



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Global Investments Limited

Security: Global Investments Limited

Meeting details:

Date: 25 April 2019

Time: 10.00 a.m.

Venue: Holiday Inn Singapore Orchard City Centre, Crystal Suite, Level 2, 11 Cavenagh Road, Singapore 229616

Company Description

Global Investments Limited is an open ended balanced mutual fund launched and managed by Singapore Consortium Investment Management Limited. The fund invests in the public equity and fixed income markets across the globe. It invests in stocks of companies operating across diversified sectors. The fund invests primarily in operating lease assets, loan portfolio and securitization assets, and alternative assets. It was formerly known as Babcock & Brown Global Investments Ltd. Global Investments Limited was formed on April 24, 2006 and is domiciled in Bermuda.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B73)

1. As highlighted in the “Operating and financial review”, the group recognised a net loss on financial assets at fair value through profit or loss (FVTPL) of S\$(20.0) million versus a gain of S\$2.5 million recorded last year along with a net gain on sale of investments in the past year of S\$25.8 million.

The group’s financial performance was boosted by a net foreign exchange gain of \$8.6 million and a litigation proceeds of \$6.8 million.

Following the adoption of International Financial Reporting Standards 9 (IFRS 9) on 1 January 2018, the group’s investments were reclassified to financial assets at FVTPL. The breakdown of the group’s \$283.8 million investment is shown below:

Group As at 31 December 2018	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Assets				
Financial assets at fair value through profit or loss				
- Loan portfolio and securitisation assets	–	–	18,881	18,881
- China domestic bonds	55,620	–	–	55,620
- Other bonds	41,955	4,437	–	46,392
- Bank contingent convertibles	115,450	–	–	115,450
- Listed equities	47,479	–	–	47,479
	260,504	4,437	18,881	283,822

(Source: Company annual report)

On pages 18 to 22, the company provided a brief update on each asset class but it did not provide a year-on-year reconciliation. For example, an extract of the overview of the group’s Bank Contingent Convertibles from page 21 is given below:

INVESTMENT DESCRIPTION

GIL is invested in a portfolio of bank contingent convertibles (CoCos) with a carrying value¹ of S\$115.45 million as at 31 December 2018.

ASSET OVERVIEW

As at 31 December 2018, the approximate weighted average coupon² was 6.32% and the approximate weighted average maturity³ was 6.06 years. Currently, 2.37% of the portfolio is unrated while for the rated portion of the portfolio, it has a weighted average rating⁴ of Ba2.

- (i) **Would the board examine how it could report the returns of each asset class better so as to give shareholders a clearer picture of the performance from each segment?** For instance, just reporting on the carrying value as at 31 December 2018 does not allow shareholders know if the return of this particular asset class was positive or negative in the year.

In the chairman’s conclusion, some of the key themes are:

- pockets of historically high asset valuations
- late economic cycle behaviour and withdrawal of global liquidity means caution and quality should increasingly determine investment decisions
- include more defensive equities and move up the credit spectrum in both high yield and investment grade fixed income in their portfolios, and possibly consider increased allocations to cash
- Cash ... can serve as dry powder to take advantage of volatility and uncertainty in the markets
- the ambivalence surrounding the future policy direction of major central banks should nudge any prudent investor into evaluating the costs and benefits of hedging her portfolio currency exposures

(ii) Given the chairman's conclusion, could the board help shareholders understand how the group's investments as at 31 December 2018 is positioned for 2019?

2. In Note 16 (page 112 – Derivative financial instruments), the company stated that, as at 31 December 2018, there are no outstanding currency forward contracts.

In the previous financial year, the group had entered into forward contracts to manage its exposure to movements in exchange rates on firm commitments and specific transactions.

(i) Can management help shareholders understand the firm commitments and specific transactions? Were these related to the group's specific investments into assets denominated in different currencies?

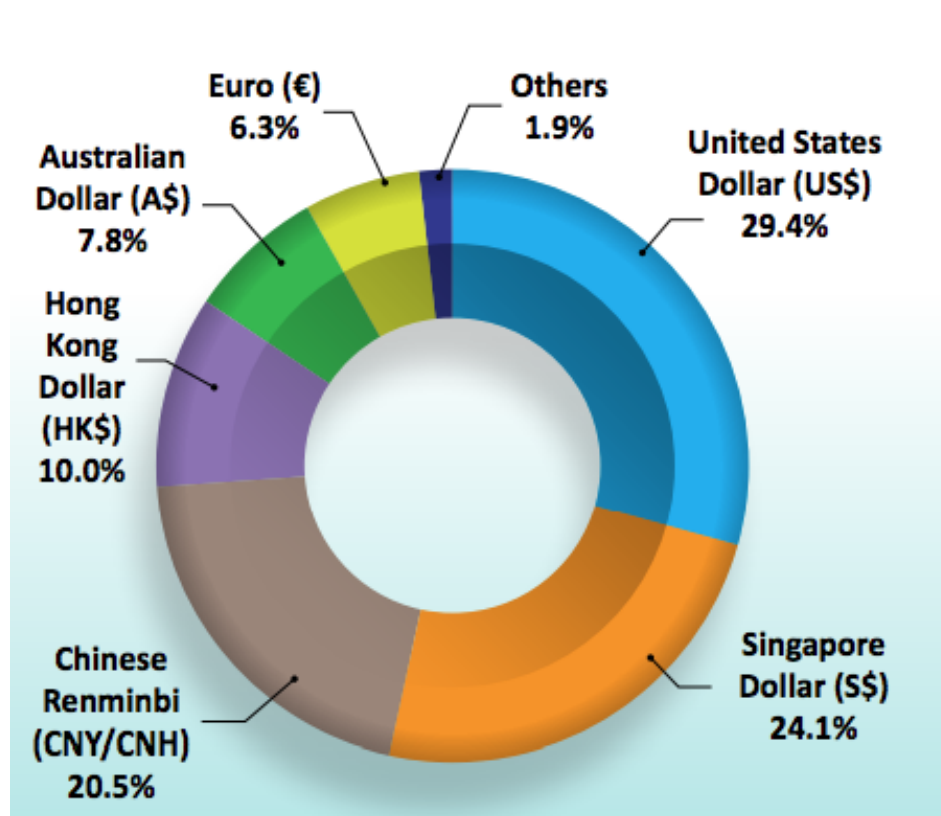
For its foreign currency risk framework, the company has stated the following:

The Group manages this risk by taking advantage of any natural offsets of receipts and payments in each individual currency. Surplus of foreign currencies are sold, as soon as practicable, for SGD. Forward foreign exchange contracts are used purely as a hedging tool, where an active market for the relevant currency exists, to minimise the Group's exposure to movements in exchange rates on firm commitments and specific transactions. The Group will also monitor currency exposure and may enter into hedging arrangements where appropriate.

The chairman specifically mentioned that “*the ambivalence surrounding the future policy direction of major central banks should nudge any prudent investor into evaluating the costs and benefits of hedging her portfolio currency exposures*” (page 6).

(ii) Can the board elaborate further on its foreign currency risk framework? The group currently has just 24% in SGD and between 10%-29% exposure to HKD, USD and CNY.

BREAKDOWN BY CURRENCY
as at 31 December 2018



(Source: Company annual report)

3. On 7 January 2019, the company appointed Mr Abdul Jabbar Bin Karam Din as an independent director and, on 15 March 2019, the appointment of Mr Tan Wee Peng Kelvin as an independent director.

Two other directors, Mr Adrian Chan Pengee and Mr Jason See Yong Kiat, will be stepping down after the 2019 Annual General Meeting.

The Nomination and Governance Committee (NGC) disclosed that it conducts external searches when there is a need to appoint new directors to the board. Where necessary, the NGC may seek advice from external consultants.

- (i) **Can the NGC elaborate further on how it conducts “external searches”?**
- (ii) **Did the NGC leverage a professional search firm to cast its net wider so as to increase the diversity and possibly improve the quality of the candidate pool?**

As shown in the director’s biography (page 48), Mr Tan is currently an independent director and chair of the audit committee of several SGX-listed companies. Mr Tan Wee Peng Kelvin also previously held the positions of the audit chairman of the board of



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Transcorp Holdings Ltd. and Shanghai Turbo Enterprises, two other companies listed on the SGX.

(iii) Can Mr Tan help shareholders understand how his experience as the chair of the audit committee at Transcorp and Shanghai Turbo is relevant to his role as independent director and a member of the ARMC of the company?

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Global%20Investments%20Ltd&cid=4298>

The company's response could be found here: -----