

MUDARABAH INVESTMENT ACCOUNT - DAILY FUND-i (SME & BB)*

Fund Performance Report for the Quarter Ended 31 December 2020

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter-ended 31 December 2020

FUND INFORMATION

Type of Product

- This is an unrestricted investment account known as Mudarabah Investment Account under the Daily Fund-i (SME & BB), 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”)
- SME First Investment Account-i (SME First IA-i”)

Type of Investors

- Small and Medium Enterprises (“SME”)
- Business Banking (“BB”)

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

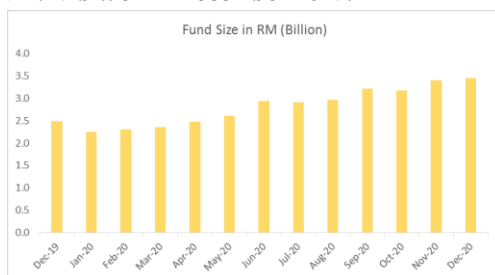
Other Information

- 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 (SME & BB)

As at December 2020, the Daily Fund-i (SME & BB) balance was recorded at RM 3.45 billion, which is a 27.8% growth year-on-year from RM 2.49 billion in December 2019.



*SME & BB refers to small and medium enterprises & business banking respectively

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FUND PERFORMANCE

Asset Allocation of Daily Fund-i (SME & BB)

The fund is invested in a portfolio of the Bank’s retail and non-retail assets¹ 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.

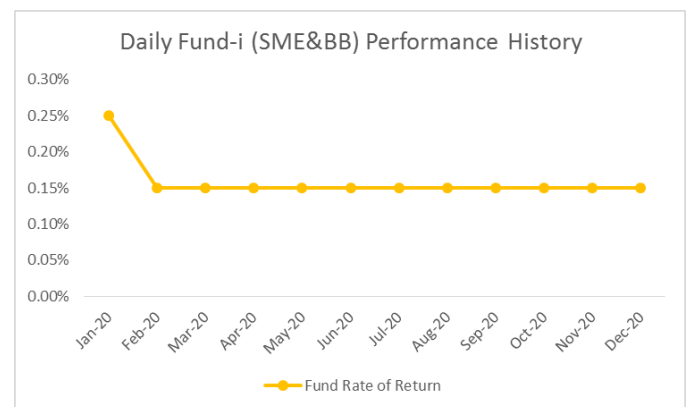
Type of Assets	September 2020	December 2020
Retail Financing	94%	94%
Non-Retail Financing	6%	6%
Marketable Securities	-	-
	100%	100%

Notes:

¹Retail 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 (SME & BB)

Based on the performance of the underlying assets, the profit rate to customers recorded an average rate of 0.16% p.a. for the past 12 months and an average rate of 0.15% p.a. for Q4 2020.



Period	16 Oct 2020 to 15 Nov 2020	16 Nov 2020 to 15 Dec 2020	16 Dec 2020 to 15 Jan 2021
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:

$$\text{Profit Rate} = (\text{Total Income} - \text{Impairment Allowances}) * \text{PSR}$$

2. Past performance is not reflective of future performance.

MARKET OUTLOOK

Pursuant to economic recovery, the Monetary Policy Committee of Bank Negara Malaysia (“BNM”) is expected to maintain the Overnight Policy Rate (“OPR”) at a low level of 1.75% until end-2021. At the same time, Statutory Reserve Requirement (“SRR”) value has remained at a record low range of MYR2b to MYR3b. In recent months, BNM’s purchases of the Malaysian Government Securities (“MGS”) have slowed, with holdings equaling 1.4% of total MGS outstanding, well below the 10% limit towards market liquidity. Meanwhile, automatic blanket loan moratoriums were replaced by targeted loan moratorium extensions and flexible loan repayments. Budget 2021 fiscal policy remains expansionary with continued large deficit spending. Budget deficit totaled MYR84.8b vs MYR86.5b in 2020, reflecting a record spending allocation of MYR322.5b which includes a +38% jump and an all-time high in development expenditure of MYR69b in addition to another MYR17b pandemic-related spending under the COVID-19 Fund. Moreover, the launch of two new lending schemes, Targeted Relief and Recovery Facility (“TRRF”) and High Tech Facility (“HTF”) have supported SMEs and cushioned the effects of the pandemic. Although key economic stimulus packages are introduced and extended into 2021, it is important to note that these measures may have masked the effects of the pandemic as well as the existing domestic political tensions, which remains a major overhang to the country’s performance. Fortunately, the procurement and availability of COVID-19 vaccines starting Q1 2021 has been seen as an extra stimulus to lift the economy. (Pathmakanthan, Ilias and Wong, 2020).

2021’s Real GDP growth forecast stands conservatively at +5.1%, despite the -5.4% contraction in 2020, and is in tandem with the shallowing of global recession between -2.7% YoY in Q3 2020 and -17.1% YoY in Q2 2020. Malaysia anticipates gradual economic recovery as it goes through its third wave of COVID-19 infections and reimplementation of movement control orders compounded by domestic political uncertainty and instability. As energy consumption continues to lack demand, the mining and electricity industries are showing big fallouts. On the other hand, manufacturing production moderately grew to +2.0% YoY. Robust increases are seen to come from consumer electronics and rubber gloves, which have offset declines in refined palm oils and refined petroleum products for its eighth consecutive month. (Ilias, Dzlkafl, Lankanathan and Poh, 2021).

External reserves also rose by +USD2.3b to USD107b at end-Dec 2020, being the highest monthly increase since Mar 2018. One of the driving factors for this increase includes net foreign buying in the bond markets. For full year 2020, net foreign buying equaled +MYR18.3b worth of bonds while equities registered a net foreign selling of -MYR24.7b. Low

/negative interest rates were prologues in developed markets and lifted demand for higher-yielding emerging market bonds. The growth in external reserves was also contributed by the quarterly revaluation gains from softer USD and BNM’s continued paring down of its net FX short positions since Apr 2020. (Ilias, Dzlkafl, Lankanathan and Poh, 2021).

References:

Anand Pathmakanthan, Suhaimi Ilias, and Wong Chew Hann. 2021. *Malaysia 2021 Outlook and Lookouts. The macro “tortoise” vs. the equities “hare”*. Research, Maybank IB Research.

Suhaimi Ilias, Dr Zamros Dzulkafl, Ramesh Lankanathan, and William Poh Chee Keong. 2021. *Malaysia Industrial Production, Nov 2020. Down on CMCO2.0, MCO2.0 ahead*. Research, Maybank IB Research.

Suhaimi Ilias, Dr Zamros Dzulkafl, Ramesh Lankanathan, and William Poh Chee Keong. 2021. *Malaysia External Reserves, end-Dec 2020. Ended 2020 on high note*. Research, Maybank IB Research.