

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

**QUARTERLY REPORT FOR THE PERIOD FROM  
1 JULY 2018 TO 30 SEPTEMBER 2018**

---

# TABLE OF CONTENTS

1.0	FUND KEY INFORMATION	3
2.0	INVESTMENT POLICY AND STRATEGY	5
3.0	MANAGER'S REPORT	6
4.0	ECONOMIC AND MARKET REVIEW	9
5.0	MARKET OUTLOOK AND STRATEGY	12
6.0	FINANCIAL STATEMENTS (UNAUDITED)	13
7.0	CORPORATE DIRECTORY	19

# 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 2018 to 30 September 2018.

## 3.1 Fund Performance Review

	As at 30 September 2018
Net Asset Value (RM)	1,007,225,339
Units In Circulation	1,007,225,339
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>	2.76
Benchmark Returns (%) <sup>(d)</sup>	2.48

(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 2018 to 30 September 2018

(d) After tax annualised benchmark return for the financial period from 1 July 2018 to 30 September 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 2.76%, outperformed its benchmark by 2.48% (based on the annualised return). The Fund's return of 2.76% 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 RM6,851,365.10. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 September 2018, the NAV of the Fund was at RM1,007,225,339 and the total units in circulation of the Fund stood at 1,007,225,339 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 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 September 2018 (%)</b>
Money Market (Commodity Murabahah)	100.0
<b>Total</b>	<b>100.0</b>

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

### 3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 July 2018 – 30 September 2018			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
30 July 2018	0.32	0.24	2,393,416
31 August 2018	0.30	0.23	2,262,956
30 September 2018	0.29	0.22	2,194,993
<b>Total</b>	<b>0.91</b>	<b>0.69</b>	<b>6,851,365</b>

### 3.4 Impact on NAV arising from Income Distribution

As at 30 September 2018	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	1,005,030,346	1,007,225,339
Units In Circulation	1,005,030,346	1,007,225,339

### 3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 September 2018 (%)
Below 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	1	1,007,225,339	100.00
<b>Total</b>	<b>1</b>	<b>1,007,225,339</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) registered a growth of 3.5% in the third quarter of 2018 as compared to 4.2% in the second quarter of 2018 and 2.2% in the first quarter of 2018. The third quarter economic growth was supported by a strong consumer spending, surge in inventory investment and higher government spending, however was offset by the tariff-related drop in soybean exports. The US inflation rate decreased to 2.3% in September 2018 as compared to 2.5% in April 2018. US unemployment rate continues to improve to 3.7% in September 2018 as compared to 3.9% in March 2018.
- The Euro zone economy grew by 0.2% for the third quarter 2018, compared to 0.4% in the second quarter of 2018 and also 0.4% in the first quarter of 2018. During the quarter, the Euro zone's economic performance was significantly affected by the global trade uncertainty and partly due to Italy's economy stagnating growth. The Euro zone inflation rate rose to 2.1% in September 2018 as compared to 1.3% in March 2018. Unemployment in the Euro zone has fallen to 8.1% in September 2018 from 8.4% in March 2018.
- The Chinese economy grew by 6.5% for the third quarter of 2018, compared to 6.7% in the second quarter of 2018 and 6.8% in the first quarter of 2018. The lower economic expansion was the result of the trade war effect with the U.S. amid Beijing's efforts to contain debt risk that has affected its domestic economic growth.

*(Source: Bloomberg, Bank Negara Malaysia 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 GDP result was affected by the supply disruption for the mining and agriculture sector, although the private sector continued to be the primary driver of growth for the quarter.
- Bank Negara Malaysia ("BNM") has decided to maintain the Overnight Policy Rate (OPR) at 3.25% at the Monetary Policy Committee (MPC) meeting on 5 September 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 USD103.0 billion as at 30 September 2018. The reserves position is sufficient to finance 7.4 months of retained imports and was 0.9 times the short-term external debt.

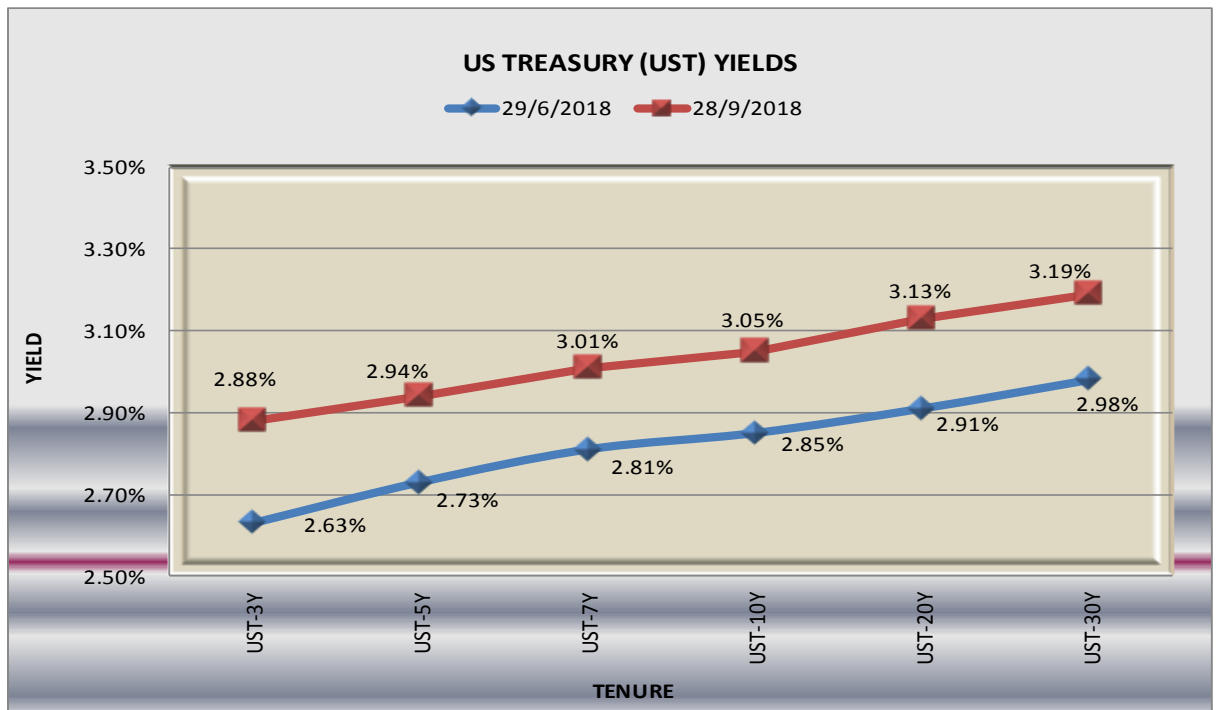
*(Source: Bloomberg, Bank Negara Malaysia and RHB Research Institute Sdn Bhd)*

## Bond Market and Money Market Review

### Global

- Bond yields escalated higher globally as Fed normalization remains on track, coupled with fear of contagion. Globally, the local currency government bond yields in Asia have inched up higher impacted by rising UST yields coupled with fear of contagion risks emanating from Turkey and Argentina which amplified louder during the months of August and September. Upward pressure for Asian rates is expected to continue as market players are penciling in another Fed hike by end 2018 following the September 2018 25 bps hike.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 September 2018

## Local

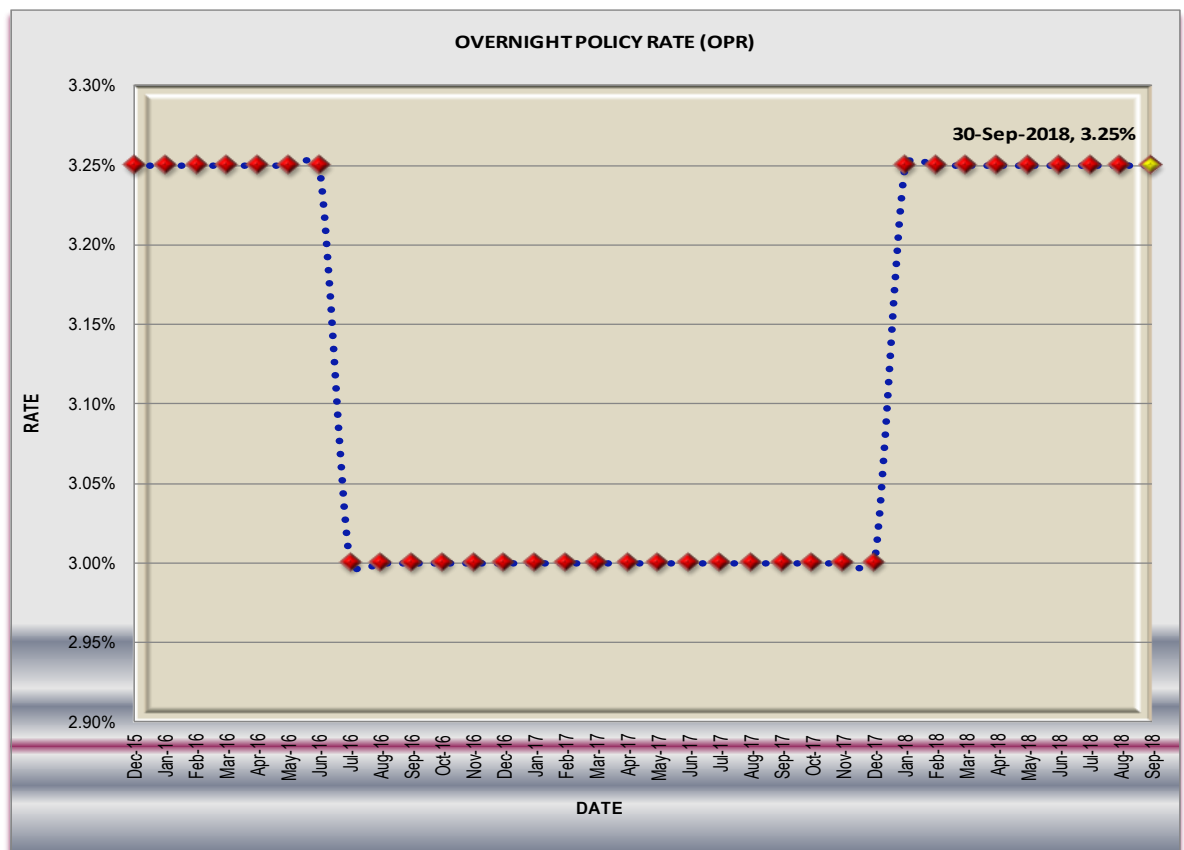
- Ringgit Islamic sovereign bond yields decreased, although there was an exit from the foreign investor from domestic sukuk and the pressure by the US Fed rate normalization. This is due to the strong support by the domestic real money investor.

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

Tenure/ Date	30 September 2018 (%)	30 June 2018 (%)	Change (bps)
<b>3 Year Bonds</b>			
GII	3.64	3.77	(13.0)
AAA Corporate	4.26	4.39	(13.0)
<b>5 Year Bonds</b>			
GII	3.86	3.99	(13.0)
AAA Corporate	4.38	4.57	(19.0)
<b>7 Year Bonds</b>			
GII	4.03	4.18	(15.0)
AAA Corporate	4.49	4.68	(19.0)
<b>10 Year Bonds</b>			
GII	4.15	4.30	(15.0)
AAA Corporate	4.61	4.82	(21.0)

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

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



Source: Bank Negara Malaysia, 30 September 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 September 2018

	Note	30.9.2018 (unaudited) RM	31.12.2017 (audited) RM
<b>Assets</b>			
Short term investments	1	1,005,331,439	-
Other receivables		4,219,788	112,320
Cash and cash equivalents	2	28,206	699,986,841
<b>Total assets</b>		<u>1,009,579,433</u>	<u>700,099,161</u>
<b>Liabilities</b>			
Amount due to Manager		15,972	8,877
Other payables		14,912	13,803
Tax payable		2,323,210	347,688
<b>Total liabilities</b>		<u>2,354,094</u>	<u>370,368</u>
<b>Net asset value</b>		<u>1,007,225,339</u>	<u>699,728,793</u>
<b>Unitholders' fund</b>			
Unitholders' capital	5	1,007,225,339	699,728,793
<b>Net asset value attributable to unitholders</b>		<u>1,007,225,339</u>	<u>699,728,793</u>
<b>Number of units in circulation</b>	5	<u>1,007,225,339</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 July 2018 to 30 September 2018**

	Note	1.7.2018 to 30.9.2018 RM	1.7.2017 to 30.9.2017 RM
<b>Income</b>			
Income from short term investments		9,097,186	2,480,289
Hibah from Al-Wadiah account		3	4
<b>Gross income</b>		<u>9,097,189</u>	<u>2,480,293</u>
<b>Expenses</b>			
Manager's fee	3	49,999	14,958
Trustee's fee	4	12,500	3,740
Administrative expenses		-	18,794
		<u>62,499</u>	<u>37,492</u>
<b>Net income before taxation</b>		9,034,690	2,442,801
Taxation		<u>(2,183,325)</u>	<u>(593,352)</u>
<b>Net income after taxation</b>		6,851,365	1,849,449
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive income for the period</b>		<u><u>6,851,365</u></u>	<u><u>1,849,449</u></u>
Total comprehensive income for the period consist of:			
Realised amount		6,851,365	1,849,449
Unrealised amount		-	-
		<u><u>6,851,365</u></u>	<u><u>1,849,449</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 July 2018 to 30 September 2018**

	Note	Unitholders' capital RM	Retained profits RM	Total RM
<b>As at 30 June 2017/ 1 July 2017</b>		299,838,896	-	299,838,896
Creation of units		-	-	-
Reinvestment of distribution		1,849,449	-	1,849,449
Cancellation of units		(1,676,025)	-	(1,676,025)
Distributions	6	-	(1,849,449)	(1,849,449)
Total attributable to unitholders		173,424	(1,849,449)	(1,676,025)
Total comprehensive income for the period		-	1,849,449	(1,320,767)
<b>As at 30 September 2017</b>		<u>300,012,320</u>	<u>-</u>	<u>300,012,320</u>
<b>As at 30 June 2018/ 1 July 2018</b>		1,000,373,974	-	1,000,373,974
Creation of units		-	-	-
Reinvestment of distribution		6,851,365	-	6,851,365
Cancellation of units		-	-	-
Distributions	6	-	(6,851,365)	(6,851,365)
Total attributable to unitholders		6,851,365	(6,851,365)	-
Total comprehensive income for the period		-	6,851,365	6,851,365
<b>As at 30 September 2018</b>		<u>1,007,225,339</u>	<u>-</u>	<u>1,007,225,339</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 July 2018 to 30 September 2018**

	<b>1.7.2018 to 30.9.2018 RM</b>	<b>1.7.2017 to 30.9.2017 RM</b>
<b>Cash flows from operating activities</b>		
Purchase of short term investments	(5,331,439)	-
Income from short term investments	5,373,973	2,323,576
Hibah from Al-Wadiah account	3	4
Management fee paid	(36,767)	(14,956)
Trustee fee paid	(9,192)	(3,739)
Tax agent fee paid	-	(3,000)
Payment for other administrative expenses	-	(1,480)
<b>Cash (used in)/generated from operating activities</b>	<u>(3,422)</u>	<u>2,300,405</u>
Tax paid	(114,278)	(612,294)
<b>Net cash (used in)/generated from operating activities</b>	<u>(117,700)</u>	<u>1,688,111</u>
<b>Cash flows from financing activities</b>		
Cash payment for cancellation of units	-	(1,676,025)
<b>Net cash used in financing activities</b>	<u>-</u>	<u>(1,676,025)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(117,700)	12,086
Cash and cash equivalents at 1 July	145,906	300,014,504
<b>Cash and cash equivalents at 30 September</b>	<u>28,206</u>	<u>300,026,590</u>
<b>Cash and cash equivalents comprise:</b>		
Short term placements	-	300,000,000
Cash at bank	28,206	26,590
	<u>28,206</u>	<u>300,026,590</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 30.9.2018 RM	As at 31.12.2017 RM
Short term investments with maturity more than 30 days:		
Commodity Murabahah	<u>1,005,331,439</u>	<u>-</u>

#### 2. Cash and cash equivalents

	As at 30.9.2018 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*	8,946	7,946
Maybank Islamic Bank Berhad	19,260	895
	<u>28,206</u>	<u>8,841</u>
	<u>28,206</u>	<u>699,986,841</u>

\* 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% (30.9.2017: 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% (30.9.2017: 0.005%) per annum of the net asset value of the Fund calculated on a daily basis.

## 5. Unitholders' capital

	1.7.2018 to 30.9.2018		1.1.2017 to 31.12.2017	
	No. of units	RM	No. of units	RM
As at beginning of the period/year	1,000,373,974	1,000,373,974	1,000	1,000
Creation of units	-	-	899,951,507	899,951,507
Reinvestment of distributions	6,851,365	6,851,365	5,962,945	5,962,945
Cancellation of units	-	-	(206,186,659)	(206,186,659)
<b>As at end of the period/year</b>	<u>1,007,225,339</u>	<u>1,007,225,339</u>	<u>699,728,793</u>	<u>699,728,793</u>

## 6. Distributions

	1.7.2018 to 30.9.2018 RM	1.7.2017 to 30.9.2017 RM
Distribution to unitholders is from the following sources:		
Income from short term investments	9,097,186	2,480,289
Hibah from Al-Wadiah account	3	4
	<u>9,097,189</u>	<u>2,480,293</u>
Less:		
Expenses	(62,499)	(37,492)
Taxation	(2,183,325)	(593,352)
<b>Net distribution</b>	<u>6,851,365</u>	<u>1,849,449</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

No.19, Lorong Dungun, Damansara Heights  
50490 Kuala Lumpur