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# MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Annual report  
For the financial year ended 31 May 2020

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283) (421779-M)

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### **TRUSTEE**

TMF Trustees Malaysia Berhad (200301008392) (610812-W)

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## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

<b>CONTENT</b>	<b>PAGE</b>
Manager's report	1 - 6
Trustee's report	7
Statement by manager	8
Independent auditors' report	9 - 12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17 - 53

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2020

#### A. Fund Information

**1. Name of the Fund**

Maybank Financial Institutions Income Asia Fund (the "Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Fixed income (open-ended)

**4. Duration of the Fund**

The Fund is an open-ended fund.

**5. Fund launch date**

26 August 2014

**6. Fund's investment objective**

The Fund aims to provide unitholders with income through investing in a portfolio of fixed income securities.

**7. Fund distribution policy**

Subject to availability of income, distribution shall be at least on a semi-annual basis. Income distribution will be made from the realised income of the Fund.

**8. Fund's performance benchmark**

The benchmark of the Fund is the 12-month Maybank fixed deposit rate + 1.50% per annum.

**9. The Fund's investment policy and principal investment strategy**

To achieve the Fund's objective, the Fund will invest between 70% to 98% of its Net Asset Value ("NAV") in Ringgit Malaysia ("RM") denominated and/or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/or located in the Asian region whilst the balance of between 2% to 30% of its NAV will be invested in liquid assets and any other RM denominated and/or non-RM denominated fixed income securities.

**10. Net income distribution for the financial year ended 31 May 2020**

The Fund distributed a total net income of RM2,982,554 to unitholders for the financial year ended 31 May 2020, detailed as below:

Distribution dates	Gross/net distribution per unit (sen)
3 December 2019	2.50
28 May 2020	2.00
Total	4.50

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

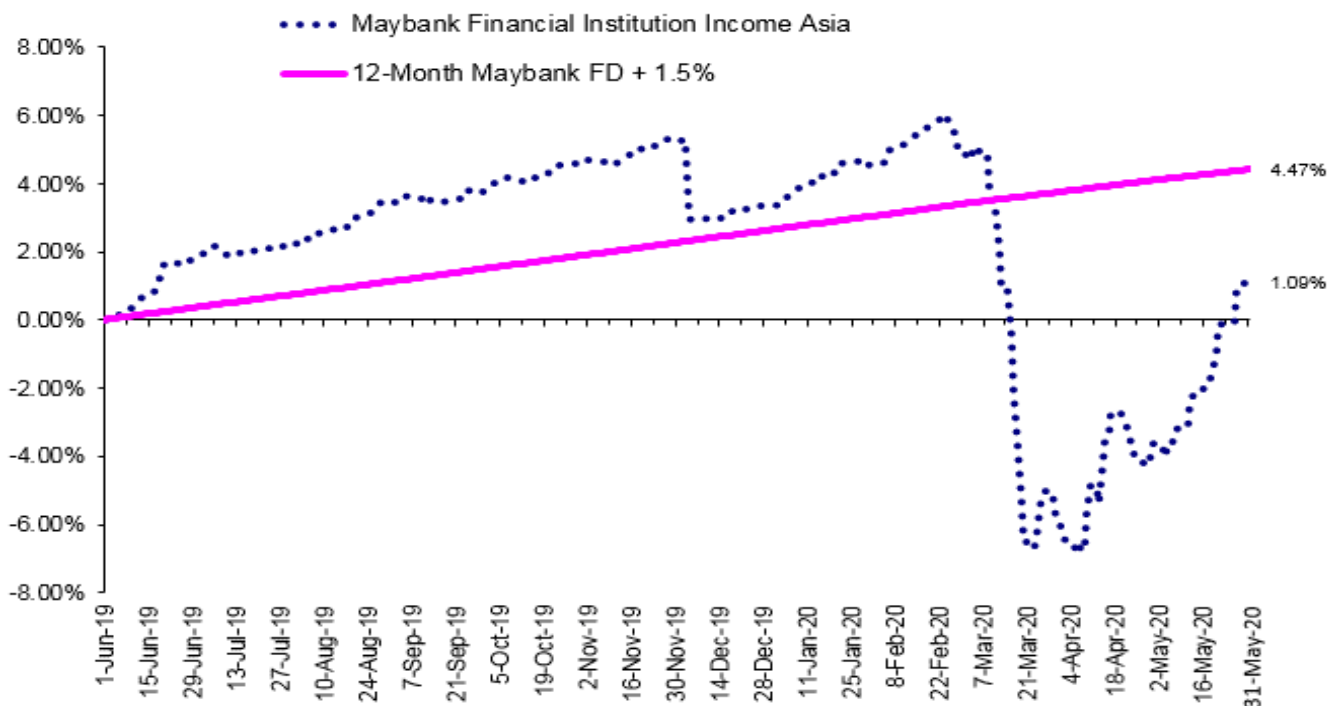
For the financial year ended 31 May 2020 (cont'd)

### B. Performance Review

Returns of the Fund and its benchmark for the financial year ended 31 May 2020 are as follows:

Financial year	The Fund %	Benchmark %
1 June 2019 to 31 May 2020	1.09	4.47

Performance of the Fund for the financial year ended 31 May 2020:



Source: Lipper, as at 31 May 2020

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

For the period under review, the Fund has generated a total return of 1.09%, as compared to the benchmark which registered a return of 4.47% over the same period. The Fund underperformed the benchmark by 338 basis points ("bps") largely due to sell off in United States Dollar ("USD") credit bond as global economy reacted negatively to the COVID-19 pandemic. As the Fund continues to pay distribution on a consistent basis, the Fund has achieved its investment objective.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2020 (cont'd)

#### C. Market Review

Market sentiment turned increasingly cautious towards the Asian credit market in May 2019 on souring trade negotiations between the Chinese and United States ("US") authorities. The failure to reach a trade deal resulted in the US administration raising the tariff on existing Chinese manufacturing goods with effect from 1 June 2019, which led to a tit-for-tat reaction from the Chinese authorities. Investor confidence was further rattled by the US administration's unexpected decision to prohibit certain interactions between US companies and China's Huawei.

Nevertheless, risk appetite picked up again in June 2019 after a soft May 2019, due to dovish sentiment by the US Federal Reserve ("Fed") and European Central Bank ("ECB") as hopes of a near-term rate cut overrode concerns about geopolitical tensions and signs of economic weakness. The resumption of trade talk between the US and China and the pause in additional tariffs also helped ease earlier concerns. Despite this, uncertainty originating from the anticipation of the Trump-Xi meeting in G20 along with Fed Chair Jerome Powell's Congress testimony gave July 2019 a weak kick-off, which was then made up for after comments signalling a rate cut came out later during the month. Later on, US representatives were sent to Shanghai to negotiate trade terms, which brought the Asia credit market onto another roller-coaster ride. 10-year US Treasury touched a low of 1.95% at the beginning of July 2019 before closing the month at 2.01%. Uncertainties in the ongoing trade negotiation remain a concern among global bond participants and by the end of August 2019 saw the 10-year US Treasury yield dropped to a low 1.50% level as trade wars escalate further while adding new concern that the global economy could go into a recession. Into the month of September 2019 saw the 10-year US Treasury yield recover back higher at the back of a stronger than expected US economic data and some of the central banks official seen to re-evaluate the effectiveness of easing efforts while top ECB officials questioned President Mario Draghi's quantitative-easing move. However, global bond market start to back to rally again in anticipation that Fed may cut the interest. They eventually did cut the rate twice in September 2019 and October 2019 Federal Open Market Committee ("FOMC") meeting to a low 1.50% level and indicated that it would take a material assessment of the outlook for policy makers to adjust rates sending strong signal to bond market players that easing may be over for now.

The trade war negotiation made a positive progress with pause in the tariff escalation but not an end to them. The initial phase one negotiation were signed with emphasis on China commitment to strengthen its intellectual property law and both countries commitment not to manipulate its currency for economic advantage. China will also resumed its purchases of US soya beans and pork and will look into other commitments to buy more American aircraft and gas. In turn, US will agree to forego its intention to increase October 2019 tariff from 25% to 30% and will also back down from implementing another USD 160 billion ("bn") in tariff in December 2019. The Trump administration is eager to push the idea that the initial phase will be followed by others. The reality remains that most tariff implemented initially before phase one signing still remain in place leading to higher costs for businesses and consumers while extending uncertainty and dampening the global economy all year round.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **Manager's report**

**For the financial year ended 31 May 2020 (cont'd)**

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

The global economic outlook took for another round of downturn in January 2020 following the outbreak of COVID-19 that began in Wuhan China. The outbreak will have larger impact on China Gross Domestic Product ("GDP") no with expectation to reduce Q1 GDP from 5.9% to 5.5%. With the Chinese economy today accounting for about 17% of Global GDP, there is a rising concern over what impact that could have on the global economy as government and companies around the world implement a large of coronavirus-related work stoppages and travel restriction. The outbreak was forecasted to reduce the global economic growth by 0.2% to 0.3% and market saw 10- year US Treasury yield dropped to a low 1.60% level as the event triggers risk off mode for most market players. In early March 2020, the COVID-19 outbreak went from bad to 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 ("WHO") 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 10-year US Treasury was seen dropped to a low of 0.54% during this uncertainty period.

In the first two weeks of April 2020, bond markets initially started with a strong recovery as the primary and secondary corporate bond purchase facilities announced by the US Fed boosted investor confidence. Bond yields were also fairly attractive for investors to come back in again especially when US Fed has cut interest rates all the way to zero late March 2020. However the recovery was partly derailed in the third week of April 2020 when oil suffered an unprecedented sell-off and the West Texas Intermediate ("WTI") contract for May 2020 delivery crashed from USD 18 per barrel to negative USD 37 per barrel. Bonds continued to suffer weakness in the fourth week of April 2020 when Franklin Templeton announced that they will be closing down six of their credit bond funds in India due to large redemptions in an illiquid environment, freezing over USD 3bn in Indian Rupee ("INR") bond funds. While bonds prices sold off in the last two weeks of April 2020, overall for the April 2020 bond funds was still positive.

In the month of May 2020 saw the USD credit bond market recovering despite continuation of the outbreak of COVID-19 virus. The major governments around the world had taken constant active approach in providing ample liquidities into financial market while providing economic stimulus package to weather the economic uncertainty due to COVID-19. Moreover there had been a plan for major countries to open up their economic activities while maintaining a strict standard operating procedures ("SOP") to fight the COVID-19 outbreak effectively.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **Manager's report**

**For the financial year ended 31 May 2020 (cont'd)**

#### **D. Market Outlook & Strategy**

Generally, investor sentiment has improved since the drastic sell-off during March 2020 due to the pandemic outbreak. Over past two months April-May 2020, risk assets performed very well with the Asia equity index (MSCI Asia ex-Japan ("MXASJ") index) up 7.7% and Asia bond index (JPMorgan Asia Credit Composite Total Return ("JACICOTR") index) up 3.9% versus -12% and -5.8% respectively in March 2020. The key driver for the recovery is the massive fiscal and monetary stimulus announced by central banks globally. In addition, many governments announced direct support programs to keep local corporates and Small and Medium-sized Enterprises ("SMEs") afloat during the lockdown period including freezing bank loan payments, waiving property lease payments, releasing bank capital restrictions to encourage corporate lending and even directly investing in corporate bonds to keep the corporate bond market open.

Within the Asia USD corporate bonds market, we saw that the corporate bonds out of China recovered first early April 2020, followed by Indonesia late April 2020. Investors continued to avoid India corporate bonds throughout April 2020 due to headline news that Franklin Templeton will be closing down six of their credit funds in India due to large redemptions in an illiquid environment, freezing over USD 3bn in INR bond funds. India corporate bonds caught up some of the underperformance in May 2020 but remain the weakest link within Asia due to the inherent underlying structural problems and fiscal weakness that already existed pre-COVID-19.

Even as countries globally are re-opening up in stages from June 2020 onwards, the growth outlook remains challenging. There remain risks that a second wave of infections may trigger lockdowns again. The path to recovery is not smooth and will be uneven across countries and sectors. In the Organisation for Economic Co-operation and Development ("OECD") Economic Outlook report June 2020, the agency forecasted that global economic activity to fall 6% in FY2020 with OECD unemployment at 9.2% versus 5.4% FY2019. OECD also expects that full recovery to economic growth 4Q19 will take two years. In June 2020, both the ECB and US Fed continued to demonstrate a strong resolve to support the economy and to support jobs in the current economic crisis. The ECB increased the asset purchase program by EUR 600bn on 4 June 2020 and committed to extend the program till June 2021 or until the crisis is over. US Fed meeting minutes released on 10 June 2020 showed that the Fed expects zero interest rates through at least FY2022 and that a recovery of employment back to pre-COVID-19 is the key indicator.

Given the strong recovery in corporate bond prices in April 2020 and May 2020, there may be some profit taking and risk reduction in the near future which means some volatility in returns. However, we remain positive on bond investments for the year, as interest rates will stay low due to global recession. Current corporate bond yields provide an attractive carry over Treasuries with the US 10 year at 0.7% area. Downgrade and default risks are the key risks to manage during recessionary period such as now. We continue to remain positive on the financial sector as default risks remain low for the large and well capitalised banks and insurance companies. In addition, regulators have been supportive during this crisis and have released capital constraints on the financial sector to encourage lending in support of the overall economy. We also continue to add long duration positions in the near future as US Fed do not expect to raise interest rates until FY2023 earliest.



## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2020 (cont'd)

#### E. Asset Allocation

The Fund's asset allocation as at 31 May 2020 is as follows:

Asset allocation	31.05.2020		31.05.2019	
	RM	%	RM	%
Fixed income securities - local	1,563,661	2.39	2,090,102	3.60
Fixed income securities - foreign	58,505,816	89.38	52,598,025	90.54
Cash, deposit with a licensed financial institution and other net assets	5,387,233	8.23	3,402,996	5.86
<b>Total NAV</b>	<b>65,456,710</b>	<b>100.00</b>	<b>58,091,123</b>	<b>100.00</b>

#### F. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions and rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the commission received is 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 year ended 31 May 2020, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

## **TRUSTEE'S REPORT**

### **TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

We have acted as Trustee of Maybank Financial Institutions Income Asia Fund (the "Fund") for the financial year ended 31 May 2020. 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's Guidelines on Lodge and Launch Framework, the Capital Markets and Services Act 2007 ("CMSA") and other applicable laws;
- (b) Valuation/pricing of units of the Fund has been carried out in accordance with the Deeds and any regulatory requirements;
- (c) Creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distribution of returns for the year were tied to and reflect the objectives of the Fund.

For and on behalf of

**For TMF Trustees Malaysia Berhad**

(Company No.: 200301008392/610812-W)

**Norhayati Binti Azit**

Director - Fund Services

Kuala Lumpur, Malaysia

16 July 2020

**STATEMENT BY MANAGER**

**TO THE UNITHOLDERS OF  
MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

We, Dr Hasnita Binti Dato' Hashim and Ahmad Najib Bin Nazlan, being two of the Directors of Maybank Asset Management Sdn Bhd (the "Manager") do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank Financial Institutions Income Asia Fund as at 31 May 2020 and of its results, changes in equity and cash flows for the financial year ended 31 May 2020 and comply with the requirements of the Deeds.

For and on behalf of the Manager

**Dr Hasnita Binti Dato' Hashim**  
Director

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
16 July 2020

## **Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Asia Fund**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of Maybank Financial Institutions Income Asia Fund (the "Fund"), which comprise the statement of financial position as at 31 May 2020 of the Fund, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 53.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as at 31 May 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence and other ethical responsibilities*

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *Information other than the financial statements and auditors' report thereon*

The Manager of the Fund ("the Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

**Independent auditors' report to the Unitholders of  
Maybank Financial Institutions Income Asia Fund (cont'd)**

*Information other than the financial statements and auditors' report thereon (cont'd)*

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Manager and Trustee for the financial statements*

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Asia Fund (cont'd)**

### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent auditors' report to the Unitholders of  
Maybank Financial Institutions Income Asia Fund (cont'd)**

Other matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Lodge and Launch Framework issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
03013/10/2020 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
16 July 2020

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

	Note	2020 RM	2019 RM
<b>INVESTMENT INCOME</b>			
Interest income	3	3,204,929	2,773,308
Net gain/(loss) on fair value changes of fair value through profit or loss ("FVTPL") investments	8(c)		
- Realised gain/(loss)		617,030	(210,929)
- Unrealised (loss)/gain		(2,416,555)	1,696,442
Net gain on foreign exchange and derivatives	4	366,390	512,021
		<u>1,771,794</u>	<u>4,770,842</u>
<b>EXPENSES</b>			
Manager's fee	5	696,876	611,199
Trustee's fee	6	27,875	24,448
Auditors' remuneration		10,000	10,400
Tax agent's fee		3,900	4,250
Administrative expenses		32,316	25,283
		<u>770,967</u>	<u>675,580</u>
<b>Net income before taxation</b>		1,000,827	4,095,262
Taxation	7	-	-
<b>Net income after taxation, and total comprehensive income for the financial year</b>		<u>1,000,827</u>	<u>4,095,262</u>
<b>Net income after taxation is made of the following:</b>			
Realised income/(loss)		3,887,896	(671,253)
Unrealised (loss)/income		(2,887,069)	4,766,515
		<u>1,000,827</u>	<u>4,095,262</u>
<b>Distributions for the financial year</b>			
Net distributions	17	2,982,554	3,144,825
Gross/net distribution per unit (sen)	17	4.50	5.50
Distribution dates (ex-date)	17	<u>Refer to Note 17</u>	<u>Refer to Note 17</u>

The accompanying notes form an integral part of the audited financial statements.



**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MAY 2020**

	Note	2020 RM	2019 RM
<b>ASSETS</b>			
Financial assets at FVTPL	8	60,069,477	54,688,127
Derivative assets	9	109,698	17,529
Interest receivable		916,371	600,846
Deposit with a licensed financial institution	10	2,066,636	5,602,670
Amount due from Brokers	11	4,254,956	-
Cash at bank	12	5,046,995	1,380,334
<b>TOTAL ASSETS</b>		<u>72,464,133</u>	<u>62,289,506</u>
<b>LIABILITIES</b>			
Derivative liabilities	9	3,872,653	1,019,018
Amount due to Manager	13	108,932	1,213,770
Amount due to Brokers	11	1,737,160	-
Amount due to Trustee	14	2,199	2,050
Distribution payable		1,263,971	1,947,114
Other payables and accruals	15	22,508	16,431
<b>TOTAL LIABILITIES</b>		<u>7,007,423</u>	<u>4,198,383</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>65,456,710</u>	<u>58,091,123</u>
<b>EQUITY</b>			
Unitholders' capital	16(a)	68,302,398	58,825,113
Accumulated losses	16(b) & 16(c)	(2,845,688)	(733,990)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>65,456,710</u>	<u>58,091,123</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	16(a)	<u>63,198,566</u>	<u>55,631,838</u>
<b>NAV PER UNIT (RM)</b>		<u>1.0357</u>	<u>1.0442</u>

The accompanying notes form an integral part of the audited financial statements.

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

	<b>Unitholders' capital Note 16(a) RM</b>	<b>Accumulated losses Notes 16(b) &amp; 16(c) RM</b>	<b>Total equity RM</b>
At 1 June 2019	58,825,113	(733,990)	58,091,123
Total comprehensive income for the financial year	-	1,000,827	1,000,827
Creation of units	35,104,459	-	35,104,459
Reinvestment of units	3,665,690	-	3,665,690
Cancellation of units	(29,422,835)	-	(29,422,835)
Distributions (Note 17)	129,971	(3,112,525)	(2,982,554)
At 31 May 2020	<u>68,302,398</u>	<u>(2,845,688)</u>	<u>65,456,710</u>
At 1 June 2018	63,375,831	(1,070,546)	62,305,285
Total comprehensive income for the financial year	-	4,095,262	4,095,262
Creation of units	8,954,383	-	8,954,383
Reinvestment of units	2,408,080	-	2,408,080
Cancellation of units	(16,527,062)	-	(16,527,062)
Distributions (Note 17)	613,881	(3,758,706)	(3,144,825)
At 31 May 2019	<u>58,825,113</u>	<u>(733,990)</u>	<u>58,091,123</u>

The accompanying notes form an integral part of the audited financial statements.

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds from sale and redemption of financial assets at FVTPL	57,385,889	31,954,239
Net payments for purchase of financial assets at FVTPL	(64,125,168)	(34,678,080)
Interest received	2,779,665	2,847,536
Net realised gain/(loss) on derivatives	314,427	(2,315,107)
Manager's fee paid	(693,159)	(563,531)
Trustee's fee paid	(27,726)	(24,559)
Payment of other fees and expenses	(40,137)	(37,179)
Net cash used in operating and investing activities	<u>(4,406,209)</u>	<u>(2,816,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	35,104,459	8,954,383
Cash paid on units cancelled	(30,531,390)	(15,546,132)
Distributions to unitholders	(7)	-
Net cash generated from/(used in) financing activities	<u>4,573,062</u>	<u>(6,591,749)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR</b>	166,853	(9,408,430)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	6,983,004	16,118,877
Effects of foreign exchange	(36,226)	272,557
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<u>7,113,631</u>	<u>6,983,004</u>
Cash and cash equivalents comprise:		
Cash at bank (Note 12)	5,046,995	1,380,334
Deposit with a licensed financial institution with original maturity of less than 3 months (Note 10)	2,066,636	5,602,670
	<u>7,113,631</u>	<u>6,983,004</u>

The accompanying notes form an integral part of the audited financial statements.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

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

Maybank Financial Institutions Income Asia Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 29 May 2014, First supplemental deed dated 30 March 2015 and a Second supplemental deed dated 10 August 2015 between the Manager, Maybank Asset Management Sdn Bhd ("Maybank AM"), the Trustee, TMF Trustee Malaysia Berhad and the registered unitholders of the Fund. The Deed and Supplemental Deeds are collectively referred to as 'Deeds'. The Fund was launched on 26 August 2014.

The Fund aims to provide unitholders income through investing in a portfolio of fixed income securities issued by financial institutions. The Fund will invest between 70% to 98% of its NAV in Ringgit Malaysia ("RM") denominated and/or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/or located in the Asian region whilst the balance of between 2% to 30% of its NAV will be invested in liquid assets and RM denominated and/or non-RM denominated fixed income securities issued by non-financial institutions which are domiciled and/or located in the Asian region.

The Manager of the Fund is Maybank AM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence 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 Malayan Banking Berhad ("MBB").

The financial statements were authorised for issue by the Board of Directors of the Manager on 16 July 2020.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretation Committee ("IC") Interpretations which have become effective during the financial year. The adoption of the new pronouncements did not result in any 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.

The financial statements are presented in Ringgit Malaysia ("RM").

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

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

The following are Standards and 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.

Description	Effective for annual periods beginning on or after
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: <i>Interest Rate Benchmark Reform</i>	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

The Fund expects that the adoption of the above standards and amendments to standards will not have any material impact on the financial statements in the period of initial application.

#### 2.3 Financial instruments

Financial assets and 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.

#### 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

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

##### (i) Financial assets at amortised cost

Unless designated as at fair value through profit or loss ("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 receivable and amount due from brokers as financial assets at amortised cost. These assets are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. The EIR is a method of calculating the amortised cost of the financial assets and of allocating and recognising the interest income in profit or loss over the relevant period.

##### (ii) Financial assets at FVTPL

Unquoted fixed income securities, derivative assets and derivatives liabilities 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 instrument or a financial guarantee.

Debt instruments that do not meet the amortised cost criteria (see above) 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.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **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 measurement recognised in profit or loss.

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

##### **(iii) Impairment of financial assets**

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.

ECL are a probability-weighted estimate of credit losses. It is 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.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

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

##### **(iii) Impairment of financial assets (cont'd)**

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.

##### **(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 financial asset classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.

On derecognition of financial asset at amortised cost, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.



## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

#### 2.5 Financial liabilities

##### 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 brokers, amount due to Trustee, distribution payable and other payables and accruals as other financial liabilities.

##### Recognition and measurement

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EIR method.

The EIR is a method of calculating the amortised cost of the financial liability and of allocating and recognising the interest expense in profit or loss over the relevant period.

##### Derecognition

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.

#### 2.6 Fair value measurement

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 the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) 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 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.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

#### **2.6 Fair value measurement (cont'd)**

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 and liabilities 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:

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

For assets and liabilities 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.

#### **2.7 Functional and foreign currency**

##### **(a) Functional and presentation 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 ("RM"), which is also the Fund's functional currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

#### **2.8 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:

- (i) the units entitle the holder to a proportionate share of the Fund's NAV;
- (ii) the units are the most subordinated class and class features are identical;
- (iii) there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- (iv) 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. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

#### **2.9 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 period 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.

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and deposit with a financial institution with original maturity of three (3) months or less which have an insignificant risk of changes in value.

#### **2.11 Revenue**

Revenue is measured at the fair value of consideration received or receivable.

Interest income from unquoted fixed income securities and deposits with a licensed financial institution are recognised on the accruals basis using the effective interest rate method.

Realised gain or loss on disposal of unquoted fixed income securities are 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 revenue/income is generally recognised when the Fund satisfies a performance obligation by transferring a promised good or service or an asset to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

#### **2.12 Income tax**

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 year.

No deferred tax is recognised as no temporary differences have been identified.

#### **2.13 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 the allocating resources and assessing performance of the operating segments.

#### **2.14 Critical 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 judgements 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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 3. INTEREST INCOME

	2020 RM	2019 RM
Interest income from unquoted fixed income securities	3,261,135	2,915,252
Interest income from short-term deposits	61,998	117,729
Amortisation of premium, net of accretion of discount	(118,204)	(259,673)
	<u>3,204,929</u>	<u>2,773,308</u>

### 4. NET GAIN ON FOREIGN EXCHANGE AND DERIVATIVES

	2020 RM	2019 RM
Net realised gain/(loss) on foreign exchange	524,440	(320,221)
Net unrealised gain on foreign exchange	2,290,950	3,413,711
Net realised gain/(loss) on derivatives	312,465	(2,237,832)
Net unrealised loss on derivatives	(2,761,465)	(343,637)
	<u>366,390</u>	<u>512,021</u>

### 5. MANAGER'S FEE

The Manager's fee is computed on a daily basis at 1.00% (2019: 1.00%) per annum ("p.a.") of the NAV of the Fund before deducting the Manager's fee and Trustee's fee for that particular day.

### 6. TRUSTEE'S FEE

The Trustee's fee is computed daily based on 0.04% (2019: 0.04%) p.a. of the NAV of the Fund, subject to a minimum fee of RM15,000 per annum ("p.a.") and a maximum fee of RM 150,000 p.a.. The trustee fee is calculated and accrued daily and payable monthly to the Trustee.

### 7. TAXATION

	2020 RM	2019 RM
Tax expense for the financial year:		
Current income tax expense	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable income for the financial year. Interest income derived from sources outside Malaysia are exempted from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 7. TAXATION (CONT'D)

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

	2020 RM	2019 RM
Net income before taxation	<u>1,000,827</u>	<u>4,095,262</u>
Tax at Malaysian statutory rate of 24% (2019: 24%)	240,198	982,863
Effect of income not subject to tax	(425,231)	(1,145,002)
Effect of expenses not deductible for tax purposes	<u>185,033</u>	<u>162,139</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

### 8. FINANCIAL ASSETS AT FVTPL

		2020 RM	2019 RM
Investments in financial assets at FVTPL:			
Unquoted fixed income securities - local	(a)	1,563,661	2,090,102
Unquoted fixed income securities - foreign	(b)	<u>58,505,816</u>	<u>52,598,025</u>
		<u>60,069,477</u>	<u>54,688,127</u>

2020	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>(a) Unquoted fixed income securities - local</b>				
Serba Dinamik Holdings Bhd - 6.997% / 12.03.2025	500,000	2,080,660	1,563,661	2.39
<b>Total unquoted fixed income securities- local</b>	<u>500,000</u>	<u>2,080,660</u>	<u>1,563,661</u>	<u>2.39</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 8. FINANCIAL ASSETS AT FVTPL (CONT'D)

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2020 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign</b>				
<b>Australia</b>				
Macquarie Bank London - 6.125% / 08.03.2027	800,000	3,382,257	3,439,577	5.25
Total Australia	<u>800,000</u>	<u>3,382,257</u>	<u>3,439,577</u>	<u>5.25</u>
<b>British Virgin Island ("BVI")</b>				
Franshion Brilliant Ltd - 4.00% / 03.01.2023	450,000	1,889,921	1,895,676	2.90
Huarong Finance Corporation Ltd - 4.75% / 27.04.2027	500,000	2,186,516	2,297,394	3.51
- 3.75% / 27.04.2022	500,000	2,197,178	2,196,422	3.36
Wanda Properties Overseas Ltd - 6.95% / 05.12.2022	1,000,000	4,130,624	4,114,898	6.29
Total BVI	<u>2,450,000</u>	<u>10,404,239</u>	<u>10,504,390</u>	<u>16.06</u>
<b>Canada</b>				
Bank of Montreal - 4.80% / 25.08.2024	500,000	2,059,000	2,084,592	3.18
Total Canada	<u>500,000</u>	<u>2,059,000</u>	<u>2,084,592</u>	<u>3.18</u>
<b>Cayman Islands</b>				
CIFI Holdings Group Co Ltd - 6.45% / 07.11.2024	500,000	2,090,500	2,141,484	3.27
TMB Bank Public Co Ltd - 4.90% / 02.12.2024	1,000,000	4,174,668	3,908,610	5.97
Total Cayman Islands	<u>1,500,000</u>	<u>6,265,168</u>	<u>6,050,094</u>	<u>9.24</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 8. FINANCIAL ASSETS AT FVTPL (CONT'D)

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2020 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>China</b>				
China Life Insurance Co Ltd - 4.00% / 03.07.2075	400,000	1,671,098	1,732,991	2.65
<b>Total China</b>	<b>400,000</b>	<b>1,671,098</b>	<b>1,732,991</b>	<b>2.65</b>
<b>France</b>				
BNP Paribas S.A. - 6.625% / 25.03.2024	1,000,000	4,426,099	4,456,684	6.81
<b>Total France</b>	<b>1,000,000</b>	<b>4,426,099</b>	<b>4,456,684</b>	<b>6.81</b>
<b>Hong Kong</b>				
Bank of East Asia Ltd - 5.625% / 18.05.2022	800,000	3,358,659	3,399,970	5.19
Dah Sing Bank Ltd - 4.25% / 30.11.2026	500,000	2,209,900	2,173,404	3.32
Nanyang Commercial Bank - 3.80% / 20.11.2029	500,000	2,070,207	2,132,581	3.26
<b>Total Hong Kong</b>	<b>1,800,000</b>	<b>7,638,766</b>	<b>7,705,955</b>	<b>11.77</b>
<b>India</b>				
Manappuram Finance Ltd - 5.90% / 13.01.2023	1,000,000	4,117,473	4,075,377	6.23
Renew Power Ltd - 6.45% / 27.09.2022	500,000	2,099,892	2,115,644	3.23
<b>Total India</b>	<b>1,500,000</b>	<b>6,217,365</b>	<b>6,191,021</b>	<b>9.46</b>



**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2020 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Indonesia</b>				
PT Sri Rejeki Isman Tbk - 7.25% / 16.01.2025	300,000	1,258,492	1,218,183	1.86
Total Indonesia	<u>300,000</u>	<u>1,258,492</u>	<u>1,218,183</u>	<u>1.86</u>
<b>Singapore</b>				
Global Prime Capital Pte Ltd - 5.50% / 18.10.2023	500,000	2,176,660	1,971,677	3.01
Total Singapore	<u>500,000</u>	<u>2,176,660</u>	<u>1,971,677</u>	<u>3.01</u>
<b>South Korea</b>				
Busan Bank Co Ltd - 3.625% / 25.07.2026	500,000	2,083,025	2,230,513	3.41
Heungkuk Life Insurance Co Ltd - 4.475% / 09.11.2022	500,000	2,066,506	1,965,162	3.00
Total South Korea	<u>1,000,000</u>	<u>4,149,531</u>	<u>4,195,675</u>	<u>6.41</u>
<b>Switzerland</b>				
Credit Suisse Group AG - 5.10% / 24.01.2030	500,000	2,030,500	2,012,934	3.08
UBS Group - 4.85% / 04.09.2024	500,000	1,516,300	1,502,459	2.30
Total Switzerland	<u>1,000,000</u>	<u>3,546,800</u>	<u>3,515,393</u>	<u>5.38</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2020 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Thailand</b>				
Minor International Pcl - 4.661% / 04.12.2021	500,000	2,086,139	2,171,884	3.32
<b>Total Thailand</b>	<u>500,000</u>	<u>2,086,139</u>	<u>2,171,884</u>	<u>3.32</u>
<b>United Kingdom</b>				
Phoenix Group Holdings - 4.75% / 04.09.2031	400,000	1,740,160	1,746,193	2.67
Standard Chartered Bank - 5.375% / 03.10.2024	500,000	1,531,300	1,521,507	2.32
<b>Total United Kingdom</b>	<u>900,000</u>	<u>3,271,460</u>	<u>3,267,700</u>	<u>4.99</u>
<b>Total unquoted fixed income securities - foreign</b>	<u>14,150,000</u>	<u>58,553,074</u>	<u>58,505,816</u>	<u>89.39</u>
<b>Total unquoted fixed income securities</b>	<u>14,650,000</u>	<u>60,633,734</u>	<u>60,069,477</u>	<u>91.78</u>
Unrealised loss on unquoted fixed income securities*			<u>(564,257)</u>	

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019</b>				
<b>(a) Unquoted fixed income securities - local</b>				
Serba Dinamik Holdings Bhd - 6.30% / 09.05.2022	500,000	2,071,646	2,090,102	3.60
<b>Total unquoted fixed income securities- local</b>	<b>500,000</b>	<b>2,071,646</b>	<b>2,090,102</b>	<b>3.60</b>
<b>(b) Unquoted fixed income securities - foreign</b>				
<b>British Virgin Island ("BVI")</b>				
Franshion Brilliant Ltd - 4.00% / 03.01.2023	450,000	1,890,712	1,796,830	3.09
Huarong Finance Corporation Ltd - 4.75% / 27.04.2027	500,000	2,188,010	2,143,721	3.69
- 3.75% / 27.04.2027	500,000	2,196,496	2,111,884	3.64
<b>Total BVI</b>	<b>1,450,000</b>	<b>6,275,218</b>	<b>6,052,435</b>	<b>10.42</b>
<b>China</b>				
Bank of China Ltd - 5.00% / 13.11.2024	700,000	3,115,166	3,116,154	5.36
CCB Life Insurance Co Ltd - 4.5% / 21.04.2077	500,000	2,212,500	1,976,369	3.40
China Cinda Asset Management Co Ltd - 4.25% / 23.04.2025	500,000	2,042,529	2,153,145	3.71
China Life Insurance Co Ltd - 4.00% / 03.07.2075	400,000	1,672,080	1,663,032	2.86
Health and Happiness (H&H) International Holdings Ltd - 7.25% / 21.07.2021	314,000	1,335,375	1,338,364	2.30
<b>Total China</b>	<b>2,414,000</b>	<b>10,377,650</b>	<b>10,247,064</b>	<b>17.63</b>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Hong Kong</b>				
Bank of East Asia Ltd - 5.63% / 18.05.2022	500,000	2,175,163	2,100,155	3.62
China Taiping Insurance Holdings - 5.45% / 10.09.2019	200,000	826,843	840,062	1.45
Dah Sing Bank Ltd - 4.25% / 30.11.2026	500,000	2,212,420	2,116,702	3.64
ICBC Asia Ltd - 4.25% / 21.07.2021	300,000	1,185,000	1,242,751	2.14
Shanghai (HK) International Investment Ltd - 3.88% / 20.04.2020	200,000	789,575	822,887	1.42
<b>Total Hong Kong</b>	<b>1,700,000</b>	<b>7,189,001</b>	<b>7,122,557</b>	<b>12.27</b>
<b>Indonesia</b>				
Bukit Makmur Mandiri Utama - 7.75% / 13.02.2022	300,000	1,253,970	1,275,551	2.20
Indonesia Asahan Alumini (Persero) Pt - 5.71% / 15.11.2023	200,000	823,341	899,797	1.55
<b>Total Indonesia</b>	<b>500,000</b>	<b>2,077,311</b>	<b>2,175,348</b>	<b>3.75</b>
<b>India</b>				
IndusInd Bank Ltd - 3.88% / 15.04.2022	500,000	2,032,730	2,100,784	3.62
Shriram Transport Finance Co Ltd - 5.95% / 24.10.2022	500,000	2,054,000	2,093,662	3.60
<b>Total India</b>	<b>1,000,000</b>	<b>4,086,730</b>	<b>4,194,446</b>	<b>7.22</b>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Japan</b>				
Asahi Mutual Life Insurance Co - 6.50% / 05.09.2023	500,000	2,052,500	2,133,877	3.67
Fukoku Mutual Life Insurance Co - 5.00% / 28.07.2049	500,000	2,178,363	2,163,619	3.72
Total Japan	<u>1,000,000</u>	<u>4,230,863</u>	<u>4,297,496</u>	<u>7.39</u>
<b>Netherlands</b>				
ING Group NV - 6.75% / 16.04.2024	500,000	2,039,349	2,096,176	3.61
Total Netherlands	<u>500,000</u>	<u>2,039,349</u>	<u>2,096,176</u>	<u>3.61</u>
<b>New Zealand</b>				
Westpac Banking Corp - 5.00% / 21.09.2027	500,000	1,896,556	1,882,956	3.24
Total New Zealand	<u>500,000</u>	<u>1,896,556</u>	<u>1,882,956</u>	<u>3.24</u>
<b>Singapore</b>				
Global Prime Capital Pte Ltd - 5.50% / 18.10.2023	500,000	2,188,023	2,042,556	3.52
United Oversea Bank Ltd - 3.88% / 19.10.2023	500,000	2,110,000	2,038,577	3.51
Total Singapore	<u>1,000,000</u>	<u>4,298,023</u>	<u>4,081,133</u>	<u>7.03</u>
<b>South Korea</b>				
Busan Bank Ltd - 5.50% / 25.07.2026	500,000	2,077,638	2,037,320	3.51

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 8. FINANCIAL ASSETS AT FVTPL (CONT'D)

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2019 (cont'd)</b>				
<b>(b) Unquoted fixed income securities - foreign (cont'd)</b>				
<b>South Korea (cont'd)</b>				
Mirae Asset Daewoo - 3.34% / 07.05.2024	500,000	2,061,723	2,103,506	3.62
Total South Korea	<u>1,000,000</u>	<u>4,139,361</u>	<u>4,140,826</u>	<u>7.13</u>
<b>Thailand</b>				
Minor International Pcl - 4.66% / 04.12.2021	500,000	2,085,239	2,146,444	3.69
Total Thailand	<u>500,000</u>	<u>2,085,239</u>	<u>2,146,444</u>	<u>3.69</u>
<b>United Kingdom</b>				
HSBC Holdings Ltd - 6.88% / 01.06.2021	500,000	2,255,626	2,177,652	3.75
Macquarie Bank Ltd - 6.13% / 08.03.2027	500,000	2,207,825	1,983,492	3.41
Total United Kingdom	<u>1,000,000</u>	<u>4,463,451</u>	<u>4,161,144</u>	<u>7.16</u>
<b>Total unquoted fixed income securities - foreign</b>	<u>12,564,000</u>	<u>53,158,752</u>	<u>52,598,025</u>	<u>90.54</u>
<b>Total unquoted fixed income securities</b>	<u>13,064,000</u>	<u>55,230,398</u>	<u>54,688,127</u>	<u>94.14</u>
Unrealised loss on unquoted fixed income securities*			<u>(542,271)</u>	

\* The unrealised loss on unquoted fixed income securities comprise the amounts arising from changes in fair values and effects from foreign exchange.

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

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 9. DERIVATIVE ASSETS/LIABILITIES

2020	Notional principal amount RM	<-----Fair Value----->	
		Assets RM	Liabilities RM
<u>Foreign exchange related contracts</u>			
Currency forwards:			
Less than 1 year	76,364,922	109,698	(3,872,653)

### 2019

#### Foreign exchange related contracts

Currency forwards:

Less than 1 year	65,601,596	17,529	(1,019,018)
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As at the reporting date, there were 13 (2019: 10) forward exchange contracts outstanding.

The forward currency contracts entered into during the financial year were for hedging against the currencies exposure arising mainly from investments in the foreign unquoted fixed income securities denominated in USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

### 10. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

	2020 RM	2019 RM
Short-term placement with a maturity of less than 3 months	2,066,636	5,602,670

The weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposit with a licensed financial institution with maturity of less than 3 months as at the reporting date were as follows:

	2020		2019	
	WAEIR % p.a.	Average maturity Days	WAEIR % p.a.	Average maturity Days
Deposit with a licensed financial institution	1.95	3	2.90	3

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 11. AMOUNT DUE FROM/(DUE TO) BROKERS

Amount due from/(due to) brokers relates to the amount receivable/(payable) from/to brokers arising from the sales/(purchase) of investments. The settlement period for this receivables/(payables) is within 3 working days from the deal date.

### 12. CASH AT BANK

The table below indicates the currencies that the Fund have in cash at bank as at the reporting date:

	2020 RM	2019 RM
United States Dollar ("USD")	5,017,611	1,373,151
Singapore Dollar ("SGD")	27,521	-
Malaysian Ringgit ("RM")	1,863	7,183
	<u>5,046,995</u>	<u>1,380,334</u>

### 13. AMOUNT DUE TO MANAGER

	Note	2020 RM	2019 RM
<b>Amount due to Manager</b>			
Manager's fee	(i)	54,972	51,255
Redemption of units	(ii)	53,960	1,162,515
		<u>108,932</u>	<u>1,213,770</u>

(i) The amount relates to the amount payable to the Manager arising from the accruals for Managers fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2019: 15 days).

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

### 14. AMOUNT DUE TO TRUSTEE

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



## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 15. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:

	2020 RM	2019 RM
Due to external auditors	11,554	10,400
Due to tax agent	8,957	4,250
Other payables	1,997	1,781
	<u>22,508</u>	<u>16,431</u>

### 16. TOTAL EQUITY

	Note	2020 RM	2019 RM
Unitholders' capital	(a)	68,302,398	58,825,113
Accumulated realised income	(b)	1,626,739	851,368
Accumulated unrealised loss	(c)	(4,472,427)	(1,585,358)
		<u>65,456,710</u>	<u>58,091,123</u>

#### (a) Unitholders' capital

	2020		2019	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	55,631,838	58,825,113	60,518,464	63,375,831
Creation of units	32,446,842	35,104,459	8,479,866	8,954,383
Reinvestment of units	3,458,205	3,665,690	2,355,915	2,408,080
Cancellation of units	(28,338,319)	(29,422,835)	(15,722,407)	(16,527,062)
Distribution equalisation (Note 17)	-	129,971	-	613,881
At the end of the financial year	<u>63,198,566</u>	<u>68,302,398</u>	<u>55,631,838</u>	<u>58,825,113</u>

As at the end of the financial year, the total number and value of units held legally or beneficially by the Manager are as follows:

	2020		2019	
	No. of units	RM	No. of units	RM
The Manager	<u>1,292</u>	<u>1,338</u>	<u>1,221</u>	<u>1,275</u>

In the opinion of the Manager, the above units were transacted at the prevailing market price. Other than the above, there were no other units held by the Manager or parties related to the Manager.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 16. TOTAL EQUITY (CONT'D)

#### (b) Accumulated realised income

	2020 RM	2019 RM
At the beginning of the financial year	851,368	5,281,328
Net realised income/(loss) for the financial year	3,887,896	(671,254)
Distributions out of retained earnings (Note 17)	<u>(3,112,525)</u>	<u>(3,758,706)</u>
At the end of the financial year	<u>1,626,739</u>	<u>851,368</u>

#### (c) Accumulated unrealised loss

	2020 RM	2019 RM
At the beginning of financial year	(1,585,358)	(6,351,873)
Net unrealised (loss)/income for the financial year	<u>(2,887,069)</u>	<u>4,766,515</u>
At the end of the financial year	<u>(4,472,427)</u>	<u>(1,585,358)</u>

### 17. DISTRIBUTIONS

Details of distributions declared to unitholders in the previous and current financial year are as follows:

	2020 RM	2019 RM
Interest income	2,328,286	-
Prior year's net realised income*	851,368	3,758,706
Other income	396,546	-
Less:		
Expenses	<u>(463,675)</u>	<u>-</u>
Distributions out of retained earnings (Note 16(b))	3,112,525	3,758,706
Effects of distribution equalisation (Note 16(a))	<u>(129,971)</u>	<u>(613,881)</u>
Distributions for the financial year	<u>2,982,554</u>	<u>3,144,825</u>
Analysed as:		
Cash distribution	7	-
Reinvestment of units	<u>2,982,547</u>	<u>3,144,825</u>
Distribution for the financial year	<u>2,982,554</u>	<u>3,144,825</u>

\* Part of the distributions in the current financial year were made from prior year's net realised income.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 17. DISTRIBUTIONS (CONT'D)

The gross and net distribution per unit declared in the current financial year are as follows:

Distribution dates (ex-date)	Gross/net distribution per unit (sen)
<b>2020</b>	
3 December 2019	2.50
28 May 2020	2.00
	4.50
<b>2019</b>	
30 November 2018	2.00
31 May 2019	3.50
	5.50

### 18. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

Details of transactions with brokers and dealers for the current financial year are as follows:

Brokers/dealers	2020	
	Value of trades RM	Percentage of total trades %
Australia and New Zealand Banking Group Ltd	2,171,450	1.80
Bank of America Merrill Lynch London	3,474,320	2.89
BNP Paribas Malaysia Bhd	11,074,395	9.20
Citibank Bhd	12,377,265	10.28
Citic Securities Co Ltd	868,580	0.72
Credit Suisse Securities (USA) LLC	2,171,450	1.80
DBS Bank	4,342,900	3.61
Guotai Junan Securities (Hong Kong) Ltd	2,171,450	1.80
Haitong International Securities Co Ltd	3,474,320	2.89
HSBC Bank Malaysia Bhd	22,180,960	18.42
J.P. Morgan Chase Bank Bhd	12,594,410	10.46
Mizuho Securities Asia Ltd	9,988,670	8.30
Morgan Stanley	2,171,450	1.80
MUFG Securities EMEA	2,171,450	1.80
Nomura Ltd	19,575,220	16.26
Standard Chartered Bank London	7,415,100	6.16
Standard Chartered Bank Singapore	2,171,450	1.81
	120,394,840	100.00

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 18. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONT'D)

Details of transactions with brokers and dealers for the previous financial year are as follows:

Brokers/dealers	2019	
	Value of trades RM	Percentage of total trades %
Australia and New Zealand Banking Group Ltd	1,660,160	2.62
Bank of America Merrill Lynch London	2,087,670	3.29
BNP Paribas Malaysia Bhd	4,799,358	7.57
Citic Securities Co Ltd	2,076,796	3.28
Citibank Bhd	12,611,882	19.89
HSBC Bank Malaysia Bhd	9,046,828	14.27
ING Group	1,020,000	1.61
J.P. Morgan Chase Bank Bhd	5,842,834	9.22
Mitsubishi UFJ Securities Singapore	2,848,538	4.49
Morgan Stanley	1,002,937	1.58
MUFG Securities EMEA	1,933,649	3.05
Nomura Ltd	1,306,918	2.06
RHB Investment Bank Bhd	7,330,874	11.56
SC Lowy Primary Investments Ltd	1,277,625	2.02
Standard Chartered Bank (M) Bhd	3,178,286	5.01
Standard Chartered Bank London	5,380,163	8.49
	<u>63,404,518</u>	<u>100.00</u>

Details of transactions, primarily deposits with licensed financial institutions for the current and previous financial year are as follows:

Financial institution	2020		2019	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
Public Bank Bhd	-	-	3,000,000	0.37
Malayan Banking Bhd ("MBB")*	540,060,709	100.00	805,412,552	99.63
	<u>540,060,709</u>	<u>100.00</u>	<u>808,412,552</u>	<u>100.00</u>

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

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of the 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 may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions of the Fund during the financial year:

(a) Significant related party transactions

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
MBB:		
Interest income from deposit placement	61,998	108,296

(b) Significant related party balances

MBB:		
Deposits with financial institution	2,066,636	5,602,670

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.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **20. MANAGEMENT EXPENSE RATIO ("MER")**

The MER of the Fund is the ratio of total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 May 2020, the MER of the Fund stood at 1.11% (2019: 1.11%).

### **21. 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 daily average NAV of the Fund. For the financial year ended 31 May 2020, the PTR of the Fund stood at 0.91 times (2019: 0.54 times).

### **22. SEGMENT INFORMATION**

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker, makes the strategic decisions on resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieves its targeted return with an acceptable level of risk within the portfolio.

The chief operating decision-maker is responsible for the performance of the Fund by investing between 70% to 98% of its NAV in RM denominated and/or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/or located in the Asian region whilst the balance of between 2% to 30% of its NAV will be invested in RM denominated and/or non-RM denominated fixed income securities issued by non-financial institutions which are domiciled and/or located in the Asian region.

The remaining balance of the Fund's NAV will be invested 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 of the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 23. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

The Fund's financial assets and financial liabilities were measured on an ongoing basis at either fair value or at amortised cost based on their respective classifications. The significant accounting policies in Note 2.3 to Note 2.14 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

The following table analyses the financial assets and liabilities (excluding tax-related matters) of the Fund in the statement of financial position as at the reporting date by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

2020	Financial instruments at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Assets</b>				
Financial assets at FVTPL	60,069,477	-	-	60,069,477
Derivative assets	109,698	-	-	109,698
Interest receivable	-	916,371	-	916,371
Deposit with licensed financial institution	-	2,066,636	-	2,066,636
Amount due from broker	-	4,254,956	-	4,254,956
Cash at bank	-	5,046,995	-	5,046,995
<b>Total financial assets</b>	<b>60,179,175</b>	<b>12,284,958</b>	<b>-</b>	<b>72,464,133</b>
<b>Liabilities</b>				
Derivative liabilities	3,872,653	-	-	3,872,653
Amount due to Manager	-	-	108,932	108,932
Amount due to broker	-	-	1,737,160	1,737,160
Amount due to Trustee	-	-	2,199	2,199
Distribution payable	-	-	1,263,971	1,263,971
Other payables and accruals	-	-	22,508	22,508
<b>Total financial liabilities</b>	<b>3,872,653</b>	<b>-</b>	<b>3,134,770</b>	<b>7,007,423</b>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 23. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Classification of financial instruments (cont'd)

2019	Financial instruments at FVTPL	Financial assets at amortised cost RM	Financial liabilities at amortised cost	Total RM
<b>Assets</b>				
Financial assets at FVTPL	54,688,127	-	-	54,688,127
Derivative assets	17,529	-	-	17,529
Interest receivable	-	600,846	-	600,846
Deposit with a licensed financial institution	-	5,602,670	-	5,602,670
Cash at bank	-	1,380,334	-	1,380,334
<b>Total financial assets</b>	<b>54,705,656</b>	<b>7,583,850</b>	<b>-</b>	<b>62,289,506</b>
<b>Liabilities</b>				
Derivative liabilities	1,019,018	-	-	1,019,018
Amount due to Manager	-	-	1,213,770	1,213,770
Amount due to Trustee	-	-	2,050	2,050
Distribution payable	-	-	1,947,114	1,947,114
Other payables and accruals	-	-	16,431	16,431
<b>Total financial liabilities</b>	<b>1,019,018</b>	<b>-</b>	<b>3,179,365</b>	<b>4,198,383</b>

#### (b) Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL are carried at fair value.

##### Unquoted fixed income securities

Local unquoted fixed income securities denominated in RM are revalued on a daily basis based on fair value prices quoted by BPA as per SC's Guidelines on Unit Trust Funds.

Foreign unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the average price quoted by at least three (3) independent and reputable financial institutions.

##### Derivative assets and liabilities

The fair value of over-the-counter forward foreign exchange contracts are obtained by using valuation models which incorporate various observable market inputs such as changes in spot rate, and changes in the forward points. For these financial instruments, significant inputs into models are market observable and are included within Level 2.



## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 23. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) 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: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value:

	Level 1 RM	Level 2 RM	Level 3 RM
<b>2020</b>			
Financial assets at FVTPL	-	60,069,477	-
Derivative assets	-	109,698	-
Derivative liabilities	-	3,872,653	-
<b>2019</b>			
Financial assets at FVTPL	-	54,688,127	-
Derivative assets	-	17,529	-
Derivative liabilities	-	1,019,018	-

#### (d) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

Other than its financial assets at FVTPL and derivative assets and liabilities, the Fund's financial instruments were not carried at fair value but their carrying amounts were reasonable approximations of fair value due to their short-term maturity.

There were no financial instruments which were not carried at fair value and whose carrying amounts were not reasonable approximations of their respective fair values.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks.

Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Deeds, SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and CMSA.

#### (b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund is exposed to foreign currency risk arising from the Fund's investments in unquoted fixed income securities and other financial assets and liabilities denominated in foreign currencies. The Fund is also exposed to interest rate risk arising from its financial assets at FVTPL and deposit placed with a licensed financial institution. The Fund is not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

##### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below analyses the net position of the Fund's financial assets and financial liability (excluding derivative assets and derivative liabilities) which are exposed to foreign exchange risks as at 31 May 2020. As the Fund's functional currency is RM, the financial assets and financial liability (excluding derivative assets and derivative liabilities) denominated in other currencies are exposed to the movement of foreign exchange rates. The exposure might lead to the appreciation or depreciation of the financial assets and financial liability of the Fund that may affect the value of the NAV attributable to unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

2020	USD RM	SGD RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	57,045,512	3,023,965	60,069,477
Interest receivable	884,529	31,512	916,041
Amount due from broker	4,254,956	-	4,254,956
Cash at bank	5,017,611	27,521	5,045,132
<b>Total financial assets</b>	<u>67,202,608</u>	<u>3,082,998</u>	<u>70,285,606</u>
<b>Financial liabilities</b>			
Amount due to Brokers	<u>1,737,160</u>	-	<u>1,737,160</u>
<b>Total financial liabilities</b>	<u>1,737,160</u>	-	<u>1,737,160</u>
<b>Net on-balance sheet open position</b>	<u>65,465,448</u>	<u>3,082,998</u>	<u>68,548,446</u>
<b>Forward exchange contracts</b>			
- notional principal amount (Note 9) *	<u>73,120,046</u>	<u>3,244,876</u>	<u>76,364,922</u>
			<b>USD RM</b>
<b>2019</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			54,688,127
Interest receivable			600,401
Cash at bank			1,373,151
<b>Total assets</b>			<u>56,661,679</u>
<b>Net on-balance sheet open position</b>			<u>56,661,679</u>
<b>Forward exchange contracts</b>			
- notional principal amount (Note 9) *			<u>65,601,596</u>

\* The Fund has entered into forward currency contracts to hedge against its USD and SGD exposure arising mainly from the Fund's investments in USD and SGD denominated unquoted fixed income securities.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (b) Market risk (cont'd)

##### (i) Foreign exchange risk (cont'd)

The table below summarises the sensitivity of the Fund's net on-balance sheet open position (excluding derivative assets and derivative liabilities) to movements in exchange rates. The analysis is based on the assumptions that the exchange rates will increase or decrease by 5% with all other variables held constant.

Currencies	2020		2019	
	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM
USD	+5	3,273,272	+5	2,728,579
	-5	(3,273,272)	-5	(2,728,579)
SGD	+5	154,150	-	-
	-5	(154,150)	-	-

The impact to net income after tax is expected to be the same as the effects on NAV.

##### (ii) Interest rate risk

Fixed income securities are particularly sensitive to movements in market interest rates. When interest rates rise, the value of fixed income securities will fall and vice versa, thus affecting the NAV of the Fund. The sensitivity to market interest rate changes are normally greater for longer tenured securities when compared to shorter tenured securities.

The table below summarises the sensitivity of the Fund's NAV to movements in prices of fixed income securities held by the Fund as a result of movements in market interest rates. The analysis is based on the assumptions that the interest rates increased and decreased by 1% (100 basis points) with all other variables held constant.

Financial assets at FVTPL	2020		2019	
	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM
Financial assets at FVTPL	+1	(2,474,359)	+1	(1,869,497)
	-1	2,741,465	-1	1,968,504

The impact to net income after tax is expected to be the same as the effects on NAV.

The Fund's deposit with a licensed financial institution carries fixed rate and is short-term in nature, and therefore is not affected by movements in market interest rate.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) Credit risk

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its contractual obligation resulting in a financial loss to the Fund. The Fund is exposed to the risk of credit-related losses that can occur as a result of an issuer/counterparty's inability or unwillingness to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's other counterparties (e.g. brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

#### (i) Credit risk exposure

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at the reporting date.

#### (ii) Credit risk concentration

The following table analyses the Fund's investments in unquoted fixed income securities, cash at bank, deposit with a licensed financial institution, interest receivable on unquoted fixed income securities and interest receivable on deposit with a licensed financial institution by rating categories. The ratings for the Fund's investments in unquoted fixed income securities and interest receivable on unquoted fixed income securities were obtained from Moody's, Fitch, S&P and MARC while the ratings for cash at bank, deposit with a licensed financial institution and interest receivable on deposit with a licensed financial institution were obtained from RAM's official website.

Financial assets	2020	As a percentage of NAV %	2019	As a percentage of NAV %
	RM		RM	
AAA	7,113,962	10.87	6,983,449	12.02
A+	-	-	2,113,848	3.64
A-	1,761,558	2.69	1,690,587	2.91
BBB+	8,952,697	13.68	13,840,596	23.83
BBB	4,004,256	6.12	13,496,613	23.23
BBB-	9,667,028	14.77	7,654,333	13.18
BB+	9,532,925	14.56	8,928,724	15.37
BB	5,557,848	8.49	2,104,409	3.62
BB-	21,509,205	32.86	5,459,418	9.40
	<u>68,099,479</u>	<u>104.04</u>	<u>62,271,977</u>	<u>107.20</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (d) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected.

The Fund is exposed to cash redemptions of its units on a regular basis. Units sold to unitholders by the Manager are redeemable at the unitholders' option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the Fund's Deeds.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund also manages its obligation to redeem units when required to do so.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders. Liquid assets comprise cash at bank, deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets, liabilities and unitholders' capital to provide a complete view of the Fund's contractual commitments and liquidity:

<b>2020</b>	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>Financial assets</b>			
Financial assets at FVTPL	-	60,069,477	60,069,477
Derivative assets	-	109,698	109,698
Interest receivable	395,751	520,620	916,371
Deposit with a licensed financial institution	2,066,636	-	2,066,636
Amount due from broker	4,254,956	-	4,254,956
Cash at bank	5,046,995	-	5,046,995
Total undiscounted financial assets	<u>11,764,338</u>	<u>60,699,795</u>	<u>72,464,133</u>
<b>Financial liabilities and unitholders' equity</b>			
Derivative liabilities	97,217	3,775,436	3,872,653
Amount due to Manager	108,932	-	108,932
Amount due to broker	1,737,160	-	1,737,160
Amount due to Trustee	2,199	-	2,199
Distribution payable	1,263,971	-	1,263,971
Other payables and accruals	22,508	-	22,508
Unitholders' equity	65,456,710	-	65,456,710
Total undiscounted financial liabilities and unitholders' equity	<u>68,688,697</u>	<u>3,775,436</u>	<u>72,464,133</u>
Liquidity (gap)/surplus	<u>(56,924,359)</u>	<u>56,924,359</u>	<u>-</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (d) Liquidity risk (cont'd)

2019	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	-	54,688,127	54,688,127
Derivative assets	17,529	-	17,529
Interest receivable	39,209	561,637	600,846
Deposit with a licensed financial institution	5,602,670	-	5,602,670
Cash at bank	1,380,334	-	1,380,334
Total undiscounted financial assets	<u>7,039,742</u>	<u>55,249,764</u>	<u>62,289,506</u>
<b>Financial liabilities and unitholders' equity</b>			
Derivative liabilities	568,080	450,938	1,019,018
Amount due to Manager	1,213,770	-	1,213,770
Amount due to Trustee	2,050	-	2,050
Distribution payables	1,947,114	-	1,947,114
Other payables and accruals	16,431	-	16,431
Unitholders' equity	58,091,123	-	58,091,123
Total undiscounted financial liabilities and unitholders' equity	<u>61,838,568</u>	<u>450,938</u>	<u>62,289,506</u>
Liquidity (gap)/surplus	<u>(54,798,826)</u>	<u>54,798,826</u>	<u>-</u>

#### Notes:

##### (i) Financial assets

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised. Financial assets exclude tax-related matters such as tax recoverable.

##### (ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay. Financial liabilities exclude tax-related matters such as provision for taxation.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

#### **(d) Liquidity risk (cont'd)**

##### **(iii) Unitholders' total equity**

As unitholders can request for redemption on their units by giving the Manager a 10-day notice period, the unitholders' total equity has been categorised as having a maturity of "less than 1 month".

As a result, it appears that the Fund has a liquidity gap within "less than 1 month". However, the Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements.

### **25. 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 information memorandum;
- (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 since the commencement date.