

New syariah compliant products

Rakyat BTR ensures capital protection and a rate of return

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PPRIVATE boutique fund manager Rakyat BTR Capital Partners Bhd will be launching three new syariah compliant products this year, the first of which will be launched on July 26 to tap the high liquidity situation in the country.

Managing director Al' Alim Mohd Ibrahim says each of the products will ensure capital protection and a rate of return.

"They will have a base in three areas – property, currency and fixed income securities. Most unitised structures are linked to shares and may not guarantee returns. So ours will be different," he says.

"We will structure our products to suit clients' requirements. Rakyat BTR will be offering better unitised structures," Al' Alim says.

He says the current high liquidity situation make it necessary for different and more competitive products to be offered to high networth individuals.

Al' Alim says the new products will give investors a basic return, bonus returns and capital protection provided they remain with them for a certain period. For certain products, it may be a minimum of three years.

"We will not charge fees until we have achieved a basic benchmark return. Among the three products to be launched this year, one of them will offer capital protection, a basic income of 6% guaranteed and a target income of 15% per year. In other words, we will give you 21% and anything above we take the rest. We make our fees only after we have made that 21% for you."

On the coming private launch of one of the three new products next month, the minimum investment is RM500,000. The money will go into a custodian account and the fund manager will instruct the custodian to do the investment. Quarterly reports will be given.

Al' Alim says the evolution of the company's new products came about after the 1997 Asian financial crisis.

"Investors wanted capital protection. We studied how best to do that. After the 1997 Asian crisis until 2000, we found that people who invested in property tend to be better off."

"But investing in property which is already developed may not necessarily result in a good rate of return. Rental may not be great. Investing in property development is better than buying and selling properties. There is a difference between buying and selling properties and being involved in its development."



From left: Rakyat BTR Capital Partners Bhd director (business development) Alan Wong Y. H. with MD Al' Alim Mohd Ibrahim

There is a difference between the two.

"We are not in the business of buying and selling properties but in investing in property development projects in order to generate better returns. That is, buying land in a good location is a form of protection against losing capital," says Al' Alim.

He says the strategy for Rakyat BTR is to enter a joint venture with a landowner. If there is already an arrangement between the developer and the landowner, the fund management company may come in with the capital if there is good potential.

"There are various reasons why the developer cannot go ahead with the project just as there are various reasons why banks will not lend the funds. We as a fund manager take a more flexible approach and a more hands-on position in the company. When we invest in a property development company, we insist on being on the board or being signatories on the cheque."

Al' Alim says no other fund manager is offering real estate development (RED) products. "We are the only one. Clients place money with us and we will do the due diligence. By investing in property, the property becomes their collateral," he says, adding that the average size of their clients investment is about RM1mil each.

On uncertainties like increasing interest rates, rising oil prices and external factors, he says in a worst case scenario, all classes of assets will suffer but those holding properties will have their loss minimised.

Towards this end, Rakyat BTR has set up a special purpose vehicle Crest Worldwide Resources Sdn Bhd to develop a 1.5-acre piece of land at the crossroads between Jalan Sultan Ismail and Jalan Ampang, behind the

Pakistan embassy.

The commercial development will have two blocks comprising 44 storey residential units and 26 storey offices.

It will have 278 residential units and 109 office units and will be linked at the podium. Prices for the condominium units are from RM590 psf to RM725 psf for sizes between 616 sq ft and 7,593 sq ft for penthouses. Office units begin from RM540 psf.

This is Crest's maiden development. It bought the land for RM35mil in later 2005 for RM450 psf.

Al' Alim says different companies will be created for different projects for the sake of transparency and long-term liability.

Al' Alim and Crest managing director Shamir Nandy have been friends for 15 years.

They were the original founders of BTR Capital.

When Bank Rakyat took a 20% stake, the fund management company was renamed Rakyat BTR Capital.

Shamir says the RED concept came about four years ago when the stock market went through a period of little excitement and investors were pouring money into unit trusts.

"That was the only avenue for the investing public but unit trusts were linked to the stock market. As a boutique fund manager, we want to offer an alternative. Between 2001 and 2004, the property market was buoyant. In 2005, real estate investment trusts (REITs) came in and with it building owners saw a way of cashing out."

"Basically, RED products run along fairly similar lines with what Singapore's CapitalLand and Kuwait Finance House (KFH) are doing," says Shamir.

CapitalLand investment in Malaysia involves entering into joint ventures with landowners to develop condominiums. KFH bought into the 12.6-acre Pavilion project along Jalan Bukit Bintang, Kuala Lumpur.

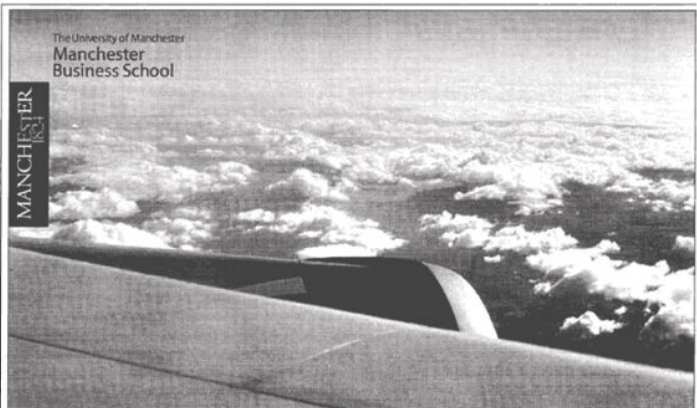
Urusharta Cemerlang Sdn Bhd is the landowner while the development manager of the project is KL Pavilion Sdn Bhd, a subsidiary of Malton Bhd.

"So the real value is in the development, not in the developed properties," says Shamir.

The private boutique fund manager is regulated by the Securities Commission. It was incorporated in 1993 and operations started two years later. The company is 20% owned by Bank Rakyat.



Two commercial blocks to be developed on 1.5 acres



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