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ABF MALAYSIA BOND INDEX FUND

**MANAGER'S REPORT AND FINANCIAL STATEMENTS (unaudited)
FOR THE PERIOD 1 APRIL 2007 TO 30 JUNE 2007**

(IN RINGGIT MALAYSIA)



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MANAGER

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BOARD OF DIRECTORS

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

INVESTMENT COMMITTEE

Professor Dr Annuar Md. Nassir
Professor Dr Mahani Zainal Abidin
Lee Siang Korn @ Lee Siang Chin
Harinder Pal Singh

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 (the Fund) for the last two
d 31 March 2007 and the last financial year/period as at 31

December are as follows:

	As at 30-6-2007 %	As at 31-3-2007 %	As at 31-12-2006 %	As at 31-12-2005 %
Malaysian Government securities	95.8	96.8	97.4	92.0
Quasi-Government bonds	2.0	2.0	2.0	7.8
Cash and others	2.2	1.2	0.6	0.2
	<u>100.0</u>	<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.

For the two financial periods ended 30 June 2007 and 31 March 2007 and the period ended 31 December are as follows:

	3 months ended 30-6-2007	3 months ended 31-3-2007	1 year ended 31-12-2006	5½ months ended 31-12-2005
Net asset value (RM million)	518.73	517.08	514.35	564.79
Units in circulation (million)	481.92	481.92	481.92	537.42
Net asset value per unit (RM)*	1.0764	1.0730	1.0673	1.0509
Closing quoted price (RM/unit)*	1.096	1.061	1.067	1.05
Highest quoted price (RM/unit)*	1.096	1.069	1.067	1.06
Lowest quoted price (RM/unit)*	1.062	1.051	1.010	1.04
Annualised return (%) ⁽¹⁾	8.46	8.41	4.63	1.46
- Capital growth (%)	6.91	6.86	1.53	1.46
- Income growth (%)	1.55	1.55	3.10	-
Gross distribution per unit (sen)	1.55	1.55	3.10	-
Net distribution per unit (sen)	1.55	1.55	3.10	-
Management expense ratio (%) ⁽²⁾	0.26	0.27	0.27	0.29
Portfolio turnover ratio (times) ⁽³⁾	0.06	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 periods/year, 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 (öPTRö) 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 decreased by 0.09 times (60.0%) as compared to 0.15 times for the quarter ended 31 March 2007 mainly due to decrease in investing activities and increase in average fund size. The PTR increased by 0.02 times (50.0%) as compared to 0.04 times for the quarter ended 30 June 2006 mainly due to increase in investing activities and decrease in average fund size.

Annualised Return (as at 30 June 2007)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	8.5	8.9
Since launch of fund (13 July 2005)	3.9	4.3

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd

(b) iBoxx ABF Malaysia Bond Index (öiBoxx Indexö) (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 (öABFMY1ö) 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 April 2007 to 30 June 2007.

Investment Objectives

ABF Malaysia Bond Index Fund is a Fixed Income Exchange Traded Fund (ETF) which is a listed bond Fund that is passively managed against the Benchmark Index and the returns will be expected to correspond closely to the performance of the Benchmark Index.

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 **30 June 2007** are as follows:

Stock Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
MN98006S	Government of Malaysia	7.005	15.12.2008	2,000,000,000
MN99004E	Government of Malaysia	6.844	01.10.2009	9,365,000,000
PS00196F	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.000	30.10.2015	500,000,000
PZ00197S	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.500	30.10.2025	500,000,000
MN01001V	Government of Malaysia	3.833	28.09.2011	4,718,000,000
MN03003V	Government of Malaysia	3.702	25.02.2013	16,575,000,000
PJ03060E	Syarikat Prasarana Negara Berhad	3.450	30.11.2008	820,223,015
PM03061S	Syarikat Prasarana Negara Berhad	3.800	30.11.2011	2,187,261,374
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30.11.2016	1,913,853,702
MI03004S	Government of Malaysia	3.917	30.09.2008	4,150,000,000
QI03003F	Khazanah Nasional Berhad	0.000	18.12.2008	1,000,000,000
MI04001A	Government of Malaysia	4.305	27.02.2009	12,000,000,000
MN04002W	Government of Malaysia	5.094	30.04.2014	5,000,000,000
MS04003H	Government of Malaysia	5.734	30.07.2019	4,000,000,000
CH04031E	Cagamas Berhad	4.114	03.09.2008	1,600,000,000
MI04004Z	Government of Malaysia	4.032	15.09.2009	4,000,000,000
QI04001V	Khazanah Nasional Berhad	0.000	18.09.2009	1,150,000,000
QI05001N	Khazanah Nasional Berhad	0.000	18.01.2010	1,000,000,000
MJ05001X	Government of Malaysia	3.644	25.08.2010	6,991,200,000
GN050001	Government of Malaysia	4.419	16.03.2015	2,000,000,000
(forward)				

		Coupon (%)	Maturity Date	Notional Amount
	ia	4.720	30.09.2015	7,000,000,000
	Reconstruction and Development	3.580	12.05.2010	760,000,000
MV88002X	Government of Malaysia	6.450	01.07.2008	8,998,700,000
MV88003W	Government of Malaysia	6.450	30.11.2008	2,600,000,000
MY050003	Government of Malaysia	4.837	15.07.2025	3,000,000,000
MJ050004	Government of Malaysia	3.756	28.04.2011	7,700,000,000
GI050024	Government of Malaysia	3.692	08.12.2010	2,000,000,000
MV89001H	Government of Malaysia	7.000	15.03.2009	5,700,000,000
DH060038	Cagamas Berhad	4.220	24.02.2010	500,000,000
MO060001	Government of Malaysia	4.262	15.09.2016	8,700,000,000
VI060188	Rantau Abang Capital Berhad	4.390	15.03.2011	2,200,000,000
PH060023	Cagamas Berhad	4.220	30.03.2010	500,000,000
GG060001	Government of Malaysia	3.895	14.04.2009	3,500,000,000
UI060069	Asia Development Bank	4.265	25.04.2011	500,000,000
PH060053	Cagamas Berhad	4.795	28.05.2010	500,000,000
PG060056	Cagamas Berhad	4.900	16.06.2009	720,000,000
GI060008	Government of Malaysia	4.635	14.07.2011	3,000,000,000
MX060002	Government of Malaysia	4.709	15.09.2026	3,000,000,000
MH060003	Government of Malaysia	3.869	13.04.2010	7,452,100,000
GN060019	Government of Malaysia	3.820	15.11.2016	3,000,000,000
DN060825	Khazanah Nasional Berhad	0.000	08.12.2016	2,000,000,000
MJ060005	Government of Malaysia	3.718	15.06.2012	9,500,000,000
UN070014	Asia Development Bank	4.000	08.02.2017	500,000,000
MN070002	Government of Malaysia	3.814	15.02.2017	2,500,000,000
GG070001	Government of Malaysia	3.570	15.03.2010	3,500,000,000
MX070003	Government of Malaysia	3.502	31.05.2027	3,000,000,000

by the Manager aims, by way of representative sampling, to
that closely tracks the returns of the Benchmark Index.

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.

Fund Performance Review

	As at 30 June 2007	As at 31 March 2007	Change (%)
iBoxx ABF Malaysia Index	113.42	112.78	0.57
Net asset value (RM)	518,733,305	517,083,551	0.32
Units in circulation (units)	481,921,800	481,921,800	-
Return on portfolio (%)	1.28 ^(a)	8.41 ^(b)	-7.13
Benchmark return (%)	2.28 ^(a)	8.68 ^(b)	-6.40
Net asset value per unit (RM)	1.0764	1.0730	0.32
Closing price quoted at Bursa Malaysia (RM)	1.096	1.061	3.30

(a) Annualised returns for the financial period 1 April 2007 to 30 June 2007.

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

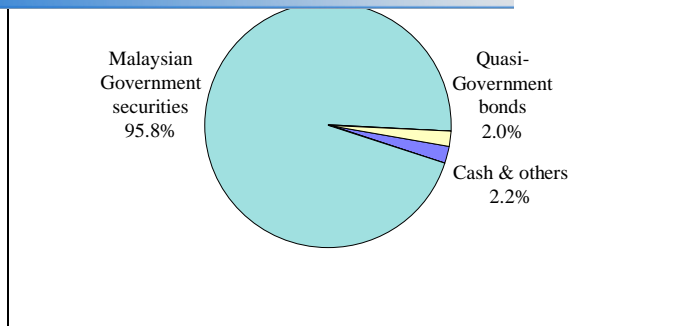
Note: Benchmark ó iBoxx ABF Malaysia Index (source: www.indexco.com)

During the period under review from 1 April 2007 to 30 June 2007, the Fund's Net Asset Value (NAV) grew by 0.32% to RM518,733,305 from RM517,083,551. The Fund's NAV per unit improved by the same quantum to close at RM 1.0764 from 1.0730 as at 31 March 2007. The Fund registered an annualised return of 1.28% per annum for the period 1 April 2007 to 30 June 2007, which is entirely growth in nature. The underperformance of 1.00% on the portfolio return of 1.28% against the Benchmark Index return of 2.28% was due to cash holdings and fee. The Fund was listed on Bursa Malaysia on 18 July 2005. On 30 June 2007, the Fund closed at RM 1.096 on Bursa Malaysia 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 12 July 2007 as follows:

1.55 sen per unit interim income distribution	Changes in the unit price prior and subsequent to the interim income distribution	Before income distribution on 12 July 2007 (RM)	After income distribution on 12 July 2007 (RM)
	Net asset value per unit	1.0781	1.0626

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	30 June 2007 (%)	31 March 2007 (%)	Change (%)
Malaysian Government securities	95.8	96.8	-1.0
Quasi-Government bonds	2.0	2.0	-
Cash and others	2.2	1.2	1.0
Total	100.0	100.0	

The portfolio has 95.8% of sovereign bonds, 2.0% holdings in quasi-government bonds and the balance of 2.2 % 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 30 June 2007 No of units held ('000)	As at 31 March 2007 No of units held ('000)
Less than 100	0.1	0.1
100 ó 1,000	6.6	6.4
1,001 ó 10,000	46.5	35.3
10,001 ó 100,000	135.0	30.0
100,001 to less than 5% of issue units	5,345.0	5,115.0
5% and above of issue units	476,388.6	476,735.0

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

Market Review

Consumer Price Index (CPI) for May 2007 grew 1.40% year on year, lower than April 2007 reading of 1.50%. The figure came in slightly below market expectation of 1.60%. For the year, Bank Negara Malaysia (BNM) had painted a benign inflationary environment and is confident of reducing the country's inflation rate to 2.50% for 2007 from 3.00% in 2006.



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no urgency to revise interest rates at this juncture as the 6.0% Gross Domestic Product (GDP) target for 2007. The rate is at an appropriate level at 3.50% and it is still supporting

It was an eventful month in June 2007 for Ringgit Malaysia (MYR). The meltdown of US sub-prime mortgage markets led to a flight to safety buying of US Treasuries. Unwinding of foreign flows caused the MYR to sell down to a low of 3.4900 before bargain hunting kicked in to close around the MYR around 3.4500 as at end of June 2007. Year-to-date, MYR merely appreciated by 1.40% as compared to the high of 3.40% (MYR at 3.3800) in mid

Market Outlook

For the coming months, all eyes will still on the MYR trend and the speculation of the return of foreign flows after the massive unwinding that is pushing MYR to attractive levels of 3.4500-3.4800. The inclusion of Malaysian government bonds into the Citibank Government Bonds Index will also spur buying interest by offshore players to rebalance their portfolio in accordance to the index weight. Hence, demand for bonds will remain intact. The yield curve inversion may persist, as the liquidity in the system remains ample. However, volatility of sovereign will remain driven by fund flows and currency movement.

Investment Strategy

We aim to maintain the tracking error below 50 basis points on the three-year rolling basis by using maturity buckets to track duration and yield due to scarcity of illiquid bonds. As at 30 June 2007, tracking error stood at 42 basis points since inception of the Fund.

We will follow the iBoxx Benchmark Index as close as possible in order to further reduce the tracking error. Monthly rebalancing will be carried out if there is exclusion or inclusion of bonds. An Ad hoc rebalancing will be carried out if there is any redemption or creation of units or there is a huge coupon flow during the month.

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

31 July 2007

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LIABILITIES (unaudited)

	Note	30-6-2007 RM	30-6-2006 RM
ASSETS			
Investments	4	518,808,407	554,513,696
Sundry receivables	5	20,583,507	5,174
Cash at bank		733	572
Total Assets		<u>539,392,647</u>	<u>554,519,442</u>
LIABILITIES			
Sundry payables and accrued expenses	5	20,453,112	4,884,698
Amount due to index provider	6	111,589	29,492
Amount due to Manager	7	65,837	72,363
Amount due to Trustee	8	28,804	31,659
Total Liabilities excluding Net Asset Value Attributable to Unitholders		<u>20,659,342</u>	<u>5,018,212</u>
NET ASSET VALUE AS AT 30 JUNE/31 MARCH	9	<u>518,733,305</u>	<u>549,501,230</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>108 sen</u>	<u>102 sen</u>

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

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EXPENDITURE (unaudited)
TO 30 JUNE 2007

	Note	1-4-2007 to 30-6-2007 RM	1-4-2006 to 30-6-2006 RM
INVESTMENT INCOME			
Interest income		4,700,705	6,687,552
Net realised gain/(loss) on sale of investments		192,969	(495,451)
Net unrealised loss on changes in value of investments		(2,253,395)	(17,534,888)
		<u>2,640,279</u>	<u>(11,342,787)</u>
Add: Accretion of discount		25,307	52,633
Less: Amortisation of premium		(673,852)	(1,728,072)
		<u>1,991,734</u>	<u>(13,018,226)</u>
EXPENDITURE			
Manager's fee	7	207,571	221,150
Trustee's fee	8	90,812	96,753
Licence fee	6	27,399	28,248
Audit fee		1,236	1,243
Tax agent's fee		1,236	1,243
Other expenses	11	13,726	15,089
		<u>341,980</u>	<u>363,726</u>
NET INCOME/(LOSS) BEFORE INCOME TAX		1,649,754	(13,381,952)
LESS: INCOME TAX EXPENSE	12	-	-
NET INCOME/(LOSS) AFTER INCOME TAX		1,649,754	(13,381,952)
DISTRIBUTION EQUALISATION	13	-	-
		<u>1,649,754</u>	<u>(13,381,952)</u>
UNDISTRIBUTED NET INCOME AT BEGINNING OF PERIOD		11,826,176	1,956,091
UNDISTRIBUTED NET INCOME/ (ACCUMULATED LOSS) AT END OF PERIOD		<u>13,475,930</u>	<u>(11,425,861)</u>

(Forward)



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Net Income/(Loss) After Income Tax comprises the following:

Realised income

Unrealised loss

Note	1-4-2007 to 30-6-2007 RM	1-4-2006 to 30-6-2006 RM
	3,903,149	4,152,936
	<u>(2,253,395)</u>	<u>(17,534,888)</u>
	<u>1,649,754</u>	<u>(13,381,952)</u>

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



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NET ASSET VALUE (unaudited)
TO 30 JUNE 2007

	1-4-2007 to 30-6-2007 RM	1-4-2006 to 30-6-2006 RM
Net asset value at beginning of period	517,083,551	562,883,182
Net income for the period	<u>1,649,754</u>	<u>(13,381,952)</u>
Net asset value at end of period	<u>518,733,305</u>	<u>549,501,230</u>

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

	Note	1-4-2007 to 30-6-2007 RM	1-4-2006 to 30-6-2006 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		42,214,905	17,617,109
Interest received		4,065,082	4,440,385
License fee paid		-	(27,211)
Payment for other fees expenses		(6,706)	(5,825)
Trustee's fee paid		(91,519)	(98,525)
Manager's fee paid		(209,187)	(225,200)
Purchase of investments		<u>(40,487,042)</u>	<u>(19,541,634)</u>
Net Cash Generated From Operating And Investing Activities		<u>5,485,533</u>	<u>2,159,099</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>6,217,303</u>	<u>4,792,620</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u><u>11,702,836</u></u>	<u><u>6,951,719</u></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 in Malaysia 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 and 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:

FRS	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 30 June 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

	30-6-2007	30-6-2006
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	11,702,103	6,951,147
Quasi-Government bonds	10,225,266	9,213,436
Malaysian Government securities	496,881,038	524,430,613
Malaysian Government securities ó zero coupon	-	13,918,500
	518,808,407	554,513,696
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	11,701,000	6,950,500
Quasi-Government bonds	10,000,000	10,000,000
Malaysian Government securities	480,000,000	522,050,000
Malaysian Government securities ó zero coupon	-	15,000,000
	511,701,000	553,950,500

June 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 short-term money market deposits					
02.07.2007	OCBC Bank (M) Berhad	<u>11,701,000</u>	<u>11,702,103</u>	<u>11,701,000</u>	<u>2.25</u>
Quasi-Government bonds					
30.11.2016	Syarikat Prasarana Negara Berhad	<u>10,000,000</u>	<u>10,225,266</u>	<u>9,823,474</u>	<u>1.97</u>
Malaysian Government securities					
01.07.2008	MV88002X	25,000,000	26,529,220	27,498,911	5.12
27.02.2009	MI04001A	45,000,000	46,247,737	47,337,807	8.92
14.04.2009	GG060001	15,000,000	15,193,512	14,946,234	2.93
15.09.2009	MI04004Z	45,000,000	45,847,869	46,767,152	8.84
13.04.2010	MH060003	55,000,000	56,195,998	56,044,570	10.83
25.08.2010	MJ05001X	15,000,000	15,259,233	15,217,019	2.94
28.04.2011	MJ050004	35,000,000	35,590,100	35,060,874	6.86
28.09.2011	MN01001V	25,000,000	25,577,270	25,194,412	4.93
15.06.2012	MJ060005	50,000,000	50,636,482	49,676,179	9.76
25.02.2013	MN03003V	70,000,000	71,818,662	70,022,882	13.85
16.03.2015	GN050001	10,000,000	10,439,734	10,329,639	2.01
30.09.2015	MO05002S	10,000,000	10,935,066	10,608,120	2.11
15.09.2016	MO060001	20,000,000	21,176,226	20,256,303	4.08
15.02.2017	MN070002	15,000,000	15,555,352	15,097,125	3.00
30.07.2019	MS04003H	15,000,000	18,066,271	16,717,159	3.48
15.07.2025	MY050003	10,000,000	11,313,471	10,366,331	2.18
15.09.2026	MX060002	10,000,000	11,056,130	10,305,114	2.13
31.05.2027	MX060002	<u>10,000,000</u>	<u>9,442,705</u>	<u>9,975,740</u>	<u>1.82</u>
		<u>480,000,000</u>	<u>496,881,038</u>	<u>491,421,571</u>	<u>95.79</u>
Total investments		<u>501,701,000</u>	<u>518,808,407</u>	<u>512,946,045</u>	<u>100.01</u>

ate and average remaining maturities of short-term deposits
-term money market deposits/repurchase agreements are as

	Weighted average interest rate		Remaining maturities	
	30-6-2007 %	30-6-2006 %	30-6-2007 Days	30-6-2006 Days
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	3.44	3.40	2	3

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

	Effective yield*	
	30-6-2007 %	30-6-2006 %
Quasi-Government bonds	4.07	5.38
Malaysian Government securities	3.58	4.64
Malaysian Government securities ó zero coupon	-	4.37

* As provided by IIC

Analyses of the remaining maturity of investments as at 30 June 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	85,000,000	225,000,000	170,000,000

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:

	30-6-2007 RM	30-6-2006 RM
Amount owing by financial institutions	20,583,505	-
Amount owing to financial institutions	20,372,188	4,855,366

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 April 2006 to 30 June 2006) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2007 to 30 June 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 April 2006 to 30 June 2006) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2007 to 30 June 2007.

STATEMENT OF ASSETS AND LIABILITIES ATTRIBUTABLE TO UNITHOLDER

The net assets attributable to unitholders is represented by:

	Note	30-6-2007 RM	30-6-2006 RM
Unitholders' contribution	(a)	505,257,375	560,927,091
Undistributed net income/(Accumulated loss)		13,475,930	(11,425,861)
		<u>518,733,305</u>	<u>549,501,230</u>

(a) UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	1-4-2007 to 30-6-2007		1-4-2006 to 30-6-2006	
	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 30 June 2007 and 30 June 2006. Holdings by parties related to the Manager as at 30 June 2007 were 60,059,171 (124,829,300 as at 30 June 2006) units valued at RM64,647,692 (RM127,637,959 as at June 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 RM518,733,305 (RM549,501,230 as at 30 June 2006) by the 481,921,800 (537,421,800 as at 30 June 2006) units in issue as at 30 June 2007.

11. 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.



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

	1-4-2007 to 30-6-2007 RM	1-4-2006 to 30-6-2006 RM
Net income/(loss) before income tax	<u>1,649,754</u>	<u>(13,381,952)</u>
Taxation at Malaysian statutory rate of 27% (28% in 2006)	445,500	(3,747,000)
Tax effect of:		
(Income)/Loss not subject to tax	(537,800)	3,645,100
Permitted expenses not deductible for tax purposes	51,900	60,100
Non-permitted expenses for tax purposes	34,700	35,100
Permitted expenses not used not available for future years	<u>5,700</u>	<u>6,700</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

12. 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.

13. INCOME DISTRIBUTION

No income distribution was declared by the Fund for the financial period 1 April 2007 to 30 June 2007 (nil for the financial period 1 April 2006 to 30 June 2006).

However, the Fund has declared a gross and net distribution of 1.55 sen per unit amounting to RM7,469,788 on 12 July 2007.

ASSETS

included in the cash flow statement comprise the following

	30-6-2007	30-6-2006
	RM	RM
Short-term deposits with licensed banks under repurchase agreements (Note 4)	11,702,103	6,951,147
Cash at bank	733	572
	<u>11,702,836</u>	<u>6,951,719</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

The Fund's management expense ratio (MER) is as follows:

	1-4-2007 to 30-3-2007	1-4-2006 to 30-6-2006
	%	%
Manager's fee	0.16	0.16
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	0.01	0.01
	<u>0.26</u>	<u>0.26</u>

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, 0.06 times for the financial period 1 April 2007 to 30 June 2007 (0.04 times for the financial period 1 April 2006 to 30 June 2006).

16. 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.

FINANCIAL INSTITUTIONS

Financial institutions for the financial period 1 April 2007 to 30

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	56,254,956	91.40
AmInvestment Bank Berhad*	5,291,105	8.60
Total	61,546,061	100.00

* Financial institution related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

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.

18. RISK MANAGEMENT

The Fund is exposed to a variety of risks that included interest rate risk, credit risk, liquidity risk, single issuer 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.

instruments such as term deposits, bonds and debentures. The Fund may not be able to fulfil 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.

Regulatory Risk

Any changes in national policies 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.

19. 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.