

Riding the Waves

Asia Asset Management (April 2021)

By Elizabeth Dooley

There's a saying that many people can perform well when times are good, but only a few can perform when times are bad. For Malaysian asset and wealth manager, Kenanga Investors Group ("Kenanga Investors"), winner of multiple awards in the Asia Asset Management Best of the Best Awards 2021, this statement rings true. The firm was awarded country awards for Best Equity Manager, Best House for Alternatives, and Best Islamic Fund (Equity). Kenanga Investors' Chief Investment Officer, Lee Sook Yee, was awarded CIO of the Year.

On the firm's outperformance in the equity markets last year, Lee credits the company's adherence to a bottom-up stock picking strategy with a focus on undervalued stocks whose fundamentals are deemed superior and sustainable.

"We keep a close ear to the ground by interviewing corporate managements to have a thorough understanding of the business model, management quality, certainty of earnings growth and the potential risks of the companies we invest in," she tells AAM.

"Unexpected incidents or geopolitical events happen pretty frequently and we rely on this consistency in our processes to help us ride those market highs and to weather the lows."

In the past year Lee cites growth opportunities that have emerged from work-from-home, gaming from home, streaming from home, artificial intelligence, as well as the general internet space. The firm has also invested in sectors such as healthcare, which saw a sharp increase in demand.



Lee Sook Yee

Rising interest in Islamic funds

According to Lee, Shariah funds in general outperformed in 2020, largely due to their lack of exposure to the banking sector, a higher weighting in defensive sectors such as healthcare and telecommunications, and a growing demand for socially responsible investing (SRI). Indeed, the Kenanga Shariah Growth Opportunities Fund, saw its AUM increase by a staggering 2.5 times between December 2019 and November 2020.

"The defensive nature of Shariah funds can provide clients with a more balanced and diversified portfolio of funds which is better able to withstand market shocks."

Kenanga Investors' commitment to exploring more ways to bring to market additional forms of Islamic investing saw its recent acquisition of a locally renowned Islamic ETF provider, which Lee is confident will add greater depth to Kenanga Investors' existing Islamic and ETF offerings.

Alternative space

The past three years have also seen Kenanga Investors establish a solid line of alternative products, which Kenanga Investors' Executive Director and Chief Executive Officer, Ismitz Matthew De Alwis says have become increasingly important due to distinct benefits they can bring to a portfolio. These include diversification potential, inflation hedging, new exposures and opportunities, and higher returns.



Ismitz Matthew De Alwis

“Our strategy continues to be detecting gaps in product availabilities in the market and packaging these otherwise hard-to-access alternative investment vehicles (due to product complexity, degree of risk and high barriers of entry) for retail clients, where previously these were available only to institutional or corporate clients,” he adds.

Through a number of strategic collaborations, the company launched Malaysia's first AI-driven fund – the Kenanga Global Multi Asset Fund – which in 2020 garnered various international accords, and the Kenanga Global Unicorn, designed to allow retail clients to participate in the growth of start-ups. Last year also saw the launch of the third tranche of the firm's AUD Alternative Income Fund Series and the several high-yielding structured debts and equity wrappers.

Looking forward

As a signatory to the Malaysian Institutional Investors Council and member of the Institutional Investors Council, Kenanga Investors is highly committed to the growing interest in Islamic investing and SRI in general. In the year ahead, De Alwis sees the development of waqf, an Islamic philanthropic-based vehicle for social development, public good and wealth distribution as one area of significant potential.

“There will be efforts to increase the level of sustainable waqf assets, through fund management or capital raising, in sectors such as healthcare, education and community development. This will become an integral component of the Islamic wealth management value chain and provide opportunities for all Malaysians to invest with professional fund managers while performing waqf and contributing to societal and community development throughout the country,” he explains.

In the coming year the firm is also looking to launch a new multi-purpose digital platform, which will serve the needs of clients, advisers, customer front desk, finance reconciliation and even operations processing. “Eventually we will be able to offer end-to-end services for clients to access multiple products such as unit trusts, PRS, AMP, financial planning, insurance, and treasury from this single system point across multiple channels including web and mobile applications.”

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