



Qatar Fund Explores Asset Sales As It Looks Homeward

- As published in Bloomberg on 2 October 2017

Bloomberg

One of the world's biggest buyers of trophy assets is becoming a seller.

Isolated by powerful Arab neighbors, Qatar's sovereign wealth fund is reversing a decade-long run in high profile foreign investments to buttress its own economy.

The Qatar Investment Authority, which has reduced its direct holdings in Credit Suisse Group AG, Rosneft PJSC and Tiffany & Co. in recent months, is considering selling more of its \$320 billion of assets, which includes stakes in Glencore Plc and Barclays Plc, and channeling the proceeds into its home market, according to people familiar with the matter.

"Sovereign wealth funds, such as the Qatar Investment Authority, are always national buffers against adverse risk events," said Sven Behrendt, managing director of GeoEconomica in Geneva. "Since the boycott is such a risk event for Qatar, the assets stored within QIA will need to serve as such a buffer."

Bankers and lawyers who used to pitch acquisition targets to the QIA are now proposing asset sales, and have been told not to expect any major investments by the fund in the near term, the people said. The fund hasn't formally hired financial advisers to dispose of any assets but is considering which stakes are best positioned to be offloaded, they said. The QIA declined to comment.

Created in 2005 to handle Qatar's windfall from liquefied natural gas sales, of which it is the world's biggest exporter, the QIA and other Qatari investors have amassed holdings in Hollywood, New York office space, London residential property, luxury Italian fashion and even a soccer team. The QIA ranks as the ninth largest globally, according to the Sovereign Wealth Fund Institute.

"The QIA is being fiscally prudent by not actively pursuing new investments," said Rachel Pether, a senior adviser at the Sovereign Wealth Fund Institute. "The QIA has approximately 57 percent of its portfolio in publicly listed securities, which means there is reasonable liquidity in its portfolio if further support is required."

The QIA last year saw its biggest overhaul since 2014, grouping \$100 billion of investments in local companies into a new unit and abandoning the Qatar Holding name synonymous with its highest-profile deals, people with knowledge of the matter said at the time.

After a dip in transactions in 2015 and 2016 as oil prices slumped, the fund regained its appetite for deals late last year, investing in Turkey's biggest poultry producer, Rosneft, and U.K. gas company National Grid Plc, all within a couple of months. A Saudi-led standoff that started in June has put the brakes on those ambitions.

The QIA plans to spend most of what remains of its \$45 billion investment target on U.S. assets as it seeks diversification, Chief Executive Officer Sheikh Abdullah Bin Mohammed Bin Saud Al Thani said last month.

The fund is also considering selling some of its extensive property portfolio, especially in the U.K. where it owns stakes in London's Savoy Hotel, the Shard skyscraper and the Olympic Village, according to another person familiar with the matter. The QIA also wants to sell an office building in London's Canary Wharf financial district that is leased to Credit Suisse, people familiar with the matter said last month.

The QIA has injected billions of dollars into local banks to shore up liquidity after Saudi Arabia, the United Arab Emirates and Bahrain cut diplomatic ties on June 5 amid accusations of funding terrorism, prompting their lenders to withdraw funds from Qatar, people familiar with the matter said at the time. Qatar has repeatedly denied the charges.

Qatar should also look at other assets that could be used as alternative buffers to reduce some of the heat on QIA, said GeoEconomica's Behrendt.

"The diplomatic boycott and economic blockade of Qatar sees basically two strategies employed by the parties: the Saudi-led coalition employs a 'wearing down' approach, Qatar a 'holding out' strategy," he said. "In the end it will be about who will have the longer staying power."