



Active Bond Fund

Fund Update October 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

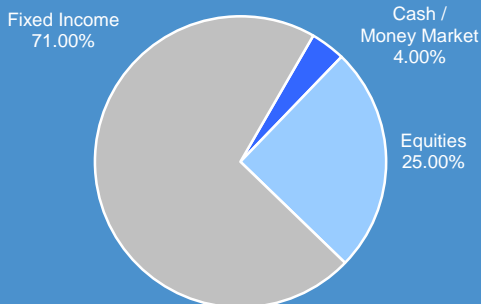
| | |
|-----------------------|-------------------------------------|
| Fund Size | RM14,689,764 |
| Unit NAV @ 31/10/2020 | RM2.4353 |
| Valuation Frequency | Daily |
| Fund Manager | Affin Hwang Asset Management Berhad |
| Fund Management Fee | 1.00% p.a. |
| Launch Date | 25 Sep 2006 |

Portfolio Composition and Holdings

Top Five Holdings

| Securities | % Holding |
|---|-----------|
| GII 3.65% (15.10.2024) | 10.8% |
| MGS 3.47% (14.06.2024) | 10.7% |
| GII 4.13% (09.07.2029) | 10.5% |
| WCT Holdings Bhd 4.95% (22.10.2021) | 11.0% |
| WCT Holdings Bhd 4.95% (22.10.2021) | 10.2% |
| Perbadanan Kemajuan N Selangor (10.08.2021) | 6.9% |

Portfolio Composition by Category of Investment



Fund Performance*

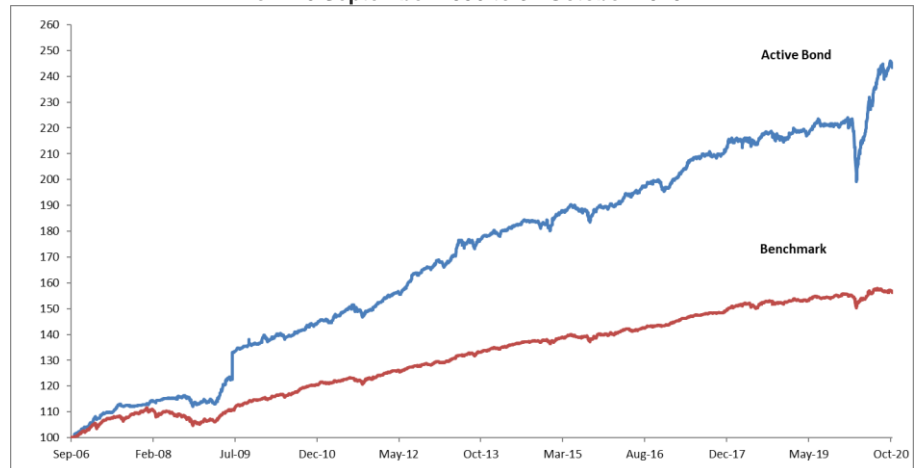
| Total Return (%) | 1 Month | 3 Month | 6 Month | 1 Year | 3 Year | 5 Year | YTD | Since Inception |
|------------------|---------|---------|---------|--------|--------|--------|------|-----------------|
| Fund | 0.58 | 1.85 | 12.50 | 10.07 | 15.94 | 28.40 | 9.51 | 143.33 |
| Benchmark | (0.24) | (0.91) | 1.53 | 0.97 | 5.32 | 11.95 | 0.61 | 56.37 |

| Annualised Return (%) | 1 Year | 3 Year | 5 Year | YTD | Since Inception |
|-----------------------|--------|--------|--------|-------|-----------------|
| Fund | 10.04 | 5.05 | 5.12 | 11.48 | 6.51 |
| Benchmark | 0.97 | 1.74 | 2.28 | 0.73 | 3.22 |

| 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 October 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

For equities, the market continued its downtrend to close the month lower at 1467 pts (-2.5% m-o-m). A resurgence in Covid-19 cases and rising political uncertainty contributed to the softer market. PM Muhyiddin faced challenges to his slim parliamentary majority from the opposition and coalition partner UMNO. His position turned more precarious when the King rejected proposal to declare a national emergency and suspend parliament. The number of cases reported in Oct was also significantly higher than the total numbers reported between Jan-Sep at 11,919 cases. Hence, it was no surprise that KL, Putrajaya, Selangor and Sabah went back into CMCO.

On fund flows, foreigners offloaded only RM 669.5mil (-USD 161.2 mil) worth of equities in October, -66% m-o-m and or -88% off the peak selling in March of RM 5.5 bil. YTD (10M20), the cumulative figure currently stands at -RM 22.97 bil, more than the 2018 and 2019 outflows combined. Retailers were net buyers at +RM 0.5 bil (USD 120 mil) together with local institutions at +RM 0.6 bil (USD 144 mil).

In Nov, the market will be focusing on 1) US elections; 2) domestic politics, starting with the tabling and passing of the 2021 Budget; 2)

impact of the loan moratorium; 3) trend of Covid-19 infections and policies.

For domestic bond market, renewed foreign inflows on the back of higher real yields from investing in MYR bonds is an added point. Amid the current ultra-low interest rates environment in advanced economies, investors hunting for real yields will continue to persist in the emerging Asia space. However, supply pressure remains a key concern among both local and foreign investors. The latest budget announcement suggests similar gross and net supply in 2021 versus 2020.

At the same time, further book opening of Primary PDS could also absorb more interest from real money investors given the yield pickup that it offers. Total YTD Corporate bond issuance stood almost MYR70bn, while the total gross supply for 2020 is still expected to be around MYR95bn.

Over the medium term, we still believe that the current low interest rate environment, ample liquidity pool and flight to safe haven assets amidst economic uncertainties would be supportive of the domestic bond market.