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# **MAYBANK MALAYSIA INCOME FUND**

(Formerly known as MAYBANK INCOME TRUST FUND)

**Unaudited interim report**  
**For the financial period from 1 July 2019 to 31**  
**December 2019**

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283)  
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No.1 Jalan Maarof  
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### **TRUSTEE**

Universal Trustee (Malaysia) Berhad (17540-D)  
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Jalan Ampang  
50450 Kuala Lumpur  
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**MAYBANK MALAYSIA INCOME FUND**  
**(formerly known as MAYBANK INCOME TRUST FUND)**

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**MAYBANK MALAYSIA INCOME FUND**  
**(formerly known as MAYBANK INCOME TRUST FUND)**

**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019**

**A. Fund Information**

**1. Name of the Fund**

Maybank Malaysia Income Fund (formerly known as Maybank Income Trust Fund) ("Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Bond

**4. Duration of the Fund**

The Fund is an open-ended Fund.

**5. Launch date / Commencement date**

15 May 1996 / 18 July 1996

**6. Fund's investment objective**

The Fund aims to maximise returns over the medium term, and while at the same time offering stability of capital and regular consistent income.

**7. Fund distribution policy**

Income distribution (if any) is declared at the end of the financial year of the Fund or for any specified period at the Manager's discretion, subject to Trustee's approval.

**8. Fund's performance benchmark**

Maybank 12-month fixed deposit rate

**9. The Fund's asset allocation policy**

The Fund will invest a minimum of 70% of the Fund's assets in fixed income securities, and a maximum of 30% of the Fund's assets in liquid assets.

**10. Net income distribution for the financial period from 1 July 2019 to 31 December 2019**

There was no distribution declared by the Fund for the financial period from 1 July 2019 to 31 December 2019.

**MAYBANK MALAYSIA INCOME FUND**  
**(formerly known as MAYBANK INCOME TRUST FUND)**

**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**A. Fund Information (cont'd)**

**11. Breakdown of unitholdings as at 31 December 2019**

**Fund Size**

As at 31 December 2019, the size of the Fund was 60,314,122 units

<b>Unitholdings</b>	<b>No. of unitholders</b>	<b>%</b>	<b>No. of units ('000)</b>	<b>%</b>
5,000 units and below	1,072	42.35	2,106	3.49
5,001 to 10,000 units	478	18.89	3,304	5.48
10,001 to 50,000 units	819	32.36	17,454	28.94
50,001 to 500,000 units	155	6.12	15,135	25.09
500,001 units and above	7	0.28	* 22,315	37.00
<b>Total</b>	<b>2,531</b>	<b>100.00</b>	<b>60,314</b>	<b>100.00</b>

\* Includes units held under Institutional Unit Trust Scheme Advisers ("IUTAs").

**B. Performance Review**

**1. Key performance data of the Fund**

<b>Category</b>	<b>31.12.2019</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
<b>Portfolio</b>			
Unquoted fixed income securities (%)			
- Automobile Manufacturing	-	-	4.70
- Construction	-	3.96	7.62
- Financial Services	28.44	26.14	32.90
- Government Agency	0.85	0.84	0.76
- Government Development	6.89	6.87	5.55
- Power Generation	19.54	31.68	35.38
- Real Estate	7.90	5.83	-
- Sovereign	-	1.04	7.50
- Toll roads highways	7.64	5.52	-
- Transportation & Logistics	10.33	4.83	2.28
- Utilities	14.86	4.93	-
Cash and other net assets (%)	3.55	8.36	3.31
<b>Total (%)</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**MAYBANK MALAYSIA INCOME FUND**  
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**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**B. Performance Review (cont'd)**

**1. Key performance data of the Fund (cont'd)**

<b>Category</b>	<b>31.12.2019</b>	<b>30.06.2019</b>	<b>30.06.2018</b>
NAV (RM)	65,174,061	64,521,521	65,511,528
Units in circulation (units)	60,314,122	61,369,922	64,290,187
NAV per unit (RM)	1.0806	1.0514	1.0190
Highest NAV per unit (RM)	1.0806	1.0811	1.0545
Lowest NAV per unit (RM)	1.0515	1.0194	1.0164
Annual return (%) <sup>(1)</sup>			
- Capital growth (%)	2.81	3.15	0.18
- Income distribution (%)	-	2.85	2.94
Total return (%)	2.81	6.09	3.12
Benchmark (%)	1.55	3.32	3.20
Net income distributed (RM)	-	1,841,098	1,928,705
Distribution date	-	30/06/2019	30/06/2018
Gross/net distribution per unit (sen)	-	3.00	3.00
Management Expense Ratio ("MER") (%) <sup>(2)</sup>	0.58	1.11	1.17
Portfolio Turnover Ratio ("PTR") (times) <sup>(3)</sup>	0.30	0.37	0.57

*Investors are reminded that past performance of the Fund is not necessarily an indicative of its future performance and that unit prices and investment returns may fluctuate.*

**Note:**

- (1) Actual return of the Fund for the financial period is computed based on the daily average NAV per unit, net of Manager's and Trustee's fees.
- (2) The Fund's MER reduced to 0.58% due to lower expenses during the current financial period.
- (3) The Fund's PTR decreased to 0.30 times due to decreased investing activities during the current financial period.

**MAYBANK MALAYSIA INCOME FUND**  
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**Manager's report**

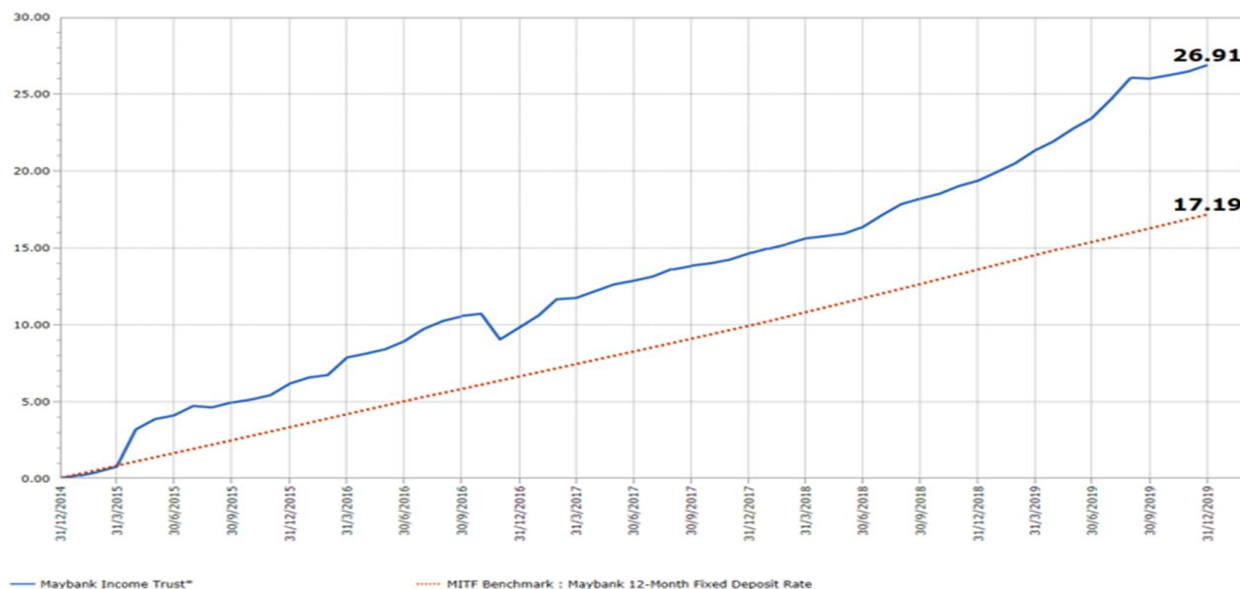
**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**B. Performance Review (cont'd)**

**2. Performance of the Fund up to 31 December 2019**

Category	6 months to 31.12.2019 %	1 year to 31.12.2019 %	3 years to 31.12.2019 %	5 year to 31.12.2019 %
Capital growth	2.81	3.36	5.3	3.28
Income distribution	-	2.85	9.77	22.88
Total return of the Fund	2.81	6.31	15.58	26.91
Benchmark	1.55	3.19	9.92	17.19
Average total return	-	6.31	4.95	4.88

**Performance of the Fund for the 5 years to 31 December 2019**



Source: Lipper

For the financial period under review, the Fund registered a return of 26.91% compared to the benchmark's return of 17.19%. The outperformance of 9.72% was due to stronger returns from tightening credit spreads and income derived from the bonds held in the Fund during the period under review.

The Fund outperformed the benchmark by 1.26%. The outperformance was due to a combination of stronger returns benefitting from tightening credit spreads and duration pick up as well as income derived from the sukuk held in the Fund during the period under review.

**MAYBANK MALAYSIA INCOME FUND**  
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**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**B. Performance Review (cont'd)**

**3. Annual total return of the Fund**

<b>For the financial period/year ended</b>	<b>31.12.2019</b>	<b>30.06.2019</b>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Capital growth	2.81	3.15	0.18	-0.07	1.13
Income distribution	-	2.85	2.94	3.66	3.5
Total return	2.81	6.09	6.09	3.59	4.63
Benchmark	1.55	3.32	3.2	3.09	3.34

**4. Basis of calculation made in calculating the returns:**

The performance figures are a comparison of the growth/decline in NAV after taking into account all the distributions payable (if any) during the stipulated period.

An illustration of the above would be as follows:

$$\begin{aligned}
 \text{Capital return} &= (\text{NAV per unit end} / \text{NAV per unit begin}) - 1 \\
 \text{Income return} &= \text{Income distribution per unit} / \text{NAV per unit ex-date} \\
 \text{Total return} &= (1 + \text{Capital return}) \times (1 + \text{Income return}) - 1
 \end{aligned}$$

**C. Market Review**

Malaysian bond market mostly extended gains in July 2019, continuing its rally post-Overnight Policy Rate ("OPR") cut in May 2019's Monetary Policy Committee ("MPC") meeting by 25 basis points ("bps") to 3.00%. As widely expected, OPR was maintained in July 2019's MPC meeting while the United States ("US") Federal Reserve ("Fed") announced a cut in the Fed Fund Rate at end-July 2019, lowering the target range by 25bps to 2% - 2.25%. However, while Federal Open Market Committee ("FOMC") signalled willingness to ease rates further if necessary, US Fed Chairman Jerome Powell commented that the rate cut is "not the beginning of a long series of rate cuts". Malaysian govies corrected slightly but was short-lived as concerns on US-China trade tensions re-emerged on renewed tariff threats by the US on the remaining untaxed Chinese goods. Yields for Malaysian govies ended lower on the mid to long end of the curve by 13-29bps in August 2019, with corporate bonds following suit, thus tightening credit spreads.



**MAYBANK MALAYSIA INCOME FUND**  
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**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**C. Market Review (cont'd)**

However in September 2019, Malaysian bond market bear steepened on the back of easing US-China trade tensions and concerns on The Financial Times Stock Exchange ("FTSE") Russell's decision on potential exclusion of Malaysia from its index. As per market expectation, Bank Negara Malaysia ("BNM") maintained OPR at 3.00% in its September 2019 meeting while the US FOMC decided to cut its Fed Fund Rate by 25bps to 1.75% - 2.00% range, but indicated that further cuts may not follow. 10-year Malaysian Government Securities ("MGS") yields rose to September 2019 high of 3.50% from 3.32% at the beginning of the month, before easing back to close at 3.32% at month-end after a relief rally following FTSE Russell's decision to maintain Malaysia on watchlist until its next review in March 2020. Meanwhile, corporate bonds yields followed suit with credit spreads generally widened over the month.

Malaysian bond curve steepened further in October 2019 tracking US Treasury curve, as risk appetite returned amidst positive developments in the US-China trade negotiations, as well as increased supply in corporate bonds given the low yield environment. Malaysian sovereign bond yields were up between 4-25bps month-on-month ("m-o-m") across the curve. Corporate bond yields followed suit but at a smaller range, thus narrowing credit spreads. Meanwhile, the US Fed eased its monetary policy in October 2019 for the third time this year, bringing the Fed Fund Rate level to 1.5% - 1.75%. However, it signalled a potential pause in monetary easing going forward.

The Malaysian bond market was supported by the surprise 50bps cut in Statutory Reserve Requirement ("SRR") in early November 2019, as the resultant increase in liquidity (approximately RM7.0 billion ("bn") injected into the market) provided some sustained demand for Malaysian bonds. Malaysian sovereign bond yields were down between 6-15bps m-o-m across the curve, except for the 10-year MGS which was up by 1bps. Corporate bonds also tracked the govies, but at a smaller range. However, demand was capped on the back of de-escalation of the US-China trade war, as the 10-year US Treasury Yields ("UST") increased 9bps over the month.

In December 2019, the Malaysian bond market remained supported amidst year-end rebalancing, and stronger Malaysian Ringgit ("MYR") which broke the 4.1000 level to close at 4.091 as at end-December 2019. Malaysian sovereign bond yields were generally down m-o-m, with the 10-yr MGS down the most by 12.7bps to close at 3.296 as at year-end. Corporate bonds also tracked the govies, but at a smaller range. Investor sentiment is positive with the signing of Phase 1 of US-China trade deal scheduled on 15 January 2020.

**MAYBANK MALAYSIA INCOME FUND**  
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**Manager's report**

**For the financial period from 1 July 2019 to 31 December 2019 (cont'd)**

**C. Market Review (cont'd)**

Meanwhile, foreign holdings of MYR sovereign registered another large inflow in December 2019, which rose RM8.1bn to RM204.7bn. Foreign share of MGS rose to 41.6% (October 2019: 40.5%) and MGS + Government Investment Issue ("GII") rose to 25.2% (October 2019: 24.2%). Foreign demand for local debt securities in December 2019 was likely driven by an improved risk sentiment, investors seeking positive yields and room for BNM to maintain easy monetary policy. Total net inflow of 2019 of RM19.9bn almost reversed the total of net outflow of RM21.9bn in 2018.

**D. Market Outlook and Strategy**

We expect that bond yield curve would steepen as economy recovers and that rate cut cycle by BNM is coming to an end, with expectation that BNM may cut only one time in 2020. Meanwhile, expectations of any further reduction in US Fed Fund Rate has decreased for now following the de-escalation in US-China trade tension, unless the US economic numbers decline significantly. Nevertheless, we continue to believe that the local bond market will remain supported by demand from local institutional investors such as pension funds, banks and asset managers.

We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income in corporate bonds' coupons as they are less volatile and provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign bond yields. We maintain our neutral to slightly underweight duration view on the back of expectations of a steepening yield curve. We will continue to trade opportunistically to take profit given our view that price has peaked will also look into new primary issuances that offer higher yields to deliver the required performance.

**E. Soft Commissions and Rebates**

The Manager and its delegates will not retain any form of soft commissions or rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the soft commissions received are retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund. All dealings with brokers are executed on best available terms.

During the financial period from 1 July 2019 to 31 December 2019, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

**TRUSTEE'S REPORT  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

**TO THE UNITHOLDERS OF MAYBANK MALAYSIA INCOME FUND  
(formerly known as MAYBANK INCOME TRUST FUND)**

We have acted as Trustee for Maybank Malaysia Income Fund (formerly known as Maybank Income Trust Fund) ("the Fund") for the financial period from 1 July 2019 to 31 December 2019. In our opinion and to the best of our Knowledge, Maybank Asset Management Sdn Bhd (the "Manager"), has operated and managed the Fund in accordance with the following:

- (a) Limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 ("CMSA") and other applicable laws;
- (b) Valuation/pricing has been carried out in accordance with the Deeds and any regulatory requirements; and
- (c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements.

For and on behalf of the Trustee  
**UNIVERSAL TRUSTEE (MALAYSIA) BERHAD (17540-D)**

**ONG TEE VANN**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
7 February 2020

**STATEMENT BY MANAGER**

**TO THE UNITHOLDERS OF  
MAYBANK MALAYSIA INCOME FUND  
(formerly known as MAYBANK INCOME TRUST FUND)  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

I, Ahmad Najib Bin Nazlan, being the Director of Maybank Asset Management Sdn Bhd (the "Manager") do hereby state that, in the opinion of the Manager, the accompanying unaudited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards 134 Interim Financial Reporting and International Accounting Standards 34 Interim Financial Reporting so as to give a true and fair view of the financial position of the Fund as at 31 December 2019 and of its results, changes in equity and cash flows for the financial period then ended and comply with the requirements of the Deeds.

For and on behalf of the Manager

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
7 February 2020

**MAYBANK MALAYSIA INCOME FUND**  
**(formerly known as MAYBANK INCOME TRUST FUND)**

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

		<b>01.07.2019</b>	<b>01.07.2018</b>
		<b>to</b>	<b>to</b>
		<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
<b>INCOME</b>			
Interest income	3	1,523,056	1,626,748
Net gain on fair value changes of fair value through profit or loss ("FVTPL") investments	7 (a)		
- Realised gain/(loss)		377,825	(911,138)
- Unrealised gain		306,826	1,358,065
Other income		6,500	-
		<u>2,214,207</u>	<u>2,073,675</u>
<b>EXPENSES</b>			
Manager's fee	4	334,854	334,328
Trustee's fee	5	11,720	11,701
Auditors' remuneration		5,279	6,397
Tax agent's fee		5,563	2,267
Administrative expenses		28,761	14,337
		<u>386,177</u>	<u>369,030</u>
<b>Net income before tax</b>		1,828,030	1,704,645
Taxation	6	-	-
<b>Net income after tax, which is the total comprehensive income for the financial period</b>		<u>1,828,030</u>	<u>1,704,645</u>
<b>Net income after tax is made up of the following:</b>			
Net realised income		1,521,204	346,580
Net unrealised income		306,826	1,358,065
		<u>1,828,030</u>	<u>1,704,645</u>

**MAYBANK MALAYSIA INCOME FUND**  
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**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	31.12.2019 RM	30.06.2019 RM
<b>ASSETS</b>			
Financial assets at FVTPL	7	62,864,003	59,116,719
Deposit with licensed financial institution	8	2,150,000	4,115,000
Interest receivables		666,514	633,005
Amount due from brokers	9	-	2,577,589
Amount due from Manager	10	6,500	1,042
Cash at bank		28,901	19,989
<b>TOTAL ASSETS</b>		<u>65,715,918</u>	<u>66,463,344</u>
<b>LIABILITIES</b>			
Amount due to Manager	10	507,760	58,899
Amount due to Trustee	11	1,944	1,906
Provision for distribution		-	1,841,098
Other payables and accruals	12	32,152	39,920
<b>TOTAL LIABILITIES</b>		<u>541,856</u>	<u>1,941,823</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>65,174,062</u>	<u>64,521,521</u>
<b>EQUITY</b>			
Unitholders' capital	14(a)	78,459,655	79,635,144
Accumulated losses	14(b) & (c)	(13,285,593)	(15,113,623)
<b>NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS</b>		<u>65,174,062</u>	<u>64,521,521</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	14(a)	<u>60,314,122</u>	<u>61,369,922</u>
<b>NAV PER UNIT (RM)</b>		<u>1.0806</u>	<u>1.0514</u>

**MAYBANK MALAYSIA INCOME FUND**  
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

	<b>Unitholders' capital Note 14(a) RM</b>	<b>Accumulated losses Note 14(b) &amp; (c) RM</b>	<b>Total equity RM</b>
At 1 July 2019	79,635,144	(15,113,623)	64,521,521
Total comprehensive income for the financial period	-	1,828,030	1,828,030
Creation of units	1,469,121	-	1,469,121
Reinvestment of units	1,841,098	-	1,841,098
Cancellation of units	(4,485,708)	-	(4,485,708)
At 31 December 2019	<u>78,459,655</u>	<u>(13,285,593)</u>	<u>65,174,062</u>
At 1 July 2018	82,718,921	(17,207,393)	65,511,528
Total comprehensive income for the financial period	-	1,704,645	1,704,645
Creation of units	397,982	-	401,039
Reinvestment of units	1,931,763	-	1,928,706
Cancellation of units	(3,742,596)	-	(3,742,596)
At 31 December 2018	<u>81,306,070</u>	<u>(15,502,748)</u>	<u>65,803,322</u>

**MAYBANK MALAYSIA INCOME FUND**  
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**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

	<b>01.07.2019</b>	<b>01.07.2018</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds from sale of financial assets at FVTPL	20,850,051	9,971,680
Net payments for purchase of financial assets at FVTPL	(21,235,575)	(5,171,118)
Interest received	1,390,025	1,661,408
Manager's fee paid	(333,772)	(345,892)
Trustee's fee paid	(11,682)	(11,693)
Other expenses paid	(47,362)	(26,631)
Other income	6,500	-
Net cash generated from operating and investing activities	<u>618,185</u>	<u>6,077,754</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	1,463,656	401,040
Payments for cancellation of units	<u>(4,037,929)</u>	<u>(3,702,704)</u>
Net cash used in financing activities	<u>(2,574,273)</u>	<u>(3,301,664)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>		
	(1,956,088)	2,776,090
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		
	<u>4,134,989</u>	<u>3,523,053</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>		
	<u>2,178,901</u>	<u>6,299,143</u>
Cash and cash equivalents comprises:		
Cash at bank	28,901	200,143
Deposit with a licensed financial institution with original maturity of less than 3 months (Note 8)	<u>2,150,000</u>	<u>6,099,000</u>
	<u>2,178,901</u>	<u>6,299,143</u>



**MAYBANK MALAYSIA INCOME FUND  
(formerly known as MAYBANK INCOME TRUST FUND)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019**

**1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Maybank Malaysia Income Fund (formerly known as Maybank Income Trust Fund) ("the Fund") was constituted pursuant to the execution of a Deed dated 15 May 1996 ("Principal Deed") between Amanah Mutual Berhad as the Manager and Universal Trustee (Malaysia) Berhad as the Trustee. The following supplemental deeds has been issued between AMB and the Trustee:

- First supplemental deed dated 16 April 1999
- Second supplemental deed dated 18 August 1999
- Third supplemental deed dated 23 March 2000
- Forth supplemental deed dated 13 February 2001
- Fifth supplemental deed dated 8 February 2002
- Sixth supplemental deed dated 12 September 2003
- Seventh supplemental deed dated 26 May 2005
- Eighth supplemental deed dated 26 July 2016

AMB, a company incorporated in Malaysia, is principally engaged in the management of unit trust funds, Amanah Saham Nasional Berhad ("ASNB") and Permodalan Nasional Berhad, companies incorporated in Malaysia, were the holding and ultimate holding company of the Manager until 16 May 2018.

Following the acquisition of AMB by Maybank Asset Management Sdn Bhd ("MAM"), the immediate and ultimate holding companies of the Manager have been changed to MAM and Malayan Banking Berhad ("MBB") respectively, effective 17 May 2018.

Subsequently Maybank Asset Management Sdn Bhd ("MAM") and Universal Trustee (Malaysia) Berhad as the Trustee had entered into a Ninth Supplemental Deed dated 4 September 2018 and Tenth Supplemental Deed dated 11 July 2019. The Principal Deed and Supplemental Deeds are collectively referred to as 'Deeds'.

The Fund commenced operations on 19 June 1996 and will continue to be in operations until terminated by the Trustee as provided under the Deeds. The principal activity of the Fund is to invest a minimum of 70% of the Fund's assets in fixed income securities, and a maximum of 30% of the Fund's assets in liquid assets.

The Manager of the Fund is Maybank AM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services License with fund management as its regulated activity under the Capital Markets and Services Act 2007 ("CMSA"). The principal place of business of Maybank AM is at Level 12, Tower C Dataran Maybank, No. 1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Maybank AM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of MBB.

**MAYBANK MALAYSIA INCOME FUND**  
**(formerly known as MAYBANK INCOME TRUST FUND)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements of the Fund from 1 July 2019 to 31 December 2019 have been prepared in accordance with Malaysian Financial Reporting Standards 134: Interim Financial Reporting ("MFRS 134") and International Accounting Standards 34 Interim Financial Reporting.

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") which have become effective during the financial period from 1 July 2019 to 31 December 2019. The adoption of the above did not result in material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.14 to the financial statements.

All amounts are stated in Ringgit Malaysia ("RM").

**2.2 Standards and amendments to standards issued but not yet effective**

The following are standards, amendments to standards and interpretations issued by the MASB, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund intends to adopt the relevant standards, if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139: Interest Rate Benchmark Reform	1 January 2020
MFRS 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

**2.3 Financial instruments**

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**MAYBANK MALAYSIA INCOME FUND**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.4 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

**(i) Classification**

Unless designated as at FVTPL on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the assets are held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that do not meet the criteria above are classified as either fair value through other comprehensive income ("FVTOCI") or FVTPL.

The Fund classifies cash and cash equivalents, interest receivables, amount due from brokers and amount due from Manager as loan and receivables, and are subsequently measured at amortised cost. Unquoted fixed income securities are classified as FVTPL.

**(ii) Financial assets at FVTPL**

Investments in unquoted fixed income securities are classified as FVTPL, unless the Fund designates an investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is recognised at FVTPL if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of the portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instruments or a financial guarantee.

Debt instruments that do not meet the amortised cost or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.4 Financial assets (cont'd)**

**(ii) Financial assets at FVTPL (cont'd)**

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Interest income on debt instruments as at FVTPL is disclosed separately in the profit or loss.

Credit losses are recognised based on the 'Expected Credit Loss' ("ECL") model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL (financial assets that are debt instruments). The impairment model does not apply to equity investments.

**(iii) Impairment of financial assets**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date:  
As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- Financial assets that are credit-impaired at the reporting date:  
As the difference between the gross carrying amount and the present value of estimated future cash flows.

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the issuer or counterparty;
- Significant downgrade in credit rating of the instrument by a rating agency;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

For balances with short-term nature, full impairment will be recognised on uncollected balances after the grace period.

**MAYBANK MALAYSIA INCOME FUND**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.4 Financial assets (cont'd)**

**(iv) Derecognition of financial assets**

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of equity instruments classified as FVTOCI, the cumulative gain or loss previously accumulated in unrealised reserve is not reclassified to profit or loss, but is reclassified to distributable realised reserve. However, on derecognition of debt instruments classified as FVTOCI, the cumulative gain or loss previously accumulated in unrealised reserve is reclassified to profit or loss.

**2.5 Financial liabilities**

**(i) Classification**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Fund classifies amount due to Manager, amount due to Trustee, provision for distribution, and other payables and accruals as other financial liabilities.

**(ii) Recognition and measurement**

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

**(iii) Derecognition of financial liabilities**

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.6 Unitholders' capital**

The unitholders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 *Financial Instruments: Presentation*. Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's NAV;
- the units are the most subordinated class and class features are identical;
- there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial period if unitholder exercises the right to put the unit back to the Fund. Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. The amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

**2.7 Revenue / Income**

Revenue is recognised when control of the goods or services are transferred at an amount that reflects the consideration to be entitled in exchange for the goods or services. Revenue is measured at the fair value of consideration received or receivable.

Interest income from unquoted fixed income securities includes amortisation of premium and accretion of discount, and is recognised using the effective interest rate method.

Interest income from deposit with licensed financial institutions are accounted for on an accrual basis based on effective interest rate method.

Realised gain on disposal of investments is measured as the difference between the net proceeds and its carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

Other income such as consent fee are recognised on an accrual basis when the right to receive has been established.

**2.8 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, deposit at call and highly liquid instruments with maturities of 3 months or less, which have an insignificant risk of changes in value.

**MAYBANK MALAYSIA INCOME FUND**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.9 Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax expense is determined according to Malaysian tax laws at the current tax rate based upon the taxable profit earned during the financial period.

No deferred tax is recognised as there are no material temporary differences.

**2.10 Fair value measurement**

The Fund measures its investments at FVTPL at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**MAYBANK MALAYSIA INCOME FUND**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.10 Fair value measurement (cont'd)**

For assets that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**2.11 Distributions**

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the year in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date, which is also the time of creation.

**2.12 Segment information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

**2.13 Functional and foreign currency**

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is also the Fund's functional currency.

**2.14 Significant accounting estimates and judgments**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

No major judgement have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.



**MAYBANK MALAYSIA INCOME FUND**  
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**3. INTEREST INCOME**

	<b>01.07.2019</b>	<b>01.07.2018</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Interest income from unquoted fixed income securities	1,507,058	1,676,278
Interest income from licensed financial institution	81,304	74,891
Amortisation of premium, net accretion of discount	(58,806)	(124,421)
	<u>1,529,556</u>	<u>1,626,748</u>

**4. MANAGER'S FEE**

The Manager's fee is computed daily based on 1.00% (01.07.2018 to 31.12.2018: 1.00%) per annum ("p.a.") of the NAV of the Fund, before deducting Manager's fee and Trustee's fee for the day.

**5. TRUSTEE'S FEE**

The Trustee's fee is computed daily based on the following table before deducting Manager's fee and Trustee's fee for that particular day:

<b>NAV (RM)</b>	<b>Trustee fee rate (%) p.a.</b>	
	<b>2019</b>	<b>2018</b>
Nil to 100 million	0.035	0.035
Above 100 million	0.010	0.010

**MAYBANK MALAYSIA INCOME FUND**  
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**6. TAXATION**

Income tax is calculated at the Malaysian statutory tax rate of 24% (01.07.2018 to 31.12.2018: 24%) of the estimated assessable income for the financial period.

The tax charge for the financial period is in relation to the taxable income earned by the Fund after deducting tax allowable expenses. In accordance with Schedule 6 of the Income Tax Act 1967, interest income earned by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	<b>01.07.2019 to 31.12.2019 RM</b>	<b>01.07.2018 to 31.12.2018 RM</b>
Net income before taxation	<u>1,828,030</u>	<u>1,704,645</u>
Taxation at Malaysian statutory rate of 24% (01.07.2018 to 31.12.2018)	438,727	409,115
Income not subject to tax	(531,410)	(497,682)
Expenses not deductible for tax purposes	<u>92,682</u>	<u>88,567</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

**7. FINANCIAL ASSETS AT FVTPL**

	<b>31.12.2019 RM</b>	<b>30.06.2019 RM</b>
Unquoted fixed income securities	<u>62,864,003</u>	<u>59,116,719</u>

<b>31.12.2019</b>	<b>Quantity Unit</b>	<b>Aggregate cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>Financial Services</b>				
Affin Islamic Bank - 5.05% /23.10.2028	1,600,000	1,625,425	1,657,296	2.54
Fortune Premiere Sdn Bhd - 5.05% /31.10.2025	1,600,000	1,644,797	1,693,296	2.60

**MAYBANK MALAYSIA INCOME FUND**  
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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>31.12.2019 (cont'd)</b>	<b>Quantity Unit</b>	<b>Aggregate cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>Financial Services (cont'd)</b>				
Gulf Investment Corp - 5.10% /16.03.2021	5,000,000	5,005,415	5,060,500	7.76
MNRB Holdings Bhd - 5.20% /22.03.2029	2,000,000	2,000,000	2,050,960	3.15
Mumtaz Rakyat Sukuk Bhd - 4.95% /19.06.2026	2,000,000	2,000,000	2,034,820	3.12
Public Islamic Bank Bhd - 3.75% /31.10.2029	1,000,000	1,000,000	1,003,600	1.54
Sabah Credit Corp - 4.69% /06.08.2020	5,000,000	5,001,390	5,034,700	7.73
	<u>18,200,000</u>	<u>18,277,027</u>	<u>18,535,172</u>	<u>28.44</u>
<b>Government Agency</b>				
Danga Capital Bhd - 5.02% /21.09.2033	500,000	503,445	554,530	0.85
<b>Government Development</b>				
Sabah Development Bank - 5.30% /27.04.2023	4,300,000	4,310,130	4,490,490	6.89
<b>Power Generation</b>				
Erda Energy Sdn Bhd - 6.39% /05.01.2034	1,700,000	2,030,162	2,021,725	3.10
Manjung Island Energy Bhd - 4.82% /25.11.2030	700,000	757,443	760,193	1.17
Quantum Solar Park (Semenanjung) Sdn Bhd - 5.16% /06.10.2022	3,300,000	3,353,500	3,363,492	5.16
YTL Power International Bhd - 5.05% /03.05.2027	1,400,000	1,441,432	1,483,636	2.28
- 4.49% /24.03.2023	5,000,000	4,995,706	5,105,400	7.83
	<u>12,100,000</u>	<u>12,578,243</u>	<u>12,734,446</u>	<u>19.54</u>

**MAYBANK MALAYSIA INCOME FUND**  
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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

31.12.2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market Value RM	Percentage of NAV %
<b>Real Estate</b>				
Country Garden				
Real Estate Sdn Bhd				
- 6.40% /06.05.2022	1,300,000	1,300,000	1,343,017	2.06
- 6.40% /18.03.2022	1,300,000	1,300,000	1,341,015	2.06
IJM Land Bhd				
- 5.65% /17.03.2119	1,100,000	1,100,000	1,162,865	1.78
- 4.73% /17.03.2119	1,300,000	1,302,892	1,304,251	2.00
	<u>5,000,000</u>	<u>5,002,892</u>	<u>5,151,148</u>	<u>7.90</u>
<b>Toll roads highway</b>				
Konsortium Lebuhraya Utara-Timur				
- 4.25% /01.12.2023	900,000	891,760	909,999	1.40
- 4.75% /02.12.2024	2,600,000	2,626,303	2,686,034	4.12
Kuala Lumpur Kepong Bhd				
- 3.75% /27.09.2029	1,400,000	1,398,689	1,384,740	2.12
	<u>4,900,000</u>	<u>4,916,752</u>	<u>4,980,773</u>	<u>7.64</u>
<b>Transportation &amp; Logistics</b>				
Anih Bhd				
- 5.70% /27.11.2026	500,000	530,303	553,625	0.85
- 6.00% /29.11.2028	900,000	985,072	1,029,591	1.58
MMC Corp Bhd				
- 5.70% /24.03.2028	2,500,000	2,544,042	2,631,100	4.04
DRB-HICOM Bhd				
- 4.85% /11.12.2026	2,500,000	2,500,000	2,513,525	3.86
	<u>6,400,000</u>	<u>6,559,417</u>	<u>6,727,841</u>	<u>10.33</u>

**MAYBANK MALAYSIA INCOME FUND**  
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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>31.12.2019 (cont'd)</b>	<b>Quantity Unit</b>	<b>Aggregate cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>Utilities</b>				
Tenaga Nasional Bhd				
- 3.91% /29.01.2021	500,000	504,676	504,655	0.77
- 4.98% /27.08.2038	3,000,000	3,000,000	3,325,470	5.10
Pengurusan Air SPV Bhd				
- 3.90% /30.10.2029	1,600,000	1,600,000	1,611,904	2.47
Cypark Resources Bhd				
- 3.90% /30.10.2029	2,400,000	2,450,628	2,447,592	3.76
Ahmad Zaki Resources Bhd				
- 5.00% /24.12.2026	1,800,000	1,800,000	1,799,982	2.76
	<u>9,300,000</u>	<u>9,355,304</u>	<u>9,689,603</u>	<u>14.86</u>
<b>Total unquoted fixed income securities</b>	<u>60,700,000</u>	<u>61,503,210</u>	<u>62,864,003</u>	<u>96.45</u>
Unrealised gain on unquoted fixed income securities			<u>1,360,793</u>	

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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>30.06.2019</b>	<b>Quantity Unit</b>	<b>Aggregate cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>Construction</b>				
WCT Holdings Bhd - 5.65% /20.04.2026	2,500,000	2,506,781	2,552,225	3.96
<b>Financial Services</b>				
Affin Islamic Bank - 5.05% /23.10.2028	1,000,000	1,004,799	1,022,020	1.58
Bank Islam Malaysia Bhd - 5.50% /15.12.2025	750,000	750,000	765,683	1.19
Fortune Premiere Sdn Bhd - 5.05% /31.10.2025	900,000	903,610	934,731	1.45
Gulf Investment Corp - 5.10% /16.03.2021	5,000,000	5,007,729	5,052,350	7.83
MNRB Holdings Bhd - 5.20% /22.03.2029	2,000,000	2,000,000	2,029,160	3.14
Mumtaz Rakyat Sukuk Bhd - 4.95% /19.06.2026	2,000,000	2,000,000	2,027,260	3.14
Sabah Credit Corp - 4.69% /06.08.2020	5,000,000	5,002,709	5,037,650	7.81
	<u>16,650,000</u>	<u>16,668,847</u>	<u>16,868,854</u>	<u>26.14</u>
<b>Government Agency</b>				
Danga Capital Bhd - 5.02% /21.09.2023	500,000	503,532	541,855	0.84
<b>Government Development</b>				
Sabah Development Bank - 5.30% /27.04.2023	4,300,000	4,311,564	4,431,623	6.87

**MAYBANK MALAYSIA INCOME FUND**  
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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

30.06.2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market Value RM	Percentage of NAV %
<b>Power Generation</b>				
Jimah East Power Sdn Bhd - 5.77% /04.12.2029	3,700,000	4,140,139	4,160,946	6.45
Malakoff Power Bhd - 5.35% /16.12.2022	5,000,000	5,117,263	5,212,650	8.08
Sarawak Energy Bhd - 4.50% /19.01.2022	3,000,000	3,000,779	3,048,840	4.73
Tanjung Bin Energy Issuer Bhd - 6.00% /15.03.2030	1,300,000	1,463,069	1,490,554	2.31
YTL Power International Bhd - 5.05% /03.05.2027	1,400,000	1,443,804	1,464,610	2.27
- 4.49% /24.03.2023	5,000,000	4,995,122	5,056,350	7.84
	<u>19,400,000</u>	<u>20,160,176</u>	<u>20,433,950</u>	<u>31.68</u>
<b>Real Estate</b>				
Country Garden Real Estate Sdn Bhd - 6.40% /06.05.2022	1,300,000	1,300,000	1,305,044	2.02
- 6.40% /18.03.2022	1,300,000	1,300,000	1,307,657	2.03
IJM Land Bhd - 5.65% /17.03.2119	1,100,000	1,100,000	1,147,784	1.78
	<u>3,700,000</u>	<u>3,700,000</u>	<u>3,760,485</u>	<u>5.83</u>
<b>Sovereign</b>				
Government of Malaysia - 5.73% /30.07.2019	670,000	671,278	671,286	1.04
<b>Toll roads highway</b>				
Konsortium Lebuhraya Utara-Timur - 4.25% /01.12.2023	900,000	890,805	900,225	1.40
- 4.75% /02.12.2024	2,600,000	2,628,701	2,658,968	4.12
	<u>3,500,000</u>	<u>3,519,506</u>	<u>3,559,193</u>	<u>5.52</u>

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**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

30.06.2019 (cont'd)	Quantity Unit	Aggregate cost RM	Market Value RM	Percentage of NAV %
<b>Transportation &amp; Logistics</b>				
Anih Bhd				
- 5.70% /27.11.2026	500,000	532,158	545,555	0.85
- 6.00% /29.11.2028	900,000	988,910	1,015,038	1.57
MMC Corp Bhd				
- 5.70% /24.03.2028	1,500,000	1,500,000	1,553,235	2.41
	<u>2,900,000</u>	<u>3,021,068</u>	<u>3,113,828</u>	<u>4.83</u>
<b>Utilities</b>				
Tenaga Nasional Bhd				
- 4.98% /27.08.2038	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,183,420</u>	<u>4.93</u>
<b>Total unquoted fixed income securities</b>	<u>57,120,000</u>	<u>58,062,752</u>	<u>59,116,719</u>	<u>91.64</u>
Unrealised gain on unquoted fixed income securities			<u>1,053,967</u>	

(a) Changes in fair value of FVTPL investments are recognised in 'unrealised gain on FVTPL investments' in the profit and loss. Accumulated unrealised gains or losses are reclassified to 'realised gain/(loss) on FVTPL investments' in the profit and loss when the associated assets are sold. See accounting policy Note 2.4(ii) for details.

**8. DEPOSIT WITH LICENSED FINANCIAL INSTITUTION**

	31.12.2019 RM	30.06.2019 RM
Short-term placement with a maturity of less than 3 months	<u>2,150,000</u>	<u>4,115,000</u>

The weighted average effective interest rates ("WAEIR") of placements and the average maturity of placements as at the reporting date were as follows:

	31.12.2019		30.06.2019	
	WAEIR % p.a.	Average maturity days	WAEIR % p.a.	Average maturity days
Deposit with a licensed financial institution	<u>3.15</u>	<u>1</u>	<u>3.15</u>	<u>3</u>



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**9. AMOUNT DUE FROM BROKER**

Amount due from broker relates to the amount receivable from a broker arising from the sale of unquoted fixed income securities. The settlement period for these receivables are within 3 working days from the deal date.

**10. AMOUNT DUE FROM/TO MANAGER**

	Note	31.12.2019 RM	30.06.2019 RM
Amount due from Manager is in respect of:			
Creation of units	(i)	6,500	1,042
Amount due to Manager is in respect of:			
Management fee	(ii)	55,533	54,451
Cancellation of units	(iii)	452,227	4,448
		507,760	58,899

(i) The amount represents amount receivable from the Manager for units created.

(ii) The amount relates to the amount payable to the Manager arising from the accruals for Manager's fee at the end of the financial period/year. The normal credit term for Manager's fee is 15 days.

(iii) The amount represents amount payable to the Manager for units redeemed/cancelled.

**11. AMOUNT DUE TO TRUSTEE**

Amount due to Trustee relates to the amount payable to the Trustee arising from the accruals for Trustee's fee at the end of the financial period. The normal credit term for Trustee fee is 15 days.

**12. OTHER PAYABLES AND ACCRUALS**

Other payables and accruals comprise the following:

	31.12.2019 RM	30.06.2019 RM
Due to external auditors	5,279	12,084
Due to tax agent	6,763	9,000
Other payables	20,110	18,836
	32,152	39,920

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**13. TOTAL EQUITY**

	<b>Note</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
		<b>RM</b>	<b>RM</b>
Unitholders' capital	(a)	78,459,655	79,635,144
Accumulated realised loss	(b)	(14,646,386)	(16,167,590)
Accumulated unrealised income	(c)	1,360,793	1,053,967
		<u>65,174,062</u>	<u>64,521,521</u>

**(a) Unitholders' capital**

	<b>01.07.2019</b>		<b>01.07.2018</b>	
	<b>to</b>		<b>to</b>	
	<b>31.12.2019</b>		<b>30.06.2019</b>	
	<b>Units</b>	<b>RM</b>	<b>Units</b>	<b>RM</b>
At the beginning of the financial period/year	61,369,922	79,635,144	64,290,187	82,718,921
Creation of units	1,372,199	1,469,121	1,661,328	1,759,406
Reinvestment of units	1,750,925	1,841,098	1,892,000	1,928,705
Cancellation of units	<u>(4,178,924)</u>	<u>(4,485,708)</u>	<u>(6,473,593)</u>	<u>(6,771,888)</u>
At the end of the financial period/year	<u>60,314,122</u>	<u>78,459,655</u>	<u>61,369,922</u>	<u>79,635,144</u>

There were no units held by the directors or parties related to the Manager during the current and previous financial period.

**(b) Accumulated realised loss**

	<b>01.07.2019</b>	<b>01.07.2018</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial period/year	(16,167,590)	(15,924,539)
Net realised income for the financial period/year	1,521,204	1,598,047
Distribution out of retained earnings (Note 13)	-	(1,841,098)
At the end of the financial period/year	<u>(14,646,386)</u>	<u>(16,167,590)</u>

Disposal of certain underperforming investment prior to 1 July 2011 resulted in the significant accumulated realised losses brought forward.

**(c) Accumulated unrealised income**

	<b>01.07.2019</b>	<b>01.07.2018</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial period/year	1,053,967	(1,282,854)
Net unrealised gain for the financial period/year	306,826	2,336,821
At the end of the financial period/year	<u>1,360,793</u>	<u>1,053,967</u>

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**14. SIGNIFICANT RELATED PARTY TRANSACTION AND BALANCES**

For the purpose of these financial statements, parties are considered to be related to the Fund or the Manager if the Fund or the Manager has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Fund or the Manager and the party are subject to common control or common significant influence. Related parties maybe individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, there are no other significant related party transaction and balances of the Fund during the financial period.

	<b>01.07.2019</b>	<b>01.07.2018</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM</b>	<b>RM</b>
(i) <u>Significant related party transaction</u>		
MBB:		
Interest income from deposit placement	<u>81,304</u>	<u>35,676</u>
Maybank Islamic Bhd:		
Interest income from deposits	<u>-</u>	<u>205</u>
	<b>31.12.2019</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
(ii) <u>Significant related party balances</u>		
MBB:		
Deposits with financial institution	<u>2,150,000</u>	<u>4,115,000</u>

The Manager is of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

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**15. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS**

The transactions with brokers/dealers for the current and previous financial period are as follows:

<b>Brokers/dealers</b>	<b>01.07.2019 to 31.12.2019</b>		<b>01.07.2018 to 31.12.2018</b>	
	<b>Value of trade RM</b>	<b>Percent of total trade %</b>	<b>Value of trade RM</b>	<b>Percent of total trade %</b>
Affin Hwang Investment Bank Bhd	3,267,360	8.56	-	-
Alliance Bank Malaysia Bhd	2,843,600	7.45	910,345	6.01
CIMB Bank Bhd	4,562,790	11.96	6,167,889	40.73
CIMB Investment Bank Bhd	-	-	3,751,513	24.77
Hong Leong Bank Bhd	2,215,750	5.81	-	-
MBB *	9,447,960	24.76	-	-
RHB Bank Bhd	-	-	1,260,773	8.33
RHB Investment Bank Bhd	14,823,043	38.84	3,052,278	20.16
Public Investment Bank Bhd	1,000,000	2.62	-	-
	<u>38,160,503</u>	<u>100.00</u>	<u>15,142,798</u>	<u>100.00</u>

Details of transactions, primarily cash placements with financial institutions are as follows:

<b>Financial institutions</b>	<b>01.07.2019 to 31.12.2019</b>		<b>01.07.2018 to 31.12.2018</b>	
	<b>Value of placements RM</b>	<b>Percentage of total placements %</b>	<b>Value of placements RM</b>	<b>Percentage of total placements %</b>
CIMB Bank Bhd	-	-	511,000	0.19
Hong Leong Bank Bhd	-	-	26,579,000	9.78
MBB *	694,746,000	100.00	209,839,000	77.20
Maybank Islamic Bhd **	-	-	1,152,000	0.42
Public Bank Bhd	-	-	24,336,000	8.95
Public Islamic Bank Bhd	-	-	3,391,000	1.25
RHB Bank Bhd	-	-	5,997,000	2.21
	<u>694,746,000</u>	<u>100.00</u>	<u>271,805,000</u>	<u>100.00</u>

\* MBB is the ultimate holding company of the Manager.

\*\* Maybank Islamic Bhd is a subsidiary of MBB, the ultimate holding company

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**16. MANAGEMENT EXPENSE RATIO ("MER")**

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund, and recovered expenses to the average NAV of the Fund calculated on a daily basis. The fees and expenses include Manager's fee, Trustee's fee and other administrative expenses. For the financial period from 1 July 2019 to 31 December 2019, the MER of the Fund stood at 0.58% (01.07.2018 to 31.12.2018: 0.56%).

**17. PORTFOLIO TURNOVER RATIO ("PTR")**

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the average NAV of the Fund calculated on a daily basis. For the financial period from 1 July 2019 to 31 December 2019, the PTR of the Fund stood at 0.30 times (01.07.2018 to 31.12.2018: 0.11 times).

**18. SEGMENT INFORMATION**

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker of the Manager makes the strategic decisions on the resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieve its targeted to maximise returns over the Medium Term and while at the same time offering stability of capital and regular consistent income.

The chief operating decision-maker is responsible for the performance of the Fund by investing a minimum of 70% of the Fund's assets in fixed income securities, and a maximum of 30% of the Fund's assets in liquid assets.

On this basis, the PMC considers the business of the Fund to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investments strategy and the Fund's performance is evaluated on an overall basis.

The internal reporting for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

There were no changes in the reportable operating segments during the financial period.

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**19. FAIR VALUE HIERARCHY**

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>31.12.2019</b>				
Financial assets at FVTPL	-	62,864,003	-	62,864,003
<b>30.06.2019</b>				
Financial assets at FVTPL	-	59,116,719	-	59,116,719

**20. CAPITAL MANAGEMENT**

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing capital are:

- (a) To invest in investments meeting the description, risk exposure and generate higher returns than the prescribed benchmark as indicated in its prospectus;
- (b) To achieve consistent returns while safeguarding capital by using various investment strategies;
- (c) To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- (d) To maintain sufficient fund size to ensure that the operations of the Fund are cost-efficient.

No changes were made to the capital management objectives, policies or processes during the current financial period.