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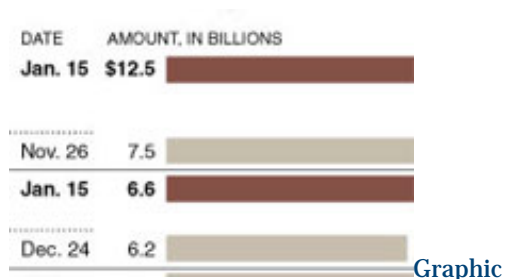
By [LONDON THOMAS Jr.](#)

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First hard-pressed Wall Street banks turned to rich foreign governments for help. Now, they are seeking aid from the likes of New Jersey and big mutual funds to bolster their weakened finances.

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**Citigroup** and **Merrill Lynch** said on Tuesday that they were raising a combined \$19.1 billion from parties that range from government-backed funds in Korea and Kuwait to New Jersey's public pension fund and **T. Rowe Price**, the big mutual fund company. Other investors include a large bank in Japan, a hedge fund in New York and private investors in the Middle East.

While so-called **sovereign wealth funds** are investing the most, the emergence of new investors like New Jersey underscores the rising aversion on the part of United States banks to being seen as beholden to foreign governments. In recent months Citigroup, Merrill and several other banks have sold multibillion-dollar stakes to foreign government funds.

The latest sales came as Citigroup reported a \$9.83 billion loss for the fourth quarter, the biggest loss in its history, and Merrill prepared to disclose further huge charges on Thursday. Banks worldwide have written down the value of mortgage-related investments by more than \$100 billion, and some analysts warn that figure could double as the mortgage crisis grinds on.

Citigroup's new round of capital-raising was headlined by a \$6.8 billion investment by the Government of Singapore Investment Corporation, the investment arm of the Singapore government, and a smaller investment by the Kuwait Investment Authority.

Capital Research, a big United States investment firm, and Prince **Walid bin Talal** of Saudi Arabia — both longtime Citigroup shareholders — are also investing, along with the New Jersey Division of Investment and **Sanford I. Weill**, Citi's former chairman and chief executive.

Merrill Lynch, meantime, is raising \$6.6 billion, mostly from the Korean Investment Corporation, the Kuwait Investment Authority and the **Mizuho Financial Group** of Japan. Merrill also attracted investment from T. Rowe Price, TPG-Axon, a New York-based hedge fund, and the Olayan Group, a private company based in Saudi Arabia.

"There is still a lot of wealth out there," said **Edward Yardeni**, an independent investment strategist. "The financial institutions are scrambling to shore up their capital but they also want to make sure that they get it from diversified sources. It also gives them political cover and shows that they are not just dependent on the sovereign wealth funds."

Driving all these investments is the assumption that the beaten down stock of Merrill and Citigroup represents good value.

In the case of New Jersey, William G. Clark, the chief investment officer of the state's \$81 billion pension fund, approached both Citigroup and Merrill and agreed to invest \$400 million in Citigroup and \$300 million in Merrill. Even after these investments, the New Jersey fund has an underweight position in financial stocks.

"This fits the strategy of our portfolio," said Susan Burrows Farber, the chief administrative officer of the fund, adding that New Jersey was open to making more of these types of investments.

For T. Rowe Price and Capital Research, which already own shares of Merrill and Citigroup, the decision to increase their stakes may represent less a statement of confidence than a willingness take a new slug of stock and reduce the cost of their substantial positions. TPG-Axon, a \$9 billion fund run by Dinakar Singh, a former Goldman executive, is responding to a capital call from a weakened investment bank for the first time.

Another new presence is the Olayan Group, a private investment company founded by the late Suliman S. Olayan, a Saudi billionaire who made his fortune by investing in areas like food distribution and infrastructure. According to a person with knowledge of the discussions, the investment was headed by Hutham S. Olayan, leader of the group's activities in the Americas and a board member of **Morgan Stanley**.

Mizuho Financial Group is the second largest financial institution in Japan. The Korea Investment Corporation is an investment fund begun by the Korean government to make more aggressive investments with the country's rapidly accumulating foreign exchange reserves.

What remains unclear is how long overseas investment entities will remain patient with United States banks if the financial industry continues to suffer. Since Citic Securities in China invested \$1 billion in [Bear Stearns](#) last fall, sovereign funds have invested over \$50 billion in weakened banks. That is a small amount compared with the \$2 trillion in these funds, to say nothing of additional trillions in central banks and other related entities.

But no one likes to lose money, even funds that have very long investment thresholds.

“At some point these investors will say no,” said Mr. Yardeni. “So far these investment have been value traps as opposed to good value.”

Yet with oil prices increasing, sovereign funds and other government-sponsored funds are likely to generate investment surpluses approaching \$8 trillion in the next five years, according to McKinsey & Company’s research arm.

“What we find is that a lot of this liquidity is still in Treasury bills,” said Diana Farrell, an analyst at McKinsey who has studied these funds. “This is really just the beginning.”

All of which is good news for Mr. Weill, the architect of Citigroup and the conglomerate’s most passionate defender. Even with its newfound capital, Citigroup still has considerable subprime exposure and could well need another infusion from outside investors.

Mr. Weill, the second largest individual shareholder after Prince Walid, said on Tuesday that he had spoken with [Vikram S. Pandit](#), Citigroup’s chief, last week about investing more in the company. Mr. Weill would not disclose the size of his investment, but called it substantial.

“I really believe in the future of this company,” he said.

Eric Dash contributed reporting.

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