



NOMURA

Nomura i-Income Fund 2

Annual Report and Audited Financial Statements
for the Financial Year Ended 31 October 2023

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 2 (“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 recurring income on its investments.

1.5 Distribution Policy

Subject to availability of income, distribution will be on quarterly basis.

1.6 Performance Benchmark

Maybank 3-month Islamic Fixed Deposit Rate (“Benchmark”).

2. FUND PERFORMANCE

2.1 Key Fund Performance Data

Asset Allocation / Portfolio Composition	31 October 2023	31 October 2022
Unquoted sukuk – Government of Malaysia	63.31%	62.47%
Cash and Others [#]	36.69%	37.53%
Total (%)	100.00%	100.00%

[#] Included in ‘Cash and Others’ are cash on hand and Islamic deposits and other net current assets/liabilities.

Fund – Class S

Category	1 November 2022 to 31 October 2023	Since Commencement, 21 July 2021 to 31 October 2022
Highest NAV per Unit (RM) ¹	1.0045	1.0034
Lowest NAV per Unit (RM) ¹	0.9722	0.9165
Total Return (%) ²		
- Capital growth (%)	1.03	(1.72)
- Income (%)	3.30	1.70
Gross/Net Distribution per unit (sen)	3.28	1.67
Total NAV (RM) ¹	39,909,701	39,502,084
NAV per Unit (RM)	0.9929	0.9828
Unit in Circulation	40,193,977	40,193,943

Fund – Class I

Category	1 November 2022 to 31 October 2023	Since Commencement, 21 July 2021 to 31 October 2022
Highest NAV per Unit (RM) ¹	1.0023	1.0030
Lowest NAV per Unit (RM) ¹	0.9703	0.9165
Total Return (%) ²		
- Capital growth (%)	0.92	(1.90)
- Income (%)	3.31	1.70
Gross/Net Distribution per unit (sen)	3.28	1.67
Total NAV (RM) ¹	30,716,402	29,915,884
NAV per Unit (RM)	0.9900	0.9810
Unit in Circulation	31,026,179	30,496,526

Fund – Class R

Category	1 November 2022 to 31 October 2023	Since Commencement, 21 July 2021 to 31 October 2022
Highest NAV per Unit (RM) ¹	1.0000	1.0030
Lowest NAV per Unit (RM) ¹	0.9686	0.9164
Total Return (%) ²		
- Capital growth (%)	0.77	(2.07)
- Income (%)	3.32	1.71
Gross/Net Distribution per unit (sen)	3.28	1.67
Total NAV (RM) ¹	5,826,554	5,710,910
NAV per Unit (RM)	0.9868	0.9793
Unit in Circulation	5,904,643	5,831,775

Fund – Class H (Hedged)

Category	1 November 2022 to 31 October 2023	Since Commencement, 21 July 2021 to 31 October 2022
Highest NAV per Unit (USD) ¹	1.0523	1.0258
Lowest NAV per Unit (USD) ¹	0.9914	0.9191
Total Return (%) ²		
- Capital growth (%)	5.71	(0.45)
- Income (%)	0.67	0.37
Gross/Net Distribution per unit (cent)	0.70	0.364
Total NAV (RM) ¹	923,946	5,877,373
NAV per Unit (USD)	1.0523	0.9955
Unit in Circulation	184,386	1,249,243

Category	1 November 2022 to 31 October 2023	Since Commencement, 21 July 2021 to 31 October 2022
Total Expense Ratio (%) ³	0.29	0.37
Portfolio Turnover Ratio (time) ⁴	1.64	0.59

Notes:

(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

Fund – Class S

	1 Year to 31 Oct 2023
Average Total Return (%)	4.42

Source: Refinitiv Lipper

Fund – Class I

	1 Year to 31 Oct 2023
Average Total Return (%)	4.31

Source: Refinitiv Lipper

Fund – Class R

	1 Year to 31 Oct 2023
Average Total Return (%)	4.16

Source: Refinitiv Lipper

Fund – Class H (Hedged)

	1 Year to 31 Oct 2023
Average Total Return (%)	6.43

Source: Refinitiv Lipper

2.3 Annual Total Return of the Fund
Fund – Class S

	FY 2023	Since Commencement, 21 July 2021 to 31 October 2022
Total Return (%) ¹	4.42	(0.04)
Benchmark (%)	2.84	2.43

Source: Refinitiv Lipper

Fund – Class I

	FY 2023	Since Commencement, 21 July 2021 to 31 October 2022
Total Return (%) ¹	4.31	(0.22)
Benchmark (%)	2.84	2.43

Source: Refinitiv Lipper

Fund – Class R

	FY 2023	Since Commencement, 21 July 2021 to 31 October 2022
Total Return (%) ¹	4.16	(0.39)
Benchmark (%)	2.84	2.43

Source: Refinitiv Lipper

Fund – Class H (Hedged)

	FY 2023	Since Commencement, 21 July 2021 to 31 October 2022
Total Return (%) ¹	6.43	(0.08)
Benchmark (%)	2.06	(8.47)

Source: Refinitiv Lipper

Notes:

- (1) 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:

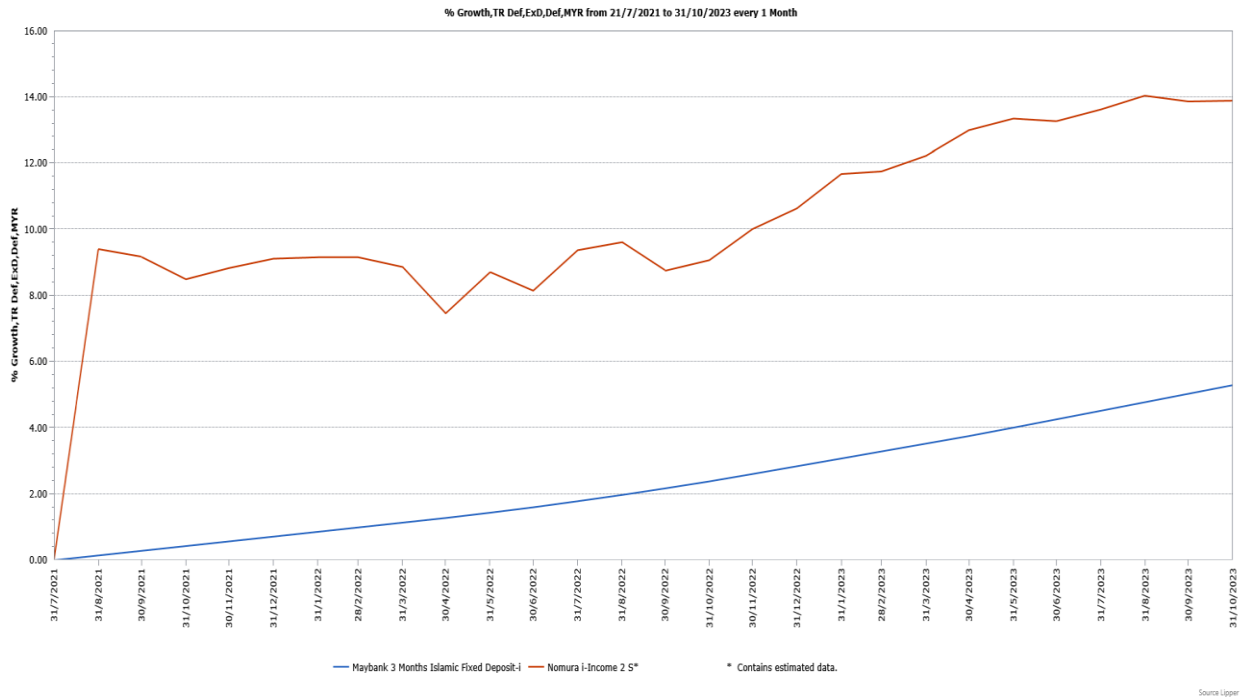
- **Capital Return**= {NAV per Unit End / NAV per Unit Beginning – 1} x 100
- **Income Return**= {Income Distribution per Unit / NAV per Unit Ex-Distribution} x 100
- **Total Return** = (1 + Percentage Growth)^{1/n} – 1

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

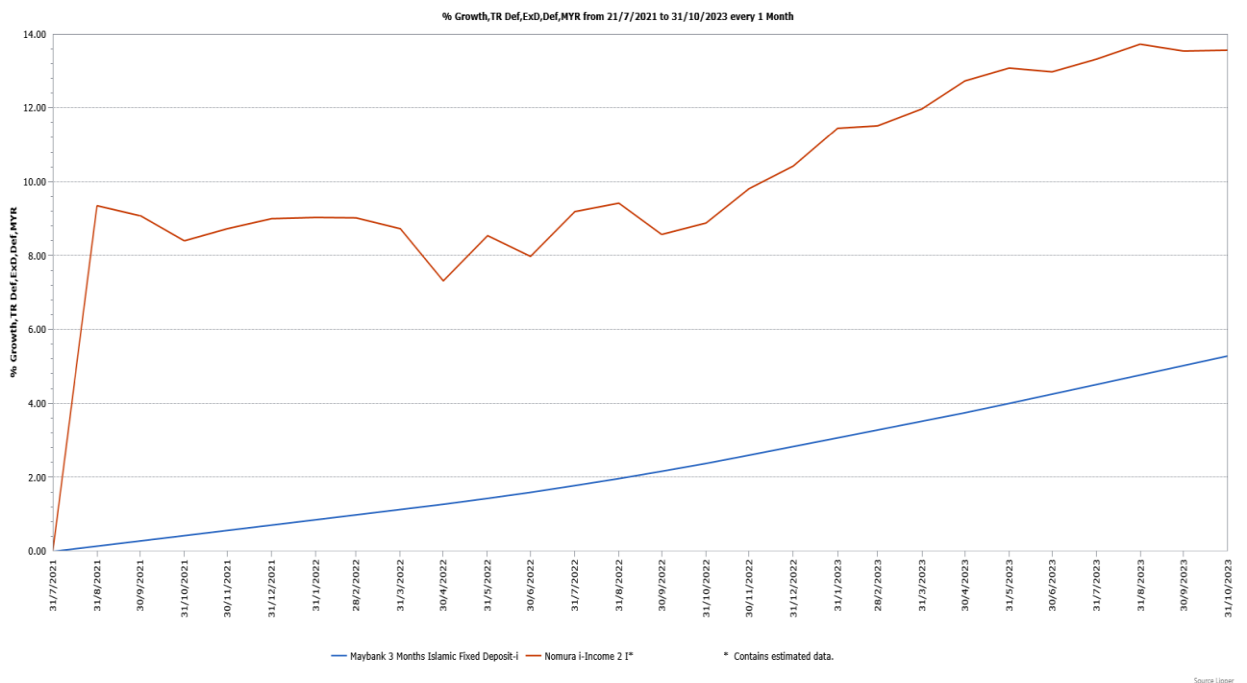
3. MANAGER'S REPORT

Performance of Nomura i-Income Fund 2 from 21 July 2021 to 31 October 2023

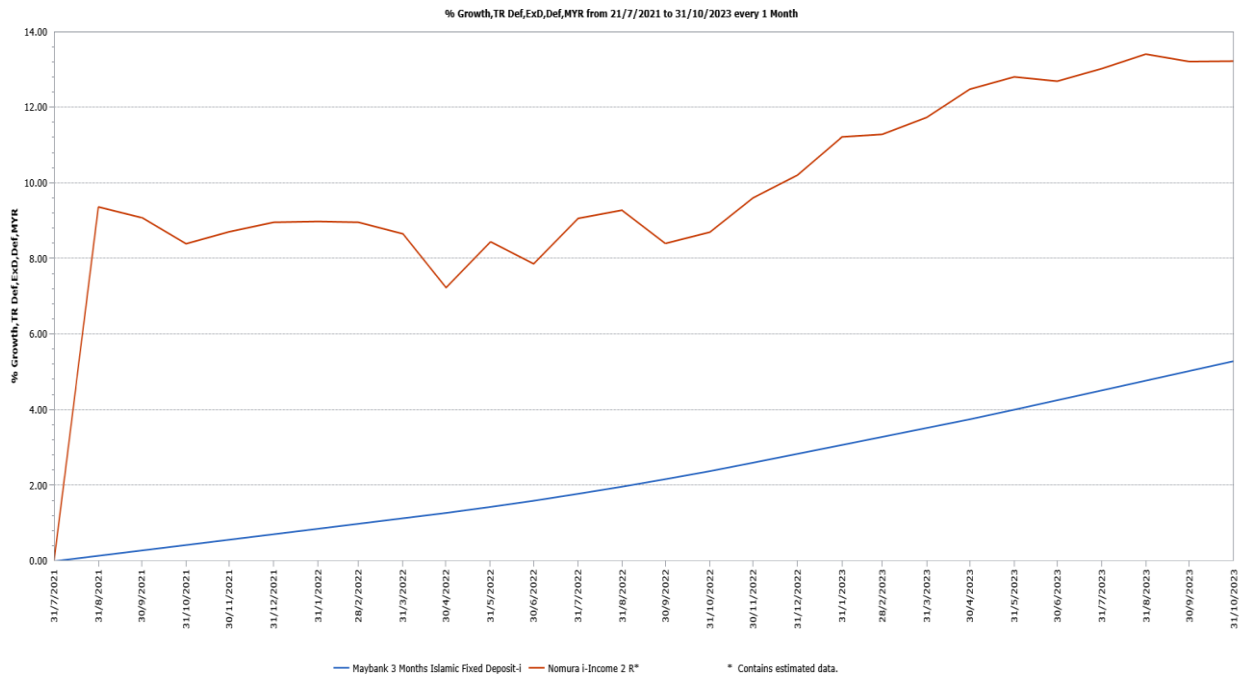
Fund – Class S



Fund – Class I

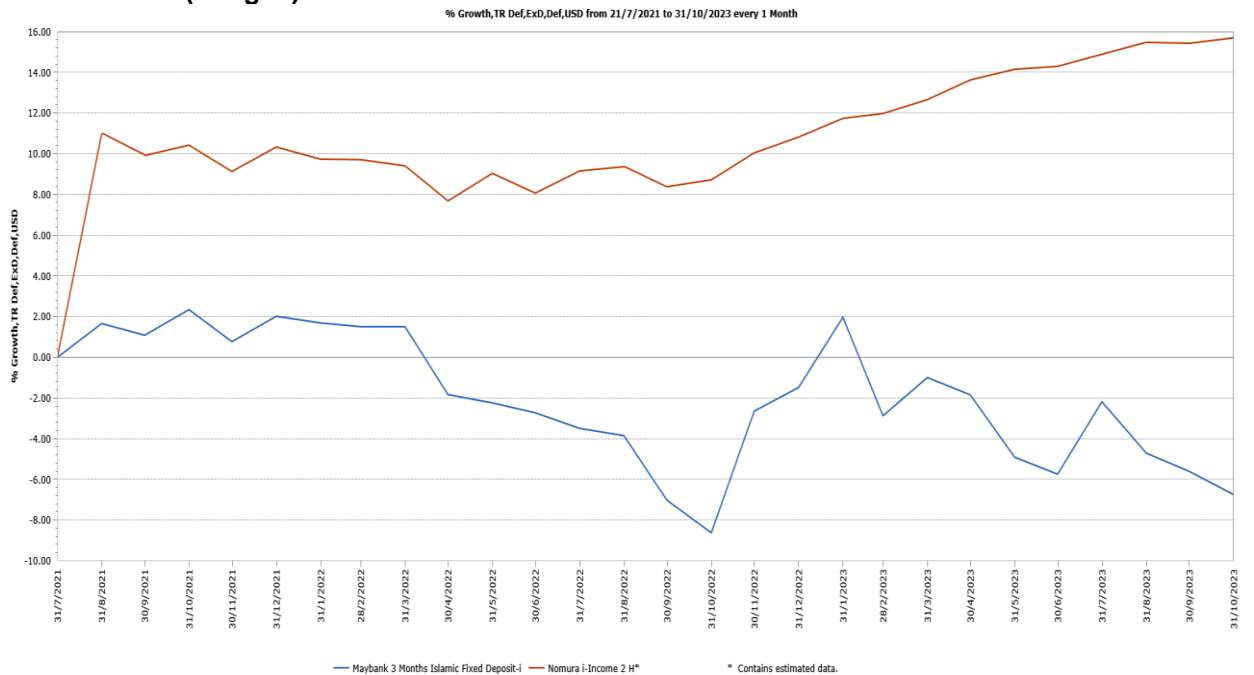


Fund – Class R



Source: Uppier

Fund – Class H (Hedged)



Source: Uppier

3.1 Performance for the period from 1 November 2022 to 31 October 2023

Fund – Class S

For the period under review from 1 November 2022 to 31 October 2023, Class S has registered 4.42% return. Compared to the Benchmark return of 2.84%, Class S has outperformed the Benchmark by 1.58%. The Net Asset Value (NAV) per unit of Class S as at 31 October 2022 was RM 0.9828 compared to the NAV per unit as at 31 October 2023 of RM 0.9929. On the total NAV basis, Class S's NAV stood at RM 39.91 million as at 31 October 2023. During the period under review, Class S has declared a total income distribution of RM 0.0328 per unit.

Fund – Class I

For the period under review from 1 November 2022 to 31 October 2023, Class I has registered 4.31% return. Compared to the Benchmark return of 2.84%, Class I has outperformed the Benchmark by 1.47%. The Net Asset Value (NAV) per unit of Class I as at 31 October 2022 was RM 0.9810 compared to the NAV per unit as at 31 October 2023 of RM 0.9900. On the total NAV basis, Class I's NAV stood at RM 30.72 million as at 31 October 2023. During the period under review, Class I has declared a total income distribution of RM 0.0328 per unit.

Fund – Class R

For the period under review from 1 November 2022 to 31 October 2023, Class R has registered 4.16% return. Compared to the Benchmark return of 2.84%, Class R has outperformed the Benchmark by 1.32%. The Net Asset Value (NAV) per unit of Class R as at 31 October 2022 was RM 0.9793 compared to the NAV per unit as at 31 October 2023 of RM 0.9868. On the total NAV basis, Class R's NAV stood at RM 5.83 million as at 31 October 2023. During the period under review, Class R has declared a total income distribution of RM 0.0328 per unit.

Fund – Class H (Hedged)

For the period under review from 1 November 2022 to 31 October 2023, Class H (Hedged) has registered 6.43% return. Compared to the Benchmark return of 2.06%, Class H (Hedged) has outperformed the Benchmark by 4.37%. The Net Asset Value (NAV) per unit of Class H (Hedged) as at 31 October 2022 was USD 0.9955 compared to the NAV per unit as at 31 October 2023 of USD 1.0523. On the total NAV basis, Class H (Hedged)'s NAV stood at USD 0.19 million as at 31 October 2023. During the period under review, Class H (Hedged) has declared a total income distribution of USD 0.0070 per unit.

3.2 Review of Market for the period from 1 November 2022 to 31 October 2023

2022 was a volatile year for the local bond market. Towards the end of 2022, Government Investment Issues ("GII") yields plunged in tandem with global yield movements. This was on the back of improved domestic risk appetite upon the formation of the unity government coupled with early signs of global inflationary pressures peaking and easing gradually.

Going into 2023, volatility remained elevated. Tracking global yield movements, though at a smaller quantum, GII yield curve bull-flattened drastically in 1H23 before a strong bear-steepening in 2H23. High rates volatility throughout the year largely stemmed from external factors, in particular the failure of a couple of mid-sized banks in the US, geopolitical conflicts in the Middle East, slower-than-expected growth in China, as well as expectations that the US Federal Reserve will maintain rates higher for longer as inflationary concerns linger and labour market conditions remain fairly tight. Separately, in Malaysia, BNM has delivered a total of 50 bps Overnight Policy Rate ("OPR") hike during the period under review, bringing the OPR to 3.00% as of end Oct-23. With the 25 bps rate hike, the OPR has returned to pre-pandemic level. We opine that BNM is very close to the end of its rate hike cycle given BNM's positive outlook on the domestic economy on the back of resilient domestic spending stemming from continued employment and wage growth, improving tourist arrivals, encouraging progress of existing infrastructure projects, announcement of new initiatives under the recently announced national master plans, and conducive domestic financial conditions.

3.3 Investment Outlook

Following the recent additional rate hikes by major central banks, the inflation and employment numbers have begun to moderate. Nonetheless, these central banks have continued to guide for a higher interest rate environment for longer, while not committing to any further rate hikes in the short term. That said, we see the global rates peaking in 4Q23, especially as we begin to see a normalisation of growth in the DM, and continued lacklustre growth in global trade amid an increased period of geopolitical stress. We expect volatility to remain a slight concern, in light of tightening liquidity in global financial markets. On the domestic front, BNM, despite noting the weakness in the slower external demand and a decline in commodity prices, continues to see the continued strong employment numbers and wage growth to be supportive of household spending with additional gains from increased tourist arrivals, and remains confident it is able to maintain volatility and liquidity to keep financial conditions conducive for growth in light of the strengthening USD. BNM has maintained interest rates since its last rate hike in May, and is expected to stay its course. Though we believe the forward rate environment is favourable, we look forward to the dividend effects of the government's national master plans and measures to be implemented in Budget 2024. We remain wary of the volatile interest rate environment, and possible revisions of the government's plans on taxation, subsidies, and price controls, leading to increased price pressures.

3.4 Strategies Employed for the period from 1 November 2022 to 31 October 2023

In light of the increased interest rate environment, we increased the duration of the portfolio, deploying cash into GII to take advantage of value in the yield curve that had presented itself. With value largely in the belly of the GII yield curve, we increased our positioning in the 5-7 years, following the bear-steepening of the market, and the flattening of the curve in the 7-10 year portion of the curve. We would try to take advantage of the roll down of the curve to garner additional value for the portfolio, while maintaining the duration at a healthier lower level, to protect the portfolio during a period of increased volatility, as we have seen occur in 2022 and 2023. Though rate hikes had occurred in Malaysia, a large portion of the volatility was driven by external factors, namely increased geopolitical concerns, and volatility in global interest rates. Due to the target of the fund to better preserve capital while ensuring we can take advantage of the better positioned GII curve, the fund has managed to weather the market volatility, and produce consistent returns.

3.5 Asset Allocation

Asset Allocation / Portfolio Composition	31 October 2023	31 October 2022
Unquoted sukuk - Government of Malaysia	63.31%	62.47%
Cash and Others [#]	36.69%	37.53%
Total (%)	100.00%	100.00%

[#] Included in 'Cash and Others' are cash on hand and Islamic deposits and other net current assets/liabilities.

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 year under review.

3.7 Income Distribution

The Manager has distributed a total of gross/net distribution of RM0.0328 per unit for unit holders of each Class S, Class I and Class R, and USD0.0070 per unit for unit holders of Class H (Hedged) over the financial year ended 31 October 2023.

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

Fund – Class S

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
03-Nov-2022	0.9838	04-Nov-2022	0.9761	0.0068
15-Mar-2023	1.0030	16-Mar-2023	0.9931	0.0102
15-June-2023	1.0033	16-Jun-2023	0.9913	0.0125
15-Sept-2023	0.9973	18-Sept-2023	0.9943	0.0033

Fund – Class I

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
03-Nov-2022	0.9820	04-Nov-2022	0.9743	0.0068
15-Mar-2023	1.0008	16-Mar-2023	0.9908	0.0102
15-June-2023	1.0007	16-Jun-2023	0.9888	0.0125
15-Sept-2023	0.9945	18-Sept-2023	0.9915	0.0033

Fund – Class R

Cum-Distribution Date	Cum-Distribution (RM)	Ex-Distribution Date	Ex-Distribution (RM)	Distribution per Unit (RM)
03-Nov-2022	0.9803	04-Nov-2022	0.9726	0.0068
15-Mar-2023	0.9985	16-Mar-2023	0.9885	0.0102
15-June-2023	0.9981	16-Jun-2023	0.9861	0.0125
15-Sept-2023	0.9915	18-Sept-2023	0.9884	0.0033

Fund – Class H (Hedged)

Cum-Distribution Date	Cum-Distribution (USD)	Ex-Distribution Date	Ex-Distribution (USD)	Distribution per Unit (USD)
03-Nov-2022	0.9969	04-Nov-2022	0.9950	0.0014
15-Mar-2023	1.0281	16-Mar-2023	1.0255	0.0022
15-June-2023	1.0422	16-June-2023	1.0401	0.0027
15-Sept-2023	1.0516	18-Sept-2023	1.0515	0.0007

3.8 Details of Any Unit Split Exercise

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

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

Mr. Leslie Yap Kim Loong
Mr. Atsushi Ichii
Ms. Chooi Su May
Mr. Tomoya Kawagishi (appointed on 7 August 2023)
Dato' Mona Suraya Binti Kamaruddin* (appointed on 1 November 2023)
Mr. Johari Bin Abdul Muid* (resigned on 31 October 2023)
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 year under review.

3.11 Cross Trades Transactions

There were no cross trades conducted during the financial year under review.

3.12 Soft Commissions Received From Brokers

The Manager did not receive any soft commission during the financial year 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 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

NOMURA i-INCOME FUND 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

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NOMURA i-INCOME FUND 2

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> RM	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> RM
INVESTMENT INCOME			
Profit income from unquoted sukuk at fair value through profit or loss ("FVTPL")		1,682,340	1,530,988
Profit income from Islamic deposits with licensed financial institutions at amortised cost		1,237,433	758,633
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL")	6	962,251	(1,962,443)
Net gain on forward foreign currency contracts at fair value through profit or loss	8	18,908	503,532
Net (loss)/gain on foreign currency exchange		(116,740)	8,633
		<u>3,784,192</u>	<u>839,343</u>
EXPENSES			
Management fee	3	(187,652)	(177,324)
Trustee fee	4	(25,015)	(25,258)
Shariah Adviser's fee		(6,360)	(8,480)
Auditors' remuneration		(13,000)	(13,000)
Tax agent's fee		(3,900)	(5,100)
Other expenses		(3,557)	(2,513)
		<u>(239,484)</u>	<u>(231,675)</u>
NET INCOME BEFORE FINANCE COST AND TAXATION		3,544,708	607,668
FINANCE COST			
Distributions	10	(2,561,152)	(1,250,648)
NET INCOME/(LOSS) AFTER FINANCE COST AND BEFORE TAXATION		983,556	(642,980)
TAXATION	5	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>983,556</u>	<u>(642,980)</u>
Increase/(decrease) in net assets attributable to unitholders is made of the following:			
Realised amount		262,999	768,355
Unrealised amount		720,557	(1,411,335)
		<u>983,556</u>	<u>(642,980)</u>

NOMURA i-INCOME FUND 2

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2023

	<u>Note</u>	<u>As at</u> <u>31.10.2023</u> RM	<u>As at</u> <u>31.10.2022</u> RM
ASSETS			
Cash and cash equivalents	7	28,402,260	29,798,833
Financial assets at fair value through profit or loss ("FVTPL")	6	48,986,354	50,603,523
Forward foreign currency contract	8	25,128	503,532
Amount due from Manager		-	137,483
TOTAL ASSETS		<u>77,413,742</u>	<u>81,043,371</u>
LIABILITIES			
Forward foreign currency contract	8	2,921	-
Accrued management fee	3	13,909	15,143
Amount due to Trustee	4	1,971	2,049
Amount due to Shariah Adviser		1,060	2,650
Auditor's remuneration		13,780	13,780
Tax agent's fee		3,498	3,498
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		<u>37,139</u>	<u>37,120</u>
NET ASSET ATTRIBUTABLE TO UNITHOLDERS		<u>77,376,603</u>	<u>81,006,251</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 2

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023 (CONTINUED)

	<u>Note</u>	As at 31.10.2023 RM	As at 31.10.2022 RM
REPRESENTED BY			
FAIR VALUE OF OUTSTANDING UNITS (RM)			
Class S		39,909,701	39,502,084
Class I		30,716,402	29,915,884
Class R		5,826,554	5,710,910
Class H (Hedged)		923,946	5,877,373
NUMBER OF UNIT IN CIRCULATION (UNITS)			
Class S	9	40,193,977	40,193,943
Class I	9	31,026,179	30,496,526
Class R	9	5,904,643	5,831,775
Class H (Hedged)	9	184,386	1,249,243
NET ASSET VALUE PER UNIT (RM)			
Class S		0.9929	0.9828
Class I		0.9900	0.9810
Class R		0.9868	0.9793
Class H (Hedged)		5.0109	4.7047
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES			
Class S		0.9929	0.9828
Class I		0.9900	0.9810
Class R		0.9868	0.9793
Class H (Hedged)		1.0523	0.9955

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 2

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> RM	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> RM
Net assets attributable to unitholders at the beginning of financial year/period		81,006,251	-
Movement due to units created and cancelled during the financial year/period:			
Creation of units from applications			
Class S		-	40,001,000
Class I		-	30,001,000
Class R		23,274,558	6,846,590
Class H (Hedged)		526,936	5,404,175
		<u>23,801,494</u>	<u>82,252,765</u>
Creation of units from distribution			
Class S		34	17
Class I		520,633	503,703
Class R		197,343	61,424
Class H (Hedged)		34,618	14,282
		<u>752,628</u>	<u>579,426</u>
Cancellation of units			
Class R		(23,576,351)	(1,135,378)
Class H (Hedged)		(5,590,975)	(47,582)
		<u>(29,167,326)</u>	<u>(1,182,960)</u>
Increase/(decrease) in net assets attributable to unitholders during the financial year/period		<u>983,556</u>	<u>(642,980)</u>
Net assets attributable to unitholders at the end of financial year/period		<u>77,376,603</u>	<u>81,006,251</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 2

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> RM	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of Shariah-compliant investments		136,652,200	10,210,000
Purchase of Shariah-compliant instruments		(134,337,450)	(62,926,000)
Profit income from unquoted sukuk		1,947,010	1,681,022
Profit income from Islamic deposits with licensed financial institutions		1,237,433	758,633
Management fee paid		(188,886)	(162,180)
Trustee fee paid		(25,093)	(23,209)
Tax agent's fee paid		(3,900)	(1,908)
Shariah adviser's fee paid		(7,950)	(5,830)
Payment for other fees and expenses		(16,557)	(1,428)
Net realised gain on forward foreign currency contracts		500,233	-
Net realised foreign exchange (loss)/gain		(116,639)	8,532
Net cash generated from/(used in) operating activities		<u>5,640,401</u>	<u>(50,462,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from units created		23,938,977	82,115,282
Payments for release of units		(29,167,326)	(1,182,960)
Distributions paid		(1,808,524)	(671,222)
Net cash (used in)/generated from financing activities		<u>(7,036,873)</u>	<u>80,261,100</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,396,472)	29,798,732
EFFECTS OF FOREIGN CURRENCY EXCHANGE		(101)	101
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD		29,798,833	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	7	<u>28,402,260</u>	<u>29,798,833</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 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

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 of Nomura i-Income Fund 2 ("the Fund") have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including Islamic derivative instruments) at fair value through profit or loss, in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The preparation of financial statements in conformity with the 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 revenues and expenses during the reported financial year/period. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement 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 K.

(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 November 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 November 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 ("RM"), which is the Fund's presentation and functional currency.

C FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

D 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.

NOMURA i-INCOME FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

D INCOME RECOGNITION (CONTINUED)

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).

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).

Realised gain or loss on Islamic forward foreign currency contracts are measured by the net settlement amount as per the Islamic forward foreign currency contract.

E 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/period.

F 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 cash and cash equivalents and amount due from Manager 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, and other payables and accruals as financial liabilities measured at amortised cost.

NOMURA i-INCOME FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

F 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/period 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's Guidelines on Unit Trust Funds. 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.

Islamic deposits with licensed financial institutions are stated at cost plus accrued profit calculated on the effective profit method over the year from the date of placement to the date of maturity of the respective deposits, which is a reasonable estimate of fair value due to the short-term nature of the deposits.

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

NOMURA i-INCOME FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

F 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. The Manager considers both historical analysis and forward looking information in determining any expected credit loss. The Manager 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/period.

G 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.

H CREATION AND CANCELLATION OF UNITS

The unitholders' contributions to the Fund meet the criteria of the definition of puttable instruments to be classified as equity instruments under MFRS 132 'Financial Instruments: Presentation'.

The Fund issues cancellable units, in four classes of units, known respectively as the Class S, Class I, Class R and Class H (Hedged), 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 Fund. 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 year/period if the unitholder exercises the right to put the unit back to the Fund.

NOMURA i-INCOME FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

H CREATION AND CANCELLATION OF UNITS (CONTINUED)

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.

I 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.

J DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Financial derivative positions will be "marked to market" at the close of each valuation day. Foreign exchange gains and losses on the derivative financial instrument are recognised in profit or loss when settled or at the date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument. Derivative instruments that have a negative fair value are presented as liabilities as fair value through profit or loss.

The fair value of forward foreign currency contracts is determined using forward exchange rates on the date of the statement of financial position, with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss.

K 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.

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's Guidelines on Unit Trust Funds.

NOMURA i-INCOME FUND 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

K CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Estimate of fair value of unquoted sukuk (continued)

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 F for further explanation.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

1 INFORMATION ON THE FUND

Nomura i-Income Fund 2 (the "Fund") was constituted pursuant to the execution of a Master Deed dated 3 May 2021, a First Supplemental Deed dated 2 September 2022 and a Second Supplemental Deed dated 7 March 2023 (collectively referred to as the "Deed") entered into between Nomura Asset Management Malaysia Sdn Bhd (the "Manager") and Deutsche Trustees Malaysia Berhad (the "Trustee").

The Fund was launched on 30 June 2021 and will continue its operations until being terminated by the Manager or the Trustee as provided under Clause 12 of the Deed.

The Fund will invest in RM-denominated Islamic fixed income instruments which are liquid and carries minimal risk of default. The Fund primarily invests in Islamic fixed income instruments including sukuk issued or guaranteed by the Malaysia government, Islamic deposits and/or placement of money at call with financial institutions.

The Fund seeks to provide investors with recurring income on its investments.

2 FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments are as follows:

	<u>Note</u>	At fair value through profit or loss RM	At amortised cost RM	<u>Total</u> RM
<u>As at 31.10.2023</u>				
<u>Financial assets</u>				
Cash and cash equivalents	7	-	28,402,260	28,402,260
Unquoted sukuk	6	48,986,354	-	48,986,354
Forward foreign currency contracts	8	25,128	-	25,128
Total		<u>49,011,482</u>	<u>28,402,260</u>	<u>77,413,742</u>
<u>Financial liabilities</u>				
Forward foreign currency contracts	8	2,921	-	2,921
Accrued management fee		-	13,909	13,909
Amount due to Trustee		-	1,971	1,971
Amount due to Shariah Adviser		-	1,060	1,060
Auditor's remuneration		-	13,780	13,780
Tax agent's fee		-	3,498	3,498
Total		<u>2,921</u>	<u>34,218</u>	<u>37,139</u>

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Financial instruments are as follows: (continued)

	Note	At fair value through profit or loss RM	At amortised cost RM	Total RM
<u>As at 31.10.2022</u>				
<u>Financial assets</u>				
Cash and cash equivalents	7	-	29,798,833	29,798,833
Amount due from Manager		-	137,483	137,483
Unquoted sukuk	6	50,603,523	-	50,603,523
Forward foreign currency contracts	8	503,532	-	503,532
Total		51,107,055	29,936,316	81,043,371
<u>Financial liabilities</u>				
Accrued management fee		-	15,143	15,143
Amount due to Trustee		-	2,049	2,049
Amount due to Shariah Adviser		-	2,650	2,650
Auditor's remuneration		-	13,780	13,780
Tax agent's fee		-	3,498	3,498
Total		-	37,120	37,120

The Fund is exposed to a variety of risks which include market risk (inclusive of price risk, interest rate risk and currency 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's Guidelines Unit Trust Funds.

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 31.10.2023 RM	As at 31.10.2022 RM
Financial assets at fair value through profit or loss*	48,986,354	50,603,523

* Includes profit receivable of RM151,094 (2022: RM153,323).

The table below summarises the sensitivity of the Fund's NAV and profit/(loss) 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.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Market risk (continued)

(a) Price risk (continued)

<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit</u> <u>after tax/NAV</u> RM
<u>31.10.2023</u>		
+5	51,277,023	2,441,763
-5	46,393,497	(2,441,763)
	<hr/>	<hr/>
<u>% Change in price</u>	<u>Market value</u> RM	<u>Impact on profit</u> <u>after tax/NAV</u> RM
<u>31.10.2022</u>		
+5	52,973,760	2,522,560
-5	47,928,640	(2,522,560)
	<hr/>	<hr/>

(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.

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.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Market risk (continued)

(b) Interest rate risk (continued)

The table below summarises the sensitivity of the Fund's NAV and profit/(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 profit/(loss) after tax/NAV</u>	
	<u>As at</u> <u>31.10.2023</u> RM	<u>As at</u> <u>31.10.2022</u> RM
<u>% Change in interest rate</u>		
+ 1% (2022: +1%)	(86,779)	(95,797)
- 1% (2022: -1%)	87,005	96,027

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

(c) Currency risk

Currency risk is associated with cash holding denominated in United States Dollar. When the foreign currency fluctuates in an unfavorable movement against Ringgit Malaysia, the cash holding will face currency losses. The Manager will evaluate the likely directions of a foreign currency versus Ringgit Malaysia based on considerations of economic fundamentals such as interest differentials, balance of payments position, debt levels, and technical chart of considerations.

The following tables set out the foreign currency risk concentrations and counterparties of the Fund:

	<u>Cash and</u> <u>cash</u> <u>equivalents</u> RM	<u>Forward</u> <u>foreign</u> <u>currency</u> <u>contracts</u> RM	<u>Total</u> RM
<u>As at 31.10.2023</u>			
USD	-	22,207	22,207
<u>As at 31.10.2022</u>			
USD	214,618	503,532	718,150

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Market risk (continued)

(c) Currency risk (continued)

The table below summarises the sensitivity of the Fund's profit/(loss) after tax and NAV to changes in foreign exchange movements at the end of each reporting year. The analysis is based on the assumption that the foreign exchange rate changes by 5%, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in a foreign exchange rate, having regard to historical volatility of this rate. Any increase/ (decrease) in foreign exchange rate will result in a corresponding (decrease)/increase in the net assets attributable to unitholder by approximately 5%. Disclosures below are shown in absolute terms, changes and impacts could be positive and negative.

	<u>Change in foreign exchange rate</u> %	<u>Impact on profit/ (loss) after tax/NAV</u> RM
<u>As at 31.10.2023</u>		
USD	5	1,110
<u>As at 31.10.2022</u>		
USD	5	35,908

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

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.

	<u>Less than 1 month</u> RM	<u>Between 1 month to 1 year</u> RM	<u>Total</u> RM
<u>As at 31.10.2023</u>			
Forward foreign currency contracts at fair value through profit or loss	-	2,921	2,921
Accrued management fee	13,909	-	13,909
Amount due to Trustee	1,971	-	1,971
Amount due to Shariah Adviser	-	1,060	1,060
Auditors' remuneration	-	13,780	13,780
Tax agent's fee	-	3,498	3,498
Net assets attributable to unitholders*	<u>77,376,603</u>	<u>-</u>	<u>77,376,603</u>
Contractual cash out flows	<u>77,392,483</u>	<u>21,259</u>	<u>77,413,742</u>
<u>As at 31.10.2022</u>			
Accrued management fee	15,143	-	15,143
Amount due to Trustee	2,049	-	2,049
Amount due to Shariah Adviser	-	2,650	2,650
Auditors' remuneration	-	13,780	13,780
Tax agent's fee	-	3,498	3,498
Net assets attributable to unitholders*	<u>81,006,251</u>	<u>-</u>	<u>81,006,251</u>
Contractual cash out flows	<u>81,023,443</u>	<u>19,928</u>	<u>81,043,371</u>

* Units are cancelled on demand at the unitholders' option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Credit/default risk (continued)

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.

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 31.10.2023</u>				
Financial services				
- AAA	-	27,764,797	-	27,764,797
- AA1	-	637,463	-	637,463
Public Administration				
- Not Rated	48,986,354	-	-	48,986,354
Forward foreign currency contracts				
- AAA	25,128	-	-	25,128
	<u>49,011,482</u>	<u>28,402,260</u>	<u>-</u>	<u>77,413,742</u>
<u>As at 31.10.2022</u>				
Financial services				
- AAA	-	13,584,700	-	13,584,700
- AA1	-	3,312,446	-	3,312,446
- AA3	-	12,901,687	-	12,901,687
Public finance				
- Not Rated	50,603,523	-	-	50,603,523
Forward foreign currency contracts				
- AAA	503,532	-	-	503,532
Others				
- Not Rated	-	-	137,483	137,483
	<u>51,107,055</u>	<u>29,798,833</u>	<u>137,483</u>	<u>81,043,371</u>

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (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 RM77,376,603 (2022: RM81,006,251). 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/period. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Fair value estimation (continued)

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.

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 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (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 31.10.2023</u>				
Financial assets at fair value through profit or loss:				
- Unquoted sukuk	-	48,986,354	-	48,986,354
- Forward currency contracts	-	25,128	-	25,128
	-	49,011,482	-	49,011,482
Financial liabilities at fair value through profit or loss:				
- Forward currency contracts	-	2,921	-	2,921
<u>As at 31.10.2022</u>				
Financial assets at fair value through profit or loss:				
- Unquoted sukuk	-	50,603,523	-	50,603,523
- Forward currency contracts	-	503,532	-	503,532
	-	51,107,055	-	51,107,055

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 F.

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 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

3 MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 5% per annum of the NAV of the Fund calculated and accrued on a daily basis.

For the financial year ended 31 October 2023, the management fee is recognised at a rate of 0.15% (financial period from 30 June 2021 (date of launch) to 31 October 2022: 0.15%) per annum of the NAV of Class S, at a rate of 0.25% (financial period from 30 June 2021 (date of launch) to 31 October 2022: 0.25%) per annum of the NAV of Class I and at a rate of 0.40% (financial period from 30 June 2021 (date of launch) to 31 October 2022: 0.40%) per annum of the NAV of Class R and Class H (Hedged) respectively, calculated on a daily basis.

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 (including local custodian fees and expenses but excluding foreign custodian fees and charges), subject to a minimum fee of RM12,000 per annum.

For the financial year ended 31 October 2023, the trustee fee is recognised at a rate of 0.03% (financial period from 30 June 2021 (date of launch) to 31 October 2022: 0.03%) per annum on the NAV of the Fund, calculated on a daily basis for the financial year/period (including local custodian fees and expenses but excluding foreign custodian fees and charges), subject to a minimum fee of RM12,000 per annum.

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

5 TAXATION

	<u>2023</u>	<u>31.10.2022</u>
	RM	RM
Current taxation - local	-	-

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

5 TAXATION (CONTINUED)

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

	<u>2023</u> RM	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> RM
Net income/(loss) after finance cost and before taxation	983,556	(642,980)
Tax at applicable rate of 24% (2022: 24%)	236,053	(154,315)
Tax effect of:		
Investment income not subject to tax	(908,205)	(201,442)
Expenses not deductible for tax purposes	623,996	310,080
Restriction on tax deductible expenses for unit trust Funds	48,156	45,677
Taxation	-	-

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at <u>31.10.2023</u> RM	As at <u>31.10.2022</u> RM
Financial assets at FVTPL:		
- Unquoted sukuk	48,986,354	50,603,523
	<u>48,986,354</u>	<u>50,603,523</u>
		Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> RM
Net gain/(loss) on financial assets at FVTPL comprised:		
- Realised loss on sale of financial assets at FVTPL	(239,732)	(47,475)
- Unrealised gain/(loss) on changes in fair values	1,201,983	(1,914,968)
	<u>962,251</u>	<u>(1,962,443)</u>

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (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	Fair value as at <u>31.10.2023</u> RM	Percentage of net assets value <u>31.10.2023</u> %
20,000,000	Government of Malaysia	Not Rated	20,835,992	20,452,401	26.43
15,000,000	Government of Malaysia	Not Rated	15,312,834	15,212,377	19.66
5,000,000	Government of Malaysia	Not Rated	5,176,095	5,096,531	6.59
5,000,000	Government of Malaysia	Not Rated	5,155,656	5,073,557	6.56
3,000,000	Government of Malaysia	Not Rated	3,218,762	3,151,488	4.07
TOTAL UNQUOTED SUKUK			49,699,339	48,986,354	63.31
UNREALISED LOSS ON CHANGES IN FAIR VALUE			(712,985)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			48,986,354		

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

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

Unquoted Sukuk

Nominal value RM	Name of Counter	Rating	Cost RM	Fair value as at 31.10.2022 RM	Percentage of net assets value 31.10.2022 %
21,000,000	Government of Malaysia	Not Rated	20,895,998	20,363,875	25.14
25,000,000	Government of Malaysia	Not Rated	26,473,350	25,103,017	30.99
5,000,000	Government of Malaysia	Not Rated	5,149,143	5,136,631	6.34
TOTAL UNQUOTED SUKUK			52,518,491	50,603,523	62.47
UNREALISED LOSS ON CHANGES IN FAIR VALUE			(1,914,968)		
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			50,603,523		

7 CASH AND CASH EQUIVALENTS

	As at 31.10.2023 RM	As at 31.10.2022 RM
Islamic deposits with licensed financial institutions	27,764,797	28,967,594
Bank balances in a licensed bank	637,463	831,239
	28,402,260	29,798,833

Weighted average effective profit rates per annum is as follows:

	31.10.2023 %	31.10.2022 %
Islamic deposits with licensed financial institutions	3.78	2.66

Islamic deposits with licensed financial institutions have an average maturity of 27 days (2022: 16 days).

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

8 FORWARD FOREIGN CURRENCY CONTRACTS

	As at <u>31.10.2023</u> RM	As at <u>31.10.2022</u> RM
Financial assets at fair value through profit or loss:		
- forward foreign currency contracts	25,128	503,532
Financial liabilities at fair value through profit or loss:		
- forward foreign currency contracts	2,921	-
	<u>31.10.2023</u> RM	<u>31.10.2022</u> RM
Net gain on forward foreign currency contracts at fair value through profit or loss:		Financial period from 30.6.2021 (date of launch) to 31.10.2022 RM
- realised gain on forward foreign currency contracts	500,233	-
- unrealised (loss)/gain on forward foreign currency contracts	(481,325)	503,532
	<u>18,908</u>	<u>503,532</u>

Forward foreign currency contracts as at 31 October 2023 is as follows:

<u>Name of issuer</u>	<u>Receivables</u> RM	<u>Payables</u> RM	<u>Fair value</u> RM	<u>Percentage of net asset value of the Fund</u> %
Standard Chartered Saadiq Bank Malaysia Berhad	1,219,174	1,196,967	22,207	0.03

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

8 FORWARD FOREIGN CURRENCY CONTRACTS (CONTINUED)

Forward foreign currency contracts as at 31 October 2022 is as follows:

<u>Name of issuer</u>	<u>Receivables</u> RM	<u>Payables</u> RM	<u>Fair value</u> RM	Percentage of net asset value of the Fund %
CIMB Islamic Bank Berhad	5,733,602	5,230,070	503,532	0.62

The Islamic forward foreign currency contracts are transacted with Standard Chartered Saadiq Berhad (2022: CIMB Islamic Bank Berhad). The Islamic foreign currency forward agreement entered into during the financial year to minimise the risk of foreign exchange exposure between the USD and MYR for the Fund.

As at 31 October 2023, the notional principal amount for forward foreign currency contract is RM1,219,174 (2022: RM5,733,602).

As the Fund has not adopted hedge accounting, the change in the fair value of the Islamic foreign currency forward contracts are recognised immediately in the statement of income and expenses.

9 NUMBER OF UNITS IN CIRCULATION

	<u>2023</u> No. of units	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u> No. of units
<u>Class S</u>		
At beginning of the financial year/period	40,193,943	-
Creation of units during the financial year/period:		
Arising from applications	-	40,193,926
Arising from distributions	34	17
Cancellation of units	-	-
At end of the financial year/period	<u>40,193,977</u>	<u>40,193,943</u>
<u>Class I</u>		
At beginning of the financial year/period	30,496,526	-
Creation of units during the financial year/period:		
Arising from applications	-	29,983,011
Arising from distributions	529,653	513,515
Cancellation of units	-	-
At end of the financial year/period	<u>31,026,179</u>	<u>30,496,526</u>

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

9 NUMBER OF UNITS IN CIRCULATION (CONTINUED)

	<u>2023</u>	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u>
	No. of units	No. of units
<u>Class R</u>		
At beginning of the financial year/period	5,831,775	-
Creation of units during the financial year/period:		
Arising from applications	23,590,258	6,928,385
Arising from distributions	200,595	62,665
Cancellation of units	(23,717,985)	(1,159,275)
	<u>5,904,643</u>	<u>5,831,775</u>
<u>Class H (Hedged)</u>		
At beginning of the financial year/period	1,249,243	-
Creation of units during the financial year/period:		
Arising from applications	108,927	1,256,641
Arising from distributions	7,337	3,197
Cancellation of units	(1,181,121)	(10,595)
	<u>184,386</u>	<u>1,249,243</u>

10 DISTRIBUTIONS

	<u>2023</u>	Financial period from 30.6.2021 (date of launch) to <u>31.10.2022</u>
	RM	RM
Distributions to unitholders are from the following sources:		
Profit income from unquoted sukuk at FVTPL	1,470,900	1,476,468
Profit income from Islamic deposits with licensed financial institutions at amortised cost	1,014,416	-
Realised gain on forward foreign currency contracts at FVTPL	290,120	-
Realised gain on foreign currency exchange	-	5,855
	<u>2,775,436</u>	<u>1,476,468</u>
Less: Expenses	(214,284)	(231,675)
	<u>2,561,152</u>	<u>1,250,648</u>

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

10 DISTRIBUTIONS (CONTINUED)

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

	<u>Gross/net distribution</u>	
	<u>2023</u>	<u>2022</u>
	<u>RM/unit</u>	<u>RM/unit</u>
<u>Class S, I and R</u>		
4 November 2022	0.00680	-
16 March 2023	0.01020	-
16 June 2023	0.01250	-
18 September 2023	0.00330	-
28 December 2021	-	0.00100
6 April 2022	-	0.00170
18 May 2022	-	0.00720
19 September 2022	-	0.00190
6 October 2022	-	0.00490

	<u>Gross/net distribution</u>	
	<u>2023</u>	<u>2022</u>
	<u>USD/unit</u>	<u>USD/unit</u>
<u>Class H (Hedged)</u>		
4 November 2022	0.00140	-
16 March 2023	0.00220	-
16 June 2023	0.00270	-
18 September 2023	0.00070	-
28 December 2021	-	0.00024
6 April 2022	-	0.00040
18 May 2022	-	0.00160
19 September 2022	-	0.00040
6 October 2022	-	0.00100

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 period ended 31 October 2022, the Fund incurred unrealised losses of RM1,411,335.

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (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>31.10.2023</u>		
Maybank Islamic Berhad	351,943,000	33.10
CIMB Islamic Bank Berhad	303,908,000	28.59
AmBank Islamic Berhad	173,233,000	16.29
Citibank (M) Bhd	55,973,000	5.26
RHB Islamic Bank Berhad	55,050,000	5.18
Bank Islam Malaysia Berhad	25,116,000	2.36
Public Islamic Bank Berhad	22,819,000	2.15
Kuwait Finance House (Malaysia) Berhad	19,263,000	1.81
AmBank (M) Berhad	14,277,600	1.34
RHB Investment Bank Berhad	10,635,100	1.00
Others	30,914,950	2.92
	<u>1,063,132,650</u>	<u>100.00</u>
<u>31.10.2022</u>		
CIMB Islamic Bank Berhad	296,401,000	37.28
RHB Islamic Bank Berhad	291,248,000	36.63
AmBank Islamic Berhad	68,155,500	8.57
Citibank (M) Bhd	62,139,500	7.82
Maybank Islamic Berhad	24,367,000	3.07
Hong Leong Islamic Bank Berhad	18,004,000	2.26
Kuwait Finance House (Malaysia) Berhad	12,079,000	1.52
Bank Islam Malaysia Berhad	7,762,000	0.98
Alliance Islamic Bank Bhd	6,000,000	0.75
AmBank (M) Berhad	5,910,000	0.74
Others	3,000,000	0.38
	<u>795,066,000</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 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

12 TOTAL EXPENSE RATIO ("TER")

	<u>2023</u> %	<u>2022</u> %
TER	<u>0.29</u>	<u>0.37</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/period calculated on daily basis is RM83,382,075 (2022: 62,714,579).

13 PORTFOLIO TURNOVER RATIO ("PTR")

	<u>2023</u>	<u>2022</u>
PTR (times)	<u>1.64</u>	<u>0.59</u>

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisition for the financial year/period} + \text{total disposal for the financial year/period}) \div 2}{\text{Average NAV of the Fund for the financial year/period calculated on daily basis}}$$

Where: total acquisition for the financial year/period = RM135,642,650 (2022: RM 63,571,410)
total disposal for the financial year/period = RM138,131,455 (2022: RM10,367,647)

NOMURA i-INCOME FUND 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (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		
Deutsche Trustees Malaysia Berhad for Nomura Global Shariah Strategic Growth Fund			Fund Managed by the Manager		
The Nomura Trust and Banking Co., Ltd.			Associate Company		
		<u>31.10.2023</u>		<u>31.10.2022</u>	
	No. of units	RM	No. of units	RM	
Units held by the Manager:					
Nomura Asset Management Malaysia Sdn Bhd					
- Class S	1,051	1,044	1,017	1,000	
- Class I	1,051	1,040	1,017	998	
- Class R	1,051	1,037	1,017	996	
- Class H (Hedged)	1,011	5,066	1,004	4,724	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Units held by parties related to the Manager:					
Deutsche Trustees Malaysia Berhad for Nomura Global Shariah Strategic Growth Fund					
- Class R	3,897,339	3,845,894	3,780,111	3,701,863	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
The Nomura Trust and Banking Co., Ltd.					
	-	-	999,527	4,702,475	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	

In the opinion of the Manager, the above units were transacted at the prevailing market price. Save and except for units held by the Manager, the above units are held legally and beneficially by the related party(ies). The units held by the Manager are held legally for booking purposes.

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 2

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONTINUED)

15 SHARIAH INFORMATION OF THE FUND

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

- i) 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 Shariah Advisory Council of Bank Negara Malaysia ("BNM SAC"); and
- ii) investments of Government Investment Issues and any other Islamic fixed income instruments which have been classified as Shariah-compliant by the Shariah Advisory Council of the Securities Commission Malaysia or the BNM SAC.

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 15 December 2023.

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 33 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 October 2023 and of its financial performance, changes in net assets attributable to unitholders and cash flows for the financial year ended 31 October 2023 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
15 December 2023



Deutsche Trustees Malaysia Berhad
Registration No: 200701005591 (763590-H)

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TRUSTEE'S REPORT

TO THE UNIT HOLDERS OF NOMURA i-INCOME FUND 2 ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 October 2023 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 'Sylvia Beh'.

Sylvia Beh
Chief Executive Officer

Kuala Lumpur
15 December 2023

SHARIAH ADVISER'S REPORT

TO THE UNIT HOLDERS OF
NOMURA i-INCOME FUND 2

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

15 DEC 2023



INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF NOMURA I-INCOME FUND 2

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Nomura i-Income Fund 2 (“the Fund”) give a true and fair view of the financial position of the Fund as at 31 October 2023, 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 October 2023, 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 33.

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 2 (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 2 (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 2 (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.

PricewaterhouseCoopers PJ
PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
15 December 2023