

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

Fund Performance Report for the Quarter Ended 31st March 2024

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter ended 31st March 2024.

FUND INFORMATION

Type of Product

- This is an unrestricted investment account known as Mudarabah Investment Account under the Daily Fund-i (SME & BB), where 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 SME & BB
- 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 a valuation on the underlying assets of the Fund in accordance with the Malaysian Financial Reporting Standards (“MFRS”), which will be carried out on a monthly basis.

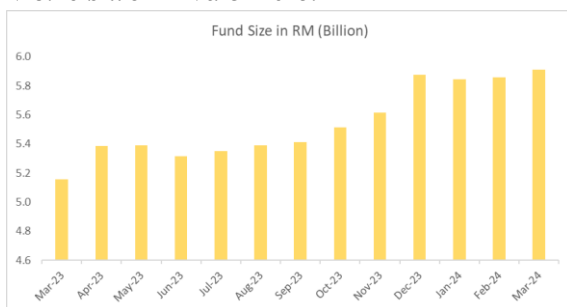
Other Information

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

FUND PERFORMANCE

Fund Size and Growth of Daily Fund-i (SME & BB)

As at March 2024, the Daily Fund-i (SME & BB) balance was recorded at RM 5.91 billion, which is a 14.60% growth year-on-year from RM 5.16 billion in March 2023.



*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 comprising the Bank’s retail and non-retail assets. The asset allocation for the past two quarters is outlined in the table below. This allocation adheres to the approved investment objective and strategy.

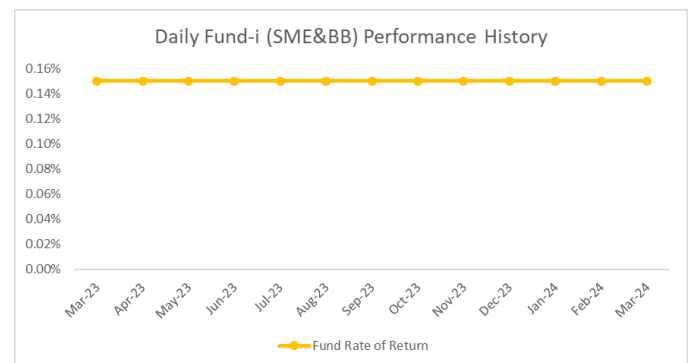
Type of Assets	December 2023	March 2024
Retail Financing	96.3%	96.5%
Non-Retail Financing	3.7%	3.5%
Marketable Securities	-	-
	100%	100%

Notes:

¹Retail assets consist of Unit Trust, Automobile, Home and Credit Card Financing while non-retail assets consist of Commercial Banking and Corporate Banking 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 2024.



Period	16 January 2024 to 15 February 2024	16 February 2024 to 15 March 2024	16 March 2024 to 15 April 2024
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	3:97

Notes:

- 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
- Past performance is not reflective of future performance.

MARKET OUTLOOK

Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) at 3.00% for the fifth consecutive Monetary Policy Committee (MPC) meeting during the second MPC meeting of 2024 on 6-7 Mar premised on the green shoot of growth pick up, benign inflation as well as recent strengthening of Ringgit against USD. BNM remains cautiously optimistic on global economic growth supported by strong growth in the regional economic and investment cycle in the technology sector moderated by slower growth from China. However, risk on the global growth outlook remained due to the heightening risk of geopolitical tensions, elevated inflation, and financial market volatility.

Premised on stable economic growth and benign inflation, we expect OPR to remain at 3.00% throughout 2024 on the back of expected GDP growth of 4.4% in 2024 (3.7% in 2023). Nonetheless, inflation is expected to increase slightly to 3.0% in 2024 (vs. 2.5% in 2023) due to expansionary fiscal policies through cash handouts to boost domestic consumption as well as subsidies rationalization.

Headline inflation rate edged higher to +1.8% YoY in Feb 2024 (Jan 2024: +1.5% YoY; 2M2024: +1.6% YoY; 2023: +2.5%) as Housing, Water, Electricity, Gas & Other Fuels (HWEGOF) inflation rose to +2.7% YoY (Jan 2024: +2.0% YoY); mainly attributed to higher water tariff starting 1 Feb 2024. Transport inflation also quickened to +1.2% YoY (Jan 2024: +0.7% YoY). Meanwhile, Food & Beverages was stable (F&B - Feb 2024: +1.9% YoY; Jan 2024: +2.0% YoY), accompanied by easing Restaurants & Accommodation Services (Feb 2024: +2.9% YoY; Jan 2024: +3.2% YoY) as other CPI components were broadly steady. Non-food inflation rose to +1.6% YoY (Jan 2024: +1.1% YoY) while headline CPI rose +0.5% MoM (Jan 2024: +0.2%).

Accordingly, inflation rate ex-fuel prices was higher at +1.7% YoY (Jan 2024: +1.5% YoY; 2M2024: +1.7% YoY; 2023: +2.8%) while core inflation remained stable at +1.8% YoY (Jan 2024: +1.8% YoY; 2M2024: +1.8% YoY; 2023: +3.0%). Whereas, services inflation was relatively stable (Feb 2024: +2.0% YoY; Jan 2024: +1.9% YoY; 2M2024: +1.9% YoY) amid dissipating post-pandemic uptick in discretionary spending from economic re-opening e.g. restaurants & accommodation services; recreation sports & culture; furniture, household equipment and routine household maintenance.

We maintain our 2024 inflation forecast at +3.0% amid impact of Budget 2024 subsidy and tax measures, including the broadening service tax base (to include logistics, maintenance & repair, non-financial brokerage & underwriting, and karaoke), hike in the Sales & Services tax rate (from 6% to 8% starting 1 Mar 2024 except services like F&B and telecommunications),

discontinuation of chicken subsidies from 1 Nov 2023, and increase in excise duty for sugar-sweetened beverages from MYR0.40/l to MYR0.50/l.

The impending big measure which can impact headline inflation is the implementation of targeted fuel (diesel & RON95 petrol) subsidy. This on top of recently announced increase in water tariff rate by MYR0.22/m³ from 1 Feb 2024 for domestic users in Peninsular Malaysia and the Federal Territory of Labuan by National Water Services Commission (SPAN) that is expected to affect 6.9 million users in the domestic category, representing 86.6% of the 7.9 million account holders.

Unemployment rate remained stable at 3.3% for the third consecutive month in Jan 2024, supported by stable employment growth (Jan 2024: +2.0% YoY; Dec 2023: +2.0% YoY) which continued to outpace the sustained labour force growth (Jan 2024: +1.8% YoY; Dec 2023: +1.8% YoY). The number of unemployed declined by -4.8% YoY and -0.1% MoM (Jan 2024: 567.3k; Dec 2023: 567.8k).

According to the Department of Statistics, jobs growth in Jan 2024 rose across all sectors from Manufacturing, Construction, Mining & Quarrying and especially from Services sector like Wholesale & Retail Trade, Food & Beverage and Transportation & Storage. The employment in the Agriculture sector also rebounded from Dec 2023. Meanwhile, youth unemployment remained at 10.6% for the third month in a row in Jan 2024 (Dec 2023: 10.6%) which was well above pre-pandemic low of 9.9% in Dec 2019. Meanwhile, the skills-related under-employment rate edged up to 11.9% share of total employed in 4Q 2023 (3Q 2023: 11.8%), staying within the 11.8%-11.9% level since 4Q 2022.

Based on these positive indicators, we estimated the economy to grow +4.0% YoY in Jan 2024 (Dec 2023: +1.4% YoY; 4Q 2023: +3.0% YoY), in line with our expectation of GDP growth of +4.4% in 2024 (2023: +3.7%).

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Mar,2024) - Monthly GDP estimate

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Mar,2024) - Steady jobless rate but sticky youth unemployment and under-employment

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Mar,2024) - Headline edging higher to +1.8% YoY

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Mar,2024) - OPR stays at 3.00% amid green shoot of growth pick up, tame inflation, Ringgit stabilisation