

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report

For the financial period from 1 February 2023 to 31 October 2023

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 2023 to 31 October 2023

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

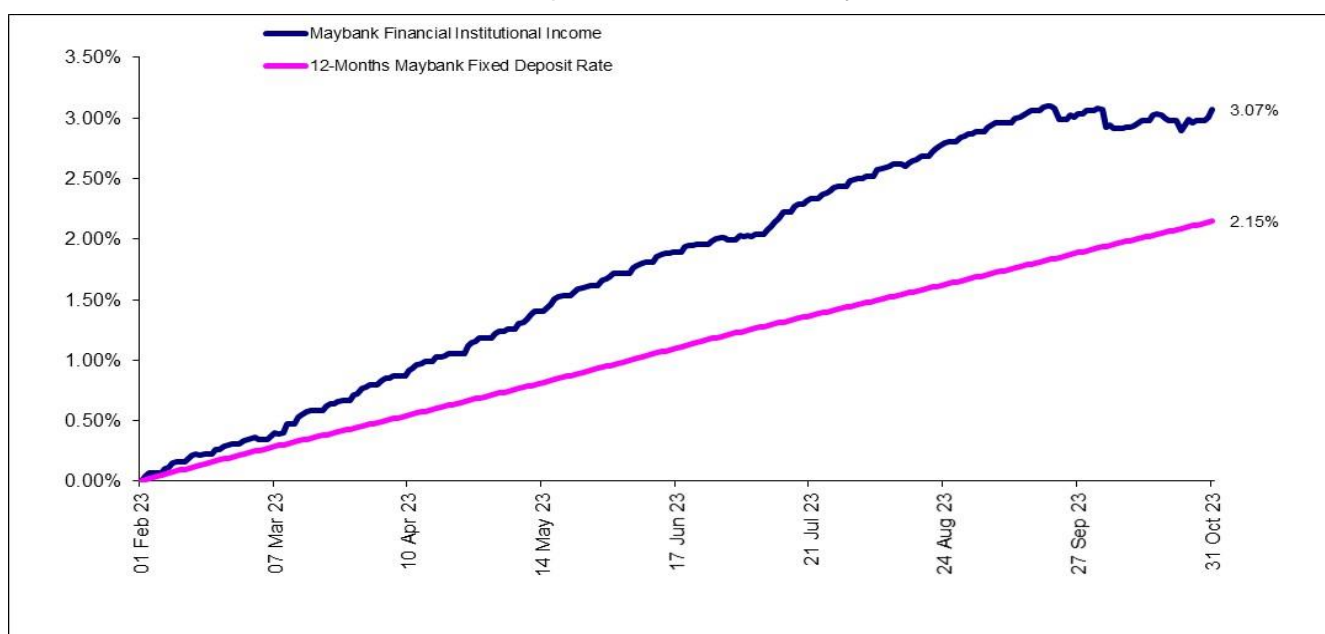
For the financial period from 1 February 2023 to 31 October 2023 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2023 to 31 October 2023 are as follows:

Period	The Fund %	Benchmark %
1 February 2023 to 31 October 2023	3.07	2.15

Performance of the Fund for the financial period from 1 February 2023 to 31 October 2023:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 October 2023

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.

(ii)

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2023 to 31 October 2023 (cont'd)

C. Market Review

Amidst a rather stable domestic monetary policy stance by our central bank, local fixed income market was more affected by the policy stance by United States ("US") Federal Reserves ("Fed") and global central banks. The global market saw the US Treasury ("UST") yields went through a roller-coaster ride during the period under review as expectations on the Fed Fund Target Rates were rather transient given the data-dependency of policy rate decision as well as US economy still showed signs of resilience after the aggressive rate-hiking path pursuit by Fed since March 2022. Market has been consistently more dovish than the actual policy actions taken by Fed up until 2Q2023 and the hawkish Fed also drove United States Dollar ("USD") stronger across global currencies in 2Q2023, putting more pressure on emerging market assets. Federal Open Market Committee ("FOMC") raised its 11th rate increase of 25 basis points ("bps") with a target range of 5.25% to 5.50% in July 2023 and maintained the rate in September 2023 as widely expected. While European Central Bank ("ECB") delivered an unexpected dovish rate hike (+25 bps) in Sep, bringing the main refinancing rate to 4.50% as it cut the Eurozone's growth outlook and signalled an end to its tightening cycle.

As a recap for Year To Date ("YTD") 2023, Bank Negara Malaysia ("BNM") raised Overnight Policy Rate ("OPR") only once to 3.00% as compared to 4 times 25 bps Fed Fund Rate hiked to 5.25 to 5.50%. As a result of slower monetary policy tightening and potential peaking policy rates, bond markets performed way better than 2022, where Fed hiked its target rates by 425 bps in 2022, as compared to 100 bps YTD. The latest Monetary Policy Committee ("MPC") statement by BNM showed that the policy stance is no longer described as "slightly accommodative" and the "financial imbalances" wordings have been eliminated. This supports expectations of an extended halt for the OPR at 3.00%. The MPC considers the current policy "remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects".

Malaysia Budget 2024 was tabled in October 2023, targeting a fiscal deficit of 4.3% of Gross Domestic Product ("GDP") with an expenditure allocation of RM393.8bn and a revenue projection of RM307.6bn. Sovereign bonds supply pressures in bearish market were seen on the same month and triggered selloff in the local market. Yields increased by 12 to 22 bps across the curve, with the 10-year Malaysian Government Securities ("MGS") closed 13 bps higher at 4.10% level compared to a month ago.

D. Market Outlook and Investment Strategy

For Malaysia fixed income, it continues to present a positive outlook with a view that bond yields close to cycle highs, monetary policy tightening nearing its conclusion, and a slowing global economy, bonds are in desire. On inflation outlook front, the risks remain high subject to global commodity prices and domestic policy on subsidies and price controls. However, both the core and headline Consumer Price Index ("CPI") have eased in line with BNM expectations thus far, and the trend of inflations reducing is anticipated to continue in 4Q2023.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial period from 1 February 2023 to 31 October 2023 (cont'd)

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

Given our view that the market has fully priced in OPR hikes and govies yields have already moved to pre-Coronavirus disease ("COVID") levels, strategy wise, we will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup, while our holdings in AAA and Government Investment Issues ("GIIs") will be primed for Return On Investment ("ROI") purposes. 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 2023 and 31 January 2023 are as follows:

Asset allocation	31.10.2023		31.01.2023	
	RM	%	RM	%
Unquoted fixed income securities - local	198,647,711	77.71	123,598,140	89.30
Cash, deposit with a licensed financial institution and other net assets	56,986,883	22.29	14,805,718	10.70
Total	255,634,594	100.00	138,403,858	100.00

F. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions or rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the 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 2023 to 31 July 2023, 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 2023 TO 31 OCTOBER 2023

	01.02.2023 to 31.10.2023 RM	01.02.2022 to 31.10.2022 RM
INVESTMENT INCOME		
Profit/ Interest income	5,792,477	6,037,305
Net realised loss on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	-	68,934
- Unrealised gain/ (loss)	114,155	(3,913,807)
	<u>5,906,632</u>	<u>2,192,432</u>
EXPENSES		
Manager's fee	488,954	542,422
Trustee's fee	69,851	77,489
Auditors' remuneration	6,582	6,582
Tax agent's fee	2,618	2,718
Administrative expenses	582	1,029
	<u>568,587</u>	<u>630,240</u>
Net income before taxation	5,338,045	1,562,192
Taxation	-	-
Net income after taxation, and total comprehensive income for the financial period	<u>5,338,045</u>	<u>1,562,192</u>
Net income after taxation is made up of the following:		
Net realised income	5,223,890	5,475,999
Net unrealised income/ (loss)	114,155	(3,913,807)
	<u>5,338,045</u>	<u>1,562,192</u>
Distributions for the financial period:		
Net distributions	<u>2,640,784</u>	<u>3,733,408</u>
Gross/ Net distribution per unit (sen)	<u>1.50</u>	<u>2.00</u>
Distribution date (ex-date)	<u>26.07.2023</u>	<u>28.07.2022</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023**

	31.10.2023	31.01.2023
	RM	RM
ASSETS		
Financial assets at FVTPL	198,647,711	123,598,140
Deposit with a licensed financial institutions	46,132,000	8,708,000
Profit/ Interest income receivable	2,077,847	1,193,177
Amount due from Manager	10,127,496	4,820,514
Cash at bank	1,241	151,057
TOTAL ASSETS	<u>256,986,295</u>	<u>138,470,888</u>
LIABILITIES		
Amount due to Manager	1,318,043	46,216
Amount due to Trustee	10,281	6,602
Other payables and accruals	23,377	14,212
TOTAL LIABILITIES	<u>1,351,701</u>	<u>67,030</u>
NET ASSET VALUE ("NAV") OF THE FUND	<u>255,634,594</u>	<u>138,403,858</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISES:		
Unitholders' capital	250,014,158	135,480,683
Retained earnings	5,620,436	2,923,175
	<u>255,634,594</u>	<u>138,403,858</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)		
	<u>248,508,561</u>	<u>136,661,976</u>
NAV PER UNIT (RM)	<u>1.0287</u>	<u>1.0127</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2023 TO 31 OCTOBER 2023**

	Unitholders' capital RM	Retained earnings RM	Net assets attributable to unitholders RM
At 1 February 2023	135,480,683	2,923,175	138,403,858
Total comprehensive income for the financial 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>
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>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2023 TO 31 OCTOBER 2023

	01.02.2023 to 31.10.2023 RM	01.02.2022 to 31.10.2022 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	40,920,514	45,217,697
Net payments for purchase of financial assets at FVTPL	(112,104,210)	(23,920,126)
Profit/ Interest received	5,976,601	6,508,975
Manager's fee paid	(463,203)	(550,868)
Trustee's fee paid	(66,172)	(78,696)
Payment of other fees and expenses	(617)	(9,487)
Net cash (used in)/ generated from operating and investing activities	<u>(65,737,088)</u>	<u>27,167,495</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	138,650,259	14,492,593
Cash paid on units cancelled	(32,998,204)	(46,948,675)
Distribution to unitholders	(2,640,784)	(554,949)
Net cash generated from/ (used in) financing activities	<u>103,011,271</u>	<u>(33,011,031)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	37,274,184	(5,843,536)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	8,859,057	20,668,629
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>46,133,241</u>	<u>14,825,093</u>
Cash and cash equivalents comprise of:		
Deposit with a licensed financial institution with maturity of less than 3 months	46,132,000	14,824,000
Cash at bank	1,241	1,093
	<u>46,133,241</u>	<u>14,825,093</u>