

Nomura Ringgit Bond Fund 2

Quarterly Report For The Period Ended 31 December 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)

Table of Contents

| | |
|---|------------|
| MANAGER'S REPORT | i |
| TRANSACTIONS WITH FINANCIAL INSTITUTIONS AND BROKERS/DEALERS | iii |
| SOFT COMMISSIONS RECEIVED FROM BROKERS..... | iii |
| BREAKDOWN OF UNITHOLDERS BY SIZE | iii |
| INCOME DISTRIBUTION..... | iv |
| FUND PERFORMANCE DATA..... | iv |

APPENDIX

| | |
|--|----------|
| STATEMENT OF FINANCIAL POSITION..... | 1 |
| STATEMENT OF COMPREHENSIVE INCOME | 2 |
| STATEMENT OF CHANGES IN NET ASSET VALUE | 3 |
| STATEMENT OF CASH FLOWS..... | 4 |

MANAGER'S REPORT

Category, Objective and Distribution Policy

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

Note:

* The Fund is not a capital guaranteed or capital protected fund and the returns are not guaranteed.

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

Fund Type

Income

Benchmark

Malayan Banking Berhad 12 months Fixed Deposit Account rate.

Performance as at 31 December 2023

For the period under review from 1 October 2023 to 31 December 2023, the Fund has registered a 1.65% return. Compared to the Benchmark return of 0.78%, the Fund outperformed its Benchmark by 0.87%. The last published Net Asset Value (“NAV”) per unit of the Fund as at 30 September 2023 was RM 0.9779 as compared to the NAV per unit as at 31 December 2023 of RM 0.9857. On the total NAV basis, the Fund’s NAV stood at RM 268.12 million as at 31 December 2023.

Performance as at 31 December 2023

| | 3 months (01/10/2023- 31/12/2023) | 6 Months (01/07/2023- 31/12/2023) | 1 Year (01/01/2023- 31/12/2023) | Since Commencement (29/07/2020- 31/12/2023) |
|---|---|---|---------------------------------------|--|
| Fund | 1.65 | 2.69 | 6.06 | 7.65 |
| Benchmark | 0.78 | 1.56 | 3.01 | 8.13 |
| Outperformance/ (Underperformance) | 0.87 | 1.13 | 3.05 | -0.48 |

Source of Fund and Benchmark Returns: Refinitiv Lipper

Volatility as at 31 December 2023

| | 3-Year |
|-------------|--------|
| Fund | 0.74 |

Source: Refinitiv Lipper

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

Strategies Employed (1 October 2023 to 31 December 2023)

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

Summary of Asset Allocation

| | <u>31 December 2023</u> | <u>30 September 2023</u> |
|---|-------------------------|--------------------------|
| Government Investment Issues | 5.46% | 54.40% |
| Corporate Bonds / Sukuk | 76.82% | 42.38% |
| Cash and other net current assets / liabilities | 17.72% | 3.22% |
| Total | 100.00% | 100.00% |

**Percentages may not add up to 100% due to rounding.*

Review of Market (1 October 2023 to 31 December 2023)

The domestic bond market experienced yet another volatile quarter in 4Q23. In tandem with global yield movements, Malaysian Government Securities (MGS) saw a strong rally amid US Federal Reserve (US Fed)'s dovish pivot and expectations that global central banks are very close to the end of its hiking cycle. MGS yields rallied across the curve, with the belly of the curve outperforming. Belly of the curve rallied 18-25 bps QoQ while front-end and long-end of the curve fell by 10-17 bps QoQ. While the short-end of the curve remains anchored by Bank Negara Malaysia (BNM) keeping the Overnight Policy rate (OPR) at 3.00%, the longer-end has been rallying from the effects of global rates as markets expect rate cuts despite US Fed's reservation that growth and unemployment remains high, and inflation has not shown sufficient signs of weakening. However, credit spreads compressed sharply as domestic real money investors reached for yields in the corporate bond space.

Malaysia's gross domestic product (GDP) expanded by 3.3% in 3Q23 (2Q23: +2.9%), signaling sustained domestic economic growth. Notably, continuous strong growth was observed in the services (+5.0%) and construction (+7.2%) sectors while growth in agriculture sector (+0.8%) rebounded into the positive territory. Meanwhile, contraction in mining sector narrowed to -0.1% while the manufacturing sector slowed marginally to -0.1%. On the demand side, private consumption (+4.6%) remained the key driver of Malaysia's economic growth while investments and government spending continued to support the headline GDP.

BNM maintained its OPR unchanged at 3.00% in its final Monetary Policy Meeting of the year. BNM continued to highlight the downside risks to global growth outlook while it remained positive towards domestic growth going into 2024, driven by resilient domestic demand, expectations of continued tourist arrivals, expected recovery from the electrical & electronics (E&E) downcycle, as well as implementation and continued progress of multi-year infrastructure projects. Meanwhile, inflation outlook is subject to changes to domestic policy on subsidies and price controls, global commodity prices, and financial market developments. Separately, BNM indicated that the recent weakness of Ringgit has been due to the expectations of higher-for-longer US rates and strong US Dollar, and that it will continue to manage risks of heightened volatility to ensure the orderly function of the domestic foreign exchange market. Overall, BNM sounded neutral in its statement and reiterated that the current monetary policy stance remains supportive of the economy.

TRANSACTIONS WITH FINANCIAL INSTITUTIONS AND BROKERS/DEALERS

Cross Trades (1 October 2023 to 31 December 2023)

During the financial period under review, one (1) cross trade was conducted between the Fund and other fund managed by the Manager.

Total Value of trades (RM)

| | |
|----------------------|------------------|
| Nomura i-Income Fund | 1,000,360 |
| Total | 1,000,360 |

The transaction was in the best interest of the Fund and executed through RHB Investment Bank Berhad on an arm's length and fair value basis.

SOFT COMMISSIONS RECEIVED FROM BROKERS

Soft commissions received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unit holders of the Fund.

During the financial period under review, the Manager did not receive any soft commission.

BREAKDOWN OF UNITHOLDERS BY SIZE

| Size of holdings(units) | No. of unitholders | No. of units held ('000)* |
|--------------------------|--------------------|---------------------------|
| Less than 500,000 | - | - |
| 500,000 - to 1,000,000 | - | - |
| 1,000,001 to 5,000,000 | - | - |
| 5,000,001 to 10,000,000 | - | - |
| 10,000,001 to 15,000,000 | - | - |
| 15,000,001 to 20,000,000 | - | - |
| 20,000,001 and above | 1 | 272,007.89 |
| Total | 1 | 272,007.89 |

* Note: Excluding Manager's Stock

INCOME DISTRIBUTION

The Fund distributed a gross total of RM 0.0084 per unit to investors of the Fund over the period under review.

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

| Cum-Distribution Date | Cum-Distribution (RM) | Ex-Distribution Date | Ex-Distribution (RM) | Distribution per Unit (RM) |
|-----------------------|-----------------------|----------------------|----------------------|----------------------------|
| 15-Dec-23 | 0.9910 | 18-Dec-23 | 0.9831 | 0.0084 |

FUND PERFORMANCE DATA

| | As at <u>31 December 2023</u> | As at <u>30 September 2023</u> |
|---------------------|----------------------------------|-----------------------------------|
| Total NAV (RM) | 268,120,737 | 265,992,153 |
| NAV per Unit (RM) | 0.9857 | 0.9779 |
| Unit in Circulation | 272,007,887 | 272,007,887 |
| Highest NAV (RM) | 0.9910 | 0.9861 |
| Lowest NAV (RM) | 0.9610 | 0.9750 |

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

NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2023
TO 31 DECEMBER 2023**

NOMURA RINGGIT BOND FUND 2

FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2023 TO 31 DECEMBER 2023

| CONTENTS | PAGE(S) |
|--|---------|
| STATEMENT OF FINANCIAL POSITION | 1 |
| STATEMENT OF COMPREHENSIVE INCOME | 2 |
| STATEMENT OF CHANGES IN NET ASSETS VALUE | 3 |
| STATEMENT OF CASH FLOWS | 4 |

Nomura Ringgit Bond Fund 2

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

| | 31-12-2023 | 31-12-2022 |
|---|--------------------|--------------------|
| | RM | RM |
| ASSETS | | |
| Financial assets at fair value through profit or loss ("FVTPL") | 220,637,336 | 255,461,001 |
| Amount due from brokers | 29,361,595 | - |
| Cash and cash equivalents | 18,185,282 | 5,391,197 |
| TOTAL ASSETS | 268,184,213 | 260,852,198 |
| LIABILITIES | | |
| Accrued management fee | 45,454 | 44,627 |
| Amount due to Trustee | 6,818 | 6,694 |
| Other payables and accruals | 11,204 | 10,303 |
| TOTAL LIABILITIES | 63,476 | 61,624 |
| NET ASSET VALUE | 268,120,737 | 260,790,574 |
| UNITHOLDER'S FUNDS | | |
| Unitholders' capital | 272,450,000 | 272,450,000 |
| Accumulated losses | (4,329,263) | (11,659,426) |
| NET ASSET ATTRIBUTABLE TO UNITHOLDERS | 268,120,737 | 260,790,574 |
| UNITS IN CIRCULATION | 272,007,887 | 272,007,887 |
| NET ASSET VALUE PER UNIT (RM) (EX DISTRIBUTION) | 0.9857 | 0.9588 |

Nomura Ringgit Bond Fund 2

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2023 TO 31 DECEMBER 2023

| | Financial period from 1-10-2023 to 31-12-2023 RM | Financial period from 1-10-2022 to 31-12-2022 RM |
|---|--|--|
| INVESTMENT INCOME | | |
| Interest income from unquoted fixed income securities through profit or loss ("FVTPL") | 2,240,329 | 2,219,804 |
| Interest income from deposits with licensed financial institutions at amortised cost | 129,597 | 18,971 |
| Net gain on financial assets at fair value through profit or loss ("FVTPL") | 2,204,429 | 2,267,354 |
| Gross Income | 4,574,355 | 4,506,129 |
| EXPENSES | | |
| Management fee | (134,272) | (131,591) |
| Trustee's fee | (20,141) | (19,739) |
| Audit fee | (2,518) | (2,405) |
| Tax agent's fee | (3,345) | (1,042) |
| Other expenses | (629) | (525) |
| | (160,905) | (155,302) |
| PROFIT BEFORE TAXATION | 4,413,450 | 4,350,827 |
| TAXATION | - | - |
| PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,413,450 | 4,350,827 |
| Profit after taxation is made up as follows: | | |
| Realised amount | (301,315) | 1,917,267 |
| Unrealised amount | 4,714,765 | 2,433,560 |
| | 4,413,450 | 4,350,827 |

Nomura Ringgit Bond Fund 2

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2023 TO 31 DECEMBER 2023

| | Unitholders' capital RM | Accumulated losses RM | Total RM |
|---|-------------------------------|-----------------------------|--------------------|
| Balance as at 1 October 2023 | 272,450,000 | (6,457,847) | 265,992,153 |
| Movement in unitholders' contribution: | | | |
| Total comprehensive income for the financial period | - | 4,413,450 | 4,413,450 |
| Distributions | - | (2,284,866) | (2,284,866) |
| Balance as at 31 December 2023 | <u>272,450,000</u> | <u>(4,329,263)</u> | <u>268,120,737</u> |
| Balance as at 1 October 2022 | 272,450,000 | (12,528,552) | 259,921,448 |
| Movement in unitholders' contribution: | | | |
| Total comprehensive income for the financial period | - | 4,350,827 | 4,350,827 |
| Distributions | - | (3,481,701) | (3,481,701) |
| Balance as at 31 December 2022 | <u>272,450,000</u> | <u>(11,659,426)</u> | <u>260,790,574</u> |

Nomura Ringgit Bond Fund 2

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 1 OCTOBER 2023 TO 31 DECEMBER 2023

| | Financial period from 1-10-2023 to 31-12-2023 RM | Financial period from 1-10-2022 to 31-12-2022 RM |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds from sale of investments | 19,577,000 | 5,027,500 |
| Purchase of investments | (11,000,360) | - |
| Interest income from unquoted fixed income investments | 3,289,113 | 3,082,260 |
| Interest income from deposits with licensed financial institutions | 129,597 | 18,971 |
| Management fee paid | (132,587) | (130,011) |
| Trustee's fee paid | (19,888) | (19,502) |
| Tax agent's fee paid | (6,996) | (4,134) |
| Payment for other fees and expenses | (630) | (525) |
| Net cash generated from operating activities | 11,835,249 | 7,974,559 |
| CASH FLOW FROM FINANCING ACTIVITY | | |
| Distribution paid | (2,284,866) | (3,481,701) |
| Net cash used in financing activity | (2,284,866) | (3,481,701) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 9,550,383 | 4,492,858 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 8,634,899 | 898,339 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD | 18,185,282 | 5,391,197 |
| Cash and cash equivalents comprise: | | |
| Deposits with financial institutions | 18,049,672 | 5,254,187 |
| Cash at banks | 135,610 | 137,010 |