

AmlInvest seeks to build best-of-breed Shariah-compliant funds

The fund management company has created international Shariah-compliant smart beta strategies that invest in multiple countries, says Datin Maznah Mahbob of AmlInvest.

AmlInvest has a simple value proposition. It intends to become the international standard-setter for Shariah-compliant investments.

The idea stems from the current structure of available Shariah-compliant funds. “Most of the supply of Shariah-compliant funds is very domestically-focused,” says Datin Maznah Mahbob, chief executive officer of AmlInvest.

“Malaysian fund managers generally offer Malaysian funds, and Middle Eastern fund managers do the same in the Middle East,” she explains. “The biggest Shariah-compliant equities fund in the world is American, and yet even this is US equities only.”

This domestic focus makes it difficult for fund managers to supply Shariah-compliant investments to global retail distributors and investors. “There are investors who may be interested in Shariah-compliant investments but are

used to investing in a diversified risk-adjusted portfolio of investments, and it’s currently hard to construct that kind of diversified portfolio using the existing building blocks,” says Mahbob.

“We are trying to create those core comprehensive building blocks, leveraging on the same infrastructure and platform which they are used to using in developed markets.”

BREAKING NEW GROUND

AmlInvest’s desire to push the boundaries of Shariah-compliant funds management in Malaysia is a logical strategic step for the company to take.

Malaysia is leading the world in most aspects of the Islamic finance industry.

At the end of 2014 the country had 187 Shariah-compliant-based funds, worth a combined MYR47.75 billion (US\$13 billion) in AUM, according to the Securities Commission.



DATIN MAZNAH MAHBOP
AmlInvest

AmlInvest enjoys a market share of about 11% of the entire unit trust funds industry in Malaysia (as at the end of March 2015).

The company's AUM was approximately MYR39 billion as of March (comprising conventional and Shariah-compliant AUM), a level that is about 8% higher than a year previously. AmlInvest's Shariah-compliant AUM is about MYR6.9 billion in total.

AmlInvest has proven to be an important player in the Shariah-compliant funds space. Its core strengths are Shariah-compliant mandates and funds with a niche in active Asian equities and global sukuk, as well as global equities with a smart beta approach.

It has also established partnerships with several reputed global fund managers to offer unique Shariah-compliant fund themes.

adjusted returns, consistent returns at lower volatility compared to equity indices, whether Shariah-compliant or otherwise, all at a lower cost, according to AmlInvest.

"We hope to fill in these gaps by leveraging on our quantitative approach to managing global investments, which has allowed us to manage foreign assets while maintaining our headquarters in Malaysia," says Mahbob.

The fund management company can already point to strong success in the regional Shariah-compliant space.

Its Shariah-compliant AmASEAN Equity fund ranks number one against all its conventional fund peers in the Asean

Instead, AmlInvest sells its funds via third party distributors such as banks and independent financial advisers.

"We have 25 institutional distributors, the most in the country, and we cover most of the market segments in Malaysia through those distributors.

"This includes international banks, local banks, and independent wealth advisers who are licenced. AmBank, which is under AMMB Holdings, is one of the distributors," says Mahbob.

The use of multiple distributors is designed to dovetail with the company's mass-fund approach.

"Some distributors have an average client profile that is more mature, for example over 50 years old.

"They might well prefer income-focused funds over growth," she says. "Another distributor has younger clients, who may want higher risk investments.

"Then some clients are more entrepreneurial and want to take bigger bets on thematic investment strategies.

"By having multiple distributors, we can cover all these approaches."

Focusing entirely on a third party distribution model also has the advantage of minimising conflicts of interest when it comes to selling.

"We wanted to be the preferred investment solutions provider and fund provider to our distributors in Malaysia," says Mahbob.

"We didn't want to have a competing force of tied sales agents, as it could

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AmlInvest's aim is to offer varied products that can fit into a well-diversified portfolio for every investor. "We really like to put the best-of-breed mandates and funds on our menu," says Mahbob.

The company will initiate its global Shariah-compliant funds strategy by offering "smart beta strategies". This is an alternative investment approach to add value to investors' equity investments that can deliver better risk-

universe. For the 12-month period, (as at March 13, 2015), the fund clocked in returns of 18.42%, according to Lipper.

PARTNERSHIP APPROACH

AmlInvest has grown its unit trust assets in a healthy manner despite not pursuing the more traditional means of doing so in Malaysia, which involves fund companies employing a small army of sales agents.

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RAISING STANDARDS

Malaysia’s fund management companies would be wise to be mindful of conflicts of interest.

Mahbob believes that unit trust sales agents at asset management companies and banks should prioritise the needs of the end-investor over earnings commissions. Another way to improve fund investing behaviour is to improve investor education.

The level of investment understanding among Malaysia’s citizens is quite low, which makes it easy for poor sales practices to thrive and raises the risk of mis-selling.

Mahbob thinks fund houses should contribute to investor education, and believes they will need to become more innovative to engage younger people in particular.

“In the long term you probably need to adapt strategies from early education

upwards,” Mahbob says. “For example, formats like game shows on television and actively using social media to educate might help. We need to create fun approaches to engage the younger generation because they are the ones who will make the financial decisions of the future.” ■

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