

INVESTMENT REPORT *by the* Group Chief Investment Officer

PURPOSE OF DISCLOSURE

In 2008, GIC, with approval from the Government, released the first Report on the Management of the Government's Portfolio for the Year 2007/2008, disclosing our annualised investment returns over the preceding 20 years and actual asset and geographical mix of the portfolio. We wanted to provide more information on how the Government's portfolio was being managed, in light of the Constitutional amendments enabling the Government's budget to draw on a portion of the long-term investment returns.

Beginning with this report, we will also be providing nominal rates of return over 5-year and 10-year periods in addition to the 20-year real and nominal rates of return. These time frames give a good sense of the ongoing performance of the portfolio. However, the primary focus of GIC's investment strategy is to achieve long-term real returns. How much the Government may take into its annual budget is also based on the long-term real returns, not performance over five or ten years.

LOOKING AT PERFORMANCE AND RISK OVER DIFFERENT TIME PERIODS

20-Year Return

As a long-term investor, GIC's performance should be measured over a suitably long time horizon. GIC invests across many asset classes, including illiquid asset classes such as real estate and private equity, and adopts strategies that are consistent with our long-term time horizon.

A 20-year period is appropriate as it spans several business cycles and hence encompasses a number of market peaks and troughs. Thus our investment horizon of 20 years is matched by the 20-year annualised real rate of return metric, which is the key focus for GIC. The use of the real rate assures us that the international purchasing power of the reserves is maintained.

5-Year and 10-Year Returns

The 5-year and 10-year rates of return reflect an intermediate measure of GIC's longer term performance because they provide a better representation of the variation in returns over the market cycle.

Volatility of Returns

The actual volatility of the portfolio's returns, defined as the annualised standard deviation of monthly returns, gives an indication of the risk that the Government's portfolio experienced over the specific periods of time.

INVESTMENT OBJECTIVE: 20-YEAR REAL RATE OF RETURN

GIC's mission is to preserve and enhance the international purchasing power of the reserves placed under our management by the Government. The aim is to achieve good long-term returns above global inflation over the investment time horizon of 20 years.

As of the year ended March 2011, the portfolio's 20-year real rate of return, in excess of global inflation was 3.9%. The improvement compared to last year's 20-year annualised real rate of return of 3.8% was due to the continued recovery in the equity markets.

Chart 1: Annualised Rolling 20-Year Real Rate of Return of the Government's Portfolio

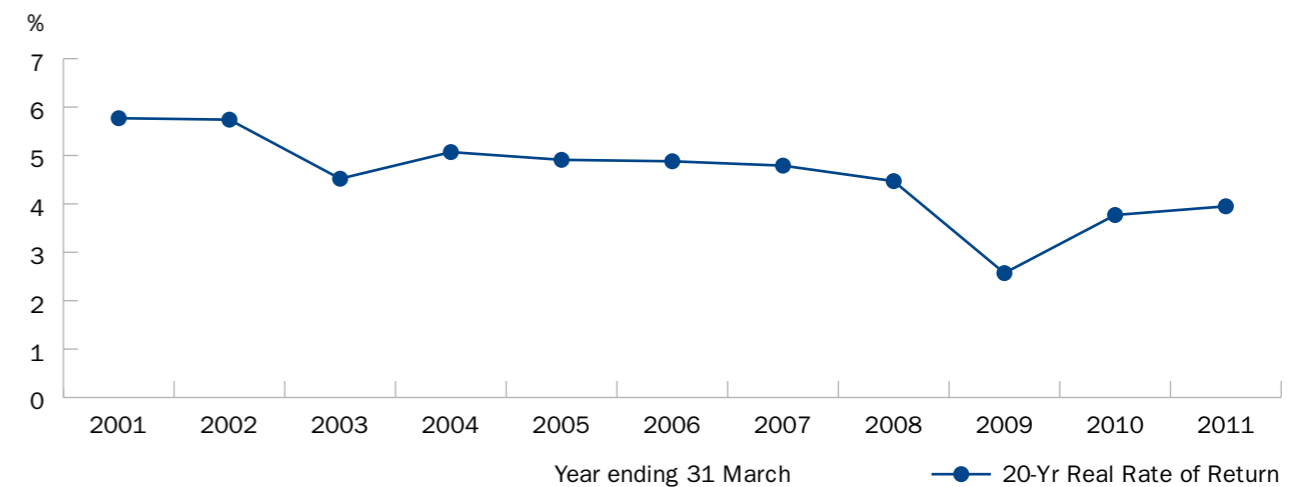


Table 1: Performance of Government and Composite Portfolios¹

NOMINAL RATES OF RETURN IN USD FOR PERIOD ENDED 31 MARCH 2011	GOVERNMENT'S PORTFOLIO	60% GLOBAL EQUITIES: 40% GLOBAL BONDS	70% GLOBAL EQUITIES: 30% GLOBAL BONDS
5-YEAR	6.3%	5.3%	4.9%
10-YEAR	7.4%	6.5%	6.3%
20-YEAR	7.2%	7.6%	7.6%

NOMINAL RATES OF RETURN

Table 1 shows the portfolio's nominal rates of return over the 5-year, 10-year and 20-year periods in USD terms.

We have included two composite portfolios for reference. The first is a portfolio comprising 60% global equities and 40% global bonds (60:40 global portfolio) and the second, a portfolio comprising 70% global equities and 30% global bonds (70:30 global portfolio).

The rates of return of the composite portfolios are computed from two indices – the MSCI All Countries Gross Total Return Index for global equities and the Barclays Global Bonds Aggregate Index for global bonds. These composite portfolios are generally accepted as being representative of the strategic asset allocation of large institutional investors such as pension and sovereign wealth funds. They are included to provide perspective on GIC's performance. However, it should be noted that the nominal rates of return on the 60:40 and 70:30 global portfolios are not benchmarks that drive GIC's investments.

The 5-year period (April 2006 to March 2011) covers the global financial crisis in 2008 and 2009, as well as the subsequent recovery in 2010. The Government's portfolio suffered a loss during the crisis in line with global market declines, but has since fully recovered the loss. The portfolio's performance over the period has also been somewhat better than the composite portfolios.

The 10-year period (April 2001 to March 2011) covers the global financial crisis as well as the tail end of the technology bubble at the start of the earlier decade. The Government's portfolio gave a higher rate of return than the composite portfolios during this 10-year period.

Over the 20-year period, the Government's portfolio rate of return was slightly lower than that for the composite portfolios. The lower rate of return of the Government's portfolio compared to the composite portfolios reflected the returns earned in the earlier decade (April 1991 to March 2001). During that period, the Government's portfolio was managed on a conservative basis; it had a significantly higher proportion of cash and bonds, which earned lower returns than equities². Over the 20-year period as a whole, annualised volatility for the Government's portfolio was 8.8%, lower than the volatility of 10.0% for the 60:40 global portfolio and 11.3% for the 70:30 global portfolio. See Table 2 for the volatility data corresponding to the relevant timeframes.

¹ The Government's portfolio rates of return are net of costs and fees incurred in the management of the portfolio. However, the composite portfolio rates of return are provided on a gross basis, that is, without adjustment for costs and fees.

² Global equities as measured by the MSCI All Countries Gross Total Return Index gave 9.5% return in USD terms over the 10 years (April 1991 to March 2001) while global bonds as measured by Barclays Global Bonds Aggregate Index delivered a 6.9% return in USD terms over the same period.

Table 2: Annualised Volatility of Government and Composite Portfolios

ANNUALISED VOLATILITY FOR PERIOD ENDED 31 MARCH 2011	GOVERNMENT'S PORTFOLIO	60% GLOBAL EQUITIES: 40% GLOBAL BONDS	70% GLOBAL EQUITIES: 30% GLOBAL BONDS
5-YEAR	12.0%	13.4%	15.0%
10-YEAR	10.0%	11.2%	12.6%
20-YEAR	8.8%	10.0%	11.3%

ASSET MIX

The significant change during the year was a further 5% shift into emerging market equities from developed market equities. Other asset allocation changes were minor or technical in nature. The actual asset class distribution of the portfolio as of 31 March 2011 was as follows:

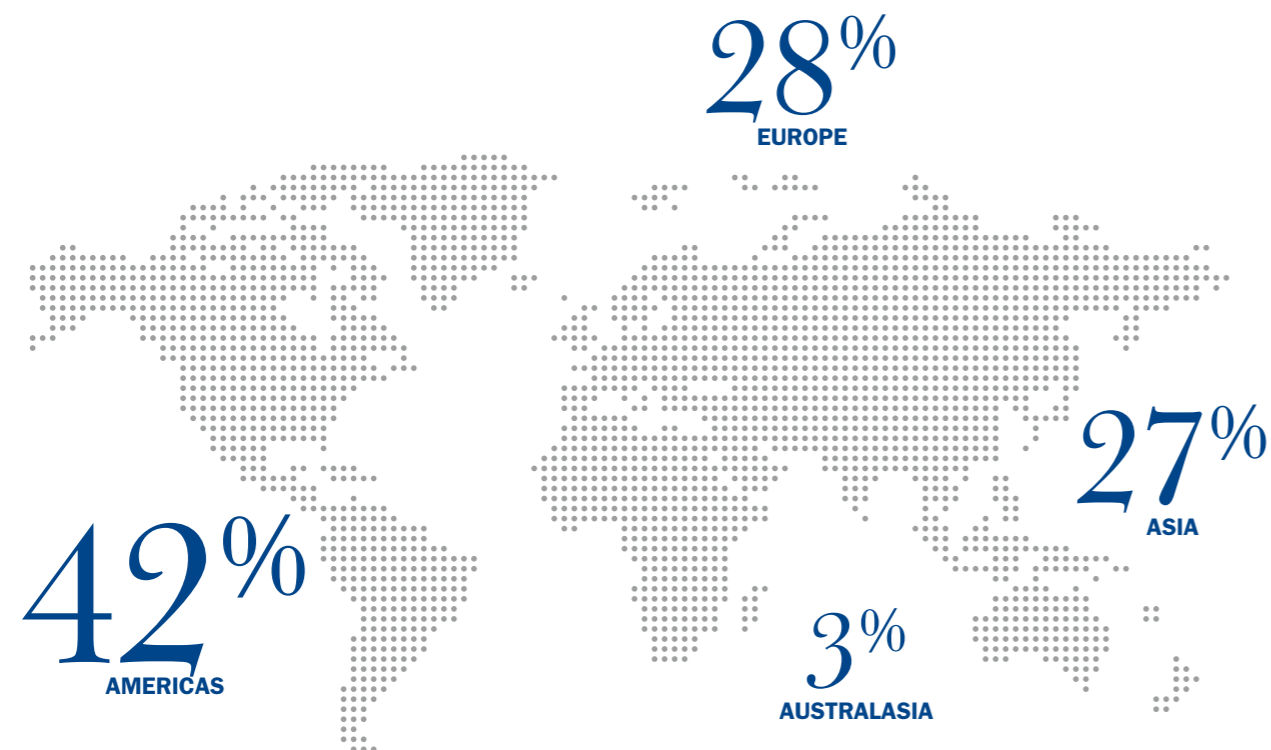
		31 MARCH 2011		31 MARCH 2010	
		%	%	%	%
PUBLIC EQUITIES	Developed Markets	34	49	41	51
	Emerging Markets	15		10	
FIXED INCOME	Nominal Bonds	20	22	17	20
	Inflation-Linked Bonds	2		3	
ALTERNATIVES	Real Estate	10	26	9	25
	Private Equity & Infrastructure	10		10	
	Absolute Return Strategies	3		3	
	Natural Resources	3		3	
CASH & OTHERS		3	3	4	4
TOTAL		100	100	100	100

GEOGRAPHICAL DISTRIBUTION

The main changes were the increase in exposure to Asia and Latin America and the reduction in exposure to the United States and Europe. These changes largely resulted from the asset allocation shift to emerging market equities from developed market equities. The geographical distribution of the portfolio as of 31 March 2011 was as follows:

		31 MARCH 2011		31 MARCH 2010	
		%	%	%	%
AMERICAS	United States	33	42	36	43
	Latin America	4		2	
	Others	5		5	
EUROPE	United Kingdom	9	28	8	30
	Eurozone	12		16	
	Others	7		6	
ASIA	Japan	11	27	11	24
	North Asia *	12		10	
	Others	4		3	
AUSTRALASIA		3	3	3	3
TOTAL		100	100	100	100

* China, Hong Kong, South Korea and Taiwan



INVESTMENT OUTLOOK AND STRATEGY

The future economic and investment environment is challenging. The developed economies, in particular the United States and Europe, are recovering from the global financial crisis. However their longer term outlook is still uncertain and carries considerable macro financial and economic risks. While the emerging economies in Asia and Latin America are growing strongly, their policy makers face challenges in restraining inflationary pressure and currency appreciation.

GIC responded to this changing environment in several ways. First, we further increased our investments in the emerging market economies on the strength of their potentially higher returns and improved macroeconomic fundamentals. Second, we expanded our investment opportunity set in terms of countries and the range of investment instruments. Third, our investment managers have steadfastly been investing with a long-term perspective, seeking investments with good fundamental long-term value. Finally, we introduced more flexibility in our strategic portfolio to respond more nimbly to significant shocks and market discontinuity.

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Group Chief Investment Officer