

## General Elections 2015: What Exactly Is The Truth About Temasek vs. Chee Soon Juan's Claims?

### Description

#### Chee Soon Juan raps Govt for getting priorities wrong



The crowd that has gathered for the SDP lunchtime rally on Sept 7...

[MORE]

As yesterday was my first day back at work after a business trip, I was quite upset that I was flooded with work the entire day, which saw me skipping my lunch and missing the lunch rally as a result.

I was quite looking forward to attending, but my work schedule simply didn't allow me to. This morning, upon reading Today's coverage of Dr. Chee Soon Juan's rally, I was quite appalled at how misleading his claims were.

Having watched his rally video, I do not deny that Dr. Chee can indeed be quite a convincing public speaker. If you've already read about his life story (and discounting the negative character assassinations that other political candidates have been repeatedly bringing up), you'll probably have the same level of respect that I have for the guy. However, I also believe that respect has to be weighed against the truth at all times. I've written previously on the fallacy of believing someone's arguments just because they're an authority. Yesterday, any naive or financially illiterate Singaporean listening to his lunchtime rally might have been enraged, but I'm telling you, you might be angry for the wrong reasons.

Here's debunking what this opposition leader had to say.

He added that S\$4 billion is also the amount Temasek paid for Shin Corp, “an investment that ultimately ended up in smoke”. And in 2008, Temasek and GIC reportedly lost billions through investments in banks like Citigroup and UBS, he noted.

### Investigation 1: Did Temasek really pay \$4 billion for Shin Corp, an “investment that ultimately ended up in smoke?”



Did it, really?



Indeed, it seems like Temasek paid a hefty sum for Shin Corp. But what did Dr. Chee mean by saying it “ended up in smoke”?

If you google Shin Corp shares today, they are no longer trading on the market, because the company changed its name to In Touch later on.

## Temasek to sell USD3.1bn In Touch (Shin Corp) stake; SingTel linked with possible deal

18 Feb 2014

Thailand

Singapore state investment vehicle Temasek Holdings is said to be looking to divest its 41.6% stake in Thai conglomerate InTouch (formerly known as Shin Corp) for around USD3.1 billion, and has approached SingTel as a possible buyer. According to Reuters, which cites people familiar with the matter, representatives of Temasek and SingTel held talks in late-2013, but discussions subsequently stalled as a result of the uncertain political climate in Thailand.

According to TeleGeography's GlobalComms Database, InTouch is the parent company of Thailand's leading cellco by subscribers, Advanced Info Service (AIS). Meanwhile, Temasek has a 41.6% direct stake in InTouch via its wholly-owned Thai-registered unit Aspen Holdings; Temasek also directly owns 52.0% of SingTel as of October 2013. Last month it was reported by TeleGeography's CommsUpdate that Temasek had reduced its stake in InTouch via the sale of a 10.3% stake by Temasek's 49%-owned affiliate Cedar Holdings for around USD687 million.

Assuming that the share structure did not change drastically after the name change, using Temasek's initial share price of THB 49.25, we see a 57% increase today!

**Bloomberg Business** News

Intouch Holdings PCL [+ Watchlist](#)

**INTUCH:TB** BANGKOK

77.25 THB 0.00 0.00%

*As of 05:39:52 ET on 09/08/2015.*

If you don't understand that, it means profits, duh.

If Dr. Chee or Temasek could clarify this, I'm sure it'll be helpful in providing context to the rest of us Singaporean voters who have heard Dr. Chee's speech.

**Investigation 2: Did Temasek really lose "billions through investments in banks like Citigroup and UBS" in 2008?**

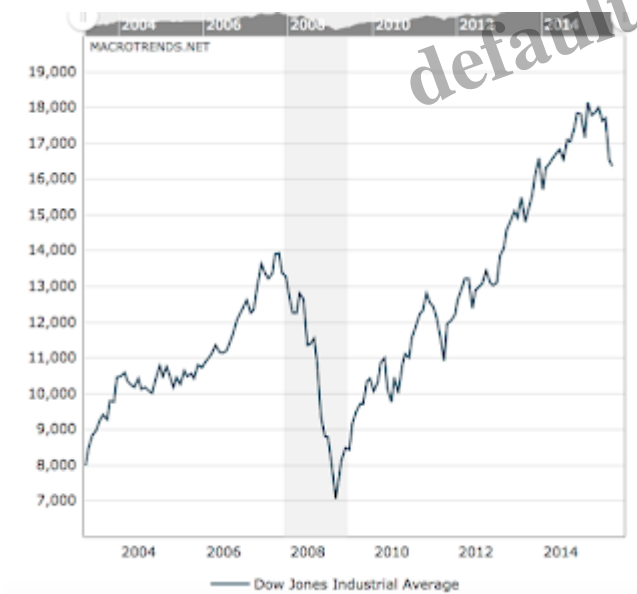


First of all, I hope the people who “boo-ed” in the crowd know the difference between unrealized losses and actual losses.

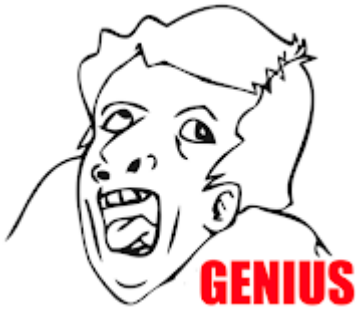
Technically, if you bought a stock at \$10, but it drops to \$5, your portfolio experiences an unrealized loss of 50%.

However, if you choose not to sell and continue holding the stock, when it rises to \$20 a few years after the economy recovers, that equates to a 100% unrealized gain on your portfolio. If you sell it at this point, then you not only get your initial capital back, but will also reap 100% in actual profits.

Does 2008 sound familiar? Many investors will remember it as a turning point in history, where stock markets around the world plummeted.



That highlighted part of the Dow Jones Industrial Average shows the drop. That was when global economies were collapsing, huge corporations like Lehman Brothers folded, and almost every other stock saw a huge decline in stock prices. Everyone experienced paper losses then, much less Temasek and GIC!



However, if you follow successful investors, you'll realize that many of them picked up cheap stocks during the downfall of 2008, and are reaping huge returns today. I've also talked about this in some of my earlier blog posts while introducing the concept of long-term investing.

Here's UBS stock chart, showing recovery since its drop in 2008, although recovery is still far from its peak heydays.



Thanks to Macroanalyst for highlighting that I had used the wrong UBS chart in the original post, and to Matthew Seah for identifying the right one.

I don't know for sure if Temasek sold their stake in UBS or Citigroup during that terrible time, but we do know that **GIC sold their original stake in Citigroup in 2009 for a \$1.6 billion profit.**

When Temasek bought Citigroup in 2007, it was indeed near peak, but today's price is higher than the peak levels of 2007 anyway, so presuming that Temasek didn't sell their stake, it would be sitting on unrealized profits by now.

The fund also owns about 3.8 percent of New York-based Citigroup, the third-largest U.S. bank, after selling half of its original stake for a \$1.6 billion profit two years ago. It's the lender's single-biggest investor, while 18 funds managed by State Street Corp. hold a combined 4.1 percent, according to data compiled by Bloomberg.

In addition, Bloomberg states that GIC held Citigroup shares for an average of \$29.50 each back then. The share price today is slightly over \$50, in other words, **a 70% profit in just 4 years.**

### Average Cost

The average cost of Citigroup shares held by GIC was \$29.50 each, after adjusting for a 1-for-10 reverse stock split in May, the Business Times newspaper reported in July. Citigroup traded 15 percent lower than GIC paid as of Sept. 23.

Jennifer Lewis, a spokeswoman for GIC, declined to comment on the fund's unrealized losses in UBS and Citigroup.

GIC plans to hold on to the banking stakes for "many years" and will only consider selling if there are attractive offers, Tony Tan,

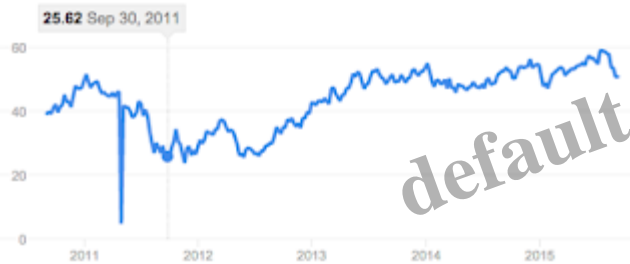
### Citigroup Inc

NYSE: C - 8 Sep 5:45 AM GMT-4

50.58 + (0.00%)

After-hours: 51.51 +0.93 (1.84%)

1 day 5 day 1 month 3 months 1 year 5 years max



Putting that into perspective, if as a retail investor I invest \$1 million in the stock market today and get 70% profits in 2019, that's \$700k in total, or \$175k a year, or \$14.5k every month!



**Investigation 3: Did Temasek really pay \$4 billion for "highly questionable investment" Olam International?**

The Government's increase in healthcare spending of S\$4 billion in five years might sound "like a lot", but it is the same amount that state-owned investment firm Temasek Holdings offered last year in a "highly questionable investment in Olam International, which was a debt-ridden company", said Dr Chee, who was addressing the Raffles Place crowd at the party's lunchtime rally — the first in this General Election.

Every discerning investor knows that stock prices often fall sharply when there are moments of crises happening to companies, at which there will be much uncertainty and questions over the company's future. If we can differentiate the superficial crises from the serious ones, we can in fact pick up the company's stock for cheap at such timings.

The jury is still out on whether Olam International is indeed a "highly questionable investment", like Dr. Chee claims, and only time can prove this one.

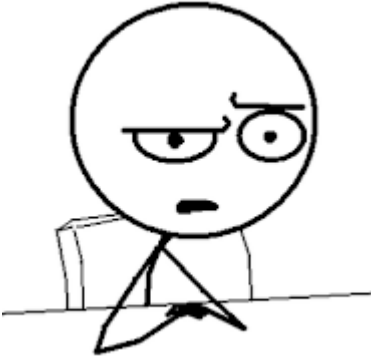
However, if we are to look at Olam's stock price last year till today, this is what you'll find:



As you can see, there is still a possibility that the stock price might still rise in the future. You'll never know.

Although I'm slightly bitter at Temasek for not using our due diligence services as part of their initial investment evaluation (I have little faith in the quality of our competitors), I still believe that Temasek and GIC know better about investments than we, the average investor, do.

## Conclusion:



For all that's worth, I have much respect for Dr. Chee, but after reading this report on his lunchtime rally yesterday, I'm afraid some of that initial respect has been lost. This is a personal assessment on my own part.

Did Dr. Chee not know the full story, or was he deliberately focusing only on certain facts within a limited timeframe to rile up the crowd?

I don't know for sure. I wasn't there in person during his rally, so my comments and judgments are limited to the video of his speech that has been uploaded online, as well as newspaper reports transcribing what he said.

I appreciate political candidates like Dr. Chee raising up valid questions on the spendings of Temasek, GIC and our government in general, but I also disagree on the way the numbers and insinuations were communicated in his rally yesterday as it is of my own belief that more context should have been provided.

In taking the time to do this research, I hope Singaporean voters understand that you cannot always just take any politician's words at face value. I am not referring to Dr. Chee, but every and any political candidate, when I say this. Even if PAP presents something, it is always good practice to do your own due diligence before you decide whether you wish to believe what they say.



It is easy to present facts that provide a limited perspective of the actual situation. Marketing and advertising folks do this all the time, such as when they claim that "99% of women experienced 2kg loss after eating our diet pills" but forget to tell you that this 99% is derived from a very small statistical group. If the sample group is only 5 people, can that be representative of the entire population? Can you then safely take the 99% and presume that the treatment will work for you too?



For all the financially un-savvy folks who got angry with Temasek / PAP after listening to Dr. Chee's speech yesterday, I hope this article sheds some light on the issue. Did Temasek make poor investment decisions? That's your call.

As an investor myself, I can only comment that investing is not as easy as some investing courses might have you believe. There is no short-cut, and no matter how in-depth your due diligence and research might be, there's always the chance that you could be wrong. Even the great Warren Buffett himself isn't correct 100% of the time, much less Temasek.

Till then, remember to always research before you make your judgment, and please vote wisely.

With love,  
Budget Babe  
**Category**

1. Family
2. Investing

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