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MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Quarterly report

For the financial period from 1 June 2020 to 30 November 2020

CORPORATE INFORMATION

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MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial period from 1 June 2020 to 30 November 2020

A. Fund Information

1. Name of the Fund

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

2. Type of Fund

Income

3. Category of Fund

Fixed income

4. Duration of the Fund

The Fund is an open-ended fund.

5. Fund launch date

26 August 2014

6. Fund's investment objective

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

7. Fund distribution policy

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

8. Fund's performance benchmark

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

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

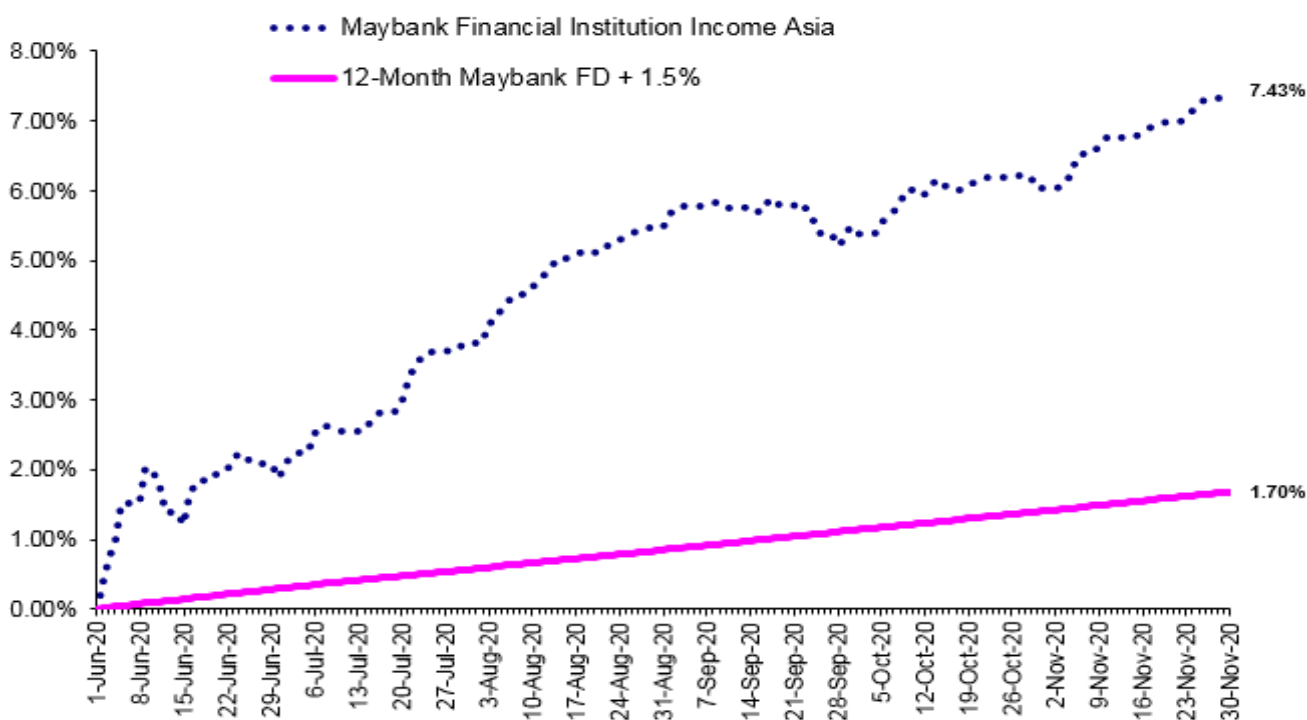
For the financial period from 1 June 2020 to 30 November 2020 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period from 1 June 2020 to 30 November 2020 are as follows:

Period	The Fund %	Benchmark %
1 June 2020 to 30 November 2020	7.43	1.70

Performance of the Fund for the financial period from 1 June 2020 to 30 November 2020:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 30 November 2020

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

For the period since fund's commencement under review, the Fund has generated a total return of 7.43% against benchmark which registered a return of 1.70%. The Fund outperformed the benchmark by 573 basis points ("bps").

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial period from 1 June 2020 to 30 November 2020 (cont'd)

C. Market Review

During June 2020, the United States Dollar ("USD") credit bond market recovered mildly outpacing government bond despite continuation of the outbreak of Coronavirus Disease 2019 ("COVID-19") virus as market players seek for stronger appetite. Most government around the world had taken active approach in providing ample liquidities into financial market, there had been plan for some countries to open up their economic activities while maintaining a strict standard operating procedures ("SOP") to fight the COVID-19 outbreak effectively. However, United States of America ("US") COVID-19 cases continue to rise further but the government emphasized that they will not enter into another lockdown to slow down the infection. In Europe saw the European Commission president Ursula Von der Leyen called for the European Union ("EU") to borrow Euro Dollar ("EUR") 750billion for a recovery fund to support the worst affected EU regions. This would be in addition to a EUR 540billion rescue package agreed in April 2020. The European Central Bank also offered support, expanding its pandemic emergency purchase program to EUR 1.35trillion. On the commodities, the energy component posted a sharp gain as The Organization of the Petroleum Exporting Countries ("OPEC") and Russia agreed to make temporary production cuts. This masked volatility in April 2020 caused by oversupply and storage concern.

During July 2020, the US Commerce Department's reported that their gross domestic product ("GDP") shrank 9.5% in the second quarter from the first, casting doubt over its path to economic recovery. The US unemployment data also took a turn unexpectedly rose to 1.4 million ending the declining trend in the past week. However, US consumer spending continue to rise in June 2020 to 5.6% as more businesses reopened. The Eurozone GDP also contracted by 12.1% in the second quarter but the Purchasing Managers Index ("PMI") number showed an increase to 54.8 from 48.5 indicating that activities are in expansion mode given that it's above 50. The EU recovery fund which was mooted in June 2020 was also approved whereby it will be made up of EUR 390billion of grants and EUR 360billion of loans to be distributed among EU member states.

During August 2020, the global equity market rallied with S&P 500 Index reached new peak at the back of optimistic on the development of the vaccines along with signs of an economic turnaround in the third quarter of year 2020. The US – China relationship however took a downturn as what began as the two nations exchanging trade blows has now developed into restriction on diplomats and military posturing. Positively, the ongoing standoff was overshadowed through the month by US economic data that suggest that the economic recovery is continuing. In Europe, the recovery momentum seen to slow down as PMI number for the month of August 2020 came out lower at 51.6 vs last month number. Nonetheless, the number is still above 50 suggesting economy remain in expansion mode.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial period from 1 June 2020 to 30 November 2020 (cont'd)

C. Market Review (cont'd)

During September 2020, the US economy continues to recover and Federal Reserve ("Fed") will now use average inflation targeting ("AIT") in setting the policy interest rate, allowing for temporary overshoots in inflation. The new policy means the Fed is willing to wait until inflation has gone above 2% until it responds. Furthermore, the latest dot plot – the Fed's own projection of the future path of interest rates - suggests that policymakers see rates at the zero lower bound through to and including year 2023. However, US markets was seen jittery in the quarter amid a resurgence in European COVID-19 cases, as well as questions over refreshed fiscal stimulus measures along with uncertainty over a smooth transition of power if President Donald Trump loses his re-election bid.

During October 2020, US equities declined, primarily due to the continued rise in COVID-19 cases in many states. Market optimism over additional fiscal stimulus also waxed and waned, contributing to stock market movements. As the deadline for stimulus negotiations drew near, the unpredictability of the 3 November 2020 presidential election added to the wider sense of uncertainty. President Trump hinted more than once that stimulus would be announced post the election, should he win a second term. From an economic perspective, data continued to indicate industrial activity was expanding in both the manufacturing and service sectors. Initial jobless claims also reached their lowest number since March 2020. Even so, the Fed maintained the message that it will keep rates unchanged until inflation stabilizes at 2%, and will tolerate a moderate overshoot. Further, the Fed reiterated that additional fiscal stimulus was required. In Europe, data showed that the eurozone economy expanded by 12.7% in the third quarter of 2020 as activity rebounded over the summer. However, this still leaves the economy 4.3% smaller than it was at the same time last year and expectations are that the new lockdowns will weigh on economic activity in the coming months. Indeed, business activity contracted in October 2020 according to the Market composite PMI which fell to 49.4 from 50.4 in September 2020.

During November 2020, market players seen to take more risk as several vaccine breakthroughs sparked investor optimism that a return to economic normality is in sight. The optimism on vaccines development overshadow President-elect Joe Biden's victory in the US presidential election, and concerns over the smooth transition of power. The US stock market rose sharply with Energy, Financials, industrials and materials stocks seen to rise up. The USD seen declined against major currencies as players seen to take on more risk due to vaccines optimism. In Europe, there were also encouraging signs that COVID-19 infection rates are slowing in several European countries, enabling governments to start easing lockdown restrictions.

D. Market Outlook and Strategy

Pre US-election, we have taken defensive position against a Blue sweep US presidential election outcome which would be negative for long end interest rates but still supportive for credit spreads. On 2 November 2020, we reduced some long end bonds but added to corporate perpetual and high yield bonds. Cash level maintained at 10%. On 5 November 2020 morning results began to indicate a Biden win but with Senate control remaining with Republicans (meaning no blue sweep). This could be the best outcome possible for Asian corporate bonds.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial period from 1 June 2020 to 30 November 2020 (cont'd)

D. Market Outlook and Strategy (cont'd)

With Biden as President, relationships with China should improve while without control of the Senate, Republicans will not be able to unilaterally pass through huge stimulus plans that will steepen bond yield curves. In this scenario, the US Fed will also have to do more to support the economy. We added to bonds after US elections and cash is currently under 6%.

Going into FY2021, we remain positive for bond investments. The macro fundamentals are supportive for bonds given that interest rates will stay low for longer. Credit stress have likely peaked and should trend lower even as we re-enter targeted partial lockdowns as most companies have adapted their business models in the new normal and central banks stand ready to continue supporting their economies through this crisis. In addition, we are getting closer to an efficacious and safe vaccine in FY2021. For FY2021, we expect 5% to 6% annualized returns on the JP Morgan Credit Index which is attractive for investors in the current low interest rate environment. The index yield is around 3% and we expect tightening of 30 basis points to 50 basis points, which will translate to potential price gain of 2%. Hence, we encourage Investors to add or remain invested in bonds.

E. Asset Allocation

The Fund's asset allocation as at 30 November 2020 is as follows:

Asset allocation	30.11.2020		31.05.2020	
	RM	%	RM	%
Fixed income securities	56,206,826	84.65	60,069,477	91.77
Cash, deposit with a licensed financial institution and other net assets	10,189,178	15.35	5,387,233	8.23
Total NAV	66,396,004	100.00	65,456,710	100.00

F. NAV as at 30 November 2020

	30.11.2020	31.05.2020	Changes (%)
NAV (RM)	66,396,004	65,456,710	1.43
Units in circulation (units)	60,221,647	63,198,566	(4.71)
NAV per unit (RM)	1.1025	1.0357	6.45

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 period from 1 June 2020 to 30 November 2020, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2020 TO 30 NOVEMBER 2020**

	01.06.2020 to 30.11.2020 RM	01.06.2019 to 30.11.2019 RM
INVESTMENT INCOME		
Interest income	1,453,467	1,422,752
Net gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised (loss)/gain	(163,934)	1,302,937
- Unrealised gain	3,415,784	681,371
Net gain on foreign exchange and forward currency contracts	381,947	165,259
	<u>5,087,264</u>	<u>3,572,319</u>
EXPENSES		
Manager's fee	330,391	322,266
Trustee's fee	13,216	12,891
Auditors' remuneration	5,014	5,000
Tax agent's fee	1,755	1,749
Administrative expenses	9,795	13,857
	<u>360,171</u>	<u>355,763</u>
Net income before taxation	4,727,093	3,216,556
Taxation	-	-
Net income after taxation, total comprehensive income for the period	<u>4,727,093</u>	<u>3,216,556</u>
Net income after tax is made up of the following :		
Net realised gain	607,191	1,703,525
Net unrealised gain	4,119,902	1,513,031
	<u>4,727,093</u>	<u>3,216,556</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2020**

	30.11.2020	31.05.2020
	RM	RM
ASSETS		
Financial assets at FVTPL	56,206,826	60,069,477
Deposits with licensed financial institutions	2,591,398	2,066,636
Derivative assets	1,365,683	109,698
Interest receivable	724,686	916,371
Amount due from brokers	-	4,254,956
Cash at bank	5,941,877	5,046,995
TOTAL ASSETS	66,830,470	72,464,133
LIABILITIES		
Derivative liabilities	230,124	3,872,653
Amount due to Manager	190,317	108,932
Amount due to Trustee	2,143	2,199
Amount due to brokers	-	1,737,160
Distribution payable	-	1,263,971
Other payables and accruals	11,882	22,508
TOTAL LIABILITIES	434,466	7,007,423
NET ASSET VALUE ("NAV") OF THE FUND	66,396,004	65,456,710
EQUITY		
Unitholders' capital	65,143,220	68,302,398
Retained earnings / (Accumulated losses)	1,252,784	(2,845,688)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	66,396,004	65,456,710
NUMBER OF UNITS IN CIRCULATION (UNIT)	60,221,647	63,198,566
NAV PER UNIT (RM)	1.1025	1.0357

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2020 TO 30 NOVEMBER 2020**

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 June 2019	58,825,112	(733,989)	58,091,123
Total comprehensive income for the financial period	-	3,216,556	3,216,556
Creation of units	23,884,695	-	23,884,695
Cancellation of units	(9,627,027)	-	(9,627,027)
At 30 November 2019	<u>73,082,780</u>	<u>2,482,567</u>	<u>75,565,347</u>
At 1 June 2020	68,302,398	(2,845,688)	65,456,710
Total comprehensive income for the financial period	-	4,727,093	4,727,093
Creation of units	2,287,412	-	2,287,412
Reinvestment of units	1,860,775	-	1,860,775
Cancellation of units	(7,339,183)	-	(7,339,183)
Distributions	31,818	(628,621)	(596,803)
At 30 November 2020	<u>65,143,220</u>	<u>1,252,784</u>	<u>66,396,004</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JUNE 2020 TO 30 NOVEMBER 2020

	01.06.2020 to 30.11.2020 RM	01.06.2019 to 30.11.2019 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale of financial assets at FVTPL	28,926,626	25,498,484
Net payments for purchases of financial assets at FVTPL	(22,611,608)	(32,850,036)
Interest received	1,274,474	1,273,952
Net loss on forward foreign exchange contracts	(514,541)	(700,337)
Manager's fee paid	(331,785)	(312,897)
Trustee's fee paid	(13,272)	(12,516)
Payment of other fees and expenses	(27,189)	(25,785)
Net cash generated from/(used in) operating and investing activities	<u>6,702,705</u>	<u>(7,129,135)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	2,287,412	21,937,581
Cash paid on units cancelled	(7,256,408)	(10,634,818)
Net cash (used in)/generated from financing activities	<u>(4,968,996)</u>	<u>11,302,763</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	1,733,709	4,173,628
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	7,113,631	6,983,004
Effects of foreign exchange	(314,065)	(76,251)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>8,533,275</u>	<u>11,080,381</u>
Cash and cash equivalents comprise:		
Cash at bank	5,941,877	3,609,790
Deposit with licensed financial institutions	2,591,398	7,470,591
	<u>8,533,275</u>	<u>11,080,381</u>