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Invest locally, fund managers told

KUALA LUMPUR, Mon. - Local fund managers and institutions were today told to take the lead in investing in the country instead of merely following the lead of foreign institutional funds.

Deputy Prime Minister Datuk Seri Najib Razak, highlighting the positive aspects that make Malaysia one of the most attractive places to invest in the region, said the local institutions and funds should be taking the lead and making the "bold decisions" in the market place.

"I believe we are doing all the right things to make Malaysia an even more attractive place for foreign investments and investors.

"But I believe that this good news should be told to investors and investment professionals in New York, London and Tokyo for them to act accordingly.

"I believe it may be time for Malaysian institutions to take the lead in 'right timing' the market, instead of being mere followers to foreign institutional players," Najib said at the MYRinggit conference organised by financial services group ECM Libra Berhad and The Edge financial weekly here.

The conference, the biggest gathering of top corporate figures and more than 200 mainly local fund managers, was themed "Return to Returns" and was aimed at encouraging local fund managers who are sitting on huge cash stockpiles to invest locally and reap profits.

Second Finance Minister Tan Sri Nor Mohamed Yakcop; Energy, Water and Communications Minister Datuk Seri Dr Lim Keng Yaik; former banker Tan Sri Rashid Hussain; Air Asia group chief executive officer Tony Fernandes and Singapore economist Mano Baskaran also addressed the packed conference.

Local funds and institutions are sitting on a stockpile of cash which is not fully invested in the markets.

Najib said that sitting on cash would provide limited returns for the shareholders and unit holders of the institutions and unit trusts managed by the local fund managers.

"Our market conditions make it ideal for domestic funds to seek and gain first mover advantage. Like many Asian economies, Malaysia has a very high savings rate of around 40 per cent.

"This coupled with a young growing population is fertile ground for the local fund management industry.

"Indeed, the enormous growth of the local fund management industry in recent years is testimony to the increasing sophistication and clout of the Malaysian investor," Najib said.

Illustrating his point that the growth of local markets should not be overly dependent on foreign institutions taking the lead, Najib said:

"As an example, I was made to understand that an established foreign investment house, billed as the largest independent house, has just over a billion ringgit invested in Malaysia.

"This figure is dwarfed by the RM9 billion fund managed by one of our largest home-grown unit trust companies," he said.

Najib said that local investing institutions should play a more active role in the market.

The Government also encouraged greater shareholder activism as this would ultimately translate into better corporate performance and results for the benefit of all shareholders - be it Khazanah, pension funds, unit trusts or the individual investor, he said.

He added that all those attending the conference should reflect on the positive changes being brought into the Malaysian economy.

"We have built a strong foundation and a solid track record of performance in the past.

"The Government is committed to the broad policies that have made this successful stewardship possible," he said.

In justifying Malaysia's attraction for providing good returns to investors "whether on its own merits or in comparison with other investment destinations," Najib said he would start with politics.

"Despite all the early misgivings, especially by those who may not quite appreciate our politics, we have made a remarkably smooth leadership transition from 22 years of Tun Dr Mahathir Mohamad to the first months of Prime Minister Datuk Seri Abdullah Ahmad Badawi.

"We have also won all 11 general elections at the federal level since the country was formed and in the recent election, we secured 90 per cent of all seats in Parliament.

If the people of Malaysia have spoken, Najib said, Umno has listened and Umno members are of one mind.

Just last week, he said, the Umno grassroots via division meetings across the country gave overwhelming support to Abdullah as the next Umno president.

"A strong Umno with a clear line of succession makes for a strong and stable Barisan Nasional Government.

"These mutually reinforcing trends in Malaysian politics can only be good news for local and foreign investors alike," said Najib.

Integrity and public accountability, he said, were also important cornerstones that have made Malaysia successful and a favoured investment destination.

He said the Government was serious about eradicating corruption and strengthening the ethical fabric of society - among civil servants, politicians, businessmen and the ordinary citizen.

"We recognise that corruption results in bottlenecks in government service.

"By intensely focusing on improving the delivery systems in government, we hope to lower the opportunities for graft and the abuse of power.

"The end result should be greater efficiency, better results, lower costs of doing business, and ultimately a vastly improved level of service for everyone dealing with the government," he said.

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