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SGX-ST Release

INFORMATION IN RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (“ANNUAL REPORT”)

Global Investments Limited (the “Company”) has received the questions set out below from the SIAS on the Company’s Annual Report on 10 April 2023. The Company has prepared and is releasing with this announcement the responses to the said questions for the shareholders’ information.

Question 1

On 20 March 2023, the company announced the following:

Based on the Company’s Current Asset Review for the period ended 31 December 2022 which was announced on 21 February 2023, the Company wishes to inform shareholders that the Company holds Additional Tier 1 Perpetual Bonds issued by Credit Suisse Group AG amounting to 2.33% of the Company’s NAV as at 31 December 2022.

Given that the net asset value was S\$261.1 million as at 31 December 2022, the exposure to Credit Suisse AT1 bonds is estimated to be S\$6.08 million. However, on page 101, the top 10 investments were disclosed as follows:

2. INVESTMENTS

Additional disclosures in accordance with Listing Rule 748(3).

31 December 2022

Interest in investments	Asset Class	Percentage shareholding %	Cost million	Net Book Value million	Carrying Value S\$ million	Income/ Underlying Earning S\$ million	Unrealised Gain/(Loss) S\$ million
Societe Generale 6.125%	Bank contingent convertibles	Nil	S\$21.8	S\$21.8	19.9	1.3	(1.8)
SIA MCB	Bonds and Collateralised loan obligations	Nil	S\$12.8	S\$12.8	13.0	-	0.2
UBS Group 5.875%	Bank contingent convertibles	Nil	S\$10.0	S\$10.0	8.9	0.6	(1.1)
UBS Group 6.875%	Bank contingent convertibles	Nil	US\$6.0	US\$6.0	7.8	0.6	(0.4)
Commerzbank 4.2%	Bank contingent convertibles	Nil	S\$7.5	S\$7.5	7.1	0.3	(0.4)
Unicredit SPA 8%	Bank contingent convertibles	Nil	US\$4.8	US\$4.8	6.4	0.6	(0.3)
Westpac 4.65%	Bonds and Collateralised loan obligations	Nil	S\$5.8	S\$5.8	5.7	0.1	(0.1)
Fenix Marine 8%	Bonds and Collateralised loan obligations	Nil	US\$3.7	US\$3.7	5.5	0.4	0.9
Societe Generale 8%	Bank contingent convertibles	Nil	US\$4.0	US\$4.0	5.4	0.4	(0.3)
HSBC 6%	Bank contingent convertibles	Nil	US\$4.0	US\$4.0	4.9	0.3	(0.6)

(Source: company annual report; emphasis added)

- (i) **Could the manager provide clarification on whether the group’s investment in the Additional Tier 1 Perpetual Bonds (AT1 bonds) issued by Credit Suisse Group AG occurred only in 2023, and thus not reflected in the table shown above with the cut-off date of 31 December 2022?**

Answer:

The investment in CS AT1s were bought much earlier and not in 2023.

- (ii) **If so, could the manager provide more details on the investment process for the AT1 bonds, including any necessary board approvals?** This would help shareholders better understand the decision-making process behind the investment. **Alternatively, if the AT1 bonds were not included in the list of top 10 largest investments, could the manager clarify if this was an inadvertent omission?**

Answer:

SGX listing rule 748(3) requires disclosure of 10 largest investments and not 10 largest issuers. The AT1 bonds issued by Credit Suisse Group were individually not within the 10 largest investments of the Company.

The Board is of the opinion that there is adequate oversight in the area of investments in AT1s and the overall investment process as a whole.

- (iii) **As at 31 December 2022, the group had an exposure of over \$21.8 million to Societe Generale and approximately \$18 million (on a cost basis) to UBS Group. For shareholders to better understand the group's risk management practices, can the manager clarify whether there is a limit on single counterparty risk within the group's risk management framework?**

Answer:

Yes. The investment is within the single issuer limit within the group risk management framework.

Question 2

For FY2022, the group recorded a return on equity of (12.3)% in 2022 as compared to 4.8% in 2021. The net loss after tax of \$(35.1) million was largely attributable to the revaluation loss of financial assets at fair value through profit/(loss) of \$(40.7) million.

- (i) **Can the manager provide a breakdown of the \$(40.7) million revaluation loss by asset class and by underlying investments for better clarity?**

Answer:

Yes. Please refer to page 96 of Annual Report 2022 (extracted below) for a breakdown of the revaluation loss by asset class and geography.

Segment Reporting

The Board has determined the operating segments of the Group from an asset class perspective namely loan portfolio and securitisation assets, bonds, bank contingent convertibles and listed equities. Geographical classification is assessed by reference to the country of exposure for the year ended 31 December 2022.

	Bonds and Collateralised Loan Obligations				Bank Contingent Convertibles				Listed Equities			Cash and cash equivalents	Total
	Europe S\$'000	Asia S\$'000	North America S\$'000	Others S\$'000	Europe S\$'000	Asia S\$'000	North America S\$'000	Others S\$'000	Europe S\$'000	Asia S\$'000	North America S\$'000	S\$'000	S\$'000
For the year ended 31 December 2022													
Total segment income/(loss)	(3)	909	(1,791)	(3,408)	(13,019)	-	(85)	(6,294)	(342)	(4,246)	26	1,061	(27,192)
Segment profit/(loss) before tax	(1)	905	(1,795)	(3,407)	(13,040)	-	(85)	(6,302)	(343)	(4,246)	26	(2,236)	(30,524)
Included segment items													
Dividend income	-	-	-	-	-	-	-	-	47	2,298	14	-	2,359
Interest income	-	67	768	678	7,757	-	105	678	-	-	-	1,061	11,114
Net gain/(loss) on financial assets at fair value through profit or loss	(3)	842	(2,559)	(4,086)	(20,776)	-	(190)	(6,972)	(389)	(6,544)	12	-	(40,665)
Net foreign exchange gain/(loss)	2	(4)	(4)	1	(21)	-	-	(8)	(1)	-	-	(3,297)	(3,332)
As at 31 December 2022													
Total segment assets	278	13,001	12,190	12,838	115,819	-	1,272	9,119	1,370	44,376	603	51,230	262,096
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-

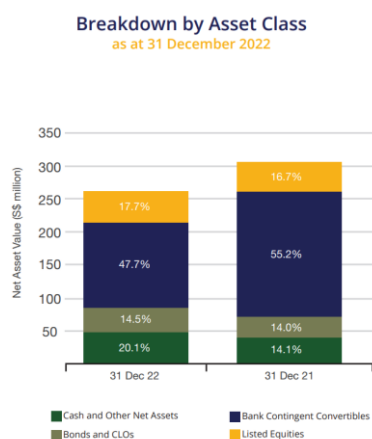
- (ii) As at 31 December 2022, bank contingent convertibles (CoCos) remain the largest asset class at 47.7%, with cash amounting to 20.1%. **Does the manager have any plans to make changes to its current capital allocation strategy?**

Answer:

The Company continually reviews the capital allocation strategy in search for new asset classes on a risk-reward basis.

In its 2023 investment outlook, the manager has stated that China's reopening should help to cushion the global slowdown and benefit Asia, particularly in terms of commodities demand and a rebound in tourists from China. In addition, the persistently tight labour market and rising wages are expected to keep inflation high and the overly aggressive rate hikes by the Federal Reserve could result in much higher borrowing costs and liquidity shocks which could tip the economy into a recession.

The manager also recognised the implementation challenges in the global push towards net-zero, with capital markets increasingly factoring in ESG risks into asset prices. In addition, the geopolitical challenges, including the Russia-Ukraine conflict and the US-China relationship, could all potentially rupture and spillover abruptly.



(Source: company annual report)

- (iii) **Could the manager provide more details on their outlook for the economy, including their assessment of the risk of a recession or a hard landing?** This would help shareholders better understand the company's overall investment strategy.

Answer:

Please refer to pages 4-7 of Annual Report 2022 for the outlook on the economy, portfolio and their respective asset classes. The Company also provides outlook together with its half yearly results announcement.

- (iv) **Additionally, does the manager see any systematic risks in the banking system? How does the company determine if the credit spread of CoCos is sufficient to compensate for the associated risks?**

Answer:

The Company has invested in AT1 since 2013 and to date, this is the first non-viability event, triggered by the Swiss regulatory authority (**FINMA**). The Company will continue to evaluate the performance of AT1s relative to other asset classes. The details of this asset class is outlined in Page 5 of Annual Report 2022.

- (v) **Could the manager provide information on the call dates of the CoCos held by the company?**

Answer:

The weighted average call date was 2.70 years, which was published in both the half yearly Current Asset Review and the Annual Report. The details of this asset class are outlined in Page 5 of Annual Report. Shareholders may also wish to refer to the top 10 investments listed on page 101 of the Annual Report.

Question 3

The company’s vision and mission are shown in the annual report. It strives to be the fund of choice and it aims to invest in a socially responsible way.

Our Vision

Global Investments Limited (GIL) strives to be the **fund of choice** by delivering long-term benefits for all stakeholders consistently while contributing to the community and economy as a whole.

Our Mission

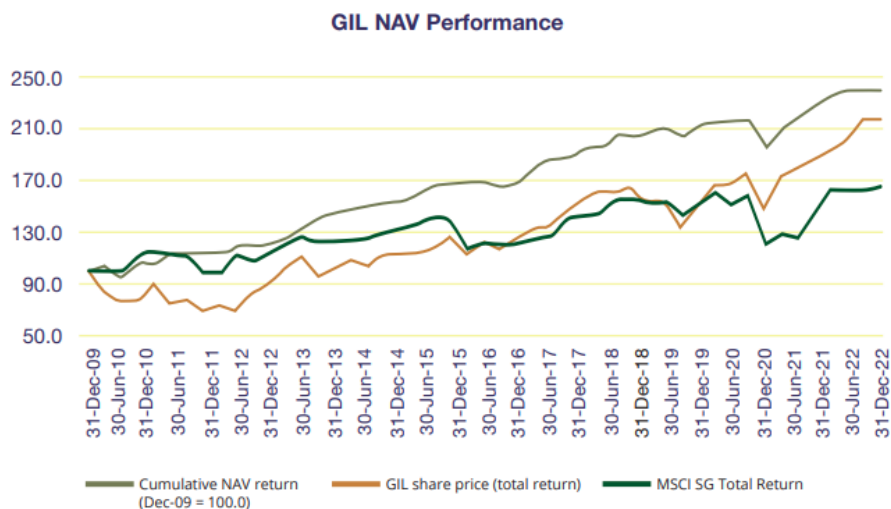
GIL aims to be a fund which invests in a **socially responsible way** to generate steady income and appreciation in capital so as to deliver regular dividends and achieve capital growth for our shareholders.

(Source: company annual report)

- (i) **Could the board provide some insight into the strategies that the company has implemented to position itself as the “fund of choice” for investors?**

Answer:

The Company strives to provide long term returns to shareholders. This could be seen from the Company performance on page 1 of Annual Report. It should be noted that the Company’s NAV has outperformed the MSCI Singapore Total Return.



Since 2010 to 2022, the Company has been consistently paying out dividends. During this period, the Company has paid dividend of \$185.6 million and achieved a profit after tax of \$185 million.

- (ii) **Has the board been monitoring and analysing the discount at which the company trades in relation to its net asset value? Additionally, has it been a priority for the board to narrow this discount in order to demonstrate the company's value and make it the "fund of choice"?**

Answer:

Yes, the Board has been consistently monitoring the discount at which the company trades in relation to its NAV. One of the Board's focus is to narrow the said discount and to that end the Board has continued the Company's share buyback programme.

Since the introduction of the share buyback programme in 2019, the Company has been monitoring the share price closely and conducting share buybacks when Company deems appropriate. To date it has bought back 394,589,200 shares on the market. Out of these shares bought back, 243,417,508 are re-distributed to shareholders who had opted for shares under the scrip dividend scheme.

However, as the Company is a fund, it would urge its shareholders to focus on its NAV growth per share as an indicium of its performance.

- (iii) **Would the board be willing to explore proactive measures to reduce the discount, such as providing weekly reports on net asset value, offering more transparency about the company's investment strategy and track record, and improving disclosure about the underlying assets?**

Answer:

The Board is currently providing reports on its NAV per share on a quarterly basis in compliance with the listing rules. The investment strategy and track record of the Company is disclosed on pages 12 and 1 of the Annual Report respectively and in the half yearly reports. The Company also complies with Listing Rule 704(17) and 704(18) in relation to acquisition and disposal of assets.

The Board does not see value in providing weekly reports as it distracts from the long-term performance of the Company.

- (iv) **Furthermore, could the company explain what is meant by "socially responsible" investing? Specifically, does this approach involve abstaining from investing in so-called "sin stocks" (e.g. those involved in alcohol, tobacco, gaming, adult entertainment, or weapons) or in companies associated with fossil fuels?**

Answer:

The Company's approach to "socially responsible" investing involves avoiding investments in companies that are involved in known breaches of human rights, labour laws, environment, or anti-corruption laws as well as companies with poor corporate governance practices (Page 42 Annual Report).

- (v) **With a deficit of \$(51.6) million being carried forward in the computation of incentive fee, would the manager be considering an orderly liquidation of the fund and returning the capital to shareholders?**

Answer:

A deficit for incentive fee is not a criterion for deciding whether to liquidate the fund. Since 2010, the performance of the Company has improved and hence the more appropriate approach is to

continue to extract value and grow the assets. Please see the Company's response at question 3(i) above.

Further, the Company has zero gearing and is solvent.

By order of the Board
Global Investments Limited

Boon Swan Foo
Chairman
19 April 2023

About Global Investments Limited

Global Investments Limited (**GIL**) is a company registered in Singapore that provides investors access to a diversified portfolio of assets and economic exposures. GIL is managed by Singapore Consortium Investment Management Limited.