



International Forum of Sovereign Wealth Funds

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## **State Street and the International Forum of Sovereign Wealth Funds Announce Research on Institutional Investor and Sovereign Wealth Fund Activity During the COVID-19 Pandemic**

*Research Reveals Sovereign Wealth Funds and Institutional Investors are moving into Equities as Systemic Risk Recedes*



**LONDON, 1 April 2021** — State Street Corporation (NYSE: STT) and the International Forum of Sovereign Wealth Funds (IFSWF), a global network of sovereign wealth funds from nearly 40 countries, today released new research<sup>1</sup> on how sovereign wealth funds and institutional investors performed in their allocation throughout the COVID-19 pandemic

Drawing on State Street's extensive dataset of unique indicators,<sup>2</sup> and interviews with seven of IFSWF's largest members, the research reveals that many sovereign wealth funds and institutional investors have gradually deployed some of their accumulated cash and reduced fixed income positions to add exposure to risk assets, while financial markets rebounded

during the pandemic. Institutional risk sentiment across asset classes has also broadly improved during the period up to March 2021, particularly for foreign exchange, commodity-sensitive assets and equity reallocation decisions.

Previous IFSWF and State Street research published in May 2020<sup>3</sup> suggested that institutional investor positioning was cautious at the start of 2020, with cash levels at their highest since the 2008-09 financial crisis. The latest dataset reveals investors have a more positive outlook for 2021, as they have started to redeploy capital and have reached a risk-neutral level across asset classes. Sovereign wealth funds largely achieved this position by increasing allocation to equities, taking advantage of cheaper prices amid 2020's poor market performance.

“Long-term investors have made risk-positive reallocation decisions across asset classes, reducing cash holdings and increasing equity exposure, while also continuing to diversify their portfolios by increasing allocations to private assets,” said Neill Clark, head of State Street Associates, Europe, Middle East and Africa (EMEA) at State Street. “Within equities, there was a marked uptick in institutional investor appetite for US-listed stocks, however, emerging-market equity allocations were significantly scaled back. The current macroeconomic environment, anticipated fiscal stimulus and portfolio positioning of institutional investors and sovereign wealth funds present reasons to be optimistic as we move further into 2021.”

The research also found no evidence of asset bubble behaviour. State Street and MKT MediaStats'<sup>4</sup> proprietary daily analysis of media intensity, interestingly revealed that while discussions of asset bubbles remain topical and indicate heightened concern in the media, there is no evidence equity markets are currently in bubble territory. In fact, there is further room for institutional investors to add to positions in risk assets.

“During the pandemic, sovereign wealth funds have leveraged their long-term investment horizons to take advantage of market dislocations,” said Duncan Bonfield, Chief Executive of IFSWF. “This research also reveals that sovereign wealth funds continue to seek investment opportunities in sectors, such as technology and healthcare, that have performed strongly during the pandemic, particularly in private markets, where return profiles align with their multi-year investment approaches. This behaviour underlines their institutional discipline and focus on long-term returns.”

The full research report, *Institutional investor and sovereign wealth fund activity during the pandemic: Reasons for optimism?* is available [here](#).

## **About State Street**

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 \$38.8 trillion in assets under custody and/or administration and \$3.5 trillion\* in assets under management as of December 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 December 31, 2020, includes approximately \$75 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.*

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

The International Forum of Sovereign Wealth Funds (IFSFWF) 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)

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1 IFSWF & State Street (2021) “Institutional Investor and sovereign wealth fund activity during the pandemic: Reasons for optimism?”, published April 2021

2 State Street’s dataset of unique indicators capture aggregated and anonymised capital flows, portfolio positions and behaviour of long-term institutional investors representing more than \$38 trillion in assets under custody and administration at State Street.

3 IFSWF & State Street (2020) “Pandemic, no panic: Evidence from Institutional Investor flows”, published 14 May 2020

4 State Street MediaStats scours more than 100,000 media sources as well as other “Big Data” sources to estimate future price changes and risks pertaining to individual equities, country equity indexes, and foreign exchange rates. Media derived insights are aggregated to understand the broader industry and macroeconomic trends that help you leverage accurate, valuable and predictive insights for your investments.

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