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Malaysian private equity has the potential to grow 'a lot' more

BY WEI LYNN TANG

KUALA LUMPUR: The Malaysian private equity market, which has been growing at around mid-teen levels, has the potential to grow "a lot" more, said Ekuiti Nasional Bhd (Ekuinas).

Its chief executive officer Datuk Abdul Rahman Ahmad noted that Malaysia still lags behind in terms of the amount of capital domestic investment institutions allocate to private equities, seeing that most people still confine their investment to public equity, listed companies, fixed income and properties.

"If you look at the global world, the amount of money allocated to private equities is probably on average of about 15% to 20%. In Malaysia the ratio is very small, I think even below 5%," he said, adding that Malaysia's ratio has the capability to increase to 5% to 10%.

According to Minister in the Prime Minister's Department Datuk Seri Abdul Wahid Omar, last year total private investments in the country amounted to some RM160 billion, making up 60.5% of total investments.

"In the first half of this year, total private investments amounted to RM97.5 billion, making up 69% of total investments of about RM141 billion," said Abdul Wahid, who

deems this a good progress.

He noted that one way to spur private investments is to make sure businesses have adequate access to capital. "And this is not just through the traditional debt and equity capital markets, but also via private equity as a source of capital for them to expand their businesses as well."

Abdul Rahman explained that private equity is able to help small-to-mid-sized firms grow. When these firms are eventually ripe for listing, they will grow further to become larger and more valuable companies, he said.

"We hope with the support of the government, not only government-linked investment corporations but also domestic investment institutions, such as insurance companies and endowment funds, would see private equity as a way to enhance their returns," he added.

Abdul Wahid and Abdul Rahman were speaking to the press yesterday at the inaugural Malaysian Private Equity Forum 2014, hosted by the Employees Provident Fund and Ekuinas.

Separately on the sidelines, Abdul Rahman said Ekuinas is hopeful of meeting its investment target of between RM500 and RM600 million this year, riding on better deal flows.