

SEPARATING SYARIAH ASSETS FOR MORE RETURNS

EPF's syariah, conventional accounts will have their own independent strategy

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THE Employees Provident Fund (EPF) said a full separation of assets under its syariah savings from other kinds of investments will ensure competitive and sustainable returns for its members.

EPF is working on completely separating Simpanan Shariah assets from investing alongside syariah-compliant assets in Simpanan Konvensional to enhance its business model.

"We target to roll this out in 2024 as mentioned in the 2023 Budget announcement," EPF chief executive officer Datuk Seri Amir Hamzah Azizan said at a briefing on EPF's performance in

2022 and dividend announcement here yesterday.

By separating, syariah and conventional accounts would have their own independent strategy and differentiated strategic asset allocation, Amir added.

"This will ensure more optimised, competitive and sustainable long-term returns for Simpanan Shariah and Simpanan Konvensional.

"It has been six years since we introduced Simpanan Shariah. We are working on enhancing the current business model."

EPF wrote down RM3.43 billion of its listed equity portfolio last year, higher than the RM1.15 billion write-down recorded in 2021, in line with the volatility in the equity markets.

Seventy-four per cent of the total amount came from syariah-



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compliant counters that underperformed, which in turn impacted EPF's Simpanan Shariah performance for the year.

Meanwhile, Bank Muamalat Malaysia Bhd head of economics and market analysis Mohd Afzanizam Abdul Rashid said the full separation would give the EPF more focus as to identify key weaknesses in the investee companies.

"I think it's a step in the right direction.

"With shareholders activism, it could nudge the performance among investee companies more strategically.

"Hence, we can expect better returns in the years to come," Afzanizam told the *New Sunday Times*.

Universiti Putra Malaysia senior lecturer of School of Business and Economics Dr Mohamad Khair Afham Muhamad Sena said the move would give more competitive returns to account holders of Simpanan Shariah.

Khair said since the adoption of the dual scheme in 2017, the highest gap recorded was 50 basis points (bps), while the lowest gap recorded was 25bps, with the return on the conventional scheme being higher every year.

"Hopefully, it can close the gap and attract more holders to the syariah scheme."

Research fellow with Centre for Market Education and UCSI University Malaysia Assistant Professor Dr Liew Chee Yoong said the

move would not bring a big impact.

"In my view, it does not move the needle much.

"The returns on syariah savings depend on the EPF's investment strategies and the global economic as well as geo-political outlook," he said.

Putra Business School economic analyst Associate Professor Dr Ahmed Razman Abdul Latiff said it would be challenging for Simpanan Shariah to have higher returns on investment.

"This is due to lower allocation of funds under the scheme compared with conventional.

"Additionally, most financial institutions are among the major contributors of income under conventional."