

ABF MALAYSIA BOND INDEX FUND

MONTHLY REVIEW

For the month of
August 2024

By



AmInvest

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

- Investment Banking
- Treasury Solutions

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A. BOND MARKET OVERVIEW

Market Review & Outlook

MGS Benchmark Tenors	30-August-24 (%)	Net Change MoM (bps)	Net Change Year-To-Date (bps)
3Y	3.37	-1	-15
5Y	3.52	0	-13
7Y	3.72	4	-2
10Y	3.77	3	-2
15Y	3.91	3	-11
20Y	4.06	2	-6
30Y	4.21	4	-5

Source: Bond Pricing Agency Malaysia, 30 August 2024

In August, Malaysian Government Securities (“MGS”) saw yields rise marginally across the curve, despite the lowering of yields in the US Treasuries (“UST”) curve. MGS saw rates rise from 2-4 bps MoM on the mid part to long end of the curve while the UST moved lower by 10-21 bps on the similar part of the curve. Much of the movement in the US reflects the expectation of a rate cut heightens in the US while the marginal shift in local MGS curve reflects the absence of local catalyst following a rally in July. The rally in July was mainly driven by foreign investors as foreign holdings rose to RM7.8 billion driven by the inflow of RM6.5 billion in local government securities, the highest since July 2023.

Despite the lack of local catalyst, the trading volume of government fixed income securities saw an increase from RM107 billion to RM109 billion MoM. The trading of corporate bonds (including quasi-sovereign) also saw an increase in trading volume, from RM13 billion to RM18 billion during the similar period.

The tender of government securities in August saw healthy demand as all the government tenders saw close to or more than two times bid-to-cover (“BTC”). The reopening of the 7-year Malaysian Government Investment Issues (“MGII”) and 5-year MGII saw a BTC of more than two times at 2.33 times and 3.68 times respectively while the 30-year and 10-year MGS reopening attracted a BTC of 1.95 times and 1.99 times respectively (lower than two times).

All eyes will be on the upcoming US Fed meeting where consensus is that the Fed will finally cut interest rates. We expect emerging bond markets to rally on the back of strengthening local currencies attracting foreign inflows and that globally, central banks would also embark on rates easing.

Although the domestic bond market has rallied since the beginning of the year, we expect sentiments to remain bullish owing to ample market liquidity with strong demand on bonds on an extended pause on the Overnight Policy Rate (“OPR”) by Bank Negara Malaysia (“BNM”).

B. PORTFOLIO ACTIVITY REVIEW

For the end of the month of August 2024, there is one inclusion and one exclusion in the ABF Malaysia Index.

The details of the inclusion:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
08/08/2034	Danga Capital Bhd	MYBVN2401989	1,000,000,000

The details of the exclusions:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
15/08/2025	Malaysia Government Investment Issue	MYBGL1800012	12,500,000,000

The portfolio had 88.45% of sovereign bonds, 10.84% of quasi-sovereign bonds and 0.71% in cash. As of 31 August 2024, the portfolio held 86 bonds versus the benchmark universe of 298 bonds.

C. PERFORMANCE EVALUATION REVIEW

As of 30 August, 2024	Modified Duration (years)	Weighted Market Yield (%)	Total Return (Net) for the Month of August 2024
Benchmark	7.27	3.73	0.26%
Actual Portfolio	7.29	3.72	0.27%

The top 10 holdings of the portfolio as of 30 August 2024 are as shown below:

Maturity Date	Issuer	ISIN Code	Nominal Value	Market Value
15/10/2042	Malaysia Government Bond	MYBMY2200023	40,000,000	43,986,676.62
27/05/2039	1MDB	MYBVZ0902446	35,000,000	41,775,431.25
30/09/2026	Malaysia Government Investment Issue	MYBGO1600036	40,000,000	41,284,553.06
14/08/2043	Malaysia Government Investment Issue	MYBGY2300023	40,000,000	41,205,771.55
15/08/2029	Malaysia Government Bond	MYBMO1900020	40,000,000	40,726,284.84
05/07/2034	Malaysia Government Bond	MYBMS1900047	40,000,000	40,688,358.15
15/10/2030	Malaysia Government Investment Issue	MYBGO2000020	40,000,000	40,103,055.05
15/06/2050	Malaysia Government Bond	MYBMZ2000016	40,000,000	39,857,196.99
22/05/2040	Malaysia Government Bond	MYBMY1900052	40,000,000	39,302,549.76
9/7/2029	Malaysia Government Investment Issue	MYBGO1900014	36,160,000	37,352,879.93

The tracking error based on gross return for the last 3 years (30 August 2020 – 30 August 2024) of the Fund was 10.93 basis points while the tracking error based on net return was 10.97 basis points.

Net asset value of the portfolio stood at RM 1,744,272,228.83 at end of August 2024.