

# TEMASEK --- HOLDINGS

**Temasek Review 2009 Media Conference  
17 September 2009, Singapore, 2:00pm**

**Opening Remarks by Ms Ho Ching  
Executive Director and CEO, Temasek Holdings**

## **Introduction**

1. Good afternoon, thank you all for making the time to join us today, particularly those who came from overseas for this press conference, special thanks.
2. You have just heard the earlier briefing from our CFO and some of my senior colleagues.
3. I will first cover some background information, and then touch on a few key points from the earlier briefing, before I take questions.

## **Background**

4. Let me first explain that we are an exempt private company under the Singapore Companies Act. We provide our full audited financial report to our shareholder every year, and we are exempted from releasing our financials publicly. We have chosen to publish our group financial summary in our *Temasek Review* every year since 2004. Our *Review* also highlights, which for us, is an important thing, our portfolio

returns over various time horizons and outlines major systems and governance processes that we have put in place with the long term in mind.

5. This year, we are 35 years old. We continue to keep an eye on the future as a long term investor. Our stance is to maintain a steady course, strengthen and reshape our portfolio, and invest in our people and in our wider community.
6. I will next cover our performance, our investment posture, our institution building, and our outlook.

## **Our Performance**

7. As you are aware, the global financial and economic crisis started brewing in 2007, and boiled over in 2008 last year. This was the most serious crisis since the Great Depression in the 1930s.
8. In March this year, our portfolio value was S\$130 billion. This is up from S\$90 billion five years ago, but down from March last year. Markets have since steadied. As of July this year, our portfolio value rose by S\$42 billion to reach S\$172 billion. This is 93% of our peak year end value of S\$185 billion last March.
9. Our long term Total Shareholder Return or TSR was a healthy 16% compounded annually since our inception 35 years ago<sup>1</sup>. This remains one of our key performance

---

<sup>1</sup> S\$1,000 invested in Temasek at inception would be worth S\$180,000 in March this year and more than S\$250,000 in July 2009, when the portfolio value rose from S\$130 billion on 31 March 2009 to S\$172 billion on 31 July 2009.

measures. We have a steady 13% compounded annually for our 20-year TSR.

10. For the medium term, our five-year TSR was 6% by market value and 11% by shareholder funds. Our short-term one-year TSR was minus 30% by market value and minus 18% by shareholder funds. This was mostly due to the fall in the market values of our portfolio companies.
11. We see ourselves investing as a long term owner of our assets. We are not a fund manager, and do not invest against a benchmark. However, we are often asked how our performance would compare against the various equity indices, so we have provided them in our earlier briefing for your easy reference. As you can see, our returns have been creditable over various time periods and over different parts of the market cycle. This is largely because we have grown with Singapore and Asia, and we have a robust portfolio underpinned by our core blue chips.
12. Our Group net profit was S\$6 billion in March this year, compared to the record of S\$18 billion last March. This decline reflected the lower contributions from our portfolio companies, particularly the subsidiaries, and from our own investment activities.

## **Our Posture**

13. In terms of our investment posture, we have stayed the course with a focus on the long term.
14. Our book value remains healthy at S\$118 billion at the group level.
15. We have been building up our liquidity methodically over the last two years, as we were mindful of a possible downturn. This gave us a good net cash position, and a lot of flexibility during a time when credit was very tight around the world. We had the opportunity to participate in the rights issues of several of our portfolio companies, including StanChart and DBS. We are happy with these investment calls. We were also able to invest selectively during the year.
16. Altogether, we made investments of S\$9 billion including S\$3 billion into the various rights issues. We also had S\$16 billion of divestments, including the sale of two of our power generating companies to reputable and long term operators.
17. Our earlier push into Asia over the last five to seven years has paid off. Despite the “once in 60 or 70 years” downturn, the investments we made after 2002 gave us annualized returns of 19% as of March this year, compared to 9% for the older investments which we had made or held prior to 2002.
18. While we had half expected some kind of cyclical correction, we were not sure when or how it would be triggered. We certainly did not anticipate the speed or the depth of last year’s global financial crisis. Nor did we expect the crisis to

originate from the US. However, our early move to increase our net cash position has served us well.

### **Building Our Institution**

19. On the institution building front, we continue to emphasize the long term owner mindset. As I had explained on other occasions, we like to invest like a knowledgeable and responsible 35 year old with a family who has the right balance between conservatism and risk taking – conservatism to try to survive all sorts of unexpected troubles, balanced against the risk taking appetite of someone with a long runway ahead to take risks for long term returns. We are investing not for today or tomorrow but really for future generations. This is what we mean when we say that we aim to create and deliver sustainable long term value for our shareholder and other stakeholders.
20. One important aspect of our culture is the owner mindset in our people – we “Think Owner, Act Owner”. To reinforce this, we have put in place a well-balanced compensation framework over five years ago. This framework fosters a one-team culture, emphasizes long term over short term, and aligns employee and shareholder interests over the short, medium and long term. Since 2004, senior management have the bulk of their bonuses and incentives deferred between three and 12 years, and subject to sustained performance.
21. We deliver a positive Wealth Added when we exceed portfolio hurdles that we have set for ourselves. When we don’t meet

- our portfolio hurdles, we have what is called a negative Wealth Added. This then results in a clawback of the deferred bonuses.
22. Our negative Wealth Added for March last year resulted in the clawback of long term deferred bonuses for our staff sometime the second half of last year. The negative Wealth Added for March this year will translate to additional clawbacks this year for the remaining deferred staff bonuses.
  23. Another responsibility which we take seriously is our contribution to the progress and well-being of the communities around us.
  24. We launched *Temasek Cares* on 25<sup>th</sup> June this year, to commemorate our 35<sup>th</sup> anniversary. We donated S\$100 million to Temasek Trust as an endowment gift for *Temasek Cares*. Funding for this endowment came from provisions which we have set aside for community contributions since 2004, for every year that we have achieved returns above our portfolio hurdles. *Temasek Cares* supports the disadvantaged and the needy in Singapore, or their caregivers, to help them be self-reliant or to provide them a second chance to rebuild their lives. This community support will complement the work of Temasek Foundation and other non-profit organizations that we sponsor. For our staff, this is an added purpose for them to deliver sustainable long term return, so that Temasek Trust and the various philanthropic organizations can continue their good work in Singapore and Asia.

25. I am also glad to see the strong culture of staff volunteerism among our team. Our staff volunteers support community programmes such as the leprosy association or the yellow ribbon initiatives. They have raised over S\$1 million for charity last year. This includes over S\$200,000 for educational causes when 21 of our colleagues climbed Mount Kinabalu in April last year. In July this year, nine of them climbed Mount Kilimanjaro in Africa. They raised over S\$300,000 for the Make-A-Wish Foundation to support more than 100 children with life-threatening illnesses.

## **Outlook**

26. Looking ahead, we believe the worst of the global meltdown risks are behind us. While there are some “green shoots of growth”, some structural risks still remain for the medium term.

27. These include the deleveraging that is taking place. Supply and demand also need to adjust to a new base in the real economy. This will take time. Protectionism is another medium term risk. The global economy is expected to have a sluggish recovery in 2010.

28. For Temasek, our Value-at-Risk, or VaR, is estimated at about 20% of our portfolio over 12 months. This is similar to the % VaR last March. This means an 84% probability, a reasonably high probability, that our portfolio value will rise, or may fall at most by 20%, over the 12 months to March next year. Conversely, it means a 16% probability that our portfolio value may fall more than 20%, over 12 months.

This is a theoretical estimate. We provide this estimate to give the public and our shareholder a forward feel of the kind of annual changes that they can expect to see in the market value of our portfolio up to March next year.

29. Overall, notwithstanding the VaR, we remain optimistic about Asia's potential. This includes Singapore.
30. We believe that as Asia progresses, it will continue to de-risk. We are comfortable to overweight Asia. We are also adding exposures to other growth regions like Latin America. Our portfolio exposure today is almost equally balanced between the more developed economies and the newer growth regions.
31. Against this backdrop, we will continue to review our portfolio regularly, rebalancing it where necessary. At the core of our thinking, we remain a long term owner and investor, focused on building a robust portfolio that can deliver sustainable returns over the long term. Up till now, I am happy that we have basically delivered to that commitment. For this, we have to thank the many capable and dedicated people, the workers, management and boards, past and present, both in our portfolio companies and in Temasek. Their tireless and tenacious contributions over the years have built up the reserves and assets of Temasek.

That concludes my summary. I am happy to take questions.