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MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Annual report
For the financial year ended 31 May 2021

CORPORATE INFORMATION

MANAGER

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

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Dataran Maybank

No.1 Jalan Maarof

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TRUSTEE

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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 year ended 31 May 2021

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 (open-ended)

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 income through investing in a portfolio of fixed income securities issued by financial institutions.

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 Ringgit Malaysia ("RM") denominated and/or non-RM 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 and any other RM denominated and/or non-RM denominated fixed income securities.

10. Net income distribution for the financial year ended 31 May 2021

The Fund distributed a total net income of RM2,542,895 to unitholders for the financial year ended 31 May 2021, detailed as below:

Payment date	NAV per unit before distribution	NAV per unit after distribution	Gross/net distribution per unit (sen)	Changes %
27 November 2020	1.1107	1.1007	1.00	(0.20)
25 May 2021	1.1217	1.0817	4.00	(0.19)

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

A. Fund Information

11. Breakdown of unitholdings by size

Fund size

As at 31 May 2021, the size of the Fund was 50,446,416 units.

Unitholdings	No. of unitholders	%	No. of units ('000)	%
5,000 units and below	1	20.00	1 *	-
5,001 to 10,000 units	-	-	-	-
10,001 to 50,000 units	2	40.00	39	0.08
50,001 to 500,000 units	-	-	-	-
500,001 units and above	2	40.00	50,406	99.92
Total	5	100.00	50,446**	100.00

* Comprise of 1,326 units held under Manager

** Includes units held under Institutional Unit Trust Scheme Advisers ("IUTA")

B. Performance Review

1. Key performance data of the Fund

Category	31.05.2021	31.05.2020	31.05.2019
Portfolio Composition			
Fixed income securities - local (%)	-	2.39	3.60
Fixed income securities - foreign (%)	91.03	89.39	90.54
- Australia	-	5.25	-
- British Virgin Islands	10.58	16.06	10.42
- Canada	3.99	3.18	-
- Cayman Islands	7.61	9.24	-
- China	-	2.65	17.63
- France	4.13	6.81	-
- Hong Kong	23.33	11.77	12.27
- India	3.89	9.46	7.22
- Indonesia	-	1.86	3.75
- Japan	-	-	7.39
- Netherlands	-	-	3.61
- New Zealand	-	-	3.24
- Philippines	2.00	-	-
- Singapore	5.33	3.01	7.03
- South Korea	11.30	6.41	7.13
- Switzerland	-	5.38	-
- Thailand	10.82	3.32	3.69
- United Kingdom	8.05	4.99	7.16
Cash and other net assets	8.97	8.22	5.86
Total (%)	100.00	100.00	100.00

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

B. Performance Review

1. Key performance data of the Fund

Category	31.05.2021	31.05.2020	31.05.2019
NAV (RM'000)	54,719	65,457	58,091
Units in circulation (units'000)	50,446	63,199	55,632
NAV per unit (RM)	1.0847	1.0357	1.0442
Highest NAV per unit (RM)	1.1294	1.1074	1.0786
Lowest NAV per unit (RM)	1.0378	0.9726	1.0153
Annual return (%) ⁽¹⁾			
- Capital growth (%)	4.74	3.53	6.02
- Income distribution (%)	4.63	2.86	5.75
Total return	9.59	6.49	6.89
Benchmark (%)	3.38	3.75	4.75
Distribution date	27/11/2020 and 25/5/2021	3/12/2019 and 28/5/2020	31/11/2018 and 31/05/2019
Gross distribution per unit (sen)	5.00	4.50	5.50
Net distribution per unit (sen)	5.00	4.50	5.50
Management Expense Ratio ("MER") (%) ⁽²⁾	1.10	1.11	1.11
Portfolio Turnover Ratio (times) ⁽³⁾	0.64	0.91	0.54

Note:

(1) Actual return of the Fund for the financial year is computed on daily average NAV per unit, net of Manager's and Trustee's fee.

(2) The Fund's MER decreased to 1.10 due to lower expenses for the current financial year.

(3) The Fund's PTR decreased to 0.64 due to the decreased trading activities in the current financial year.

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.

2. Performance of the Fund since inception to 31 May 2021

Category	1 year to 31.05.2021	3 years to 31.05.2021	5 years to 31.05.2021	Since inception to 31.05.2021
Capital growth	4.74	3.35	(3.04)	8.47
Income distribution	4.63	17.24	33.97	37.82
Total return of the Fund	9.59	21.17	29.90	49.49
Benchmark	3.38	13.29	24.19	34.54
Average total return	9.59	6.61	5.37	6.12

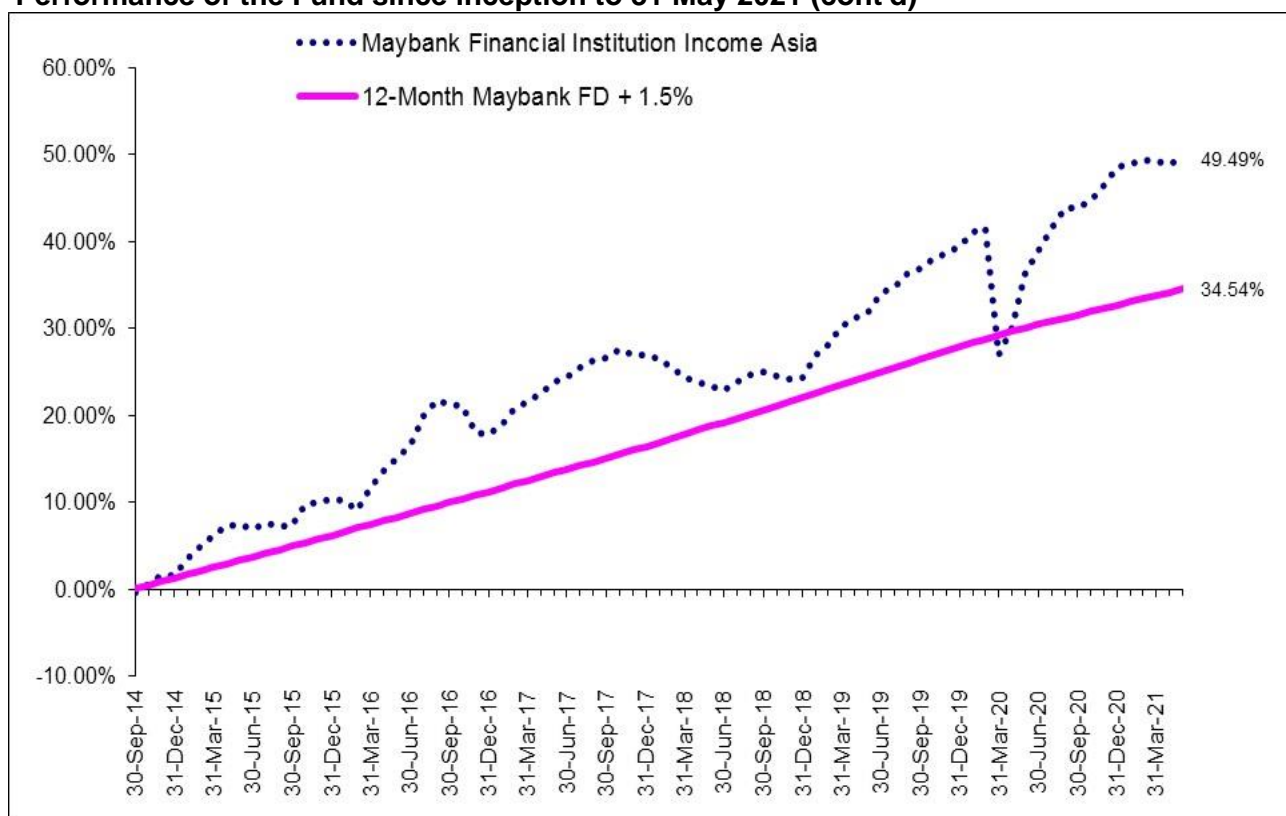
MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

B. Performance Review

2. Performance of the Fund since inception to 31 May 2021 (cont'd)



Source: Lipper, as at 31 May 2021

For the period since fund's commencement under review, the Fund has generated a total return of 9.59%, as compared to the benchmark which registered a return of 3.38% over the same period. The Fund outperformed the benchmark by 621 basis points ("bps"). The portfolio's outperformance against the index were mainly due to its underweight in Huarong, overweight in Tier 1 bank papers and its diversification into European financial paper and some Asia high yield credit.

Has the Fund met the objective for the financial year?

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

3. Annual total return of the Fund

Category	01.06.2020 to 31.05.2021	01.06.2019 to 31.05.2020	01.06.2018 to 31.05.2019	01.06.2017 to 31.05.2018	01.06.2016 to 31.05.2017
Annual total return	9.59	1.09	6.89	(0.35)	7.58
Benchmark	3.38	4.47	4.73	4.73	4.62

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

4. Basis of calculation made in calculating the returns:

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

An illustration of the above would be as follows:

Capital return	=	(NAV per unit end / NAV per unit begin) - 1
Income return	=	Income distribution per unit / NAV per unit ex date
Total return	=	(1+Capital return) x (1+Income return) - 1

C. Market Review

United States Dollar ("USD") credit bond market recovered mildly outpacing government bond despite continuation of the outbreak of Coronavirus 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 Procedure ("SOP") to fight the COVID 19 outbreak effectively. However, United States ("US") COVID 19 cases continue to rise further but the government emphasis 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 EUR 750 billion for a recovery fund to support the worst affected EU regions. This would be in additional to a EUR 540 billion rescue package agreed in April 2021. The European Central Bank also offered support, expanding its pandemic emergency purchase program to EUR 1.35 trillion. On the commodities, the energy component posted a sharp gain as Organisation of Petroleum Exporting Countries ("OPEC") and Russia agreed to make temporary production cuts. This masked volatility in April 2021 caused by oversupply and storage concern.

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 to 5.6% as more businesses reopened. The Eurozone GDP also contracted by 12.1% in the second quarter but Purchasing Managers Index ("PMI") (Flash composite purchasing manager) 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 390 billion of grants and EUR 360 billion of loans to be distributed among EU member states.

The global equity market rallied with Standard and Poor's ("S&P") 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 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 U.S 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 year ended 31 May 2021 (cont'd)

C. Market Review (cont'd)

The US economy continues to recover and 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 Federal Reserve ("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 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 Trump loses his re-election bid.

US equities declined in October 2020, 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 Markit composite PMI which fell to 49.4. from 50.4 in September 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 US dollar 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.

The US announced USD 900 billion rescue package in late December 2020 and saw FED reinforced its supportive message and vowe to continue with its current levels of qualitative easing. In Europe COVID infections seen to bounce back higher leading to some of the European countries to tighten back its restrictions. EU leaders approved the landmark €1.8 trillion budget package, including the €750 billion recovery fund, after overcoming opposition from Hungary and Poland. The EU also agreed a Britain exit ("Brexit") trade deal with the UK. The US 10-year yield was 25 bps higher, finishing at 0.91%, while the German 10-year yield fell by 5bps to -0.57%.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

C. Market Review (cont'd)

During the month of January 2021 the yield curve steepened as reflation risks come back into play with Biden pushing for a substantially larger USD 1.9 trillion Covid-19 relief package. Yellen has fully endorsed the large stimulus package, calling it the best way to get the US economy back to pre-pandemic levels. If the package is passed, she expects US to get back to full employment next year. Besides inflation risks, there are also risks of increased Treasury bond issuance to fund the relief package. This drove US Treasury ("UST") 10 year yield up from 0.91% end December 2020 to 1.04% end January 2021.

During February 2021, the bond market continued to be plagued with volatility both from rising bond yields and negative credit headlines. On the back of continued inflation concerns, the UST 10 year which started the year at 0.91% closed at 1.41% end February 2021. Even the 5-year UST yield doubled from 0.35% beginning of the year to over 0.70% end of February. This all occurred even as US Fed Chairman reiterated to the congress on 24th February 2021 that the central bank would not start to trim its \$120 billion in monthly bond purchases, or hike the benchmark interest rate, until "substantial further progress" has been made toward the Fed's goals on inflation and employment. Specifically, that would mean US inflation reaching and running slightly above the 2% level, with employment falling to a level viewed as maximum employment. On the credit front, there continued to be some negative spillover effects from the China Fortune Land restructuring event. The financial markets turned more cautious on China property high yield as they worry about tightening policies and negative investor sentiment which will impact almost all major onshore and offshore funding channels, including bank loans, bonds issuance and trust loans. Concerns arose again on the government's Three Red Lines policy rollout implications on property developers. Weak local State Owned Enterprises ("SOE") bonds and local government funding vehicles ("LGFV") s also traded weaker in a market where there were no buyers. It did not help that liquidity was poor during the one-week Chinese New Year holiday mid-February 2021. China high yield shaded about 0.5% to 1% lower while Indonesia and India high yield outperformed. Overall, the JP Morgan Asia Credit Index fell 0.79% in February 2021, with the investment grade bonds down 1.17% and the high yield bonds up 0.46%. While IG spreads tightened 8bps, it was not enough to offset the heavy sell-off in Treasury yields.

President Biden confirmed a fiscal stimulus package of USD 1.9 trillion, which followed up with an additional promise of USD 2 trillion in infrastructure spending. In Europe saw the flash manufacturing PMI for march reached record high of 62.4 signaling strong growth. Global bond yield was seen to rise higher as major countries continue to rollout Covid-19 vaccination along with expectation of large US economic stimulus. The 10 year yield was seen to rise to 1.74% yield resulting curve to steepen further. USD corporate bond continue to perform well against government bond while High Yield space perform better to produce more moderate positive return.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

C. Market Review (cont'd)

In US, almost 70% of the population has now had at least one shot of the vaccine, However the sharp sell off in UST in March 2021 seen to halt due to Fed comment. The US 10-year Treasury yield declined by 11 bps to 1.63% for the month. Echoing the previous month's comments, the Fed acknowledged improvements in the economy and a better outlook, but clearly downplayed any prospect of removing policy support. The US economy grew at an annualized 6.4% in the first quarter of 2021, beating expectations. In credit space, market was seen to focus on sell off in Huarong's bond which was triggered by the group's failure to release its financial results at the end of March 2021. There had been a debate among market players if Beijing will remain firm to back the state own companies that borrow on international market. The bond price had plunged since then but recovered slightly as regulators came forward to bring some assurance on the entity commitment to uphold its bond obligation. The situation however escalated to other China State Owned Enterprises ("SOE") resulting volatile market within that space.

US economic recovery seen to be on track with further sign of acceleration seen visible. The PMI now rose to 63.5 in April 2021 indicating significant expansion. Headline Consumer Price Index ("CPI") rose 4.2% YoY in April 2021 reaching highest level since September 2008 and sparked optimism among players that the Fed could initiate tighter monetary policy. The optimism however was met with some disappointment as Non Farm Payrolls ("NFP") added only 266k job in April 2021 as compared to expectation of a 1 million job.

D. Market Outlook & Strategy

During May 2021 JP Morgan Asia Credit Index Core ("JACICOTR") returned 0.48% with HY outperforming 0.81% and IG 0.38%. Chinese HY property continued to trade marginally weaker given huge new supply while Non-China HY grinded in tighter. The exception was Indonesian coal which traded weaker in the 2nd half of May 2021 after disappointing results and Environmental, Social and Governance ("ESG") concerns. Huarong's contagion risks caused the China Asset Management Company ("AMC") to widen 80bps. There was news that Ministry of Finance ("MOF") is considering transferring its controlling stakes in bad debt managers to a new holding company, raising concerns on a broad shake-up in the sector.

Relatively stable Treasuries during the second quarter of 2021 has enabled fixed income portfolios to deliver some income during May 2021. Since peaking at 1.74% end March 2021 from 0.92% end December 2021, the UST10 year hovered within tight range of 1.6% to 1.7% for April 2021 and May 2021. However, we remain cautious on interest rates going into second half of 2021 as President Biden continues to push his ambitious USD1.7 trillion infrastructure plan as well as raising minimum corporate tax to 15%.

We continue to see idiosyncratic credit risks emerging, causing bonds to drop massively within a short period of time. The latest victims in May/early June 2021 include Serba Dynamic in Malaysia and Evergrande in China. While we do not have exposure to these names in our portfolios, such risks are not possible to avoid all the time.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2021 (cont'd)

D. Market Outlook & Strategy (cont'd)

We continue to manage these risks by following up on companies closely while holding a more diversified portfolio, limiting exposure to individual issuers. The macro environment remains challenging with many Asia countries partially locking down again as new strains of COVID-19 emerge. We prefer to remain cautious with cash at 10% while waiting for a more stable environment to add risk.

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

The Fund has been converted to a Unit Trust Fund effective 4 January 2021.

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 year ended 31 May 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.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

We have acted as Trustee of Maybank Financial Institutions Income Asia Fund (the "Fund") for the financial year ended 31 May 2021. 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 Deeds, the Securities Commission's ("SC") Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 ("CMSA") and other applicable laws;
- (b) Valuation/pricing of units of the Fund has been carried out in accordance with the Deeds and any regulatory requirements;
- (c) Creation and cancellation of units are carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distribution of returns for the year were tied to and reflect the objectives of the Fund.

For and on behalf of

TMF TRUSTEES MALAYSIA BERHAD

(Company No.: 200301008392/610812-W)

NORHAYATI BINTI AZIT

Director - Fund Services

Kuala Lumpur, Malaysia

13 July 2021

STATEMENT BY MANAGER

**TO THE UNITHOLDERS OF
MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

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 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 Financial Institutions Income Asia Fund as at 31 May 2021 and of its results, changes in equity and cash flows for the financial year ended 31 May 2021 and comply with the requirements of the Deeds.

For and on behalf of the Manager

Dato' Idris Bin Kechot
Chairman

Ahmad Najib Bin Nazlan
Director

Kuala Lumpur, Malaysia
13 July 2021

Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Asia Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Financial Institutions Income Asia Fund (the "Fund"), which comprise the statement of financial position as at 31 May 2021 of the Fund, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 55.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as at 31 May 2021, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund ("the Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

**Independent auditors' report to the Unitholders of
Maybank Financial Institutions Income Asia 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 Financial Institutions Income Asia 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 Financial Institutions Income Asia 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 Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Yeo Beng Yean
03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 July 2021

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Note	2021 RM	2020 RM
INVESTMENT INCOME			
Interest income	3	2,727,746	3,204,929
Net gain/(loss) from financial assets at fair value through profit or loss ("FVTPL")			
- Realised (loss)/gain		(396,576)	617,030
- Unrealised gain/(loss)		3,668,354	(2,416,555)
Net gain on foreign exchange and derivatives	4	667,679	366,390
		<u>6,667,203</u>	<u>1,771,794</u>
EXPENSES			
Manager's fee	5	629,949	696,876
Trustee's fee	6	25,198	27,875
Auditors' remuneration		10,000	10,000
Tax agent's fee		3,913	3,900
Administrative expenses		24,883	32,316
		<u>693,943</u>	<u>770,967</u>
Net income before taxation		5,973,260	1,000,827
Taxation	7	-	-
Net income after taxation, and total comprehensive income for the financial year		<u>5,973,260</u>	<u>1,000,827</u>
Net income after taxation is made of the following:			
Realised income		1,311,572	3,887,896
Unrealised income/(loss)		4,661,688	(2,887,069)
		<u>5,973,260</u>	<u>1,000,827</u>
Distributions for the financial year			
Net distributions	16	2,542,895	2,982,554
Gross/net distribution per unit (sen)	16	5.00	4.50
Distribution dates (ex-date)	16	Refer to Note 16	Refer to Note 16

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021**

	Note	2021 RM	2020 RM
ASSETS			
Financial assets at FVTPL	8	49,813,682	60,069,477
Derivative assets	9	60,281	109,698
Interest receivable		560,306	916,371
Deposit with a licensed financial institution	10	941,948	2,066,636
Amount due from brokers	11	-	4,254,956
Cash at bank	12	3,700,921	5,046,995
TOTAL ASSETS		<u>55,077,138</u>	<u>72,464,133</u>
LIABILITIES			
Derivative liabilities	9	282,820	3,872,653
Amount due to Manager	13	56,254	108,932
Amount due to brokers	11	-	1,737,160
Amount due to Trustee	14	1,850	2,199
Distribution payable		-	1,263,971
Other payables and accruals		16,994	22,508
TOTAL LIABILITIES		<u>357,918</u>	<u>7,007,423</u>
NET ASSET VALUE ("NAV") OF THE FUND		<u>54,719,220</u>	<u>65,456,710</u>
EQUITY			
Unitholders' capital	15(a)	54,202,922	68,302,398
Retained earnings/(accumulated losses)	15(b) & 15(c)	516,298	(2,845,688)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>54,719,220</u>	<u>65,456,710</u>
NUMBER OF UNITS IN CIRCULATION (UNIT)	15(a)	<u>50,446,416</u>	<u>63,198,566</u>
NAV PER UNIT (RM)		<u>1.0847</u>	<u>1.0357</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	Unitholders' capital Note 15(a) RM	Retained earnings/ (Accumulated losses) Notes 15(b) & 15(c) RM	Total equity RM
At 1 June 2020	68,302,398	(2,845,688)	65,456,710
Total comprehensive income for the financial year	-	5,973,260	5,973,260
Creation of units	5,295,712	-	5,295,712
Reinvestment of units	1,946,091	-	1,946,091
Cancellation of units	(21,409,658)	-	(21,409,658)
Distributions (Note 16)	68,379	(2,611,274)	(2,542,895)
At 31 May 2021	<u>54,202,922</u>	<u>516,298</u>	<u>54,719,220</u>
At 1 June 2019	58,825,113	(733,990)	58,091,123
Total comprehensive income for the financial year	-	1,000,827	1,000,827
Creation of units	35,104,459	-	35,104,459
Reinvestment of units	3,665,690	-	3,665,690
Cancellation of units	(29,422,835)	-	(29,422,835)
Distributions (Note 16)	129,971	(3,112,525)	(2,982,554)
At 31 May 2020	<u>68,302,398</u>	<u>(2,845,688)</u>	<u>65,456,710</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021**

	2021	2020
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	49,879,491	57,385,889
Net payments for purchase of financial assets at FVTPL	(36,419,531)	(64,125,168)
Interest received	2,195,339	2,779,665
Net realised gain on derivatives	397,135	314,427
Manager's fee paid	(638,671)	(693,159)
Trustee's fee paid	(25,547)	(27,726)
Payment of other fees and expenses	(44,310)	(40,137)
Net cash generated from/(used in) operating and investing activities	<u>15,343,906</u>	<u>(4,406,209)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	4,031,733	35,104,459
Cash paid on units cancelled	(21,453,608)	(30,531,390)
Distributions to unitholders	(596,804)	(7)
Net cash (used in)/generated from financing activities	<u>(18,018,678)</u>	<u>4,573,062</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR	(2,674,772)	166,853
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	7,113,631	6,983,004
Effects of foreign exchange	204,010	(36,226)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>4,642,869</u>	<u>7,113,631</u>
Cash and cash equivalents comprise:		
Cash at bank (Note 12)	3,700,921	5,046,995
Deposit with a licensed financial institution with original maturity of less than 3 months (Note 10)	941,948	2,066,636
	<u>4,642,869</u>	<u>7,113,631</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Maybank Financial Institutions Income Asia Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 29 May 2014, First supplemental deed dated 30 March 2015 and a Second supplemental deed dated 10 August 2015 and a Third supplemental deed dated 21 August 2020 between the Manager, Maybank Asset Management Sdn Bhd ("MAM"), the Trustee, TMF Trustee Malaysia Berhad and the registered unitholders of the Fund. The Deed and Supplemental Deeds are collectively referred to as 'Deeds'. The Fund was launched on 26 August 2014. Effective 4 January 2021, the Fund has been converted to a Unit Trust Fund.

The Fund aims to provide unitholders income through investing in a portfolio of fixed income securities issued by financial institutions. The Fund will invest between 70% to 98% of its NAV in Ringgit Malaysia ("RM") denominated and/or non-RM 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 and RM denominated and/or non-RM denominated fixed income securities issued by non-financial institutions which are domiciled and/or located in the Asian region.

The Manager of the Fund is MAM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence 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. Maybank AM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

The financial statements were authorised for issue by the Board of Directors of the Manager (the "Directors") in accordance with a resolution of the Directors on 13 July 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.14 to the financial statements.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

2.2 Standards and amendments to standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform Phase 2</i>	1 January 2021
Amendment to MFRS 16: <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 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 108: <i>Definition of Accounting Estimates</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 liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

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

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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

2.4 Financial assets (cont'd)

(i) Financial assets at amortised cost

Unless designated as at fair value through profit or loss ("FVTPL") on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

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

Debt instruments that do not meet the criteria above are classified as either fair value through other comprehensive income ("FVTOCI") or FVTPL.

The Fund classifies cash and cash equivalents, interest receivable and amount due from brokers as financial assets at amortised cost. These assets are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. The EIR is a method of calculating the amortised cost of the financial assets and of allocating and recognising the interest income in profit or loss over the relevant period.

(ii) Financial assets at FVTPL

Unquoted fixed income securities and derivatives are classified as FVTPL, unless the Fund designates an investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is recognised at FVTPL if:

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

Debt instruments that do not meet the amortised cost criteria (see above) 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 FINANCIAL INSTITUTIONS INCOME ASIA 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 measurement recognised in profit or loss.

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

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

(iii) Impairment

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

ECL are a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date:
As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- Financial assets that are credit-impaired at the reporting date:
As the difference between the gross carrying amount and the present value of estimated future cash flows.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

2.4 Financial assets (cont'd)

(iii) Impairment (cont'd)

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the issuer or counterparty;
- Significant downgrade in credit rating of the instrument by a rating agency;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

For balances with short-term nature, full impairment will be recognised on uncollected balances after the grace period.

(iv) Derecognition

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 interest 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 assets at amortised cost, gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

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 brokers, amount due to Trustee, distribution payable, and other payables and accruals as other financial liabilities.

(ii) Recognition and measurement

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

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

(iii) Derecognition

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

2.6 Fair value measurement

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

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

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

2.6 Fair value measurement (cont'd)

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:

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

2.7 Functional and foreign currency

(a) Functional and presentation currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

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

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

2.9 Distributions

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution 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 period 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 deposit with a financial institution with original maturity of three (3) months or less which have an insignificant risk of changes in value.

2.11 Revenue

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

Interest income from unquoted fixed income securities and deposits with a licensed financial institution are recognised on the accruals basis using the effective interest rate method.

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

Other 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

2.12 Income tax

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 year.

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 the allocating resources and assessing performance of the operating segments.

2.14 Critical accounting estimates and judgments

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

No major judgements 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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

3. INTEREST INCOME

	2021 RM	2020 RM
Interest income from unquoted fixed income securities	2,756,801	3,261,135
Interest income from short-term deposits	19,967	61,998
Amortisation of premium, net of accretion of discount	(49,022)	(118,204)
	<u>2,727,746</u>	<u>3,204,929</u>

4. NET GAIN ON FOREIGN EXCHANGE AND DERIVATIVES

	2021 RM	2020 RM
Net realised (loss)/gain on foreign exchange	(708,231)	524,440
Net unrealised (loss)/gain on foreign exchange	(2,547,083)	2,290,950
Net realised gain on derivatives	382,577	312,465
Net unrealised gain/(loss) on derivatives	3,540,416	(2,761,465)
	<u>667,679</u>	<u>366,390</u>

5. MANAGER'S FEE

The Manager's fee is computed on a daily basis at 1.00% (2020: 1.00%) per annum ("p.a.") of the NAV of the Fund before deducting the Manager's fee and Trustee's fee for that particular day.

6. TRUSTEE'S FEE

The Trustee's fee is computed daily based on 0.04% (2020: 0.04%) p.a. of the NAV of the Fund, subject to a minimum fee of RM15,000 per annum ("p.a.") and a maximum fee of RM 150,000 p.a.. The trustee fee is calculated and accrued daily and payable monthly to the Trustee.

7. TAXATION

	2021 RM	2020 RM
Tax expense for the financial year:		
Current income tax expense	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable income for the financial year. Interest income derived from sources outside Malaysia are exempted from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

7. TAXATION (CONT'D)

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

	2021 RM	2020 RM
Net income before taxation	<u>5,973,260</u>	<u>1,000,827</u>
Tax at Malaysian statutory rate of 24% (2020: 24%)	1,433,582	240,198
Income not subject to tax	(1,600,129)	(1,005,204)
Loss not deductible for tax purposes	-	579,973
Expenses not deductible for tax purposes	<u>166,547</u>	<u>185,033</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AT FVTPL

		2021 RM	2020 RM
Unquoted fixed income securities - local	(a)	-	1,563,661
Unquoted fixed income securities - foreign	(b)	<u>49,813,682</u>	<u>58,505,816</u>
		<u>49,813,682</u>	<u>60,069,477</u>

2021	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Unquoted fixed income securities - foreign				
British Virgin Island ("BVI")				
Huarong Finance Corporation Ltd - 3.75% / 27.04.2022	500,000	2,061,141	1,556,804	2.85
Peak RE Bvi Holding Ltd - 5.35% / 28.10.2025	500,000	2,061,391	2,173,543	3.97
Wanda Properties Overseas Ltd - 6.95% / 05.12.2022	500,000	2,049,312	2,057,397	3.76
Total BVI	<u>1,500,000</u>	<u>6,171,844</u>	<u>5,787,744</u>	<u>10.58</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2021 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Unquoted fixed income securities - foreign (cont'd)				
Canada				
Bank of Montreal - 4.80% / 25.08.2024	500,000	2,061,370	2,185,376	3.99
Total Canada	500,000	2,061,370	2,185,376	3.99
Cayman Islands				
TMB Bank Public Co Ltd - 4.90% / 02.12.2024	1,000,000	4,122,770	4,164,641	7.61
Total Cayman Islands	1,000,000	4,122,770	4,164,641	7.61
France				
BNP Paribas S.A. - 6.625% / 25.03.2024	500,000	2,085,077	2,261,218	4.13
Total France	500,000	2,085,077	2,261,218	4.13
Hong Kong				
AIA Group Ltd - 2.70% / 07.04.2026	500,000	2,061,461	2,082,610	3.81
Bank of East Asia Ltd - 5.825% / 21.10.2021	500,000	2,061,351	2,214,278	4.05
China Everbright Ltd - 3.80% / 27.10.2023	500,000	2,062,942	2,099,885	3.84
Chong Hing Bank Ltd - 5.825% / 21.10.2021	500,000	2,061,363	2,145,486	3.92
Dah Sing Bank Ltd - 4.25% / 30.11.2021	500,000	2,061,763	2,081,393	3.80
Nanyang Commercial Bank Ltd - 3.80% / 20.11.2024	500,000	2,059,232	2,137,631	3.91
Total Hong Kong	3,000,000	12,368,112	12,761,283	23.33

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2021 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Unquoted fixed income securities - foreign (cont'd)				
India				
Renew Power Ltd - 6.45% / 27.09.2022	500,000	2,066,731	2,130,540	3.89
Total India	<u>500,000</u>	<u>2,066,731</u>	<u>2,130,540</u>	<u>3.89</u>
Philippines				
SMC Global Power Holdings Corporation - 7.00% / 21.10.2025	250,000	1,037,176	1,096,707	2.00
Total Indonesia	<u>250,000</u>	<u>1,037,176</u>	<u>1,096,707</u>	<u>2.00</u>
Singapore				
Aviva Singlife Holdings Pte Ltd - 3.38% / 24.02.2026	250,000	780,238	814,006	1.49
Global Prime Capital Pte Ltd - 5.50% / 01.07.2021	500,000	2,061,555	2,101,040	3.84
Total Singapore	<u>750,000</u>	<u>2,841,793</u>	<u>2,915,046</u>	<u>5.33</u>
South Korea				
Heungkuk Life Insurance Co Ltd - 4.475% / 09.11.2022	500,000	2,059,970	2,084,609	3.81
Shinhan Financial Group Co Ltd - 2.88% / 12.05.2026	1,000,000	4,122,960	4,099,622	7.49
Total South Korea	<u>1,500,000</u>	<u>6,182,930</u>	<u>6,184,231</u>	<u>11.30</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2021 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
Unquoted fixed income securities - foreign (cont'd)				
Thailand				
Kasikorn Bank Pcl - 5.275% / 14.10.2025	500,000	2,062,601	2,174,326	3.97
Krung Thai Bank Plc - 4.661% / 04.12.2021	400,000	1,649,108	1,661,520	3.04
Minor International Pcl - 4.661% / 04.12.2021	500,000	2,061,472	2,083,620	3.81
Total Thailand	1,400,000	5,773,181	5,919,466	10.82
United Kingdom				
HSBC Holdings Ltd - 4.75% / 04.09.2031	200,000	824,582	844,696	1.54
Macquarie Bank Ltd - 5.375% / 03.10.2024	800,000	3,311,670	3,562,734	6.51
Total United Kingdom	1,000,000	4,136,252	4,407,430	8.05
Total unquoted fixed income securities - foreign	11,900,000	48,847,236	49,813,682	91.03
Total unquoted fixed income securities	11,900,000	48,847,236	49,813,682	91.03
Unrealised gain on unquoted fixed income securities*			966,446	

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2020	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
(a) Unquoted fixed income securities - local				
Serba Dinamik Holdings Bhd - 6.997% / 12.03.2025	500,000	2,080,660	1,563,661	2.39
Total unquoted fixed income securities- local	500,000	2,080,660	1,563,661	2.39
(b) Unquoted fixed income securities - foreign				
Australia				
Macquarie Bank London - 6.125% / 08.03.2027	800,000	3,382,257	3,439,577	5.25
Total Australia	800,000	3,382,257	3,439,577	5.25
British Virgin Island ("BVI")				
Franshion Brilliant Ltd - 4.00% / 03.01.2023	450,000	1,889,921	1,895,676	2.90
Huarong Finance Corporation Ltd - 4.75% / 27.04.2027	500,000	2,186,516	2,297,394	3.51
- 3.75% / 27.04.2022	500,000	2,197,178	2,196,422	3.36
Wanda Properties Overseas Ltd - 6.95% / 05.12.2022	1,000,000	4,130,624	4,114,898	6.29
Total BVI	2,450,000	10,404,239	10,504,390	16.06
Canada				
Bank of Montreal - 4.80% / 25.08.2024	500,000	2,059,000	2,084,592	3.18
Total Canada	500,000	2,059,000	2,084,592	3.18

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2020 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
(b) Unquoted fixed income securities - foreign (cont'd)				
Cayman Islands				
CIFI Holdings Group Co Ltd - 6.45% / 07.11.2024	500,000	2,090,500	2,141,484	3.27
TMB Bank Public Co Ltd - 4.90% / 02.12.2024	1,000,000	4,174,668	3,908,610	5.97
Total Cayman Islands	1,500,000	6,265,168	6,050,094	9.24
China				
China Life Insurance Co Ltd - 4.00% / 03.07.2075	400,000	1,671,098	1,732,991	2.65
Total China	400,000	1,671,098	1,732,991	2.65
France				
BNP Paribas S.A. - 6.625% / 25.03.2024	1,000,000	4,426,099	4,456,684	6.81
Total France	1,000,000	4,426,099	4,456,684	6.81
Hong Kong				
Bank of East Asia Ltd - 5.625% / 18.05.2022	800,000	3,358,659	3,399,970	5.19
Dah Sing Bank Ltd - 4.25% / 30.11.2026	500,000	2,209,900	2,173,404	3.32
Nanyang Commercial Bank - 3.80% / 20.11.2029	500,000	2,070,207	2,132,581	3.26
Total Hong Kong	1,800,000	7,638,766	7,705,955	11.77

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2020 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
(b) Unquoted fixed income securities - foreign (cont'd)				
India				
Manappuram Finance Ltd - 5.90% / 13.01.2023	1,000,000	4,117,473	4,075,377	6.23
Renew Power Ltd - 6.45% / 27.09.2022	500,000	2,099,892	2,115,644	3.23
Total India	1,500,000	6,217,365	6,191,021	9.46
Indonesia				
PT Sri Rejeki Isman Tbk - 7.25% / 16.01.2025	300,000	1,258,492	1,218,183	1.86
Total Indonesia	300,000	1,258,492	1,218,183	1.86
Singapore				
Global Prime Capital Pte Ltd - 5.50% / 18.10.2023	500,000	2,176,660	1,971,677	3.01
Total Singapore	500,000	2,176,660	1,971,677	3.01
South Korea				
Busan Bank Co Ltd - 3.625% / 25.07.2026	500,000	2,083,025	2,230,513	3.41
Heungkuk Life Insurance Co Ltd - 4.475% / 09.11.2022	500,000	2,066,506	1,965,162	3.00
Total South Korea	1,000,000	4,149,531	4,195,675	6.41
Switzerland				
Credit Suisse Group AG - 5.10% / 24.01.2030	500,000	2,030,500	2,012,934	3.08
UBS Group - 4.85% / 04.09.2024	500,000	1,516,300	1,502,459	2.30
Total Switzerland	1,000,000	3,546,800	3,515,393	5.38

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2020 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
(b) Unquoted fixed income securities - foreign (cont'd)				
Thailand				
Minor International Pcl - 4.661% / 04.12.2021	500,000	2,086,139	2,171,884	3.32
Total Thailand	<u>500,000</u>	<u>2,086,139</u>	<u>2,171,884</u>	<u>3.32</u>
United Kingdom				
Phoenix Group Holdings - 4.75% / 04.09.2031	400,000	1,740,160	1,746,193	2.67
Standard Chartered Bank - 5.375% / 03.10.2024	500,000	1,531,300	1,521,507	2.32
Total United Kingdom	<u>900,000</u>	<u>3,271,460</u>	<u>3,267,700</u>	<u>4.99</u>
Total unquoted fixed income securities - foreign	<u>14,150,000</u>	<u>58,553,074</u>	<u>58,505,816</u>	<u>89.39</u>
Total unquoted fixed income securities	<u>14,650,000</u>	<u>60,633,734</u>	<u>60,069,477</u>	<u>91.78</u>
Unrealised loss on unquoted fixed income securities*			<u>(564,257)</u>	

* The unrealised loss on unquoted fixed income securities comprise the amounts arising from changes in fair values and effects from foreign exchange.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

9. DERIVATIVE ASSETS/LIABILITIES

2021	Notional principal amount RM	<-----Fair Value----->	
		Assets RM	Liabilities RM
<u>Foreign exchange related contracts</u>			
Currency forwards:			
Less than 1 year	57,717,985	60,281	(282,820)

2020

Foreign exchange related contracts

Currency forwards:

Less than 1 year	76,364,922	109,698	(3,872,653)
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As at the reporting date, there were 10 (2020: 13) forward exchange contracts outstanding.

The forward currency contracts entered into during the financial year were for hedging against the currencies exposure arising mainly from investments in the foreign unquoted fixed income securities denominated in USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

10. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

	2021 RM	2020 RM
Short-term placement with a maturity of less than 3 months	941,948	2,066,636

The weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposit with a licensed financial institution with maturity of less than 3 months as at the reporting date were as follows:

	2021		2020	
	WAEIR % p.a.	Average maturity Days	WAEIR % p.a.	Average maturity Days
Deposit with a licensed financial institution	1.72	1	1.95	3

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

11. AMOUNT DUE FROM/(DUE TO) BROKERS

Amount due from/(due to) brokers relates to the amount receivable/(payable) from/to brokers arising from the sales/(purchase) of investments. The settlement period for this receivables/(payables) is within 3 working days from the deal date.

12. CASH AT BANK

The table below indicates the currencies that the Fund have in cash at bank as at the reporting date:

	2021 RM	2020 RM
United States Dollar ("USD")	3,692,503	5,017,611
Singapore Dollar ("SGD")	4,532	27,521
Malaysian Ringgit ("RM")	3,886	1,863
	<u>3,700,921</u>	<u>5,046,995</u>

13. AMOUNT DUE TO MANAGER

	Note	2021 RM	2020 RM
Amount due to Manager			
Manager's fee	(i)	46,250	54,972
Redemption of units	(ii)	10,004	53,960
		<u>56,254</u>	<u>108,932</u>

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

(ii) The amount represents amount payable to the Manager for units redeemed/cancelled.

14. AMOUNT DUE TO TRUSTEE

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

15. TOTAL EQUITY

	Note	2021 RM	2020 RM
Unitholders' capital	(a)	54,202,922	68,302,398
Accumulated realised income	(b)	327,037	1,626,739
Accumulated unrealised income/(loss)	(c)	189,261	(4,472,427)
		<u>54,719,220</u>	<u>65,456,710</u>

(a) Unitholders' capital

	2021		2020	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	63,198,566	68,302,398	55,631,838	58,825,113
Creation of units	4,872,726	5,295,712	32,446,842	35,104,459
Reinvestment of units	1,794,129	1,946,091	3,458,205	3,665,690
Cancellation of units	(19,419,005)	(21,409,658)	(28,338,319)	(29,422,835)
Distribution equalisation (Note 16)	-	68,379	-	129,971
At the end of the financial year	<u>50,446,416</u>	<u>54,202,922</u>	<u>63,198,566</u>	<u>68,302,398</u>

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

	2021		2020	
	No. of units	RM	No. of units	RM
The Manager	<u>1,328</u>	<u>1,440</u>	<u>1,292</u>	<u>1,338</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

	2021 RM	2020 RM
At the beginning of the financial year	1,626,739	851,368
Net realised income for the financial year	1,311,572	3,887,896
Distributions out of retained earnings (Note 16)	<u>(2,611,274)</u>	<u>(3,112,525)</u>
At the end of the financial year	<u>327,037</u>	<u>1,626,739</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

15. TOTAL EQUITY (CONT'D)

(c) Accumulated unrealised income/(loss)

	2021 RM	2020 RM
At the beginning of financial year	(4,472,427)	(1,585,358)
Net unrealised income/(loss) for the financial year	4,661,688	(2,887,069)
At the end of the financial year	<u>189,261</u>	<u>(4,472,427)</u>

16. DISTRIBUTIONS

Details of distributions declared to unitholders in the previous and current financial year are as follows:

	2021 RM	2020 RM
Interest income	1,028,449	2,328,286
Prior year's net realised income*	1,626,739	851,368
Other income	225,208	396,546
Less:		
Expenses	(269,122)	(463,675)
Distributions out of realised reserves (Note 15(b))	<u>2,611,274</u>	<u>3,112,525</u>
Effects of distribution equalisation (Note 15(a))	(68,379)	(129,971)
Distributions for the financial year	<u>2,542,895</u>	<u>2,982,554</u>
Analysed as:		
Cash distribution	596,804	7
Reinvestment of units	<u>1,946,091</u>	<u>2,982,547</u>
Distribution for the financial year	<u>2,542,895</u>	<u>2,982,554</u>

The distributions declared are settled in the form of units and presented as 'reinvestment of units' in Note 15(a) on payment date.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

16. DISTRIBUTIONS (CONT'D)

The gross and net distribution per unit declared in the current financial year are as follows:

Distribution dates (ex-date)	Gross/net distribution per unit (sen)
2021	
27 November 2020	1.00
27 May 2021	4.00
	<hr/> 5.00
2020	
3 December 2019	2.50
28 May 2020	2.00
	<hr/> 4.50

17. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

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

Brokers/dealers	2021	
	Value of trades RM	Percentage of total trades %
HSBC Bank Malaysia Bhd	22,439,368	29.23
Citibank Bhd	11,698,113	15.24
J.P. Morgan Chase Bank Bhd	7,370,872	9.60
Nomura Ltd	6,559,649	8.54
DBS Bank Ltd	6,258,225	8.15
BNP Paribas Malaysia Bhd	4,587,101	5.98
Credit Suisse Securities (USA) LLC	4,180,240	5.45
Guotai Junan Securities (Hong Kong) Ltd	3,375,430	4.40
Standard Chartered Bank London	2,302,906	3.00
Citic Securities Co Ltd	2,125,950	2.77
Morgan Stanley	2,074,500	2.70
Mizuho Securities Asia Ltd	2,068,103	2.69
Standard Chartered Bank Singapore	1,053,442	1.37
Kotak Mahindra Bank Limited	674,334	0.88
	<hr/> 76,768,233	<hr/> 100.00

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

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

Brokers/dealers	2020	
	Value of trades RM	Percentage of total trades %
HSBC Bank Malaysia Bhd	22,180,960	18.42
Nomura Ltd	19,575,220	16.26
J.P. Morgan Chase Bank Bhd	12,594,410	10.46
Citibank Bhd	12,377,265	10.28
BNP Paribas Malaysia Bhd	11,074,395	9.20
Mizuho Securities Asia Ltd	9,988,670	8.30
Standard Chartered Bank London	7,415,100	6.16
DBS Bank	4,342,900	3.61
Bank of America Merrill Lynch London	3,474,320	2.89
Haitong International Securities Co Ltd	3,474,320	2.89
Australia and New Zealand Banking Group Ltd	2,171,450	1.80
Credit Suisse Securities (USA) LLC	2,171,450	1.80
Guotai Junan Securities (Hong Kong) Ltd	2,171,450	1.80
Morgan Stanley	2,171,450	1.80
MUFG Securities EMEA	2,171,450	1.80
Standard Chartered Bank Singapore	2,171,450	1.80
Citic Securities Co Ltd	868,580	0.72
	<u>120,394,840</u>	<u>100.00</u>

Details of transactions, primarily deposits with licensed financial institutions for the current and previous financial year are as follows:

Financial institution	2021		2020	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
Malayan Banking Bhd ("MBB")*	<u>272,712,257</u>	<u>100.00</u>	<u>542,472,055</u>	<u>100.00</u>

* MBB is the ultimate holding company of the Manager.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions of the Fund during the financial year:

(a) Significant related party transactions

	2021 RM	2020 RM
MBB:		
Interest income from deposit placement	19,967	61,998

(b) Significant related party balances

MBB:		
Deposit with a financial institution	941,948	2,066,636

The Manager is of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

19. MANAGEMENT EXPENSE RATIO ("MER")

The MER of the Fund is the ratio of total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 May 2021, the MER of the Fund stood at 1.10% (2020: 1.11%).

20. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the daily average NAV of the Fund. For the financial year ended 31 May 2021, the PTR of the Fund stood at 0.64 times (2020: 0.91 times).

21. 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 chief operating decision-maker is responsible for the performance of the Fund by investing between 70% to 98% of its NAV in RM denominated and/or non-RM 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 RM denominated and/or non-RM denominated fixed income securities issued by non-financial institutions which are domiciled and/or located in the Asian region.

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

22. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The Fund's financial assets and financial liabilities were measured on an ongoing basis at either fair value or at amortised cost based on their respective classifications. The significant accounting policies in Note 2.3 to Note 2.14 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

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

2021	Financial instruments at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Assets				
Financial assets at FVTPL	49,813,682	-	-	49,813,682
Derivative assets	60,281	-	-	60,281
Interest receivable	-	560,306	-	560,306
Deposit with a licensed financial institution	-	941,948	-	941,948
Cash at bank	-	3,700,921	-	3,700,921
Total financial assets	49,873,963	5,203,175	-	55,077,138
Liabilities				
Derivative liabilities	282,820	-	-	282,820
Amount due to Manager	-	-	56,254	56,254
Amount due to Trustee	-	-	1,850	1,850
Other payables and accruals	-	-	16,994	16,994
Total financial liabilities	282,820	-	75,098	357,918

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

22. FINANCIAL INSTRUMENTS (CONT'D)

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

2020	Financial instruments at FVTPL	Financial assets at amortised cost RM	Financial liabilities at amortised cost	Total RM
Assets				
Financial assets at FVTPL	60,069,477	-	-	60,069,477
Derivative assets	109,698	-	-	109,698
Interest receivable	-	916,371	-	916,371
Deposit with a licensed financial institution	-	2,066,636	-	2,066,636
Amount due from broker	-	4,254,956	-	4,254,956
Cash at bank	-	5,046,995	-	5,046,995
Total financial assets	60,179,175	12,284,958	-	72,464,133
Liabilities				
Derivative liabilities	3,872,653	-	-	3,872,653
Amount due to Manager	-	-	108,932	108,932
Amount due to broker	-	-	1,737,160	1,737,160
Amount due to Trustee	-	-	2,199	2,199
Distribution payable	-	-	1,263,971	1,263,971
Other payables and accruals	-	-	22,508	22,508
Total financial liabilities	3,872,653	-	3,134,770	7,007,423

(b) Financial instruments that are carried at fair value

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

Unquoted fixed income securities

Local unquoted fixed income securities denominated in RM are revalued on a daily basis based on fair value prices quoted by BPA as per SC's Guidelines on Unit Trust Funds.

Foreign unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the average price quoted by at least three (3) independent and reputable financial institutions.

Derivative assets and liabilities

The fair value of over-the-counter forward foreign exchange contracts are obtained by using valuation models which incorporate various observable market inputs such as changes in spot rate, and changes in the forward points. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

22. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
 Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value:

	Level 1 RM	Level 2 RM	Level 3 RM
2021			
Financial assets			
Financial assets at FVTPL	-	49,813,682	-
Derivative assets	-	60,281	-
	-	49,873,963	-
Financial liabilities			
Derivative liabilities	-	282,820	-
	-	282,820	-
2020			
Financial assets			
Financial assets at FVTPL	-	60,069,477	-
Derivative assets	-	109,698	-
	-	60,179,175	-
Financial liabilities			
Derivative liabilities	-	3,872,653	-
	-	3,872,653	-

(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 liabilities, 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' value. Risk is inherent in the Fund's activities, but it is 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 Deeds, SC's Guidelines on Unit Trust Funds and CMSA.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund is exposed to foreign currency risk arising from the Fund's investments in unquoted fixed income securities and other financial assets and liabilities denominated in foreign currencies. The Fund is also exposed to interest rate risk arising from its financial assets at FVTPL and deposit placed with a licensed financial institution. The Fund is not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below analyses the net position of the Fund's financial assets and financial liability (excluding derivative assets and derivative liabilities) which are exposed to foreign exchange risks as at 31 May 2021. As the Fund's functional currency is RM, the financial assets and financial liability (excluding derivative assets and derivative liabilities) denominated in other currencies are exposed to the movement of foreign exchange rates. The exposure might lead to the appreciation or depreciation of the financial assets and financial liability of the Fund that may affect the value of the NAV attributable to unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

2021	USD RM	SGD RM	Total RM
Financial assets			
Financial assets at FVTPL	48,999,676	814,006	49,813,682
Interest receivable	43,807	-	43,807
Cash at bank	3,692,503	4,532	3,697,035
Total financial assets	52,735,986	818,538	53,554,524
Net on-balance sheet open position	52,735,986	818,538	53,554,524
Forward exchange contracts			
- notional principal amount (Note 9) *	56,910,224	807,762	57,717,985
2020			
Financial assets			
Financial assets at FVTPL	57,045,512	3,023,965	60,069,477
Interest receivable	884,529	31,512	916,041
Amount due from broker	4,254,956	-	4,254,956
Cash at bank	5,017,611	27,521	5,045,132
Total assets	67,202,608	3,082,998	70,285,606
Financial liabilities			
Amount due to brokers	1,737,160	-	1,737,160
Total financial liabilities	1,737,160	-	1,737,160
Net on-balance sheet open position	65,465,448	3,082,998	68,548,446
Forward exchange contracts			
- notional principal amount (Note 9) *	73,120,046	3,244,876	65,601,596

* The Fund has entered into forward currency contracts to hedge against its USD and SGD exposure arising mainly from the Fund's investments in USD and SGD denominated unquoted fixed income securities.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

The table below summarises the sensitivity of the Fund's net on-balance sheet open position (excluding derivative assets and derivative liabilities) to movements in exchange rates. The analysis is based on the assumptions that the exchange rates will increase or decrease by 5% with all other variables held constant.

Currencies	2021		2020	
	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM
USD	+5	2,636,799	+5	3,273,272
	-5	(2,636,799)	-5	(3,273,272)
SGD	+5	40,927	+5	154,150
	-5	(40,927)	-5	(154,150)

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

(ii) Interest rate risk

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

Financial assets at FVTPL	2021		2020	
	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM
Financial assets at FVTPL	+1	(1,504,457)	+1	(2,474,359)
	-1	1,574,391	-1	2,741,465

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

The Fund's deposit with a licensed financial institution carries fixed rate and is short-term in nature, and therefore is not affected by movements in market interest rate.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(c) Credit risk

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its contractual obligation resulting in a financial loss to the Fund. The Fund is exposed to the risk of credit-related losses that can occur as a result of an issuer/counterparty's inability or unwillingness to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's other counterparties (e.g. brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

(i) Credit risk exposure

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at the reporting date.

(ii) Credit risk concentration

The following table analyses the Fund's investments in unquoted fixed income securities, cash at bank, deposit with a licensed financial institution, interest receivable on unquoted fixed income securities and interest receivable on deposit with a licensed financial institution by rating categories. The ratings for the Fund's investments in unquoted fixed income securities and interest receivable on unquoted fixed income securities were obtained from Moody's, Fitch, S&P and MARC while the ratings for cash at bank, deposit with a licensed financial institution and interest receivable on deposit with a licensed financial institution were obtained from RAM's official website.

Financial assets	2021		2020	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
AAA	8,347,040	15.25	7,113,962	10.87
AA	2,211,763	4.04	-	-
A+	7,254,111	13.26	-	-
A-	7,927,891	14.49	1,761,558	2.69
BBB+	6,379,676	11.66	8,952,697	13.68
BBB	7,230,638	13.21	4,004,256	6.12
BBB-	4,188,920	7.66	9,667,028	14.77
BB+	2,127,443	3.89	9,532,925	14.56
BB	2,182,650	3.99	5,557,848	8.49
BB-	6,018,194	11.00	21,509,205	32.86
Not rated	1,148,531	2.10	-	-
	<u>55,016,857</u>	<u>100.55</u>	<u>68,099,479</u>	<u>104.04</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

23. 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 Fund's Deeds.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund also manages its obligation to redeem units when required to do so.

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, deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets, liabilities and unitholders' capital to provide a complete view of the Fund's contractual commitments and liquidity:

2021	Less than 1 month RM	More than 1 month RM	Total RM
Financial assets			
Financial assets at FVTPL	-	49,813,682	49,813,682
Derivative assets	-	60,281	60,281
Interest receivable	235,061	325,245	560,306
Deposit with a licensed financial institution	941,948	-	941,948
Cash at bank	3,700,921	-	3,700,921
Total undiscounted financial assets	<u>4,877,930</u>	<u>50,199,208</u>	<u>55,077,138</u>
Financial liabilities and unitholders' equity			
Derivative liabilities	79,400	203,420	282,820
Amount due to Manager	56,254	-	56,254
Amount due to Trustee	1,850	-	1,850
Other payables and accruals	16,994	-	16,994
Unitholders' equity	54,719,220	-	54,719,220
Total undiscounted financial liabilities and unitholders' equity	<u>54,873,718</u>	<u>203,420</u>	<u>55,077,138</u>
Liquidity (gap)/surplus	<u>(49,995,788)</u>	<u>49,995,788</u>	<u>-</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(d) Liquidity risk (cont'd)

2020	Less than 1 month RM	More than 1 month RM	Total RM
Financial assets			
Financial assets at FVTPL	-	60,069,477	60,069,477
Derivative assets	-	109,698	109,698
Interest receivable	395,751	520,620	916,371
Deposit with a licensed financial institution	2,066,636	-	2,066,636
Amount due from broker	4,254,956	-	4,254,956
Cash at bank	5,046,995	-	5,046,995
Total undiscounted financial assets	<u>11,764,338</u>	<u>60,699,795</u>	<u>72,464,133</u>
Financial liabilities and unitholders' equity			
Derivative liabilities	97,217	3,775,436	3,872,653
Amount due to Manager	108,932	-	108,932
Amount due to broker	1,737,160	-	1,737,160
Amount due to Trustee	2,199	-	2,199
Distribution payables	1,263,971	-	1,263,971
Other payables and accruals	22,508	-	22,508
Unitholders' equity	65,456,710	-	65,456,710
Total undiscounted financial liabilities and unitholders' equity	<u>68,688,697</u>	<u>3,775,436</u>	<u>72,464,133</u>
Liquidity (gap)/surplus	<u>(56,924,359)</u>	<u>56,924,359</u>	<u>-</u>

Notes:

(i) Financial assets

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised. Financial assets exclude tax-related matters such as tax recoverable.

(ii) Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period 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 can be required to pay. Financial liabilities exclude tax-related matters such as provision for taxation.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(d) Liquidity risk (cont'd)

(iii) Unitholders' total equity

As unitholders can request for redemption on their units by giving the Manager a 10-day notice period, the unitholders' total equity has been categorised as having a maturity of "less than 1 month".

As a result, it appears that the Fund has a liquidity gap within "less than 1 month". However, the Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements.

24. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing capital are:

- (a) To invest in investments meeting the description, risk exposure and generate higher returns than the prescribed benchmark as 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 that the operations of the Fund are cost-efficient.

No changes were made to the capital management objectives in the current financial year.