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# MAYBANK ENHANCED CONSTANT INCOME FUND

Annual report  
For the financial period from 30 June 2020 (Date of  
Launch) to 31 August 2021

## **CORPORATE INFORMATION**

### **MANAGER**

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

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No. 1 & 3, Jalan P. Ramlee

50250 Kuala Lumpur

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **Manager's report**

**For the financial period from 30 June 2020 (date of launch) to 31 August 2021**

#### **A. Fund Information**

**1. Name of Fund**

Maybank Enhanced Constant Income Fund (the "Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Fixed income fund (close-ended)

**4. Duration of Fund**

The Fund is a close-ended fund which will mature on 29 January 2024.

**5. Fund launch date**

30 June 2020

**6. Fund commencement date/ maturity date**

29 July 2020/ 29 January 2024

**7. Fund's investment objective**

The Fund aims to provide unitholders with income through investments in a portfolio of Fixed Income Securities.

**8. Fund distribution policy**

Distribution will be made on annual basis, subject to availability of income.

**9. Fund's performance benchmark**

The prevailing 3-year Maybank fixed deposit rate as at the Commencement Date.

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

The Fund will invest a minimum of 80% of its net asset value ("NAV") in RM denominated Fixed Income Securities and/or foreign currency Fixed Income Securities and up to 20% of its NAV in liquid assets and/or collective investment scheme.

The Fund may also invest up to 60% of its NAV in non-investment grade or high yield Fixed Income Securities.

The Fund may employ currency hedging strategies to fully or partially hedge the foreign currency exposure to manage the currency risk. Furthermore, the Fund may also fully or partially hedge the interest rate risk inherent in the investment of Fixed Income Securities.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 30 June 2020 (date of launch) to 31 August 2021

#### A. Fund Information (cont'd)

##### 11. Net income distribution for the financial period from 30 June 2020 (date of launch) to 31 August 2021

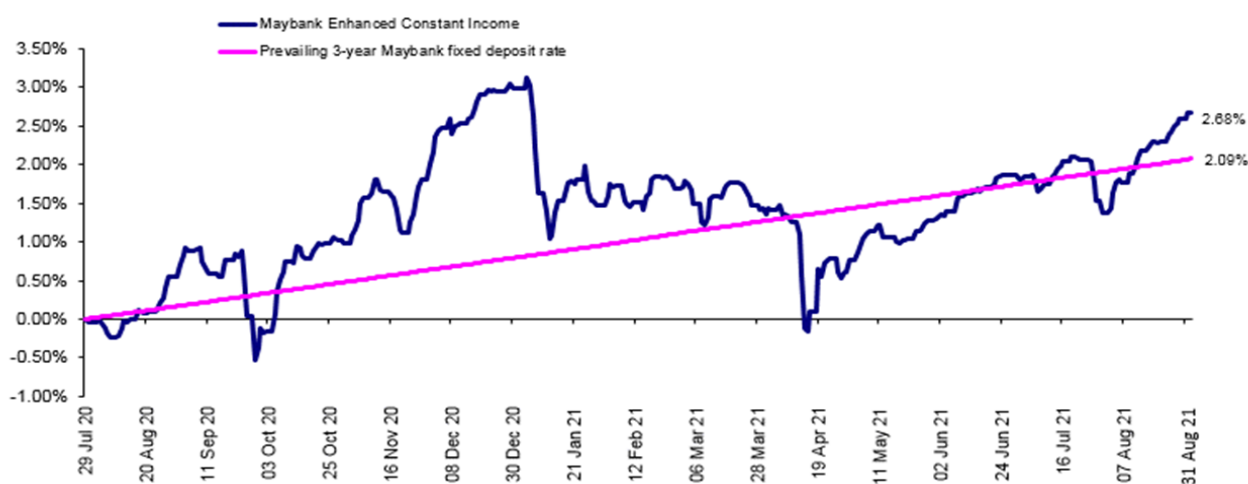
The Fund distributed a total net income of RM1,248,915 to unitholders for the financial period from 30 June 2020 (date of launch) to 31 August 2021, detailed as below:

Distribution date	Gross/Net Distribution Per unit (Sen)
28 July 2021	2.88

#### B. Performance Review

Performance of Maybank Enhanced Constant Income Fund for the financial period from 30 June 2020 (date of launch) to 31 August 2021 are as follows:

Period	The Fund %	Benchmark %
30 June 2020 (date of launch) to 31 August 2021	2.68	2.09



*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 ENHANCED CONSTANT INCOME FUND**

### **Manager's report**

**For the financial period from 30 June 2020 (date of launch) to 31 August 2021**

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

For the period since fund's commencement under review, the Fund has generated a total return of 2.68%, as compared to the benchmark which registered a return of 2.09% over the same period. The Fund outperformed the benchmark (3-year Maybank fixed deposits rate) by 59 basis points ("bps"). The portfolio's outperformance against the benchmark is mainly due to strong recovery in the credit bond market as low interest rate environment had resulted investors to consider credit bond in both investment grade ("IG") and high yield ("HY") for yield pickup. During the period in between March 2021 and May 2021, the fund manager managed to clean up the portfolio composition by trimming down the holdings on Sri Rejeki Isman and Huarong bond due to ongoing credit concern. The decision to cut early of those position had resulted the portfolio holding to remain healthy although we did take some losses as well. After the month of May 2021, the portfolio seen to recover well as demand for credit bond pickup resulting its performance to surpass the benchmark. The fund had achieved its objective to provide unit holders with income through investments in a portfolio of fixed income securities.

#### **C. Market Review**

July 2020 – United States ("US") Commerce Department 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 2Q 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 European Union ("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.

August 2020 – The global equity market rallied with 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 3Q 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.

September 2020 - The US economy continues to recover and Federal Reserve ("Fed") will now use average inflation targeting ("AIT") in setting the policy interest rate, allowing for temporary overshoots in inflation. The new policy means the Fed is willing to wait until inflation has gone above 2% until it responds. Furthermore, the latest dot plot – the Fed's own projection of the future path of interest rates - suggests that policymakers see rates at the zero lower bound through to and including 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.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **Manager's report**

**For the financial period from 30 June 2020 (date of launch) to 31 August 2021**

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

October 2020 - US equities declined in October 2020, primarily due to the continued rise in Coronavirus Disease ("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.

November 2020 – Market players seen to take more risk as several vaccine breakthroughs sparked investor optimism that a return to economic normality is in sight. The optimism on vaccines development overshadow President-elect Joe Biden's victory in the US presidential election, and concerns over the smooth transition of power. The US stock market rose sharply with Energy, Financials, industrials and materials stocks seen to rise up. The 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.

December 2020 – The US announced USD 900 billion rescue package in late December 2020 and saw Fed reinforced its supportive message and vogue 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 Brexit trade deal with the UK. The US Treasury ("UST") 10 year yield was 25 basis points ("bps") higher, finishing at 0.91%, while the German 10-year yield fell by 5bps to -0.57%.

January 2021 - During the month of January 2021, the yield curve steepened as reflation risks come back into play with Biden pushing for a substantially larger USD1.9 trillion Covid 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 UST 10 year yield up from 0.91% end December 2020 to 1.04% end January 2021.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 30 June 2020 (date of launch) to 31 August 2021

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

February 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 yield 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 2021. This all occurred even as US Fed Chairman reiterated to the congress on 24 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 SOE bonds and local government funding vehicles (“LGFV”) 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 in mid-February. 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.

March 2021 – 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 UST 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 HY space perform better to produce more moderate positive return.

April 2021 - 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 UST 10 year 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 Q1, 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 SOE resulting volatile market within that space.



## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **Manager's report**

**For the financial period from 30 June 2020 (date of launch) to 31 August 2021**

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

May 2021 – US economic recovery seen to be on track with further sign of acceleration seen visible. The PMI no rose to 63.5 in April 2021 indicating significant expansion. Headline CPI rose 4.2% YoY in April 2021 reaching highest level since September 2008 and sparked optimism among players that Fed could initiate tighter monetary policy. The optimism however was met with some disappointment as Nonfarm Payrolls ("NFP") no added only 266 thousand job in April 2021 as compared to expectation of a 1 million job.

June 2021 – The US economy seen to remain in recovering mode after its Q1 GDP no grew at 6.4% (qoq) but was lower than consensus at 6.7%. The US PMI numbers for the month of June 2021 clocked at 63.9 signaling strong expansion in the US economy. In late June 2021 President Joe Biden also secured a deal on an infrastructure package worth about \$1 trillion to upgrade roads, bridges and broadband networks over the next eight years. The agreement fell short of the \$2.3 trillion infrastructure spending plan announced in March 2021, and did not address the social safety-net spending proposed in April 2021.

July 2021 – The UST 10 year yield level dropped lower from 1.47% to 1.23% at the back on concerns over the Covid-19 Delta variant along with signs that global growth moderating caused investors to shift towards risk-off mode. In the July 2021 Fed meeting, the Fed acknowledge that the economy was making progress in line with its mandate but highlighted that tapering would require additional improvements especially in the labor market. They also acknowledge that there was upside risk to the inflation outlook but retained the view that this would be transitory. In the credit space, China names continues to remain volatile as Chinese government tighten its regulatory on tech sectors. Latest casualty saw Chinese government launched an investigation into ride hailing giant Didi citing national security and cyber security concerns.

August 2021 - Jerome Powell struck a cautious note in his statement at the Jackson Home symposium, stating that while the US economy had made progress on some important targets – specifically on inflation - tapering too aggressively could derail progress at a sensitive time, reiterating a desire to see further progress in the labor market. The comments were consistent with expectations that tapering could begin this year, but were broadly perceived as dovish. The UST 10 year yield was eight bps higher at 1.31%, having twice come close to 1.38% during the course of the month. Data showed still healthy levels of expansion, but with momentum moderating. US consumer price inflation remained elevated in July, but rose more slowly.

#### **D. Market Outlook & Strategy**

The outlook has turned murkier for 3Q21. Across the globe, countries are at different stages of vaccination and in containing the virus. Some countries are re-opening completely while others are entering another full-lock down. Generally developed countries, having managed to secure enough vaccines, are re-opening faster than the less developed emerging countries. We remain hopeful that a stronger recovery will emerge closer to 4Q21.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 30 June 2020 (date of launch) to 31 August 2021

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

Given the uneven global economic recovery for now, we remain cautious on risk going into 3Q21. In addition, while global liquidity remained relatively supportive with US and EU central banks still maintaining asset purchases and keeping interest rates low, we have seen some targeted tightening credit conditions that has resulted in increased headline risks and widening credit spreads. One major one imposed by the Chinese regulators is the "three red lines" on China property which caused Chinese property bonds to underperform massively in June. Another one is ESG concerns that has resulted in some global banks withdrawing from syndicated loans to the Asian coal sector. In the past six months, we have seen more occurrences of idiosyncratic risks hitting individual issuers that we have seen in previous years. Therefore, we turn more cautious on credit risks and prefer to diversify across more issuers and hold stronger names even if yield is low from these bonds. Slow and steady is the name of the game for now.

As for duration risk, we think the worst could be over. Historically the long end yield curve starts to flatten about 1 to 1.5 year before the start of US Fed rate hike. With the Fed signaling now that they are prepared to tighten by FY2023, we think long end could stabilize from here and are comfortable to add long end duration to fixed income portfolios. We continue to add to Middle East names for diversification as well as they are the main beneficiaries from high oil prices.

#### E. Asset Allocation

Asset allocation	31.08.2021	
	RM	%
Financial assets at FVTPL	39,601,816	92.64
Cash and cash equivalents, and other net assets	3,144,602	7.36
<b>Total NAV</b>	<b>42,746,418</b>	<b>100.00</b>

#### 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 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 30 June 2020 (date of launch) to 31 August 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.

## **TRUSTEE'S REPORT**

### **TO THE UNITHOLDERS OF MAYBANK ENHANCED CONSTANT INCOME FUND FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021**

We have acted as Trustee of Maybank Enhanced Constant Income Fund (the "Fund") for the financial period from 30 June 2020 (date of launch) to 31 August 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 Lodge and Launch Framework, the Capital Markets and Services Act 2007 ("CMSA") other applicable laws;
- (b) Valuation/pricing of the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distribution of returns for the period 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  
20 October 2021

**STATEMENT BY MANAGER**

**TO THE UNITHOLDERS OF  
MAYBANK ENHANCED CONSTANT INCOME FUND  
FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 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 Enhanced Constant Income Fund as at 31 August 2021 and of its results, changes in equity and cash flows for the financial period from 30 June 2020 (date of launch) to 31 August 2021 and comply with the requirements of the Deed.

For and on behalf of the Manager

**Dato' Idris Bin Kechot**  
Chairman

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
20 October 2021

## **Independent auditors' report to the Unitholders of MAYBANK ENHANCED CONSTANT INCOME FUND**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of Maybank Enhanced Constant Income Fund ("the Fund"), which comprise the statement of financial position as at 31 August 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 14 to 49.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 August 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*

Maybank Asset Management Sdn Bhd (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 which is expected to be made available to us after the date of this auditors' report.

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 Enhanced Constant Income 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 Enhanced Constant Income 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.
- 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 Enhanced Constant Income 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 Unlisted Capital Market Products under the Lodge and Launch Framework 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  
20 October 2021



## MAYBANK ENHANCED CONSTANT INCOME FUND

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

		<b>30.06.2020 (date of launch) to 31.08.2021 RM</b>
	<b>Note</b>	
<b>INVESTMENT INCOME</b>		
Interest income	3	2,105,687
Net loss from financial assets at fair value through profit or loss ("FVTPL"):		
- Realised loss		(1,693,117)
- Unrealised gain		435,042
Net gain on foreign currency exchange and derivatives	4	354,060
Other income		3,735
		<u>1,205,407</u>
<b>EXPENSES</b>		
Trustee's fee	5	14,357
Auditors' remuneration		10,000
Tax agent's fee		3,900
Administrative expenses		24,083
		<u>52,340</u>
<b>Net income before taxation</b>		1,153,067
Taxation	6	(466)
<b>Net income after taxation, total comprehensive income for the financial period</b>		<u>1,152,601</u>
<b>Net income after taxation is made up of the following:</b>		
Net realised income		2,197,873
Net unrealised loss		(1,045,272)
		<u>1,152,601</u>
Distributions for the financial period		
Net distributions	15	1,248,915
Gross/net distribution per unit (sen)	15	2.88
Distribution dates (ex-date)	15	<u>28 July 2021</u>

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

**MAYBANK ENHANCED CONSTANT INCOME FUND****STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2021**

	<b>Note</b>	<b>31.08.2021 RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	7	39,601,816
Deposit with a licensed financial institution	8	355,113
Interest receivable		661,846
Derivative assets	9	401
Cash at bank	10	4,694,150
<b>TOTAL ASSETS</b>		<u>45,313,326</u>
<b>LIABILITIES</b>		
Derivative liabilities	9	803,733
Amount due to Manager	11	77,382
Amount due to Trustee	12	1,090
Amount due to broker	13	1,661,160
Provision for taxation		466
Other payables and accruals		23,077
<b>TOTAL LIABILITIES</b>		<u>2,566,908</u>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<u>42,746,418</u>
<b>EQUITY</b>		
Unitholders' capital	14(a)	42,844,683
Accumulated losses	14(b)&(c)	<u>(98,265)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>42,746,418</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>		<u>42,840,814</u>
<b>NAV PER UNIT (RM)</b>		<u>0.9978</u>

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

## MAYBANK ENHANCED CONSTANT INCOME FUND

### STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

	<b>Unitholders' capital Note 14(a) RM</b>	<b>Accumulated losses Note 14(b) &amp; 14(c) RM</b>	<b>Total equity RM</b>
At 30 June 2020 (date of launch)	-	-	-
Total comprehensive income for the financial period	-	1,152,601	1,152,601
Creation of units	43,481,591	-	43,481,591
Cancellation of units	(638,859)	-	(638,859)
Distributions (Note 15)	1,951	(1,250,866)	(1,248,915)
At 31 August 2021	<u>42,844,683</u>	<u>(98,265)</u>	<u>42,746,418</u>

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

## MAYBANK ENHANCED CONSTANT INCOME FUND

### STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021

30.06.2020  
(date  
of launch)  
to  
31.08.2021  
RM

#### CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES

Net payment for purchase of investments	(70,780,264)
Net proceeds from sale of investments	30,223,343
Interest income received	2,109,483
Net realised gain on forward foreign exchange contracts	1,708,055
Trustee's fee paid	(13,267)
Payment of other fees and expenses	(11,168)
Net cash used in operating and investing activities	<u>(36,763,818)</u>

#### CASH FLOWS FROM FINANCING ACTIVITIES

Cash received from units created	43,481,590
Cash paid on units cancelled	(118,045)
Distribution paid	(1,248,915)
Net cash generated from financing activities	<u>42,114,630</u>

#### NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD CASH AND CASH EQUIVALENTS AT THE DATE OF LAUNCH

Effect on foreign exchange	<u>(301,549)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>5,049,263</u>

Cash and cash equivalents comprise:

Cash at bank (Note 10)	4,694,150
Deposit with a licensed financial institution with original maturity of less than 3 months (Note 8)	355,113
	<u>5,049,263</u>

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

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL PERIOD FROM 30 JUNE 2020 (DATE OF LAUNCH) TO 31 AUGUST 2021**

#### **1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Maybank Enhanced Constant Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 22 June 2020 between the Manager, Maybank Asset Management Sdn Bhd ("MAM"), the Trustee, TMF Trustee Malaysia Berhad and the registered unitholders of the Fund. The Fund was launched on 30 June 2020.

The Fund aims to provide Unit Holders with income through investments in a portfolio of Fixed Income Securities. The Fund seeks to achieve its investment objective by investing a minimum of 80% of its NAV in RM denominated Fixed Income Securities and/or foreign currency Fixed Income Securities (foreign currency Fixed Income Securities are Fixed Income Securities denominated in currencies other than RM) and up to 20% of its NAV in Liquid Assets and/or collective investment schemes. However, as the Fund approaches the Maturity Date, the Manager may choose to invest in Liquid Assets and/or collective investment schemes to facilitate the payout of the proceeds to Unit Holders after the Maturity Date.

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. MAM 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 ("Directors") of the Manager in accordance with a resolution of the Directors on 20 October 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"), the Deeds and any regulatory requirements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.15.

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

## MAYBANK ENHANCED CONSTANT INCOME 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, 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
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 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.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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

#### **2.4 Financial assets (cont'd)**

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

##### **(i) Financial assets at amortised cost**

###### **Classification**

The Fund classifies cash and cash equivalents and interest receivables 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 financial asset and of allocating and recognising the interest income in profit or loss of the relevant period.

Unless designated as at 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.

##### **(ii) Financial assets at FVTPL**

Investments in 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 instruments or a financial guarantee.

## MAYBANK ENHANCED CONSTANT INCOME FUND

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

#### 2.4 Financial assets (cont'd)

##### (ii) Financial assets at FVTPL (cont'd)

Debt instruments that do not meet the amortised cost or FVTOCI criteria 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.

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 remeasurement recognised in profit or loss.

Interest income on debt instruments classified as FVTPL are disclosed separately in the profit or loss.

##### (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 is 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.

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.



## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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

#### **2.4 Financial assets (cont'd)**

##### **(iii) Impairment (cont'd)**

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

#### **2.5 Financial liabilities**

##### **(a) 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 Trustee, amount due to Manager, amount due to broker, and other payables and accruals as other financial liabilities.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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

#### **2.5 Financial liabilities (cont'd)**

##### **(b) Recognition and measurement**

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instruments.

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.

##### **(c) Derecognition**

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### **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.

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:

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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

#### **2.6 Fair value measurement (cont'd)**

- (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 presentation 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, which is also the Fund's functional currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into 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 ENHANCED CONSTANT INCOME 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 year 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. The 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 dividend is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed dividend is recognised as a liability in the year 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 / Income**

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

- Interest income from unquoted fixed income securities includes amortisation of premium and accretion of discount, and is recognised using the EIR method.
- Interest income from deposits with a licensed financial institution is recognised on the accruals basis using the EIR method.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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

#### **2.11 Revenue / Income (cont'd)**

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

#### **2.12 Taxation**

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 period.

No deferred tax is recognised as no temporary differences have been identified.

#### **2.13 Segment reporting**

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 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 judgments 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 the 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 ENHANCED CONSTANT INCOME FUND

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

#### 2.15 Derivatives and hedge accounting

Derivatives are financial assets or liabilities at fair value through profit or loss categorised as held for trading unless they are designated hedges.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy for FVTPL.

The Fund does not apply hedge accounting to the forward currency contracts entered during the financial year. However, future events or conditions may cause the Fund to apply hedge accounting in the future.

### 3. INTEREST INCOME

	<b>30.06.2020</b> <b>(date of launch)</b> to <b>31.08.2021</b> <b>RM</b>
Interest income from unquoted fixed income securities	2,245,054
Interest income from short-term deposits	35,960
Amortisation of premium, net of accretion of discount	<u>(175,327)</u>
	<u>2,105,687</u>

### 4. NET GAIN ON FOREIGN EXCHANGE AND DERIVATIVES

	<b>30.06.2020</b> <b>(date of launch)</b> to <b>31.08.2021</b> <b>RM</b>
Net realised loss on foreign exchange	139,938
Net unrealised loss on foreign exchange	(676,982)
Net realised gain on derivatives	1,694,436
Net unrealised loss on derivatives	<u>(803,332)</u>
	<u>354,060</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 5. TRUSTEE'S FEE

The Trustee's fee is computed daily based on 0.075% per annum ("p.a") of the NAV of the Fund, excluding foreign custodian fees and charges.

### 6. TAXATION

	<b>30.06.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.08.2021</b> <b>RM</b>
Tax expense for the financial period:	
Current income tax expense	<u>466</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable income for the financial period.

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.

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 period 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:

	<b>30.06.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.08.2021</b> <b>RM</b>
Net income before taxation	<u>1,153,067</u>
Tax at Malaysian statutory rate of 24%	276,736
Income not subject to tax	(694,749)
Loss not deductible for tax purposes	406,348
Expenses not deductible for tax purposes	10,339
Restriction on tax deductible expenses for unit trust funds	<u>1,792</u>
Tax expense for the financial period	<u>466</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 7. FINANCIAL ASSETS AT FVTPL

	<b>31.08.2021</b>
	<b>RM</b>
Unquoted fixed income securities - foreign	<u>39,601,816</u>

Name of issuer	Quantity Unit	Aggregate Cost RM	Market Value RM	Percentage of NAV %
<b>31.08.2021</b>				
<b>Unquoted fixed income securities - foreign</b>				
<b>Australia</b>				
Scentre Group Ltd. - 4.75% / Perpetual	300,000	1,329,238	1,325,730	3.10
<b>British Virgin Islands</b>				
Wanda Properties International Co Ltd. - 7.25% / 29.01.2024	350,000	1,463,634	1,457,745	3.41
New Metro Global Ltd. - 4.80% / 15.12.2022	250,000	1,016,027	1,039,305	2.43
Franshion Brilliant Ltd. - 4.00% / Perpetual	300,000	1,259,126	1,245,857	2.91
	<u>900,000</u>	<u>3,738,787</u>	<u>3,742,907</u>	<u>8.75</u>



## MAYBANK ENHANCED CONSTANT INCOME FUND

### 7. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate Cost RM	Market Value RM	Percentage of NAV %
<b>31.08.2021</b>				
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Cayman Islands</b>				
Country Garden Holdings Company Ltd. - 6.15% / 17.09.2023	500,000	2,190,424	2,245,701	5.25
Soar Wise Ltd. - 3.45% / 23.10.2022	450,000	1,878,307	1,861,629	4.36
CIFI Holdings Group Co Ltd. - 6.55% / 28.03.2022	200,000	844,057	866,951	2.03
KWG Group Holdings Ltd. - 7.40% / 05.03.2022	350,000	1,476,758	1,502,600	3.52
Seazen Group Ltd. - 6.00% / 12.08.2024	400,000	1,675,258	1,704,184	3.99
AAC Technologies Holdings Inc. - 2.63% / 02.05.2026	200,000	827,596	837,906	1.96
Agile Group Holdings Ltd. - 4.85% / 31.08.2022	400,000	1,677,000	1,669,433	3.91
Shimao Group Holdings Ltd. - 5.60% / 15.07.2023	200,000	859,202	861,669	2.02
	2,700,000	11,428,602	11,550,073	27.04

**MAYBANK ENHANCED CONSTANT INCOME FUND**

**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>Name of issuer</b>	<b>Quantity Unit</b>	<b>Aggregate Cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>31.08.2021</b>				
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>France</b>				
Societe Generale SA. - 4.75% / 26.05.2026	300,000	1,267,980	1,289,201	3.02
BNP Paribas SA. - 6.63% / 25.03.2024	300,000	1,266,030	1,359,406	3.18
	<u>600,000</u>	<u>2,534,010</u>	<u>2,648,607</u>	<u>6.20</u>
<b>Hong Kong</b>				
Far East Horizon Ltd. - 2.63% / 03.03.2024	500,000	2,017,624	2,080,811	4.87
Bank of East Asia, Ltd. - 5.88% / Perpetual	250,000	1,114,937	1,108,243	2.59
	<u>750,000</u>	<u>3,132,561</u>	<u>3,189,054</u>	<u>7.46</u>
<b>India</b>				
Shriram Transport Finance Company Ltd. - 5.10% / 16.07.2023	450,000	1,824,898	1,907,003	4.46
- 4.40% / 13.03.2024	250,000	1,040,727	1,043,883	2.44
	<u>700,000</u>	<u>2,865,625</u>	<u>2,950,886</u>	<u>6.90</u>
<b>Japan</b>				
Co. Asahi Mutual Life Insurance - 6.50% / 05.09.2023	<u>550,000</u>	<u>2,341,396</u>	<u>2,460,404</u>	<u>5.75</u>

**MAYBANK ENHANCED CONSTANT INCOME FUND**

**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>Name of issuer</b>	<b>Quantity Unit</b>	<b>Aggregate Cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>31.08.2021</b>				
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Jersey</b>				
West China Cement Ltd. - 4.95% / 08.07.2024	250,000	1,049,768	1,054,359	2.47
<b>Netherlands</b>				
Greenko Dutch BV. - 3.85% / 29.03.2023	250,000	1,030,225	1,057,827	2.47
<b>Philippines</b>				
SMC Global Power Holdings Corp. - 7.00% / 21.10.2025	250,000	1,022,846	1,096,604	2.56
- 6.50% / 25.04.2024	350,000	1,479,868	1,494,940	3.50
Rizal Commercial Banking Corp. - 6.50% / 27.08.2025	300,000	1,294,699	1,317,620	3.08
	900,000	3,797,413	3,909,164	9.14
<b>Singapore</b>				
Global Prime Capital Pte. Ltd. - 5.50% / 27.09.2021	400,000	1,681,711	1,681,210	3.93
<b>South Korea</b>				
Shinhan Financial Group Co., Ltd. - 5.88% / 13.08.2023	550,000	2,324,104	2,452,159	5.74

**MAYBANK ENHANCED CONSTANT INCOME FUND**

**7. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>Name of issuer</b>	<b>Quantity Unit</b>	<b>Aggregate Cost RM</b>	<b>Market Value RM</b>	<b>Percentage of NAV %</b>
<b>31.08.2021</b>				
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Switzerland</b>				
UBS Group AG - 4.85% / 04.09.2024	250,000	798,608	797,372	1.86
<b>United Kingdom</b>				
HSBC Holdings plc - 4.70% / Perpetual	250,000	781,325	782,064	1.83
<b>Total unquoted fixed income securities</b>	<b>9,350,000</b>	<b>38,833,373</b>	<b>39,601,816</b>	<b>92.64</b>
<b>Unrealised gain on unquoted fixed income securities*</b>			<b>768,443</b>	

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

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 8. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

**31.08.2021**  
**RM**

Short-term placement with a maturity of less than 3 months	355,113
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The weighted average effective interest rates (“WAEIR”) 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:

	31.08.2021	
	WAEIR % p.a.	Average Maturity Days
Deposit with a licensed financial institution	1.65	2

### 9. DERIVATIVE ASSETS/LIABILITIES

	Principal amount RM	<-----Fair Value----->	
Foreign exchange related contracts		Assets RM	Liabilities RM
<b>31.08.2021</b>			
Currency forwards:			
Less than 1 year	44,569,409	401	803,733

As at the reporting date, there were 4 forward exchange contracts outstanding.

The forward currency contracts entered into during the financial period were for hedging against the currencies exposure arising mainly from investments in the foreign unquoted fixed income securities denominated in USD and SGD. The change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 10. CASH AT BANK

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

	<b>31.08.2021</b>
	<b>RM</b>
RM	6,446
Singapore Dollar ("SGD")	100,723
United States Dollar ("USD")	4,586,981
	<u>4,694,150</u>

### 11. AMOUNT DUE TO MANAGER

	<b>31.08.2021</b>
	<b>RM</b>
Redemption of units	<u>77,382</u>

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

No management fee was charged to the Fund in accordance with the information memorandum of the Fund.

### 12. 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 period.

### 13. AMOUNT DUE TO BROKER

Amount due to broker relates to the amount payable arising from the purchase of investment. The settlement period for this payable is within 3 working days from the deal date.

### 14. TOTAL EQUITY

	<b>Note</b>	<b>31.08.2021</b>
		<b>RM</b>
Unitholders' capital	14(a)	42,844,683
Accumulated realised income	14(b)	947,007
Accumulated unrealised loss	14(c)	(1,045,272)
		<u>42,746,418</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 14. TOTAL EQUITY (CONT'D)

#### (a) Unitholders' capital

	31.08.2021	
	No. of units	RM
At the beginning of the financial period	-	-
Creation of units	43,481,591	43,481,591
Cancellation of units	(640,777)	(638,859)
Distribution equalisation (Note 15)	-	1,951
At the end of the financial period	<u>42,840,814</u>	<u>42,844,683</u>

As at the reporting date, there is no unit held legally or beneficially by the Manager.

#### (b) Accumulated realised income

	31.08.2021
	RM
At the beginning of the financial period	-
Net realised income for the financial period	2,197,873
Distributions out of retained earnings (Note 15)	(1,250,866)
At the end of the financial period	<u>947,007</u>

#### (c) Accumulated unrealised loss

	31.08.2021
	RM
At the beginning of the financial period	-
Net unrealised loss for the financial period	(1,045,272)
At the end of the financial period	<u>(1,045,272)</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 15. DISTRIBUTIONS

Details of distributions declared to unitholders are as follows:

	<b>30.06.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.08.2021</b> <b>RM</b>
Interest income	1,268,671
Other income	1,826
Less:	
Expenses	(18,872)
Tax expense	(759)
Distributions out of retained earnings (Note 14(b))	<u>1,250,866</u>
Effects of distribution equalisation (Note 14(a))	<u>(1,951)</u>
Distributions for the financial period	<u>1,248,915</u>
Gross/Net distribution per unit (sen)	<u>2.88</u>
Distribution date (ex-date)	<u>28 July 2021</u>

The distribution declared is paid in cash.

### 16. TRANSACTIONS WITH FINANCIAL INSTITUTIONS/BROKERS/DEALERS

Details of transactions primarily deposits with licensed financial institutions are as follows:

	<b>30.06.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.08.2021</b>	<b>Percentage</b> <b>of total</b> <b>placements</b> <b>%</b>
<b>Financial institutions</b>	<b>Value of</b> <b>placements</b> <b>RM</b>	
Malayan Banking Bhd ("MBB") *	102,623,680	93.84
Maybank Islamic Bhd ("MIB") **	6,732,036	6.16
Total	<u>109,355,716</u>	<u>100.00</u>

\* MBB is the ultimate holding company of the Manager.

\*\* MIBB is a subsidiary of Malayan Banking Berhad, the ultimate holding company of the Manager.



## MAYBANK ENHANCED CONSTANT INCOME FUND

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

Transactions with top 10 stockbroking companies / brokers / dealers are as follows:

	<b>30.06.2020</b> <b>(date of launch)</b> <b>to</b> <b>31.08.2021</b>	
<b>Brokers/dealers</b>	<b>Value of</b> <b>trades</b> <b>RM</b>	<b>Percentage</b> <b>of total</b> <b>trades</b> <b>%</b>
UBS Financial Services, Singapore	16,870,099	15.88
HSBC Bank (Singapore) Limited	12,632,201	11.90
SC Lowy Financial Hk Ltd	10,754,292	10.13
Guotai Junan International Singapore Holdings Pte. Ltd.	8,320,782	7.84
Barclays Investment Bank	7,459,522	7.03
JP Morgan Singapore Ltd.	6,119,166	5.77
Deutsche Bank AG - Singapore	5,647,802	5.32
Wells Fargo Securities LLC, Us	5,185,144	4.89
Standard Chartered Bank Singapore	4,559,101	4.30
BNP Paribas Asia Pacific Ltd.	4,434,212	4.18
Others	24,152,005	22.76
Total	<u>106,134,325</u>	<u>100.00</u>

### 17. 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.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 17. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

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 period:

(a) Significant related party transactions

	<b>30.06.2020</b> <b>(date</b> <b>of launch)</b> <b>to</b> <b>31.08.2021</b> <b>RM</b>
Interest income from deposits placed with:	
- MBB	7,142
- MIB	422
	<hr/> <b>7,564</b> <hr/>

(b) Significant related party balances

	<b>31.08.2021</b> <b>RM</b>
Deposit with a licensed financial institution:	
- MIB	<hr/> 355,113 <hr/>
Interest receivable	
- MIB	<hr/> 32 <hr/>

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.

In addition to the related party information disclosed elsewhere in the financial statements, there are no other related party transactions and balances of the Fund.

### 18. MANAGEMENT EXPENSE RATIO ("MER")

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis. The fees and expenses include Trustee's fee and other administrative expenses. For the financial period ended 31 August 2021, the MER of the Fund stood at 0.12%.

### 19. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period to the daily average NAV of the Fund. For the financial period ended 31 August 2021, the PTR of the Fund stood at 1.21 times.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **20. 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 PMC is responsible for the performance of the Fund by investing a minimum of 80% of the Fund's NAV in RM-denominated fixed income securities and/or foreign currency fixed income securities. 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.

There were no change in the reportable operating segments during the financial period.

### **21. 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 2.15 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 21. FINANCIAL INSTRUMENTS (CONT'D)

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

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.

31.08.2021	Financial assets and liabilities at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Financial assets</b>				
Financial assets at FVTPL	39,601,816	-	-	39,601,816
Deposit with a licensed financial institution	-	355,113	-	355,113
Derivative assets	401	-	-	401
Interest receivables	-	661,846	-	661,846
Cash at bank	-	4,694,150	-	4,694,150
<b>Total financial assets</b>	<b>39,602,217</b>	<b>5,711,109</b>	<b>-</b>	<b>45,313,326</b>
<b>Liabilities</b>				
Derivative liabilities	803,733	-	-	803,733
Amount due to Manager	-	-	77,382	77,382
Amount due to Trustee	-	-	1,090	1,090
Amount due to financial institution	-	-	1,661,160	1,661,160
Provision for taxation	-	-	466	466
Other payables and accruals	-	-	23,077	23,077
<b>Total financial liabilities</b>	<b>803,733</b>	<b>-</b>	<b>1,763,175</b>	<b>2,566,908</b>

#### (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 Bond Pricing Agency ("BPA") as per SC's Guidelines on Unit Trust Funds.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 21. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial instruments that are carried at fair value (cont'd)

##### Unquoted fixed income securities

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.

#### (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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>31.08.2021</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	39,601,816	-
Derivative assets	-	401	-
	-	39,602,217	-
<b>Financial liabilities</b>			
Derivative liabilities	-	803,733	-

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **21. FINANCIAL INSTRUMENTS (CONT'D)**

#### **(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 liability, 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.

### **22. 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 Unlisted Capital Market Products under the Lodge and Launch Framework 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 denominated in foreign currencies, 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.

## MAYBANK ENHANCED CONSTANT INCOME FUND

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

#### (b) Market risk (cont'd)

##### (i) Foreign exchange risk (cont'd)

The table below analyses the net position of the Fund's financial assets and financial liabilities (excluding derivative assets and derivative liability) which are exposed to foreign exchange risks as at 31 August 2021. As the Fund's functional currency is RM, the financial assets and financial liabilities (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.

	<b>SGD RM</b>	<b>USD RM</b>	<b>Total RM</b>
<b>31.08.2021</b>			
<b>Assets</b>			
Financial assets at FVTPL	1,582,035	38,019,781	39,601,816
Cash at bank	100,723	4,586,981	4,687,704
<b>Total assets</b>	<u>1,682,758</u>	<u>42,606,762</u>	<u>44,289,520</u>
<b>Net on-balance sheet open position</b>	<u>1,682,758</u>	<u>42,606,762</u>	<u>44,289,520</u>
<b>Forward exchange contracts - principal amount (Note 10) *</b>	<u>550,000</u>	<u>42,901,390</u>	<u>43,451,390</u>

\* 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.

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.

<b>Currencies</b>	<b>Changes in exchange rate %</b>	<b>Effects on NAV Increase/ (Decrease) RM</b>
<b>31.08.2021</b>		
SGD	+5	1,766,896
	-5	<u>(1,598,620)</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

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

#### (b) Market risk (cont'd)

##### (i) Foreign exchange risk (cont'd)

Currencies	Changes in exchange rate	Effects on NAV Increase/ (Decrease)
31.08.2021	%	RM
USD	+5	44,737,100
	-5	(40,476,424)

##### (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.

	31.08.2021	
	Changes in interest rates	Effects on NAV (Decrease)/ Increase
	%	RM
Financial assets at FVTPL	+1	(1,379,978)
	-1	1,671,545

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.

#### (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.



## MAYBANK ENHANCED CONSTANT INCOME FUND

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

#### (c) Credit risk (cont'd)

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	31.08.2021	
	RM	As a percentage of NAV %
AAA	5,049,295	11.81
BB	10,520,783	24.61
BB-	4,588,669	10.73
BB+	3,833,973	8.97
BBB	3,844,933	8.99
BBB-	9,417,231	22.03
BBB+	3,236,092	7.57
Not rated	4,821,949	11.28
	<u>45,312,925</u>	<u>105.99</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

### 22. 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 Deed.

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:

	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>31.08.2021</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	39,601,816	39,601,816
Deposit with a licensed financial institution	355,113	-	355,113
Derivative assets	401	-	401
Interest receivable	461,099	200,747	661,846
Cash at bank	4,694,150	-	4,694,150
Total undiscounted financial assets	<u>5,510,763</u>	<u>39,802,563</u>	<u>45,313,326</u>

## MAYBANK ENHANCED CONSTANT INCOME FUND

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

#### (d) Liquidity risk (cont'd)

31.08.2021	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial liabilities and unitholders' equity</b>			
Derivative liabilities	3,442	800,291	803,733
Amount due to Manager	77,382	-	77,382
Amount due to Trustee	1,090	-	1,090
Amount due to financial institution	1,661,160	-	1,661,160
Provision for taxation	466	-	466
Other payables and accruals	23,077	-	23,077
Unitholders' equity	42,746,418	-	42,746,418
Total undiscounted financial liabilities and unitholders' equity	44,513,035	800,291	45,313,326
Liquidity (gap)/surplus	(39,002,272)	39,002,272	-

#### (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.

#### (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.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **23. 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, policies or processes during current financial period.

### **24. COMPARATIVE**

There are no comparative figures presented as this is the Fund's first reporting period since the Fund was launched on 30 June 2020.