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# **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**Annual report  
For the financial year ended 31 May 2023**

## **CORPORATE INFORMATION**

### **MANAGER**

Maybank Asset Management Sdn Bhd (199701006283) (421779-M)

### **BUSINESS OFFICE**

Level 12 Tower C

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No.1 Jalan Maarof

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### **TRUSTEE**

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## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

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## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2023

#### A. Fund Information

**1. Name of the Fund**

Maybank Financial Institutions Income Asia Fund (the "Fund")

**2. Type of Fund**

Income

**3. Category of Fund**

Fixed income (open-ended)

**4. Duration of the Fund**

The Fund is an open-ended fund.

**5. Fund launch date**

26 August 2014

**6. Fund's investment objective**

The Fund aims to provide unitholders income through investing in a portfolio of fixed income securities issued by financial institutions.

**7. Fund distribution policy**

Subject to availability of income, distribution shall be at least on a semi-annual basis. The Fund may distribute from realised income, realised gains and/ or capital to enable the Fund to distribute income on a regular basis.

For the avoidance of doubt, "capital" refers to unrealised income and/ or unrealised gains. Any declaration and payment of distribution will have the effect of lowering the NAV of the Fund.

**8. Fund's performance benchmark**

The benchmark of the Fund is the 12-month Maybank fixed deposit rate + 1.50% per annum.

**9. The Fund's investment policy and principal investment strategy**

To achieve the Fund's objective, the Fund will invest between 70% to 98% of its Net Asset Value ("NAV") in Ringgit Malaysia ("RM") denominated and/ or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/ or located in the Asian region whilst the balance of between 2% to 30% of its NAV will be invested in liquid assets and any other RM denominated and/ or non-RM denominated fixed income securities.

**10. Net income distribution for the financial year ended 31 May 2023**

The Fund have not made any distribution in this financial year ended.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2023 (cont'd)

### B. Performance Review

#### 1. Key performance data of the Fund

Category	31.05.2023	31.05.2022	31.05.2021
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#### Portfolio Composition

<b>Fixed income securities - foreign (%)</b>	88.53	92.82	91.03
- Australia	8.28	-	-
- British Virgin Island ("BVI")	-	9.20	10.58
- Canada	-	-	3.99
- Cayman Islands	-	4.71	7.61
- France	9.20	5.02	4.13
- Hong Kong	8.62	14.42	23.33
- India	-	7.15	3.89
- Japan	6.01	-	-
- Philippines	-	2.43	2.00
- Singapore	5.95	10.10	5.33
- South Korea	11.70	9.39	11.30
- Switzerland	-	3.67	-
- Thailand	12.97	12.77	10.82
- United Kingdom	20.73	9.23	8.05
- United States	5.07	4.73	-
<b>Cash and other net assets</b>	11.47	7.18	8.97
<b>Total (%)</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

NAV (RM'000)	38,492	44,058	54,719
Units in circulation (units'000)	38,214	42,412	50,446
NAV per unit (RM)	1.0073	1.0388	1.0847
Highest NAV per unit (RM)	1.0447	1.1113	1.1294
Lowest NAV per unit (RM)	0.9664	1.0230	1.0378

Annual return (%) <sup>(1)</sup>			
- Capital growth (%)	(3.03)	(4.23)	4.74
- Income distribution (%)	-	0.92	4.63
Total return	(3.03)	(3.35)	9.59
Benchmark (%)	4.19	3.38	3.38

Distribution date	-	26/11/2021	27/11/2020 and 25/5/2021
Gross distribution per unit (sen)	-	1.00	5.00
Net distribution per unit (sen)	-	1.00	5.00

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2023 (cont'd)

### B. Performance Review (cont'd)

#### 1. Key performance data of the Fund (cont'd)

Category	31.05.2023	31.05.2022	31.05.2021
Total Expense Ratio ("TER") (%) <sup>(2)</sup>	1.13	1.11	1.10
Portfolio Turnover Ratio ("PTR")(times) <sup>(3)</sup>	0.64	0.21	0.64

#### Note:

(1) Actual return of the Fund for the financial year is computed on daily average NAV per unit, net of Manager's and Trustee's fee.

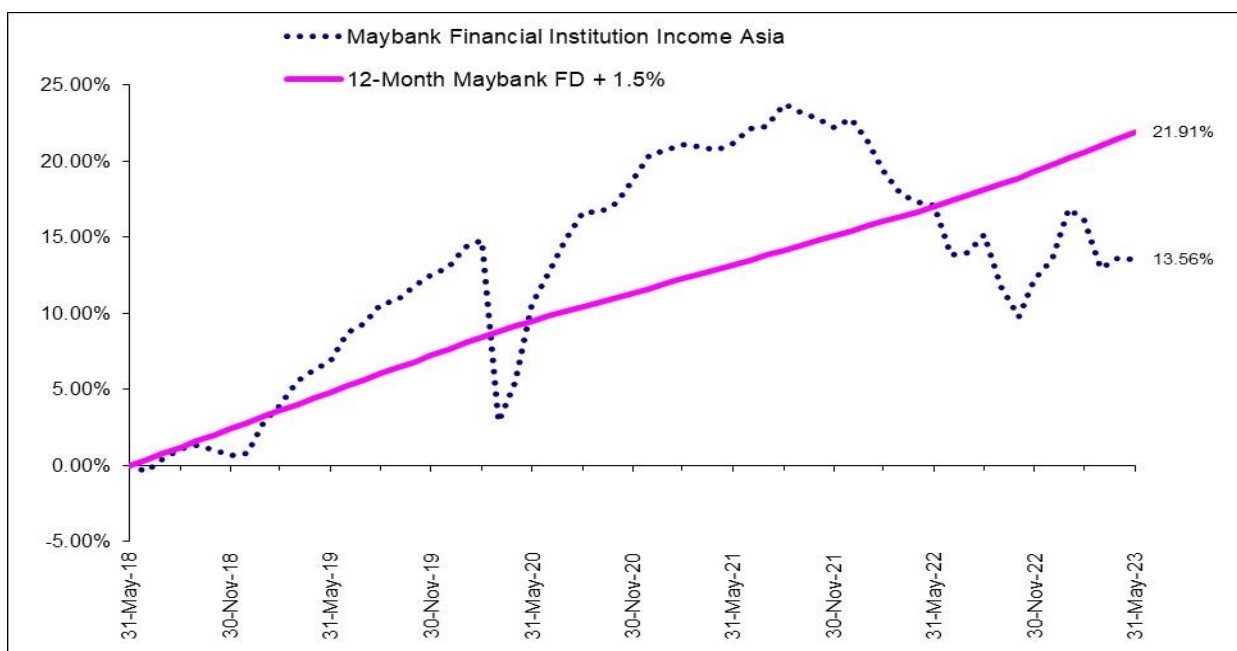
(2) The Fund's TER increased to 1.13 due to decreased in average daily NAV for the current financial year.

(3) The Fund's PTR increased to 0.64 due to the increased trading activities in the current financial year.

*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.*

#### 2. Performance of the Fund 5 years to 31 May 2023

Category (%)	1 year to 31.05.2023	3 years to 31.05.2023	5 years to 31.05.2023
Capital growth	(3.03)	(2.73)	(4.02)
Income distribution	-	5.60	18.32
Total return of the Fund	(3.03)	2.71	13.56
Benchmark	4.19	11.35	21.91
Average total return	(3.03)	0.90	2.58



Source: Lipper, as at 31 May 2023

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2023 (cont'd)

#### B. Performance Review (cont'd)

##### 2. Performance of the Fund 5 years to 31 May 2023 (cont'd)

The Fund generated return of -3.03% for the financial year under review, underperforming its benchmark by 722 basis points ("bps"). The underperformance was due to surging inflationary pressure and tight labour market prompted a quicker-than-expected pace of monetary tightening by the Federal Reserve ("Fed"). The weaker performance was also due to widening of Asian corporate credit spreads, as well as the blow-up of AT1 bonds following the announcement by Swiss Financial Market Supervisory Authority ("FINMA") to completely wipe up Credit Suisse AT1 bonds.

##### 3. Annual total return of the Fund

Category (%)	01.06.2022 to 31.05.2023	01.06.2021 to 31.05.2022	01.06.2020 to 31.05.2021	01.06.2019 to 31.05.2020	01.06.2018 to 31.05.2019
Annual total return	(3.03)	(3.35)	9.59	1.09	6.89
Benchmark	4.19	3.38	3.38	4.47	4.73

##### 4. Basis of calculation made in calculating the returns:

The performance figures are a comparison of the growth/ decline in NAV after taking into account all the distributions payable (if any) during the stipulated period.

An illustration of the above would be as follows:

Capital return	=	(NAV per unit end/ NAV per unit begin) - 1
Income return	=	Income distribution per unit/ NAV per unit ex date
Total return	=	(1+Capital return) x (1+Income return) - 1

#### C. Market Review

Despite the challenging conditions, markets ended the second quarter 2022 with another bear market rally which continued half way through the third quarter. The rally ran out of steam as another round of negative news started. The United States ("US") Fed warned that rate hikes were likely to continue for some time. The US Fed raised interest rates by 0.75% in July 2022 meeting to 2.50%. The US slipped into technical recession, though policy makers said it wasn't quite there yet. In Europe and the United Kingdom ("UK"), things began to look even more dire as Russia cut off gas supplies to Europe. The Euro fell to parity with United State Dollar ("USD") for the first time in 20 years, and it became likely that the UK would be in a recession by year end. Economic data in China worsened and resulted in a surprise rate cut. Global markets grew concerned that the crisis in China's property market could spread to its entire financial system. The next round of selling gathered momentum when inflation rates continued to surprise to the upside. The US Fed raised interest rates by 0.75% in September 2022 meeting to 3.25%.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### Manager's report

For the financial year ended 31 May 2023 (cont'd)

#### C. Market Review (cont'd)

The fourth quarter 2022 started with the 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 \$1.035. 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 US Fed raised interest rates by 0.75% in November 2022 meeting to 4.00%. 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 Capital International ("MSCI") world index, and 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 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 United States Treasury ("UST") yields went through a roller-coaster ride during the year under review as expectations on the 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 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 2023 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 gave additional headwinds to Asia bond market. On policy front, Fed raised its target rate by 10th times to 5.0% - 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.



## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **Manager's report**

**For the financial year ended 31 May 2023 (cont'd)**

#### **D. Market Outlook & Strategy**

Inflation is falling and the market seems to be expecting rates to stop rising soon. However, the market may still be at odds with Fed policy, as the latest projection from the central banks see forward interest rates at least at 5.0% - 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.

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 second half of 2023 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-sovereign, 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. 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 commission received is 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 year ended 31 May 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.

## **TRUSTEE'S REPORT**

### **TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND ("FUND")**

We have acted as Trustee of the Fund for the financial year ended 31 May 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Maybank Asset Management Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:

- (a) Limitations imposed on the investment powers of the Management Company under the Deed, securities laws and the Guidelines on Unit Trust Funds;
- (b) Valuation and pricing were carried out in accordance with the Deed; and
- (c) Any creation and cancellation of units were carried out in accordance with the Deed and regulatory requirements.

**For TMF Trustees Malaysia Berhad**

(Company No: 200301008392/ 610812-W)

**NORHAYATI BINTI AZIT**

Director - Fund Services

Kuala Lumpur, Malaysia

17 July 2023

## **STATEMENT BY MANAGER**

### **TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND FOR THE FINANCIAL YEAR ENDED 31 MAY 2023**

We, Dr Hasnita Binti Dato' Hashim and Ahmed Muzni Bin Mohamed, being two of the Directors of Maybank Asset Management Sdn Bhd (the "Manager") do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank Financial Institutions Income Asia Fund as at 31 May 2023 and of its results, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 May 2023 and comply with the requirements of the Deeds.

For and on behalf of the Manager

**Dr Hasnita Binti Dato' Hashim**  
Chairman

**Ahmed Muzni Bin Mohamed**  
Director

Kuala Lumpur, Malaysia  
17 July 2023

## **Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Asia Fund**

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of Maybank Financial Institutions Income Asia Fund (the "Fund"), which comprise the statement of financial position as at 31 May 2023 of the Fund, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows of the Fund for the financial year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2023, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence and other ethical responsibilities*

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *Information other than the financial statements and auditors' report thereon*

The Manager is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

**Independent auditors' report to the Unitholders of  
Maybank Financial Institutions Income Asia Fund (cont'd)**

*Information other than the financial statements and auditors' report thereon (cont'd)*

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Manager and Trustee for the financial statements*

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent auditors' report to the Unitholders of  
Maybank Financial Institutions Income Asia Fund (cont'd)**

*Auditors' responsibilities for the audit of the financial statements (cont'd)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Independent auditors' report to the Unitholders of  
Maybank Financial Institutions Income Asia Fund (cont'd)**

Other matters

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Yeo Beng Yean  
03013/10/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
17 July 2023

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023**

	Note	2023 RM	2022 RM
<b>INVESTMENT LOSS</b>			
Interest income	3	2,322,354	2,199,124
Net loss from financial assets at fair value through profit or loss ("FVTPL")			
- Realised loss		(3,030,863)	(666,159)
- Unrealised gain/ (loss)		483,384	(5,212,601)
Net (loss)/ gain on foreign exchange and derivatives	4	<u>(335,580)</u>	<u>2,711,488</u>
		<u>(560,705)</u>	<u>(968,148)</u>
<b>EXPENSES</b>			
Manager's fee	5	396,330	490,172
Trustee's fee	6	15,853	19,607
Auditors' remuneration		10,000	10,000
Tax agent's fee		6,900	3,860
Administrative expenses		18,099	19,583
		<u>447,182</u>	<u>543,222</u>
<b>Net loss before taxation</b>		(1,007,887)	(1,511,370)
Taxation	7	<u>(416,745)</u>	<u>-</u>
<b>Net loss after taxation, and total comprehensive loss for the financial year</b>		<u>(1,424,632)</u>	<u>(1,511,370)</u>
<b>Net loss after taxation is made of the following:</b>			
Realised (loss)/ income		(579,443)	418,759
Unrealised loss		<u>(845,189)</u>	<u>(1,930,129)</u>
		<u>(1,424,632)</u>	<u>(1,511,370)</u>
<b>Distributions for the financial year</b>			
Net distributions	15	<u>-</u>	<u>450,591</u>
Gross/ Net distribution per unit (sen)	15	<u>-</u>	<u>1.00</u>
Distribution dates (ex-date)	15	<u>Refer to Note 15</u>	<u>Refer to Note 15</u>

The accompanying notes form an integral part of the audited financial statements.



**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MAY 2023**

	Note	2023 RM	2022 RM
<b>ASSETS</b>			
Financial assets at FVTPL	8	34,088,633	40,880,243
Derivative assets	9	63,793	105,425
Interest receivable		444,947	460,585
Deposit with a licensed financial institution	10	2,604,213	1,606,166
Amount due from Manager	11	48,780	-
Cash at bank	12	2,762,842	1,169,021
<b>TOTAL ASSETS</b>		<u>40,013,208</u>	<u>44,221,440</u>
<b>LIABILITIES</b>			
Derivative liabilities	9	1,394,795	107,560
Amount due to Manager	11	32,512	37,392
Amount due to Trustee	13	1,300	1,496
Provision for tax		72,119	-
Other payables and accruals		20,322	16,976
<b>TOTAL LIABILITIES</b>		<u>1,521,048</u>	<u>163,424</u>
<b>NET ASSETS VALUE ("NAV") OF THE FUND</b>		<u>38,492,160</u>	<u>44,058,016</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>			
Unitholders' capital	14(a)	41,362,455	45,503,679
Accumulated losses	14(b) & 14(c)	(2,870,295)	(1,445,663)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u>38,492,160</u>	<u>44,058,016</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	14(a)	<u>38,213,541</u>	<u>42,412,303</u>
<b>NAV PER UNIT (RM)</b>		<u>1.0073</u>	<u>1.0388</u>

The accompanying notes form an integral part of the audited financial statements.

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023**

	<b>Unitholders' capital Note 14(a) RM</b>	<b>Accumulated losses Notes 14(b) &amp; 14(c) RM</b>	<b>Net assets attributable to unitholders RM</b>
At 1 June 2022	45,503,679	(1,445,663)	44,058,016
Total comprehensive loss for the financial year	-	(1,424,632)	(1,424,632)
Creation of units	4,210,874	-	4,210,874
Cancellation of units	(8,352,098)	-	(8,352,098)
At 31 May 2023	<u>41,362,455</u>	<u>(2,870,295)</u>	<u>38,492,160</u>
At 1 June 2021	54,202,922	516,298	54,719,220
Total comprehensive loss for the financial year	-	(1,511,370)	(1,511,370)
Creation of units	3,608,818	-	3,608,818
Reinvestment of units	450,591	-	450,591
Cancellation of units	(12,758,652)	-	(12,758,652)
Distributions (Note 15)	-	(450,591)	(450,591)
At 31 May 2022	<u>45,503,679</u>	<u>(1,445,663)</u>	<u>44,058,016</u>

The accompanying notes form an integral part of the audited financial statements.

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2023**

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Net proceeds from sale and redemption of financial assets at FVTPL	28,425,150	15,435,178
Net payments for purchase of financial assets at FVTPL	(21,949,467)	(7,549,188)
Interest received	2,337,992	2,253,501
Net realised loss on derivatives	(1,143,636)	(2,424,763)
Manager's fee paid	(401,210)	(499,030)
Trustee's fee paid	(16,049)	(19,961)
Payment of other fees and expenses	(376,292)	(33,947)
Net cash generated from operating and investing activities	<u>6,876,488</u>	<u>7,161,790</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	4,162,093	3,608,818
Cash paid on units cancelled	(8,352,097)	(12,768,656)
Net cash used in from financing activities	<u>(4,190,004)</u>	<u>(9,159,838)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR</b>		
	2,686,484	(1,998,048)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		
	2,775,187	4,642,869
Effects of foreign exchange	(94,616)	130,366
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>		
	<u>5,367,055</u>	<u>2,775,187</u>
Cash and cash equivalents comprise:		
Cash at bank (Note 12)	2,762,842	1,169,021
Deposit with a licensed financial institution with original maturity of less than 3 months (Note 10)	2,604,213	1,606,166
	<u>5,367,055</u>	<u>2,775,187</u>

The accompanying notes form an integral part of the audited financial statements.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2023**

#### **1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES**

Maybank Financial Institutions Income Asia Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 29 May 2014, First supplemental deed dated 30 March 2015, a Second supplemental deed dated 10 August 2015, a Third supplemental deed dated 21 August 2020 and a and Fourth Supplemental deed dated 2 November 2022 between the Manager, Maybank Asset Management Sdn Bhd ("MAM"), the Trustee, TMF Trustee Malaysia Berhad and the registered unitholders of the Fund. The Deed and Supplemental Deeds are collectively referred to as 'Deeds'. The Fund was launched on 26 August 2014. Effective 4 January 2022, the Fund has been converted to a Unit Trust Fund.

The Fund aims to provide unitholders income through investing in a portfolio of fixed income securities issued by financial institutions. The Fund will invest between 70% to 98% of its NAV in Ringgit Malaysia ("RM") denominated and/ or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/ or located in the Asian region whilst the balance of between 2% to 30% of it's NAV will be invested in liquid assets and RM denominated and/ or non-RM denominated fixed income securities.

The Manager of the Fund is MAM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence with fund management as its regulated activity under the Capital Markets and Services Act 2007 ("CMSA"). The principal place of business of MAM is at Level 12, Tower C Dataran Maybank, No. 1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. MAM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

The financial statements were authorised for issue by the Board of Directors of the Manager (the "Directors") in accordance with a resolution of the Directors on 17 July 2023.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretation Committee ("IC") Interpretations which have become effective during the financial year. The adoption of the new pronouncements did not result in any material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.14 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM").

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.2 Standards and amendments to standards issued but not yet effective

The following are Standards and Amendments to Standards and Interpretations issued by the MASB, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund intends to adopt the relevant standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Fund expects that the adoption of the above standards and amendments to standards will not have any material impact on the financial statements in the period of initial application.

#### 2.3 Financial instruments

Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### 2.4 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.4 Financial assets (cont'd)**

##### **(i) Financial assets at amortised cost**

Unless designated as at fair value through profit or loss ("FVTPL") on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the assets are held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that do not meet the criteria above are classified as either fair value through other comprehensive income ("FVTOCI") or FVTPL.

These assets are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. The EIR is a method of calculating the amortised cost of the financial assets and of allocating and recognising the interest income in profit or loss over the relevant period.

##### **(ii) Financial assets at FVTPL**

Unquoted fixed income securities and derivatives are classified as FVTPL, unless the Fund designates an investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is recognised at FVTPL if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of the portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.4 Financial assets (cont'd)

##### (ii) Financial assets at FVTPL (cont'd)

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on measurement recognised in profit or loss.

Interest income on debt instruments as at FVTPL is disclosed separately in the profit or loss.

Changes in the fair value of FVTPL investments are recognised in unrealised (loss)/ gain on FVTPL investments in profit or loss. Accumulated unrealised gains or losses are reclassified to 'realised gain/ (loss) on FVTPL investments' in profit or loss when the associated assets are sold.

##### (iii) Impairment

Credit losses are recognised based on the Expected Credit Loss ("ECL") model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL. The impairment model does not apply to equity investments.

ECL are a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date:  
As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).
- Financial assets that are credit-impaired at the reporting date:  
As the difference between the gross carrying amount and the present value of estimated future cash flows.

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the issuer or counterparty;
- Significant downgrade in credit rating of the instrument by a rating agency;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

For balances with short-term nature, full impairment will be recognised on uncollected balances after the grace period.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.4 Financial assets (cont'd)**

##### **(iv) Derecognition**

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of financial asset classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.

On derecognition of financial assets at amortised cost, gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### **2.5 Financial liabilities**

##### **(i) Classification**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Fund classifies amount due to Manager, amount due to brokers, amount due to Trustee, distribution payable, and other payables and accruals as other financial liabilities.

##### **(ii) Recognition and measurement**

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EIR method.

The EIR is a method of calculating the amortised cost of the financial liability and of allocating and recognising the interest expense in profit or loss over the relevant period.

##### **(iii) Derecognition**

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.6 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **2.7 Functional and foreign currency**

##### **(a) Functional and presentation currency**

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Fund's functional currency.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.7 Functional and foreign currency (cont'd)**

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

#### **2.8 Unitholders' capital**

The unitholders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "*Financial Instruments: Presentation*". Those criteria include:

- (i) the units entitle the holder to a proportionate share of the Fund's NAV;
- (ii) the units are the most subordinated class and class features are identical;
- (iii) there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- (iv) the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund. Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/ or adjusted accordingly when units are cancelled.

#### **2.9 Distributions**

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date, which is also the time of creation.

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and deposit with a financial institution with original maturity of three (3) months or less which have an insignificant risk of changes in value.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.11 Revenue/ Income**

Revenue/ Income is measured at the fair value of consideration received or receivable.

Interest income from unquoted fixed income securities and deposits with a licensed financial institution are recognised on the accruals basis using the effective interest rate method.

Realised gain or loss on disposal of unquoted fixed income securities are measured as the difference between the net proceeds and its carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

Other revenue/ income is generally recognised when the Fund satisfies a performance obligation by transferring a promised good or service or an asset to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

#### **2.12 Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax expense is determined according to Malaysian tax laws at the current tax rate based upon the taxable profit earned during the financial year.

No deferred tax is recognised as no temporary differences have been identified.

#### **2.13 Segment information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for the allocating resources and assessing performance of the operating segments.

#### **2.14 Critical accounting estimates and judgments**

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

No major judgements have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 3. INTEREST INCOME

	2023 RM	2022 RM
Interest income from unquoted fixed income securities	2,372,514	2,214,701
Interest income from short-term deposits	43,168	19,059
Amortisation of premium, net of accretion of discount	(93,328)	(34,636)
	<u>2,322,354</u>	<u>2,199,124</u>

### 4. NET (LOSS)/ GAIN ON FOREIGN EXCHANGE AND DERIVATIVES

	2023 RM	2022 RM
Net realised gain on foreign exchange	2,168,131	2,232,372
Net unrealised gain on foreign exchange	294	2,742,135
Net realised loss on derivatives	(1,175,138)	(2,803,355)
Net unrealised (loss)/ gain on derivatives	(1,328,867)	540,336
	<u>(335,580)</u>	<u>2,711,488</u>

### 5. MANAGER'S FEE

The Manager's fee is computed on a daily basis at 1.00% per annum ("p.a.") (2022: 1.00% p.a.) of the NAV of the Fund before deducting the Manager's fee and Trustee's fee for that particular day.

### 6. TRUSTEE'S FEE

The Trustee's fee is computed daily based on 0.04% p.a. (2022: 0.04% p.a.) of the NAV of the Fund, subject to a minimum fee of RM15,000 p.a. (2022: minimum fee RM15,000 p.a.) and a maximum fee of RM 150,000 p.a. (2022: maximum fee of RM 150,000 p.a.). The Trustee fee is calculated and accrued daily and payable monthly to the Trustee.

### 7. TAXATION

	2023 RM	2022 RM
Tax expense for the financial year:		
Current income tax expense	<u>416,745</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable income for the financial year. Interest income derived from sources outside Malaysia are exempted from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

In accordance with Schedule 6 of the Income Tax Act 1967, dividend and profit income earned by the Fund is exempted from tax. Dividend income derived from sources outside Malaysia are exempted from Malaysian income tax. With effect from 1 January 2022, the current income tax exemption on foreign-sourced income ("FSI") received in Malaysia by Malaysian residents has been removed.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 7. TAXATION (CONT'D)

Income derived from sources outside Malaysia maybe subject to tax in the country from which it is derived. Tax on dividend income from foreign quoted equities is based on the tax regime of the respective countries that the Fund invests in.

A reconciliation of income tax expense applicable to net loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2023 RM	2022 RM
Net loss before taxation	<u>(1,007,887)</u>	<u>(1,511,370)</u>
Tax at Malaysian statutory rate of 24% (2022: 24%)	(241,893)	(362,729)
Income not subject to tax	(777,054)	(1,178,547)
Loss not deductible for tax purposes	1,328,368	1,410,903
Expenses not deductible for tax purposes	107,324	130,373
Tax expense for the financial year	<u>416,745</u>	<u>-</u>

### 8. FINANCIAL ASSETS AT FVTPL

	2023 RM	2022 RM
Unquoted fixed income securities - foreign	<u>34,088,633</u>	<u>40,880,243</u>

2023	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Unquoted fixed income securities - foreign</b>				
<b>Australia</b>				
Australia and New Zealand Banking Group Ltd - 6.74%/ 08.12.2032				
	200,000	922,081	952,566	2.47
National Australia Bank New York Branch - 3.50%/ 09.06.2025				
	500,000	2,284,716	2,235,954	5.81
	<u>700,000</u>	<u>3,206,797</u>	<u>3,188,520</u>	<u>8.28</u>
<b>France</b>				
BNP Paribas S.A. - 6.63%/ Perpetual				
	500,000	2,313,178	2,218,319	5.76

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2023 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>France (cont'd)</b>				
Société Générale S.A. - 9.38%/ Perpetual	300,000	1,432,502	1,323,163	3.44
	<u>800,000</u>	<u>3,745,680</u>	<u>3,541,482</u>	<u>9.20</u>
<b>Hong Kong</b>				
Nanyang Commercial Bank Ltd - 3.80%/ 20.11.2024	500,000	2,304,121	2,204,626	5.73
Xiaomi Best Time International Ltd - 3.38%/ 29.04.2030	300,000	1,122,044	1,113,546	2.89
	<u>800,000</u>	<u>3,426,165</u>	<u>3,318,172</u>	<u>8.62</u>
<b>Japan</b>				
Aozora Bank - 5.90%/ 02.03.2026	200,000	921,217	930,537	2.42
Mizuho Financial Group Inc - 5.41%/ 13.09.2028	300,000	1,383,027	1,383,012	3.59
	<u>500,000</u>	<u>2,304,244</u>	<u>2,313,549</u>	<u>6.01</u>
<b>Singapore</b>				
DBS Group Holdings Ltd - 4.52%/ 11.12.2028	500,000	2,308,111	2,290,589	5.95
<b>South Korea</b>				
Shinhan Financial Group Co Ltd - 2.88%/ Perpetual	300,000	1,373,019	1,371,435	3.56
Woori Bank - 4.88%/ 26.01.2028	200,000	919,014	925,622	2.40
- 4.25%/ Perpetual	500,000	2,116,611	2,210,689	5.74
	<u>1,000,000</u>	<u>4,408,644</u>	<u>4,507,746</u>	<u>11.70</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**8. FINANCIAL ASSETS AT FVTPL (CONT'D)**

<b>2023 (cont'd)</b>	<b>Quantity Unit</b>	<b>Aggregate cost RM</b>	<b>Market value RM</b>	<b>Percentage of NAV %</b>
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Thailand</b>				
Bangkok Bank Plc - 3.47%/ 23.09.2036	300,000	1,383,102	1,113,256	2.89
Kasikorn Bank Plc - 5.46%/ 07.03.2028	200,000	922,016	937,029	2.43
- 5.28%/ Perpetual	500,000	2,305,887	2,140,332	5.56
Muang Thai Life Assurance - 3.55%/ 27.01.2037	200,000	922,030	804,071	2.09
	<b>1,200,000</b>	<b>5,533,035</b>	<b>4,994,688</b>	<b>12.97</b>
<b>United Kingdom</b>				
Barclays Plc - 7.30%/ Perpetual	250,000	851,695	746,249	1.94
HSBC Holdings - 5.25%/ 27.06.2032	500,000	1,700,879	1,718,283	4.46
- 8.00%/ Perpetual	200,000	921,920	913,349	2.37
Macquarie Bank London - 6.13%/ Perpetual	800,000	3,698,531	3,183,421	8.27
Standard Chartered - 7.78%/ 16.11.2024	300,000	1,383,072	1,419,140	3.69
	<b>2,050,000</b>	<b>8,556,097</b>	<b>7,980,442</b>	<b>20.73</b>
<b>United States</b>				
Bank of Montreal - 4.80%/ Perpetual	500,000	2,305,094	1,953,445	5.07
<b>Total unquoted fixed income securities - foreign</b>	<b>8,050,000</b>	<b>35,793,867</b>	<b>34,088,633</b>	<b>88.53</b>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 8. FINANCIAL ASSETS AT FVTPL (CONT'D)

2023 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Total unquoted fixed income securities</b>	8,050,000	35,793,867	34,088,633	88.53
Unrealised loss on unquoted fixed income securities*			(1,705,234)	
<b>2022</b>				
<b>Unquoted fixed income securities - foreign</b>				
<b>British Virgin Island ("BVI")</b>				
Peak RE Bvi Holding Ltd - 5.35%/ Perpetual	500,000	2,187,885	2,126,058	4.83
Wanda Properties Overseas Ltd - 6.95%/ 05.12.2022	500,000	2,183,446	1,925,834	4.37
	1,000,000	4,371,331	4,051,892	9.20
<b>Cayman Islands</b>				
TMB Bank Public Co Ltd - 4.90%/ 02.12.2024	500,000	2,187,910	2,073,545	4.71
<b>France</b>				
BNP Paribas S.A. - 6.63%/ 25.03.2024	500,000	2,204,540	2,211,739	5.02
<b>Hong Kong</b>				
AIA Group Ltd - 2.70%/ Perpetual	500,000	2,187,958	2,002,830	4.55
Bank of East Asia Ltd - 5.83%/ Perpetual	500,000	2,187,842	2,195,111	4.98
Nanyang Commercial Bank Ltd - 3.80%/ 20.11.2024	500,000	2,186,248	2,152,773	4.89
	1,500,000	6,562,048	6,350,714	14.42



**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**8. FINANCIAL ASSETS AT FVTPL (CONT'D)**

2022 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>India</b>				
HDFC Bank Ltd - 3.70%/ Perpetual	250,000	1,093,954	963,420	2.19
Renew Power Ltd - 6.45%/ 27.09.2022	500,000	2,188,383	2,186,337	4.96
	<u>750,000</u>	<u>3,282,337</u>	<u>3,149,757</u>	<u>7.15</u>
<b>Philippines</b>				
SMC Global Power Holdings Corporation - 7.00%/ Perpetual	250,000	1,099,416	1,069,866	2.43
<b>Singapore</b>				
Aviva Singlife Holdings Pte Ltd - 3.38%/ 24.02.2026	250,000	797,914	784,648	1.78
Global Prime Capital Pte Ltd - 5.50%/ 01.07.2023	500,000	2,188,053	2,148,441	4.88
United Overseas - 2.55%/ Perpetual	500,000	1,595,887	1,513,472	3.44
	<u>1,250,000</u>	<u>4,581,854</u>	<u>4,446,561</u>	<u>10.10</u>
<b>South Korea</b>				
Heungkuk Life Insurance Co Ltd - 4.48%/ 09.11.2022	500,000	2,187,453	2,171,809	4.93
Shinhan Financial Group Co Ltd - 2.88%/ Perpetual	500,000	2,187,979	1,965,830	4.46
	<u>1,000,000</u>	<u>4,375,432</u>	<u>4,137,639</u>	<u>9.39</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**8. FINANCIAL ASSETS AT FVTPL (CONT'D)**

2022 (cont'd)	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Switzerland</b>				
UBS Group AG Holdings Corporation - 4.85%/ Perpetual	500,000	1,634,149	1,617,828	3.67
<b>Thailand</b>				
Bangkok Bank Plc - 3.47%/ 23.09.2036	300,000	1,312,754	1,131,437	2.57
Kasikorn Bank Plc - 5.28%/ Perpetual	500,000	2,188,893	2,108,926	4.79
Krung Thai Bank Plc - 4.40%/ Perpetual	400,000	1,750,303	1,577,268	3.58
Muang Thai Life Assurance - 3.55%/ 27.01.2037	200,000	875,072	806,287	1.83
	<u>1,400,000</u>	<u>6,127,022</u>	<u>5,623,918</u>	<u>12.77</u>
<b>United Kingdom</b>				
HSBC Holdings Ltd - 4.60%/ Perpetual	200,000	875,181	734,092	1.67
Macquarie Bank Ltd - 6.13%/ Perpetual	800,000	3,512,716	3,330,241	7.56
	<u>1,000,000</u>	<u>4,387,897</u>	<u>4,064,333</u>	<u>9.23</u>
<b>United States</b>				
Bank of Montreal - 4.80%/ Perpetual	500,000	2,187,857	2,082,451	4.73
<b>Total unquoted fixed income securities - foreign</b>	<u>10,150,000</u>	<u>43,001,793</u>	<u>40,880,243</u>	<u>92.82</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**8. FINANCIAL ASSETS AT FVTPL (CONT'D)**

	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
<b>2022 (cont'd)</b>				
<b>Unquoted fixed income securities - foreign (cont'd)</b>				
<b>Total unquoted fixed income securities</b>	10,150,000	43,001,793	40,880,243	92.82
Unrealised loss on unquoted fixed income securities*			(2,121,550)	

\* The unrealised loss on unquoted fixed income securities comprise the amounts arising from changes in fair values and effects from foreign exchange.

**9. DERIVATIVE ASSETS/ LIABILITIES**

<b>2023</b>	Notional principal amount	Fair Value	
		Assets RM	Liabilities RM
<u>Foreign exchange related contracts</u>			
Currency forwards:	<b>SGD</b>		
Less than 1 year	1,037,400	63,793	-
Currency forwards:	<b>USD</b>		
Less than 1 year	7,593,899	-	(1,394,795)
<b>Total derivatives assets &amp; liabilities</b>		63,793	(1,394,795)
<b>2022</b>			
<u>Foreign exchange related contracts</u>			
Currency forwards:	<b>SGD</b>		
Less than 1 year	1,026,000	101,132	(99,259)
Currency forwards:	<b>USD</b>		
Less than 1 year	9,325,333	4,293	(8,301)
<b>Total derivatives assets &amp; liabilities</b>		105,425	(107,560)

As at the reporting date, there were 3 (2022: 6) forward exchange contracts outstanding.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 9. DERIVATIVE ASSETS/ LIABILITIES (CONT'D)

The forward currency contracts entered into during the financial year were for hedging against the currencies exposure arising mainly from investments in the foreign unquoted fixed income securities denominated in USD and SGD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward currency contract is recognised immediately in the statement of comprehensive income.

### 10. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION

	2023 RM	2022 RM
Short-term placement with a maturity of less than 3 months	2,604,213	1,606,166

The weighted average effective interest rates ("WAEIR") p.a. and average maturity of deposit with a licensed financial institution with maturity of less than 3 months as at the reporting date were as follows:

	2023		2022	
	WAEIR % p.a.	Average maturity Days	WAEIR % p.a.	Average maturity Days
Deposit with a licensed financial institution	2.95	1	2.03	1

### 11. AMOUNT DUE FROM/ (TO) MANAGER

	Note	2023 RM	2022 RM
<b>Amount due from Manager</b>			
Subscription units	(i)	48,780	-
<b>Amount due to Manager</b>			
Manager's fee	(ii)	32,512	37,392

- (i) The amount represents amount receivable to the Manager for units subscriptions.  
(ii) The amount relates to the amount payable to the Manager arising from the accruals for Managers fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2022: 15 days).

### 12. CASH AT BANK

The table below indicates the currencies that the Fund have in cash at bank as at the reporting date:

	2023 RM	2022 RM
United States Dollar ("USD")	1,857,902	1,124,137
Singapore Dollar ("SGD")	895,538	43,389
Malaysian Ringgit ("RM")	9,402	1,495
	<u>2,762,842</u>	<u>1,169,021</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 13. AMOUNT DUE TO TRUSTEE

The amount due to Trustee relates to the amount payable arising from the accruals for Trustee's fee at the end of the financial year. The normal credit term for Trustee's fee is 15 days (2022: 15 days).

### 14. TOTAL NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Note	2023 RM	2022 RM
Unitholders' capital	(a)	41,362,455	45,503,679
Accumulated realised (loss)/ income	(b)	(284,238)	295,205
Accumulated unrealised loss	(c)	(2,586,057)	(1,740,868)
		<u>38,492,160</u>	<u>44,058,016</u>

#### (a) Unitholders' capital

	2023		2022	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	42,412,303	45,503,679	50,446,416	54,202,922
Creation of units	4,120,698	4,210,874	3,316,883	3,608,818
Reinvestment of units	-	-	415,751	450,591
Cancellation of units	(8,319,460)	(8,352,098)	(11,766,747)	(12,758,652)
At the end of the financial year	<u>38,213,541</u>	<u>41,362,455</u>	<u>42,412,303</u>	<u>45,503,679</u>

As at the end of the financial year, the total number and value of units held legally or beneficially by the Manager are as follows:

	2023		2022	
	No. of units	RM	No. of units	RM
The Manager	<u>1,390</u>	<u>1,400</u>	<u>1,390</u>	<u>1,444</u>

In the opinion of the Manager, the above units were transacted at the prevailing market price. Other than the above, there were no other units held by the Manager or parties related to the Manager.

#### (b) Accumulated realised (loss)/ income

	2023 RM	2022 RM
At the beginning of the financial year	295,205	327,037
Net realised (loss)/ income for the financial year	(579,443)	418,759
Distributions out of retained earnings (Note 15)	-	(450,591)
At the end of the financial year	<u>(284,238)</u>	<u>295,205</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 14. TOTAL EQUITY (CONT'D)

#### (c) Accumulated unrealised loss

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
At the beginning of financial year	(1,740,868)	189,261
Net unrealised loss for the financial year	(845,189)	(1,930,129)
At the end of the financial year	<u>(2,586,057)</u>	<u>(1,740,868)</u>

### 15. DISTRIBUTIONS

The Fund have not made any distributions in the current financial year. Details of distributions declared to unitholders in the previous are as follows:

	<b>2022</b>
	<b>RM</b>
Interest income	215,689
Prior year's net realised income*	327,037
Other income	116,811
Less:	
Expenses	<u>(208,946)</u>
Distributions out of realised reserves (Note 14(b))	450,591
Effects of distribution equalisation (Note 14(a))	<u>-</u>
Distributions for the financial year	<u>450,591</u>

The distributions declared are settled in the form of units and presented as 'reinvestment of units' in Note 14(a) on payment date.

\* Part of the distributions in the previous financial year were made from prior year's net realised income.

The gross and net distribution per unit declared in the current financial year are as follows:

<b>Distribution dates (ex-date)</b>	<b>Gross/ Net</b>
	<b>distribution</b>
	<b>per unit</b>
	<b>(sen)</b>
<b>2022</b>	
26 November 2021	<u>1.00</u>
	<u>1.00</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 16. TRANSACTIONS WITH BROKERS/ DEALERS/ FINANCIAL INSTITUTIONS

Details of transactions with brokers/ dealers for the current financial year are as follows:

Brokers/ Dealers	2023	
	Value of trades RM	Percentage of total trades %
Citi Bank Bhd	3,887,687	17.82
HSBC Bank Malaysia Bhd	2,481,850	11.37
BNP Paribas Hong Kong	2,274,668	10.43
Anz Banking Group Ltd	2,251,037	10.32
MBB*	2,217,615	10.16
Merrill Lynch United States	1,843,424	8.45
DBS Securities	1,659,020	7.60
Standard Chartered Bank Singapore	1,419,990	6.51
SC LOWY Primary Investments Ltd	1,369,920	6.28
Others	2,414,017	11.06
	<u>21,819,228</u>	<u>100.00</u>

Details of transactions with brokers and dealers for the previous financial year are as follows:

Brokers/ Dealers	2022	
	Value of trades RM	Percentage of total trades %
HSBC Bank Malaysia Bhd	7,476,728	45.49
Morgan Stanley	2,488,785	15.14
Guotai Junan Securities (Hong Kong) Ltd	2,114,828	12.86
ANZ Banking Group Ltd	2,064,648	12.56
Merril Lynch United States	1,890,583	11.50
Nomura Securities Malaysia Sdn Bhd	403,488	2.45
	<u>16,439,061</u>	<u>100.00</u>

Details of transactions, primarily deposits with licensed financial institutions for the current and previous financial year are as follows:

Financial institution	2023		2022	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
MBB*	<u>402,463,791</u>	<u>100.00</u>	<u>271,347,687</u>	<u>100.00</u>

\* MBB is the ultimate holding company of the Manager.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 17. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of the financial statements, parties are considered to be related to the Fund or the Manager if the Fund or the Manager has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Fund or the Manager and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions of the Fund during the financial year:

	<b>2023</b>	<b>2022</b>
	<b>RM</b>	<b>RM</b>
(a) <u>Significant related party transactions</u>		
MBB:		
Interest income from deposit placement	<u>43,168</u>	<u>19,013</u>
(b) <u>Significant related party balances</u>		
MBB:		
Deposit with a financial institution	<u>2,604,213</u>	<u>1,606,166</u>
Interest receivable	<u>210</u>	<u>89</u>

The Manager is of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

### 18. TOTAL EXPENSE RATIO ("TER")

The TER of the Fund is the ratio of total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 May 2023, the TER of the Fund stood at 1.13% (2022: 1.11%).

### 19. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial year to the daily average NAV of the Fund. For the financial year ended 31 May 2023, the PTR of the Fund stood at 0.64 times (2022: 0.21 times).

### 20. SEGMENT INFORMATION

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker, makes the strategic decisions on resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieves its targeted return with an acceptable level of risk within the portfolio.



## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 20. SEGMENT INFORMATION (CONT'D)

The chief operating decision-maker is responsible for the performance of the Fund by investing between 70% to 98% of its NAV in RM denominated and/ or non-RM denominated fixed income securities issued by financial institutions which are domiciled and/ or located in the Asian region whilst the balance of between 2% to 30% of its NAV will be invested in RM denominated and/ or non-RM denominated fixed income securities issued by non-financial institutions which are domiciled and/ or located in the Asian region.

The remaining balance of the Fund's NAV will be invested in liquid assets. On this basis, the PMC considers the business of the Fund to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investments strategy and the Fund's performance is evaluated on an overall basis.

The internal reporting of the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

### 21. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

The Fund's financial assets and financial liabilities were measured on an ongoing basis at either fair value or at amortised cost based on their respective classifications. The significant accounting policies in Note 2.3 to Note 2.14 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

The following table analyses the financial assets and liabilities (excluding tax-related matters) of the Fund in the statement of financial position as at the reporting date by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

2023	Financial instruments at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>Assets</b>				
Financial assets at FVTPL	34,088,633	-	-	34,088,633
Derivative assets	63,793	-	-	63,793
Interest receivable	-	444,947	-	444,947
Deposit with a licensed financial institution	-	2,604,213	-	2,604,213
Amount due from Manager	-	48,780	-	48,780
Cash at bank	-	2,762,842	-	2,762,842
<b>Total financial assets</b>	<b>34,152,426</b>	<b>5,860,782</b>	<b>-</b>	<b>40,013,208</b>

**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**21. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Classification of financial instruments (cont'd)**

<b>2023 (cont'd)</b>	<b>Financial instruments at FVTPL</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost</b>	<b>Total RM</b>
<b>Liabilities</b>				
Derivative liabilities	1,394,795	-	-	1,394,795
Amount due to Manager	-	-	32,512	32,512
Amount due to Trustee	-	-	1,300	1,300
Other payables and accruals	-	-	20,322	20,322
<b>Total financial liabilities</b>	<b>1,394,795</b>	<b>-</b>	<b>54,134</b>	<b>1,448,929</b>
<b>2022</b>				
<b>Assets</b>				
Financial assets at FVTPL	40,880,243	-	-	40,880,243
Derivative assets	105,425	-	-	105,425
Interest receivable	-	460,585	-	460,585
Deposit with a licensed financial institution	-	1,606,166	-	1,606,166
Cash at bank	-	1,169,021	-	1,169,021
<b>Total financial assets</b>	<b>40,985,668</b>	<b>3,235,772</b>	<b>-</b>	<b>44,221,440</b>
<b>Liabilities</b>				
Derivative liabilities	107,560	-	-	107,560
Amount due to Manager	-	-	37,392	37,392
Amount due to Trustee	-	-	1,496	1,496
Other payables and accruals	-	-	16,976	16,976
<b>Total financial liabilities</b>	<b>107,560</b>	<b>-</b>	<b>55,864</b>	<b>163,424</b>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 21. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Financial instruments that are carried at fair value

The Fund's financial assets at FVTPL are carried at fair value.

##### Unquoted fixed income securities

Local unquoted fixed income securities denominated in RM are revalued on a daily basis based on fair value prices quoted by BPA as per SC's Guidelines on Unit Trust Funds.

Foreign unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the average price quoted by at least three (3) independent and reputable financial institutions.

##### Derivative assets and liabilities

The fair value of over-the-counter forward foreign exchange contracts are obtained by using valuation models which incorporate various observable market inputs such as changes in spot rate, and changes in the forward points. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

#### (c) Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value:

<b>2023</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>
<b>Financial assets</b>			
Financial assets at FVTPL	-	34,088,633	-
Derivative assets	-	63,793	-
	<u>-</u>	<u>34,152,426</u>	<u>-</u>
<b>Financial liabilities</b>			
Derivative liabilities	-	1,394,795	-
	<u>-</u>	<u>1,394,795</u>	<u>-</u>

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 21. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) Fair value hierarchy (cont'd)

2022	Level 1 RM	Level 2 RM	Level 3 RM
<b>Financial assets</b>			
Financial assets at FVTPL	-	40,880,243	-
Derivative assets	-	105,425	-
	<u>-</u>	<u>40,985,668</u>	<u>-</u>
<b>Financial liabilities</b>			
Derivative liabilities	<u>-</u>	<u>107,560</u>	<u>-</u>

#### (d) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

Other than its financial assets at FVTPL and derivative assets and liabilities, the Fund's financial instruments were not carried at fair value but their carrying amounts were reasonable approximations of fair value due to their short-term maturity.

There were no financial instruments which were not carried at fair value and whose carrying amounts were not reasonable approximations of their respective fair values.

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks.

Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Deeds, SC's Guidelines on Unit Trust Funds and CMSA.

#### (b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund is exposed to foreign currency risk arising from the Fund's investments in unquoted fixed income securities and other financial assets and liabilities denominated in foreign currencies. The Fund is also exposed to interest rate risk arising from its financial assets at FVTPL and deposit placed with a licensed financial institution. The Fund is not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (b) Market risk (cont'd)

##### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below analyses the net position of the Fund's financial assets and financial liability (excluding derivative assets and derivative liabilities) which are exposed to foreign exchange risks as at the reporting date. As the Fund's functional currency is RM, the financial assets and financial liability (excluding derivative assets and derivative liabilities) denominated in other currencies are exposed to the movement of foreign exchange rates. The exposure might lead to the appreciation or depreciation of the financial assets and financial liability of the Fund that may affect the value of the NAV attributable to unitholders.

	USD RM	SGD RM	Total RM
<b>2023</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	31,624,101	2,464,532	34,088,633
Interest receivable	392,112	52,625	444,737
Cash at bank	1,857,902	895,538	2,753,440
<b>Total financial assets</b>	<u>33,874,115</u>	<u>3,412,695</u>	<u>37,286,810</u>
<b>Net on-balance sheet open position</b>	<u>33,874,115</u>	<u>3,412,695</u>	<u>37,286,810</u>
<b>Forward exchange contracts - notional principal amount (Note 9) *</b>	<u>7,593,899</u>	<u>1,037,400</u>	
<b>2022</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	36,964,295	3,915,948	40,880,243
Interest receivable	43,981	416,516	460,497
Cash at bank	1,124,137	43,389	1,167,526
<b>Total financial assets</b>	<u>38,132,413</u>	<u>4,375,853</u>	<u>42,508,266</u>
<b>Net on-balance sheet open position</b>	<u>38,132,413</u>	<u>4,375,853</u>	<u>42,508,266</u>
<b>Forward exchange contracts - notional principal amount (Note 9) *</b>	<u>9,325,333</u>	<u>1,026,000</u>	

\* The Fund has entered into forward currency contracts to hedge against its USD and SGD exposure arising mainly from the Fund's investments in USD and SGD denominated unquoted fixed income securities.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (b) Market risk (cont'd)

##### (i) Foreign exchange risk (cont'd)

The table below summarises the sensitivity of the Fund's net on-balance sheet open position (excluding derivative assets and derivative liabilities) to movements in exchange rates. The analysis is based on the assumptions that the exchange rates will increase or decrease by 5% with all other variables held constant.

	2023		2022	
	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM	Changes in exchange rate %	Effects on NAV Increase/ (Decrease) RM
Currencies				
USD	+5	1,693,706	+5	1,906,621
	-5	(1,693,706)	-5	(1,906,621)
SGD	+5	170,635	+5	218,793
	-5	(170,635)	-5	(218,793)

The impact to net income after tax is expected to be the same as the effects on NAV.

##### (ii) Interest rate risk

Fixed income securities are particularly sensitive to movements in market interest rates. When interest rates rise, the value of fixed income securities will fall and vice versa, thus affecting the NAV of the Fund. The sensitivity to market interest rate changes are normally greater for longer tenured securities when compared to shorter tenured securities.

The table below summarises the sensitivity of the Fund's NAV to movements in prices of fixed income securities held by the Fund as a result of movements in market interest rates. The analysis is based on the assumptions that the interest rates increased and decreased by 1% (100 basis points) with all other variables held constant.

	2023		2022	
	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM	Changes in interest rates %	Effects on NAV (Decrease)/ Increase RM
Financial assets at FVTPL	+1	(866,206)	+1	(1,085,559)
	-1	907,048	-1	1,135,970

The impact to net loss after tax is expected to be the same as the effects on NAV.

The Fund's deposit with a licensed financial institution carries fixed rate and is short-term in nature, and therefore is not affected by movements in market interest rate.

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) Credit risk

Credit risk is the risk that the issuer/ counterparty to a financial instrument will default on its contractual obligation resulting in a financial loss to the Fund. The Fund is exposed to the risk of credit-related losses that can occur as a result of an issuer/ counterparty's inability or unwillingness to honour its contractual obligations to make timely repayments of interest, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/ counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's other counterparties (e.g. brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

#### (i) Credit risk exposure

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at the reporting date.

#### (ii) Credit risk concentration

The following table analyses the Fund's investments in unquoted fixed income securities, cash at bank, deposit with a licensed financial institution, interest receivable on unquoted fixed income securities and interest receivable on deposit with a licensed financial institution by rating categories. The ratings for the Fund's investments in unquoted fixed income securities and interest receivable on unquoted fixed income securities were obtained from Moody's, Fitch, S&P and MARC while the ratings for cash at bank, deposit with a licensed financial institution and interest receivable on deposit with a licensed financial institution were obtained from RAM's official website.

Financial assets	2023		2022	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
AAA	5,812,002	15.10	4,288,748	9.73
AA-	3,559,117	9.25	-	-
A+	2,802,151	7.28	1,617,828	3.67
A	7,086,498	18.41	3,968,660	9.01
BBB+	3,253,879	8.45	-	-
Baa1	-	-	1,131,437	2.57
BBB	7,547,112	19.61	5,825,664	13.22
Baa2	-	-	2,152,773	4.89
BBB-	4,438,136	11.53	6,616,176	15.02

## MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (c) Credit risk (cont'd)

##### (ii) Credit risk concentration (cont'd)

Financial assets	2023		2022	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
Baa3	-	-	963,420	2.19
BB+	5,401,740	14.03	-	-
BB	-	-	4,120,945	9.35
BB-	-	-	4,334,778	9.84
Not rated	-	-	9,095,587	20.64
	<u>39,900,635</u>	<u>103.66</u>	<u>44,116,016</u>	<u>100.13</u>

#### (d) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected.

The Fund is exposed to cash redemptions of its units on a regular basis. Units sold to unitholders by the Manager are redeemable at the unitholders' option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the Fund's Deeds.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund also manages its obligation to redeem units when required to do so.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders. Liquid assets comprise cash at bank, deposit with a licensed financial institution and other instruments which are capable of being converted into cash within 7 days.

The following table summarises the maturity profile of the Fund's financial assets, liabilities and unitholders' capital to provide a complete view of the Fund's contractual commitments and liquidity:

2023	Less than 1 month RM	More than 1 month RM	Total RM
<b>Financial assets</b>			
Financial assets at FVTPL	-	34,088,633	34,088,633
Derivative assets	-	63,793	63,793
Interest receivable	170,463	274,484	444,947
Deposit with a licensed financial institution	2,604,213	-	2,604,213
Amount due from Manager	48,780	-	48,780
Cash at bank	2,762,842	-	2,762,842
Total undiscounted financial assets	<u>5,586,298</u>	<u>34,426,910</u>	<u>40,013,208</u>



**MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(d) Liquidity risk (cont'd)**

<b>2023 (cont'd)</b>	<b>Less than 1 month RM</b>	<b>More than 1 month RM</b>	<b>Total RM</b>
<b>Financial liabilities and unitholders' equity</b>			
Derivative liabilities	-	1,394,795	1,394,795
Amount due to Manager	32,512	-	32,512
Amount due to Trustee	1,300	-	1,300
Other payables and accruals	20,322	-	20,322
Unitholders' equity	38,492,160	-	38,492,160
Total undiscounted financial liabilities and NAV unitholders' attributable	<u>38,546,294</u>	<u>1,394,795</u>	<u>39,941,089</u>
Liquidity (gap)/ surplus	<u>(32,959,996)</u>	<u>33,032,115</u>	<u>72,119</u>
<b>2022</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	40,880,243	40,880,243
Derivative assets	4,292	101,133	105,425
Interest receivable	45,432	415,153	460,585
Deposit with a licensed financial institution	1,606,166	-	1,606,166
Cash at bank	1,169,021	-	1,169,021
Total undiscounted financial assets	<u>2,824,911</u>	<u>41,396,529</u>	<u>44,221,440</u>
<b>Financial liabilities and unitholders' equity</b>			
Derivative liabilities	80,455	27,105	107,560
Amount due to Manager	37,392	-	37,392
Amount due to Trustee	1,496	-	1,496
Other payables and accruals	16,976	-	16,976
Unitholders' equity	44,058,016	-	44,058,016
Total undiscounted financial liabilities and unitholders' equity	<u>44,194,335</u>	<u>27,105</u>	<u>44,221,440</u>
Liquidity (gap)/ surplus	<u>(41,369,424)</u>	<u>41,369,424</u>	<u>-</u>

**Notes:**

**(i) Financial assets**

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised. Financial assets exclude tax-related matters such as tax recoverable.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND**

### **22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

#### **(d) Liquidity risk (cont'd)**

##### **(ii) Financial liabilities**

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay. Financial liabilities exclude tax-related matters such as provision for taxation.

##### **(iii) Unitholders' total equity**

As unitholders can request for redemption on their units by giving the Manager a 10-day notice period, the unitholders' total equity has been categorised as having a maturity of "less than 1 month".

As a result, it appears that the Fund has a liquidity gap within "less than 1 month". However, the Fund believes that it would be able to liquidate its investments should the need arise to satisfy all the redemption requirements.

### **23. CAPITAL MANAGEMENT**

The capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund.

The Fund's objectives for managing capital are:

- (a) To invest in investments meeting the description, risk exposure and generate higher returns than the prescribed benchmark as indicated in its information memorandum;
- (b) To achieve consistent returns while safeguarding capital by using various investment strategies;
- (c) To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- (d) To maintain sufficient fund size to ensure that the operations of the Fund are cost-efficient.

No changes were made to the capital management objectives in the current financial year.