

Newspaper	Malaysian Reserve
Date	12 June 2015

# Najib: EPF gave RM25b loan to Pembinaan PFI

Malaysian Reserve - 12/6/2015

*Loan to govt-owned construction firm guaranteed by revenue from leasebacks from the govt*

by P PREM KUMAR

**THE** Employees Provident Fund (EPF) has loaned RM25.29 billion to government-owned construction firm Pembinaan PFI Sdn Bhd, with the loan being guaranteed by revenue from leasebacks from the Malaysian government.

Prime Minister cum Finance Minister Datuk Seri Mohd Najib Razak said, in a written

parliamentary reply yesterday, the EPF has also invested RM200 million in debt-ridden Malaysia Development Bhd.

These two transactions are among EPF's total portfolio exposure in government-linked companies (GLCs) totalling RM79.99 billion as of March 31 this year.

He said EPF's financing exposure in GLCs was in the form of fixed-rate loans and bonds or sukuk subscriptions were part of it, based on government guarantee, asset mortgage and bank guarantee.

Pembinaan PFI has racked up debts of up to RM26.6 billion in just seven years since its inception.

The Finance Ministry Inc-owned "special-purpose vehicle" was set up on Sept 28, 2006. The company was aimed at acquiring capital to fund development projects and programmes identified by the government.

According to the Auditor-General's report in 2013 (Series 3), Pembinaan PFI had the third-highest liabilities among all government-owned entities at the end of 2012.

On overall EPF's investment in GLCs, Najib said these investments were aimed to provide stable and consistent returns in the long term.

More than 50% of the investments were in fixed-income

instruments, which encompassed Malaysian government securities, level coupon bonds as well as loans and bonds for domestic and global mandates.

As such, he said EPF's investment returns naturally would be influenced by interest rates movement and inflation.

"Since inflation rates have increased since 2009, EPF will continue to invest and diversify its investments in equity asset class and inflation comprising real estate and infrastructure in line with its strategic asset allocation in order to generate an optimal investment returns at an appropriate risk," he added.