

27 March 2020

Dear Valued Investors

MAYBANK CONSTANT INCOME FUND 6 (“Fund”) – UPDATE

We would like to update you on the latest market developments affecting the Fund and the course of action we are proposing in your best interest as an investor.

Brief details on the Fund

The Fund is a 3-year close-ended fund which was launched on 17 March 2017, with the objective of providing investors with an annual income by investing in bonds. The target income is 4.5% per annum. The Fund had a 45-day offer period and commenced on 18 April 2017. The Maturity Date for the Fund is 3 years from 18 April 2017, i.e. 18 April 2020. However, as 18 April 2020 is a Saturday and not a business day, the Maturity Date would fall on the next business day, which is **20 April 2020, Monday**.

The following sets out the income distribution for the Fund in the 1st and 2nd year:

1st year : 2.5 sen per unit paid on 19 April 2018

The distribution yield is equivalent to 2.4% of investor’s gross investment amount

2nd year : 4.64 sen per unit paid on 19 April 2019

The distribution yield is equivalent to 4.5% of investor’s gross investment amount

3rd year - Fund Updates :

- After a good bond rally in 2019 and early 2020, the Fund appeared to be on track to achieve the target return of 4.5% per annum (annualized over 3 years).
- To cater for the Fund’s maturity on 20 April 2020, the Manager started to sell some bonds in February 2020 to raise cash. During February, the financial markets were still calm and functioning as per normal with healthy liquidity.
- By end of February 2020, the Manager had sold about 30% of the bonds, and the Fund held 30% in cash and 70% in bonds. The plan was to reduce the bonds by 10% to 15% per week over the next six weeks in time for the Fund’s maturity.
- Based on the Fund’s Net Asset Value per unit (“NAV”) which was in the range of RM1.0963- RM1.0972 during first week of March 2020, the Manager calculated that the expected return would be between 4.2% per annum to 4.3% per annum (annualised over 3 years).

- Therefore, the Manager held the remaining bonds for price appreciation and to accrue another month's interest to get closer to the target return of 4.50% per annum, (annualised over 3 years) instead of disposing of all the bonds immediately.

Unexpected and Unprecedented Market Developments

- Unexpectedly, in early March 2020, the COVID-19 outbreak took a turn for the worse, causing increased volatility in global financial markets.
- Further exacerbating this, the Saudi-Russia oil price war caused a collapse in oil prices and added to the volatility.
- All markets turned bearish, and all asset classes (equities, bonds, Asian currencies and commodities) experienced a sharp correction from 3 March 2020 and these bearish conditions have prevailed since.
- On 11 March 2020, the World Health Organization declared that the COVID-19 outbreak had escalated to a pandemic.
- In this sharp sell-off, bond prices have fallen 20% to 30% lower as compared to the levels at the end of February 2020.
- The current bond prices are not a true reflection of the value of the bonds, but merely a reflection of the stressed liquidity situation that the financial markets are currently facing as investors are still overwhelmed with the effects of COVID-19 and the market turmoil.
- As such, there is very little buying activity to support the prices of bonds. Under such stressed conditions, if the Manager were to dispose of the bonds held by the Fund, the potential loss incurred by investors is estimated to be 10% or more of their principal.
- Therefore, even though the Fund's maturity is on 20 April 2020, the Manager is of the view that it would not be in investors' best interest to liquidate the bonds under current market conditions. We are also of the view that the market should recover, given some time and it would be beneficial to investors to dispose of the bonds upon such recovery.
- We expect that markets will make some recovery over the next 6 months, as we have seen the European Central Bank issuing the Pandemic Emergency Purchase Program while the US Federal Reserve has announced a new Corporate Credit Facility Programs. The objective of both programs is to purchase corporate bonds.
- Markets will also start to recover as the COVID-19 outbreak is brought under control, as we have seen in China. However, this may take 6 months or more.
- The holdings of the Fund as at 25 March 2020 is 37% in cash and 63% in bonds.

Action Taken by the Manager : Suspension of Redemption Transactions from 24 March 2020 – 20 April 2020

We have suspended redemption transactions with effect **from 24 March 2020 to 20 April 2020**.

This is to avoid any sell down of bonds in the current depressed market conditions, to meet redemption requirements.

Action Proposed by the Manager : Defer the Fund’s maturity for 6 months to 20 October 2020

Under these circumstances, to protect the interest of our investors, we are proposing the following action:

Defer the Fund’s maturity for 6 months (“Extended Maturity Period”) from the original Maturity Date of 20 April 2020 to 20 October 2020, Monday (“Extended Maturity Date”)

- The Extended Maturity Period is to give the markets time to recover and to provide the Manager with a good window of opportunity to obtain better exit prices for the bonds held in the Fund.
- In most cases, after a sharp sell-off, bulk of the recovery happens during the first 6 months following the sell off.
- Over the last week, we have started to see recovery in the bond markets and expect the recovery to continue or accelerate over the next 6 months.
- Hence, instead of disposing of the bonds in this current market to meet the 20 April 2020 Maturity Date, the Manager is of the view that extending the maturity of the Fund for 6 months would give the Fund a better chance to potentially recover principal and some portion of the returns that were eroded due the sell-off.
- **However, there is no guarantee that the Fund can recover principal or the returns achieved by the Fund prior to the sell-off.**

Early termination during the Extended Maturity Period

The Manager has sole discretion to terminate the Fund at any time during the Extended Maturity Period with the concurrence of the Trustee, if the Manager is of the view that the recovery of the bond markets is no longer intact, or if markets deteriorate.

If there is an early termination, we will notify investors within 14 days of the Early Termination Date.

Maturity on the Extended Maturity Date.

If there is no early termination, the Fund will mature on 20 October 2020, which is the Extended Maturity Date. Proceeds on the maturity of the Fund will be paid to investors as soon as practicable and no later than two (2) months from the Extended Maturity Date.

- During the Extended Maturity Period, the Fund will be valued daily and the Fund's NAV will be published daily.
- We are limiting redemptions during the Extended Maturity Period, to avoid any forced selling of the Fund's investments to meet redemption requirements, which may adversely affect the Fund.
- Hence, there will be 2 windows for redemptions during the Extended Maturity Period

❖ **Redemption Window 1 : 24 April 2020**

- Investors may submit redemption requests from **20 April 2020 (Monday) to 24 April 2020 (Friday)**, subject to the applicable cut-off time imposed by Maybank.
- Redemption requests submitted during this period will be **deemed received on 24 April 2020**, and processed based on **the NAV for 24 April 2020**.
- Redemption proceeds will be paid within 10 calendar days from 24 April 2020
- As the Fund currently holds about RM85 million in cash, **the limit for this redemption window will be 50% of the cash held, equivalent to RM42.5 million.**
- Redemptions will be processed on a first-come-first-served basis
- If the redemption limit is not fully utilized, any unutilized amount will be added to the limit for Window 2
- Redemption requests which are unsuccessful **will not automatically be brought forward to Window 2**. Investors are required to submit a new redemption request for Window 2.

❖ **Redemption Window 2 : 24 July 2020**

- Investors may submit redemption requests from **20 July 2020 (Monday) to 24 July 2020 (Friday)**, subject to the applicable cut-off time imposed by Maybank.
- Redemption requests submitted during this period will be **deemed received on 24 July 2020**, and processed based on **the NAV for 24 July 2020**.
- Redemption proceeds will be paid within 10 calendar days from 24 July 2020
- As the Fund currently holds RM85 million in cash, **the limit for this redemption window will be 50% of the cash held, equivalent to RM42.5 million, plus the unutilized amount from Window 1 (if any)**
- Redemptions will be processed on a first-come-first-served basis

If 24 April 2020 or 24 July 2020 is not a business day, then the respective redemption window would fall on the next business day.

- **There will be no exit fee for redemptions made during the Extended Maturity Period.**

We hope that you will agree to an extension of the Fund's maturity, to avoid selling now when markets are stressed and depressed. If the Manager were to dispose of the bonds held by the Fund at the current juncture, the potential loss is estimated to be 10% or more of investors' principal.

If you are **NOT AGREEABLE** to the **Extended Maturity Period**, please provide your **response by completing the Decision Form** in the Appendix to this letter and returning it to **Malayan Banking Berhad¹ ("Maybank")** by **9 APRIL 2020 ("Deadline")** which is 14 days from the date of this letter, 27 March 2020 at the address below :

Maybank Securities Solutions, Global Banking
Level 8, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Attention : IUTA Team

In light of the Government's Movement Control Order ("MCO") announced by the Prime Minister of Malaysia on 16 March 2020, you may also opt to provide your response via electronic communication to your respective Client Advisors, Relationship Managers or Personal Financial Advisors.

Note : You are only required to provide a response IF you are NOT AGREEABLE to the Extended Maturity Period.

Please note :

- We will **NOT PROCEED** to defer the Fund's maturity if we are informed by Maybank that they have received **MORE THAN 50% of written response** from investors by the Deadline, stating their **DISAGREEMENT** to the Extended Maturity Period, based on the total number of letters sent out.
- We **WILL PROCEED** to defer the Fund's maturity if we are informed by Maybank that they have received **50% or LESS of written responses** from investors by the Deadline, stating their **DISAGREEMENT** to the Extended Maturity Period, based on the total number of letters sent out

We will inform investors of the outcome based on the responses received no later than 17 April 2020.

IN THE EVENT THE FUND'S MATURITY IS NOT DEFERRED

In the event the Fund's maturity is not deferred, the Manager shall terminate the Fund on the Maturity Date, 20 April 2020. Under this scenario, the Manager will dispose of the bonds at the prevailing prices. Under current stressed market conditions, bond prices are depressed and disposing of the bonds at this juncture may result in a loss of 10% or more of investors' principal.

We also wish to highlight to you that in current market conditions, some bonds may not have any buyers. If the Manager is unable to get any buyers for some of the bonds, the Manager shall, on a best effort basis, work with brokers to dispose of the bonds. This process may take time. Hence, the time taken to pay investors may be up to three (3) months after the Maturity Date or even longer.

¹ **Maybank is the sole distributor for the Fund**

Please reach out to your Client Advisor, Relationship Manager or Personal Financial Advisor at Maybank if you have any queries or if you require assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ahmad Najib Nazlan".

Ahmad Najib Nazlan
Chief Executive Officer

Appendix

DECISION FORM on the Deferment of the Maturity Date of Maybank Constant Income Fund 6 to 20 October 2020

I/We (in block letters, please),
 (NRIC No. /
 Company No.), being a unit holder of **Maybank Constant Income Fund 6 (“Fund”)**, have read the proposal by Maybank Asset Management Sdn Bhd in the letter dated 27 March 2020 and hereby write to inform you that I /we **DISAGREE** to the deferment of the maturity of the Fund for 6 months to 20 October 2020, as proposed in the said letter.

If unit holder is an individual:

SIGNED by :

.....
(please affix signature)

Name of unit holder : _____

on the day of 2020
(day) (month)

If unit holder is a company:

* THE COMMON SEAL of the was hereto affixed on
(company name)

the day of 2020 in accordance with its Articles of
(day) (month)

Association in the presence of:

* The company stamp of was hereto affixed on

the day of 2020
(day) (month)

.....
(Authorised signatory’s name and signature)

.....
(Authorised signatory’s name and signature)

* Please delete as appropriate