

MUDARABAH INVESTMENT ACCOUNT - TERM FUND-i

Fund Performance Report for the Quarter Ended 30 September 2023

Dear Valued Investment Account Holder (“IAH”),

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

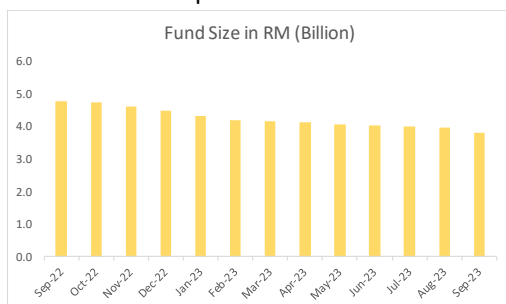
Other Information

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

FUND PERFORMANCE

Fund Size and Growth

As at September 2023, the Term Fund-i balance was recorded at RM 3.79 billion, which is at 20.64% reduction year-on-year from RM 4.78 billion in September 2022.



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.

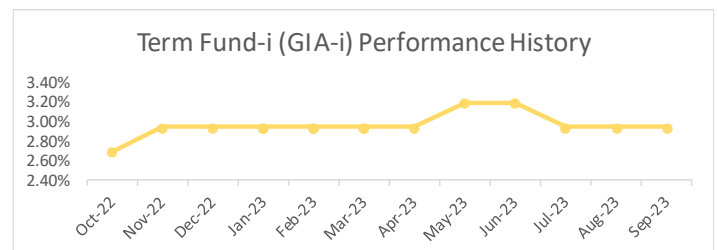
| Type of Assets | GIA-i | |
|-----------------------|------------|-----------|
| | March 2023 | June 2023 |
| Retail Financing | 96.3% | 96.1% |
| Non-Retail Financing | 3.7% | 3.9% |
| Marketable Securities | - | - |
| | 100% | 100% |

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 2.97% p.a. for the past 12 months, and an average rate of 2.95% p.a. for Q3 2023.



| Period | 16 July 2023 to 15 August 2023 | | 16 August 2023 to 15 September 2023 | | 16 September 2023 to 15 October 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 | 2.20 % | 51:49 | 2.20 % | 49:51 |
| 2 months | 2.75% | 68:32 | 3.00% | 66:34 | 3.00% | 65:35 |
| 3 - 5 months | 2.80% | 69:31 | 3.05% | 69:31 | 3.05% | 67:33 |
| 6 - 11 months | 2.90% | 71:29 | 3.15% | 70:30 | 3.15% | 68:32 |
| 12 - 17 months | 2.95% | 71:29 | 3.20% | 71:29 | 3.20% | 69:31 |
| 18 - 24 months | 2.95% | 71:29 | 3.20% | 71:29 | 3.20% | 69:31 |
| 25 - 35 months | 2.95% | 71:29 | 3.20% | 71:29 | 3.20% | 69:31 |
| 36 - 47 months | 3.00% | 72:28 | 3.25% | 72:28 | 3.25% | 71:29 |
| 48 - 59 months | 3.10% | 72:28 | 3.35% | 72:28 | 3.35% | 71:29 |
| 60 months | 3.20% | 72:28 | 3.45% | 72:28 | 3.45% | 71:29 |

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

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% at its 6-7 Sep 2023 Monetary Policy Committee (MPC) meeting. This is the second consecutive MPC meeting of “OPR pause”. BNM’s latest Monetary Policy Statement (MPS) indicates that while global economy continues to expand, global growth outlook remained subjected to downside risks and weighed down by persistently elevated core inflation, high interest rates, subdued global trade amid E&E down cycle, and slower-than-expected growth in China.

The key changes in BNM’s latest MPS are the removals of 1) the reference on current OPR level of 3.00% as being “slightly accommodative”, and 2) the remarks on “risk of future financial imbalances”. We take these “omissions” to primarily to reflect the emergence of positive real OPR - implying BNM monetary policy stance is no longer “slightly accommodative” when real interest rate factor is taken into account, which also removes the “risk of future financial imbalances”.

Meanwhile, given the current context of volatile Ringgit amid the fluid outlook on US Fed’s interest rate policy, the return of positive real interest rate adds to BNM’s recent statement (by the Financial Market Committee or FMC on 27 June 2023) on Ringgit and market intervention in stabilising Ringgit against excessive volatility and movements. Malaysia Monthly GDP Estimate - July saw rebounds in Industrial Production Index (IPI - Jul 2023: +0.7% YoY; Jun 2023: -2.2% YoY) and Crude Palm Oil (CPO) output (Jul 2023: +2.3% YoY; Jun 2023: -6.3% YoY) as well as firmer Distribution Trade Index growth (DTI - Jul 2023: +5.4% YoY; Jun 2023: +3.1% YoY). Inputting these indicators into our monthly GDP tracker, we estimated monthly GDP remained “low and steady” at +2.4% YoY in July 2023 (June 2023: +2.4% YoY; 2Q 2023: +2.9% YoY).

Unemployment rate remained at 3.4% in July 2023 for the second month amid steady growth momentum in employment (July 2023: +2.2% YoY; June 2023: +2.3% YoY) and labour force (July 2023: +1.9% YoY; June 2023: +1.9% YoY). The numbers of unemployed fell -6.7% YoY and -0.4% MoM (July 2023: 579k; June 2023: 582k).

According to the Department of Statistics, jobs growth in July 2023 was mainly driven by Services - especially in the Food & Beverage, Wholesale & Retail Trade and Education - as well as Construction and Mining & Quarrying, while Manufacturing and Agriculture jobs declined marginally during the month.

Maintain our 2023 unemployment rate forecast of 3.5% (7M 2023: 3.5%; 2022: 3.9%) which implies monthly jobless rate largely moving sideways or in a tight range this year. This is panning out as jobless rate steadying at 3.4%-3.5% in

Feb-July 2023 after trending down from 4.2% in Jan 2022 to 3.6% in Sep 2022 - Jan 2023.

The “sticky” unemployment rate so far this year also reflects the trend in workers retrenchment which has been rising YoY since Feb 2023 up to the latest data as of Aug 2023 (+115,1% YoY and 6.5% MoM to 4,560) to record +32.3% YoY increase in 8M 2023 to 30,214 (8M2022: -49.3% YoY to 22,841; 2022: -44% to 34,339).

Based on the latest monthly manufacturing statistics (Fig 6-7), there was further deceleration in the growth of manufacturing employment (Jul 2023: +1.7% YoY; Jun 2023: +2.1% YoY) and wages & salaries (Jul 2023: +2.9% YoY; Jun 2023: +3.0% YoY).

Headline inflation rate steady at +2.0% YoY in Aug 2023 (Jul 2023: +2.0% YoY; 8M2023: +2.9% YoY; 2022: +3.3% YoY) supported by easing in Restaurants & Hotels (Aug 2023: +4.7% YoY; Jul 2023: +5.0% YoY), Furnishings, Household Equipment & Routine Household Maintenance (Aug 2023: +1.7% YoY; Jul 2023: +1.9% YoY) and Food & Non-Alcoholic Beverages (FNAB - Aug 2023: +4.1% YoY; Jul 2023: +4.4% YoY) while non-food inflation rose to 1.0% YoY (Jul 2023: +0.8% YoY). MoM, headline CPI rose +0.2% (Jul 2023: +0.1% YoY).

Headline inflation rate ex-fuel prices slowed to +2.4% YoY (Jul 2023: +2.5% YoY; 8M2023: +3.3% YoY; 2022: +3.2%). Core inflation continued to trend downwards to +2.5% YoY (Jul 2023: +2.8% YoY; 8M2023: +3.4% YoY; 2022: +3.0% YoY). Services inflation also eased further (Aug 2023: +2.7% YoY; Jul 2023: +2.9% YoY) amid dissipating post-pandemic pent-up discretionary spending from economic opening e.g. restaurants & hotels; recreation services & culture; furniture, household equipment & routine household maintenance. Keep our 2023 inflation forecast at +3.0%. We expect monthly inflation rate to stay sub-3% YoY for the rest of the year, mainly on base effect

However, inflation risk remains biased to the upside amid the fluid policy on price subsidies and controls. The Government has implemented targeted subsidies, beginning with electricity at the start of this year whereby subsidy is given only to domestic (household) and low-voltage users vs non-domestic (industrial, commercial) and medium/high voltage users. This was followed by the exclusion of very high-income households from electricity subsidies at the start of 2H2023 i.e. those with monthly electricity consumption excess of 1,500kWh. Next is the implementation of targeted fuel subsidy in 2024 that will also end the “benefits” to the high-income households.

At the same time, we are mindful of El-Nino-related food inflation risks, especially with the upward pressures in rice prices in recent months (Aug 2023: +3.0% YoY; Jul 2023:

+2.4% YoY - see Fig 9). This is attributed to global shortage in rice supply following adverse weather conditions due to El-Nino and major rice producers like India banning rice exports.

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Sep,2023) - Malaysia Labour Statistics, July 2023 Jobless rate remained at 3.4%

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Sep,2023) - "Low and Steady" Monthly GDP in July 2023

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Sep,2023) - Steady Headline Inflation, slowing core inflation

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Sep,2023) - OPR pause continued