

ABF MALAYSIA BOND INDEX FUND

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

(RINGGIT MALAYSIA)

MANAGER

AmInvestment Services Berhad
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BOARD OF DIRECTORS

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

INVESTMENT COMMITTEE

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

CONTENTS	PAGE(S)
Performance data	1 – 3
Manager’s report	4 – 10
Statement of assets and liabilities	11
Statement of income and expenditure	12
Statement of changes in net asset value	13
Cash flow statement	14
Notes to the financial statements	15 – 26

PERFORMANCE DATA

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

	As at 30-9-2008	As at 30-6-2008	As at 31-12-2007	As at 31-12-2006	As at 31-12-2005
	%	%	%	%	%
Malaysian Government securities	88.3	88.5	91.9	97.4	92.0
Quasi-Government bonds	10.8	11.0	4.9	2.0	7.8
Cash and others	0.9	0.5	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 September 2008 and 30 June 2008 and last three financial years/period ended 31 December are as follows:

	3 months ended 30-9-2008	3 months ended 30-6-2008	1 year ended 31-12-2007	1 year ended 31-12-2006	5½ months ended 31-12-2005
Net asset value (RM million)	501.77	500.36	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)*	1.0412	1.0383	1.0491	1.0673	1.0509
Closing quoted price (RM/unit)*	1.07	1.067	1.058	1.067	1.05
Highest quoted price (RM/unit)*	1.07	1.067	1.096	1.067	1.06
Lowest quoted price (RM/unit)*	1.07	1.067	1.051	1.010	1.04
Annualised return (%) ¹	7.33	-10.33	2.69	4.63	1.46
- Capital growth (%)	5.78	-10.33	-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	0.20	0.26	0.27	0.27	0.29
Portfolio turnover ratio (times) ³	0.08	0.07	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 (14.3%) as compared to 0.07 times for the quarter ended 30 June 2008 mainly due to increase in investing activities.

Annualised Return (as at 30 September 2008)

	ABFMY1 ^(a) %	iBoxx® Index ^(b) %
One year	0.7	0.8
Three years	2.6	2.9
Since launch of Fund (13 July 2005)	2.7	3.0

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 July 2008 to 30 September 2008

Dear Unitholders

We are pleased to present you the Manager's Report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("the Fund" or "ABFMY1") for the financial period 1 July 2008 to 30 September 2008.

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 given benchmark, which is 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® ABF Malaysia Bond 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 September 2008 are as follows:

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
MI04004Z	Malaysian Government	4.032	15.09.2009	4,000,000,000
QI04001V	Khazanah Nasional Berhad	0.000	18.09.2009	1,150,000,000
MN99004E	Malaysian Government	6.844	01.10.2009	9,364,710,000
DH060038	Cagamas Berhad	4.220	24.02.2010	500,000,000
GG070001	Malaysian Government	3.570	15.03.2010	3,500,000,000
PH060023	Cagamas Berhad	4.220	30.03.2010	500,000,000
MH060003	Malaysian Government	3.869	13.04.2010	10,886,510,000
DI050204	International Bank For Reconciliation And Development	3.580	12.05.2010	760,000,000
PH060053	Cagamas Berhad	4.795	28.05.2010	500,000,000
VG070814	Cagamas Berhad	3.850	03.08.2010	650,000,000
MJ05001X	Malaysian Government	3.644	25.08.2010	6,991,200,000
GI050024	Malaysian Government	3.692	08.12.2010	2,000,000,000
VI060188	Rantau Abang Capital Berhad	4.390	15.03.2011	2,200,000,000
UI060069	Asia Development Bank	4.265	25.04.2011	500,000,000
MJ050004	Malaysian Government	3.756	28.04.2011	14,761,465,000
GG080012	Malaysian Government	4.363	30.06.2011	3,500,000,000
GI060008	Malaysian Government	4.635	14.07.2011	3,000,000,000
MN01001V	Malaysian Government	3.833	28.09.2011	11,218,000,000

(Forward)

Code	Issuer	Coupon (%)	Maturity Date	Notional Amount
PM03061S	Syarikat Prasarana Negara Berhad	3.800	30.11.2011	2,187,261,374
MJ060005	Malaysian Government	3.718	15.06.2012	12,563,197,000
GI070029	Malaysian Government	3.581	14.09.2012	3,500,000,000
MN03003V	Malaysian Government	3.702	25.02.2013	16,575,000,000
UI080008	The Export-Import Bank of Korea	4.080	12.03.2013	500,000,000
GI080001	Malaysian Government	3.604	29.03.2013	2,000,000,000
MJ070005	Malaysian Government	3.700	15.05.2013	3,000,000,000
MJ080001	Malaysian Government	3.461	31.07.2013	7,000,000,000
GJ080019	Malaysian Government	4.273	14.02.2014	3,500,000,000
MN04002W	Malaysian Government	5.094	30.04.2014	5,000,000,000
PK070017	Silterra Capital Berhad	3.900	06.06.2014	1,800,000,000
GN050001	Malaysian Government	4.419	16.03.2015	2,000,000,000
MO05002S	Malaysian Government	4.720	30.09.2015	6,975,000,000
PS00196F	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.000	30.10.2015	500,000,000
MO060001	Malaysian Government	4.262	15.09.2016	8,700,000,000
GN060019	Malaysian Government	3.820	15.11.2016	3,000,000,000
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30.11.2016	1,913,853,702
DN060825	Khazanah Nasional Berhad	0.000	08.12.2016	2,000,000,000
UN070014	Asia Development Bank	4.000	08.02.2017	500,000,000
MN070002	Malaysian Government	3.814	15.02.2017	9,500,000,000
GN070008	Malaysian Government	3.941	15.06.2017	3,000,000,000
MS03002H	Malaysian Government	4.240	07.02.2018	15,100,000,000
UN080007	The Export-Import Bank of Korea	4.500	12.03.2018	500,000,000
DN080403	Syarikat Prasarana Negara Berhad	4.400	30.05.2018	1,200,000,000
DN081079	Khazanah Nasional Berhad	0.000	09.07.2018	1,000,000,000
MS04003H	Malaysian Government	5.734	30.07.2019	4,000,000,000
DS080404	Syarikat Prasarana Negara Berhad	4.650	30.05.2023	500,000,000
DS081080	Khazanah Nasional Berhad	0.000	14.08.2023	2,000,000,000
MY050003	Malaysian Government	4.837	15.07.2025	3,000,000,000
PZ00197S	Bank Pembangunan & Infrastruktur Malaysia Berhad	7.500	30.10.2025	500,000,000
MX060002	Malaysian Government	4.709	15.09.2026	3,000,000,000
MX070003	Malaysian Government	3.502	31.05.2027	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, to achieve a return on the Funds 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 September 2008	As at 30 June 2008	Change (%)
iBoxx® ABF Malaysia Index	114.81	112.87	1.72
Net asset value (RM)	501,765,803	500,364,270	0.28
Units in circulation (units)	481,921,800	481,921,800	-
Net asset value per unit (RM)	1.0412	1.0383	0.28
Annualised returns (%)	7.33 ^(a)	-10.33 ^(b)	17.66
Benchmark returns (%)	6.99 ^(a)	-10.42 ^(b)	17.41
Closing price quoted at Bursa Malaysia (RM)	1.067	1.067	-

(a) Annualised returns for the financial period 1 July 2008 to 30 September 2008.

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

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

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

Financial Year/Period	ABFMY1 (%)	iBoxx® Index (%)	Changes (%)
2007	2.69	3.12	-0.43
2006	4.65	4.91	-0.26
2005*	1.46	1.93	-0.47

* Annualised returns for the financial period 15 July 2005 (date of commencement) to 31 December 2005.

For the financial period under review (1 July 2008 – 30 September 2008), the net asset value (NAV) of the Fund stood at RM 501,765,803, an increase by 0.28% from RM500,364,270 as of 30 June 2008. Unit in circulation remain unchanged at 481,921,800 units. This is line with the Fund’s objective of passive management while achieving returns corresponding closely to the performance of Benchmark index. NAV per unit of the Fund was valued at RM 1.0412, an increase by 0.28% as compared to RM 1.0383 as of 30 June 2008. The closing price of the Fund quoted at Bursa Malaysia as of 30 September 2008 remains unchanged from previous financial review as at 30 June 2008.

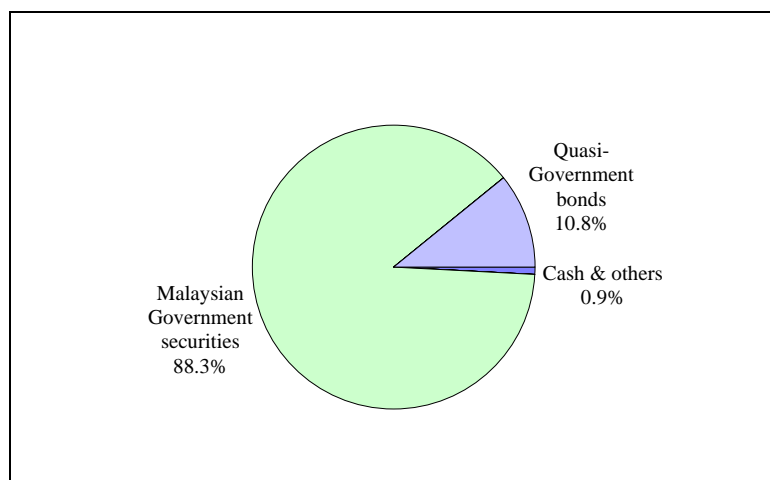
As of September 2008, the Fund registered an annualised return of 7.33%, an increase by 17.41% as compared to -10.33% as of 30 June 2008. The Fund underperformed its benchmark, the IBoxx @ ABF Malaysia Bond Index by 0.34% for the financial period under review. The IBoxx index registered a return of 6.99% as of 30 September 2008, an increase by 17.41% from -10.42% as of 30 June 2008.

There were no significant changes in the state of affairs of the Fund during the financial period under review. There were also no unit split and circumstances that materially affected the interest of the unitholder within the same period review.

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 September 2008



	30 September 2008 (%)	30 June 2008 (%)	Change (%)
Malaysian Government securities	88.3	88.5	-0.2
Quasi-Government bonds	10.8	11.0	-0.2
Cash and others	0.9	0.5	0.4
Total	100.0	100.0	

The Fund's composition remained relatively unchanged during the period of 1 July 2008 to 30 September 2008. Cash holdings increased marginally from 0.5% to 0.9% as at 30 September 2008 while holdings in quasi-government bonds decreased to 10.8% from 11.0%. The Fund's holdings of Malaysian Government Securities also reduced slightly from 88.5% to 88.3% for the period under review.

Break down of unitholding by size

Size of holding	As at 30 September 2008 No of units held ('000)	As at 30 June 2008 No of units held ('000)
Less than 100	0.1	0.1
100 – 1,000	6.1	6.1
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
500,001 above of issue units	481,676.8	481,674.8

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

Market Review

Inflation continued to be a major concern in the 3Q 2008. The CPI rose by 8.5% year-on-year (YoY) in July 2008, the fastest pace in almost 27 years driven by higher raw material costs which as a result led to higher prices. It remained elevated in August 2008 which also rose 8.5% YoY. Responding to the high inflationary reading and in tandem with the drop in international crude oil prices, the Government in August reduced fuel prices on 23 August 2008 and 25 September 2008. However, the move was not sufficient to offset the impact arising from the sharp increase in fuel prices imposed on 5 June 2008. Furthermore, prices are generally sticky downwards. As a result, Malaysia's inflation slowed marginally to 8.2% September.

Notwithstanding the high inflation rate, in its sixth Monetary Policy Meeting (MPC) in August 25, 2008, Bank Negara Malaysia (BNM) kept its benchmark Overnight Policy Rate (OPR) unchanged at 3.50% for the 19th straight meeting. The inaction by BNM can be attributed to the fact that BNM is more concerned about the risk of slowing economic growth. Furthermore, crude oil and commodity prices have pulled back sharply and the Government has already started to cut fuel prices. These developments are likely to help ease inflation expectations and enable BNM to keep its policy rate steady.

Malaysia's 2Q 2008 real GDP grew faster than expected in and surprised on the upside with a reading of 6.3%, compared to the expected 6.0% but lower than that achieved in 1Q 2008 of 7.1%. The stronger than expected GDP reading can be attributed to the strength of the services sector as well as the agricultural sector which grew by 7.6% and 5.9% respectively for the quarter. Further recovery in the nation's exports in the second quarter provides additional support for the economy. Malaysia's exports increased by 9.7% in the second quarter compared to previous quarter's 6.0% growth. However, the second quarter witnessed a slow-down in both private and public consumption. Private and public consumption grew by 9.0% and 7.1% in the 2Q 2008 compared to a growth of 11.7% and 10.5% respectively in 1Q 2008.

Malaysia unveiled its 2008-2009F Economic Report and Budget 2009 on 29 August 2008. Overall it was an expansionary budget which on average appears focused on providing lower-

income earners with some relief from higher food and fuel prices. In 2008, the fiscal deficit is now expected to widen to 4.8% of GDP from an expected 3.1% previously, marking the largest deficit since 2003. The 2009 fiscal deficit is forecasted to narrow to 3.6% of GDP. The higher than expected fiscal deficit could be negative for fixed income markets and possibly the MYR.

Market Outlook

Malaysia's GDP growth is expected to remain resilient this year, growing at 5.3% but 2009 poses a challenge taking into account a US recession. Assuming US recession lasts 1 year, Malaysia's GDP growth could fall to 3.0%. In a low-case scenario (assuming the US contracts by 3.0%), Malaysia's GDP growth in 2009 would be 2.0%. In the worst-case scenario (assumes US contracts by 5.0%), GDP growth would contract by 0.5% for 2009.

In addition, inflationary pressures appear to have peaked in August 2008 and is posed to taper off with the further reduction in petrol prices in November 2008.

The MGS market appears fairly priced now following its strong performance in the last trading day in September. As such, in the immediate term, we expect the 3 to 10-year MGS yields to trade in a narrow range while the 20-year MGS still offering a relatively better play vis-à-vis the shorter-end of the curve. Catalyst for a rally might come if the financial crisis in the U.S. worsens which will force central banks across the developed nations to resort to easing monetary policy in an attempt to salvage the frozen liquidity condition.

Separately, we believe the outflows of short term foreign funds may have come to an end given recent market performances. While the still unsettled political front may deter massive foreign inflows in the foreseeable future, we nevertheless opine that this uncertainty is already being priced in. Any concrete positive development in the local politics would therefore be an impulsion for sustained market recovery and rally. In addition, we would not rule out the possibility of the return of the Ringgit play trade towards the end of the year given the structural economy fundamental problem currently faced by the U.S.

Investment Strategy

The investment strategy of the fund is 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 Index. Rebalancing is carried out on a monthly basis if there are any changes to the composition of the Benchmark Index. *Ad hoc* rebalancing will also be carried out in the event of any redemption/creation of units or if there are substantial coupons received during the month.

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

31 October 2008

ABF MALAYSIA BOND INDEX FUND

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

	Note	30-9-2008 RM	30-9-2007 RM
ASSETS			
Investments	4	501,708,500	513,241,597
Sundry receivables	5	24,930,735	-
Cash at bank		695	479,864
		<u>526,639,930</u>	<u>513,721,461</u>
LIABILITIES			
Sundry payables and accrued expenses	5	24,707,964	91,284
Amount due to index provider	6	92,123	138,822
Amount due to Manager	7	43,553	65,280
Amount due to Trustee	8	30,487	28,560
		<u>24,874,127</u>	<u>323,946</u>
Total Liabilities excluding Net Asset Value Attributable to Unitholders			
		<u>24,874,127</u>	<u>323,946</u>
NET ASSET VALUE	9	<u>501,765,803</u>	<u>513,397,515</u>
UNITS IN CIRCULATION	9(a)	<u>481,921,800</u>	<u>481,921,800</u>
NET ASSET VALUE PER UNIT (EX DISTRIBUTION)	10	<u>104 sen</u>	<u>107 sen</u>

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 JULY 2008 TO 30 SEPTEMBER 2008

	Note	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
INVESTMENT INCOME			
Interest income		5,021,746	5,645,011
Net realised loss on sale of investments		(1,391,017)	(90,524)
Net unrealised gain/(loss) on changes in value of investments		5,620,480	(2,819,403)
		<u>9,251,209</u>	<u>2,735,084</u>
Add: Accretion of discount		70,635	105,586
Less: Amortisation of premium		(194,657)	(368,555)
		<u>9,127,187</u>	<u>2,472,115</u>
EXPENDITURE			
Manager's fee	7	134,916	204,909
Trustee's fee	8	87,568	89,648
Licence fee	6	20,901	27,233
Audit fee		1,257	1,236
Tax agent's fee		1,257	1,236
Other expenses		9,967	13,855
		<u>255,866</u>	<u>338,117</u>
Total Expenditure			
NET (LOSS)/INCOME BEFORE INCOME TAX		8,871,321	2,133,998
LESS: INCOME TAX EXPENSE	11	-	-
		<u>8,871,321</u>	<u>2,133,998</u>
NET (LOSS)/INCOME AFTER INCOME TAX			
INCOME DISTRIBUTION	13	<u>7,469,788</u>	<u>7,469,788</u>
Net (Loss)/Income After Income Tax comprises the following:			
Realised income		3,250,841	4,953,401
Unrealised gain/(loss)		5,620,480	(2,819,403)
		<u>8,871,321</u>	<u>2,133,998</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 JULY 2008 TO 30 SEPTEMBER 2008

	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
Net asset value at beginning of period	500,364,270	518,733,305
Net income for the period	8,871,321	2,133,998
Net income distribution for the period	<u>(7,469,788)</u>	<u>(7,469,788)</u>
Net asset value at end of period	<u>501,765,803</u>	<u>513,397,515</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 JULY 2008 TO 30 SEPTEMBER 2008

	Note	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		43,146,500	46,255,000
Interest received		6,076,819	7,450,679
Tax agent's fee paid		-	(5,583)
Payment for other fees expenses		(492)	(382)
License fee paid		(24,380)	-
Trustee's fee paid		(86,990)	(89,892)
Manager's fee paid		(159,724)	(205,466)
Purchase of investments		<u>(39,510,000)</u>	<u>(35,512,500)</u>
Net Cash Generated From Operating And Investing Activities		<u>9,441,733</u>	<u>17,891,856</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 INCREASE IN CASH AND CASH EQUIVALENTS		1,971,945	10,422,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>2,395,164</u>	<u>11,702,836</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u><u>4,367,109</u></u>	<u><u>22,124,904</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 new and revised Financial Reporting Standards that were first effective for and first adopted by the Fund in the current financial year were either not relevant or did not give rise to any significant change to the accounting policies of the Fund. The Fund has not adopted FRS 139: Financial Instruments – 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 September 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

	30-9-2008	30-9-2007
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	4,366,414	21,645,040
Quasi-Government bonds	54,406,137	10,248,723
Malaysian Government securities	442,935,949	481,347,834
	<u>501,708,500</u>	<u>513,241,597</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	4,366,000	21,643,000
Quasi-Government bonds	55,000,000	10,000,000
Malaysian Government securities	445,000,000	470,000,000
	<u>445,000,000</u>	<u>470,000,000</u>

Details of investments as at 30 September 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					
03.10.2008	OCBC Bank (M) Berhad	4,366,000	4,366,414	4,366,000	0.87
Quasi-Government bonds					
12.03.2013	The Export-Import Bank of Korea	10,000,000	9,869,238	10,028,474	1.97
06.06.2014	Silterra Capital Berhad	15,000,000	14,833,521	15,233,014	2.95
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	10,216,063	9,823,474	2.03

(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	9,716,425	10,026,890	1.94
30.05.2018	Syarikat Prasarana Negara Berhad	<u>10,000,000</u>	<u>9,770,890</u>	<u>9,968,253</u>	<u>1.95</u>
		<u>55,000,000</u>	<u>54,406,137</u>	<u>55,080,105</u>	<u>10.84</u>

Malaysian Government securities

13.04.2010	MH060003	55,000,000	55,982,892	56,044,570	11.16
25.08.2010	MJ05001X	15,000,000	14,981,457	15,217,019	2.99
28.04.2011	MJ050004	35,000,000	35,395,821	35,060,874	7.06
28.09.2011	MN01001V	35,000,000	34,976,118	35,298,258	6.97
15.06.2012	MJ060005	50,000,000	49,961,464	49,676,179	9.96
25.02.2013	MN03003V	50,000,000	49,386,106	50,016,675	9.84
31.07.2013	MJ080001	35,000,000	34,358,392	35,041,714	6.85
16.03.2015	GN050001	10,000,000	9,892,311	10,329,639	1.97
30.09.2015	MO05002S	15,000,000	15,355,935	15,988,833	3.06
15.09.2016	MO060001	25,000,000	24,486,835	25,504,161	4.88
15.02.2017	MN070002	30,000,000	28,564,344	30,569,550	5.69
15.06.2017	GN070008	5,000,000	4,724,424	5,151,990	0.94
07.02.2018	MS03002H	40,000,000	39,106,171	39,464,523	7.79
30.07.2019	MS04003H	10,000,000	10,917,164	11,144,772	2.18
15.07.2025	MY050003	10,000,000	9,939,523	10,366,331	1.98
15.09.2026	MX060002	10,000,000	9,546,699	10,305,114	1.90
15.09.2028	MX080003	<u>15,000,000</u>	<u>15,360,293</u>	<u>15,186,494</u>	<u>3.06</u>
		<u>445,000,000</u>	<u>442,935,949</u>	<u>450,366,696</u>	<u>88.28</u>
Total investments		<u><u>504,366,000</u></u>	<u><u>501,708,500</u></u>	<u><u>509,812,801</u></u>	<u><u>99.99</u></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	
	30-9-2008 %	30-9-2007 %	30-9-2008 Days	30-9-2007 Days
Short-term deposits with licensed banks under short-term money market deposits	3.44	3.44	3	1

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

	Effective yield*	
	30-9-2008 %	30-9-2007 %
Quasi-Government bonds	4.60	4.17
Malaysian Government securities	4.31	3.69

* As provided by IIC

Analyses of the remaining maturity of investments as at 30 September 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	70,000,000	205,000,000	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:

	30-9-2008 RM	30-9-2007 RM
Amount owing by financial institutions	24,930,735	-
Amount owing to financial institutions	24,576,895	-

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 0.10% (0.16% for the financial period 1 July 2007 to 30 September 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2008 to 30 September 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 July 2007 to 30 September 2007) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2008 to 30 September 2008.

9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	30-9-2008 RM	30-9-2007 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Undistributed net (loss)/income	(b)	<u>(3,491,572)</u>	<u>8,140,140</u>
		<u>501,765,803</u>	<u>513,397,515</u>

(a) UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	1-7-2008 to 30-9-2008		1-7-2007 to 30-9-2007	
	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 September 2008 and 30 September 2007. Holdings by parties related to the Manager as at 30 September 2008 were 43,226,693 (60,070,771 as at 30 September 2007) units valued at RM45,007,633 (RM63,614,946 as at 30 September 2007).

(b) (ACCUMULATED LOSS)/UNDISTRIBUTED NET INCOME

	Note	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
Undistributed net (loss)/income at beginning of period		(4,893,105)	13,475,930
Net income for the period		8,871,321	2,133,998
Distribution for the period		<u>(7,469,788)</u>	<u>(7,469,788)</u>
(Accumulated loss)/Undistributed net income at end of period		<u>(3,491,572)</u>	<u>8,140,140</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 RM501,765,803 (RM513,397,515 as at 30 September 2007) by the 481,921,800 (481,921,800 as at 30 September 2007) units in issue as at 30 September 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:

	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
Net income before income tax	<u>8,871,321</u>	<u>2,133,998</u>
Taxation at Malaysian statutory rate of 26% (27% in 2007)	2,306,500	576,200
Tax effect of:		
Loss/(Income) not subject to tax	(2,373,000)	(667,500)
Permitted expenses not deductible for tax purposes	49,500	53,100
Non-permitted expenses for tax purposes	8,000	32,300
Permitted expenses not used not available for future years	<u>9,000</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:

	1-7-2008 to 30-9-2008 RM	1-7-2007 to 30-9-2007 RM
Undistributed net income brought forward – realised	4,963,548	6,179,744
Interest income	4,287,474	2,048,916
Accretion of discount	60,306	38,324
Distribution equalisation	-	-
Net realised loss on sale of investments	(1,391,017)	(90,524)
Amortisation of premium	(194,657)	(368,555)
	<u>7,725,654</u>	<u>7,807,905</u>
Less: Expenses	(255,866)	(338,117)
	<u>7,469,788</u>	<u>7,469,788</u>
Total amount of distribution	<u>7,469,788</u>	<u>7,469,788</u>

Included in the income distribution for the financial period 1 July 2008 to 30 September 2008 was an amount of RM4,963,548 (RM6,179,744 for the financial period 1 July 2007 to 30 September 2007) distributed from previous financial period's realised income.

The income distribution for the financial period 1 July 2008 to 30 September 2008 has been proposed before taking into account net unrealised gain of RM5,620,480 (net unrealised loss of RM2,819,403 for the financial period 1 July 2007 to 30 September 2007) and net unrealised loss brought forward of RM14,033,994 (net unrealised gain brought forward of RM7,296,186 for the financial period 1 July 2007 to 30 September 2007), which were carried forward to the next financial period.

	1-7-2008 to 30-9-2008		1-7-2007 to 30-9-2007	
	Date of distribution	RM	Date of distribution	RM
GROSS AND NET				
Interim distribution				
- 1.55 (1.55 in 2007)				
sen per unit	10 July 2008	<u>7,469,788</u>	12 July 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:

	30-9-2008 RM	30-9-2007 RM
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	4,366,414	21,645,040
Cash at bank	695	479,864
	<u>4,367,109</u>	<u>22,124,904</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-7-2008 to 30-9-2008 %	1-7-2007 to 30-9-2007 %
Manager's fee	0.10	0.16
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	0.01	0.01
	<u>0.20</u>	<u>0.26</u>
Total MER	<u>0.20</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, 0.08 times for the financial period 1 July 2008 to 30 September 2008 (0.08 times for the financial period 1 July 2007 to 30 September 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 July 2008 to 30 September 2008 are as follows:

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	73,628,280	87.93
Standard Chartered Bank (M) Berhad	10,110,947	12.07
Total	83,739,227	100.00

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

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.