

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

**THIRD QUARTER REPORT  
FOR THE FINANCIAL PERIOD FROM  
1 JULY 2016 TO 30 SEPTEMBER 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 July 2016 to 30 September 2016.

## 3.1 Fund Performance Review

	As at 30 September 2016
Net Asset Value (RM)	5,027,538
Units In Circulation	5,027,538
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>	3.44
Benchmark Returns (%) <sup>(d)</sup>	2.27

(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 July 2016 to 30 September 2016.

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

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

(Source: Bank Islam's website)

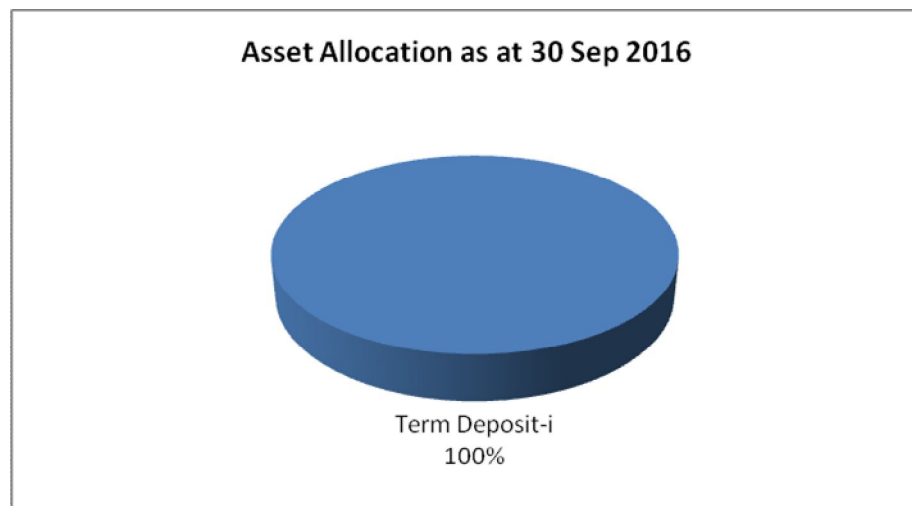
For the period under review, the Fund registered a return of 3.44%, outperformed its benchmark by 1.17% (based on the annualised return). The Fund's return of 3.44% was entirely income distribution which is in line with the Fund's objective in providing the investors a regular stream of income. The Fund paid out its income distribution amounting RM443,305. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 September 2016, the NAV of the Fund was at RM5,027,538 and the total units in circulation of the Fund stood at 5,027,538 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 September 2016.

Calculation of Annualised Returns:-

Annualised Returns =  $(1 + x\%)^4$

x = 3 months return

## 3.2 Asset Allocation



<b>ASSET ALLOCATION</b>	<b>30 September 2016 (%)</b>
Money Market (Term Deposit)	100.0
<b>Total</b>	<b>100.0</b>

As at 30 September 2016, the Fund was fully invested in Term Deposit.

### 3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 July 2016 – 30 September 2016			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
31 July 2016	0.30	0.30	212,767
31 August 2016	0.29	0.29	217,500
30 September 2016	0.26	0.26	13,038
<b>Total</b>	<b>0.85</b>	<b>0.85</b>	<b>443,305</b>

### 3.4 Impact on NAV arising from Income Distribution

As at 30 September 2016	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	5,027,538	5,027,538
Units In Circulation	5,027,538	5,027,538

### 3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 September 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	5,027,537.70	100.00
<b>Total</b>	<b>1</b>	<b>5,027,537.70</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 second quarter of 2016 as compared to 0.8% growth in the first quarter of 2016 and 1.4% in the fourth quarter of 2015. In the second quarter of 2016, the contribution of the personal consumption expenditures (PCE) and exports supported the movement of the GDP. However, private inventory investment, state and local government spending, residential fixed investment, and non residential fixed investment showed a slowdown in the second quarter.
- US Consumer Prices Index (CPI) rose 1.5% in September of 2016, higher than 1.1% increase in April 2016. It is the highest inflation rate in six months, boosted by rising home price and medical cost.
- US unemployment rate increased to 5.0% in September 2016 and remained unchanged compared to April 2016, as the number of unemployed persons remains stable while labor participation rate increased by 0.1% point to 62.9%.
- The Euro zone economy grew by 0.3% in the second quarter of 2016 as compared to 0.6% in the first quarter 2016 and 0.3% in the fourth quarter of 2015. The weaker second quarter results were driven by lower household consumption that produced 0.2% output during the quarter.
- Euro zone's annual inflation was up by 0.4% in September 2016 and was higher than -0.2% rate posted in April 2016 led by higher energy cost and a stable economic condition despite a surprise Brexit vote outcome.
- The unemployment rate in the Euro zone came in at 10.1% in July 2016, unchanged from the April 2016 rate, however lower from 10.8% a year earlier. The unemployment data was above market expectations and remained at its lowest level since July 2011.
- The Chinese economy maintained a growth rate of 6.7% for the second quarter of 2016, maintaining comparable economic growth rate to the first quarter of 2016 as the country continues to face overcapacity problems from its manufacturing sector and slowing consumer spending sentiment in China.

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

## Local

- The Malaysian economy moderated at 4.0 % in the second quarter of 2016 as a surge in private investment coupled with improvement in government spending were unable to compensate the decline in net exports. The 2016 second quarter's growth was the 5th straight quarter of decelerating growth as global commodity price slump continues to weigh on domestic growth.
- Malaysia's headline inflation in September 2016 decreased to 1.5% from 2.1% in April 2016 due to a slowdown in domestic consumer spending.
- In view of the slowing GDP growth and weak inflation numbers, Bank Negara Malaysia's Monetary Policy Committee (MPC) had decided to reduce the Overnight Policy Rate (OPR) to 3.00% in its July meeting as a precautionary measure to cushion the economic slowdown faced by the country in 2016.
- Bank Negara's international reserve stood at USD97.7 billion as at 30 September 2016 from US\$97.0 billion in April 2016 with slight improvement of capital inflow from foreign investors into Malaysia.

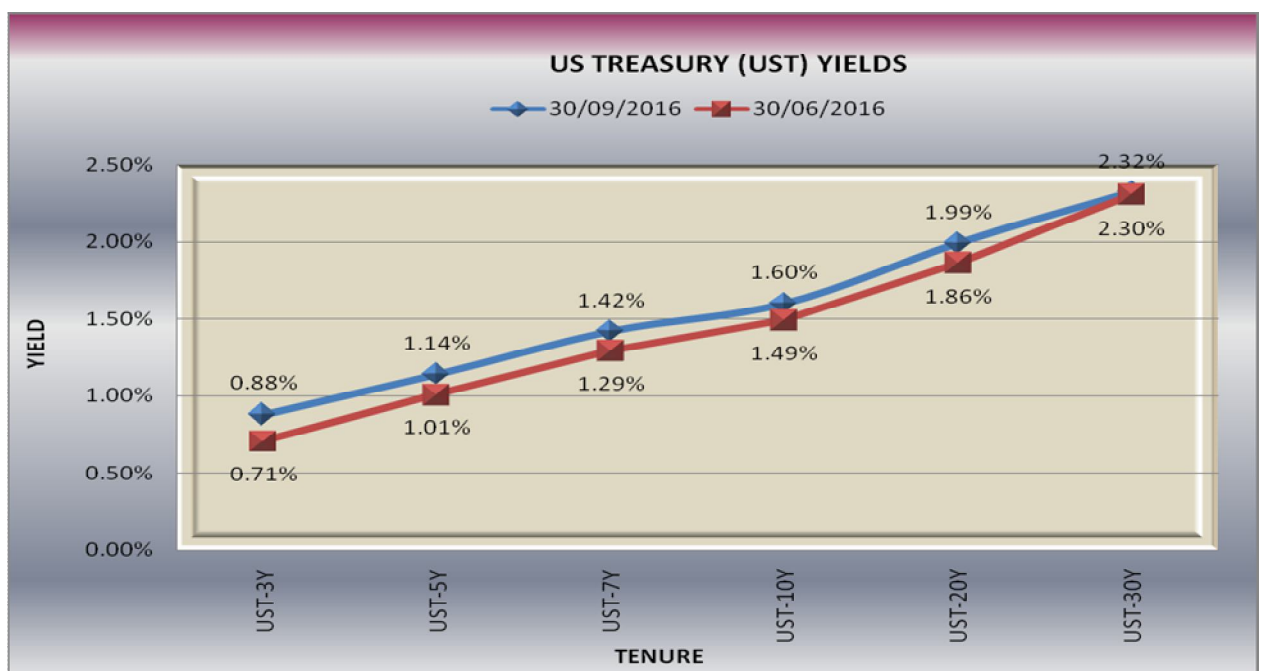
(Source: Bloomberg, Bank Negara Malaysia and RHB Research Institute Sdn Bhd)

## ii) Bond Market and Money Market Review

### Global

- US Treasury yields increased across the yield curve during the period under review with the 3-year bond yields increasing by 17 basis points to 0.88% and the 5, 7 and 20-year bond yields also increasing by 13 basis points to 1.14%, 1.42% and 1.99% respectively.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 September 2016

## Local

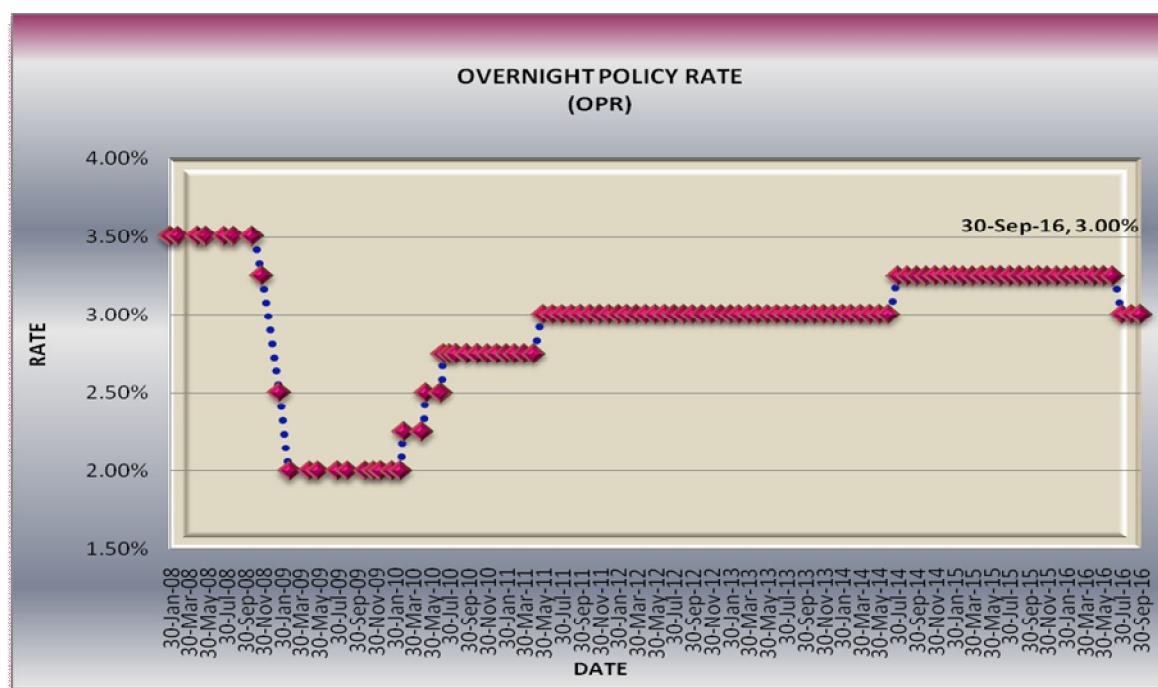
- The Malaysian Government Securities (MGS) and Government Investment Issue (GII) dominated the local bond market activities with traded volume of RM225.52 billion for the period under review. Both government and corporate bond yields declined over the period under review after the BNM decided to reduce the OPR by 25 basis points to 3.00% in July.

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

Tenure/ Date	30 September 2016 (%)	30 June 2016 (%)	Change* (bps)
<b>3 Year Bonds</b>			
GII	2.92	3.19	(26.5)
AAA Corporate	3.87	4.04	(17.0)
<b>5 Year Bonds</b>			
GII	3.30	3.57	(26.7)
AAA Corporate	4.04	4.17	(13.0)
<b>7 Year Bonds</b>			
GII	3.55	3.78	(22.5)
AAA Corporate	4.16	4.32	(16.0)
<b>10 Year Bonds</b>			
GII	3.61	3.94	(32.2)
AAA Corporate	4.30	4.52	(22.0)

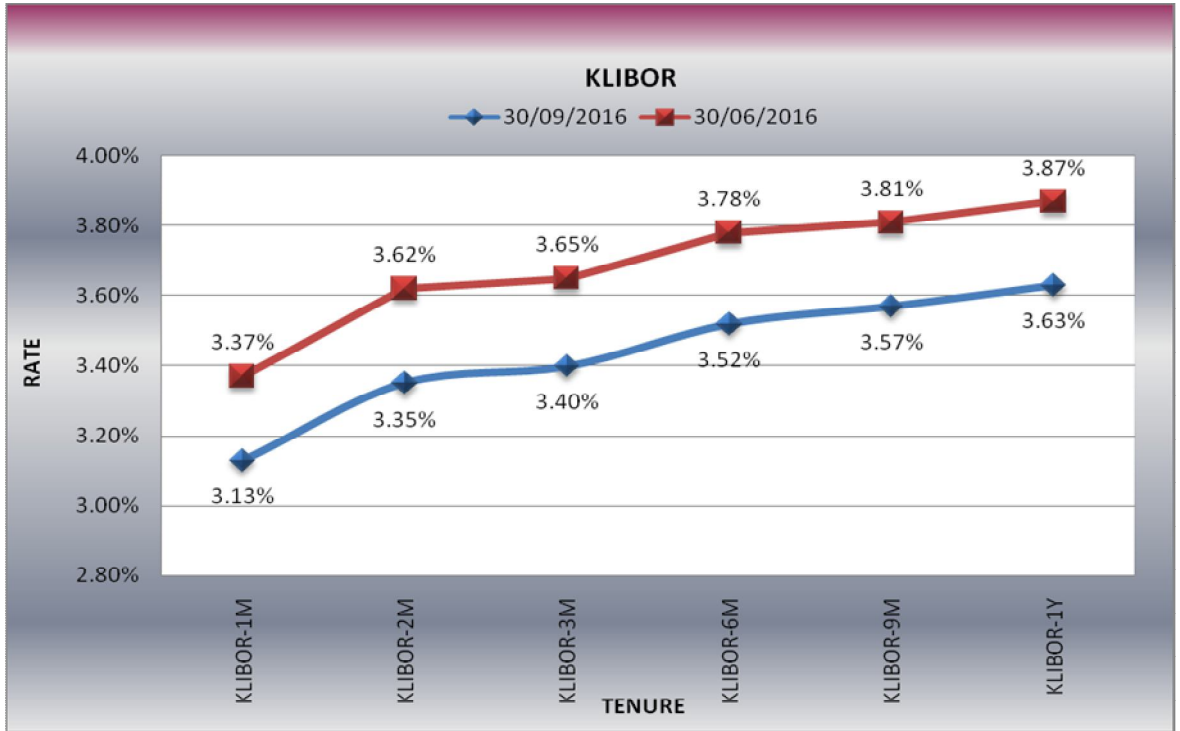
Source: Bond Pricing Agency Malaysia (BPAM), 30 September 2016

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



Source: Bank Negara Malaysia, 30 September 2016

Figure 3: KLIBOR



Source: Bank Negara Malaysia, 30 September 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 5.0%.
- Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 3.00% at the Monetary Policy Committee (MPC) meeting on 13 July 2016. The MPC statement stated that weakness in the external sector has weighed on growth, although domestic demand remains supportive. BNM stated that the adjustment to the OPR is intended for the degree of monetary accommodativeness to remain consistent with the policy stance to ensure the domestic economy continues on a steady growth path.
- 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

THIRD QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED TO 30 SEPTEMBER 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 September 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 September 2016

	Note	30.9.2016 RM
<b>Assets</b>		
Short term investments	1	5,000,000
Other receivables		24,781
Cash and cash equivalents	2	24,583
<b>Total assets</b>		<b>5,049,364</b>
<b>Liabilities</b>		
Other payables		21,519
Income distribution payables		307
<b>Total liabilities</b>		<b>21,826</b>
		<b>5,027,538</b>
<b>Unitholders' fund</b>		
Unitholders' capital	5	5,027,538
Retained profits		-
		<b>5,027,538</b>
<b>Number of units in circulation</b>	5	<b>5,027,538</b>
<b>Net asset value attributable to unitholders</b>		<b>5,027,538</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 July 2016 to 30 September 2016**

	Note	1.7.2016 to 30.9.2016 RM
<b>Income</b>		
Income from short term investments		297,214
Income from premature withdrawal		181,615
Hibah from Al-Wadiah account		312
<b>Gross Income</b>		<u><b>479,141</b></u>
<b>Expenses</b>		
Manager's fee	3	26,624
Trustee's fee	4	3,550
Audit fee		2,773
Tax agent's fee		756
Administrative expenses		1,827
		<u><b>35,530</b></u>
<b>Net income before taxation</b>		
		<b>443,661</b>
Tax expense		-
<b>Net income after taxation</b>		
		<b>443,611</b>
<b>Other comprehensive income for the period</b>		
		-
<b>Total comprehensive income for the period</b>		
		<u><u><b>443,611</b></u></u>
Total comprehensive income for the period consist of:		
Realised income		<u><u>443,611</u></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 July 2016 to 30 September 2016**

	Note	Unitholders' capital RM	Retained profits RM	Total RM
<b>As at 30 June 2016/ 1 July 2016</b>		70,000,000	-	70,000,000
Movement in unitholders' contribution				
Creation of units		5,027,538	-	5,027,538
Cancellation of units		(70,000,000)	-	(70,000,000)
Income distributions	6		(443,611)	(443,611)
Total attributable to unitholders		(64,972,462)	(443,611)	(65,416,073)
Net income for the period		-	443,611	443,611
<b>As at 30 September 2016</b>		<u>5,027,538</u>	<u>-</u>	<u>5,027,538</u>

*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 July 2016 to 30 September 2016**

	<b>1.7.2016 to 30.9.2016 RM</b>
<b>Cash flows from operating activities</b>	
Maturity/(placement) of short term investments	63,954,943
Income from short term investments	1,181,343
Management fee paid	(29,102)
Trustee fee paid	(3,880)
Payments for other fees and expenses	(1,995)
	<hr/>
<b>Net cash generated from operating activities</b>	<b>65,101,309</b>
	-----
<b>Cash flows from financing activities</b>	
Income from premature withdrawal	181,615
Cash receipt for creation of units	5,000,000
Cash payment for cancellation of units	(70,000,000)
Income Distribution paid	(509,332)
	<hr/>
<b>Net cash used in financing activities</b>	<b>(65,327,717)</b>
	-----
Net decrease in cash and cash equivalents	(226,408)
Cash and cash equivalents at the beginning of the financial period	250,991
	<hr/>
<b>Cash and cash equivalents at end of the financial period</b>	<b>24,583</b>
	<hr/>
<b>Cash and cash equivalents comprise:</b>	
Cash at bank	<b>24,583</b>
	<hr/>

*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 30.9.2016 RM</b>
Short term investments with maturity more than 30 days:	
Term-Deposits- <i>i</i> Tawarruq*	<u><u>5,000,000</u></u>

\* Term Deposits *i* Tawarruq is placed with Bank Islam Malaysia Berhad, the holding company of the Manager.

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

	<b>As at 30.9.2016 RM</b>
Short term investments with maturity less than 30 days:	
Cash at bank*	<u><u>24,583</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

	1.7.2016 to 30.9.2016	
	No. of units	RM
At beginning of the period	70,000,000	70,000,000
Creation during the period	5,027,538	5,027,538
Cancellation during the period	<u>(70,000,000)</u>	<u>(70,000,000)</u>
<b>As at 30 September 2016</b>	<b><u>5,027,538</u></b>	<b><u>5,027,538</u></b>

Based on historical information since date of commencement, redemption levels are expected to approximate RM70,000,000 and the average monthly level of redemption net of creation are expected to approximate RM21,660,000.

## 6. Income Distributions

	1.7.2016 to 30.9.2016 RM
Income distributions to unitholders are from the following sources:	
Income from short term investments	297,214
Income from premature withdrawal	181,615
Hibah from Al-Wadiah account	<u>312</u>
	479,141
<i>Less:</i>	
Expenses	<u>(35,530)</u>
<b>Net income distribution</b>	<b><u>443,611</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 AmanahRaya II , 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**