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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report

For the financial period from 1 February 2024 to 31 October 2024

CORPORATE INFORMATION

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2024 to 31 October 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's distribution policy

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

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

The Fund seeks to achieve its objective by investing up to 95% of its Net Asset Value ("NAV") in bonds issued by financial institutions and/ or bank guaranteed bonds. The Manager will also invest between 5% to 100% of the Fund's NAV in fixed deposits and/ or money market instruments.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

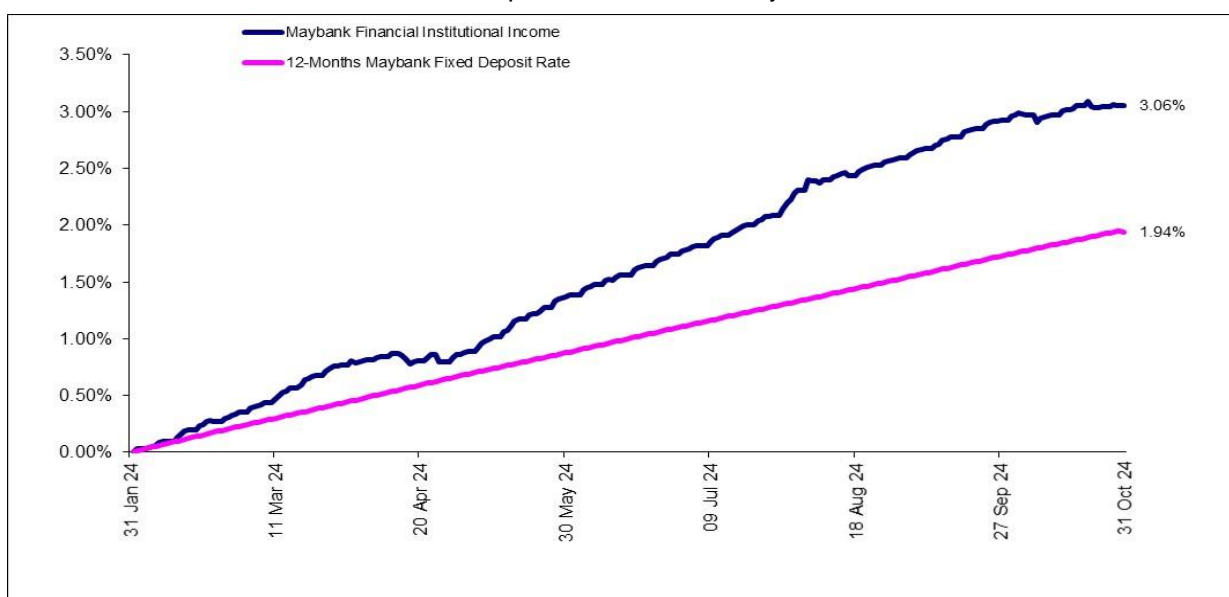
For the financial period from 1 February 2024 to 31 October 2024 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2024 to 31 October 2024 are as follows:

Period	The Fund %	Benchmark %
1 February 2024 to 31 October 2024	3.06	1.94

Performance of the Fund for the financial period from 1 February 2024 to 31 October 2024:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 October 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 generated a total return of 3.06% for the period under review, outperformed the benchmark's 1.94% over the corresponding period. The outperformance was attributed to the tightening of credit spread and better demand in local new corporate supply but offset by higher yield amid the United States Treasury ("UST") selloff and local bids turned more defensive.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2024 to 31 October 2024 (cont'd)

C. Market Review

For the new year of 2024, United States ("US") Federal Reserves ("Fed") speak pushed back against early rate cuts. UST was traded higher and the probability of Fed rate cut in March 2024 has been reduced to below 50% compared to more than 80% seen at the end of the year. UST yields surged 31-37 basis points ("bps") across the curve in 1Q24. For Malaysia, yield curve mostly shifted upward in the 1Q2024 on the back of the delayed Fed rate cut. The 10y closed at 3.86% for the quarter compared to 3.74% at the end of last year. Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") at 3.00% in both January 2024 and March 2024's Monetary Policy Committee ("MPC") meeting. In term of currency, the USDMYR spot surged past 4.80 briefly in February 2024 but rebounded strongly after that and closed the quarter at 4.725. BNM has increased the frequency of verbal interventions in support of the Ringgit, and stepped up the engagements with Government-Linked Investment Companies ("GLICs"), Government-Linked Companies ("GLCs"), corporates and investors to encourage inflows to the Foreign Exchange ("FX") market.

UST selloffs continue in 2Q24, however, appeared to attract gradual but consistent buy-on-dip demand unlike the freefall in last September 2023 to October 2023. With soft-landing/ no-landing an overwhelmingly high consensus, market optimism for risk assets are running high with high-yield corporate spreads at the tighter end of long-term range. The consecutive weeks of yield increase was finally halted in May 2024. Markets piled risk on in stocks and bonds alike, after the Fed's stance that leaned dovish drove markets to a 1-way trade in 3Q2024, while geopolitical conflict escalations also gave bonds an additional tailwind too in second half of July 2024. The stock markets took a hit in the early August 2024 due to mix of softer US economic data. However, the much-awaited start of the Federal Reserve's rate-cutting cycle in September 2024, coupled with a more dovish stance from Japanese policymakers and fresh stimulus measures in China, helped ease investor worries and still concluded with solid return across major asset classes by the end of the quarter. 2s10s space steepened to its highest in almost 2 years with 10y UST closed the quarter at 3.78% level while 2y was at 3.64%. Regional bonds continued to rally alongside global bonds. Local government bonds ("govvies") gains accelerated as overall yields closed firmer across the curve with 10y ended the September 2024 month at 3.71%. On the currency front, the US Dollar Index ("DXY") slipped to a low of 100.21 on the Federal Open Market Committee ("FOMC") day before reversing higher back above the key 100.60-support. MYR strengthened against USD by 10.17% compared last quarter of 4.5905, ended the Q3 at 4.1235, following a breakthrough of 4.1500 level.

Local bond markets in Q32024 gradually repriced higher in tandem with higher UST as investors are demanding larger risk premiums against the possibility of a less aggressive Fed on rate cut. Sentiment still reeling from the extended selloffs in UST and US Election risk ahead and the local budget announcement did not spur the local bond market. The Ringgit weakened 6.17% for October 2024 against the USD to 4.3780 amid a gradual build-up in USD strength of late and continued foreign outflows from local bonds. Overall the government bond yields posted losses by 5 to 22 bps across the curve with 10y closed 21 bps weaker to 3.92% compared to 3.71% at end of last quarter.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2024 to 31 October 2024 (cont'd)

D. Market Outlook and Investment Strategy

We expect the recovery in Malaysia's fixed income market to continue in the remaining of 2024, as central banks around the world have started embarking rate. We maintain our positive outlook for Malaysia's fixed income market as central banks globally shift towards more accommodative monetary policy. Our view remains that BNM to maintain OPR at 3.00% in 2024 in the absence of demand pulled pressures, especially when Consumer Price Index ("CPI") numbers are relatively benign at the back of subsidy rationalisation exercises. However, we do expect volatility to remain elevated amid the ebb and flow of US election risks and geopolitical tensions continue to linger in the backdrop.

In terms of duration exposure, we are looking to keep duration neutral to slightly overweight by replacing any upcoming maturities with the belly-part of the curve in the secondary and primary markets. Strategy wise, we will continue to trade opportunistically and realise profits, reinvesting into higher yield accretive bonds while also considering new primary issuances with higher yields to increase returns. 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 October 2024 and 31 January 2024 are as follows:

Asset allocation	31.10.2024		31.01.2024	
	RM	%	RM	%
Unquoted fixed income securities - local	311,925,533	83.81	265,045,178	90.31
Cash, deposits with licensed financial institutions and other net assets	60,265,434	16.19	28,441,866	9.69
Total	372,190,967	100.00	293,487,044	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 commissions received are retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund. All dealings with brokers are executed on best available terms.

During the financial period from 1 February 2024 to 31 October 2024, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2024 TO 31 OCTOBER 2024**

	01.02.2024 to 31.10.2024 RM	01.02.2023 to 31.10.2023 RM
INVESTMENT INCOME		
Profit/ Interest income	9,938,880	5,792,477
Net realised gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	149,260	-
- Unrealised gain	610,822	114,155
	<u>10,698,962</u>	<u>5,906,632</u>
EXPENSES		
Manager's fee	844,496	488,954
Trustee's fee	120,642	69,851
Auditors' remuneration	6,960	6,582
Tax agent's fee	7,887	2,618
Administrative expenses	3,580	582
	<u>983,565</u>	<u>568,587</u>
Net income before taxation	9,715,397	5,338,045
Taxation	-	-
Net income after taxation, and total comprehensive income for the financial period	9,715,397	5,338,045
Net income after taxation is made up of the following:		
Net realised income	9,104,575	5,223,890
Net unrealised income	610,822	114,155
	<u>9,715,397</u>	<u>5,338,045</u>
Distributions for the financial period:		
Net distributions	5,016,296	2,640,784
Gross/ Net distribution per unit (sen)	1.65	1.50
Distribution date (ex-date)	26/07/2024	26/07/2023

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2024**

	31.10.2024	31.01.2024
	RM	RM
ASSETS		
Financial assets at FVTPL	311,925,533	265,045,178
Deposits with licensed financial institutions	58,509,864	29,673,288
Profit/ Interest income receivable	3,332,279	2,444,016
Amount due from Manager	49,505	227,723
Cash at bank	1,319	2,113
TOTAL ASSETS	373,818,500	297,392,318
LIABILITIES		
Amount due to Manager	1,596,067	136,307
Amount due to Trustee	14,227	13,316
Distribution payable	-	3,739,643
Other payables and accruals	17,239	16,008
TOTAL LIABILITIES	1,627,533	3,905,274
NET ASSET VALUE ("NAV") OF THE FUND	372,190,967	293,487,044
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISES:		
Unitholders' capital	360,874,913	286,870,091
Retained earnings	11,316,054	6,616,953
	372,190,967	293,487,044
NUMBER OF UNITS IN CIRCULATION (UNITS)	355,233,046	284,200,700
NAV PER UNIT	1.0477	1.0327

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2024 TO 31 OCTOBER 2024**

	Unitholders' capital RM	Retained earnings RM	Net assets attributable to unitholders RM
At 1 February 2024	286,870,091	6,616,953	293,487,044
Total comprehensive income for the financial period	-	9,715,397	9,715,397
Creation of units	168,413,706	-	168,413,706
Reinvestment of units	8,311,874	-	8,311,874
Cancellation of units	(102,720,758)	-	(102,720,758)
Distributions	-	(5,016,296)	(5,016,296)
At 31 October 2024	<u>360,874,913</u>	<u>11,316,054</u>	<u>372,190,967</u>
At 1 February 2023	135,480,683	2,923,175	138,403,858
Total comprehensive income for the financial period	-	5,338,045	5,338,045
Creation of units	146,615,613	-	146,615,613
Reinvestment of units	2,162,143	-	2,162,143
Cancellation of units	(34,244,280)	-	(34,244,280)
Distributions	-	(2,640,784)	(2,640,784)
At 31 October 2023	<u>250,014,158</u>	<u>5,620,436</u>	<u>255,634,594</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2024 TO 31 OCTOBER 2024

	01.02.2024	01.02.2023
	to	to
	31.10.2024	31.10.2023
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	38,280,168	41,989,308
Net payments for purchase of financial assets at FVTPL	(84,400,443)	(112,104,210)
Profit/ Interest received	9,050,617	4,907,807
Manager's fee paid	(838,115)	(463,203)
Trustee's fee paid	(119,731)	(66,172)
Payment of other fees and expenses	(17,197)	(617)
Net cash used in operating and investing activities	<u>(38,044,701)</u>	<u>(65,737,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	168,591,926	136,488,116
Cash paid on units cancelled	(101,267,378)	(32,998,204)
Distribution to unitholders	(444,065)	(478,641)
Net cash generated from financing activities	<u>66,880,483</u>	<u>103,011,271</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	28,835,782	37,274,184
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	29,675,401	8,859,057
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>58,511,183</u>	<u>46,133,241</u>
Cash and cash equivalents comprise of:		
Deposits with licensed financial institutions with maturity of less than 3 months	58,509,864	46,132,000
Cash at bank	1,319	1,241
	<u>58,511,183</u>	<u>46,133,241</u>