

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS



Asset and Wealth Management

The Group's Asset and Wealth Management division consists of Kenanga Investors Berhad ("KIB"), Kenanga Islamic Investors Berhad ("KIIB"), and I-VCAP Management Sdn Bhd ("I-VCAP") collectively known as Kenanga Investors Group ("KIG"), as well as Digital Investment Management and Wealth Management units, where offerings include a range of conventional collective investment schemes, robo-advisory, portfolio management services as well as alternative investments.

Despite the overall downtrends in the market, our Asset and Wealth Management division recorded exceptional growth in FY2022, with a PBT of RM54.2 million over RM34.9 million the previous year. These results were due to significantly higher earnings from management and performance fees resulting from the ongoing expansion of KIG's business and widening of its client base through multi-segmental products and services targeted individually at mass-retail, middle-high-income, and ultra-high-net-worth investors.

To meet the diverse demands of its investors, KIG has implemented a multi-segment and multi-product strategy. This was illustrated through the expansion of the Kenanga Sustainability Series with the launch of the Kenanga Sustainability Series: High Yield Bond Fund, the first Sustainable and Responsible Investment ("SRI")-qualified high yield bond fund in Malaysia and the Kenanga Sustainability Series: World Quality ESG Fund which aims to deliver long-term capital growth by investing in securities that exhibit quality and favourable ESG characteristics. Following KIG's appointment as the Fund Manager for Dana Wakaf Bencana in 2021, the Kenanga Sustainability Series: Emergency Waqf Musa'adah Fund was launched to generate sustainable returns that will directly benefit disaster victims in the country by helping them return to normalcy. Returns will also go towards providing new or improving existing climate change disaster-control-related facilities or equipment.

KIB continues to expand its network of licensed unit trust and private retirement scheme consultants which has grown to nearly 5,500 in FY2022 compared to 4,500 in FY2021.

In FY2022 KIG expanded upon its Sustainability Blueprint to include the fixed-income asset class by establishing an in-house ESG assessment to perform positive screening for bonds/ sukuk based on independent and accredited external data sources. On the equity front, a more comprehensive sector/industry-focused assessment was established for sectors with high ESG risk. To effectively manage and monitor risks, various factors and indicators specific to respective industries such as palm oil, oil & gas, banking & finance, power, and mining were integrated into this process for a more holistic perspective.

For its stellar fund performance, KIG won several industry accolades including the 2023 Refinitiv Lipper Fund Awards where the Kenanga Malaysian Inc Fund won 'Equity Malaysia Diversified for 10 Years' while the Kenanga Managed Growth Fund won 'Mixed Asset MYR Flexible for 3, 5 and 10 Years'. KIG itself won the 'Malaysia Provident Funds Group Award'. At Asia Asset Management's 2023 Best of the Best Awards, KIG was named 'Malaysia Best Equity Manager', 'Malaysia Best Impact Investing Manager', 'Malaysia Best House for Alternatives', and 'Malaysia Most Improved Fund House'. KIB's Chief Executive Officer and Executive Director, Datuk Wira Ismitz Matthew De Alwis was named 'Malaysia CEO of the Year'. KIG also received recognition at the 2022 Morningstar Fund Awards Malaysia which awarded the Kenanga Growth Fund Series 2 (USD) with its inaugural win with the best 'Malaysia Large-Cap Equity' title.

The Asset Benchmark Research ranked KIG as Highly Commended on its list of 'Top Investment Houses' in the Asian Local Currency Bond Awards for Asset Managers.

The FSMOne Recommended Unit Trusts Awards 2022/2023, named Kenanga Growth Fund Series 2 as 'Sector Equity – Malaysia Focused' and Kenanga Shariah Growth Opportunities Fund as 'Sector Equity - Malaysia Small to Medium Companies (Islamic)'. At the Sustainability Performance Awards, the Group's Sustainable Products award recognised KIG's multiple ESG-linked funds through the Kenanga Sustainability Series, particularly the first SRI-qualified bond fund in Kenanga Sustainability Series: High Yield Bond Fund.

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The division's focus on delivering sustainable performance, high-quality advice and exceptional customer service has driven customer satisfaction and loyalty despite the volatilities of the last three (3) years. Moving forward, KIG will continue to focus on offering wealth protection solutions, such as insurance and private trust, to help preserve and grow investors' wealth. To better serve its clients, KIG will continue expanding its distribution channels, including opening up more branches nationwide, improving upon its existing digital platforms, and growing its agency force. With its multi-segment and multi-product framework, sophisticated ESG blueprint, and commitment to sustainability, KIG is poised to continue delivering value to its investors for years to come.



Listed Derivatives Business

In FY2022, Kenanga Futures Sdn Bhd ("KFSB") made a return to profitability, and the division's operating revenue grew 27% to RM19.7 million on the back of significant increases in both inbound and outbound trading activities—at a composition ratio of 80:20 respectively. KFSB's execution volumes registered outstanding growth of 95% year-on-year, with an unprecedented nine (9) million contracts. These developments corresponded to a record-breaking year at Bursa Malaysia Derivatives Berhad ("BMD"), with the overall market volume growing 3% to 19.2 million contracts. As a result, KFSB recorded PBT of RM2.1 million in FY2022 over Loss Before Tax ("LBT") of RM1.8 million in the preceding year.

In building up the business profitability momentum and ensuring optimum performance for the year, KFSB consolidated its organisational structure into four (4) departments: Sales & Broking, Dealing Global Market, Business Development & Strategy, as well as Operations & Clearing Services, Listed Derivatives. The formation of the Sales & Broking department was aimed at targeted sales coverage for both Global and Domestic Institutions/ Corporations & Retail/ High Net Worth Individuals segments. As a result, KFSB's institutional volumes for Crude Palm Oil Futures (FCPO) recorded historical highs in FY2022 compared to the previous year. Meanwhile, the retail volumes for CME Group's products have seen a significant

50% growth year-on-year compared to the previous year. Besides these developments, KFSB continued to build on its three (3)-year strategic business blueprint, ASCENT 2023, by undertaking annual nationwide retail campaigns in FY2022 to encourage greater retail client trade of BMD and CME Group products.

KFSB continued to be recognised as a top Malaysian futures broker with two (2) awards received at the Bursa Excellence Awards 2022, which are 'Best Institutional Derivatives Trading Participant' (Champion) and 'Best Overall Derivatives Trading Participant' (1st Runner Up).

In FY2023, KFSB will focus its revenue-generating strategy towards growing both the inbound and outbound business supported by the increased product offerings as the division aims towards further improving the company's bottom line and continuing the profitability momentum.



Money Lending and Financing

The Group's Money Lending and Trade Financing division registered PBT of RM0.1 million in FY2022 compared to PBT of RM1.6 million the preceding year. The reduction was due primarily to an impairment provision of RM1.8 million—expected to be reversed in 2023, weaker market demand for asset monetisation and structured lending as well as more prudent lending.

Given these challenges, the division intensified engagement with other business divisions within the Group to increase the loan book size, which grew to RM109.7 million from RM94.4 million the previous year. These efforts are expected to bear fruit in 2023 as Malaysia, and worldwide economies recover.