

Headline	Challenging environment clouds EPF dividend outlook		
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Challenging environment clouds EPF dividend outlook

➤ Drop in Q1 investment income puts pressure on pension fund's ability to meet payout commitment

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PETALING JAYA: The 25% drop in the Employees Provident Fund's (EPF) investment income in the first quarter (Q1) of the year is a surprise to many. As the EPF dividend payout is dependent on its financial performance, the pension fund's commitment to declare dividends of at least 2% above the inflation rate is being closely monitored.

The fund declared a dividend of 6.15% last year. In the past 10 years, the highest dividends declared were 6.9% in 2017, 6.75% in 2014 and 6.4% in 2015 while the lowest dividend declared was 4.5% in 2008.

Given the lower contribution from equities, EPF's total investment income came in at only RM9.66 billion in Q1 this year against the RM12.88 billion recorded in the same period a year ago.

During the quarter, equities continued to be the main revenue driver, contributing RM4.16 billion or 43% of total investment income. Equities made up 39% of EPF's total investment assets.

Perhaps an analysis of EPF's top 30 equity holdings could give some hints on how the pension fund would fare in Q2.

The analysis shows a mixed bag of performance in terms of share price movement from end of March to date, with 17 stocks recording growth and 12 stocks posting declines while one was unchanged.

Among the 30 stocks, Gamuda Bhd was the top performer with a 21.53% jump in its share price from RM2.88 as at end-May to RM3.50 at last Thursday's close. EPF holds a 11.95% stake in Gamuda as at end-March.

Earlier in February, the stock took a hit when the government started talks on the proposed takeover of highway concessions but the revival of infrastructure projects such as the East Coast Rail Link (ECRL) has given a boost to the construction sector.

In March, the company clinched a contract worth NT\$3.95 billion (RM521.75 million) from CPC Corp to construct a marine bridge and related works in Taiwan. CPC is Taiwan's state-owned energy company.

Following Gamuda is Telekom Malaysia Bhd (TM) which saw its share price rise 19.06% during the period. Axiata Group Bhd was the third best performer with a 13.25% rise in its share price. EPF holds 17.53% and 16.29% stakes in TM and Axiata respectively.

The telco sector, which struggled amid heightened competition last year, finally saw some excitement when Axiata began negotiations with Telenor ASA for a possible merger of its Asian assets. Telenor is Digi.Com Bhd's largest shareholder with 49%.

Immediately after the announcement, shares of Axiata and Digi rallied as much as 18.3% and 11.5% respectively. Digi's share price climbed 7.25% from RM4.55 at end-March to RM4.88 last Thursday. EPF has a 14.13% stake in Digi.

The worst performer was Media Prima

LIST OF EPF'S TOP 30 EQUITY HOLDINGS

Company	Holding as at March 31, 2019 (% of issued shares)	Share price on March 29, 2019 (RM)	Share price on June 13, 2019 (RM)	Change in share price (%)
MBSB	63.77	0.96	0.97	+1.04
RHB Bank	40.56	5.70	5.70	UNCHANGED
Malaysian Resources Corp	35.95	0.89	0.99	+11.24
Telekom Malaysia	17.53	3.20	3.81	+19.06
Axis Real Estate Investment	16.41	1.80	1.76	-2.22
Axiata Group	16.29	4.15	4.70	+13.25
Sunway Real Estate Investment Trust	15.41	1.80	1.85	+2.78
IJM Corp	14.91	2.22	2.32	+4.50
Digi.Com	14.13	4.55	4.88	+7.25
CIMB Group Holding	14.11	5.15	5.32	+3.30
IJM Plantations	14.02	1.57	1.49	-5.10
Tenaga Nasional	14.01	12.66	12.32	-2.69
Sime Darby Plantation	13.92	5.02	4.64	-7.57
MBM Resources	13.78	2.76	2.91	+5.43
United Plantations	13.66	27.32	26.06	-4.61
Yinson Holdings	13.28	4.60	5.16	+12.17
Public Bank	12.78	23.16	23.42	+1.12
Aeon Co M	12.73	1.47	1.57	+6.80
Malayan Banking	12.70	9.27	8.96	-3.34
Globetronics Technology	12.69	1.74	1.66	-4.60
BIMB Holdings	12.59	4.31	4.62	+7.19
Bermaz Auto	12.55	2.26	2.49	+10.18
Malaysia Airports Holdings	12.44	7.24	7.92	+9.39
Alliance Bank Malaysia	12.15	4.09	3.77	-7.82
IOI Corp	12.07	4.46	4.24	-4.93
Media Prima	12.00	0.48	0.38	-20.83
Gamuda	11.95	2.88	3.50	+21.53
MRCB-Quill REIT	11.92	1.09	1.08	-0.92
Maxis	11.62	5.36	5.53	+3.17
Malakoff Corp	11.60	0.91	0.85	-6.59

Bhd, whose share price plunged 20.83%, followed by Sime Darby Plantation Bhd which fell 7.57% and Alliance Bank Malaysia Bhd which shed 7.82%.

Media Prima reported a net loss of RM40.41 million in the first quarter ended March 31, 2019, which worsened from the net loss of RM21.83 million a year ago.

EPF has the highest weightage in Malaysia Building Society Bhd (MBSB) with a 63.77% stake. MBSB's share price increased slightly over the past two months.

Of the 30 stocks shown, 11 are constituents of the FBM KLCI.

Against the backdrop of the challenging economic environment, fund outflows from the emerging markets and ongoing US-China trade war, the local bourse is expected to remain lacklustre this year.

The FBM KLCI, which ended 2018 at 1,690.58 points, opened lower at 1,668.11 this year and climbed to 1,692.74 on Feb 18 before spiking up to a year-to-date high of 1,730.68 on Feb 21. The benchmark index, however, gradually declined over the next few months to settle at 1,598.32 on May 24 before rebounding to 1,655.31 on June 3. It stood at 1,638.63 points at last Friday's close.