



Active Bond Fund

Fund Update May 2020

Investment Objective

To provide a steady stream of income through investment in money market, Malaysia government securities and private debt securities with limited exposure to equities.

Fund Details

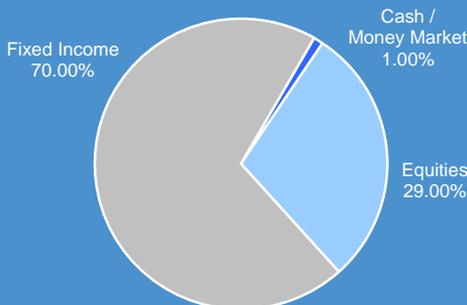
Fund Size	RM14,630,129
Unit NAV @ 31/05/2020	RM2.2704
Valuation Frequency	Daily
Fund Manager	Affin Hwang Asset Management Berhad
Fund Management Fee	1.00% p.a.
Launch Date	25 Sep 2006

Portfolio Composition and Holdings

Top Five Holdings

Securities	% Holding
GII 3.655% (15.10.2024)	10.7%
MGS 3.478% (14.06.2024)	10.6%
GII 4.13% (09.07.2029)	10.5%
WCT Holdings Bhd 4.95% (22.10.2021)	10.4%
Perbadanan Kemajuan N Selangor 5% (10.08.2021)	7.0%

Portfolio Composition by Category of Investment



Fund Performance*

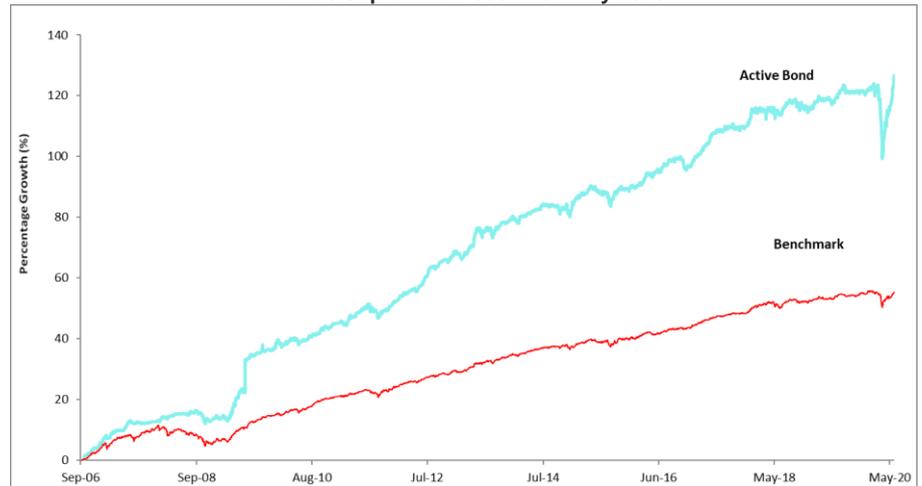
Total Return (%)	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	4.88	3.79	2.88	3.70	9.08	20.19	2.09	126.86
Benchmark	0.85	0.56	0.42	0.91	5.61	11.75	-0.06	55.33

Annualised Return (%)	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	3.69	2.94	3.74	5.09	6.17
Benchmark	0.91	1.83	2.24	-0.14	3.27

Calendar Year Return (%)	2019	2018	2017	2016
Fund	2.84	1.55	7.97	3.40
Benchmark	1.79	1.96	4.05	2.30

*Calculation of performance is based on NAV-to-NAV basis including fund distribution(s), if any. Also, performance for 1-, 3-, 6-months and 1-, 3-, 5-years is based on the fund's performance for the respective preceding period.

Fund Performance vs Benchmark From 26 September 2006 to 31 May 2020



Benchmark: 85% in 12-month fixed deposit rates (FDR) quoted by Malayan Banking Berhad + 15% in KLCI

Fund Strategy

The Fund will focus on achieving its objective by investing majority of its assets in bonds and a maximum 30% of the Fund's NAV in equities.

The Fund's investment in bonds would consist of government and corporate bonds. The selection of bonds will depend largely on but not limited to the credit ratings of issuances and issuers strong creditability in meeting their financial obligations. The fund manager hold the option of investing into other fixed income assets such as money market instruments and/or deposits.

For the equity investments, the fund manager is selective in its strategy by focusing on quality stocks with strong cash flows, and stocks giving attractive dividend yields or the potential to do so. The fund manager will also take tactical investments in selected situational stocks with strong fundamentals.



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Market Outlook

The KLCI continued its positive momentum, gaining another 65 pts (or 4.7% mom) in May 2020, to close at 1,473 pts. This means the KLCI has gained 122 points (or 9.1%) over the past two months and 21% from its YTD's low of 1,219 pts. This represents the strongest mom gain registered by the KLCI in 2020 and since Jul 2018.

We think the gain was driven by positive sentiments and liquidity. The rally in the equity market suggests that investors are pricing in expectations of a significant recovery in corporate earnings in 2H20 (given the flattening of Covid-19 cases in Malaysia) and some of the liquidity released from the stimulus package ((RM100bn loan moratorium for households and SMEs from Apr to Sep) as well as OPR cuts flowing into the equity markets. The surge in daily trading value at the end of May is partly attributed to rebalancing activities by funds to reflect changes in MSCI's global and local constituent indices, following a review by the index provider. Overall, the KLCI has recouped all the losses registered since the start of the MCO on 18 Mar. To recap, the KLCI closed at 1,257 pts on 17 Mar.

The strong interests from retail participants in the Malaysia equity market was one of the key contributors to the sharp rise in daily trading volumes to a record high of 11.3bn units on 15 May 2020, while average trading value surged to a record high of RM9.38bn on 28 May 2020. The record daily volume and values registered are 424% and 435% higher than the average daily trading volumes of 2.66bn units and values of RM2.15bn achieved in 2019.

In June, the market will be focusing on 1Q20 results season, which will be spread over two months (May-Jun), as well as political development (it was reported that the opposition coalition is looking to garner support to seize back power from the incumbent government, which holds a slim majority in Parliament, on or before the next parliament sitting in Jul). Investors will also be waiting to see whether the current conditional MCO (CMCO), which is scheduled to end on 9 Jun, would be extended and to obtain details of the 6-month economic recovery plan expected in early-Jun. Also in focus will be the semi-annual review on the KLCI, due to be announced on 4 Jun (we project four changes to the KLCI constituents). On the external front, investors will be tracking news flow on the Covid-19 pandemic, the US-China trade war, protests in the US and crude oil prices. Given the strong gains in the past two months, the expected lifting of the temporary suspension of short-selling on 1 July, as well as rising political uncertainty, we do not discount profit-taking, which may lead to pullbacks in the gains.

We expect bond yields to remain low from previous years high as there is still abundant global and local liquidity, although some volatility can be expected as US-China tensions flare again.

In the next BNM MPC meeting in July, consensus is calling for a 25bps cut. We do not rule out this possibility should economic data continue to remain soft over the next few weeks. With inflation in negative territory and real interest rates at unprecedented highs, there is indeed policy space for further policy easing.