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EPF maintains prudence in investing in shares

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THE Employees Provident Fund (EPF) may have been given a freehand by the Government to invest in equities but it is by no means throwing caution to wind.

An industry source said contrary to market perception, EPF has not breached its previous ceiling of 20 per cent stock market exposure, having put only 17 per cent of its investible funds in shares.

The source however noted that EPF has been participating on the local bourse in a more aggressive manner, and its current level of involvement is the highest seen to date.

Earlier this year, guidelines pertaining to EPF investments were revised to allow it to invest up to 20 per cent of its funds in equities, compared to 15 per cent previously. Prior to that, Deputy Prime Minister Datuk Seri Anwar Ibrahim had in June 1995 announced that the ceiling would be raised to 15 per cent, from 10 per cent.

An analyst said the EPF had always assumed a prudent stance, given the risks involved and the fact that the money belongs to the people. For this reason, its investments in the stock market have never come close to exceeding the progressively raised limit.

Its exposure was 13.82 per cent in 1996, 10.94 per cent in 1995 and 10 per cent in 1994. In 1993, it was 5.1 per cent and the year before 2 per cent.

Last Thursday, Prime Minister Datuk Seri Dr Mahathir Mohamad gave big local funds like the EPF, Permodalan Nasional Bhd, Pension Trust Fund and Khazanah Nasional Bhd the go-ahead to actively participate in the bourse.

Since then, the market has been abuzz with talk that the EPF's exposure had exceeded 20 per cent. Last year, EPF raked in RM1.19 billion in returns from its investment in the equity market. Its involvement accounted for 2 per cent of the total market capitalisation of the Kuala Lumpur Stock Exchange which stood at RM807 billion at end-1996.

The EPF's asset size amounted to some RM115.2 billion in 1996 and this is expected to top RM200 billion by the end of the decade.

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