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# MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report  
For the financial period from 1 February 2021 to 30 April 2021

## **CORPORATE INFORMATION**

### **MANAGER**

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

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## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

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## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

### **Manager's report**

**For the financial period from 1 February 2021 to 30 April 2021**

#### **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

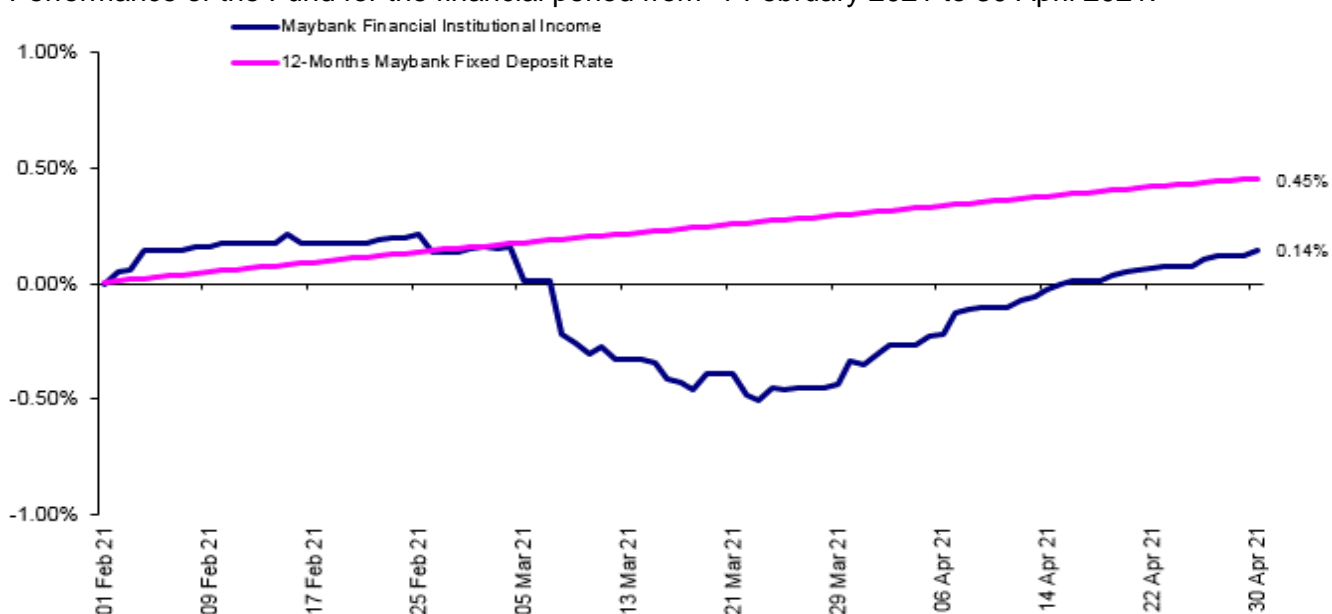
For the financial period from 1 February 2021 to 30 April 2021 (cont'd)

#### B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2021 to 30 April 2021 are as follows:

Period	The Fund %	Benchmark %
1 February 2021 to 30 April 2021	0.14	0.45

Performance of the Fund for the financial period from 1 February 2021 to 30 April 2021:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 30 April 2021

*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 total return of 0.14% for the period under review, compared to the benchmark of 0.45% over the corresponding period. The underperformance of the Fund was due to overall weaker bond market performance. Nonetheless, the Fund managed to achieve positive return for the quarter.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### Manager's report

For the financial period from 1 February 2021 to 30 April 2021 (cont'd)

#### C. Market Review

The local bond market saw Fitch downgrading Malaysia rating to 'BBB+' from 'A-' on 4th December 2020 citing Malaysia's weakened key credit metrics due to Coronavirus 2019 ("Covid-19") crisis, as well as political uncertainties. After the initial reaction from the market, local bonds saw some support to recover as Standard and Poor ("S&P") and Moody's still retained their 'A3' rating for Malaysia.

These factors provided some volatilities in the local bond market coming into the new year. However, the main driver for volatilities during the period was the rising US Treasury ("UST") yields. The global market saw the UST yields rose 87 basis points ("bps") to 92 bps Year To Date ("YTD") between the 10 year and 30-year maturities, which drove a selloff in the emerging market bonds as profit taking took hold. Meanwhile, 10 year Malaysian Government Securities ("MGS") yields was seen rising between 46 bps YTD. The rise in global bond yields gathered momentum on positive Covid-19 vaccines developments and the start of vaccinations worldwide that raised expectations of a global economic recovery. This peaked in mid-March 2021, with the 10-year MGS reaching a high of 3.485% before recovering to 3.11% at end April 2021. Meanwhile, BNM kept OPR at 1.75% as expected, with accompanying statement that was neutral on its policy stance, which prompted selling pressure as market shifted away from any residual OPR cut hopes. The local bond market recovered in April on signs of respite in UST selloff, as well as FTSE Russell's decision to retain Malaysia in the World Government Bond Index ("WGBI").

Consequently, the selloff in MGS and Government Investment Issue ("GII") yields saw the local corporate bonds and sukuk yields rose as well especially in the GG and AAA-rated bonds and sukuk, as it went through a massive mark-to-market ("MTM") repricing by Bond Pricing Agency Malaysia ("BPAM") over the month of March 2021. Local bond market recovered in April 2021 on the back of stabilising United States Dollar ("USD") yields and weaker USD. As Covid-19 cases are surging again, optimism on growth and recovery has dampened somewhat, giving the much needed boost to bond markets.

Foreign holdings of Malaysian Ringgit ("MYR") sovereign registered 12th consecutive month of inflow in April 2021, increased RM6.4 billion from RM5.9 billion in March 2021. Total foreign bond holdings rose to RM246.1 billion (March 2021: RM239.7 billion), bringing YTD net inflow to RM23.2 billion (2020: RM18.3 billion). Foreign share of government bonds (MGS+GII) improved for April to 26.4%, highest since January 2020. Increasing foreign demand for local debt securities in April 2021 was likely driven by FTSE Russell's decision to retain Malaysia in the global bond index and stabilizing of UST and stronger MYR.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### Manager's report

For the financial period from 1 February 2021 to 30 April 2021 (cont'd)

#### D. Market Outlook

The Malaysian bond market are on a similar trajectory with other regional markets with yields rising and curves steepening. The government's outlook on the Malaysian economy for 2021 remained positive with expectations that Gross Domestic Product ("GDP") will come in between 6.0% and 7.5% in 2021 despite the second movement control order ("MCO") enforcement which affect the major economic zones such as Selangor, Penang, Johor and Kuala Lumpur. We view that economic activities would pick up with fewer disruptions once forthcoming vaccines are rolled out in Malaysia. Following the 125bps of cumulative OPR cuts in 2020 and having stayed on hold at the last two Monetary Policy Committee ("MPC") meetings for the year, we view BNM will likely stand on hold with OPR at 1.75% throughout 2021 unless the current Covid-19 condition continue to adversely impact the domestic economy. In such event, there could be another potential OPR cut by BNM.

After a strong performance in 2020, the fixed income asset class may see a more moderate return as yields have dropped to low levels as a result of the strong rally last year. We do not see a similar compression in yields that would push up bond prices in 2021. Additionally, globally interest rates are already at or close to record lows with investment grade bonds yielding close to its all-time lows. A rising UST yields in 2021 will likely drive a similar upward trend in emerging market yields including Malaysia.

#### 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 2021 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 30 April 2021 and 31 January 2021 are as follows:

Asset allocation	30.04.2021		31.01.2021	
	RM	%	RM	%
Unquoted fixed income securities - local	164,525,777	88.12	160,724,113	89.79
Cash, deposits with licensed financial institutions and other net assets	22,171,120	11.88	18,270,982	10.21
<b>Total</b>	<b>186,696,897</b>	<b>100.00</b>	<b>178,995,095</b>	<b>100.00</b>

## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

### **Manager's report**

**For the financial period from 1 February 2021 to 30 April 2021 (cont'd)**

#### **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 2021 to 30 April 2021, the Manager and its delegates did not receive any soft commissions and rebates from 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.



## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 30 APRIL 2021

	01.02.2021 to 30.04.2021 RM	01.02.2020 to 30.04.2020 RM
<b>INVESTMENT INCOME</b>		
Interest income	1,166,394	1,921,285
Net gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	238,683	161,338
- Unrealised (loss)/gain	(991,854)	500,429
	<u>413,223</u>	<u>2,583,052</u>
<b>EXPENSES</b>		
Manager's fee	154,069	151,431
Trustee's fee	22,010	21,633
Auditors' remuneration	2,146	2,164
Tax agent's fee	854	860
Administrative expenses	804	147
	<u>179,883</u>	<u>176,235</u>
<b>Net income before taxation</b>	233,340	2,406,817
Taxation	-	-
<b>Net income after taxation, and total comprehensive income for the financial period</b>	<u>233,340</u>	<u>2,406,817</u>
<b>Net income after taxation is made up of the following:</b>		
Net realised gain	1,225,194	1,906,388
Net unrealised (loss)/gain	(991,854)	500,429
	<u>233,340</u>	<u>2,406,817</u>
<b>Distributions for the financial period:</b>		
Net distributions	-	3,293,271
Gross distribution per unit (sen)	-	2.00
Net distribution per unit (sen)	-	2.00
Distribution date (ex date)	-	27/02/2020

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND****UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 APRIL 2021**

	<b>30.04.2021</b>	<b>31.01.2021</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	164,525,777	160,724,113
Deposits with a licensed financial institution	20,464,000	16,323,000
Interest income receivable	1,866,488	1,935,084
Cash at bank	1,163	379,293
	<u>186,857,428</u>	<u>179,361,490</u>
<b>LIABILITIES</b>		
Amount due to Manager	128,621	337,881
Amount due to Trustee	7,546	7,521
Other payables and accruals	24,364	20,993
<b>TOTAL LIABILITIES</b>	<u>160,531</u>	<u>366,395</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>	<u>186,696,897</u>	<u>178,995,095</u>
<b>EQUITY</b>		
Unitholders' capital	178,493,837	171,025,375
Retained earnings	8,203,060	7,969,720
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>186,696,897</u>	<u>178,995,095</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	<u>178,041,839</u>	<u>170,902,195</u>
<b>NAV PER UNIT (RM)</b>	<u>1.0486</u>	<u>1.0474</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 30 APRIL 2021

	Unitholders' capital RM	Retained earnings RM	Total RM
At 1 February 2021	171,025,375	7,969,720	178,995,095
Total comprehensive income for the financial period	-	233,340	233,340
Creation of units	8,274,199	-	8,274,199
Cancellation of units	(805,737)	-	(805,737)
At 30 April 2021	<u>178,493,837</u>	<u>8,203,060</u>	<u>186,696,897</u>
At 1 February 2020	169,892,469	9,509,673	179,402,142
Total comprehensive income for the financial period	-	2,406,817	2,406,817
Reinvestment of units	3,095,904	-	3,095,904
Cancellation of units	(5,675,654)	-	(5,675,654)
Distributions	111,932	(3,405,203)	(3,293,271)
At 30 April 2020	<u>167,424,651</u>	<u>8,511,287</u>	<u>175,935,938</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND****UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 30 APRIL 2021**

	<b>01.02.2021</b> to <b>30.04.2021</b> RM	<b>01.02.2020</b> to <b>30.04.2020</b> RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds from sale and redemption of financial assets at FVTPL	6,386,622	10,316,840
Net payments for purchase of financial assets at FVTPL	(10,737,226)	(15,197,030)
Interest received	1,106,377	1,942,432
Manager's fee paid	(153,893)	(154,409)
Trustee's fee paid	(21,985)	(22,058)
Payment of other fees and expenses	(251)	(146)
Net cash used in operating and investing activities	<u>(3,420,356)</u>	<u>(3,114,371)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	8,274,200	-
Cash paid on units cancelled	(1,090,974)	(5,675,654)
Distribution to unitholders	-	(197,367)
Net cash generated from/(used in) financing activities	<u>7,183,226</u>	<u>(5,873,021)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>	<b>3,762,870</b>	<b>(8,987,392)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>16,702,293</b>	<b>22,876,847</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b><u>20,465,163</u></b>	<b><u>13,889,455</u></b>
Cash and cash equivalents comprise of:		
Deposits with a licensed financial institution with maturity of less than 3 months	20,464,000	13,888,000
Cash at bank	1,163	1,455
	<u>20,465,163</u>	<u>13,889,455</u>