MORNINGSTAR AWARD 2017 WINNER:
AmInvest

Winning Fund:
AmDynamic Bond
Category: Best Malaysia Bond Fund


Goh Wee Peng

AmInvest, a leading Malaysian funds management house, is one of three winners at the Morningstar Malaysia Fund Awards 2017. The company's AmDynamic Bond Fund is chosen as the Best Malaysia Bond Fund for the year ended 31 December 2016.

Launched in 2003, AmDynamic Bond is a unit trust fund eligible under the Employees Provident Fund Members' Investment Scheme. The fund, which employs an active management investment strategy, has clocked in a return of around 93% since 2006, beating its peers' average return of about 50%[1], which translates to a return of around 7% annually over 10 years[1].

The Fund seeks to potentially optimise returns for investors, based on among others; interest rate expectations, currency movements and diversification opportunities through its exposure to both local as well as foreign bonds.

AmInvest's Deputy Chief Executive Officer & Chief Investment Officer Goh Wee Peng believes that in a time of low interest rates and increased market volatility, investors should consider adding this Fund to their investment portfolios for potential income over the medium to long term.

"The Fund can also provide portfolio diversification from one's local investments and capture the upside potential of foreign bond exposure through bonds across Asia Pacific that are now close to historic lows," she said.

Smart Investor (SI): What do you believe are the reasons behind its successful performance?

Goh Wee Peng (WP): The outstanding Fund's performance is derived from the "high conviction" strategy employed and active management by the fixed income team in accordance to macro view and market timing.

The fund manager continuously adds value by actively managing tactical duration, yield curve positioning and exploiting credit spread arbitrage. It demonstrates our stringent credit processes and superior credit selection recommended by our proprietary credit research unit.

Our investment philosophy is guided by a three-pronged process which includes:
1. Directional view based on macro top-down approach,
2. Relative valuation, and
3. Volatility management.

The macro top-down approach involves economic analysis and the process is aided by our group economist. Selection of credits will be done in the relative valuation process based on our in-house credit valuation model.

Lastly, volatility management will be mitigated through high conviction asset allocation and duration management.

SI: How is your investment team organised? Have there been any changes to the investment team or structure over the past year?

Our investment team consists of analysts and fund managers deploying both active and passive strategies across asset classes.

Over time, we have built up our in house talent for the management of passive strategies and have succeeded to become the largest Exchange Traded Funds (ETF) manager in terms of assets under management/fund size in Malaysia.[2]

SI: What new investment products will you be offering in the new future?

WP: We believe in giving choices to investors for them to make an informed investment decision. As such, from the last quarter of 2016, we have been promoting our range of

Asia Pacific funds focusing on AmAsia Pacific Real Estate Investment Trusts (REITs) fund and Asia Pacific Equity Income fund.

Both funds aim to target income seeking investors whom are looking for opportunities to capitalise on the attractiveness of Asia. To complement the Asia Pacific funds suite, AmInvest will also be targeting global investment solutions to investors.

We are looking at income-themed global suite funds. Plans are in place to launch wholesale bond funds, high yield bond fund, close-ended bond funds and global equity fund.

SI: Moving forward, what are your strategies for the upcoming year to deal with the continued market volatility (in terms of asset allocation and strategy)?

WP: Investors are still digesting the larger impact of President Trump's economic policies. The impact of President Trump on the economy is likely to be mixed, the positive effect of tax cuts, infrastructure spending and regulatory overhaul will be constrained by his administration's protectionist tendencies.

Nevertheless, in spite of the challenging global outlook, Malaysia's economy continues to display resilience, as shown by a higher than expected third quarter of 2016 Year-on-Year (YoY) Gross Domestic Product (GDP) growth of 4.3% which is a reversal from five quarters of decelerating growth. Moving forward, private consumption is expected to continue to underpin 2017's GDP projected growth of 4.3%[3].

In particular, key infrastructure projects such as the ongoing RAPID, Pan Borneo Highway, Klang Valley Mass Rapid Transit 2 (KVMRT2), Light Rail Transit 3 (LRT3) and the newly announced East Coast Rail Link will likely provide positive spin-off effect to the economy.

Bank Negara Malaysia (BNM)'s decision to hold interest rates steady in January was widely anticipated given that it had already implemented a pre-emptive rate cut in June 2016. Going forward, we expect BNM to hold rates steady given that inflation in 2017 is not likely to be as benign as it was in 2016.

Oil prices have been trending up in recent months following the Organisation of the Petroleum Exporting Countries (OPEC) production cut, which has led to more than 20% increase in Malaysian fuel prices. Worldwide, there is likely to be reflation which China has snapped out of its factory price deflation, and stronger Chinese factory prices will be exported throughout the world.

Thus, investors should adopt a long term investment horizon to ride through market volatility.

We also like defensive sectors such as toll roads (both green and brown fields), power producers (both green and brown fields) and are selective on construction, consumer, telecommunication and plantation. Corporate balance sheet is key which we focus on strong balance sheet and cash flow generation capacity.

We will avoid oil and gas and property sectors. Oil and gas sectors remain affected by poor capex outlook, weak sales and poor balance sheet. For the property sector, sales have remained sluggish and we do not expect to see significant turnaround given the ongoing administrative measures, banks' cautious lending attitude and increase of housing supply in general.

AMDYNAMIC BOND	
Morningstar Category:	Bonds - Malaysia
Morningstar Rating™ (2017-02-28)	★★★★★
ISIN	—
Inception Date	2003-09-16
NAV (2017-03-16)	MYR 0.6479
Day Change	0.12%
Total Net Assets (Mil) (2017-02-28)	USD 22.25
Total Expense Ratio (2016-07-31)	1.14 %
Front Load Fee (Max)	Nil
Redemption Fee	Up to 1%
Employee Provident Fund	Yes
Manager Name	Goh Wee Peng
Start Date	Since Inception Date

[1] *Lipper for Investment Management by Lipper, a Thomson Reuters company for the period 31 December 2006 to 31 December 2016 and is based on total returns, calculated in MYR. Data extracted 3 February 2017.*
[2] *Lipper for Investment Management by Lipper, a Thomson Reuters company as at 28 February 2017. Data extracted 2 March 2017.*
[3] *Data extracted from World Bank.*