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Headline: Temasek's China bank help boost results

Temasek's China bank gains help boost results

By ALVIN FOO

THE sale of its shares in Chinese banks has likely helped Temasek Holdings cushion any shortfall arising from the European debt crisis over the past year, analysts say.

They also predict that Temasek's portfolio numbers for the year ended March 31, usually released this month, are unlikely to be very different from levels seen a year earlier.

Last year, the Singapore investment company said its portfolio value reached a record $193 billion as of March 31, eclipsing the previous year's peak of $186 billion. However, its one-year total shareholder return – a measure of how hard the investment funds are working – dropped significantly to 4.6 per cent from 42 per cent the previous year.

This was partly due to a strong Singapore dollar, which depressed gains made from overseas investments in currencies like the United States dollar, Temasek said.

Analysts forecast that the euro zone crisis and weak US economy will affect Temasek's latest numbers.

CIMB regional economist Song Seng Wun said: "It was a more difficult year. On aggregate, we are unlikely to see a repeat of the previous year's performance.

"The key question is whether their trades in the Chinese banks' shares helped to cushion losses elsewhere."

Associate Professor Melvyn Teo, director of the BNP Paribas Hedge Fund Centre at the Singapore Management University, does not expect the returns to be too different from the 4.6 per cent seen last year.

He added: "Overall poor investor sentiment and an increasing risk aversion will mean that it is unlikely that Temasek will report earth-shattering results.

"The gains made from some of their China stock picks have been offset by the weak global equity market."

One key highlight was Temasek's reduction of stakes in Bank of China and the China Construction Bank in July last year, moves which reportedly raised as much as US$3.6 billion (S$4.55 billion) for the firm.

However, these gains may have been offset by losses from the underperforming resource sector and emerging markets, noted Mr Song.

For instance, shares of US gas producer Chesapeake Energy sank 31 per cent as of March 31.

During the same period, the Straits Times Index in Singapore, where Temasek has 32 per cent of its assets, fell around 3 per cent.

Mr Gregory Curl, Temasek's president and head of Latin America told an industry conference in Hong Kong last month that investment returns in the asset management industry will be lower compared with historical gains.

He said that the industry is expected to see smaller returns on anticipation that the outlook would be difficult for years.

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