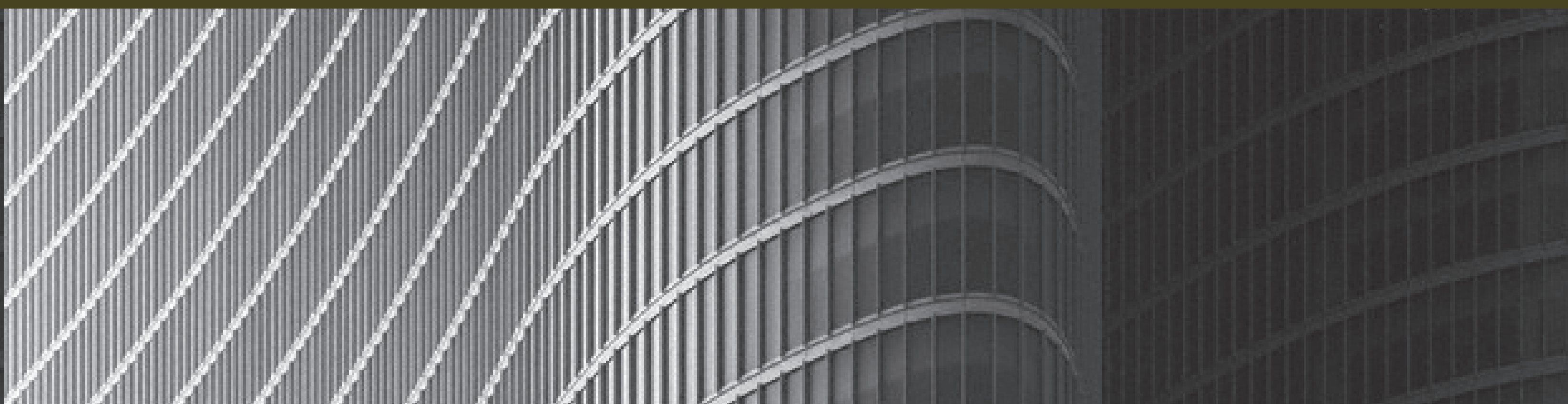
ADIA

ADIA



2010 Review

2010 Review

Prudent Global Growth

جهـــاز أبـو ظـبـي للاسـتـثـمـــار
Abu Dhabi Investment Authority

In Memoriam

H.H. Sheikh Ahmed bin Zayed Al Nehayan

1968 – 2010

A modest man with high integrity, is how many will remember H.H. Sheikh Ahmed bin Zayed Al Nehayan. A decisive leader, he earned respect while always retaining a sense of perspective. Calm and thoughtful, he was also recognised for his generosity and understanding towards those less fortunate than himself.

As Managing Director of the Abu Dhabi Investment Authority for 13 years, Sheikh Ahmed was firmly committed to developing people and protecting and reinforcing ADIA's culture. With an unwavering dedication to investment discipline, he wisely guided the organisation through turbulent times with a keen eye for long-term trends, whilst remaining faithful to the spirit of ADIA's mission.

In addition to his many responsibilities, Sheikh Ahmed was well known for his charity work, volunteering for several humanitarian organisations and charities both in the UAE and overseas, and was a highly effective Chair of the Board of Trustees of the Zayed Foundation for Charity and Humanitarian Works. H.H. Sheikh Ahmed bin Zayed Al Nehayan is deeply missed by all at ADIA and the country as a whole.

"Every individual has to perform his duty. Man is mortal, but his work is not."
Sheikh Zayed bin Sultan Al Nehayan

Contents

Our culture

The ADIA values are the organisational principles that guide the way we work and the way decisions are made. These values play a fundamental role in driving individuals and the organisation forward to achieve long-term growth and business success.

The three ADIA values that we expect our employees to demonstrate are:

> Prudent Innovation
> Effective Collaboration
> Disciplined Execution.

Prudent Innovation

At ADIA, we encourage our people to be innovative and generate new ideas as well as support change and improvement initiatives. This means appropriately challenging the status quo and championing new department initiatives. However, as a risk-sensitive business, it is vital that consideration of change is approached in a careful manner so that all new initiatives are fully analysed, considered and reviewed to reduce possible risk and drive continuous improvement. Professional judgements should demonstrate caution and ensure a good awareness of the balance between opportunities and risks involved in pursuing them.

We recognise the importance of personal and professional development and encourage our employees to drive their own and others' development while at ADIA. In addition to individual growth, ADIA is focused on organisational acceleration and ensuring the business is able to anticipate change and take advantage of market developments.

Effective Collaboration

ADIA places strong emphasis on collaboration and seeks individuals who can proactively build relationships and networks, both internally and externally, that deliver results. We encourage individuals to gather input from those with different knowledge and opinions, across departments and at all levels within the business. ADIA welcomes those who take responsibility for working together towards a shared purpose and provide support for team objectives and decisions.

At ADIA the ability to communicate openly has an important role to play in building solid professional relationships. We appreciate those who share opinions openly whilst also listening to the ideas of others. This means getting involved in productive and positive debates where ideas and suggestions can be discussed in a constructive manner.

Disciplined Execution

ADIA expects individuals to set and achieve high standards that are aligned to our strategic objectives. Employees are given the responsibility of delivering ADIA's objectives and do so by putting in place realistic, clear and practical plans to ensure that expected results are achieved. To meet all objectives, effective delegation is important as well as driving others' completion of projects.

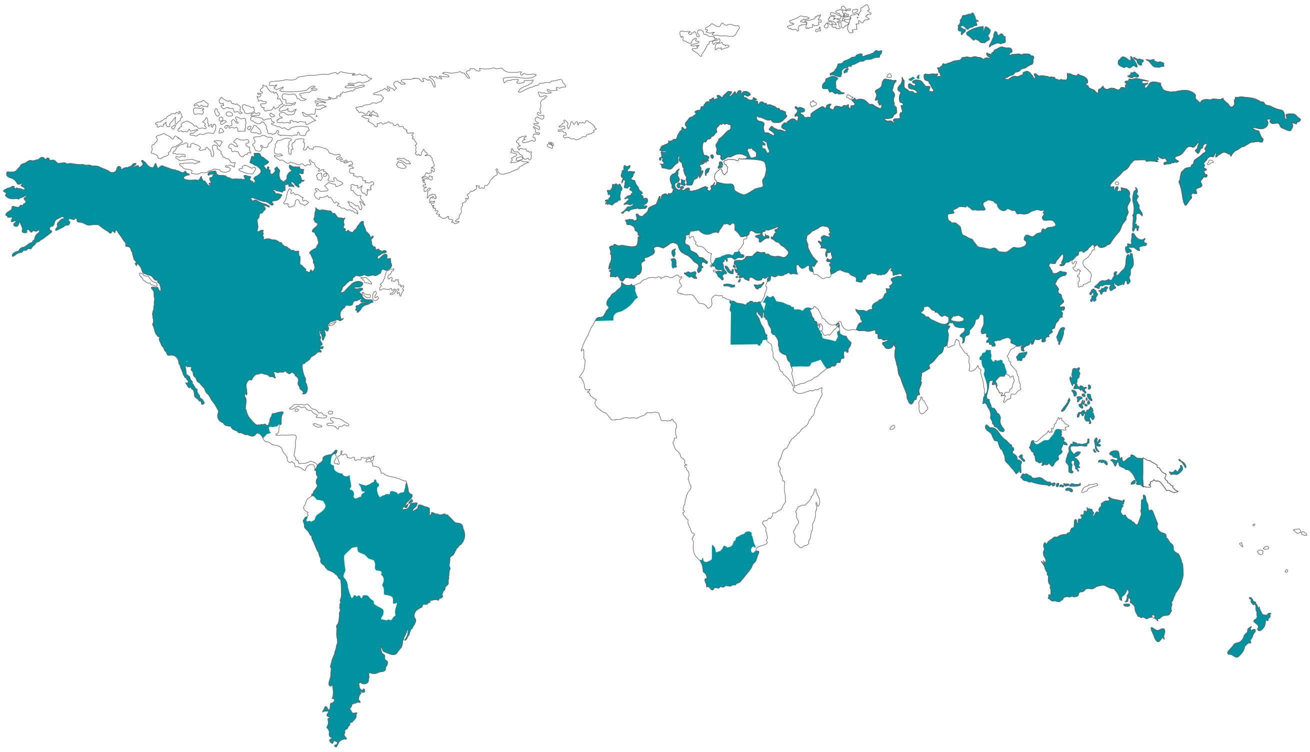
We respect individuals who can demonstrate the necessary energy, drive and determination to deliver results and maintain focus and integrity despite being faced with difficult or challenging circumstances.

At a glance

Our 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



80%

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

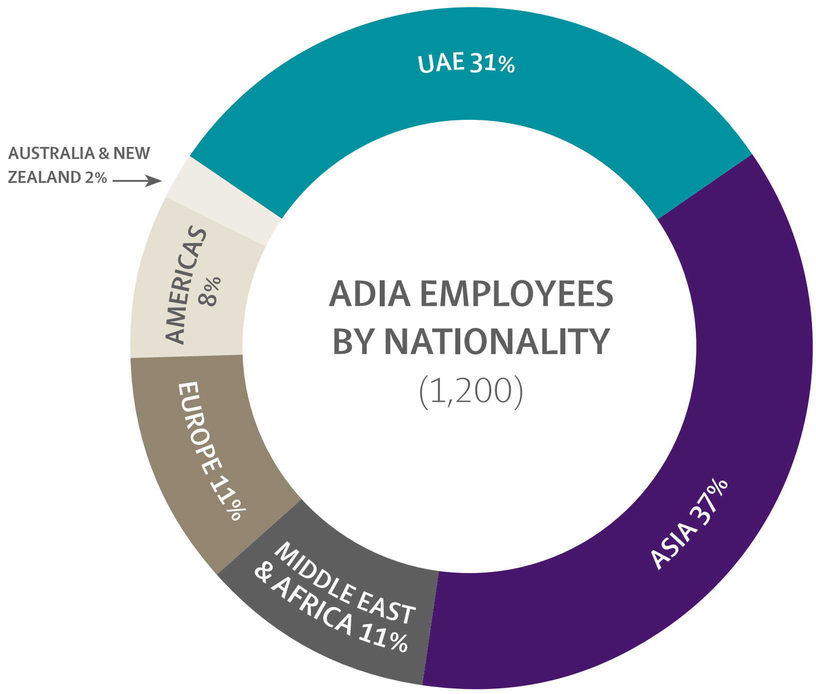
60%

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

At a glance
continued

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 high standards of leadership, integrity and professionalism.

Portfolio highlights

ADIA manages a diversified global investment portfolio, 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 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 7.6% and 8.1% respectively, as of 31 December 2010. Performance is measured based on underlying audited financial data and calculated on a time-weighted return basis.

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.

ANNUALISED RETURNS

As at 31 December 2010

20 YRS (p.a.) **7.6%**

30 YRS (p.a.) **8.1%**

As at 31 December 2009

20 YRS (p.a.) **6.5%**

30 YRS (p.a.) **8.0%**

Letter from Hamed bin Zayed Al Nehayan
Managing Director

Global economic growth proved impressively resilient in the face of considerable uncertainty, and the recovery that had begun a year earlier broadened and gained momentum.

2010 was a year of great change. Externally, it will be remembered as a year when financial markets proved their resilience and generated positive returns against a backdrop of considerable uncertainty. Within ADIA, however, 2010 will always be marked by the tragic passing of Sheikh Ahmed bin Zayed Al Nehayan, Managing Director of ADIA since 1997. As an influential architect of ADIA's success, Sheikh Ahmed's legacy is deeply ingrained throughout the organisation today.

During his tenure, Sheikh Ahmed was firmly committed to strengthening ADIA's unique culture, while encouraging the development of innovative solutions to best meet ADIA's mission. In asset allocation, this approach led to the creation of the Strategy Unit in 2008, whose market strategists, asset specialists and quantitative analysts aim to identify and capture long-term market and economic trends. In risk management, the development of benchmarks and guidelines across the investment asset classes means ADIA has a framework that allows for controlled exposure to risk at the department level.

Such decisions, and many others, have enabled ADIA to perform well over the years in a variety of economic climates while leaving us strongly positioned for the future. And the values instilled by Sheikh Ahmed and his predecessors will continue to guide our actions as we look forward to an increasingly global investment landscape.

When I assumed the role of Managing Director last year, I began by meeting with many people from different departments across ADIA to get their perspective on the opportunities and challenges that lay ahead. These briefings confirmed to me why ADIA has built a strong reputation over the years as a disciplined and responsible investor.

Since its creation in 1976, ADIA has prudently invested funds on behalf of the Abu Dhabi Government with a focus on long-term value creation. In doing so, it has evolved into a diversified, global investment institution managing a portfolio that spans numerous geographies and asset classes.

With over 1,200 employees, ADIA's mission has always been to secure and protect the future welfare of the Emirate of Abu Dhabi. But as a member of the global investment community, we have always been conscious of the role that we, together with other investors, must play in building understanding and maintaining trust with governments and regulators around the world. This is essential to ensure the continued free flow of capital, which is in everyone's best interests especially during times of market disruption and uncertainty such as those experienced in recent years.

It is for this reason that ADIA was proud to play a leading role in the development of the Santiago Principles, which reaffirmed the policies and principles guiding investment and governance by Sovereign Wealth Funds (SWFs). Last year, we took this a step further by publishing our first Annual Review and re-launching our website, with additional information on areas such as our investment strategy, portfolio structure, historical returns and our approach to governance and risk management.

In this 2010 Review, we have added further information, including market overviews for each of the asset classes in which we invest, as well as key developments within our investing departments. It also offers insights into areas such as ADIA's culture and the many support departments that together make an enormous contribution towards making ADIA the organisation that it is today.

The past year saw a number of developments within ADIA, many of which began under the leadership of Sheikh Ahmed. Key among these was ADIA's compliance with International Financial Reporting Standards (IFRS) in the preparation of its financial statements. Separately, ADIA completed an initiative to measure and document the skills, knowledge and experience required for every role in the organisation. This will reinforce our performance culture by ensuring that our human capital decisions are objective and consistent.

OUR MISSION

- To secure and maintain the future welfare of the Emirate of Abu Dhabi.

AT A GLANCE

- Over 35 years of prudently investing funds on behalf of the Government of Abu Dhabi with a focus on long-term value creation
- Diversified, global investment institution
- Over 1,200 employees.

KEY INITIATIVES IN 2010

- Compliance with International Financial Reporting Standards
- Continued to attract international and domestic talent with senior hires across functions.

Letter from Managing Director continued

ADIA continued to benefit during 2010 from its decision a year earlier to tilt exposures in the portfolio towards asset classes and regions able to benefit from better growth prospects.

We also continued to attract a steady stream of international and domestic talent, with a number of senior hires across many functions, including strategy and risk management, and within investment departments such as Private Equities, Real Estate and Equities, to name but a few.

2010 – The year in review

2010 was a year of considerable volatility, but one that ultimately delivered favourable economic and market outcomes. Global economic growth proved impressively resilient in the face of considerable uncertainty, and the recovery that had begun a year earlier broadened and gained momentum. This provided investors with solid returns across most asset classes.

On the economic front, outcomes were shaped by the residual effects of the financial crisis. Where balance sheets had not been burdened by excessive debt – primarily among the emerging market countries, but also within non-financial corporate sectors in the major developed economies – recovery proceeded briskly, helped by ample liquidity and reflationary economic policies.

The opposite was true in markets that remained burdened by a legacy of excess leverage and depressed asset prices. These included consumer sectors in many developed economies as well as construction and large financial institutions, where economic policies were able to achieve less traction.

While remaining diversified across all major global markets, ADIA continued to benefit during 2010 from its decision a year earlier to tilt exposures in the portfolio towards asset classes and regions able to benefit from better growth prospects. This is an approach that remains in place as we enter 2011.

More disquieting last year, however, was an apparent loss of momentum in the process of global economic policy coordination. To some extent, this was to be expected as the economic situations of individual countries diverged and new financial regulations were implemented.

However, the global economy remains subject to large current account imbalances, to which have been added historic divergences in monetary and fiscal policies. Two years ago, the G20 took on the necessary task of global policy coordination and we continue to believe it remains the best forum to ensure that policy conflict does not escalate further and hamper what remains a relatively fragile expansion.

Looking forward

Two years after the crisis, the investment climate is set to undergo considerable change as economic policies evolve from measures focused on stimulus to steps to ensure the sustainability of growth.

Large increases in government debt to fight recession have drawn the most attention, but governments face another significant challenge in meeting long-term costs associated with aging populations. They now have the sensitive task of maintaining and increasing growth, while cutting debt levels quickly enough to prevent an unwelcome rise in bond yields.

In a number of economies, inflationary pressures also are a threat to growth, whether driven by strong demand from emerging markets, or concerns about supply. While efforts to control inflation through tighter macro-economic policies should be welcomed in fast-growing emerging markets, central bankers in many developed economies may face difficult choices in terms of timing and the extent of any tightening moves.

Alongside these concerns, though, are grounds for long-term optimism about the global landscape. While developed economies continue to demonstrate their ability to innovate and grow, the secular shift in global economic weight from developed to fast-growth emerging economies has accelerated as a result of the financial crisis. Greater demand from this expanded global marketplace will provide a positive investment climate as it drives new discoveries in life sciences, alternative energy, and other emerging technologies.

There will always be risks and less positive outcomes at times. These can be managed, however, and should not stand in the way of our objective to seek out promising long-term opportunities, while being mindful of the role that we, as a responsible investor, can play in promoting stability in global financial markets.

Hamed bin Zayed Al Nehayan
Managing Director

Business review

"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 adapt to major changes ahead of long-term trends..."

Investment strategy

ADIA's investment strategy involves looking beyond individual economic cycles and focusing on strategies aimed at capturing secular trends to generate long-term, sustainable returns.

Our approach begins by identifying an acceptable level of risk, and then building outwards by adding a 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 16 – 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.

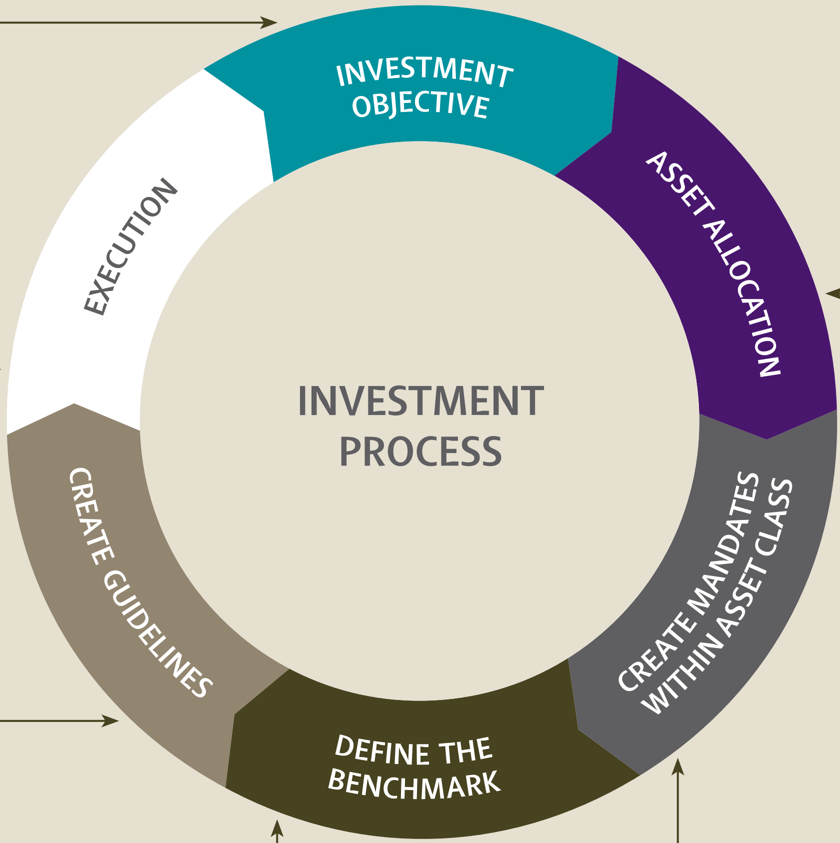
Our investment strategy requires a careful balance between discipline and flexibility: discipline to ensure the portfolio remains closely aligned with our long-term vision; and flexibility to adapt to major changes ahead of long-term trends, such as our decision to begin investing in alternatives as 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 objective
To invest funds of behalf of the Government of Abu Dhabi and make available the financial resources to secure and maintain the future welfare of the Emirate.

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

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



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 the tailored performance targets.

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

Asset allocation
Design the long-term strategic neutral benchmark for the total portfolio.

Define the appropriate level and mix of assets to maximise expected returns subject to risk tolerances and liquidity constraints.

Portfolio overview
By Asset Class

Neutral benchmark*

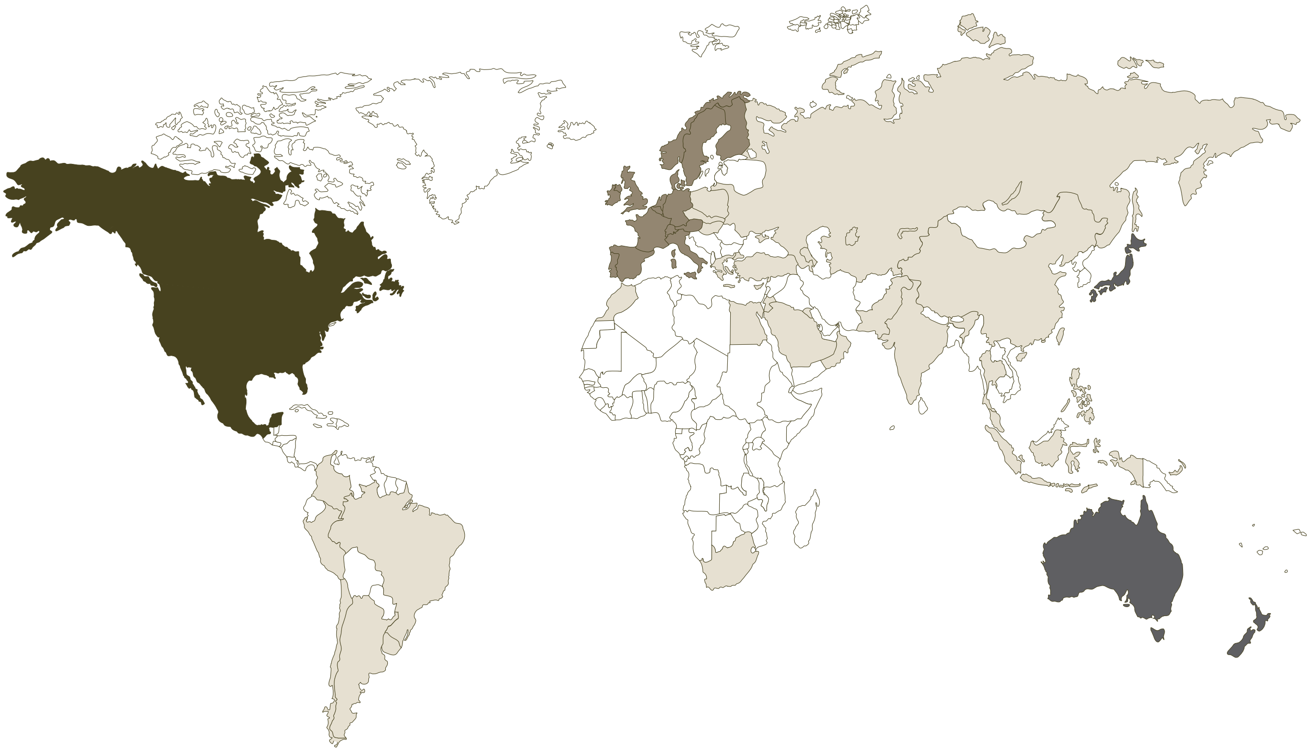
Developed Equities	MIN. 35.0%	MAX. 45.0%
Emerging Market Equities	MIN. 10.0%	MAX. 20.0%
Small Cap Equities	MIN. 1.0%	MAX. 5.0%
Government Bonds	MIN. 10.0%	MAX. 20.0%
Credit	MIN. 5.0%	MAX. 10.0%
Alternative**	MIN. 5.0%	MAX. 10.0%
Real Estate	MIN. 5.0%	MAX. 10.0%
Private Equity	MIN. 2.0%	MAX. 8.0%
Infrastructure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

Minimum Maximum

*The above denotes neutral benchmark ranges within which allocations can fluctuate, hence they do not total 100%.
**Alternative is comprised of hedge funds and managed futures.

By Region

Neutral benchmark*



North America	35.0% Min – 50.0% Max
Europe	25.0% Min – 35.0% Max
Developed Asia	10.0% Min – 20.0% Max
Emerging markets	15.0% Min – 25.0% Max

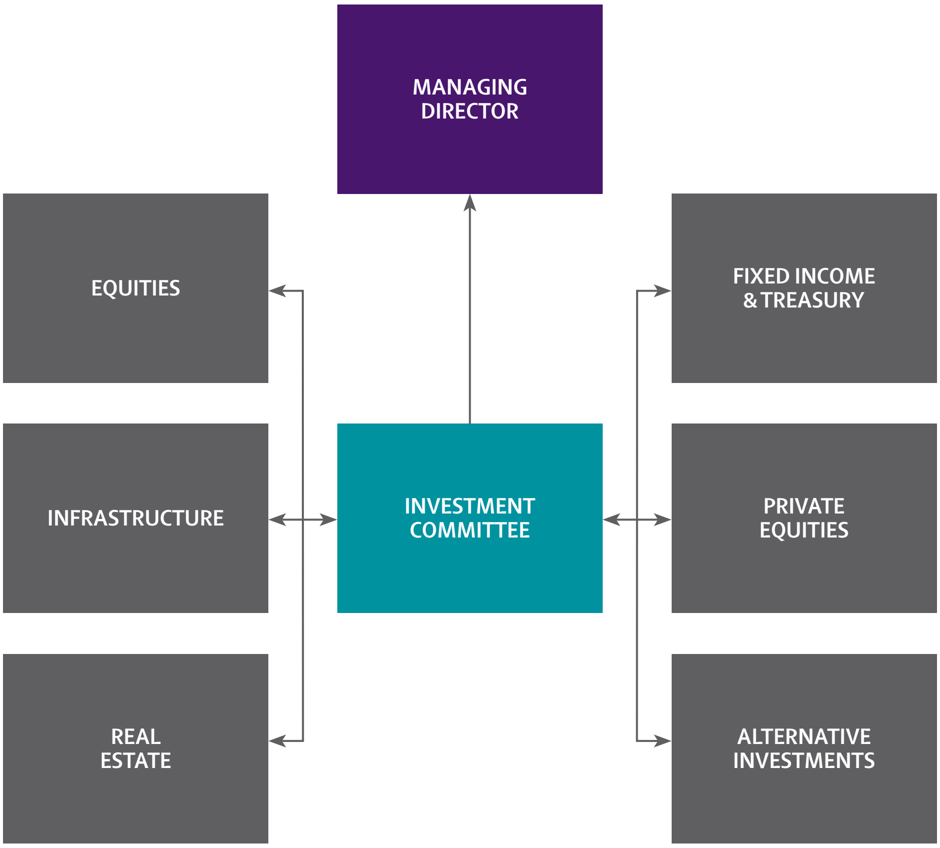
*ADIA, as a matter of practice, does not invest in the UAE. Nor does it typically invest in the Gulf region except in instances where such investments constitute part of an index.

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 discretion over the origination and recommendation of investment proposals.

INVESTMENT ACTIVITIES OVERVIEW



Investment activities
Equities

External Equities
External Equities is a general term used to describe the activities of investing departments responsible for appointing and monitoring external fund managers who invest in different regions. These departments include: the Americas, Europe, the 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 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 32 – "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. The goal of the Department is to generate returns that outperform its benchmark through disciplined execution.

Internal Equities is divided primarily between Active portfolios, and Passive and Quant portfolios. There are seven Active regional teams, each with a portfolio manager and analysts, as well as sector and/or country specialists in some cases. The Passive teams are tasked with managing assets to deliver the returns of specified benchmarks, while the Quant teams actively manage portfolios employing quantitative techniques to exploit inefficiencies across a large number of stocks. In addition, the Equity Opportunities team is responsible for managing a concentrated, long-term portfolio of global equity investments.

REVIEW OF THE YEAR

Global equity markets began 2010 on a positive note, as the fiscal and economic stimulus and inventory building that fed the recovery in 2009 spilled over into the new year. But while forecasts for growth continued to be revised upwards during the first half, doubts began to grow as it became clear that several key ingredients needed for a sustained recovery remained elusive, including increased consumer spending and business investment, and a reduction in unemployment in developed economies.

Adding to market volatility during this period were concerns about sovereign risk, particularly in Europe, and signals that major emerging markets including China, India and Brazil were considering measures to rein in growth and engineer “soft landings”. These factors and others prompted many investors to cut risk exposures and retreat to traditional safe havens such as U.S. Treasuries and gold.

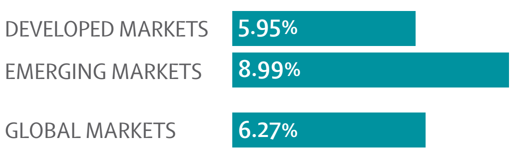
Stocks resumed their upward trend in the second half, despite downgrades to economic growth forecasts, as the risk of sovereign defaults receded and investors focused once again on market fundamentals. European and emerging markets were the best performers during this period while, in the U.S., mid-cap and small stocks outperformed their larger peers.

As the year drew to a close, stocks underwent a moderate correction on resurgence of sovereign debt and inflationary concerns in China and elsewhere, before rebounding to close near their highs for the year.

Looking forward, we anticipate global economic growth to remain hesitant in the near term, as governments in major developed markets begin the sensitive task of cutting potentially burdensome debt levels without undermining growth. However, as we enter the post-recovery phase, we remain confident that returns from equities will gradually revert close to their long-term historical average between 6% – 8% (see chart below). Assuming bond yields remain low – and in the absence of major negative macro events – equities appear relatively attractive even when using conservative assumptions with regard to the equity-risk premium.

Among key developments at ADIA during 2010, the Internal Equities Department created two new portfolios – Active Latin America and Active India – and began the gradual build-out of both teams under the leadership of seasoned fund managers. Also within Internal Equities, the Department’s regional “Passive” mandates were restructured under a single team leader, with portfolio managers and analysts rotating periodically across regional mandates as part of an ongoing effort to promote collaboration and sharing of ideas within the team.

MSCI TOTAL GROSS ANNUALISED RETURN OVER 15 YEARS*



As at 31 December 2010
*Source: Factset

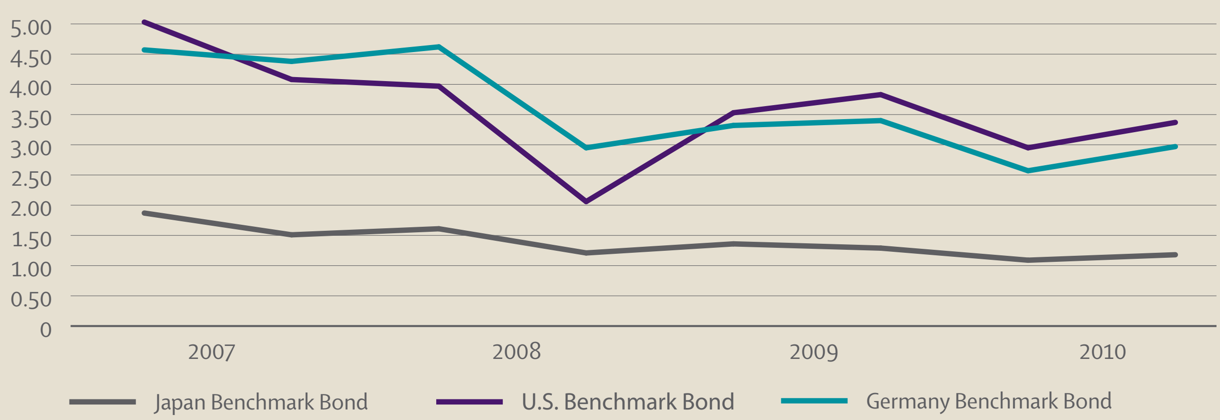
Investment activities
Fixed Income & Treasury

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.

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.

The Department manages funds both internally and through external managers and is assisted by support departments.

10-YEAR GOVERNMENT BOND YIELDS



REVIEW OF THE YEAR

Global bond markets generated solid returns during 2010 as investors sought the relative safety of these assets based on concerns about perceived risks to the global economic recovery. After holding roughly steady until April, 10-year government bond yields declined by around one full percentage point in the U.S., Germany, and the U.K., and half a percentage point in Japan by the third quarter (see chart on page 22). Yields reversed much of their decline in the fourth quarter, but still remained at historically low levels – around 3.5% for 10-year government bonds in the U.S., 3.0% in Germany and 1.25% in Japan.

The strong economic rebound that began in late 2009 had boosted confidence that the recovery was on a sound footing, and markets began to anticipate that unusually low central bank interest rates would be increased by the end of 2010. By the second quarter, however, sluggish economic data ignited fears of renewed recession and pushed back the expected timetable of higher official interest rates.

Yields bottomed out in September; after the U.S. Federal Reserve announced that it would renew purchases of Treasury debt – a process known as quantitative easing – as it was unable to lower a federal funds rate already sitting close to zero. During the fourth quarter, yields in the major government markets rebounded on a combination of better economic data and expectations that expansionary U.S. policies would sustain growth in 2011.

Most other sectors of the bond market – inflation-indexed bonds and credit – lagged government bonds but still registered solid absolute gains. The prominent exception was government debt in certain euro-area countries beset by market concerns over swelling public liabilities.

The performance of major government bond markets in 2010 once again demonstrated the value of an allocation to this asset class and its ability to diversify a portfolio even in a climate of low yields. Nonetheless, yields at the end of 2010 were close to the minimum levels that we believe are sustainable over the longer term, given the probability of higher economic growth or inflation in the future, and the pressures of large public sector debt.

Among key developments in the Fixed Income & Treasury Department in 2010 was a decision to expand our exposure to portable-alpha strategies as a means of diversifying from more traditional approaches to active portfolio management.

Portable alpha involves separating from investments the “alpha”, or portion of an investment that outperforms the market, from the “beta” parts that closely track the market, and applying this across different portfolios.

Careful consideration is given throughout this process to managing risk and liquidity issues and making sure that alpha continues to be delivered.

Also last year, the Department streamlined its risk management by creating a risk-monitoring function that will support management by identifying, measuring, aggregating and evaluating risks at a departmental level. This centralised function operates independently from portfolio managers, who will continue to monitor risks as an integral part of the investment process, and is responsible for feeding its analysis into ADIA’s broader risk management framework.

Alongside its investment objectives, one of the main focus areas for the Department over the last year has been to further develop the talents of its local employees, with Emiratis represented across all investment and operational teams within the Fixed Income & Treasury Department, and to encourage close interaction between local and international staff at all levels.

Investment activities
Alternative Investments

The mandate of the Alternative Investments Department is to invest in non-traditional assets and employ strategies that reduce volatility and the correlation of ADIA's overall portfolio to broader fixed income and equity markets. The Department's three main divisions are Managed Futures (external and internal), Hedge Funds (external) and Commodities (external). Portfolio managers and analysts within the Department are responsible for identifying and appointing the most suitable investment managers who fit the Department's mandate and continuing to monitor and evaluate their performance on a regular basis.

Managed futures, also known as quantitative trading strategies, involve trading fixed income, equity, currency and commodity markets.

By contrast, hedge funds employ strategies that are driven by discretionary investment decisions, take both long and short positions and employ varying degrees of leverage. The Department's hedge fund portfolio is invested across Macro, Relative Value and Equity Long-Short strategies.

The Active Commodities mandate invests in a variety of commodity-related strategies whose objective is to capture excess returns from the commodities market without a directional bias. The portfolio includes both long and short strategies as well as relative-value strategies.

REVIEW OF THE YEAR

Managers of alternative assets posted generally positive returns during 2010, despite a challenging and complex backdrop of political and economic factors.

In managed futures, the year got off to a difficult start with choppy, short-term movements in global markets during the first quarter, making it difficult for managers to identify opportunities and stay on the right side of market movements. This was soon followed, however, by a period of falling volatility in equity and bond markets, and rising volatility in commodities and currency markets, accompanied by clear trends on which managers were able to successfully capitalise. This supportive environment continued into the final quarter as global equity and bond markets rallied strongly on the back of U.S. plans to buy back Treasury debt, known as quantitative easing, and expectations that other developed economies may follow suit. This allowed most managers to post positive gains over the year as a whole.

It was a more complex story for hedge funds, with the market focused more on systemic risks, including sovereign debt defaults and other external factors such as quantitative easing, than on company-specific fundamentals. This was in contrast to a year earlier, when hedge fund managers had benefited from a post-crisis normalisation of market conditions that saw a rebound in equity and debt markets, a return of liquidity and a convergence of relative-value relationships. Many hedge funds reduced risk in the second quarter of 2010 as markets focused more on macroeconomic issues, especially in Europe, and subsequently did not fully participate in the upturn in markets during the later part of the year. Even so, while some hedge fund strategies clearly outperformed others, most remained profitable during 2010.

Commodities, meanwhile, remained highly correlated with global macro developments, such as changing expectations of economic growth and sovereign risk. This resulted in price swings during the year, with significant declines in the second quarter due to concerns about European sovereign defaults followed by an even sharper rebound in the latter part of the year as these fears receded. While different commodities were naturally influenced by different supply-demand fundamentals, precious metals such as gold, silver and palladium also benefited from the ongoing global debate about quantitative easing.

Among key ADIA developments, the Alternatives Department funded several early-stage or emerging managed-futures managers, with a view to eventually migrating them across to the main managed funds portfolio if they meet performance expectations. These new managers will sit within a small portfolio launched in 2009 whose purpose is to identify possible strong performers of the future. In commodities, meanwhile, the mandate overseen by the Active commodities team was restructured to emphasise “alpha” capture. This involved broadening the range of assets in which we invest to the entire range of commodities on a long / short basis, compared with our previous focus on agricultural commodities in directionally long-biased portfolios.

Investment activities
Real Estate

The Real Estate Department is responsible for building a globally diversified real estate portfolio. The Department is staffed with a broad mix of experienced professionals and is organised along geographic and sector lines. Its mission is to provide ADIA with the diversification benefits of real estate investing through a portfolio that achieves attractive relative returns over the long term. Identifying, pricing, and managing risk is paramount in our investment approach.

The Department executes its business plan through a collaborative approach that includes joint ventures with experienced local investors and extensive use of third-party fund managers, whose performance is monitored by ADIA's in-house team. It employs a flexible strategy that allows for investing across a variety of real estate asset types and also at various entry points on the capital structure.

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

REVIEW OF THE YEAR

There were clear signs of a recovery in global real estate markets during 2010, although deal-making activity was not evenly spread across all asset types and quality levels.

Transaction volumes increased substantially in 2010. Over $550 billion of assets traded during the year, representing an increase of almost 40% above the previous year, although this was still far below the $1.3 trillion of deals struck at the peak of the market in 2007. The increase in liquidity during 2010, and the broad rise in capital values that accompanied it, was driven primarily by improved macro-economic conditions and a global search for yield underpinned by historically low official interest rates.

Despite these positive signs, however, investors were focused primarily on high-quality, long-leased real estate. Appetite for top quality real estate soared through 2010 as lenders and equity investors concluded that assets with stable cash flows in liquid and transparent markets were relatively attractive in yield terms. In a number of key cities, yields for these investments tightened by over 150 basis points in 12 months. Private investors, institutions with core mandates and particularly public companies – who were able to raise cheap capital through both debt and equity markets – were all active in bidding up prices for good quality real estate.

However, these trends were not representative of the market as a whole, and demand for secondary and tertiary real estate, with significant income risk or capital-expenditure needs remained subdued in 2010.

Furthermore, whilst high-quality real estate assets appeared attractive on a relative-yield basis, finding value remained challenging on an absolute basis.

Looking ahead, we are optimistic that the early signs of recovery seen last year will broaden during 2011. But, as with the global economy, real estate markets continue to face significant structural issues as rebalancing and deleveraging continue to play out, and we expect these themes to remain in place for some time.

Against this backdrop, the Real Estate Department's emphasis during 2010 was on securing value from our current portfolio while taking a selective approach to deploying new capital. Among the latter, opportunities presented by distressed capital structures allowed us to increase exposure to difficult-to-access sectors at attractive pricing; we increased investment in the hospitality sector to benefit from an improvement in fundamentals; and we continued to develop platforms to exploit strategic opportunities presented by economic growth and urbanisation, particularly in emerging markets. Last year also was significant for the continued build-out and reorganisation of the Department with increased regional, sector and skill-set specialisation, and ongoing enhancements to back office analysis and risk management systems. These initiatives have enabled the Department to adopt an increasingly global, research-driven view of the market and to respond quickly to appropriate market opportunities.

Investment activities
Private Equities

The Private Equities Department is responsible for investing in global private equity funds on a primary and secondary basis and co-investing in private companies alongside the funds managed by our General Partners.

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 strategy, size and timeframe. We monitor performance and measure it against two industry benchmarks: one medium-term and one long-term.

REVIEW OF THE YEAR

The private equity industry began the year as it left off in 2009 – with a general sense of uncertainty stemming from weak underlying economic growth and volatility in leveraged lending markets.

However, as the global economy showed signs of stabilising and debt capital markets came back to life, the pace of private equity investments quickly followed suit.

After a relatively sluggish first quarter, in which 396 buyout deals valued at $27 billion were announced globally, a sharp upswing in confidence and credit availability during the second quarter saw transaction volumes jump 92% to reach 498 deals with an aggregate value of $51.9 billion.

Deal activity continued to increase, albeit at a slower rate, for the remainder of the year as the high-yield and leveraged-loans markets were buoyed by investors searching for yield. However, the bulk of this activity was focused mainly in the U.S. and Europe, with deal-making in Asia and other parts of the world remaining largely static. Moreover, commentators have speculated that at least some of these transactions may have been brought forward by tax-driven considerations, which may lead to a temporary slowdown in activity in the first half of 2011.

Sponsored buyout investments in 2010 were characterised by stubbornly high prices, increasing levels of leverage and commensurately lower equity contributions. Purchase price multiples as measured by enterprise value / earnings before interest, tax, depreciation and amortisation (EBITDA), were at 8.4 times in the U.S. and 9.2 times in Europe – higher than many would have expected given growth prospects in these markets. This can partly be explained by the relatively high quality of assets changing hands, particularly for larger companies in developed economies. High-yield issuance, meanwhile, surpassed record levels, with proceeds often used for refinancing and extending near-term maturities as well as for new acquisitions. The supply of high-yield debt and leveraged loans gave rise to an increase in leverage on new investments to 4.5 times total debt / ebitda for U.S. and European buyouts. Despite this, however, equity contributions remained at historically high levels.

Meanwhile, new fundraising by private-equity funds continued to be muted in 2010, exacerbated by the uncertain regulatory environment in the U.S. and Europe. Fundraising across all strategies in 2010 came in between $200 billion – $300 billion, less than half the levels seen at the market's peak.

Among key developments in 2010, the Private Equities Department continued to gradually broaden its geographic exposure to include investments in developing private equity markets, such as in Asia, Latin America and Africa, as well as certain more developed markets such as Australia. While still a relatively small part of our overall portfolio, these investments reflect a general increase in the volume of institutional-quality investment opportunities in these markets. Also last year, the Department finalised the implementation of a new middle-office information system. This project has been undertaken jointly with Real Estate and Infrastructure and will enhance data capture, portfolio analysis and reporting capabilities. In September, meanwhile, James Kester joined the Private Equities Department as Chief Investment Officer, reporting to Mr. Hareb Al Darmaki, Executive Director of Private Equities. Mr. Kester will play a key role in developing ADIA's strategy in private equity and overseeing the activities of the private equity programme. The Department is expected to continue its resource expansion throughout 2011.

Investment activities
Infrastructure

The Infrastructure Group was created in 2007 to build and manage a global portfolio of infrastructure investments, which are considered 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 investors, 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.

REVIEW OF THE YEAR

Overall activity in the infrastructure sector remained relatively subdued during 2010 compared to the peak of the market in 2006 – 2008, with a number of potential sellers either reluctant to drop their price expectations to meet demand or focused more on reducing debt levels and building value.

Even so, competition for available assets was considerably stronger than in 2009, especially for core infrastructure projects with relatively stable cash flows. In addition to the more established infrastructure investors, there was also continued interest from institutional and pension funds to invest directly in the asset class – a trend that we expect will continue to gain momentum in 2011 and onwards.

Underpinning these developments was a gradual improvement in the availability of debt from both banks and the capital markets, although leverage levels in completed transactions remained well below their peak.

On the supply side, the bulk of the opportunities in the market during 2010 originated from the private sector, with corporate owners increasingly prepared to sell non-core assets to long-term infrastructure investors. However, there were also a small number of successful infrastructure privatisations during the year in the U.K., Australia and elsewhere, and we believe this trend will continue, albeit perhaps not as quickly or in the kind of volume that some market commentators have been predicting.

Although the Infrastructure Group's mandate is flexible, our focus remains on investing in large scale, core infrastructure assets in developed markets alongside other strong investors. We also have the ability to take minority investments in publicly listed companies that we deem attractive on a long-term perspective based on a range of criteria including asset quality and valuation.

The past year was a busy one for the Infrastructure Group, with the team now fully established and actively pursuing a number of opportunities globally.

ADIA has made a commitment to continuing to build the infrastructure portfolio. On the recruiting side, we expect to continue the build-out of our team on a selective basis. We have also finalised the implementation of a new middle-office information system. This project has been undertaken jointly with Real Estate and Private Equities and will enhance data capture, portfolio analysis and reporting capabilities.

Selection of external managers

In addition to our internal investment teams, we recognise that external managers often bring unique 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 80% of our assets is 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 internal guidelines.

ADIA's alpha-seeking managers operate in a wide variety of different geographies and asset classes and employ a comprehensive array of strategies to meet their objectives. Our goal is to ensure that we employ skilful managers, operating across structurally attractive geographies and asset classes, who combine to produce steady, incremental alpha streams over the medium to long term.

In addition to managing some of its index-tracking – or "beta" – investments internally, ADIA also uses a number of external managers to manage these investments across various asset classes and geographies. The specialised skills of these external managers are of particular benefit in more operationally difficult, complex and liquidity-challenged geographies.

In recognition of the important role they play, we devote time and effort to the process of recruiting and monitoring external managers. We begin 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 "four Ps Framework":

> Philosophy
> Process
> People
> Performance.

This process involves discussions and face-to-face meetings with managers before we create a shortlist, allowing us to build a rounded understanding of their backgrounds and potential to deliver sustainable outperformance against their mandate.

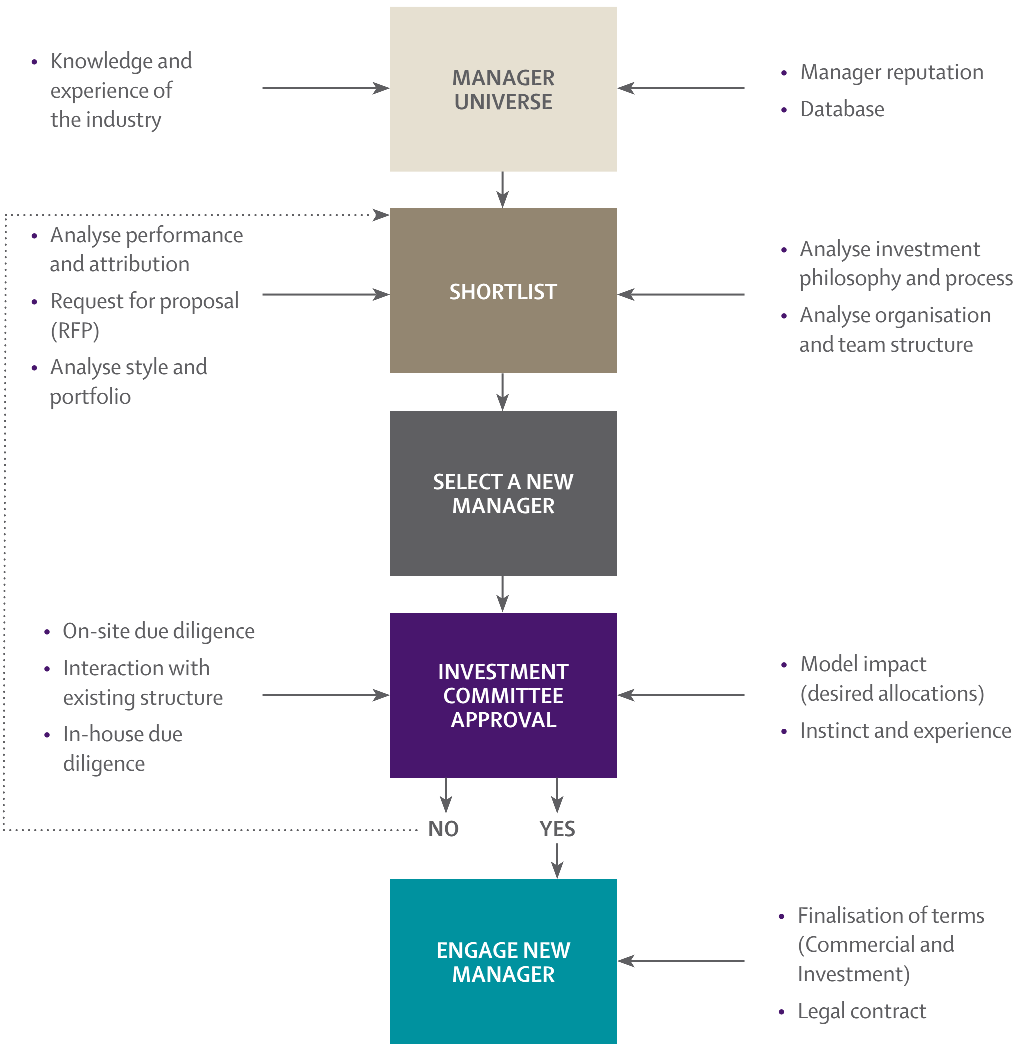
Our due diligence teams then gather and analyse relevant data to back up their qualitative views on the attributes of each manager. In this way we set clear expectations of the behaviours of each external manager and are able to put their performance in context against differing market conditions.

ADIA has developed systems and processes over many years that are intended to ensure that external managers remain compliant with their agreed investment and operating parameters. Once appointed, we monitor our managers through teams in each department. These teams are supported by the Internal Audit Department, Evaluation & Follow-Up Department, Operations Department, Investment Services Department and Accounts, in coordination with ADIA's custodian banks.

We produce investment reports that cover portfolio positions, investment style and risk exposures. We also typically receive written performance and strategy reports on a monthly or quarterly basis from each of our managers, and hold face-to-face review meetings a minimum of once a year at the managers' offices and once in ADIA's headquarters.

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

MANAGER SELECTION PROCESS



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 Accounts Department's mission is to safeguard ADIA's assets by overseeing its day-to-day accounting and finance functions and ensuring the uniform and consistent application of accounting policies across the organisation. In addition, the Accounts Department prepares ADIA's consolidated financial statements in accordance with International Financial Reporting Standards and provides detailed analyses of the underlying financial data to ADIA's Investment Committee for internal control and information purposes.

Evaluation & Follow-Up Department

The Evaluation & Follow-Up Department (EFD) advises and supports the Managing Director and ADIA's Investment Committee.

EFD is responsible for providing analyses and recommendations on all investment proposals generated by ADIA's investment departments, including asset allocation proposals, prior to their presentation to the Investment Committee. It evaluates and prepares periodical reports on investment departments' performance, strategies, risk profile, structure and resources, and on ADIA's overall investment performance, the impact of its asset allocation decisions and attribution analysis findings. It also provides analyses and recommendations on ADIA-wide strategic, organisational and governance matters.

Finance & Administration Department

> **General Services –** The General Services Division is responsible for providing a wide range of services to both new and existing employees. These include assisting them in their transition to ADIA, liaising on their behalf with Government departments, as well as supporting them with accommodation, travel and other requirements.

General Services also oversees the maintenance and operation of all ADIA facilities including the health club, restaurant and guest areas, and the procurement of office supplies. In addition, the Division supervises all security operations to ensure that relevant laws and procedures are strictly adhered to.

> **Human Resources Division –** The mission of the Human Resources Division (HR) is to drive ADIA's performance through its people, whilst delivering a professional service that supports business requirements.

The Division is divided into several areas: Recruitment and Selection, which is responsible for identifying, attracting and recruiting top talent who will thrive in ADIA's culture; Leadership and Organisational Effectiveness, which aims: a) to provide opportunities for career and personal development that are consistent with ADIA's business needs and individuals' objectives, and b) to ensure that each department is aligned to support ADIA's mission while achieving optimal organisational performance; Performance Management, which ensures that employees' goals and behaviours are aligned with ADIA's values and the objectives of their department; and Compensation and Benefits, which develops employee reward packages that recognise skills, experience and performance.

Supporting all of these areas is Employee Relations, which is responsible for the smooth delivery of the HR Division's administrative needs through efficient online systems and policies and procedures.

> **Corporate Communications & Public Affairs –** The Corporate Communications & Public Affairs Division is responsible for improving the understanding of ADIA and its activities, managing ADIA's brand, providing strategic and tactical advice to departments on significant issues, and helping to bring lasting positive change to ADIA. The Division's activities can be broken down as follows: External Relationship Management, Media Relations, Public Affairs/Government Relations, Marketing & Brand Management, and Internal Communications.

Investment support continued

Information Technology Department

The Information Technology Department (ITD) is responsible for planning, developing and maintaining ADIA's organisation-wide IT architecture. It provides reliable, scalable and efficient IT business solutions and services to help ADIA's departments achieve their goals.

The IT Department aims to achieve optimal configuration of all IT equipment and ensure the effective use of software tools across the organisation while complying with ADIA's approved processes and procedures. It is responsible for maintaining and operating ADIA's disaster recovery sites to ensure they are synchronised with ADIA's live business environment. The Department has a customer-focused approach with an emphasis on continuously improving its service to ADIA employees.

Internal Audit Department

Refer to page 44.

Investment Services Department

The Investment Services Department (ISD) is responsible for reporting, monitoring and managing ADIA-wide risk, performance and compliance. ISD's data management function ensures accurate and timely information is available to all relevant groups within the organisation. The Department also provides support to ADIA's investment departments in areas such as contract management, transition management and operational due diligence. ISD also is responsible for the project management of ADIA's strategic business and information technology initiatives to ensure successful implementation and alignment with ADIA's vision.

Managing Director's Office:

> **Business Continuity Management** – Business Continuity Management (BCM) works closely with all ADIA departments to operate a best practice Business Continuity Management System to enable ADIA to continue critical processes in the event of any business disruption. BCM accomplishes this with the ongoing management of the BCM programme. This involves having clear policies and procedures, viable recovery strategies and continuity plans, rehearsing our plans on a regular basis, running BCM training sessions and education programmes for all employees.

> **Central Dealing Unit** – The mission of the Central Dealing Unit (CDU) is to manage the implementation process of ADIA's investment decisions by trading and executing global equities, fixed income, foreign exchange and money market instruments and deposits on behalf of ADIA's investment departments.

CDU seeks to obtain the most favourable execution and prices for ADIA, thereby reducing transaction costs and market impact and enabling securities transactions to be effected quickly to take advantage of short-lived market and crossing opportunities. CDU focuses on executing its daily business with professional care and in such a way as to minimise operational risk and maintain ADIA's reputation as a respected and trusted counterpart in the securities markets.

> **Legal Division –** The Legal Division is part of the Managing Director's Office and is responsible for providing legal and tax advice to ADIA's senior management and both its investment and support departments. The division's purpose is to protect ADIA from legal risk, including tax and non-tax liabilities. It assists ADIA in achieving its investment objectives in compliance with all applicable laws and regulations.

> **Strategy Unit –** Refer to page 14.

Operations Department

The Operations Department is responsible for providing support to ADIA's investment departments through timely and accurate capture, processing and settlement of trades and safeguarding of ADIA's assets held in custody.

The Department continuously develops its straight-through-processing solution to maximise efficiency while managing operational risk. It also mitigates risk and generates incremental revenue through efficient cash management, earns revenue through activities such as securities lending and by overseeing ADIA's involvement in class action recoveries.

The Operations Department supports ADIA's mission as a global investor by maintaining strong technical knowledge of global financial markets and staying abreast of prevailing settlement, market regulations, statutory, tax and compliance requirements. The Department strives to deliver a one-stop shop for all ADIA's settlement, corporate action and custody-related issues.

Scholarships Department

The mission of the Scholarships Department is to provide advice and facilitate opportunities for the educational and personal development of ADIA's potential leaders of the future.

The Department offers a broad range of services aimed at counselling and providing support to current and potential employees on academic options, as well as assisting them to explore career options through internships and work placements. It has three key areas of focus: providing scholarships for distinguished students who may be suitable for a career within ADIA to pursue their studies at top-ranked universities worldwide; offering advice and support to existing employees who aspire to pursue higher education and to build and develop their careers; and offering educational assistance to the dependants of ADIA employees.

Risk

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 fiduciary 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 culture, 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 a number of committees and departments, including: Investment Committee, Management Committee, Strategy Committee, Strategy Unit, the Evaluation & Follow-Up Department, Investment Services Department (ISD), Internal Audit Department and Legal Division.

Exposure to absolute market, credit and liquidity risk, as well as systemic risks, is managed primarily through the diversification, by asset class and geography, of the 'neutral benchmark' and the associated asset allocation decisions. The individual components of the 'neutral benchmark' are termed 'Pools' which can be further split into passive and active. Relative risk is managed by the respective investment departments against their assigned benchmark and approved pool investment guidelines. It is embedded in the investment processes that we undertake within and across asset classes.

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.

ISD's centralised risk function is responsible for enhancing, standardising and ensuring consistency in the identification, measurement and monitoring of risk through a risk framework that supports departments in managing their risks and enables consolidated reporting of risk exposures to senior management. This encompasses various aspects of risk including:

- Investment Risk (including liquidity risk)
- Operational Risk
- Credit Risk.

Other functions within ADIA are tasked with assisting in addressing the following risks:

- Regulatory – Compliance and Legal Division
- Reputational – Communications, Compliance and Legal Division
- Business Continuity – Business Continuity Management team.

Through our hiring and employment practices, we ensure our employees follow high standards of ethics, integrity and professional competence. We require all of our people 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.

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

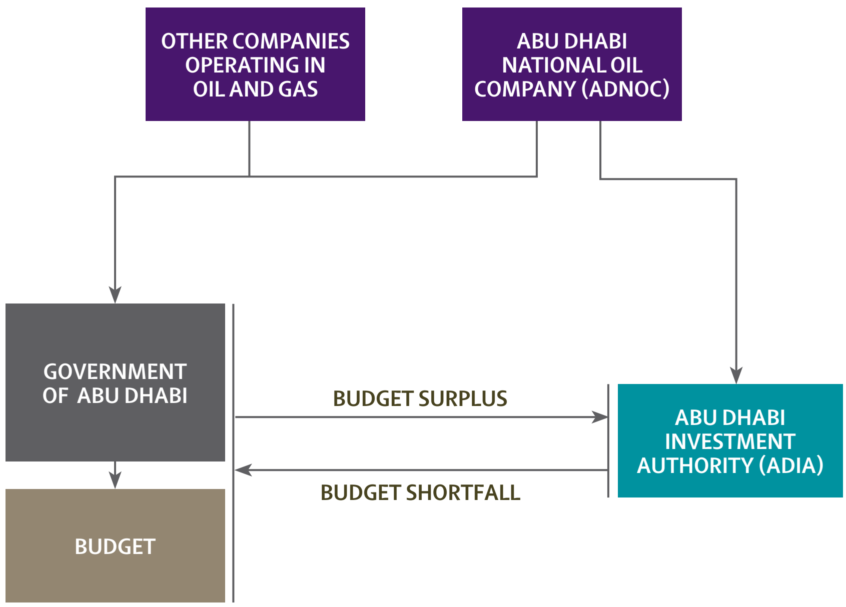
The Government of Abu Dhabi provides us with funds that are surplus to its budgetary requirements and other funding commitments.

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.

SOURCE OF FUNDS FROM THE GOVERNMENT OF ABU DHABI



Governance

ADIA has established governance standards with defined policies, processes and systems that we have developed over many years to ensure 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.

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.

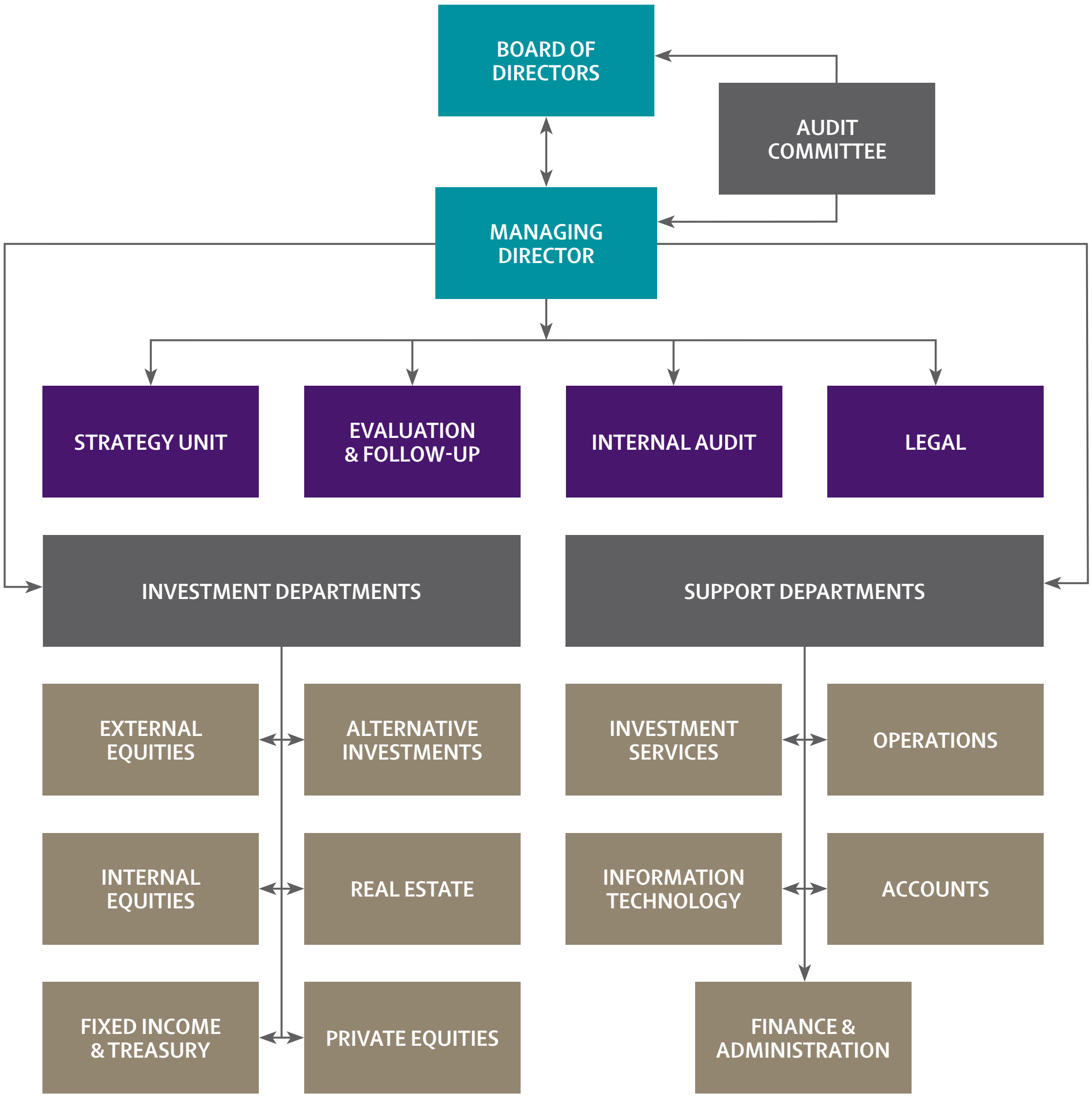
The Investment Committee assists the Managing Director. It reviews and makes recommendations on investment proposals originated by the investing departments. The Investment Committee comprises the Managing Director as its Chairman, in addition to senior executives from across ADIA's investment and support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

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

- The Strategy Committee, which advises on ADIA's overall investment strategy, based on the Strategy Unit's recommendations
- The Guidelines Committee, which formulates and advises on investment guidelines for individual investment departments in accordance with our investment strategy
- The Evaluation & Follow-Up Department, which 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.

STRUCTURE


BOARD OF DIRECTORS
AUDIT COMMITTEE
MANAGING DIRECTOR
STRATEGY UNIT
EVALUATION & FOLLOW-UP
INTERNAL AUDIT
LEGAL
INVESTMENT DEPARTMENTS
SUPPORT DEPARTMENTS
EXTERNAL EQUITIES
ALTERNATIVE INVESTMENTS
INTERNAL EQUITIES
REAL ESTATE
FIXED INCOME & TREASURY
PRIVATE EQUITIES
INVESTMENT SERVICES
OPERATIONS
INFORMATION TECHNOLOGY
ACCOUNTS
FINANCE & ADMINISTRATION

Governance
continued

Voting

ADIA does not seek to manage or be represented on the boards of the public 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.

Financial information

We prepare our financial information in accordance with International Financial Reporting Standards.

Auditing practices

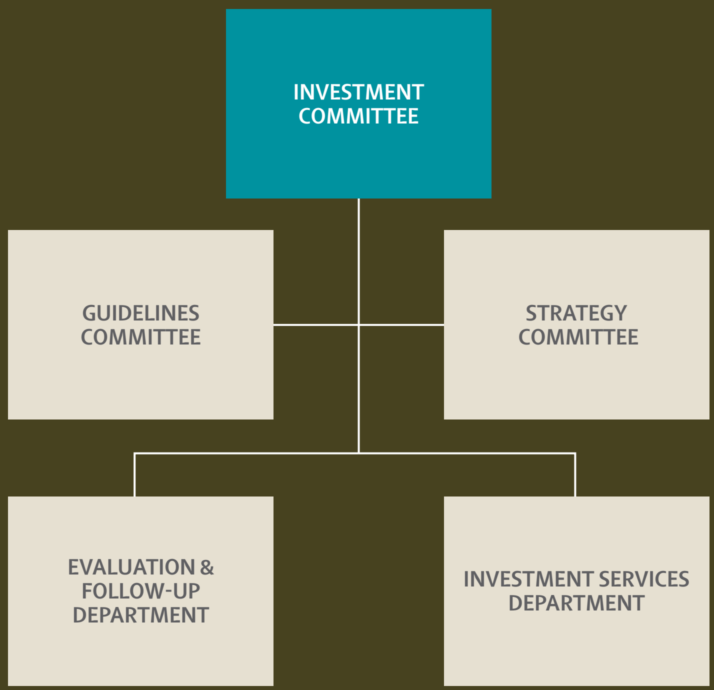
The Internal Audit Department assists senior management in their oversight, management and operating responsibilities, by providing internal audits and consultations. The overall goal is to ensure that ADIA's assets are safeguarded at all times. The Internal Audit Department reports functionally to the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

A number of advisory committees and departments support the Investment Committee.



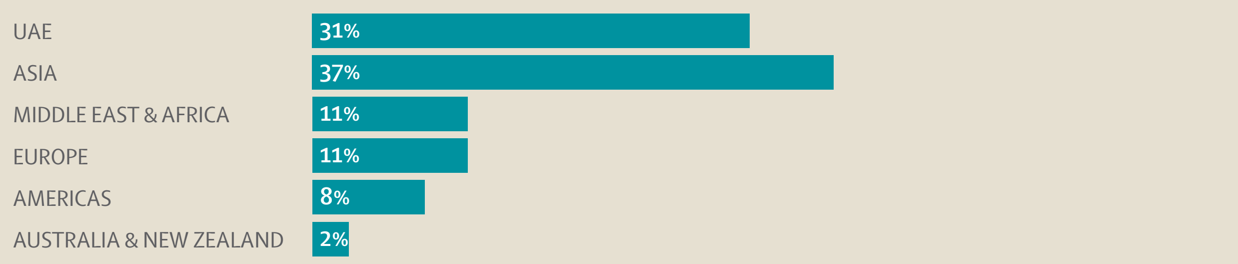
People

"ADIA employs more than 1,200 talented people from over 40 countries, on whom we rely on to underpin and build our continued long-term success."

People

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.

ADIA EMPLOYEES BY NATIONALITY (1,200)



ADIA employs more than 1,200 talented people from over 40 countries, on whom we rely on to underpin and build our continued long-term success. We aim to attract, develop and retain the best people and to assist them in realising their full potential. We maintain high levels of employee engagement by investing in employees' development and career progression and offering attractive, market-based compensation for both "home grown" and international talent.

Culture

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.

In 2009 we conducted a survey of employees aimed at benchmarking the strength of our three cultural values and identifying organisational practices that needed improving or reinforcing. With a response rate of 87% of employees, it enabled us to establish a mandate for change in 2010 and beyond.

Recruitment

ADIA employs a balanced mix of senior managers who have been with us 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. To achieve such a mix ADIA has a strategy designed to attract and recruit the best talent globally. All candidates are put through an assessment programme that looks at multiple factors and is centred around the ADIA culture. This helps potential employees to decide whether ADIA is the right organisation for them, and helps us to assess if they are right for ADIA.

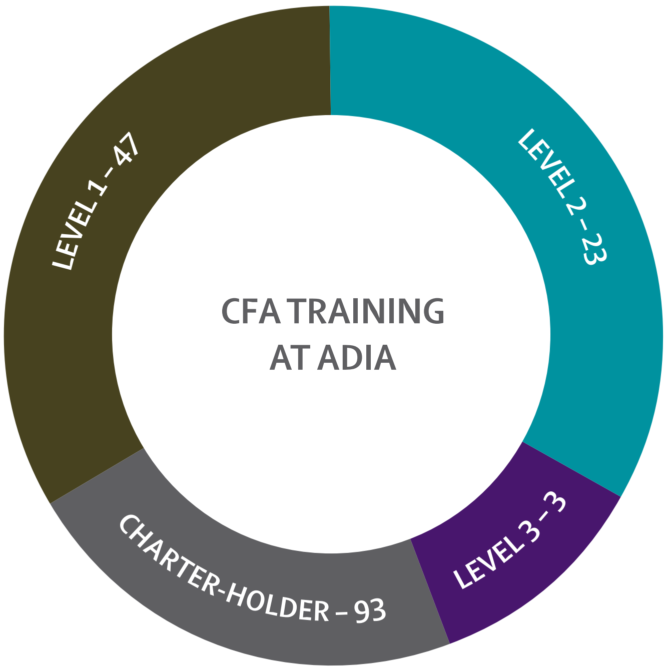
In 2010 we continued to increase our headcount in several investment departments, with an ongoing build-out of our newly established Investment Services Department and across all of our support functions.

Our targeted recruitment methods, as part of our overall HR strategy, have ensured that ADIA's employee turnover was just 7% in 2010.

Performance management

Performance management is an essential part of ADIA's culture and management practice. To support the development of our employees we ensure that people's goals and behaviours are aligned to ADIA's objectives and values.

During 2010 we increased our focus on driving high performance and building a strong base of talented leaders and employees by enhancing our performance appraisal system. Improvements to the manager training, documentation and overall process ensures that every employee has regular dialogue with their manager with the outcome of a performance rating which is the basis for their personal development, objective setting and reward decisions.



People
continued

Compensation and benefits

We want to attract and retain the best industry talent from global markets into our investment departments and the functions that support them. To support this goal ADIA provides globally-competitive compensation that rewards employees for their performance and contribution towards both short-term and long-term value creation.

Training and development

We are committed to helping people reach their full potential through ongoing training and development. This commitment is focused on both UAE nationals and our international talent through an extensive range of training programmes, seminars and conference attendance. As well as world-class education facilities on-site we have regular presentations from international experts to offer employees the opportunity to keep up to date on the latest industry news and analysis.

ADIA has introduced a Leadership Development Programme and an Executive Development Programme combining both in-house training and outsourced courses. We have relationships with a number of academic institutions, whose seminars and courses are modified to suit ADIA training, be it on management skills, personal development or a specific requirement.

We are also firmly committed to developing local talent. Our scholarship programme reaches back into Emirate schools to identify, develop and track students at an early age who we believe have the potential to be leaders of the future. Upon graduation, selected students are sponsored by ADIA to attend universities usually in the U.S. or Europe, after which an assessment is made by both parties as to their interest and suitability for a career at ADIA. In addition, the Scholarships Department offers a broad range of services aimed at counselling and providing support to current and potential future employees on academic options, as well as assisting them to explore career options through internships and work placements.

We are proud to employ the highest number of chartered financial analysts (CFA) of any organisation in the Middle East. We currently have 93 charter-holders, and a further 73 employees who have passed at least Level 1. For CFA courses, we have a programme in-house to train people for Level 1, Level 2 and Level 3 with instructors offering dedicated full-time training within the building.

ADIA TRAINING

MANAGEMENT SKILLS	22%
LEADERSHIP DEVELOPMENT	14%
FINANCIAL KNOWLEDGE & SKILLS	11%
IT SKILLS	34%
PERSONAL DEVELOPMENT	14%
OTHER (EG HEALTH & SAFETY)	5%

Breakdown of all training programmes undertaken by ADIA employees

People
Testimonials

Thi Hien Nguyen-Khac

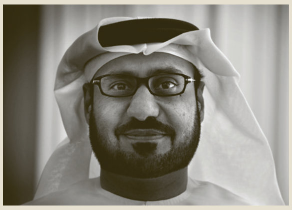
Internal Equities Department

Joined ADIA: 2008

What do you do in your job? What is your typical day?
The markets are always evolving, so quite a bit of my time is spent on analysing and interpreting news and determining its impact on Asian stock markets and our holdings in those markets. I am also involved in planning and executing on the team's strategy, analysing our performance, and coaching our portfolio managers and analysts. To ensure we stay connected to trends and issues in the markets, I meet regularly with companies and sell side analysts and strategists. Each day is different but always interesting.

Salem Al Baloushi

Central Dealing Unit



Joined ADIA: 1990

What do you enjoy most about your role?
As CDU sits as a central part of the investment process, I am actively engaged in many different parts of ADIA. This helps me to stay ahead of emerging trends and make adjustments to the way we do things in the department as needed. The investment industry is changing constantly and I enjoy the challenge of evolving with it.

ADIA is a global institution and the international aspect of the job has broadened my experience and enabled me to collaborate with talent from around the globe, and that is something I enjoy very much.

Ewen Melling

Investment Services Department

Joined ADIA: 2010

Who do you have to collaborate with, inside and outside ADIA?
Collaboration is absolutely essential to everything we do. Internally, we work closely with our sponsors and everybody contributing to existing and proposed projects. We also use a number of specialist external companies to assist us; it is vital that we have strong professional relationships with them to ensure that we are completely aligned.

Paul O'Brien

Strategy Unit

Joined ADIA: 2008

What type of person do you need to be to work at ADIA?
You need to be many different things – open and accommodating to different cultures, patient, tolerant, willing to look at other people's perspective, consultative, co-operative, and competitive. In terms of our culture, my personal view is that it sits, deliberately, somewhere between a Western and Arabic environment – and that's how it should be.

To read these testimonials in full, and learn more about careers at ADIA, please visit www.adia.ae/En/Gn/careers.aspx

Board of Directors

H.H. Sheikh Khalifa bin Zayed Al Nehayan **Chairman**

H.H. Sheikh Mohammed bin Zayed Al Nehayan

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

1

2

3

4

5

6

7

8

Investment Committee

H.H. Sheikh Hamed bin Zayed Al Nehayan **Board Member, Managing Director** (Chairman)	**1**
H.H. Sheikh Mohammed bin Khalifa bin Zayed Al Nehayan **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 Khaili **Executive Director, External Funds – Far East**	**7**
Mohammed bin Humooda bin Ali **Executive Director, External Funds – Americas**	**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**

12 7 8 13 3 2 1 4 6 5 9 10 11

Our history

World events

1971
> Indo-Pakistan War begins.
> UAE founded as an independent nation.

1985
> Mikhail Gorbachev elected by the Politburo as General Secretary of the Communist Party of the U.S.S.R.

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.

1992
> Black Wednesday – Speculative attacks on currencies in the European Exchange Rate Mechanism.

Financial events

1995
> Dayton Agreement ends Bosnian War and confirms Bosnian independence.

1998
> Decline in commodity prices triggers financial crisis in Russia.

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.

1997
Creation of the global Private Equities 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 (IFSWF).

1997
> Asian Financial Crisis – Devaluations and banking crises across Asia.

2000
> Internet bubble bursts.

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.

Contact details

Abu Dhabi Investment Authority
211 Corniche, PO Box 3600
Abu Dhabi, United Arab Emirates

Phone +971 2 415 0000
Fax +971 2 415 1000
Web www.adia.ae

www.adia.ae