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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report
For the financial period from 1 February 2021 to 31 July 2021

CORPORATE INFORMATION

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 July 2021

A. Fund Information

1. Name of Fund

Maybank Financial Institutions Income Fund (the "Fund")

2. Type of Fund

Income

3. Category of Fund

Wholesale fixed income fund

4. Duration of Fund

The Fund is an open-ended fund

5. Fund launch date

17 December 2009

6. Fund's investment objective

The objective of the Fund is to achieve regular income stream which is deriving from the portfolio.

7. Fund distribution policy

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

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

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

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

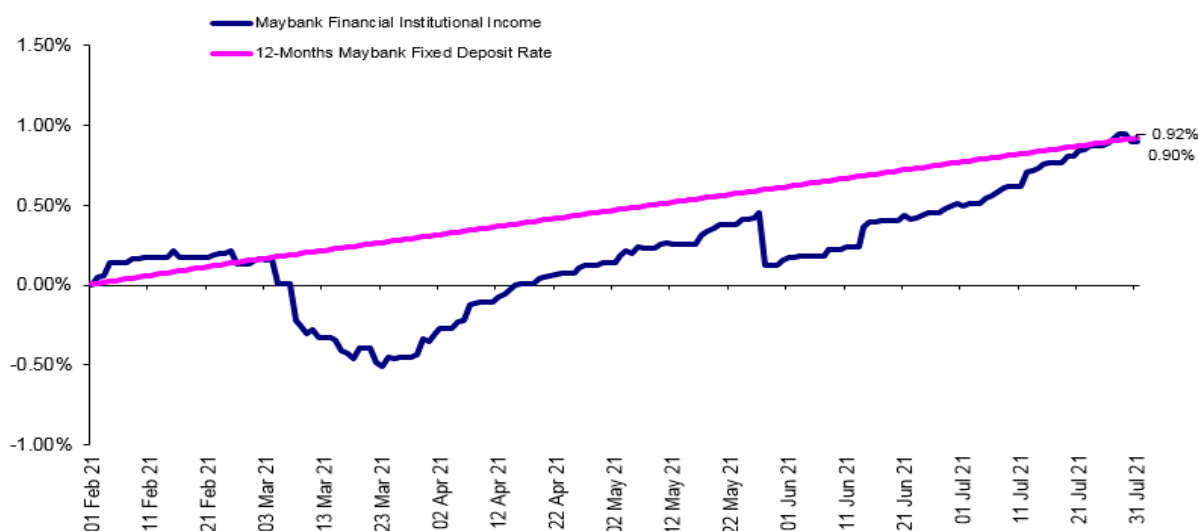
For the financial period from 1 February 2021 to 31 July 2021 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2021 to 31 July 2021 are as follows:

Period	The Fund %	Benchmark %
1 February 2021 to 31 July 2021	0.90	0.92

Performance of the Fund for the financial period from 1 February 2021 to 31 July 2021:



Source: Lipper, as at 31 July 2021

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

The Fund generated a total return of 0.90% for the period under review, compared to the benchmark of 0.92% over the corresponding period. The underperformance of the Fund was due to overall weaker bond market performance, especially during March 2021's rout. Nonetheless, the fund managed to achieve positive return for the 2 consecutive quarters.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 July 2021 (cont'd)

C. Market Review

After a major bond sell-off in 1Q2021, the Malaysian fixed income market recouped some losses in the 2Q21 as stabilising United States treasury ("UST") yields, weaker United States Dollar ("USD") and resurging local Coronavirus Disease 2019 ("COVID-19") cases kept demand for safer bonds in check. The reality checks on over optimism of full-fledged economic recovery in 2021 has also pared bets that the timing of interest rate hikes and withdrawal of liquidity support could further push away. Over to the United States ("US"), despite the growth optimism and rising inflationary pressure, 10-year UST yield has come off from circa 1.75% to below 1.60% in mid-June 2021. During June 2021, Fed policy meeting, US Fed has revised its first Fed Fund Target Rate ("FFTR") lift-off to be likely in 2023, refraining from calling the current high inflation rates to be transitory. The rhetoric of the statement was also seen as more hawkish than expected, paving way for more tapering in the not too distant future. Locally, 10y Malaysian Government Security ("MGS") yield fell to 3.30% level from above 3.50% in mid-March 2021. This is also tie to about 3.30% level at the beginning of 2020, before the outbreak of the pandemic.

On fiscal policy, government continues to roll out more stimulus measures to counter the effects of Movement Control Order ("MCO") for targeted industries and people. After announcing RM260 billion economic stimulus package (PRIHATIN), RM35 billion PENJANA, RM15 billion PERMAI and RM20 billion PEMERKASA, government has more recently set forth PEMERKASA+ RM40 billion assistance package to cushion the economic impact due to MCO 3.0. The higher fiscal spending and slower economic growth will lead to budget deficit reaching over 6.0% of gross domestic product ("GDP") in 2021, as against 6.2% recorded in 2020.

On monetary policy, during the latest 8 July's 2021 Monetary Policy Committee ("MPC") meeting, Bank Negara Malaysia ("BNM") kept its policy rate unchanged at 1.75%, indicating the current 1.75% historical low Overnight Policy Rate ("OPR") remains accommodative and appropriate. BNM also signaled willingness to do more by using its policy levers as the outlook is still subject to downside risks. We expect BNM to maintain the OPR at current record-low 1.75% until end-2021. Weaker-than-anticipated GDP growth is likely to push back the timing of rates normalisation process but the next policy move will likely bias towards policy rate increases given the strong recovery of external sector and government's plan to expedite the mass vaccination, as well as full reopening of economy by phase 4 of National Recovery Plan in November/December 2021.

Foreign holdings of Ringgit Malaysia ("MYR") sovereign fell in July 2021, reduced by RM3.6 billion from a smaller reduction of RM0.5 billion in previous month. Total foreign bond holdings fell to RM243.8 billion (June 2021: RM247.4 billion), bringing YTD net inflow to RM20.8 billion (2020: RM18.3 billion). Foreign share of government bonds MGS and Government Investment Issue ("GII") for July 2021 stood at 25.3% (June 2021:25.7%). Slowdown in foreign demand for local debt securities in July 2021 was likely driven by Federal Open Market Committee ("FOMC") more hawkish dot plot and USD strength.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 July 2021 (cont'd)

D. Market Outlook & Strategy

Moving into 3Q2021, despite the high COVID-19 cases locally, most other countries have managed to contain the virus and saw their economies reopening or relaxing the restrictions. Again, there is a marked disparity between the developed and emerging countries in terms of the pace of mass vaccination, hence the speed of recovery could vary among countries. With stronger external demand and increasing investors' confidence, global economic activities are expected to pick up the steam with less lockdowns and disruptions. As a result, risky assets and commodities are expected to do well in 2H21. Accordingly, we have a neutral to underweight duration bias with defensive positioning for local bond funds.

That said, given the flush liquidity in the banking system, this will continue to lend support to the local bond market as yield pickup remains decent as compared to the low yielding fixed deposits and money market funds. With tax-exemption status on the money market funds for corporates to end in December 2021, more liquidity could find its way into local bond markets in the second half of 2021.

Improved growth and higher inflation prospects will likely to steepen the yield curve, rendering longer-end bonds less attractive. Typically, investors will require higher term premium to compensate the potential capital loss. Therefore, we are cautious to take on duration risk and would favour to position ourselves more defensively, favouring short to mid-term credits for yield pickup. We will continue to trade opportunistically and realize profit given our expectations that the economy is expected to pick up gradually. We will also look into new primary issuances that offer higher yields to boost fund performance.

E. Asset Allocation

The comparison of the Fund's asset allocation as at 31 July 2021 and 31 January 2021 are as follows:

Asset allocation	31.07.2021		31.01.2021	
	RM	%	RM	%
Unquoted fixed income securities - local	183,694,840	91.76	160,724,113	89.79
Cash, deposits with licensed financial institutions and other net assets	16,498,551	8.24	18,270,981	10.21
Total	200,193,391	100.00	178,995,094	100.00

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 July 2021 (cont'd)

F. Soft Commissions and Rebates

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

During the financial period 1 February 2021 to 31 July 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 demonstrable benefits to the unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 31 JULY 2021**

	01.02.2021 to 31.07.2021 RM	01.02.2020 to 31.07.2020 RM
INVESTMENT INCOME		
Interest income	3,246,636	3,817,049
Net realised gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	695,830	126,135
- Unrealised (loss)/gain	<u>(1,833,774)</u>	<u>1,823,093</u>
	<u>2,108,692</u>	<u>5,766,277</u>
EXPENSES		
Manager's fee	327,986	307,536
Trustee's fee	46,855	43,934
Auditors' remuneration	4,364	4,375
Tax agent's fee	1,736	1,740
Administrative expenses	<u>1,273</u>	<u>243</u>
	<u>382,214</u>	<u>357,828</u>
Net income before taxation	1,726,478	5,408,449
Taxation	-	-
Net income after taxation, and total comprehensive income for the period	<u>1,726,478</u>	<u>5,408,449</u>
Net income after taxation is made up of the following:		
Net realised income	3,560,252	3,585,356
Net unrealised (loss)/income	<u>(1,833,774)</u>	<u>1,823,093</u>
	<u>1,726,478</u>	<u>5,408,449</u>
Distributions for the financial period:		
Net distributions	<u>3,795,265</u>	<u>6,159,605</u>
Gross distribution per unit (sen)	<u>2.00</u>	<u>3.70</u>
Net distribution per unit (sen)	<u>2.00</u>	<u>3.70</u>
Distribution date (ex date)	<u>28.07.2021</u>	<u>27.02.2020 28.07.2020</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021**

	31.07.2021	31.01.2021
	RM	RM
ASSETS		
Financial assets at FVTPL	183,694,840	160,724,113
Deposits with a licensed financial institution	14,372,000	16,323,000
Interest income receivable	2,060,799	1,935,084
Cash at bank	146,348	379,293
	<u>200,273,987</u>	<u>179,361,490</u>
LIABILITIES		
Amount due to Manager	59,390	337,881
Amount due to Trustee	8,484	7,521
Other payables and accruals	12,722	20,994
TOTAL LIABILITIES	<u>80,596</u>	<u>366,396</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>200,193,391</u>	<u>178,995,094</u>
EQUITY		
Unitholders' capital	193,864,036	171,025,375
Retained earnings	6,329,355	7,969,719
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>200,193,391</u>	<u>178,995,094</u>
NUMBER OF UNITS IN CIRCULATION (UNIT)	<u>193,130,992</u>	<u>170,902,195</u>
NAV PER UNIT (RM)	<u>1.0366</u>	<u>1.0474</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 31 JULY 2021**

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 February 2021	171,025,375	7,969,719	178,995,094
Total comprehensive income for the period	-	1,726,478	1,726,478
Creation of units	20,632,460	-	20,632,460
Reinvestment of units	3,490,663	-	3,490,663
Cancellation of units	(856,039)	-	(856,039)
Distributions	(428,423)	(3,366,842)	(3,795,265)
At 31 July 2021	<u>193,864,036</u>	<u>6,329,355</u>	<u>200,193,391</u>
At 1 February 2020	169,892,469	9,509,673	179,402,142
Total comprehensive income for the period	-	5,408,449	5,408,449
Creation of units	1,088,228	-	1,088,228
Reinvestment of units	5,794,478	-	5,794,478
Cancellation of units	(5,703,654)	-	(5,703,654)
Distributions	199,027	(6,358,632)	(6,159,605)
At 31 July 2020	<u>171,270,548</u>	<u>8,559,490</u>	<u>179,830,038</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 31 JULY 2021**

	01.02.2021	01.02.2020
	to	to
	31.07.2021	31.07.2020
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	20,973,516	20,316,840
Net payments for purchase of financial assets at FVTPL	(46,040,014)	(15,197,030)
Interest received	4,078,746	4,065,423
Manager's fee paid	(321,240)	(307,631)
Trustee's fee paid	(45,892)	(43,947)
Payment of other fees and expenses	(15,641)	(10,719)
Net cash (used in)/generated from operating and investing activities	<u>(21,370,525)</u>	<u>8,822,936</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	20,632,458	1,088,228
Cash paid on units cancelled	(1,141,276)	(5,703,654)
Distribution to unitholders	(304,602)	(365,127)
Net cash generated from/(used in) financing activities	<u>19,186,580</u>	<u>(4,980,553)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	(2,183,945)	3,842,383
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	16,702,293	22,876,847
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>14,518,348</u>	<u>26,719,230</u>
Cash and cash equivalents comprise of:		
Deposits with licensed financial institutions with maturity of less than 3 months	14,372,000	26,344,000
Cash at bank	146,348	375,230
	<u>14,518,348</u>	<u>26,719,230</u>