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VIEWPOINT

ASSET MANAGEMENT PROWESS

BY THE EDITORIAL TEAM



1. WHAT ARE THE KEY INVESTMENT THEMES (SECTORS) AMONG RETAIL AND INSTITUTIONAL INVESTORS TODAY?

A: The key investment theme among investors today is to look for stocks and sectors that are resilient coupled with decent dividend yields and accorded premium valuations by the market.

Looking forward, investors are looking for inflationary proxy-plays to hedge against significant creation of monies driven by global QE activities by major central banks. Examples of sectors to look at would be REITs and telcos. We also favour gold, the reason being that there has been massive demand from global investors and we have seen central banks pouring money into physical bullions, gold ETFs etc.

*Nor' Azamin bin Salleh,
 CEO, Maybank Asset
 Management*

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In an interview with Nor' Azamin bin Salleh CEO at Maybank Asset Management, we gather his thoughts on key investment themes among retail and institutional investors today as well as how investors are overcoming volatility and planning their allocation strategies. Last but not least, we find out about product areas that are proving to be popular in the current investment climate

2. HOW MUCH OF YOUR AUM IS SPLIT BETWEEN INSTITUTIONAL INVESTORS VERSUS RETAIL INVESTORS AND HOW MUCH AUM IS MANAGED FOR INTERMEDIARIES VERSUS INSTITUTIONS?

A: As at 31 August 2012, the split of AUM between institutional investors and retail investors was approximately 65% and 35% respectively.

3. WHAT ARE SOME OF THE LATEST INVESTMENT TRENDS AMONG PENSION FUNDS THAT ARE INCREASINGLY OUTSOURCING THEIR ASSETS AND WILLING TO INVEST OVERSEAS?

A: The Employees Provident Fund (EPF) is the largest pension fund in Malaysia and it is increasingly seeking to invest some of its assets overseas. In line with this, the government has also announced the establishment of the Private Retirement Scheme (PRS), which will look at investing some of the assets overseas as well. Given the right incentives by the government, we at Maybank Asset Management (Maybank AM) see a good opportunity for the Private Pension Fund industry in Malaysia, which has the potential to grow exponentially.

4. HOW ARE YOU STRENGTHENING YOUR DISTRIBUTION PENETRATION IN COUNTRIES LIKE INDONESIA AND SINGAPORE? ALSO, WHAT IS YOUR STRATEGY FOR COUNTRIES LIKE INDONESIA?

A: To build a broader picture, we are building our regional investment capabilities. We have recently started working together with our sister companies KE Capital Partner Pte Ltd in Singapore and Kim Eng Asset Management (Thailand) Co Ltd

in Thailand. Our plans will evolve further as we continue to progress. Ultimately, we would like to have our services offered locally and regionally through potential strategic partnerships.

5. MALAYSIAN EQUITIES HAVE FRUSTRATED MANY INVESTORS THIS YEAR YET ON A VALUATION BASIS, THEY APPEAR ATTRACTIVE. WHAT IS YOUR OUTLOOK FOR MALAYSIAN EQUITIES IN GENERAL?

A: FBMKLCI return has been modest relative to its APXJ peers at 6.9% YTD as of 26 Sept. In these last few months of 2012, we think that the KLCI will continue to be well-supported by the ample liquidity both locally and from abroad. However, volatility would persist driven by global economic growth concerns, the US' upcoming fiscal cliff, Europe's ongoing debt crisis and Malaysia's 13th General Election.

6. FROM THE BUY-SIDE, IS THE SIGNIFICANT CONCERN ABOUT RISK OR JUST ABOUT YIELD?

A: Each asset class i.e. equity and bonds, emphasises risk and yield differently. We consider both risk and return equally. We align the risk/return profile of a stock and the recommendation from our research team with an appropriate active position within the portfolio.

7. WITH INVESTORS GRAPPLING WITH LOW INTEREST RATES AND AGING DEMOGRAPHIC IN PARTS OF ASIA, ARE YOU SEEING A RISE IN DEMAND FOR ABSOLUTE-RETURN PRODUCTS IN MALAYSIA AND THE ASEAN REGION?

A: Within the retail segment, we are seeing an increase in demand for income distributing products with some form of capital preservation. In Malaysia, we have seen large flows into low volatility products with semi-annual or quarterly distribution. The institutional segment in Malaysia, however, has shown an increasingly open attitude to dynamic asset allocation focusing on an absolute return strategy. As for the ASEAN region, we are seeing an array of products still being offered from fixed income and equities to structured products. For instance, Thailand's profile is typically a fixed income market. On the other hand, Singapore's profile maintains a good mix

of assets. Indonesia and the Philippines remain domestically driven markets.

8. ARE MARKET CYCLES GETTING SHORTER AND DO INVESTORS PREFER LOW-RISK PRODUCTS (SUCH AS CLOSED-ENDED FIXED INCOME FUNDS, INCOME-TYPE FUNDS AND DIVIDEND FUNDS, ETC.) THAT ARE INVESTED IN ASIA AND THAT ARE EASY ENOUGH TO UNDERSTAND WITH MINIMAL VOLATILITY?

A: Market cycles are getting seemingly shorter and the financial instability globally is causing investors in Malaysia and the rest of the region to be more risk averse. Hence, we are seeing investors shifting their appetite to low risk products, which are easy to understand with minimal volatility. Typically, the close-ended fixed income funds, bond funds and credit-linked structures have seen a gain in traction over the last couple of years. Balanced funds, which target to pay regular income are also seeing high inflows. There are also demands for funds, which have very low correlation to the market such as gold ETFs.

9. IS RISK A FUNCTION OF A STOCK PRICE VOLATILITY OR DOES RISK COME FROM A MATERIAL CHANGE IN A COMPANY'S FUNDAMENTALS?

A: Risk is a function of a stock price volatility, induced by various factors, one of which is material change in company fundamentals. Others can be market-driven events like change in economic fundamentals.

10. IN TIMES OF MARKET VOLATILITY, HOW DO YOU IDENTIFY STRUCTURAL TRENDS TAKING PLACE WITHIN VARIOUS INDUSTRIES, AND FIND THESE STOCKS WITH ATTRACTIVE PRICE RELATIVE INTRINSIC VALUE?

A: At Maybank AM, we adopt both top down and bottom up approaches in our investment decisions. We combine the top-down and bottom-up approaches by applying top-down analysis on country and asset allocation decisions while using a bottom-up approach to select the individual stocks for the portfolio. Risk factors comprising qualitative and quantitative are also evaluated.