



NOMURA

Nomura i-Income Fund

Quarterly Report For The Period Ended 30 September 2018

MANAGER: NOMURA ISLAMIC ASSET MANAGEMENT SDN. BHD.
Business Registration No.: 838564-T

TRUSTEE: DEUTSCHE TRUSTEES MALAYSIA BERHAD
Business Registration No.: 763590-H

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MANAGER'S REPORT

Fund Type, Category, Objective and Distribution Policy

The Nomura i-Income Fund (the "Fund") is a wholesale Islamic fixed income fund which provides investors with regular income distributions through investments in Shariah-based deposits, Islamic money market instruments and sukuk.

The Fund will distribute income on a monthly basis, subject to availability of income. All income distributions will be made in the form of cash.

Benchmark

The benchmark used by the Manager in measuring the performance of the Fund is the 12-month Malayan Banking Berhad General Investment Account (GIA) rate.

Performance as at 30 September 2018^a

For the period under review from 1 July 2018 to 30 September 2018, the Fund has registered a 2.18% return. Compared to the Benchmark return of 0.90%, the Fund has outperformed the Benchmark by 1.28%. The last published Net Asset Value (NAV) per unit of the Fund as at 30 September 2018 was RM1.0525 as compared to the NAV per unit as at 30 June 2018 of RM1.0300. On the total NAV basis, the Fund's NAV stood at RM116.35 million as at 30 September 2018.

Performance as at 30 September 2018

	3 Months (30/Jun/18 – 30/Sep/18)	6 Months (31/Mar/18 – 30/Sep/18)	1 Year (30/Sep/17 – 30/Sep/18)	Since Commencement (5/Jan/17 – 30/Sep/18)
Fund	2.18%	3.28%	5.07%	9.99%
Benchmark	0.90%	1.79%	3.47%	6.03%
Outperformance/ (Underperformance)	1.28%	1.49%	1.60%	3.96%

Source of Fund and Benchmark Returns: Novagni Analytics and Advisory Sdn. Bhd.

Note^a: The Fund has nil units in circulation between 18 March 2016 to 4 January 2017. New units were created on 5 January 2017 at RM 1.000 NAV/unit price. Performance figures presented in above table refer to the period from 5 January 2017 to 30 September 2018.

Volatility as at 30 September 2018

	3-Year
Fund	N/A

Source: Novagni Analytics and Advisory Sdn. Bhd.

This information is prepared by Nomura Islamic Asset Management Sdn Bhd (NIAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up.

Strategies Employed (1 July to 30 September 2018)

The Fund maintained an overweight duration position in the portfolio, in expectations of the long end of the yield curve to remain well supported by real money domestic investors. Also, the fund was skewed towards corporate sukuk as we expected the mark-to-market yields to hold up amidst market volatility.

Summary of Asset Allocation

	<u>30 September 2018</u>	<u>30 June 2018</u>
Government Investment Issue	13.1%	0.0%
Islamic commercial paper/Sukuk	62.7%	68.2%
Cash and other net current assets / liabilities	24.2%	31.8%
Total	100.0%	100.0%

Review of Market (1 July to 30 September 2018)

Over the quarter, the GII curve bull-flattened by 16bps to 22bps between the 5-20 year portion of the curve on expectations of lower supply of government guaranteed and quasi-government sukuk. This shift in sentiments came about due to changes in the new government's policies of downsizing, cost-cutting measures or even outright cancellation of major infrastructure projects.

Credit spreads tightened on similar factors as domestic investors anticipated a relatively dry corporate issuance pipeline.

SOFT COMMISSIONS RECEIVED FROM BROKERS

Soft commissions received from brokers/dealers are retained by the manager only if the goods and services provided are of demonstrable benefit to unit holders of the Fund.

During the financial period under review, the Manager did not receive any soft commission.

BREAKDOWN OF UNITHOLDERS BY SIZE

Size of holdings (units)	No. of unitholders	No. of units held* ('000)
Less than 500,000	2	154
500,000 - to 1,000,000	1	507
1,000,001 to 5,000,000	1	1,140
5,000,001 to 10,000,000	-	-
10,000,001 to 15,000,000	-	-
15,000,001 to 20,000,000	-	-
20,000,001 and above	1	108,744
Total	5	110,545

* Note : Excluding Manager's Stock

INCOME DISTRIBUTION

Nomura Islamic Asset Management Sdn Bhd has not distributed income for investors of Nomura i-Income Fund over the period under review.

FUND PERFORMANCE DATA

	As at 30 September 2018	As at 30 June 2018
Total NAV (RM'million)	116,353,296.87	112,691,687.61
NAV per Unit (RM)	1.0525	1.0300
Unit in Circulation (million)	110,545,369.81	109,405,147.94
Highest NAV (RM)	1.0525	1.0451
Lowest NAV (RM)	1.0308	1.0292

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

Nomura I-Income Market Fund

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	30-9-2018	30-9-2017
	RM	RM
ASSETS		
Financial assets at fair value through profit or loss	88,227,139	82,363,070
Cash and cash equivalents	28,280,559	1,184,283
	<u>116,507,698</u>	<u>83,547,353</u>
TOTAL ASSETS	<u>116,507,698</u>	<u>83,547,353</u>
LIABILITIES		
Accrued management fee	23,802	29,046
Amount due to Manager	105,225	-
Amount due to Trustee	2,856	2,179
Amount due to Shariah Adviser	7,862	1,559
Other payables and accruals	14,656	7,571
	<u>154,401</u>	<u>40,355</u>
TOTAL LIABILITIES	<u>154,401</u>	<u>40,355</u>
NET ASSET VALUE	<u>116,353,297</u>	<u>83,506,998</u>
UNITHOLDER'S FUNDS		
Unitholders' capital	111,866,195	80,651,317
Retained earnings	4,487,102	2,855,681
	<u>116,353,297</u>	<u>83,506,998</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS	<u>116,353,297</u>	<u>83,506,998</u>
UNITS IN CIRCULATION	<u>110,545,370</u>	<u>80,461,384</u>
NET ASSET VALUE PER UNIT (RM) (EX DISTRIBUTION)	<u>1.0525</u>	<u>1.0379</u>

Nomura I-Income Market Fund

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Financial period from 01-07-2018 to 30-9-2018 RM	Financial period from 01-07-2017 to 30-9-2017 RM
INVESTMENT INCOME		
Profit income	1,404,137	928,276
Net gain on financial assets at fair value through profit or loss ("FVTPL")	<u>1,152,513</u>	<u>473,441</u>
Gross Income	<u>2,556,650</u>	<u>1,401,717</u>
EXPENSES		
Management fee	(72,227)	(83,430)
Trustee's fee	(8,667)	(6,257)
Shariah Adviser's fee	(1,558)	(1,529)
Audit fee	(2,856)	(1,317)
Tax agent's fee	(856)	(841)
GST charges	-	(5,608)
Other expenses	<u>(200)</u>	<u>(114)</u>
	<u>(86,364)</u>	<u>(99,096)</u>
PROFIT BEFORE TAXATION	2,470,286	1,302,621
TAXATION	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>2,470,286</u></u>	<u><u>1,302,621</u></u>
Profit after taxation is made up as follows:		
Realised gain amount	2,006,091	890,569
Unrealised gain amount	<u>464,195</u>	<u>412,052</u>
	<u><u>2,470,286</u></u>	<u><u>1,302,621</u></u>

Nomura I-Income Market Fund

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 July 2017	77,535,906	4,168,471	81,704,377
Movement in unitholders' contribution:			
Creation of units from applications	500,000	-	500,000
Offsetting of unitholder's capital and retained earnings	2,615,411	(2,615,411)	-
Total comprehensive income for the financial period	-	1,302,621	1,302,621
Balance as at 30 September 2017	<u>80,651,317</u>	<u>2,855,681</u>	<u>83,506,998</u>
Balance as at 1 July 2018	110,674,872	2,016,816	112,691,688
Movement in unitholders' contribution:			
Creation of units from applications	1,296,548	-	1,296,548
Cancellation of units	(105,225)	-	(105,225)
Total comprehensive income for the financial period	-	2,470,286	2,470,286
Balance as at 30 September 2018	<u>111,866,195</u>	<u>4,487,102</u>	<u>116,353,297</u>

Nomura I-Income Market Fund

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Financial period from 01-07-2018 to 30-9-2018 RM	Financial period from 01-07-2017 to 30-9-2017 RM
CASH FLOWS FROM OPERATING		
Proceeds from sale of Shariah-compliant investments	76,406,000	39,157,670
Purchase of Shariah-compliant instruments	(86,700,850)	(62,200,400)
Profit income	1,519,943	1,109,182
Management fee paid	(71,838)	(87,952)
Trustee's fee paid	(8,620)	(6,596)
Shariah fee paid	-	(3,180)
Payment for other fees and expenses	(200)	(118)
	<u>(8,855,565)</u>	<u>(22,031,394)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from creation of units	<u>1,296,548</u>	<u>500,000</u>
Net cash generated from financing activities	<u>1,296,548</u>	<u>500,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,559,017)	(21,531,394)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>35,839,576</u>	<u>22,715,677</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>28,280,559</u></u>	<u><u>1,184,283</u></u>
Cash and cash equivalents comprise:		
Cash at banks	<u><u>28,280,559</u></u>	<u><u>1,184,283</u></u>

SHARIAH ADVISER'S REPORT TO THE UNITHOLDERS OF NOMURA i-INCOME FUND

We have acted as the Shariah Adviser of Nomura i-Income Fund ("the Fund"). Our responsibility is to ensure that the procedures and processes employed by Nomura Islamic Asset Management Sdn Bhd are in accordance with Shariah principles.

In our opinion, Nomura Islamic Asset Management Sdn Bhd has managed and administered the Fund in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the quarter ended 30 June 2018.

In addition, we also confirm that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission ("SACSC") and the Shariah Advisory Council of Bank Negara Malaysia ("SACBNM"). As for the instruments which are not certified by the SACSC and the SACBNM, we have reviewed the said instruments and opine that these instruments are designated as Shariah-compliant.

For and on behalf of the Shariah Adviser
IBFIM

NAZMI ASHRAF BIN MOHD NAZIM

Consultant (Shariah) / Designated Person Responsible for Shariah Advisory

Kuala Lumpur