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# MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Quarterly report

For the financial period from 1 February 2024 to 31 July 2024

## **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 2024 to 31 July 2024

#### 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

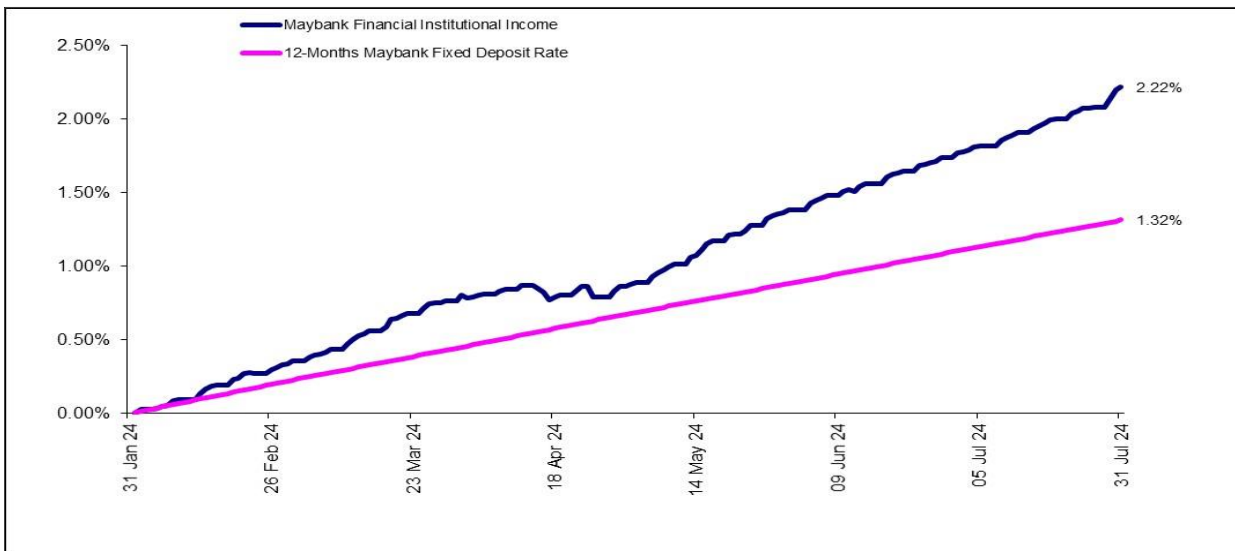
For the financial period from 1 February 2024 to 31 July 2024 (cont'd)

### B. Performance Review

Returns of the Fund and its benchmark for the financial period ended from 1 February 2024 to 31 July 2024 are as follows:

Period	The Fund %	Benchmark %
1 February 2024 to 31 July 2024	2.22	1.32

Performance of the Fund for the financial period from 1 February 2024 to 31 July 2024:



Source: Novagni Analytics and Advisory Sdn Bhd, as at 31 July 2024

*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.*

For the period under review, the Fund registered 2.22% return, outperforming its benchmark which posted a return of 1.32% in the corresponding period. The outperformance mainly attributed to the lower yield for the period and tightening of credit spread. The lower yield in local government bonds on the back of peaking policy rates and easing inflation expectations for local economy. Optimism on slower economic growth and lower inflation growth in global markets also boosted the performance of local bond market.

## **MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**

### **Manager's report**

**For the financial period from 1 February 2024 to 31 July 2024 (cont'd)**

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

For the financial period from 1 February 2024 to 31 July 2024, United States ("US") Federal Reserves ("Fed") speak pushed back against early rate cuts. UST was traded higher and the probability of Fed rate cut in March 2024 has been reduced to below 50% compared to more than 80% seen at the end of the year 2023. United States Treasury ("UST") yields surged 31 basis points ("bps") to 37 bps across the curve in 1Q24. For Malaysia, yield curve mostly shifted upward in the 1Q2024 on the back of the delayed Fed rate cut. The 10y closed at 3.86% for the quarter compared to 3.74% at the end of last year. Bank Negara Malaysia ("BNM") kept the Overnight Policy Rate ("OPR") at 3.00% in both January 2024 and March 2024 Monetary Policy Committee ("MPC") meeting. In term of currency, the United States Dollar ("USD") and Malaysian Ringgit ("MYR") spot surged past 4.80 briefly in February 2024 but rebounded strongly after that and closed the quarter at 4.725. BNM has increased the frequency of verbal interventions in support of the MYR, and stepped up the engagements with Government-Linked Investment Companies ("GLICs"), Government-Linked Companies ("GLCs"), corporates and investors to encourage inflows to the foreign exchange ("FX") market.

UST selloffs continue in 2Q24, however, appeared to attract gradual but consistent buy-on-dip demand unlike the freefall in September 2023 to October 2023. With soft-landing or no-landing an overwhelmingly high consensus, market optimism for risk assets are running high with high-yield corporate spreads at the tighter end of long-term range. The consecutive weeks of yield increase was finally halted in May 2024. The dovish rates pricing in January 2024 versus dot plot has been fully unwound with market expectations now largely aligned with that of the Fed. The Fed kept the Fed Funds Rate ("FFR") unchanged at 5.25% to 5.50% as widely expected. Markets piled risk on in stocks and bonds alike, after the Fed's stance that leaned dovish drove markets to a 1-way trade, while geopolitical conflict escalations also gave bonds an additional tailwind too in second half of July 2024. The UST curve shifted lower with 10y traded around 4.00% and 2y was around 4.26% level. Regional bonds continued to rally alongside global bonds. Local govvnies gains accelerated as overall yields closed firmer by 8 bps to 17 bps across the curve with 10y ended the July 2024 month at 3.72%.

#### **D. Market Outlook and Investment Strategy**

We expect the recovery in Malaysia's fixed income market to continue into 2H2024, as central banks around the world have peaked on profit/ interest rate hikes and are signalling a shift towards more accommodative monetary policy. The end of the central bank hiking cycle would present a more positive dynamic to yield movements globally, positively impacting Malaysian Government Securities ("MGS") yields to trend lower. Our view remains that BNM to maintain OPR at 3.00% in 2024 in the absence of demand pulled pressures, especially when Consumer Price Index ("CPI") numbers are relatively benign at the back of subsidy rationalisation exercises.

## MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

### Manager's report

For the financial period from 1 February 2024 to 31 July 2024 (cont'd)

#### D. Market Outlook and Investment Strategy (cont'd)

In term of growth prospect, Malaysia gross domestic product ("GDP") growth is projected to expand by 4.00% to 5.00% in year 2024. This justifies a continuation of current monetary policy stance. In addition, Govvies duration remains an important hedge in MYR portfolio allocation as global rates dynamics may descend unexpectedly from late cycle to end of cycle pricing. We believe that government bond yields are likely to decline in 2024, allowing for advantageous trading positioning. However, we do expect volatility to remain elevated amid the ebb and flow of recession fears and geopolitical tensions continue to linger in the backdrop.

Strategy wise, we will continue to trade opportunistically and realise profit/ interest, reinvesting into longer-duration and higher yield accretive bonds while also considering new primary issuances with higher yields to increase returns. We will maintain our neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup and will continue to trade opportunistically to realise profit/ interest.

#### F. Asset Allocation

The comparison of the Fund's asset allocation as at 31 July 2024 and 31 January 2024 are as follows:

Asset allocation	31.07.2024		31.01.2024	
	RM	%	RM	%
Unquoted fixed income securities - local	291,591,014	92.48	265,045,178	90.31
Cash, deposit with a licensed financial institution and other net assets	23,702,379	7.52	28,441,866	9.69
<b>Total</b>	<b>315,293,393</b>	<b>100.00</b>	<b>293,487,044</b>	<b>100.00</b>

#### 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 2024 to 31 July 2024, 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 2024 TO 31 JULY 2024**

	<b>01.02.2024 to 31.07.2024 RM</b>	<b>01.02.2023 to 31.07.2023 RM</b>
<b>INVESTMENT INCOME</b>		
Profit/ Interest income	6,612,554	3,436,902
Net realised gain on financial assets at fair value through profit and loss ("FVTPL")		
- Realised gain	638	-
- Unrealised gain	1,104,676	1,029,058
	<u>7,717,868</u>	<u>4,465,960</u>
<b>EXPENSES</b>		
Manager's fee	560,458	292,820
Trustee's fee	80,065	41,831
Auditors' remuneration	4,623	4,364
Tax agent's fee	7,131	1,736
Administrative expenses	1,751	459
	<u>654,028</u>	<u>341,210</u>
<b>Net income before taxation</b>	7,063,840	4,124,750
Taxation	-	-
<b>Net income after taxation, and total comprehensive income for the financial period</b>	<u>7,063,840</u>	<u>4,124,750</u>
<b>Net income after taxation is made up of the following:</b>		
Net realised income	5,959,164	3,095,692
Net unrealised income	1,104,676	1,029,058
	<u>7,063,840</u>	<u>4,124,750</u>
<b>Distributions for the financial period:</b>		
Net distributions	<u>5,016,296</u>	<u>2,640,784</u>
Gross/ Net distribution per unit (sen)	<u>1.65</u>	<u>1.50</u>
Distribution date (ex-date)	<u>26.07.2024</u>	<u>26.07.2023</u>



**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND****UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 JULY 2024**

	<b>31.07.2024</b>	<b>31.01.2024</b>
	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>		
Financial assets at FVTPL	291,591,014	265,045,178
Deposit with a licensed financial institution	25,744,784	29,673,288
Profit/ Interest income receivable	2,807,398	2,444,016
Amount due from Manager	-	227,723
Cash at bank	102,519	2,113
	<u>320,245,715</u>	<u>297,392,318</u>
<b>LIABILITIES</b>		
Amount due to Manager	342,951	136,307
Amount due to Trustee	13,705	13,316
Distribution payable	4,572,231	3,739,643
Other payables and accruals	23,435	16,008
<b>TOTAL LIABILITIES</b>	<u>4,952,322</u>	<u>3,905,274</u>
<b>NET ASSETS VALUE ("NAV") OF THE FUND</b>	<u>315,293,393</u>	<u>293,487,044</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISES:</b>		
Unitholders' capital	306,628,896	286,870,091
Retained earnings	8,664,497	6,616,953
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>315,293,393</u>	<u>293,487,044</u>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<u>303,443,152</u>	<u>284,200,700</u>
<b>NAV PER UNIT (RM)</b>	<u>1.0391</u>	<u>1.0327</u>

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND****UNAUDITED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2024 TO 31 JULY 2024**

	<b>Unitholders' capital RM</b>	<b>Retained earnings RM</b>	<b>Net assets attributable to unitholders RM</b>
At 1 February 2024	286,870,091	6,616,953	293,487,044
Total comprehensive income for the financial period	-	7,063,840	7,063,840
Creation of units	86,466,864	-	86,466,864
Reinvestment of units	3,739,643	-	3,739,643
Cancellation of units	(70,447,702)	-	(70,447,702)
Distributions	-	(5,016,296)	(5,016,296)
At 31 July 2024	<u>306,628,896</u>	<u>8,664,497</u>	<u>315,293,393</u>
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>

**MAYBANK FINANCIAL INSTITUTIONS INCOME FUND****UNAUDITED STATEMENT OF CASH FLOWS****FOR THE FINANCIAL PERIOD FROM 1 FEBRUARY 2024 TO 31 JULY 2024**

	<b>01.02.2024</b>	<b>01.02.2023</b>
	<b>to</b>	<b>to</b>
	<b>31.07.2024</b>	<b>31.07.2023</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	24,582,766	16,820,514
Net payments for purchase of financial assets at FVTPL	(50,023,288)	(44,168,885)
Profit/ Interest received	6,249,172	3,898,223
Manager's fee paid	(557,733)	(284,900)
Trustee's fee paid	(79,676)	(40,700)
Payment of other fees and expenses	(6,078)	(367)
Net cash used in operating and investing activities	<u>(19,834,838)</u>	<u>(23,776,115)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units created	86,694,588	72,433,687
Cash paid on units cancelled	(70,243,782)	(29,832,933)
Distribution to unitholders	(444,065)	(478,641)
Net cash generated from financing activities	<u>16,006,740</u>	<u>42,122,113</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>		
	(3,828,098)	18,345,998
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>		
	<u>29,675,401</u>	<u>8,859,057</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>		
	<u>25,847,303</u>	<u>27,205,055</u>
<b>Cash and cash equivalents comprise of:</b>		
Deposit with a licensed financial institution with maturity of less than 3 months	25,744,784	22,060,000
Cash at bank	102,519	5,145,055
	<u>25,847,303</u>	<u>27,205,055</u>