

# Four new syariah-compliant funds in the pipeline: i-VCAP

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i-VCAP Management Sdn Bhd, an Islamic fund management company, plans to launch as many as four new syariah-compliant funds in the second half of this year, a senior official said.

Its chief executive officer Zainal Izlan Zain-Abidin said from a fund manager's perspective, this is the best time for investors to enter equity funds as many frontline stocks have come off their highs and are looking attractive now.

"Over the longer term, these funds will yield positive returns for investors," he told *Business Times*.

"In our case, within the syariah sphere, we can have higher or lower risk funds. We are looking at various options," he added.

The company has not yet determined the exact size of the new funds it is planning, or whether to list them on the local stock exchange, overseas or at all.

"We are looking at all asset classes, which are expected to do well and which type of asset classes are favourable to investors," Zainal Izlan said, adding that the non-listed funds will be targeted at high-net worth individuals or institutional investors.

"We are also still considering the geographical factor, whether to cover Asian markets or selected industries in a broader market," he added.

i-VCAP, which currently does not have

bank affiliates or retail distribution network, will set up partnership with several parties in the next few months to distribute the company's upcoming funds.

i-VCAP's flagship fund, MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25), tracks 25 leading syariah-compliant companies listed on Bursa Malaysia.

The fund, with an initial size of 840 million units and an authorised fund size of 10 billion units, is the world's largest syariah exchange traded fund (ETF).

Zainal Izlan hopes to grow i-VCAP to be the premier syariah fund management company in the region.

"Investments that we plan to do include local and regional. The funds will not just be in ringgit, but also the US dollar or euro, or it could be other currencies if there is enough demand," he said.

He added that the company would be issuing these types of funds in the next three to five years.

Besides launching new funds, i-VCAP will also go into segregated private mandate in managing funds.

A segregated mandate or a separate instruction is issued by a fund owner to the appointed managers, outlining parameters in which the investment such as cash, shares and bonds is to be managed.

As at December 31 last year, i-VCAP has an authorised capital of RM100 million and a paid-up capital of RM11 million.

## Benefits of exchange traded fund (ETF)

- 1) Convenience. If an investor buys one unit of ETF, it means he buys a portfolio of stocks in one transaction.
- 2) Risk management. In ETF, investor buys a basket of stocks rather than a single stock, so it helps in managing risks.
- 3) Cost. Investing in unit trust involves higher upfront charge (four per cent to five per cent) compared with ETF because buying ETF is just like buying a share, so the cost covers the normal brokerage fee (less than one per cent).
- 4) As ETF is listed on the market, its price changes the whole day. Therefore, it reflects the underlying movement in the market. On the other hand, unit trust only has one price for the day. Investors can take advantage of intra-day price movement of ETF.

## Strength of syariah ETF during the current crisis

- Syariah investment portfolio does not have exposure in conventional banks and financial institutions, so it faces lesser impact from the current global financial crisis compared with conventional ETF
- Highly leveraged businesses and industries are not permissible under syariah screening conducted by syariah advisory boards. Usually the companies with high leverage are badly affected from global crisis