

BIMB *i* CASH MANAGEMENT FUND 3

**FIRST QUARTER REPORT
FOR THE FINANCIAL PERIOD
FROM
1 JANUARY 2019 TO 31 MARCH 2019**

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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 January 2019 to 31 March 2019.

3.1 Fund Performance Review

	As at 31 March 2019
Net Asset Value (RM)	155,772,206
Units In Circulation	155,772,206
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)	2.64
Benchmark Returns (%) ^(d)	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 January 2019 to 31 March 2019

(d) After tax annualised benchmark return for the financial period from 1 January 2019 to 31 March 2019

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

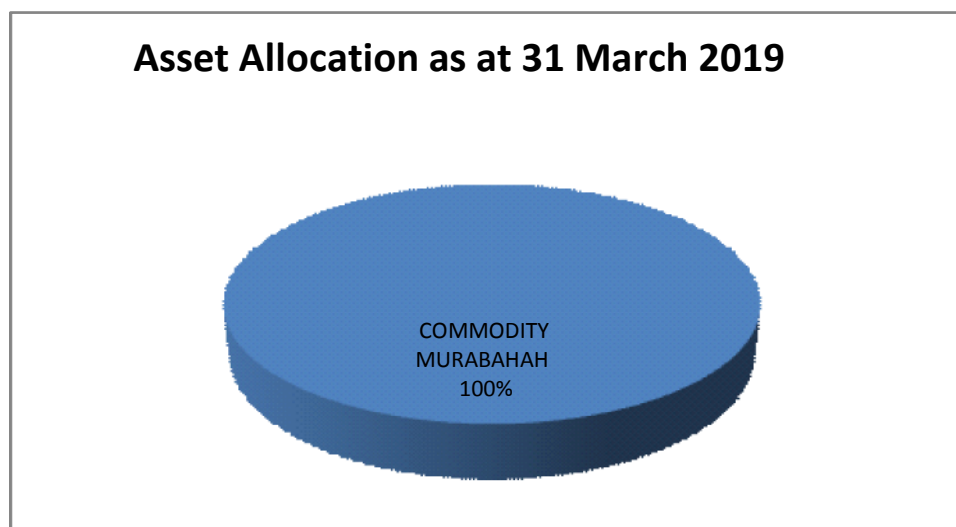
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 2.64%, outperformed its benchmark by 16 bps (based on the annualised return). The Fund's return of 2.64% 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 RM1,023,058. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 31 March 2019, the NAV of the Fund was at RM155,772,206 and the total units in circulation of the Fund stood at 155,772,206 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 31 March 2019.

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	31 March 2019 (%)
Money Market (Commodity Murabahah)	100.0
Total	100.0

As at 31 March 2019, the Fund has fully invested in Commodity Murabahah.

3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 July 2018 – 31 March 2019			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
31 January 2019	0.31	0.23	361,277
28 February 2019	0.28	0.21	325,388
29 March 2019	0.28	0.22	336,393
Total	0.87	0.66	1,023,058

3.4 Impact on NAV arising from Income Distribution

As at 29 March 2019	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	155,435,813	155,772,206
Units In Circulation	155,435,813	155,772,206

3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 31 March 2019 (%)
Below 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	1	155,772,206	100.00
Total	1	155,772,206	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

- United States (US) Gross Domestic Product (GDP) registered a growth of 3.2% in the first quarter of 2019 as compared to 2.2% in the fourth quarter of 2018 and 3.4% in the third quarter of 2018. The first quarter economic growth was supported by a strong consumer spending, higher export growth, surge in inventory investment and higher government spending, however was partly offset by a decrease in housing investment. The US inflation rate fell to 1.9% in March 2019 as compared to 1.6% in January 2019. US unemployment rate fell to 3.8% in March 2019 as compared to 4.0% in January 2019.
- The Euro zone economy grew by 0.4% for the first quarter 2019 as compared to 0.2% in the fourth quarter of 2018 but higher as compared to 0.1% in the third quarter of 2018. During the first quarter, the Euro zone's economic performance was stronger fuelled by lower unemployment, rising wages and stronger consumer demand. The Euro zone inflation rate unchanged at 1.4% in March 2019 as compared to January 2019. Unemployment in the Euro zone has increase to 7.7% in March 2019 as compared to 7.8% in January 2019.
- The China economy grew by 6.4% for the first quarter of 2019, unchanged from the fourth quarter of 2018 but lower than the 6.5% in the third quarter of 2018. Despite the trade war effect has lowered China's economic expansion; China's economy remains resilient in the first quarter attributed by the sharp pick-up in factory output and higher retail sales.

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

Local

- The Malaysian economy grew at 4.5% in the first quarter of 2019, expanded at a slower pace as compared to 4.7% the fourth quarter of 2018 but better than 4.4% in the third quarter of 2018. The recovery in the agriculture sector, in particular, crude palm oil production, continued expansion in private sector spending as well as high net exports were among the key economic growth drivers in the first quarter. Malaysia's inflation on the other hand increased to 0.2% in March 2019 compared to -0.7% in January 2019, mainly driven by higher transport price.
- Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) had decided to maintain the Overnight Policy Rate (OPR) at 3.25% during its March 2019 meeting to accommodate and support growth prospect for the country. The international reserves of Bank Negara Malaysia increased to USD103.0 billion as at 31 March 2019. The reserves level has taken into account the quarterly adjustment for foreign exchange revaluation changes. The reserves position is sufficient to finance 7.5 months of retained imports and is 1.0 time total short-term external debt.

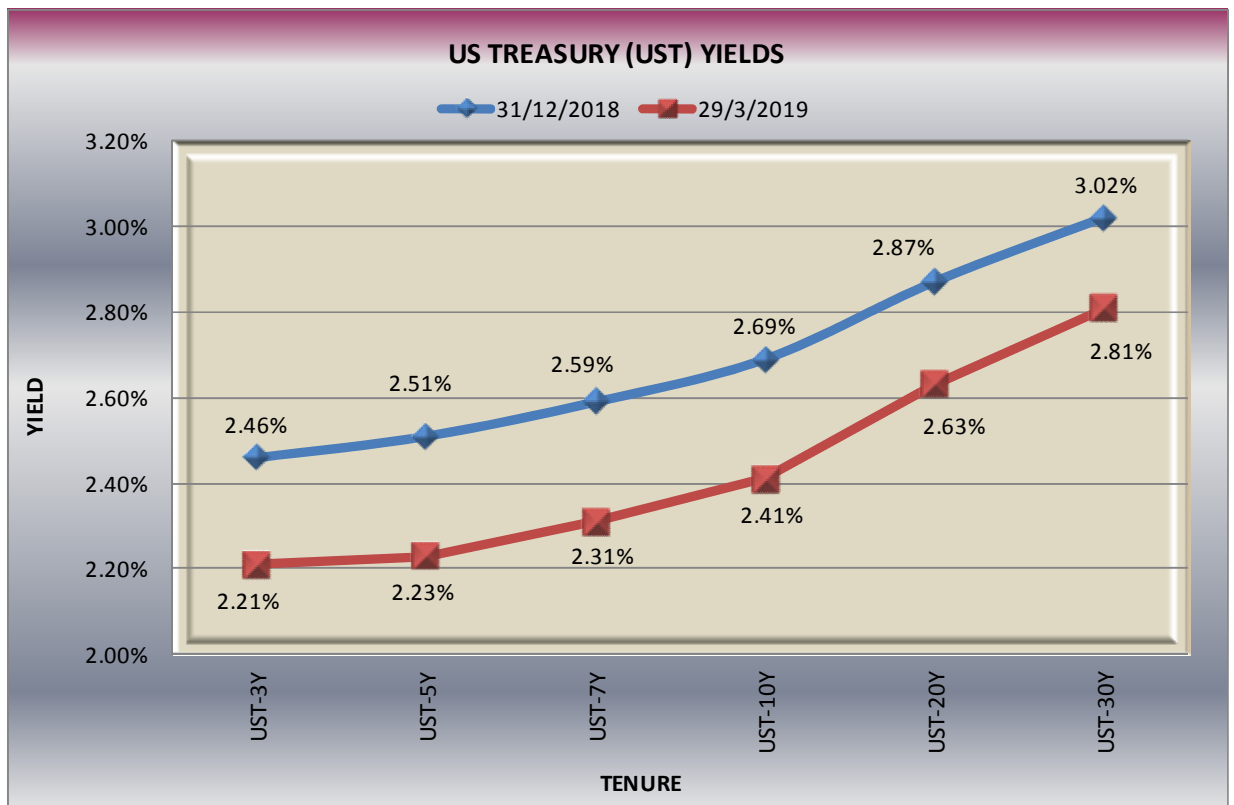
(Source: Bloomberg, Department of Statistics Malaysia and Bank Negara Malaysia)

Bond Market and Money Market Review

Global

- The 10-year US Treasury (UST) yield rallied since Nov 2018 with yields coming down from near 3.25% to a low of 2.55% in Jan 2019 before then hovering in 2.60- 2.70% range in late Feb and close at 2.81% by end of March 2019. UST yields broke above 2.70% at start of March 2019 amid confidence on US-China trade.

Figure 1: US Treasury Yields



Source: US Treasury Department, 31 March 2019

Local

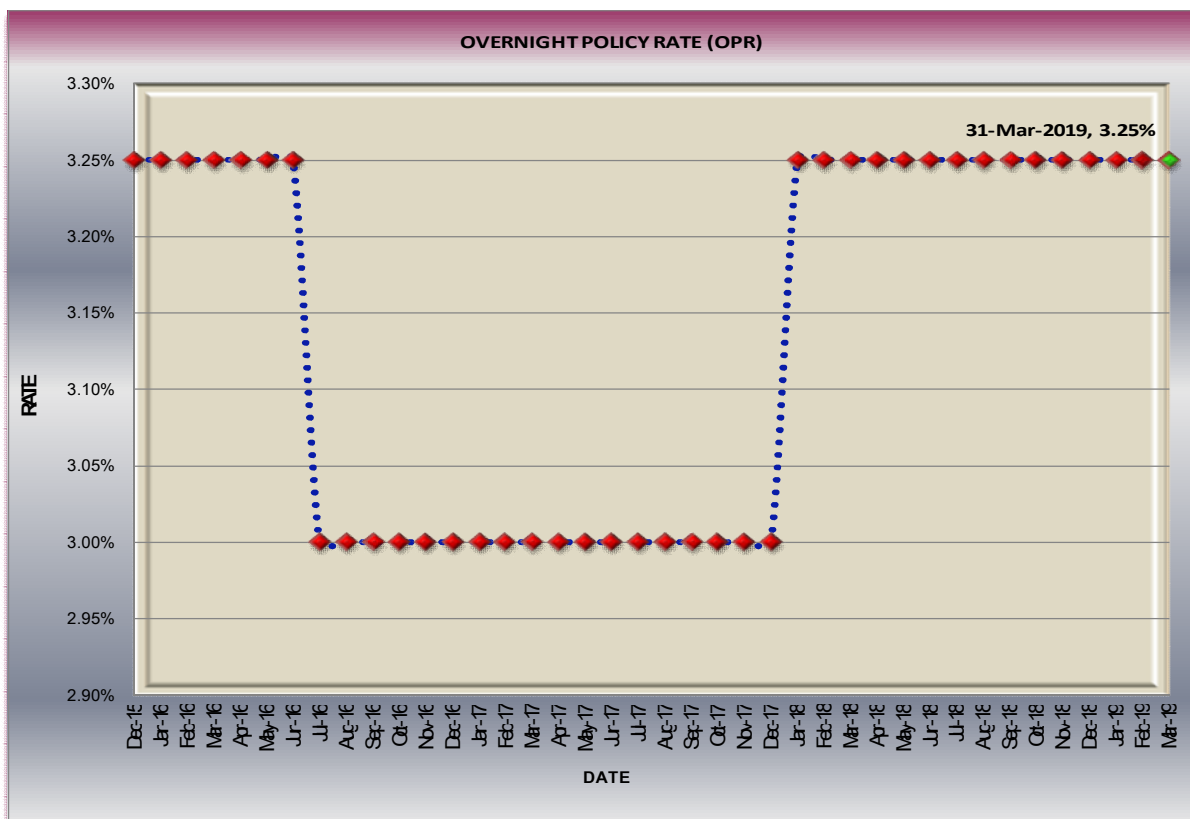
- Local government bond rallied between 14 - 44 bps for the quarter under review as the Malaysian Ringgit sovereign curve shifted sharply lower from January through March amid abundant liquidity and Emerging Market inflows as the US Federal indicated a pause in its interest rate hike cycle. Values are now less compelling partly due to lower yields and competition with another asset classes i.e. equities.

Table 1: Sukuk/ Islamic Bond Yields

Tenure/ Date	29 March 2019 (%)	31 December 2019 (%)	Change (bps)
3 Year Bonds			
GII	3.49	3.67	(18.0)
AAA Corporate	4.06	4.20	(14.0)
5 Year Bonds			
GII	3.66	3.85	(19.0)
AAA Corporate	4.15	4.33	(18.0)
7 Year Bonds			
GII	3.73	4.10	(37.0)
AAA Corporate	4.22	4.45	(23.0)
10 Year Bonds			
GII	3.81	4.25	(44.0)
AAA Corporate	4.30	4.57	(27.0)

Source: Bond Pricing Agency Malaysia (BPAM), 31 March 2019

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 31 March 2019

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 31 March 2019

	Note	31.3.2019 (unaudited) RM	31.12.2018 (audited) RM
Assets			
Short term investments	1	153,770,062	154,331,994
Other receivables		1,994,204	15,433
Cash and cash equivalents	2	21,946	1,174,219
Total assets		<u>155,786,212</u>	<u>155,521,646</u>
Liabilities			
Tax payable		-	740,679
Amount due to Manager		2,470	16,721
Other payables		11,536	15,098
Total liabilities		<u>14,006</u>	<u>772,498</u>
Net asset value		<u>155,772,206</u>	<u>154,749,148</u>
Unitholders' fund			
Unitholders' capital	3	<u>155,772,206</u>	<u>154,749,148</u>
Net asset value attributable to unitholders		<u>155,772,206</u>	<u>154,749,148</u>
Number of units in circulation	3	<u>155,772,206</u>	<u>154,749,148</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 January 2019 to 31 March 2019

	Note	1.3.2019 to 31.3.2019 RM	1.3.2018 to 31.3.2018 RM
Income			
Income from short term investments		1,358,427	3,240,601
Hibah from Al-Wadiah account		3	3
Gross income		<u>1,358,430</u>	<u>3,240,604</u>
Expenses			
Manager's fee	4	7,479	21,018
Trustee's fee	5	1,870	5,254
Administrative expenses		-	1,577
		<u>9,349</u>	<u>27,849</u>
Net income before taxation		1,349,081	3,212,755
Taxation		<u>(326,023)</u>	<u>(780,858)</u>
Net income after taxation/ Total comprehensive income for the period		<u><u>1,023,058</u></u>	<u><u>2,431,897</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 January 2019 to 31 March 2019

	Note	Unitholders' capital RM	Retained profits RM	Total RM
As at 31 December 2017/ 1 January 2018		699,728,793	-	699,728,793
Creation of units via cash		699,759,247	-	699,759,247
Reinvestment of distributions		1,592,616	-	1,592,616
Cancellation of units		(1,401,079,656)	-	(1,401,079,656)
Distributions	6	-	(1,592,616)	(1,592,616)
Total attributable to unitholders		(699,727,793)	(1,592,616)	(701,320,409)
Total comprehensive income for the period		-	1,592,616	1,592,616
As at 31 March 2018		<u>1,000</u>	<u>-</u>	<u>1,000</u>
As at 31 December 2018/ 1 January 2019		154,749,148	-	154,749,148
Creation of units via cash		-	-	-
Reinvestment of distributions		1,023,058	-	1,023,058
Cancellation of units		-	-	-
Distributions	6	-	(1,023,058)	(1,023,058)
Total attributable to unitholders				-
Total comprehensive income for the period		-	1,023,058	1,023,058
As at 31 March 2019		<u>155,772,206</u>	<u>-</u>	<u>155,772,206</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 January 2019 to 31 March 2019

	1.1.2019 to 31.3.2019 RM	1.1.2018 to 31.3.2018 RM
Cash flows from operating activities		
Maturity of short term investments	308,372,417	-
Purchase of short term investments	(307,810,485)	-
Income from short term investments	974,057	3,352,921
Hibah from Al-Wadiah account	3	3
Management fee paid	(21,729)	(29,895)
Trustee fee paid	(5,432)	(7,474)
Tax agent fee paid	-	-
Payment for administrative expenses	-	(2,242)
Cash generated from operating activities	<u>1,508,831</u>	<u>3,313,313</u>
Tax paid	(2,661,104)	(544,441)
Net cash (used in)/generated from operating activities	<u>(1,152,273)</u>	<u>2,768,872</u>
Cash flows from financing activities		
Cash receipt for creation of units	-	699,759,247
Cash payment for cancellation of units	-	(1,401,079,656)
Distribution paid	-	(839,281)
Net cash used in financing activities	<u>-</u>	<u>(702,159,690)</u>
Net decrease in cash and cash equivalents	(1,152,273)	(699,390,818)
Cash and cash equivalents at 1 January	1,174,219	699,986,841
Cash and cash equivalents at 31 March	<u>21,946</u>	<u>596,023</u>
Cash and cash equivalents comprise of:		
Short term placements	-	-
Cash at bank	21,946	596,023
	<u>21,946</u>	<u>596,023</u>

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

BIMB i CASH MANAGEMENT FUND 3

6.5 Unaudited Notes to the Financial Statements

1. Short term investments

	As at 31.3.2019 RM	As at 31.12.2018 RM
Short term investments with maturity more than 30 days:		
Commodity Murabahah	-	154,331,994

2. Cash and cash equivalents

	As at 31.3.2019 RM	As at 31.12.2018 RM
Short term investments with maturity less than 30 days:		
Commodity Murabahah	-	-
Cash at bank		
Bank Islam Malaysia Berhad*	8,941	8,989
Maybank Islamic Bank Berhad	13,005	1,165,230
	<u>21,946</u>	<u>1,174,219</u>
	<u>21,946</u>	<u>1,174,219</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% (31.3.2018: 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 payable to the trustee is based on 0.005% (31.3.2018: 0.005%) per annum of the net asset value of the Fund calculated on a daily basis.

5. Unitholders' capital

	1.1.2019 to 31.3.2019		1.1.2018 to 31.12.2018	
	No. of units	RM	No. of units	RM
As at beginning of the period/year	154,749,148	154,749,148	699,728,793	699,728,793
Creation of units	-	-	1,699,759,247	1,699,759,247
Reinvestment of distributions	1,023,058	1,023,058	14,576,681	14,576,681
Cancellation of units	-	-	(2,259,315,573)	(2,259,315,573)
As at end of the period/year	<u>155,772,206</u>	<u>155,772,206</u>	<u>154,749,148</u>	<u>154,749,148</u>

6. Distributions

	1.1.2019 to 31.3.2019	1.1.2018 to 31.3.2018
	RM	RM
Distribution to unitholders is from the following sources:		
Income from short term investments	1,358,427	3,240,601
Hibah from Al-Wadiah account	3	3
	<u>1,358,430</u>	<u>3,240,604</u>
Less:		
Expenses	(9,349)	(27,849)
Taxation	(326,023)	(780,858)
Net distribution	<u>1,023,058</u>	<u>2,431,897</u>
Comprising:		
Distribution reinvested	1,023,028	1,592,616
Cash distribution	-	839,281
Net distribution	<u>1,023,058</u>	<u>2,431,897</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 Kamso (Non-Executive Independent Director – Resigned w.e.f. 14 December 2018)

Dr. Mohd Hatta bin Dagap (Non-Executive Independent Director)

Malkiat Singh @ Malkit Singh Maan (Non-Executive Non Independent Director)

Datin Maznah Mahbob (Non-Executive Independent Director – Appointed w.e.f. 1 April 2019)

Najmuddin Mohd Lutfi (Chief Executive Officer)

Shariah Committee

Dr. Ahmad Shahbari @ Sobri Salamon

Dr. Yusof Ramli (Resigned w.e.f. 31 March 2019)

Assoc. Prof. Dr. Asmak Ab. Rahman

Dr. Azrul Azlan Iskandar Mirza (Appointed w.e.f. 1 April 2019)

Investment Committee

Khairul Muzamel Perera Abdullah (Chairman - Non Independent Member)

Datuk Noripah Kamso (Independent Member – Resigned w.e.f. 14 December 2018)

Mohd Radzuan Ahmad Tajuddin (Independent Member)

Datin Maznah Mahbob (Appointed w.e.f. 1 April 2019)

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)

Abd Razak Salimin (Head of Investment)

Mohd Hamidullah Che Hassan (Head of Compliance)

Trustee

AmanahRaya Trustees Berhad (766894-T)

Level 3, Wisma Amanahraya II,
No. 21, Jalan Melaka,
50100 Kuala Lumpur

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