News release

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Non-commodity funds now account for 40% of assets managed by Sovereign Wealth Funds, say PwC economists

London, 26 Oct 2011 -- Non-commodity funds are now challenging more traditional commodity based Sovereign Wealth Funds and now account for around 40% of assets managed by Sovereign Wealth Funds according to PwC economic analysis of 51 countries.

The PwC report launched today, "*The impact of Sovereign Wealth Funds on economic success*" also reveals that countries with Sovereign Wealth Funds could benefit from lower inflation levels, among other benefits that can promote higher economic growth.

Yael Selfin, head of macro-consulting and a director in PwC's economics team, commented: "We are likely to see further increases in non-commodity funds such as those financed by trade or fiscal surpluses and changes in the types of commodities that finance Sovereign Wealth Funds. Different countries and commodities such as lithium may grow in importance. Chile, Argentina, and Bolivia are thought to have the world's largest lithium reserves so may benefit from the rising popularity of electric cars. Another potential source of finance is solar power. In future, we may see Sovereign Wealth Funds in North Africa, financed by exporting solar power in the form of electricity or hydrogen."

The report highlights that Sovereign Wealth Funds also help to increase the transparency of a country's financial policy and reduce the potential for corruption, as measured by the Transparency International Corruption Perceptions Index.

Yael Selfin concluded: "Overall, our findings support the view that starting a new Sovereign Wealth Fund is beneficial to the country which sets it up. Global imbalances and high commodity prices mean Sovereign Wealth Funds are getting bigger, and more countries are joining the clamour to start their own fund. It could be prudent for governments to put money aside for a rainy day which can be used to pay for pension obligations, provide capital injections in times of crisis or to ensure future generations benefit from the extraction of finite resources. There is, however, a cost to this saving in terms of higher taxes and lower short term government spending."

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Notes to editor:

Copies of "*The impact of Sovereign Wealth Funds on economic success*" can be obtained from: Katherine Howbrook, PwC media relations, Tel: 020 7212 2711, Mob: 07515 119 096, Email: katherine.j.howbrook@uk.pwc.com

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