

BIMB *i* CASH MANAGEMENT FUND 3

**ANNUAL REPORT
FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 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 Annual Report covers the financial period from 14 December 2015 (Date of Commencement) to 31 December 2016.

3.1 Fund Performance Review

	As at 31 December 2016
Net Asset Value (RM)	1,000
Units In Circulation	1,000
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)	3.40%
Benchmark Returns (%) ^(d)	2.56%

- (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 14 December 2015 to 31 December 2016
- (d) After tax annualised benchmark return for the financial period from 14 December 2015 to 31 December 2016

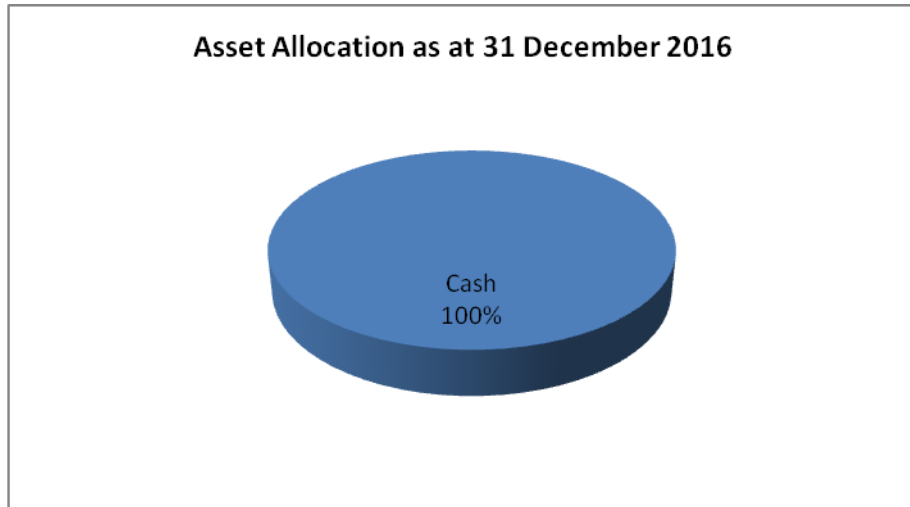
Note: Benchmark – 1 month Bank Islam Term Deposit-i (Tawarruq)
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 3.40%, outperformed its benchmark by 0.84% (based on the annualised return). The Fund's return of 3.40% 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 RM2,015,615. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 31 December 2016, the NAV of the Fund was at RM1,000 and the total units in circulation of the Fund stood at 1,000 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 December 2016.

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 December 2016 (%)
Cash	100.0
Total	100.0

As at 31 December 2016, the Fund was fully holding cash at bank.

3.3 Monthly Income Distribution

Monthly income distribution for the financial period 14 December 2015 (Date of Commencement – 31 December 2016)			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
31 December 2015	0.19	0.19	56,762
31 January 2016	0.21	0.21	123,781
29 February 2016	0.33	0.33	264,374
31 March 2016	0.34	0.34	338,542
30 April 2016	0.32	0.32	317,044
31 May 2016	0.35	0.35	351,561
30 June 2016	0.13	0.13	93,565
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
31 October 2016	0.27	0.27	13,574
30 November 2016	0.26	0.26	13,107
Total			2,015,615

3.4 Impact on NAV arising from Income Distribution

As at 31 December 2016	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	1,000	1,000
Units In Circulation	1,000	1,000

3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 31 December 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	0	0.00	0.00
Unit Held by Manager		1,000.00	100.00
Total		1,000.00	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) grew at its fastest pace in two years in the third quarter of 2016 at 2.9% after a surge in exports and rebound in inventory investment surpassed a slowdown in consumer spending.
- US annual inflation rate increased to 2.1 % in December 2016 from 0.8% in July 2016 as higher energy prices results in steady gains in fuel, rental, transportation and medical care.
- US unemployment rate fell to 4.7% in December 2016 from 4.9% in July 2016 as robust hiring is supported by the recovering US economy.
- Euro zone economy grew by 0.3% in the third quarter of 2016 as GDP growth picked up in France and Austria but slowed in Spain, Belgium and Lithuania. Household consumption and public spending were the main growth contributors for the quarter.
- Euro zone annual inflation rose to 1.1% in December 2016 from 0.2% in July 2016 as rising cost of energy continued to lift the prices of food, alcohol and tobacco that drove the result for the quarter.
- Euro zone unemployment rate declined to 9.8% in November 2016 from 10.0% in July 2016. The lowest unemployment rates were recorded in Germany and Malta while the highest in Greece and Spain.

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

Local

- Malaysia's real GDP grew by 4.3% in the third quarter of 2016, supported by continued expansion of domestic demand despite a weaker mining and investment performance.
- Malaysia's inflation rate in December 2016 stood at 1.8%, up from 1.1% in July 2016 due to the increase in energy and fuel related costs.
- The international reserves of Bank Negara Malaysia amounted to RM424.2 billion (equivalent to USD94.6 billion) as at December 2016 amid foreign selling in the equity and bond markets as Bank Negara intervene in the foreign exchange market to stabilise the ringgit. The reserves position is sufficient to finance 8.3 months of retained imports and is 1.2 times the short-term external debt.
- During the Monetary Policy Committee (MPC) meeting in January 2016, BNM decided to cut the statutory reserve requirement (SRR) by 50 basis points (bps) to 3.5%, freeing an estimated RM6.1 billion into the banking system's liquidity and triggered speculation on the possibility of further reductions. Subsequently at its July 2016 meeting, BNM decided to reduce the overnight policy rate (OPR) by 25 bps to 3.00%. The rate cut was a pre-emptive move made by BNM to reverse a continued slowdown in economic growth and inflation.

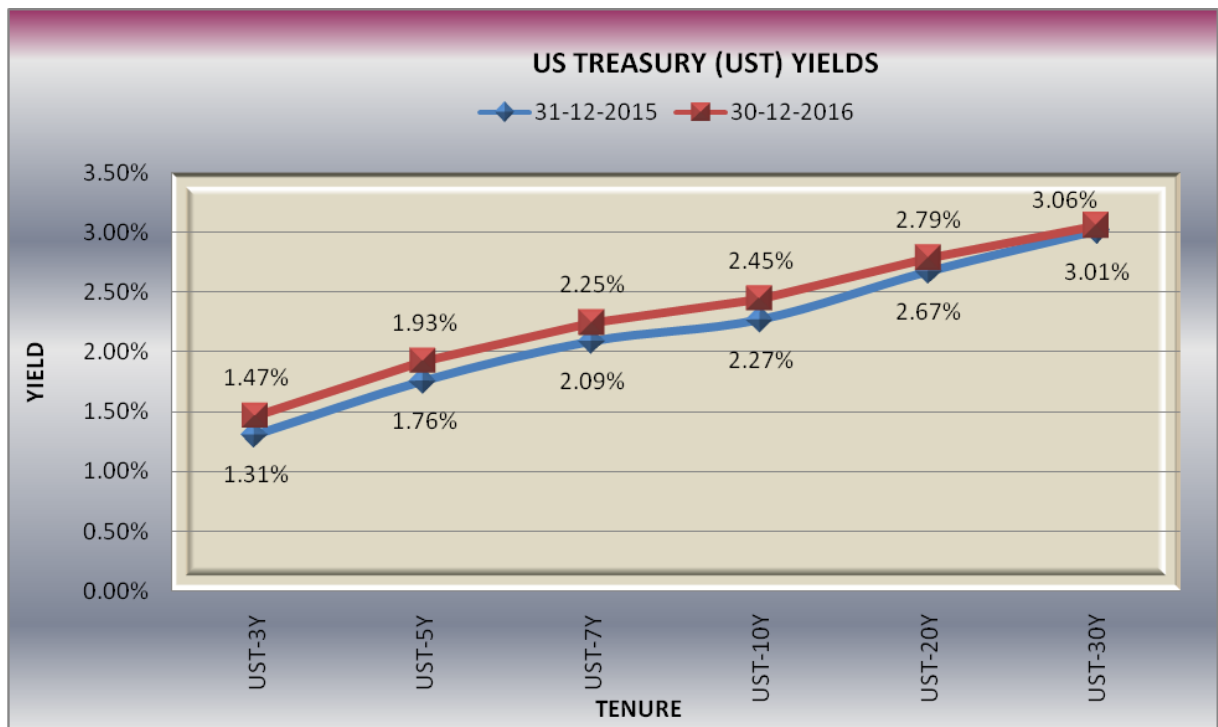
(Source: Bank Negara Malaysia, Bloomberg and RHB Research Institute Sdn Bhd)

ii) Bond Market and Money Market Review

Global

- US Treasury yields started creeping higher after the US November election and ahead of the Federal Open Market Committee (FOMC) meeting in December 2016 whereby the FOMC decided to increase its Fed Fund Rate by 25bps. Inflation outlook for the US economy have somewhat quickened, with investors anticipating upcoming Trump policies to boost inflation outlook. Market players are pricing in the prospects of 2 rate hikes by the Fed in 2017.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 December 2016

Local

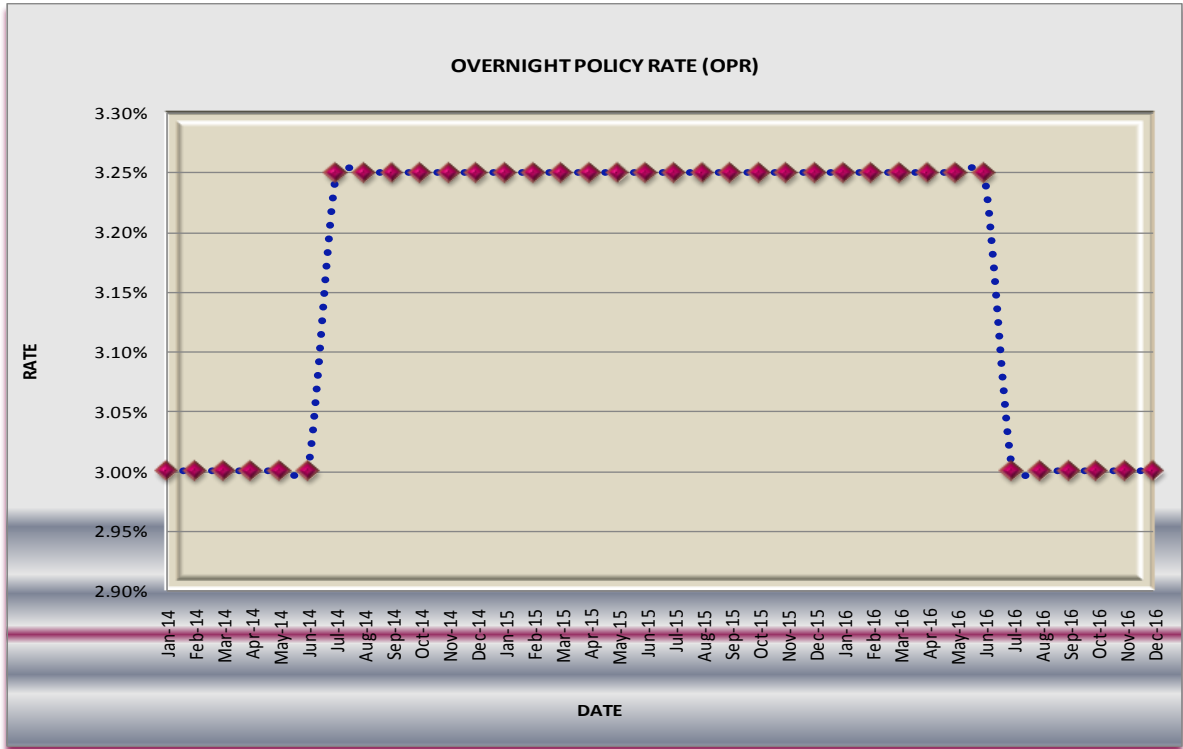
- Malaysia's sovereign bond was led by the after-effects of so-called forward guidance and actual monetary policy actions by central banks i.e. BNM and US Fed. The yield disparity advantage of MYR bonds vis-a-vis returns on USD assets played a major role in attracting funds onto onshore Malaysia. However, short term volatility was still great in certain periods, influenced by movements in global crude oil price, USD/MYR, Fed hike speculation, and other external influences. The 3-year MGS rose above the 3.00% OPR level just before the US presidential election amid external risks.

Table 1: Sukuk/ Islamic Bond Yields

Tenure/ Date	30 December 2016 (%)	31 December 2015 (%)	Change* (bps)
3 Year Bonds			
GII	3.66	3.35	31.0
AAA Corporate	4.26	4.25	1.0
5 Year Bonds			
GII	3.80	3.85	(5.0)
AAA Corporate	4.44	4.44	0.0
7 Year Bonds			
GII	4.10	4.35	(25.0)
AAA Corporate	4.54	4.69	(15.0)
10 Year Bonds			
GII	4.37	4.52	(15.0)
AAA Corporate	4.68	4.81	(13.0)

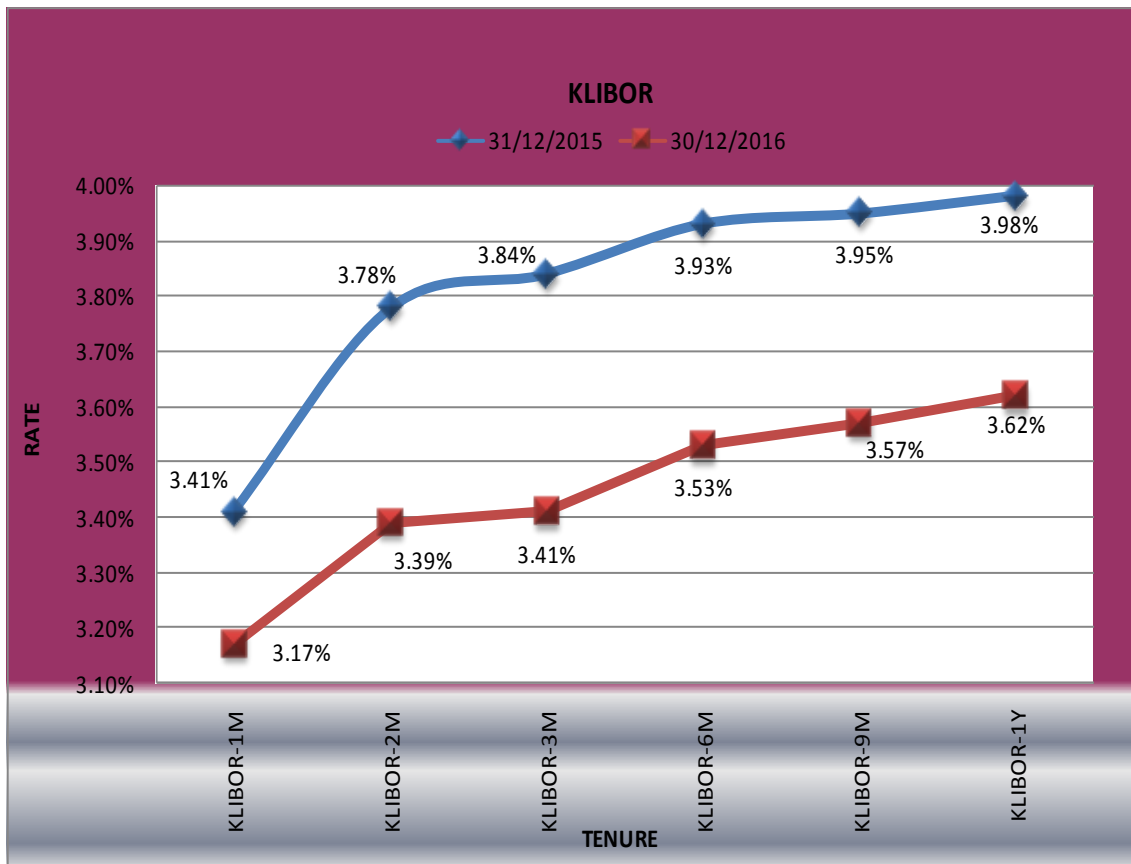
Source: Bond Pricing Agency Malaysia (BPAM), 30 December 2016

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 December 2016

Figure 3: KLIBOR



Source: Bank Negara Malaysia, 30 December 2016

5.0 MARKET OUTLOOK AND STRATEGY

- Looking forward, in the event of increased downside risk to growth projection in 2017, BNM may be open for another interest rate cut. Nevertheless, it is subject to any major move in external economic conditions, 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 TRUSTEE'S REPORT



FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

To the Unit Holders of

BIMB *i* CASH MANAGEMENT FUND 3

We, AMANAHRAYA TRUSTEES BERHAD, have acted as Trustee of BIMB *i* CASH MANAGEMENT FUND 3 for the financial period ended 31 December 2016. In our opinion, BIMB INVESTMENT MANAGEMENT BERHAD, the Manager, has operated and managed BIMB *i* CASH MANAGEMENT FUND 3 in accordance with the limitations imposed on the investment powers of the management company under the Deed, securities laws and the applicable Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework during the financial period then ended.

We are of the opinion that:

- (a) Valuation and pricing is carried out in accordance with the Deed and any regulatory requirement;
- (b) Creation and cancellation of units are carried out in accordance with the Deed and any regulatory requirement; and
- (c) The distribution of income made by BIMB *i* CASH MANAGEMENT FUND 3 as declared by the Manager is appropriate and reflects the investment objective of BIMB *i* CASH MANAGEMENT FUND 3.

Yours faithfully

AMANAHRAYA TRUSTEES BERHAD

ZAINUDIN BIN SUHAIMI

General Manager

Kuala Lumpur, Malaysia

Date: 21 February 2017

7.0 SHARIAH COMMITTEE'S REPORT

ANNUAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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 31 December 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)

Date: 21 February 2017

8.0 DIRECTORS' DECLARATION

ANNUAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

To the Unitholders of
BIMB *i* CASH MANAGEMENT FUND 3

We, Dato' Ghazali bin Awang and Najmuddin bin Mohd Lutfi, being two of the Directors of the Manager, BIMB Investment Management Berhad, for BIMB *i* Cash Management Fund 3 do hereby state that in our opinion, the accompanying Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Net Asset Value and Statement of Cash Flows are drawn up so as to give a true and fair view of the Statement of Financial Position of the Fund as at 31 December 2016 and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Net Asset Value and Statement of Cash Flows for the period ended on that date.

For and on behalf of the Board of Directors,
BIMB Investment Management Berhad

.....
DATO' GHAZALI BIN AWANG
(Non Executive Independent Director)

.....
NAJMUDDIN BIN MOHD LUTFI
(Chief Executive Officer)

Date: 21 February 2017

9.0 INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the Unitholders of BIMB *i* Cash Management Fund 3

(Established in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BIMB *i* Cash Management Fund 3 ("the Fund"), which comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 14 December 2015 (date of commencement) to 31 December 2016, then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 41.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2016, and of its financial performance and its cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Wholesale Funds in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Trustee for the Financial Statements

The Manager of the Fund is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Securities Commission's Guidelines on Wholesale Funds in Malaysia. The Manager is also responsible for such internal control as the Manager determine is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error. The trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentations of these financial statement.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit conducted in accordance with approved standards on auditing in Malaysia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Fund, as a body, in accordance with Securities Commission's Guidelines on Wholesale Funds in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat PLT
(LLP0010082-LCA & AF 0759)
Chartered Accountants

Ow Peng Li
Approval Number: 2666/09/17(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 21 February 2017

10.0 FINANCIAL STATEMENTS (AUDITED)

10.1 Statement of Financial Position as at 31 December 2016

	Note	2016 RM
Current assets		
Cash and cash equivalents	4	<u>15,143</u>
Total assets		<u>15,143</u>
Current liabilities		
Amount due to Manager		220
Other payables		<u>13,923</u>
Total liabilities		<u>14,143</u>
		<u>1,000</u>
Unitholders' fund		
Unitholders' capital	5	1,000
Retained profits		-
		<u>1,000</u>
Number of units in circulation		<u>1,000</u>
Net asset value attributable to unitholders		<u>1,000</u>
Net asset value per unit (sen)		<u>100</u>

The notes on pages 27 to 41 are an integral part of these financial statements.

10.2 Statement of Profit or Loss and Other Comprehensive Income for the financial period from 14 December 2015 (date of commencement) to 31 December 2016

	Note	14.12.2015 to 31.12.2016 RM
Income		
Income from short term investments		1,933,791
Hibah from Al-Wadiah account		878
Gross income		<u>1,934,669</u>
Expenses		
Manager's fee	6	93,553
Trustee's fee	7	12,474
Audit fee		10,911
Tax agent's fee		2,976
Administrative expenses		6,998
		<u>126,912</u>
Net income before taxation		
Tax expense	8	-
Net income after taxation		<u>1,807,757</u>
Other comprehensive income for the period		<u>-</u>
Total comprehensive income for the period		<u><u>1,807,757</u></u>
Total comprehensive income for the period consist of:		
Realised amount		1,807,757
Unrealised amount		-
		<u><u>1,807,757</u></u>

The notes on pages 27 to 41 are an integral part of these financial statements.

10.3 Statement of Changes in Net Asset Value for the financial period from 14 December 2015 (date of commencement) to 31 December 2016

	Note	Unitholders' capital RM	Retained Profits RM	Total RM
As at date of commencement		-	-	-
Movement in unitholders' contribution or distribution				
Creation of units via cash		115,001,000	-	115,001,000
Reinvestment of distributions		54,219	-	54,219
Distributions	9	-	(2,015,615)	(2,015,615)
Adjustment due to withdrawal of deposit		(207,858)	207,858	-
Cancellation of units	9	(114,846,361)	-	(114,846,361)
Total attributable to unitholders		1,000	(1,807,757)	(1,806,757)
Net income for the period		-	1,807,757	1,807,757
As at 31 December 2016		<u>1,000</u>	<u>-</u>	<u>1,000</u>

The notes on pages 27 to 41 are an integral part of these financial statements.

10.4 Statement of Cash Flows for the financial period from 14 December 2015 (date of commencement) to 31 December 2016

	2016
	RM
Cash flows from operating activities	
Income from short term investments	1,933,791
Hibah from Al-Wadiah account	878
Management fee paid	(93,346)
Trustee fee paid	(12,446)
Payment for administrative expenses	(6,977)
Net cash generated from operating activities	<u>1,821,900</u>
Cash flows from financing activities	
Cash receipt for creation of units	115,001,000
Cash payment for cancellation of units	(114,846,361)
Payment of distributions	(1,961,396)
Net cash used in from financing activities	<u>(1,806,757)</u>
Net increase in cash and cash equivalents	15,143
Cash and cash equivalents at beginning of the financial period	<u>-</u>
Cash and cash equivalents at end of the financial period	<u><u>15,143</u></u>
Cash and cash equivalents comprise:	
Short term placements	-
Cash at bank	15,143
	<u>15,143</u>

The notes on pages 27 to 41 are an integral part of these financial statements.

BIMB *i* Cash Management Fund 3

10.5 Notes to the financial statements

1. Information on the Fund

BIMB *i* Cash Management Fund 3 (hereinafter referred to as “the Fund”) was constituted pursuant to the execution of a Deed dated 9 December 2015 between the Manager - BIMB Investment Management Berhad, the Trustee – AmanahRaya Trustees Berhad and the registered unitholders of the Fund. The address of the registered office and principal place of business of the Fund are as follows:

Registered office

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

Principal place of business

Level 19, Menara Bank Islam
No.22, Jalan Perak
50450 Kuala Lumpur

The principal activity of the Fund is to invest in authorised investments as defined in the Deed, which include investments in short term placements.

The Manager, BIMB Investment Management Berhad, a company incorporated in Malaysia, is a subsidiary of Bank Islam Malaysia Berhad.

The financial statements were approved by the Board of Directors of the Manager on 21 February 2017.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), the Deed and Securities Commission’s Guidelines on Wholesale Funds (“Guidelines”) in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Fund:

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Fund plans to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The Fund is currently assessing the financial impact of adopting the abovementioned standards, amendments and interpretations.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except as disclosed in Note 3(a)(ii).

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial instruments

(i) Initial recognition and measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Fund categorises financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Financing and receivables*

Financing and receivables category are debt instruments that are not quoted in an active market and these comprises amount due from Manager, other receivables, cash and cash equivalents and short term investments.

Financial assets categorised as financing and receivables are subsequently measured at amortised cost using the effective profit method.

All financial assets except for those measured at fair value through profit or loss, are subject to review for impairment, Note 3(e).

Financial liabilities

Financial liabilities measured at amortised cost comprises amount due to Manager, other payables and distribution payable.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Income recognition

Income from short term investments

Income from short term investments is recognised as it accrues using the effective profit method in profit or loss.

(c) Short term investments

Short term investments are mainly Commodity Murabahah, Short Term Money Market Deposit i and Term Deposit i Tawarruq with maturity more than 30 days and less than 1 year. Short term investments are categorised and measured as financing and receivables in accordance with Note 3(a)(ii)(b).

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and short term placements with licensed financial institutions which have insignificant risk of changes in fair value with original maturities of less than 30 days, and are used by the Fund in the management of its short term commitments.

Cash and cash equivalents are categorised and measured as financing and receivables in accordance with policy Note 3(a)(ii)(b).

3. Significant accounting policies (continued)

(e) Impairment

Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of financing and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

(f) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date.

(g) Unitholders' capital

The Fund issues cancellable units, which are cancelled at the unitholder's option and are classified as equity. Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The outstanding units is carried at the redemption amount that is payable at the financial position date if the unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net asset attributable to unitholders' with the total number of outstanding units. In accordance with the Securities Commission's Guidelines on Wholesale Funds in Malaysia, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and cancellations.

The units in the Fund are puttable instruments, classified as equity, which entitle the unitholders to a pro-rata share of the net asset of the Fund. The units are subordinated and have identical features. There is no contractual obligation to deliver cash or another financial asset other than the obligation on the Fund to repurchase the units. The total expected cash flows from the units are based on the change in the net asset of the Fund.

3. Significant accounting policies (continued)

(h) Distribution

Distribution is at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as an equity in the year in which they are declared.

(i) Net Asset Value

The Net Asset Value is calculated after deducting the retained earnings allocated for distribution.

(j) Fair value measurement

The Fund adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fund recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Cash and cash equivalents

	2016 RM
Cash at bank*	<u>15,143</u>

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

5. Unitholders' capital

	No of units	RM
At date of commencement	-	-
Creation of units	115,055,219	115,055,219
Cancellation of units	(115,054,219)	(115,054,219)
As at 31 December 2016	<u>1,000</u>	<u>1,000</u>

Based on historical information over the financial period, redemption levels are expected to approximate RM115,054,219.

6. Manager's fee

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

7. Trustee's fee

The trustee's fee was charged at a rate of 0.02% per annum of the net asset value of the Fund calculated on a daily basis.

8. Tax expense	14.12.2015 to 31.12.2016 RM
Tax expense	
- Current period	-
<hr/>	
Reconciliation of effective tax expense	
Net income before tax	1,807,757
	<hr/>
Income tax using Malaysian tax rate @ 24%	433,862
Non-deductible expenses	30,459
Income not subject to tax	(464,321)
	<hr/>
	<hr/>

9. Distribution	14.12.2015 to 31.12.2016 RM
Distribution to unitholders is from the following sources:	
Income from short term investments	*2,141,649
Hibah from Al-Wadiah account	878
	<hr/>
	2,142,527
Less:	
Expenses	(126,912)
Net distribution	<hr/>
	2,015,615
	<hr/>

The Manager had declared a net distribution of 3.25 sen per unit based on monthly units in circulation amounting to RM2,015,615 in respect of the current financial year.

* Before adjusting for accrued profit forgone amounting to RM207,858 due to premature withdrawal of deposits.

Distribution date	2016	
	Sen	RM
31 December 2015	0.19	56,762
31 January 2016	0.21	123,781
29 February 2016	0.33	264,374
31 March 2016	0.34	338,542
30 April 2016	0.32	317,044
31 May 2016	0.35	351,561

Distribution date (continued)	2016	
	Sen	RM
30 June 2016	0.13	93,565
31 July 2016	0.30	212,767
31 August 2016	0.29	217,500
30 September 2016	0.26	13,038
31 October 2016	0.27	13,574
30 November 2016	0.26	13,107
	<u>3.25</u>	<u>2,015,615</u>

10. Units held by the Manager

The number and value of units held legally or beneficially by the Manager is as follows:

	As at 31.12.2016	
	Units	RM
BIMB Investment Management Berhad	<u>1,000</u>	<u>1,000</u>

11. Transactions with related parties

Other than as disclosed in Note 4, 5 and 10 of the financial statements, other transaction with related parties are as follow:

	Transaction as at 2016 RM	Balance as at 2016 RM
<i>The Manager</i>		
BIMB Investment Management Berhad		
- Management fee	<u>93,553</u>	<u>220</u>
<i>Holding company of the Manager</i>		
Bank Islam Malaysia Berhad		
- Income from short term placement	<u>(48,825)</u>	<u>-</u>
<i>The Trustee</i>		
AmanahRaya Trustee Berhad		
- Trustee fee	<u>12,474</u>	<u>29</u>

12. Transactions with financial institutions

	Value of Trade RM	% of Total trade
<i>Short term investments</i>		
14 December 2015 to 31 December 2016		
Al Rajhi Banking & Investment Corporation (M) Berhad	173,630,923	68.40
Bank Simpanan Nasional Berhad	39,835,214	15.69
Asian Finance Bank Berhad	20,418,849	8.04
Bank Islam Malaysia Berhad*	19,985,965	7.87
	<u>253,870,951</u>	<u>100.00</u>

* Transaction with the related parties have been entered into the normal course of business and have been transacted at arm's lengths basis.

13. Management Expense Ratio ("MER")

The management expense ratio for the financial period is 0.20%. Management expense ratio is the ratio of total fees and recovered expenses of the Fund expressed as a percentage of the Fund's average net asset value. It is a total management expenses expressed as an annual percentage of the Fund's average net asset value.

14. Portfolio Turnover Ratio ("PTR")

The portfolio turnover ratio for the financial period is 4.26 times. It represents the average of total acquisitions and disposals of the investments in the Fund for the financial period over the average net asset value of the Fund calculated on a daily basis.

15. Financial instruments

15.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Financing and receivables (“F&R”);
- (b) Fair value through profit or loss (“FVTPL”);
- (c) Financial liabilities measured at amortised cost (“FL”).

	Carrying amount RM	F&R/(FL) RM	FVTPL RM
2016			
Financial assets			
Cash and cash equivalents	15,143	15,143	-
Financial liabilities			
Payables	(14,143)	(14,143)	-

15.2 Net gains and losses arising from financial instruments

	2016 RM
Net income on:	
Financing and receivables	1,934,669

15.3 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Investment risk

15. Financial instruments (continued)

15.4 Credit risk

Credit risk is the risk of a financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund's exposure to credit risk arises principally from its short term investments and cash and cash equivalents.

Risk management objectives, policies and processes for managing the risk

The Manager manages the credit risk by setting counterparty limits and undertaking credit evaluation to minimise the risk. The exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

15.5 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's exposure to liquidity risk arises principally from its various payables.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash at bank and short term investments, which are capable of being converted into cash within 7 days.

15. Financial instruments (continued)

15.6 Market risk

Market risk is the risk that changes in market prices, such as profit rates and market prices that will affect the Fund's financial position or cash flows.

Profit rate risk

The profit rate profile of the Fund's significant profit-bearing financial instruments, based on carrying amounts as at the end of reporting period was:

	2016
	RM
Fixed rate instruments	
Cash and cash equivalents	
- Short term placements with maturity less than 30 days	15,143
	<hr/>

Fair value sensitivity analysis for fixed rate instruments

The Fund does not accounts for any fixed rate financial assets and liabilities at fair value through profit or loss, and hence is not significantly exposed to profit rate risk.

15.7 Investment risk

Investments are bound by regulatory guidelines that govern the maximum securities holdings and maximum liquid assets holdings.

Investment risks for fixed income funds are in the form of profit rate and credit risks. To manage these risks, investments will be in investment grade sukuks.

Risk management objectives, policies and processes for managing the risk

The Manager has written policies and guidelines on risk management, which set out the overall investment risks strategies and general risk management philosophies. These processes monitor, measure and control risks associated with the business. Matters relating to investment risks in respect of Funds portfolio are discussed during the Investment Committee meetings of the Manager held at least 6 times a year.

15.8 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term investments, receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

16. Capital management

The Fund's capital is represented by the unitholders' fund in the statement of financial position. The Manager of the Fund monitors the adequacy of capital on an ongoing basis. There is no external capital requirement imposed on the Fund.

17. Comparatives

No comparatives are included in the financial statements because this is the Fund's first set of financial statements after the Fund commenced operations on 14 December 2015.

11.0 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, 6th 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