

ESG Bond Index outperforms local equity

THE Environmental, Social and Governance (ESG) Bond Index has outpaced the local equity market during the first half of the year as investors opt for less volatile investment instruments and secure returns.

Bond Pricing Agency Malaysia Sdn Bhd (BPAM) CEO Meor Amri Meor Ayob said foreign investors would be attracted to local bonds due to its values and strong fundamentals.

Meor Amri said the country's net difference between return and inflation rate is still positive compared to other countries.

"My view is on profit maximisation (return), not considering other issues like foreign-exchange and political risk," he said during the launch of the ESG Bond Index series in Kuala Lumpur yesterday.

Malaysia's inflation rate rose to the highest in 13 months to 1.5% in June, but it is still lower than the 2018 global average inflation rate of 2.5% based on World Bank Group's data.

Analysts are projecting an inflation of 0.6% for this year after deflation in the first two months of the year and the subsequent 0.2% increase in the following three months.

Malaysian Rating Corp Bhd recently said total foreign holdings in Malaysian Government Securities (MGS) rose in June



Meor Amri (left) with Noor Bazlina at the launch of the ESG Bond Index series in Kuala Lumpur yesterday

2019 after heavy outflows in April and May.

Total foreign holdings of MGS rose to RM149.1 billion (May 2019: RM143.4 billion), while the foreign share of total outstanding increased to 36.9% (May 2019: 35.8%).

Commenting on its first ESG Bond Index series, Meor Amri said the series will cover ringgit-denominated, long-term conventional and Islamic bonds (sukuk) classified within the ESG principles.

"The index series highlights bond issuers allocating under ESG principles, and tracks their performance.

"The index series could be used as benchmarks, to com-

pare its returns with other investments, ESG-themed or otherwise; and in the future, (it) could be the base of index funds," he said.

Its head financial engineering and research Noor Bazlina Sharifmuddin said the year-to-date (YTD) ESG Bond Index stands at 4.95% vis-à-vis a negative return of 0.1% YTD for the FTSE4Good Bursa Malaysia Index.

The FTSE4Good Bursa Malaysia Index constituents are selected from the top 200 stocks in the FTSE Bursa Malaysia Emas Index, screened in accordance with the transparent and defined ESG criteria. The KLCI main index is also down -2.01% as of yesterday.

Launched in 2014, the aim of the FTSE4Good Index is to entice investors in making ESG investments in Malaysian listed companies and support the transition to a lower carbon and more sustainable economy.

As at June, the ESG Bond Index has a market capitalisation of RM4.05 billion with 11 issuances. Thus far, 90% of the ESG bond issuers are conventional, with 58% having a tenure of more than seven years.

The top ESG bond issuers are PNB Merdeka Ventures Sdn Bhd, Quantum Solar Park Sdn Bhd, HSBC Amanah Malaysia Bhd, Segi Astana Sdn Bhd and Tadau Energy Sdn Bhd. — by **SULHI KHALID**