



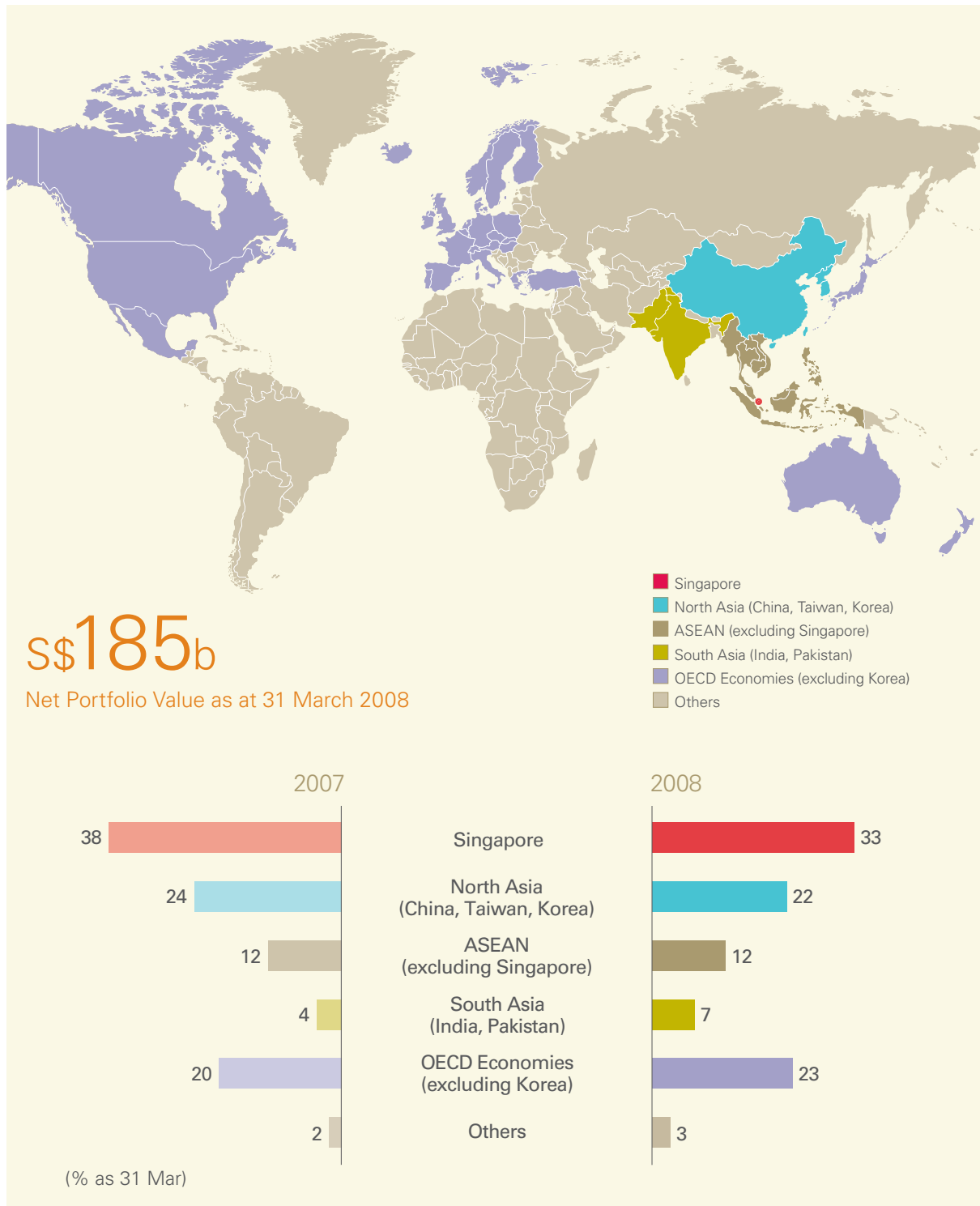
Balancing deftly on high-rise bamboo scaffolding in HONG KONG SAR



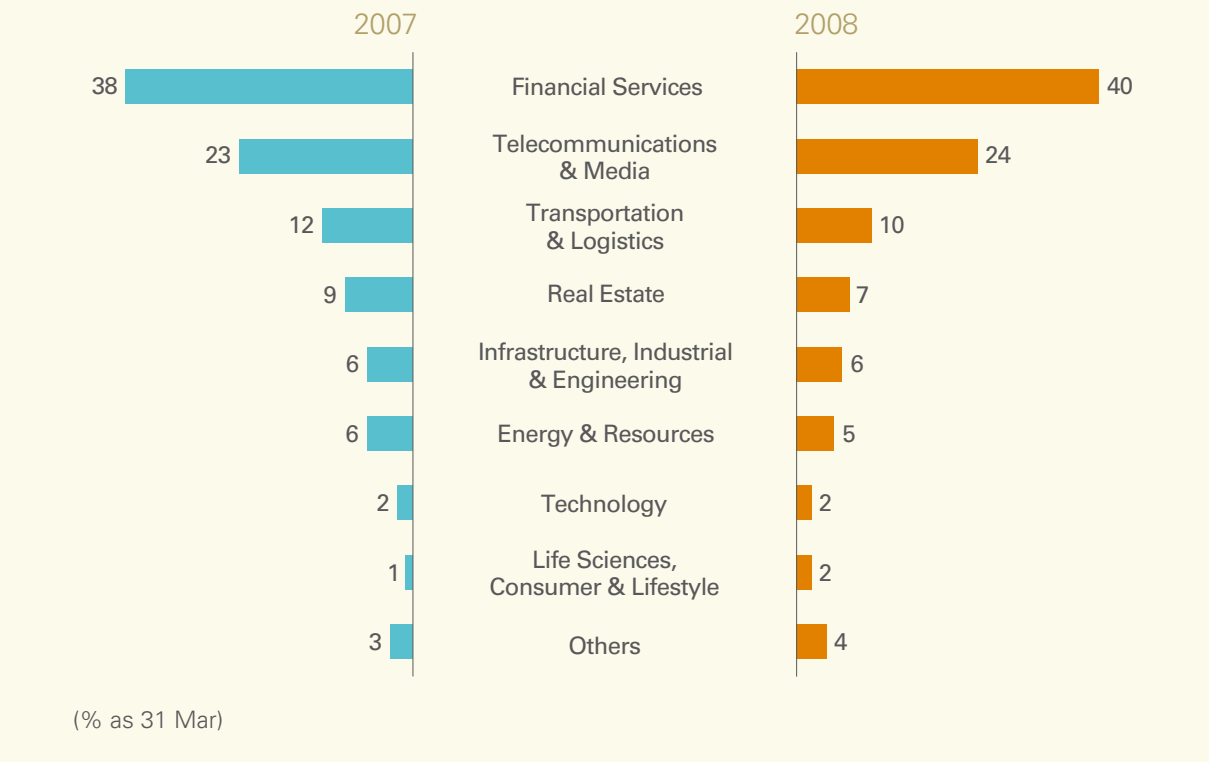
Portfolio Highlights

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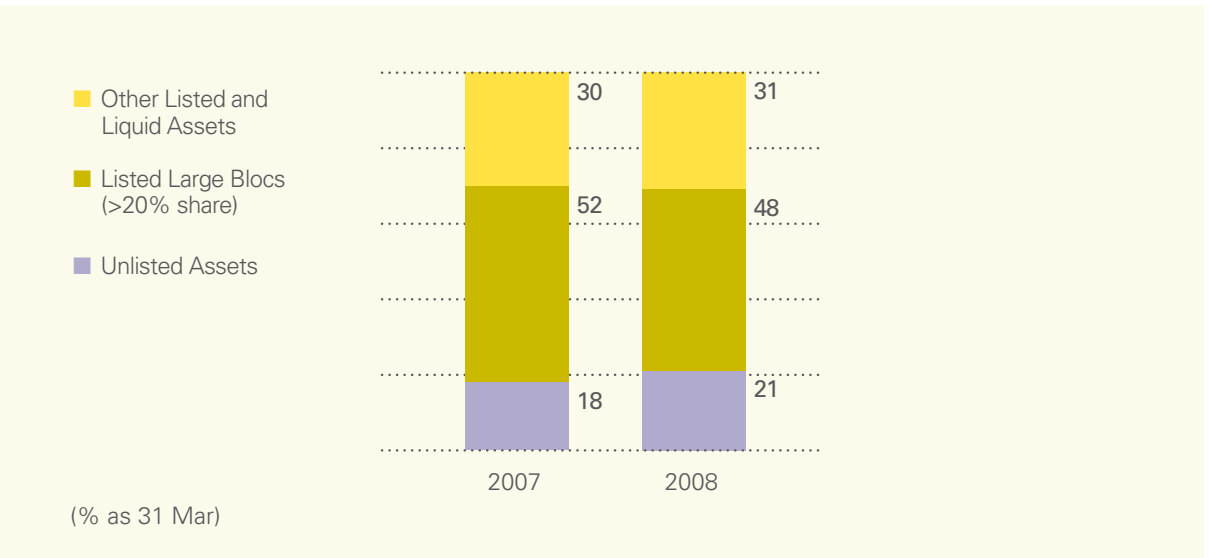
Portfolio by Geography (%)



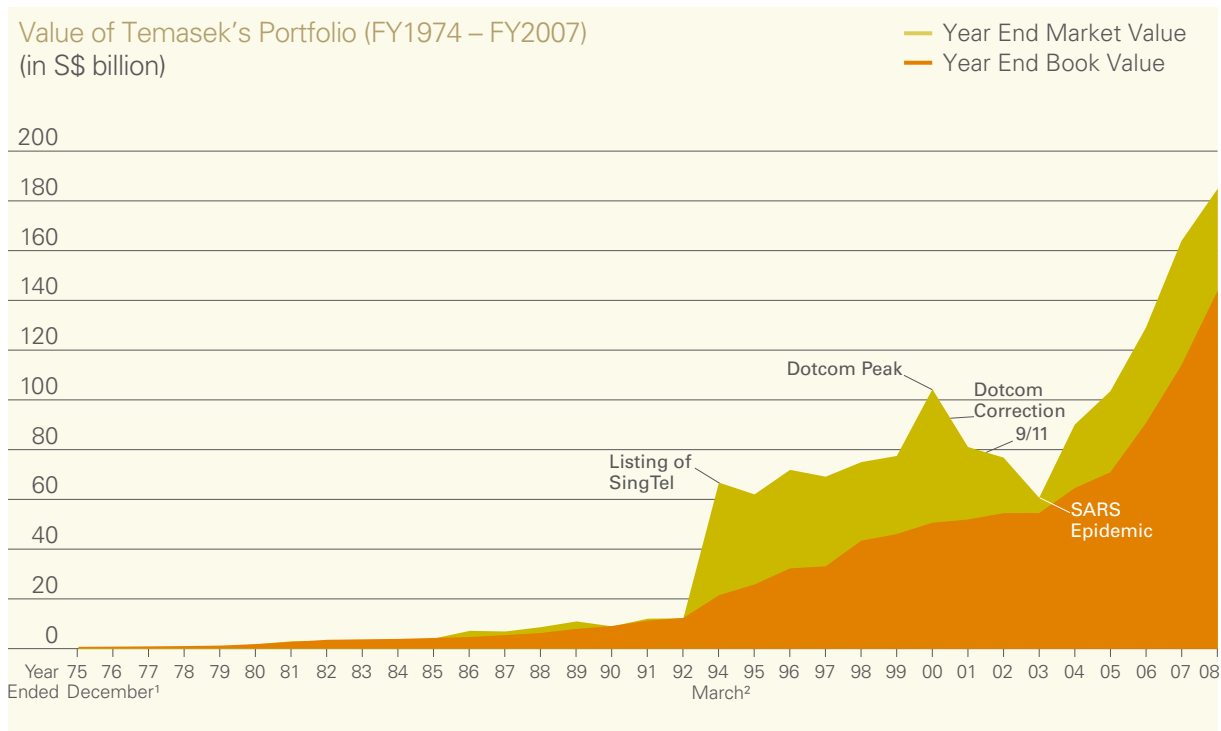
By Sector (%)



By Liquidity (%)



Portfolio Value since Inception



As at 31 March 2008, our net portfolio market value was about S\$185 billion or US\$134 billion.

The changes in market value of our portfolio over the years reflect both the performance of the underlying investments and the effects of external events. For example, the listing of SingTel in 1993 contributed to the biggest single-year rise in portfolio value, while the Dotcom Correction of 2000 caused a sharp fall in the global equities market, followed by another downturn from the 9/11 attack in the US.

Starting with an initial portfolio of S\$354 million, or US\$134 million, inherited from the Singapore government in 1974, we have seen additional asset injections particularly in the early 1990s when the government decided to liberalise the provision of basic services.

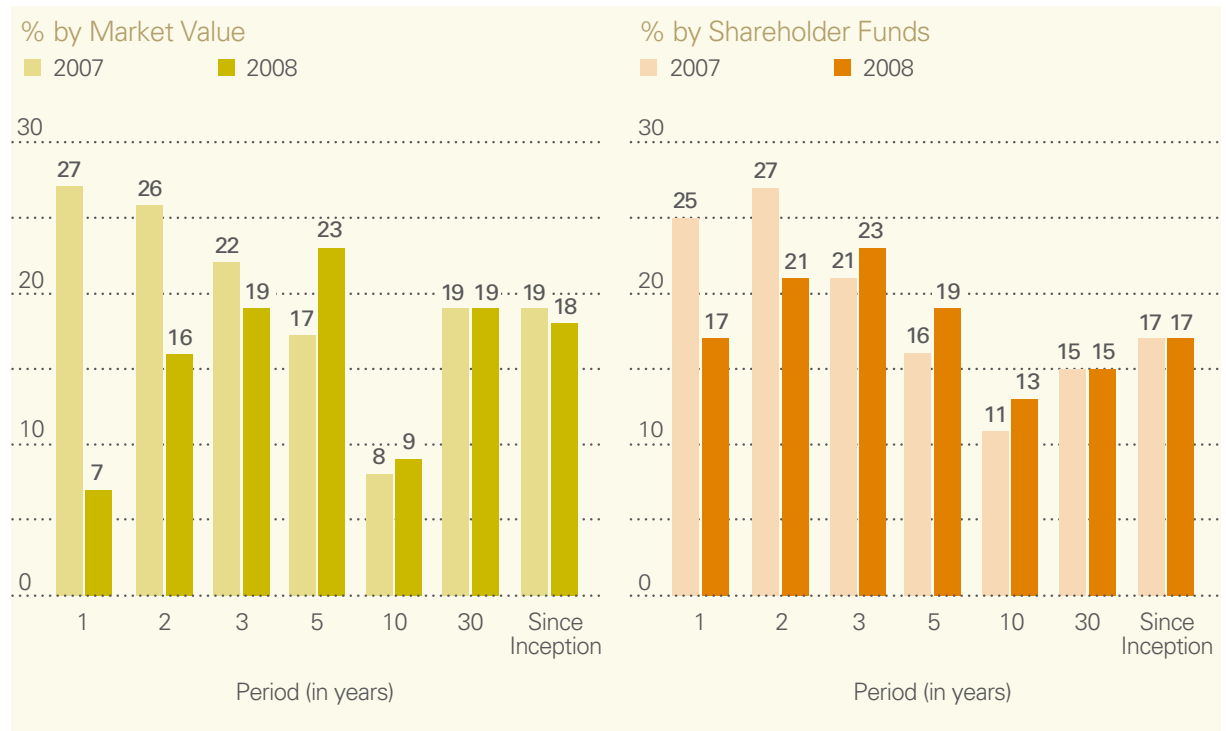
The book value of our portfolio increased steadily over the years to S\$144 billion, driven by the strong earnings of our portfolio companies and returns from our investment activities.

¹ First financial year ended in December 1975

² Financial year-end was changed from 31 December before 1993 to 31 March from 1994 onwards

Total Shareholder Return

(For year ended 31 Mar)



We measure Total Shareholder Return (TSR) by market value and by shareholder funds.

TSR by market value is the compounded annual return over a specified period. It includes changes in the market value of our portfolio, dividends we paid, and nets off any new capital we receive. For unlisted investments, we track the movements in shareholder funds in lieu of market price changes.

Since inception, we have delivered a TSR of over 18%. Our 10-year TSR was 9%, reflecting the economic environment since the Asian financial crisis in 1997. Recent one-, two- and three-year TSR by market value were weakened by the global credit crisis last year to 7%, 16% and 19% respectively.

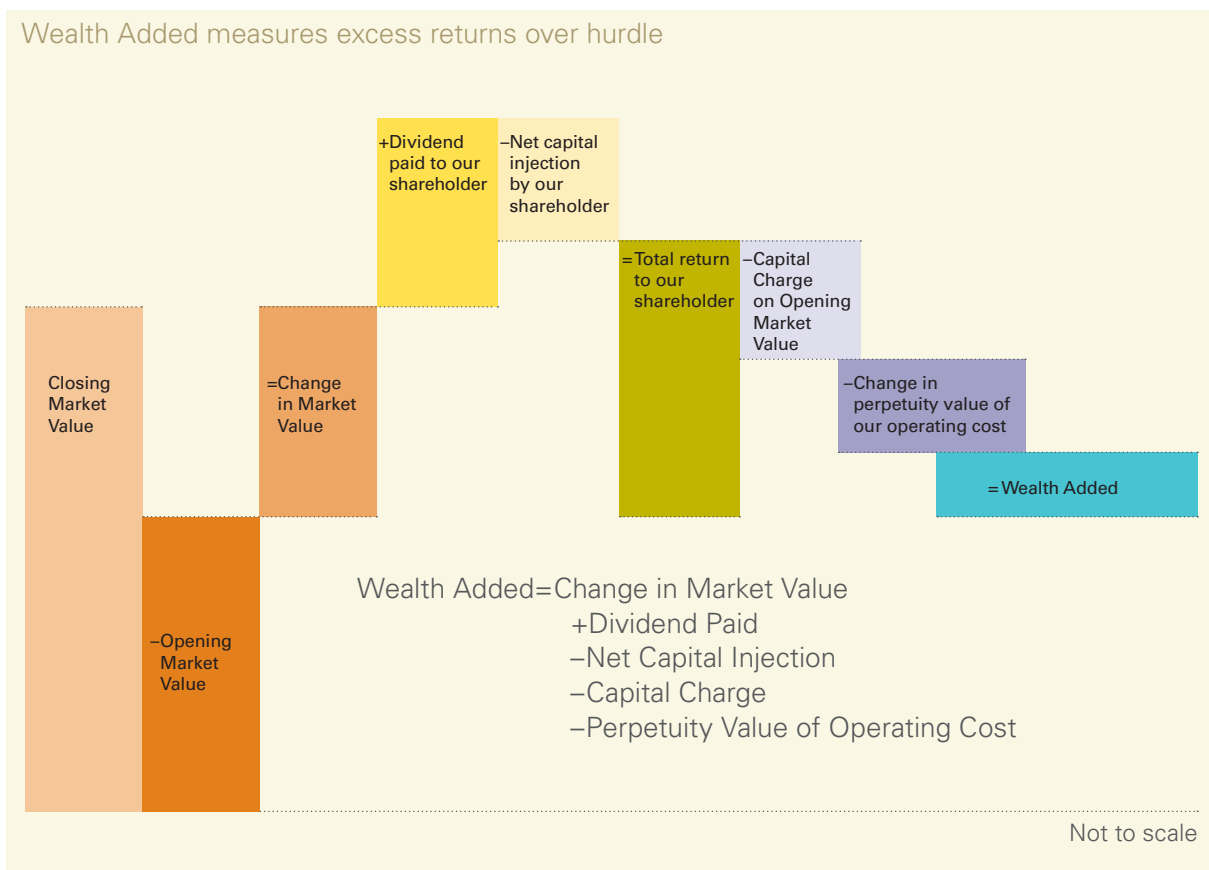
TSR by shareholder funds measures the growth compounded annually due to the underlying profitability of our portfolio companies and the returns from our investment activities.

Our TSR by shareholder funds is more than 17% since inception. Despite the various crises over the last 10 years, TSR by shareholder funds was a steady 13% over this period, made possible by the strong fundamentals of our portfolio companies coupled with robust returns from our investments in Asia.

Alignment with Shareholder Value

As a performance indicator, Wealth Added (WA) factors in the capital employed to produce the returns and the risks associated with each investment. To achieve positive WA, we need to deliver more than the capital charge, which is the risk-adjusted hurdle applied to the capital employed.

The capital employed is the opening market value of our portfolio at the start of the year, adjusted for any net capital movements. In the case of Temasek, the changes in the recurring operating costs for managing our portfolio into perpetuity are also taken into account.

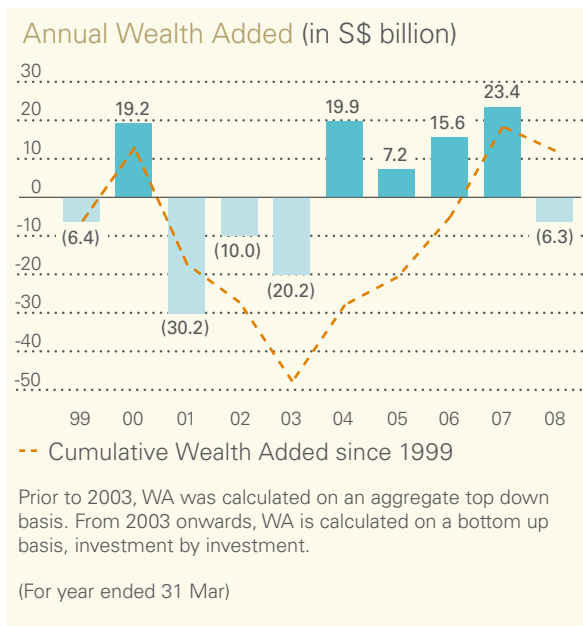


Calculating Wealth Added

Also known as economic profit or excess return, WA is the total return to a shareholder less the capital charge.

Shareholder total return is the change in the market value of investments, or the change in book value in the case of unlisted assets, plus dividends received, adjusted for any net new capital invested.

The capital charge is the minimum risk-adjusted return that the shareholder expects.



Illustrative Example:

Consider a listed investment with an opening market value of \$1,000, which has risen to \$1,200 at the end of the year. During the year, the shareholder received dividends of \$40, and invested \$130 of new equity at the end of the year. His risk-adjusted cost of capital is 10%.

Thus,

$$\text{Total return} = (\$1,200 - \$1,000) + \$40 - \$130 = \$110$$

$$\text{Capital charge} = 10\% \text{ cost of capital} \times \$1,000 = \$100$$

$$\text{Wealth Added} = \text{total return} - \text{capital charge} = \$10$$

In the following year, the capital charge is calculated on the latest opening market value of \$1,200. Assuming no net capital movements or dividends, the portfolio value must increase by a hurdle of at least another \$120 (i.e. 10% of \$1,200) to achieve positive WA, compared to a capital charge of \$100 the year before.

Thus, if the market value rises to \$1,300 at the end of the following year, with no new capital or dividends, the WA would be a negative \$20, i.e. change in market value less cost of capital charge or $(\$1,300 - \$1,200) - (10\% \times \$1,200)$, even though the market value has increased.