

Morningstar Awards

2017 Awards Winners - Best Malaysia Large-Cap Equity Fund - Affin Hwang Select Opportunity Fund

To help our readers better observe what makes a winner fund, we asked the winning teams to shed lights on some major changes they made to the portfolio over the course of 2016, how various risks affect their investment decisions and their investment team structure, etc.

Morningstar Editors | 31/03/17

The annual Morningstar Malaysia Fund Awards are designed to help investors identify the retail funds that added the most value for investors within the context of their relevant peer group in 2016 and over longer time periods.

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Best Malaysia Large-Cap Equity Fund -- Affin Hwang Select Opportunity Fund

Key Stats

Inception Date: 07 September, 2001

Morningstar Rating (as of 2017-02-28): ★★★★★

Total Net Assets (Mil, as of 2017-03-29): 150.99 USD

Manager: Eng Peng Gan

Manager Start Date: 07 September, 2001

M: Morningstar **P:** Mr. Gan Eng Peng, Head of Equity Strategies & Advisory of Affin Hwang Asset Management Berhad (*quotes attribution*)

M: Could you highlight any major changes you made to the portfolio over the course of 2015? Were there any particular holding(s) that drove the fund's performance for the year?

P: 2016 was a turbulent year. We recognised that corporate earnings growth was not going to be great. We were very selective with our holdings. Having fewer positions in the portfolio meant we were hit less with poor performing stocks as the overall market trend was down.

The key strategy we did that performed well was to aim low. This entailed having a core base of lower risk stocks like REITs, dividend yielders and strong cash flow businesses. As the environment went through a period of yield compression, most of them did well.

Funds that took on more risk in search of higher returns – ended up performing poorly last year.

We were also early to position into various bottom up ideas. We were early into some commodity plays, new construction powerhouse, banking turnaround and IPOs.

M: What is your outlook for 2017 specific to the markets you cover and how are you positioned to take advantage of opportunities and/or mitigate potential risks?

P: 2017 year to date performance has already exceeded 2016 performance. The year is shaping up to be a good year as economic conditions seem to have improved locally and globally. The portfolio has shifted many of the ideas for a refreshed positioning with more cyclical positions.

About Author



Morningstar Editors

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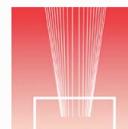
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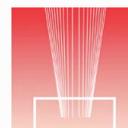
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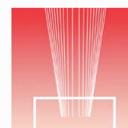
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2017 Awards Winners - Best Asia Pacific Equity Fund - Affin Hwang Select Asia (ex Japan) Quantum Fund

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M: *Can you comment on the macro risks facing the global economy, including the US rate hikes, weaknesses in commodity prices and the significant headwinds facing the emerging world? How do these risks affect your investment decisions?*

P: The best decisions we made in 2016 was to be aware of the macro issues but avoided making large portfolio changes. The negative impact of Brexit lasted 3 days, Italian referendum 3 hours and Trump election win only 3 minutes. In each situation, market pundits called for large market corrections, which were incorrect.

For 2017 we will remain macro aware and monitor the changing landscape. We think that the Trump presidency has more bark than bite. We will wait for actual policy implementation before reacting.

For emerging markets, we are monitoring fund flow situations, in recognition of the growing importance of passive investing. So far, emerging market flows are improving, which is positive for risk assets.

M: *How is your investment team organized? Have there been or do you anticipate any changes to the investment team or structure over the course of the year? Do you anticipate adding to the team in the near future?*

P: The equity team is split into Malaysian and Asian specialists. We cover Asian by country specialisation to capture the unique nature of each Asian market. We cover Malaysia by sectors. The core investment team has been intact for more than 8 years but we have been expanding to cater for increased mandates and fund size.

M: Can you highlight any areas where you feel that the investment team or the investment process can be improved upon?

P: Investment decision making is like advertisement expenditure, of which the famous quote resonates – “Half the money I spent on advertising is wasted; the trouble is I don’t know which half”, John Wanamaker. In our case, half the decisions we make are wrong, the trouble is we do not know which half.

In such a situation, a team in full, honest communication combined with killer instinct is a good recipe. This is something we always strive for.

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