

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

Fund Performance Report for the Quarter Ended 30 June 2021

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter-ended 30 June 2021

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 Mudarabah 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

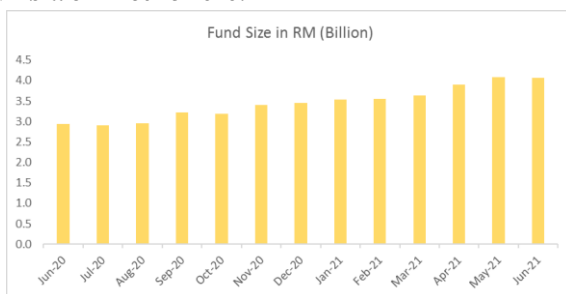
Other Information

- 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 June 2021, the Daily Fund-i (SME & BB) balance was recorded at RM 4.07 billion, which is a 38.4% growth year-on-year from RM 2.94 billion in June 2020.



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

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.

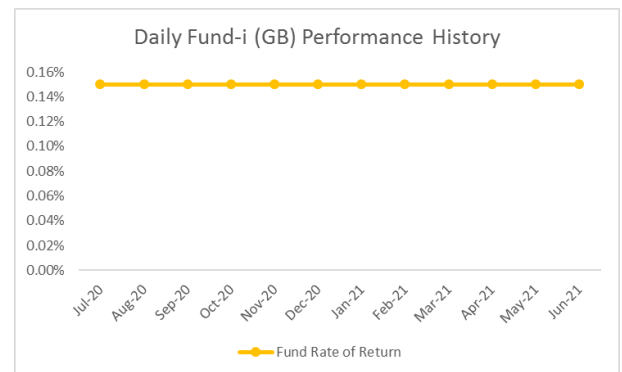
Type of Assets	March 2021	June 2021
Retail Financing	94%	94%
Non-Retail Financing	6%	6%
Marketable Securities	-	-
	100%	100%

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 0.15% p.a. for the past 12 months and an average rate of 0.15% p.a. for Q1 2021.



Period	16 April 2021 to 15 May 2021	16 May 2021 to 15 June 2021	16 June 2021 to 15 July 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

BNM's Monetary Policy Committee (MPC) meeting on 8 July 2021 kept Overnight Profit Rate (OPR) at record-low 1.75% for the sixth consecutive meeting. The latest Monetary Policy Statement is broadly unchanged from the previous MPC. Additionally, Prime Minister announced on 28 June 2021 a MYR150b economic package (10.6% of 2020 GDP) dubbed "PEMULIH" that includes MYR10b (0.7% of 2020 GDP) direct fiscal injection. This came as the Full MCO Phase 1 since 1 June 2021 until 28 June 2021 is continued "indefinitely" until conditions for exit the next phase are met. The MYR10b direct fiscal injection included key measures such as MYR5.1b for new one-off cash assistance to help the hardcore poor, the low- and middle-income groups (B40 & M40) and those who lost their jobs; MYR3.8b for Wage Subsidy Programme 4.0; as well as another MYR1b for the oneoff special grant to micro, small & medium enterprises (MSMEs). However, our tally comes to MYR11.7b when various other measures that we (reasonably) assumed to be "on-budget" items are included e.g. MYR1b for additional vaccine procurement for buffer stock and the vaccination of 12-18 years old, as well as other vaccination-related expenditure such as additional vaccination centres (including "drive-through" and "mobile" vaccination centres), allowances for frontliners and volunteers as well as incentives for workers vaccination by private sector employers (Ilias, Dzulkafli & Lankanathan, 2021).

The MYR10b direct fiscal injection in PEMULIH happens to be the same as the amount left from the MYR65b COVID-19 Fund after MYR38b spent in 2020 and MYR17b allocated under Budget 2021. Our 2021 budget deficit/GDP forecast of 6.8% has assumed the use of this MYR10b balance. We assume the MYR1.7b difference as per our tally above is financed by reallocating/re-purposing Budget 2021 allocation. Meanwhile, the subsidies for fuel (>MYR6b) and cooking oil (MYR1b) mentioned in PM speech are likely funded by the higher oil, gas and CPO related revenues following higher crude oil and CPO prices. We can only quantify MYR57b "off-budget" measures. These include major items such as the "un-quantified, hassle-free, opt-in" 6-month loan moratorium (vs MYR30b targeted loan moratorium & repayment assistance under PEMERKASA Plus); MYR30b in new EPF withdrawal scheme (i-Citra) where EPF members can withdraw up to MYR5,000 or MYR1,000 per month for 5 months; extra MYR20b in Government guarantees for SME financing; additional MYR2b in BNM funding for MSMEs; MYR1.1b micro credit facilities by development financial institutions (DFIs) and agencies such as BSN, Agrobank and TEKUN; MYR1b electricity bill rebate (funded by industry fund or KWIE (Ilias, Dzulkafli & Lankanathan, 2021).

Finally, Prime Minister announced the National Recovery Plan (NRP) that outlined the metrics that will determine the timelines for exit from current lockdown (Phase 1) and the subsequent 3 phases of post-lockdown opening of economic activities as well as easing social and movement restrictions. There are 3 key metrics i.e. 1) average daily COVID-19 infections; 2) public health system capacity (based on use of ICU beds for COVID-19 cases); and 3) % of population fully vaccinated (i.e. received 2 doses of COVID-19 vaccines). Malaysia is currently in Phase 1 i.e. 1-28 June 2021 lockdown. Moving from Phase 1 to Phase 2 requires the following threshold values for the 3 metrics i.e. 1) average daily COVID-19 cases fall to below 4,000 (daily average 1-15 June 2021: 6,368); 2) public health system capacity no longer at "critical" level with use of ICU beds for COVID-19 cases (6 June 2021: 106%) down to "moderate"; and 3) 10% of population have been fully vaccinated (14 June 2021: 4.4%). These thresholds are expected to be reached by early-July 2021. Under Phase 2, social activities and movements - including inter-state travels - remain restricted. However, more economic activities, sectors and industries will be allowed to operate, and workforce capacity at workplaces and premises will be increased to 80% from current 60%. (Ilias, Dzulkafli & Lankanathan, 2021).

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Ramesh Lankanathan (2021), *Malaysia Economic Update MYR150b economic package (PEMULIH) as lockdown extended indefinitely*. Research, Maybank IB Research.

Suhaimi Ilias, Dr Zamros Dzulkafli, Ramesh Lankanathan (2021), *Malaysia CPI, Malaysia Economic Update National Recovery Plan*. Research, Maybank IB Research.