

ABF MALAYSIA BOND INDEX FUND

MONTHLY REVIEW

**For the month of
March 2025**



AmFunds Management Berhad (154432-A)
(A member of AMMB Holdings Berhad)

- Investment Banking
- Treasury Solutions

- Funds Management
- Stock & Futures Broking

- Private Banking
- Islamic Markets

A. BOND MARKET OVERVIEW

Market Review & Outlook

MGS Benchmark Tenors	28-Mar-25 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.45	-5	-8
5Y	3.60	-3	-5
7Y	3.71	-4	-7
10Y	3.80	-1	-4
15Y	3.93	-5	-5
20Y	4.01	-6	-7
30Y	4.15	+2	-1

Source: Bond Pricing Agency Malaysia, 28 March 2025

On 6 March 2025, Bank Negara Malaysia (“BNM”) held overnight policy rate (“OPR”) steady at 3.00%, issuing a neutral policy statement as widely expected. BNM continued to maintain its monetary policy stance and believes that the current OPR level remains supportive of the domestic economy amid external headwinds from US trade policy uncertainties. In its 2024 Annual Report, BNM maintained its official GDP growth forecast for 2025 at 4.5% to 5.5% YoY (2024: 5.1% YoY) after considering the positive spillovers from global tech upcycle, which is expected to drive domestic growth and offset the external uncertainties related to a more restrictive US trade policy. BNM also maintained its 2025 inflation rate forecast at 2.0% to 3.5%. This forecast reflects the upside risk to inflation amid ongoing domestic policy reforms measures and price adjustments such as RON95 petrol subsidy rationalization, electricity tariff review and foreign labour costs.

Moving towards the Consumer Price Index (“CPI”), headline inflation dropped to 1.5% YoY primarily due to slower rises in process for transport, health, recreation, sports & culture which helped offset the higher costs for insurance & financial services and education. However, core inflation rose slightly to 1.9% YoY from last month’s 1.8% YoY, indicating sustained price pressures in essential goods and services. The minimum wage hike to RM1,700 per month from RM1,500 per month for employers with more than five employees have had muted impact on inflation rate during the month.

Malaysia’s labour market has remained stable and healthy with unemployment rate in January 2025 holding at 3.1% for the second consecutive month. The number of unemployed declined by 4.7% YoY to 533.8k (December 2024: 538.5k) reflecting steady employment growth. The domestic jobs growth in the service sector remained resilient, supported by accommodation and food & beverage, wholesale & retail trade. Improvement in employment was also seen in manufacturing, construction, agriculture and mining & quarrying sectors.

Malaysia’s trade in February 2025 demonstrated steady growth, where:-

- Total trade increased by 5.9% YoY, reaching RM223.9 billion.
- Exports rose by 6.2% YoY to RM118.3 billion, reflecting strong external demand
- Imports fell by 5.5% YoY to RM105.6 billion.

- Trade balance remained in surplus at RM12.6 billion.
- Overall, Malaysia's trade outlook remains positive, supported by robust export growth and stable domestic demand.

In March 2025, Malaysian Government Securities ("MGS") yields rallied across the curve – although not as much as UST – with the exception of the 30-year MGS. MGS traded stronger with yields falling by 1-5 basis points ("bps") in the 2 to 10-year tenures with the ultra-long tenures also traded firmer with the 20-year MGS yield falling by 6bps. The 30-year MGS yield was an outlier as it increased by 2bps MoM.

There were three sovereign bond /sukuk auctions with a total size of RM14.0 billion in March, namely the three re-openings of the 15-year MGS with a size of RM4.0 billion on 7 March, RM5.0 billion of 30-year Government Investment Issue ("GII") on 13 March and the RM5.0 billion of 10-year MGS on 27 March. Demand remained solid with Bid-to-Cover ("BTC") of 2.16 times ("x") for the 15-year MGS at the start of the month and improved further in the next auction at 3.08x for the 30-year GII. On the other hand, the 10-year MGS auction was weak with BTC of 1.67x – the lowest since October 2024, possibly affected by the upcoming Raya holiday.

B. PORTFOLIO ACTIVITY REVIEW

For the end of the month of March 2025, there is four inclusions and two exclusions in the ABF Malaysia Index.

The details of the inclusions:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
30/8/2030	Malaysia Government Investment Issue	MYBGJ2500029	5,500,000,000
24/3/2028	Cagamas Berhad	MYBVG2501279	1,110,000,000
8/3/2028	Cagamas Bhd	MYBVI2300496	565,000,000
7/3/2030	Cagamas Berhad	MYBVI2501069	900,000,000

The details of the exclusions:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
13/2/2026	Malaysia Government Investment Issue	MYBGK1900038	25,500,000,000
23/2/2026	Federal Land Development Authority	MYBVI2100482	655,000,000

The portfolio had 88.17% of sovereign bonds, 10.04% of quasi-sovereign bonds and 1.79% in cash. As of 28 March 2025, the portfolio held 83 bonds versus the benchmark universe of 292 bonds.

C. PERFORMANCE EVALUATION REVIEW

As of 28 March, 2025	Modified Duration (years)	Weighted Market Yield (%)	Total Return (Net) for the Month of March 2025
Benchmark	7.36	3.76	0.51%
Actual Portfolio	7.42	3.76	0.52%

The top 10 holdings of the portfolio as of 28 March 2025 are as shown below:

Maturity Date	Issuer	ISIN Code	Nominal Value	Market Value
15/10/2042	Malaysia Government Bond	MYBMY2200023	40,000,000	44,405,836.65
07/04/2037	Malaysia Government Bond	MYBMX1700033	40,000,000	44,292,664.60
15/9/2039	Malaysia Government Investment Issue	MYBGY1900021	40,000,000	42,514,497.59
27/05/2039	1MDB	MYBVZ0902446	35,000,000	41,968,405.25
5/7/2034	Malaysia Government Investment Issue	MYBMS1900047	41,500,000	41,929,850.10
14/08/2043	Malaysia Government Investment Issue	MYBGY2300023	40,000,000	41,582,014.88
15/06/2028	Malaysia Government Bond	MYBMS1300057	40,000,000	40,697,446.76
15/08/2029	Malaysia Government Bond	MYBMO1900020	40,000,000	40,668,824.80
31/05/2027	Malaysia Government Bond	MYBMX0700034	40,000,000	40,549,792.10
15/10/2030	Malaysia Government Investment Issue	MYBGO2000020	40,000,000	40,292,262.31

The tracking error based on gross return for the last 3 years (31 March 2022 – 28 March 2025) of the Fund was 10.89 basis points while the tracking error based on net return was 10.89 basis points.

Net asset value of the portfolio stood at RM 1,782,592,656.08 at end of March 2025.