

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

**QUARTERLY REPORT FOR THE PERIOD FROM  
1 APRIL 2018 TO 30 JUNE 2018**

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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 2018 to 30 June 2018.

## 3.1 Fund Performance Review

	As at 30 June 2018
Net Asset Value (RM)	1,000,373,974
Units In Circulation	1,000,373,974
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>	1.12
Benchmark Returns (%) <sup>(d)</sup>	2.49

(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 2018 to 30 June 2018

(d) After tax annualised benchmark return for the financial period from 1 April 2018 to 30 June 2018

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

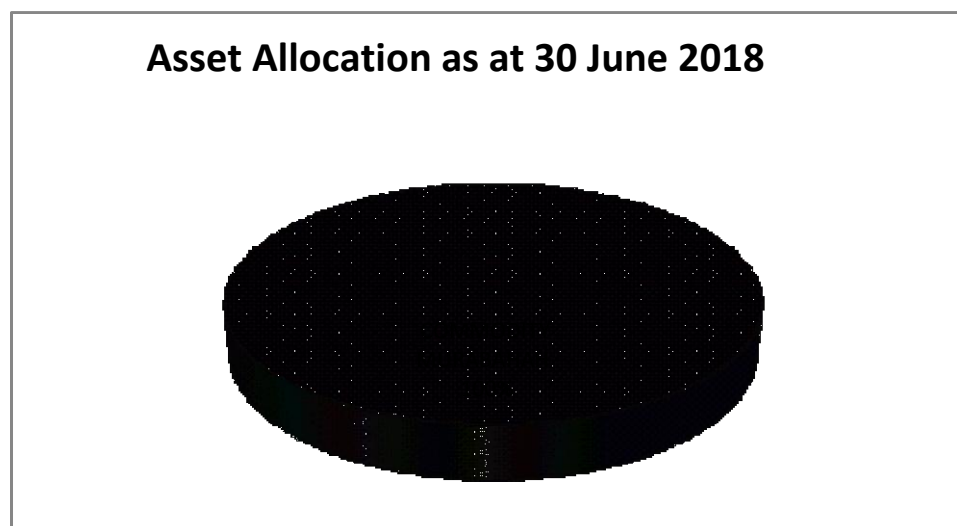
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 1.12%, underperformed its benchmark by 1.27% (based on the annualised return). The Fund's return of 1.12% 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 RM373,974.03. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 June 2018, the NAV of the Fund was at RM1,000,373,974 and the total units in circulation of the Fund stood at 1,000,373,974 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 2018.

Calculation of Annualised Returns:-

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

## 3.2 Asset Allocation



<b>ASSET ALLOCATION</b>	<b>30 June 2018 (%)</b>
Money Market (Commodity Murabahah)	100.0
<b>Total</b>	<b>100.0</b>

As at 30 June 2018, the Fund has fully invested in Commodity Murabahah.

### 3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 April 2018 – 30 June 2018			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
30 April 2018	-	-	-
31 May 2018	-	-	-
30 June 2018	0.05	0.04	373,974
<b>Total</b>	<b>0.05</b>	<b>0.04</b>	<b>373,974</b>

### 3.4 Impact on NAV arising from Income Distribution

As at 30 June 2018	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	1,000,747,948	1,000,373,974
Units In Circulation	1,000,747,948	1,000,373,974

### 3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 June 2018 (%)
Below 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	1	1,000,000,000	100.00
<b>Total</b>	<b>1</b>	<b>1,000,000,000</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

- US Gross Domestic Product (GDP) growth increased to 4.1% in the second quarter of 2018 as compared to 2.2% in the first quarter of 2018 and 2.9% in the fourth quarter of 2017. Strong consumer and business spending as well as a surge in exports ahead of US retaliatory tariffs on China's goods, helped drive the economic growth. The US inflation rate rose to 2.9% in June 2018 as compared to 1.6% in June 2017. US unemployment rate continues to improve to 4.0% in June 2018 as compared to 4.3% in June 2017.
- The Euro zone economy grew by 0.3% for the second quarter 2018 as compared to 0.4% in the first quarter of 2018 and 0.6% in the fourth quarter of 2017. During the period, global trade uncertainty has significantly affected the Euro zone's economic performance. The Euro zone inflation rate rose to 2.0% in June 2018 as compared to 1.3% in June 2017. Unemployment in the Euro zone has fallen to 8.3% in June 2018 from 9.0% in June 2017.
- The Chinese economy grew by 6.7% for the second quarter of 2018, compared to 6.8% in the first quarter of 2018 and the fourth quarter of 2017. The lower economic expansion was the result of Beijing's efforts to contain debt risk, however it has affected the domestic economic growth. The escalating trade war with the US will also affect China's export in the longer term.

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

### Local

- The Malaysian economy grew at 4.5% in the second quarter of 2018, compared to 5.4% the first quarter of 2018 and 5.9% in the fourth quarter of 2017. The weaker GDP result was due to the supply disruption for the mining and agriculture sector, which was affected by production constraints and adverse weather conditions respectively.
- Bank Negara Malaysia ("BNM") has decided to maintain the Overnight Policy Rate (OPR) at 3.25% at the Monetary Policy Committee (MPC) meeting on 10 May 2018. The degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid lower inflation. BNM's international reserves amounted to USD94.8 billion as at 30 June 2018. The reserves position is sufficient to finance 7.5 months of retained imports and is 1.1 times the short-term external debt.

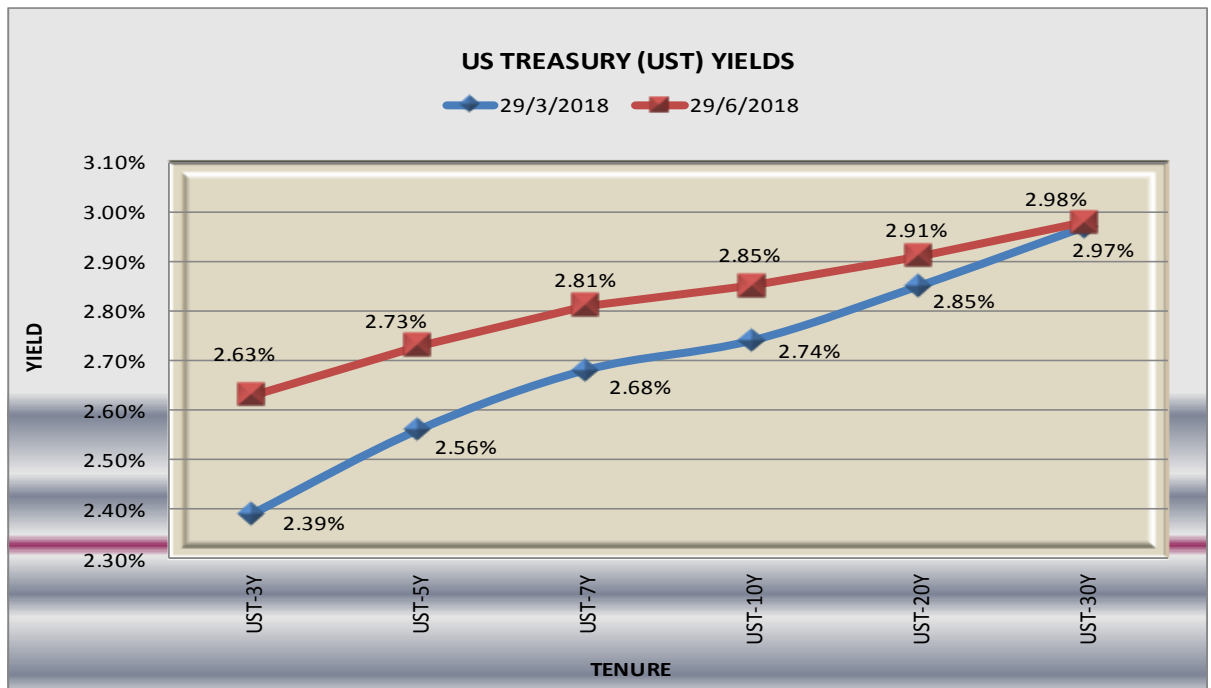
(Source: Bank Negara Malaysia, Bloomberg and RHB Research Institute Sdn. Bhd.)

## ii) Bond Market and Money Market Review

### Global

- The Fed continues to resonate a somewhat more hawkish tone, reaffirming the previous expectation of four US interest rate hikes in 2018. UST yields are backing up, and interestingly the pace of upward adjustment for short-end UST yields have risen much faster compared to the longer-end of the curve, mirroring a curve-flattening trend. It is expected that the 10-year UST yields to retest the psychological 3% mark again, with the momentum for bond yields heading further north.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 June 2018

## Local

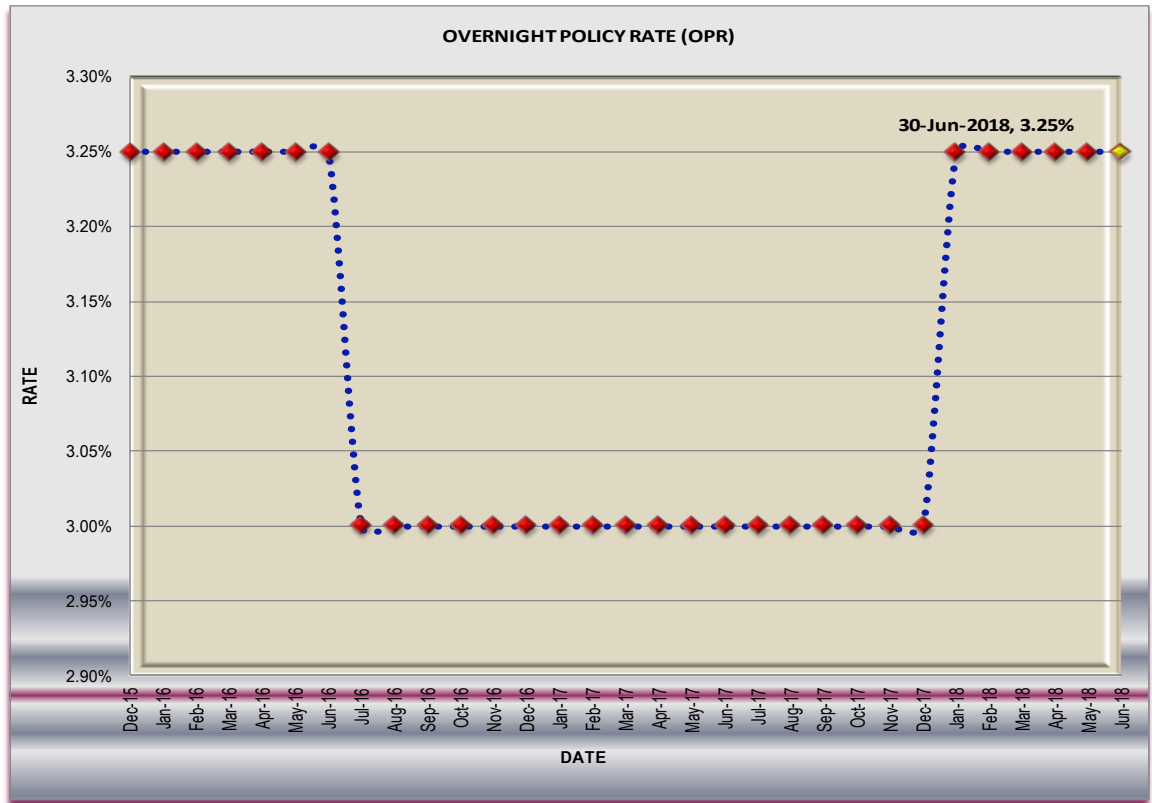
- Ringgit sovereign bond yields were stuck at lower ranges as it tracked the firm UST early June 2017. However, profit taking pressure emerged later in June before the end of second quarter 2017, amid thin trading flows heading towards the public holidays.

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

Tenure/ Date	30 June 2018 (%)	31 March 2018 (%)	Change (bps)
<b>3 Year Bonds</b>			
GII	3.77	3.69	(12.0)
AAA Corporate	4.39	4.26	0.0
<b>5 Year Bonds</b>			
GII	3.99	3.88	(13.0)
AAA Corporate	4.57	4.44	(4.0)
<b>7 Year Bonds</b>			
GII	4.18	3.99	(17.0)
AAA Corporate	4.68	4.57	(4.0)
<b>10 Year Bonds</b>			
GII	4.30	4.20	(3.0)
AAA Corporate	4.82	4.75	(3.0)

Source: Bond Pricing Agency Malaysia (BPAM), 30 June 2018

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 June 2018

## 5.0 MARKET OUTLOOK AND STRATEGY

- Looking forward, 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 2018

	Note	30.6.2018 (unaudited) RM	31.12.2017 (audited) RM
<b>Assets</b>			
Short term investments	1	1,000,000,000	-
Other receivables		496,575	112,320
Cash and cash equivalents	2	145,906	699,986,841
<b>Total assets</b>		<u>1,000,642,481</u>	<u>700,099,161</u>
<b>Liabilities</b>			
Amount due to Manager		2,740	8,877
Other payables		11,603	13,803
Tax payable		254,164	347,688
<b>Total liabilities</b>		<u>268,507</u>	<u>370,368</u>
<b>Net asset value</b>		<u>1,000,373,974</u>	<u>699,728,793</u>
<b>Unitholders' fund</b>			
Unitholders' capital	5	1,000,373,974	699,728,793
<b>Net asset value attributable to unitholders</b>		<u>1,000,373,974</u>	<u>699,728,793</u>
<b>Number of units in circulation</b>	5	<u>1,000,373,974</u>	<u>699,728,793</u>
<b>Net asset value per unit</b>			
- 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 2018 to 30 June 2018**

	Note	1.4.2018 to 30.6.2018 RM	1.4.2017 to 30.6.2017 RM
<b>Income</b>			
Income from short term investments		496,575	1,755,489
Hibah from Al-Wadiah account		4	13
<b>Gross income</b>		<u>496,579</u>	<u>1,755,502</u>
<b>Expenses</b>			
Manager's fee	3	2,740	10,628
Trustee's fee	4	685	2,657
Administrative expenses		-	798
		<u>3,425</u>	<u>14,083</u>
<b>Net income before taxation</b>		493,154	1,741,419
Tax expense		<u>119,180</u>	<u>420,652</u>
<b>Net income after taxation</b>		373,974	1,320,767
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive income for the period</b>		<u><u>373,974</u></u>	<u><u>1,320,767</u></u>
Total comprehensive income for the period consist of:			
Realised amount		373,974	1,320,767
Unrealised amount		-	-
		<u><u>373,974</u></u>	<u><u>1,320,767</u></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 2018 to 30 June 2018**

	Note	Unitholders' capital RM	Retained profits RM	Total RM
<b>As at 31 March 2017/ 1 April 2017</b>		1,000	-	1,000
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	6	-	(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)
<b>As at 30 June 2017</b>		<u>299,838,896</u>	<u>-</u>	<u>299,838,896</u>
<b>As at 31 March 2018/ 1 April 2018</b>		1,000	-	1,000
Creation of units via cash		1,000,000,000	-	1,000,000,000
Reinvestment of distribution		373,974	-	373,974
Cancellation of units		(1,000)	-	(1,000)
Distributions	6	-	(373,974)	(373,974)
Total attributable to unitholders		1,000,372,974	(373,974)	999,999,000
Total comprehensive income for the period		-	373,974	373,974
<b>As at 30 June 2018</b>		<u>1,000,373,974</u>	<u>-</u>	<u>1,000,373,974</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 2018 to 30 June 2018

	1.4.2018 to 30.6.2018 RM	1.4.2017 to 30.6.2017 RM
<b>Cash flows from operating activities</b>		
Purchase of short term investments	(1,000,000,000)	-
Hibah from Al-Wadiah account	4	13
Income from short term investments	-	1,694,119
Management fee paid	-	(5,907)
Trustee fee paid	-	(1,453)
Payment for other administrative expenses	-	(442)
<b>Cash (used in)/generated from operating activities</b>	<u>(999,999,996)</u>	<u>1,686,330</u>
Tax paid	(449,121)	(204,098)
<b>Net cash (used in)/generated from operating activities</b>	<u>(1,000,449,117)</u>	<u>1,482,232</u>
<b>Cash flows from financing activities</b>		
Cash receipt for creation of units	1,000,000,000	300,000,000
Cash payment for cancellation of units	(1,000)	(1,482,871)
Distribution paid	-	-
<b>Net cash generated from financing activities</b>	<u>999,999,000</u>	<u>298,517,129</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(450,117)	299,999,361
Cash and cash equivalents at 1 April	596,023	15,143
<b>Cash and cash equivalents at 30 June</b>	<u>145,906</u>	<u>300,014,504</u>
<b>Cash and cash equivalents comprise:</b>		
Short term placements	-	300,000,000
Cash at bank	145,906	14,504
	<u>145,906</u>	<u>300,014,504</u>

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



## BIMB / CASH MANAGEMENT FUND 3

### 6.5 Unaudited Notes to the Financial Statements

#### 1. Short term investments

	As at 30.6.2018 RM	As at 31.12.2017 RM
Short term investments with maturity less more than 30 days:		
Commodity Murabahah	1,000,000,000	-

#### 2. Cash and cash equivalents

	As at 30.6.2018 RM	As at 31.12.2017 RM
Short term investments with maturity less than 30 days:		
Commodity Murabahah	-	699,978,000
Cash at bank*		
Bank Islam Malaysia Berhad*	-	7,946
Maybank Islamic Bank Berhad	145,906	895
	145,906	8,841
	145,906	699,986,841

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

#### 3. Manager's fee

The manager's fee payable to the Manager is based on 0.02% (30.6.2017: 0.02%) per annum of the net asset value of the Fund calculated on a daily basis.

#### 4. Trustee's fee

The trustee's fee is payable to the trustee is based on 0.005% (30.6.2017: 0.005%) per annum of the net asset value of the Fund calculated on a daily basis.

## 5. Unitholders' capital

	1.4.2018 to 30.6.2018		1.1.2017 to 31.12.2017	
	No. of units	RM	No. of units	RM
As at beginning of the period/year	1,000	1,000	1,000	1,000
Creation of units	1,000,000,000	1,000,000,000	899,951,507	899,951,507
Reinvestment of distributions	373,974	373,974	5,962,945	5,962,945
Cancellation of units	(1,000)	(1,000)	(206,186,659)	(206,186,659)
<b>As at end of the period/year</b>	<u>1,000,373,974</u>	<u>1,000,373,974</u>	<u>699,728,793</u>	<u>699,728,793</u>

## 6. Distributions

	1.4.2018 to 30.6.2018	1.4.2017 to 30.6.2017
	RM	RM
Distribution to unitholders is from the following sources:		
Income from short term investments	496,575	1,755,489
Hibah from Al-Wadiah account	4	13
	<u>496,579</u>	<u>1,755,502</u>
Less:		
Expenses	(3,425)	(14,083)
Taxation	(119,180)	(420,652)
<b>Net distribution</b>	<u>373,974</u>	<u>1,320,767</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

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

## Board of Directors

Nik Mohd Hasyudeen Yusoff (Chairman – Non-Executive 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)

Mujibburrahman Abd Rashid (Non-Executive Non Independent Director – Resigned w.e.f. 20 July 2018)

Najmuddin 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)

Mohd Radzuan Ahmad Tajuddin (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

Norhidayati Mohamat Salim (MIA 27364)

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

Aidil Haznul Zulkifli (MACS 01638)

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)

Mohd Hamidullah Che Hassan (Manager, Compliance)

## 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)

19-06-1, 6<sup>th</sup> Floor, Wisma Tune

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50490 Kuala Lumpur