

# Breaking global boundaries in Malaysia

Malaysian funds management house AmInvest has diversified its core strategy to include smart beta strategies, and by doing so is making its mark on a global scale



INTERVIEW WITH  
**Datin Maznah Mahbob**  
CEO, AMINVEST

Over the past 15 years, Malaysia has grown to become one of the deepest and most liquid bond markets in the whole of Asia, and its economy is booming. In line with the country's gradual liberalisation, Malaysia's investment climate has transformed into a highly competitive marketplace where foreign investments and businesses are now welcomed.

Among its key players is AmInvest, the biggest fixed income manager in the country, and one of its largest overall fund managers. The company has been expanding rapidly over the past five years, recording an average annual growth rate of 15 percent in terms of AUM as at December 2014 (see Fig. 1), according to its CEO, Datin Maznah Mahbob. That progress is being driven by a host of new initiatives that are helping to grow the fund house, and sustain its reputation as a pioneer in the investment field – both locally and beyond the Malaysian shores.

## Diversifying assets

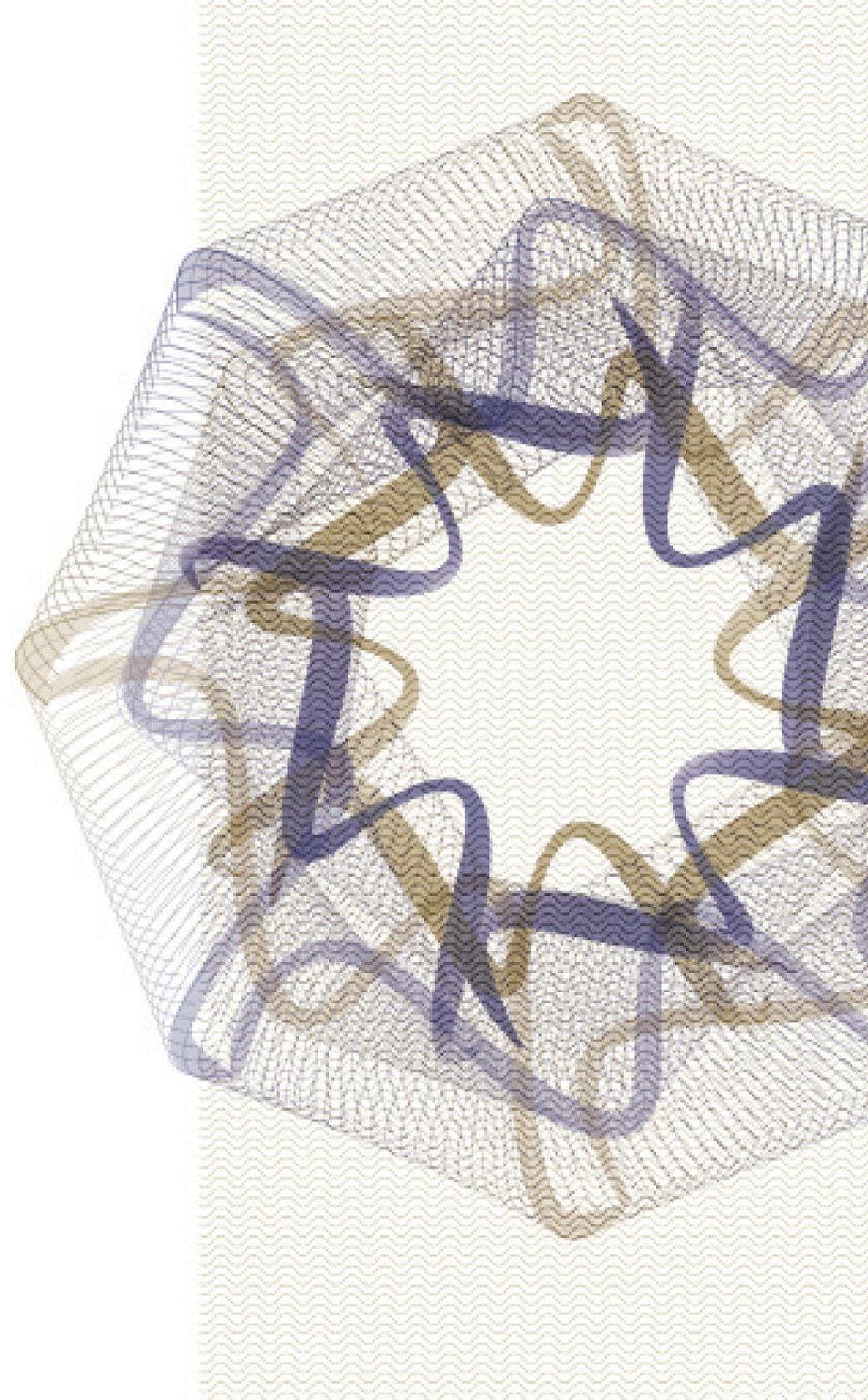
AmInvest has undergone substantial change since it was founded in the 1980s, with an increasingly diverse portfolio of assets that helps to fuel its success and carve out its reputation as a leader in the field. The company started out with domestic equities, mirroring the majority of the Malaysian market at the time. At the onset of the Asian financial crisis in 1998 when interest rates skyrocketed, it shifted to bonds and fixed income investments. The company set a trend in the local market that others swiftly followed; thanks to its

shift, bonds have proven the fastest-growing segment in Malaysia over recent years. "I think we led the way by offering active fixed income management to first institutional investors, and launching quite a comprehensive suite of bond funds in the local market", says Mahbob. That pioneering spirit was a telling sign of things to come.

Now the company is undergoing another fundamental shift as sharia-compliant funds take on a more prominent role in the AmInvest portfolio. Sharia-compliant investments are something AmInvest has been specialising in for a while, but it's only recently that the segment has started to increase in momentum. Minimising elements of risks for example in sukuk unlike ordinary bonds that aren't reliant on debt – the sharia-compliant investment space can be a challenging one in terms of generating returns. AmInvest's larger scale, alongside its ability to innovate, has helped the company to overcome those challenges, giving it an advantage over smaller fund managers.

Equities are becoming more important for AmInvest again; according to Mahbob, annual growth over the past five years in this asset class has outpaced its fixed income investments. "Our strength was traditionally in the institutional space – in fixed income – and our core assets have always been domestic. Today, we are building up our capabilities in both the retail and institutional spaces; in equities, managing foreign assets particularly in sharia-compliant funds", she continues. "I would say that, in a way, it makes our fee revenue much more stable than it was in the midst of market volatility."

That development is being driven by a change in climate, according to Mahbob: "This year with the change in tone – a reversal in interest rate direction worldwide – we have been winning more awards for our multi-asset funds and our balance funds."



## Smart beta strategies

At the heart of its current diversification strategy is the company's move into smart beta strategies – where holdings securities are weighted by factors other than solely market capitalisation. Such measures include volatility, dividend yield and revenue. Smart beta has attracted much attention of late, especially among institutional investors in Europe and the US, helping to further develop exchange traded funds that have already been growing rapidly over the past 10 to 15 years.

Mahbob believes the popularity of smart beta strategies is being driven by its ability to deliver more consistent, transparent returns – at a lower cost. But although smart beta has gained traction across a number of key developed regions, it's so far kept a low profile in the sharia-compliant space.

"Smart beta, although common in the conventional investment space, is still in its infancy with regard to ethical funds and sharia-compliant funds", attests Mahbob. Plans are already in the pipeline at AmInvest to offer UCITS-compliant global funds in its suite of offerings which adopt a smart beta investment methodology as an alternative approach to add value to investors' equity investments, slated to be launched in the first half of 2015. At present, the company is on the lookout for distribution partners globally in the form of investment and financial advisors, fund distributors, family offices as well as direct institutional clients.

The development of smart beta strategies marks a milestone for AmInvest – and Malaysia's investment market more generally – as the company moves into investing in new overseas markets. "We hope this investment will give us access to the international markets in Europe, the Middle East and some parts of Asia", says Mahbob. It's another pioneering move for a region largely domes-

tic in focus, especially within the sharia-compliant sphere, according to Mahbob. That's not only apparent in Malaysia; even the largest sharia-compliant equities fund in the world – based in the US – is invested in US equities by a US fund manager.

The move isn't just helping AmInvest to grow investors domestically – it's providing global investors with an exciting chance to capitalise on the investment prospects offered in developed equities markets. Mahbob believes diversifying assets via internationalisation is a move other fund managers will need to follow in order to remain competitive: "Throughout the years, it has been our quantitative approach to managing global investments that has allowed us to manage foreign assets while maintaining our headquarters in Malaysia." She adds that some local investment managers have already started doing that, once again inspired by the precedent set by AmInvest.

That strategy of moving beyond Malaysia began in 2005, when the country's market was first opened up to foreign investments – giving local retail investors the opportunity to invest in foreign funds. "I think we were the leader in that space, providing the widest spectrum of foreign asset classes to domestic investors at the time", says Mahbob.

## Innovate to accumulate

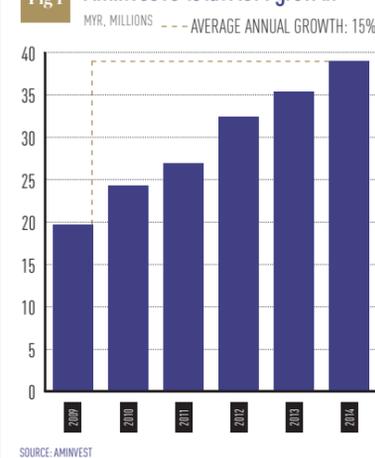
It's that emphasis on constantly innovating and leading that's helping AmInvest to thrive in a fiercely competitive environment. Mahbob believes a sharp focus is also driving the company's success: "We have always kept our eye on the ball which is consistent returns, the preferred outcome required by our investors. Beyond Malaysia, we are ready to offer our global best investment solutions to global investors."

Being aware of the investment climate is also extremely important for AmInvest. "We are very conscious of the ever-changing market environment, which in itself provides opportunities for us to deliver consistent investment returns in an environment which is very inconsistent", says Mahbob. The company certainly has a strong history of delivering consistent returns – and that solid record is contributing to a highly compelling value proposition for investors, both in the sharia-compliant space and in broader ethical and socially responsible investing – an area in which AmInvest specialises.

While the pioneering spirit has always been there, it seems it's only now that AmInvest is really kicking things off and stirring up excitement not only among Malaysia's investment community, but globally as well. As the funds management house leads the local market into new territory, diversifying its assets and branching out beyond the borders of Malaysia, it's setting a precedent for other fund houses that could transform the face of investing – both in Malaysia and, importantly, beyond. ■

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Fig 1 AmInvest's total AUM growth



SOURCE: AMINVEST