

BIMB *i* CASH MANAGEMENT FUND 3

**QUARTERLY REPORT FOR THE PERIOD FROM
1 APRIL 2019 TO 30 JUNE 2019**

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1.0 FUND KEY INFORMATION

1.1 Fund Name

BIMB i Cash Management Fund 3 (“B/CMF3”)

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 April 2019 to 30 June 2019.

3.1 Fund Performance Review

	As at 30 June 2019
Net Asset Value (RM)	156,798,665
Units In Circulation	156,798,665
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)	2.65
Benchmark Returns (%) ^(d)	2.35

(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 April 2019 to 30 June 2019

(d) After tax annualised benchmark return for the financial period from 1 April 2019 to 30 June 2019

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

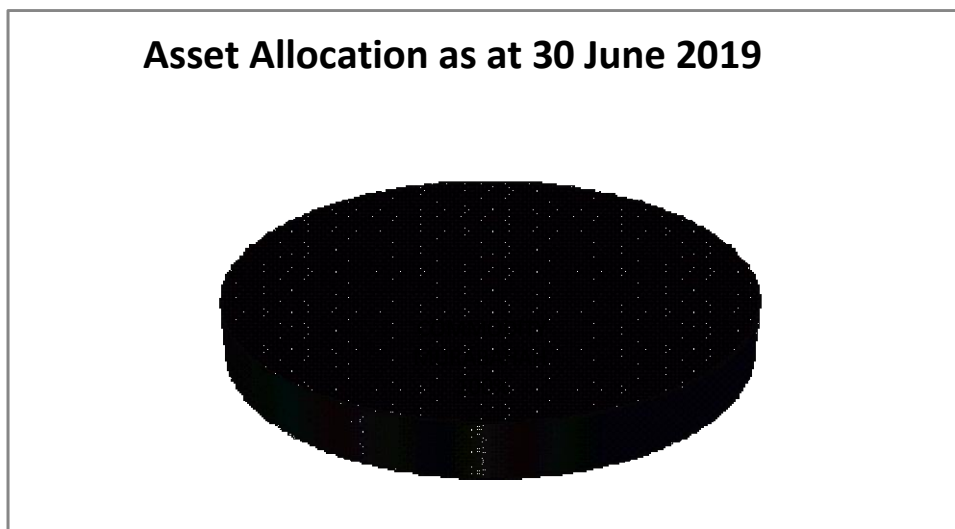
(Source: Bank Islam's website)

For the period under review, the Fund registered a return of 2.65%, outperformed its benchmark by 0.30% (based on the annualised return). The Fund's return of 2.65% 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 RM1,026,459. Its Net Asset Value (NAV) per unit stood at RM1.0000 after the income distribution. As at 30 June 2019, the NAV of the Fund was at RM156,798,665 and the total units in circulation of the Fund stood at 156,798,665 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 June 2019.

Calculation of Annualised Returns:-

$$\begin{aligned} \text{Annualised Returns} &= (1 + x\%)^4 \\ x &= 3 \text{ months return} \end{aligned}$$

3.2 Asset Allocation



ASSET ALLOCATION	30 June 2019 (%)
Money Market (Commodity Murabahah)	100.00
Total	100.00

As at 30 June 2019, the Fund has fully invested in Commodity Murabahah.

3.3 Monthly Income Distribution

Monthly income distribution for the financial period 1 April 2019 – 30 June 2019			
Income distribution per Unit			
Date	Gross (sen)	Net (sen)	Total Amount (RM)
30 April 2019	0.31	0.24	370,378
31 May 2019	0.30	0.23	354,018
30 June 2019	0.26	0.19	302,063
Total	0.87	0.66	1,026,459

3.4 Impact on NAV arising from Income Distribution

As at 30 June 2019	Before	After
Net Asset Value Per Unit (RM)	1.0000	1.0000
Net Asset Value (RM)	156,496,602	156,798,665
Units In Circulation	156,496,602	156,798,665

3.5 Breakdown of Unit Holding by Size

Size of Holding	Number of Unitholders	Number of Units Held	As at 30 June 2019 (%)
Below 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 50,000	-	-	-
50,001 to 500,000	-	-	-
500,001 and above	1	156,798,665	100.00
Total	1	156,798,665	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

- a) US Gross Domestic Product (GDP) grew by 2.1% in the second quarter of 2019 as compared to 3.1% in the first quarter of 2019. The lower 2Q GDP performance was driven by lower exports and business investment. US inflation rate stood at 1.6% in June 2019 compared to 2.9% in June 2018. US unemployment rate continues to improve to 3.7% in June 2019 as compared to 4.0% in June 2018.
- b) The Euro zone economy grew by 0.2% in the second quarter of 2019 as compared to 0.4% in the first quarter of 2019. The lower growth for the quarter was attributed to lower exports and slower GDP growth in the member countries. The Euro zone inflation rate was at 1.3% in June 2019 and was lower compared to 2.0% in June 2018. Unemployment in the Euro zone has fallen to 7.5% in June 2019 from 8.2% in June 2018.
- c) The Chinese economy grew by 6.2% for the second quarter of 2019, lower than 6.4% in the first quarter of 2019. During the second quarter of 2019, GDP performance was impacted by ongoing trade tensions with the US and weakening global demand.

(Source: Reuters, Bloomberg and RHB Research Institute Sdn Bhd)

Local

- a) The Malaysian economy grew at 4.9% in the second quarter of 2019 as compared to 4.5% in the first quarter of 2019 and 4.7% in fourth quarter of 2018. Growth was mainly supported by private expenditure and net external demand. Considering the first half of the year, the economy grew 4.7 percent compared with the same period of 2018. The central bank kept 2019 GDP growth forecast at 4.3-4.8 percent target range, to be driven mainly by domestic demand while an escalation in global trade tensions could weigh on external demand.
- b) Bank Negara Malaysia (“BNM”) has decided to reduce the Overnight Policy Rate (OPR) by 25 basis points to 3.00% during the Monetary Policy Committee (MPC) meeting on 7 May 2019, the first time since July 2016 to stimulate the local economy. The rate cut is aimed to ensure that the domestic economy continues on a steady growth path amid lower inflation. The international reserves of Bank Negara Malaysia amounted to USD102.7 billion as at 28 June 2019. The reserves position is sufficient to finance 7.3 months of retained imports and is 1.2 times total short-term external debt.

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

ii) Bond Market and Money Market Review

Global

- The Fed has maintained its earlier pause in the Fed Funds Rate in 2Q 2019. However it has left itself plenty of room to maneuver by removing its “patient-stance” after having left its benchmark rates between 2.25-2.50% on 19th June 2019. Subsequently, the Fed Funds Rate was cut by 25bps on July 31. Future adjustments to monetary policy would likely to be data-dependent and it would closely monitor the economy in the light of waning inflation and growing “uncertainties”.

Local

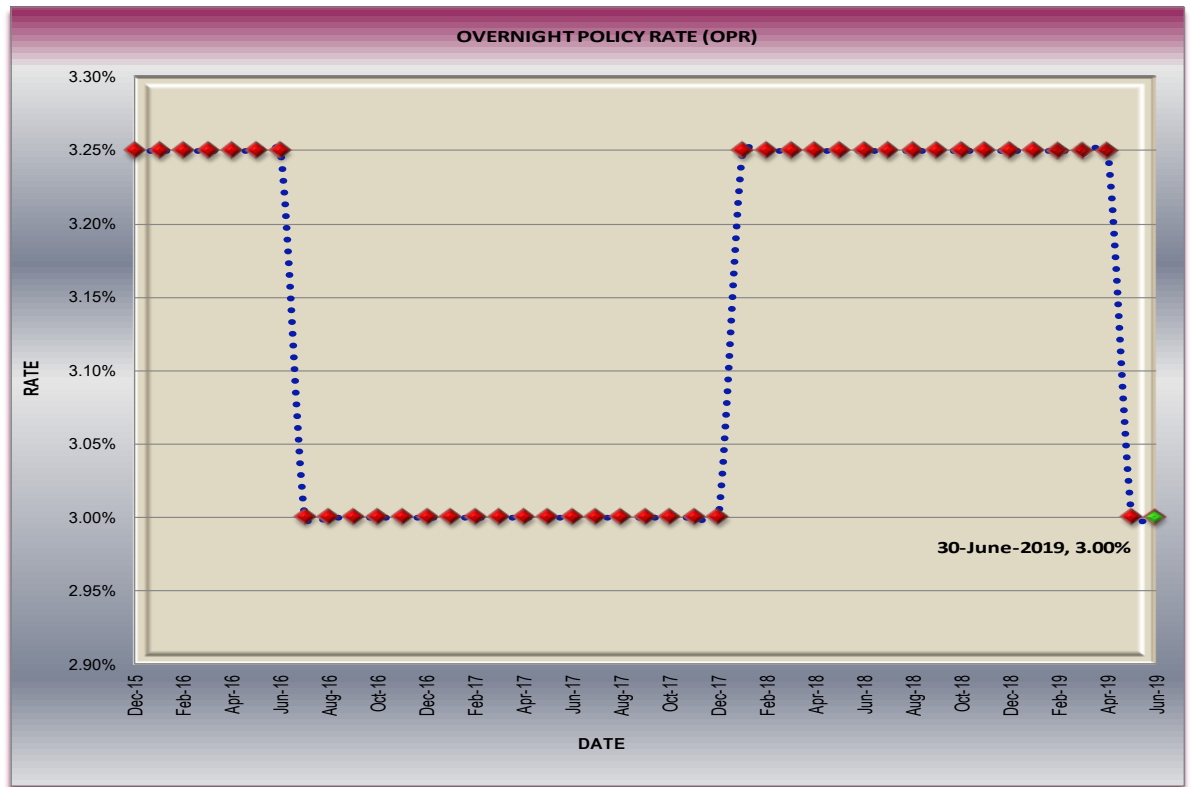
- Local govies rallied between 3-31bps across the curve which was led by the mid to long-end for the quarter under review. The MYR sovereign curve continued to see yields decline sharply lower from March through June amid abundant liquidity and strong participation from local institutional funds as the Fed indicated a pause in its interest rate hike cycle. Bonds extending out from 10Y rallied most amid ongoing US-China global trade conflict and rate pause by the Fed. Traders and investors have even predicted a rate cut in the US on the back of global growth concerns and tepid inflation.

Table 1: Sukuk/ Islamic Bond Yields

Tenure/ Date	30 June 2019 (%)	31 March 2019 (%)	Change (bps)
3 Year Bonds			
GII	3.42	3.49	(7.0)
AAA Corporate	3.77	4.06	(29.0)
5 Year Bonds			
GII	3.63	3.66	(3.0)
AAA Corporate	3.84	4.15	(31.0)
7 Year Bonds			
GII	3.66	3.73	(7.0)
AAA Corporate	3.91	4.22	(31.0)
10 Year Bonds			
GII	3.90	3.81	(9.0)
AAA Corporate	4.03	4.30	(27.0)

Source: Bond Pricing Agency Malaysia (BPAM), 30 June 2019

Figure 2: Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia, 30 June 2019

5.0 MARKET OUTLOOK AND STRATEGY

- Looking forward, the money market deposit rates are expected to be lowered from current levels over the medium-term due to the view that the central will further cutting the OPR rate.
- The strategy is to invest in money market investments to maximise profit rate by extending the tenure of investment while providing liquidity and regular income for investors.

6.0 FINANCIAL STATEMENTS

6.1 Unaudited Statement of Financial Position as at 30 June 2019

	Note	30.6.2019 (unaudited) RM	31.12.2018 (audited) RM
Assets			
Short term investments	1	153,009,357	154,331,994
Amount due from Manager		3,644,465	-
Other receivables		235,173	15,433
Cash and cash equivalents	2	19,926	1,174,219
Total assets		<u>156,908,921</u>	<u>155,521,646</u>
Liabilities			
Amount due to Manager		-	16,721
Other payables		13,920	15,098
Tax payable		96,336	740,679
Total liabilities		<u>110,256</u>	<u>772,498</u>
Net asset value		<u>156,798,665</u>	<u>154,749,148</u>
Unitholders' fund			
Unitholders' capital	5	<u>156,798,665</u>	<u>154,749,148</u>
Net asset value attributable to unitholders		<u>156,798,665</u>	<u>154,749,148</u>
Number of units in circulation	5	<u>156,798,665</u>	<u>154,749,148</u>
Net asset value per unit			
- Ex distribution (sen)		<u>100</u>	<u>100</u>

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

6.2 Unaudited Statement of Profit or Loss and Other Comprehensive Income for the financial period from 1 April 2019 to 30 June 2019

	Note	1.4.2019 to 30.6.2019 RM	1.4.2018 to 30.6.2018 RM
Income			
Income from short term investments		1,363,407	496,575
Hibah from Al-Wadiah account		1	4
Gross income		<u>1,363,408</u>	<u>496,579</u>
Expenses			
Manager's fee	3	7,785	2,740
Trustee's fee	4	1,946	685
		<u>9,731</u>	<u>3,425</u>
Net income before taxation		1,353,677	493,154
Taxation		<u>327,218</u>	<u>119,180</u>
Net income after taxation/ Total comprehensive income for the period		<u><u>1,026,459</u></u>	<u><u>373,974</u></u>

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

6.3 Unaudited Statement of Changes in Net Asset Value for the financial period from 1 April 2019 to 30 June 2019

	Note	Unitholders' capital RM	Retained profit RM	Total RM
As at 31 March 2018/ 1 April 2018		1,000	-	1,000
Creation of units via cash		1,000,000,000	-	1,000,000,000
Reinvestment of distributions		373,974	-	373,974
Cancellation of units		(1,000)	-	(1,000)
Distributions	6	-	(373,974)	(373,974)
Total attributable to unitholders		1,000,372,974	(373,974)	999,999,000
Total comprehensive income for the period		-	373,974	373,974
As at 30 June 2018		<u>1,000,373,974</u>	<u>-</u>	<u>1,000,373,974</u>
As at 31 March 2019/ 1 April 2019		155,772,206	-	155,772,206
Reinvestment of distributions		1,026,459	-	1,026,459
Distributions	6	-	(1,026,459)	(1,026,459)
Total attributable to unitholders		1,026,459	(1,026,459)	-
Total comprehensive income for the period		-	1,026,459	1,026,459
As at 30 June 2019		<u>156,798,665</u>	<u>-</u>	<u>156,798,665</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 April 2019 to 30 June 2019

	1.4.2019 to 30.6.2019 RM	1.4.2018 to 30.6.2018 RM
Cash flows from operating activities		
Maturity of short term investments	460,470,358	-
Purchase of short term investments	(459,709,653)	(1,000,000,000)
Hibah from Al-Wadiah account	-	4
Income from short term investments	1,528,038	-
Management fee paid	(7,854)	-
Trustee fee paid	(1,964)	-
Cash generated from/(used in) operating activities	<u>2,278,925</u>	<u>(999,999,996)</u>
Tax paid	(2,280,945)	(449,121)
Net cash used in operating activities	<u>(2,020)</u>	<u>(1,000,449,117)</u>
Cash flows from financing activities		
Cash receipt for creation of units	-	1,000,000,000
Cash payment for cancellation of units	-	(1,000)
Net cash generated from financing activities	<u>-</u>	<u>999,999,000</u>
Net decrease in cash and cash equivalents	(2,020)	(450,117)
Cash and cash equivalents at beginning of the financial period	<u>21,946</u>	<u>596,023</u>
Cash and cash equivalents at 30 June	<u>19,926</u>	<u>145,906</u>
Cash and cash equivalents comprise:		
Short term placements	-	-
Cash at bank	<u>19,926</u>	<u>145,906</u>
	<u>19,926</u>	<u>145,906</u>

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

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6.5 Unaudited Notes to the Financial Statements

1. Short term investments

	As at 30.6.2019 RM	As at 31.12.2018 RM
Short term investments with maturity less more than 30 days:		
Commodity Murabahah	153,009,357	154,331,994

2. Cash and cash equivalents

	As at 30.6.2019 RM	As at 31.12.2018 RM
Short term investments with maturity less than 30 days:	-	-
Cash at bank		
Bank Islam Malaysia Berhad*	8,933	8,989
Maybank Islamic Bank Berhad	10,993	1,165,230
	<u>19,926</u>	<u>1,174,219</u>
	<u>19,926</u>	<u>1,174,219</u>

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

3. Manager's fee

The manager's fee payable to the Manager of the Fund is based on 0.02% (30.6.2018: 0.02%) per annum of the net asset value of the Fund calculated on a daily basis.

4. Trustee's fee

The trustee's fee is payable to the trustee of the Fund is based on 0.005% (30.6.2018: 0.005%) per annum of the net asset value of the Fund calculated on a daily basis.

5. Unitholders' capital

	1.4.2019 to 30.6.2019		1.1.2018 to 31.12.2018	
	No. of units	RM	No. of units	RM
As at beginning of the period/year	155,772,206	155,772,206	699,728,793	699,728,793
Creation of units	-	-	1,699,759	1,699,759
Reinvestment of distributions	1,026,459	1,026,459	14,576,681	14,576,681
Cancellation of units	-	-	(2,259,315,573)	(2,259,315,573)
As at end of the period/year	<u>156,798,665</u>	<u>156,798,665</u>	<u>154,749,148</u>	<u>154,749,148</u>

6. Distributions

	1.4.2019 to 30.6.2019 RM	1.4.2018 to 30.6.2018 RM
Distribution to unitholders is from the following sources:		
Income from short term investments	1,363,407	496,575
Hibah from Al-Wadiah account	1	4
	<u>1,363,408</u>	<u>496,579</u>
Less:		
Expenses	(9,731)	(3,425)
Taxation	(327,218)	(119,180)
Net distribution	<u>1,026,459</u>	<u>373,974</u>

7.0 CORPORATE DIRECTORY

Manager

BIMB Investment Management Berhad (276246-X)

Registered Office

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

Business Office

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

Toll Free Number: 1-800-88-1196

Board of Directors

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

Dato' Ghazali Awang (Non-Executive Independent Director)

Datuk Noripah Kamso (Non-Executive Independent Director– Resigned w.e.f. 14 December 2018)

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

Malkiat Singh @ Malkit Singh Maan (Non-Executive Non Independent Director - Resigned w.e.f. 28 June 2019)

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

Azizan Abd Aziz (Non-Executive Non Independent Director - Appointed w.e.f. 22 August 2019)

Najmuddin Mohd Lutfi (Chief Executive Officer)

Shariah Committee

Dr. Ahmad Shahbari @ Sobri Salamon

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

Assoc. Prof. Dr. Asmak Ab. Rahman

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

Investment Committee

Khairul Muzamel Perera Abdullah (Chairman – Non Independent Member)

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

Mohd Radzuan Ahmad Tajuddin (Independent Member)

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

Audit Committee

Dato' Ghazali Awang (Chairman - Independent Member)

Dr. Mohd Hatta Dagap (Independent Member)

Malkiat Singh @ Malkit Singh Maan (Non-Executive Non Independent Member - Resigned w.e.f. 28 June 2019)

Azizan Abd Aziz (Non-Executive Non Independent Director - Appointed w.e.f. 22 August 2019)

Company Secretaries

Norhidayati Mohamat Salim (MIA 27364)

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

Aidil Haznul Zulkifli (MACS 01638)

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

Principal Banker

Bank Islam Malaysia Berhad
Ground Floor, Menara Bank Islam,
No.22, Jalan Perak,
50350 Kuala Lumpur

Key Management

Najmuddin Mohd Lutfi (Chief Executive Officer)

Abd Razak Salimin (Head of Investment)

Mohd Hamidullah Che Hassan (Head of Compliance)

Trustee

AmanahRaya Trustees Berhad (766894-T)

Level 3, Wisma Amanahraya II,
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