

CHAMPIONING SHARIAH-COMPLIANT FUND MANAGEMENT

AllMAN aims to be the market leader with innovative-yet-sustainable solutions.

AllMAN Asset Management (AllMAN), the Islamic fund management arm of Affin Hwang Asset Management (AHAM), has found its niche as a provider of unique and innovative shariah investment solutions that focus on Asian equities and global sukuk (Islamic bonds).

In fact, growing awareness on the potential of Islamic finance has spurred demand for shariah-based investment solutions. The industry is no longer regarded as a mere “alternative” to the conventional financial system.

After all, the demand for shariah compliant investment products has stretched from the local to regional

Asian markets to the Middle East and beyond. *Smart Investor* speaks to AllMAN’s managing director Akmal Hassan on what the future holds for the Islamic investment management company:

Smart Investor (SI): Kindly provide us with a brief background of AllMAN. What Shariah-compliant financial products does it manage and who are its target clientele?

Akmal Hassan (AH): A wholly owned subsidiary of AHAM, AllMAN (formerly Asian Islamic Investment Management Sdn Bhd) was established in 2008 in the aftermath of the global

financial crisis when we weathered a very challenging and highly volatile market. We nevertheless persevered and managed to turn things around for the company through a mix of dedication, cost-cutting as well as efforts to double-down and build our institutional business.

At a time when global investors were shying away from the market, we went in aggressively instead. We made a case to our clients that it was a good time to invest from a long-term perspective. We were proven right in the end given the market was at the bottom when we entered, thus we made very attractive returns.

After 10 years in operations, the company has seen exponential growth

through the years with its total assets under administration (AUA) reaching RM14.68 bil as of end-March this year from just RM700 mil when we first started.

We are now looking for new avenues of expansion while at the same time, laying down the next key plank of growth for AIIIMAN in line with its vision to become a one-stop shariah-based investment provider.

SI: Kindly comment on AIIIMAN's investment philosophy or unique value proposition which distinguishes it from other Islamic asset management companies.

AH: AIIIMAN's investment philosophy is consistent with that of our parent company AHAM, which is to deliver absolute return performance through different economic-cycles for our clients (not just merely outperforming the benchmark).

We invest according to our conviction which encompasses stock selection, fixed income securities selection, and asset allocation decisions. We subscribe to the philosophy of investing in what we know and are guided by fundamental and valuation factors.

We look to differentiate ourselves from the rest of the Islamic fund management players in the industry through innovative-yet-sustainable solutions. We don't want to jump into the bandwagon by just innovating for the sake of it.

Instead, we strive to identify gaps in the market while introducing solutions that meet our investor's needs for consistent returns through a shariah-compliant structure.

Our strong parentage link with AHAM also distinguishes us from

other players in the industry. By leveraging on the strength of our parent company's wide distribution network and sales channels, we are able to serve the needs of the market more quickly by meeting the demand of investors.

SI: AIIIMAN has recently acquired a unit trust management company (UTMC) licence that allows it to produce, market and distribute its own unit trust funds. Does this mean AIIIMAN will be aggressively rolling out innovative retail products in the near future given the dearth of shariah-compliant offerings in the marketplace?

AH: After being a predominantly institutional player, we made our foray into the retail market after receiving regulatory approval with the granting of the UTMC license late last year.

Having launched our maiden fund, the Aiiiman Asia Pacific (ex-Japan) Dividend Fund, in February 2019, our efforts are currently focused on expanding the size of the fund. We hope to raise the fund size to RM100 mil within next year by leveraging on the growing demand for shariah investment solutions.

Having said that, we are readying a pipeline of product offerings that are unique to the



market. We aim to differentiate ourselves by conducting a product gap analysis as well as gauging demand first before launching any new fund.

We don't want to offer products that have the same investment proposition. Instead, we aim to offer solutions that can help investors diversify their portfolios

to build their wealth sustainably through a shariah-compliant investment structure.

SI: Kindly elaborate on the Aiiiman Asia Pacific (ex-Japan) Dividend Fund and its features. What are the opportunities for investors in Asia?

AH: We believe the fund's focus on dividend yielding securities and potential dividend leaders within the shariah space makes it an attractive proposition to investors especially in this current market environment that is highly volatile.

Investors would benefit from an added source of diversification in addition to having a stable income stream in the medium- to long-term.

The Fund's shariah additional screening filters also puts emphasis on businesses with low gearing levels and stable cashflows to ensure that the Fund's holdings are composed of resilient counters with strong cashflow generation that has the ability to sustain dividend pay-out.

Despite the slower global growth, Asia is the fastest growing region with projected annual growth rate of 6.4% per annum (p.a.) for the next five years (2019-2023). Asia remains



Source: Bloomberg as of 31 December 2018

the primary contributor to global growth with China, India, South Korea and the ASEAN region contributing about 60% of the global growth.

If we also look at the performance of the shariah performance index by region, we see that the MSCI AC Asia (ex-Japan) Index posted 10-year annualised return of 7.6% p.a., thus outperforming the Emerging Markets – including Africa and the Middle East and North Africa (MENA) region – as well as Europe.

In 2019, we have seen conditions flip 180 degrees for Asian markets with major headwinds that once pressured markets – notably rising interest rates and strong US dollar – now receding. We’ve also seen Asian benchmark gauges rally on expectations of policy support coming in from global central banks to shore-up the market.

A more dovish stance by the US Federal Reserve, the European Central Bank (ECB) as well as further stimulus measures by the People’s Bank of China could open

up the window for risk-assets to rally further.

Prospects of a trade deal between the US and China with both sides incentivised to reach a deal could also allay market fears over growth and prolong the cycle.

SI: Generally, how has the Islamic fund management industry in Malaysia fared amid the state of global market uncertainties? In your opinion, what are the prospects for the industry?

AH: The Islamic AUM was 7.74% lower at RM158.83 bil in 2018 from RM172.16 bil the previous year (Source: Securities Commission, 2018). This was also in tandem with the decline in total AUM for the industry which fell by 4.21% to RM743.58 bil from RM776.23 bil in 2017.

On prospects for the industry, we see a growing convergence between shariah and environmental, social and governance (ESG) principles that will fuel demand for shariah

investment products and solutions.

From the size of the universe perspective, we are of the view that shariah-compliant investments can be seen as a subset of the ESG universe. With increasing discussions on the commonality between shariah and ESG principles, we foresee a wider offering of value-based funds.

Changing demographics and trends have also created a greater awareness of sustainability issues with a new generation of investors that are more conscious about the wider challenges that we face today, including climate change, diversity and corporate transparency.

We expect this to further spur growth for the industry and mobilise demand for such funds/investments as they now command a broader appeal among investors who are ethically-conscious, but perhaps are indifferent if they are shariah-compliant or otherwise.

We saw this emphasised as well by the Securities Commission (SC) as part of its “5i Strategy” to develop a Sustainable and Responsible Investment (SRI) ecosystem by leveraging on Malaysia’s leadership in the Islamic capital market (Source: SC, 2018).

We are hopeful that together with the participation of other industry players and the forward-thinking initiative by regulators, we are able to get an early head-start by positioning Malaysia as a champion in the SRI space. **SI**