

## MAYBANK ASSET MANAGEMENT MALAYSIA SDN BHD

# TURNING DEFENCE TO OFFENCE TO CAPTURE GEMS IN MARKET SELL-OFF



When news reports revealed the Coronavirus spreading out of China to other countries in January, Maybank Asset Management Malaysia Sdn Bhd (MAM Malaysia) quickly went on the defensive to protect its funds portfolio by raising cash.

However, at the same time it also remained nimble and snapped up quality stocks during the subsequent market sell-off in late February and March. This prudent yet opportunistic

approach enabled its funds to hold up well during the volatility seen during the MCO.

During the period from 1 March 2020 to 31 May 2020, its top performing funds were:

- Maybank Global Mixed Assets-I Fund (Class A MYR) (MGMAI) – Gained 5.70%.
- Maybank Malaysia Malaysia Sukuk Fund (MMSF) – Gained 0.59%.
- Maybank Malaysia SmallCap Fund (MMSC) – Gained 6.96%.

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MAM Malaysia chief executive officer Ahmad Najib Nazlan says as a firm, “we were defensive while staying nimble to capture opportunities during the market sell-off.”

The aim, he adds, was to protect the portfolio against downside risks in the near term and position it for the recovery in the longer-term.

“When news of the Coronavirus spreading out of China in January, we turned defensive and started to raise cash across our equity, fixed income as well as multi-asset portfolios.

“We focused more on the long-term investment objectives and viewed the crisis as an opportunity for us to reposition our portfolios. During the sell-down in March we took the opportunity to redeploy our cash into stocks and bonds as valuations and yields were attractive.”

For its equity portfolios, MAM Malaysia switched out from the more defensive names and deployed cash into sold down cyclical names with a

strong secular growth prospects.

"While for fixed income, we took the opportunity to redeploy our cash

into high quality high grade bonds in Asia as the yields offered during that period were very attractive," he adds.



Ahmad Najib  
Nazlan

### Factors for the outperformance

For MGMAI, Najib says the portfolio dynamically and flexibly asset allocate across multiple asset classes such as shariah compliant equities, sukuk, gold and cash.

"In essence, the dynamic asset allocation strategy enables the portfolio to capture any potential upside in financial markets as well as protect it against any the downside risks.

"For example, when we entered 2020, we had a high allocation to equities given the US-China trade deal and a dovish US Federal Reserve. However, in January we turned defensive and quickly reduced our allocation to equities and raised cash.

"In March, during the sell-off, opportunities emerged and we deployed cash to both equities and sukuk to capture the upside. This has helped the portfolio to deliver strong returns during the period."

Similarly for MMSF, it employed a defensive strategy and was underweight duration relative to Thomson Reuters Bond Pricing Agency Malaysia (TRBPAM) Sukuk Index and maintained adequate cash levels for possible buying opportunities as yields had become attractive after the sell-off in March.

MMSF also benefitted from its overweight position in corporate sukuk over Government Investment Issue (GII) which have contributed to the better performance.

In the case of MMSC, Najib says

## DEPLOYING AN EFFECTIVE ASSET ALLOCATION STRATEGY

Given there remains a lot of risks and volatility in the financial markets, MAM Malaysia chief executive officer Ahmad Najib Nazlan says an effective asset allocation strategy is an efficient way to tactically navigate the current challenging market condition.

In the near to medium term, MAM Malaysia is positive on fixed income and prefers it over equities as the unprecedented stimulus by major central banks have provided ample liquidity in the system. Furthermore, with interest rates expected to stay lower for longer, yields from fixed income funds could offer investors an attractive proposition, Najib says.

"Although we are neutral on equities over the near to medium term, equity funds can potentially provide decent returns in the longer-term. Recently, despite corporate earnings being downgraded, the supportive liquidity environment fuelled the recovery in equity markets.

"Therefore, at this current juncture, valuations are elevated and we view that the risk reward as being unattractive," he adds.

In the longer-term, as economies starts to recover gradually, there's value when investing into equities. "Hence, allocating into equity funds with a good portfolio mix of growth and high dividend yielding stocks could be beneficial for investors in the long-term."

Moreover, a multi-asset fund with a dynamic and flexible asset allocation strategy could also benefit in this market environment as the fund manager would be able to seek the right mix of assets to perform through different market environments, says Najib.

"As economic activities restarts, a dynamic asset allocation could capture any potential upside while managing downside risks as the markets remain uncertain due to the Covid-19 risks and ongoing geopolitical concerns," he adds.



this award winning small-cap fund held steady to the strategy of employing a high conviction approach with the support of its team of analysts.

"During the MCO period, particularly from March to May, MMSC was able to outperform its benchmark as the fund is very much focused on healthcare and technology-related companies which saw a strong rebound.

As lockdowns ease, Najib believes sectors exposed to a rebound in consumer spending, and those that are beneficiaries of the increase in fiscal stimulus, would be best placed to benefit from the recovery.

"Investments should gradually return as manufacturers rebuild their inventory and government spending picks up. Technology and healthcare will continue to do well." ❏