Kenanga Investors

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Thriving in adversity

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By Sherilyn Goh


Lee Sook Yee *Ismitz Matthew De Alwis*

As Kenanga Investors Group (KIG) celebrates a year of remarkable achievements in 2015 amid challenging market conditions, the rising star now has its eyes set on greater heights in 2016.

2015 may have been a tumultuous year, but for Kenanga Investors Group (KIG), it has been remarkable as it marked the third year that its flagship fund, the Kenanga Growth Fund – which recorded a 21% year-on-year growth – won the Thomson Reuters Lipper Funds Awards for Best Performing Equity Malaysia Fund under its five- and ten-year category.

Ms. Lee, who is also the winner of *Asia Asset Management'*s Best of the Best Award for Malaysia CIO of the Year, attributes the success to the Malaysian-centric fund's rigorous stock-picking strategy and its active asset allocation to take advantage of changing market conditions and to identify fundamentally attractive, off-benchmark stocks.

Ms. Lee recently celebrated her third-year anniversary with KIG. The London School of Economics and University of Cambridge postgraduate brings with her 14 years of solid experience, having previously held various portfolios with Meridian Asset Management, Credit-Suisse Asset Management Singapore, and UOB-OSK Asset Management.

In 2015, company earnings reported one washout quarter after another, which saw the FBM KLCI delivering a -3.9% return as of December 31. In US dollar terms, it lost as much as 20%, reflecting foreign capital outflows from the country in the face of a US rate hike expectation, weak oil and commodity prices, and widespread political uncertainty.

It is against this climate that KIG went against the tide in delivering respectable returns. The stocks that delivered alpha performance in 2015, Ms. Lee noted, were companies that are not included in the FTSE Bursa Malaysia KLCI (FBM KLCI), ranging from sectors including technology, original equipment manufacturers, consumers, utilities, retail, plastic packaging.

These companies, she explains, are largely domestic exporters who have been experiencing improved demand from external markets since 2014, and have also benefitted from the strengthening USD against regional currencies, due to their revenue being denominated in the greenback and their cost in the local currency.

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Commenting on her outlook for 2016, Ms. Lee says the equities market have largely priced in the risks involved, with company valuations coming down and presenting investors with emerging value. She also observes some semblance of stability in the ringgit since the beginning of 2016, and expects a reversal in corporate earnings by the second half of the year, and an imminent recovery in the oversold ringgit to drive positive sentiments for local equities.

Doing things differently

Amid weak market conditions, KIG increased its AUM by 20.37% to RM6.5 billion in 2015, with retail assets growing nearly 175% in two years since its retail segment was first introduced following the acquisition of ING Funds Bhd in 2013. It ranks No.1 in terms of percentage growth of AUM for two consecutive years, and remains in the top three in terms of net funds in-flow growth in 2015.

On winning the *Rising Star of Malaysia* award, Ismitz Matthew De Alwis, chief executive officer of KIG, says the company prides itself on being a multi-channel, multi-segment fund manager.

“We have an in-house investment risk analytics team which looks at what the fund does and how it performs. We are able to tell you why a fund is performing well or not. That is the whole development process and we pay extreme attention to it,” says Mr. De Alwis.

Kenanga’s first in-house regional fund, the Kenanga Asia-Pacific Total Return Fund, and the Kenanga ASEAN Tactical Total Return Fund – which target to have performance benchmark of 10% and 8% compounded returns respectively despite fluctuating market conditions – are something uncommon in the local mutual fund scene. Transparency and active involvement provided by these two funds are also factors that bode well with present day investors, according to Mr. De Alwis.

On whether KIG has any new funds in the pipeline, Mr. De Alwis emphasises that the fund house does not rush into launching new funds, but is more inclined towards filling the gap on what is lacking in the investment spectrum. He adds that KIG – currently focused on fixed income and equities – is looking at developing its in-house Shariah expertise and potentially different asset classes.

In foreseeing an increasingly competitive institutional market, Mr. De Alwis concludes that the firm is looking at tapping the nascent retail market by encouraging more investors under the age of 40 to come on board.

For more information about Kenanga Investors, please visit www.kenangainvestors.com.my.

** Result source:*

- *Lipper Investment Management as at 31 December 2015*
- *Asia Asset Management – 2015 Best of the Best Winners (http://www.asiaasset.com/winners-list.aspx).*

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KENANGA INVESTORS GROUP (KIG)

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Keys to success

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