FUNDS

An all-weather strategy for an uncertain future

BY **KIRAN JACOB**

Dividend counters, underpinned by strong cash flow and high asset quality, are the way forward in the face of heightening market uncertainty and volatility, says Syhiful Zamri Abdul Azid, chief investment officer at Maybank Asset Management Sdn Bhd (MAM).

He says dividend stocks were long overshadowed by growth stocks during the pandemic years due to the low interest rate environment. But they are now staging a comeback as global economic outlook and market performance become increasingly hard to predict.

The changing world order, where localisation and protectionism appear to be upending globalisation, has caused wild swings in the markets, which render dividend stocks more appealing to investors this time around due to their defensive nature.

It is against such a backdrop that MAM and JPMorgan Asset Management launched the all-weather MAMG Global Dividend Fund recently to capture opportunities in the dividend stock universe.

"Dividend equities we are interested in are high-quality, well-established businesses with strong balance sheets and resilient earnings [that can ride through market uncertainties]. These are often a precursor to a company's ability to pay consistent dividends and even grow dividends over time," says Syhiful.

Supreet Bhan, executive director and head of Southeast Asia funds at JPMorgan Asset Management Singapore, says the MAMG Global Dividend Fund is an all-weather product, as investors can benefit from capital gain and dividend yields when markets go up. When they are down, the downside is cushioned by ongoing dividend payments.

The MAMG Global Dividend Fund is classified as a feeder fund that invests its clients' money in the JPMorgan Investment Fund — Global Dividend Fund. The target fund is managed by JPMorgan Asset Management (Europe). JPMorgan Asset Management is a global asset manager with US$2.67 trillion (RM12.5 trillion) in assets under management.

MAM head of sales and distribution Jennifer Lim says the target fund has established a solid track record in more than a decade. It performed well even during difficult times such as in 2022 when prices of bonds and equities were mostly in the red.

"The JPMorgan Global Dividend Fund (the target fund) is a strong performing fund with a track record of more than 10 years since it was launched in 2012," says Lim. "It has generated an average return of 10% per annum since inception. The average return was 12% over the last five years and 16% in the last three years. Over the last year, which has been a difficult year for markets, the fund has delivered a positive 4.1%, outperforming its peers and benchmark."

Attractive valuation is another reason investors should consider putting some money in dividend counters and funds, adds Supreet.

"It is a compelling entry opportunity to be investing in high-dividend equities, because the valuation compared to non-dividend-paying equities is quite compelling [at the moment]," he says.

IN FAVOUR OF DIVIDEND COMPOUNDERS IN E-COMMERCE, LOGISTICS AND EV SECTORS

As at end-June, the fund is overweight on sectors including financials ex-banks, retail and utilities. However, Supreet says the fund is not sector-focused.

In terms of markets, the fund is overweight on Europe and Asia-Pacific. The US market has the largest weightage in the portfolio at 55%, but is underweight relative to the benchmark.

One of Supreet's strategies in managing the fund is to allocate across a dividend spectrum, including high-dividend yield stocks, dividend growth stocks and dividend compounders.

Dividend growth stocks are companies with the potential to increase their dividend payments over the long term, while dividend compounders are companies that pay consistent dividends, thus allowing investors to reinvest their income and benefit from the compounding effect.

In general, the fund allocates 15% to 35% of its portfolio for dividend growth stocks, 50% or more to dividend compounders and 15% to 35% to high-dividend yield stocks. Dividend compounders are the main focus of the fund.

High-dividend growth counters are typically companies that have shifted their businesses to cloud, artificial intelligence (AI) and big data, while dividend compounders include companies in the e-commerce, logistics and electric vehicle and self-driving car sectors.

Meanwhile, high-dividend yield stocks can be found in leading companies in the healthcare innovation and financial technology sectors.

The checklist for high-dividend growth stocks includes a long runway for material earnings growth, low current payout ratio and a proven business model.

Dividend compounders typically have a long track record of dividend growth and willingness to increase future dividends as they explore attractive business opportunities that can contribute to their earnings growth.

As for high-dividend yield stocks, they tend to have strong, free cash flow generation ability and a resilient business and financial model, says Supreet.

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Details of the fund

The MAMG Global Dividend Fund by Maybank Asset Management Sdn Bhd (MAM) is suitable for investors who have a medium- to long-term investment horizon seeking income and capital growth. According to its product highlight sheet, the fund invests a minimum of 90% of its net asset value (NAV) in the target fund, which is the JPMorgan Investment Fund — Global Dividend Fund.

The fund also has five share classes, which consist of the MYR class, MYR (hedged) class, USD class, AUD (hedged) class and SGD (hedged) class. It has a sales charge of up to 5% and an annual management fee of 1.8%. It does not impose a redemption fee on investors. The minimum initial investment amount is 1,000 in each share class.

According to financial data provider Morningstar Inc, the MAMG Global Dividend Fund is benchmarked against the MSCI All Country World Index (net return in US dollar).

As the fund was only launched on July 23, its top 10 holding is still not available on Morningstar's platform. But the platform does provide the fund's sector and country exposure.

The fund is most exposed to the technology (28.73%), healthcare (17.29%), financial services (13.08%), consumer cyclical (11.6%) and industrials (10.01%) sectors.

As for countries, 59.75% of its NAV is invested in the US, followed by the UK (5.34%) and Canada (2.66%).

Region-wise, the fund is largely exposed to North America at 62.41%. It only has an exposure of 4.79% to the more developed markets in Asia and 8.07% to emerging markets in the region.

MAMG Global Dividend Fund's sector exposure