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# MAYBANK BLUEWATERZ TOTAL RETURN FUND

Quarterly report  
For the financial period from 1 January 2021 to  
30 June 2021

## **CORPORATE INFORMATION**

### **MANAGER**

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

Level 12 Tower C  
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**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

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## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

For the financial period from 1 January 2021 to 30 June 2021

#### A. Fund Information

**1. Name of Fund**

Maybank Bluewaterz Total Return Fund (the "Fund")

**2. Type of Fund**

Growth

**3. Category of Fund**

Feeder fund (unquoted fixed income securities)

**4. Duration of Fund**

The Fund is an open-ended fund.

**5. Fund launch date**

Share Class	Launch date
RM class	24 July 2015
USD class	18 June 2018

**6. Fund's investment objective**

The Fund aims to achieve long-term consistent positive return by investing in the Maybank BlueWaterz Total Return Bond Fund ("Target Fund").

**7. Fund distribution policy**

The Fund is not expected to distribute income. However, incidental distribution can be declared whenever appropriate.

**8. Fund's performance benchmark**

Absolute return of 6.5% per annum ("p.a.") for RM Class and 5.0% p.a. for USD Class.

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

The Fund will invest between 80% - 98% of its NAV in the Class B Participating Shares of the Target Fund which is denominated in United States Dollar ("USD"). The Manager will also invest between 2% - 20% of the Fund's NAV in liquid assets.

The Fund may employ currency hedging strategies to fully or partially hedge the foreign currency exposure into Ringgit Malaysia ("RM") in order to manage foreign exchange currency risk.

As the Fund is a wholesale feeder fund, the investments of the Fund will consist of a single collective investment scheme, i.e. the Target Fund, and liquid assets.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

For the financial period from 1 January 2021 to 30 June 2021 (cont'd)

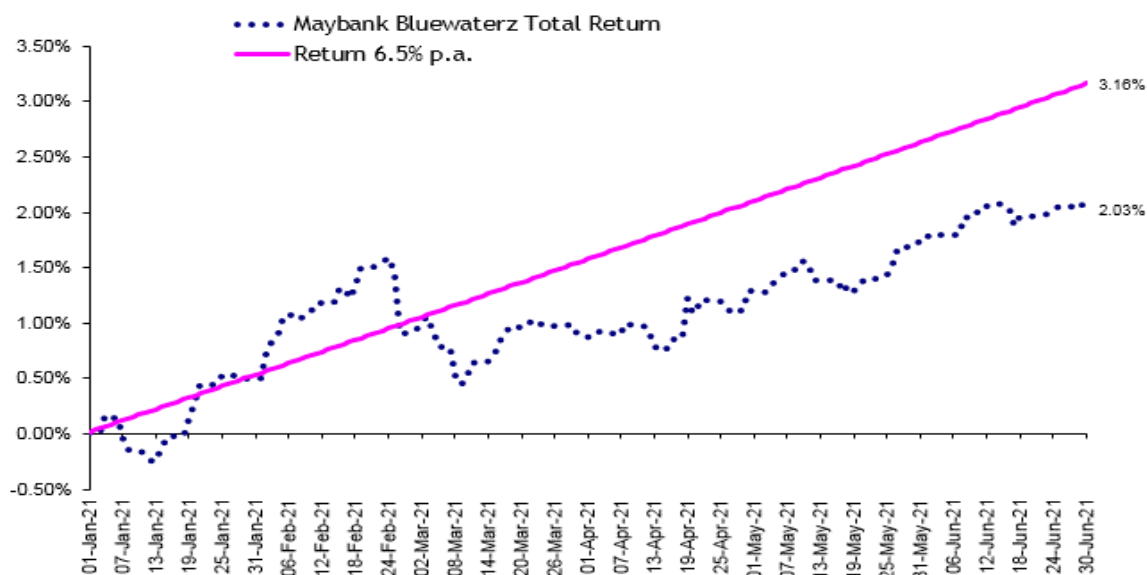
### B. Performance Review

Performance of Maybank Bluewaterz Total Return Fund - RM Class for the financial period from 1 January 2021 to 31 June 2021 are as follows:

#### RM Class

Period	The Fund %	Benchmark %
1 January 2021 to 30 June 2021	2.03	3.16

Performance of the RM Class for the financial period from 1 January 2021 to 30 June 2021:



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

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

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

For the financial period from 1 January 2021 to 30 June 2021 (cont'd)

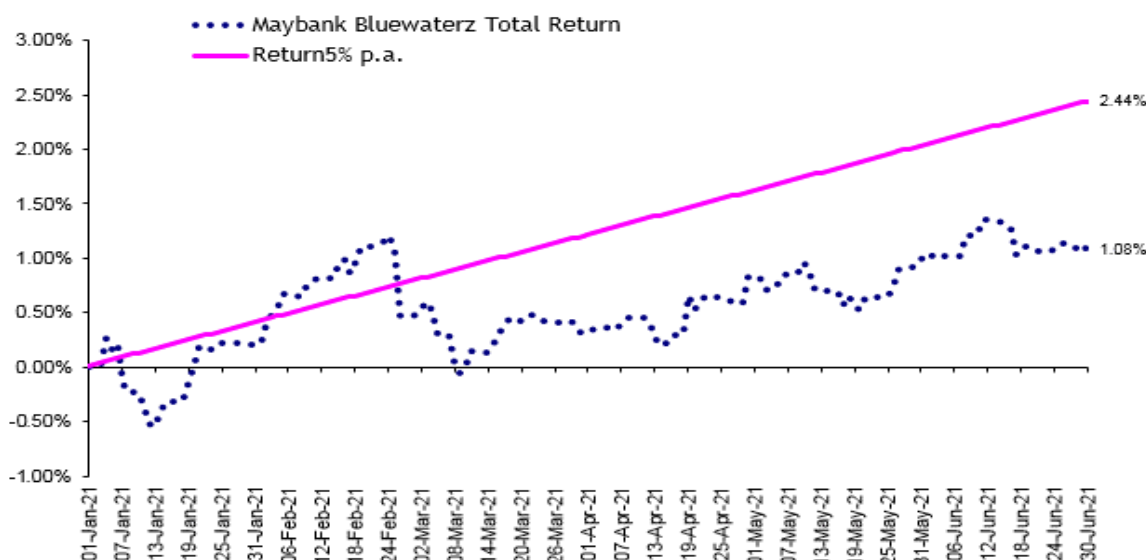
### B. Performance Review (cont'd)

Performance of Maybank Bluewaterz Total Return Fund - USD Class for the financial period from 1 January 2021 to 30 June 2021 are as follows:

#### USD Class

Period	The Fund %	Benchmark %
1 January 2021 to 30 June 2021	1.08	2.44

Performance of the USD Class for the financial period from 1 January 2021 to 30 June 2021:



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

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

The Fund generated a return of 2.03% (USD class: 1.08%) for the period under review, underperforming absolute benchmark's 3.16% (USD class: 2.44%). The underperformance was due to improved investors' risk appetite towards risky assets and optimism about economic growth. The weaker performance was also due to the performance came largely from bond carry as well as weaker local currencies in the target fund during the period under review.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

For the financial period from 1 January 2021 to 30 June 2021 (cont'd)

#### C. Market Review

January 2021 overall saw quite a fair bit of volatility, overall summed up as a retracement of the short United States Dollar ("USD") trade that was a major theme since Q4 2020, prompted by Democrats winning the 2 senate seats in the Georgia run-off election. Market started to price in increasing odds of reflation theme, big fiscal stimulus and bond purchase tapering by the Federal Open Market Committee ("FOMC"). Else, equity markets also had a volatile ride unexpected surge in some beaten down stocks (GameStop, AMC) triggered a brief sell off as investors liquidated other positions to cover losses. The United States Treasury ("UST") curve initially steepened on the Georgia election, with the 10 year and 30 year yields increased by 20-30 basis points ("bps") to 1.14% and 1.89% area by 12<sup>th</sup> January 2021 before turning range bound over the course of the month. USD as mentioned turned broadly stronger, save for certain high-beta currencies like Turkish Lira ("TL") on idiosyncratic domestic factors (central bank rate hikes). Commodities returned mixed, with Brent crude remaining strong on Saudi's voluntary production cuts while gold dropped 4.5% on the stronger USD. Asian currencies generally held up better in January 2021, moving within 1% appreciation or depreciation against the USD except for the Korean Won ("KRW"), which underperformed.

Market turned more volatile in February 2021, as interest rates in the United States ("US") went up buy 20-40 bps resulting in steepening of the US curve due to the reflation and growth optimism. Short term inflation in the US went up due to low base and supply side pressure on commodities. Central bankers currently remain in the "wait and see" mode but with increased vigilance in their remarks. Global equity markets finally caught up on the volatility in February 2021 even they remain in the green year to date. USD turned neutral to slightly stronger, except against the antipodeans on improved outlook. Commodities like Brent crude, copper and iron were firm while gold dropped 6.5% on rising yields. Asian currencies were generally weaker against the USD in February 2021.

Global Markets continued to remain volatile over March 2021 as the US treasury curve steepened over the month, with the 2 year and 10 year part of the curve widening over 30 bps to 158 bps. March 2021 FOMC meeting notes were overall dovish with no rise in median dot plots even as projections of economic data were being upgraded in light of the latest Coronavirus Disease 2019 ("COVID-19") stimulus. USD was broadly stronger in March 2021, given the lead from higher UST yields. In Asia, currencies like Thai Baht ("THB") and Taiwan Dollar ("TWD") underperformed with depreciation of over 2% against the USD on weak vaccine roll out. Other currencies like Australian Dollar ("AUD"), Singaporean Dollar ("SGD") and Chinese Yuan ("CNY") also weakened about 0.90 to 1.1%.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

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

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

Global markets consolidated in April 2021 with Q1 2021's theme of "USA exceptionalism" having played out for now. The UST curve steepening vs other developed markets drew in foreign investors, especially Japanese lifers. Besides foreign demand for USTs, a rethink on inflation trajectory also led to the retracement of US Treasuries' yields. Although COVID-19 raised its ugly head in April 2021, with India badly impacted, it did not spark a meaningful sell off in the global asset markets. USD turned weaker in April 2021 in line with falling UST yields though the impact was felt more towards Developing Market ("DM") currencies, with US Dollar Index ("DXY") dropping 2.1% over the month as the outlook for Europe turned brighter with COVID-19 vaccination gaining momentum. In Asia, the impact of USD weakness was felt less with JP Morgan's ("JPM") Asia dollar index appreciating only 0.81%. SGD, TWD and CNY outperformed while THB and Indian Rupee ("INR") underperformed.

The "Sell in May and go away" adage did not happen this time around as risk sentiment remained buoyed, helped by the broad softening of the USD and very stable rate environment. Equities recorded stable to positive returns while UST yields were range bound, with both the 10-year and 30-year US Treasury trading around the 1.65% and 2.35% range. As the market remained undecided whether the current inflation trajectory was transitory, economic data was also not favourable. USD continued to weaken in May 2021. Among DM currencies, British Pound Sterling ("GBP") outperformed and gained 2.8% against the greenback while the Euro ("EUR") gained 1.7%. Among Emerging Market ("EM") Asian currencies CNY and INR outperformed. While USDCNY went below 6.40 on strong Chinese economic data, the Indian Rupee benefitted from falling infection rates. Gold gained 7.3% in the month on USD weakness while Brent crude rallied by about 3%.

The main event surrounding June 2021 was the FOMC meeting, which delivered a hawkish surprise to the markets. In a span of 3 months, the median dot plots for rate hikes moved up from 0 hikes to 2 hikes by 2023. In addition, the FOMC also signalled their intention to talk about tapering of asset purchases. Interestingly, the market accepted the Federal Reserve's ("Fed") rhetoric of transitory inflation, with the spread between 2 year and 10 year UST yields tightened from 145 bps to 133 bps, with similar flattening shown at the long end of the UST curve. Equity markets were generally stable while USD was broadly stronger against both DM and EM currencies, with DXY index strengthening by 2.9% to 92.436. Commodities were mixed - gold weakened by 7% but crude continued to advance on prospects of supply constraints and Organization of the Petroleum Exporting Countries ("OPEC") meeting. Brent crude traded +8.4% over June to USD 75/barrel despite broad USD strength.



## **MAYBANK BLUEWATERZ TOTAL RETURN FUND**

### **Manager's report**

**For the financial period from 1 January 2021 to 30 June 2021 (cont'd)**

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

We remain cautious on risk going into 2H2021. Tightening credit conditions caused by increased regulations in China, such as the “three red lines” as well as increased scrutiny by banks when rolling over existing debt as in the case of Sritex, has resulted in increased credit headlines risks. In the past six months, we have seen more occurrences of idiosyncratic risks hitting individual issuers than we have seen in previous years. Therefore, we are more cautious on credit risks and prefer to diversify across more issuers and hold stronger names even if these bonds offer lower yields. As for duration risk, we think the worst could be over. Surprisingly, the Fed turned more hawkish during the FOMC meeting on 16th June. The dot plot now shows two rate hikes by end 2023 versus zero hikes by end 2023 during the March 2021 meeting, causing the long end Treasuries to rally. Historically, the long end yield curve usually flattens as we start to enter into a tightening cycle. With the Fed now signalling that they are prepared to tighten in the near future, we think that long end bonds could stabilise from here, thus, we are comfortable to add long end duration bonds to our fixed income portfolios.

The target fund manager expects volatility to continue in the third quarter due to volatile US rates, higher inflation and asset prices. Target fund will keep duration between 2 to 4 years and cash between 5-10% during this period. The manager likes selective additional tier-1 ("AT1") paper in Europe, Thailand and Australia. In the High Grade space, the manager likes 5 year India, Middle East and Australia for carry. Middle East bonds still offer 20-30 bps pick up over Asia and will also benefit from higher oil prices. The manager underweights China and Chinese property due to tightening by Chinese authority on overall property markets. On currency, bullish on USD for third quarter and neutral on Asian currencies. The biggest risk for this quarter is 3<sup>rd</sup> and 4<sup>th</sup> waves of COVID-19 infections and more lockdowns in Asia. This may create short term inflationary pressure and outflows from Asia. Hence the manager will defensively position in short end for Asia and long end in Middle East.

#### **E. Asset Allocation**

As at 30 June 2021, the Fund was 98.13% (31.12.2020: 87.10%) invested in the Target Fund, with the remaining in cash, deposits and other net assets with licensed financial institutions.

## MAYBANK BLUEWATERZ TOTAL RETURN FUND

### Manager's report

For the financial period from 1 January 2021 to 30 June 2021 (cont'd)

#### F. NAV as at 30 June 2021

Below is the summary of the NAV of the Fund:

<b>RM Class</b>	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>Changes (%)</b>
NAV (RM)	505,666,886	388,020,904	30.32
Units in circulation (unit)	446,056,159	340,420,524	31.03
NAV per unit (RM)	1.1336	1.1398	(0.54)

<b>USD Class</b>	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>Changes (%)</b>
NAV (RM)	39,272,335	21,913,285	79.22
Units in circulation (unit)	8,405,353	4,770,257	76.20
NAV per unit (USD)	1.1264	1.1433	(1.48)

#### G. Soft Commissions and Rebates

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

During the financial period from 1 January 2021 to 30 June 2021, the Manager and its delegates did not receive any rebates from the brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials, data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

	<b>01.01.2021 to 30.06.2021 RM</b>	<b>01.01.2020 to 30.06.2020 RM</b>
<b>INVESTMENT INCOME</b>		
Interest income	105,936	145,414
Dividend income	11,268,693	8,627,514
Net gain/(loss) from financial assets at fair value through profit or loss ("FVTPL"):		
- Realised gain/(loss)	204,944	(3,776,458)
- Unrealised loss	(4,194,218)	(2,657,627)
Net gain on foreign exchange and derivatives	2,975,940	1,606,247
	<u>10,361,295</u>	<u>3,945,090</u>
<b>EXPENSES</b>		
Trustee's fee	43,700	28,172
Auditors' remuneration	2,976	2,983
Tax agent's fee	1,736	1,740
Administrative expenses	10,915	5,075
	<u>59,327</u>	<u>37,970</u>
<b>Net income before distribution and taxation</b>	10,301,968	3,907,120
Distribution to unitholders		
RM Class	(8,521,410)	(7,873,986)
USD Class	(459,184)	(329,417)
<b>Net results before taxation</b>	1,321,374	(4,296,283)
Taxation	-	-
<b>Net results after distribution and taxation, representing comprehensive income/(loss) for the financial period</b>	<u>1,321,374</u>	<u>(4,296,283)</u>
<b>Net results after distribution and taxation is made up of the following:</b>		
Realised income/(loss)	14,253,159	(1,758,379)
Unrealised loss	(12,931,785)	(2,537,904)
	<u>1,321,374</u>	<u>(4,296,283)</u>
<b>Distributions for the period:</b>		
<u>RM Class</u>		
Net distributions	<u>11,622,143</u>	<u>8,373,661</u>
Gross/net distributions per unit (RM sen)	<u>2.90</u>	<u>2.70</u>
Distribution dates (ex-date)	<u>26/03/2021</u>	<u>16/03/2020</u>
<u>USD Class</u>		
Net distributions	<u>686,742</u>	<u>514,090</u>
Gross/net distributions per unit (USD cent)	<u>2.90</u>	<u>2.70</u>
Distribution dates (ex-date)	<u>26/03/2021</u>	<u>16/03/2020</u>

**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	534,725,836	357,040,762
Deposit with a licensed financial institution	12,077,514	11,187,544
Interest receivable	580	536
Derivative assets	561,044	15,545,154
Amount due from financial institutions	-	586,520
Amount due from Manager of the Target Fund	-	13,900
Amount due from Manager	7,169,286	20,827,652
Cash at bank	2,137,773	6,713,881
<b>TOTAL ASSETS</b>	<u>556,672,033</u>	<u>411,915,949</u>
<b>LIABILITIES</b>		
Derivative liabilities	8,134,552	594,671
Amount due to Manager	3,579,671	1,363,197
Amount due to Trustee	7,953	5,808
Other payables and accruals	10,636	18,084
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>	<u>11,732,812</u>	<u>1,981,760</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND ATTRIBUTABLE TO UNITHOLDERS)</b>	<u>544,939,221</u>	<u>409,934,189</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:</b>		
Unitholders' contribution	518,218,729	384,535,071
Retained earnings	26,720,492	25,399,118
	<u>544,939,221</u>	<u>409,934,189</u>
<b>NET ASSET VALUE</b>		
- RM Class	505,666,886	388,020,904
- USD Class	39,272,335	21,913,285
	<u>544,939,221</u>	<u>409,934,189</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>		
- RM Class	446,056,159	340,420,524
- USD Class	8,405,353	4,770,257
	<u>454,461,512</u>	<u>345,190,781</u>
<b>NAV PER UNIT</b>		
- RM Class	RM 1.1336	RM 1.1398
- USD Class	<u>USD 1.1264</u>	<u>USD 1.1433</u>

**MAYBANK BLUEWATERZ TOTAL RETURN FUND**

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND  
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

	<b>Unitholders' contribution RM</b>	<b>Retained earnings RM</b>	<b>Net assets attributable to unitholders RM</b>
At 1 January 2021	384,535,071	25,399,118	409,934,189
Total comprehensive income for the period	-	1,321,374	1,321,374
Creation of units	232,489,887	-	232,489,887
Reinvestment of units	11,677,703	-	11,677,703
Cancellation of units	(107,155,641)	-	(107,155,641)
Distributions	(3,328,291)	-	(3,328,291)
At 30 June 2021	<u>518,218,729</u>	<u>26,720,492</u>	<u>544,939,221</u>
At 1 January 2020	276,810,333	12,028,299	288,838,632
Total comprehensive income for the period	-	(4,296,283)	(4,296,283)
Creation of units	108,237,346	-	108,237,346
Reinvestment of units	7,758,759	-	7,758,759
Cancellation of units	(73,587,478)	-	(73,587,478)
Distributions	(684,348)	-	(684,348)
At 30 June 2020	<u>318,534,612</u>	<u>7,732,016</u>	<u>326,266,628</u>

**MAYBANK BLUEWATERZ TOTAL RETURN FUND****UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

	<b>01.01.2021 to 30.06.2021 RM</b>	<b>01.01.2020 to 30.06.2020 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds for sales of financial assets at FVTPL	(176,164,900)	(82,677,268)
Net payment for purchases of financial assets at FVTPL	8,288,000	24,287,500
Interest received	105,894	146,484
Dividend income received	11,267,597	8,855,457
Net realised gain on derivatives	12,282,898	2,194,604
Trustee's fee paid	(41,556)	(27,672)
Payment of other fees and expenses	(23,072)	(12,969)
Net cash used in operating and investing activities	<u>(144,285,139)</u>	<u>(47,233,864)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	246,137,195	107,319,888
Payment for redemption of units	(104,960,372)	(69,246,219)
Distributions to unitholders	(630,718)	(1,144,867)
Net cash generated from financing activities	<u>140,546,105</u>	<u>36,928,802</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>		
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>(3,739,034)</b>	<b>(10,305,062)</b>
Effect on foreign exchange	17,901,425	18,086,676
	52,896	45,635
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b><u>14,215,287</u></b>	<b><u>7,827,249</u></b>
Cash and cash equivalents comprise:		
Cash at bank	2,137,773	1,475,452
Deposit with a licensed financial institutios with original maturity of less than 3 months	12,077,514	6,351,797
	<u>14,215,287</u>	<u>7,827,249</u>