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## AHAM Asset Management retains Islamic group award

The Edge, Malaysia

Page 1 of 2

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BY KUEK SER KWANG ZHE

For the second year running, AHAM Asset Management Bhd (previously known as Affin Hwang Asset Management Bhd) has clinched the Best Equity Group (Islamic) award in the Refinitiv Lipper Fund Awards 2023.

Akmal Hassan, managing director of AIIMAN Asset Management, attributes the win to an "absolute return mindset". The firm aims to achieve a specific rate of return based on capital invested, instead of comparing its performance relatively against a given benchmark. It strives to deliver positive returns to investors even when the benchmark performs poorly.

Akmal and his team focus a lot on the quality of growth of the companies and the entry price of buying into them. This is overlaid with a macro awareness while keeping in mind the fundamentals of those companies.

"This approach has served us well, especially over the last few years as market movements became more pronounced. By knowing when to take some money off the table, we are able to protect the downside of our portfolio and capitalise on market conditions when the risk-reward outcome is in our favour."

Having an absolute return approach also means that Akmal and his team are not bound by any benchmark when investing. That allows them to raise a higher level of cash during challenging times to preserve capital in a challenging market, he says.

Last year's market was volatile on the back of domestic and global headwinds, almost all of them macroeconomics-related. There were aggressive interest rate hikes by the US Federal Reserve, the Ukraine-Russia war and the resurgence of Covid-19 cases in China. Even the share price of companies with strong fundamentals was hurt. Holding more cash shielded Akmal and his team from further downside and provided them with firepower to bargain hunt during market downturns.

Yet, the convictions of Akmal and his team were tested time and again when markets were on a roller-coaster ride. Were the companies they invested in really as good as they thought? What if they were wrong? Would prices fall further from what they expected?

"Our conviction calls were regularly tested, given how sentiment and market drivers changed frequently and, often, in a big way. However, what carried us through was the strength of the team as we kept in close communication to continuously encourage and support one another."

"The greatest asset of any fund house is its people. And we are fortunate to have some of the most passionate and dedicated team players here in our company," he says.

So, Akmal and his team stuck to their guns and made a few good calls over the years. "First, we quickly increased our cash level in the first quarter of 2022 (1Q2022), which protected the capital of our funds from the market decline towards the middle of the year."

"Second, we held on to our long-term conviction ideas even when market sentiment started to wane. Prices eventually recovered as the year was coming to an end," he says.

The cash levels of AIIMAN's funds were generally higher in the early part of last year. That was after Akmal and his team locked in gains by selling company shares in sectors sensitive to interest rate changes, such as the technology sector. They then progressively deployed those cash amounts throughout the year.

"On average, the cash level of our shariah funds ranged between 10% and 30% last year," he says.



**ANOTHER ROLLER-COASTER YEAR**  
Akmal expects the equity market to remain volatile as the global economy starts to feel the impact of synchronised tightening in monetary policy.

On the bright side, financial constraints faced by governments and companies seem to have eased while inflation may soon peak. The relaxation of China's Covid-19 policies will also provide a tailwind to the global economy, particularly to Asia, and bring forth further economic recovery.

"For Malaysia, we are supported by robust economic growth, low equity market valuations and political stability," says Akmal.

Akmal and his team will continue to maintain a barbell investment approach and hold significant positions in defensive companies to anchor their portfolios this year.

"However, that is balanced by our positions in what we deem as quality growth stocks. These are companies that offer structural growth potential, have a strong business moat and a healthy balance sheet."

"It will be important for us to remain agile to quickly adjust to new macroeconomic and geopolitical developments," he says.

Malaysia has been plagued by years of political instability, which affected the investment interest of foreign investors and business senti-



ment. The country has most recently welcomed its fourth prime minister in about four years. However, the current unity government under the leadership of Datuk Seri Anwar Ibrahim seems to be stable and has performed relatively well over the short term, says Akmal.

"We think it's early days yet. It would be premature to judge the government on its progress at this moment. However, the market narrative has been encouraging so far and the signals sent out by the prime minister and his unity government show that they are serious about institutional and fiscal reforms."

"Overall, the government's focus on addressing standards of living, targeted subsidies and the country's fiscal position [with a rising level of debt] are welcomed initiatives," he says.

Akmal would like to see the prime minister and unity government continue to reinforce public trust and integrity. This can be done through stemming corruption as well as delivering on its reform promises.

Other structural issues he hopes the government will tackle include narrowing the country's fiscal deficit, which could be achieved through the introduction of a targeted subsidy mechanism that will help lower the government's financial burden. Concerted efforts are also needed to widen its revenue base, such as a more efficient tax collection.

"However, it will be important for the government to implement any major policies in a gradual manner, so that it will not come as a shock to the economy. It can be done through greater shareholder engagement when policies are being formulated," says Akmal.

&gt; Akmal

### THIS YEAR SHAPING UP TO BE A BETTER ONE

David Ng, AHAM's deputy managing director and chief investment officer, says the market this year should fare better than the last as some of the strongest headwinds have started to abate. For instance, inflation seems to be easing for now, which would bring about an end to the aggressive interest rate hike cycle globally that jolted the market last year.

As the Fed starts slowing down on the interest rate hike, the strength of the US dollar would weaken, which bodes well for the Asian equities market.

"Asian equities are expected to perform better compared to the US on a relative basis. As such, we do have a preference for Asia over developed markets," Ng says.

The reopening of China will also add additional tailwinds to other Asian economies, owing to its extensive pent-up demand and the resumption of outbound tourism.

"Given Asia's proximity and extensive trade ties, the region is seen to be the biggest beneficiary as China fully reopens. Valuations [of the Asian markets] are also attractive. Judging from foreign fund flows, foreign investors have turned from sellers to buyers," says Ng.

Nonetheless, Ng and his team remain cautious on the high level of interest rates, which may prove stickier than expected. "It may stay higher for longer, leading us into a recession," he says.

Overall, Ng and his team deployed a significant amount of cash in the fourth quarter last year up until the first quarter of this year as prices fell and investment opportunities emerged.

"Our cash level has already been reduced significantly from last year. At one point last year, we were holding the maximum cash level that is allowed based on individual mandates. However, we became fully invested in the fourth quarter of last year up until recently. We started raising some cash, given the strong run in markets early this year," he says.

&gt; Ng



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Page 2 of 2

### SUMMARIES

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