

Kenanga Investors: Leading the Charge in ESG Investing

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Today's world demands businesses to be not just profitable, but also responsible and sustainable. Consequently, Environmental, Social, and Governance (ESG) considerations have become a key component in investment strategies. An increasing number of investors recognize that responsible conduct and profitability are not mutually exclusive; they now view ESG factors as indicators of long-term performance, rather than as mere ethical considerations.

Many companies have actively integrated ESG principles into their overall strategies and risk oversight discussions. These organizations' aim is to enhance their societal image, promote sustainability, and attract capital in a world increasingly driven by ESG compliance.

What Is ESG Investing?

ESG investing is a strategy that considers both financial returns and these ESG factors to provide a better long-term outcome for investors:

- Environmental considerations may include waste and pollution, resource depletion, deforestation, climate change, and other environmental risks that could potentially impact a company's performance and the well-being of society.
- Social considerations examine how a company manages relationships with its employees, suppliers, customers, and the communities where it operates.
- Governance deals with a company's leadership, executive pay, audits and internal controls, shareholder rights, and transparency. Good governance reduces the risk of corruption and scandal, and promotes the long-term interests of shareholders and other stakeholders.

ESG investing is about investing in companies that strive for sustainability, social good, and ethical practices, while also focusing on generating a sound financial return. The underlying belief is that companies that are responsible and accountable tend to be better long-term bets. Not only do they show resilience and adaptability, but they also attract positive attention from consumers and investors who are increasingly conscious of their societal impact.

Addressing the Funding Gap through Impact Investing

The global pandemic has further accelerated interest in ESG investing where stock exchanges across the world have started introducing sustainability reporting rules. In Malaysia, Bursa Malaysia has set a commendable precedent by instituting frameworks and rules for ESG reporting since 2010, when it founded its sustainability committee.

However, challenges persist. A notable gap exists between social enterprises and funding in Malaysia. To bridge this gap, there is a growing emphasis on transparency



and knowledge within sectors, facilitating informed decision-making for funders. As such, Impact Investing, a concept that extends beyond funding non-profits and social enterprises, has become a growing topic in Malaysia.

Islamic Finance: A Sustainable Investment Route

A parallel development has seen the rise of Islamic finance as a form of sustainable investing, guided by principles that align with ESG objectives. Instruments such as Qard Hassan (benevolent loans), Waqf (endowments), and Zakat (charitable giving) have paved the way for Islamic finance to thrive as an attractive asset class that integrates commercial obligations with sustainability and social objectives.

Malaysia, renowned as a hub for shariah compliant investments, has pioneered this convergence of Islamic finance and ESG, with **Kenanga Investors Berhad** leading the charge. Kenanga Investors sees Waqf, for instance, as a particularly attractive asset class that combines commercial interests with sustainability and societal benefits. The firm has launched the Kenanga Waqf Al-Ihsan Fund and Kenanga Sustainability Series: Emergency Waqf Musa'adah Fund.

Both ESG and Shariah investing seek to encourage responsible conduct and stewardship of society and the environment. With a holistic ESG plan, organizations can better integrate sustainability across all business units, influencing investment ideas and solutions.

Kenanga Investors: Championing Sustainable Investing

Kenanga Investors Berhad recognises the importance of adhering to ESG principles and goals. By effectively managing ESG risks and opportunities, the firm believes in enhancing long-term results. As a signatory of the Malaysian Code of Institutional Investors, Kenanga Investors integrates ESG factors into their investment decision-making process with impactful strategies, voting policies, and transparent stakeholder reporting.

They offer ESG-focused investment strategies and funds that align with the principles of sustainable investing. For those interested, Kenanga Investors recommends two funds from the **Kenanga Sustainability Series**:

- **Kenanga Sustainability Series: High Yield Bond Fund** - The first Sustainable and Responsible Investment (“SRI”) qualified High Yield Bond fund in the local market, offering a strong portfolio that incorporates ESG analytics, which assess factors such as carbon efficiency and governance quality to mitigate risks and seize new opportunities.
- **Kenanga Sustainability Series: World Quality ESG Fund** - This fund adopts a unique “Doing Good, Doing Well” approach that emphasizes on profitability and sustainability by targeting companies that are ESG leaders with robust financial fundamentals.

Invest in ESG, Invest in You

The importance of ESG investing has never been more pronounced. As the investment landscape evolves, ESG principles are redefining what a sustainable

and successful business looks like. Kenanga Investors stands at the forefront of this new paradigm, championing sustainable investing for the benefit of its clients and society at large.

To learn more about Kenanga Investors Berhad,
Visit <https://www.kenangainvestors.com.my>

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