

MUDARABAH INVESTMENT ACCOUNT - DAILY FUND-i (SME & BB)*

Fund Performance Report for the Quarter Ended 30 June 2023

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter-ended 30 June 2023.

FUND INFORMATION

Type of Product

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

Applicable Product

- Premier Mudharabah Account-i (“PMA-i”) for SME & BB
- SME First Investment Account-i (SME First IA-i”)

Type of Investors

- Small and Medium Enterprises (“SME”)
- Business Banking (“BB”)

Fund Inception

- 16 July 2015

Fund Investment Objectives

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

Fund Investment Strategy

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

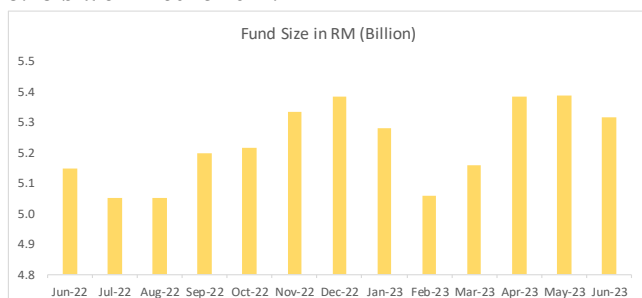
Other Information

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

FUND PERFORMANCE

Fund Size and Growth of Daily Fund-i (SME & BB)

As at June 2023, the Daily Fund-i (SME & BB) balance was recorded at RM 5.32 billion, which is a 3.15% growth year-on-year from RM 5.15 billion in June 2022.



*SME & BB refers to small and medium enterprises & business banking respectively

FUND PERFORMANCE

Asset Allocation of Daily Fund-i (SME & BB)

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.

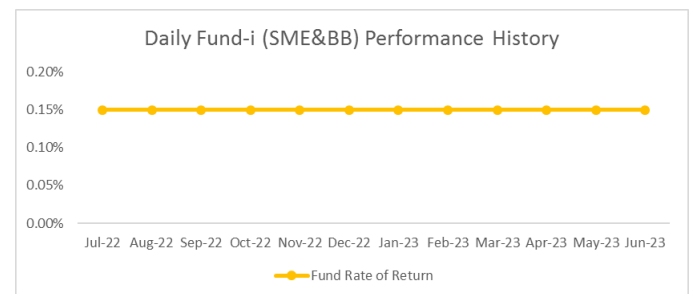
Type of Assets	March 2023	June 2023
Retail Financing	96.3%	96.3%
Non-Retail Financing	3.7%	3.7%
Marketable Securities	-	-
	100%	100%

Notes:

¹Retail assets consist of Unit Trust, Automobile, Home and Credit Card Financing while non-retail assets consists of SME, BB and CB Financing

Profit Rate of Daily Fund-i (SME & BB)

Based on the performance of the underlying assets, the profit rate to customers recorded an average rate of 0.15% p.a. for the past 12 months and an average rate of 0.15% p.a. for Q2 2023.



Period	16 April 2023 to 15 May 2023	16 May 2023 to 15 June 2023	16 June 2023 to 15 July 2023
Fund Profit Rate to IAH (p.a.)	0.15% p.a.	0.15% p.a.	0.15% p.a.
Profit Sharing Ratio (“PSR”) (IAH: Bank)	4:96	4:96	4:96

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.

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MARKET OUTLOOK

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% at its 5-6 July 2023 Monetary Policy Committee (MPC) meeting, after raising by +25bps at 2-3 May 2023 MPC meeting. OPR stays at 3.00% amid “cautiously constructive” assessment on growth and inflation. BNM’s latest Monetary Policy Statement (MPS) sees global economic growth outlook being weighed down by persistent core inflation and higher interest rates amid continued tight monetary policy globally as highlighted in previous MPS. But this time, BNM sees slowing China’s recovery post-economic re-opening in recent months vs stronger-than-expected rebound previously, and the downside risks to global economic outlook now include slower major economies.

Consequently, domestic economic growth moderated in recent months as exports are dragged by slower external demand, as corroborated by high frequency economic indicators such as our monthly GDP tracker and manufacturing purchasing managers index (PMI) and external trade. But for the remainder of this year, the economy will be driven by resilient domestic demand, as favorable labour market conditions - especially in the domestic-oriented sectors - underpinned consumer spending, plus rebounds in tourist arrivals and thus tourism-related activities (Fig 8-10), on top of progress in multi-year infrastructure projects supporting investment activity.

Domestic headline inflation is moderating monthly, mainly on base effect, though remained elevated year-to-date (May 2023: +2.8% YoY; Apr 2023: +3.3% YoY; 5M2023: +3.4% YoY; 2022: +3.3%), plus “sticky” core inflation (May 2023: +3.5% YoY; Apr 2023: +3.6% YoY; 5M2023: +3.8% YoY; 2022: +3.0%) amid lingering cost and demand pressures as per the food prices (May 2023: +5.9% YoY; Apr 2023: +6.3% YoY; 5M2023: +6.6% YoY; 2022: +5.8%) and services costs (May 2023: +3.6% YoY; Apr 2023: +3.9% YoY; 5M2023: +4.0% YoY; 2022: +3.0%). We noted BNM’s MPS is ambiguous about risks to inflation this time vs “tilted to the upside” remark previously, although it continues to highlight that inflation outlook is subjected to changes in domestic policy on subsidies and price controls, global commodity prices and financial market developments, as well as adding the degree of core inflation persistence as another lookout for inflation. But overall, BNM expects inflation to trend lower in 2H 2023.

Headline inflation rate eased to +2.8% YoY in May 2023 (Apr 2023: +3.3% YoY; 5M2023: +3.4% YoY; 2022: +3.3%) - the first sub-3% print since Jan-May 2022, mainly as transport costs up by just +1.0 YoY (Apr 2023: +2.3% YoY; 5M2023: +2.6% YoY; 2022: +4.7%) as base effect kicks in. Food & non-alcoholic beverages (FNAB) price increase slowed to +5.9% YoY (Apr 2023: +6.3% YoY; 5M2023: +6.6% YoY; 2022: +5.8%). Non-food inflation decelerated further (May 2023: +1.3% YoY; Apr 2023: +1.8% YoY). MoM, headline CPI was up by +0.2% (Apr 2023: +0.1%).

Headline inflation rate ex-fuel prices also eased to +3.3% YoY (Apr 2023: +3.6% YoY; 5M2023: +3.7% YoY; 2022: +3.2%) and similarly, inflation eased - but marginally - to +3.5% YoY (Apr 2023: +3.6% YoY; 5M2023: +3.8% YoY; 2022: +3.0%). Services inflation stays below 4.0% YoY (May 2023: +3.6% YoY; Apr 2023: +3.9% YoY) but remains elevated 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.

Maintain our 2023 inflation forecasts at +3.0% as 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, as per the implementation of targeted electricity subsidy starting this year that exclude non-domestic, non-MSME as well as medium and high voltage electricity users, with plans to exclude high-income group from electricity and fuel subsidies next year.

Despite the easing headline inflation, core inflation - which BNM describes as the “proxy” of demand-pull inflation - remains sticky. Thus, we are not ruling out another +25bps hike in BNM’s OPR to 3.25% - potentially at the next MPC meeting on 5-6 Jul 2023 - from current 3.00% (which was raised by +25bps at 2-3 May 2023 MPC meeting). Current 3.00% OPR is described by BNM as “slightly accommodative” and the latest Monetary Policy Statement (MPS) mentioned about the need to ensure monetary policy stance is appropriate to prevent the risk of future “financial imbalances”. BNM did not specify what are the “financial imbalances” risks, but current state of MYR and interest rate differentials vs major currencies and benchmark interest rates - especially given Fed’s hawkish pause with guidance of additional +50bps hikes - may well be the relevant factors.

Unemployment rate was stable at 3.5% in May 2023 for the fourth month as the number of unemployed declined by -8.3% YoY and -0.4% MoM (May 2023: 585k; Apr 2023: 587k) reflecting faster growth in employment (May 2023: +2.4%; Apr 2023: +2.5%) relative to the rise in the labour force (May 2023: +2.0%; Apr 2023: +2.0%). According to the Department of Statistics, jobs growth continued its uptrend for the Services sector, notably Food & Beverage, Wholesale & Retail Trade and Information & Communication, as well as Manufacturing, Construction, Mining & Quarrying and Agriculture sectors.

Based on the latest monthly manufacturing statistics, the sector’s employment (Apr 2023: +2.5% YoY; Mar 2023: +2.8% YoY) and wages & salaries (Apr 2023: +3.9% YoY; Mar 2023: +4.2% YoY) eased for the third consecutive month. On quarterly basis, the combined manufacturing and services employment growth (1Q 2023: +2.3% YoY; 4Q 2022: +2.8% YoY) and salaries and wages growth (1Q 2023: +5.2% YoY; 4Q 2022: +5.6% YoY) slowed for the second quarter in a row.

References:

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini (2023). Both headline and core not budging

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini (2023). Headline inflation goes sub-3% amid “sticky” core inflation

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini (2023). Malaysia Labour Statistics