



NOMURA

Nomura i-Income Fund

Quarterly Report and Financial Statements
For The Period Ended 31 March 2021

MANAGER: NOMURA ISLAMIC ASSET MANAGEMENT SDN. BHD.
Business Registration No.: 200801037222 (838564-T)

TRUSTEE: DEUTSCHE TRUSTEES MALAYSIA BERHAD
Business Registration No.: 2007010005591 (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 seeks to provide 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 31 March 2021 ^a

For the period under review from 1 January 2021 to 31 March 2021, the Fund has registered a -2.61% return. Compared to the Benchmark return of 0.48%, the Fund underperformed the Benchmark by 3.09%. The last published Net Asset Value (NAV) per unit of the Fund as at 31 March 2021 was RM1.0862 as compared to the NAV per unit as at 31 December 2020 of RM 1.1281. On the total NAV basis, the Fund's NAV stood at RM 604.102 million as at 31 March 2021.

Performance as at 31 March 2021 ^a

	3 Months (31/12/2020- 31/03/2021)	6 Months (30/09/2020- 31/03/2021)	1 Year (31/03/2020- 31/03/2021)	3 Year (31/03/2018- 31/03/2021)	Since 5/Jan/17 ^a (05/01/2017 – 31/03/2021)
Fund	-2.61%	-1.91%	3.71%	20.84%	28.69%
Benchmark	0.48%	0.97%	2.20%	9.41%	13.98%
Outperformance/ (Underperformance)	-3.09%	-2.88%	1.52%	11.43%	14.71%

Source of Fund and Benchmark Returns: Refinitiv Lipper

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 31 March 2021.

Volatility as at 31 March 2021

	3-Year
Fund	4.90

Source: Refinitiv Lipper

Volatility is measured by calculating the annualised standard deviation on the Fund's month-end returns for the immediate preceding 36 months.

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 January to 31 March 2021)

The Fund duration was reduced over the quarter as we held a larger cash position in light of the elevated bond market volatility. Towards the end of the quarter, we took advantage of the higher yield environment to deploy the fund's cash into issuances of corporate bonds which were issued at more attractive credit spreads. We retain our cautious approach towards credit, preferring to underweight sectors which are impacted by the pandemic, namely toll roads and property developers while favoring defensives such as power and telecommunication sectors.

Summary of Asset Allocation

	<u>31 March 2021</u>	<u>31 December 2020</u>
Government Investment Issue	21.90%	36.84%
Islamic commercial paper/Sukuk	57.01%	61.38%
Cash and other net current assets / liabilities	21.09%	1.78%
Total	100.0%	100.00%

Review of Market (1 January to 31 March 2021)

In tandem of rising global yields, Government Investment Issues (GII) bear-steepened over the quarter. Notably, 3Y GII 05/23 surged 20 bps QoQ while the rest of the curve spiked 56-84 bps QoQ. This was on the back of a global bond rout which resulted from expectations of higher inflationary pressures, increased economic optimism following the rollout of vaccines, and large fiscal stimulus by the US government.

Year-to-date (YTD) corporate bond issuance recorded a total of RM 21.78 bil. Issuances were skewed towards the GG space as corporate bond primary issuance slowed down amid cautious market sentiment in 1Q2021. Notable issuance include DanaInfra Nasional Berhad, Federal Land Development Authority, and Lembaga Pembiayaan Perumahan Sektor Awam which issued RM 2.2 bil, RM 2.005 bil, and RM 4.0 bil respectively. Within the AAA-rated space, Pengurusan Air SPV Berhad and Petroleum Sarawak Exploration & Production Sdn Berhad issued RM 800 mil and RM 1.5 bil respectively. Meanwhile, UiTM Solar Power Dua Sdn Berhad issued a total of RM 100 mil Green SRI sukuk in 14 separate tranches.

As widely expected, Bank Negara Malaysia (BNM) kept its Overnight Policy Rate (OPR) unchanged at 1.75% in the March Monetary Policy Committee (MPC) meeting. In its statement, BNM reiterated its neutral tone, but sounded slightly optimistic on the global economic recovery as it highlighted that the recovery is gaining momentum while downside risks to the growth outlook have abated slightly. Domestically, BNM continued to acknowledge that the impact from the re-introduction of stricter movement restrictions in 1Q2021 will be less severe than that experienced in 2Q2020 and it projected improvement in economic activity from 2Q2021 onwards. On a side note, BNM downplayed impending inflationary pressure as temporary and transitional rather than being demand-led. Although BNM remained cautious on the potential downside risk to the economic recovery, BNM affirmed that the current monetary policy stance is appropriate and accommodative while monetary policy decisions going forward will continue to be data-dependent.

On a positive note, FTSE Russell has removed Malaysia from the Watch List for potential exclusion and retained Malaysia in the FTSE World Government Bond Index (WGBI) in its semi-annual Fixed Income Classification review. This removes lingering concerns that had been weighing on the Malaysian fixed income market for the past two years. In its statement, FTSE Russell acknowledged BNM's positive initiatives that had been implemented over the last two years to address the concerns of foreign investors when accessing the local government bond market. In the March 2021 review, FTSE Russell has also affirmed the inclusion of China Government Bonds in the FTSE WGBI with an index weight of 5.25% to be phased into the index over a period of 36 months. Subsequently, Malaysia's weight in the index would be pared by 0.02% to 0.39%. However, the relief resulting from the removal of Malaysia from the Watch List more than offset potential dilution of Malaysia's weight in the index.

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	6	1,758
500,000 - to 1,000,000	2	1,787
1,000,001 to 5,000,000	7	18,032
5,000,001 to 10,000,000	2	11,516
10,000,001 to 15,000,000	0	-
15,000,001 to 20,000,000	2	36,908
20,000,001 and above	4	486,146
Total	23	556,146.760

* Note : Excluding Manager's Stock

INCOME DISTRIBUTION

The Fund distributed a gross total of RM 0.0125 per unit to investors of the Fund over the period under review.

The Net Asset Value per Unit prior and subsequent to the distribution were as follows:

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
30-March-2021	1.0991	31-March-2021	1.0862	0.0125

FUND PERFORMANCE DATA

	As at 31 March 2021	As at 31 December 2020
Total NAV (RM'million)	604,102,216	517,974,910
NAV per Unit (RM)	1.0862	1.1281
Unit in Circulation (million)	556,146,760	459,139,639
Highest NAV (RM)	1.1312	1.1622
Lowest NAV (RM)	1.0862	1.0649

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	31-3-2021	31-3-2020
	RM	RM
ASSETS		
Financial assets at fair value through profit or loss (“FVTPL”)	476,721,192	351,149,789
Amount due from Manager	80,000	211,316
Cash and cash equivalents	<u>134,544,950</u>	<u>13,944,297</u>
TOTAL ASSETS	<u>611,346,142</u>	<u>365,305,402</u>
LIABILITIES		
Accrued management fee	120,155	72,381
Amount due to Trustee	15,672	9,441
Amount due to Shariah Adviser	3,422	1,722
Amount due to Manager	132,407	325,673
Distribution payable	6,951,904	-
Other payables and accruals	<u>20,366</u>	<u>8,167</u>
TOTAL LIABILITIES	<u>7,243,926</u>	<u>417,384</u>
NET ASSET VALUE	<u>604,102,216</u>	<u>364,888,018</u>
UNITHOLDER’S FUNDS		
Unitholders’ capital	609,380,928	358,896,521
(Accumulated loss)/Retained earnings	<u>(5,278,712)</u>	<u>5,991,497</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS	<u>604,102,216</u>	<u>364,888,018</u>
UNITS IN CIRCULATION	<u>556,146,760</u>	<u>335,019,752</u>
NET ASSET VALUE PER UNIT (RM) (EX DISTRIBUTION)	<u>1.0862</u>	<u>1.0892</u>

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Financial period from 1-1-2021 to 31-3-2021 RM	Financial period from 1-1-2020 to 31-3-2020 RM
INVESTMENT (LOSS)/INCOME		
Profit income from unquoted sukuk at fair value through profit or loss("FVTPL")	4,706,215	3,654,726
Profit income from Islamic deposits with licensed financial institutions at amortised cost	628,150	158,271
Net loss on financial assets at fair through profit or loss ("FVTPL")value	(21,464,731)	(2,264,752)
Gross (Loss)/Income	(16,130,366)	1,548,245
EXPENSES		
Management fee	(337,387)	(209,897)
Trustee's fee	(44,007)	(27,378)
Shariah Adviser's fee	(1,699)	(3,975)
Audit fee	(3,128)	(2,835)
Tax agent's fee	(1,020)	(1,028)
Other expenses	(784)	(1,322)
	(388,025)	(246,435)
(LOSS)/PROFIT BEFORE TAXATION	(16,518,391)	1,301,810
TAXATION	-	-
(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(16,518,391)	1,301,810
(Loss)/Profit after taxation is made up as follows:		
Realised gain amount	4,278,093	7,586,591
Unrealised loss amount	(20,796,484)	(6,284,781)
	(16,518,391)	1,301,810

STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Unitholders' capital RM	Retained earnings RM	Total RM
Balance as at 1 January 2021	499,783,327	18,191,583	517,974,910
Movement in unitholders' contribution:			
Creation of units from applications	140,647,262	-	140,647,262
Cancellation of units	(31,049,661)	-	(31,049,661)
Distributions	-	(6,951,904)	(6,951,904)
Total comprehensive loss for the financial period	-	(16,518,391)	(16,518,391)
Balance as at 31 March 2021	<u>609,380,928</u>	<u>(5,278,712)</u>	<u>604,102,216</u>

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Financial period from 1-1-2021 to 31-3-2021 RM	Financial period from 1-1-2020 to 31-3-2020 RM
CASH FLOWS FROM OPERATING		
Proceeds from sale of Shariah-compliant investments	81,604,850	63,975,000
Purchase of Shariah-compliant instruments	(71,021,850)	(82,911,050)
Profit income from unquoted sukuk	4,779,450	4,089,597
Profit income from Islamic deposits with licensed financial institutions	628,150	158,272
Management fee paid	(317,714)	(206,146)
Trustee's fee paid	(41,441)	(26,889)
Shariah Adviser's fee paid	-	(3,313)
Payment for other fees and expenses	(783)	(13,237)
	<u>15,630,662</u>	<u>(14,937,766)</u>
Net cash generated from/(used in) operating activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from creation of units	140,681,872	38,603,932
Payments for cancellation of units	(31,309,733)	(16,858,798)
Distribution paid	-	(4,874,341)
	<u>109,372,139</u>	<u>16,870,793</u>
Net cash generated from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,002,801	1,933,027
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>9,542,149</u>	<u>12,011,270</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>134,544,950</u></u>	<u><u>13,944,297</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 31 March 2021.

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”).

For and on behalf of the Shariah Adviser
IBFIM

MUHAMMAD SHAHIER BIN SA'MIN
Designated Person Responsible for Shariah Advisory

Kuala Lumpur