

# MAYBANK BLUEWATERZ TOTAL RETURN FUND



**FUND UPDATE - 28 MAY 2020**

## **1. How did the Maybank Bluewaterz Total Return Bond Fund (BWZ) perform recently?**

As of 28 May 2020, the fund is up 3.75% month-to-date (MTD) and year-to-date (YTD) the fund is down 0.22% for MYR class and 0.94% for USD class. The MYR NAV is now at 1.0529 and USD NAV is now at 1.045. This is after paying dividend in March of 2.5% for both classes.

## **2. What are the factors that influenced the performance?**

- We became very bullish long duration high grade bonds starting April and we started adding duration in Quasi's 30 year in Indo, 10 year in China's Technology, Media and Telecom (TMT) space and 30 and 40 years in Abu Dhabi, Qatar, Malaysia Petronas and Saudi. All the 30 year bonds are up anywhere between 10-15%. We have almost 8-19% in the long end of the bonds.
- We were long Asian currencies like THB and IDR which did very well and added about 50 bps for the portfolio.
- We added more India and Indo high yield which rallied about 3-4 points. We bought more India high grade which also rallied around 3-4 points.
- We have reduced China exposure from 30% to 20% as we believe that the current yields in China are fair for Chinese property bonds and it is good for carry only. Given the recent US-China tensions, we like India, Indo and Thailand more.

## **3. How has BWZ recovered in the recent bond rally?**

In the recent bond rally, BWZ has recovered by investing almost 90% from the previous 60% cash as we put back the cash to work very quickly. Over the last 2 months, the fund is up by more than 8% and has recovered most of the losses.





## 4. Outlook & Strategy for BWZ

### Our Current Positions:

Investment Grade	53%
High Yield	35%
Cash	12%
Average Rating	BBB
Duration	5.2 years

### Country Allocation:

China	19.90%
Australia	9.60%
India	13.10%
Indonesia	11.60%
Outside Asia	5.40%
Singapore	4.30%
UAE	4.30%
Japan	4.30%
Thailand	3.80%
Saudi Arabia	2.60%
Philippines	2.50%
Malaysia	1.50%
Qatar	1.20%
Bahrain	0.80%
Kuwait	0.80%
Korea	0.60%

- We are very bullish on fixed income from a medium term perspective.
- We will continue to invest up to 90-95% of the fund.
- We like long duration as we believe that rates will remain low for longer as Fed will eventually adopt yield curve control. In addition, the recent ECB policy to come out with joint Euro bond funding is very positive news. Unprecedented stimulus by BOJ, Singapore and major other Asian central banks is overall very positive for Asian credits.
- Recent US-China trade tensions will escalate further closer to elections and hence our view on long duration high grade bonds.
- Second wave of COVID and US-China tensions will add further to lower economic growth and Fed's policy of eventual yield curve control so that long end does not sell off.
- Recent technical demand for insurance companies will add fuel to the fire for long duration bonds.
- We also like selective high yield bonds in Indo and India that are trading at 10-12% yield and we are comfortable with the risks. For Chinese property, we believe it is more a carry trade and less of capital appreciation.
- Finally, we are bearish USD for a medium term perspective as we believe US economy will be the last to recover and Fed's balance sheet is growing at a faster speed than other countries. Hence, we like THB, IDR, AUD and INR for long currency positions.

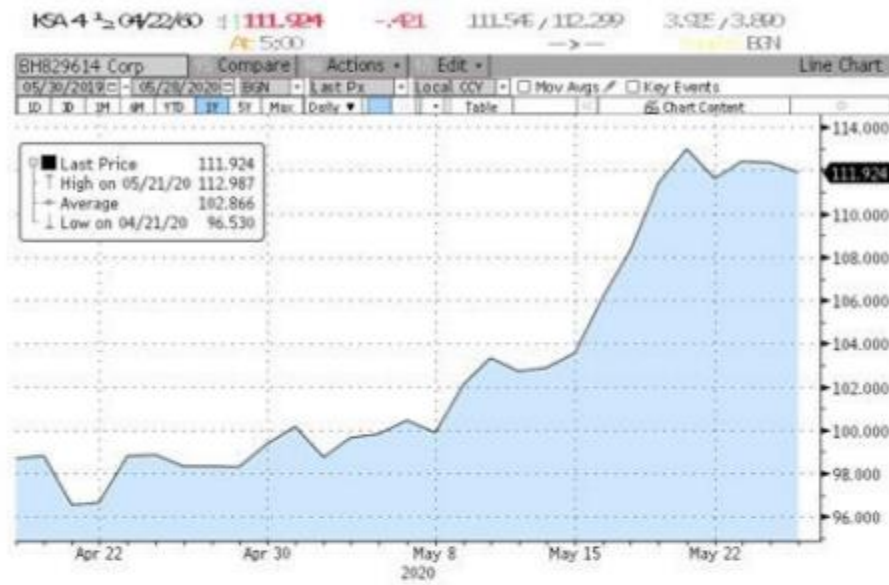
Source: Maybank Asset Management Singapore, May 2020.

Disclaimer: This fund update is a brief description of the Fund and is not exhaustive. Investors are advised to request, read and understand the information memorandum of the Fund before deciding to invest. The information memorandum for Maybank Bluewaterz Total Return Fund dated 18 June 2018 and its supplementaries if any ("Information Memorandum") has been registered/ deposited with the Securities Commission Malaysia, who takes no responsibility for its contents. A copy of the Information Memorandum can be obtained at our office or at our distributor's branches. Units will only be issued on receipt of an application form referred to in and accompanying the Information Memorandum. Investors are again advised to read and understand the content of the Information Memorandum before investing. Among others, Investors should consider the fees and charges involved. The price units and distribution made payable, if any, may go down as well as up. The past performance of the Fund should not be taken as indicative of its future performance.

SC's approval or authorisation, or the registration, lodgment or submission of the Information memorandum does not amount to nor indicate that the SC has recommended or endorsed the Fund or the advertisement nor reviewed this fund update.

## 5. Examples of Long Duration Bonds

### Saudi Arabia - KSA



### Petronas



### Abu Dhabi Quasi - Mubauh

