

**BIMB *i*CASH MANAGEMENT FUND 3**

**SECOND QUARTER REPORT  
FOR THE FINANCIAL PERIOD FROM  
1 APRIL 2016 TO 30 JUNE 2016**



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# 1.0 FUND KEY INFORMATION

## 1.1 Fund Name

BIMB i Cash Management Fund 3 ("BiCMF3")

## 1.2 Fund Type

Income

## 1.3 Fund Category

Wholesale Islamic Money Market Fund

## 1.4 Fund Investment Objective

The Fund seeks to provide liquidity\* and regular income stream\*\*, whilst maintaining capital stability\*\*\* by investing in Islamic money market instruments.

### **Note:**

\*liquidity refers to redemption payment made on T or T+1 whereby T is the Business Day where a request/application to redeem is received by the Manager before the cut-off time of 10.30am.

\*\* Income will be in the form of cash or Units.

\*\*\* The Fund is not a capital guaranteed fund or a capital protected fund.

*Any material changes to the investment objective would require Unitholders' approval.*

## 1.5 Investor Profile

The Fund is for Sophisticated Investors who are favoring regular income stream\* and capital stability\*\*:

\*Income will be in the form of cash or Units.

\*\*The Fund is not a capital guaranteed fund or a capital protected fund.

## 1.6 Distribution Policy and Mode of Distribution

The Fund will distribute income at least once a month, subject to availability of income.

## 1.7 Risk Factors

The specific risks of the Fund include:

### **Credit/ Default Risk**

The risk arises when the issuer of a Sukuk or money market instrument is unable to service any periodic obligations, e.g. profit payments and/or pay the principal amount when due. In such cases, investors will suffer significant losses. This risk can be mitigated by investing in Sukuk carrying a minimum credit rating of AA3 by RAM or AA by MARC or an equivalent credit rating by any other credit rating agencies or a minimum short term credit rating of P1 by RAM or MARC-1 by MARC or its equivalent. This risk is also mitigated by credit analysis conducted by the Manager to determine the issuer's ability to service promised payments.

### **Profit Rate Risk**

Changes in the level of general interest rates\* may cause prices of Sukuk or money market instrument to change inversely. When interest rates rise, Sukuk prices generally decline and this will lower the market value of the Fund's investment in Sukuk. The Manager manages profit/interest rate risk of Sukuk or money market instruments by considering their sensitivity to profit/interest rate changes as measured by its duration.

\* Note: The term interest rate does not in any way suggest that this Fund will invest in securities or instruments, which are Shariah non-compliant. All investments carried out for the Fund are in accordance with principles of the Shariah.

### **Liquidity Risk**

Liquidity risk is the risk that the security invested in cannot be readily sold and converted into cash. This can occur when trading volume for the security is low and/or when there is a lack of demand for the security causing the fund manager to liquidate the security at a discount to fair value. This may adversely impact the Fund's NAV per unit. The Fund manages liquidity risk by investing in Islamic money market instruments.

# 2.0 INVESTMENT POLICY AND STRATEGY

## 2.1 Asset Allocation

The Fund may invest:

- at least 90% of its NAV in short term money market instruments; and
- up to 10% of its NAV in permitted investments which have a remaining maturity period of more than 365 days but less than 732 days.

## 2.2 Investment Policy and Strategy

The Fund seeks to achieve its objective by investing at least 90% of its NAV in short term money market instruments.

Up to 10% of the Fund's NAV may be invested in permitted investments which have a remaining maturity period of more than 365 days but less than 732 days.

The investment policy is to invest in liquid short term investments with a capital preservation. The Fund will also be actively managed to provide liquidity.

## 2.3 Benchmark

The benchmark for the Fund is based on the 1-month Term Deposit-i (Tawarruq) of Bank Islam Malaysia Berhad.

However, please note that the risk profile of the Fund may be higher than the risk profile of the benchmark

## 2.4 Policy on Rebates and Soft Commissions

The Manager or any delegate thereof shall not retain any rebate from, or otherwise share in any commission with, any broker in consideration for direct dealings in the investments of the Fund. Accordingly, any rebate or shared commission shall be directed to the account of the Fund concerned. However, the Manager or any delegate thereof may retain goods and services ("Soft Commissions") from any broker/dealer, only if the goods and services are of demonstrable benefit to the Unitholders such as research materials and advisory services which are incidental to the investment management activities of the Fund.

# 3.0 MANAGER'S REPORT

This Quarterly Report covers the financial period from 1 April 2016 to 30 June 2016.

## 3.1 Fund Performance Review

	As at 30 June 2016
Net Asset Value (RM)	70,000,000
Units In Circulation	70,000,000
Net Asset Value Per Unit (RM) <sup>(a)</sup>	1.0000
Highest Net Asset Value Per Unit (RM) <sup>(b)</sup>	1.0000
Lowest Net Asset Value Per Unit (RM) <sup>(b)</sup>	1.0000
Annualised Return (%) <sup>(c)</sup>	3.24
Benchmark Returns (%) <sup>(d)</sup>	2.45

(a) Net Asset Value (NAV) per unit is after income distribution

(b) Highest and lowest NAV per unit are for the period under review

(c) Annualised return for the financial period from 1 April 2016 to 30 June 2016.

(d) After tax annualised benchmark return for the financial period from 1 April 2016 to 30 June 2016

Note: Benchmark – 1 month Bank Islam Term Deposit-i (Tawarruq)

(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 3.24%, outperformed its benchmark by 0.79% (based on the annualised return). The Fund's return of 3.24% was entirely income distribution which is in line with the Fund's objective in providing the investors a regular stream of income. The Fund paid out its income distribution amounting RM762,170. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 June 2016, the NAV of the Fund was at RM70,000,000 and the total units in circulation of the Fund stood at 70,000,000 units. There were no unit splits declared for the period under review. There were also no significant changes in the state of affairs of the Fund and no circumstances that materially affected the interest of the Unitholders for the financial period ended 30 June 2016.

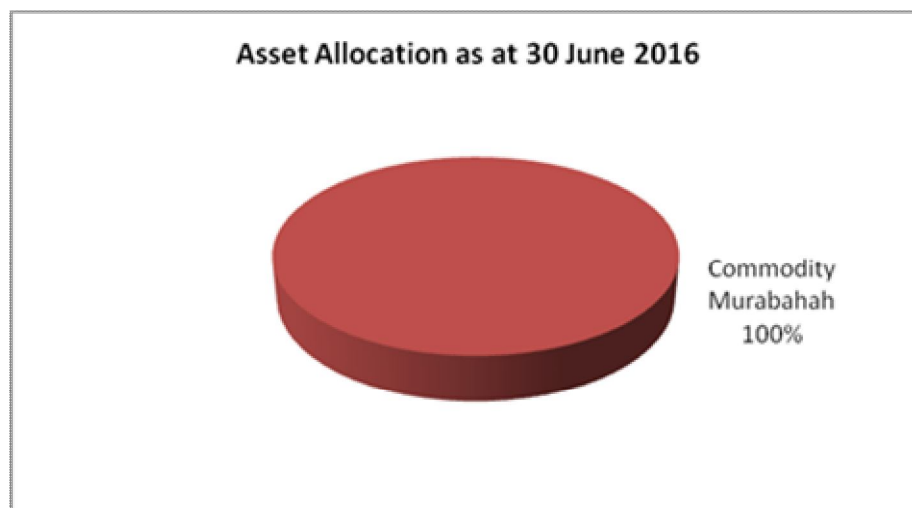
Calculation of Annualised Returns:-

$$\text{Annualised Returns} = (1 + y\%)^{366/t}$$

y = Total return since inception

t = Actual days since inception.

## 3.2 Asset Allocation



<b>ASSET ALLOCATION</b>	<b>30 June 2016 (%)</b>
Money Market (Commodity Murabahah)	100.0
<b>Total</b>	<b>100.0</b>

As at 30 June 2016, the Fund was fully invested in Commodity Murabahah.

### 3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 April 2016 – 30 June 2016			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
30 April 2016	0.32	0.32	317,044
31 May 2016	0.35	0.35	351,561
30 June 2016	0.13	0.13	93,565
<b>Total</b>	<b>0.80</b>	<b>0.80</b>	<b>762,170</b>

### 3.4 Impact on NAV arising from Income Distribution

As at 30 June 2016	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	70,000,000	70,000,000
Units In Circulation	70,000,000	70,000,000

### 3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 June 2016 (%)
Below 5,000	0	0.00	0.00
5,001 to 10,000	0	0.00	0.00
10,001 to 50,000	0	0.00	0.00
50,001 to 500,000	0	0.00	0.00
500,001 and above	1	70,000,000.00	100.00
<b>Total</b>	<b>1</b>	<b>70,000,000.00</b>	<b>100.00</b>

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down as well as up.



# 4.0 ECONOMIC AND MARKET REVIEW

## i) Economy

### Global

- The United States ('US') Gross Domestic Product (GDP) grew at a rate of 1.1% in the first quarter of 2016 as compared to 1.4% growth in the fourth quarter of 2015 and 2.0% in the third quarter of 2015. Economic growth in the first quarter was constrained by a strong dollar and sluggish global demand that had dampened exports. Productivity was also weakened by businesses' inventory overhang while lower oil prices induced higher spending cuts on inventory supply and equipments.
- US headline inflation rate gained to 1.0% in June 2016 from 0.2% in July 2015 as higher cost of services for rent, transportation and medical care offsets declines in energy prices. Concurrently, US core inflation rate increased to 2.3% in June 2016 from 1.8% in July 2015.
- US unemployment rate fell to 4.9% in June 2016, from 5.3% in July 2015, as the US economic recovery facilitated robust hiring for the labor market.
- The Euro zone economy grew by 0.6% in the first quarter of 2016 as compared to 0.4% growth in the fourth quarter of 2015 and 0.3% in the third quarter of 2015. Growth in the Euro zone was driven by better-than-expected recovery in France and Spain that helped boost Euro zone's economic growth which was previously been heavily reliant on Germany.
- Euro zone's annual inflation declined to 0.1% in June 2016 from 0.2% in July 2015 due to lower in cost of energy, food and services.
- The Euro zone unemployment rate fell to 10.1% in May 2016 from 10.8% in July 2015 due to continued improvement in the unemployment rate in Malta (4.1%), Germany (4.2%) and Austria (6.1%)
- The Chinese economic growth of 6.7% in the second quarter of 2016 was largely driven by stimulus as the government and the central bank facilitate to shore up domestic consumption and external demand. The GDP results are the lowest in 25 years as the world's second-largest economy moves towards a more sustainable economic model based on domestic consumption instead of trade and investment.

(Source: Reuters, Bloomberg and RHB Research Institute Sdn Bhd)

## Local

- The Malaysian economy grew by 4.2% in the first quarter of 2016 as compared to 4.5% in the fourth quarter of 2015 and 4.7% in the third quarter of 2015. Underpinned by strong private consumption and investments, the Malaysian economy was resilient given the backdrop of global economic slowdown and moderating global trade.
- Malaysia's headline inflation in June 2016 declined to 1.6% from 3.1% in July 2015 due to lower energy prices and waning GST effects.
- Bank Negara's international reserve stood at USD 97.2 billion as at 31 May 2016 from USD 96.7 billion in July 2015 as to capital outflows stabilises. At these levels, the foreign exchange reserves are sufficient to finance 8.0 months of retained imports and cover 1.2 times the short term external debt of the nation.
- Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.25% at the Monetary Policy Committee (MPC) meeting on 19 May 2016.

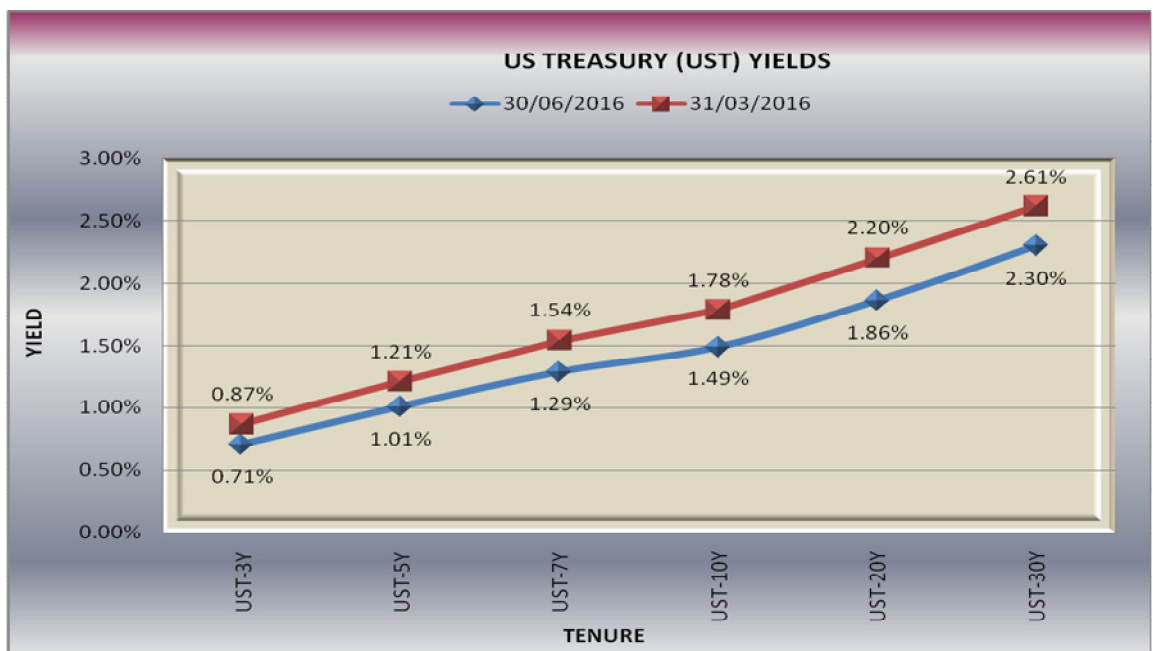
(Source: Bank Negara Malaysia, Bloomberg and RHB Research Institute Sdn. Bhd.)

## ii) Bond Market and Money Market Review

### Global

- US Treasury yields decreased across the yield curve during the period under review with 20-year bond yields decreasing by 34 basis points to 1.86% and the 30-year bond yields also decreasing by 31 basis points to 2.30%.

**Figure 1: US Treasury Yields**



Source: US Treasury Department, 30 June 2016

## Local

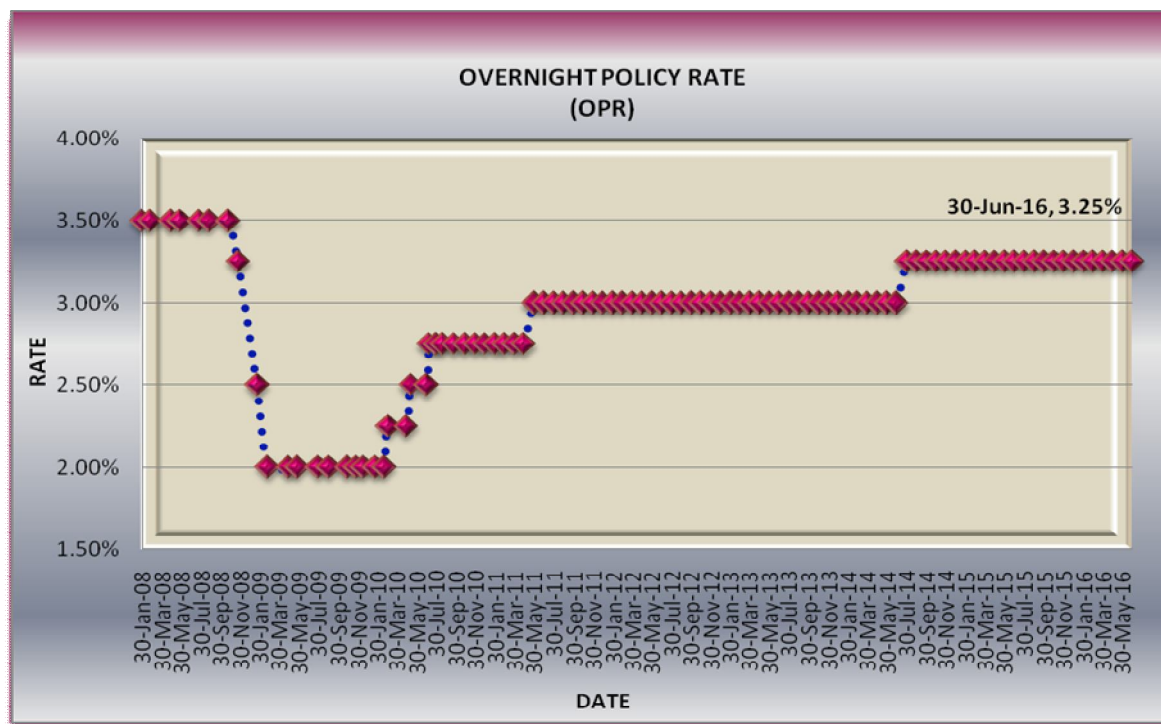
- The Malaysian Government Securities (MGS) and Government Investment Issue (GII) dominated the local bond market activities with traded volume of RM252.05 billion for the period under review.

**Table 1: Sukuk/ Islamic Bond Yields**

Tenure/ Date	30 June 2016 (%)	31 March 2016 (%)	Change* (bps)
<b>3 Year Bonds</b>			
GII	3.19	3.32	(13.8)
AAA Corporate	4.04	4.09	(5.0)
<b>5 Year Bonds</b>			
GII	3.57	3.61	(4.3)
AAA Corporate	4.17	4.24	(7.0)
<b>7 Year Bonds</b>			
GII	3.78	3.89	(10.8)
AAA Corporate	4.32	4.40	(8.0)
<b>10 Year Bonds</b>			
GII	3.94	4.02	(8.0)
AAA Corporate	4.52	4.56	(4.0)

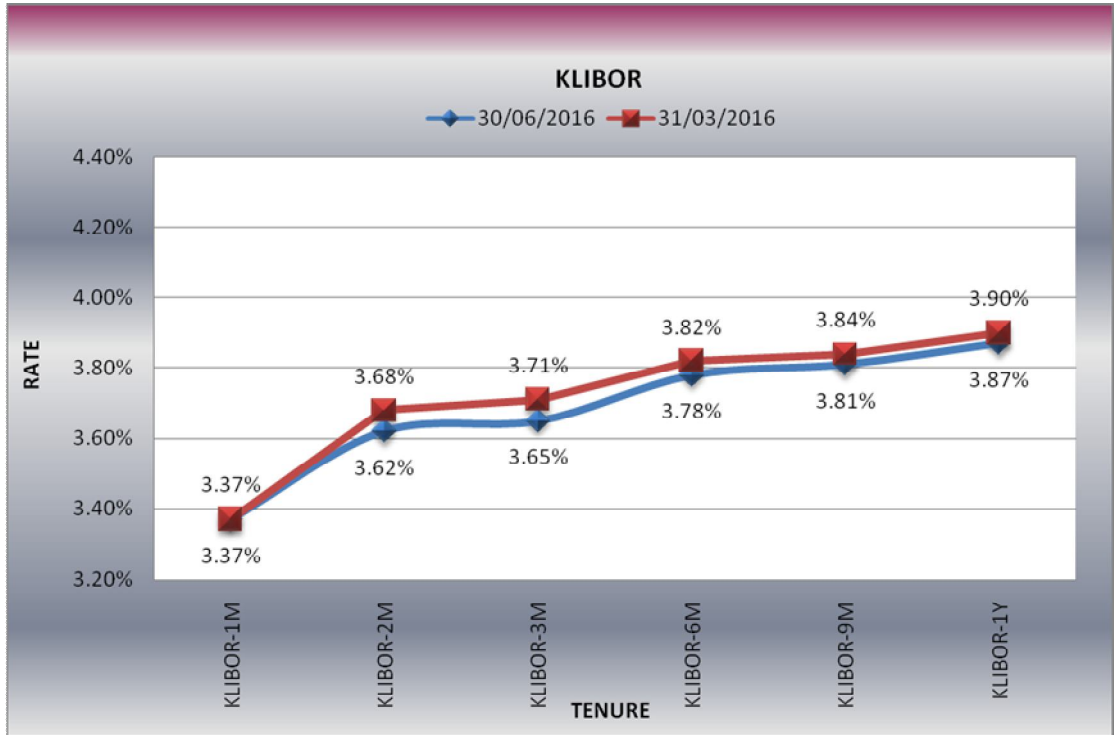
Source: Bond Pricing Agency Malaysia (BPAM), 30 June 2016

**Figure 2: Overnight Policy Rate (OPR)**



Source: Bank Negara Malaysia, 30 June 2016

Figure 3: KLIBOR



Source: Bank Negara Malaysia, 30 June 2016

# 5.0 MARKET OUTLOOK AND STRATEGY

- Global economy continues to expand in moderation, albeit in a challenging environment. Growth across economies has been uneven, while the US recovery path is on track, the Euro zone, Japan and China's growth remains weak. In Asia, growth is being sustained by the continued expansion of domestic demand and exports.
- For Malaysia, while domestic demand has continued to support growth, corporate earnings may contain downside risks due to subdued consumer sentiment and fragile global macroeconomics. Going forward, domestic demand will still remain the key driver of growth. While the moderating global growth and low oil prices will affect the overall growth prospect, the Malaysian economy is still projected to grow between 4.0% to 4.5%.
- Bank Negara Malaysia is expected to cut the Overnight Policy Rate in second half of 2016.
- Our Sukuk strategy is to invest in good quality Sukuk with minimum AA3/AA- rating by Rating Agency Malaysia (RAM)/Malaysian Rating Corporation Berhad (MARC) and attractive profit rate. Our money market strategy is to invest in money market investments to maximize return while providing liquidity for investors.

# 6.0 SHARIAH COMMITTEE'S REPORT

SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED TO 30 JUNE 2016

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ - انْزِلْنَا حَيْمًا

To the Unitholders of

**BIMB *i* CASH MANAGEMENT FUND 3**

We have acted as the Shariah Committee of BIMB *i* Cash Management Fund 3.

Our responsibilities are to ensure that the procedures and processes employed by BIMB Investment Management Berhad and that the provisions of the Deed dated 9 December 2015 are in accordance with Shariah principles.

In our opinion, BIMB Investment Management Berhad has managed and administrated BIMB *i* Cash Management Fund 3 in accordance with Shariah principles and complied with applicable guidelines, ruling or decision issued by the Securities Commission pertaining to Shariah matters for the financial period ended to 30 June 2016.

In addition, we also confirm that the investment portfolio of BIMB *i* Cash Management Fund 3 comprises deposits and money market instruments which are Shariah-compliant.

والله أعلم

For and on behalf of the Shariah Committee

.....  
**USTAZ DR. AHMAD SHAHBARI@SOBRI SALAMON**  
(Chairman)

.....  
**USTAZ DR. YUSOF RAMLI**  
(Committee Member)

.....  
**USTAZAH DR. ASMAK AB. RAHMAN**  
(Committee Member)

# 7.0 FINANCIAL STATEMENTS

## 7.1 Unaudited Statement of Financial Position as at 30 June 2016

	Note	30.6.2016 RM
<b>Investments</b>		
Short term investments	1	68,954,943
<b>Current assets</b>		
Other receivables		908,598
Cash and cash equivalents	2	250,991
<b>Total assets</b>		<b>70,114,532</b>
<b>Current liabilities</b>		
Other payables		20,967
Income distribution payables		93,565
<b>Total liabilities</b>		<b>114,532</b>
		<b>70,000,000</b>
<b>Unitholders' fund</b>		
Unitholders' capital	5	70,000,000
Retained profits		-
		<b>70,000,000</b>
<b>Number of units in circulation</b>	5	<b>70,000,000</b>
<b>Net asset value attributable to unitholders</b>		<b>70,000,000</b>
<b>Net asset value per unit - Ex distribution (sen)</b>		<b>100</b>

*The accompanying notes to the financial statements form an integral part of the unaudited financial statements.*

**7.2 Unaudited Statement of Profit or Loss and Other Comprehensive Income for the financial period from 1 April 2016 to 30 June 2016**

	Note	1.4.2016 to 30.6.2016 RM
<b>Income</b>		
Income from short term investments		809,468
Hibah from Al-Wadiah account		77
<b>Gross Income</b>		<u>809,545</u>
<b>Expenses</b>		
Manager's fee	3	36,070
Trustee's fee	4	4,809
Audit fee		2,743
Tax agent's fee		748
Administrative expenses		3,005
		<u>47,375</u>
<b>Net income before taxation</b>		<u>762,170</u>
Tax expense		-
<b>Net income after taxation</b>		<b>762,170</b>
<b>Other comprehensive income for the period</b>		-
<b>Total comprehensive income for the period</b>		<u>762,170</u>
Total comprehensive income for the period consist of:		
Realised income		<u>762,170</u>

*The accompanying notes to the financial statements form an integral part of the unaudited financial statements.*



**7.3 Unaudited Statement of Changes in Net Asset Value for the financial period from  
1 April 2016 to 30 June 2016**

	Note	Unitholders' capital RM	Retained profits RM	Total RM
<b>As at 31 March 2016/ 1 April 2016</b>				
At date of commencement		100,000,000	-	100,000,000
Movement in unitholders' contribution				
Creation of units		-	-	-
Cancellation of units		(30,000,000)	-	(30,000,000)
Income distributions	6	-	(762,170)	(762,170)
Total attributable to unitholders		(30,000,000)	(762,170)	(30,762,170)
Net income for the period		-	762,170	762,170
<b>As at 30 June 2016</b>		<b>70,000,000</b>	<b>-</b>	<b>70,000,000</b>

*The accompanying notes to the financial statements form an integral part of the unaudited financial statements.*

**7.4 Unaudited Statement of Cash Flows for the financial period from 1 April 2016 to 30 June 2016**

	<b>1.4.2016 to 30.6.2016 RM</b>
<b>Cash flows from operating activities</b>	
Maturity/(placement) of short term investments	30,079,717
Income from short term investments	668,147
Management fee paid	(37,720)
Trustee fee paid	(5,029)
Payments for other fees and expenses	(3,006)
<b>Net cash generated from operating activities</b>	<b>30,702,109</b>
	-----
<b>Cash flows from financing activities</b>	
Cash payment for cancellation of units	(30,000,000)
Income distribution paid	(1,007,147)
<b>Net cash used in financing activities</b>	<b>(31,007,147)</b>
	-----
Net decrease in cash and cash equivalents	(305,038)
Cash and cash equivalents at date of commencement	556,029
<b>Cash and cash equivalents at end of the financial period</b>	<b>250,991</b>
	=====
<b>Cash and cash equivalents comprise:</b>	
Cash at bank	<b>250,991</b>
	=====

*The accompanying notes to the financial statements form an integral part of the unaudited financial statements.*

## **BIMB i CASH MANAGEMENT FUND 3**

### **7.5 Notes to the Unaudited Financial Statements**

#### **1. Short term investments**

	<b>As at 30.6.2016 RM</b>
Short term investments with maturity more than 30 days:	
Commodity Murabahah	<u><b>68,954,943</b></u>

#### **2. Cash and cash equivalents**

	<b>As at 30.6.2016 RM</b>
Short term investments with maturity less than 30 days:	
Cash at bank*	<u><u><b>250,991</b></u></u>

\*Cash at bank is placed with Bank Islam Malaysia Berhad, the holding company of the Manager.

#### **3. Manager's fee**

The manager's fee payable to the Manager of the Fund is based on 0.15% per annum of the net asset value of the Fund calculated on a daily basis.

#### **4. Trustee's fee**

The trustee's fee payable to the trustee of the Fund is based on 0.02% per annum of the net asset value of the Fund calculated on a daily basis.

## 5. Unitholders' capital

	1.4.2016 to 30.6.2016	
	No. of units	RM
At beginning of the period	100,000,000	100,000,000
Cancellation during the period	<u>(30,000,000)</u>	<u>(30,000,000)</u>
<b>At end of period</b>	<b><u>70,000,000</u></b>	<b><u>70,000,000</u></b>

Based on historic information since date of commencement, redemption levels are expected to approximate RM30,000,000 and the average monthly level of redemption net of creation are expected to approximate RM10,000,000.

## 6. Income Distributions

	1.4.2016 to 30.6.2016 RM
Income distributions to unitholders are from the following sources:	
Income from short term investments	809,468
Hibah from Al-Wadiah account	<u>77</u>
	809,545
<i>Less:</i>	
Expenses	<u>(47,375)</u>
<b>Net income distribution</b>	<b><u>762,170</u></b>

## 7. Comparative figure

There are no comparative amounts presented as this is the Fund's first set of financial statements since its commencement date.

# 8.0 CORPORATE DIRECTORY

## **Manager**

**BIMB Investment Management Berhad (276246-X)**

## **Registered Office**

Level 32, Menara Bank Islam, No. 22, Jalan Perak, 50450, Kuala Lumpur

## **Business Office**

Level 19, Menara Bank Islam, No. 22, Jalan Perak, 50450, Kuala Lumpur

## **Board of Directors**

Khairul Kamarudin (Chairman – Non-Executive Non Independent Director)  
Dato' Ghazali Awang (Non-Executive Independent Director)  
Datuk Noripah binti Kamso (Non-Executive Independent Director)  
Dr. Mohd Hatta bin Dagap (Non-Executive Independent Director)  
Malkiat Singh @ Malkit Singh Maan (Non-Executive Non Independent Director)  
Najmuddin bin Mohd Lutfi (Chief Executive Officer)

## **Shariah Committee**

Ustaz Dr. Ahmad Shahbari @ Sobri Salamon  
Ustaz Dr. Yusof Ramli  
Ustazah Dr. Asmak Ab. Rahman

## **Investment Committee**

Khairul Muzamel Perera Abdullah (Chairman - Non Independent Member)  
Datuk Noripah binti Kamso (Independent Member)  
Darawati Hussain (Independent Member)

## **Audit Committee**

Dato' Ghazali Awang (Chairman - Independent Member)  
Dr. Mohd Hatta bin Dagap (Independent Member)  
Malkiat Singh @ Malkit Singh Maan (Non-Executive Non Independent Director)

## **Company Secretaries**

Aidil Haznul Zulkifli (MACS 01638)  
Level 32, Menara Bank Islam,  
No.22 Jalan Perak,  
50450 Kuala Lumpur

Norhidayati Mohamat Salim (MIA 27364)  
Level 32, Menara Bank Islam,  
No. 22 Jalan Perak  
50450 Kuala Lumpur.

## **Principal Banker**

Bank Islam Malaysia Berhad  
Ground Floor, Menara Bank Islam,  
No.22, Jalan Perak,  
50350 Kuala Lumpur

## **Key Management**

Najmuddin bin Mohd Lutfi (Chief Executive Officer)  
Badrol bin Ahmad Fathan (Head of Investment)  
Azman bin Ali (Head of Compliance)  
Noor Rose Mona binti Aziz (Head of Finance and Operations)

## **Trustee**

AmanahRaya Trustees Berhad (766894-T)  
Level 2, Wisma TAS, No. 21,  
Jalan Melaka, 50100 Kuala Lumpur  
Tel: 03-20365000 Fax: 03-20722290

## **Federation of Investment Managers Malaysia (FIMM)**

19-06-1, 6<sup>th</sup> Floor, Wisma Tune  
No.19, Lorong Dungun, Damansara Heights  
50490 Kuala Lumpur

## **Distributor**

Bank Islam Malaysia Berhad Branches

**Toll Free Number: 1-800-88-1196**