

ICAPITAL.BIZ BERHAD ANNOUNCES INNOVATIVE DIVIDEND POLICY

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- *To address discount between ICAP's share price and NAV*
 - *To implement a Dividend Reinvestment Plan that provides shareholders an opportunity to reinvest their dividends into new ICAP shares for further capital appreciation, while preserving cash as capital to fund future investments*
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KUALA LUMPUR 02 OCTOBER 2023: icapital.biz Berhad (ICAP, 5108), Malaysia's only listed closed-end fund, is introducing an innovative dividend policy to proactively narrow the gap between ICAP's share price and net asset value (NAV) and possibly bring its share price back to trade at a premium, just as it did during ICAP's first 3 years as a listed company.

Secondly, ICAP is also introducing a dividend reinvestment plan (DRP), which is a dividend reinvestment scheme that will allow shareholders to have the option to reinvest their dividends into new ICAP shares without incurring material transaction costs.

The innovative dividend policy, which is subject to market and economic conditions and ICAP's value investing investment philosophy, is formulated as follows: a Base Rate of 1% of the NAV per share, *plus* 8% of the difference between ICAP's share price and NAV. This additional 8% is referred to as the

Top-up Rate. In summary, this innovative dividend policy consists of the aggregate of the 1% Base Rate and the 8% Top-up Rate.

The Top-up Rate will not apply if ICAP's share price is trading at parity or at a premium to NAV. Here, the NAV will be calculated using a simple average of the relevant 4 weekly NAVs periodically announced by ICAP, while the share price will be based on the volume-weighted average price (VWAP) of the corresponding 4 weeks. Under normal market and economic conditions, the expected dividend yield will be approximately 4%. This dividend will be paid on a yearly basis.

Tan Teng Boo, the Designated Person of ICAP, has been working relentlessly for many years on this matter and is instrumental in the formulation of this innovative dividend policy. After extensive

consultations with international finance experts, the dividend policy has been designed with the goal of consistently auto-remedying the NAV-share price discount without compromising the Fund's investment philosophy.

Tan Teng Boo said: "The majority of ICAP shareholders invested in our stock because of long-term capital appreciation. We are mindful of this. This innovative dividend policy is designed exactly for this reason. Despite consistent outperformance against the benchmark MSCI Malaysia Index, ICAP's share price has been trading at a discount to its NAV for much of the last 18 years. Thus, we want to resolve this in the most efficient and prudent way possible."

"The proposed DRP anchors our main agenda. It also shows that we are confident in the growth prospects of ICAP. If you believe in the long-term capital appreciation of ICAP, the DRP provides a good avenue for

shareholders to increase their participation in ICAP. The issuance of new ICAP shares will also improve the liquidity of the stock, which has been adversely affected by institutional parties.”

For illustrative purposes, let’s calculate the potential dividend yield of ICAP by applying the formula of 1% Base Rate plus 8% Top-up Rate using ICAP’s share price and NAV on two different dates.

On 20 Sep 2023, the average 4-week NAV per share of ICAP was RM3.580 and the 4-week VWAP was RM2.7591. The discount of RM0.8209 implies a dividend yield of 3.75% or an absolute dividend amount of 10.15 sen (3.58 sen plus 6.57 sen).

Now, let’s use market data on ICAP from 3 Jan 2023 as another example. On that date, the discount between ICAP’s share price and NAV was even wider.

On 3 Jan 2023, the average 4-week NAV per share of ICAP was RM3.305 and the 4-week VWAP was RM1.9844. With a discount of RM1.3206, this implies a dividend yield of 6.94% or an absolute dividend amount of 13.88 sen (3.31 sen plus 10.57 sen).

These two illustrations show that whenever the discount between the share price and NAV is wider, the dividend yield is higher. This is how the dividend policy acts as an auto-correcting mechanism, enabling the share price to move closer to the NAV, and hence narrow the discount. In other words, the dividend policy provides an impetus for capital appreciation of the stock.

Together with two finance experts from the University of Technology Sydney in Australia, Tan Teng Boo will provide a more extensive explanation about this innovative dividend policy at ICAP’s 19th Annual General Meeting

(“AGM”), which will be held on Saturday, 4 Nov 2023 at the Kuala Lumpur Convention Centre.

ICAP will also conduct its annual Investor Day event on Sunday, 5 Nov 2023 at the same venue.

As of 20 Sep 2023, ICAP’s total net NAV stood at RM505.4 million with 140 million shares outstanding. On a three-year basis from 21 Sep 2020 to 20 Sep 2023, the MSCI Malaysia index is down 8.66%, while ICAP’s NAV and share price have risen 34.03% and 53.53% respectively.

ICAP will call for an Extraordinary General Meeting (“EGM”) to seek shareholder approval for the DRP.

RHB Investment Bank Bhd has been appointed as the principal adviser for the proposed DRP. Astramina Advisory Sdn Bhd is the financial adviser for ICAP’s dividend policy and proposed DRP.

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