

A full-page background image showing the silhouettes of two fishermen on a boat. They are positioned on a wooden structure, possibly a mast or deck, against a dramatic sunset sky filled with orange and yellow clouds. The boat's rigging and a large net are visible in the foreground, creating a complex geometric pattern of dark lines. In the distance, a city skyline is visible on the horizon.

# Risks & Opportunities

TEMASEK REVIEW 2008

**TEMASEK  
HOLDINGS**

## Institutional Overview

**Headquartered in Singapore, Temasek Holdings is an Asia investment house with a 350-strong international team.**

Formed in the tumultuous era of high oil prices and spiralling food costs in the 1970s, the midwives at our birth were risks and opportunities.

We inherited a portfolio of some 30 state venture investments laden with emerging market risks – a shoe manufacturer, naval and port dockyards turned into commercial ship repair companies, a joint venture to produce bottled chicken consommé, a budding airline on an island state, smaller than New York City, less than half the size of London and one tenth the size of Shanghai. But Temasek was also an opportunity in 1974 for a commercially disciplined and independent investment mandate to achieve sustainable long-term returns. This freed the Singapore government to focus on the economy as a whole.

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**Our mission is to create and maximise long-term shareholder value as an active investor and shareholder of successful enterprises.**

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When Singapore policymakers decided to liberalise the provision of basic services in the early 1990s, additional state-owned assets were transferred to Temasek. Risks and opportunities again – risks of becoming irrelevant as markets opened up, and opportunities to grow beyond an island of under four million people. Today, these corporatised assets have become household names in the infrastructure of Singapore and

further afield – Singapore Telecommunications, Singapore Power and PSA International.

In the intervening years, Asia faced many challenges – some originating within Asia, others seeded by the US recessions of the 1970s and 1980s, or the oil shocks emanating from OPEC decisions. The late 1990s saw the destructive force of the Asian financial crisis ricocheting to Russia and elsewhere in the world, and setting back the Asia economic miracle. But it was Asia's deep undercurrent of transformation through better governance to bring hope and opportunities to its billions, which emboldened us to embed Temasek in the larger canvas of a fast changing and developing Asia.

Growing with our blue chip companies and our direct investment activities, Temasek now owns a net portfolio of about S\$185 billion or US\$134 billion, weighted towards Singapore and Asia. We are an active shareholder and investor in diverse industries covering banking & financial services, real estate, transportation & logistics, infrastructure, telecommunications & media, bioscience & healthcare, education, consumer & lifestyle, energy & resources, engineering as well as technology.

As an active shareholder, we encourage a culture of excellence and meritocracy, thoughtful leadership and sound governance in our portfolio companies. These form the foundation for developing people and building outstanding and lasting businesses.

As an active investor, we seek to optimise our long-term returns within our risk-reward framework. We have flexible investment horizons and have the option of taking concentrated positions or remaining in cash.

Our investments are centred on four themes:

- Transforming economies
- Growing middle class
- Deepening comparative advantages
- Emerging champions

Temasek has a corporate credit rating of AAA/Aaa by Standard & Poor's and Moody's respectively. Our investments are funded through dividends we receive from our portfolio companies, our divestment proceeds, commercial borrowings, a maiden Yankee bond issue in 2005 and occasional asset injections from our shareholder, the Minister for Finance (Incorporated).

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# 18%

## Compounded annually

Total Shareholder Return since inception

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We have a dividend policy which pays dividends to our shareholder regularly, and like other commercial companies, we pay taxes wherever we operate. Inclusive of dividends we distribute, and net of any new capital, our Total Shareholder Return is more than 18% compounded annually since inception.

Our investment, divestment and other operational decisions are made by our Board and management, independent of our

shareholder. Additionally, provisions in the Singapore Constitution grant the elected President of Singapore a veto right over certain governance matters including the appointment and removal of our Board members or CEO, and the protection of reserves built up in Temasek over the years.

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*"Temasek's investments are commercial decisions, taken independently of Government. We do not direct or influence individual investments by Temasek. The investments are the prerogative of Temasek's Board and management."*

*Tharman Shanmugaratnam, Minister for Finance  
Replying to a query in the Singapore Parliament  
14 November 2006*

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As a long-term investor, we have a stake in the lives and well-being of our fellow men. We recognise that social, environmental and governance factors can impact the larger community as well as the long-term sustainability of companies and businesses.

We actualise our commitment as a responsible corporate citizen by supporting efforts that build people and communities through education, healthcare and research; build bridges between peoples through deeper understanding and friendship; build better governance through a culture of integrity and excellence; and rebuild lives and livelihoods devastated by major natural disasters. We have committed almost S\$1 billion over the last decade to fund research institutions, scholarships and other public good beneficiaries, of which S\$500 million was endowed to the Temasek Trust in May 2007.