

Publication: Bloomberg

Date: 18 March 2014

Headline: Temasek shows it's more committed than peers with Olam offer

Temasek Shows It's More Committed Than Peers With Olam Offer

By Klaus Wille

March 18, 2014 12:32 AM EDT



Temasek offices in Singapore

Temasek Holdings Pte unit's offer to take over Olam International Ltd. (OLAM) shows Singapore's investment firm is more active compared with other state-owned investors, according to the Sovereign Investment Lab.

Breedens Investments Pte on March 14 said it proposed to purchase Olam in a deal that values one of the world's top three coffee and rice traders at S\$5.3 billion (\$4.2 billion). Breedens is offering S\$2.23 cash per share, a 12 percent premium to Olam's closing price of S\$1.995 before the bid.

Temasek, which defines itself as "an active investor and shareholder," owns equity stakes of 10 percent or more in at least 35 listed companies, while China Investment Corp. only has three similar-sized holdings, according to data compiled by Bloomberg. Norway's state fund, the world's biggest, is banned from owning more than 10 percent, according to its website, and Korea Investment Corp. doesn't own stakes of more than 1 percent in major listed companies, according to Bloomberg-compiled data.

"When Temasek gets in, they go for control," said Bernardo Bortolotti, director at the Sovereign Investment Lab at Bocconi University in Milan, which researches and publishes annual reports on state funds. "This is a very rare strategy in the space of state investors. Most funds are reluctant to play this role."

Jeffrey Fang, a spokesman for Temasek, declined to comment.

Temasek, which owns 24 percent of Olam according to data compiled by Bloomberg, is the company's biggest shareholder. It increased its stake after concerns raised by short-seller Carson Block in November 2012 caused the stock to plummet.

'Highly Unusual'

"It is highly unusual for investment companies to seek full control of a business," Alan Greene, a senior credit officer at Moody's Investors Service wrote in a note yesterday.

Greene added that the offer is credit negative for the investment firm, citing a high concentration of investment in Singapore-listed companies and the large size of each shareholding that reduces portfolio liquidity.

Publication: Bloomberg

Date: 18 March 2014

Headline: Temasek shows it's more committed than peers with Olam offer

Having big stakes in companies can increase the risk of a portfolio, said Melvyn Teo, professor of finance at Singapore Management University.

"There is also the potential moral hazard problem where companies linked to Temasek can adopt high-risk growth strategies and count on Temasek to bail them out should those strategies fall out of favor with the stock market," Teo wrote in an e-mail.

Temasek will continue to support Olam, said Victoria Barbary, director at London-based Institutional Investor's Sovereign Wealth Center, a provider of research and data on sovereign investors.

"Temasek has poured an awful lot of money into Olam," Barbary said. "I think they have been quite active on the board as well. They clearly think the company has good fundamentals."

Standard Chartered

Olam's case isn't the first time Temasek has taken an active role in companies it has invested in.

The state investor in May 2012 declined to back the election of non-executive directors at British lender Standard Chartered Plc (STAN), asking the bank to hire more independent directors, a person with knowledge of the situation told Bloomberg News at the time. Temasek is the biggest shareholder of the London-based lender, owning 18 percent, according to data compiled by Bloomberg.

Companies in Temasek's portfolio are guided and managed by their respective boards and management and the state investment firm does not direct their business decisions or operations, according to its website. In general, Temasek is not represented on the boards of its portfolio companies, it shows.

Temasek promotes "sound corporate governance" in its portfolio companies by supporting high caliber, commercially experienced and diverse boards to complement management leadership," it says on its website. "By leveraging its wide network of contacts, Temasek can suggest qualified individuals for consideration by the respective boards."

Standing Out

"They are certainly not involved in the day-to-day operations of their holdings," said Song Seng Wun, a Singapore-based economist at CIMB Group Holdings Bhd. "But they want to know about the general direction of the company."

That's what sets them apart from most other state-owned investors, which are more passive and are "just collectors of dividends," Song said.

Founded in 1974 to nurture the development of the city-state's companies, Temasek is the largest investor in four of Singapore's 10 biggest publicly traded companies, including Singapore Telecommunications Ltd. (ST) and DBS Group Holdings Ltd. (DBS) About half of the 35 firms in which it owns stakes of more than 10 percent are not based in Singapore, according to data compiled by Bloomberg.

Publication: Bloomberg

Date: 18 March 2014

Headline: Temasek shows it's more committed than peers with Olam offer

Sovereign investors "in general are pretty passive," said CIMB's Song. "However, among those passive investors, Temasek is one of the most active."

To contact the reporter on this story: Klaus Wille in Singapore at kwille@bloomberg.net

To contact the editors responsible for this story: Andreea Papuc at apapuc1@bloomberg.net Tomoko Yamazaki