

MUDARABAH INVESTMENT ACCOUNT - TERM FUND-i

Fund Performance Report for the Quarter Ended 30 June 2022

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter-ended 30 June 2022

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

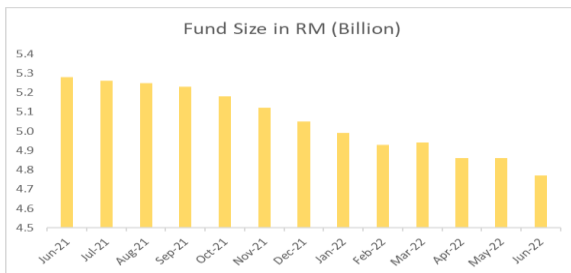
Other Information

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

FUND PERFORMANCE

Fund Size and Growth

As at June 2022, the Term Fund-i balance was recorded at RM 4.77 billion, which is a -9.7% reduction year-on-year from RM 5.28 billion in June 2021.



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.

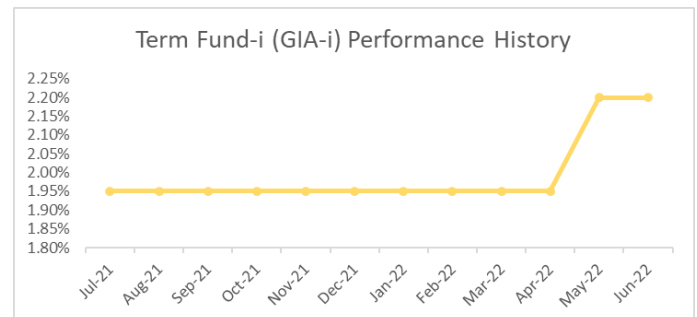
Type of Assets	GIA-i	
	March 2022	June 2022
Retail Financing	94%	94.6%
Non-Retail Financing	6%	5.4%
Marketable Securities	-	-
	100%	100%

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 1.99% p.a. for the past 12 months, and an average rate of 2.12% p.a. for Q2 2022.



Period	16 April 2022 to 15 May 2022	16 May 2022 to 15 June 2022	16 June 2022 to 15 July 2022
	Fund Profit Rate to IAH (p.a.)	Fund Profit Rate to IAH (p.a.)	Fund Profit Rate to IAH (p.a.)
	Profit Sharing Ratio (“PSR”) (IAH : Bank)	Profit Sharing Ratio (“PSR”) (IAH : Bank)	Profit Sharing Ratio (“PSR”) (IAH : Bank)
1 months	1.00% 25:75	1.25% 32:68	1.25% 32:68
2 months	1.75% 43:57	2.00% 51:49	2.00% 51:49
3 - 5 months	1.80% 44:56	2.05% 52:48	2.05% 52:48
6 - 11 months	1.90% 47:53	2.15% 55:45	2.15% 55:45
12 - 35 months	1.95% 48:52	2.20% 56:44	2.20% 56:44
36 - 47 months	2.00% 49:51	2.25% 57:43	2.25% 57:43
48 - 59 months	2.10% 52:48	2.35% 60:40	2.35% 60:40
60 months	2.20% 54:46	2.45% 62:38	2.45% 62:38

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

OPR elevated by 25bps to 2.25% at the 5-6 July 2022 Monetary Policy Committee (MPC) meeting which continued the the 25bps hike to 2.00% at the 10-11 May 2022 meet. Monetary Policy Statement (MPS) maintains the messaging that BNM's unwinding of accommodative monetary policy - hence OPR hikes - will be "measured and gradual". They acknowledge the downsides from Ukraine conflict and the rising of inflationary pressures. We view that there will be no change total +75bps hikes this year to 2.50% and another +50bps hikes next year to 3.00% (Suhaimi, Zamros & Fatin, 2022).

We expect for 2022 real GDP growth forecast of +6.0% on "sugar rush" from the impact of economic opening - including international border opening - and the fourth round of EPF withdrawal, especially on services sector (57% of GDP) - including tourism industry and related activities - and consumer spending (59% of GDP). Real GDP growth should be rose up in 2Q 2022 than +5.0% YoY in 1Q 2022 as indicators showed sustained pick up in monthly GDP growth year-to-date as per our monthly GDP tracker. 3Q 2022 growth should also remain firm on "base effect" boost given the - 4.5% YoY contraction in 3Q 2021 (Suhaimi, Zamros & Fatin, 2022).

In Apr 2022, Industrial Production Index (IPI) moderated to +4.6% YoY (Mar 2022: +5.1% YoY) while Distributive Trade Index (DTI) growth picked up to +10.0% YoY (Mar 2022: +4.7% YoY, revised from +4.8% YoY previously) and Crude Palm Oil (CPO) output fell - 4.3% YoY (Mar 2022: -0.9% YoY). Inputting these indicators into our monthly GDP tracker, we estimated the economy grew +6.6% YoY in Apr 2022 (Mar 2022: +5.4% YoY; 1Q 2022: +5.0% YoY) (Suhaimi, Zamros & Fatin, 2022).

Double digit monthly external trade growth continued in May 2022 but on easing trend as exports and imports moderated +30.5% YoY (Apr 2022: +20.8% YoY) and +37.3% YoY (Mar 2022: +22.1% YoY). Trade surplus narrowed to +MYR12.6b (Apr 2022: +MYR23.5b). In the fallouts of Russia-Ukraine war (especially on Europe), Malaysia's external trade outlook now is a "battle" between the upside to high commodity prices and the downside to global economic outlook. Malaysia is benefitting from commodity and tech exports where Palm oil, LNG and crude oil contributed to 23% of 5M 2022's +23.5% exports growth, with E&E accounted for another 48% (Suhaimi, Zamros & Fatin, 2022).

Core CPI quickened to +2.4%, boosted by pent up discretionary spending and services demand effect of economic opening e.g. restaurants & hotels; recreation services & culture; furniture, household equipment & routine household maintenance. Headline CPI was up by +0.6% MoM, while headline inflation rate ex-fuel price accelerated to +2.7%.

Headline inflation picked up to +2.8% YoY in May 2022 (Apr 2022: +2.3% YoY; 2021: +2.5%) mainly on food & non-alcoholic beverages (FNAB) inflation (May 2022: +5.2% YoY; Apr 2022: +4.1% YoY), partly also due to seasonal demand effect i.e. Ramadhan and Eid (Zamros, Suhaimi & Fatin, 2022).

Unemployment rate fell to 3.9% in Apr 2022 (Mar 2022: 4.1%), lowest since 3.3% in Feb 2020, and averaged 4.1% in 4M 2022 (2021: 4.6%). It is supported by stronger employment (Apr 2022: +3.3% YoY, +0.5% MoM; Mar 2022: +2.9% YoY, +0.2% MoM) relative to labour force growth (Apr 2022: +2.5% YoY, +0.4% MoM; Mar 2022: +2.2% YoY, +0.2% MoM), which contributed to the decline in the number unemployed by -12.6% YoY and -3.0% MoM to 649.3k (Mar 2022: 669.2k), though it remained above pre pandemic low of 511.7k in Jan 2020. Signs of improvement in job market including the uptrend in "Own Account Workers" (i.e. mainly daily income earners working as petty traders, hawkers, food stalls operators as well as smallholders), dropping of the number of employed persons who were temporarily not working to 88,300 in Apr 2022 from 93,900 in Mar 2022 and decreasing in the number of workers retrenched in May 2022 to 2,172 relative to 3,029 in Apr 2022, with 5M2022 declining by -46.3% to 15,634 (5M2022: 29,106) (Suhaimi, Zamros & Fatin, 2022).

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (2022). BNM Monetary Policy, Measured and gradual back-to-back hike.

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