GIC and the management of reserves

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

The origins of GIC in 1981

GIC owes its existence to the persistent surpluses of the 1970s. Budget surpluses, CPF contributions and a strong balance of payments had produced reserves that the Monetary Authority of Singapore and the currency board held mainly in liquid assets, whose value inflation eroded. Goh Keng Swee, appointed chairman of the Monetary Authority on 1 August 1980, concluded that the reserves required a different approach. He saw a structural, "chronic surplus" in Singapore's accounts, driven by prudent fiscal policy and compulsory CPF contributions.[1]

A consultancy report on the Monetary Authority, delivered in December 1980, had in Goh's view "missed a very essential point", namely that "there must be a separate body to manage the reserves". On 27 February 1981 he announced that the government would establish an investment company. The Monetary Authority would keep the reserves needed to back the currency and manage the exchange rate. The new company would manage the "non-monetary" reserves for long-term capital growth, since, as the statement put it, "investment portfolio management and the management of the float required different approaches".[2]

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The Government of Singapore Investment Corporation was incorporated on 22 May 1981.[3] Goh persuaded a reluctant Lee Kuan Yew to chair it, arguing that the Prime Minister's chairmanship would signal the importance of the reserves. A team from N.M. Rothschild & Sons was engaged as consultants on a six-month trial.[4] The link with London is worth noting. The Rothschild consultants brought the methods of a European merchant bank to a state investor that would soon become one of the largest institutional clients in the world.

The three managers of the reserves

Singapore's reserves are managed by three institutions with distinct roles. The Monetary Authority holds the official foreign reserves, which support the exchange-rate-centred monetary policy described in Chapter C.V. GIC manages most of the government's financial assets, with the exception of its deposits with the Monetary Authority and its shareholding in Temasek. Temasek owns and manages its own portfolio. GIC describes itself as a fund manager, which does not own the assets it manages.[5]

The legal position of GIC is that of a private company wholly owned by the government. As a company listed in the Fifth Schedule to the Constitution, it is directly accountable to the President in several respects. No one may be appointed to or removed from its board without the President's concurrence. The government, through the Ministry of Finance, holds the GIC board accountable for overall performance but does not direct individual investment decisions.[6]

The Monetary Authority's own reserves are published monthly. At the end of September 2026 the official reserve assets amounted to US$433.4 billion, according to the preliminary figures reported in the template of the International Monetary Fund. The size of the assets managed by GIC is not published. GIC explains that the government considers that publishing this figure, alongside the published assets of the Monetary Authority and Temasek, would reveal the full size of the reserves.[7]

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Transfers from the Monetary Authority after 2022

The boundary between the Monetary Authority and GIC moved in 2022. An amendment to the Monetary Authority of Singapore Act, in force since 21 February 2022, allows the Authority to subscribe for Reserves Management Government Securities issued by the government. It permits the Authority to transfer official foreign reserves that it does not need for monetary policy and financial stability to the government, which then entrusts them to GIC for long-term investment.[8]

On 7 April 2022 the Monetary Authority transferred S$75 billion in this way. It stressed that the transfer "does not change Singapore's total foreign reserves" and did not make funds available for government spending. By the end of May 2022 the outstanding amount of these securities had reached S$122.6 billion. Official foreign reserves fell from S$579.2 billion at the end of February to S$473.3 billion at the end of May 2022. The reform matters for the financial centre because it moved a large pool of assets from a central bank portfolio, invested for liquidity, into a long-horizon portfolio that buys equities, private assets and real estate, often through external managers.[9]

From Reference Portfolio to Strategic Portfolio

GIC's investment framework has changed several times. On 1 April 2013 it introduced a Reference Portfolio of 65 per cent global equities and 35 per cent global bonds. That portfolio expressed the level of risk the government was prepared to accept. A Policy Portfolio of six core asset classes and an Active Portfolio of skill-based strategies completed the structure.[10]

Since 1 April 2026 GIC has been moving to a new framework built around a Strategic Portfolio, which represents the government's risk appetite and long-term return expectations. Under the new framework GIC is expected to outperform the Strategic Portfolio over the long term through active management within approved risk parameters. The Reference Portfolio had expressed only a risk appetite and served as no performance benchmark. The change brings GIC closer to the total

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portfolio approach used by several large pension and sovereign funds, which judge a manager by the value it adds over a defined benchmark. GIC states that it does not allocate its assets by geography, although it monitors its regional exposures.[11]

Performance and the twenty-year real return

GIC measures its performance principally by the annualised rolling twenty-year real return, the return above global inflation. In its report for the year 2025/26, published on 24 July 2026, it reported a twenty-year real return of 3.4 per cent a year and a nominal return of 5.6 per cent a year in US dollars for the period ending 31 March 2026. The figure had been 3.8 per cent a year earlier. In Parliament the government attributed part of the decline to a more cautious investment approach in recent years, with greater diversification and a lower-risk posture.[12]

Over longer periods the record has been steady. In 2018 the government told Parliament that GIC's annualised real return over the twenty years to 31 March 2017 had been 3.7 per cent, while Temasek's nominal shareholder return over the same period had been 6 per cent a year in Singapore dollars.[13] The two figures are not directly comparable. GIC reports real returns in US dollars, while Temasek reports nominal returns in Singapore dollars. The two institutions also pursue different mandates.

GIC has occasionally become a household name in other financial centres. On 10 December 2007 it agreed to invest CHF 11 billion in UBS through mandatory convertible notes, as part of a capital injection of CHF 13 billion.[14] For readers of the Geneva volume the episode shows how closely the two financial centres are bound together. Singapore's reserves supported the largest Swiss bank in the first phase of the global financial crisis. The investment turned out to be costly for GIC, because UBS shares fell sharply before the notes converted.[15]

Notes

1. GIC, *Bold Vision* (boldvision.gic.com.sg), chapter 7, "Genesis of an Idea" (accessed November 2026): Goh Keng Swee appointed MAS chairman on 1

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August 1980; reserves held mainly in liquid assets eroded by inflation; "chronic surplus" driven by prudent fiscal policy and mandatory CPF contributions. ↩

2. GIC, *Bold Vision*, chapter 7: MSD report of December 1980; Goh's remark that it "missed a very essential point": "there must be a separate body to manage the reserves"; press statement of 27 February 1981. GIC, *Bold Vision*, chapter 7, quoting the statement of 27 February 1981. ↩
3. National Library Board, "Government of Singapore Investment Corporation", *Infopedia*: incorporated on 22 May 1981 under the Companies Act; Lee Kuan Yew chairman, Goh Keng Swee deputy chairman. ↩
4. GIC, *Bold Vision*, chapter 7: Lee "not keen" but persuaded by Goh; prime ministerial chairmanship as a signal that the reserves were crucial; Rothschild team (Moser, Katz and Mortimer) appointed consultants on a six-month trial in February 1981. ↩
5. GIC, "FAQs" (gic.com.sg, accessed November 2026): GIC manages most of the government's financial assets, "except its deposits in MAS and its stake in Temasek Holdings"; GIC is a fund manager, not the owner of the assets. ↩
6. GIC, "FAQs" (gic.com.sg, accessed November 2026): private company wholly owned by the government; Fifth Schedule company directly accountable to the President; President's concurrence required for board appointments and removals; MOF holds the board accountable for overall portfolio performance and does not direct or influence individual investment decisions. ↩
7. Monetary Authority of Singapore, "International Reserves and Foreign Currency Liquidity", September 2026 (preliminary), mas.gov.sg (accessed November 2026): official reserve assets US$433,412.40 million. GIC, "FAQs" (gic.com.sg, accessed November 2026): GIC does not disclose its assets under management because, together with the published assets of MAS and Temasek, this would reveal the full size of the reserves. ↩
8. Ministry of Finance, parliamentary reply by Deputy Prime Minister and Minister for Finance Lawrence Wong to Hazel Poa, "Amount of Foreign

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Reserves Transferred to GIC To-date and Additional Reserves Accumulated since February 2022", 5 July 2022: MAS (Amendment) Act in force since 21 February 2022; transfer of reserves not needed for monetary policy and financial stability; management by GIC over the longer term. ↩

9. Monetary Authority of Singapore, media release "MAS Transfers S$75 Billion Excess Official Foreign Reserves to the Government", 7 April 2022. Ministry of Finance, parliamentary reply of 5 July 2022 (Lawrence Wong): S$122.6 billion of RMGS outstanding at end-May 2022; OFR fell from S$579.2 billion (end-February 2022) to S$473.3 billion (end-May 2022). ↩
10. GIC, "GIC's New Investment Framework", 2 August 2013 (gic.com.sg, accessed November 2026): framework implemented on 1 April 2013; Reference Portfolio of 65 per cent global equities and 35 per cent global bonds; Policy Portfolio of six core asset classes; Active Portfolio. ↩
11. Ministry of Finance, parliamentary reply by Second Minister for Finance Jeffrey Siow to Victor Lye, "Principles and Risk Parameters for GIC's Strategic Portfolio Framework", 8 September 2026: transition began on 1 April 2026; the Reference Portfolio was not a performance benchmark; GIC expected to outperform the Strategic Portfolio "within approved risk parameters". GIC, "FAQs": the Strategic Portfolio comprises equities, fixed income and real assets. GIC, "Our Portfolio" (gic.com.sg, accessed November 2026): "While we do not allocate our assets by geography, we monitor our exposures across regions." ↩
12. GIC, *Report on the Management of the Government's Portfolio for the Year 2025/26*, 24 July 2026 (gic.com.sg): 20-year annualised nominal return 5.6 per cent (US$) and real return 3.4 per cent. GIC, "FAQs": 10-year and 5-year nominal US$ returns of 6.2 and 3.6 per cent. Ministry of Finance, parliamentary reply by Senior Minister of State for Finance Jeffrey Siow to Pritam Singh, "Drop in GIC's Annualised Rolling 20-year Real Rate of Return for Year Ended 31 March 2026", 5 August 2026. ↩
13. Ministry of Finance, parliamentary reply by Second Minister for Finance Indranee Rajah, "Long Term Investment Returns of Temasek Holdings and

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GIC", 10 July 2018: Temasek NPV from $164 billion (2007) to $275 billion (2017); Temasek 20-year annualised nominal return 6 per cent (S$); GIC 20-year annualised real return 3.7 per cent. ↩

14. GIC, "Statement by Dr Tony Tan Keng Yam, Deputy Chairman and Executive Director, GIC, at GIC's Media Conference on Its Investment in UBS", 10 December 2007 (gic.com.sg): CHF 11 billion of a CHF 13 billion capital injection, in mandatory convertible notes. ↩

15. "Disappointed With UBS Loss, Singapore's GIC Fund Cuts Stake", Bloomberg via Yahoo Finance (search extract only): by the time GIC completed the conversion of its CHF 11 billion of notes, UBS shares had lost about two-thirds of their value, partly offset by interest payments. ↩

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com

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