

NOMURA i-INCOME FUND

NOMURA ISLAMIC ASSET MANAGEMENT SDN BHD
SUITE 12.3 LEVEL 12, MENARA IMC
NO. 8, JALAN SULTAN ISMAIL
50200 KUALA LUMPUR, MALAYSIA.

RESPONSIBILITY STATEMENT

This Product Highlights Sheet has been reviewed and approved by the directors of Nomura Islamic Asset Management Sdn. Bhd. (the “Company”) and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the Product Highlight Sheet false or misleading.

STATEMENT OF DISCLAIMER

A copy of this Product Highlights Sheet has been lodged with the Securities Commission Malaysia. The Securities Commission Malaysia will not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this Product Highlight Sheet, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of the contents of this Product Highlight Sheet.

Additional Statement

The Fund has been certified as being Shariah compliant by the appointed Shariah Adviser.

For the purpose of this Product Highlights Sheet, the words and phrases defined in the Information Memorandum of the Fund shall, subject to any amendment made hereto, be deemed to have the same meaning in this Product Highlights Sheet.

This Product Highlights Sheet only highlights the key features and risks of this Fund. Investors are advised to request, read and understand the disclosure documents before deciding to invest.

PRODUCT HIGHLIGHTS SHEET

NOMURA i-INCOME FUND

BRIEF INFORMATION ON THE PRODUCT

1. What is this Fund about?

This is a Wholesale Islamic Fixed Income Fund, which seeks to provide Qualified Investors with regular income distributions through investments in Shariah-based deposits, Islamic money market instruments and sukuk.

For more information, kindly refer to *Section 3.1 of the Information Memorandum - Information on the Fund*.

PRODUCT SUITABILITY

2. Who is this Fund suitable for?

The Fund is suitable primarily for those who are generally conservative, risk averse and prefer a short-term investment that complies with Shariah requirements.

The Fund is not a capital guaranteed or capital protected fund and the returns are not guaranteed.

KEY PRODUCT FEATURES

3. What am I investing in?

The Fund shall mainly invest in Islamic money market instruments and sukuk of varying maturities, liquidity and yields. By having multiple Islamic money market instruments and sukuk as compared to purely keeping the investments in Shariah-based deposits, the Manager is able to potentially obtain higher yields over a period of time. While Unit Holders are expected to assume a higher degree of risks from having multiple instruments across different asset classes (as compared to GIA), Unit Holders may expect to be rewarded with returns above GIA.

Credit Selection

Credit selection is the most important factor in the Fund's overall investment process particularly in the mitigation of risks highlighted in this Information Memorandum and also to provide the expected returns for the Fund. In terms of the sukuk, the Fund will follow a strict selection process to ensure only appropriate sukuk are invested in with respect to the investment objective. The selection process is in essence a screening process that selects sukuk with risk-return profiles that match the Fund's requirements.

The Manager endeavours to identify sukuk of good credit quality which are underpriced. The selected sukuk is subject to a minimum credit rating of A3/P2 by RAM or an equivalent rating by MARC. Identification of such sukuk would allow the Fund to obtain potential profits provided that such sukuk has not defaulted and thus, may increase the overall returns of the Fund.

The selection of appropriate sukuk will depend largely on credit quality of the sukuk, to assure relative certainty of profit and principal payment.

In selecting sukuk, the following are the more important considerations:-

- issuer's and/or guarantor's industry and business medium to long-term outlook;
- issuer's and/or guarantor's financial strength and gearing levels;
- issuer's and/or guarantor's cash-flow quality and volatility;

- issuer's and/or guarantor's expected future cash-flow and ability to pay profit and principal;
- issuer's and/or guarantor's ratings, subject to a minimum credit rating of A3/ P1 by RAM or an equivalent rating by MARC;
- duration and interest rate sensitivity;

The ratings of the sukuk shall carry a minimum rating of A3/P2 by RAM or an equivalent rating by MARC at the point of purchase. In the unlikely event of a credit rating downgrade, the Manager reserves the right to deal with the sukuk in the best interest of the investors by disposing the sukuk within a time frame deemed reasonable by the Manager taking into consideration prevailing market conditions and factors.

In terms of the Islamic money market instruments, the Manager will follow a strict selection process to ensure only appropriate instruments are invested. The selection process is in essence a screening process that selects instruments with risk-return profiles that match the Fund's objective. The selection will depend largely on credit quality of the issuers to assure the principal payment and the profits payouts.

The Manager will actively manage the maturity structure of the Shariah-based deposits in the Fund to optimize profits for investors in accordance to the interest rates outlook and analysis.

There will be no foreign investments in the Fund. The Fund targets to provide consistent returns.

For more information, kindly refer to Section 5.1 of the Information Memorandum - Investment Strategy, Section 5.2 of the Information Memorandum – Asset Allocation and Section 6 of the Information Memorandum – Permitted Investments.

4. Who am I investing with?

Please find below the relevant parties involved in the Fund:-

The Manager – Nomura Islamic Asset Management Sdn. Bhd. (838564-T)

The Trustee – Deutsche Trustees Malaysia Berhad (763590-H)

The Registrar and Transfer Agent – Karvy Computershare (Malaysia) Sdn Bhd

The Shariah Adviser – IBFIM (763075-W)

The Fund Accounting and Valuation Agent – Deutsche Bank (Malaysia) Berhad (312552-W)

The Auditor – PricewaterhouseCoopers

The Tax Adviser – PricewaterhouseCoopers Taxation Services Sdn. Bhd. (464731-M)

You can refer to the contact details of these parties in Section 2 of the Information Memorandum – Corporate Directory.

5. What are the possible outcomes of my investment?

The Fund's investments in Islamic money market instruments and sukuk may potentially allow the Manager to obtain higher yields over a period of time as compared to purely keeping the investments in Shariah-based deposits. While Unit Holders are expected to assume a higher degree of risks from having multiple instruments across different asset classes (as compared to General Investment Account), Unit Holders may expect to be rewarded with returns above General Investment Account.

However, investing in Islamic money market instruments and sukuk are subject to credit risk. In the event that the issuer of such instrument defaults in payment at maturity, the value of the Fund may be adversely affected. This may be managed by holding a diversified portfolio of instruments and monitoring the issuers' fundamentals on an ongoing basis.

KEY RISKS

6. What are the key risks associated with this Fund?

Just as there are risks in all kinds of investments, similarly there are risks associated with investing in this Fund. Please find below a list of specific risks and explanations on how it may affect your investments:-

a) Issuer/ credit risk

Whilst the Manager is of the opinion that, based on the instruments that the Fund intends to hold, the circumstances that may lead to the occurrence of this risk is mitigated, nevertheless you should be aware that this risk does exist.

Credit risk refers to the possibility that the issuer of a sukuk will not be able to make timely payments of profit or principal payment. This may lead to a default in the payment of principal and profit and ultimately a reduction in the value of the Fund. History has shown that even governments do default on sukuk instruments issued by them.

In the case of this Fund, the Manager will endeavour to minimise this risk by selecting only sukuk with a minimum credit rating of at least A3/P1 by RAM or equivalent rating by MARC. In the event of credit downgrade below the minimum stipulated, the Manager will endeavour to take the necessary steps to divest the sukuk within a time frame deemed reasonable by the Manager.

b) Interest Rate Risk

The risk refers to the effect of interest rate changes on the performance of the Fund consisting of sukuk. Generally, interest rates and value of sukuk are negatively co-related, meaning that when interest rate moves up, prices of sukuk may move down and vice versa. Sukuk with longer maturity and lower profit rates are more sensitive to interest rate changes. This risk will be mitigated via the management of the duration structure of the sukuk portfolio.

Interest rate is a general economic indicator that will have an impact on the management of the Fund regardless of whether it is a Shariah-compliant fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments.

c) Liquidity Risk

It is generally accepted that the Malaysian sukuk market is less liquid than the equity market. Thus, the Fund may not be able to liquidate its investments easily if there are no willing buyers. As part of its risk management, the Manager will attempt to reduce the liquidity exposure by active asset allocation management and diversification within the portfolio. The Manager will also conduct constant fundamental research and analysis to ensure the feasibility of its management.

d) Reinvestment Risk

This is a risk that future proceeds (profit and/or capital) are reinvested at a lower potential profit rate.

Reinvestment risk is especially evident during periods of falling interest rates where the profit payments are reinvested at a lower profit rate compare to the initial profit rate.

e) Financing risk

Investors should assess the inherent risk of investing with borrowed money, which should include the following:

- The ability to service the financing and the effect of profit rates on the financed amount; and
- If units are used as collateral, investors may be required to provide additional collateral should the Fund's prices fall below a certain level.

Investors are advised to seek Islamic financing to finance their acquisition.

f) Fund Management risk

The performance of the Fund depends on the experience and expertise of the investment managers. The failure to exercise due care or any lapses in judgement on the part of the Manager may jeopardize the performance of the Fund.

g) Non-compliance risk

This is the risk of the Manager or the Trustee, not complying with the Deed of the Fund and all applicable laws or guidelines issued by the regulators whether intentionally or through negligence. The magnitude of such risk and its impact on the Fund and/or Unit Holders are dependent on the nature and severity of the non-compliance. For example, an oversight of the Manager causes the non-compliance which may adversely affect the investment of the Fund especially if the investment of the Fund has to be disposed at a lower price to rectify the non-compliance.

h) Inflation risk

Inflation risk is the risk of potential loss in the purchasing power of your investment due to a general increase of consumer prices. Inflation erodes the nominal rate of your return giving you a lower real rate of return. Inflation is thus one of the major risks to you over a long term period and results in uncertainty over the future value of investments. You are advised to take note that the Fund is not constituted with the objective of matching the inflation rate of Malaysia. The Fund has a specific objective that it seeks to achieve without having regard to the inflation rate. If your investment objective is to match the inflation rate (so as not to lose your purchasing power over time), this Fund may not be suitable for you.

i) Other variable factors risk

The performance of the Fund is driven by many variable factors and the return is not guaranteed. These include financial market conditions, interest rate fluctuation, stability of local currency and general economic environment. The prices of units may go down as well as up. Similarly, distribution (if any) may vary from year to year depending on the performance of the Fund.

FEES & CHARGES

7. What are the fees and charges involved?

There is no Sales Charge and Redemption Fees imposed for this Fund. However, there are fees and charges which you are indirectly charged should you decide to invest in this Fund. Such indirect fees are as follows:-

- A Management fee of up to 0.40% per annum of the NAV of the Fund;
- A Trustee fee of up to 0.03% per annum of the NAV of the Fund subject to a minimum of RM 12,000.00 per annum; and
- Any other expenses in relation to the administration and operations of the Fund.

* The Manager may from time to time at its sole discretion waive, increase or reduce the amount of any fee payable by the investor or investors in respect of the Fund. Any changes to the above fee shall be communicated to the existing unit holders and investors by way of a supplementary or replacement Information Memorandum.

VALUATIONS AND EXITING FROM INVESTMENT

8. How often are valuations available?

The price of Units of the Fund is determined by using forward pricing where the price is based on the NAV per Unit of the Fund at the end of a Business Day.

For the Fund, all transactions of Units by an investor/Unit Holder on a Business Day, will be based on the NAV per Unit which is determined at the close of each Business Day. The NAV per Unit of the Fund will be made available from the Manager's office at 03-2027 6668.

9. How can I exit from this Fund and what are the risks and costs involved?

Applications for repurchase or switching must be submitted to the Manager on a Business Day no later than 4:00 am (or such other later time as the Manager may deem fit in its discretion). Such repurchase or switching requests are deemed received only if all documents and forms received by the Manager are duly and correctly completed. Any documents and forms received by the Manager after 4:00 am, (or such other later time as the Manager may deem fit in its discretion) shall be treated as having been received by the Manager on the following Business Day.

Units will be repurchased at the NAV per Unit as at the close of the Business Day when the request is received. There is no Repurchase Charge. Repurchase proceeds will be paid to a Unit Holder within the following Business Day.

There is generally no restriction on the frequency of repurchase; however, there a minimum repurchase amount of 250,000 Units for each repurchase application or such other amount as the Manager may decide from time to time. However, if a Unit Holder is holding less than 250,000 Units or such amount as the Manager may decide from time to time, the Manager is entitled, but not compelled, to consider that a repurchase request has also been made in respect of the remaining Units and can compulsorily repurchase the same.

CONTACT INFORMATION

10. Who should I contact for further information or to lodge a complaint?

Should you be interested to invest in this Fund, have any queries or require further information, please feel free to contact our Marketing and Client Services department at 603-2027 6668 or email to niam@nomura-iam.com.my.

For internal dispute resolution, you may contact our Compliance Officer at 603-2027 6668 or email to niam@nomura-iam.com.my.

If you are dissatisfied with the internal dispute resolution process, please refer your dispute to the Securities Industries Dispute Resolution Corporation (SIDREC):

- a) via phone to : 603-2282 2280
- b) via fax to : 603-2282 3855
- c) via email to : info@sidrec.com.my
- d) via letter to : Securities Industry Dispute Resolution Center (SIDREC)
Unit A-9-1, Level 9, Tower A
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

You can direct your complaint to the SC even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Affairs & Complaints Department:

- a) via phone to the Aduan Hotline at : 603-6204 8999
- b) via fax to : 603-6204 8991
- c) via email to : aduan@seccom.com.my
- d) via online complaint form available at www.sc.com.my.
- e) via letter to : Investor Affairs & Complaints Department
Securities Commission Malaysia
No. 3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

APPENDIX

Business Day	Means a day on which the Bursa Malaysia is open for trading, and/or banks in Kuala Lumpur are open for business.
Fund	Means the wholesale fund known as the Nomura i-Cash Fund.
General Investment Account (GIA)	Refers to investment account based on either Mudharabah or Murabahah that works on profit sharing basis and fixed profit income basis respectively.
Manager/ Company	Refers to Nomura Islamic Asset Management Sdn Bhd
NAV	<p>Means Net Asset Value. The NAV of the Fund is determined by deducting the value of all the Fund's liabilities from the value of all the Fund's assets, at the valuation point.</p> <p>For the purpose of computing the annual management fee and annual trustee fee, the NAV of the Fund should be inclusive of the management fee and trustee fee for the relevant day.</p>
Sophisticated Investor	<p>Refers to:-</p> <ol style="list-style-type: none"> (1) an individual whose total net personal assets, or total net joint assets with his or her spouse, exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence; (2) an individual who has a gross annual income exceeding RM300,000 or its equivalent in foreign currencies per annum in the preceding 12 months; (3) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 or its equivalent in foreign currencies per annum in the preceding 12 months; (4) a corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts; (5) a partnership with total net assets exceeding RM10 million or its equivalent in foreign currencies; (6) a unit trust scheme or prescribed investment scheme; (7) a private retirement scheme; (8) a closed-end fund approved by SC; (9) a company that is registered as a trust company under the Trust Companies Act 1949 which has assets under management exceeding RM10 million or its equivalent in foreign currencies; (10) a corporation that is a public company under the Companies Act 1965 which is approved by the SC to be a trustee under the Act and has assets under management exceeding RM10 million or its equivalent in foreign currencies; (11) a statutory body established by an Act of Parliament or an

- enactment of any State;
- (12) a pension fund approved by the Director General of Inland Revenue under section 150 of the Income Tax Act 1967 [Act 53];
 - (13) a holder of a capital markets services licence or an executive director or a chief executive officer of a holder of a capital markets services licence;
 - (14) a licensed institution;
 - (15) an Islamic bank licensee;
 - (16) an insurance company licensed under the Financial Services Act 2013;
 - (17) a takaful licensee registered under the Islamic Financial Services Act 2013;
 - (18) a bank licensee or insurance licensee as defined under the Labuan Financial Services and Securities Act 2010 [704];
 - (19) an Islamic bank licensee or takaful licensee as defined under the Labuan Islamic Financial Services and Securities Act 2010 [705]; and
 - (20) such other investor(s) as may be permitted by the Securities Commission Malaysia from time to time and/or under the relevant guidelines for wholesale funds.

SC

Refers to Securities Commission Malaysia.
