Kenanga Investors

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Kenanga Investors Consistently Outperforms

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Staying ahead by bridging the gap between current solutions and investors' changing needs.

Kenanga Investors Group (KIG), comprising Kenanga Investors Berhad and its subsidiaries, has catapulted to the forefront of Malaysia's asset management industry, thanks to its agility in anticipating and embracing change as well as its zeal in meeting the evolving needs of its clients.

Spurred by its philosophy of Consistent Top Performance, the firm mandates a transformation at all levels. This encompasses streamlining its entire suite of offerings to ensure investors' needs are met, launching new alternative strategies and products, and sourcing for new investment ideas that fulfil the financial objectives of its clients.

It also includes a digital transformation agenda to onboard new clients and automate operations, processes and customer servicing tasks, allowing it to focus on value added functions such as financial planning and advisory moving forward.

KIG manages 38 unit trust funds, two exchange-traded funds, two private retirement schemes, and 28 wholesale funds, as well as funds from government agencies, pension funds, insurance, and corporate and individual clients totalling RM12.6 billion as at 30 June 2020. KIG is a wholly owned subsidiary of Kenanga Investment Bank Bhd, the largest independent investment bank by equity trading value and volume.

Executive Director and Chief Executive Officer Ismitz Matthew De Alwis says KIG is "always on the lookout to bridge the gap between existing solutions and investors' changing needs," especially given the changes wrought by the Covid-19 pandemic, which has had lasting effects on investor behaviour and trends

De Alwis, who is also President of the Financial Planning Association of Malaysia (FPAM), champions financial literacy initiatives within the firm and has challenged KIG management and Private Wealth Managers to become Licensed Financial Planners (LFPs).

"For our consultants, it is our aspiration to have them all eventually be LFP-certified. We are seeing good traction, with many already embarking on this journey," he says.

The following are excerpts of De Alwis' interview with the 4E Journal.

4E JOURNAL: Total assets under management of Kenanga Investors Group has increased significantly in 2019. What are the key drivers for KIG's growth in recent years and do you expect 2020 to match this?

ISMITZ MATTHEW DE ALWIS (IM): Our focus areas in the few years leading up to 2019 included the optimisation of our investment engine to create an alpha-centric performance culture, which is the foundation of our firm's philosophy, *Consistent Top Performance*.

We are guided by our unwavering conviction in our investment strategies, which have continued to weather us through challenging times such as the current pandemic. Our capable and dynamic investment team has been working tirelessly to uphold the firm's philosophy and ensure sustainability in what we do. Our commitment can be seen from the numerous awards that we have won over the years.

From a product perspective, we have streamlined our entire suite of offerings to ensure our investors' needs are met; from sourcing for new investment ideas that would fulfil the financial objectives of our clients to strengthening the third-party distribution of KIG funds, all the while ensuring that our existing product line-up continues contributing to our vision of being a market leader. Over the years our strategy to be a multi-segment, multi-distribution and multi-product platform has spurred our strong growth.

We cater our services and products to meet different client risk appetites, be it equity, fixed income, managed portfolios or even alternative investments. Besides investment offerings, our registered financial planners also provide other services like protection and estate planning. This complements our goal to eventually be a one-stop wealth advisory firm with access to all capital market products while also providing holistic financial planning to our clients.

Indeed, diversification in one's portfolio and the need for more comprehensive wealth and financial planning is important. Of course, 2020 is the year of the new norm. Building on our momentum over the years, we are able to provide investment choices that enable our clients to navigate through the volatility this year has brought. No matter what the client's risk appetite, we have the solutions to cater for it. Our business partners too were able to ride through the soft economic conditions arising from the Movement Control Order (MCO) with the products and services we have on our platform.

All in all, Kenanga Investors is expected to continue on its strong growth trajectory.

4EJ: Over the past year, KIG launched its global unicorn fund, as well as leveraged and inverse exchange-traded funds (ETFs). Will we be seeing more new alternative strategies or plans to expand KIG's business?

IM: No doubt, the launch of new alternative strategies and products has been imperativein carving out KIG's presence in the market as a wealth manager with a specialisation in alternative investment products. The initiative came about at a time when the local traditional unit trust market had already reached a fairly saturated stage and we had yet to see a dedicated effort for investors who were interested in investment ideas that were uncorrelated to the markets.

Since its inception, our alternatives team has seen the launch of multiple foreign-themed investment opportunities such as the Kenanga AUD Alternative Income Fund Series, Kenanga Global Multi Asset Fund, and the Kenanga Global Unicorn Fund. Most recent was the exciting launch of Malaysia's first KLCI (Kuala Lumpur Composite Index) leveraged and inverse ETF early this year.

The aim is not to reinvent the wheel just for the sake of it. What we want to offer are solutions that are relevant, strong in their fundamentals and realistic in their returns while, most importantly, fulfilling the needs of our investors. Each of these launches has to have value and meaning.

We will continue to expand our alternative investments channels with more asset classes and passive strategies. We are also looking at a possible acquisition exercise to provide our investors with a broader range of solid investment options for diversification, especially from a shariah perspective since ESG/SRI (environment, social and governance/ socially responsible investing) driven investments have risen in demand.

As I view the market now, the changes that have occurred in the last few months will have lasting effects on investor behaviour and trends, ultimately affecting the 'what' and 'how' of investments in the near future. Moving forward, we will certainly be on the lookout to bridge the gap between existing solutions and investors' changing needs.

4EJ: Given the resurgence of Covid-19 cases, what are the prospects for the global economy and equity markets, and how will that affect your fund management strategies?

IM: Despite signs of improving economic data, equities are expected to remain volatile as the market grapples with the risk of surging Covid-19 infections which could force governments to re-impose limits on business activities. Nevertheless, asset prices could remain buoyed as policymakers remain supportive with aggressive fiscal support and liquidity programmes.

In the coming months, global markets will increasingly shift their attention towards the upcoming US presidential election when assessing risks. We continue to remain selective and prefer sectors that see more resilient growth. As such, we maintain an overweight in technology and exporters due to decent earnings growth while looking to add cyclicals and commodity stocks on weakness to position for a rebound.

4EJ: The pandemic has fuelled an increasing need for technology adoption. Are there initiatives to increase the digitalisation of KIG's business and operations?

IM: Indeed, the pandemic has shown that only organisations with the latest technological advancements and an understanding of how to utilise them best can remain relevant in today's asset management landscape.

We are currently working on several expansion projects simultaneously. Among them, a digital transformation agenda to onboard new clients and automate operations, processes and customer servicing tasks, so that we can focus on value-added functions such as financial planning and advisory moving forward.

4EJ: As the President of FPAM, do you promote financial planning certification to KIG?
IM: Well, last year, as a challenge from myself to my team, I had employees from all levels of management attempt their Certified Financial Planner (CFP) qualification. This is over and above making it essential that all our Private Wealth Managers are LFPs.

For our consultants, it is our aspiration to have them all eventually be LFP-certified. We are seeing good traction, with many already embarking on this journey in attaining the CFP and Islamic Financial Planner (IFP) mark.

In a short period of time, besides the registered Financial Planning/Advisory (FP/FA) firms, we now have over 40 LFPs directly registered with us and Securities Commission Malaysia, making us one of the largest FP/FA firms in Malaysia. We expect the number of LFPs registered with us and partner firms 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. To all financial service and product providers out there, I encourage them to elevate themselves to the next level to be LFP-certified and to adopt the holistic financial planning profession.

FUNDS PERFORMING WELL DESPITE THE PANDEMIC

It is undeniable that the Covid-19 pandemic has had a massive impact on capital markets. However, Kenanga Investors Group (KIG) has safely navigated through this challenging time, and many of its funds have outperformed industry benchmarks.

Executive Director and Chief Executive Officer Ismitz Matthew De Alwis shares how KIG managed to do this: “The fund’s strategy is premised on a bottom-up stock-picking approach to stocks that can offer a strong earnings trajectory. Across our top-performing funds, the common performance contributors are our overweight positions in technology (a bright spot that continues to deliver earnings growth over the last few years) and rubber glove sectors (the global pandemic led to a surge in demand for glove products).

This strong earnings profile coming from the tech sector especially is a showcase not just of its capabilities, but of the emerging importance of homegrown Malaysian technology companies in the global semiconductor supply chain as well. 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.

The local technology ecosystem will also be beneficiaries of global supply chain diversification strategies as risk mitigation measures have grown in importance in light of US-China trade tensions and the pandemic. For checks and balances, we adopt a holistic approach to risk management to prepare the firm for inevitable situations. The approach considers the entire “value chain” and seeks to identify, assess, report and manage the probability and impact of all interconnected or related activities. Indicators are used to provide early warning signals which then determine the responses required.

For example, during unsustainable bull markets, our indicators may help us to avoid companies with weak fundamentals or to avoid paying excessive prices for stocks relative to their intrinsic value. Our risk management policies are consistently fine-tuned to ensure our returns are commensurate with the risks that we take, which means achieving outperformance without taking on more risk.”

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