

Winning moves

Amanah Mutual Bhd

AWARDS

AMB Value Trust, best Equity Malaysia fund over three-year and five-years

For AMB Value Trust, its key to success lies in the fact that the fund house was able to identify companies that generate superior returns and companies that are undervalued with systematic analysis and a bottom-up approach, says Amanah Mutual Bhd CEO Sheila Halim. AMB Value Trust recorded returns of 81% and 128.47% over the three and five-year periods ended Dec 31, 2009.



For the fund house, the main challenge lay in managing asset allocation during the recession in 2008 and when the stock market began to recover early last year. "The early recovery took us by surprise to some extent. The decision to stay largely in cash in 2H2008 was a significant factor in maintaining the fund's outperformance. As signs of recovery emerged in 1H2009, we increased the fund's equity exposure to normal levels, which enabled it to ride the market's rise," says Sheila.

To add value to the portfolio, Amanah Mutual believes in the macro and top-down approach in sector allocations. "Sector themes with strong multi-cycle and multi-year growth potential identified by our research helped maintain our steady performance. We are focusing on finding quality companies with reasonable valuations," says Sheila.

Moving forward, the fund will focus on several investment themes, including the economic recovery, beneficiaries of pump-priming, rising commodity prices as well as mergers and acquisitions, she adds.

The fund house says stock picking will continue to play a vital role in outperforming its benchmark and peers. It expects the performance of its funds to stay consistent despite market volatility.

"We will employ several methods to manage the risk of market volatility. These include managing equity exposure against cash, investing in some defensive companies, taking profit when a company's valuation meets fair price and limiting exposure to companies whose business has above average volatility," says Sheila.

"While the recent correction has made the market more attractive, our strategy is not to time the bottom of the current sell-down but to look for opportunities to increase positions in undervalued companies with good fundamentals," she adds. — by Celine Tan

AmInvestment Services Bhd

AWARDS

AmDynamic Bond, best Bond MYR fund over three and five years; group award for bond asset class

The fund house clinched the group award for bond asset class for the third consecutive year. Goh Wee Peng, head of fixed income, funds management division of AmInvestment Group Bhd, attributes the win to her fixed income team that has consistently managed to take advantage of market conditions.



"This is via our structural long-term strategy implementation based on macro analysis aided by experienced in-house economists and tactical short-term trading based on market timing in accordance with our sound investment philosophy and process," she says. "It also demonstrates our stringent credit processes and superior credit selection recommended by our proprietary credit research unit."

AmDynamic Bond recorded total returns of 28.04% and 60.91% respectively for the three-year and five-year periods under review.

"The fund's outstanding performance was due to the 'high conviction' strategy we employed," says Goh. "We continuously value-add by actively managing tactical duration, yield curve positioning and exploiting credit spread arbitrage."

The bond market went through the same tough times as the other markets. "1H2009 was a period of extreme risk-aversion and as a result, secondary bond market liquidity shrank considerably. At the same time, fewer corporate issuers were seen tapping the bond market for funding as credit yields rose amid market players' concerns about corporate earnings visibility," says Goh.

Going forward, the fund house views the increased market volatility as an excellent opportunity to enhance returns through active portfolio management and trading.

"Our house believes a rate hike is imminent. In such an environment, active portfolio duration management is crucial. That said, we maintain our neutral portfolio duration positioning strategy relative to the benchmark, a strategy we have adopted since 2H2009," says Goh. "In terms of credit exposure selection, we shall continue to cautiously participate in good lower-rated PDS (private debt securities) for additional yield pick-up and to ride the anticipated spread tightening trend, especially in the lower-rated segment of the credit curve." — by Celine Tan

Apex Investment Services Bhd

AWARDS

Apex Dana Al-Faiz-i, best Mixed Asset MYR Balanced Malaysia-Islamic over three and five-years and best Mixed Asset MYR Balanced fund over three years

Depending on market conditions, Apex Dana Al-Faiz-i has 40% to 60% exposure in syariah-compliant equity-related securities. In the five-year period ended last December, its benchmark FBM Emas Shariah Index (FBMS) touched its all-time high of 11,178.20 points in January 2008 and hit a low of 5,418.99 points nine months later. The FBMS then recovered to close the period at 8,509.52 points.



In this highly volatile environment, total returns for the fund for the three-year and five-year periods for the year ended Dec 31, 2009, were 64.76% and 81.43% respectively.

Asset allocation played a crucial role in determining the fund's performance in such a volatile market, says Apex Investment Services Bhd CEO Tan Keah Huat.

"Our constant monitoring of the market situation and the employment of technical analysis resulted in proper asset allocation during most of the period," he says.

The fund house utilised a dual approach of value and growth investing. "Since our investments are for the longer term, value investing provides superior returns over the years. We also look for companies that will have high earnings growth over the next one to two years," says Tan.

Among the factors that the team considers are the quality and strength of a company's management, corporate governance, balance sheet strength, cash flow, quality of earnings and corporate exercises.

"We believe the share prices of companies with strong fundamentals will not be adversely affected by a declining stock market. To further strengthen our investment strategy, we also adopt the 'top-down' and 'bottom-up' investment techniques, recognising that these are not mutually exclusive processes," he says.

Beyond that, the fund house is preparing to adopt "value averaging" this year. "This helps reduce the emotional part of investment so that we can execute our strategy objectively. In fact, higher volatility tends to help us outperform using this method," says Tan. — by Celine Tan

Avenue Invest Bhd

AWARD

Avenue TacticalEXTRA, best Mixed Asset MYR Flexible fund over three years

Avenue TacticalEXTRA, a fund that aims to deliver absolute returns regardless of market conditions, has grabbed the Mixed Asset MYR Flexible award for the three-year period for the second consecutive year. Avenue Invest Bhd managing director Tan Jin Teik attributes the win to a disciplined and fundamental approach to investing over the years and conviction.



The investment house believes there are always temporary mismatches between what the market is willing to pay for a stock and its intrinsic value. "Once we have conviction in an idea, we look to exploit this opportunity in a disciplined manner. Discipline matters because in volatile markets, emotions often threaten to override logic," explains Tan. However, there is no certainty fundamentals will remain the same.

"Occasionally, we do have ideas that do not work because the fundamentals change. In such cases, we admit our mistake, cut our losses and move on."

A fund with absolute return objectives generally is less volatile than other equity funds.

"The fund has been managed with a conservative bias. We don't chase the market all the way up in bullish years. The result may be painfully wrong for a while but proves itself in the long run over various market cycles," says Tan. "It does not offer top-of-the-range returns in any one year but is a good fund to have for most investors who seek reasonably steady returns from risky assets in the long run."

Since its inception in March 2005 until end-January 2010, the fund's annualised return has been 13.3% compared with the FBM KLCI's annualised return of 7.3%.

In the months ahead, says Tan, the markets will likely be volatile within a trading range since interest rates are expected to go up sooner rather than later. "We will have a neutral allocation for stocks until the market is comfortable with the idea that rates have 'normalised' before weighing stocks again. Meantime, we will focus on a few selected stock specific ideas," says Tan, who expects the fund to stay in positive territory this year. — by Celine Tan