About GIC

• GIC started in 1981 with just a few billion dollars and now manages well over USD100 billion

• GIC is a fund manager

• We have one client – Government of Singapore

• Reserve management has been strategic since Singapore’ inception – GIC was set up to enable professional management of some part of these reserves for higher returns over the longer term
What Does Long-Term Mean?

1. Reap long-term risk premiums (e.g. equity)
2. Reap illiquidity premia (e.g. real estate)
3. Compound returns
4. Take contrarian stance in the face of short-term sentiment
5. Build an investment organization
### 1. Exposure to Risk Premia

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>55.2%</td>
<td>23.9%</td>
<td>20.2%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Low</td>
<td>-46.8%</td>
<td>-18.1%</td>
<td>-5.3%</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Average</td>
<td>8.2%</td>
<td>7.1%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
</tbody>
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**Range of Annualized Developed Market Equity Returns (1988 - 2012)**
2. Private Market Investments

- Strategic allocation to private markets – real estate and private equity
- Excess returns from higher risk and illiquidity
- Diversification from alternate risk premia
3. Effects of Compounding

Effects of compounding: $100 invested at 5% p.a.

- 5% per annum (compound interest)
- 5% per annum (simple interest)
4. Can Be Contrarian

- Systematically buying more of the asset which has fallen in value, and selling some which has risen in value to keep composition steady over time.

Growth of a drifting vs. quarterly rebalanced 65:35 portfolio of global equities and bonds
5. Investment Organization

- 40 countries, thousands of investments
- 10 offices, 1300 staff
- Expertise in public and private markets
In Practice

- An option, not obligation to buy and hold
- Ex-ante, not ex-post
- Institutional capabilities: research, processes, incentives
- Personal mental fortitude
- Capitalises on market irrationality – herd behavior, fetish with numbers, greed and fear
Conclusion – Why?

- Strategy works given our size and institutional setting – 20 and 10 year returns on par, risks lower with broad markets & meeting client needs

- Strategy builds on our strengths – long-term horizon and stable capital

- Strategy enables us to build other advantages – investment organization, strategies, and relationships