



Maybank

Asset Management

2022

OUTLOOK & STRATEGY

NAVIGATING UNCERTAINTY

WITH CERTAINTY



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2021 REVIEW

Asian bonds were down by about 3% with the Chinese high yield bonds down in the teens for the year.

2021 has been a challenging year for Asian financial markets with both fixed income and equity markets down for the year.

Following a 2020 that was ravaged by the emergence of COVID19, we believed that 2021 would be a recovery year. Governments and Central banks had the appropriate fiscal and monetary stimulus measures to support the economy and we expected this to feed into Asian markets. Unfortunately, that was not the case.



One of the largest developers in China, Evergrande, fell into financial distress sparking fears that this would lead to a 'Lehman Moment' in China.

For Asian equities, the year started out well with Asian markets hitting returns of about 15% in 1Q2021. However, higher interest rates and a resurgence of COVID19 in ASEAN countries saw markets peak and correct.

Due to vaccine inequality, many poorer countries especially in ASEAN were not able to obtain COVID19 vaccines and were not able to rollout vaccinations at a sufficient pace. With vaccination rates low, ASEAN saw increasing rates (Exhibit 1) of infection and death hampering the economic reopening.

Furthermore, in mid-2021, China imposed new regulations impacting a wide range of sectors including education, gambling and tech. The authorities initially targeted the 'after school tutoring' sector but moved on to other sectors resulting in a widespread sell-off.

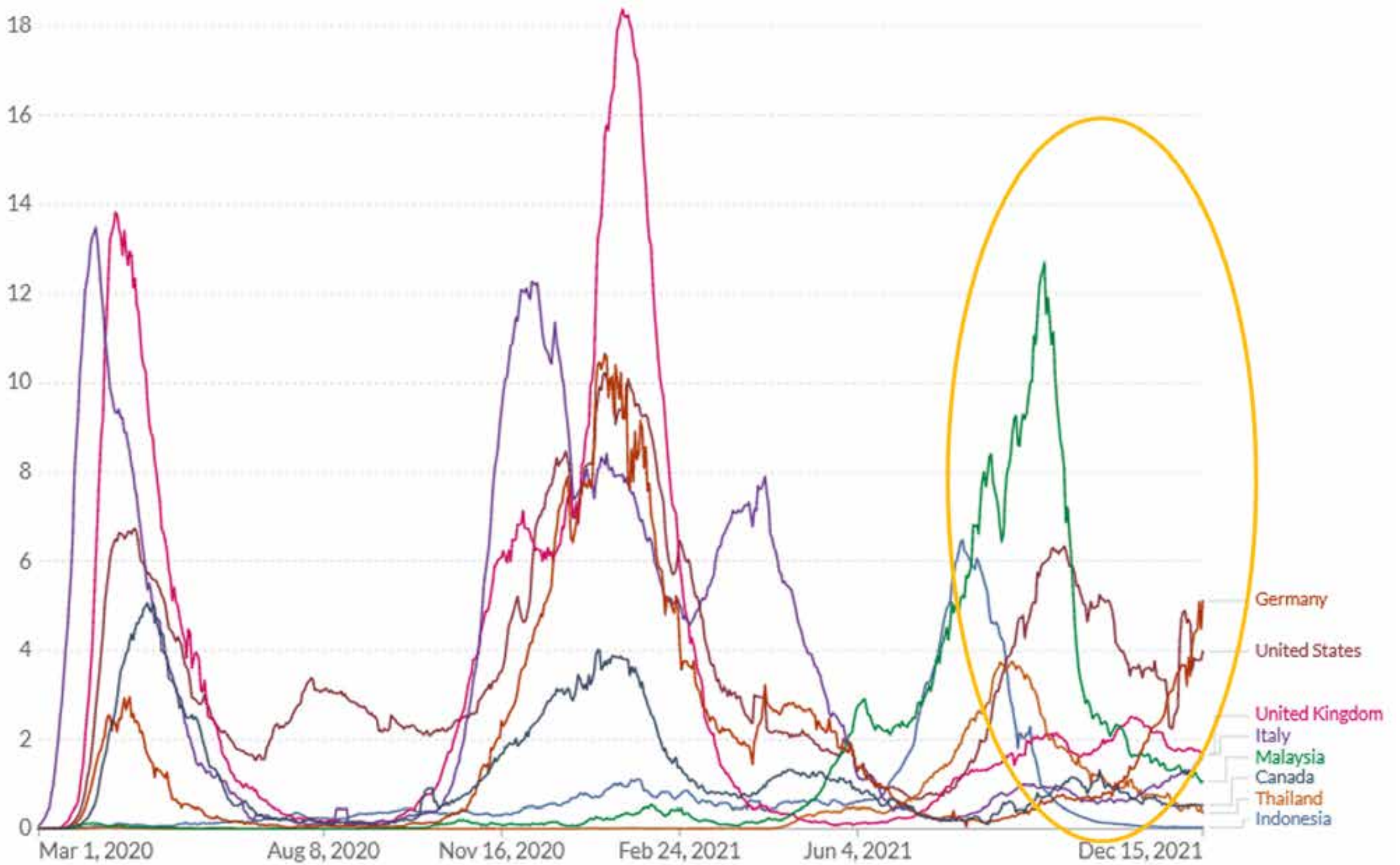
Moreover, the aforementioned debt issues in Evergrande surfaced and impacted stocks in the property sector as well as the entire China/HK stock market. Nevertheless, there were some bright spots in Asia with Taiwan and India up in the double digits but Asia as a whole fell by about 6%, mainly dragged down by China which declined by 20% for the year.

The common underlying factor that has driven the regulatory issues in China and the deleveraging in the Chinese property market has been the "Common Prosperity Model". Prosperity must be shared. China has developed at breakneck speed over the past 30 years and has emerged as a middle-income country while eradicating poverty.

VACCINE INEQUALITY LEADS TO SHARP RISE IN COVID19 DEATHS IN ASEAN FROM 2Q2021

Exhibit 1: Daily New Confirmed COVID19 deaths per million people

| Source: Our World In Data | Period: Jan 2020 - Dec 2021



Many countries in ASEAN were unable to roll out COVID19 vaccinations at a sufficient pace, resulting in increased rates of infection and death, and hampering economic reopening.

However, income inequality has also grown (Exhibit 2) with the bottom 50% earning less than the top 1%. The Chinese Government wants to reduce the inequality by increasing the incomes and buying power of the middle and lower income groups.

Therefore, the current deleveraging in the property sector will rein in property prices and over the longer-term property will become more affordable.

Similarly, the regulation to ban "after school tutoring" will reduce costs to households as tutoring used to account for 20% - 30% of the total household budget.

The high costs of tutoring had become a burden for families and reduced the incentive of families to have more children resulting in a decline in the birth rate that would cause demographic issues in the long run.

INCOME INEQUALITY IN CHINA HAS DETERIORATED

Exhibit 2: Proportion of income share in China and US for the top 1% and Bottom 50%

| Source: Maybank Asset Management, LSE | Period: 1978 -2015

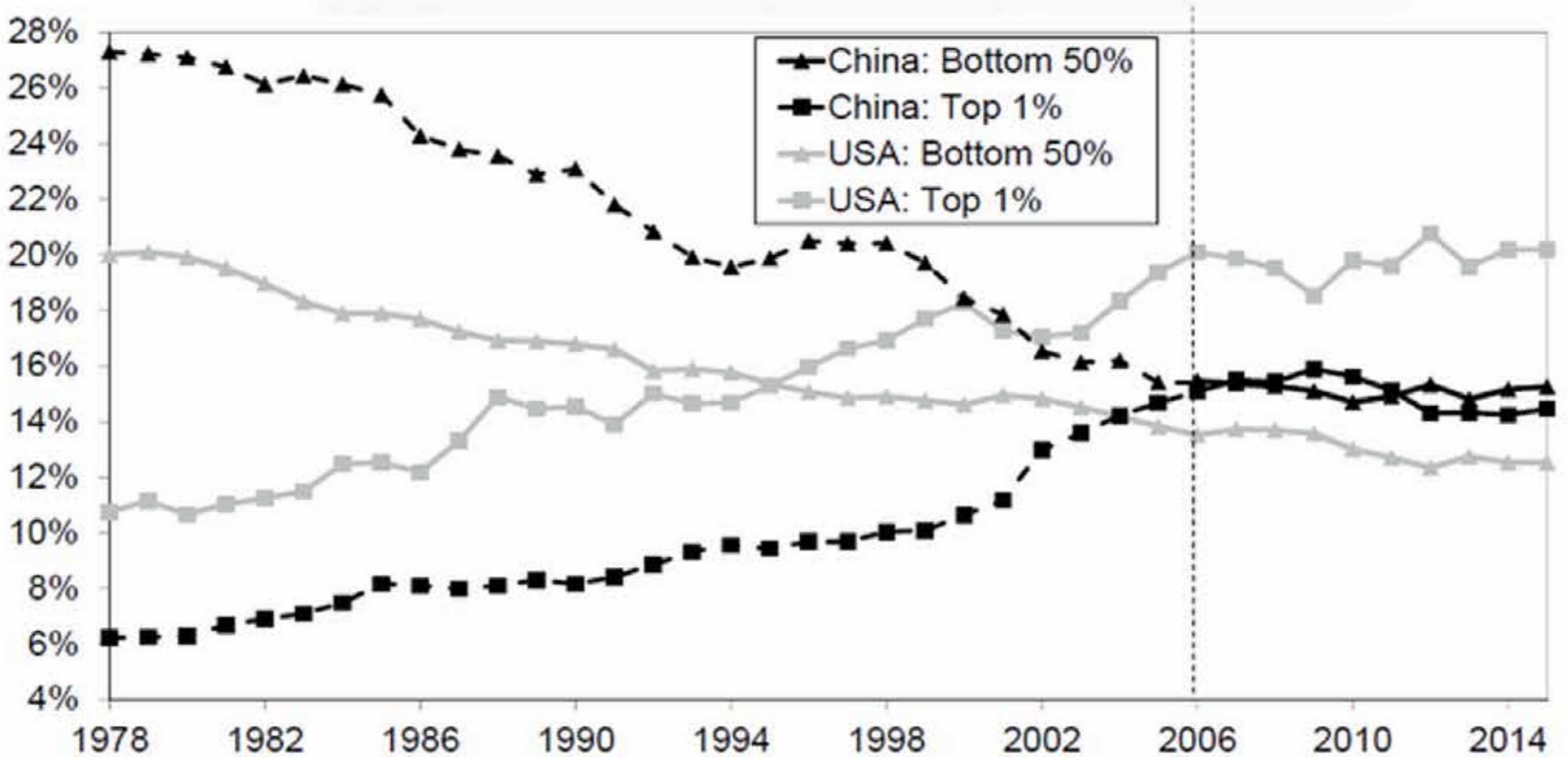
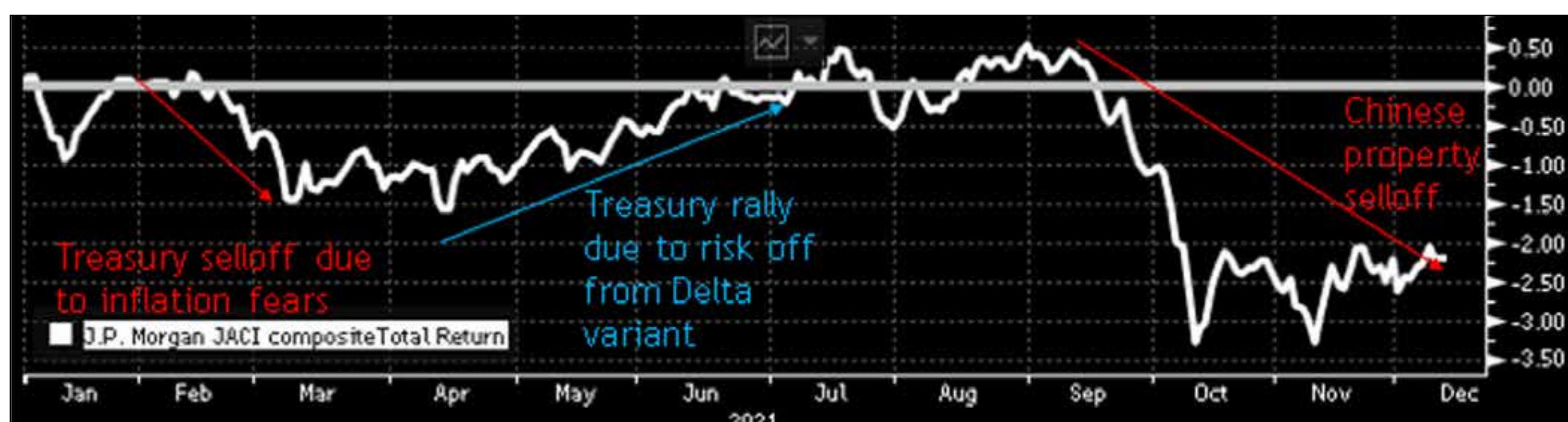


Exhibit 3: JACI's 2021 Return Performance

| Source: Maybank Asset Management, JP Morgan, Bloomberg | Period: 2021 Ending 13th Dec 2021



For Asia fixed income, we went into 2021 with a view that:

- Vaccination rates will rollout smoothly across Asia in 2021 and COVID19 would be under control by 2H2021, allowing economies to reopen successfully.
- Central banks to stay accommodative throughout the year and interest rates to remain low.
- Inflation risks would be transitory and would taper off.

All these meant that we were expecting Asia Ex-Japan Fixed Income to generate 4% to 5% total returns in USD for 2021. Fast forward and we have a year that was more turbulent than expected. During the first quarter, we had a sharp US Treasury sell-off due to inflation concerns. US Treasury 10-year rose sharply from 0.9% to 1.8%, resulting in the JP Morgan Asia Credit Index "JACI" delivering -1.2% for 1Q2021.

Credit sentiment took a drastic turn for the worse in 2H2021 from an extreme sell-off in the China property market. This brought the JACI back to negative territory at -2.2% for 2021 ending 13 December 2021. We ended 2021 on a very weak note due mainly to Chinese property bonds.

Exhibit 4: JACI Non-IG vs China HY Total Return

| Source: Maybank Asset Management, Bloomberg | Period: 2021 Ending 13th Dec 2021



The weakness was initially contained within Evergrande bonds when news emerged out in June that Evergrande had illegal bank loans with a related party Shengjing Bank and that they had defaulted on some commercial papers. However, those negative headlines on the property sector snowballed from September onwards as property developers reported very weak property sales in 2H2021 and other developers including Modern Land, Fantasia Holdings and Sinic Holdings defaulted.

With an upcoming maturity wall in 2H2021 leading into 2022, jittery investors sold down China property bonds aggressively across the board in October and November as concerns propagated on which developer would be next to default in a stressed liquidity environment. The sell-off worsened as short sellers, smelling fresh blood, joined in the turmoil.

China High Yield booked in a loss of 30% Year to Date (YTD) ending 9 November 2021 before some opportunistic buying and short covering came in late November. As of 13 December 2021, China High Yield remains volatile and is down 22% for the year, dragging down Asia High Yield returns to negative 10% for the same period.

OUR 2022 KEY INVESTMENT THEMES

| THEMES | OUR ASSESSMENT | IMPLICATIONS / STRATEGY |
|--|--|---|
| Post COVID19 Normal | <ul style="list-style-type: none"> • 2022 will see a drop in public sector stimulus post COVID19. • Accumulated private sector savings to fill the gap with consumption and investment. • US Infrastructure plan to cushion reduction in fiscal support. • Consumption trend to switch from goods to services. • Vaccine rollout finally gathers momentum in Emerging countries. Tourism to pick up. • It appears that even with vaccines, COVID19 can still spread. However, hospitalization rates are lower with vaccination. The world will have to live with COVID19 and its occasional breakouts. | <ul style="list-style-type: none"> • Overall Global growth to moderate and normalise as government stimulus fades. • However, emerging market countries will benefit as they play catchup in 2022. More broad-based recovery will see optimism boosting financial markets in early 2022. • Positive on Asian equities in 1H2022, favouring emerging markets and ASEAN. • Asian credits especially HY will benefit from more broad-based recovery. • Local Government bond rates will likely be range bound given rates hikes and tapering by the US Fed. • USD to peak in first half. Selective Asian currencies like MYR, SGD and THB to outperform due to opening up of the economies and pick up in tourism. • Hybrid work is here to stay. Negative implications to commercial real estate. • Continued trend to digital will continue. Certain sectors like travel and tourism will still take time to reach pre-COVID19 levels. |
| Higher Inflation but Manageable | <ul style="list-style-type: none"> • We expect inflation to remain elevated in 2022 but not rampant as stimulus ends. | <ul style="list-style-type: none"> • US short-term rates to rise as rates normalize at a gradual pace. • Tightening in developed markets but easing in China. • US long-term rates to be at 1.5%- 2.0% range as inflationary pressures are offset by more muted growth. • Favour countries where rates are already a pre- COVID levels e.g. Malaysia. |
| De-Globalisation | <ul style="list-style-type: none"> • COVID19 has meant that countries would want to diversify supply sources as obtaining goods and services from a single source is risky. • Continued US- China tensions will also increase the tendency for US and China to localize supply. • US and China are in a new cold war. | <ul style="list-style-type: none"> • Build-up of alternative supply chains. Higher costs given localization lowers scales and leads to less efficiency. • Higher costs may lead to margin squeeze for certain products. • Cold war mentality will see occasional shocks to the market. • Positive for Taiwanese Tech hardware and longer-term for alternative supply chain in ASEAN. |

GROWTH SCENARIOS IN 2022



We are likely to see continued economic growth in 2022, though the expansion should moderate as stimulus tapers when Governments reduce fiscal spending post COVID19.

US budget deficits (Exhibit 5: Yellow line right chart) for the past 2 years have been hit more than 10% per annum reflecting the massive fiscal stimulus. In the US, the budget deficit will normalize down to about 5% - 6% in 2022 and therefore economic growth should also moderate from 6% to about 4% in 2022.

Unlike all other countries, it is striking that China (Exhibit 5: red line, right chart) has not had to implement aggressive fiscal stimulus with the budget deficit staying flat throughout the period. Their strategy of sharp but short

lockdowns and controlled borders has meant that they did not need to use fiscal stimulus. This means it has ample capacity to boost growth should the need arise.

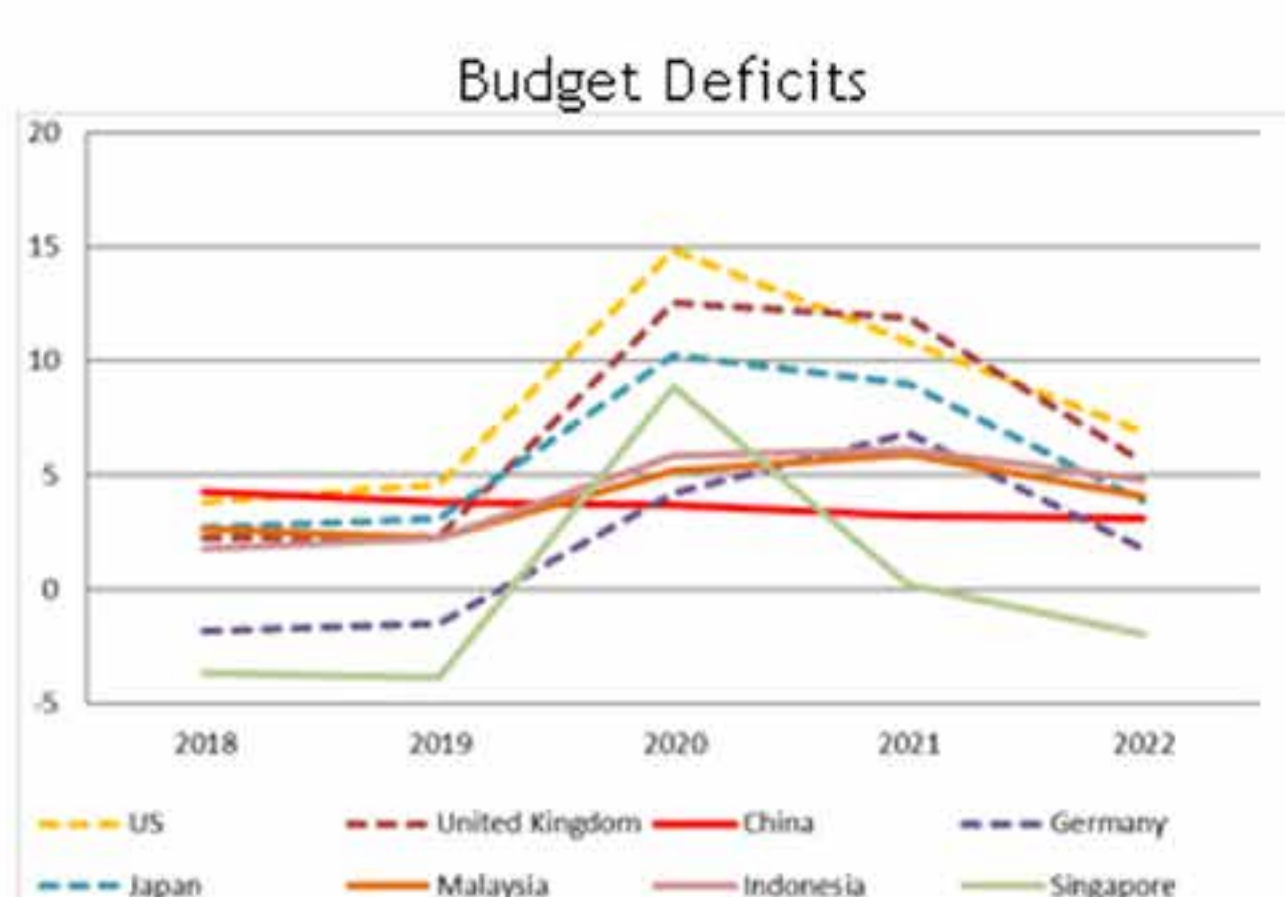
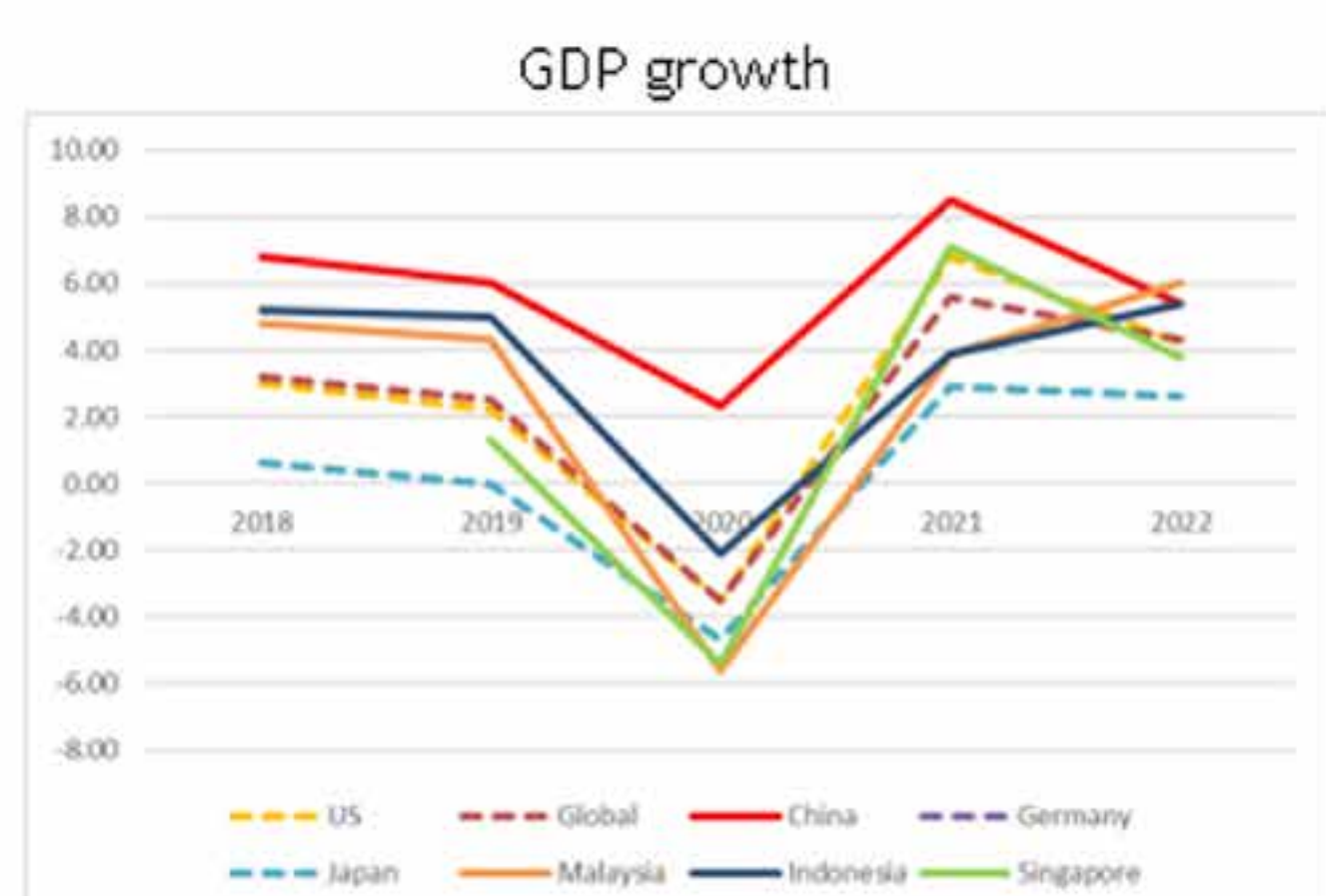
Another development is that selective ASEAN countries (Malaysia and Indonesia) will see economic growth accelerate in 2022 bucking the overall trend.

This is because the low vaccination rates hampered the reopening of the economies earlier in 2021 as governments were forced to impose lockdowns as death rates from COVID19 rose. Now with vaccination rates up to sufficiently high levels, we expect GDP growth to accelerate in 2022.

ECONOMIC GROWTH WILL MODERATE AS FISCAL STIMULUS DROPS IN 2022

Exhibit 5: GDP Growth and Budget Deficits

| Source: Bloomberg, Maybank Asset Management Singapore, Maybank Kim Eng (Asean ests), Statista, World Bank | Period: 2018- Sep 2022



ASIA EX-JAPAN



2022 ASIA EX-JAPAN EQUITIES OUTLOOK & STRATEGY

EASING PERIODS HAVE USUALLY MEANT A BOTTOM IN TSF AND EQUITY MARKETS

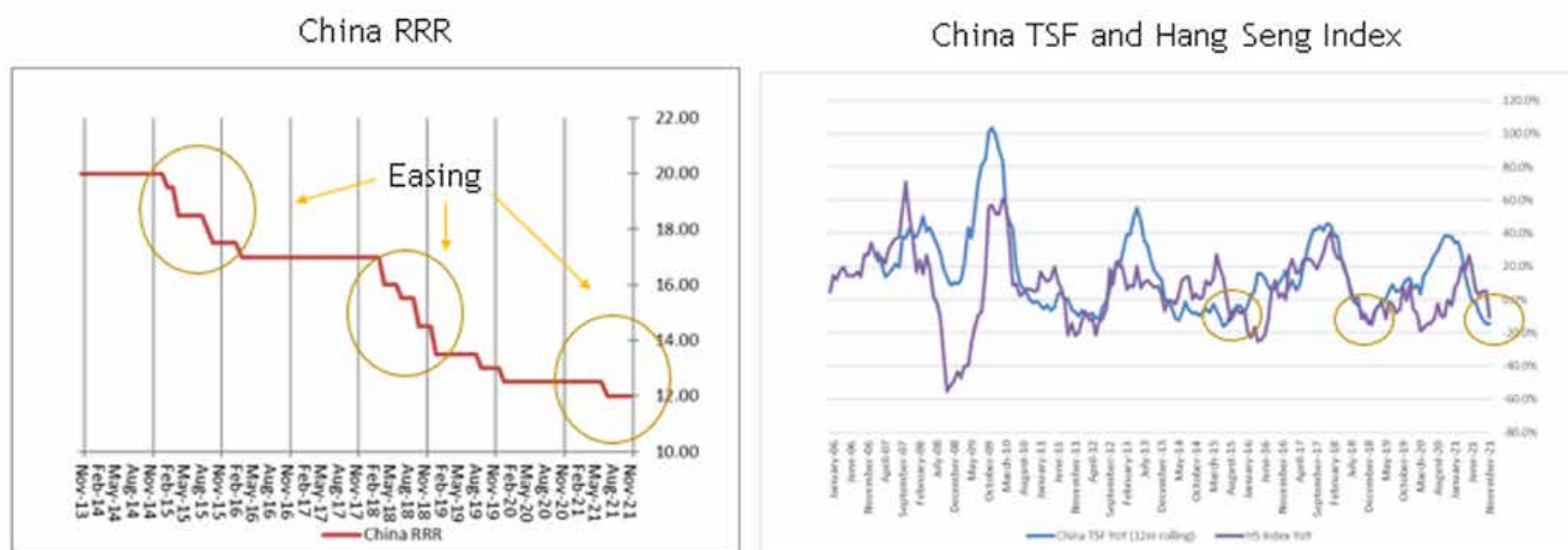


Exhibit 6: China RRR, China Total Social Finance and the Hang Seng Index

| Source: Maybank Asset Management, Bloomberg | Period: 2013- Nov 2021

We are positive on Asia Ex-Japan equities as we expect the market to rebound in 2022 with expected returns of 10% for the year after a disappointing 2021.

As China is still the largest weight in Asia, correctly predicting the direction of China/Hong Kong stocks is essential in determining the outcome for Asia. Most investors are negative for Asia, focusing on developed markets that have done well in 2021 especially for 2022. We are more positive in Asia because China has started easing while the US is starting to tighten policy.

From Exhibit 6, we can see that easing periods as indicated by cuts in the Reserve Ratio Requirement (RRR) rate coincided with a bottom in the China Total Social Finance (TSF).

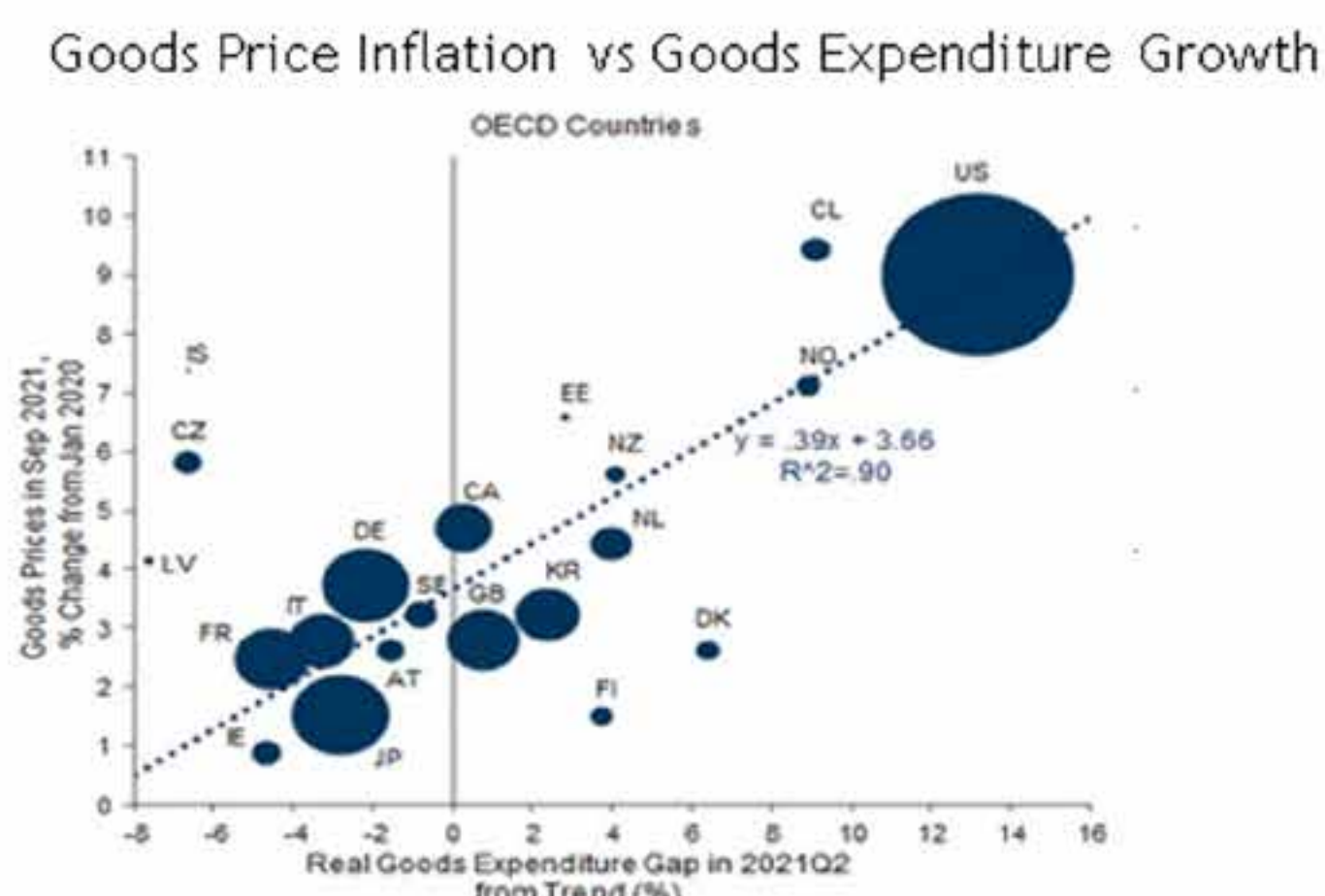
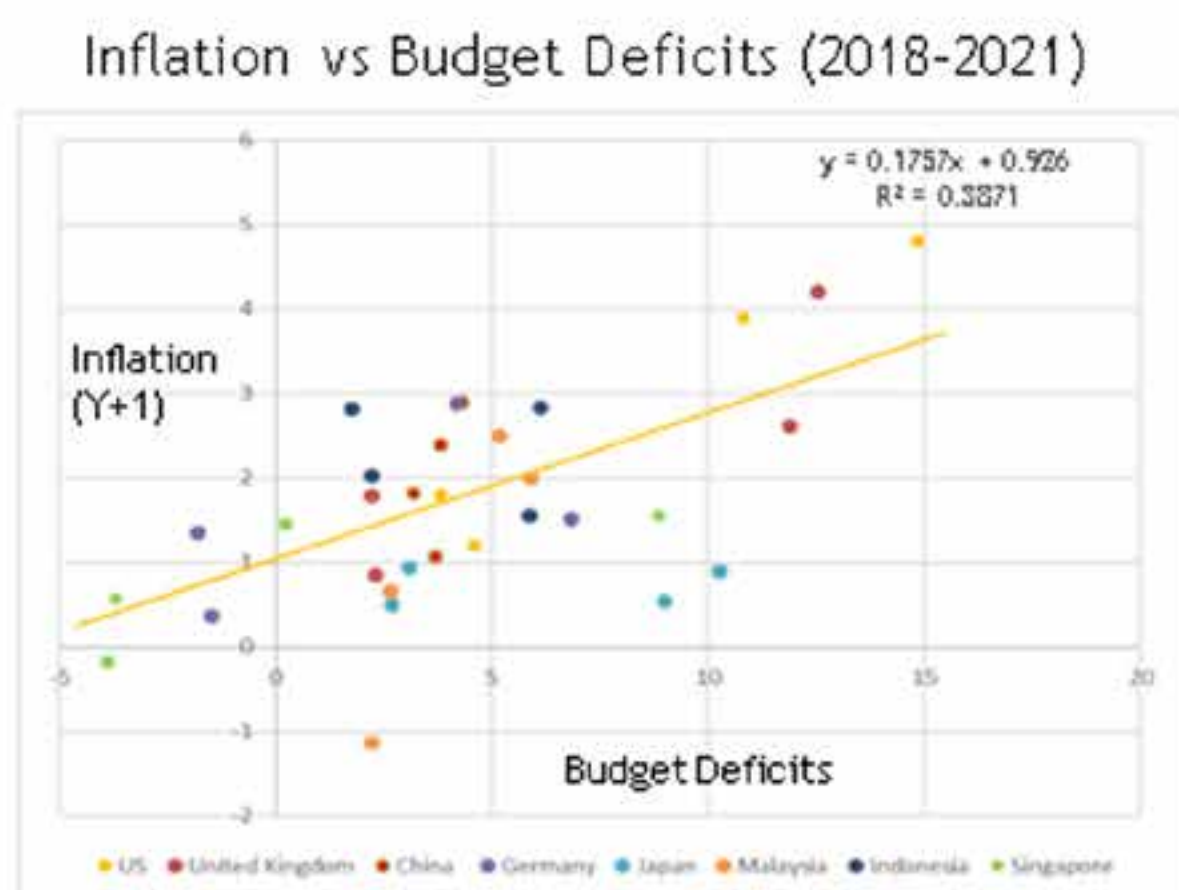
Intuitively this makes sense because a cut in the RRR rate means that banks and financial institutions need to retain less reserves and are able to extend more credit. This should lead to increased credit creation and the TSF, an indicator of total private credit, should increase. Economic growth should be boosted by the increase in TSF and this should be positive for stock markets.

We favour ASEAN markets as they will benefit from the acceleration of economic growth as they play catch up in 2022 with a smoother reopening of their economies. We also believe that long-term US interest rates should be in a controlled range of 1.5% - 2%. With no sharp increases in rates, there will be less headwinds on risk assets including Asian equities.

INFLATION IS MANAGEABLE AND SHOULD PEAK IN 2022 AS BUDGET DEFICITS FALL

Exhibit 7: Inflation vs Budget Deficits and Goods Price Inflation vs Goods Expenditure Growth

| Source: Bloomberg, Maybank Asset Management Singapore, World Bank | Period: 2018-2022





High COVID19 fiscal stimulus has put money in consumer's pockets and resulted in a huge demand for goods leading to high inflation.

Recent high inflation numbers in the US has triggered concerns that interest are too low and should spike.

We are more optimistic and expect inflation to peak in 2022 eventually normalizing to lower levels. Lower budget deficits in 2022 should result in lower inflation (Exhibit 7: Left chart). We see that higher budget deficits has typically led to higher inflation in the next year.

High COVID19 fiscal stimulus has put money in consumer's pockets and resulted in a huge

demand for goods leading to high inflation (Exhibit 7: Right chart). We expect that lower fiscal stimulus in 2022 would moderate inflationary pressures and interest rates would not need to increase sharply to control inflation.

From a valuation viewpoint, as Asia has underperformed in 2021, valuations for the market has dropped to attractive levels. Asia is now trading at long-term average PERs of 13x and is attractive as other markets are trading at extremely rich levels (Exhibit 8).

ASIAN VALUATIONS NOW AT ATTRACTIVE LEVELS

Exhibit 8: Global PE Ratios

| Source: Maybank Asset Management Singapore, Bloomberg | Period: 2017 - Nov 2021



Exhibit 9: Asia ex-Japan Country Calls

| COUNTRY | CALL | RATIONALE |
|--------------------|-------------|--|
| China | Neutral | <ul style="list-style-type: none"> While economists are revising down GDP growth expectation, we see gradual recovery trend after recent sell down due to regulatory risk as government started to ease monetary measures. |
| Hong Kong | Underweight | <ul style="list-style-type: none"> Streamlined property development and recovering domestic unemployment bode well for Hong Kong, but restrictive border control hindered its recovery. |
| India | Neutral | <ul style="list-style-type: none"> NIFTY would continue to trade at high valuations, at 22x forward P/E (+2 Std Dev from average). Due to the slight price correction and earnings expansion, the forward P/E has dropped to 22x from 24x. Strong corporate earnings bring positive outlook, but this is compensated by the steep valuations. |
| Indonesia | Overweight | <ul style="list-style-type: none"> We are positive on Indonesia as key sectors are being boosted by macro considerations. Palm oil and coal prices are at record highs which would boost consumption. The higher exports have also improved Indonesia's trade balance. |
| South Korea | Neutral | <ul style="list-style-type: none"> Overall macro picture indicates slowing credit growth, higher interest rates, higher inflation and possibly lower exports and corporate earnings growth going into 2022. This will continue to negatively impact the KOSPI. |
| Malaysia | Neutral | <ul style="list-style-type: none"> With the re-opening of the economy, we should see a stronger recovery going into 2022 driven by sustained earnings growth in selected sectors. Stocks benefitting from the re-opening theme will be in focus, while investors may continue to trade in and out of defensive and growth stocks that have performed well this year. |
| Philippines | Neutral | <ul style="list-style-type: none"> Despite the indication of declining COVID19 infections, increasing vaccine supply and lower hospital bed capacity, the government has decided to keep Metro Manila under Alert Level 3 until mid-November - which is limiting the economic uplift and weighing on PSEi index. The focus is on pre-election plays, hence prefer to position in related names in particular consumer, retail and property sectors. |
| Singapore | Overweight | <ul style="list-style-type: none"> With the help of targeted government support and external demand, Singapore's economy has rebounded since last year. Barring a global resurgence of the virus or a setback in the reopening pace, Singapore's economy should continue to remain in growth trend in the quarters ahead. |
| Taiwan | Overweight | <ul style="list-style-type: none"> In terms of domestic consumption, while handing out vouchers should help to support a stronger GDP growth, it may not be a long-term solution. |
| Thailand | Underweight | <ul style="list-style-type: none"> While the recent announcement of the reopening of international borders to selected countries is positive for the SET, it is possible that the market could have already priced in a strong rebound of tourists in 2022 (SET trading at +2 Std Dev > 10-Year average P/E). As such, we prefer to overweight on retail and consumer sectors, rather than the tourism sector. |

2022 ASIA EX-JAPAN FIXED INCOME OUTLOOK & STRATEGY



Exhibit 10: Yields of the China High Yield Index at its peak

| Source: Maybank Asset Management, Bloomberg | Period: 31st Jul 2009 – 13th Dec 2021

Bloomberg China High Yield Index

Asian credits especially HY will benefit from more broad-based recovery. We are positive on China as the China property sector should recover in 2022 and we are turning more positive on India, Indonesia and The Philippines as vaccination rates increase for emerging Asia.

As we move into our 2022 outlook for Asia Fixed Income, the biggest elephant in the room that we have to address is the China property sector. As a country, China accounts for 47% of the JACI. Within China, their property sector makes up almost 20%.

As for Asia high yield bonds, Chinese property represents 26% of all high yield and unrated bonds in the universe.

Hence, it would be tough to ignore China property bonds.

The sell-off in Chinese property that we have witnessed is by far the worst since the inception of the JACI. Using the Bloomberg China High Yield Index as reference, the index yield has sold off to a level of 21%, which has pierced through the last peak during the global lockdown in March 2020 due to the COVID19 outbreak.

At such high yields, China high-yield property bonds offer the best value within Asia and possibly globally. Current excess spreads of over 2,000 basis points pickup over CEMBI High Yield is likely the widest ever historically.

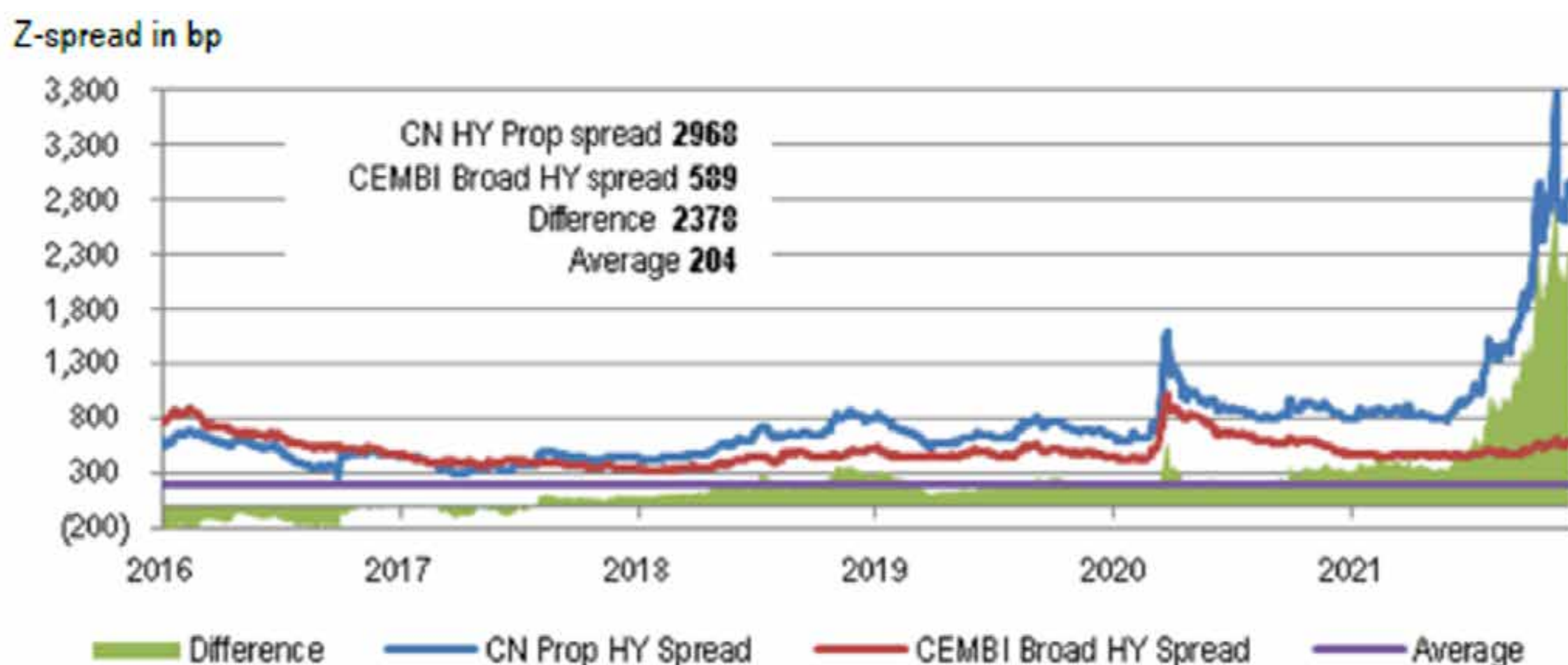


Exhibit 11: China HY Property Bonds Offer 2378bp Spread Pick-Up Over CEMBI HY

Source: JP Morgan | Period: As of Dec 2021



The China property sector is an important pillar of growth and accounts for up to 25% to 30% of China GDP if we include in commodities as well as property services and investments.

At current spread levels on China property bonds, market is estimating that default rates could go up to 40%, and this has been priced into the market. Given such extreme expected default rates, it would seem irrational that the Chinese government would not intervene in some way to avoid a crash in the property sector.

The China property sector is an important pillar of growth and accounts for up to 25% to 30% of China's GDP if we include in commodities as well as property services and investments. In addition, China's homeownership is very high at 90% and a hard landing for Chinese property would be detrimental to the party's goal of achieving common prosperity and social stability.

Last but not least, the original intention of the government in aggressively implementing deleveraging initiatives over the past five years was to prevent future high default rates.

By not easing their current policies to support the stressed China property sector now, the government would have instead accelerated the speed of defaults in the next few months.

Since mid-November, we have observed some supportive policy statements to ease the liquidity stress in the China property sector, including easing restrictions on onshore bond issuance and re-opening of the asset-backed securities issuance market for property developers.

CHRONOLOGY OF THE PROPERTY SECTOR FIASCO



Exhibit 12: Despite recuperating attempts by property companies and easing regulations, sector is still stressed.

Source: JP Morgan | Period: As of 13th Dec 2021

Regulators also pledged to maintain stable and healthy development of the property market and encouraged banks to accelerate mortgage approvals and increase loans to developers that are financially sound.

On 6 December 2021, PBOC announced a 50-basis point RRR cut effective 15 December 2021, indicating the start of an easing cycle to prioritise growth stability.

During the December 2021 Political Bureau (Politburo) meeting, the underlying tone on the China real estate sector also appeared to have eased. There was an emphasis on promoting affordable housing, supporting the commercial housing market to meet demands and promoting the healthy development and virtuous circle of the real estate industry.

We believe that this suggests China stands ready to fine-tune their policies to avoid an undesirable hard landing in the China property market.

Overall, we are positive that the China property sector should recover in 2022. We believe that there will be survivors in this downturn. The key is to select the winners during this property bond sell-off. However, the regulator needs to act quickly and decisively as the sector is facing a lot of near-term headline risks given the huge maturity wall of USD30 billion for offshore bonds in 1H2022 and possibly more defaults.

Other than China, we are turning more positive on India, Indonesia and The Philippines as vaccination rates increase for emerging Asia. This would help economies to open fully in 2022 and extend more vaccinated travel lanes to

On 6 December 2021, PBOC announced a 50 basis point RRR cut effective 15 December 2021, indicating the start of an easing cycle to prioritise growth stability.



Asia, which will benefit from an increase in international travel.

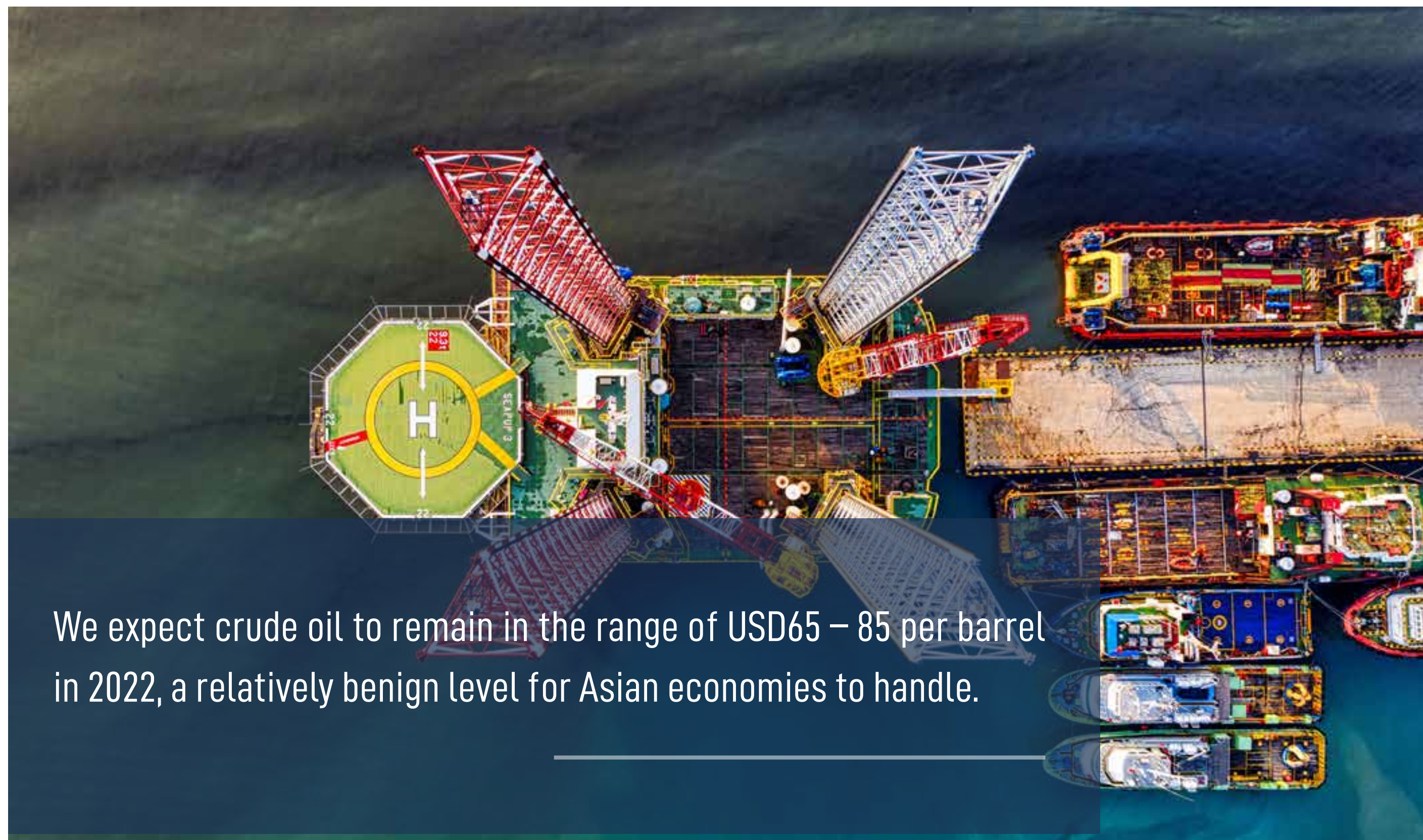
On duration, we remain cautious as we are entering the start of a US monetary normalisation with tapering to end and possible Fed hikes to follow soon after. During this period of uncertainty, we prefer to underweight duration and add long-end bonds when US 10-year rates pierce through 1.8%.

Other than China, we are turning more positive on India, Indonesia and The Philippines as vaccination rates increase for emerging Asia.



2022 LOCAL CURRENCY BONDS & FX OUTLOOK & STRATEGY

TRADING OPPORTUNITIES AS THE TIDE TURNS



We expect crude oil to remain in the range of USD65 – 85 per barrel in 2022, a relatively benign level for Asian economies to handle.

We remain optimistic on Asian local government bonds and currencies as the USD should consolidate in 2022, given prospects of increased investor inflows and continued domestic support.

We believe 2022 will be mixed but are positive for Asia FX and local currency bonds as some economies like South Korea and Singapore will start to normalize monetary policies to counter rising inflation.

Besides, economic activity will continue to recover as countries pursue calibrated reopening, notwithstanding occasional

setbacks expected from new COVID19 variants/infection waves. This on the margin should help to lower national budget deficits from a combination of lower spending and/or increase in tax revenue collection.

While increased economic activity will lead to higher inflation across Asia, it should remain within central banks' tolerance levels. Furthermore, we expect crude oil to remain in the range of USD65 – 85 per barrel in 2022, a relatively benign level for Asian economies to handle.

| | Real GDP | | Inflation | | Current Account | | Fiscal Balance | |
|---------------------|----------|------|-----------|------|-----------------|------|----------------|------|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Australia | 1.9 | 3.3 | 2.5 | 2.2 | 3.6 | 1.5 | -6.5 | -4.4 |
| China | 7.3 | 5.0 | 1.0 | 2.1 | 2.0 | 0.7 | -3.6 | -3.5 |
| Hong Kong | 6.6 | 3.0 | 1.9 | 2.2 | 5.5 | 4.5 | -3.7 | -1.0 |
| India | 8.0 | 6.9 | 5.2 | 5.0 | -1.1 | -1.3 | -8.2 | -7.6 |
| Indonesia | 3.9 | 5.0 | 1.7 | 3.0 | -0.1 | -1.4 | -5.1 | -4.3 |
| Malaysia | 3.9 | 5.5 | 2.3 | 1.8 | 3.6 | 3.3 | -6.5 | -6.1 |
| Philippines | 4.9 | 6.3 | 4.3 | 3.3 | -0.8 | -1.6 | -8.2 | -6.3 |
| Singapore | 6.2 | 4.7 | 2.0 | 1.7 | 19.1 | 18.0 | -2.2 | 0.1 |
| South Korea | 3.9 | 2.6 | 2.3 | 1.8 | 4.7 | 3.4 | -4.2 | -3.4 |
| Taiwan | 5.6 | 3.4 | 1.9 | 1.5 | 14.9 | 13.2 | -1.7 | -0.8 |
| Thailand | 1.0 | 4.7 | 1.1 | 1.5 | -2.4 | 0.9 | -9.9 | -5.6 |
| Asia ex-Japan, Aus. | 6.8 | 5.8 | 2.0 | 2.9 | 1.5 | 0.2 | -5.0 | -4.7 |

Exhibit 13: Forecast of Macro Data in Asia

Source: HSBC, Standard Chartered, Nomura, ANZ, Citi

The USD will likely consolidate and start to weaken once QE tapering is expected to end in June 2022 with rate hikes to start right after. The pace of Fed funds rate hikes is expected to be shallower in the upcoming cycle and we think 2022 should see 2 rate hikes.

Despite so, market expectation has caused the DXY to rally 6.8% in 2021 past 96 levels, which is on par with what was seen in 2018's more aggressive hiking cycle. Despite the coming rate hike cycle expected to be shallower, the evolution of US growth and inflationary tensions into 2022 still warrants close monitoring.

On one hand, the market has already priced in rate hikes well above Federal Open Market Committee's (FOMC) median dot plots given sticky high inflation, yet projecting a lower terminal rate compared to the 2016 - 2018 hiking cycle, on factors from increased sovereign debt burdens to demographic changes, etc.

While increased economic activity will lead to higher inflation across Asia, it should remain within central banks' tolerance levels. Furthermore, we expect crude oil to remain in the range of USD65 - 85 per barrel in 2022, a relatively benign level for Asian economies to handle.

On the other hand, the expected strong growth and sticky inflation into 2022 may force the FOMC to be more hawkish on fighting inflation, which could adjust the market's perception where the Fed would end up tightening and hurting risky assets globally. Long run Fed funds rate remains at 2.5% in SEP dot plots, compared to market's pricing of 1.6%.



We remain optimistic on Asian local government bonds and currencies as the USD should consolidate in 2022.

We remain optimistic on Asian local government bonds and currencies as the USD should consolidate in 2022, given prospects of increased investor inflows and continued domestic support. Real yields will remain positive in Asia as inflation is expected to remain gradual.

Asian local government bond curves will remain steep as short dated rates will be anchored. The Markit iBoxx Asian Local Bond Index delivered a -3.72% return year to date. Returns for 2022 are likely to be mixed, coming from carry and curve roll-down, although there could be opportunities for duration gains in certain markets.

Currencies wise, we like South-east Asian currencies over North Asian currencies premised on cheap real valuations, positive real yields and also opportunities for beaten down currencies like THB to outperform should the COVID19 narrative turn better.

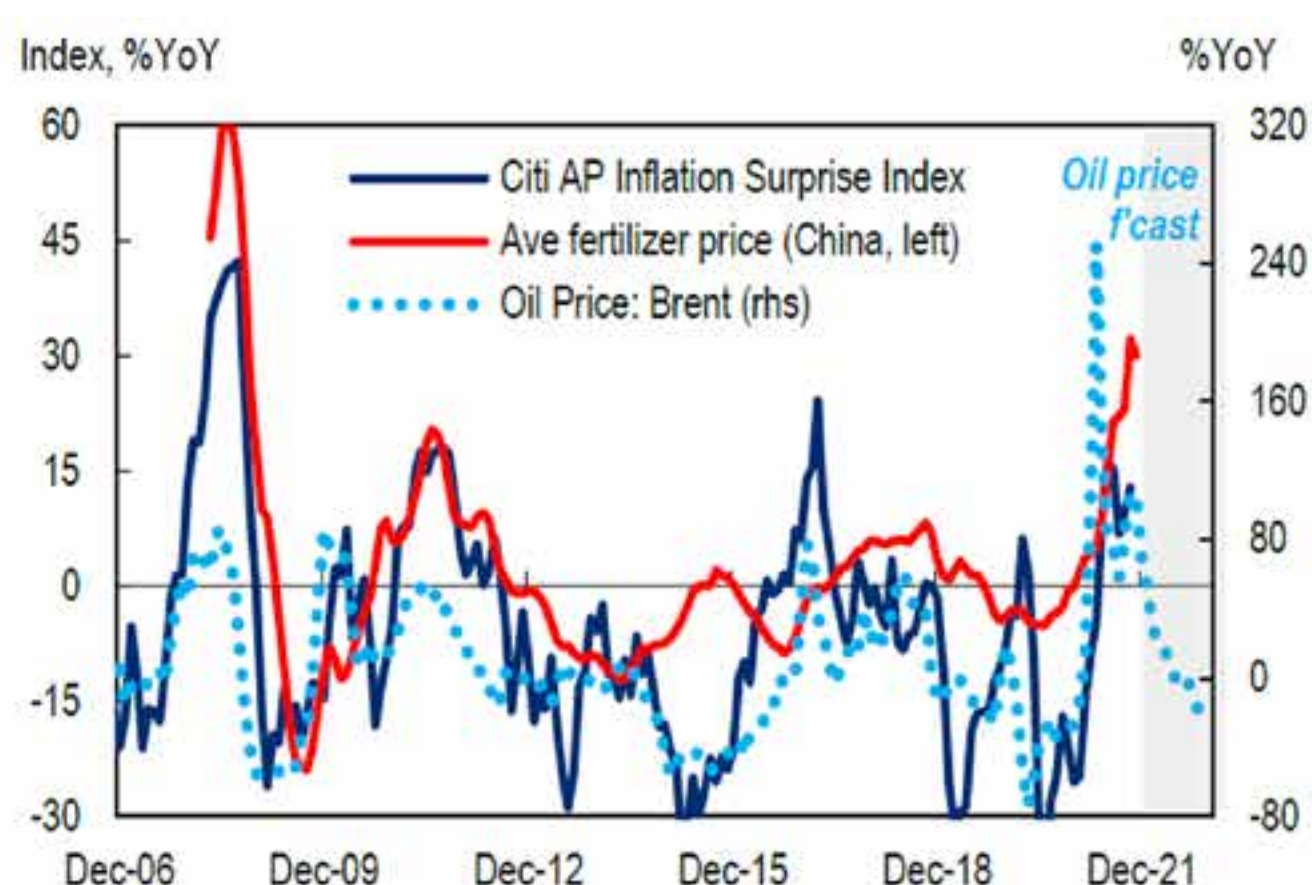
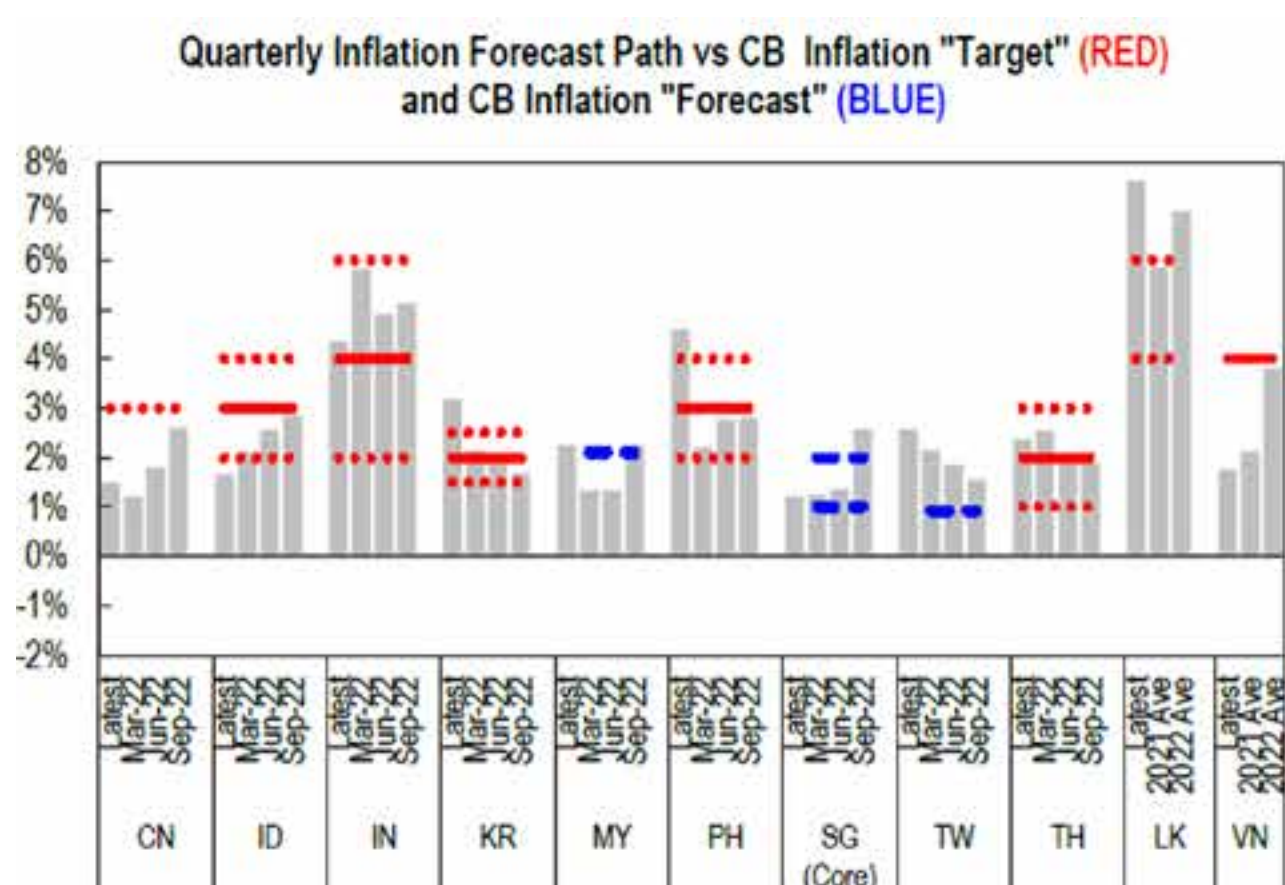


Exhibit 14: 2022 Projected Inflation Path Remains Within Central Banks' Threshold

Source: Citi | Period: Q42021

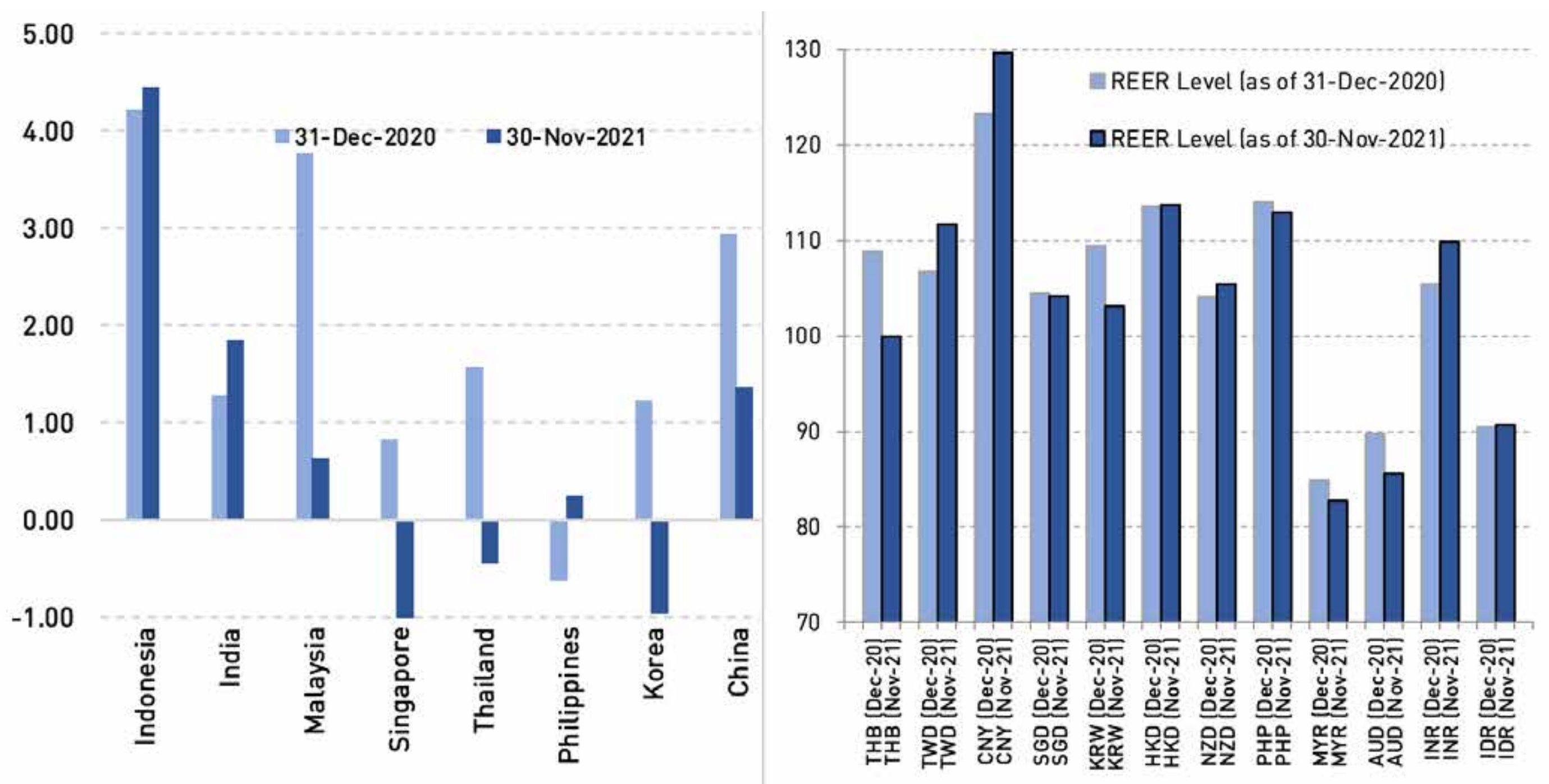


Exhibit 15: Q42021 Asian LCY Real Yields (LHS) & Real Effective Exchange Rate Change (RHS)

Source: Maybank Asset Management Singapore, Bloomberg & JP Morgan | Period Q42021

In 2022, the key risk factors for Asia LCY and FX markets are the pace of vaccination and new infection waves potentially affecting activity, increased hawkishness of the FOMC in the face of stubbornly high inflation persisting late into 2022.

In China, President Xi is expected to stay for at least another 5-year term as the country's leader, with changes to the 25 member Politburo and the remaining 6-member standing committee are expected.

Regarding geopolitical risks, while US-China relations will always command investors' attention, there are also considerable risk events across Asia in the coming year.

| | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | YTD |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| EM EXD | -1.4 | -2.7 | -1.6 | 2.2 | 1.3 | 0.8 | 0.6 | 1.0 | -2.3 | 0.0 | 0.1 | -2.0 |
| EM LCD | -0.4 | -1.5 | -1.9 | 2.0 | 2.0 | -1.2 | 0.7 | 0.4 | -2.0 | -0.3 | 0.6 | -1.6 |
| CNH | 1.7 | -0.4 | -1.1 | 1.7 | 2.0 | -1.2 | 0.5 | 0.8 | 0.3 | 0.4 | 0.5 | 5.0 |
| CNY | 1.6 | -1.0 | -0.2 | 1.8 | 2.5 | -1.4 | 1.8 | 0.1 | 0.4 | 0.2 | 0.9 | 6.8 |
| HKD | -0.1 | -1.4 | -0.4 | 0.6 | 0.5 | -0.3 | 0.8 | -0.5 | -0.4 | -1.1 | 0.2 | -2.1 |
| IDR | -1.0 | -2.8 | -2.3 | 2.3 | 2.3 | -1.1 | 1.9 | 2.7 | -0.3 | 1.8 | 0.3 | 3.7 |
| INR | 0.2 | -2.9 | 1.5 | -0.4 | 2.5 | -2.8 | 0.1 | 3.2 | -0.6 | -1.2 | 1.4 | 0.9 |
| KRW | -3.2 | -1.8 | -1.4 | 1.2 | -0.1 | -0.7 | 0.0 | -0.8 | -4.4 | -1.3 | 1.5 | -10.9 |
| MYR | -0.7 | -2.2 | -3.7 | 2.4 | -0.7 | -0.2 | -0.9 | 1.6 | -1.2 | 0.2 | 0.0 | -5.5 |
| PHP | 0.2 | -2.4 | -2.3 | 1.3 | 1.5 | -1.3 | -1.9 | 0.3 | -2.9 | 0.2 | -0.3 | -7.8 |
| SGD | -1.6 | -2.6 | -3.2 | 2.0 | 1.8 | -2.0 | 0.9 | 0.1 | -2.1 | -1.3 | 0.6 | -7.4 |
| THB | -0.1 | -3.8 | -5.7 | 1.4 | -0.2 | -1.9 | -1.2 | 2.2 | -6.4 | 0.9 | 1.8 | -13.0 |
| TWD | 0.3 | -0.9 | -2.0 | 3.2 | 0.7 | -0.8 | 0.2 | 0.6 | -0.4 | -0.6 | -0.3 | -0.1 |

Exhibit 16: YTD2021 – Performance of Asia Fixed Income Assers 2021 (Only China & Indonesia Outperformed)

Source: HSBC

Exhibit 17: Asian Interest Rates and Currency Outlook

| COUNTRY | INTEREST RATES | CURRENCY |
|--------------------|--|---|
| China | <ul style="list-style-type: none"> Neutral on duration as we expect rate cut by PBOC which should steepen the curve. | <ul style="list-style-type: none"> Neutral on CNH given slowdown in Chinese growth and PBOC's reluctance on stronger CNY. |
| India | <ul style="list-style-type: none"> We like short-dated INR bonds for carry and potential index inclusion. | <ul style="list-style-type: none"> Overweight given strong inflows to persist; forcing RBI to ultimately allow INR appreciation. |
| Indonesia | <ul style="list-style-type: none"> Continue to like INDOGB curve on positive real yield vs region; Expect 10-year INDOGB yield to stay within the 6% - 6.5% range into 2022 and prefer to add opportunistically. | <ul style="list-style-type: none"> Neutral on IDR. Expect IDR to continue the 14,000-14,500 range as BI's stance on IDR stability remains. |
| Korea | <ul style="list-style-type: none"> Prefer to stay in the short-end given negative real yields relative to Singapore and China; Prospect of further yield curve flattening into 2022 as BOK announces more rate hikes. | <ul style="list-style-type: none"> Neutral on KRW. While a slowing China is likely to have knock on impacts, valuations have cheapened considerably in 2021, setting stage for a rebound in 2022. |
| Malaysia | <ul style="list-style-type: none"> Overweight on Malaysian Government Securities given real positive yields. | <ul style="list-style-type: none"> Overweight on MYR on recent political developments and higher oil prices. BN's recent election win in Malacca state bodes well for the coalition to seize power in the next general election to be held before July 2023. |
| Singapore | <ul style="list-style-type: none"> Small overweight in Singapore given cheaper valuations vs. US Treasury. Supply risk a reduced concern post the first 30-year SINGA infrastructure issuance, as the S\$90b limit is not replenished once drawn. | <ul style="list-style-type: none"> Overweight on SGD as Monetary Authority Singapore is poised to continue to steepen the SGD NEER slope in response to rising inflation. |
| Philippines | <ul style="list-style-type: none"> Neutral on Philippine local bond market given low yields and limited supply. | <ul style="list-style-type: none"> Bearish on PHP; BSP is likely to ease via RRR cuts to help support the economy. |
| Thailand | <ul style="list-style-type: none"> Neutral on Thailand Government bonds as returns will come from curve roll-down. | <ul style="list-style-type: none"> Neutral to slight bullish on THB but would turn overweight if China relaxes its zero-COVID strategy. |
| Taiwan | <ul style="list-style-type: none"> Neutral on Taiwan local bond market given low yields and limited supply. | <ul style="list-style-type: none"> Neutral on TWD given expensive valuations although strong exports may continue into 1H 2022. |

Key Highlights for 2022

- Recurring infection waves/lockdowns on new COVID variants.
- USD to normalize once rate hike commences, rate hike cycle shallower relative to 2018.
- Steep curves to remain in Asia LCY bond markets, Bear flattening to persist in UST curve.
- Oil prices to remain in the range USD65 - 85 per barrel.
- Interest rates: 10-year UST to trade between 1.5% - 2.0% into 2022.
- ECB, BOJ to remain status quo.
- Inflation in Asia to remained contained.

Key Risks for 2022

- Massive sell-off in long-end government bonds in developed markets due to faster taper and rate hikes.
- Inflation pressure starts to run high amidst recovery.
- Rethink of FOMC hiking cycle, with higher projection of terminal rates.

Trades for 2022

Duration:

- Neutral duration in Philippines, Thailand, Korea, India, Indonesia.
- Slight bullish in duration for Singapore and Malaysia.

Currency:

- Bullish on SGD, MYR, THB and INR; Bearish on PHP. Neutral on KRW, TWD and IDR.

2022 GLOBAL SUKUK OUTLOOK & STRATEGY

Global Sukuk has continued its outperformance relative to Asian conventional bonds YTD ending November 2021, we continue to be positive for Global Sukuk.

The Investment Grade (IG)-only Dow Jones Global Sukuk Index (DJSUKTXR) and Bloomberg Barclays GCC Sukuk Index (BBGBARC) have returned 0.64% and 1.83% respectively while JPMJACI returned -2.21%. In 2020, the respective returns of DJSUKTXR / BBGBARC / JACI were 7.91% / 7.56% / 6.26%.

This speaks of Sukuks' resiliency given still strong liquidity conditions amidst structural strong demand, but supply remains limited in 2021, impacted by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) 59's implementation in the UAE, a key sukuk investor hub.

Global issuance of USD sukuk should end in 2021 at USD45 – 50 billion, about similar to 2020. That masked some idiosyncrasies, however. 1Q2021's issuance has dried up on uncertainties related to AAOIFI 59, as issuers were hesitant on updated requirements that obliged them to maintain at least 33% in the asset pool to consist of tangible assets over the sukuk's life or else be subjected to put events should that not be fulfilled.

2Q2021 then saw a good rebound, helped from the usual sovereign issuance but also Saudi Aramco's bumper USD6 billion debt sukuk issuance before quietening away into 2H2021. We expect sukuk issuance volumes in 2022 to remain lower as funding needs remain easier served through conventional bonds, which is also set to shrink in 2022 given improved oil prices reducing funding needs.



The DJSUKTXR and BBGCC index returned 0.64% and 1.83% respectively while JPM JACI returned -2.21%.

Besides, AAOIFI 59 is likely to remain an overhang near-term thus helping to support returns.

On the other hand, the UST curve is set to flatten into 2022 as FOMC starts to hike. This will likely hurt returns somewhat as yields from front to the belly part of the curve rise. While we project only 2 rate hikes once FOMC is done with tapering around 1H2022, a more aggressive reassessment of rate hikes due to sticky inflation will pose risks to returns.

We nevertheless take comfort from the observation that Sukuks' returns have typically displayed negative correlation to 5-year UST yields.

Entering 2022, we still prefer HY over IG for carry, despite IG sukuk forming a bigger part of the universe. We would continue to maintain HY sukuk exposure at 20%-30% of the portfolio. Our call on Gulf Corporation Council (GCC) HY sovereigns getting upgraded or having outlook

Other than GCC HY Sovereigns, we still like Sukuk AT1 perpetual bonds given confidence that the issuer will call them on their first call dates.

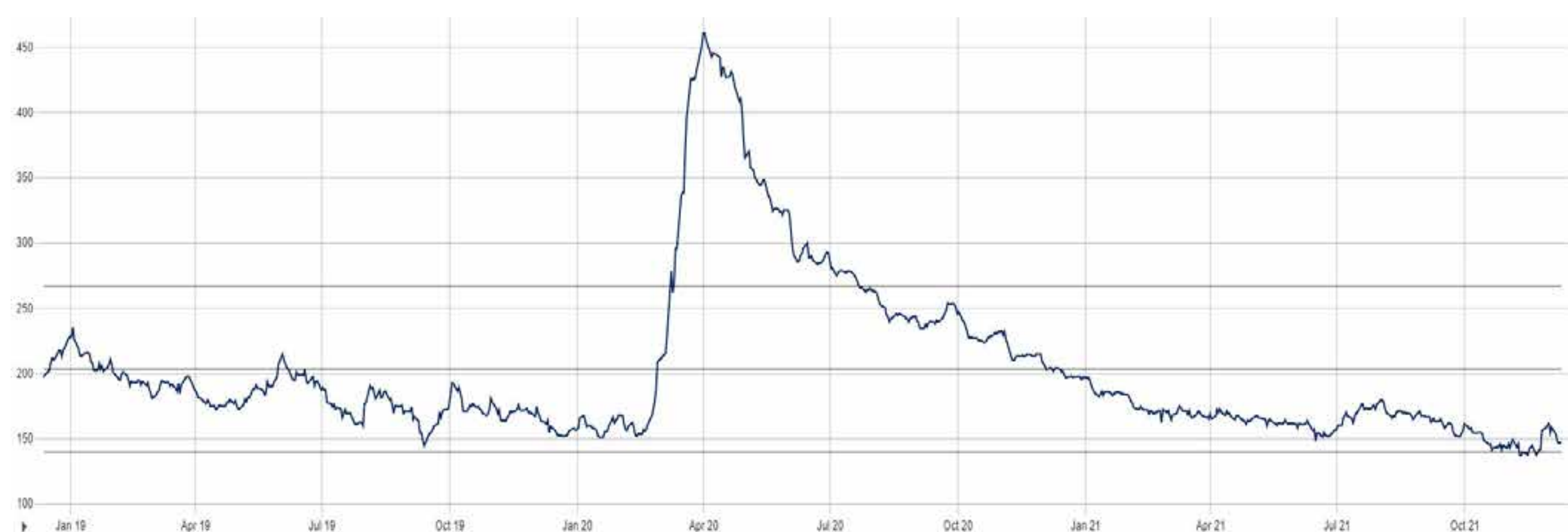


Exhibit 18: Credit Spreads of Bloomberg Barclays USD GCC Sukuk

Source: Barclays, Maybank Asset Management Singapore | Period: As of Oct 31st 2021

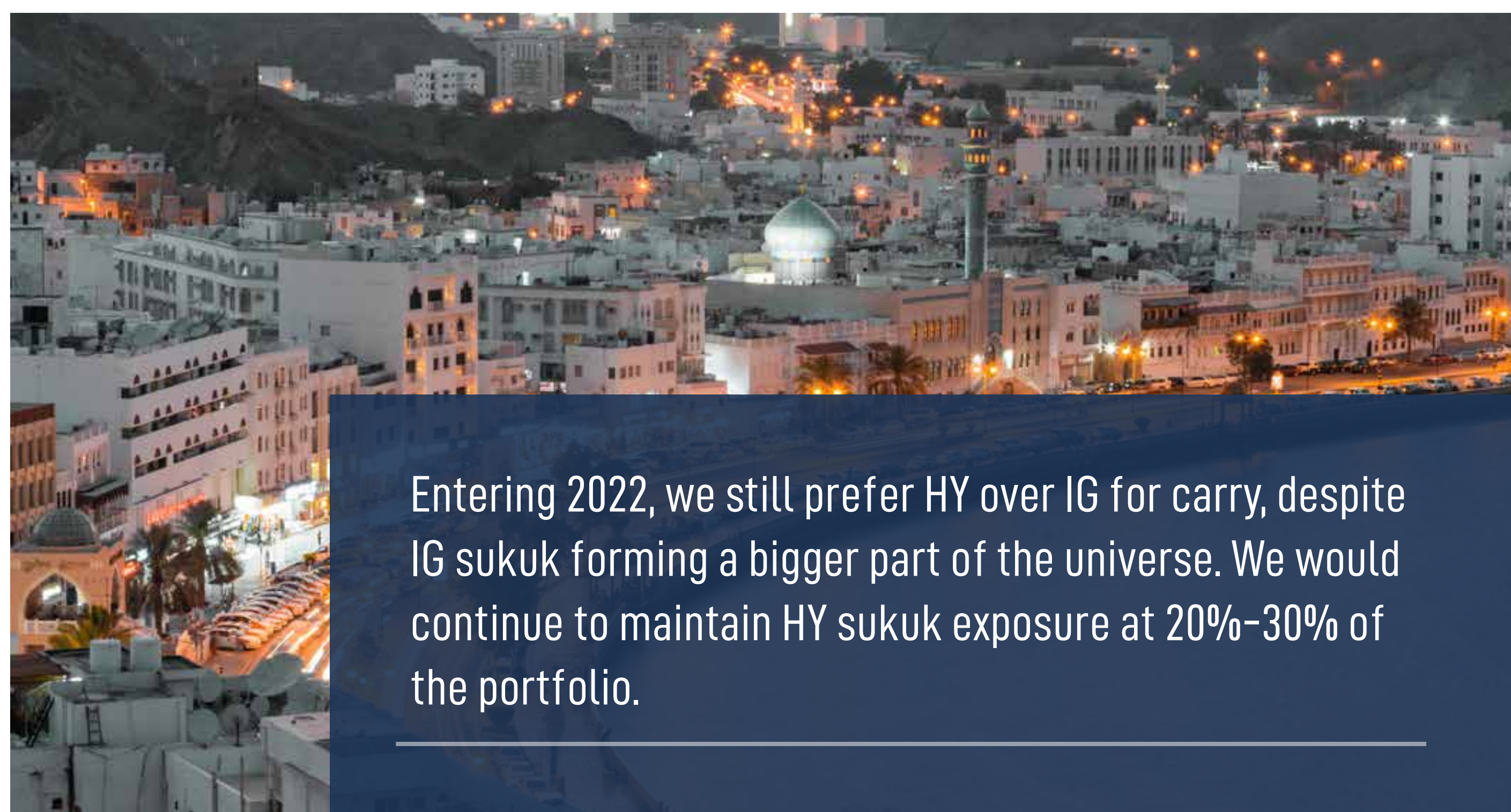
revised to stable have turned out well in 2021. Oman has seen S&P putting its B+ rating on Positive outlook while Moody's also changed its Ba3 rating to Stable from Negative.

Meanwhile on Bahrain, S&P has also changed the outlook of its B+ rating from Negative to Stable.

| CORRELATION TABLE | DJ Sukuk TR ex-Reinvest | J.P. Morgan EMBI | US Govt 5 Yr Yield Index | MSCI EM Equity Index | Bloomberg Commodity Index | Iboxx + Liquid High Yield |
|---------------------------|-------------------------|------------------|--------------------------|----------------------|---------------------------|---------------------------|
| DJ Sukuk TR ex-Reinvest | 1.000 | | | | | |
| J.P. Morgan EMBI | 0.813 | 1.000 | | | | |
| US Govt 5 Yr Yield Index | -0.264 | -0.049 | 1.000 | | | |
| MSCI EM Equity Index | 0.431 | 0.629 | 0.197 | 1.000 | | |
| Bloomberg Commodity Index | 0.272 | 0.411 | 0.179 | 0.538 | 1.000 | |
| Iboxx + Liquid High Yield | 0.567 | 0.785 | 0.204 | 0.638 | 0.513 | 1.000 |

Exhibit 19: Correlation Analysis: Sukuks vs other Asset Classes

Source: Azimut Portfolio Management, Bloomberg, Maybank Asset Management Singapore | Period: Dec 2013 – Sep 2021



Entering 2022, we still prefer HY over IG for carry, despite IG sukuk forming a bigger part of the universe. We would continue to maintain HY sukuk exposure at 20%-30% of the portfolio.

| COUNTRY | RECOMMENDATIONS |
|---------------------|--|
| Malaysia | <ul style="list-style-type: none"> • Current Account balance slightly deteriorated in 2021 to 3.6% of GDP as economy rebounds; expect Current Account balance to remain positive in 2022 to support MYR over the 4.00-4.20 range. • Prefer short-end to 5 years MGII for carry, curve roll-down and currency appreciation; avoid duration as supply remains high due to debt ceiling increase till end 2022. • Market weight on USD denominated Malaysia sovereign; prefer unrated KNBZMK USD sukuks and corporates for carry. • Expect Malaysia's A-/A3 rating to stay unchanged in 2022. |
| Indonesia | <ul style="list-style-type: none"> • USD/IDR traded between 14,000 to 14,500 in 2021. • Prefer short to belly dated IDR INDOIS as this part of the yield curve remains steep on carry and roll-down. |
| Saudi Arabia | <ul style="list-style-type: none"> • Small overweight on USD-denominated KSA Sovereign sukuks as net supply likely to reduce and credit profile improves relative to UAE and Qatar; Prefer ARAMCO sukuks on pickup over KSA Sovereign. • In the HY space, market weight on Dar-Al Arkan sukuks but small overweight in Arabian Centre sukuks as recent drop on lease of investment land is overdone. |
| UAE | <ul style="list-style-type: none"> • Residential real estate market should see revival following Dubai 2020 Expo. • In the UAE HY space, continue to overweight bank AT1s over seniors for carry given strong support to redeem on their call dates; Neutral on GCC HY real estate names (Damac, Meraas) as default risks remain low due to strong liquidity. • Overweight financials given strong government ownership/support and sovereigns as UAE best positioned to weather this current oil price downturn. |
| Qatar | <ul style="list-style-type: none"> • Market weight on sukuks issued by Qatari financials. • Overall sukuk supply from Qatar should remain limited in 2022. |
| Oman | <ul style="list-style-type: none"> • Overweight OMANGS USD sukuks; Oman has been the outperformer among GCC Sovereigns in 2021 on improved credit profile. • At BB-, Oman trades flat to B+ Bahrain and thus should see spreads grinding tighter into 2022; add on weakness. |
| Bahrain | <ul style="list-style-type: none"> • Bahrain Sovereign and quasi-sovereign conventional bonds and sukuks to remain supported despite tight levels for its B+ rating. It has strong support from Saudi Arabia and UAE. • Government's fiscal position set to improve given existing reforms in place, rising oil prices and USD10b support package from UAE and Saudi Arabia. • Remain overweight on BHRAIN, MUMTAK and OILGAS USD sukuks for carry; add on weakness. |
| Turkey | <ul style="list-style-type: none"> • Underweight on Turkey given volatile Lira; Support from GCC countries also minimal. |
| Kuwait | <ul style="list-style-type: none"> • Continue to like Kuwaiti bank's AT1 Perps for carry given limited supply vs UAE banks; Prefer KFH and Boubyan Bank given largest Islamic bank and Islamic subsidiary of Kuwait's flagship National Bank of Kuwait. • Kuwait's credit rating downgrade to A1 Stable by Moody's is credit neutral as Kuwait has strong reserves and external funding position. |



MALAYSIA



2021 MALAYSIA MARKET REVIEW



The KLCI's weak performance was mainly due to the decline in the healthcare (gloves) sector.

The weak performance of the Malaysian equity market is caused mainly by the decline in the healthcare (gloves) sector as new supply coming on stream is met with normalising demand leading to declining average selling price (ASP).

The second reason is the prolonged lockdowns caused by the pandemic resulting in earnings growth having to be revised downwards. Cukai Makmur and removal of the ceiling on stamp duty for stock transactions introduced in Budget 2022 further dampened the market. The best performing sector is the technology sector as the world becomes increasingly digitalised. However, it is not represented in the KLCI constituents.

2021 marks an incredibly volatile year for Malaysia fixed income investors as well, which posted its first negative total return in more than a decade. Hopes for strong economic rebound and reflation plays were met with bouts of new COVID19 variants in 2021, namely Delta and Omicron variants, dashing hopes for a smooth and speedy economy recovery.

The on and off social/economic restriction measures imposed by government to curb the spread of the COVID19 virus also disrupted the normal operations of real economy, resulting in significant supply chain disruptions and the ensuing bottleneck-induced inflation. Of note, the largely accommodative monetary policies and huge fiscal spending have played a part

to enable the financial excesses to continue in certain parts of the risky assets and could be a major risk for 2022 when the central bank begins to reduce the “easy money” policy and becomes less tolerant for high inflation.

From the monetary policy angle, Bank Negara Malaysia (BNM) had stayed put over its 6 monetary policy meetings in 2021, maintaining 1.75% overnight policy rate (OPR) throughout 2021. BNM had also indicated in all its 6 policy meetings that the current monetary stance is appropriate and accommodative.

On the other hand, US Fed was a lot more hawkish and aggressive towards the end of 2021, suggesting a policy rate lift off in 2022 is imminent, after starting to roll back parts of its quantitative easing measures by trimming its bond purchases in 2021, paving the way for the eventual interest rate lift off.



BNM had stayed put over its 6 monetary policy meetings in 2021, maintaining 1.75% overnight policy rate (OPR) throughout 2021.

On fiscal policy, the government has rolled out a RM150 billion stimulus package in end June 2021 PEMULIH, in addition to the RM260 billion economic stimulus package PRIHATIN, RM35 billion PENJANA, RM15 billion PERMAI, RM20 billion PEMERKASA and more recently PEMERKASA+ RM40 billion assistance package to cushion the economic impact.

The higher fiscal spending may lead to budget deficit reaching 6.5% - 7.0% of GDP in 2021, against 6.2% recorded in 2020. During the recent tabling of Budget 2022, the government has indicated the deficit will shrink to 6.0% of GDP.



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2022 MALAYSIA EQUITIES OUTLOOK & STRATEGY



3.5% to 5.7% in 2022

Malaysia's project economic growth pace from Dec 2021 to 2022.

After a pandemic-led slowdown, the economy is set for further recover in 2022 and is projected to grow at a faster pace of 5.7% from an estimated 3.5% in 2021 (Source: Bloomberg consensus as at 17 Dec).

In tandem with this, KLCI Composite earnings is forecasted to grow to 101.2 from an estimated 97.4 in 2021 after factoring in Cukai Makmur. For 2022, the KLCI composite earnings is projected to reach 113.2 (Source: Bloomberg consensus as at 17 Dec).

Based on the past seven years of price earning-ratio, KLCI regression mean is at 15.4x, while minus one standard deviation (-1SD) is at 14.6x and plus one standard deviation (+1SD) is at 16.2x. Assuming KLCI is valued at mean, it should trade at 1,743 points (15.4 x 113.2) by end December 2022.

However, as can be observed, KLCI is currently trading at PER of 14.7x which is at the -1SD level. We believe KLCI is likely to be valued at the -1SD level by end 2022 as most of the headwinds holding back the KLCI will still be present next year. This means KLCI is likely to trade at 1,653

points by the end of 2022.

We believe the biggest risk is still going to be the COVID19 pandemic. We were earlier convinced that lockdowns were a thing of the past after a country achieves a high vaccination rate and herd immunity.

However, we have seen restrictions on mobility and social gatherings and curfews implemented after a surge in cases in Europe over the past month. This in our view will negatively impact the global economic recovery process and possibly cause further strains on the already frail supply chains. Downside risk to global growth has thus increased, in our view.

In its fight against surging inflation, the US Fed has announced a faster tapering which is likely to see quantitative easing coming to an end by around 1H2022 followed by as many as two rate hikes in 2022, with two in the following year and two more in 2024.



Exhibit 21: FBMKLCI Best P/E Ratio

| Source: Maybank Asset Management, Bloomberg | Date: as of 13th Dec 2021

In response to the potential widening of the interest rate differential, the resulting concerns over a depreciation of the RM and cost pressures, there is a high likelihood that BNM would follow with its own policy tightening, and hence we are expecting rates to rise by at least 25 – 50 bps in 2H2022. This will exert pressure on market valuations.

Also, Institutional investors are increasingly paying more attention to ESG (environment, social and governance) considerations. As such, appetite for stocks and sectors that had in some way or other failed to meet these ESG standards, appeared to have lost their lustre.

This was observed in 2021 as many Malaysian companies' valuation took a hit when they failed to meet these ESG standards. Malaysia is vulnerable given the high percentage of foreign labour working in the agricultural and electricals / electronics manufacturing services sectors.

Other than that, the parliament is expected to be dissolved before June 2023. We think the 15th General Election (GE15) could take place sooner rather than later given the confidence gained by Barisan Nasional (BN) after the landslide win in the recent Malacca by-elections.

We are thus of the view that GE15 will take place sometime in 2H2022 after the MOU with the opposition expires. We believe as the country approaches GE15, the calmness in the political scene will abate and risk premium will rise. We believe the market has already priced in some of these uncertainties/headwinds with the KLCI trading at 14.7x 12 months forward earnings.

We recommend a balanced approach to our portfolio construction where capital preservation is the main priority before striving for a reasonable rate of return. Such portfolio will be a mixed of reopening play, growth stocks, dividend yielders and value plays. Although our approach remains with bottom up stock picking, there are a few sectors that we favour including:

| Sector | Outlook |
|----------------------|--|
| Banks | <ul style="list-style-type: none"> Loans and advances continued its upward momentum in November. Growth was driven by a solid improvement in business loans while consumer loans also accelerated. The banking system's capital buffers remained adequate, with CET1 of 14.4% and a total capital ratio of 18%. Average loan rate has also broadened. |
| Semiconductor | <ul style="list-style-type: none"> Outsourced assembly and test providers are favourable for their strong sales pipeline and earnings growth prospects, anchored by their expansion plans and robust balance sheet. We expect them to continue benefitting from the global structural growth in chip demand, alongside the ongoing acceleration in digitalisation and proliferation of secular technology trends such as 5G infrastructure rollouts, artificial intelligence (AI), cloud computing, internet of things (IoT), robotics, and vehicle electrification. |
| Auto | <ul style="list-style-type: none"> Car demand is expected to be robust due to sales tax exemption while the launches of new models and facelift versions will help to drive sales. Total industry volume forecasted for 2022 is +20% YoY, at 600k units. |
| Gaming | <ul style="list-style-type: none"> After several false starts, the gaming industry is now on a more sustained recovery path supported by the shift in stance by the country, away from a total lockdown approach towards tightening restrictions in response to COVID19 threats. Positive outlook for the gaming industry following the reopening of businesses from numbers forecast operators (NFO) and casino. |
| Consumer | <ul style="list-style-type: none"> Economic reopening coupled with the government's assistance packages and improvement in labour market would help to underpin consumer spending in 2022. While elevated commodities prices coupled with high freight costs will undermine margins, products with pricing power should benefit as increased price usually would not be lowered when costs normalise in the future. |

2022 MALAYSIA FIXED INCOME OUTLOOK & STRATEGY

Local bond market to be well supported on economic recovery and still lower yields from fixed deposits and money market funds.

Similar with equities, we expect the recovery momentum to sustain into 2022 as Malaysia almost fully reopened its economic activities, supported by very high vaccination rates among all Malaysians.

As the public health system is at a more optimal level and vaccination rates reach herd immunity, this will allow us to return to the norms of our daily life subject to adherence to existing SOPs that have been set by Ministry of Health.

For Malaysia fixed income, our investment thesis for economic recovery and reflation trades will continue in 2022, i.e. to seek value from high quality corporate bonds in the primary and secondary market and remain slightly negative on having long duration.

We foresee that Malaysia will keep its OPR level at 1.75% for 1Q2022 as economic recovery progresses steadily, and as an insurance to protect against potential negative surprises from new COVID19 variants and other unforeseen headwinds. BNM is likely to make the first interest rate hike in the 2H2022.

Risky assets and commodities are expected to do well in 2022, but it will be countered by potential liquidity withdrawal from central banks and high inflation rate.

Having mentioned the negative duration stance, given the flush liquidity in the banking system, this will continue to lend support to the local bond market as yield pickup remains decent as compared to the low yielding fixed deposits and money market funds.



We foresee that Malaysia will keep its OPR level at 1.75% for Q1 2022 as economic recovery progresses steadily.

With tax exemption status on the money market funds for corporates ending in December 2021, more liquidity could find its way into local bond markets in 2H2022.

We also find valuation is more compelling now for the local bond market and that could reduce the volatility of any negative surprises in the market.

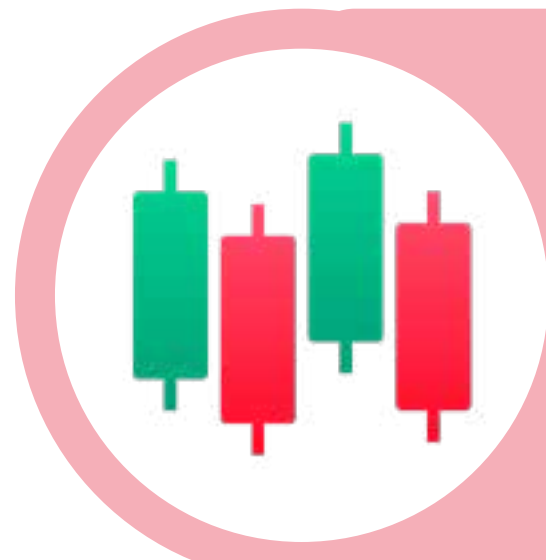
With much higher bond carry going into 2022, this should provide a good starting point for positive total returns in 2022.

We will continue to trade opportunistically and realize profit, and also look into new primary issuances that offer higher yields to boost fund performance.

MALAYSIA

2022 CORE PRODUCT TRENDS

For 2022, our product launches would focus on equities, Asia and retirement solutions with a priority to integrate ESG.



Equities

For 2022, equity funds would still be in favour over fixed income or multi-asset funds as corporate earnings are expected to be strong in 2022, and bond yields are to remain low. Investors would look to equities to generate higher returns.



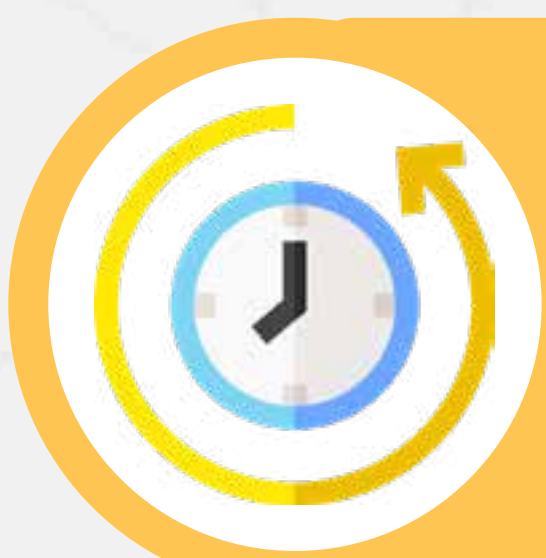
Asia

The Asia theme was delayed due to the recent pandemic's challenges that saw investors flocking into developed markets. However, going into 2022, the economic momentum may pick up again on increased vaccination as Asia's positive growth and outlook remains intact. Also, valuations and yields are attractive in Asia.



ESG

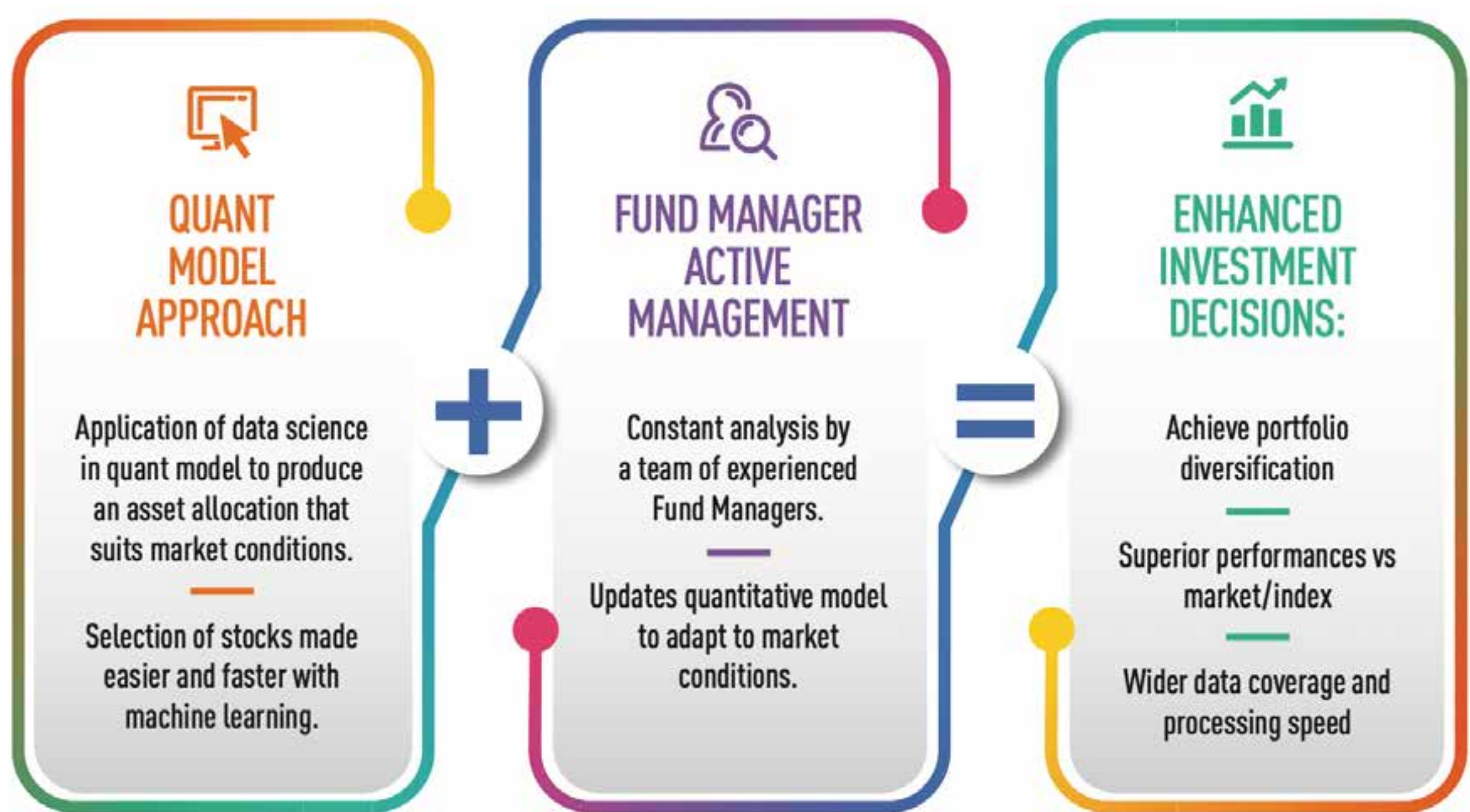
In-line with the Group's Sustainability initiatives, we would continue to roll-out investment solutions that are ESG integrated and/or provide positive impact to the world and society whilst generating returns/income for our investors.



Retirement

The COVID19 pandemic may very well re-align people's goals and priorities as we evolve during this difficult period. This phenomenon would be the best time for us to revisit financial plans to support retirement planning. People can no longer depend on conventional pensions and savings for retirement.

Multi-Asset Fund Highlight: Maybank Asia Mixed Assets-I Fund



Maybank Asia Mixed Assets-I Fund ("MAM-A.I") is a retail Shariah mixed assets fund that combines our latest quant technology with the expertise of our experienced fund managers.

MAM-A.I. offers three key features:

1. The Best of Both Worlds

Quantitative investing combined with the vast experience of our Fund Managers to deliver the best outcome to investors.

2. Target Return Approach

6-7% p.a. target return with a potential income of 5-6% p.a. to be paid out on a quarterly basis.

3. Capture Opportunities in Asia

A quant driven dynamic shariah-compliant mixed assets portfolio investing in equities, sukuk and gold across Asia.

The quant engine uses the application of data science, computer programs and mathematical models to deduce MAM-A.I's asset allocation from time to time, adapting to the market environment. Primarily, the quant engine makes the stock selection process easier and faster with its multi-factor quant model where ESG is a permanent factor in screening stocks to ensure sustainable investments.

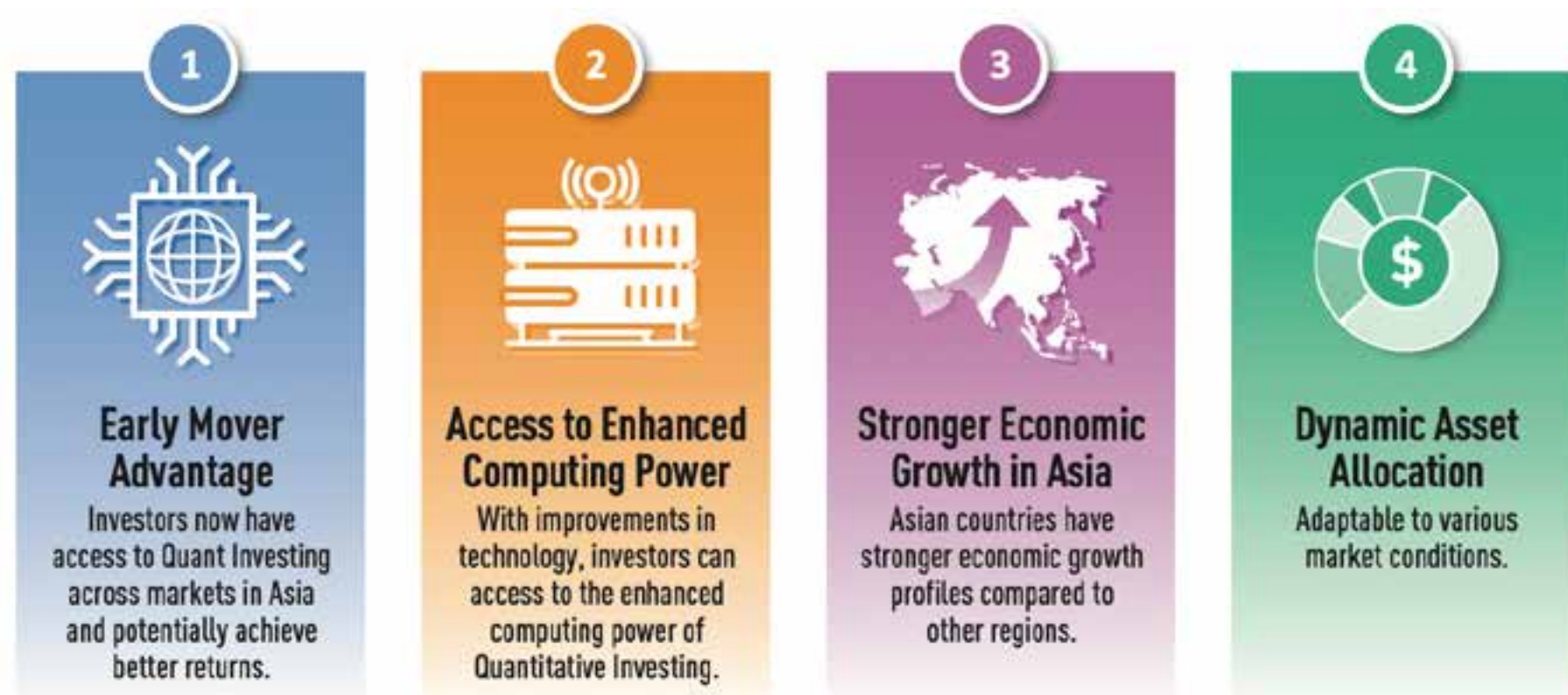
Integrating such state-of-the-art investment technology on the equity front with the evergreen techniques of active management of the sukuk

portion has vast potential. Such a combination may be able to produce enhanced investment decisions, optimal portfolio diversification and potentially higher, consistent returns.

MAM-A.I's technological advancement in its investment strategy has seen some light. Despite the widely known challenging and volatile market environment in Asia throughout 2021, the fund has coped well in stabilising its performance, holding up well in such conditions.

With Asian GDPs expected to propel forward recovering from the pandemic, Asian markets are bound to reach greater heights. After developed countries have excelled this year, now it is time for Asian counterparts to play catch up in 2021. The spillover of the deglobalisation mantra may certainly benefit other Asian countries other than China such as the ASEAN region, where the alternative supply chain choice would be.

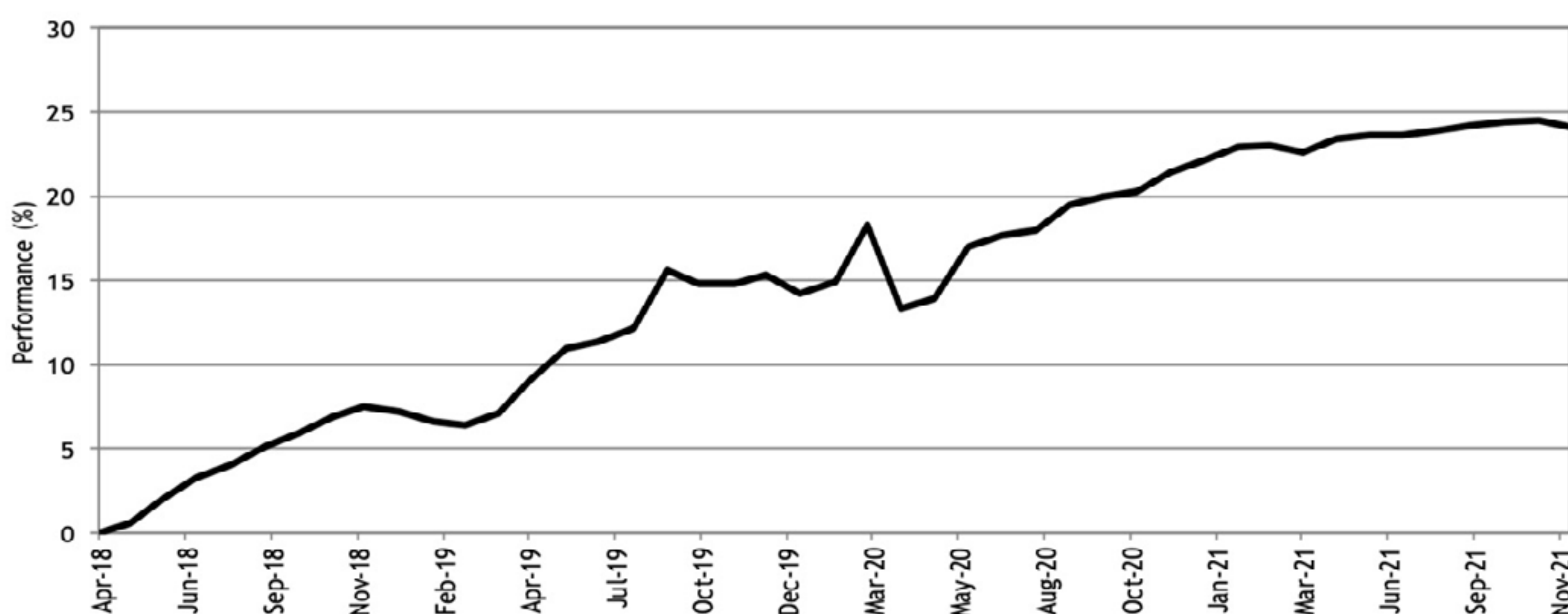
Certainly there will be short-term shocks on the financial markets looking ahead in 2022. However, MAM-A.I is positioned to capture growth in the Asian equity markets and stabilize itself during tumultuous times with its ability to shift its allocation to Asian sukuk. Given the inadvertently strong potential of Asia, MAM-A.I is well positioned to capture the long-term opportunities with its unique investment approach.



Disclaimer: This brochure is a brief description of the Fund and is not exhaustive. Investors are advised to request, read and understand the Prospectus before deciding to invest. The Prospectus for Maybank Asia Mixed Assets-I Fund dated 16 August 2021 and its supplementaries if any ("Prospectus") has been registered/ deposited with the Securities Commission Malaysia ("SC"), who takes no responsibility for its contents. A copy of the Prospectus can be obtained at our office or at our distributor's branches. Investors are again advised to read and understand the content of the Prospectus before investing. Among others, Investors should consider the fees and charges involved. The price units and distribution made payable, if any, may go down as well as up. The past performance of the Fund should not be taken as indicative of its future performance.

SC's approval or authorisation, or the registration, lodgment or submission of the Prospectus does not amount to nor indicate that the SC has recommended or endorsed the Fund or the advertisement, nor reviewed this brochure.

Sukuk Fund Highlight: Maybank Global Income-I ("MGII")



Source: Maybank Asset Management | Period: From 3rd Apr 2018 - 30th Nov 2021

*Income reinvested, calculated in MYR

*Inclusive of distribution since inception (if any)

Maybank Global Income-I ("MGII") is a feeder fund that feeds into the MAMG Global Sukuk Fund, which is co-managed by Maybank Asset Management and Azimut Investment. The target fund is one of the largest UCITS sukuk fund in the world with AUM over RM 4.7bn.

MGII offers four key features:

1. Total Return Focus

A target return range of 4% - 5% is used to deliver consistent performance regardless the market conditions.

2. Frequent and High Income Distribution

The fund aims to pay a quarterly income distribution with an income yield of 4% p.a.

3. Enhanced Downside Mitigation

Able to have tactical cash holdings of up to 100% of NAV to minimise downside risks during downturns.

4. Resiliency of Sukuk as an Asset Class

Sukuks are negatively correlated with bonds and US Treasuries. On top of that, sukuks are less volatile as compared to bonds.

In line with our outlook, the global sukuk space is expected to remain positive as demand will continue to outstrip supply where the sukuk issuance volumes to remain low in 2022. Seeing things on a bigger picture, the expected rate hikes by the Fed in 2022 are seen to

| Income Distribution History | | | |
|-----------------------------|-------------|-----------|-----------------|
| Date | Gross (Sen) | Yield (%) | Total Yield (%) |
| 28/09/2021 | 1.00 | 0.89 | 3.14 |
| 28/06/2021 | 1.25 | 1.11 | |
| 29/03/2021 | 1.25 | 1.11 | |
| 2020 | 6.85 | - | 5.81 |
| 2019 | 1.80 | - | 1.62 |

Source: Maybank Asset Management | Date: as of 31st Nov 21

pose risk to returns on US Treasuries. Such expected events bring comfort to us as sukuks are negatively correlated with the 5-Year US Treasury.

Despite such an arduous year for the fixed income market in 2021, MGII still managed to provide stable and consistent returns throughout the period. This truly reflects the resiliency that sukuk can offer to an investment portfolio.

Historically, MGII has managed to provide consistent income pay-outs since its inception. The fund paid out 5.8% of income yield in 2020 and is expected to pay out approximately 4% in 2021 as a total, despite such challenging market environment.

Therefore, we believe that MGII is suitable for investors seeking positive returns in the long-term, with a medium to long-term investment horizon and are willing to tolerate the risk associated with investing in a portfolio of sukuks issued globally.

Disclaimer: The yield of the distributions are calculated based on the total dividend payout/ex-distribution NAV. Based on the fund's portfolio returns as at 30 November 2021, the Volatility Factor (VF) for this fund is 4.21 and is classified as "Very Low". (Source: Lipper). "Very Low" includes funds with VF that are 0.000 and less than or equal to 4.265 (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The Volatility Class (VC) is assigned by Lipper based on quintile ranks of VF for qualified funds. VF is subject to monthly revision and VC will be revised every six months. The fund's portfolio may have changed since this date and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC. The term "Maybank AM" used herein refers to Maybank Asset Management. This Fund Fact Sheet ("FFS") is for informational purpose only. You should seek your own financial advice from a licensed adviser before investing in this Fund. Maybank AM does not make any representations or warranties of any kind express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the information contained herein. Investors are advised to read and understand the contents of the Prospectus and the Fund's Product Highlights Sheets ("PHS") dated 08 July 2020 before investing. This is a Replacement Prospectus in respect of the Fund that replaces and supercedes the Prospectus dated 13 March 2018 as amended by the First Supplementary Prospectus dated 26 June 2018 in respect of the Fund. The Prospectus and PHS are available at our nearest representative offices and investors have the right to request for a copy of the Prospectus and PHS. The Prospectus has been registered with the Securities Commission Malaysia who takes no responsibility for its contents. You should be aware that investments in unit trust funds carry risks. An outline of the risks are contained in the Prospectus. Unit prices and income distribution, if any, may rise or fall. Past performance of a fund is not an indicative of future performance. Please consider the fees and charges involved before investing. Units will be issued upon receipt of completed application form accompanying the Prospectus and subject to terms and conditions therein. In no event shall Maybank AM be liable for any loss or damages howsoever arising whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising i) from incompleteness, inaccuracy, unreliability, unsuitability or unavailability with respect to this FFS and/or reliance thereon; or ii) from reproduction or use of the information/copyright/trademark contained in the FFS. SC's approval or authorisation, or the registration, lodgement or submission of the Prospectus/ Information Memorandum does not amount to nor indicate that the SC has recommended or endorsed the Fund or the Fund Fact Sheet.

OUR SOLUTIONS (ISLAMIC)

Performance data: as of 24th December 2021

Legend: W (Wholesale) | R (Retail) | S.I. (Since Inception) | *(Annualised)

| Fund (Strategy) | Type | Inception | Performance (%) | | | Geo. Exposure |
|--|------|------------|-----------------|-------|-------|-----------------------|
| | | | 1 Yr | 3 Yr* | S.I.* | |
| AGGRESSIVE | | | | | | |
| Maybank Asiapac Ex-Japan Equity-I | R | 8 Jan 14 | 1.53 | 11.16 | 7.10 | Asia Ex-Japan |
| Maybank Global Sustainable Equity-I MYR | R | 25 Aug 20 | 19.73 | | 16.10 | Global |
| Maybank Global Sustainable Equity-I MYR Hedged | R | 25 Aug 20 | 17.04 | | 15.75 | Global |
| Maybank Global Sustainable Equity-I USD | R | 25 Aug 20 | 15.77 | | 15.18 | Global |
| Maybank Greater China ASEAN Equity-I A MYR | R | 27 Apr 15 | -20.60 | -2.87 | -0.29 | ASEAN & Greater China |
| Maybank Greater China ASEAN Equity-I B USD | R | 27 Apr 15 | -22.59 | -2.39 | -2.13 | ASEAN & Greater China |
| Maybank Greater China ASEAN Equity-I C USD (Insti) | R | 27 Apr 15 | -22.57 | -2.03 | -1.41 | ASEAN & Greater China |
| Maybank Greater China ASEAN Equity-I D USD (Insti) | R | 26 Jun 18 | -21.45 | -0.87 | -3.69 | ASEAN & Greater China |
| Maybank Malaysia Growth-I | R | 24 Nov 00 | -8.08 | 2.11 | 4.92 | Malaysia |
| MODERATE | | | | | | |
| Maybank Global Mixed Assets-I AUD Hedged | R | 15 Jun 20 | 14.25 | | 16.53 | Global |
| Maybank Global Mixed Assets-I MYR | R | 17 Jun 19 | 16.90 | | 13.52 | Global |
| Maybank Global Mixed Assets-I MYR Hedged | R | 17 Jun 19 | 14.52 | | 13.45 | Global |
| Maybank Global Mixed Assets-I SGD Hedged | R | 15 Jun 20 | 14.83 | | 17.14 | Global |
| Maybank Global Mixed Assets-I USD | R | 17 Jun 19 | 13.16 | | 12.98 | Global |
| Maybank Global Mixed Assets-I USD (Insti) | R | 17 Sept 20 | 14.69 | | 16.13 | Global |
| Maybank Asia Mixed Assets-I MYR | R | 16 Aug 21 | | | -5.81 | Asia |
| Maybank Asia Mixed Assets-I USD | R | 16 Aug 21 | | | -7.24 | Asia |
| Maybank Mixed Assets-I Waqf | R | 3 May 21 | | | -4.07 | Malaysia |
| Maybank Malaysia Balanced-I | R | 17 Sep 02 | -3.80 | 3.85 | 4.61 | Malaysia |
| MAMG Global Income-I MYR | R | 13 Mar 18 | 1.81 | 4.97 | 5.92 | Global |
| MAMG Global Income-I USD | R | 8 Jul 20 | 0.59 | | 6.57 | Global |
| Maybank Income Management-I | R | 8 Jan 20 | 0.37 | | 2.15 | Malaysia |
| Maybank Malaysia Income-I A MYR | R | 27 Apr 04 | 0.55 | 4.66 | 4.40 | Malaysia |
| Maybank Malaysia Income-I C MYR | R | 21 Aug 13 | 0.55 | 4.83 | 4.76 | Malaysia |
| Maybank Malaysia Income-I C USD | R | 17 Sept 14 | -2.65 | 5.01 | 0.92 | Malaysia |
| Maybank Malaysia Sukuk | R | 8 Jan 14 | -0.39 | 4.81 | 4.25 | Malaysia |
| CONSERVATIVE | | | | | | |
| Maybank Money Market-I A MYR | R | 6 Jul 11 | 1.81 | 2.53 | 2.90 | Malaysia |
| Maybank Money Market-I B MYR | R | 18 Oct 19 | 1.93 | | 2.29 | Malaysia |
| Maybank Shariah Enhanced Cash | W | 24 Nov 08 | 1.04 | 1.52 | 2.64 | Malaysia |

OUR SOLUTIONS (CONVENTIONAL)

Performance data: as of 24th December 2021

Legend: W (Wholesale) | R (Retail) | S.I. (Since Inception) | *(Annualised)

| Fund (Strategy) | Type | Inception | Performance (%) | | | Geo. Exposure |
|--|------|------------|-----------------|-------|--------|---------------|
| | | | 1 Yr | 3 Yr* | S.I.* | |
| AGGRESSIVE | | | | | | |
| Maybank Malaysia Dividend | R | 6 Jun 06 | -0.34 | 4.92 | 9.36 | Malaysia |
| Maybank Malaysia Ethical Dividend | R | 7 Jan 03 | 3.48 | 2.12 | 9.48 | Malaysia |
| Maybank Malaysia Growth | R | 26 Mar 92 | 2.38 | 1.72 | 4.65 | Malaysia |
| Maybank Malaysia SmallCap | R | 3 Mar 04 | -3.07 | 2.61 | 9.96 | Malaysia |
| Maybank Malaysia Value A MYR | R | 7 Jan 03 | 1.98 | 4.50 | 9.66 | Malaysia |
| Maybank Malaysia Value C MYR | R | 7 Jan 03 | 2.14 | 4.66 | 2.06 | Malaysia |
| Maybank Singapore REITs A MYR | R | 13 Sep 18 | 1.69 | 6.39 | 6.45 | Singapore |
| Maybank Singapore REITs A MYR Hedged | R | 13 Sep 18 | 1.62 | 6.85 | 6.60 | Singapore |
| Maybank Singapore REITs C SGD | R | 13 Sep 18 | 0.61 | 5.94 | 5.85 | Singapore |
| MAMG All-China Focus Equity MYR | W | 29 Jul 21 | | | -12.89 | China |
| MAMG All-China Focus Equity MYR Hedged | W | 29 Jul 21 | | | -10.87 | China |
| MAMG All-China Focus Equity USD | W | 29 Jul 21 | | | -11.29 | China |
| MAMG Dynamic High Income AUD Hedged | W | 22 Jan 19 | 8.85 | | 6.72 | Global |
| MAMG Dynamic High Income EUR Hedged | W | 22 Jan 19 | 10.00 | | 5.03 | Global |
| MAMG Dynamic High Income MYR | W | 22 Jan 19 | 12.50 | | 7.68 | Global |
| MAMG Dynamic High Income MYR Hedged | W | 22 Jan 19 | 10.44 | | 7.24 | Global |
| MAMG Dynamic High Income SGD Hedged | W | 22 Jan 19 | 8.77 | | 6.65 | Global |
| MAMG Dynamic High Income USD | W | 22 Jan 19 | 8.96 | | 6.77 | Global |
| Maybank Global Sustainable Technology MYR | R | 18 Jan 21 | | | 11.54 | Global |
| Maybank Global Sustainable Technology MYR Hedged | R | 18 Jan 21 | | | 8.83 | Global |
| Maybank Global Sustainable Technology USD | R | 18 Jan 21 | | | 6.96 | Global |
| MODERATE | | | | | | |
| Maybank Flexi Income AUD Hedged | R | 28 Nov 19 | -3.21 | | 1.01 | Global |
| Maybank Flexi Income MYR | R | 28 Nov 19 | 0.74 | | 2.37 | Global |
| Maybank Flexi Income MYR Hedged | R | 28 Nov 19 | -1.54 | | 2.29 | Global |
| Maybank Flexi Income SGD Hedged | R | 28 Nov 19 | -2.86 | | 1.08 | Global |
| Maybank Flexi Income USD | R | 28 Nov 19 | -2.61 | | 1.51 | Global |
| Maybank Malaysia Balanced | R | 19 Sept 94 | 0.93 | 3.51 | 3.54 | Malaysia |
| MAMG Gold MYR | W | 3 Jun 20 | -1.98 | | -3.84 | Global |
| MAMG Gold MYR Hedged | W | 3 Jun 20 | -4.51 | | -2.58 | Global |
| MAMG Gold USD | W | 3 Jun 20 | -4.31 | | -1.29 | Global |
| Maybank Asian Credit Income MYR | R | 7 Jul 20 | -2.57 | | 0.31 | Asia |
| Maybank Asian Credit Income SGD Hedged | R | 7 Jul 20 | -3.76 | | -0.96 | Asia |

| Fund (Strategy) | Type | Inception | Performance (%) | | | Geo. Exposure |
|--|------|------------|-----------------|-------|-------|---------------|
| | | | 1 Yr | 3 Yr* | S.I.* | |
| Maybank Bluewaterz Total Return MYR | W | 14 Aug 15 | 2.47 | 8.47 | 5.81 | Asia |
| Maybank Bluewaterz Total Return USD | W | 20 Jul 18 | 1.17 | 8.59 | 7.08 | Asia |
| Maybank Constant Income 7 | R | 17 Mar 17 | -1.65 | 3.86 | 3.80 | Asia |
| Maybank Constant Income 8 | R | 21 Oct 19 | 0.79 | | 1.59 | Asia |
| Maybank Financial Institutions Income | W | 17 Dec 09 | 1.80 | 4.35 | 4.11 | Malaysia |
| Maybank Financial Institutions Income Asia | R | 26 Aug 14 | 1.98 | 6.71 | 5.79 | Asia |
| Maybank Malaysia Income | R | 19 Jul 96 | -0.46 | 3.83 | 4.90 | Malaysia |
| CONSERVATIVE | | | | | | |
| Maybank Enhanced Cash XIII | W | 24 Sept 08 | 1.35 | 1.85 | 2.80 | Malaysia |
| Maybank Money Market A MYR | R | 1 Mar 19 | 1.33 | | 1.32 | Malaysia |
| Maybank Money Market B MYR | R | 1 Mar 19 | 1.75 | | 1.36 | Malaysia |
| Maybank Money Market C MYR | R | 1 Mar 19 | 1.75 | | 1.36 | Malaysia |



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