DATE : 20 November 2013

PUBLICATION : The Edge Financial Daily

SECTION : Home Business

HEADLINE : Returns almost equity-like, says Maybank

Returns almost equity-like, says Maybank

Global bonds outperform global equities as an asset class

by **Levina Lim**
FD@bizedge.com

KUALA LUMPUR: Bonds have outperformed equities as an asset class over the last five years, with almost equity-like returns and for lesser risk.

"Over the last 10 years, you've probably seen five years whereby global bonds outperformed global equities as an asset class.

"In certain markets, if you take the best five performing global bond markets over the last five years, the returns would look almost equity like," said Christopher Geh, regional head of products and marketing at Maybank Asset Management Group Bhd.

He said that Indonesia was the top performing global bond market since 2010, with returns in the region of 20% to over 30%.

"In 2010 to 2012, you should have got slightly better returns from equities from taking a little bit more risk compared to global bonds as an asset class," said Geh, adding that the return for global bonds as an asset class has actually been commendable at close to 10% a year.

From left: Maybank head of community distributions and community financial services Datuk Mohd Hanif Suadi, Maybank Asset Management Group CEO Nor Azamin Salleh, Maybank head of community financial services Hamirullah Boorhan, Grundlingh and Badrul Hisham at the launch of Maybank Global Bond Fund yesterday.

The local capital market is valued at US$816 billion (RM2.59 trillion), twice the current gross GDP of the country.

Net asset value of the unit trust industry has nearly quadrupled in a period of 10 years, from RM87.4 billion in 2004 to RM329 billion in 2013.

"It has been projected that this figure will increase to almost RM830 billion in 2020," said Badrul Hisyam Abu Bakar, regional head of investment at Maybank Asset Management Group Bhd at the launch of Maybank Global Bond Fund, Malaysia's first global unit trust offering to local retail investors yesterday.

The new fund, which partners with Franklin Templeton Investment, aims to provide total investment returns through interest income, capital appreciation and currency gains by investing in sovereign debts with attractive valuations across the globe.

It targets RM50 million assets under management (AUM) over the first three months of its launch and AUM of RM75 million — RM100 million in the first year.

On the US Federal Reserve's tapering of its quantitative easing (QE) programme, Stephen Grundlingh, co-CEO at Templeton Asset Management Ltd, said that it does not pose much of a concern as the amount of QE taking place in Japan will be more than sufficient to supplant any tapering that will be taking place in the US.

"Southeast Asia will continue to be the major beneficiary of liquidity whether it be from the US or increasingly from Japan," he said, adding that the Bank of Japan is committed to continue buying Japanese bonds at an ever increasing rate in order to address its deflationary environment.

"We've certainly not seen any slowdown in flows either way," he said.

As at Sept 30, the top three countries in which the Templeton Global Bond Fund has invested in are South Korea (17.31%), Poland (11.54%) and Malaysia (10.53%).