Date: 24 March 2025

A BANNER YEAR FOR FUND MANAGERS

The Edge Malaysia (Wealth)

After years of disappointing performance, it finally felt like there was light at the end of the tunnel in 2024, says Tan Gan Leong, head of investments at KAF Investment Funds Bhd. Several award-winning fund managers share the sentiment, heaving a sigh of relief as the Malaysian stock market came roaring back last year, all while being cognisant that 2025 is a year fraught with uncertainties.

Gan Eng Peng, chief officer for equity at AHAM Asset Management Bhd, says 2024 was one of the best years in a decade for the FBM KLCI, thanks to the political stability that has allowed the government to execute its policies and businesses to undertake longer-term planning.

The rapid advancement and application of artificial intelligence (AI) have spurred economic growth and opened doors to new business opportunities across various sectors, says Chiang Kang Pey, CEO of Public Mutual Bhd.

As the year ended, the FBM KLCI was up 12.9% while the Malaysian economy had expanded by 5.1%. Approved private investments came in at an all-time high of RM378.5 billion, which will translate into corporate earnings in the coming years.

A number of award-winning fund managers at the LSEG Lipper Fund Awards 2025 churned out attractive returns last year by investing in companies poised to benefit from the influx of data centres investments, such as YTL Power International Bhd and YTL Corp Bhd.

Kenanga Investors Bhd (KIB) chief investment officer Lee Sook Yee and her team made the right calls on Gamuda Bhd and Sunway Bhd based on their thorough understanding of the two companies last year.

"Gamuda saw a rerating mainly on strong order book wins in regional and local markets while gaining exposure to the fast-growing data centre industry in Malaysia. Meanwhile, Sunway was rerated on the strong interest in its Iskandar Johor land bank, strong order book wins for its construction division and the value realisation of the upcoming listing of its healthcare division," she says.

As the data centre and JS-SEZ themes dominated the market, there weren't many opportunities for contrarian strategies in 2024, says Choo Swee Kee, chief investment officer and executive director at TA Investment Management Bhd (TAIM). But the firm executed a relatively contrarian play by investing in glove counters, including Hartalega Holdings Bhd and Top Glove Corp Bhd.

"After the sharp fall in glove stocks in 2022 and the removal of both companies from the FBM KLCI, many fund managers exited or pared down their holdings. We took the opportunity to add them to our portfolio progressively and benefited from the rotational interest in 2024," he says.

Fund managers also identified individual companies that contributed to their win. KAF's Tan spotted an opportunity in EG Industries Bhd, an electronics manufacturing services firm that successfully expanded its business amid the ongoing trade diversification taking place globally.

Lim Suet Ling, executive director and CEO of UOB Asset Management (UOBAM) Malaysia, observed that United Plantations Bhd had performed well due to its well-managed plantations and excellent capital management.

In terms of fixed income, Husain Zaman Kamarul Zaman, senior fixed income fund manager at Eastspring Investments Bhd, says long-tenured corporate bonds did well as excess liquidity in the market chased the limited bond supply. Corporate bond prices rose while interest rates fell as a result.

Mohamad Shafik Badaruddin, CEO of AmanahRaya Investment Management (ARIM) Sdn Bhd, says the firm invested heavily in higher-yielding investment-grade corporate bonds and sukuk early last year due to the favourable interest rate environment and improved economic conditions.

Market Correction Means It's Time for Bargain Hunting

The consensus among fund managers is that 2025 will be a volatile year, largely due to the tariffs and trade policy of the US government under the leadership of President Donald Trump.

Investors were particularly spooked by Trump's comment on March 9 during a recorded interview aired on the Sunday Morning Futures with Maria Bartiromo that he is not ruling out a recession in 2025.

As at March 11, the S&P 500 and Nasdaq were down 5.05% and 9.57% year to date respectively, while the FBM KLCI had declined 8.48%.

Trump's tariff policy has a bearing on inflation in the US, which would affect the Federal Reserve's monetary policy decisions and the prices of a broad range of financial assets.

"Investors are closely watching the Trump administration's stance on trade, fiscal policy and immigration. The 'America First' philosophy could put pressure on countries with a significant trade surplus with the US, such as China," says KIB's Lee.

"On the monetary front, the Fed has paused interest rate hikes, with rate cuts now expected to be more gradual. The US federal funds rate could be lowered to 3.9% by end-2025."

Christopher Leow, CEO and CIO of Principal Asset Management Singapore, says the inflationary impact of the higher tariffs is hard to predict. “Rate cuts are likely to be delayed until there is more visibility on how the tariffs affect inflation expectations,” he notes, adding that the tariffs could negatively impact US economic growth.

Yet, amid market swings and uncertainties, the award-winning fund managers do not exude a sense of pessimism in their written responses. While several have adopted a defensive strategy over the shorter term, partly by keeping a higher level of cash, they are actively eyeing bargain-hunting opportunities to reap long-term rewards.

Hang Tuah Amin Tajudin, chief investment officer at PMB Investment Bhd, says investment returns may come in lower than last year, but market corrections provide fund managers with openings to double down on good companies. “The year 2025 is not just about defence, it’s about smart positioning,” he adds.

Jason Chong, CEO of Manulife Investment Management (M) Bhd, resonates with such a view. “Volatile markets present opportunities to uncover hidden gems with attractive valuations that may have been overlooked by others,” he says.

More Optimism On China, US Stays In Focus

Some say the Malaysian stock market that climbed 12.9% last year could have done better had it not been for the unwinding of the yen carry trade in August and fund managers taking profit in the second half of the year.

But this is only part of the story. The Malaysian market did not fare better as regional fund managers moved their money elsewhere for potentially better returns, especially China.

“Our market corrected towards 2H2024 as regional fund managers found better and faster alternatives in China. This trend appears to have continued into the beginning of 2025,” says AHAM’s Gan.

Fund managers have long shared differing views on China. Some favour Chinese equities because of their undemanding valuations, while others were concerned about the country’s structural economic challenges and preferred to invest in the US.

This year, the US and China markets continue to be primary areas of interest for fund managers, with the difference being more optimism over the Chinese market, making it the top investment destination for regional fund managers. So, perhaps it is not surprising that the Hang Seng Index had soared 20.93% at midday on March 12, while the CSI 300 Index was up 2.92%.

Eastspring’s Husain believes the US market still has legs, even after the S&P 500 delivered a spectacular 58% return in 2023 and 2024. “Some may be tempted to cash in their chips. But we believe that the US exceptionalism can go further and that 2025 will see growth and returns broaden out meaningfully,” he says.

“The US is to remain the global growth engine with business expansion, a healthy labour market, broadening of AI-related capital spending and prospect of stronger capital market and deal activity. In addition, the benefit of deregulations and a more business-friendly environment are likely underestimated.”

Public Mutual's Chiang is "cautiously optimistic" about the US market. He says the US economy is expected to be supported by resilient consumer spending and a recovery in manufacturing activities. This is despite uncertainties surrounding the Fed's monetary policy decision, potential policy changes under Trump and ongoing geopolitical risks.

"We are cautiously optimistic about the US stock market with corporate earnings supporting stock prices and potential for growth in sectors such as technology and healthcare, aided by the proliferation of AI across all sectors," says Chiang.

He adds that China's positive economic momentum this year will depend on the strength of its exports and the impact of the government's stimulus measures in bolstering domestic consumption.

On the other hand, Areca Capital CEO Danny Wong favours China over the US as the equity valuations in the US are nearing two standard deviations above the historical average (such a view was shared in late February), which heightened the risk of profit-taking.

"Markets like China, Hong Kong and Malaysia are more attractive [by comparison]. They host companies that are poised to benefit from the leading AI theme and sustained demand for data centre infrastructure, particularly as DeepSeek's open-source approach drives further investments [in AI]," he says.

Goh Wee Peng, CEO of AmFunds Management Bhd, favours Chinese internet and consumer counters as the emergence of DeepSeek AI increased investor optimism and confidence in China. The recent meeting between President Xi Jinping and private entrepreneurs also signifies China's support for the private sector to spur economic growth.

Attractive opportunities can also be found among China's state-owned enterprises (SOEs). "China SOE banks provide decent yields while property developers with stronger balance sheets are traded at huge discounts, providing us with good trading opportunities," she says.

"We see the property market in China as stabilising, as the government has rolled out various aggressive measures to support the sector since the second half of last year."

Syhiful Zamri, chief investment officer at Maybank Asset Management (MAM) Sdn Bhd, is also positive on China as he believes the country's real economy won't suffer as much from its trade war with the US.

In many cases, it is not an either or not situation. For instance, KIB's Lee remains positive on US equities, particularly those in the tech sector, which is benefiting from the AI boom. She is also paying close attention to Chinese companies that are leaders in the electric vehicle and AI space through DeepSeek. "We are also constructive on tech stocks in Taiwan and South Korea, which are well positioned for the AI-driven future," she says.

Eastspring's Husain notes that the gap between the Taiwan market, the best performer in the region last year, and South Korea, the worst performer last year, was the largest since 2009.

Money Pouring Into Domestic Focused Companies

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Several fund managers who invest locally are looking to put more money in companies that are mostly exposed to the domestic economy amid the ongoing global trade tensions.

"Our impression of the broad picture is that with de-globalisation and protectionism policy, the global economy will undergo a massive re-adjustment. Historically, most governments' idea of driving [economic] growth has been focusing on production and exports. This year, we believe the government will need to shift its focus towards driving domestic consumption and fostering the regionalisation of trade to just sustain GDP (gross domestic product)," says TAIM's Choo.

Chue Kwok Yan, CEO of Hong Leong Asset Management Bhd, agrees. "At the moment, companies that are more reliant on domestic demand should be more insulated from the ongoing trade tensions."

Sectors that are favoured and repeatedly mentioned by fund managers include financial, healthcare, utility, construction, property and energy.

MAM's Syhiful likes utility companies, particularly names in the grid infrastructure space that are gaining traction from the government's push for cleaner electricity generation.

"We also like selected names in the construction and property space where we see valuation mismatch from their recovery and growth expectation. Specific beneficiaries from the data centre development, especially property developers and contractors, are also on our radar," he says.

Interestingly, energy companies once avoided by institutional investors due to sustainability concerns seem to be moving back to centre stage. KAF's Tan sees compelling opportunities in the energy sector as it remains significantly under-owned by local institutional investors.

"Many funds have minimal or no exposure to the sector, in part due to concerns about the long-term decline in oil demand. But we believe this perception overlooks the strong future demand for natural gas, the cleanest readily available fossil fuel and a crucial component of the global energy transition," he says.

"Valuations in the sector remain attractive, with several companies trading at mid-single-digit price-earnings multiples, well below the low double-digit levels observed in previous cycles. Additionally, as balance sheets have strengthened, many of these companies have increased dividend payouts, enhancing their appeal to investors. Given the strong earnings momentum observed last year, we see substantial upside potential in these stocks and remain constructive on the sector's outlook."

Lee Chun Hong, chief investment officer at Principal Asset Management Bhd, says Malaysia is expected to continue benefiting from the trade diversion amid the ongoing US-China trade tensions. As global firms may shift operations to avoid tariffs, Malaysia could become a re-export hub, which will benefit the domestic electrical and electronics (E&E) sector.

Yet, investors need to watch out for a potential slowdown in China's economy that could negatively impact the E&E sector. "The cyclical nature of the sector means that any downturn in demand from China could lead to reduced orders from Malaysian suppliers, affecting overall performance," he says.

While most fund managers are not expecting to repeat last year's performance, they are sanguine about generating decent returns this year, in line with corporate earnings growth.

"Markets and stocks ultimately follow actual earnings. At this juncture, the street is projecting 8% to 10% earnings growth this year, although recent [data] seems to point to some softness in this forecast," says AHAM's Gan.

"Our underlying economy appears robust and valuations remain attractive as earnings growth was pacing market growth in 2024. As time progresses, we think the market will be less volatile toward US policy shifts and this should allow the domestic market's underlying strength to shine through.

"Domestically, we sense some market impatience with the progress of policy reforms, due to social balancing needs. Further delay in key reforms, like subsidy rationalisation, is a risk as it presents structural impedance to the growth of our country.

"The key plan to our positive thesis is political stability. Policy continuation depends on it and any perceived change will challenge market sentiment severely."

Malaysian Government Bonds And Sukuk Deemed Attractive

On fixed income, ARIM's Mohamad Shafik favours Malaysian Government Securities (MGS) and Investment Issues (MGII) that offer steady and relatively higher yields than other developed markets. Nevertheless, the firm is actively looking out for better yields in the corporate bond space, especially those issued by financially sound businesses in the utility and infrastructure sectors.

"An issuer that has caught our attention is Tenaga Nasional Bhd, whose paper is appealing due to its stable cash flows and strong credit rating," he says.

Ng Chze How, managing director and CEO of RHB Asset Management Bhd, says the firm sees compelling value in MGS and MGII due to improving fiscal dynamics and attractive valuations. "The government's efforts to reduce the fiscal deficit and lower net bond issuances are expected to create a flatter yield curve, making government bonds an appealing investment," he adds

The firm is also selectively exploring opportunities in defensive sectors such as power, utility and financial, which offer stability against global trade volatility.

"We are maintaining a near fully invested position with an overweight allocation to corporate bonds. However, given that domestic corporate bonds' valuations are currently somewhat stretched, we are taking a more selective approach," says Ng.

KENANGA INVESTORS CLINCHES FIVE INDIVIDUAL AWARDS

Kenanga Investors Bhd, a subsidiary of Kenanga Investment Bank Bhd, took home a total of five awards at the LSEG Lipper Fund Awards 2025. It has been a constant winner in the Mixed Asset category in the past five years.

Its chief investment officer, Lee Sook Yee, says the fund house's best calls were Sunway Bhd and Gamuda Bhd. Both stocks were core holdings for its funds, which were invested before 2024, but experienced a major rerating that year.

Lee says Sunway was rerated due to the market's strong interest in its Iskandar Johor land bank, robust order-book wins in its construction division and the value realisation from the upcoming listing of its healthcare division.

Meanwhile, Gamuda saw rerating mainly on strong order book wins in regional and local markets while gaining exposure into the fast-growing data centre industry in Malaysia, she explains.

"Our conviction in holding on to these stocks underscored our deep understanding of the companies' business, management and their intrinsic value," says Lee.

Throughout 2024, Kenanga Investors maintained low cash levels for most of the year to capitalise on emerging opportunities.

"However, in the latter half of the year, we raised cash, as external uncertainties such as the US election and a slowdown in China's growth emerged. This strategy helped us preserve flexibility amid rising risks," says Lee.

There was no significant rebalancing exercise during the year, she adds. Its adjustments were primarily tactical, driven by macroeconomic events rather than a fundamental shift in its overall allocation.

As Kenanga Investors reflects on Malaysia's economic performance in 2024, the firm acknowledges the country's strong GDP expansion, increased foreign direct investment (FDI) and export recovery in the first half of the year. However, it also notes the market volatility in "These industries benefited from Malaysia's infrastructure development, strong FDI inflows and supply chain realignments," says Lee.

Lee also prioritised stock selection, targeting companies with strong fundamentals, high-quality and solid execution to withstand market volatility.

Additionally, she implemented a proactive risk management framework. "Our risk management framework played a crucial role in responding to macroeconomic shifts and maintaining flexibility through portfolio repositioning," says Lee.

As bottom-up stock pickers, Kenanga Investors' investment philosophy hinges on fundamental research and a relative value approach to generate superior, risk-adjusted returns.

By focusing on high-quality stocks through rigorous analysis, the firm aims to achieve consistent outperformance over a three- to five-year investment cycle.

"Our approach involves a deep dive into industry dynamics, company business models and key drivers of return on equity. We conduct thorough channel checks to assess competitive advantages and growth drivers, with a focus on management quality, sustainability, industry trends and balance sheet strength," explains Lee.

In 2025, Kenanga Investors' fund managers will continue to focus on selective stock-picking, while maintaining a higher-than-usual cash allocation to preserve flexibility amid ongoing external uncertainties.

"We will focus on sectors tied to Malaysia's domestic growth story, such as financials, construction and healthcare, while complementing this increase in defensive holdings. Selected small-cap stocks could present an opportunity, especially after their underperformance compared with large caps in 2024," says Lee.

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Source:

The Edge Malaysia (Wealth, 24 March 2025)

A banner year for fund managers

BY THE **WEALTH** TEAM

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The Johor-Singapore Special Economic Zone (JS-SEZ), which was recently established to enhance economic ties between Malaysia and Singapore, is another key investment theme that lifted the share prices of several construction and infrastructure companies.

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MONEY POURING INTO DOMESTIC-FOCUSED COMPANIES

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Kenanga Investors clinches five individual awards

BY **GRACE YAP ERN HUI**

Kenanga Investors Bhd, a subsidiary of Kenanga Investment Bank Bhd, took home a total of five awards at the LSEG Lipper Fund Awards 2025. It has been a constant winner in the Mixed Asset category in the past five years.

Its chief investment officer, Lee Sook Yee, says the fund house's best calls were Sunway Bhd and Gamuda Bhd. Both stocks were core holdings for its funds, which were invested before 2024, but experienced a major rerating that year.

Lee says Sunway was rerated due to the market's strong interest in its Iskandar Johor land bank, robust order-book wins in its construction division and the value realisation from the upcoming listing of its healthcare division.

Meanwhile, Gamuda saw rerating mainly on strong order book wins in regional and local markets while gaining exposure into the fast-growing data centre industry in Malaysia, she explains.

"Our conviction in holding on to these stocks underscored our deep understanding of the companies' business, management and their intrinsic value," says Lee.

Throughout 2024, Kenanga Investors maintained low cash levels for most of the year to capitalise on emerging opportunities.

"However, in the latter half of the year, we raised cash, as external uncertainties such as the US election and a slowdown in China's growth emerged. This strategy helped us preserve flexibility amid rising risks," says Lee.

There was no significant rebalancing exercise during the year, she adds. Its adjustments were primarily tactical, driven by macroeconomic events rather than a fundamental shift in its overall allocation.

As Kenanga Investors reflects on Malaysia's economic performance in 2024, the firm acknowledges the country's strong GDP expansion, increased foreign direct investment (FDI) and export recovery in the first half of the year. However, it also notes the market volatility in the third and fourth quarters due to global recession fears; interest rate shifts in major economies, such as the US and Japan; and uncertainties surrounding the US election.

In response, Lee adopted a strategic approach in 2024. Her strategy emphasised sectoral exposure to high-growth industries such as construction, property, utilities and data-centre supply chains.

"These industries benefited from Malaysia's infrastructure development, strong FDI inflows and supply chain realignments," says Lee.

Lee also prioritised stock selection, targeting companies with strong fundamentals, high-quality and solid execution to withstand market volatility.

Additionally, she implemented a proactive risk management framework. "Our risk management framework played a crucial role in responding to macroeconomic shifts and maintaining flexibility through portfolio repositioning," says Lee.

As bottom-up stock pickers, Kenanga Investors' investment philosophy hinges on fundamental research and a relative value approach to generate superior, risk-adjusted returns.

By focusing on high-quality stocks through rigorous analysis, the firm aims to achieve consistent outperformance over a three- to five-year investment cycle.

"Our approach involves a deep dive into industry dynamics, company business models and key drivers of return on equity. We conduct thorough channel checks to assess competitive advantages and growth drivers, with a focus on management quality, sustainability, industry trends and balance sheet strength," explains Lee.

In 2025, Kenanga Investors' fund managers will continue to focus on selective stock-picking, while maintaining a higher-than-usual cash allocation to preserve flexibility amid ongoing external uncertainties.

"We will focus on sectors tied to Malaysia's domestic growth story, such as financials, construction and healthcare, while complementing this increase in defensive holdings. Selected small-cap stocks could present an opportunity, especially after their underperformance compared with large caps in 2024," says Lee.

FUND	Kenanga DividendEXTRA Fund	
AWARD	Equity Malaysia Diversified (Malaysia) (3 years)	
FUND SIZE	RM10.19 million	
FUND MANAGER	Lee Sook Yee	
RETURNS FOR PERIODS ENDED DEC 31, 2024 (%)	1 year	21.31
	3 years	39.79
	5 years	35.88
	10 years	65.66

FUND	Kenanga Malaysian Inc Fund	
AWARD	Equity Malaysia Diversified (Provident) (10 years)	
FUND SIZE	RM475.43 million	
FUND MANAGER	Lee Sook Yee	
RETURNS FOR PERIODS ENDED DEC 31, 2024 (%)	1 year	24.14
	3 years	22.63
	5 years	73.76
	10 years	160.24

FUND	Kenanga SyariahEXTRA Fund	
AWARD	Mixed Asset MYR Balanced – Malaysia (Islamic) (10 years)	
FUND SIZE	RM 467.42 million	
FUND MANAGER	Lee Sook Yee	
RETURNS FOR PERIODS ENDED DEC 31, 2024 (%)	1 year	15.39
	3 years	3.64
	5 years	43.17
	10 years	84.97

FUND	Kenanga Balanced Fund	
AWARD	Mixed Asset MYR Balanced – Malaysia (Provident) (10 years)	
FUND SIZE	RM 82.53 million	
FUND MANAGER	Lee Sook Yee	
RETURNS FOR PERIODS ENDED DEC 31, 2024 (%)	1 year	18.53
	3 years	10.45
	5 years	37.92
	10 years	72.64

FUND	Kenanga OneAnswer Investment Funds – Kenanga Managed Growth Fund	
AWARD	Mixed Asset MYR Flexible (Provident) (10 years)	
FUND SIZE	RM39.62 million	
FUND MANAGER	Lee Sook Yee	
RETURNS FOR PERIODS ENDED DEC 31, 2024 (%)	1 year	19.24
	3 years	18.06
	5 years	51.34
	10 years	115.95

"Our risk management framework played a crucial role in responding to macroeconomic shifts and maintaining flexibility through portfolio repositioning." > **Lee**

This material has not been reviewed by the Securities Commission Malaysia.

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