

Temasek's a 'one-of-a-kind sovereign wealth fund'

It is not a govt fund manager; it pays taxes, has equity focus: Lim Boon Heng

By CHIA YAN MIN

TEMASEK Holdings is usually lumped together with other sovereign wealth funds, yet it is a unique body that shares few characteristics with these organisations, said chairman Lim Boon Heng yesterday.

Mr Lim told a conference in Singapore: "Defining Temasek is not easy: We have not found another entity that does exactly what we do."

He ran through the many points of difference, which range from the investment company's strategies to its relationship with the Government.

Temasek, he noted, owns its assets outright as a commercial investment company and is not a fund manager for the Government like most sovereign wealth funds.

It also pays taxes - "no different from other companies", added

Mr Lim, a former politician who became Temasek chairman in August.

While most sovereign wealth funds invest in broadly liquid and globally diversified portfolios, Temasek mostly puts its money in equities.

This is riskier and accompanied by higher volatility, but also comes with an "expectation of higher long-term returns", said Mr Lim, who was speaking at a sovereign wealth fund conference at the Singapore Management University.

"We have the full flexibility to take concentrated risks, whether in owning up to 100 per cent of a portfolio company, or in deploying most of our investments into a concentrated geography."

Temasek's investments are mostly concentrated in Asia, including Singapore, with about 25 per cent exposure to countries in the Organisation for Economic



Contributions from Temasek Holdings, GIC and others comprise about 2.2 to 2.6 per cent of gross domestic product, and boost government budget revenues by about 15 per cent. PHOTO: BLOOMBERG

Cooperation and Development.

Mr Lim noted that Temasek tracks asset performance over the long term and is under "no pressure to sell if the long-term outlook remains positive".

However, it sometimes chooses to sell even when it would record a realised loss.

"(We) take money off the table where it isn't working for us the way we want it to," he added.

Temasek's portfolio was valued at \$215 billion as at March this year - 10 per cent higher than the previous year in US dollar terms.



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— Temasek chairman Lim Boon Heng (left)

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Mr Lim also highlighted the contributions Temasek makes to Singapore through the annual dividends it distributes to its sole shareholder - the Government.

Temasek's payouts mean the Government does not need to tax the economy and working population as much, noted Mr Lim.

Contributions from GIC, Temasek and others comprise about 2.2 to 2.6 per cent of gross domestic product, and boost government budget revenues by about 15 per cent.

While it is Temasek's sole shareholder, the Government is not consulted on the investment company's day-to-day business and does not direct its investment decisions, said Mr Lim.

This clear separation between the Government's roles as policymaker and shareholder is for the "larger good of Singapore".

He cited the Government's policy of developing Singapore into a vibrant air hub, an aim that takes precedence over its interests in Singapore Airlines as a company.

Australian carrier Qantas, for example, was given a licence to base its budget airline Jetstar here.

Temasek makes investment decisions based on commercial principles and promotes sound corporate governance in its portfolio companies, added Mr Lim.

The two-day conference, which ends today, also featured prominent speakers such as Nobel laureate Thomas Sargent from New York University and Nobel laureate designate Robert Shiller from Yale University.

Asset management firm Amundi organised the event, which attracted more than 250 academics and representatives from sovereign wealth funds.

✉ chiaym@sph.com.sg