

# i-VCAP considers scaling down flagship fund's second tranche

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i-VCAP Management Sdn Bhd plans to launch the second tranche of its MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25), the world's largest syariah exchange traded fund (ETF), this year.

However, the Islamic fund management company has yet to decide on its size.

i-VCAP chief executive officer Zainal IZlan Zainal Abidin said that it was monitoring market conditions.

"We could scale down the size of the fund. Since it is open-ended, we can get more investors to come in at a later stage," he told Business Times in an interview.

An ETF is a unit trust fund listed and traded on the stock exchange. Designed to track the performance of an index, an ETF is a passively managed collection of stocks representing a particular region, sector or asset class.

i-VCAP's flagship fund, MyETF-DJIM25, was issued in January last year with a net

asset value of US\$260 million (RM910 million). It tracks 25 leading syariah-compliant companies listed on Bursa Malaysia. Its initial fund size is 840 million units and authorised fund size, 10 billion units.

However, its value has fallen to US\$160 million (RM560 million) as the stock market slumped.

Zainal IZlan said that MyETF-DJIM25 recently declared its first interim income distribution of 0.55 sen to unitholders.

i-VCAP deferred the proposed dual listing of MyETF-DJIM25 because of the global financial crisis, but is still interested in a dual listing or cross-listing.

"We are still looking at it, whether to list on the Middle East or other markets. It's still being discussed."

Compared with conventional unit trust funds, only 60 per cent of actively managed syariah unit trust funds outperformed the syariah index tracked by MyETF-DJIM25 between 2006 and 2008, Zainal IZlan said.

It also cost more for investors to buy unit trust funds because the upfront fee is between 4 per cent and 5 per cent of

the investment.

Conversely, investing in an ETF is just like buying a share for which investors only pay the normal brokerage fee plus stamp duty and clearing fee, which in total costs less than 1 per cent of the investment value.

In Malaysia, the fund management fee for unit trust funds is between 1 per cent and 2 per cent. For MyETF-DJIM25, the fee is only 0.4 per cent.

Investments from institutional investors make up 85 per cent of MyETF-DJIM25, with the balance coming from retail investors.

Government-linked investment companies participating in MyETF-DJIM25 include Khazanah Nasional Bhd, Retirement Fund Inc, Employees Provident Fund, Lembaga Tabung Angkatan Tentera, Lembaga Tabung Haji, Permodalan Nasional Bhd (PNB) and Valuecap Sdn Bhd.

i-VCAP is a wholly-owned subsidiary of fund management company Valuecap, which in turn is equally owned by Khazanah, PNB and Retirement Fund.

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CEO i-VCAP Management

