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# **MAYBANK ENHANCED CONSTANT INCOME FUND**

**Quarterly report**

**For the financial period from 1 September 2022 to 30 November  
2022**

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283) (421779-M)  
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### **TRUSTEE**

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## **MAYBANK ENHANCED CONSTANT INCOME FUND**

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## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 1 September 2022 to 30 November 2022

#### A. Fund Information

**1. Name of Fund**

Maybank Enhanced Constant Income Fund (the "Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Fixed income fund (close-ended)

**4. Duration of Fund**

The Fund is a close-ended fund which matured on 29 January 2024.

**5. Fund launch date**

30 June 2020

**6. Fund commencement date/ maturity date**

29 July 2020/ 29 January 2024

**7. Fund's investment objective**

The Fund aims to provide unitholders with income through investments in a portfolio of Fixed Income Securities.

**8. Fund distribution policy**

Distribution will be made on annual basis, subject to availability of income.

**9. Fund's performance benchmark**

The prevailing 3-year Maybank fixed deposit rate as at the Commencement Date.

**10. Fund's investment policy and principal investment strategy**

The Fund will invest a minimum of 80% of its net asset value ("NAV") in RM denominated Fixed Income Securities and/ or foreign currency Fixed Income Securities and up to 20% of its NAV in liquid assets and/or collective investment scheme.

The Fund may also invest up to 60% of its NAV in non-investment grade or high yield Fixed Income Securities.

The Fund may employ currency hedging strategies to fully or partially hedge the foreign currency exposure to manage the currency risk. Furthermore, the Fund may also fully or partially hedge the interest rate risk inherent in the investment of Fixed Income Securities.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

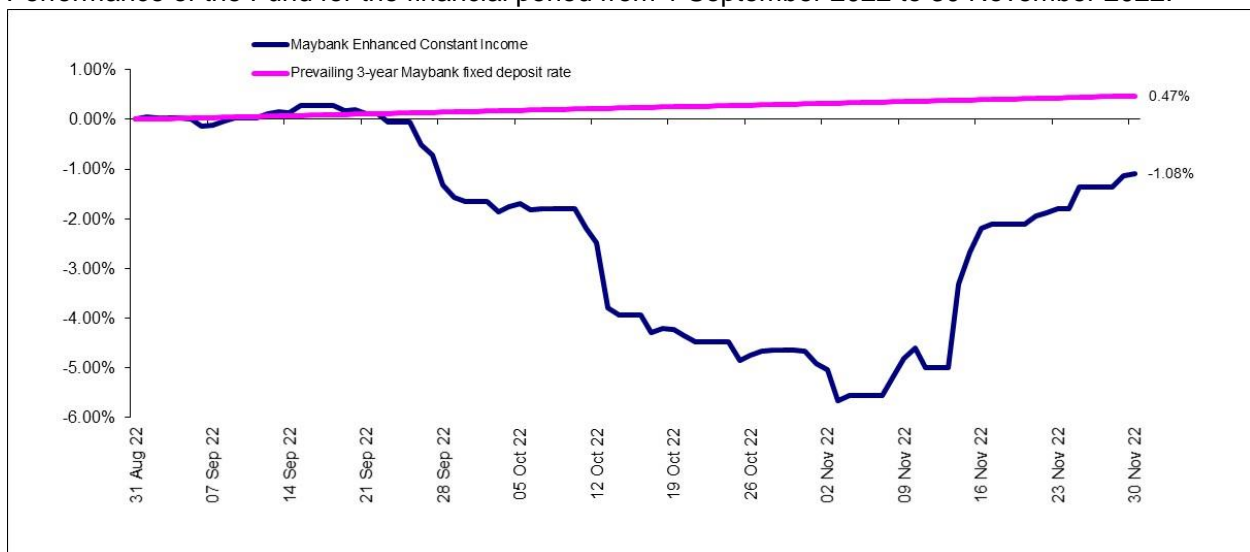
For the financial period from 1 September 2022 to 30 November 2022 (cont'd)

#### B. Performance Review

Return of Maybank Enhanced Constant Income Fund for the financial period from 1 September 2022 to 30 November 2022 are as follows:

Category	01.09.2022 to 30.11.2022 %
Capital growth	-
Income distribution	-
Total return of the Fund	(1.08)
Benchmark	0.47
Average total return	-

Performance of the Fund for the financial period from 1 September 2022 to 30 November 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 return of -1.08% for the financial period under review, underperforming its benchmark by 155 basis points ("bps"). The underperformance was due to surging inflationary pressure and quicker-than-expected pace of monetary tightening by the Federal Reserve ("Fed"). The weaker performance was also due to widening of Asian credit spreads, particularly economic slowing down in China due to zero-Coronavirus Disease ("Covid-19") policy as well as contagious risk from China Evergrande's bond default on China property sector.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 1 September 2022 to 30 November 2022

#### C. Market Review

Fed remained in driver's seat in September 2022, as it continued to spook the market. The sell-off in September 2022 intensified with Standard & Poor ("S&P") down 24% year to date ("YTD"), the lowest level since November 2020. Unsurprising, inflation remains the biggest concern in Fed's mind and United States ("US") economy is going to tip into recession in 2023 given the peak fed fund futures' pricing of around 4.5% in mid 2023. Thus far, Fed has hiked rates by 300bps, tightening the market liquid and raising risk premium for asset prices. Both August's Consumer Price Index ("CPI") and Personal Consumption Expenditures ("PCE") suggest that the inflation had not peaked, exerting more pressure on the global market. The surge in United States Dollar ("USD"), as measured by Dollar Index ("DXY"), up 15% YTD has been a headwind for most asset classes in 2022. Commodity, as measured by Bloomberg commodity index, has fallen 8.1% m/m due to recession worries.

US payroll employment remained relatively tight with unemployment dropping back to lows of 3.5%. US September 2022 inflation data also showed overall inflationary pressure, mainly driven by housing rents and core services. Furthermore, US third quarter annualised gross domestic product ("GDP") came in at 2.6% quarter over quarter ("q/q") indicating that US growth was still intact. Notwithstanding the above, both equity and fixed income market saw modest rebound towards end of October 2022 as market participants forecasted that Fed will start to pivot towards a more dovish stance and slow the hiking pace in upcoming Federal Open Market Committee ("FOMC"). Meanwhile, Dollar strength persisted given a resilient US growth and inflation mix. That said, DXY saw some slight weakness towards month end (-0.53% month over month ("m/m")) as market players started to pencil in a more dovish stance by Fed.

November 2022 was a strong month for both equity and fixed income as signs of inflation slowing buoyed the investors' sentiment. US CPI eased to 7.7% year on year ("YoY") in October 2022, from 8.2% in previous month. US unemployment rate was unchanged at 3.7% in November 2022. Fed delivered 75bps to 3.75%-4.00% as expected, hinting a smaller magnitude of rate hikes in the coming month. The People's Bank of China cut its reserve requirement ratio by 25bps, injecting Chinese Yuan ("CNY") 500 billion liquidity into system. News of China gradual reopening is gaining traction and more government support on property sector also welcomed saw some bond priced jumped more than 400% in November. UST yield fell broadly, with 10 year United States Treasury ("UST") fell 32bps to end the month at 3.70%. Meanwhile, Dollar Index dropped to 104.66, the lowest since August 2022.

#### D. Market Outlook and Strategies

Looking ahead, the macroeconomic conditions have deteriorated as global growth is clearly slowing down. The European Union ("EU") will struggle with stagflation in fourth quarter of 2022 given the surging energy prices and the weaker economy. For the US, economic growth is already slowing with the high inflation coupled with elevated interest rates dampening economic activity. Over in Asia, China's economy was hampered by the sporadic outbreaks of Covid-19. This inadvertently disrupted economic activity and as a result, growth has been subdued despite announcements of policy easing. Of late, more easing of Covid-19 control measures has been announced in China and the economic impact has yet to be visible.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 1 September 2022 to 30 November 2022

#### D. Market Outlook and Strategies (cont'd)

With the Fed still hiking aggressively even as the economy slows, the probability that the US economy goes into a recession has increased. The US economy is still chugging along in 2022 with strong jobs numbers. At this point, jobs in the US are still growing at the rate of 250,000 jobs per month, a healthy amount for now but we still believe that the US may fall into recession in 2023.

For fixed income, in a recession, we will see overall interest rates to fall. This is because a weak economy and increase in job losses will force the Fed to reverse the tight monetary policy and ease by cutting interest rates. Therefore, we will see short-end rates falling faster than long-end rates resulting the yield curve to steepen. Credit spreads will also widen in a recession.

#### E. Asset Allocation

Asset allocation	31.05.2022		31.08.2022	
	RM	%	RM	%
Financial assets at FVTPL	26,289,182	80.13	30,004,779	88.20
Cash and cash equivalents, and other net assets	6,518,371	19.87	4,013,786	11.80
<b>Total NAV</b>	<b>32,807,553</b>	<b>100.00</b>	<b>34,018,565</b>	<b>100.00</b>

#### F. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions and 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 period from 1 September 2022 to 31 May 2022, 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.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2022 TO 30 NOVEMBER 2022

01.09.2022  
to  
30.11.2022  
RM

#### INVESTMENT LOSS

Interest income	479,504
Net loss from financial assets at fair value through profit or loss ("FVTPL"):	
- Realised loss	(1,537,504)
- Unrealised gain	686,336
Net loss on foreign currency exchange and derivatives	(72,225)
Other income	27,879
	<u>(416,010)</u>

#### EXPENSES

Trustee's fee	2,462
Auditors' remuneration	2,493
Tax agent's fee	873
Administrative expenses	4,071
	<u>9,899</u>

<b>Net loss before taxation</b>	(425,909)
Taxation	(6,631)
<b>Net loss after taxation, total comprehensive loss for the financial period</b>	<u>(432,540)</u>

#### Net loss after taxation is made up of the following:

Net realised loss	(1,118,876)
Net unrealised gain	686,336
	<u>(432,540)</u>



**MAYBANK ENHANCED CONSTANT INCOME FUND**

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2022**

	<b>30.11.2022 RM</b>	<b>31.08.2022 RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	26,289,182	30,004,779
Deposit with a licensed financial institution	666,935	395,172
Profit/ Interest receivable	291,480	540,057
Derivative assets	1,334,681	86,555
Amount due from brokers	-	4,229,277
Cash at bank	4,366,168	1,188,420
<b>TOTAL ASSETS</b>	<b>32,948,446</b>	<b>36,444,260</b>
<b>LIABILITIES</b>		
Derivative liabilities	75,941	2,273,489
Amount due to Manager	-	79,689
Amount due to Trustee	794	869
Provision for taxation	44,977	55,844
Other payables and accruals	19,181	15,804
<b>TOTAL LIABILITIES</b>	<b>140,893</b>	<b>2,425,695</b>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>	<b>32,807,553</b>	<b>34,018,565</b>
<b>EQUITY</b>		
Unitholders' capital	40,776,125	41,554,597
Accumulated losses	(7,968,572)	(7,536,032)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<b>32,807,553</b>	<b>34,018,565</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNIT)</b>	<b>40,406,833</b>	<b>41,397,124</b>
<b>NAV PER UNIT (RM)</b>	<b>0.8119</b>	<b>0.8217</b>

**MAYBANK ENHANCED CONSTANT INCOME FUND**

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2022 TO 30 NOVEMBER 2022**

	<b>Unitholders' capital RM</b>	<b>Accumulated losses RM</b>	<b>Total equity RM</b>
At 1 September 2022	41,554,597	(7,536,032)	34,018,565
Total comprehensive loss for the period	-	(432,540)	(432,540)
Cancellation of units	(778,472)	-	(778,472)
At 30 November 2022	<u>40,776,125</u>	<u>(7,968,572)</u>	<u>32,807,553</u>

**MAYBANK ENHANCED CONSTANT INCOME FUND**

**UNAUDITED STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2022 TO 30 NOVEMBER 2022**

**01.09.2022  
to  
30.11.2022  
RM**

**CASH FLOWS FROM OPERATING AND INVESTING  
ACTIVITIES**

Net payment for purchase of investments	(10,827,887)
Net proceeds from sale of investments	18,170,977
Profit/ Interest income received	625,935
Net realised loss on forward foreign exchange contracts	(3,446,983)
Trustee's fee paid	(2,537)
Other income received	27,879
Payment of other fees and expenses	(21,554)
Net cash generated from operating and investing activities	<u>4,525,830</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Cash paid on units cancelled	<u>(858,161)</u>
Net cash used in financing activities	<u>(858,161)</u>

**NET CHANGES IN CASH AND CASH EQUIVALENTS  
FOR THE FINANCIAL PERIOD**

3,667,669

**CASH AND CASH EQUIVALENTS AT THE BEGINNING  
OF THE FINANCIAL PERIOD**

1,583,592

Effect on foreign exchange

(218,158)

**CASH AND CASH EQUIVALENTS AT THE END  
OF THE FINANCIAL PERIOD**

5,033,103

Cash and cash equivalents comprise:

Cash at bank 4,366,168

Deposits with a licensed financial institution with  
original maturity of less than 3 months

666,935

5,033,103