

AmFunds Management Bhd

WON ONE INDIVIDUAL AWARD

AmFunds Management Bhd (AmInvest) made a good showing at *The Edge*-Thomson Reuters Lipper Fund Awards 2017. This was the fourth consecutive year its AmDynamic Bond fund had won an award. This time, it was for Best Bond MYR (Provident) in the 10-year category.

Deputy CEO and chief investment officer Goh Wee Peng says the success of the fund was due to the ability of the fixed-income team, which took advantage of market conditions by using a structural long-term strategy.

Goh says the strategy is based on "macro analysis and tactical short-term trading on the basis of market timing", in accordance with the fund house's investment philosophy. This is guided by a directional view based on a macro top-down approach, relative valuation process and volatility management.

"The fund participated in primary bonds, took profit on expensive bonds and focused on high-yielding bonds with sound credit. There were occasions when the fund bought into government securities to take advantage of market volatility," she says.

Geopolitical events played a major role in shaping the investing landscape last year and Malaysia's bond returns were handsome until the rout in November, says Goh. Global markets were affected by an unexpected turn of events, such as the UK's vote to leave the European Union, contentious election of US President Donald Trump

and oil output cut by the Organization of the Petroleum Exporting Countries.

Lingering issues, such as a slowdown in China and associated rising corporate default risks, have resulted in volatile trading in equity markets and impacted the local currency, says Goh. Consequently, foreign investors slashed holdings of sovereign emerging market bonds, including Malaysia's, as they were perceived as most risky following expectations that Trump's promised policies would spur a resurgence of inflation and further interest rate hikes from the US Federal Reserve.

"All these episodes caused heightened volatility periodically and impacted fund flows, investor confidence, risk appetite and asset class performance," she says.

Nevertheless, the bond market saw positive returns last year. The Quant Shop Malaysian Government Securities (MGS) All Index registered a return of 3.37% while the Bond Pricing Agency Malaysia Corporate All Bond Index saw a return of more than 5%.

"Investors were better rewarded by corporate bonds than government securities," says Goh.

This year, AmInvest favours sectors such as toll road operators and power producers. However, it is selective on sectors like construction, consumer discretionary, telecommunications and plantation. Pertinent to the selection of equities are strong balance sheets and cash-flow generation capacity.

Despite the fact that the crude oil rally is stabilising, the fund house is avoiding the sector as it believes the oil and gas industry is beleaguered by poor capital expenditure outlook, weak sales and poor balance sheets. The property market is another sector to avoid as sales have remained sluggish and no significant turnaround is expected to spur the sector, given the ongoing administrative measures,

FUND	AmDynamic Bond	
AWARD	Bond MYR – Provident (10 years)	
FUND SIZE	RM100.84 million	
FUND MANAGER	Goh Wee Peng	
RETURNS FOR PERIODS ENDED DEC 31, 2016 (%)	10 years	93.02%

banks' cautious lending attitude and increasing supply of houses, says Goh.

As the global bond markets have been surviving in a low interest rate environment with deflationary threats, changes such as rising interest rates will give rise to tightening global liquidity and reversal of fund flows. In such circumstances, the rising interest rate environment will require active asset allocation and active duration management, she says.

Higher volatility and continuous earnings downgrade will also affect their strategies, says Goh. To manage the risks, its funds will have positions in companies that generate strong cash flow and could potentially have a higher dividend payout.

Despite the adverse market conditions and heightened volatility, the fund house's assets under management (AUM), comprising unit trust funds and institutional mandates, remained stable last year, says CEO Datin Maznah Mahbob.

"We saw an encouraging one-year growth of about 22% in our Islamic funds' AUM, in line with the market's demand for shariah-compliant investments. Over the past five years, our Islamic funds' AUM have seen annualised growth of 18%," she says.

The fund house is looking to provide income-themed global funds. It also plans to launch wholesale bond funds, high-yield bond funds, closed-ended bond funds and global equity funds this year. — *By Pathma Subramaniam*