



MALAYSIAN RATING CORPORATION BERHAD

(364803-V)

P R E S S A N N O U N C E M E N T

FOR IMMEDIATE RELEASE

MARC AFFIRMS INVESTMENT MANAGER RATING OF IMR-2 ON KENANGA INVESTORS AND KENANGA ISLAMIC INVESTORS

MARC has affirmed its investment manager rating (IMR) of **IMR-2** on Kenanga Investors Berhad (KIB) and KIB's wholly-owned subsidiary Kenanga Islamic Investors Berhad (KIIB).

The IMR rating on KIB reflects the fund management company's well-established investment processes, sound risk management practices and strong operating track record. These factors are moderated by a modest assets under management (AUM) size and an adequate financial profile. The IMR rating on KIIB incorporates the significant integration with parent KIB through shared resources and infrastructure.

Wholly owned by Kenanga Investment Bank Berhad (Kenanga), KIB provides fund management services on both conventional and Islamic schemes while KIIB provides solely Shariah-compliant investment management services. KIB had AUM of RM7.2 billion or about 1% of total AUM domestically, of which RM1.4 billion of Shariah-compliant AUM was managed by KIIB as at end-December 2018.

KIB's AUM has been affected by challenging market conditions that led to a 13.7% y-o-y decline during 2018. The decline in AUM was largely led by corporate clients. To reduce its reliance on corporates and to create a more diversified and stable client base, KIB is launching products targeted at retail investors. Additionally, an online platform is being developed to strengthen the fund manager's current distribution channels by 3Q2019.

KIB offers plain vanilla investment products to meet its clients' investment appetite, focusing mainly domestically: equity funds made up 58.4% of total AUM, fixed income 31.1% and money market funds 6.2%. In terms of KIB's capability to execute fund strategies, MARC views the fund manager to have relevant expertise and adequate resources, benefitting from being part of the Kenanga Group. To date, KIB has 19 experienced investment personnel with several senior members having more than 10 years of significant experience in domestic and regional markets. The resources shared with parent Kenanga are sufficient to cater for further growth in its fund base.

KIB's governance and risk management framework remains sound. During 2018, KIB strengthened its risk management surveillance by monitoring portfolio exposures on a firmwide perspective.

Amid weak market conditions in 2018, KIB's top 20 largest unit trust funds' performance weakened to negative 13.9% compared to an average 4.0% over the past five years. In terms of financial performance, KIB recorded profit before tax of RM4.9 million in 2018 on the back of a 15.8% y-o-y increase in revenue to RM97.1 million.

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[This announcement is available in MARC's corporate website at <http://www.marc.com.my>]

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