CIMB-Principal Islamic Asset Management’s Datuk Noripah Kamso shares how this homegrown player is expanding its presence from the region to the rest of the world.

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The Next Frontier
Smart Investor takes a closer look at how CIMB-Principal Islamic Asset Management takes on new developments, as it readies itself to be a leading global player in the Shariah investment arena.

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Datuk Noripah Kamso speaks candidly about her role and her perspectives in helming the company, in this exclusive interview.
The Next Frontier

A pioneer in the Islamic space, CIMB-Principal Islamic Asset Management is championing to take Islamic asset management to the international arena. By Tony Goh

The aftermath of the financial crisis, or as some call it, the great Wall Street swindles of 2007-2008 left a bitter aftertaste not just for the banking and financial industry but also for many in the investment community.

Still smarting from the near financial meltdown, the idea of an alternative investment vehicle that not only offer better track record in terms of returns but also based on the principal of socially responsible investing sounds very refreshing.

With regulators across the world exploring reforms following the global financial crisis, the growing interests for Shariah compliant (activity consistent with the principles of Islamic law) funds create an opening for established players in the Islamic finance industry to internationalise their reach and offer their expertise as a credible choice to investors.

One such established player is CIMB-Principal Islamic Asset Management (CIMB-Principal Islamic).

CIMB-Principal Islamic acts as a global partner to institutional global investors, providing a range of Islamic investment portfolios to suit differing needs. It offers separately managed portfolios for institutions and collective investments. It is the joint venture company between CIMB Group and Principal Global Investors, allowing the company to leverage on the strong global Islamic credentials of CIMB Group (via CIMB Islamic) while Principal Global Investor’s lends its expertise in global asset management.

Headquartered in Kuala Lumpur, Malaysia, CIMB-Principal Islamic is strategically located in the world’s first country with a complete Islamic financial system operating in parallel to the conventional banking system. This allows the firm to leverage on Malaysia’s comprehensive Islamic financial infrastructure and its adopted global regulatory, legal and Shariah best practices.

In an exclusive interview with Smart Investor, CIMB-Principal Islamic Chief Executive, Datuk Noripah Kamso explained that CIMB-Principal Islamic’s capabilities are offered predominantly but not solely to global institutional investors such as central banks, sovereign wealth funds, pension houses, takafuls and other institutional investors. “We believe this strategic focus will give us faster sales traction.”
"On top of this, we are also offering Islamic UCITS (Undertakings for Collective Investment in Transferable Securities) Equity Funds as a passport to reach High Net Worth (HNW) investors in Europe, Gulf Cooperation Council (GCC) and Asia. We are confident Islamic investment products will begin to show exponential traction by 2013. This is because many global asset managers introduced their Shariah funds on the global platforms of Luxembourg and Dublin (Ireland) during the financial crisis in 2008, incubating their funds on a shop window to build a three to five years track record. The five years track record will be achieved by end 2012. In addition, there is also a growing interest among second and third generation Muslims in Europe, who now hold professional jobs and want a ‘choice’ in their investment decision,” Noripah said.

**Tapping new source**

In internationalising CIMB-Principal, Islamic’s global offerings, it has recently obtained the approval from the Central Bank of Ireland for the establishment of CIMB-Principal Islamic Asset Management (Ireland) Public Limited, the first Malaysian-based international Islamic funds platform domiciled in Dublin, Ireland.

Acknowledging the increasing need to provide cross-border solutions, CIMB-Principal Islamic established the platform in December 2011. It will initially launch three Shariah UCITS...
An UCITS-compliant fund is regarded as a ‘European Passport’ — it can be distributed in any other EU member state without any additional authorisation.

The CIMB-Principal Islamic funds will be registered and offered to investors in seven jurisdictions - the United Kingdom, Switzerland, Germany, Saudi Arabia, Bahrain, United Arab Emirates (UAE) and Singapore. In Germany, there are approximately eight million Muslims and there are approximately two million Muslims in the UK of second and third generation, while Switzerland is believed to have potentially US$200 billion of HNW monies from the Middle East.

After the Arab Spring in North Africa and some parts of Middle East, we believe there has also been a flight to security from these countries to UAE (Dubai, Abu Dhabi and Saudi). As such, the Islamic UCITS will be a timely offering to these liquid markets in UAE and Saudi.

Global UCITS fund platforms are structured to appeal to international investors, given the robust risk framework and strict governance. The UCITS structure is flexible enough that it can be offered in multiple asset classes and multiple currencies to a broader investor base. As such, it can more easily build scale internationally and not be limited to the domestic sandbox. Such platforms are popular in the conventional space and Shariah asset managers would do well to take full advantage to structure these types of funds and utilise them to service the integrated world.

Impressive records
According to Noripah, the idea of establishing a global fund platform is conceived as an initiative to overcome the challenge to bring international and institutional monies into Malaysia for its transformation into an international hub for Islamic finance.

“With this new Islamic fund range in Ireland, institutional and retail investors globally will be able to see CIMB-
Principal Islamic’s asset management track record. If the funds do well, not only will this attract investment into those funds, but institutional investors may also appoint CIMB-Principal Islamic to manage their discretionary mandates. Having the funds registered in Ireland demonstrates that the Malaysian asset management regulatory framework is of world-class standards. To have registered the funds as UCITS compliant means that the Central Bank of Ireland is convinced that the regulation by the Securities Commission is on par with that in Europe,” Noripah explained.

CIMB-Principal Islamic firmly believes that Shariah compliant investing offers a compelling value proposition for investors, both Muslim and non-Muslim, who value ethical business practises, social responsibility and fiscal conservatism. As such, the firm constantly strives for superior and consistent performance based on disciplined investment process that adheres strictly and transparently to Shariah investment principles. This is achieved through an internationally renowned Shariah investment advisory, a disciplined investment process, Shariah compliant portfolio construction expertise and Islamic capital markets expertise.

The end result has seen CIMB-Principal Islamic winning numerous accolades in the international arena such as the Best Asset Management Company 2011 by Global Finance for the second year in a row and Best Islamic Asset Management House, UCITS for The Asset’s Triple A Islamic Finance Awards 2011. Worth noting also are the awards won by the company recently - the Best Islamic Asset Management Company in Asia plus Overall Best Islamic Asset Management Company - at the Islamic Finance News (IFN) Awards 2011. The wins are significant, as the winners were selected via a poll done by readers from around the world, and the company beat major regional and global players as the overall winner. It also grabbed the Best Islamic Asset Management House (Asia) by International Takaful Leaderships Awards London 2011 and Best Islamic Asset Manager 2011 by Global Islamic Finance Awards respectively.

Path to growth
One visible advantage for CIMB-Principal Islamic is the fact that its home base is in Malaysia, the established leader in Islamic finance with the best regulations, infrastructures and incentives to facilitate the internationalisation of the marketplace.

Another good example will be the tax incentive accorded to Islamic finance instruments and transactions, whereby no additional stamp duty and tax payment will be charged for the usage of Islamic products and thus, making the conventional products equally competitive with Islamic finance products.

The revenues of companies offering Islamic investment products are also exempted from corporate tax until 2016. Malaysia has also been quick to capitalise on this shift in investment trend and is now recognised as a world leader in Islamic finance development. It has played a crucial role in upgrading awareness, first on Islamic finance itself and consequently on Islamic asset management.

The country also allows up to 100% foreign ownership for a fund management company. Additionally, through the Malaysia International Islamic Financial Centre (MIFC) initiative, fund management licenses are issued, allowing them to conduct business in Ringgit and non-Ringgit denominations.

Securities Commission Malaysia has also signed various cross-border agreements with other global capital markets, namely Hong Kong, Dubai International Financial Centre (DIFC), Luxembourg, Ireland and Australia.

Creating greater demand
With Shariah investing being a new trend, one of the biggest challenges in Islamic asset management is educating and creating awareness to investors on the benefits of investing in Shariah products.

“The interest in Islamic investing that we see today has nothing to do with it being faith-driven, but due to the change in trend for their monies to be invested responsibly in an ethical form. However, challenges remain. In the US for example, many still equate the word “Islam” with terrorism, while Saudi Arabia has very strict interpretations of what is permissible and halal.

“Mindsets and education levels of international investors are still too varied, which necessitates that industry players like us to assume responsibility to raise the level of awareness on the benefits based on empirical evidences,” said Noripah.

Besides Malaysia, the Islamic asset management industry has grown moderately in many countries in SEA (Brunei, Singapore and Indonesia), GCC region, Canada, US, EU (specifically German, France, Switzerland), India, Japan, South Korea and Australia. There is also a global catch-up by non-Muslim countries in Central Asia and Central EU.
Winning strategy
CIMB-Principal Islamic’s strategy of going forward is to remain focused on offering four core capabilities namely on global sukuk, Asia sukuk, global equity and AsiaPac (ex-Japan) equities.

Although only three years old, it has close to US$800 million in assets under management (as at 31 December 2011). These are assets from institutional investors only. As for global HNW investors, CIMB-Principal Islamic is targeting at least RM200 million by year-end in total assets under management for the three new Islamic UCITS funds.

Managing global capabilities will require CIMB-Principal Islamic to house its portfolio managers in jurisdictions with relevant time zone and where the source of communications is. For example, our global equity team are based in the US, London, Tokyo and Singapore. But the global Sukuk portfolio managers are based in Kuala Lumpur supported by credit analysts in Malaysia, Sydney and London.

Having established relationship since 2 and half years with the GCC market, in February 2012, CIMB-Principal Islamic was appointed by Al-Hilal Bank of Abu Dhabi as the investment manager for its Al-Hilal Global Sukuk Fund. This is CIMB-Principal Islamic’s breakthrough into the UAE market, which is currently very liquid, contributed by investors’ flight to security from North Africa due to the political unrest.

We are confident that CIMB-Principal Islamic can break the threshold at US1 billion asset under management by 2012.

On the company’s vision, Noripah highlighted the firm’s Vision 2015 which is to become the most valued global Islamic asset manager with scalable business and reaping economies of scale.

This pioneering initiative by CIMB-Principal Islamic to internationalise Malaysian Islamic asset management capabilities clearly supports the MIFC’s aspiration to be a global hub for Islamic
International Islamic University, and various universities in UK are progressing well to fill in the demand. The crucial thing however, is for Islamic Finance to grow beyond Malaysian’s shores, so we can have bigger platform to operate and create enough demand for human capital.

Malaysia definitely is leading based on its comprehensive legal and regulatory framework in supporting global players to base their Islamic operations in Malaysia. Case in point for global bank such as HSBC to base its Islamic finance operations in Malaysia is proof that there are sufficient high quality talent to supports its operation in Malaysia.

SI: How do you describe the different challenges that you face at the international level? What motivated you to take on this task of bringing CIMB-Principal Islamic to the international arena?

DNK: One of the most challenging aspects when it comes to penetrating overseas markets is to manage “image risk”. You will be surprised that even within the GCC for example, investors in different countries have different interpretations of the Shariah principles. At first glance they might remain sceptical of our products. But after some educations and seeing the benefits, this challenge can progress positively. If this question was asked 6 years ago, I will not be able to show empirical evidence of the benefits and the resilient track records of Islamic equity investing. The conundrums and the black swans that has been impacting the world the last six years resulting in a volatile equity market has given Islamic investing the opportunity to prove that despite the bull and bear markets globally, it is resilient and grants comparable risk returns (if not outperformance) in the long term to the conventional investment.

What motivates me to keep going is the opportunity to take on new strategic challenges. Spearheading new ventures is the perfect platform for me to do so. Pioneering new markets means you have to identify areas like who are your target audience, how to do it and where to do it. These challenges are what continue to drive me.

SI: Can you please share with us your management style, and what helps to guide you in your professional endeavour?

DNK: I am a firm believer in empowerment. This means that I don’t meddle in my staffs’ work. Of course, there are goals and KPIs encompassed by boundaries, which we have to work within, but I don’t keep on checking on how work is done. I believe when staffs are empowered, they become more creative and innovative, and will put more accountability and responsibility into their deliverables.

In line with global best practises, we at CIMB-Principal Islamic also have a remuneration system that commensurate with results and performance, which works as a very effective incentive. 

People that Islamic investing grants comparable risk returns in the long term is an ongoing educational challenge.