

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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Institutional investors defend exit from troubled PLCs

EPF CEO says different investors evaluate the nature of their investments differently

by ALIFAH ZAINUDDIN

SHAREHOLDERS interests, investment policies and current revelations are the primary considerations for state-owned fund managers to exit troubled listed firms.

The country's three state-backed funds — Retirement Fund Inc (KWAP), the Employees Provident Fund (EPF) and Permodalan Nasional Bhd (PNB) — are the main investors in many listed firms including in Felda Global Ventures Holdings Bhd (FGVH).

EPF had trimmed much of its stake in FGVH despite being one of the main shareholders in the palm oil producer when the latter was listed in 2012.

KWAP CEO Datuk Wan Kamaru-



Pic by Ismail Che Rus

KWAP's Wan Kamaruzaman says while fund managers weigh many aspects of their investments, liquidity issue could force some fund managers to retain their stake

zaman Wan Ahmad said while fund managers weigh many aspects of their investments, liquidity issue could force some fund managers to retain their stake.

"Most of the time we are stuck. In the case of FGVH, some divested while others could not because of low liquidity," Wan Kamaruzaman

Ridzuan said different investors evaluate the nature of their investments differently.

"For EPF, we are essentially a portfolio investor. We look at long-term opportunities. Shifts at the board level happen and in times of difficulty, sometimes, we see light at the end of the tunnel as is the case with Malaysia Airlines Bhd.

"At the end of the day, we have to make decisions and there is a limit to what we can do. Sometimes, we cannot get out fast enough and unfortunately, we have to bear the losses," Shahril said.

According to *Bloomberg* data, KWAP owns a 7.34% stake in FGVH. Other state-owned fund managers with stakes in FGVH are Lembaga Tabung Angkatan Tentera with a 7.87% stake and Lembaga Tabung Haji with 7.81%.

EPF's interest in the planter had thinned to just 0.71%, according to *Bloomberg* data, compared to 5.06% when FGVH became a public company in 2012.

FGVH is embroiled in a management crisis with its group CEO Datuk Zakaria Arshad, CFO Ahmad Tiffi Mohd Talha and two other senior executives asked to go on leave. The Malaysian Anti-Corruption Commission is also investigating the firm for malpractices or abuse of power.

Meanwhile, PNB president and group CEO Datuk Abdul Rahman Ahmad said corporate governance in the country's listed firms has improved significantly in recent times.

"In general, I think corporate governance in Malaysia is better now and we need to recognise that. But, the most difficult thing for institutional investors is deciding whether you can influence change."

"There are not many companies in Malaysia that we can consider as being 'institutionalised' in the sense that these companies have owners.

"If we cannot influence the owners or the management team to change, then it is only fair for us to leave," Abdul Rahman said.