



27 NOV, 2023

AHAM eager to promote ESG and SRI funds

The Edge, Malaysia

BEST FUND BASED ON ASSET CLASS • FIXED INCOME

AHAM eager to promote ESG and SRI funds

BY HAZEL VINCENT DE PAUL

THE AHAM ESG SGD BOND FUND (formerly known as Affin Hwang SGD Bond Fund) took home the gold award in the best fixed income fund category for the second year in a row at *The Edge Malaysia* ESG Awards 2023.

This is a recognition of AHAM Asset Management Bhd's (AHAM Capital) commitment to long-term sustainable investing, says Esther Teo, senior director of fixed income at AHAM Capital. The fund employs two key sustainable investment strategies.

"The fund adopts a negative screening process to exclude securities issued by companies with principal business activities in alcohol, coal mining, forestry and logging, fossil fuel, gaming, tobacco, military weapons and other businesses. Within this investible universe, we then incorporate material ESG issues in the assessment and securities selection," says Teo.

"In addition, we have an absolute return mindset with a clear focus on credit fundamentals that is overlaid with a level of macro awareness. Our active portfolio strategy on asset allocation and duration management enables us to mitigate the impact of rising interest rates and high credit default in the Asian region."

Having a strong and cohesive investment team is also important, as it enables AHAM Capital to leverage diverse skill sets and avoid blind spots.

Despite being in the early stages of its ESG journey, AHAM Capital recently became a signatory to the United Nations-supported Principles for Responsible Investment.

Not only does AHAM Capital engage with corporate issuers on sustainability and collaborates with peers, regulators and clients to promote sustainable investments, but it also prioritises the completion of voluntary reporting.

Managing the fund has its fair share of challenges, says Teo, as rising interest rates, high default rates in Asian credit markets and heightened geopolitical tensions continue to affect investment landscapes in 2023.

"A notable trend was the contraction in ESG-labelled bond supply, both in the Asia-US dollar space and the SGD ESG-labelled bond space. ESG-labelled bond supply shrank significantly, posing challenges for investors seeking sustainable investment opportunities," she says.

In response, AHAM ESG SGD Bond Fund adopted a guarded approach, emphasising high-quality credits and government bonds. This shift aimed to mitigate risks amid global economic concerns. To address interest rate volatility, a cautious, short-duration strategy was advocated, prioritising capital preservation.

"This approach also enabled the fund to capitalise on the carry from short-duration papers, offering the best risk-adjusted return in the prevailing market condition," says Teo.

AHAM Capital is interested in enhancing the presence of ESG as well as Sustainable and Responsible Investment (SRI) funds in Malaysia. Teo says, however, that this will require more active collaboration and engagement from various stakeholders.

The company has been actively engaging with regulators such as the Securities Commission Malaysia (SC) and providing feedback on the adoption of SC's guidance notes on managing ESG risk for fund management companies.

Teo says: "Stakeholders such as asset managers, government bodies and non-profit organisations can collaborate to raise awareness about the benefits of ESG and SRI investing."

"Industry collaboration can also lead to the creation of new and more innovative ESG and SRI financial products and funds tailored to Malaysian investors. Lastly, the government can provide tax incentives and financial support to both investors and asset managers involved in ESG and SRI initiatives." ■

"The government can provide tax incentives and financial support to both investors and asset managers involved in ESG and SRI initiatives."

— Esther Teo

FUND SIZE	S\$11.8 million (as at Sept 29, 2023)
FUND MANAGERS	Esther Teo and Maggie Wong
FUND INCEPTION DATE	Feb 23, 2021



27 NOV, 2023

AHAM eager to promote ESG and SRI funds

The Edge, Malaysia

Page 2 of 2

SUMMARIES

AHAM eager to promote ESG and SRI funds BY HAZEL VINCENT DE PAUL BEST FUND BASED ON ASSET CLASS • FIXED INCOME THE A H AM ESG SGD BOND FUND (f o r m e r l y k n o w n a s A f f i n H w a n g S G D B o n d F u n d) t o o k h o m e t h e g o l d a w a r d i n t h e b e s t f i x e d i n c o m e f u n d c a t e g o r y f o r t h e s e c o n d y e a r i n a r o w a t T h e E d g e M a l a y s i a E S G A w a r d s 2 0 2 3 . T h i s i s a r e c o g n i t i o n o f A H A M A s s e t M a n a g e m e n t B h d ' s (A H A M C a p i t a l) c o m m i t m e n t t o l o n g - t e r m s u s t a i n a b . . .