

Bond Market Review : Fortnight Ended 22 May 2015

In the US, above consensus housing statistics (housing starts and building permits improvements of 20.2% m-o-m and 10.1% m-o-m respectively) and higher Consumer Price Index (CPI) (1.80% y-o-y) more than offset the more subdued economic numbers that came out during the first half of this period under review. Taking this as a queue for a potential rate hike by the Federal Reserve (Fed), the US Treasuries (UST) yield curve was pushed higher.

At the domestic front, Malaysian Government Securities (MGS) yields were generally lower on the back of a strong 1Q gross domestic product growth of 5.60% and adequate 1Q balance of payments surplus of RM10.0bil which allayed some concerns over the fiscal position. Inflationary pressure was also kept at bay with an increase in the CPI of 1.80% y-o-y for April 2015.

The corporate bonds market was generally firmer with trading activities among the usual names.

Bond and Money Market Fund's NAV Movement

Fund Name	22-May-15	8-May-15	% Change
1. MBF	0.8565	0.8550	+0.18
2. MAS	1.1354	1.1338	+0.14
3. MMMF	1.0209	1.0196	+0.13
4. MAM	1.0253	1.0239	+0.14
5. MBPF	0.5543	0.5533	+0.18
6. MCMF	1.0186	1.0175	+0.11
7. MATMB	1.0409	1.0333	+0.74
8. MAT2	1.0258	1.0213	+0.44
9. MSDS	0.5248	0.5239	+0.17
10. MSCM	1.0026	1.0012	+0.14

Interest Rates & Bond Yields

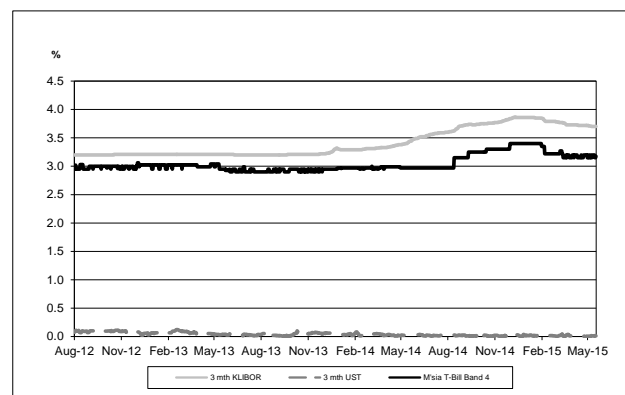
	22-May-15	8-May-15	Change
3 Month Interest Rates			
M'sia T-Bill Band 4	3.175	3.150	+0.025
KLIBOR	3.700	3.710	-0.010
US Govt. Bond	0.010	0.005	+0.005
3-Year Bonds			
AAA' Corp.	3.997 ^^	3.982 ^	+0.015
MGS	3.339	3.352	-0.013
US Govt. Bond	0.995	0.926	+0.069
5-Year Bonds			
AAA' Corp.	4.219 ^^	4.205 ^	+0.014
MGS	3.566	3.603	-0.037
US Govt. Bond	1.562	1.488	+0.074
10-Year Bonds			
AAA' Corp.	4.665 ^^	4.666 ^	-0.001
MGS	3.866	3.907	-0.041
US Govt. Bond	2.209	2.148	+0.061

Source: Bloomberg

^ As at 7 May 2015

^^ As at 21 May 2015

3-month KLIBOR, 3-month US T-Bill & Malaysia T-Bill Band 4 Trend Over 3 Years



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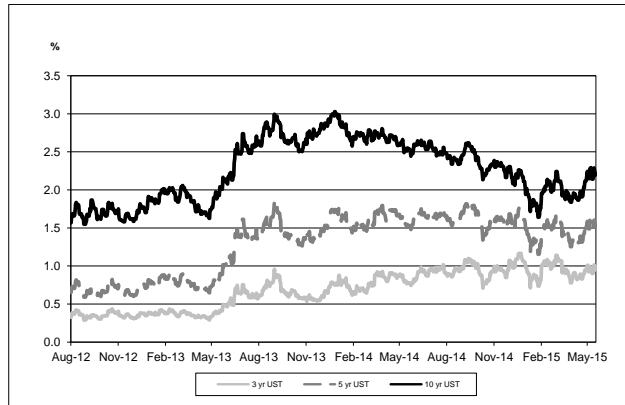
Investors are advised to read and understand the contents of the Master Prospectus dated 1 September 2014, the Supplemental Master Prospectus dated 6 February 2015, the Second Supplemental Master Prospectus dated 29 April 2015, the Master Prospectus dated 29 December 2014, the Prospectus dated 15 July 2013, the Prospectus dated 17 October 2014, the Supplemental Prospectus dated 7 November 2014, the Information Memorandum dated 19 December 2014 and the respective Product Highlights Sheet(s), obtainable at our offices, before investing. The prospectuses and information memorandum have been registered with the Securities Commission Malaysia who takes no responsibility for its contents. Investors should also consider the fees and charges involved. The price of units and investment returns, may go down as well as up. Past performances of the funds are not an indication of the funds' future performances. Units will only be issued on receipt of the application form accompanying the prospectuses and information memorandum. There are risks involved with investing in the funds. Some of these risks associated with investments in the funds are interest rate fluctuation risk, foreign exchange or currency risk, country risk, political risk, credit risk and non-compliance risk. For further details on the risk profile of all the funds, please refer to the Risk Factors section in the prospectuses and information memorandum.

Bond Market Outlook

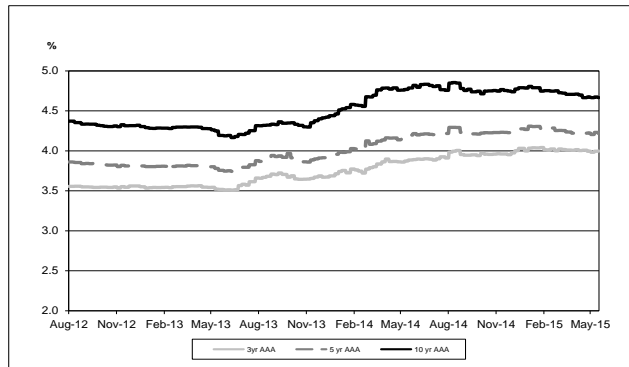
We expect the Fed to hold interest rates until 3Q15 given the still nascent global economic recovery. While the UST yields are expected to be volatile until 3Q15, we anticipate short-term downward pressure on yields to remain due to funds flow into risk-adverse assets.

Apart from external market developments, Bank Negara Malaysia is expected to hold the overnight policy rate at the current level for the remainder of the year. The expectation of USD/MYR volatility may lead to cautious trading in the MGS market.

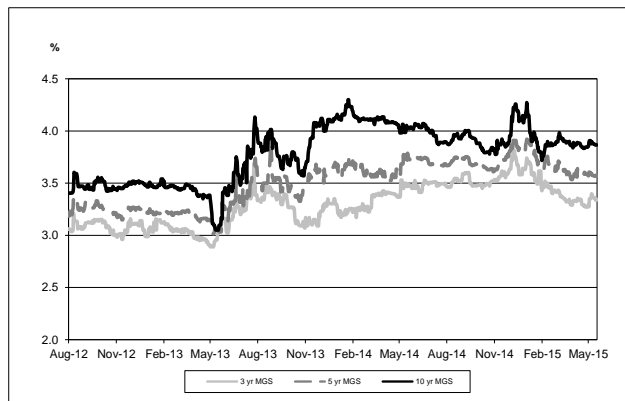
US Treasury Yield Trend Over 3 Years



AAA Corporate Bond Yield Trend Over 3 Years



MGS Yield Trend Over 3 Years



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