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Bringing back the shine to state unit trust funds (HL)

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A JOINT initiative aimed at bringing back the glitter in state government-backed unit trust funds is believed to have been proposed by the Johor Government.

The idea is to pool such funds and have them managed either by Permodalan Nasional Bhd (PNB) or another entity set up specifically for the purpose.

It is understood that Johor Menteri Besar Datuk Abdul Ghani Othman has submitted a paper on the matter to Prime Minister Datuk Seri Dr Mahathir Mohamad for consideration.

Dr Mahathir is the chairman of the Bumiputera Investment Foundation.

Some 300,000 unitholders, the majority of whom are Bumiputeras, are expected to benefit from the move. The state unit trusts have performed below expectations since the economic crisis in 1997-98.

Sources said the Menteris Besar and Chief Ministers, who chair the respective state unit trust funds, have been briefed by the fund managers and they are receptive to the idea.

The state funds involved are Amanah Saham Kedah, Amanah Saham Sarawak, Amanah Saham Selangor, PJB Amanah Saham Johor and PJB Dana Johor, PKB Tabung Kumipa, Saham Amanah Sabah and Amanah Saham Terengganu.

Johor was the first to launch a state unit trust fund, the Amanah Saham Johor. Set up in May 1992, it is managed by Pelaburan Johor Bhd.

The strong economic growth in the early 1990s saw other states following suit and for years they performed very well, that is until the Asian economic crisis took grip.

The resulting weakness on the Kuala Lumpur Stock Exchange has since led to units of most state funds falling well below their offer prices.

Amanah Saham Johor closed on Friday at a buying price of 16 sen and selling price of 21 sen, Dana Johor 14 sen and 19 sen, Amanah Saham Pahang 41 sen and 45 sen, Amanah Saham Selangor 30 sen and 32 sen, Amanah Saham Kedah 30 sen and 34 sen and Amanah Saham Sabah 19 sen and 20 sen.

Amanah Saham Sarawak was quoted at a manager's price of RM1.00 for February 16, while Amanah Saham Terengganu was unquoted.

Contacted by Business Times, an analyst saw the state funds' challenge as a long-standing one. "While PNB evolved from a political platform... (the funds) are state-based."

Another PNB-like entity would rattle the existing organisation to work harder for its money but "as I see it PNB has no choice... after all, it reports to the Foundation", the analyst said.

PNB has to think of new products to generate funds to sustain the dividend levels they have been paying out.

"The state trusts were never considered (new products)... I suppose they were viewed more as a threat. Now, with the order of the day being amalgamation, rationalisation and mergers and acquisitions, it is only logical (that PNB take over the state unit trust funds).

"Let PNB manage all the ailing state unit trust funds. It shouldn't be too difficult to effect, they already have the infrastructure at the state level," the analyst said.

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