PUBLIC MUTUAL
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

About Our Bond Fund Performance

1. Why did some of the bond funds register negative returns in September 2019?

   - After a strong rally in bond prices in August 2019, the domestic bond market consolidated in tandem with global bond markets. As a result, selected bond funds registered negative returns ranging between -0.33% and -0.02% in September 2019. The negative returns were not caused by adverse credit event.

   - Our bond funds registered one of their highest monthly returns in a decade of between 0.95% and 2.14% in August 2019 as domestic bond yields moved sharply lower in tandem with global bond yields.

   - Notwithstanding the lower bond prices in September 2019, our bond funds registered a commendable return of between 5.04% and 8.35% for the first 9 months of 2019.

Performance of Bond Funds as at 30 September 2019

No.	Fund Name	Performance (%)						Fund Volatility Class (FVC)	3-Year Fund Volatility Factor (FVF) #
		Aug-19	Sep-19	YTD	1-Year	3-Year	5-Year		
		31/7/2019 to 30/8/2019	30/8/2019 to 30/9/2019	31/12/2018 to 30/9/2019	28/9/2018 to 30/9/2019	30/9/2016 to 30/9/2019	30/9/2014 to 30/9/2019		
	Public Series								
	Conventional								
1	Public Enterprises Bond Fund	1.68	0.04	7.50	9.24	19.51	31.12	Very Low	1.6
2	Public Bond Fund	1.08	0.24	6.02	7.34	16.23	27.13	Very Low	1.1
3	Public Strategic Bond Fund	0.97	0.23	5.74	7.06	15.58	26.11	Very Low	1.0
4	Public Select Bond Fund	0.99	0.17	5.40	6.48	14.52	23.78	Very Low	0.9
5	Public Institutional Bond Fund	1.04	0.12	5.23	6.36	14.26	24.06	n.a.	n.a.
	Islamic								
1	Public Islamic Infrastructure Bond Fund	1.84	-0.33	7.55	8.85	17.51	30.27	Very Low	1.8
2	Public Islamic Bond Fund	1.60	-0.17	6.98	8.76	17.41	30.63	Very Low	1.7
3	Public Sukuk Fund	1.53	-0.06	6.74	8.32	16.52	28.84	Very Low	1.9
4	Public Islamic Strategic Bond Fund	1.20	0.00	6.00	7.27	14.45	25.34	Very Low	1.5
5	Public Islamic Income Fund	1.35	-0.15	5.77	7.24	14.69	24.23	Very Low	1.2
6	Public Islamic Select Bond Fund	0.95	0.10	5.04	6.21	14.70	24.38	Very Low	1.1
	PB Series								
	Conventional								
1	PB Infrastructure Bond Fund	1.82	-0.26	7.64	8.78	17.24	29.33	Very Low	1.8
2	PB Fixed Income Fund	1.25	0.24	6.74	8.16	17.05	28.30	Very Low	1.2
3	PB Bond Fund	1.20	0.36	6.62	8.16	16.96	27.54	Very Low	1.1
	Islamic								
1	PB Aiman Sukuk Fund	2.14	-0.24	8.35	10.00	19.72	34.06	Low	2.2
2	PB Islamic Bond Fund	1.88	-0.26	6.98	8.67	18.51	31.50	Very Low	1.8
3	PB Sukuk Fund	1.49	-0.02	6.71	7.96	16.20	28.31	Very Low	1.8

Based on the fund's portfolio returns as at 30 August 2019

   - Please take note that bond prices can rise and fall. When bond yield fall, bond prices rise and vice-versa. Investors are advised to stay invested for medium- to long-term to ride out any short-term volatilities in the market.

2. What is the potential impact to Malaysian bond market if Malaysia is excluded from the FTSE Russell's World Government Bond Index (WGBI)?

    - Malaysia has been part of the WGBI since 2004. On 15 April 2019, FTSE Russell announced that Malaysia has been put on watch list for potential exclusion from the WGBI due to its reduced market accessibility. It was estimated that US$1 trillion worth of passive funds is tracking against the WGBI. Given Malaysia's weight of 0.39% in the WGBI, the risk of outflows from passive funds is estimated at US$4 billion or RM16.5 billion if Malaysia is excluded from the index.

    - On 27 September 2019, the FTSE Russell announced that Malaysia would not be removed from the WGBI in its September 2019 annual review as the FTSE Russell and its index users are encouraged by the proactive measures taken by Bank Negara Malaysia to liberalize the onshore foreign exchange and bond markets.

    - If Malaysia is being excluded from the WGBI in the next annual review, a notice period will usually be given and the index weight will be removed on staggered basis to smoothen the outflows. Coupled with the large and growing domestic institutional investor base, we believe the potential outflows are manageable and the domestic bond market will generally remain resilient.

3. What is the outlook for Malaysian bond market?

    - The Malaysian bond market is anticipated to remain underpinned by the following factors:-
        - The slowing United States (U.S.) and global economic growth may potentially lead to more interest rate cuts in the U.S. which will result in other central banks in the world maintaining a low interest rate environment.
        - Demand for domestic bonds remains resilient amid the growing size of funds managed by domestic institutional investors that invest in domestic bonds to generate recurring income. Meanwhile, the supply of domestic corporate bonds has been declining over the past 2 years due to the decline in issuances of infrastructure bonds.
        - Domestic monetary policy in Malaysia is expected to remain accommodative and supportive of domestic economic activities. The slowing global economic growth may potentially lead to lower interest rates to stimulate growth.

You are advised to read and understand the contents of the Master Prospectus 1 of Public Series of Funds, Master Prospectus 1 of Public Series of Shariah-Based Funds and Master Prospectus 1 of PB Series of Funds dated 30 April 2019; Prospectus of Public Institutional Bond Fund dated 30 April 2017; and the relevant fund's Product Highlights Sheet (PHS) before investing. These Prospectuses have been registered with the Securities Commission Malaysia who takes no responsibility for their contents, and neither should their registration be interpreted to mean that the Securities Commission Malaysia recommends the investment.

You should note that there are fees, charges and risks involved in investing in unit trust funds; and that the prices of units and distribution payable, if any, may go down as well as up. Please refer to the Prospectuses, Information Memorandum and PHS for information pertaining to the above. Past performance of a fund is not an indication of its future performance. Applications to purchase units must come in the form of a duly completed application form referred to in and accompanying the Prospectuses and Information Memorandum. A copy of the Master Prospectus 1 of Public Series of Funds, Master Prospectus 1 of Public Series of Shariah-Based Funds, Prospectus of Public Institutional Bond Fund and PHS can be obtained from your attending unit trust consultant or nearest Public Mutual Branch/Customer Service Centre; whilst a copy of the Master Prospectus 1 of PB Series of Funds and PHS can be obtained from your nearest Public Bank branch.

Lipper Fund Volatility

The Volatility Factor (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 is revised every six months. The volatility banding for the "Very Low", "Low", "Moderate", "High" and "Very High" VCs as at 30 June 2019 are 0.000 ⩽ VF ⩽ 1.885, 1.885 < VF ⩽ 6.455, 6.455 < VF ⩽ 8.845, 8.845 < VF ⩽ 11.185 and VF more than 11.185 respectively. For this period to 31 December 2019 the VCs for the funds are based on the VFs of the respective funds as at 30 June 2019. 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.