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Navigating PNB's investment: Perspectives clash on strategic direction

Should PNB embark on a transformative journey or maintain its current course with strategic enhancements?

by SHAUQI WAHAB

IN THE intricate landscape of fund management, Permodalan Nasional Bhd (PNB) occupies a central role as one of the largest fund management companies with assets in excess of RM340 billion.

Established as an instrument of the government's New Economic Policy, PNB's dividend announcements are eagerly awaited nationwide, befitting its mandate to uplift the Bumiputera economy for national prosperity.

Its portfolio of companies covers strategic investments across various industries including leading names in banking, plantation, telecommunication and automotive industries.

However, the corridors of financial discourse are currently reverberating with differing perspectives from industry experts on its strategic direction.

Malaysian University of Science and Technology's Institute of Postgraduate Studies dean Dr Geoffrey Williams emerged as a vocal critic of PNB's current investment strategy.

Williams raised concerns about the alignment of PNB's portfolio with the Bumiputera economy, highlighting the prevalence of public government-linked companies (GLCs) and private equity investments over those that specifically benefit the Bumiputera community.

Arguing that PNB's focus is overly domestic and invested in large companies — potentially crowding out private investors — Williams calls for a comprehensive overhaul.

He advocated merging PNB with other underperforming government-linked investment companies (GLICs) to form a larger Malaysian "superfund".

"This would address concentration issues and pave the way for a more diversified and strategic portfolio, ultimately bolstering the Bumiputera economy," he suggested.

Williams argued that the current investment strategy warrants scrutiny, emphasising the necessity for a comprehensive review of the portfolio's objectives, diversity and performance. He believed that this strategic shift is essential to cultivate a more inclusive and dynamic investment environment.

In a contrasting perspective, Putra Business School Coursework Programmes director Ahmed Razman Abdul Latiff painted a more optimistic picture of PNB's trajectory.

Ahmed Razman commended the organisation's steady growth in investment diversity — both locally and globally — highlighting significant consolidation and expansion efforts in 2023.

"Amanah Saham Nasional Bhd (ASNB) continues to be the investment of choice for millions of Bumiputeras, delivering consistent returns and forming an integral part of the savings plan for over 10.8 million customers," he said.

Dismissing claims of underperformance, Ahmed Razman argued that PNB's risk level aligns with its overall objectives.

He recommended increasing investment strategies in Bumiputera-dominated states and extending support to Bumiputera-majority-owned companies to enhance contributions to the Bumiputera economy.

As these experts lock horns, the critical question emerges: Should PNB embark on a transformative journey or maintain its current course with strategic enhancements?

The clash of these perspectives adds complexity to PNB's strategic decisions, highlighting the need for a balanced and forward-thinking approach in navigating the ever-evolving financial landscape.



PNB adopts a holistic investment approach, primarily focusing on public GLCs

ASB Dividends: Projections and Optimism for 2024

Directing attention towards ASNB — the wholly owned unit trust management company of PNB — an investment banker echoed optimism for ASB dividends in 2024.

Despite prevailing uncertainties, the potential for higher dividends is envisioned, attributed to anticipated rate cuts in the US and improved economic growth domestically.

"While uncertainties surrounding the US Federal Reserve's (Fed) rate cuts may lead to market volatility, the anticipated shift in the global monetary stance is expected to have a positive impact on the equities market," he said.

Taking stock of the total income distribution of 5.25 sen for the current year, the performance is deemed commendable amid turbulent markets.

The investment banker firmly believes that the global monetary stance and resulting favourable equities market conditions could not only sustain but potentially elevate dividend rates for ASB.

Adding to this collective optimism, he sees a potential upswing in dividends for 2024.

This positive projection aligns with higher economic growth forecasts for the year and encouraging economic indicators witnessed in 2023.

"Despite the mixed performance in equity and real estate, the announcement of a higher dividend by ASB is attributed to its successful overseas equity investments," he added.

However, a cautionary note is issued, highlighting that geopolitical events could introduce an element of uncertainty into the otherwise positive outlook.

As ASNB ventures into 2024, the collective anticipation of higher dividends resonates as a beacon of hope for the 10.8 million ASB unitholders. This hints at promising returns on their investments, a sentiment affirmed by the unanimous perspective of investment bankers.

PNB's 2023 Performance: A Comprehensive Overview

Established on March 17, 1978, PNB has played a pivotal role in shaping the Malaysian corporate landscape, particularly in fostering shared ownership within the Bumiputera community, aligning with the government's New Economic Policy.

Ahmed Razman commends PNB's steady growth in investment diversity, both locally and globally

Source: Media Mula

PNB adopts a holistic investment approach, primarily focusing on public GLCs.

The strategic investments encompass major companies such as Malayan Banking Bhd (Maybank), where PNB holds a total of 43.9% ownership via subsidiaries, namely ASNB (37.3%) and Yayasan Pelaburan Bumiputera (6.6%).

While PNB's share in Maybank has decreased by 3.1%, other strategic companies such as Sime Darby Group, SP Setia Bhd, and UMW Holdings Bhd have experienced varying degrees of changes in shareholding. This reflects the dynamism of PNB's portfolio management.

Selected core companies such as Axiata Group Bhd, IJM Corp Bhd, Tenaga Nasional Bhd (TNB) and others remain integral to PNB's investment strategy, with percentages outlined in the latest Bloomberg report.

The dynamics of PNB's strategic investments unveil a nuanced approach to portfolio management, responding to market changes and industry dynamics.

Maybank, as a cornerstone of PNB's portfolio, exhibited a decrease in PNB's share by 3.1%, suggesting a recalibration of the investment strategy.

Sime Darby Group, including entities such as Sime Darby Bhd, Sime Darby Plantation Bhd and Sime Darby Property Bhd, witnesses varying degrees of shareholding changes.

These shifts reflect PNB's adaptability in responding to market dynamics, ensuring a resilient and strategic investment portfolio.

The property developer company SP Setia emerged as a significant focus for PNB, with a substantial shareholding of 58.48%.

This underscores PNB's commitment to diverse sectors within its portfolio, reflecting a balanced approach to risk management and returns.

Noteworthy transactions in 2023 included PNB's consolidation of UMW and Sime Darby, strengthening its presence in the automotive sector.

This move aligns with PNB's commitment to enhancing the value of its portfolio companies, contributing to the broader economic landscape.

Another notable development involves the merger of Malaysia Building Society Bhd (MBSB) and Malaysian Industrial Development Finance Bhd (MIDF).

Additionally, the RM2 billion sale and leaseback agreement with Osrain Opto Semiconductors Sdn Bhd reflects PNB's strategic alignment with the government's New Industrial Master Plan 2030 (NIMP 2030).

Furthermore, the ASN sukuk fund, launched in November 2022, has garnered healthy demand from unitholders, with over one billion units sold since its inception.

This success underscored the market's confidence in PNB's strategic initiatives and its ability to craft innovative and appealing financial products.

The integral role of PNB's strategic investments in the upstream sector of oil and gas (O&G) service providers, including Velesto

Energy Bhd (52.21%) and Sapura Energy Bhd (33.77%), demonstrates a commitment to a diverse investment portfolio.

Similarly, investments in the pharmaceutical sector through Duopharma Biotech Bhd (50.78%) and in the investment sector through MNRB Holdings Bhd (54.31%) further diversify PNB's risk exposure.

PNB's strategic investments extend beyond GLCs to a curated list of selected core companies. Axiata, IJM, TNB, Gamuda Bhd, Telekom Malaysia Bhd (TM), Bank Islam Malaysia Bhd, CIMB Group Holdings Bhd, CelcomDigi Bhd, Maxis Bhd and Petronas Gas Bhd constitute this list.

The percentages of shareholding, as outlined in the latest report from Bloomberg dated Jan 24, 2022, reveal the depth and breadth of PNB's commitment to fostering shared ownership and driving economic growth.

While the percentages of shareholding underscore PNB's influence in these core companies, they also signify the collaborative nature of PNB's approach to investment.

By maintaining substantial ownership percentages, PNB ensures an active and participatory role in the governance and strategic direction of these companies, aligning with its broader vision of shared prosperity.

PNB's strategic investments transcend specific sectors, encompassing a wide array of industries such as telecommunications, energy, construction, finance, and technology.

This diversified approach positions PNB to navigate various market conditions, mitigating risks and capitalising on emerging opportunities.

ASNB's Income Distribution

For ASNB investors, the dividend or income distribution is a crucial measure of financial health and commitment to returns.

In 2023, funds such as Amanah Saham Bumiputera 3-Divid (ASB 3 DiDiv) declared a total income distribution of RM368.15 million, benefitting 312,476 unit holders.

The distribution of 5 sen per unit surpassed benchmark returns, demonstrating robust financial performance.

Similar success stories unfolded for other ASNB funds, such as Amanah Saham Malaysia 2-Wawasan (ASM 2 Wawasan) and Amanah Saham Malaysia 3 (ASM 3), both surpassing benchmark rates and offering promising returns to unit holders.

Comparing income distribution data for 2022 and 2023 revealed a notable upward trajectory, underlining ASNB's commitment to enhancing returns.

For the financial year ending Dec 31, 2023 (FY23), ASNB declared a total income distribution of 5.25 sen per unit for ASB, amounting to RM9.3 billion and benefitting 10.8 million ASB unitholders.

As PNB continues its strategic initiatives and embraces market dynamics, expert opinions will play a crucial role in shaping the narrative around its investment strategy and financial performance.