



Multiple Objectives



Not every SWF has a single objective. Many funds combine two or more of the objectives, mixing stabilisation, savings and development.

While these hybrid funds arise all over the world and include the [China Investment Corporation](#), the Trinidad and Tobago Heritage and Stabilisation Fund, and the [State Oil Fund](#) of Azerbaijan, they are particularly common in developing economies in sub-Saharan Africa. Many of these nations created their SWFs following the commodity super-cycle of the 2000s, which led to a boom in resource revenues.

Locking away capital for future generations is clearly inappropriate for countries with high levels of poverty or pressing infrastructure-development needs. For this reason, African countries have created innovative SWF structures that often integrate sub-portfolios dedicated to discrete objectives.

For example, the [Fundo Soberano de Angola](#) allocates a third of its portfolio to international securities such as Treasury bonds and developed-market equities, and the remainder of its assets to private-equity investments in Angola and elsewhere in sub-Saharan Africa to support “socioeconomic development”. Similarly, Botswana uses its Pula Fund, sub-Saharan Africa’s oldest SWF, for a combination of savings, stabilisation and development.

Case study: Nigeria Sovereign Investment Authority (NSIA)

In 2004, Nigeria created a fund called the Excess Crude Account (ECA), designed to manage its oil revenues for both savings and stabilisation purposes. As oil prices surged during the 2000s, ECA collected a large proportion of the government’s revenues. But ECA also had a poorly-defined legal mandate, which meant its savings were subject to wrangles between the federal government and state governors.

In 2012 Nigeria launched a new SWF, NSIA, to rectify these problems. NSIA has a clearer and more-legally rigorous mandate than ECA: it is divided into separate, ring-fenced pools of capital, each of which has a different objective: a Future Generations Fund, an Infrastructure Fund and a Stabilisation Fund.

As of end-2016, the most recent date at which the NSIA disclosed the composition of its investment portfolio, the Future Generations Fund was 43% in cash, 53% in public- and private-equity strategies, with the remainder of the portfolio allocated to commodities and other diversifiers. The Stabilisation Fund also allocates a portion of its capital to absolute-return fixed-income managers (36%) but devotes its portfolio to more-liquid assets such as short-duration Treasury bonds (29%) and time deposits (47%).

The Infrastructure Fund is primarily run by an in-house team and invests domestically, in projects such as bridges and toll roads, alongside commercial partners. For example, NSIA collaborated with construction firm Julius Berger Nigeria to help finance a new bridge over the Niger River connecting the cities of Asaba and Onitsha. The Infrastructure Fund has also made investments in telecommunications and healthcare.

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