

BIMB INVEST WAFIYAH

**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 Invest Wafiyah

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 investment accounts and Islamic money market instruments.

Note:

* *Liquidity refers to repurchase payment made by T+1 whereby 'T' refers to Business Day where a request/application to redeem is received by the Manager before the cut-off time of 10.30 a.m.*

** *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 unit holders' 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

Credit risk relates to the creditworthiness of the issuer of the instrument which is dependent on the issuer's ability to make timely payments of profit and/or principal. In the event that the issuer of the instrument defaults in the payment of profit and/or principal, the value of the Fund may be adversely affected.

Profit Rate Risk

The returns of the Fund moves in tandem with fluctuations in profit rates. If profit rates fall, the returns of the Fund will be lower correspondingly.

* Note: Interest rate is a general economic indicator that will have an impact on the management of a fund regardless of whether it is an Islamic-based fund or otherwise. It does not in any way suggest that this Fund will invest in instruments, which are not Shariah-approved instruments. All investments carried out for this Fund are in accordance with requirements of the Shariah.

2.0 INVESTMENT POLICY AND STRATEGY

2.1 Asset Allocation

The Fund may invest:

- at least 90% of its NAV in short-term Islamic investment accounts and/or short-term Islamic 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.

The asset allocation between the various investment assets referred to above and the decision to invest, sell or trade are based on the decision of the fund managers who adopt an active fund management approach.

2.2 Investment Policy and Strategy

The Fund seeks to achieve its objective by investing at least 90% of the Fund's NAV in short-term Islamic investment accounts and short-term Islamic 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 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 net-of corporate tax.

However, please note that the risk profile of the Fund is higher than the benchmark and as a result of the higher risk assumed, the expected returns of the Fund should be higher than the benchmark. Unitholders are advised that unlike a placement in a deposit, there is potential for losses.

Note: Investors are advised that the actual portfolio of the Fund at any given time may consist of a mix of Shariah-compliant deposits, Islamic money market instruments and Shariah-compliant debentures of varying tenure and credit rating, as disclosed in the Information Memorandum. Investors are to note that the risk profile of the Fund's portfolio may be higher than risk profile of the benchmark. Therefore, the Fund's return can be potentially higher than the benchmark commensurate with the risk profile of the underlying assets of the Fund.

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)	588,038,281
Units In Circulation	588,038,281
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)	3.07
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 Term Deposit-i Tawarruq of Bank Islam Malaysia Berhad net-of corporate tax.

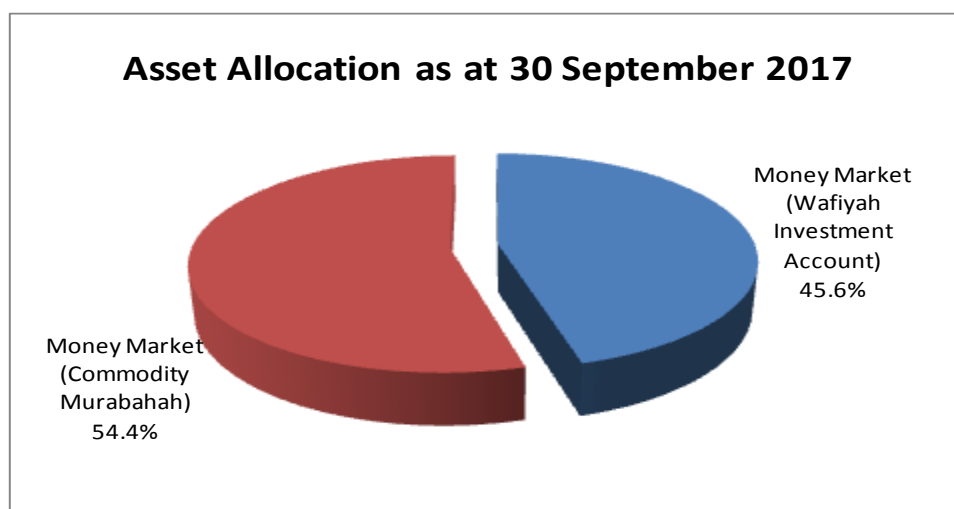
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 3.07%, outperformed its benchmark by 0.77% (based on the annualised return). The Fund's return of 3.07% 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 RM3,861,882. 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 RM588,038,281 and the total units in circulation of the Fund stood at 588,038,281 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 (Wafiyah Investment Account)	45.6
Money Market (Commodity Murabahah)	54.4
Total	100.0

As at 30 September 2017, the Fund was invested only in Money Market (Wafiyah Investment Account) and Money Market (Commodity Murabahah).

3.3 Monthly Distribution

Monthly distribution for the financial period from 1 July 2017 to 30 September 2017			
Distribution per unit			
Date	Gross (%)	Net (%)	Total Amount (RM)
31 July 2017	0.26	0.26	1,199,076
31 August 2017	0.26	0.26	1,263,279
30 September 2017	0.24	0.24	1,399,527
Total	0.76	0.76	3,862,003

3.4 Impact on NAV Arising from Distribution

As at 30 September 2017	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	586,640,113	588,038,281
Units In Circulation	586,640,113	588,038,281

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	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	3	416,503	0.07
500,001 and above*	12	587,621,778	99.93
Total	15	588,038,281	100.00

*included under this category is nominee account.

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.

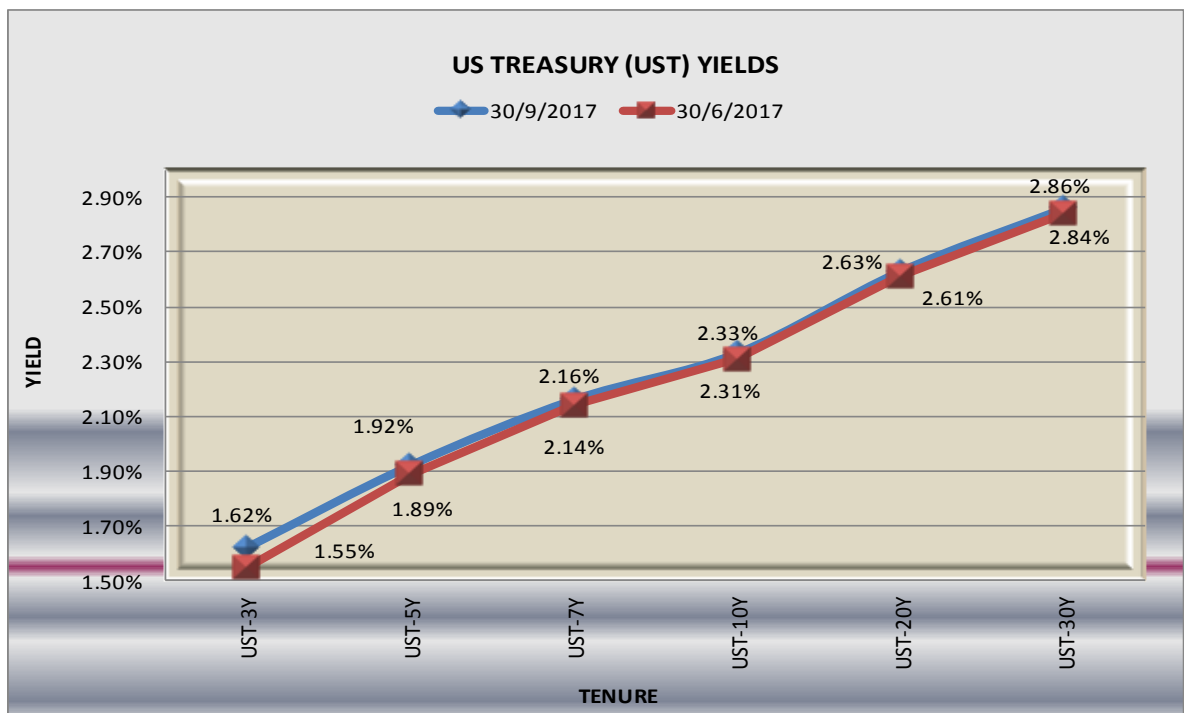
(Source: Bloomberg, Bank Negara Malaysia and RHB Research Institute Sdn Bhd)

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

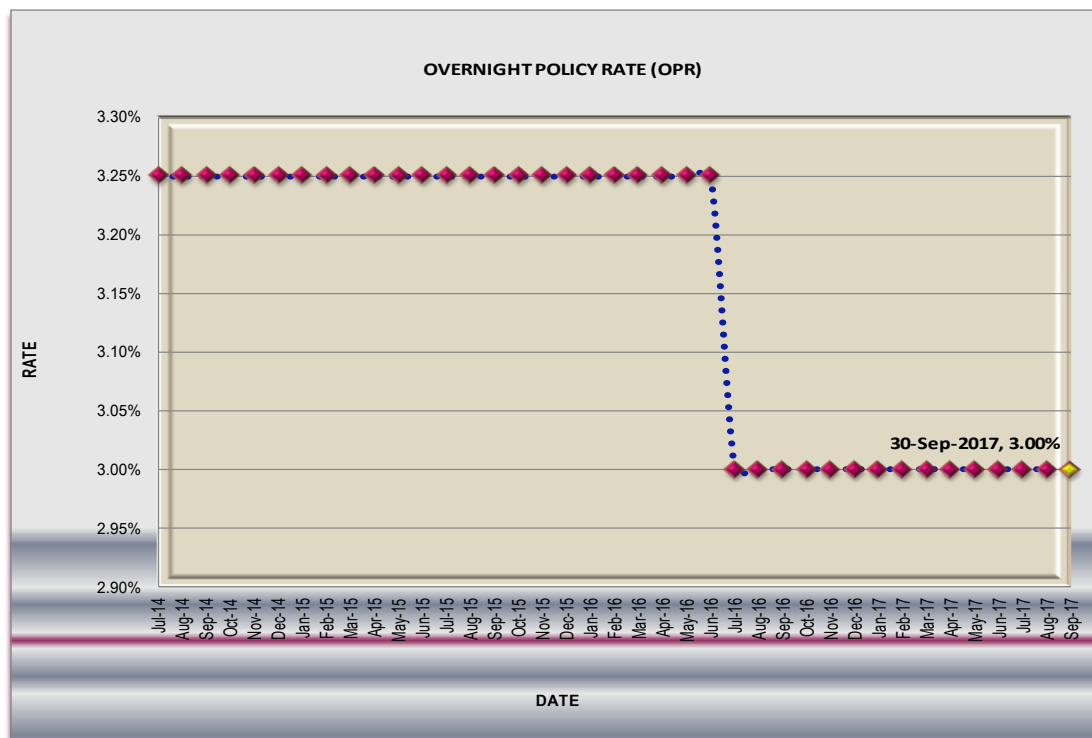
- The Malaysian Government Securities (MGS) and Government Investment Issue (GII) dominated the local bond market activities with traded volume of RM189.16 billion for the period under review. Both government and corporate bond yields declined over the period under review in conjunction with MYR strength 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

Tenor/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 September 2017

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 June 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 RM
Assets		
Short term investments	1	544,840,151
Other receivables		3,915,701
Cash and cash equivalents	2	40,057,611
Total assets		<u>588,813,463</u>
Liabilities		
Amount due to Manager		522,113
Other payables		251,710
Distribution payable		1,359
Total liabilities		<u>775,182</u>
Net asset value		<u>588,038,281</u>
Unitholders' fund		
Unitholders' capital	5	588,038,281
Retained profit		-
Net asset value attributable to unitholders		<u>588,038,281</u>
Number of units in circulation	5	<u>588,038,281</u>
Net asset value per unit		
– Ex distribution (sen)		<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
Income		
Income from short term investments		4,519,263
Hibah from Al-Wadiah account		182
Gross income		<u>4,519,445</u>
Expenses		
Manager's fee	3	590,461
Trustee's fee	4	23,618
Audit fee		4,550
Tax agent's fee		1,137
Administrative expenses		37,797
		<u>657,563</u>
Net income before taxation		3,861,882
Taxation		-
Net income after taxation		<u>3,861,882</u>
Other comprehensive income for the period		-
Total comprehensive income for the period		<u>3,861,882</u>
Total comprehensive income for the period consist of:		
Realised income		<u>3,861,882</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 profit RM	Total RM
As at 1 July 2017		413,547,649	-	413,547,649
Creation of units via cash		171,152,222	-	171,152,222
Reinvestment of distributions		3,860,523	-	3,860,523
Cancellation of units		(522,113)	-	(522,113)
Distributions	6	-	(3,860,523)	(3,860,523)
Distribution reserve	6	-	(1,359)	(1,359)
Total attributable to unitholders		174,490,632	(3,861,882)	170,628,750
Total comprehensive income for the period		-	3,861,882	3,861,882
As at 30 September 2017		<u>588,038,281</u>	<u>-</u>	<u>588,038,281</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
Cash flows from operating activities	
Purchase of short term investments	(132,831,552)
Income from short term investments	2,148,434
Hibah from Al-Wadiah account	182
Management fee paid	(518,631)
Trustee fee paid	(20,745)
Payment for administrative expenses	(32,404)
Net cash used in operating activities	<u>(131,254,716)</u>
Cash flows from financing activities	
Cash receipt for creation of units	171,152,222
Cash payment for cancellation of units	-
Net cash generated from financing activities	<u>171,152,222</u>
Net increase in cash and cash equivalents	39,897,506
Cash and cash equivalents at 1 July	<u>160,105</u>
Cash and cash equivalents at 30 September	<u><u>40,057,611</u></u>
Cash and cash equivalents comprise:	
Short term placements	40,002,466
Cash at bank	55,145
	<u><u>40,057,611</u></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. Short term investments

	As at 30.9.2017 RM
Short term investments with maturity more than 30 days:	
Wafiyah Investment Account *	265,888,687
Commodity Murabahah	278,951,464
	<u>544,840,151</u>

* Wafiyah Investment Account is placed with the holding company of the Manager, Bank Islam Malaysia Berhad.

2. Cash and cash equivalents

	As at 30.9.2017 RM
Short term placements with maturity less than 30 days:	
Commodity Murabahah	40,002,466
	<u>40,002,466</u>
Cash at bank*	55,145
	<u>40,057,611</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 of the Fund is based on 0.50% 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 0.02% per annum of the net asset value of the Fund calculated on a daily basis.

5. Unitholders' capital

	No. of units	RM
As at 1 July 2017	413,547,649	413,547,649
Creation during the period	175,012,745	175,012,745
Cancellation during the period	(522,113)	(522,113)
As at 30 September 2017	<u>588,038,281</u>	<u>588,038,281</u>

6. Distributions

	1.7.2017 to 30.9.2017 RM
Distributions to unitholders is from the following sources:	
Income from short term investments	4,519,263
Hibah from Al-Wadiah account	182
	<u>4,519,445</u>
<i>Less:</i>	
Expenses	(657,563)
Net distribution	<u>3,861,882</u>

7. Comparative

No comparative are included in the financial statements because this is the Fund's first set of financial statements after the Fund commenced operations on 25 October 2016.

7.0 CORPORATE DIRECTORY

Manager

BIMB Investment Management Berhad

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 Kamso (Non-Executive Independent Director)

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

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

Najmuddin Mohd Lutfi (Chief Executive Officer)

Shariah Committee

Ustaz Dr. Ahmad Shahbari @ Sobri Salamon

Ustaz Dr. Yusof Ramli

Ustazah Dr. Asmak Ab. Rahman

Investment Committee

Khairul Muzamel Perera Abdullah (Chairman – Non Independent Member)

Datuk Noripah Kamso (Independent Member)

Dato' Darawati Hussain (Independent Member)

Audit Committee

Dato' Ghazali Awang (Chairman - Independent Member)

Dr. Mohd Hatta Dagap (Independent Member)

Malkiat Singh @ Malkit Singh Maan (Non Independent Member)

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

Key Management	Najmuddin Mohd Lutfi (Chief Executive Officer) Badrol Ahmad Fathan (Head of Investment) Noor Rose Mona Aziz (Head of Finance and Operations)
Principal Banker	Bank Islam Malaysia Berhad Ground Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur
Trustee	AmanahRaya Trustees Berhad (766894-T) 3 rd Floor, Wisma AmanahRaya II No. 21, Jalan Melaka 50100 Kuala Lumpur
Federation of Investment Managers Malaysia (FIMM)	19-06-1, 6th Floor, Wisma Tune No.19, Lorong Dungun Damansara Heights 50490 Kuala Lumpur
Distributors	Bank Islam Malaysia Berhad Branches IFast Capital Sdn Bhd Phillip Mutual Berhad Johor Bharu Agency Office Bank Simpanan Nasional Registered Unit Trust Consultant with BIMB Investment Management Berhad
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