

Building a sustainable future for Oman



State General Reserve Funds
Ministry of Finance

Annual Report
2016

“The strengthening of the Sultanate’s economic relations with the AGCC, other Arab countries and regional groups, and the positive interaction with the international economic system for the interests and benefit of Oman are very important matters. They will enable us to participate in the huge growth of international trade and investment, and make use of the expanding open markets”.

His Majesty Sultan Qaboos bin Said





Contents

About State General Reserve Fund	6
Historical Milestones	8
Chairman's Message	10
Board of Directors	12
Executive President's Message	14
2016 Key Achievements	16
Our Global Footprint	20
Investment Strategy	22
The Portfolios Performance	34
Joint Ventures with Friendly Countries	44
Governance and Transparency	48
Support Departments	54







About State General Reserve Fund (SGRF)



It is the sovereign wealth fund of the Sultanate of Oman which acts on behalf of the government of Oman in managing and investing the surplus achieved by the state from oil and gas revenues.

SGRF aims to achieve the best possible returns in the long-term to support the government's efforts in diversifying income resources and securing returns for future generations, and to achieve stabilization to the supreme financial policies of the State. The Fund was established in 1980 pursuant to Royal Decree number 1/1980. The Fund has a separate juristic entity which has complete independence in managing its administrative and financial affairs. SGRF is supervised by the Ministry of Finance, in accordance with the decisions issued by the Financial Affairs and Energy Resources Council (FAERC) in determining the policies and rules to be followed when investing the Fund's money.

The resources of the Fund comprise of the following:

- Emerging resources resulting from exceeding the ceiling of the proposed oil prices during the approved five-year development plan;
- Any surplus results by the end of the financial year;
- Revenues generated from the Fund's Investment;
- The tradable assets of the government that existed as surplus of the state prior to 1st January 1980;
- Any other funds that should be attached to SGRF, if the government deems appropriate.

State General Reserve Fund invests mainly outside the Sultanate as is the case with most sovereign wealth funds around the world. It also plays a major role in investing inside the country through its subsidiary companies, and via its shareholding companies. Oman has other funds, but their main objective is to invest inside the Sultanate.

Our Vision

To be a substantial resource that strengthens the government's efforts in achieving financial stability and diversity in the country's economy, and an effective player in ensuring the continued development of the State. This ensures that the wealth of the country will be preserved for future generations.

Our Mission

To achieve sustainable financial revenues through the investment of financial surplus of the State in various assets that have acceptable risks outside the Sultanate, and carrying out a leading role in catalyzing strategic projects inside the Sultanate.

Our Objectives

- To maximize investment returns while prudently managing their risk profiles
- To invest strategically with a long term time horizon
- To be the leading entity in implementing best international practices
- To attract global investments and expertise to Oman through its international network, and act as a catalyst in investing locally
- To become the Center of Excellence in the economic and financial sector by developing the national competencies
- To communicate and engage with the community in SGRF's role in the future of Oman





Historical Milestones



The establishment of State General Reserve Fund pursuant to the Royal Decree 1/1980.

1980



Establishment of Oman National Investment Development Company (TANMIA), a local investment arm of SGRF.

1998



The first direct investment in the real estate sector after the acquisition of Regent Wharf property in London, UK.

2004



The first direct investment in Private Equity after acquiring 3,26% of AWAS shares. AWAS is an Irish company operating in the aviation field.

2006



The establishment of the Vietnam Oman Investment Company

2008



The establishment of Oman Brunei Investment Company

2009



UzOman
Capital

The establishment of Uzbek
Oman Investment Company

2010



The establishment of Oman
India Joint Investment Fund

2011



Issuance of Royal Decree
number 58/2012 appointing H.E.
Abdulsalam bin Mohammed
Al Murshidi as the Executive
President of SGRF

2012



- SGRF Board approves SGRF's corporate governance, and the internal regulations
- Expanding the short term assets portfolio to include deposits in the local banks
- Expanding the international bonds portfolio range to include emerging markets and Islamic sukuk
- Approving the new SGRF organizational structure

2013



- Approving the investment strategy of the Fund and launching local initiatives aiming at catalyzing projects that have strategic dimensions.
- Forming specialized departments on risk management, compliance, internal audit and media.

2014



- Launching SGRF's first representative office abroad in The Tanzanian capital, Dar es Salaam.
- SGRF became a member in the International Forum of Sovereign Wealth Funds (IFSWF)

2015



Chairman's Message



The oil price crisis continues to cast its shadow for the third consecutive year, putting the global economy in front of new challenges, yet opportunities as well. The Sultanate was not isolated from these challenges or oblivious to the new opportunities that emerged as a result of this global crisis.

The Omani Government, under the wise leadership of His Majesty Sultan Qaboos bin Said, exerted great effort to work with these extraordinary circumstances that had its impact on our national economy, through adopting a number of measures to promote rationalization of expenditure and increase the Sultanate's non-oil revenues. The government, represented by the Ministry of Finance, transferred its stakes in local companies to sovereign wealth funds and sector government holding companies to strengthen their contribution to the economy.

In addition, the Sultanate puts great trust and confidence on its sovereign arms, notably the State General Reserve Fund, to enhance their long-term investments globally and develop long-term strategic partnerships, all in effort to attract foreign investments locally and play a pivotal role in ensuring the sustainability and welfare of Oman's citizens and future generations. The Fund's management has dealt with the crisis wisely, and managed to achieve good returns on investment, in spite of all circumstances. Its prompt strategies helped maintain the average annual return estimated at 7% since the Fund's inception. It continued to benefit from its strategic partnerships and global network to support local business projects, especially from the Sultanate's membership in The Asian Infrastructure Investment Bank- represented by SGRF- to approve loans to finance various vital projects in the country.

The efforts of SGRF continued to work hand in hand with other local parties to find practical solutions for the implementation of promising economic projects through its active participation in the National Program for Enhancing Economic Diversification "Tanfeedh".

In terms of investments, the Fund continued to implement its strategy to build a diversified investment portfolio by investing in a number of investment and asset tools, taking into account geographical distribution and target sectors. The most important of these investments is the agreement with PSA International of Singapore with regard to the Bharat port in India, as well as with the Spanish Escribano in the field of technology and defense. Both projects hold a great strategic significance which will benefit the Sultanate and its economic vision.

The Board of Directors of SGRF has recently reviewed the general framework of the asset allocation, in order to meet several economic developments, and as per the Executive Management recommendations, the new general framework was adopted to increase the Fund's investments in private markets to 50% to seek investment diversification and hedging against risks.

With the publication of the third annual report of SGRF, I am pleased to thank the Board of Directors and the Executive Management for all the efforts made to achieve the objectives for which the State General Reserve Fund was established more than three decades ago. This bears testimony to the strength and effectiveness of the Fund's strategic vision, which has been reflected in positive investment returns.

In conclusion, we raise our hands to Allah the Almighty to protect our beloved Oman and its leader, His Majesty Sultan Qaboos bin Said, and grant him health, wellness and long life, while Oman marches steadily towards prosperity, inspired by his wise vision and noble leadership. I also urge all SGRF employees to exert more effort and dedication, affirming our continuous support in serving this country and its economy.

Darwish Ismail Al Balushi

Minister Responsible for Financial Affairs
Chairman



Board of Directors:



H.E. Darwish Ismail Al Balushi
Minister Responsible for Financial Affairs
Chairman



H.E. Dr. Ali Mohammed Al Moosa
Vice President of the Council of Governors
at Central Bank of Oman
Member



H.E. Dr. Mohammed Hamad Al Rumhi
Minister of Oil & Gas
Member



H.E. Dr. Ali Masoud Al Sunaidi

Minister of Commerce and Industry,
Deputy Chairman of Supreme Council for Planning,
Member



H.E. Nasser Khamis Al Jashmi

Undersecretary of the Ministry of Finance
Member



H.E. Abdulsalam Mohammed Al Murshidi

Executive President of SGRF
Member



Executive President's Message



Despite the fluctuating market conditions and the challenges put forward due to the decline in oil prices, SGRF managed to achieve another successful year. All praise goes to the unwavering support received by the Fund's Board of Directors, and the strength of its in-house competencies, which was a major factor behind the continued good performance and the positive returns of its investments, as 2016 ended with a better performance, leading to the opening of new investment fields and bigger sector and geographical expansion.

The goal was not only to withstand the various challenges in light of this global crisis, but to utilize opportunities, expand and strengthen our global and local investments and boost returns for Oman's sovereign wealth fund, putting the well-being and prosperity of future generations at the forefront of our objectives and priorities. This is what SGRF has succeeded in achieving by entering into new partnerships across its real estate, public and private markets' portfolios.

At the level of private equity, SGRF has committed to various investments, especially the Bharat Port in Mumbai, India with PSA International Pte. Ltd. of Singapore, which is considered the world's largest company in port management. SGRF's stake in the project amounts to 20.4%. The Fund has also committed to invest in the Ares Corporate Opportunities Fund V, specializes in developing companies with strong potential, and in Cadence, which invests in education in the USA.

In the recently targeted mining field, SGRF has finalized the acquisition of 29% stake in Kenmare Resources, the Irish mining company working on titanium exploration in Mozambique, in addition to a 18.1% stake in the Australian Kore Potash specialized in the exploration and production of Potash in the Democratic Republic of Congo. SGRF has also signed an investment agreement with the Spanish Escribano which specializes in manufacturing precision mechanical components for the aerospace and defense. This deal holds an added value to the Sultanate in terms of transfer and localization of technology.

As for the public markets, the investment portfolio has achieved better results than expected, compared to the global benchmark index, in spite of global markets' fluctuations as a result of some political events such as the Brexit and the American presidential elections. The investment ceiling in the portfolio of short-term assets has also been amended to create a better balance between the availability of liquidity and achieving good returns. This change is expected to raise the portfolio's annual returns. In the area of local investment, SGRF has also contributed through the Gulf Japanese Food Fund in the establishment of GCC's largest table egg plant through the signing of an MoU with various parties. In addition, the capital of Oman National Investment Development Company (Tanmia), the local investment arm of SGRF has been raised to achieve the company's strategy in financing various projects in the country. Also, the main requirements of the IPO for Minerals Development Oman - under establishment, have been finalised with the appointment of Bank Muscat as a manager of the issuance. Work is currently underway with the Public Authority for Mining to obtain licenses for exploration.

On the real estate portfolio, the Heron Tower building located in London has been refinanced, and due to the high value of the property, SGRF has received a sound dividends, while committing to two other opportunities with investment funds, and the acquisition of a number of world-class hotels in Europe, mainly Hotel Des Indes in the city of The Hague in the Netherlands, regarded as one of the most historic five-star luxury hotels in Europe.

In line with the government's plan to finance the budget deficit for 2016, the amount of RO 1.5 billion has been transferred to the Ministry of Finance during the first quarter of the year, while 9 out of 12 foreign assets owned by the Ministry of Finance, were transferred to SGRF's ownership as per FAERC decision of Q4 2015. Work is underway to finalize the transfer of the rest of assets.

Because in SGRF we believe that the organization's strength stems from its human resources, we have continued to attract competent talents, and have successfully appointed 31 new staff during 2016, bringing the total number of our employees to 199, reaching an Omanization percentage of 81.4%. Also in order to achieve better communication between our staff across the Fund, we launched a quarterly newsletter that combines both awareness and social material, formalizing a window for all staff to contribute. Many technical updates have also been introduced in the field of cyber-attack management, correspondence system, disaster recovery, and risk management.

During the past year, SGRF has also hosted the CROSAPF (Co-Investment Roundtable of Sovereign and Pension Funds) Working Committee meeting from 22nd to 23rd March 2016. The Forum aimed at discussing challenges facing investors and investment policymakers, while providing an opportunity for the Sultanate to showcase the different future development projects to international investors.

In general, 2016 was a year full of challenges, but full of opportunities alike. Therefore, I take this opportunity to extend my sincere thanks to our Board of Directors for their continuous strategic support to all our efforts and relentless team work, not forgetting to thank my colleagues in SGRF as well for their efforts in staying strong despite challenges.

In Conclusion, I raise my utmost thanks and gratitude to His Majesty the Sultan, for his foresighted vision and wise directions, in the support and stability of our national economy, praying to Allah the Almighty to grant His Majesty good health and long life.

Abdulsalam Mohammed Al Murshidi

Executive President



2016 Key Achievements:





The General Performance:
The average annual return
of the State General Reserve
Fund has reached **7%**
since inception

IRR on private equity funds
portfolio achieved a **8.1%**
since inception

The global equities
portfolio achieved
returns of **8.2%**



Agreements

- SGRF has finalized the first two agreements in the mining field with Kenmare Resources, the Irish mining company working on titanium exploration in Mozambique, and with the Australian Kore Potash specialized in the exploration and production of Potash in the DR Congo.
- The signing of an agreement with the Spanish Escribano, which specializes in manufacturing precision mechanical components for the aerospace and defense. This deal holds an added value to the Sultanate in terms of transfer and localization of technology.
- SGRF facilitated in getting two loans from the Asian Infrastructure Investment Bank (AIIB) to finance vital government projects in the Sultanate.



On behalf of the Omani Government, HE Yahya bin Said Al Jabri, Chairman of Special Economic Zone Authority Duqm, signs on the finance agreement with AIIB

Investments and Local Initiatives



- The Fund made 22 new investments during 2016, including indirectly contributing to the establishment of a number of projects within the Sultanate, as part of its local initiatives:
- Escribano Middle East LLC
- Raising the capital of Oman National Investment Development Company (Tanmia)
- The establishment of a table egg plant

Information Technology

- Implementation of the Fraud Protection System in all email correspondence.
- The IT department has been awarded the “Evangelist customer of the Year” award by the Dubai-based Spectrami, as its best customer for 2016.



Corporate Communications

- SGRF official website bagged the Gold Award at Oman Technology Awards 2016 as the best website in Oman for Government & Ministries category.
- The issue of SGRF quarterly newsletter under the name "The 5th Floor".
- In an effort to enhance transparency and disclosure, and to highlight the achievements made by the Fund, SGRF has issued 12 press releases and statements through different media channels.



Human Resources

- The total number of employees at the end of 2016 reached 199 employees, recording an 81.4% Omanization rate



- SGRF supported a number of staff to receive training or get work placement with Fund partners inside and outside the Sultanate.

International Organizations



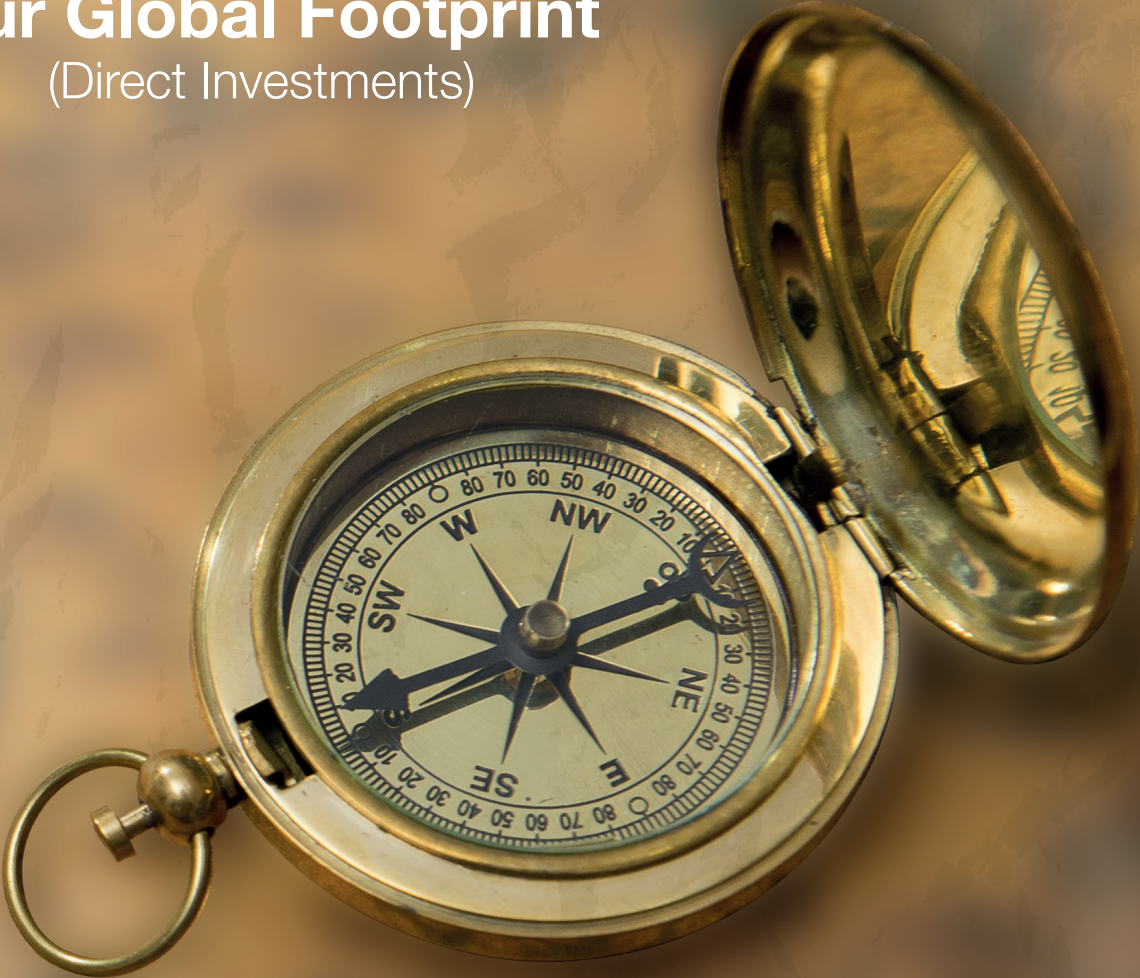
H.H. Sayyid Kamil Al-Said delivers a welcome speech at CROSAPF.

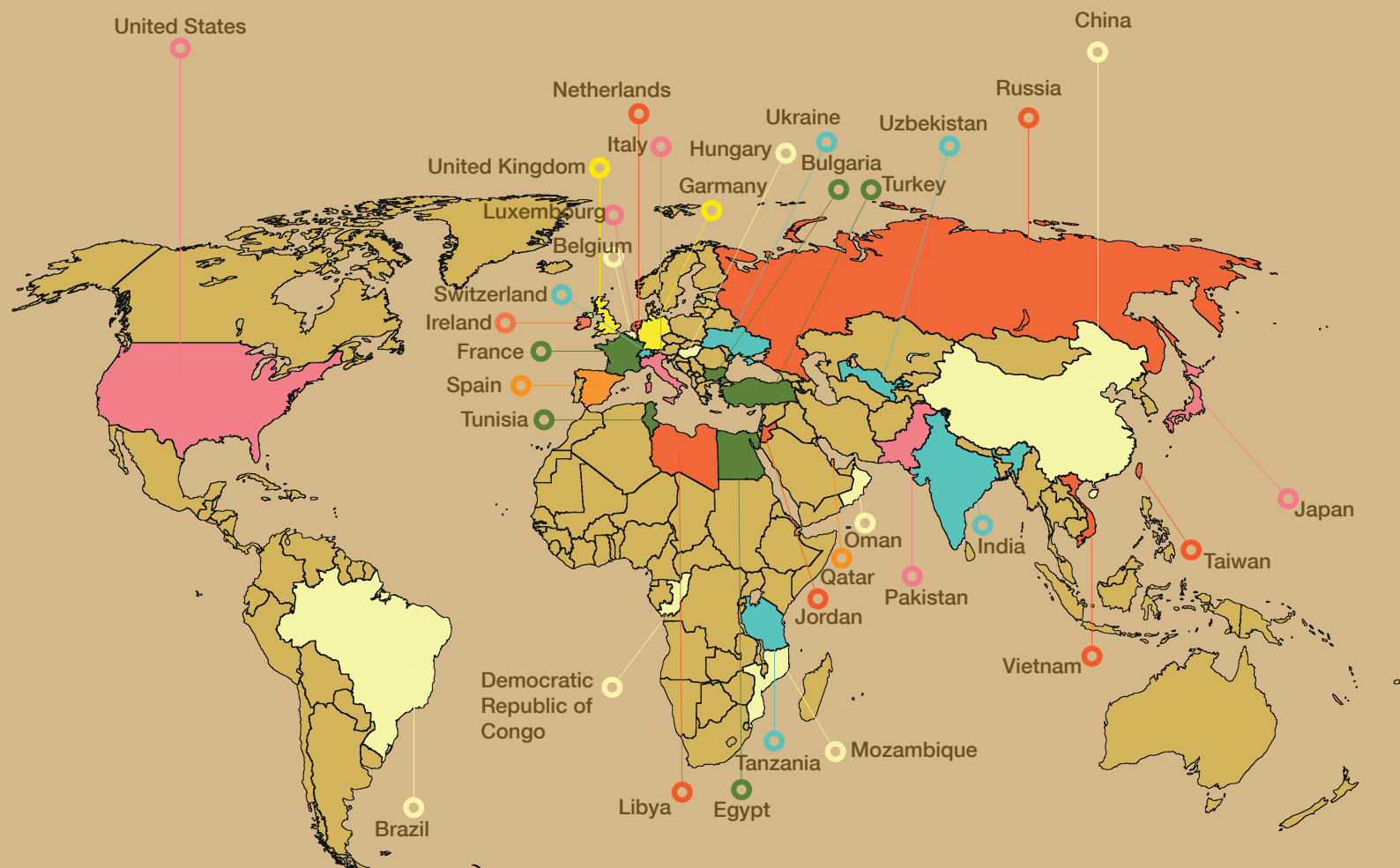
- SGRF hosted the Co-Investment Roundtable of Sovereign and Pension Funds (CROSAPF) It brings together investment professionals of public funds for presentations and in-depth discussions on global trends and recent issues related to investing. And gives investors, from around the world, an opportunity to exchange knowledge and introduce the investment opportunities in their respective countries to co-invest.



Our Global Footprint

(Direct Investments)







Investment Strategy





State General Reserve Funds
Ministry of Finance

Annual Report 2016



The Fund aims at building an investment portfolio that is diversified across a wide range of asset classes and geographies, and within established risk parameters to ensure sustainable long-term returns.

SGRF follows a rigorous, prudent and flexible investment strategy, taking into account the general risks parameters. The Fund also adopts international best practices in developing its investment strategy that includes the asset allocation framework, the geographical distribution of the fund, and the selection of promising sectors according to the major economic trends at the global level. The Business Strategy Department at SGRF oversees the investment strategy by continually reviewing asset weights and ratios within the overall framework of the Fund's policy, and taking all necessary steps to develop them in line with the fluctuations of markets and economic.

The Business Strategy Department plays a central role in developing the investment strategies. It also responsible for monitoring and reviewing of the asset allocation weights according to the policies and the overall asset allocation framework of SGRF, while taking the necessary steps to develop the framework in line with the changing economic and market environments and cycles.

The Fund focuses primarily on two main investment categories: **Public Market Assets** that include global equity, fixed income bonds and short-term assets, and **Private Market Assets** which include private investments in real estate, logistics, services, commercial, and industrial projects.

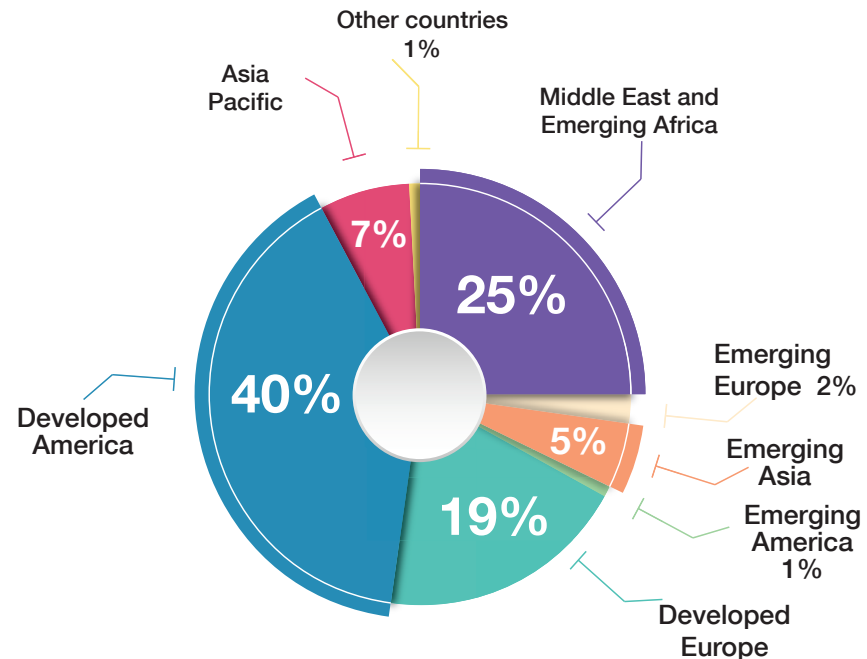
Asset Allocation

The fund allocates between 35% - 65% of its assets in Public Markets and the same percentage in Private Markets after raising its share in Q4 of 2016, as per the Board of Directors decision, to help face any economic challenges. The distribution of assets is as follows:

Assets	Minimum Rate	Targeted Distribution	Maximum Rate
Global Shares	20	30	40
Bonds	5	15	25
Short Term Assets	0	5	20
Total Public Markets	35 *	50	65*
Private equity	25	35	45
Real Estate	5	15	25
Total Private Markets	35 *	50	65*

*Note: the sum of percentages under each assets' category does not necessarily add up to the minimum or maximum rates for each category

Geographical Distribution of Assets (Except Short-Term)



The Business Strategy Department

The department aims to develop the overall framework asset allocation in a way that balances the target returns with acceptable risks. The department is developing a number of initiatives, especially in public markets, taking into consideration the development of the investment products offered and analyzing their consistency with the investment strategy.

The Department also provides the Fund's decision makers with economic and specialized analysis that examine the trends of the financial markets and the financial and monetary policies of internationally influential economies, and then link these analyses with the investment strategy.

The department also undertakes the screening process to select the best revenue-generating entities that will manage the Fund's investments and to ensure that these institutions can achieve the target returns through the study of their previous performance and stability of the

administrative team, in addition to the analysis of risk management and compliance, accounting and control systems of these entities.

Among the most important achievement of the department

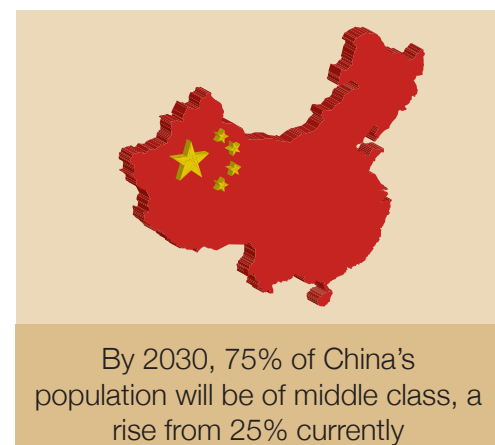
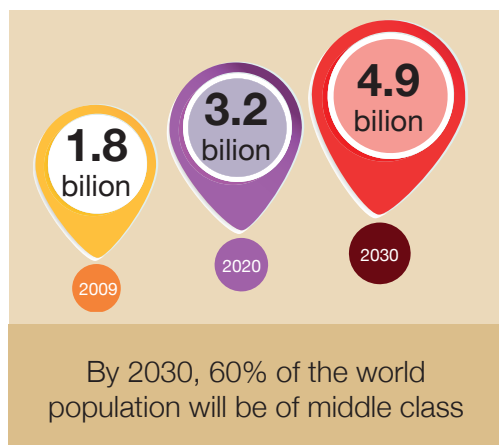
- Geographical coverage: Geographical coverage in market analysis has been expanded to include the presidential elections in both the United States and East Africa
- Adjusting the investment cap in the short-term asset portfolio to create a better balance between liquidity and returns, and the change is expected to raise the annual returns of the portfolio.
- Prepare periodic reports on the performance of global markets in general, and special reports on the economies of a number of countries in Asia, Africa, Europe and the Americas.



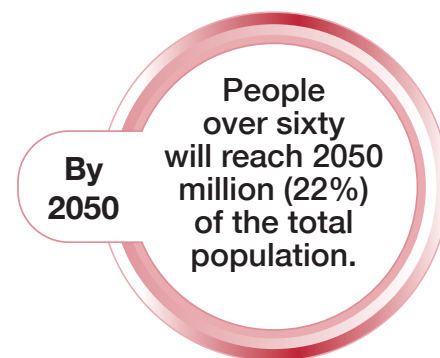
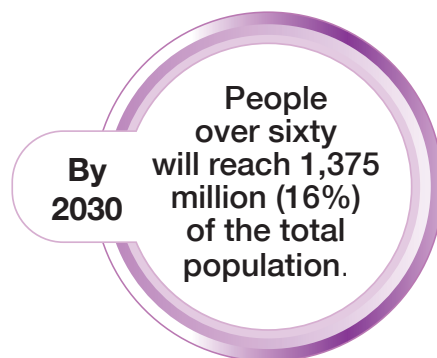
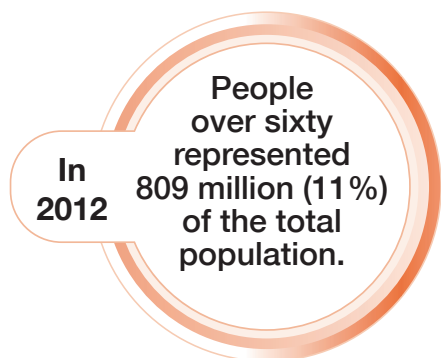
Investment Strategy and its relation with key global megatrends

When planning and implementing an investment strategy, the Fund analyses key economic indicators and their impact on the direction of the market around the globe in the medium and long terms with the aim of identifying the emerging markets, key sectors, potential risks, and investment opportunities. Researchers at the Fund have identified six major trends which the management believe will have a significant impact, and which represent promising investment opportunities. These as listed below:

1. Increase of Middle Class around the Globe: Studies indicate that developing countries around the globe will witness a substantial growth in middle class. The countries include those from Asia - in particular, China, India, Africa and the Middle East.



2. Patterns of Population Distribution: The world will witness growth in population. Studies revealed an increased percentage of the aging populations in developed countries. This is contrary to emerging economies which witness growth among young population.



3. Technological Development: It is expected that technological development will have a huge impact on a lot of sectors, such as healthcare, agriculture, industry, biological chemistry, telecommunication, nanotechnology, and energy, which will significantly increase productivity, efficiency, and services in all fields.

4. Change in the International Balance of Power: As Asian economies such as China and India gain more power in local production, population, military, and technology investments, it is expected that the international balance of power will lean towards developing countries by 2030. It is likely that the situation will lead to new alliances between various powers.

5. Modernization: The increase in population, expansion of middle class, and immigration will lead to unprecedented increase in city expansion.

• 80% of modern growth that will be witnessed by the world in the coming 20 years will be in Africa and Asia.

• By 2050 the population percentage in the world living in cities will increase from the current 50% to 75%.

• The number of big cities (with populations in excess of 10 million) will increase from current 20 cities to 37 cities by 2025.

6. Scarcity of Natural Resources: with the extensive expansion, population growth and climate change, it is expected that natural resources will become scarcer, which opens up promising investment opportunities.

- The International Energy Agency forecasts indicate an increase of 40% in global energy demand by the year 2030, driven by economic growth, population growth and technological advances.
- The need to increase food production by 50% to meet the population needs of food.
- It is likely that the increased demand and lack of stability of production rates as a result of climate change will raise food prices by 2030.
- About 1 billion people will live in areas that suffer from water scarcity by 2030.



Public Markets Portfolio

Investments in this portfolio include liquid financial securities that can easily be converted into cash any time at a reasonable cost. This includes three major assets: global equities, bonds, and short-term assets. While providing the Fund with the exposure to liquid investments, the Public Market portfolio allows broad international diversification across different asset classes, geographical areas and sectors. The Fund also seeks new investments and strategies in public markets space through its internal and external managers program



The Global Equities portfolio invests in 4 broad regions namely North America, Europe, Asia Pacific and Emerging Markets. These regions comprised of 46 countries across 11 sectors, which allows the Fund access to diverse investments opportunities.

The Global Bond portfolio also invests in 35 bond markets around the world which includes government bonds in the emerging and developed markets, in addition highly rated Government-related issues. Short-term assets including Treasury Bills, Sukuks and local deposits.

All assets are subject to close monitoring to ensure the assets are distributed according to the allocated quotas, strategic and tactical, in order to ensure the soundness of the investment situation of the portfolio in particular, and to

achieve the Fund's long-term objectives in general. The Risk and Compliance Department monitors all transactions and handles any excesses immediately.

External Management of Investments

SGRF takes a cautious approach in selecting the appropriate External Investment Manager based on asset class and investment focus. Market opportunities are assessed in accordance with the investment strategy of SGRF along with appropriate recommendations on manager and strategy selection. SGRF continuously monitors the performance of External Investment Managers and ensures compliance with investment guidelines and mandate objective. SGRF works closely with them to benefit from their resources in research, technical skills and knowledge transfer.





Private Market Portfolio (Private Equity and Real Estate)

In addition to public markets, stocks, international bonds and other short-term investment instruments, SGRF is diversifying its long-term investment portfolio by investing in private companies and real estates.

Kumport Port – Turkey



Private Equity

The private equity portfolio is diversified across several sectors and in more 30 countries around the world. The investment in this category of assets are subject to a set of criteria with a focus on long term investment, while taking into account the ability to exit and geographical diversification. The investment decision is not taken haphazardly but is rather preceded by financial, technical, legal and business studies that cover the different aspects of such investments including risks. SGRF is keen on forming strategic partnerships with the best investors, renowned business groups and other top performers in private equity markets.

As part of the investment strategy, SGRF focuses on 5 economic sectors namely health care, mining and resources, logistics & ports, food industries, and diversified.

To achieve the prospective aims, SGRF at the same time and as part of its integrated human resources strategy is also keen on keeping its staff at the investment related departments abreast with the latest developments and trends. The Fund seconded a number of its staff for varying periods, as part of the employee exchange program inside and outside the Sultanate.

The private equity portfolio is divided into three categories namely direct investments, investment funds, and investments through joint ventures. SGRF has an independent department for asset management which continuously monitors the performance of the private equity investments and takes necessary action to ensure betterment of their performance.



Targeted Sectors





Real Estate

Real estate - with its different asset types and strategies - is considered to be amongst the strong investment sectors; depending on the strategy and the allocation along the risk spectrum. Real estate offers capital preservation attributes and long-term income generation. The Real Estate department in SGRF diversifies its portfolio between core/core-plus, value-added and development projects to achieve the desired risk and return profile.

SGRF's core real estate assets are defined as direct investments in developed markets benefiting from long-term lease contracts with strong tenant covenants aiming to achieve sustainable income. On the value-added and development projects, SGRF enters into partnerships with real estate developers in emerging and developed markets to leverage on their technical knowledge and expertise.

Unlike core investments, which are direct investments of the fund, SGRF also invests with major real estate funds that have knowledgeable and extensive experienced managers.

SGRF's trends to invest locally

We at SGRF, invest for a better future and sustainable development for generations to come. Hence, we are working to diversify our investments to serve this goal as well as other goals of the Fund. In addition to our investments in different continents of the world, we are targeting a number of areas where we believe in their ability to achieve economic and social added value for the people of the Sultanate of Oman and the economy as a whole. We are also working to harness the vast network of our international relations to bring

international investments to the Sultanate, which are in line with the State's plans.

The targeted sectors include those associated with the food industry, building materials industries and health services, which is one of the most important sectors that ensures the achievement of a decent life for future generations in the Sultanate, and which is within the sectors of focus for the Omani government, promoted through local initiatives and entering into regional and international investments across the government various investment arms.

In addition, the logistics sector and related projects is considered as one of the key infrastructural sectors upon which a large number of pharmaceutical, mining industries and other projects are based. The technology sector forms one of the promising areas to create sustainable economic opportunities in the Sultanate.

More importantly, the government is focusing on projects and initiatives that aim at developing the necessary knowledge and skills in recent/modern economic sectors in the Sultanate. Consequently, the Sultanate will become a platform for the provision of competencies and skills of higher qualifications in different present and future growth sectors.

Glass Point Project – PDO's Amal West Field



State General Reserve Funds
Ministry of Finance

Annual Report
2016



The Portfolios Performance







Public Market Portfolio

The year 2016 witnessed some improvement in the global economy, with modest performance due to the moderate performance of some of the developed markets and the stability of the emerging markets activities. The US economy grew slightly while Europe and Japan continued to recover gradually. The UK economy remained resilient despite doubts about the consequences of Britain's exit from the European Union.

Despite concerns in the first quarter of 2016 on the state of the Chinese economy and the decline in oil prices, emerging markets remained stable after oil prices rebounded in the second quarter of the year, accompanied by an improvement in the positive outlook for the global economy.



Politically, the situation of political instability in the world has been a troubling issue for investors. UK's decision to leave the EU in June 2016 led to a sharp drop in sterling prices, with Donald Trump's victory in the US presidential election, and the rise of populism in some developed countries economies raised great concern among investors.

While OPEC oil producers agreed to cut production to restore balance to the supply and demand market, the Brent crude rose after OPEC's decision to close the year with a 59% rise from its lowest level in 13 years. This has reflected on the performance of the Omani stock market which recorded an increase of 7%, positively affecting SGRF's portfolio on the Muscat Securities Market.

Global equity markets rebounded strongly in the first quarter of 2016, achieving a 9% growth year end led by the US, emerging markets and Asia Pacific markets. Europe and the UK were relatively flat because of the 3.7% appreciation of the Trade Weighted US Dollar.

As for global bonds, their performance was strong at the beginning of the year despite negative expectations of inflation and growth. However, the gradual improvement in economic data and expectations of pro-growth policies following Donald Trump election, triggered a sell-off in global bonds to end the year slightly negative.

With the improvement in the US economy, the American Federal Reserve has raised the interest rate in December 2016, while the Bank of England cut rates and expanded QE to mitigate the adverse effects of Brexit, while the European Central Bank's monetary policy remained accommodative. Additionally, the Bank of Japan pursued

unconventional monetary policy through negative interest rate policy and yield curve control mechanism.

In line with regional and global challenges, SGRF has adopted a cautious strategy throughout the year, by maintaining prudent level of liquidity in short-term assets to close the Fund's investments in this category with higher-than-expected returns that reached 8.2%.

Most important achievements in 2016

- Global Equity portfolio has achieved a return of 8.2%
- Local Equities Portfolio has achieved a return of 10.5%
- Review of the Strategic Asset Allocation Framework
- Review of the Short Term Asset Guidelines



Private Equity Portfolio

Direct investments and Joint Ventures with friendly countries:

The direct investment portfolio, including joint venture funds with the friendly countries (Joint Ventures), showed a good performance in 2016 despite the negative impact of the global markets on the direct investments around the world at the beginning of the year. The fund added a number of investments to its private equity portfolio, recording a growth of 5% in the total value over the previous year.



SGRF's CIO Mr. Mulham Al Jarf participates in the GCC UK Summit in the presence of the British Prime Minister Theresa May

Below is a review of the most important direct investments carried out by the Fund till the end of 2016:

- Investment in the Bharat Port in Mumbai, India with Singaporean PSA International Pte.Ltd, considered one of the biggest world companies in port management. SGRF has acquired a 20.4% stake in the project
- The acquisition of 32.2% stake in the Spain-based Mecanizados Escribano. The deal includes the transfer of expertise to Oman and help establish a solid industrial base that would guarantee better future for the country.
- The acquisition of 29% stake in Kenmare Resources, the Irish mining company working on titanium exploration in Mozambique.
- The acquisition of 18.1% stake in the Australian Kore Potash specialized in the exploration and production of Potash in the Democratic Republic of Congo.
- The investment in Cadence Education with Morgan Stanley Private Equity (MSPE). Cadence Education is the 6th largest provider of early childhood education in the United States serving children aged from 6 weeks to 6 years through its portfolio of 150 schools with 20 thousand students spread across 20 states.
- SGRF has totally exited from Service Master company, with an IRR of 13%, and total returns of 2.6x the initial investment. The Fund also partially exited from Wallgreens Alliance Boots recording substantial gains.

Investment Funds:

The fund continued its investments in the private equity funds, targeting the most prominent managers of private funds in

the different regions . In 2016, the sovereign fund made 8 commitments with investment funds in different sectors, applying different strategies and objectives to diversify the investment portfolio and distribute risks. Some of these investments include:

- Commitment to invest in the Ares Corporate Opportunities Fund V, which invests in companies that have potential for growth.
- Commitment to invest in the Founders Fund VI, specializing in technology
- Commitment to invest in Vista Equity Partners VI, specializing in the acquisition of investment opportunities in technology in the United States of America.

In total, SGRF partners with 78 different investment funds covering most sectors and is geographically distributed among most world continents. The IRR of the private equity portfolio reached 8.1% since inception, equivalent to 1.6x the initial total investment.

Most important achievements in 2016

- Investment in the Bharat Port in Mumbai, India with the Singaporean PSA International Pte.Ltd
- The IRR for the private equity funds portfolio achieved a return of 8.1%, equivalent of 1.6x initial investment.

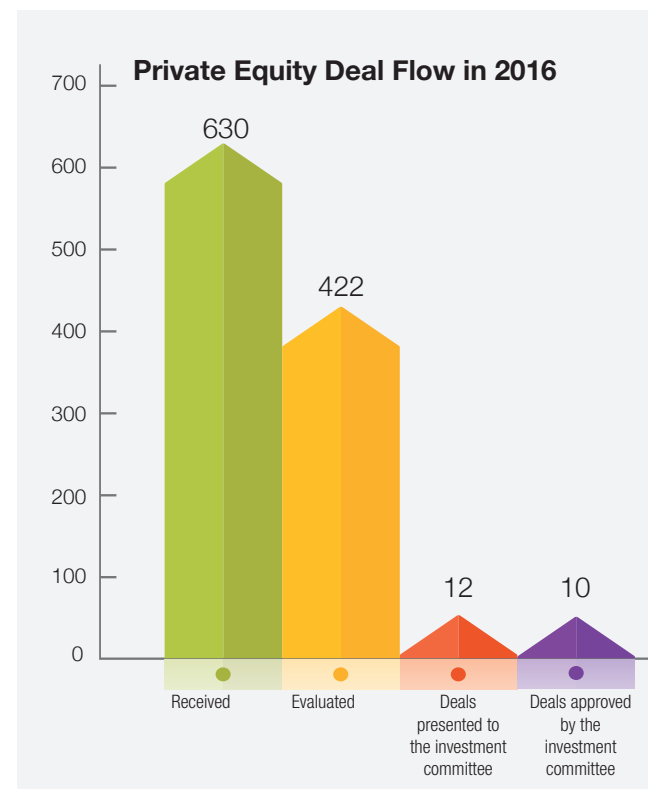


Local Initiatives:

As part of SGRF initiatives to contribute to the strategy of economic diversification adopted by the government, the Fund worked with its strategic partners to empower and attract foreign investments to establish vital projects in the Sultanate. It also helped facilitate the decision by The Asian Infrastructure Investment Bank (AIIB) to finance a number of projects in the Sultanate. Some of these initiatives achieved by the Fund in 2016 are as follows:

- The establishment of Escribano Middle East LLC. The Spain-based company specializing in the aerospace and defense sectors has established its new base in Oman in partnership with Oman National Investment Development Co (TANMIA). Both parties will cooperate in the field of research and in exploring promising investment opportunities in the Middle East region. This agreement comes in the wake of the shareholding agreement signing with the mother company Escribano, to replicate its business model in Oman. The newly formed company has started bidding in local tenders, and SGRF will be assisting the company to secure a plot of land to establish its factory, and acquire local talent to start operations.
- In line with the government plans on diversification, SGRF as a primary shareholder has contributed in raising the capital of Oman National Investment Development Co (TANMIA) to support the company in implementing a number of vital and strategic projects in the Sultanate. TANMIA is working on various direct investments in various sectors including industry, logistics & services, tourism, real estate development and mining. The licensed capital amounts to 250 million Omani Rials, SGRF owns a stake of 34.6% in the paid capital.

- The establishment of the largest GCC table-egg company in Oman in partnership with Oman Flour Mills Company SAOG (OFM), Gulf Japan Food Fund (GJFF), IFFCO Group (IFFCO) and the Japan-based Ise Foods. The investment plan for this alliance entails negotiating the acquisition of a stake in the country's largest egg producer, Modern Poultry Farms, and enhancing its egg production capacity by implementing state-of-the-art Japanese technologies. The investment plan also includes the construction of a new plant in the Wilaya of Ibri, which is also expected to provide much needed job opportunities for the national cadres, in addition to setting a new technologically-advanced base for egg production in Oman.



SGRF Local Initiatives





Real Estate Portfolio

Overall, 2016 was a reasonably good year for SGRF in terms of real estate. While most of the assets reported improvement in value in local currency and good performance at the asset and operational level, the overall valuation of non-USD denominated assets were impacted by the decline in value of the currency, particularly those in GBP and EUR post Brexit.

As per the strategy for the year, SGRF continued to look at opportunities mainly in the US and Asia Pacific region. During the year, SGRF closed its first Asia-focused Fund and also presented new direct investment opportunities in the US, and Malaysia for Investment Commitment approval. These direct investment opportunities have been approved by the Investment Committee and are currently under due diligence.

Also as part of the strategy to foray into Asia, SGRF has identified suitable partners and opportunities for investment in the Hospitality space, which are currently under evaluation. Some of these may be considered for investment in 2017.

The Real Estate Asset Management team was active in their oversight of the assets within the portfolio and took steps necessary to enhance value of some of the long-held assets.

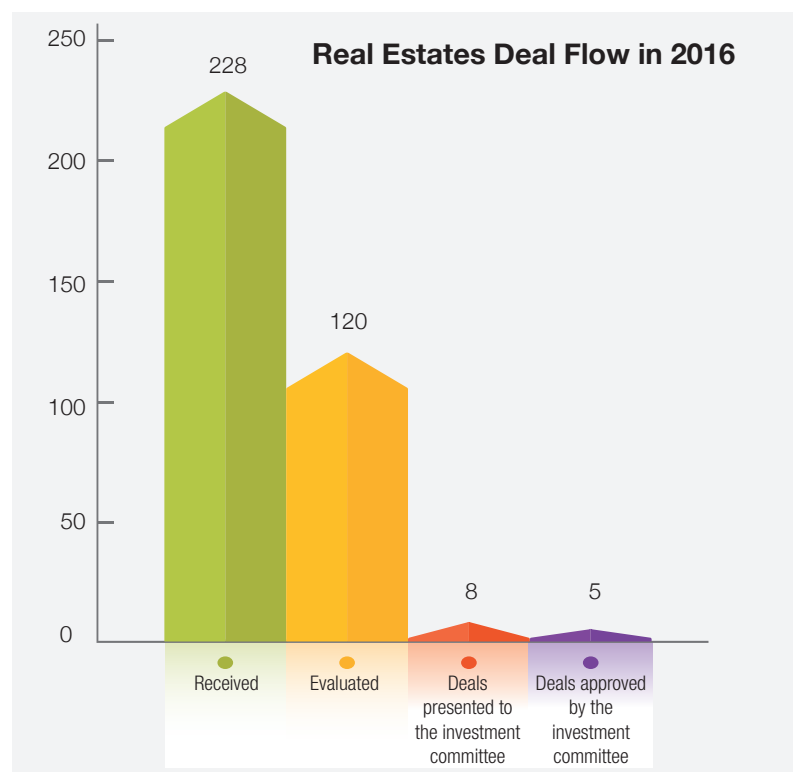
Most important achievements in 2016

- SGRF has received good dividends from the Heron Tower property in London
- SGRF has acquired the Hotel Des Indes in The Hague, Netherlands.
- The refinancing of two properties with further enhanced conditions

The key updates for the year 2016 are as follows:

- A total of 8 investment proposals, were presented to the Investment Committee during the year, of which 5 have been approved and 3 are under due diligence. Of the 8 proposals, 3 were for Fund investments and 5 were for Direct Investments.
- SGRF acquired another building in the city of London under the programmatic investment plan in strategic partnership with CIT.
- SGRF also acquired the 5-star Des Andes hotel in The Hague in the Netherlands in partnership with the Westmont Hospitality Group. This was SGRF's first investment in The Netherlands and forms part of the Hilton Portfolio that was acquired by SGRF in 2015.
- The refinancing of the bank debt for Heron Tower was successfully completed with a new bank and on much improved terms, which resulted in return of equity to SGRF.
- SGRF also successfully managed to refinance the bank loan for Four Seasons, Budapest, with another bank. The new loan was secured on better lending terms and covenants and resulted in release of equity to SGRF.
- The year saw SGRF exit from two investments, namely, Grand Angle building in sub-urban Paris and Mitsubishi Portfolio co-investment in Japan.

- SGRF committed to a new Real Estate Fund launched by Lone Star and also Starwood Capital. Both these Fund Managers have proven track record of good performance and these Funds will invest in strategies focused in the US.
- The Hilton Europe Portfolio and the Marriott Ambassador (Paris) that were acquired in 2015 reported reasonably good performance despite being affected by the attacks in Paris and Brussels in 2016. Most of the hotels in the portfolio outperformed their competitive set.




Hotel Des Indes- The Hague, Netherlands



Joint Ventures With Friendly Countries





The joint ventures that have been established with the friendly countries so far are the result of the Sultanate's distinct diplomatic relations with these countries. These JVs are mostly concentrated in the Asian markets, which constitute a strong start to entering into these promising markets.



Vietnam Oman Investment Co. (VOI)

Vietnam Oman Investment Co. (VOI) was founded in 2008 as a joint venture between the State General Reserve Fund of Oman and the State Capital Investment Corporation of Vietnam, with an initial committed fund of US\$ 75million which was later increased to \$125 million. The company invests in lucrative businesses and projects in Vietnam, especially in the sectors that enjoy competitive advantage of Vietnam and contribute to the long term sustainable growth of the economy.

During 2016, the company has studied a number of attractive investment opportunities in a number of sectors such as ports, water, goods and others. The company has managed to execute 3 new investments in goods and water & agriculture projects, the total number of investments in Vietnam have reached 10 investments.

The company has also exited from two investments, one with VSH company, working in the field of hydro electrical energy, reporting an IRR equivalent of 20%. The other exited investment was with a local bank achieving an 8% return.



Oman Brunei Investment Co.

Oman Brunei Investment Company was established in October 2009 as a 50/50 joint venture between the SGRF and Brunei Investment Corporation.

The company's investment strategy focuses on the utilization of capital in companies with high growth potential through private equity. It also invests in new projects or makes investments in joint ventures. The company seeks to achieve high yields not less than 12-15% and internal income through having a diversified portfolio that includes service, industry, health, education and tourism sectors.

In 2016, the Oman Brunei Investment company established the Al Afia Healthcare Development and Investment Company, with the intention to establish a private hospital in Muscat. The new hospital will provide world-class medical and surgical services with special focus on maternity centres, pediatrics, ophthalmology, orthopedics, cardiovascular disease, and other services. Inauguration of the new hospital is planned in 2020.

In addition, the company has successfully sold its stake in Majan Telecommunications (Renna Mobile), while in total, the company has made a net profit of 52% higher than expected.



Uzbek Oman Investment Co. (UOI)

Pursuant to the decision of the governments of the Sultanate of Oman and the Republic of Uzbekistan, this joint fund was established in 2010 as a joint venture between the SGRF and the Uzbek Reconstruction and Development Fund, with a capital of \$100 million (75% from Oman and 25% from Uzbekistan). The company was established as per a presidential decree which exempts the company from taxes for ten years. The company has been permitted to invest in foreign currencies. The joint venture has started considering some potential investments in different sectors such as textile, food & pharmaceutical products, retail, financial services, technology and real estate.

In 2016, the company, has managed to invest its total capital in a diversified portfolio comprising of 6 leading companies in different sectors such as financial services, agriculture, real estate and industry. SGRF has made good dividends as a result of these investments across the last two years.



Oman India Joint Investment Fund (OIJIF)

This is a 50/50 joint investment fund between the SGRF and the State Bank of India. The Fund, which was established in 2011, invests in the different economic sectors in India.


The Fund has successfully completed the total deployment of the investable corpus of Fund. It made 7 investments in total. It also managed to return a 50% of its capital estimated at US\$ 100 million after exiting from 15% of its investment. It is expected that the Fund will exit from the rest of its investments over the next two years.

After the success of Fund 1, the Fund has announced the First Close of its Fund II at \$220 million. SGRF and State Bank of India (SBI), who had backed the first fund continue to be investors in OIJIF Fund II in addition to few new investors. OIJIF Fund II is targeting a corpus of \$300 million by the end of 2017.



Governance and Transparency





At SGRF, we believe that success can only be achieved by gaining trust and building a strong name that is linked to transparency and governance. This is particularly true if such a name is to shoulder the responsibility of providing a decent life for the Sultanate's future generations, as well as those living on its soil.



In light of this, SGRF has taken a number of steps that create a solid internal foundation to maintain high levels of governance and transparency. The most notable step taken towards achieving this goal is the issuance of the Authorities and Responsibilities Manual, and Investment Manual in 2013, which draw the roadmap for each department in SGRF in order to prevent any conflict of responsibilities or undesired overlap between the authorities granted to each department, and to maintain the integration between the duties of departments in a manner that achieves SGRF objectives.

In addition to the above, SGRF adopted the Code of Business Conduct. This is a guide for all SGRF staff outlining the ethics and behaviours, which all SGRF employees should emulate, as they reflect SGRF's integrity. The goal behind this is to gain the trust of those whom SGRF deals with. SGRF also launched the Whistle Blowing policy so that each of SGRF employees becomes a guard and custodian of the Fund and wealth of the future generations.

Communication and transparency can only be achieved through developing a gateway that connects SGRF staff with the public home and abroad. And, a key to this objective was the launching of SGRF website in both Arabic and English, disclosing information about the nature of the Fund's business, its investments and future vision.

Governance Framework:

SGRF Management has been working towards updating and improving SGRF governance frameworks to keep pace with the latest requirements and achieve a better operational and investment performance. It also aims to realize the goals entrusted with the Fund, pursuant to Royal Decree No. 1/80, and its amendments, SGRF applies the best international practices in the area of governance to guarantee the enforcement of an effective and flexible system that interacts with the requirements of each stage without contravening the existing laws. The governance structure of SGRF comprises of a set of executive, administrative and regulatory levels that include the SGRF regulative body represented by the Financial Affairs and Energy Resources Council (FAERC), SGRF Board of Directors, the Audit Committee, which is

independent together with its Internal Audit Team, and the Executive team which includes the Management Committee, the Investment Committee, the Human Resources Committee, Tenders Committee, and the Information Technology Committee.

Duties and Responsibilities:

SGRF Regulative Body:

The Financial Affairs and Energy Resources Council (FAERC) serves as SGRF Regulative Body, which is responsible for the integrity of its operations and its financial status. The Council's responsibilities include overall supervision of SGRF, monitoring the integrity of financial operations, identifying its tasks and goals, approving its strategy and forming and defining Board of Directors' roles and responsibilities.

FAERC is also responsible for appointing an investment custodian with the aim of preserving SGRF financial assets. The council is further involved in appointing one or more companies according to the Board's recommendations to assess the Fund's Investment Portfolio Management. FAERC's other responsibilities include discussing and approving performance appraisal reports, appointing an external auditor and specifying the related fees in accordance with the recommendations of the Board of Directors. FAERC is also responsible for approving the Corporate Governance Framework and identifying the types of assets, including currencies that SGRF can invest in and approving the establishment of investment companies.

SGRF Board of Directors:

FAERC forms the SGRF Board of Directors and defines its jurisdiction, according to the recommendations of the Minister Responsible for Financial Affairs. The Board of Directors supervises the Executive Management in charge of SGRF investments. In particular, the Board of Directors is responsible for ensuring the implementation of provisions of all relevant Royal Decrees. Moreover, the Board's responsibilities include the approval of SGRF Strategic Asset Allocation, Investment Guidelines, Remuneration Structure, Governance Policy and Procedures Manuals, approval of the annual budget, issuing the decisions pertaining to selection

of financial institutions for investment purposes. Other responsibilities include final approval of agreements and transactions falling outside the powers entrusted to the Executives of SGRF, and review of SGRF financial status and performance.

Audit Committee (AC):

The Audit Committee is responsible for overseeing the financial statements and financial reporting process. This committee is affiliated to the Board of Directors and helps it perform its regulatory responsibilities, which include ensuring the integrity of SGRF's financial statements, the financial reporting process, internal accounting systems and financial control. It also reviews the performance of the Internal Audit Manager, the independent annual audit of the Fund statements, the engagement of the independent auditors and the evaluation of their performance. The responsibilities of the Audit Committee also include the compliance of SGRF to the legal, legislative and regulatory frameworks, including the controls and procedures of disclosure. Moreover, the Audit Committee is authorised to assess the administrative proceedings and the risk management process. The Internal Audit Manager submits the performance reports to the Audit Committee.

Internal Audit Department

Internal Audit Department at SGRF is an independent and objective assurance and consulting activity that is guided by the philosophy of adding value to the operations of the Fund. It assists SGRF in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the fund's governance, risk management and internal controls. The department covers all material activities of SGRF including investments in private markets, real estate, public markets and all other support and control functions.

During 2016, Internal Audit made a number of significant achievements, mainly the migration from an outsourced internal audit provider to an in-house model with staffing at optimum levels, resulting in the development of in house talent and knowledge retention. It also established a risk based prioritization model for the development of

the Internal Audit Plan, while adopting a best practice governance structure, with the establishment of charters, policies & procedures, in line with the Institute of Internal Auditors' Standards for Professional Practice. Another highlight of the department was the selection of an Audit Management Software after reviewing multiple proposals from leading global providers and performing an extensive technical evaluation utilizing various key criteria and integration capabilities.

Investment Committee (IC):

The Investment Committee is the main body responsible for making investment decisions. It is also concerned with the implementation of the Fund strategies and allocation of the assets approved by the Board of Directors. Consequently, it takes responsibility for SGRF's overall supervision of the investment portfolio. It also determines the tactical distribution of assets within the framework of the approved limits, decides on the implementation of the annual investments plans, and reviews the proposals of public, private and real estate investments prepared by the relevant business units. Generally, the Investment Committee bases its resolutions on the proposals tabled by the various business units of the Fund, monitors the performance of the investment funds and make its recommendations for reconsidering the distribution of the strategic assets in line with global variables so that the Board of Directors of the Fund make a final decision about them.

Management Committee (MC):

The Management Committee determines the operational trend of SGRF. The committee coordinates and supervises SGRF's non-investment activities. It facilitates discussions, and decision making on the initiatives and issues that determine the operational and business plans of the Fund.

Accordingly, the Management Committee plays the role of an intermediary that brings about synergy between business and support units and departments. It outlines the policies of the Fund to achieve efficient performance and internal communication between the Fund's units within an integrated work system and a well-defined hierarchy.



Human Resources Committee (HRC):

The Human Resources Committee is responsible for drawing up HR's overall strategy as well as policies and plans aiming at enhancing the skills and competencies of SGRF human resources. This is made possible by appointing new efficient employees or training and qualifying the existing ones. The Committee is also responsible for finding solutions to the challenges relating to human resources, reviewing staff remuneration, bonuses, incentives and promotions, as well as reviewing and assessing the annual performance of the Fund personnel.

The annual plans of Human Resources are reviewed and approved by the Management Committee which also supervises the implementation of the strategy approved for the Fund human resources.

Tenders Committee (TC):

The Internal Tenders Committee of SGRF formulates tenders and bidding procedures for tenders worth less than the amount specified for the Tender Board. The Committee is mandated to assess the bids technically and commercially, and submit its recommendations to those authorized to accept or reject the recommendations. The Committee includes a number of senior staff from SGRF and a representative from the Ministry of Finance, to ensure compliance with the procedures set forth for offering, evaluating and awarding tenders.

IT Committee (ITC):

The Information Technology Committee (ITC) was established in December 2013. The ITC has been created to provide the strategic and tactical guidance for managing SGRF's overall technology systems for the short and long-term based on the approved IT strategy. It will ensure systems development and maintenance projects initiated are consistent with the strategic business goals.

Internal Audit and Control Systems

Corporate Governance Manual:

SGRF has recently issued a Corporate Governance Manual. This Manual elaborates the responsibilities of each SGRF unit, it also contains the FAERC's capacity as the SGRF's Regulative Body, as well as SGRF Board

and the Executive Management. The aim behind this is to prevent any conflict of authorities between the Regulative Body, FAERC and the Executive Team, and to ensure smooth and effective performance.

The Manual also defines the roles of the Risk & Compliance, and Finance Departments, as well as the roles of the Management Committee, Human Resources Committee, Investment Committee, and Tenders Committee, including the mechanisms for selecting their members and the documentation of their meetings for transparency and to ease the auditing process.

Whistle Blowing Policy:

In 2014, SGRF launched the Whistle Blowing Policy. It is one of SGRF's multiple lines of defence. The System has a high level of confidentiality to hide the identity of the whistle blower. The launching of this System came as a result of SGRF's strong belief in the importance of standing together to prevent any SGRF staff from committing wrong practices that may damage SGRF's reputation or jeopardize its financial status.

The system allows the whistle-blower to describe certain incidents or employees who violate the work systems or the procedures applicable at SGRF, whether the same has to do with financial transactions like tenders and investments or administrative operations. Based on such reports, an independent committee carries out an internal investigation and then refers its report to the relevant authorities.

Internal and External Audit:

To ensure transparency and achieve the best control of its transactions, SGRF goes through three different auditing stages. Through the Internal Audit Committee, the financial statements as well as SGRF transaction-related data are drawn-up and audited. Besides this, the SGRF Board puts up its recommendations relating to the appointment of an independent auditor to the FAERC for approval of the same.

SGRF also undergoes a periodical audit by State Audit, an independent regulative body that oversees the performance of different government authorities in the Sultanate and presents its unbiased notes on the financial performance, investments and other SGRF transactions to ensure its compliance with the laws and regulations.



Audit Committee meeting

1) H.E. Saud Nasser Al Shukaili

Secretary General for Taxation, Ministry of Finance
Chairman of the Audit Committee

2) H.E. Abdulsalam bin Mohammed Al Murshidi

Executive President – SGRF

3) Abdullah Salim Al Harthi

CFO – SGRF

4) Jamila Hamad Al Jabri

Director of Finance – SGRF

5) Ali Mohammed Ridha Jaafar

Director General of Treasury & Accounts – Ministry of Finance
Audit Committee Member

6) Musallam Hamad Al Barami

Director of Investment Reprts & Data– Ministry of Finance
Audit Committee Member

7) Sunil Raiko

Investment Specialist – Ministry of Finance
Audit Committee Member



Support Departments



Towards achieving
on an integrated
departments
necessary to
system including

...eiving its investment objectives, SGRF relies
...ted system including a number of units and
...that provide the investment units with the
...chnical and administrative support. The
...les the following departments:



Finance:

The Finance Department prepares and submits reliable financial information as per the global financial standards, especially the information related to the State General Reserve Fund's (SGRF) accounts, its financial performance and asset evaluation. The main role of the department is to prepare periodical financial statements, ensure their compliance with the generally accepted accounting principles (GAAP) and then submit them to the audit committee and the board of directors for approval. Such statements are also submitted to the Council of Financial Affairs and Energy Resources for approval.

Moreover, Finance Department prepares the annual budget of the Fund and distributes it among the different units of the Fund. It also follows up the implementation and achievement of SGRF's goals. The department is responsible for preparing the periodical financial reports related to the overall and detailed financial performance of the different portfolios run by the Fund, in addition to comparing the performance of the portfolio managers, with the standard indicators of each portfolio. It also follows up remittances and settlements. The department supports the investment transactions through the Special Purpose Vehicle (SPV) through which SGRF runs its investments to achieve optimal financial efficiency.

One of the most important achievements of the Finance Unit in 2016, was commencing the project of Process Review, which aims at developing all regulations and policies to effectively validate

Most important achievements in 2016

- Transition to digital transactions instead of paper based work, to help expedite transactions and business deals in public markets
- Activating the electronic payment system (Straight-Through Payment) to replace conventional methods applied in the past.



the unit's tasks in a way that matches SGRF's objectives and strategies. The new system is constantly compared to similar systems in other SWFs for further development and enhancement.

In 2016, The Finance Unit has also undertaken the development of business deals and transactions mechanisms, through transitioning from the use of conventional paper work to the modern digital systems. The unit as well commenced the Class Action system which aims at protecting the Fund's rights in public markets, and a specialized company has been selected to undergo this task.

In another hand, and seeking to harmonize between the best use of liquidity and various jurisdictional and regulatory requirement, a single bank has been selected for SGRF's SPVs. In terms of the payment process, the Finance Unit established the "Straight Through-Payment" electronic payment system to speed up the OPEX payment process. The new system will help expedite the process of bill payments and the conduct of other financial transactions. It will also provide the necessary mechanism to control and review expenditure. With regard to taxation, a dedicated consultant has been appointed to review the Fund's dealings in international public markets to make sure all deferred taxes are recoverable. The consultant will also be responsible for investigating the possibility of implementing tax exemption on future SGRF investments in public markets.

Legal:

The Legal Department is one of SGRF's central departments. It studies matters referred to the department from the legal perspective, and gives its legal advice in accordance to the applicable local, international laws, and regulations. The duties of the Department can be summarized up as follows:

- Providing legal support on the management of the investment carried out by SGRF. In addition to giving the legal advice on important decisions relating to managing

these investments and the issues that emerge across sectors and geographies. .

- Offering support on legal issues as well as on agreements pertaining to SGRF's new investments, whether in terms of private equity, real estate or public markets, in accordance to the laws and regulations applicable to the country where investments are carried out.
- Supervising the arbitration and litigation matters, which the Fund may be involved in.
- Providing advice on subjects related to the other departments withing SGRF.



Most important achievements in 2016

- Completion of documents and legal requirements for real estate and private equity investment deals.
- 4 Direct investments were completed and a number of others progressed but aborted.
- 184 NDAs were reviewed and executed.
- A special training seminar on Directors Duties and D & O insurance.

Risk and Compliance Management:

The aim of the Risk & Compliance Management Department is to prepare guidelines that will govern the operations of all departments with relation to risk and compliance. It also promotes the risk and compliance culture among employees of the Fund, to ensure protection of the Fund and its staff against any risks.

The Department regularly evaluates the risk and compliance policies and provides advice in relation to enhancing internal controls. The Risk and Compliance Department analyzes all risks that originates from the operations of the Fund, including those related to its investment or management.

The Department coordinates with other departments in identifying and analyzing the risks, and develops strategic and practical plans, to reduce the possibility of such risks; and minimize the negative effects of such risks on the Fund.

Among the most important achievements in 2016 is the implementation of the (B Wise) tool which will house all risk registers be at corporate level, departmental level and individual investments. The R&C team also introduced the (Whistle blowing) system to report any violations in investment deals in the public markets. The team has also implemented the automation of (BarraOne) system to manage all risks pertaining to investment, all portfolios are now equipped with this system. In addition, all R&C staff attended an intensive training program on ISO31000 and are now ISO 31000 certified. This standard relates to Risk management and SGRF aims to fully implement this standard across all its business processes.

At the level of risk management, the department works to increase awareness and enhance risk mitigation procedures in investment operations. During which, institutional risks and ways of managing them were presented by the

management team. At the level of staff, R&C also conducts training courses in the Code of Professional Conduct in which staff are obliged to adhere to.

Most important achievements in 2016

- The implementation of (BarraOne) system to manage all risks associated with investment.
- The implementation of the (B Wise) tool, which will house all risk registers be at corporate, departmental, and individual investments level .
- The R&C staff were certified in ISO-31000 of Risk Management

Information Technology:

The Information Technology Department supervises the provision and development of information systems for all departments of the Fund. It has a technical team which is highly experienced and possesses a broad range of skills for providing services and solutions to the Fund to overcome the challenges of the information infrastructure.

In 2016, the IT Department adopted the Infrastructure Development Project, which updated and developed the existing servers and central storage, in order to help achieve the abundance and efficiency of the Fund's systems and optimize the data center through the upgrade of servers to work visually. This will contribute to the efficiency of the system and internal networks. The Department has also established the Disaster Recovery project, which is located in the Central Bank building in Knowledge Oasis. The aim of the DR centre is to serve as a mini-work environment through which all Fund departments can continue to work without interruption in case of inaccessibility to the main



IT has also worked on implementing risk management solutions that will enable SGRF to effectively contain any potential vulnerability. The system provides a comprehensive and clear view of the risks surrounding the Fund's network in general, and displays the available gaps that any hacker can exploit to launch an attack on the Fund's network and systems. These efforts have won the IT department the Evangelist - Best Customer of the Year award by Spectrami, the leading information security solutions provider in the Gulf region. In general, the IT Department in SGRF has succeeded in making a positive difference by adopting specialized technologies and developing the information architecture throughout the Fund's systems.

Most important achievements in 2015:

- Winning the Evangelist - Best Customer of the Year award by Spectrami, the leading information security solutions provider in the Gulf region.
- Establishing SGRF's Disaster Recovery Centre, which is located in the Central Bank building in Knowledge Oasis.

Human Resources

SGRF is focused on its people. Enhancing their capabilities is among the priorities of its strategic objectives due to their belief that employees are the most valuable asset and the most important factor for the Fund's success. While the Fund is working to achieve the best investments in the financial and economic field, it also keen to invest in the human element. Therefore, the Human Resources Department is always keen to provide the best initiatives and solutions that enable them to develop their people's talents and skills to meet the Fund's needs of expertise and skills, in order to manage all recent and future investments. The Fund's management is also committed to nurturing highly competent national cadres, capable of leading various financial and economic institutions in the country in the future.

In 2016, Human Resources also implemented a number of initiatives aimed at developing the performance and behavior of employees, and help them carry out their roles effectively. The Department has completed the first phase of Competency Framework, whereby the functional roles of each employee are equipped with the necessary skills, in order to achieve the level of work required for each job. The Department also completed the process of preparing plans for the replacement of posts, whether in the leadership or executive level, to meet the changes that may affect the department or section due to the absence or departure of any employee. It has also gone a long way in improving and accelerating internal processes through implementing automated systems in the completion of transactions relating to the entitlements and benefits of employees.

Most important achievements in 2016

- Omanization 81.4%
- 31 new employees appointed in various SGRF departments

In addition to all these efforts, Human Resources also continued with its main task of recruiting and attracting promising talents. The number of appointments in various departments and units of the Fund stood at 31, compared to 62 in 2015, recording a total of 199 employees by the end of 2016, and maintaining a high Omanization rate of 81.4 %. The recruitment process was conducted in full transparency and impartiality and was carried out through specific procedures, including advertisements in local newspapers and websites, participation in job fairs held at Sultan Qaboos University, as well as attracting distinguished talents through local and regional networks of specialized recruitment agencies. In the same context, the Department has launched a dedicated orientation program for new employees, which includes presentations, introductory materials and meetings to help them acclimatize to SGRF and its business conduct systems.

In order to achieve the ambitious investment objectives of the Fund, which has expanded to include new economic sectors, the Department continued its efforts to recruit cadres with expertise and excellence, especially in the fields of medicine, mining, engineering and various sciences, in addition to the financial, accounting and administrative fields. The department has completed in 2016 the appointment of some experts in senior positions, including:

- Senior Manager -Corporate Planning
- Manager Finance- Quality Control
- Acting Investment Manager of private equity-Transport & Logistics

In the area of training and development, the department has implemented a wide range of courses and training programs which can be summarized, as follows:

Types of training programs	No. of beneficiaries
In-House Training Programs (Soft & Technical Skills)	26
Individual Training Program (Short courses)	98
Individual Training Program (Long courses)	7
Secondment Programs	4
Academic Development Programs	12
Professional Development Program	7
Leadership Development Program	1

Administration:

It is one of the executive departments that manage and implement the purchasing processes, and provide services starting from providing hardware, tools and offices for the departments of SGRF.

It's also entrusted with the safety and security responsibility of the premises, work environment, as well as facilitating non-Omanis personnel procedures with the respective authorities. In 2016, the department has formed and trained a special team from SGRF staff to assume responsibility for emergency management, including first aid and evacuation of the building in case of fire.

A coordination team was also formed to coordinate between the various units of SGRF and the National Records and Archives Authority to find the appropriate mechanism for implementing the global archiving system to be followed in various governmental institutions in the Sultanate. The system will be applied to all departments and sections of the Fund.



Participation of SGRF at the SQU Job Fair

Most important achievements in 2016

- Forming a special emergency and first aid team.
- Started Implementing the new archiving system required by The National Records and Archives Authority.



Corporate Communications

The Corporate Communications Department is one of the important administrative units in SGRF, and is regarded the SGRF window to the society. The Department was established at the end of 2013 to serve as a link between the Fund, the outside world and staff, as well as institutions and various segments of society. The importance of the Corporate Communications department is derived from its role in managing the public perception of SGRF. The department endeavours to reflect a clear image of SGRF's mission and its efforts in achieving better future for the future generations.

Based on the SGRF keenness to develop this relationship and belief in the principle of work transparency and professionalism, the department issued 12 statements and press releases to the public in 2016 through various mass media vehicles, whether visual or print media.

In a similar note, the official SGRF website won the Gold Award at Oman Technology Awards 2016 as the best website in Oman for Government & Ministries category. The Awards are endorsed by the Information Technology Authority. On its part, the Corporate Communications Department has also expanded its electronic news monitoring for news and reports published on SGRF to include all SGRF's assets and investments across the world, using a special media monitoring program that covers more than 40 research fields.

Internally, the Department has also launched its quarterly newsletter under the name "The 5th Floor" to feature SGRF's latest news and updates, while giving staff the chance to participate in its content, this is besides another monthly bulletin produced in-house.

SGRF always strives to regularly and continuously provide all information and news related to its performance on its website www.sgrf.gov.om, which was launched in the second quarter of 2014.



Most important achievements in 2016

- Launching the first edition of SGRF's quarterly newsletter (The 5th Floor)
- Issuing the second annual report for SGRF
- organizing the annual meeting of the Co-Investment Roundtable of Sovereign and Pension Funds (CROSAPF)
- Expanding the electronic search for SGRF news to include all assets and investments across the world.

www.sgrf.gov.om