

Session summary

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Session title: **EXPLORING STRATEGIC DIRECTIONS FOR THE NEW RUSSIAN DIRECT INVESTMENT FUND (RDIF)**

**Theme**

The Russian President recently announced the establishment of a sovereign direct investment fund to jump-start large-scale foreign direct investment into Russia through risk sharing with international institutional investors and providing access to attractive investment opportunities.

- 1) What is the ideal coalition of investors for the RDIF to achieve its goal of attracting large scale 'smart' capital that would demonstrate exceptional returns and transform the Russian economy?
- 2) How should this new fund be managed?
- 3) What are the key target sectors? What is the size and scope of its investment mandate?

**Moderator**

Vyacheslav Pivovarov, Managing Partner, Altera Capital

**Panelists**

Nicolas Berggruen, Chairman, Berggruen Holdings Inc.; Chairman, Nicolas Berggruen Institute

David Bonderman, Founding Partner, TPG

Janet Cowell, State Treasurer, North Carolina

Kirill Dmitriev, General Director, Russian Direct Investment Fund

Edward Eisler, Co-head of the Global Securities Division, Member of the Management Committee, Goldman Sachs

Lord Green, Minister of State for Trade and Investment, UK

Badr Jafar, President, Crescent Petroleum Group of Companies

Erland Karlsson, Chief Executive Officer, Eton Park

Klaus Kleinfeld, Chairman, Chief Executive Officer, Alcoa Inc.

Don Lee, Head of Private Investments, Korea Investment Corporation

Vikram Pandit, Chief Executive Officer, Citigroup

Michael Phillips, Partner, Apax

Stephen Schwarzman, Chairman, Chief Executive Officer and Co-Founder, Blackstone; Chairman of the Board of Directors, Blackstone Group Management L.L.C.

Dominic Silva, Investments Executive Director, Khazanah Nasional

Robert Thomson, Editor-in-Chief, Dow Jones & Company; Managing Editor, The Wall Street Journal

James Turley, Chairman and Chief Executive, Ernst & Young

**Synopsis**

The session was held to discuss the activities of the recently established Russian Direct Investment Fund. Mr. Pivovarov drew special attention to improvements to fund operations and structures, which are essential in making the fund an effective and attractive investment tool.

Panelists agreed that Russia has huge investment potential and promises high returns, but also noted certain areas that negatively affect investments in the country, including a high level of corruption and a lack of rule of law and transparency. Mr. Schwarzman said that investors are right to be concerned about these factors. Mr. Kleinfeld noted that for investors, knowledge of and confidence in local information is vitally important.

The panelists considered the fund to be an effective bridge for connecting investors with Russia by placing more confidence and transparency in the investment process; Russia's image will improve considerably thanks to the fund. Lord Green noted, however, that the fund itself should not be considered an alternative to addressing wider issues of transparency and bureaucracy.

Mr. Bonderman expressed concern that making infrastructure (historically a low return area) one of the fund's priority industries may not be in line with the fund's declared format, which focuses on highly profitable industries. Mr. Dmitriev noted the point and commented that the fund would generally not be sticking to a limited number of industries.

The panelists declared the optional co-investment nature of the Fund as an advantage, as it allows investors to tailor specific objectives for risk-return.

Mr. Pandit also commented that transparency in access to investment projects and even the possibility of openly competing for projects would make the fund an attractive and reliable tool. In Mr. Pandit's view, the possibility for investors to share risk with the government would be another benefit. Mr. Schwarzman pointed out that the fund's due diligence on investment projects would further reduce investor concerns.

Mr. Dmitriev praised the practical comments and recommendations raised by the panelists during the session, reiterating that transparency is a critical requirement for the fund.

*Disclosure*

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