

The International Forum of Sovereign Wealth Funds (IFSWF or Forum) met for its third annual meeting in Beijing, China on May 10–12. Hosted by the China Investment Corporation (CIC), the Forum advanced on the commitments made in Sydney in May 2010, discussed risk management issues relating to the emerging environment for global asset allocation, reviewed progress on the application of the Santiago Principles, and discussed the funding of the future work of the Forum, including a permanent secretariat.

It issued the following release ('Beijing Communiqué').

Changes in the IFSWF leadership and steps towards permanent secretariat

We welcome Mr. Jin Liquan, Chairman of the Board of Supervisors, China Investment Corporation (CIC), as the new Chair of the IFSWF for a two year term. We thank Mr. David Murray, Chairman, Future Fund Board of Guardians, for his crucial role as the inaugural Chair of the IFSWF. To provide continuity in the leadership of the Forum, Mr. Murray will continue as an honorary chair in a consultative role, supporting Mr. Jin and Mr. Bader Al Sa'ad, Managing Director, Kuwait Investment Authority, the Deputy Chair of the Forum.

We reaffirmed the importance of the Forum as a platform to facilitate a better understanding of the Santiago Principles and SWF activities during the post-crisis phase. To pursue our interests further, we agreed to move towards a permanent secretariat funded by the Forum members. It will be based at the International Monetary Fund for a transitory period upon our request. This funded arrangement will allow us to participate more actively in work on issues relevant to SWFs, to help promote the Forum's mission, and to engage in a more active dialogue with recipient countries, relevant international institutions, policy makers, academia, and the private sector.

We felt that in most part, the global economic recovery had begun, but several fragilities remain in the financial markets. As investors we are closely monitoring developments both in advanced and emerging markets, and are studying the implications for our investment mandates and portfolio composition.

IFSWF work program

We reviewed the work program of our subcommittees and agreed to continue and to deepen our existing work streams. We agreed that special focus should be given on issues such as corporate governance, strategic and tactical asset allocation, and better preparation for uncertain market and macroeconomic conditions. We acknowledged the diversity amongst our members and stressed the need for a sharper differentiation between SWFs as largely long-term unleveraged investors and other types of investors including traditional state owned enterprises. At the same time, while SWFs had evolved considerably in their investment operations since the adoption of the Santiago Principles, Forum members were found generally to be pursuing pragmatic and commercially oriented investment strategies. Some of our members were of the view that the Forum should discuss policy and technical

issues arising for the SWFs from the buildup of foreign exchange assets and rapid capital flows. We agreed to undertake a work program and research that will help provide a true reflection of SWF activities and their supporting role in the flow of cross border investment flows.

Application of the Santiago Principles and publication of a survey report

We completed a survey on the experiences of application of the Santiago Principles among our members and discussed a draft report and the findings, which include i) members see the value of transparency as building trust, demonstrating professionalism and assisting their relationships with other market players on global markets, and ii) members generally believe that the Santiago Principles have been a useful guide for their investment and operating practices. Work needs to continue towards improving the public understanding of the Santiago Principles and of SWF operations. As a part of this effort, we agreed to complete and publish the report on the IFSWF web page by mid-July. Once the report is published, we will initiate further steps to disseminate and encourage more discussion of its findings.

Risk management and investment environment

Despite a challenging investment environment, several IFSWF members have performed well. In this context, we appreciated the different purposes and objectives for which our members have been set up and how that affects our investment policy and strategic asset allocations (SAAs) and governance arrangements. In formulating their SAAs, some members are explicitly considering risks in more holistic manner. We discussed how we can account for tail risks in portfolio risk management and construct portfolios for various macroeconomic scenarios. We also discussed the issue of procyclicality by investors and whether and how SWFs, as long-term investors, could play a countercyclical role in providing global financial and economic stability. We felt strongly that the Santiago Principles remain a valid, robust, and a transparent framework for SWF investing and urged recipient countries to utilize the Principles to maintain openness towards foreign investment, and guard against discrimination of SWFs compared to other institutional investors.

Next Meeting

The Forum will next meet in Mexico in May 2012. The meeting will be hosted by the Government of Mexico. The 2013 meeting will be held in Oslo, Norway and will be hosted by the Government of Norway.

Special guests and speakers

In his special address to the Forum, Mr. Li Keqiang, Vice Premier, State Council of the People's Republic of China remarked that today's world is undergoing major adjustment and transformation. In that context it was important to promote global economic recovery and prosperity by addressing the uneven development in the north and south countries. In his remarks Mr. Lou Jiwei, Chairman and CEO of the CIC urged the Forum to work together and with other countries to promote a non-discriminatory investment environment for SWFs while continuously contributing to the recovery of the global economy and financial stability. The group was also addressed by Mr. Zhou Xiaochuan, Governor, People's Bank of China.

We also met with senior level representatives from six recipient countries, the Asian Development Bank, European Commission, the International Monetary Fund, the OECD, and the World Bank. We also interacted with a select group of senior private sector representatives, policy makers, and academics. We were pleased to have with us Jaime Caruana, General Manager, Bank for International Settlements, who was the co-chair of the International Working Group that drafted the Santiago principles. As in the past, we welcomed the IMF's latest view on the functioning of the global financial system and its global outlook, and valued the contribution by Mr. José Viñals, Financial Counselor, IMF.

On May 13, The CIC organizes a half day working session with the IFSWF and Chinese provinces, relevant ministries, academia, enterprises, and other private sector representatives on Outlook on China's Economy, opportunities and challenges of investing in China, and China's overseas investments' role in fostering sustainable development. Mr. John Lipsky, the First Deputy Managing Director, IMF, will give special remarks on the Economic Transformation and Financial Reform in China.

Note to editors

The International Forum of Sovereign Wealth Funds (IFSWF) was established by the International Working Group of Sovereign Wealth Funds (IWG), in Kuwait City in April 2009 (see "Kuwait Declaration"). IFSWF is a voluntary group of Sovereign Wealth Funds, which meets, exchanges views on issues of common interest, and facilitates an understanding of the Santiago Principles and SWF activities. The staff of the International Monetary Fund (IMF) continues to facilitate the work of the Forum.