

MUDARABAH INVESTMENT ACCOUNT - DAILY FUND-i (INDIVIDUAL)

Fund Performance Report for the Quarter Ended 31 March 2020

Dear Valued Investment Account Holder (“IAH”),

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

FUND INFORMATION

Type of Product

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

Applicable Products

- Golden Savvy Account-i (“GSA-i”)
- Zest-i
- Private Banking Account-i (“PBA-i”)
- Premier Mudarabah Account-i (“PMA-i”)

Type of Investors

- Individual

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

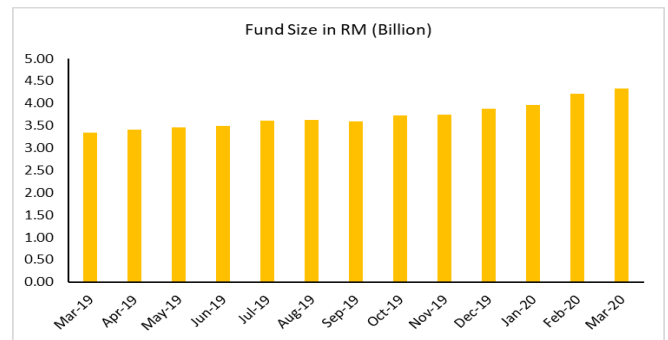
Other Information

- 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 (Individual)

As at March 2020, the Daily Fund-i (Individual) balance was recorded at RM 4.33 billion, 29% year-on-year growth from RM 3.35 billion in March 2019.



Asset Allocation of Daily Fund-i (Individual)

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 as per the table below. The asset allocation is within the stated investment objective and strategy.

| Type of Assets | Dec 2019 | Mar 2020 |
|-----------------------|----------|----------|
| Retail Financing | 91% | 93% |
| Non-Retail Financing | 9% | 7% |
| Marketable Securities | - | - |
| | 100% | 100% |

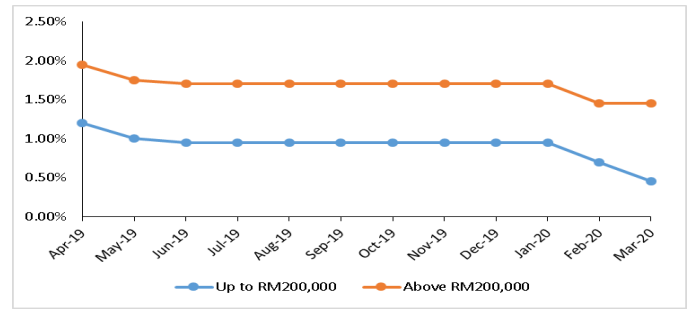
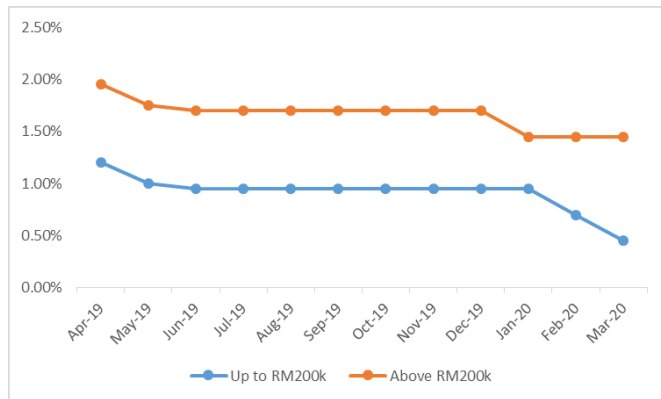
Notes:

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 (Individual)

(a) GSA-i

Based on the performance of the underlying assets, the profit rate to customers for the highest balance band (above RM200,000) recorded an average of 1.66% p.a. since the past 12 month average rate and an average of 1.45% p.a. for Q1 2020. The rate to customers for the lowest balance band (up to RM200,000) recorded an average of 0.91% p.a. since the past 12 month average rate and an average of 0.70% p.a. for Q1 2020.



| Period | 16 Jan 2020 to 15 Feb 2020 | | 16 Feb 2020 to 15 Mar 2020 | | 16 Mar 2020 to 15 Apr 2020 | |
|-----------------|--------------------------------|--|--------------------------------|--|--------------------------------|--|
| | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) |
| Up to RM200,000 | 0.95% | 19:81 | 0.70% | 14:86 | 0.45% | 10:90 |
| Above RM200,000 | 1.70% | 34:66 | 1.45% | 29:71 | 1.45% | 31:69 |

Notes:

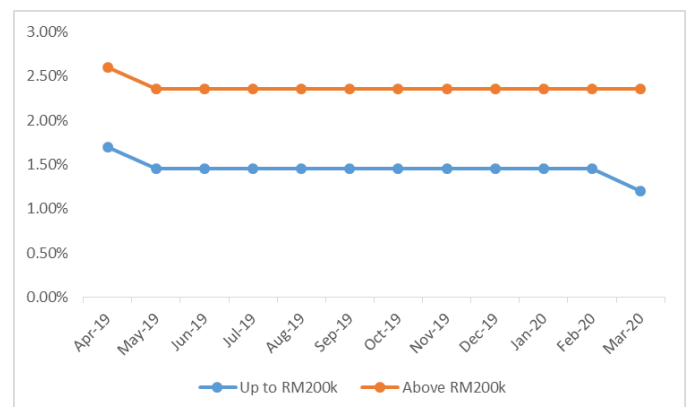
1. The fund profit rate represents the net profit rate to the IAH and is computed based on the following formula:

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

2. Past performance is not reflective of future performance.

(c) PBA-i

Based on the performance of the underlying assets, the rate of return to customers for highest balance band (above RM250,000) recorded an average of 2.37% p.a. since the past 12 month average rate and an average of 2.35% p.a. for Q1 2020. The rate of return to customers for lowest balance band (up to RM250,000) recorded an average of 1.45% p.a. since the past 12 month average rate and an average of 1.37% p.a. for Q1 2020.



| Period | 16 Jan 2020 to 15 Feb 2020 | | 16 Feb 2020 to 15 Mar 2020 | | 16 Mar 2020 to 15 Apr 2020 | |
|-----------------|--------------------------------|--|--------------------------------|--|--------------------------------|--|
| | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH: Bank) |
| Up to RM200,000 | 0.95% | 19:81 | 0.70% | 14:86 | 0.45% | 10:90 |
| Above RM200,000 | 1.45% | 34:66 | 1.45% | 29:71 | 1.45% | 26:74 |

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

(b) PMA-i

Based on the performance of the underlying assets, the profit rate to customers for the highest balance band (above RM200,000) recorded an average of 1.68% p.a. since the past 12 month average rate and an average of 1.53% p.a. for Q1 2020. The rate to customers for the lowest balance band (up to RM200,000) recorded an average of 0.91% p.a. since the past 12 month average rate and an average of 0.70% p.a. for Q1 2020.

| Period | 16 Jan 2020 to 15 Feb 2020 | | 16 Feb 2020 to 15 Mar 2020 | | 16 Mar 2020 to 15 Apr 2020 | |
|-----------------|--------------------------------|---|--------------------------------|---|--------------------------------|---|
| | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH : Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH : Bank) | Fund Profit Rate to IAH (p.a.) | Profit Sharing Ratio ("PSR") (IAH : Bank) |
| Up to RM250,000 | 1.45% | 29:71 | 1.45% | 29:71 | 1.20% | 26:74 |
| Above RM250,000 | 2.35% | 47:53 | 2.35% | 47:53 | 2.35% | 50:50 |

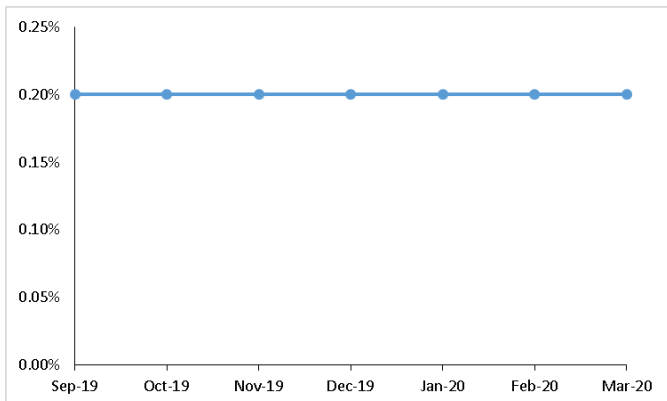
Notes:

- 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.

(d) Zest-i or formerly known as net Account-i

Net Account-i was revamped into Zest-i beginning 1 September 2019 by introducing permanent prize draw feature and lower indicative profit rate.

Based on the performance of the underlying assets, the profit rate to customers recorded an average of 0.20% p.a. since the past 12 months average rate and an average of 0.20% for Q1 2020.



| Period | 16 Jan 2020 to 15 Feb 2020 | 16 Feb 2020 to 15 Mar 2020 | 16 Mar 2020 to 15 Apr 2020 |
|--|----------------------------|----------------------------|----------------------------|
| Fund Profit Rate to IAH (p.a.) | 0.20% | 0.20% | 0.20% |
| Profit Sharing Ratio ("PSR") (IAH: Bank) | 4:96 | 4:96 | 4:96 |

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

COVID-19 was officially declared a global pandemic by WHO on 11 Mar 2020 as it evolved from a China-centric outbreak into a global outbreak following surges in the numbers of infections and deaths outside China, beginning in countries like South Korea, Japan, Iran and Italy, and eventually engulfing EU and the infection spikes in US. This led to drastic measures to contain the virus spread e.g. lockdowns in Italy; countries imposing travel bans vis-à-vis South Korea, Japan, Iran and Italy; US' 30-day travel restrictions with EU; in Philippines, Metro Manila are put on lockdown with restrictions in domestic land, sea and air travels between 14 Mar and 15 April 2020. The disruptive effects from the COVID19 coronavirus are likely to be pronounced and extended, and it will take considerable time for business and consumer confidence to recover.

Considering the increased vulnerability of our economy due to these three major events that hit Malaysia; a new government being formed, low oil prices and the Covid-19 pandemic, the Malaysian government is arranging an aggressive stimulus package to ensure that the economy is able to keep afloat and recoup swiftly after the Covid-19 cases subside. We believe that recovery may take place in 2H2020. Based on what was observed in China, coupled with other countries implementing similar Movement Control Orders (MCO), we expect to see improvements in the number of cases reported for Covid-19 from May onwards. Malaysia has also provided significant stimuli collectively amounting to 8-9% worth of GDP to ensure strong recovery beyond Covid-19. These were provided through various mechanisms including automatic loan repayment moratoriums for individuals.

Monetary and fiscal stimuli to mitigate COVID-19's clear and present downside to the economy, with prospect of more coming, as economic outlook is also clouded by the slump in crude oil price and the global financial market turmoil. On monetary policy, BNM cut the Overnight Policy Rate (OPR) by 25bps to 2.50% after its Monetary Policy Committee (MPC) meeting on 2-3 Mar 2020, adding to the total of 75bps cuts in OPR and SRR last year. We estimated every 25bps cut in OPR can boost real private consumption growth and real GDP growth by up to +0.3ppt and +0.2ppt respectively, ceteris paribus. There is the prospect of at least another 25bps-50bps cut in OPR and we also now do not rule out further reductions in the current 3.00% Statutory Reserve Requirement (SRR) as last week's global financial market meltdown further tightened/deteriorated financial conditions. BNM's next MPC meeting is 4-5 May 2020 with potential of emergency unscheduled MPC, while SRR cut can be announced outside of MPC meeting as per the cut announced in Nov 2019.

Prior to the crude oil price plunge, and taking into account of the Government's MYR3.5b share of the MYR20b ESP that raises its budget deficit to GDP ratio to 3.4% from 3.2% target under Budget 2020 plus the slower real GDP growth of 3.2%-4.2% vs Budget 2020's forecast of 4.8%, we estimated Government debt to GDP ratio this year will rise to 54% (end-2019: 52.5%). If the Government were to stick to the self-imposed 55% Government debt to GDP ratio regardless of the budget deficit to GDP impact, there was a room for MYR15b additional on- balance sheet fiscal stimulus. However, with the prospect of this year's average crude oil price coming substantially below Budget 2020's average crude oil price assumption of USD62/bbl, the room for additional on-balance sheet fiscal stimulus by the Government is further constrained, unless the 55% self-imposed Government debt to GDP limit is temporarily suspended (as long as statutory limits on components of total Government debts are observed).

Our 2020 real GDP growth impact analysis on different scenarios and assumptions on the duration of COVID-19 outbreak and annual average crude oil price and applying sensitivity analysis of Malaysia's GDP growth to China GDP growth, world GDP growth and crude oil price. Current baseline growth forecast of +4.0% is premised on the assumptions of COVID-19 impact lasting just over one quarter and USD60/bbl average crude oil price. This outcome is now looking challenging, notwithstanding the monetary and fiscal stimuli announced thus far. The increasingly likely alternative is the downside scenario arising from a longer COVID-19 impact of two to three quarters coupled with lower average crude oil price assumption of USD40-45/bbl which point to real GDP growth of around +3.0%. A worst case scenario is COVID-19 pandemic lasting at least for a year with crude oil price averaging USD20-30/bbl that will result in virtually a stagnant economy with this year's growth at +0.5%.

For a sustained rally, we would need to see more aggressive fiscal policy responses from the government, accommodative monetary policies from central banks, as well as the stabilisation of the COVID-19 pandemic globally. We are cautiously optimistic for a better 2H20 after a dismal 1Q20. This is based on the premise of stability and in markets which may not have been troughed yet with value emerging. We should also see some economic recovery due to pent up demand once the MCO is lifted and loosened. Malaysia has also provided significant stimuli collectively amounting to 8-9% worth of GDP to ensure strong recovery beyond Covid-19.

Source: Maybank Research