

EPF to plunge deeper into property investment
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Portfolio diversification intended to offset against fluctuations in interest rates and inflation, Bloomberg reports.

KUALA LUMPUR: Already boasting a portfolio containing properties in London's St James Square and the Battersea Power Station project, the Employees Provident Fund (EPF) intends to expand its real estate holdings by investing in continental European properties, Bloomberg reports.

In doing so, EPF is seeking to emulate other sovereign wealth funds which are also looking at increasing such investments, including Norway's Norges Bank Investment Management, reputed to be the world's biggest wealth fund, and Singapore's GIC Ltd.

Although the fund's real estate exposure – presently less than 4% – was very small, it was the fastest growing part of its business, Bloomberg reported EPF CEO Shahril Ridza Ridzuan.

“The goal is for private market assets to take about 10% of the total fund size in five to seven years,” he added.

EPF's annual report for 2014 claimed that its investments into foreign real estate and infrastructure have been growing by more than 50% per annum, with the diversification intended to protect it against the volatility of interest rate movements and inflation.

Apart from immovable property, the state pension fund is also looking into investing in banking stocks, which have become more affordable due to the recent decline experienced in their share value.

“We do like the financial sector at this point in time. We think it has probably beaten down enough that you have clear value emerging in that sector,” Shahril Ridza was quoted as saying, adding that Malaysia's projected economic growth of between four and five per cent make such investments a sound one.

In February, EPF reported a gross income of RM44.2 billion in 2015 and paid out a dividend of 6.4% to its members.

It collects an average of RM3 billion a month in statutory contributions.

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