



NOMURA

Nomura Ringgit Bond Fund 2

Quarterly Report For The Period Ended 30 September 2022

MANAGER:

NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD
Business Registration No.: 200601028939 (748695-A)

TRUSTEE:

DEUTSCHE TRUSTEES MALAYSIA BERHAD
Business Registration No. : 200701005591 (763590-H)

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MANAGER'S REPORT

Category, Objective and Distribution Policy

Nomura Ringgit Bond Fund 2 (the "Fund") is a wholesale fixed income fund which seeks to generate regular income by investing in fixed income securities whilst carefully considering capital preservation on behalf of its investors.

The Fund will distribute income on a monthly basis, subject to availability of income.

Fund Type

Income

Benchmark

Malayan Banking Berhad 12 months Fixed Deposit Account rate.

Performance as at 30 September 2022

For the period under review from 1 July 2022 to 30 September 2022, the Fund has registered a 1.01% return. Compared to the Benchmark return of 0.60%, the Fund outperformed its Benchmark by 0.41%. The last published Net Asset Value ("NAV") per unit of the Fund as at 30 September 2022 was RM 0.9556 as compared to the NAV per unit as at 30 June 2022 of RM 0.9505. On the total NAV basis, the Fund's NAV stood at RM 259.92 million as at 30 September 2022.

Performance as at 30 September 2022

	3 months (01/07/2022- 30/09/2022)	6 Months (01/04/2022- 30/09/2022)	1 Year (01/10/2021- 30/09/2022)	Since Commencement (29/07/2020- 30/09/2022)
Fund	1.01	0.36	0.59	-0.16
Benchmark	0.60	1.10	2.02	4.24
Outperformance/ (Underperformance)	0.41	-0.74	-1.43	-4.40

Source of Fund and Benchmark Returns: Refinitiv Lipper

Volatility as at 30 September 2022

	3-Year
Fund	N/A

Source: Refinitiv Lipper

This information is prepared by Nomura Asset Management Malaysia Sdn Bhd ("NAMM") for information purposes only. Past earnings of 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 2022 to 30 September 2022)

We see value in the present steepness of the belly of the credit curve, particularly as the 3-7 year portion remains fairly steep, making for an attractive rolldown play.

Summary of Asset Allocation

	<u>30 September 2022</u>	<u>30 June 2022</u>
Malaysian Government Securities / Government Investment Issues / Government Guaranteed Securities	32.99%	33.09%
Corporate Bonds / Sukuk	66.70%	63.45%
Cash and other net current assets / liabilities	0.32%	3.45%
Total	100.00%	100.00%

Review of Market (1 July 2022 to 30 September 2022)

Over the quarter, Malaysian Government Securities yield curve bear flattened as major central banks pressed forward with relatively large interest rate hikes amid evidence of stubbornly high inflation pressure. This led to elevated volatility across financial markets. In particular, front-end of the curve surged 25 bps QoQ while the rest of the curve rose 3-17 bps QoQ. However, we note that corporate bonds remained relatively resilient on the back of strong domestic corporate earnings, supported by momentum from the ongoing economic reopening. Although Bank Negara Malaysia (“**BNM**”) continues to raise interest rates in steps of 0.25% at each policy meeting (Overnight Policy Rate (“**OPR**”) stands at 2.50% as of September-2022), we perceive that the domestic yield curve has to a large extent priced in OPR normalising to the 3.00-3.25% range.

As widely expected, BNM delivered the third back-to-back 25 bps OPR hike in its September Monetary Policy Committee meeting, bringing the OPR to 2.50%. BNM remained positive on domestic economy growth prospects, underpinned by continued private sector spending, improving labour market conditions, and the reopening of international borders. However, BNM cautioned on the downside risks to global growth outlook stemming from the impact of aggressive monetary policy tightening in major economies, pandemic management measures in China, as well as the potential energy crisis in Europe. In its Monetary Policy Statement, BNM indicated that headline inflation is expected to peak in 3Q22 before moderating thereafter, while core inflation is projected to average closer to the upper end of the 2%-3% forecast range in 2022, with signs of demand-pull pressures amid the elevated cost environment. Overall, BNM highlighted that there is no “pre-set course” and reiterated that future rate decisions will be data dependent and the policy normalisation path would be done in a measured and gradual manner.

Year-to-date (YTD) corporate bond issuance recorded a total of MYR 59.7 billion. Notable issuances include edotco Malaysia Sdn Berhad, VS Capital Management Sdn Berhad, and Lembaga Pembiayaan Perumahan Sektor Awam which issued MYR 1.4 billion, MYR 500 million, and MYR 4.0 billion respectively. Within the AAA-rated space, Sarawak Petchem Sdn Berhad and Pengurusan Air Selangor Sdn Berhad issued a total of MYR 4.0 billion and MYR 1.3 billion respectively. Meanwhile, within the financial sector, Affin Bank Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, and RHB Bank Berhad issued MYR 500 million, MYR 500 million, MYR 300 million, and MYR 500 million respectively.

TRANSACTIONS WITH FINANCIAL INSTITUTIONS AND BROKERS/DEALERS

Cross Trades (1 July 2022 to 30 September 2022)

During the financial period under review, two (2) cross trades were conducted between the Fund and fund managed by the Manager's related company.

	<u>Total Value of trades (RM)</u>
Nomura i-Income Fund	8,981,600
Total	8,981,600

All transactions were in the best interest of the Fund and executed through RHB Investment Bank Berhad on an arm's length and fair value basis.

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	-	-
500,000 - to 1,000,000	-	-
1,000,001 to 5,000,000	-	-
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	272,007.89
Total	1	272,007.89

* Note: Excluding Manager's Stock

INCOME DISTRIBUTION

The Fund distributed a gross total of RM 0.0045 per unit to investors of the Fund over the period under review.

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

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
15-Sep-22	0.9652	19-Sep-22	0.9629	0.0045

FUND PERFORMANCE DATA

	As at 30 September 2022	As at 30 June 2022
Total NAV (RM)	259,921,448	258,555,871
NAV per Unit (RM)	0.9556	0.9505
Unit in Circulation	272,007,887	272,007,887
Highest NAV (RM)	0.9673	0.9625
Lowest NAV (RM)	0.9514	0.9403

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

NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 1 JULY 2022 TO 30
SEPTEMBER 2022**

NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JULY 2022 TO 30 SEPTEMBER 2022

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NOMURA RINGGIT BOND FUND 2
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JULY 2022 TO 30 SEPTEMBER 2022

	Financial period from 1-07-2022 to 30-09-2022 RM	Financial period from 1-07-2021 to 30-09-2021 RM
INVESTMENT INCOME/(LOSS)		
Interest income from unquoted fixed income securities through profit or loss ("FVTPL")	2,214,046	2,068,191
Interest income from deposits with licensed financial institutions at amortised cost	9,893	44,742
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	<u>521,232</u>	<u>(2,391,218)</u>
Gross Income/(loss)	<u>2,745,171</u>	<u>(278,285)</u>
EXPENSES		
Management fee	(131,936)	(135,003)
Trustee's fee	(19,791)	(20,250)
Audit fee	(2,405)	(2,405)
Tax agent's fee	(1,042)	(1,042)
Other expenses	<u>(385)</u>	<u>(369)</u>
	<u>(155,559)</u>	<u>(159,069)</u>
PROFIT/(LOSS) BEFORE TAXATION	2,589,612	(437,354)
TAXATION	<u>-</u>	<u>-</u>
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>2,589,612</u></u>	<u><u>(437,354)</u></u>
Profit/(Loss) after taxation is made up as follows:		
Realised amount	2,068,380	1,953,864
Unrealised amount	<u>521,232</u>	<u>(2,391,218)</u>
	<u><u>2,589,612</u></u>	<u><u>(437,354)</u></u>

NOMURA RINGGIT BOND FUND 2
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	30-09-2022	30-09-2021
	RM	RM
ASSETS		
Financial assets at fair value through profit or loss ("FVTPL")	259,083,604	258,340,846
Cash and cash equivalents	<u>898,339</u>	<u>6,771,566</u>
TOTAL ASSETS	<u>259,981,943</u>	<u>265,112,412</u>
LIABILITIES		
Accrued management fee	43,047	43,945
Amount due to Trustee	6,457	6,592
Other payables and accruals	<u>10,991</u>	<u>10,355</u>
TOTAL LIABILITIES	<u>60,495</u>	<u>60,892</u>
NET ASSET VALUE	<u>259,921,448</u>	<u>265,051,520</u>
UNITHOLDER'S FUNDS		
Unitholders' capital	272,450,000	272,450,000
Accumulated losses	<u>(12,528,552)</u>	<u>(7,398,480)</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS	<u>259,921,448</u>	<u>265,051,520</u>
UNITS IN CIRCULATION	<u>272,007,887</u>	<u>272,007,887</u>
NET ASSET VALUE PER UNIT (RM) (EX DISTRIBUTION)	<u>0.9556</u>	<u>0.9744</u>

NOMURA RINGGIT BOND FUND 2

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL PERIOD FROM 1 JULY 2022 TO 30 SEPTEMBER 2022

	Unitholders' capital	Accumulated losses	Total
	RM	RM	RM
Balance as at 1 July 2022	272,450,000	(13,894,129)	258,555,871
Movement in unitholders' contribution:			
Total comprehensive income for the financial period	-	2,589,612	2,589,612
Distributions	-	(1,224,035)	(1,224,035)
Balance as at 30 September 2022	<u>272,450,000</u>	<u>(12,528,552)</u>	<u>259,921,448</u>
Balance as at 1 July 2021	272,450,000	(5,655,488)	266,794,512
Movement in unitholders' contribution:			
Total comprehensive income for the financial period	-	(437,354)	(437,354)
Distributions	-	(1,305,638)	(1,305,638)
Balance as at 30 September 2021	<u>272,450,000</u>	<u>(7,398,480)</u>	<u>265,051,520</u>

NOMURA RINGGIT BOND FUND 2
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JULY 2022 TO 30 SEPTEMBER 2022

	Financial period from 1-07-2022 to 30-09-2022 RM	Financial period from 1-07-2021 to 30-09-2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of investments	(8,981,600)	(10,000,000)
Interest income from unquoted fixed income investments	2,271,927	2,399,145
Interest income from deposits with licensed financial institutions	9,893	44,742
Management fee paid	(131,335)	(134,967)
Trustee's fee paid	(19,700)	(20,244)
Payment for other fees and expenses	<u>(385)</u>	<u>(369)</u>
Net cash used in operating activities	<u>(6,851,200)</u>	<u>(7,711,693)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Distribution paid	<u>(1,224,035)</u>	<u>(1,305,638)</u>
Net cash used in financing activity	<u>(1,224,035)</u>	<u>(1,305,638)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,075,235)	(9,017,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>8,973,574</u>	<u>15,788,897</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>898,339</u></u>	<u><u>6,771,566</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	170,047	5,993,862
Cash at banks	<u><u>728,292</u></u>	<u><u>777,704</u></u>