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Potential for unit trust expansion

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THE latest unit trust scheme in Malaysia was launched last week by Prime Minister Datuk Seri Dr Mahathir Mohamad. Called Amanah Saham Malaysia (ASM), it is open to all Malaysians aged six months and above.

The scheme is aimed at helping finance the cost of education of future generations of Malaysians, hence the minimum age requirement.

That is why there are two categories of unitholders. The first, registered unitholders, are those aged 18 and above who invest for themselves. The second, through Akaun Bijak (Smart Accounts), are guardians and parents investing on behalf of or for their children aged six months and above.

As Dr Mahathir indicated during a press conference after launching the fund, there is still a lot of potential for unit trusts in the country, particularly in mobilising funds from the Bumiputeras.

By encouraging the setting up of more trust funds, the Government is also providing people with more investment alternatives besides investing directly in the stock market.

A unit trust is an important form of investment in helping the economic development of many countries. Financing through domestic savings sources such as unit trusts is better and cheaper as compared to lending from foreign sources.

In the US, UK and Australia, the unit trust industry contributes about 40 per cent to the capital of their respective stock exchanges. In Japan it is 48 per cent, Thailand 16 per cent and India 25 per cent.

The unit trust industry in Malaysia however, only represents about 8 per cent of the capital of the Kuala Lumpur Stock Exchange. This indicates that the potential for the industry to expand is still wide open.

Unit trusts are forms of collective investments, where funds or capital collected is invested in various approved shares and assets. The collective capital is managed by responsible management companies that handle the operations and investment portfolio.

In the case of ASM, the fund manager is Amanah Saham Nasional Bhd (ASNB), a wholly-owned subsidiary of Permodalan Nasional Bhd (PNB). ASNB is also the manager for Amanah Saham Nasional (ASN), Amanah Saham Bumiputera (ASB), Amanah Saham Wawasan 2020 (ASW2020), and Amanah Saham Nasional 2 (ASN2).

Investment in unit trusts offers several advantages as compared to investing directly in the stock market and keeping the money in fixed deposit accounts.

Investment normally requires small capital, and can be participated by people from all walks of life. For the ASM, the initial investment is RM100, up to a maximum of RM50,000. Each additional investment must be at least RM1.

ASM is a fixed price trust fund of RM1 per unit with the fund size of 2 billion units.

Unit trusts like the ASM also gives investors the opportunity to reduce risk because their capital is spread throughout various sectors. The fund manager is responsible for conducting research, analysis and making decisions to get reasonable returns.

Another advantage of unit trusts is high liquidity. Investors can buy and sell units at any time. This is different from buying and selling in the stock market, which takes time and requires particular timing.

Coincidentally, the ASM's launch was timed in conjunction with the Malaysian Unit Trust Week, held from April 20 to 24 at the Putra World Trade Centre. It is organised by PNB and the Federation of Malaysian Unit Trust Managers.

Indicating how important the Government considers the unit trust industry, Dr Mahathir said beginning this year, April 20 would be a significant date for Malaysians. This is because every year from now on, the Malaysian Unit Trust Week will be held annually at the same time.

"This is a recognition given to the industry, fund managers, investors and potential investors in Malaysia. The date is selected in memory of the launch of PNB's first unit trust, the ASN, which was launched in 1981," he said.

Since its establishment in 1978, PNB and its various unit trust schemes have played an important role in the country's development and helped make the New Economic Policy a success.

PNB today manages a fund size of RM50 billion, of which RM30 billion comprises funds collected from its total of 7 million unitholders while RM20 billion is PNB's own funds.

Dr Mahathir said as the largest investment institution in Malaysia, PNB must be careful and be aware of the developments and changes in its surroundings, and also evaluate the impact and effects of every investment decision it makes.

So far ASB has 5 million investors holding 26.8 billion units, ASN has 1.3 million investors with 2.4 billion units, ASW 2020 has 855,000 investors with 1.8 billion units, while ASN2 has 21,000 investors with 255 million units.

Most of the 7 million PNB investors comprise clerks, lower-level staff and labourers totalling 1.8 million, 737,000 farmers and fishermen, 612,000 settlers and 373,000 military and police personnel.

Between 1981 and 1999, PNB disbursed RM29 billion in the form of dividends and bonuses to investors in the various unit trust schemes it manages.

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