AmInvest's Equity and Bond Funds Top Recommended Unit Trusts Awards 2015/16 Again

Fund Performance[2]

Fund Name	Category by Fundsupermart	Performance as at 30 June 2015			Years on Recommended List
		1-year	3 years	5 years	
AmAsia Pacific Equity Income	Asia Ex-Japan Equity	12.12	51.56	N/A	3
AmCommodities Equity *(Shariah-compliant fund)*	Global Resources - Sector Equity	-14.64	16.83	N/A	3
AmIncome Plus	Malaysia Bond - Short Duration	3.43	9.54	16.85	2

1 Fundsupermart.com's Recommended Unit Trusts 2015/16 List available via www.fundsupermart.com.my, June 2015. Data extracted 23 June 2015.
2 Lipper Investment Management and AmInvest. Data extracted 30 June 2015.

Recently, AmInvest's equity and bond funds namely AmAsia Pacific Equity Income, AmCommodities Equity and AmIncome Plus emerged on top in Fundsupermart.com's Recommended Unit Trusts 2015/16 List (List). The List assists investors to shortlist consistent performing unit trust funds among its peers.

Unit trust funds with a track record of at least 3 years were considered for the awards. The returns of these unit trusts were then compared against benchmarks and peers within similar sectors and regions. Criteria including performance, expense ratio, risk and other qualitative factors across various time periods were used as barometers to determine the winners in each category.[1]

Interview with Datin Maznah Mahbob, Chief Executive Officer of AmInvest.

Of the 3 Awards won by AmInvest, 2 were overseas based portfolios namely AmAsia Pacific Equity Income and AmCommodities Equity funds. Do you see these awards as a testament of the company's overseas market expertise?

Our AmAsia Pacific Equity Income and AmCommodities Equity funds are feeder funds' that feed into its respective Target Funds i.e. BlackRock Global Funds-Asia Pacific Equity Income Fund and Amundi Islamic Global Resources. At AmInvest, we pursue an open architecture with a 'best-of-breed' strategy whereby we identify and work with 'best-of-breed' global partners and bring to Malaysia for our local investors the best fund offerings the world can offer. Currently, we have the largest number of partnerships with external global asset manager partners from across the world in Malaysia. This allows us to offer unique fund themes to our Institutional Unit Trust Agents (IUTAs) and bank distributors such as precious metals, agribusiness, property equities, Greater China equities, BRIC equities and emerging market bonds etc. Awards such as these are indeed a validation that we have sought out and are working with the best global fund managers to deliver consistent returns, the preferred outcome of our investors.

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What are the plans ahead for AmInvest, specifically how do the challenges facing the local and global economy shape your investment decisions and the positioning of your fund portfolios or new product in the pipeline for the coming months/ years ahead?

In terms of product offerings:

We are seeing a focus back into global funds along with the recovery of developed markets. Amidst the market volatility these couple of years, funds focusing on income distribution are making a comeback and we foresee that to stay. We plan to launch some wholesale global feeder funds focusing on income distribution and also some growth funds for product diversification in the coming months.

The Securities Commission Malaysia (SC) has introduced the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, expected to commence on 15 June 2015. Under this framework, SC's authorisation or recognition of wholesale funds is no longer required, provided all requirements under the guidelines are complied with. The management company can lodge and launch wholesale funds on the same day. This essentially shortens speed-to-market and provides us the certainty on when to launch our wholesale funds.

Plans ahead for AmInvest:

At AmInvest, we are focused on providing global investment solutions to local and global investors, and as such moving forward we will continue to increase our global presence through ways which include offering and promoting unique strategies which can deliver better risk adjusted returns, consistent returns at lower volatility compared to indices as well as average peer active funds, all at competitive prices.

We would like to strengthen our focus on delivering superior investment performance. Additionally, we want to leverage on the traction that we have achieved so far in terms of our investment expertise and product menu.

Through these efforts, we hope to have a higher profile and extend our reach to institutional investors and distribution partners not just locally, but globally.

In terms of investment outlook, the year 2015 so far has been shadowed by the implementation of the new tax regime and its short term uncertainties. Is AmInvest optimistic of repeating the impressive performances of the past years? What are the foreseeable scenarios for equity and other investment funds? Is there a higher risk premium for the market due to internal and external risks?

Is AmInvest optimistic of repeating the impressive performance of the past years?

We expect global and local equity markets to be volatile in the short term due to concerns over the United States (US) interest rate hike which will negatively impact US corporate earnings, Greece ability to pay its debt, China's weak economy and issues surrounding 1MDB. However, we believe on the local front that buying opportunities for long term investors have emerged due to recent pullback in the FBM100. Using the price-book (PB) as a reference, the ratio is now the lowest in the past decade excluding the Global Financial Crisis.

Due to the expected volatility, we have positioned our equity portfolios by overweighting high dividend paying defensive stocks that are expected to outperform and provide steady income during market consolidation. Investors are encouraged to focus on funds that are expected to deliver a steady stream of income in the short to medium term.

For fixed income, we expect global volatility to spike in the short to medium term. Hence, it is favourable for bond investors to invest in close-ended target maturity funds (currency hedged) to ride out the market volatility in the next 2 - 3 years to come.

What are the foreseeable scenarios for equity and other investment funds?

Given the uncertainty in the global growth quality and strength, a combination of equity income and cyclical would be preferred. On a relative basis, Europe and Japan would be our preference with regards to cyclical growth especially in areas such as financials and healthcare. Over a longer term horizon, we are comfortable with China especially in areas such as IT, green/environmental, SoE reform and social safety-net. Systemic banking risk are being addressed via swapping loans by local government financing vehicles with public bonds. We are also comfortable with Australian Treasury and corporate bonds over the near term as yields have been rising while the macro outlook will remain soft.

Is there a higher risk premium for the market due to internal and external risks?

For Malaysia, the key risk is the failure to address issues pertaining to 1MDB and executing the recently announced 11th Malaysia Plan (11MP) especially with regards to education (soft skill set). Globally, we are monitoring global growth especially China, speed of interest rate hike in relation to growth and geopolitical risk i.e. Middle East.

Global market factors such as the timing and steepness of the rate hikes planned by the US Federal Reserve increase volatility in the market, as expectations of the timing, consistency and the effect of these possible rate hikes will have effects on the growth, interest rate and inflationary expectations of the US economy, and in turn the US and global yield curves. The possible exit of Greece from the Eurozone and the unwinding of events surrounding it will have its toll on both the currency and economies of the European countries, especially the peripheral European sovereigns due to the contagion effect of Greece onto its neighbouring economies. The possible slowdown in Emerging Market (EM) Asia especially China have raised concerns of growth especially in period where there is a period of slowdown in demand domestically and externally for EM assets. A period of recession in Russia and possible slowdown in Latin America are also a cause of concern as this has precipitated currency and asset selloffs and continue to increase contagion risks.

From domestic factors, we see that the Goods and Services Tax (GST) has begun to weigh down on growth for 2015. We also note that the corporate earnings for the country have continued to compress and see concerns over growth and future expectations. We see increased risk from the uncertainty surrounding the possible delay in implementation of pump priming and growth in the economy.

Notwithstanding these risks, the recent market sell-off may have discounted some of them to some extent with selective longer term investment opportunities beginning to emerge.