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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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

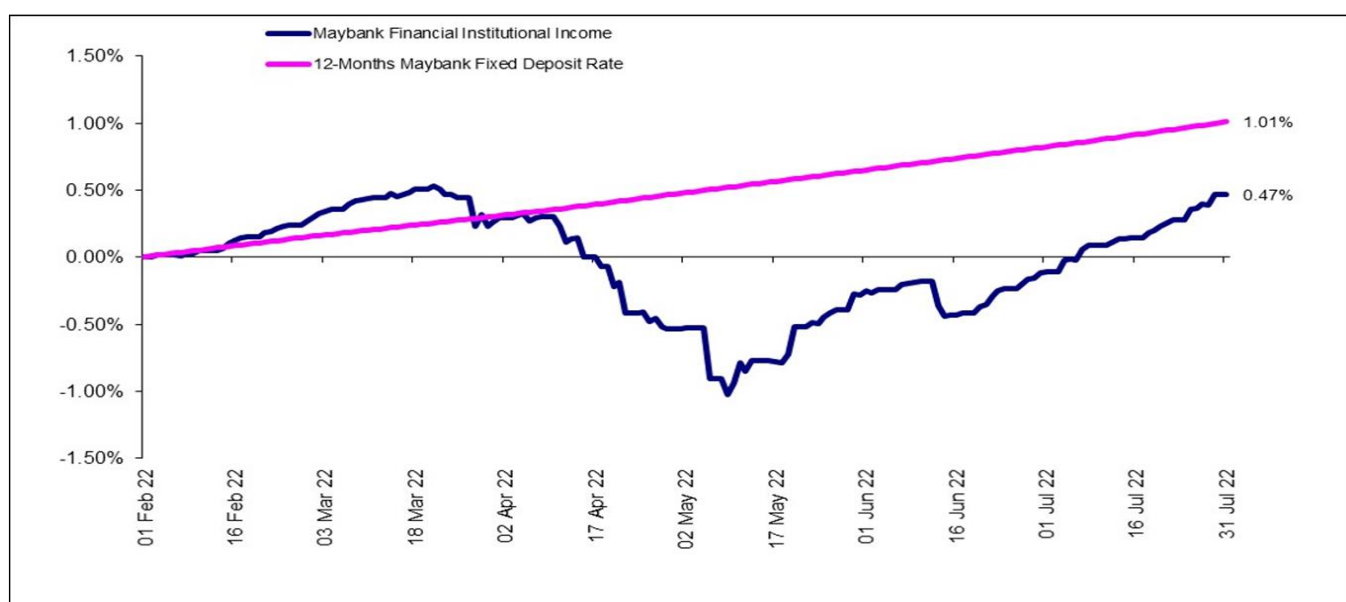
For the financial period from 1 February 2022 to 31 July 2022 (cont'd)

B. Performance Review

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

Period	The Fund %	Benchmark %
1 February 2022 to 31 July 2022	0.47	1.01

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



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 July 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 generated a return of 1.01% for the period under review, outperforming the benchmark of 0.53% over the corresponding period. The outperformance was mainly due to increasing demand on safe haven assets especially in fixed income space, pushing the yields lower locally and globally as the market is anticipating for global economic slowdown or even a recession after central banks tightening liquidity and hiking policy rates aggressively.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

C. Market Review

Bank Negara Malaysia ("BNM") raised Overnight Policy Rate ("OPR") by 25 basis points ("bps") to 2.25% at the 5th - 6th July 2022 Monetary Policy Committee ("MPC") meeting. This followed the 25 bps hike to 2.00% at the 10th - 11th May 2022 meet. BNM's Monetary Policy Statement ("MPS") maintains the messaging that BNM's unwinding of accommodative monetary policy - hence OPR hikes - will be "measured and gradual".

While real Gross Domestic Product ("GDP") growth picked up to +5.0% year on year ("YoY") in 1Q 2022 from +3.6% YoY in 4Q 2021, it shrank by the Non-Seasonally Adjusted ("NSA") -3.0% quarter on quarter ("QoQ"). Latest available data suggest real GDP picked up further to +6.6% YoY in April 2022 after the strengthening of growth in January to March 2022 from the tepid +2.0% YoY growth in December 2021.

Real GDP growth should be faster in 2Q 2022 than +5.0% YoY in 1Q 2022 as indicators showed sustained pick up in monthly GDP growth. 3Q 2022 growth should also remain firm on "base effect" boost given the -4.5% YoY contraction in 3Q 2021. Malaysia 2022 real GDP growth are forecasted of +6.0% from the impact of economic opening.

In addition, in a positive signal to the performance of manufacturing sector - input to our monthly GDP tracker - in 2Q 2022/1H 2022, Malaysia's manufacturing Purchasing Managers Index ("PMI") ended 2Q 2022 on a firm note as it improved to 50.4 (+26.3% YoY) in June 2022 from 50.1 (-2.3% YoY) in May 2022 to averaged 50.7 in 2Q 2022 vs 50.3 in 1Q 2022, and 50.5 in 1H 2022 vs 48.6 in 1H 2021.

Malaysia's inflation rate, albeit is rising, remain relatively well contained compared to the other regional and global counterparts. The fuel and subsidies on controlled items have shielded the households from the full force impact of rising energy and food prices. June 2022 Consumer Price Index ("CPI") inflation printed 3.4% YoY versus the Bloomberg consensus estimate of 3.2% and the May 2022 reading of 2.8%.

On a month on month ("MoM") basis, the CPI increased by 0.6% in June 2022. For the first half of the year, the headline inflation stood at 2.5%. Meanwhile, June 2022 core inflation gained pace to 3.0% YoY (May 2022: 2.4%), marking the highest reading since March 2016.

The recent United States Dollar ("USD") strength can be primarily attributed to the aggressive monetary policy tightening by the United States Federal Reserve ("FED"), but has also been driven by growing safe-haven demand for the dollar as the world begins to worry about recession.

Indeed, the International Monetary Fund ("IMF") recently slashed its global GDP forecast for 2022 to 3.2% from 3.6% previously, citing the world's economic outlook as "gloomy and more uncertain".

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

C. Market Review (Cont'd)

The United States ("US") economy has just entered a technical recession after GDP growth registered -0.9% QoQ in 2Q22 (1Q22: -1.6%). However, an official recession has not yet been declared as data indicate some segments of the economy remain strong, with the unemployment rate at 3.6% (May 2022: 3.6%) and personal spending up at 1.1% MoM in June 2022 (May 2022: 0.3%).

The geopolitical instability is expected to increase demand for safe haven assets such as fixed income (i.e. tensions between Ukraine and Russia; Nancy Pelosi landed in Taipei, prompting China to announce missile tests and military drills around Taiwan as China warned that her arrival had threatened the peace and stability along Taiwan Straits).

D. Market Outlook and Investment Strategy

For Malaysia fixed income, our investment thesis for economic recovery and reflation trades will continue into 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, and as an insurance to protect against potential negative surprises from new Coronavirus Disease 2019 ("COVID-19") variants and other unforeseen headwinds.

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 stance on duration as we assume a more defensive positioning. 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

F. Asset Allocation

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

Asset allocation	31.07.2022		31.01.2022	
	RM	%	RM	%
Unquoted fixed income securities - local	189,428,837	93.56	193,210,737	89.49
Cash, deposits with licensed financial institutions and other net assets	13,048,955	6.44	22,683,831	10.51
Total	202,477,792	100.00	215,894,568	100.00

G. Soft Commissions and Rebates

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

During the financial period from 1 February 2022 to 31 July 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 JULY 2022

	01.02.2022 to 31.07.2022 RM	01.02.2021 to 31.07.2021 RM
INVESTMENT INCOME		
Interest income	4,460,360	3,246,636
Net realised loss on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	42,971	695,830
- Unrealised loss	(3,075,400)	(1,833,774)
	<u>1,427,931</u>	<u>2,108,692</u>
EXPENSES		
Manager's fee	371,048	327,986
Trustee's fee	53,007	46,855
Auditors' remuneration	4,364	4,364
Tax agent's fee	1,736	1,736
Administrative expenses	788	1,273
	<u>430,943</u>	<u>382,214</u>
Net income before taxation	996,988	1,726,478
Taxation	-	-
Net income after taxation, and total comprehensive income for the financial period	<u>996,988</u>	<u>1,726,478</u>
Net income after taxation is made up of the following:		
Net realised income	4,072,388	3,560,252
Net unrealised loss	(3,075,400)	(1,833,774)
	<u>996,988</u>	<u>1,726,478</u>
Distributions for the financial period:		
Net distributions	3,733,408	3,795,265
Gross/Net distribution per unit (sen)	2.00	2.00
Distribution date (ex-date)	28.07.2022	28.07.2021

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2022**

	31.07.2022 RM	31.01.2022 RM
ASSETS		
Financial assets at FVTPL	189,428,837	193,210,737
Deposit with a licensed financial institution	11,039,000	20,520,000
Interest income receivable	1,957,049	2,107,946
Cash at bank	143,984	148,629
	<u>202,568,870</u>	<u>215,987,312</u>
LIABILITIES		
Amount due to Manager	61,887	64,077
Amount due to Trustee	8,841	9,154
Other payables and accruals	20,350	19,513
TOTAL LIABILITIES	<u>91,078</u>	<u>92,744</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>202,477,792</u>	<u>215,894,568</u>
EQUITY		
Unitholders' capital	200,127,096	210,807,452
Retained earnings	2,350,696	5,087,116
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>202,477,792</u>	<u>215,894,568</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	<u>199,629,756</u>	<u>209,965,095</u>
NAV PER UNIT (RM)	<u>1.0143</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 JULY 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	-	996,988	996,988
Creation of units	5,413,185	-	5,413,185
Reinvestment of units	3,178,459	-	3,178,459
Cancellation of units	(19,272,000)	-	(19,272,000)
Distributions	-	(3,733,408)	(3,733,408)
At 31 July 2022	<u>200,127,096</u>	<u>2,350,696</u>	<u>202,477,792</u>
At 1 February 2021	171,025,375	7,969,719	178,995,094
Total comprehensive income for the period	-	1,726,478	1,726,478
Creation of units	20,632,460	-	20,632,460
Reinvestment of units	3,490,663	-	3,490,663
Cancellation of units	(856,039)	-	(856,039)
Distributions	(428,423)	(3,366,842)	(3,795,265)
At 31 July 2021	<u>193,864,036</u>	<u>6,329,355</u>	<u>200,193,391</u>

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

	01.02.2022 to 31.07.2022 RM	01.02.2021 to 31.07.2021 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	19,624,507	20,973,516
Net payments for purchase of financial assets at FVTPL	(18,920,126)	(46,040,014)
Interest received	4,656,346	4,078,746
Manager's fee paid	(373,238)	(321,240)
Trustee's fee paid	(53,320)	(45,892)
Payment of other fees and expenses	(6,050)	(15,641)
Net cash generated from/(used in) operating and investing activities	<u>4,928,120</u>	<u>(21,370,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	5,413,185	20,632,458
Cash paid on units cancelled	(19,272,000)	(1,141,276)
Distribution to unitholders	(554,950)	(304,602)
Net cash (used in)/generated from financing activities	<u>(14,413,765)</u>	<u>19,186,580</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	(9,485,645)	(2,183,945)
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>11,182,984</u>	<u>14,518,348</u>
Cash and cash equivalents comprise of:		
Deposit with a licensed financial institution with maturity of less than 3 months	11,039,000	14,372,000
Cash at bank	143,984	146,348
	<u>11,182,984</u>	<u>14,518,348</u>