



Active Bond Fund

Fund Update August 2019

Investment Objective

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

Fund Details

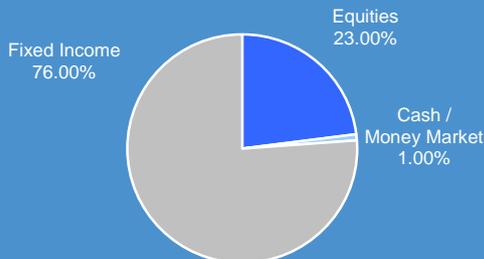
Fund Size	RM16,556,529
Unit NAV @ 30/08/2019	RM2.2172
Valuation Frequency	Daily
Fund Manager	Affin Hwang Asset Management Bhd
Fund Management Fee	1.00% p.a.
Launch Date	25 Sep 2006

Portfolio Composition and Holdings

Top Five Holdings

Securities	% Holding
GII 4.094% (30.11.2023)	9.3%
MGS 3.62% (30.11.2021)	7.7%
GII 4.39% (07.07.2023)	6.3%
Perbadanan Kemajuan N Selangor 5% (10.08.2021)	6.2%
GII 3.655% (15.10.2024)	6.1%

Portfolio Composition by Category of Investment



Fund Performance*

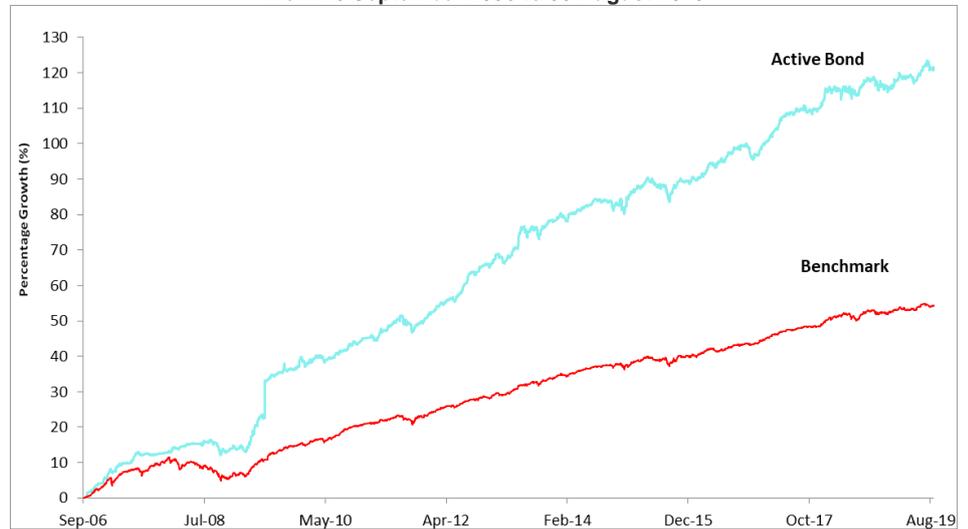
Total Return (%)	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	-0.69	1.27	1.08	1.50	11.53	20.49	2.53	121.54
Benchmark	0.02	0.31	0.51	0.98	7.87	12.33	1.12	54.50

Annualised Return (%)	1 Year	3 Year	5 Year	YTD	Since Inception
Fund	1.50	3.70	3.80	3.82	6.34
Benchmark	0.98	2.56	2.35	1.69	3.41

Calendar Year Return (%)	2018	2017	2016	2015
Fund	1.55	7.97	3.40	3.05
Benchmark	1.96	4.05	2.30	2.26

*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 30 August 2019



Fund Strategy

The Fund intends to keep duration around 2-3 years and invest into liquid government securities and good quality credits. We would participate in primary issuances for better yield pick up when opportunity arises.

For the equity investments, the Fund Manager will continue to be 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

For the month of August, the KLCI fell by 1.4% to close at 1634.87. Meanwhile, the S&P500 was down 1.81% and the MSCI Asia ex-Japan was down 4.61%.

On the economic front, 1) Malaysia's exports rose 1.7% y-o-y in July 2019. The rise was led by electric and electronic products, timber and timber-related products and liquefied natural gas/LNG. ; 2) June 2019 IPI increased by 3.9% y-o-y, from 4% in May 2019. ; 3) July 2019 headline inflation rate edged down to 1.4% y-o-y (June: +1.5% y-o-y) and the core inflation edged up to 2% y-o-y due to higher housing, electricity, gas and other fuel costs. ; 4) BNM has maintained the OPR at 3.0%. ; 5) BNM's international reserves fell by USD0.2B to US\$103.1bn as at 15 August 2019 from a month ago. The reserves position is sufficient to finance 7.6 months of retained imports and is 1.1 times the short-term external debt.

In corporate developments, 1) OSK Holdings Bhd is partnering Japan's Marubeni Corp, one of the world's largest independent power producers, to jointly bid for a large scale solar photovoltaic plant in Peninsular Malaysia, under the government's third cycle of the scheme (LSS3). ; 2) Genting Malaysia Bhd and its founder via his vehicle Kien Huat Realty III Ltd, have offered to buy out minority shareholders in Nasdaq-listed Empire Resorts Inc for USD9.74 cash per share, a ~15% premium over the closing price on Aug 16th. ; 3) Press Metal Aluminium Holdings Bhd has proposed an Islamic medium term notes (IMTN) programme of up to RM5bn to raise funds for its Shariah-compliant general corporate purposes. ; 4) Lotte Chemical Titan Holdings Bhd is planning to trim its equity stake in PT Lotte Chemical Indonesia (LCI) by selling a 49% stake in the subsidiary to its parent Lotte Chemical Corp (LCC) for US\$65.4mn (RM273.49mmn) cash.

In the US, the four-week moving average of claims, considered a better measure of labour market trends as it strips out week-to-week volatility, increased to 214,500 in August from 211,500 in July 2019. Unemployment rate stood at 3.7% in July 2019. Meanwhile, the US manufacturing sector decreased in August 2019, with the seasonally adjusted Markit U.S Manufacturing Purchasing Manager's Index™ (PMI™) registered at 50.3, down from 50.4 in July. US consumer confidence was at 135.1 in August, lower than 135.8 in July. The headline inflation rate came in at +1.8% in July 2019. Core inflation, which strips out food and energy costs, edged up to 2.2% in July from 2.1% the previous month.

In the Eurozone, inflation rate stood at 1% in August 2019 up from 1% in July 2019. Industrial production in the Euro Area dropped 2.6 percent from a year earlier in June 2019, following a 0.8 percent contraction in the previous month and compared to market expectations of 1.2 percent drop. The conditions in the Eurozone manufacturing sector improved in July, after an industry survey confirmed that the bloc's Manufacturing Purchasing Manager's Index (PMI), a broad gauge of industry activity, increased to 47 in August (vs 46.5 in July 2019).

The FBMKLCI retreated by 1.4% to close at 1,612 points in August. Market sentiment was deeply affected by Chinese retaliation to trade war, after it announced plans to slap duties on USD75b worth of American products. As a result, it prompted a massive exodus of funds from equity markets to safe-haven assets. For Malaysia, we recorded RM2.6b net outflow in August, bringing year-to-date total outflow to RM7.3b. Key market decliners were Genting and Petronas group of companies.

Unsurprisingly, the recently concluded 2Q19 reporting scorecard indicated a continued deterioration in earnings trend. Overall, number of earnings miss remains high at around 40% primarily led by Plantation, Construction and Financial sectors. Due to further earnings revision, street is now forecasting a modest EPS contraction for KLCI in 2019.

In the next few months, investors will likely focus on 2 major events – regulatory clarity and Budget 2020. We are hopeful to hear more on energy liberalization, regulatory asset based framework for airport, highways takeover and mega telco merger. As for Budget, the government has begun gathering feedback from various stakeholders. To be tabled in late October, we hope to see more fiscal stimulus measures to boost local economy.

We expect the rest of the year to remain volatile and be disrupted by ongoing external turmoil. Therefore, we continue to adopt a defensive positioning to ride through this challenging period.