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INVESTMENT FUND**

I would like to thank ING Funds Berhad for inviting me to deliver this keynote address in conjunction with the launch of ING Funds Berhad and ING OneAnswer Investment Funds. I wish also to congratulate ING for their initiatives to promote innovation in the Malaysian capital market and I believe their efforts are well recognized by consumers in the market place. This has also been reflected in ING's growing brand recognition in the short space of time you have been in Malaysia.

Developing the unit trust industry is an important objective because it allows for greater institutionalization of the domestic capital market, and this in turn contributes to market efficiency, stability, breadth and depth. A strong domestic fund management industry serves to strengthen the capital markets by injecting liquidity, helps to manage the inflow and outflow of foreign funds and ensures more efficient mobilization of domestic savings to fund corporate growth and fuel economic expansion.

As we face greater competition from liberalization of domestic markets and the forces of globalisation, Malaysia needs to develop a capital market of our own that is of outstanding reputation and of world-class standards. It is for this reason that investment management is a major focus of the Capital Market Master Plan (CMP). The recommendations contained in the CMP will determine the strategic positioning for Malaysia's capital market and provide a road map for its future development.

The fund management industry can contribute significantly towards this end by playing a larger role as a mobiliser of savings, and act as an efficient intermediary to investors via bond and equity markets. The Asian financial crisis of 1997-98 exposed our over-dependence on the banking sector and reinforced our belief that a strong and vibrant fund management industry is critical as it could serve to cushion the impact of any large outflow of foreign funds. It is this exodus of hot money from many countries in this region that we must guard against in the future.

I am pleased to note that the unit trust industry has done rather well over the years and has increasingly become part of the investment portfolio of many Malaysian households. The figures have indeed been encouraging. As at February 2004, there are 37 fund management companies offering 243 funds with a combined total net asset value of more than RM77 Billion. When we compare this to the 5 unit trust companies that served the entire investor population some 20 years ago, there is no doubt that the industry has grown by leaps and bounds.

However, funds managed by unit trusts still contribute to a mere 10.8% of the total market capitalization of the KLSE (or now better know by its new name, Bursa Malaysia). This is still very low compared to the average of around 40% in more developed markets. What is clear is that there is substantial room for growth here at home.

Although the Government believes that the unit trust industry will continue to expand, there must still be a concerted effort by industry players to develop new strategies to more efficiently mobilize the savings of investors. Industry players should make further inroads into the market and increase the appeal of unit trusts to investors. In this regard, companies can and should increase investor awareness and interest through well-planned publicity campaigns and by introducing new and more innovative products suited to specific segments of the market.

As the domestic capital market becomes more liquid, it will become more attractive to regional and international investors. As we begin to see an upturn in global economic climate, it is important for Malaysia to strengthen the unit trust industry framework and foster a more competitive and mature industry with high standards of integrity amongst its players.

There are a number of underlying forces that will shape the industry and the regulatory environment in the medium term. Liberalization of our financial sector will bring in new players, alter the conduct of incumbents and increase the competitiveness of the industry. Stronger, larger, and more sophisticated market participants will bring with them the latest technology and best practices. We can expect better quality of information to reach investors that will allow them to become more discerning and selective in their investment decisions. This will lead to healthy competition by market players to introduce new and innovative products to retain and win market share. With a larger working population, we should also see an increase in retirement

savings whether through government-backed funds or private fund managers.

The dynamism of the unit trust industry requires us to adopt a pragmatic approach in our effort to encourage its continued growth. While regulators need to ensure investor protection as thoroughly as possible, the industry requires flexibility to innovate and compete for investors. It is appropriate that both the regulators and industry work hand in hand, and focus on strengthening the governance structure of fund management companies.

The government believes that the orderly development of our unit trust industry is the responsibility of both market regulators and participants. We must work together to continuously identify ideas and products sought by the market and needed by consumers. At the same time investors' interest must be accorded top priority. This will mean broadening the opportunities for capital formation and investment by participants in the capital market, and ensuring that the capital market is well positioned to interact with an ever changing, increasingly competitive global financial industry.

There is growing awareness and interest in matters of financial security and financial independence as our society becomes more developed. As a result, a multitude of trust funds have been packaged and made available to investors to help them achieve their financial objectives. Increasing wealth and sophistication among investors are also factors that contribute towards the migration of funds from the more traditional instruments such as savings accounts and fixed deposits to collective investment schemes managed by unit trust companies.

A case in point is the private pensions industry, which is still in its infancy but has the potential to grow. Most Malaysians still do not plan for their retirement in the true sense of having an end objective, weighing the available options and making appropriate investment choices. In most circumstances, employees would normally accept whatever retirement scheme provided for them, the most common being the Employees Provident Fund (EPF) or other in-house pension schemes. There are limited opportunities to seek proper advice on how to further supplement those schemes.

In Malaysia, the Government recognizes the need to facilitate the industry in finding innovative solutions to meet the growing needs of customers. Product innovation is an integral part of the process of deepening and broadening the capital markets and is thus a critical factor in its

development.

Fund management companies must be sensitive towards the demand for innovation. Investors have varied objectives and preferences. Demand for specialised funds tailored to the different risk and return profiles of investors should be tapped accordingly. In this regard, I would like to congratulate ING Funds Berhad for its effort to introduce ING OneAnswer Investment Funds to Malaysia. I am sure this is only the beginning and that we will continue to see more innovative funds being introduced to the investing public from time to time. I hope your approach will serve as an example for other players in the industry to follow.

The introduction of products like the ING OneAnswer Investment Funds will enhance investors awareness on the need to diversify their investments to meet their risk and returns. Based on this assessment, customized investment options and solutions would be offered to investors. This tailored approach to investing will increasingly become the norm rather than the exception as Malaysians become more sophisticated and market savvy. Innovation in the market will also serve to meet investors' appreciation of and appetite for the right investment product and consequently spur a higher level of savings. These are all positive developments to encourage a more resilient economy and provide a deeper foundation for sustainable growth and stability.

In conclusion, I would like to take this opportunity to once again thank ING for inviting me to be a part of this special occasion. I welcome ING Funds Berhad to Malaysia with the hope that it will contribute significantly to the unit trust industry. To that end, I wish you every success and on this note, I hereby officially launch ING Funds Berhad and ING OneAnswer Investment Funds.

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