

# Malaysia's i-VCAP to boost Islamic ETF with foreign stocks

BY AL-ZAQUAN AMER HAMZAH

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(Reuters) - I-VCAP Management, Malaysia's only asset manager offering Islamic exchange-traded funds, will this year launch its first product that includes foreign equities to attract new investors.

The new Islamic ETF will be pegged to a regional index and serve investors looking for a more convenient and affordable way into sharia-compliant [stocks](#) in the Association of Southeast Asian Nations, i-VCAP said.

Many investors still shy from ETFs because they prefer to invest in local bourses on their own, the company's chief executive officer Mahdzir Othman told Reuters.

"It's still a challenge typically with Asian investors - they have a stock-picker mentality and like to do it themselves," he said.

The firm's next offering will follow last month's listing in Malaysia of i-VCAP's MyETF MSCI Malaysia Islamic Dividend ETF. .

"We have a few lined up, at least another one this year. We need to keep the momentum going and can't afford to let it die down, or else we'll have to do it all over again like what we experienced recently," Othman said.

The March ETF launch saw [retail](#) investors subscribe for 4.5 million units and 1.6 million units bought by institutions, much lower than the firm's total target of 15 to 20 million units.

Othman said his firm had only a short window of time to promote that ETF, after obtaining approval from regulators took over a year.

Malaysia's stock exchange currently has six listed ETFs, of which only the two offered by i-VCAP Management are sharia-compliant. Only two of the six, both offered by CIMB Group Holdings Bhd, offer exposure to [stocks](#) outside Malaysia.

"Six is still very low - you may want to have 10 to 20 so investors can pick and choose for their portfolios," said Othman, adding that a third of market volume in the United States was driven by ETFs while Singapore had 96 of them listed on its stock exchange.

"Over there, the regulators make easier access for issuers to come to the market, in terms of the cost

and approval process."

On the task of educating investors on the benefits of ETFs, Othman said, "the level of understanding has increased and we do get queries from the public, but there's still a lot of work to be done to translate that into actual investment."

In particular, i-VCap wants more [retail](#) investment in ETFs, to improve liquidity. Individual buyers usually buy 1,000-2,000 units, while institutional investors typically enter with lots of half a million.

The company has submitted a proposal to regulators for retail subscribers to buy into its next ETF through an issuing house, which would allow sign-ups online and on ATM machines. "That's one way for us to get a wider reach and better subscriptions," said Othman.

The firm issued 840 million units in January 2008 for the MyETF [Dow Jones Islamic Market Titans 25](#), the first Islamic ETF in Asia. It was sold at a 5 percent discount to its net asset value and was supported by seven government-linked companies.

I-VCap is a subsidiary of Valuecap Sdn Bhd, which is owned equally by Malaysia's state investor Khazanah, Permodalan Nasional Bhd and civil service pension fund Kumpulan Wang Persaraan (KWAP). (Editing by [Andrew Torchia](#))