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ABF MALAYSIA BOND INDEX FUND

**MANAGER'S REPORT AND FINANCIAL STATEMENTS (unaudited)
FOR THE PERIOD 1 JANUARY 2007 TO 31 MARCH 2007**

(IN RINGGIT MALAYSIA)



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MANAGER

Investment Services Berhad
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BOARD OF DIRECTORS

Kok Tuck Cheong
Datin Maznah Mahbob
Professor Dr Annuar Md. Nassir
Professor Dr Mahani Zainal Abidin
Lee Siang Korn @ Lee Siang Chin

INVESTMENT COMMITTEE

Harinder Pal Singh
Professor Dr Annuar Md. Nassir
Professor Dr Mahani Zainal Abidin

INVESTMENT MANAGER

AmInvestment Management Sdn Bhd

TRUSTEE


HSBC (Malaysia) Trustee Berhad

AUDITORS AND REPORTING ACCOUNTANTS

Ernst & Young

TAXATION ADVISER

Deloitte KassimChan Tax Services Sdn Bhd



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F Malaysia Bond Index Fund (õthe Fundö) for last financial financial year/period as at 31 December are as follows:

	As at 31-3-2007 %	As at 31-12-2006 %	As at 31-12-2005 %
Malaysian Government securities	96.8	97.4	92.0
Quasi-Government bonds	2.0	2.0	7.8
Cash and others	1.2	0.6	0.2
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Note: The abovementioned percentages are based on total investment market value plus cash.

most financial period ended 31 March 2007 and last financial
period follows:

	3 months ended 31-3-2007	1 year ended 31-12-2006	5½ months ended 31-12-2005
Net asset value (RM million)	517.08	514.35	564.79
Units in circulation (million)	481.92	481.92	537.42
Net asset value per unit (RM)*	1.0730	1.0673	1.0509
Closing quoted price (RM/unit)*	1.061	1.067	1.05
Highest quoted price (RM/unit)*	1.069	1.067	1.06
Lowest quoted price (RM/unit)*	1.051	1.010	1.04
Annualised return (%) ⁽¹⁾	8.41	4.63	1.46
- Capital growth (%)	6.86	1.53	1.46
- Income growth (%)	1.55	3.10	-
Gross distribution per unit (sen)	1.55	3.10	-
Net distribution per unit (sen)	1.55	3.10	-
Management expense ratio (%) ⁽²⁾	0.27	0.27	0.29
Portfolio turnover ratio (times) ⁽³⁾	0.15	0.27	0.29

* Above prices and net asset value per unit are shown as ex-distribution.

Note: (1) Annualised return is the actual return of the Fund for the respective financial year/periods, computed based on net asset value per unit and net of all fees, annualised over one year.
(2) Management expense ratio is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.
(3) Portfolio turnover ratio (PTR) is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR increased by 0.09 times (>100%) as compared to 0.06 times for the financial period 1 January 2006 to 31 March 2006 mainly due to increase in investing activities. The PTR decreased by 0.12 times (44.4%) as compared to 0.27 times for the financial year ended 31 December 2006 mainly due to decrease in investing activities.

Annualised Return (as at 31 March 2007)

	ABFMY1^(a) %	iBoxx Index^(b) %
One year	5.5	5.8
Since launch of fund (13 July 2005)	4.3	4.6

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd

(b) iBoxx Index (Source: www.indexco.com)

The Fund's performance above is calculated based on net asset value per unit. Annualised return for ABF Malaysia Bond Index Fund (ABFMYI) for a period is computed on the absolute return for that period annualised over one year.

Note: Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

We are pleased to present you the Manager's Report and the unaudited accounts of ABF Malaysia Bond Index Fund (the Fund) for the financial period 1 January 2007 to 31 March 2007.

Investment Objectives

ABF Malaysia Bond Index Fund is a Fixed Income Exchange Traded Fund that is passively managed against the given benchmark where returns are expected to correspond closely to the performance of the Benchmark Index during the tenure of the Fund.

The iBoxx ABF Malaysia Index (the Index) is a basket index that expresses relative changes in value compared to the beginning of the respective period. The Index is based on consolidated bid quotes and rebalanced monthly on the last calendar day of each month. The Index is a combination of Government, sovereign and sub-sovereign debt securities subject to per-determined credit rating requirements. Details of the index component as at 31 March 2007 are as follows:

Code	Issuer	Coupon	Final Maturity	Notional Amount
MW87001S	Malaysian Government	7.600	15 March 2008	3,650,000,000
GI03001W	Malaysian Government	0.000	31 March 2008	2,000,000,000
MV88002X	Malaysian Government	6.450	1 July 2008	8,998,700,000
CH04031E	Cagamas Berhad	4.114	3 September 2008	1,600,000,000
MI03004S	Malaysian Government	3.917	30 September 2008	4,150,000,000
MV88003W	Malaysian Government	6.450	30 November 2008	2,600,000,000
PJ03060E	Syarikat Prasarana Negara Berhad	3.450	30 November 2008	820,223,015
MN98006S	Malaysian Government	7.005	15 December 2008	2,000,000,000
QI03003F	Khazanah Nasional Berhad	0.000	18 December 2008	1,000,000,000
MI04001A	Malaysian Government	4.305	27 February 2009	12,000,000,000
MV89001H	Malaysian Government	7.000	15 March 2009	5,700,000,000
GG060001	Malaysian Government	3.895	14 April 2009	3,500,000,000
PG060056	Cagamas Berhad	4.900	16 June 2009	720,000,000
MI04004Z	Malaysian Government	4.032	15 September 2009	4,000,000,000
QI04001V	Khazanah Nasional Berhad	0.000	18 September 2009	1,150,000,000
MN99004E	Malaysian Government	6.844	1 October 2009	9,365,000,000
QI05001N	Khazanah Nasional Berhad	0.000	18 January 2010	1,000,000,000
DH060038	Cagamas Berhad	4.220	24 February 2010	500,000,000
PH060023	Cagamas Berhad	4.220	30 March 2010	500,000,000
MH060003	Malaysian Government	3.869	13 April 2010	3,952,100,000

(Forward)

		Coupon	Final Maturity	Notional Amount
DI050204	International Bank for Reconstruction and Development	3.580	12 May 2010	760,000,000
PH060053	Malaysian Cagamas Berhad	4.795	28 May 2010	500,000,000
MJ05001X	Malaysian Government	3.644	25 August 2010	6,991,200,000
GI050024	Malaysian Government	3.692	8 December 2010	2,000,000,000
VI060188	Rantau Abang Capital Berhad	4.390	15 March 2011	2,200,000,000
UI060069	Asian Development Bank	4.265	25 April 2011	500,000,000
MJ050004	Malaysian Government	3.756	28 April 2011	7,700,000,000
GI060008	Malaysian Government	4.635	14 July 2011	3,000,000,000
MN01001V	Malaysian Government	3.833	28 September 2011	4,718,000,000
PM03061S	Syarikat Prasarana Negara Berhad	3.800	30 November 2011	2,187,261,374
MJ060005	Malaysian Government	3.718	15 June 2012	6,500,000,000
MN03003V	Malaysian Government	3.702	25 February 2013	16,575,000,000
MN04002W	Malaysian Government	5.094	30 April 2014	5,000,000,000
GN050001	Malaysian Government	4.419	16 March 2015	2,000,000,000
MO05002S	Malaysian Government	4.720	30 September 2015	7,000,000,000
PS00196F	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.000	30 October 2015	500,000,000
MO060001	Malaysian Government	4.262	15 September 2016	8,700,000,000
GN060019	Malaysian Government	3.820	15 November 2016	3,000,000,000
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30 November 2016	1,913,853,702
DN060825	Khazanah Nasional Berhad	0.000	8 December 2016	2,000,000,000
UN070014	Asia Development Bank	4.000	8 February 2017	500,000,000
MN070002	Malaysian Government	3.814	15 February 2017	2,500,000,000
MS04003H	Malaysian Government	5.734	30 July 2019	4,000,000,000
MY050003	Malaysian Government	4.837	15 July 2025	3,000,000,000
PZ00197S	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.500	30 October 2025	500,000,000
MX060002	Malaysian Government	4.709	15 September 2026	3,000,000,000

Sources: International Index Company Limited (öIICö)

The Fund has a passive strategy whereby the Manager aims by way of representative sampling, achieve a return on the Funds assets that closely tracks return of the Benchmark Index.

ABF Malaysian Bond Index Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.

	As at 31 March 2007	As at 31 December 2006	Change (%)
iBoxx ABF Malaysia Index	112.78	110.49	2.07
Net asset value (RM)	517,083,551	514,346,315	0.53
Units in circulation (units)	481,921,800	481,921,800	-
Return on portfolio (%)	8.41 ^(a)	4.63 ^(b)	3.78
Benchmark return (%)	8.68 ^(a)	4.91 ^(b)	3.77
Net asset value per unit (RM)	1.0730	1.0673	0.53
Closing price quoted at Bursa Malaysia (RM)	1.061	1.067	-0.56

(a) Annualised returns for the financial period 1 January 2007 to 31 March 2007.

(b) Annualised returns for the financial year ended 31 December 2006.

Note: Benchmark of iBoxx ABF Malaysia Index (source: www.indexco.com)

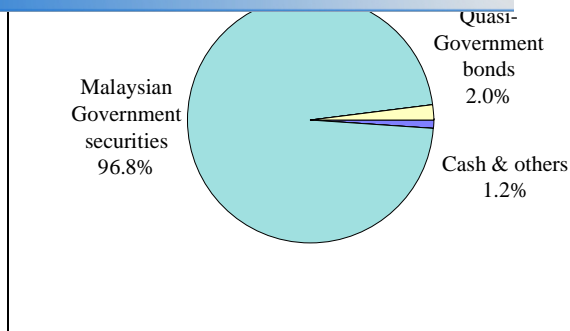
During the review period from 1 January 2007 to 31 March 2007, the Fund's Net Asset Value (NAV) grew by 0.53% to RM 517,083,551 from RM 514,346,315. The Fund's NAV per unit improved by the same quantum to close at RM 1.0730 on 31 March 2007 from 1.0673 as at 31 December 2006. The Fund registered an annualised return of 8.41% per annum for the period 1 January 2007 to 31 March 2007. The return was derived from a 6.86% capital growth and 1.55% income growth. The slight underperformance of 0.27% on the portfolio return of 8.41% against the Benchmark Index return of 8.68% was due to cash holdings and fee. The Fund was listed on Bursa Malaysia on 18 July 2005. On 31 March 2007, the Fund closed at RM 1.061 on Bursa trading price. Units in circulation remained unchanged at 481,921,800 units during the period under review. This is in line with the Fund's objective of passive management while achieving returns correspondingly closely to the performance of the Benchmark Index. For the period under review, there were no significant changes in the state of affairs of the Fund, no unit split and no circumstances that materially affected the interest of the unitholders.

The Fund has declared a distribution of 1.55 sen per unit on 15 January 2007 as follows:

1.55 sen per unit final income distribution*	Changes in the unit price prior and subsequent to the final income distribution	Before income distribution on 15 January 2007 (RM)	After income distribution on 15 January 2007 (RM)
	Net asset value per unit	1.0700	1.0545

* Final income distribution for the financial year ended 31 December 2006

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	31 March 2007 (%)	31 December 2006 (%)	Change (%)
Malaysian Government securities	96.8	97.4	-0.6
Quasi-Government bonds	2.0	2.0	-
Cash and others	1.2	0.6	0.6
Total	100.0	100.0	

The portfolio has 96.8% of sovereign bonds, 2.0% holdings in quasi-government bonds and the balance of 1.2 % is held in cash. The portfolio closely mirrored the benchmark portfolio in terms of duration and weighted average yield to maturity.

Break down of unitholding by size

Size of holding	As at 31 March 2007 No of units held ('000)	As at 31 December 2006 No of units held ('000)
Less than 100	0.1	0.1
100 ó 1,000	6.4	7.3
1,001 ó 10,000	35.3	51.3
10,001 ó 100,000	30.0	30.0
100,001 to less than 5% of issue units	5,115.0	5,957.0
5% and above of issue units	476,735.0	475,876.1

Note: 5% of issue units = 24,096,090 units

Market Review

On the 26 February 2007's Monetary Policy Committee (MPC) meeting, the policy makers decided to keep the Overnight Policy Rate (OPR) unchanged at 3.50%, citing the continuance of the steady growth path in 2007. The policy makers reiterated that current OPR level is consistent with the medium-term outlook for growth and inflation.

Price Index (CPI) of 3.20% which was released on 28
expectations. It was marginally higher than the December
Statement, outlook on inflation is relatively benign with
significantly lower compared to 2006.

Malaysia's February 2007 CPI rose 3.10% year-on-year compared to 3.20% in January 2007. The figure came in below market expectations of 3.30% as food prices remained stable amidst stronger festive demand. However, prices were unchanged on the month on month basis.

The volatile Ringgit was the highlight of February 2007. Sentiment was rosy after Bank Negara Malaysia (BNM) commented that they will adopt a "hands-off" approach in managing the Ringgit since the removal of the currency's peg. However, trading was thin towards the middle of the month due to the Lunar New Year. Ringgit closed firmer at 3.5040 when profit taking took place.

In addition, the BNM has further liberalized the foreign exchange administration rules to reduce the cost of business, facilitating greater risk management as well as enhancing business and capital market efficiency.

The Prime Minister Datuk Seri Abdullah Ahmad Badawi said that Malaysia wants a stronger currency and he believes that exporters should be able to cope with a slow and steady appreciation of Ringgit. Ringgit rallied right after the comment to hit the biggest gain in three months on 21 March 2007 at 3.4440 and closed around 3.4500 as at end of March 2007.

The Malaysian economy is forecasted to grow at a slightly faster pace of 6% in 2007 as compared to 5.9% in 2006, supported by sustained global growth and resilient domestic demand. The services and manufacturing sectors would continue to drive growth, expanding at a higher rate than the overall Gross Domestic Product (GDP) growth as quoted by BNM's Governor Tan Sri Dato Seri Dr. Zeti Akhtar Zahar.

Market Outlook

In March, one main phenomenon was the inversion of the Malaysian Government Securities (MGS) curve versus the OPR. We expect the influx of liquidity to continue due to the Ringgit play. Therefore, demand for ringgit-denominated assets will remain strong. Hence, yield curve inversion may persist if the liquidity in the system remains ample. For the coming months, all eyes will be on the ringgit movement. It will remain to be the key factor that drives the sovereign bond direction.

Investment Strategy

We aim to maintain the tracking error below 50 basis points on the 3-year rolling basis by using maturity buckets to track duration and yield due to scarcity of illiquid bonds. Currently, tracking error stood at 36.5 basis points since inception of the Fund until 31 March 2007.



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Index as close as possible in order to further reduce the
ll be carried out if there is exclusion or inclusion of bonds.
out if there is any redemption or creation of units or there is

Rebates and soft commissions

It is our policy to pay all rebates to the Fund. However, soft commissions received for goods and services such as fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund are retained by the Manager. For the period under review, the Manager has received soft-commissions.

Kuala Lumpur
AmInvestment Services Berhad

30 April 2007



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LIABILITIES (unaudited)

	Note	31-3-2007 RM	31-3-2006 RM
ASSETS			
Investments	4	523,387,672	562,679,258
Sundry receivables	5	8,349,209	16,382
Cash at bank		716	354,631
Total Assets		<u>531,737,597</u>	<u>563,050,271</u>
LIABILITIES			
Sundry payables and accrued expenses	5	14,472,892	28,790
Amount due to index provider	6	84,190	28,455
Amount due to Manager	7	67,453	76,413
Amount due to Trustee	8	29,511	33,431
Total Liabilities excluding Net Asset Value Attributable to Unitholders		<u>14,654,046</u>	<u>167,089</u>
NET ASSET VALUE AS AT 31 MARCH	9	<u>517,083,551</u>	<u>562,883,182</u>
UNITS IN CIRCULATION	9(a)	<u>481,921,800</u>	<u>537,421,800</u>
NET ASSET VALUE PER UNIT (EX DISTRIBUTION)	10	<u>107 sen</u>	<u>105 sen</u>

The accompanying Notes form an integral part of the Financial Statements.

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**EXPENDITURE (unaudited)
07 TO 31 MARCH 2007**

	Note	1-1-2007 to 31-3-2007 RM	1-1-2006 to 31-3-2006 RM
INVESTMENT INCOME			
Net unrealised gain on changes in value of investments		5,424,189	2,086,968
Interest income		5,355,242	6,733,201
Net realised gain/(loss) on sale of investments		468,642	(179,193)
		<u>11,248,073</u>	<u>8,640,976</u>
Add: Accretion of discount		68,236	47,405
Less: Amortisation of premium		(767,352)	(1,838,059)
		<u>10,548,957</u>	<u>6,850,322</u>
EXPENDITURE			
Manager's fee	7	204,002	224,466
Trustee's fee	8	89,251	98,204
Licence fee	6	27,176	28,280
Audit fee		1,250	1,243
Tax agent's fee		1,250	1,243
Other expenses	11	19,004	70,606
		<u>341,933</u>	<u>424,042</u>
Total Expenditure		<u>341,933</u>	<u>424,042</u>
NET INCOME BEFORE INCOME TAX			
		10,207,024	6,426,280
LESS: INCOME TAX EXPENSE	12	-	-
NET INCOME AFTER INCOME TAX			
		10,207,024	6,426,280
DISTRIBUTION EQUALISATION	13	-	-
UNDISTRIBUTED NET INCOME AT BEGINNING OF PERIOD			
		10,207,024	6,426,280
		9,088,940	3,859,849
INCOME DISTRIBUTION	14	(7,469,788)	(8,330,038)
UNDISTRIBUTED NET INCOME AT END OF PERIOD			
		<u>11,826,176</u>	<u>1,956,091</u>

(Forward)



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Net Income After Income Tax

comprises the following:

Realised income

Unrealised gain

Note	1-1-2007 to 31-3-2007 RM	1-1-2006 to 31-3-2006 RM
	4,782,835	4,339,312
	5,424,189	2,086,968
	10,207,024	6,426,280

The accompanying Notes form an integral part of the Financial Statements.



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**NET ASSET VALUE (unaudited)
07 TO 31 MARCH 2007**

	1-1-2007 to 31-3-2007 RM	1-1-2006 to 31-3-2006 RM
Net asset value at beginning of period	514,346,315	564,786,940
Net income for the period	10,207,024	6,426,280
Net income distribution	<u>(7,469,788)</u>	<u>(8,330,038)</u>
Net asset value at end of period	<u>517,083,551</u>	<u>562,883,182</u>

The accompanying Notes form an integral part of the Financial Statements.

	Note	1-1-2007 to 31-3-2007 RM	1-10-2006 to 31-12-2006 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		78,269,834	50,180,623
Interest received		7,756,448	8,768,608
License fee paid		-	(28,332)
Payment for other fees expenses		(5,665)	(67,077)
Trustee's fee paid		(88,338)	(97,252)
Manager's fee paid		(201,915)	(222,291)
Purchase of investments		<u>(75,009,575)</u>	<u>(46,294,100)</u>
 Net Cash Generated From Operating And Investing Activities		 <u>10,720,789</u>	 <u>12,240,179</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution paid		<u>(7,469,788)</u>	<u>(8,330,038)</u>
 Net Cash Used In Financing Activities		 <u>(7,469,788)</u>	 <u>(8,330,038)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		3,251,001	3,910,141
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>2,966,303</u>	<u>882,479</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 15	 <u>6,217,304</u>	 <u>4,792,620</u>

The accompanying Notes form an integral part of the Financial Statements.

1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (the Fund) was established pursuant to a Deed dated 12 July 2005 (the Deed), between AmInvestment Services Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

The Fund was set up with the objective for investors who seek an index-based approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. As provided in the Deed, the accrual period or financial year shall end on 31 December and the units in the Fund were first offered for sale on 13 July 2005.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention modified by the revaluation of investments in accordance with applicable Financial Reporting Standards and the Securities Commission's Guidelines on Unit Trust Funds.

At the beginning of the current financial year, the Fund had adopted new and revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1 January 2006. Most of the new and revised FRSs are not relevant to the Fund. Those FRSs that are relevant do not give rise to any significant effects on the financial statements of the Fund except for the adoption of FRS 132 – Financial Instruments: Disclosure and Presentation (FRS 132).

FRS 132 requires for the issuer of a financial instrument to classify the instrument on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial liability, a financial asset or an equity instrument. FRS 132 further describes that a financial instrument that gives the holder the right to put back to the issuer for cash or another financial asset, e.g. units in an open-ended mutual fund, is a financial liability. Consequently, the presentation of the Statement of Assets and Liabilities of the Fund has been changed to reflect this reclassification. This reclassification did not give rise to any effects on the Net Asset Value (NAV) of the Fund.



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Following FRSs which have effective dates as follows:

	Effective for financial periods beginning on or after
FRS 117 ó Leases	1 October 2006
FRS 124 ó Related Party Transactions	1 October 2006
Amendments to FRS 119 ₂₀₀₄ ó Employee Benefits ó Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6 ó Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 139 ó Financial Instruments: Recognition and Measurement	Effective date deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The adoption of the FRSs above upon their effective dates is not expected to have any significant effects on the financial statements of the Fund except possibly for FRS 124 and FRS 139.

Investments are stated at market value on a portfolio basis in accordance with the provisions of the Deed, market value is determined based on prices provided by the index provider, International Index Company Limited (öIICö), plus accrued interest. The difference between the adjusted cost and market value is treated as unrealised gain or loss and is recognised in the statement of income and expenditure. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated on the straight-line method over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised gains or losses recognised in the statement of income and expenditure is not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in the statement of income and expenditure.

Income Recognition

Interest on fixed income securities and short-term deposits is recognised on an accrual basis.

Income Tax Expense

The tax effects of transactions are recognised, using the 'balance sheet' method and all taxable temporary differences are recognised. As at 31 March 2007, there were no significant temporary differences.

Functional and Presentation Currency

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. This is Ringgit Malaysia which reflects the currency of the economy in which the Fund competes for funds and subscribes and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

Cash Flow Statement

The Fund adopts the direct method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturity of seven days or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

which is the fair value of the consideration to be paid for

Receivables

Sundry receivables are carried at anticipated realisable values.

Financial Assets And Liabilities

Financial assets and financial liabilities carried on the statement of asset and liabilities include cash at banks, investments, including deposits and placements with licensed institutions, receivables and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangement. The accounting policies on the recognition of interest, gains and losses relating to financial instruments classified as assets, are disclosed in the respective accounting policies.

4. INVESTMENTS

	31-3-2007	31-3-2006
	RM	RM
At carrying value		
Short-term deposits with licensed banks under repurchase agreements	6,216,588	4,437,989
Quasi-Government bonds	10,586,553	15,027,230
Quasi-Government bonds ó zero coupon	-	13,330,500
Malaysian Government securities	492,090,031	520,560,539
Malaysian Government securities ó zero coupon	14,494,500	9,323,000
	<u>523,387,672</u>	<u>562,679,258</u>
At nominal value		
Short-term deposits with licensed banks under repurchase agreements	6,216,000	4,437,600
Quasi-Government bonds	10,000,000	15,000,000
Quasi-Government bonds ó zero coupon	-	15,000,000
Malaysian Government securities	474,000,000	502,050,000
Malaysian Government securities ó zero coupon	15,000,000	10,000,000
	<u>15,000,000</u>	<u>10,000,000</u>

March 2007 are as follows:

Maturity date	Issuer/Stock no.	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposits with licensed banks under repurchased agreements					
02.04.2007	OCBC Bank (M) Berhad	6,216,000	6,216,588	6,216,000	1.20
Quasi-Government bonds					
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	10,586,553	9,823,474	2.05
Malaysian Government securities					
01.07.2008	MV88002X	50,000,000	52,549,073	54,951,454	10.16
27.02.2009	MI04001A	45,000,000	45,729,249	47,337,807	8.84
14.04.2009	GG060001	15,000,000	15,370,154	14,946,234	2.97
15.09.2009	MI04004Z	45,000,000	45,520,269	46,767,152	8.80
13.04.2010	MH060003	34,000,000	35,028,949	34,680,338	6.78
25.08.2010	MJ05001X	15,000,000	15,085,828	15,217,019	2.92
28.04.2011	MJ050004	35,000,000	35,905,954	35,060,874	6.94
28.09.2011	MN01001V	25,000,000	25,315,312	25,194,412	4.90
15.06.2012	MJ060005	50,000,000	51,136,357	50,108,036	9.89
25.02.2013	MN03003V	70,000,000	70,929,233	70,022,882	13.72
16.03.2015	GN050001	10,000,000	10,448,649	10,329,639	2.02
30.09.2015	MO05002S	10,000,000	11,098,000	10,608,120	2.15
15.09.2016	MO060001	20,000,000	21,261,126	20,256,303	4.11
15.02.2017	MN070002	15,000,000	15,464,037	15,097,125	2.99
30.07.2019	MS04003H	15,000,000	18,355,558	16,717,159	3.55
15.07.2025	MY050003	10,000,000	11,582,878	10,366,331	2.24
15.09.2026	MX060002	10,000,000	11,309,405	10,305,114	2.19
		<u>474,000,000</u>	<u>492,090,031</u>	<u>487,965,999</u>	<u>95.17</u>
Malaysian Government securities – zero coupon					
31.03.2008	GI03001W	15,000,000	14,494,500	13,858,000	2.80
Total investments		<u>505,216,000</u>	<u>523,387,672</u>	<u>517,863,473</u>	<u>101.22</u>

ate and average remaining maturities of short-term deposits
urchase agreements are as follows:

	Weighted average interest rate		Remaining maturities	
	31-3-2007 %	31-3-2006 %	31-3-2007 Days	31-3-2006 Days
Short-term deposits with licensed banks under repurchase agreements	3.45	3.20	2	3

The weighted average effective yields on unquoted securities are as follows:

	Effective yield*	
	31-3-2007 %	31-3-2006 %
Quasi-Government bonds	3.72	4.33
Quasi-Government bonds ó zero coupon	-	3.79
Malaysian Government securities	3.54	3.81
Malaysian Government securities ó zero coupon	3.44	3.56

* As provided by IIC

Analyses of the remaining maturity of investments as at 31 March 2007 are as follows:

	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
At nominal value			
Quasi-Government bonds	-	-	10,000,000
Malaysian Government securities	107,000,000	142,000,000	225,000,000
Malaysian Government securities ó zero coupon	15,000,000	-	-

5. SUNDRY RECEIVABLES/SUNDRY PAYBLES AND ACCRUED EXPENSES

Included in sundry receivables/sundry payables and accrued expenses are amounts owing
by/to financial institutions for outstanding contracts where settlement is not due as follows:

	31-3-2007 RM	31-3-2006 RM
Amount owing by financial institutions	8,349,208	24,879,508
Amount owing to financial institutions	14,401,461	-

Index provider is the license fee payable to International Index of the benchmark index.

License fee is calculated on a daily basis at the following rate:

Fund size	% p.a.
For amount equal to or less than Initial Funding	0.023
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.010
For amount above 275% of Initial Funding	No charges

subject to a minimum annual fee of USD26,542 (approximate RM100,860)

* Initial Funding for the Fund was USD115,400,000 (approximate RM438,520,000)

7. **AMOUNT DUE TO MANAGER**

Amount due to Manager represents the manager's fee payable.

Manager's fee was charged at a rate of 0.16% (0.16% for the financial period 1 January 2006 to 31 March 2006) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 January 2007 to 31 March 2007.

8. **AMOUNT DUE TO TRUSTEE**

Amount due to Trustee represents the trustee's fee payable.

Trustee's fee was charged at a rate of 0.07% (0.07% for the financial period 1 January 2006 to 31 March 2006) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 January 2007 to 31 March 2007.

9. **NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER**

Net asset value attributable to unitholders is represented by:

	Note	31-3-2007 RM	31-3-2006 RM
Unitholders' contribution	(a)	505,257,375	560,927,091
Undistributed net income		<u>11,826,177</u>	<u>1,956,091</u>
		<u><u>517,083,552</u></u>	<u><u>562,883,182</u></u>

DISTRIBUTION/UNITS IN CIRCULATION

	1-1-2007 to 31-3-2007		1-10-2006 to 31-12-2006	
	No. of units	RM	No. of units	RM
At beginning and end of period	<u>481,921,800</u>	<u>505,257,375</u>	<u>537,421,800</u>	<u>560,927,091</u>

As provided in the Prospectus dated 13 July 2005, the initial size of the Fund shall not exceed 1 billion units.

The Manager, AmInvestment Services Berhad, did not hold any units in the Fund as at 31 March 2007 and 31 March 2006. Holdings by parties related to the Manager as at 31 March 2007 were 60,405,571 (123,874,700 as at 31 March 2006) units valued at RM64,090,311 (RM128,829,688 as at 31 March 2006).

10. NET ASSET VALUE PER UNIT (EX DISTRIBUTION)

The net asset value per unit (ex distribution) is calculated by dividing the net assets of RM517,083,551 (RM562,883,182 as at 31 March 2006) by the 481,921,800 (537,921,800 as at 31 March 2006) units in issue as at 31 March 2007.

11. OTHER EXPENSES

Included in the other expenses for the financial period 1 January 2005 to 31 March 2006 was pre-listing expense amounting to RM56,300.

12. INCOME TAX EXPENSE

Income tax payable is calculated on investment income less deduction for permitted expenses as provided for under Section 63B of the Income Tax Act, 1967.

Pursuant to Schedule 6 paragraph 35 of the Income Tax Act, 1967, interest income on short-term deposits with licensed financial institutions derived by the Fund is exempted from tax.

expense applicable to income before income tax at the same tax expense at the effective income tax rate of the Fund

	1-1-2007 to 31-3-2007 RM	1-1-2006 to 31-3-2006 RM
Net income before income tax	<u>10,207,024</u>	<u>6,426,280</u>
Taxation at Malaysian statutory rate of 27% (28% in 2006)	2,755,900	1,799,400
Tax effect of:		
Income not subject to tax	(2,848,200)	(1,918,100)
Permitted expenses not deductible for tax purposes	53,100	67,800
Non-permitted expenses for tax purposes	33,300	43,400
Permitted expenses not used not available for future years	<u>5,900</u>	<u>7,500</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

13. DISTRIBUTION EQUALISATION

Distribution equalisation represents the average amount of undistributed net income included in the creation or release price of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are released back to Trustee.

14. INCOME DISTRIBUTION

Distribution to unitholders is from the following sources:

	1-1-2007 to 31-3-2007 RM	1-1-2006 to 31-3-2006 RM
Undistributed net income brought forward - realised	4,963,548	7,615,338
Interest income	3,286,086	3,133,930
Net realised gain on sale of investments	287,568	(179,193)
Accretion of discount	41,871	22,064
Amortisation of premium	<u>(767,352)</u>	<u>(1,838,059)</u>
	7,811,721	8,754,080
Less: Expenses	<u>(341,933)</u>	<u>(424,042)</u>
Total amount of distribution	<u>7,469,788</u>	<u>8,330,038</u>

ation for the financial period 1 January 2007 to 31 March 2007 of RM963,548 (RM7,615,338 for the financial period 1 January 2006 to 31 March 2006) less realised income of RM1,000,000 derived from previous financial years.

The income distribution for the financial period 1 January 2007 to 31 March 2007 has been proposed before taking into account net unrealised gain of RM5,424,189 (RM2,086,968 for the financial period 1 January 2006 to 31 March 2006) and net unrealised gain brought forward of RM4,125,392 (Net unrealised loss brought forward of RM5,525,367 for the financial period 1 January 2006 to 31 March 2006), which were carried forward to the next financial period.

	1-1-2007 to 31-3-2007		1-1-2006 to 31-3-2006	
	Date of distribution	RM	Date of distribution	RM
GROSS AND NET				
Interim distribution - 1.55 (1.55 in 2006) sen per unit	15 January 2007	<u>7,469,788</u>	24 January 2006	<u>8,330,038</u>

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	31-3-2007	31-3-2006
	RM	RM
Short-term deposits with licensed banks under repurchase agreements (Note 4)	6,216,588	4,437,989
Cash at bank	<u>716</u>	<u>354,631</u>
	<u>6,217,304</u>	<u>4,792,620</u>

PERFORMANCE RATIO AND PORTFOLIO TURNOVER RATIO

The performance ratio (MER) is as follows:

	1-1-2007 to 31-3-2007 %	1-1-2006 to 31-3-2006 %
Manager's fee	0.16	0.16
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	0.02	0.03
	0.27	0.28

The portfolio turnover ratio, calculated by dividing the average of total acquisitions and total disposals of investment securities by the average net asset value of the Fund calculated on a daily basis, 0.15 times for the financial period 1 January 2007 to 31 March 2007 (0.06 times for the financial period 1 January 2006 to 31 March 2006).

17. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund's investments are made in the form of fixed income securities in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have a separate identifiable business or geographical segments.

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period 1 January 2007 to 31 March 2007 are as follows:

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	51,057,077	64.24
CIMB Bank Berhad	20,068,841	25.25
AmInvestment Bank Berhad	8,349,208	10.51
Total	79,475,126	100.00

The above transaction values are in respect of Ringgit Malaysia denominated Government and quasi-Government debt securities. Transactions in these fixed income securities do not involve any commission or brokerage.

variety of risks that included interest rate risk, credit risk, regulatory risk, management risk and stock risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risk, careful selection of stocks for investment coupled with stringent compliance to investment restrictions as stipulated by the Securities Commission Act, Securities Commission's Guidelines on Unit Trust Funds and the Deed as backbone of risk management of the Fund.

Interest Rate Risk

Interest rate risk will affect the value of the Fund's investments, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Interest rate moves in the opposite direction of bond prices. When interest rates rise, bond prices will fall and vice versa. When interest rate trend is anticipated to rise, the Fund Manager will reduce the exposure to fixed income securities.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates. The Fund has a policy to ensure that the rates obtained are competitive.

Credit Risk

Credit risk applies to debt instruments such as term deposits, bonds and debentures. The issuer of such instruments may not be able to fulfill the required interest payments or repay the principal invested. These risks may cause the Fund's investments to fluctuate.

The Fund Manager manages the risk by setting internal counterparty limits and undertaking internal credit evaluation to minimise such risk.

Liquidity Risk

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash deposits with licensed institutions and other instruments, which are capable of being converted into cash between 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

Single Issuer Risk

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any issuer is managed based on internal/external ratings.



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and regulations may have an effect on the capital market.

Management Risk

Poor management of a fund may cause considerable losses to the Fund that in turn may affect the contribution by a unitholder.

Stock Risk

Risk that is specific to a stock and is not correlated with the specific risks of other stocks.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities of the Fund are carried at fair values. The accounting policies on recognition and measurement of the fair value for the Fund's investments are disclosed in their respective accounting policies.

The fair value for the amount due to the Manager and Trustee, cash at bank, sundry receivables and sundry payables and accruals approximate their respective carrying amounts as at the balance sheet date due to the relatively short-term maturity of these financial instruments.