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# MAYBANK ENHANCED CONSTANT INCOME FUND

Quarterly report

For the financial period from 1 September 2023 to 30 November  
2023

## **CORPORATE INFORMATION**

### **MANAGER**

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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 2023 to 30 November 2023

#### 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

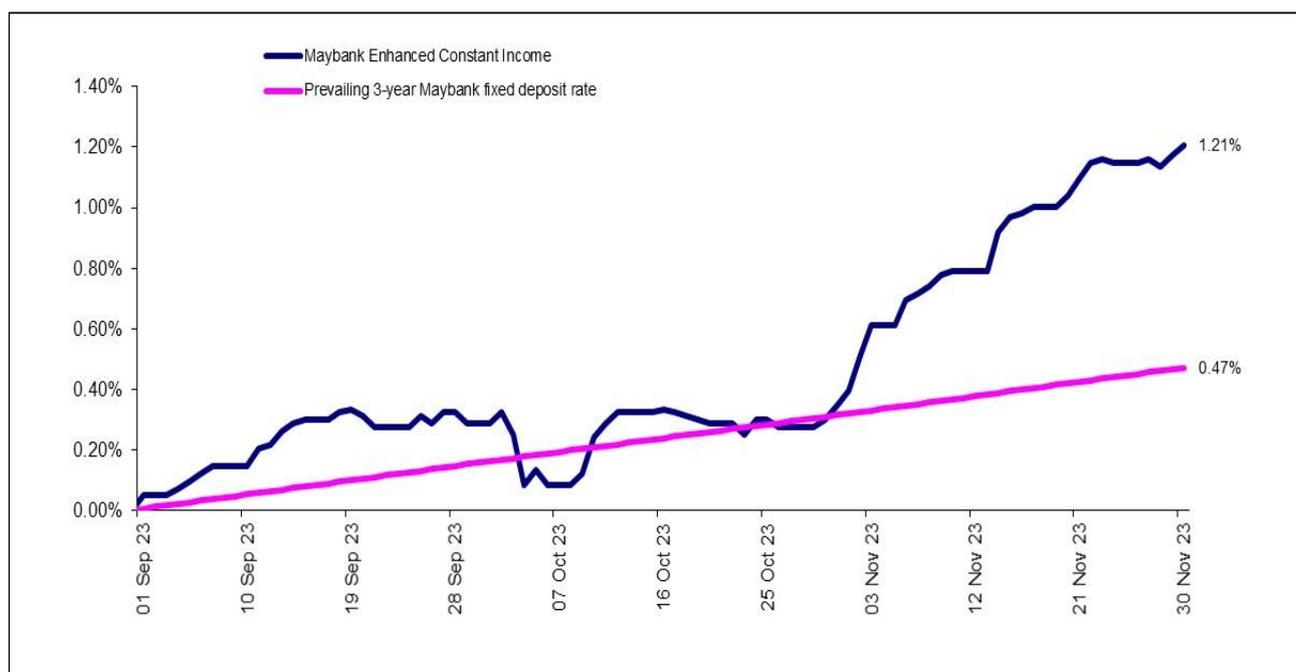
For the financial period from 1 September 2023 to 30 November 2023 (cont'd)

#### B. Performance Review

Return of Maybank Enhanced Constant Income Fund for the financial period from 1 September 2023 to 30 November 2023 are as follows:

Period	The Fund %	Benchmark %
1 September 2023 to 30 November 2023	1.21	0.47

Performance of the Fund for the financial period from 1 September 2023 to 30 November 2023.



Source: Lipper as at 30 November 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.*

The Fund generated total return of 1.21% for the period under review, outperforming its benchmark of 0.47% by 74 basis points (“bps”). The outperformance was due to defensive positioning with portfolio duration of less than 1 year and higher cash position through higher United States (“US”) rates environment as well as widening corporate credit spreads. Furthermore, short-term cash placements for United States Dollar (“USD”) and Malaysian Ringgit (“MYR”) are yielding over 5.00% and 3.00% respectively, reducing cash drag for the Fund performance.

## **MAYBANK ENHANCED CONSTANT INCOME FUND**

### **Manager's report**

**For the financial period from 1 September 2023 to 30 November 2023 (cont'd)**

#### **C. Market Review**

The key takeaways in 3Q2023 were the update from the International Monetary Fund ("IMF") projects global growth to fall from an estimated 3.50% in 2022 to 3.00% in both 2023 and 2024. Expected global headline inflation to fall from 8.70% in 2022 to 6.80% in 2023 and 5.20% in 2024. On the policy rate front, the Federal Open Market Committee ("FOMC") raised its 11<sup>th</sup> rate increase of 25 bps with a target range of 5.25% to 5.50% in July 2023 and maintained the rate in September 2023 as widely expected. The 2-year to 10-year curve steepened to -47 bps at the end of the 3Q2023.

New York Federal Reserve ("Fed") bank, President John Williams indicated that the Fed may be done with rate hike but will need to maintain a restrictive monetary policy for some time. European Central Bank ("ECB") delivered an unexpected dovish rate hike 25 bps, bringing the benchmark deposit rate to 4.00% as it cut the Eurozone's growth outlook and signalled an end to its tightening cycle.

4Q2023 was kicked-off with higher United States treasury ("UST") yields. UST Curve bear steepened with the longer end leading the rise in October 2023 by double-digits, with the 30-year rose by 31 bps, as investors are more willing to accept that the Fed could keep high rates for an extended period of time. ECB's key interest rate remained at 4.00% in October 2023 after 10 consecutive hikes with repeated message that rates at current levels would help bring inflation to target if "maintained for a sufficiently long duration". While the Bank of Japan ("BoJ") continued to adjust its yield curve control policy.

It removed the trading band for 10-year Japanese government bond ("JGB") yield and established 1.00% as a reference point. Fed continued to keep policy rates unchanged in November 2023 FOMC meeting. November 2023 was ended in positive mood amid the tentative signs of economic moderation in US and falling inflation across developed markets. Dovish Fed speak reinforces the market's view that the US rate hike cycle is over, sending UST into a rally. The UST 10-year yield fell below 4.40% by the end of November 2023, down from the peak of 5.00% reached in mid-October 2023. In Europe, the German 10-year yield fell around 20 bps, and the Italy's 10-year government bonds ("BTP-Bund") spread narrowed somewhat following a good rating update for Italian sovereign debt. Commodity prices contracted from their October 2023 peaks. Prices for commodities fell from October highs. A barrel of Brent crude oil dropped to \$80 despite the continued Middle East war, partly due to increased US supply and Organization of the Petroleum Exporting Countries ("OPEC") members' failure to adhere to production quotas.

#### **D. Market Outlook and Strategies**

Market seems to be expecting rates to be cut starting next year with the market participants have essentially placed the odds of an additional hike by year-end to zero with more than three cuts now "priced" for 2024. Latest comments showed that were previously hawkish tilted a bit more to the dovish side, reinforces the narrative that the Fed is done with tightening US monetary policy.

We are reaching the end of the year and it has to be conceded that 2023 has been a disappointing year. Similarly, we believe that financial markets close to the bottom. We are more confident that interest rates have finally peaked as the US economy is slowing. Hence, we expect Fed to cut interest rates only from 2Q2024 after inflation has come down meaningfully and employment shows signs of weakness.

## MAYBANK ENHANCED CONSTANT INCOME FUND

### Manager's report

For the financial period from 1 September 2023 to 30 November 2023 (cont'd)

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

In Asia credit space, we are expecting credit spreads to widen, mainly due to potential credit spread widening in the high yield space. Sentiment towards China credit continues to remain weak. China property sales continued to be weak while Country Garden was the latest large developer to miss coupon payment. We continue to underweight China and overweight quasi-sovereigns and investment grade corporates.

On a medium term perspective, we maintain a positive outlook on USD bonds. Given that we are expecting growth to slow in US, we prefer to position defensively in credit bonds by overweighting investment grade bonds and underweight high yield. Investment grade yield at 6.00% per annum offers very decent carry for 2H23 and good price upside potential from FY2024 when central bankers start to cut interest rates.

#### E. Asset Allocation

Asset allocation	31.05.2023		31.08.2023	
	RM	%	RM	%
Financial assets at FVTPL	12,465,686	37.74	17,138,122	51.94
Cash and cash equivalents, and other net assets	20,565,737	62.26	15,857,006	48.06
<b>Total NAV</b>	<b>33,031,423</b>	<b>100.00</b>	<b>32,995,128</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 2023 to 30 November 2023, 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 2023 TO 30 NOVEMBER 2023**

	<b>01.09.2023 to 30.11.2023 RM</b>	<b>01.09.2022 to 30.11.2022 RM</b>
<b>INVESTMENT INCOME/ (LOSS)</b>		
Profit/ Interest income	457,552	479,504
Net gain/ (loss) from financial assets at fair value through profit or loss ("FVTPL"):		
- Realised loss	(206,768)	(1,537,504)
- Unrealised gain	268,583	686,336
Net loss on foreign currency exchange and derivatives	(132,687)	(72,225)
Other income	70,065	27,879
	<u>456,745</u>	<u>(416,010)</u>
<b>EXPENSES</b>		
Trustee's fee	2,457	2,462
Auditors' remuneration	2,311	2,493
Tax agent's fee	873	873
Administrative expenses	6,753	4,071
	<u>12,394</u>	<u>9,899</u>
<b>Net results before taxation</b>	444,351	(425,909)
Taxation	(50,042)	(6,631)
<b>Net results after taxation, representing total comprehensive gain for the financial period</b>	<u>394,309</u>	<u>(432,540)</u>
<b>Net results after taxation is made up of the following:</b>		
Net realised income/ (loss)	125,726	(1,118,876)
Net unrealised income	268,583	686,336
	<u>394,309</u>	<u>(432,540)</u>

**MAYBANK ENHANCED CONSTANT INCOME FUND****UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2023**

	<b>30.11.2023</b>	<b>31.08.2023</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	12,465,686	17,138,122
Deposit with a licensed financial institution	17,380,367	12,389,032
Profit/ Interest receivable	183,628	326,972
Derivative assets	74,112	13,003
Amount due from brokers	-	2,079,031
Tax recoverable	36,407	-
Cash at bank	2,916,842	1,608,351
<b>TOTAL ASSETS</b>	<b>33,057,042</b>	<b>33,554,511</b>
<b>LIABILITIES</b>		
Derivative liabilities	3,338	527,287
Amount due to Trustee	812	843
Provision for taxation	-	12,972
Other payables and accruals	21,469	18,281
<b>TOTAL LIABILITIES</b>	<b>25,619</b>	<b>559,383</b>
<b>NET ASSET VALUE ("NAV") OF THE FUND</b>	<b>33,031,423</b>	<b>32,995,128</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:</b>		
Unitholders' capital	39,594,132	39,952,146
Accumulated losses	(6,562,709)	(6,957,018)
	<b>33,031,423</b>	<b>32,995,128</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>38,996,347</b>	<b>39,423,532</b>
<b>NAV PER UNIT (RM)</b>	<b>0.8470</b>	<b>0.8369</b>

**MAYBANK ENHANCED CONSTANT INCOME FUND****UNAUDITED STATEMENT OF CHANGES IN NET ASSET ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2023 TO 30 NOVEMBER 2023**

	<b>Unitholders' capital RM</b>	<b>Accumulated losses RM</b>	<b>Net assets attributable to unitholders RM</b>
At 1 September 2023	39,952,146	(6,957,018)	32,995,128
Total comprehensive income for the period	-	394,309	394,309
Cancellation of units	(358,014)	-	(358,014)
At 30 November 2023	<u>39,594,132</u>	<u>(6,562,709)</u>	<u>33,031,423</u>
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 2023 TO 30 NOVEMBER 2023**

	<b>01.09.2023</b>	<b>01.09.2022</b>
	<b>to</b>	<b>to</b>
	<b>30.11.2023</b>	<b>30.11.2022</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	13,981,909	18,170,977
Net payment for purchase of investments	(6,776,191)	(10,827,887)
Profit/ Interest income received	600,896	625,935
Settlement of forward foreign exchange contracts	(1,125,103)	(3,446,983)
Trustee's fee paid	(2,488)	(2,537)
Other income received	70,065	27,879
Payment of other fees and expenses	(106,165)	(21,554)
Net cash generated from operating and investing activities	<u>6,642,923</u>	<u>4,525,830</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid on units cancelled	(358,014)	(858,161)
Net cash used in financing activities	<u>(358,014)</u>	<u>(858,161)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>	<b>6,284,909</b>	<b>3,667,669</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>13,997,383</b>	<b>1,583,592</b>
Effect on foreign exchange	14,917	(218,158)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b><u>20,297,209</u></b>	<b><u>5,033,103</u></b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	2,916,842	4,366,168
Deposit with a licensed financial institution with original maturity of less than 3 months	17,380,367	666,935
	<u>20,297,209</u>	<u>5,033,103</u>