ADIA

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Abu Dhabi Investment Authority

2023 REVIEW

Real Progress

ADIA

CONTENTS

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.

Letter from Hamed bin Zayed Al Nahyan

MANAGING DIRECTOR

The financial narrative of 2023 was one of economic and technological convergence, in which the impact of easing inflation combined with the rise of artificial intelligence to spark a sharp rally in risk assets.

The positive outcome seemed far from inevitable as 2023 began. Interest rates climbed steadily during the first half, raising fears among investors of a recession later in the year. However, by mid-year it became clear that inflation had peaked, and further rate rises were unlikely. This cautious optimism was then reinforced by evidence that U.S. growth and other key metrics including employment remained robust.

In parallel, a separate realisation was underway about the potential impact of artificial intelligence on innovation, productivity and ultimately, economic growth. Indeed, 2023 will likely be remembered as the moment when AI entered mainstream terminology and its transformative potential came into sharp focus. This helped propel valuations of some technology companies to new record highs.

The MSCI World Index rose 24% in 2023, with most of the gains coming in the last few months of the year as risk appetite surged. Meanwhile, fixed income markets moved in lockstep with equities once again, rising late in the year as investors anticipated interest rates cuts.

It was a more nuanced picture for private assets as high interest rates complicated deal economics. Overall, ADIA was well positioned to capitalise on the strong gains in parts of these markets, while benefiting from dislocations in areas where conditions were more challenging.

In recent years, ADIA has sought to emphasise total returns at a portfolio level, in contrast to the more traditional approach of tasking individual asset classes to outperform benchmarks. This has led ADIA to steadily increase its exposure at a total portfolio level to areas in which it holds natural competitive advantages. These include private assets, where ADIA's long-term focus and resilience to market cycles enables it to capture opportunities during market dislocations.

In private equity, for example, ADIA has leveraged its often decades-long relationships in the sector to broaden and deepen how it accesses the sector, and ultimately enhance returns. In 2023, ADIA's allocation to private equity grew to 12%-17% of ADIA's total portfolio, in comparison with 10%-15% in 2022.

At a total portfolio level, the proportion of ADIA's assets managed internally has also grown, from 55% in 2022 to 64% in 2023. This increase can be mostly attributed to changes in how ADIA manages parts of its indexed equity exposures through the Core Portfolio Department, which has substantially expanded its internal capabilities in recent years. This provides ADIA with additional flexibility to optimise its investment activities and implement asset allocation decisions more efficiently. In parallel, ADIA is continuing to expand and deepen relationships with leading external managers across various asset classes.

As at 31 December 2023, ADIA's 20-year and 30- year annualised rates of return, on a point-to-point basis, were respectively 6.4% and 6.8%*, compared to 7.1% and 7.0% in 2022. As always, these figures are influenced both by years dropping out of the calculations as well as performance data in 2023.

* *Performance is measured based on underlying audited financial data and calculated on a time-weighted basis. Performance for 2023 remains provisional until final data for non-listed assets is included.*

Letter from Hamed bin Zayed Al Nahyan

Continued

MARKET OUTLOOK

As 2024 began, expectations were for inflation in developed markets to decelerate further from its post-pandemic highs. However, economic indicators remained mixed, leaving many countries with the delicate balancing act of seeking to dampen inflation without stifling demand.

Structural factors mean that price pressures may remain elevated when compared to the decade following the global financial crisis. Fortunately, central banks are now better equipped than ever to navigate such challenges, with tools and strategies that enable more surgical targeting of emerging issues.

While U.S. corporate profits remained resilient in 2023, slowing demand combined with the delayed impact of higher material costs may pose challenges in 2024. U.S. equities, with price to earnings multiples above historical averages, may struggle to repeat last year's performance in the absence of compelling new profit drivers.

Meanwhile, politics as a theme will make a comeback this year, as more than 2 billion voters in 60-plus countries go to the polls in one of the biggest election years in history. The choices that voters make will have significant implications, not only for domestic policy but also in terms of how countries engage with each other.

In recent years, financial markets have proven remarkably resilient to geopolitical events. However, this is no cause for complacency, as an unpredictable political outlook often has real-world outcomes that eventually cascade down to financial markets.

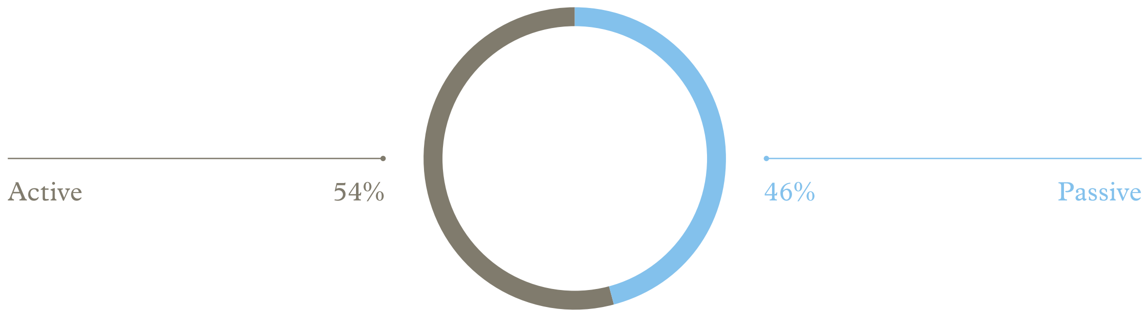
Looking ahead, technology will continue to rise up the global agenda as the emergence of increasingly powerful tools create new opportunities for those able to grasp them. Although nascent artificial intelligence solutions garnered much attention in 2023, related technologies are already profoundly changing the business of investing. On one hand, this is making markets increasingly efficient, and enhanced returns harder to achieve. On the other, technology is unleashing a wave of innovation that promises to deepen the opportunity set for those investors with the resources and agility to capture them.

At ADIA, we believe that several interconnected, global transitions are currently underway: technological, economic, and energy-related, among various others. With our long term focus, we have been positioning ourselves to participate in and capitalise on opportunities generated by these dynamic trends in numerous ways.

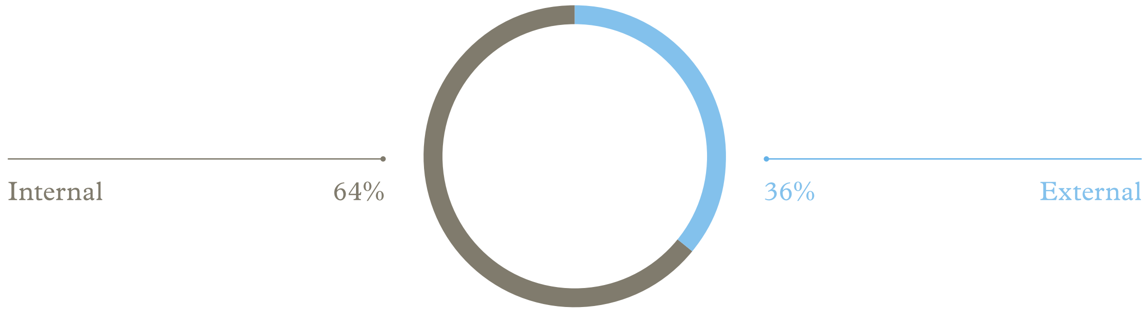
In recent years, we have sought to integrate technology into the fabric of our organisation. As part of this, we have embraced new tools to enhance our efficiency and internal agility, and separately have been increasing our internal quantitative skillsets.

Meanwhile, technology is at the heart of another high-priority area for ADIA and the UAE as a whole – the global transition from fossil fuels to renewable energy sources. In 2023, the UAE demonstrated its commitment to this process by hosting the United Nations COP28 Climate Change Conference, which brought together representatives from almost 200 countries. This culminated in a historic agreement to transition away from fossil fuels in energy systems.

Portfolio Overview
Active Versus Passive Management



Portfolio Overview
Internal Versus External Management



ADIA continues to build on its early recognition of the opportunities presented by the energy transition. It remains an active participant in global platforms for dialogue and cooperation, while also fully integrating climate considerations into its investment strategy and processes.

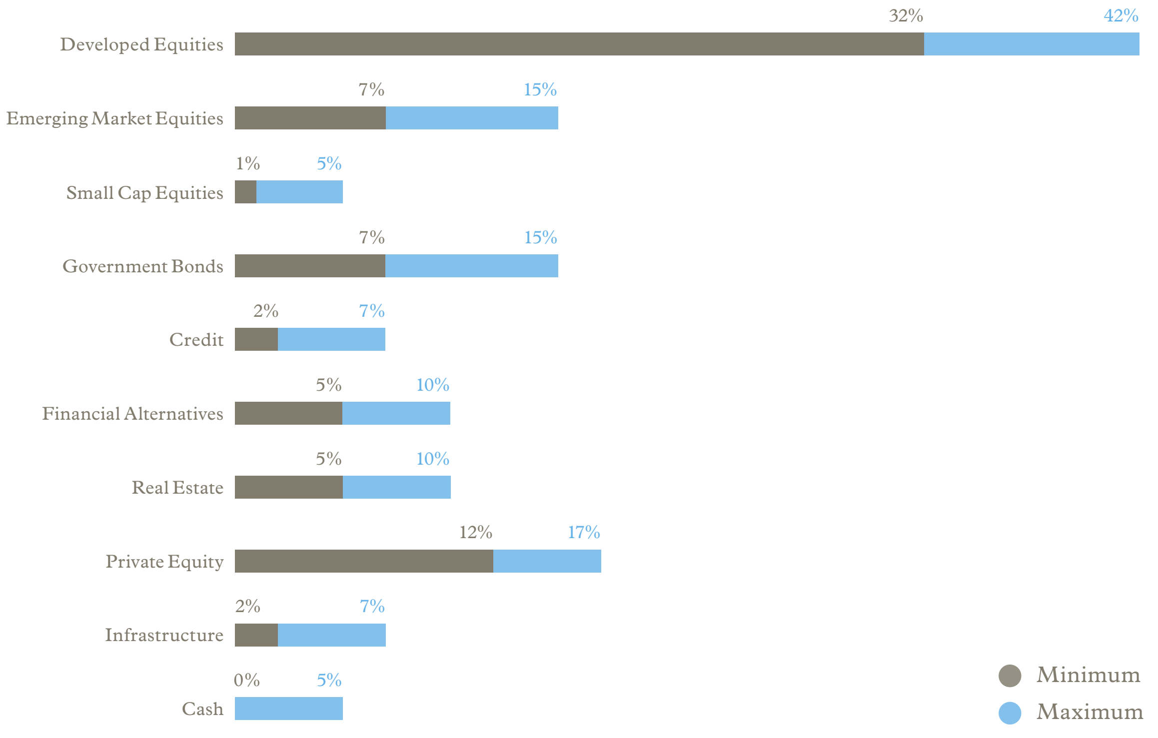
In summary, 2023 was a successful year for ADIA, both in financial terms and through its proactive engagement with ongoing and interlinked global transformations. As a long-term investor, ADIA continues to make strides in its multi-pronged effort to position itself optimally for a fast-changing world. Looking ahead, we remain enthusiastic about what the future holds, and in ADIA's continued ability to fulfil the mission it was entrusted with more than four decades ago.

OVERVIEW

Portfolio Highlights

Portfolio by Asset Class

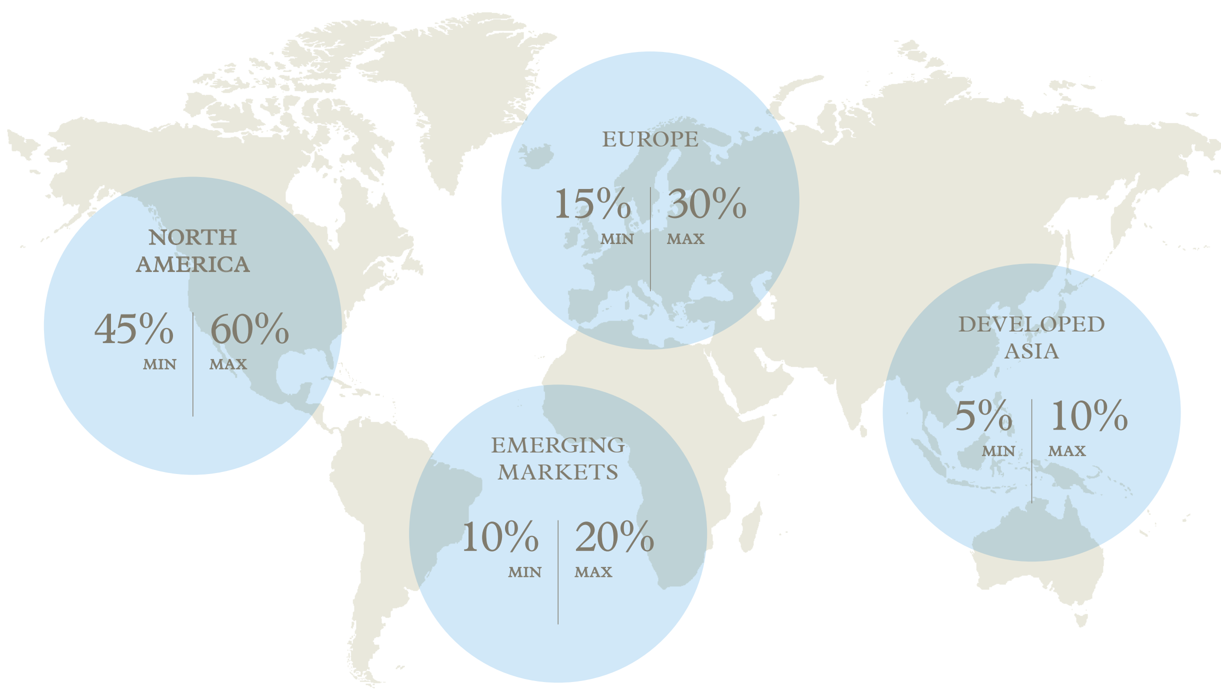
Long-term Strategy Portfolio*



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

Portfolio by Geography

Long-term Strategy Portfolio*



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

OVERVIEW

Operational Review

At ADIA, we believe that success in financial markets is directly correlated with our ability to continuously learn and evolve in a dynamic, rapidly changing landscape.

This mindset has served to guide ADIA's organisational priorities in recent years – from leveraging the full power of our total portfolio, to increasing our organisational agility, and building out our quantitative and data-driven capabilities.

As a global investor, ADIA also continues to actively collaborate with a wide range of external stakeholders on significant issues and themes of shared importance.

When reflecting on ADIA's key activities in 2023, a number of prominent themes come into focus:

THE ENERGY TRANSITION ENTERS A NEW PHASE

Global action on the energy transition accelerated significantly in 2023, driven by heightened urgency among policymakers, increased international collaboration and a growing recognition within the investment community of its potential as a source of investable opportunities.

In November, the UAE hosted the United Nations COP28 Climate Change Conference, attended by more than 80,000 representatives from almost 200 countries. This resulted in significant new commitments aimed at tackling global carbon emissions. It also provided a catalyst for fresh debate among investors about the evolving and nuanced nature of opportunities now emerging from the energy transition theme.

At ADIA, we view the energy transition process as a unique opportunity to contribute to a solution of global importance, while simultaneously generating long-term returns.

In 2023, ADIA brought together leading figures from academia, the investor community and corporates for the ADIA Energy Transition Summit in Abu Dhabi. The event showcased diverse perspectives on the challenges and opportunities of transitioning to a low-carbon global economy. The insights from these discussions are now being transformed into investable ideas.

Meanwhile, at COP28, ADIA agreed a $100 million repo transaction with the Liquidity and Sustainability Facility (LSF) and the African Export-Import Bank (Afreximbank). This facility will support the liquidity of African Sovereign Eurobonds while incentivising Sustainable Development Goals (SDG)-related investments, such as green bonds, in Africa.

Separately, ADIA participated in the United Nations Conference on Trade and Development's (UNCTAD) forum held in Abu Dhabi, around the theme of "Investing in Sustainable Development" and served as co-Chair of a working group at the "Summit for a New Global Financing Pact", in Paris. The working group, which included senior representatives from 60 financial and multilateral institutions, delivered concrete proposals to increase investments in sustainable infrastructure in emerging and developing markets.

It is clear that the energy transition process is becoming increasingly dynamic and nuanced. In just a few years, there has been a dramatic increase in the diversity of investable opportunities, from early to mid and late-stage projects, and across asset classes. ADIA has already invested extensively in energy transition themes, and this will continue. By the end of 2023, ADIA's investments supported close to 23GW of renewable energy projects, with a further circa 29GW of projects under construction or development.

OVERVIEW

INVESTING IN THE DIGITAL AGE REQUIRES NEW CAPABILITIES

Technology continues to transform the business of investing, which means new skills are required to capture fast-moving opportunities in increasingly efficient markets.

In recent years, ADIA has accelerated its systematic, science-based approach to investing. Our Quantitative Research & Development team (QRD) develops and implements investment strategies through a peer-reviewed scientific process. QRD, which now numbers approximately 100 experts in areas from quantitative analysis to data science and AI, is also playing a pivotal role in evolving ADIA's asset allocation process, making it increasingly responsive to fast-moving opportunities.

More broadly, ADIA has significantly deepened its data analytics and quantitative investment capabilities across the organisation, particularly in its Core Portfolio and Fixed Income Departments, while deploying new tools to analyse and derive insights from data.

In parallel, ADIA's middle and back-office teams have been engaged in an ongoing project to enhance and refine how data is managed and presented. This has been pivotal in ensuring the organisation always has the most comprehensive and timely data possible to support decision-making. Meanwhile, ADIA's support functions are continuously seeking ways to employ new digital tools to simplify administrative tasks and support collaboration. We are also using these tools to identify and recruit the best people to join ADIA.

By embracing technological advancements, ADIA is reinforcing a dynamic mindset that promotes continuous evolution throughout the organisation. This approach enhances our ability to identify and capture opportunities, while empowering our teams to concentrate on generating value.

ABU DHABI'S ADVANCED TECHNOLOGY ECOSYSTEM CONTINUES TO GROW

Abu Dhabi has quickly established itself as a global centre for innovation in artificial intelligence and advanced technologies. A vibrant community of corporates, investors, academics, and entrepreneurs are exploring new ideas at the cutting edge of science, with multiple initiatives underway across numerous inter-related fields.

Against this backdrop, ADIA Lab, an independent research institution focused on data and computational sciences, marked its first full year of operation in 2023, making numerous contributions to Abu Dhabi's growing digital ecosystem.

ADIA Lab operates at arm's length from ADIA and is led by an Advisory Board of global thought leaders in data and computationally-intensive disciplines, including winners of the Nobel, Turing, Godel, Rousseeuw, Gordon Bell, and other awards. It is engaged in basic and applied research in data science, artificial intelligence, machine learning, and high-performance and quantum computing, across all major fields of study. This includes exploring applications in areas such as climate change and energy transition, blockchain technology, financial inclusion and investing, decision making, automation, cybersecurity, health sciences, education, telecommunications, and space.

The inaugural ADIA Lab Symposium held in Abu Dhabi in November attracted a range of globally-renowned scientists for a two-day event exploring how data science, blockchain, high performance computing and AI could address challenges in climate and health sciences. A series of open seminars were also held throughout the year, bringing international speakers

to Abu Dhabi to share their thoughts with corporates, government departments and students.

Meanwhile, ADIA Lab reached agreement with the Government of Spain to establish its European headquarters in Granada. As part of the agreement, ADIA Lab launched five research programmes with Spanish universities and research institutions. Key areas of focus include analysing data and complex systems in public health, the environment, and the digital economy, as well as high-performance computing and the development of artificial intelligence.

The first ADIA Lab Best Paper Award, an annual competition inviting researchers to addresses complex challenges through the application of data science, was organised in 2023. The inaugural award focused on causal inference and attracted strong interest from the global data science community, receiving numerous outstanding submissions. The 2024 ADIA Lab Best Paper Award was also launched, focused on climate data science.

An annual machine learning tournament was established focused on causal AI and its real-world applications, while ADIA Lab-affiliated researchers published several peer-reviewed manuscripts with leading scientific publishers.

Through its collaborations with other global thought leaders, ADIA Lab is ideally placed to contribute to the ongoing development of Abu Dhabi as a global digital hub.

INVESTING IN THE NEXT GENERATION OF UAE NATIONAL TALENT

Since its inception in 1976, ADIA has embraced a dual responsibility: to deliver financial returns while also developing the skills and experience of UAE National talent.

In the early stages of their careers, we support talented UAE National students with scholarships at prestigious local and international universities – typically in science, technology and mathematics related subjects.

We then encourage them to continue their academic growth in more specialised, technical areas that are becoming increasingly relevant to success in finance.

In 2023, ADIA partnered with Khalifa University in Abu Dhabi to jointly develop a Master's programme in computational data science. The programme aims to help professionals develop the skills required to make well-informed decisions through the effective use of data.

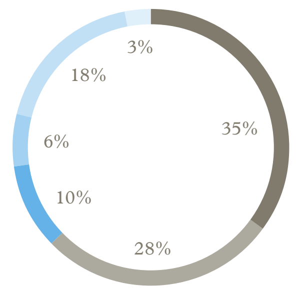
In addition, ADIA collaborated with Sorbonne University in Abu Dhabi to create a certificate in applied mathematics for finance. This was designed specifically for ADIA employees who plan to pursue a Master's degree in data science and artificial intelligence.

By pursuing learning as a core skillset, ADIA is positioning its people to succeed in what is likely to become an increasingly dynamic investing landscape.

Our People

1,310 employees from 65 countries

UAE	35%
Europe	28%
Americas	10%
Middle East & Africa	6%
Asia-Pacific	18%
Australasia	3%



Investments

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

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Equities

Global equities shook off economic and geopolitical uncertainties to rebound sharply in 2023, as corporate earnings beat expectations and investors began to anticipate interest rate cuts.

In general, the prevailing sentiment in 2023 was positive as signs emerged that inflation had peaked, and once-widespread fears of a recession appeared misplaced. This boosted risk appetite and renewed demand for high quality growth stocks, especially in the technology, communication services, and consumer discretionary sectors. The benign outlook also benefited fixed income assets, which experienced a simultaneous rally alongside equities.

The MSCI World Index closed the year with a 24% gain, with U.S. and Japanese equities among the top performers in the developed world, while European markets also ended broadly higher despite lingering concerns about the region's economy.

Meanwhile, many emerging markets fared even better than their developed peers, having suffered steep declines in the previous two years due to risk aversion caused by rising interest rates. Leading the way was India, which saw strong inflows on better-than-expected macroeconomic growth and steady corporate earnings, while Brazil and Mexico surged to record highs.

Small cap equities generally fared worse in developed markets than their large cap peers during 2023, while the opposite was true in emerging markets.

In terms of sectors, some mega-cap technology stocks and those with AI-related exposure soared by more than 50%. Stocks in the consumer discretionary and communication services sectors also outperformed, with gains ranging from 50% to more than 200% for the year. In contrast, defensive stocks such as utilities lagged the most as risk appetite grew, delivering just above 1%.

In 2023, ADIA's Equities Department (EQD) continued to concentrate its active management capabilities in areas with structural advantages and strong prospects for future relative growth. In addition, EQD allocated additional capital to shorter horizon, high-turnover strategies in the low active risk space, several high-conviction strategies with higher tracking error profiles, and long-short strategies with higher levels of leverage. In 2024, EQD is exploring complementing its existing strategy mix with a range of new, highly targeted public equity strategies.

Looking ahead, increased dispersion in equity valuations and volatility arising from a complex market backdrop should continue to create opportunities for skillful active managers. That said, the sustainability of 2023's rebound may well hinge on factors such as central bank policies and the trajectory of economic recovery in major markets.

Meanwhile, investors will likely seek to balance their risk exposures by increasing investment in comparatively safe havens such as developed markets with accommodative policies, and defensive sectors that lagged in performance during 2023.

Fixed Income

Fixed income markets seesawed during 2023 in response to fluctuating investor expectations on inflation and the direction of monetary policy. However, as the year drew to a close, increasing evidence that interest rates had peaked sparked the biggest quarterly bond rally in over 20 years.

Investors had begun the year with concerns about high inflation and the likelihood of a recession in the second half, which were only heightened by a regional banking crisis in March. In the end, those concerns proved unfounded as the U.S. economy remained resilient even as inflation cooled. By November, sentiment was shifting firmly toward the end of policy tightening and the possibility of rate cuts, which sparked a sharp rally in global rates and risk assets more broadly.

In the developed world, major central banks remained cautious about persistent inflation and continued to tighten policy until the third quarter. In the Eurozone, despite healthy labour markets, the PMI gauge of business activity reinforced a pessimistic growth outlook. While the Eurozone avoided a technical recession in 2023, growth remained uneven across member countries with Germany among the laggards. In the U.K., the Bank of England's Monetary Policy Committee remained divided on the mixed economic outlook of a tight labour market versus sluggish economic activity. Meanwhile, the Bank of Japan's minor adjustments to its policy fell short of market expectations.

Emerging markets were a relative bright spot in 2023, reversing some of their heavy losses in 2022 to post a partial recovery. Latin American central banks led the way in raising interest rates before others followed suit, which then enabled outperformance in EM local rates. Despite these positive trends, outflows from emerging markets persisted as uncertainties about China's post-pandemic reopening hampered regional recovery prospects.

Credit markets experienced several ups and downs in 2023. Investors began the year with concerns that Fed tightening could lead to wide dispersion in sensitive sectors such as real estate and consumer credit. The regional banking crisis in the U.S. then saw global credit concerns spike as investors questioned the economy's resilience to higher rates. However, prompt and bold liquidity measures from the Fed and other global central banks brought a return of stability and credit markets rebounded, although signs of credit pressure emerged. The Fed's pivot in November fueled a credit rally, with interest-rate and credit-sensitive sectors performing exceptionally well, and U.S. investment-grade debt reaching some of the tightest levels in the past decade.

Looking ahead, politics looks set to be a key driver for fixed income markets in 2024, with more than 60 countries holding national elections. On the economic front, it seems likely that monetary policy normalisation will continue as global inflation cools, although the speed and extent of the loosening remains difficult to predict.

ADIA's Fixed Income team manages a liquid, diversified set of investment strategies. Its fully active mandate and inbuilt flexibility enable it to target return-enhancing opportunities across the full spectrum of fixed income assets. As in recent years, the Department will continue to diversify its sources of return in 2024, further enhancing its ability to generate absolute returns across all market conditions.

Financial Alternatives

Global hedge funds posted mostly positive returns in 2023, with the best performers capitalising on rising equity markets while others struggled to navigate bond market volatility.

Systematic cash equity strategies took advantage of increased dispersion in stocks during 2023 to build on their success from the previous year.

In contrast, many CTAs and other directional systematic strategies struggled to recover after being caught wrongfooted during the steep bond rally in March. While returns improved in subsequent months, more challenges emerged at the end of the year as markets sharply priced in a shift in inflation expectations.

Meanwhile, fundamental equity strategies posted strong performance, as broad pessimism at the beginning of the year evolved into constructive risk taking on better than expected earnings and economic expectations. Although short selling was challenged due to the market rally, the alpha spread opportunity for market neutral managers was abundant.

Discretionary macro strategies had a year of two halves, with early losses being offset by a strong rebound in the second half of the year.

Macro managers struggled with the March bond market rally as many had positioned for interest rates to continue moving higher. However, their positioning was rewarded when bonds sold off again as sentiment moved back toward interest rates remaining higher for longer.

It was also a generally positive year for relative value and credit strategies. Corporate credit and structured credit strategies benefited from credit dispersion between issuers and sectors and a tightening of credit spreads — especially towards the end of the year, while Relative Value strategies benefited from opportunities arising from mispricing of related securities.

Against this industry backdrop, the Alternative Investments Department (AID) continued to provide diversified absolute returns to the total ADIA portfolio in 2023.

Among key initiatives, the Department launched a managed account platform and onboarded the first phase of existing managers. The platform will provide a more cash efficient structure while allowing for greater investment flexibility.

On the recruitment front, AID continued to build out its team with high-quality talent, while remaining fully committed to developing its current team and nurturing a new generation of UAE National graduates.

Looking ahead, AID will maintain its focus on allocating to liquid strategies with predominantly low beta given its absolute return mandate. The Department will continue to look for opportunities to invest in best-in-class talent across strategies to complement its existing long term partnerships.

Private Equity

Global private equity activity remained subdued in 2023, as challenging economic conditions that began a year earlier continued to dampen dealmaking and fundraising across the sector.

Rising interest rates in the first half of the year complicated private equity deal economics, forcing investors to increase their equity contributions as traditional funding sources became increasingly difficult to secure. This led to a divergence in valuation expectations that ultimately impacted both dealmaking and fundraising activity.

The value of global private equity transactions fell 35% to $474 billion in 2023 – its lowest level in five years. In parallel, private equity and venture capital fundraising fell by 12%, as the slowdown in recycled capital meant investors were less able to maintain or increase their allocations.

The market dislocation presented an opportunity for providers of private credit to fill the gap left by traditional lenders. Private financing accounted for more than 80% of the debt used in leveraged buyouts during 2023 – an all-time high. The outlook for private credit also remains attractive, with funds having accumulated an estimated $1 trillion of dry powder that will provide investors with greater choice and flexibility in how they finance transactions.

Meanwhile, demand for structured products and secondaries also increased as private equity managers sought alternative capital solutions and routes to exit mature investments.

Against this backdrop, ADIA's Private Equities Department (PED) was able to target attractive investment opportunities across the capital structure. These included anchoring investments in "platform" opportunities such as Jefferies Credit Partners' Direct Lending BDC, and Overland Advisors, a partnership between Centerbridge and Wells Fargo focused on non-sponsored middle market direct lending.

Additionally, the Department continued to support partners through capital solutions in the form of structured minority investments, and to facilitate fund-to-fund transactions where new value creation and growth opportunities could be underwritten.

PED's commitment of new capital in 2023 skewed more to direct investments relative to funds, driven by increasing participation in large take-private transactions. Its allocation to platform opportunities also increased as a percentage of the total, while secondaries remained a key theme. Overall, the Department completed more than 20 direct investments that had a value of more than $150 million across its core areas of specialisation, broadly in line with 2022. In addition, it deployed add-on capital to existing portfolio companies to capitalise on opportunities including acquisition-led growth.

In terms of sectors, a decline in technology valuations globally provided attractive opportunities in 2023. PED made significant minority investments in the take private of Cvent, a leading provider of event management software, as well as in TeamSystem, an accounting and business management software business. The Department will continue to seek opportunities in high-quality software and tech-enabled businesses with attractive relative valuations.

In financials, PED invested in Corient, a leading U.S. wealth management business and acquired a stake in Fullsteam in partnership with founding sponsor Aquiline, in a deal that intersected payments, financial technology and software for small and medium-sized businesses.

Healthcare remained a key area of focus in 2023, as PED announced an investment into the take private of Dechra, providing access to both specialty pharmaceuticals and companion animal health. It also targeted other opportunities in the broader healthcare value chain including biotechnology, manufacturing, and services.

In industrials, the Department invested alongside Advent International in Austria's INNIO, an energy solution and service provider, and partnered with Apollo in the take-private of Univar Solutions, a leading global chemical distributor, to enhance its flexibility and growth trajectory.

While the global Consumer sector continued to experience macro headwinds, PED was able to capitalise on opportunities in India where growth remains robust. It acquired a stake in Lenskart and made a follow-on investment in Reliance Retail, both market-leading businesses that are benefiting from increasing consumption and digitalisation trends.

Looking ahead, PED is actively tracking evolving trends in the broader investment landscape, including the evolution of capital solutions and products, the proliferation of artificial intelligence, digitalisation, and energy transition, among others. PED will continue to leverage its internal expertise and relationships with partners to invest flexibly across capital structures, in pursuit of the most attractive risk/return opportunities at scale.

Real Estate

The global real estate industry grappled with a challenging environment in 2023, as the ongoing transition from an era of low-interest rates led to declining asset values and a slowdown in transaction activity.

The economic backdrop resulted in a pricing standoff between buyers and sellers, adding complexity to the market. However, optimism is growing for a more favourable 2024, with hopes that monetary policy will loosen and enable a return to more stable pricing and increased transactions.

The global pandemic served as a watershed moment for the real estate industry, prompting major and ongoing changes to how people work and live. Some regions have witnessed significant shifts away from the traditional office-centric model, affecting demand for office space in certain locations, while changing behaviours are broadening the use of residential real estate. Industrial assets are well-positioned to gain from the ongoing digitalisation of society, while data centres are poised to benefit from the surge in demand from the growth of artificial intelligence and cloud services.

Against this evolving landscape, the Real Estate Department (RED) capitalised on its mandate flexibility to seize opportunities across various modes of access in 2023. Among these, it executed deals within listed real estate securities, including the privatisation of a U.S.-based industrial REIT.

The Department continued to expand its private credit exposure, positioning itself to capitalise on the retrenchment of banks from parts of the real estate sector and improved market pricing. In 2023, it further expanded its credit platforms in the U.S., Europe, Australia, and India, while also strengthening relationships by anchoring funds.

RED's hospitality exposure benefited from strong fundamentals fuelled by an increase in travel spending, despite recessionary fears in certain markets. The Department took advantage of market dislocation and special situations to make value-add acquisitions. These included investments in a 24-hotel Spanish portfolio and a portfolio of 27 resort hotels in Japan.

In the residential space, the Department continued to build its U.S. student housing platform to meet strong demand from growing student populations. It also grew its exposure to the European residential market, where affordability pressures and demand for housing are driving rent growth despite higher funding or development costs. This included backing existing residential platforms in the U.K. and the Netherlands to capitalise on market dynamics and identifying potential dislocation to invest in growth sectors at attractive points in the cycle.

The Department invested in collaboration with its established core relationships while selectively bringing aboard new partners to target evolving market themes.

RED continues to make selective hires to bolster its capabilities. In 2023, this included the appointment of Pritesh Patel as Head of Americas, with targeted recruitment expected to continue in 2024.

Looking ahead, the Department's investment strategy will continue to emphasise adaptability, sustainability, and a forward-looking approach. To this end, it is prioritising the ongoing development of its data analytics capabilities, from a portfolio management and market intelligence perspective. By honing these skills, the team is able to acquire valuable insights that contribute to a more nuanced understanding of shifts in market trends. These views are also used to anticipate and adapt to evolving market conditions.

Infrastructure

In line with other private assets, the infrastructure market experienced a global slowdown in 2023 as tighter monetary policy led to some softening in transaction volumes and valuations.

As risk-free interest rates climbed in early 2023, the valuation gap widened between buyers and sellers of infrastructure assets, especially in core infrastructure. This resulted in more subdued dealmaking and fundraising activity as many investors were reluctant or unable to fund new commitments without first recycling capital from existing investments.

Against this backdrop, the Infrastructure Department's strong capital position and flexible investment strategy enabled it to capitalise on market dislocations and deploy capital in strategic and opportunistic investments. These were widely dispersed across direct investments, existing platforms, and funds. Meanwhile, the Department's diversification across utilities, energy, transport, and digital sectors maintained performance stability.

During 2023, the Department chose to crystalise some of its gains in listed infrastructure, redirecting capital to private core infrastructure deals at attractive entry points.

The surge in risk-free interest rates made private debt more attractive on a relative basis. As a result, the Infrastructure Department chose to tactically redeploy capital into private credit, which in turn helped to de-risk and reduce volatility in its portfolio.

Looking ahead, transaction activity appears set to remain subdued while interest rates remain at or near current levels. We would expect dealmaking to pick up once bid-ask spreads narrow, and buyers and sellers adjust to the new interest rate environment.

The Infrastructure Department is well positioned to capitalise on mega-trends that are reshaping the global economy. These include economic development and demographic growth across emerging markets, where it will continue to actively invest in core infrastructure platforms in countries such as Indonesia and India.

As in previous years, the Department remains committed to supporting asset growth within its existing portfolio. It will also continue to seek out new investments, with an emphasis on larger-scale acquisitions and platforms whose growth it can support by deploying capital alongside its partners.

In parallel, the Infrastructure team will continue to explore the full range of opportunities connected to the global energy transition. At the end of 2023, ADIA's investments supported c.23GW of operating renewable energy projects, with a further c.29GW of projects under construction or development. It is also collaborating closely with partners to deepen its understanding of how energy trends will play out.

Digitalisation is another key theme that is likely to drive the Infrastructure Department's future growth. A recent acceleration in the adoption of artificial intelligence technologies is likely to lead to meaningful growth in data volumes and new data centre capacity. The Department is actively researching the impact of AI on the broader infrastructure sector, as the technology may materially contribute to the optimisation of both physical and digital assets and lead to the emergence of new investment opportunities.

ADIA

Governance

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

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Board of Directors

ADIA's Board of Directors is responsible for setting ADIA's strategy and risk-return parameters and meets periodically to review its performance.

The Board of Directors comprises a Chairman, Managing Director and Board Members who are appointed by a resolution issued by the Abu Dhabi Supreme Council for Financial and Economic Affairs.

ADIA's Managing Director has responsibility for implementing ADIA's strategy and its investment and operational activities.

H.H. Sheikh Tahnoun bin Zayed Al Nahyan

Chairman

H.H. Sheikh Khaled bin Mohamed bin Zayed Al Nahyan

H.H. Sheikh Mansour bin Zayed Al Nahyan

H.H. Sheikh Hamed bin Zayed Al Nahyan

Managing Director

H.E. Khalil Mohammed Sharif Foulathi

H.E. Jassem Mohamed Bu Ataba Al Zaabi

H.E. Hamad Mohammed Al Hurr Al Suwaidi

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

Executive Director,
Alternative Investments

H.E. Khalil Mohammed
Sharif Foulathi

Board Member
Senior Deputy Chairman – Investment Committee

Majed Salem Khalifa
Rashed Alromaithi

Executive Director,
Strategy & Planning
Deputy Chairman – Investment Committee

Dhaen Mohamed
Dhaen Mahasoon Alhameli

Executive Director,
Core Portfolio

Nasser Shotait Salem
Rashed Al Ketbi

Executive Director,
Equities

Khalifa Matar Khalifa
Saif Almheiri

Executive Director,
Fixed Income

Hamad Shahwan Surour
Shahwan Aldhaheri

Executive Director,
Private Equities

Mohamed Rashid
Mohamed Obaid AlMheiri

Executive Director,
Central Investment Services

Juma Khamis Mugheer
Jaber Alkhyeli

Executive Director,
Operations

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