Timely wake-up call for EPF fund managers

BY M. KRISHNAMOORTHY

AS EMPLOYEES Provident Fund (EPF) CEO Datuk Azlan Zainol arrived for a dinner reception for fund managers last week, a contributor walked up to him and thanked the EPF for the 4.75% dividend that was declared recently.

Regrettably, he said, he had withdrawn his EPF savings and placed the money in two local unit trusts through a KL-based foreign bank, which charged 6% in management fees.

"The fee was not only high but I have lost about RM27,000 although KLCI has done well. I cannot understand what the fund managers are doing," the contributor lamented.

"Publicise your feelings, write to the newspaper," Azlan advised with a smile.

But later that night, EPF chairman Tan Sri Abdul Halim Ali did not mince his words when he addressed fund managers during his speech.

It was a wake-up call to them: "Pull up your socks to give better returns for more than 10 million contributors' savings," he said.

The primary objective of fund managers must be to leverage their expertise and skill to provide superior returns to EPF members, he stressed.

The EPF, he said, would continue to outsource to fund managers who perform and meet the targets set by the EPF. "We will not simply outsource just for the sake of outsourcing," Halim said.

EPF's asset size currently stands at RM242bil, the largest in the country. The fund has grown 10.4% from RM222bil recorded in January 2003.

Based on EPF's estimates, the asset size is expected to grow further to RM264bil by year-end.

Halim, whose stint as chairman has been extended for another two years, said the EPF has to ensure that all investments were done in a diligent and prudent manner without being exposed to unduly high risk.

He said he hoped that the EPF's external managers would strive harder as their ability to add value on a consistent basis would contribute positively towards ensuring that the EPF's long-term fiduciary duties were met.

"I remember mentioning to you last year on the need to improve your skills and expertise to compete as Malaysia opens up to more open competition. I sincerely hope that you have heeded our advice, as this is about to become a reality," he said.

Speaking about the fund's plans to invest RM1.9bil in overseas listed securities and the expanding fund investment market locally, Halim said: "To be fair to the EPF, I think we have given you sufficient notice and sincerely hope that you have already taken steps to build up your capabilities in order for the EPF to consider you for an overseas mandate.

"Of course, we understand that it is difficult for you to build up capabilities to manage global mandates, but you should have at least built up your capability and strength to manage a regional mandate so that the EPF could consider you for a regional Asia mandate.

"Like I said, we would surely like to outsource a portion of the approved RM1.9bil to you for overseas investments but the bottom line is that you should have capacity and capability already in place."

So, said Halim, if the fund managers were not considered for an overseas mandate, "please do not fault the EPF. We had already given you some early signals, so you have only yourselves to blame if the EPF does not give you any overseas mandate."

After the speech, the fund managers were handed awards.

Nomura Asset Management (Singapore) Ltd was named Best Overall Equity Manager 2004, followed by Pheim Asset Management Sdn Bhd in second place and SBB Asset Management Sdn Bhd in third.

Nomura Asset Management was also named the Best Risked Return Equity Manager.

Pheim Asset Management won The Best One Year Realised Return Equity Manager.

Commerce Asset Managers Bhd was named Best Three Years Realised Equity Manager.