

## Now is a good time to invest in unit trust, says FIMM

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*Nazaruddin says FIMM has been working with the SC and key players in the investment management industry to come out with the guidance to improve the quality of information disclosed in the prospectuses of unit trust schemes (Pic by Hafzi Mohamed/TMR)*

THE current low market valuation represents a good time for public investors to invest in unit trust funds as they will be able to reap a higher investment value in the long term, says Federation of Investment Managers Malaysia (FIMM).

Its CEO Nazaruddin Othman said the market valuation has been quite attractive in recent months as a result of a market correction.

"This would be the right time for investors to accumulate more investments into unit trust for the long term as they will be able to gain benefits when the market starts to pick up.

## Kenanga Investors

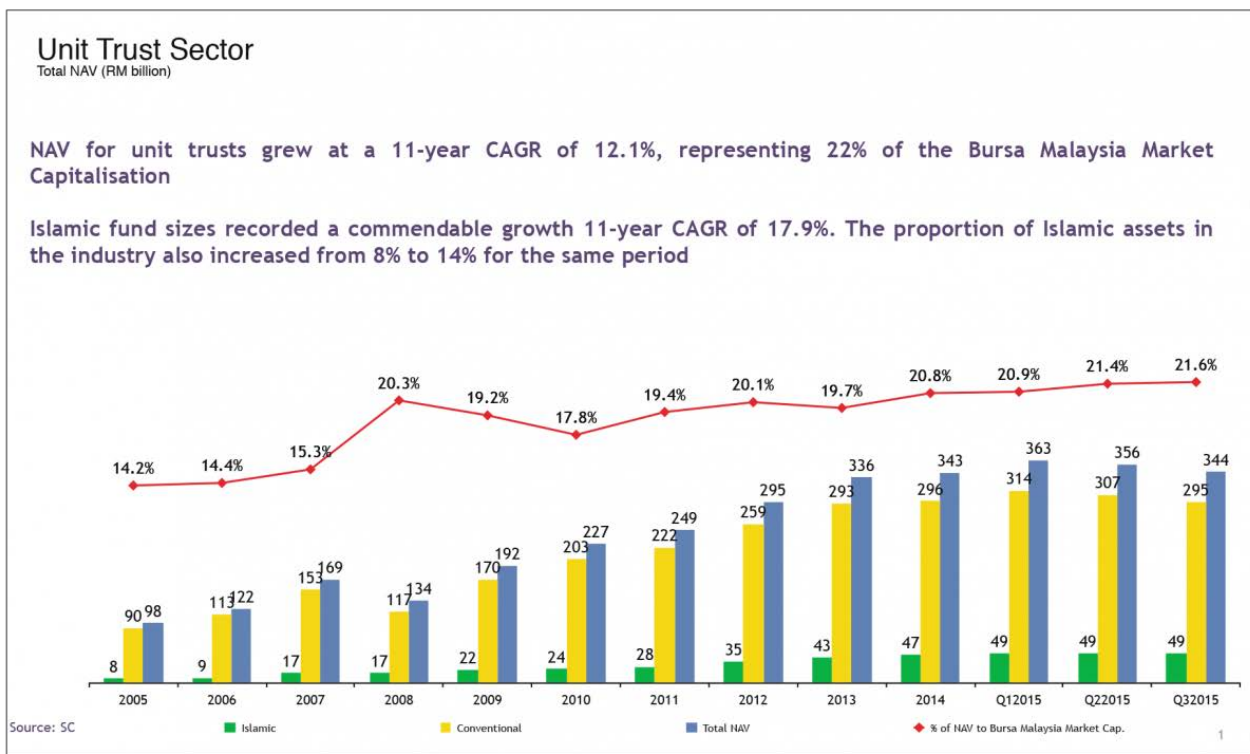
"The average returns of unit trust can actually surpass the inflation rate. An average return is about 8% for equity compared to the inflation rate of between 3% and 4%.

"It will eventually give them some returns in addition to the inflation rate so that they will see more value for their investments in the future," Nazaruddin told The Malaysian Reserve (TMR).

Nazaruddin also highlighted the fact that unit trust investment is a less risky type of investment compared to direct investment into stock markets due to the former's nature of having a diversified portfolio.

The capital outlay for unit trust is much lesser compared to direct investments where the latter requires investors to have a significant capital to begin with their investment.

"On top of that, there will be a professional fund manager who will look after your investment portfolio compared to direct investments where you would have to rely on your own evaluation and judgement on stocks selection," said Nazaruddin.



### Encouraging Growth

As of Sept 30, 2015, the total net asset value for the unit trust market stood at RM344 billion, where it grew at a 10 year compound annual growth rate (CAGR) of 13.3%, representing 21.6% of the Bursa Malaysia market capitalisation.



## Kenanga Investors

The demand for Islamic unit trust funds has been quite encouraging as some investors would just invest in Shariah based funds for religious beliefs or to stay clear from financial stocks.

Over the decade, the total number of Islamic funds has increased from 83 funds or 24.4% of the total number of funds launched in 2005 to 190 funds or 30.8% as of last September.

Islamic funds recorded a commendable 10year CAGR of 19.2%. The proportion of Islamic assets' value in the industry also increased by 14.3% to RM49 billion from RM8 billion in 2005.

### Extension of Incentives for Islamic Funds

The government has recently approved FIMM's budget proposal to extend the time period for the tax exemption on fees of managing Islamic unit trust funds for another four years until year of assessment 2020.

FIMM applauded the move as it believes that the exemption will boost the Islamic unit trust funds industry even further.

"This will actually encourage more unit trust management companies to launch Islamic unit trust funds as they will benefit more from the tax exemption given for the fees they have collected to manage the funds," Nazaruddin told TMR.



*Nazaruddin (second from right) in a discussion with the management members of FIMM. The federation was established to support the development of the investment management industry where it acts as a self-regulatory organization recognized by the SC*

### PRS for the Public

Further, FIMM is also encouraging the younger generation to start investing in private retirement schemes (PRS) for their future planning.

According to Nazaruddin, the penetration rate of PRS is relatively low at the moment where the current market size value for PRS only stands at slightly more than RM1 billion.

"The PRS progress is a bit slow compared to what the government aspires, which is RM30.9 billion by 2020," said Nazaruddin.

Thus, FIMM will undertake more promotions and awareness campaigns in 2016 to encourage more people to plan for their retirement via PRS.

The board has approved the establishment of a dedicated subcommittee which comprises all PRS providers to have a platform to discuss PRS issues.



### Initiative to Benefit the Investing Public

Recently, FIMM has also embarked on another significant milestone where the regulatory body has called out for unit trust management companies to apply simple English in all unit trust prospectuses.

The move is to allow the public to have a clear and better understanding of the disclosed information instead of the legal, financial and technical jargon used in the prospectuses.

Nazaruddin said FIMM has been working with the Securities Commission Malaysia (SC) and key players in the investment management industry to come out with the guidance to improve the quality of information disclosed in the prospectuses of unit trust schemes.

"Using plain and simple language in the documents will enable unit trust management companies to clearly communicate the desired messages to investors more easily and in a friendlier manner," said Nazaruddin.

*Article Source: The Malaysian Reserve*

**<http://themalaysianreserve.com/new/story/now-good-time-invest-unit-trust-says-fimm>**

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