

## **Abu Dhabi fund woe shows perils of mission creep**

**MalaysiaKini.com**

**Apr 25<sup>th</sup>, 2016**

**Una Galani, Reuters Breakingviews**

Abu Dhabi's sovereign fund woes are a reminder to asset managers of the benefits of staying focused. One of the Gulf state's investment companies strayed far from its original mandate to invest in oil and gas. A nasty multi-billion dollar tangle with rival state-backed investor 1Malaysia Development Berhad (1MDB) shows how pairing big ambitions with poor governance can backfire.

International Petroleum Investment Company (IPIC), which was set up more than three decades ago, is chaired by Sheikh Mansour bin Zayed Al Nahyan, a ruling family member and owner of Manchester City football club. It now has assets worth almost US\$70 billion of which one quarter are "diversified investments" including everything from private banks to space travel.

IPIC's mission creep has mostly come through Aabar, a company the fund took private in 2010. Over the years, Aabar appears to have racked up big losses from investments including commodities trader Glencore, Malaysian bank RHB Capital and Italian bank UniCredit.

Now it has been dragged into the growing scandal surrounding 1MDB. Aabar says it is not the owner of a company called Aabar Investments PJS Limited, which received US\$3.5 billion from the Malaysian investor. 1MDB says it made the payments based on agreements negotiated with two senior Aabar executives, both of whom have since left the group.

The dispute has scuppered a US\$4.5 billion debt deal the two agreed last year, and cast a cloud over US\$3.5 billion of bonds issued by 1MDB and jointly guaranteed by IPIC. Missed interest payments could trigger cross-defaults on both sides.

Aabar's ties with 1MDB go deeper, though. In 2013, the Malaysian group raised US\$3 billion to fund a joint venture agreement with Aabar to develop a big real estate project in Kuala Lumpur. Meanwhile, Falcon Private Bank, a Swiss lender owned by Aabar, has come under scrutiny for its transactions relating to 1MDB. Falcon says it will cooperate with authorities.

Indeed, the full extent of the Abu Dhabi fund's troubles are only just becoming clear. Its mistake appears to have been to concentrate too much power in the hands of a few individuals. Either way, the fallout is deeply embarrassing for its sovereign owner. It is hard to imagine that IPIC would have got itself into so much hot water if it had stuck to its core competency.

- Reuters Breakingviews

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd  
Source: <https://www.malysiakini.com/news/339066>