

## Temasek Spends More on Investments, Adds Energy Holdings

By Joyce Koh and Sanat Vallikappen

Temasek Holdings Pte, Singapore's state-owned investment company, said it spent the most on new holdings in four years as it added more energy and resources producers to its portfolio.

The company said it made S\$22 billion (\$17 billion) of investments in the year to March 31, boosting assets to a record S\$198 billion. It invested S\$2 billion in FTS International, a U.S. shale energy production service provider which it has a 40 percent stake in, and S\$1.3 billion in The Mosaic Co., a U.S. fertilizer producer.



Temasek struggled to boost its total shareholder return from 4.6 percent in the previous year as Europe's turmoil and the lackluster U.S. economic recovery roiled markets, said Melvyn Teo, director of BNP Paribas Hedge Fund Centre at the Singapore Management University. Photographer: Munshi Ahmed/Bloomberg

The deals helped Temasek weather Europe's debt crisis and a lackluster U.S. economic recovery that roiled markets. Total shareholder return, which includes changes in asset values and dividends, gained 1.5 percent in a year when market volatility reached the highest level since the 2008-2009 crisis, while the MSCI World Index (MXWO) lost 1.7 percent.

"My sense is that Temasek's modus operandi in difficult years is actually to be even more aggressive in terms of its acquisitions," said Eugene Tan, an assistant law professor at Singapore Management University and a nominated member of Parliament who's not affiliated with a political party. "They have the bandwidth to go into many investments, which many others may be somewhat hesitant. It reflects their confidence of what they feel will work out for them in the medium to long term."

The company said yesterday profit declined 16 percent as contributions from units fell amid the global slowdown. Net income dropped to S\$10.7 billion from S\$12.7 billion a year earlier, it said in its annual report. Total shareholder return narrowed from 4.6 percent in the previous year.

### ***'Contagion Risks'***

"We see contagion risks from Europe as potentially significant," Chia Song Hwee, Temasek's head of strategy and credit portfolio, and co-head of portfolio management,



Publication: Bloomberg

Date: 6 July 2012

Headline: Temasek Spends More on Investments, Adds Energy Holdings

China and Singapore, said in a briefing yesterday. "While the environment is going to be very challenging, our financial flexibility and long-term investment stance will allow us to capture and address opportunities."

New investments increased 69 percent from S\$13 billion in the previous year, boosting holdings in North America and Europe to 11 percent of Temasek's portfolio from 8 percent last year, and doubling the energy holdings to 6 percent of its assets.

"We believe that energy and resources will continue to be a growth segment, and has got great long-term potential," said Chia. "We continue to look at opportunities, the values, in this space and invest in them accordingly."

### ***More Divestments***

Divestments totaled S\$15 billion, the most in three years, including shares of Avago Technologies Ltd. (AVGO), PT Chandra Asri Petrochemical, Hutchison Port Holdings Trust, ICICI Bank Ltd. (ICICIBC) and Kaisa Group Holdings Ltd. (1638), it said. In the previous year, the company sold S\$9 billion of its holdings, it said.

Temasek's total shareholder return averaged 17 percent since its inception in 1974. The company had a negative shareholder return of 30 percent in the year ended March 2009 after losses tied to the sale of its stake in Bank of America Corp. and Barclays Plc. (BARC) It then posted a 42 percent increase the following year. The average return was 15 percent over a three- year period, and 10 percent over 10 years, it said.

"Given the market conditions in the last fiscal year were very choppy, the fact that they increased their assets by a few billion is decent," said Vasu Menon, vice president for wealth management at Oversea-Chinese Banking Corp. in Singapore.

### ***Singapore Assets***

Assets in Singapore slid to 30 percent from 32 percent of holdings. The benchmark Straits Times Index (FSSTI) declined 3.1 percent in the year ended March. The firm is the biggest shareholder in half of the 10 biggest companies by market value in the city- state, including DBS Group Holdings Ltd. (DBS) and Singapore Telecommunications Ltd. (ST) The phone operator, Southeast Asia's biggest, was the only one among the five that gained in the past fiscal year.

Holdings in Asia excluding Singapore fell to 42 percent of its portfolio from 45 percent a year earlier, the company said in the report. Investments in Australia and New Zealand made up 14 percent of Temasek's assets from 12 percent a year earlier.

Banks remained the biggest part of the company's holdings even as they made up a smaller portion of the portfolio. Financial services accounted for 31 percent of holdings, down from 36 percent a year earlier, it said. Transport and industrial companies were 21 percent of assets, and those in technology and telecommunications made up 24 percent.



**Publication: Bloomberg**

**Date: 6 July 2012**

**Headline: Temasek Spends More on Investments, Adds Energy Holdings**

Temasek's returns compare with the mixed performance among the world's biggest companies with investments in various industries. Shares of General Electric Co. gained 0.1 percent in the year ended March, while Warren Buffett's Berkshire Hathaway Inc. (BRK/A) fell 2.7 percent. In Asia, Hong Kong billionaire Li Ka-shing's Hutchison Whampoa Ltd. (13), with investments in ports to real estate, slumped 16 percent.

### ***Management Changes***

The state investor has faced changes at the top since the middle of 2009, when it parted ways with former BHP Billiton Ltd. head Charles "Chip" Goodyear, who was going to replace Ho Ching as chief executive officer, over differences in strategy. Simon Israel, a former Temasek executive director and president, retired from his executive and board roles in July 2011, while former President Hsieh Fu Hua stepped down in October.

The company named Lee Theng Kiat, head of its Singapore Technologies Telemedia Pte unit, as president and general counsel on April 1. Boon Sim, former global head of mergers and acquisitions at Credit Suisse Group AG, joined as president for North America on June 1. In January, it hired John Cryan, the former chief financial officer of UBS AG, as president for Europe. Gregory Curl, once a candidate for CEO of Bank of America Corp. (BAC), is its fourth president.

Temasek is ranked ninth among sovereign investors by the SWF Institute, trailing behind funds including those in the United Arab Emirates, Norway and China.