

Bond Market Review

In February, the US Treasuries (UST) yield curve steepened on a brighter outlook for US growth and inflation, underpinned by optimism over President Biden's proposed USD1.9 trillion stimulus package. Demand for safe haven assets was also dampened as US Covid-19 cases continued to decline amid accelerating vaccine rollouts. Risk-on sentiment was further driven by favourable economic data, including the US ISM Manufacturing index which remained in expansion territory for the eighth consecutive month, as well as January's unemployment rate which declined to 6.3% (December: 6.7%; expected: 6.7%).

Despite the upbeat manufacturing data, other economic releases mid-month fell short of market expectation, thus giving mixed signals over the strength of the recovery. For example, initial jobless claims continued to be above estimates, while the US consumer price index (CPI) was unchanged at 1.4% y-o-y in January (expected: 1.5%). Nonetheless, 10Y UST yields remained elevated on expectations of a heavier supply of government bonds once the stimulus package is approved. Month-on-month, the UST yield curve steepened as 2Y and 10Y UST yields ended the month at 0.13% and 1.40% respectively (end-January: 0.11% and 1.07%).

Locally, Malaysian Government Securities (MGS) yields largely tracked global bond yield movements, as investors reassessed the improving outlook for the global economy. Given the positive news on vaccine rollouts domestically, investors looked past Malaysia's 4Q2020 Gross Domestic Product (GDP) reading, which came in at a subdued -3.4%, dragged by the surge in Covid-19 cases and restrictive measures that followed. Full-year GDP for 2020 contracted by 5.6% (compared to earlier forecasts of between -3.5% to -5.5%). Risk sentiment remained buoyed by expectations of a pick-up in growth prospects for 2021, thus dampening rate cut expectations and easing demand for MGS during the shorter trading month.

Nonetheless, primary MGS issuances remained well subscribed during the month. The RM2.0 billion 20Y MGS auction was oversubscribed by 2.2 times, while the RM3.5 billion 7Y Government Investment Issue (GII) auction attracted total bids of RM7.7 billion. Overall, the MGS yield curve steepened in tandem with movements in global bond markets, as the 3Y and 10Y MGS ended the month at 1.94% and 3.10% respectively (end-January: 1.84% and 2.70%).

Bond Market Outlook

While the ongoing health crisis is beginning to improve and vaccine rollouts have raised expectations of a return to somewhat normal conditions later this year, the Fed acknowledged that the US economic recovery remains uneven and far from complete. Although the Fed's massive interest rate cuts in 2020 and monthly purchases of USD120 billion in government bonds are providing substantial support to the US economy, interest rates are still expected to remain low for a prolonged period of time to support the recovery.

Locally, as widely expected, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 1.75% at its monetary policy meeting on 4th March. BNM expects Malaysia's economic growth to pick up in 2021 as latest indicators point towards improvements in external demand and continued consumer spending. The recovery of the Malaysian economy is also expected to be underpinned by improving global GDP and trade, various stimulus measures, as well as successful virus containment and vaccine rollouts that will boost both consumer and business sentiments. While near-term growth prospects have been affected by the re-imposition of containment measures in January, the impact will be less severe than before. However, the outlook is still subject to downside risks arising from ongoing uncertainties and potential challenges surrounding the course of the pandemic.

Meanwhile, domestic headline inflation remained subdued at -0.2% y-o-y in January (December: -1.4%), mainly due to lower fuel prices compared to the previous year. Headline inflation is likely to trend higher in 2021, with a temporary spike in 2Q2021 due to the low base effect, before moderating thereafter. Underlying inflation is expected to remain subdued amid continued spare capacity in the economy.

Given the moderate inflation outlook and continued uncertainties ahead, BNM is widely anticipated to maintain its accommodative monetary policy stance, with the central bank assuring that it would utilize its policy levers as appropriate to enable a sustainable economic recovery.

Bond Fund Strategy

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

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

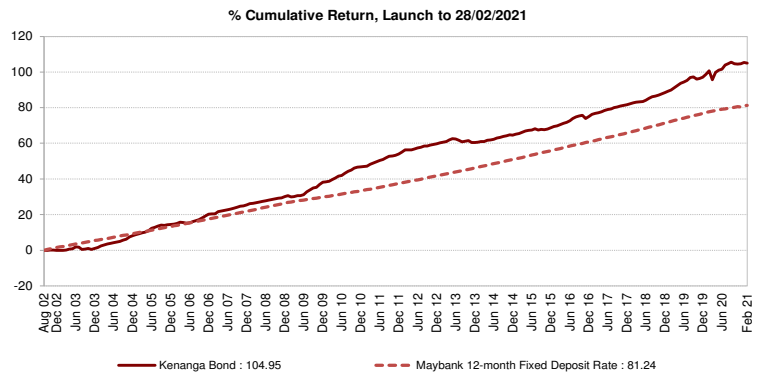
0.08% p.a.

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: Novagnti Analytics and Advisory

CUMULATIVE FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
1 month	-0.16	0.14
6 months	0.14	0.92
1 year	2.10	2.03
3 years	12.18	8.75
5 years	20.68	15.72
Since Launch	104.95	81.24

CALENDAR YEAR FUND PERFORMANCE (%)[#]

Period	Fund	Benchmark
2020	3.81	2.21
2019	4.58	3.19
2018	3.76	3.33
2017	3.76	3.09
2016	3.81	3.21

Source : Lipper, 28 February 2021

FUND SIZE *

RM 17.27 million

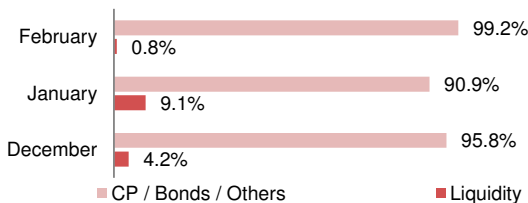
NAV PER UNIT *

RM 0.8124

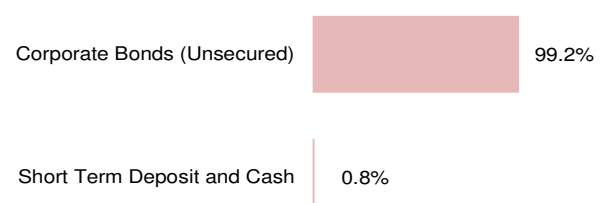
HISTORICAL FUND PRICE *

	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	MMC CORP BHD 5.70 20280324	11.68%
2	JEP IMTN 5.59 20270604	9.83%
3	TANJUNG BP IMTN 5.28 20270816	9.71%
4	WESTPORTS MALAYSIA S/B 4.68 20251023	7.93%
5	ANIH IMTN 6.15 20291129	7.01%

DISTRIBUTION HISTORY *

Date	Gross Distribution		
	RM	Yield (%)	Unit Split
16-May-16	3.56 sen	4.97%	-
30-Dec-14	2.50 sen	3.51%	-
30-Dec-13	2.50 sen	3.48%	-

* Source: Kenanga Investors Berhad, 28 February 2021

Based on the fund's portfolio returns as at 10 February 2021, the Volatility Factor (VF) for this fund is 2.31 and is classified as "Very Low". (Source: Lipper). "Very Low" includes funds with VF that are 0.000 and less than or equal to 3.645 (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.