

BIMB *i*CASH MANAGEMENT FUND 3

**SECOND QUARTER REPORT
FOR THE FINANCIAL PERIOD FROM
1 APRIL 2017 TO 30 JUNE 2017**



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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 2017 to 30 June 2017.

3.1 Fund Performance Review

	As at 30 June 2017
Net Asset Value (RM)	299,838,896
Units In Circulation	299,838,896
Net Asset Value Per Unit (RM) ^(a)	1.0000
Highest Net Asset Value Per Unit (RM) ^(b)	1.0000
Lowest Net Asset Value Per Unit (RM) ^(b)	1.0000
Annualised Return (%) ^(c)	1.85%
Benchmark Returns (%) ^(d)	2.30%

(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 2017 to 30 June 2017.

(d) After tax annualised benchmark return for the financial period from 1 April 2017 to 30 June 2017

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

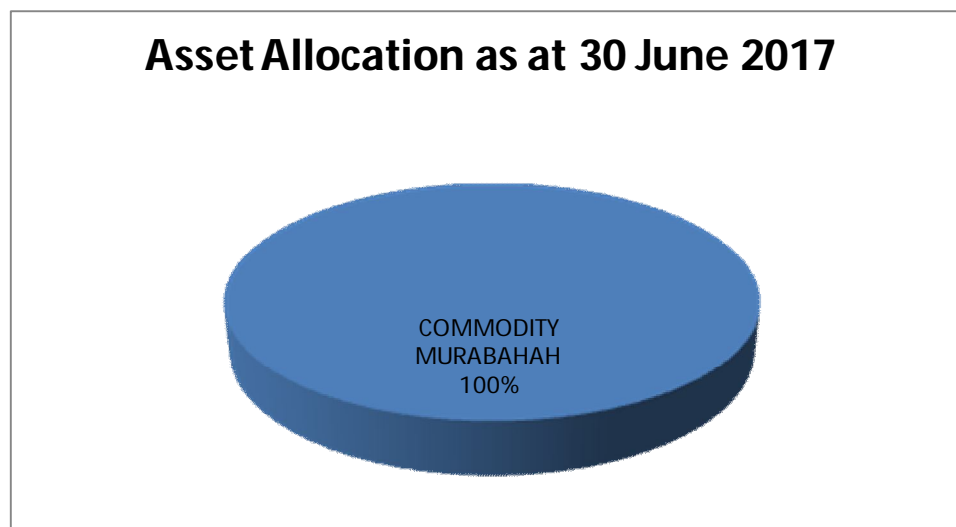
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 1.85%, outperformed its benchmark by 0.45% (based on the annualised return). The Fund's return of 1.85% 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 RM1,320,767. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 June 2017, the NAV of the Fund was at RM299,838,896 and the total units in circulation of the Fund stood at 299,838,896 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 2017.

Calculation of Annualised Returns:-

$$\begin{aligned} \text{Annualised Returns} &= (1 + x\%)^4 \\ x &= 3 \text{ months return} \end{aligned}$$

3.2 Asset Allocation



ASSET ALLOCATION	30 June 2017 (%)
Money Market (Commodity Murabahah)	100.0
Total	100.0

As at 30 June 2017, the Fund was fully invested in Commodity Murabahah.

3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 April 2017 – 30 June 2017			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
30 April 2017	0.10	0.07	148,642
31 May 2017	0.25	0.19	570,681
30 June 2017	0.27	0.20	601,444
Total	0.62	0.46	1,320,767

3.4 Impact on NAV arising from Income Distribution

As at 30 June 2017	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	299,237,452	299,838,896
Units In Circulation	299,237,452	299,838,896

3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 June 2017 (%)
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	299,838,896.47	100.00
Total	1	299,838,896.47	100.00

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 1.4% in the first quarter of 2017 as compared to 2.1% growth in the fourth quarter of 2016 and 3.5% in the third quarter of 2016. Economic growth for the quarter was constrained by weaker business investment, lower manufacturing production and stagnating inflation rate notwithstanding higher consumer spending and gains in exports.
- US headline inflation rate increased to 1.9% in May 2017 from 0.8% in July 2016 as higher consumer spending and energy prices lifts the broad base price index for the period.
- US unemployment rate fell to 4.4% in June 2017 from 4.9% in July 2016, as more Americans entered the labor market in line with the robust hiring of the US economic recovery.
- The Euro zone economy grew by 0.6% in the first quarter of 2017 as compared to 0.5% growth in the fourth quarter of 2016 and 0.4% in the third quarter of 2016. Growth for the period was driven by stronger domestic demand coupled with an improving labor market in addition to ECB's expansionary policy to support Euro zone's economic activity.
- Euro zone's annual inflation rate increased to 1.3% in June 2017 from 0.2% in July 2016 as a result of higher prices for services, robust consumer consumption, and increased household borrowing during the period.
- The Euro zone unemployment rate fell to 9.3% in May 2017 from 10.0% in July 2016 exhibiting the lowest unemployment rate since May 2009.
- China's GDP growth was 6.9% in the first quarter of 2017 compared to 6.8% GDP in fourth quarter 2016 supported by the government's infrastructure spending and rebound in housing market activities.

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

Local

- Malaysia's real GDP growth was 5.6% in the first quarter of 2017, underpinned by the growth in the manufacturing and services sector compared to 4.5% achieved in the fourth quarter of 2016.
- Malaysia's inflation rate rose to 3.9% in May 2017 from 1.1% in July 2016 as a result of price hike for retail fuel during the period that continued to push transport and related cost higher for the local economy.
- Bank Negara's international reserve stood at USD 98.7 billion as at 30 June 2017 from USD 97.3 billion in July 2016 as capital outflows reverse during the period. At these levels, the foreign exchange reserves are sufficient to finance 8.2 months of retained imports and cover 1.1 times the short term external debt of the nation.
- Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00% at the Monetary Policy Committee (MPC) meeting on 12 May 2017.

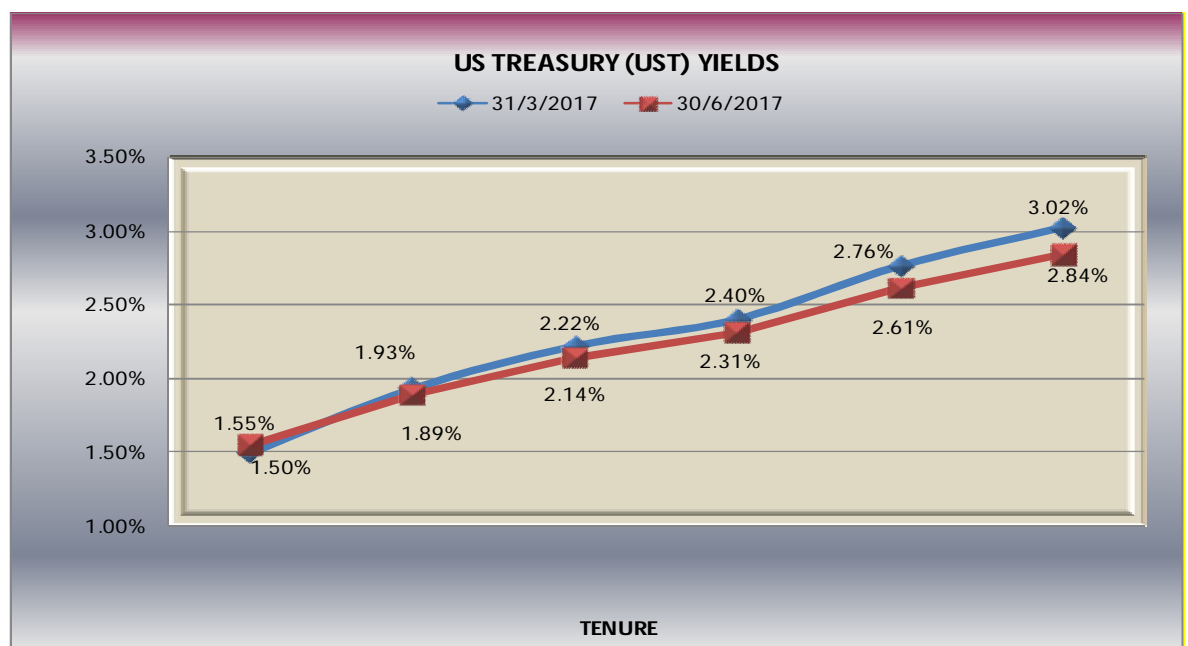
(Source: Bank Negara Malaysia, Bloomberg and RHB Research Institute Sdn. Bhd.)

ii) Bond Market and Money Market Review

Global

- During period under review, UST stood on stronger footing supported by poorer-than-expected Non-Farm Payroll (NFP) print for the month of May 2017, alongside existing safe haven flows ahead of risk events including ECB meeting, UK election and former FBI chief Comey's testimony. The Federal Reserve then hiked its policy rate by 25bps to a range 1.00-1.25%, as expected. But UST firmed as Federal Reserve hinted it remains on moderate tightening pace.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 June 2017

Local

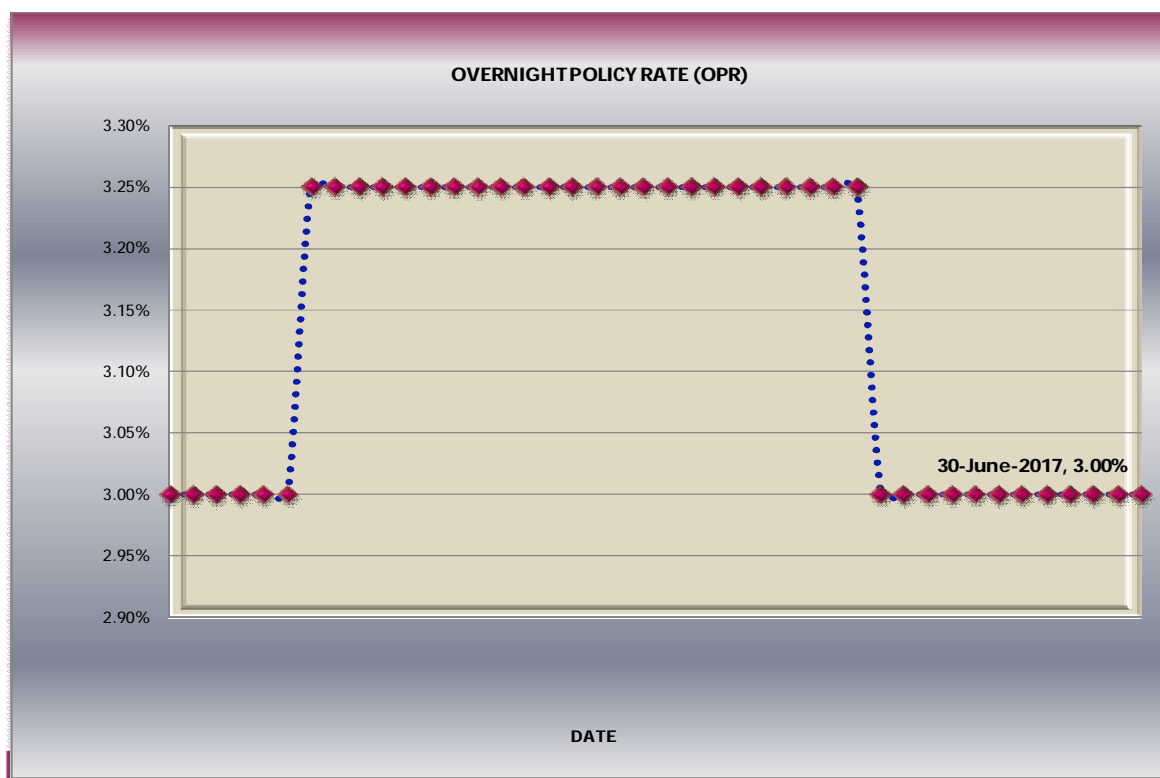
- Ringgit sovereign bond yields were stuck at lower ranges as it tracked the firm UST early June 2017. However, profit taking pressure emerged later in June before the end of second quarter 2017, amid thin trading flows heading towards the public holidays.

Table 1: Sukuk/ Islamic Bond Yields

Tenure/ Date	30 June 2017 (%)	31 March 2017 (%)	Change (bps)
3 Year Bonds			
GII	3.63	3.75	(12.0)
AAA Corporate	4.19	4.19	0.0
5 Year Bonds			
GII	3.84	3.97	(13.0)
AAA Corporate	4.28	4.32	(4.0)
7 Year Bonds			
GII	3.93	4.10	(17.0)
AAA Corporate	4.42	4.46	(4.0)
10 Year Bonds			
GII	4.10	4.13	(3.0)
AAA Corporate	4.63	4.66	(3.0)

Source: Bond Pricing Agency Malaysia (BPAM), 30 June 2017

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 June 2017

5.0 MARKET OUTLOOK AND STRATEGY

- Looking forward, changes in OPR will depend on economic data on growth and inflation. The money market deposit rates are expected to remain stable at current levels over the medium-term.
- The strategy is to invest in money market investments to maximise profit rate by extending the tenure of investment while providing liquidity and regular income for investors.

6.0 FINANCIAL STATEMENTS

6.1 Unaudited Statement of Financial Position as at 30 June 2017

	Note	30.6.2017 (unaudited) RM	31.12.2016 (audited) RM
Assets			
Cash and cash equivalents	1	300,014,504	15,143
Other receivables		61,370	-
Total assets		<u>300,075,874</u>	<u>15,143</u>
Liabilities			
Amount due to Manager		-	220
Tax payable		216,554	-
Other payables		20,424	13,923
Total liabilities		<u>236,978</u>	<u>14,143</u>
Net asset value		<u>299,838,896</u>	<u>1,000</u>
Unitholders' fund			
Unitholders' capital	4	<u>299,838,896</u>	<u>1,000</u>
Net asset value attributable to unitholders		<u>299,838,896</u>	<u>1,000</u>
Number of units in circulation	4	<u>299,838,896</u>	<u>1,000</u>
Net asset value per unit			
- Ex distribution (sen)		<u>100</u>	<u>100</u>

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

6.2 Unaudited Statement of Profit or Loss and Other Comprehensive Income for the financial period from 1 April 2017 to 30 June 2017

	Note	1.4.2017 to 30.6.2017 RM	1.4.2016 to 30.6.2016 RM
Income			
Income from short term investments		1,755,489	809,468
Hibah from Al-Wadiah account		13	77
Gross income		<u>1,755,502</u>	<u>809,545</u>
Expenses			
Manager's fee	2	10,628	36,070
Trustee's fee	3	2,657	4,809
Audit fee		-	2,743
Tax agent's fee		-	748
Administrative expenses		798	3,005
		<u>14,083</u>	<u>47,375</u>
Net income before taxation		1,741,419	762,170
Tax expense		<u>420,652</u>	-
Net income after taxation		1,320,767	762,170
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>1,320,767</u>	<u>762,170</u>
Total comprehensive income for the period consist of:			
Realised income		<u>1,320,767</u>	<u>762,170</u>

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

6.3 Unaudited Statement of Changes in Net Asset Value for the financial period from 1 April 2017 to 30 June 2017

	Note	Unitholders' capital RM	Retained profits RM	Total RM
As at 31 March 2016/ 1 April 2016		100,000,000	-	100,000,000
Movement in unitholders' contribution or distribution				
Creation of units via cash		-	-	-
Cancellation of units		(30,000,000)	-	(30,000,000)
Distributions	5	-	(762,170)	(762,170)
Total attributable to unitholders		(30,000,000)	(762,170)	(30,762,170)
Total comprehensive income for the period		-	762,170	762,170
As at 30 June 2016		<u>70,000,000</u>	<u>-</u>	<u>70,000,000</u>
As at 31 March 2017/ 1 April 2017		1,000	-	1,000
Movement in unitholders' contribution				
Creation of units via cash		300,000,000	-	300,000,000
Reinvestment of distribution		1,320,767	-	1,320,767
Cancellation of units		(1,482,871)	-	(1,482,871)
Distributions	5	-	(1,320,767)	(1,320,767)
Total attributable to unitholders		299,837,896	(1,320,767)	298,517,129
Total comprehensive income for the period		-	1,320,767	1,320,767
As at 30 June 2017		<u>299,838,896</u>	<u>-</u>	<u>299,838,896</u>

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

6.4 Unaudited Statement of Cash Flows for the financial period from 1 April 2017 to 30 June 2017

	1.4.2017 to 30.6.2017 RM	1.4.2016 to 30.6.2016 RM
Cash flows from operating activities		
Maturity/(placement) of short term investment	-	30,079,717
Income from short term investments	1,694,119	668,070
Hibah from Al-Wadiah account	13	77
Management fee paid	(5,907)	(37,720)
Trustee fee paid	(1,453)	(5,029)
Tax paid	(204,098)	-
Payment for other administrative	(442)	(3,006)
Net cash generated from operating activities	<u>1,482,232</u>	<u>30,702,109</u>
Cash flows from financing activities		
Cash receipt for creation of units	300,000,000	-
Cash payment for cancellation of units	(1,482,871)	(30,000,000)
Distribution paid	-	(1,007,147)
Net cash generated from/ (used in) financing activities	<u>298,517,129</u>	<u>(31,007,147)</u>
Net increase/ (decrease) in cash and cash equivalents	299,999,361	(305,038)
Cash and cash equivalents at beginning of the financial period	<u>15,143</u>	<u>556,029</u>
Cash and cash equivalents at end of the financial period	<u><u>300,014,504</u></u>	<u><u>250,991</u></u>
Cash and cash equivalents comprise:		
Short term placements	300,000,000	-
Cash at bank	14,504	250,991
	<u>300,014,504</u>	<u>250,991</u>

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

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6.5 Unaudited Notes to the Financial Statements

1. Cash and cash equivalents

	As at 30.6.2017 RM	As at 31.12.2016 RM
Short term investments with maturity less than 30 days:		
Commodity Murabahah	300,000,000	-
	<u>300,000,000</u>	<u>-</u>
Cash at bank*	14,504	15,143
	<u>300,014,504</u>	<u>15,143</u>

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

2. Manager's fee

The manager's fee payable to the Manager of the Fund is based on 0.02% (30.6.2016: 0.15%) per annum of the net asset value of the Fund calculated on a daily basis.

3. Trustee's fee

The trustee's fee payable to the trustee of the Fund is based on 0.01% (30.6.2016: 0.02%) per annum of the net asset value of the Fund calculated on a daily basis.

4. Unitholders' capital

	1.4.2017 to 30.6.2017		14.12.2015 to 31.12.2016	
	No. of units	RM	No. of units	RM
At beginning of the period/commencement	1,000	1,000	-	-
Creation during the period/year	301,320,767	301,320,767	115,055,219	115,055,219
Cancellation during the period/year	(1,482,871)	(1,482,871)	(115,054,219)	(115,054,219)
At end of period/ year	299,838,896	299,838,896	1,000	1,000

5. Distributions

	1.4.2017 to 30.6.2017 RM	1.4.2016 to 30.6.2016 RM
Distribution to unitholders is from the following sources:		
Income from short term investments	1,755,489	809,468
Hibah from Al-Wadiah account	13	77
	<u>1,755,502</u>	<u>809,545</u>
Less:		
Expenses	(14,083)	(47,375)
Taxation	(420,652)	-
Net distribution	<u><u>1,320,767</u></u>	<u><u>762,170</u></u>

7.0 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)
Noor Rose Mona binti Aziz (Head of Finance and Operations)

Trustee

AmanahRaya Trustees Berhad (766894-T)
Level 3, Wisma Amanahraya II,
No. 21, Jalan Melaka,
50100 Kuala Lumpur
Tel: 03-20365000 Fax: 03-20722290

Federation of Investment Managers Malaysia (FIMM)

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50490 Kuala Lumpur

Distributor

Bank Islam Malaysia Berhad Branches

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