



iCapital.biz Bhd's plan to launch the world's first dual-listed closed-end fund to narrow the discount between its share price and net asset value (NAV) has yet to materialise after more than a year but its managing director Tan Teng Boo says the proposed fund is still in the pipeline.

In an interview with **FocusM**, Tan says: "The project is still on. As this is something that is innovative and a new project which Malaysia has never done before, it can take a longer time."

At its AGM in late-2012, Tan was reported to have said the plan to launch the world's first dual-listed closed-end fund was in the final stages, and the firm had received the nod from the Securities Commission to submit an application for the proposed fund.

He had said then that the company's internal target was for the new fund to be listed by the first quarter of last year, subject to regulators' approval. The move for the fund came after European hedge fund Laxey Partners Ltd criticised the wide difference between iCapital.biz's share price and its NAV.

Despite having raised the issue of the substantial discount of the share price to the NAV, Laxey Partners failed to get three of its representatives nominated to the board of directors of iCapital.biz.

On April 9, the counter was trading at RM2.37, a 22% discount to its NAV of RM3.03. Notably, iCapital has been trading at a discount since 2008.

Expressing confidence that the dual-listing plan could add value to the fund, Tan reassures investors the firm is at the final stages of the listing exercise, and is in talks with the regulators. As soon as the issues have been cleared, the firm would be able to go ahead with the application, he adds.

Asking if the dual-listing plan can become reality this year, Tan says: "It is up to the regulators, definitely we hope that the approval can be obtained."

Although the company has received the approval from the Securities Commission, it has yet to get the nod from the regulator of the proposed listing destination.

Since the plan is unprecedented, Tan says it does not have the guideline on timeframe for the listing exercise.

At the AGM last year, he had told the shareholders that the company was likely to list the fund in Hong Kong. However, Tan did not want to comment on the high listing fees in Hong Kong.

"We have been working on this for a long time, we are looking at a few countries ... the country we are eyeing has been [undergoing] major progress," Tan says.

Several fund managers contacted do not see the dual listing as a catalyst for iCapital.biz.

"Even with the dual listing, they still need investors. If the discount between the share price and NAV remains, to list in other places ... [things] will still remain the same for the company," the CEO



iCapital held an investor day in October last year



by Tan Siew Mung

Dual-listing fund plan yet to materialise

iCapital.biz's proposed exercise is still in 'final stages' after more than a year's delay

of a fund management company tells **FocusM**.

For him, dual listing in an established market is a way to solve the problem but if the investment market portfolios are still in Malaysia, the company may still face some difficulty in being well accepted by foreign investors.

Although Tan claims it will be a completely new global fund, he also says the current fund will remain investing in Malaysia, and believes the NAV will show double-digit growth. However, industry observers say it should not be called a dual-listing exercise if it involves a completely new fund.

Industry observers attribute the underperformance of the units in the country's only closed-end fund to lack of interest among investors.

An asset fund manager says investors shy away from counters

where there is a dearth of corporate activities like rights and bonus issues, and mergers and acquisitions. He adds that the closed-end fund has reported strong performance but it would be meaningless without the capital gain.

"Realisation of returns is very important, this is the catalyst of any investment," the fund manager says. He says funds could end up being liquidated if the discount of its share price to its NAV remains substantially wide, resulting in no real gain, as investors may lose their patience.

A bank-based investment manager agrees that "numbers speak louder" as funds with a good track record command a premium.

Comparing the closed-end fund's performance with that of the Kuala Lumpur Composite Index (KLCI), iCapital.biz's unit price saw a gain of 5.4% against the 10.5% achieved by KLCI last year. In 2012, the unit performed better than the KLCI with a return of 15.6%, compared with the latter's 10.3%.

It's worth noting that in 2012, Laxey Partners had participated actively in iCapital.biz.

"Based on the performance from 2009, the average compounded annual growth of iCapital.biz was 12.4%, lower than the 16% of KLCI," the investment manager says.

He believes the closed-end fund should offer dividends to attract more shareholders, but Tan begs to differ.

"Our prospectus and annual report stated the fund is for long-term capital appreciation," he says, adding that unitholders do not want dividends because they are looking at investing for the long term.

"This is a question that has been raised at the annual general meeting every year. [The paying of] dividend is for the unit owners to decide. This is

their company. Somebody may say he is already 72 years old, [and] he wants some dividend. The rest may say they don't want.

"[Those aged] 30 to 35 are looking at long-term appreciation. They would say: 'What can I do with the dividend? iCapital.biz's NAV is growing by 15% per annum, why return money to me that can only earn 2% to 3%,'" he adds.

For Tan, the unit's price may not move even if the fund were to declare a dividend because this might attract the "wrong type of investors".

iCapital.biz, which was listed on Bursa Malaysia in October 2005, declared its first dividend last year. The special dividend of 9.5 sen per unit was capitalised on the fund's tax credit balance.

Tan also has his doubts on whether the practice of share buybacks may create value for a company.

"Share price is something that depends on the stock market, the buyers and sellers. Premium is not permanent, discount is not permanent too. After it [unit price] goes up, you sell? Are you supporting the long-term investor or the speculative investor?"

Tan claims the lacklustre performance of iCapital.biz units lasted only two years, compared with having a premium for more than three years.

"From 2005 to 2008, we [the units] performed very well, the premium was over 20%. [I am] sure one day (such premium) would come back.

"Our unit price during the IPO was only RM1, [and] we had outperformed the composite index. Even the discount has widened since 2008 from roughly 10% to about 20% now ... anybody who has bought from the beginning still makes money."

As at Nov 30, iCapital.biz's cash pile stood at RM208 mil, some 50% more than the RM139 mil a year earlier. Tan prefers to keep the cash to earn interest, given the current lacklustre market, and wait for the right time to move back into equities. **FocusM**

Tan says the dual-listed closed-end fund could take a longer time to materialise as it is a new project 'never done before' in Malaysia

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