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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report

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

CORPORATE INFORMATION

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

CONTENT	PAGE
Manager's report	1 - 4
Unaudited statement of comprehensive income	5
Unaudited statement of financial position	6
Unaudited statement of changes in equity	7
Unaudited statement of cash flows	8

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 October 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

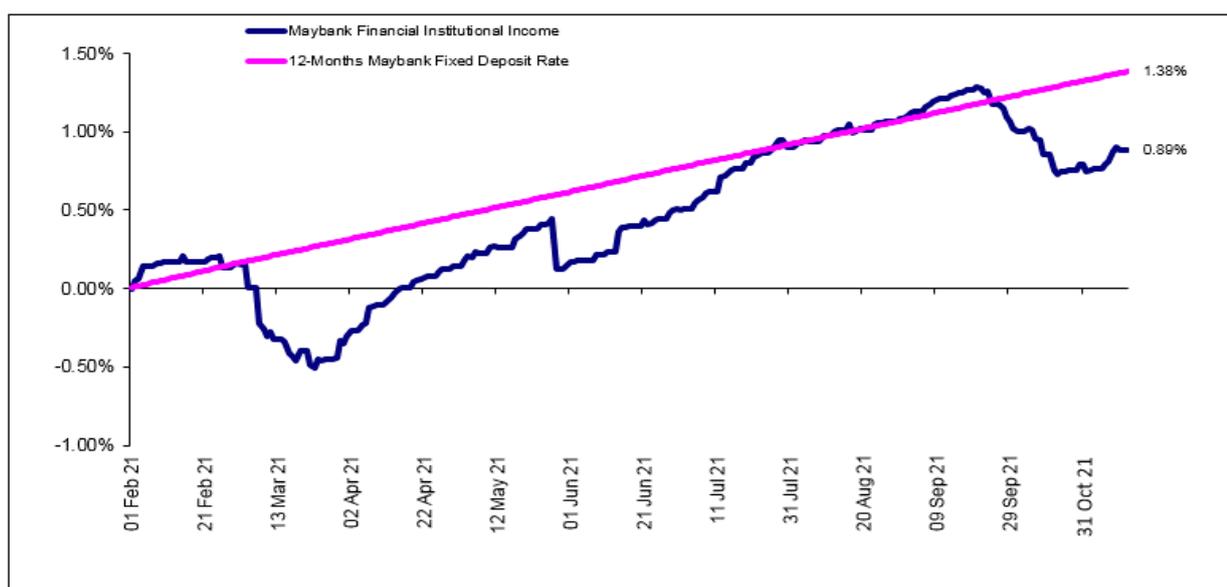
For the financial period from 1 February 2021 to 31 October 2021 (cont'd)

B. Performance Review

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

Period	The Fund %	Benchmark %
1 February 2021 to 31 October 2021	0.89	1.38

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



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 October 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 negative return of -0.01% for the quarter under review, compared to the benchmark of 0.46% over the corresponding quarter. The underperformance of the Fund was due to sharp sell-off in local government bonds on the back of higher United States Treasury ("UST") yields and government supply pressure due to persistent budget deficit. Optimism on global growth and stronger inflation expectations also dampened sentiment for local bond market.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

C. Market Review

After a major bond sell-off in first quarter of 2021, the Malaysian fixed income market recouped some losses in the second quarter of 2021 as stabilising UST yields, weaker United State Dollars ("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. The third quarter of 2021 Malaysian Ringgit ("RM") bond performance saw the Malaysian Government Securities ("MGS") yield pushed lower with 10 year MGS trade to a low 3.12% level in the mid of July 2021 as local players were seen to flight-to-safety. Nonetheless we saw foreign outflows at the beginning of the third quarter of 2021 due to higher COVID-19 cases that led to longer lockdown along with political instability. This had exerted opposite pressure to the local bond prices, resulting the 10 year MGS yield to push back higher and printed average 3.29% yield in September's bond auction. On the credit front, we continue to see healthy primary issuances by corporate and most large corporates manage to weather the pandemic rather well. Only a handful credit events happened during the period under review.

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 could lead to budget deficit reaching 6.5 - 7.0% of gross domestic product in 2021, higher than 6.2% recorded in 2020. In latest budget 22's announcement, government expects budget deficit to remain high at 6.0%, from 6.5% in 2021. On monetary policy, During 3 November 2021 Monetary Policy Committee ("MPC") meeting, Bank Negara Malaysia ("BNM") kept Overnight Policy Rate ("OPR") unchanged at 1.75%, indicating the current 1.75% historical low 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.

Foreign holdings of MYR sovereign rose in October 2021, rising by RM2.9 billion, from marginal RM0.6 billion increase in previous month. Total foreign bond holdings rose to RM254.0 billion (September 2021: RM251.1 billion), bringing YTD net inflow to RM31.0 billion (2020: RM18.3 billion). Foreign share of government bonds (MGS+GII) for October 2021 stood at 25.9% (September 2021:25.8%). Risks of Quantitative easing ("QE") tapering and China property crisis could weaken investors sentiment and will likely to see choppy foreign flows in coming months. Meanwhile, MYR was stronger in October 2021, on the back of stronger crude oil prices and foreign inflows.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

D. Market Outlook and Investment Strategy

Moving into 4Q21, most 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 4Q21. Accordingly, we have a neutral to underweight duration bias with defensive positioning for local bond funds.

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.

F. Asset Allocation

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

Asset allocation	31.10.2021		31.01.2021	
	RM	%	RM	%
Unquoted fixed income securities - local	186,667,309	88.83	160,724,113	89.79
Cash, deposits with licensed financial institutions and other net assets	23,479,524	11.17	18,270,981	10.21
Total	210,146,833	100.00	178,995,094	100.00

G. Soft Commissions and Rebates

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

During the financial period from 1 February 2021 to 31 October 2021, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 31 OCTOBER 2021**

	01.02.2021 to 31.10.2021 RM	01.02.2020 to 31.10.2020 RM
INVESTMENT INCOME		
Interest income	5,537,761	5,640,522
Net realised (loss)/gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	695,830	126,135
- Unrealised (loss)/gain	<u>(3,916,445)</u>	<u>1,811,408</u>
	<u>2,317,146</u>	<u>7,578,065</u>
EXPENSES		
Manager's fee	508,543	466,437
Trustee's fee	72,649	66,634
Auditors' remuneration	6,582	6,587
Tax agent's fee	2,618	2,619
Administrative expenses	<u>1,834</u>	<u>2,133</u>
	<u>592,226</u>	<u>544,410</u>
Net income before taxation	1,724,920	7,033,655
Taxation	<u>-</u>	<u>-</u>
Net income after taxation, and total comprehensive income for the financial period	<u>1,724,920</u>	<u>7,033,655</u>
Net income after taxation is made up of the following:		
Net realised income	5,641,365	5,222,247
Net unrealised (loss)/income	<u>(3,916,445)</u>	<u>1,811,408</u>
	<u>1,724,920</u>	<u>7,033,655</u>
Distributions for the financial period:		
Net distributions	<u>3,795,265</u>	<u>6,159,605</u>
Gross/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 and 28.07.2020</u>

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

	31.10.2021	31.01.2021
	RM	RM
ASSETS		
Financial assets at FVTPL	186,667,309	160,724,113
Deposits with a licensed financial institution	21,466,000	16,323,000
Interest income receivable	2,099,903	1,935,084
Cash at bank	1,023	379,293
	<u>210,234,235</u>	<u>179,361,490</u>
LIABILITIES		
Amount due to Manager	62,191	337,881
Amount due to Trustee	8,884	7,521
Other payables and accruals	16,327	20,994
TOTAL LIABILITIES	<u>87,402</u>	<u>366,396</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>210,146,833</u>	<u>178,995,094</u>
EQUITY		
Unitholders' capital	203,819,036	171,025,375
Retained earnings	6,327,797	7,969,719
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>210,146,833</u>	<u>178,995,094</u>
NUMBER OF UNITS IN CIRCULATION (UNIT)	<u>202,722,634</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 OCTOBER 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 financial period	-	1,724,920	1,724,920
Creation of units	30,632,460	-	30,632,460
Reinvestment of units	3,490,663	-	3,490,663
Cancellation of units	(901,039)	-	(901,039)
Distributions	(428,423)	(3,366,842)	(3,795,265)
At 31 October 2021	<u>203,819,036</u>	<u>6,327,797</u>	<u>210,146,833</u>
At 1 February 2020	169,892,469	9,509,673	179,402,142
Total comprehensive income for the financial period	-	7,033,655	7,033,655
Creation of units	1,088,228	-	1,088,228
Reinvestment of units	5,794,478	-	5,794,478
Cancellation of units	(5,763,813)	-	(5,763,813)
Distributions	199,027	(6,358,632)	(6,159,605)
At 31 October 2020	<u>171,210,389</u>	<u>10,184,696</u>	<u>181,395,085</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2021 TO 31 OCTOBER 2021

	01.02.2021 to 31.10.2021 RM	01.02.2020 to 31.10.2020 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	20,973,515	20,316,840
Net payments for purchase of financial assets at FVTPL	(51,155,926)	(30,394,044)
Interest received	6,391,549	6,022,171
Manager's fee paid	(498,996)	(465,848)
Trustee's fee paid	(71,285)	(66,550)
Payment of other fees and expenses	(15,708)	(13,011)
Net cash (used in)/ operating and investing activities	<u>(24,376,851)</u>	<u>(4,600,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	30,632,459	1,088,228
Cash paid on units cancelled	(1,186,276)	(5,763,813)
Distribution to unitholders	(304,602)	(365,127)
Net cash generated from/(used in) financing activities	<u>29,141,581</u>	<u>(5,040,712)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	4,764,730	(9,641,154)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>16,702,293</u>	<u>22,876,847</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>21,467,023</u></u>	<u><u>13,235,693</u></u>
Cash and cash equivalents comprise of:		
Deposits with licensed financial institutions with maturity of less than 3 months	21,466,000	13,234,000
Cash at bank	1,023	1,693
	<u><u>21,467,023</u></u>	<u><u>13,235,693</u></u>