

Sovereign Wealth Funds

K2 Integrity is a global preeminent risk, compliance, investigations, and monitoring firm—built by former regulators and industry leaders, driven by interdisciplinary teams, and supported by cutting edge technology to safeguard our clients' operations, reputations, and economic security.

Sovereign Wealth Funds

Sovereign wealth funds (SWFs) have grown rapidly in recent years in both number and assets. According to the SWF Institute, there are 176 sovereign wealth funds with \$11 trillion dollars of assets under management (AUM) as of 2023, 73 of which were established within the last 12 years. Through their investments, SWFs play a critical role in stimulating economic growth and improving social welfare.

This rapid rise in SWFs—with trillions invested already across the globe—requires an out-of-the-box approach to identifying and managing risk, protecting and securing investments, and maneuvering cross-border regulatory complexities. Due to rapid growth, many SWFs lack appropriate back-end infrastructure support, resulting in issues with transparency, reporting, and governance which can lead to financial losses and reputational risk.

Challenges

Regardless of Commodity versus Non-Commodity SWFs, each SWF is unique and needs to evolve to meet long-term megatrends playing out in the global economy and an increasingly unpredictable geopolitical background. The most pressing challenges facing SWFs include:

- Diversifying investment portfolios—both by type and location
- Improving due diligence and strategic intelligence
- Planning for cybersecurity and technological disruptions
- Building appropriate back-end infrastructure support
- Designing proper governance and compliance frameworks
- Tackling fraud and corruption issues
- Analyzing globalization, regionalization, and 'slowbalization' (the slowdown in globalization)
- Considering crypto and digital assets strategies

Our Approach

Clients come to us not only for our unique blend of regulatory and cross-border risk expertise, but because we are trusted and discreet advisors. We believe in developing relationships; our success is tied to our clients' success.

Our Services

K2 Integrity develops bespoke strategies, structures, and solutions for emerging risks and financial integrity challenges and often assists SWFs in developing or refining risk management strategies to strengthen their governance, systems, and capabilities.

We are not investment advisers. Rather, we offer sovereign investors a broad range of advisory and consulting services designed not only to improve their overall performance but also to protect their investments and returns:

- **Pre-Investment Strategic Intelligence Services:** The risks of foreign investment—partnering with the wrong people, or acquiring the wrong business—can impact returns on investment. We provide nuanced research, intelligence, analysis, and investigative expertise to support the client through the entire investment process, providing insight, identifying risks, and often uncovering unexpected opportunities where we can protect our clients—and frequently advance their interests.
- **Construction Integrity Monitoring:** Surveys show that most SWFs are moving away from traditional fixed-income investing towards investments in construction and real estate (CRE) projects. K2 Integrity pioneered construction integrity monitoring as a concept and continues to lead the discipline, monitoring in excess of 250 projects totaling more than \$35 billion in project costs for government agencies and private companies. Our CRE professionals provide necessary payment and compliance oversight as well as construction monitoring to prevent fraud, waste, and abuse issues.
 - ▶ Leveraging more than 20 years of construction and real estate risk advisory experience, we have created our proprietary M.E.T.R.I.C. Tool: Monitoring, Evaluation, and Testing of Risk, Integrity, and Compliance. The tool collects data on key recurring monitoring areas to ensure overall quality assurance and quality control while increasing efficiency in real time.
- **Remediation Recommendations:** We assess, review, enhance, test, and validate our clients' compliance programs and mitigate the risk to their businesses and reputations. We guide our clients' responses to regulatory investigations and communications with regulators, and design remediation of identified compliance gaps.
- **US nexus:** The U.S. Foreign Investment and National Security Act of 2007 established greater scrutiny when a foreign government or government-owned entity attempts to purchase a U.S. asset. Our experts help SWFs navigate this law to ensure they can acquire U.S. assets to further fund their growth while remaining compliant with the law's requirements.
- **Anti-Bribery and Corruption Services to Mitigate FCPA and UK Bribery Act Risks:** SWF's must be careful not to fall afoul of these and similar laws, especially when operating and investing in high-risk geographies. Our experts protect SWFs by performing proper due diligence and third-party risk management in line with regulatory pronouncements and requirements.
- **Cyber Security Advisory and Assessments:** Our cybersecurity experts help translate cybersecurity and technology risk in a business context while always keeping regulation and compliance in perspective.
- **Crypto and Digital Asset solutions:** Our crypto experts guide SWFs in understanding the best use of virtual assets, how to navigate a complex and rapidly evolving regulatory landscape, and how to develop first-of-their kind risk and compliance solutions.
- **Sports, Media, and Entertainment:** Like our SWF clients' interests, the sports, media, and entertainment industries extend beyond a single country or region. A global company, K2 Integrity has assisted with financial, regulatory, compliance, governance, and general business matters for our clients in these industries.

K2 Integrity's Sovereign Wealth Fund Team

K2 Integrity has a dedicated, multidisciplinary SWF team made up of practitioners with expertise in governance, regulatory advisory, risk management, investigations, corporate diligence, virtual assets, cybersecurity, and financial crime—all of whom have advised SWFs in some form.



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