the Department continued to be proactive in monitoring and managing its existing portfolio, including using secondaries to concentrate the portfolio on preferred sectors and managers. PED also continued to integrate its venture capital activities into its sector-based portfolio to increase insights and capture later-stage venture and early growth investment opportunities.

From a sector perspective, PED remains highly focused on Technology, including a particular emphasis on enterprise software, which has played a mission-critical role during the pandemic and clearly demonstrated its resilience. Technology also continues to disrupt across sectors as companies contend with the need to modernise IT systems, enhance customer engagement on digital platforms and adapt to evolving workplace behaviours.

As in previous years, Healthcare also remains a priority as it continues to benefit from secular demographic trends, an acceleration in biotechnology innovation, and changes in the way medical products and services are delivered to patients. In addition, PED has increased its focus on early-stage life sciences companies that harness the power of data and artificial intelligence, for example through its participation in the $370m Series B financing of Generate Biomedicines, and $500m Series B financing of Eikon Therapeutics.

In Financial Services, digital transformation was a key theme during 2021, despite some concerns around elevated Fintech valuations. PED's portfolio is already well positioned in financial services, with investments in capital intensive businesses that continued to perform well throughout the COVID-19 pandemic.

To capitalise on the ever-changing shifts within the Consumer sector, the Department will continue to seek investments in market-leading companies able to develop powerful, direct relationships with consumers through technology and service. One example of this strategy was the Department's investment in U.S.-based Truck Hero, a branded automotive accessories business.

Based on its strong belief in the region's growth potential, several years ago PED created dedicated teams focused on China and India-Southeast Asia. This has allowed it to expand its activity in the region over time and, in 2021, APAC accounted for almost 20% of total deployment. The team's deepening GP relationships and ability to lead minority investments generated a number of commitments across India and China, and the Department completed its first investment in Vietnam. PED also completed its first transactions in Indonesia during 2021, leading GoTo Group's fundraising round with a $400m investment, and investing alongside the newly-formed Indonesia Investment Authority (INA) in the IPO of telecom towers company Mitratel.

In 2022, PED anticipates a continuation of the high level of competition for attractive companies, choppy IPO markets, and the need to adjust to pandemic-related and geopolitical developments. Against this backdrop, the team will continue to build its internal capabilities, harness insights from its industry practices and operating advisor network, and enhance the quality of its dialogue with GP and corporate partners.

Investments

Real Estate

Real estate investors shifted their focus in 2021, from managing the impact of the COVID-19 pandemic to the opportunities arising from the market's broad-based recovery.

Global real estate rebounded sharply, led by the U.S. real estate market which posted its highest returns since 2005. ADIA's Real Estate Division was well-positioned to take advantage of improving market conditions, deploying capital into high-conviction themes across both public and private markets.

Across the asset class, the central theme of 2021 for investors was 'flexibility'. As hybrid working models became more embedded, a top priority for many was predicting how space needs would be influenced by changes to the way people work, shop and live.

Fundamental and structural forces that have emerged in recent years continued to reshape the real estate landscape, with technology disruption creating tailwinds for logistics, data centres and technology hubs. Meanwhile, climate change and carbon neutrality are accelerating functional obsolescence, fuelling demand for new economy offices with superior environmental credentials. The attractive return profiles of some previously niche property sectors have brought them into the mainstream with wider acceptance by institutional investors. Meanwhile, banks have responded to tighter regulations by retreating from high loan-to-value lending, particularly in commercial real estate projects, creating investment opportunities for alternative financing.

Against this backdrop, ADIA's Real Estate Division (RED) continued to benefit from evolving market trends. Activity levels were elevated throughout 2021, as the Division seized on secular opportunities and recovery plays induced by the pandemic. Examples included the further scaling of already sizeable investments in assets benefiting from digitalisation through the Division's logistics platforms in China, Australia and Japan. RED also expanded its activities in data centres across Asia Pacific, unveiled plans to develop a rental housing portfolio of substantial scale in the UK, established new platforms and upsized its existing investments in offices with tailwinds such as laboratories and technology hubs.

The Division remains agnostic to how it accesses real estate opportunities that align with its high-conviction strategies. This in-built flexibility enabled it to exploit dislocations between public, private, and real estate debt markets that emerged in periods of market volatility during 2021. For example, it was able to capitalise on the illiquidity and bespoke nature of private credit to capture a premium relative to public bonds, often with deal structures that were more robust than public market transactions. The team also capitalised on the dislocation that emerged in the public markets earlier in the year.

RED believes that sustainable investment is central to successful long-term investor outcomes. It continued to evaluate the potential impact of climate change on real assets through in-house research, engagement with partners and peers, and the use of specialist climate change forecast firms. In particular, the team made significant progress in standardising data collection and analysis to identify relative physical and transitional climate-related impacts across direct investments in diverse geographies and sectors. RED will continue to be flexible in adapting and refining its approach to ensure overall investment impact is considered.

Looking forward, the outlook for real estate investment remains attractive. Market fundamentals are well-supported by rising replacement costs on the back of high inflation in labour and construction materials, the delayed supply-chain response, and other disruptions resulting from the pandemic. RED continues to see opportunities across key themes, particularly those that are well-supported by shifting consumer demand patterns, regulations and structural forces. In parallel, it remains mindful of headwinds — including pandemic-related risks — that may impact economic growth and a less favourable monetary policy environment.

The Division expects activity levels to remain high in 2022 and beyond, guided by its principles of developing partnerships with best-in-class managers around the globe and its focused, scaled approach to thematic investing.

Infrastructure

The global infrastructure sector was heavily influenced once again in 2021 by pandemic-related factors and other secular themes, such as a continued shift toward greener and ESG focused assets.

With its diversified and flexible approach, ADIA's Infrastructure Division was able to navigate these conditions and deploy capital across a range of attractive opportunities in both private and public markets.

For infrastructure investors, the year began with a global economic recovery that helped core assets in sectors such as transportation and energy to rebound strongly from the volatility witnessed in 2020. However, outbreaks of new COVID-19 variants dented the performance of assets exposed to passenger movements, such as airports and commuter toll roads.

In the energy sector, the pandemic largely took a back seat to the ongoing transition away from hydrocarbon-based assets. While this negatively impacted performance in some areas, it prompted a material spike in the share prices of green energy and related companies early in 2021. This strength, most likely exacerbated by a rush of interest from special purpose acquisitions companies (SPACs), turned out to be shortlived as prices corrected later in the year.

Meanwhile utilities remained resilient throughout 2021, with considerable investment activity in the gas and electricity transmission and distribution sectors globally. This is likely to continue in 2022 and beyond, given the key role that utilities will need to play in facilitating a shift to a lower-carbon world.

Digital infrastructure also remained in the spotlight, having demonstrated its critical role and resilience in responding to pandemic-related disruptions. Investors remained particularly focused on data centre, fibre and telecom tower platforms, due to structural tailwinds and their lower correlation with other infrastructure sectors.

Against this backdrop, the Infrastructure Division deployed more capital in 2021 than in any previous year, across a wide range of both private and listed assets. Its inbuilt resilience enabled it to seek out the most compelling entry points for comparable assets, with listed assets frequently coming out ahead after being oversold in market corrections.

The Division's portfolio, comprising investments across its four core sub-sectors of transport, energy, utilities and digital infrastructure, delivered a strong performance in 2021. The team also continued to recycle capital out of smaller non-core positions into fewer but larger positions.

Among key investments, the Division increased its stake in Australia's WestConnex, closed its investment in FiberCop (a JV offering fibre optic connectivity throughout Italy), increased its exposure to India's Jio Digital Fiber and announced an investment into U.S.-based Sempra Infrastructure Partners (SIP), which aims to facilitate the energy transition by building and operating new energy infrastructure for the 21st century. The acquisition fits well with the Division's strategy of investing in growth platforms.

On the listed side, meanwhile, the team increased exposure to a number of existing listed positions and also added a new exposure to the portfolio.

In the year ahead, ADIA's Infrastructure Division will continue to support the growth of existing assets in its portfolio and selectively pursue listed and unlisted investments with attractive risk reward profiles. It will focus on a number of key themes, including the post pandemic economic recovery, the growth in digitisation, and the electrification and decarbonisation of the energy chain.

The Division continues to see opportunities to expand its renewable energy portfolio, which now provides access to assets with a renewable energy capacity of more than 35 gigawatts including projects under construction. Its exposure to renewables is evenly split across developed and emerging economies, with a particular focus on established technologies such as wind, solar, hydro, biomass, energy from waste and battery storage. The team is also collaborating with knowledge partners to explore energy transition opportunities that are much earlier in their evolution, often employing innovative and new technologies, as the decarbonisation process deepens.

Given the existing size and maturity of its portfolio, the Division's emphasis in 2022 and beyond will be on selective, larger-scale acquisitions, as well as platforms that enable consistent deployment of capital alongside partners.

Governance

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

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Board of Directors

At 31 December 2021

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

At 31 December 2021

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, Alternative Investments

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

Majed Salem Khalifa Rashed Alromaithi
Executive Director, Strategy & Planning
Deputy Chairman, Investment Committee

Dhaen Mohamed Dhaen Mahasoon Alhameli
Executive Director, Core Portfolio

Nasser Shotait Salem Rashed Al Ketbi
Executive Director, Equities

Khalifa Matar Khalifa Saif Almheiri
Executive Director, Fixed Income

Hamad Shahwan Surour Shahwan Aldhaheri
Executive Director, Private Equities

Khadem Mohamed Matar Mohamed AlRemeithi
Executive Director, Real Estate & Infrastructure

Mohamed Rashid Mohamed Obaid AlMheiri
Executive Director, Central Investment Services

Juma Khamis Mugheer Jaber Alkhyeli
Executive Director, Operations

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