

ABF MALAYSIA BOND INDEX FUND

MONTHLY REVIEW

**For the month of
January 2025**

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	31-Dec-24 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.45	-8	-8
5Y	3.61	-4	-4
7Y	3.73	-1	-1
10Y	3.81	+8	+8
15Y	3.98	-1	-1
20Y	4.08	-3	-3
30Y	4.22	-3	-3

Source: Bond Pricing Agency Malaysia, 31 January 2025

Malaysia bond market started the first week of the year with a sell-down as the Malaysia Government Securities (“MGS”) yields were 4bps to 17bps higher across the 5y30y amid profit taking following the strong year-end rally and cautious move ahead of US non-farm payroll data announcement. 10y MGS yield experienced the largest surge of 17bps week-on-week (“WoW”) to 3.90% due to new supply from the 10y segment and a very flat 7y10y previously.

Moving towards the second and third-week, local market predominantly traded sideways taking a cue from movement in US Treasury (“UST”) amid stronger US economic data and hawkish Fed member’s comments. On 24th January, the Malaysia Overnight policy Rate (“OPR”) was kept unchanged at 3.00% as widely expected with languages of the Monetary Policy Committee (“MPC”) statement remaining neutral and depicting the current OPR level as supportive.

Local market sentiment turned better on the last week of January in tandem with the UST amid lower PCE readings resulted in an expectation the Fed would start unwinding its policy tightening. Overall the MGS curve bull-steepened MoM in January with the short-end of the curve fallen by 4bps to 8bps whilst the long-end of the curve slid at a modest magnitude of 3bps.

There were three sovereign bond auctions in January, namely the reopening of the 10Y MGII, 30Y MGS and 5Y MGII by sequence. With the market rally in late 2023 extended to January, the reopenings of MGS and MGII auctions drew progressively soaring bid-to-cover (“BTC”) of 2.45x, 2.99x and 4.40x, respectively.

The Malaysian bond market saw the trading volume of corporate bonds (including quasi-sovereign) expand from RM14.0 billion to RM15.4 billion in January 2025, due to positive investor sentiment and start of the year flow. During the month of December, local government fixed income securities experienced foreign funds net outflow of RM2.1 billion, primarily from Malaysian Government Investment Issue (“MGII”) despite the expectations of Fed pivot, reversed part of the RM5.4 billion inflow in November. As the result of December’s outflow, total foreign holdings decreased from RM272.6 billion (23.1%) to RM270.4 billion (22.7%). In terms of full-year funds flow, foreign participation

in domestic bond market rised notably in 2023, with an overall net inflow totalling RM23.6 billion, reversing from a net outflow of RM9.8 billion in 2022.

On the domestic front, BNM kept current OPR level unchanged in the recent MPC meeting in January and reiterated the current monetary policy as accommodative amid lower cost pressures and stabilising demand conditions.

B. PORTFOLIO ACTIVITY REVIEW

For the end of the month of January 2025, there is two inclusions and no exclusion in the ABF Malaysia Index.

The details of the inclusion:

Maturity Date	Issuer	ISIN Code	Outstanding Amount
23/1/2035	Danga Capital Bhd	MYBVN2500111	2,500,000,000
16/7/2040	Malaysia Government Investment Issue	MYBGT2500010	4,000,000,000

The portfolio had 89.29% of sovereign bonds, 9.93% of quasi-sovereign bonds and 0.78% in cash. As of 31 January 2025, the portfolio held 83 bonds versus the benchmark universe of 292 bonds.

C. PERFORMANCE EVALUATION REVIEW

As of 31 January, 2025	Modified Duration (years)	Weighted Market Yield (%)	Total Return (Net) for the Month of January 2025
Benchmark	7.42	3.80	0.49%
Actual Portfolio	7.39	3.80	0.46%

The top 10 holdings of the portfolio as of 31 January 2025 are as shown below:

Maturity Date	Issuer	ISIN Code	Nominal Value	Market Value
7/4/2037	Malaysia Government Bond	MYBMX1700033	40,000,000	43,844,269.54
15/10/2042	Malaysia Government Bond	MYBMY2200023	40,000,000	43,797,085.91
15/9/2039	Malaysia Government Investment Issue	MYBGY1900021	40,000,000	42,803,365.31
14/08/2043	Malaysia Government Investment Issue	MYBGY2300023	40,000,000	41,880,743.90
27/05/2039	1MDB	MYBVZ0902446	35,000,000	41,422,001.11
15/08/2029	Malaysia Government Bond	MYBMO1900020	40,000,000	41,144,706.03
30/09/2026	Malaysia Government Investment Issue	MYBGO1600036	40,000,000	41,015,914.21
15/06/2028	Malaysia Government Bond	MYBMS1300057	40,000,000	40,449,934.69
30/9/2027	Malaysia Government Investment Issue	MYBGL2000018	40,000,000	40,435,864.91
31/5/2027	Malaysia Government Bond	MYBMX0700034	40,000,000	40,269,499.35

The tracking error based on gross return for the last 3 years (31 January 2022 – 31 January 2025) of the Fund was 10.94 basis points while the tracking error based on net return was 10.94 basis points.

Net asset value of the portfolio stood at RM 1,800,989,212.36 at end of January 2025.