

MUDARABAH INVESTMENT ACCOUNT - DAILY FUND-i (GB)*

Fund Performance Report for the Quarter Ended 31 December 2023

Dear Valued Investment Account Holder (“IAH”),

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

FUND INFORMATION

Type of Product

- This is an unrestricted investment account known as Mudarabah Investment Account under the Daily Fund-i (GB), 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 Global Banking

Type of Investors

- Corporate Customers

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

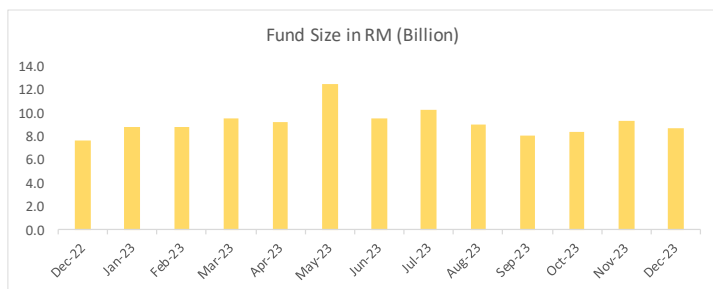
Other Information

- 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 (GB)

As at December 2023, the Daily Fund-i (GB) balance was recorded at RM 8.71 billion, which is a 13.54% increase year-on-year from RM 7.67 billion in December 2022.



FUND PERFORMANCE

Asset Allocation of Daily Fund-i (GB)

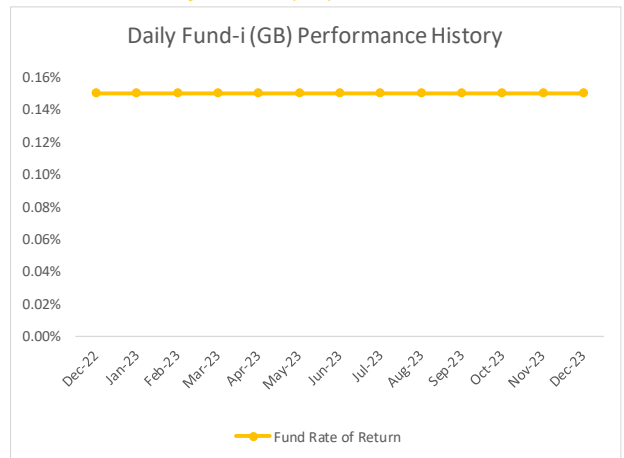
The fund is invested in a portfolio of the Bank’s retail and non-retail assets¹ and the asset allocation for the past two quarters is per the table below. The asset allocation is within the stated investment objective and strategy.

Type of Assets	September 2023	December 2023
Retail Financing	96.1%	96.3%
Non-Retail Financing	3.9%	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 (GB)



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 Q4 2023.

Period	16 October 2023 to 15 November 2023	16 November 2023 to 15 December 2023	16 December 2023 to 15 January 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)	4:96	4:96	4:96

Notes:

- 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
- Past performance is not reflective of future performance.

MARKET OUTLOOK

Bank Negara Malaysia (BNM) kept Overnight Policy Rate (OPR) at 3.00% after its 1-2 Nov 2023 Monetary Policy Committee (MPC) meeting i.e. third consecutive MPC meet of “OPR pause”. The latest Monetary Policy Statement (MPS) indicates BNM views the upside and downside risks to both growth and inflation as balanced between the upsides from resilient domestic demand (mainly as employment and wage growth underpins consumer spending); recoveries in E&E and tourism industries; progress in multi-year existing and new infrastructure projects; and implementation of catalytic initiatives and projects under the recently announced national master plans (e.g. MADANI Economy; National Energy Transition Roadmap; National Industrial Master Plan 2030) which will support investment activities vs the downside risks to external demand and commodity output, hence the decision to maintained OPR at 3.00%.

We expect OPR to remain at 3.00% in 2024 given our current forecasts of moderate pick up in GDP growth to +4.4% (2023E: +4.0%) and inflation rate to +3.0% (2023E: +2.6%), plus US Fed on “hold-for longer” stance from Dec 2023 until into 3Q 2024 after another round of “pause” that kept the fed funds rate target at 5.25%-5.50% at 31 Oct - 1 Nov 2023 FOMC meeting.

Headline inflation rate slowed further to +1.8% YoY in Oct 2023 (Sep 2023: +1.9% YoY; 10M2023: +2.7% YoY; 2022: +3.3%) as the moderating Food & Non-Alcoholic Beverages (FNAB - Oct 2023: +3.6% YoY; Sep 2023: +3.9% YoY) being partly off-set by higher Restaurants & Hotels (Oct 2023: +4.6% YoY; Sep 2023: +4.4% YoY) and Health (Oct 2023: +2.4% YoY; Sep 2023: +2.2% YoY) while other CPI components were broadly stable with non-food inflation sustained the pace at +0.9% YoY (Sep 2023: +0.9% YoY). MoM, headline CPI rose +0.1% (Sep 2023: +0.1% YoY).

Meanwhile, inflation rate ex-fuel prices slowed further to +2.1% YoY (Sep 2023: +2.3% YoY; 10M2023: +3.1% YoY; 2022: +3.2%). Similarly, core inflation eased a little further to +2.4% YoY (Sep 2023: +2.5% YoY; 10M2023: +3.2% YoY; 2022: +3.0%). Services inflation also gradually moderating further (Oct 2023: +2.4% YoY; Sep 2023: +2.6% 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.

We maintain our 2024 inflation forecast at +3.0% - for now pending more information and details on Budget 2024 especially the removal of price control and subsidies (quantum and timing to be announced later) for eggs and fuel (diesel & RON95 petrol). Other measures include service tax hike from 6% to 8% (except services like F&B and telecommunications) plus expansion of the services tax base (to include logistics, non-financial brokerage & underwriting, and karaoke); increase in excise duty for

sugar-sweetened beverages from MYR0.40/l to MYR0.50/l; imposition of excise duty on chewable tobacco products at 5% + MYR27/kg, and reduction entertainment duty (FT-KL, Labuan and Putrajaya) from 25% to 10%, 5% and 0% respectively according to categories. For a start, chicken subsidies have already been discontinued from 1 Nov 2023.

Following the previous service tax hike from 5% to 6% on 1 Jan 2011, headline and service inflation both rose from +1.7% and +1.7% respectively in 2010 to +3.2% and +2.7%, respectively in 2011 (Fig 19 & 20). To also note, in Dec 2010, RON95 and diesel prices were raised by MYR0.05/l, LPG price was increased by MYR0.05/kg and sugar price was hiked by MYR0.20/kg.

Unemployment rate eased to 3.3% in Nov 2023 (Oct 2023: 3.4%) - the level just before the outbreak of COVID-19 - as employment growth (Nov 2023: +2.0% YoY; Oct 2023: +2.0% YoY) continued to top labour force growth (Nov 2023: +1.7% YoY; Oct 2023: +1.7% YoY). Jobs increases were registered across all sectors, and informal jobs again hit a fresh record high. With 11M2023 jobless rate of 3.4% (2022: 3.8%), we expect steady unemployment rate of 3.4% in 2024.

According to the Department of Statistics, jobs growth in Nov 2023 continued to expand in the Services sector, particularly in Information & Communication, Food & Beverage and Transportation & Storage Activities as well as the Manufacturing, Construction and Mining & Quarrying sectors although employment in the Agriculture sector declined.

Given the 11M 2023 jobless rate of 3.4%, and thus the likely outcome for full-year 2023 unemployment rate of 3.4% vs our estimate of 3.5%, we expect the rate to be stable at 3.4% in 2024.

Monthly GDP growth eased back - Nov 2023 saw slower Industrial Production Index (Nov 2023: +0.6% YoY; Oct 2023: +2.4% YoY) but mitigated by sustained Crude Palm Oil output (Nov 2023: +6.4% YoY; Oct 2023: +6.8% YoY) and Distributive Trade Index (Nov 2023: +4.7% YoY; Oct 2023: +4.5% YoY). Based on these indicators, we estimated GDP growth of +2.3% YoY in Nov 2023 (Oct 2023 estimate: +3.4% YoY) and +2.8% YoY in Oct-Nov 2023 (3Q 2023 actual GDP: +3.3% YoY). Our full-year 2023 GDP growth estimate is +3.9% (9M 2023: +3.9%; 2022: +8.7%), implying 4Q 2023 growth could be in the range of +3.7% YoY to +4.1% YoY. To note, the advance estimate of 4Q 2023 GDP will be out on 19 Jan 2024. We expect +4.4% GDP growth in 2024.

References:

Suhaimi Ilias, Dr Zamros Dzulkafli, Fatin Nabila Mohd Zaini (Jan,2024) - Monthly GDP growth eased back

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini
(Jan,2024) - Unemployment rate back to pre-pandemic
level

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini
(Nov,2023) - Both headline and core inflation easing a little
further

Suhaimi Ilias, Dr Zamros Dzulkaflī, Fatin Nabila Mohd Zaini
(Nov,2023) - BNM Monetary Policy, Keeping OPR at 3.00%