



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 BERHAD AND KENANGA ISLAMIC INVESTORS BERHAD

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

KIB is wholly owned by Kenanga Investment Bank Berhad (Kenanga), a key domestic financial group, and serves as its parent's fund management arm by providing fund management services on both conventional and Islamic schemes. KIB's wholly-owned subsidiary KIIB focuses on providing only Shariah-compliant investment management services.

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 counterbalanced by its moderate asset size and adequate financial profile. The IMR rating on KIIB reflects the significant integration with parent KIB through shared resources and infrastructure.

KIB's assets under management (AUM) has continued to grow strongly, registering 18% y-o-y in 2017 and outpacing the domestic industry average growth of 11% y-o-y. Its AUM stood at 8.4 billion as at end-2017, accounting for about 1% of total AUM in Malaysia. KIIB, on the other hand, has AUM of RM2.2 billion as at end-2017, reflecting the Islamic fund manager's nascent stage of growth. KIB is expected to maintain its strong growth momentum strategy over the medium term through a greater focus on retail customers, establishing a private wealth department and an online platform to distribute trust funds. MARC is of the view that KIB's infrastructure, resources and expertise of personnel would remain supportive to meet the investment manager's strategic goals.

KIB's investment team comprises 19 personnel, who collectively have long-standing experience in the fund management field. It has in place a disciplined approach towards investment portfolio construction, well-supported by comprehensive investment research and reputable information systems. Investment portfolios are subject to periodic reviews to assess their performance and, if necessary, ensure timely initiatives can be taken to strengthen them. KIB will also continue to benefit from sharing common resources with its parent Kenanga.

KIB's governance and risk management framework remain sound, with clear reporting lines between various risk management functions. The recent adoption of the Malaysian Code for Institutional Investors will further augment these strengths. Policies and infrastructure to manage compliance risk, conflict of interest, counterparty risk and business continuity risk, among others, are well supported by information systems. In terms of financial performance, MARC observes that

KIB has narrowed its losses to RM2.6 million in 2017 (2016: negative RM5.3 million). The improvement was on the back of a 40% y-o-y increase in revenue to RM83.9 million.

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