MUDARABAH INVESTMENT ACCOUNT - TERM FUND-i

Fund Performance Report for the Quarter Ended 30 September 2022

Dear Valued Investment Account Holder ("IAH"),

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

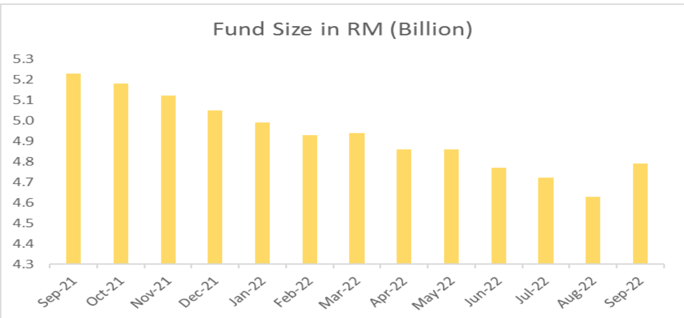
Other Information

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

FUND PERFORMANCE

Fund Size and Growth

As at September 2022, the Term Fund-i balance was recorded at RM 4.79 billion, which is a 8.4% reduction year-on-year from RM 5.23 billion in September 2021.



FUND PERFORMANCE

Asset Allocation

The fund is invested in a portfolio of the Bank's retail and non-retail assets[1] 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.

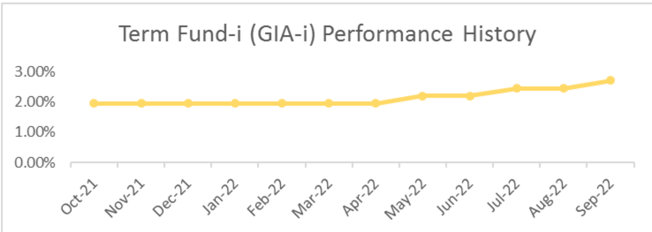
Type of Assets	GIA-i	
	June 2022	September 2022
Retail Financing	95%	94%
Non-Retail Financing	5%	6%
Marketable Securities	-	-
	100%	100%

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 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 2.14% p.a. for the past 12 months, and an average rate of 2.53% p.a. for Q3 2022.



Period	16 Jul 2022 to 15 Aug 2022		16 Aug 2022 to 15 Sept 2022		16 Sept 2022 to 15 Oct 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 months	1.45%	37:63	1.45%	37:63	1.70%	42:58
2 months	2.25%	57:43	2.25%	57:43	2.50%	62:38
3 - 5 months	2.30%	58:42	2.30%	58:42	2.55%	64:36
6 - 11 months	2.40%	61:39	2.40%	61:39	2.65%	66:34
12 - 17 months	2.45%	62:38	2.45%	62:38	2.70%	67:33
18 - 24 months	2.45%	62:38	2.45%	62:38	2.70%	67:33
25 - 35 months	2.45%	62:38	2.45%	62:38	2.70%	67:33
36 - 47 months	2.50%	64:36	2.50%	64:36	2.75%	69:31
48 - 59 months	2.60%	66:34	2.60%	66:34	2.85%	71:29
60 months	2.70%	69:31	2.70%	69:31	2.95%	74:26

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

On 8 September 2022, the Monetary Policy Committee (MPC) by BNM decided to increase the OPR by 25 bps to 2.50%. We anticipate one more 25bp rate hike in November to bring the OPR to 2.75% by end-2022, though with a weaker conviction. From a rates strategy point of view, the hurdle is not high for the first few hikes to 2.50-2.75%, but will likely face a higher bar to go further. The favorable supply profile in 3Q22 will begin to fade and normalize in 4Q22.

Real GDP growth accelerated to +8.9% YoY (1Q 2022: +5.0% YoY; 2021: +3.1% YoY), primarily driven by stronger services benefitting from full economic opening. We maintain 2022/2023 growth forecasts of +6.0% and +4.0%, respectively (1H 2022: +6.9%; 2021: +3.1%), and pencil in another +75bps hike in the OPR, to reach 3.00% by 1Q 2023.

We are maintaining our 2022 real GDP growth forecast of +6.0% on 'sugar rush' from the impact of the economic opening - including international border opening on 1 Apr 2022 - and the fourth round of EPF withdrawal, especially in the services sector (57% of GDP) and consumer spending (59% of GDP). This implies faster growth in 2Q 2022 after +5.0% YoY expansion in 1Q 2022, and 'base effect' boost to 3Q 2022 real GDP following the -3.5% YoY contraction in 3Q 2021.

However, we expect the economy to experience 'withdrawal syndrome' in 4Q 2022 and 2023 amid the unwinding of policy stimulus - particularly with the 50bps hikes in BNM's Overnight Policy Rate (OPR) to 2.50% in 2H 2022. We estimated that the 25bps hike in OPR will shave 0.2ppt off real GDP growth over a 12-month period after the hike, with the impact materializing 3-4 quarters after the hike. There is also the downside of rising inflation as we expect faster inflation rates of +3.4% in 2022 (5M2022: +2.4%; 2021: +2.5%) and +4.1% in 2023 on the inflationary adjustments in ceiling/controlled prices and price subsidies for essential food items, plus our expectation of a fuel price subsidy review next year.
In 2Q 2022, Industrial Production Index (IPI) and Index of Services (IOS) accelerated to +6.9% YoY (1Q 2022: +4.5% YoY) and to +16.7% YoY (1Q 2022: +7.0% YoY) respectively; Construction Works' Value rebounded +6.1% YoY (1Q 2022: 6.1% YoY); while crude palm oil (CPO) output declined 5.0% YoY (1Q 2022: +3.9% YoY).

IOS growth surged to +16.7% YoY in 1Q 2022 (1Q 2022: +7.0% YoY) and together with the above mentioned faster growth in electricity component of IPI propose a sturdy services GDP growth last quarter (1Q 2022: +6.5% YoY). Meanwhile, the Domestic Trade Index (DTI) growth jumped (2Q 2022: +19.2% YoY; 1Q 2022: +3.9% YoY) on brisk growth in retail trade volume (2Q 2022: +23.9% YoY; 1Q 2022: +5.1% YoY) and motor vehicle trade volume (2Q 2022: +66.4% YoY; 1Q 2022: +8.8% YoY) as well as pick up in wholesale trade volume (2Q 2022: +5.6% YoY; 1Q 2022: +1.2% YoY). The weighted average of retail and motor vehicle trade index strengthened markedly last quarter (2Q 2022: +30.6% YoY; 1Q 2022: +5.9% YoY), pointing to faster growth in real private consumption (1Q 2022: +5.5% YoY). CPO output fell 3.8% YoY in June 2022 (May 2022: 7.0% YoY), contributing to 2Q 2022 drop of 5.0% YoY (1Q 2022: +3.9% YoY), implying decline in agriculture GDP growth last quarter (1Q 2022: +0.2% YoY). Based on these indicators, we estimated 2Q 2022 real GDP growth accelerated to +11.7% YoY (1Q 2022: +5.0% YoY; 2021: +3.1%).

Malaysia's inflation, measured by the consumer price index (CPI), increased 4.7% year-on-year (y-o-y) in August 2022, as the gauge's food and non-alcoholic beverage component remained the main contributor to inflation. Notably, August 2022's CPI print marked the sixth consecutive month of y-o-y increase since March, as the inflation gauge steadily crept up over the past few months. It grew 4.4% in July, 3.4% in June, 2.8% in May, 2.3% in April, and 2.2% in March. The increase in inflation was attributed to the increase in production input and fuel prices.

Unemployment rate fell monthly, quarterly and half yearly (June 2022: 3.8% vs May 2022: 3.9%; 2Q 2022: 3.9% vs 1Q 2022: 4.1%; 1H 2022: 4.0% vs 1H2021: 4.7%). Better job market conditions also include faster job growth vs labour force growth, decline in retrenchments and unwinding of Wage Subsidy Programmes. Data suggest firmer 2Q 2022 GDP growth, justify BNM's OPR hikes by a total of +50bps in May 2022 and July 2022 to 2.25%, and show no immediate adverse effect from Minimum Wage hike on 1 May 2022.

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (2022). Malaysia Banking, Financial Stability Review 1H22.
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