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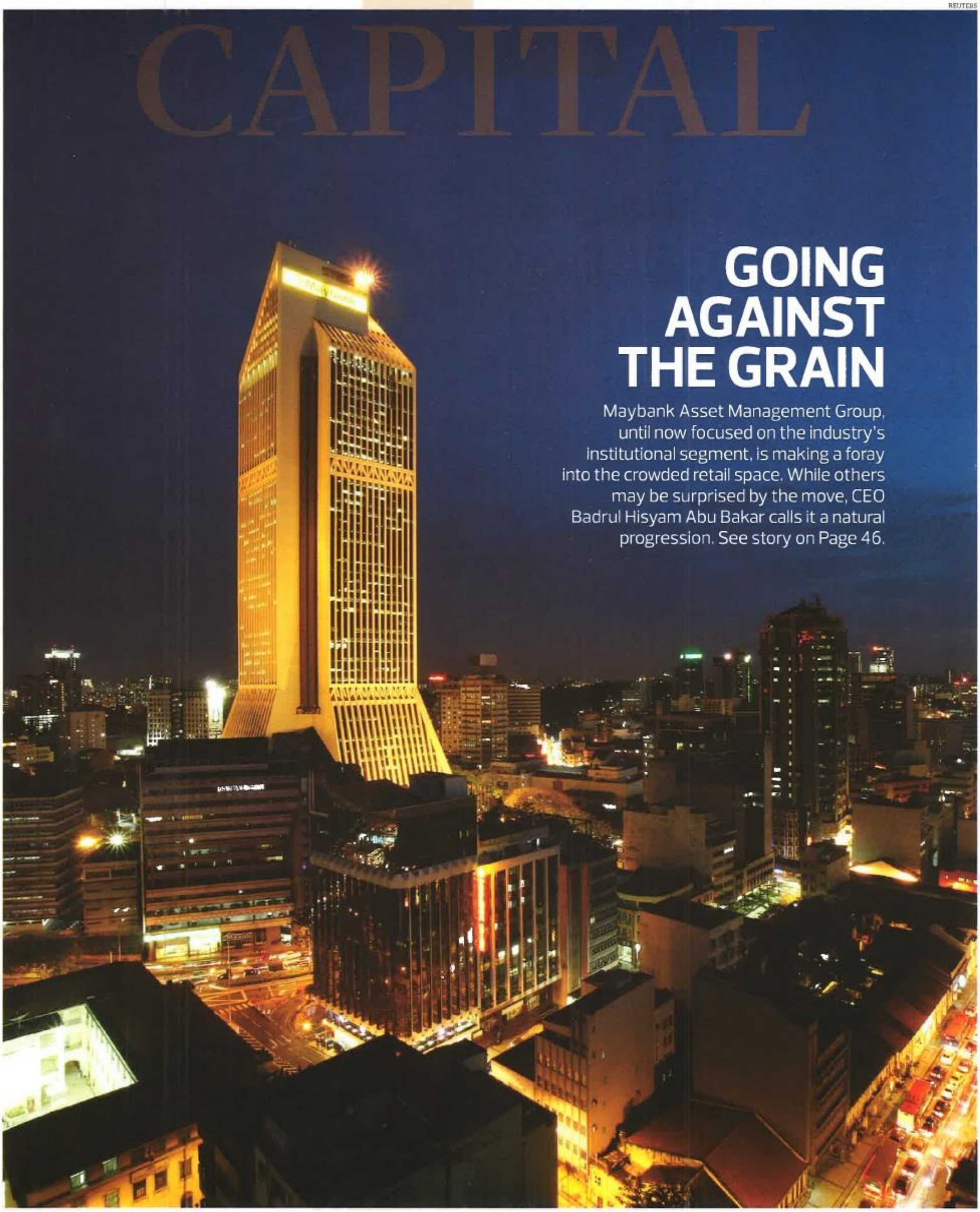

GOING AGAINST THE GRAIN

Maybank Asset Management Group, until now focused on the industry's institutional segment, is making a foray into the crowded retail space. While others may be surprised by the move, CEO Badrul Hisyam Abu Bakar calls it a natural progression. See story on Page 46.

LEAD STORY

SHAHRIN YAHYA/THE EDGE

Eyeing healthier margins in retail market

BY **ESTHER LEE**

Maybank Asset Management Group (MAMG), which has always concentrated on the institutional segment of asset management, is making a surprise move into the retail space.

Anyone familiar with the unit trust industry in Malaysia will know that retail is a crowded space with intense competition, and may wonder why the asset management company is looking to diversify into that area. Data from the Securities Commission Malaysia (SC) shows that there were 36 unit trust management companies operating in the country as at July 31 with 644 launched funds.

Contrary to what the industry may think, MAMG CEO Badrul Hisyam Abu Bakar believes it is a natural progression for the group.

"The asset management business can be divided into the institutional segment, where the margins are thin as it is a volumes game, and the retail segment, which offers better margins. One of the reasons we are looking at the retail side is that its margins are healthier," he tells *The Edge*.

"Also, as a retail-based bank, we have the strength of a [vast] distribution channel. Our decision to enter the retail space is quite natural with our recent acquisition of Amanah Mutual Bhd (AMB) and Singapore Unit Trusts Ltd (SUTL)."

MAMG announced in May that it had completed the acquisition of AMB and SUTL, both of which are retail-centric funds.

Badrul points out that banks, in general, have been trying to increase their non-interest income as traditional loan growth becomes more challenging with compressed margins. He says it is natural for MAMG's parent, Malayan Banking Bhd (Maybank) — the largest banking group in Malaysia with an extensive network of distribution centres — to have an asset management arm to support the business.

Admittedly, MAMG is late to the game compared with its competitors but, he says, the asset management group has a strategy that will hopefully help it gain a foothold in the market it is eyeing.

MOHD IZWAN MOHD NAZAM/THE EDGE

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> — Badrul

According to Badrul, the group is not looking at taking the traditional unit trust route of building a large agency force to disseminate its products. That business model, which involves a significant set-up cost and the imposition of high charges on clients, is not what MAMG wants, he says.

"Our strength is our bank. It is much easier to work within the group; we can leverage Maybank's branding and infrastructure. Our products will be branded under Maybank. Our Maybank customers will have a natural attachment to the bank. We just need to make sure that we reach those customers."

Apart from utilising the advantage of having Maybank as its parent, MAMG is also working with other banks that practise "open architecture" — where they sell the products of other banks too.

MAMG is casting its net wide and will be working with non-bank distributors as well in both the physical and digital space. It is a small segment but that is where the growth is going forward, Badrul opines.

Competing against its more seasoned rivals in the retail space, MAMG is hoping that its winning point will be its aim to deliver consistent returns to investors and its lower investment cost.

"Our promise to deliver consistent returns and a lower cost of investment to investors is one way for us to get retail market share. We want sticky investors as well," says Badrul.

He also highlights that the group has regional investment teams based in Malaysia, Indonesia and Singapore.

Cognisant of the fact that investors have become more sophisticated these days because of the frequent market volatility, Badrul says the asset management group will have a suite of products to cater for the needs of clients from different segments, be it the mass market, middle-income group or high net worth individuals.

The SC's statistics reveal that last year, the assets under management (AUM) in the country's unit trust segment totalled RM427 billion, representing a compound annual growth rate (CAGR) of 12.1% over the past 10 years.

Badrul believes that there is ample room for MAMG to grow "better" than the industry growth rate because of its relatively smaller AUM compared with the top four asset management companies in the country. MAMG's AUM stood at RM32.1 billion as at end-February.

"With all the plans we have in place for the next few years, we are targeting to grow our total AUM slightly better than the market, at a CAGR of 20% to 25%. This will be driven by Maybank customers as well as new retail assets coming in," Badrul adds.

It is worth noting that MAMG will launch its first retail fund soon, pending regulatory approval, and is expecting to roll out a few more by the end of the year.

Looking at Budget 2019 for clarity

The local equity market has been in limbo since GE14 in May with investors waiting on the sidelines to get a clearer picture of the new government's policies.

The external environment has also been volatile this year due to the normalisation of US interest rates, the trade war between America and China and political gridlock in several developed countries.

Commenting on the situation, Badrul says the local equity market will continue to be range bound on the back of external uncertainties and the market's expectations of the new government.

"It is still early days for the current government and we expect to see some teething problems. Hence, the market may take a breather in the near term after the FBM KLCI passed 1,800 points recently. Profit-taking and switching between laggards and overbought stocks may escalate as investors become cautious about increasing exposure to equities and hold on to cash for opportunistic buying.

"Investors will wait for greater clarity on the policy direction of the new government, which should be seen in Budget 2019 in November," he adds.

He highlights that the banking and consumer sectors, with their better earnings visibility, will provide stability to investors' portfolios amid current uncertainties. Companies in the export sector, for example rubber glove and technology, that contribute to the global supply chain still look attractive, especially now that the ringgit is weakening, he adds.

Badrul considers the construction, property and telecommunications sectors as less attractive because of uncertain government policy.

"The re-evaluation of infrastructure projects may significantly reduce construction jobs and the absence of substantial construction project initiatives by the new government may result in excess capacity in the sector," he says.

"As for the telecoms sector, delivering the election promise of cheaper broadband to the people may result in the government imposing measures and policies that would lower the margins of the telcos." E