KAF Investment Funds Berhad

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The Durian Dilemma: What the Musang King Can Teach Us About Investing

If you have walked past any local fruit stall recently, you probably noticed something unusual. Durians are everywhere, and they are incredibly cheap. For those who love the "King of Fruit," this season has been an absolute dream.

But if you speak to the orchard owners, the mood is very different.

The story of this season's cheap durians actually started about six to ten years ago. Back then, the demand for Musang King from China was booming. It seemed like a goldmine. Seeing the high prices, thousands of local landowners and farmers rushed to clear their land and plant durian trees, hoping to cash in on the golden harvest.

However, nature operates on its own timeline. A durian tree takes about six to eight years to finally mature and bear fruit. And while local growers were patiently waiting for their saplings to grow, the global market did not stand still.

Caught Flat-Footed by the Competition

During those years of waiting, the dynamics of the export market shifted completely. China began importing a massive volume of fresh durians from Vietnam.

This shift was driven by simple geography and timing. Vietnam shares a direct land border with China, allowing them to transport fresh fruit via trucks and trains far quicker and cheaper than shipping them across the sea from Malaysia. To make matters more challenging for local growers, Vietnam's unique climate allows for year-round harvests, and they secured official fresh export clearance in 2022, two years before Malaysia did.

By the time the thousands of newly planted Malaysian trees finally began to drop their fruit, the orchard owners were caught flat-footed. They faced an oversupply at home and a highly competitive, crowded market abroad. The result is the bargain prices we see at the stalls today.

The Financial Lesson: Concentration Risk

This scenario is a classic real-world example of what economists call concentration risk. It is the danger of putting all your hopes, capital, and future on a single customer, a single product, or a single market.

When things go well, concentration can make you very wealthy. But if just one variable changes; whether it is a new competitor emerging, shipping routes being disrupted, or regulatory shifts; the entire plan can collapse.

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As investors, we often make the exact same mistake with our savings. We find a sector, a single stock, or a regional fund that has been performing brilliantly, and we put all our money into it. It feels safe because it is successful today. But just like the durian growers, we cannot predict what the global landscape will look like in five or eight years.

How to Diversify Beyond the "Single Orchard“

This is where the power of diversification comes in. True diversification is not just about buying three or four different unit trusts. If you buy three different equity funds that all invest in the exact same Malaysian blue-chip companies, you are not actually diversified. You have simply bought three different orchards of the exact same durian.

To build a resilient portfolio, we need to diversify across a few different dimensions:

- Asset Class Diversification: This means combining equity funds, which offer higher long-term growth potential, with fixed-income or bond funds, which provide steady income and act as a cushion when stock markets are volatile, even though they carry their own sets of interest rate and credit risks.
- Geographical Diversification: Do not rely solely on the Malaysian economy. By allocating a portion of your portfolio to regional or global funds, you help mitigate the risk of a single-market slowdown, positioning your portfolio to capture potential growth in other parts of the world.
- Sector Diversification: Different industries thrive at different times. Spreading your investments across technology, banking, consumer goods, and healthcare means you are never overly dependent on the success of a single industry.

Protecting Your Downside

The goal of diversification is not to maximize short-term gains. Instead, it is about protecting your downside. It is the financial equivalent of a farmer planting a few rows of vegetables and keeping some livestock alongside their durian trees. If the durian market tumbles, the family still has other sources of income to rely on.

When you diversify your investments, you are acknowledging that the future is unpredictable. You are giving up the chance of hitting a single, risky jackpot in exchange for a more balanced, structured, and resilient approach toward your long-term goals.

The next time you enjoy some cheap Musang King, take it as a friendly reminder of how quickly the world can change. Our financial plans should be built to withstand those changes, not be broken by them