MUDARABAH INVESTMENT ACCOUNT - TERM FUND-i

Fund Performance Report for the Quarter Ended 31 March 2023

Dear Valued Investment Account Holder ("IAH"),

We are pleased to present the following fund performance report for the quarter-ended 31 March 2023

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

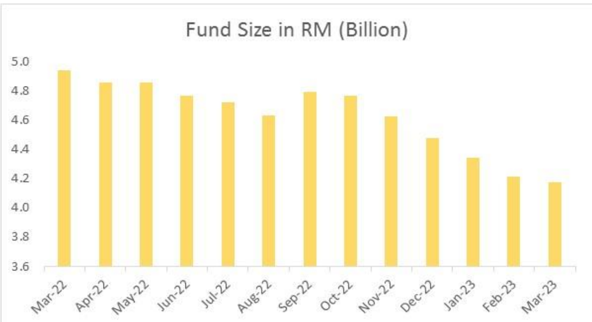
Other Information

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

FUND PERFORMANCE

Fund Size and Growth

As at March 2023, the Term Fund-i balance was recorded at RM 4.17 billion, which is at 15.55% reduction year-on-year from RM 4.94 billion in March 2022.



FUND PERFORMANCE

Asset Allocation

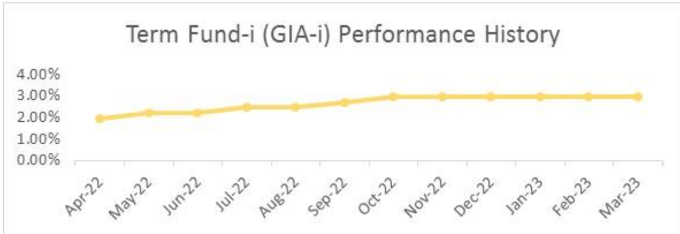
The fund is invested in a portfolio of the Bank's retail and non-retail assets[1] and the asset allocation for the past two quarters is per the table below. The asset allocation is within the stated investment objective and strategy.

Type of Assets	GIA-i	
	December 2022	March 2023
Retail Financing	93.6%	96.3%
Non-Retail Financing	6.4%	3.7%
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 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 2.64% p.a. for the past 12 months, and an average rate of 2.95% p.a. for Q1 2023.



Period	16 January 2023 to 15 February 2023		16 February 2023 to 15 March 2023		16 March 2023 to 15 April 2023	
	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	1.95%	49:51	1.95%	49:51	1.95%	49:51
2 months	2.75%	69:31	2.75%	69:31	2.75%	69:31
3 - 5 months	2.80%	70:30	2.80%	70:30	2.80%	70:30
6 - 11 months	2.90%	72:28	2.90%	72:28	2.90%	72:28
12 - 17 months	2.95%	74:26	2.95%	74:26	2.95%	74:26
18 - 24 months	2.95%	74:26	2.95%	74:26	2.95%	74:26
25 - 35 months	2.95%	74:26	2.95%	74:26	2.95%	74:26
36 - 47 months	3.00%	75:25	3.00%	75:25	3.00%	75:25
48 - 59 months	3.10%	77:23	3.10%	77:23	3.10%	77:23
60 months	3.20%	80:20	3.20%	80:20	3.20%	80:20

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 has kept the OPR unchanged at 2.75% for the second consecutive Monetary Policy Committee (MPC) meeting on 5-6 Mar 2023. BNM said the decision was to allow it to continue assessing the impact of last year's four OPR hikes totalling +100bps (between May and Nov) on growth and inflation. Despite the pause so far this year, we do not see this as the end of OPR upcycle, and still see the scope for another +25bps increase in OPR to 3.00%, especially given the upside risk to inflation from the "fiscal policy overhang" with regards to fuel subsidy. To also note, the pause in BNM's OPR hike cycle has happened before i.e. the post-GFC interest rate hike cycle where OPR was raised from the then record low of 2.00% to 2.75% between Feb 2010 and July 2010, then paused before it was raised again to 3.00% in May 2011 and stayed there for the next three years.

For 2023, BNM expect moderate real GDP growth of +4.0% to +5.0% range (2023F previous: +4.5%; 2022: +8.7%) underpinned by slower global growth and elevated inflation and input costs. By sectors, services moderates to +5.0% (2023F previous: +5.3%; 2022: +10.9%), manufacturing growth eases to +4.0% (2023F previous: +3.9%; 2022: +8.1%) and slower growth in mining (2023F: +0.7%; 2023F previous: +1.2%; 2022: +3.4%); but expect bigger expansion in agriculture (2023F: +2.0%; 2023F previous: +1.1%; 2022: +0.1%) and construction (2023F: +6.3%; 2023F previous: +6.1%; 2022: +5.0%).

Domestic demand growth is expected to slow (2023F: +5.4%; 2023F previous: +5.4%; 2022: +9.2%) reflecting slower growth in private consumption (2023F: +6.1%; 2023F previous: +6.1%; 2022: +11.3%) and private investment (2023F: +5.8%; 2023F previous: +5.8%; 2022: +7.2%) but supported somewhat by higher growth in public investment (2023F: +7.0%; 2023F previous: +7.0%; 2022: +5.3%) as public consumption moderates (2023F: +1.3%; 2023F previous: +1.0%; 2022: +3.9%). Gross fixed capital formation (GFCF) growth eases (2023F: +6.0%; 2023F previous: +6.0%; 2022: +6.8%) as slower expansion in private investment offset the recovery in public investment. Net external demand growth is projected to improve (2023F: +9.7%; 2023F previous: +13.0%; 2022: -1.8%) as exports growth (2023F: +2.7%; 2023F previous: +3.1%; 2022: +12.8%) outpaced imports (2023F: +2.1%; 2023F previous: +2.3%; 2022: +14.2%) of goods and services.

Growth in the domestic economy is expected to be supported by recovery in inbound travel, household spending underpinned by continued income growth and sustained improvement in labour market conditions. At the same time, investments will be supported by continued capacity expansion and multi-year projects with improvement in construction activity and continuation of large-scale infrastructure projects. Growth in credit to households and businesses are also expected to remain supportive of economic activity.

Meanwhile, as global growth is expected to be supported by resilient labour markets and household spending, reopening of China's economy and easing of supply chain disruptions, the global economy is also facing headwinds from elevated inflation, tight monetary policy and financial conditions, higher financial market volatility.

Headline inflation rate stays at +3.7% YoY in Feb 2023 (Jan 2023: +3.7% YoY; 2022: +3.3%), the third consecutive month of sub-4% print. But food & non-alcoholic beverages (FNAB) inflation accelerated to +7.0% YoY (Jan 2023: +6.7% YoY) vs the much slower non-food inflation (Feb 2023: +2.0% YoY; Jan 2023: +2.1% YoY). Transport inflation eased to +3.7% YoY (Jan 2023: +4.0% YoY; 2022: +4.7%). MoM, headline CPI was up by +0.2% (Jan 2023: +0.2%). Headline inflation rate ex-fuel prices rose marginally to +4.0% YoY (Jan 2023: +3.9% YoY; 2022: +3.2%) while core inflation remained unchanged at +3.9% YoY (Jan 2023: +3.9% YoY; 2022: +3.0%). Services inflation stayed above-4% YoY since Oct 2022 (Feb 2023: +4.2% YoY; Jan 2023: +4.2% YoY; 2022: +3.0%) amid lingering pent up discretionary spending and services demand from economic opening plus cost pressures e.g. restaurants & hotels; recreation services & culture; furniture, household equipment & routine household maintenance.

Transport inflation posted slower rise at +3.7% YoY in Feb 2023 (Jan 2023: +4.0% YoY; 2M 2023: +3.9% YoY). The domestic prices for RON95 and diesel were unchanged on YoY basis as prices of RON95 and diesel remain capped at MYR2.05/litre and MYR2.15/litre respectively since 10 Feb 2021. Meanwhile, RON97 price is "floated" i.e. unsubsidized and tracks global crude oil price, and currently at MYR3.35/l, gradually moderating from the high of MYR4.84/l in Jun 2022. Transport Services inflation remains double digit at +18.8% YoY in Feb 2023 (Jan 2023: +17.9% YoY; 2M2023: +18.3% YoY) mainly on the surge in "Passenger Transport by Air" which increased by +48.2% YoY during the high holiday/travel demand season (Jan 2023: +43.7% YoY; 2M2023: +46.0% YoY).

Food & Non-Alcoholic Beverages (FNAB) inflation rose to +7.0% YoY in Feb 2023 (Jan 2023: +6.7% YoY; 2M 2023: +6.9% YoY) as the higher "food at home" (Feb 2023: +5.8%; YoY; Jan 2023: +5.1% YoY) offset the deceleration in "food away from home" (Feb 2023: +8.9% YoY; Jan 2023: +9.3% YoY). On MoM basis, FNAB costs rose by +0.4% (Jan 2023: +0.6%). Overall, FNAB's inflation contributed to 53.7% of CPI in 2M2023 vs 49.2% in 2022 and is a key component of CPI to watch going forward as the global food price inflation eased while fertilizer and feed meal costs stabilized though remained elevated.

Maybank Islamic

Unemployment rate in Dec 2022 remained at 3.6% for the fourth straight months (Nov 2022: 3.6%) amid a modest drop in the number of unemployed (Dec 2022: 600k; Nov 2022: 601k) as well as steady growth momentum in - and growth differential between - employment (Dec 2022: +3.1% YoY; Nov 2022: +3.2% YoY) and labour force (Dec 2022: +2.4% YoY; Nov 2022: +2.5% YoY).

According to the Department of Statistics, jobs growth was broad-based, led by Services sector such as Wholesale & Retail Trade, Food & Beverage, and Information & Communication, as well as Agriculture, Manufacturing, Construction and Mining & Quarrying sectors. Based on monthly manufacturing statistics, the sector's employment growth was sustained (Dec 2022: +3.4% YoY; Nov 2022; +3.3% YoY) while wages and salaries growth picked up, in total amount (Dec 2022: +5.4% YoY; Nov 2022; +4.7% YoY) and on per worker basis (Dec 2022: +2.0% YoY; Nov 2022; +1.4% YoY).

Improvement in job market conditions were also reflected by the drop in workers' retrenchments i.e. -11.3% YoY in Jan 2023 to 4,042 (2022: -44.0% YoY to 34,339; 2021: +42.7% to 61,358), although it posted third consecutive M-o-M rise.

References:

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