EPF eyes more investments in infrastructure

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by R KAMALAVACINI

THE Employees Provident Fund (EPF) continues to explore opportunities to invest in the infrastructure space, which provides steady real rate of returns.

EPF deputy CEO of investment Datuk Mohamad Nasir Ab Latif added that infrastructure investments, which tend to be for the long term, meet the pension fund's risk return profile.

"This type of investments have the potential to give us real rate of return of at least 2% above the inflation rate," he said in a news conference after signing a conditional share sale agreement with Ekovest Bhd in Kuala Lumpur yesterday.

Currently, 3% of the EPF's total assets are allocated for infrastructure investment purposes.

The EPF's total assets now are worth RM690 billion, with a strategic allocation of 51% in fixed income, 36% in equities and 10% in alternatives, which includes private equity, infrastructure and real estate and some in cash.

"When we say infra space it is not only toll roads, but also airport, ports, or even power plants, so we have a huge area of infrastructure to consider as these investments help to easily achieve the number.

"High-speed rail? We are always open to any proposition, but we will have to look into the economics of it.

Pic by Muhd Amin Naharul

Mohamad Nasir *(left)* **and Ekovest executive chairman Tan Sri Lim Kang Hoo at the conditional share sale agreement signing ceremony between Ekovest and EPF in Kuala Lumpur yesterday**

Let's see what the returns are. We have not seen anything yet," Mohamad Nasir said.

EPF senior GM for private markets department, Mohamad Hafiz Kassim, said the fund is typically looking at investing in assets that have cashflow visibility and are brownfield in nature.

"The investment must be fully operational and have a track record in terms of traffic as well as regulatory framework in terms of payment and others," he explained.

The event saw EPF inking an agreement to acquire a 40% stake in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd for RM1.13 billion cash from Ekovest's unit Nuzen Corp Sdn Bhd.

Upon the completion of the share sale agreement, tentatively by the first-half of 2017 (1H17), EPF will pay RM921 million to Ekovest.

A further RM209 million in cash will be paid following the issuance of the certificate of practical completion for the Duta-Ulu Kelang Expressway 2 (DUKE 2), of which RM149 million will be deposited in an interest bearing designated account by Ekovest.

"This amount will be subjected to investment performance," said Mohamad Nasir.

Nuzen is the concessionaire of DUKE, a 34km tolled highway comprising two phases with a concession period of 54 years.

DUKE Phase 1 is in operation, while Phase 2 is expected to be completed and start toll collection by 1H17, and help raise traffic levels on the highway.