Kenanga Investors

September 2020
Market Review and Outlook

Global Market Review

Global equities (MSCI AC World Net Index) ended the month of July flat, registering a year-to-date performance of -6.3%.

Equities were driven by a number of positive developments. Economic data were better than expected over a broad range of indicators. Second-quarter earnings were also solid and improved as reporting season progressed. Many companies beat estimates by a wide margin and some even by the largest amount in a decade. General policies remained supportive, and in Europe, leaders reached a ground-breaking agreement on the EUR 750 billion Recovery Fund. Together, with the EU Green Deal, this further increase Europe's commitment towards sustainable energy transition and mitigate the effects of climate change.

On the health front, the number of new coronavirus cases did not decline, and even reached new highs in several US states. The situation in many merging markets remains worrisome, and local outbreaks elsewhere have brought economic re-openings to a halt. This has become visible in the slowdown in real activity indicators and will be reflected in the regular macro data in the coming weeks.

During the month of July, we spoke with the top management of SGS (Food Sufficiency) about how the rising digitization and less globalization is impacting their strategic views and the underlying businesses. SGS is the world's leading inspection, verification, testing and certification company which helps its client base to perform quality and quantity controls, meet regulatory requirements, improve safety standards, and offer supply chain transparency across many industries and sectors. On the asset allocation side, we were pleased to hear that the company made significant efforts to strategically reduce its exposure to traditional energy already 2 years ago, and that the company is willing to dispose of certain assets in order to reinvest in more environmental solutions.

The financial case will be driven by the success of their operational execution to improve the bottom line (by reducing costs and improve value creation of the separate divisions). In terms of capital allocation, they seem to be doing the right thing, although being such a diversified company, means that their business mix changes only slowly.

SGS committed for the first time to provide us with some "measurable KPIs of impact performance". We also found out the company is working on setting new ESG targets to 2025 as well as impact targets that will allow us impact investors to monitor overall societal and environmental performance.

We also engaged with the management of Safaricom (Financial Inclusion), that indicated that FY 2020 will be a transitory year as a result of the COVID-19 crisis and new regulatory changes, but the company is on track for its long-term objectives. Safaricom helps 2/3 of the Kenyan population into financial inclusion thanks to their MPesa mobile app. They have an intention to roll out their services in Ethiopia as well, where financial inclusion offers a significant solution as many people are still unbanked. Ethiopia is one of the very last markets with available GSM licenses, and is attractive thanks to its growing population of 100mln people and the lack of a dominant telecom operator.

Furthermore, we engaged with GB Group (Safe Society). GB group is a global identity data intelligence firm, which sells specialist software that enables its clients to locate their customers and determine their identity. Hence, GB Group contributes to better digital security, fraud prevention, and more effective risk management. The company is specifically strong in servicing the financial services industry. The company mentioned that, in spite of the pandemic, productivity has remained strong. GBG has in fact, increased its exposure to fast growing clients and it is well positioned for structural growth post COVID-19.

From an impact perspective, GBG is continually upgrading its system in order to ensure customers' data privacy is intact. The company is also increasingly reducing failed deliveries, which also contributes to lower CO2 emissions.

We also had a fruitful exchange with the company's management about setting impact KPIs and we will continue our dialogue with the company to advise on the impact metrics we would value most in their future reports. This will allow us to strengthen our monitoring of the impact performance of our holdings.

Finally, we spoke to the management of Clinigen (Affordable Healthcare). Clinigen is a specialty pharma and services company that supports other pharmaceutical companies and healthcare professionals to have ethical access to early-lifecycle medicines. The company gives patients in countries with specific drug shortages access to clinical trial and unlicensed medicines in an ethical manner and their mission is to deliver the right drug to the right patient at the right time.

The company recently reported disappointing results and a cut to 2021 guidance to the low end of the previously indicated 5-10% GM organic growth range. The weak results were mostly due to the COVID-19 crisis and pressure on sales from its generic antiviral Foscavir. Although Clinigen did point to an acceleration of growth in 2022, it seems to be more M&A-driven, rather than organically.

Finally, we were pleased to hear that our holding Vestas (Energy Transition) - leading supplier of wind power solutions and a key player in renewables - has considerable environmental impact and contributes to a reduction in GHG emissions. Vestas has become the first renewable energy manufacturer to have its climate targets verified by the Science Based Targets Initiative (SBTi) as consistent with a 1.5°C scenario, the most ambitious goal of the Paris agreement. in January 2020 Vestas' management announced the goal to become carbon neutral, without the use of offsets, by 2030.

During the month of July, we made limited changes to the portfolio. We sold out of IPG Photonics (Circular Economy) on the back of share price strength and limited visibility on a long-term earnings recovery, in favor of adding capital to Ecolab and Danaher. Finally, we took some profits in SolarEdge, as the stock continues to perform well.

Global Market Outlook & Fund Strategy

We believe our impact strategy is well positioned to weather the disruption to the global economy caused by the coronavirus. Our portfolios consist of profitable companies with a sustainable competitive advantage and strong balance sheets. These types of companies are less sensitive to economic swings and rising financing costs that occur as a result of the virus outbreak. Companies with an impact focus both facilitate and benefit from the increasing capital and investment allocation towards the UN Sustainable Development Goals (SDGs). By aligning with the SDGs, investors have a structured way to gain insight into the societal impact of their investments.

Longer-term, we continue to see growth opportunities in the transition towards a more sustainable society. Climate change is occurring much faster than anticipated, while currently only 18% of total energy consumption comes from renewable sources. We expect renewable energy to further benefit from improved costcompetitiveness, growing customer demand and supportive regulations. To meet UN SDG 6 (Clean Water and Sanitation), we need to triple our spending on water solutions. Sustainable buildings, efficient transportation and reliable networks are essential to reduce pollution and meet economic and environmental targets. With 750 million adults still illiterate, 1.7 billion people without a bank account and 3.1 billion people without internet access, there is a strong investment case for companies that provide solutions related to education, financial inclusion and ICT services.

Our investments in listed impact equities contribute to a better world, while targeting the attractive financial returns that are often associated with the strong competitive position enjoyed by impact solution providers.

Source : NN Investment Partners

Kenanga Investors Berhad
Company No: 199501024358 (353563-P)
Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2172 3000
Toll Free: 1800-88-3737
www.kenangainvestors.com.my

Kenanga Global Opportunities Fund

Kenanga Investors

September 2020

3-year Fund Volatility
14.7
High
Lipper Analytics
14 Jul 2020

FUND OBJECTIVE

Aims to achieve capital growth by investing, via a target fund i.e. NN (L) Global Equity Impact Opportunities Fund which is domiciled in Luxembourg, in a diversified portfolio of global equities that are likely to yield higher earning growth than the global average.

Fund Category/Type
Feeder / Growth

Launch Date
21 June 2010

Trustee
CIMB Commerce Trustee Berhad

Benchmark
MSCI AC World Index

Target Fund Manager
NN Investment Partners

Sales Charge
Max 6.50%

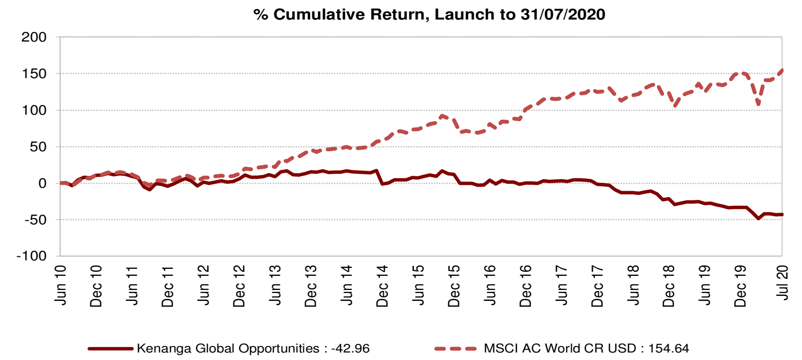
Annual Management Fee
1.80% p.a.

Annual Trustee Fee
0.08% p.a.

Redemption Charge
Nil

All fees and charges payable to the Manager and the Trustee are subject to the goods and services tax /sales and services tax/other taxes of similar nature as may be imposed by the government or other authorities from time to time.

FUND PERFORMANCE (%)



Source: Novagni Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%) #

Period	Fund	Benchmark
1 month	0.96	4.04
6 months	-11.70	2.22
1 year	-18.91	8.15
3 years	-45.45	14.44
5 years	-47.80	43.37
Since Launch	-42.96	154.64

 # Source : Lipper, 31 July 2020

CALENDAR YEAR FUND PERFORMANCE (%) #

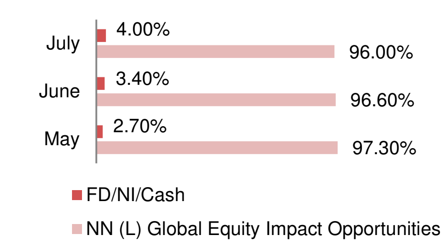
Period	Fund	Benchmark
2019	-5.37	22.79
2018	-27.90	9.31
2017	-2.06	9.72
2016	-10.61	10.36
2015	-13.02	17.57

FUND SIZE *	NAV PER UNIT *
RM 0.06 million	RM 0.2852

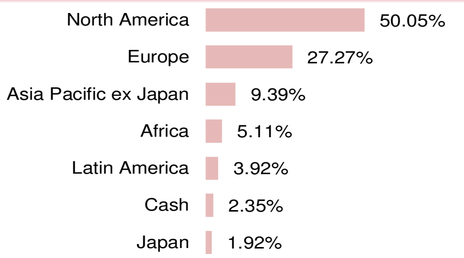
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.6021	18-Sep-13
Lowest	RM 0.2284	23-Mar-20

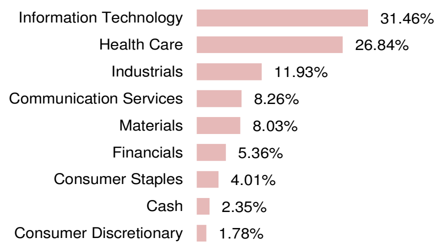
ASSET ALLOCATION (% NAV) *



TARGET FUND COUNTRY ALLOCATION (% NAV) *



TARGET FUND SECTOR ALLOCATION (% NAV) *



TOP EQUITY HOLDINGS OF TARGET FUND (% NAV) *

1	THERMO FISHER SCIENTIFIC INC	5.17%
2	PRA HEALTH SCIENCES INC	4.54%
3	UNITEDHEALTH GROUP INC	4.40%
4	SOLAREDGE TECHNOLOGIES INC	4.09%
5	NOVOZYMES CLASS B	3.82%

** Source: Kenanga Investors Berhad, 31 July 2020*

DISTRIBUTION HISTORY

Not Applicable

Based on the fund's portfolio returns as at 14 July 2020, the Volatility Factor (VF) for this fund is 14.72 and is classified as "High". (Source: Lipper). "High" includes funds with VF that are above 13.725 and less than or equal to 16.675 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The Master Prospectus dated 2 July 2017 and the Supplemental Prospectus (if any), its Product Highlights Sheets ("PHS") or Supplemental Disclosure Document ("SDD") (if any) have been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. The fund fact sheet has not been reviewed by the SC. A copy of the Master Prospectus, Supplemental Prospectus (if any), SDD (if any) and the PHS are obtainable at our offices. Application for Units can only be made on receipt of application form referred to in and accompanying the Master Prospectus and/or Supplemental Prospectus (if any), SDD (if any) and PHS. Investors are advised to read and understand the Master Prospectus, its PHS and any other relevant product disclosure documents involved before investing. Investors are also advised to consider the fees and charges before investing. Unit prices and distributions may go down as well as up. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV. Where a unit split is declared, investors should note that the value of their investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. A Fund's track record does not guarantee its future performance. Investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units. Kenanga Investors Berhad is committed to preventing Conflict of Interest between its various businesses and activities and between its clients / directors / shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived Conflict of Interest by making disclosures to Clients, where appropriate. The Manager wishes to highlight the specific risks of the Fund are market risk, political and/or regulatory risk, currency risk, external fund manager risk and collective investment scheme risk.