

FOSTERING PROACTIVE RISK CULTURE IN PNB

Diversification strategy to help increase fund manager's global exposure, says Jalil

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PERMODALAN Nasional Bhd's (PNB) diversification efforts to increase its global exposure will be done in a methodical manner.

President and group chief executive Jalil Rasheed said the fund management company would continue to focus on developing a proactive risk culture.

He acknowledged that higher global exposure would lead to greater market and geographical risks.

"Growing complexity in managing these risks requires greater involvement and integration of risk-mitigation efforts at all levels," he told the *New Straits Times* recently.

He said PNB would ensure that business units or asset-class owners were committed to existing frameworks, which included leveraging digital technology platforms to develop a centralised monitoring system and embedding risk analytics tools.

"As we dive deeper into international markets, there may be a

need to have asset-specific risk specialists," he said.

PNB recently unveiled its strategic plan (2020-2022) known as "Focus 4".

The plan emphasises on diversification, value creation, risk management and organisational transformation as PNB advances towards transforming and preparing itself for headwinds and evolving market landscapes.

"In a recent town hall with PNB employees, I stressed how everybody is responsible for making sure that we achieve the aim of strengthening our risk culture as part of our culture transformation initiatives.

"We have also made risk management part of the key performance indicators for senior leaders and divisions."

Focus 4 provides PNB with a springboard to address challenging situa-

tions which could adversely affect its income over the long term, focusing on areas that are more attuned to the market environment.

This is to ensure that PNB has an all-weather portfolio to withstand economic headwinds.

In addition to working with its

strategic companies, PNB said Focus 4 also aimed to diversify its investments into new asset classes and geographies, including global real estate opportunities with attractive yields.

Jalil said the Covid-19 pandemic was a critical test for the management to continue delivering business objectives while ensuring the safety of its employees.

"The challenge is to ensure business units are well-equipped with the required tools and infrastructure, and relevant policies are in place for them to continue performing their jobs."

He also said PNB expected the low-return rate environment to persist.

"This is a significant challenge for PNB to continue providing sustainable and competitive returns above the relevant benchmark for unitholders in the long run."

Jalil said it was important to foster greater collaboration among business units in developing a unified risk mitigation strategy.

Hence, PNB has established three risk sub-committees to create a more proactive inter-linkage and coordination between the operational teams and management committees in the areas of investment, operational and technology.

These risk sub-committees comprise working groups that perform routine risk management practices.

Jalil said PNB would continue to monitor the situation and had taken steps to safeguard its investments.

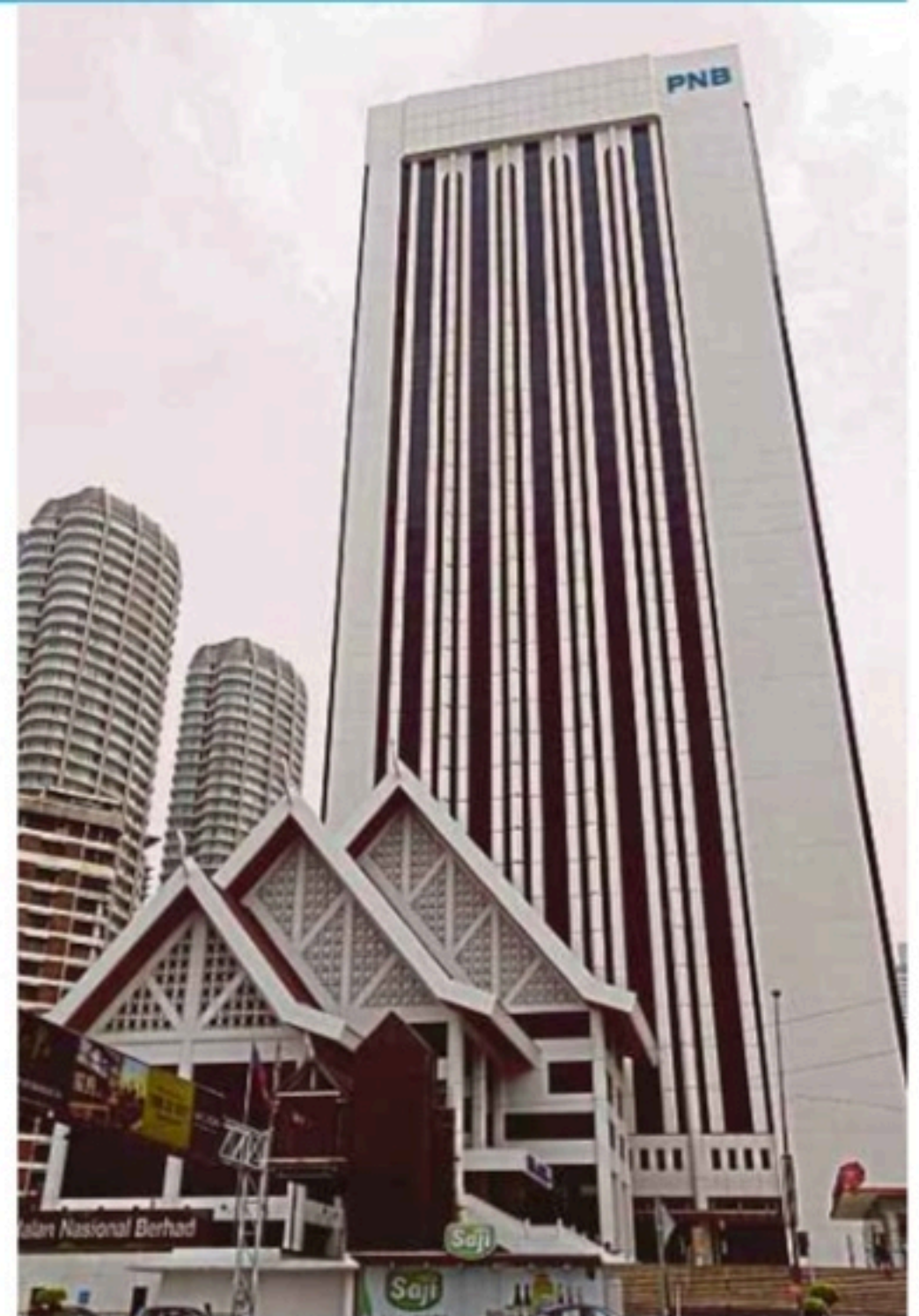
"We believe in the benefits of diversification. We have been investing in non-correlating assets



“We have also made risk management part of the key performance indicators...”

JALIL RASHEED

Permodalan Nasional Bhd president and group chief executive



Permodalan Nasional Bhd's 'Focus 4' strategic plan emphasises on diversification, value creation, risk management and organisational transformation.

across asset classes, within asset classes, globally and across different currencies in the past few years as a preparation for difficult times.

"We continue to be disciplined in how we allocate our capital, such as undertaking a stop-loss strategy against falling share prices and putting in tactical buys and sells in sectors that prove to be resilient during this challenging time."

Jalil said PNB would continue to employ strategies that provided downside protection for the value of its portfolio and income.

For example, he said PNB had placed more premium on income- and cash flow-generating

assets as well as securities with capital preservation features, such as bonds, to continue delivering sustainable returns to unitholders while ensuring that their capital was safe.

"PNB is confident of the fundamental health of its investee companies.

"We remain confident in the resilience of our investment portfolio amid a highly volatile market as well as in the long-term return potential of Malaysian corporates," he added.

PNB is one of the largest fund management companies in Malaysia with assets under management exceeding RM300 billion.