

21 SEP 2002

AMANAH SSCM:PROMOTION

AMANAH SSCM:DPM CAN HELP REVIVE FDI FLOWS WITH PROMOTION CAMPAIGN

KUALA LUMPUR, Sept 21 (Bernama) -- Amanah SSCM Asset Management Bhd believes that a campaign to promote Malaysia, especially by Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi, the appointed successor to Prime Minister Datuk Seri Dr Mahathir Mohamad, can help revive foreign direct investment flows into the country.

The move could also give the government important insights to the views and preferences of foreign investors, it said in Amanah SmallCAP Fund Bhd's (ASFB) second quarter report filing to the Kuala Lumpur Stock Exchange.

Amanah SSCM is the investment manager of Amanah SmallCap Fund, whose principal investment objective is to achieve long term capital appreciation through investment primarily in equities of small and medium sized companies listed on the KLSE and other bourses in the region.

In its investment manager's review of the the KLSE, Amanah SSCM it said the sell-down in the local market following Dr Mahathir's resignation announcement was a knee-jerk reaction due to investors' perception of increased political risk premium in Malaysia.

But it stressed that the gradual transition and succession plan that had been put in place subsequently should allay some of these concerns.

"Ironically, this plan may have addressed the other issues of political stability and continuity in leadership, which were investors' main concerns not too long ago. We are quite confident that there will not be any major policy shifts within the 15-month transition period," it added.

Amanah SSCM also said the wave of accounting scandals in the US may prove to be a blessing in disguise for emerging markets like Malaysia as it has narrowed corporate risk premium since the US can no longer claim to be a safe haven for strong corporate governance and transparency.

"Particularly, foreign investors may view favourably countries like Malaysia, which has already seen good progress in corporate restructuring since the economic crisis in 1997."

Amanah SSCM said given its cautious optimism, "we (the investment manager) will maintain equity weighting at relatively high levels."

As for stock selection, Amanah SSCM said it would continue to position its portfolio in sectors that would benefit from an economic recovery.

The Malaysian economy grew by 3.8 percent in the second quarter of 2002 and it is expected to grow strongly at between 4.0 and 5.0 percent this year. Next year The economy is envisaged to post a robust 6.0 to 6.5 percent growth.

In reviewing the first half-year performance of the KLSE, Amanah SSCM said the second quarter had seen renewed foreign interest in Malaysia including the portfolio inflows for the initial public offering of Maxis Communications and PLUS Expressways, Petronas bond issue and sovereign Islamic bond.

It noted that "during his closing speech of the three-day UMNO general assembly on 22 June, Dr Mahathir shocked the nation with the unexpected announcement of his resignation from all positions in UMNO and Barisan Nasional".

The Kuala Lumpur Composite Index fell 3.5 percent in the next two trading days and subsequently, the UMNO supreme council announced that Dr Mahathir will only resign from all his positions after the Organisation of Islamic Countries conference to be held in October 2003 and that Abdullah has been appointed as his successor.

Although the news prompted a positive knee-jerk reaction initially on 26 June, the market gave way to profit-taking later the same day due to weakness in stock markets globally following the announcement by WorldCom on its misreported accounts, it added.

In the second quarter of 2002, the Net Asset Value (NAV) of ASFB rose 0.5 percent, outperforming the comparable return in the Kuala Lumpur Stock Exchange EMAS Index.

For the first half 2002 the value of its investment portfolio rose by 14.7 percent, thus outperforming the year-to-date return of the market index.

Since inception on April 17, 1997, the NAV of ASFB has fallen 11.9 percent, thus outperforming the equivalent return from the stockmarket index over the same period. -- BERNAMA

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