

New investment framework for GIC

It gives public more clarity on GIC's approach, observers say

By **ALVIN FOO**

GIC has implemented a new investment framework which will give it more flexibility to achieve sustainable long-term returns and meet the challenges of the post-global financial crisis world.

In a bid to become more transparent, GIC also revealed for the first time the strategic asset allocation of its investment portfolio.

The framework was implemented on April 1 and resulted from a review done last year.

GIC chief investment officer Lim Chow Kiat said: "The new framework defines more clearly GIC's risk and return drivers, its long-term investment objectives, and the responsibilities of the GIC board and management."

This is GIC's second major review of its investment approach since its 1981 inception. The first

review, about a decade ago, saw GIC raising its risk tolerance and allocation to public equities while lowering the need for liquidity.

Observers say the new framework gives the public more clarity on GIC's approach. CIMB regional economist Song Seng Wun said: "It's telling the public 'this is how we are managing your money'. It makes GIC less of a mystery."

The new framework has three aspects.

First, there is a reference portfolio based on a 65:35 mix of global equities and global bonds, and which defines the risk amount the Government is prepared for GIC to take. This is a generally accepted passive alternative for a large global investor like GIC.

Second, there is the policy portfolio which aims to achieve superior returns over the long term.

The policy portfolio, which is

approved by the GIC board, has been simplified from 13 asset classes to six core ones: developed market equities, emerging market equities, nominal bonds and cash, inflation-linked bonds, private equity and real estate. This enables a better focus on the core drivers of long-term returns.

For instance, developed market equities will comprise between 20 per cent and 30 per cent.

The third aspect is the active portfolio which is overseen by the GIC investment board committee.

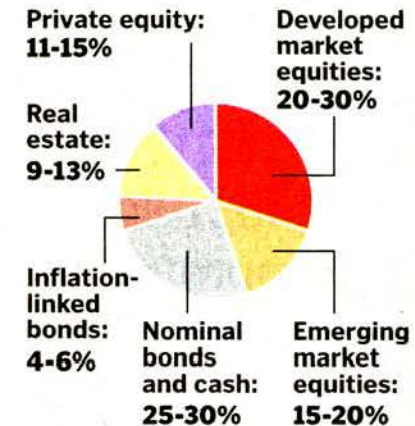
This offers GIC's management room to adopt active investment strategies aimed at adding value to its policy portfolio. The approach also allows strategies to be funded by a combination of different asset classes, unlike previously where it was confined to individual asset classes.

These aspects will help GIC determine its portfolio.

APS Asset Management chief investment officer Wong Kok Hoi said: "This is a state-of-the-art investment framework which al-

GIC'S POLICY PORTFOLIO

GIC reveals its strategic asset allocation for the first time, as it seeks to be more transparent.



NOTE: These asset classes represent the key systematic or market risks, and encapsulate the bulk of the risk and return potential of the GIC portfolio.

Source: GIC
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lows GIC to better analyse and dissect each investment."

Singapore Management University associate professor of finance Annie Koh said: "It's timely, given that the future of finance is more challenging. It's about skills, not just to be passive, it requires you to take ownership but without taking excessive risk."

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