

Oct 2013: Unit trust industry takes a breather amidst consolidation exercises

CHART 1: UIC OF PRIVATE UTMCS IN MALAYSIA (B units)

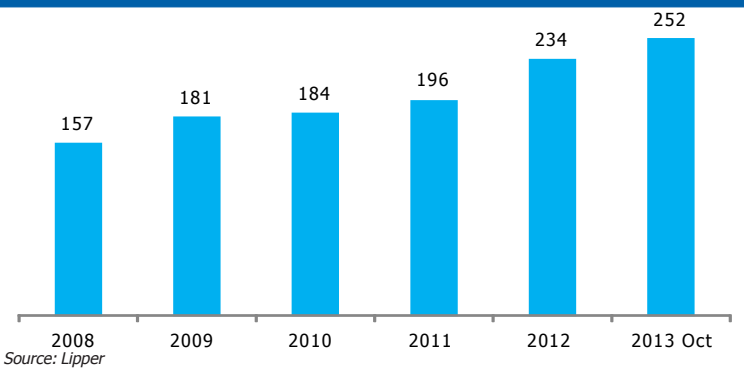


CHART 2: NAV OF PRIVATE UTMCS IN MALAYSIA (RM billion)

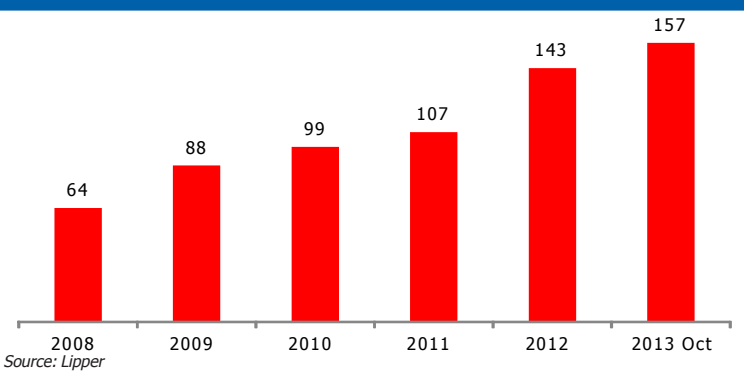


CHART 3: FBM KLCI, MSCI ASIA EX JPN & MSCI WORLD INDEX

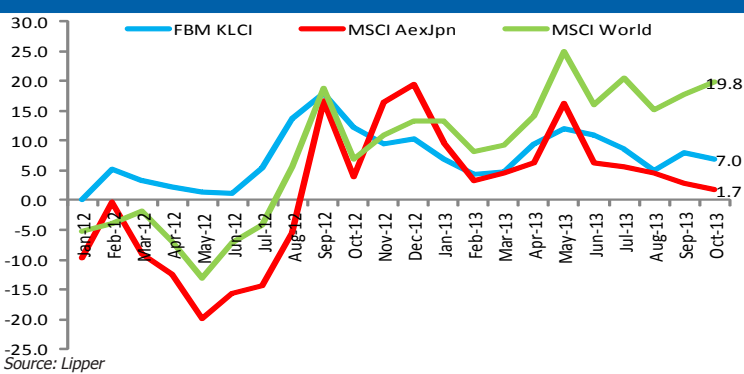


TABLE 1: PRIVATE UNIT TRUST COMPANIES IN MALAYSIA

	# of UTMCS	# of funds	NF	UIC			NAV		
				B units	%mom	%yoy	RM B	%mom	%yoy
2009	38	582	61	181.1		15.1	88.4		37.1
2010	37	616	76	184.5		1.9	98.9		11.9
2011	38	646	66	196.4		6.5	106.8		8.0
2012	41	664	77	233.8		19.0	143.2		34.1
2013F	34	680	55	256.1		9.5	161.0		12.4
2013Aug	39	670	2	248.3	1.2	13.6	154.1	0.5	20.1
Sep	39	672	2	248.9	0.3	12.3	154.8	0.5	17.9
Oct	39	672	5	251.5	1.1	12.3	157.2	1.6	18.1
2012 J-Oct (2)		13	48	27.6		14.0	26.3		24.6
2013 J-Oct (2)		19	49	17.7		7.6	14.0		9.8

- Malaysia's unit trust industry continued to expand in October, supported by an expanding economy and income, as well as further gains in the stock market. While there were 5 new funds launched during the month to offset 5 matured funds, the 39 UTMCS-ex ASNB posted a stronger m-o-m expansion of 1.1% or 2.5B units as against a modest rise of 0.3% or 0.6B units in September. The rise in UIC along with a 2.2% increase in the FBM KLCI had propelled a stronger 1.6% m-o-m increase in the NAV of all 672 funds following two consecutive months of 0.5% increase respectively.
- Notwithstanding the monthly gains, on an annualised basis although both the UIC and NAV posted steady expansion of 12.3% and 18.1% respectively in October 2013 (when compared with the 12.3% and 19.9% rise respectively in the previous month), it was markedly slower when benchmarked against the 15% and 25% increase posted in the same month of 2012.
- In fact the local unit trust industry performance during the first ten months of this year was noticeably slower than the January-October 2012 outcome. While the UIC YTD growth had been shaved to about half at 7.6% or 17.7B units (+14.0% or 27.6B units in the same period of 2012), the NAV had only gained 9.8% or RM14.0B (+24.6% or RM26.3B in January-October of last year). The global economic performance and uncertainty had certainly weighed down the performance of the local unit trust industry.
- While the MSCI Asia ex-Japan index YTD had only gained a marginal 1.7% (12.8% in the same period of last year), the FBM KLCI in contrast reported a steadier rise of 7.0% which almost matched to 9.3% increase in January-October of 2012. (Chart 3)
- In light of the economic and public policy uncertainties, investors became more cautious by investing mainly in equity Malaysia funds and secured funds such as money market funds. Based on the net UIC inflows of 17.7B units thus far this year, the "equity Malaysia" 157 funds contributed 11.1B units (62.7% share) and followed by "money market" 105 funds of 7.2B units (40.7%). (Table 2)
- Mixed asset (5.0B units), target maturity (1.4B units) and miscellaneous (1.1B units) categories had a combined net UIC of 7.5B units. Nevertheless, the net inflows was offset by 8.1B units of outflows recorded by protected (3.0B units), international equity (2.9B units), bond (1.5B units) and equity by sector (0.7B units) categories. (Table 2)

CHART 4: UIC NET INFLOWS BY ASSET TYPE CATEGORIES

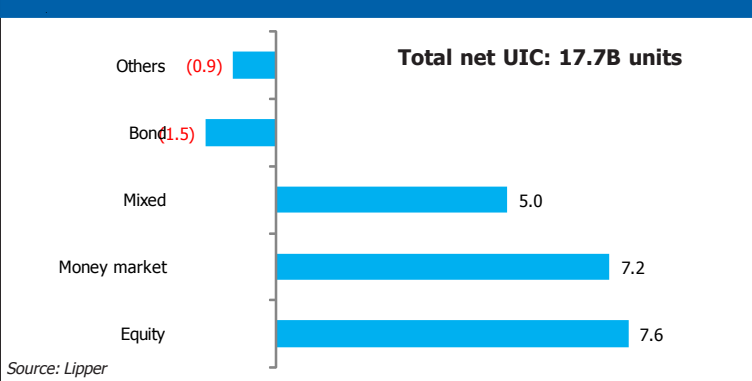


CHART 5: NAV NET INFLOWS BY ASSET TYPE CATEGORIES

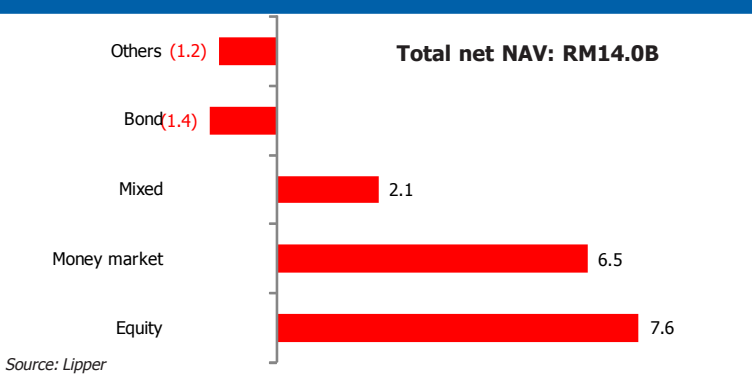


CHART 6: MARKET SHARE OF NET UIC RECEIVED BY UTMCS IN 2013

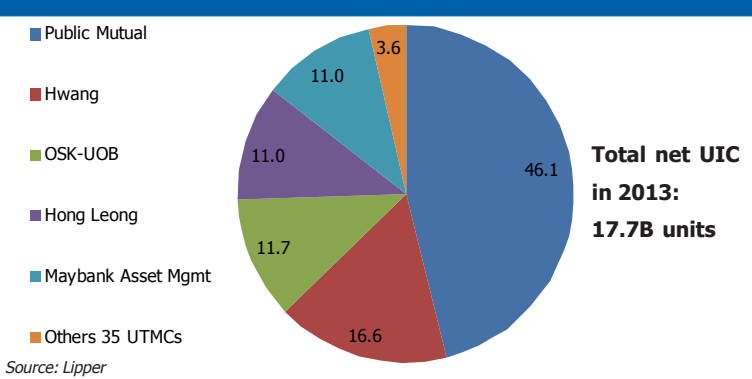
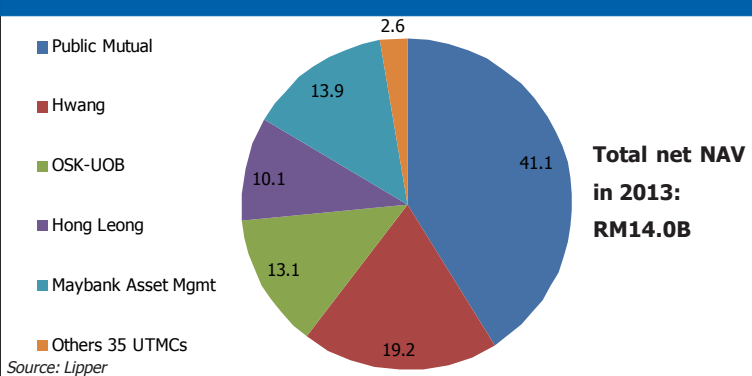


CHART 7: MARKET SHARE OF NET NAV RECEIVED BY UTMCS IN 2013



- The top five bank-backed UTMCS (Public Mutual, Hwang Investment, OSK-UOB, Hong Leong and Maybank Asset Management) as a group contributed 96.4% and 97.4% market shares of net new inflows of UIC and NAV respectively in January-October 2013 (68.7% and 69.4% respectively in January-October 2012) with the remaining 35 UTMCS had to satisfy with a minuscule share of 3.6% and 2.6% respectively (31.3% and 30.3% respectively in January-October 2012). (Chart 6&7)

- Looking forward, given the possible implementation of the ASEAN CIS Framework between Malaysia-Singapore-Thailand in the 1H2014, we are currently witnessing M&A exercises on the local scene towards enhancing competitiveness and meeting the minimum framework.

- Under the new framework, fund managers wishing to participate in the cross-border collective investment schemes (CIS) are required to have a minimum five-year track record in managing funds worth at least US\$500M (RM1.6B). It is in this light that several M&A exercises were recently undertaken between (i) Kenanga and ING Funds (Kenanga Investors Bhd); (ii) KAF and Alliance (KAF Investment Funds Bhd); and the latest being (iii) Manulife and MAAKL (Manulife).

- The prevailing uncertainty with respect to the future growth outlook would mean continuing low investor appetite and offshore investment. Most likely, investor would shift investments towards less risky assets and income-driven funds which tended to outperform during such market conditions. Based on the current condition on the global stock markets and economy, we expect the UIC of the Private UTMCS to expand at slower rate this year by 9% to 10% or 22B units to 256B units by year end as compared with 2012's growth of 19.0% or 37.4B units. This UIC growth would in turn see the NAV expand by RM17.8B to RM161B, representing a growth of 11%-12% for the whole year of 2013. In 2012, the NAV grew by 34.1% or RM36.4B to RM143.2B.

- As for the UTMCS, we foresee that smaller players will merge with each other to stay competitive and be eligible under the criteria's set by the ASEAN CIS Framework. We expect the number of UTMCS will reduce further next year by 15% to 34 companies due to M&A.

TABLE 2: INFLOWS BY CATEGORIES AS AT YTD (JAN-OCT 2013)

No	Category	YTD					
		# of funds	CHANGE		# of funds	% YTD	
			UIC (B Units)	NAV (RM B)		UIC	NAV
1	EQUITY	12	7.6	7.6	4.1	6.1	14.6
	1.1 International Equity	8	(2.9)	0.5	7.1	(8.5)	5.2
	1.2 Equity By Sector	2	(0.7)	(0.4)	7.4	(8.6)	(11.7)
	1.3 Equity Malaysia	2	11.1	7.5	1.3	13.5	18.8
2	BOND	6	(1.5)	(1.4)	7.8	(5.4)	(5.1)
3	MIXED ASSETS	7	5.0	2.1	5.9	21.6	19.0
4	MONEY MARKET	4	7.2	6.5	4.0	14.4	14.8
5	OTHERS	(5)	(0.4)	(0.7)	(8.1)	(4.8)	(8.4)
	5.1 Protected	(7)	(3.0)	(3.0)	(38.9)	(88.6)	(90.5)
	5.2 Target Maturity	0	1.4	1.3	0.0	54.7	46.4
	5.3 Commodities	(1)	(0.0)	(0.0)	(33.3)	(44.9)	(50.6)
	5.4 Miscellaneous	3	1.1	0.9	60.0	34.8	32.7
	INDUSTRY	24	17.7	14.0	3.7	7.6	9.8

Appendix I - New funds launched from January to October 2013

Management Companies Unit Trust	Lipper Global Classification	Launch Date	Value (RM)	AFS (M units)	UIC (M units)	SR (%)	Geo. focus
1 ABERDEEN ISLAMIC ASSET MANAGEMENT SDN BHD							
1 Aberdeen Islamic Malaysia Equity A	Equity Malaysia	17-Jan-13	1.00	300	3.3	1.1	Malaysia
2 Aberdeen Islamic World Equity A	Equity Global	17-Jan-13	1.00		5.0	1.7	Global
2 AFFIN FUND MANAGEMENT BHD							
1 Affin 3-iWholesale	Money Market MYR	15-Jan-13	1.00	100	0.0	0.0	Malaysia
2 Affin 4-iWholesale	Money Market MYR	15-Jan-13	1.00	100	19.6	19.6	Malaysia
3 Affin 2-iWholesale	Money Market MYR	15-Jan-13	1.00	100	0.0	0.0	Malaysia
3 AMINVESTMENT SERVICES BHD							
1 AmAsia Pacific Leisure Dividend	Equity Sector Cyc Cons Gds&S	25-Feb-13	0.50	200	249.3	124.7	Asia Pacific ex J
2 AmIncome Flexi 3	Target Maturity Other	9-May-13	1.00	200	231.7	115.9	Asia Pacific ex J
3 AmIncome Extra	Bond MYR	5-Jul-13	1.00	100	0.7	0.7	Malaysia
4 AmIncome Reward	Bond MYR	5-Jul-13	1.00	100	0.7	0.7	Malaysia
5 AmAsia Pacific REITs Plus	Equity Sector Real Est Asia Pac	1-Jul-13	0.50	200	98.9	49.4	Asia Pacific
4 ARECA CAPITAL SDN BHD							
1 Areca AUD Savings	Bond AUD	2-Jan-13	1.00	500	0.4	0.1	Australia
5 CIMB-PRINCIPAL ASSET MGMT BHD							
1 CIMB-Principal Enhanced Opportun	Target Maturity Other	19-Feb-13	1.00	100	101.7	101.7	Global
2 CIMB-Principal Wholesale Deposit	Money Market MYR	8-Mar-13	1.00	100	34.2	34.2	Malaysia
3 CIMB-Principal Institutional Bond 5	Bond MYR	2-May-13	1.00	200	169.3	84.7	Malaysia
6 EASTSPRING INVESTMENT BHD							
1 Eastspring Investments Bond Plus	Bond MYR	1-Apr-13	0.50	400	44.8	11.2	Malaysia
2 Eastspring Investments Target Inco	Target Maturity Other	27-Jun-13	1.00	100	203.1	203.1	Global
3 Eastspring Investments ASEAN al-	Mixed Asset MYR Bal - Global	28-Oct-13	0.50	100	0.0	0.0	ASEAN
7 HONG LEONG ASSET MGMT BHD							
1 Hong Leong Islamic Inst Income Ma	Money Market MYR	22-Apr-13	1.00	100	2.5	2.5	Malaysia
Hong Leong Income Management II	Bond MYR	7-Oct-13	1.00	600	0.0	0.0	Global
8 HWANG INVESTMENT MGMT BHD							
1 Hwang Fixed Maturity Income VI	Target Maturity Other	25-Mar-13	1.00	100	194.7	194.7	Global
2 Hwang ALLMAN Select Income	Mixed Asset MYR Conservative	1-Mar-13	0.50	400	505.5	126.4	Global
3 Hwang Fixed Maturity Income VII	Target Maturity Other	28-May-13	1.00	100	136.2	136.2	Global
4 Hwang Cash Plus 2	Money Market MYR	3-Jun-13	1.00	200	0.0	0.0	Malaysia
5 Hwang Structured Income VIII	Unclassified	15-Aug-13	1.00	100	336.8	336.8	Malaysia
6 Hwang Fixed Maturity Income VIII	Target Maturity Other	1-Oct-13	1.00	100	200.3	200.3	Global
9 KENANGA INVESTORS BHD							
1 Kenanga Cash	Money Market MYR	22-Mar-13	1.00	500	3.8	0.8	Malaysia
2 Kenanga Asia Pacific Total Return	Equity Asia Pacific	11-Jul-13	1.00	100	54.7	54.7	Asia Pacific
10 MANULIFE ASSET MGMT SERVICES BHD							
1 Manulife Cash Management	Money Market MYR	25-Mar-13	1.00	100	146.2	146.2	Malaysia
2 Manulife Shariah - Dana Ekuiti	Equity Malaysia Diversified	27-May-13	0.50	100	20.1	20.1	Asia Pacific ex J
3 Manulife Shariah - Dana Sukuk	Bond MYR	27-May-13	0.50	100	93.5	93.5	Malaysia
4 Manulife Investment - Asia Target M	Target Maturity Other	15-Jul-13	0.50	200	112.4	56.2	Asia Pacific ex J
11 MAYBANK ASSET MANAGEMENT SDN BHD							
1 Maybank Institutional Islamic Mone	Money Market MYR	7-May-13	1.00	500	9.5	1.9	Malaysia
2 Maybank Shariah Money Market 1	Money Market MYR	23-May-13	1.00	3,000	0.0	0.0	Malaysia
12 OSK-UOB INVESTMENT MANAGEMENT BERHAD							
1 OSK-UOB Focus Bond Fund-Series	Target Maturity Other	14-Jan-13	1.00	120	272.3	226.9	Global
2 OSK-UOB Focus Bond Fund-Series	Target Maturity Other	7-Jan-13	1.00	120	49.3	41.0	Global
3 OSK-UOB Dana KidSave	Mixed Asset MYR Bal - Global	18-Feb-13	0.50	500	372.3	74.5	Asia Pacific ex J
4 OSK-UOB Focus Bond Fund-Series	Target Maturity Other	25-Mar-13	1.00	100	205.8	205.8	Global
5 OSK-UOB Absolute Return	Absolute Return Other	16-May-13	1.00	100	24.0	24.0	Asia Pacific ex J
6 OSK-UOB Capital Protected Essen	Protected	12-Jun-13	1.00	100	2.0	2.0	Malaysia
13 PACIFIC MUTUAL FUND BHD							
1 Pacific Dynamic AsiaPac	Mixed Asset MYR Flexible	29-Jul-13	0.50	200	26.2	13.1	Asia Pacific
14 PERMODALAN BSN BERHAD							
1 BSN Dana i-Cash	Money Market MYR	21-Jun-13	1.00	100	0.0	0.0	Malaysia
15 PUBLIC MUTUAL BERHAD							
1 PB Mixed Asset Conservative	Mixed Asset MYR Conservative	15-Jan-13	0.25	1,500	1,138.0	75.9	Malaysia
2 Public China Access Equity	Equity China	18-Apr-13	0.25	200	0.0	0.0	China
3 PB Balanced Sequel	Mixed Asset MYR Bal - Malaysi	10-Sep-13	0.25	1,000	435.3	43.5	Malaysia
4 PB Aiman Sukuk	Bond MYR	10-Sep-13	1.00	100	73.7	73.7	Malaysia
16 RHB INVT MGMT SDN BHD							
1 RHB Income Plus Fund 9	Money Market MYR	1-Mar-13	1.00	1,000	88.4	8.8	Malaysia
2 RHB Focus Income Bond - Series 1	Target Maturity Other	13-Aug-13	1.00	100	100.8	100.8	Global
3 RHB Leisure, Lifestyle & Luxury	Equity Sector Cyc Cons Gds&S	22-Oct-13	0.50	100	3.6	3.6	Global
17 TA INVESTMENT MGMT BERHAD							
1 TA Asia Pacific REITs Income	Equity Sector Real Est Asia Pac	9-Oct-13	0.50	100	9.1	9.1	Asia Pacific
		49		14,540	5,779.6	62.8	