



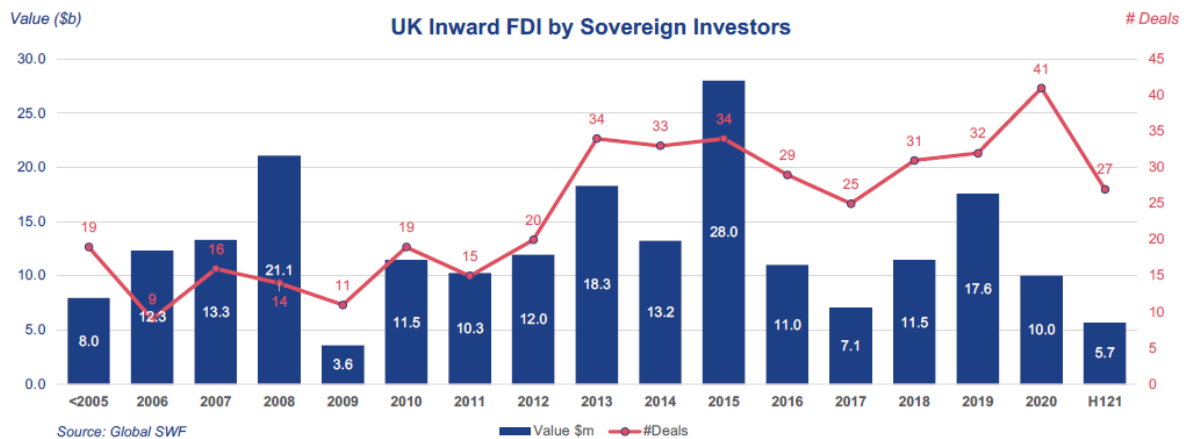
The amazing world of
Sovereign Wealth Funds
& Public Pension Funds
analyzed with a global lens

Commentary on UK Inward FDI

International Trade Committee evidence session

June 2021

Is the UK still hot as an investment destination?

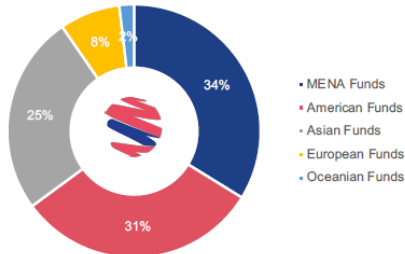


- Sovereign Investors, including Sovereign Wealth Funds and Public Pension Funds, have invested US\$ 215 billion across the UK in more than 400 deals over the past fifty years.
- The intensity increased in 2008 during the GFC and peaked in 2015 before Brexit referendum. Investments are still happening but the average deal size has since then decreased significantly.
- Real estate and infrastructure are no longer the most popular choices, and there is an increasing interest in Financial Services and Retail & Consumer, which explains the decrease in deal value.

Where is the capital coming from?



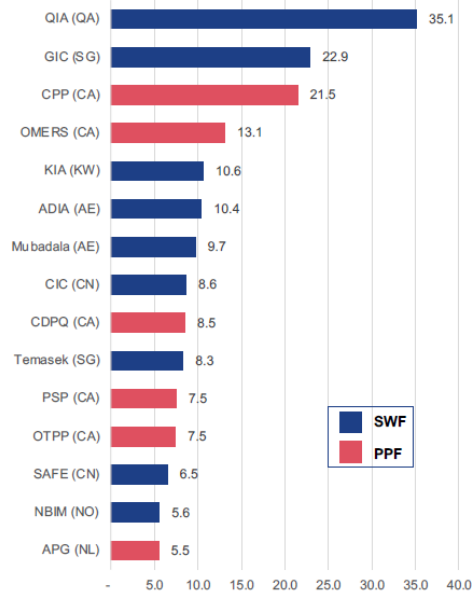
UK Inward FDI per Origin of Funds



Source: Global SWF

- Total Sovereign capital in the UK has been channeled via SWFs (61%) and PPFs (39%).
- Major investors include Middle Eastern funds (Qatar, Kuwait and UAE), American funds (Canada) and Asian funds (Singapore, China).
- In the past 4.5 years, investment from Canada has intensified and risen to 50% of the total, and capital from the Middle Eastern has decreased to 15%.
- Qatar's QIA has only invested \$1bn since 2015.

Top 15 all-time investors in the UK (\$b)

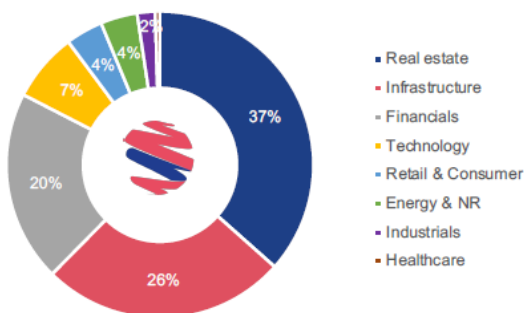


Source: Global SWF

What are the main industries of interest?



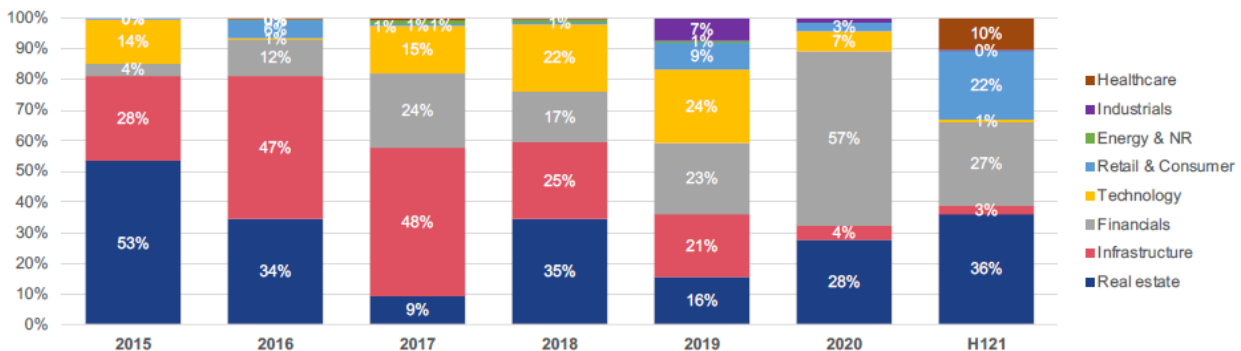
UK Inward FDI per Industry



Source: Global SWF

- Sovereign Funds have traditionally focused on British properties and infrastructure.
- However, we have started to see a change, with very few infra investments in the past few years and a renewed interest in Financials and Consumer.
- Real Estate continues to be important but has changed in nature – see next page.
- British Venture Capital has only attracted US\$ 1.4b from SOIs, less than 3% of the global figure.

Changes in industries of interest

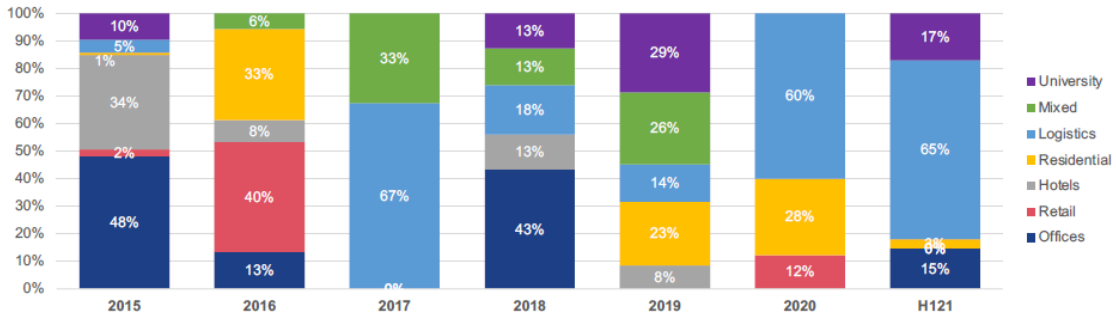


Source: Global SWF

What is happening with Real Estate?



Changes in preferences in real estate



Source: Global SWF

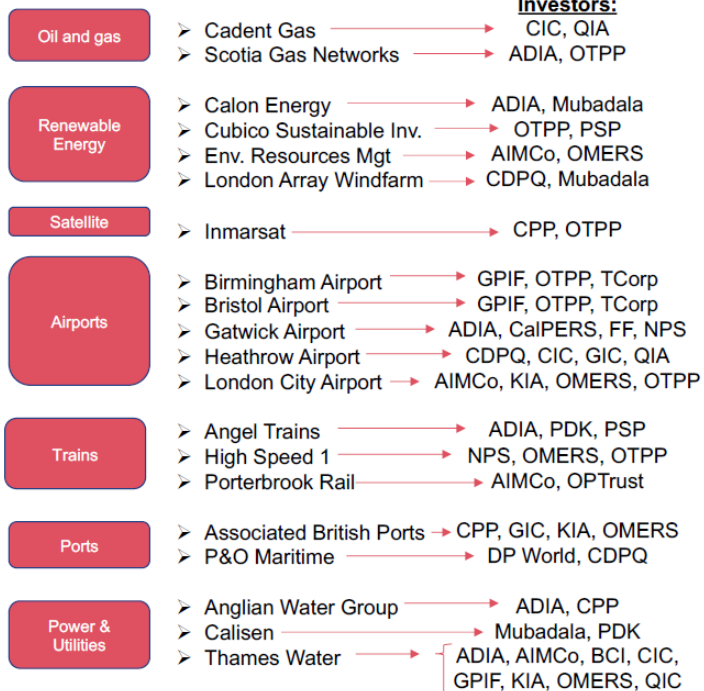
- The change in RE preferences in the UK has accelerated markedly since Brexit & Covid-19.
- Since 2015, SOIs have only invested US\$ 1b in hotels and US\$ 2.5b in office towers, focusing on data centers and logistics instead.
- Two key global themes have also arisen around student housing and senior housing, although the latter has found more targets in the USA, Canada and Australia.
- QIA, CPP & GIC have invested ½ of the total.

Top 10 property investments post-Brexit referendum

Fund	Asset	Type	Date	Value (\$m)	Stake
NPS	Plumtree Court (GS HQs)	Offices	Aug-18	1,300	100%
APG	Edinburgh St James Centre	Retail	Oct-16	1,140	75%
GIC	Urban Logistics	Logistics	Dec-20	800	80%
CPP	The Unite Group	University	Jul-19	786	n.a.
BCI	Build to Rent JV Hines	Residential	Feb-20	700	50%
APG	Capital & Counties Earls Court	Mixed	Nov-19	549	50%
BCI	GLP Continental Europe Dev.	Logistics	Nov-18	510	46%
QIA	Grosvenor House Hotel	Hotels	Nov-18	500	100%
OMERS	M7 Real Estate	Logistics	Jan-21	500	100%
PSP	Bridge Logistics Fund	Logistics	May-21	500	50%

Source: Global SWF

UK Infrastructure: a story of global partnerships



UK as an investment destination – SWOT Analysis



Strengths

- Unparalleled track record and FDI tradition
- Strong reputation re regulated assets
- Large talent pool for overseas offices
- Traditionally more receptive than the US
- Active IPA efforts overseas

Weaknesses

- No significant SWF to put "skin in the game"
- Brexit will continue to harm
- GBP and currency risk
- Stagnated GDP growth
- Low yields when compared to EM

Opportunities

- Renewables incl. hydrogen
- Life Sciences and Biotech
- Co-investments via Future Fund or similar
- "Proximity" to ME investors
- NBIM seeking to allocate in PM in EU

Threats

- Governance issues: ADIA, Khazanah, KIA
- Higher focus of funds at home since covid-19
- Increasing attraction of Emerging Markets
- Trade deals with the EU
- Increasing nationalism may block deals

