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Portfolio resilience positions Temasek to meet more volatile and challenging market conditions

- *Resilient portfolio, valued at S$242 billion as at 31 March 2016;*
- *Ended the year in a net cash position, with full financial flexibility;*
- *Steady dividend income of S$8 billion last year, or about 18 times over interest expense;*
- *Active portfolio reshaping – invested S$30 billion and divested a record S$28 billion;*
- *One-year return to shareholder of -9.02%, reflecting share price declines of listed assets;*
- *6% annualised Total Shareholder Returns over 10-year and 20-year periods;*
- *Compounded Total Shareholder Return since Temasek's inception in 1974 is 15%;*
- *New office to open in San Francisco in late 2016 to address technology opportunities.*

Singapore, Thursday 7 July 2016 – Singapore-based investment company Temasek today released its annual Temasek Review, reporting a net portfolio value of S$242 billion[1], and closing the year in a net cash position on 31 March 2016.

Temasek's dividend income was a steady S$8 billion last year. This is a robust 18 times over interest expense for the year ended 31 March 2016.

Temasek's one-year Total Shareholder Return (TSR) was -9.02% for the year, reflecting share price declines of our listed investments, offset by the performance of unlisted assets. This represents a Total Dollar Return of negative S$24 billion.

Longer term 10-year and 20-year annualised TSRs were both 6%. TSR since our inception in 1974 was 15%.

[1] Equivalent to US$180 billion as at 31 March 2016, at an exchange rate of S$1 : US$0.7428 and €158 billion as at 31 March 2016, at an exchange rate of S$1 : €0.6529

Temasek Chairman, Mr Lim Boon Heng, commented: “Notwithstanding the global headwinds, we remain committed to our mission of generating sustainable returns beyond our present generation. We seek to make a difference, where we can, by fostering development and progress for our wider communities across generations.”

Creating Sustainable Value

Executive Director and CEO, Temasek International, Mr Lee Theng Kiat, said: “Temasek continues to be an active investor. We invested S$30 billion and divested a record S$28 billion of our portfolio last year. We saw the liquidity-driven market rally earlier in the year, and took the opportunity to step up our divestment pace, relative to the past few years.”

“The record divestment reflected in part our plan to reshape our portfolio, in line with what we saw were the longer term trends, such as in the financial, life sciences or digital space.”

“In general, we also see a more volatile market with a more challenging environment going forward. Meanwhile, we are quite comfortable with the resilience of our portfolio. This gives us a lot of flexibility in addressing some of the longer term opportunities that we are seeing,” said Mr Lee.

Our new investments are funded primarily with divestment proceeds plus dividend incomes, and are guided by our four investment themes:

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

The US accounted for the largest share of our new investments during the year, followed by China.

Investing for Generations

We increased our position in the US logistics sector via a US$450 million investment in Univar, a US-based distributor of commodity and specialty chemicals. We continued our investment in the biotechnology space through investments in Alexion and Regeneron, companies that develop transformative treatments for serious diseases.

China accounted for the largest share of our investments in Asia. These included investments in Zhongce Rubber, a domestic tyre manufacturer; and in Cainiao, a data and technology-based logistics platform focused on e-commerce. In financial services, we increased our stake in Industrial and Commercial Bank of China, and invested in Postal Savings Bank of China, a provider of financial services to rural, small-to-medium enterprises, and to retail banking segments.

In South Korea, we invested in Homeplus, a domestic hypermarket operator with 140 stores, in line with our interest in the consumer sector. In India, we invested in Glenmark Pharmaceuticals, a global manufacturer and distributor of branded and generic pharmaceuticals; ICICI Prudential, a life insurance company; and CarTrade, an online auto classifieds company.

In Europe, we invested CHF600 million in Switzerland-based international airport retail operator, Dufry AG, to help finance its merger with World Duty Free to create one of the largest travel retailers worldwide. We also continued our investments in UK real estate by acquiring a stake in Blue Fin Building, a Grade A property located in South Bank, London.

Broadening Our Sector Exposure

In line with our investment themes, the major sectors for our investments during the year were financial services, telecommunications, media & technology, and life sciences & agriculture.

In the financial services space, we continued to expand into non-banking sub-sectors including an investment in PayPal, a digital payment service provider operating in more than 200 markets worldwide. We actively invested in smaller but fast-growing technology-enabled companies, such as SoFi and C2FO in the US, Funding Circle in the UK, and BillDesk and Policy Bazaar in India. Within the investment brokerage space, we invested about HK$2 billion in CITIC Securities, a full-service securities firm in China.

In terms of companies with distinct competitive advantages, we invested in Airbnb, a global marketplace for travel accommodation in 190 countries worldwide; and increased our investment in Didi Chuxing, a Chinese transportation network company; and Meituan-Dianping, an online-to-offline local service platform in China. In October 2015, we committed to funding Dell's merger with EMC, which, when completed, will result in one of the world's top technology vendors.

In life sciences & agriculture, we invested in WuXi PharmaTech, a global provider of laboratory and manufacturing services to biopharma and medical device companies. Other investments include Alvogen, an international generics pharmaceuticals company; and an increased stake in COFCO International Limited, a holding company which owns the controlling stakes in international supply chain managers Nidera and Noble Agri, in conjunction with its buyout of the remaining Noble Agri minority stake.

Reshaping Our Portfolio

We stepped up our divestment pace as we look to reshape and rebalance our portfolio to harness new opportunities. Our key divestments during the year included our majority interest in STATS ChipPAC and our positions in Cognizant Technology Solutions, Lloyds Banking Group, and Kweichou Moutai.

We continue to retain significant exposures in China Construction Bank, Gilead Sciences, AIA Group and China Pacific Insurance Group, despite partially divesting some of our holdings during the year.

Post year end, in June 2016, we tendered our shares in Neptune Orient Lines as part of the Voluntary General Offer made by CMA CGM in December 2015; and invested an additional US$500 million in Alibaba shares.

Positioning for Longer Term Opportunities

Our focus on sustainability anchors our philosophy of generational investing.

In May 2016, we re-organised our management team as we continue to evolve to support our organisational and business needs for the longer term. This includes regrouping various units into a new Sustainability & Stewardship Group to better focus our diverse efforts to foster ideas and programmes for sustainability and stewardship. Our sector and market investment teams were also brought together under a single integrated Investment Group, while a new Portfolio Strategy & Risk Group was formed to strengthen our focus on long term portfolio resilience and risks, and to help proactively shape our portfolio to capitalise on major global trends.

These, together with our Enterprise Development, Portfolio Management, and Corporate Development Groups, as well as our international network of offices, enable us to better address immediate as well as longer term priorities.

Mr Lee also said that Temasek would open a second office in the US, in San Francisco, later this year.

He noted, “Our new office in San Francisco will give us a good window to tech-related investment opportunities in Silicon Valley. We look forward to more opportunities to deepen our connections with innovators and disruptive businesses in the world’s largest innovation hub.”

Supporting Our Communities

Like all Singaporeans, we were deeply saddened by the tragic loss of lives during the Sabah earthquake in June last year. The ‘Sabah Earthquake Fund’ was established later that month, for the dependents of Singaporeans who lost their lives, as well as for the trainers and guides in Sabah whose livelihoods had been affected, and to support the families of those who perished. Managed by the Ministry of Education and Temasek Foundation, the Fund saw generous contributions from individual and corporate well-wishers, raising almost S$1 million, including Temasek’s dollar-for-dollar matching of our own staff’s donations.

Our staff also helped to structure the donations into endowments to provide regular ongoing financial support for the dependents of the brave teachers and guide who died on the mountain protecting the students: the late Mr Mohammad Ghazi Bin Mohamed, Mr Terrence Loo and Mr Muhammad Daanish Bin Amran.

We continue to do our part in making a difference by supporting community programmes through our endowments that focus on building people, building communities, building capabilities and rebuilding lives in Singapore and beyond.

Looking Ahead

We note that the US economic recovery is largely on track albeit with modest growth. We also expect China to transit successfully to a more sustainable growth path in the medium term.

On the other hand, the UK's vote to leave the European Union has softened the short term outlook in Europe.

The external environment will remain quite challenging for Singapore given its intimate links to global trade and demand. However, Singapore's openness also means exposure to both mature and growth economies, which can provide opportunities for a balanced growth in future.

"While our returns for the year reflected the global economic slowdown, we have been actively reshaping our portfolio over the past few years in order to deliver sustainable returns over the long term," Ms Png Chin Yee, Temasek's Head, Financial Services and Senior Managing Director, China, commented. "We continue to maintain full financial flexibility to step up our pace of investments, or to take advantage of investment opportunities that may arise in this challenging environment," she added.

Mr Michael Buchanan, Temasek's Head, Strategy and Senior Managing Director, Portfolio Strategy & Risk Group, added: "The equity markets around the world will remain susceptible to bouts of volatility in the short to medium term. There is increased uncertainty, partly reflecting the ongoing hangover from the excesses that helped cause the Global Financial Crisis. This suggests an environment of lower returns in the years ahead. However, Temasek is well positioned financially to address both the opportunities and challenges for the longer term."

Temasek's Chairman, Mr Lim Boon Heng, concluded, "As we continue our journey of generational investing, we place sustainability at the core of everything we do. Our vision is to make a difference and leave our world a better place for our children, and their children; for generations to come".

##END##

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About Temasek

Incorporated in 1974, Temasek is an investment company based in Singapore, with a S$242 billion (US$180 billion; €158 billion; HK$1.40 trillion; £125 billion)* portfolio as at 31 March 2016.

Temasek's portfolio covers a broad spectrum of sectors: telecommunications, media & technology; financial services; transportation & industrials; consumer & real estate; life sciences & agriculture; energy & resources. Its investment themes reflect Temasek's perspectives on long term trends:

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

Temasek's compounded annualised Total Shareholder Return since inception in 1974 is 15% in Singapore dollar terms, or 17% in US dollar terms.

The company has had a corporate credit rating of AAA/Aaa since its inaugural credit rating in 2004, by rating agencies S&P Global Ratings and Moody's Investors Service respectively.

Temasek has offices in Singapore and nine other cities around the world, including New York, São Paulo and Mexico City in the Americas; London in Europe; Beijing and Shanghai in China; Mumbai and Chennai in India; and Hanoi in Vietnam.

For more information on Temasek, please visit www.temasek.com.sg

For the latest Temasek Review, please visit www.temasekreview.com.sg

** Exchange rates as at 31 March 2016*

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Temasek Review 2016 Key Figures in S$ and US$

Net Portfolio Value

As at 31 March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
in S$ b	**242**	**266**	223	215	198	193	186	130	185	164
in US$ b	**180**	**194**	177	173	157	153	133	86	134	108

Total Shareholder Return (TSR) as at 31 March 2016

TSR (%)	One-year	Three-year	10-year	20-year	Since 1974
in S$ terms	**-9.02**	**3.25**	**6**	**6**	**15**
in US$ terms	**-7.11**	**0.49**	**8**	**6**	**17**

Investments & divestments for the year ended 31 March 2016

	Investments	Divestments
in S$ b	**30**	**28**
in US$ b	**22**	**21**

Cumulative investments & divestments for the decade ended 31 March 2016

	Investments	Divestments
in S$ b	**206**	**138**
in US$ b	**153**	**102**

Group Shareholder Equity

As at 31 March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
in S$ b	**218**	**219**	187	169	158	155	150	118	144	114
in US$ b	**162**	**160**	149	136	126	123	107	78	105	75

Group Net Profit

For year ended 31 March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
in S$ b	**8**	**14**	11	11	11	13	5	6	18	9
in US$ b	**6**	**11**	9	9	9	10	3	4	13	6