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FUND MANAGERS-REACTION

ANWAR'S SENTENCE NO DIRE IMPACT ON FUND MANAGERS' RETURN TO MALAYSIA

SINGAPORE, April 15 (Bernama) -- Foreign funds have begun returning to Malaysia and the six-year jail term imposed on former deputy prime minister Datuk Seri Anwar Ibrahim will not affect portfolio flows much in the medium or long term, said Singapore's Business Times.

Fund managers and brokers in the UK and Singapore said Anwar's sentence yesterday may cause only a short-term pause, the newspaper reported.

"In the past few days, I received inquiries from three fund managers who want to invest in Malaysia again. In the month prior to that there were seven, compared with zero a few months back," a UK broker was quoted as saying.

The report said before Anwar's sentence, brokers and fund managers had observed a change in foreign sentiment towards Malaysia because Asia is once again benefiting from surplus cash that is re-entering emerging markets.

A London-based fund manager told BT: "The weighting in Malaysia is almost zero for most of us. Even though the market is not that cheap following its rally, there's a desire to raise exposure in a market that was previously the second largest in Southeast Asia."

BT said global custodians of share certificates reported to one London broker that Malaysia was experiencing net capital inflows again.

If confirmed and Malaysia was reinstated in the Morgan Stanley Capital Index, fund managers will automatically reallocate funds in their portfolio to Malaysia, said London brokers.

"We are jumping the gun with a 2 percent weight in Malaysia," said a research report by Deutsche Bank which believed the market will continue to rise because of declining interest rates and monetary expansion.

Singapore-based analysts and fund managers were more concerned about the health of Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad and how long he will continue to lead the country as well as the policies of his deputy Datuk Seri Abdullah Ahmad Badawi if he succeeds him, said BT.

"The Anwar trial has been going on for months now and quite frankly, people are rather jaded. In any case, the market had expected a jail sentence," Lee Tiong Seng of BT Funds said.

Lee and other fund managers said foreign investors were also more concerned about the country risks posed by frequent policy changes. --

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