



GIC & Long Term Investing

Doha, 20 November 2014

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About GIC

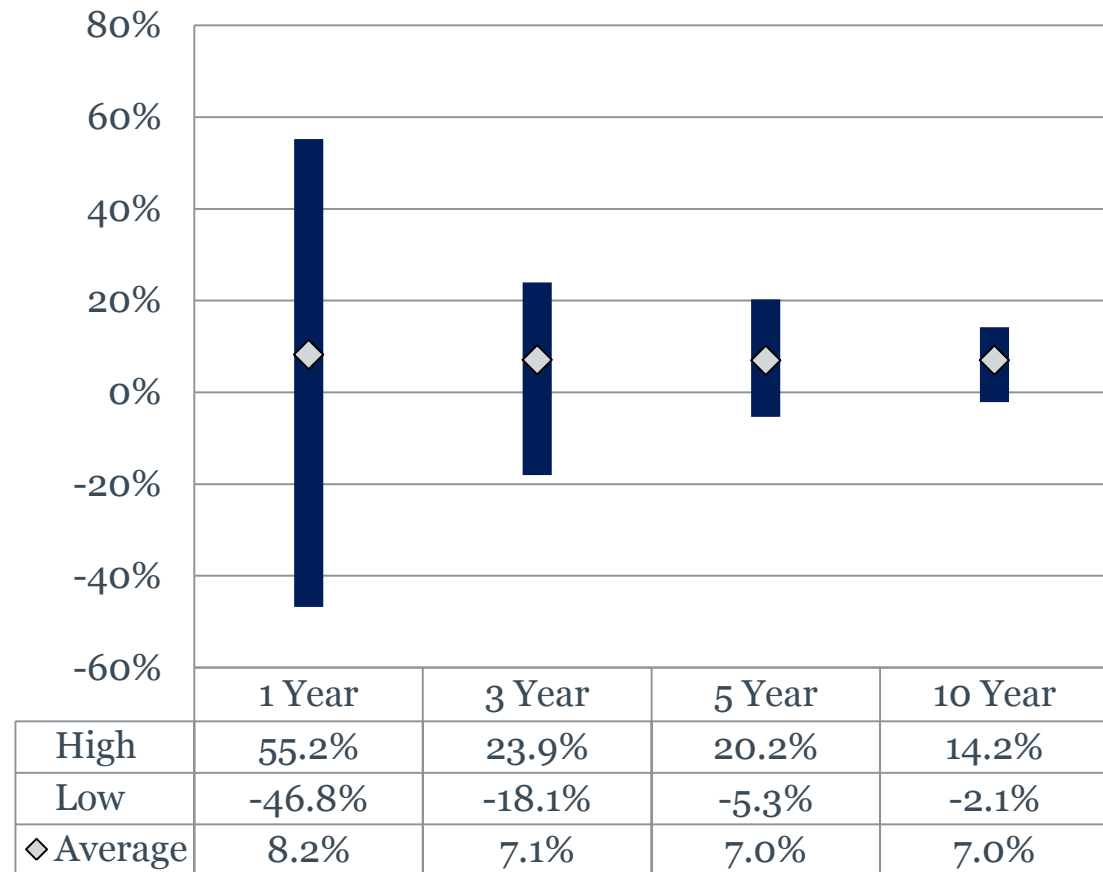
- GIC started in 1981 with just a few billion dollars and now manages well over USD100 billion
- GIC is a fund manager
- We have one client – Government of Singapore
- Reserve management has been strategic since Singapore' inception – GIC was set up to enable professional management of some part of these 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

Range of Annualized Developed Market Equity Returns (1988 - 2012)

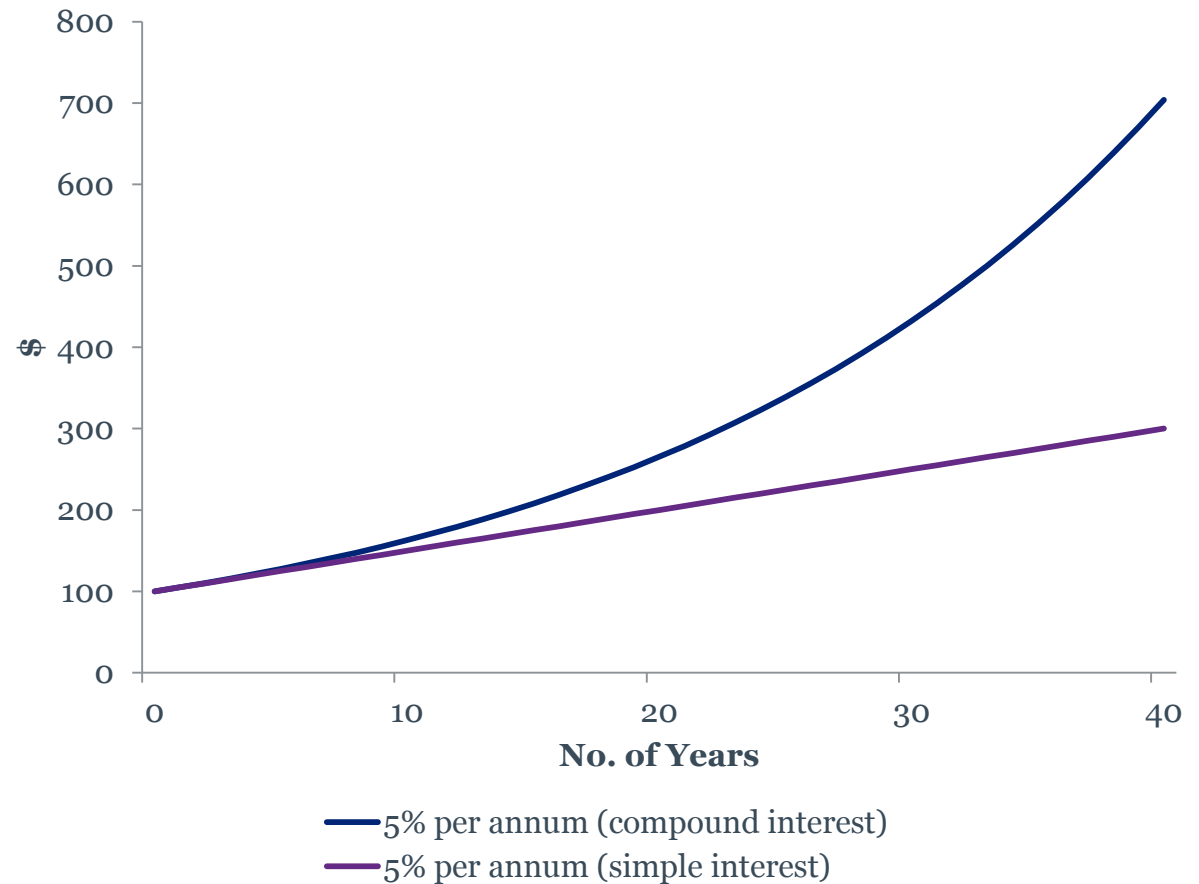


2. Private Market Investments

- 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

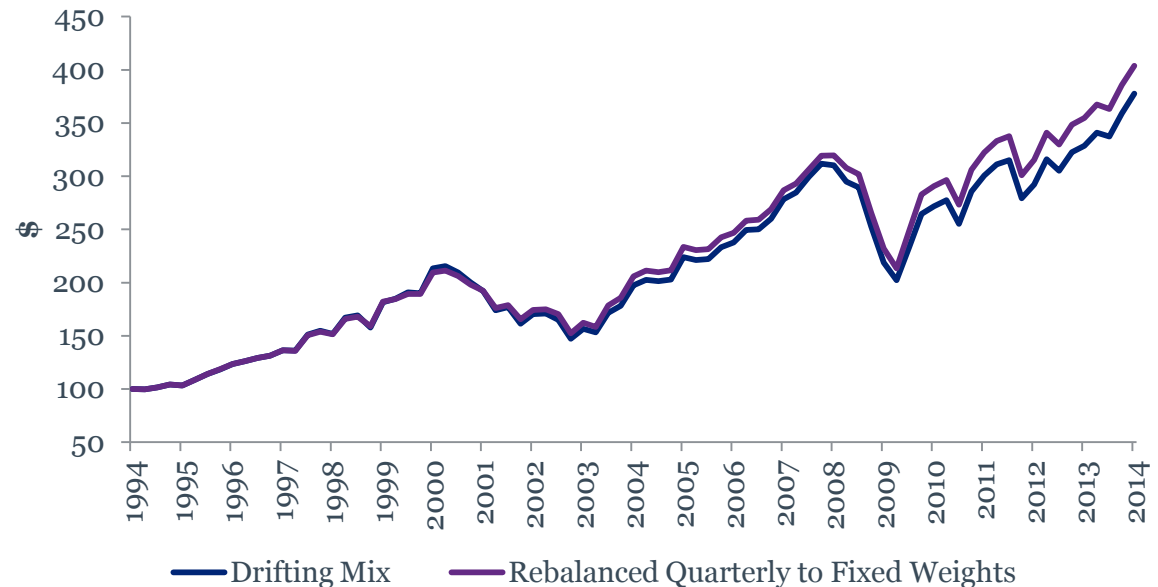
Effects of compounding: \$100 invested at 5% p.a.



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