



International Forum of Sovereign Wealth Funds

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New Research from State Street and IFSWF Reveals Sovereign Wealth Funds are Adopting New Asset Utilisation Techniques to Maximise Returns

LONDON, 19 November 2018 – State Street Corporation (NYSE: STT) and the International Forum of Sovereign Wealth Funds (IFSWF) released today a new research paper, *Enhanced Asset Utilisation to Improve Portfolio Returns*¹.

For the report, State Street surveyed and interviewed a number of the IFSWF's member organisations, which represent over half of the world's sovereign wealth funds (SWFs). The research assessed how these long-term investors with large holdings of high-quality assets are well-placed to leverage and benefit from asset utilisation practices, such as securities lending, enhanced cash utilisation and collateral transformation.

According to the research, half of the surveyed respondents indicated they are currently engaged in securities lending, and a further 10% expressed their interest in initiating a lending program at their institution. Additionally, only 20% currently use collateral transformation in their investment activities, but more than 50% deem it as being of high or moderate importance.

In the current market, incipient regulatory requirements such as MiFID II are driving a rapid shift towards a wider use of new technologies, transforming the landscape of trading venues. Whilst most respondents (80%) do not directly use electronic or algorithmic trading tools, half rated their use being of high importance. This finding suggests that SWFs will increasingly focus on optimal execution to reduce trading costs and improve portfolio efficiencies.

“Historically, sovereign wealth funds have held large allocations to passive index strategies within fixed income and equity markets. However, in the current low-rate environment this has driven appetite for the use of asset utilisation techniques to improve yields from these portfolio holdings,” said Chirag Patel, head of Innovation and Advisory Solutions for EMEA at State Street Global Exchange.

“There has also been an increasing transformation amongst trading venues through the rapid advances in both electronic and algorithmic trading, resulting in cost-cutting and enhanced trading efficiency. SWFs continue to look for new opportunities to increase yields and improve efficiencies within their investment processes. The low-interest-rate environment over the last several years has accelerated the adoption of novel asset utilisation and execution techniques and we have seen that SWFs have been benefitting from this.”

Duncan Bonfield, CEO of IFSWF, said “Sovereign wealth funds continue to be interested in

ways to maximise their risk-adjusted returns over the long term. Adopting new asset utilisation practices can make investment execution more efficient and help them to boost returns without a significant impact on a fund's risk profile.”

In 2016, State Street was appointed by IFSWF as one of its official research partners.

¹ State Street and the International Forum of Sovereign Wealth Funds, August 2018, Enhanced Asset Utilisation to Improve Portfolio Returns

About State Street Corporation

State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors, including investment servicing, investment management and investment research and trading. With \$33.99 trillion in assets under custody and administration and \$2.81 trillion* in assets under management as of September 30, 2018, State Street operates in more than 100 geographic markets worldwide, including the US, Canada, Europe, the Middle East and Asia. For more information, visit State Street's website at www.statestreet.com.

**This figure is presented as of September 30, 2018, and includes approximately \$28 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.*

About the International Forum of Sovereign Wealth Funds

The International Forum of Sovereign Wealth Funds (IFSWF) is a global network of sovereign wealth funds (SWFs) established in 2009 to enhance collaboration and dialogue between members, to promote a deeper understanding of SWF activity and to raise the standard for SWF best practice and governance. The Santiago Principles[®] are central to the IFSWF. They consist of 24 generally accepted principles and practices voluntarily adopted by IFSWF members. The Principles endorse transparency, good governance, accountability and prudent investment practices.

The Santiago Principles[®] is a registered trademark of IFSWF Ltd.

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