

ABF MALAYSIA BOND INDEX FUND

MONTHLY REVIEW

**For the month of
October 2024**

By



AmInvest

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

- Investment Banking
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A. BOND MARKET OVERVIEW

Market Review & Outlook

MGS Benchmark Tenors	30-October-24 (%)	Net Change MoM (bps)	Net Change Year-To-Date (bps)
3Y	3.58	+22	+5
5Y	3.70	+19	+5
7Y	3.92	+22	+19
10Y	3.93	+21	+19
15Y	4.02	+12	+3
20Y	4.16	+12	+4
30Y	4.26	+6	+0

Source: Bond Pricing Agency Malaysia, 30 October 2024

Malaysian bond market was under pressure in October as investor turned bearish bias, influenced by the sell-off in US treasury (“UST”) driven by uncertainties surrounding US presidential election and prospect of slower rate cut by US Fed. Sentiment was generally weaker throughout the month despite Budget 2025 tabled by Prime Minister (“PM”) Anwar on 18 October projected a narrower deficit of -3.8% of GDP for 2025. Overall, Malaysian Government Securities (“MGS”) curve bear flattened, with yields rose 6-22 bps on MoM basis in October.

There were four sovereign bond auctions with total size of RM19 billion in October, namely the reopening of 3-year MGS, reopening of 10-year Government Investment Issue (“GII”), reopening of 20-year MGS and reopening of 7-year GII. These auctions saw mixed reception with both 20-year MGS and 7-year GII saw decent bid-to-cover (“BTC”) of around 2.0 times while 3-year MGS and 10-year GII drew tepid BTC of 1.61 times and 1.60 times, respectively.

The local bond market saw trading volume of corporate bonds (including quasi-sovereign) increased 4.7% MoM to RM15.8 billion in October (September: RM15.1 billion). In terms of foreign flows, Ringgit fixed income securities saw relatively muted inflow of MYR1.0 billion in September after two strong months in July and August. MGS and GII saw net outflow of RM0.3 billion during the month as compared to RM7.0 billion net inflow in August. Consequently, total share in government bond (MGS+GII) declined slightly from 22.7% in August to 22.6% in September.

Investor focus would be centered on the upcoming US Presidential elections in early November and the implications following the results which may play a pivotal role in the future Fed monetary policy actions. After the rally seen in the bond market since January, conditions are ripe for investors to take profit for the year. We opine that Bank Negara Malaysia (“BNM”) will maintain the Overnight Policy Rate (“OPR”) next year and may allow the inflation to trend higher in second half 2025 (“2H2025”) without the need to raise the key rates, barring any inflation shocks.

B. PORTFOLIO ACTIVITY REVIEW

For the end of the month of October 2024, there is two inclusions and one exclusion in the ABF Malaysia Index.

The details of the inclusions:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
07/10/2044	Prasarana Malaysia Bhd	MYBVX2402663	1,100,000,000
17/10/2031	PR1MA Corp Malaysia	MYBVK2402892	750,000,000

The details of the exclusion:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
15/10/2025	Malaysia Government Investment Issue	MYBGO1500046	24,500,000,000

The portfolio had 88.32% of sovereign bonds, 10.29% of quasi-sovereign bonds and 1.39% in cash. As of 31 October 2024, the portfolio held 84 bonds versus the benchmark universe of 297 bonds.

C. PERFORMANCE EVALUATION REVIEW

As of 30 October, 2024	Modified Duration (years)	Weighted Market Yield (%)	Total Return (Net) for the Month of October 2024
Benchmark	7.47	3.75	-0.58%
Actual Portfolio	7.37	3.74	-0.60%

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

Maturity Date	Issuer	ISIN Code	Nominal Value	Market Value
15/10/2042	Malaysia Government Bond	MYBMY2200023	40,000,000	42,939,079.47
7/4/2037	Malaysia Government Bond	MYBMX1700033	40,000,000	42,917,109.38
27/05/2039	1MDB	MYBVZ0902446	35,000,000	41,640,375.00
14/08/2043	Malaysia Government Investment Issue	MYBGY2300023	40,000,000	41,035,339.50
15/08/2029	Malaysia Government Bond	MYBMO1900020	40,000,000	40,676,169.63
15/06/2028	Malaysia Government Bond	MYBMS1300057	40,000,000	40,666,898.02
30/09/2026	Malaysia Government Investment Issue	MYBGO1600036	40,000,000	40,603,776.48
31/5/2027	Malaysia Government Bond	MYBMX0700034	40,000,000	40,553,486.05
30/9/2027	Malaysia Government Investment Issue	MYBGL2000018	40,000,000	39,963,047.27
15/06/2050	Malaysia Government Bond	MYBMZ2000016	40,000,000	39,794,648.59

The tracking error based on gross return for the last 3 years (31 October 2020 – 30 October 2024) of the Fund was 10.69 basis points while the tracking error based on net return was 10.71 basis points.

Net asset value of the portfolio stood at RM 1,774,122,375.66 at end of October 2024.