

ABF MALAYSIA BOND INDEX FUND

MONTHLY REVIEW

**For the month of
August 2026**



Group Wealth Management

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-August 2026 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.42	6.9	32.9
5Y	3.61	10.1	31.2
7Y	3.82	16.3	42.9
10Y	3.91	15.7	37.9
15Y	4.07	11.2	27.1
20Y	4.20	21.2	34.8
30Y	4.26	13.6	28.2

Source: Bond Pricing Agency Malaysia, 31 August 2025.

In August 2026, the Malaysian Government Securities (“MGS”) saw yields increase across the board, led by the 20Y followed by the belly of the curve. This tracked the movement of core rates in the US as sentiment remained pessimistic over increased expectations of US Federal Reserve hiking rates in September 2026.

There were four sovereign bond and sukuk auctions totalling RM20 billion in August 2026 comprising of the reopening of a 5-year Malaysian Government Investment Issue (“MGII”) (RM5.0 billion), followed by a 30-year MGS (RM5 billion), 7-year MGII (RM5 billion) and a 20-year MGS (RM5 billion). The bid-to-cover (“BTC”) ratio ranged between 1.63x to 2.40x, reflecting subdued demand in Malaysia Government bonds.

Meantime, foreign holdings of Ringgit bonds decreased by RM5.6 billion in July 2026, reversing the inflow of RM4.9 billion experienced in June 2026. This was most likely due to the widening of rates differential in the US Treasury and MGS motivating investors to shift funds into US fixed-income assets. This brought total foreign holdings down to RM304.2 billion from a previous month’s foreign holdings’ of RM309.8 billion.

Malaysia’s macroeconomic backdrop remains broadly constructive heading into September 2026, supported by resilient domestic consumption, sustained investment activity and the continued implementation of public-sector development projects. Growth momentum remains firm, while inflation appears manageable. Nevertheless, the environment for Malaysian government bonds has become more challenging as external rate pressures and heavier domestic supply increasingly dominate near-term market direction.

The recent sell-off in MGS and GII has been driven primarily by the rise in US Treasury yields, which has reduced the relative appeal of duration across regional fixed-income markets. Higher global risk-free rates have also raised the hurdle for foreign participation and contributed to a broader repricing of term premia. At the same time, an increase in domestic bond supply has added pressure to the local market, particularly across the intermediate and longer ends of the yield curve.

Domestic monetary conditions also warrant close attention. Although BNM has maintained the OPR at 2.75%, elevated money-market rates suggest that financial conditions are less accommodative than the policy rate alone would indicate. With

economic activity remaining resilient, there is limited urgency for BNM to shift towards monetary easing. Consequently, the local bond market is likely to remain sensitive to changes in global yields, primary issuance and domestic liquidity conditions.

Looking ahead, we expect market sentiment to remain cautious in the near term. The combination of elevated US Treasury yields, heavier sovereign bond supply and limited prospects for an immediate policy-easing catalyst is likely to keep MGS and GII yields under upward pressure. While Malaysia's stable macroeconomic fundamentals and institutional domestic demand should reduce the likelihood of a disorderly adjustment, a sustained bond-market rally will be difficult without a meaningful decline in global yields or a clearer shift in BNM's policy trajectory.

B. PORTFOLIO ACTIVITY REVIEW

For August 2026, there is two inclusions and no exclusion in the ABF Malaysia Index.

The details of the inclusions:

Maturity Date	Issuer	ISIN Code
06/07/2033	Cagamas Berhad	MYBVK2601808
31/07/2046	Prasarana Malaysia Bhd	MYBVX2603252

The portfolio had 88.98% of sovereign bonds, 10.11% of quasi-sovereign bonds and 0.91% in cash. As of 28 August 2026, the portfolio held 87 bonds versus the benchmark universe of 287 bonds.

C. PERFORMANCE EVALUATION REVIEW

As of 28 August, 2026	Modified Duration (years)	Weighted Market Yield (%)	Total Return (Net) for the Month of August 2026
Benchmark	7.47	3.83	-0.71%
Actual Portfolio	7.40	3.83	-0.75%

The top 10 holdings of the portfolio as of 28 August 2026 are as shown below:

Maturity Date	Issuer	ISIN Code	Nominal Value	Market Value
15/10/2042	Malaysia Government Bond	MYBMY2200023	40,000,000	43,298,155.42
15/09/2039	Malaysia Government Investment Issue	MYBGY1900021	40,000,000	42,702,528.31
05/07/2034	Malaysia Government Bond	MYBMS1900047	41,500,000	41,696,192.95
14/08/2043	Malaysia Government Investment Issue	MYBGY2300023	40,000,000	40,716,842.35
15/06/2028	Malaysia Government Bond	MYBMS1300057	40,000,000	40,631,587.35
15/08/2029	Malaysia Government Bond	MYBMO1900020	40,000,000	40,591,571.64
27/05/2039	1MDB	MYBVZ0902446	35,000,000	40,546,231.25
15/10/2030	Malaysia Government Investment Issue	MYBGO2000020	40,000,000	40,434,981.45
15/04/2030	Malaysia Government Investment Issue	MYBMZ2000016	37,500,000	39,397,090.81
15/06/2050	Malaysia Government Bond	MYBMX1000038	40,000,000	39,223,068.59

The tracking error based on gross return for the last 3 years (31 August 2023 – 28 August 2026) of the Fund was 7.96 basis points while the tracking error based on net return was 7.91 basis points.

Net asset value of the portfolio stood at RM 1,756,257,559.39 at end of August 2026.