

SEGMENTAL REVIEW



Stockbroking

Following record high trading volumes on the Main Market of Bursa Malaysia in FY2020, the market trended downwards especially in the second half of FY2021 due to public health concerns from the COVID-19 pandemic and a general lack of investment catalysts.

Despite the dip, our Stockbroking division maintained a PBT of RM86.4 million for the year ended 2021, similar to the PBT of the year before. Overall, the division maintained its market share of 12.5% attributable to its ongoing focus on the retail market, as well as an increasingly diverse revenue stream and client base, which includes the retail market, as well as institutional and proprietary trading segments.

As with previous years, our joint venture Rakuten Trade, Malaysia's first fully online stockbroking platform, continued to perform well despite adverse economic and financial conditions. Rakuten Trade expanded its retail market share from 6.60% to 7.14% with increases in customer acquisition and retention supported by new services such as its foreign share-trading facilities which was unveiled at the start of 2022. As at 31 December 2021, active accounts on Rakuten Trade stood at 237,000, up from 166,000 at the end of the previous year. Rakuten Trade remains the fastest growing stockbroker in the market.

Building on the work of previous years, the Stockbroking division continued efforts to improve investing literacy by exploring avenues of outreach to new customers, as well as enhancing investment understanding amongst our existing retail customers. In 2021, we continued to produce webinars and social media content on a broad range of financial and trading topics.

It is very encouraging to note that our efforts over the year continued to gain recognition for excellence in the industry, including two (2) Bursa Excellence Awards in 2021 for 'Best Overall Equities Participating Organisation' (Champion) and 'Best Retail Equities Participating Organisation - Investment Bank' (Champion).



Investment Banking

The unfavourable market conditions from the second year of the COVID-19 pandemic had a negative impact on capital market

activity throughout the year. As a result, the Investment Banking division registered PBT of RM20.6 million, compared to RM34.0 million over the previous year.

In the equity capital market, the division took part in the successful listing of Mobilia Holdings Berhad on the ACE Market, with a retail offering oversubscribed by 92 times and share price closing at a 141% premium over the IPO price. The division also participated in the listing of Ramssol Group Berhad on the ACE Market, and completed the transfer listing of Nova Wellness Group Berhad from the ACE Market to the Main Market, with two (2) further IPOs on the ACE Market slated for early 2022. For equity private placements, the division acted as principle adviser and placement agent for JAKS Resources Berhad, as well as placement agent/manager for Dayang Enterprise Holdings Berhad.

In the debt capital market, the Investment Banking division was joint lead manager in the successful RM2.005 billion maiden Sukuk Murabahah issuance undertaken by the Federal Land Development Agency, as well as its subsequent issuance of RM354 million in November 2021. The division was also the joint lead manager in the RM1.9 billion Sukuk issuance by Danalnfa Nasional Berhad, and the RM350 million Sukuk Murabahah placement by Prasarana Malaysia Berhad, which was 2.29 times oversubscribed despite adverse market conditions. The division also acted as financial adviser, sole principal adviser, lead arranger and lead manager for the RM200 million sukuk programme for Sin Heng Chan (M) Berhad, with the deal being recognised as 'Project Infrastructure Finance Deal of the Year (Malaysia)' at the Asian Banking and Finance 2021 Corporate & Investment Banking Awards.

In corporate banking, it maintained a prudent approach in the management of credit risk due to ongoing concerns about the pandemic. Its loan portfolio currently stands at RM592 million, and the division will maintain a cautious and selective lending approach as we move forward into FY2022.

In Islamic finance, steps were taken to align its operations with the Group's sustainability drive, as well as the Securities Commission Malaysia's Capital Market Masterplan 3 requirements for greater mobilisation of Islamic capital market solutions to address the Sustainable Development Goals agenda. In this respect, the division continues to act as Shariah Adviser to KIB in the areas of Islamic funds and private mandates. The division's Shariah Committee remains keenly aware of latest developments in digital assets, Islamic fintech and ESG investing, and continues to act as Shariah Adviser for sukuk programmes by the Group's debt capital markets clients.

Meanwhile, FY2021 PBT for the Group's Treasury business was RM9.1 million, down RM11.6 million from the previous bumper year due to significantly lower trading income in 2021 in keeping with the unfavourable market conditions, although this was cushioned by higher net interest income from higher net interest margins. Despite these adverse conditions, the Group's Treasury business maintained stable funding throughout the year with Liquidity Coverage and Net Stable Funding Ratios remaining well above the mandatory 100% minimums.



Asset and Wealth Management

Kenanga Investors Group ("KIG"), which consists of KIB, KIIB and I-VCAP, is the Group's asset and wealth management division. Its offerings range from conventional collective investment schemes and portfolio management to alternative investments intended to help retail investors gain better access to sophisticated investment instruments normally available only to institutional or accredited investors.

Notwithstanding the weak economy and several national COVID-19 lockdowns, KIG recorded exceptional growth in FY2021, registering a PBT of RM34.9 million from higher earnings from management and performance fees, almost tripling the PBT of RM13.6 million from 2020. KIG's overall assets under administration ("AUA") increased to RM18.8 billion from RM13.8 billion to ensure consistency of digits billion in 2020 as investors sought to diversify their portfolios in a challenging market environment. We also completed our acquisition of I-VCAP in early 2021, with the complementary nature of its ETF business broadening KIG's reach, product suite and investment expertise.

In the area of sustainability, KIG has been a signatory to the Malaysian Code for Institutional Investors since 2017 and recently became a member of the Institutional Investors Council. Following its commitment to working with asset owners, regulators and market participants to support the Malaysian ESG landscape, KIG has developed its own Sustainability Blueprint to generate measurable value for all stakeholders. Alongside its intention to have more ESG products in its line-up, KIG will also seek to convert selected existing funds (both global and domestic) to meet ESG requirements, as well as to participate in investee company resolutions in the interests of good corporate governance for sustainable and consistent returns. KIG was also appointed to the Industry Competence Framework Advisory Panel for the Malaysian Capital Market project undertaken by the Securities Industry Development Corporation.

Its product suite saw expansion through the launch of several notable funds in the market namely, the Kenanga Sustainability Series: Frontier Fund, which invests primarily in the securities of global, innovative companies specialised in products and services that are linked to technologically-driven innovations with long-term sustainable growth potential, and the Kenanga Waqf Al-Ihsan Fund, an open-ended fund that invests in a diversified portfolio of Shariah-compliant equities, sukuk and other Islamic money market instruments. In accordance with waqf principles, half of the derived income will be distributed to sectors such as education, healthcare, economic empowerment and environmental preservation or development.

KIG was also named fund manager for Dana Wakaf Bencana ("the Fund") which aims to provide emergency relief by channeling resources to parties affected by climate change-related disasters, as well as future pandemics. The Fund will be receiving a portion of the RM10 million allocated in Budget 2022 as part of its initial seed funding, which will be invested directly into a wholesale fund established and managed by KIG.

For performance in 2021, KIG won several industry accolades including Refinitiv Lipper, FSMOne Recommend Unit Trusts Awards and Asia Asset Management's Best of the Best Awards.

KIG also won recognition at the 2022 Best of the Best Awards for: 'Malaysia Best Impact Investing Manager', 'Best Application of ESG (ASEAN)', 'Malaysia Best Equity Manager' (fourth consecutive year), 'Malaysia CEO of the Year', 'Malaysia CIO of the Year' and 'Malaysia Best House for Alternatives'. In March 2022, KIG received a total of five (5) awards at the Refinitiv Lipper Fund Awards Malaysia 2022 which included the 'Overall Best Mixed Asset Group - Malaysia Provident' Award. Accompanying this were individual fund wins awarded to Kenanga Growth Fund for 'Best Equity Malaysia Fund over 10 Years', Kenanga Malaysian Inc Fund for 'Best Equity Malaysia Diversified over 3 Years', Kenanga Growth Opportunities Fund for 'Best Equity Malaysia Small & Mid Cap over 5 Years' and Kenanga Diversified Fund for 'Best Mixed Asset MYR Flexible over 10 Years'.