

GIC sees emerging opportunities

Rich pickings in markets such as real estate, pte equities

By **GENEVIEVE CUA**

[SINGAPORE] Investing in the emerging markets has been a rewarding experience for the Government of Singapore Investment Corporation over the last seven years, says GIC group chief investment officer Ng Kok Song.

GIC announced this week that it would invest a much larger portion of its portfolio in emerging markets, particularly in Asia.

In a keynote address at a private wealth management conference, Mr Ng said that while public equities will remain the main vehicle for GIC's emerging market strategy, "our view is that the private markets such as real estate and private equities will present even more rewarding opportunities".

On public equities, he said the market index for emerging Asian equities returned 14.4 per cent over the past seven years, compared with 4.6 per cent for developed market equities.

As at March, GIC's exposure to emerging markets was 10 per cent or a fifth of global public equities. "I would not be surprised in the next (annual) report, we will see that figure jump significantly, hopefully with additional funds being invested and continued out-performance of the asset class".

He said GIC economists expect global GDP to average 3.8 per cent this year, with advanced economies growing at 2.4 per cent and Asia at 8 per cent. "The output level of emerging Asia has recovered fully and now stands at 12 per cent

above the pre-crisis level, whereas output in the developed economies remains 2 per cent below their level two years ago before the economic downturn."

Between 2000 and 2010, Asia's share of world GDP grew from 28 per cent to 34 per cent. Asia, however, will account for 50 per cent of global growth this year; China's contribution will be 26 per cent and India's 10 per cent. "Since World War II, no other country except China has changed the landscape of global growth that quickly. Without doubt, we are witnessing a shift in economic influence of seismic proportions."

Goldman Sachs, he said, recently predicted that in the next 10 years to 2020, the emerging market's share of global market capitalisation will rise from 31 per cent currently to 44 per cent. After adjusting for lower free float ratios and foreign investment restrictions, particularly in China, the benchmark index weight is expected to rise from 13 per cent currently to 19 per cent by 2020.

Meanwhile, on the development of talent for the wealth management industry, Mr Ng said the Wealth Management Institute (WMI) has trained more than 2,000 professionals so far. The Master of Science in Wealth Management course, offered together with Singapore Management University, has had 300 students from 18 countries. The programme seeks regional trainees, and caps the Singapore enrolment to no more than half the intake.

The conference is organised jointly by the CFA Institute, CFA Singapore, WMI and the Institute of Banking and Finance (IBF).