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Temasek Holdings Pte is increasing investments in consumer, technology and health-care companies as Singapore's state-investment firm becomes less reliant on financial assets.

The value of its holdings increased 3.7 percent to a record S$223 billion ($179 billion) in the 12 months to March 31 from the previous year, while total shareholder return, including dividends, shrunk to 1.5 percent from 8.9 percent, it said in its annual review yesterday. The value of its holdings rose 8.6 percent in the year to March 2013.

Temasek put $1 billion in U.S. biopharmaceutical firm Gilead Sciences Inc. last year and has made multiple investments in China's Alibaba Group Holding Ltd. as Chief Executive Ho Ching steered Temasek's focus to newer industries with the potential for higher returns. By contrast, the proportion of financial holdings stood at the lowest since 2008 as the value declined.

"This is a new trend in their investment style and we will see more of that in the future," said Melvyn Teo, professor of finance at Singapore Management University. "They are focusing on highly specialized firms in areas like health care. At the same time they continue to keep an eye on the growing middle classes, mainly in emerging economies."

Temasek's share of financial assets, which stood at 40 percent in 2008, declined by one percentage point to 30 percent in the year ending March 31. Its holdings in life sciences, consumer and real estate increased to 14 percent from 12 percent in 2013, according to the annual review.

'Emerging Needs'

"As an owner investor for the long term, we are ready to support new ideas to address emerging needs and opportunities, like health care for an aging population, personalized medicine, or e-commerce," President Lee Theng Kiat said in a statement yesterday.

The firm's total shareholder return averaged 16 percent since inception in 1974. The average return was 10.9 percent over a five-year period, it said.

The Standard & Poor's 500 Index rallied 19 percent in the year ended March while the Stoxx Europe 600 Index climbed 14 percent, outpacing the 1.8 percent return for the MSCI Asia Pacific Index. The Singapore benchmark stock gauge lost 3.6 percent in the year.

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Active Investor

Temasek made S$24 billion of new investments last year, up from S$20 billion a year earlier, it said.

"This year has been one of our most active years for new investments -- the most active since the global financial crisis -- driven by softer Asian markets of interest, as well as the continued recovery of the global economy," Chairman Lim Boon Heng said in the statement.

The city-state's investment firm boosted its stake in the U.S. health-care industry in the first quarter. It bought 5.3 million shares in Thermo Fisher Scientific Inc. (TMO), a manufacturer of scientific instruments and chemicals, directly or through its units, and 1.6 million shares in BioMarin Pharmaceutical Inc. (BMRN), a developer of therapeutic enzyme products, according to a May 15 filing with the U.S. Securities and Exchange Commission.

Temasek's liquefied natural gas unit Pavilion Energy Pte said in November it will pay $1.3 billion for a 20 percent stake in three gas blocks off the shore of Tanzania in east Africa.

'Great Dance'

Divestments declined to S$10 billion from S$13 billion a year earlier as Temasek sold shares of Bharti Telecom Ltd. and Seoul Semiconductor Co., it said.

There's "no great dance of joy with this latest set of results," said Song Seng Wun, an economist at CIMB Research in Singapore. "It's a case of steady as she goes as Temasek was able to offset small losses from their core holdings of Singapore and Chinese equities with divestment proceeds, dividends and distributions."

Investments in Alibaba, Seven Energy International Ltd. in Nigeria, and a gas investment in Tanzania "will certainly help boost their returns in the medium and long term," he said.

Assets in Singapore rose to 31 percent from 30 percent of its holdings, it said. Investments in the rest of Asia were unchanged at 41 percent, while those in North America and Europe rose to 14 percent from 12 percent.

Financial Holdings

Financial services, which had accounted for 31 percent of Temasek's assets in the year to March 2013, fell to 30 percent and remained the biggest industry for Temasek's portfolio. Stakes in China Construction Bank Corp. (939), Standard Chartered Plc (STAN) and DBS Group Holdings Ltd. (DBS) are Temasek's biggest assets by value after the holding in Singapore Telecommunications Ltd. (ST), according to data compiled by Bloomberg.

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Temasek raised stakes in Hong Kong-based insurance company AIA Group Ltd. to more than 3.5 percent and lifted its stake in the Hong Kong-traded H shares of Industrial & Commercial Bank of China Ltd. to 8.9 percent. It also took a 1.1 percent stake in Lloyds Banking Group Plc.

“We see financial institutions and banks as a key proxy to basically leverage the transformation of economies,” said Rohit Sipahimalani, co-head of the firm’s investment group. “We continue to see banks and financial institutions being a key part of our portfolio going forward.”

Temasek remains “very optimistic” about the Chinese economy over the long term, head of China, Wu Yibing, said.

The financial institutions “have ample capability to weather the current storm and be able to adjust to the risks they are facing,” Wu said. “We remain comfortable with our stakes and we will continue to invest in the financial institutions because they are a good proxy for the long-term growth of the Chinese economy.”

Net income widened to S$10.9 billion from S$10.6 billion a year earlier, Temasek said. Holdings in so-called large blocks, or stakes of more than 20 percent in companies, dropped to 34 percent of its portfolio from 38 percent, according to the annual review.

Evolving Investments

Temasek originally served as an owner of shares in former state-owned companies and began directly investing in foreign equities in 2002. It has 10 offices worldwide in addition to its headquarters, with the latest opening in New York last month. It is the world’s 10th-biggest state investor, according to the website of the Institutional Investor’s Sovereign Wealth Center.

Among companies with holdings in various industries, shares in Warren Buffett’s Berkshire Hathaway Inc. (BRK/A) increased 20 percent in the year to March 31, while Hong Kong billionaire Li Ka-shing’s Hutchison Whampoa Ltd. (13), with investments in ports, real estate, telecommunications and infrastructure, surged 27 percent.