

ADIA

2014 Review

Prudent

Global

Growth

OUR MISSION

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



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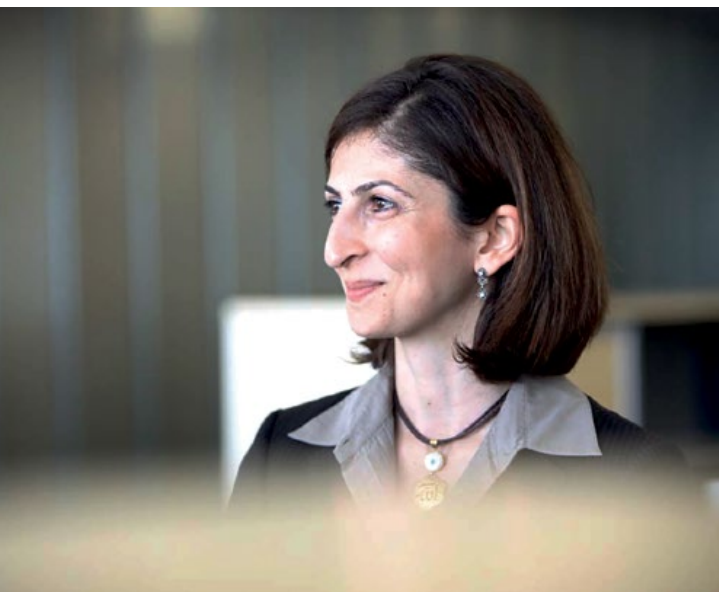
Since 1976, the Abu Dhabi Investment Authority has been prudently investing funds on behalf of the Government of Abu Dhabi with a focus on long-term value creation.



AT A GLANCE

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

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



Our People

ADIA's people are as diverse and international as our business, with over 60 nationalities combining to create a highly collaborative work environment that embodies our cultural values.

Our goal is to attract, develop and retain world-class talent and provide the resources for our people to realise their full potential. We place a particular emphasis on the development and training of UAE Nationals.



See "People"
on pages 54–67

1,650
employees

60
nationalities

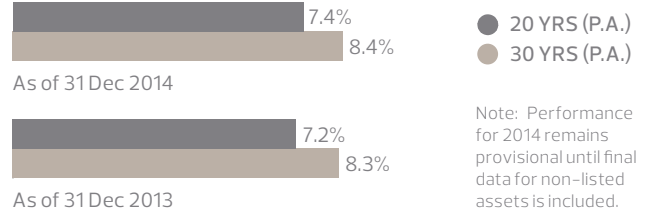
39

years experience of investing in global markets

Investment Performance

In U.S. dollar terms, the 20-year and 30-year annualised rates of return for the ADIA portfolio were 7.4% and 8.4% respectively, as of 31 December 2014. Performance is measured based on underlying audited financial data and calculated on a time-weighted basis.

Annualised Returns %



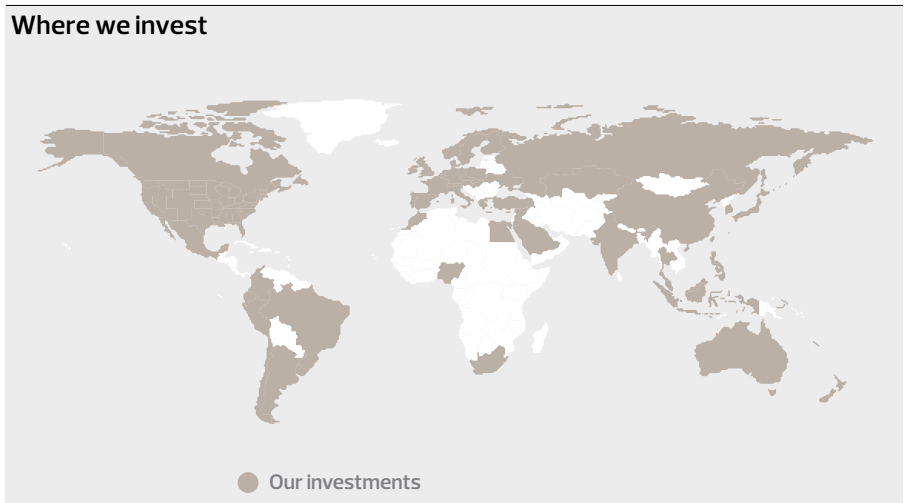
65%

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

55%

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

Where we invest



Relationship with the Government of Abu Dhabi

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

ADIA has no visibility on either the spending requirements of the Government of Abu Dhabi, or the activities of other Abu Dhabi entities established by the Government to make investments. Our assets are not classified as international reserves.



See "Relationship with the Government of Abu Dhabi" on pages 44–45 and "Governance" on pages 46–49

LETTER FROM HAMED BIN ZAYED AL NAHYAN

Managing Director



ADIA made solid progress in 2014 on multiple fronts, from improving internal processes and increasing our flexibility to target investment opportunities, to a continued strong focus on the development of our human capital – a key driver in fulfilling our mission.

While being prudent and disciplined is embedded in ADIA's culture, we recognise that long-term success requires a willingness to embrace change where appropriate. To that end, a major theme within ADIA in 2014 was "innovation", which inspired initiatives aimed at drawing upon the inherent creativity and broad experience of our diverse workforce. Among these: leadership forums and educational events that brought specialists from ADIA's many disciplines together to debate global issues and trends, with the goal of stimulating fresh thinking and generating tangible outcomes.

Last year also saw continued progress in our multi-year effort to strengthen our internal capabilities in key investment and support functions, in order to position the organisation optimally for the years to come. While this work is now nearing its conclusion, we will continue to recruit selectively in 2015.

It has been this approach, of balancing the pressing demands of today with carefully planned, sustainable strategies for the future, which has allowed ADIA to navigate a steady course through often challenging markets in the four decades since our creation. Whether it is a global financial crisis, as seen in 2008, or a steep decline in energy prices, as witnessed last year, our mission remains the same, as do the principles that guide it. Indeed, such events serve as salient reminders of the important role that we have been entrusted to play on behalf of the Abu Dhabi Government: to ensure that Abu Dhabi continues to prosper even in a future when current sources of income are less able to fulfil that role.

At ADIA, we view this responsibility as an opportunity: where the trust placed in our stewardship is repaid not just through profits, but through our ability to reflect the values of the Emirate as a whole, of inclusion and collaboration between people of many nationalities to achieve something we all can share.

In order to realise this vision, a key area of focus for the organisation in 2014 was on the way that we plan for the future. This included important work on the development of the ADIA-wide planning

process, at a macro level, as well as efforts to better align our departmental objectives to identify overlaps and opportunities. By their nature, such efforts often go unnoticed by the outside world, but I believe they deserve mention for their role in ensuring that ADIA's growth is built on sturdy foundations.

Last year also saw a number of enhancements on the investment front. Most notably, this included the development of a new operating model for our investment departments that will increase the flexibility of managers to target "alpha" opportunities that may not easily be captured within the structure of ADIA's strategic neutral benchmark, or policy portfolio. These activities will empower our skilled investment managers to seek outperformance, within agreed limits and in such a way to minimise the impact on ADIA's overall asset allocation and portfolio risk.

At a departmental level, two new mandates were created within the Internal Equities Department – U.S. Equities, and High Conviction – while ADIA's Infrastructure team implemented a new organisational design, focused on sector specialisations coupled with geographic responsibilities. Last year also saw the appointment of ADIA's first Global Head of Research, who will oversee the creation of a centralised research team in 2015 to complement our existing research activities within departments. Its goal will be to build a network of relationships across the research community, with a view to providing ADIA's leaders with insightful analysis of fundamental and macroeconomic trends.

From a portfolio perspective, meanwhile, ADIA's percentage of externally-managed assets declined to 65% in 2014, from 75% a year earlier, reflecting our efforts over recent years to strengthen the organisation's in-house investment and analytical expertise.

Finally, in a demonstration of our commitment to education and talent development, ADIA hosted its inaugural Global Investment Forum (GIF), an internal two-day event that brought together ADIA employees with respected external speakers to debate major investment themes. To be held annually, GIF acts as an important catalyst for

stimulating the cross-departmental sharing of information insights and experience across ADIA.

As we enter 2015, I have never been more confident about how ADIA is positioned, and the efforts now under way to ensure we remain ahead of emerging opportunities and challenges. It was with considerable foresight that Abu Dhabi's leaders chose to provide ADIA, at its creation, with the independence to focus solely on the pursuit of sustainable economic returns. We are acutely conscious of this responsibility and will continue to strive to ensure that the trust and confidence shown in ADIA all those years ago continues to be rewarded through our commitment and results.

2014 Market Review

Viewed through the prism of investment performance, 2014 was a year in which markets as a whole maintained the momentum of recent years to end on a mostly positive note. However, for many, it will be remembered for the emergence of three trends that likely will shape economies and markets in 2015 and beyond.

Oil prices fell by almost half, and ignited broad uncertainty about future supply and demand for energy commodities. The economic divergence between a recovering U.S. economy and the economies of Japan and continental Europe intensified to a degree not seen for decades. In addition, a gradual slowing of growth in China drew questions about how big its economic downshift will be, and how policy will respond.

Capital markets largely took these developments in their stride. Equity markets ended the year mostly higher – except in economies dependent on oil exports – though returns measured in U.S. dollars were diluted by the strong appreciation in that currency. Bonds also did well, supported by low inflation and continued accommodative monetary policies.

While the timing and magnitude of the oil price decline caught markets by surprise, the reasons behind it could be attributed to issues of both demand and supply. Economic growth over the year came in somewhat below initial expectations, thus lowering demand;

supply was boosted by the continued expansion of U.S. production as well as increased exports from some Middle Eastern producers. The fall in prices had the expected negative impact on inflation measurements worldwide, although the full effects on economic activity have yet to be seen, as much of the decline came in the closing months of 2014.

Divergence between a recovering U.S. economy and weakness in most other advanced economies increased as 2014 went on. While a severe winter restrained growth at the start of the year, the U.S. expansion soon resumed where it left off, eventually delivering year-on-year growth of 2.4% for 2014 – its strongest full year of growth since 2010. Continental Europe and Japan turned in a very different picture. Economic growth came in well below expectations and inflation fell increasingly below policy goals. Policymakers responded forcefully, with massive new quantitative easing in Japan and the rolling out of a suite of new monetary policy tools in the Euro area, including an attempt to push short-term interest rates into negative territory. These policy moves, at a time when markets were beginning to factor in a probable rate rise by the Federal Reserve at some point in 2015, led to a powerful rally in the U.S. dollar.

Finally, the cooling of the Chinese economy became increasingly evident in 2014, although it is worth noting that a growth rate of 7% can be deemed "slowing" only compared to the 10% trend China had enjoyed for many years. While it was inevitable that China would move to a more sustainable growth rate consistent with demographics and a higher level of productivity, such a deceleration remains a consequential development in so large an economy. Fortunately, China's policy authorities appear to have managed the slowdown skilfully, providing reassurance to watchful investors.

Outlook

The trends noted above pose important challenges for markets and policymakers, but they are manageable. The drop in oil prices will provide a boost to the economies of Europe, Japan, China, and other big net oil importers. Outperformance of the U.S. economy provides a welcome source of demand for the rest of the world. The recent evolution of asset prices –

stronger U.S. dollar, lower bond yields, and broadly steady equity prices – should work in the direction of improving economic outcomes.

Our focus as a long-term investor lies more with seeking to understand structural changes in the global economy, and what their implications are for the allocation of capital. The most important of these, and one we have discussed in previous years, is the growing importance of emerging market economies. Despite evident stresses that appeared last year in several of these countries, we see grounds for optimism: China's government continues to improve its economic governance and prepare for a wider role in global capital markets. New leadership in India has signalled a renewed commitment to reform and modernisation of the economy. Economic policies in Brazil have sought stability and are laying a foundation for good long-term growth. These decisions improve the resilience of these important economies, and through their example, support better policies across the emerging world.

The development that gives us most cause for reflection is evidence that the commitment to globalisation among major countries could be wavering. The world community is facing important challenges, such as the debate over global warming, doubts about the efficacy of economic policies, and temptations to use regulatory reform for protectionist motives. All countries can benefit from the free global interchange of goods, capital, people, and ideas, and we expect that policymakers will understand and support this.

Assuming this policy support, we believe the global economy will continue to expand in the years ahead. This will provide a favourable environment for capital markets and continue to generate potentially attractive new investments in technology and infrastructure across an expanding world.

—
Hamed bin Zayed Al Nahyan
Managing Director



2014
KEY INITIATIVES

Focus on innovation, with leadership forums and educational events;

Design of a new operating model for investment departments, to increase flexibility to target “alpha” opportunities;

Two new mandates added in Internal Equities Department, and new organisational design for Infrastructure Division;

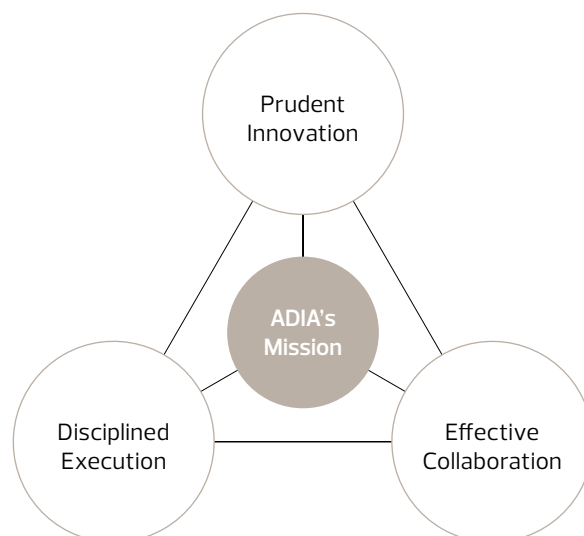
Inaugural Global Investment Forum held in November, a two-day event to stimulate cross-departmental sharing of insights and experience.

OUR CULTURAL VALUES

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

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

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



Prudent Innovation

At ADIA, we encourage our people to be innovative. Our culture of prudent innovation encourages us to generate new ideas, continually improve our individual and departmental performance, and support ADIA-wide change initiatives. This means appropriately challenging the status quo and leveraging improvement opportunities. However, as a risk-sensitive business, it is vital that consideration of change is approached in a thoughtful manner so that all innovations are fully analysed, considered and reviewed to balance opportunities with their associated risks. We are careful to consider both anticipated as well as unanticipated consequences for all innovations. Professional judgement should demonstrate caution and ensure a full awareness of the balance between opportunities and the risks involved in pursuing them.

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



>> OUR CULTURE OF INNOVATION ENCOURAGES US TO GENERATE NEW IDEAS, CONTINUALLY IMPROVE OUR INDIVIDUAL AND DEPARTMENTAL PERFORMANCE, AND SUPPORT ADIA-WIDE CHANGE INITIATIVES. <<



Effective Collaboration

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

>> AT ADIA, WE ENCOURAGE EMPLOYEES TO COMMUNICATE OPENLY WITH EACH OTHER AS A MEANS OF BUILDING SOLID PROFESSIONAL RELATIONSHIPS. <<

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 while also listening to the views of others, both within and across departments. This means getting involved in productive and positive debates where ideas and suggestions can be discussed in a constructive manner. We have found that when employees collaborate across departments they are more likely to continually improve and execute their personal responsibilities.



Disciplined Execution

ADIA has a long and successful history of disciplined execution. Individuals are encouraged to set and achieve high standards that are aligned to our mission and long-term objectives. A central enabling feature of ADIA's mission is prudently growing capital through a disciplined investment process. ADIA's investment process has been carefully refined over the years. Employees are given responsibility for contributing to ADIA's investment success by putting in place realistic, clear, and practical plans to ensure that expected results are achieved. We do so by holding ourselves and our teams accountable for delivering on their plans.

Effective delegation and the ability to drive projects to completion are essential for meeting objectives. We encourage individuals to demonstrate the energy, drive and commitment to deliver results and maintain focus and integrity, and to overcome any inevitable difficulties or challenges that come their way.

>> EMPLOYEES ARE GIVEN RESPONSIBILITY FOR CONTRIBUTING TO ADIA'S INVESTMENT SUCCESS BY PUTTING IN PLACE REALISTIC, CLEAR, AND PRACTICAL PLANS. <<



By making continuous enhancements, ADIA has built an investment strategy that is not simply based on asset class or geographic allocations, but one that is both robust and increasingly focused on return drivers.



INVESTMENT STRATEGY

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

The Strategy Unit plays a central role in the investment process, with responsibility for developing, maintaining and periodically reviewing ADIA's policy portfolio mix of over two dozen asset classes and sub-categories. It also identifies medium-term tactical opportunities for generating returns in excess of those achieved by the long-term policy portfolio while maintaining ADIA's target risk profile.

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

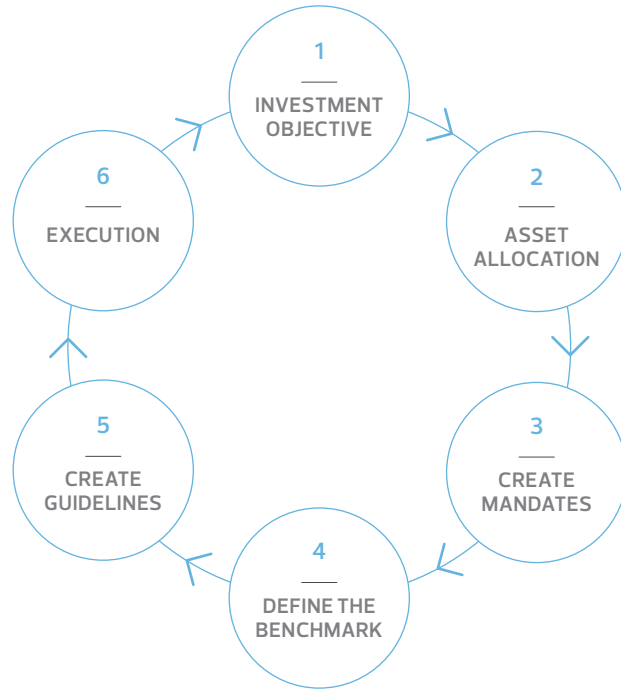
In order to achieve its long-term objectives, ADIA must be able to execute on its desired asset allocation in a timely fashion, in size, while minimising transaction costs. It is for this reason that slightly over half of ADIA's portfolio consists of index-replicating, or passive, strategies within quoted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



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

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

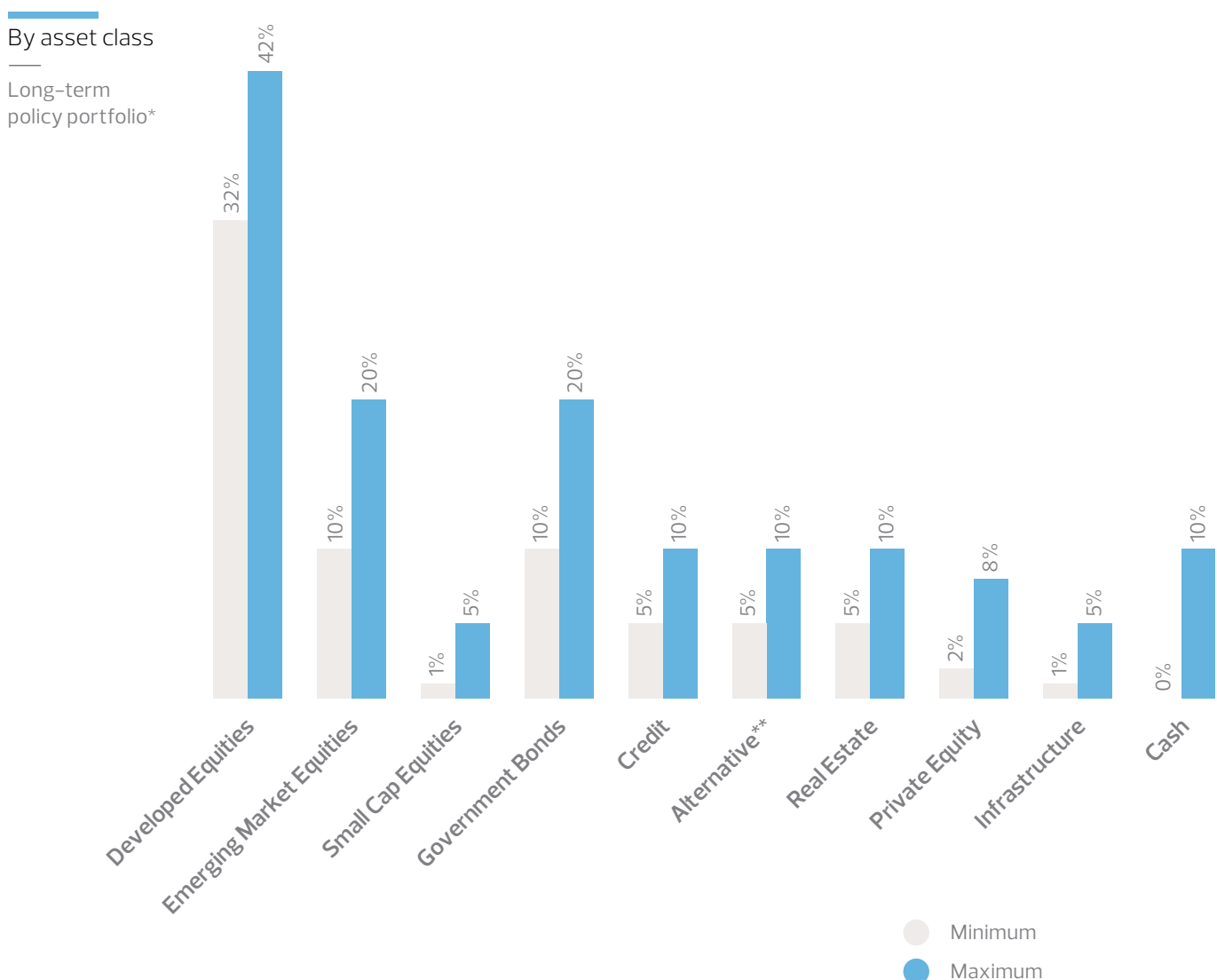
Overview



| | | |
|--|---|---|
| <p>1</p> <p>INVESTMENT OBJECTIVE</p> <p>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.</p> | <p>2</p> <p>ASSET ALLOCATION</p> <p>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.</p> | <p>3</p> <p>CREATE MANDATES WITHIN AN ASSET CLASS</p> <p>Allocate and manage funds across the mandates at the asset/sub-asset class levels.</p> |
| <p>4</p> <p>DEFINE THE BENCHMARK</p> <p>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.</p> | <p>5</p> <p>CREATE GUIDELINES</p> <p>Institute guidelines for investment managers that highlight the objectives of the mandate and specify the relevant investment constraints.</p> | <p>6</p> <p>EXECUTION</p> <p>Put in place the appropriate investment teams needed to implement the overall investment strategy.</p> |

PORTFOLIO OVERVIEW

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

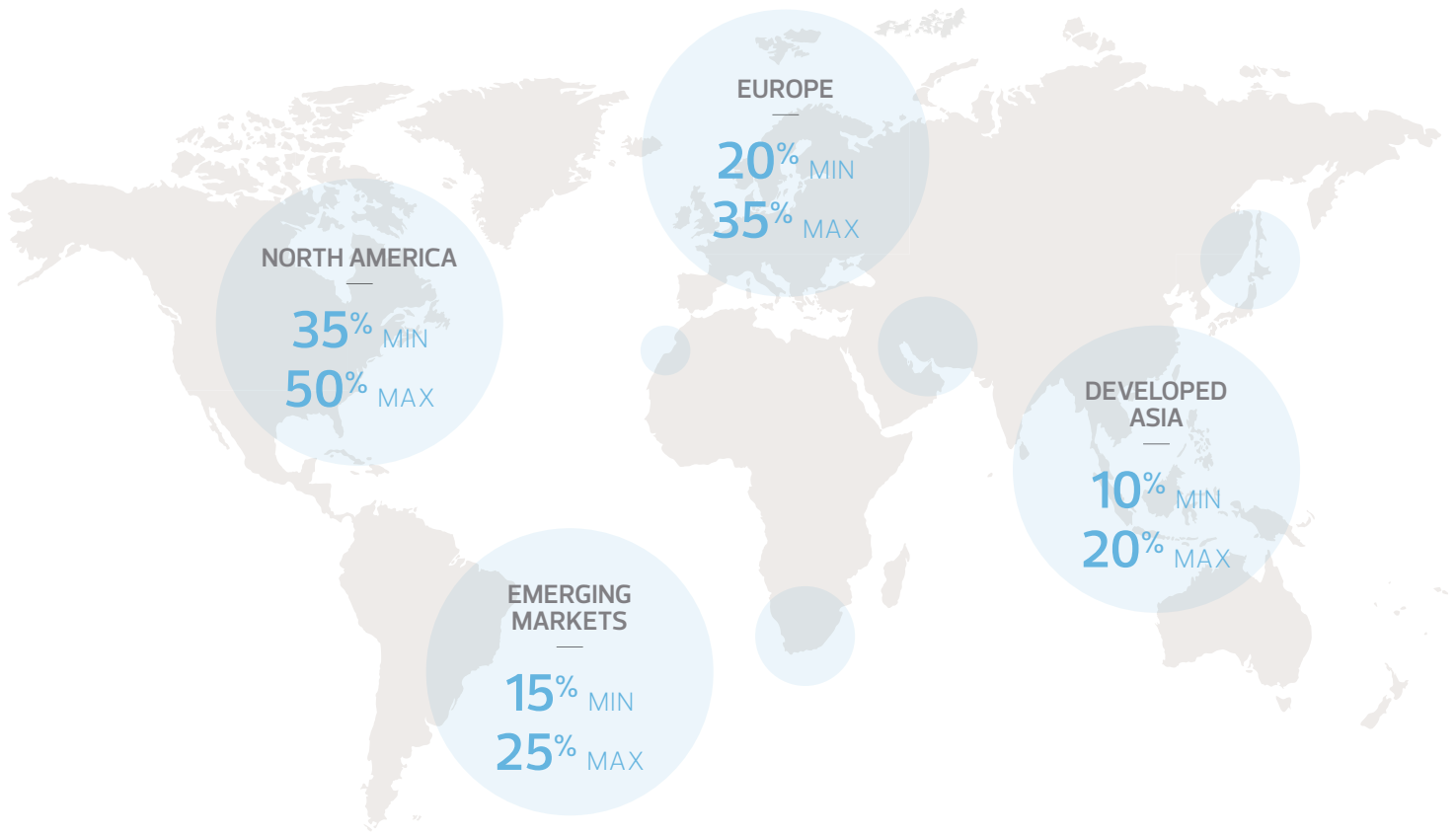


* The above denotes long-term policy portfolio ranges within which allocations can fluctuate; hence they do not total 100%.

** Alternative is comprised of hedge funds and managed futures.

By region

Long-term
policy portfolio†



† 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



INVESTMENT DEPARTMENTS

- Indexed Funds
- Internal Equities
- External Equities
- Fixed Income & Treasury
- Alternative Investments
- Real Estate & Infrastructure
- Private Equities



INVESTMENT ACTIVITIES

Equities

ADIA's equity investments are managed by three departments in ADIA through a combination of internal and external portfolios managed on an active and index-replicated basis.

Indexed Funds Department

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

Indexed Funds is composed of two teams: External, which oversees the activities of external investment managers who manage the majority of the assets allocated to Indexed Funds by ADIA; and Internal, which directly manages the remaining assets. Both the External and Internal asset pools are subject to strict guidelines and close monitoring to ensure consistent and robust risk management. The Department added a research function in 2014 to further the added value objective.

Internal Equities Department

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

Internal Equities seeks to identify investment opportunities based on bottom-up fundamental research focusing on companies' structural value propositions.

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

External Equities Department

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

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



REVIEW
of
THE YEAR

Global equity markets continued to forge ahead in 2014, particularly in the U.S., as growth-related concerns were outweighed by growing demand for higher yielding investments.

The global recovery remained on track, although growth rates were subdued at best, resulting in continued low inflation and a need for supportive monetary policy in most major economies. Investors, who began the year cautiously given the strong gains achieved in 2013, were handed respectable returns from the U.S., sharp sell-offs in Europe, and a Japanese market that promised much but delivered little by year end.

The MSCI World Index posted an overall 4.7% rise in 2014. Core U.S. markets once again provided strong returns, with the S&P 500 up 13.7%, and NASDAQ rising 14.8%. Europe struggled, with the MSCI EUROPE Market Index dropping 5.7% and Japan's NIKKEI rising 8.9%, in local currency, but losing 4.5% on a U.S. dollar basis. This outcome was not entirely unexpected, as an early end to quantitative easing in the U.S. provided indications that the U.S. economy might be further along the road to full recovery than the rest of the world, while geopolitical tensions in Europe, caused by Russian intervention in Ukraine, conspired to place a dampening effect on sentiment and growth in that region. Japan, on the other hand, had to rely on a dose of aggressive Central Bank stimulus and an increased allocation by its Government Pension Investment Fund to equities for its market gains. This performance may be difficult to sustain in 2015 without evidence of domestic economic and political reform, or supportive external factors, such as accelerating global growth or a weakening Yen.

Emerging markets had a tougher time during 2014, with headwinds provided by U.S. dollar strength and weakness in commodity prices, coupled with subdued demand from China weighing on resource-heavy emerging market indices. Elections in India were well received, but markets were less enthusiastic about the outcome in Brazil. The performance of these markets is likely to be driven in large part by how both governments perform against high expectations. A sharp drop in the price of oil will also help to relieve current account stresses and provide a boost to consumer spending.

On a global basis, equity markets entered 2015 against a backdrop of gradually improving global growth, low inflation and still accommodative central bank policy. With concerns about the strength of global growth likely to persist during 2015, official interest rates in some countries are expected to decline, following China's lead in late 2014. In others, particularly Europe and Japan, accommodative measures are likely to be taken that should provide support to equity markets during the year.

As at year end, stock valuations remained within historical norms, despite continued market gains. However, while the supportive monetary environment coupled with benign growth and inflation are likely to persist, we believe that robust earnings growth will be needed if global equity markets are to post further strong gains in the year ahead.

Key Developments

2014 was another active year for ADIA's equities departments.

In Internal Equities, a recruitment drive resulted in a number of key appointments being made in the India, China, GCC & MENA, Equity Opportunities, Latin America, and Risk & Operations teams. The Australia portfolio was merged with Asia Ex-Japan to create Asia-Pacific, which will allow the combined team to target a wider pool of potential investments. Meanwhile, six UAE National trainees were placed into various roles across the department, as part of ADIA's Early Career Development programme.

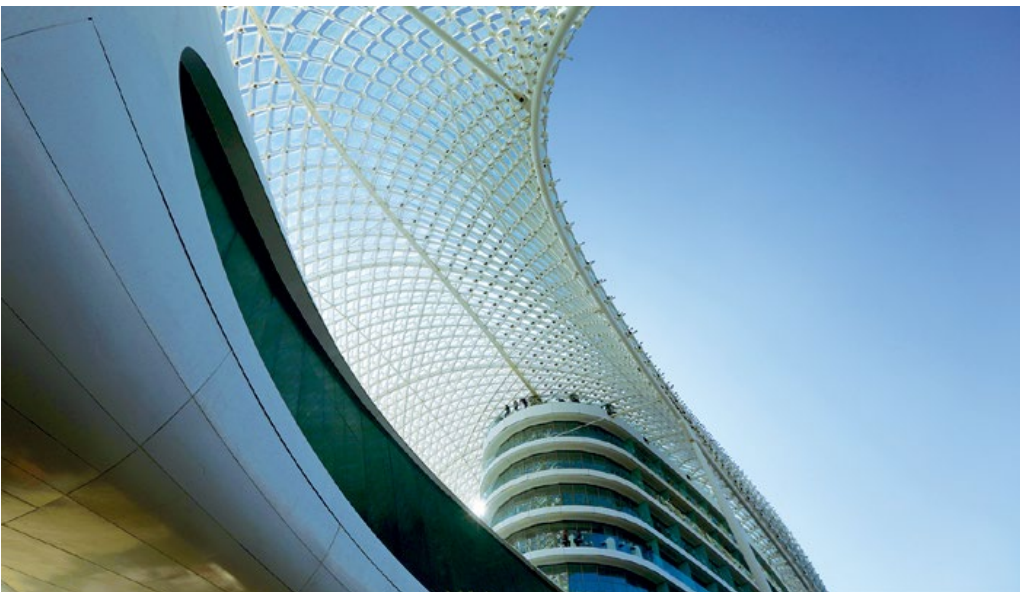
In the Indexed Funds Department, a research function was added in 2014 to implement a research process and framework to support the Department's mission.

In other developments, ADIA received approval from the Chinese market regulator to increase its allocation to Chinese A shares under the Qualified Foreign Institutional Investor scheme (QFII) by \$500 million to \$1.5 billion. This additional allocation was divided between Indexed Funds and External Equities, to complement an existing portfolio managed by Internal Equities.

Meanwhile, a new Global Head of External Equities was appointed in September 2014, with overall responsibility for all investment activities within the active external equities portfolio, including the investment strategy and portfolio construction.

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

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



REVIEW
of
THE YEAR

Global bonds returned to favour last year, as disappointing economic growth and declines in inflation fed demand for safe instruments. In parallel, supply was constrained by further shrinkage in public deficits and continued heavy buying by central banks. By the end of the year, government bond yields across developed markets had fallen sharply, in some cases to well below their trough-levels during the global financial crisis.

The Euro area and Japan led the trend to lower interest rates. In both areas economic growth was weaker than anticipated and inflation fell below central bank goals, despite already stimulative monetary policies. The European Central Bank (ECB) and Bank of Japan (BOJ) responded aggressively, with novel monetary tools. The ECB expanded its lending to Euro area banks, pushed short-term interest rates below zero, and signalled its willingness to begin buying sovereign bonds early in 2015. Meanwhile, the BOJ greatly accelerated its own bond purchase programme, and indicated it would do even more if inflation failed to respond.

Despite somewhat better economic conditions, bond markets in the U.S. and other developed market economies followed the tune set in Frankfurt and Tokyo. The Federal Reserve ended its own sovereign bond purchase programme, and said it was likely to begin lifting short-term interest rates in 2015. This was not enough to prevent 10-year Treasury yields from declining almost 100 basis points on the year, almost as much as the 150 basis point decline in German bunds.

The similar trends in bond yields did not prevent a sharp reaction in currency markets, which often reflect the impact of divergent economic conditions and policies. In this case, the relatively stronger U.S. economy powered the dollar higher against most other currencies.

The combination of the stronger dollar, and the collapse in oil prices that occurred across the second half of 2014, took its toll on emerging market (EM) sovereign debt. Local currency EM sovereign debt had enjoyed a good start to the year but then suffered from a wave of currency depreciation. Local sovereign yields initially were resilient but eventually moved higher where monetary policies tightened to defend currencies. Wider credit spreads also hurt the relative performance of EM debt denominated in foreign currencies.

Amidst these powerful cross-currents, corporate credit markets were relatively calm. Economic growth, though slow, was enough to sustain credit quality, and monetary policy remained highly supportive. Credit stress did emerge among energy-related companies following the correction in oil prices, and this dragged spreads wider, especially in high yield.

On balance, fixed income markets delivered surprisingly good overall returns last year thanks to the broad decline in government yields. While welcome, this inevitably has reduced future returns, and increased vulnerability to higher yields when economic growth and inflation return to levels sought by monetary policy.

Key Developments

Fixed Income & Treasury continued to generate stable returns during 2014 against the backdrop of a challenging investment environment for the asset class.

2014 was an active year across all teams within Fixed Income. The External Fixed Income team appointed a number of new external managers as a result of rebalancing its existing mandates. Following the appointment of a new Head of Internal Fixed Income in 2013, the Internal Fixed Income team undertook a detailed review of its investment strategy and organisational structure during 2014 to enhance its ability to combine active risk across market segments and more efficiently utilise active risk budgets. The Treasury Group within the Department continued to develop its investment process and services to other ADIA investment departments whilst maintaining its key objective to preserve capital and ensure access to daily and short-term liquidity.

Fixed Income & Treasury plans to selectively grow the size of all teams in 2015 to support its evolving strategy and further develop its asset management and risk management capabilities.

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 has four investment mandates investing in externally-managed vehicles. Of these, two are hedge fund mandates, which are complemented by a commodity-trading advisors (CTAs) mandate and another targeting active commodity strategies. The Department also has a separate, internally-managed portfolio with a small allocation to systematic strategies.

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

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. 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 generalist and specialist strategies focused on market direction and relative value.

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 two hedge fund mandates invest across discretionary macro, relative value, event-driven, and equity hedge strategies.



REVIEW
of
THE YEAR

2014 was a positive, if subdued, year for the liquid alternative investments industry as a whole.

The backdrop to global markets since the global financial crisis has been near-zero interest rates in developed markets and the implementation of quantitative easing by central banks, first in the U.S. and U.K., followed by Japan and eventually the eurozone. While successful in encouraging moderate growth, the knock-on effect of these policies has been to drive up the price of risky assets while reducing market volatility. This has led to a number of market surprises, heightened in part by a tendency among market participants to focus more on the actions, and expected actions, of central banks than on economic or company fundamentals. In 2014, this trend showed signs of unwinding as growth differences between countries began to reassert themselves and have an impact on certain markets, such as commodities and currencies. However, there were still enough surprises to keep our managers active and focused, with overall excellent results.

The biggest surprise to markets in 2014 was the strength in government bond prices, which had been widely expected to sell off during the year, particularly in the U.S. Instead, many countries saw yields reach lows not witnessed in decades. The U.S. dollar assumed a position of strength in the second half of the year, buoyed by positive fundamental economic data as well as the expectation of changes in Federal Reserve policy settings.

Equity markets had a mixed year; the S&P 500 continued the upward march that began in 2009, albeit more slowly than in 2013, while Europe and Japan fell on a U.S. dollar basis. Emerging markets,

on aggregate, also fell. Volatility in equity markets remained at historic lows with very few exceptions during 2014.

Commodity prices fell almost across the board and exhibited higher volatility in 2014. The decline in oil prices towards the end of the year dominated headlines, but other commodities, including agricultural and both base and precious metals, also showed significant weakness. Coffee and zinc were the notable exceptions to this trend.

After three challenging years, CTAs recorded a strong performance in 2014. ADIA's long-term investment horizon had allowed it to maintain its strategic allocations to CTA managers, which put us in a strong position to benefit from their recovery. This was most notable during the second half of 2014, as the emergence of trends in currency and commodity markets, in particular, provided excellent opportunities for systematic managers. Trend-following CTAs at last saw persistent price trajectories from which they were able to profit, while systematic non-trend following CTAs, or those with mixed programmes, also did well.

Commodities markets presented opportunities for many active commodity managers during 2014, and many started the year upbeat, although some were better placed than others to capitalise on price falls during the second half of the year.

2014 was a moderate year for equity hedge managers, who performed solidly despite the mixed equity market picture worldwide. Discretionary macro managers had a more difficult time during 2014, particularly in October, with many

failing to profit from the combined effects of the end of U.S. tapering, an increase in Japanese quantitative easing and the rapid pace of oil price declines. Most managers were too negative on bond market prospects and not sufficiently positioned around U.S. dollar strength to profit more than modestly in 2014.

Returns for event-driven managers were positive, though lower than they had been in 2013, due to a subdued distressed debt market and deal breaks in merger arbitrage which surprised managers. Meanwhile, relative value managers had a positive year, very close to the overall industry average.

Key Developments

2014 was a strong year for the Alternative Investments Department not only in absolute and relative performance terms but also from an organisational perspective, with a focused effort on analytics and systems during 2014 helping to empower employees and enhance their insights and performance. These permanent improvements in our investment and risk processes have substantially strengthened the Department's capabilities and positioned it well for the future. While recruitment activity slowed from levels seen over the prior three years, additional appointments were made to the Operations team during the year, which enhanced its ability to deal with a more complex investment environment. The Department plans to recruit selectively during 2015 to strengthen its capabilities in key areas.

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 BUILD-OUT OF ADIA'S REAL ESTATE TEAM OVER RECENT YEARS HAS POSITIONED THE ORGANISATION TO BE ACTIVE IN THE DEBT AND EQUITY SPACE ACROSS A WIDE RANGE OF MARKETS AND PROPERTY TYPES.** <<

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 direct investing, coupled with 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 focusing on global

relative value and market cyclicality that allows for investing across a variety of real estate asset types and also at various entry points in the capital structure. The Real Estate team seeks to structure its involvement in transactions in such a way as to maximise control over its capital.

In Infrastructure, the core focus is on assets with strong market-leading positions and relatively stable cash flows, including utilities 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 financial and strategic 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.





REVIEW
of
THE YEAR

In real estate, low interest rates and strong demand for yield continued to dominate the investment markets in 2014. The multi-speed global economy produced divergent trends between and within developed and emerging markets. While weak growth in the BRICs discouraged investment, low interest rates in major developed countries attracted capital to real estate, driving up asset prices. Abundant liquidity made finding attractive investments more challenging, but also created opportunities to selectively dispose of assets and generate value through active asset management.

The U.S. continued to lead developed markets in both the pace and magnitude of the recovery in property market fundamentals and pricing. Occupancies and rents rose across most markets and property types in the U.S., pushing asset prices near and, in some cases, above their prior peaks. This was particularly true of prime assets in the largest metropolitan cities, where prices rose substantially and investor demand continues to show no signs of weakening. As a result, development activity began to broaden beyond the multifamily sector, which has seen robust growth in recent years. With so much capital converging on the U.S., ADIA continued to take advantage of the liquidity to selectively sell assets during 2014, while looking to deploy capital where the long-term risk-reward trade-off was most attractive, including in developing markets such as Brazil and Mexico.

At the other end of the spectrum, leasing demand across most of Continental Europe remained soft. On the plus side, vacancy rates stabilised as new supply

remained subdued. However, while good quality assets saw increased leasing activity, particularly in the retail sector, the same could not be said for less blue-chip assets. Until the outlook for occupier demand improves, the risk remains that income for many properties may ultimately decline as leases are renewed at lower rates. The picture is very different in the U.K., where conditions in London are similar to – if not stronger than – those in the major U.S. cities.

Nevertheless, on both the Continent and in the U.K., investor demand for yield has created a highly competitive investment market. Increasing pressure on banks and distressed owners helped to bring more assets to market in 2014, but the amount of capital searching for deals shows few signs of diminishing. As in the U.S., ADIA has focused on managing its existing European portfolio to maximise returns and assets' competitive positioning in the market, while selectively selling into the strong investor demand for property and targeting assets with better risk/return characteristics. Together, these moves are aimed at positioning the portfolio for an inevitable recovery in Europe and maturing cycle in the U.K.

Capital flows into the Asia Pacific region continued to slow over the course of 2014 as investors grew more cautious on the deceleration of China's economy and its potential impact on the region. Despite the modest fall in transaction volume, pricing continued to edge higher, pushing yields lower across most markets and property types. Perhaps the most notable change in investor sentiment within the region over the past year has been an increasingly favourable view of India as a target for real estate investment. After several years of painful adjustments in the economy and amid high hopes for the new Prime Minister's reform agenda, India began to attract interest once again from global property investors. ADIA remained focused on developing institutional quality assets in Asia's emerging markets, particularly in sectors such as for-sale housing and retail that cater to the expanding middle class, while deploying and recycling capital in developed markets such as Australia, Japan and South Korea.

Key Developments

The build-out of ADIA's real estate team over recent years has positioned the organisation to be active in the debt and equity space across a wide range of markets and property types. Given the growth of the portfolio and an increased emphasis on development, enhancing the team's capabilities in asset and development management will remain a priority in 2015 and beyond.

The Infrastructure team, meanwhile, continued to be active during 2014 in sourcing, reviewing and executing new investment opportunities. Through a subsidiary and alongside high-quality partners, ADIA successfully acquired a minority stake in Queensland Motorways – a network of five toll roads, bridges and tunnels in and around Brisbane, Australia. This transaction highlighted the Infrastructure team's flexible investment mandate, with a significant direct investment being complemented by a successful participation in a large equity raising by our listed partner in the transaction.

The team also continued to grow and diversify its portfolio with successful direct investments into infrastructure assets in Western Europe and the U.S. Internally, the Infrastructure team implemented a new organisational design, focused on sector specialisations coupled with geographic responsibilities.

A number of new appointments were made during the year, with further selective recruitment expected in 2015.

In addition, the team's growing focus on emerging markets continued, albeit in a measured and disciplined fashion. The team reviewed and pursued a number of opportunities and identified a select number of partners through which ADIA will grow its exposure to certain key markets over the coming years.

INVESTMENT ACTIVITIES

Private Equities



>> OUR FOCUS REMAINED ON ENGAGING EARLIER IN THE EXECUTION OF NEGOTIATED INVESTMENTS ALONGSIDE EXTERNAL PARTNERS, WITH AN ACTIVE ROLE IN SETTING VALUATION AND TERMS OF TRANSACTIONS. <<

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.

Primary fund investment activities are broadly organised geographically across North America, Europe and Emerging Markets while strategies such as Venture Capital, Private Credit and Distressed Credit invest with a global mandate. The direct secondary and principal investing activities also operate worldwide on a global platform. The result is a portfolio that is diversified by geography, industry, stage, size and timeframe. Performance is closely monitored and measured against both medium- and long-term benchmarks.



REVIEW
of
THE YEAR

Global private equity volumes during 2014 were in line with the previous year as large amounts of unallocated capital and continued availability of debt underpinned buyout activity. While so-called "mega" buyout activity was muted, this was compensated by an uptick in deals in the \$1 billion–\$5 billion range.

Favourable financing terms and the need to deploy existing commitments contributed to a healthy buyout market in the U.S., while European activity was boosted by opportunities created as a result of the region's relatively less stable economic environment. Meanwhile, private equity volumes continued to increase in Emerging Markets, with quarterly deal activity stabilising at approximately \$10 billion in Asia and \$5 billion in the rest of the world. More broadly, accommodating debt markets allowed investors to pay more for assets, both in the U.S. and Europe, pushing average purchase multiples higher than during previous post-crisis recovery periods.

The availability of undrawn private equity capital remains at an all-time high and is currently estimated in excess of \$1 trillion.

Exit activity was strong across all channels in 2014. Private equity firms were active sellers of mature investments in their portfolios, with strategic buyers remaining the preferred exit route and secondary buyouts also making a strong showing. Initial public offerings (IPOs) played an important role in the first half of the year in the U.S. and Europe, while also remaining a viable alternative for some private equity-backed companies in emerging markets with strong growth stories. As also seen a year earlier, recapitalisation and

refinancing activity were robust in 2014, particularly in the U.S. and Western Europe, providing private equity firms with liquidity for distributions to investors.

Key Developments

The Private Equities Department had a busy year in 2014, reviewing a wide range of primary, secondary and co-investment opportunities. Our focus remained on engaging earlier in the execution of negotiated investments alongside external partners, with an active role in setting valuation and terms of transactions. Private Equities also continued to seek opportunities in the growth capital space through a collaboration agreement signed in 2012 with Alberta Investment Management Co (AIMCo) and the New Zealand Superannuation Fund. This "Innovation Alliance", as it is known, considers opportunities that are brought to its attention by leading General Partners (GPs) in which they are already substantial investors. While it has a broad mandate, the Alliance is focused primarily on high-growth companies with proven business models that are seeking expansion capital.

The Innovation Alliance was created as a result of dialogue about shared interests at the Institutional Investors Roundtable (IIR), of which ADIA, AIMCo and NZ Super Fund are among the members. While independent of the IIR, the Innovation Alliance shares a similar goal of bringing large institutional investors into direct contact with private institutions seeking to raise capital.

ADIA is continuously involved in active portfolio monitoring with a view to allocating capital to strategies and with managers that it deems attractive going

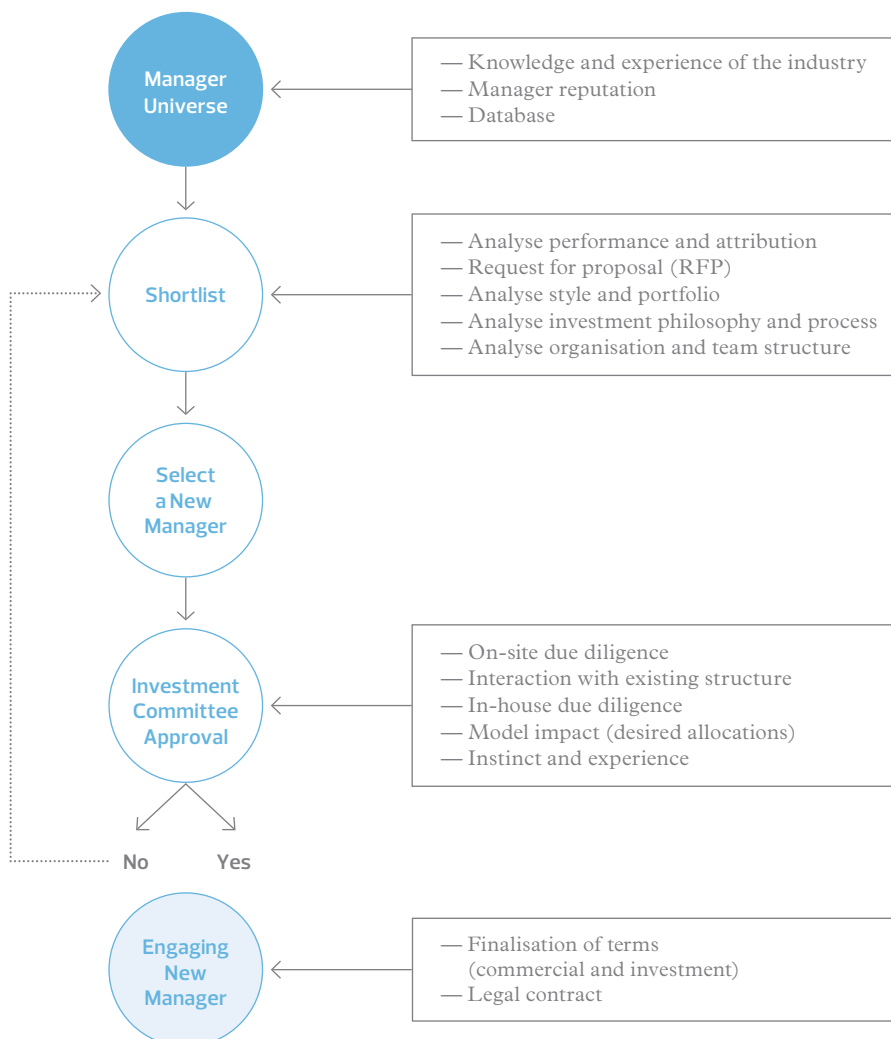
forward. In line with this approach, the Private Equities Department was active in the secondary market and participated in some of the largest transactions of the year.

Meanwhile, Private Equities' human resource expansion continued selectively in 2014 with the addition of professionals across all of its investing activities and particularly in the secondary and principal investment teams. Private Equities also expanded the team supporting the offices of its Chief Financial Officer. The department's resource expansion will continue, selectively, in 2015.

SELECTION OF EXTERNAL MANAGERS

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

Manager selection process



In total, around 65% of ADIA's 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, and typically tailor each fund to our specific needs and internal guidelines.

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

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

In recognition of the important role they play, we devote time and effort to the process of recruiting and monitoring external managers. Our due diligence teams 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”.

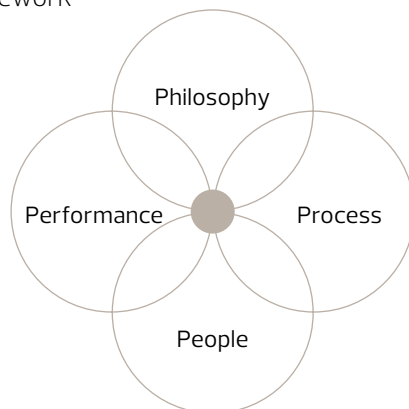
This process involves discussions and face-to-face meetings with managers before we create a shortlist, allowing us to build a well-rounded understanding of their backgrounds and potential to deliver sustainable outperformance against their mandates.

The 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 robust systems and processes over many years that require our external managers to remain compliant with their agreed investment and operating parameters. Once appointed, teams in each department continuously monitor our managers, analysing portfolio performance, positions, risk exposures and investment styles and hold regular follow-up meetings with them, both on-site and in their offices. 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.

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

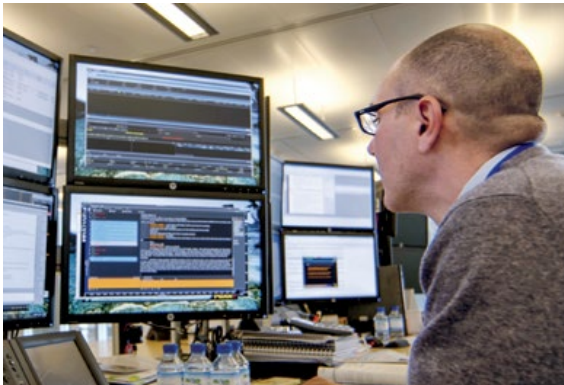
ADIA Four Ps Framework



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

Accounts contributes to the safeguarding and long-term growth of ADIA's assets by maintaining financial integrity and control and providing financial planning and insight, achieved through a team of experienced professionals committed to ADIA's cultural values.

Accounts is responsible for preparing ADIA's annual financial statements under International Financial Reporting Standards (IFRS).

Central Dealing Department

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

Central Dealing 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. The Department's experienced team makes 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 Central Dealing 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 counterpart.

General Services Department

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

General Services comprises three divisions:

- Contracts, Supply and Housing, which manages contracts with vendors and procurement of orders and provides accommodation services for all employees;
- 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 arrangements, vehicle servicing and registration, among other things; and
- Facilities 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 mission of Human Resources 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;
- 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 Human Resources 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 is responsible for protecting and promoting ADIA's reputation, improving 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.



Internal Audit Department

Internal Audit's mission is to provide assurance to stakeholders that internal controls are operating as prescribed, through the provision of independent audits, consultations, and advisory activities, delivered by qualified staff in line with ADIA's cultural values and best practice. The Department reports both to the Audit Committee and to the Managing Director. Internal Audit is primarily a review function which:

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

During 2014, the Department engaged an independent audit consultancy firm to undertake an external quality assessment of its conformity to the International Standards for the Professional Practice of Internal Auditing, as issued by the Institute of Internal Auditors. The Department was awarded the highest "generally conforms" rating as prescribed in the IIA standards.

Managing Director's Office

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

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

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

In 2014, a new Global Research Unit was created within Evaluation & Follow-Up, providing H.H. the Managing Director and the leadership of ADIA with insight on global economic issues to aid discussion and decision-making across ADIA.

Legal Division

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

Strategy Unit

Please see "Investment Strategy" on page 18.

Information Technology Department

Information Technology is responsible for designing, developing, and maintaining ADIA's technology platforms. This covers a wide range of technology from large vendor-based systems to smaller in-house developments. Quality assurance and service delivery professionals ensure that the department provides a first-class service to internal partners, while its business analysts and project managers are responsible for developing functionality to support ADIA's business.

The department has two core teams:

- Infrastructure Management, which ensures that ADIA's hardware and networks are up-to-date and provide a fast, stable service; and
- Application Management, which works closely with business colleagues to ensure that the department chooses, implements, and maintains best-in-class financial applications to support ADIA's short- and long-term goals. Information Technology has a professional, customer-focused approach with an emphasis on continuously improving its service to ADIA's employees.

Investment Services Department

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

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

- Risk Management leads the development and implementation of ADIA's enterprise-wide risk management framework. It advises the Investment Committee and Risk Management Committee and provides an independent, holistic assessment of ADIA's risk profile. It also fosters the continuous development of a culture of risk awareness across ADIA through

its relationship with each department; as part of Risk Management, Compliance independently reviews, monitors, and provides guidance to relevant stakeholders on ADIA's investment activities and related internal rules and guidelines.

Business Continuity Management, meanwhile, works closely with all ADIA departments to operate a best practice Business Continuity programme, enabling ADIA to continue critical business processes in the event of any significant business disruptions;

- Data & Information Management ensures the delivery of timely, accurate data and information across all asset classes, and provides detailed investment performance reports to key stakeholders; and
- The Project Management Office collaborates with ADIA departments to manage long-term, complex projects that deliver strategic change to ADIA. It also provides regular updates to senior management on ADIA's project portfolio.

Operations Department

Operations has the responsibility to protect ADIA's assets and interests by providing effective and efficient investment support. The department covers the following key asset safety and processing areas: global custody, trade settlement and cash management, trade capture, and corporate actions.

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 and earns revenue through activities such as securities lending and by overseeing ADIA's involvement in class-action recoveries.

Operations supports ADIA's global investment mandate by maintaining strong technical knowledge of global financial markets and staying up-to-date with relevant settlement, regulatory, and tax requirements.

RISK MANAGEMENT

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

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

ADIA's risk management framework is holistic in nature, having been designed to comprehensively identify and analyse all types of risks across asset classes and ensure that any potential issues are managed efficiently and effectively. The Managing Director has ultimate responsibility for ADIA's risk management, with assistance and advice from several committees and departments, including the Investment Services Department, Strategy Unit, Evaluation and Follow-Up Division, Internal Audit Department, and Legal Division.

Governance

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

Risk Management

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

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

The Investment Services Department's risk analysis includes:

- Continuously assessing all sources of risk on both an absolute and a relative basis, including through proprietary portfolio modelling;
- Developing a comprehensive risk assessment across all risk types, including "top-down" aggregate portfolio risk, "bottom-up" investment risk by asset class, credit and counterparty risk, operational risk, operational due diligence, business continuity, and compliance risk; and
- Identifying, monitoring, and escalating risk mitigation strategies to address emerging and ongoing risk issues on a timely basis.

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

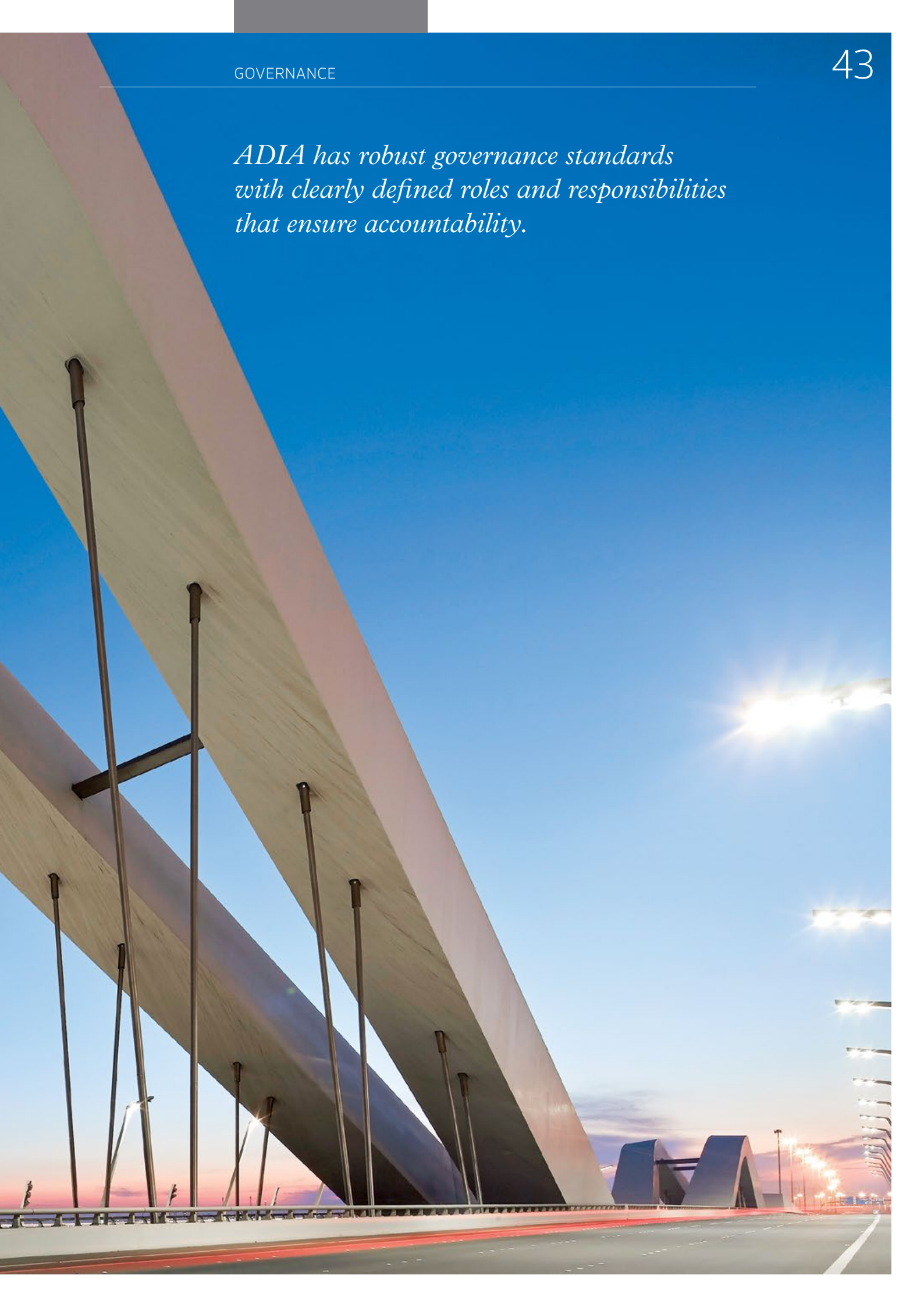
Risk Culture

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

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



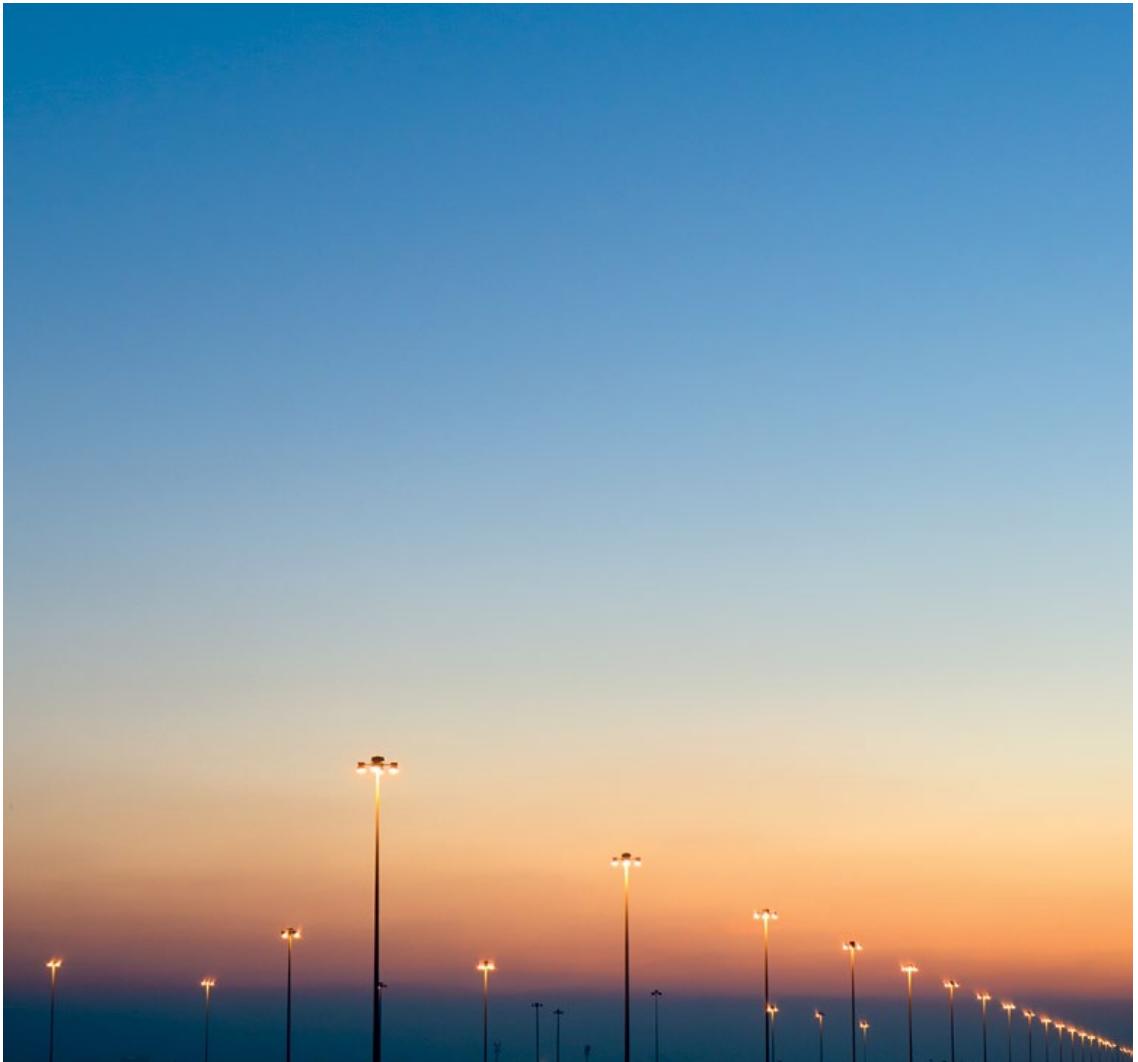
ADIA has robust governance standards with clearly defined roles and responsibilities that ensure accountability.



RELATIONSHIP WITH THE GOVERNMENT OF ABU DHABI

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

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



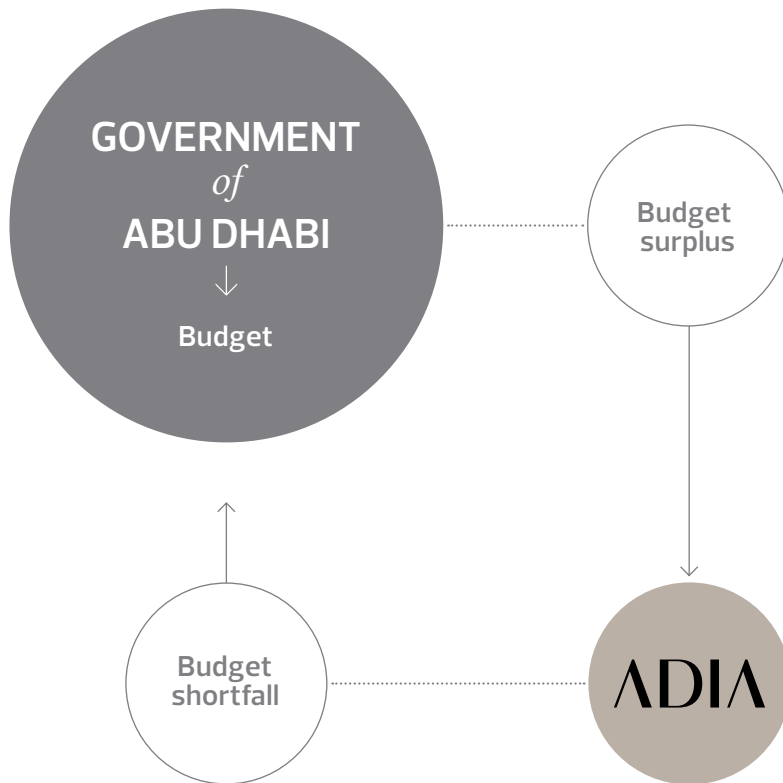
ADIA has no visibility on either the spending requirements of the Government of Abu Dhabi or the activities of other Abu Dhabi entities established by the Government to make investments. ADIA's assets are not classified as international reserves.

Source of Funds and Approach to Withdrawals

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

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.

Source of funds from the Government of Abu Dhabi



GOVERNANCE

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

ADIA's Board of Directors comprises a Chairman and Board members who are appointed by a decree of the Ruler of the Emirate. The Board has primary responsibility for the discharge of ADIA's business and meets periodically for the establishment and review of ADIA's overall strategy, but does not involve itself in investment or operational decisions.

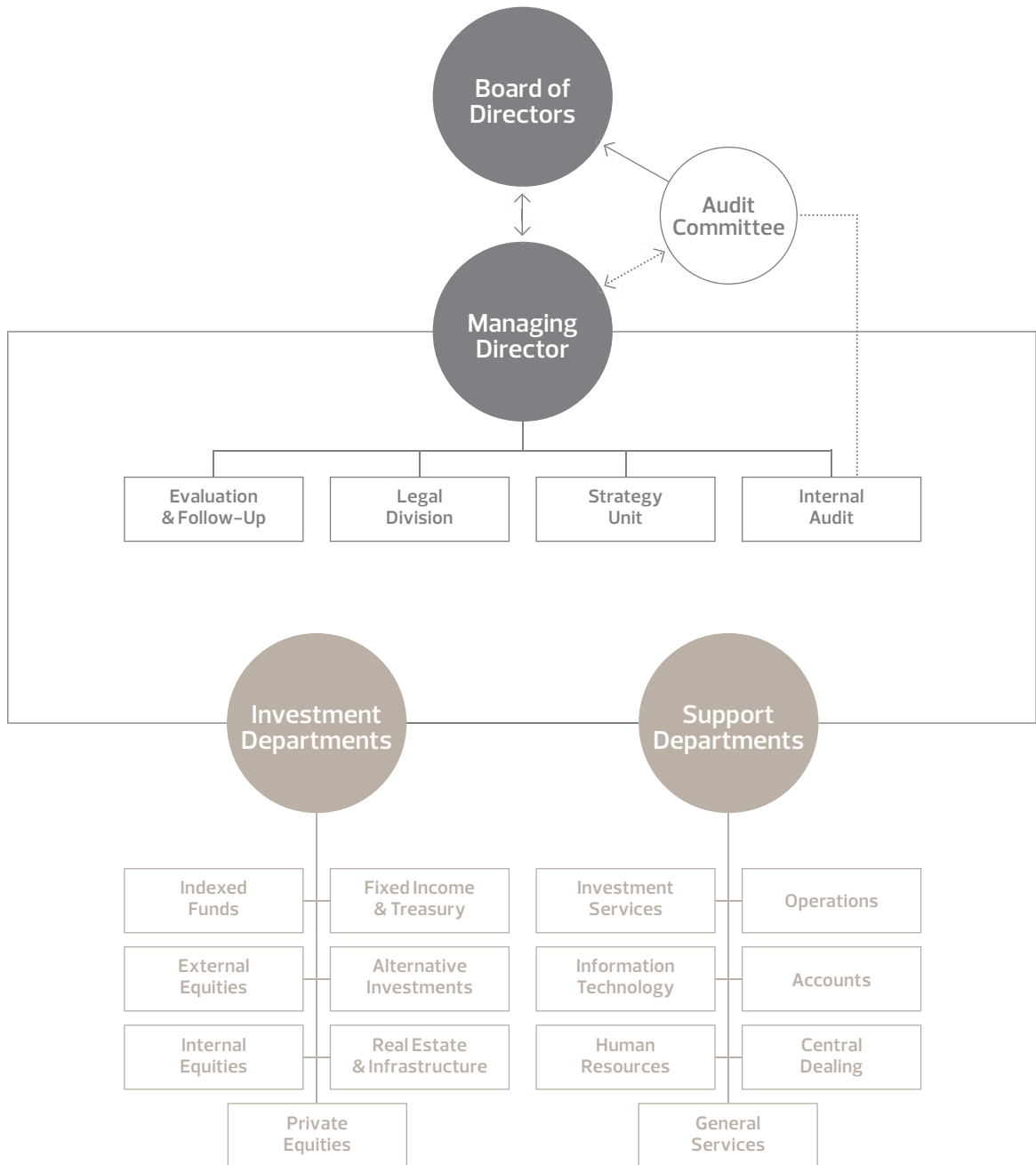
ADIA's Managing Director has sole responsibility for the implementation of ADIA's strategy, including all decisions related to investments. The Managing Director, or those to whom he delegates, acts as ADIA's legal representative in dealings with third parties.

A number of key investment and non-investment committees support the governance framework:

The Audit Committee – reports to the Board and is responsible for:

- Reviewing reports from ADIA's external auditors and the Internal Audit Department;
- Overseeing ADIA's financial reporting, systems of internal control, and internal audit processes;
- Making recommendations concerning the appointment and re-appointment of the external auditors; and
- Managing ADIA's relationship with its external auditors who audit ADIA's annual financial statements, which are prepared in accordance with International Financial Reporting Standards.

Structure



GOVERNANCE

The Investment Committee reports to the Managing Director and is responsible for managing and overseeing investment-related matters. The Managing Director chairs this committee, assisted by two deputy chairmen, with the participation of Executive Directors from all investment groups and some control functions. Investment decisions are based solely on economic objectives in order to deliver sustained long-term financial returns.

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 Strategy Committee advises the Investment Committee on ADIA's overall investment strategy and the composition of ADIA's long-term policy portfolio.

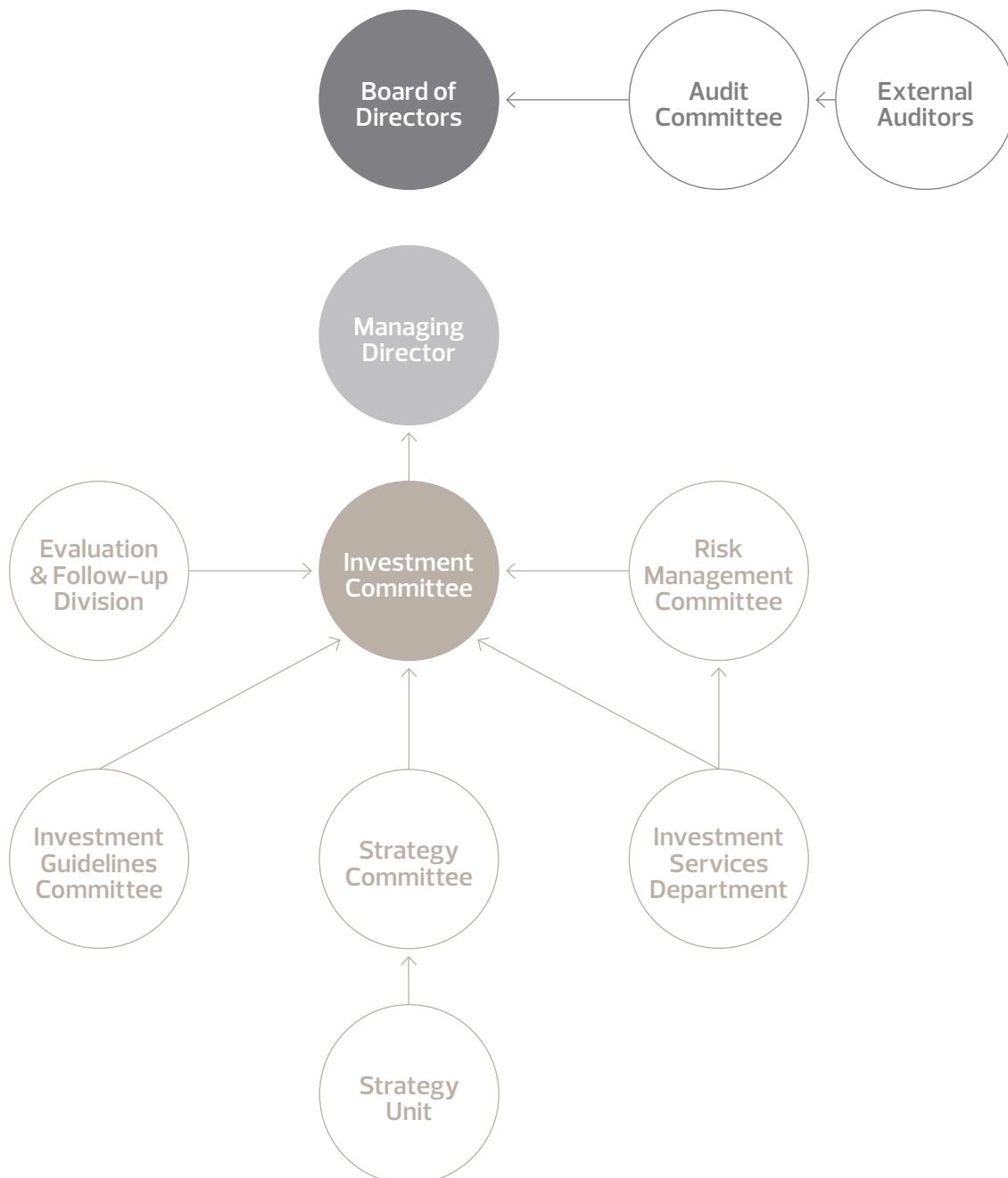
The Investment Guidelines Committee is responsible for establishing investment guidelines that ensure all investment activities undertaken by ADIA, and the risks associated with them, are clearly defined. The Investment Guidelines Committee reports to the Investment Committee.

The Management Committee reports to the Managing Director and is responsible for managing and overseeing non-investment related matters.

Investment Governance: Voting and Shareholder Disclosures, Know Your Customer

ADIA does not actively seek to manage the public companies in which it invests. As a shareholder, ADIA exercises its voting rights in certain circumstances to protect its interests or to oppose motions that may be detrimental to shareholders as a body. ADIA seeks to apply best practices to all of its disclosure processes and regularly makes disclosures, as required, in relation to its investments in global markets. ADIA is also mindful of its counterparties' obligations with respect to "Know Your Customer" and strives to provide all necessary disclosures to enable them to fulfil those obligations.

Governance framework



BOARD OF DIRECTORS



H.H. Sheikh Khalifa bin
Zayed Al Nahyan
Chairman



H.H. Sheikh Mohammed bin
Zayed Al Nahyan



H.H. Sheikh Sultan bin Zayed
Al Nahyan



H.H. Sheikh Mansour bin Zayed
Al Nahyan



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



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



H.E. Mohammed Habroush Al Suwaidi



H.E. Hamad Mohammed Al Hurr
Al Suwaidi



H.E. Khalil Mohammed Sharif Foulathi

INVESTMENT COMMITTEE



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



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



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



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



**H.E. Hareb Masood Hamad
Rashed Aldarmaki**
*Executive Director, Private Equities
(Deputy Chairman, Investment Committee)*



**Mohamed Darwish Mohamed
Husain Alkhoori**
Executive Director, Internal Equities



Obaid Murad Hassan
Abdulla Alsuwaidi
Executive Director, External Equities



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



Khalifa Matar Khalifa
Qaroonah Almheiri
Executive Director, Alternative Investments



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



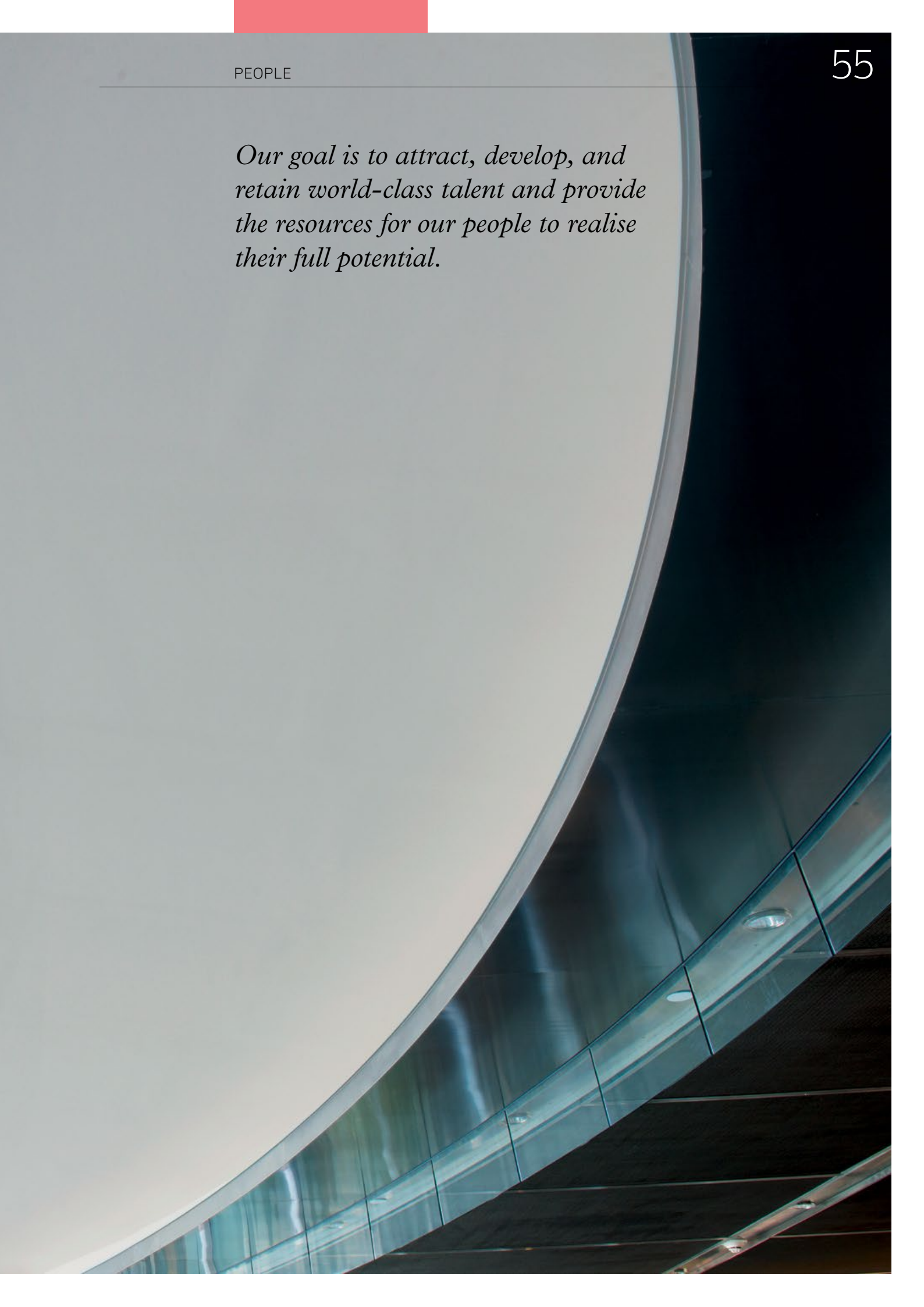
Juma Khamis Mugheer
Jaber Alkhyeli
Executive Director, Investment Services



Salem Mohamed Helal
Rashed Almazrouei
Executive Director, Accounts



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

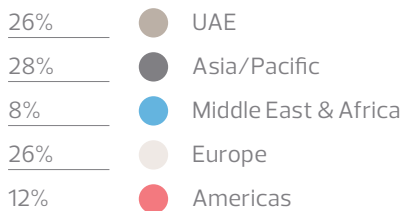
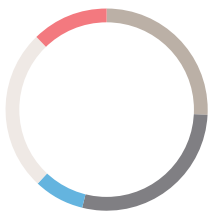


OVERVIEW

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

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

ADIA employees by nationality



Culture

At ADIA, we define culture as a combination of behaviours, and values that enable us to fulfil our mission in the most optimal and sustainable way. We are proud that ADIA's cultural values – Prudent Innovation, Effective Collaboration, and Disciplined Execution – are becoming a way of life and delivering tangible benefits for our people, and for ADIA as a whole.

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

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

< 5%average annual
staff turnover**Recruitment**

We believe that ADIA's broad spectrum of nationalities is one of our core strengths, ensuring that a breadth of knowledge, expertise and perspectives is represented in our decision-making processes. We are a world-class employer, and our priorities are to attract and retain the best international and local talent. We achieve this by seeking high-performing individuals in specialised fields, while also identifying top UAE National recruits with the skills and attributes that will underpin ADIA's continued success. Our structured recruitment process is designed to assess candidates' experience, technical skills, and behaviours while providing them with a thorough and comprehensive understanding of ADIA's culture, work environment, and life in Abu Dhabi. During 2014, we continued to support ADIA's long-term objectives with a focus on enhancing our active and internal investment capabilities through a comprehensive recruitment effort.

>> WE BELIEVE THAT ADIA'S BROAD SPECTRUM OF NATIONALITIES IS ONE OF OUR CORE STRENGTHS. <<

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

Developing our People

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

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

ADIA actively supports its talent in their professional and personal development by offering a wide range of targeted employee development programmes. The combination of classroom training and on-the-job development contributes substantially to employee growth and success.

ADIA is proud to employ the highest number of CFA Charterholders of any organisation in the Middle East.

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

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

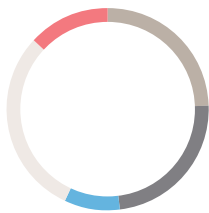
OVERVIEW



ADIA continued to expand its training catalogue during 2014 under the umbrella theme: "Emphasis on Innovation".

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

Training course statistics



| | |
|-----|---|
| 25% | ● Investment and Professional Skills Programmes |
| 24% | ● Management & Leadership Development |
| 9% | ● Professional Certifications Programmes (e.g. CFA) |
| 30% | ● Personal Development |
| 13% | ● IT Skills |

Our UAE National Talent

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

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

>> **THE GOAL OF THESE INITIATIVES IS TO NURTURE TALENT THROUGH EXPOSURE TO BEST EDUCATIONAL PRACTICES.** <<

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

GLOBAL INVESTMENT FORUM

Globalisation revisited
— *New risks and opportunities*

16 and 17 November 2014

300
attendees19
external
speakers

In 2014, ADIA hosted its inaugural Global Investment Forum (GIF), an internal two-day event that brought together ADIA employees with respected external speakers to debate major investment themes that will shape our perspectives for years to come. To be held annually, the Forum acts as an important catalyst for stimulating the cross-departmental sharing of information, insights, and experience across ADIA.

The theme of last year's GIF was "Globalisation Revisited: New Risks and Opportunities", attended by almost 300 ADIA employees and featuring 19 external speakers, in addition to those from ADIA.

Professor Niall Ferguson, Laurence A. Tisch Professor of History at Harvard University, set the tone for the forum, with a keynote address on the global economy entitled "Chimerica Revisited".

Other key panel discussions focused on geopolitics and the emergence of a new world order, emerging market risks and opportunities, the impact of globalisation on innovation, trends in air transportation, the emergence of Africa, and the fragmentation of the global banking system.

In a spirited debate on emerging market trends, George Magnus, senior economic advisor at UBS investment bank and author of "The Age of Aging", argued that emerging markets have fantastic demographic advantages, but only if their macroeconomic governance is up to the task.

James Hogan, President and CEO of Etihad Airlines, which has seen passenger growth increase by 43% in the past two years, noted that global air traffic is due to more than double to 7.3 billion passengers over the next 20 years, with China, India, the U.S., Indonesia, and Brazil as the fastest growing markets.

Goolam Ballim, Chief Economist and Head of Research at Standard Bank Research, made a compelling case that Africa is on the ascent. The countries that have outperformed, he noted, are those that have built their social and economic infrastructure, rather than their more resource-rich neighbours.

However, Paul Theroux, the travel writer and novelist, said that while many struggling African countries have the resources to support themselves, their people lack hope. "They need to believe that their futures lie in their own countries – not that they must leave to succeed".

WORKING AT ADIA

ADIA strives to provide a positive work environment that is collaborative, respectful, and encourages innovative thinking. In an increasingly complex and competitive world where the only constant is change, we recognise that being creative in how we approach our work, and always looking for ways to improve, are critical ingredients to long-term success. It is for this reason that ADIA chose “Prudent Innovation” as one of its three cultural values.

Meet the panel



Fatima Al Qubaisi
Assistant Legal Advisor

Legal Division



Salah Al Rashedi
Portfolio Manager

Fixed Income
& Treasury
Department



Greg Eckersley
Global Head of Internal Equities

Internal Equities
Department



Guy Lambert
Senior Fund Manager

Real Estate &
Infrastructure
Department

To provide an insider's view, we brought together a cross-section of ADIA employees and asked them a few questions about what it's like to work here, what innovation means to them, and how it is applied on a daily basis.

01

How long have you worked at ADIA and what brought you here?

GUY — I joined some seven years ago now. I was drawn to ADIA because it was one of the largest government investment funds in the world and had a great reputation. It was also around this time that ADIA set up the Infrastructure Division and it was the excitement of joining that—being part of setting it up—that made it an easy choice.

WORKING AT ADIA

GREG — To be honest, when the phone call came in 2012 from the recruitment consultant I had just set up a commodity fund and wasn't looking for anything new or exciting, and I actually told them that. But then they mentioned it was ADIA and that changed it – primarily because I'd been working in financial services on the buy side for 18 years and, if there were one or two institutions that I was always intrigued by and would love to work at, ADIA was one of them. The actual hiring process was very thorough, which I think allows you the time to get emotionally adjusted to relocation. Everyone I met throughout that process confirmed that this was going to be a very good idea.

SALAH — As a UAE National, the process for me was a bit different. I joined ADIA almost 10 years ago now as an Assistant Analyst in the Emerging Markets Department. I then moved to Internal Equities before transferring to Fixed Income & Treasury nearly three years ago. I was on the ADIA Scholarship programme, studying in the U.K., and had my first interview before finishing my last year at university. I graduated with a Finance and Accounting degree, so I knew it made sense, and the early exposure I got to ADIA confirmed its reputation as one of the best organisations to work for in Abu Dhabi.

FATIMA — I've been in ADIA for about one year now as an Assistant Legal Advisor in the Legal Division. I chose to work here because after going through the rigorous recruiting procedure and all the testing, I thought this organisation puts so much effort into recruitment that it clearly wants to build the best possible team of people who are not just highly competent and hard working, but also will work well together to achieve the best results.

02

What were your first impressions when you arrived and were there any surprises?

FATIMA — My first impressions were positive ones. When I joined and people introduced themselves it was really interesting to see that all the lawyers had come from top-notch firms. These are firms renowned around the world, so the thought of being trained by some of those people was very exciting, and not an opportunity you would get at many organisations, especially at such an early age. When you start as a junior lawyer, usually you get coffee, so I was very happy not to be doing that!

GUY — What impressed me the most when I arrived was seeing how ADIA approached the creation of a new investment mandate (infrastructure) and how professional it was in setting it up – the guidelines and the allocation discussions, etc. I think one of the concerns I had at the start was about moving from the private sector to the government sector. But clearly, if you look at our investment process, it's as quick and as efficient as I've seen anywhere. It's a very fluid and efficient process.

SALAH — When I joined after graduating, I was put through an internal programme that basically prepared me for the CFA (Chartered Financial Analyst), and gave me some on-the-job training. My first impression was that the team was very diverse, very international and that I would be working with a lot of smart and accomplished people, and there was a huge opportunity for me to learn from them.

GREG — Before you join an organisation, it's normal to make assumptions about the changes you might have to make, and thankfully these were minimal, which was a huge relief. I was especially impressed by the quality of the teams that were in place and the people I would be managing, who are tremendously capable and skilled.



On another note, I was also quite surprised, and still am, by the amount of respect that people show each other, and how they go out of their way to be helpful. I know it's partly a cultural thing but I think it's also something that's very embedded in the ADIA DNA and that's a real differentiator from a lot of institutions that are similar.

>> MY FIRST IMPRESSION WAS THAT THE TEAM WAS VERY DIVERSE, VERY INTERNATIONAL, AND THAT I WOULD BE WORKING WITH A LOT OF SMART AND ACCOMPLISHED PEOPLE, AND THERE WAS A HUGE OPPORTUNITY FOR ME TO LEARN FROM THEM. <<

03

Prudent Innovation is one of ADIA's core values. What does it mean to you as individuals, and what kind of actions does it promote within your department?

GUY — To me it's being open to new ideas, and I think that is something ADIA is very good at. The Infrastructure team's mandate within ADIA has always been very broad, so we are encouraged to look at areas that not everyone is looking at and invest the time to explore them. If those opportunities are attractive then the message is to go for it.

FATIMA — I think there are two different kinds of mindsets that can be found within an organisation. The first is "if it's not broken don't fix it," and then there's the mind set of "how can we improve what already exists?" I strongly believe that ADIA fits into the latter approach. When it comes to process, for example, wherever there are two steps to get something done, we always ask whether that can be reduced to one step. Sometimes the best solution is in fact a simple one.

WORKING AT ADIA

GREG — For me, Prudent Innovation is a desire to be leading edge, to follow best practice, to evolve, create and find ways of being more efficient in all of the things that we do. It encourages people to be self-reflective. But it also means you need to accept the possibility of failure from time to time because that is how you learn and grow as an organisation, and that is never easy.

GREG — I think the risk of not encouraging innovation is that it can lead to complacency, which can cause mistakes that become costly.

GUY — I agree with that. I think it's about our ability to deliver long-term value. The way to go about it is to recognise that it's a constant learning experience; it's readjusting; it's investing in people; and it's about being patient when it makes sense. To give you an example, our team made a sizeable investment some time ago that was highly complex. We spent more than two years working on it and overcoming various obstacles because we felt it was worth it. That kind of flexibility and willingness to persevere is what generates real value over the long term.

>> **THE THING THAT IMPRESSES ME ABOUT ADIA IS THE WAY THAT ANYONE, AT ANY LEVEL, CAN PROPOSE AN IDEA AND SEE IT DISCUSSED AND DEBATED AND EVENTUALLY IMPLEMENTED.** <<

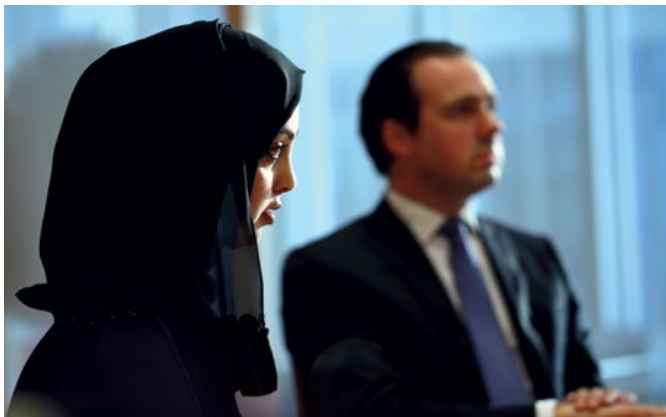
SALAH — It gives me an opportunity to test ideas and explore. In my role I have to deal with many stakeholders, who are sometimes in different departments, and having that culture of innovation allows me to make suggestions to them, and vice versa. We all know what end result we'd like to have; being innovative means being open to taking ideas from everybody on how to better reach that.

04 What in your opinion drives innovation in ADIA and why do we need to innovate?

SALAH — To be a successful investor you need to constantly adapt and improve in response to the changes that are always happening in the market, like the introduction of new asset classes, new ways of investing, having to move more quickly to take advantage of opportunities, or adapting to laws that are changing around us. In addition, we have a lot of stakeholders, including partners and service providers, and they are also constantly changing. The thing that impresses me about ADIA is the way that anyone, at any level, can propose an idea and see it discussed and debated and eventually implemented. It might take time, but if the idea is a good one you will find people to champion it all the way through the process.

05 How does the cultural diversity of ADIA's workforce contribute to innovation?

FATIMA — ADIA invests globally and to do that successfully requires an understanding of different cultures and languages. I speak a few languages, but when I joined ADIA I thought I'm never going to use French or German; it's going to be either English or Arabic. However, we had a couple of incidents where certain languages and being aware of cultural sensitivities really mattered. The diversity really adds value to ADIA and allows people to bring a lot of different talents and viewpoints to the table from across the globe.



GREG — One of the reasons that the U.S., at the turn of the century, was so successful was because it had this open arms policy and people came from all over the world. The unique perspectives they brought with them were embraced and the best of everything was promoted. To my mind, when I think about our department, with all the different nationalities, skills, insights, and perceptions, I can see how helpful it is in terms of creating a more vibrant discussion. It allows you to have better insights into how the people we're competing with for that investment dollar might react on the spot.

SALAH — I think that having employees representing over 60 nationalities shows that ADIA is willing to go and find talent wherever it comes from. When you get different people from different places, especially when they're highly talented, you get a lot of information about best practices in different parts of the world and pull them together in one building.

06

Are there any specific examples of Prudent Innovation in your departments, ways of thinking, of doing things?

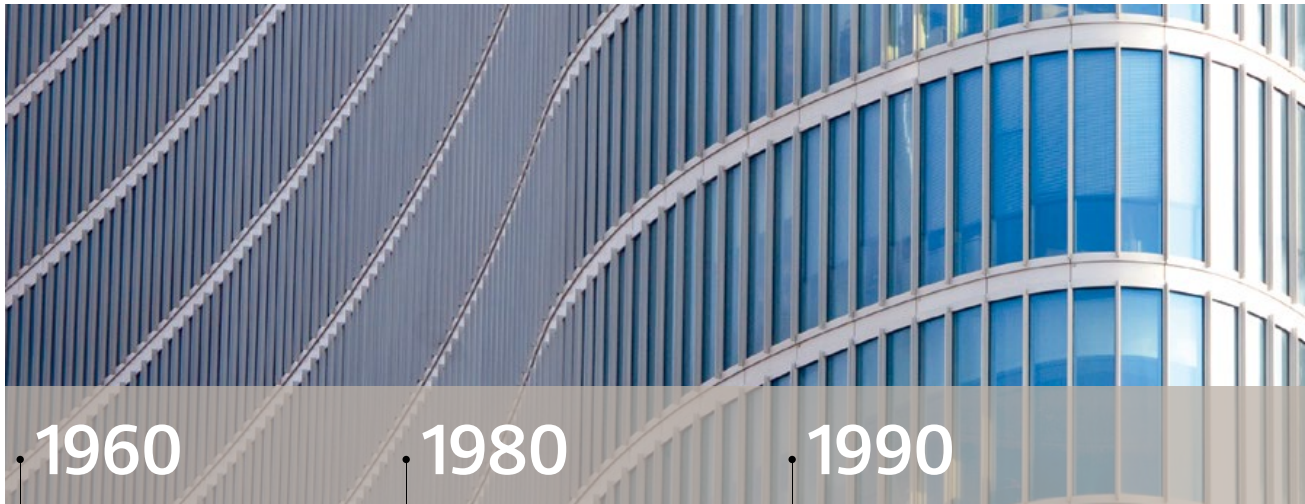
SALAH — There has been a significant amount of change in fixed income over the past two years. We're in the process of upgrading our entire IT infrastructure to improve the way we track our portfolios, our risk, and the way we execute our trades. We have added new asset types and instruments that give us more flexibility to capture returns. There are also a number of changes planned to how the department is structured. In our active risk-taking, we are moving away from a traditional benchmark-constrained approach to a more modern, holistic, risk-factor style which will allow us greater opportunity to diversify risk and drive much more creative thinking.

GUY — We've completed a review of our organisational structure within the team to optimise our internal view on market conditions and better identify areas for growth, and the goal is to hire specific expertise in certain areas where needed. We've also invested in new markets and new products.

GREG — Well, I don't know where to start! But to name just a couple, we've looked at process innovation, how we authorise trades, how they get executed, and how we can do that more efficiently. We've also changed our approach to research to make it more efficient, more global, and to work more effectively with other teams.

FATIMA — One example which really struck me as being unique to ADIA is how it has changed the notion of training. ADIA incorporates both on-the-job training, as well as ensuring that employees are able to build on their strengths and continuously improve. I had not heard of any entity where fresh graduates were trained for an entire year, and I think this truly distinguishes ADIA.

OUR HISTORY



1960

1967

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

1976

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

1980

1986

Started investing in alternative strategies.

1987

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

1988

Number of employees exceeded 500 mark.

1989

Started investing in private equity.

1990

1993

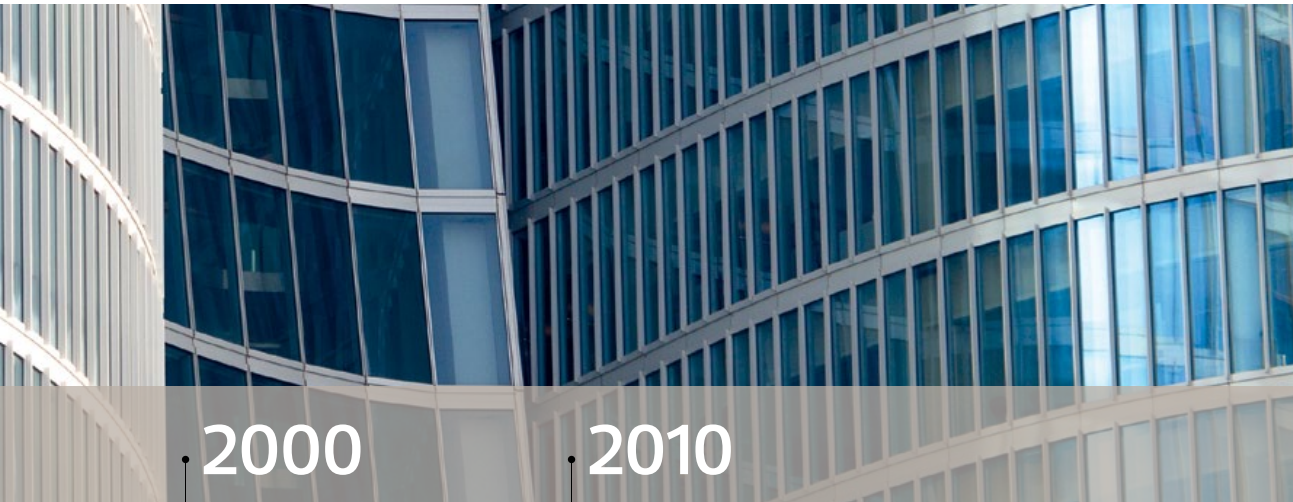
Started formal asset allocation process with a set of benchmarks and guidelines. Bonds moved from Equities Department to Treasury Department.

1997

Creation of the global Private Equities Department.

1998

Started investing in inflation-indexed bonds.



2000

2010

2005

Added a 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

Participated in the development of policy principles for international investments with the U.S. Department of the Treasury.

Appointed co-Chair with the IMF of the International Working Group of Sovereign Wealth Funds.

2009

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

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
- General Services

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

2013

Reorganised Accounts Department.

Restructured IT Department.

2014

Design of a new operating model for investment departments, to increase flexibility to target alpha opportunities.

Two new mandates added in Internal Equities Department, and new organisational design for Infrastructure Division.

Inaugural Global Investment Forum held in November, a two-day event to stimulate cross-departmental sharing of insights and experience.

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