

FUND OBJECTIVE

To achieve medium to long term capital appreciation through investments primarily in Malaysian bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	30.67 million units (30 September 2018)	Fund Size	RM40.65 million (30 September 2018)
Unit NAV	RM1.3258 (30 September 2018)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	CIMB-Principal Asset Management Bhd	Benchmark	12 month FD
Taxation	8% of annual investment income	Fees	Management Fee: 1.0% p.a.
Risk Profile	<p>Suitable for investors:</p> <ul style="list-style-type: none"> Have a medium to long term investment horizon Want a diversified portfolio of fixed interest securities Are looking for a less volatile investment but can accept lower returns 		

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
80% - 98%	Up to 20%

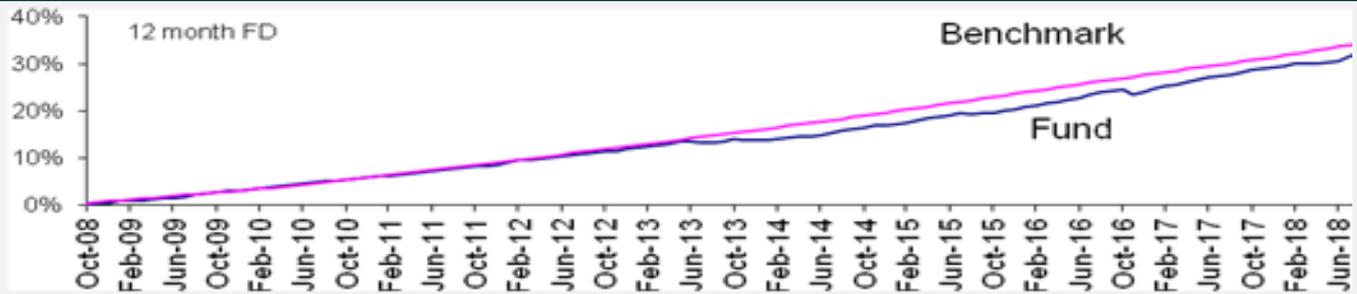
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
91.24%	6.23%	-	2.53%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
Jimah Energy Ventures	9.30%	11/21/2021	14.46	Sabah Development Bank MTN 1826D	5.30%	27/04/2023 – Tranche 17	6.38
MMC Corporation Berhad	5.95%	12/11/2027	12.88	WCT Hldgs Bhd	5.32%	11/05/2022	6.34
Mumtaz Rakyat Sukuk Berhad	4.95%	18/06/2021	12.55	GENM Capital Bhd	4.98%	11/07/2023	6.26
Fortune Premiere Sdn Bhd IMTN	4.65%	21/12/2022	12.40	YTL Power International Bhd	5.05%	03/05/2027	5.09
Tenaga Nasional Bhd	4.98%	27/08/2038	9.94	Fortune Premiere Sdn Bhd IMNT	4.85%	07/09/2023	4.93

PERFORMANCE RECORD



%	YTD	1M	3M	6M	1-Year	3-Year	Since Inception
Fund*	2.61	0.26	1.50	1.97	3.42	10.99	32.58
Benchmark	2.44	0.27	0.81	1.64	3.21	9.85	34.65

* Calculation of past performance is based on NAV-to-NAV

Notice: Past performance of the fund is not an indication of its future performance which may differ. The fund performance is not guaranteed.

FUND MANAGER'S COMMENTS

Market review:

In September 2018, fixed income investors were actively taking profit from the strong performance that started in early July 2018. As a result, the MGS yield curve traded higher across most tenors (between 1 – 13 bps) with the 3-year MGS shifting the most (13 bps) to close at 3.59% from 3.46% previously. At close the 3-, 5-, 10- and 15-year MGS yields ended higher to close at 3.59% (+13 bps), 3.81% (+4 bps), 4.09% (+4 bps) and 4.49% (+2 bps) while the 30-year MGS stay unchanged at 4.91%. Bank Negara Malaysia also updated the August 2018 foreign holdings in MYR bonds. Foreign outflow is still persisting in August 2018 with RM2.4 billion of selling (YTD: -19.3 billion) mainly coming from short-term bills and MGS. As at end August 2018, foreigners held RM153.9 billion of MGS (or 40% of MGS outstanding), RM13.2 billion in MGII and RM2.6 billion in short-term bills. Total foreign holdings of MYR fixed income instruments stood at 24% of outstanding.

September 2018 was filled with public holidays which caused the MYR credit/Sukuk trading volume dropped to RM9.5 billion compared to RM13.5 billion in August 2018. Most of the trades were AAA- and AA-rated instruments. MYR Credit spreads continued to narrow by 1 to 12 bps across the entire credit curve rubbing off the impact from FOMC hike and higher UST yield. Demand for corporate bonds remains healthy despite moderately higher MGS/MGII.

FUND MANAGER'S COMMENTS (CONTINUED)

Market outlook:

During the September 2018 Monetary Policy Meeting, BNM decided to maintain OPR unchanged at 3.25% as widely expected. With headline CPI drifted lower to 0.2% year-on-year ("y-o-y") in August (July: +0.9% y-o-y) and downward adjusted 2018 GDP growth, we see limited room for BNM to move rate upward despite Fed Fund rate is likely to have another rate hike in Dec 2018. Upcoming Budget 2019 on 2nd November 2018 will give us more information about Government's fiscal target next year and potential funding requirement. The Budget will likely focus more on the restoration of the fiscal health which may strengthen the country's long-term foundation.

Strategy:

On fund strategy, 4Q2018 will still be supported by technical factor such as reinvestment of matured government bonds. Higher UST is no doubt a concern and we may continue to see foreign outflow but moderated by local liquidity. With high grade credit spreads at its tightest level YTD, portfolio will focus more on AA-rated issuers for better pick-up. We are still moderately overweighting duration against benchmark with absence of OPR pressure at this juncture.

Source : CIMB-Principal Asset Management Bhd
Date : 30 September 2018

Disclaimer:

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