



## Asset Management

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# MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Annual report  
For the financial year ended 31 January 2022

## **CORPORATE INFORMATION**

### **MANAGER**

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

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### **TRUSTEE**

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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 2022

#### A. Fund Information

**1. Name of Fund**

Maybank Financial Institutions Income Fund ("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**

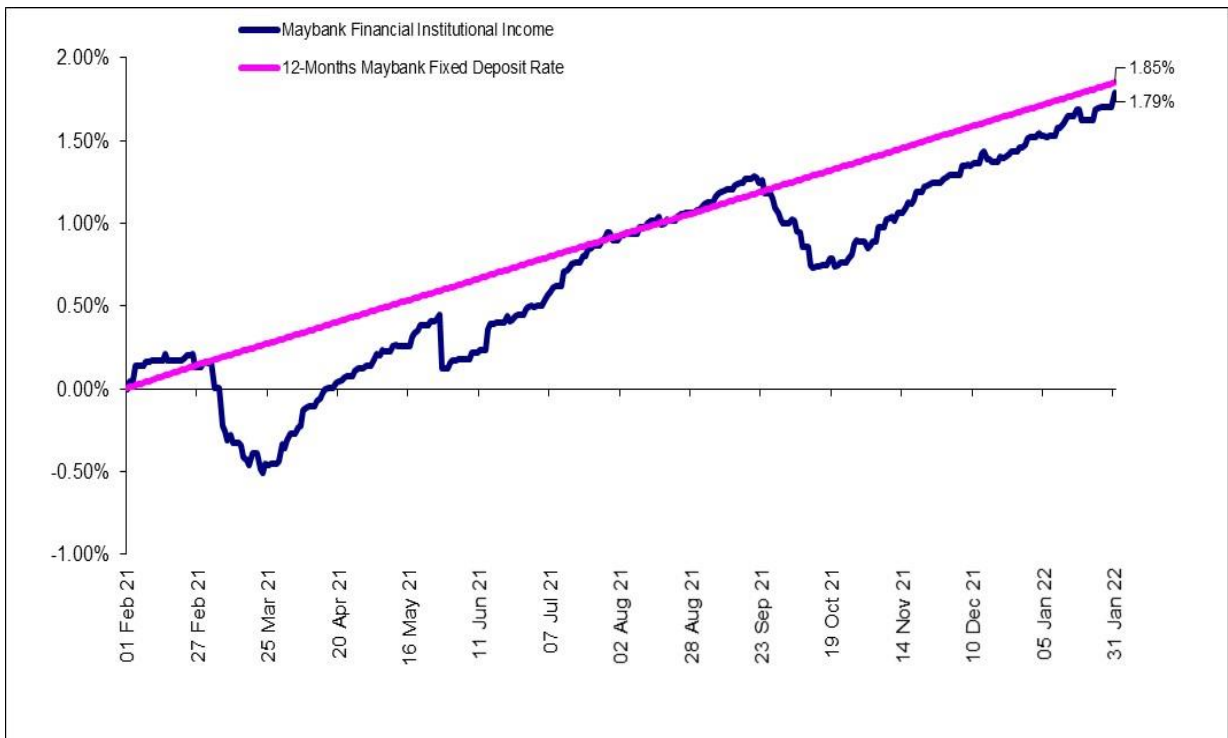
**For the financial year ended 31 January 2022 (cont'd)**

**B. Performance Review**

Returns of the Fund and its benchmark for the financial year ended 31 January 2022 are as follows:

Period	The Fund %	Benchmark %
1 February 2021 to 31 January 2022	1.79	1.85

Performance of the Fund for the financial year ended 31 January 2022:



*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 1.79% for the full-year review, underperforming the benchmark of 1.85% over the corresponding period. The underperformance 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 year ended 31 January 2022 (cont'd)

#### C. Market Review

2021 marks an incredibly volatile year for fixed income investors and particularly for local bond market, which posted its first negative total return in more than a decade. Hopes for strong economic rebound and reflation plays were met with bouts of new Coronavirus disease 2019 ("COVID-19") variants in 2021, namely Delta and Omicron variants, dashing hopes for a smooth and speedy economy recovery. The on and off social/economic restriction measures imposed by government to curb the spread of virus also disrupt the normal operations of real economy, resulting significant supply chain disruption and the ensuing bottleneck-induced inflation. Of note, the largely accommodative monetary policies and huge fiscal spending have played a part to enable the financial excesses to continue in certain parts of the risky assets and could be a major risk for 2022 when central banks are reducing the "easy money" policy and less tolerance for high inflation expectations.

From the monetary policy angle, Bank Negara Malaysia ("BNM") had stayed pat over its 6 monetary policy meetings in 2021, maintaining 1.75% overnight policy rate throughout 2021. BNM had also indicated in all its 6 policy meetings that the current monetary stance is appropriate and accommodative. On the other hands, United States ("US") Federal Reserve is a lot more hawkish and aggressive towards end of 2021, suggesting a policy rate liftoff in 2022 is imminent, after starting to roll back parts of its quantitative easing ("QE") measures by trimming its bond purchases in 2021, paving way for ultimate interest rate liftoff.

On fiscal policy, government had rolled out RM150 billion stimulus package in end June 2021 (PEMULIH), in addition to RM260 billion economic stimulus package (PRIHATIN), RM35 billion PENJANA, RM15 billion PERMAI, RM20 billion PEMERKASA and more recently PEMERKASA+ RM40 billion assistance package to cushion the economic impact. The higher fiscal spending may lead to budget deficit reaching 6.5 - 7.0% of gross domestic product in 2021, against 6.2% recorded in 2020. During recent budget 2022, government has guided the deficit will shrink to 6.0% of gross domestic product ("GDP").

Foreign holdings of Malaysian Ringgit ("MYR") sovereign rose in January 2022, rising by RM3.5 billion, albeit slower than December 2021's RM6.1 billion inflow. This is very commendable given the broadly higher rates environment globally and stronger United States Dollar ("USD"). Total foreign bond holdings rose to RM260.0 billion (Dec: RM256.6 billion), highest in record and bringing year-to-date ("YTD") net inflow to RM3.5 billion (2021: RM33.6 billion). Foreign share of government bonds (Malaysian Government Securities ("MGS") + Government Investment Issue ("GI")) for January 2022 rose to 26.0% (Dec:25.9%). Despite risks of QE tapering and higher interest rates expectations, foreign fund continued to come to local bonds. Meanwhile, MYR was 0.5% month-on-month ("MOM") weaker in January 2022, on the back of broadly higher USD and weaker investors' risk appetite towards risky assets.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### Manager's report

For the financial year ended 31 January 2022 (cont'd)

#### D. Market Outlook & Investment Strategy

For Malaysia fixed income, our investment thesis for economic recovery and reflation trades will continue in 2022, i.e. to seek value from high quality corporate bonds in the primary and secondary market and remain slightly negative on having long duration. We foresee that Malaysia will keep its Overnight Policy Rate ("OPR") level at 1.75% for 1Q2022 as economic recovery progresses steadily, and as an insurance to protect against potential negative surprises from new COVID-19 variants and other unforeseen headwinds. BNM is likely to make the first interest rate hike in the 2H2022. Risky assets and commodities are expected to do well in 2022, but it will be countered by potential liquidity withdrawal from central banks and high inflation rate.

Having mentioned the negative duration stance, given the flush liquidity in the banking system, this will continue to lend support to the local bond market as yield pickup remains decent as compared to the low yielding fixed deposits and money market funds. We will continue to trade opportunistically and realize profit, and 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 January 2022 and 31 January 2021 are as follows:

Asset allocation	2022		2021	
	RM	%	RM	%
Unquoted fixed income	193,210,737	89.49	160,724,113	89.79
Cash, deposits with licensed financial institutions and other net assets	22,683,831	10.51	18,270,982	10.21
<b>Total NAV</b>	<b>215,894,568</b>	<b>100.00</b>	<b>178,995,095</b>	<b>100.00</b>

#### 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 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 2022**

We have acted as Trustee of Maybank Financial Institutions Income Fund (the "Fund") for the financial year ended 31 January 2022. 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 2022 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  
15 March 2022



## **STATEMENT BY MANAGER**

### **TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME FUND FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2022**

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 Financial Institutions Income Fund as at 31 January 2022 and of its results, changes in equity and cash flows for the financial year then ended and comply with the requirements of the Deeds.

For and on behalf of the Manager

**Dato' Idris Bin Kechot**  
Chairman

**Ahmad Najib Bin Nazlan**  
Director

Kuala Lumpur, Malaysia  
15 March 2022

# **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 2022 of the Fund, and 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 11 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2022, 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.

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 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. 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 Unit Holders 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  
15 March 2022

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2022**

	Note	2022 RM	2021 RM
<b>INVESTMENT INCOME</b>			
Interest income	3	8,289,857	7,497,128
Net (loss)/gain on financial asset at fair value through profit and loss ("FVTPL")			
- Realised gain		695,830	126,135
- Unrealised (loss)/gain		(4,661,294)	1,361,166
		<u>4,324,393</u>	<u>8,984,429</u>
<b>EXPENSES</b>			
Manager's fee	4	698,550	623,393
Trustee's fee	5	99,793	89,056
Auditors' remuneration		8,588	8,800
Tax agent's fee		4,318	3,900
Administrative expenses		1,952	6,361
		<u>813,201</u>	<u>731,510</u>
<b>Net income before taxation</b>		3,511,192	8,252,919
Taxation	6	-	-
<b>Net income after taxation, and total comprehensive income for the financial year</b>		<u>3,511,192</u>	<u>8,252,919</u>
<b>Net income after taxation is made up of the following:</b>			
Net unrealised (loss)/income		(4,661,294)	1,361,166
Net realised income		8,172,486	6,891,753
		<u>3,511,192</u>	<u>8,252,919</u>
<b>Distributions for the financial year:</b>			
Net distributions	12	7,314,692	9,520,876
Gross/net distribution per unit (sen)	12	3.70	5.70
Distribution dates (ex-date)	12	27 February 2020, 28 July 2021 and 27 January 2022	28 July 2020 and 26 January 2021

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 2022**

	Note	2022 RM	2021 RM
<b>ASSETS</b>			
Financial assets at FVTPL	7	193,210,737	160,724,113
Deposit with a licensed financial institution	8	20,520,000	16,323,000
Interest income receivable		2,107,946	1,935,084
Cash at bank		148,629	379,293
<b>TOTAL ASSETS</b>		<b>215,987,312</b>	<b>179,361,490</b>
<b>LIABILITIES</b>			
Amount due to Manager	9	64,077	337,881
Amount due to Trustee	10	9,154	7,521
Other payables and accruals		19,513	20,993
<b>TOTAL LIABILITIES</b>		<b>92,744</b>	<b>366,395</b>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>		<b>215,894,568</b>	<b>178,995,095</b>
<b>EQUITY</b>			
Unitholders' capital	11(a)	210,807,452	171,025,375
Retained earnings	11(b) & (c)	5,087,116	7,969,720
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>215,894,568</b>	<b>178,995,095</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	11(a)	<b>209,965,095</b>	<b>170,902,195</b>
<b>NAV PER UNIT (RM)</b>		<b>1.0282</b>	<b>1.0474</b>

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

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2022**

	<b>Unitholders' capital Note 11(a) RM</b>	<b>Retained earnings Note 11(b) and 11(c) RM</b>	<b>Total equity RM</b>
At 1 February 2021	171,025,375	7,969,720	178,995,095
Total comprehensive income for the financial year	-	3,511,192	3,511,192
Creation of units	35,132,456	-	35,132,456
Reinvestment of units	6,513,556	-	6,513,556
Cancellation of units	(943,039)	-	(943,039)
Distributions (Note 12)	(920,896)	(6,393,796)	(7,314,692)
At 31 January 2022	<u>210,807,452</u>	<u>5,087,116</u>	<u>215,894,568</u>
At 1 February 2020	169,892,469	9,509,673	179,402,142
Total comprehensive income for the financial year	-	8,252,919	8,252,919
Creation of units	11,984,756	-	11,984,756
Reinvestment of units	2,698,573	-	2,698,573
Cancellation of units	(13,822,419)	-	(13,822,419)
Distributions (Note 12)	271,996	(9,792,872)	(9,520,876)
At 31 January 2021	<u>171,025,375</u>	<u>7,969,720</u>	<u>178,995,095</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 2022**

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net payments for purchase of financial assets at FVTPL	(86,303,780)	(30,394,044)
Net proceeds from sale and redemption of financial assets at FVTPL	49,073,516	25,316,840
Interest income received	8,895,169	8,003,803
Manager's fee paid	(687,117)	(623,852)
Trustee's fee paid	(98,160)	(89,121)
Payment of other fees and expenses	(16,338)	(13,452)
Net cash (used in)/generated from operating and investing activities	<u>(29,136,710)</u>	<u>2,200,174</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	35,132,458	11,984,756
Cash paid on units cancelled	(1,228,276)	(13,537,181)
Distributions to unitholders	(801,136)	(6,822,303)
Net cash generated from/(used in) financing activities	<u>33,103,046</u>	<u>(8,374,728)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR</b>	3,966,336	(6,174,554)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<u>16,702,293</u>	<u>22,876,847</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<u>20,668,629</u>	<u>16,702,293</u>
Cash and cash equivalents comprise:		
Cash at bank	148,629	379,293
Deposits with licensed financial institution with maturity of less than 3 months (Note 8)	<u>20,520,000</u>	<u>16,323,000</u>
	<u>20,668,629</u>	<u>16,702,293</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 2022**

#### **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 15 March 2022.

#### **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"), 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 2022. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.2 Standards, amendments and interpretations issued but not yet effective

The following are Standards and 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.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendment to MFRS 16: Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 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 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

#### 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.

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

The Fund classifies cash and cash equivalents, and interest income 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 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.

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.

## MAYBANK FINANCIAL INSTITUTIONS 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 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 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. 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 profit 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 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 effective interest rate method.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

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

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

##### **(iii) Derecognition of financial liabilities**

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Ringgit Malaysia, 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.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. This 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 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 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.



## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

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

#### **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 (3) months or less which have an insignificant risk of changes in value.

#### **2.11 Revenue / Income**

Income 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 effective interest rate 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 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

#### 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.

### 3. INTEREST INCOME

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Interest income from unquoted fixed income securities	8,451,756	7,742,413
Interest income from deposits with licensed financial institutions	308,162	330,431
Amortisation of premium, net of accretion of discount	(470,061)	(575,716)
	<u>8,289,857</u>	<u>7,497,128</u>

### 4. MANAGER'S FEE

The Manager's fee was computed on a daily basis at 0.35% per annum ("p.a.") (2021: 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% (2021: 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 6. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 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 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:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Net income before taxation	3,511,192	8,252,919
Tax at Malaysian statutory rate of 24% (2021: 24%)	842,686	1,980,701
Income not subject to tax	(2,156,565)	(2,156,263)
Loss not deductible for tax purposes	1,118,711	-
Expenses not deductible for tax purposes	195,168	175,562
Tax expense for the financial year	-	-

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 7. FINANCIAL ASSETS AT FVTPL

	2022 RM	2021 RM
Unquoted fixed income securities	193,210,737	160,724,113

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022</b>				
<b>Unquoted fixed income securities</b>				
AEON Credit Senior Sukuk - 3.80% / 10.02.2027	5,000,000	5,000,078	4,934,600	2.29
Affin Bank Bhd - 5.45% / 05.02.2027	9,500,000	9,500,264	9,501,425	4.40
- 5.80% / 31.07.2023	5,000,000	5,005,995	5,146,550	2.38
	14,500,000	14,506,259	14,647,975	6.78
Affin Islamic Bank Bhd - 5.05% / 23.10.2028	8,400,000	8,407,073	8,581,272	3.97
- 5.65% / 18.10.2023	10,000,000	10,025,519	10,298,400	4.77
	18,400,000	18,432,592	18,879,672	8.74
Alliance Bank Bhd - 4.05% / 26.10.2035	10,000,000	9,977,877	9,679,600	4.48
- 3.80% / 27.10.2032	5,000,000	5,037,249	4,897,100	2.27
	15,000,000	15,015,126	14,576,700	6.75
Ambank Islamic Bhd - 4.88% / 18.10.2028	10,000,000	10,049,422	10,204,400	4.73
Bank Islam Malaysia Berhad - 4.10% / 12.11.2031	10,000,000	9,999,486	10,021,400	4.64
Bank Muamalat Bhd - 4.50% / 13.06.2031	15,000,000	14,999,274	15,004,500	6.95
CIMB Group Holdings Bhd - 4.88% / Perpetual	10,000,000	9,999,672	10,284,900	4.76

**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 %
<b>2022 (cont'd)</b>				
<b>Unquoted fixed income securities (cont'd)</b>				
CIMB Thai Public Company Limited				
- 4.15% / 06.07.2029	10,000,000	10,138,570	10,065,200	4.66
- 3.90% / 11.07.2031	15,000,000	14,844,817	14,719,500	6.82
	<u>25,000,000</u>	<u>24,983,387</u>	<u>24,784,700</u>	<u>11.48</u>
Imitiaz Sukuk II Berhad				
- 3.90% / 19.04.2028	5,000,000	4,956,422	4,954,100	2.29
Malayan Banking Berhad ("MBB") *				
- 4.08% / 25.09.2024	10,000,000	9,999,585	10,163,600	4.71
MBSB Bank				
- 5.25% / 19.12.2031	10,000,000	10,419,779	10,461,600	4.85
National Bank of Abu Dhabi				
- 4.75% / 09.12.2027	5,500,000	5,484,451	5,722,200	2.65
Public Bank Bhd				
- 4.85% / 23.04.2027	3,000,000	3,000,501	3,015,540	1.40
Sabah Development Bank Bhd				
- 5.30% / 27.04.2023	5,000,000	5,107,269	5,117,600	2.37
- 5.50% / 27.02.2026	15,000,000	15,424,984	15,582,600	7.22
- 4.20% / 13.12.2023	5,000,000	5,008,660	5,039,800	2.33
	<u>25,000,000</u>	<u>25,540,913</u>	<u>25,740,000</u>	<u>11.92</u>
SME Bank Bhd				
- 3.30% / 23.04.2027	5,000,000	4,999,918	4,913,850	2.28

**MAYBANK FINANCIAL INSTITUTIONS 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>2022 (cont'd)</b>				
<b>Unquoted fixed income securities (cont'd)</b>				
UOB Malaysia Bhd - 3.00% / 02.08.2030	5,000,000	5,000,086	4,901,000	2.27
<b>Total unquoted fixed income securities</b>	<b>191,400,000</b>	<b>192,386,951</b>	<b>193,210,737</b>	<b>89.49</b>
Unrealised gain on unquoted fixed income securities			<b>823,786</b>	
<b>2021</b>				
<b>Unquoted fixed income securities</b>				
AEON Credit Senior Sukuk - 3.80% / 10.02.2027	5,000,000	5,000,000	5,131,550	2.87
Affin Bank Bhd - 5.45% / 05.02.2027	9,500,000	9,591,060	9,695,320	5.42
- 5.80% / 31.07.2023	5,000,000	5,064,934	5,175,000	2.89
	<b>14,500,000</b>	<b>14,655,994</b>	<b>14,870,320</b>	<b>8.31</b>
Affin Islamic Bank Bhd - 5.65% / 18.10.2023	10,000,000	10,259,451	10,314,600	5.76
- 5.05% / 23.10.2028	8,400,000	8,426,840	8,666,448	4.84
	<b>18,400,000</b>	<b>18,686,291</b>	<b>18,981,048</b>	<b>10.60</b>
Ambank Islamic Bhd - 4.88% / 18.10.2028	10,000,000	10,182,139	10,546,200	5.89
Alliance Bank Bhd - 4.05% / 26.10.2035	5,000,000	5,000,000	5,079,900	2.84

**MAYBANK FINANCIAL INSTITUTIONS 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>2021 (cont'd)</b>				
<b>Unquoted fixed income securities (cont'd)</b>				
CIMB Group Holdings Bhd				
- 4.88% / Perpetual	10,000,000	10,000,000	10,449,200	5.84
- 5.80% / 25.05.2021	5,000,000	5,011,715	5,045,500	2.82
	<u>15,000,000</u>	<u>15,011,715</u>	<u>15,494,700</u>	<u>8.66</u>
MBB *				
- 4.08% / 25.09.2024	10,000,000	10,000,000	10,351,900	5.78
- 4.63% / 31.01.2029	10,000,000	10,000,000	10,547,200	5.89
	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,899,100</u>	<u>11.67</u>
MBSB Bank				
- 5.05% / 20.12.2029	5,000,000	5,000,000	5,259,750	2.94
Bank Muamalat Bhd				
- 5.50% / 25.11.2021	28,100,000	28,262,460	28,500,425	15.92
National Bank of Abu Dhabi				
- 4.75% / 09.12.2027	5,500,000	5,482,237	6,073,100	3.39
Public Bank Bhd				
- 4.85% / 23.04.2027	3,000,000	3,013,600	3,082,320	1.72
Sabah Development Bank Bhd				
- 5.50% / 27.02.2026	15,000,000	15,517,443	16,624,350	9.29
SME Bank Bhd				
- 3.30% / 23.04.2027	5,000,000	5,000,000	5,172,350	2.89

**MAYBANK FINANCIAL INSTITUTIONS 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>2021 (cont'd)</b>				
UOB Malaysia Bhd - 3.00% / 02.08.2030	5,000,000	5,000,000	5,009,000	2.80
<b>Total unquoted fixed income securities</b>	<b>154,500,000</b>	<b>155,811,879</b>	<b>160,724,113</b>	<b>89.79</b>
Unrealised gain on unquoted fixed income securities			<b>4,912,234</b>	

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

**8. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION**

	<b>2022 RM</b>	<b>2021 RM</b>
Deposit with a licensed financial institution with maturity of less than 3 months	<b>20,520,000</b>	<b>16,323,000</b>

The weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposit with a licensed financial institution as at the reporting date are as follows:

	<b>2022</b>		<b>2021</b>	
	<b>WAEIR % p.a.</b>	<b>Average maturity Days</b>	<b>WAEIR % p.a.</b>	<b>Average maturity Days</b>
Deposit with maturity of less than 3 months	<b>1.75</b>	<b>3</b>	<b>1.77</b>	<b>4</b>



## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 9. AMOUNT DUE TO MANAGER

	Note	2022 RM	2021 RM
<b>Amount due to Manager</b>			
Redemption of units	(i)	-	285,237
Manager's fee	(ii)	64,077	52,644
		<u>64,077</u>	<u>337,881</u>

(i) The amount represents amount payable to the manager for units redeemed.

(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 (2021: 15 days).

### 10. 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 (2021: 15 days).

### 11. TOTAL EQUITY

	Note	2022 RM	2021 RM
Unitholders' capital	11 (a)	210,807,452	171,025,375
Accumulated realised income	11 (b)	4,836,176	3,057,486
Accumulated unrealised income	11 (c)	250,940	4,912,234
		<u>215,894,568</u>	<u>178,995,095</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

**11. TOTAL EQUITY (CONT'D)**

**(a) Unitholders' capital**

	<b>2022</b>		<b>2021</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
At the beginning of the financial year	170,902,195	171,025,375	169,985,191	169,892,469
Creation of units	33,657,857	35,132,456	11,362,235	11,984,756
Reinvestment of units	6,307,726	6,513,556	2,569,091	2,698,573
Cancellation of units	(902,683)	(943,039)	(13,014,322)	(13,822,419)
Distribution equalisation (Note 12)	-	(920,896)	-	271,996
At the end of the financial year	<u>209,965,095</u>	<u>210,807,452</u>	<u>170,902,195</u>	<u>171,025,375</u>

As of end of the financial year, there were no units held by the Manager and related party (2021: Nil).

**(b) Accumulated realised income**

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial year	3,057,486	5,958,605
Net realised income for the financial year	8,172,486	6,891,753
Distributions out of realised reserve (Note 12)	(6,393,796)	(9,792,872)
At the end of the financial year	<u>4,836,176</u>	<u>3,057,486</u>

**(c) Accumulated unrealised income**

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial year	4,912,234	3,551,068
Net unrealised (loss)/income for the financial year	(4,661,294)	1,361,166
At the end of the financial year	<u>250,940</u>	<u>4,912,234</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 12. DISTRIBUTIONS

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Interest income	3,667,004	4,208,942
Previous year's net realised income *	3,057,486	5,958,605
Less: Expenses	(330,694)	(374,674)
Distributions out of realised reserve (Note 11(b))	<u>6,393,796</u>	<u>9,792,872</u>
Distribution equalisation (Note 11(a))	920,896	(271,996)
Distributions for the financial year	<u><u>7,314,692</u></u>	<u><u>9,520,876</u></u>

\* A portion of the distributions were made from prior year's net realised income.

Analysed by:

Cash distribution	801,136	6,822,303
Reinvestment of units (Note 11(a))	<u>6,513,556</u>	<u>2,698,573</u>
Distributions for the financial year	<u><u>7,314,692</u></u>	<u><u>9,520,876</u></u>

A portion of the distributions declared were settled in the form of units and presented as 'reinvestment of units' in Note 11(a) on payment date.

<b>Distribution dates (ex-date)</b>	<b>Gross/net distributions per unit (sen)</b>
<b>2022</b>	
28 July 2021	2.00
27 January 2022	<u>1.70</u>
	<u><u>3.70</u></u>
<b>2021</b>	
27 February 2020	2.00
28 July 2020	1.70
26 January 2021	<u>2.00</u>
	<u><u>5.70</u></u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

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

	2022		2021	
	Value of trade RM	Percentage of total trade %	Value of trade RM	Percentage of total trade %
RHB Investment				
Bank Bhd	19,858,850	20.67	5,316,840	14.89
Standard Chartered				
Bank (M) Bhd	15,532,000	16.17	-	-
Hong Leong Bank Bhd	15,482,000	16.11	-	-
MBB *	15,000,000	15.61	10,000,000	28.00
Bank Islam Bhd	10,000,000	10.41	10,394,044	29.11
Affin Hwang				
Investment				
Bank Bhd	5,123,300	5.33	-	-
Standard Chartered				
Bank Singapore	5,075,000	5.28	-	-
Ambank (M) Bhd	5,009,500	5.21	-	-
CIMB Bank Bhd	5,000,000	5.20	10,000,000	28.00
	<u>96,080,650</u>	<u>100.00</u>	<u>35,710,884</u>	<u>100.00</u>

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

Details of transactions, primarily deposits with licensed financial institutions for the financial year are as follows:

	2022		2021	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
<b>Financial institutions</b>				
MBB *	3,123,040,000	69.52	3,772,899,000	91.19
Maybank Islamic Bhd ("MIB") **	1,369,185,000	30.48	-	-
Public Bank Bhd	-	-	364,376,789	8.81
	<u>4,492,225,000</u>	<u>100.00</u>	<u>4,137,275,789</u>	<u>100.00</u>

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

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

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 14. 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:

	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
(a) <u>Significant related party transactions</u>		
MBB:		
Interest income from deposit	213,566	289,622
Interest income from fixed income securities	609,389	3,805
	<u>822,955</u>	<u>293,427</u>
MIB:		
Profit income from deposit	<u>92,820</u>	<u>-</u>
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
(b) <u>Significant related party balances</u>		
MBB:		
Deposit with a licensed financial institution	20,520,000	16,323,000
Interest income receivable	984	2,375
Fixed income securities	10,163,600	20,899,100
	<u>30,684,584</u>	<u>37,224,475</u>

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.

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

The MER 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 2022, the MER of the Fund stood at 0.41% (2021: 0.41%).

### 16. 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 2022, the PTR of the Fund stood at 0.34 times (2021: 0.16 times).

## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

### **17. 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.

### **18. 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 significant accounting policies 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.

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

**18. FINANCIAL INSTRUMENTS (CONT'D)**

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

<b>2022</b>	<b>Financial assets at FVTPL RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>Financial assets</b>				
Financial assets at FVTPL	193,210,737	-	-	193,210,737
Deposit with a licensed financial institution	-	20,520,000	-	20,520,000
Interest income receivable	-	2,107,946	-	2,107,946
Cash at bank	-	148,629	-	148,629
<b>Total financial assets</b>	<b>193,210,737</b>	<b>22,776,575</b>	<b>-</b>	<b>215,987,312</b>
<b>Financial liabilities</b>				
Amount due to Manager	-	-	64,077	64,077
Amount due to Trustee	-	-	9,154	9,154
Other payables and accruals	-	-	19,513	19,513
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>92,744</b>	<b>92,744</b>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

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

2021	Financial assets 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	160,724,113	-	-	160,724,113
Deposit with a licensed financial institution	-	16,323,000	-	16,323,000
Interest income receivable	-	1,935,084	-	1,935,084
Cash at bank	-	379,293	-	379,293
<b>Total financial assets</b>	<b>160,724,113</b>	<b>18,637,377</b>	<b>-</b>	<b>179,361,490</b>
<b>Financial liabilities</b>				
Amount due to Manager	-	-	337,881	337,881
Amount due to Trustee	-	-	7,521	7,521
Other payables and accruals	-	-	20,993	20,993
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>366,395</b>	<b>366,395</b>

#### (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

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

#### (c) Fair value hierarchy (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM
<b>2022</b>			
Financial assets at FVTPL	-	193,210,737	-
	<hr/>	<hr/>	<hr/>
<b>2021</b>			
Financial assets at FVTPL	-	160,724,113	-
	<hr/>	<hr/>	<hr/>

#### (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.

### 19. 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 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

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

##### (i) Interest rate risk

Unquoted 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 unquoted 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.

	Changes in interest rates %	Effect on NAV (Decrease)/ Increase RM
<b>2022</b>		
Financial assets at FVTPL	+1	(8,429,440)
	-1	9,098,956
<b>2021</b>		
Financial assets at FVTPL	+1	(4,904,040)
	-1	5,194,212

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, 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.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

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

##### (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.

##### (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 receivables 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 receivables on unquoted fixed income securities were obtained from RAM 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.

	2022		2021	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
<b>Financial assets</b>				
AAA	20,669,613	9.57	16,704,668	9.33
AA1	39,974,610	18.52	41,837,393	23.37
AA2	5,009,662	2.32	-	-
AA3	40,172,505	18.61	26,405,712	14.75
A1	49,240,257	22.81	34,327,486	19.18
A2	14,734,823	6.83	33,924,455	18.95
A3	41,227,238	19.10	20,943,769	11.70
Government guaranteed	4,958,603	2.30	5,218,007	2.92
	<u>215,987,312</u>	<u>100.04</u>	<u>179,361,490</u>	<u>100.20</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 19. 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 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 and expected redemption requests by unitholders. Liquid assets comprise cash at bank and deposits with licensed financial institutions which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets, financial liabilities and unitholders' equity 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>2022</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	193,210,737	193,210,737
Deposit with licensed financial institution	20,520,000	-	20,520,000
Interest income receivables	984	2,106,962	2,107,946
Cash at bank	148,629	-	148,629
Total undiscounted financial assets	<u>20,669,613</u>	<u>195,317,699</u>	<u>215,987,312</u>
<b>Financial liabilities and unitholders' equity</b>			
Amount due to Manager	64,077	-	64,077
Amount due to Trustee	9,154	-	9,154
Other payables and accruals	19,513	-	19,513
Unitholders' equity	215,894,568	-	215,894,568
Total undiscounted financial liabilities and unitholders' equity	<u>215,987,312</u>	<u>-</u>	<u>215,987,312</u>
Liquidity (gap)/surplus	<u>(195,317,699)</u>	<u>195,317,699</u>	<u>-</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### 19. 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 assets, financial liabilities and unitholders' equity to provide a complete view of the Fund's contractual commitments and liquidity (cont'd):

2021	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	-	160,724,113	160,724,113
Deposit with licensed financial institution	16,323,000	-	16,323,000
Interest income receivables	2,375	1,932,709	1,935,084
Cash at bank	379,293	-	379,293
Total undiscounted financial assets	<u>16,704,668</u>	<u>162,656,822</u>	<u>179,361,490</u>
<b>Financial liabilities and unitholders' equity</b>			
Amount due to Manager	337,881	-	337,881
Amount due to Trustee	7,521	-	7,521
Other payables and accruals	20,993	-	20,993
Unitholders' equity	178,995,095	-	178,995,095
Total undiscounted financial liabilities and unitholders' equity	<u>179,361,490</u>	<u>-</u>	<u>179,361,490</u>
Liquidity (gap)/surplus	<u>(162,656,822)</u>	<u>162,656,822</u>	<u>-</u>

#### (i) Financial assets

Deposits with licensed financial institutions are grouped based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting year to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

#### (ii) Financial liabilities

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.

#### (iii) Unitholders' equity

As unitholders could request for cancellation of their units within ten calendar day from transaction date, unitholders' equity has been categorised as having a maturity of "less than 1 month".

## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

### **20. 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 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 cancellation 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 the current financial year.