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MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Annual report
For the financial year ended 31 May 2024

CORPORATE INFORMATION

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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 2024

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's 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's distribution policy

The Fund may distribute from realised income, realised gains and/ or capital to enable the Fund to distribute income on a regular basis in accordance with the distribution policy of the Fund and meet the investment objective of the Fund to provide income to Unit Holders. 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.

Distribution out of the Fund's capital has a risk of eroding the capital of the Fund. It may reduce the Fund's capital available for future investment and the Fund's potential for future income generation; it may also cause the NAV of the Fund to fall over time. The greater the risk of capital erosion that exists, the greater the likelihood that, due to capital erosion, the value of future returns would also be diminished.

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 2024

The Fund did not make any distribution for the financial year ended 31 May 2024.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2024 (cont'd)

B. Performance Review

1. Key performance data of the Fund

| Category | FY2024 | FY2023 | FY2022 |
|--------------------------------------------|---------------|---------------|---------------|
| Portfolio Composition | | | |
| Unquoted fixed income securities(%) | 92.20 | 88.53 | 92.82 |
| - Australia | 14.45 | 8.28 | - |
| - British Virgin Island ("BVI") | 5.47 | - | 9.20 |
| - Cayman Islands | - | - | 4.71 |
| - China | 5.79 | - | - |
| - France | 4.98 | 9.20 | 5.02 |
| - Hong Kong | 9.46 | 8.62 | 14.42 |
| - India | 3.04 | - | 7.15 |
| - Indonesia | 5.64 | - | - |
| - Japan | - | 6.01 | - |
| - Philippines | 3.01 | - | 2.43 |
| - Singapore | - | 5.95 | 10.10 |
| - South Korea | - | 11.70 | 9.39 |
| - Switzerland | - | - | 3.67 |
| - Thailand | 16.85 | 12.97 | 12.77 |
| - United Kingdom | 19.01 | 20.73 | 9.23 |
| - United States | 4.50 | 5.07 | 4.73 |
| Cash and other net assets (%) | 7.80 | 11.47 | 7.18 |
| Total (%) | 100.00 | 100.00 | 100.00 |
| NAV (RM'000) | 30,802 | 38,492 | 44,058 |
| Units in circulation (units'000) | 29,145 | 38,214 | 42,412 |
| NAV per unit (RM) | 1.0568 | 1.0073 | 1.0388 |
| Highest NAV per unit (RM) | 1.0609 | 1.0447 | 1.1113 |
| Lowest NAV per unit (RM) | 1.0073 | 0.9664 | 1.0230 |
| Annual return (%) ⁽¹⁾ | | | |
| - Capital growth (%) | 4.91 | (3.03) | (4.23) |
| - Income distribution (%) | - | - | 0.92 |
| Total return | 4.91 | (3.03) | (3.35) |
| Benchmark (%) | 4.31 | 4.19 | 3.38 |
| Distribution date | - | - | 26/11/2021 |
| Gross distribution per unit (sen) | - | - | 1.00 |
| Net distribution per unit (sen) | - | - | 1.00 |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2024 (cont'd)

B. Performance Review (cont'd)

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

| Category | FY2024 | FY2023 | FY2022 |
|--------------------------------------------------------|--------|--------|--------|
| Total Expense Ratio ("TER") (%) ⁽²⁾ | 1.14 | 1.13 | 1.11 |
| Portfolio Turnover Ratio ("PTR")(times) ⁽³⁾ | 0.90 | 0.64 | 0.21 |

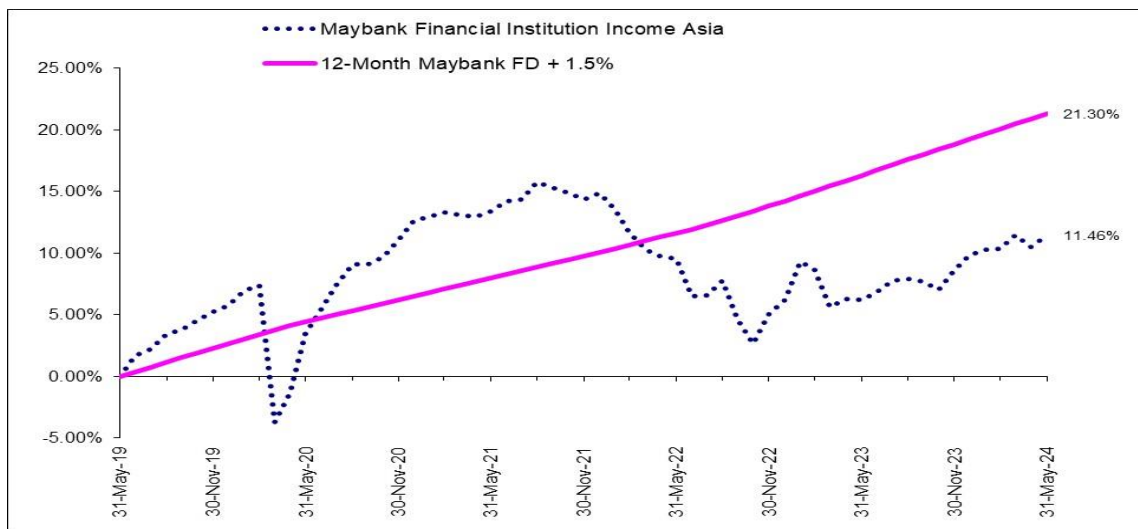
Note:

- (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 1.14 due to decreased in average daily NAV for the current financial year.
- (3) The Fund's PTR increased to 0.89 due to the increase in 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 2024

| Category (%) | 1 year to 31.05.2024 | 3 years to 31.05.2024 | 5 years to 31.05.2024 |
|--------------------------|-------------------------|--------------------------|--------------------------|
| Capital growth | 4.91 | (2.57) | (2.08) |
| Income distribution | - | 0.92 | 13.83 |
| Total return of the Fund | 4.91 | (1.67) | 11.46 |
| Benchmark | 4.31 | 12.36 | 21.30 |
| Average total return | 4.91 | (0.56) | 2.91 |



Source: Lipper, as at 31 May 2024

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2024 (cont'd)

B. Performance Review (cont'd)

2. Performance of the Fund 5 years to 31 May 2024 (cont'd)

The Fund generated a return of 4.91% for the financial year under review, outperforming by 60 basis points ("bps") compared to its benchmark of 4.31%. The outperformance is mainly attributed to the defensive positioning by holding a higher cash level during the rates sell-off environment, reducing high yield credit holdings and underweight duration during weak markets. On the other hand, foreign exchange hedging for the United States Dollar ("USD") to Ringgit Malaysia ("MYR") continued to be a performance detractor for the Fund.

3. Annual total return of the Fund

| Category (%) | 31.05.2024 | 31.05.2023 | 31.05.2022 | 31.05.2021 | 31.05.2020 |
|---------------------|------------|------------|------------|------------|------------|
| Annual total return | 4.91 | (3.03) | (3.35) | 9.59 | 1.09 |
| Benchmark | 4.31 | 4.19 | 3.38 | 3.38 | 4.47 |

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

In the second quarter of 2023, the news cycle was dominated by political infighting over the debt ceiling. Softer trends, such as moderate interest rate hikes or pauses in rate cycles, are gaining more traction across regions. The Federal Open Market Committee ("FOMC") raised rates by another 25 bps, bringing the Federal Reserve ("Fed") Fund target rate range to 5.00% to 5.25%, which was widely expected. Meanwhile, the European Central Bank ("ECB") increased its fixed interest rate by 25 bps in both May 2023 and June 2023, respectively, bringing its main rate from 3.00% to 3.50% in the second quarter of 2023. The Bank of England ("BOE") also followed suit by raising rates by 50 bps in May 2023, bringing its rate from 4.25% to 4.75%, and another 25 bps in June 2023, to 5.00% for the first half of 2023. In China, the recovery was delayed with weak economic data, which added headwinds to the Asia bond market. However, global bond performance was muted, with the 10-year United States Treasury ("UST") largely unchanged, closing at a 3.80% level for the first half of 2023.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2024 (cont'd)

C. Market Review (cont'd)

Key takeaways in the third quarter of 2023 included an update from the International Monetary Fund ("IMF"), projecting global growth to fall from an estimated 3.50% in 2022 to 3.00% in both 2023 and 2024. Expected global headline inflation is forecasted to decrease from 8.70% in 2022 to 6.80% in 2023 and further to 5.20% in 2024. On the policy rate front, the FOMC raised its 11th rate increase of 25 bps to a target range of 5.25% to 5.50% in July 2023 and maintained this rate in September 2023, as widely expected. New York Fed President John Williams indicated that the Fed may be done with rate hikes but would need to maintain a restrictive monetary policy for some time. The ECB delivered an unexpected dovish rate hike (+25 bps), bringing the benchmark deposit rate to 4.00%, cutting the Eurozone's growth outlook, and signalling an end to its tightening cycle.

The fourth quarter of 2023 began with higher treasury yields. The UST Curve bear steepened, with the longer end leading the rise in October 2023, with the 30-year yield rising by 31 bps. The ECB's key interest rate remained unchanged at 4.00% in both October 2023 and December 2023, and the BOE also kept its interest rate unchanged at 5.25%. Meanwhile, the Bank of Japan ("BoJ") continued to adjust its yield curve control policy and established 1.00% as the reference point for the 10-year Japanese government bond yield. The Fed paused in the November 2023 FOMC meeting, signalling a peak in policy rates, and bonds staged a massive rally in the final two months. The UST curve bull-flattened, with yields falling from 84 bps to 106 bps between November 2023 and December 2023. The 10-year UST yield ended the year unchanged Year-over-Year ("YoY") at 3.88%, and USTs managed to post a decent total return of 4.10% in 2023 after two consecutive years of losses in 2022 (-12.50%) and 2021 (-2.30%).

As for the new year of 2024, United States ("US") Fed officials pushed back against early rate cuts. USTs traded higher, and the probability of a Fed rate cut in March 2023 has been reduced to below 50.00%, compared to more than 80.00% seen at the end of the previous year. Weighed down by stronger-than-expected economic data, market pricing for the total rate cut in 2024 has been reduced to about 75 bps/ 3 cuts, compared with 150 bps/ 6 cuts previously. UST sell-offs continued into the second quarter of 2024; however, they appeared to attract gradual but consistent buy-on-dip demand. The consecutive weeks of yield increases were finally halted in May 2024, and the UST curve bull-steepened. Overall, UST yields curved stronger by 13 bps to 21 bps in May 2024, closing the 10-year UST at 4.50% and the 2-year at 4.87%, with a 2-year/ 10-year inversion gap of -37 bps. In its 30 April 2024, and 1 May 2024, FOMC meeting, the Fed unanimously agreed to keep the target range of its Fed Funds Target Rate ("FFTR") unchanged at 5.25% to 5.50%, as widely expected. Two highlights in the May 2024 monetary policy statement ("MPS") were the Fed slowing the pace of quantitative tightening ("QT") by decreasing the monthly reduction of UST to US\$25 billion (from US\$60 billion currently) and inserting a line in the MPS to reflect concerns about stickier-than-expected US inflation in the first quarter of 2024. Outside the US, both the Bank of Canada and the ECB are widely expected to cut rates by 25 bps in June 2024, with markets pricing in 80.00% and 95.00%, respectively.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

Manager's report

For the financial year ended 31 May 2024 (cont'd)

D. Market Outlook & Strategy

We had envisioned a year of bountiful harvest, expecting bond yields to rally with the US Fed cutting interest rates early in financial year 2024. However, thus far, the US economy has remained resilient despite high borrowing rates. This suggests that the US may be able to engineer a soft landing, defying expectations of an impending recession. Therefore, the US Fed is not in a rush to cut, and interest rates could remain high for longer. However, staying high does not necessarily mean interest rates will go higher and erode interest income. From a positive angle, it could mean that returns will be measured yearly for the next three years, making them more sustainable over a longer period. Bond yields remain high and attractive as a form of steady income for investors.

We remain confident that bonds should be able to deliver decent returns for the full year of financial year of 2024. Current bond yields at 6.00% are comfortably high compared to historic yields over the past twenty years, excluding the 2008 Lehman crisis. As long as the US Fed does not pivot back to hiking rates, bonds should continue to provide attractive income for investors in the next two to three years. We are keeping portfolio duration relatively short, at around 3 years, to wait for better entry levels to add duration.

Overall, we continue to be nimble as markets fluctuate between inflation pressures and interest rate cuts. Nonetheless, we are fairly confident that we are approaching the end of the interest rate hiking cycle. Persistent inflation will delay interest rate cuts, allowing investors to enjoy high coupon income for longer. Hence, we remain invested in bonds and expect to generate returns between 6.00% to 8.00% per annum for the medium-term horizon.

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 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.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND ("FUND") FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

We have acted as Trustee of the Fund for the financial year ended 31 May 2024 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
22 July 2024

STATEMENT BY MANAGER

**TO THE UNITHOLDERS OF
MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024**

We, Dr Hasnita Binti Dato' Hashim and Muhammad Hishamudin Bin Hamzah, 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 2024 and of its results, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 May 2024 and comply with the requirements of the Deeds.

For and on behalf of the Manager

Dr Hasnita Binti Dato' Hashim
Chairman

Muhammad Hishamudin Bin Hamzah
Director

Kuala Lumpur, Malaysia
22 July 2024

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 of the Fund as at 31 May 2024, and statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 7 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 May 2024, 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 of the Fund ("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 scepticism 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
22 July 2024

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024**

| | Note | 2024 RM | 2023 RM |
|-------------------------------------------------------------------------------------------------------------------|------|------------------|--------------------|
| INVESTMENT INCOME/ (LOSS) | | | |
| Profit/ Interest income | 3 | 1,763,820 | 2,322,354 |
| Net gain/ (loss) from financial assets at fair value through profit or loss ("FVTPL") | | | |
| - Realised loss | | (416,275) | (3,030,863) |
| - Unrealised gain | | 1,422,564 | 416,319 |
| Net loss on foreign exchange and derivatives | 4 | (701,363) | (268,515) |
| | | <u>2,068,746</u> | <u>(560,705)</u> |
| EXPENSES | | | |
| Manager's fee | 5 | 309,803 | 396,330 |
| Trustee's fee | 6 | 15,000 | 15,853 |
| Auditors' remuneration | | 9,270 | 10,000 |
| Tax agent's fee | | 3,900 | 6,900 |
| Administrative expenses | | 14,484 | 18,099 |
| | | <u>352,457</u> | <u>447,182</u> |
| Net results before taxation | | 1,716,289 | (1,007,887) |
| Taxation | 7 | (306,837) | (416,745) |
| Net results after taxation, and representing total comprehensive income/ (loss) for the financial year | | <u>1,409,452</u> | <u>(1,424,632)</u> |
| Net results after taxation is made of the following: | | | |
| Realised loss | | (808,391) | (579,443) |
| Unrealised income/ (loss) | | 2,217,843 | (845,189) |
| | | <u>1,409,452</u> | <u>(1,424,632)</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 2024**

| | Note | 2024 RM | 2023 RM |
|-------------------------------------------------------------------------|---------------|-------------------|-------------------|
| ASSETS | | | |
| Financial assets at FVTPL | 8 | 28,387,906 | 34,088,633 |
| Derivative assets | 9 | 426,097 | 63,793 |
| Deposit with a licensed financial institution | 10 | 1,172,981 | 2,604,213 |
| Tax recoverable | | 6,519 | - |
| Profit/ Interest receivable | | 312,437 | 444,947 |
| Amount due from Manager | 11 | 98,039 | 48,780 |
| Cash at bank | 12 | 560,598 | 2,762,842 |
| TOTAL ASSETS | | <u>30,964,577</u> | <u>40,013,208</u> |
| LIABILITIES | | | |
| Derivative liabilities | 9 | 7,474 | 1,394,795 |
| Amount due to Manager | 11 | 129,059 | 32,512 |
| Amount due to Trustee | 13 | 3,633 | 1,300 |
| Provision for tax | | - | 72,119 |
| Other payables and accruals | | 22,805 | 20,322 |
| TOTAL LIABILITIES | | <u>162,971</u> | <u>1,521,048</u> |
| NET ASSETS VALUE ("NAV") OF THE FUND | | <u>30,801,606</u> | <u>38,492,160</u> |
| NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF THE FUND COMPRISE: | | | |
| Unitholders' capital | 14(a) | 32,262,449 | 41,362,455 |
| Accumulated losses | 14(b) & 14(c) | (1,460,843) | (2,870,295) |
| | | <u>30,801,606</u> | <u>38,492,160</u> |
| NUMBER OF UNITS IN CIRCULATION (UNITS) | 14(a) | <u>29,145,308</u> | <u>38,213,541</u> |
| NAV PER UNIT (RM) | | <u>1.0568</u> | <u>1.0073</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 2024**

| | Unitholders' capital Note 14(a) RM | Accumulated losses Notes 14(b) & 14(c) RM | Net assets attributable to unitholders RM |
|------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|
| At 1 June 2023 | 41,362,455 | (2,870,295) | 38,492,160 |
| Total comprehensive income for the financial year | - | 1,409,452 | 1,409,452 |
| Creation of units | 18,471,818 | - | 18,471,818 |
| Cancellation of units | (27,571,824) | - | (27,571,824) |
| At 31 May 2024 | <u>32,262,449</u> | <u>(1,460,843)</u> | <u>30,801,606</u> |
| 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> |

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 2024**

| | 2024 | 2023 |
|------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Net proceeds from sale and redemption of financial assets at FVTPL | 31,554,318 | 29,020,996 |
| Net payments for purchase of financial assets at FVTPL | (23,784,704) | (21,949,467) |
| Interest received | 1,607,798 | 2,337,992 |
| Net receipt/ (settlement) for realised foreign exchange loss | 51,670 | (94,594) |
| Net realised loss on derivatives | (3,400,052) | (1,143,636) |
| Taxation paid | (385,474) | (344,626) |
| Manager's fee paid | (316,687) | (401,210) |
| Trustee's fee paid | (12,667) | (16,049) |
| Payment of other fees and expenses | (25,171) | (31,666) |
| Net cash generated from operating and investing activities | <u>5,289,031</u> | <u>7,377,740</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash received from units created | 18,422,559 | 4,162,093 |
| Cash paid on units cancelled | (27,468,393) | (8,352,097) |
| Net cash used in financing activities | <u>(9,045,834)</u> | <u>(4,190,004)</u> |
| NET CHANGES IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR | (3,756,803) | 3,187,736 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | 5,367,055 | 2,775,187 |
| Effects of foreign exchange | 123,327 | (595,868) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | <u>1,733,579</u> | <u>5,367,055</u> |
| Cash and cash equivalents comprise: | | |
| Cash at bank (Note 12) | 560,598 | 2,762,842 |
| Deposit with a licensed financial institution with original maturity of less than 3 months (Note 10) | 1,172,981 | 2,604,213 |
| | <u>1,733,579</u> | <u>5,367,055</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 2024

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 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 any other 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 22 July 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 Interpretations 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.2 Standards and Amendments to Standards issued but not yet effective

The following are Standards and Amendments to Standards 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 |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Amendments to MFRS 16: <i>Lease Liability in a Sale and Leaseback</i> | 1 January 2024 |
| Amendments to MFRS 101: <i>Non-current Liabilities with Covenants</i> | 1 January 2024 |
| Amendments to MFRS 107 and MFRS 7: <i>Supplier Finance Arrangements</i> | 1 January 2024 |
| Amendments to MFRS 121: <i>Lack of Exchangeability</i> | 1 January 2025 |
| 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.4 Financial assets (cont'd)

(i) Financial assets at amortised cost (cont'd)

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 profit/ 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.

The Fund classifies cash and cash equivalents, profit/ interest receivables and amount due from Manager as financial assets at amortised cost. These assets are subsequently measured using the effective interest rate/ effective profit rate ("EIR/ EPR") method and are subject to impairment. The EIR/ EPR 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.

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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.4 Financial assets (cont'd)

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

Profit/ 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 is 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.

(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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.4 Financial assets (cont'd)

(iv) Derecognition (cont'd)

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 Trustee, 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/ EPR method.

The EIR/ EPR is a method of calculating the amortised cost of the financial liability and of allocating and recognising the profit/ 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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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 distribution payment date. Reinvestment of units is based on the NAV per unit on the distribution 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 licensed financial institution with original maturity of three (3) months or less which have an insignificant risk of changes in value.

2.11 Revenue/ Income

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

Profit/ Interest income from unquoted fixed income securities and deposits with a licensed financial institution are recognised on the accruals basis using the EIR/ EPR method.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.11 Revenue/ Income (cont'd)

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 NAV attributable to unitholders. 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.

3. PROFIT/ INTEREST INCOME

| | 2024 RM | 2023 RM |
|---------------------------------------------------------------|------------------|------------------|
| Profit/ Interest income from unquoted fixed income securities | 1,389,613 | 2,372,514 |
| Profit/ Interest income from short-term deposits | 85,675 | 43,168 |
| Amortisation of premium, net of accretion of discount | 288,532 | (93,328) |
| | <u>1,763,820</u> | <u>2,322,354</u> |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

4. NET LOSS ON FOREIGN EXCHANGE AND DERIVATIVES

| | 2024 RM | 2023 RM |
|-------------------------------------------------|------------------|------------------|
| Net realised gain on foreign exchange | 1,881,530 | 2,235,196 |
| Net unrealised (loss)/ gain on foreign exchange | (954,346) | 294 |
| Net realised loss on derivatives | (3,378,172) | (1,175,138) |
| Net unrealised gain/ (loss) on derivatives | 1,749,625 | (1,328,867) |
| | <u>(701,363)</u> | <u>(268,515)</u> |

5. MANAGER'S FEE

The Manager's fee is computed on a daily basis up to 1.00% per annum ("p.a.") (2023: up to 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 up to 0.04% p.a. (2023: up to 0.04% p.a.) of the NAV of the Fund, subject to a minimum fee of RM15,000 p.a. (2023: minimum fee RM15,000 p.a.) and a maximum fee of RM 150,000 p.a. (2023: maximum fee of RM 150,000 p.a.). The Trustee fee is calculated and accrued daily and payable monthly to the Trustee.

7. TAXATION

| | 2024 RM | 2023 RM |
|-------------------------------------|----------------|----------------|
| Tax expense for the financial year: | | |
| Current income tax expense | <u>306,837</u> | <u>416,745</u> |

Income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 24%) of the estimated assessable income for the financial year. Profit/ 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.

Income derived from sources outside Malaysia may be 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

7. TAXATION (CONT'D)

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

| | 2024 RM | 2023 RM |
|-------------------------------------------------------|-------------|-------------|
| Net results before taxation | 1,716,289 | (1,007,887) |
| Tax at Malaysian statutory rate of 24% (2023: 24%) | 411,909 | (241,893) |
| Income not subject to tax | (1,260,125) | (777,054) |
| Loss not deductible for tax purposes | 1,070,463 | 1,328,368 |
| Expenses not deductible for tax purposes | 84,590 | 107,324 |
| Tax expense for the financial year | 306,837 | 416,745 |

8. FINANCIAL ASSETS AT FVTPL

| | 2024 RM | 2023 RM |
|----------------------------------|------------|------------|
| Unquoted fixed income securities | 28,387,906 | 34,088,633 |

| 2024 | Quantity Unit | Aggregate cost RM | Market value RM | Percentage of NAV % |
|-------------------------------------------------------------------|------------------|-------------------------|-----------------------|---------------------------|
| Unquoted fixed income securities | | | | |
| Australia | | | | |
| Australia and New Zealand Banking Group Ltd - 6.74%/ Perpetual | | | | |
| | 250,000 | 947,881 | 953,519 | 3.10 |
| Macquarie Bank Ltd - 3.05%/ 03.03.2031 | | | | |
| | 400,000 | 1,511,247 | 1,551,939 | 5.04 |
| National Australia Bank Ltd - 3.35%/ 12.01.2032 | | | | |
| | 300,000 | 1,161,277 | 1,175,825 | 3.82 |
| Westpac Banking Corp - 2.68%/ Perpetual | | | | |
| | 200,000 | 761,829 | 767,793 | 2.49 |
| | <u>1,150,000</u> | <u>4,382,234</u> | <u>4,449,076</u> | <u>14.45</u> |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2024 (cont'd) | Quantity Unit | Aggregate cost RM | Market value RM | Percentage of NAV % |
|--------------------------------------------------------------|------------------|-------------------------|-----------------------|---------------------------|
| Unquoted fixed income securities (cont'd) | | | | |
| British Virgin Island ("BVI") | | | | |
| Huarong Finance - 3.80%/ 07.11.2025 | 500,000 | 1,665,363 | 1,685,276 | 5.47 |
| China | | | | |
| Zhongan Online P & C Insurance Ltd - 3.50%/ 08.03.2026 | 400,000 | 1,715,085 | 1,782,574 | 5.79 |
| France | | | | |
| BNP Paribas S.A. - 4.50%/ Perpetual | 400,000 | 1,492,128 | 1,533,214 | 4.98 |
| Hong Kong | | | | |
| AIA Group - 2.70%/ Perpetual | 400,000 | 1,734,691 | 1,750,900 | 5.68 |
| Nanyang Commercial Bank Ltd - 3.80%/ 20.11.2024 | 250,000 | 1,038,234 | 1,162,851 | 3.78 |
| | 650,000 | 2,772,925 | 2,913,751 | 9.46 |
| India | | | | |
| Shriram Finance Ltd - 6.62%/ Perpetual | 200,000 | 938,080 | 934,873 | 3.04 |
| Indonesia | | | | |
| Bank Negara Indonesia - 4.30%/ Perpetual | 400,000 | 1,682,408 | 1,736,560 | 5.64 |
| Philippines | | | | |
| Rizal Commercial Banking - 6.50%/ Perpetual | 200,000 | 900,518 | 925,727 | 3.01 |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

| 2024 (cont'd) | Quantity Unit | Aggregate cost RM | Market value RM | Percentage of NAV % |
|-------------------------------------------------------------|------------------|-------------------------|-----------------------|---------------------------|
| Unquoted fixed income securities (cont'd) | | | | |
| Thailand | | | | |
| Bangkok Bank Plc - 3.47%/ 23.09.2036 | 300,000 | 1,247,051 | 1,169,417 | 3.80 |
| Kasikorn Bank Plc - 5.27%/ Perpetual | 300,000 | 1,238,389 | 1,372,866 | 4.46 |
| Minor International - 2.70%/ Perpetual | 400,000 | 1,755,689 | 1,763,735 | 5.73 |
| Muang Thai Life Assurance - 3.55%/ 27.01.2037 | 200,000 | 832,062 | 880,240 | 2.86 |
| | <u>1,200,000</u> | <u>5,073,191</u> | <u>5,186,258</u> | <u>16.85</u> |
| United Kingdom | | | | |
| Barclays Plc - 7.30%/ Perpetual | 500,000 | 1,697,963 | 1,794,035 | 5.82 |
| HSBC Holdings - 4.60%/ Perpetual | 400,000 | 1,554,440 | 1,576,236 | 5.12 |
| Standard Chartered - 4.30%/ Perpetual | 400,000 | 1,535,274 | 1,552,165 | 5.04 |
| - 7.88%/ Perpetual | 200,000 | 953,602 | 933,198 | 3.03 |
| | <u>1,500,000</u> | <u>5,741,279</u> | <u>5,855,634</u> | <u>19.01</u> |
| United States | | | | |
| Bank of Montreal - 4.80%/ Perpetual | 300,000 | 1,235,301 | 1,384,963 | 4.50 |
| Total unquoted fixed income securities | <u>6,900,000</u> | <u>27,598,512</u> | <u>28,387,906</u> | <u>92.20</u> |
| Unrealised gain on unquoted fixed income securities* | | | <u>789,394</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 % |
|--------------------------------------------------------------------|------------------|-------------------------|-----------------------|---------------------------|
| 2023 | | | | |
| Unquoted fixed income securities | | | | |
| Australia | | | | |
| Australia and New Zealand Banking Group Ltd - 6.74%/ 08.12.2032 | | | | |
| | 200,000 | 901,881 | 952,566 | 2.47 |
| National Australia Bank New York Branch - 3.50%/ 09.06.2025 | | | | |
| | 500,000 | 2,224,745 | 2,235,954 | 5.81 |
| | <u>700,000</u> | <u>3,126,626</u> | <u>3,188,520</u> | <u>8.28</u> |
| France | | | | |
| BNP Paribas S.A. - 6.63%/ Perpetual | | | | |
| | 500,000 | 2,035,865 | 2,218,319 | 5.76 |
| Société Générale S.A. - 9.38%/ Perpetual | | | | |
| | 300,000 | 1,373,868 | 1,323,163 | 3.44 |
| | <u>800,000</u> | <u>3,409,733</u> | <u>3,541,482</u> | <u>9.20</u> |
| Hong Kong | | | | |
| Nanyang Commercial Bank Ltd - 3.80%/ 20.11.2024 | | | | |
| | 500,000 | 2,075,584 | 2,204,626 | 5.73 |
| Xiaomi Best Time International Ltd - 3.38%/ 29.04.2030 | | | | |
| | 300,000 | 1,076,777 | 1,113,546 | 2.89 |
| | <u>800,000</u> | <u>3,152,361</u> | <u>3,318,172</u> | <u>8.62</u> |

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 % |
|---------------------------------------------------------|------------------|-------------------------|-----------------------|---------------------------|
| Unquoted fixed income securities (cont'd) | | | | |
| Japan | | | | |
| Aozora Bank - 5.90%/ 02.03.2026 | 200,000 | 885,350 | 930,537 | 2.42 |
| Mizuho Financial Group Inc - 5.41%/ 13.09.2028 | 300,000 | 1,350,207 | 1,383,012 | 3.59 |
| | <u>500,000</u> | <u>2,235,557</u> | <u>2,313,549</u> | <u>6.01</u> |
| Singapore | | | | |
| DBS Group Holdings Ltd - 4.52%/ 11.12.2028 | 500,000 | 2,247,235 | 2,290,589 | 5.95 |
| South Korea | | | | |
| Shinhan Financial Group Co Ltd - 2.88%/ Perpetual | 300,000 | 1,396,097 | 1,371,435 | 3.56 |
| Woori Bank - 4.88%/ 26.01.2028 | 200,000 | 861,815 | 925,622 | 2.40 |
| - 4.25%/ Perpetual | 500,000 | 2,171,104 | 2,210,689 | 5.74 |
| | <u>1,000,000</u> | <u>4,429,016</u> | <u>4,507,746</u> | <u>11.70</u> |
| Thailand | | | | |
| Bangkok Bank Plc - 3.47%/ 23.09.2036 | 300,000 | 1,247,052 | 1,113,256 | 2.89 |
| Kasikorn Bank Plc - 5.46%/ 07.03.2028 | 200,000 | 896,816 | 937,029 | 2.43 |
| - 5.28%/ Perpetual | 500,000 | 2,064,432 | 2,140,332 | 5.56 |
| Muang Thai Life Assurance - 3.55%/ 27.01.2037 | 200,000 | 832,040 | 804,071 | 2.09 |
| | <u>1,200,000</u> | <u>5,040,340</u> | <u>4,994,688</u> | <u>12.97</u> |

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 % |
|-------------------------------------------------------------|--------------------------|----------------------------------|--------------------------------|------------------------------------|
| Unquoted fixed income securities (cont'd) | | | | |
| United Kingdom | | | | |
| Barclays Plc - 7.30%/ Perpetual | 250,000 | 830,864 | 746,249 | 1.94 |
| HSBC Holdings - 5.25%/ 27.06.2032 | 500,000 | 1,584,879 | 1,718,283 | 4.46 |
| - 8.00%/ Perpetual | 200,000 | 896,720 | 913,349 | 2.37 |
| Macquarie Bank London - 6.13%/ Perpetual | 800,000 | 3,338,253 | 3,183,421 | 8.27 |
| Standard Chartered - 7.78%/ 16.11.2024 | 300,000 | 1,419,912 | 1,419,140 | 3.69 |
| | <u>2,050,000</u> | <u>8,070,628</u> | <u>7,980,442</u> | <u>20.73</u> |
| United States | | | | |
| Bank of Montreal - 4.80%/ Perpetual | 500,000 | 2,058,844 | 1,953,445 | 5.07 |
| Total unquoted fixed income securities | <u>8,050,000</u> | <u>33,770,340</u> | <u>34,088,633</u> | <u>88.53</u> |
| Unrealised gain on unquoted fixed income securities* | | | <u>318,293</u> | |

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

9. DERIVATIVE ASSETS/ (LIABILITIES)

| 2024 | Notional principal amount | Fair Value | |
|---------------------------------------------------|---------------------------------|----------------|--------------------|
| | | Assets RM | Liabilities RM |
| <u>Foreign exchange related contracts</u> | | | |
| Currency forwards: | SGD | | |
| Less than 1 year | 1,053,400 | 31,614 | - |
| Currency forwards: | USD | | |
| Less than 1 year | 5,724,000 | 394,483 | (7,474) |
| Total derivatives assets & liabilities | | 426,097 | (7,474) |
| 2023 | | | |
| <u>Foreign exchange related contracts</u> | | | |
| Currency forwards: | SGD | | |
| Less than 1 year | 1,037,400 | 63,793 | - |
| Currency forwards: | USD | | |
| Less than 1 year | 7,593,899 | - | (1,394,795) |
| Total derivatives assets & liabilities | | 63,793 | (1,394,795) |

As at the reporting date, there were 6 (2023: 3) forward exchange contracts outstanding.

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 United States Dollar ("USD") and Singapore Dollar ("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

| | 2024 RM | 2023 RM |
|------------------------------------------------------------|------------|------------|
| Short-term placement with a maturity of less than 3 months | 1,172,981 | 2,604,213 |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

10. DEPOSIT WITH A LICENSED FINANCIAL INSTITUTION (CONT'D)

The weighted average effective interest rates/ weighted average effective profit rates ("WAEIR/ WAEPR") 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:

| | 2024 | | 2023 | |
|-----------------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | WAEIR/ WAEPR % p.a. | Average maturity Days | WAEIR/ WAEPR % p.a. | Average maturity Days |
| Deposit with a licensed financial institution | 3.15 | 4 | 2.95 | 1 |

11. AMOUNT DUE FROM/ TO MANAGER

| | Note | 2024 RM | 2023 RM |
|--------------------------------|-------|------------|------------|
| Amount due from Manager | | | |
| Subscription units | (i) | 98,039 | 48,780 |
| Amount due to Manager | | | |
| Manager's fee | (ii) | 25,628 | 32,512 |
| Cancellation of units | (iii) | 103,431 | - |
| | | 129,059 | 32,512 |

- (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 (2023: 15 days).
(iii) The amount represents amount payable to the Manager for units redeemed or cancelled.

12. CASH AT BANK

| | 2024 RM | 2023 RM |
|-----|------------|------------|
| USD | 290,686 | 1,857,902 |
| SGD | 263,943 | 895,538 |
| RM | 5,969 | 9,402 |
| | 560,598 | 2,762,842 |

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 (2023: 15 days).

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

14. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

| | Note | 2024 RM | 2023 RM |
|---------------------------------------|------|-------------------|-------------------|
| Unitholders' capital | (a) | 32,262,449 | 41,362,455 |
| Accumulated realised losses | (b) | (1,092,629) | (284,238) |
| Accumulated unrealised income/ (loss) | (c) | (368,214) | (2,586,057) |
| | | <u>30,801,606</u> | <u>38,492,160</u> |

(a) Unitholders' capital

| | 2024 | | 2023 | |
|----------------------------------------|---------------------|---------------------|--------------------|--------------------|
| | No. of units | RM | No. of units | RM |
| At the beginning of the financial year | 38,213,541 | 41,362,455 | 42,412,303 | 45,503,679 |
| Creation of units | 17,750,644 | 18,471,818 | 4,120,698 | 4,210,874 |
| Cancellation of units | <u>(26,818,877)</u> | <u>(27,571,824)</u> | <u>(8,319,460)</u> | <u>(8,352,098)</u> |
| At the end of the financial year | <u>29,145,308</u> | <u>32,262,449</u> | <u>38,213,541</u> | <u>41,362,455</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:

| | 2024 | | 2023 | |
|-------------|--------------|--------------|--------------|--------------|
| | No. of units | RM | No. of units | RM |
| The Manager | <u>1,390</u> | <u>1,469</u> | <u>1,390</u> | <u>1,400</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 losses

| | 2024 RM | 2023 RM |
|------------------------------------------|--------------------|------------------|
| At the beginning of the financial year | (284,238) | 295,205 |
| Net realised loss for the financial year | <u>(808,391)</u> | <u>(579,443)</u> |
| At the end of the financial year | <u>(1,092,629)</u> | <u>(284,238)</u> |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

14. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONT'D)

(c) Accumulated unrealised income/ (loss)

| | 2024 RM | 2023 RM |
|------------------------------------------------------|------------------|--------------------|
| At the beginning of financial year | (2,586,057) | (1,740,868) |
| Net unrealised income/ (loss) for the financial year | 2,217,843 | (845,189) |
| At the end of the financial year | <u>(368,214)</u> | <u>(2,586,057)</u> |

15. TRANSACTIONS WITH DEALERS/ FINANCIAL INSTITUTIONS

Details of transactions with dealers are as follows:

| Dealers | 2024 | |
|------------------------------------|--------------------------|---------------------------------------|
| | Value of trades RM | Percentage of total trades % |
| ANZ Banking Group Ltd | 9,497,703 | 18.09 |
| Merrill Lynch United States | 9,292,860 | 17.71 |
| HSBC Bank Malaysia Bhd | 6,773,035 | 12.91 |
| BNP Paribas Hong Kong | 6,676,473 | 12.72 |
| Citibank Bhd | 6,419,726 | 12.23 |
| JP Morgan Chase, New York | 3,178,659 | 6.06 |
| Nomura Securities Malaysia Sdn Bhd | 2,489,345 | 4.74 |
| Standard Chartered Bank Singapore | 2,270,366 | 4.33 |
| Standard Chartered Bank London | 1,661,836 | 3.17 |
| Guotai Junan Sec (Hong Kong) Ltd | 1,377,356 | 2.62 |
| Others | 2,844,133 | 5.42 |
| | <u>52,481,492</u> | <u>100.00</u> |

| Dealers | 2023 | |
|-----------------------------------|--------------------------|---------------------------------------|
| | Value of trades RM | Percentage of total trades % |
| HSBC Bank Malaysia Bhd | 11,291,278 | 19.17 |
| Citibank Bhd | 8,376,605 | 14.22 |
| MBB* | 19,667,883 | 33.39 |
| BNP Paribas Hong Kong | 5,060,150 | 8.59 |
| ANZ Banking Group Ltd | 4,223,117 | 7.17 |
| DBS Securities | 3,240,253 | 5.50 |
| Merrill Lynch United States | 1,843,424 | 3.13 |
| Standard Chartered Bank Singapore | 1,419,990 | 2.41 |
| SC LOWY Primary Investments Ltd | 1,369,920 | 2.33 |
| Mizuho Securities Asia Ltd | 1,350,330 | 2.29 |
| Others | 1,063,687 | 1.80 |
| | <u>58,906,637</u> | <u>100.00</u> |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

15. TRANSACTIONS WITH DEALERS/ FINANCIAL INSTITUTIONS (CONT'D)

Details of transactions, primarily deposits with licensed financial institutions are as follows:

| Financial institutions | 2024 | | 2023 | |
|----------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| | Value of placements RM | Percentage of total placements % | Value of placements RM | Percentage of total placements % |
| MBB* | 472,504,726 | 88.35 | 402,463,791 | 100.00 |
| CIMB Bank Bhd | 57,118,113 | 10.68 | - | - |
| Public Islamic Bank Bhd | 3,500,000 | 0.65 | - | - |
| Maybank Islamic Bhd ("MIB")** | 1,690,000 | 0.32 | - | - |
| | <u>534,812,839</u> | <u>100.00</u> | <u>402,463,791</u> | <u>100.00</u> |

* MBB is the ultimate holding company of the Manager.

** MIB is a subsidiary of MBB, the ultimate holding company of the Manager

16. 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:

| | 2024 RM | 2023 RM |
|---------------------------------------------------|------------------|------------------|
| (a) Significant related party transactions | | |
| MBB: | | |
| Interest income from deposit placement | <u>57,462</u> | <u>43,168</u> |
| MIB: | | |
| Profit income from deposit placement | <u>134</u> | <u>-</u> |
| (b) Significant related party balances | | |
| MBB: | | |
| Deposit with a licensed financial institution | <u>1,172,981</u> | <u>2,604,213</u> |
| Interest receivable | <u>101</u> | <u>210</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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

17. 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 2024, the TER of the Fund stood at 1.14% (2023: 1.13%).

18. 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 2024, the PTR of the Fund stood at 0.89 times (2023: 0.64 times).

19. 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.

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.

20. 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 material accounting policy information 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

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

| 2024 | Financial instruments at FVTPL RM | Financial assets at amortised cost RM | Financial liabilities at amortised cost RM | Total RM |
|-----------------------------------------------|------------------------------------------|----------------------------------------------|---------------------------------------------------|-------------------|
| Financial assets | | | | |
| Financial assets at FVTPL | 28,387,906 | - | - | 28,387,906 |
| Derivative assets | 426,097 | - | - | 426,097 |
| Deposit with a licensed financial institution | - | 1,172,981 | - | 1,172,981 |
| Profit/ Interest receivable | - | 312,437 | - | 312,437 |
| Amount due from Manager | - | 98,039 | - | 98,039 |
| Cash at bank | - | 560,598 | - | 560,598 |
| Total financial assets | 28,814,003 | 2,144,055 | - | 30,958,058 |
| Financial liabilities | | | | |
| Derivative liabilities | 7,474 | - | - | 7,474 |
| Amount due to Manager | - | - | 129,059 | 129,059 |
| Amount due to Trustee | - | - | 3,633 | 3,633 |
| Other payables and accruals | - | - | 22,805 | 22,805 |
| Total financial liabilities | 7,474 | - | 155,497 | 162,971 |
| 2023 | | | | |
| Financial assets | | | | |
| Financial assets at FVTPL | 34,088,633 | - | - | 34,088,633 |
| Derivative assets | 63,793 | - | - | 63,793 |
| Deposit with a licensed financial institution | - | 2,604,213 | - | 2,604,213 |
| Profit/ Interest receivable | - | 444,947 | - | 444,947 |
| Amount due from Manager | - | 48,780 | - | 48,780 |
| Cash at bank | - | 2,762,842 | - | 2,762,842 |
| Total financial assets | 34,152,426 | 5,860,782 | - | 40,013,208 |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

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

| 2023 (cont'd) | Financial instruments at FVTPL RM | Financial assets at amortised cost RM | Financial liabilities at amortised cost RM | Total RM |
|----------------------------------------|--------------------------------------------|---------------------------------------------------|--------------------------------------------------------|------------------|
| Financial liabilities | | | | |
| 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 |
| Total financial liabilities | 1,394,795 | - | 54,134 | 1,448,929 |

(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 Bond Pricing Agency ("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:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) 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).
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

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

| | Level 1 RM | Level 2 RM | Level 3 RM |
|------------------------------|-----------------------|-----------------------|-----------------------|
| 2024 | | | |
| Financial assets | | | |
| Financial assets at FVTPL | - | 28,387,906 | - |
| Derivative assets | - | 426,097 | - |
| | <u>-</u> | <u>28,814,003</u> | <u>-</u> |
| Financial liabilities | | | |
| Derivative liabilities | <u>-</u> | <u>7,474</u> | <u>-</u> |
| | | | |
| 2023 | | | |
| Financial assets | | | |
| Financial assets at FVTPL | - | 34,088,633 | - |
| Derivative assets | - | 63,793 | - |
| | <u>-</u> | <u>34,152,426</u> | <u>-</u> |
| Financial liabilities | | | |
| Derivative liabilities | <u>-</u> | <u>1,394,795</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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

21. 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 profit/ 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 profit/ 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.

(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.

| 2024 | USD RM | SGD RM | Total RM |
|--------------------------------------------------------------------------|-------------------|------------------|-------------------|
| Financial assets | | | |
| Financial assets at FVTPL | 24,908,595 | 3,479,311 | 28,387,906 |
| Profit/ Interest receivable | 280,652 | 31,686 | 312,338 |
| Cash at bank | 290,686 | 263,943 | 554,629 |
| Total financial assets | <u>25,479,933</u> | <u>3,774,940</u> | <u>29,254,873</u> |
| Net on-balance sheet open position | <u>25,479,933</u> | <u>3,774,940</u> | <u>29,254,873</u> |
| Forward exchange contracts - notional principal amount (Note 9) * | USD | SGD | |
| | <u>5,724,000</u> | <u>1,053,400</u> | |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

| 2023 | USD RM | SGD RM | Total RM |
|--------------------------------------------------------------------------|-------------------|-------------------|---------------------|
| Financial assets | | | |
| Financial assets at FVTPL | 31,624,101 | 2,464,532 | 34,088,633 |
| Profit/ Interest receivable | 392,112 | 52,625 | 444,737 |
| Cash at bank | 1,857,902 | 895,538 | 2,753,440 |
| Total financial assets | <u>33,874,115</u> | <u>3,412,695</u> | <u>37,286,810</u> |
| Net on-balance sheet open position | <u>33,874,115</u> | <u>3,412,695</u> | <u>37,286,810</u> |
| Forward exchange contracts - notional principal amount (Note 9) * | USD | SGD | |
| | <u>7,593,899</u> | <u>1,037,400</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.

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.

| | 2024 | | 2023 | |
|-------------------|-----------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------|
| | Changes in exchange rate % | Effects on NAV Increase/ (Decrease) RM | Changes in exchange rate % | Effects on NAV Increase/ (Decrease) RM |
| Currencies | | | | |
| USD | +5 | 1,273,997 | +5 | 1,693,706 |
| | -5 | (1,273,997) | -5 | (1,693,706) |
| SGD | +5 | 188,747 | +5 | 170,635 |
| | -5 | (188,747) | -5 | (170,635) |

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

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(b) Market risk (cont'd)

(ii) Profit/ Interest rate risk

Fixed income securities are particularly sensitive to movements in market profit/ interest rates. When profit/ 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 profit/ 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 profit/ interest rates. The analysis is based on the assumptions that the profit/ interest rates increased and decreased by 1% (100 basis points) with all other variables held constant.

| | 2024 | | 2023 | |
|------------------|----------------------------------------------|----------------------------------------------------|----------------------------------------------|----------------------------------------------------|
| | Changes in profit/ interest rates % | Effects on NAV (Decrease)/ Increase RM | Changes in profit/ interest rates % | Effects on NAV (Decrease)/ Increase RM |
| Financial assets | +1 | (1,038,298) | +1 | (866,206) |
| at FVTPL | -1 | 1,176,953 | -1 | 907,048 |

The impact to net results 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 profit/ interest rate.

(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 profit/ 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.

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(c) Credit risk (cont'd)

(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, profit/ interest receivable on unquoted fixed income securities and profit/ 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 profit/ 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 profit/ interest receivable on deposit with a licensed financial institution were obtained from RAM's official website.

| Financial assets | 2024 | | 2023 | |
|------------------|-------------------|--------------------------|-------------------|--------------------------|
| | RM | As a percentage of NAV % | RM | As a percentage of NAV % |
| AAA | 1,733,680 | 5.63 | 5,812,002 | 15.10 |
| AA- | - | - | 3,559,117.00 | 9.25 |
| A+ | 1,551,939 | 5.04 | 2,802,151 | 7.28 |
| A | 3,579,712 | 11.62 | 7,086,498 | 18.41 |
| BBB+ | 768,909 | 2.50 | 3,253,879.00 | 8.45 |
| BBB | 9,431,116 | 30.62 | 7,547,112 | 19.61 |
| BBB- | 6,078,774 | 19.74 | 4,438,136 | 11.53 |
| BB+ | 1,575,094 | 5.11 | 5,401,740.00 | 14.03 |
| BB | 957,211 | 3.11 | - | - |
| Not rated | 4,743,447 | 15.40 | - | - |
| | 30,419,882 | 98.77 | 39,900,635 | 103.66 |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(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 liabilities and unitholders' capital to provide a complete view of the Fund's contractual commitments and liquidity:

| | Less than 1 month RM | More than 1 month RM | Total RM |
|-------------------------------------------------------------------------------------|----------------------------|----------------------------|-------------------|
| 2024 | | | |
| Financial liabilities | | | |
| Derivative liabilities | - | 7,474 | 7,474 |
| Amount due to Manager | 129,059 | - | 129,059 |
| Amount due to Trustee | 3,633 | - | 3,633 |
| Other payables and accruals | 22,805 | - | 22,805 |
| NAV attributable to unitholders | 30,801,606 | - | 30,801,606 |
| Total undiscounted financial liabilities and net assets attributable to unitholders | <u>30,957,103</u> | <u>7,474</u> | <u>30,964,577</u> |
| 2023 | | | |
| Financial liabilities | | | |
| Derivative liabilities | 559,076 | 835,719 | 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 |
| NAV attributable to unitholders | 38,492,160 | - | 38,492,160 |
| Total undiscounted financial liabilities and net assets attributable to unitholders | <u>39,105,370</u> | <u>835,719</u> | <u>39,941,089</u> |

MAYBANK FINANCIAL INSTITUTIONS INCOME ASIA FUND

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

(d) Liquidity risk (cont'd)

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 tax, if any.

22. 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.