

Bond Market Review

US Treasuries (UST) rallied in February on growing rate cut expectations, on the back of US trade policy uncertainty and mixed economic data. US manufacturing activities expanded in January for the first time since 2022, however the ISM services index fell to a 7-month low. US nonfarm payrolls moderated from 307,000 jobs in December to 143,000 in January, although wage growth remained steady at 4.1% year-on-year (YoY) (consensus: 3.8%). Headline and core inflation unexpectedly rose to 3.0% YoY and 3.3% YoY respectively. Meanwhile, investors continued to digest a slew of US tariff announcements, with heightened concerns over a potential trade war that could weaken the US growth outlook. Furthermore, the plunge in US consumer confidence also fanned expectations for additional rate cuts by the US Federal Reserve (Fed), driving UST yields lower across the board. Consequently, the UST yield curve shifted 20-30 basis points (bps) lower in February, with the 2Y and 10Y UST yields ending the month at 3.99% and 4.21% respectively.

Meanwhile locally, the Malaysian Government Securities (MGS) market was relatively stable as trading volume picked up in February. Notably, healthy profit-taking activities were met by strong reinvestment demand, supporting yields throughout the month. Headline inflation was unchanged at 1.7% YoY in January while core inflation remained benign at 1.8% (December: 1.6%). During the month, primary government bond issuances received solid demand, led by the 5Y Government Investment Issue (GII) auction, which was oversubscribed by 3.2 times despite a slightly larger issuance size of RM5.5 billion. Overall, 3Y and 10Y MGS yields closed the month well supported at 3.44% and 3.79% respectively.

Bond Market Outlook

The flurry of US tariff announcements has injected fresh uncertainty into global financial markets. Investors remain cautious over escalating trade tensions that may put additional pressure on prices and consumer sentiment. In 4Q24, the US economy grew at a slower pace of 2.3% quarter-on-quarter (QoQ) (3Q24: 3.1%), bringing FY2024 growth to 2.8%. Nonetheless, Fed officials continue to signal that the central bank is in no hurry to adjust its monetary policy, pending further clarity on the US economic outlook. Meanwhile, given the heightened uncertainties, UST yields could remain volatile over the near term, as investors react to policy announcements and incoming economic data.

Locally, the Malaysian economy expanded at a solid pace of 5.0% YoY in 4Q24, surpassing consensus estimates of 4.8%, bringing FY2024 growth to 5.1%. For FY2025, growth is projected at 4.5%-5.5%, anchored by resilient domestic spending. Inflation should remain manageable between 2.0%-3.5% (2024: 1.8%), subject to global developments and spillover effects from announced policy measures (e.g. retargeting of subsidies and minimum wage revision). Over the near term, Bank Negara Malaysia (BNM) is expected to keep the Overnight Policy Rate (OPR) unchanged at 3.00% to support the economy amid external headwinds to growth. Prospects for the local bond market remain favourable, given the stable interest rate outlook, ample market liquidity and steady demand from long-term fixed income investors.

Bond Fund Strategy

The Fund will continue to invest in Islamic money market instruments and sukuk. Emphasis is placed on credit-worthy issuers of sukuk and investment-grade sukuk.

FUND OBJECTIVE

The Fund aims to provide capital preservation with regular income over the short to medium term period by investing in Islamic money market instruments and sukuk.

Fund Category/Type

Bond (Sukuk) / Income

Launch Date

18 March 2005

Trustee

CIMB Islamic Trustee Berhad

Benchmark

Maybank 12 months Islamic Fixed Deposit-i rate

Designated Fund Manager

Lee Sook Yee

Sales Charge

Max 5.00%

Annual Management Fee

Up to 1.00% p.a.

Annual Trustee Fee

0.07% p.a.

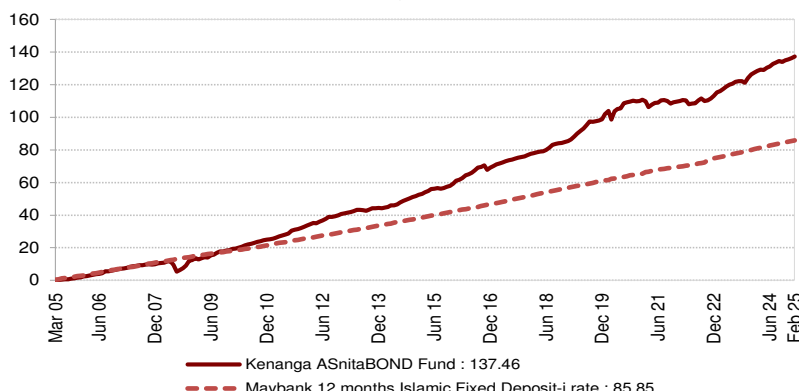
Redemption Charge

Nil

All fees and charges payable to the Manager and the Trustee are subject to the goods and services tax /sales and services tax/other taxes of similar nature as may be imposed by the government or other authorities from time to time.

FUND PERFORMANCE (%)

% Cumulative Return, Launch to 28/02/2025



CUMULATIVE FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
1 month	0.47	0.19
6 months	1.64	1.25
1 year	3.96	2.57
3 years	12.70	8.21
5 years	16.36	12.46
Since Launch	137.46	85.85

CALENDAR YEAR FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
2024	4.02	2.64
2023	6.26	3.01
2022	1.61	2.24
2021	-0.18	1.85
2020	5.67	2.21

[#] Source: Lipper, 28 February 2025

The Fund's benchmark has been changed from Maybank's 6-month GIA-I Tier 1 rate to Maybank's 12-Month Islamic Fixed Deposit-i rate on 1 July 2016.

FUND SIZE *

RM 677.65 million

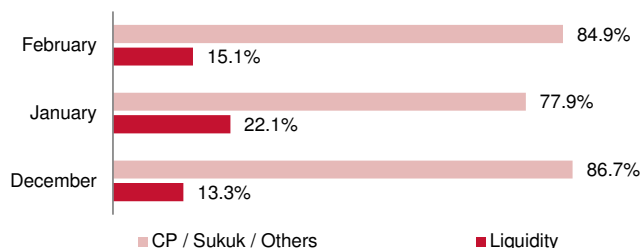
NAV PER UNIT *

RM 0.6885

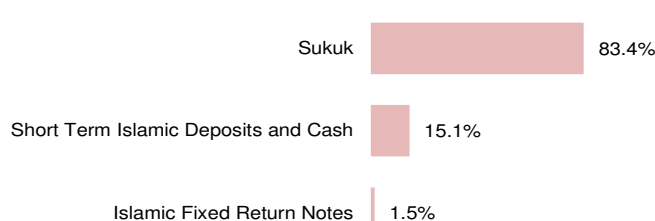
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.6757	2-Nov-20
Lowest	RM 0.5000	18-Mar-05

ASSET ALLOCATION (% NAV) *



SECTOR ALLOCATION (% NAV) *



TOP FIXED INCOME HOLDINGS (% NAV) *

1	GII MURABAHAH 6/2019 4.119% 30.11.2034	3.1%
2	GII MURABAHAH 2/2024 3.804 20311008	3.0%
3	AVALAND IMTN 07.08.2029	2.8%
4	GII MURABAHAH 2/2023 4.291% 14.08.2043	2.3%
5	DRB-HICOM IMTN 4.850% 11.12.2026	2.3%

DISTRIBUTION HISTORY*

Gross Distribution

Date	RM	Yield (%)	Unit Split
29-Dec-21	3.20 sen	5.00%	-
29-Dec-20	3.37 sen	5.00%	-
23-Dec-19	2.50 sen	3.77%	-

* Source: Kenanga Investors Berhad, 28 February 2025

Based on the fund's portfolio returns as at 10 February 2025, the Volatility Factor (VF) for this fund is 1.64 and is classified as "Very Low". (Source: Lipper). "Very Low" includes funds with VF that are 0.000 and less than or equal to 4.85 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The Master Prospectus dated 30 November 2019 and the Supplemental Prospectus (if any), its Product Highlights Sheets ("PHS") or Supplemental Disclosure Document ("SDD") (if any) have been registered with the Securities Commission Malaysia, who takes no responsibility for its contents. The fund fact sheet has not been reviewed by the SC. A copy of the Master Prospectus, Supplemental Prospectus (if any), SDD (if any) and the PHS are obtainable at our offices. Application for Units can only be made on receipt of application form referred to in and accompanying the Master Prospectus and/or Supplemental Prospectus (if any), SDD (if any) and PHS. Investors are advised to read and understand the Master Prospectus, its PHS and any other relevant product disclosure documents involved before investing. Investors are also advised to consider the fees and charges before investing. Unit prices and distributions may go down as well as up. Where a unit split/distribution is declared, investors are advised that following the issue of additional units/distribution, the NAV per unit will be reduced from pre-unit split NAV/cum-distribution NAV to post-unit split NAV/ex-distribution NAV. Where a unit split is declared, investors should note that the value of their investment in Malaysian Ringgit will remain unchanged after the distribution of the additional units. A Fund's track record does not guarantee its future performance. Investors are advised to read and understand the contents of the unit trust loan financing risk disclosure statement before deciding to borrow to purchase units. For investors who invest via the EPF Member Investment Scheme ("EPF MIS"), the cooling-off period shall be subject to EPF's terms and conditions, and any refund pursuant to the exercise of the cooling-off right will be credited back into your EPF accounts. Kenanga Investors Berhad is committed to preventing Conflict of Interest between its various businesses and activities and between its clients/directors/shareholders and employees by having in place procedures and measures for identifying and properly managing any apparent, potential and perceived Conflict of Interest by making disclosures to Clients, where appropriate. The Manager wishes to highlight the specific risks of the Fund are market risk, credit/default risk, interest rate risk, liquidity risk and inflation/purchasing power risk. Kenanga Investors Berhad 199501024358 (353563-P)