

ABF MALAYSIA BOND INDEX FUND

**MANAGER'S REPORT AND FINANCIAL STATEMENTS (unaudited)
FOR THE PERIOD 1 JANUARY 2008 TO 31 MARCH 2008**

(RINGGIT MALAYSIA)

MANAGER

AmInvestment Services Berhad
9th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

BOARD OF DIRECTORS

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

INVESTMENT COMMITTEE

Professor Dr Annuar Md. Nassir
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

ABF MALAYSIA BOND INDEX FUND

FINANCIAL STATEMENTS

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ABF MALAYSIA BOND INDEX FUND

PERFORMANCE DATA

Details of portfolio composition of ABF Malaysia Bond Index Fund (“the Fund”) for last financial period as at 31 March 2008 and the last three financial years/period as at 31 December are as follows:

	As at 31-3-2008 %	As at 31-12-2007 %	As at 31-12-2006 %	As at 31-12-2005 %
Malaysian Government securities	93.2	91.9	97.4	92.0
Quasi-Government bonds	4.9	4.9	2.0	7.8
Cash and others	1.9	3.2	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.

Performance details of the Fund for last financial periods ended 31 March 2008 and 31 December 2007 and last three financial years/period ended 31 December are as follows:

	3 months ended 31-3-2008	3 months ended 31-12-2007	1 year ended 31-12-2007	1 year ended 31-12-2006	5½ months ended 31-12-2005
Net asset value (RM million)	514.14	505.60	505.60	514.35	564.79
Units in circulation (million)	481.92	481.92	481.92	481.92	537.42
Net asset value per unit (RM)*	1.0669	1.0491	1.0491	1.0673	1.0509
Closing quoted price (RM/unit)*	1.066	1.058	1.058	1.067	1.05
Highest quoted price (RM/unit)*	1.066	1.067	1.096	1.067	1.06
Lowest quoted price (RM/unit)*	1.057	1.058	1.051	1.010	1.04
Annualised return (%) ⁽¹⁾	7.00	-0.26	2.69	4.63	1.46
- Capital growth (%)	7.00	-1.81	-1.96	1.53	1.46
- Income distribution (%)	-	1.55	4.65	3.10	-
Gross distribution per unit (sen)	-	1.55	4.65	3.10	-
Net distribution per unit (sen)	-	1.55	4.65	3.10	-
Management expense ratio (%) ⁽²⁾	0.26	0.26	0.27	0.27	0.29
Portfolio turnover ratio (times) ⁽³⁾	0.09	0.08	0.39	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/years 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 decreased by 0.06 times (40.0%) and 0.30 times (76.9%) as compared to 0.15 times for the financial period 1 January 2007 to 31 March 2007 and 0.39 times for the financial year ended 31 December 2007 mainly due to decrease in investing activities.

Annualised Return (as at 31 March 2008)

	ABFMY1 ^(a)	iBoxx Index ^(b)
	%	%
One year	2.4	2.9
Since launch of fund (13 July 2005)	3.6	4.0

Annual Total Return

Financial Year/Period End	ABFMY1 ^(a)	iBoxx Index ^(b)
	%	%
31 December 2007	2.7	3.1
31 December 2006	4.6	4.9
31 December 2005 ^(c)	1.5	1.9

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd

(b) iBoxx ABF Malaysia Index (“iBoxx Index”) (Source: www.indexco.com)

(c) Annualised returns for the financial period 13 July 2005 (date of commencement) to 31 December 2007

The Fund’s performance above is calculated based on net asset value per unit. Annualised return for ABF Malaysia Bond Index Fund (“ABFMY1”) 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 and that unit prices and investment returns may go down, as well as up.

ABF MALAYSIA BOND INDEX FUND

Manager's Report

For The Period 1 January 2008 to 31 March 2008

Dear Unitholders

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 2008 to 31 March 2008.

Investment Objectives

ABF Malaysia Bond Index Fund is a fixed income exchange traded fund that is passively managed against the given benchmark, iBoxx ABF Malaysia Index ("iBoxx Index"), 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 is a basket index that expresses relative changes in value compared to the beginning of the respective period. The iBoxx 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 iBoxx Index's component as at 31 March 2008 are as follows:

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
MV89001H	Malaysian Government	7.000	15 March 2009	5,699,480,000
GG060001	Malaysian Government	3.895	14 April 2009	3,500,000,000
PG060056	Cagamas Berhad	4.900	16 June 2009	720,000,000
DG060608	Cagamas Berhad	4.500	10 August 2009	510,000,000
MI04004Z	Malaysian Government	4.032	15 September 2009	4,000,000,000
QN99003V	Khazanah Nasional Berhad	0.000	18 September 2009	1,200,000,000
QI04001V	Khazanah Nasional Berhad	0.000	18 September 2009	1,150,000,000
MN99004E	Malaysian Government	6.844	1 October 2009	9,364,710,000
QI05001N	Khazanah Nasional Berhad	0.000	18 January 2010	1,000,000,000
GG070001	Malaysian Government	3.570	15 March 2010	3,500,000,000
PH060023	Cagamas Berhad	4.220	30 March 2010	500,000,000
MH060003	Malaysian Government	3.869	13 April 2010	10,886,510,000
DI050204	International Bank For Reconciliation And Development	3.580	12 May 2010	760,000,000
PH060053	Cagamas Berhad	4.795	28 May 2010	500,000,000
VG070814	Cagamas Berhad	3.850	3 August 2010	650,000,000
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

(Forward)

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
UI060069	Asia Development Bank	4.265	25 April 2011	500,000,000
MJ050004	Malaysian Government	3.756	28 April 2011	11,261,465,000
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	12,563,197,000
GI070029	Malaysian Government	3.581	14 September 2012	3,500,000,000
MN03003V	Malaysian Government	3.702	25 February 2013	16,575,000,000
MJ070005	Malaysian Government	3.700	15 May 2013	3,000,000,000
MJ080001	Malaysian Government	3.461	31 July 2013	3,500,000,000
MN04002W	Malaysian Government	5.094	30 April 2014	5,000,000,000
PK070017	Siltterra Capital Berhad	3.900	6 June 2014	1,800,000,000
GN050001	Malaysian Government	4.419	16 March 2015	2,000,000,000
MO05002S	Malaysian Government	4.720	30 September 2015	6,975,000,000
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	6,000,000,000
GN070008	Malaysian Government	3.941	15 June 2017	3,000,000,000
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
MX070003	Malaysian Government	3.502	31 May 2027	6,000,000,000

Source: International Index Company Limited (“IIC”)

The Fund has a passive strategy whereby the Manager aims by way of representative sampling, achieve a return on the Fund’s 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.

Fund Performance Review

	As at 31 March 2008	As at 31 December 2007	Change (%)
iBoxx ABF Malaysia Index	116.01	113.94	1.82
Net asset value (RM)	514,142,269	505,604,876	1.69
Units in circulation (units)	481,921,800	481,921,800	-
Return on portfolio (%)	7.00 ^(a)	-0.26 ^(b)	7.26
Benchmark return (%)	7.51 ^(a)	0.09 ^(b)	7.42
Net asset value per unit (RM)	1.0669	1.0491	1.70
Closing price quoted at Bursa Malaysia (RM)	1.066	1.058	0.76

(a) Annualised returns for the financial period 1 January 2008 to 31 March 2008.

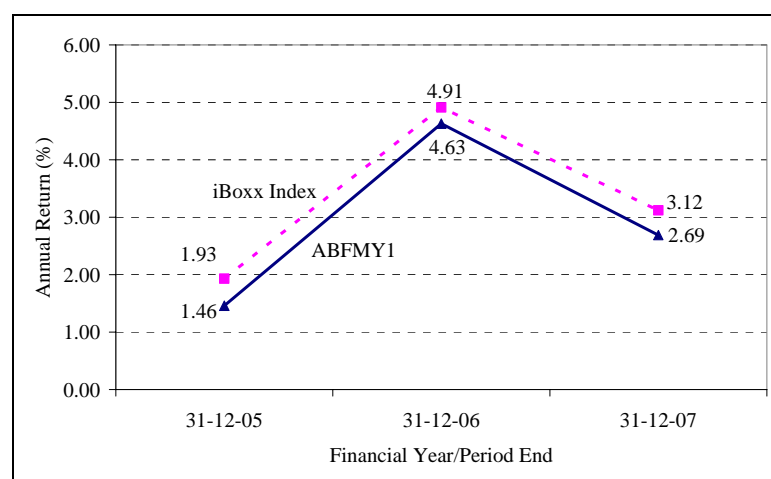
(b) Annualised returns for the financial period 1 October 2007 to 31 December 2007.

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

Comparison between the annual performances of ABF Malaysia Bond Index Fund (“ABFMY1”) and iBoxx ABF Malaysia Index (“iBoxx Index”) for each of the last financial years/period ended 31 December is as follows:

Financial Year/Period End	ABFMY1 (%)	iBoxx Index (%)	Changes (%)
31 December 2007	2.69	3.12	-0.43
31 December 2006	4.63	4.91	-0.28
31 December 2005*	1.46	1.93	-0.47

* Annualised returns for the financial period 13 July 2005 (date of commencement) to 31 December 2005.

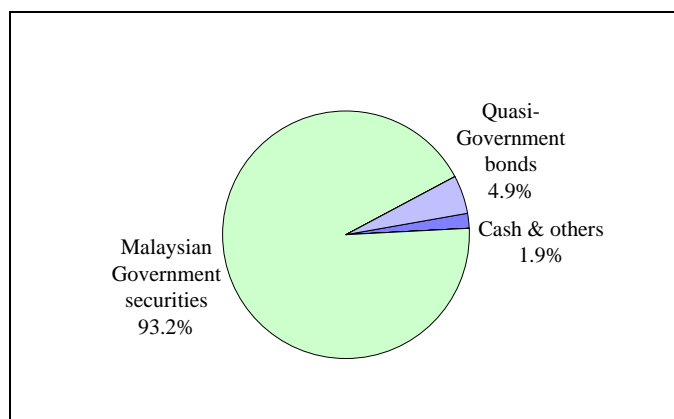


For the financial period 1 January 2008 to 31 March 2008, the Fund registered a return of 7.00% which is entirely capital in nature, an increase of 7.26% as compared to the return of -0.26% for the financial period 1 October 2007 to 31 December 2007. The Fund, however, underperformed its benchmark by 0.51% for the same quarter under review. The benchmark, iBoxx Index registered a return of 7.51%, an increase of 7.42% as compared to 0.09% return for the financial period 1 October 2007 to 31 December 2007.

The net asset value (“NAV”) of the Fund was RM514,142,269 as at 31 March 2008, 1.69% higher than RM505,604,876 as at 31 December 2007. Units in circulation for the period under review however remain unchanged at 481,921,800 units. The NAV per unit was RM1.0669 as at 31 March 2008 increasing by 1.70% from RM1.0491 as at 31 December 2007. The Fund was listed at the Bursa Malaysia Stock Exchange Berhad on 18 July 2005. The closing price quoted at Bursa Malaysia as at 31 March 2008 was RM1.066, an increase of 0.76% as compared to RM1.058 as at 31 December 2007.

For the financial quarter under review, there were no unit split and income distribution, no significant change in the state of affairs and no circumstances that may materially affect the interest of the unitholders.

Sectoral Composition as at 31 March 2008



	31 March 2008 (%)	31 December 2007 (%)	Change (%)
Malaysian Government securities	93.2	91.9	1.3
Quasi-Government bonds	4.9	4.9	-
Cash and others	1.9	3.2	-1.3
Total	100.0	100.0	

The Fund’s cash holdings declined slightly from 3.2% to 1.9% as at 31 March 2008 while holdings in Malaysian Government securities has increased accordingly to 93.2% from 91.9% as at 31 December 2007 with holdings in quasi-Government bonds remain unchanged.

Break down of unitholding by size

Size of holding	As at 31 March 2008 No of units held ('000)	As at 31 December 2007 No of units held ('000)
Less than 100	0.1	0.1
100 – 1,000	7.1	8.1
1,001 – 10,000	35.8	35.8
10,001 – 100,000	63.0	63.0
100,001 to less than 5% of issue units	140.0	140.0
5% and above of issue units	481,675.8	481,674.8

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

Market Review

Malaysia's real Gross Domestic Product ("GDP") growth grew faster than expected at 7.3% in fourth quarter of 2007 (4Q07) compared to 6.6% in third quarter of 2007 (3Q07), which surprised on the upside. Real GDP expanded by 6.3%, exceeding market expectations and the 5.9% growth pace in 2006. The stronger than expected GDP reading was due to a robust domestic demand, buoyant services sector growth as well as a recovery in exports. Private consumption remained strong supported by rising disposable income stemming from strong commodity prices, civil servants' salary adjustment and a stable employment market.

Inflation as measured by the Consumer Price Index ("CPI") in February came in higher than expected at 2.7% year on year (yoy) against an up tick of 2.3% yoy in January 2008. This was on account of higher food prices and transportation costs.

In its second Monetary Policy Committee ("MPC") meeting on 18 March 2008, Bank Negara Malaysia ("BNM") kept its benchmark Overnight Policy Rate ("OPR") unchanged at 3.50% for the 15th straight meeting. The BNM acknowledged the near term risk to higher inflation reading in the first half of 2008 (1H08) and at the same time remains positive on the pace of local economic momentum. Nevertheless, the BNM remains attentive to the increasing downside risks to global growth.

The Ringgit which strengthened to a record intraday level of RM3.1560 against the USD weakened to RM3.1923 month-end March 2008 on account of shifts in perception given the new political landscape on the domestic front. Specifically it raised questions on the course of future policy action given the rising inflationary pressures and slowing growth. The government's need to keep inflation in check while attempting to maintain growth has different implications on the Ringgit; with the former arguing for strength while the latter calling for a weaker Ringgit to promote exports. Nevertheless, the large current account balances and relatively strong growth momentum in the region along with the risk of inflation suggest that the path ahead for the Ringgit would one of gradual appreciation.

BNM, in its 2007 annual report, remained cautiously optimistic and revised downwards the 2008 GDP growth to 5.0% to 6.0% from 6.0% to 6.5%, citing heightened global uncertainties. Inflation front, BNM expects a reading of 2.5% to 3.0% for the whole of 2008 amid escalating global commodity and food prices.

Market Outlook

For the Malaysian Bond market, the focus would be:

- Concerns over inflation on account of higher commodity prices
- Currency factor - prospects for further Ringgit appreciation (stronger Asian fundamentals may support modest extension of local currency gains in the near term)
- Supply and demand dynamics especially with the ongoing heavy BNM issuance
- Drag on global economic growth emanating from slowdown in the US economy

On the interest rate front the latest MPC meeting predictably left the OPR unchanged at 3.50% and we restate our expectations that this policy rate would be maintained through 1H08. Like most other Central Banks in the region, we believe that BNM will continue with its balancing act. In addition, the strengthening of the exchange rate is yet another factor mitigating the impact of imported inflationary pressures in the near-term.

As to whether BNM would leave rates unchanged over this year; much depends on the knock-on effects arising from slower export growth especially if the US enters into a recession. It remains to be seen if the momentum of our domestic demand and investment cycle is sufficient to offset the drag of slower exports. If the weaker global environment emerges as the dominating theme over the coming months, then rest assured that the likelihood of further tightening of interest rates becomes an even more remote possibility, given the openness of the Malaysian economy.

Investment Strategy

The investment strategy of the fund is of a passive one, whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark iBoxx Index. As such, the Fund will continue to invest selectively within its scope (i.e. RM denominated sovereigns, quasi-sovereigns and supranational debt securities) in more liquid issues in order to achieve a return that tracks the Benchmark Index i.e. the iBoxx ABF Malaysia Index while minimising transaction costs.

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 2008

ABF MALAYSIA BOND INDEX FUND

STATEMENT OF ASSETS AND LIABILITIES (unaudited) AS AT 31 MARCH 2008

	Note	31-3-2008 RM	31-3-2007 RM
ASSETS			
Investments	4	514,143,426	523,387,672
Sundry receivables	5	-	8,349,209
Cash at bank		354,760	716
		<hr/>	<hr/>
Total Assets		514,498,186	531,737,597
LIABILITIES			
Amount due to index provider	6	142,195	84,190
Sundry payables and accrued expenses	5	113,587	14,472,892
Amount due to Manager	7	69,659	67,453
Amount due to Trustee	8	30,476	29,511
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		355,917	14,654,046
		<hr/>	<hr/>
NET ASSET VALUE AS AT 31 MARCH	9	514,142,269	517,083,551
		<hr/>	<hr/>
UNITS IN CIRCULATION	9(a)	481,921,800	481,921,800
		<hr/>	<hr/>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION	10	107 sen	107 sen
		<hr/>	<hr/>

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

ABF MALAYSIA BOND INDEX FUND

STATEMENT OF INCOME AND EXPENDITURE (unaudited) FOR THE PERIOD 1 JANUARY 2008 TO 31 MARCH 2008

	Note	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
INVESTMENT INCOME			
Interest income		4,955,012	5,355,242
Net unrealised gain on changes in value of investments		4,159,601	5,424,189
Net realised (loss)/gain on sale of investments		(33,357)	468,642
		<u>9,081,256</u>	<u>11,248,073</u>
Add: Accretion of discount		74,996	68,236
Less: Amortisation of premium		(285,740)	(767,352)
		<u>8,870,512</u>	<u>10,548,957</u>
EXPENDITURE			
Manager's fee	7	203,772	204,002
Trustee's fee	8	89,150	89,251
Licence fee	6	27,122	27,176
Audit fee		1,243	1,250
Tax agent's fee		1,243	1,250
Other expenses		10,589	19,004
		<u>333,119</u>	<u>341,933</u>
Total Expenditure		<u>333,119</u>	<u>341,933</u>
NET INCOME BEFORE INCOME TAX		8,537,393	10,207,024
LESS: INCOME TAX EXPENSE	11	-	-
NET INCOME AFTER INCOME TAX	9(b)	<u>8,537,393</u>	<u>10,207,024</u>
INCOME DISTRIBUTION	13	<u>-</u>	<u>7,469,788</u>
Net Income After Income Tax comprises the following:			
Realised income		4,377,792	4,782,835
Unrealised gain		4,159,601	5,424,189
		<u>8,537,393</u>	<u>10,207,024</u>

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

ABF MALAYSIA BOND INDEX FUND

**STATEMENT OF CHANGES IN NET ASSET VALUE (unaudited)
FOR THE PERIOD 1 JANUARY 2008 TO 31 MARCH 2008**

	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
Net asset value at beginning of period	505,604,876	514,346,315
Net income for the period	8,537,393	10,207,024
Net income distribution	<u>-</u>	<u>(7,469,788)</u>
Net asset value at end of period	<u>514,142,269</u>	<u>517,083,551</u>

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

ABF MALAYSIA BOND INDEX FUND**CASH FLOW STATEMENT (unaudited)
FOR THE PERIOD 1 JANUARY 2008 TO 31 MARCH 2008**

	Note	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		45,410,500	78,269,834
Interest received		6,030,389	7,756,448
Payment for other fees expenses		(7,388)	(5,665)
License fee paid		(51,858)	-
Trustee's fee paid		(89,053)	(88,338)
Manager's fee paid		(203,550)	(201,915)
Purchase of investments		<u>(50,176,500)</u>	<u>(75,009,575)</u>
Net Cash Generated From Operating And Investing Activities		<u>912,540</u>	<u>10,720,789</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution paid		<u>(7,469,788)</u>	<u>(7,469,788)</u>
Net Cash Used In Financing Activities		<u>(7,469,788)</u>	<u>(7,469,788)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>16,364,499</u>	<u>2,966,302</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u><u>9,807,251</u></u>	<u><u>6,217,303</u></u>

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

ABF MALAYSIA BOND INDEX FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“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 Exchange Traded Funds.

The adoption of new and revised Financial Reporting Standards which are relevant to the Fund and which were first effective for the Fund in the current financial period did not give rise to any significant impact on the Fund.

The Fund has not adopted the following FRSs which have effective dates as follows:

FRS	Effective for financial periods beginning on or after
FRS 139: 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
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendments to FRS 134: Interim Financial Reporting	1 July 2007
Amendments to FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

(Forward)

FRS	Effective for financial periods beginning on or after
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 139.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Investments

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 (“IIC”), 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 2008, 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.

Payables

The amounts are stated at cost which is the fair value of the consideration to be paid for services received.

Receivables

Sundry receivables are carried at anticipated realisable values.

Financial Assets And Liabilities

Financial assets and financial liabilities carried on the statement of assets 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

	31-3-2008	31-3-2007
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	9,452,491	6,216,587
Quasi-Government bonds	25,249,311	10,586,554
Malaysian Government securities	479,441,624	492,090,031
Malaysian Government securities – zero coupon	-	14,494,500
	<u>514,143,426</u>	<u>523,387,672</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	9,451,600	6,216,000
Quasi-Government bonds	25,000,000	10,000,000
Malaysian Government securities	470,000,000	474,000,000
Malaysian Government securities – zero coupon	-	15,000,000

Details of investments as at 31 March 2008 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					
01.04.2008	OCBC Bank (M) Berhad	<u>9,451,600</u>	<u>9,452,491</u>	<u>9,451,600</u>	<u>1.84</u>
Quasi-Government bonds					
06.06.2014	Silterra Capital Berhad	15,000,000	15,055,418	15,233,014	2.93
30.11.2016	Syarikat Prasarana Negara Berhad	<u>10,000,000</u>	<u>10,193,893</u>	<u>9,823,474</u>	<u>1.98</u>
		<u>25,000,000</u>	<u>25,249,311</u>	<u>25,056,488</u>	<u>4.91</u>

(Forward)

Maturity date	Issuer/Stock no.	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Malaysian Government securities					
14.04.2009	GG060001	15,000,000	15,331,180	14,946,234	2.98
15.09.2009	MI04004Z	45,000,000	45,502,268	46,767,152	8.85
13.04.2010	MH060003	55,000,000	56,477,264	56,044,570	10.98
25.08.2010	MJ05001X	15,000,000	15,127,559	15,217,019	2.94
28.04.2011	MJ050004	35,000,000	35,889,138	35,060,874	6.98
28.09.2011	MN01001V	40,000,000	40,536,665	40,653,557	7.88
15.06.2012	MJ060005	50,000,000	50,798,637	49,676,179	9.88
25.02.2013	MN03003V	50,000,000	50,483,066	50,016,675	9.82
31.07.2013	MJ080001	35,000,000	35,063,001	35,041,714	6.82
16.03.2015	GN050001	10,000,000	10,370,012	10,329,639	2.02
30.09.2015	MO05002S	15,000,000	15,960,435	15,988,833	3.10
15.09.2016	MO060001	25,000,000	25,813,431	25,504,161	5.02
15.02.2017	MN070002	30,000,000	30,159,597	30,569,550	5.87
15.06.2017	GN070008	5,000,000	5,033,184	5,151,990	0.98
30.07.2019	MS04003H	10,000,000	11,750,667	11,144,772	2.29
15.07.2025	MY050003	10,000,000	10,882,321	10,366,331	2.12
15.09.2026	MX060002	10,000,000	10,596,194	10,305,114	2.06
31.05.2027	MX070003	15,000,000	13,667,005	13,768,185	2.66
		<u>470,000,000</u>	<u>479,441,624</u>	<u>476,552,549</u>	<u>93.25</u>
Total investments		<u>504,451,600</u>	<u>514,143,426</u>	<u>511,060,637</u>	<u>100.00</u>

The weighted average interest rate and average remaining maturities of short-term deposits with licensed banks under short-term money market deposits/repurchase agreements are as follows:

	Weighted average interest rate		Remaining maturities	
	31-3-2008	31-3-2007	31-3-2008	31-3-2007
	%	%	Days	Days
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements	<u>3.44</u>	<u>3.45</u>	<u>1</u>	<u>2</u>

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

	Effective yield*	
	31-3-2008	31-3-2007
	%	%
Quasi-Government bonds	3.89	3.72
Malaysian Government securities	2.88	3.54
Malaysian Government securities – zero coupon	-	3.44

* As provided by IIC

Analyses of the remaining maturity of investments as at 31 March 2008 are as follows:

	1 to 2 years	2 to 5 years	More than
	RM	RM	5 years
			RM
At nominal value			
Quasi-Government bonds	-	-	25,000,000
Malaysian Government securities	60,000,000	245,000,000	165,000,000

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:

	31-3-2008	31-3-2007
	RM	RM
Amount owing by financial institutions	-	8,349,208
Amount owing to financial institutions	-	14,401,461

6. AMOUNT DUE TO INDEX PROVIDER

Included in amount due to index provider is the license fee payable to International Index Company Limited, the provider 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 2007 to 31 March 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 January 2008 to 31 March 2008.

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 2007 to 31 March 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 January 2008 to 31 March 2008.

9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	31-3-2008 RM	31-3-2007 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Undistributed net income		8,884,894	11,826,176
		<u>514,142,269</u>	<u>517,083,551</u>

(a) **UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION**

	1-1-2008 to 31-3-2008		1-1-2007 to 31-3-2007	
	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>481,921,800</u>	<u>505,257,375</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 2008 and 31 March 2007. Holdings by parties related to the Manager as at 31 March 2008 were 43,225,693 (60,405,571 as at 31 March 2007) units valued at RM46,078,589 (RM64,090,311 as at 31 March 2007).

(b) **UNDISTRIBUTED NET INCOME**

	Note	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
At beginning of period		347,501	9,088,940
Net income for the period		8,537,393	10,207,024
Income distribution for the period	13	<u>-</u>	<u>(7,469,788)</u>
At end of period		<u>8,884,894</u>	<u>11,826,176</u>

10. **NET ASSET VALUE PER UNIT (EX DISTRIBUTION)**

The net asset value per unit (ex distribution) is calculated by dividing the net assets of RM514,142,269 (RM517,083,551 as at 31 March 2007) by the 481,921,800 (481,921,800 as at 31 March 2007) units in issue as at 31 March 2008.

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.

A reconciliation of income tax expense applicable to income before income tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
Net income before income tax	<u>8,537,393</u>	<u>10,207,024</u>
Taxation at Malaysian statutory rate of 26% (27% in 2007)	2,219,700	2,755,900
Tax effect of:		
Income not subject to tax	(2,306,300)	(2,848,200)
Permitted expenses not deductible for tax purposes	56,500	53,100
Non-permitted expenses for tax purposes	23,800	33,300
Permitted expenses not used not available for future years	<u>6,300</u>	<u>5,900</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

Distribution to unitholders is from the following sources:

	1-1-2008 to 31-3-2008 RM	1-1-2007 to 31-3-2007 RM
Undistributed net income brought forward - realised	-	4,963,548
Interest income	-	3,286,086
Net realised gain on sale of investments	-	287,568
Accretion of discount	-	41,871
Amortisation of premium	-	(767,352)
	<u>-</u>	<u>7,811,721</u>
Less: Expenses	-	(341,933)
Total amount of distribution	<u>-</u>	<u>7,469,788</u>

Included in the income distribution for the financial period 1 January 2007 to 31 March 2007 was an amount of RM4,963,548 distributed from previous financial year's realised income.

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 and net unrealised gain brought forward of RM4,125,392, which were carried forward to the next financial period.

	1-1-2008 to 31-3-2008		1-1-2007 to 31-3-2007	
	Date of distribution	RM	Date of distribution	RM
GROSS AND NET Interim distribution				
- Nil (1.55 sen per unit in 2007)	-	<u>-</u>	15 January 2007	<u>7,469,788</u>

14. CASH AND CASH EQUIVALENTS

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

	31-3-2008	31-3-2007
	RM	RM
Short-term deposits with licensed banks under short-term money market deposits/repurchase agreements (Note 4)	9,452,491	6,216,587
Cash at bank	<u>354,760</u>	<u>716</u>
	<u>9,807,251</u>	<u>6,217,303</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-1-2008 to 31-3-2008	1-1-2007 to 31-3-2007
	%	%
Manager's fee	0.16	0.16
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	<u>0.01</u>	<u>0.02</u>
Total MER	<u>0.26</u>	<u>0.27</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, 0.09 times for the financial period 1 January 2008 to 31 March 2008 (0.15 times for the financial period 1 January 2007 to 31 March 2007).

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.

17. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period 1 January 2008 to 31 March 2008 are as follows:

Financial institutions	Transaction value	
	RM	%
OCBC Bank (M) Berhad	35,311,500	36.94
CIMB Bank Berhad	35,169,000	36.79
Aseambankers Malaysia Berhad	25,106,500	26.27
Total	<u>95,587,000</u>	<u>100.00</u>

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 POLICIES

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.

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.

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.