

Headline **LTH: Our portfolio is more than about Ramunia**
Date **01 Mar 2010**
MediaTitle **The Edge**
Section **Corporate**
Journalist **N/A**
Frequency **Weekly**
Circ / Read **20,000 /**

Language **English**
Page No **10,60**
Article Size **290 cm²**
Color **Black/white**
ADValue **3,792**
PRValue **11,375**



LTH: Our portfolio is more than about Ramunia

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Very often, when the question of Lembaga Tabung Haji's (LTH) investments crops up, its position as the single largest shareholder in Ramunia Holdings Bhd comes to the fore.

But the investment portfolio of LTH is more than about Ramunia, says its senior general manager for corporate finance and services, Datuk Syed Saleh Syed Abdul Rahman.

"The public should not judge LTH on one or two counters in our listed equities portfolio because we have more than 57% of the funds invested in other asset classes. We wish to reassure our depositors that management is ever vigilant to ensure the value of their funds placed with LTH is intact," he tells *The Edge*.

LTH's fund size is to the tune of RM23 billion and has increased some 73% over the past five years. Of this, 43% is invested in equities, making up the lion's share of LTH's portfolio.

Its biggest holding by market capitalisation is a 51.5% interest in BIMB Holdings Bhd, which has a market value of RM671 million. This is followed by its holding in TH Plantations Bhd (close to 68%), which carries a market value of RM507 million. LTH also has a 24.75% stake in KFC Holdings Bhd that is valued at RM390 million.

At the same time, LTH has large interests in lesser known companies like Ramunia, in which it is the single largest shareholder with 29.7%, Silver Bird (29.5%) and Lityan (65%).

LTH bought into fabricator Ramunia back in early November 2007,

initially controlling a 5.1% block or 16.5 million shares. The pilgrim fund emerged as a substantial shareholder before a RM3.2 billion takeover deal was announced between MISC Bhd's fabrication arm Malaysia Marine and Heavy Engineering Sdn Bhd and Ramunia. However, this deal was aborted.

There were murmurs then that as the Ramunia-MISC deal was not firmed up, LTH's move into the company was not wise.

As at last Thursday, LTH's stake in Ramunia was worth about RM66 million and it is believed that the fund is sitting on a paper loss of about RM160 million on that single investment.

The pertinent question now is, how will LTH exit Ramunia and other investments from which no dividends are flowing?

"This is strategy...we are not going to share with others how we see it and how we will tackle it. In Ramunia's case, I'm sure you know, it was how events turned out. As for Silver Bird, we are already in the money. We can exit it anytime we want, but we have other considerations before we do that. Lityan is also profitable. In Lityan, we have more than 60%," says Syed Saleh.

LTH entered Lityan years ago and held as much as 20% in the company in 2000. In its heyday, Lityan was a RM40 stock linked to former deputy prime minister Datuk Seri Anwar Ibrahim. However, the company's fortunes fell with Anwar's.

Among others, LTH owns shares in Ornapaper Bhd (18%) and Tafi Industries Bhd (15.1%) — both stakes are valued at about RM5 million each. It is also a substantial shareholder in Chinese sports shoe maker Xingquan International Sports Holdings Ltd.

According to Bloomberg data,

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LTH held stakes in 91 publicly traded companies, with a market value of RM4.4 billion, as at last Thursday. Among the top 10 companies by market value, the dividend yield ranged from 0.3% to 6.7%.

In 2009, the pilgrim fund posted a profit after tithes of RM1.1 billion on the back of RM1.7 billion in revenue. About 49% of the earnings came from share trading while 19% came from dividend payments.

While LTH's strategy with regard to its equities portfolio remains a secret, the investments of its property arm have come under scrutiny.

The investments — a building in Platinum Park which is being built by the Naza group and one of the two towers in Maju Junction — have raised the red flag. The investment in Maju Junction especially is said to be expensive and above market price.

"When it comes to property investment, it is again a long-term game. What we are looking at is good location, where we have recurring rental income. As long as there is potential and we have the comfort that we can get the right occupancy rate for the right rent or return, it doesn't matter whether it is a completed building or not... when we go in early, it will be at a beneficial price to us," says Syed Saleh.

So, while scrutiny of LTH's investments persists, the challenge ahead for the fund is to exit these investments with a profit. ■