

EPF to invest more in infrastructure assets

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KUALA LUMPUR: The Employees Provident Fund (EPF), which is acquiring a 40% stake in the operator of the Duta-Ulu Kelang Expressway (DUKE), aims to expand its investment in infrastructure.

"EPF's investments are quite diversified and one of the areas that we are trying to grow is in the area of infrastructure because the nature of infrastructure investments is something that is very long term, it meets our risk return profile," said deputy CEO (investment) Datuk Mohamad Nasir Ab Latif.

"These sort of investments have the potential to give us a real rate of return... our target is always to at least meet 2% real rate, meaning inflation plus 2%," he told reporters at the signing of a conditional share sale agreement (SSA) with Ekovest Bhd yesterday.

EPF currently has RM690 billion worth of assets with a strategic asset allocation of 51% in fixed income, 36% in equities and 10% in alternatives, which includes private equity, infrastructure as well as real estate. Its infrastructure allocation is about 3%.

"The 3% is actually strategic asset allocation, we've not actually invested up to 3%. It is much less than that. We are always looking for opportunities in the infrastructure space. When you say infrastructure space, it is not just toll roads. It may be airports, ports or power plants," said Mohamad Nasir.

EPF senior general manager of private markets department Mohamad



From left: Lim Kang Hoo, Lim Keng Cheng, Mohamad Hafiz and Mohamad Nasir at the signing ceremony yesterday.

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Hafiz Kassim said the assets that EPF looks at typically have cash flow visibility and are brownfield in nature. "Meaning, they are fully operational and have a track record in terms of traffic as well as regulatory framework in terms of payment and others."

Yesterday, EPF entered into an SSA with Ekovest's wholly-owned subsidiary Nuzen Corp Sdn Bhd for the sale of 40% of the issued and paid-up share capital of Konsortium Leburaya Utara-Timur (KL) (Kesturi) for RM1.13 billion cash.

Nuzen is the holding company of Kesturi, which is the concession holder of DUKE, a 34km highway comprising two phases with a concession period of 54 years. Phase 1 is already in operation while Phase 2 is expecting to complete construction and commence toll

collection by the first half of 2017.

Ekovest managing director Datuk Seri Lim Keng Cheng said the two phases are expected to contribute 30% to Ekovest's overall revenue.

Upon completion of the SSA in the first quarter of 2017, EPF will pay RM921 million in cash to Ekovest. A further RM209 million in cash will be paid after the issuance of the certificate of practical completion for Phase 2, of which RM149 million will be deposited in an interest-bearing designated account by Ekovest and subjected to investment performance.

"That RM149 million that is outstanding will be released when the return objectives are met, which is basically when the highway hits an IRR of 11.5% and above," said Ekovest executive chairman Tan Sri Lim Kang Hoo.