

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

Fund Performance Report for the Quarter Ended 30th June 2024

Dear Valued Investment Account Holder (“IAH”),

We are pleased to present the following fund performance report for the quarter ended 30th June 2024.

FUND INFORMATION

Type of Product

- This is an unrestricted investment account known as Mudarabah Investment Account under the Daily Fund-i (SME & BB), where 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 a valuation on the underlying assets of the Fund in accordance with the Malaysian Financial Reporting Standards (“MFRS”), which will be carried out on a monthly basis.

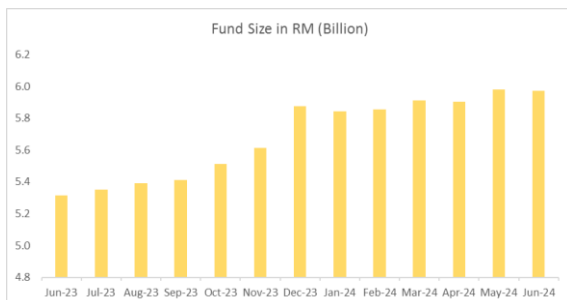
Other Information

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

FUND PERFORMANCE

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

As at June 2024, the Daily Fund-i (SME & BB) balance was recorded at RM 5.97 billion, which is a 12.34% growth year-on-year from RM 5.32 billion in June 2023.



*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 comprising the Bank’s retail and non-retail assets. The asset allocation for the past two quarters is outlined in the table below. This allocation adheres to the approved investment objective and strategy.

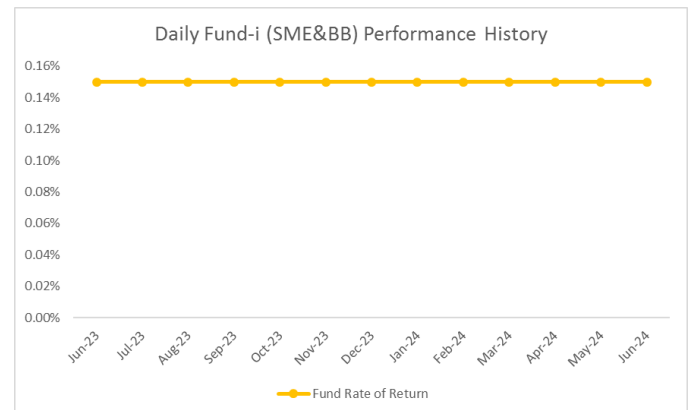
Type of Assets	March 2024	June 2024
Retail Financing	96.5%	93.2%
Non-Retail Financing	3.5%	6.8%
Marketable Securities	-	-
	100%	100%

Notes:

¹Retail assets consist of Unit Trust, Automobile, Home and Credit Card Financing while non-retail assets consist of Commercial Banking and Corporate Banking 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 2024.



Period	16 April 2024 to 15 May 2024	16 May 2024 to 15 June 2024	16 June 2024 to 15 July 2024
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)	3:97	3:97	3:97

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% for the sixth consecutive Monetary Policy Committee (MPC) meeting on . Compared from the previous MPS, BNM appeared to have upgraded its assessment on global growth i.e. “continues to expand” and removed “albeit moderately” amid resilient job market, global tech upcycle and trade recovery that cushion the impact of tight monetary policy and fiscal stimulus withdrawal. However, BNM maintained that the risk to global growth outlook remained biased to the downside due to the escalations in geopolitical tensions, potential upside surprise on inflation as well as financial market volatility.

We expect OPR to remain at 3.00% throughout 2024 given our current forecasts of moderate GDP growth pick up (2024E: +4.4%; 1Q 2024: +3.9% YoY; 2023: +3.7%) and upside risk to inflation rate (2024E: +2.4%; 1Q 2024: +1.7% YoY; 2023: +2.5%) that is largely due to fiscal measures to reduce

budget deficit to -4.3% of GDP this year (2023: -5.0% of GDP) by widening the tax base on enhance revenues - especially the consumption-related taxes adjustments - as well as implementing targeted fuel and electricity subsidies rationalisation. At the same time, stable OPR with expected eventual US interest rate cuts is positive for Ringgit's outlook amid recent stabilization in USDMYR. The latest Interest Rate Swap (IRS) rate implies market is pricing in a stable OPR for the next 12 months.

Headline inflation rate inched up to +2.0% YoY in May 2024 (Apr 2024: +1.8% YoY; 5M 2024: +1.8% YoY; 2023: +2.5%). Food & Beverages (F&B) inflation eased to +1.8% YoY in May 2024: (Apr 2024: +2.0% YoY; 5M 2024: +1.9% YoY) while other key CPI components were steady. Housing, Water, Electricity, Gas & Other Fuels (HWEGOF) indicators was up to +3.2% YoY (Apr 2024: +3.0% YoY; 5M 2024: +2.8% YoY; 2023: +1.7%) following water tariff hike on 1 Feb 2024, which caused the “water supply” component of CPI to be +32.0% higher in May 2024 than a year ago (Apr 2024: +31.4% YoY; Fig. 8). Transport inflation was stable at +0.9% YoY (Apr 2024: +0.8% YoY). Nevertheless, non-food inflation was higher at +2.0% YoY (Apr 2024: +1.7% YoY). MoM, headline CPI rose +0.3% (Apr 2024: +0.2%).

Inflation rate ex-fuel prices stayed at +1.9% YoY (Apr 2024: +1.9% YoY; 5M 2024: +1.8% YoY; 2023: +2.8%), reflecting the same trend as in core inflation (May 2024: +1.9% YoY; Apr 2024: +1.9% YoY; 5M 2024: +1.8% YoY; 2023: +3.0%). The consumer prices impact of broadening of services tax base and its rate from 6% to 6%-8% range effective 1 Mar 2024 was mild, as per services inflation (May 2024: +2.3% YoY; Apr 2024: +2.1% YoY; Mar 2024: +2.1% YoY; Feb 2024: +2.0% YoY; 5M 2024: +2.1% YoY;

2023: +3.1%) as the tax rate on F&B and telecommunication services remains at 6%, plus the exemptions

for selected logistics services (e.g. freight forwarders; haulage, warehouse, port terminal and conventional truck operators) and repairs and maintenance services of residential properties. There is also the dissipating base effect from post-pandemic pent-up demand and discretionary spending from economic opening e.g. restaurants & accommodation services; recreation sports & culture; furniture, household equipment & routine household maintenance.

We maintain our full-year 2024 inflation forecast at +2.4% (2023: +2.5%), with potential upside risk to monthly inflation ahead, mainly from the implementation of targeted RON95 petrol subsidy, where the timing and quantum of adjustments remain a “black box”.

As for diesel, starting from 10 Jun 2024, diesel price in Peninsular Malaysia was set higher at MYR3.35/l from MYR2.15/l as the government embarked on targeted diesel subsidy rationalization. Nevertheless, several exemptions are given i.e. MYR2.15/l for eligible logistics vehicles; MYR1.88/l for land public transport; MYR1.65/l for fishermen; while Sabah, Sarawak and Labuan still enjoy subsidized diesel price of MYR2.15/l. Given diesel's 0.2% weight in the CPI basket of goods and services (vs 5.5% for petrol), the direct impact of targeted diesel subsidy rationalization on inflation should be small. The wildcard is the knock-on effect on prices of other goods and services.

Unemployment rate stayed at 3.3% in Apr 2024 for the sixth consecutive month as both employment (Apr 2024: +1.9% YoY; Mar 2024: +1.9% YoY) and labour force (Apr 2024: +1.7% YoY; Mar 2024: +1.7% YoY) increase in tandem. Youth unemployment rate (Apr 2024: 10.6%; Mar 2024: 10.6% YoY) and under-unemployment rate (Apr 2024: 11.8%; Mar 2024: 11.8% YoY) were also unchanged.

According to the Department of Statistics, jobs growth in Apr 2024 improved further across all sectors such as Manufacturing, Construction, Mining & Quarrying, Agriculture and Services - particularly Information & Communication, Food & Beverage and Transportation & Storage.

After moderating to 3.4% last year from 3.8% in 2022, and taking cue from the 3.3% average in 4M 2024, we now expect full-year unemployment rate average of 3.3% in 2024 vs 3.4% previously.

Apr 2024 saw faster growth in Industrial Production Index (Apr 2024: +6.1% YoY; Mar 2024: +2.4% YoY), Crude Palm Oil output (Apr 2024: +25.7% YoY; Mar 2024: +8.1% YoY) and Distributive Trade Index (Apr 2024: +4.5% YoY; Mar 2024: +3.5% YoY). We estimated GDP grew +6.1% YoY in Apr 2024 (Mar 2023: +2.9% YoY), thus prospect of firmer 2Q 2024 GDP growth after the pickup to +4.2% YoY in 1Q 2024 (4Q 2023: +2.9% YoY), and supportive of our full-year 2024 GDP growth forecast of +4.7% (2023: +3.6%).

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (June, 2024)
- Malaysia Monthly GDP Estimate, Apr 2024

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- Malaysia Labour Statistics, Apr 2024

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (June, 2024)
- Malaysia CPI, May 2024

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BNM Monetary Policy