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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report
For the financial period from 1 February 2022 to 31 October 2022

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 2021 to 31 October 2022

A. Fund Information

1. Name of Fund

Maybank Financial Institutions Income Fund (the "Fund")

2. Type of Fund

Income

3. Category of Fund

Wholesale fixed income fund

4. Duration of Fund

The Fund is an open-ended fund.

5. Fund launch date

17 December 2009

6. Fund's investment objective

The objective of the Fund is to achieve regular income stream which is deriving from the portfolio.

7. Fund distribution policy

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

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

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

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

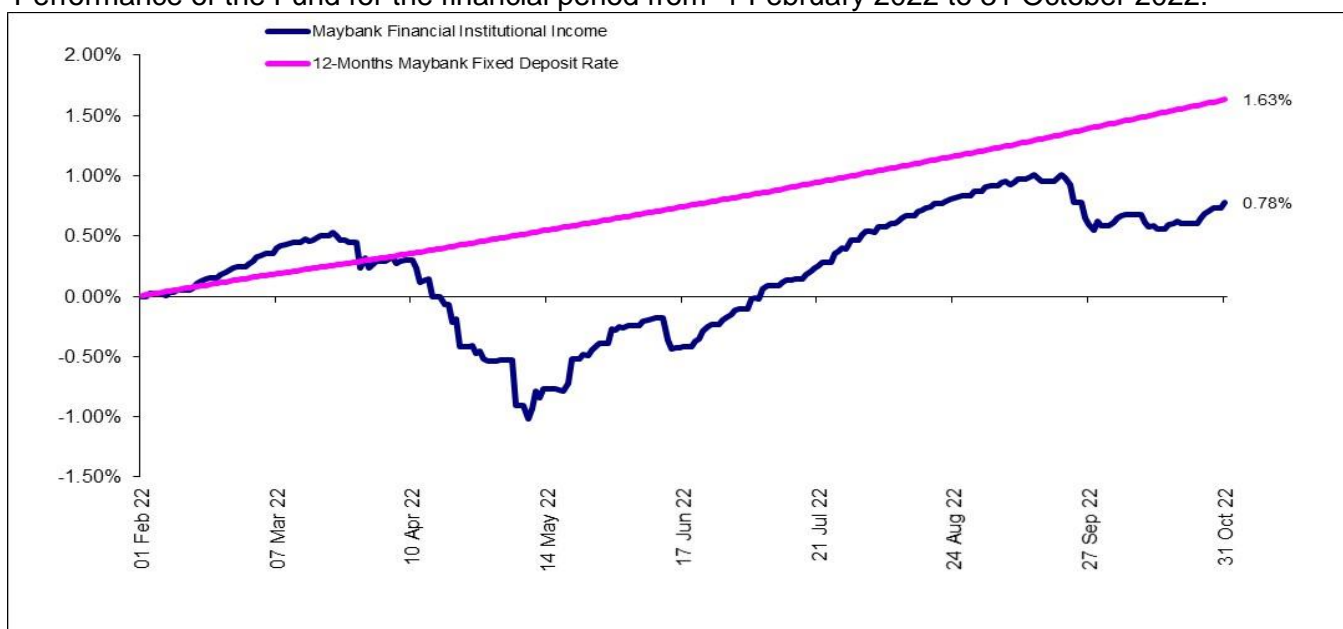
For the financial period from 1 February 2021 to 31 October 2022 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2022 to 31 October 2022 are as follows:

Period	The Fund %	Benchmark %
1 February 2022 to 31 October 2022	0.78	1.63

Performance of the Fund for the financial period from 1 February 2022 to 31 October 2022:



Source: Novgni Analytics and Advisory Sdn Bhd, as at 31 October 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 October 2022 (cont'd)

C. Market Review

Malaysia's economy is in a relatively strong position to navigate the slew of external shocks, including China's ongoing lockdowns and aggressive tightening by the Federal Reserve and other major central banks. As an exporter of fuel and palm oil, export earnings, government revenue and confidence have been boosted by soaring commodity prices. Reopening is boosting income and unleashing pent-up demand. Bank Negara Malaysia ("BNM") most likely to raise Overnight Policy Rate ("OPR") by 25 basis points ("bps") to 2.75% at the 2-3 November 2022 Monetary Policy Committee ("MPC") meeting. This followed three 25 bps hikes at the 10-11 May 2022, 5-6 July 2022 and 7-8 September 2022 meets. Monetary Policy Statement ("MPS") reiterated that OPR is still accommodative, not on any pre-set course, and monetary policy adjustment remains data dependent as well as measured and gradual. Slower external demand and financial and Foreign exchange ("FX") market volatilities are not expected to derail Malaysia's growth. Downside risk to domestic growth outlook include weaker-than-expected global growth, higher risk aversion in global financial markets amid more aggressive monetary policy tightening in major economies, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

The official 2022 real Gross Domestic Product ("GDP") growth forecast was raised last month to a range of +6.5% and +7.0% from +5.3% to +6.3% previously (1H 2022: +6.9% YoY; 2021: +3.1%) and growth is expected to moderate to between +4.0% and +5.0% next year. Official 2022 forecast for headline inflation rate was also revised to +3.3% from +2.2% to +3.2% range previously (9M 2022: +3.3%; 2021: +2.5%). BNM said monthly headline inflation rate peaked last quarter (September 2022: +4.5% Year on Year ("YoY"); August 2022: +4.7% YoY; July 2022: +4.4% YoY), will moderate but remain elevated.

Core inflation rate hits record high of +4.0% YoY in September 2022 and is expected to come in at the upper end of BNM's full-year forecast range of +2.0% to +3.0% (3Q2022: +2.7%; 2021: +0.7%) on demand pressures and high-cost environment. Inflation rate is predominantly cost-push and supply-driven so far this year. Surges in commodity prices led to food, fuel and energy contributing to 71% of the 3.3% inflation rate in 3Q2022. Tightening job market in terms of faster growth in demand (i.e. employment) relatively to supply (i.e. labour force) of workers and thus falling jobless rate led to the acceleration in wages and salaries to a pace that is historically consistent with OPR of around 3.00%-3.25%.

Weaker MYR vs United States Dollar ("USD") affects inflation as import costs account for 15% of household expenditure. There is also the prospect of some fuel price adjustments next year following the transition to targeted, from blanket, fuel subsidies hinted in Budget 2023 tabled on 7 October 2022. The Parliament was dissolved on 10 October 2022 to make way for the 15th General Election ("GE15") on 19 November 2022.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2021 to 31 October 2022 (cont'd)

D. Market Outlook and Investment Strategy

For Malaysia fixed income, our investment thesis for economic recovery will continue into the remaining 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 raise OPR in a gradual manner as economic recovery progresses steadily. Additionally, 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.

Strategy wise, we will maintain our neutral to underweight duration stance as we assume a more defensive stance given our expectation of a higher bond yields. 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 potential credit rating upgrade as economic activities normalise. We will continue to trade opportunistically and will also look into new primary issuances that offer higher yields to deliver the required performance.

E. Asset Allocation

The comparison of the Fund's asset allocation as at 31 October 2022 and 31 January 2022 are as follows:

Asset allocation	31.10.2022		31.01.2022	
	RM	%	RM	%
Unquoted fixed income securities - local	168,068,292	91.82	193,210,737	89.49
Cash, deposits with a licensed financial institution and other net assets	14,977,437	8.18	22,683,831	10.51
Total	183,045,729	100.00	215,894,568	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 2022 to 31 October 2022, 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 2022 TO 31 OCTOBER 2022

	01.02.2022 to 31.10.2022 RM	01.02.2021 to 31.10.2021 RM
INVESTMENT INCOME		
Interest income	6,037,305	5,537,761
Net realised loss on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	68,934	695,830
- Unrealised loss	(3,913,807)	(3,916,445)
	<u>2,192,432</u>	<u>2,317,146</u>
EXPENSES		
Manager's fee	542,422	508,543
Trustee's fee	77,489	72,649
Auditors' remuneration	6,582	6,582
Tax agent's fee	2,718	2,618
Administrative expenses	1,029	1,834
	<u>630,240</u>	<u>592,226</u>
Net income before taxation	1,562,192	1,724,920
Taxation	-	-
Net income after taxation, and total comprehensive income for the financial period	<u>1,562,192</u>	<u>1,724,920</u>
Net income after taxation is made up of the following:		
Net realised income	5,475,999	5,641,365
Net unrealised loss	(3,913,807)	(3,916,445)
	<u>1,562,192</u>	<u>1,724,920</u>
Distributions for the financial period:		
Net distributions	<u>3,733,408</u>	<u>3,795,265</u>
Gross/ Net distribution per unit (sen)	<u>2.00</u>	<u>2.00</u>
Distribution date (ex-date)	<u>28.07.2022</u>	<u>28.07.2021</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2022**

	31.10.2022	31.01.2022
	RM	RM
ASSETS		
Financial assets at FVTPL	168,068,292	193,210,737
Deposits with a licensed financial institution	14,824,000	20,520,000
Interest income receivable	1,636,276	2,107,946
Amount due from Manager	500,000	-
Cash at bank	1,093	148,629
	<u>185,029,661</u>	<u>215,987,312</u>
LIABILITIES		
Amount due to Manager	1,955,630	64,077
Amount due to Trustee	7,947	9,154
Other payables and accruals	20,355	19,513
TOTAL LIABILITIES	<u>1,983,932</u>	<u>92,744</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>183,045,729</u>	<u>215,894,568</u>
EQUITY		
Unitholders' capital	180,129,829	210,807,452
Retained earnings	2,915,900	5,087,116
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>183,045,729</u>	<u>215,894,568</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	<u>179,963,309</u>	<u>209,965,095</u>
NAV PER UNIT (RM)	<u>1.0171</u>	<u>1.0282</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2022 TO 31 OCTOBER 2022**

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 February 2022	210,807,452	5,087,116	215,894,568
Total comprehensive income for the financial period	-	1,562,192	1,562,192
Creation of units	14,992,593	-	14,992,593
Reinvestment of units	3,178,459	-	3,178,459
Cancellation of units	(48,848,675)	-	(48,848,675)
Distributions	-	(3,733,408)	(3,733,408)
At 31 October 2022	<u>180,129,829</u>	<u>2,915,900</u>	<u>183,045,729</u>
At 1 February 2021	171,025,375	7,969,719	178,995,094
Total comprehensive income for the financial period	-	1,724,920	1,724,920
Creation of units	30,632,460	-	30,632,460
Reinvestment of units	3,490,663	-	3,490,663
Cancellation of units	(901,039)	-	(901,039)
Distributions	(428,423)	(3,366,842)	(3,795,265)
At 31 October 2021	<u>203,819,036</u>	<u>6,327,797</u>	<u>210,146,833</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2022 TO 31 OCTOBER 2022**

	01.02.2022 to 31.10.2022 RM	01.02.2021 to 31.10.2021 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	45,217,697	20,973,515
Net payments for purchase of financial assets at FVTPL	(23,920,126)	(51,155,926)
Interest received	6,508,975	6,391,549
Manager's fee paid	(550,868)	(498,996)
Trustee's fee paid	(78,696)	(71,285)
Payment of other fees and expenses	(9,487)	(15,708)
Net cash generated from/ (used in) operating and investing activities	<u>27,167,495</u>	<u>(24,376,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	14,492,593	30,632,459
Cash paid on units cancelled	(46,948,675)	(1,186,276)
Distribution to unitholders	(554,949)	(304,602)
Net cash (used in)/ generated from financing activities	<u>(33,011,031)</u>	<u>29,141,581</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	(5,843,536)	4,764,730
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	20,668,629	16,702,293
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>14,825,093</u>	<u>21,467,023</u>
Cash and cash equivalents comprise of:		
Deposits with a licensed financial institution with maturity of less than 3 months	14,824,000	21,466,000
Cash at bank	1,093	1,023
	<u>14,825,093</u>	<u>21,467,023</u>