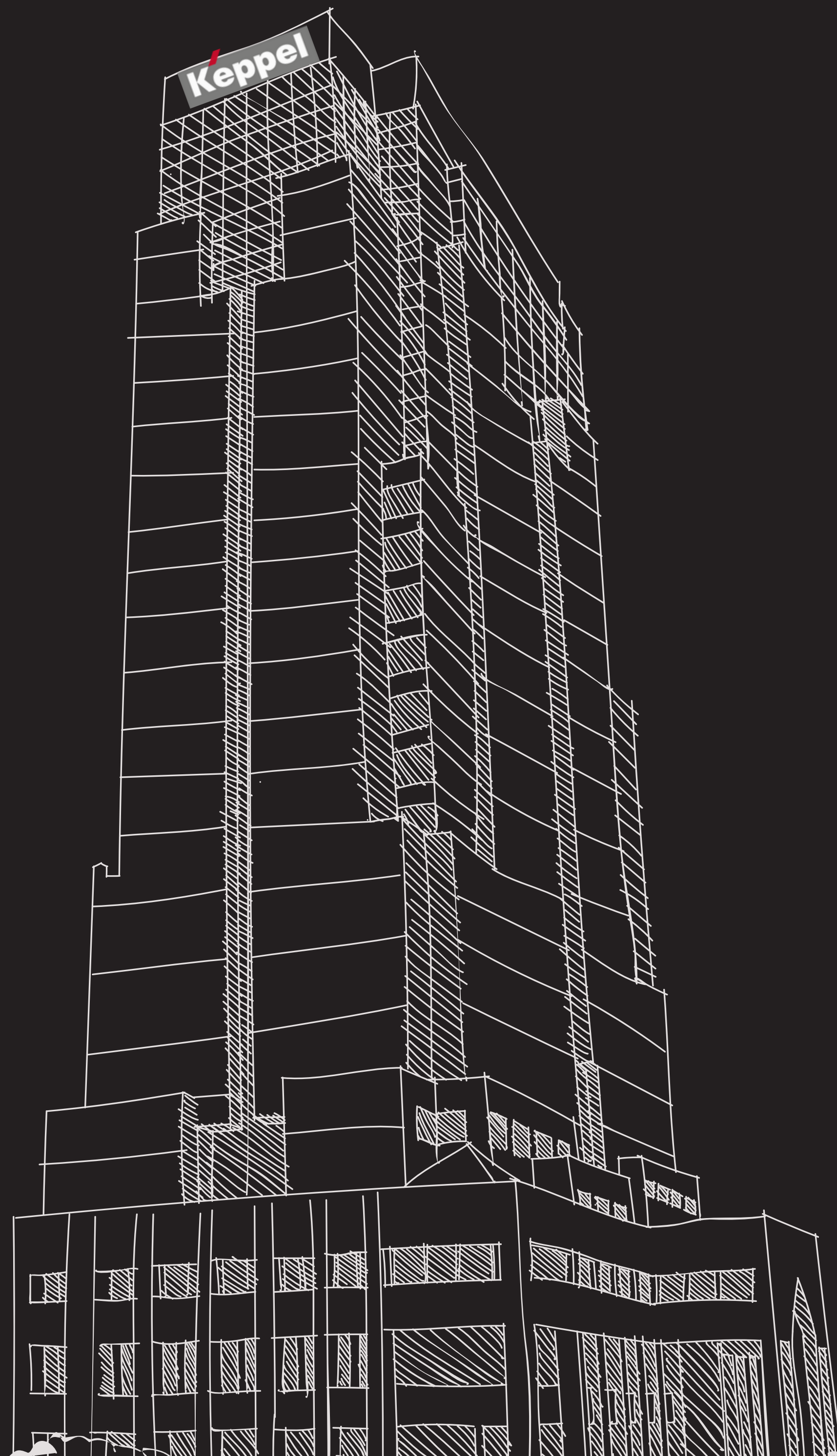
KEPPEL LTD

TRANSFORMING INTO A GLOBAL ASSET MANAGER

ARE INVESTORS IN THE DARK?



CORPORATE MONITOR LIMITED

REPORT OBJECTIVE

Keppel Ltd, once renowned for its offshore marine and real estate businesses, is undertaking a fundamental transformation to become a global asset manager with S$200bn in funds under management (FUM) by 2030. It is unprecedented for an industrial operator to successfully transform into an asset manager of such scale. As such, close attention ought to be given to the progress and prospects of Keppel's transformation.

This report examines Keppel's current level of disclosures and if it allows stakeholders to meaningfully evaluate its progress and prospects. For reasonableness, local and global asset managers are used as benchmarks. Being a listed company and with FUM of S$85bn, we believe the comparison is fair.

KEY TERMS

The asset management industry has certain terms that a reader will benefit from understanding.

Funds Under Management (FUM): This refers to the assets under the care of a fund manager, on which it charges a management fee. Keppel's 2030 goal is to have S$200bn worth of fee-bearing assets.
Internal Rate of Return (IRR): This is an annualized rate of return that a fund generates and is a common industry performance measure.
Multiple on Invested Capital (MOIC): This is used synonymously with **Multiple on Money (MOM)** and shows the total value generated by a fund relative to the capital invested. For example, an MOIC of 2 means the fund returned two times the capital invested.
Vintage Year: This refers to the year in which a fund deploys its capital, typically when it makes its first investment.
EBITDA: EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortization. It is used to have a sense of the core operational profitability of a firm.
PATMI: This refers to Profit After Tax and Minority Interest and shows the 'final profit' available to shareholders.

ABOUT CORPORATE MONITOR LIMITED

Corporate Monitor Limited (CML) is an independent firm dedicated to producing objective, high-quality research. With a mission to foster stronger corporate performance and benefit the investment community, Corporate Monitor emphasizes thorough research and active engagement with companies.

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DISCLOSURE: KEPPEL VS. OTHER ASSET MANAGERS

LEVEL OF DISCLOSURE	Keppel	CapitaLand Investment	TPG	Blackstone
FUM (AS PER 1H2024)	S$85BN	S$100BN	~S$180BN	~S$1,050BN
FUND PERFORMANCE	✗	✗	✓✓	✓✓
FUND SIZE & VINTAGE	✗	✓	✓✓	✓✓
FEE BREAKDOWN	✗	✓	✓✓	✓✓
ASSET MGMT EXPENSE & PROFITS	✗	✗	✓✓	✓✓
FUND RAISING ROADMAP	✓	✓	-	-

✗ NO/LITTLE DISCLOSURE ✓ SUBSTANTIVE BUT LIMITED DISCLOSURE ✓✓ FULL AND CLEAR DISCLOSURE

COMPARATOR SELECTION

CapitaLand Investment: A Singaporean property developer that is transforming into a global asset manager. Serves as a local benchmark.

TPG: With US$137bn (~S$180bn) in fee earning assets under management, its size is comparable to Keppel's 2030 goal of managing S$200bn.

Blackstone: Widely regarded as best-in-class, it sets the example in the quality and depth of its disclosures.

When placed against local and global asset managers, it is clear that Keppel's disclosure is lacking. This deficit makes it extremely challenging for stakeholders to evaluate Keppel's current asset management performance and its prospects, leaving stakeholders in the dark as to whether Keppel's 2030 goal of being a global asset manager, with S$200bn FUM, will succeed.

FUND PERFORMANCE IS NEEDED TO EVALUATE CURRENT AND FUTURE SUCCESS

ITS IMPORTANCE

A typical asset manager has many funds. Knowing each fund's performance allows for the assessment of the manager's skill via benchmarking. Institutional investors decide to invest or avoid a fund based on its past performance. As such, a fund that is doing well can be expected to lead to larger successor funds, while the converse is true for a poorly performing one.

Keppel

Except for its public listed funds, which has to comply with disclosure regulations, Keppel does not disclose the performances of any of its other funds.

Returns achieved

17% IRR / 1.8x equity multiple

average deal returns since 2002

Its only disclosure was in the 1H23 presentation, with an ambiguous 17% IRR on *deal* returns (rather than *fund*)

CapitaLand Investment

Capitaland has a similar practice of not disclosing the performance of each funds, except for those already listed.

TPG

TPG clearly shows the performance metrics, both gross and net of fees and costs. It consistently does this for every fund, allowing stakeholders to evaluate its investment performance and track record.
Similarly, BlackStone discloses performance with IRR and MOIC.

($ in millions, as of 6/30/24) Fund	Gross IRR[7]	Gross MoM[7]	Net IRR[8]	Net MoM[9]
Asia Real Estate				
Asia Realty				
Asia Realty I	6%	1.3x	3%	1.2x
Asia Realty II	24%	1.8x	16%	1.6x
Asia Realty III	14%	1.5x	9%	1.3x
Asia Realty IV	19%	1.5x	12%	1.3x
Asia Realty V	36%	1.1x	1%	1.0x
Asia Realty	*13%*	*1.5x*	*9%*	*1.3x*
Japan Value				
Japan Value[13]	NM	NM	NM	NM
Japan Value	*NM*	*NM*	*NM*	*NM*

TPG, 2Q2024 Earnings Release

Keppel's goal to scale to S$200bn FUM is contingent on the performance of its funds. Success begets success, while a manager's poor performance leads to existing investors dropping out and great difficulty in finding new investors. Acquisitions of other fund managers (like Aermont), will boost FUM but will prove to be ephemeral, should there be sub-par performance.
Fund managers with stellar returns are incentivized to publicise it, while a manager's reticience could lead to concerns on returns.
Without performance disclosures, stakeholders are deprived of a basis to assess Keppel's investment ability and the prospects of achieving its S$200bn FUM.

INVESTOR CONFIDENCE OBSCURED BY LACK OF FUND SIZE/VINTAGE

ITS IMPORTANCE

Individual fund sizes provide valuable information on investors' confidence in the manager's strategy and performance. A larger follow-on fund indicates strong investor confidence, while decreasing fund size indicates the opposite. A fund's vintage allows for benchmarking the fund against others of the same period. It also allows analysts to track the remaining life of the fund and the manager's success in raising a follow-on fund.

Keppel ✕

Keppel does not disclose a fund's vintage. More glaringly, it does not disclose individual fund sizes. Here, the opacity is pronounced as 14 funds are aggregated together.

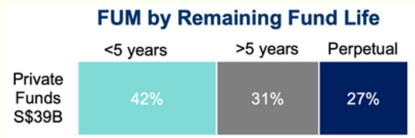
As at end-Jun 2024

No	Funds / SMAs	FUM	Carrying value of Keppel sponsor stake
Real Estate			
7	Keppel Asia Macro Trends Fund III	$46.4b	$762m
8	Keppel Asia Macro Trends Fund IV		
9	Alpha Asia Separate Account		
10	German RE SMA		
11	Korean RE GP Programme		
12	China Residential Programme		
13	China SUR Programme		
14	Keppel Indo Logistics Fund		
15	Keppel Vietnam Fund		
16	China Logistics Property Fund		
17	US Senior Living GP Programme		
18	Keppel Education Asset Fund		
19	KSURF		
20	Funds managed under Aermont Capital S.à r.l		

Keppel Ltd, 1H2024 Earnings Release

CapitaLand Investment ✓

CapitaLand does not disclose the fund's vintage but it discloses the overall remaining fund life.



It discloses the individual fund sizes, allowing investors to track the success of each particular fund strategy.

No.	Closed Funds Name	Fund Size ('M)	
1	CapitaLand Mall China Income Fund	US$	900
2	CapitaLand Mall China Income Fund II	US$	425
3	CapitaLand Mall China Income Fund III	S$	900
4	CapitaLand Mall China Development Fund III	US$	1,000
5	Raffles City China Investment Partners III	US$	1,500
6	Raffles City Platinum Ventures	RMB	41,035
7	Capital Square Ruby Ventures	RMB	2,380
8	Ascendas China Commercial Fund 3	S$	436
9	China Special Situation RMB Fund I	RMB	703
10	China Business Park Core RMB Fund I	RMB	380
11	China Business Park Core RMB Fund II	RMB	3,600

CapitaLand, 1H2024 Earnings Release

Blackstone ✓

Blackstone's disclosure is excellent. Its vintage has the beginning and end of the investment period, allowing benchmarking against funds by other managers of similar vintages. It fully discloses fund sizes.

($/€ in thousands, except where noted) Fund (Investment Period Beginning Date / Ending Date)	Committed Capital		Available Capital (b)
Credit			
Mezzanine / Opportunistic I (Jul 2007 / Oct 2011)	$	2,000,000	97,114
Mezzanine / Opportunistic II (Nov 2011 / Nov 2016)		4,120,000	993,260
Mezzanine / Opportunistic III (Sep 2016 / Jan 2021)		6,639,133	1,121,775
*Mezzanine / Opportunistic IV (Jan 2021 / Jan 2026)		5,016,771	1,624,659

Blackstone, 2Q2024 Earnings Release

The extract exemplifies the benefits of disclosure. A Blackstone investor (i) sees that the Credit funds are generally well-received due to the increasing fund sizes, (ii) is aware and can investigate a possible issue in Fund III, that is followed by a smaller Fund IV.

Keppel's opacity means that it can't be seen whether successive funds grew or shrank in size (For eg. Keppel Asia Macro Trends Fund III vs. Fund II). It is also opaque when it comes to whether successor funds can be raised or how long it takes (e.g. Keppel Asia Macro Trends Fund IV vs III). Organic growth in FUM could thus be due to a strong track record attracting investors which is sustainable; it could also be due to Keppel's venturing into 'hot growth' sectors despite lacking deep expertise within which begs the question of sustainability. The lack of vintage disclosure makes benchmarking impossible. **It thus begs the question - why is Keppel withholding such information?**

FEE BREAKDOWNS SHOW REVENUE DRIVER AND VIABILITY OF FIRM STRATEGY

ITS IMPORTANCE

An asset manager's strategy determines if its revenue driver would be management or performance fees.
Management Fees: Typically a percentage of FUM, it provides a stable and recurring revenue stream, even during downturns. Earnings growth is via increasing FUM, with the criticism of this being misaligned with investors, who seek performance-driven results.
Performance Fees: Earned when performance exceeds a benchmark, it can lead to bumper profits or nothing, depending on performance. While clients value the alignment of incentives, its volatility can result in a lower valuation multiple for the asset management firm.

Keppel

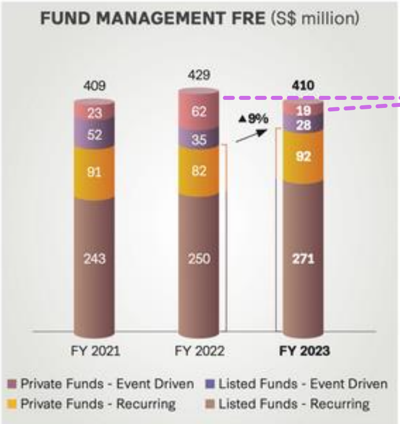
In an all-too-familiar action, Keppel obscures its fees by lumping them together. In here, the various fees from its Infrastructure funds are shown as a combined S$41m without any breakdown.

($'m)	Asset Mgmt
	▸Mgmt fees ▸Performance fees ▸Transaction fees (acquisition & divestment)
Infrastructure	41

Keppel, FY23 Earnings Presentation

CapitaLand Investment

CapitaLand provides partial disclosure, showing the breakdown between recurring and event-driven (i.e. performance) fees. This allows analysis of the revenue drivers and also the volatility of fees.



CapitaLand, FY2023 Annual Report

Clear volatility in Performance fees of S$62m (FY22) vs S$19m (FY23)

*Event Driven: Performance & Transaction Fees

*Recurring: Management Fees

TPG

TPG consistently discloses a complete breakdown of all fees, along with clear fee definitions. This allows for deep analysis of each item. A stakeholder can clearly see that TPG's management fees are increasing while its performance allocations had a large fall compared to 2021, flagging it out for further investigation.

	2023	2022	2021
Management fees	$ 1,187,947	$ 919,830	$ 718,344
Monitoring fees	10,866	14,330	14,324
Transaction fees	99,427	97,909	90,606
Incentive fees	2,815	5,183	—
Expense reimbursements and other	233,571	209,383	154,630
Total fees and other	1,534,626	1,246,635	977,904
Performance allocations	808,248	720,106	3,792,861
Capital interests	47,037	36,146	205,622
Total capital allocation-based income	855,285	756,252	3,998,483
Total revenues	$ 2,389,911	$ 2,002,887	$ 4,976,387

TPG, FY23 Annual Report

Keppel claims that its operating capability differentiates it from 'other asset managers' and with that, the implicit promise of better returns. However, the lack of disclosure makes it impossible to determine if Keppel is indeed generating better returns and hence higher and consistent performance fees. Keppel's asset management business model and value proposition is thus unclear and unsubstantiated. **This lack of disclosure is contradictory to both local and global standards.**

MISSING: COMPENSATION EXPENSE & PROFITABILITY OF ASSET MANAGEMENT

ITS IMPORTANCE

The asset management landscape is highly competitive, with dominant incumbents. The industry is reliant on highly paid talent due to the specialized skills and networks needed to deliver superior performance - compensation is thus a core expense. Smaller and newer asset managers are disadvantaged; paying top dollars to attract and afford top-tier talent could mean short term losses, while the superior returns may take time to materialize. Compensation expense and net profits are key metrics to evaluate an asset manager's success.

Keppel ✕

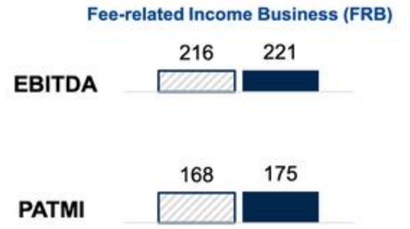
Keppel discloses the net profits of its asset management business with minimal details. There is no information on how its net profit is derived nor its compensation expense.

($'m)	Asset Mgmt
Infrastructure	4
Real Estate	20
Connectivity	6
Net profit	30

Keppel, 1H2024 Earnings Presentation

CapitaLand Investment ✕

CapitaLand discloses EBITDA and PATMI for its fee-related income business. However, this is not meaningful as it lumps asset management's profit with other fee businesses such as lodging management.



CapitaLand, 1H2024 Earnings Release

TPG & Blackstone

Both TPG and Blackstone provide detailed disclosures on their asset management's compensation expense (highlighted) and net profit.

TPG

	2023
Revenues	
Fees and other	$ 1,534,626
Capital allocation-based income	855,285
Total revenues	2,389,911
Expenses	
Compensation and benefits:	
Cash-based compensation and benefits	547,377
Equity-based compensation	654,922
Performance allocation compensation	591,676
Total compensation and benefits	1,793,975
General, administrative and other	482,574
.....	
Interest, dividends and other	7,692
Total investment income (loss)	57,545
Income (loss) before income taxes	83,653
Income tax expense	60,268
Net income (loss)	23,385

TPG, 2023 Annual Report

Blackstone

	2023
Management Fees, Net	
Base Management Fees	$ 2,794,232
Transaction and Other Fees, Net	78,483
Management Fee Offsets	(29,357)
Total Management Fees, Net	2,843,358
Fee Related Performance Revenues	294,240
Fee Related Compensation	(675,880)
Other Operating Expenses	(325,050)
Fee Related Earnings	2,136,668
Realized Performance Revenues	244,358
Realized Performance Compensation	(123,299)
Realized Principal Investment Income	7,628
Net Realizations	128,687
Segment Distributable Earnings	$ 2,265,355

Blackstone, 2023 Annual Report

As pure-play asset managers, TPG's and Blackstone's compensation expense and net profits will naturally reflect its asset management business, while Keppel would need extra steps in breaking out its asset management segment from its other operating units. However, that should not distract one of the key points - namely, that Keppel's asset management cannot be analysed and benchmarked against its peers, unless it matches the same level of disclosure. **Stakeholders are in the dark for the all-important matter of Keppel's approach in recruiting and compensating talent. Furthermore, the full nature of Keppel's asset management profit is obscured.**

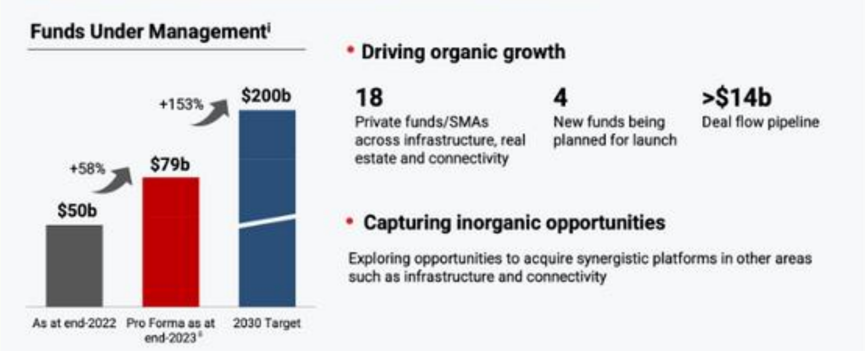
LOOKING AHEAD: DETAILED FUND-RAISING ROADMAP TO BUILD CONFIDENCE

ITS IMPORTANCE

It is fitting to conclude this report by looking ahead.
Both Keppel and CapitaLand have an ambitious target to achieve S$200bn FUM by 2029/30. An asset manager with such a large FUM would currently be within the top 150 asset managers worldwide (Pensions & Investment, 2024). For such an ambitious endeavor, investors would benefit from a detailed roadmap.

Keppel

In presentations, Keppel releases general roadmap details.



It does furnish further details in its press releases and Investor Q&As, discussing the expected growth rates of Aermont Capital, along with the upcoming areas in which its new funds would focus on. However, the milestones for the interim years to 2030 is not disclosed.

CapitaLand Investment

CapitaLand also releases general roadmap details.

While its focus on certain geographies and sectors are discussed, it does not disclose milestones for the interim years within its 5 year target.

Keppel (and its peers) may be reluctant to release a detailed roadmap, due to the difficulties in projecting into the future.
That, if true, only underscores the even greater difficulties that stakeholders face when evaluating Keppel.
Due to the aforementioned lack of information on,
(1) fund performance, (2) fund size and vintage, (3) fee breakdowns and (4) asset management expenses & profits
Stakeholders are unable to gain a sense of Keppel's asset management progress and prospects of success.

CML ISSUES A CALL FOR KEPPEL,
AS AN ASPIRING GLOBAL ASSET MANAGER, TO ALIGN ITSELF WITH GLOBAL DISCLOSURE STANDARDS.