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# MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

Annual report

For the financial period from 9 March 2020 (date of launch) to  
31 October 2020

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283 (421779-M))  
Level 12 Tower C  
Dataran Maybank  
No.1 Jalan Maarof  
59000 Kuala Lumpur, Malaysia  
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Facsimile +603 2715 0071  
[www.maybank-am.com](http://www.maybank-am.com)

### **EXTERNAL INVESTMENT MANAGER**

Maybank Islamic Asset Management Sdn Bhd (201301012623 (10424610K))  
Level 12 Tower C  
Dataran Maybank  
No.1 Jalan Maarof  
59000 Kuala Lumpur, Malaysia

### **TRUSTEE**

PB Trustees Bhd (196801000374 (573019-U))  
17th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Telephone +603 2177 3127  
Facsimile +603 2164 3285

### **SHARIAH ADVISER**

Amanie Advisors Sdn Bhd ((200501007003) (684050-H))  
Level 13A-2, Menara Tokio Marine Life  
No. 189, Jalan Tun Razak  
50400 Kuala Lumpur

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### Manager's report

For the financial period from 9 March 2020 (date of launch) to 31 October 2020

#### A. Fund Information

**1. Name of Fund**

Maybank Institutional Income Management-I Fund (the "Fund")

**2. Type of Fund**

Wholesale

**3. Category of Fund**

Mixed Assets

**4. Duration of Fund**

The Fund is an open-ended fund.

**5. Fund launch date / commencement date**

9 March 2020 /1 April 2020

**6. Fund's investment objective**

The Fund aims to provide unitholders with consistent income stream through investments in a diversified portfolio of Sukuk.

**7. Fund distribution policy**

Distribution, if any, will be incidental for the first financial year. Thereafter, distribution, if any, shall be made on a quarterly basis (subject to the availability of income).

**8. Fund's performance benchmark**

Maybank 1 month Islamic deposit rate.

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

The Fund invests a minimum of 60% of the Fund's NAV in MYR-denominated Sukuk and/or similar securities. Up to 40% of the Fund's NAV may be invested in Islamic liquid assets such as Islamic money market instruments and Islamic deposits. The Fund will invest in MYR-denominated sukuk with a minimum rating of "AA3" by RAM or its equivalent rating by MARC at the point of purchase.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### Manager's report

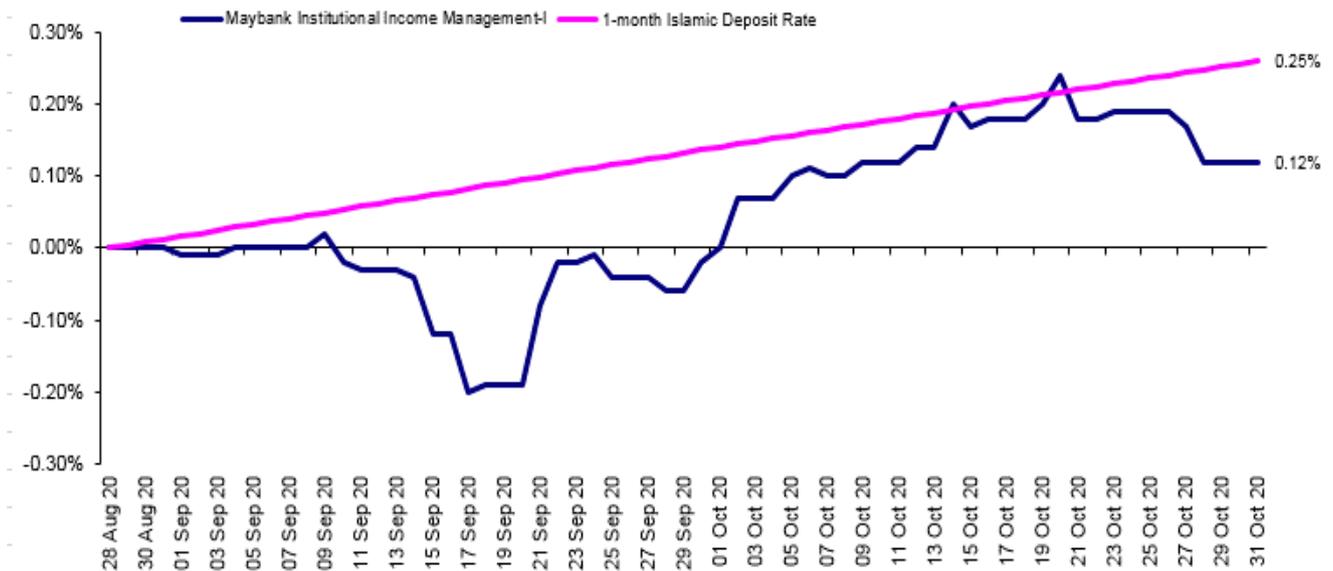
For the financial period from 9 March 2020 (date of launch) to 31 October 2020 (cont'd)

### B. Performance Review

Returns of the Fund and its benchmark for the financial period from 9 March 2020 (date of launch) to 31 October 2020 is as follows:

Financial period	The Fund (%)	Benchmark (%)
9 March 2020 (date of launch) to 31 October 2020	0.12	0.25

Performance of the Fund for the financial period from 9 March 2020 (date of launch) to 31 October 2020



Source: Lipper, as at 31 October 2020

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

### C. Market Review

The local Malaysian Government Securities ("MGS") and Government Investment Issues ("GII") yields rallied during the period due to the four Overnight Policy Rate ("OPR") cuts by Bank Negara Malaysia ("BNM") in January 2020, March 2020, May 2020 and July 2020. The cuts together with the falling 10-year United States ("US") Treasury ("UST") yields from 1.80% levels to 0.50% low resulted in 10-year MGS and GII yields drop as much as 113 basis points ("bps") and 133 bps to a low of 2.48% and 2.41% respectively. Consequently, the strong rally in MGS and GII yields saw the local corporate bonds and sukuks yields dropped lower as well.

On the corporate bond front, the strong rally in govies spilled over to the private debt securities ("PDS") market as corporate bond yields dropped especially in the Government Grade ("GG") and AAA-rated bonds and sukuks. Demand for AAA- and AA-rated bonds and sukuks were strong to outstrip the supply of such securities in the secondary market as new issuances from primary markets slowed down. This saw a similar drop in the yields of such securities to the benefit of the securities valuations.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### Manager's report

For the financial period from 9 March 2020 (date of launch) to 31 October 2020 (cont'd)

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

However, the Malaysian sovereign bond market weakened in August 2020 amidst softer global bond market sentiment. Yield curve steepened month-on-month, as the shorter-end yields lowered slightly while the belly and long-end increased by 2 bps to 35 bps. The federal government's move to raise its debt limit to 60% of Gross Domestic Product ("GDP") from the current 55% (until 31 December 2022) triggered some profit taking activities. Meanwhile, the second quarter 2020 GDP numbers was weaker than expected, with the economy contracted by 17.1% year-on-year, and resulted in revision in 2020 GDP projection by BNM to -3.5% to -5.5% (previously -2% to 0.5%). There were some buying activities post-GDP announcement as some market players position for another OPR cut in September 2020. However, the buying activity was short-lived, as BNM maintained its OPR in its September 2020 meeting and the local bond market started to track rising global bond yields amidst lack of fresh market catalysts.

Meanwhile, foreign holdings of MYR sovereign registered strong inflow in October 2020, which jumped RM8.0 billion from only RM0.5 billion in the previous month to RM217.5 billion, bringing YTD net inflow to RM12.8 billion. The increase in foreign demand for local debt securities in October 2020 was driven by a mix factors of stronger USD, dovish BNM in upcoming November 2020 Monetary Policy Committee ("MPC") meeting and resurgence of infected cases for Coronavirus ("COVID-19") local and globally.

#### D. Market Outlook & 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 -3.5% to -5.5%, following a very weak second quarter 2020 GDP number of contraction of -17.1% year-on-year. BNM had also cut OPR by a total of 125 bps this year, as well as made changes to Statutory Reserve Requirement ("SRR") to allow banks to use MGS and GII for SRR compliance. While most economies have started to reopen, growth outlook remains challenging. Rates are expected to stay lower for longer, with the US Federal Reserve ("Fed") indicating that it expects zero profit rate through to at least FY2022 and that a recovery of employment back to pre-COVID-19 is the key indicator. Meanwhile, BNM kept OPR at 1.75% in its latest meeting in September 2020, with the pause seen as a dovish pause, with policy bias tilted to easing rather tightening. Further monetary policy action is expected to be data dependent, and we opine that BNM still has room to cut given the benign inflation outlook.

After a strong fixed income performance this year, the asset class may see a more modest returns as profit rates have now dropped to lower levels as a result of the rally from 2019. The degree of compression in profit rates that would push bond prices higher could be more limited in 2021. Indeed, globally profit rates are already at or close to record lows. In the Eurozone and Japan, even investment grade corporate bonds are yielding close to zero. It is only in Asia and the US where the yields are more reasonable with investment grade bonds yielding 3.0 to 3.5% although these yields are close to the all-time lows. Therefore, we are expecting a more modest return of around 3.5% to 4.5% for 2021.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### Manager's report

For the financial period from 9 March 2020 (date of launch) to 31 October 2020 (cont'd)

#### D. Market Outlook & Strategy (cont'd)

We will continue to look for attractive sukuk investments to trade and also improve the portfolio current yield of 3.11% with the cash available. Aside from the sukuk secondary market, we will also look into new primary issuances that offers us higher yields to deliver the required performance. As of 31 October 2020, the Fund is 70.05% invested in Ringgit Malaysia denominated sukuk investments.

#### E. Asset Allocation

Asset allocation	31.10.2020	
	RM	%
Sukuk	12,634,640	70.05
Cash and cash equivalents, and other net assets	5,402,913	29.95
<b>Total NAV</b>	<b>18,037,553</b>	<b>100.00</b>

#### F. Soft Commissions and Rebates

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

During the financial period from 9 March 2020 (date of launch) to 31 October 2020, the Manager and its delegates did not receive any rebates from the brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials, data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

## **TRUSTEE'S REPORT**

### **TO THE UNITHOLDER'S OF MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

We have acted as Trustee of Maybank Institutional Income Management-I Fund (the "Fund") for the financial period from 9 March 2020 (date of launch) to 31 October 2020. In our opinion and to the best of our knowledge, Maybank Asset Management Sdn Bhd (the "Manager") has operated and managed the Fund in accordance with the following:

- (a) Limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) Valuation and pricing were carried out in accordance with the Deed and relevant regulatory requirements; and
- (c) Creation and cancellation of units were carried out in accordance with the Deed and relevant regulatory requirements.

For and on behalf of  
**PB Trustees Services Berhad**  
(Company No: 196801000374/ 573019-U)

**Cheah Kuan Yoon**  
Chief Executive Officer

Kuala Lumpur, Malaysia  
9 December 2020

## **STATEMENT BY MANAGER**

### **TO THE UNITHOLDER'S OF MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

We, Dato' Idris Bin Kechot 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 set out 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 Institutional Income Management-I Fund as at 31 October 2020 and of its results, changes in equity and cash flows for the financial period from 9 March 2020 (date of launch) to 31 October 2020 and comply with the requirements of the Deed.

For and on behalf of the Manager

**Dato' Idris Bin Kechot**  
Director

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
9 December 2020

**REPORT OF THE SHARIAH ADVISER**

**TO THE UNITHOLDERS OF  
MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND  
FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER  
2020**

We hereby confirm the following: .

1. To the best of our knowledge, after having made all reasonable enquiries, Maybank Asset Management Sdn Bhd (the "Manager") has operated and managed Maybank Institutional Income Management-I Fund ("the Fund") during the period covered by these financial statements in accordance with the Shariah principles and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia pertaining to Shariah matters; and
2. The asset of the Fund comprises of instruments that have been classified as Shariah compliant.

For and on behalf of  
**Amanie Advisors Sdn Bhd**

**Datuk Dr Mohd Daud Bakar**  
Executive Chairman

Kuala Lumpur, Malaysia  
9 December 2020

## **Independent auditors' report to the Unitholders of Maybank Institutional Income Management-I Fund**

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

#### *Opinion*

We have audited the financial statements of Maybank Institutional Income Management-I Fund (the "Fund"), which comprise the statement of financial position as at 31 October 2020 of the Fund, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the financial period from 9 March 2020 (date of launch) to 31 October 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 38.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as at 31 October 2020, and of its financial performance and cash flows for the financial period from 9 March 2020 (date of launch) to 31 October 2020 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 Institutional Income Management-I Fund (cont'd)**

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

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

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

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

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

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

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

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

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

**Independent auditors' report to the Unitholders of  
Maybank Institutional Income Management-I Fund (cont'd)**

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

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

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

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

**Independent auditors' report to the Unitholders of  
Maybank Institutional Income Management-I Fund (cont'd)**

Other matters

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

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

Yeo Beng Yean  
03013/10/2022 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
9 December 2020

**MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND****STATEMENT OF COMPREHENSIVE INCOME****FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

		<b>09.03.2020</b> <b>(date of</b> <b>launch)</b> <b>to</b> <b>31.10.2020</b> <b>RM</b>
	<b>Note</b>	
<b>INVESTMENT INCOME</b>		
Profit income	4	69,640
Net loss on financial assets at fair value through profit or loss ("FVTPL")	8	
- Unrealised loss		<u>(10,287)</u>
		<u>59,353</u>
<b>EXPENSES</b>		
Manager's fee	5	9,505
Trustee's fee	6	2,860
Auditors' remuneration		1,372
Tax agent's fee		2,458
Shariah advisory fee		3,561
Administrative expenses		<u>3,044</u>
		<u>22,800</u>
<b>Net income before taxation</b>		36,553
Taxation	7	<u>-</u>
<b>Net income after taxation and total comprehensive income for the financial period</b>		<u>36,553</u>
<b>Net income after taxation is made up of the following:</b>		
Net realised income		46,840
Net unrealised loss		<u>(10,287)</u>
		<u>36,553</u>

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

**MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND****STATEMENT OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2020**

	Note	31.10.2020 RM
<b>ASSETS</b>		
Financial assets at FVTPL	8	12,634,640
Shariah-compliant deposits with licensed Islamic financial institutions	9	6,319,545
Profit income receivables		94,425
Amount due from Manager	10	20,137
Cash at bank		3,264
<b>TOTAL ASSETS</b>		<b>19,072,011</b>
<b>LIABILITIES</b>		
Amount due to Manager	10	5,363
Amount due to Trustee	11	1,742
Amount due to broker	12	1,001,795
Other payables and accruals	13	25,558
<b>TOTAL LIABILITIES</b>		<b>1,034,458</b>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<b>18,037,553</b>
<b>EQUITY</b>		
Unitholders' capital	14(a)	18,001,000
Retained earnings	14(b) & (c)	36,553
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>18,037,553</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	14(a)	<b>18,013,014</b>
<b>NAV PER UNIT (RM)</b>		<b>1.0014</b>

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

**MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

	<b>Unitholders' capital Note 14(a) RM</b>	<b>Retained earnings Note 14(b) &amp; Note 14(c) RM</b>	<b>Total equity RM</b>
At 9 March 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	36,553	36,553
Creation of units	18,001,000	-	18,001,000
At 31 October 2020	<u>18,001,000</u>	<u>36,553</u>	<u>18,037,553</u>

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

**MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

**STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

	<b>09.03.2020</b> <b>(date of</b> <b>launch)</b> <b>to</b> <b>31.10.2020</b> <b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>	
Net payment for purchase of financial assets at FVTPL	(11,721,475)
Profit income received	53,558
Manager's fee paid	(4,142)
Trustee's fee paid	(6,050)
Payment of other fees and expenses	(82)
Net cash used in from operating and investing activities	<u>(11,678,191)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from creation of units	<u>18,001,000</u>
Net cash generated from financing activities	<u>18,001,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>	<b>6,322,809</b>
<b>CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>6,322,809</u></u>
Cash and cash equivalents comprise:	
Cash at bank	3,264
Shariah-compliant deposits with licensed Islamic financial institutions with maturity of less than 3 months (Note 9)	<u>6,319,545</u>
	<u><u>6,322,809</u></u>

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

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD FROM 9 MARCH 2020 (DATE OF LAUNCH) TO 31 OCTOBER 2020**

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

Maybank Institutional Income Management-I Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 12 February 2020 between the Manager, Maybank Asset Management Sdn Bhd ("MAM") and the Trustee, PB Trustee Services Bhd.

The principal activity of the Fund is to invest a minimum of 60% of the Fund's NAV in MYR denominated Sukuk and/or similar securities offered in Malaysia with a minimum Sukuk rating of 'AA3' by RAM Holdings Berhad ("RAM") or equivalent rating by Malaysian Rating Corporation Berhad ("MARC"). However, if any of the sukuk held in the Fund has been downgraded to a rating of lower than "AA3" by RAM or equivalent rating by MARC, the Manager may choose to dispose the sukuk as soon as practicable. However, if such prompt action may be detrimental to the Fund, the Manager may continue to hold onto the downgraded sukuk for up to 90 days.

The Fund will also invest up to 40% of the Fund's NAV in Shariah-compliant liquid assets including Shariah-compliant money market instruments and placement in Shariah-compliant deposits.

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

MAM has appointed Maybank Islamic Asset Management Sdn Bhd ("MIAM") as the External Investment Manager ("EIM") for the Fund. MIAM is a subsidiary of MAMG and is a holder of CMSL to carry out Islamic fund management business pursuant to Section 61 of the 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 financial statements were authorised for issue by the Board of Directors (the "Directors") of the Manager in accordance with a resolution of the Directors on 9 December 2020.

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

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

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

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation (cont'd)

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

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

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

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

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 7, MFRS 9 and MFRS 139: <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendment to MFRS 16: <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform Phase 2</i>	1 January 2021
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116: <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018-2020 Cycle	1 January 2022
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 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

The Fund classifies cash and cash equivalents, profit income receivables and amount due from Manager as financial assets 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.

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

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

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

Investments in Sukuk is 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

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.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Profit income on debt instruments as at FVTPL is disclosed separately in the profit or loss.

Profit income on debt instruments classified as FVTPL are disclosed separately in the profit and loss.

Changes in the fair value of FVTPL investments are recognised in 'unrealised gain on FVTPL investments' in profit or loss. Accumulated unrealised gains or losses are reclassified to 'realised gain on FVTPL investments' in profit or loss when the associated assets are sold.

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

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

ECL is 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.

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

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

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

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, gain or losses are recognised in profit or loss when the asset is derecognised, modified and impaired.

#### **2.5 Financial liabilities**

##### **(i) Classification**

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

##### **(ii) Recognition and measurement**

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

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

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

#### 2.5 Financial liabilities (cont'd)

##### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### 2.6 Fair value measurement

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

- (a) In the principal market for the asset or liability; or
- (b) In the absence of a principal market, in the most advantageous market for the

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

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

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

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

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

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

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

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

#### **2.7 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 RM, which is also the Fund's functional currency.

#### **2.8 Unitholders' capital**

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

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

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

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

#### **2.9 Distributions**

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

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

Cash and cash equivalents comprise cash at bank and Shariah-compliant deposits with licensed Islamic financial institutions with original maturity of three months or less which have an insignificant risk of changes in value.

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

#### **2.11 Revenue / Income**

Revenue is measured at the fair value of consideration received or receivable. Profit income from Sukuk includes amortisation of premium and accretion of discount. Profit income from Shariah-compliant deposits with licensed Islamic financial institutions is recognised on the accrual basis using the EPR method.

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

Other revenue/income is generally recognised when the Fund satisfies a performance obligation by transferring a promised good or service or an asset to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

#### **2.12 Taxation**

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

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

Current tax expense is determined according to Malaysian tax laws at the current tax rate based upon the taxable profit earned during the financial period.

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

#### **2.13 Segment information**

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

#### **2.14 Cleansing/Purification of income**

The Fund is required to cleanse or purify or gains generated by Shariah non-compliant activity or sources. Such Shariah non-compliant gain or income may arise as follows:

(i) Shariah non-compliant investment

Shariah non-compliant investment made by the Manager will be disposed of or withdrawn as soon as possible. In the event the investment results in gain(through capital gain and/or dividend), the gain is to be channelled to Baitulmal or any other charitable bodies as advised by the Sharia Adviser. If the disposal of the investment result in losses to the Fund, the losses are to be borne by the Manager.

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

#### **2.14 Cleansing/Purification of income (cont'd)**

- (ii) Reclassification of Shariah Status of the Fund's investment

If a security is reclassified as Shariah non-compliant by the SACSC and/or the Shariah board of the MSCI Islamic Index Series, as per the Shariah Adviser's advice, they said security shall be disposed of soonest practical, once the total amount of dividends received and the market value held equal the original investment costs.

- (iii) Purification of cash dividend received

The cleansing process is the means by which all remaining elements of non permissible income are removed or purged from a portfolio through dividend cleansing. The process applies mainly to non permissible income as per MSCI screening methodology and should be disposed according to the same methodology of MSCI. The cleansed income shall be channelled to charities as approved by the Shariah Adviser.

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

Any purification on gains resulting from investments in Shariah non-compliant investments is disclosed as a reduction of the corresponding capital gain and/or dividend in the statement of profit and loss.

#### **2.15 Critical accounting estimates and judgements**

The preparation of the Fund's financial statements requires the Manager to make judgements, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

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.

### **3. SHARIAH INFORMATION OF THE FUND**

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 4. PROFIT INCOME

09.03.2020  
(date of  
launch)  
to  
31.10.2020  
RM

Profit income from Sukuk	55,729
Profit income from Shariah-compliant deposits	18,154
Amortisation of premium, net of accretion of discount	(4,243)
	<u>69,640</u>

### 5. MANAGER'S FEE

The Manager's fee is computed daily. The fee is based on 0.35% per annum ("p.a.") on the NAV of the Fund, before deducting Manager's fee and Trustee's fee for the day.

### 6. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.04% p.a. of the NAV of the Fund before deducting the Manager's fee and Trustee's fees, subject to a minimum fee of RM12,000 per annum.

### 7. TAXATION

09.03.2020  
(date of  
launch)  
to  
31.10.2020  
RM

Tax charge for the financial period:

Current income tax expense -

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable income for the financial period.

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

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 7. 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 is as follows:

	<b>09.03.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.10.2020</b> <b>RM</b>
Net income before taxation	<u>36,553</u>
Tax at Malaysian statutory rate of 24%	8,773
Income not subject to tax	(14,245)
Expenses not deductible for tax purposes	<u>5,472</u>
Tax expense for the financial period	<u>-</u>

### 8. FINANCIAL ASSETS AT FVTPL

	<b>31.10.2020</b> <b>RM</b>
Sukuk	<u>12,634,640</u>

(a) Sukuk	Quantity Unit	Aggregate Cost RM	Market Value RM	Percentage of NAV %
<b>31.10.2020</b>				
Gamuda Bhd - 4.10% - 28.06.2030	1,000,000	1,036,403	1,036,130	5.74
GII Murabahah - 3.47% - 15.10.2030	400,000	432,155	430,560	2.39
Gamuda Land Bhd - 3.55% - 12.08.2025	2,000,000	2,008,038	2,007,260	11.13
MMC Corporation Bhd - 5.70% - 24.03.2028	1,000,000	1,116,015	1,118,140	6.20
Malaysian Resources Corporation Bhd - 4.25% - 13.08.2027	1,000,000	1,014,810	1,016,330	5.63
- 4.25% - 14.08.2030	1,000,000	1,010,350	1,017,580	5.64

**MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

(a) Sukuk	Quantity Unit	Aggregate Cost RM	Market Value RM	Percentage of NAV %
<b>31.10.2020 (cont'd)</b>				
Perbadanan Kemajuan Pertanian Pahang - 3.96% - 30.10.2024	1,000,000	1,001,470	1,001,460	5.55
Pelabuhan Tanjung Pelepas Sdn Bhd - 4.05% - 18.06.2030	1,000,000	1,058,096	1,057,910	5.87
Tenaga Nasional Bhd - 3.25% - 10.08.2035	1,000,000	974,814	978,790	5.43
- 3.55% - 10.08.2040	1,000,000	987,439	968,000	5.37
UEM Sunrise Bhd - 3.90% - 21.09.2023	2,000,000	2,005,337	2,002,480	11.10
<b>Total Sukuk</b>	<b>12,400,000</b>	<b>12,644,927</b>	<b>12,634,640</b>	<b>70.05</b>
Unrealised loss on financial assets at FVTPL			<u>(10,287)</u>	

**9. SHARIAH-COMPLIANT DEPOSITS WITH LICENSED ISLAMIC FINANCIAL INSTITUTIONS**

	<b>31.10.2020 RM</b>
Shariah-compliant deposits with licensed Islamic financial institutions with maturity of:	
- less than 3 months	<u>6,319,545</u>

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

	<b>31.10.2020</b>
	<b>WAEPR % p.a.</b>
	<b>Average maturity Days</b>
Shariah-compliant deposits with maturity of less than 3 months	<u>1.65</u>
	<u>3</u>

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 10. AMOUNT DUE FROM/TO MANAGER

	Note	31.10.2020 RM
<b>(a) Amount due from Manager</b>		
Fees absorption by the Manager	(i)	<u>20,137</u>
<b>(b) Amount due to Manager</b>		
Manager's fee	(ii)	<u>5,363</u>

(i) The Manager has agreed to absorb a portion of the Fund's operating expenses i.e. Trustee's fee of RM4,932, auditors' remuneration of RM6,628, tax agent's fee of RM2,442, and shariah advisory fee of RM6,135.

(ii) The amount represents the 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.

### 11. AMOUNT DUE TO TRUSTEE

The amount due to Trustee relates to the amount payable arising from the accruals for Trustee's fee at the reporting date. The normal credit term for the Trustee's fee is 15 days.

### 12. AMOUNT DUE TO BROKER

Amount due to broker relate to the amount to be received by the broker arising from the purchase of investments. The settlement period for these payables are within 3 working days from the deal date.

### 13. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:

	31.10.2020 RM
Due to external auditors	9,381
Due to tax agent	5,900
Due to Shariah adviser	<u>10,277</u>
	<u>25,558</u>

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 14. TOTAL EQUITY

	Note	31.10.2020 RM
Unitholders' capital	(a)	18,001,000
Accumulated realised income	(b)	46,840
Accumulated unrealised loss	(c)	(10,287)
		<u>18,037,553</u>

#### (a) Unitholders' capital

	09.03.2020 (date of launch) to 31.10.2020	
	No. of units	RM
At 9 March 2020 (date of launch)	-	-
Creation of units	18,013,014	18,001,000
At the end of the financial period	<u>18,013,014</u>	<u>18,001,000</u>

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

	31.10.2020	
	No. of units	RM
The Manager	<u>1,000</u>	<u>1,001</u>

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

#### (b) Accumulated realised income

	09.03.2020 (date of launch) to 31.10.2020 RM
At 9 March 2020 (date of launch)	-
Net realised income for the financial period	46,840
At end of the financial period	<u>46,840</u>

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

#### (c) Accumulated unrealised loss

	<b>09.03.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.10.2020</b> <b>RM</b>
At 9 March 2020 (date of launch)	-
Net unrealised loss for the financial period	(10,287)
At end of the financial period	<u>(10,287)</u>

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

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

	<b>31.10.2020</b>	<b>Percentage</b>
	<b>Value of trade</b>	<b>of total trade</b>
	<b>RM</b>	<b>%</b>
MBB *	4,000,000	32.26
Hong Leong Bank Bhd	4,000,000	32.26
Affin Hwang Investment Bank Bhd	2,000,000	16.13
RHB Bank Bhd	1,000,000	8.06
CIMB Bank Bhd	1,000,000	8.06
CIMB Islamic Bank Bhd	400,000	3.23
	<u>12,400,000</u>	<u>100.00</u>

Details of transactions, primarily Shariah-compliant deposits with licensed Islamic financial institutions for the financial period are as follows:

	<b>31.10.2020</b>	<b>Percentage</b>
	<b>Value of placements</b>	<b>of total placements</b>
	<b>RM</b>	<b>%</b>
CIMB Islamic Bank Bhd	87,893,990	32.02
Hong Leong Islamic Bank Bhd	102,650,214	37.40
Maybank Islamic Bhd ("MIB") **	83,941,000	30.58
	<u>274,485,204</u>	<u>100.00</u>

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

\*\* MIB is a subsidiary of MBB, the ultimate holding company of the Manager.



## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

### **19. SEGMENT INFORMATION**

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

The PMC is responsible for the performance of the Fund by investing a minimum of 60% of the Fund's NAV in a portfolio of RM-denominated sukuk with a minimum sukuk rating of 'AA3' by RAM or equivalent rating by MARC. The Manager will also invest between up to 40% of the Fund's NAV in Shariah-compliant liquid assets including Shariah-compliant money market instruments and placement in Shariah-compliant deposits.

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

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

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

### **20. FINANCIAL INSTRUMENTS**

#### **(a) Classification of financial instruments**

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.3 to 2.15 describe how the classes of financial instruments are measured and how income and expenses are recognised.

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

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

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

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>31.10.2020</b>				
<b>Financial Assets</b>				
Financial assets at FVTPL	12,634,640	-	-	12,634,640
Shariah-compliant deposits with licensed Islamic financial institutions	-	6,319,545	-	6,319,545
Profit income receivables	-	94,425	-	94,425
Amount due from Manager	-	20,137	-	20,137
Cash at bank	-	3,264	-	3,264
<b>Total financial assets</b>	<b>12,634,640</b>	<b>6,437,371</b>	<b>-</b>	<b>19,072,011</b>
<b>Financial Liabilities</b>				
Amount due to Manager	-	-	5,363	5,363
Amount due to Trustee	-	-	1,742	1,742
Amount due to brokers	-	-	1,001,795	1,001,795
Other payables and accruals	-	-	25,558	25,558
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,034,458</b>	<b>1,034,458</b>

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

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

The Fund's financial assets at FVTPL are carried at fair value and revalued on a daily basis based on fair value prices quoted by Bond Pricing Agency Malaysia Sdn Bhd as per SC's Guidelines on Unit Trust Funds.

#### (c) Fair value hierarchy

The Fund uses the following hierarchy for determining 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).

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

#### (c) Fair value hierarchy (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM
<b>31.10.2020</b>			
Financial assets at FVTPL	-	12,634,640	-

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

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

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

### 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Introduction

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

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

#### (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.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

#### (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.

	31.10.2020	
	Changes in profit rates %	Effect on NAV (Decrease)/ Increase RM
Financial assets at FVTPL	+1	(49,106)
	-1	49,392

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

#### (c) Credit risk

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its 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 Shariah-compliant 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.

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

### 21. FINANCIAL RISK 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 asset 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 tables analyse the Fund's investments in Sukuk, profit income receivables on Sukuk, cash at bank, Shariah-compliant deposits with a licensed Islamic financial institution and by rating categories. The ratings are obtained from RAM.

	<b>31.10.2020</b>	<b>As a percentage of NAV</b>
	<b>RM</b>	<b>%</b>
<b>Financial assets</b>		
AAA	5,422,389	30.06
AA1	2,862,873	15.87
AA3	10,335,405	57.30
Non rated	431,207	2.39
	<u>19,051,874</u>	<u>105.62</u>

## MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND

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

#### (d) Liquidity risk

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

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

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 and Shariah-compliant deposits with a licensed Islamic financial institution 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' equity to provide a complete view of the Fund's contractual commitments and liquidity:

	Less than 1 month RM	More than 1 month RM	Total RM
<b>31.10.2020</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	12,634,640	12,634,640
Shariah-compliant deposits with licensed Islamic financial institutions	6,319,545	-	6,319,545
Profit income receivables	573	93,852	94,425
Amount due from Manager	20,137	-	20,137
Cash at bank	3,264	-	3,264
Total undiscounted financial assets	6,343,519	12,728,492	19,072,011
<b>Financial liabilities and unitholders' equity</b>			
Amount due to Manager	5,363	-	5,363
Amount due to Trustee	1,742	-	1,742
Amount due to broker	1,001,795	-	1,001,795
Other payables and accruals	25,558	-	25,558
Unitholders' equity	18,037,553	-	18,037,553
Total undiscounted financial liabilities and unitholders' equity	19,072,011	-	19,072,011
<b>Liquidity (gap)/surplus</b>	(12,728,492)	12,728,492	-

## **MAYBANK INSTITUTIONAL INCOME MANAGEMENT-I FUND**

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

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

##### **(i) Financial assets**

Shariah-compliant deposits with licensed Islamic financial institutions 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) Unitholders' equity**

As unitholders could request for redemption of their units within ten calendar days from transaction date, unitholders' equity has been categorised as having a maturity of "less than 1 month".

### **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 expected return indicated in its information memorandum;
- (b) To achieve consistent returns while safeguarding capital by using various investment strategies;
- (c) To maintain sufficient liquidity to meet the expenses of the Fund and to meet redemption requests as they arise; and
- (d) To maintain sufficient fund size to ensure to make the operations of the Fund cost-efficient.

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

### **23. COMPARATIVES**

There are no comparative figures presented as this is the Fund's first reporting period since the Fund was launched on 9 March 2020.