ADIA

2012 Review

Prudent Global Growth

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Abu Dhabi Investment Authority

Overview

Business review

People

Overview

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.

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 supporting 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 the 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 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 are supportive of team objectives and decisions.

At ADIA, we encourage employees to communicate openly with each other as a means of building solid professional relationships. We value those who share opinions 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 for delivering ADIA's objectives and do so by putting in place realistic, clear and practical plans to ensure that expected results are achieved. Effective delegation and the ability to drive projects to completion are essential to meeting objectives.

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.

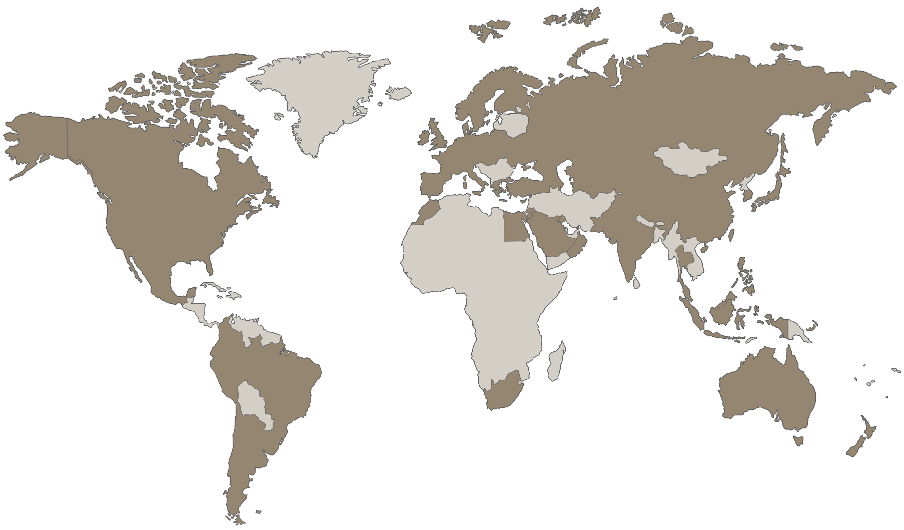
At a glance

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 to manage or take an operational role in the companies in which it invests.

Where we invest



75%

Approximately 75% of ADIA's assets are managed by external fund managers, subject to careful oversight by internal ADIA teams.

55%

Approximately 55% of ADIA's assets are invested in index-replicating strategies.

People

ADIA's success stems from its team of almost 1,400 talented individuals from the UAE and around the world who, together, pursue our mission. With more than 40 nationalities represented in our Abu Dhabi headquarters, we are proud of ADIA's rich diversity and remain 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 and infrastructure, private equity and alternatives.

Approximately 75% of ADIA's assets are managed by external fund managers whose activities are subject to careful oversight by internal ADIA teams.

Approximately 55% of ADIA's assets are invested in index-replicating strategies.

In US dollar terms, the 20-year and 30-year annualised rates of return for the ADIA portfolio were 7.6% and 8.2% respectively, as of 31 December 2012. Performance is measured based on underlying audited financial data and calculated on a time-weighted return basis.

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.

Annualised Returns %

As of 31 December 2012

20 YRS (P.A) 7.6%

30 YRS (P.A) 8.2%

As of 31 December 2011

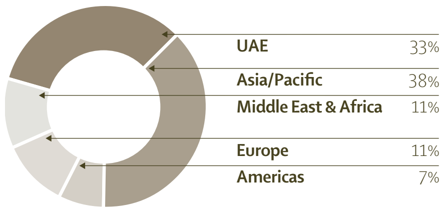
20 YRS (P.A) 6.9%

30 YRS (P.A) 8.1%

Note: Performance for 2012 remains provisional until final data for non-listed assets are included.

ADIA Employees by Nationality

(Approx. 1,400)



Letter from Hamed bin Zayed Al Nahyan

Managing Director

While global growth remained muted in 2012, signs of increased stability in major economies helped to boost sentiment and propel risk assets to their best overall performance since 2009. As in previous years, however, the journey was not straightforward, and further twists and turns are to be expected as some countries grapple with the twin economic challenges of spurring growth while cutting debt.

For ADIA, 2012 was also a year of continued evolution, with a number of senior professionals recruited in key positions across the organisation, coupled with ongoing initiatives to fine-tune our internal systems, processes and the way we collaborate. These efforts will ensure we continue to fulfil the mission that has guided us for over three decades: to prudently invest funds on behalf of the Government of Abu Dhabi with the goal of generating long-term sustainable returns.

In looking beyond short-term factors and cyclical trends, ADIA seeks to identify the issues and structural changes that will define the investment climate of the future, and to position itself accordingly. It is this approach that led us to invest in alternative strategies, including hedge funds, as long ago as 1986, and private equity in 1989. We were also early believers in the potential for emerging markets, and have increased further our exposure to these countries over the past decade, in recognition of their positive economic and demographic fundamentals and the great strides being made in developing their markets.

As a global investor and member of the international investment community, we believe in the importance of maintaining an open dialogue with all stakeholders in the market. To this end, ADIA last year conducted a series of high-level, fact-finding missions to key markets around the world. These included relationship-building meetings with government officials, corporate leaders, trade bodies, financial institutions, think tanks and research analysts, and the media, across Europe and also key growth markets of the future, including India and the tiger economies of South East Asia.

There were also a number of changes within ADIA during 2012, including a decision to formally recognise the important role played by certain functions within ADIA – Human Resources, Central Dealing and General Services – by upgrading them to departments in their own right.

Coupled with management changes across a number of business areas, these form part of our ongoing effort to streamline how we operate, enhance collaboration and maximise the potential of our rising talent while continuing to benefit from the experience of our most senior leaders.

It was a busy year on the recruitment front, with key appointments made in a number of departments, including Private Equities, Alternative Investments, Real Estate & Infrastructure, Internal Equities and Information Technology, among others. Our new colleagues will play an important role in further enhancing ADIA's in-house expertise and ability to manage its portfolio in the most effective way, especially at a time of increasing complexity and change in the global investment environment.

For ADIA, 2012 was also a year of continued evolution, with a number of senior professionals recruited in key positions across the organisation, coupled with ongoing initiatives to fine-tune our internal systems, processes and the way we collaborate.

Letter from Hamed bin Zayed Al Nahyan

Managing Director (continued)

In addition to bringing in international talent, ADIA remains conscious of the role it plays in nurturing local talent and developing Abu Dhabi's leaders of the future. Building on initiatives already in place, ADIA launched the "Year One Academy", which aims to provide our UAE National recruits with hands-on training and experience across all asset classes and with key workplace skills that will prepare them for a long and successful career at ADIA.

2012 – Market Review

Most equity markets registered double digit returns last year, and fixed income markets also did well, albeit with low starting yields. An important driver of this outcome was the recognition by market participants that economic policies can be effective in addressing economic problems, even if those policies evolve more slowly, and less transparently, than some market participants may like.

The clearest example of this last year was in Europe. During the first half of the year, stresses on the Euro area became severe due to mutually reinforcing tensions in several countries arising from poor economic growth, excessive public sector debt and doubts about bank asset quality. But, during the second half of the year, a series of policy initiatives from the European Central Bank and the European Union laid out a credible plan to provide support if needed by indebted sovereigns, and to backstop banking systems essential to finance economic growth. While it remains too soon to judge their long-term effectiveness, these measures were extremely effective in calming market fears, and made the point that excessive pessimism about policy outcomes can sacrifice investment return.

Challenges to policy in other regions arose mostly from disappointing economic outcomes. Both the Federal Reserve and the Bank of England rolled out new policy tools to combat sluggish economic recoveries. In Japan, meanwhile, the new government promised more aggressive efforts to fight deflation and renewed recession, while authorities in China demonstrated their willingness to support a slowing economy, while building confidence in their ability to rebalance growth away from exports to domestic sources of demand. Other emerging markets were able to pivot from fighting inflation to supporting growth. These actions did not eliminate risk, but they helped markets understand how those risks could be managed.

While economic policy cannot be relied upon to solve all problems, the lesson of 2012 is that many if not most of them can be solved constructively and without undue harm to long-term economic growth.

A further positive development last year was the continued demonstration of the power of technology to change how one views the future. As an example, while the importance of the shale gas revolution has been evident for several years, it finally emerged as a significant factor driving economic forecasts and in generating a greater sense of optimism about prospects for the US and other economies.

As an investor with a determined, long-term focus, ADIA must always aim to limit the extent to which the worries of the times – and there will always be worries – conflict with prudent strategy. Market outcomes of 2012 demonstrated the value of maintaining confidence in a long-term vision of economic progress, and the ability of political and economic actors to address problems effectively.

Outlook

As we enter 2013, the landscape looks much as it has for several years. Many developed market economies are struggling with the effects and consequences of the global financial crisis. It has become clear that the challenges of unemployment, fiscal reform and deleveraging will persist for some time. Markets now expect near-zero policy rates in major economies to last for longer than expected last year. This environment may not inspire great enthusiasm, but would seem largely priced into financial markets and, as we saw last year, does not preclude good investment outcomes.

Economic leadership is passing to emerging markets, not just as their weight in the global economy passes 50%, but as their share of likely future global growth moves far higher. These economies share a set of important supports to growth: rapid growth in productivity, favourable demographics, lower levels of debt and leverage, improving institutional frameworks and endowments of natural resources. These countries are diverse, and their individual prospects may vary, but as a bloc they continue to offer exciting and attractive opportunities to deploy capital.

The challenge to long-term investors in this great period of transition in economic configurations is to be an active participant. Investment in the emerging world is necessary to fuel its continued growth. Broad exposure to these markets is necessary for large global portfolios that seek sustained real returns on capital. Not every year will be as favourable to investors as 2012 was, but we believe the future remains positive.

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.
- 1,400 employees.

Key initiatives in 2012

- Conducted a series of high-level, fact-finding missions to key markets around the world, including Europe, India and South East Asia.
- Created three new departments – Human Resources, Central Dealing and General Services.
- Key appointments in a number of departments, including Private Equities, Alternative Investments, Real Estate & Infrastructure, Internal Equities and Information Technology.
- Launched "Year One Academy", which aims to provide our UAE National recruits with key workplace skills, hands-on training and experience across all asset classes.

1,400
Employees

40
Nationalities

37
Years of investing funds

Business review

"ADIA's shared, long-term view of the world – our 'neutral benchmark' – contains more than two dozen asset classes and sub-categories, each with a fixed weight..."

Investment strategy

ADIA's investment strategy involves looking beyond individual economic cycles to focus on strategies aimed at capturing long-term trends.

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 weight, which together form ADIA's shared, long-term view of the world, otherwise known as our policy portfolio or "neutral benchmark." (See page 20 – Portfolio overview)

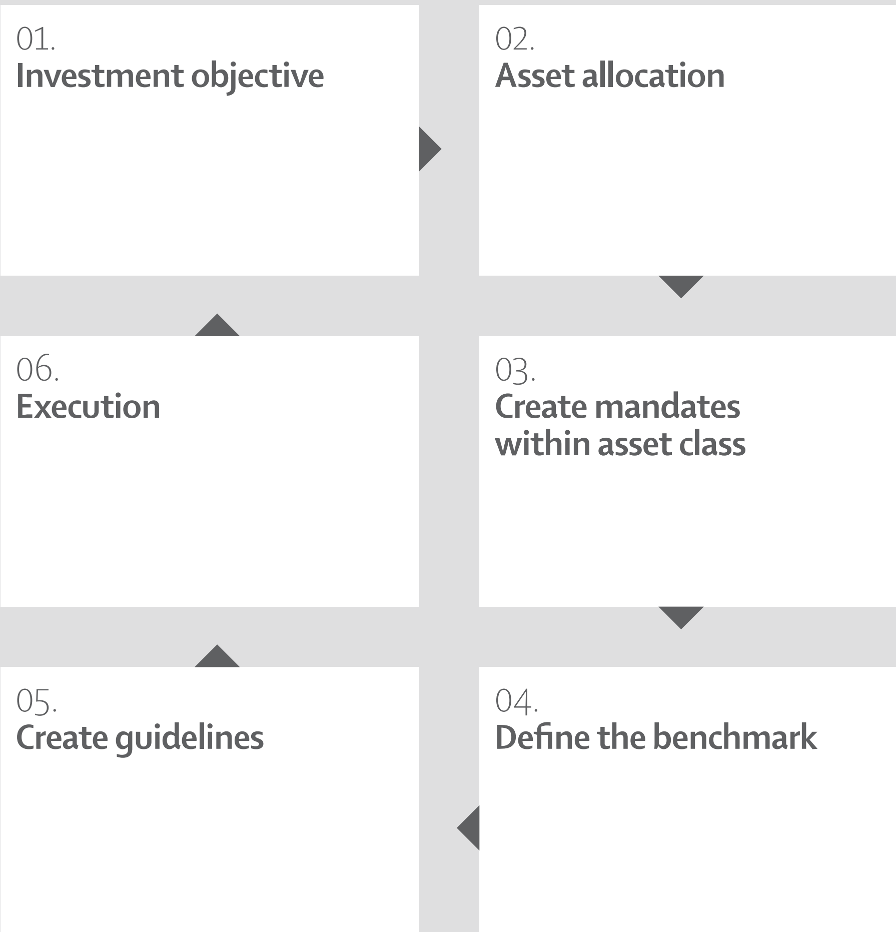
The Strategy Unit regularly reviews the neutral benchmark and suggests any necessary changes to either new or existing asset classes and their respective weightings. It also researches and proposes medium-term strategies around the benchmark with the objective of enhancing returns. This may include occasional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

Our strategy

Investment process



01.
Investment objective
To invest funds on behalf of the Government of Abu Dhabi and make available the financial resources to secure and maintain the future welfare of the Emirate.

02.
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.

03.
Create mandates within an asset class or sub-asset class
Allocate and manage funds across the mandates at the asset/sub-asset class levels.

04.
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.

05.
Create guidelines
Institute guidelines for investment managers that highlight the objectives of the mandate and specify the relevant investment constraints.

06.
Execution
Put in place the appropriate investment teams needed to implement the overall investment strategy.

Portfolio overview

By Asset Class

Neutral benchmark*

	Minimum	Maximum
Developed Equities	Min. **32.0%**	Max. **42.0%**
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

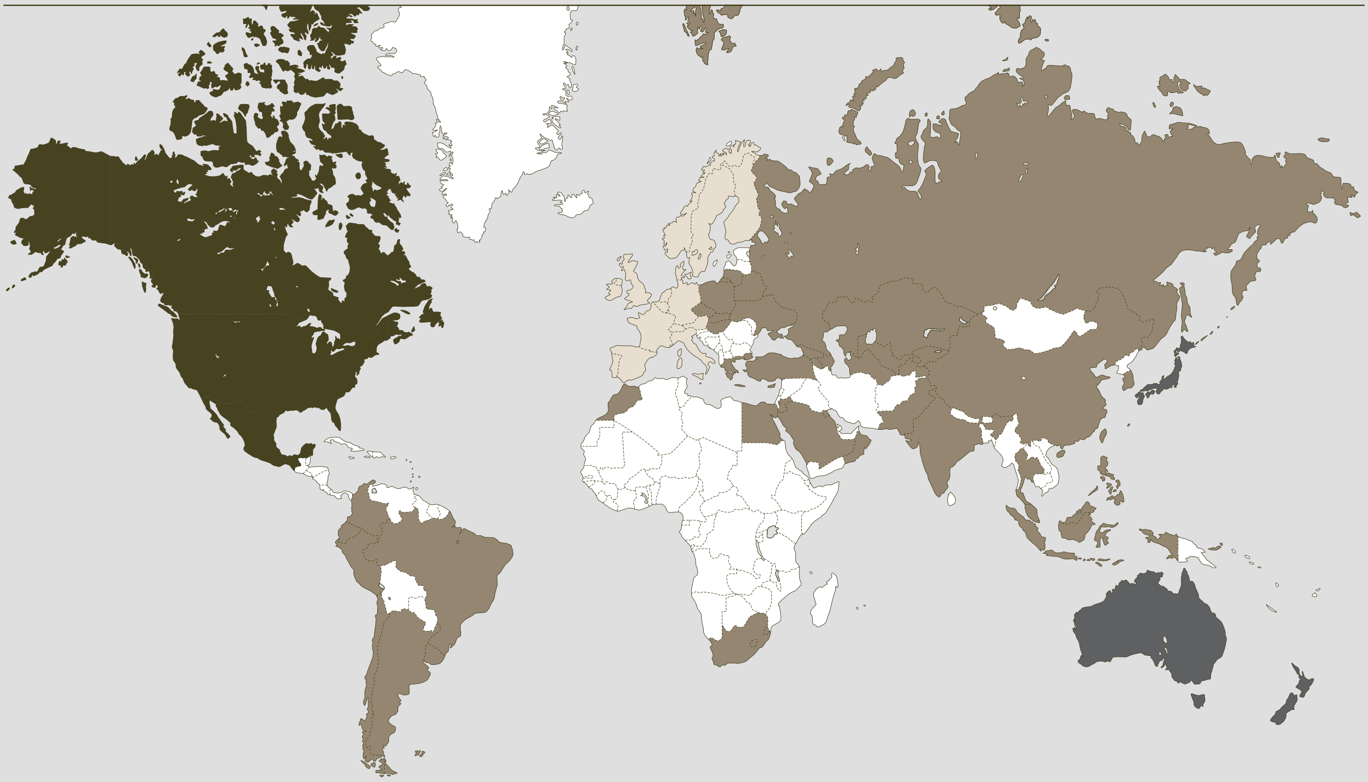
Neutral benchmark†

North America
35.0% Min
50.0% Max

Europe
20.0% Min
35.0% Max

Emerging Markets
15.0% Min
25.0% Max

Developed Asia
10.0% Min
20.0% Max



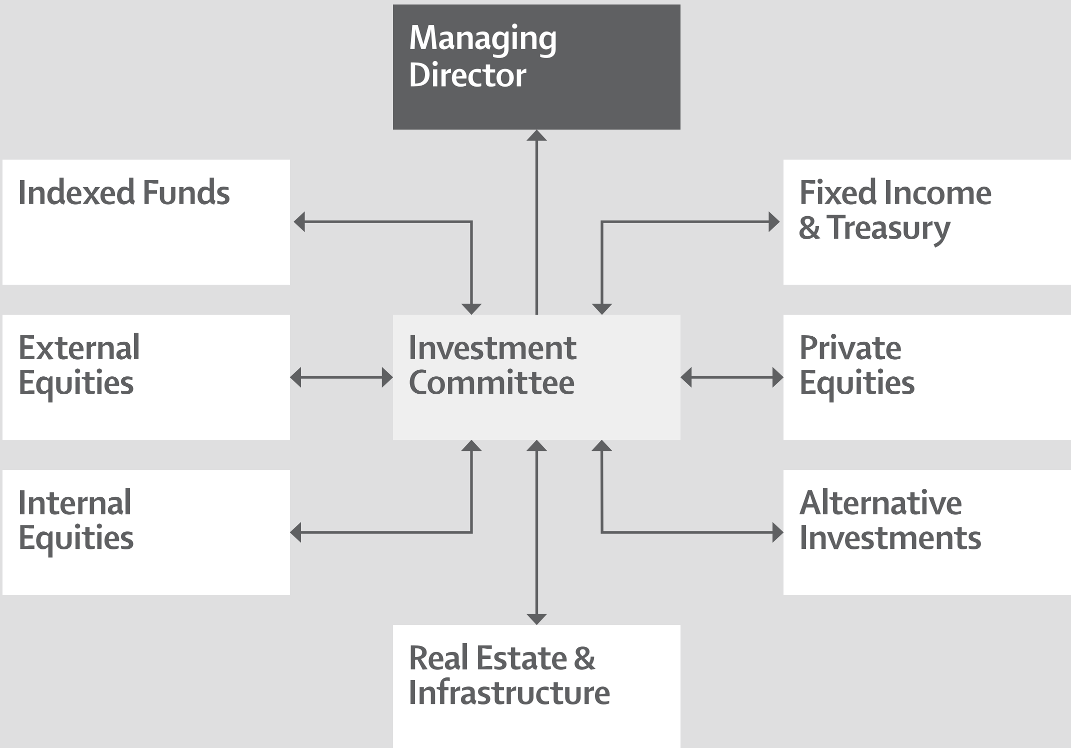
†ADIA, as a matter of practice, does not invest in the UAE.

Investment activities

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

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

Overview


Managing Director
Indexed Funds
Fixed Income & Treasury
External Equities
Investment Committee
Private Equities
Internal Equities
Alternative Investments
Real Estate & Infrastructure

Investment activities

Equities

Indexed Funds Department
The objective of the Indexed Funds Department (IFD) is to achieve indexed returns on its allocated assets, effectively, efficiently and with the flexibility to add value.

IFD comprises an External team, which monitors the activities of external investment managers who together manage around 90% of the Department's assets, and an Internal team, which manages the remaining assets directly.

Both the External and Internal asset pools are subdivided into Developed and Emerging mandates and are subject to strict guidelines and close monitoring to ensure consistency and robust risk management.

External Equities Department
The External Equities Department (EED) invests actively in the global equity markets through external investment managers. The Department is responsible for numerous mandates, each of which is managed with the objective of outperforming their respective benchmark within a predetermined set of investment guidelines.

The investment teams establish strategies that seek to identify the best opportunities within this global remit to generate sustainable alpha. The trading activities of all external 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 EED professionals.

Internal Equities Department
The Internal Equities Department (IED) invests directly in the 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.

IED manages multiple active portfolios that are divided by geography and employs a heavily research-driven approach that aims to generate alpha within predefined risk parameters.

Each team is led by a portfolio manager and consists of analysts, as well as sector and/or country specialists in some cases, who are responsible for identifying and executing opportunities along stock, sector and country themes.

The Department has a separate Equity Opportunities team, which is responsible for managing a concentrated, long-term portfolio of global equity investments.

Review of the year

For global equities, 2012 was a year in which markets, once again, oscillated between risk-on and risk-off modes before ending the year strongly and with a sense of renewed confidence that global risks were diminishing.

The year began well, building on momentum seen in late 2011, to post strong gains in the first few months of 2012, with the MSCI AC World Index ending the quarter up 11.9% in US dollar terms – its best first quarter performance in 14 years. However, most of these gains were lost in subsequent months as concerns re-emerged about Europe's ongoing debt crisis, combined with slowing growth in emerging markets and disappointing employment data from the US. Disproving the adage of "sell in May and go away," sentiment swung back again over the summer as markets reacted favourably to central bank actions and improving macro-economic data. This proved the deciding factor for the year as a whole, setting the tone for a broad-based rally that culminated with a return of around 16% by year end. Indeed, equities outperformed all major asset classes, significantly outpacing returns from both government bonds and cash. The developed equity markets of Europe and the US, together with the emerging markets of India, Indonesia, China, Mexico, Turkey and Poland were some of the best performers, while Japanese and Brazilian equities lagged significantly behind. For the year as a whole Emerging Equities returned 18.6%, outperforming Developed Equities by about two percentage points. Most notably, equity investors proved their increased resilience to external shocks by looking beyond seemingly endless debates on economic and political issues, such as the "US fiscal cliff" and fears of a hard landing in China. Their appetite for risk was likely encouraged by the very low level of bond yields which left alternatives difficult to come by, and an increasing perception as the year progressed that the risk of a new fully fledged crisis was off the table.

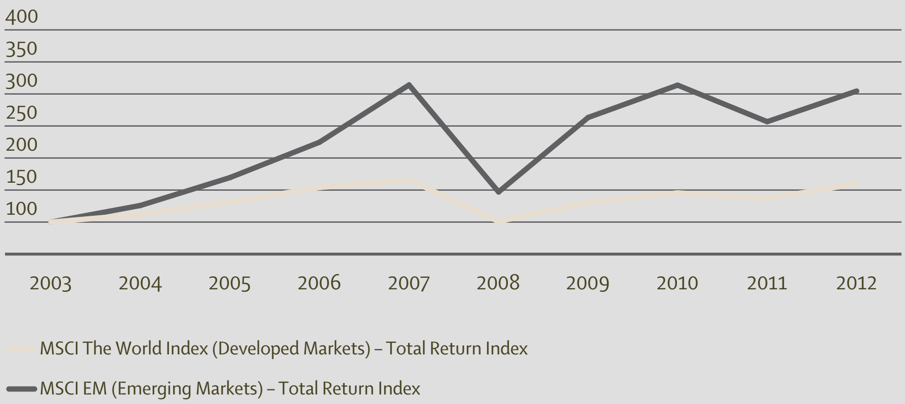
Looking forward, we expect equities to remain attractive on a relative basis as bond yields hover at historically low levels and investors look to deploy some of their significant cash reserves. Even against a backdrop of subdued economic activity, valuations in general remain attractive on an historical basis, with the yield on equities spreading positively over the yield on government bonds. The positive economic fundamentals underpinning emerging markets also remain intact and should result in long-term outperformance against developed markets, although performance will also likely remain volatile, especially during major global setbacks.

2012 was another active year for ADIA's equities departments. In Internal Equities, additional funds were allocated to several mandates in recognition of the strong teams that have been built in these areas and their ability to outperform benchmarks. These included Europe, Emerging Europe and South Africa, Latin America, and Equity Opportunities. Meanwhile, the Department's GCC and MENA portfolios were merged during 2012 in order to increase flexibility for tactical country allocation across markets within these regions.

It was an active year on the recruitment front, with portfolio managers appointed to lead the Latin America portfolio and newly combined GCC-MENA portfolio respectively.

Also in 2012, ADIA received approval from the Chinese market regulator to increase its allocation to Chinese equities under the Qualified Foreign Institutional Investor (QFII) scheme to $500 million from $200 million. This increase was implemented during the third quarter through the allocation of additional funds to the Department's Active China (A shares) portfolio.

10-year returns for Emerging Markets equities vs Developed Markets equities



Investment activities

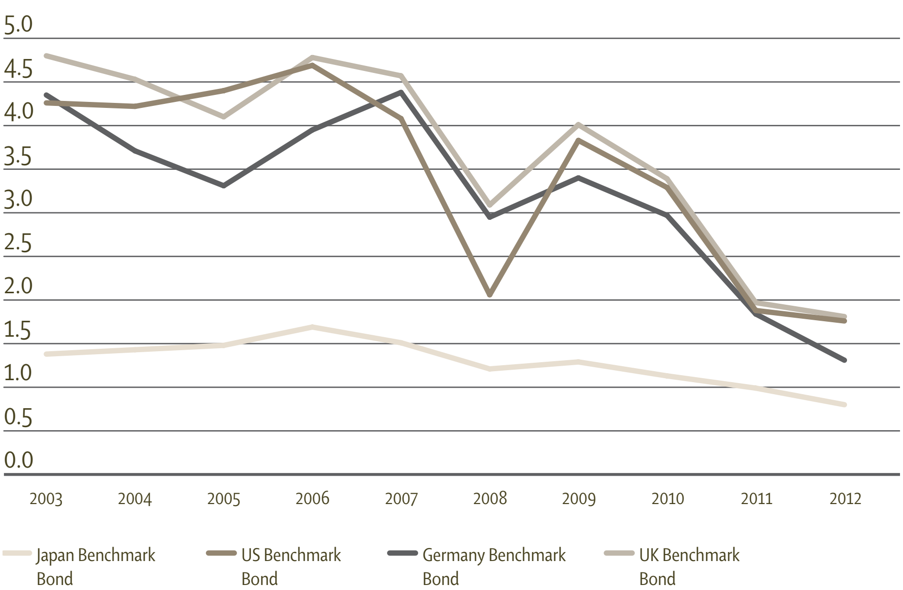
Fixed Income & Treasury

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 five broad categories: global government bonds, global inflation-linked bonds, emerging-market bonds, global investment grade credit and non-investment grade credit. Its objectives are to meet ADIA's liquidity needs and to obtain returns matching or outperforming its respective fixed income benchmarks through disciplined execution while maintaining an acceptable level of risk.

The Department has separate teams that manage funds both internally and through external managers, with a goal of maximising returns whilst adhering to strict investment guidelines. It also has a dedicated Treasury team, which monitors ADIA's liquidity needs and aims to preserve capital whilst ensuring access to daily and short-term liquidity. All are supported internally through an Operations team, which provides operational support and infrastructure to the Department and works closely with other support functions across ADIA; and a Risk team, which is responsible for identifying and evaluating risks at a departmental level and feeding its analysis into ADIA's broader risk management framework.

10-Year Government Bond Yields



Review of the year

Fixed income markets delivered another year of solid returns in 2012, with higher-yielding sectors, such as credit and emerging markets debt, among the best performers year-on-year. European bond markets remained volatile, but managed to deliver strong gains for the full year.

Yields in major government bond markets continued to confound expectations by grinding even lower than their previously historically low levels, with yields in the US, UK, German and Japanese markets all slumping to their lowest levels in modern memory and rising only slightly by year end. Inflation-indexed debt posted especially strong returns, as further declines in nominal bond yields became less likely as they approached their floor near zero. Economic growth remained sluggish across most economies, which in turn allowed central banks to remain focused on expansionary policies. The Federal Reserve, European Central Bank, Bank of Japan and Bank of England all expanded asset-purchase programmes. Notably, the Fed also committed to keep the federal funds rate near zero as long as unemployment remained unacceptably high and inflation remained under control. This "outcomes-based" approach provides more clarity about the intent of monetary policy and should help markets navigate the eventual normalisation of interest rates.

The European Central Bank also joined other institutions in the European Union in making firm commitments to resist the sovereign and banking debt crises that threatened stability of the Euro. While challenges to the Euro remain, markets were comforted that policy makers appeared to be putting in place measures to deal proactively with the unfolding crisis. This in turn helped peripheral sovereign markets in Europe to enjoy high returns.

Also of note last year was a rapid expansion in the international use of the Chinese Yuan in global trade and financial markets. While capital controls still largely prevent access to the domestic bond market, an offshore market in Yuan in Hong Kong attracted issuance by both Chinese and other companies, as well as by the government of China. The Yuan's progress towards becoming an international currency is more rapid than had been expected and should offer more opportunities to global investors in coming years.

Last year's blend of slower growth – but not recession – together with aggressively expansionary monetary policy provided an ideal environment for credit and emerging markets. Investment-grade corporate debt outperformed sovereigns by a wide margin. High yield bonds and emerging market debt – both external and local currency – notched double digit returns and rivalled equities for the year.

The legacy of these good returns, however, is that they have forced yields lower still. At the start of 2013, global investment grade bond indexes yielded less than 2%, only around the rate of inflation in most countries. Given the constraints of bond pricing – returns cannot exceed the starting yield unless yields fall – this likely marks the end of a 30-year bull market in sovereign bonds and the beginning of a period of lower returns. This is not to say that yields must rise soon, as economic conditions remain difficult and central banks appear determined to support the market with cheap funding. But, whether yields rise or hold near current levels, it is becoming clear that investors in coming years will have to manage their portfolios in ways that assume lower returns from fixed income.

There were a number of developments in the Fixed Income & Treasury Department during 2012. Mr. Nasser Al Ketbi, who has held a number of senior roles within ADIA over the past eight years, was appointed Executive Director with responsibility and oversight of the Department's activities. The internal fixed income team also successfully restructured two of its government bond mandates and brought in additional investment professionals as a means to increase asset class specialisation and focus and enhance collaboration at an individual team level. In addition, the Department went through a successful vendor selection process in 2012 to install a new market-leading technology system that will be specifically tailored to ADIA's needs. The new system will support the Department's portfolio management and decision-making activities, including risk management and performance attribution, and is due to be fully implemented during 2013 and 2014.

On the investment front, the Department continued to adapt to market changes in 2012. An allocation to non-investment grade credit was introduced into the strategic neutral fixed income benchmark. The External team conducted an extensive search process during the first half of the year to identify a shortlist of non-investment grade managers with clearly distinct investment philosophies, low correlation between historical alpha returns, and minimal overlap in key areas such as type of securities, issuers and sectors. This strategy was then implemented using a phased approach during the second half of the year.

Investment activities

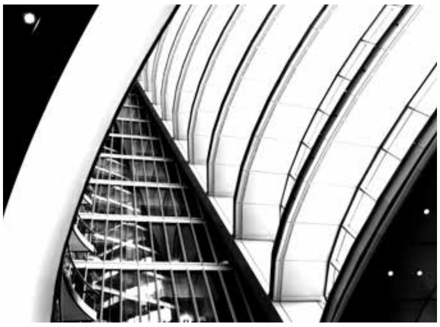
Alternative Investments

The mandate of the Alternative Investments Department is to invest in liquid, non-traditional funds which employ strategies that seek to diversify and enhance risk-adjusted returns of ADIA's overall portfolio. The Department's three investment mandates focus on hedge funds, commodity trading advisers (CTAs) and active commodities. Portfolio managers and analysts within the Department are responsible for identifying, vetting and engaging investment managers who can best fulfil the Department's mandates, and continuously evaluating their performance and development.

CTAs execute systematic strategies that employ a wide range of quantitative techniques to trade equities, commodities, fixed income and currency markets worldwide. These highly liquid strategies often perform best when traditional assets underperform, making them an attractive means of diversification.

Hedge funds employ strategies that are mainly driven by discretionary investment themes, take both long and short positions and employ varying degrees of leverage. The Department's hedge fund mandate invests across discretionary macro, relative value, event, market neutral and long/short equity strategies. The Active Commodities mandate invests in a variety of commodity-related strategies, with the objective of capturing excess returns from the commodities market without a sustained directional bias. This portfolio includes both long- and short-term strategies as well as relative value strategies.

"The Department's leadership team executed on its strategy of hiring skilled market professionals to enhance our capabilities across the full range of alternative strategies."



Review of the year

For alternative investments, as with other asset classes, 2012 was a year characterised by an uncertain macroeconomic backdrop worldwide and continued concerns that policies and/or political events in Europe, the US and China would derail a fragile global recovery. This resulted in subdued market conditions during the first half of the year, which began to lift only during the summer as confidence grew that central banks were finally getting ahead of the crisis with a series of new measures. This, coupled with the dual themes of falling volatility and the "search for yield" dominated the second half, with equities and credit both performing strongly. For ADIA's mandates and managers in the alternatives space, this resulted in a high degree of dispersion in returns, determined by their individual, and often unique, ability to position their portfolios to take advantage of the more attractive risk conditions in the second half.

In managed futures, the investment environment in 2012 was once again a challenge for most trend-following CTAs. In the broad range of markets traded by CTA managers, clear price trends rarely emerged and, when they did, reversed more quickly than the norm. The best performing managers in the industry were those who maintained their focus on short-term rates and select bond markets while those focused on currencies and commodities tended to underperform. Value-oriented, macro-systematic strategies, including global tactical asset allocation, performed better than trend-followers as such strategies generally do well in falling volatility environments. However, the role of CTAs in ADIA's portfolio was well served: the observed correlation of CTA returns to traditional assets was in line with historical norms. Going forward, we remain confident that our CTA portfolio will continue to perform as designed and serve its strategic purpose for ADIA.

In ADIA's hedge fund portfolio, the very strong performance of 2012 was the result of good balance, and excellent manager selection, in a portfolio designed to take advantage of diverse market conditions. Relative value and event-driven managers both benefited from the falling volatility environment and a broad-based rally in credit. Emerging markets-focused managers were strong contributors in macro strategies, and several of our multi-strategy managers pivoted successfully with markets in the second half. However, it was the individual excellence and skill of our managers within their core areas of expertise that drove performance throughout the year. While many managers were appropriately cautious in the market environment of 2010-2011, their ability to adapt their strategies to the far-from-ideal market conditions of 2012 was commendable. As market conditions continue to normalise, we remain very positive about the unique and strategic role that hedge funds play in ADIA's overall portfolio.

Commodity markets fared less well during 2012, with a small rally at the beginning of the year being quickly offset by a significant decline through the end of May on the back of China growth concerns and the continuing crisis in Europe. Commodities also did not respond as expected to further easing by the central banks as inflation remained low and global growth prospects worsened through the autumn. However, as drought conditions in the US and Russia became progressively worse during the year, wheat, soybeans and corn rallied strongly. For many managers, the market environment proved difficult to navigate in 2012, apart from our agricultural specialists who traded skilfully during the year.

Against a challenging backdrop, the Alternative Investments Department was able to achieve its overall target in 2012, due to diligent work by its team of in-house professionals and the Department's access to the highest quality managers in the industry.

As anticipated in last year's review, the Department's leadership team executed on its strategy of hiring skilled market professionals to enhance our capabilities across the full range of alternative strategies. In addition to adding experienced senior investment professionals in all three mandates, the Department hired several high calibre individuals with specialist skills in quantitative methods to further enhance our manager-level analytics and portfolio construction routines. A new head of operations was also appointed to support the further build-out of segregated solutions for our assets, including managed accounts and "funds of one". These efforts, together with enhancing systems to support our investment teams, remain priorities for 2013 and will allow us to take full advantage of the Department's expanded skills and capabilities. Over time, the Department's goal is to develop a more active stance to special opportunities and to create specialist mandates in existing areas of expertise that will broaden our portfolios. While confident that 2013 will be a year of further growth for the Department, our mission and key objective will continue to be consistently adding value to ADIA's portfolio and building long-term relationships with our managers.

Investment activities

Real Estate & Infrastructure

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

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

In Real Estate, the Department executes its business plan through a collaborative approach that includes joint ventures with experienced local partners as well as third-party fund managers, whose performance is closely 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 in the capital structure. A Finance team supports the investment managers and is responsible for structuring and executing investments, budgeting and producing performance reports and other analyses that assist the investment team in developing its long-term, global view of the market.

In Infrastructure, the 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. Our primary strategy is to acquire minority equity stakes alongside proven partners, with an emphasis on developed markets but also an increasing focus on emerging markets. We do not seek to control or operate the infrastructure assets in which we invest.

"Identifying, pricing and managing risk is paramount in our investment approach."

Review of the year

The global commercial real estate markets continued to present a broad range of opportunities for investors in 2012. While economic growth remained relatively weak globally, with below-trend growth in developed and emerging markets and outright contraction in others, historically low interest rates and limited new supply continued to attract robust capital flows to the asset class.

Nowhere was this more apparent than in the prime segment of the market in gateway cities, where initial yields tested all-time lows as investors pursued secure cash flows, often based on wide spreads over artificially depressed government bond yields.

Despite the strong demand and fierce competition for prime assets, the pace of transaction activity lagged behind 2011 volumes for most of the year. The slowdown was partly due to a scarcity of assets that met the strict criteria of risk-averse investors. But it was also a function of lingering uncertainty about the near-term outlook for tenant demand. This was especially true in Europe, where worries about the future of the single currency and stresses in the banking system kept investors on the sidelines. London remained an exception to this rule, with prices pushing higher despite the tepid outlook for the UK economy.

For long-term investors, the current market environment provides interesting opportunities to exploit mispricing and dislocations in the property and capital markets. Although debt outside of Europe is more readily available today than at any time since the financial crisis, there continue to be wide gaps where capital – both debt and equity – is constrained and yield premiums are attractive. In Infrastructure, meanwhile, market conditions remained highly competitive in 2012 with a number of new participants actively seeking to build their developed market portfolios. As in previous years, activity was heavily skewed towards developed markets, and in particular the US, Western Europe and Australia.

Debt funding was generally available for core, mid-sized opportunities; however the ongoing European financial crisis continued to limit bank lending appetites especially in non-core regions. Going forward, various new debt-focused infrastructure funds as well as increased appetites from large principal investors are expected to fill part of the liquidity gap created by the current dislocation in the bank loan market.

On the supply side, the bulk of infrastructure opportunities originated from the private sector, with a continuation of the 2011 trend of corporate owners selling off non-core assets either to pay down debt or redeploy capital in core activities. There were also a number of infrastructure privatisations and further government selldowns that either launched or successfully completed during the year, including in Portugal, Turkey and Australia.

Among key developments in 2012, ADIA's real estate team sought to take advantage of market dynamics to position its portfolio for the future by selectively selling assets where pricing appeared high, and deploying capital where heightened risk aversion was inappropriately discounting current and/or future cash flows. The real estate team also remains committed to building out its platform and further developing the organisational structure, processes and tools necessary to manage a diverse, global portfolio. Although work remains to be done, the breadth and depth of in-house expertise and supporting infrastructure that has been developed over recent years' positions ADIA well to participate across the full spectrum of opportunities in real estate, while prudently managing its risks.

For its part, the Infrastructure team continued its focus on investing in large-scale, core infrastructure assets in developed markets alongside strong partners. With our flexible mandate, 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.

2012 was another active year for the Infrastructure team, with a number of new investments being made. Among these, an ADIA subsidiary was part of a consortium that agreed to acquire Open Grid Europe – Germany's largest gas transmission pipeline system.

Investment activities

Private Equities

The Private Equities Department is responsible for investing in private equity globally through externally-managed funds and through investments in private companies, typically alongside our external partners.

We began investing in private equity as early as 1989 to diversify ADIA's portfolio and to seek risk-adjusted returns that exceed those possible in the public equity markets.

The Department has three investing activities: primary fund investing, direct secondary investing and principal investing. The primary funds activity is organised geographically across North America, Europe and Emerging Markets investing across all strategies, whilst secondary and principal investing activities operate on a global platform. The result is a portfolio that is diversified by geography, industry, stage, size and time frame. Performance is closely monitored and measured against both medium- and long-term benchmarks.

"The Private Equities Department was active in evaluating investment opportunities across primary, secondary and principal investments, as well as increasingly focused on executing negotiated investments."

Review of the year

As in previous years, private equity activity was somewhat erratic in 2012, driven in large part by economic and market factors and the availability of credit. Since bottoming out in 2009, global industry volumes have stabilised in the $150 – $200 billion range annually, although investment activity has been somewhat volatile from quarter to quarter.

On a regional basis, deal flow in North America was strong for much of the year, helped by the availability of cheap leveraged financing, a generally perceived good supply of assets and the spectre of tax reforms. Activity in Europe remained weak, however, with total transaction value down significantly in comparison to 2011, mainly due to prolonged uncertainty over the sovereign debt crisis and tough lending conditions, particularly in the mid market. After an active 2011, private equity investment activity in Emerging Markets began to slow, but picked up in the third quarter of the year especially in Latin America and Emerging Asia.

Interestingly, rising debt availability and falling financing costs allowed investors to pay more for assets, particularly in the US, pushing average purchase multiples higher than during previous post-crisis recovery periods. As a result, market participants appear to have adjusted downwards their return expectations on private equity investments to reflect lower equity beta and low absolute yields in risk bearing assets. The availability of undrawn private equity capital remains at elevated levels and is currently estimated at close to $800 billion, which equates to around four years of deal-making activity at the current pace of investing. Amounts raised for new committed capital pools in 2012 continued to be somewhat subdued, but consistent with recent years and effectively keeping pace with outgoings on new investments. The relatively large amount of undeployed capital has underpinned prices, but this condition should abate somewhat as capital committed at the peak of the buyout market begins to expire over coming years. Conversely, private debt availability, particularly for smaller enterprises, remains constrained by de-leveraging in the financial system.

Exit activity continued to ebb and flow during 2012, remaining hostage to capital market trends. As expected in turbulent times, IPOs were open only for perceived high-quality companies and those with strong growth stories, some of which were private equity-backed companies. Facing uncertainty, corporations continued to hoard cash, and sales of private companies to strategic buyers remained subdued. Conversely, sponsor-to-sponsor transactions became increasingly relevant, representing approximately one-third of capital exited in the third quarter of the year. Accommodative debt capital markets fuelled robust dividend recapitalisation and refinancing activity in North America in the second half of 2012, with borrowing for these purposes reaching record levels during the year.

Against this backdrop, the Private Equities Department was active in evaluating investment opportunities across primary, secondary and principal investments, as well as increasingly focused on executing negotiated investments with external managers and companies; thereby influencing the pricing and terms of transactions.

To bolster its investment activities, the Department recruited a number of experienced senior professionals during 2012, including: Head of Principal Investments, Head of Emerging Markets – Funds and Head of US – Funds. In addition, the Department hired a Chief Financial Officer and a Head of Risk, both veterans of notable institutional investment organisations. The Department's resource expansion will continue, selectively, in 2013.

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 75% of our assets are managed externally in areas including equities, fixed income, 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-replicating – 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. 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 well-rounded understanding of their backgrounds and potential to deliver sustainable outperformance against their mandates.

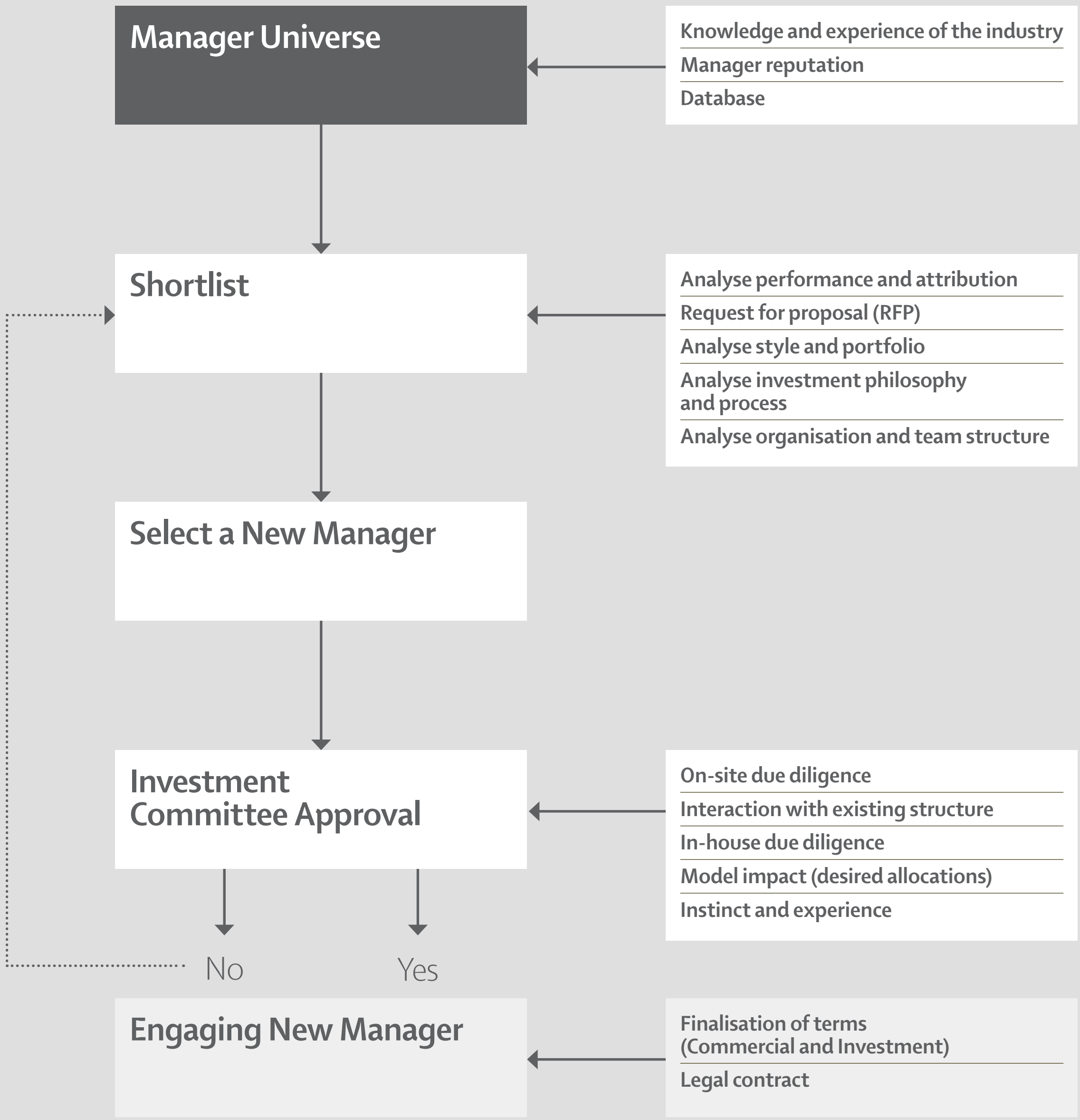
Our due diligence teams then gather and analyse relevant data to back up their qualitative views on the attributes of each manager. In this way we set clear expectations of the behaviours of each external manager and are able to put their performance in context against differing market conditions.

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 Division, Operations Department, Investment Services Department and Accounts Department, 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 at least 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.

Overview

Accounts Department

The Accounts Department's mission is to contribute to the safeguarding of ADIA's assets by maintaining the accounting books and records of the Authority's investment assets. In addition, the Accounts Department prepares ADIA's consolidated financial statements in accordance with International Financial Reporting Standards and provides analyses of the underlying financial data to ADIA's senior management.

Central Dealing Department

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

CDD fulfils its mission by seeking to ensure that performance is not diluted from investment decisions during the implementation process. Instead it seeks to add value through skilful execution and by offering advice on market securities and transition trading. CDD's experienced team make use of technically advanced electronic trading systems and processes, which are employed within a stringent, clear and transparent compliance and risk framework. Its approach ensures that CDD is able to execute its activities professionally, with due care and with minimal operational risk, thereby maintaining ADIA's reputation as a professionally respected and trusted counterparty.

General Services Department

The General Services Department is responsible for providing a wide range of services and support for ADIA and its employees. The Department liaises with government departments, local authorities, vendors and other external parties to ensure that the organisation's daily and operational needs are met.

The General Services Department comprises three divisions: Housing, Contract and Supply, which provides accommodation services for all employees and manages contracts with vendors and procurement orders; Protocol and Employee Services, which interacts on behalf of ADIA and its employees with local authorities and foreign embassies and provides support in various areas including visas and immigration, travel and hotel booking and ticketing, vehicle servicing and registration, among other things; and Facilities and Record Management, which manages and oversees ADIA's buildings, security services, archives of department files and the maintenance and operation of all ADIA facilities.

Human Resources Department

The Human Resources Department's (HRD) mission is to build and sustain a performance-driven culture that supports ADIA's strategic and investment goals.

The Department is divided into a number of key sections: The Recruitment team is responsible for identifying and hiring top talent from the UAE and around the world; Talent Management and Development provides training and development opportunities to ensure that employees continue to grow and meet their full potential, while the Scholarships team aims to identify, recruit and provide ongoing support to UAE Nationals with the potential to become ADIA's next generation of leaders; the Performance and Reward team ensures that employees' pay and rewards are closely aligned with their performance and contribution, and competitive with our global peers; and Organisation Development specialists manage change initiatives that ensure departments are correctly structured and aligned to support ADIA's mission and continued success.

These areas, along with a number of other functions, combine to enable HRD to offer an integrated service, promoting efficiency throughout the organisation and ensuring that ADIA continues to attract, develop and retain world-class talent.

Corporate Communications & Public Affairs

Corporate Communications & Public Affairs (CC&PA) is responsible for protecting and promoting ADIA's reputation, improving the understanding of ADIA and its activities, managing the ADIA brand, providing strategic and tactical advice to departments on significant issues, and helping to bring lasting positive change to ADIA. CC&PA'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)

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

EFD is responsible for providing independent 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 as well as the impact of its asset allocation decisions and attribution analysis findings. It also analyses and provides recommendations on ADIA-wide strategic, organisational and governance matters.

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 and tax risk. It assists ADIA in achieving its investment objectives in compliance with all applicable laws and regulations.

Strategy Unit – Refer to page 18

Information Technology Department
The Information Technology Department is responsible for designing, developing and maintaining ADIA's technology platforms. This covers a wide range of technology from large vendor-based systems to smaller in-house developments. Quality-assurance and service-delivery professionals ensure that we provide a first class service to our internal partners whilst our business analysts and project managers are responsible for developing functionality to support ADIA's business. At the core of our Department are two teams: Infrastructure Management, which ensures that we have up-to-date hardware and networks, providing a fast, stable service; and Application Management, which works closely with our business colleagues to ensure that we choose, implement and maintain best-in-class financial applications to support ADIA's short- and long-term goals. The IT Department has a professional, customer-focused approach with an emphasis on continuously improving its service to ADIA employees.

Internal Audit Department – Refer to page 46

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.

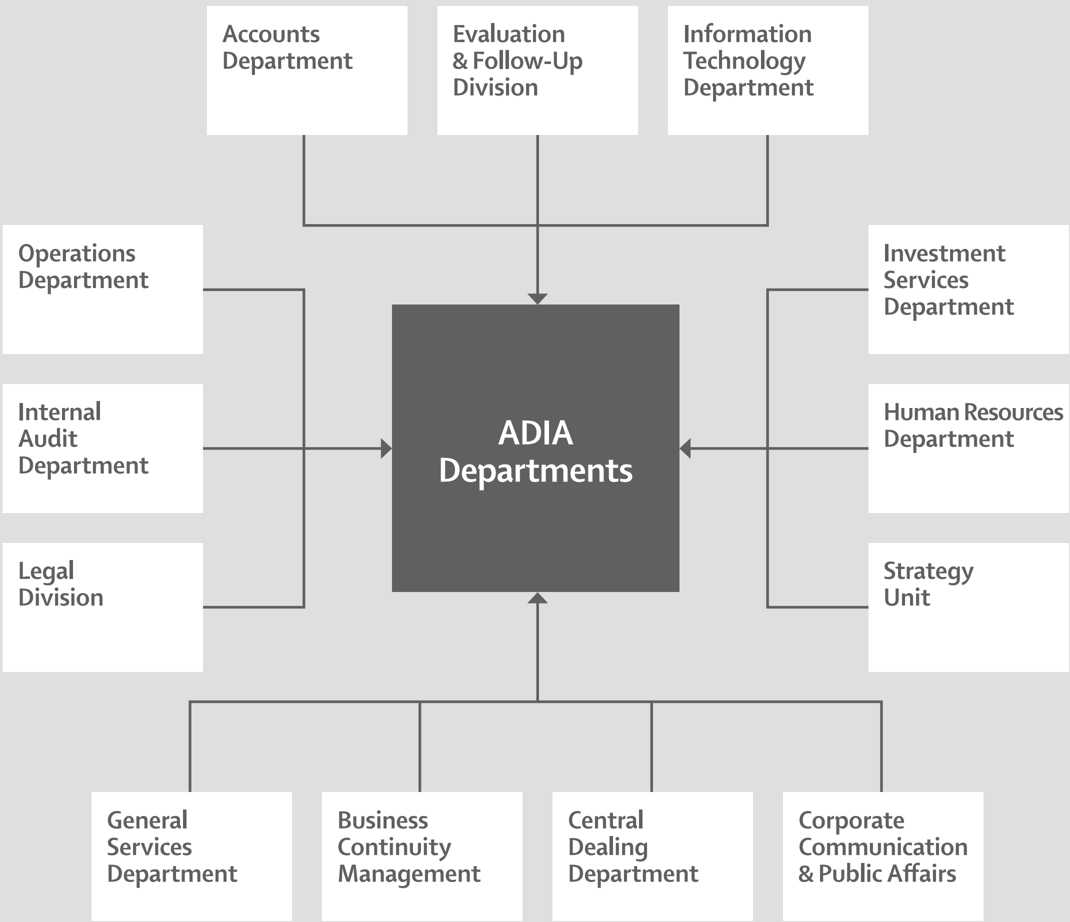
Business Continuity Management
Business Continuity Management (BCM) works closely with all ADIA departments to operate a best practice BCM programme, to enable ADIA to continue critical business processes in the event of any significant business disruptions. This involves the regular review of business continuity threats and their impact on ADIA, having clear policies and procedures, ensuring that we have viable recovery strategies and business continuity plans, rehearsing our plans on a regular basis and running BCM training and awareness sessions.

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 evolves 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 relevant settlement, market regulations, statutory, tax and compliance requirements.

The Department strives to deliver a one-stop shop for all of ADIA's settlement, corporate action and custody-related issues.


Accounts Department
Evaluation & Follow-Up Division
Information Technology Department
Operations Department
Internal Audit Department
Legal Division
ADIA Departments
Investment Services Department
Human Resources Department
Strategy Unit
General Services Department
Business Continuity Management
Central Dealing Department
Corporate Communication & Public Affairs

Risk management

Our overall portfolio has implicit risk and return objectives that evolve 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, Evaluation & Follow-Up Division (EFD), 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 management function is responsible for leading the disciplined execution of ADIA's risk management framework that supports departments in managing their risks and enables consolidated reporting of risk concentrations and related matters to ADIA's Risk Management Committee. The risk management framework encompasses various aspects of risk assessment including:

Investment Risk (including liquidity risk)

Operational Risk

Credit Risk (including counterparty risk)

Compliance Risk

Performance and Risk Reporting

Operational Due Diligence

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

Legal and Tax: Legal Division

Regulatory: Legal Division, Investment Services Department

Reputational: Corporate Communications & Public Affairs, Legal Division

Business Continuity: Business Continuity Management

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

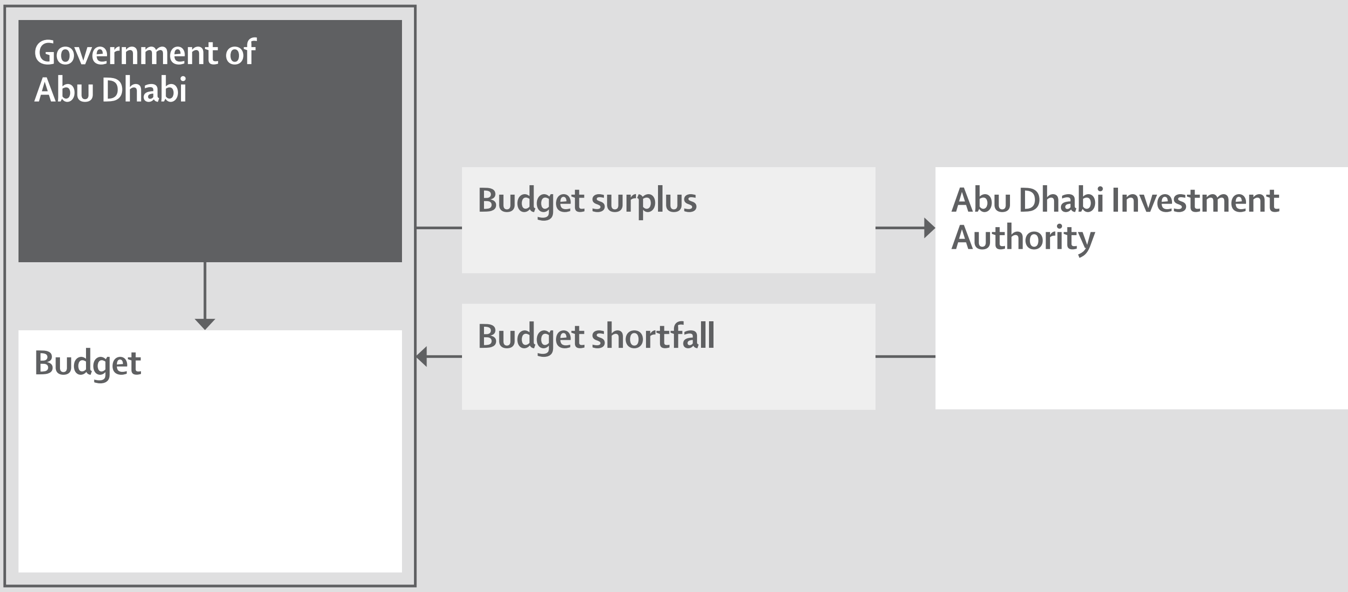
The Government of the Emirate of Abu Dhabi provides us with funds that are surplus to its budgetary requirements and other funding commitments.

General approach to withdrawals

ADIA is required to make available to the Government of the Emirate 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 the funds entrusted to us in such a way as to ensure there is 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 with investment decisions. The Investment Committee comprises the Managing Director as its Chairman, in addition to senior executives drawn from across the organisation with a broad mix of investment and operational experience.

A number of advisory committees and departments support the governance framework, including:

The Strategy Committee advises on ADIA's overall investment strategy, based on the Strategy Unit's recommendations.

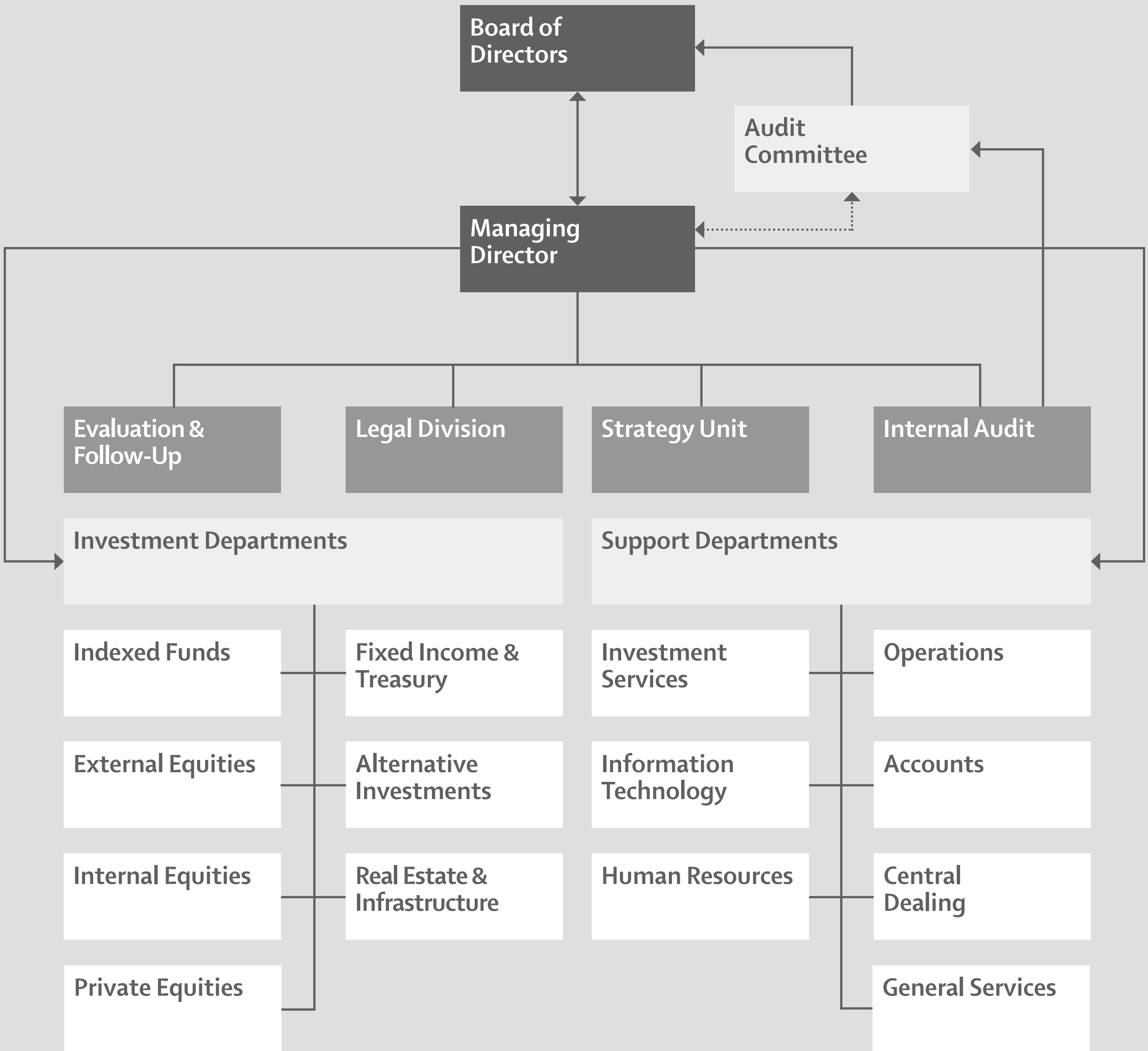
The Audit Committee assists the Board of Directors by overseeing ADIA's financial reporting practices, systems of internal control and internal audit processes. It also manages ADIA's relationship with external auditors.

The Risk Management Committee is responsible for implementing ADIA's risk management framework and ensuring that all identified risks are acted upon in a timely manner. It is comprised of members of the Investment Committee and reports to the Managing Director.

The Investment Guidelines Committee, which formulates and advises on investment guidelines for individual investment departments in accordance with our investment strategy.

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
Evaluation & Follow-Up
Legal Division
Strategy Unit
Internal Audit
Investment Departments
Support Departments
Indexed Funds
Fixed Income & Treasury
External Equities
Alternative Investments
Internal Equities
Real Estate & Infrastructure
Private Equities
Investment Services
Operations
Information Technology
Accounts
Human Resources
Central Dealing
General Services

Governance
(continued)

Financial information

ADIA prepares its financial information in accordance with International Financial Reporting Standards.

Internal Audit

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. 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 ADIA's 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 ADIA's policies and procedures.

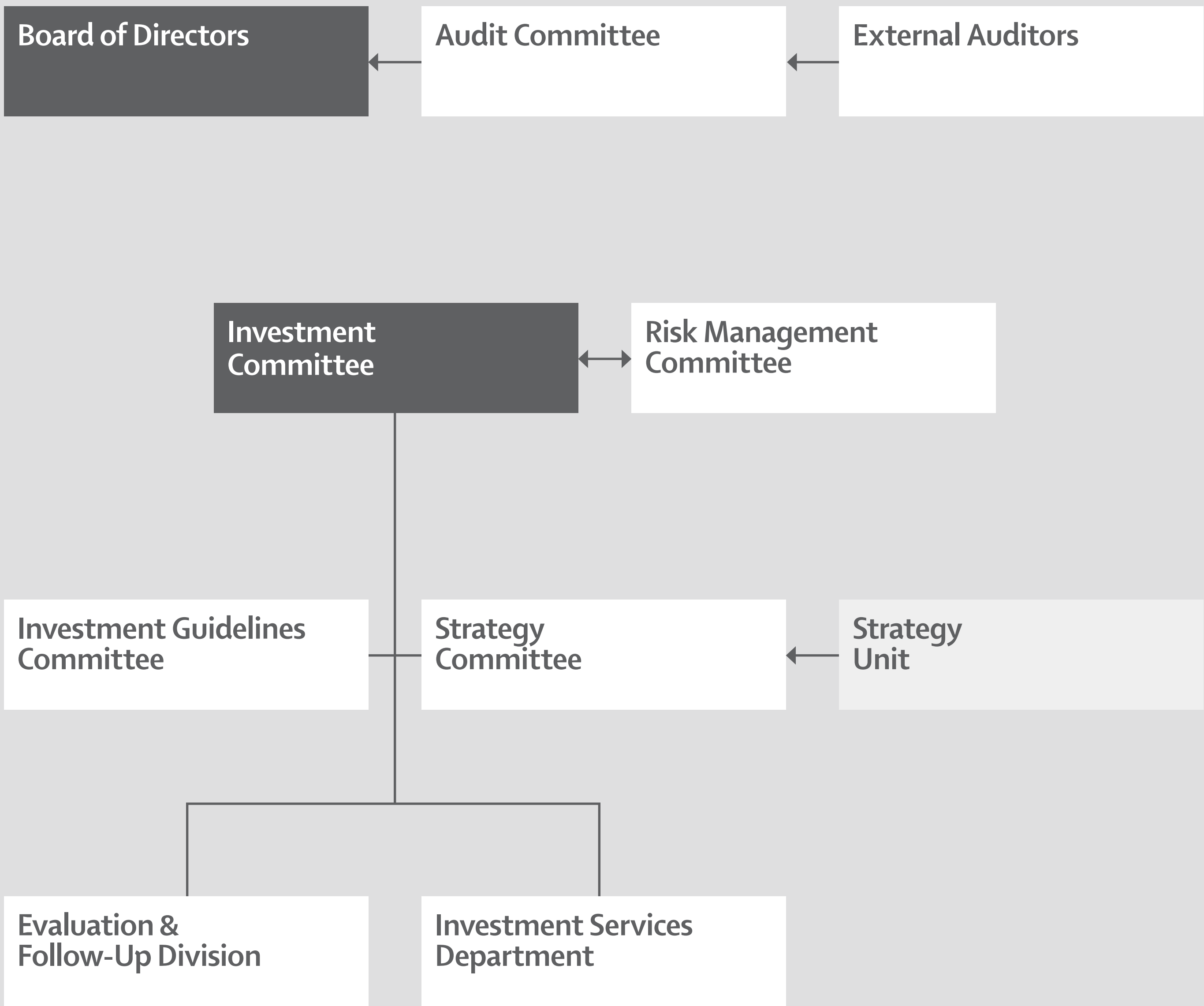
ADIA's Board of Directors has established an Audit Committee, which appoints two external audit firms to act jointly to audit ADIA's annual accounts, as prepared by ADIA's Accounts Department. Both the Internal Audit Department and ADIA's external auditors report their findings to the Audit Committee.

The work of the Internal Audit Department was again reviewed during 2012 by an independent audit consultancy firm to assess its continued conformity to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Department was again awarded the consultant's highest rating following this review.

Voting

ADIA does not seek to manage or take an operational role in the companies in which it invests. In practice, this means that it usually abstains from exercising its 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.

Governance Framework



People

"ADIA employs around 1,400 talented people from over 40 countries, on whom we rely to underpin and build our continued long-term success."

Overview

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

ADIA Employees by Nationality
(1,400)

	%
UAE	33
Asia/Pacific	38
Middle East & Africa	11
Europe	11
Americas	7

ADIA employs almost 1,400 talented people from over 40 countries, on whom we rely 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, with a particular emphasis on UAE Nationals.

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, effective collaboration and disciplined execution. In 2012 we repeated our ADIA Employee Survey and recorded a strengthening of all three of our cultural values, but this process remains ongoing through a number of projects and initiatives that are currently underway.

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 highly skilled UAE Nationals. We also have 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 suited to ADIA.

In 2012 we continued to increase our headcount across the majority of investment departments and strengthened our support functions, with a particular focus on areas such as Real Estate and Infrastructure, Private Equities and Information Technology, where a number of senior professionals were appointed during the year. Our targeted recruitment methods, as part of our overall HR strategy, have ensured that ADIA's employee turnover is less than 5% on average.

Developing our Talent

In order to position itself for success, both now and in the future, ADIA maintains a strong focus on employee and organisational development. By focusing on managing and developing our talent we are able to ensure that we create an environment that allows our employees to grow, develop and enjoy success.

Through thoughtful talent management we aim to ensure that employees clearly understand what constitutes success and are supported and developed to ensure that they have the best opportunity to be successful. This focus on development can be seen throughout ADIA and in the community through our sponsorship of the UAE National scholarship programme, awarding talented UAE Nationals places at some of the most prestigious universities around the world.

More specifically, performance management is an essential part of ADIA's culture and management practice. To support the performance and development of our employees we ensure that people's goals and behaviours are aligned to ADIA's objectives and values. Talent managers working with departments nurture and develop talented current and future leaders, whilst delivering coaching and mentoring to encourage managers to maximise the potential of all employees. Similarly, Organisational Development managers work with departments to help ensure the correct structures, processes and people are in place, and in alignment, to allow departments to successfully execute against their goals and targets.

Through training, leadership and development, we are committed to helping people reach their full potential. This commitment is focused on both UAE Nationals and our international talent through an extensive range of training programmes, seminars and conference attendance. We have regular presentations from international experts and well-known authors to stimulate innovative thinking and give employees the opportunity to keep up to date on the latest industry news and analysis.

"Our targeted recruitment methods, as part of our overall HR strategy, have ensured that ADIA's employee turnover is less than 5% on average."

Overview
(continued)

ADIA has Management, Leadership and Executive Development Programmes, which combine both the best of our in-house knowledge and experience with the most up-to-date thinking and practices from around the world. We have relationships with a number of academic institutions and learning organisations, whose programmes and courses are developed to meet ADIA's needs, in many important areas of employee development.

As a UAE-based organisation, we are firmly committed to developing local talent. Our scholarship programme reaches back into local 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 US or Europe, after which an assessment is made by both parties as to their interest and suitability for a career at ADIA. We offer these students a broad range of services aimed at counselling and providing support on their academic options, as well as assisting them to explore career options through internships and work placements.

Upon joining ADIA all new UAE National recruits participate in a year-long programme where they study for their CFA, participate in a six-month ADIA investment simulation, designed to give them experience with all asset classes, and gain key workplace skills that we hope will prepare them for a long and successful career at ADIA. This is followed by placement into departments where further support is provided to ensure our young talent is best positioned for success.

We are proud to employ the highest number of chartered financial analysts (CFA) of any organisation in the Middle East. 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.

Claudia Lokody Durkin
Global Economist
Evaluation & Follow Up Division

What do you do in your job? What is your typical day?
I produce macroeconomic research and economic forecasts for major economies, which enables me to identify issues that could have an impact on markets.

I work in a team of investment professionals, each of whom specialises in a different asset class, and I learn so much from them on a daily basis; there isn't a meeting where I don't walk away with a new piece of knowledge.

One of the best parts of my job is being able to use my skills as an economist alongside the broader capital market knowledge acquired from holding the CFA charter as well as working at a global investment bank.

Overview

Testimonials

Mohamed Fahed Mohamed Al Mazrouei
Analyst
Private Equities Department

Who do you have to collaborate with, inside and outside of ADIA?
I collaborate on a daily basis with my colleagues in the Private Equities Department to assist in finding new opportunities for investment, while also supporting them in achieving the Department's long-term financial and operational goals.

I'm also grateful for the opportunity to share views and opinions on the global economy with colleagues in other departments. This is essential as it keeps me up to date on things I am not exposed to in my daily job. "Effective collaboration is one of our cultural values at ADIA, but it is not just a poster on the wall, it's something we do every day."

Gregory Smith
Real Estate Associate
Real Estate & Infrastructure Department

Why did you join ADIA?
When ADIA offered me an opportunity, I jumped at it. What interested me was the multinational working environment, culture and professionalism of the institution and its workforce. It is a place where investment professionals from all over the world are focused on finding and executing on the right deals for ADIA and I wanted to be exposed to this pool of knowledge and expertise. These things are not easy to find in one place, and I am very proud to be able to develop my career in such an environment.

Ryan Shea
Head of Macroeconomic Research
Fixed Income & Treasury Department

What do you enjoy most about your role?
I enjoy the intellectual challenge of trying to understand both the global macroeconomic and financial landscape and transforming these views into profitable investment opportunities. The past few years have been especially interesting due to the constantly evolving global economic situation. I'm also very fortunate to be in a position where I interact on a daily basis with highly experienced and knowledgeable people, both inside and outside the organisation.

Training Course statistics

	%
Investment and Professional Skills Programmes	28
Management & Leadership Development	26
Professional Certifications Programmes (e.g. CFA)	5
Personal Development	28
IT Skills	11
Other	2

Board of Directors

01 H.H. Sheikh Khalifa bin Zayed Al Nahyan **Chairman**

02 H.H. Sheikh Mohammed bin Zayed Al Nahyan

03 H.H. Sheikh Sultan bin Zayed Al Nahyan

04 H.H. Sheikh Mansour bin Zayed Al Nahyan

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

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

07 H.E. Mohammed Habroush Al Suwaidi

08 H.E. Dr. Jua'an Salem Al Dhaheri

09 H.E. Hamad Mohammed Al Hurr Al Suwaidi

10 H.E. Khalil Mohammed Sharif Foulathi

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Investment Committee

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

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

03 H.E. Dr. Jua'an Salem Al Dhaheri
Board Member (Deputy Chairman)

04 H.E. Khalil Mohammed Sharif Foulathi
Board Member (Deputy Chairman)

05 H.E. Hamad Mohammed Al Hurr Al Suwaidi
Board Member

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06 Hareb Al Darmaki
Executive Director, Private Equities

07 Jumaa Khamis Mugheer Al Khaili
Executive Director, Investment Services

08 Majed Salem Khalifa Al Romaithi
Executive Director, Real Estate & Infrastructure

09 Obaid Murad Al Suwaidi
Executive Director, External Equities

10 Nasser Shotait Al Ketbi
Executive Director, Fixed Income and Treasury

11 Mohamed Darwish Mohamed Al Khouri
Executive Director, Internal Equities

12 Salem Al Mazrouei
Executive Director, Accounts

13 Khalifa Matar Almheiri
Executive Director, Alternative Investments

Our history

1960 ▶ 1970 ▶ 1980 ▶ 1990 ▶

World events

1971
UAE founded as an independent nation.

1985
Mikhail Gorbachev elected by the Politburo as General Secretary of the Communist Party of the USSR.

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.

1995
Dayton Agreement ends Bosnian War and confirms Bosnian independence.

1998
Decline in commodity prices triggers financial crisis 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 Abu Dhabi 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.

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.

Financial events

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

1980
Latin American debt crisis, beginning in Mexico.

1987
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.

1997
Asian financial crisis – Devaluations and banking crises across Asia.

2000

2002
UN Security Council passes resolution demanding that Iraq disarm.

2008
Democratic candidate Barack Obama elected to be 44th President of the United States.

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 US Department of the Treasury. ADIA appointed co-Chair with the IMF of the International Working Group of Sovereign Wealth Funds.

2009
Creation of Investment Services Department. Founding member of the International Forum of Sovereign Wealth Funds (IFSWF).

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 the 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
US budget deficit moves above $1 trillion for the first time.

IMF says global economy in worst shape for 60 years.

2010

2011
Japan tsunami and earthquake.

2011
Creation of Indexed Funds Department and External Equities Department; combined real estate and infrastructure operations to create Real Estate & Infrastructure Department.

2012
Creation of three new departments – Human Resources, Central Dealing and General Services.

Launched "Year One Academy", which aims to provide our UAE National recruits with key workplace skills, hands-on training and experience across all asset classes.

Contact details

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