

## Shaping Our Portfolio for a Sustainable Tomorrow

- *Portfolio at record S\$308 billion<sup>1</sup> as at 31 March 2018*
- *One-year return to shareholder of 12%*
- *10- and 20-year return to shareholder of 5% and 7%, respectively*
- *15% annualised return to shareholder, since inception in 1974*
- *Invested S\$29 billion and divested S\$16 billion*
- *Dividend income of S\$9 billion<sup>2</sup>*

**Singapore, Tuesday 10 July 2018** – Temasek published our annual *Temasek Review* today, reporting a record net portfolio value of S\$308 billion<sup>1</sup>, and a net cash position for the financial year that ended on 31 March 2018.

Temasek's one-year Total Shareholder Return (TSR) was 12.19%, with compounded annualised returns of 15% since inception in 1974 – 44 years ago.

Dividend income from our portfolio was S\$9 billion<sup>2</sup> for the year.

### **Do Well, Do Right, Do Good**

Temasek Chairman, Mr Lim Boon Heng, commented:

“Our journey as a generational investor is one that we take with a deep sense of purpose and responsibility; we are *committed to do well* as an investor, *determined to do right* as an institution, and *inspired to do good* as a steward.

*Doing well* provides us the capacity to fuel our new investments, creates opportunities to grow our portfolio for the future, and gives us the means to care for our communities.

*Doing right* shapes our values and ethos in Temasek. We need to reskill and upskill our people to be future ready, and prepare them with the skills to contribute to the wider community beyond Temasek.

*Doing good* drives our philanthropic investments in the broader community as well as underpins our responsibility to safeguard our past reserves, based on the twin pillars of sustainability and good governance.”

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<sup>1</sup> Equivalent to US\$235 billion as at 31 March 2018, at an exchange rate of S\$1 : US\$0.7634 and €191 billion as at 31 March 2018, at an exchange rate of S\$1 : €0.6193.

<sup>2</sup> Includes one-off *dividends in specie* of S\$2 billion of equity investments.

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## Building for the Future

Executive Director and CEO, Temasek International, Mr Lee Theng Kiat, said:

“Our net portfolio value passed the S\$300 billion mark for the first time. It is now almost three times the dotcom peak of just over S\$100 billion at the turn of the millennium.”

“We continue to reshape our portfolio in line with our views of key long term trends. This on-going active investment stance is focused on solutions for a better, smarter and more connected world over the medium to long term.”

Our investment philosophy continues to be anchored around four key themes:

- Transforming Economies
- Growing Middle Income Populations
- Deepening Comparative Advantages
- Emerging Champions

## Reshaping Our Portfolio for Tomorrow

We have evolved since our inception – from investing mostly in Singapore, then to Asia, and more recently in Europe and the Americas as well. The latter two now form almost a quarter of our underlying portfolio exposure, behind Singapore (27%) and China (26%).

Geographically, the US accounted for the largest share of our new investments during the year. China and Europe were our next two largest investment destinations. Our resultant portfolio is 60% in mature<sup>3</sup> and 40% in growth<sup>4</sup> economies.

We invest into companies at different stages of their development, ranging from early stage and unlisted investments, to listed large assets. In aggregate since 2002, our unlisted assets have delivered better returns than our listed investments.

We remain disciplined in focusing on intrinsic value and our risk-return framework, as we continue to shape and reshape our portfolio for long term returns towards a sustainable tomorrow.

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<sup>3</sup> Singapore, Japan & Korea, North America, Europe, Australia & New Zealand.

<sup>4</sup> Asia (excluding Singapore, Japan & Korea), Latin America, Africa, Central Asia & the Middle East.

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Since 2011, we have been increasing our focus in the technology, life sciences, agribusiness, non-bank financial services and consumer sectors. Underlying many of these sectors, are technology enablers. For instance, our interest in the non-banking finance sub-sectors has been in payments and other tech-enabled services. Other areas of investment activity included innovative businesses in life sciences and agribusiness.

Together, our exposure to these focus sectors now constitutes about S\$80 billion, or 26% of our total portfolio. This is up 9 times from S\$9 billion, or an equivalent 5% share of a smaller portfolio in 2011. During the year, these focus sectors made up nearly half of our new investments, totaling approximately S\$13 billion.

Looking ahead, we recognise that technological advances, demographic shifts and changing consumption patterns are disrupting traditional business models or creating new opportunities. We are approaching these opportunities through six key trends: Longer Lifespans, Rising Affluence, Sustainable Living, Smarter Systems, the Sharing Economy and a More Connected World, which will drive solutions and opportunities for a better, smarter and more connected world.

## **Fostering Innovation**

In 2017, we invested in several innovative, early stage companies in agribusiness, healthcare and digital media.

Synthetic biology is an emerging focus, especially for sustainable food production. Our investments in this space include Impossible Foods, which develops meat products from plants; and Perfect Day, which produces animal-free dairy ingredients.

Within the life sciences sector, we also invested in Tessa Therapeutics, a Singapore-based biotech company developing cell therapy for treatment of cancer; and Pear Therapeutics, a US-based digital therapeutics company that delivers reimbursable, regulated and prescription software to treat behavioural health and other diseases in the USA.

These early stage investments, including indirect investments through venture capital funds, now constitute just under 3% of our portfolio. These higher risk, and sometimes longer term, investments are one way for us to seed new solutions and capabilities, and deliver higher returns in aggregate over the longer term.

## **Contributing to an ABC World**

In 2015, Singapore and 192 other United Nations (UN) members signed up to deliver the UN Sustainable Development Goals (SDGs) by 2030. These UN SDGs are in line with our ideals of an ABC World of Active economies, Beautiful societies and a Clean Earth.

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We actively advocate the twinning of ecology and prosperity for a sustainable future. This is in line with our ethos of doing well, doing right and doing good, as an active investor, forward looking institution and trusted steward. We have coined this twinned concept *Ecosperity*.

We held our fifth *Ecosperity* conference on 5 June 2018, the UN World Environment Day. Following the 2017 conference focus on Active economies, the 2018 theme moved to elements of a Beautiful society. Specific topics included food, education and healthcare for a growing global population.

We separately partnered UNLEASH, a global innovation initiative, to gather some 1,000 young talents from around the world to co-create solutions to address the UN SDGs.

Platforms like *Ecosperity* and UNLEASH help build awareness, and bring global stakeholders a step closer to translating the SDGs into reality.

## **Enabling Communities**

We have gifted endowments for our communities based on the twin pillars of sustainability and good governance. These are funded by a share of our net positive returns above our risk-adjusted cost of capital.

These 17 endowments are managed by six Temasek Foundations, whose programmes have touched over 800,000 lives across Singapore and Asia over the last decade.

In 2017, we seeded our 18<sup>th</sup> endowment, to support the Stewardship Asia Centre. This enables the Centre, which was established in 2011, to plan and operate for the long term to promote sound stewardship and good governance across Asia.

These philanthropic endowments focus on building people, communities and capabilities, and rebuilding lives, largely through a philosophy of giving a hand-up, instead of giving a hand-out. These range from pilot programmes to help at-risk pregnant women and young mothers better support their children in the critical first three years; to sharing experiences and concepts on urban planning around Asia. Their outcome-focused programmes enable individuals, families and communities to achieve sustainable improvements and progress in their lives.

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## Shaping Tomorrow

We are generally positive in our outlook for the year ahead but expect global growth to moderate.

Sulian Tay, Managing Director, Investment, noted, “Looking forward, we see the probability of increased downside risks in the near term. Our balance sheet and portfolio resilience give us the flexibility to ride out short term market volatility, while delivering sustainable returns over the long term.”

Alpin Mehta, Managing Director, Investment, added, “We continue to maintain a disciplined approach. Given the market outlook, we may recalibrate and slow our investment pace over the next 9 to 18 months. On the other hand, we do see a robust pipeline of opportunities for this year. In particular, we will actively seek attractive opportunities in promising sectors and markets driven by transformational technologies, demographic shifts and changing consumption patterns.”

Temasek Chairman, Mr Lim Boon Heng, concluded, “To succeed as an investor is not an end in itself. Ultimately, that success must be translated into a better and more sustainable world for our people and communities.”

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## About Temasek

Incorporated in 1974, Temasek is a global investment company headquartered in Singapore.

Our Temasek Charter defines our roles as an investor, institution and steward, to shape our investment stance, ethos, and long term philosophy. We aim to do well, do right, and do good as a responsible and trusted member of the wider community.

Supported by our network of international offices in 11 locations in Asia, Americas and Europe, Temasek is the owner of a S\$308 billion (US\$235b, €191b, £167b, RMB1.48t)<sup>5</sup> portfolio as at 31 March 2018, with some two thirds underlying exposure to Singapore and the rest of Asia.

Our investment activities are guided by four key themes and the long term trends they represent:

- Transforming Economies;
- Growing Middle Income Populations;
- Deepening Comparative Advantages; and
- Emerging Champions.

We regularly review economic and other trends, to drill down to sector or trend opportunities in the medium term. In the recent years, we have focused on technology enabled sectors, such as the non-bank financial services, life sciences, agribusiness and consumer sectors. These have grown from 5% of our portfolio in 2011, to over a quarter of our portfolio by 31 March 2018; from S\$9 billion in 2011, to some S\$80 billion in 2018.

Going forward, we have identified 6 global trends: Longer Lifespans, Rising Affluence, Sustainable Living, Smarter Systems, Sharing Economy and a More Connected World. The confluence of these trends with technology advances may disrupt existing business or create new economic models. We expect to invest into solutions and opportunities driven by these trends to help bring about a better, smarter and more connected world.

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<sup>5</sup> Exchange rates as at 31 March 2018.



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## Temasek Review 2018 Key Figures in S\$ and US\$<sup>7</sup>

### Net Portfolio Value

As at 31 March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
in S\$ b	308	275	242	266	223	215	198	193	186	130
in US\$ b	235	197	180	194	177	173	157	153	133	86

### Total Shareholder Return (TSR) as at 31 March 2018

TSR (%)	One-year	Three-year	10-year	20-year	Since 1974
in S\$ terms	12	5	5	7	15
in US\$ terms	20	7	5	8	17

### Investments & divestments for the year ended 31 March 2018

	Investments	Divestments
in S\$ b	29	16
in US\$ b	22	12

### Cumulative investments & divestments for the decade ended 31 March 2018

	Investments	Divestments
in S\$ b	203	150
in US\$ b	153	112

### Group Shareholder Equity

As at 31 March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
in S\$ b	273	239	218	219	187	169	158	155	150	118
in US\$ b	208	171	162	160	149	136	126	123	107	78

### Group Net Profit

For year ended 31 March	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
in S\$ b	21	14	8	14	11	11	11	13	5	6
in US\$ b	16	10	6	11	9	9	9	10	3	4

<sup>7</sup> Using S\$-US\$ Exchange Rate as at 31 March of the respective years.



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## Appendices

New investment highlights mentioned within the *Temasek Review*:

### By Sectors

#### 1. Technology

- ams AG
- BluJay
- Intapp
- Internet Brands
- Tencent

#### 2. Life Sciences

- Pear Therapeutics
- Tessa Therapeutics

#### 3. Agribusiness

- Boortmalt
- Farmer's Business Network

#### 4. Non-bank Financial Services

- Adyen
- Mastercard
- Visa
- Worldpay

### By Geography

#### 1. US

- Boeing
- DowDuPont

#### 2. Europe

- Airbus SE
- Bayer
- Busy Bees
- Legrand
- Sportswear Company

#### 3. China

- Ant Financial<sup>8</sup>
- Midea Group
- WuXi NextCODE

#### 4. India

- Schneider Electric India<sup>9</sup>

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<sup>8</sup> Announced post March 2018.

<sup>9</sup> Announced post March 2018, pending regulatory approvals.

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## Six global trends guiding our investments for a Better, Smarter, More Connected World:

### 1. Longer Lifespans

Markets and industries are developing to meet growing needs as we live longer

### 2. Rising Affluence

The combination of rising affluence and technology is redefining consumption patterns and attitudes in emerging markets

### 3. Sustainable Living

Increasingly eco-conscious solutions will create up to US\$12 trillion<sup>10</sup> of business opportunities by 2030

### 4. Smarter Systems

Artificial intelligence and robotics are enabling groundbreaking capabilities

### 5. Sharing Economy

Peer-to-peer networks are promoting more efficient use of resources and greater convenience for businesses and consumers

### 6. More Connected World

Digital connectivity and solutions are redefining how we communicate and interact around the world

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<sup>10</sup> Source: Business and Sustainable Development Commission, [Better Business, Better World](#), January 2017.