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MAYBANK ENHANCED CONSTANT INCOME FUND

Quarterly report

For the financial period from 1 September 2022 to 31 May 2023

CORPORATE INFORMATION

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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 31 May 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 will be 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

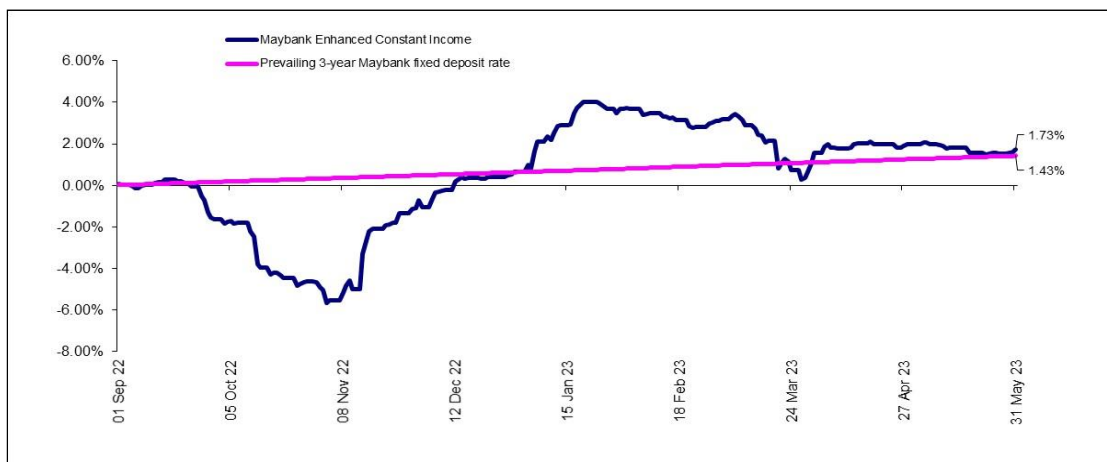
For the financial period from 1 September 2022 to 31 May 2023 (cont'd)

B. Performance Review

Return of Maybank Enhanced Constant Income Fund for the financial period from 1 September 2022 to 31 May 2023 are as follows:

Period	The Fund %	Benchmark %
1 September 2022 to 31 May 2023	1.73	1.43

Performance of the Fund for the financial period from 1 September 2022 to 31 May 2023:



Source : Lipper as at 31 May 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 1.73% for the period under review, outperforming its absolute return's benchmark of 1.43% by 30 basis points ("bps"). The outperformance was due to defensive positioning with portfolio duration of around 1 year and higher cash position to weather through higher United States ("US") rates environment as well as widening corporate credit spreads. Furthermore, short-term cash placement for United States Dollar ("USD") is yielding 4.0% - 5.0%, reducing cash drag for the fund performance.

C. Market Review

The fourth quarter 2022 started with the United Kingdom ("UK") in turmoil. Lizz Truss had replaced Boris Johnson as Prime Minister, but her economic plan was quickly rejected by investors. The UK stock market and bond markets were hammered and the British pound touched a record low of GBP1.035. By the end of October 2022, the UK had its third Prime Minister in two months as Rishi Sunak took the reins. Economic forecasts during the fourth quarter have suggested that most countries will come close to a recession in 2023, with a recovery toward the end of the year. While profits are under pressure, consumers have shown resilience.

Despite the lack of encouraging news, markets have rebounded during the fourth quarter. The United States Federal Reserve ("US Fed") raised interest rates by 0.75% in November 2022 meeting to 4.00%.

MAYBANK ENHANCED CONSTANT INCOME FUND

Manager's report

For the financial period from 1 September 2022 to 31 May 2023 (cont'd)

C. Market Review (cont'd)

Cyclical sectors, particularly oil and energy began to show relative strength amidst a growing case for a new commodity super cycle. As of 14th December 2022, despite the US Fed raised interest rates by 0.50% in December 2022 meeting to 4.50%, the Morgan Stanley Composite Index ("MSCI"), US and European indexes have recovered around half their losses for the year. In general investors seem to be pricing in a Santa Claus rally and a soft landing.

In first quarter 2023, inflation was again in the forefront of the news. Market had to quickly reprice a much higher terminal United States Federal Reserve ("US Fed") Fund Target Rate given the stubbornly high inflation print and tight labour market. These factors were enough to keep the market volatile throughout the first 5 months of 2023 as investors kept adjusting rate-hike expectations. The global market saw the UST yields went through a roller-coaster ride during the period under review as expectations on the US Fed Fund Target Rates were rather transient as well as US economy finally showed more signs of economic damage after the aggressive rate-hiking path pursuit by US Fed since March 2022. The fallout of Silicon Valley Bank ("SVB") and other US regional banks in mid-March 2023 have showed the aggressive rate-hiking cycle in US is cracking the real economy. The outburst has spread over to Credit Suisse. However, the swift action taken by Swiss financial authority has managed to stem the spreading of banking crisis globally.

The impact from US regional banks fallout abated in April 2023. Markets were calmer and bond yields started creeping up again. US yield curve inverted further, as curve flattened on weaker US growth prospects. Credit markets generally performed well in April 2023, recouping some losses from March's volatile month. Debt-ceiling impasse was the theme of May 2023 with Democrats and Republicans finally found the compromises on the final weekend of the month to raise debt borrowing limit. UST yields again moved up during the month and credit markets struggled to perform on higher rates environment. Weak China economic data in May 2023 also given additional headwinds to Asia bond market. On policy front, US Fed raised its target rate by 10th times to 5.00% - 5.25% as widely expected. Both European Central Bank ("ECB") and Bank of England ("BOE") followed suit by raised 25 bps respectively for the month.

D. Market Outlook and Strategies

Inflation is falling very slowly and the market seems to be expecting rates to stop rising soon. However, the market may still be at odds with US Fed policy, as the latest projection from the central banks see forward interest rates at least at 5.00% - 5.25% by the end of 2023.

A hard landing would mean that central banks really struggle to bring inflation under control. If that happens, they would keep raising interest rates which would put more strain on consumer spending, investment, and ultimately on corporate profits. This would probably mean a severe recession with rising unemployment.

The soft landing would occur if inflation falls to a manageable level, allowing central banks to stop raising rates. Economic growth rates might fall to around zero but would recover quite quickly. Both of these scenarios could still play out. Economic forecasts are mixed, though some are starting to deteriorate.

MAYBANK ENHANCED CONSTANT INCOME FUND

Manager's report

For the financial period from 1 September 2022 to 31 May 2023 (cont'd)

D. Market Outlook and Strategies (cont'd)

We continue to hold the view that we are coming to the end of the current hiking cycle and remain positive on fixed income performance on a longer term outlook. US Fed should pause interest rate hikes in 2H2023 and may have to cut rates if US economy inflation drops and growth weakens. We look to add long duration Treasuries and investment grade corporates gradually.

Going forward, we plan to add positions in long end sovereign and quasi-sovereigns and reduce non-investment grade corporate exposure. Target is to improve the quality of the portfolio as we expect a slowdown and possibly recessionary environment.

E. Asset Allocation

Asset allocation	31.05.2023		31.08.2022	
	RM	%	RM	%
Financial assets at FVTPL	22,681,875	67.72	30,004,779	88.20
Cash and cash equivalents, and other net assets	10,812,983	32.28	4,013,786	11.80
Total NAV	33,494,858	100.00	34,018,565	100.00

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 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 2022 TO 31 MAY 2023**

	01.09.2022 to 31.05.2023 RM	01.09.2021 to 31.05.2022 RM
INVESTMENT GAIN/ (LOSS)		
Profit/ Interest income	6,851,595	1,884,941
Net loss from financial assets at fair value through profit or loss ("FVTPL"):		
- Realised loss	(7,063,183)	(3,539,482)
- Unrealised gain/ (loss)	1,151,233	(3,730,354)
Net (loss)/ gain on foreign currency exchange and derivatives	(371,396)	477,402
Other income	27,879	-
	<u>596,128</u>	<u>(4,907,493)</u>
EXPENSES		
Trustee's fee	7,512	8,788
Auditors' remuneration	6,480	7,480
Tax agent's fee	2,618	9,103
Administrative expenses	21,253	17,771
	<u>37,863</u>	<u>43,142</u>
Net results before taxation	558,265	(4,950,635)
Taxation	(57,628)	-
Net results after taxation, total comprehensive gain/ (loss) for the financial period	<u>500,637</u>	<u>(4,950,635)</u>
Net results after taxation is made up of the following:		
Net realised loss	(683,573)	(1,220,281)
Net unrealised gain/ (loss)	1,184,210	(3,730,354)
	<u>500,637</u>	<u>(4,950,635)</u>

MAYBANK ENHANCED CONSTANT INCOME FUND**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 May 2023**

	31.05.2023	31.08.2022
	RM	RM
ASSETS		
Financial assets at FVTPL	22,681,875	30,004,779
Deposit with a licensed financial institution	7,109,982	395,172
Profit/ Interest receivable	184,081	540,057
Derivative assets	354	86,555
Amount due from broker	6,655,802	4,229,277
Tax recoverable	9,106	-
Cash at bank	1,808,877	1,188,420
TOTAL ASSETS	38,450,077	36,444,260
LIABILITIES		
Derivative liabilities	1,537,838	2,273,489
Amount due to Manager	-	79,689
Amount due to Trustee	856	869
Amount due to broker	3,401,900	-
Provision for taxation	-	55,844
Other payables and accruals	14,625	15,804
TOTAL LIABILITIES	4,955,219	2,425,695
NET ASSET VALUE ("NAV") OF THE FUND	33,494,858	34,018,565
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE:		
Unitholders' capital	40,530,253	41,554,597
Accumulated losses	(7,035,395)	(7,536,032)
	33,494,858	34,018,565
NUMBER OF UNITS IN CIRCULATION (UNIT)		
	40,112,852	41,397,124
NAV PER UNIT (RM)		
	0.8350	0.8217

MAYBANK ENHANCED CONSTANT INCOME FUND**UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
OF THE FUND
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2022 TO 31 MAY 2023**

	Unitholders' capital RM	Accumulated losses RM	Net assets attributable to unitholders RM
At 1 September 2022	41,554,597	(7,536,032)	34,018,565
Total comprehensive income for the period	-	500,637	500,637
Cancellation of units	(1,024,344)	-	(1,024,344)
At 31 May 2023	<u>40,530,253</u>	<u>(7,035,395)</u>	<u>33,494,858</u>
At 1 September 2021	42,844,683	(98,265)	42,746,418
Total comprehensive loss for the period	-	(4,950,635)	(4,950,635)
Cancellation of units	(715,407)	-	(715,407)
At 31 May 2022	<u>42,129,276</u>	<u>(5,048,900)</u>	<u>37,080,376</u>

MAYBANK ENHANCED CONSTANT INCOME FUND**UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2022 TO 31 MAY 2023**

	01.09.2022	01.09.2021
	to	to
	31.05.2023	31.05.2022
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net payment for purchase of investments	(80,441,398)	(19,114,347)
Net proceeds from sale of investments	89,543,486	14,151,735
Profit/ Interest income received	1,639,701	1,327,259
Net realised (loss)/ gain on forward foreign exchange contracts	(2,189,230)	15,685
Trustee's fee paid	(7,526)	(8,930)
Payment of other fees and expenses	(126,231)	(36,175)
Net cash generated from/ (used in) operating and investing activities	<u>8,418,802</u>	<u>(3,664,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid on units cancelled	(1,104,034)	(792,789)
Net cash used in financing activities	<u>(1,104,034)</u>	<u>(792,789)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	7,314,768	(4,457,562)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,583,592	5,355,996
Effect on foreign exchange	20,499	28,743
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>8,918,859</u>	<u>927,177</u>
Cash and cash equivalents comprise:		
Cash at bank	1,808,877	927,177
Deposit with a licensed financial institution with original maturity of less than 3 months	7,109,982	-
	<u>8,918,859</u>	<u>927,177</u>