

ABF MALAYSIA BOND INDEX FUND

**MANAGER'S REPORT AND FINANCIAL STATEMENTS (unaudited)
FOR THE PERIOD 1 APRIL 2008 TO 30 JUNE 2008**

(RINGGIT MALAYSIA)

MANAGER

AmInvestment Services Berhad
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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
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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PERFORMANCE DATA

Details of portfolio composition of ABF Malaysia Bond Index Fund (“the Fund”) for last financial periods as at 30 June 2008 and 31 March 2008 and the last three financial years/period as at 31 December are as follows:

	As at 30-6-2008	As at 31-3-2008	As at 31-12-2007	As at 31-12-2006	As at 31-12-2005
	%	%	%	%	%
Malaysian Government securities	88.5	93.2	91.9	97.4	92.0
Quasi-Government bonds	11.0	4.9	4.9	2.0	7.8
Cash and others	0.5	1.9	3.2	0.6	0.2
	<u>100.0</u>	<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 30 June 2008 and 31 March 2008 and last three financial years/period ended 31 December are as follows:

	3 months ended 30-6-2008	3 months ended 31-3-2008	1 year ended 31-12-2007	1 year ended 31-12-2006	5½ months ended 31-12-2005
Net asset value (RM million)	500.36	514.14	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)*	1.0383	1.0669	1.0491	1.0673	1.0509
Closing quoted price (RM/unit)*	1.067	1.066	1.058	1.067	1.05
Highest quoted price (RM/unit)*	1.067	1.066	1.096	1.067	1.06
Lowest quoted price (RM/unit)*	1.067	1.057	1.051	1.010	1.04
Annualised return (%) ¹	-10.33	7.00	2.69	4.63	1.46
- Capital growth (%)	-10.33	7.00	-1.96	1.53	1.46
- Income distribution (%)	-	-	4.65	3.10	-
Gross distribution per unit (sen)	-	-	4.65	3.10	-
Net distribution per unit (sen)	-	-	4.65	3.10	-
Management expense ratio (%) ²	0.26	0.26	0.27	0.27	0.29
Portfolio turnover ratio (times) ³	0.07	0.09	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 increased by 0.01 times (16.7%) as compared to 0.06 times for the quarter ended 30 June 2007 mainly due to increase in investing activities. The PTR decreased by 0.02 times (22.2%) as compared to 0.09 times for the quarter ended 31 March 2008 mainly due to decrease in investing activities.

Annualised Return (as at 30 June 2008)

	ABFMY1 ^(a) %	iBoxx® Index ^(b) %
One year	-0.7	-0.5
Since launch of Fund (13 July 2005)	2.3	11.7

Annual Total Return

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

The Fund’s performance above is calculated based on net asset value per unit. Annualised return for ABF Malaysia Bond Index Fund (“ABFMY1”) and iBoxx® Index for a period are 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.

Manager's Report
For The Period 1 April 2008 to 30 June 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" or "ABFMY1") for the financial period 1 April 2008 to 30 June 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 Bond Index ("the Benchmark Index" or "iBoxx® Index"). The returns of the Fund will be expected to correspond closely to the performance of the Benchmark Index.

iBoxx® Index is a basket index that expresses relative changes in value compared to the beginning of the respective period. The Benchmark Index is based on consolidated bid quotes and rebalanced monthly on the last calendar day of each month. The Benchmark 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 2008 are as follows:

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
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
UI060069	Asia Development Bank	4.265	25 April 2011	500,000,000
MJ050004	Malaysian Government	3.756	28 April 2011	14,761,465,000
GI060008	Malaysian Government	4.635	14 July 2011	3,000,000,000

(Forward)

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
MN01001V	Malaysian Government	3.833	28 September 2011	11,218,000,000
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
GI080001	Malaysian Government	3.604	29 September 2013	2,000,000,000
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	Silterra 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	9,500,000,000
GN070008	Malaysian Government	3.941	15 June 2017	3,000,000,000
MS03002H	Malaysian Government	4.240	7 February 2018	8,100,000,000
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000
MS04003H	Malaysian Government	5.734	30 July 2019	4,000,000,000
DS080404	Syarikat Prasarana Negara Berhad	4.650	30 May 2023	500,000,000
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 the return of the Benchmark Index.

ABF Malaysia 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 30 June 2008	As at 31 March 2008	Change (%)
iBoxx® Index	112.87	116.01	-2.71
Net asset value (RM)	500,364,270	514,142,269	-2.68
Units in circulation (units)	481,921,800	481,921,800	-
Return on portfolio (%)	-10.33 ^(a)	7.00 ^(b)	-17.33
Benchmark return (%)	-10.45 ^(a)	7.51 ^(b)	-17.96
Net asset value per unit (RM)	1.0383	1.0669	-2.68
Closing price quoted at Bursa Malaysia (RM)	1.067	1.066	0.09

(a) Annualised returns for the financial period 1 April 2008 to 30 June 2008.

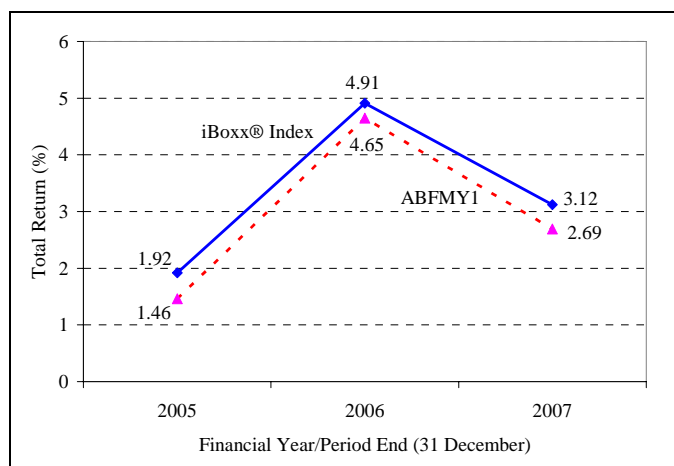
(b) Annualised returns for the financial period 1 January 2008 to 31 March 2008.

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

Comparison between the annual performances of ABFMY1 and iBoxx® Index for each of the last financial year/period ended 31 December is as follows:

Financial Year/Period End (31 December)	ABFMY1 (%)	iBoxx® Index (%)	Changes (%)
2007	2.69	3.12	-0.43
2006	4.66	4.91	-0.26
2005*	1.46	1.92	-0.46

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



For the quarter under review, the Fund registered an annualised return of -10.33 % which was entirely capital growth in nature. The Fund outperforms its benchmark by 0.12%. Return of the benchmark for the quarter under review was -10.45%. Meanwhile, as of 31 March 2008, the Fund underperformed iBoxx® Index by 0.51%. We believe that the Fund did meet its objective during this review period.

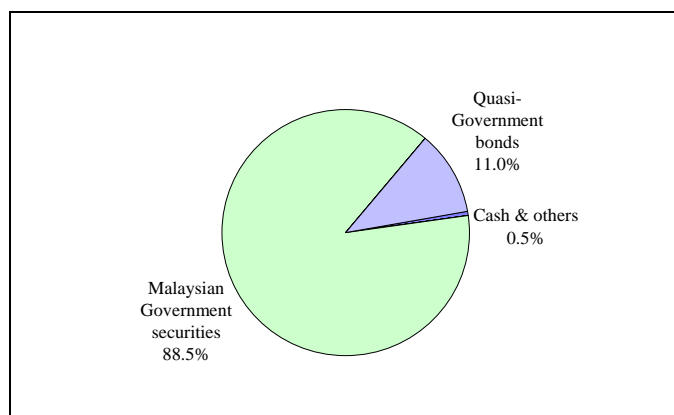
As of 30 June 2008, total net asset value (NAV) of the Fund stood at RM500,365,270, declined by 2.68% as compared to RM514,142,269 on 31 March 2008. NAV per unit of the Fund declined by 2.68% from RM1.0669 to RM1.0383 for the same period under review with the units in circulation remain unchanged. As of 30 June 2008, closing quoted price for the Fund was RM1.067, inclining by 0.09% compared to RM1.066 as of 31 March 2008.

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 income distribution of 1.55 sen per unit on 10 July 2008 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 10 July 2008 (RM)	After income distribution on 10 July 2008 (RM)
	Net asset value per unit	1.0382	1.0227

Sectoral Composition as at 30 June 2008



	30 June 2008 (%)	31 March 2008 (%)	Change (%)
Malaysian Government securities	88.5	93.2	-4.7
Quasi-Government bonds	11.0	4.9	6.1
Cash and others	0.5	1.9	-1.4
Total	100.0	100.0	

The Fund's cash holdings fell by 1.4% to 0.5% from 31 March 2008 to 30 June 2008. The Fund's holding of Malaysian Government securities ("MGS") also declined to 88.5% from 93.2% for the same period under review. Quasi-Government bond holdings in turn rose by 6.1% to 11.0% as at 30 June 2008.

Break down of unitholding by size

Size of holding	As at 30 June 2008 No of units held ('000)	As at 31 March 2008 No of units held ('000)
Less than 100	0.1	0.1
100 – 1,000	6.1	7.1
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	481,676.8	481,675.8

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

Market Review

The jump in the inflation indicator, Consumer Price Index (CPI), to a 26-year high of 7.7% in June 2008 from 3.8% reflects the pass-through effect of the fuel price hikes in early June 2008 as well as the rising global food prices. With inflationary pressures now spreading throughout the basket of goods, the revised official inflation forecast for 2008 is 5.5 to 6.0% while Gross Domestic Product (GDP) growth is expected to be at least 5%.

Despite the huge spike in CPI reading, Bank Negara Malaysia (BNM) left the Overnight Policy Rate (OPR) unchanged at 3.50% as it maintains its view that inflation will moderate going forward and that the current OPR level is consistent with its strategy of balancing growth and inflation.

The MGS market in the second quarter of 2008 remained bearish due to the inflationary concerns as a result of the government's announcements on fuel subsidy cuts and higher electricity tariffs. In addition, uncertainties among investors remained, in particular among the foreign investors due to the country's outstanding political issues e.g. the political standoff between the Sabah Progressive Party and Barisan Nasional in the middle of June 2008. As a result of the above factors, the MGS market was skewed towards higher yields.

MGS yields across all tenures rose substantially from a quarter ago in a relatively thin market liquidity. Yields for the 3-year, 5-year and 10-year MGS increased by 66-98 basis points (bps) quarter-on-quarter to close for the month at 4.26%, 4.17%, and 4.77%, respectively.

In line with this bearish market, the RM3.5 billion auction of the MGS 9/11 in April 2008 attracted a relatively poor bid-to-offer ratio of 1.45 times, versus 1.87 times received at its previous auction in February 2008, and considerably lower than the year-to-date average of 2.18 times. The average yield was 3.438%.

However the new RM3.5 billion GII 6/11 in the month of June 2008 drew strong bidding interest from investors, contrary to market players' expectations whereby there was strong bid-to-offer ratio of 2.10 times with an average yield of 4.363%.

GDP for first quarter (1Q) 2008 grew 7.1% year-on-year, above consensus estimates of a 6.5% increase. This was driven mainly by domestic demand, higher palm oil and petroleum exports due to surging commodity prices which countered the weaker electronics exports and a deceleration in the services sector.

Market Outlook

For the Malaysian bond market, the focus would be the following:

- Surging energy and food prices following the removal of subsidies and the revisions to the subsidy structure
- Currency factor – near term prognosis for USD/MYR (US Dollar/Ringgit Malaysia) holds the key for performance of the front end of the curve. The prospects for further Ringgit (RM) appreciation remains within the framework of our expected theme of higher inflation levels going forward
- Supply and demand dynamics – supply pipeline remains heavy with issuers slowly returning to market along with improved appetite from investors
- Drag on global economic growth emanating from slowdown in the US (United State of America) economy

We expect BNM to monitor the exchange rate closely as a strong RM serves as an alternative tool against imported inflationary pressure over the coming months, despite BNM consistently stating that the Ringgit will not be used to control inflation.

In the near term, the MGS market is expected to trade sideways as market players await the future CPI readings as well as the 2009 Budget which will be tabled in the Parliament in August 2008. Investors who are currently long in cash will be expected to be buy on weakness should there be any price corrections.

The recent announcement by the government for potentially lower pump prices (to be tied to international crude oil price) alongside with the commitment of not raising pump prices beyond current levels may help to alleviate the current build-up in inflationary pressures. The lingering political uncertainties may continue to deter buying interest especially from the foreign investors.

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's assets that closely tracks the returns of the Benchmark 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 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

31 July 2008

ABF MALAYSIA BOND INDEX FUND

STATEMENT OF ASSETS AND LIABILITIES (unaudited) AS AT 30 JUNE 2008

	Note	30-6-2008 RM	30-6-2007 RM
ASSETS			
Investments	4	490,543,153	518,808,407
Sundry receivables	5	10,133,330	20,583,507
Cash at bank		738	733
		<hr/>	<hr/>
Total Assets		500,677,221	539,392,647
		<hr/>	<hr/>
LIABILITIES			
Sundry payables and accrued expenses	5	119,079	20,453,112
Amount due to index provider	6	95,602	111,589
Amount due to Manager	7	68,362	65,837
Amount due to Trustee	8	29,908	28,804
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		312,951	20,659,342
		<hr/>	<hr/>
NET ASSET VALUE AS AT 30 JUNE	9	500,364,270	518,733,305
		<hr/>	<hr/>
UNITS IN CIRCULATION	9(a)	481,921,800	481,921,800
		<hr/>	<hr/>
NET ASSET VALUE PER UNIT (EX DISTRIBUTION)	10	104 sen	108 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 APRIL 2008 TO 30 JUNE 2008

	Note	1-4-2008 to 30-6-2008 RM	1-4-2007 to 30-6-2007 RM
INVESTMENT INCOME			
Interest income		4,987,649	4,700,705
Net realised (loss)/gain on sale of investments		(119,607)	192,969
Net unrealised loss on changes in value of investments		<u>(18,162,646)</u>	<u>(2,253,395)</u>
		(13,294,604)	2,640,279
Add: Accretion of discount		67,972	25,307
Less: Amortisation of premium		<u>(219,719)</u>	<u>(673,852)</u>
Gross (Loss)/Income		<u>(13,446,351)</u>	<u>1,991,734</u>
EXPENDITURE			
Manager's fee	7	203,371	207,571
Trustee's fee	8	88,975	90,812
Licence fee	6	27,098	27,399
Audit fee		1,243	1,236
Tax agent's fee		1,243	1,236
Other expenses		<u>9,718</u>	<u>13,726</u>
Total Expenditure		<u>331,648</u>	<u>341,980</u>
NET (LOSS)/INCOME BEFORE INCOME TAX		(13,777,999)	1,649,754
LESS: INCOME TAX EXPENSE	11	<u>-</u>	<u>-</u>
NET (LOSS)/INCOME AFTER INCOME TAX		<u>(13,777,999)</u>	<u>1,649,754</u>
Net (Loss)/Income After Income Tax comprises the following:			
Realised income		4,384,647	3,903,149
Unrealised loss		<u>(18,162,646)</u>	<u>(2,253,395)</u>
		<u>(13,777,999)</u>	<u>1,649,754</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 APRIL 2008 TO 30 JUNE 2008**

	1-4-2008 to 30-6-2008 RM	1-4-2007 to 30-6-2007 RM
Net asset value at beginning of period	514,142,269	517,083,551
Net (loss)/income for the period	<u>(13,777,999)</u>	<u>1,649,754</u>
Net asset value at end of period	<u>500,364,270</u>	<u>518,733,305</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 APRIL 2008 TO 30 JUNE 2008

	Note	1-4-2008 to 30-6-2008 RM	1-4-2007 to 30-6-2007 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		29,556,000	42,214,905
Interest received		3,736,527	4,065,082
Payment for other fees expenses		(6,713)	(6,706)
License fee paid		(73,691)	-
Trustee's fee paid		(89,542)	(91,519)
Manager's fee paid		(204,668)	(209,187)
Purchase of investments		<u>(40,330,000)</u>	<u>(40,487,042)</u>
Net Cash (Used In)/Generated From Operating And Investing Activities		<u>(7,412,087)</u>	<u>5,485,533</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,412,087)	5,485,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>9,807,251</u>	<u>6,217,303</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u><u>2,395,164</u></u>	<u><u>11,702,836</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 Fund has not adopted FRS 139: Financial Instrument – Recognition and Measurement which is effective from 1 January 2010. This standard may give rise to effects on the financial statements of the Fund upon its first adoption but such effects, if any, are not required to be disclosed in this set of financial statements by virtue of exemptions provided under Paragraph 103AB of the standard.

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 30 June 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

	30-6-2008	30-6-2007
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	2,394,426	11,702,103
Quasi-Government bonds	54,124,611	10,225,266
Malaysian Government securities	434,024,116	496,881,038
	<u>490,543,153</u>	<u>518,808,407</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	2,394,200	11,701,000
Quasi-Government bonds	55,000,000	10,000,000
Malaysian Government securities	440,000,000	480,000,000
	<u>497,394,200</u>	<u>501,701,000</u>

Details of investments as at 30 June 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					
01.07.2008	OCBC Bank (M) Berhad	<u>2,394,200</u>	<u>2,394,426</u>	<u>2,394,200</u>	<u>0.48</u>
Quasi-Government bonds					
12.03.2013	The Export-Import Bank of Korea	10,000,000	9,964,077	10,028,474	1.99
06.06.2014	Silterra Capital Berhad	15,000,000	14,816,568	15,233,014	2.96
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	9,925,436	9,823,474	1.99

(Forward)

Maturity date	Issuer/ Stock no.	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
12.03.2018	The Export-Import Bank of Korea	10,000,000	9,799,849	10,026,890	1.96
30.05.2018	Syarikat Prasarana Negara Berhad	<u>10,000,000</u>	<u>9,618,681</u>	<u>9,968,253</u>	<u>1.92</u>
		<u>55,000,000</u>	<u>54,124,611</u>	<u>55,080,105</u>	<u>10.82</u>

Malaysian Government securities

15.09.2009	MI04004Z	25,000,000	25,304,451	25,978,196	5.06
13.04.2010	MH060003	55,000,000	55,211,498	56,044,570	11.03
25.08.2010	MJ05001X	15,000,000	15,036,209	15,217,019	3.01
28.04.2011	MJ050004	35,000,000	34,788,875	35,060,874	6.95
28.09.2011	MN01001V	40,000,000	39,979,799	40,653,557	7.99
15.06.2012	MJ060005	50,000,000	49,236,607	49,676,179	9.84
25.02.2013	MN03003V	50,000,000	49,445,816	50,016,675	9.88
31.07.2013	MJ080001	35,000,000	34,280,839	35,041,714	6.85
16.03.2015	GN050001	10,000,000	9,980,287	10,329,639	2.00
30.09.2015	MO05002S	15,000,000	15,258,967	15,988,833	3.05
15.09.2016	MO060001	25,000,000	24,356,910	25,504,161	4.87
15.02.2017	MN070002	30,000,000	28,336,647	30,569,550	5.66
15.06.2017	GN070008	5,000,000	4,646,620	5,151,990	0.93
07.02.2018	MS03002H	10,000,000	9,669,901	10,427,066	1.93
30.07.2019	MS04003H	10,000,000	10,870,017	11,144,772	2.17
15.07.2025	MY050003	10,000,000	9,908,246	10,366,331	1.98
15.09.2026	MX060002	10,000,000	9,644,640	10,305,114	1.93
31.05.2027	MX070003	10,000,000	8,067,787	9,173,540	1.61
		<u>440,000,000</u>	<u>434,024,116</u>	<u>446,649,780</u>	<u>86.74</u>
Total investments		<u>497,394,200</u>	<u>490,543,153</u>	<u>504,124,085</u>	<u>98.04</u>

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

	Weighted average interest rate		Remaining maturities	
	30-6-2008 %	30-6-2007 %	30-6-2008 Days	30-6-2007 Days
Short-term deposits with licensed banks under short- term money market deposits	3.44	3.44	1	2

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

	Effective yield*	
	30-6-2008 %	30-6-2007 %
Quasi-Government bonds	5.03	4.07
Malaysian Government securities	4.26	3.58

* As provided by IIC

Analyses of the remaining maturity of investments as at 30 June 2008 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	45,000,000
Malaysian Government securities	80,000,000	190,000,000	170,000,000

5. **SUNDRY RECEIVABLES/SUNDRY PAYABLES 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:

	30-6-2008 RM	30-6-2007 RM
Amount owing by financial institutions	10,133,330	20,583,505
Amount owing to financial institutions	-	20,372,188

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 April 2007 to 30 June 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2008 to 30 June 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 April 2007 to 30 June 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2008 to 30 June 2008.

9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	30-6-2008 RM	30-6-2007 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
(Accumulated loss)/Undistributed net income	(b)	<u>(4,893,105)</u>	<u>13,475,930</u>
		<u>500,364,270</u>	<u>518,733,305</u>

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

	1-4-2008 to 30-6-2008		1-4-2007 to 30-6-2007	
	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 30 June 2008 and 30 June 2007. Holdings by parties related to the Manager as at 30 June 2008 were 43,226,693 (60,059,171 as at 30 June 2007) units valued at RM46,122,881 (RM65,824,851 as at 30 June 2007).

(b) **(ACCUMULATED LOSS)/UNDISTRIBUTED NET INCOME**

	Note	1-4-2008 to 30-6-2008 RM	1-4-2007 to 30-6-2007 RM
Undistributed net income at beginning of period		8,884,894	11,826,176
Net (loss)/income for the period		<u>(13,777,999)</u>	<u>1,649,754</u>
(Accumulated loss)/Undistributed net income at end of period		<u>(4,893,105)</u>	<u>13,475,930</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 RM500,364,270 (RM518,733,305 as at 30 June 2007) by the 481,921,800 (481,921,800 as at 30 June 2007) units in issue as at 3 June 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:

	1-4-2008 to 30-6-2008 RM	1-4-2007 to 30-6-2007 RM
Net (loss)/income before income tax	<u>(13,777,999)</u>	<u>1,649,754</u>
Taxation at Malaysian statutory rate of 26% (27% in 2007)	(3,582,300)	445,500
Tax effect of:		
Loss/(Income) not subject to tax	3,496,000	(537,800)
Permitted expenses not deductible for tax purposes	52,700	51,900
Non-permitted expenses for tax purposes	27,200	34,700
Permitted expenses not used not available for future years	<u>6,400</u>	<u>5,700</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 2008 to 30 June 2008 (nil for the financial period 1 April 2007 to 30 June 2007).

However, the Fund has declared a gross and net distribution of 1.55 sen per unit amounting to RM7,469,788 on 10 July 2008.

14. CASH AND CASH EQUIVALENTS

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

	30-6-2008 RM	30-6-2007 RM
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	2,394,426	11,702,103
Cash at bank	738	733
	<u>2,395,164</u>	<u>11,702,836</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-4-2008 to 30-6-2008 %	1-4-2007 to 30-6-2007 %
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, 0.07 times for the financial period 1 April 2008 to 30 June 2008 (0.06 times for the financial period 1 April 2007 to 30 June 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 April 2008 to 30 June 2008 are as follows:

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	65,874,374	92.98
The Royal Bank of Scotland Berhad	4,427,392	6.25
CIMB Bank Berhad	315,802	0.45
Aseambankers Malaysia Berhad	199,241	0.28
OCBC Bank (Malaysia) Berhad	28,976	0.04
Total	<u>70,845,785</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

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 Exchange Traded 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.