

A Long-Term Investing Perspective

Today, we speak to the Fund Manager for the Nomura Global Shariah Strategic Growth Fund (SGF), Hisham Hamzah, to get his insights on long term investing. Hisham spent over 10 years honing his investment skills in the UK, where he worked at Lansdowne Partners (a prominent Hedge fund in London), Redburn (an Equity Brokerage firm) and Ernst & Young UK. He returned home to be closer to his family and joined Nomura Asset Management Malaysia in 2017. Hisham is a Chartered Account and Chartered Financial Analyst holder.

Putting things into perspective

The markets are a forward-looking discounting mechanism. This means that it incorporates future expectations (based on current information) in determining today's prices. When combined with current fiscal & monetary conditions, it creates an investment narrative which determines the preferences (asset class, region, sector and style) investors should position themselves in.

In other words, this market narrative serves to answer the common investor question of "what" and "where" to invest (the outlook). Currently, discussions on what and where to invest all point towards Equities over Bonds, Cyclical over Defensives, Emerging Markets over Developed Markets, and a weaker US Dollar.

However, this outlook does not arise because we entered into a new year, but rather in response to shifting narratives that emerge out of new information.

Market Outlook: Timing Matters

Let us consider the current pandemic-led recession, which fittingly acts as the best example of a forward-looking market.

Despite rising second waves in many countries, the financial markets have been adopting a progressively optimistic outlook. This narrative first came into play last October after hints of a successful Phase 3 vaccine trial and an increasing probability of a democratic sweep in the US elections. In response, investors gradually began to position their portfolios for strong cyclical recovery in 2021. As the outcome was solidified in November, it spurred one of the best monthly returns for the market and induced further shifts into the assets mentioned above.

The point here is that narratives can change at an instant. It requires investors to shift and revise strategies, as new fortune emerges. Investing based on these short term narratives requires speed and flexibility. Rewarding, if executed perfectly, but challenging even for



veterans. In our view, to prepare for the long-term, investors require a degree of consistency in their investment portfolios; "timing the macro" can be challenging and arguably, not sustainable.

A Long Term Approach: The Strategic Growth Fund (SGF)

With this in mind, Nomura Asset Management Malaysia launched the SGF. Our objective is to create a core holding for the investor's portfolios that is better suited for the long-term. The idea behind it is simple: rather than trying to time the macro, we focus investments into our 'Future Investment Themes' borne out of our Secular Growth Framework.

This framework emphasises companies and industries that stand to benefit from stable structural trends, enabling them to grow over the long term with less dependency on the overall economic growth.

Today, we face a rapidly changing world, with technological innovation growing at an exponential rate. As such, trends such as Cloud Computing and Artificial Intelligence will continue to shape our lives. What's more, digitalisation has allowed Internet-based companies to take market share from traditional channels. Fintech innovations, Medical Technology, 5G, Clean Energy, Climate Change – the list goes on. Hence, we can likely expect significant growth from the companies leading this charge.

As a Malaysian looking to invest over the long term, it is imperative that we allocate some capital into these 'Future Investment Themes'.

SGF's investment philosophy is centred on these two pillars:

- 1/ Driven by a multi-asset strategy which dynamically allocates into Global Equities, Malaysian Sukuk, Gold and FX derivatives, based on a combination of quantitative factors and qualitative factors.
- 2/ A tactical book complements the 'Future Investment Themes', to capitalise on short term market narratives. These tactical positions currently make up 20% of the equity investments.

As an investor, you should always ensure that your investments will provide you with security and stability over the long-term. A diverse financial portfolio, such as one offered by the SGF, that is not completely dependent on market fluctuations is best suited to achieve this, in our view.

The SGF was launched as a wholesale fund on 2 June 2020 with no sales charges for sophisticated investors. As of 31 December 2020, the fund has delivered returns of **1.59%** (1-month), **5.73%** (3-month), **12.31%** (since inception), and **1.56%** (1-month), **5.65%** (3-month), **12.50%** (since inception) for the A and B class respectively. (Source: Morningstar)

For more discussions on how to think of your long-term investments, join us in our upcoming webinar on 30 January 2021. More details here: bit.ly/nomurawebinar

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