

Nomura i-Income Fund

Annual Report and Audited Financial Statements For The
Financial Year Ended 31 December 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)

AUDITOR:

Pricewaterhouse Coopers PLT
Business Registration No.: LLP0014401-LCA & AF1146

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This Annual Report is available, upon request, to unit holders without charge

1. FUND PROFILE

1.1 Fund Name

Nomura i-Income Fund (“Fund”)

1.2 Type and Category of Fund

Income – Fixed Income (Islamic)

1.3 Duration of the Fund

The Fund is an open-ended fund.

1.4 Investment Objectives

The Fund seeks to provide investors with regular income distributions through investments in Islamic deposits, Islamic money market instruments and sukuk.

1.5 Distribution Policy

Distribution of income, if any, is on quarterly basis and may be made from realised gains, realised income and/or out of capital.

1.6 Performance Benchmark

12-month Malayan Banking Berhad General Investment Account Rate (“Benchmark”).

2. FUND PERFORMANCE

2.1 Key Fund Performance Data*

Asset Allocation / Portfolio Composition	31 Dec 2022	31 Dec 2021	31 Dec 2020
Government Investment Issue	20.73%	24.43%	36.84%
Islamic commercial paper/ Sukuk	65.90%	72.87%	61.38%
Cash and other net current assets / liabilities	13.37%	2.03%	1.78%
Collective Investment Scheme	-	0.68%	-
Total	100.00%	100.00%	100.00%

Fund – Class I

Category	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
Highest NAV per Unit (RM) ¹	1.1014	1.1312	1.1622
Lowest NAV per Unit (RM) ¹	1.0471	1.0862	1.0649
Total Return (%) ²			
- Capital growth (%)	(0.65)	(3.01)	2.49
- Income (%)	1.29	3.90	4.31
Gross/Net Distribution per unit (RM sen)	1.40	4.27	4.86
Total NAV (RM) ¹	370,470,212	742,877,716	517,974,910
NAV per Unit (RM)	1.0871	1.0942	1.1281
Unit in Circulation	340,802,865	678,928,010	459,139,639

Fund – Class R

Category	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
Highest NAV per Unit (RM) ¹	1.1014	1.1312	1.1622
Lowest NAV per Unit (RM) ¹	1.0471	1.0862	1.0649
Total Return (%) ²			
- Capital growth (%)	(0.69)	(3.01)	2.49
- Income (%)	1.29	3.90	4.31
Gross/Net Distribution per unit (RM sen)	1.40	4.27	4.86
Total NAV (RM) ¹	47,671,793	742,877,716	517,974,910
NAV per Unit (RM)	1.0866	1.0942	1.1281
Unit in Circulation	43,871,303	678,928,010	459,139,639

Category	1 Jan 2022 to 31 Dec 2022	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
Total Expense Ratio (%) ³	0.27	0.26	0.27
Portfolio Turnover Ratio (time) ⁴	0.46	0.40	0.46

Notes:

* Prior to 1 October 2022, the Fund was managed as a single class wholesale fund. Hence, the aforementioned Fund data prior to 1 October 2022 reflects the data of the Fund as a single class wholesale fund which are subject to guidelines, restrictions and risks applicable to wholesale fund.

(1) Figures shown as ex-distribution.

(2) Total Return of the Fund and its Benchmark for a period are calculated based on the absolute return of the Fund for that period. The calculation of the Total Return of the Fund is based on NAV-to-NAV basis, and is sourced from Refinitiv Lipper. Fund performances include reinvestment of income distributions into the Fund. The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distributions payable (if any) during the stipulated period:

- **Capital Return**= {NAV per Unit End / NAV per Unit Beginning – 1} x 100
- **Income Return**= {Income Distribution per Unit / NAV per Unit Ex-Distribution} x 100

(3) Total Expense Ratio ("TER") is calculated based on the total fees and expenses incurred by the Fund divided by the average net asset value of the Fund for the financial period calculated on daily basis.

(4) Portfolio Turnover Ratio ("PTR") is calculated based on the total acquisitions and total disposals of investment securities of the Fund for the financial period divided by the average net asset value of the Fund for the financial period calculated on daily basis.

2.2 Average Total Return of the Fund ¹

Fund – Class I

	1 Year to 31 Dec 2022	3 Years to 31 Dec 2022	5 Years to 31 Dec 2022
Average Total Return (%)	0.65	2.79	4.91

Source: Refinitiv Lipper

Fund – Class R

	1 Year to 31 Dec 2022	3 Years to 31 Dec 2022	5 Years to 31 Dec 2022
Average Total Return (%)	0.61	2.77	4.91

Source: Refinitiv Lipper

2.3 Annual Total Return of the Fund ¹

Fund – Class I

	FY2022	FY2021	FY2020	FY2019	FY2018
Total Return (%) ²	0.65	0.83	7.01	10.35	6.07
Benchmark (%)	2.22	1.95	2.50	3.45	3.54

Source: Refinitiv Lipper

Fund – Class R

	FY2022	FY2021	FY2020	FY2019	FY2018
Total Return (%) ²	0.61	0.83	7.01	10.35	6.07
Benchmark (%)	2.22	1.95	2.50	3.45	3.54

Source: Refinitiv Lipper

Notes:

- (1) Prior to 1 October 2022, the Fund was managed as a single class wholesale fund. Hence, the aforementioned Fund data prior to 1 October 2022 reflects the data of the Fund as a single class wholesale fund which are subject to guidelines, restrictions and risks applicable to wholesale fund.
- (2) Annual Total Return of the Fund and its Benchmark for a period are calculated based on the absolute return of the Fund for that period. The calculation of the Annual Total Return of the Fund is based on NAV-to-NAV basis, and is sourced from Refinitiv Lipper. Fund performances include reinvestment of income distributions into the Fund. Further details on basis of calculation and assumption made in calculating returns is as follows:

The performance figures are a comparison of the growth/decline in NAV for the stipulated period taking into account all the distributions payable (if any) during the stipulated period:

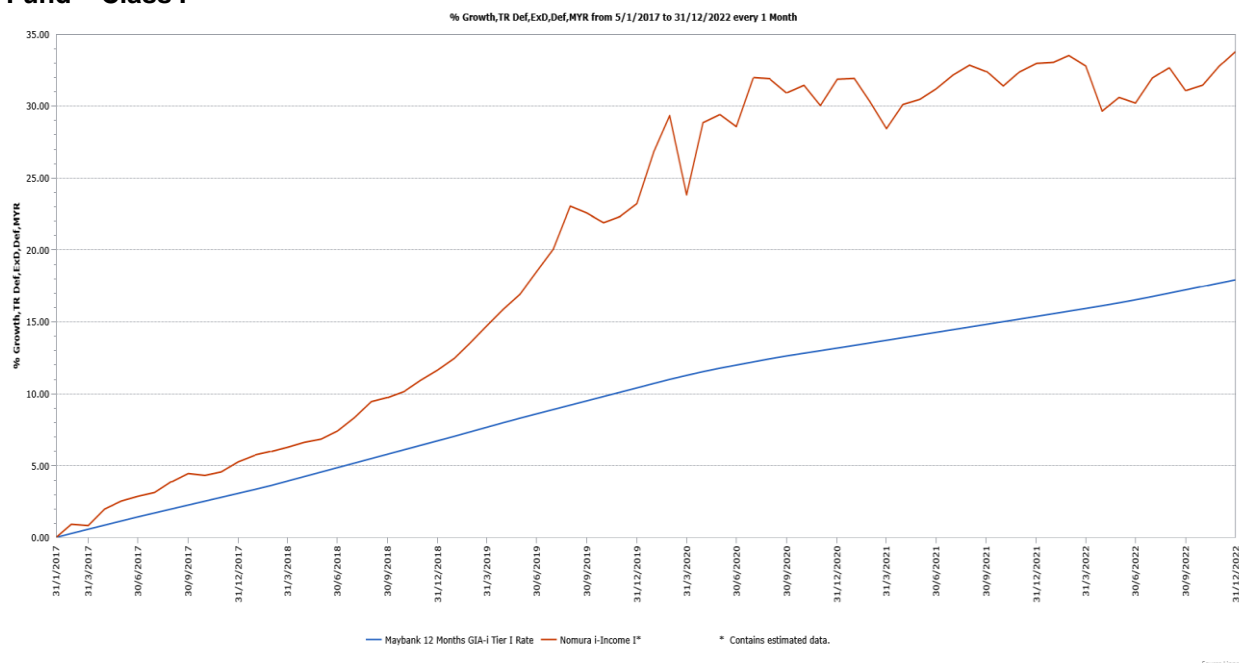
- **Capital Return** = {NAV per Unit End / NAV per Unit Beginning – 1} x 100
- **Income Return** = {Income Distribution per Unit / NAV per Unit Ex-Distribution} x 100
- **Total Return** = (1 + Percentage Growth)^{1/n} – 1

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

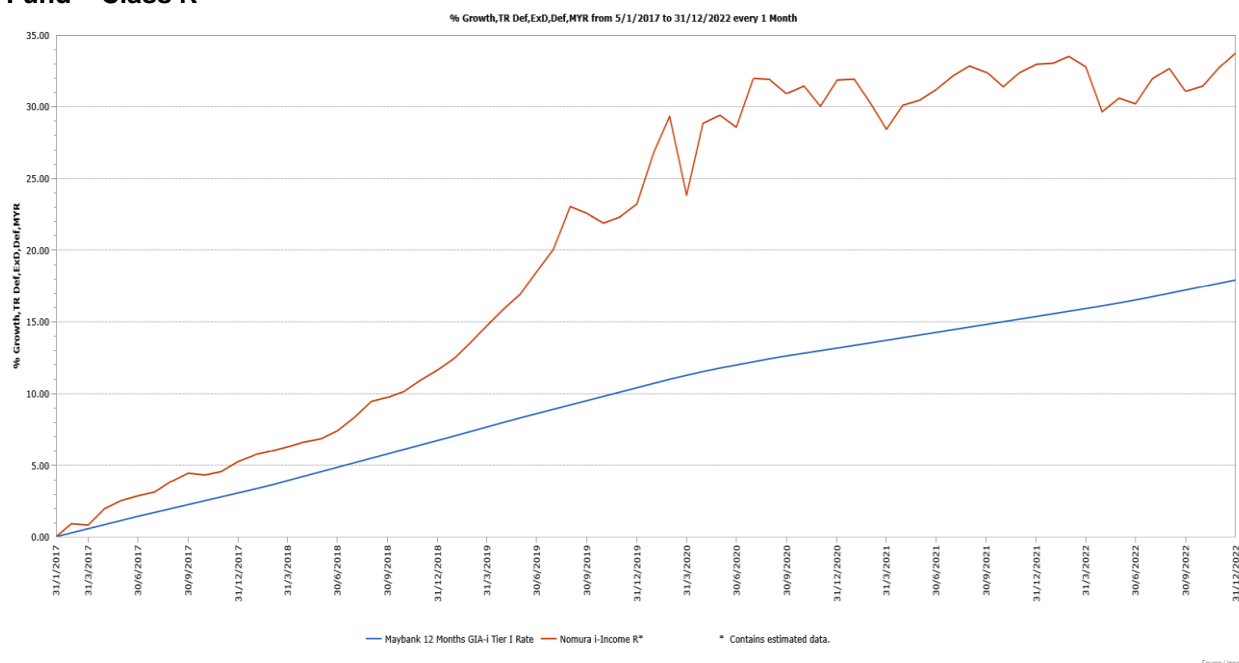
3. MANAGER'S REPORT

Performance of Nomura i-Income Fund from 5 January 2017* to 31 December 2022

Fund – Class I



Fund – Class R



* The Fund commenced on 8 November 2012. However, there were no units in circulation for the period between 21 March 2016 and 4 January 2017. As such, the Fund's performance figures are only available from 5 January 2017 onwards.

Benchmark: 12-month Malayan Banking Berhad General Investment Account Rate

Source: The calculation of the Annual Total Return of the Fund is based on NAV-to-NAV basis, and is sourced from Refinitiv Lipper. Fund performances include reinvestment of income distributions into the Fund.

3.1 Performance for the period from 1 January 2022 to 31 December 2022

Fund – Class I

For the period under review from 1 January 2022 to 31 December 2022, Class I has registered 0.65% return. Compared to the Benchmark return of 2.22%, Class I has underperformed the Benchmark by -1.57%. The Net Asset Value (“NAV”) per unit of Class I as at 31 December 2022 was RM1.0871 compared to the NAV per unit as at 31 December 2021 of RM1.0942. On the total NAV basis, Class I’s NAV stood at RM370.47 million as at 31 December 2022.

Fund – Class R

For the period under review from 1 January 2022 to 31 December 2022, Class R has registered 0.61% return. Compared to the Benchmark return of 2.22%, Class R has underperformed the Benchmark by -1.61%. The Net Asset Value (“NAV”) per unit of Class R as at 31 December 2022 was RM1.0866 compared to the NAV per unit as at 31 December 2021 of RM1.0942. On the total NAV basis, Class R’s NAV stood at RM47.67 million as at 31 December 2022.

3.2 Review of Market for the period from 1 January 2022 to 31 December 2022

Volatility remained elevated in 2022 as the local bond market experienced a sharp selloff on the back of a global bond rout in earlier months of the year before rallying towards the end of the year. Overall, Government Investment Issues (“GII”) yield curve bear-flattened as front-end to belly of the curve spiked 51-82 bps YoY while long-end of the curve surged 23-34 bps YoY.

Yields skyrocketed on the back of hawkish major Central Banks and the escalation of the Russia-Ukraine conflict in 9M2022. As the global economy reopens following the Covid-19 pandemic-induced lockdowns, coupled with tight labour market conditions and elevated inflationary pressures, major Central Banks adopted aggressive monetary policy tightening cycle as an effort to tame multi-decade high inflation. Notably, the US Federal Reserve (“US Fed”) delivered jumbo-sized rate hikes over the year, increasing its Fed Fund Rate by a total of 4.25%. Meanwhile, at a smaller quantum, Bank Negara Malaysia (“BNM”) has delivered four back-to-back 25 bps Overnight Policy Rate (“OPR”) hike during the period under review, bringing the OPR to 2.75% from the historic low of 1.75%. Towards the end of the year, however, domestic yields rallied strongly in tandem with global yield movements as risk appetite improved domestically upon the formation of the unity government, coupled with signals from the US Fed to slow its rate hike pace following the downside inflation surprise in the US.

3.3 Investment Outlook

Following BNM’s unexpected move to pause its hiking cycle in January 2023, we expect more favourable market conditions to prevail in 1H2023. We expect to deploy our cash into GIIs in light of better trading opportunities while maintaining fairly high liquidity in the portfolio. We continue to see value in the steepness of the belly of the credit curve, which remains our favoured portion of the curve.

3.4 Strategies Employed for the period from 1 January 2022 to 31 December 2022

We capitalised on the economic reopening theme for 2022, by increasing exposure to sectors that benefited from rebounding economic activity including industrials and transportation. From a curve positioning perspective, we saw value in the steepness of the belly of the credit curve, particularly in the 3-7 year portion, making for an attractive rolldown play. We also raised liquidity throughout the year by rotating from credit into GIIs.

3.5 Asset Allocation

Asset Allocation / Portfolio Composition	31 Dec 2022	31 Dec 2021	31 Dec 2020
Government Investment Issue	20.73%	24.43%	36.84%
Islamic commercial paper/ Sukuk	65.90%	72.87%	61.38%
Cash and other net current assets / liabilities	13.37%	2.03%	1.78%
Collective Investment Scheme	-	0.68%	-
Total	100.00%	100.00%	100.00%

There were no significant changes on the Fund's asset allocation during the financial period under review.

3.6 Securities Lending or Repurchase Transactions

The Fund has not undertaken any securities lending or repurchase transactions during the financial period under review.

3.7 Income Distribution

The Manager has distributed a total of gross/net distribution of RM0.0140 per unit for unit holders of each Class I and Class R over the financial period ended 31 December 2022.

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

Fund – Class I

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
28-Mar-2022	1.0893	29-Mar-2022	1.0844	0.0061
17-May-2022	1.0542	18-May-2022	1.0471	0.0079

Fund – Class R

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
28-Mar-2022	1.0893	29-Mar-2022	1.0844	0.0061
17-May-2022	1.0542	18-May-2022	1.0471	0.0079

Note: The income distributions above were declared prior to the Fund being converted from a single class wholesale fund to a unit trust fund and a multi-class fund.

3.8 Details of Any Unit Split Exercise

There was no unit split exercise during the financial period under review.

3.9 Significant Changes in the State of Affairs of the Fund

There were no significant changes in the state of affairs of the Fund during the financial period under review.

However, unitholders are to take note that the Fund has been converted from a single class wholesale fund to a unit trust fund and a multi-class fund from 1 October 2022.

In addition, please find the latest changes to the Manager's board of directors as follows:

Mr. Leslie Yap Kim Loong
 Mr. Atsushi Ichii
 Mr. Wataru Ogihara (resigned on 31 December 2022)
 Ms. Chooi Su May
 Mr. Johari Bin Abdul Muid*
 Ms. Julia Binti Hashim*

* Independent director

3.10 Circumstances that Materially Affect Any Interest of Unit Holders

There were no circumstances that had materially affected the interest of the unit holders during the financial period under review.

3.11 Cross Trades Transactions

During the financial period under review, thirty-five (35) cross trades were conducted between the Fund and other funds / accounts managed by the Manager and/or the Manager's related company.

	<u>Total Value of trades (RM)</u>
Nomura Ringgit Bond Fund 1	58,605,590
Nomura Ringgit Bond Fund 2	23,722,600
Private Mandate	91,076,610
Total	173,404,800

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

3.12 Soft Commissions Received From Brokers

The Manager did not receive any soft commission during the financial period under review.

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

NOMURA i-INCOME FUND

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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NOMURA i-INCOME FUND

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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NOMURA i-INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
INVESTMENT (LOSS)/INCOME			
Gross dividend income		-	42,581
Profit income from unquoted sukuk at fair value through profit or loss ("FVTPL")		23,882,238	25,299,088
Profit income from Islamic deposits with licensed financial institutions at amortised cost		1,017,600	1,312,775
Net losses on financial assets at fair value through profit or loss ("FVTPL")	6	(25,159,666)	(18,909,890)
Other income		28	-
		<u>(259,800)</u>	<u>7,744,554</u>
EXPENSES			
Management fee	3	1,343,871	1,548,996
Trustee's fee	4	172,810	202,043
Shariah Adviser's fee		6,890	6,890
Audit fee		11,970	11,970
Tax agent's fee		3,900	4,134
Other expenses		5,440	5,233
		<u>1,544,881</u>	<u>1,779,266</u>
(LOSS)/PROFIT BEFORE FINANCE COST AND TAXATION		(1,804,681)	5,965,288
FINANCE COST – DISTRIBUTIONS	10	<u>(9,140,492)</u>	<u>(26,329,617)</u>
LOSS BEFORE TAXATION		(10,945,173)	(20,364,329)
TAXATION	5	<u>-</u>	<u>-</u>
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	15	<u>(10,945,173)</u>	<u>(20,364,329)</u>
Decrease in net assets attributable to unitholders is made of the following:			
Realised amount		(11,151,136)	(1,286,587)
Unrealised amount		205,963	(19,077,742)
		<u>(10,945,173)</u>	<u>(20,364,329)</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

NOMURA i-INCOME FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	<u>Note</u>	As at <u>31.12.2022</u> RM	As at <u>31.12.2021</u> RM
ASSETS			
Cash and cash equivalents	7	56,012,402	15,309,884
Financial assets at fair value through profit or loss ("FVTPL")	6	362,240,250	727,780,110
Amount due from Manager		25,378	3,882,082
TOTAL ASSETS		<u>418,278,030</u>	<u>746,972,076</u>
LIABILITIES			
Accrued management fee	3	91,726	145,904
Amount due to Trustee	4	11,080	19,031
Amount due to Shariah Adviser		4,019	1,723
Amount due to Manager		12,378	28,798
Distribution payable		-	3,882,082
Other payables and accruals		16,822	16,822
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>136,025</u>	<u>4,094,360</u>
NET ASSET VALUE OF THE FUND		<u>418,142,005</u>	<u>742,877,716</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS*		<u>418,142,005</u>	<u>742,877,716</u>
REPRESENTED BY			
FAIR VALUE OF OUTSTANDING UNITS (RM)			
CLASS I		370,470,212	742,877,716
CLASS R		47,671,793	-
NUMBER OF UNIT IN CIRCULATION (UNITS)			
CLASS I	9	340,802,865	678,928,010
CLASS R	9	43,871,303	-
NET ASSET VALUE PER UNIT (RM)			
CLASS I		1.0871	1.0942
CLASS R		1.0866	-

* Net assets attributable to unitholders are classified as financial liabilities as at 31 December 2022 and equity as at 31 December 2021 as disclosed in Note G of Summary of accounting policy.

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

NOMURA i-INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
Net assets attributable to unitholders at the beginning of financial year		742,877,716	517,974,910
Movement due to units created and cancelled during the financial year:			
Creation of units from applications			
CLASS I		15,556,174	314,622,690
CLASS R		52,272,511	-
		<u>67,828,685</u>	<u>318,504,772</u>
Creation of units from distribution			
CLASS I		3,307,610	10,210,516
CLASS R		-	-
		<u>3,307,610</u>	<u>6,328,434</u>
Cancellation of units			
CLASS I		(379,398,870)	(79,566,071)
CLASS R		(5,527,963)	-
		<u>(384,926,833)</u>	<u>(79,566,071)</u>
Decrease in net assets attributable to unitholders during the financial year	15	<u>(10,945,173)</u>	<u>(20,364,329)</u>
Net assets attributable to unitholders at the end of financial year*		<u><u>418,142,005</u></u>	<u><u>742,877,716</u></u>

* During the financial year ended 31 December 2022, net assets attributable to unitholders are classified as financial liabilities. During the financial year ended 31 December 2021, net assets attributable to unit holders were classified as equity as disclosed in Note G of summary of accounting policy.

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

NOMURA i-INCOME FUND

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM	<u>2021</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of Shariah-compliant investments		399,678,561	145,859,500
Proceeds from redemption of Shariah-compliant investments		30,000,000	5,000,000
Purchase of Shariah-compliant instruments		(92,219,260)	(388,140,956)
Dividend received		-	42,581
Other income		28	-
Profit income from unquoted sukuk		26,801,975	24,730,480
Profit income from Islamic deposits with licensed financial institutions		1,017,600	1,312,775
Management fee paid		(1,396,041)	(1,502,203)
Trustee's fee paid		(180,761)	(196,118)
Tax agent's fee paid		(4,134)	(4,134)
Shariah Adviser's fee paid		(4,593)	(6,890)
Payment for other fees and expenses		(17,176)	(16,599)
Net cash generated from/(used in) operating activities		<u>363,676,199</u>	<u>(212,921,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		67,803,307	314,737,300
Payments for cancellation of units		(384,944,106)	(79,928,900)
Distributions paid		(5,832,882)	(16,119,101)
Net cash (used in)/generated from financing activities		<u>(322,973,681)</u>	<u>218,689,299</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		40,702,518	5,767,735
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>15,309,884</u>	<u>9,542,149</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	<u><u>56,012,402</u></u>	<u><u>15,309,884</u></u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

NOMURA i-INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Manager to exercise their judgment in the process of applying the Fund's accounting policies. Although these estimates and judgment are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note I.

(i) Standards and amendments to existing standards effective 1 January 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Fund.

(ii) New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B PRESENTATION AND FUNCTIONAL CURRENCY

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Fund's presentation and functional currency.

C INCOME RECOGNITION

Profit income from unquoted sukuk and Islamic deposits with licensed financial institutions are recognised on an accrual basis using the effective profit method.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOMURA i-INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

C INCOME RECOGNITION (CONTINUED)

Realised gain and loss on sale of unquoted sukuk is measured by the difference between the net disposal proceeds and the carrying amounts of the Shariah-compliant investments (adjusted for accretion of discount or amortisation of premium).

Dividend income from Islamic collective investment scheme is recognised when the Fund's right to receive payment is established. Dividend income is received from financial assets measured at FVTPL.

D TAXATION

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable income earned during the financial year.

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The Fund classifies its Shariah-compliant investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's sukuk are solely principal and profit. However, these Shariah-compliant securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Investments in collective investment scheme have contractual cash flows that do not represent SPPI, and therefore are classified as fair value through profit or loss.

The Fund classifies amount due from Manager and cash and cash equivalents as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies amount due to Manager, amount due to Trustee, amount due to Shariah Adviser, distribution payable and other payables and accruals as financial liabilities measured at amortised cost.

NOMURA i-INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the Shariah-compliant financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the financial year in which they arise.

Investments in Islamic collective investment schemes are valued at the last published net asset value ("NAV") per unit at the date of the statement of financial position.

Unquoted sukuk denominated in Ringgit Malaysia are revalued on a daily basis based on fair value prices quoted by a bond pricing agency ("BPA") registered with the Securities Commission of Malaysia ("SC") as per the SC Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework. Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (a) Records its basis for using a non-BPA price;
- (b) Obtains necessary internal approvals to use the non-BPA price; and
- (c) Keeps an audit trail of all decisions and basis for adopting the market price.

Financial assets at amortised cost and other financial liabilities are subsequently carried at amortised cost using the effective profit method.

NOMURA i-INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

E FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(iii) Impairment

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these Shariah-compliant instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

F CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balance and Islamic deposits with licensed financial institutions that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

G CREATION AND CANCELLATION OF UNITS

Prior to 1 October 2022, the Fund classified its puttable instruments as equity in accordance with MFRS 132 (Amendment) "Financial Instruments: Presentation". However, the amendment requires puttable financial instruments that meet the definition of equity to be classified as financial liability when certain strict criteria are not met. Those criteria include:

- the puttable instrument must entitle the unit holder to a pro-rate share of net assets;
- the puttable instrument must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial assets other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer

NOMURA i-INCOME FUND

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

G CREATION AND CANCELLATION OF UNITS (CONTINUED)

Those conditions were not met when Class I and Class R were issued on 1 October 2022 as Class I and Class R do not have identical features.

The Fund issues cancellable units, in two classes of units, known respectively as the Class I and Class R, which are cancelled at the unitholders' option and do not have identical features subject to restrictions as stipulated in the Prospectus and Securities Commission's ("SC") Guidelines on Unit Trust Funds. The units are classified as financial liabilities.

Cancellable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV of respective classes. The outstanding units are carried at the redemption amount that is payable at each financial period if the unitholder exercises the right to put the unit back to the Fund.

Units are created and cancelled at the unitholder's option at prices based on the Fund's NAV per unit of respective classes at the close of business on the relevant dealing day. The Fund's NAV per unit of respective classes is calculated by dividing the net asset attributable to unitholders of respective classes with the total number of outstanding units of respective classes.

H FINANCE COST

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a finance cost in the statement of comprehensive income, when they are appropriately authorised and no longer at the discretion of the Fund. A proposed distribution is recognised as a liability in the year in which it is approved by the Trustee.

I CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Funds' results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, the Manager is of the opinion that there are no accounting policies which require significant judgement to be exercised.

Estimate of fair value of unquoted sukuk

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC Guidelines on Unit Trust Funds.

Ringgit-denominated unquoted sukuk are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, obtains necessary internal approvals to use the non-BPA price. Refer to Note E for further explanation.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1 INFORMATION ON THE FUND

Nomura i-Income Fund (the "Fund") was constituted pursuant to the execution of a Master Deed dated 11 June 2012. The Fund has changed its name from Nomura i-Money Market Fund to Nomura i-Income Fund as amended by the First Supplemental Deed dated 23 August 2013 between Nomura Islamic Asset Management Sdn Bhd and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 7 November 2012 and will continue its operations until being terminated by the Manager or the Trustee as provided under Clause 25 of the Deed.

The Fourth Supplemental Deed dated 14 June 2022 in respect of the Fund (the "Deed") was entered into between Nomura Asset Management Malaysia Sdn Bhd (the "Manager"), Nomura Islamic Asset Management Sdn Bhd, and the Trustee to govern the Fund and replace in its entirety the Initial Deeds and the provision of the Initial Deeds.

The Fund was converted into a Unit Trust Fund and The Manager has been changed to Nomura Asset Management Malaysia Sdn Bhd from Nomura Islamic Asset Management Sdn Bhd on 1 October 2022 and will continue its operations until terminated by the Manager or the Trustee as provided under the Deed.

The Fund seeks to provide investors with regular income distributions through investments in Islamic deposits, Islamic money market instruments and sukuk.

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At fair value through <u>profit or loss</u> RM	At <u>amortised cost</u> RM	<u>Total</u> RM
<u>As at 31.12.2022</u>				
<u>Financial assets</u>				
Unquoted sukuk	6	362,240,250	-	362,240,250
Amount due from Manager		-	25,378	25,378
Cash and cash equivalents	7	-	56,012,402	56,012,402
Total		<u>362,240,250</u>	<u>56,037,780</u>	<u>418,278,030</u>

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial instruments are as follows: (continued)

	<u>Note</u>	At fair value through profit or loss RM	At amortised cost RM	<u>Total</u> RM
<u>As at 31.12.2022 (continued)</u>				
<u>Financial liabilities</u>				
Accrued management fee		-	91,726	91,726
Amount due to Manager		-	12,378	12,378
Amount due to Trustee		-	11,080	11,080
Amount due to Shariah Adviser		-	4,019	4,019
Other payables and accruals		-	16,822	16,822
Total		-	136,025	136,025
<u>As at 31.12.2021</u>				
<u>Financial assets</u>				
Unquoted sukuk	6	722,762,005	-	722,762,005
Unquoted collective investment scheme	6	5,018,105	-	5,018,105
Amount due from Manager		-	3,882,082	3,882,082
Cash and cash equivalents	7	-	15,309,884	15,309,884
Total		727,780,110	19,191,966	746,972,076
<u>Financial liabilities</u>				
Accrued management fee		-	145,904	145,904
Amount due to Manager		-	28,798	28,798
Amount due to Trustee		-	19,031	19,031
Amount due to Shariah Adviser		-	1,723	1,723
Distribution payable		-	3,882,082	3,882,082
Other payables and accruals		-	16,822	16,822
Total		-	4,094,360	4,094,360

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk and interest rate risk), liquidity risk, credit/default risk, capital risk and fund management risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed and SC Guidelines on Unit Trust Funds.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

(a) Price risk

Price risk is the risk that the fair value of an investment of the Fund will fluctuate because of changes in market prices (other than those arising from interest rate risk).

The Fund's overall exposure to price risk are as follows:

	As at 31.12.2022 RM	As at 31.12.2021 RM
Financial assets at fair value through profit or loss*	362,240,250	727,780,110

* Includes profit receivable of RM4,066,225 (2021: RM6,371,157).

The table below summarises the sensitivity of the Fund's NAV and profit after tax to movements in prices of Shariah-compliant investments. The analysis is based on the assumptions that the price of the investments fluctuates by 5% with all other variables held constant.

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on loss</u> <u>after tax/NAV</u> RM
<u>As at 31.12.2022</u>		
+5%	376,082,726	17,908,701
-5%	340,265,324	(17,908,701)
<u>As at 31.12.2021</u>		
+5%	757,479,401	36,070,448
-5%	685,338,505	(36,070,448)

(b) Interest rate risk

In general, when interest rates rise, valuation for unquoted sukuk will tend to fall and vice versa. Therefore, the NAV of the Fund may also tend to fall when interest rates rise or are expected to rise when interest rates fall. However, investors should be aware that should the Fund hold an unquoted sukuk till maturity, such fluctuations would dissipate as it approaches maturity, and thus the growth of the NAV shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

This risk is crucial since sukuk portfolio management depends on forecasting interest rate movements. Sukuk with longer maturity and lower profit rates are more susceptible to interest rate movements.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Interest rate risk (continued)

Investors should note that sukuk is subject to interest rate fluctuations. Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is an Islamic fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

The table below summarises the sensitivity of the Fund's NAV and loss after tax to movements in prices of sukuk held by the Fund as a result of movement in interest rates. The analysis is based on the assumptions that the interest rates increased and decreased by 1% with all other variables held constant.

	<u>Impact on loss after tax/NAV</u>	
	<u>As at</u> <u>31.12.2022</u> RM	<u>As at</u> <u>31.12.2021</u> RM
<u>% Change in interest rate</u>		
+ 1% (2021: +1%)	(952,740)	(2,094,196)
- 1% (2021: -1%)	957,037	2,105,242

The Fund's Islamic deposits with licensed financial institutions are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

Liquidity risk

The Fund maintains sufficient level of Islamic liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Islamic liquid assets comprise cash, Islamic deposits with licensed financial institutions, and unquoted sukuk which are capable of being converted into cash within 7 days. The Fund aims to reduce its liquidity risk by maintaining a prudent level of Islamic liquid assets.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining year as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	Less than 1 month RM	Between 1 month to 1 year RM	Total RM
<u>As at 31.12.2022</u>			
Accrued management fee	91,726	-	91,726
Amount due to Manager	12,378	-	12,378
Amount due to Trustee	11,080	-	11,080
Amount due to Shariah Adviser	-	4,019	4,019
Other payables and accruals	-	16,822	16,822
	<hr/>	<hr/>	<hr/>
Contractual cash out flows	115,184	20,841	136,025
	<hr/>	<hr/>	<hr/>

As at 31.12.2021

Accrued management fee	145,904	-	145,904
Amount due to Manager	28,798	-	28,798
Amount due to Trustee	19,031	-	19,031
Amount due to Shariah Adviser	-	1,723	1,723
Distribution payable	3,882,082	-	3,882,082
Other payables and accruals	-	16,822	16,822
	<hr/>	<hr/>	<hr/>
Contractual cash out flows	4,075,815	18,545	4,094,360
	<hr/>	<hr/>	<hr/>

Credit/default risk

Credit risk refers to the ability of an issuer or a counterparty to make timely payments of profit or principals payment on the maturity date. This may lead to a default in the payment of principal and profit and ultimately a reduction in the value of the Fund. In the case of the Fund, the Manager will endeavor to minimise the risk by selecting only issues with prescribed and acceptable credit ratings.

Credit risk arising from placements of Islamic deposits with licensed financial institutions is managed by ensuring that the Fund will only place Islamic deposits in reputable licensed financial institutions.

The settlement terms of the proceeds from the creation of units' receivable from the Manager are governed by the SC's Guidelines on Unit Trust Funds.

For unquoted sukuk, the Manager regularly reviews the rating assigned by the issuer so that necessary steps can be taken if the rating falls below those described by the Deed and SC's Guidelines on Unit Trust Funds.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit/default risk (continued)

The following table sets out the credit risk concentration of the Fund:

	Financial assets at fair value through profit or loss RM	Cash and cash equivalents RM	Amount due from Manager RM	Total RM
<u>As at 31.12.2022</u>				
Communications Services				
- AA- IS	14,740,166	-	-	14,740,166
Consumer Discretionary				
- A+ IS	19,874,200	-	-	19,874,200
Energy and Utilities				
- AAA	10,554,953	-	-	10,554,953
- AA3	13,630,281	-	-	13,630,281
- AA- IS	1,621,427	-	-	1,621,427
- A1	9,889,968	-	-	9,889,968
- BBB2	3,939,306	-	-	3,939,306
Financial				
- AAA (S)	5,692,542	-	-	5,692,542
- AAA IS	14,495,145	-	-	14,495,145
- AAA	20,136,728	56,001,284	-	76,138,012
- AA1	-	11,118	-	11,118
- AA3	5,021,468	-	-	5,021,468
- A1	20,124,897	-	-	20,124,897
- A3	15,210,267	-	-	15,210,267
Public Administration				
- AAA (S)	40,242,593	-	-	40,242,593
- NR(LT)	69,983,737	-	-	69,983,737
Real Estate				
- AA3 (S)	9,895,582	-	-	9,895,582
- AA- IS	24,714,605	-	-	24,714,605
- A2 (S)	15,182,327	-	-	15,182,327
Transportation and Storage				
- AA2	15,228,871	-	-	15,228,871
- AA- IS	15,336,112	-	-	15,336,112
- Not Rated	16,725,075	-	-	16,725,075
Other				
- Not Rated	-	-	25,378	25,378
	<u>362,240,250</u>	<u>56,012,402</u>	<u>25,378</u>	<u>418,278,030</u>

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit/default risk (continued)

	Financial assets at fair value through <u>profit or loss</u> RM	Cash and cash <u>equivalents</u> RM	Amount due from <u>Manager</u> RM	<u>Total</u> RM
<u>As at 31.12.2021</u>				
Construction and engineering				
- AA- IS	30,592,282	-	-	30,592,282
Diversified holdings				
- AAA (S)	14,344,447	-	-	14,344,447
- AA3	32,342,144	-	-	32,342,144
- AA- IS	5,575,300	-	-	5,575,300
- A2 (S)	15,456,120	-	-	15,456,120
- A+ IS	25,203,894	-	-	25,203,894
Financial services				
- AAA IS	14,990,745	-	-	14,990,745
- AAA	15,890,624	15,025,099	-	30,915,723
- AA1	5,168,368	284,785	-	5,453,153
- AA2	11,783,228	-	-	11,783,228
- AA3	15,303,742	-	-	15,303,742
- A1	15,218,828	-	-	15,218,828
- A3	15,699,368	-	-	15,699,368
Industrial products				
- AA- IS	14,785,018	-	-	14,785,018
- AA- IS (CG)	5,037,419	-	-	5,037,419
- A+ IS	10,128,714	-	-	10,128,714
Infrastructures and utilities				
- AA2	41,441,966	-	-	41,441,966
- AA3	19,878,081	-	-	19,878,081
- AA IS	25,208,636	-	-	25,208,636
- AA-IS	65,330,303	-	-	65,330,303
- A1	20,229,653	-	-	20,229,653
Property and real estate				
- AA3 (S)	39,630,382	-	-	39,630,382
- AA- IS	25,272,023	-	-	25,272,023
Public finance				
- AAA (S)	56,784,063	-	-	56,784,063
- Not Rated	165,140,703	-	-	165,140,703
Transportation				
- Not Rated	16,325,954	-	-	16,325,954
Other				
- Not Rated	-	-	3,882,082	25,378
	<u>722,762,005</u>	<u>15,309,884</u>	<u>3,882,082</u>	<u>741,953,971</u>

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk

The capital of the Fund is represented by net assets attributable to unitholders of RM418,142,005 (2021: RM742,877,716). The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the Shariah-compliant investment activities of the Fund

Fund management risk

There is the risk that the management company may not adhere to the investment mandate of the respective Fund. With close monitoring by the investment committee, back office system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of unitholders.

Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets and liabilities traded in an active market (such as publicly traded Islamic derivatives and Shariah-compliant securities) are based on quoted market prices at the close of trading on the year end date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardised Shariah-compliant financial instruments such as Islamic options, Islamic currency swaps and other over-the-counter Islamic derivatives, include the use of comparable recent arm's length transactions, reference to other Shariah-compliant instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted sukuk, for which market were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value estimation (continued)

The fair values are based on the following methodology and assumptions:

- (i) The carrying value is a reasonable estimate of fair value for cash and cash equivalent.
- (ii) Ringgit-denominated unquoted sukuk are valued using fair value prices quoted by a bond pricing agency ("BPA"). Where the Manager is of the view that the price quoted by BPA for a specific unquoted sukuk differs from the market price by more than 20 basis points, the Manager may use market price, provided that the Manager records its basis for using a non-BPA price, and obtains necessary internal approvals to use the non-BPA price.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>As at 31.12.2022</u>				
Financial assets at fair value through profit or loss:				
- Unquoted sukuk	-	362,240,250	-	362,240,250
	<u>-</u>	<u>362,240,250</u>	<u>-</u>	<u>362,240,250</u>
	<u>-</u>	<u>362,240,250</u>	<u>-</u>	<u>362,240,250</u>
<u>As at 31.12.2021</u>				
Financial assets at fair value through profit or loss:				
- Unquoted sukuk	-	722,762,005	-	722,762,005
- Collective investment scheme	5,018,105	-	-	5,018,105
	<u>5,018,105</u>	<u>722,762,005</u>	<u>-</u>	<u>727,780,110</u>
	<u>5,018,105</u>	<u>722,762,005</u>	<u>-</u>	<u>727,780,110</u>

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, including collective investment schemes. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 instruments include unquoted sukuk.

As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note E.

The carrying value of amount due from Manager, cash and cash equivalent and all current liabilities are reasonable approximation of the fair value due to their short-term nature.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 4.00 % per annum of the NAV of the Fund calculated and accrued on a daily basis.

For the financial year ended 31 December 2022, the management fee is recognised at a rate of 0.23% (2021: 0.23%) per annum of the NAV of Class I, and at a rate of 0.40% (2021: nil) per annum of the NAV of Class R respectively, calculated on a daily basis for the financial period.

There will be no further liability to the Manager in respect of the management fee other than the amounts recognised above.

4 TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.10% per annum of the NAV of the Fund, subject to a minimum fee of RM12,000 per annum.

The trustee fee provided in the financial statements is 0.03% per annum (31.12.2021: 0.03%) based on the NAV of the Fund, calculated on a daily basis for the financial year.

There will be no further liability to the Trustee in respect of the trustee fee other than the amounts recognised above.

5 TAXATION

	<u>2022</u> RM	<u>2021</u> RM
Current taxation - local	-	-

The numerical reconciliation between (loss)/profit before finance cost and taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	<u>2022</u> RM	<u>2021</u> RM
(Loss)/profit before finance cost and taxation	(1,804,681)	5,965,288
Tax at applicable rate of 24% (2021: 24%)	(433,123)	1,431,669
Tax effect of:		
Investment income not subject to tax	(6,025,399)	(6,436,817)
Investment loss not deductible for tax purposes	6,088,028	4,578,658
Expenses not deductible for tax purposes	77,727	52,220
Restriction on tax deductible expenses for unit trust Funds	292,767	374,270
Taxation	-	-

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2022 RM	As at 31.12.2021 RM
Financial assets at FVTPL:		
- Unquoted sukuk	362,240,250	722,762,005
- Collective investment scheme	-	5,018,105
	<u>362,240,250</u>	<u>727,780,110</u>
Net loss on financial assets at FVTPL comprised:		
- Net realised (loss)/gain on sale of financial assets at FVTPL	(25,366,785)	165,629
- Net unrealised gain/(loss) on changes in fair values	205,963	(19,077,742)
- Management fee rebate on collective investment scheme #	1,156	2,223
	<u>(25,159,666)</u>	<u>(18,909,890)</u>

In arriving at the fair value of collective investment scheme, the management fee initially paid to the Manager of collective investment scheme has been considered as part of its NAV. In order to prevent the double charging of management fee, management fee charged on the Fund's Investment in a collective investment scheme has been refunded to the Fund. Accordingly, any rebate of management fee received from the Manager of collective investment scheme is reflected as an increase in the NAV of the collective investment scheme.

Unquoted Sukuk

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.12.2022 RM	Percentage of net assets value 31.12.2022 %
10,000,000	Aeon Credit Service (M) Berhad	A1	10,137,153	9,969,023	2.38
5,000,000	Affin Islamic Bank Berhad	A3	5,058,208	5,100,007	1.22
10,000,000	AmBank Islamic Berhad	A1	10,128,576	10,155,874	2.43
5,000,000	AmBank Islamic Berhad	AA3	5,053,918	5,021,468	1.20
10,000,000	AZRB Capital Sdn. Bhd.	AA-IS	10,167,655	9,949,444	2.38
15,000,000	Bank Pembangunan Malaysia Berhad	AAA IS	15,039,945	14,495,145	3.47
10,000,000	CELLCO Capital Berhad	AA IS	10,105,230	9,844,330	2.36

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2022</u> RM	<u>Percentage of net assets value 31.12.2022</u> %
5,000,000	CELLCO Capital Berhad	AA IS	5,060,386	4,895,836	1.17
10,000,000	Cenergi Sea Berhad	A1	10,048,829	9,889,968	2.37
10,000,000	Country Garden Real Estate Sdn Bhd	AA3 (S)	10,149,060	9,895,582	2.37
1,000,000	Danga Capital Berhad	AAA (S)	1,046,576	1,048,409	0.25
5,000,000	Danum Capital Berhad	AAA (S)	5,021,633	4,644,133	1.11
20,000,000	DRB- Hicom Berhad	A+ IS	20,439,285	19,874,200	4.75
250,000	EDRA Energy Sdn Berhad	AA3	281,487	278,151	0.07
5,000,000	EDRA Energy Sdn Berhad	AA3	6,204,557	5,698,248	1.36
250,000	EDRA Energy Sdn Berhad	AA3	292,245	293,123	0.07
40,000,000	Government of Malaysia	Not Rated	40,695,803	40,990,087	9.80
30,000,000	Government of Malaysia	Not Rated	30,091,165	28,993,650	6.93
5,000,000	IJM Land Bhd	A2 (S)	5,080,493	5,132,393	1.23
5,000,000	IJM Land Bhd	A2 (S)	5,081,633	5,139,383	1.23
5,000,000	IJM Land Bhd	A2 (S)	5,069,279	4,910,551	1.17
15,000,000	Infracap Resources Sdn Bhd	AAA (S)	15,166,202	14,928,775	3.57

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2022</u> RM	<u>Percentage of net assets value 31.12.2022</u> %
25,000,000	Infracap Resources Sdn Bhd	AAA (S)	25,255,069	25,313,818	6.05
5,000,000	Lebuhraya Duke Fasa 3 Sdn Bhd	AA-IS	5,549,569	5,249,438	1.26
15,000,000	Malaysia Airports Holdings Berhad	AA2	15,406,312	15,228,871	3.64
10,000,000	MBSB Bank Berhad	A3	10,017,260	10,110,260	2.42
5,000,000	MMC Corporation Berhad	AA-IS	5,149,997	5,229,140	1.25
5,000,000	Pelabuhan Tanjung Pelepas Sdn Bhd	AA-IS	5,007,034	4,857,534	1.16
1,000,000	Prasarana Malaysia Bhd	Not Rated	1,073,946	1,074,941	0.26
5,000,000	Prasarana Malaysia Bhd	Not Rated	5,081,800	4,825,350	1.15
10,000,000	Prasarana Malaysia Bhd	Not Rated	11,481,365	10,824,784	2.59
1,500,000	Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	1,687,876	1,621,427	0.39
10,000,000	Sarawak Energy Berhad	AAA	10,554,905	10,554,953	2.53
2,000,000	Solar Management (Seremban) Sdn Bhd	AA3	2,055,984	1,835,619	0.44
6,000,000	Solar Management (Seremban) Sdn Berhad	AA3	6,174,012	5,525,140	1.32

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.12.2022 RM	Percentage of net assets value 31.12.2022 %
5,000,000	SPR Energy (M) Sdn Berhad*	BBB2	5,336,644	3,939,306	0.94
5,000,000	UEM Sunrise Berhad	AA-IS	5,050,476	5,002,590	1.20
10,000,000	UEM Sunrise Berhad	AA-IS	10,066,669	9,762,571	2.33
5,000,000	Zamarad Assets Berhad	AAA	5,259,333	5,201,679	1.24
5,000,000	Zamarad Assets Berhad	AAA	5,127,885	5,057,142	1.21
5,000,000	Zamarad Assets Berhad	AAA	5,027,240	5,023,640	1.20
5,000,000	Zamarad Assets Berhad	AAA	5,062,767	4,854,267	1.16
TOTAL UNQUOTED SUKUK			370,845,461	362,240,250	86.63
UNREALISED LOSS ON CHANGES IN FAIR VALUE			(8,605,211)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			362,240,250		

* On 3 June 2022, RAM lowered the credit rating of SPR Energy (M) Sdn Bhd ("SPRE") credit rating from AA3 to BBB2. The rating action by RAM was premised on the unexpected delay in carrying out the repair works of its 100MW combined-cycle gas turbine power plant located in Kimanis, Sabah. The power plant, which was performing within the stipulated parameters in 2019, suffered operational hiccups during the height of the COVID-19 pandemic in 2020, leading to forced outages that resulted in lower cash flow generated which subsequently affected its debt protection metrics. While the management had planned for the power plant to undergo rectification work in 2021, the pandemic-induced travel restrictions hindered the management from bringing in foreign technical support from overseas, resulting in an unexpected delay in rectification works.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2021</u> RM	<u>Percentage of net assets value 31.12.2021</u> %
10,000,000	Aeon Credit Service (M) Berhad	A1	10,138,146	10,066,441	1.36
5,000,000	Affin Islamic Bank Berhad	A3	5,058,207	5,212,507	0.70
5,000,000	AmBank Islamic Berhad	AA3	5,053,918	5,111,818	0.69
5,000,000	AmBank Islamic Berhad	A1	5,050,137	5,152,387	0.69
5,000,000	AZRB Capital Sdn. Bhd.	AA-IS	5,003,459	5,031,809	0.68
5,000,000	AZRB Capital Sdn. Bhd.	AA-IS	5,003,493	5,000,793	0.67
5,000,000	AZRB Capital Sdn. Bhd.	AA-IS	5,003,527	4,980,227	0.67
10,000,000	AZRB Capital Sdn. Bhd.	AA-IS	10,243,962	10,140,844	1.37
15,000,000	Bank Pembangunan Malaysia Berhad	AAA IS	15,039,945	14,990,745	2.02

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2021</u> RM	<u>Percentage of net assets value 31.12.2021</u> %
10,000,000	CELLCO Capital Berhad	AA IS	10,105,230	10,054,730	1.35
10,000,000	CELLCO Capital Berhad	AA IS	10,120,773	10,090,373	1.36
5,000,000	CELLCO Capital Berhad	AA IS	5,061,533	5,063,533	0.68
10,000,000	Cenergi Sea Berhad	A1	10,056,757	10,100,568	1.36
10,000,000	Cenergi Sea Berhad	A1	10,071,380	10,129,085	1.36
30,000,000	Country Garden Real Estate Sdn Bhd	AA3 (S)	29,383,630	29,406,000	3.96
10,000,000	Country Garden Real Estate Sdn Bhd	AA3 (S)	10,153,913	10,224,382	1.38
15,000,000	Danum Capital Berhad	AAA (S)	15,063,547	14,344,447	1.93
25,000,000	DRB- Hicom Berhad	A+ IS	25,565,655	25,203,894	3.39
250,000	EDRA Energy Sdn Berhad	AA3	283,541	295,011	0.04
5,000,000	EDRA Energy Sdn Berhad	AA3	6,274,240	6,058,298	0.82
250,000	EDRA Energy Sdn Berhad	AA3	293,685	310,680	0.04
5,000,000	EDRA Solar Sdn Berhad	AA2	5,052,233	5,119,733	0.69
10,000,000	Evyap Sabun Malaysia Sdn Bhd	AA-IS	10,002,463	9,755,419	1.31
5,000,000	Evyap Sabun Malaysia Sdn Bhd	AA-IS	5,037,395	5,029,599	0.68

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2021</u> RM	<u>Percentage of net assets value 31.12.2021</u> %
25,000,000	Government of Malaysia	Not Rated	26,287,807	25,749,493	3.47
20,000,000	Government of Malaysia	Not Rated	21,615,447	21,282,656	2.86
30,000,000	Government of Malaysia	Not Rated	30,076,843	29,867,850	4.02
30,000,000	Government of Malaysia	Not Rated	33,843,610	31,449,809	4.23
55,000,000	Government of Malaysia	Not Rated	62,562,627	56,790,894	7.64
5,000,000	IJM Land Bhd	A2 (S)	5,079,719	5,229,419	0.70
5,000,000	IJM Land Bhd	A2 (S)	5,080,848	5,249,048	0.71
5,000,000	IJM Land Bhd	A2 (S)	5,069,888	4,977,653	0.67
30,000,000	Infracap Resources Sdn Bhd	AAA (S)	30,345,361	30,604,282	4.12
25,000,000	Infracap Resources Sdn Bhd	AAA (S)	25,261,781	26,179,781	3.52
5,000,000	Jimah East Power Sdn Berhad	AA-IS	5,808,274	5,656,675	0.76
5,000,000	Leader Energy Sdn Bhd	AA-IS	5,107,957	4,912,243	0.66
5,000,000	Lebuhraya Duke Fasa 3 Sdn Bhd	AA-IS	5,565,020	5,545,038	0.75
10,000,000	Malayan Banking Berhad	AA3	10,108,625	10,191,925	1.37
35,000,000	Malaysia Airports Holdings Berhad	AA2	36,358,308	36,322,233	4.89
10,000,000	MBSB Bank Berhad (fka Asian Finance Bank Berhad)	A3	10,017,260	10,486,860	1.41

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

<u>Nominal value</u> RM	<u>Name of Counter</u>	<u>Rating</u>	<u>Cost</u> RM	<u>Fair value as at 31.12.2021</u> RM	<u>Percentage of net assets value 31.12.2021</u> %
5,000,000	MMC Corporation Berhad	AA-IS	5,161,293	5,438,609	0.73
5,000,000	Pelabuhan Tanjung Pelepas Sdn Bhd	AA-IS	5,006,493	4,981,443	0.67
10,000,000	Prasarana Malaysia Bhd	Not Rated	11,510,810	11,352,484	1.53
5,000,000	Prasarana Malaysia Bhd	Not Rated	5,082,920	4,973,470	0.67
7,000,000	Press Metal Aluminium Holdings Bhd	AA3	7,047,142	7,037,552	0.95
25,000,000	Press Metal Aluminium Holdings Bhd	AA3	25,375,342	25,304,592	3.41
5,000,000	Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	5,031,012	5,360,583	0.72
5,000,000	Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	5,571,661	5,514,397	0.74
10,000,000	Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	10,938,715	11,078,347	1.49
10,000,000	Quantum Solar Park (Semenanjung) Sdn Berhad	AA- IS	11,335,284	11,315,814	1.52
6,000,000	Solar Management (Seremban) Sdn Bhd	AA3	6,179,023	5,787,040	0.78
2,000,000	Solar Management (Seremban) Sdn Berhad	AA3	2,057,760	1,920,739	0.26
10,000,000	Southern Power Generation Sdn Berhad	AA-IS	11,119,293	10,965,764	1.48

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Unquoted Sukuk (continued)

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.12.2021 RM	Percentage of net assets value 31.12.2021 %
5,000,000	SPR Energy (M) Sdn Berhad	AA3	5,350,020	5,506,313	0.74
5,000,000	TG Excellence Berhad	AA-IS(CG)	5,105,859	5,037,419	0.68
5,000,000	UEM Sunrise Berhad	AA-IS	5,054,138	5,165,001	0.69
20,000,000	UEM Sunrise Berhad	AA-IS	20,139,104	20,107,022	2.71
5,000,000	UMW Holdings Berhad	AA- IS	5,118,106	5,575,300	0.75
10,000,000	Yinson Holdings Berhad	A+ IS	10,081,465	10,128,714	1.36
5,000,000	Zamarad Assets Berhad	AAA	5,327,237	5,293,003	0.71
5,000,000	Zamarad Assets Berhad	AAA	5,312,221	5,393,829	0.73
5,000,000	Zamarad Assets Berhad	AAA	5,134,945	5,203,792	0.70
5,000,000	Zamarad Assets Berhad	AA1	5,028,568	5,168,368	0.70
10,000,000	Zamarad Assets Berhad	AA2	10,125,534	9,787,834	1.32
2,000,000	Zamarad Assets Berhad	AA2	2,044,614	1,995,394	0.27
TOTAL UNQUOTED SUKUK			731,548,703	722,762,005	97.29
UNREALISED LOSS ON CHANGES IN FAIR VALUE			(8,786,698)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			722,762,005		

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Collective Investment Scheme

(i) Collective investment scheme as at 31 December 2021 are as follows:

	<u>Quantity</u> Units	<u>Aggregate</u> <u>cost</u> MYR	<u>Fair</u> <u>value</u> MYR	<u>Percentage</u> <u>of NAV</u> %
Nomura Islamic Asset Management Sdn. Bhd. – Nomura I-Cash Fund	4,929,376	5,042,581	5,018,105	0.68
Total collective investment scheme	<u>4,929,376</u>	<u>5,042,581</u>	<u>5,018,105</u>	<u>0.68</u>
UNREALISED LOSS ON CHANGES IN FAIR VALUE		<u>(24,476)</u>		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>5,018,105</u>		

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

7 CASH AND CASH EQUIVALENTS

	As at 31.12.2022 RM	As at 31.12.2021 RM
Islamic deposits with licensed financial institutions	56,001,284	15,025,099
Bank balances in a licensed bank	11,118	284,785
	<u>56,012,402</u>	<u>15,309,884</u>

Weighted average effective profit rates per annum is as follows:

	31.12.2022 %	31.12.2021 %
Islamic deposits with licensed financial institutions	<u>2.70</u>	<u>1.70</u>

Islamic deposits with licensed financial institutions have an average maturity of 3 days. (2021: 3 days)

8 SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises:

- (a) investments in sukuk which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia or the Shariah Advisory Council of Bank Negara Malaysia ("BNM SAC"); and
- (b) cash placements and liquid assets which are placed in investments and/or instruments in the local market that have been classified as Shariah-compliant by the BNM SAC.

9 NUMBER OF UNITS IN CIRCULATION

	2022 No. of units	2021 No. of units
<u>Class I</u>		
At beginning of the financial year	678,928,010	459,139,639
Creation of units during the financial year:		
Arising from creations	14,501,535	282,131,213
Arising from distributions	3,106,845	9,322,738
Cancellation of units	(355,733,525)	(71,665,580)
At end of the financial year	<u>340,802,865</u>	<u>678,928,010</u>

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

	<u>2022</u> No. of units	<u>2021</u> No. of units
<u>Class R</u>		
At beginning of the financial year	-	-
Creation of units during the financial year:		
Arising from creations	49,043,026	-
Cancellation of units	(5,171,723)	-
At end of the financial year	<u>43,871,303</u>	<u>-</u>

10 DISTRIBUTIONS

	<u>2022</u> RM	<u>2021</u> RM
Distributions to unitholders are from the following sources:		
<u>CLASS I</u>		
Prior financial years' realised income	-	1,286,588
Gross dividend	-	42,581
Profit income from unquoted sukuk at FVTPL	10,684,217	26,611,863
Net realised gain on sale of Shariah-compliant investments	-	165,629
	<u>10,684,217</u>	<u>28,106,661</u>
Less: Expenses	(1,543,725)	(1,777,044)
	<u>9,140,492</u>	<u>26,329,617</u>

During the financial year, distributions per unit were made as follows:

	<u>Gross/net distribution</u>	
	<u>2022</u>	<u>2021</u>
	RM/unit	RM/unit
March 2022	0.0061	-
May 2022	0.0079	-
March 2021	-	0.0125
June 2021	-	0.0092
September 2021	-	0.0060
December 2021	-	0.0150

Gross distribution is derived using total income less total expenses.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution for unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

During the financial year ended 31 December 2021, the Fund incurred unrealised losses of RM19,077,742.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

11 TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with the top 10 financial institutions are as follows:

	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
<u>31.12.2022</u>		
CIMB Islamic Bank Berhad	7,559,406,000	91.80
Alliance Islamic Bank berhad	240,532,000	2.92
RHB Investment Bank Berhad	132,041,710	1.60
Affin Hwang Investment Bank Berhad	81,155,740	0.99
Standard Chartered Bank Malaysia Berhad	69,352,400	0.84
CIMB Bank Berhad	58,663,000	0.71
Citibank (M) Bhd	49,260,000	0.60
Malayan Banking Berhad	24,693,000	0.30
AmBank (M) Berhad	9,985,000	0.12
Hong Leong Investment Bank Berhad	5,091,500	0.06
Others	5,027,471	0.06
	<u>8,235,207,821</u>	<u>100.00</u>
	<u>Value of trade</u> RM	<u>Percentage of total trade</u> %
<u>31.12.2021</u>		
CIMB Islamic Bank Berhad	5,315,302,000	83.78
RHB Islamic Bank Berhad	309,395,863	4.88
Hong Leong Islamic Bank Berhad	207,077,000	3.26
Standard Chartered Bank Malaysia Berhad	162,011,050	2.55
RHB Investment Bank Berhad	106,636,575	1.68
Hong Leong Investment Bank Berhad	57,069,000	0.90
Citibank (M) Bhd	47,713,500	0.75
Affin Hwang Investment Bank Berhad	45,121,750	0.71
CIMB Bank Berhad	42,387,500	0.67
Malayan Banking Berhad	42,068,500	0.66
Others	10,042,581	0.16
	<u>6,344,825,319</u>	<u>100.00</u>

All financial institutions above are not related to the Manager.

The above transactions were in respect of money market placements and fixed income transactions. Transactions in these investments do not involve any commission or brokerage.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

12 TOTAL EXPENSE RATIO ("TER")

	<u>2022</u> %	<u>2021</u> %
TER	<u>0.27</u>	<u>0.26</u>

TER is derived from the following calculation:

$$\text{TER} = \frac{(A + B + C + D + E + F)}{G} \times 100$$

A	=	Management fee
B	=	Trustee's fee
C	=	Shariah Adviser's fee
D	=	Audit fee
E	=	Tax agent's fee
F	=	Other expenses
G	=	Average NAV of Fund calculated on daily basis

The average NAV of the Fund for the financial year calculated on daily basis is RM576,026,364 (2021: RM673,467,334).

13 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2022</u>	<u>2021</u>
PTR (times)	<u>0.46</u>	<u>0.40</u>

PTR is derived from the following calculation:

$$(\text{Total acquisition for the financial year} + \text{total disposal for the financial year}) \div 2$$

$$\text{Average NAV of the Fund for the financial year calculated on daily basis}$$

Where: total acquisition for the financial year = RM93,051,300 (2021: RM390,174,546)
total disposal for the financial year = RM434,236,289 (2021: RM152,310,259)

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14 UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related party of and its relationship with the Fund are as follows:

<u>Related party</u>	<u>Relationship</u>			
Nomura Asset Management Malaysia Sdn Bhd	The Manager			
Nomura Islamic Asset Management Sdn Bhd	Associate Company of the Manager			
Senior management of the Manager	Director(s) of the Manager			
Deutsche Trustees Malaysia Berhad for Nomura Global Shariah Strategic Growth Fund	Fund Managed by Associated Company			
	<u>31.12.2022</u>		<u>31.12.2021</u>	
	No. of units	RM	No. of units	RM
Deutsche Trustees Malaysia Berhad for Nomura Global Shariah Strategic Growth Fund				
- CLASS I	-	-	6,324,178	6,919,916
- CLASS R	1,514,875	1,646,063	-	-

In the opinion of the Manager, the above units were transacted at the prevailing market price.

In addition to the related party disclosure mentioned elsewhere in the financial statements, there were no other significant related party transactions and balances.

Other than the above, there were no units held by parties related to the Manager.

NOMURA i-INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15 RECLASSIFICATION OF COMPARATIVES

As disclosed in Note G, the net assets attributable to unit holders are classified as liabilities under the requirements of MFRS 132 "Financial Instruments: Presentation". In previous financial year, the net asset attributable to unit holders were classified as equity.

The reclassification of net assets attributable to unit holders did not give rise to any impact of the Net Asset Attributable to the unit holders of the Fund.

No restatements were made to the comparative financial statements except for the following:

	As previously <u>disclosed</u> RM	<u>Reclassification</u> RM	<u>As restated</u> RM
<u>Statement of comprehensive income</u>			
Profit before finance cost and taxation	-	5,965,288	5,965,288
Finance cost	-	(26,329,617)	(26,329,617)
Profit/(loss) before taxation	5,965,288	(26,329,617)	(20,364,329)
Net profit/(loss) for the financial year, representing the increase/(decrease) in net assets attributable to unit holders	<u>5,965,288</u>	<u>(26,329,617)</u>	<u>(20,364,329)</u>
<u>Statement of changes in net assets attributable to unit holders</u>			
Net profit/(loss) for the financial year, representing the increase/(decrease) in net assets attributable to unit holders	<u>5,965,288</u>	<u>(26,329,617)</u>	<u>(20,364,329)</u>

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 24 February 2023.

NOMURA i-INCOME FUND**STATEMENT BY THE MANAGER**

We, Leslie Yap Kim Loong and Atsushi Ichii, being two of the Directors of Nomura Asset Management Malaysia Sdn Bhd (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 1 to 36 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 December 2022 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD



LESLIE YAP KIM LOONG
Managing Director



ATSUSHI ICHII
Director

Kuala Lumpur
24 February 2023



Deutsche Trustees Malaysia Berhad
Registration No: 200701005591 (763590-H)
Level 20, Menara IMC
8 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel +603 2053 7522
Fax +603 2053 7526

TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF NOMURA i-INCOME FUND ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 December 2022 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Nomura Asset Management Malaysia Sdn Bhd has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

We are of the opinion that the distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For Deutsche Trustees Malaysia Berhad

A handwritten signature in black ink, appearing to read 'Soon Lai Ching'.

Soon Lai Ching
Senior Manager, Trustee Operations

A handwritten signature in black ink, appearing to read 'Jiva Munusamy'.

Jiva Munusamy
Head, Client Management

Kuala Lumpur
24 February 2023

SHARIAH ADVISER'S REPORT

TO THE UNIT HOLDERS OF
NOMURA i-INCOME FUND

We hereby confirm:

To the best of our knowledge, after having made all reasonable enquiries, Nomura Asset Management Malaysia Sdn Bhd has operated and managed the Fund during the financial year covered by these financial statements in accordance with the Shariah principles and requirements and complied with the applicable guidelines, rulings or decisions issued by the Securities Commission Malaysia or Bank Negara Malaysia pertaining to Shariah matters; and

The assets of the Fund comprise instruments that have been classified as Shariah-compliant by the Shariah Advisory Council ("SAC") of the Securities Commission Malaysia or Bank Negara Malaysia. As for the instruments which are not classified as Shariah-compliant by the SAC of the Securities Commission Malaysia or Bank Negara Malaysia, we have reviewed the said instruments and confirmed that these instruments are Shariah-compliant.

For ZICO Shariah Advisory Services Sdn Bhd

A handwritten signature in black ink, appearing to read "Aida Othman", with a horizontal line underneath.

DR. AIDA OTHMAN

Designated Person Responsible for Shariah Matters Relating to the Fund

Kuala Lumpur
24 February 2023



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF NOMURA I-INCOME FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Nomura i-Income Fund ("the Fund") give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 36.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF NOMURA I-INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF NOMURA I-INCOME FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- (d) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF NOMURA I-INCOME FUND (CONTINUED)

OTHER MATTERS

This report is made solely to the unitholders of the Fund, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'PwC' followed by a stylized flourish.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
24 February 2023