

This year marks the  
30th anniversary of GIC.

It is fitting that we reflect on  
the highlights of each decade.

# 1980s

## Setting the Foundation

GIC was the brainchild of Dr Goh Keng Swee, then Deputy Prime Minister and Chairman of the Monetary Authority of Singapore (MAS). He saw the need for an entity dedicated to the task of investing Singapore's growing reserves for better long-term returns, Dr Goh created what in retrospect, was the prototype Sovereign Wealth Fund.

GIC began operations in 1981 when international financial markets were stressed by high US interest rates and a sovereign debt crisis. Nevertheless, the Board and management focussed on the tasks of developing organizational and investment capabilities. GIC was then able to capitalise on the subsequent phase of disinflation that had a salutary effect on the value of financial assets, especially bonds and equities.

On Black Monday in October 1987, triggered by a 508-point fall in the Dow Jones Industrial Average, global stock markets tumbled. It was GIC's baptism of fire to financial market turbulence but it vindicated GIC's asset allocation policy and the tactical adeptness of its investment teams.

# 1990s

## Expanding Investment Horizons

GIC first embarked on a policy shift from developed markets towards emerging markets in Asia in the 1990s. The real estate and private equity investment groups were corporatised to facilitate their growth and to take advantage of opportunities in the emerging markets. Our overall exposure to emerging markets is about one-fifth of the entire portfolio today.

The 1990s had its share of financial market crises. The Asian Financial Crisis in particular was a regional financial tsunami, engulfing in its wake regional stock markets, currencies, property markets and banking systems. GIC's diversified portfolio stood the test. GIC also did not waver from its conviction of the long-term growth potential of the region. To improve on its feel for the region, the Board inducted new Directors from the private sector who had regional business interests.

# 2000s

## Strengthening Investment and Organizational Capabilities

The period witnessed internal reviews to strengthen investment and organizational capabilities. In 2003, GIC embarked on an extensive internal review of its investment process and governance framework. The result was a sharper definition of its investment objectives and risk tolerance parameters, and an enlarged policy asset mix better geared to the varied investment opportunities around the world.

This was also a period of restructuring to improve responsiveness to a more challenging investment environment. The development of organizational leadership and succession planning became a key focus.

Of the several financial market troubles in the 2000s, the global financial crisis of 2008-2009 towered them all. An early decision to sell down equities protected the portfolio, which has now returned to its normal allocation and more than recovered its losses.

# 2010s

## Preparing for the Future

GIC continues to grow its investments in the emerging economies. GIC set up business groups for China, India and Latin America to focus on investment opportunities in these target markets.

GIC also saw a slate of leadership changes and renewal. Founding Chairman, Mr Lee Kuan Yew, retired from the Board and took on the role of Senior Advisor. Deputy Chairman and Executive Director, Dr Tony Tan Keng Yam, also stepped down to be available for public office. GIC appointed new senior management to lead its three investment groups. Despite the unusually large number of leadership changes, the transition has been smooth due to the availability of well-qualified successors.

*GIC held an Investment Conference and a Celebratory Dinner on 9 May 2011 to celebrate its 30th Anniversary. The Conference featured speakers from business, academia and government who are recognised as global leaders in the fields of finance and investment. The highlight of the Celebratory Dinner was the address by GIC's Founding Chairman Mr Lee Kuan Yew. We have reproduced his address here as a reminder and inspiration to all of what it would take for GIC to keep doing well.*

**DISTINGUISHED GUESTS, LADIES AND GENTLEMEN,** I am delighted to welcome the current and former members of the Board, friends in public service, GIC's business partners, together with staff of GIC to this dinner to celebrate GIC's 30th Anniversary. Thank you all for your presence tonight and your contributions to GIC's success over the years.

The establishment of GIC in 1981 reflected the high priority accorded by the Singapore government, especially the late Dr Goh Keng Swee who was then Deputy Prime Minister, to manage Singapore's long-term reserves more rationally, strategically and professionally.

As we celebrate GIC's 30th anniversary, we should remember why GIC is vital to Singapore's national interest. First, Singapore is highly exposed to the vagaries of the global economy. Our national reserves are a buffer or shock absorber for Singapore in downturns like that of 2009. It helped us to keep jobs with the job credit scheme. Second, a strong national balance sheet fosters investor confidence and hence enhances the stability of the Singapore dollar. Third, income from our reserves supplement government revenues. To sustain our policy of building the reserves, we need a capable reserve manager like GIC to invest the funds with a long-term orientation and garner good returns.

The vision to create GIC was original, bold and forward-looking. When GIC was established, the idea that a country should manage its reserves for long-term returns was unconventional. Some even considered it irresponsible to invest our foreign reserves in risky assets like equities. Today, however, many countries have established sovereign wealth funds of their own.

GIC recognised early that talent would be the key to success. One of the most important reasons for the creation of GIC was to enable the hiring, developing, and retaining of the best talent. We have been successful. Another reason was also to ensure that Singapore was able to develop the essential capability of managing our reserves ourselves so that we could better control our long-term destiny. Meritocracy and excellence are core tenets of GIC's culture today.

We have also been willing to embark on new strategies and take calculated risks in order to attain good returns. GIC was an early investor in real estate. We were also early movers in Emerging Markets, particularly Singapore's ASEAN neighbours and China.

The results speak for themselves. Since inception, GIC has preserved and enhanced the purchasing power of Singapore's reserves, outpacing global inflation by a comfortable margin. Compared with the popular high-return asset class of equities, which returned 10.2% per annum in nominal USD terms since 1981, the GIC portfolio made comparable returns with less risk.

GIC now has over 1000 employees in 9 offices around the world. GIC has grown to become a widely respected investment manager in the industry, known for scale, prudence, competence and integrity.

The GIC's 30th anniversary is a time to celebrate our past successes. It is also a time to reflect on what we must do to meet future challenges. Just like 30 years ago, the future economic and investment environment appear unusually uncertain. The ever-deepening complexity of global financial markets has not abated, while the Global Financial Crisis has left many financial institutions, and the trust in them, much the worse for wear. It will take time to work through the full consequences of the Crisis, such as the huge amounts of debt that developed countries have taken on. Furthermore, the turmoil in the Middle East has elevated geopolitical risks.

At the same time, the rise of the emerging world – particularly China and India – is of unprecedented scale economically and politically in recent history. We must expect more complex growth and inflation prospects and more complicated relationships and competition between countries. The rise of emerging economies will not only change geopolitical dynamics, but will also put immense pressure on natural resources and the environment. All these will drive policy and technological changes that will change the world and create new long-term investment opportunities and risks.

The next 30 years looks challenging. The investment outlook could be less benign. In uncertain times, we must maintain certainty of purpose and thoughtfulness in direction, remaining true to our core values. First, GIC must continue to hire, develop and retain the best talent. They must be led by visionary leaders with the highest level of integrity. This will remain the primary foundation for future success. We must motivate our staff to pursue excellence, and to avoid complacency. We must also focus on developing future leaders to remain a dynamic organization.

Second, GIC must maintain the highest reputation, conducting itself in a manner that is beyond reproach. This is a key strength of GIC, given the various possible conflicts of interest that have been revealed by the Global Financial Crisis.

Third, GIC must have the courage and conviction to take original, bold, strategic, and forward-looking decisions. It must continue to be resourceful and adaptable. As GIC grows larger and more established, the impetus to follow conventional practices will grow stronger. This could lead to mediocrity. GIC must develop the capacity and courage to make the right decisions, thinking in-depth and with foresight for what works best for us, even if the decisions are at times unconventional.

Finally, GIC must capitalise on its global reach, multi-asset class capabilities, and long-term perspective. Such a perspective not only enables GIC to harvest good returns, it also helps build key relationships with governments, and partnerships with investors. Having a long-term perspective also means that GIC has the time and stamina to build strategic expertise and in-depth knowledge in new investment areas.

Nobody knows what the future holds. GIC has done well over the last 30 years. If GIC stays true to its original vision and values, GIC can continue to do well over the next 30 years.

