Kenanga
Kenanga Investors

Date: 15 November 2016

Opportunities abound in times of adversity.

The Star (12 November 2016)

By: *Ismitz Matthew De Alwis*

THE past two decades have witnessed a couple of global-level financial crises, namely the 1997-1998 Asian Financial Crisis, the bursting of the dot-com bubble (1999-2000), the global financial crisis (2007-2008) and more recently, the Chinese stock market turbulence in June 2015.

Typical investors would process such phenomenon as a stock market Armageddon. The great Albert Einstein once said, “In the middle of difficulty lies opportunity.” Thus, seasoned investors would be aware that such adversities not only masks opportunity – but more significantly – is a route to amass hidden fortune.

Against this backdrop of jitters, a slowdown in China and soft US economic activity in the first half of 2016 proves it would not be difficult to decipher why cash and money market funds have toppled stocks or bonds as the world’s most popular asset class.

Instead of automatically pressing code red when disaster seemingly occurs, the trick is to swiftly detect the positive in every negative situation. At best, this should serve as a call to investors to re-strategise their asset class allocation in view of the current market environment where returns from equities and bonds have been dismal.

Something to remember is that even in the most bearish of equity markets; there are still gems in “raging bull stocks”. Certain index stocks may fall but there are others that are able to buck the downtrend. One should not generalise with a broad sweep of the brush that all stocks will be bearish just because the (benchmark) FBM KLCI is down.

While the very prospect of a global recession would have prompted many to switch into defensive stances, far-sighted fund managers who exploit the economic slowdown to update their portfolios will surely be able to maximise their funds’ performance upon the return of favourable market conditions.It is without a doubt that to survive the effects of globalisation and economical boundaries on one's investments, a complex understanding of geo-political and financial variables is key.

We've seen the ripple effects of Brexit which has caused global markets to plummet, and the failed coup in Turkey (an emerging market) which drove many to turn to safe-haven assets like gold and government bonds.

In short, an investor without a global perspective risks trading recklessly, with losses and missed opportunities lurking at every turn, and may even let great opportunities to profit slip by them.

Emerging markets

Disregarding the economic potential of emerging markets (EMs) is another potential roadblock to avoid. Investors need to realise that the rapidly expanding middle class in emerging market economies are now eager to experience a higher standard of living. The structural growth drivers which have made EMs so attractive in the first place are still present.

We can favour the EM countries that have made the most progress economically or are gearing up for stronger growth versus those which are lacking. Moreover, investors can take precaution by investing in stocks which exude defensive qualifies or are recession-proof as a buffer against economic backlash. This includes healthcare, plantation or consumer-based stocks.

Investors, depending on their risk appetite, can also opt for a diversification strategy across asset classes based on their exposure to equity, fixed income and real estate. This way, they can spread out their portfolios. Equities, of course, are the riskiest asset class as the issue of "make or break" depends squarely on the successes and failures of private businesses in very competitive marketplaces.

For those who do not have the time, they can choose to indulge in mutual funds instead of trading in an individual stock. But for the adventurous types, active trading can be a suitable way. All they need is to set aside a portion of funds to pick up selected stocks with the rest parked in a diversified portfolio of index funds or exchange-traded funds (ETFs). For individual investors, appropriate investing knowledge and the skills to vet a particular stock is crucial. Time is also an important consideration as most individual investors have little or no time to monitor their portfolios as they are working full-time. This is where fund managers play an important role as they are full-time professionals who can time their market entry and exit better than any individual investor.

Ideally, innovativeness and willingness to experiment may be the best game plan for investors. Savvy investors would know that volatility itself is an asset class; volatility in the current market conditions can actually create very specific opportunities where only insightful investors are able to seize.

It is advisable to consider an investment portfolio that includes exposure to international stocks, especially in the current low interest rate environment and to act as a buffer against currency fluctuation. For example, a right combination of local and foreign stocks act as a safety net against the downcycle experienced by the local market while cashing in on performances of international stocks

Whichever way the market moves, a balanced approach between local and international investments still seems to be the best formula to follow.

Ismitz Matthew De Alwis is the executive director and CEO of Kenanga Investors Bhd and also president of the Financial Planning Association of Malaysia.

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Saturday, 12 November 2016

Opportunities abound in times of adversity

BY ISMITZ MATTHEW DE ALWIS

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Disregarding the economic potential of emerging markets (EMs) is another potential roadblock to avoid. Investors need to realise that the rapidly expanding middle class in emerging market economies are now eager to experience a higher standard of living. The structural growth drivers which have made EMs so attractive in the first place are still present.

We can favour the EM countries that have made the most progress economically or are gearing up for stronger growth versus those which are lacking. Moreover, investors can take precaution by investing in stocks which exude defensive qualities or are recession-proof as a buffer against economic backlash. This includes healthcare, plantation or consumer-based stocks.

Investors, depending on their risk appetite, can also opt for a diversification strategy across asset classes based on their exposure to equity, fixed income and real estate. This way, they can spread out their portfolios. Equities, of course, are the riskiest asset class as the issue of "make or break" depends squarely on the successes and failures of private businesses in very competitive marketplaces.

For those who do not have the time, they can choose to indulge in mutual funds instead of trading in an individual stock. But for the adventurous types, active trading can be a suitable way. All they need is to set aside a portion of funds to pick up selected stocks with the rest parked in a diversified portfolio of index funds or exchange-traded funds (ETFs).

For individual investors, appropriate investing knowledge and the skills to vet a particular stock is crucial. Time is also an important consideration as most individual investors have little or no time to monitor their portfolios as they are working full-time. This is where fund managers play an important role as they are full-time professionals who can time their market entry and exit better than any individual investor.

Ideally, innovativeness and willingness to experiment may be the best game plan for investors. Savvy investors would know that volatility itself is an asset class; volatility in the current market conditions can actually create very specific opportunities where only insightful investors are able to seize.

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TAGS / KEYWORDS:
kenanga, column

33%	67%	0%	0%	0%	0%
Happy	Inspired	Amused	Sad	Angry	Annoyed

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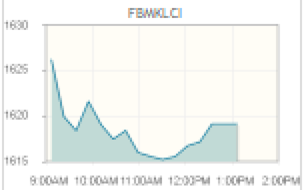
KLCI, Southeast Asian markets extend decline, ringgit firm

Market Summary

Updated: 14 Nov 2016 | 12:50 PM
Quotes are delayed by at least 15 mins

FBM KLCI 1619.2 -14.99 -0.92% Vol ('00) 7,655,415



Day's Range		52 Weeks Range	
Low	1614.11	Low	1600.92
High	1629.05	High	1729

Gainers 141 Losers 583
Unchanged 287 Untraded 670

Go to Market Watch

Market Movers

Active Gainers Losers

Symbol	Last	Chg	Vol ('00)
TOPGLOV-C6	0.085	-0.005	472,012
RGB	0.240	0.010	377,025
SINOTOP	0.140	0.015	264,916
HIBISCS	0.265	-0.015	244,930
SPSETIA-PR	0.070	-0.015	153,557

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Comment
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