Kenanga Investors

June 2025
Market Review and Outlook

Bond Market Review

US Treasuries (UST) came under pressure in May, with yields rising across the curve amid resilient labour market data, renewed trade policy volatility, and increasing fiscal concerns. April nonfarm payrolls surprised on the upside at 177,000 (consensus: 138,000), triggering a sell-off in USTs early in the month. On 7 May, the US Federal Reserve (Fed) held its policy rate steady at 4.25%-4.50% for the third consecutive meeting, as widely expected. USTs sell-off intensified following US and China agreeing to temporarily reduce reciprocal tariffs by 115% starting 14 May and including a 90-day pause on other trade barriers, which supported risk-on sentiment across global markets. Market sentiment was further impacted by Moody's downgrade of the US sovereign credit rating from Aaa (Negative) to Aa1 (Stable) on 16 May. The 10Y UST yield touched an intra-month high of 4.60%, while the 30Y yield breached the 5.00%-mark, peaking at 5.09% on 21 May after the US House of Representatives passed substantial tax and spending measures, raising investor concerns over rising federal debt and widening fiscal deficits. Nonetheless, UST yields retreated slightly towards month-end following a downward revision to 1Q25 private consumption data and signs of easing in the core Personal Consumption Expenditure (PCE) price index. Overall, the UST yield curve flattened, with the 2Y UST yield surging 30 basis points (bps) month-on-month (MoM) to 3.90% and the 10Y yield increasing by 24bps to 4.40%.

In contrast, Malaysian Government Securities (MGS) extended gains in May, with the 3Y and 10Y MGS yields declined by 9bps and 12bps MoM to 3.15% and 3.53% respectively. The bullish sentiment was supported by a dovish tilt from Bank Negara Malaysia (BNM), despite the central bank maintaining the Overnight Policy Rate (OPR) at 3.00% for the twelfth consecutive meeting on 8 May. Demand for MGS further strengthened following BNM's move to lower the Statutory Reserve Requirement (SRR) ratio by 100bps, from 2.00% to 1.00%, a step expected to inject approximately RM19 billion liquidity into the banking system. On the macroeconomic front, Malaysia's Gross Domestic Product (GDP) growth moderated for the third consecutive quarter to 4.4% year-on-year (YoY) in 1Q25, from 4.9% YoY in 4Q24. Headline inflation was unchanged at 1.4% in April, while core inflation edged higher to 2.0% YoY (March: 1.9%). Primary government bond auctions remained well-supported, with an average oversubscription rate of 2.7 times during the month.

Bond Market Outlook

Uncertainty surrounding the US economy persists as trade negotiations between the US and China continue. Minutes from the May Federal Open Market Committee (FOMC) meeting reaffirmed the Fed's wait-and-see stance, while also highlighting increased concerns over rising inflation and potential labour market softening. With the US labour market remaining resilient and inflationary pressures mounting, driven by tariff-related disruptions and growing fiscal imbalances, the Fed is expected to maintain a data-dependent approach in assessing the need for further rate adjustments. In the near term, volatility in UST is likely to remain elevated, underpinned by ongoing uncertainty over US trade and monetary policy direction, weaker global growth prospects, and heightened geopolitical tensions.

In Malaysia, the official GDP forecast range of 4.5%-5.5% for 2025 is expected to be weighed down by the rapidly-evolving developments surrounding trade tariffs. As a result, BNM is in the midst of reviewing the 2025 growth projections. Meanwhile, the combination of dovish signals from BNM and the recent SRR cut has reinforced market expectations that an OPR cut is imminent, as the central bank seeks to provide further support to the economy. Against this backdrop, the outlook for the local bond market remains constructive, supported by a dovish monetary policy stance, ample domestic liquidity, and steady reinvestment demand. However, near-term sentiment may continue to be influenced by volatility in global bond markets.

Kenanga Investors Berhad
Company No: 199501024358 (353563-P)
Level 14, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2172 3000
Toll Free: 1800-88-3737
www.kenangainvestors.com.my

Bond Fund Strategy	The Fund will continue to invest in a diversified portfolio consisting principally of fixed income securities and other permissible investments.

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Kenanga Bond Fund

June 2025

3-year Fund Volatility
1.0
Very Low
Lipper Analytics
13 May 2025

FUND OBJECTIVE

Aims to provide investors with a steady income stream over the medium to long-term period through investments primarily in fixed income instruments.

Fund Category/Type

Fixed Income / Income

Launch Date

15 August 2002

Trustee

Universal Trustee (Malaysia) Berhad

Benchmark

Maybank 12-months Fixed Deposit Rate

Designated Fund Manager

Lee Sook Yee

Sales Charge

Nil

Annual Management Fee

1.00% p.a.

Annual Trustee Fee

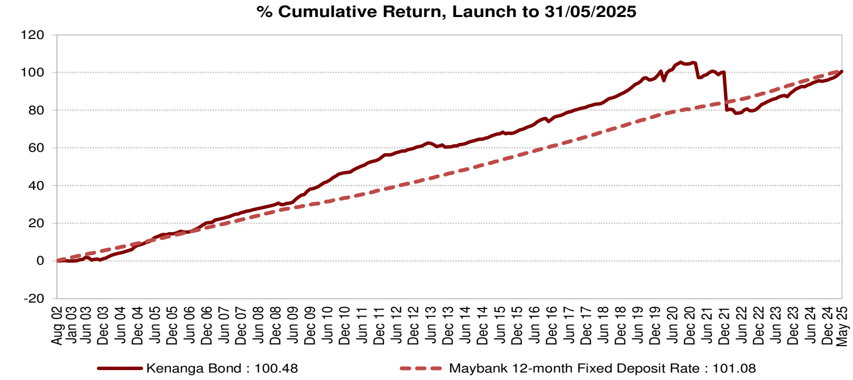
0.08% p.a.

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 (%)



Source: Novagni Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%)#

Period	Fund	Benchmark
1 month	0.55	0.21
6 months	2.45	1.24
1 year	3.75	2.55
3 years	12.30	8.41
5 years	-0.29	12.50
Since Launch	100.48	101.08

CALENDAR YEAR FUND PERFORMANCE (%)#

Period	Fund	Benchmark
2024	3.12	2.62
2023	4.85	3.01
2022	-9.44	2.24
2021	-2.15	1.85
2020	3.81	2.21

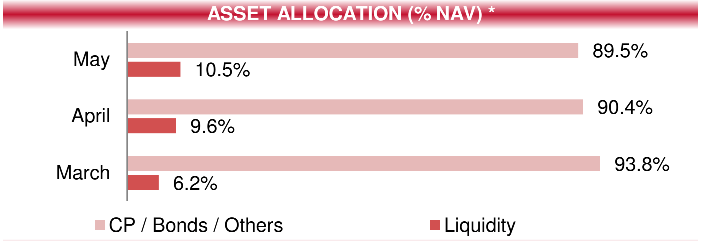
 # Source: Lipper, 31 May 2025

FUND SIZE *	NAV PER UNIT *
RM 5.69 million	RM 0.6996

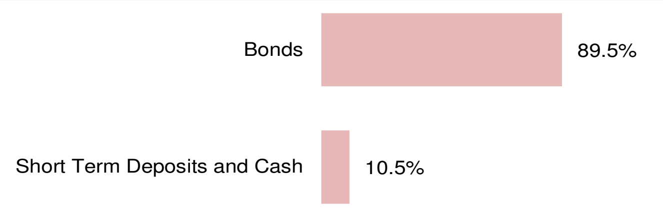
HISTORICAL FUND PRICE *

	Since Inception	Date
Highest	RM 0.8158	22-Oct-20
Lowest	RM 0.4994	7-Mar-03

ASSET ALLOCATION (% NAV) *



SECTOR ALLOCATION (% NAV) *



TOP FIXED INCOME HOLDINGS (% NAV) *

1	OSK RATED IMTN 4.390% 28.04.2028 S2	18.0%
2	JEP IMTN 5.590% 04.06.2027 - T13	14.9%
3	MMC CORP IMTN 5.700% 24.03.2028	14.9%
4	YTL POWER IMTN 4.21 20370318	9.2%
5	QSPS GREEN SRI SUKUK 5.840% 04.04.2031 - T25	3.9%

** Source: Kenanga Investors Berhad, 31 May 2025*

DISTRIBUTION HISTORY *

Date	Gross Distribution RM	Gross Distribution Yield (%)	Unit Split
15-Apr-22	4.25 sen	6.35%	-
9-Apr-21	4.71 sen	5.99%	-
16-May-16	3.56 sen	4.97%	-

Based on the fund's portfolio returns as at 13 May 2025, the Volatility Factor (VF) for this fund is 1.03 and is classified as "Very Low". (Source: Lipper). "Very Low" includes funds with VF that are 0.000 and less than or equal to 4.73 (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 29 March 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. 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 credit and default risk and interest rate risk. Kenanga Investors Berhad 199501024358 (353563-P)