

ESG awareness increasingly vital for companies

The Star (16 June 2021)

KUALA LUMPUR: The Millennials are generally playing a bigger role in investing decisions these days, which could mean changes in the investing environment ahead, says Kenanga Investors Bhd's executive director and chief executive officer (CEO) Ismitz Matthew De Alwis. (pic)

"The Millennials are making many decisions now and influencing the decision of their parents to a certain extent. They will spend more on brands that take a stand on social issues.

"This is in line with doing good and creating a better world for the next generation," De Alwis said at the Star Wealth Summit 2021's CEO Roundtable on Sustainable Investments.

"The increased attention and focus on environmental, social and governance (ESG) would also put more pressure on companies that are not modernising. There will be more investments into such businesses that are compliant (with this) and which are socially cautious," De Alwis added.

He noted that there has been a big increase in awareness on ESG and sustainable investing in recent times and this has begun to change the investing landscape in Malaysia. "Just two years ago, ESG matters only constituted about a tenth of every conversation with the clients and all the client usually asked was to give them what were the funds with the best returns," he said.

"But despite a slow start at first in Malaysia, Covid-19 has accelerated ESG investing, especially since they have become more resilient in the uncertain economic situation due to the pandemic," he added. Case in point was that in the past year, ESG or sustainable investing funds had outperformed traditional funds, De Alwis said.

Apart from this, he noted that there was increasing attention being placed on battling social issues, public health, human capital management and societal inequalities. "Until now, social factors have played a very small impact on stock prices or corporate value compared to ESG issues. But the view now is that this is changing with significant implications on the investing landscape. We do expect more companies to promote environmental protection and employee welfare hoping that their economic value will improve to create a virtuous economic cycle," he



Ismitz Matthew De Alwis
Executive Director and Chief Executive Officer

Kenanga

Kenanga Investors

said. De Alwis said this was reflective of the demographic change since Millennials now placed a bigger emphasis on responsible investing.

“It is doing good as a whole. You would want to be investing for longevity: future gratification versus immediate gratification. So, if you’re looking for future gratification in your wealth accumulation, you got to consider sustainable investing and this is where ESG is something that has to be seriously considered,” he said. On this front, De Alwis noted that in the last one year there were numerous socially responsible investing (SRI) funds that have been launched. “It can be based on religious beliefs, or non-warfare, for example: some of these factors that a fund may not go (invest) into. We are seeing a lot of growth in this,” he said.



Lee Sook Yee
Chief Investment Officer

Meanwhile, Kenanga Investors’ chief investment officer Lee Sook Yee (pic) said at her market outlook presentation that the perception that Malaysia was an expensive market due to its valuation was no longer true. “The FBM KLCI is no longer expensive as it is trading at a forward 2021 price to earnings ratio of 13.3 times. This is two standard deviation below its average mean of 16 times thanks to strong earnings growth and a recent price correction,” she said.

“We are now cheaper than Singapore, Thailand, Indonesia and the Philippines. However, the risk pertaining to political uncertainties is always an overhang for the domestic market and investment and possibly one of the biggest deterrents for foreign investors to return to Malaysia,” Lee added. Lee noted that with a record-low level of foreign shareholding of 20.4% as at end-May in Bursa Malaysia, any easing or reversal of foreign selling will be supportive of the local market.

“Foreign investors have been consistent net sellers in seven out of the last 12 years, including in the year-to-date with net sales amounting to RM3bil. They have net sold a cumulative RM35.9bil worth of equities since January 2010,” she said. Lee also pointed out in her presentation that its unit trust funds: Kenanga Growth, Kenanga Growth Series 2, Kenanga Growth Opportunities, Kenanga Malaysian INC, Kenanga Syariah Growth and Kenanga Asia Pacific have been performing well.

“All have been consistently outperforming the market benchmark returns over all periods covering the one, three, five and 10-year periods and the year-to-date as well,” she said. This event was organised by Star Media Group Bhd, with Kenanga Investors as the exclusive platinum partner and CTOS Digital Bhd as the silver partner. PwC Malaysia, Deloitte Malaysia, Rehda Institute and the Financial Planning Association of Malaysia were also the knowledge partners for the event.

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Source:

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