



NOMURA

Nomura i-Income Fund

Quarterly Report For The Period Ended 30 June 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

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 30 June 2021 ^a

For the period under review from 1 April 2021 to 30 June 2021, the Fund has registered a 2.15% return. Compared to the Benchmark return of 0.49%, the Fund outperformed the Benchmark by 1.67%. The last published Net Asset Value (NAV) per unit of the Fund as at 30 June 2021 was RM1.1004 as compared to the NAV per unit as at 31 March 2021 of RM1.0862. On the total NAV basis, the Fund's NAV stood at RM 618.99 million as at 30 June 2021.

Performance as at 30 June 2021 ^a

	3 Months (31/03/2021 To 30/06/2021)	6 Months (31/12/2020 To 30/06/2021)	1 Year (30/06/2020 To 30/06/2021)	3 Year (30/06/2018 To 30/06/2021)	Since 5/Jan/17 ^a (05/01/2017 To 30/06/2021)
Fund	2.15%	-0.51%	2.04%	22.15%	31.47%
Benchmark	0.49%	0.97%	2.03%	8.98%	14.53%
Outperformance/ (Underperformance)	1.67%	-1.47%	0.01%	13.17%	16.94%

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 the above table refer to the period from 5 January 2017 to 31 March 2021.

Volatility as at 30 June 2021

	3-Year
Fund	4.92

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 April to 30 June 2021)

We continued to increase our holdings of corporate sukuk over the quarter as the government sukuk market volatility declined. As the yield curve remained fairly steep between the 5-10 year portions, we favored corporate sukuk in that tenure bucket. We maintain a cautious approach towards credit in light of the renewed COVID-19 surge in Malaysia, preferring defensive sectors such as power and telecommunication while avoiding vulnerable sectors such as toll roads and construction.

Summary of Asset Allocation

	<u>30 June 2021</u>	<u>31 March 2021</u>
Government Investment Issue	26.04%	21.90%
Islamic commercial paper/Sukuk	69.65%	57.01%
Cash and other net current assets / liabilities	4.31%	21.09%
Total	100.0%	100.0%

Review of Market (1 April to 30 June 2021)

Government Investment Issues (“**GII**”) rallied recovering some of the losses after the major fall in 1Q2021. GII yield curve flattened over the quarter as long-end of the curve outperformed. Notably, long-end of the curve plunged 13-18 bps QoQ while front-end of the curve fell by circa 4 bps QoQ. This was amid successive economic and social shut downs occurred locally in light of high local daily confirmed Covid-19 cases and reported deaths.

Year-to-date corporate bond issuance recorded a total of MYR 42.83 bil. Primary issuances were largely dominated by GG and AAA-rated issuers in 2Q2021. Notable issuance include Infracap Resources Berhad, DanaInfra Nasional Berhad, and Cagamas Berhad which issued MYR 5.75 bil, MYR 2.0 bil, and MYR 3.75 bil respectively. Within the financial space, RHB Bank Berhad and Bank Muamalat Malaysia Berhad issued MYR 500 mil separately. Meanwhile, reNIKOLA Solar Sdn Bhd, SP Setia Berhad, and UEM Sunrise issued MYR 390 mil, MYR 300 mil, and MYR 800 mil respectively.

In its May Monetary Policy Committee meeting, Bank Negara Malaysia (“**BNM**”) kept the Overnight Policy Rate unchanged at 1.75%. BNM sounded neutral in its monetary policy statement as it indicated further improvement in both global and local economy while it continued to highlight the potential downside risks to the economic recovery. BNM held the view that the anticipated spike in headline inflation in 2Q2021 will be temporary and transitory due to cost-push factor of higher global oil prices. Though BNM considered the current monetary policy stance to be appropriate and accommodative, it kept the door open for further rate cut should the downside risks materialize as it reiterated that future monetary policy will be data dependent.

On a side note, S&P Global Ratings (“**S&P**”) reaffirmed Malaysia’s foreign currency and local currency long-term issuer ratings at A- and A, respectively, and reiterated negative watch on the ratings. Though S&P is comforted with Malaysia’s strong external position, monetary policy flexibility, and record of supporting sustainable economic growth, the negative outlook reflects Malaysia’s continued pressures on its fiscal and debt settings. S&P also added that Malaysia’s ratings could face downward pressure over the next 12 to 24 months should its economic growth suffers a more prolonged downturn than expected or a weaker commitment to fiscal consolidation is evident. Meanwhile, S&P also revised its GDP forecast for Malaysia to 4.1% from 6.2% previously to account for the impact of MCO 3.0 since June 1.

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	5	1,375
500,000 - to 1,000,000	-	-
1,000,001 to 5,000,000	9	26,777
5,000,001 to 10,000,000	4	26,372
10,000,001 to 15,000,000	-	-
15,000,001 to 20,000,000	2	34,895
20,000,001 and above	4	473,097
Total	24	562,514.745

* Note : Excluding Manager's Stock

INCOME DISTRIBUTION

The Fund distributed a gross total of RM 0.0092 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)
28-Jun-2021	1.1083	29-Jun-2021	1.1003	0.0092

FUND PERFORMANCE DATA

	As at 30 June 2021	As at 31 March 2021
Total NAV (RM)	618,992,898	604,102,216
NAV per Unit (RM)	1.1004	1.0862
Unit in Circulation	562,514,745	556,146,760
Highest NAV (RM)	1.1085	1.1312
Lowest NAV (RM)	1.0888	1.0862

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 30 JUNE 2021**

	30-6-2021	30-6-2020
	RM	RM
ASSETS		
Financial assets at fair value through profit or loss ("FVTPL")	590,475,014	375,554,954
Amount due from Manager	2,084,391	3,493,550
Cash and cash equivalents	<u>28,804,822</u>	<u>47,365,392</u>
TOTAL ASSETS	<u>621,364,227</u>	<u>426,413,896</u>
LIABILITIES		
Accrued management fee	116,897	78,072
Amount due to Trustee	15,247	10,183
Amount due to Shariah Adviser	3,417	1,710
Amount due to Manager	193,034	696,241
Distribution payable	2,034,391	-
Other payables and accruals	<u>8,343</u>	<u>12,200</u>
TOTAL LIABILITIES	<u>2,371,329</u>	<u>798,406</u>
NET ASSET VALUE	<u>618,992,898</u>	<u>425,615,490</u>
UNITHOLDER'S FUNDS		
Unitholders' capital	616,331,676	411,099,148
Retained earnings	<u>2,661,222</u>	<u>14,516,342</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS	<u>618,992,898</u>	<u>425,615,490</u>
UNITS IN CIRCULATION	<u>562,514,745</u>	<u>381,361,693</u>
NET ASSET VALUE PER UNIT (RM) (EX DISTRIBUTION)	<u>1.1004</u>	<u>1.1160</u>

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Financial period from 01-04-2021 to 30-6-2021 RM	Financial period from 01-04-2020 to 30-6-2020 RM
INVESTMENT INCOME		
Profit income from unquoted sukuk at fair value through profit or loss ("FVTPL")	5,802,847	3,918,843
Profit income from Islamic deposits with licensed financial institutions at amortised cost	322,996	133,601
Net gain on financial assets at fair value through profit or loss ("FVTPL")	<u>7,380,466</u>	<u>10,159,261</u>
Gross Income	<u>13,506,309</u>	<u>14,211,705</u>
EXPENSES		
Management fee	(353,669)	(226,299)
Trustee's fee	(46,131)	(29,517)
Shariah Adviser's fee	(1,718)	(1,710)
Audit fee	(3,163)	(3,004)
Tax agent's fee	(1,031)	(1,028)
Other expenses	<u>(1,758)</u>	<u>(549)</u>
	<u>(407,470)</u>	<u>(262,107)</u>
PROFIT BEFORE TAXATION	13,098,839	13,949,598
TAXATION	<u>-</u>	<u>-</u>
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>13,098,839</u></u>	<u><u>13,949,598</u></u>
Profit after taxation is made up as follows:		
Realised gain amount	5,800,873	4,306,106
Unrealised gain amount	<u>7,297,966</u>	<u>9,643,492</u>
	<u><u>13,098,839</u></u>	<u><u>13,949,598</u></u>

**STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Unitholders' capital	Retained earnings/ (Accumulated Loss)	Total
Balance as at 1 April 2021			
Movement in unitholders' contribution:			
Creation of units from applications	RM 4,741,032	RM -	RM 4,741,032
Creation of units from distributions	(26,954,636)	-	(26,954,636)
Cancellation of units	-	(5,158,905)	
Distributions			
Total comprehensive income for the financial period	-	13,098,839	
Balance as at 30 June 2021	<u>616,331,676</u>	<u>2,661,222</u>	<u>618,992,898</u>
Balance as at 1 April 2020	358,896,521	5,991,497	364,888,018
Movement in unitholders' contribution:			
Creation of units from applications	69,067,188	-	69,067,188
Creation of units from distributions	758,882	-	758,882
Cancellation of units	(17,623,443)	-	(17,623,443)
Distributions	-	(5,424,753)	
Total comprehensive income for the financial period	-	13,949,598	13,949,598
Balance as at 30 June 2020	<u>411,099,148</u>	<u>14,516,342</u>	<u>425,615,490</u>

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Financial period from 01-04-2021 to 30-6-2021 RM	Financial period from 01-04-2020 to 30-6-2020 RM
CASH FLOWS FROM OPERATING		
Proceeds from sale of Shariah-compliant investments	5,082,500	10,611,500
Proceeds from redemption of Shariah-compliant investments	5,000,000	-
Purchase of Shariah-compliant instruments	(116,293,000)	(25,314,000)
Profit income from unquoted sukuk	5,639,990	4,375,440
Profit income from Islamic deposits with licensed financial institutions	322,996	133,601
Management fee paid	(356,926)	(220,608)
Trustee's fee paid	(46,556)	(28,775)
Tax agent's fee paid	(4,134)	-
Shariah Adviser's fee paid	(1,723)	(1,722)
Payment for other fees and expenses	(13,841)	(548)
Net cash used in operating activities	(100,670,694)	(10,445,112)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash proceeds from creation of units	29,194,352	65,784,954
Payments for cancellation of units	(26,894,009)	(17,252,876)
Distribution paid	(7,369,777)	(4,665,871)
Net cash (used in)/generated from financing activities	(5,069,434)	43,866,207
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(105,740,128)	33,421,095
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	134,544,950	13,944,297
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	28,804,822	47,365,392

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 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

MOHAMAD SALIHIN DERIS

Designated Person Responsible for Shariah Advisory

Kuala Lumpur