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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report

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

CORPORATE INFORMATION

MANAGER

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

A. Fund Information

1. Name of Fund

Maybank Financial Institutions Income Fund (the "Fund")

2. Type of Fund

Income

3. Category of Fund

Wholesale fixed income fund

4. Duration of Fund

The Fund is an open-ended fund.

5. Fund launch date

17 December 2009

6. Fund's investment objective

The objective of the Fund is to achieve regular income stream which is deriving from the portfolio.

7. Fund distribution policy

The Fund intends to distribute income, if any, at least half-yearly on best effort basis. However, the Manager reserves the right not to distribute income, at its absolute discretion.

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

The Fund seeks to achieve its objective by investing up to 95% of its Net Asset Value ("NAV") in bonds issued by financial institutions and/ or bank guaranteed bonds. The Manager will also invest between 5% to 100% of the Fund's NAV in fixed deposits and/ or money market instruments.

The Fund will be actively managed by investing in a diversified portfolio of bonds issued by financial institutions and/ or bank guaranteed bonds and/ or money market instruments and fixed deposits. The active management of the Fund aims to provide steady returns.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

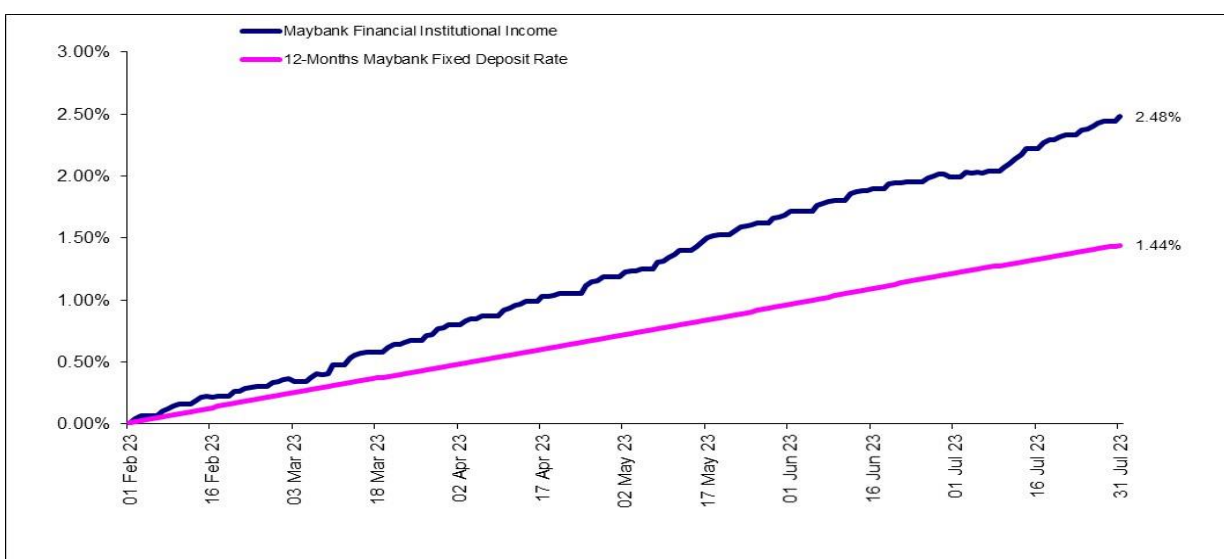
For the financial period from 1 February 2023 to 31 July 2023 (cont'd)

B. Performance Review

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

Period	The Fund %	Benchmark %
1 February 2023 to 31 July 2023	2.48	1.44

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



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 July 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 a total return of 2.48% for the period under review, outperforming the benchmark's 1.44% over the corresponding period. The outperformance was due to strong rally in local government bonds on the back of peaking local policy rates and easing inflation expectations for local economy. Optimism on sustained economic growth in 2023 and risk of economic recession in developed markets also boosted the performance of local bond market.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

C. Market Review

The Malaysian sovereign bond market closed mixed in July, with yields closing between 3 basis points (“bps”) to 4 bps month-on-month. The 10-year Malaysian Government Securities (“MGS”) yields was down 2.4bps to 3.83%. Demand was strong in July 2023, as evidenced in the strong bid-to-cover ratio of the govies auctions in July 2023 of between 1.9x to 2.6x. Meanwhile, corporate bonds performed better than govies, with yields down 2bps to 13bps across the board, with the 10y and longer outperforming the shorter-ends. Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) unchanged in its July 2023 meeting at 3.00%, in line with our expectations that BNM is more inclined to support growth rather than containing inflationary pressures. The Monetary Policy Committee (“MPC”) considers the monetary policy stance as “slightly accommodative”, thus remains supportive of the economy.

Meanwhile, the United States (“US”) Federal Reserves (“FED”) hiked the Fed Fund Rates by 25bps to 5.50% as expected, with accompanying statement saying monetary policy actions will be data driven going forward. Real Gross Domestic Product (“GDP”) accelerated to 2.4% in 2Q23 while both Personal Consumption Expenditure (“PCE”) and Employment Cost Index (“ECI”) came in softer than expected. Near term catalyst could be determined from the upcoming July 2023 employment data and July 2023 retail sales.

The European Central Bank (“ECB”) and Bank of England (“BoE”) also recently delivered another 25bps hike, similar to the US, both central banks emphasize that moving forward hiking bias will broadly shift to data dependence. Overall, central banks globally changed their tone in July 2023 and dialled down on hawkishness on the back of soft data in the US and United Kingdom (“UK”) or European Union (“EU”), thus rising expectations that interest rates are to peak soon.

D. Market Outlook and Investment Strategy

Issuance on bonds and Sukuk remain healthy with strong demand seen across the board. Current govies yield continue to be supportive on the local market given BNM is currently at the tail end of the hiking cycle. Malaysian Ringgit (“MYR”) yields have increased on higher global rates, although it is not at the higher end of the recent trading range.

In terms of strategy, we are slightly positive on duration, looking for favourable opportunities to enter medium to long term duration. We prefer corporates over govies, and being selective especially liquid AAA for trading and AA or A primaries for better yield.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

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

F. Asset Allocation

The comparison of the Fund's asset allocation as at 31 July 2023 and 31 January 2023 are as follows:

Asset allocation	31.07.2023		31.01.2023	
	RM	%	RM	%
Unquoted fixed income securities - local	156,185,952	85.36	123,598,140	89.30
Cash, deposit with a licensed financial institution and other net assets	26,785,980	14.64	14,805,718	10.70
Total	182,971,932	100.00	138,403,858	100.00

G. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions or rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the commissions received are retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund. All dealings with brokers are executed on best available terms.

During the financial period from 1 February 2023 to 31 July 2023, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers but have retained soft commissions in the form of goods and services such as research materials and advisory services that assist in decision making process relating to the investment of the Fund (i.e. research materials data and quotation services, computer hardware and software incidental to the investment management of the Fund and investment advisory services) which were of demonstrable benefits to the unitholders.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2023 TO 31 JULY 2023**

	01.02.2023 to 31.07.2023 RM	01.02.2022 to 31.07.2022 RM
INVESTMENT INCOME		
Profit/ Interest income	3,436,902	4,460,360
Net realised gain/ (loss) on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	-	42,971
- Unrealised gain/ (loss)	1,029,058	(3,075,400)
	<u>4,465,960</u>	<u>1,427,931</u>
EXPENSES		
Manager's fee	292,820	371,048
Trustee's fee	41,831	53,007
Auditors' remuneration	4,364	4,364
Tax agent's fee	1,736	1,736
Administrative expenses	459	788
	<u>341,210</u>	<u>430,943</u>
Net income before taxation	4,124,750	996,988
Taxation	-	-
Net income after taxation, and total comprehensive income for the financial period	<u>4,124,750</u>	<u>996,988</u>
Net income after taxation is made up of the following:		
Net realised income	3,095,692	4,072,388
Net unrealised income/ (loss)	1,029,058	(3,075,400)
	<u>4,124,750</u>	<u>996,988</u>
Distributions for the financial period:		
Net distributions	<u>2,640,784</u>	<u>3,733,408</u>
Gross/ Net distribution per unit (sen)	<u>1.50</u>	<u>2.00</u>
Distribution date (ex-date)	<u>26.07.2023</u>	<u>28.07.2022</u>

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

	31.07.2023	31.01.2023
	RM	RM
ASSETS		
Financial assets at FVTPL	156,185,952	123,598,140
Deposit with a licensed financial institution	22,060,000	8,708,000
Profit/ Interest income receivable	1,341,987	1,193,177
Amount due from Manager	483,357	-
Amount due from broker	-	4,820,514
Cash at bank	5,145,055	151,057
	<u>185,216,351</u>	<u>138,470,888</u>
LIABILITIES		
Amount due to Manager	54,136	46,216
Amount due to Trustee	7,734	6,602
Distribution payable	2,162,143	-
Other payables and accruals	20,406	14,212
TOTAL LIABILITIES	<u>2,244,419</u>	<u>67,030</u>
NET ASSETS VALUE ("NAV") OF THE FUND	<u>182,971,932</u>	<u>138,403,858</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISES:		
Unitholders' capital	178,564,791	135,480,683
Retained earnings	4,407,141	2,923,175
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>182,971,932</u>	<u>138,403,858</u>
NUMBER OF UNITS IN CIRCULATION (UNITS)	<u>178,899,117</u>	<u>136,661,976</u>
NAV PER UNIT (RM)	<u>1.0228</u>	<u>1.0127</u>

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

	Unitholders' capital RM	Retained earnings RM	Net assets attributable to unitholders RM
At 1 February 2023	135,480,683	2,923,175	138,403,858
Total comprehensive income for the financial period	-	4,124,750	4,124,750
Creation of units	72,917,041	-	72,917,041
Cancellation of units	(29,832,933)	-	(29,832,933)
Distributions	-	(2,640,784)	(2,640,784)
At 31 July 2023	<u>178,564,791</u>	<u>4,407,141</u>	<u>182,971,932</u>
At 1 February 2022	210,807,452	5,087,116	215,894,568
Total comprehensive income for the period	-	996,988	996,988
Creation of units	5,413,185	-	5,413,185
Reinvestment of units	3,178,459	-	3,178,459
Cancellation of units	(19,272,000)	-	(19,272,000)
Distributions	-	(3,733,408)	(3,733,408)
At 31 July 2022	<u>200,127,096</u>	<u>2,350,696</u>	<u>202,477,792</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2023 TO 31 JULY 2023**

	01.02.2023	01.02.2022
	to	to
	31.07.2023	31.07.2022
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net proceeds from sale and redemption of financial assets at FVTPL	16,820,514	19,624,507
Net payments for purchase of financial assets at FVTPL	(44,168,885)	(18,920,126)
Profit/ Interest received	3,898,223	4,656,346
Manager's fee paid	(284,900)	(373,238)
Trustee's fee paid	(40,700)	(53,320)
Payment of other fees and expenses	(367)	(6,050)
Net cash (used in)/ generated from operating and investing activities	<u>(23,776,115)</u>	<u>4,928,119</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	72,433,687	5,413,185
Cash paid on units cancelled	(29,832,933)	(19,272,000)
Distribution to unitholders	(478,641)	(554,949)
Net cash generated from/ (used in) financing activities	<u>42,122,113</u>	<u>(14,413,764)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD	18,345,998	(9,485,645)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>8,859,057</u>	<u>20,668,629</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>27,205,055</u>	<u>11,182,984</u>
Cash and cash equivalents comprise of:		
Deposit with a licensed financial institution with maturity of less than 3 months	22,060,000	11,039,000
Cash at bank	5,145,055	143,984
	<u>27,205,055</u>	<u>11,182,984</u>