MUDARABAH INVESTMENT ACCOUNT - DAILY FUND-i (GB)*

Fund Performance Report for the Quarter Ended 31 December 2022

Dear Valued Investment Account Holder ("IAH"),

We are pleased to present the following fund performance report for the quarter-ended 31 December 2022.

FUND INFORMATION

Type of Product

- This is an unrestricted investment account known as Mudarabah Investment Account under the Daily Fund-i (GB), where the customers provide the Bank with the mandate to invest in the Bank's selected portfolio of Shariah compliant assets.

Applicable Product

- Premier Mudharabah Account-i ("PMA-i") for Global Banking

Type of Investors

- Corporate Customers

Fund Inception

- 16 July 2015

Fund Investment Objectives

- The Fund's objective is to preserve capital while providing stable returns through low risk investments

Fund Investment Strategy

- The Fund will be invested in a blended portfolio of the Bank's assets
- This is a low risk investment to achieve capital preservation and steady returns

Profit Distribution Frequency

- Monthly

Valuation

- The Bank will perform valuation of the underlying assets of the Fund in accordance with the Malaysian Financial Reporting Standards ("MFRS") which will be carried out on a monthly basis

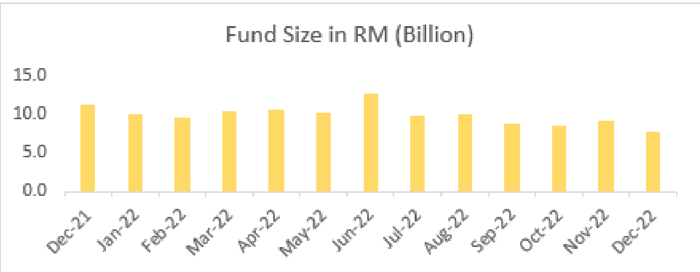
Other Information

- For fees, charges and other details on the product, please refer to www.maybank2u.com.my

FUND PERFORMANCE

Fund Size and Growth of Daily Fund-i (GB)

As at December 2022, the Daily Fund-i (GB) balance was recorded at RM 7.73 billion, which is a 31.40% reduction year-on-year from RM 11.27 billion in December 2021.



FUND PERFORMANCE

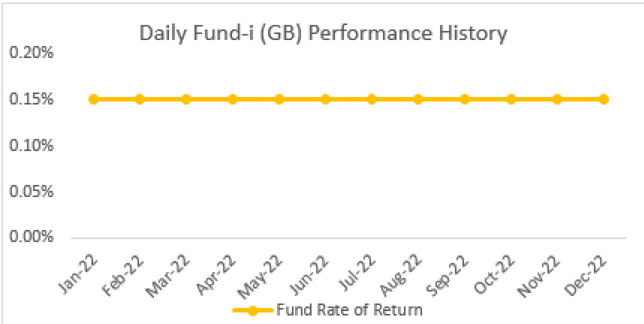
Asset Allocation of Daily Fund-i (GB)

The fund is invested in a portfolio of the Bank's retail and non-retail assets[1] and the asset allocation for the past two quarters is per the table below. The asset allocation is within the stated investment objective and strategy.

Type of Assets	September 2022	December 2022
Retail Financing	93.8%	93.6%
Non-Retail Financing	6.2%	6.4%
Marketable Securities	-	-
	100%	100%

Notes:
[1]Retail assets consist of Unit Trust, Automobile, Home, Personal and Credit Card Financing while non-retail assets consists of SME, BB and CB Financing

Profit Rate of Daily Fund-i (GB)



Based on the performance of the underlying assets, the profit rate to customers recorded an average rate of 0.15% p.a. for the past 12 months and an average rate of 0.15% p.a. for Q4 2022.

Period	16 October 2022 to 15 November 2022	16 November 2022 to 15 December 2022	16 December 2022 to 15 January 2023
Fund Profit Rate to IAH (p.a.)	0.15% p.a.	0.15% p.a.	0.15% p.a.
Profit Sharing Ratio ("PSR") (IAH: Bank)	4:96	4:96	4:96

Notes:
1. The fund profit rate represents the net profit rate to the IAH and is computed based on the following formula:
   Profit Rate = (Total Income – Impairment Allowances) * PSR
2. Past performance is not reflective of future performance.

MARKET OUTLOOK

After four successive rounds of 25bps hikes from the record low of 1.75% to 2.75% between May 2022 and Nov 2022, we anticipate BNM to raise the OPR by another 25bps at the 18 -19 Jan 2023 MPC meeting. This will restore OPR to pre - COVID -19 level of 3.00% which we expect to remain for the rest of 2023 and reflects the shift in monetary policy stance from "accommodative" to "neutral" rather than to "restrictive" as BNM seeks to strike a balance between addressing inflation and supporting growth. Recent improvement in Ringgit vs US Dollar also eases the pressure on BNM 's interest rate policy, and our FX Research Team sees USDMYR strengthening to 4.05 by end -2023 (end - 2022E: 4.45).

Real GDP growth accelerated to +14.2% in 3Q 2022 YoY (1Q 2022: +5.0% YoY, 2Q 2022: 8.9%; 2021: +3.1% YoY), primarily driven by robust domestic and external demand as well as improved labour market. We maintain 2022/2023 growth forecasts of +6.0% and +4.0%, respectively (1H 2022: +6.9%; 2021: +3.1%), and pencil in another +75bps hike in the OPR, to reach 3.00% by 1Q 2023.

Growth-wise, the Malaysian economy had a good run since 4Q 2021 when real GDP rebounded 3.6% YoY from the -4.5% YoY contraction in 3Q 2021 that was due to another round of lockdown following the outbreak of the Delta variant of the COVID-19 virus. Growth continued to accelerate in 9M 2022 as quarterly GDP surged to 14.2% YoY in 3Q 2022 – partly on low base effect from 3Q 2021 contraction - from 5.0% YoY in 1Q 2022 and 8.9% YoY in 2Q 2022, reflecting the unwinding of movement restrictions and containment measures amid progress in vaccinations that culminated into full economic re-opening from 1 Apr 2022.

However, we expect the economy to experience 'withdrawal syndrome' in 4Q 2022 and 2023 amid the unwinding of policy stimulus - particularly with the 25bps hikes in BNM's Overnight Policy Rate (OPR) to 2.75% in Nov 2022. We estimated that the 25bps hike in OPR will shave 0.2ppt off real GDP growth over a 12-month period after the hike, with the impact materializing 3-4 quarters after the hike. There is also the potential upside on inflation as we expect faster inflation rates of +3.4% in 2022 (5M2022: +2.4%; 2021: +2.5%) and +4.1% in 2023 on the inflationary adjustments in ceiling/controlled prices and price subsidies for essential food items, plus our expectation of a fuel price subsidy review next year.

In Oct 2022, Industrial Production Index (IPI) moderated to +4.6% YoY in Oct 2022 (Sep 2022: +10.8% YoY) following slowdowns in manufacturing (Oct 2022: +4.2% YoY; Sep 2022: +10.4% YoY) and mining (Oct 2022: +8.6% YoY; Sep 2022: +15.0% YoY) as well as decline in electricity output (Oct 2022: -1.9% YoY; Sep 2022: +4.1% YoY).

Manufacturing growth performance was reflective of the trends in export oriented industries (Oct 2022: +5.0% YoY; Sep 2022: +10.1% YoY) such as Coke & Refined Petroleum Products (Oct 2022: +10.6% YoY; Sep 2022: +15.4% YoY), Computer, Electronics & Optical Products (Oct 2022: +10.3% YoY; Sep 2022: +16.7% YoY) and Electrical Equipment (Oct 2022: +4.5% YoY; Sep 2022: 9.5% YoY) as well as that of domestic-oriented industries (Oct 2022: +2.5% YoY; Sep 2022: +11.2% YoY) like Food Processing Products (Oct 2022: +7.8% YoY; Sep 2022: +8.4% YoY), Fabricated Metal Products (Oct 2022: +3.5% YoY; Sep 2022: +7.3% YoY) and Other Non-Metallic Mineral Products (Oct 2022: +3.5% YoY; Sep 2022: +10.1% YoY).

Headline inflation rate eased further to +4.0% YoY in Oct 2022 (Sep 2022: +4.5% YoY; 2021: +2.5%), mainly on the significantly slower rise in housing, water, electricity, gas & other fuels (HWEGOF) prices to +1.5% YoY in Oct 2022 (Sep 2022: +4.0% YoY), attributed to the base effects as the 3-months electricity discounts under the PEMULIH package which ended in Sep 2021. Meanwhile the food & non-alcoholic beverages (FNAB) inflation stays firm with food items such as "flour and other cereal grains", "evaporated/condensed milk" and "butter, fats & animal oils" posted double-digit YoY inflation during the month. Transport inflation was steady at +5.2% YoY (Sep 2022: +5.3% YoY; 10M2022: +4.6% YoY; 2021: +11.0%). MoM, headline CPI up by +0.2% (Sep 2022: +0.1%). Headline inflation rate ex-fuel prices slowed to +4.0% YoY (Sep 2022: +4.6% YoY; 2021: +1.2%). Core CPI was firm at +4.1% YoY (Sep 2022: +4.0% YoY; 2021: +0.7%) amid pent up discretionary spending and services demand effect of economic opening e.g. restaurants & hotels; recreation services & culture; furniture, household equipment & routine household maintenance.

Unemployment rate stayed at 3.6% in Oct 2022 (Sep 2022: 3.6%). It averaged 3.9% in 10M 2022 (Maybank IBG 2022E: 3.8%; 2021: 4.6%). Youth unemployment rate remained at 12.1% for the fourth straight month in Oct 2022, and together with the equally "sticky" under-employment rate (3Q 2022: 11.6%; 2Q 2022: 11.5%; 1Q 2022: 11.6%) points to structural issues behind the topline jobless rate number e.g. labour supply-demand mismatches; talent shortage; rise in informal sector jobs/workers.

References:

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