

**ABF MALAYSIA BOND INDEX FUND**

**MANAGER'S REPORT AND FINANCIAL STATEMENTS (unaudited)  
FOR THE PERIOD 1 JULY 2009 TO 30 SEPTEMBER 2009**

(RINGGIT MALAYSIA)

**MANAGER**

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

**BOARD OF DIRECTORS**

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

**INVESTMENT COMMITTEE**

Professor Dr Annuar Md. Nassir  
Dato' 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**

<b>CONTENTS</b>	<b>PAGE(S)</b>
Performance data	1 – 3
Manager’s report	4 – 12
Statement of assets and liabilities	13
Statement of income and expenditure	14
Statement of changes in net asset value	15
Cash flow statement	16
Notes to the financial statements	17 – 30

## PERFORMANCE DATA

Details of portfolio composition of ABF Malaysia Bond Index Fund (“the Fund”) for the financial periods as at 30 September 2009 and 30 June 2009 and the last three financial years/period as at 31 December are as follows:

	<b>As at 30-9-2009 %</b>	<b>As at 30-6-2009 %</b>	<b>As at 31-12-2008 %</b>	<b>As at 31-12-2007 %</b>	<b>As at 31-12-2006 %</b>
Malaysian Government securities	84.1	84.7	88.3	91.9	97.4
Quasi-Government bonds	10.5	10.4	10.7	4.9	2.0
Cash and others	5.4	4.9	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 September 2009 and 30 June 2009 and last three financial years/period ended 31 December are as follows:

	<b>3 months ended 30-9-2009</b>	<b>3 months ended 30-6-2009</b>	<b>1 year ended 31-12-2008</b>	<b>1 year ended 31-12-2007</b>	<b>1 year ended 31-12-2006</b>
Net asset value (RM million)	513.10	515.21	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)*	1.0666	1.0691	1.1131	1.0491	1.0673
Highest net asset per unit (RM)*	1.0697	1.0782	1.1134	1.0946	1.0698
Lowest net asset per unit (RM)*	1.0510	1.0683	1.0215	1.0487	1.0074
Closing quoted price (RM/unit)*	1.0560	1.071	1.098	1.058	1.067
Highest quoted price (RM/unit)*	1.0800	1.080	1.098	1.096	1.067
Lowest quoted price (RM/unit)*	1.0550	1.071	1.057	1.051	1.010
Annualised return (%) <sup>1</sup>	6.18	-2.69	7.71	2.69	4.63
- Capital growth (%)	4.33	-2.69	6.16	-1.96	1.53
- Income distribution (%)	1.85	-	1.55	4.65	3.10
Gross distribution per unit (sen)	1.85	-	1.55	4.65	3.10
Net distribution per unit (sen)	1.85	-	1.55	4.65	2.91
Management expense ratio (%) <sup>2</sup>	0.20	0.20	0.23	0.27	0.27
Portfolio turnover ratio (times) <sup>3</sup>	0.06	0.13	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) Management expense ratio is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.

(3) Portfolio turnover ratio ("PTR") is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.02 times (25.0%) as compared to 0.08 times for the quarter ended 30 September 2008 and decreased by 0.07 times (53.8%) as compared to 0.13 times for the quarter ended 30 June 2009 mainly due to decrease in investing activities.

### Average Total Return (as at 30 September 2009)

	ABFMY1 <sup>(a)</sup> %	iBoxx® Index <sup>(b)</sup> %
One year	6.1	6.9
Three years	3.9	4.3
Since launch of Fund (13 July 2005)	3.5	3.9

### Annual Total Return

Financial Year/Period End (31 December)	ABFMY1 <sup>(a)</sup> %	iBoxx® Index <sup>(b)</sup> %
2008	7.7	7.9
2007	2.7	3.1
2006	4.6	4.9
2005 <sup>(c)</sup>	1.5	1.9

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd

(b) iBoxx® ABF Malaysia Index (“iBoxx® Index”) (Source: [www.indexco.com](http://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 2009 to 30 September 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 July 2009 to 30 September 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 September 2009 are as follows:

<b>Code</b>	<b>Issuer</b>	<b>Coupon</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
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	18,261,465,000
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
MJ060005	Malaysian Government	3.718	15 June 2012	12,563,197,000
VG090738	Cagamas Berhad	3.900	19 June 2012	505,000,000

(Forward)

<b>Code</b>	<b>Issuer</b>	<b>Coupon</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
MH090001	Malaysian Government	2.509	27 August 2012	12,000,000,000
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
GH090053	Malaysian Government Issue	3.278	15 March 2013	4,000,000,000
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
GI090042	Malaysia Investment Issue	3.909	31 July 2014	4,500,000,000
GJ090030	Malaysia Investment Issue	3.902	30 December 2014	5,500,000,000
MJ090004	Malaysian Government	3.741	27 February 2015	4,500,000,000
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	9,000,000,000

(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
VS090824	Syarikat Prasarana Negara Berhad	4.85	27 September 2024	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
VX090825	Syarikat Prasarana Negara Berhad	5.07	28 September 2029	1,500,000,000

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 2009	As at 30 June 2009	Changes (%)
iBoxx® ABF Malaysia Index	122.78	120.91	1.55
Net asset value (RM)	513,996,098	515,211,250	-0.24
Units in circulation (units)	481,921,800	481,921,800	-
Net asset value per unit (RM)	1.0666	1.0691	-0.23
Annualised returns (%)	6.18 <sup>(a)</sup>	-2.69 <sup>(b)</sup>	8.87
Benchmark returns (%)	6.28 <sup>(a)</sup>	-1.77 <sup>(b)</sup>	8.05
Closing price quoted at Bursa Malaysia (RM)	1.056	1.071	-1.40

(a) Annualised returns for the financial period 1 July 2009 to 30 September 2009.

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

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

For the financial period under review (1 July 2009 – 30 September 2009), the net asset value (NAV) of the Fund stood at RM 513,996,098, a decrease by -0.24% from RM 515,211,250 as of 30 June 2009. Units in circulation remain unchanged at 481,921,800 units. This is in 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 1.0666, a decrease by -0.23% as compared to RM 1.0691 as of 30 June 2009. The closing price of the Fund quoted at Bursa Malaysia as of 30 September 2009 was registered at RM 1.056, declining by -1.40% as compared to RM 1.071 as of 30 June 2008.

As of September 2009, the Fund registered an annualised return of 6.18%, an increase by 8.87% as compared to -2.69% as of 30 June 2009. The Fund's annualised returns consist of 4.33% capital growth and 1.85% income growth. The Fund underperformed its benchmark, the IBoxx @ ABF Malaysia Bond Index by -0.1 % for the financial period under review. The IBoxx index registered a return of 6.28% as of 30 September 2009, an increase by 8.05% from -1.77% as of 30 June 2009.

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 declared and no circumstances that materially affected the interest of the unitholder within the same period review.

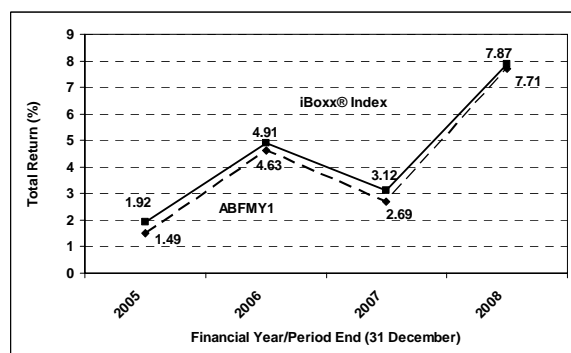
The Fund has declared income distribution of 1.85 sen per unit on 7 July 2009 as per table below:

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

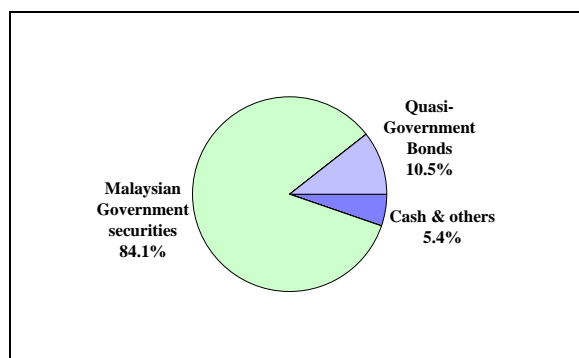
Comparison between the annual return of ABFMY1 and iBoxx® Index for each of the financial years/period ended 31 December is as follows:

<b>Financial Year/Period End (31 December)</b>	<b>ABFMY1 (%)</b>	<b>iBoxx® Index (%)</b>	<b>Changes (%)</b>
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 September 2009



	<b>30 September 2009</b> (%)	<b>30 June 2009</b> (%)	<b>Changes</b> (%)
Malaysian Government securities	84.1	84.7	-0.6
Quasi-Government bonds	10.5	10.4	0.1
Cash and others	5.4	4.9	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The Fund's cash holdings increased from 4.9% to 5.40% as at 30 September 2009 while holdings in Quasi-Government bonds increased from 10.4% to 10.5%. The Fund's holdings of Malaysian Government Securities ("MGS") reduced marginally from 84.7% to 84.1% for the period under review.

### **Break down of unitholding by size**

<b>Size of holding</b>	<b>As at 30 September 2009</b> <b>No of units held ('000)</b>	<b>As at 30 June 2009</b> <b>No of units held ('000)</b>
Less than 100	-	-
100 – 1,000	6.5	6.2
1,001 – 10,000	25.3	35.8
10,001 – 100,000	140.0	73.0
100,001 to less than 5% of issue units	18,920.1	140.0
5% and above of issue units	462,829.9	481,676.8

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

### **Market Review**

In June 2009, on the Malaysian Government Securities (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 (yr) MGS increasing by 14 basis points (bps).

The month of July witnessed the RM4.0 billion 10-year MGS reopening and RM4.5 billion 5 year new Government Investment Issue (GII) issue auctions. For the 10-year reopening, demand was lower with a bid-to-cover ratio of 1.669 times, which was lower than the 1.884 times cover in the similar auction in May 2009. Notwithstanding, the reopening generated a lower average yield of 4.294% compared with the 4.378% yield in the previous auction. For the 5-year new GII issue, the reception was considered decent with a bid-to-cover of 1.807 times with an average yield of 3.909% (high of 3.94% and low of 3.86%).

MGS yields across all sector of the curve closed mixed for the month of August. Compared to the previous month closing levels, the MGS yield curve bullish flattened for the month of August with the benchmark yields closing at 2.87%, (July: 2.88%), 3.68% (July 3.72%) and 4.13% (July: 4.26%) for the 3, 5 and 10 years MGS respectively. The bullish flattening trend was due to the lack of long duration supply for the MGS following the revision in MGS/GII auction calendar in March 2009.

The month of August witnessed the RM4.0 billion of a new tenure benchmark, the 2-year MGS and RM4.5 billion new 5 year MGS auctions. For the 2-year, demand was relatively unexciting with a bid-to-cover ratio of 1.65 times, with an average yield of 2.711%. For the 5-year new MGS issue, the reception was considered decent with a bid-to-cover of 1.71 times with an average yield of 3.741% (high of 3.754% and low of 3.72%).

Malaysian Government Securities (MGS) were little changed in absence of any strong catalyst in the market. Traders stayed on the sidelines. Malaysian Government Securities (MGS) yields across all sector of the curve closed mixed for the month of September. Overall compared to the previous month closing levels, the MGS yield curve for September remained more or less the same with the benchmark yields closing at 2.880%, (August: 2.864%), 3.740% (August: 3.749%) and 4.175% (August: 4.168%) for the 3yr/5yr and 10 yr MGS respectively.

The month of September witnessed the RM4.0 billion 3.5-year new GII issue auctions. The demand for the issuance was reasonable with a bid-to-cover ratio of 2.16 times. The new issuance generated an average yield of 3.278% (high of 3.295% and low of 3.25%).

During the month, some buying interest was seen at the belly of the curve after the release of the second negative Consumer Price Index (CPI) number.

## **Market Outlook**

Over the month of September, we have not noted any material changes to our interest rate view. We wrote last month that in consonance, with our expectation, Bank Negara Malaysia (BNM) left Overnight Policy Rate(OPR) unchanged at its last Monetary Policy Committee(MPC) meeting on 29<sup>th</sup> August 2009, on the back of rising expectation that global and domestic economic prospects are likely to improve over the remaining months of second half of 2009(2H09). Generally speaking, we are inclined to believe that this pause mode of BNM is likely to continue till the end of fourth quarter of 2009(4Q09).

On growth front, the latest export numbers suggests no material change for Malaysia's export growth which is still decelerating on year-on-year (yoy) basis. Granted that many are seeing the latest export numbers as signaling smaller contractions in the months ahead - something to wait and watch for much hinges on sustainable recovery of global economy. In the interim, the surplus in current account will continue to boost foreign exchange reserves and provide underlying support to MYR.

Industrial production, meanwhile, gained for the second month in consonance with global manufacturing activities which have rebounded for the period along with the Organization of Economic Co-operation and Development (OECD) composite index which is pointing towards an improving OECD outlook. That being said, the question on sustainability of global recovery still remains given the numerous inherent risks in the global system *eg* the ongoing global deleveraging and the magnitude of destruction of wealth that requires a period of balance sheet repairs for both corporate and households. All this should become clearer as we enter 2010.

In any case, if better than expected third quarter of 2009(3Q09) Gross Domestic Product (GDP) number are posted then we think it is highly probable that BNM may revise upwards its official GDP target for the full year of 2009 and the announcement may materialize during the upcoming 2009/2010 Budget Speech in October.

On inflation front we have noted the emergence of subdued headline CPI numbers which is likely to continue for few more months – the receding trend to be underpinned by the high base effect of 2008 - arising from the sharp fuel price adjustments last year and lower food/ non alcoholic beverages prices. Deflationary forces are expected to taper over first quarter of 2010(1Q10). 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 continue to 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. Expect BNM to maintain its earlier assessment that the current monetary policy along with the accelerated implementation of fiscal measures are appropriate and sufficient to provide medium term support to domestic demand in the upcoming policy meetings over this month and next month

If the growth recovery theme sustains then there is reason to believe that the safe haven appeal of MGS will lose some luster in the coming weeks. As such we will continue to hold onto our strategy of shifting allocation to Private Debts Securities (PDS) for higher running portfolio yields. Our strategy was initially adopted on the back of the expectation that MGS will trade range-bound in the near term amid the supply concern. The strategy is now further supported by the fact that the market seems to be approaching 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 asset reflation trades – where capital or liquidity flows out of cash into this asset class driven by falling inflation and the still accommodative interest rate policy.

### **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

30 October 2009

## ABF MALAYSIA BOND INDEX FUND

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

	Note	30-9-2009 RM	30-9-2008 RM
<b>ASSETS</b>			
Investments	4	513,904,296	501,708,500
Sundry receivables	5	-	24,930,735
Cash at bank		354,567	695
		<hr/>	<hr/>
Total Assets		514,258,863	526,639,930
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Sundry payables and accrued expenses	5	183,946	24,707,964
Amount due to index provider	6	-	92,123
Amount due to Manager	7	46,364	43,553
Amount due to Trustee	8	32,455	30,487
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		262,765	24,874,127
		<hr/>	<hr/>
NET ASSET VALUE AS AT 30 SEPTEMBER	9	513,996,098	501,765,803
		<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 JULY 2009 TO 30 SEPTEMBER 2009

	Note	1-7-2009 to 30-9-2009 RM	1-7-2008 to 30-9-2008 RM
<b>INVESTMENT INCOME</b>			
Interest income		5,151,585	5,021,746
Net unrealised gain on changes in value of investments		2,173,801	5,620,480
Net realised gain/(loss) on sale of investments		835,367	(1,391,017)
		<u>8,160,753</u>	<u>9,251,209</u>
Add: Accretion of discount		94,593	70,634
Less: Amortisation of premium		(301,561)	(194,657)
		<u>7,953,785</u>	<u>9,127,186</u>
<b>EXPENDITURE</b>			
Manager's fee	7	128,803	134,915
Trustee's fee	8	90,162	87,568
Licence fee	6	21,294	20,901
Audit fee		1,261	1,257
Tax agent's fee		1,261	1,257
Other expenses		10,603	9,967
		<u>253,384</u>	<u>255,865</u>
Total Expenditure		<u>253,384</u>	<u>255,865</u>
NET INCOME BEFORE INCOME TAX		7,700,401	8,871,321
LESS: INCOME TAX EXPENSE	11	-	-
NET INCOME AFTER INCOME TAX		<u>7,700,401</u>	<u>8,871,321</u>
INCOME DISTRIBUTION	13	<u>8,915,553</u>	<u>7,469,788</u>
Net Income After Income Tax comprises the following:			
Realised income		5,526,600	3,250,841
Unrealised gain		2,173,801	5,620,480
		<u>7,700,401</u>	<u>8,871,321</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 2009 TO 30 SEPTEMBER 2009

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
Net asset value at beginning of period	515,211,250	500,364,270
Net income for the period	7,700,401	8,871,321
Net income distribution	<u>(8,915,553)</u>	<u>(7,469,788)</u>
Net asset value at end of period	<u>513,996,098</u>	<u>501,765,803</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 2009 TO 30 SEPTEMBER 2009

	Note	1-7-2009 to 30-9-2009 RM	1-7-2008 to 30-9-2008 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		35,314,700	43,146,500
Interest received		6,212,558	6,076,819
Payment for other fees expenses		(6,135)	(492)
License fee paid		(69,725)	(24,380)
Trustee's fee paid		(89,351)	(86,990)
Manager's fee paid		(127,645)	(159,724)
Purchase of investments		<u>(29,886,000)</u>	<u>(39,510,000)</u>
Net Cash Generated From Operating And Investing Activities		<u>11,348,402</u>	<u>9,441,733</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution paid		<u>(8,915,553)</u>	<u>(7,469,788)</u>
Net Cash Used In Financing Activities		<u>(8,915,553)</u>	<u>(7,469,788)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,432,849	1,971,945
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>25,406,124</u>	<u>2,395,164</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u>27,838,973</u>	<u>4,367,109</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:

<b>FRSs, IC Interpretations and Amendments to FRS</b>	<b>Effective for financial periods beginning on or after</b>
FRS 4: Insurance Contracts	1 January 2010
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)

<b>FRSs, IC Interpretations and Amendments to FRS</b>	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 Paragraphs 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 September 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

	<b>30-9-2009</b>	<b>30-9-2008</b>
	<b>RM</b>	<b>RM</b>
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	27,484,406	4,366,414
Quasi-Government bonds	54,063,123	54,406,137
Malaysian Government securities	<u>432,356,767</u>	<u>442,935,949</u>
	<u>513,904,296</u>	<u>501,708,500</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	27,482,900	4,366,000
Quasi-Government bonds	55,000,000	55,000,000
Malaysian Government securities	<u>420,000,000</u>	<u>445,000,000</u>

Details of investments as at 30 September 2009 are as follows:

<b>Maturity date</b>	<b>Issuer/ Stock no.</b>	<b>Nominal value RM</b>	<b>Carrying value RM</b>	<b>Purchase cost RM</b>	<b>Carrying value as a percentage of net asset value %</b>
<b>Short-term deposits with licensed banks under short-term money market deposits</b>					
01.10.2009	Hong Leong Bank Berhad	<u>27,482,900</u>	<u>27,484,406</u>	<u>27,482,900</u>	<u>5.35</u>
<b>Quasi-Government bonds</b>					
12.03.2013	The Export-Import Bank of Korea	10,000,000	9,870,003	10,028,474	1.92
06.06.2014	Silterra Capital Berhad	15,000,000	15,157,726	15,233,014	2.95
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	9,799,403	9,823,474	1.90

(Forward)

<b>Maturity date</b>	<b>Issuer/ Stock no.</b>	<b>Nominal value RM</b>	<b>Carrying value RM</b>	<b>Purchase cost RM</b>	<b>Carrying value as a percentage of net asset value %</b>
12.03.2018	The Export-Import Bank of Korea	10,000,000	9,130,959	10,026,890	1.78
30.05.2018	Syarikat Prasarana Negara Berhad	<u>10,000,000</u>	<u>10,105,032</u>	<u>9,968,253</u>	<u>1.97</u>
		<u>55,000,000</u>	<u>54,063,123</u>	<u>55,080,105</u>	<u>10.52</u>

#### **Malaysian Government securities**

28.04.2011	MJ050004	35,000,000	36,281,229	35,060,874	7.06
28.09.2011	MN01001V	35,000,000	35,875,557	35,298,258	6.98
15.06.2012	MJ060005	40,000,000	41,278,846	39,840,672	8.03
27.08.2012	MH090001	15,000,000	14,877,909	14,997,763	2.89
25.02.2013	MN03003V	50,000,000	50,831,106	50,016,675	9.89
31.07.2013	MJ080001	15,000,000	15,128,993	15,019,242	2.94
30.04.2014	MN04002W	45,000,000	48,538,520	48,671,913	9.44
30.12.2014	GJ090030	10,000,000	10,141,149	10,044,814	1.97
16.03.2015	GN050001	10,000,000	10,258,311	10,329,639	2.00
30.09.2015	MO05002S	15,000,000	15,720,456	15,988,833	3.06
15.09.2016	MO060001	25,000,000	25,529,594	25,504,161	4.97
15.02.2017	MN070002	30,000,000	29,562,453	30,569,550	5.75
15.06.2017	GN070008	5,000,000	4,975,646	5,151,990	0.97
07.02.2018	MS03002H	15,000,000	15,122,742	14,626,011	2.94
31.10.2018	GN080031	20,000,000	20,509,437	20,985,934	3.99
30.07.2019	MS04003H	15,000,000	17,037,245	16,981,719	3.32
29.11.2019	MO090002	5,000,000	5,158,355	5,084,854	1.00
15.07.2025	MY050003	10,000,000	10,353,523	10,366,331	2.01
15.09.2026	MX060002	10,000,000	10,053,813	10,305,114	1.96
31.05.2027	MX070003	5,000,000	4,358,687	4,563,536	0.85
15.09.2028	MX080003	10,000,000	10,763,196	10,673,676	2.09
		<u>420,000,000</u>	<u>432,356,767</u>	<u>430,081,559</u>	<u>84.11</u>
<b>Total investments</b>		<u>502,482,900</u>	<u>513,904,296</u>	<u>512,644,564</u>	<u>99.98</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	
	30-9-2009 %	30-9-2008 %	30-9-2009 Days	30-9-2008 Days
Short-term deposits with licensed banks under short-term money market deposits	2.00	3.44	1	3

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

	Effective yield*	
	30-9-2009 %	30-9-2008 %
Quasi-Government bonds	4.35	4.60
Malaysian Government securities	3.41	4.31

\* As provided by IIC

Analyses of the remaining maturity of investments as at 30 September 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	70,000,000	165,000,000	185,000,000

## 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:

	30-9-2009 RM	30-9-2008 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:

	<b>% p.a.</b>
<b>Fund Size</b>	
<b>Up to 30 June 2008</b>	
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% (0.10% for the financial period 1 July 2008 to 30 September 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2009 to 30 September 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 July 2008 to 30 September 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2009 to 30 September 2009.

## 9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	30-9-2009 RM	30-9-2008 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Undistributed net income/(Accumulated loss)	(b)	<u>8,738,723</u>	<u>(3,491,572)</u>
		<u>513,996,098</u>	<u>501,765,803</u>

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

	1-7-2009 to 30-9-2009		1-7-2008 to 30-9-2008	
	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 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 2009 and 30 September 2008. Holdings by parties related to the Manager as at 30 September 2009 were 18,780,059 units valued at RM19,831,742 (43,226,693 units valued RM45,007,633 as at 30 September 2008).

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

	<b>Note</b>	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
At beginning of period		9,953,875	(4,893,105)
Net income for the period		7,700,401	8,871,321
Income distribution for the period		<u>(8,915,553)</u>	<u>(7,469,788)</u>
At end of period		<u>8,738,723</u>	<u>(3,491,572)</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 RM513,996,098 by the 481,921,800 units in issue as at 30 September 2009. (RM501,765,803 by the 481,921,800 units 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:

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
Net income before income tax	<u>7,700,401</u>	<u>8,871,321</u>
Taxation at Malaysian statutory rate of 25% (26% in 2008)	1,925,100	2,306,500
Tax effect of:		
Income not subject to tax	(1,988,400)	(2,373,000)
Permitted expenses not deductible for tax purposes	40,800	49,500
Non-permitted expenses for tax purposes	22,500	8,000
Permitted expenses not used not available for future years	<u>-</u>	<u>9,000</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:

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
Interest income	5,151,585	4,287,473
Net realised gain/(loss) on sale of investments	835,367	(1,391,017)
Accretion of discount	94,593	60,306
Undistributed net income brought forward – realised	3,388,953	4,963,548
Amortisation of premium	<u>(301,561)</u>	<u>(194,657)</u>
	9,168,937	7,725,653
Less: Expenses	<u>(253,384)</u>	<u>(255,865)</u>
Total amount of distribution	<u><u>8,915,553</u></u>	<u><u>7,469,788</u></u>

An amount of RM3,388,953 undistributed net realised income from previous periods was included in this distribution (RM4,963,548 during the period 1 July 2008 to 30 September 2008).

The income distribution above has been proposed before taking into account the net unrealised gain of RM2,173,801 (net unrealised gain of RM5,620,480 for the financial period 1 July 2008 to 30 September 2008) and net unrealised loss brought forward of RM479,074 (net unrealised loss of RM14,033,994 for the financial period 1 July 2008 to 30 September 2008) which were carried forward to the next financial period.

	<b>1-7-2009 to 30-9-2009</b>		<b>1-7-2008 to 30-9-2008</b>	
	<b>Date of distribution</b>	<b>RM</b>	<b>Date of distribution</b>	<b>RM</b>
<b>GROSS AND NET</b>				
Interim distribution - 1.85 (1.55 in 2008) sen per unit	07 July 2009	<u>8,915,553</u>	10 July 2008	<u>7,469,788</u>

#### 14. CASH AND CASH EQUIVALENTS

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

	<b>30-9-2009</b>	<b>30-9-2008</b>
	<b>RM</b>	<b>RM</b>
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	27,484,406	4,366,414
Cash at bank	354,567	695
	<u>27,838,973</u>	<u>4,367,109</u>

#### 15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	<b>1-7-2009 to</b>	<b>1-7-2008 to</b>
	<b>30-9-2009</b>	<b>30-9-2008</b>
	<b>%</b>	<b>%</b>
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	0.01	0.01
	<u>0.20</u>	<u>0.20</u>

The portfolio turnover ratio, calculated by dividing the average of total acquisitions and total disposals of investment securities by the average net asset value of the Fund calculated on a daily basis, 0.06 times for the financial period 1 July 2009 to 30 September 2009 (0.08 times for the financial period 1 July 2008 to 30 September 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 July 2009 to 30 September 2009 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
CIMB Bank Berhad	40,296,925	61.16
Standard Chartered Bank Malaysia Berhad	25,594,836	38.84
Total	<u>65,891,761</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 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.