

ABF Malaysia Bond Index Fund

**Manager's Report
For The Period 1 April 2009 to 30 June 2009**

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
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

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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 2009 and 31 March 2009 and the last three financial years/period as at 31 December are as follows:

	As at 30-6-2009 %	As at 31-3-2009 %	As at 31-12-2008 %	As at 31-12-2007 %	As at 31-12-2006 %
Malaysian Government securities	84.7	87.6	88.3	91.9	97.4
Quasi-Government bonds	10.4	10.6	10.7	4.9	2.0
Cash and others	4.9	1.8	1.0	3.2	0.6
	<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 2009 and 31 March 2009 and last three financial years/period ended 31 December are as follows:

	3 months ended 30-6-2009	3 months ended 31-3-2009	1 year ended 31-12-2008	1 year ended 31-12-2007	1 year ended 31-12-2006
Net asset value (RM million)	515.21	518.74	536.42	505.60	514.35
Units in circulation (million)	481.92	481.92	481.92	481.92	481.92
Net asset value per unit (RM)*	1.0691	1.0764	1.1131	1.0491	1.0673
Highest net asset per unit (RM)*	1.0782	1.1197	1.1134	1.0946	1.0698
Lowest net asset per unit (RM)*	1.0683	1.0599	1.0215	1.0487	1.0074
Closing quoted price (RM/unit)*	1.071	1.076	1.098	1.058	1.067
Highest quoted price (RM/unit)*	1.080	1.117	1.098	1.096	1.067
Lowest quoted price (RM/unit)*	1.071	1.076	1.057	1.051	1.010
Annualised return (%) ¹	-2.69	-6.07	7.71	2.69	4.63
- Capital growth (%)	-2.69	-8.07	6.16	-1.96	1.53
- Income distribution (%)	-	2.00	1.55	4.65	3.10
Gross distribution per unit (sen)	-	2.00	1.55	4.65	3.10
Net distribution per unit (sen)	-	2.00	1.55	4.65	3.10
Distribution Yield (%) ²	-	1.86	1.41	4.40	2.91
Management expense ratio (%) ³	0.20	0.20	0.23	0.27	0.27
Portfolio turnover ratio (times) ⁴	0.13	0.01	0.33	0.39	0.27

* 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) Distribution yield is calculated based on the total distribution for the period divided by the closing quoted price
- (3) 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.
- (4) 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 0.06 times (85.7%) as compared to 0.07 times for the quarter ended 30 June 2008 mainly due to increase in investing activities. The PTR increased by 0.12 times (1200%) as compared to 0.01 times for the quarter ended 31 March 2009 mainly due to increase in investing activities.

Annualised Return (as at 30 June 2009)

	ABFMY1 ^(a) %	iBoxx® Index ^(b) %
One year	6.4	7.1
Three years	4.7	5.1
Since launch of Fund (13 July 2005)	3.4	3.8

Annual Total Return

Financial Year/Period End (31 December)	ABFMY1 ^(a) %	iBoxx® Index ^(b) %
2008	7.7	7.9
2007	2.7	3.1
2006	4.7	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 2009 to 30 June 2009**

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 April 2009 to 30 June 2009.

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 June 2009 are as follows:

Code	Issuer	Coupon	Final Maturity	Notional Amount
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 Investment Issue	3.692	8 December 2010	2,000,000,000
VG071409	Cagamas Berhad	3.970	10 December 2010	740,000,000
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
GG080012	Malaysia Investment Issue	4.363	30 June 2011	3,500,000,000
GI060008	Malaysia Investment Issue	4.635	14 July 2011	3,000,000,000
MN01001V	Malaysian Government	3.833	28 September 2011	17,718,000,000
UG080081	Cagamas Berhad	4.630	10 October 2011	540,000,000
PM03061S	Syarikat Prasarana Negara Berhad	3.800	30 November 2011	2,187,261,374

(Forward)

Code	Issuer	Coupon	Final Maturity	Notional Amount
MJ060005	Malaysian Government	3.718	15 June 2012	12,563,197,000
VG090738	Cagamas Berhad	3.900	19 June 2012	505,000,000
GI070029	Malaysia Investment Issue	3.581	14 September 2012	3,500,000,000
MN03003V	Malaysian Government	3.702	25 February 2013	16,575,000,000
GI080001	Malaysia Investment Issue	3.604	29 March 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	7,000,000,000
GJ080019	Malaysia Investment Issue	4.273	14 February 2014	3,500,000,000
VI090137	Danga Capital Berhad	4.220	24 April 2014	1,100,000,000
MN04002W	Malaysian Government	5.094	30 April 2014	24,000,000,000
PK070017	Silterra Capital Berhad	3.900	6 June 2014	1,800,000,000
GN050001	Malaysia Investment Issue	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
VI090138	Danga Capital Berhad	4.490	22 April 2016	500,000,000
MO060001	Malaysian Government	4.262	15 September 2016	8,500,000,000
GN060019	Malaysia Investment Issue	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	Malaysia Investment Issue	3.941	15 June 2017	3,000,000,000
MS03002H	Malaysian Government	4.240	7 February 2018	15,100,000,000
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000
GN080031	Malaysia Investment Issue	4.295	31 October 2018	7,500,000,000
DN090051	Khazanah Nasional Berhad	0.000	20 March 2019	1,000,000,000
MS04003H	Malaysian Government	5.734	30 July 2019	6,500,000,000
GO090001	Malaysia Investment Issue	3.910	13 August 2019	3,500,000,000
MO090002	Malaysian Government	4.378	29 November 2019	4,000,000,000
DS080404	Syarikat Prasarana Negara Berhad	4.650	30 May 2023	500,000,000

(Forward)

Code	Issuer	Coupon	Final Maturity	Notional Amount
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
DS090052	Khazanah Nasional Berhad	0.000	20 March 2024	1,500,000,000
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
MX080003	Malaysian Government	5.248	15 September 2028	4,000,000,000

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 June 2009	As at 31 March 2009	Changes (%)
iBoxx® ABF Malaysia Index	120.91	121.45	-0.44
Net asset value (RM)	515,211,250	518,736,814	-0.68
Units in circulation (units)	481,921,800	481,921,800	-
Net asset value per unit (RM)	1.0691	1.0764	-0.68
Annualised returns (%)	-2.69	-6.07 ^(b)	3.38
Benchmark returns (%)	-1.77	-4.73 ^(b)	2.96
Closing price quoted at Bursa Malaysia (RM)	1.071	1.076	-0.46

(a) Annualised returns for the financial period 1 April 2009 to 30 June 2009.

(b) Annualised returns for the financial period 1 January 2009 to 31 March 2009.

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

For the period under review, the Fund registered an annualized return of -2.69% which comprises of -2.69% of capital growth and nil income growth. The Fund's returns increased by 3.38%, underperforming its benchmark return of -0.92%. We believe that the Fund is in line with its objective during this financial period under review.

As of 30 June 2009, total Net Asset Value (NAV) of the Fund stood at RM 515,211,250, decreased by -0.68% as compared to RM 518,736,814 on 31 March 2009. NAV per unit also decreased by -0.68% from RM 1.0764 to RM 1.0691 for the same period under review while the units in circulation for the Fund remain unchanged at 481,921,800 units. As of 30 June 2009, closing price for the Fund was quoted at RM 1.071, decrease by -0.46% compared to RM 1.076 as of 31 March 2009.

There were no significant changes in the state of affairs of the Fund, no unit split declared and no circumstances that materially affected the interest of the unitholders.

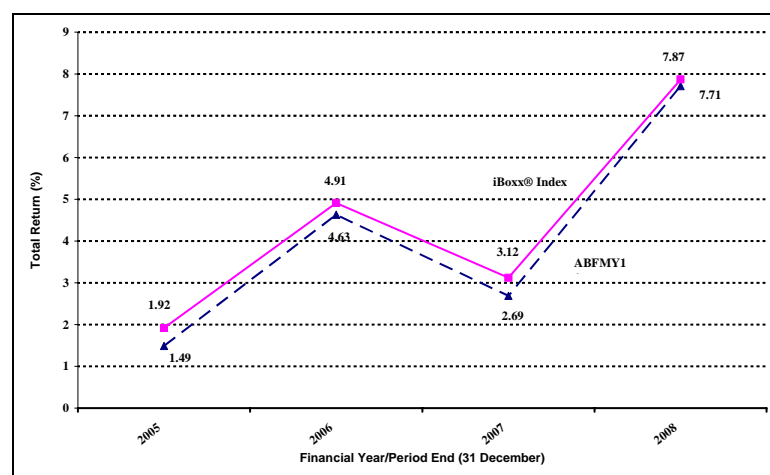
During the financial period under review, the Fund declared an interim income distribution of 1.85 sen per unit on 7 July 2009 as illustrated in the table below:

1.85 sen per unit interim income distribution	Changes in the unit price prior and subsequent to the interim income distribution	Before income distribution on 7 July 2009 (RM)	After income distribution on 7 July 2009 (RM)
	Net asset value per unit	1.0695	1.0510

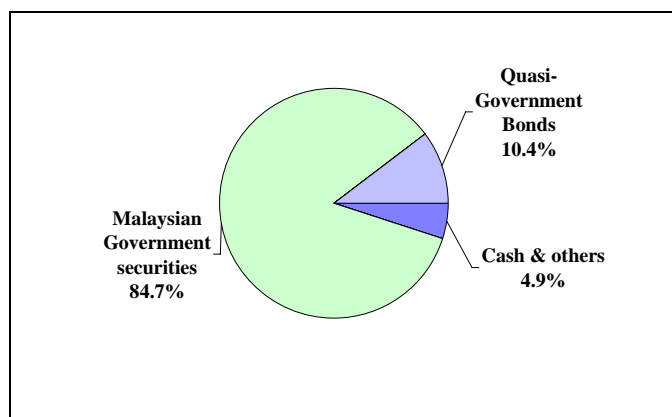
Comparison between the annual return of ABFMY1 and iBoxx® Index for each of the financial years/period ended 31 December is as follows:

Financial Year/Period End (31 December)	ABFMY1 (%)	iBoxx® Index (%)	Changes (%)
2008	7.71	7.87	-0.16
2007	2.69	3.12	-0.43
2006	4.63	4.91	-0.28
2005*	1.49	1.92	-0.43

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



Sectoral Composition as at 30 June 2009



	30 June 2009 (%)	31 March 2009 (%)	Changes (%)
Malaysian Government securities	84.7	87.6	-2.9
Quasi-Government bonds	10.4	10.6	-0.2
Cash and others	4.9	1.8	3.1
Total	100.0	100.0	

For the period under review, the Fund's holding in Malaysian Government Securities (MGS) was reduced by 2.9% to 84.7%. Similarly, the holding in quasi-government bond was also reduced by 0.2%. Cash holding, on the other hand, increased by 3.1% to 4.9% as at end June 2009.

Break down of unitholding by size

Size of holding	As at 30 June 2009 No of units held ('000)	As at 31 March 2009 No of units held ('000)
Less than 100	-	-
100 – 1,000	6.2	6.2
1,001 – 10,000	35.8	28.3
10,001 – 100,000	73.0	63.0
100,001 to less than 5% of issue units	140.0	271.0
5% and above of issue units	481,676.8	481,553.3

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

Market Review

In the month of April 2009, Malaysia's MGS yield curve steepened with the 3-year benchmark yield decreased marginally while the longer-end of the curve increased as market players reacted to the no-rate cut decision by Bank Negara Malaysia (BNM). MGS yields were traded in a range of 10basis points(bps) throughout the month as market players held mixed view on the Overnight Policy Rate(OPR) decision by BNM. Trading volume also rose albeit at a smaller quantum compared to a month ago.

In May 2009, on the MGS front, the early part of the month saw trading largely centered on the shorter tenors, with the bulk of activities in the 5-year benchmark. Buying interest on the 5-year benchmark brought its yield down 4bps month-on-month(mom) to close at 3.570%. The new 10.5 year MGS benchmark issue saw some buying interest after some sellers pushed its yield to cross the 4.30% level. Overall, compared to the previous month closing levels, the MGS yield curve steepened for the month of May with the yields of the 10 years MGS increasing by about 30 basis points whereas the short and mid end of the curve was relatively unchanged.

In June 2009, on the MGS front, compared to the previous month closing levels, the MGS yield curve showed a bearish flattening for the month of June with the yields of the 3 years MGS increasing by 14 bps.

Market Outlook

In consonance, with our expectation, BNM left OPR unchanged at its recent Monetary Policy Committee (MPC) meeting on 29th July 2009, on the back of rising expectation that global economic prospects are likely to improve over the coming months of second half of 2009(2H09). The early signs from the stabilization measures in global financial systems were highlighted as a reason for the more upbeat note from BNM.

Broadly speaking, BNM maintained its earlier assessment that interest rates were already at historical lows and frontloading of interest rate cuts as well as policy initiatives should be sufficient to provide support to domestic demand. Policy focus seems to be on ensuring adequate flow of credit to all segments of the economy.

Accordingly the latest inflation print signaled the beginning of a series of subdued headline Consumer Product Index(CPI) numbers given the significant output gap and soft labour market conditions. Technically this means that we are entering into a deflationary period. Barring any other significant commodity price shock, BNM, appears the least likely to turn hawkish in the region given the latest CPI readings; existing administrative controls over fuel prices and its pro growth stance. For these reasons, we maintain our view that interest rates are likely to remain at current levels over the rest of this year with limited risk for a hike. On the growth front, we continue to think that the global economic cycle has to run its course even if the latest global numbers suggest that recessionary pressures may be somewhat easing as policy measures gain traction. Reassessing regional export trends implies no material change for Malaysia's export growth which is still decelerating on year-on-year(yoy) basis. Manufacturing activities is still sluggish exacerbated by supply side constraints and gives us little reason to expect any improvements in the near term to the official Gross Domestic Product (GDP) forecasts.

In the interim, we continue to hold on our strategy of shifting allocation to PDS for higher running portfolio yields. Our strategy is on the back of the expectation that MGS will trade range-bound in the near term amid the supply concern. The strategy is further supported by the fact that the market is now at the end of a rate-cut cycle supported by the return of risk appetite environment; two factors that do not bode well for the MGS sector. Notwithstanding the above, the MGS sector might still attract interest in light of the ongoing certainties in the credit environment.

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 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

31 July 2009

ABF MALAYSIA BOND INDEX FUND

STATEMENT OF ASSETS AND LIABILITIES (unaudited) AS AT 30 JUNE 2009

	Note	30-6-2009 RM	30-6-2008 RM
ASSETS			
Investments	4	515,512,891	490,543,153
Sundry receivables	5	-	10,133,330
Cash at bank		597	738
		<hr/>	<hr/>
Total Assets		515,513,488	500,677,221
LIABILITIES			
Sundry payables and accrued expenses	5	145,848	119,079
Amount due to index provider	6	79,540	95,602
Amount due to Manager	7	45,206	68,362
Amount due to Trustee	8	31,644	29,908
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		302,238	312,951
		<hr/>	<hr/>
NET ASSET VALUE AS AT 30 JUNE	9	515,211,250	500,364,270
		<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	104 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 2009 TO 30 JUNE 2009

	Note	1-4-2009 to 30-6-2009 RM	1-4-2008 to 30-6-2008 RM
INVESTMENT INCOME			
Interest income		5,130,911	4,987,649
Net realised gain/(loss) on sale of investments		691,750	(119,607)
Net unrealised loss on changes in value of investments		(8,918,191)	(18,162,646)
		<u>(3,095,530)</u>	<u>(13,294,604)</u>
Add: Accretion of discount		95,457	67,972
Less: Amortisation of premium		(273,016)	(219,719)
		<u>(3,273,089)</u>	<u>(13,446,351)</u>
EXPENDITURE			
Manager's fee	7	128,894	203,371
Trustee's fee	8	90,225	88,975
Licence fee	6	21,212	27,098
Audit fee		1,246	1,243
Tax agent's fee		1,246	1,243
Other expenses		9,652	9,718
		<u>252,475</u>	<u>331,648</u>
Total Expenditure		<u>252,475</u>	<u>331,648</u>
NET LOSS BEFORE INCOME TAX		(3,525,564)	(13,777,999)
LESS: INCOME TAX EXPENSE	11	-	-
NET LOSS AFTER INCOME TAX		<u>(3,525,564)</u>	<u>(13,777,999)</u>
Net Loss After Income Tax comprises the following:			
Realised income		5,392,627	4,384,647
Unrealised loss		(8,918,191)	(18,162,646)
		<u>(3,525,564)</u>	<u>(13,777,999)</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 2009 TO 30 JUNE 2009**

	1-4-2009 to 30-6-2009 RM	1-4-2008 to 30-6-2008 RM
Net asset value at beginning of period	518,736,814	514,142,269
Net loss for the period	<u>(3,525,564)</u>	<u>(13,777,999)</u>
Net asset value at end of period	<u>515,211,250</u>	<u>500,364,270</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 2009 TO 30 JUNE 2009

	Note	1-4-2009 to 30-6-2009 RM	1-4-2008 to 30-6-2008 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		70,842,000	29,556,000
Interest received		3,867,189	3,736,527
Payment for other fees expenses		(3,070)	(6,713)
Tax agent's fee paid		(5,218)	-
Trustee's fee paid		(90,220)	(89,542)
Manager's fee paid		(128,886)	(204,668)
License fee paid		-	(73,691)
Purchase of investments		<u>(58,361,000)</u>	<u>(40,330,000)</u>
Net Cash Generated From/(Used In) Operating And Investing Activities		<u>16,120,795</u>	<u>(7,412,087)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>9,285,329</u>	<u>9,807,251</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u>25,406,124</u>	<u>2,395,164</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 (“FRSs”) 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. At the date of authorisation of these financial statements, the following new and revised FRSs, Interpretations and Amendments to FRSs were issued but not yet effective and have not been adopted by the Fund:

FRSs, IC Interpretations and Amendments to FRS	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010

(forward)

FRSs, IC Interpretations and Amendments to FRS	Effective for financial periods beginning on or after
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010

The Fund is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139 by virtue of exemptions provided under Paragraph 44AB and 103AB respectively of the standards.

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 2009, 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

	30-6-2009	30-6-2008
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	25,405,527	2,394,426
Quasi-Government bonds	53,298,779	54,124,611
Malaysian Government securities	436,808,585	434,024,116
	<u>515,512,891</u>	<u>490,543,153</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	25,404,100	2,394,200
Quasi-Government bonds	55,000,000	55,000,000
Malaysian Government securities	425,000,000	440,000,000
	<u>425,000,000</u>	<u>440,000,000</u>

Details of investments as at 30 June 2009 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					
01.07.2009	Hong Leong Bank Berhad	<u>25,404,100</u>	<u>25,405,527</u>	<u>25,404,100</u>	<u>4.93</u>
Quasi-Government bonds					
12.03.2013	The Export-Import Bank of Korea	10,000,000	9,498,077	10,028,474	1.84
06.06.2014	Silterra Capital Berhad	15,000,000	14,937,863	15,233,014	2.90
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	10,089,775	9,823,474	1.96

(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	8,794,849	10,026,890	1.71
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	9,978,215	9,968,253	1.94
		<u>55,000,000</u>	<u>53,298,779</u>	<u>55,080,105</u>	<u>10.35</u>

Malaysian Government securities

25.08.2010	MJ05001X	15,000,000	15,421,253	15,217,019	3.00
28.04.2011	MJ050004	35,000,000	35,971,784	35,060,874	6.98
28.09.2011	MN01001V	35,000,000	36,186,259	35,298,258	7.02
15.06.2012	MJ060005	40,000,000	40,945,014	39,840,672	7.95
25.02.2013	MN03003V	50,000,000	51,224,271	50,016,675	9.94
31.07.2013	MJ080001	15,000,000	15,092,052	15,019,242	2.93
30.04.2014	MN04002W	45,000,000	47,903,813	48,671,913	9.30
16.03.2015	GN050001	10,000,000	10,418,487	10,329,639	2.02
30.09.2015	MO05002S	15,000,000	15,723,967	15,988,833	3.05
15.09.2016	MO060001	25,000,000	25,512,306	25,504,161	4.95
15.02.2017	MN070002	30,000,000	29,608,360	30,569,550	5.75
15.06.2017	GN070008	5,000,000	4,905,114	5,151,990	0.95
07.02.2018	MS03002H	30,000,000	30,272,503	29,037,457	5.88
31.10.2018	GN080031	20,000,000	20,145,514	20,985,934	3.91
30.07.2019	MS04003H	15,000,000	17,060,647	16,981,719	3.31
15.07.2025	MY050003	10,000,000	10,249,143	10,366,331	1.99
15.09.2026	MX060002	10,000,000	9,996,919	10,305,114	1.94
31.05.2027	MX070003	5,000,000	4,195,931	4,563,536	0.81
15.09.2028	MX080003	15,000,000	15,975,248	15,729,149	3.10
		<u>425,000,000</u>	<u>436,808,585</u>	<u>434,638,066</u>	<u>84.78</u>
Total investments		<u>505,404,100</u>	<u>515,512,891</u>	<u>515,122,271</u>	<u>100.06</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	
	30-6-2009 %	30-6-2008 %	30-6-2009 Days	30-6-2008 Days
Short-term deposits with licensed banks under short-term money market deposits	2.05	3.44	1	1

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

	Effective yield*	
	30-6-2009 %	30-6-2008 %
Quasi-Government bonds	4.95	5.03
Malaysian Government securities	3.54	4.26

* As provided by IIC

Analyses of the remaining maturity of investments as at 30 June 2009 are as follows:

	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
At nominal value			
Quasi-Government bonds	-	25,000,000	30,000,000
Malaysian Government securities	50,000,000	185,000,000	190,000,000

5. **SUNDRY RECEIVABLES/SUNDRY PAYBLES AND ACCRUED EXPENSES**

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

	30-6-2009 RM	30-6-2008 RM
Amount owing by financial institutions	-	10,133,330

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:

	% p.a.
Fund Size	
Up to 30 June 2008	
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	0.01
For amount above 275% of Initial Funding	No charge

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

From 1 July 2008 onwards

For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge

subject to a minimum annual fee of USD21,234 (approximate RM80,689)

* Initial Funding for the Fund was USD115,400,000 (approximately 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 April 2008 to 30 June 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2009 to 30 June 2009.

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 2008 to 30 June 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 April 2009 to 30 June 2009.

9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	30-6-2009 RM	30-6-2008 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Undistributed net income/(Accumulated loss)	(b)	<u>9,953,875</u>	<u>(4,893,105)</u>
		<u>515,211,250</u>	<u>500,364,270</u>

(a) UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	1-4-2009 to 30-6-2009		1-4-2008 to 30-6-2008	
	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 Deed, 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 2009 and 30 June 2008. Holdings by parties related to the Manager as at 30 June 2009 was 43,226,693 units valued at RM46,295,788 (43,226,693 units valued RM46,122,881 as at 30 June 2008).

(b) UNDISTRIBUTED NET INCOME/(ACCUMULATED LOSS)

	Note	1-4-2009 to 30-6-2009 RM	1-4-2008 to 30-6-2008 RM
Undistributed net income at beginning of period		13,479,439	8,884,894
Net loss for the period		<u>(3,525,564)</u>	<u>(13,777,999)</u>
Undistributed net income/(Accumulated loss) at end of period		<u>9,953,875</u>	<u>(4,893,105)</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 RM515,211,250 by the 481,921,800 units in issue as at 30 June 2009 (RM500,364,270 by the 481,921,800 units as at 30 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 loss 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:

	1-4-2009 to 30-6-2009 RM	1-4-2008 to 30-6-2008 RM
Net loss before income tax	<u>(3,525,564)</u>	<u>(13,777,999)</u>
Taxation at Malaysian statutory rate of 25% (26% in 2008)	(881,400)	(3,582,300)
Tax effect of:		
Loss not subject to tax	818,300	3,496,000
Permitted expenses not deductible for tax purposes	30,100	52,700
Non-permitted expenses for tax purposes	29,700	27,200
Permitted expenses not used not available for future years	<u>3,300</u>	<u>6,400</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 2009 to 30 June 2009 (nil for the financial period 1 April 2008 to 30 June 2008).

However, the Fund has declared a gross and net distribution of 1.85 sen per unit amounting to RM8,915,553 on 7 July 2009.

14. CASH AND CASH EQUIVALENTS

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

	30-6-2009 RM	30-6-2008 RM
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	25,405,527	2,394,426
Cash at bank	597	738
	<u>25,406,124</u>	<u>2,395,164</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-4-2009 to 30-6-2009 %	1-4-2008 to 30-6-2008 %
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, 0.13 times for the financial period 1 April 2009 to 30 June 2009 (0.07 times for the financial period 1 April 2008 to 30 June 2008).

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 2009 to 30 June 2009 are as follows:

Financial institutions	Transaction value	
	RM	%
CIMB Bank Berhad	99,873,193	76.68
Citibank Berhad	30,377,491	23.32
Total	<u>130,250,684</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 market risk, 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.

Market Risk

Market risk relates to investments in quoted/unquoted securities where movements of share prices can rise or fall for a number of reasons including industry trends, economic factors, changes in company's operations, management and financial performance as well as market perceptions on a particular company.

Market risk is managed through portfolio diversification and asset allocation whereby the securities exposure is monitored/reduced in the event of anticipated market weaknesses

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.