



Asset Management

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Annual report
For the financial year ended 31 January 2024

CORPORATE INFORMATION

MANAGER

Maybank Asset Management Sdn Bhd (199701006283) (421779-M)
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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2024

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 Fund 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

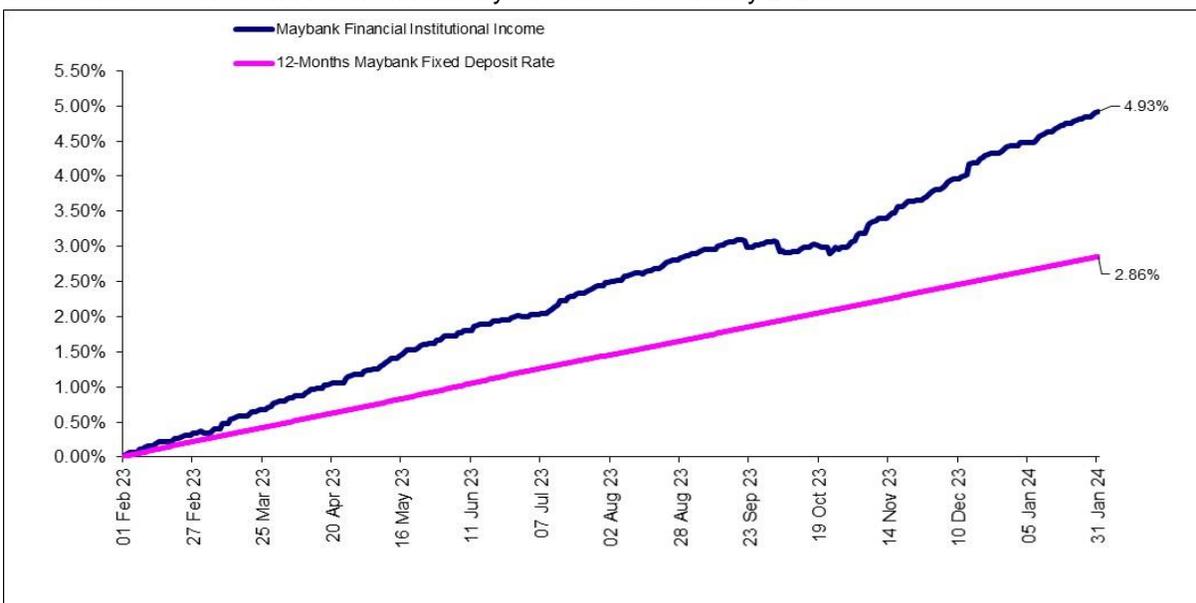
For the financial year ended 31 January 2024 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial year ended 31 January 2024 are as follows:

Period	The Fund %	Benchmark %
1 February 2023 to 31 January 2024	4.93	2.86

Performance of the Fund for the financial year ended 31 January 2024:



Source: Lipper, as at 31 January 2024

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 has achieved its investment objective by continue paying distribution on a consistent basis to investors.

The Fund generated a total return of 4.93% for the year under review, outperformed the benchmark's 2.86% over the corresponding year. The outperformance was due to the better performance in local government bonds on the back of peaking policy rates and easing inflation expectations for local economy. Optimism on slower economic growth and lower inflation growth in global markets also boosted the performance of local bond market.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2024 (cont'd)

C. Market Review

After four Overnight Policy Rate ("OPR") hikes by Bank Negara Malaysia ("BNM") in 2022, BNM finally surprised the market by keeping OPR unchanged for 2 consecutive meetings in January 2023 and March 2023. The local bond market continued its rally into end March 2023, as market slowly priced out OPR rate-hike expectations for the rest of 2023, following the second OPR pause in March 2023. In 2Q2023, BNM raised 25 basis points ("bps") in OPR in May 2023's meeting, took market by surprise. However, the market has looked beyond the hikes and assumed 3.00% will be the OPR's terminal rate for 2023 and continued to buy into longer duration bonds. Locally, the bond market was also supported by weakening United States Dollar ("USD") in 1Q23, as well as lumpy foreign inflows of MYR15.9 billion (2022: MYR-9.8 billion) in May 2023. However, the stronger USD in 2Q23 acted as a headwind to local markets as investors were more concerns about our falling foreign reserves.

Amidst a rather stable domestic monetary policy stance by our central bank, local fixed income market was more affected by the policy stance by United States ("US") Federal Reserve ("Fed") and global central banks. The global market saw the US Treasury ("UST") yields went through a roller-coaster ride as expectations on the Fed Fund Target Rates were rather transient given the data-dependency of policy rate decision as well as US economy still showed signs of resilience. Market has been consistently more dovish than the actual policy actions taken up by Fed and the hawkish Fed also drove USD stronger across global currencies, putting more pressure on emerging market assets.

However, the last two months of 2023, the bond yields were richer, buoyed by UST rally as markets have started to become more fixated with rate cuts where UST managed to post a decent total return of 4.10% in 2023 after two consecutive year of losses in 2022 (-12.50%) and 2021 (-2.30%). While MYR government bonds ended on a strong note in 2023 with a total return of 6.40%, the highest since 2020 despite an additional 25 bps OPR hike by BNM and record issuance of government bonds. The 10-year Malaysian Government Securities ("MGS") yields closed the year at 3.73% level.

Going into New Year of 2024, BNM kept its policy rate unchanged at 3.00%. Languages of the Monetary Policy Committee ("MPC") statement remain neutral, describing the current OPR level as "supportive of the economy and is consistent with the current assessment of the inflation and growth prospects", although the committee "remains vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth". Recall the recent two easing decisions (July 2016 and May 2019), BNM sounded more concerned about the spill-over effects from heightened uncertainty in the global economy.

D. Market Outlook & Investment Strategy

We expect the recovery in Malaysia's fixed income market to continue in 2024, as central banks around the world have peaked on interest rate hikes and are signalling a shift towards more accommodative monetary policy. The end of the central bank hiking cycle would present a more positive dynamic to yield movements globally, positively impacting MGS yields to trend lower, just like the recent dovish tone by Fed has brought the yields retracted from year-to-date highs. Our view remains that BNM to maintain OPR at 3.00% in 2024 in the absence of demand pulled pressures although monthly Consumer Price Index ("CPI") is likely to trend higher depending on the pace of subsidy rationalisation.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2024 (cont'd)

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

As rates appear to have reached a peak and central banks are anticipated to turn dovish in 2024, we believe that government bond yields are likely to decline in 2024, allowing for advantageous trading positioning. Strategy wise, we will continue to trade opportunistically and realise profits, reinvesting into longer-duration and higher yield accretive bonds while also considering new primary issuances with higher yields to increase returns. We will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup and will continue to trade opportunistically to realise profits.

E. Asset Allocation

The comparison of the Fund's asset allocation as at 31 January 2024 and 31 January 2023 are as follows:

Asset allocation	2024		2023	
	RM	%	RM	%
Unquoted fixed income	265,045,178	90.31	123,598,140	89.30
Cash, deposits with licensed financial institutions and other net assets	28,441,866	9.69	14,805,718	10.70
Total NAV	293,487,044	100.00	138,403,858	100.00

F. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions or rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the 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 year under review, 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 FINANCIAL INSTITUTIONS INCOME FUND FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024

We have acted as Trustee of Maybank Financial Institutions Income Fund (the "Fund") for the financial year ended 31 January 2024. 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 Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and 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 distributions to the unitholders during the financial year ended 31 January 2024 are consistent with the objectives of the Fund.

For and on behalf of
PB Trustee Services Berhad

Cheah Kuan Yoon
Chief Executive Officer

Kuala Lumpur, Malaysia
20 March 2024

STATEMENT BY MANAGER

TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME FUND FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024

We, Dr Hasnita Binti Dato' Hashim and Muhammad Hishamudin Bin Hamzah, being two of the Directors of Maybank Asset Management Sdn Bhd (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank Financial Institutions Income Fund as at 31 January 2024 and of its results, changes in net assets attributable to unitholders and cash flows for the financial year then ended and comply with the requirements of the Deeds.

For and on behalf of the Manager

Dr Hasnita Binti Dato' Hashim
Chairman

Muhammad Hishamudin Bin Hamzah
Director

Kuala Lumpur, Malaysia
20 March 2024

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Financial Institutions Income Fund (the "Fund"), which comprise the statement of financial position as at 31 January 2024, and statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including material accounting policy information as set out on pages 7 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2024, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

**Independent auditors' report to the Unitholders of
Maybank Financial Institutions Income Fund (cont'd)**

Information other than the financial statements and auditors' report thereon (cont'd)

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the Unitholders of Maybank Financial Institutions Income 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent auditors' report to the Unitholders of
Maybank Financial Institutions Income 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
03013/10/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 March 2024

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024**

	Note	2024 RM	2023 RM
INVESTMENT INCOME			
Profit/ Interest income	3	8,691,995	8,480,376
Net gain/ (loss) on financial asset at fair value through profit and loss ("FVTPL")			
- Realised loss		-	(1,288,750)
- Unrealised gain/ (loss)		2,620,983	(1,982,969)
		<u>11,312,978</u>	<u>5,208,657</u>
EXPENSES			
Manager's fee	4	745,766	699,565
Trustee's fee	5	106,538	99,938
Auditors' remuneration		9,270	8,800
Tax agent's fee		2,500	4,000
Administrative expenses		1,015	2,285
		<u>865,089</u>	<u>814,588</u>
Net income before taxation		10,447,889	4,394,069
Taxation	6	-	-
Net income after taxation, and total comprehensive income for the financial year		<u>10,447,889</u>	<u>4,394,069</u>
Net income after taxation is made up of the following:			
Net unrealised income/ (loss)		2,620,983	(1,982,969)
Net realised income		7,826,906	6,377,038
		<u>10,447,889</u>	<u>4,394,069</u>
Distributions for the financial year:			
Net distributions	13	6,754,111	6,558,010
Gross/ Net distribution per unit (sen)	13	2.95	4.00
Distribution dates (ex-date)	13	<u>26 July 2023 and 29 January 2024</u>	<u>27 July 2022 and 27 January 2023</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2024**

	Note	2024 RM	2023 RM
ASSETS			
Financial assets at FVTPL	7	265,045,178	123,598,140
Deposits with licensed financial institutions	8	29,673,288	8,708,000
Profit/ Interest income receivable		2,444,016	1,193,177
Amount due from Manager	9	227,723	-
Amount due from broker	10	-	4,820,514
Cash at bank		2,113	151,057
TOTAL ASSETS		<u>297,392,318</u>	<u>138,470,888</u>
LIABILITIES			
Amount due to Manager	9	136,307	46,216
Amount due to Trustee	11	13,316	6,602
Distribution payable		3,739,643	-
Other payables and accruals		16,008	14,212
TOTAL LIABILITIES		<u>3,905,274</u>	<u>67,030</u>
NET ASSET VALUE ("NAV") OF THE FUND		<u>293,487,044</u>	<u>138,403,858</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:			
Unitholders' capital	12(a)	286,870,091	135,480,683
Retained earnings	12(b) & (c)	6,616,953	2,923,175
		<u>293,487,044</u>	<u>138,403,858</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	12(a)	<u>284,200,700</u>	<u>136,661,976</u>
NAV PER UNIT (RM)		<u>1.0327</u>	<u>1.0127</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024**

	Unitholders' capital Note 12(a) RM	Retained earnings Note 12(b) and 12(c) RM	Net assets attributable to unitholders RM
At 1 February 2023	135,480,683	2,923,175	138,403,858
Total comprehensive income for the financial year	-	10,447,889	10,447,889
Creation of units	234,311,707	-	234,311,707
Reinvestment of units	2,162,143	-	2,162,143
Cancellation of units	(85,084,442)	-	(85,084,442)
Distributions (Note 13)	-	(6,754,111)	(6,754,111)
At 31 January 2024	<u>286,870,091</u>	<u>6,616,953</u>	<u>293,487,044</u>
At 1 February 2022	210,807,452	5,087,116	215,894,568
Total comprehensive income for the financial year	-	4,394,069	4,394,069
Creation of units	41,209,494	-	41,209,494
Reinvestment of units	5,363,007	-	5,363,007
Cancellation of units	(121,899,270)	-	(121,899,270)
Distributions (Note 13)	-	(6,558,010)	(6,558,010)
At 31 January 2023	<u>135,480,683</u>	<u>2,923,175</u>	<u>138,403,858</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024**

	2024	2023
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net payments for purchase of financial assets at FVTPL	(180,290,859)	(28,920,126)
Net proceeds from sale and redemption of financial assets at FVTPL	45,920,514	91,355,260
Profit/ Interest income received	7,805,959	8,480,376
Manager's fee paid	(698,773)	(717,426)
Trustee's fee paid	(99,824)	(102,489)
Payment of other fees and expenses	(10,986)	(20,385)
Net cash (used in)/ generated from operating and investing activities	<u>(127,373,969)</u>	<u>70,075,210</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	234,083,982	41,209,491
Cash paid on units cancelled	(85,041,344)	(121,899,270)
Distributions to unitholders	(852,325)	(1,195,003)
Net cash generated from/ (used in) financing activities	<u>148,190,313</u>	<u>(81,884,782)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR	20,816,344	(11,809,572)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>8,859,057</u>	<u>20,668,629</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>29,675,401</u>	<u>8,859,057</u>
Cash and cash equivalents comprise:		
Deposits with licensed financial institutions with maturity of less than 3 months (Note 8)	29,673,288	8,708,000
Cash at bank	2,113	151,057
	<u>29,675,401</u>	<u>8,859,057</u>

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2024

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Maybank Financial Institutions Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 5 November 2009, First Supplementary Deed dated 08 October 2012, and a Second Supplementary Deed dated 30 March 2015 between the Manager, Maybank Asset Management Sdn Bhd ("MAM") and the Trustee, PB Trustee Services Berhad. The Deed and Supplemental Deeds are collectively referred to as 'Deeds'.

The principal activity of the Fund is to invest up to 95% of its net asset value ("NAV") in bonds issued by financial institutions and/ or bank guaranteed bonds. The remaining balance will be invested in fixed deposits and/ or money market instruments.

The Manager of the Fund is MAM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence ("CMSL") 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 ("the Directors") of the Manager in accordance with a resolution of the Directors on 20 March 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Deeds and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") Interpretation which have become effective during the financial year ended 31 January 2024. The adoption of the new pronouncements did not result in any material impact to the financial statements.

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.2 Standards and Amendments to Standards issued but not yet effective

The following are Standards and Amendments to Standards 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 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121: <i>Lack of Exchangeability</i>	1 January 2025
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 financial liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

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

2.4 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.4 Financial assets (cont'd)

(i) Financial assets at amortised cost

The Fund classifies cash and cash equivalents, profit/ interest income receivable, amount due from Manager and amount due from broker as financial assets at amortised cost. These assets are subsequently measured using the effective profit rate ("EPR")/ effective interest rate ("EIR") method and are subject to impairment. The EPR/ EIR is a method of calculating the amortised cost of financial asset and of allocating and recognising the profit/ 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 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;
- 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.

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.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.4 Financial assets (cont'd)

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

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

The carrying cost of unquoted fixed income securities denominated in RM are revalued on a daily basis based on fair value prices quoted by Bond Pricing Agency ("BPA") registered with the Securities Commission Malaysia ("SC"). Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- records its basis for using a non-BPA price;
- obtain necessary internal approvals to the use of non-BPA price; and
- keeps an audit trail of all decisions and basis for adopting the market yield.

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

(iii) Impairment

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

ECL 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 FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (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 profit/ 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

(i) Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to Manager, amount due to Trustee, other payables and accruals and distribution payable as financial liabilities.

(ii) Recognition and measurement

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.5 Financial liabilities (cont'd)

(iii) 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 the market participants would use when pricing the asset or liability, assuming that the 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:

- (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.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.6 Fair value measurement (cont'd)

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

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 RM, which is also the Fund's functional currency.

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.

2.9 Distributions

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the financial year in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the distribution payment date. Reinvestment of units is based on the NAV per unit on the distribution payment date which is also the time of creation.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits with licensed financial institutions with original maturity of three months or less which have an insignificant risk of changes in value.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.11 Revenue/ Income

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

Profit/ Interest income from unquoted fixed income securities includes amortisation of premium and accretion of discount, and is recognised using the EPR/ EIR method.

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 obligations 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 year.

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 judgements

The preparation of the Fund's financial statements requires the Manager to make judgements, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

No major judgement 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

3. PROFIT/ INTEREST INCOME

	2024	2023
	RM	RM
Profit/ Interest income from unquoted fixed income securities	8,098,289	8,263,514
Profit/ Interest income from deposits with licensed financial institutions	958,509	391,226
Amortisation of premium, net of accretion of discount	(364,803)	(174,364)
	<u>8,691,995</u>	<u>8,480,376</u>

4. MANAGER'S FEE

The Manager's fee was computed on a daily basis at 0.35% per annum ("p.a.") (2023: 0.35% p.a.) of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day.

5. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.05% p.a. (2023: 0.05% p.a.) of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day, subject to a minimum fee of RM18,000 p.a. (2023: RM18,000 p.a.).

6. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 24%) of the estimated assessable income for the financial year.

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

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:

	2024	2023
	RM	RM
Net income before taxation	<u>10,447,889</u>	<u>4,394,069</u>
Tax at Malaysian statutory rate of 24% (2023: 24%)	2,507,493	1,054,577
Income not subject to tax	(2,715,115)	(2,035,290)
Loss not deductible for tax purposes	-	785,213
Expenses not deductible for tax purposes	207,622	195,500
Tax expense for the financial year	<u>-</u>	<u>-</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. FINANCIAL ASSETS AT FVTPL

	2024	2023
	RM	RM
Unquoted fixed income securities	265,045,178	123,598,140

Name of issuer	Quantity	Aggregate	Market	Percentage
	Unit	cost	value	of
		RM	RM	NAV
				%
2024				
Unquoted fixed income securities				
Affin Islamic Bank Bhd				
- 4.15%/ 11.12.2026	10,000,000	9,999,573	10,055,800	3.43
- 4.66%/ 13.10.2033	5,000,000	4,999,675	5,073,550	1.73
- 5.10%/ Perpetual	10,000,000	9,999,244	10,175,000	3.47
	<u>25,000,000</u>	<u>24,998,492</u>	<u>25,304,350</u>	<u>8.63</u>
Alliance Bank Bhd				
- 4.05%/ 26.10.2035	10,000,000	9,987,398	9,630,700	3.28
Ambank Islamic Bhd				
- 4.53%/ 28.03.2033	15,000,000	15,157,510	15,248,250	5.21
- 4.53%/ 27.06.2033	10,000,000	10,078,437	10,167,100	3.46
	<u>25,000,000</u>	<u>25,235,947</u>	<u>25,415,350</u>	<u>8.67</u>
Bank Islam Malaysia Berhad				
- 4.10%/ 12.11.2031	10,000,000	9,999,486	9,962,900	3.39
Bank Muamalat Malaysia Berhad				
- 4.50%/ 13.06.2031	10,000,000	9,999,512	10,052,100	3.43
Bank Pembangunan Malaysia Berhad				
- 3.81%/ 01.12.2025	5,000,000	4,999,805	5,008,800	1.71
- 4.02%/ 01.12.2028	5,000,000	4,999,782	5,030,100	1.71
- 4.75%/ 04.11.2031	5,000,000	5,117,262	5,246,900	1.79
	<u>15,000,000</u>	<u>15,116,849</u>	<u>15,285,800</u>	<u>5.21</u>
CIMB Group Holdings Berhad				
- 4.95%/ 02.12.2032	5,000,000	5,061,512	5,166,700	1.76
- 4.36%/ 21.10.2033	3,600,000	3,599,791	3,646,224	1.24
- 3.60%/ Perpetual	5,000,000	4,987,888	4,953,950	1.69
- 4.88%/ Perpetual	9,000,000	8,999,651	9,033,390	3.08
	<u>22,600,000</u>	<u>22,648,842</u>	<u>22,800,264</u>	<u>7.77</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (cont'd)				
Unquoted fixed income securities (cont'd)				
CIMB Islamic Bank Berhad				
- 4.02%/ 30.11.2028	5,000,000	4,999,774	5,031,650	1.71
- 4.31%/ 29.11.2030	5,000,000	4,999,741	5,041,800	1.72
	<u>10,000,000</u>	<u>9,999,515</u>	<u>10,073,450</u>	<u>3.43</u>
CIMB Thai Public Company Limited				
- 4.15%/ 06.07.2029	10,000,000	10,009,030	10,002,900	3.41
- 3.90%/ 11.07.2031	13,000,000	12,959,996	12,890,410	4.39
	<u>23,000,000</u>	<u>22,969,026</u>	<u>22,893,310</u>	<u>7.80</u>
Imtiaz Sukuk II Berhad				
- 4.15%/ 02.10.2028	10,000,000	9,999,526	10,059,800	3.43
- 4.77%/ 11.05.2029	8,200,000	8,318,781	8,474,126	2.89
	<u>18,200,000</u>	<u>18,318,307</u>	<u>18,533,926</u>	<u>6.32</u>
Malaysian Reinsurance Berhad				
- 5.21%/ 26.10.2032	5,000,000	4,999,583	5,084,400	1.73
MBB*				
- 4.03%/ 31.01.2034	5,000,000	4,999,995	5,000,000	1.70
MBSB Bank Berhad				
- 4.36%/ 15.04.2027	5,000,000	5,003,909	5,010,100	1.71
- 4.73%/ 13.04.2029	5,000,000	5,044,048	5,052,900	1.72
- 5.25%/ 19.12.2031	5,000,000	5,085,625	5,109,000	1.74
	<u>15,000,000</u>	<u>15,133,582</u>	<u>15,172,000</u>	<u>5.17</u>
MNRB Holdings Berhad				
- 5.20%/ 22.03.2029	1,400,000	1,401,413	1,401,442	0.48
Mumtaz Rakyat Sukuk Berhad				
- 3.78%/ 25.06.2031	5,000,000	4,971,448	4,950,500	1.69
Public Bank Berhad				
- 4.27%/ 25.10.2033	5,000,000	4,999,720	5,064,250	1.73

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2024 (cont'd)				
Unquoted fixed income securities (cont'd)				
Public Islamic Bank Berhad				
- 4.50%/ 17.12.2027	10,000,000	10,135,423	10,259,200	3.50
- 4.40%/ 28.07.2032	10,000,000	10,033,399	10,172,200	3.47
	<u>20,000,000</u>	<u>20,168,822</u>	<u>20,431,400</u>	<u>6.97</u>
RHB Bank Berhad				
- 4.38%/ 17.11.2028	10,000,000	9,999,424	10,182,400	3.47
Sabah Development Bank Bhd				
- 4.50%/ 04.03.2025	5,000,000	5,005,116	5,013,250	1.71
- 5.50%/ 27.02.2026	12,200,000	12,383,844	12,482,186	4.25
	<u>17,200,000</u>	<u>17,388,960</u>	<u>17,495,436</u>	<u>5.96</u>
United Overseas Bank (Malaysia) Berhad				
- 4.91%/ 27.10.2032	10,000,000	10,247,057	10,311,200	3.51
Total unquoted fixed income securities	<u>262,400,000</u>	<u>263,583,378</u>	<u>265,045,178</u>	<u>90.34</u>
Unrealised gain on unquoted fixed income securities			<u>1,461,800</u>	
2023				
Unquoted fixed income securities				
Affin Bank Bhd				
- 5.80%/ 31.07.2023	5,000,000	5,002,040	5,038,050	3.64
Affin Islamic Bank Bhd				
- 5.65%/ 18.10.2023	10,000,000	10,010,338	10,079,500	7.28
- 5.05%/ 23.10.2023	8,400,000	8,402,672	8,452,080	6.11
	<u>18,400,000</u>	<u>18,413,010</u>	<u>18,531,580</u>	<u>13.39</u>
Ambank Islamic Bhd				
- 4.88%/ 18.10.2028	5,000,000	5,010,289	5,028,500	3.64

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2023 (cont'd)				
Unquoted fixed income securities (cont'd)				
Alliance Bank Bhd - 4.05%/ 26.10.2035	10,000,000	9,985,869	9,282,500	6.71
Bank Islam Malaysia Berhad - 4.10%/ 12.11.2026	10,000,000	9,999,486	9,874,900	7.13
Bank Muamalat Bhd - 4.50%/ 15.06.2026	10,000,000	9,999,508	9,960,900	7.20
CIMB Group Holdings Bhd - 3.60%/ 28.06.2024	5,000,000	4,981,729	4,861,950	3.51
- 4.88%/ 03.12.2025	9,000,000	8,999,678	9,076,410	6.56
	<u>14,000,000</u>	<u>13,981,407</u>	<u>13,938,360</u>	<u>10.07</u>
CIMB Thai Public Company Limited - 4.15%/ 08.07.2024	10,000,000	10,029,771	9,948,400	7.19
- 3.90%/ 13.07.2026	13,000,000	12,944,825	12,623,000	9.12
	<u>23,000,000</u>	<u>22,974,596</u>	<u>22,571,400</u>	<u>16.31</u>
Malaysian Reinsurance Berhad - 5.21%/ 26.10.2032	5,000,000	4,999,584	5,083,750	3.67
Malaysia Debt Ventures Berhad - 3.28%/ 07.02.2023	1,000,000	999,996	999,920	0.72
- 3.28%/ 07.02.2023	1,000,000	999,996	999,920	0.72
	<u>2,000,000</u>	<u>1,999,992</u>	<u>1,999,840</u>	<u>1.44</u>
Sabah Development Bank Bhd - 5.30%/ 27.04.2023	5,000,000	5,020,440	5,012,550	3.62
- 4.20%/ 13.12.2023	5,000,000	5,003,980	4,985,700	3.60
- 4.50%/ 04.03.2025	5,000,000	5,009,757	4,967,350	3.59
- 5.50%/ 27.02.2026	7,200,000	7,357,366	7,322,760	5.29
	<u>22,200,000</u>	<u>22,391,543</u>	<u>22,288,360</u>	<u>16.10</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2023 (cont'd)				
Total unquoted fixed income securities	124,600,000	124,757,323	123,598,140	89.30
Unrealised loss on unquoted fixed income securities			(1,159,183)	

* MBB is the ultimate holding company of the Manager.

8. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

	2024 RM	2023 RM
Deposits with licensed financial institutions with maturity of less than 3 months	29,673,288	8,708,000

The weighted average effective profit rates ("WAEPR")/ weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposits with licensed financial institutions as at the reporting date are as follows:

	2024		2023	
	WAEPR/ WAEIR % p.a.	Average maturity Days	WAEPR/ WAEIR % p.a.	Average maturity Days
Deposit with maturity of less than 3 months	2.98	1	2.75	2

9. AMOUNT DUE FROM/ TO MANAGER

		2024 RM	2023 RM
Amount due from Manager is in respect of:			
Subscription of units	(i)	227,723	-
Amount due to Manager is in respect of:			
Manager's fee	(ii)	93,209	46,216
Cancellation of units	(iii)	43,098	-
		136,307	46,216

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

9. AMOUNT DUE FROM/ TO MANAGER (CONT'D)

- (i) The amount represents amount receivable from the Manager for units subscribed.
- (ii) The amount represents the amount payable to the Manager arising from the accruals for manager's fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2023: 15 days).
- (iii) The amount represents amount payable to the Manager for units cancelled.

10. AMOUNT DUE FROM BROKER

The amount due from brokers relates to the amount to be received from brokers arising from the sale of investments. The settlement period for these receivables are within 3 working days from the deal date (2023 : 3 working days).

11. AMOUNT DUE TO TRUSTEE

The amount due to Trustee relates to the amount payable to the Trustee arising from the accrued Trustee's fee at the end of the financial year. The normal credit term for Trustee's fee is 15 days (2023: 15 days).

12. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Note	2024 RM	2023 RM
Unitholders' capital	12 (a)	286,870,091	135,480,683
Accumulated realised income	12 (b)	5,727,999	4,655,204
Accumulated unrealised income/ (loss)	12 (c)	888,954	(1,732,029)
		<u>293,487,044</u>	<u>138,403,858</u>

(a) Unitholders' capital

	2024		2023	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	136,661,976	135,480,683	209,965,095	210,807,452
Creation of units	227,554,434	234,311,707	40,409,961	41,209,494
Reinvestment of units	2,113,945	2,162,143	5,291,728	5,363,007
Cancellation of units	(82,129,655)	(85,084,442)	(119,004,808)	(121,899,270)
At the end of the financial year	<u>284,200,700</u>	<u>286,870,091</u>	<u>136,661,976</u>	<u>135,480,683</u>

As of end of the financial year, there were no units held by the Manager and related party (2023: Nil).

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

12. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONT'D)

(b) Accumulated realised income

	2024	2023
	RM	RM
At the beginning of the financial year	4,655,204	4,836,176
Net realised income for the financial year	7,826,906	6,377,038
Distributions out of realised reserve	(6,754,111)	(6,558,010)
At the end of the financial year	<u>5,727,999</u>	<u>4,655,204</u>

(c) Accumulated unrealised income/ (loss)

	2024	2023
	RM	RM
At the beginning of the financial year	(1,732,029)	250,940
Net unrealised income/ (loss) for the financial year	2,620,983	(1,982,969)
At the end of the financial year	<u>888,954</u>	<u>(1,732,029)</u>

13. DISTRIBUTIONS

	2024		2023	
	Total distribution RM	Composition of distribution in percentage %	Total distribution RM	Composition of distribution in percentage %
Source of distribution*				
- Income distribution	6,754,111	100.00	1,902,806	29.01
- Capital distribution **	-	-	4,655,204	70.99
	<u>6,754,111</u>	<u>100.00</u>	<u>6,558,010</u>	<u>100.00</u>

* Effective from the 1 March 2022, the Securities Commission Guidelines permit a fund to distribute out of income (which includes current year's realised income) or out of capital (which includes prior year's realised income).

** The distributions in previous financial year were made from prior year's net realised income.

A portion of the distributions declared was/ will be settled in the form of units and presented as 'reinvestment of units' in Note 12 (a) on payment date.

Distribution dates (ex-date)	Gross/ Net distributions per unit (sen)
2024	
26 July 2023	1.50
29 January 2024	1.45
	<u>2.95</u>

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13. DISTRIBUTIONS (CONT'D)

Distribution dates (ex-date)	Gross/ Net distributions per unit (sen)
2023	
27 July 2022	1.90
27 January 2023	2.10
	4.00

14. TRANSACTIONS WITH BROKERS/ DEALERS/ FINANCIAL INSTITUTIONS

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

	2024		2023	
	Value of trade RM	Percentage of total trade %	Value of trade RM	Percentage of total trade %
RHB Investment Bank Bhd	55,938,858	31.04	35,430,952	32.41
MBB*	40,411,500	22.41	28,561,818	26.12
Affin Hwang Investment Bank Bhd	30,099,000	16.69	5,511,880	5.04
Bank Islam Bhd	25,217,500	13.99	10,098,000	9.24
CIMB Investment Bank Bhd	18,604,500	10.32	5,014,000	4.59
Hong Leong Bank Bhd	5,019,500	2.78	9,830,500	8.99
Public Investment Bank Berhad	5,000,000	2.77	5,000,000	4.57
Ambank (M) Bhd	-	-	5,016,500	4.58
Hong Leong Islamic Bank Berhad	-	-	4,871,500	4.46
	180,290,858	100.00	109,335,150	100.00

* MBB is the ultimate holding company of the Manager.

Details of transactions, primarily made of gross deposit placements with licensed financial institutions for the financial year are as follows:

	2024		2023	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
MBB *	7,940,406,000	99.22	4,376,382,000	100.00
KAF Investment Bank Bhd	40,001,644	0.50	-	-
Maybank Islamic Bhd ("MIB") **	22,124,000	0.28	-	-
	8,002,531,644	100.00	4,376,382,000	100.00

* MBB is the ultimate holding company of the Manager.

** MIB is a subsidiary of MBB, the ultimate holding company of the Manager.

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15. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	2024	2023
	RM	RM
(a) <u>Significant related party transactions</u>		
MBB:		
Interest income from deposit	951,694	391,226
Interest income from fixed income securities	552	542,137
	<u>952,246</u>	<u>933,363</u>
MIB:		
Profit income from deposit	<u>1,758</u>	<u>-</u>
	2024	2023
	RM	RM
(b) <u>Significant related party balances</u>		
MBB:		
Deposits with licensed financial institutions	9,670,000	8,708,000
Interest income receivable	782	656
Unquoted fixed income securities	5,000,000	-
	<u>14,670,782</u>	<u>8,708,656</u>

16. TOTAL EXPENSE RATIO ("TER")

The TER of the Fund is the total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 January 2024, the TER of the Fund stood at 0.41% (2023: 0.41%).

17. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average of the total acquisitions and disposals of the investment in the Fund for the financial year to the daily average NAV of the Fund. For the financial year ended 31 January 2024, the PTR of the Fund stood at 0.53 times (2023: 0.30 times).

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18. 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 up to 95% of its NAV in RM-denominated fixed income securities issued by financial institutions and/ or bank guaranteed bonds. The remaining balance will be invested in fixed deposit and/ or money market instruments.

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 changes in the reportable operating segments during the financial year.

19. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

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

2024	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Financial assets				
Financial assets at FVTPL	265,045,178	-	-	265,045,178
Deposits with licensed financial institutions	-	29,673,288	-	29,673,288
Profit/ Interest income receivable	-	2,444,016	-	2,444,016
Amount due from Manager	-	227,723	-	227,723
Cash at bank	-	2,113	-	2,113
Total financial assets	<u>265,045,178</u>	<u>32,347,140</u>	<u>-</u>	<u>297,392,318</u>

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19. FINANCIAL INSTRUMENTS (CONT'D)

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

2024 (cont'd)	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Financial liabilities				
Amount due to Manager	-	-	136,307	136,307
Amount due to Trustee	-	-	13,316	13,316
Distribution payable	-	-	3,739,643	3,739,643
Other payables and accruals	-	-	16,008	16,008
Total financial liabilities	-	-	3,905,274	3,905,274
2023				
Financial assets				
Financial assets at FVTPL	123,598,140	-	-	123,598,140
Deposits with licensed financial institutions	-	8,708,000	-	8,708,000
Profit/ Interest income receivable	-	1,193,177	-	1,193,177
Amount due from broker	-	4,820,514	-	4,820,514
Cash at bank	-	151,057	-	151,057
Total financial assets	123,598,140	14,872,748	-	138,470,888
Financial liabilities				
Amount due to Manager	-	-	46,216	46,216
Amount due to Trustee	-	-	6,602	6,602
Other payables and accruals	-	-	14,212	14,212
Total financial liabilities	-	-	67,030	67,030

(b) Financial instruments that are carried at fair value

The Fund's FVTPL financial assets are carried at fair value and revalued on a daily basis based on fair value prices quoted by Bond Pricing Agency Malaysia Sdn Bhd.

(c) Fair value hierarchy

The Fund uses the following hierarchy for determining 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).

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

19. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM
2024			
Financial assets at FVTPL	-	265,045,178	-
2023			
Financial assets at FVTPL	-	123,598,140	-

(d) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

Other than its securities, the Fund's financial instruments are not carried at fair value but their carrying amounts are reasonable approximations of fair value due to their short term nature. There were no financial instruments which are not carried at fair value and whose carrying amounts are not reasonable approximations of their respective fair values.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' capital. Risks are inherent in the Fund's activities, but they are 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, the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and the Capital Markets and Services Act 2007.

(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 profit/ interest rates, foreign exchange rates and security prices. However, the Fund is not exposed to currency risk as it does not hold investments denominated in currencies other than in RM as at the reporting date. The Fund is also not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

(i) Profit/ Interest rate risk

Unquoted fixed income securities are particularly sensitive to movements in market profit/ interest rates. When profit/ 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 profit/ interest rate changes are normally greater for longer tenured securities when compared to shorter tenured securities.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

(b) Market risk (cont'd)

(i) Profit/ Interest rate risk (cont'd)

The table below summarises the sensitivity of the Fund's NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movements in market profit/ interest rates. The analysis is based on the assumptions that the profit/ interest rates increased and decreased by 1% (100 basis points) with all other variables held constant.

	Changes in interest rates %	Effect on NAV (Decrease)/ Increase RM
2024		
Financial assets at FVTPL	+1	(8,691,350)
	-1	9,120,115
<hr/>		
2023		
Financial assets at FVTPL	+1	(2,907,094)
	-1	3,050,567
<hr/>		

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

(c) Credit risk

Credit risk is the risk that the issuer/ counterparty to a financial instrument will default on its 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 profit/ interest, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

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

(i) Credit risk exposure

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

(c) Credit risk (cont'd)

(ii) Credit risk concentration

The following table analyses the Fund's investments in unquoted fixed income securities, cash at bank, deposits with licensed financial institutions and profit/ interest income receivable by rating categories. The ratings for the Fund's investments in unquoted fixed income securities and profit/ interest receivables on unquoted fixed income securities were obtained from RAM Holdings Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC") while the ratings for cash at bank, deposits with licensed financial institutions and profit/ interest receivable on deposits with licensed financial institutions were obtained from RAM's official website.

	2024		2023	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
Financial assets				
AAA	67,737,867	23.08	10,052,234	7.26
AA1	58,225,486	19.84	22,288,360	16.10
AA2	27,346,850	9.32	-	-
AA3	53,151,110	18.11	29,654,990	21.43
A1	55,736,482	18.99	37,293,840	26.95
A2	9,630,700	3.28	9,282,500	6.71
A3	25,336,100	8.63	25,078,450	18.12
	<u>297,164,595</u>	<u>101.25</u>	<u>133,650,374</u>	<u>96.57</u>

(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 Deeds of the Fund.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements. Liquid assets comprise cash at bank and deposits with a licensed financial institution which are capable of being converted into cash within 7 days.

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

(d) Liquidity risk (cont'd)

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

	Less than 1 month RM	More than 1 month RM	Total RM
2024			
Financial liabilities			
Amount due to Manager	136,307	-	136,307
Amount due to Trustee	13,316	-	13,316
Distribution payable	3,739,643	-	3,739,643
Other payables and accruals	16,008	-	16,008
Total undiscounted financial liabilities	<u>3,905,274</u>	<u>-</u>	<u>3,905,274</u>
2023			
Financial liabilities			
Amount due to Manager	46,216	-	46,216
Amount due to Trustee	6,602	-	6,602
Other payables and accruals	14,212	-	14,212
Total undiscounted financial liabilities	<u>67,030</u>	<u>-</u>	<u>67,030</u>

The maturity grouping is based on the remaining period from the end of the reporting date 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 is required to settle its financial obligation.

Financial liabilities exclude tax-related matters such as provision for taxation.

21. 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:

- To invest in investments meeting the description, risk exposure and generate higher returns the prescribed benchmark as indicated in its information memorandum;
- To achieve consistent returns while safeguarding capital by using various investment strategies;
- To maintain sufficient liquidity to meet the expenses of the Fund and to meet cancellation requests as they arise; and
- 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 the current financial year.