

MUDARABAH INVESTMENT ACCOUNT - TERM FUND-i

Fund Performance Report for the Quarter Ended 31 December 2021

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter-ended 31 December 2021

FUND INFORMATION

Type of Product

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

Applicable Product

- General Investment Account-i (“GIA-i”)

Type of Investors

- Individual
- Small & Medium Enterprises (“SME”)
- Business Banking (“BB”)
- Global Banking (“GB”)

Fund Inception

- 16 July 2015

Fund Investment Objectives

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

Fund Investment Strategy

- The Fund will be invested in a blended portfolio of the Bank’s assets
- This is a low to moderate 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

As at December 2021, the Term Fund-i balance was recorded at RM 5.05 billion, which is a -9.7% reduction year-on-year from RM 5.59 billion in December 2020.



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FUND PERFORMANCE

Asset Allocation

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	GIA-i	
	September 2021	December 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 GIA-i

Based on the performance of the underlying assets, the profit rate to customers taking 12 months tenure period recorded an average rate of 1.95% p.a. for the past 12 months, and an average rate of 1.95% p.a. for Q4 2021.



Period	16 Oct 2021 to 15 Nov 2021		16 Nov 2021 to 15 Dec 2021		16 Dec 2021 to 15 Jan 2022	
	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)
1 mths	1.00%	24:76	1.00%	25:75	1.00%	25:75
2 mths	1.75%	42:58	1.75%	43:57	1.75%	43:57
3 - 5 mths	1.80%	43:57	1.80%	44:56	1.80%	44:56
6 - 11 mths	1.90%	46:54	1.90%	47:53	1.90%	47:53
12 - 35 mths	1.95%	47:53	1.95%	48:52	1.95%	48:52
36 - 47 mths	2.00%	48:52	2.00%	49:51	2.00%	49:51
48 - 59 mths	2.10%	50:50	2.10%	52:48	2.10%	52:48
60 mths	2.20%	53:47	2.20%	54:46	2.20%	54:46

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

BNM's final Monetary Policy Committee (MPC) meeting this year (2-3 Nov 2021) ended with OPR kept at record-low 1.75% for the eighth consecutive meeting and since July 2020. Maintain our call of unchanged OPR well into next year before a +25bps rise in 4Q 2022. As part of Budget 2022 measures, BNM increased its existing - and introduced new - SME financing facilities by a total of MYR4.5b. (Ilias & Dzulkafli, 2021)

Inflation rate halved to +2.1% YoY in 3Q 2021 vs +4.2% YoY in 2Q 2021, while core inflation is low at 0.6%-0.8% YoY range since Oct 2020. Comparatively, Inflation rate was higher at +2.9% YoY in Oct 2021 (Sep 2021: +2.2% YoY; 10M 2021: +2.3% YoY) as the 3 months electricity discounts ended in Sep 2021. Prices of food & non-alcoholic beverages (FNAB) remained firm. Core inflation edged up a little to +0.7% YoY (Sep 2021: +0.6% YoY; 10M 2021: +0.7% YoY). Adjust upward our 2021 headline inflation forecast to +2.5% from +2.3% previously, but maintained for 2022 at +2.5%. (Ilias & Dzulkafli, 2021)

For Malaysia's macro outlook, we project firmer GDP growth of +6.0% in 2022 after bumpy, uneven and underwhelming 3.8% growth in 2021E. Our key assumptions are sustained economic re-opening leading to broad-based recovery vs the ins-and-outs of containment measures in 2020-2021. Macro policy remains pro-growth. Bank Negara's Overnight Policy Rate (OPR) to stay at a record-low 1.75% well into 2022 prior to a +25bps hike to 2.00% in 4Q 2022. Budget 2022 remains expansionary with the third consecutive year of budget deficit at >6% of GDP (2022E: 6.0%; 2021: 6.5%; 2020: 6.2%). But we see broad policy normalisation kicking in after 2022, with a +50bps hike in OPR in 2023 and medium-term fiscal consolidation emerging to bring the budget deficit to below 5% of GDP in 2023 and to 3.0%-3.5% by 2025. (Ilias, Pathmakanthan & Hann, 2021)

The levies imposed on the corporate sector in Budget 2022, especially Cukai Makmur, coupled with the spread of the Omicron variant, derailed what we had initially expected to be a strong finish to 2021 for the laggard KLCI, per our 2H 2021 Strategy report (Deferred, not derailed, dated July 5). The KLCI spent much of 1H21 range-bound as optimism around vaccine availability was offset by the slow pace of vaccinations and political tension. The Aug change in Prime Minister coincided with the peak in pandemic restrictions, with a surge in vaccinations and paced economic reopening supporting the subsequent market uptrend. However, a populist turn in policymaking into Budget 2022 (extended loan moratoriums, Cukai Makmur) deflated sentiment and overshadowed mitigating positives such as robust corporate

reporting, undershooting NPLs and strength in the export-oriented manufacturing and commodities

sectors. While retail participation remains high, sustained selling by foreign and especially domestic institutional investors resulted in the KLCI being the worst performing benchmark in ASEAN 2021. (Pathmakanthan & Hann, 2021)

On the side of Malaysia's External Trade, exports and imports growth momentum continued in Oct 2021 at +25.5% YoY (Sep 2021: +24.7% YoY) & +27.9% YoY (Sep 2021: +26.5% YoY) respectively. The continued robust export growth in Oct 2021 reflects sustained broad based expansions in manufacturing exports (Oct 2021: +23.3% YoY; Sep 2021: +21.6% YoY;), agriculture exports (Oct 2021: +28.9% YoY; Sep 2021: +47.7% YoY) and mining exports (Oct 2021: +66.6% YoY; Sep 2021: +48.1% YoY). (Ilias & Dzulkafli, 2021)

References:

Suhaimi Ilias, Dr Zamrose Dzulkafli (2021). BNM Monetary Policy, OPR unchanged amid BNM's Budget 2022 measures.

Suhaimi Ilias, Dr Zamrose Dzulkafli (2021). Malaysia CPI, Oct 2021, Inflation edging upwards.

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