

The Art Of Diversity.

Smart Investor (November/December 2020 issue)

By Bernie Yeo

CEO discusses Kenanga Investors Bhd's impressive growth, and how the pandemic has impacted its fund management strategies.

Kenanga Investors Bhd (KIB) has always been guided by its unwavering conviction in the investment strategies that has weathered them through many challenging periods in the past. And this deep-rooted philosophy has proven its resilience, especially in these trying times.

The firm's success isn't a singlehanded effort, however. Rather, it is attributed to the organisation's capable and dynamic investment team as well as the diversity of ideas, strengths and competencies that come from the team, KIB chief executive officer Ismitz Matthew De Alwis tells *Smart Investor*.

"Diversity is strength, and together, all of us have worked tirelessly to uphold our firm's philosophy that is 'Consistent Top Performance' and ensure sustainability in what we do," he reveals candidly.

Key drivers for impressive growth

Over the years, KIB's strategy to be a multi-segment, multi-distribution and multi-product platform has spurred the organisation's strong growth. "We are able to cater our services and products to meet different client risk appetites be it equity, fixed income, managed portfolios or even alternative investments.

"We achieve this by firstly prioritising the optimisation of our investment engine to create an alpha-centric performance culture – a culture that is the foundation of our consistent top performance," De Alwis explains. From a product perspective, KIB has streamlined its entire suite of offerings to ensure their investors' various needs are being met.

In addition to sourcing for new investment ideas and strengthening the distribution of the funds on their platform, much thought and effort has been put into ensuring their existing product line-up continue to contribute to their



vision of being a market leader. This also provides a holistic approach to their clients' investment and wealth management journey.

"We have also taken up the mantle of championing financial planning which will benefit our consultants and investors alike by focusing on a needs-based structure.

"This highly complements our goal of eventually becoming a one-stop wealth advisory firm with access to all capital market products while also providing holistic financial planning to our clients," says De Alwis.

Pandemic's impact on fund management strategies

KIB's investment strategy, reveals De Alwis, has always been premised on a bottom-up stock-picking approach on stocks that can offer a strong earnings trajectory. As such, across its top-performing funds, the common performance contributors are their overweight positions in technology and rubber glove sectors, with the global outbreak of the Covid-19 pandemic leading to a surge in demand for glove products.

This strong earnings profile coming from the tech sector especially is a showcase of not only their capabilities but the emerging importance of home-grown Malaysian technology companies in the global semiconductor supply chain. "We believe there are structural drivers such as the rising adoption of 5G, artificial intelligence, electric vehicles and industrial automation and thus the supply chain that provides the components to these industries will benefit.

"Besides growth, tech stocks also have solid balance sheets and strong cash flows which enable them to weather an economic downturn better than some other cyclical." For check and balance, De Alwis reveals the organisation adopts a holistic approach to risk management to prepare the firm for inevitable situations by identifying, assessing, reporting and managing the probability and impact of all related activities.

Indicators are used to provide early warning signals which then determine the responses required. For instance, during unsustainable bull markets, their indicators may help them to avoid companies with weak fundamentals or to avoid paying excessive prices for stocks relative to its intrinsic value. "Our risk management policies are consistently fine-tuned to ensure that our returns commensurate with the risks we take which means achieving outperformance without taking on more risk."

Navigating market complexities of tomorrow

The economic fallout from the pandemic has many Malaysians questioning their financial security, with concerns such as needing to postpone retirement or tapping into savings to pay for basic expenses. So how are such concerns addressed?

The firm, according to De Alwis, has always been known as an equities expert within the Malaysian landscape. Since 2019, however, they have expanded into the fixed income space after a strategic mergers and acquisitions (M&A) exercise, while in early 2020, KIB launched Malaysia's first leveraged and inverse ETF to be benchmarked against the FTSE Bursa KLCI.

"Investors now have the flexibility to diversify their portfolios further to suit changing needs and investment environments backed by superior and holistic investment expertise. "Furthermore, our focus on the financial planning model ensures we are a needs-based asset manager, instead of mere product-pushing which may not benefit investors in the long run," says De Alwis, stressing the firm is now more equipped than ever to guide investors of today in navigating the market complexities of tomorrow.

By helping an investor map out their risks and goals to develop a plan (possibly comprising a diversified portfolio of various asset classes), they will eventually achieve their intended goal. “Following that, we will work hand-in-hand with the investor to keep periodic tabs on their overall portfolio to ensure they are on the right track and to make adjustments where necessary. “It is critical for the investor to stay diversified so that the various assets in the portfolio can take advantage of different economic conditions, leading to the best possible outcomes during crashes,” he adds. De Alwis goes on to highlight the need for investors to avoid following a herd mentality, especially when they are caught in times of crises.

“It is easy to follow where the crowd goes because many believe there is safety in numbers. But when it comes to personal financials, one person’s risk appetite and goals can differ to the next person’s.

“With us in the picture, we can help the investor to assess their situation before they indulge in panic selling and finding out later that they would have recovered or profited had they stayed the course,” he concludes.

KIB’S COMMITMENT TO DRIVE FINANCIAL PLANNING

As part of the company’s commitment to promote financial planning, Kenanga Investors Bhd has made it essential for their business development and private wealth teams to be licensed financial planners. “Being in a position to influence distribution channels and investors, we need to walk the talk. Hence, the change must come from within the organisation. As for our consultants, we aspire to have them all eventually be LFP-certified.

“We are seeing good traction with many already embarking on this journey in attaining the Certified Financial Planner (CFP) and the Islamic Financial Planning (IFP) mark,” says KIB chief executive officer Ismitz Matthew De Alwis.

To date, in addition to the registered FA and FP firms, KIB has over 40 employees directly registered with the firm and the Securities Commission Malaysia as licensed financial planners (LFPs), making them one of the largest financial planning/financial advisory firms in Malaysia. “We expect this number to grow aggressively in the coming months. We will continue to champion financial literacy and the need for proper wealth and financial planning to the public,” says De Alwis, who is also president of the Financial Planning Association Malaysia (FPAM).

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Kenanga Investors

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