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ASB investments remain secure, relatively risk-free

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AMANAH Saham Bumiputera investors might be a trifle disappointed with the total payout for 1998.

Their disappointment arises from a very narrow focus on short-term, annual returns on investment.

The ASB scheme, however, focuses on long-term investment. From that perspective it is a bountiful unit trust scheme which has provided returns totalling almost 200 per cent on initial investments.

First, the 1998 returns on ASB investments. Announced last Thursday by Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also chairman of Yayasan Pelaburan Bumiputera, the return comprises eight per cent in dividend and 2.5 per cent in bonus.

The 10.5 per cent yield, to be sure, is the lowest annual payout by ASB since the unit trust scheme for Bumiputeras was launched in January 1990.

The annual average return for the past eight years was 13.07 per cent.

But investors should be cognisant of the times.

The 15 months between July 1997 and August 1998 have been difficult times for stock market investors. These months saw the battering of prices of quoted shares.

And Amanah Saham Nasional Bhd, the company that manages the assets of ASB, is a big player in both quoted and unlisted equities.

The bulk of its RM25.6 billion assets are invested in equities. Its investment portfolio would have been hurt just as other investors have suffered losses.

Only in the last two months has the local bourse quickened and registered a slight resurgence, both in the prices of shares and in the daily transacted volume.

Over this period the benchmark indicator, the Kuala Lumpur Stock Exchange Composite Index, registered a gain of over 250 points.

But the quoted prices of equities, diminished or aggrandised in value, are only one facet of investment. The other equally important facet is dividends from investment in listed shares.

As explained by Tan Sri Ahmad Sarji Abdul Hamid, the chairman of Permodalan Nasional Bhd which owns ASBN, PNB's foray into the stock market only involved fundamentally strong counters which, despite the economic problems, posted steady profits.

This investment strategy yielded ASB's 37.28 per cent earnings for 1998.

The amount, which is more than RM1 billion, is derived from dividends posted by blue chip counters, especially those in the plantation sector, which recorded healthy financial performances.

ASB garnered about RM1.6 billion from the sale of its investments.

The remaining slightly more than two per cent of ASB's earnings came from other sources.

The total RM2.7 billion has been distributed to 4.9 million ASB unit holders - a huge amount of money disbursed to an equally large number of investors. Statistically, this works out to a distribution of RM551 for every one of ASB's investors.

The reality throws up an entirely different picture. The investment profile of the 4.9 million ASB investors is similar to that of the over 11 million account holders with Bank Simpanan Nasional.

Both profiles show a pyramidal structure. Both institutions have at the base vast numbers of account holders with investments worth less than

RM1,000. At the apex, less than five per cent have vast amounts of money to their credit.

Some might bemoan the inequality of the ASB scheme. But then money begets money. Historically, analysis of the PNB unit trust scheme shows that Bumiputeras who continually invested have benefited the most.

When the original Amanah Saham Nasional was launched in April 1981, all initial investors who saved RM10 were given 90 free units, each worth a ringgit. Many invested more; some availed themselves of low-interest loans of up to RM20,000 provided by four banks; most however did not replenish the original savings.

The former two groups of investors reaped a bountiful harvest in the first three years when the dividend and bonus totalled 20 per cent, 18 per cent and 17.5 per cent respectively.

These two groups more than tripled their original investments by 1990. And in January 1991 they were accorded a grand bonus of 80 per cent. And the total units were transferred to ASB.

Since then, investments in ASB have garnered almost 200 per cent in both dividends and bonuses.

Any investor who had a savings of RM10,000 in January 1991 would have by mid-January 1999, RM29,495.69 in his ASB account. If he had been an original investor with the same original investment of RM10,000, he would have far more units, worth more than RM100,000.

Anyone who had invested RM10,000 in April 1981 and never took out a single unit would have in mid January 1999 more than 100,000 units.

Which other unit trust scheme in the country, or indeed anywhere in the world, provides such solid returns? And, more importantly, there is the assurance that you would never lose your original investment.

So ASB's investors should be gratified with the 10.5 per cent payout.

This year's payout might be low from an historical perspective. But, as we have analysed, it is still attractive given the difficult times the equities market has had to endure over the past 17 or 18 months.

ASB investors should note that this year's quantum of bonus is computed differently from past years' practice.

ASB's past practice of calculating dividend and bonus was based on the minimum monthly balance of each month of the year.

For an investor who never touched his ASB's investment, the dividend and bonus was calculated on the number of units in his account in the middle of December of every year.

So a 10 per cent dividend on the balance, of say, 10,000 units as at Dec 15 would total 1,000 units. Similarly, a bonus of, say four per cent, would work out to 400 units.

The problem, however, is, many ASB investors regard and use the ASB scheme as a veritable savings account. This is facilitated by the thousands of branches of Bank Simpanan Nasional and several major banks.

So the monthly balances of these ASB account holders would vary from year to year.

These account holders might not get the full benefit of the 2.5 per cent bonus declared by ASB, even if they had 100,000 units on Jan 1, 1998.

If they had maintained the units in their ASB account for the whole year they would garner the eight per cent in dividends.

But the bonus would be calculated on monthly balances back from January 1990 when most present ASB unit holders did not have an account with the nascent ASB scheme. So ASB holders might lose a number of units when the bonus is calculated.

But then, as Dr Mahathir declared in his Thursday statement, this form of calculation is a reward to loyal unitholders who continue to maintain long-term investments in the ASB.

That is cogent advice that all ASB investors should heed. Not all of this number are public servants who can look forward to the comforting benefit of a pension which for many would hardly be sufficient if they have their young in schools or knocking at the doors of universities.

Others in the private sector cannot totally depend on their accumulated savings with the Employees' Provident Fund.

Even a RM100,000 withdrawal might dissipate within two years if the retiree has two or three children who desire to pursue tertiary education and cannot obtain either scholarships or loans.

So the wiser way is to invest more. Even an investment of RM100 a month at an age of 50 and maintained over the next five years would yield benefits of more than RM10,000 when the investor retires. Which other financial institution or unit trust scheme promises or can declare such returns on investment?

Given the good record of returns by ASB, unit holders would be content.

Many would continue to save more and more each month. But they are saving for themselves. Some among these unit holders would like to save for their children.

For the nonce, ASB places a limit of RM10,000 on account holders between the ages of 12 and 18. Bumiputeras, especially in the middle-income group, would surely like to save more every month in their children's account.

Surely, PNB, which has so far netted RM25.6 billion from its unit holders, can garner a few billion ringgit more if only it were to raise the limit of the minors' account from the current RM10,000 to, say, RM50,000.

The original objective of ASN was to garner the savings of Bumiputeras to invest in the equities market which would enable a more equitable distribution of the country's resources. PNB should create opportunities to enable parents to save and secure the future of their young.

In the final analysis, PNB might or might not work out future strategies to garner more investments from the young or on behalf of the young.

But current ASB unit holders can be content that, despite the relatively low returns for 1998, their investments are secure and relatively risk-free - thanks to the conservative but assured investment strategies of PNB.

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