

## Sovereign wealth funds step up investment activity

### INVESTMENT COMPANIES

Sovereign wealth funds are becoming more active, making investments worth 42 per cent more in 2011 than in 2010.

In 2011, SWFs reported 237 direct investments, valued at \$80.9bn, according to data compiled by the Sovereign Investment Lab at Milan's Bocconi University.

Much of this money flowed from funds in developing countries into European and other developed markets, often into companies with exposure to emerging economies, such as luxury goods brand LVMH or Spanish utility Iberdrola, which have a significant presence in China and Latin America respectively.

"In 2011, SWFs were tapping returns in growth markets indirectly through developed market companies with strong demand

from emerging market consumers," the report said.

Victoria Barbary, senior researcher at the Sovereign Investment Lab and co-author of the report, said: "There's a real fundamental change in the way they look at risk."

The protection of higher standards of governance and regulation in developed

# \$80.9bn

**Value of SWF investments in 2011 has soared**

markets mitigates political, legal and regulatory risk in emerging markets, Ms Barbary said.

SWFs invested little in European manufacturing, indicating a lack of confidence in Europe's own economies and their ability to negotiate the current economic difficulties.

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