



International Forum of Sovereign Wealth Funds

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## **Sovereign Wealth Funds and Institutional Investors Maintain Exposure to Risk Assets in the Face of Covid-19**

**London, 14 May 2020** — Today, the International Forum of Sovereign Wealth Funds (IFSWF), a global network of sovereign wealth funds from nearly 40 countries, and State Street Corporation, one of the world's leading global providers of financial services, have released new research<sup>1</sup> revealing how sovereign wealth funds, and institutional investors more generally, have reacted to the financial market volatility caused by the Covid-19 pandemic.

Drawing on State Street's extensive dataset of anonymised and aggregated institutional investor capital flows<sup>2</sup> and interviews with IFSWF members, the research reveals that many sovereign wealth funds and institutional investors were already either overweight cash or underweight equities before March 2020 when the economic impact of the pandemic became more apparent. Consequently, sovereign wealth fund portfolios have proved more resilient to the market rout in March and April 2020 than widely supposed.

In fact, the IFSWF and State Street research suggests that institutional investors, including sovereign wealth funds, did not display widespread risk aversion in a falling market. Instead, the research suggests, they selectively took on risk – for example, selling fixed-income securities to buy equities – to rebalance their portfolio and retain their asset-class allocations.

**Duncan Bonfield, Chief Executive of IFSWF** said, “Our research suggests that sovereign wealth funds have not undertaken large-scale liquidations to provide liquidity for governments as widely speculated. In fact, only two of the ten IFSWF members surveyed for this research said that they had experienced a call on their assets since the beginning of March. Instead, they've been able to use their cash position to satisfy private-equity managers' capital calls and invest in the long-term interests of their owners at a time of great uncertainty.”

**Neill Clark, Head of State Street Associates EMEA at State Street** said, “The indications derived from our anonymised and aggregated dataset represent the capital flows and behaviour across a broad set of global institutional investors and suggests that these long-term investors maintained institutional discipline during the market volatility observed in March and April 2020. We did not observe such widespread risk aversion during this period relative to previous crises and signs suggest there has been a stabilisation in aggregate capital flows observed across asset classes during April.”

The full research report, *Pandemic, No Panic: Evidence from Institutional Investor Flows*, is available on the IFSWF website.

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<sup>1</sup> IFSWF & State Street (2020), *Pandemic, No Panic: Evidence from Institutional Investor Flows*, published 14 May 2020.

<sup>2</sup> State Street's indicators capture the anonymised and aggregated capital flows and positions of global institutional investors representing approximately 15% of the world's tradable assets.

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### **About the International Forum of Sovereign Wealth Funds**

The International Forum of Sovereign Wealth Funds (IFSWF) is a voluntary organisation of global sovereign wealth funds committed to promoting good governance and investment management practices through dialogue, research and self-assessment. The IFSWF also seeks to promote a deeper understanding of sovereign wealth fund activity amongst government and financial services institutions.

Find out more at [www.ifswf.org](http://www.ifswf.org)

### **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 \$31.86 trillion in assets under custody and/or administration and \$2.69 trillion\* in assets under management as of March 31, 2020, State Street operates globally in more than 100 geographic markets and employs approximately 39,000 worldwide. For more information, visit State Street's website at [www.statestreet.com](http://www.statestreet.com).

\* Assets under management as of March 31, 2020, includes approximately \$50 billion of assets with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

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