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Updated: Wednesday September 10, 2014 MYT 6:41:22 AM

Private equity a growing asset class in M'sia

BY LIZ LEE



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Wahid (centre) at the media briefing. With him are Abdul Rahman (right) and Raja Arshad.

KUALA LUMPUR: Private equity, as an alternative source of business funding, is becoming a growing asset class in Malaysia as more institutional investors and local companies warm up to it.

Minister in the Prime Minister's Department Datuk Seri Abdul Wahid Omar said Malaysia was still behind in terms of the amount of capital that domestic institutions allocated for private equity.

However, he said more long-term funds like insurance funds and endowment funds were starting to see private equity as a way to enhance their returns.

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He said growth in private equity activities were in the mid-teens level now.

Wahid noted that there was good progress in private investments so far this year, amounting to RM97.5bil this year, 69% of the total RM141bil achieved so far.

Total private investments came up to RM160bil last year, which was 60.5% of total investments.

"One of the ways to spur private investments is to make sure businesses have adequate access to capital with private equity as an option," he said in his keynote address at the Malaysian Private Equity Forum 2014.

Wahid noted that private equity in Malaysia was still at a nascent stage as it was seen as "more of a last provider of capital, eschewed due to the valuable equity stake that had to be foregone and the irritant nature of having an external investor meddling in the business".

Local businesses and entrepreneurs looking to expand have traditionally favoured debt and initial public offering listings.

He added that the Government had long supported government-linked investment corporations' (GLICs) move to increase its asset allocation into both domestic and global private equity investments.

The Government, he said, wanted global and regional private equity firms to make Malaysia the preferred hub for regional operations.

He added that Malaysia offered attractive cost of operations, offshore capital markets in Labuan and efficient transport connections to all regional cities.

The Employees Provident Fund (EPF) as the largest investment fund has more than RM600bil under management and its strategy in private equity has been successful in enhancing its investment returns which resulted in EPF delivering record returns of 6.35% this year for its contributors.

Ekuiti Nasional Bhd (Ekuinas) chairman Raja Tan Sri Arshad Raja Tun Uda told reporters that the sectors the government-linked private equity fund were interested in were oil and gas, education, fast-moving consumer goods, food and beverages, healthcare and services.

Chief executive officer Datuk Abdul Rahman Ahmad said Ekuinas was confident it would meet its investment target of between RM500mil and RM600mil this year on the back of the strong growth in local economy in the first half of 2014. Ekuinas has invested RM400mil year-to-date in Orkim Sdn Bhd and CoolBlog Sdn Bhd.

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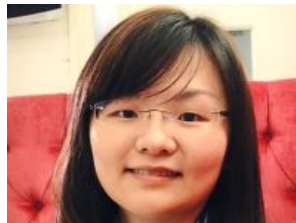
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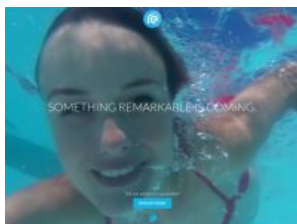


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