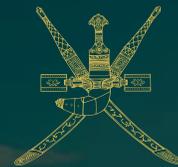


Building a sustainable future for Oman



**State General Reserve Fund
Ministry of Finance**

ANNUAL REPORT 2018





“The strengthening of the Sultanate’s economic relations with the GCC, 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



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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 1980/1. 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 Investments.
- 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 joint ventures with friendly countries. Oman has other funds mandated for investing 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



Chairman's Message

2018 has been an eventful year dominated by economic tensions and uncertainties at the regional and global levels, which have had particularly adverse effects on the financial markets' performance and investments, as well as on the investor confidence in general, which in turn led to the decline of most of the markets and the key global economic indicators, including oil. Despite its diversified investments, the State General Reserve Fund is not totally immune to such fluctuations and influences. Yet, the Fund was able, thanks to its proactive investment policy and to the great efforts made by those in charge of it, to mitigate the effects of such fluctuations on some of its investments to keep them to a minimum, thus maintaining the average annual return of about 7% since inception.

In spite of all these difficult economic and geopolitical conditions, the Fund has been able to generate good returns on its investments in the private market portfolio, which includes private equity and real estate. It has also managed to recover capitals and exit from 6 different investments, yielding good returns of about 2.6x times the investment value. The Fund also continued its endeavors to seek new partnerships and investments, adding 16 new investments in 2018, which reveals SGRF's strong financial position.

As part of the efforts to privatize some government services and to boost the national economy, the government is in the

process of transferring the ownership of Muscat Securities Market to SGRF in order to convert it into a public listed company for future public offering. The Fund was selected to manage MSM during the transitional period due to its vast experience and strong presence in the global markets which will, undoubtedly, contribute to the development of MSM performance to reach global levels. The government, represented by the Ministry of Finance, has also proceeded with the process of converting and transferring its shares in the local companies to sovereign wealth funds and state-owned sectoral holding companies. Recently, the government's share in Oman Chromite Company has been transferred to SGRF.

In terms of governance, the Board of Directors has adopted a number of regulations and regulatory policies for some of SGRF's internal practices with a view to improving the work quality and operational efficiency. These regulations included the policies relating to the corporate communications and disclosure, issued for the first time, along with some amendments to the Procurement Management Regulation, in addition to the safety and security and the regulations relating to finance and investment operations

In conclusion, we recognize the prevailing challenges in the global economy and their impact on investments around the world. Nevertheless, the Fund's ability to cope with and surmount the global economy challenges and produce positive results over the past decades, makes us confident in a better future.

I would also like to thank my colleagues in the Board of Directors for the cooperation and support provided by each and every member of the Board as well as to the members of the Executive Management involved in creating the investment opportunities that will provide sustainable returns for the future generations in Oman. We pray to Allah the Almighty to protect our beloved Oman and to bestow success on our endeavors to provide the best for our future generations of citizens and residents who live on this blessed land.

Finally, I pray to Allah the Almighty to bless this nation and its loyal sons with further progress and prosperity and to help us to continue the process of success for the benefit of our dear country, and 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.

Darwish bin Ismail bin Ali Al Balushi

Minister Responsible for Financial Affairs
Chairman



Board of Directors:



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



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



H.E. Dr. Ali bin Masood Al Sunaidi
Minister of Commerce and Industry
Member



H.E. Sultan bin Salim Al Habsi
Deputy Chairman of the Board of
Governors of Central Bank Of Oman
Member



H.E. Nasser bin Khamis Al Jashmi
Undersecretary of the Ministry of Finance
Member



H.E. Abdulsalam bin Mohammed Al Murshidi
Executive President, SGRF
Member

Executive President's Message



In the past year, The State General Reserve Fund has encountered numerous economic events and challenges at all levels, due to a series of political and economic fluctuations in the global market. Yet, the Fund has demonstrated its resilience and ability to take advantage of the positive conditions and to overcome negative fluctuations or to deal with them in a way that would ensure maximum benefit to its business.

One of the main highlights of the past year, in terms of investments, was the addition of 13 new investments in various sectors and in different countries, including the opportunity to invest in Patria Infrastructure Fund, targeting companies operating in the infrastructure sectors in Brazil, and also the investment in EQT Infrastructure Fund, which invests in infrastructure projects in the United States, in addition to the CITIC PE Fund, which targets acquisition opportunities in China.

With regard to strategic partnerships with friendly countries, one of the most prominent developments in this regard was the approval by the Uzbek Oman Investment Fund (UOI) of the commitment to 25% stake in the Compass and Rivira shopping centers in Uzbekistan. Oman Brunei Investment Company (OBIC) and Oman National Investment Development Company (Tanmia) have opened Kempenski Hotel, which is considered an important addition to the infrastructure map of Oman's tourism sector. As for Oman India Joint Investment Fund (OIJIF), the Fund has successfully raised 75% of the target capital of (OIJIF II) and has committed to several new investments, including Divgi Torq Transfer Systems, a leading company in the automotive industry in India, as well as Annapurna Finance, the leading company for more than 20 years in the rural microfinance sector, providing financial and technical support for entrepreneurship.

At the local level, the Fund has carried out, through its investment vehicles, several activities during the past year, including the launch of Nakheel Oman Development Company by Tanmia, in partnership with the Diwan of Royal Court, with the aim to expand the production and processing of dates and their derivatives, in implementation of the Royal vision with regards to sustainable agriculture and food security, represented by the One Million Date Palm Trees Project, and to contribute actively to Oman's GDP. Ibtikar Development Oman

has also committed to invest in Polares Medical, a Swiss company specializes in the manufacture of state-of-the-art medical devices used in the treatment of cardiovascular diseases. The Fund has completed all the necessary procedures to transfer Oman Chromite Company to the Fund's assets portfolio, as the Company was recently transferred to be under the management of Minerals Development Oman.

One of the prominent highlights of the real estate investments during the year was the launch of the second phase of Finsbury Tower Development Project in London, UK, featuring 13 floors, retail space and 25 residential units in an independent building. The Investment Committee has granted final approval to invest in China Real Estate Platform, which targets the diversified real estate sector in Chon King, China, as well as the final approval of commitment to the Brookfield Strategic Real Estate Partners III fund, specialized in property acquisition in America, Europe and Asia, with an expected IRR of around 20%.

As for the Fund's efforts to exit from some investments, SGRF succeeded in exiting from some of its investments and recovering capital with good returns, most notably the full exit from the Wallgreens Alliance Boots (WBA) in USA and the sale of the remaining shares. With this full exit from WBA investment, the Fund achieved a profit of 2.5 times the original cost of investment. The net IRR of the Fund is estimated at 12.6%. Furthermore, the Fund exited from First Data investment in the USA, in collaboration with KKR Asset Management as a key investment partner. The Fund has been able to sell 17% of its shares in this investment and exit with lucrative returns. Similarly, all regulatory approvals were obtained to complete the sale of shares for total exit from China Network Systems investment in Taiwan. Thus, the Fund has achieved an 11% return on investment from this exit, which is equivalent to 2.25 times the original amount of the investment.

In addition to the Funds business and investment activities aimed at maximizing the benefits of its investments around the world, the Fund has strived in the last year to strengthen its relations and economic partnerships with friendly countries. To this end, the Fund participated in the visiting delegation to the People's Republic of China under the chairmanship of HE the Minister Responsible for Foreign Affairs to sign a Memorandum of Understanding between the Government of Oman and the Government of the People's Republic of China on cooperation within the Belt and Road Initiative.

The Fund's also took part in the meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB), which was held in Mumbai, India, from June 24 to 26, with the participation of the 87 member countries of AIIB. Furthermore, the Fund has organized a workshop on Communications and reporting of SWFs in cooperation with the International Forum of Sovereign Wealth Funds, which was held at the Fund's headquarters in the presence of more than 25 participants from SWFs and international investment institutions, with a view to sharing the best practices in disclosure and public relations in sovereign wealth funds and investment institutions.

In the context of joint work between the GCC countries, the Fund has organized the Omani-Saudi Business Forum in cooperation with the Public Investment Authority and the council of Saudi Chambers in order to explore the prospects of investment in the Sultanate and to increase trade cooperation between the two brotherly countries. The forum reviewed the investment opportunities available in Oman in the sectors of transport, ports, tourism, fish farming, mining, oil and gas, along with holding bilateral meetings and discussions between businessmen and heads of companies, as well as conducting visits to some vital economic projects in the Sultanate.

With regard to the complementary activities and supporting services for investment operations, the Fund has continued to develop its internal procedures through several projects. The Finance and Investment Operations Department was awarded the ISO 9001: 2015 certificate by the International Organization for Standardization (ISO). The Global Investment Performance Standards (GIPS) accredited by the the Chartered Financial Analyst (CFA) Institute have also been applied.

In the field of human resources, 19 qualified employees were recruited in 2018 in various functions and sections, bringing the number of SGRF's staff to 217 employees, with an Omanization rate of about 81%, in addition to providing a number of summer training and on-the-job training opportunities within "Numou" Program» for university graduates, in order to support the community and provide graduates with professional experience that would enable them to develop their skills.

In the information technology sector, the Fund has endeavored to increase the efficiency of its electronic systems by conducting simulation exercise of unforeseen incidents, wherein the network and data center were disabled at the Fund's head office, and the Disaster Recovery Center was used to activate the different IT services. The Centre proved its efficiency in such events, and the Fund's technical team, in collaboration with the Ministry of Civil Service, has also taken steps for the Fund to join the Multi-Protocol Labeling System, which is a network for data sharing and exchange between government institutions in a safe environment and with good quality. This system will help the HR team of the Fund to communicate with the Ministry of Civil Service's electronic platform for business follow-up purposes.

Finally, I would like to take this opportunity to express my deep

appreciation and gratitude to His Majesty Sultan Qaboos bin Said for his foresighted vision and wise leadership in the support and stability of our national economy, praying to Allah the Almighty to grant His Majesty good health and long life. I would also like to thank the Board of Directors for their continued trust and support and to the Executive Management of the Fund and to all the staff for their hard work, dedication, and contribution in the achievement of our goals throughout the year, and look forward to having the continued support from all of them in order to serve this nation and its people.

Abdulsalam bin Mohammed Al Murshidi

Executive President



Kempinski Hotel Muscat

Key Achievements in 2018

The General Performance:

- The average annual returns of SGRF stands at **7%** since inception
- The Public Market portfolio performance was optimum and exceeded the global benchmarks despite the global market impacts
- SGRF entered into **16** new investments and exited from **6** investments







Agreements:

- A memorandum of understanding was signed between Oman and China on cooperation within the Road & Built Initiative.



Investments and Local Initiatives:

- Establishing Energy Development Oman to become a pioneer developer of renewable energy and a major player in the development of solar energy in Oman.
- Establishing Oman Information Technology and Communications Group (OITCG) to help Oman embark on the 4th Industrial Revolution.
- Establishing the Space Communication Technologies Company as a national initiative to serve the Sultanate's communications.
- The opening of Kempinski Hotel Muscat, owned by Oman Brunei Investment Company 25%, and TANMIA 20%



Finance:

- Awarded ISO 9001: 2015 certification from the International Organization for Standardization (ISO) after due evaluation of the effectiveness of the business process, and conformity with the quality system, as well as the potential for improvement in the different processes.
- In 2018, the (Auto-matching Trades) system introduced for reconciliation between SGRF's accounts in order to reduce human intervention and maintain information quality.



Human Resources:

- Total SGRF staff by the end of 2018 was 217 employees, recording an Omanization rate of 81%.
- Injaz System was launched to manage the job performance as well as the Competency System (Kafa'a) to define and measure the competencies required for all jobs.
- A survey was conducted to measure the level of employees' Engagement and interaction with their jobs and with the Fund, with a participation rate of 97%.



Corporate Communications:

- Organizing the «Communications & Reporting Workshop in association with the International Forum of Sovereign Wealth Funds (IFSWF).
- Issued 11 press releases to the public through visual and print media.
- Analysis and preparation of Stakeholders mapping database.



IT:

- The «Digital Boardroom» application was launched to facilitate the work of the Fund's committees in order to provide reports and files to all members of the committees concerned and to facilitate their review.
- Launched the Cyber Security Records Management System to monitor all incidents in the digital work systems of the Fund in an immediate and effective manner.



Risks and Compliance:

- Fulfilment of Business Continuity Management requirements in the case of emergency situations that may interrupt SGRF's normal business.
- Launching an e-learning platform to raise awareness of the Fund's staff on «Anti-Money Laundering»



Our Global Footprint





- Argentina
- Australia
- Belgium
- Brazil
- Bulgaria
- China
- Congo
- Egypt
- France
- Germany
- Holland
- Hungary
- India
- Ireland
- Italy
- Japan
- Jordan
- Libya
- Luxembourg
- Mozambique
- Oman
- Pakistan
- Qatar
- Russia
- Spain
- Switzerland
- Taiwan
- Tanzania
- Tunisia
- Turkey
- Ukraine
- United kingdom
- United states of America
- Uzbekistan
- Vietnam

Investment Strategy

SGRF 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 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.







Business Strategy Department

The Business Strategy Department aims at developing the overall framework for the distribution of the Fund's assets in such a way that creates balance between the returns and the acceptable risks. The department develops a number of initiatives, especially in the public markets, taking into account the development of the investment products offered and analyzing their consistency with the investment strategy.

The Department also provides the Fund's decision-making process with economic and specialized analyzes that anticipate the trends of the financial markets and the financial and monetary policies of the internationally influential economies, and then link these analyses with the investment strategy

The department carries out the screening process to select the institutions that will manage the SGRF's funds. It also ensures that such institutions are capable of achieving the target returns through examining their past performance record and the stability of the administrative team, in addition to analyzing the risk management system and compliance with the accounting and control systems therein.

The Department also develops the strategic plans and framework of SGRF's business performance. The Department's main role include business planning, performance monitoring and reporting, as it works closely with the other departments to translate and update the Fund's strategy into a comprehensive business plan. The Department is also responsible for monitoring the business performance and achievements made through a strategic planning and management system called "Balanced Scorecard". Additionally, the Department prepare the reports

that include updates on SGRF's operations and submit the same to the Board of Directors and senior management, in addition to handling the external requests from stakeholders to coordinate and prepare the required reports.

Business Strategy Department Achievements in 2018:

- **Economic Reports:** The Department has issued numerous analytical reports and studies of many countries and international markets so as to support the investment departments in considering the investment opportunities and making the appropriate investment decisions. These reports included new countries such as Argentina, Sri Lanka, Serbia, Bosnia, Chile, South Africa and other emerging market economies. It also issued special reports on trade relations between Oman and China and Latin America, along with the trade tensions between some countries, as well as the developments of the UK's withdrawal from the EU (Brexit).
- **Political Situations:** The Department has closely monitored and covered key political situations, including midterm elections in USA, and the elections in Russia, Turkey, Italy, Brazil and other countries.
- **Organizational Score Card:** Approval of the trial implementation of the KPIs for 2018.
- Issuing the first version of the comprehensive work plan for SGRF's activities in all fields.





Investment Strategy and its relation with key global mega trends

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:

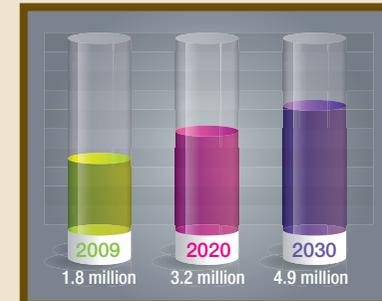
1. Increase of Middle Class around the Globe: Studies indicate that developing countries around the globe will witness a substantial growth in middle class. The countries include those from Asia - in particular, China, India, Africa and the Middle East.



By 2030, 75% of China's population will be of middle class, a rise from 25% currently

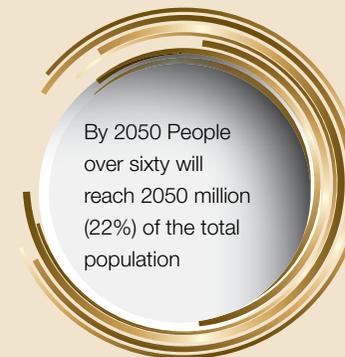
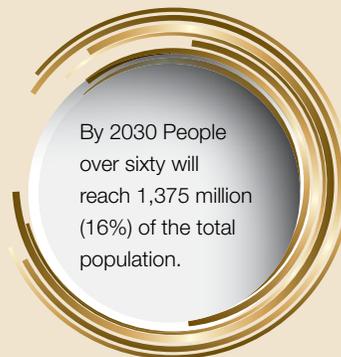
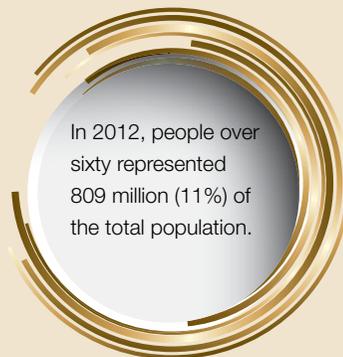


80% of this middle class population will be in emerging markets



By 2030, 60% of the world population will be of middle class

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.

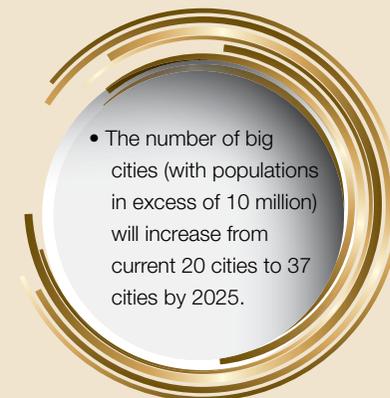
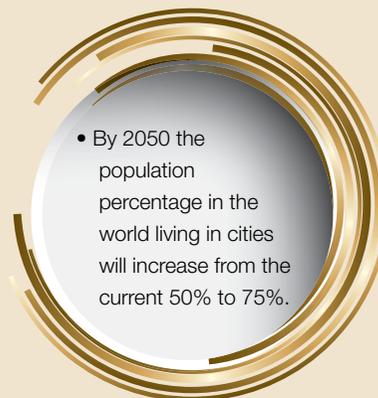


3. Technological Development: It is expected that technological development will have a huge impact on a lot of sectors, such as healthcare, agriculture, industry, biological chemistry, telecommunication, nanotechnology, and energy, which will significantly increase productivity, efficiency, and services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



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.



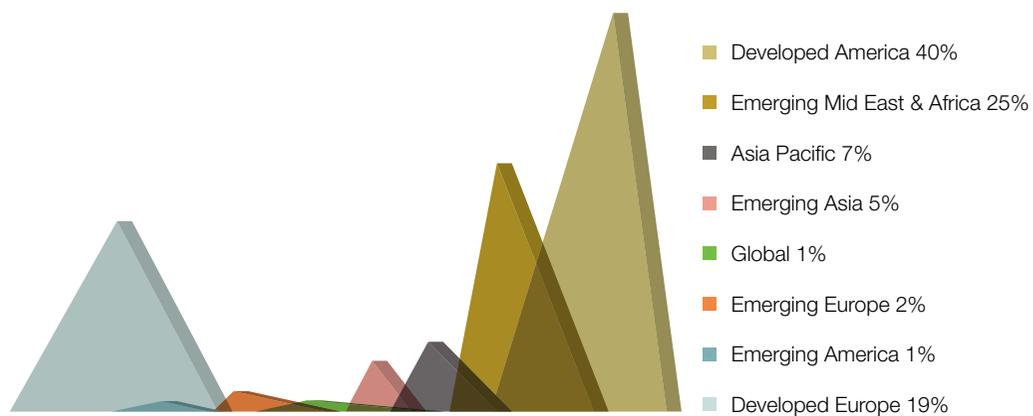
Asset Allocation

SGRF allocates 35%- 65% of its assets in the public markets and the private markets as follows:

Assets	Minimum Rate (%)	Target Distribution (%)	Maximum Rate (%)
Stock	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 asset category does not necessarily add up to the minimum or maximum rates of each category.

Geographical Distribution of Assets (except short-term assets)



Public Markets Portfolio:

Investments in this portfolio include liquid financial securities that can easily be converted into cash any time at a record time. This includes three major assets: global equities, bonds, and short-term assets.

The Global Equities portfolio invests in various world regions namely North America, Europe, Asia Pacific and Emerging Markets. These regions comprised of 46 countries across 11 sectors, which allows diversification of the Fund investments and spread of portfolio risks. This also helps grow investment returns through the studied allocation of investments in certain regions.

The Global Bond portfolio also invests in high quality sovereign products in around 35 bond markets around the world, including government bonds in the emerging and developed markets. The main objective is to

provide high-return investments with low risk rates, to decrease overall risk in the portfolio investments.

As for Short-term assets, they are among the safest investments, which retain liquidity value; these include US Treasury Bills, Sukuks, corporate deposits, and deposits in local banks.

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

To guarantee selecting the best experienced portfolio management entities, SGRF puts strict criteria for choosing its External Investment Managers. 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 non-tradable assets that include private non-listed companies and real estates.

Private Equity

The private equity portfolio is diversified across several sectors and in about 35 countries around the world. The investment in this category of assets is subject to a set of criteria with a focus on long term investment, while taking into account the ability to exit and geographical distribution. 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 the markets it invests in.

As per the Fund's strategy in this field, there are 5 targeted sectors; healthcare, mining, transport & logistics, food industries, and diversified investments that include education and energy.

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 with friendly countries.

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.



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, with no requirement of long term management by the Fund.

For Real Estate 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 local investment objectives (Local Initiatives):

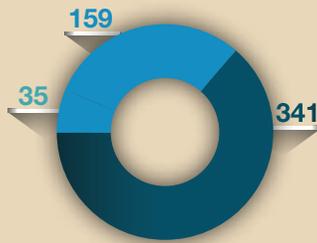
We at SGRF, invest for a better future and sustainable development for generations to come. Hence, we are working to diversify our investments to serve this goal as well as other goals of the Fund. In addition to our investments in different continents of the world, we are targeting a number of areas 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.

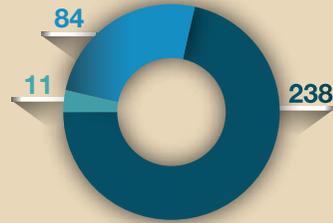
In addition, the logistics sector and related projects is considered as one of the key infrastructural sectors upon which a large number of pharmaceutical, mining industries and other projects are based. The technology sector forms one of the promising areas to create sustainable economic opportunities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

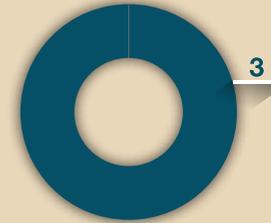
2018 Deals Statistics



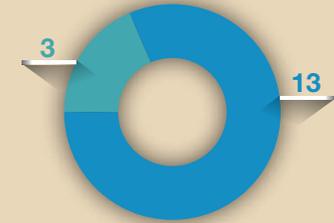
Received



Reviewed



Prc IC



Investment

Direct

PE Funds

Real Estate

Note: Investment opportunities in investment funds are submitted directly to the Investment Committee after being evaluated for approval







The Portfolios Performance



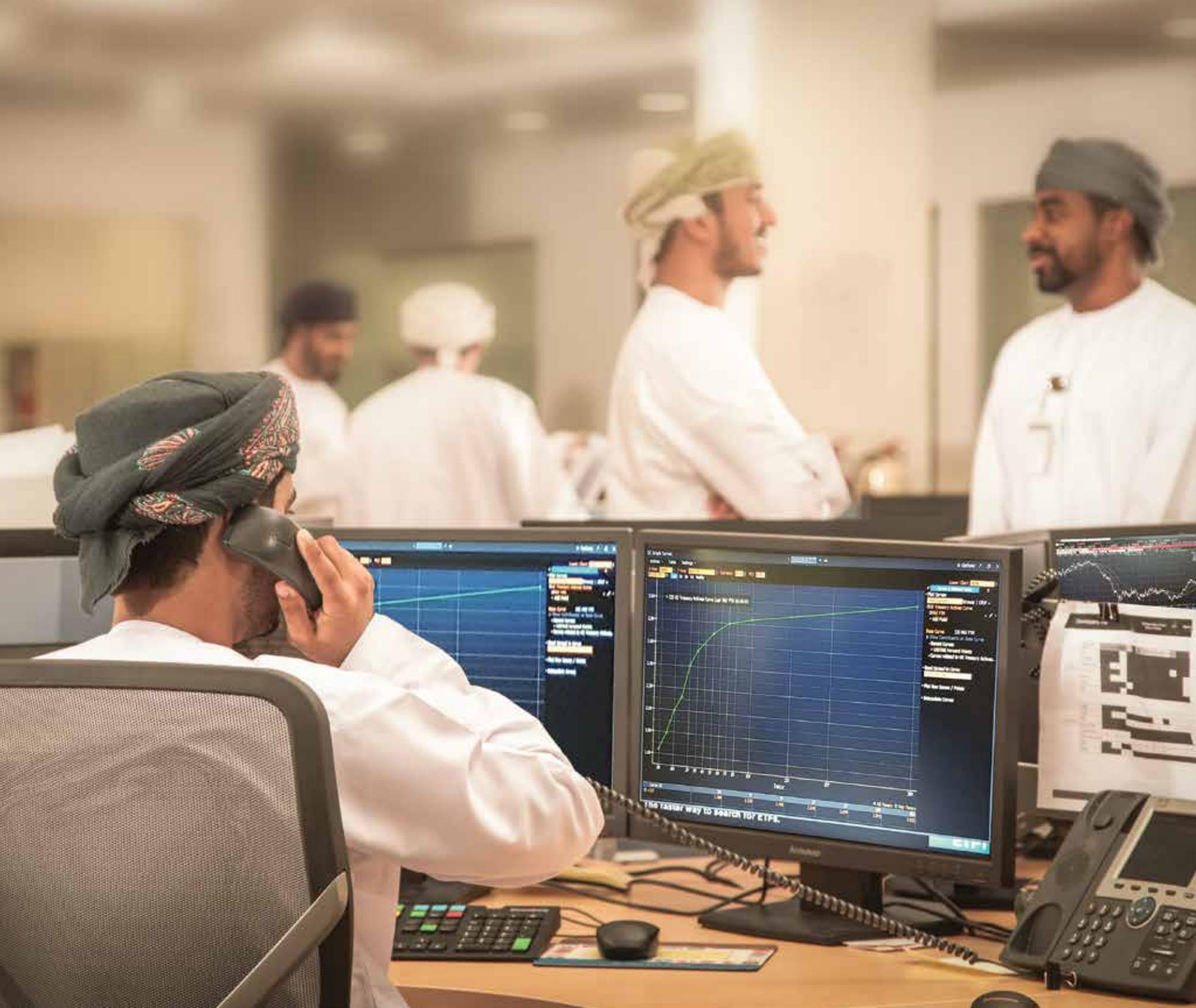
Public Markets Portfolio

The global equity and bond markets have witnessed a year of price volatility due to higher US interest rates amid growth and geopolitical concerns. Despite the healthy growth in USA, the investor confidence has been shaken by the rising US-China trade tensions, in addition to the contraction in cash facilities. Nevertheless, the US equities remained resilient in the face of market volatility with strong earnings growth for most periods of 2018, with the exception of wide sell-offs in the fourth quarter, closing the year 2018 in negative territory like other global markets.

With regard to global equities, the Fund's strategy in 2018 was supported by a greater exposure rate in USA at the expense of the developing markets and the Pacific region, taking into account the risk of lower market conditions. In terms of portfolio formation, the technology and financial investments have been gradually expanded,

focusing on large and dominant companies with free and large cash flows, such as Google, Apple, Visa and Microsoft. In the financial field, the investments in the Bank of America and US Bancorp would benefit from returning of prices to normal levels.

At the same time, the new fixed income strategy focuses on US corporate bonds and the investments in developing countries, by reallocating the same away from global treasury bonds. On the other hand, the short-term assets have contributed, considering the Fed interest rate hike, to a better performance against the benchmarks, with the Fund's investments in this category closing at a higher-than-expected gains of 2.3%. Likewise, the investments in domestic bond markets and hard currency in emerging markets - with purchasing power and a relatively high interest rate – have added positive performance to the year.





Private Equity Portfolio

Direct Investments

The direct investments portfolio performed well in 2018 despite the negative effects of the geopolitical conditions around the world, adding 13 new investments in private equity investment funds.

The following is a summary of the performance of some direct investments:

- The Fund received cash dividends from the investment in Kumport Terminal in Turkey due to good performance during 2017. Kumport Terminal in Turkey continued to perform well, handling 969K containers in 2018 as compared with 965K containers in the corresponding period of 2017, with higher revenues by 16% and net profit by 38%.
- The port of Bharat in India opened the first phase of the container terminal, and commenced operations at the beginning of 2018. The port is considered one of the most important projects in the field of logistics and port management, which in turn will lead to the establishment of the largest container terminal in India upon completion of the second phase of the project to achieve an operational capacity of 4.8 million containers.
- Berkeley Energia, a Spanish company specialized in uranium mining and listed on the Australian Securities Exchange, has completed its transition from the sub-index to the main index on the London Stock Exchange. The company has also been listed in four Spanish markets in order to attract more investors and raise its rating in the Spanish markets.
- Following the success of Entrevias in the acquisition of road operations and management in Brazil, it commenced operations in the northern cities in May 2018, along with making all the necessary preparations to start roads operation and management in the southern cities
- Full exit from the investment in Wallgreens Alliance Boots in USA, with earnings amounted to 2.5 the original cost and an IRR of 12.6%.
- The Fund Fund has also received good dividends from the Kuwait-based Gulf Investment Corporation.
- Sale of 17% of the Fund's shares in First Data Company in USA after achieving good profits.
- The Fund completed the exit process from China Network Systems Company with ROI of 11% and approximately 2.25 the cost of

2018 Key Achievements

- Conducted 13 new investment transactions through private equity funds
- Investment Funds achieved an IRR of 11%

Investment Funds

In order to maintain the healthy and balanced status of the portfolio, the Fund continued to invest in private equity funds, targeting the most prominent managers of private funds in different regions. During 2018, SGRF has entered into 13 commitments with investment funds in different regions, with diversified objectives and strategies for the purpose of diversification and risk distribution. These investments include:

investment

- Patria Infrastructure Fund, which targets the companies operating in the infrastructure sectors in Brazil.
- Commitment to invest in a range of investment funds operating in China, such as CITIC PE Fund, which targets diversified acquisition opportunities, Advantech Capital II Fund in the fields of healthcare and information technology, Red View Capital II Fund in the field of manufacturing and alternative energy, and Trustbridge Partners V Fund in the field of modern technology, healthcare and education
- Commitment to invest in Lightbox Venture Partners Fund, which invests in emerging companies in the field of modern technology in India.
- Commitment to invest in a variety of investment funds in the United States that are engaged in the acquisition of diverse investment opportunities, such as K1 Investments Management Fund, Thoma Bravo Fund and Vista Equity Partners Fund. SGRF has also committed to invest in acquisition investment funds in Europe, such as CapVest Fund IV and Triton Fund V,

- Commitment to invest in Lilly Asia Fund, which invests in the healthcare start-ups.
- Commitment to invest in EQT Infrastructure Fund, which invests in the infrastructure field in the United States.

SGRF is a partner in about 96 investment funds covering most of the investment sectors and is geographically distributed all over the world.

Real Estate Portfolio

SGRF's real estate department aims at investing in diverse strategies, sectors and geographical regions, with a view to obtaining good returns with low risk over the long term. It follows a clear strategy in targeting investment areas with partners, focusing on portfolio balance by increasing investment opportunities in Asia and North America by creating partnerships with friendly countries and investing in joint ventures with partners who have extensive experience in the region.

In 2018, as per the planned strategy, SGRF continued to seek investment opportunities in promising new sectors, such as student housing. Accordingly, the Real Estate Team has presented a group of direct investment opportunities to SGRF's Investment Committee, and three investment opportunities were approved in 2018. The following is a summary of the real estate portfolio activities in 2018:

- Commitment to invest in Scape Student Housing in Australia and New Zealand.
- Commitment to the China Real Estate Platform, which targets the diversified real estate sector in Chon King, China.
- Investing in the global real estate investment fund (Brookfield Strategic Real Estate Partners III) with a real estate acquisition strategy in America, Europe and Asia. The IRR is expected to be around 20%.
- After completion of the repair works at the Zamalek building in Egypt, the sale of the units started in cooperation with Cluttons company, which is specialized in real estate management, to be the authorized sales agent for this property.
- SGRF reduced its investment stake in Finsbury Tower in the UK by 95% by selling 15% to the developer partner CIT. The property was further developed with the addition of 13 floors, retail space and 25 residential units in a separate building.
- SGRF sold its stake in Alma Square property in Belgium, at a good profit.
- Commitment to three new logistics and warehouses projects in China through the China Logistics JV.
- Approval of improvements to the lobby of the Four Seasons Hotel in Hungary and the development of its adjacent meeting rooms
- Approval of improvements to the rooms and corridors of the Marriot Ambassador Hotel in France

2018 Key Achievements:

- Approval of commitment in 3 investment opportunities





Local Initiatives



Oman National Investment
Development Co



أساس ASAAS

Muscat National Development
and Investment



Glass Point



تقنيات الاتصالات الفضائية
Space Communication Technologies

Space Communication
Technologies



Gulf Japan Food Fund



تنمية معادن عمان
MINERALS DEVELOPMENT OMAN



Ibtikar Development Oman

Energy Development Oman



Small & Medium Enterprises
Fund



Oman infrastructure fund
(Rakiza)



Marafi Co.

Major Projects of 2018:

- Oman National Investment Development Company (Tanmia): In order to achieve the Royal vision of sustainable agricultural development and food security, represented by the project of planting one million palm trees, Nakheel Oman Development Company was launched to expand the production and processing of dates and their derivatives, in partnership with the Diwan of Royal Court, with a commitment of OMR 18.5 million out of the total amount of the Company's investments estimated at about OMR 92 million.
- Ibtikar Development Company (Ibtikar): The company has decided to invest in Polares Medical, a Swiss company specialized in the manufacture of hi-tech medical devices used in the treatment of cardiovascular diseases.
- Oman Chromite Company: The Fund has completed all the necessary procedures to transfer the Government's stake in Oman Chromite Company to the SGRF's assets portfolio. The company was also placed under the management of Minerals Development Oman. Oman Chromite is engaged in the mining, exploration, manufacture and marketing of raw chromite.

New Initiatives:

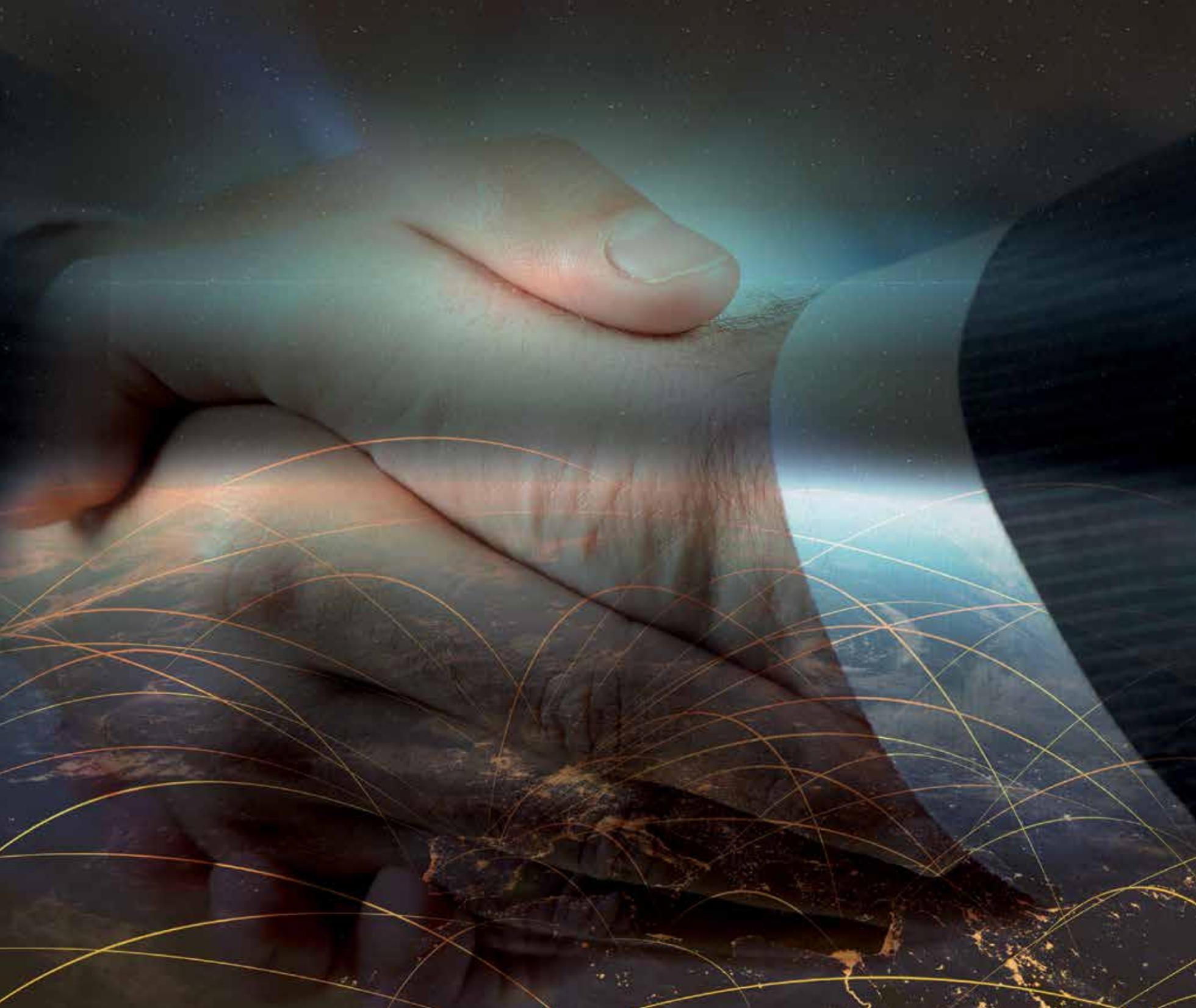
- Establishment of Oman Information Technology and Communications Group (OITCG): SGRF and the Information Technology Authority

(ITA) has established OITCG to help Oman to benefit from the fourth industrial revolution (4IR) and to integrate its ICT assets under one entity to achieve the objectives of the economic sustainable development of the sector. The consolidation of these institutions under one umbrella aims at rationalizing and unifying the efforts in terms of infrastructure spending, and to increase their efficiency and effectiveness.

- Establishment of Space Communication Technologies Company: In 2018, in cooperation with the Ministry of Transport and Communication, SGRF has established a satellite company under the name "Space Communication Technologies". The project comes as a national initiative to serve the Sultanate's communications needs.
- Establishment of Oman Power Development Company: Established to serve as a leading developer of renewable energy by executing projects using the best technologies while being ready to respond to any emerging opportunities. One of the company's strategic objectives is to become a leading developer from the early stage of projects development, as well as a key player in the development of solar PV energy in Oman. The Company has signed a memorandum of understanding with Shell and EnerTech of Kuwait Investment Authority to develop investment opportunities in the field of renewable energy in Oman. The Company is also developing the solar thermal energy plant at Mukhaizna field based on Glass Point technology.

Joint Ventures with Friendly Countries

The joint ventures that have been established with some friendly countries so far were the result of Oman's diplomatic efforts and distinguished relations with the other countries in the world. These JVs are mostly concentrated in the Asian markets, which constitute a strong start to enter into these promising markets.





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 USD 75 million, which was later increased to USD 125 million. VOI invests in lucrative businesses and projects in Vietnam which can contribute to the development and create sustainable economic growth.

In 2018, the Omani-Vietnam Joint Committee held its 3rd session in the Socialist Republic of Vietnam. Dr Ali bin Masoud al Sunaidi, Minister of Commerce and Industry has presided over the Omani delegation. The discussions during the meeting dealt with the means to develop bilateral cooperation between the two countries, and the aspects of investment through VOI in the infrastructure projects such as electricity, ports, roads, water and other promising sectors. The total investments of the joint fund amounted to 15 investments totaling USD 191 million spanning different sectors, including education, health, energy and desalination.

The Swedish coffee company Wayne's Coffee, an investment of VOI, has opened its first coffee shop in Ho Chi Minh City, Vietnam, then two more branches were added in the fourth quarter of 2018, in line with the company's plan to establish more branches.

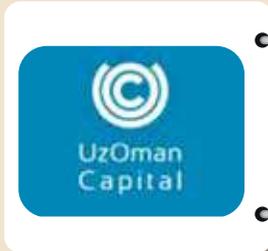
VOI also committed to two investments, the first one in Kim Tin Group, one of the leading companies in welding services and tools manufacturing, as the group has a market share of more than 50% of the local market and covers a distribution network of more than 5,500 welding workshops and welding tools wholesalers. The Group also operates in several other domains, including mining, logistics and chemicals. The second investment was in the Bamboo Capital Group, which is specialized in solar energy generation, in a project considered the first of its kind in the city of Long An, which aims to establish a solar power plant with a capacity of about 141 MW.



This is a 50/50 joint investment fund between the State General Reserve Fund of Oman and the State Bank of India. OIJIF was established in 2011, and invests in different economic sectors in India.

In 2018, OIJIF managed to mobilize 75% of the target capital of the Second Oman India Joint Investment Fund (OIJIF II) and committed to the following investments:

- Investing in Divgi Torq Transfer Systems, one of the leading motor vehicle engine manufacturers in India.
- Investing in Annapurna Finance, the leading company for more than 20 years in the microfinance sector in rural areas and providing financial and technical support for entrepreneurship.
- Investing in Stanley Lifestyles, a leading furniture company in India, i.e. the total number of investments of OIJIF II is three investments totaling USD 63 million.



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 between the State General Reserve Fund of Oman and the Uzbek Reconstruction and Development Fund with the aim of investing in Uzbekistan, with a capital of USD 100 million (75% from Oman and 25% from Uzbekistan).

UOI was established by virtue of a presidential decree, which exempted the Company from taxes for ten years and was permitted also to invest in foreign currencies. The Joint Venture has started considering some potential investments in different sectors, such as textile, food and pharmaceutical products, retail, financial and technological services and real estate.

In 2018, UOI was able to invest in several new projects. Approval was also granted to invest in the Rivira and Compass shopping centers in Uzbekistan, with a total investment cost of USD 84 million.



Oman Brunei Investment Company (OBIC)

Oman Brunei Investment Company (OBIC) was established in October 2009 as a 50/50 joint venture between the State General Reserve Fund of Oman and Brunei Investment Corporation.

OBIC's investment strategy focuses on the utilization of capital in companies with high growth potential through private equity, and investing in new projects or in joint ventures.

OBIC seeks to achieve an IRR not less than 12-15% through a diversified portfolio that includes service, industry, health, education and tourism sectors.

In 2018, the Board of Directors of OBIC approved the distribution of dividends of USD 4.55 million for the first time since inception, along with opening Kempenski Hotel (OBIC's shareholding: 25%) in March 2018.



Spain Oman Private Equity Fund

Spain Oman Private Equity Fund came in the wake of the MoUs signed in different fields during the royal visit of His Majesty King Juan Carlos I of Spain to Oman in 2014.

SGRF and COFIDES are the sole investors of the fund, with a capital of around EUR 200 million. It involves a 50/50 joint investment by Oman and COFIDES, a Spanish combined private-public concern, which provides financial support to Spanish enterprises abroad.

In 2018, SGRF and COFIDES have appointed MCH Private Equity Firm as a manager of the joint Fund after careful scrutiny and examination of several offers received from different institutions for this purpose. The Advisory and Investment Committees of the Spain Oman PE Fund began their activities and started making progress in exploring business opportunities in the market following its first meeting held at SGRF's Head Office.



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 Delegation of Authority 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 was formed by and is affiliated to the Board of Directors and helps it perform its regulatory responsibilities by ensuring compliance with the Fund's underlying guidelines and principles. It strives to enhance the effectiveness of internal and external auditors by interacting with them and keep them away from the direct impact of the

management, along with providing substantive expertise to the Board of Directors on the matters related to governance and internal control frameworks. The AC aims to establish a strong regulatory environment in the Fund by supporting the Board in overseeing the financial reporting process, reviewing the internal control framework and ensuring an appropriate framework for the management of the legal, financial, risk and compliance in the Fund.

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 systems 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 by 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/External Auditing:

To ensure transparency and achieve the best control, SGRF transactions go through three different auditing levels:

- The Internal Audit Committee, which reviews the financial statements and transactions after being audited by the internal audit department. The Committee meets once every three months.
- The External Auditors. SGRF appoints 2 different external auditors in order to ensure the auditors' independence and full control over SGRF's transactions. The external auditors are appointed by the Financial Affairs and Energy Resources Council (FAERC) based on the Board of Directors' recommendations.
- SGRF is also subject to audit by the State Audit Institution, which is considered an independent regulatory body that oversees the performance of government authorities in Oman, and presents its notes on the financial performance, investments and other SGRF transactions.



Internal Audit Department

SGRF's Internal Audit Department is an independent department that provides auditing, consultation and safety controls in relation to adding value to the Fund's operations. The Department assists the Fund in achieving its objectives through an organized and disciplined methodology in order to assess and enhance the Funds's governance, risk management and internal controls. The Department is subject to direct supervision by the Audit Committee and the Director General of the Department reports directly to the Audit Committee and to the CEO in the administrative matters. The Internal Audit Department receives its authority and guidance directly from the Chairman of the Audit Committee. The Department covers all core activities of the Fund, including investments in private markets, real estate, public markets and all the other support and control functions. The annual internal audit plan is developed by using a systematic and coordinated process that includes prioritization based on potential risks.

During 2018, the Internal Audit Department has audited more than 20 audit areas, including the procedures and transactions relating to the investments and support operations, along with a number of important achievements, including:

- Expanding the scope of the verification process to include a number of investments with friendly countries, and some investment funds.
- Providing the necessary support to the Management to obtain the ISO 9001: 2015 certification in quality management systems and conducting pre-requisite audits of ISO 27001: 2013 for information security management.
- Reviewing the policies and procedures of the SGRF and of Oman Investment Fund to identify any variations and strive to consolidate the same.



Audit Committee



Audit Committee meeting

1) H.E. Saud Nasser Bin 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

5) Ali bin Mohammed Ridha Jaafar

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

3) Abdullah bin Salim Bin Al Harthi

CFO – SGRF

6) Musallam bin Hamad Al Barami

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

4) Nabila bint Saif Al Jasseriya

Director of Internal Audit - SGRF
Secretary of the Audit Committee

7) Mr. Sunil Raykar

Investment Expert, Investment Department
Ministry of Finance







Support Departments

In order to achieve its investment objectives, SGRF relies on an integrated system, comprised of a number of units and departments that provide the investment units with the necessary technical and administrative support. The system includes the following departments:



Finance & Investment Operations:

The Finance and Investment Operations Department prepares and submits reliable financial information in accordance with international financial standards, especially the information related to SGRF's accounts, financial performance reporting and asset evaluation.

The main role of the Department is to prepare periodical financial statements and ensure their compliance with the generally accepted accounting principles and then submit the same to the Audit Committee and the BOD for approval before being endorsed by the Council of Financial Affairs. Furthermore, the Department prepares the annual budget of the Fund and follows up its implementation and ensures its consistency with the set objectives of the Fund. The Department is also responsible for preparing the periodical financial reports related to the overall and detailed financial performance of all the SGRF-managed portfolios and compare the same with the benchmarks in order to measure the performance of portfolios managers against the target performance.

The Department also follows up on the remittances, settlements and investment transactions, along with the management of the Special Purpose Vehicles (SPVs) through which SGRF runs its investments to ensure the best control over such investments and to achieve optimal financial efficiency.

In order to improve the efficiency of the Department, the Automated

Reconciliation System was launched in 2018 to reconcile SGRF's accounts through the Document Management System to minimize human intervention and maintain the quality of information.

In 2018, the Treasury team worked on reallocation of the short-term asset portfolio between the highly liquid category (US Treasury bills and other government bonds) and the relatively less liquid and higher-yielding category (regional bonds, various deposits, corporate securities), taking into account the Fund's commitments to invest in private markets. As for the systems, SGRF has reached an advanced stage in its project relating to the implementation of the financial system Eagle, which will make all the Fund's investment data at its absolute disposal, upon completion of the basic stages of the system application, including the trial operation of the system to ensure its ability to deal with real task scenarios, and the stage of converting all data to the new system. Reports were simultaneously extracted from the previous system (PAM) and the new system for comparison purposes to ensure accuracy.

The Department has also been awarded the quality management certification ISO 9001: 2015 from the International Organization for Standardization (ISO) after careful evaluation of the efficiency of the business processes, their conformity with the quality system, and the potential for improvement in the various processes.

On the other hand, after the Fund's early success with the Tax Claims Administration, the relevant department has started to do the same to recover many of the withholding tax. This initiative is expected to recover a total of USD 3 million in the public market portfolio, and preparations are also under way with regards to the tax claims in the private market portfolio. The Fund also reviews and examines the US income tax exemption to ensure that the Fund complies with all requirements and to ensure that it is exempted from US Sovereign Tax.

Key Achievements in 2018:

- Applying system
- Reaching an advanced stage in applying Eagle system
- Obtaining ISO 9001:2015 certification.



Legal Affairs Department

- Offering support on legal issues as well as on the drafting of contracts and agreements pertaining to SGRF's new partnerships and investments in private equity, real estate or public markets, in accordance with the laws and regulations applicable to the country of investment.
- Supervising any litigation or arbitration proceedings that SGRF may be involved in.
- Providing advice on subjects relating to the other SGRF's departments.

In 2018, the Department has finalized the financial lending arrangements and trusteeship agreements in relation to the Fund's public markets portfolio. It also completed 7 investment opportunities, some of which started already in 2017. The Department has executed and reviewed about 135 non-disclosure agreements. It also held three workshops on trusteeship and secured lending negotiations.

Risk and Compliance Management:

The Risk Management and Compliance Department is an important administrative tool in the SGRF decision making processes across all functions and business activities. The values of the department, which are based on well-known global standards, include value creation and addition, integration of risk management, along with making the risk management a part of the decision making process, addressing uncertainties by engaging

Key Achievements of 2018:

- Completion of the procedures relating to 7 investment opportunities (some of them date back to 2017)
- Review/execution of about 135 agreements.

in discussion with the management to take the appropriate decisions in this regard, in addition to managing the change and continuing with self-assessment and enhancement of risk management processes, based on SGRF risk maturity ladder.

The Risk Management and Compliance Department works with SGRF's management to introduce risk management concepts into the Fund's processes, the risk management and compliance principles have been incorporated into all the investment processes in the private equity markets and real estate. Similarly, the Department is striving to introduce such principles in the processes of the public market, finance, IT, HR, administrative affairs and the corporate communications. Additionally, this Department is actively involved in all SGRF's strategic projects in order to identify and alleviate the relevant risks appropriately.

In 2018, the Department commenced the implementation of the new strategy, in addition to some major achievements, including:

- Fulfillment of the Business Continuity Management requirements in the event of emergency situations that prevent the Fund from continuing to operate normally.
- Launch an e-learning platform to raise awareness of the Fund's staff on Anti-Money Laundering.
- Uploading the data of all partners in all SGRF's portfolios in the World Check program to track any new business activities of partners
- Launch the "risk management environment" questionnaire for all SGRF's staff to measure employees' understanding of the risk management policy and commitment and the maturity level within the Fund in terms of risk management.

Information Technology Department

The IT Department is responsible for the provision and development of

information systems and services at all SGRF's departments. It is staffed by a highly effective and experienced technical team, which qualify them to provide hi-end services and comprehensive solutions and enable them to overcome all challenges relating to the IT infrastructure.

In order to improve processes and enhance the efficiency of the systems using automation, two systems were launched in 2018 within the Oracle Business Package, the first was in the training management system, which allows all employees of the Fund to register training requests according to the planned program, while the second one was relating to the recruitment management system at SGRF, allowing the HR team to easily follow up the recruitment requests and communicate with job candidates through SMS service.

Considering the importance of the email service for SGRF's staff, in 2018 the relevant team has improved the service, and enhanced its connection with the Disaster Recovery Center, tested the quality of its availability in emergencies. Moreover, in order to check the Fund's readiness to continue operations in the event of unforeseen accidents, which may cause damage or destruction of data, the Department has conducted a simulation exercise of such events, wherein the networks and the data center were disabled at the head office of the Fund, and the Disaster Recovery Center was used to activate IT services. The Center demonstrated its efficiency in such events, as no failure to activate services or data access was detected.

The «Digital Boardroom» application was also launched to facilitate the work of SGRF's committees, which runs on PC and Android system. The application is intended to provide reports and files to all members of the concerned committees and to facilitate their review.

On the other hand, the IT Department has, in collaboration with the Ministry of Civil Service, fulfilled the requirements for the Fund to join the Multi-Protocol Labeling System, which is a network for linking and sharing

Key Achievements:

- Improve processes and upgrade the efficiency of systems by using automated operation
- Conduct emergency simulation and test the quality of service availability in case of emergency.
- Launch of the «Digital Boardroom» application.

data between government institutions in a safe environment and with good quality. This System would help the HR team of the Fund to communicate with the Ministry of Civil Service's e-platform in order to follow up business.

In terms cyber security, the team in charge has activated the Security Incident & Event Log Management to monitor any incidents in the SGRF's digital work systems of the Fund in an instant and effective manner. The network systems and records are maintained to be used as a source of evidence in the event of any security breach in the system. The team has also launched the Network Access Control system to prevent any unauthorized access to SGRF's network, in addition to managing and organizing the data access allowed to each user of the network according to their respective assigned roles in order to ensure optimal management of the network and users.

The Department also completed the development of the Fund's internal portal (e-portal) to enhance communication between all departments and provide a range of services and benefits to users. It is expected to be launched in 2019.



Human Resources

People and capacity building are SGRF's main strategic objectives. The Fund believes that employees are the most valuable assets and a crucial factor for its success. While the Fund endeavors to achieve the best investments in the economic and financial areas, it is also keen to invest in the human element. The HR department, therefore, is always striving to provide the best initiatives and solutions that enable them to develop the employees' skills and talents in order to meet the Fund's needs of the necessary skills and expertise to effectively manage its current and future investments. SGRF's management is also committed to a strategic mission- to nurture highly competent national cadres, capable of leading the financial and economic institutions in the country in the future.

In 2018, the Department continued to implement a number of initiatives aimed at developing employees' performance and behavior to effectively perform their job duties. The Department developed the PMS to become eight stages of assessment. The system, called «Injaz», links the employee with the Fund's objectives in such a way that suites the employee's skills and career experience, and consequently measures the level of realized achievements in order to reach the Fund's ultimate goals and achieve its

planned strategies.

The new classification scale also helps to increase staff compliance with the Fund's roles and policies while identifying their educational and development needs.

In order to improve the Fund's work environment and achieve the highest levels of satisfaction and interaction among staff, the Department has also conducted a survey to measure the level of employee involvement and interaction with their functions and with the Fund in general. The overall response rate to the survey was 97%.

In terms of recruitment, the Department has appointed 27 employees in various departments and units of the Fund with a total of 217 employees by the end of 2018, maintaining a high rate of Omanization at 81%. The «Numou» Program, which was launched in 2017, has also created an enabling work environment for new graduates in different disciplines from local and international educational institutions, with 14 trainees under Numou program who were able to refine their skills in a working environment considered as a global investment hub, along with 33 trainees in the summer short-term training program. All recruitment processes were conducted in a transparent and impartial manner, according to pre-defined 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

Key Achievements:

- Omanization: %81
- Appointment of 27 new staff in 2018
- Launch the performance appraisal system «Injaz»
- Launch «Kafa'a» Program

The Department has won the prestigious LinkedIn's Brightstar Award for public sector organizations from among more than 1,000 institutions in the MENA region that use LinkedIn solutions to capture, recruit and retain the best talents through performance analysis and market impact.

As for training and development, the Department has launched the "Kafa'a" program with the aim of identifying and measuring the competencies required for all positions. The Department has completed the definition of competencies framework for the departments of Human Resources, Administration, Finance and Investment, Internal Audit, Communication and Business Strategy.

The Department also carried out a wide range of courses and training programs which can be summarized as follows:

Training Program Type	Courses/Staff
In-house training program	21 courses
Individual training program	127 courses
Secondment programs	6 staff
Academic studies	4 staff
Professional certification	8 staff
Leadership development program	5 batches

The HR Department has also allocated several training opportunities for SGRF subsidiaries and for the Numou Program as well as for some government institutions with a view to boosting the development process and to improve the staff efficiency at all levels.



Administration Department

It is one of the executive departments that manages and executes the procurement processes and provides services and office equipment supplies to SGRF departments. It is also responsible for the safety and security of the premises and improving the work environment, in addition to facilitating non-Omani personnel procedures with the relevant authorities.

In 2018, the Procurement Division of the Department has awarded 13 tenders with a total amount of more than OMR one million. It also established the Post and Correspondence Division and developed its regulations in accordance with the National Records and Archives Authority. The E-Tendering system was also implemented in cooperation with the Information Technology Authority (ITA).

Furthermore, and in order to enhance the health awareness of the staff, the Security and Safety Team has, in coordination with the Ministry of Health, implemented an intensive workshop on first aid and cardiac and pulmonary rehabilitation, including practical exercises and lectures.

This Department plays a significant role in communicating the efforts



exerted by the Fund in delivering better future for the next generation, and in raising awareness on SGRF role and mission.

Out of the Fund's keenness to develop this relationship, and its belief in the principle of transparency and professionalism in business, the Department issued in 2018 around 11 press releases to the public through visual and print media.

It has also organized a workshop on "Communication and Reporting of SWFs", in collaboration with the International Forum of Sovereign Wealth Funds (IFSWF), which was held over two days and attended by more than 25 participants from IFSWF's members as well as from international investment institutions

The Department also prepared a Stakeholders Mapping database of more than 80 local and international institutions and analyzed them according to the importance and impact of such institutions on the Fund and its

investment and administrative activities. The main objective of this work is to identify the areas of interest of these institutions in the Fund's business to meet their requirements and enhance the communication with them.

In the framework of building the spirit of teamwork and strengthening the interdependence between the staff of the Fund and its investment vehicles, the Department organized many internal events, most notably the Fund's football tournament, the open day for SGRF staff and their families, the celebration of the Omani Women's Day and the celebration of the 48th National Day.

With regards to external relations, the Department participated in organizing the Omani-Saudi Business Forum in cooperation with the the General Investment Authority and the Council of Saudi Chambers to consider the investment prospects in Oman and to increase trade cooperation between the two brotherly countries.

SGRF strives to provide all the information and news related to its business on a regular basis through its website: (www.sgrf.gov.om) which was launched in the second quarter of 2014.

Key Achievements:

- Organizing the "Communication and Reporting of SWFs" workshop, in collaboration with IFSWF.
- Publishing a special report on SGRF and its achievements in Oman Daily newspaper.
- Co-organizing the Omani-Saudi Business Forum
- Issuing 11 press releases.
- Preparing/analyzing Stakeholders Mapping.

