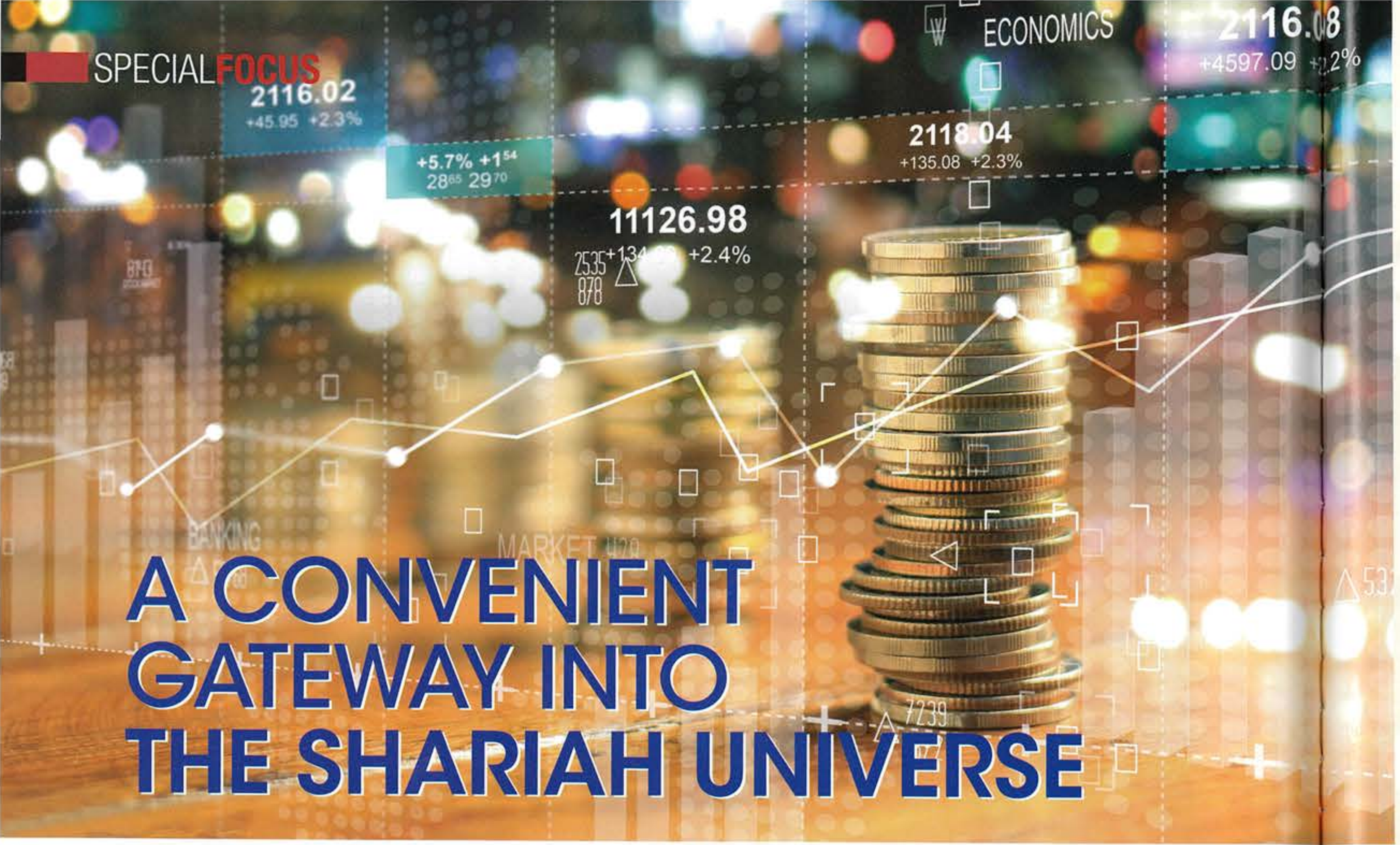


A CONVENIENT GATEWAY INTO THE SHARIAH UNIVERSE

Building a high conviction portfolio to deliver better risk-adjusted returns through the best Shariah-approved ideas

AIIMAN Asset Management Sdn Bhd, a wholly-owned subsidiary of Affin Hwang Asset Management Bhd, recently expanded its Shariah offerings with the launch of the AIIMAN Global Equity Fund.

This is the company's second retail fund, which offers local investors a convenient gateway into tapping growth opportunities within the Shariah equity segment globally.

Smart Investor caught up with AIIMAN Asset Management managing director Akmal Hassan to talk more about the fund, as well as the outlook for the global equity markets for 2020.

Smart Investor: Tell us more about the AIIMAN Global Equity Fund and what triggered the idea behind its launch?

Akmal Hassan: This is a global equity fund that will provide investors a convenient gateway into tapping opportunities in the Shariah universe. With the Fund's emphasis on future quality stocks, we ranked the best Shariah-approved ideas to build a high conviction portfolio to deliver better risk-adjusted return.

Throughout the stock selection process, strict Shariah as well as observation towards Environmental, Social, and Governance (ESG) filters were applied to identify companies that are sustainable and hold strong competitive advantages and balance sheet.

Our product philosophy is to constantly innovate and to offer investments solutions that meet the needs of our clients and the investing public. Currently, there is also a gap in our product suite for a Shariah fund with global equity exposure.

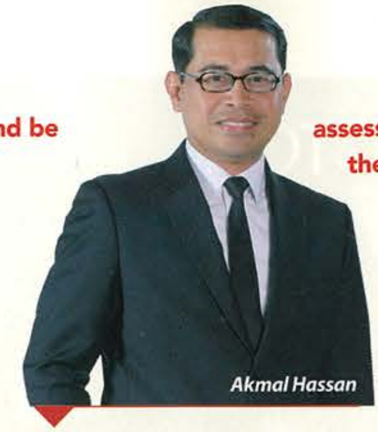
Thus, the recent launch of AIIMAN Global Equity Fund will help close this gap and broaden our Shariah offerings to investors. We can also leverage on the strength and support from Nikko Asset Management's global equity team who acts as the Fund's Investment Advisor.

Which industries/sectors will the Fund be invested in?

It will be well-diversified across seven to eight sectors. However, the two sectors with the highest weight will be Information Technology (IT) and Health Care. These two sectors will likely form more than half of the fund's holdings.

The guiding principle of this Fund is to invest in companies with a sustainable competitive edge and strong execution to maintain long-term growth. Companies with sustainable competitive edge are those with Intellectual Property (IP) protection, economies of scale and strong branding. Such companies tend to be long-term compounders as they are not easily disrupted by competition.

We also like the IT and Health Care sectors the most, because there are many companies there with the above-mentioned sustainable edge. The IT industry will continue to see rapid growth as consumers and corporates continue to equip themselves with better technology. The Health Care sector is also growing and evolving rapidly with advancement in genomics and life sciences. Diseases including cancer and HIV may see a breakthrough in treatment.



Akmal Hassan

ONCE ECONOMIC CONDITIONS IMPROVE, WE COULD THEN SEE A RECOVERY IN CORPORATE EARNINGS WHICH WILL DRIVE EQUITY MARKETS HIGHER.

Which countries/regions will the Fund be focused on?

The Fund will invest in both developed countries and emerging countries. For now, it will likely have a higher concentration in the US and European markets for a few reasons. Generally, companies in the developed countries tend to invest more in IP patents.

On top of that, companies in the developed countries tend to have stronger corporate governance. The regulatory environment in developed countries is also more stable with stronger shareholder protection.

2019 was riddled with volatility whether stemming from trade tensions, slowing growth and geopolitical risk (i.e. HK riots, Brexit). What's your assessment of the year and performance of the markets?

Towards the end of 2018, there were a lot of fears that the global economy will slip into a recession in 2019. Although the global economy has slowed down in 2019, there was no global recession and consequently, global equity markets have risen year to date.

The absence of recession in 2019 has been a relief for markets and subsequently drove a rebound in stock markets. Besides that, global central banks have stepped in to provide monetary stimulus through interest rate cuts to prop-up growth and support the economy.

Recent news that the US and China may sign a "Phase 1" trade deal has also supported the equity markets. Against this landscape, the MSCI Islamic World index performed well in 2019 after a tough 2018 with the index rising 14% (Source: Bloomberg, as at 31 Oct 2019).

What is your outlook for 2020 and how markets will fare?

We expect the global economy to improve modestly compared to 2019 because the economy tends to benefit with a lag of six to nine months after monetary stimulus. As global interest rate cuts have started in the first half of 2019, and the economy may start to improve towards the end of 2019 or early 2020. Once economic conditions improve, we could then see a recovery in corporate earnings which will drive equity markets higher.

The other key determinant will be US-China trade conflict. If a deal can be finalised, it will bolster the equity markets. Although we think that a "Phase 1" deal is likely to be signed, we recognise it is not a done deal and the trade war remains a risk.

All in all, we expect 2020 to be a positive year for the global equity markets. However, we will continue to monitor market risks closely. These risks include US-China trade conflict, US presidential election and global economic momentum.