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MAYBANK MALAYSIA INCOME-I FUND

(Formerly known as MAYBANK DANA ARIF)

Annual report
For the financial year ended 31 May 2020

CORPORATE INFORMATION

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Maybank Islamic Berhad (200701029411) (787435-M)
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MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

Manager's report
For the financial year ended 31 May 2020

A. Fund Information

1. Name of the Fund

Maybank Malaysia Income-I Fund (Formerly known as Maybank Dana Arif) (the "Fund")

2. Type of Fund

Income

3. Category of Fund

Sukuk (Shariah)

4. Classes of units

| Classes of units | Currency denomination | Categories of investors | Distribution policy | Country availability |
|-------------------------|------------------------------|--------------------------------|----------------------------|-----------------------------|
| A-MYR | MYR/RM (Ringgit Malaysia) | Retail | Distribution of income | Malaysia & Singapore |
| C-MYR | MYR/RM (Ringgit Malaysia) | Institutional | Distribution of income | Malaysia |
| C-USD | USD (United States Dollar) | Institutional | Distribution of income | Malaysia |
| A-SGD * | SGD (Singapore Dollar) | Retail | Distribution of income | Malaysia & Singapore |

* Class A-SGD was terminated on 30 September 2019.

5. Duration of the Fund

The Fund is an open-ended Fund.

6. Launch date / Commencement date / Termination date

| Share Class | Launch date | Commencement date | Termination date |
|--------------------|--------------------|--------------------------|-------------------------|
| Class A-MYR | 27 April 2004 | 18 May 2004 | N/A |
| Class C-MYR | 21 August 2013 | 11 September 2013 | N/A |
| Class C-USD | 17 September 2014 | 8 October 2014 | N/A |
| Class A-SGD | 4 September 2013 | 25 September 2013 | 30 September 2019 |

* Class A-SGD was terminated on 30 September 2019. The audited report following the terminated of the share class (i.e. from 1 June 2019 to 30 November 2019) have been distributed to the unitholders in February 2020.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

A. Fund Information (cont'd)

7. Fund's investment objective

The Fund aims to provide a steady appreciation of the NAV of the Fund with a regular flow of income to the unitholders through investments in Sukuk.

8. Fund distribution policy

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

9. Fund's performance benchmark

Maybank 12-months General Investment Account ("GIA") tier 1 rate

10. The Fund's asset allocation policy

The Fund will invest a minimum of 70% in Sukuk and Shariah-compliant money market instruments, and a minimum of 2% in Shariah-compliant liquid assets.

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

The Fund distributed a total of RM 9,219,987 to unitholders for the financial year ended 31 May 2020. Only Class A-MYR and Class C-MYR declared distribution for the financial year.

Below are details of distributions made during the financial year:

| Class of units | Distribution dates | Gross/net distribution per unit (sen) |
|----------------|--------------------|---------------------------------------|
| Class A-MYR | 30 June 2019 | 2.40 |
| | 28 May 2020 | 3.25 |
| | | <u>5.65</u> |
| Class C-MYR | 30 June 2019 | 3.00 |
| | 28 May 2020 | 2.75 |
| | | <u>5.75</u> |

Below is the impact of the distributions to the Fund's NAV:

| Class of units | Distribution dates | Before distribution (RM) | After distribution (RM) | Changes % |
|----------------|--------------------|--------------------------|-------------------------|-----------|
| Class A-MYR | 30 June 2019 | 0.6377 | 0.6137 | 3.91 |
| | 28 May 2020 | 0.6523 | 0.6198 | 5.24 |
| Class C-MYR | 30 June 2019 | 0.5511 | 0.5211 | 5.76 |
| | 28 May 2020 | 0.5555 | 0.5280 | 5.21 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

A. Fund Information (cont'd)

12. Breakdown of unitholdings by size

Fund size

As at 31 May 2020, the size of the Fund was 129,636,132 units.

| Units in circulation by Class of Units (units) | 2020 |
|---|--------------------|
| Units in circulation - Class A-MYR | 54,423,244 |
| Units in circulation - Class C-MYR | 75,192,388 |
| Units in circulation - Class C-USD | 20,500 |
| Total | 129,636,132 |

Class A-SGD was terminated on 30 September 2019.

Breakdown of unitholdings by Class of Units as at 31 May 2020

Class A-MYR

| Unitholdings | No. of unitholders | % | No. of units ('000) | % |
|-------------------------|---------------------------|---------------|----------------------------|---------------|
| 5,000 units and below | 217 | 24.86 | 688 | 1.26 |
| 5,001 to 10,000 units | 129 | 14.78 | 972 | 1.78 |
| 10,001 to 50,000 units | 351 | 40.21 | 8,386 | 15.41 |
| 50,001 to 500,000 units | 166 | 19.01 | 19,060 | 35.02 |
| 500,001 units and above | 10 | 1.16 | 25,317 | 46.53 |
| Total | 873 | 100.02 | * 54,423 | 100.00 |

* Included units held under Institutional Unit Trust Scheme Advisers

Class C-MYR

| Unitholdings | No. of unitholders | % | No. of units ('000) | % |
|-------------------------|---------------------------|---------------|----------------------------|---------------|
| 5,000 units and below | - | - | - | - |
| 5,001 to 10,000 units | - | - | - | - |
| 10,001 to 50,000 units | - | - | - | - |
| 50,001 to 500,000 units | - | - | - | - |
| 500,001 units and above | 6 | 100.00 | 75,192 | 100.00 |
| Total | 6 | 100.00 | 75,192 | 100.00 |

Class C-USD

| Unitholdings | No. of unitholders | % | No. of units ('000) | % |
|-------------------------|---------------------------|---------------|----------------------------|---------------|
| 5,000 units and below | - | - | - | - |
| 5,001 to 10,000 units | - | - | - | - |
| 10,001 to 50,000 units | 1 | 100.00 | * 21 | 100.00 |
| 50,001 to 500,000 units | - | - | - | - |
| 500,001 units and above | - | - | - | - |
| Total | 1 | 100.00 | 21 | 100.00 |

* Included 20,500 units held by the Manager

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

B. Performance Review

1. Key performance data of the Fund

| Category | FY2020 | FY2019 | FY2018 |
|-------------------------------|---------------|---------------|---------------|
| Portfolio | | | |
| Unquoted sukuk (%) | | | |
| Automobile Manufacturing | 1.35 | 1.04 | 5.64 |
| Banks | 3.20 | 5.18 | 4.32 |
| Commercial Finance | 0.84 | 1.35 | - |
| Financial Services | 11.16 | 11.69 | 16.06 |
| Food & Beverage | - | - | 2.11 |
| Government Agency | - | - | 2.46 |
| Industrial Other | 15.73 | 16.19 | 11.89 |
| Power Generation | 18.25 | 17.22 | 27.78 |
| Real Estate | 14.52 | 12.06 | 7.09 |
| Sovereign | - | - | 3.02 |
| Transportation & Logistics | 14.16 | 15.75 | 8.36 |
| Utilities | 11.26 | 9.85 | - |
| Cash and other net assets (%) | 9.53 | 9.67 | 11.27 |
| Total (%) | 100.00 | 100.00 | 100.00 |

Class A-MYR

| | | | |
|---------------------------------------|----------------------------|------------|------------|
| NAV (RM) | 33,748,039 | 51,411,876 | 36,474,770 |
| Units in circulation (units) | 54,423,244 | 81,201,357 | 61,616,200 |
| NAV per unit (RM) | 0.6201 | 0.6331 | 0.5920 |
| Highest NAV per unit (RM) | 0.6566 | 0.6331 | 0.6070 |
| Lowest NAV per unit (RM) | 0.6125 | 0.5922 | 0.5870 |
| Net income distributed (RM) | 3,619,296 | - | 924,243 |
| Distribution dates | 30/06/2019 & 28/05/2020 | - | 31/05/2018 |
| Gross/net distribution per unit (sen) | 5.65 | - | 1.50 |
| Annual return (%) ⁽¹⁾ | | | |
| - Capital growth (%) | (2.07) | 6.94 | 0.85 |
| - Income distribution (%) | 9.37 | - | 2.56 |
| Total return (%) | 7.10 | 6.94 | 3.41 |
| Benchmark (%) | 3.20 | 3.60 | 3.40 |

Class C-MYR

| | | | |
|------------------------------|------------|-------------|-------------|
| NAV (RM) | 39,723,458 | 66,368,371 | 125,946,617 |
| Units in circulation (units) | 75,192,388 | 121,356,504 | 246,940,000 |
| NAV per unit (RM) | 0.5283 | 0.5469 | 0.5100 |
| Highest NAV per unit (RM) | 0.5592 | 0.5469 | 0.5066 |
| Lowest NAV per unit (RM) | 0.5200 | 0.5103 | 0.5265 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

B. Performance Review (cont'd)

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

| Category | FY2020 | FY2019 | FY2018 |
|---|----------------------------|--------|------------|
| <u>Class C-MYR (cont'd)</u> | | | |
| Net income distributed (RM) | 5,600,690 | - | 3,704,100 |
| Distribution dates | 30/06/2019 & 28/05/2020 | - | 31/05/2018 |
| Gross/net distribution per unit (sen) | 5.75 | - | 1.50 |
| Annual return (%) ⁽¹⁾ | | | |
| - Capital growth (%) | (3.42) | 7.24 | 0.69 |
| - Income distribution (%) | 11.28 | - | 2.97 |
| Total return (%) | 7.47 | 7.24 | 3.65 |
| Benchmark (%) | 3.20 | 3.60 | 3.40 |
| <u>Class C-USD</u> | | | |
| NAV (RM) | 85,292 | 79,915 | 75,079 |
| Units in circulation (units) | 20,500 | 20,500 | 20,500 |
| NAV per unit (USD) | 0.9786 | 0.9324 | 0.9225 |
| Highest NAV per unit (USD) | 1.0074 | 0.9483 | 0.8283 |
| Lowest NAV per unit (USD) | 0.9038 | 0.8850 | 0.9463 |
| Annual return (%) ⁽¹⁾ | | | |
| - Capital growth (%) | 4.93 | 1.07 | 5.78 |
| - Income distribution (%) | - | - | - |
| Total return (%) | 4.93 | 1.07 | 5.78 |
| Benchmark (%) | (0.52) | (1.60) | 0.39 |
| Management Expense Ratio ("MER") (%) ⁽²⁾ | 1.29 | 0.98 | 0.66 |
| Portfolio Turnover Ratio ("PTR") (times) ⁽³⁾ | 0.67 | 0.85 | 0.67 |

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

Note:

- (1) Actual return of the Fund for the financial year is computed based on daily average NAV per unit, net of Manager's fee and Trustee's fee.
- (2) The Fund's MER increased to 1.29% due to the change in basis of Manager's fee in the current financial year under review.
- (3) The Fund's PTR decreased to 0.67 times due to decreased trading activities in the current financial year under review.

MAYBANK MALAYSIA INCOME-I FUND
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Manager's report
For the financial year ended 31 May 2020 (cont'd)

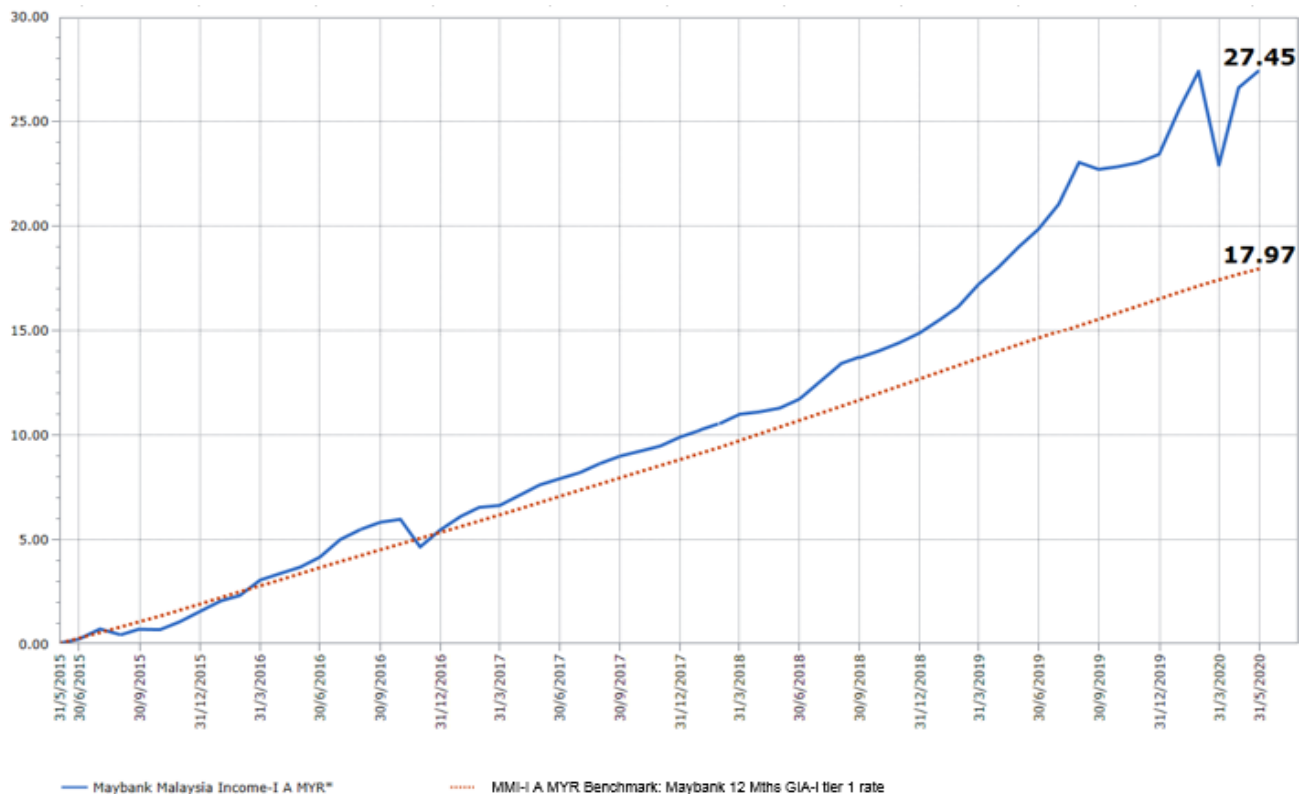
B. Performance Review (cont'd)

2. Performance of the Fund

Performance of Class A-MYR of the Fund up to 31 May 2020

Class A-MYR

| Category | 1 year to 31.05.2020 % | 3 years to 31.05.2020 % | 5 years to 31.05.2020 % |
|--------------------------|-------------------------------|--------------------------------|--------------------------------|
| Capital growth | (2.07) | 2.99 | 2.16 |
| Income distribution | 9.37 | 15.00 | 24.76 |
| Total return of the Fund | 7.10 | 18.44 | 27.45 |
| Benchmark | 3.20 | 10.53 | 17.97 |
| Average total return | 7.10 | 5.80 | 4.96 |



Source: Lipper

**MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)**

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

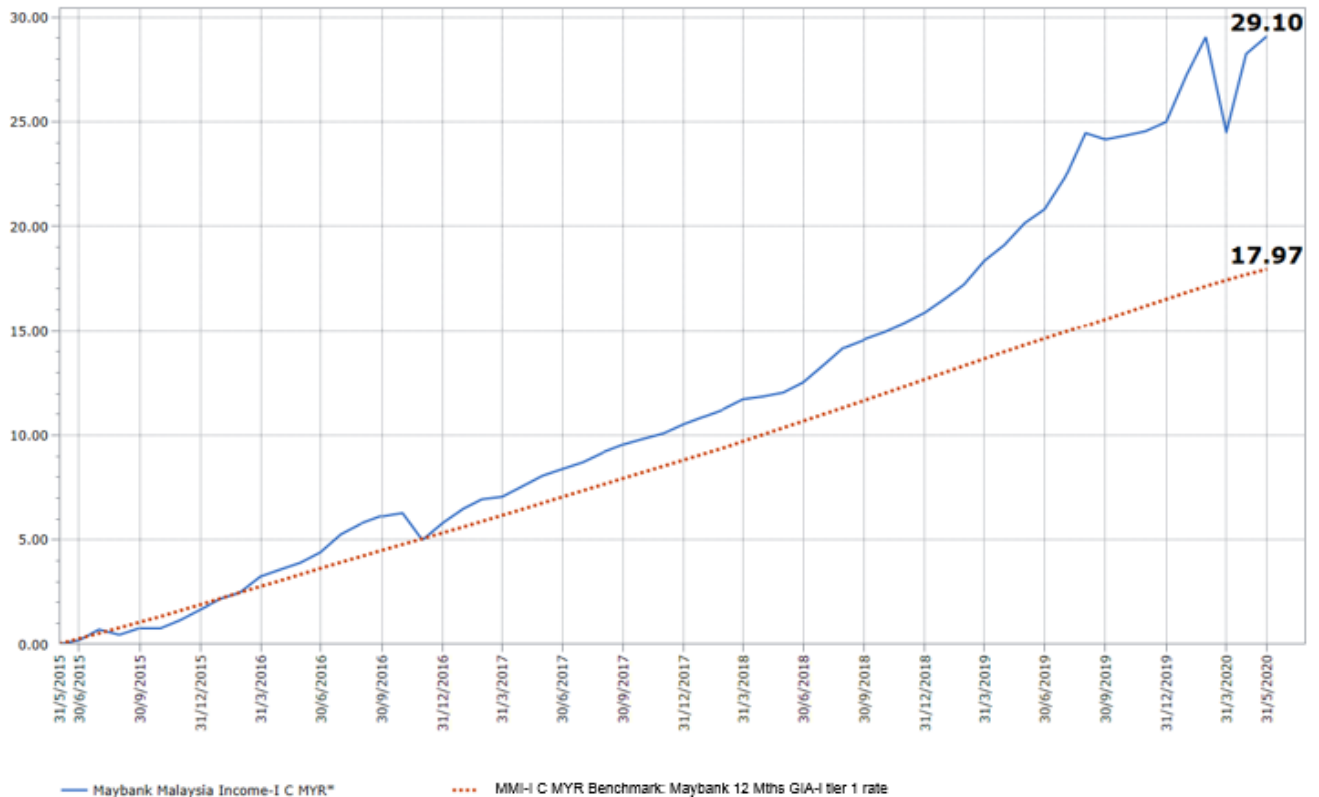
B. Performance Review (cont'd)

2. Performance of the Fund (cont'd)

Performance of Class C-MYR of the Fund up to 31 May 2020

Class C-MYR

| Category | 1 year to 31.05.2020 % | 3 years to 31.05.2020 % | 5 years to 31.05.2020 % |
|--------------------------|---------------------------------|----------------------------------|----------------------------------|
| Capital growth | (3.42) | 4.28 | 3.73 |
| Income distribution | 11.28 | 14.55 | 24.46 |
| Total return of the Fund | 7.47 | 19.46 | 29.10 |
| Benchmark | 3.20 | 10.53 | 17.97 |
| Average total return | 7.47 | 6.10 | 5.24 |



Source: Lipper

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

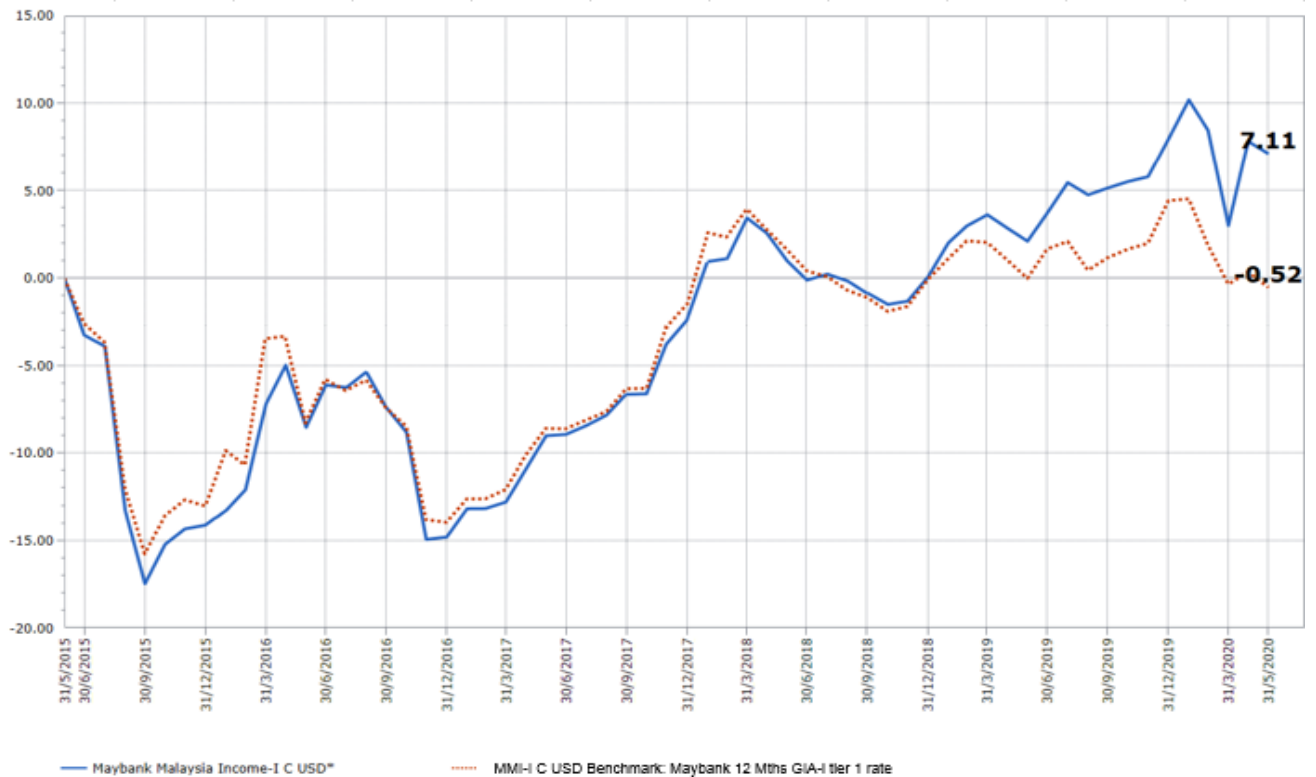
B. Performance Review (cont'd)

2. Performance of the Fund (cont'd)

Performance of Class C-USD of the Fund up to 31 May 2020

Class C-USD

| Category | 1 year to 31.05.2020 % | 3 years to 31.05.2020 % | 5 years to 31.05.2020 % |
|--------------------------|---------------------------------|----------------------------------|----------------------------------|
| Capital growth | 4.93 | 17.74 | 4.91 |
| Income distribution | - | - | 2.09 |
| Total return of the Fund | 4.93 | 17.74 | 7.11 |
| Benchmark | (0.52) | 8.81 | (0.52) |
| Average total return | 4.93 | 5.59 | 1.38 |



Source: Lipper

* Class A-SGD was terminated on 30 September 2019. The audited report following the terminated of the share class (i.e. from 1 June 2019 to 30 November 2019) have been distributed to the unitholders in November 2019.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

B. Performance Review (cont'd)

2. Performance of the Fund (cont'd)

Has the Fund achieved its objective?

The Fund generated a return of 7.10%, 7.47% and 4.93% for the year for Class A-MYR, Class C-MYR and Class C-USD respectively, outperforming the benchmark by 3.90%, 4.27% and 5.45% respectively, over the same period. The outperformance was due to a combination of stronger returns benefitting from the sukuk market rally and income derived from the sukuk held in the Fund during the year.

As the Fund continued to pay distribution on a consistent basis, the Fund has achieved its investment objective.

3. Annual total return of the Fund

Class A-MYR

| For the financial year ended | 31.05.2020 % | 31.05.2019 % | 31.05.2018 % | 31.05.2017 % | 31.05.2016 % |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Capital growth | (2.07) | 6.94 | 0.85 | 1.21 | (0.34) |
| Income distribution | 9.37 | - | 2.56 | 2.59 | 4.00 |
| Total return of the Share Class | 7.10 | 6.94 | 3.41 | 3.80 | 3.66 |
| Benchmark | 3.20 | 3.60 | 3.40 | 3.27 | 3.37 |

Class C-MYR

| For the financial year ended | 31.05.2020 % | 31.05.2019 % | 31.05.2018 % | 31.05.2017 % | 31.05.2016 % |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Capital growth | (3.42) | 7.24 | 0.69 | 0.06 | (0.59) |
| Income distribution | 11.28 | - | 2.97 | 3.95 | 4.50 |
| Total return of the Share Class | 7.47 | 7.24 | 3.65 | 4.01 | 3.91 |
| Benchmark | 3.20 | 3.60 | 3.40 | 3.27 | 3.37 |

Class C-USD

| For the financial year ended | 31.05.2020 % | 31.05.2019 % | 31.05.2018 % | 31.05.2017 % | 31.05.2016 % |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Capital growth | 4.93 | 1.07 | 5.78 | (0.53) | (10.43) |
| Income distribution | - | - | - | - | 1.88 |
| Total return of the Share Class | 4.93 | 1.07 | 5.78 | (0.53) | (8.55) |
| Benchmark | (0.52) | (1.60) | 0.39 | (0.38) | (8.22) |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

B. Performance Review (cont'd)

4. Basis of calculation made in calculating the returns:

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

An illustration of the above would be as follows:

| | | |
|--------------------|---|---|
| Capital return (%) | = | (NAV per unit end / NAV per unit begin) - 1 |
| Income return (%) | = | Gross income distribution per unit / NAV per unit begin |
| Total return (%) | = | Capital return (%) + Income return (%) |

C. Market Review

The Malaysian sukuk market rallied over the period under review with the first few months of the period left the global central banks dovish on concerns on the United States ("US")-China trade war. Risk appetite then returned in October 2019 amidst positive developments in the US-China trade negotiations, as well as increased supply in corporate sukuk given the low yield environment. The US Federal Reserve ("Fed") had by then eased its monetary policy for the third time in 2019, bringing the Fed Fund Rate ("FFR") level to 1.5% - 1.75%, while Malaysia's Overnight Policy Rate ("OPR") remained at 3.00% since the last cut in May 2019. In November 2019, the Malaysian sukuk market was supported by the surprise 50 basis points ("bps") cut in Statutory Reserve Requirement ("SRR") in early November 2019, as the resultant increase in liquidity (approximately RM7.0 billion ('bn") injected into the market) provided some sustained demand for Malaysian sukuk, but demand was capped due to the de-escalation of the US-China trade war.

The New Year saw the Malaysian sukuk market supported by the surprise 25bps OPR cut on 22 January 2020, which was a pre-emptive measure to "secure the improving growth trajectory amid price stability". Sukuk yields further rallied on safe haven demand and concerns on impact of the COVID-19 scare on global growth. The Malaysian sukuk market continued its rally in February 2020, despite the short sell-off in the final week of the month due to the domestic political drama that saw the resignation of the Prime Minister and the dissolution of the cabinet. Yields quickly recovered on strong local support and expectations of another OPR cut in March 2020, as well as global risk-off mode amidst COVID-19 fears.

However, the Malaysian sukuk market sold off in March 2020, with yields for government sukuk higher by up to 55bps month-on-month ("m-o-m"), amidst weak economic outlook due to COVID-19 pandemic as well as distressed oil prices. The sell-off was also across all other asset classes due to risk aversion as investors started to raise more cash. Central banks and governments globally introduced various unprecedented monetary, financial and economic stimulus package to support the economy. In the US, the Fed has slashed its fed fund target rate to 0 - 0.25% while President Donald Trump administration also introduced USD2.0 trillion stimulus measures. Meanwhile in Malaysia, Bank Negara Malaysia ("BNM") in its March 2020 meeting, cut its Overnight Policy Rate ("OPR") by another 25bps, bringing the current OPR level to 2.50% (i.e. a total of 50bps cut in 2020). In addition, the SRR was lowered to 2% (from 3% previously) effective 20 March 2020 and banks are now allowed to recognize up to RM1bn in Malaysian government bonds for SRR compliance purposes. These combined measures would inject some RM30bn worth of liquidity into the banking system and support the Malaysian capital markets. Meanwhile, as at early April 2020, the Malaysian government have announced a total of RM260bn of economic stimulus package that is aimed to mitigate the impact of COVID-19 and avert a sharper contraction in economic activity.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

C. Market Review (cont'd)

The Malaysian sukuk market recovered in April 2020 and May 2020 following another 50bps OPR cut in the scheduled Monetary Policy Committee ("MPC") meeting in May 2020 to bring the new OPR level to 2.00%, in order to curb the negative impact of COVID-19 to the economy. The buying momentum was also buoyed by the expected improvements in COVID-19 statistics in Malaysia as the extended Movement Control Order ("MCO") begins to show positive results in flattening the COVID-19 curve. In addition to the OPR cut, BNM also allowed Banks to use Malaysian Government Securities ("MGS") and Government Investment Issue ("GII") to fully meet the SRR compliance effective 16 May 2020 and up to 31 May 2021. This measure will release approximately RM16bn in liquidity into the banking system. While there were some profit taking activities post-OPR cut, the sukuk market remained supported amidst weak economic data and global risk-off sentiment, coupled with the re-emergence of US-China tensions.

On foreign shareholding, foreigners net sold RM12.3bn of Malaysian debt securities in March 2020, mostly in MGS, as heightened risk aversion saw flight to quality and cash. The outflow in March 2020 was the largest outflow in a single month since May 2008. Foreign share of MGS fell further to 36.8% (February 2020: 39.6%) and MGS + GII fell to 22.1% (January 2020: 23.9%). Foreign investors also withdrew funds from domestic equities, net selling RM5.6bn in March 2020. In April 2020, global risk sentiment stabilized and foreigners net sold a milder RM2.0bn of Malaysian debt securities, before turning net buyers again in May 2020 with an inflow of RM1.5bn. On a year-to-date basis though, foreign outflow is still sizeable at -RM17.4bn.

D. Market Outlook & Investment Strategy

The current COVID-19 pandemic is negatively affecting the economic activities on the global scale resulting in central banks and governments resorting to monetary and fiscal approach to combat the slowdown effect. BNM had revised Malaysia 2020 growth expectation lower to between -2% to 0.5%, and had cut OPR by 100bps this year, as well as made changes to SRR to allow banks to use MGS and GII for SRR compliance. While most economies have started to reopen, growth outlook remains challenging and we do not rule out another OPR cut in second half 2020. 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 2020 with OECD unemployment at 9.2% versus 5.4% 2019. OECD also expects that full recovery to economic growth in forth quarter 2019 will take two years. In June, both the European Central Bank ("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 to 2022 and that a recovery of employment back to pre-COVID 19 is the key indicator.

We believe the local sukuk market will remain supported by demand from local institutional investors such as pension funds, banks and asset managers. We continue to overweight corporate sukuk over sovereign sukuk to anchor the Fund's income in corporate sukuk' coupons as they are less volatile and provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign sukuk yields. Given our expectation that economy will start to show recovery in second half 2020 as efforts by central banks and governments globally to combat the negative impact of COVID-19 start to show results, we will continue to trade opportunistically and realize profit. We are looking to be neutral duration and also look into new primary issuances that offer higher yields to deliver the required performance.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

E. Significant financial risk of the Fund

The Manager did not enter into any hedging instruments (e.g. forward currency contracts) to hedge the foreign currency exposure of the Fund as disclosed in the Fund's Prospectus dated 1 November 2018.

If the currencies in which the unitholders' contribution are denominated appreciate against the base currency, this will have an adverse effect on the NAV of the Fund in the base currency and vice versa.

The impact of the exchange rate movement between the MYR and the currency of Class C-USD may result in appreciation/depreciation of the unitholders' investment in the Fund as expressed in MYR.

F. Significant Changes in the State of Affairs of the Fund

The following have changed in accordance with the Second Supplementary Master Prospectus dated 17 January 2020:

- (i) The name of the Fund was changed to Maybank Malaysia Income-I Fund
- (ii) The basis of Manager's fee rate

G. 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

For the Financial Year Ended 31 May 2020

To the Unit Holders of
MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of MAYBANK MALAYSIA INCOME-I FUND (Formerly known as MAYBANK DANA ARIF) for the financial year ended 31 May 2020. In our opinion, MAYBANK ASSET MANAGEMENT SDN BHD, the Manager, has operated and managed MAYBANK MALAYSIA INCOME-I FUND (Formerly known as MAYBANK DANA ARIF) in accordance with the limitations imposed on the investment powers of the management company under the Deeds, securities laws and the applicable Guidelines on Unit Trust Funds during the financial year then ended.

We are also of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deeds and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirement; and
- (c) The distribution of income made by MAYBANK MALAYSIA INCOME-I FUND (Formerly known as MAYBANK DANA ARIF) as declared by the Manager is appropriate and reflects the investment objective of MAYBANK MALAYSIA INCOME-I FUND (Formerly known as MAYBANK DANA ARIF).

Yours faithfully
AMANAHRAYA TRUSTEES BERHAD

ZAINUDIN BIN SUHAIMI
Deputy Chief Executive Officer

Kuala Lumpur, Malaysia
16 July 2020

STATEMENT BY MANAGER

**TO THE UNITHOLDERS OF
MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)
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 Malaysia Income-I Fund (formerly known as Maybank Dana Arif) as at 31 May 2020 and of its results, changes in net assets attributable to unitholders and cash flows for the financial year then ended 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

REPORT OF THE SHARIAH ADVISER

TO THE UNITHOLDERS OF MAYBANK MALAYSIA INCOME-I FUND (Formerly known as MAYBANK DANA ARIF) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

We have acted as the Shariah Adviser of Maybank Malaysia Income-I Fund (Formerly known as Maybank Dana Arif) (the "Fund"). Our responsibility is to ensure that the procedures and the processes employed by Maybank Asset Management Sdn Bhd, (the "Manager") is in accordance with the principles of Shariah.

In our opinion, the Manager has managed and administered the Fund in accordance with the principles of Shariah and comply with applicable guidelines, ruling or decision issued by the Securities Commission ("SC") on Shariah matters for the financial year ended 31 May 2020.

In addition, we also confirm that the investment portfolio of the Fund comprises securities which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia ("SACSC") and the Shariah Advisory Council of Bank Negara Malaysia ("SACBNM"). Any unlisted securities which are not certified by the SACSC and SACBNM shall be determined in accordance with the ruling issued by the Shariah adviser.

For and on behalf of the Shariah Adviser of the Fund

Dr Aznan Bin Hasan

Chairman of the Shariah Committee of Maybank Islamic Berhad

Kuala Lumpur, Malaysia

16 July 2020

**Independent auditors' report to the Unitholders of
Maybank Malaysia Income-I Fund
(Formerly known as Maybank Dana Arif)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Malaysia Income-I Fund (Formerly known as Maybank Dana Arif) (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 net assets attributable to unitholders 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 20 to 54.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund 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 Malaysia Income-I Fund
(Formerly known as Maybank Dana Arif) (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 Malaysia Income-I Fund
(Formerly known as Maybank Dana Arif) (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 Malaysia Income-I Fund
(Formerly known as Maybank Dana Arif) (cont'd)**

Other matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds 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
03103/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 July 2020

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

| | Note | 2020 RM | 2019 RM |
|--|-------|---------------------|-------------------|
| INVESTMENT INCOME | | | |
| Profit income | 3 | 4,359,557 | 6,570,122 |
| Net gain on fair value changes of fair value through profit or loss ("FVTPL") investments: | 7(a) | | |
| - Realised gain | | 2,600,355 | 902,871 |
| - Unrealised gain | | 532,684 | 3,375,551 |
| Other income | | 12,750 | - |
| | | <u>7,505,346</u> | <u>10,848,544</u> |
| EXPENSES | | | |
| Manager's fee | 4 | 1,084,448 | 1,213,825 |
| Trustee's fee | 5 | 65,285 | 97,418 |
| Auditors' remuneration | | 8,000 | 11,000 |
| Tax agent's fee | | 3,895 | 5,000 |
| Shariah advisory fee | | 6,000 | 9,000 |
| Administrative expenses | | 37,949 | 25,506 |
| | | <u>1,205,577</u> | <u>1,361,749</u> |
| Net income before finance cost and taxation | | 6,299,769 | 9,486,795 |
| Distribution to unitholders | 2.12 | | |
| Class A-MYR | 14(a) | (3,477,920) | - |
| Class C-MYR | 14(b) | (12,853,328) | - |
| Taxation | 6 | - | - |
| Net (loss)/income after taxation, which is the total comprehensive (loss)/income for the financial year | | <u>(10,031,479)</u> | <u>9,486,795</u> |
| Net (loss)/income after taxation is made up of the following: | | | |
| Net realised (loss)/income | | (10,564,163) | 6,111,244 |
| Net unrealised income | | 532,684 | 3,375,551 |
| | | <u>(10,031,479)</u> | <u>9,486,795</u> |

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020 (CONT'D)

| | Note | 2020 RM | 2019 RM |
|--|------|-------------------------|------------|
| Distributions for the financial year: | 14 | | |
| CLASS A-MYR | | | |
| Net distribution for the year | | 3,619,296 | - |
| Gross/net distribution per unit (sen) | | <u>5.65</u> | <u>-</u> |
| Distribution dates (ex-date) | | <u>Refer to Note 14</u> | <u>-</u> |
| CLASS C-MYR | | | |
| Net distribution for the year | | 5,600,690 | - |
| Gross/net distribution per unit (sen) | | <u>5.75</u> | <u>-</u> |
| Distribution dates (ex-date) | | <u>Refer to Note 14</u> | <u>-</u> |

There was no distribution declared for Class C-USD and Class A-SGD in the current and previous financial year.

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020

| | Note | 2020 RM | 2019 RM |
|--|-------------|-------------------|--------------------|
| ASSETS | | | |
| Financial assets at FVTPL | 7 | 66,548,388 | 106,478,286 |
| Shariah-compliant deposits with licensed Islamic financial institutions | 8 | 5,143,352 | 11,480,387 |
| Amount due from brokers | 9 | - | 517,462 |
| Amount due from Manager | 10 | 1,159,821 | - |
| Profit income receivables | | 786,811 | 1,068,929 |
| Cash at bank | | 46,743 | 377 |
| TOTAL ASSETS | | <u>73,685,115</u> | <u>119,545,441</u> |
| LIABILITIES | | | |
| Amount due to brokers | 9 | - | 1,241,096 |
| Amount due to Manager | 10 | 26,724 | 342,761 |
| Amount due to Trustee | 11 | 4,281 | 6,996 |
| Other payables and accruals | 12 | 97,321 | 89,391 |
| TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS) | | <u>128,326</u> | <u>1,680,244</u> |
| NET ASSET VALUE ("NAV") OF THE FUND ATTRIBUTABLE TO UNITHOLDERS OF THE FUND | | <u>73,556,789</u> | <u>117,865,197</u> |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE: | | | |
| | 2.6 | | |
| Unitholders' contribution | 13(a) | 68,014,287 | 102,286,601 |
| Retained earnings | 13(b) & (c) | 5,542,502 | 15,578,596 |
| | | <u>73,556,789</u> | <u>117,865,197</u> |

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020 (CONT'D)

| | Note | 2020 | 2019 |
|---------------------------------------|--------|--------------------|--------------------|
| NET ASSET VALUE | | | |
| - Class A-MYR | | 33,748,039 | 51,411,876 |
| - Class C-MYR | | 39,723,458 | 66,368,371 |
| - Class C-USD | | 85,292 | 79,915 |
| - Class A-SGD * | | - | 5,035 |
| | | <u>73,556,789</u> | <u>117,865,197</u> |
| NUMBER OF UNITS IN CIRCULATION | | | |
| (UNITS) | 13 (a) | | |
| - Class A-MYR | | 54,423,244 | 81,201,357 |
| - Class C-MYR | | 75,192,388 | 121,356,504 |
| - Class C-USD | | 20,500 | 20,500 |
| - Class A-SGD * | | - | 3,523 |
| | | <u>129,636,132</u> | <u>202,581,884</u> |
| NAV PER UNIT | | | |
| - Class A-MYR (RM) | | <u>RM 0.6201</u> | <u>RM 0.6331</u> |
| - Class C-MYR (RM) | | <u>RM 0.5283</u> | <u>RM 0.5469</u> |
| - Class C-USD (USD) | | <u>USD 0.9786</u> | <u>USD 0.9324</u> |
| - Class A-SGD (SGD) * | | <u>-</u> | <u>SGD 0.4739</u> |

* Class A-SGD was terminated on 30 September 2019 and the final repayment of contribution to the unitholders was based on NAV price per unit of SGD 0.4922

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

| | Unitholders' contribution | Retained earnings | Net assets attributable to unitholders |
|--|--------------------------------------|------------------------------|---|
| | RM | RM | RM |
| At 1 June 2019 | 102,286,601 | 15,578,596 | 117,865,197 |
| Total comprehensive income for the financial year | - | (10,031,479) | (10,031,479) |
| Creation of units | 5,095,662 | - | 5,095,662 |
| Reinvestment of units | 9,219,986 | - | 9,219,986 |
| Cancellation of units | (55,703,839) | - | (55,703,839) |
| Distributions (Note 14) | 7,111,262 | - | 7,111,262 |
| Transferred from retained earnings to unitholders' contribution upon termination of Class A-SGD | 4,615 | (4,615) | - |
| At 31 May 2020 | <u>68,014,287</u> | <u>5,542,502</u> | <u>73,556,789</u> |
| At 1 June 2018 | 156,421,322 | 6,091,801 | 162,513,123 |
| Total comprehensive income for the financial year | - | 9,486,795 | 9,486,795 |
| Creation of units | 20,892,643 | - | 20,892,643 |
| Reinvestment of units | 4,629,635 | - | 4,629,635 |
| Cancellation of units | (79,656,999) | - | (79,656,999) |
| At 31 May 2019 | <u>102,286,601</u> | <u>15,578,596</u> | <u>117,865,197</u> |

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

| | 2020 | 2019 |
|--|-------------------------|--------------------------|
| | RM | RM |
| CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES | | |
| Net proceeds from sale and redemption of investments | 87,507,308 | 142,649,950 |
| Net purchase of investments | (44,940,419) | (99,954,625) |
| Profit from sukuk received | 4,180,556 | 7,047,554 |
| Profit from Islamic deposits received | 233,529 | 352,632 |
| Other income received | 12,750 | - |
| Manager's fee paid | (1,203,208) | (1,153,571) |
| Trustee's fee paid | (68,000) | (100,921) |
| Other expenses paid | (47,909) | (43,134) |
| Net cash generated from operating and investing activities | <u>45,674,607</u> | <u>48,797,885</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from creation of units | 3,935,839 | 20,892,643 |
| Payments for cancellation of units | (55,901,115) | (79,454,406) |
| Net cash used in financing activities | <u>(51,965,276)</u> | <u>(58,561,763)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (6,290,669) | (9,763,878) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 11,480,764 | 21,244,642 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | <u>5,190,095</u> | <u>11,480,764</u> |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash at bank | 46,743 | 377 |
| Shariah-compliant deposits with licensed Islamic financial institutions (Note 8) | 5,143,352 | 11,480,387 |
| | <u>5,190,095</u> | <u>11,480,764</u> |

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Maybank Malaysia Income-I Fund (formerly known as Maybank Dana Arif) (the "Fund") was constituted pursuant to the executed Deed dated 29 March 2004 between Amanah Mutual Berhad ("AMB") as the Manager and AmanahRaya Trustee Berhad as the Trustee and the Registered Holders of the Fund. The following Supplemental deeds have been issued between AMB and the Trustee:

- First supplemental deed dated 26 May 2005
- Second supplemental deed dated 13 August 2008
- Third supplemental deed dated 14 March 2013
- Fourth supplemental deed dated 27 January 2016
- Fifth supplemental deed dated 12 December 2017

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

Subsequently, MAM and the Trustee has entered into the Sixth supplemental deed dated 4 September 2018 and Seventh supplemental deed dated 20 August 2019. The Deed and Supplemental Deeds are subsequently referred to as 'Deeds'.

Prior to 30 September 2019, the Fund had 4 Classes of Units namely A-MYR, C-MYR, A-SGD and C-USD. As disclosed in the First Supplementary Master Prospectus dated 18 October 2019, Class A-SGD was terminated on 30 September 2019 as the last redemption was performed on 21 August 2019.

The principal activity of the Fund is to invest in a portfolio of investments that are permissible under Shariah principles with the objective of providing a steady appreciation of the NAV of the Fund with a regular flow of income to investors. The investments include Sukuk and short term Islamic money market instruments.

MAM has appointed Maybank Islamic Asset Management Sdn Bhd ("MIAM") as the External Investment Manager for the Fund. MIAM is a wholly-owned subsidiary of Maybank Asset Management Group Berhad and is a holder of Capital Markets Services Licence ("CMSL") to carry out Islamic fund management business pursuant to Section 61 of the Capital Markets and Services Act 2007 ("CMSA").

The roles and responsibilities of MIAM include management of the investment portfolio in accordance with the investment objective, subject to the CMSA and the Guidelines on Unit Trust Funds issued by the Securities Commission of Malaysia ("SC") and any other relevant guidelines issued by the SC as well as the terms and conditions of the investment management agreement between MIAM and MAM.

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

The financial statements were authorised for issue by the Board of Directors of the Manager (the "Directors") in accordance with a resolution of the Directors on 16 July 2020.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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"), the Deeds and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") which have become effective during the financial year ended 31 May 2020. The adoption of the above did not result in material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.15 to the financial statements.

All amounts are stated in Ringgit Malaysia ("RM") except for the NAV per unit for non-MYR classes which are stated in US Dollar ("USD").

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

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

2.4 Financial assets

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

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

(i) 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 profit 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, amount due from brokers, amount due from Manager and profit income receivables as financing and receivables, and are subsequently measured at amortised cost. These assets are subsequently measured using the effective profit rate ("EPR") method and are subject to impairment. The EPR is a method of calculating the amortised cost of the financial assets and of allocating and recognising the profit income in profit or loss over the relevant period.

(ii) Financial assets at FVTPL

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

A financial asset is recognised at FVTPL if:

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

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

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

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

2.4 Financial assets (cont'd)

(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. 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.

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 profit 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 MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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 brokers, amount due to Manager, amount due to Trustee, 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 EPR method.

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

Derecognition of financial liabilities

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

2.6 Unitholders' contribution

The unitholders' contributions to the Fund are classified as liabilities under the requirements of MFRS 132 *Financial Instruments: Presentation* as they are puttable instruments whereby the unitholders have the right to redeem their units in the Fund at their option.

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.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

2.7 Revenue / Income

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

Profit income from sukuk and Shariah-compliant deposits with licensed Islamic financial institutions are recognised on the accruals basis using the EPR method.

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

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

2.8 Cash and cash equivalents

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

2.9 Taxation

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in unitholders

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 there are no material temporary differences.

2.10 Purification of income

The Fund is required to cleanse or purify any income or gains generated by Shariah non-compliant activities or sources, based on the method of purification which has been approved by the Shariah Adviser.

The purification exercise is done by channelling the purification amount to charitable bodies as advised by the Shariah Adviser and this exercise is performed by the Manager when relevant information has been obtained. The calculation of the purification amount must further be endorsed by the Shariah Adviser for verification before the purification is done.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

2.11 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 or transfer the liability takes place either:

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

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

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

2.12 Distributions

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves and recognised in statement of comprehensive income except where distribution is sourced out of distribution equalisation which is accounted for as an adjustment to the unitholders' contribution. A proposed distribution is recognised as a liability in the period in which it is approved.

Distribution is declared at the discretion of the Fund Manager based on the availability of distributable income.

Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment is based on the NAV per unit on the income payment date, which is also the time of creation.

2.13 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.

2.14 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.

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

3. PROFIT INCOME

| | 2020 | 2019 |
|--|------------------|------------------|
| | RM | RM |
| Profit from Sukuk | 4,263,173 | 6,450,288 |
| Profit from Shariah-compliant deposits placed with licensed Islamic financial institutions | 233,417 | 347,207 |
| Amortisation of premium, net accretion of discount | (137,033) | (227,373) |
| | <u>4,359,557</u> | <u>6,570,122</u> |

4. MANAGER'S FEE

The Manager's fee is computed and accrued daily.

The Manager's fee was revised twice during the financial year. Effective 18 January 2020, the Manager's fee is charged at 1.00% per annum ("p.a.") of the NAV of the respective class. The Manager's fee is revised again, effective 1 March 2020, to 0.35% p.a. of the NAV of the respective class.

Prior to 18 January 2020, the Manager's fee was computed based on a profit sharing scheme with the unitholders of the Fund, in the ratio of the respective Classes of Units, of net investment income of the Fund less Trustee fee and all permitted expenses under the Deeds.

| Classes of Units | Profit Sharing Ratio (%) | Minimum value |
|------------------|--------------------------|---------------|
| A-MYR | 15:85 | RM 0.4950 |
| C-MYR | 10:90 | RM 0.4950 |
| C-USD | 20:80 | USD 0.4950 |
| A-SGD* | 25:75 | SGD 0.4950 |

* Class A-SGD was terminated on 30 September 2019.

5. TRUSTEE'S FEE

The Trustee fee is computed based on 0.07% (2019: 0.07%) per annum ("p.a.") of the NAV of the Fund, before deducting Manager's fee and Trustee's fee for the day, subject to a minimum of RM18,000 p.a., accrued daily in the Fund's base currency, RM. The fee is apportioned to each share class based on the multi class ratio ("MCR"), and paid monthly to the Trustee.

* Class A-SGD was terminated on 30 September 2019.

6. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable income for the financial year.

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

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

6. TAXATION (CONT'D)

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

| | 2020 | 2019 |
|---|-------------|-------------|
| | RM | RM |
| Net income before taxation | 6,299,769 | 9,486,795 |
| Taxation at Malaysian statutory rate of 24% (2019: 24%) | 1,511,945 | 2,276,831 |
| Effect of income not subject to tax | (1,801,283) | (2,603,651) |
| Effect of expenses not deductible for tax purposes | 289,338 | 326,820 |
| Tax expense for the financial year | - | - |

7. FINANCIAL ASSETS AT FVTPL

| | | 2020 | 2019 | |
|---------------------------------|------------------|---------------------|-------------------|--------------|
| | | RM | RM | |
| Sukuk | | 66,548,388 | 106,478,286 | |
| | | Market Value | Percentage | |
| 2020 | Quantity | Cost | of NAV | |
| | Unit | RM | % | |
| Automobile Manufacturing | | | | |
| DRB-HICOM Bhd | | | | |
| - 4.85% / 11.12.2026 | 1,000,000 | 1,033,641 | 995,790 | 1.35 |
| Banks | | | | |
| Small Medium Enterprise | | | | |
| Development Bank Malaysia Bhd | | | | |
| - 3.30% / 23.04.2027 | 2,300,000 | 2,300,000 | 2,351,566 | 3.20 |
| Commercial Finance | | | | |
| MNRB Holdings Bhd | | | | |
| - 5.20% / 22.03.2029 | 600,000 | 620,650 | 620,862 | 0.84 |
| Financial Services | | | | |
| Fortune Premiere Sdn Bhd | | | | |
| - 5.05% / 05.09.2025 | 300,000 | 304,148 | 322,620 | 0.44 |
| - 5.05% / 31.10.2025 | 2,600,000 | 2,609,171 | 2,800,096 | 3.81 |
| Gulf Investment Corp | | | | |
| - 5.10% / 16.03.2021 | 5,000,000 | 5,003,442 | 5,079,150 | 6.91 |
| | 7,900,000 | 7,916,761 | 8,201,866 | 11.16 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2020 (cont'd) | Quantity RM | Aggregate Cost RM | Market Value RM | Percentage of NAV % |
|--|-------------------|-------------------------|-----------------------|---------------------------|
| Industrial-Other | | | | |
| Ahmad Zaki Resources Bhd - 4.85% / 26.12.2024 | 5,000,000 | 5,000,000 | 5,096,150 | 6.93 |
| Cypark Ref Sdn Bhd - 5.18% / 29.06.2029 | 2,100,000 | 2,137,555 | 2,188,410 | 2.98 |
| Konsortium Lebuhraya Utara-Timur Sdn Bhd - 4.25% / 01.12.2023 | 1,600,000 | 1,586,835 | 1,638,416 | 2.23 |
| TG Excellence Bhd - 3.95% / 27.02.2120 | 2,600,000 | 2,600,000 | 2,643,628 | 3.59 |
| | <u>11,300,000</u> | <u>11,324,390</u> | <u>11,566,604</u> | <u>15.73</u> |
| Power Generation | | | | |
| Sarawak Energy Bhd - 4.95% / 25.11.2033 | 900,000 | 1,041,532 | 1,038,348 | 1.41 |
| Abu Dhabi National Energy Company PJSC (TAQA) - 4.65% / 03.03.2022 | 5,000,000 | 5,023,615 | 5,107,650 | 6.94 |
| Quantum Solar Park (Semenanjung) Sdn Bhd - 5.16% / 06.10.2022 | 2,100,000 | 2,144,492 | 2,152,227 | 2.93 |
| YTL Power International Bhd - 5.05% / 03.05.2027 | 4,700,000 | 4,785,449 | 5,129,110 | 6.97 |
| | <u>12,700,000</u> | <u>12,995,088</u> | <u>13,427,335</u> | <u>18.25</u> |
| Real Estate | | | | |
| Country Garden Real Estate Sdn Bhd - 6.40% / 06.05.2022 | 2,200,000 | 2,200,000 | 2,316,578 | 3.15 |
| - 6.40% / 18.03.2022 | 2,900,000 | 2,900,000 | 3,043,927 | 4.14 |
| IJM Land Bhd - 5.65% / 19.03.2026 | 2,400,000 | 2,400,000 | 2,500,752 | 3.40 |
| - 4.73% / 17.03.2119 | 1,700,000 | 1,703,288 | 1,677,339 | 2.28 |
| Talam Transform Bhd - 0.00% / 28.06.2020 | 1,190,000 | - | 1,143,637 | 1.55 |
| | <u>10,390,000</u> | <u>9,203,288</u> | <u>10,682,233</u> | <u>14.52</u> |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2020 (cont'd) | Quantity RM | Aggregate Cost RM | Market Value RM | Percentage of NAV % |
|--|-------------------|-------------------------|-----------------------|---------------------------|
| Transportation & Logistics | | | | |
| Penang Port Sdn Bhd - 4.30% / 24.12.2026 | 3,200,000 | 3,200,000 | 3,364,192 | 4.57 |
| MMC Corp Bhd - 5.70% / 24.03.2028 | 6,500,000 | 6,561,053 | 7,055,230 | 9.59 |
| | <u>9,700,000</u> | <u>9,761,053</u> | <u>10,419,422</u> | <u>14.16</u> |
| Utilities | | | | |
| Edra Energy Sdn Bhd - 6.43% / 05.07.2034 | 2,000,000 | 2,267,363 | 2,456,260 | 3.34 |
| Tenaga Nasional Bhd - 4.98% / 27.08.2038 | 5,000,000 | 5,000,000 | 5,826,450 | 7.92 |
| | <u>7,000,000</u> | <u>7,267,363</u> | <u>8,282,710</u> | <u>11.26</u> |
| Total sukuk | <u>62,890,000</u> | <u>62,422,234</u> | <u>66,548,388</u> | <u>90.47</u> |
| Unrealised gain on unquoted fixed income securities | | | <u>4,126,154</u> | |
| 2019 | | | | |
| Automobile Manufacturing | | | | |
| UMW Holdings Bhd - 4.65% / 13.09.2023 | 1,200,000 | 1,228,560 | 1,228,547 | 1.04 |
| Banks | | | | |
| Affin Islamic Bank Bhd - 5.05% / 23.10.2028 | 3,000,000 | 3,022,478 | 3,056,160 | 2.59 |
| Bank Islam Malaysia Bhd - 5.50% / 15.12.2025 | 1,000,000 | 1,016,358 | 1,020,600 | 0.87 |
| Mumtaz Rakyat Sukuk Bhd - 4.95% / 19.06.2026 | 2,000,000 | 2,006,932 | 2,024,960 | 1.72 |
| | <u>6,000,000</u> | <u>6,045,768</u> | <u>6,101,720</u> | <u>5.18</u> |
| Commercial Finance | | | | |
| Danainfra Nasional Bhd - 4.84% / 11.02.2039 | 1,500,000 | 1,500,000 | 1,592,370 | 1.35 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2019 (cont'd) | Quantity RM | Aggregate Cost RM | Market Value RM | Percentage of NAV % |
|--|-------------------|-------------------------|-----------------------|---------------------------|
| Financial Services | | | | |
| Fortune Premiere Sdn Bhd | | | | |
| - 5.05% / 05.09.2025 | 1,000,000 | 1,016,127 | 1,036,180 | 0.88 |
| - 5.05% / 31.10.2025 | 2,600,000 | 2,610,614 | 2,688,764 | 2.28 |
| Gulf Investment Corp | | | | |
| - 5.10% / 16.03.2021 | 5,000,000 | 5,008,105 | 5,050,000 | 4.28 |
| Golden Assets International Finance Ltd | | | | |
| - 5.35% / 05.08.2019 | 5,000,000 | 5,001,098 | 5,010,200 | 4.25 |
| | <u>13,600,000</u> | <u>13,635,944</u> | <u>13,785,144</u> | <u>11.69</u> |
| Industrial-Other | | | | |
| Konsortium Lebuhraya Utara-Timur Sdn Bhd | | | | |
| - 4.25% / 01.12.2023 | 1,600,000 | 1,583,425 | 1,588,240 | 1.35 |
| Southern Power Generation Sdn Bhd | | | | |
| - 5.41% / 29.04.2033 | 5,000,000 | 5,483,179 | 5,490,200 | 4.66 |
| WCT Holdings Bhd | | | | |
| - 5.55% / 03.01.2025 | 4,000,000 | 4,022,676 | 4,080,520 | 3.46 |
| - 5.55% / 21.02.2025 | 2,750,000 | 2,756,429 | 2,804,753 | 2.38 |
| - 5.65% / 20.04.2026 | 5,000,000 | 5,013,858 | 5,112,450 | 4.34 |
| | <u>18,350,000</u> | <u>18,859,567</u> | <u>19,076,163</u> | <u>16.19</u> |
| Power Generation | | | | |
| Sarawak Energy Bhd | | | | |
| - 4.95% / 25.11.2033 | 4,000,000 | 4,008,751 | 4,256,200 | 3.61 |
| Tanjung Bin Energy Issuer Bhd | | | | |
| - 5.90% / 16.03.2029 | 3,300,000 | 3,676,326 | 3,722,037 | 3.16 |
| Tanjung Bin Power Sdn Bhd | | | | |
| - 6.00% / 15.03.2030 | 2,300,000 | 2,590,234 | 2,631,982 | 2.23 |
| Abu Dhabi National Energy Company PJSC (TAQA) | | | | |
| - 4.65% / 03.03.2022 | 5,000,000 | 5,023,615 | 5,014,750 | 4.25 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2019 (cont'd) | Quantity RM | Aggregate Cost RM | Market Value RM | Percentage of NAV % |
|---|-------------------|-------------------------|-----------------------|---------------------------|
| Power Generation (cont'd) | | | | |
| YTL Power International Bhd - 5.05% / 03.05.2027 | 4,500,000 | 4,583,136 | 4,676,760 | 3.97 |
| | <u>19,100,000</u> | <u>19,882,062</u> | <u>20,301,729</u> | <u>17.22</u> |
| Real Estate | | | | |
| Country Garden Real Estate Sdn Bhd - 6.40% / 06.05.2022 | 2,200,000 | 2,200,000 | 2,221,274 | 1.88 |
| - 6.40% / 18.03.2022 | 2,900,000 | 2,900,000 | 2,927,434 | 2.48 |
| IJM Land Bhd - 5.65% / 19.03.2026 | 2,400,000 | 2,400,000 | 2,490,528 | 2.11 |
| Talam Transform Bhd - 0.00% / 28.06.2020 | 1,357,546 | - | 1,349,727 | 1.15 |
| UEM Sunrise Bhd - 5.15% / 31.10.2025 | 5,000,000 | 5,101,134 | 5,235,900 | 4.44 |
| | <u>13,857,546</u> | <u>12,601,134</u> | <u>14,224,863</u> | <u>12.06</u> |
| Transportation & Logistics | | | | |
| Anih Bhd - 5.70% / 27.11.2026 | 4,500,000 | 4,782,093 | 4,886,460 | 4.15 |
| MMC Corp Bhd - 5.70% / 24.03.2028 | 8,000,000 | 8,046,558 | 8,217,040 | 6.97 |
| Projek Lebuhraya Usahasama Bhd - 5.27% / 12.01.2033 | 5,000,000 | 5,223,324 | 5,452,400 | 4.63 |
| | <u>17,500,000</u> | <u>18,051,975</u> | <u>18,555,900</u> | <u>15.75</u> |
| Utilities | | | | |
| Manjung Island Energy Bhd - 4.74% / 23.11.2029 | 4,000,000 | 4,079,806 | 4,228,320 | 3.59 |
| Tenaga Nasional Bhd - 4.98% / 27.08.2038 | 7,000,000 | 7,000,000 | 7,383,530 | 6.26 |
| | <u>11,000,000</u> | <u>11,079,806</u> | <u>11,611,850</u> | <u>9.85</u> |

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

| 2019 (cont'd) | Quantity RM | Aggregate Cost RM | Market Value RM | Percentage of NAV % |
|--|--------------------|-------------------------|-----------------------|---------------------------|
| Total sukuk | <u>102,107,546</u> | <u>102,884,816</u> | <u>106,478,286</u> | <u>90.33</u> |
| Unrealised gain on unquoted fixed income securities | | | <u>3,593,470</u> | |

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

8. SHARIAH-COMPLIANT DEPOSITS WITH LICENSED ISLAMIC FINANCIAL INSTITUTIONS

| | 2020 RM | 2019 RM |
|--|------------------|-------------------|
| Shariah-compliant deposits with maturity of less than 3 months | <u>5,143,352</u> | <u>11,480,387</u> |

The weighted average effective profit rates ("WAEPR") and average maturity of Shariah-compliant deposits with licensed financial institutions as at the reporting date was as follows:

| | 2020 | | 2019 | |
|---|-----------------|-----------------------------|-----------------|-----------------------------|
| | WAEPR % p.a. | Average maturity days | WAEPR % p.a. | Average maturity days |
| Shariah-compliant deposits with maturity of less than 3 months | <u>1.97</u> | <u>3</u> | <u>3.00</u> | <u>3</u> |

9. AMOUNT DUE FROM/(TO) BROKERS

The amount due from/(to) brokers relates to the amount to be received from/(paid to) a broker arising from the sale/(purchase) of Shariah-compliant unquoted fixed income securities. The settlement period for these receivables/(payables) are within 3 working days from the deal date.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

10. AMOUNT DUE FROM/(TO) MANAGER

| | | 2020 | 2019 |
|---|-------|-------------|-------------|
| | | RM | RM |
| Amount due from Manager is in respect of: | | | |
| Subscription of units | (i) | 1,159,821 | - |
| Amount due to Manager is in respect of: | | | |
| Management fee | (ii) | 21,407 | 140,169 |
| Cancellation of units | (iii) | 5,317 | 202,592 |
| | | 26,724 | 342,761 |

- (i) The amount represent amount receivable from the Manager for units subscribed.
- (ii) The amount represents amount payable to the Manager arising from the accruals for Manager's fee at the end of the financial period. The normal credit term for Manager's fee is 15 days (2019: 15 days).
- (iii) The amount represents amount payable to the Manager for units cancelled.

11. AMOUNT DUE TO TRUSTEE

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

12. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| | RM | RM |
| Due to external auditors | 12,083 | 20,500 |
| Due to tax agent | 17,600 | 17,850 |
| Shariah advisory fee payable | 6,360 | 9,000 |
| Other payables | 61,278 | 42,041 |
| | 97,321 | 89,391 |

13. NAV ATTRIBUTABLE TO UNITHOLDERS OF THE FUND

| | | 2020 | 2019 |
|-------------------------------|-------------|-------------|-------------|
| | Note | RM | RM |
| Unitholders' contribution | (a) | 68,014,287 | 102,286,601 |
| Accumulated realised income | (b) | 1,416,348 | 11,985,126 |
| Accumulated unrealised income | (c) | 4,126,154 | 3,593,470 |
| | | 73,556,789 | 117,865,197 |

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

13. NAV ATTRIBUTABLE TO UNITHOLDERS OF THE FUND (CONT'D)

(a) Unitholders' contribution

The units are distributed based on the following classes:

| | 2020 | | 2019 | |
|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Units | RM | Units | RM |
| (i) Class A-MYR | 54,423,244 | 27,867,859 | 81,201,357 | 44,903,950 |
| (ii) Class C-MYR | 75,192,388 | 40,079,744 | 121,356,504 | 57,315,367 |
| (iii) Class C-USD | 20,500 | 66,684 | 20,500 | 66,684 |
| (iv) Class A-SGD * | - | - | 3,523 | 600 |
| | <u>129,636,132</u> | <u>68,014,287</u> | <u>202,581,884</u> | <u>102,286,601</u> |

(i) CLASS A-MYR

| | 2020 | | 2019 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Units | RM | Units | RM |
| As at beginning of the financial year | 81,201,357 | 44,903,950 | 61,616,200 | 32,855,750 |
| Creation of units | 8,006,020 | 5,095,662 | 34,171,218 | 20,886,644 |
| Reinvestment of units | 5,875,906 | 3,619,296 | 1,560,694 | 924,243 |
| Cancellation of units | (40,660,039) | (25,609,673) | (16,146,755) | (9,762,687) |
| Distribution equalisation (Note 14(a)) | - | (141,376) | - | - |
| As at end of the financial year | <u>54,423,244</u> | <u>27,867,859</u> | <u>81,201,357</u> | <u>44,903,950</u> |

(ii) CLASS C-MYR

| | 2020 | | 2019 | |
|--|-------------------|-------------------|--------------------|-------------------|
| | Units | RM | Units | RM |
| As at beginning of the financial year | 121,356,504 | 57,315,367 | 246,940,000 | 123,485,782 |
| Creation of units | - | - | 1,329 | 678 |
| Reinvestment of units | 10,711,880 | 5,600,690 | 7,258,671 | 3,704,100 |
| Cancellation of units | (56,875,996) | (30,088,951) | (132,843,496) | (69,875,193) |
| Distribution equalisation (Note 14(b)) | - | 7,252,638 | - | - |
| As at end of the financial year | <u>75,192,388</u> | <u>40,079,744</u> | <u>121,356,504</u> | <u>57,315,367</u> |

(iii) CLASS C-USD

| | 2020 | | 2019 | |
|---|---------------|---------------|---------------|---------------|
| | Units | RM | Units | RM |
| As at beginning/end of the financial year | <u>20,500</u> | <u>66,684</u> | <u>20,500</u> | <u>66,684</u> |

MAYBANK MALAYSIA INCOME-I FUND
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13. NAV ATTRIBUTABLE TO UNITHOLDERS OF THE FUND (CONT'D)

(a) Unitholders' contribution (cont'd)

(iv) CLASS A-SGD *

| | 2020 | | 2019 | |
|---|----------|----------|--------------|------------|
| | Units | RM | Units | RM |
| As at beginning of the financial year | 3,523 | 600 | 12,600 | 13,106 |
| Creation of units | - | - | 2,138 | 5,321 |
| Reinvestment of units | - | - | 2,862 | 1,292 |
| Cancellation of units | (3,523) | (5,215) | (14,077) | (19,119) |
| Transferred from accumulated realised income upon termination | - | 4,615 | - | - |
| As at end of the financial year | <u>-</u> | <u>-</u> | <u>3,523</u> | <u>600</u> |

* The final redemption payment of RM1,760 for Class A-SGD was performed on 21 August 2019. Class A-SGD was subsequently terminated on 30 September 2019.

As of 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 | Valued at NAV | No. of Units | Valued at NAV |
| Manager - Class C-USD (USD) | <u>20,500</u> | <u>20,061</u> | <u>20,500</u> | <u>19,114</u> |

The units are held beneficially by the Manager for booking purposes, and are within the prescribed limit allowed by the SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the directors or parties related to the Manager.

(b) Accumulated realised income

| | 2020 RM | 2019 RM |
|--|------------------|-------------------|
| At beginning of the financial year | 11,985,126 | 5,873,882 |
| Net realised (loss)/income for the financial year | (10,564,163) | 6,111,244 |
| Transferred to unitholders contribution upon termination | (4,615) | - |
| At end of the financial year | <u>1,416,348</u> | <u>11,985,126</u> |

MAYBANK MALAYSIA INCOME-I FUND
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13. NAV ATTRIBUTABLE TO UNITHOLDERS OF THE FUND (CONT'D)

(c) Accumulated unrealised income

| | 2020 | 2019 |
|--|------------------|------------------|
| | RM | RM |
| At beginning of the financial year | 3,593,470 | 217,919 |
| Net unrealised income for the financial year | 532,684 | 3,375,551 |
| At end of the financial year | <u>4,126,154</u> | <u>3,593,470</u> |

(d) Classes of shares

(i) Types of classes of units

Prior 30 September 2019, the Fund issues cancellable units, in four classes of units as detailed below:

| Classes of units | Currency | Categories of | Distribution Policy |
|-------------------------|-----------------|----------------------|----------------------------|
| A-MYR | RM | Retail | Distribution of income |
| C-MYR | RM | Institutional | Distribution of income |
| C-USD | USD | Institutional | Accumulation of units |
| A-SGD * | SGD | Retail | Distribution of income |

* Class A-SGD was terminated on 30 September 2019.

There are different charges and features for each class as follows:

- (a) Initial investments for each class
- (b) Additional minimum investment
- (c) Transfer, switching and conversion charges for each class

(ii) NAV computation

The computation of NAV of the Fund is based on the Fund's functional currency, RM, irrespective of the multiple classes of units (denominated in other currencies). Due to multiple classes in this Fund, the expenses of the Fund are apportioned based on the MCR, which is the size of the respective class relative to the whole Fund. The Fund's NAV per unit of respective classes is calculated by dividing the net assets attributable to members of respective classes with the total number of outstanding units of respective classes.

(iii) Redemption/cancellation of units by unitholders

These units are cancellable at the unitholder's option. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at the date of the statement of financial position if the unitholder exercises the right to put back the unit to the Fund.

There is no restriction on the putting of the units back to the Fund (i.e. redemption), subject to the minimum redemption amount of units of each class and the minimum unit holding for each class. If the unit holdings of a unitholder are, after a redemption request, falls below the minimum unit holdings for the Fund, a request for full redemption is deemed to have been made.

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14. DISTRIBUTION

The sources of distribution to the unitholder in the current financial year are as follow:

| (a) CLASS A-MYR | 2020 RM |
|--|--|
| Profit income | 9,201,117 |
| Net realised gain on sale of investments | 2,946,403 |
| Less : Expenses | <u>(8,669,600)</u> |
| Distribution out of realised reserve (Note 13(b)) * | 3,477,920 |
| Distribution out of distribution equalisation (Note 13(a)) | <u>141,376</u> |
| Distribution for the financial year | <u><u>3,619,296</u></u> |
| | Gross/net distribution per unit (sen) |
| Distribution dates | |
| 2020 | |
| 30 June 2019 | 2.40 |
| 28 May 2020 | <u>3.25</u> |
| | <u><u>5.65</u></u> |
| (b) CLASS C-MYR | 2020 RM |
| Profit income | 10,837,668 |
| Net realised gain on sale of investments | 4,563,897 |
| Less : Expenses | <u>(2,548,237)</u> |
| Distribution out of realised reserve (Note 13(b)) * | 12,853,328 |
| Distribution out of distribution equalisation (Note 13(a)) | <u>(7,252,638)</u> |
| Distribution for the financial year | <u><u>5,600,690</u></u> |
| | Gross/net distribution per unit (sen) |
| Distribution dates | |
| 2020 | |
| 30 June 2019 | 3.00 |
| 28 May 2020 | <u>2.75</u> |
| | <u><u>5.75</u></u> |

The distributions declared are settled in the form of units and presented as 'reinvestment of units' in Note 13 (a) on payment date.

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

There was no distribution declared during the previous financial year.

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15. SIGNIFICANT RELATED PARTY TRANSACTION AND BALANCES

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

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

| | 2020 | 2019 |
|---|-------------|-------------|
| | RM | RM |
| (i) <u>Significant related party transaction</u> | | |
| Maybank Islamic Bhd: | | |
| Profit income from Shariah-compliant deposits | 36,044 | 187,972 |
| (ii) <u>Significant related party balances</u> | | |
| Maybank Islamic Bhd: | | |
| Shariah-compliant deposit with a licensed Islamic financial institution | 3,228,000 | - |

16. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

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

| Brokers | 2020 | | 2019 | |
|---------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|
| | Value of trade | Percent of total trade | Value of trade | Percent of total trade |
| | RM | % | RM | % |
| Affin Hwang Investment Bank Bhd | 30,150,000 | 26.48 | 14,326,163 | 5.97 |
| Alliance Bank Malaysia Bhd | 12,400,000 | 10.89 | 37,388,695 | 15.59 |
| CIMB Bank Bhd | 6,900,000 | 6.06 | 34,399,568 | 14.34 |
| CIMB Islamic Bank Bhd | - | - | 10,192,949 | 4.25 |
| Hong Leong Investment Bank Bhd | 2,600,000 | 2.28 | 5,028,127 | 2.10 |
| Hong Leong Bank Bhd | 15,700,000 | 13.79 | 13,611,321 | 5.68 |
| Malayan Banking Bhd ("MBB") * | 9,400,000 | 8.26 | 23,588,797 | 9.84 |
| RHB Investment Bank Bhd | 36,700,000 | 32.24 | 84,506,138 | 35.24 |
| Standard Chartered Bank (M) Bhd | - | - | 5,100,000 | 2.13 |
| United Overseas Bank Bhd | - | - | 11,661,685 | 4.86 |
| | <u>113,850,000</u> | <u>100.00</u> | <u>239,803,443</u> | <u>100.00</u> |

* MBB is the ultimate holding company of the Manager.

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

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

| Financial institutions | 2020 | | 2019 | |
|-----------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| | Value of placements RM | Percentage of total placements % | Value of placements RM | Percentage of total placements % |
| Affin Islamic Bank Bhd | - | - | 744,000 | 0.04 |
| Bank Islam Malaysia Bhd | - | - | 10,504,000 | 0.61 |
| CIMB Islamic Bank Bhd | - | - | 43,522,000 | 2.54 |
| Hong Leong Islamic Bank Bhd | - | - | 132,030,000 | 7.71 |
| Maybank Islamic Bhd ** | 342,422,000 | 18.08 | 1,359,612,000 | 79.43 |
| Public Islamic Bank Bhd | 1,547,134,394 | 81.68 | 161,931,374 | 9.46 |
| RHB Islamic Bank Bhd | 4,500,000 | 0.24 | 3,466,000 | 0.21 |
| | <u>1,894,056,394</u> | <u>100.00</u> | <u>1,711,809,374</u> | <u>100.00</u> |

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

17. MANAGEMENT EXPENSE RATIO ("MER")

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund, and recovered expenses to the average NAV of the Fund calculated on a daily basis. The fees and expenses include Manager's fee, Trustee's fee and other administrative expenses. For the financial year ended 31 May 2020, the MER of the Fund stood at 1.29% (2019: 0.98%).

18. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the average NAV of the Fund calculated on a daily basis. For the financial year ended, the PTR of the Fund stood at 0.67 times (2019: 0.85 times).

19. SEGMENT INFORMATION

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker of the Manager makes the strategic decisions on the resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieve its targeted 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 a minimum of 70% of the Fund's NAV in Sukuk and Shariah-compliant money market instruments, and a minimum of 2% in Shariah-compliant liquid assets.

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

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20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 2.15 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 |
|--|--|--|---|--------------------|
| Financial assets | | | | |
| Financial assets at FVTPL | 66,548,388 | - | - | 66,548,388 |
| Shariah-compliant deposits with licensed | | | | |
| Islamic financial institutions | - | 5,143,352 | - | 5,143,352 |
| Amount due from Manager | - | 1,159,821 | - | 1,159,821 |
| Profit income receivables | - | 786,811 | - | 786,811 |
| Cash at bank | - | 46,743 | - | 46,743 |
| Total financial assets | 66,548,388 | 7,136,727 | - | 73,685,115 |
| Financial liabilities | | | | |
| Amount due to Manager | - | - | 26,724 | 26,724 |
| Amount due to Trustee | - | - | 4,281 | 4,281 |
| Other payables and accruals | - | - | 97,321 | 97,321 |
| Total financial liabilities | - | - | 128,326 | 128,326 |
| 2019 | | | | |
| Financial assets | | | | |
| Financial assets at FVTPL | 106,478,286 | - | - | 106,478,286 |
| Shariah-compliant deposits with licensed | | | | |
| Islamic financial institutions | - | 11,480,387 | - | 11,480,387 |
| Amount due from brokers | - | 517,462 | - | 517,462 |
| Profit income receivables | - | 1,068,929 | - | 1,068,929 |
| Cash at bank | - | 377 | - | 377 |
| Total financial assets | 106,478,286 | 13,067,155 | - | 119,545,441 |
| Financial liabilities | | | | |
| Amount due to brokers | - | - | 1,241,096 | 1,241,096 |
| Amount due to Manager | - | - | 342,761 | 342,761 |
| Amount due to Trustee | - | - | 6,996 | 6,996 |
| Other payables and accruals | - | - | 89,391 | 89,391 |
| Total financial liabilities | - | - | 1,680,244 | 1,680,244 |

MAYBANK MALAYSIA INCOME-I FUND
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20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONT'D)

(b) Financial instruments that are carried at fair value

The fair value of unquoted sukuk are based on the fair value prices quoted by Bond Pricing Agency Sdn Bhd, a bond pricing agency registered with SC as at reporting date.

(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 | Total RM |
|---------------------------|---------------|---------------|---------------|-------------|
| 2020 | | | | |
| Financial assets at FVTPL | - | 66,548,388 | - | 66,548,388 |
| 2019 | | | | |
| Financial assets at FVTPL | - | 106,478,286 | - | 106,478,286 |

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

Financial instruments with maturities of less than one year approximate their carrying values due to the relatively short-term maturity of these instruments.

21. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Fund maintains investment portfolios in a variety of listed and unlisted financial instruments as dictated by its Deeds and investment management strategy.

The Fund is exposed to a variety of risks including market risk (which includes profit rate risk and price risk), credit risk and liquidity risk. Whilst these are the most important types of financial risks inherent in each type of financial instruments, the Manager and the Fund would like to highlight that this list does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund.

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

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of Shariah-compliant financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and security prices. However, the Fund is not exposed to currency risk as it does not hold Shariah-compliant investments denominated in currencies other than in RM as at the reporting date. The Fund is also not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

(i) Profit rate risk

Sukuk are particularly sensitive to movements in market profit rates. When profit rates rise, the value of fixed income securities will fall and vice versa, thus affecting the NAV of the Fund. The sensitivity to market profit 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 sukuk held by the Fund as a result of movements in market profit rates. The analysis is based on the assumptions that the profit rates increased and decreased by 1% (100 basis points) with all other variables held constant.

| | 2020 | | 2019 | |
|-------|---------------------------|--|---------------------------|--|
| | Changes in profit rates % | Effects on NAV (Decrease)/ Increase RM | Changes in profit rates % | Effects on NAV (Decrease)/ Increase RM |
| Sukuk | +1 | (3,451,231) | +1 | (6,286,713) |
| | -1 | 3,888,785 | -1 | 6,946,941 |

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

The Fund's shariah-compliant deposit with licensed Islamic financial institutions carries profit rate and is short-term in nature, and therefore is not affected by movements in market profit

(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 profit, 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.

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

(c) Credit risk (cont'd)

(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 financial assets at FVTPL, cash at bank, Shariah-compliant deposit with licensed Islamic financial institutions, profit income receivables on sukuk and profit income receivable on Shariah-compliant deposit with licensed Islamic financial institutions by rating categories. The ratings for the Fund's investments in sukuk and profit income receivables on sukuk were obtained from RAM and MARC while the ratings for cash at bank, Shariah-compliant deposit with licensed Islamic financial institutions and profit income receivables on Shariah-compliant deposit with licensed Islamic financial institutions were obtained from RAM's official website.

| | 2020 | | 2019 | |
|-------------------------|-------------------|--------------------------|--------------------|--------------------------|
| | RM | As a percentage of NAV % | RM | As a percentage of NAV % |
| Financial Assets | | | | |
| AAA | 16,882,506 | 22.95 | 33,839,021 | 28.71 |
| AA1 | 6,167,458 | 8.38 | 14,024,532 | 7.60 |
| AA2 | 3,122,716 | 4.25 | 9,877,155 | 8.38 |
| AA3 | 29,802,791 | 40.52 | 46,541,404 | 39.48 |
| A1 | 3,768,879 | 5.12 | 9,211,665 | 7.82 |
| A2 | 4,178,091 | 5.68 | 2,518,020 | 2.14 |
| B- | - | - | 1,401,754 | 1.19 |
| Government securities | - | - | 1,614,051 | - |
| Not rated | 8,602,853 | 11.70 | - | - |
| | <u>72,525,294</u> | <u>98.60</u> | <u>119,027,602</u> | <u>95.32</u> |

(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.

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

(d) Liquidity risk (cont'd)

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, Shariah-compliant deposit with a licensed Islamic 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, financial liabilities and unitholders' contribution to provide a complete view of the Fund's contractual commitments and liquidity:

| 2020 | Less than 1 month RM | More than 1 month RM | Total RM |
|---|-------------------------------------|-------------------------------------|---------------------|
| Financial assets: | | | |
| Financial assets at FVTPL | 12,788,179 | 53,760,209 | 66,548,388 |
| Shariah-compliant deposits with licensed Islamic financial institutions | 5,143,352 | - | 5,143,352 |
| Amount due from Manager | 1,159,821 | - | 1,159,821 |
| Profit income receivables | 279,435 | 507,376 | 786,811 |
| Cash at bank | 46,743 | - | 46,743 |
| Total undiscounted financial assets | <u>19,417,530</u> | <u>54,267,585</u> | <u>73,685,115</u> |
| Financial liabilities and net assets attributable to unitholders of the Fund | | | |
| Amount due to Manager | 26,724 | - | 26,724 |
| Amount due to Trustee | 4,281 | - | 4,281 |
| Other payables and accruals | 97,321 | - | 97,321 |
| Net assets attributable to unitholders of the Fund | <u>73,556,789</u> | <u>-</u> | <u>73,556,789</u> |
| Total undiscounted financial liabilities and net assets attributable to unitholders | <u>73,685,115</u> | <u>-</u> | <u>73,685,115</u> |
| Liquidity (gap)/surplus | <u>(54,267,585)</u> | <u>54,267,585</u> | <u>-</u> |
| 2019 | | | |
| Financial assets: | | | |
| Financial assets at FVTPL | 1,349,727 | 105,128,559 | 106,478,286 |
| Shariah-compliant deposits with licensed Islamic financial institutions | 11,480,387 | - | 11,480,387 |
| Amount due from brokers | 517,462 | - | 517,462 |
| Profit income receivables | 1,068,929 | - | 1,068,929 |
| Cash at bank | 377 | - | 377 |
| Total undiscounted financial assets | <u>14,416,882</u> | <u>105,128,559</u> | <u>119,545,441</u> |

MAYBANK MALAYSIA INCOME-I FUND
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21. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

| 2019 (cont'd) | Less than 1 month RM | More than 1 month RM | Total RM |
|---|----------------------------|----------------------------|--------------------|
| Financial liabilities and net assets attributable to unitholders of the Fund | | | |
| Amount due to brokers | 1,241,096 | - | 1,241,096 |
| Amount due to Manager | 342,761 | - | 342,761 |
| Amount due to Trustee | 6,996 | - | 6,996 |
| Other payables and accruals | 89,391 | - | 89,391 |
| Net assets attributable to unitholders of the Fund | <u>117,865,197</u> | - | <u>117,865,197</u> |
| Total undiscounted financial liabilities and net assets attributable to unitholders | <u>119,545,441</u> | - | <u>119,545,441</u> |
| Liquidity (gap)/surplus | <u>(105,128,559)</u> | <u>105,128,559</u> | <u>-</u> |

Notes:

(i) Financial assets

Shariah-compliant deposits with a licensed Islamic financial institution are grouped based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting year to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

(ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting date 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 is required to settle its financial obligation.

(iii) Net assets attributable to unitholders of the Fund

As unitholders can request for cancellation on their units by giving the Manager a 14-day notice period, the net assets attributable to unitholders of the Fund 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.

MAYBANK MALAYSIA INCOME-I FUND
(Formerly known as MAYBANK DANA ARIF)

22. UNITHOLDERS' CONTRIBUTION MANAGEMENT

The unitholders' contribution can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing the unitholders' contribution are:

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

No changes were made to the unitholders' contribution management objectives, policies or processes during the current financial year.

23. RECLASSIFICATION OF COMPARATIVES

As disclosed in Note 2.6, unitholders' contributions to the Fund are classified as liabilities under the requirements of MFRS 132 *Financial Instruments: Presentation*. In the previous financial year, unitholders' contributions were classified as equity.

This reclassification of unitholders' contribution (and their retained earnings) did not give rise to any impact on the net income nor on the NAV of the Fund. Accordingly, no restatements were required to be made to the comparatives in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Asset Value Attributable to Unitholders or the Statement of Cash Flows.