# Ins & Outs of Temasek

# A visual guide to our sources of funds and their use.

#### Divestments

We receive proceeds from sale of our assets whenever we rebalance our portfolio.

Our annual divestments averaged about S\$18 billion over the last five years.

#### Dividends from Portfolio

We receive dividends from our portfolio companies.

Our annual dividends averaged S\$8 billion in the last five years.



#### Distribution from Funds

Our investments in funds distribute their returns to us when they start maturing.



#### **Temasek Bonds**

We borrow directly from bond investors through our US\$15 billion Global Medium Term Note Programme.

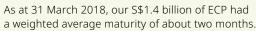
As at 31 March 2018, we had 14 Temasek Bonds totalling some S\$11.4 billion with a weighted average maturity of over 11 years.



Temasek Bonds are rated AAA/Aaa by S&P Global Ratings and Moody's Investors Service respectively.

#### Temasek Euro-commercial Paper (ECP)

We borrow short term money by issuing ECP, with maturities typically below a year.





#### Bank Borrowings

We may also borrow from banks from time to time, especially for short term funding or bridging needs.



#### New Capital from Shareholder

Our shareholder, the Minister for Finance<sup>1</sup>, may inject fresh capital or assets into Temasek.







Explore the *Ins & Outs of Temasek* at temasekreview.com.sg/insandouts or scan the OR code

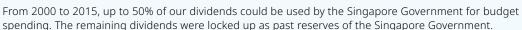


### Investments and Associated Costs<sup>2</sup>

We invest in companies with outstanding management, sound governance, and competitive products and services, to deliver a better, smarter and more connected world.

#### Dividends to Shareholder

We pay dividends to our shareholder. This financial discipline is directed by the Temasek Board.



This was part of the Government NII<sup>3</sup> spending framework, which helped fund long term social needs like the Pioneer Generation Package of 2014.

#### Taxes

Temasek pays local taxes<sup>4</sup> on its earnings in various countries.

Taxes paid to the Singapore Government help to fund spending for public services like defence, education, healthcare and social services.

#### **Endowments for Communities**

We have gifted 18 endowments over the years to build people, communities and capabilities, and rebuild lives, mostly in Singapore and Asia.

Their programmes have touched the lives of over 800,000 people over the last 10 years.

#### Staff Volunteers

Our staff volunteers come together via their T-Touch initiative to make a difference in the community.

They volunteer ideas, time and money to support their chosen charities within their communities.

## NII<sup>3</sup>/NIR<sup>5</sup> Contributions to Singapore Government Budget

From 2000 to 2015, up to 50% of Temasek's dividends could be spent by the Government under the NII framework.

#### NIR is not an outflow for Temasek

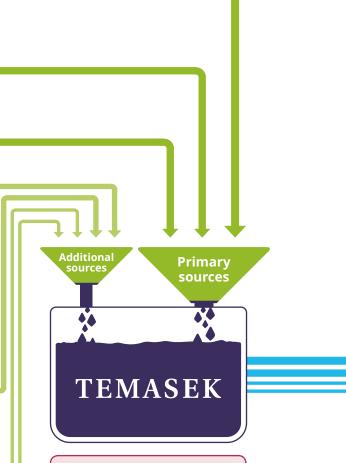
From 2016 onwards, the Singapore Government may spend up to 50% of Temasek's expected long term returns, net of inflation. These are projected and unrealised returns based on the current portfolio mix.

MAS and GIC have been included in the NIR framework since 2009.

NII/NIR Contributions are now the largest source for Singapore Government budget spending, at 18% of the 2018 Government Budget. Corporate and Personal Income Taxes, and the Goods and Services Tax are the next three largest sources for Government budget spending<sup>7</sup>.

The NIR framework does not require Temasek to pay more dividends, or sell any assets.

- 1 Under the Singapore Minister for Finance (Incorporation) Act (Chapter 183), the Minister for Finance is a body corporate.
- <sup>2</sup> Associated costs include operating and financing expenses; transaction costs such as due diligence, legal, audit, advisory and other fees; fund management fees for funds; and other business costs.
- <sup>3</sup> NII is Net Investment Income comprising actual dividends and interest income.
- Temasek pays taxes, unlike sovereign owned wealth funds which may claim sovereign exemption from taxes.
- <sup>5</sup> NIR is Net Investment Returns based on expected long term rate of return from net assets, less inflation.
- <sup>6</sup> From 2016 onwards, Temasek's dividends to our shareholder are to be locked up fully as past reserves of the Singapore Government and are not available for spending.
- Corporate Income Tax at 17%; Personal Income Tax at 13%; Goods and Services Tax at 13% share of operating budget revenue and NII/NIR Contribution.





We do not manage:

Our funds come

mainly from our

Singapore CPF savings

own portfolio.

- X Singapore Government reserves
- X Singapore foreign reserves

