

A Document-Based Study of Strategic Decision-Making in Real Estate Investments by Government-Linked Investment Companies (GLICs)

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Abstract

This study critically examines institutional investors' role and strategic approaches in Malaysia's real estate market, with a particular focus on Government-Linked Investment Companies (GLICs). These entities, encompassing pension funds, mutual funds, special purpose funds, and sovereign wealth funds, function as state investment arms, wielding significant influence over the nation's economic trajectory. Despite their substantial financial resources and policy-driven mandates, GLICs allocate a disproportionately modest share of their portfolios—typically between 5.3% and 20%—to real estate. This raises critical questions about the underlying constraints, risk perceptions, and structural inefficiencies that may impede a more assertive real estate investment strategy. This research systematically analyses 34 documents, including annual reports, regulatory frameworks, and legislation, and examines the governance and decision-making structures that shape GLIC's investment strategies. The findings highlight a multi-tiered and strict hierarchy involving Boards, Investment Panels, Shariah Compliance Committees, and Real Estate Departments, employing both top-down and bottom-up approaches. While this structure ensures regulatory compliance and risk mitigation, it may also introduce bureaucratic inertia, limiting responsiveness to market opportunities and emerging asset classes. Furthermore, legislative mandates such as the Employees Provident Fund Act 1991, the Retirement Fund Act 2007, the Tabung Angkatan Tentera Act 1973, and the Tabung Haji Act 1995 impose distinct constraints and investment thresholds that potentially restrict agility in portfolio expansion. A key paradox emerges, despite real estate's ability to hedge against inflation and provide stable returns, GLICs prefer more liquid asset classes. Their limited allocation to real estate, even with diversification across traditional and non-traditional sector globally, suggests a preference for alternative investments. This trend raises questions about whether regulatory rigidity or cautious investment culture limit the potential of real estate as an asset class. The findings underscore the need for policy recalibrations, governance reforms, and strategic realignments to unlock the full potential of institutional real estate investments. These insights hold significant implications for policymakers, market participants, and researchers at the intersection of finance, governance, and real estate development.

Keywords:

Institutional Investors, Malaysia, Real Estate Investment, Document Analysis.

Article History

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1. INTRODUCTION

Strategic real estate investment is a long-term approach to goal setting and analysing real estate investment involving risk and return; strategic investment also requires careful planning and implementation of investment strategy and adjustment, when necessary, with a periodic performance evaluation. Real estate investment offers advantages such as risk-adjusted returns, diversification, and inflation hedging (Baum et al., 2021). Institutional investors play a crucial role in the real estate industry and the broader economy due to their substantial investments in real estate. According to Suto and Toshino (2005), institutional investors include asset management companies like investment funds, insurance companies, and pension funds, which manage and allocate funds, design investment strategies, and monitor investment activities. The value of institutional-grade properties is expected to grow from US\$45.3 trillion in 2020 to US\$69 trillion by 2030, providing more opportunities for the real estate investment community (PwC, 2020).

In Malaysia, the top six institutional investors actively involved in real estate, both domestically and internationally, are the Employees Provident Fund (EPF), Permodalan Nasional Berhad (PNB), Retirement Fund Incorporated (KWAP), Lembaga Tabung Haji (LTH), Armed Forces Fund Board, and Khazanah Nasional Berhad. These companies are categorised as government-linked investment companies (GLICs), which is unique to Malaysian practice. The Ministry of Finance stated that GLICs play a crucial role in the country's economy. Their primary functions include managing government investments, driving economic development, and enhancing the financial performance of the companies they invest in. Additionally, GLICs focus on transforming firms to unlock value, facilitating energy transition, and promoting digitalisation. Due to the ethical requirements, the names of the GLICs should not be revealed. Therefore, the following discussion on these GLICs will be denoted as GLICs 1, GLICs 2, GLICs 3, GLICs 4, GLICs 5, and GLICs 6.

In 2023, GLICs 1 recorded the highest real estate allocation, amounting to RM83.3 billion, while GLICs 5 had a real estate allocation of RM22.6 billion, and GLICs 2 recorded RM10.9 billion. According to the GLICs' annual report, these organisations have real estate investments ranging from RM3 billion to RM83 billion. Given the substantial amounts involved, stakeholders are eager to understand the decision-making processes behind these investments. This paper aims to identify the key factors driving institutional investment decisions, such as regulatory compliance, risk management, and portfolio diversification of the GLICs.

This study employs thematic analysis to investigate the roles and scope of government-linked investment companies in real estate investment. It examines a range of documents, including annual reports, regulatory frameworks, and related legislation, to understand the strategic approaches these investors use in real estate. The analysis aims to identify the key factors driving institutional investment decisions, including dedicated legislation, regulatory compliance, risk management, and portfolio diversification. By systematically reviewing and synthesising the content of these documents, this study offers insights into the strategic considerations underpinning institutional real estate investments in Malaysia. The document analysis contributes to a deeper understanding of the institutional investment landscape in Malaysia, providing valuable perspectives for policymakers, market participants, and researchers interested in the intersection of finance and real estate. The paper is organised as follows: a literature review, methodology detailing the documents selected for data analysis, the process of document analysis, data extraction and comparison, findings and discussion, and a conclusion.

2. LITERATURE REVIEW

2.1 Strategic Real Estate Investment

The term "strategic," according to Nieboer (2005), involves two main considerations. Firstly, it refers to setting specific objectives (goals) and creating strategies to achieve them. Secondly, it relates

to the level of decision-making within an organisation, particularly that reserved for top management. Strategic real estate investment requires multiple components to assist institutional investors in making well-informed, long-term decisions. These components include establishing policy objectives, selecting investment media, and allocating funds to selected media (Hargitay, 1993).

Strategic real estate investment decision-making involves a theoretical analysis that offers investors a framework to maximise their wealth (Gallimore et al., 2000). As stated by Baum and Hartzell (2020), the decision-making process for institutional property investors is complex and inter-related, requiring an understanding of the asset's nature, development of a strategy to capture attractive investment characteristics, implementation of a favourable investment realisation strategy, use of appropriate investment vehicles, risk quantification and avoidance, implementation of diversification and return enhancement strategies, and consideration of pricing and development costs. Elements of strategic real estate investment include investment style, investment policy, and real estate portfolio allocation.

2.1.1 Investment style

The investment styles commonly implemented by institutional investors are the top-down and bottom-up approaches. Thus, this investment style largely depends on the fund's objectives and guidelines (Reddy et al., 2014). Gallagher (2002) explains that the choice of investment style needs to be consistent with the fund's preferred time horizon and the risk profile of fund members.

The top-down approach involves analysing macroeconomic variables and market trends to narrow down to specific properties or locations. This approach includes analysing the portfolio's structure relative to a benchmark, forecasting return and risk for the portfolio, often top-down by property type or location, and a strategy involving buying and selling (Tan & Ting, 2021). On the other hand, the bottom-up process emphasises assets, with each being assessed based on asset-specific factors such as the tenant, lease, and potential to add value through refurbishment. A cash flow model spanning 5 to 10 years will be developed, focusing on forecasting rental value changes based on the asset's specific location and characteristics rather than analysing the macro-level variables. Such portfolios are modelled bottom-up, building by building or lease by lease, rather than top-down.

2.1.2 Investment Policy

There are three types of investment policies implemented by institutional investors: strategic asset allocation (SAA) policy, tactical asset allocation (TAA), and dynamic asset allocation (DAA) policy. Reddy (2014) explains that institutional investors often view Strategic Asset Allocation (SAA) as a key aspect of the investment process. During the portfolio planning stage, institutions set their investment goals and policies (the investment policy statement or IPS) and develop their expectations for the capital market. These expectations are formed by making long-term forecasts of different asset classes' risk and return characteristics. They then align the investor's return objectives, risk tolerance, and investment limitations with the fund's long-term capital market expectations to determine exposure to permissible asset classes according to the IPS.

Picerno (2010) emphasises that Tactical Asset Allocation (TAA) is an active management process that introduces active risk. TAA strategy encompasses various approaches, from occasional and ad hoc adjustments to frequent and model-based adjustments. Large institutional investors can make tactical adjustments more frequently, such as quarterly, monthly, or even weekly. Due to its short-term nature, TAA policy is primarily feasible with certain major asset classes, such as liquid assets like stocks and bonds (Anson, 2004; Maginn et al., 2007; Norton, 2012; Sharpe et al., 2007). Dynamic Asset Allocation (DAA) is an investment strategy that generates high returns, regardless of market index performance, by utilising TAA tools around a strategic benchmark. DAA links long-term Strategic Asset Allocation (SAA) and shorter-term TAA strategies to offer an adaptable approach to asset allocation.

2.1.3 Real Estate Portfolio Allocation

Property investment decisions involve decisions made by a property fund manager regarding real estate asset investments in different sectors (such as office, retail, and industrial) and geographic locations. According to Rowland (1997), property investment decisions are made gradually, with steps taken towards committing to buy, sell, redevelop, or refinance a property. Studies by Worzala and Bajtelsmit (1997); Craft, (2001); and Hoesli, et al, (2003) have suggested property allocations within a range of 10-30%. Whereas in the European countries, Hoesli et al. (2024) stated that the allocation to listed real estate ranges from 4% to 26%.

The advantages of institutional real estate investment have been underscored by a wide array of scholars such as Newell and Marzuki (2023); Sanfelici and Magnani (2021); Gupta and Newell (2020); Nsibande and Boshoff (2017); Lekander (2017); Reddy et al. (2014). The inclusion of real estate in an institutional investor's portfolio offers several benefits, including steady income cash flows, inflation hedging, risk reduction through diversification, enhanced returns, long-term investment opportunities, attractive yields, the ability to take control of the asset, and exposure to domestic and international real estate assets.

2.2 Government-Linked Investment Companies (GLICs)

The Organisation for Economic Cooperation and Development (OECD, 2013) defined Government-linked investment companies (GLICs) as investment companies in which the federal government has influence over the management by appointing and approving board members and senior management who report directly to the government. The government may also provide funds for operations or guarantee capital placed by unit holders. The Ministry of Finance of the Prime Minister's office is usually the government representative on the board of GLICs, thereby playing a role in these companies' governance and investment decisions. The government began actively intervening in the economy in the 1970s due to two important issues: equitably redistributing wealth between ethnic groups and nurturing entrepreneurial domestic enterprises that would drive industrialisation (Gomez et al., 2018). The government introduced the New Economic Policy (NEP) to overcome those issues. The NEP was a progressive 20-year plan to eradicate poverty and redistribute wealth equitably between ethnic groups. The GLICs are the government's investment arms in allocating some or all of their funds to publicly listed companies in Bursa Malaysia, known as Government-Linked Companies (GLC). There are six institutions that the government has classified as GLICs; these include GLICs 1, GLICs 2, GLICs 3, GLICs 4, GLICs 5, and GLICs 6, as shown in Table 1. These GLICs function in various forms, such as pension funds, special purpose funds, sovereign wealth funds and trust fund managers.

Table 1: List of GLICs in Malaysia

	GLICs	Categories of GLICs	Agenda	Source of Funds
1.	GLICs 1	Pension Fund	Social safety net – private sector employees	Funds directly collected from the investing public
2.	GLICs 2	Pension Fund	Social safety net – civil servants	
3.	GLICs 3	Pension Fund	Social safety net – military personnel/ veterans	
4.	GLICs 4	Special Purpose Fund/ Saving Fund	Social agenda – savings for hajj pilgrimage	
5.	GLICs 5	Mutual Fund	Social agenda – raise equity ownership of Bumiputeras	
6.	GLICs 6	Sovereign Wealth Fund (SWF)	To initiate and implement strategic industries and national initiative	Government tax and debt funds. Funds can be directly obtained from the debt and equity market.

Source: Author Compilation, 2024

Each Government-Linked Investment Company (GLIC) has a social and economic agenda to generate good investment returns. Different GLICs were established for different purposes and operate under mandates set by the government (Gomez et al., 2018). GLICs 1 and GLICs 2 are pension funds for employees of the private and public sectors, respectively; these pension funds have a long history, going back to the colonial period. The GLICs 3 was established in 1972 and served as a pension fund for armed forces members. Meanwhile, GLICs 4 was established in the 1960s. It is a special-purpose fund for Muslims who intend to save for their Hajj pilgrimage. GLICs 4 invests their members' savings in Islamic-based businesses. The returns from these ventures are used to subsidise the costs incurred by its members when they perform the Hajj (Gomez et al., 2018). The GLICs 5 and GLICs 6 were established after the government actively intervened in the corporate sector to rectify social injustice (Gomez et al., 2018). GLICs 5 functions to redistribute corporate wealth more equitably among all Malaysians. Thus, GLICs 6 is the country's only sovereign wealth fund.

3. METHODOLOGY

This paper utilises a qualitative approach that examines and interprets data to uncover meaning and build empirical knowledge, using document analysis as a method to review and evaluate both printed and electronic documents systematically. The documents can include text and images that have been recorded without the researcher's intervention. Bowen (2009) noted that it can take various forms, including advertisements, agendas, attendance registers, meeting minutes, manuals, books, diaries, event programs, letters, maps, newspapers, press releases, program proposals, surveys, and public records.

The methodology of document analysis follows these steps by DalGLISH et al. (2020):

- i. Selection of sampling documents.
- ii. Extract data: using an Excel spreadsheet where each row is a document, and each column is a category of information.
- iii. Analyses the gathered data: Review the collected information to conclude and spot recurring themes.
- iv. Interpret the outcomes: Decode the findings to grasp their significance and how they can inform future applications of the study's insights.

This paper analyses documents such as GLIC's annual report and statutory acts related to the establishment of the GLICs. The sampling of document analyses and key themes is shown in Table 2.

Table 2: Sampling of Documents Analysed

Documents Selected	Key Themes
Annual report (2019-2023)	
Pension Funds	<ul style="list-style-type: none"> • Goals/ Objective/ Purpose • Corporate governance • Investment Philosophy and Process • Real Estate Allocation
<ul style="list-style-type: none"> • GLICs 1 • GLICs 2 • GLICs 3 	
Mutual Funds	
<ul style="list-style-type: none"> • GLICs 4 	
Special Purpose Funds	
<ul style="list-style-type: none"> • GLICs 5 	
SWFs	
<ul style="list-style-type: none"> • GLICs 6 	
Acts:	<ul style="list-style-type: none"> • Why this institution comes into existence <ul style="list-style-type: none"> ○ Establishment ○ Functions ○ Power of Minister to give directions and require information
<ul style="list-style-type: none"> • Tabung Haji Act 1995 • Companies Act 1965 • Employee's Provident Fund Act 1991 • Retirement Fund Act 2007 • Tabung Angkatan Tentera Act 1973 (Act 101) 	

4. FINDINGS AND DISCUSSION

4.1 The GLICs Real Estate Portfolio Allocation

The analysis of real estate portfolio allocation from selected Government-Linked Investment Companies (GLICs) reveals critical discrepancies and trends. The GLICs are categorised into pension funds, savings funds, mutual funds, and sovereign wealth funds. The real estate portfolio allocation data is extracted from the annual reports of selected Government-Linked Investment Companies (GLICs) and compiled in Table 3 below.

Table 3: GLICs Real Estate Portfolio Allocation in 2023

Government Linked Investment Companies (GLICs)	Asset Under Management (AuM)	Real Estate Allocation	
		Percentage	RM Billion
Pension Funds			
GLICs 1	RM 1.19 trillion	7%	RM83.3 billion
GLICs 2	RM190.3 billion	5.3%	RM10.9 billion
GLICs 3	RM15 billion	20%	RM3.0 billion
Saving Fund/ Special Purpose Fund			
GLICs 4	RM93.6 billion	11%	RM10.2 billion
Mutual Fund			
GLICs 5	RM337 billion	6.7%	RM 22.6 billion
Sovereign Wealth Funds (SWFs)			
GLICs 6	RM85 billion	9.4%	RM8.0 billion

Source: GLICs Annual Report

GLICs 1 had the highest assets under management (AuM) with RM1.19 trillion, while GLICs 5 and GLICs 2 trail with significantly lower amounts of RM337 billion and RM190 billion, respectively. This raises concerns about the financial strategies of these investors, particularly compared to GLICs 4's RM93.6 billion and GLICs 6's RM85 billion.

Notably, GLICs 3 allocates 20% of its portfolio to real estate despite having the lowest AuM of RM15 billion, largely due to substantial land holdings. This approach poses risks of overexposure to market volatility. Conversely, other GLICs invest conservatively at 5.3% to 11%, prompting questions about their lack of commitment to real estate investment, especially given asset values ranging from RM3 billion to RM83.3 billion.

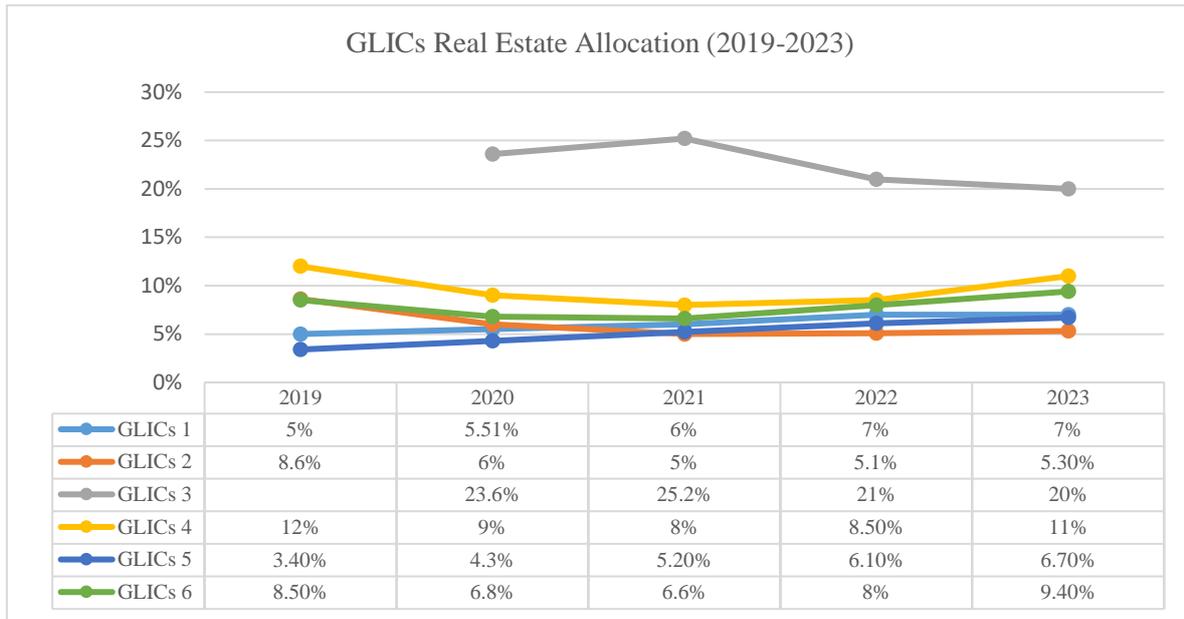


Figure 1: GLICs Real Estate Portfolio Allocation from 2019 to 2023

The data in Figure 1 raises critical questions about the investment strategies of Government-Linked Investment Companies (GLICs) in real estate from 2019 to 2023. GLICs 3’s allocation peaked at 25.2% in 2021 but fell to around 20% by 2023, suggesting volatility and a potential overreaction to market conditions as it plans to reduce holdings to 10% by 2025. This shift may reflect caution that could hinder competitiveness in a dynamic market. Conversely, GLICs 1’s conservative increase from 5% to 7% raises concerns about its responsiveness to opportunities. GLICs 2, 4, 5, and 6 maintain stable but narrow allocations, questioning whether such conservatism demonstrates sound risk management or a lack of vision.

Table 4 aims to clarify the differences in the annual reports of these entities, yet it also highlights the need for a deeper analysis of how legislative changes influence their strategies. The subsequent examination must go beyond surface-level interpretations to explore the motivations and potential shortcomings of each GLIC's approach. Engaging critically with these findings is essential for understanding the intricate relationship between investment strategies and market dynamics, particularly in an asset class as volatile as real estate.

Table 4: Comparison and Overview of the Analyses of Annual Reports and Related Acts

	Pension Fund			Saving Fund	Mutual Fund	SWFs
	GLICs 1	GLICs 2	GLICs 3	GLICs 4	GLICs 5	GLICs 6
Establishment	Employees Provident Fund Act 1991	Retirement Fund Act 2007	Tabung Angkatan Tentera Act 1973 (Act 101)	Tabung Haji Act 1995	Companies Act 1965	Companies Act 1965
Vision						
	To build a better retirement future for Malaysian	To be the trusted retirement fund that supports nation building by innovatively delivering sustainable benefits.	A Sustainable Provident Fund	The Pillar of The Ummah's Economic Success: Excellence in Hajj Management	To enhance the economic wealth of the Bumiputera community and all Malaysians for the prosperity of the nation.	Developing the nation, driven by our focus and strategy in Advancing Malaysia.
Mission						
	Helping members achieve a comfortable retirement income	To optimise investment returns and deliver excellent services by adopting best practices to meet the key stakeholders' commitments.	Advancing the Socio-economic Well-being of Our Members	to strengthen the ummah's economy , seek strategic investments for sustainable growth , enrich depositors' funds, provide excellent services, assist pilgrims in achieving a Mabruur Hajj, and offer competitive, halal, and toyyiban returns.	To uplift the financial lives of Malaysians across generations.	to create true value for a globally competitive Malaysia
Objective						

	to ensure a continuous retirement income for members post-retirement	To achieve optimum returns on investments for the Fund so as to assist the Federal Government Administration in financing its pension liability.	to provide sustainable long-term growth in the retirement savings of our members through the accumulation of consistent dividend returns and preservation of capital.	1) deliver sustainable, competitive returns through Capital gains and dividends at risk levels aligned with market conditions. 2) Invest in prudent, permissible assets to achieve market-comparable returns and ensure continuous growth.	Generating long-term values by engaging with investees and stakeholders.	Investing to deliver sustainable value for Malaysians
Investment Mandate						
	to provide the best retirement savings for Malaysians.	to assist the federal government in funding its pension liability.	to manage pension funds for the members of the Malaysian Armed Forces.	to manage public funds to assist Muslims in fulfilling the 5th pillar of Islam, which is to perform Hajj.	to promote shared ownership in the corporate sector among the Bumiputera.	Investing to deliver sustainability value for Malaysian.
Level of Decision Making						
Minister in Charged			√	√		
Board	√	√	√	√	√	√
Group Chief Executive	√	√	√	√	√	√
Investment Panel	√	√	√	√	√	√
Shariah Advisory Committee	√			√	√	
Real Estate Investment Department	√	√	√	√	√	√
Investment Style						
Top-Down	√	√	√	√	√	√
Bottom-Up	√	√	√	√	√	√

Investment Target						
Long-Term	√	√	√	√	√	√
Short-Term						
Investment Policy						
Strategic Asset Allocation (SAA)	√	√	√	√	√	√
Dynamic Asset Allocation (DAA)					√	
Tactical Asset Allocation (TAA)	√	√			√	
Real Estate Portfolio Allocation						
Percentage	7%	5.3%	20%	11%	6.7%	9.4%
Value (RM Billion)	RM83.3 billion	RM10.9 billion	RM3.0 billion	RM10.2 billion	RM 22.6 billion	RM8.0 billion
Why Invest in Real Estate (Factors)						
Hedge against inflation	√					
Diversification	√	√	√	√	√	√
Stable income stream	√	√	√	√	√	√
Long-term capital appreciation						
Investment In Real Estate						
Geography	Malaysia North America Europe Australia	Malaysia Australia United Kingdom Germany	Malaysia	Malaysia United Kingdom Australia Saudi	Malaysia North America Europe Asia Pacific	Malaysia United Kingdom Europe Asia Pacific
Sector	Office Land Development Student Accommodation Logistic	Office Land Development Student Accommodation Retail Logistic Residential	Residential Land Development	Office Industrial Student Accommodation Hotel	Office Land Development Industrial Retail	Office Land Development

i) Establishment and Legal Acts

The establishment of GLICs 5 and GLICs 6 in Malaysia highlights the government's intention to effectively manage public resources through Government-Linked Investment Companies (GLICs). However, a critical examination reveals concerns about their operational effectiveness and governance structures.

Although entities like GLICs 1 and GLICs 2 are mandated to cater to retirement needs, they face scrutiny for limited investment returns and transparency issues. The governance, meant to ensure balanced representation, often results in bureaucratic inertia, stifling swift decision-making as competing interests clash. Furthermore, the role of the Shariah Investment Committee may appear tokenistic if its influence is minimal within broader investment strategies. While the legislative framework promises robust governance, real-world implementation raises questions, particularly as Malaysia strives for competitive growth in the global market.

Each GLIC serves distinct roles, from retirement benefits to pilgrimage savings. However, the lack of a cohesive strategy among them risks duplication of efforts and inefficient resource allocation. For sustainable management of public resources, the Malaysian government must ensure that these investment bodies align with broader economic objectives rather than be entangled in bureaucratic and political challenges.

ii) Vision and Mission

Adopting visions and missions by institutions worldwide to foster economic prosperity often masks a more complex reality regarding their commitment to socio-economic well-being. For instance, while GLICs 1 touts optimised investment yields for a secure retirement, one must question whether these yields genuinely benefit the broader population or prioritise short-term gains. The GLICs 2's nation-building efforts raise doubts about the sustainability and actual impact of the benefits provided. Similarly, while GLICs 4 focuses on the Ummah with Sharia-compliant investments, it risks excluding others from its efforts, potentially limiting its broader economic impact. GLICs 5 claims to enhance the Bumiputera community's prosperity for the benefit of all Malaysians, yet the inclusivity of this approach warrants scrutiny.

Finally, GLICs 6's aims for national development prompt questions about the effectiveness of its strategies. While these institutions promote various socio-economic initiatives, a critical approach highlights the need for accountability and genuine evaluation of their impact, urging them to move beyond noble rhetoric to achieve meaningful change.

iii) Investment Objectives

The investment objectives of Government-Linked Investment Companies (GLICs) are aligned with their respective mandates. For instance, GLIC 1 was established to provide optimal retirement savings for Malaysians, and its investment objective is to ensure a continuous income for members after retirement. This objective will subsequently guide its investment strategy. In contrast, GLIC 2 aims to achieve optimum returns on investments to assist the Federal Government in financing its pension liabilities. Meanwhile, GLIC 3 focuses on providing sustainable long-term growth in its members' retirement savings through consistent dividend returns and capital preservation.

There are two main objectives of GLICs 4: i) To deliver sustainable and competitive returns to the depositors from capital gains and dividends at a reasonable risk level that commensurate with prevailing market conditions and ii) Invest in permissible, prudent, and safe investments in order to provide returns that are comparable to the market while ensuring continuous growth. While GLICs 5 aims to generate long-term value by engaging with investees and stakeholders. GLICs 5's commendable goal of enhancing the financial situation of diverse Malaysians raises concerns about prioritising social

contributions over financial performance. Striking a balance between social responsibility and competitive returns could prove challenging. The objective of GLICs 6 is to invest in ways that create sustainable value for Malaysians. GLICs 6 is committed to fostering growth and stability through investments that benefit not only shareholders but also the broader community. This reinforces the idea that economic development can coexist with social responsibility.

Each institution has its own unique investment philosophy; however, their approaches can have flaws that impede sustainable performance in a changing economic landscape, primarily due to their investment mandate obligations. Therefore, a cohesive strategy that balances financial returns with social impact is essential for long-term success.

iv) Level of Decision-Making

The decision-making process of Malaysian GLICs reflects a multi-layered governance framework that incorporates both strategic and operational decision-makers. The involvement of multiple approval levels, while promoting accountability, indicates complexity and longer decision cycles. The GLICs 1 and GLICs 2 adopt a tiered approach involving the Board, Investment Panel, and Real Estate Investment Department, supported by Shariah compliance considerations in some cases. Although this structure appears robust, it may lead to inefficiencies and unclear accountability due to complex communication.

GLICs 3 operating under a pension fund mandate have a similar framework but include ministerial oversight, which further extends the decision-making hierarchy. While this enhances alignment with statutory objectives, it may constrain flexibility in responding to market opportunities. The GLICs 4 emphasises Shariah compliance through its Shariah Advisory Committee, which raises questions about potential restrictions that could impede timely investments or limit diversification.

GLICs 5 and GLICs 6 have a similar hierarchy involving the Board and Chief Group Executive. This concentration of power can create biases that misalign with strategic goals. While these frameworks provide structure, they must be critically assessed to ensure they facilitate informed and timely investment decisions, balancing the need for oversight with the agility required in the dynamic real estate market.

v) Investment Policy

The investment strategies of GLICs highlight notable differences unique to each of the organisations, particularly with GLICs 5, which stands out by implementing a Dynamic Asset Allocation (DAA) policy alongside its Strategic Asset Allocation (SAA) and Tactical Asset Allocation (TAA). While this multi-strategy approach may seem adaptive, it raises concerns over potential complexities that could hinder effective decision-making.

GLICs 5 relies heavily on its SAA framework for long-term risk diversification, but managing three distinct strategies might lead to inefficiencies and mixed signals regarding investment direction. Additionally, its early adoption of SAA since 2017 prompts questions about whether it reflects genuine innovation or a slow response from other GLICs. While the customisation of SAA targets is admirable, it risks fostering excessive caution or complacency in pursuing favourable returns. Balancing the interests of depositors with the need for innovative investment strategies must not compromise potential yield. In summary, GLICs 5's ambitious framework raises critical questions about its effectiveness. The challenge lies in ensuring that the interplay between short-term adjustments and long-term stability does not become a burden rather than a benefit.

vi) Real Estate Investment

The real estate allocation within GLICs portfolios raises critical concerns about strategic decision-making and risk management. This depends on the internal management teams, including the knowledge

and experiences of the fund manager (Baum & Hartzell, 2020). With allocations ranging from 5.3% to 20%, institutions like GLICs 2 and GLICs 3 show varied investment philosophies heavily influenced by geographic focus. GLICs 3's sole reliance on the Malaysian market exposes it to significant local risks, particularly in a volatile property landscape.

The GLICs' heavy investment in traditional commercial asset classes—offices, retail, logistics, and hotels—also raises questions about the sustainability and resilience of these strategies in a rapidly changing global economy. While GLICs 4's investments extend to developed markets like the UK and Saudi Arabia, caution is warranted due to over-reliance on certain regions. GLICs 3's recent approval by the Ministry of Finance (MoF) to invest internationally hints at potential growth but underscores a delayed response to diversification opportunities. This risk aversion can hinder profitability in an interconnected market.

Table 5 shows the list of real estate investments of GLICs 2. The GLICs 2's strategy of heavily investing in the United Kingdom and Australia raises important concerns. Their real estate investment focus on logistics, office buildings, retail spaces, and student housing could expose the portfolio to regional economic risks, particularly as market conditions can shift rapidly.

Table 5: List of GLICs 2 Real Estate Investment in Malaysia and Global

Country	Name Of Property	Property Type
DOMESTIC PROPERTIES		
Malaysia	Building A, Kuala Lumpur	Office Building
	Building B, Kuala Lumpur	Office Building
	Retail A, Skudai, Johor	Retail
	Residential Land A, Jalan Stonor	Residential (Land)
	Residential Land B, Jalan Changkat Kia Peng	Residential (Land)
	Residential Land B, Penang	Residential (Land)
	Logistic Land A, Kota Seri Langat, Selangor	Logistics (Land)
GLOBAL PROPERTIES		
Australia	Building C, Melbourne	Office Building
	Warehouse A, Erskine Park, Sydney	Warehouse - Logistic
	Warehouse B, Prestons, Sydney	Warehouse - Logistic
	Warehouse C, Erskine Park, Sydney	Warehouse - Logistic
United Kingdom	Warehouse D, Bardon	Warehouse - Logistic
	Building D, London	Office Building
	Building E, London	Office Building
	Retail A, Uxbridge, London	Retail
	Student Accommodation A, Birmingham	Student Accommodation
	Student Accommodation B, Edinburgh	Student Accommodation
	Student Accommodation C, Leeds	Student Accommodation
	Student Accommodation D, Sheffield	Student Accommodation
	Residential A, Albion Street, London	Residential
	Residential B, Seymour Place, London	Residential
Germany	Warehouse E, Erfurt, Germany	Warehouse - Logistic

Source: GLICs 2 Annual Report, 2023

Table 6: List of GLICs 4 Real Estate Investment in Malaysia and Global

Country	Name Of Property	Property Type
DOMESTIC PROPERTIES		
Malaysia	Building A, Kuala Lumpur	Office Building
	Building B, Kuala Lumpur	Office Building
	Building C, Kuala Lumpur	Office Building
	Building D, Kuala Lumpur	Office Building
	Building E, Kuala Lumpur	Office Building
	Building F, Kuala Lumpur	Office Building
	Building G, Putrajaya	Office Building
	Hotel A, Bandar Lapangan Terbang Antarabangsa Sepang, Selangor	Hotel & Convention Centre
	Hotel B Kuching Central Land District, Kuching	Hotel & Convention Centre
GLOBAL PROPERTIES		
United Kingdom	Building H, United Kingdom	Office Building
	Building I, London	Office Building
	Building J, United Kingdom	Office Building
	Building K, London	Apartment
Australia	Apartment 1, Sydney	Apartment
Saudi	Hotel C, Makkah	Hotel
	Hotel D, Makkah	Hotel
	Hotel E, Makkah	Hotel
	Hotel F, Madinah	Hotel
	Hotel G, Madinah	Hotel

Source: GLICs 4 Annual Report, 2023

Table 6 outlines the real estate investments of GLICs 4, showcasing various aspects of their strategy. In Malaysia, the portfolio encompasses seven office buildings in Kuala Lumpur and Putrajaya, along with two hotels and convention centres. While this diversity could be beneficial, there are considerations regarding the long-term sustainability of these investments, especially given current economic conditions affecting office space demand.

On an international level, the investor holds three office buildings and one apartment in the UK, including properties in London and an apartment in Sydney, Australia. Additionally, the portfolio includes five hotels in Saudi Arabia that cater to Hajj and Umrah pilgrims. This focus on the hospitality sector suggests a need for careful consideration of potential market fluctuations and their impact on risk and growth opportunities.

The reliance on traditional sectors like office and retail spaces is especially problematic given the transition to remote work and e-commerce, which threatens the viability of these investments (Newell & Marzuki, 2022). Meanwhile, the appeal of student housing may wane due to rising tuition costs and fluctuating international student numbers. While the strategy seems strong, it lacks diversification, making it vulnerable to market changes. A broader approach could enhance portfolio resilience amid increasing volatility. The investment strategies of GLICs reveal diverse approaches but raise critical concerns. GLICs 1's narrow focus on offices, land development, and student accommodations may expose them to significant market vulnerabilities. Similarly, while GLICs 4 balances investments in residential, office, and hospitality sectors, the latter's volatility during crises could lead to financial setbacks.

In contrast, GLICs 5 and GLICs 6 practice diversification across industrial, retail, residential, and office sectors. While this mitigates risks, it may dilute focus and expertise, hindering the ability to capitalise on market trends. Ultimately, a careful and informed approach to sector selection is crucial, as a balanced strategy grounded in market understanding is essential for long-term success in real estate investment.

In summary, while these institutions push for diversification, inherent risks tied to geographic concentration and reliance on conventional assets must be critically addressed to ensure long-term sustainability and adaptability in evolving market dynamics.

vii) Investment Style

Investment style is a clear statement of approach to real estate investment management to be selected by fund managers (Tan & Ting, 2021). Investment styles can be categorised into two main approaches: the top-down method, exemplified by GLICs 1, and the bottom-up strategy, practised by GLICs 2, 3, and 4. While both styles promote a long-term perspective to optimise returns and manage risks, they each have notable shortcomings.

The top-down approach may oversimplify the complexities of individual investments by focusing too much on macroeconomic trends, leading to potential underperformance if broader indicators misrepresent specific company fundamentals. Conversely, the bottom-up strategy's deep dive into individual companies might blind investors to larger market shifts that could affect entire sectors.

Moreover, a long-term focus can create a false sense of security during volatile market conditions, causing investors to hold onto underperforming assets longer than advisable. Blending these styles can also dilute strategy, leaving investors caught between two paradigms and compromising stability and growth potential. Thus, while both approaches have merits, a critical evaluation reveals their risks and limitations. Investors must ensure their strategies are adaptable and grounded in market realities to effectively achieve their objectives.

viii) Why Invest in Real Estate

Government-Linked Investment Companies (GLICs) often invest in real estate for its perceived benefits, but a critical examination reveals potential pitfalls. While real estate is commonly viewed as a hedge against inflation and a means to preserve capital, market volatility can lead to stagnation or declines in property values, risking significant losses.

Although real estate is marketed as a way to diversify investments, it can create concentrated exposure in a struggling sector, especially during economic downturns. The promised stable rental income is also vulnerable to market fluctuations, tenant demands, and vacancy rates, which can result in inconsistent revenue.

Capital appreciation is frequently touted, yet it is not guaranteed and can be affected by various factors, including economic shifts and oversupply. By focusing heavily on real estate, GLICs may miss other investment opportunities that offer equal or greater returns with reduced risk. A thorough evaluation of real estate's role is essential for these Malaysian GLICs to manage risks and achieve sustainable long-term financial goals effectively according to their portfolio allocation.

4.2 Summary of Findings

The study examines the investment strategies of government-linked investment companies (GLICs) in Malaysia, highlighting a complex decision-making structure involving Boards, Investment Panels, and Shariah Compliance Committees. This hierarchical model ensures regulatory compliance but may also slow down investment agility.

The GLICs in Malaysia typically allocate only 5.3% to 20% of their portfolios to real estate, a cautious approach that contrasts with the global trend of institutional investors utilising real estate for resilience and value. While GLICs diversify into student housing and logistics sectors, their overall real estate allocation remains low, suggesting a risk-averse strategy. This conservative stance raises concerns about GLICs' ability to hedge against inflation and economic fluctuations, potentially weakening their long-term portfolio resilience. Geographic diversification across Malaysia and beyond may reduce concentration risk and indicate a lack of confidence in the domestic market.

Ultimately, the findings challenge the notion that Malaysian institutional investors effectively leverage real estate for growth, pointing instead to a need for policy refinements and strategic shifts to better harness the potential of real estate investments in the country.

5. CONCLUSION

In conclusion, the analysis of Government Linked Investment Companies (GLICs) in Malaysia high-lights their significant role as institutional investors. It underscores the need for a deeper understanding of their governance structures. With real estate investments languishing between 5.3% to 20%, exploring the motivations and limitations influencing these choices is essential.

GLICs must adopt proactive governance and strategic planning approaches to optimise returns and align with broader economic objectives. Enhancing transparency and accountability in their investment processes will be crucial as market dynamics evolve. Collaboration among policymakers, market participants, and researchers can foster improved governance models, ultimately reinforcing investor confidence and promoting sustainable economic growth within Malaysia's investment landscape.

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