Temasek's portfolio crosses S$400b for first time, with unlisted assets at more than half of total value

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Temasek noted the unlisted portfolio has generated returns of over 10 per cent per annum over the past decade, delivering an illiquidity premium. PHOTO: ST FILE

TEMASEK'S net portfolio value has increased to S$403 billion as at end-March 2022, crossing the S$400 billion threshold for the first time, according to its portfolio performance numbers released on Tuesday (Jul 12).

The S$22 billion increase in portfolio value from S$381 billion in the previous financial year ended March 2021 comes after the state investment firm posted a 1-year total shareholder return (TSR) of 5.8 per cent.

This is lower than the 1-year TSR of 24.5 per cent reported for its previous financial year.

Its TSR on a 10-year basis was 7 per cent, while its 20-year TSR stood at 8 per cent, unchanged from a year ago. TSR is a compounded and annualised measure that includes dividends paid to its shareholder, but excludes its shareholder's capital injections.

During the past financial year, Temasek made net investments of S$24 billion, after it invested S$61 billion and divested S$37 million. The investment firm expects to slow down its investment pace this financial year amid a fragile global economy.

The proportion of unlisted assets in the portfolio overtook listed assets for the first time, accounting for 52 per cent of the portfolio. The S$210 billion unlisted assets portfolio is about 4 times the S$53 billion value a decade ago.

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Temasek noted the unlisted portfolio has generated returns of over 10 per cent per annum over the past decade, delivering an illiquidity premium. Its unlisted assets had a 16.2 per cent internal rate of return over the past 20 years, higher than the 6.7 per cent for listed assets.

The unlisted asset portfolio includes Singapore companies - such as Mapletree, PSA and SP Group - which pay dividends and comprise around a third of the portfolio.

Meanwhile, close to two-fifths of the unlisted assets come from Temasek's investments into asset management businesses – such as Vertex and Seviora – and its stake in private equity and credit funds.

Temasek values its unlisted portfolio based on book value less impairment.

Russell Tham, Temasek's joint head of enterprise development group, noted that the unlisted portfolio value would rise another 10 per cent, if it were marked to market.

The investment company said it invests based on value and opportunity, and not because a company is listed or unlisted.

Rohit Sipahimalani, Temasek's chief investment officer, noted that the public markets have corrected much more, while private markets have yet to correct to the same extent.

"In some cases, we may actually do more public market opportunities before we do private," he said, noting that private market valuations are beginning to correct, and they would invest in the right opportunities when they see them.

In terms of geographic exposure, the bulk of Temasek's portfolio remains in Asia, with Singapore accounting for the largest segment of its portfolio at 27 per cent.

Temasek said it continued to invest and engage its portfolio companies locally.

This includes participation in Singapore Airlines' S$6.2 billion mandatory convertible bond issue and Sembcorp Marine's S$1.5 billion rights issue in 2021.

"This helped to strengthen their balance sheet and help them prepare for a post-Covid world and accelerate their transition into the green economy," said Lim Ming Pey, managing director, strategy office at Temasek International.

China ranked second, with 22 per cent of Temasek's portfolio based there. This was a decline from 27 per cent and 29 per cent in 2021 and 2020 respectively, when it accounted for the largest share of the portfolio.

The movement in the portfolio was mostly due to market price movements and not rebalancing.

"We were a net investor in China last year," Sipahimalani said, adding that the country continues to be an important market for them.

"It's actually - over the last decade – been…the best-performing market for us even including the last year," he said.

Martin Fichtner, deputy head of technology & consumer at Temasek, said: "There are very compelling opportunities in China – the rise of software, the rise of automation, rise of deep tech – that provide us with attractive investment opportunities now and in the year to come".

Financial services was the largest sector in Temasek's portfolio, amounting to 23 per cent. Transportation and industrials made up 22 per cent of the portfolio, up from 19 per cent a year earlier.

Sipahimalani said they remain guided by their investment philosophy to generate risk-adjusted returns over the long term, despite slowing growth prospects and the uncertain outlook.

"We will prudently manage the risks and opportunities arising from macroeconomic and market events," he added.

"Taking into account the reasonable likelihood of a recession in developed markets over the next year, we maintain a cautious investment stance while staying focused on constructing a resilient portfolio underpinned by the structural trends we have identified."

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