THE NEXT FRONTIER OF REAL ASSETS INVESTING: SYSTEMATIC PRECISION, REAL DIVERSIFICATION

The SmartInvestor

Technology has long been at the forefront of the investment landscape and the rapid advancement in artificial intelligence (AI) has catalysed a new wave of innovation. As part of our continuous pursuit of delivering innovative and market-leading solutions to investors, Kenanga Investors Berhad (Kenanga Investors) and GAX MD (GM) are redefining real assets investing by introducing a data-driven, algorithmically powered approach. In conversation with TSI, **Ranjit Singh Gill (RSG)**, Director and Head of Product & Market Development, Kenanga Investors and **Ronnie Tan (RT)**, CEO of GM details their latest strategic partnership.

The importance of real asset investing in today's market environment:

RSG: Real assets are crucial for several key reasons. Firstly, they serve as a natural hedge against inflation. As the cost of living rises, the value of physical assets such as property and commodities often appreciates, enabling investors to maintain the real value of their wealth.

Secondly, real assets add stability to an investment portfolio by offering low correlation with traditional financial markets. Unlike stocks and bonds which can be highly sensitive to market cycles; real assets is a strategic diversification approach as it tend to move independently, spreading risks and reducing overall portfolio volatility.

Following stability, investments in real assets such as rental properties and infrastructure projects can provide consistent income generation through rental yields, lease agreements or user fees. For investors seeking reliable cash flow, these assets offer an attractive alternative to the unpredictable returns of equities and bonds.

Finally, we look at wealth preservation and long-term value because real assets not only maintain their value over time but have a sustainable growth potential. As urban expansion drives demand for land and infrastructure and global consumption fuels commodity markets, these assets can experience sustained appreciation, making them a compelling choice for investors who seek to build and preserve wealth over the long run.

With inflationary pressures, market volatility, and economic shifts shaping today's investment environment, real assets offer a strong foundation for resilient, well-diversified portfolios. Their ability to preserve wealth, generate income, and provide long-term growth makes them an essential component of a sound investment strategy.

Enhancing Kenanga Investors' Global Real Assets strategy with data-driven portfolio management:

RSG: This collaboration combines Kenanga Investors' extensive asset management expertise with GM's advanced quantitative modelling capabilities, creating a strategy that fulfils investors' demands in today's dynamic market.

It's all about bringing value to the industry – a systematic, data-driven and cost-efficient approach to portfolio construction that optimises performance while strengthening diversification and risk management.

There are several key advantages, for example, strategic diversification across asset classes — including Precious Metals, Commodities and Real Estate helps mitigate risk and capture opportunities across different market cycles, enhancing the portfolio's resilience against market volatility.

Meanwhile, strategic exposure via Exchange-Traded Funds (ETFs) enhances portfolio efficiency by gaining broad and efficient access to physical assets and its related industries. This approach balances liquidity, cost efficiency and long-term growth.

RT: At the core of the strategy is a systematic, model-driven allocation process, where proprietary algorithms evaluate the return potential and downside resilience of each asset. These evaluations are based on historical performance and stress-period behaviour, allowing the portfolio to be constructed with a focus on risk-adjusted returns and diversification during equity downturns.

Despite the use of advanced modelling, human oversight remains essential. Portfolio managers review algorithmic outputs, monitor for anomalies, and ensure the strategy remains aligned with risk management and investment goals.

Our steps in navigating these risks include diversifying our asset selection. As mentioned, a broad class helps reduce concentration risk and enhance stability. We also set allocation caps on individual investments as a well-balanced approach is able to prevent overexposure on any single assets and capture growth opportunities. Of course, we continuously monitor and periodically rebalance to help optimise risk-adjusted returns. This methodology of portfolio adjustments is a measure to respond to changing market conditions.

It's all a balancing act so by combining quantitative analysis with diversification, it keeps the portfolio on track in delivering strong growth while mitigating downside risks.

ETF's role in this strategy for optimal selection of liquidity, cost-efficiency and diversification:

RT: ETFs allow investors to access a diverse range of asset classes including real estate, commodities and precious metals, without the high costs and complexities of direct ownership.

To ensure optimal selection, the strategy follows a rigorous screening process based on key factors such as liquidity, expense ratios and tracking efficiency. Liquidity is prioritised to ensure ease of trading with minimal impact on market prices and cost-efficiency is maintained by selecting ETFs with low management fees, reducing unnecessary expenses for investors. Meanwhile, diversification is achieved by carefully allocating across multiple ETFs that represent different sub-sectors and geographies, helping to mitigate concentration risk and enhance portfolio stability.

By combining data-driven analysis with a structured ETF selection process, the strategy maximises efficiency while maintaining flexibility to adapt to evolving market conditions.

Overcoming security risks in model-driven investment strategies:

RT: It is crucial to monitor the systems diligently—especially when it comes to data integrity and confidentiality as it directly impacts the reliability of investment decisions. We proactively manage through strict safeguards, including continuous monitoring and human oversight.

We exercise strict access controls, all data are encrypted and securely stored to prevent any unauthorised access. Only authorised personnel are empowered to manage sensitive data. It is also important to uphold transparency in the decision-making process. Our proprietary models are regularly tested, validated and reviewed by investment experts to ensure that decisions remain fair, consistent, and aligned with our overall risk management objectives.

Of course, the systems are continuously updated to minimise errors and reduce biases in decision-making. When data is tracked in real-time, unusual patterns that affect investments can be promptly detected and recovery steps can also kick in quickly.

Regulatory bodies' response to growing interest in innovative digital investment solutions:

RSG: The Securities Commission Malaysia (SC) is taking a progressive but cautious approach towards digital investment solutions, focusing on ensuring that the solutions are fair, transparent and accountable for all. Through established frameworks such as the Digital Investment Management (DIM) guidelines and the Regulatory Sandbox, fintech firms are now empowered to develop and test data-driven investment solutions in a controlled environment.

All in good stride, their initiatives foster responsible innovation while maintaining market stability and compliance with regulatory standards.

Overall, Malaysia's regulatory landscape is evolving to support digital investment innovation while prioritising investor protection. This balance will be key in shaping a more advanced and secure financial ecosystem in the years to come.

Opportunities and challenges in the Malaysian market:

RSG: Malaysian investors are becoming more receptive to digital and data-driven portfolio management so that's a key opportunity for industry players to expand their offerings. There's growing recognition of how structured, technology-enabled solutions can enhance decision-making and optimise returns. We are also confident that robust regulatory frameworks will provide a stable and secure environment for innovative investment products to flourish.

However, challenges exist. The Malaysian market is smaller and less competitive than major global financial centres which can impact product diversity and speed of innovation. Navigating regulatory compliance is also essential to ensure digital investment models align with local guidelines. Moreover, investor education remains a key hurdle, as many are still unfamiliar with the full potential of model-based portfolio strategies.

Despite these challenges, we are optimistic as the local financial landscape is vibrant. By and by, rapid digital adoption will build a strong foundation for technology-led investment solutions to thrive. We just need the right balance between innovation, regulations and education, this will catapult the Malaysian market and position it for significant growth.

Adapting to unexpected market events without historical data precedence:

RT: The answer lies in the real-time processing of new information. As opposed to traditional models that rely heavily on historical data, today's data-driven strategies are about integrating real-time data analysis, sentiment tracking and adaptive learning mechanisms while pulling new information. New information can derive from multiple sources at one time including news, economic indicators and market sentiment, allowing the technology to react swiftly to unforeseen events. Algorithmic frameworks are also designed to detect anomalies and sudden market shifts, triggering risk-mitigation strategies such as dynamic asset reallocation or strategic hedging.

However, we must remember that no system is infallible—its predictions may still be challenged by unprecedented scenarios. This is where human expertise acts as a critical safeguard. Portfolio managers and risk professionals oversee model outputs, interpret complex market dynamics and intervene when necessary to ensure sound decision-making. Additionally, the strategy incorporates predefined risk controls and scenario analysis, enabling the system to adjust exposure proactively rather than relying solely on past trends.

The best of both worlds—integrating data-driven models with traditional investment strategies to overcome volatile markets:

RSG: It's a favourable environment and a powerful combination that is advantageous for industry stakeholders. We have mentioned the key advantages of data-driven strategies; however, we must acknowledge that traditional investment expertise remains indispensable.

Fundamental analysis, market experience and strategic judgment provide context and depth that quantitative models alone cannot replicate. By combining systematic, model-

based approaches with human insights, this hybrid approach creates a more robust and resilient investment framework—one that balances innovation with sound investment principles.

The result is a smarter, more adaptive portfolio, capable of navigating market turbulence while maximising long-term value.

Disclaimer: *This article is solely for general information purposes. The advertisement has not been reviewed by the Securities Commission Malaysia ("SC"). The information contained herein does not constitute any investment advice. Past performance is not indicative of future performance. Kenanga Investors Berhad 199501024358 (353563-P).*

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The Next Frontier of Real Assets Investing:
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Ranjit Singh Gill

Ronnie Tan

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With inflationary pressures, market volatility, and economic shifts shaping today's investment environment, real assets offer a strong foundation for resilient, well-diversified portfolios. Their ability to preserve wealth, generate income, and provide long-term growth makes them an essential component of a sound investment strategy.

Enhancing Kenanga Investors' Global Real Assets strategy with data-driven portfolio management:

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It's all about bringing value to the industry – a systematic, data-driven and cost-efficient approach to portfolio construction that optimises performance while strengthening diversification and risk management.

> **This partnership brings a globally recognised, algorithm-driven investment model that mirrors sophisticated approaches used in major financial markets like the US, Europe and Japan. When integrated with our market expertise, this strategy aims to deliver a consistent and resilient real asset investment solution, targeting stable growth and inflation protection across market cycles.**
> *– Ranjit Singh*

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tries. This approach balances liquidity, cost efficiency and long-term growth.

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A WELL-ROUNDED INVESTMENT STRATEGY

- **A Systematic, Data-Driven Strategy** – Built on an algorithmic foundation that eliminates human bias, this strategy uses structured analysis to evaluate assets and optimise allocation. Unlike traditional approaches, it can assess large data sets efficiently and objectively.
- **Adaptive Allocation Framework** – Volatile market conditions call for a systematic, risk-modified weighting approach to ensure that portfolio allocations are regularly rebalanced, capturing growth potential while maintaining stability.
- **Broad Real Asset Exposure** - Most portfolios focus heavily on equities and bonds while this approach diversifies beyond traditional assets, offering exposure to real estate, precious metals and commodities, providing a natural inflation hedge and reducing correlation with equity markets.
- **ETF-Based Efficiency & Liquidity** – Gaining exposure to real assets through ETFs ensures cost-efficiency, liquidity and global diversification, making it accessible to a wider range of investors.

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> **"** As digital investment strategies continue to evolve, expect regulators to keep refining governance frameworks, particularly in the areas of model transparency, risk management, and data protection. So, firms utilising advanced algorithms may be required to provide greater disclosure on their methodologies to ensure ethical and unbiased decision-making. **"**
>
> *– Ronnie Tan*

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