

OVERVIEW *by the* Group President

PERFORMANCE

The global financial crisis is now behind us. The economic outlook for this year appears more robust than in the recent tumultuous years. But major structural post-crisis problems remain, principally in the developed economies but also with significant effects in the emerging markets. These will take time to work through. GIC takes the uncertainties and unpredictability of the future in its stride. Events like the nuclear crisis at Fukushima and uprisings in the Middle East are a periodic reminder of the potentially destabilising impact of natural disasters and geopolitical and geoeconomic developments in places which could be far removed from the financial markets.

GIC has, since 2008, been publishing the rolling 20-year real and nominal rates of return on the management of the Government of Singapore's portfolio. These underline the long-term perspective in GIC's investment of Singapore's financial reserves, and properly keep the focus on the real returns which are a regular contribution to the Government's annual budget.

Starting this year, GIC is also publishing the 5-year and 10-year nominal rates of return to provide a sense of the ongoing medium-term investment performance, even while GIC maintains its sights on the long term. To offer perspective in assessing the nominal rates of return, we include two composite portfolios for reference and also give volatility statistics to reflect the level of portfolio risk. The details are given in the Investment Report by the Group Chief Investment Officer.

30TH ANNIVERSARY

GIC was founded on 22 May 1981. To celebrate its 30th Anniversary, GIC held an Investment Conference and a Celebratory Dinner on 9 May 2011. 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, who spoke of what led to the formation of GIC and of what it would take for GIC to keep doing well.

Mr Lee recounted that *"the vision to create GIC was original, bold and forward-looking."* He urged GICians to always *"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. Second, a strong national balance sheet fosters investor confidence and hence enhances the stability of the Singapore dollar. Third, income from our reserves supplements 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."*

LEADERSHIP CHANGES

GIC saw an unusually large number of changes in 2011, both at the Board level and in senior management. Nevertheless, the transition has been smooth due to the availability of well-qualified successors. In the case of senior management, the successors had served as deputies for at least a year.

Our Chairman of 30 years, Mr Lee Kuan Yew, retired at the end of May 2011. He played an extensive and critical role in shaping GIC's growth and development since its inception

in 1981. Mr Lee is now our Senior Advisor. We will have the benefit of his vast experience, extensive network of contacts, and geopolitical insights.

Our new Chairman is Mr Lee Hsien Loong, Prime Minister of Singapore. He had been our Deputy Chairman since 1996.

Dr Tony Tan Keng Yam, our Deputy Chairman and Executive Director since 2005, resigned from the GIC Board with effect from 30 June 2011 to be available for public office. He steered GIC through the global financial crisis with a steady hand, keen insight and an unwavering focus on long-term performance.

Mr Teo Chee Hean and Mr Heng Swee Keat joined the GIC Board on 15 December 2010 and 1 June 2011 respectively. Mr Seck Wai Kwong was appointed advisor to the Risk Committee on 20 September 2010. Mr Deepak Parekh was appointed director of GIC Special Investments on 1 March 2011. We thank Mr Otto van der Wyck for his contributions over the last eight years as board director of GIC Special Investments. He retired from the board in December 2010.

Five changes in senior management took effect from 1 July 2011. Mr Lim Chow Kiat, Mr Tay Lim Hock and Mr Goh Kok Huat were respectively appointed President of GIC Asset Management (our public markets investment group), GIC Special Investments (our private equity investment group) and GIC Real Estate (our real estate investment group). Dr Chia Tai Tee and Dr Leslie Teo were appointed Chief Risk Officer and Chief Economist respectively.

Mr Quah Wee Ghee, Dr Teh Kok Peng and Dr Seek Ngee Huat, the former Presidents of the three investment groups, have been appointed chairmen of our India, China and Latin America business groups respectively. GIC will also continue to have access to advice and contacts from Dr Sung Cheng Chih, the former Chief Risk Officer, and Mr Yeoh Lam Keong, the former Chief Economist.

LOOKING AHEAD

The future is challenging and uncertain, for which Mr Lee Kuan Yew had remarked, *"In uncertain times, we must maintain certainty of purpose and thoughtfulness in direction, remaining true to our core values."*

Mr Lee outlined the formula for continuing success for GIC:

- hire, develop and retain the best talent led by visionary leaders;
- motivate all staff to pursue excellence, and to avoid complacency;
- maintain the highest reputation;
- have the courage and conviction to take original, bold, strategic and forward-looking decisions;
- make the right decisions – thinking in-depth and with foresight for what works best – even if the decisions are at times unconventional; and
- capitalize on global reach, multi-asset class capabilities, and long-term perspective.

With passion, commitment and dedication of GICians, clarity and focus on goals, and sharp execution and delivery on strategies, GIC will be able to continue with good investment returns for the Government and, in that way, contribute to the well-being of Singaporeans.



Lim Siong Guan
Group President
July 2011