

A New American Sovereign Fund: Development, Diversification, and Performance

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1) Introduction

Within days of taking office, United States President Donald Trump set the policy wheels in motion to establish a new, national sovereign wealth fund (SWF). On February 3rd, he signed an Executive Order that ordered the Federal government to formulate a plan for a new fund. The key sections of the Order are as follows:

“It is the policy of the United States to maximize the stewardship of our national wealth for the sole benefit of American citizens. To this end, it is in the interest of the American people that the Federal Government establish a sovereign wealth fund to promote fiscal sustainability, lessen the burden of taxes on American families and small businesses, establish economic security for future generations, and promote United States economic and strategic leadership internationally.”

The Order also offers a timeline for a plan:

“The Secretary of the Treasury and the Secretary of Commerce shall jointly submit this plan to the President within 90 days of the date of this order. Such plan shall include recommendations for funding mechanisms, investment strategies, fund structure, and a governance model. The plan shall also include an evaluation of the legal considerations for establishing and managing such a fund, including any need for legislation.”

America has a long tradition of leveraging state investment vehicles to catalyze industries and revitalize the economy. In fact, Alexander Hamilton helped establish the Bank of New York all the way back in 1784, an institution credited with aiding New York’s recovery after the Revolutionary War and positioning the city as a global financial center. Since then, sovereign funds of all sorts have emerged around the world as critical economic and industrial policy tools aimed at developing industries, diversifying economies, and maturing capital markets through high performance.

On the surface, a new American fund will likely aim to achieve a standard set of SWF objectives: stewarding national wealth, reducing tax burdens, securing economic stability, balancing intergenerational equity, and reinforcing U.S. economic and strategic leadership globally. Precisely how the fund intends to realize these ambitious goals remains largely undefined. And yet, the Trump Administration has indicated that Saudi Arabia’s Public Investment Fund (PIF)—a \$925 billion SWF established to diversify Saudi Arabia’s domestic economy—serves as a primary inspiration and benchmark. In fact, during the official signing ceremony of the Order, President Trump made his hope

clear that the new American SWF would ultimately surpass the scale and influence of the PIF: ‘Eventually, we’ll catch it’, he said.

We believe President Trump’s reference of the PIF is an informative starting point for considering how a new American SWF might be designed and managed, though significant differences between the United States and Saudi Arabia’s economies and governance structures must be considered. While some analysts speculate this fund could rival other prominent international SWFs (such as those from Norway, Singapore, Abu Dhabi and China), given its explicit mandate to serve the “sole benefit of American citizens,” it seems likely that this initiative will adopt a model closer to that of a sovereign development fund (SDF) – that is, a type of SWF that strategically pursues both commercial returns and specific domestic policy goals. In this respect, the apt example of this model is provided by Saudi Arabia’s PIF.

In this paper, we present a curated set of principles and best practices to inform effective governance, funding, and management of SWFs and SDFs, which we hope will provide guidance ahead of the detailed plan scheduled for release in May by the U.S. Commerce and Treasury Departments. We also believe that global investors, most significantly other SWFs, should take a keen interest in the development of the new American fund. The U.S. is likely to become a major player in the SWF landscape, while establishing opportunities for SWFs and other long-term investors to pursue strategic investments in the U.S. market through partnerships. Based on our research on other SDFs, the primary function of this new fund may be to serve as a credible co-investor in difficult American sub-economies and industries, which underscores the need for this new fund to demonstrate exceptional governance, management and operations.

Following an overview to familiarize readers with SWFs and SDFs, we explore potential strategies for the U.S. fund, considerations around organizational structure, funding sources, and governance frameworks. We then present a focused case study of Saudi Arabia’s PIF, underscoring lessons that might be adapted for the American context. Finally, we argue that the success of any new SWF will depend on more than a bold vision—it demands rigorous implementation guided by independent governance, strategic clarity, and disciplined investment practices. To succeed, the new American SDF must prioritize independence and commercial discipline, clearly delineating governance roles and responsibilities to build credibility with domestic stakeholders and international investors alike.

2) Background: SWF 101

In what follows, we orient the reader around the world of SWFs, such that the following sections can go deeper into the specifics of SDFs.

Definition and Purpose

A SWF is an institutional investor established by governments to manage state-owned financial assets, leveraging financial markets to achieve future policy objectives (IFSWF, 2008). SWFs belong to a broader group of asset-owner investors—including endowments, foundations, pension funds, insurance companies, and family offices—all of which pool and invest financial resources to fund future liabilities or achieve strategic goals. Unlike other institutional investors, SWFs uniquely manage assets owned directly by, and are accountable to, their sponsoring governments (Clark, Dixon and Monk, 2013).

Historical Context and U.S. Leadership

While the United States has not historically operated a federal-level SWF, it has been a global pioneer in institutional investing, significantly influencing how asset owners around the world operate and invest. For example, the Harvard Endowment has existed for nearly four centuries and shaped elite

education funding models and catalyzed a global industry of endowments. The rise of state pension funds, such as California Public Employees' Retirement System (CalPERS), Washington State Investment Board and the Oregon Public Employees Retirement System, catalyzed copy-cats around the world on the back of high investment performance, which it earned by helping to create the modern private equity industry. Similarly, families like the Rockefeller family pooled their wealth in professional offices and helped to seed the hedge fund industry. Even American insurance companies have driven the investment industry forward, as they were pivotal in modernizing asset-liability matching and helped to launch the private credit sector.

American asset owners have thus been at the forefront of investment innovation, creating role models that other investors have sought to copy. For example, the “Yale Model,” emphasizing diversified endowment portfolios, is now utilized by endowments of all sizes around the world (Swensen 2009). The “Collaborative Model” – pioneered by the California State Teachers Retirement System (CalSTRS) and focused on the development of innovative investment platforms, focused largely on direct investments in private markets with other peer investors – has been copied from India to the Middle East as a way of aligning interests in asset management (Monk, Sharma and Sinclair, 2017). Even the celebrated “Canadian Model” of pension fund investing (marked by internal asset management and highly compensated teams) traces its origin back to American precedents, such as South Dakota’s state pension.

In sum, American institutional investors have catalyzed and shaped the investment industry. They not only generated substantial returns for the sponsors, but they have also advanced broader economic and social innovations. Given America’s extensive experience with diverse institutional investors, one might question why the U.S. has seemingly lagged in establishing a national-level SWF. The answer lies partly in the complex political and economic landscape of federal governance. In addition, the conventional history of SWFs often overlooks America’s leadership in SWF-like vehicles at the state level. Indeed, the world’s first SWF, the Texas Permanent School Fund, was established by Texas’s Constitution in 1845, predating even the earliest global counterparts. Today, America hosts 21 state-level funds—often called “permanent,” “land grant,” “legacy,” or “heritage” funds—which have become international models for effective wealth stewardship.

SWF Types and Sovereign Development Funds

SWFs typically accumulate capital from budget surpluses, commodity revenues, trade surpluses, privatization proceeds, or similar sources. They invest these resources domestically or globally to achieve objectives such as stabilizing government revenues, managing currency pressures, funding essential services, reducing sovereign risks, diversifying economies, and securing intergenerational wealth.

Among SWFs, a growing subset called sovereign development funds (SDFs) explicitly invest significant portions of their assets domestically, aligning commercial objectives with development goals such as job creation, economic diversification, and innovation (Monk and Clark, 2015; and Gelb, Tordo, Halland, Arfaa and Smith, 2014). Notable examples include Singapore’s Temasek, Malaysia’s Khazanah, Abu Dhabi’s Mubadala, and Sweden’s AP6, each demonstrating that developmental ambitions can indeed be pursued without sacrificing strong financial returns. For example, Temasek achieved a total shareholder return of 16% annually over four decades, while Mubadala delivered an impressive five-year rolling return of 12.2% since 2017.

Sovereign development funds have grown in popularity, especially after the 2007–2009 global financial crisis, as many governments turned to them to bridge financing gaps and catalyze local economies, attracting global capital through strategic co-investments and partnerships. By investing in critical social sectors, infrastructure, and emerging industries, SDFs effectively marry high

investment returns with tangible development outcomes, thus enhancing public legitimacy and government accountability (Alsweilem, Cader and Rietveld, 2023; and Nowacki and Monk, 2019).

In recent years, SDFs have been established in several advanced economies (often through reforms to development or infrastructure bank models), notably in France (Bpifrance, established in 2012), Italy (Cassa Depositi e Prestiti Equity, formerly Fondo Strategico Italiano, established in 2011), Ireland (Irish Strategic Investment Fund, established in 2014) - and, most recently, the new National Wealth Fund in the United Kingdom (established in 2024). The U.S. is therefore following this trend, although we anticipate that the new American SDF would be much larger and better placed to attract co-investments and Foreign Direct Investment than these advanced-economy peers.

Success Factors and Strategic Considerations

However, the success of SWFs, particularly SDFs, hinges heavily upon thoughtful design and strategic implementation tailored to local circumstances. Political context, institutional maturity, robust governance frameworks, and strong financial expertise are essential (Ang, 2010; Ang and Kjaer, 2012; and Bernstein, Lerner and Schoar, 2013). Crucially, SDFs must explicitly target high investment performance to genuinely fulfill their development objectives—otherwise, governments could achieve similar outcomes through direct fiscal spending. Effective governance structures, clear and aligned incentives, well-defined mandates, and sophisticated investment strategies are indispensable. Nonetheless, SDFs cannot substitute for fundamental economic policy, institutional reforms, regulatory oversight, or workforce development. Rather, their true value emerges when fund strategy and governance align closely with the realities of the local political, economic, and institutional context (Ang, 2010; Dixon and Monk, 2014).

3) Investment Strategy for the New SWF

Based on our review of the Executive Order and associated policy discussions, it appears likely that the United States will establish a new SDF that invests both domestically and internationally, guided clearly by an "America First" perspective in its portfolio construction. Unlike traditional endowments or pension funds, this SDF would explicitly link its investment activities to immediate economic and industrial outcomes, aligning these directly with performance objectives. The portfolio itself becomes a critical strategic asset, likely operating under constraints such as minimum domestic investment thresholds designed to stimulate undercapitalized sectors of the U.S. economy. This developmental focus distinctly categorizes the new fund as an SDF.

A well-designed and governed SDF can effectively de-risk emerging industries or regions by demonstrating their 'investability' through robust performance. Such demonstrated success attracts further private and international capital, underscoring the necessity for the fund to maintain credibility as a commercial investor. While developmental objectives are integral, they must align seamlessly with commercial outcomes; otherwise, alternative policy instruments may be more suitable.

SDFs typically structure their investment strategies around one or more of the following strategic goals:

- Reinforcing: Enhancing the value of existing yet underperforming national assets (companies, infrastructure, or other real assets) by professionalizing management, driving innovation, and fostering commercialization to boost returns.

- Crowding-In: Stimulating emerging domestic industries by showcasing commercial viability, thereby attracting additional private and international capital through credible and profitable investment partnerships.
- Catalytic: Initiating investments in new or developing industries to diversify economic activity away from declining sectors. This involves proactively identifying and filling gaps within the economic ecosystem, addressing critical future needs and opportunities.
- Financialization: Strengthening the local financial infrastructure and capital markets by fostering the growth of new financial intermediaries and investment vehicles, thereby promoting broader economic development and resilience.

Applying these strategic frameworks, the new American SDF could significantly address pressing socio-economic priorities such as job creation, infrastructure revitalization, economic diversification, and technological innovation. Through strategic partnerships and co-investments with private and international actors, the SDF can mobilize both domestic and foreign capital, leveraging complementary expertise and enhancing overall economic productivity and competitiveness.

With these guiding principles established, several targeted areas emerge as likely investment priorities:

- Energy and Critical Minerals: Given the administration's emphasis on energy independence and critical minerals, the SDF may actively finance oil and gas initiatives, managing risks perceived as excessive by private markets through strategic co-investments. Furthermore, securing critical mineral supply chains—such as lithium, cobalt, copper, nickel, and rare earths—is likely to be integral to the fund's mandate, given their strategic importance to biomedical, clean energy, defense, and advanced technology sectors.
- Domestic Manufacturing: Aligning with national security priorities, the fund will likely prioritize investments in defense manufacturing, automotive industries, biomedical technologies, pharmaceuticals, vaccines, agriculture, and related inputs to reduce strategic dependencies on foreign trading partners.
- Infrastructure: Physical infrastructure, such as ports, airports, utilities, and highways, is anticipated to be a key focus area, potentially utilizing the SWF as a vehicle to overcome legislative gridlock and facilitate long-term investment in essential national infrastructure.
- Artificial Intelligence (AI): Responding to escalating global competition in AI, the fund may play a crucial role in supporting national AI initiatives, offering substantial capital resources, strategic flexibility, and long-term risk tolerance necessary to foster American leadership in this critical domain.

While these thematic priorities clearly align with the administration's economic agenda, critical details regarding investment horizons, target returns, and sector-specific strategies remain to be clarified. Furthermore, the strategic scope of the fund—whether exclusively domestic or inclusive of international investments—must also be addressed explicitly. For instance, will an "America First" philosophy entail exclusive domestic asset allocation, or will the SDF also support broader foreign policy objectives such as reinforcing alliances, promoting regional economic partnerships, or strategically diversifying supply chains away from geopolitical competitors like China?

Given international precedents like Saudi Arabia's PIF, it appears plausible that the new American SDF will engage selectively in cross-border investments to complement its domestic developmental goals.

4) Organizational Design for the New SWF

Sovereign development funds inevitably maintain strict government oversight and ownership. However, the design of the fund should seek to reconcile government ownership with commercial realities. Indeed, adopting an arm's-length or even double arm's-length governance structure enables independent investment decisions based primarily on commercial viability and market returns (Sharma, 2017), which is critical in achieving an SDF's goals. To ensure the success of a new American SDF, particular attention must be given to the design and governance structure, focusing specifically on three critical areas:

- **Key Performance Indicators (KPIs):** Clearly defining the metrics for evaluating success, including both development outcomes (e.g., capital raised, job creation, patents, company formation) and financial returns benchmarked against respected private-market indices (such as those published by Preqin and Cambridge Associates) relevant to targeted asset classes. This may warrant a detailed study to identify development metrics that can be linked to financial performance for the sectors that are targeted.
- **Resources:** Defining necessary operational resources, including talent and compensation structures for the management team. The selection process for board members should reflect and support the fund's strategic and developmental goals, ensuring the board's expertise and independence. And because the new SDF will need to inspire confidence and trust among for-profit co-investors, the fund will need to be able to recruit highly skilled employees. This will surely translate into some of the highest paid employees in the US government's service.
- **Constraints:** Identifying constraints that positively shape commercial activities without hindering them. These constraints should align the SDF to government policy, as it will help to prevent the government from stepping in to "fix" a perceived misallocation of funds. This may mean focusing investments on those sectors deemed strategic by the plan sponsor (i.e., the government), such as healthcare, fintech, AI, and other priority areas. Additionally, implementing a co-investment constraint, where the fund cannot exceed 50% of commercial capital in any given deal, ensures a commercial discipline, encourages co-investor participation, and positions the fund as a credible local partner capable of attracting additional third-party capital.

With these three critical, and foundational, design elements, the new SDF can effectively meet global market expectations, especially from foreign investors performing rigorous due diligence. Credibility, transparency, and accountability become paramount to originating local deals and attracting external capital. To build this trust, the governance principles and management policies outlined below, drawing from Clark and Monk (2015), should be adopted:

Governance Principles: The following governance principles establish a strong foundation for accountability, transparency, and effective SDF oversight:

- **Measurement:** Establish clear, measurable return targets to define risk tolerance and hold management accountable. Periodic evaluation ensures short- and medium-term discipline even within long-term objectives.

- **Coherence:** Clearly define and prioritize multiple development objectives to avoid internal conflicts, ensuring alignment and coherence of strategic goals.
- **Oversight:** Formulate a world-class governance board comprising seven to nine members, blending representatives from sponsors, executive directors, and independent directors renowned for their expertise (Clark and Urwin, 2008).
- **Delegation:** Establish operational independence through clearly defined separation of powers between the board and executive management, delegating investment decision-making authority to senior executives. Day-to-day operations are managed by a compact executive team led by a Managing Director responsible for executing investment strategies, overseeing investment teams, and ensuring alignment with the fund's objectives (Clark and Monk, 2015).
- **Accountability:** Clearly delineate accountability structures, with boards accountable to government sponsors and management accountable to boards, thus enhancing legitimacy through transparency.
- **Commerciality:** Establish the SDF as a commercially oriented entity distinct from traditional governmental institutions (e.g., central banks, ministries), imposing market discipline and enhancing credibility with co-investors.

Management Policies: The management policies outlined below ensure effective operational implementation and strategic alignment of investment activities:

- **Marketability:** Strategically position the SDF to attract external investors, leveraging private-sector decisions and catalyzing new market activities consistent with fund objectives.
- **Positioning:** Maintain control over new investment opportunities incubated by the fund, ensuring sustained participation in created value.
- **Capabilities:** Align investment capabilities and resources, including partner expertise, with the defined scope of investment strategies to mitigate execution risks and ensure credible assessment and structuring.
- **Phasing:** Carefully monitor investment stages to manage risk and maintain investor confidence, utilizing phased approaches to attract and retain third-party capital.
- **Risk:** Address the unique project-specific risks inherent in SDF investments by employing advanced, qualitative risk-assessment techniques, including scenario planning and agent-based modeling.
- **Translation:** Leverage the SDF's unique position to mediate between foreign investors and local governmental priorities, facilitating transactions and policy alignment effectively.

In practice, mismanagement or overly restrictive constraints risk creating ineffective investments, while thoughtful governance combined with well-designed management policies significantly enhances both commercial returns and developmental impacts. Additionally, given the current American political environment, significant governance tensions—particularly between executive authority and legislative or judicial oversight—will influence the new U.S. SDF's operation. Proactively addressing these tensions through clear governance frameworks will be critical to long-term success.

Moreover, SDFs must navigate several specific challenges to optimize their strategic objectives. These include:

- Avoiding Dead-End Investments: SDFs must avoid investments that merely replicate existing market or organizational capabilities. Investments should consistently deliver clear value that goes beyond current market solutions.
- Mitigating Unintended Consequences: Decisions must be carefully evaluated to prevent short-term initiatives from inadvertently causing long-term domestic issues. Developing robust internal analytical and research capabilities is crucial for identifying and mitigating these risks.
- Preventing "Bridges to Nowhere": Development-driven investments require rigorous, realistic risk assessment. SDFs must clearly understand their institutional strengths and weaknesses to avoid pursuing projects that yield minimal or uncertain developmental returns.

By proactively addressing these areas, SDFs can effectively harmonize strategic developmental objectives with disciplined commercial practices, maximizing sustainable long-term economic impact.

5) Funding Sources for the New SWF

Several potential funding strategies have been discussed, underscoring the reality that there is no singular, self-evident source of capital for a new SWF. Therefore, the administration must carefully consider multiple options, potentially using them in combination. These include earmarking existing federal assets, utilizing future commodity revenues linked to increased energy production, reallocating funds from existing aid and development-finance institutions, and exploring new revenue sources such as asset privatization, tariffs, or immigrant-investor ("golden visa") programs.

Since both major American political parties floated the concept of a national SWF during the 2024 election campaign, the primary question has consistently been identifying viable funding sources. Over the past two decades, federal debt relative to Gross Domestic Product (GDP) has escalated dramatically—from approximately 20% to roughly 100%, with conservative forecasts suggesting a rise to 130% by 2040. Budget deficits, previously manageable, now exceed \$2 trillion annually (around 6% of GDP). Given this fiscal reality, budget surpluses are clearly not a viable funding source.

Considering this context, we identify four primary potential funding avenues, each possibly complemented by others:

- Funding Option #1: Government Cuts and Fiscal Restructuring. One feasible funding model involves achieving efficiencies and cost reductions within federal government operations, coordinated by initiatives such as the Department of Government Efficiency (DOGE). Utilizing realized or projected savings for the SWF could politically justify spending cuts by directly reinvesting these savings into domestic strategic priorities. Another approach within this category involves targeted restructuring rather than broad-based savings. For instance, the Trump administration advocates significant reforms within development and aid agencies, notably the International Development Finance Corporation (DFC). A revised mandate or a merger of DFC with a new SWF could refocus strategic priorities, enabling investment in

critical areas like data centers, critical minerals, and co-investments with institutional investors, potentially supported by a reallocation of foreign aid budgets.

- Funding Option #2: New Natural Resource Revenues. The administration's "energy abundance" policy could generate significant new commodity revenues through expanded oil, gas, and mineral exploration. Executive and legislative actions aimed at reducing regulatory barriers, coupled with relaxed lending restrictions on energy projects, could significantly boost commodity revenues from federal leases, royalties, and taxes. Allocating these revenues to a dedicated SWF may provide a politically viable solution for overcoming opposition related to environmental and climate concerns—following precedents set by successful state-level SWFs in Alaska, New Mexico and Wyoming. Moreover, earmarking these revenues for long-term investment could mitigate concerns around short-term fiscal mismanagement, securing broad legislative and public support.
- Funding Option #3: Privatization and Asset Monetization. Privatizing or monetizing select federal assets represents another significant potential source of SWF capital. According to the U.S. Treasury, federal assets total approximately \$5.7 trillion, including loans receivable, property, equipment, cash, and inventory. Even a modest monetization (5%) could generate roughly \$300 billion in investable capital. Specific proposals, such as selling underutilized federal real estate or monetizing portions of gold reserves (currently undervalued and potentially worth an additional \$700 billion upon revaluation), could substantially seed the new SDF.
- Funding Option #4: Licensing and Regulatory Rents. Lastly, the administration could leverage federal licensing, permitting, and regulatory powers to generate funding. Recent discussions around assets such as TikTok highlight the administration's consideration of licensing power as a potential source of revenue. By monetizing permits or regulatory approvals, the government could substantially enhance asset values. Although this approach has been highlighted specifically regarding technology companies, it is broadly applicable across industries where federal licensing significantly impacts asset valuation.
- Funding Option #5: Other Ideas. Additional funding possibilities, such as revenue from tariffs, issuing low-cost sovereign debt, or "golden visa" immigrant-investor programs, could further supplement these core options. These additional methods, if strategically deployed, may further expand available capital and enhance the scale and impact of the new SDF – as well as political and public support for it.

6) The PIF: A Case Study for Inspiration

President Trump explicitly cited Saudi Arabia's PIF as the inspiration and benchmark for the new American sovereign fund, expressing ambitions to match or surpass its size and investment impact. Since its revitalization under Vision 2030, Saudi Arabia's PIF has emerged as one of the world's largest and most strategically significant SWFs, driving the Kingdom's ambitious agenda of economic diversification and modernization (Alsweilem, Lepech, Monk and Rietveld, 2024). Within a relatively short timeframe, the PIF evolved into a critical vehicle for transitioning the Saudi economy away from heavy dependence on oil revenues, demonstrating how a sovereign fund can effectively catalyze national economic transformation.

A large part of the motivation behind the empowerment of the PIF over past decade is a desire to separate long-term investment decisions from bureaucratic decision making, while also fostering market discipline for critical capital and strategic investments. For the U.S. sovereign fund, this

highlights the necessity of establishing investor confidence and encouraging private-sector co-investments through the SDF, thereby addressing skepticism often associated with government-led market interventions and industrial policies.

A second important lesson from the PIF is a commitment to commercial viability. While explicitly supporting Saudi Arabia's national development goals—particularly economic diversification—the fund prioritizes high financial returns and market-oriented investment decisions. Its commercial orientation seeks to ensure maximum financial outcomes and positions it effectively as a partner for private and institutional investors. The U.S. could similarly emphasize commercial objectives and financial performance, albeit while promoting strategic investments in infrastructure, renewable energy, advanced manufacturing, and emerging technologies.

Third, Saudi Arabia has explicitly aligned the PIF with the Kingdom's broader environmental and sustainability goals, notably by committing substantial investments toward achieving net-zero emissions targets. The PIF plays a central role in Saudi Arabia's net-zero strategy, which is an incredibly ambitious transformation of the Saudi Arabian economy. The PIF helps to fund large-scale renewable energy projects and sustainable initiatives designed to transition the economy toward a more sustainable model. The US fund could take on similarly ambitious transformation projects, such as driving the return of domestic manufacturing or ensuring energy independence.

Fourth, the Kingdom of Saudi Arabia's disciplined fiscal management framework, initiated by reforms under Vision 2030, ensures that revenue windfalls, such as those from commodities or asset sales, are consistently invested in long-term projects rather than short-term expenditures (Alsweilem, 2015). A similar level of fiscal discipline would benefit the U.S. by promoting sustainable investment practices and funding sources for the new SDFs, managing volatility effectively, and achieving long-term financial stability.

Finally, the PIF strategically utilizes international partnerships and co-investments to stimulate innovation, technology adoption, and economic growth. The PIF's vision includes leveraging global capital and expertise to incubate new sectors, attract international talent, and accelerate technological advancement. The U.S. sovereign fund can emulate this model to advance domestic priorities, including reshoring critical industries, enhancing innovation, and reinforcing strategic economic interests. At the same time, the pursuit of international partnerships and co-investments by a new U.S. sovereign fund will create opportunities for global SWFs, such as the PIF, to invest in the American market with the support of a U.S. state-owned investor.

In sum, the Saudi PIF provides a valuable institutional model for an effective American sovereign fund: market-based discipline, a commercial mandate, strategic diversification, alignment with sustainability goals, disciplined fiscal management, and strategic global partnerships and co-investments. These principles, in addition to those cited in the section four, will significantly strengthen the potential effectiveness, legitimacy, and sustainability of the new U.S. sovereign fund.

7) Conclusion

Given the United States' current fiscal landscape—characterized by historically high federal debt, chronic infrastructure underinvestment, and intensifying economic competition with rivals like China—a sovereign wealth fund is a tantalizing policy tool to secure long-term economic prosperity and resilience. In the words of the Trump Administration, establishing a new American sovereign fund represents an opportunity to shape the nation's economic potential and secure long-term prosperity for current and future generations. As global examples, such as Singapore's Temasek, Malaysia's Khazanah, Sweden's AP6 and Ireland's Strategic Investment Fund illustrate, a thoughtfully

designed and governed SDF can drive industrial development, economic diversification, foster innovation, and catalyze growth in sectors vital to national interests and security, all the while delivering high returns.

However, achieving these ambitious objectives requires more than a bold vision—it demands rigorous implementation guided by independent governance, strategic clarity, and disciplined investment practices. To succeed, the new American sovereign fund must prioritize independence and commercial discipline, clearly delineating governance roles and responsibilities to build credibility with domestic stakeholders and international investors alike.

In operationalizing the fund, policymakers must vigilantly guard against common pitfalls: avoiding redundant investments that existing market or governmental entities could achieve independently, mitigating unintended consequences by continuously investing in internal analytical capabilities, and rigorously evaluating investments to prevent projects with negligible long-term benefits. By proactively addressing these risks, the fund can ensure sustained economic impact and avoid wasting valuable public resources.

Additionally, funding this ambitious initiative requires a pragmatic, creative approach. Policymakers should thoroughly evaluate multiple avenues—including fiscal restructuring, resource revenues, asset monetization, licensing opportunities, and innovative financial instruments—to ensure a resilient and diversified financial foundation.

The United States has a proud history as a global innovator in institutional investing. Now, it must leverage this legacy to establish an exemplary SDF capable of addressing critical contemporary challenges: infrastructure revitalization, energy independence, economic diversification, and technological leadership, all the while driving high investment. This pivotal moment demands decisive action and bipartisan support to build an institution that transcends political cycles, delivers sustainable benefits and prosperity to the American people, and sets an example to the global SWF community.

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