

NAVIGATING FIXED INCOME MARKETS: INTRODUCTION TO BOND AND SUKUK

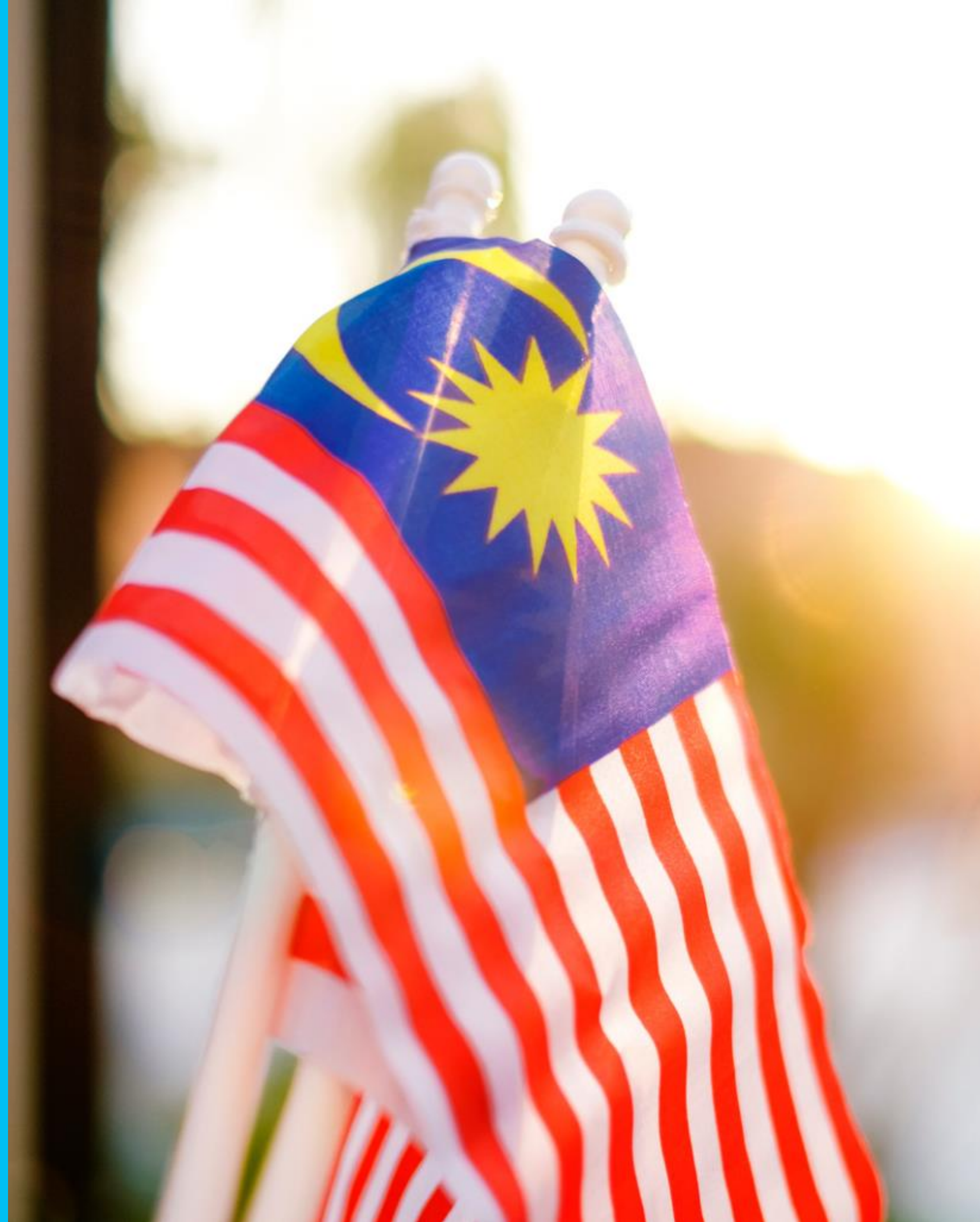
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22 FEBRUARY 2025 | SATURDAY | WISMA DEWAN BAHASA & PUSTAKA

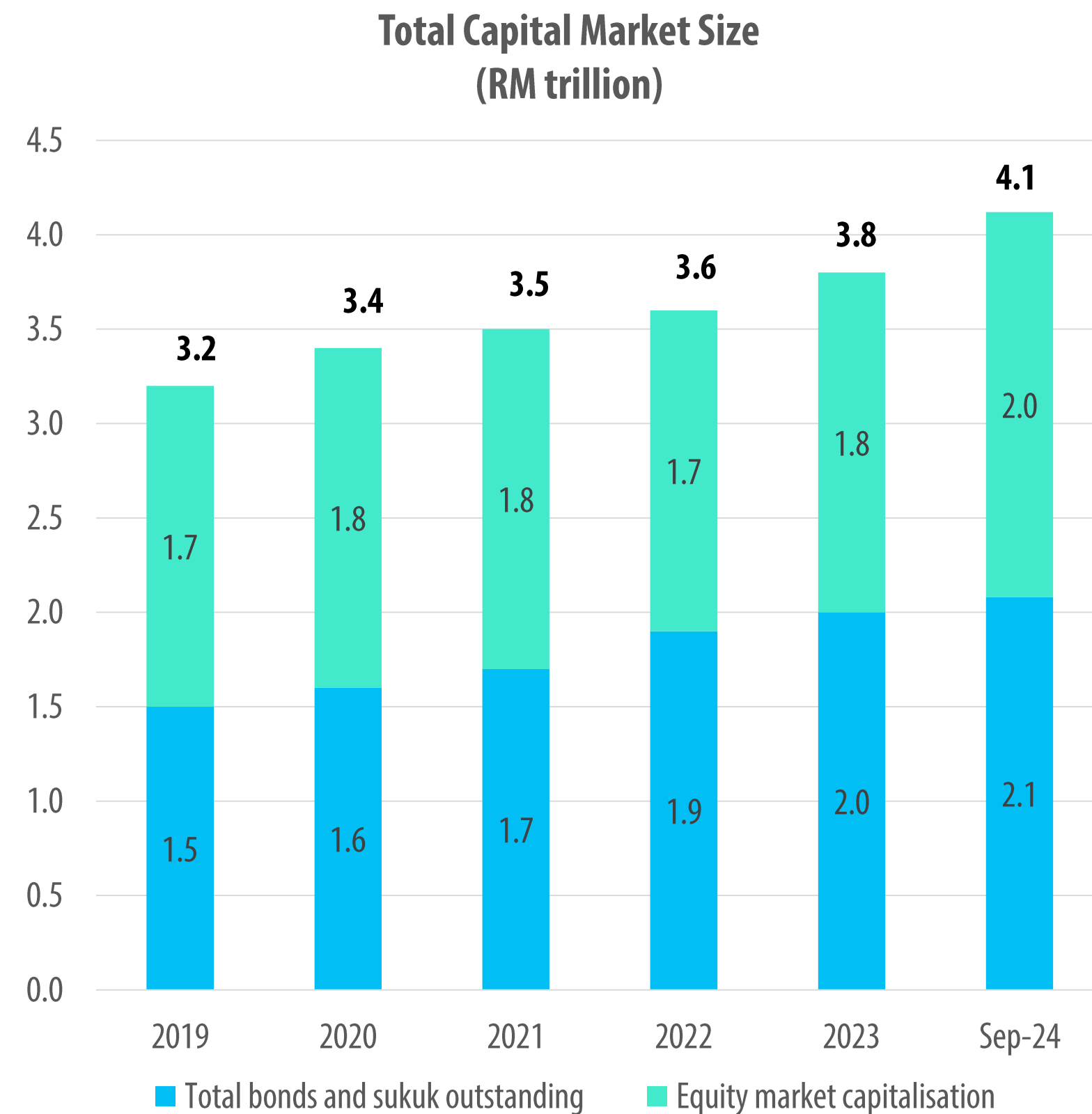
PART 1:

OVERVIEW OF MALAYSIAN CAPITAL MARKET



MALAYSIAN CAPITAL MARKET AS OF 3Q24

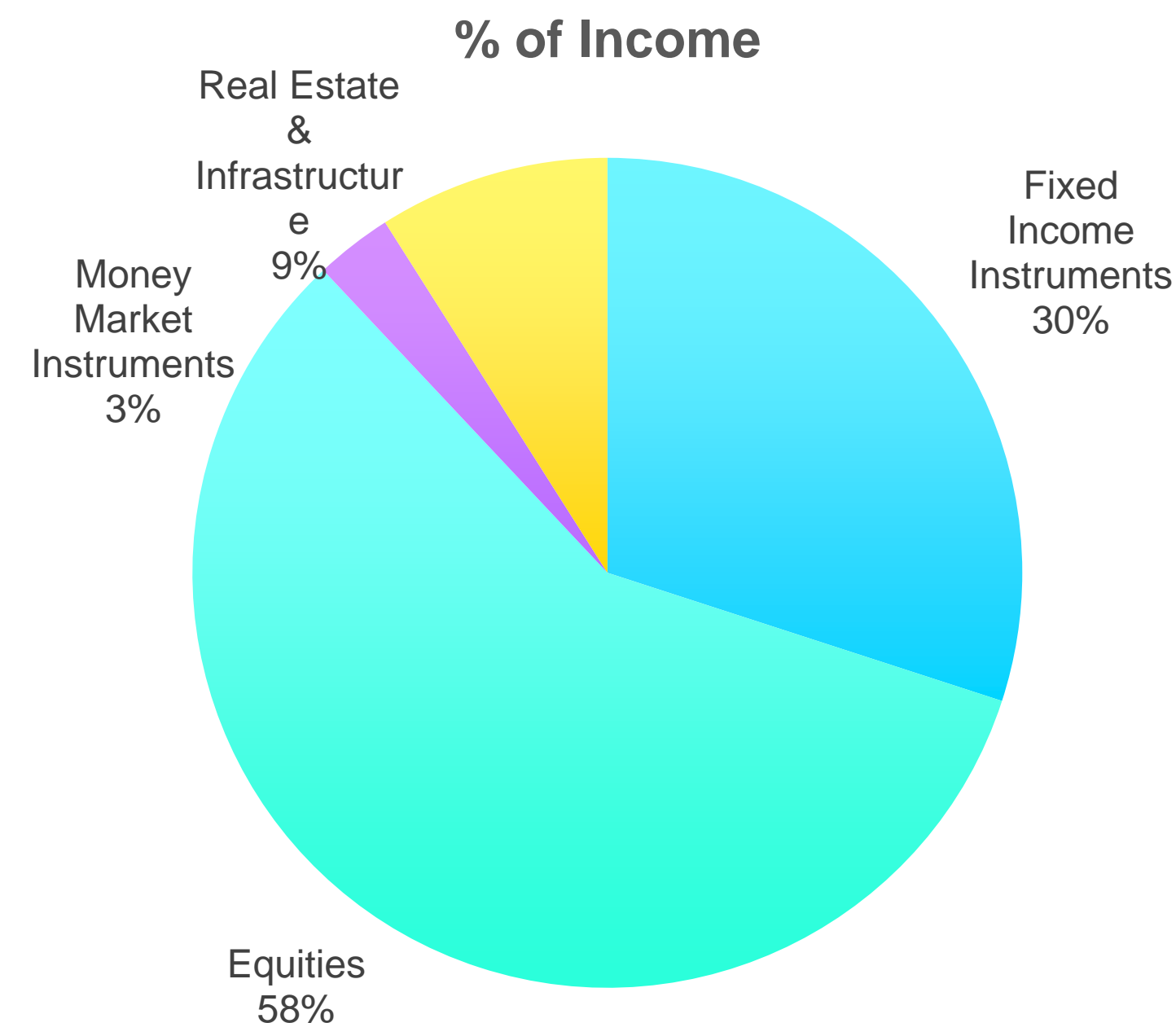
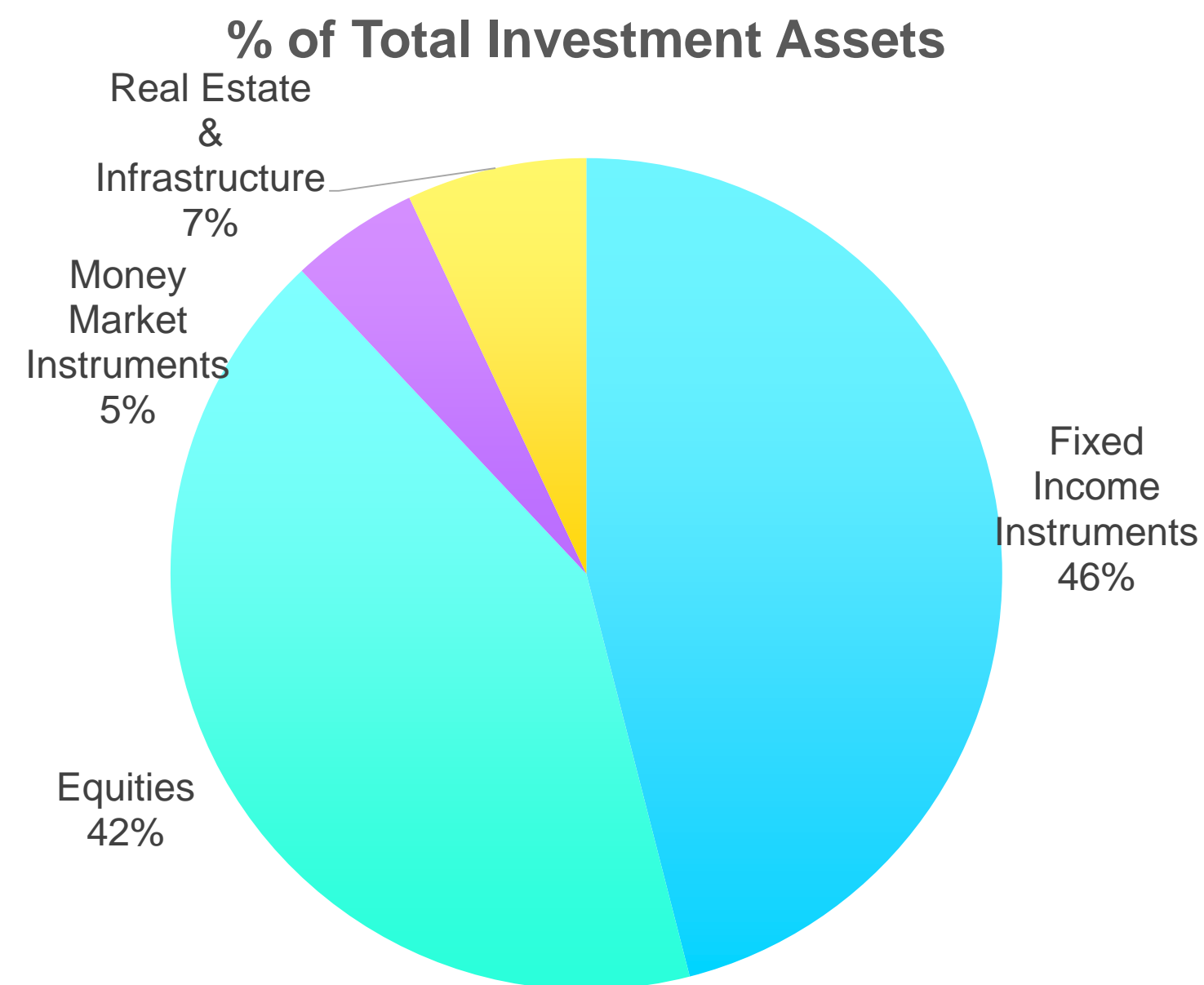
The size of Malaysian capital market surpassed RM4.1 trillion



- Size of the capital market **rose 7.9% to RM4.1 tn in Q3 of 2024** (2023: RM3.8 tn), driven by growth in total market capitalisation and bonds and sukuk outstanding.
- The capital market consists of **50.5% of bonds and sukuk outstanding** and **49.5% of equities market**.









CASE STUDY: EPF INVESTMENT PERFORMANCE 2023

Fixed income instruments as the anchor in maintaining steady returns



- For the year ended 31 December 2023, EPF recorded a total investment income of RM66.99 billion, a **29% increase from RM51.91 billion in 2022.**
- Fixed income instruments made up 46%** of investment assets.
- Fixed income instruments contributed RM19.74 billion, or **30% of the EPF's total investment income**, yielding an ROI of 4.41%.

INFRASTRUCTURE BONDS IN MALAYSIA

			 Pengurusan Aset Air	 MALAYSIA RAIL LINK		 Air Selangor	
Total O/s: RM84.7 bn	Total O/s: RM35.7 bn	Total O/s: RM41.0 bn	Total O/s: RM21.1 bn	Total O/s: RM13.7 bn	Total O/s: RM15.0 bn	Total O/s: RM6.2 bn	Total O/s: RM9.1 bn
2024 Issuance: RM5.1 bn	2024 Issuance: RM750 mil	2024 Issuance: RM3.2 bn	2024 Issuance: RM2.7 bn	2024 Issuance: RM1.5 bn	2024 Issuance: RM4.0 bn	2024 Issuance: RM1.2 bn	2024 Issuance: RM2.7 bn
Government Guaranteed	AAA rated by MARC	Government Guaranteed	AAA rated by RAM	Government Guaranteed	AAA rated by RAM	AAA rated by RAM	AA+ rated by RAM
Purpose: <ul style="list-style-type: none"> To fund MASS Rapid Transit (MRT) Line, Pan Borneo Highway, LRT3 Line. 	Purpose: <ul style="list-style-type: none"> To fund construction, expansion and upkeep of the PLUS Expressway network (Malaysia's major toll road system). 	Purpose: <ul style="list-style-type: none"> To fund CAPEX and working capital, Prasarana owns & operates MRT, LRT & KL Monorail. 	Purpose: <ul style="list-style-type: none"> To fund the development, maintenance and upgrading of Malaysia's water supply infrastructure. 	Purpose: <ul style="list-style-type: none"> To fund the development of the East Coast Rail Link (ECRL project), which connects the east coast and west coast of the Peninsular Malaysia (Kelantan-Selangor). 	Purpose: <ul style="list-style-type: none"> To fund the development, expansion and maintenance of Malaysia's electricity infrastructure. 	Purpose: <ul style="list-style-type: none"> To fund the development, upgrading & maintenance of Selangor's water supply infrastructure (Malaysia's most developed state). 	Purpose: <ul style="list-style-type: none"> To fund projects and investments undertaken by YTL Power International (YTLPI), an international multi-utility owner & operator with presence in Malaysia, Singapore, the UK, Indonesia, Jordan, & the Netherlands.

PART 2:

UNDERSTANDING BONDS

Bond and Sukuk for beginners



What is a bond?

A debt security representing a loan made by an investor to a borrower, with fixed interest rate and specific repayment period.

What is a Sukuk?

An Islamic financial instrument that represents ownership in an underlying asset or project, and provides returns based on the profits generated.



DIFFERENCE BETWEEN BOND AND SUKUK

Aspect	Bonds	Sukuk
Nature	Interest-bearing debt securities	Asset-backed or asset-based securities that securities that comply with Shariah Shariah principles
Ownership	Bondholders are creditors of the issuer	Sukuk holders have a fractional ownership fractional ownership interest in the the underlying asset
Income	Earn interest income	Earn profit based on performance of performance of underlying asset
Use of funds	Can be used for various purposes, including purposes, including working capital, capital, expansion, or debt refinancing	Must be used for Shariah-compliant compliant purposes

WHY COMPANIES ISSUE BONDS / SUKUK?



FINANCING EXPANSION & GROWTH

To raise funds for expansion plans, acquisitions, research and development, or other growth initiatives. By tapping into the bond market, companies can secure long-term capital to support their strategic objectives.



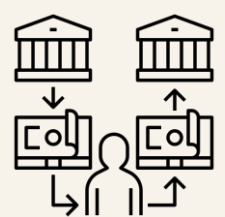
CAPITAL EXPENDITURE

Provides a way to raise funds specifically earmarked for capital expenditures, enabling companies to finance their infrastructure and operational needs.



WORKING CAPITAL REQUIREMENTS

Help companies meet their working capital requirements, including financing day-to-day operations, managing cash flow fluctuations, funding inventory, or covering short-term liabilities, ensuring smooth business operations.



DEBT REFINANCING

Refinancing debt at more favorable interest rates or extending maturity dates allow companies to improve their debt profile, reduce interest expenses, and enhance their financial flexibility.



DIVERSIFYING FUNDING SOURCES

Companies can tap into a broader pool of investors, including institutional investors, pension funds, and retail investors. Diversifying funding sources helps reduce dependence on a single financing channel and enhances financial resilience.

TYPES OF BONDS IN MALAYSIA

GOVERNMENT BOND

Debt securities issued by the government to raise funds from investors. Examples are Malaysian Government Securities (MGS) and Government Investment Issues (GII).



QUASI-GOVERNMENT BOND

Debt securities issued by entities that are closely associated with the government but are not directly issued by the government itself. These entities are typically owned or controlled by the government and perform public or strategic functions.



GOVERNMENT GUARANTEE BOND

Debt securities issued by a specific entity, such as a corporation or a financial institution, with a guarantee provided by the government. In the event of default by the issuer, the Malaysian government assumes the responsibility to fulfil the bond's repayment obligations.



CORPORATE BOND

Debt securities issued by private sector corporations or companies to raise funds from investors.



KEY FEATURES OF BONDS AND SUKUK



FACE VALUE

Represents the amount that the issuer promises to repay the investor when the bond matures.



COUPON RATE

The interest/ profit rate that the issuer agrees to pay the investor, typically expressed as a percentage of the bond's face value, and the interest/ profit payments are made periodically, such as annually or semi-annually.



MATURITY DATE

The date on which the bond will reach its full term, and the issuer is obligated to repay the bond's face value to the investor. Bond maturities can range from a few months to several decades.



YIELD

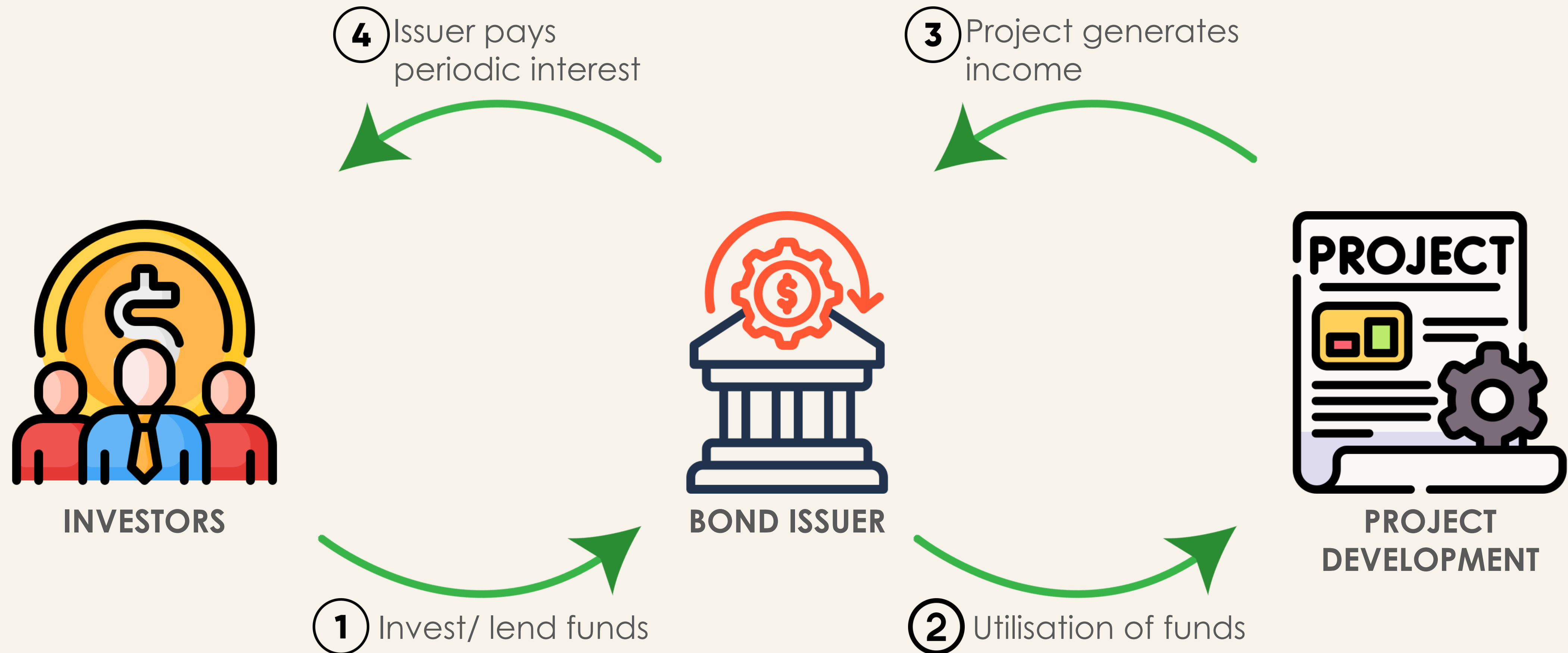
The total return an investor can expect from the bond, taking into account the coupon payments and the bond's price. Yields can be influenced by factors such as prevailing interest rates, credit rating, and market demand.



BOND COVENANT

Legally binding term of agreement between a bond issuer and a bondholder or investor to protect the interest of both the bond holder and issuer.

ILLUSTRATION OF BOND TRANSACTION



PART 3:

BENEFITS AND RISKS IN BOND AND SUKUK INVESTING

IS BOND SUITABLE FOR YOU?

Annual fixed return

Capital protection

Lower risk

Capital appreciation

Inflation protection

Diversification



WHY INVEST IN BOND OR SUKUK?



FIXED INCOME AND REGULAR CASH FLOW

Bonds provide a fixed income stream through regular coupon or interest payments. This predictable cash flow can be attractive to investors seeking a steady income source, such as retirees or those with income requirements.



DIVERSIFICATION

Bonds have a different risk-return profile compared to stocks and other assets. Including bonds in a portfolio can help reduce overall volatility and potentially enhance risk-adjusted returns.



CAPITAL PRESERVATION

Bonds are generally considered less risky than stocks. Investing in bonds can help preserve capital as they typically have a predetermined face value and maturity date, providing investors with a known repayment amount if held to maturity.



PORTFOLIO HEDGING

During adverse market conditions i.e. equity markets experience volatility or decline, bond prices often rise due to increased demand for safer assets. This inverse relationship between stocks and bonds can help reduce portfolio losses during market downturns.

RISK OF INVESTING IN BOND OR SUKUK



INTEREST RATE RISK

Bonds are sensitive to changes in interest rates. When interest rates rise, bond prices tend to fall, and vice versa. This inverse relationship means that if an investor needs to sell their bonds before maturity, they may incur a loss if interest rates have increased since the bond's purchase.



LIQUIDITY RISK

Some bonds may have limited liquidity, making it challenging to sell them at desired prices or at short notice. Less liquid bonds may also have wider bid-ask spreads, potentially resulting in higher transaction costs.



CREDIT RISK

Risk of the bond issuer defaulting on its payment obligations. Bonds issued by entities with lower credit ratings or financial instability have a higher probability of default.



DEFAULT RISK

The risk that the issuer of the bond is unable to meet its payment obligations, including interest payments and repayment of the principal amount.

CREDIT RATING AGENCIES





What is a Credit Rating Agency?

A credit rating agency is a company that assesses the creditworthiness of entities such as governments, corporations, or bonds, and provides a rating that reflects the likelihood of timely payment of financial obligations.

RAM

MARC

CREDIT RATING

 RAM RATINGS		 MALAYSIAN RATING CORPORATION BERHAD		
Long-Term	Short-Term	Long-Term	Short-Term	Definition
AAA	P1	AAA	MARC-1	Extremely strong capacity to meet financial obligations
AA1		AA+		Very strong capacity to meet financial obligations
AA2		AA		
AA3		AA-		
A1	P2	A+	MARC-2	Strong capacity to meet financial obligations, but somewhat susceptible to adverse economic conditions and changes in circumstances
A2		A		
A3		A-		
BBB1	P3	BBB+	MARC-3	Moderate capacity to meet financial commitments, but more vulnerable to adverse developments and economic conditions
BBB2		BBB		
BBB3		BBB-		

Source: BIX

HOW TO GET EXPOSURE ON BOND AND SUKUK



1

Direct investments into individual bonds/sukuk through licensed financial institution

2

Syndicated bonds for retail investors through eligible distributors

3

Investing in bond funds or ETFs

4

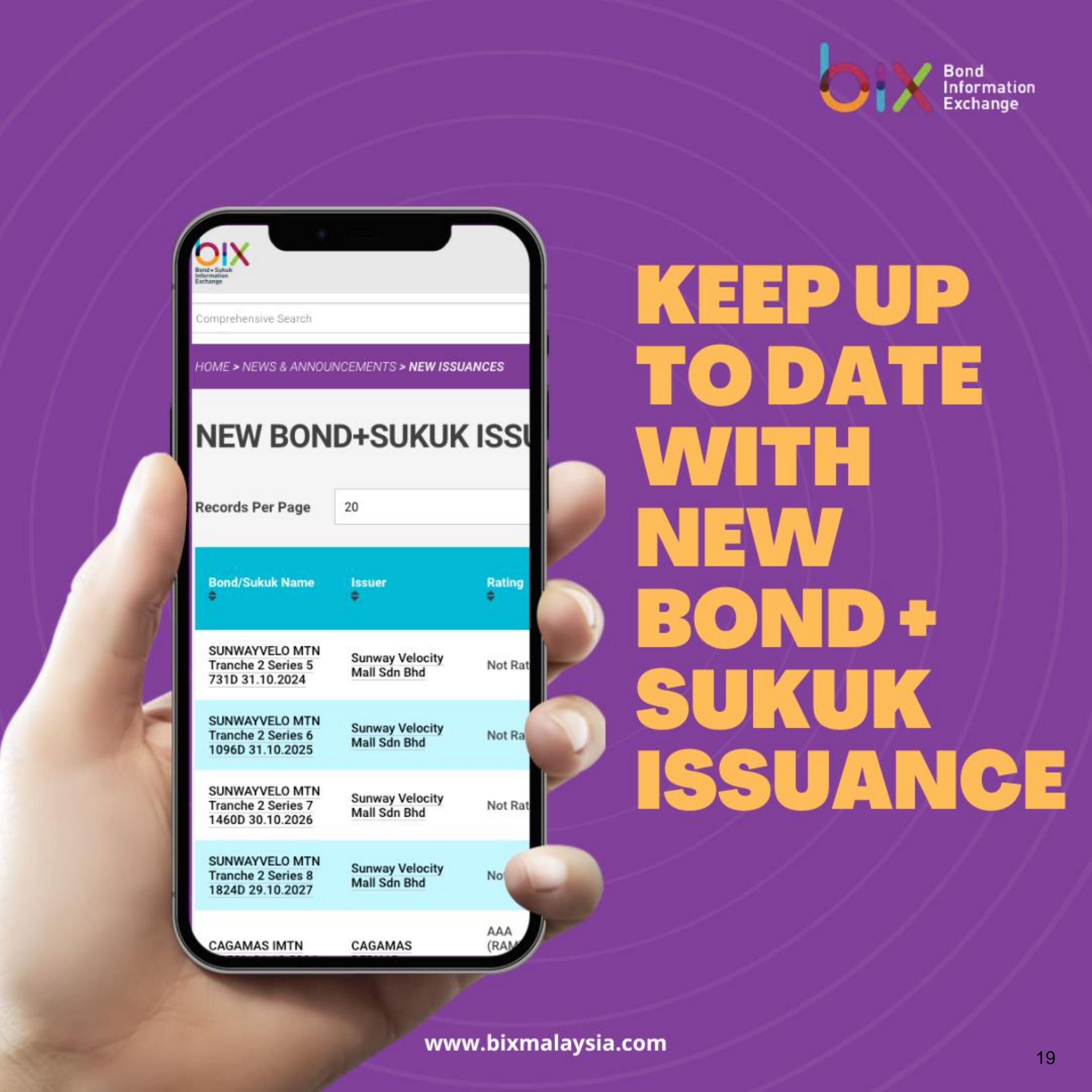
Investing through bond-focused robo advisors

5

Diversification across issuers, sectors, and regions

PART 4:

EQUIP YOURSELF WITH BOND AND SUKUK KNOWLEDGE



The image shows a hand holding a smartphone displaying the BIX website. The website header includes the BIX logo and the text 'Bond Information Exchange'. Below the header, there is a 'Comprehensive Search' bar. The main content area is titled 'NEW BOND+SUKUK ISSUANCE' and features a 'Records Per Page' dropdown set to '20'. A table lists new bond and sukuk issuances with columns for 'Bond/Sukuk Name', 'Issuer', and 'Rating'. The table contains four rows of data, all for 'SUNWAYVELO MTN Tranche 2 Series' with various dates and 'Sunway Velocity Mall Sdn Bhd' as the issuer. The ratings are 'Not Rat'. The bottom of the table shows 'CAGAMAS IMTN' with a rating of 'AAA (RAM'.

Bond/Sukuk Name	Issuer	Rating
SUNWAYVELO MTN Tranche 2 Series 5 731D 31.10.2024	Sunway Velocity Mall Sdn Bhd	Not Rat
SUNWAYVELO MTN Tranche 2 Series 6 1096D 31.10.2025	Sunway Velocity Mall Sdn Bhd	Not Ra
SUNWAYVELO MTN Tranche 2 Series 7 1460D 30.10.2026	Sunway Velocity Mall Sdn Bhd	Not Rat
SUNWAYVELO MTN Tranche 2 Series 8 1824D 29.10.2027	Sunway Velocity Mall Sdn Bhd	No
CAGAMAS IMTN	CAGAMAS	AAA (RAM

**KEEP UP
TO DATE
WITH
NEW
BOND +
SUKUK
ISSUANCE**

① INFORMATION TRANSPARENCY

EASY ACCESS TO BONDS INFORMATION ACROSS ALL INVESTORS



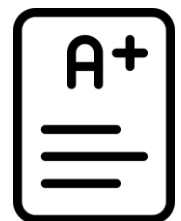
BOND/ SUKUK INFORMATION SUMMARY

Detail important information including ISIN & Stock code, Issue & Maturity Date, Coupon Rate & Frequency, Current Rating and Latest Trading Yield, Price, Amount & Date.



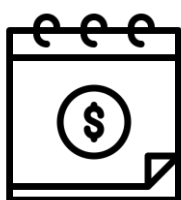
ACCESS TO IMPORTANT DOCUMENTS

Terms & Conditions, Information Memorandum & Trust Deed.



CREDIT RATING MOVEMENTS

Complete historical rating movements since inception with details including rating agency, effective date and rating tenure.



CASHFLOW PAYMENT SCHEDULES

List of historical and future payment dates with details like start & end date, ex-date, adjustment date and coupon rate.



TRADING ACTIVITIES AND HISTORICAL CHART

Capturing details of trading activities giving overview of liquidity of the security. Information include trade & value date, amount, price & yield. Yield chart can be tracked on various period – 1 month, 3 months, 6 months, 1 year and since inception.

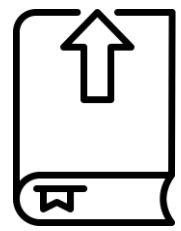
② NEWS & ANNOUNCEMENT

ACCESS TO UP-TO-DATE INFORMATION



ANNOUNCEMENTS

General announcement, rating announcement, early redemption, forthcoming tender & tender result, land liquidity position sourced from Bursa Malaysia.



NEW & UPCOMING ISSUANCES

List of new bonds and sukuk issuances, as well as upcoming issuances with details like issue date, tenure, coupon rate and outstanding amount.



ELIGIBLE DISTRIBUTOR

Link retail investors direct to bond trading platform licensed by Securities Commission.



UPCOMING EVENTS

Comprehensive list of programmes related to bond and sukuk organised by regulator and industry players to keep investors abreast of the market.

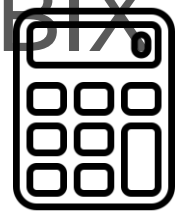


TOP 10 DAILY TRANSACTIONS

List of latest transactions ranked from the highest yield. The list can also be sorted based on last traded price, last traded amount, outstanding amount and residual tenure.

③ PRICE TRANSPARENCY & DISCOVERY

BIX TOOLS - A POWERFUL TOOL FOR INVESTORS



BIX CALCULATOR

Simple tool to determine the prices and yields of bonds and sukuk.



BIX SEARCH

Allowing users to search and compare different bonds/ sukuk. Parameters can be specifically defined to search for the best results.



ISSUER SEARCH

List of all issuers in domestic market with issuer's registration number.

Yield to Maturity ? / Call Date ?

0 >10

0 0.5 1 1.5 2 2.5 3 3.5 4 4.5 5 5.5 6 6.5 7 7.5 8 8.5 9 9.5 10 >10

Low High

Residual Tenure (Year) ?

0 >30

0 0.5 1 1.5 2 2.5 3 3.5 4 4.5 5 5.5 6 6.5 7 7.5 8 8.5 9 9.5 10 10.5 11 11.5 12 12.5 13 13.5 14 14.5 15 15.5 16 16.5 17 17.5 18 18.5 19 19.5 20 30 >30

Low High

Last Traded Date

☐ Date Range

All Traded Dates

Issuer Name

Type to Search

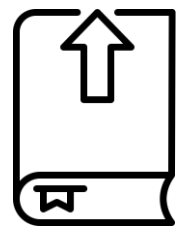
④ MARKET INSIGHTS

CENTRALISED MARKET REPORTS FROM EXPERTS



RESEARCH REPORTS

Valuable bond and sukuk market perspectives from participating research houses.



DEDICATED SECTIONS

Weekly bond market snapshots published by Bond Pricing Agency Malaysia (BPAM) and downloadable reports issued by the credit rating agencies – RAM and MARC.

⑤ LEARNING CENTRE

ONE STOP PLATFORM FOR FIXED INCOME LEARNING NEEDS



BOND AND SUKUK 101

Resources to help beginners learn the fundamentals of bonds and sukuk, including articles, a glossary, videos, and audio explanations.



Download Our App

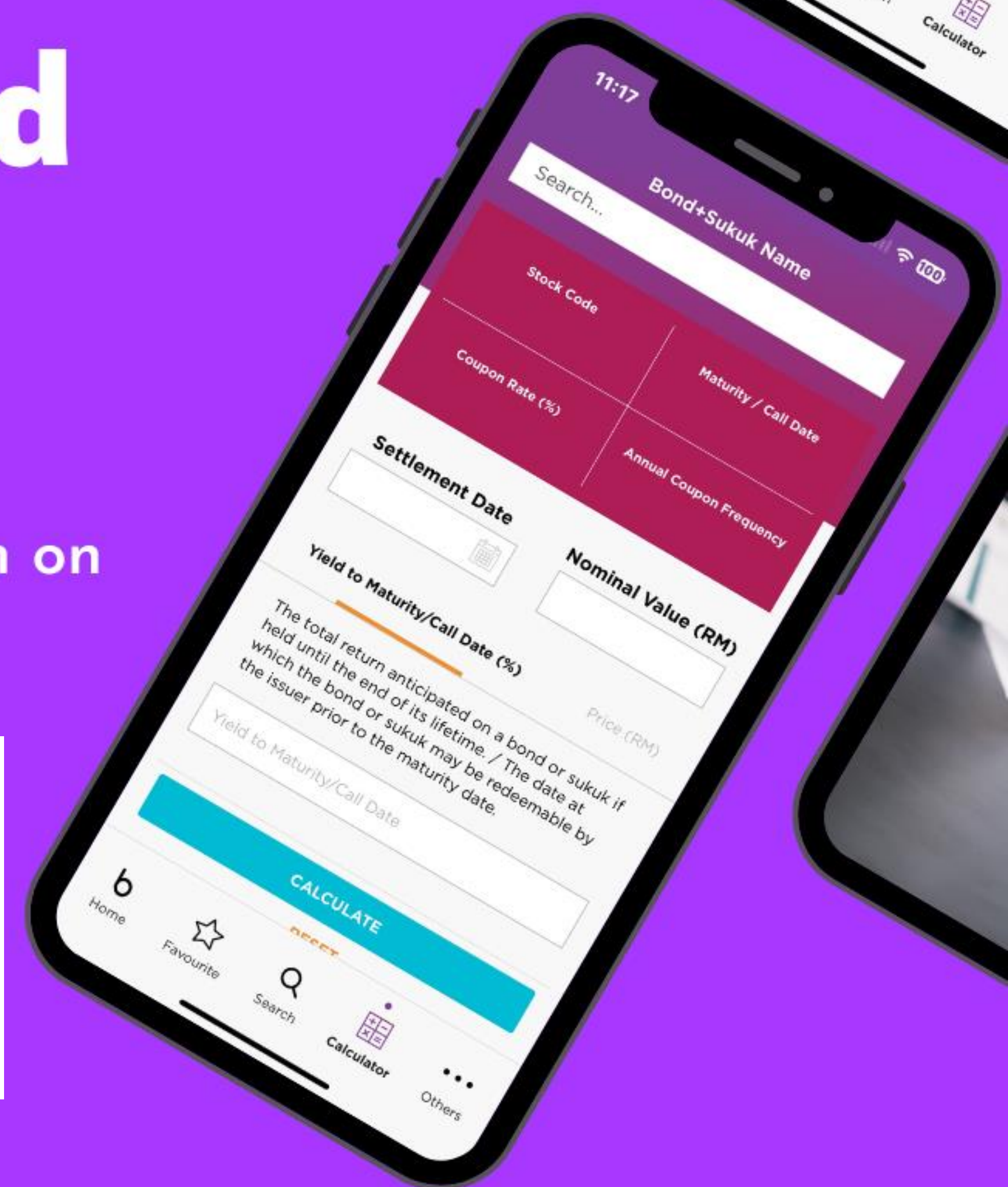
Get detailed and updated information on Bond and Sukuk.



Available on the App Store



Get it on Google Play



THANK YOU

For more information on the above presentation, please contact:

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Bond+Sukuk Information Exchange

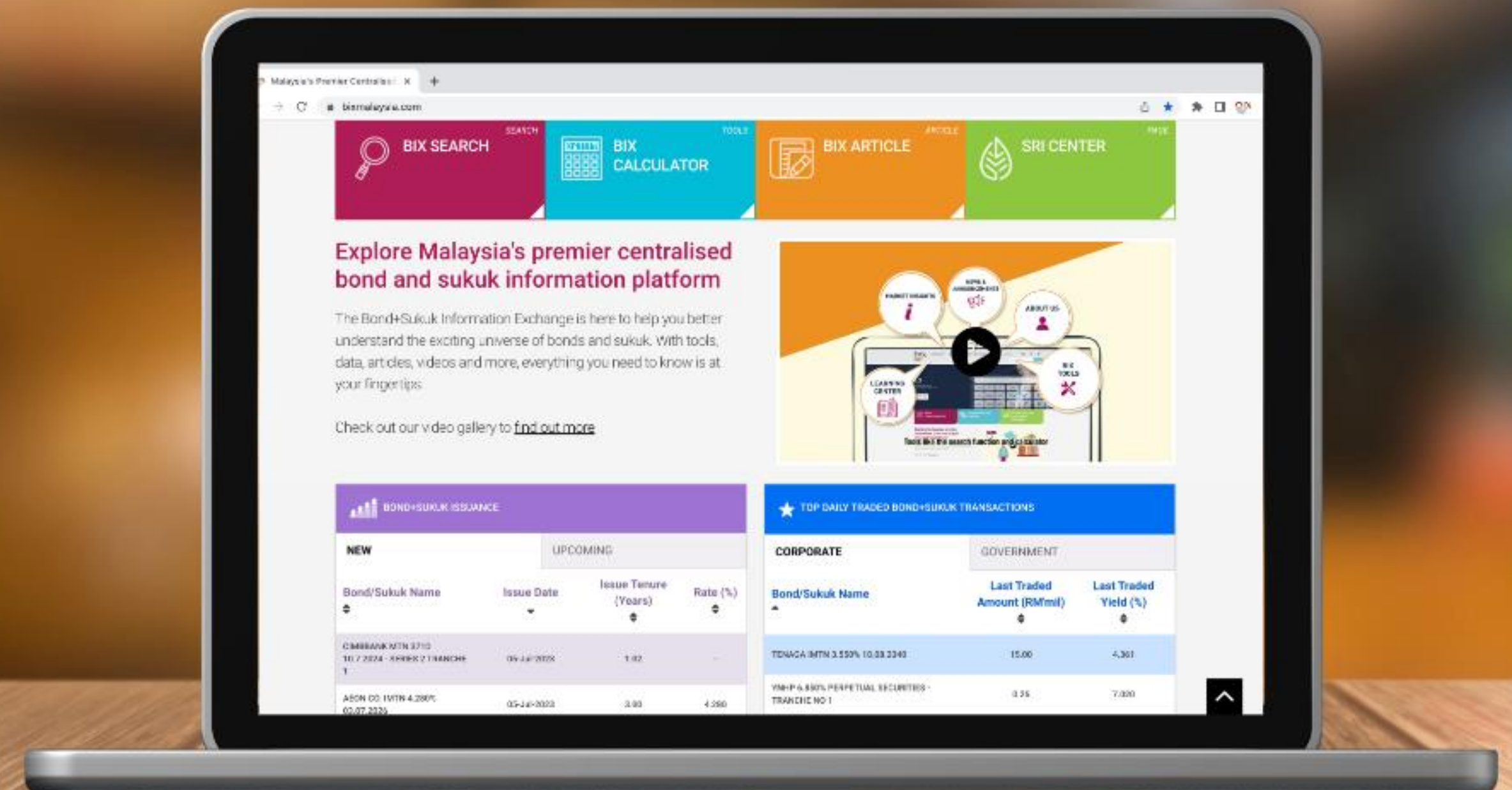
3, Persiaran Bukit Kiara

Bukit Kiara

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