



ADIA

ADIA Review 2009

Prudent Global Growth

جهاز أبوظبي للاستثمار
Abu Dhabi Investment Authority

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At a glance

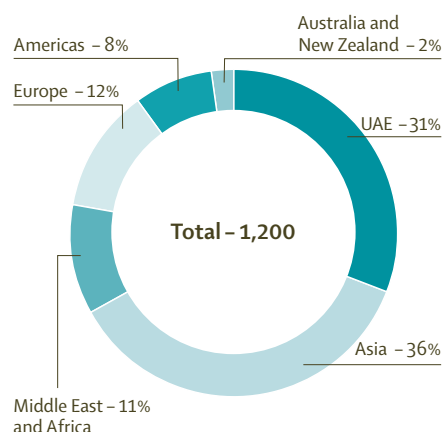
Mission

Established in 1976, the Abu Dhabi Investment Authority is a globally-diversified investment institution whose sole mission is to invest funds on behalf of the Government of the Emirate of Abu Dhabi to make available the necessary financial resources to secure and maintain the future welfare of the Emirate.

Where we invest



ADIA employees by nationality



Our history

1967

Creation of Abu Dhabi's "Financial Investments Board" under the Department of Finance (Mandate given to UBS, Robert Fleming, Morgan Guarantee Trust and Indosuez).

1976

Decision to separate ADIA from the Government of Abu Dhabi as an independent organisation; Created the following departments: Equities and Bonds, Treasury, Finance and Administration, Real Estate, local and Arab investments.

1986

Started investing in alternative strategies.

1987

Equities and Bonds departments became regional (North America, Europe and Far East).

1988

Number of employees exceeds 500 mark.

1989

Started investing in private equity.

80%

Approximately 80% of ADIA's assets are managed by carefully-selected external fund managers whose activities are monitored on a daily basis.

60%

Approximately 60% of ADIA's assets are invested in index-replicating strategies.

Guiding principles

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

ADIA does not seek active management of the companies in which it invests.

People

ADIA's success stems from its collection of 1,200 talented individuals from the UAE and around the world who, together, pursue our mission. With more than 40 nationalities represented in our Abu Dhabi head office, we are proud of ADIA's rich diversity and have committed to fostering the highest standards of leadership, integrity and professionalism.

Portfolio highlights

ADIA manages a substantial global investment portfolio, which is highly diversified across more than two-dozen asset classes and sub-categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure.

- > Approximately 80% of ADIA's assets are managed by carefully-selected external fund managers whose activities are monitored daily.
- > Approximately 60% of ADIA's assets are invested in index-replicating strategies.

In U.S. dollar terms, the 20-year and 30-year annualised rates of return for the ADIA portfolio were 6.5% and 8.0% respectively, as of 31 December 2009. Performance is measured based on underlying audited financial data and calculated on a time-weighted return basis.

Annualised Returns	20 Yrs (p.a.)	30 Yrs (p.a.)
As at 31 December 2009	6.5%	8.0%
As at 31 December 2008	6.1%	7.6%

Relationship with Government of Abu Dhabi

ADIA carries out its investment programme independently and without reference to the Government of the Emirate of Abu Dhabi or other entities that also invest on the Government's behalf.

ADIA's Managing Director is vested under the law with responsibility for implementing ADIA's policy and the management of its affairs, including decisions related to investments, and acts as its legal representative in dealings with third parties.

ADIA is not involved with nor has any visibility on matters relating to the spending requirements of the Government of the Emirate of Abu Dhabi, nor are ADIA's assets classified as international reserves.

1993

Started formal asset allocation process with a set of benchmarks and guidelines; Bonds moved from Equities Department to Treasury Department.

1998

Started investing in inflation-indexed bonds.

2005

Dedicated allocation to small caps within equities, and investment-grade credit within fixed income.

2007

Started investing in infrastructure sector; Moved into new headquarters.

2008

ADIA participates in the development of policy principles for international investments with the U.S. Department of the Treasury. ADIA appointed co-Chair with IMF of International Working Group of Sovereign Wealth Funds.

2009

Creation of Investment Services Department; Founding member of the International Forum of Sovereign Wealth Funds (IFSOF).

Managing Director's letter

Ahmed bin Zayed Al Nahayan



"What began as a small operation with just a few people investing in fixed income securities is now a globally recognised investing institution with more than 1,200 employees and a highly-diversified portfolio spanning multiple geographies and asset classes."

For more than three decades, the Abu Dhabi Investment Authority has played a central role in safeguarding the current and future welfare of the Emirate of Abu Dhabi and its people.

We have carried out our mission by prudently investing funds allocated by the Government of Abu Dhabi through a strategy focused on long-term value creation.

What began as a small operation with just a few people investing in fixed income securities is now a globally recognised investing institution with more than 1,200 employees and a highly-diversified portfolio of assets spanning multiple geographies and asset classes.

Our investment decisions have always been driven solely by economic objectives. For, while ADIA is owned by the Government of Abu Dhabi, it manages its portfolio independently of both the Government and other affiliates that also invest funds on its behalf.

ADIA as Part of the Global Community

Even against a backdrop of great change, some things have remained constant. Foremost among these is the value we attach to our most important asset – our reputation. Since our creation in 1976, we have worked hard to develop strong relationships, built on mutual trust and respect, with governments, regulators and investment partners around the world.

In 2008, ADIA reached an understanding with the US Department of the Treasury and the Government of Singapore Investment Corporation that laid out policy principles and standards for investments by sovereign wealth funds (SWFs), and countries receiving SWF investments.

Later that year, we assumed the role of co-chair of the International Working Group of 26 SWFs. This culminated in the widely publicised Generally Accepted Principles & Practices of sovereign wealth funds, also known as the Santiago Principles, which reaffirmed how SWFs invest. After a thorough internal review, I am proud to confirm that ADIA complies with these Principles, and you will find additional disclosures on our website.

We also understand that trust must both be earned over time and maintained through ongoing actions. So with the publication of this, our first Annual Review, we aim to enhance understanding of ADIA in key areas such as governance, investment strategy, portfolio structure, our approach to risk and – the lifeblood of our organisation – our people.

Developing ADIA

The past year has seen some important changes at ADIA. Among these, we brought a number of existing risk, compliance and performance functions together to create the Investment Services Department (ISD). Its responsibilities include providing centralised administrative support to investment departments, data monitoring and reporting, and ensuring the consistency of business and IT solutions.

During the year, ADIA continued to attract high calibre professionals. These appointments will further enhance our ability to take a truly global view in analysing opportunities and managing our existing investments.

At ADIA, we are fortunate to have a balanced mix of senior managers who have been with us for many years, professionals from some of the world's most highly regarded institutions, and bright new recruits from local and international universities. With more than 40 different nationalities representing us, we attach the highest importance to nurturing both "home grown" and international talent, as demonstrated by our significant ongoing investment in learning and development programs. As a result, ADIA employs the highest number of Chartered Financial Analyst (CFA Institute) charter holders in the UAE.

2009 – The Year in Review

The first quarter of 2009 saw an acceleration of the economic and financial market turmoil that marked the second half of 2008. World equity markets, already down more than 40% in dollar terms, fell a further 23% to their lows in March 2009.

However, the value created by such a sharp decline, coupled with the unprecedented response of governments and regulators around the world, contributed to a significant recovery in economic activity and substantial gains in world equity markets over the following months.

Having increased the overall liquidity in our portfolio from early 2008, we began in 2009 to cautiously lift our exposure to higher growth markets, which proved effective as the recovery began to take hold.

Despite the damage caused to the world economy, I believe we can take some positives from recent events. We should applaud global policy makers for clearly recognising the immediate downside risks associated with excessive leverage in the market and for swiftly and decisively protecting the financial system, providing time for financial markets and economic agents to adjust to lower levels of debt.

Around the world, the most important financial regulatory reform debate in generations has begun. There is also an increasing realisation that some global co-ordination of economic policy is in everyone's best interests. Given the growing importance of many emerging economies, we believe that the G20 is the right forum for policy discussion.

Governments and regulators now appear committed to reducing the risk of such a crisis occurring again in the future, including targeted measures to prevent bubbles before they happen, rather than using monetary and fiscal policy to clean up afterwards.

Looking Forward

Even so, considerable uncertainty remains about the outlook for 2010.

Most pressing is the sustainability of the economic recovery as monetary and fiscal stimulus fades away. Indeed, the timing and nature of "exit strategies," will probably dominate the economic debate and outlook for quite some time.

Given a backdrop of low nominal interest rates and significant public-sector debt, the next economic cycle will be very different from anything seen in the past 25 years.

With higher interest rates and taxes likely in many countries, the upswing may be less pronounced than usual, at least in the more mature developed economies.

Meanwhile, the inflation debate appears likely to continue, with both sides – excess capacity versus monetary expansion – having strong arguments. Trying to safeguard against the risks of near-term deflation, whilst preparing for higher inflation longer term, will continue to be a key area of focus for all investors in the year ahead.

But economic turbulence is a fact of life. This is why we, at ADIA, have an investing philosophy that aims to diversify our exposure to known market risks while capturing long-term trends, rather than trying to predict the twists and turns of individual cycles. It is an approach that has served us well throughout our history.

Finally, in what has been a demanding environment, I would like to close by thanking my colleagues, our partners and suppliers for their hard work and discipline. Their dedication and composure has ensured that ADIA continues to be well positioned for the long-term.

Ahmed bin Zayed Al Nahayan
Managing Director

Commitment to building understanding

The last few years have seen a surge in the level of public and political interest in sovereign wealth funds. At ADIA, we recognise the importance of building a clear understanding of who we are, what we invest in and why, in order to maintain the strong, trusted relationships we have built with governments and regulators around the world over the past 30 years.

As a long-term investor with a purely economic focus, we believe ADIA plays a role in providing stability to international financial markets, especially during times of economic weakness when others with shorter-term strategies or liquidity needs may have to reduce their holdings.

Over the past two years, we have been at the forefront of efforts to improve understanding of the role sovereign wealth funds (SWFs*) play in promoting the free flow of global capital and investments. This included an understanding in 2008 with the US Department of the Treasury and the Government of Singapore Investment Corp. on a series of "policy principles" to govern both our investments and the behaviour of recipient countries.

Then, in May 2008, ADIA took this one step further by agreeing to act alongside the International Monetary Fund as co-chair of the International Working Group (IWG) of sovereign wealth funds. The IWG, which comprised representatives from 26 countries, was created to demonstrate to home and recipient countries and the international financial markets that SWFs had robust internal frameworks and governance practices and that their investments were made only on an economic and financial basis.

The goal was to create an agreed framework of Generally Accepted Principles and Practices that reflected appropriate governance and accountability arrangements, as well as the prudent and sound basis on which SWFs conduct their investments. This was achieved in September 2008 when the IWG's members signed the so-called "Santiago Principles" in Santiago, Chile. The Principles are underpinned by the following guiding objectives for SWFs:

- 1. To help maintain a stable global financial system and free flow of capital and investment;**
- 2. To comply with all applicable regulatory and disclosure requirements in the countries in which they invest;**
- 3. To invest on the basis of economic and financial risk and return-related considerations; and**
- 4. To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management and accountability.**

A key element of this process was the expectation that if SWFs complied with the Santiago Principles, recipient countries would recognise and respect their compliance, and would not subject SWFs to any requirement, obligation, restriction, or regulatory action exceeding that of other investors.

While the Santiago Principles are voluntary, members are expected to support them and either implement or aspire to implement them. In fact, a condition of membership in the ongoing International Forum of Sovereign Wealth Funds, established by the 26 member countries in Kuwait in April 2009, is endorsement of, or in effect, compliance with, the Principles.

Having participated in the design, development and drafting of the 24 principles, ADIA created a multi-disciplinary team to conduct a thorough internal compliance review, taking into consideration our governing law, rules, regulations and operations. Through this self assessment, we have verified and hereby confirm ADIA's compliance with the Santiago Principles. Accordingly, we welcome all opportunities to invest in recipient countries on a basis consistent with the Santiago Principles.

*SWFs are defined as special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies which include investing in foreign financial assets. The SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatisations, fiscal surpluses, and/or receipts resulting from commodity exports. This definition excludes, *inter alia*, foreign currency reserve assets held by monetary authorities for the traditional balance of payments or monetary policy purposes, operations of state-owned enterprises in the traditional sense, government-employee pension funds, or assets managed for the benefit of individuals.



Over the past two years, ADIA has been at the forefront of efforts to improve understanding of sovereign wealth funds and promote the free flow of global capital and investments.





ADIA benefits from being a truly multicultural workplace where many nationalities combine to create a business environment focused on prudent innovation, disciplined execution and effective collaboration.



Investment strategy

Our investment strategy
requires a careful balance
between discipline and flexibility

ADIA's investment strategy involves looking beyond individual economic cycles and focusing on strategies aimed at capturing secular trends and outperforming the market over the long term.

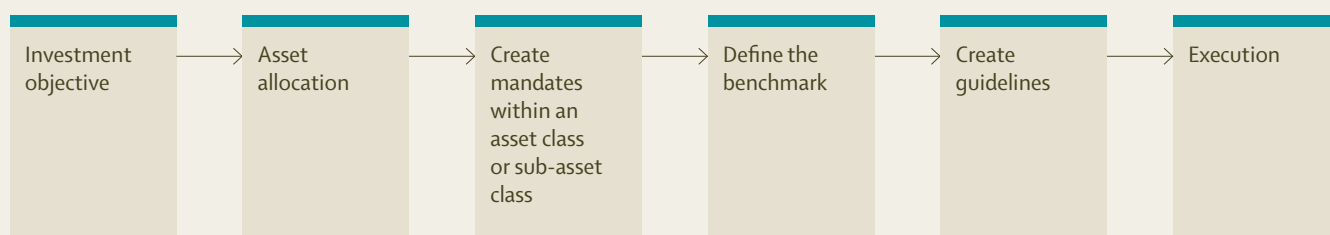
Our approach begins by identifying an acceptable level of risk, and then building outwards by adding a highly-diversified range of asset classes that allow us to maximise returns within these parameters. The Strategy Unit is at the heart of this process. Its market strategists and asset specialists, supported by quantitative analysts, identify new and emerging trends in the global economy and then compare the potential risks and returns of different asset classes within those scenarios. The result is a recommended portfolio mix that contains more than two dozen asset classes and sub-categories, each with a fixed weighting, which together form ADIA's shared, long-term view of the world, or "neutral benchmark." (See Page 11 – Portfolio Overview)

The Strategy Unit regularly reviews the neutral benchmark and suggests any necessary changes to either new or existing asset classes and their respective weightings. It also researches and proposes medium-term strategies around the benchmark with the objective of enhancing returns. This may include occasional "off-benchmark" opportunistic investments.

Our investment strategy requires a careful balance between discipline and flexibility: discipline to ensure the portfolio remains closely aligned with our long-term vision; and flexibility to react to major changes ahead of long-term trends, such as our decision to begin investing in alternatives as early as 1986 and in private equity in 1989.

Any proposed changes to the neutral benchmark are subject to review by the Strategy Committee followed by the Investment Committee before a recommendation is made to the Managing Director. Once approved, the investment departments are given mandates with specific benchmarks, guidelines and excess return targets.

Investment process



Portfolio overview



By Asset Class

Neutral benchmark*		
	Min.	Max.
Developed Equities	35.0%	45.0%
Emerging Market Equities	10.0%	20.0%
Small Cap Equities	1.0%	5.0%
Government Bonds	10.0%	20.0%
Credit	5.0%	10.0%
Alternative**	5.0%	10.0%
Real Estate	5.0%	10.0%
Private Equity	2.0%	8.0%
Infrastructure	1.0%	5.0%
Cash	0.0%	10.0%

*The above denotes neutral benchmark ranges within which allocations can fluctuate, hence they do not total 100%.

**Alternative comprises hedge funds and managed funds.

By Region

Neutral benchmark*		
	Min.	Max.
North America	35.0%	50.0%
Europe	25.0%	35.0%
Developed Asia	10.0%	20.0%
Emerging Markets	15.0%	25.0%

ADIA, as a matter of practice, does not invest in the UAE. Nor does it typically invest in the Gulf region except in instances where such investments constitute part of an index.

Investment activities

ADIA's investment departments are responsible for designing and managing investment portfolios within the parameters set for them through the asset allocation process. These departments, which between them invest across multiple asset classes and geographies, have sole discretion over the origination and recommendation of investment proposals.

External Equities

External Equities is a general term used to describe the activities of investing departments responsible for appointing and monitoring external fund managers investing in different regions. These include: the Americas, Europe, Far East and Emerging Markets. Each department is divided further into both active and passively-managed mandates. In total, ADIA operates more than 60 external equity mandates, which follow an agreed strategy that adheres strictly to ADIA's specified investment guidelines. The trading activities of all managers are monitored on a daily basis, backed up by regular internal reports on performance, risk and adherence to ADIA's guidelines. This is complemented by regular review meetings and site visits by representatives of ADIA's External Equities departments. (See Page 15 – "Selection of External Managers" – for further details)

Internal Equities

The Internal Equities Department invests directly into global equity markets, rather than through external fund managers. We created the Department in early 2008 to bring all of ADIA's regionally-focused fund managers onto a common platform, as a means of enhancing co-ordination and promoting internal debate about global market events and trends.

Internal Equities is divided primarily between Active portfolios, and Passive & Quant portfolios. There are seven Active regional teams, each with a portfolio manager and analysts, as well as sector specialists in some cases. Passive & Quant is divided into two regional teams – Developed Markets and Emerging Markets.

The Department's goal is to generate returns that outperform its benchmark through disciplined execution and by exploiting inefficiencies and volatility in equity markets.

The Department's goal is to generate returns that outperform its benchmark through disciplined execution and by exploiting inefficiencies and volatility in equity markets.

Each department operates within a set of tailored guidelines that include maximum and minimum investments relative to their benchmarks, sector and country limits and tracking error limits.



Fixed Income & Treasury

The 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 range of fixed-income securities. The Department manages funds both internally and through external managers and is assisted by support departments, including a department that executes its trades. In addition to money markets, the Department's investments can be grouped into four broad categories: global government bonds, global inflation-linked bonds, emerging market bonds and global investment-grade credit. Its objectives are to meet ADIA's liquidity needs and to obtain returns above its respective fixed income benchmarks while maintaining an acceptable level of risk.

Infrastructure

The Infrastructure Group was created in 2007, to build and manage a global portfolio of infrastructure investments, which are attractive to long-term investors due to their relatively stable returns. The Infrastructure Group's core focus is on assets with strong market-leading positions and relatively stable cash flows, including utilities, such as water, gas and electricity distribution and transmission companies, as well as transport infrastructure, such as toll roads, ports, airports and freight railroads. Its primary strategy is to acquire minority equity stakes alongside proven partners, with an emphasis on developed markets but an ability to look at emerging markets on an opportunistic basis. In keeping with ADIA's overall approach, the Infrastructure Group is a financial investor and does not seek to control or operate the assets in which it invests.

Private Equities

The Private Equities Department is responsible for investing in global private equity funds and assessing selected opportunities to co-invest alongside external funds. We began investing in private equity as early as 1989, to diversify ADIA's portfolio and seek risk-adjusted returns that exceed those possible in the public equity markets.

The Department has four main divisions, focusing on investments in primary funds, secondary and distressed funds and carefully-selected co-investments alongside external managers. Its assets are broadly diversified by geography, as well as by industry, investment philosophy, size and time-frame.

We closely monitor performance and measure it against two benchmarks, the first of which analyses returns against a group of peers over a trailing six year period, while the second aims to outperform the quoted equity market over 10 years.

Investment activities continued

Real Estate

The Real Estate Department is responsible for building and managing a diversified portfolio of global real estate assets, both through direct investments and the use of external funds.

The Department divides its activities into regional teams, each with its own investment managers and analysts, and a separate, globally-focused hospitality team. Together, their primary focus is to invest directly in assets with stable cash flows, through joint ventures with experienced local partners or through external managers who are closely directed by ADIA's in-house team.

The Department has a flexible approach that allows it to invest across property types, the full size spectrum and across capital structures, while capturing new opportunities in the market as they arise.

A finance team supports the investment managers, and is responsible for structuring and executing investments, budgeting, performance reports and other analysis which assists the investment team in developing its long-term, global view of the market.

Alternative Investments

The Alternative Investments Department invests in externally-managed futures and hedge funds, while also operating an internal team that invests directly in futures markets.

The Department's goal is to generate long-term capital appreciation with low correlation to traditional global equity and fixed income markets. Its team of investment professionals is responsible for identifying and assessing external managers across a pool of approved strategies and asset types.

ADIA's portfolio of hedge fund investments is broadly diversified across macro, relative-value, event-driven and market-neutral equity strategies. In managed futures, our portfolio is spread across multiple strategies such as systematic, discretionary or a combination of both. These investment vehicles trade futures instruments connected to equity indices of all kinds, currency derivatives, and hard and soft commodities.

ADIA's portfolio of hedge fund investments is broadly diversified across macro, relative-value, event-driven and market-neutral equity strategies.



Selection of external managers

In addition to our internal investment teams, we recognise that external managers often bring unique skills, experience or track records that ADIA cannot replicate easily or in a cost efficient manner. Using a wide array of external managers also acts as a diversification tool and helps to minimise the potential for risk concentrations.

In total, around 80% of our assets are managed externally in areas including Equities, Fixed Income, Foreign Exchange, Money Markets, Real Estate, Private Equities and Alternative Investments. We engage managers across the risk spectrum, from index-replicating to actively-managed mandates, in most cases through the use of “segregated accounts” that allow us to tailor each fund to our specific needs and rigorous internal guidelines.

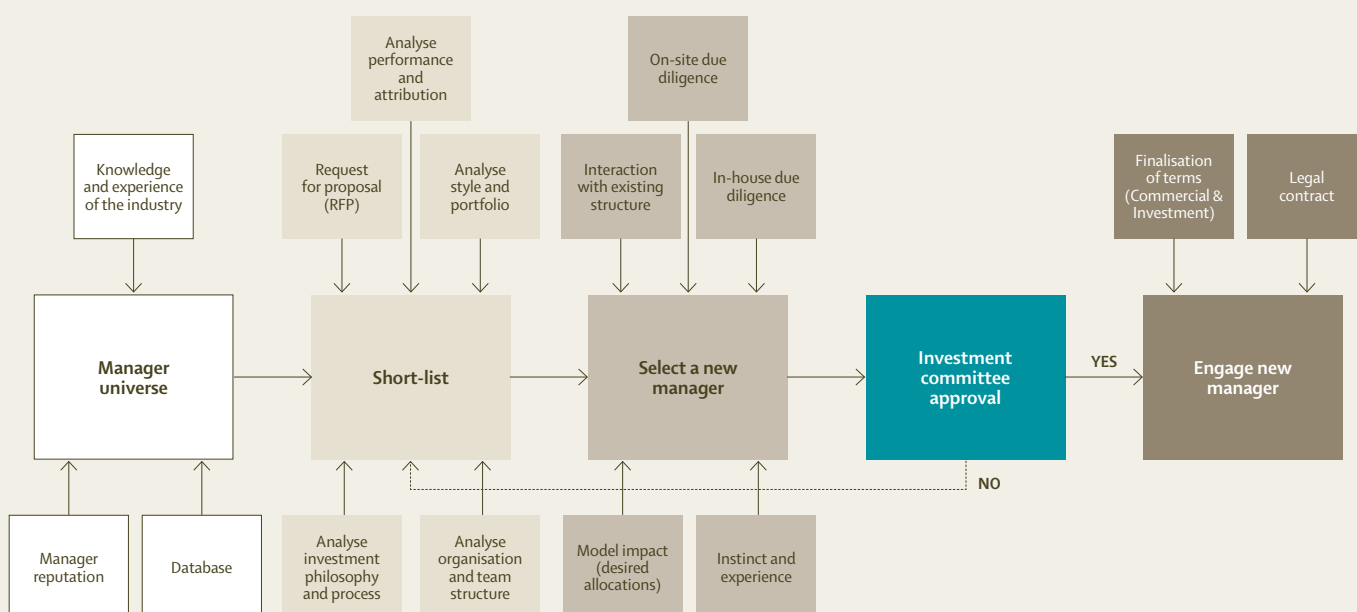
In recognition of the important role they play, we devote significant time and effort to recruiting and monitoring external managers. We begin the process by creating a long list of potential managers in any given asset class and strategy, sourced from extensive internal databases that ADIA has developed over many years. We then analyse these managers on the basis of ADIA’s “4 Ps Framework”:

- > Philosophy
- > Process
- > People
- > Performance

This process involves multiple discussions and face-to-face meetings with managers before we create a short-list, allowing us to build up a fully rounded and in-depth understanding of each manager’s background and expected ability to deliver sustainable outperformance against their mandate.

Once appointed, we closely monitor our external managers through dedicated teams in each department. These teams are supported by the Internal Audit Department, Evaluation & Follow Up Department (EFD), Operations Department, Investment Services Department and Accounts, in coordination with ADIA’s custodian banks. We typically receive written performance reports on a monthly or quarterly basis, and hold face-to-face review meetings at least once a year.

Manager selection process



Risk

ADIA operates numerous risk control mechanisms at a departmental level... Our systems allow for both pre-trade and post-trade compliance checking.

Our overall portfolio has implicit risk and return objectives that have evolved over time according to global market developments, whilst always remaining consistent with our legal responsibilities. These objectives are central to the creation of our “neutral benchmark” or shared long-term view of the world, and the resulting asset-allocation process.

Risk framework

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

The Managing Director has ultimate responsibility for ADIA's risk management, with assistance and advice from the Investment Committee, Strategy Committee, the EFD, Internal Audit Department and Legal Division.

The Investment Services Department was created in 2009 to bring together a number of existing risk, compliance and performance functions. Its responsibilities include providing centralised administrative support to investment departments, data monitoring and reporting, and ensuring the consistency of business and IT solutions, among other things.

We operate numerous risk-control mechanisms at a departmental level. For Market and Counterparty risks these include information systems capable of storing and evaluating a range of risk criteria or investment guidelines within each managed portfolio, together with

relevant trading limits. These systems allow for both pre-trade and post-trade compliance checking.

Our operational-risk management is divided into four main categories:

Settlement Risk

ADIA's Operations Department is responsible for processing our trading and investment transactions. An operations control function within the department identifies operational-risk issues for immediate action. We use only approved brokers and counterparties for trading, and we segregate duties across key processing areas.

Business Continuity Risk

ADIA has a dedicated Business Continuity Management team which ensures that all departments adhere to the principles of the business continuity policy. This programme includes general awareness and education for staff and all levels of management and the development and regular review of business continuity plans across all of our functions.

Reputational Risk

We require all our employees to adhere to the ADIA Code of Ethics and Standards of Professional Conduct, which are designed to help manage potential conflicts of interest and cover several areas, including:

- > Pre-approval of personal account trading
- > Disclosure of outside business interests
- > Disclosure of gifts or benefits received.

ADIA subjects employees to rigorous selection criteria, including background checks, to ensure they exhibit the highest standards of ethics, integrity and professional competence.

Regulatory Risk

ADIA's compliance officers, in-house lawyers and key staff from the Operations Department work closely with front-office departments to ensure we respond proactively to any changes in market regulations and legal requirements.

Relationship with the Government of Abu Dhabi

ADIA carries out its investment programme independently and without reference to the Government of the Emirate of Abu Dhabi or other entities that also invest on the Government’s behalf. ADIA’s Managing Director is vested under the law with responsibility for implementing ADIA’s policy and the management of its affairs, including decisions related to investments, and acts as its legal representative in dealings with third parties.

ADIA is not involved with nor has any visibility on matters relating to the spending requirements of the Government of the Emirate of Abu Dhabi, nor are ADIA’s assets classified as international reserves.

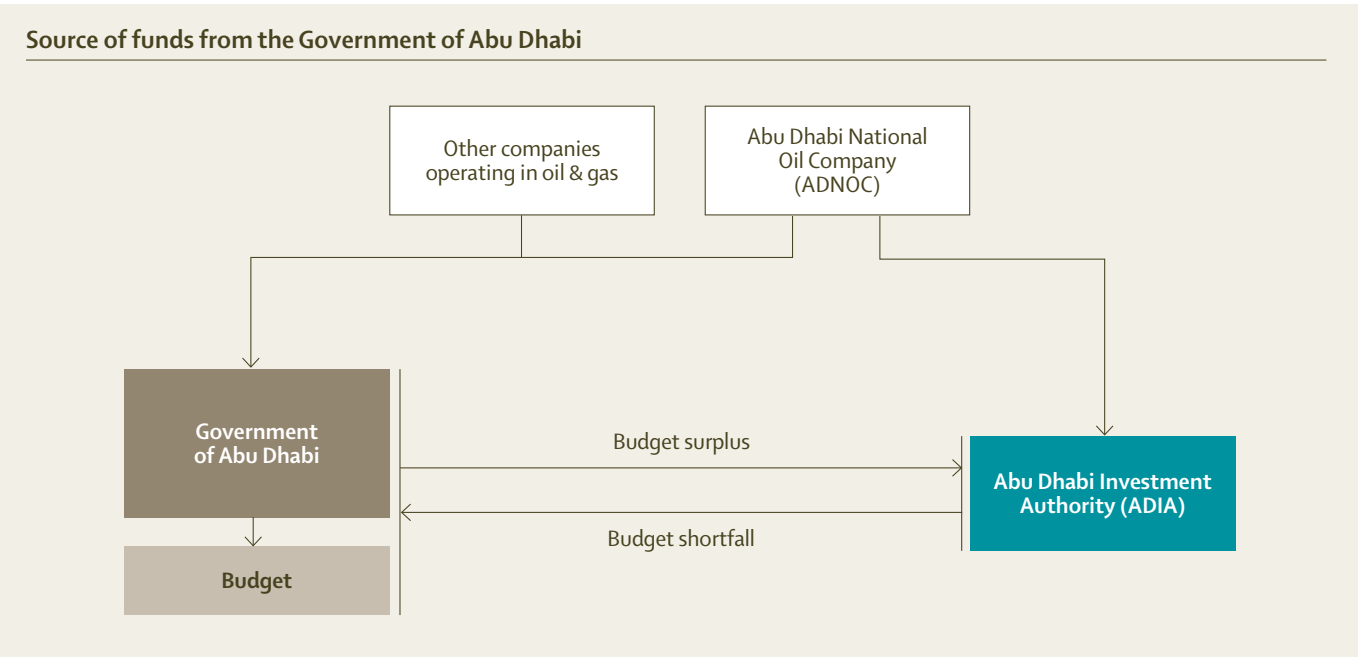
Source of funds and fund withdrawals

On a periodic basis, the Government of Abu Dhabi provides us with funds that are surplus to its budgetary requirements and other funding commitments.

General approach to withdrawals

ADIA is required to make available to the Government of Abu Dhabi, as needed, the financial resources to secure and maintain the future welfare of the Emirate. In practice, such withdrawals have occurred infrequently and usually during periods of extreme or prolonged weakness in commodity prices.

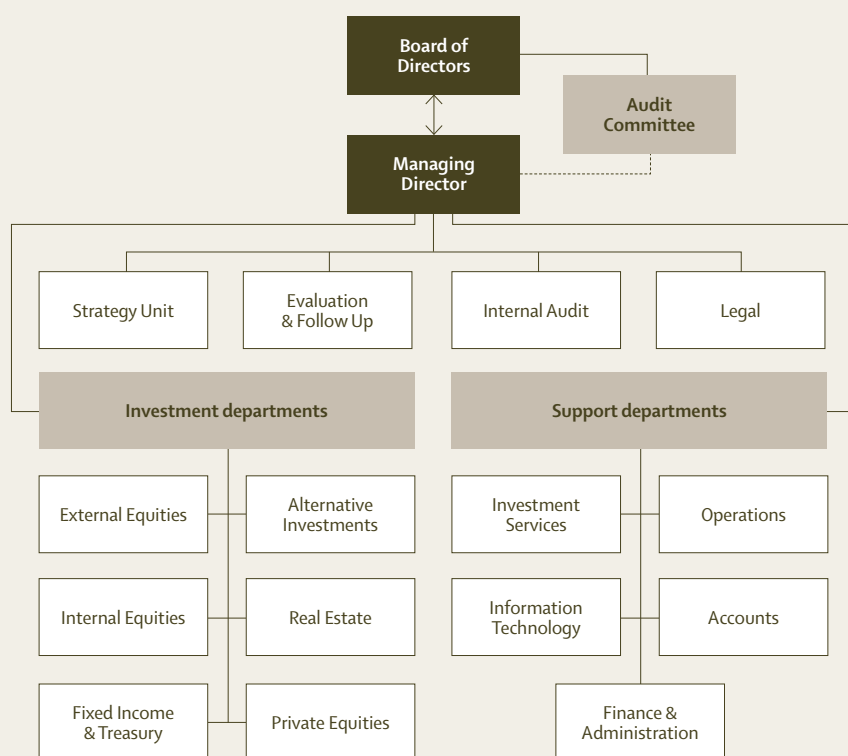
We manage our portfolio in such a way as to ensure it holds a sufficient level of short-term liquidity to meet anticipated funding requests from the Government, thus minimising the need to liquidate other investments



Governance

ADIA has well-established governance standards with clearly-defined policies, processes and systems that we have developed over many years to ensure robust accountability. ADIA's Board of Directors comprises a Chairman and Managing Director who, together with other Board members, are appointed by a decree of the Ruler of the Emirate.

Structure



The Board holds primary responsibility for the implementation of ADIA's strategy in accordance with Law (5) of 1981 of the Emirate of Abu Dhabi. It also oversees ADIA's financial performance and the activities of management. The Board does not involve itself in ADIA's investment and operational decisions, for which the Managing Director is responsible under the law.

The Investment Committee assists the Managing Director. It reviews and makes recommendations on investment proposals originated by the investing departments. The Investment Committee comprises the Managing Director as its Chairman, in addition to senior executives from across ADIA's investment and support departments.



A number of advisory committees and departments support the Investment Committee, including:

- > the Strategy Committee advises on ADIA's overall investment strategy, based on the Strategy Unit's recommendations;
- > the Guidelines Committee formulates and advises on investment guidelines for individual investment departments in accordance with our investment strategy.
- > The EFD provides independent analysis and advice on investment proposals received from the investing departments, and evaluates the performance of ADIA's internally and externally managed assets.

Meanwhile, the Management Committee is responsible for overseeing non-investment related issues, and reports to the Managing Director.

Voting

ADIA does not seek to manage, or be represented on the boards of, the companies in which we invest. In practice, this means that we usually abstain from exercising our voting rights, except in certain circumstances to protect ADIA's financial interests or to oppose motions that may be detrimental to shareholders as a body.



The Investment Committee comprises the Managing Director as its Chairman, in addition to senior executives from across ADIA's investment and support departments.

Financial information

We prepare our financial information, including rates of return calculations, using accounting policies that are considered appropriate to ADIA's situation. These policies are aligned to International Financial Reporting Standards and we apply them consistently.

Auditing practices

The Internal Audit Department assists senior management in their oversight, management and operating responsibilities, by providing internal audits and consultations. The overall goal is to ensure that ADIA's assets are safeguarded at all times. The Internal Audit Department reports to the Managing Director.

The Internal Audit Department is primarily a review function which:

- > Independently evaluates ADIA's internal control systems to ensure they adequately safeguard our assets, activities and interests, and reviews them regularly to ensure they are both efficient and effective;
- > Provides an additional layer of security to ensure all transactions are undertaken in accordance with our policies and procedures.

ADIA's Board of Directors has established an Audit Committee, which appoints two external audit firms to act jointly to audit ADIA's annual accounts, as prepared by our Accounts Department. Both the Internal Audit Department and our external auditors report their findings to the Audit Committee.

Our investment strategy requires a careful balance between discipline and execution: discipline to ensure the portfolio remains closely aligned with our long-term vision; and flexibility to react to major changes ahead of long-term trends, such as our decision to begin investing in alternatives as early as 1986 and in private equity in 1989.





“Educating the individual is this country’s most valuable investment. It represents the foundation for progress and development.”

Sheikh Zayed bin Sultan Al Nahyan, founding president of the UAE

People

We are proud of ADIA’s heritage and conscious of the important role we play as a guardian of Abu Dhabi’s financial security.

We attach the highest importance to identifying and nurturing both “home grown” and international talent to underpin our continued, long-term success.



Our workforce is as global as our investments, with UAE nationals making up around 30% of the total and the remainder divided between a further 40 nationalities. We believe in having a balanced mix of senior managers who have been with ADIA over many years, top international talent from some of the world’s most respected financial institutions, and a steady influx of bright new recruits sourced from local and international universities.

Our compensation philosophy focuses on rewarding people based on various factors that may include beating return targets but also their broader contribution to the organisation as a whole.

ADIA employees by nationality (1,200)	
UAE	31%
Asia	36%
Middle East and Africa	11%
Europe	12%
Americas	8%
Australia and New Zealand	2%

Culture

Securing and maintaining the future welfare of the Emirate of Abu Dhabi has been our mission since 1976. We honour our employees’ commitment to this mission by providing a stimulating work environment and opportunities to develop their skills in order to build a rewarding, long-term career.

Our mission is embodied in the way we work – our ADIA culture. ADIA benefits from being a truly multicultural workplace where many nationalities combine to create a business environment focused on prudent innovation, disciplined execution and effective collaboration.

Recruitment

ADIA plays a key role in developing future leaders, both to drive its own success and that of the Emirate. We work closely with local universities to select top graduates with an interest in global-finance careers. ADIA also offers a small number of scholarships each year at international universities for students who meet strict academic criteria and who we see as potential leaders of the future. In addition, we receive a large number of applications, which we carefully screen, and employ recruitment agencies around the world to attract people with the skills and experience for specific roles, and who we believe will thrive in ADIA’s culture.

Before they join ADIA, we put all potential recruits through an assessment programme that looks at their problem solving ability, vocational interests and behavioural qualities, among other areas.

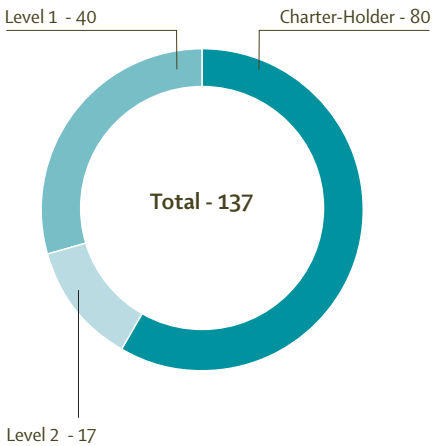
This ensures we attract people who will flourish in their jobs and who can build successful careers at ADIA. As a result, we have a staff turnover rate of just 6%.

Training

ADIA has a diverse and extensive range of employee-training programmes that are tailored according to each department’s goals and needs. We have world-class training facilities on site and regularly invite international experts and other speakers.

ADIA is proud to employ the highest number of chartered financial analysts (CFA) of any organisation in the UAE. In addition to 80 charter-holders – who have passed all three levels of the CFA qualification – we also have a further 57 employees who have passed at least Level 1.

CFA Qualifications



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	1
H.H. Sheikh Ahmed bin Zayed Al Nahyan Managing Director	2
H.H. Sheikh Mansour bin Zayed Al Nahyan	3
H.H. Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan	4
H.E. Mohammed Habroush Al Suwaidi	5
H.E. Dr. Jua'an Salim Al Dhaheri	6
H.E. Hamad Mohammed Al Hurr Al Suwaidi	7
H.E. Khalil Mohammed Sharif Foulathi	8



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Investment Committee

H.H. Sheikh Ahmed bin Zayed Al Nahyan Board Member, Managing Director (Chairman)	1
H.H. Sheikh Mohammed bin Khalifa bin Zayed Al Nahyan Board Member, Executive Director, External Funds Europe	2
Dr. Jua'an Salem Al Dhaheri Board Member (Deputy Chairman)	3
Hamad Mohammed Al Hurr Al Suwaidi Board Member	4
Khalil Mohammed Sharif Foulathi Board Member, Executive Director, Fixed Income and Treasury	5
Saeed Mubarak Rashed Al Hajeri Executive Director, Emerging Markets	6
Juma Khamis Mugheer Al Khalili Executive Director, Equities Far East	7
Mohammed bin Humooda bin Ali Executive Director, External Funds America	8
Majed Salem Khalifa Al Romaithi Executive Director, Real Estate	9
Khalifa Nasser Huwaileel Al Mansouri Executive Director, Accounts	10
Hamad Salem Kardous Al Ameri Executive Director, Alternative Investments	11
Mohamed Darwish Mohamed Al Khouri Executive Director, Internal Equities	12
Hareb Al Darmaki Executive Director, Private Equities	13



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Contact details

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Our history

World events

1971

- > Indo-Pakistan War begins.
- > Apollo 15 lands on the moon; first use of Lunar Rover.
- > Bahrain declares its independence from Britain.

1981

- > Mohamed Hosni Mubarak becomes president of Egypt.
- > Voyager 2 reaches Saturn.

1985

- > Mikhail Gorbachev elected by the Politburo as General Secretary of the Communist Party of the U.S.S.R.
- > Hole in the Ozone layer discovered.

1989

- > In response to massive protests, the East German government allows East Berliners to cross into West Berlin. The dismantling of the Berlin Wall begins shortly after.

1990

- > Iraq invades Kuwait.

1991

- > Attempted coup in Russia.

ADIA

1967

Creation of Abu Dhabi's "Financial Investments Board" under the Department of Finance (Mandate given to UBS, Robert Fleming, Morgan Guarantee Trust and Indosuez).

1976

Decision to separate ADIA from the government as an independent organisation; Created the following departments: Equities and Bonds, Treasury, Finance and Administration, Real Estate, local and Arab investments.

1986

Started investing in alternative strategies.

1987

Equities and Bonds departments became regional (North America, Europe and Far East).

1988

Number of employees exceeds 500 mark.

1989

Started investing in private equity.

1973

- > Oil crisis - Oil prices soared, causing the 1973-1974 stock market crash.

1980

- > Latin American debt crisis, beginning in Mexico.

1987

- > Global - Black Monday. The largest one-day percentage decline in stock market history.

Financial events

1976

Decision to separate ADIA from the government as an independent organisation.

2008

ADIA appointed co-Chair with IMF of International Working Group of Sovereign Wealth Funds.

1995

> Dayton Agreement ends Bosnian War and confirms Bosnian independence.

1998

> Decline in commodity prices triggers financial crisis in Russia and discredits the government of President Boris Yeltsin.

2002

> U.N. Security Council passes resolution demanding that Iraq disarm.

2008

> Democratic candidate Barack Obama elected to be 44th President of the United States.

1993

Started formal asset allocation process with a set of benchmarks and guidelines; Bonds moved from Equities Department to Treasury Department.

1998

Started investing in inflation-indexed bonds.

2005

Dedicated allocation to small caps within equities, and investment-grade credit within fixed income.

2007

Started investing in infrastructure sector; Moved into new headquarters.

2008

ADIA participates in the development of policy principles for international investments with the U.S. Department of the Treasury. ADIA appointed co-Chair with IMF of International Working Group of Sovereign Wealth Funds.

2009

Creation of Investment Services Department; Founding member of the International Forum of Sovereign Wealth Funds (IFSFW).

2000

> Internet bubble bursts.

1997

> Asian Financial Crisis – Devaluations and banking crises across Asia.

1992-3

> Black Wednesday – Speculative attacks on currencies in the European Exchange Rate Mechanism.

2002

> New York - Dow saw its second-biggest gain ever. Dow Jones index added 488.95 points to 8,191.29. The buying was spurred by the arrest of offenders in Adelphia scandal.

2008

> Global Financial Crisis – Central banks and policymakers around the world announce unprecedented stimulus packages in an effort to restore liquidity and stabilise the financial system.

2009

> USA - US budget deficit at \$1 trillion The deficit has moved above \$1 trillion for the first time - with three months of the financial year remaining, official data show.
> Elsewhere: IMF: Global economy worst in 60 years.

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