

Maybank Asset Management Sdn Bhd
199701006283 (421779-M)
Level 12 Tower C
Dataran Maybank
No.1 Jalan Maarof
59000 Kuala Lumpur, Malaysia
Telephone +603 2297 7888
Facsimile +603 2715 0071
www.maybank-am.com

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report
For the financial period from 1 February 2020 to 31 October 2020

CORPORATE INFORMATION

MANAGER

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

BUSINESS OFFICE

Level 12 Tower C

Dataran Maybank

No.1 Jalan Maarof

59000 Kuala Lumpur, Malaysia

Telephone +603 2297 7888

Facsimile +603 2715 0071

www.maybank-am.com

TRUSTEE

PB Trustee Services Berhad ((196801000374) (7968-T))

17th Floor, Menara Public Bank

146, Jalan Ampang 50450 Kuala Lumpur

Telephone +603 2176 6651

Facsimile +603 2164 3285

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

CONTENT	PAGE
Manager's report	1 - 5
Unaudited statement of comprehensive income	6
Unaudited statement of financial position	7
Unaudited statement of changes in equity	8
Unaudited statement of cash flows	9

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2020 to 31 October 2020

A. Fund Information

1. Name of Fund

Maybank Financial Institutions Income Fund (the "Fund")

2. Type of Fund

Income

3. Category of Fund

Wholesale fixed income fund

4. Duration of Fund

The Fund is an open-ended fund

5. Fund launch date

17 December 2009

6. Fund's investment objective

The objective of the Fund is to achieve regular income stream which is deriving from the portfolio. The Fund will be actively managed by investing in a diversified portfolio of bonds issued by financial institutions and/or bank guaranteed bonds and/or money market instruments and fixed deposits. The active management of the Fund aims to provide steady returns.

7. Fund distribution policy

The Fund intends to distribute income, if any, at least half-yearly on best effort basis. However, the Manager reserves the right not to distribute income, at its absolute discretion.

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

The Fund seeks to achieve its objective by investing up to 95% of its Net Asset Value ("NAV") in fixed income securities issued by financial institutions and/or bank guaranteed fixed income securities.

The Manager will also invest between 5% to 100% of the Fund's NAV in fixed deposits and/or money market instruments.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

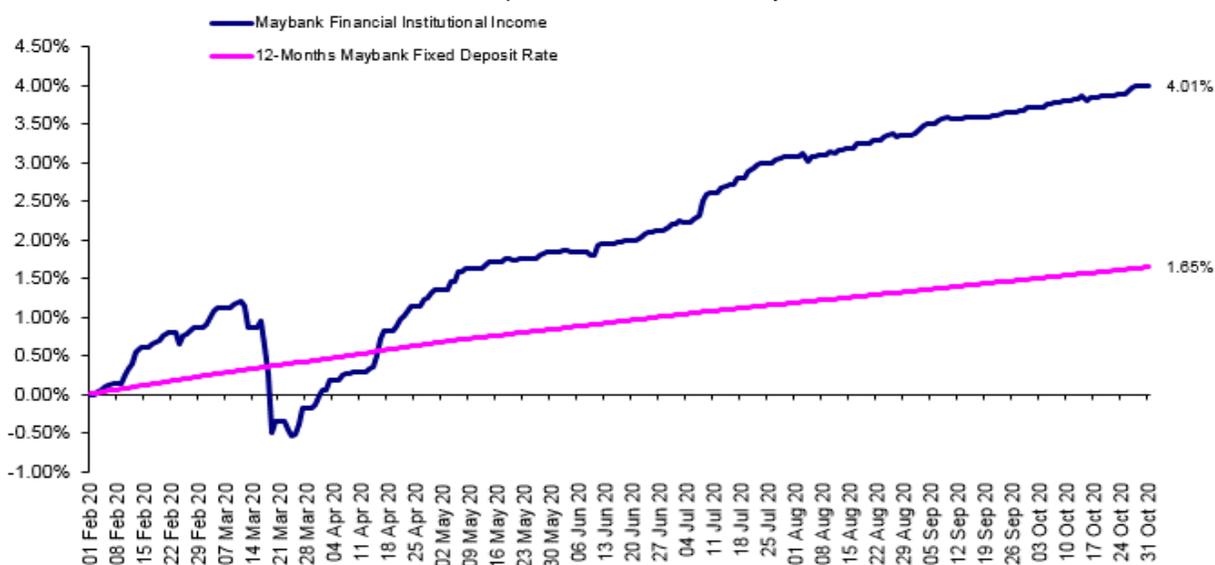
For the financial period from 1 February 2020 to 31 October 2020 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2020 to 31 October 2020 are as follows:

Period	The Fund %	Benchmark %
1 February 2020 to 31 October 2020	4.01	1.65

Performance of the Fund for the financial period from 1 February 2020 to 31 October 2020:



Source: Novagni Analytics and Advisory Sdn Bhd, 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.

The Fund generated a return of 4.01% for the period under review, outperforming the benchmark of 1.65% over the corresponding period. The outperformance was due to a combination of stronger returns benefitting from the bond market rally and income derived from the bonds held in the Fund during the period under review.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2020 to 31 October 2020 (cont'd)

C. Market Review

The New Year saw the Malaysian bond market supported by the surprise 25 basis point ("bps") overnight policy rate ("OPR") cut on 22 January 2020, which was a pre-emptive measure to "secure the improving growth trajectory amid price stability". Bond yields further rallied on safe haven demand and concerns on impact of the coronavirus (Covid-19) scare on global growth. The Malaysian bond 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 ("PM") 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 bond market sold off in March 2020, with yields for government bonds higher by up to 55 bps month-on-month, 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. The implementation of the MCO ("Movement Control Order") in March 2020 resulted in economic activities to temporarily halt while Bank Negara Malaysia ("BNM") forecasted Malaysia Gross Domestic Product ("GDP") to drop lower in between 0.5% to -2% for the year 2020. BNM cut OPR in its next 2 consecutive meetings in March 2020 (25bps) and May 2020 (50bps), bringing the OPR to 2.00%. In addition, the statutory reserve requirement ("SRR") was lowered to 2% (from 3% previously) effective 20th March 2020 and banks are now allowed to use Malaysia 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 RM16 billion in liquidity into the banking system. A total stimulus package of RM295 billion was announced to help individuals and Small Medium Enterprise ("SME") during this hardship period. The government also implemented moratorium on bank loans for up to 6 months to ease people's financial commitment.

The bond market recovered in April 2020 and May 2020 on dovish interest rate outlook and reversed the losses in March 2020. Meanwhile in June 2020, the Malaysian sovereign bond yield curve steepened month-on-month in June 2020, as the shorter dated govies yields lowered by 1 bps while the belly and the long-end yields were up by 1 to 20 bps, tracking rising global yields on increasing optimism on economic recovery following gradual reopening of economies. Investors were also wary of increasing bond supply to fund the expected increase in fiscal deficit from the economic stimulus package announced by the government. However, increase in bond yields were capped with the re-emergence of concerns of a second wave of Covid-19 globally.

The local bond market made a strong comeback in July 2020, after a surprised OPR cut by BNM. The accompanying policy statement also keeps its option open, prompting more buying from the investors. Government bond yields fell with 10 year MGS yield dropped 31bps to 2.55%, from the height of 3.60% in mid-March 2020. The tremendous impact from Covid-19 is likely to lead to a global recession, with central banks and governments around the globe taking unprecedented monetary and fiscal measures to counter the impact.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2020 to 31 October 2020 (cont'd)

C. Market Review (cont'd)

Rates market traded mixed in August 2020, with short-maturity bonds better bids on prospects of further OPR cut in coming Monetary Policy Committee ("MPC") meetings. The ensuing effect was a steeper yield curve as long-end bonds moved higher. The key data for the month was 2Q GDP, which came in at -17.1% and BNM has revised its full year forecast to -3.5% to -5.5% from earlier -2.0% to 0.5%. Meanwhile, government has raised debt's ceiling to 60% of GDP from current 55% till end of

The month of September 2020 saw MGS yields traded higher across short to long-end govies as prospects of OPR cut is slimmer and risk-off in global markets. Also, despite the very soft 2Q2020 GDP print of -17.1%, subsequent monthly and forward-looking data are improving with a more measured reopening of economies. The weaker rates market in September 2020 was partly due to strong rally in the previous months and pricing out potential OPR cuts in 2H2020.

The local bond market traded firmer in October 2020 though chances of another OPR cut in year 2020 is slimmer. Also, risk off in global market dampened the sentiment for risky assets and rates are likely to stay low for longer. Both short and long-term government bond yields fell with 10 year MGS yield falling 6bps to 2.61%, from the height of 3.60% in mid-March 2020. During 3 November 2020's MPC meeting, BNM kept OPR unchanged at 1.75%, indicating the current 1.75% historical low OPR is accommodative and appropriate to stimulate the economy.

Foreign holdings of Malaysia Ringgit ("MYR") sovereign bonds registered strong inflow in October 2020, which jumped RM8.0 billion from only RM0.5 billion in previous month to RM217.5 billion (Sept: RM209.5 billion), bringing YTD net inflow to RM12.8 billion. Both foreign share of MGS + GII similarly increased for October 2020 to 24.5% from 23.8% in previous month. Increasing foreign demand for local debt securities in October 2020 was likely driven by a mix factors of stronger United States Dollar ("USD"), dovish BNM in upcoming November 2020 MPC meeting and resurgence of infected cases for Covid-19 local and globally.

D. Market Outlook

The current Covid-19 pandemic is negatively affecting the economic activities on the global scale resulting central banks to resort to monetary and fiscal approach to combat the slowdown effect. BNM recently had revised Malaysia 2020 growth expectation lower from the range of -2% to 0.5%, to -3.5% to -5.5%. Hence, we expect yields will stay low for longer, as global growth outlook remains challenging. In its July 2020's meeting, BNM acknowledged the impact of Covid-19 on the global economy and pre-emptively lowered the OPR by another 25bps to 1.75%, in order to ensure domestic recovery momentum in anticipation of weak 2Q GDP numbers. Subsequent to July 2020's meeting, BNM has stayed pat on its OPR stance, suggesting current low OPR is accommodative and appropriate to stimulate the economy. 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 and may keep it options open to use monetary policy in safeguarding the economy performance going forward.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2020 to 31 October 2020 (cont'd)

E. Investment Strategies

We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income in corporate bonds' coupons as they are less volatile and provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign bond yields. We will continue to trade opportunistically and realize profit given our expectations that the economy will start to recover in 2H 2020 as economies gradually reopen and efforts by central banks and governments globally to combat the negative impact of Covid-19 start to show results. We will also look into new primary issuances that offer higher yields to deliver the required performance.

F. Asset Allocation

The comparison of the Fund's asset allocation as at 31 October 2020 and 31 January 2020 are as follows:

Asset allocation	31.10.2020		31.01.2020	
	RM	%	RM	%
Unquoted fixed income securities - local	167,071,353	92.10	154,782,027	86.28
Cash, deposits with licensed financial institutions and other net assets	14,323,732	7.90	24,620,115	13.72
Total	181,395,085	100.00	179,402,142	100.00

G. Soft Commissions and Rebates

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

During the financial period from 1 February 2020 to 31 October 2020, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2020 TO 31 OCTOBER 2020**

	01.02.2020 to 31.10.2020 RM	01.02.2019 to 31.10.2019 RM
INVESTMENT INCOME		
Interest income	5,640,522	6,512,778
Net realised gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	126,135	913,601
- Unrealised gain	1,811,408	2,058,033
	<u>7,578,065</u>	<u>9,484,412</u>
EXPENSES		
Manager's fee	466,437	501,905
Trustee's fee	66,634	71,701
Auditors' remuneration	6,587	3,629
Tax agent's fee	2,619	2,618
Administrative expenses	2,133	4,502
	<u>544,410</u>	<u>584,355</u>
Net income before taxation	7,033,655	8,900,057
Taxation	-	-
Net income after taxation, and total comprehensive income for the period	<u>7,033,655</u>	<u>8,900,057</u>
Net income after tax is made up of the following:		
Net realised income	5,222,247	6,842,024
Net unrealised income	1,811,408	2,058,033
	<u>7,033,655</u>	<u>8,900,057</u>
Distributions for the financial period:		
Net distributions	6,159,605	3,338,668
Gross/Net distribution per unit (sen)	<u>3.70</u>	<u>2.00</u>
Distribution date (ex date)	<u>27.02.2020 and 28.07.2020</u>	<u>31.07.2019</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020**

	31.10.2020	31.01.2020
	RM	RM
ASSETS		
Financial assets at FVTPL	167,071,353	154,782,027
Deposits with a licensed financial institution	13,234,000	22,495,748
Interest income receivable	1,163,113	1,819,341
Cash at bank	1,693	381,099
	<u>181,470,159</u>	<u>179,478,215</u>
LIABILITIES		
Amount due to Manager	53,692	53,102
Amount due to Trustee	7,670	7,586
Other payables and accruals	13,712	15,385
TOTAL LIABILITIES	<u>75,074</u>	<u>76,073</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>181,395,085</u>	<u>179,402,142</u>
EQUITY		
Unitholders' capital	171,210,389	169,892,469
Retained earnings	10,184,696	9,509,673
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>181,395,085</u>	<u>179,402,142</u>
NUMBER OF UNITS IN CIRCULATION (UNIT)	<u>171,120,015</u>	<u>169,985,191</u>
NAV PER UNIT (RM)	<u>1.0600</u>	<u>1.0554</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2020 TO 31 OCTOBER 2020**

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 February 2020	169,892,469	9,509,673	179,402,142
Total comprehensive income for the period	-	7,033,655	7,033,655
Creation of units	1,088,228	-	1,088,228
Reinvestment of units	5,794,478	-	5,794,478
Cancellation of units	(5,763,813)	-	(5,763,813)
Distributions	199,027	(6,358,632)	(6,159,605)
At 31 October 2020	<u>171,210,389</u>	<u>10,184,696</u>	<u>181,395,085</u>
At 1 February 2019	192,077,052	1,645,180	193,722,232
Total comprehensive income for the period	-	8,900,057	8,900,057
Creation of units	4,105,513	-	4,105,513
Reinvestment of units	6,564,162	-	6,564,162
Cancellation of units	(33,065,378)	-	(33,065,378)
Distributions	522,411	(3,861,079)	(3,338,668)
At 31 October 2019	<u>170,203,760</u>	<u>6,684,158</u>	<u>176,887,918</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2020 TO 31 OCTOBER 2020**

	01.02.2020 to 31.10.2020 RM	01.02.2019 to 31.10.2019 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	20,316,840	77,411,255
Net payments for purchase of financial assets at FVTPL	(30,394,044)	(77,626,292)
Interest received	6,022,171	7,517,176
Manager's fee paid	(465,848)	(506,793)
Trustee's fee paid	(66,550)	(72,398)
Payment of other fees and expenses	(13,011)	(13,806)
Net cash (used in)/generated from operating and investing activities	<u>(4,600,442)</u>	<u>6,709,142</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	1,088,228	4,105,513
Cash paid on units cancelled	(5,763,813)	(33,065,378)
Distribution to unitholders	(365,127)	(605,874)
Net cash (used in) financing activities	<u>(5,040,712)</u>	<u>(29,565,739)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	(9,641,154)	(22,856,597)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>22,876,847</u>	<u>39,378,058</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>13,235,693</u>	<u>16,521,461</u>
Cash and cash equivalents comprise of:		
Deposits with licensed financial institutions with maturity of less than 3 months	13,234,000	16,520,000
Cash at bank	1,693	1,461
	<u>13,235,693</u>	<u>16,521,461</u>