

# PNB takes long-term view on returns

## Fund says economic pain will be temporary

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**PETALING JAYA:** Permodalan Nasional Bhd (PNB) is expecting lower income for this year as businesses and households are hit by the economic fallout from the coronavirus (Covid-19) pandemic.

PNB president and group chief executive Jalil Rasheed said that despite the challenging environment, PNB is targeting to distribute “competitive” annual returns to its shareholders, which should be higher than the fixed deposit rate.

He pointed out that the fund’s performance is dependent on its investee companies’ capability to pay dividend, and as a result of the economic slowdown, companies are facing weaker earnings in the coming quarters.

“We always strive to exceed the 12-month fixed deposit rate and have always maintained our conservative stance and to not take excessive risk.

“Our returns will depend on the market conditions and how fast the economy recovers and business activities resume as we are not immune to what is happening now,” he told reporters in a virtual press conference.

About 60% of PNB’s RM312bil fund are invested in Bursa Malaysia, and it holds majority stakes in a number of public-listed companies namely Malayan Banking Bhd, Sime Darby Bhd, UMW Holdings Bhd, Sapura Energy Bhd, Chemical Company of Malaysia Bhd and MNRB Holdings Bhd.

During the press conference, Jalil and chairman Tan Sri Dr Zeti Akhtar Aziz shared PNB’s plan on enhancing the return of its “strategic companies” including taking a more active role in the management to the fund’s strategy to diversify its investment portfolio for a sustainable long term return.

Zeti said as a fund, PNB has to take a long-term view and focus on the fundamentals such

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*Jalil Rasheed*

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as identifying a mega shift in the economy.

In the immediate term, Zeti said businesses are being heavily disrupted, which affects their earnings, increases unemployment and volatility in the financial market.

“In this bleak financial and economic conditions, there is however some room for optimism. While the necessary economic pain to contain the spread of the pandemic may be intense and immense, it will, however, be temporary.

“Once the economic shutdown is lifted, economic activity can be reignited. In the immediate time frame, a recession may be felt before the recovery occurs. We, therefore, need to look beyond the immediate term,” she said.

Zeti said the fund’s ability to perform for this year will depend on factors such as no second Covid-19 wave, announced policies are effectively implemented, addressing the issues related to SMEs and rising unemployment, and how quickly consumer spending picks up.

“Of course, the performance of the companies that we are invested in is important. They are an important part of our effectiveness in being able to generate income and there are actions to be taken to raise the potential of these investments,” she said.

Despite the weakness in the financial market, Zeti said the current situation provides

buying opportunities of quality stocks at lower valuations, thanks to the fund’s cash position.

As of Dec 30, 2019, PNB held about more than 13% of its fund size in cash, which is equivalent to RM40bil.

Zeti said PNB’s diversification plans comes at the right time to take advantage of the weakness in asset values.

The fund’s main target was to increase its global exposure to 30% by 2022 from 8.5% at the end of 2019.

Towards this end, Jalil said PNB has already invested in overseas real estate business such as logistics and warehouse assets, which are booming from e-commerce, as almost half of the world’s population is in some kind of lockdown.

“We started that kind of investment in Europe and are now looking at similar opportunities like that in Asia,” he said, adding that PNB is also exploring to invest in the private equity space.

In 2019, PNB’s assets under management grew 4.5% in 2019 from a year ago to RM312bil.

PNB also disbursed a total of RM13.2bil in income distribution and bonus to its unitholders last year, reaching a total cumulative income distribution of RM200bil for all 14 funds since inception.