جهــاز أبـو ظبي للاســتثمـــار
Abu Dhabi Investment Authority

ADIA

2016 Review

A Legacy in Motion

Real Progress

Contents

www.adia.ae

Our Mission

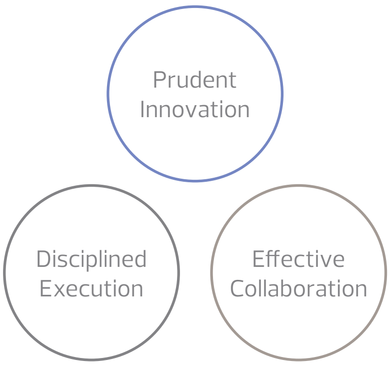
ADIA's mission is to sustain the long-term prosperity of Abu Dhabi by prudently growing capital through a disciplined investment process and committed people who reflect ADIA's cultural values.

ADIA at a Glance

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

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

Our three cultural values guide the way we work



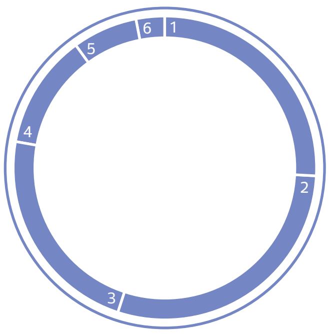
ADIA's cultural values guide the way we work and the way decisions are made. They provide direction for how we think and behave as individuals and as a unified institution.

These values play a fundamental role in driving our people and the organisation forward to achieve long-term growth and business success.

See 'Our Cultural Values' on pages 10-13.

1,750 employees covering more than 60 nationalities

1 UAE	26%
2 Europe	29%
3 Asia/Pacific	23%
4 Americas	12%
5 Middle East/Africa	7%
6 Australasia	3%

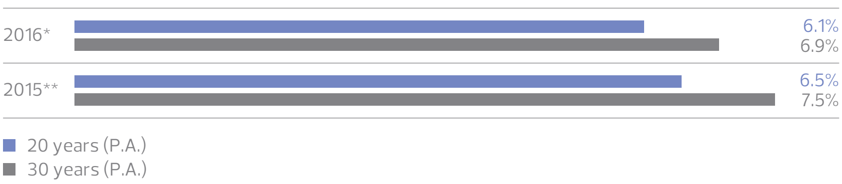


ADIA's people are as diverse and international as our business, with more than 60 nationalities working together to create a collaborative environment that embodies our cultural values.

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

See 'Our People' on pages 52-63.

Annualised returns

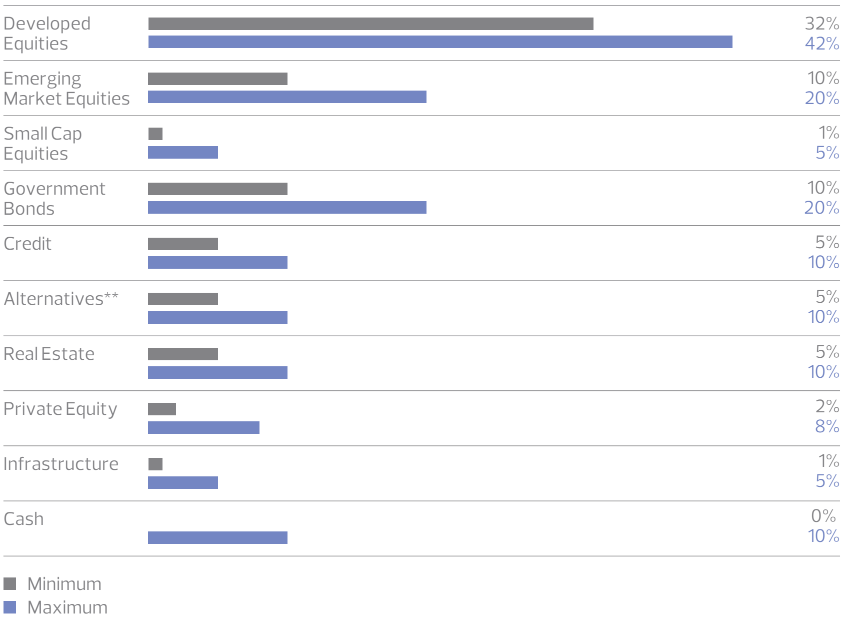


* As of 31 December 2016
** As of 31 December 2015
Note: Performance for 2016 remains provisional until final data for non-listed assets is included.

In U.S. dollar terms, the 20-year and 30-year annualised rates of return for the ADIA portfolio were 6.1% and 6.9% respectively, as of 31 December 2016. Performance is measured based on underlying audited financial data and calculated on a time-weighted basis.

Portfolio by asset class

Long-term policy portfolio*



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

** Alternatives comprises hedge funds and managed futures.

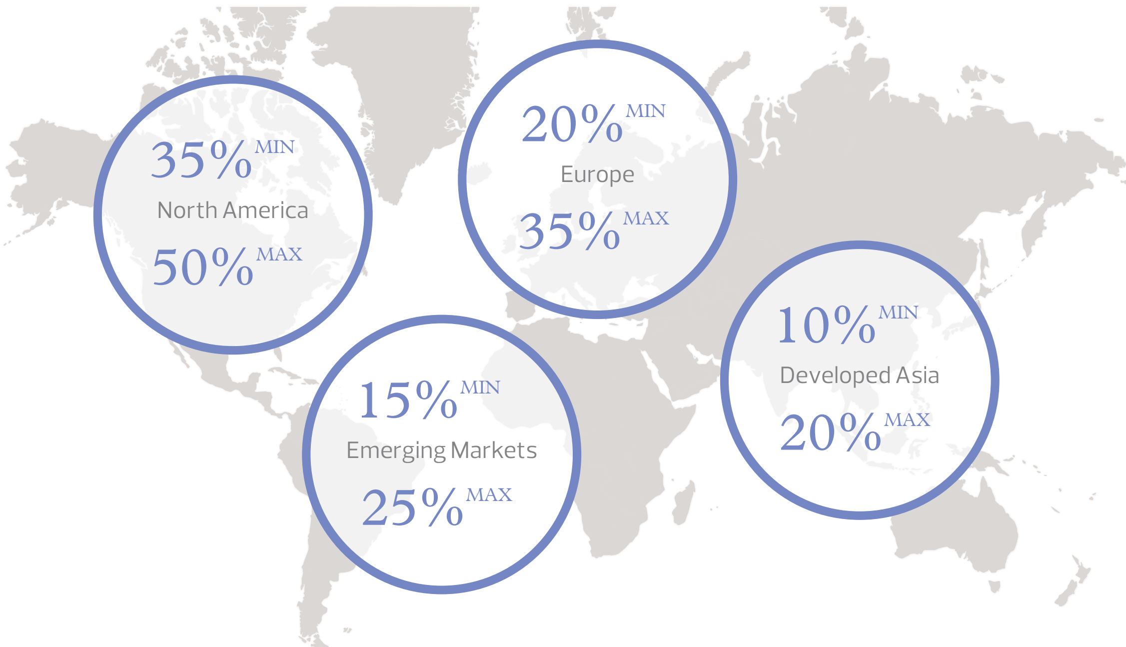
60%

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

50%

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

Long-term policy portfolio by region†



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

Letter from Hamed bin Zayed Al Nahyan

Managing Director

ADIA marked an important milestone in its history in 2016, taking time across the organisation to reflect on 40 years of investing successfully and fulfilling its mission on behalf of the Government of Abu Dhabi.

Since its creation in 1976, ADIA has transformed from a small investment fund using a single floor of rented office space in Abu Dhabi to become a thriving and influential player in global financial markets. It has done so by prudently adhering to the original vision of its founders, while demonstrating a willingness to always question conventional wisdom and navigate its own path.

In addition to our many achievements over the decades, we have, of course, faced obstacles along the way. But these experiences have made ADIA stronger, providing an opportunity to fine tune practices and ensure we are correctly positioned to confront the challenges and identify the opportunities of the future.

A key pillar of ADIA's success since its creation has been its commitment to objective self-reflection, as a driver of renewal and necessary change. It is this trait that has spurred much of the change within ADIA over the years, and has allowed us to generate consistent returns through multiple market cycles.

2016 was no exception to this, from both an organisational and investment perspective.

On the former, ADIA intensified its efforts to improve productivity and reduce complexity across the institution, while closely monitoring and measuring progress. Resulting initiatives were then prioritised through their inclusion in ADIA's annual department-planning process.

In another significant development, ADIA last year took the decision to open an office in Hong Kong, our first in the Territory and a symbol of our long-term commitment to Asia and confidence in its continued growth. ADIA Hong Kong, which is led by a Chief Representative supported by research professionals, serves as a platform for ADIA to broaden and deepen its network of relationships and identify new opportunities in China – where we have invested for more than 25 years – as well as other Asian markets.

It marks the latest example of our drive in recent years to further develop ADIA's internal research and analysis capabilities, while deepening relationships and building local knowledge in the key global markets where we invest.

In addition to bringing ADIA closer to its key local contacts and investments, the new Hong Kong office will seek to identify new avenues for cooperation and growth in one of the fastest developing regions in the world.

"At ADIA, investment strategy always begins with a clearly defined appetite for risk. Last year, we further refined the process for calibrating risk appetite by formalising our Reference Portfolio, a hypothetical blend of publicly traded securities with fixed weightings."

As in previous years, 2016 was also marked by continued evolution on the investment front.

At ADIA, investment strategy always begins with a clearly defined appetite for risk. Last year, we further refined the process for calibrating risk appetite by formalising our Reference Portfolio, a hypothetical blend of publicly traded securities with fixed weightings. This acts as a starting point for ADIA's Strategic Portfolio, which aims to outperform the Reference Portfolio by diversifying across more than two dozen asset classes and sub-categories, while maintaining ADIA's risk profile.

Within our investment departments, we continued to expand our universe of investable asset classes and geographies, and deploy internal teams to proactively identify and originate attractive opportunities. We also took advantage of cyclically attractive valuations in some asset types to recycle capital into areas that we feel offer more attractive risk-return characteristics over the long term. This will likely continue selectively in the year ahead as asset prices approach levels last achieved during the market peak a decade ago.

In our Private Equities Department, there was continued momentum towards increasing our exposure to direct private equity transactions, alongside our partners, and broadening our focus in the rapidly developing Asian private equity markets, particularly China and India.

It also sought out opportunities in the structured equity space, as a means of diversifying and reducing overall risk in the portfolio.

The Alternative Investments Department saw positive results from its decision in 2015 to expand its investment universe to allow co-investments in "special situations" and in smaller, younger managers with capacity constraints. The Department also launched a new Emerging Opportunities mandate to invest in asset types that fall outside the remit of ADIA's other investment departments. Internally staffed, the new mandate is due to become active this year, with a view to adding new and differentiated return streams and diversification to ADIA as a whole.

In Infrastructure, meanwhile, ADIA continued to build its portfolio of assets in the renewable energy field with a significant investment in Greenko, a leading developer of wind, hydro and solar energy based in India and elsewhere, as well as adding to its portfolio in its other focus areas including energy more broadly, transport and utilities.

When viewed as a whole, ADIA ended 2016 on a positive note, with performance underpinned by respectable gains in global markets despite considerable headwinds from political events throughout the year.

ADIA's 20-year and 30-year annualised rates of return were 6.1% and 6.9% respectively in 2016. As in 2015, these figures were impacted by the exclusion of strong returns in the mid-1980s and 1990s from the rolling averages, although ADIA's real rates of return remain consistent with historical levels.

From a headcount perspective, 2016 was mostly a year of consolidation although we continued to hire selectively in key areas and to fill positions as a result of natural attrition.

One area of focus was ADIA Global Research, which appointed a Head of Economic Analysis and a Head of Energy Analysis, among other key hires, as part of its build out of key specialisations. ADIA Global Research was created in 2014 as part of ADIA's strategy to expand its internal analytical and research capabilities to support management in their decision making. A central pillar within ADIA's integrated research community, it has responsibility for producing economic, political and energy-focused research, while also seeking to cultivate external networks and participate in global dialogue on significant issues.

Also active in 2016 was the Fixed Income & Treasury Department, which appointed a Head of Active Internal Fixed Income, and the Internal Equities Department, which selectively recruited across a number of portfolios.

As we enter our fifth decade, it is important to look back at all that has been accomplished and feel a sense of respect and pride in the achievements of so many. ADIA has come a long way since its modest beginnings, but we remain steadfast in our commitment to fulfilling ADIA's mission responsibly, and with a steady hand, despite the economic or market backdrop.

The role that ADIA performs in securing the future prosperity of Abu Dhabi is becoming ever more relevant as the Emirate prepares for a future that is less dependent on its traditional sources of income. By remaining prudent and disciplined, and by drawing on the knowledge and experience built over 40 years, we will ensure that Abu Dhabi continues to prosper.

ADIA opened its first office in Hong Kong in 2016.

Review of 2016

Capital markets delivered solid returns to investors in 2016, with global equity indices returning close to 9% in U.S. dollar terms and government bonds largely delivering their coupon, albeit negative in some cases. Seen through the eyes of a long-term investor, in general, realised volatility was low, economic growth was steady and markets mostly held their nerve in the face of unexpected and complex external factors.

The year 2016 will surely be remembered most for political events, especially the vote in the United Kingdom to leave the European Union and the outcome of the U.S. presidential election.

Markets were influenced by the strong rebounds in prices of energy and other commodities, a more general acceleration in inflation, and the continued resilience of the U.S. dollar. The move in inflation could prove to be another durable legacy of 2016, as it potentially signalled a turn away from the deflation fears that had been stubbornly prevalent since the global financial crisis.

In addition, last year likely marked a major turning point in economic policies. This began with aggressive efforts by the European Central Bank and the Bank of Japan to push short-term interest rates further below zero and to ramp up the pace of expansion of their balance sheets. While these measures were successful in lowering bond yields, they seemed to deliver little improvement in spending and led to increased stress on banks, pension funds and insurance companies, all of whom are dependent on interest income. By the second half of the year the climate of opinion in policy circles had shifted: further reliance on extraordinary monetary policies was in doubt, while fiscal stimulus was viewed more favourably.

Markets delivered a swift verdict on the implications of this shift. In the middle of 2016 bond yields were near record lows, largely negative in Europe and Japan, and equity markets were sluggish. Concerns about policy paralysis and secular stagnation dominated thinking. The tone was markedly different in the second half of the year, as worries about deflation were chased away by more upbeat visions of what policy could accomplish. Pessimism gave way to realisation that confidence could improve, and bring with it investment and improved growth.

Outlook

One of the strongest sentiments coming out of 2016 is that the world is changing. Politics, policies and economic drivers are expected to be very different in the decade ahead than in recent experience. We would not disagree, although we would stress that the major events of 2016 were not entirely unexpected. They were the result of pressures that had been building for some time, and that are likely to persist.

At ADIA we know that change is inevitable and should be seen as an opportunity for the long-term investor. Remaining focused on the longer term allows us to position our assets to favour geographies and asset classes that stand to benefit from the new reality, and to limit our exposure to emerging risks that are not well compensated.

One clear trend today is an evolution in the economic relations among countries. While this is often viewed as a pause or decline in "globalisation" the reality is far richer and more complex. The global exchange of ideas, people, goods, services, and capital has never been greater, nor has the prosperity brought by these exchanges. Attention to the human element of globalisation has increased, along with awareness of issues such as inequality. This is appropriate and in our opinion likely to put international norms of trade relations and capital flows on a sounder footing. Risks of protectionist policies have increased, but we also note staunch defences of free trade amongst the global community. We continue to view openness to trade and capital flows as beneficial and expect this perspective to be an effective counter to efforts to rebuild barriers.

The continued importance of economic globalisation will require new approaches to investing. The shifting balance between traditional developed economies and the "emerging" economies has passed its tipping point. Economic growth in the decade ahead will be dominated by the emerging world. We expect that over two-thirds of the growth in global GDP over the coming ten years will come from those emerging economies; with roughly half coming from China and India alone. A key challenge for ADIA and other global investors is how to access this growth, and we welcome efforts in many of these countries to improve the openness and functioning of capital markets.

The most exciting trends on the horizon involve innovation and new business models. New technologies such as 3-D printing, big data analytics, and biotechnology are opening up a new landscape of more customised production. This transition favours businesses that can embrace flexibility, connection to the customer, and continuous learning. Importantly, this evolution in business models applies to both countries and companies. It was with this in mind that ADIA chose to focus its annual Global Investment Forum in 2016 on *"The Fourth Industrial Revolution: How technology and automation will impact the investment landscape"*.

As we seek to look into what the future holds, it is clear that economic development will be different in the decade ahead. Rather than favouring scale and resource endowments it will favour emphasis on education and an ability to foster entrepreneurship.

With the strong relationships that ADIA has built over the past 40 years, and by remaining open to change and innovation, I am confident that the organisation is strongly positioned to capitalise on these emerging trends.

Hamed bin Zayed Al Nahyan
Managing Director

2016 Key Initiatives

- ADIA opened its first office in Hong Kong, a symbol of our long-term commitment to Asia and confidence in its continued growth.
- ADIA formalised the Reference Portfolio, a hypothetical blend of publicly traded securities with fixed weightings which is used as a starting point for our Strategic Portfolio.
- Private Equities continued to increase its exposure to direct private equity transactions, alongside our partners.
- Selective senior appointments were made in Global Research, Fixed Income, Operations and Central Dealing.
- A new Emerging Opportunities mandate was launched by Alternative Investments to invest in asset types that fall outside the remit of ADIA's other investment departments.

A Legacy in Motion

In March 2016, ADIA celebrated the 40th anniversary of its creation.

Since then, ADIA has grown to become a trusted and influential player in global finance, with investments spanning multiple geographies and more than two dozen asset classes and sub-categories. ADIA now employs 1,750 people from more than 60 different nationalities at its headquarters in Abu Dhabi.

Throughout the 2016 ADIA Review, we reflect on the key events throughout the four decades of ADIA's existence that have contributed to its legacy – A Legacy in Motion.

1970s

ADIA was created in March 1976 by an Emiri decree from the late Sheikh Zayed bin Sultan Al Nahyan, Ruler of Abu Dhabi and founding President of the United Arab Emirates.

Established as an independent investment institution, ADIA was given a clear mission to prudently grow capital in order to secure the long-term prosperity of Abu Dhabi.

ADIA replaced an earlier institution, the Abu Dhabi Investment Board, which had been formed in 1967 to oversee the activities of London-based external fund managers who were tasked with investing the budget surpluses from Abu Dhabi's recently-commenced oil production into global markets.

The creation of ADIA was a landmark moment when Abu Dhabi assumed direct control of managing its own wealth, and began creating the practices and processes that would allow the organisation to grow and develop.

In addition to its primary role of safeguarding the Emirate's wealth, ADIA also played a key role as a training ground for some of Abu Dhabi's brightest talents, many of whom later used their skills to play important roles in government and the private sector.

From its earliest days, ADIA's clarity of mission, independence, and commitment to investing in and nurturing human capital, were critical in ensuring the success of the organisation in the years to come.

Overview

An early ADIA Board meeting, chaired by His Highness Sheikh Khalifa bin Zayed Al Nahyan.

Our cultural values

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

Our Cultural Values

ADIA's cultural values guide the way we work and the way decisions are made, and they are central to sustaining our investment success. They provide direction for how we think and behave as individuals and as a unified institution. It has been more than a decade since our cultural values of prudent innovation, effective collaboration and disciplined execution were formulated and embedded throughout the organisation.

These values play a fundamental role in driving ourselves and the organisation forward to achieve long-term growth and business success. ADIA's leaders aspire to reflect and encourage these values in themselves and in others. In addition, we have sought to embed and reinforce the desired culture through ADIA's selection, development, promotion, measurement, planning, information sharing, and incentive processes.

The three ADIA cultural values that we seek all employees, individually and collectively, to demonstrate are:

– Prudent Innovation;

– Effective Collaboration; and

– Disciplined Execution.

Prudent Innovation

At ADIA, we encourage our people to improve investment performance and overall organisational effectiveness through a continued commitment to prudent innovation. The culture of prudent innovation inspires us to generate new ideas, continually enhance our individual and departmental performance, support ADIA-wide improvement initiatives, and advance our investment strategy processes. This involves appropriately challenging the status quo and leveraging improvement opportunities. However, as a risk-sensitive business, we emphasise that change is approached in a thoughtful manner so that all innovations are fully analysed, considered and reviewed to balance opportunities with their associated risks.

We are careful to consider both anticipated as well as unanticipated consequences for all innovations. Professional judgement, therefore, ensures a full awareness of the balance between opportunities and the risks involved in pursuing them.

With that intent, we recognise the importance of personal and professional development and encourage employees to continually develop their own knowledge and skills while also supporting the same growth in others. In addition to individual growth, ADIA is focused on accelerating organisational improvement and ensuring the business anticipates change as a result of identifying and leveraging market opportunities.


Global Forum

Effective Collaboration

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

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

Disciplined Execution

ADIA has a long and successful history of disciplined execution. Individuals are encouraged to set standards and achieve high goals that are aligned with ADIA's mission and long-term objectives. A central enabling feature of ADIA's mission is prudently growing capital through a disciplined investment process.

ADIA's investment process has been carefully refined over the years. Employees are given responsibility for contributing to ADIA's investment success by putting in place realistic, clear and practical plans to ensure that expected results are achieved. We recognise that all support and governing functions should design and implement initiatives that ultimately focus on improving ADIA's investment performance. Both investment and non-investment departments do so by holding themselves and their teams accountable for contributing to sustainable investment results.

Effective delegation and the ability to drive projects to completion are essential for meeting objectives. We seek to jointly encourage each other to demonstrate the energy, drive and commitment to deliver results and maintain focus and integrity, and to overcome any inevitable difficulties or challenges.

Investment Strategy and Portfolio Overview

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

Investment strategy at ADIA begins with a clearly defined appetite for risk. This has been calibrated through a blend of publicly traded securities, known as the Reference Portfolio. The Reference Portfolio has been developed to define the desired amount of market risk that should be accepted over the long term.

The Strategy Unit plays a central role in ADIA's investment process, with responsibility for developing, maintaining and periodically reviewing ADIA's Strategic Asset Allocation (SAA) across more than two dozen asset classes and sub-categories. The SAA is intended to add value to the Reference Portfolio by diversifying across this richer set of asset classes, using weightings based on ADIA's long-term view of the world. This results in a higher expected return for a similar level of risk.

It also identifies medium-term tactical opportunities for generating returns in excess of those achieved by the Strategic Portfolio while maintaining ADIA's target risk profile.

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

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

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

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

Strategy Overview

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

2. Asset allocation
Design the long-term strategic asset allocation for the total portfolio. Define the appropriate level and mix of asset classes to maximise expected returns subject to a risk appetite defined by the Reference Portfolio and liquidity constraints.

3. Create mandates within an asset class
Allocate and manage funds across the mandates at the asset/sub-asset class levels.

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

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

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

Portfolio by asset class

Long-term policy portfolio*

Asset class	Minimum	Maximum
Developed Equities	32%	42%
Emerging Market Equities	10%	20%
Small Cap Equities	1%	5%
Government Bonds	10%	20%
Credit	5%	10%
Alternatives**	5%	10%
Real Estate	5%	10%
Private Equity	2%	8%
Infrastructure	1%	5%
Cash	0%	10%

■ Minimum
■ Maximum

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

Portfolio by region

Long-term policy portfolio†

Region	Minimum	Maximum
North America	35%	50%
Europe	20%	35%
Emerging Markets	15%	25%
Developed Asia	10%	20%

■ Minimum
■ Maximum

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

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

1980/90s

During the 1980s, as its assets grew, ADIA continued to develop, diversify and grow into a truly global investment institution.

Based in its first official headquarters at 125 Corniche Street in Abu Dhabi, ADIA was initially organised into four departments: Bonds and Equity, Real Estate, Finance and Administration, and Local and Arab Investments. The majority of assets were held by the Bonds and Equity Department, but as the fund grew ADIA began a process of rapid diversification and increasing sophistication.

ADIA was an early adopter of alternative investment strategies, allocating a portion of its capital in 1986 to hedge funds, which many at the time still considered an emerging asset class. In a further sign of its willingness to embrace change after prudent consideration, ADIA added private equity to its asset mix in 1989, prior to the eventual creation of the global Private Equities Department in 1997.

The institution took a further step forward in the early 1990s with the creation of the Evaluation and Follow-Up Department, which added an extra layer of rigour and analysis to the investment process, and resulted in the introduction of formal asset allocation across the portfolio.

In 1997 two of ADIA's founding fathers, Deputy Chairman Ahmed Khalifa Al Suwaidi and Managing Director Mohammed Habroush, both integral to the organisation's evolution and development since its formation, handed over leadership of the institution to the late Sheikh Ahmed bin Zayed Al Nahyan, who became Managing Director. Sheikh Ahmed went on to lead ADIA through a significant phase of growth and is recognised as an influential architect of ADIA's ongoing success.

Business Review

ADIA's first purpose-built headquarters, which it occupied from 1985 to 2007.

Overview

Investment Departments ⟷ Investment Committee ⟷ Managing Director

Investment Departments:

1 Indexed Funds
2 Internal Equities
3 External Equities
4 Fixed Income & Treasury
5 Alternative Investments
6 Real Estate & Infrastructure
7 Private Equities

Investment Activities

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

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

ADIA places great importance on preserving the reputation it has built over the past 40 years as a trusted and responsible investor and partner. In keeping with ADIA's prudent culture, investment proposals are subject to rigorous analysis at a departmental level, and in collaboration with numerous support functions, to ensure that they satisfy our internal risk and return requirements before being recommended for implementation.

ADIA invests into global markets either directly through its internal investment teams, or through external funds.

ADIA's equities, fixed income and alternatives departments operate a series of mandates under which they are able to invest across different asset types in line with pre-approved guidelines. These mandates are regularly reviewed and modified, or added to, as needed, in order to reflect market developments or take advantage of shifting trends. For illiquid asset classes, such as real estate, infrastructure and private equity, investment professionals are responsible for originating and recommending asset or sector specific investment opportunities.

ADIA's Investment Committee is responsible for the review and approval of all major investment proposals, including mandate changes, the appointment of new external fund managers and final investment decisions on most illiquid asset proposals. If approved, responsibility for deal execution and ongoing portfolio management rests with the relevant investment department.

Once an investment has been made, progress and performance is monitored by the investment department alongside a number of support functions, and updates are provided over time to the Investment Committee.

Investment Activities —

Equities

Indexed Funds Department

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

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

Internal Equities Department

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

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

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

External Equities Department

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

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

Review of the Year
2016

Macro and political events were the primary drivers of equity markets in 2016.

The year began on uncertain footing, with wide-ranging concerns that included U.S. economic growth prospects, financial market stability in China, weakness in emerging markets and commodity prices, and negative interest rates in Japan, among others.

However, oil and commodity prices troughed in February, before staging a recovery that surprised both by its magnitude and duration. The "risk on" trade that followed caught many investors unprepared, in what became something of a recurring theme for 2016. The sectors that performed best included Energy, Metals and Mining, Commodities and, later in the year, Financials. Emerging Markets, particularly those sensitive to commodities, performed well, outperforming Developed Markets over the first half of the year, but gave up some of their relative performance later in the year as the U.S. dollar once again resumed its upward trajectory.

The second half of 2016 was dominated by politics, starting with the U.K.'s decision to leave the European Union after a long and divisive referendum campaign.

In the U.S., Donald Trump defied all odds in 2016 to not only become Republican Party presidential nominee, but ultimately to win the U.S. presidential election. Once again markets were unprepared, and this created high volatility and unusual market movements.

Soon after this surprise, another followed in Italy. Prime Minister Matteo Renzi's referendum on proposed constitutional reform was firmly rejected, leading to Mr. Renzi's resignation.

2016 was also marked by the first signs of a significant shift by investors from bond investments to equities, suggesting the decades-long bond bull-run may finally be over.

Looking ahead, concerns about the strength of global growth will remain, coupled with political uncertainty, particularly in the U.S., U.K. and Europe.

In the short term, the evidence points to a possible rollback in regulation, a reversal in trade expansion and globalisation, higher costs and higher inflation. Rising interest rates and fiscal stimulus, particularly in the U.S., point to continued Dollar strength, although market anticipation of this means that other factors will likely be needed to prompt significant moves. Until that evidence is forthcoming, we remain in a low-growth, low-return world, with U.S. equities and a U.S. dollar that appear somewhat stretched at current valuations.

In developed markets, however, the potential for fiscal stimulus points to an environment that will likely favour equities over fixed income. Within equities, we have a slight bias toward developed markets, with emerging markets facing possible headwinds from a strong Dollar and concerns about trade protectionist rhetoric emanating from the new U.S. administration. In the year ahead, small- and mid-caps may outperform large-caps, especially in the U.S., due to their domestic orientation, relative lack of U.S. dollar risk and the likely positive impact of tax cuts. Within sectors, Financials appear attractive in both the U.S. and Europe, as they benefit from rising rates, a reversal in regulation and a primarily domestic currency exposure.

Key Developments

ADIA's equities departments had an active 2016.

In Internal Equities, continued selective recruitment resulted in new appointments to the U.S., Europe, Emerging Europe and South Africa, Japan, High Conviction Global Alpha, Equity Opportunities and support teams. The Global Sector Research teams, meanwhile, continued to produce research that supported the investment decision-making process, both within the Department and across ADIA as a whole.

In keeping with ADIA's emphasis on developing its UAE National talent, 10 UAE National trainees were placed into various roles across Internal Equities in 2016 as part of ADIA's Early Career Development programme.

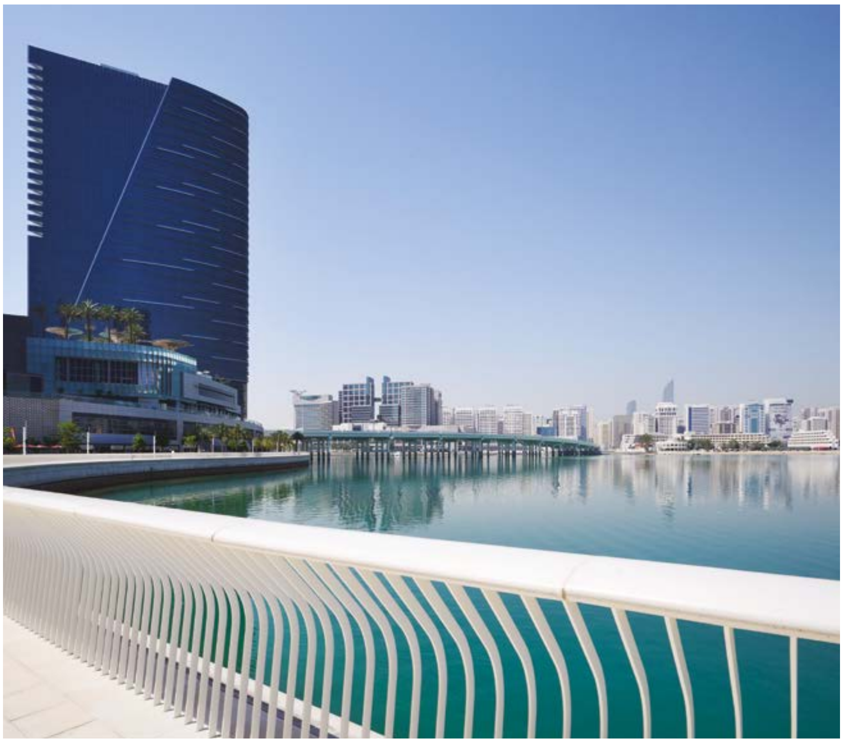
The External Equities Department continued its drive to optimise investment processes and further develop market and manager databases to enhance information content and decision-making. These initiatives have provided the team with greater visibility of return drivers and associated risks in individual markets as well as in specific manager strategies.

Fixed Income & Treasury

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

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

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



Review of the Year
2016

2016 was a year of two halves in government bond markets. During the first half of the year yields moved broadly lower, reaching historic lows (often below zero) in most markets. Yields rebounded after mid-year, in some cases sharply, and in general ended 2016 near or above levels at the start of the year. Consequently, returns were low, around 2% or less.

The decline in yields early in the year was driven by several factors: sluggish growth and persistently low inflation, continued aggressive easing of monetary policy in Europe and Japan, and eventually by market surprise over the U.K.'s vote to leave the European Union. Both the European Central Bank (ECB) and the Bank of Japan added materially to their purchases of government bonds, exacerbating the scarcity of high-quality long-term bonds. The Bank of Japan joined the ECB with a negative policy rate and the ECB pushed its policy rate more deeply negative. The surprising "Brexit" outcome added further downward pressure on yields, especially in the U.K.

By July, ten-year government yields were below 1.5% in the U.S., below 1% in the U.K., and below zero in Japan, Germany, France, and many other countries in Europe. The rebound in yields from those levels came as central banks and markets began to appreciate the undesirable side effects of quantitative easing, such as flat yield curves that hurt bank earnings, and the stress inflicted on pension funds and insurance companies by chronic low bond yields. The perception that monetary stimulus had peaked was encouraged by some firming of economic growth, especially in the U.S., and signs that economic policies would rotate to rely more on fiscal stimulus. Following the U.S. election result in November, and the intent of a new administration to ease fiscal policy in 2017, the rise in bond yields gained momentum, led by the United States.

Currency markets were broadly quiet in the first half of 2016, following a strong rise in the U.S. dollar late in the previous year. Emerging markets currencies gained ground as their bond markets looked more attractive versus the historically low yields in developed markets. The Yen was notably strong as well, profiting from a narrower bond yield margin versus the Dollar. Sterling dropped sharply after the "Brexit" vote. The change in tone in bond markets set off a renewed appreciation of the Dollar, especially after the U.S. election and the subsequent tightening by the Federal Reserve. China's RMB joined the general weakening against the Dollar, clear evidence that its policy of pegging to the Dollar had been replaced by one of stabilising its broader, trade-weighted value.

Credit markets turned in a strong performance in 2016, led by the U.S. high-yield market which delivered more than 15% total return. Yield spreads against government bonds had started the year at attractively high levels, and could fall as economic conditions improved during the year. The recovery in energy prices prevented a wave of defaults among levered oil and gas producers. Finally, the decision by the ECB to include corporate bonds in its purchase programme provided a significant boost to demand. By year-end, credit spreads had reached fair to expensive levels, pointing to lower returns in 2017.

Emerging markets debt also outperformed government bonds, especially Dollar-denominated issues. Local currency debt continued to be driven by currencies. Returns were strong in the first half of 2016, but gains were relinquished in the Dollar rally later in the year.

It is possible that 2016 marked a secular low in major government bond yields, though it remains too soon to conclude that with any confidence. The prospect of moderately higher yields would be welcome among many investors as it offers better returns on defensive and liquid assets.

Key Developments

During 2016, a number of new investment strategies were implemented within the Department's new diversified portfolio, aiming at combining active risks across market segments and efficiently utilising allocated risk budgets. Both the internal and external fixed income teams produced a positive relative return against their multi-beta investment strategies in 2016. The organisational structure was further strengthened by the appointment of a Head of Active Internal Fixed Income, centralisation of research capabilities (Macro, Quant and Credit) and strengthening of passive replication capabilities within the Department.

Meanwhile, the Treasury Group continued to develop its investment process through guideline changes, with a particular focus on maintaining breadth in returns and positions, whilst continuing to fulfil its responsibility to maintain liquidity and preserve capital.

Investment Activities —

Alternative Investments

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

The Department's externally managed investment vehicles include hedge funds, CTAs (Commodity Trading Advisor funds) and Emerging Opportunities, while a smaller internally managed portfolio focuses on systematic strategies. The team's hedge fund mandate includes macro, relative value, event-driven, and equity hedge strategies.

Alternative Investments is responsible for identifying, vetting and engaging investment managers who can best fulfil its mandates, while continuously monitoring and evaluating their performance and portfolio fit.

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

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

Review of the Year
2016

The economic growth and policy divergence that began in the latter half of 2015 accelerated in 2016 as a China growth scare and the prospect of multiple interest rate increases by the Federal Reserve sent global equities and commodities markets, particularly oil, into a tailspin. The Fed reacted swiftly by reiterating that the path of interest rate increases would be both gradual and dependent on U.S. data and global financial conditions. The resulting rebound in financial markets caught many by surprise as energy and emerging markets stocks and bonds rose, while financial and growth company shares suffered. This resulted in considerable rotation in return factors driving both stocks and bonds globally, adversely affecting almost all active managers and strategies, including hedge funds.

However, it was the two transformational political events of 2016 that ultimately determined manager outcomes for the year. First, the "Brexit" surprise in late June prompted a burst of volatility that was quickly reversed in most markets, with the exception of foreign exchange, which became the key market focus for many participants, especially macro managers.

In early November, the election of Donald Trump as U.S. President set the stage for a strong rally in equities, hard commodities, and the Dollar, and a sell-off in bonds, as markets priced in the potential for fiscal expansion and other measures in 2017.

This was followed by the Fed's decision one month later to raise its benchmark rate for the first time in 2016, which together point to a gradual normalisation of U.S. monetary policy in the year ahead.

The outlook for 2017 is dependent on a number of factors, including the path of U.S. interest rates, how and to what extent the new U.S. administration will be able to implement its policies, and ongoing political uncertainty in Europe, among other things. However, it appears likely that the persistent low volatility, high correlation markets of the post Great Recession era are drawing to a close, providing a more favourable market backdrop for most hedge fund strategies.

Given the surprise events of 2016 and unpredictable market conditions, liquid alternative strategies posted low single-digit returns on average, with strong returns from credit and discretionary macro managers and mixed returns from most equity-linked strategies. With its broad diversification of strategies, the Alternative Investments Department ended the year in line with the industry, with a particularly strong performance by macro strategies marking the second half of the year.

For CTAs, the year began with a strong positive contribution that was notable due to the portfolio's contrarian stance coming into the year. Despite a mixed performance at different key points during the year, the portfolio provided excellent protection from the events that surprised most discretionary hedge fund managers. As in previous years, the CTA mandate's strategic diversification to non-trend, systematic, multi-strategy managers with models focused on fundamentals, unique data sources and advanced algorithms paid off in 2016.

Equity hedge managers, meanwhile, performed modestly despite relatively strong equity markets worldwide, while European and Asian managers faced challenges from volatile markets and events in their regions. Market-neutral managers posted mixed results depending on the degree and nature of their neutrality and ability to cope with the rotation in and between market sectors. Meanwhile, trading-oriented managers with good timing skills and a broad market focus outperformed.

Discretionary macro managers had a strong year in 2016, particularly in the second half, with several managers distinguishing themselves by remaining steadfast and taking advantage of events through skilful trading. We expect this trend to continue, as improved opportunities to trade policy change within the timeframe of a macro manager bode well for future performance. Relative value managers reported positive, steady results, taking advantage of mispricing and higher volatility in and among sovereign bonds, credit and their derivatives, and also in select cross-asset class opportunities, particularly energy-related. Event-driven strategies, however, saw mixed and idiosyncratic performance due to unusually high dispersion in returns among special situation, activist and distressed debt managers.

Overall, discretionary hedge fund strategies had an acceptable year with an excellent outlook for 2017.

Key Developments

2016 was a year of consolidation for the Alternative Investments Department in assets, skills and capacities. Importantly, the Department saw positive results from its decision to expand its investment universe, allowing co-investments in "special situations", alongside our managers, as well as investments in smaller, capacity-constrained managers at earlier stages of their life-cycle. These changes provided the Department with access to a broader range of attractive market and manager opportunities, while lowering costs and improving returns.

In addition, the Department launched its Emerging Opportunities mandate to invest in asset types that fall outside the remit of ADIA's other investment departments. Staffed from within ADIA, the new mandate is expected to execute its first investments in 2017, with a view to adding new and differentiated return streams and diversification to ADIA as a whole.

Investment Activities —

Real Estate & Infrastructure

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

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

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

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

Review of the Year
2016

In a year of heightened political uncertainty and unexpected outcomes, real estate fundamentals remained firm and, broadly speaking, on an improving trend. Investor demand for cash-flowing real estate assets remained healthy and continued to expand, as both cyclical and secular forces attracted capital to the asset class.

Despite an abundance of liquidity, transaction volumes declined across most major markets in 2016, a trend that was likely due at least in part to reduced available inventory. While investor demand for income-producing properties held up, the pool of buyers for many assets was neither as deep nor as broad as in recent years.

During 2016, market conditions became more differentiated within and across regions. The U.S. continued to lead most other developed markets, with both asset values and occupier market fundamentals, such as occupancies and rents, moving above peak levels achieved in the last cycle. While there is little evidence to indicate that a downturn is imminent, current pricing levels require downward adjustments to expected returns.

In Brazil, uncertainty over the near-term trajectory of the economy and leadership kept many investors on the sidelines, even as early evidence of stabilisation allowed the central bank to ease short-term interest rates.

The U.K.'s unexpected vote to leave the European Union introduced considerable uncertainty in one of the top destinations for cross-border real estate investment. Although transaction activity has fallen sharply since 2015, this is neither unique to the U.K. nor solely attributable to the referendum. The early evidence from both the economy and property markets shows a limited impact from the vote, although it remains too early to know what impact it might have on occupier and investor demand for real estate in the years ahead.

Elsewhere in Europe, property market fundamentals continued to improve and competition for cash-flowing assets remained intense, with investor interest in markets such as Italy, Spain and Ireland continuing to increase.

In the Asia Pacific region, investor sentiment remained positive, with investor interest in India continuing to gain traction, while wide spreads available in Australia attracted foreign capital. In contrast, Hong Kong retail and Singapore office and retail struggled with weak demand from occupiers and investors. Within China itself, increased government spending and the relaxation of efforts to rein in credit growth helped fuel a sharp rise in home prices, particularly in Tier 1 cities, which in turn underpinned consumption.

In Infrastructure, meanwhile, 2016 was characterised by an upsurge in investor interest and increased capital flows. New records were set for capital raisings in the managed funds market resulting in increased competition for assets across sectors and geographies. Returns continued their downward trend of the past three years, as asset prices were pushed higher, particularly in core markets. Two consequences of this were an increased push by infrastructure investors into emerging markets and a blurring of the lines dividing infrastructure from private equity.

In 2016, increased political risk and concerns about its potential impact on economic growth required greater prudence when bidding for infrastructure assets. Even so, transaction activity was brisk as investors decided that the risk and return fundamentals of infrastructure remained attractive on a relative basis to other asset classes. Going into 2017 the prospects of a political shift in favour of fiscal policy over monetary policy, with a particular emphasis on infrastructure spending, may help to underpin further growth in the year ahead.

Key Developments

The Real Estate team remains focused on asset and portfolio management initiatives, selectively selling assets that have achieved their business plan or no longer fit within the portfolio strategy, and securing attractive financing for properties identified for longer-term ownership. While the pace of acquisitions slowed in 2016 along with the maturing cycle, the team continued to search for opportunities to deploy capital where there was a premium for providing liquidity. Key acquisitions in 2016 that fit this profile included an office development in La Défense, the dominant office market in Paris, and a retail development in Macau that will serve primarily the underserved local consumer base. The team also took advantage of discounts in the Brazilian listed markets to acquire a controlling stake in BR Properties, which owns a large portfolio of office assets in the key markets of São Paulo and Rio de Janeiro.

In Infrastructure, the team remained active in pursuing new investment opportunities during 2016, targeting a variety of investment platforms as an alternative to auctions where prices continued to increase in certain sectors and geographies. This approach proved successful, with examples including a second investment in the Indian renewable energy sector through Greenko, a leading developer of wind, hydro and solar energy, and an agreement with Abertis to invest in its Chilean roads platform. Asset management was prioritised during the year, with a portfolio-wide strategic review completed and resulting in the identification and implementation of enhanced reporting and risk management procedures.

Investment Activities —

Private Equities

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

The Department is committed to maintaining its ability to invest directly alongside partners through funds and across all private equity and private credit products and geographies. Investment teams are supported within the Department by the Risk and Finance functions.

Review of the Year
2016

The private equity industry posted a solid performance in 2016, according to interim data. Investor demand for the asset class remained healthy throughout the year, despite the emergence of late-cycle warning signs including high valuations, leverage and dry powder levels across many segments of the industry.

Valuations were pushed higher by a combination of factors, including availability of debt, pressure among GPs to deploy capital, and competition with strategic buyers. This was evident particularly in Europe where entry multiples reached record levels. In the U.S., entry multiples decreased marginally from 2015 highs but remained above 2007 pre-crisis levels.

Private equity houses continued to deploy significant amounts of leverage in their transactions, supported by accommodating debt markets albeit at lower leverage multiples than seen in 2015. Interest coverage ratios remained healthy and improved from the previous year.

Overall, private equity investment volumes were steady in 2016 compared to the previous year, but capital deployment remained significantly below the peak observed in 2007, with the majority of capital being deployed in the U.S. market. Aggregate deal value contracted across all major geographies including Asia, which experienced the greatest relative decline.

Concurrently, preliminary data suggests fundraising activity increased during 2016 as a whole, with volumes peaking in the second quarter. Venture capital continued to benefit from growing investor appetite, despite the correction in valuations experienced in certain segments of the technology sector. As such, dry powder once again reached record-high levels. Absent a market correction, aggregate levels of investment are expected to remain well supported.

Preliminary data suggest exit activity continued to be robust in 2016 but materially below the peak levels of 2014 and 2015. For the seventh consecutive year, the aggregate value of exits exceeded that of new investments. Overall, markets remained liquid, particularly in the case of strategic buyers, which accounted for the majority of exits.

In 2016, the private equity industry also saw the development of a number of key industry trends such as the emergence of funds with long lives in excess of 15 years, the continued appetite for co-investments, as well as interesting direct deal opportunities in China, which is now one of the largest private equity markets globally albeit with varying degrees of maturity among market participants. The market anticipates greater inflows into the asset class as institutional investors, particularly in Asia, increase their allocations to private equity.

The latest available data on the Department's returns suggest a solid performance for private equity investments in 2016. However, a combination of high valuations, increasing competition and rising interest rates in the U.S. may have a dampening effect on future absolute returns for the industry.

Key Developments

In 2016, the Department continued the prudent implementation of its strategy. At the portfolio level this resulted in a gradual increase in exposure towards direct private equity and private credit transactions, as well as the rapidly developing Asian private equity markets, particularly China and India. Consistent with its view of valuations, the Department increased its focus on structured equity opportunities because of their defensive characteristics. And on the fund side, the Department directed its commitment activity to increasing its focus on core relationships which have consistently supported its strategy.

2016 also marked the appointment of a Global Head of Private Equities, with joint responsibility alongside Departmental management for setting the investment strategy, overseeing the programme and making investment recommendations.

In 2017, the Department will continue to work with its financial and industrial partners to identify the investments offering the best risk adjusted returns in evolving market conditions and actively engage in the execution of negotiated investments.

Selection of External Managers

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

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

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

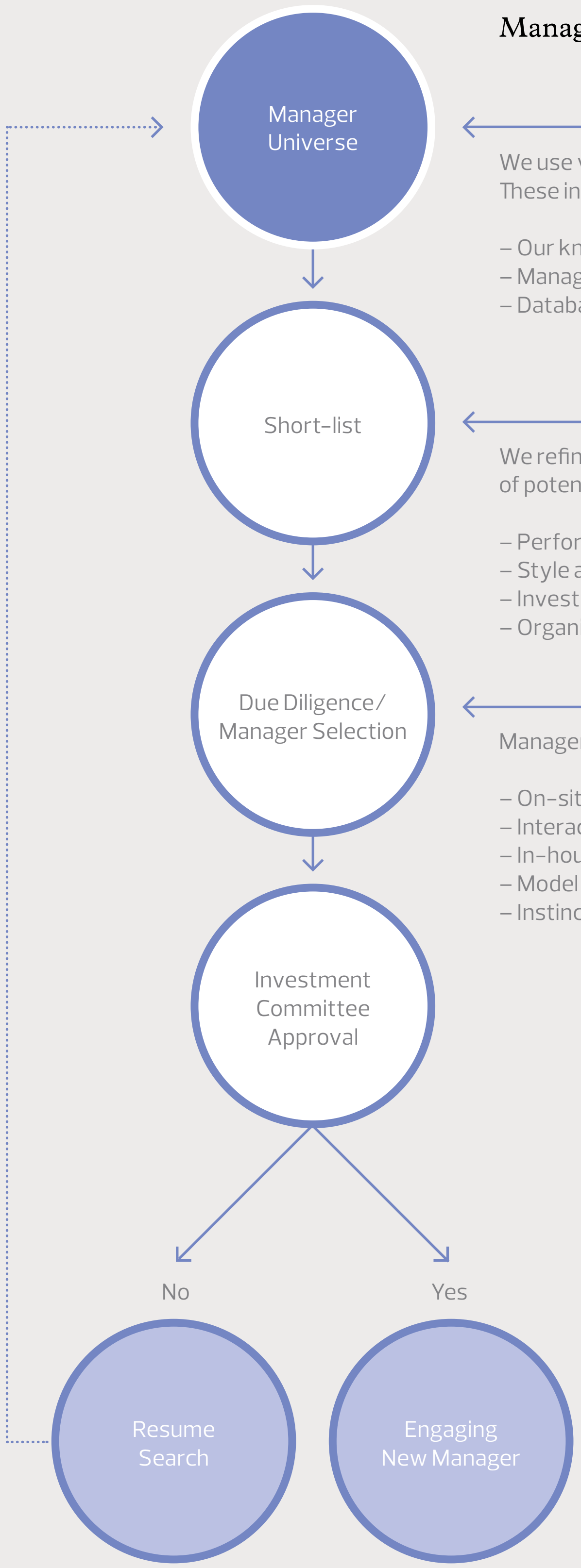
ADIA also uses external managers to complement its internal capabilities in the management of our index-replicating – or beta – investments across the various asset classes and geographies.

In recognition of the important role they play, we devote time and effort to the process of recruiting and monitoring external managers. Our investment methodology follows three key stages, from defining a universe of potential managers in any given asset class and strategy, to developing a short list and finally identifying candidates for inclusion in our portfolio. We analyse managers on the basis of ADIA's "Four Ps Framework" – Philosophy, Process, People and Performance – allowing us to build a well-rounded understanding of their backgrounds and potential to deliver sustainable strong performance against their mandates. The sequencing of due diligence activity varies by asset class, but always includes quantitative factors and qualitative views, informed by gathering and analysing relevant data, face-to-face meetings with managers and the expertise of our internal investment and due diligence teams.

ADIA has developed robust systems and processes over many years that require our external managers to remain compliant with our agreed investment and operating parameters. Once appointed, teams in each department continuously monitor our managers, analysing portfolio performance, positions, risk exposures and investment styles, and hold regular follow-up meetings with them, both remotely and on-site at their offices. In this way, we set clear expectations of the conduct of each external manager and are able to put their performance in the context of differing market conditions. The investment teams are supported by the Internal Audit Department, Evaluation & Follow-Up Division, Operations Department, Investment Services Department and Accounts Department, in coordination with ADIA's custodian banks.

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

Manager selection process



We use various means to identify a long list of potential managers. These include:

– Our knowledge and experience of the industry
– Manager reputation
– Databases

We refine the broader manager universe into a smaller short-list of potential candidates based on analysis of:

– Performance and attribution
– Style and portfolio
– Investment philosophy and process
– Organisation and team structure

Managers are selected after a thorough process that includes:

– On-site investment and operational due diligence
– Interaction with existing structure
– In-house due diligence
– Model impact (desired allocations)
– Instinct and experience

– Finalisation of terms (commercial and investment)
– Legal contract

Investment Support

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

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

Accounts Department

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

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

The Accounting team is responsible for:

- Investment accounting and related controls;
- Preparing ADIA's annual financial statements in accordance with International Financial Reporting Standards (IFRS); and
- Liaising with external auditors and supporting ADIA's investment departments and key committees.

Financial Planning and Analysis is responsible for:

- Budgetary planning and control;
- Providing transparency on financial variables via timely, relevant and accurate management reports and analyses; and
- Supporting ADIA's committees and departments by providing insights on the financial contribution of activities and strategies.

Central Dealing Department

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

Central Dealing seeks to add value by providing:

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

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

Human Resources Department

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

The Department is divided into a number of key sections:

- Human Resources Business Partners (HRBPs) are responsible for delivering coordinated and impactful HR-related support and guidance to ADIA's leadership and departments;
- The Recruitment team is responsible for supporting departments in identifying and hiring top talent from the UAE and around the world. UAE National Recruitment Section supports this effort by identifying, supporting, and recruiting young UAE Nationals with the potential to be strong performers and build successful, long-term careers at ADIA;

- The Talent team ensures that ADIA has the people and skills needed to meet its goals. It achieves this by identifying talent needs, providing resources and processes for individual development, and measuring and improving performance;

- The Rewards team ensures that employees' pay and rewards are closely aligned with their performance contribution and are competitive with our global peers;

- The Organisational Development team designs and seeks to continuously refine ADIA's organisational capabilities to enable ADIA to implement its mission and achieve its investment goals;

- The Facilities & Procurement teams enable a productive and secure working environment for ADIA employees;

- The Employee Services teams improve the efficiency and productivity of ADIA employees by delivering outstanding support and services; and

- The HR Administration and HR Operations functions are responsible for the execution and communication of ADIA's core HR operational processes, procedures, and policies.

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

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

Information Technology Department

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

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

The Department has two core teams:

- Infrastructure Management, which ensures that ADIA's hardware and networks are up-to-date and provide a fast, stable service; and

- Application Management, which works closely with business colleagues to create best-in-class financial applications and mobile applications to support ADIA's investment goals.

Internal Audit Department

Internal Audit's mission is to add value to ADIA by evaluating and improving the effectiveness of internal controls, governance and risk management processes, through the provision of independent assurance and advisory activities by qualified staff in line with ADIA's cultural values.

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

Internal Audit is primarily a review function which:

- Independently evaluates ADIA's internal control systems to ensure they adequately safeguard ADIA's assets, activities and interests, and reviews them regularly to ensure they are both efficient and effective; and

- Provides an additional layer of security to ensure all transactions are undertaken in accordance with ADIA's policies and procedures.

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

Managing Director's Office

Evaluation & Follow Up Division

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

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

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

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

Legal Division

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

Strategy Unit

Please see "Investment Strategy and portfolio overview" on page 14.

ADIA's support departments work closely with investment teams to ensure the organisation has the people, processes and systems needed to achieve its business objectives.

Investment Services Department

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

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

Risk Management leads the development and implementation of ADIA's enterprise-wide risk management framework. It advises the Investment Committee and Risk Management Committee and provides an independent, holistic assessment of ADIA's risk profile. It also fosters the continuous development of a culture of risk awareness across ADIA through its relationship with each department; as part of Risk Management, the Compliance function works to maintain ADIA's adherence to market rules and regulations and to ADIA's internal investment guidelines, and employees' compliance with ADIA's Code of Conduct and subsidiary policies. Business Continuity Management, meanwhile, works closely with all ADIA departments to operate a best practice Business Continuity programme, enabling ADIA to continue critical business processes in the event of significant business disruptions.

Data & Information Management ensures the delivery of timely, accurate data across all asset classes. The Performance Analytics function provides performance and attribution analyses, in alignment with investment risk, that contribute to a comprehensive view of risk and performance for the total portfolio.

The Project Management Office collaborates with ADIA departments to manage long-term, complex projects that deliver strategic change to ADIA. It also provides regular updates to senior management on ADIA's project portfolio.

Operations Department

Operations is responsible for protecting ADIA's assets and minimising exposure to operational, reputational and other risks. Working alongside their internal and external partners to support the investment process and help improve performance, the team develops and maintains a controlled environment while at the same time designing and re-engineering new and more efficient capabilities. Operations continuously develops its straight-through processing capability to maximise efficiency without compromising operational risk, while remaining compliant with all regulations and guidelines.

Operations oversees the following key functions: Trade Support (settlement, capture and cash), Asset Servicing, Securities Lending, Change Management, Performance Measurement, Custodian Management and Operations Risk. The Department seeks to generate incremental revenue through efficient portfolio cash management, tax reclaims, securities lending, class action recoveries and securities litigation.

Operations supports ADIA's global investment mandates by maintaining strong technical knowledge of global financial markets and staying up-to-date with relevant market and regulatory developments.

Risk Management

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

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

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

Governance

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

Risk Management

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

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

The Investment Services Department's risk analysis includes:

- Continuously assessing all sources of risk on both an absolute and a relative basis, including through proprietary portfolio modelling;

- Developing a comprehensive risk assessment across all risk types, including "top-down" aggregate portfolio risk, "bottom-up" investment risk by asset class, country and counterparty risk, operational risk, operational due diligence, business continuity, and compliance risk; and

- Identifying, monitoring and escalating risk mitigation strategies to address emerging and ongoing risk issues on a timely basis.

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

Risk Culture

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

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

2000s

ADIA entered the 2000s during a period of high growth and diversification into new markets, and the introduction of new asset classes with greater levels of complexity.

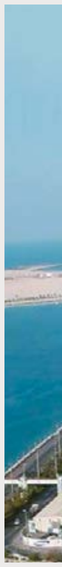
This required internal functions and governance structures to develop to keep pace with the demands of an increasingly sophisticated institution. This process of evolution and specialisation continues today.

In the mid-2000s, important changes were made to how ADIA recruited, managed and rewarded its employees. This work, undertaken over the course of several years, had a profound impact on almost every aspect of how ADIA organised itself and how its employees worked together.

In 2007 ADIA moved into its current headquarters at 211 Corniche Street, Abu Dhabi. That year also saw the introduction of infrastructure as an asset class, while the following year both the Internal Equities Department and Strategy Unit were created.

In 2008, as Co-Chair of the International Working Group of Sovereign Wealth Funds alongside the IMF, ADIA played an important role in the design and development of the Santiago Principles for SWFs. These principles and practices play an important role in building trust between SWFs and host countries by making clear that signatories are investing solely for financial returns. They also provide newer funds with an operating model that supports their efforts to achieve best practice.

March 2001



April 2006

ADIA's present-day headquarters at 211 Corniche Street under construction and ADIA's Investment Committee in 2009 (bottom right).


December 2001


May 2002


September 2002


February 2003

ADIA's Investment Committee in 2009. Managing Director Sheikh Ahmed bin Zayed Al Nahyan is in the centre and sixth from the left. From the left in order are: Mohamed Darwish Alkhouri, Executive Director, Internal Equities; Majed Alromaithi, Executive Director, Real Estate; Hamad Al Ameri, Executive Director, Alternative Investments; Khalil Foulathi, Board Member and Executive Director, Fixed Income & Treasury; Khalifa Nasser Al Mansouri, Executive Director, Accounts; Sheikh Ahmed; Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan, Board Member and Executive Director, External Funds Europe; Hamad Al Hurr Al Suwaidi, Board Member; Hareb Aldarmaki, Executive Director, Private Equities; Saeed Al Hajeri, Executive Director, Emerging Markets; Mohammed bin Hamooda bin Ali, Executive Director, External Funds America; Dr Juaan Salem Al Dhaheri, Board Member; Juma Alkhyeli, Executive Director, Equities Far East.

Source of funds from the Government of Abu Dhabi

Relationship with the Government of Abu Dhabi

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

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

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

Source of Funds and Approach to Withdrawals

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

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

Governance

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

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

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

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

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

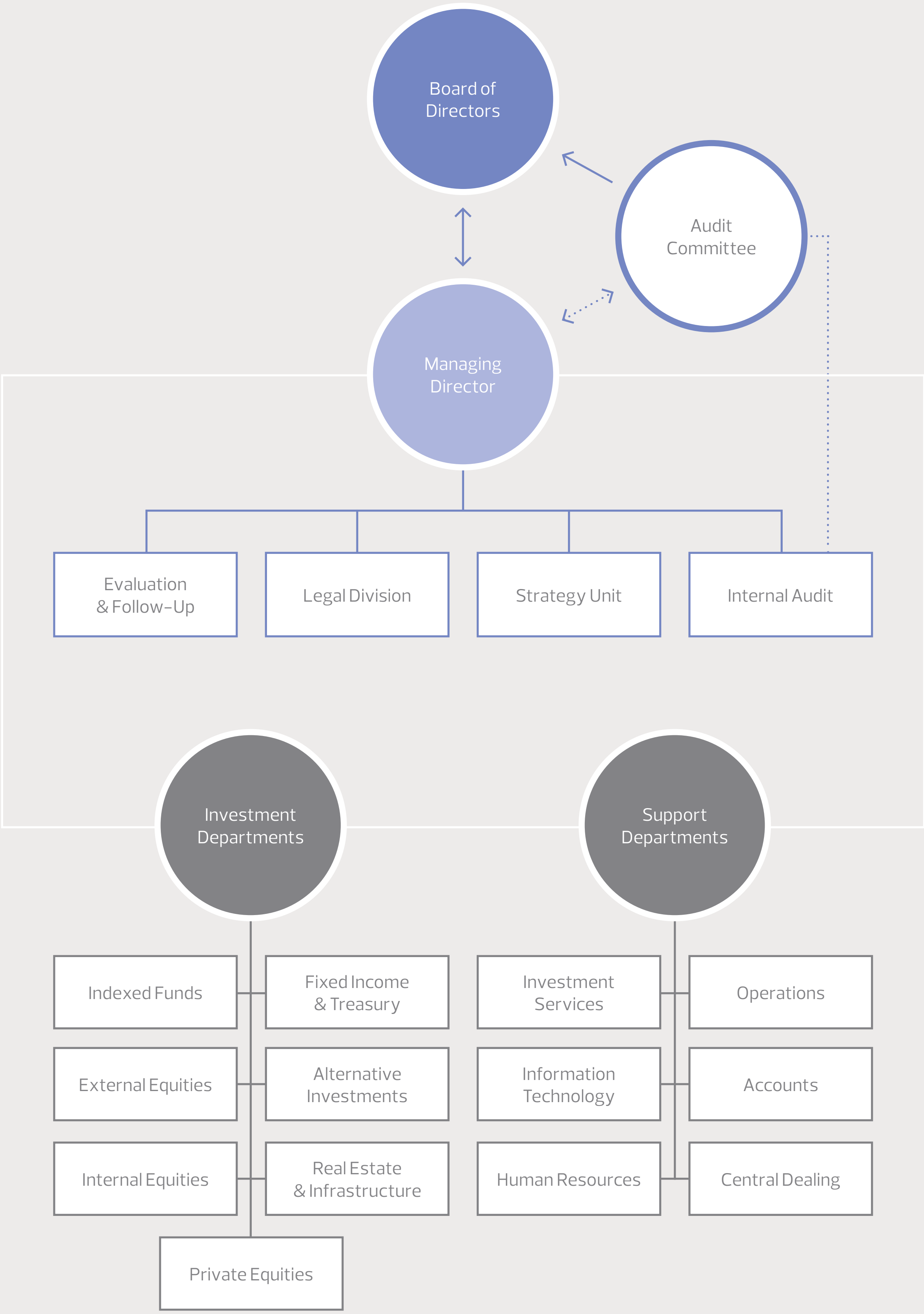
A number of key committees support the governance framework:

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

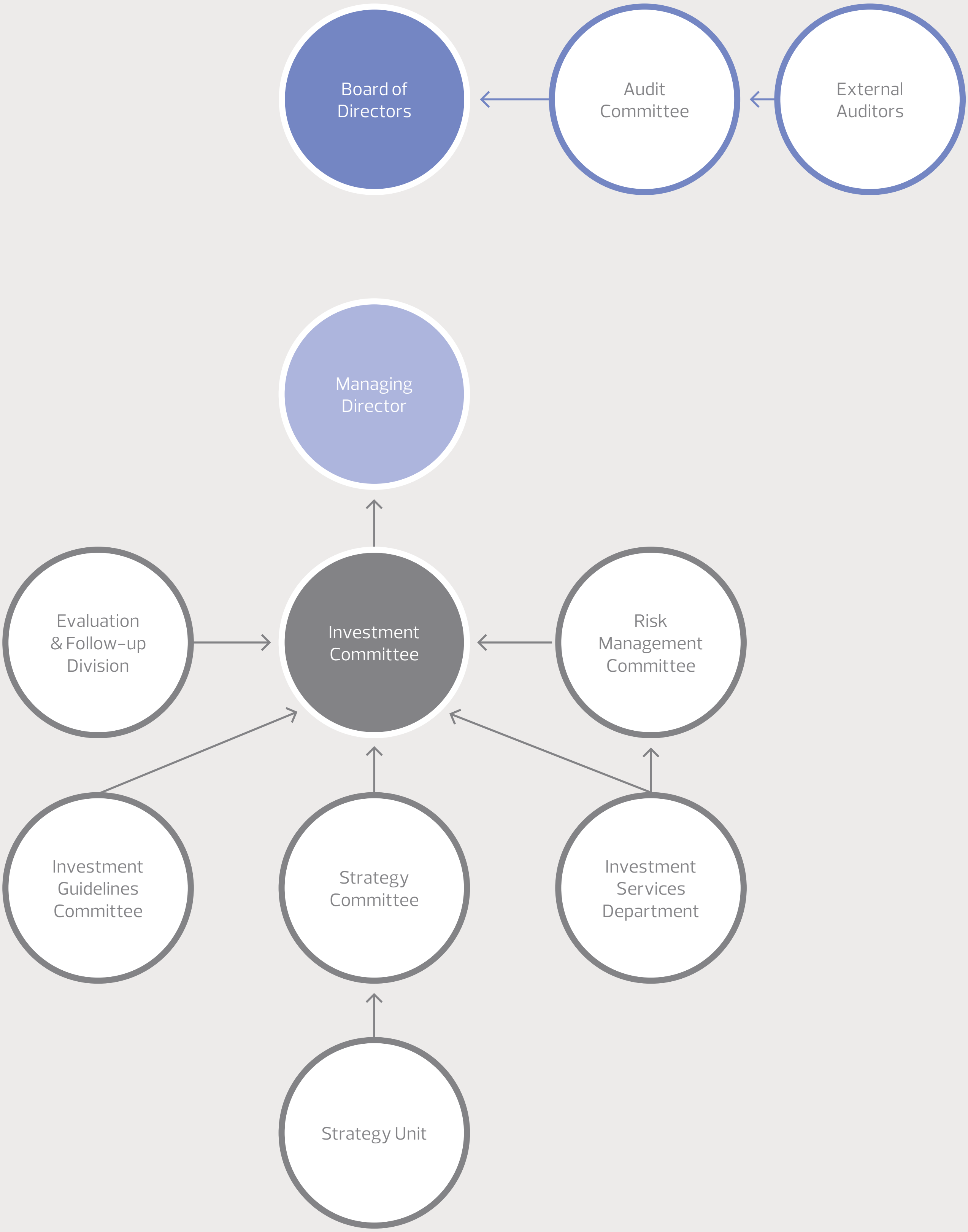
The Investment Committee assists the Managing Director, and is responsible for managing and overseeing investment-related matters. The Managing Director chairs the Investment Committee, assisted by two Deputy Chairmen, with the participation of the Executive Directors of all investment departments and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

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

Governance structure



Investment governance



The Strategy Committee advises the Investment Committee on ADIA's overall investment strategy and the composition of ADIA's Strategic Portfolio.

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

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

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

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

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

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

Board of Directors

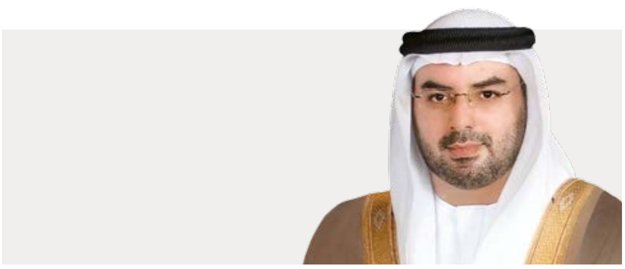
H.H. Sheikh Khalifa bin Zayed Al Nahyan
Chairman

H.H. Sheikh Mohammed bin Zayed Al Nahyan

H.H. Sheikh Sultan bin Zayed Al Nahyan

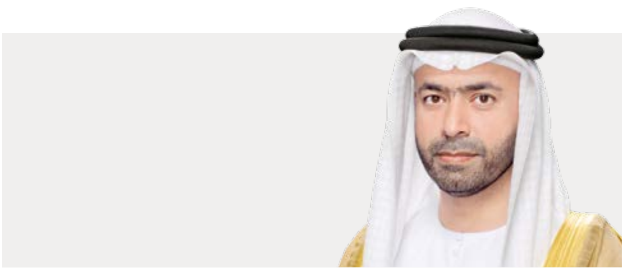
H.H. Sheikh Mansour bin Zayed Al Nahyan

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



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

H.E. Mohammed Habroush Al Suwaidi



H.E. Hamad Mohammed Al Hurr Al Suwaidi

H.E. Khalil Mohammed Sharif Foulathi

Investment Committee

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

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

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

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

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

Mohamed Ahmed Mohamed Bandouq Alqamzi
Executive Director, Internal Equities

Obaid Murad Hassan Abdulla Alsuwaidi
Executive Director, External Equities

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

Khalifa Matar Khalifa Qaroona Almheiri
Executive Director, Alternative Investments

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

Hamad Shahwan Surour Shahwan Aldhaheri
Executive Director, Private Equities

Juma Khamis Mugheer Jaber Alkhyeli
Executive Director, Investment Services

Salem Mohamed Helal Rashed Almazrouei
Executive Director, Accounts

2010s

Sheikh Hamed bin Zayed Al Nahyan became ADIA's Managing Director in 2010, and has continued to build on the traditions established by the institution's founding fathers, while innovating and expanding into new areas and activities.

As ADIA has continued to evolve, so has its organisational structure. Between 2011 and 2013, the External Equities, Indexed Funds, Human Resources, and Central Dealing departments were all created, and infrastructure was combined with real estate into a new Real Estate and Infrastructure Department.

As an organisation that encourages questioning the status quo, this process of organisational optimisation continues today.

In 2014, the inaugural Global Investment Forum was held to stimulate the cross-departmental sharing of insights and experience. The event is held annually and tackles major issues that are shaping global financial markets now and into the future.

Today, through continuous engagement and backed by a long and successful track record, ADIA continues to emphasise building strong and trusted relationships with governments, regulators and business partners around the world.

ADIA's reputation is built on clarity and consistency – it is evident in behaviour and decisions that closely align with its mission of safeguarding and growing wealth for future generations. In keeping with its prudent nature, ADIA backs this up with high standards of governance, and clearly defined roles in the organisation that ensure responsibility and accountability.

People

Today, ADIA employs 1,750 people representing more than 60 nationalities at its headquarters in Abu Dhabi.

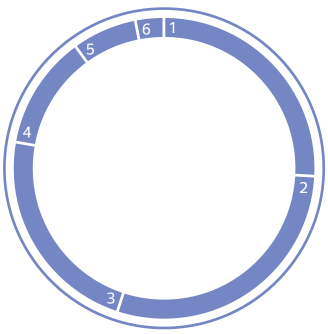
Our People

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

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

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

ADIA employees by nationality



1	UAE	26%
2	Europe	29%
3	Asia/Pacific	23%
4	Americas	12%
5	Middle East/Africa	7%
6	Australasia	3%

Culture

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

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

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

Recruitment

We believe that ADIA's broad spectrum of nationalities is one of our core strengths, ensuring a breadth of knowledge, expertise and perspectives is represented in our decision-making processes. We are a world-class employer, and our priorities are to attract and retain the best international and local talent. We achieve this by seeking high-performing individuals in specialised fields, while also identifying top UAE National recruits with the skills and attributes that will underpin ADIA's continued success. Our structured recruitment process is designed to assess candidates' experience, technical skills and behaviours while providing them with a thorough and comprehensive understanding of ADIA's culture, work environment, and life in Abu Dhabi. During 2016, we continued to support ADIA's long-term objectives with a focus on enhancing our active and internal investment capabilities through a comprehensive recruitment effort. We believe that ADIA's broad spectrum of nationalities is one of our core strengths.

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

ADIA has created a diverse team, with more than 60 nationalities represented at ADIA HQ.

Developing our People

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

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

ADIA actively supports its employees in their professional and personal development by offering a wide range of targeted development programmes. The combination of classroom training and on-the-job development contributes substantially to employee growth and success. ADIA is proud to employ the highest number of CFA Charterholders of any organisation in the Middle East.

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

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

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

Training course statistics

1	Investment & Professional Skills Programmes	22%
2	Management & Leadership Development	25%
3	Professional Certification Programmes (e.g. CFA)	6%
4	Personal Development	42%
5	IT Skills	5%

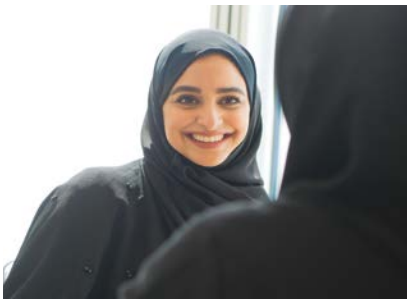
Our UAE National Talent

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

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

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

Since its formation in 1976, ADIA has maintained a strong commitment to the development of UAE National talent.



ADIA at 40: A Living Culture

In many ways, ADIA has changed beyond recognition since its humble beginnings 40 years ago. However, in what has become a lasting tribute to the vision of ADIA's founders, there are numerous enduring characteristics of the organisation that were embedded in its earliest days and still remain firmly in place today. Together, these have made a significant contribution to ADIA's success over the years and form an integral part of our shared identity.

To mark our 40th anniversary, we brought together a cross-section of employees and asked them a few questions about ADIA's core characteristics and how they are reflected across the organisation today.

Meet the Panel (left to right)

Marcus Hill
Senior Fund Manager, Real Estate & Infrastructure

Reem AlMehairi
Senior Specialist, Internal Audit

Heather Wyatt
Senior Manager, Human Resources

Matar Al Mazrouei
Investment Manager, Fixed Income & Treasury

ADIA's long-term focus is one of its most recognised traits. How is this reflected across the organisation?

Marcus – From an investment perspective, when we invest in an infrastructure asset we assume we are going to hold it for 20, 30 years or longer. We won't always ultimately invest for that long but we are thinking about the risks and drivers of value over a long period of time. There is a maturity and level of experience that means people don't get that excited by quick wins or too disappointed when things don't go immediately to plan. It also means we are very conscious of matters like reputation and relationships.

Of course, being a long-term investor doesn't mean you can be complacent. It's essential to keep a keen view on risk and value so that we are well informed and able to move quickly if there is an opportunity or a need to respond to changing market dynamics.

Matar – Having a long-term focus, and a well-structured portfolio, is a competitive advantage. It means that ADIA has been able to weather market downturns and avoid liquidation pressures. But there is also a human aspect to it. As an organisation, we don't tend to react immediately to cycles to make decisions about the size of our workforce. The focus is on creating and developing the culture through our people and trying to maintain the same culture over the long term, whether that's to support investments or to develop leaders.

Having a strong culture is a big factor in how you retain people.

Reem – That's an important point. Even our individual development plans here look several years into the future. I have been working at ADIA for more than nine years and there has always been a long-term plan for me, which I have been involved in developing.

For the last four years I have been in the Internal Audit Department, which is all about long-term thinking and trying to ensure ADIA achieves its goals for the good of Abu Dhabi. In my team, we use advanced data analytics techniques which are the future in many business areas. We are always encouraged by management to think of the bigger picture and what the end result will look like in the long term.

Heather – As a member of the HR team, I always try to remind myself that what I do every day impacts the ADIA mission, which is of course very long-term focused.

This starts right at the beginning, with how we recruit. Any company will look at whether the individual has the right capabilities and technical competencies, but at ADIA it's extremely important that we select someone who will be collaborative, who is going to be focused and execute in a disciplined way and come up with those innovative ideas that will take ADIA into the future.

With over 60 nationalities, ADIA has one of the most diverse workforces in the world. What are the benefits of this?

Reem – For me, it is a fantastic opportunity to learn from some of the best talent in the world. I also believe that this opportunity has increased the cultural awareness across ADIA. Being exposed to such a diverse workforce means that I am more confident in how I interact and communicate during external business meetings and missions.

Matar – ADIA's diverse workforce is a reflection of its diverse portfolio. What's really impressive, though, is that you would think that one culture might dominate others, but ADIA has created its own culture. There is a common purpose where employees work and collaborate to achieve a shared goal. It is such a respectful environment where people tend to get along and focus on getting things done. Personally, one of the great benefits is being exposed to a diverse pool of talents.

Marcus – There is a cultural element but there is also a practical element. For example, when we want to look at an investment opportunity in India or South America we have people who know the region, can speak the language and understand local dynamics. Certainly for what we do there is a significant practical benefit to having people from different backgrounds.

In our team, everyone, irrespective of their position, is encouraged to share their view, and the most valuable views are the ones that are different to the consensus. So if someone has the courage to share an alternative view, that is always respected and valued.

Matar – That is how we actually generate returns – with insights that are different from others.

As a prudent investor, ADIA ensures it considers all perspectives before making important decisions. What is your view of ADIA's consensus culture?

Heather – All the research shows that getting buy-in is very important to any decision – you need to engage people and achieve consensus, otherwise you will fail. So ADIA's culture very much follows suit when it comes to that. If there is an important decision that needs to be made in this organisation it goes through the proper level of stakeholder engagement involving multiple teams and going through the committee structure. What this means is that by the time a decision is made, not only is it the right decision, but you have a level of buy-in that you wouldn't have had otherwise, so I think it works very well.

Matar – At ADIA, it's not a one-man show. It's about calibrating everything back to the objectives of the portfolio. Our mission is to preserve capital for the next generations and grow it. It's true that we have consensus at the end but the road to consensus is not always an easy one. Sometimes people can have strongly opposing positions and they don't always converge to the middle, and that's how we should think about it – as a weighted wisdom decision from everyone, so you are not concentrated to one view. Every decision made represents a collective view that is carefully and thoroughly vetted, after considering different perspectives.

Marcus – I would also add that seeking consensus doesn't mean you can't move fast when you need to. Important decisions here can often be made very quickly. Our partners are often surprised how often our Investment Committee meets and how quickly we can get things approved, and certainly when we look at our peers around the world that's not always the case.

In keeping with the original vision of its founders, ADIA places great emphasis on training and development. How has this benefited you?

Reem – My first job after graduating from college was at ADIA, and I am grateful for all the opportunities I have had since joining here.

It's certainly true that ADIA focuses a lot on training, and it's not only technical training but also personal development courses. I have obtained the ACDA – ACL Certified Data Analyst Certification – and was the first UAE National to do so.

I also recently completed the Professional Development Programme (PDP), which helps participants to develop skills and capabilities that improve individual performance and build the future of the organisation.

Matar – My former manager once said to me: "If you want return, you have to invest." At first, I thought that he was talking about investing in assets, but he was actually referring to talent development. That is ADIA's most valuable asset. There is always an opportunity to develop your skills here. When I joined ADIA back in 2011 as a fresh graduate the first thing I did was enrol into the CFA programme, which I then successfully completed.

My development has never stopped since then. I've had the opportunity to attend many different courses and seminars, but I have probably learned the most from the experiences I get through my day-to-day work.

Marcus – From an investment perspective, the number and diversity of opportunities you get here to review and consider and learn from is invaluable. It rapidly develops your experience, decision-making and judgement. On the more traditional training side, ADIA has supported me and proactively identified courses that are relevant to me, in areas as diverse as director training or even how to manage sea ports.

There is a culture here that no matter how junior or senior you might be, you can always improve your skills and experience.

Heather – I love the fact that you don't have to travel, you don't even need to leave the building – you have extremely engaging speakers, renowned speakers that come in and are helping to educate us as a workforce.

It's expected that we take advantage of some of these learning opportunities to grow our collective skillset, so it's not as if you feel guilty taking some time out of work – it's part of the culture, it's part of the job that you need to develop your skills.

One of the things that makes ADIA unique is the sense of responsibility and pride that UAE Nationals, in particular, feel about working here. How does that influence how you do your job?

Matar – It's true that this doesn't feel like an ordinary job. I have always felt the need to give something back, because I have been given an opportunity but also because of the important role that ADIA plays for Abu Dhabi.

Reem – As a UAE National, working for ADIA carries with it a sense of responsibility towards my country and the welfare of the future generation.

Every decision made in ADIA today will have an impact on my family and society in the future. This responsibility is a great motivation for me to work hard in my day-to-day job.

I feel a real sense of excitement and eagerness to learn.

Marcus – When they think about taking a job here, most expats would think about the experience and the opportunity and that's valid. But I think having worked here for a period of time you do pick up that sense of responsibility. From time to time it's quite humbling to recognise how important the organisation is to the people and to the Emirate. So it does have a different dynamic to working in a financial institution elsewhere.

Heather – It's unique to ADIA that you have a large population that are so committed to the mission and I think it plays a large role in driving people's loyalty. I also think that has an impact on how people from other cultures feel about their jobs here. It's contagious. It creates a sense of purpose and connectedness to the organisation. Our retention is extremely high.

Being successful in global financial markets also requires an ability to adapt and evolve to changing environments. How successful has ADIA been in this area?

Marcus – I wouldn't have a job here if ADIA wasn't willing to adapt and embrace change, because building a team to focus on direct infrastructure investments ten years ago was a big call to make.

Since then, what has impressed me is how decisive and supportive ADIA has been to doing new things, such as growing in markets like India and China, where there are many issues and risks to consider. There is a recognition of the rapidly increasing importance of these markets and of the need to build our understanding, experience and relationships now.

Heather – We have run an opinion survey here for the past five to six years and we have used that to help identify areas where we can grow and improve as an organisation.

People are thinking about what is going to happen in the future and how we can innovate, so that we can anticipate and react to changes in the environment.

This is an area where we need to continue to work, but it's one where we have made definite progress in the past few years.

One example is our senior leadership forum, which brings together all our senior management every quarter to discuss ways of improving the organisation.

Matar – Being around for 40 plus years and having achieved everything that it has, is proof that ADIA can adapt. There is a real emphasis on innovation and the management is always open to improvements in the investment process, or in how we organise ourselves.

The size of ADIA requires moving at a certain pace. Moving faster or slower creates risks. That's why continuous improvement that is logical and clearly understood is much better than big, dramatic changes that might be disruptive and not have everyone's full support.

Working at ADIA —

An Inside View

Eugene Oon Soo Kai
Head of Rewards,
Human Resources Department

Prior to joining ADIA in 2009, I was a consulting actuary working on the compensation and benefit aspects of corporate mergers in London. Joining ADIA gave me the chance to take my career in a new direction, one where I could use my mathematical background in a different way and learn about the people side of the business, something I have always been curious about.

I joined as a Compensation and Benefits Specialist and, as ADIA evolved and grew, so did my role: first to become a Senior Manager and eventually on to my current position as Head of Rewards. Throughout, I've been supported to grow my skills and broaden my experience. Just recently I was involved in a leadership development programme run by Harvard Business School, which was an extremely valuable experience: I learnt how to better diagnose problems, make decisions and lead organisational change.

When I joined ADIA, the organisation was embracing new ways of thinking about talent, leadership and organisational capabilities, which underpinned many of the structural changes that were implemented over the ensuing years.

Perhaps one of the defining aspects of working at ADIA is the continuous focus on doing what is right for the organisation over the longer term. Many financial institutions talk about taking a long term approach, but very few truly live by it. At ADIA, this anchors everything we do, starting with who we recruit, down to how we manage and reward employees for performance.

As well as some of my regular tasks, in any one day I might be working with a department on reviewing the compensation structure for a particular asset class, providing input into organisational development initiatives or working with a cross-departmental group on productivity. One of the things I enjoy the most about my day-to-day work is that I have the chance to interact with fascinating stakeholder groups, people from all over the world with different cultures, backgrounds and expertise in different business areas.

We have a culture of debating ideas here, and with the different perspectives we have around the table those conversations are often lively, but always respectful and always open to hearing a different view. I think this leads to better, more robust decision making for the organisation as a whole, because not only do we draw on the expertise of a number of people during these discussions, but we also spend time building support for how the decision will be implemented.

"One of the things that I noticed immediately after joining ADIA was the level of access we have to some of the world's very best investors."

Veenu Ramchandani
Senior Investment Manager, External Equities Department

I joined ADIA's External Equities Department in 2016 as one of the people responsible for managing ADIA's equity investments being managed by external fund managers.

Previously I was working with a global asset manager based in London, firstly as a research analyst, then a product specialist and finally I moved into manager selection.

During the recruitment process for ADIA, I was able to meet with a number of members of my future team, and that gave me a good level of comfort around the type of people I'd be working with, and the type of organisation I was joining.

One of the things that I noticed immediately after joining ADIA was the level of access we have to some of the world's very best investors. ADIA has built long-standing and deep relationships over the years, so when we need to speak to a manager we get access to timely insights from the senior team. It is one of the parts of the job that I enjoy the most; I'm able to have fascinating conversations about all manner of things that influence financial markets, with some of the very best minds in the business.

Working in External Equities means I spend my day either monitoring our existing external fund managers, or researching those we might consider in the future. It requires a mix of both quantitative and qualitative skills, so while the ability to track managers' performance, risk metrics and other measures is vital, so is spending the time to understand their investment philosophies and process. We get to know the people behind the decisions, and this often means meeting with the senior team as well as the junior analysts, to ensure we have a full picture.

I work in the EMEA team, which is six in total. We have a mix of nationalities, with three men and three women, and experience ranging from around ten years to more than 20. It's a diverse team and an enjoyable environment to work in.

Whenever we're proposing to make changes to existing manager allocations, we present to the rest of the department and the idea is challenged by other members of the team to ensure we're considering all angles. It is a great way to draw on the collective experience and knowledge we have. We are all encouraged to bring new ideas and approaches to how we work and, if the team sees value in them, they're adopted quickly. There's certainly no resistance to trying new ways to do things.

Global Investment Forum 2016

ADIA held its annual Global Investment Forum (GIF) in Abu Dhabi on 20 November 2016, with a diverse group of speakers focusing on how technology is re-shaping the world for international investment institutions.

Under the title "The Fourth Industrial Revolution: How technology and automation will impact the investment landscape.", the 2016 event tackled subjects as diverse as biotechnology, automated trading, cyber-fraud and many others.

ADIA's GIF was created in 2014 as a catalyst for stimulating discussion and collaboration, drawing on ideas from global experts on the major forces shaping the world economy. The event brings together a cross-departmental ADIA audience to promote internal information sharing and collaboration, while considering topics of long-term significance for investors. ADIA employees are regularly involved in various inter- and intra-departmental forums to facilitate the exchange of ideas, but GIF is ADIA's largest such event.

Moderated by CNN's financial editor, Todd Benjamin, speakers at GIF 2016 were drawn from various disciplines and included academics, investment professionals, best-selling authors and venture capitalists.

The opening plenary session was delivered by MIT Sloan School of Management's Professor of Economics, John Van Reenen, who spoke about the implications of technological change for economic development and employment around the world.

David Siegel, Co-Founder and Co-Chairman of Two Sigma Investments, explained how scientific thinking, data analysis and computer technology are being used to develop algorithmic trading strategies. Meanwhile, in a parallel break-out session, Oxford University's Daniel Susskind and Bain & Company's Karen Harris discussed recent innovations in automation and their ability to reduce the cost of distance to such an extent that new products, services and investment opportunities are being created as urban centres are redefined.

An illuminating session on recent advances in life sciences was delivered by Juan Enriquez, Managing Director of Excel Venture Management, and a global authority on the transformative potential of life sciences for business, technology and society as a whole. The audience heard of the investment potential of "life code" related technologies, which are creating new possibilities in industries such as energy, healthcare and chemical manufacturing.

Other sessions focused on artificial intelligence, emerging trends in the biopharmaceutical industry, the growth of smart cities and technology clusters, and the abilities of "super-forecasting" techniques to predict the outcome of major global events.

Each session was concluded with a lively Q&A session where – in keeping with the theme of GIF 2016 – audience members could submit questions and respond to polls via the GIF 2016 mobile app.

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