

BIMB *i* CASH MANAGEMENT FUND 3

**THIRD QUARTER REPORT
FOR THE FINANCIAL PERIOD FROM
1 JULY 2017 TO 30 SEPTEMBER 2017**



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1.0 FUND KEY INFORMATION

1.1 Fund Name

BIMB *i* Cash Management Fund 3 (“BiCMF3”)

1.2 Fund Type

Income

1.3 Fund Category

Wholesale Islamic Money Market Fund

1.4 Fund Investment Objective

The Fund seeks to provide liquidity* and regular income stream**, whilst maintaining capital stability*** by investing in Islamic money market instruments.

Note:

**liquidity refers to redemption payment made on T or T+1 whereby T is the Business Day where a request/application to redeem is received by the Manager before the cut-off time of 10.30am.*

*** Income will be in the form of cash or Units.*

**** The Fund is not a capital guaranteed fund or a capital protected fund.*

Any material changes to the investment objective would require Unitholders' approval.

1.5 Investor Profile

The Fund is for Sophisticated Investors who are favoring regular income stream* and capital stability**:

**Income will be in the form of cash or Units.*

***The Fund is not a capital guaranteed fund or a capital protected fund.*

1.6 Distribution Policy and Mode of Distribution

The Fund will distribute income at least once a month, subject to availability of income.

1.7 Risk Factors

The specific risks of the Fund include:

Credit/ Default Risk

The risk arises when the issuer of a Sukuk or money market instrument is unable to service any periodic obligations, e.g. profit payments and/or pay the principal amount when due. In such cases, investors will suffer significant losses. This risk can be mitigated by investing in Sukuk carrying a minimum credit rating of AA3 by RAM or AA by MARC or an equivalent credit rating by any other credit rating agencies or a minimum short term credit rating of P1 by RAM or MARC-1 by MARC or its equivalent. This risk is also mitigated by credit analysis conducted by the Manager to determine the issuer's ability to service promised payments.

Profit Rate Risk

Changes in the level of general interest rates* may cause prices of Sukuk or money market instrument to change inversely. When interest rates rise, Sukuk prices generally decline and this will lower the market value of the Fund's investment in Sukuk. The Manager manages profit/interest rate risk of Sukuk or money market instruments by considering their sensitivity to profit/interest rate changes as measured by its duration.

* Note: The term interest rate does not in any way suggest that this Fund will invest in securities or instruments, which are Shariah non-compliant. All investments carried out for the Fund are in accordance with principles of the Shariah.

Liquidity Risk

Liquidity risk is the risk that the security invested in cannot be readily sold and converted into cash. This can occur when trading volume for the security is low and/or when there is a lack of demand for the security causing the fund manager to liquidate the security at a discount to fair value. This may adversely impact the Fund's NAV per unit. The Fund manages liquidity risk by investing in Islamic money market instruments.

2.0 INVESTMENT POLICY AND STRATEGY

2.1 Asset Allocation

The Fund may invest:

- at least 90% of its NAV in short term money market instruments; and
- up to 10% of its NAV in permitted investments which have a remaining maturity period of more than 365 days but less than 732 days.

2.2 Investment Policy and Strategy

The Fund seeks to achieve its objective by investing at least 90% of its NAV in short term money market instruments.

Up to 10% of the Fund's NAV may be invested in permitted investments which have a remaining maturity period of more than 365 days but less than 732 days.

The investment policy is to invest in liquid short term investments with a capital preservation. The Fund will also be actively managed to provide liquidity.

2.3 Benchmark

The benchmark for the Fund is based on the 1-month Term Deposit-i (Tawarruq) of Bank Islam Malaysia Berhad.

However, please note that the risk profile of the Fund may be higher than the risk profile of the benchmark

2.4 Policy on Rebates and Soft Commissions

The Manager or any delegate thereof shall not retain any rebate from, or otherwise share in any commission with, any broker in consideration for direct dealings in the investments of the Fund. Accordingly, any rebate or shared commission shall be directed to the account of the Fund concerned. However, the Manager or any delegate thereof may retain goods and services ("Soft Commissions") from any broker/dealer, only if the goods and services are of demonstrable benefit to the Unitholders such as research materials and advisory services which are incidental to the investment management activities of the Fund.

3.0 MANAGER'S REPORT

This Quarterly Report covers the financial period from 1 July 2017 to 30 September 2017.

3.1 Fund Performance Review

	As at 30 September 2017
Net Asset Value (RM)	300,012,320
Units In Circulation	300,012,320
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)	2.50
Benchmark Returns (%) ^(d)	2.30

(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 2017 to 30 September 2017

(d) After tax annualised benchmark return for the financial period from 1 July 2017 to 30 September 2017

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

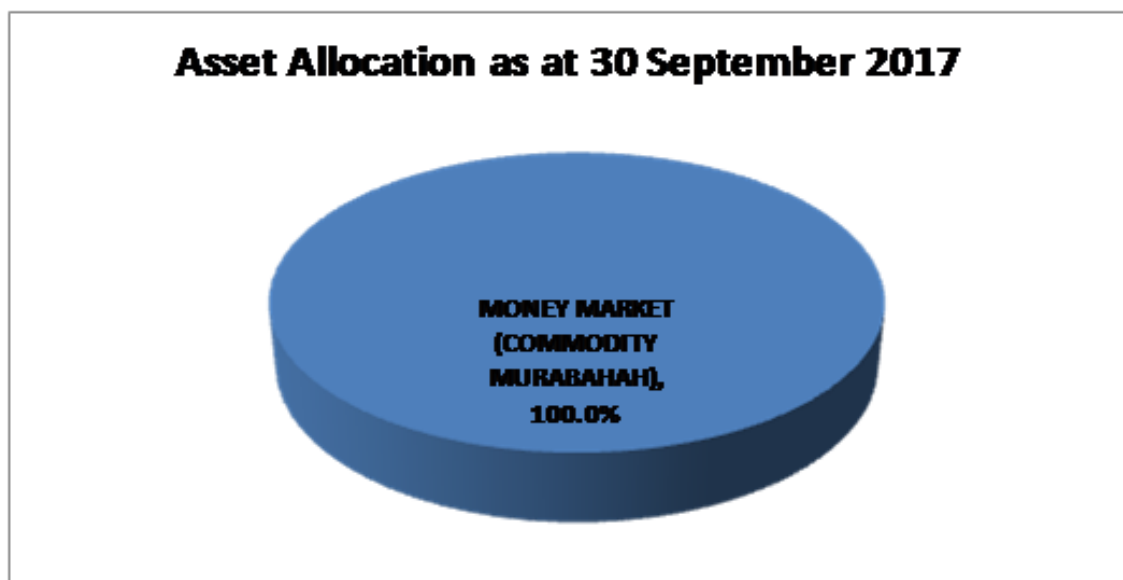
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 2.50%, outperformed its benchmark by 0.20% (based on the annualised return). The Fund's return of 2.50% 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 RM1,849,449. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 September 2017, the NAV of the Fund was at RM300,012,320 and the total units in circulation of the Fund stood at 300,012,320 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 2017.

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	30 September 2017 (%)
Money Market (Commodity Murabahah)	100.0
Total	100.0

As at 30 September 2017, the Fund was fully invested in Commodity Murabahah.

3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 July 2017 – 30 September 2017			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
31 July 2017	0.28	0.21	628,913
31 August 2017	0.27	0.21	615,526
30 September 2017	0.27	0.20	605,010
Total	0.82	0.62	1,849,449

3.4 Impact on NAV arising from Income Distribution

As at 30 September 2017	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	299,407,310	300,012,320
Units In Circulation	299,407,310	300,012,320

3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 September 2017 (%)
Below 5,000	0	0.00	0.00
5,001 to 10,000	0	0.00	0.00
10,001 to 50,000	0	0.00	0.00
50,001 to 500,000	0	0.00	0.00
500,001 and above	1	300,012,319.85	100.00
Total	1	300,012,319.85	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

- The United States (US) Gross Domestic Product (GDP) grew by 2.6% in the second quarter of 2017 as compared to 1.2% growth in the first quarter of 2017 and 1.8% in the fourth quarter of 2016. Other data such as US inflation rate remains healthy at 1.9% in August 2017 while US unemployment rate continues to improve to 4.4% in August 2017 as compared to 5.0% in September 2016. These strong results would pave the way for more potential rate hikes and quantitative tightening for the US in the near term.
- The Euro zone economy grew by 0.6% in the second quarter of 2017 as compared to 0.5% in the first quarter 2017 and 0.6% in the fourth quarter of 2016. The Euro zone economic recovery has gained momentum while unemployment has fallen against a backdrop of ultra-low interest rates which are among the measures implemented by the European Central Bank (ECB) to boost economic activity.
- The Chinese economy grew by 6.9% for the second quarter of 2017, maintaining the same economic growth rate in the first quarter of 2017 as industrial output and private consumption improved, aided by a robust property market and recovery in the exports sector. Overall, global major economies appear to be recovering in tandem while market sentiment for the emerging markets improved during the period under review.

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

Local

- The Malaysian economy grew faster at 5.8% in the second quarter of 2017 as compared to 5.6% in the first quarter 2017 and 4.5% in the fourth quarter 2016. The stronger GDP growth for the period was due to improvements in private consumption and exports. Malaysia's inflation on the other hand rose to 3.7% in August 2017, up from 1.5% in September 2016 driven by higher oil prices and stronger GDP performance.
- Despite the higher inflationary pressure faced by the local economy, Bank Negara Malaysia's Monetary Policy Committee (MPC) had decided to maintain the Overnight Policy Rate (OPR) at 3.00% during its July meeting to accommodate and support growth prospect for the country. Bank Negara's international reserve rose to USD 100.5 billion as at 30 August 2017 as compared to USD 97.7 billion in September 2016 due to increased capital inflow from foreign institutional investors into Malaysia.

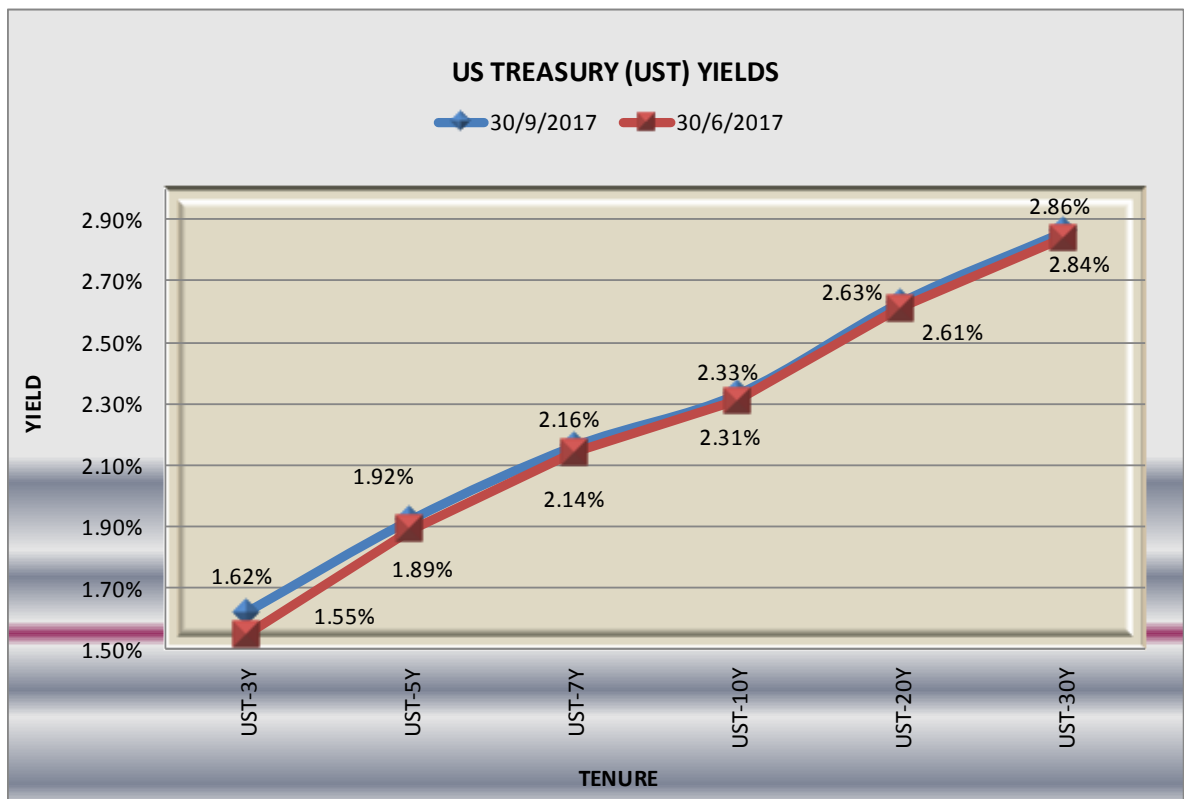
(Source: Bloomberg, Bank Negara Malaysia and RHB Research Institute Sdn Bhd)

ii) Bond Market and Money Market Review

Global

- US Treasury yields stood on firmer footing in early of the quarter, supported by safe haven demand amid geopolitical risks and mixed data. However, yields rebounded from lows around 2.02% to 2.33% by late September which was lifted by Trump's tax reforms plan unveiling and renewed expectation on Fed tightening.

Figure 1: US Treasury Yields



Source: US Treasury Department, 30 September 2017

Local

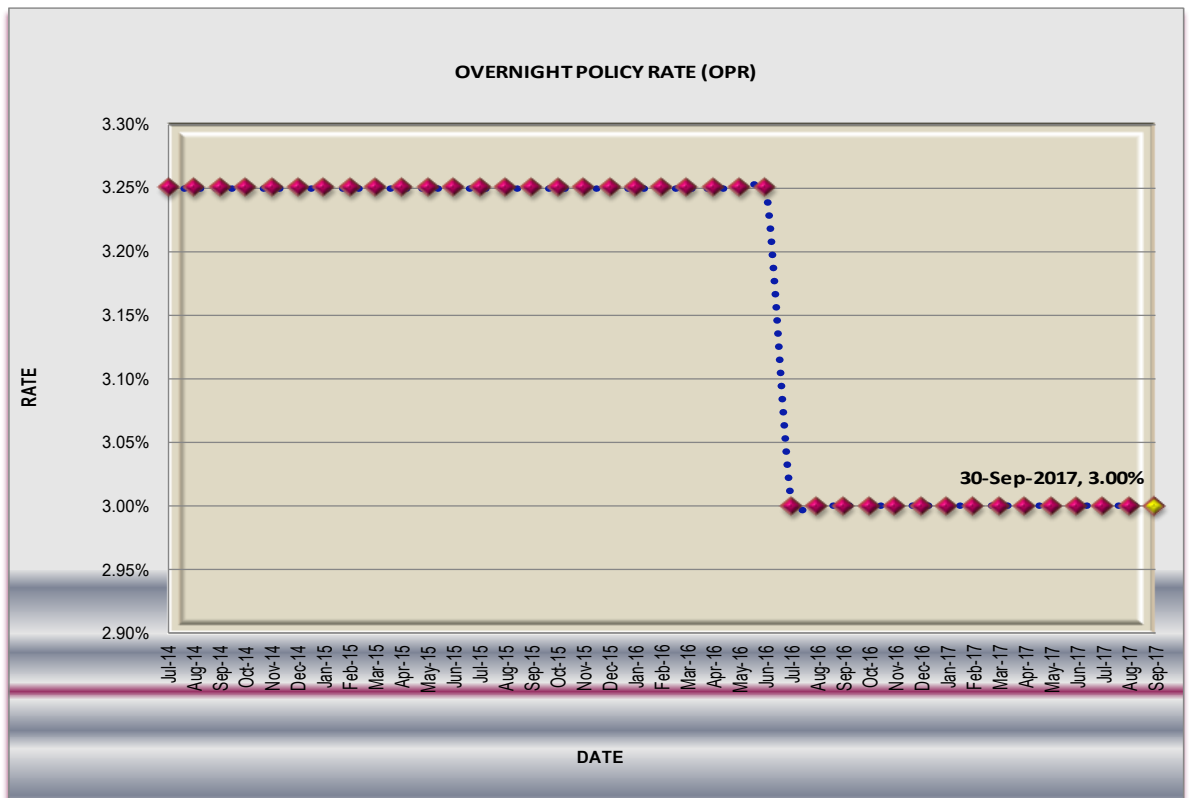
- The Malaysian Government Securities (MGS) and Government Investment Issue (GII) dominated the local bond market activities with traded volume of RM189.16 billion for the period under review. Both government and corporate bond yields declined over the period under review in conjunction with MYR strength which was possibly driven by positive foreign flows. However, bonds weakened late in the month of September, tracking losses in global bonds reacting to the renewed anticipation of Dec hike by Fed and Trump's tax reforms.

Table 1: Sukuk/ Islamic Bond Yields

Tenure/ Date	30 September 2017 (%)	30 June 2017 (%)	Change* (bps)
3 Year Bonds			
GII	3.58	3.66	(8.0)
AAA Corporate	4.14	4.19	(5.0)
5 Year Bonds			
GII	3.82	3.87	(5.0)
AAA Corporate	4.29	4.28	1.0
7 Year Bonds			
GII	4.04	3.99	5.0
AAA Corporate	4.45	4.42	3.0
10 Year Bonds			
GII	4.13	4.11	2.0
AAA Corporate	4.61	4.63	(2.0)

Source: Bond Pricing Agency Malaysia (BPAM), 30 June 2017

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 September 2017

5.0 MARKET OUTLOOK AND STRATEGY

- While the global economy continues to expand at a moderate pace, there has been increasing divergence in the growth momentum among the major economies. For most of Asia, growth is supported by the continued expansion of domestic demand. Looking ahead, the global economy is expected to continue on a moderate recovery path.
- For Malaysia, the resilience of domestic consumption remains the support for growth. With higher spending on infrastructure projects underway, higher public sector wages adjustments, improve outlook for Crude Palm Oil production volume and a rebound in Government consumption and expenditure will help to improve corporate earnings and consumer spending for the year.
- Bank Negara Malaysia's Monetary Policy Committee (MPC) kept the overnight policy rate (OPR) unchanged at 3.00% for its sixth straight meeting on 13 July 2017. Looking forward, it is expected that BNM will maintain the OPR at 3.00% for the rest of 2017. It is believed that the monetary policy would unlikely be tightened for the remaining part of this year as inflation would likely normalize, improved outlook on the economy as well as a stabilizing Ringgit going forward.

6.0 FINANCIAL STATEMENTS

6.1 Unaudited Statement of Financial Position as at 30 September 2017

	Note	30.9.2017 (unaudited) RM	31.12.2016 (audited) RM
Assets			
Cash and cash equivalents	1	300,026,590	15,143
Other receivables		218,082	-
Total assets		<u>300,244,672</u>	<u>15,143</u>
Liabilities			
Amount due to Manager		-	220
Tax payable		197,612	-
Other payables		34,740	13,923
Total liabilities		<u>232,352</u>	<u>14,143</u>
Net asset value		<u>300,012,320</u>	<u>1,000</u>
Unitholders' fund			
Unitholders' capital	4	<u>300,012,320</u>	<u>1,000</u>
Net asset value attributable to unitholders		<u>300,012,320</u>	<u>1,000</u>
Number of units in circulation	4	<u>300,012,320</u>	<u>1,000</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 July 2017 to 30 September 2017

	Note	1.7.2017 to 30.9.2017 RM	1.7.2016 to 30.9.2016 RM
Income			
Income from short term investments		2,480,289	297,214
Income from premature withdrawal		-	181,615
Hibah from Al-Wadiah account		4	312
Gross income		<u>2,480,293</u>	<u>479,141</u>
Expenses			
Manager's fee	2	14,958	26,624
Trustee's fee	3	3,740	3,550
Audit fee		-	2,773
Tax agent's fee		-	756
Administrative expenses		18,794	1,827
		<u>37,492</u>	<u>35,530</u>
Net income before taxation		2,442,801	443,611
Taxation		<u>(593,352)</u>	-
Net income after taxation		1,849,449	443,611
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>1,849,449</u>	<u>443,611</u>
Total comprehensive income for the period consist of:			
Realised income		<u>1,849,449</u>	<u>443,611</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 2017 to 30 September 2017

	Note	Unitholders' capital RM	Retained profits RM	Total RM
As at 1 July 2016		70,000,000	-	70,000,000
Creation of units via cash		5,027,538	-	5,027,538
Cancellation of units		(70,000,000)	-	(70,000,000)
Distributions	5	-	(443,611)	(443,611)
Total attributable to unitholders		(64,972,462)	(443,611)	(65,416,073)
Total comprehensive income for the period		-	443,611	443,611
As at 30 September 2016		<u>5,027,538</u>	<u>-</u>	<u>5,027,538</u>
As at 1 July 2017		299,838,896	-	299,838,896
Creation of units via cash		-	-	-
Reinvestment of distribution		1,849,449	-	1,849,449
Cancellation of units		(1,676,025)	-	(1,676,025)
Distributions	5	-	(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	1,849,449
As at 30 September 2017		<u>300,012,320</u>	<u>-</u>	<u>300,012,320</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 2017 to 30 September 2017

	1.7.2017 to 30.9.2017 RM	1.7.2016 to 30.9.2016 RM
Cash flows from operating activities		
Maturity of short term investments	-	63,954,943
Income from short term investments	2,323,576	1,181,343
Hibah from Al-Wadiah account	4	-
Tax paid	(612,294)	-
Management fee paid	(14,956)	(29,102)
Trustee fee paid	(3,739)	(3,880)
Tax agent fee paid	(3,000)	-
Payment for administrative expenses	(1,480)	(1,995)
Net cash generated from operating activities	<u>1,688,111</u>	<u>65,101,309</u>
Cash flows from financing activities		
Income from premature withdrawal	-	181,615
Cash receipt for creation of units	-	5,000,000
Distribution paid	-	(509,332)
Cash payment for cancellation of units	(1,676,025)	(70,000,000)
Net cash used in financing activities	<u>(1,676,025)</u>	<u>(65,327,717)</u>
Net increase/(decrease) in cash and cash equivalents	12,086	(226,408)
Cash and cash equivalents at 1 July	300,014,504	250,991
Cash and cash equivalents at 30 September	<u>300,026,590</u>	<u>24,583</u>
Cash and cash equivalents comprise:		
Short term placements	300,000,000	-
Cash at bank	26,590	24,583
	<u>300,026,590</u>	<u>24,583</u>

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

6.5 Unaudited Notes to the Financial Statements

1. Cash and cash equivalents

	As at 30.9.2017 RM	As at 31.12.2016 RM
<i>Short term placements with maturity less than 30 days:</i>		
Commodity Murabahah	300,000,000	-
Cash at bank*	26,590	15,143
	<u>300,026,590</u>	<u>15,143</u>

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

2. Manager's fee

The manager's fee payable to the Manager of the Fund is based on 0.02% (30.9.2016: 0.15%) per annum of the net asset value of the Fund calculated on a daily basis.

3. Trustee's fee

The trustee's fee payable to the trustee is based on 0.01% (30.9.2016: 0.02%) per annum of the net asset value of the Fund calculated on a daily basis.

4. Unitholders' capital

	1.7.2017 to 30.9.2017		14.12.2015 to 31.12.2016	
	No. of units	RM	No. of units	RM
At beginning of the period/commencement	299,838,896	299,838,896	-	-
Creation during the period	1,849,449	1,849,449	115,055,219	115,055,219
Cancellation during the period	(1,676,025)	(1,676,025)	(115,054,219)	(115,054,219)
At end of period	300,012,320	300,012,320	1,000	1,000

5. Distributions

	1.7.2017 to	1.7.2016 to
	30.9.2017	30.9.2016
	RM	RM
Distribution to unitholders is from the following sources:		
Income from short term investments	2,480,289	297,214
Income from premature withdrawal	-	181,615
Hibah from Al-Wadiah account	4	312
	<u>2,480,293</u>	<u>479,141</u>
<i>Less:</i>		
Expenses	(37,492)	(35,530)
Taxation	(593,352)	-
Net distribution	<u>1,849,449</u>	<u>443,611</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

Board of Directors

Nik Mohd Hasyudeen Yusoff (Chairman - Non-Executive Independent Director)

Khairul Kamarudin (Chairman - Non-Executive Non Independent Director – Resigned w.e.f. 13 September 2017)

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)

Dato' 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)

Noor Rose Mona binti Aziz (Head of Finance and Operations)

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, 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