

ABF Malaysia Bond Index Fund

**Statement by the Manager and Financial Statements (unaudited)
For the period 1 October 2009 to 31 December 2009**

(In 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
Lee Siang Korn @ Lee Siang Chin
Harinder Pal Singh

INVESTMENT MANAGER

AmInvestment Management Sdn Bhd

TRUSTEE

HSBC (Malaysia) Trustee Berhad

AUDITORS AND REPORTING ACCOUNTANTS

Ernst & Young

TAXATION ADVISER

Deloitte KassimChan Tax Services Sdn Bhd

ABF Malaysia Bond Index Fund

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PERFORMANCE DATA

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

	As at 31-12-2009	As at 30-9-2009	FY 2009	FY 2008	FY 2007
	%	%	%	%	%
Malaysian Government securities	83.4	84.1	83.4	88.3	91.9
Quasi-Government bonds	11.4	10.5	11.4	10.7	4.9
Cash and others	5.2	5.4	5.2	1.0	3.2
	<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 the financial periods ended 31 December 2009 and 30 September 2009 and the three financial years ended 31 December are as follows:

	3 months ended 31-12-2009	3 months ended 30-9-2009	FY 2009	FY 2008	FY 2007
Net asset value (RM million)	516.94	513.10	516.94	536.42	505.60
Units in circulation (million)	481.92	481.92	481.92	481.92	481.92
Net asset value per unit (RM)*	1.0727	1.0666	1.0727	1.1131	1.0491
Highest net asset value per unit (RM)*	1.0726	1.0697	1.1197	1.1134	1.0946
Lowest net asset value per unit (RM)*	1.0660	1.0510	1.0510	1.0215	1.0487
Closing quoted price (RM/unit)*	1.0700	1.0560	1.0700	1.098	1.058
Highest quoted price (RM/unit)*	1.0700	1.0800	1.1170	1.098	1.096
Lowest quoted price (RM/unit)*	1.0620	1.0550	1.0550	1.057	1.051
Total return (%) ¹	2.29	6.18	-0.14	7.71	2.69
- Capital growth (%)	2.29	4.33	-3.99	6.16	-1.96
- Income distribution (%)	-	1.85	3.85	1.55	4.65
Gross distribution per unit (sen)	-	1.85	3.85	1.55	4.65
Net distribution per unit (sen)	-	1.85	3.85	1.55	4.65
Management expense ratio (%) ²	0.20	0.20	0.20	0.23	0.27
Portfolio turnover ratio (times) ³	-	0.06	0.21	0.33	0.39

* Above prices and net asset value per unit are shown as ex-distribution.

- Note: (1) Total return is the annualised 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 0.09 times (100%) as compared to 0.09 times for the quarter ended 31 December 2008 and decreased by 0.06 times (100%) as compared to 0.06 times for the quarter ended 30 September 2009 mainly due to decrease in investing activities.

Average Total Return (as at 31 December 2009)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	-0.1	0.5
Three years	3.4	3.8
Since launch of Fund (13 July 2005)	3.5	3.8

Annual Total Return

Financial Year/Period End (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2009	-0.1	0.5
2008	7.7	7.9
2007	2.7	3.1
2006	4.6	4.9
2005 ^(c)	1.5	2.0

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd

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

(c) Total return 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. Average total return of ABF Malaysia Bond Index Fund (“ABFMY1”) and iBoxx Index for a period is computed on the absolute return for that period annualised over one year.

Note: Past performance is not necessarily indicative of future performance. Unit prices and investment returns may go down, as well as up.

Manager's Report
For The Period 1 October 2009 to 31 December 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 October 2009 to 31 December 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 31 December 2009 are as follows:

Code	Issuer	Coupon	Final Maturity	Notional Amount
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)

Code	Issuer	Coupon	Final Maturity	Notional Amount
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	13,500,000,000
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
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
DN090197	Khazanah Nasional Berhad	0.000	27 August 2019	1,500,000,000
MO090002	Malaysian Government	4.378	29 November 2019	9,000,000,000

(Forward)

Code	Issuer	Coupon	Final Maturity	Notional Amount
GO090061	Malaysia Investment Issue	4.492	30 April 2020	3,500,000,000
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	4.850	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	5.070	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 31 December 2009	As at 30 September 2009	Changes (%)
iBoxx® ABF Malaysia Index	123.50	122.78	0.59
Net asset value (RM)	516,936,480	513,996,098	0.57
Units in circulation (units)	481,921,800	481,921,800	-
Net asset value per unit (RM)	1.0727	1.0666	0.57
Total returns (%)	2.29	6.18	-3.89
Benchmark returns (%)	2.35	6.28	-3.93
Closing price quoted at Bursa Malaysia (RM)	1.070	1.056	1.33

(a) Total annualised return for the financial period 1 October 2009 to 31 December 2009.

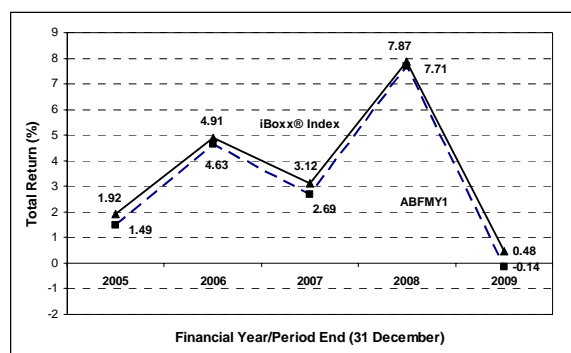
(b) Total annualised return for the financial period 1 July 2009 to 30 September 2009.

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

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 (%)
2009	-0.14	0.48	-0.62
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.



For the financial quarter ended 31 December 2009, the Fund registered a total return of 2.29%. The return of the Fund was entirely capital growth in nature. The Fund's returns decreased by 3.89% from 6.18% on 30 September 2009, underperforming the benchmark, iBoxx® Index's return of 2.35%.

As of 31 December 2009, total net asset value (NAV) of the Fund stood at RM516,936,480, an increase of 0.57% as compared to RM513,996,098 on 30 September 2009. The NAV per unit of the Fund's increased by 0.57% from RM1.0666 as of 30 September 2009 to RM1.0727 for the under review. The units in circulation for the Fund remained unchanged at 481,921,800 units for the period under review. At 31 December 2009, closing price quoted on Bursa Malaysia was RM1.070, an increase of 1.33% as compared to RM1.056 on 30 September 2009.

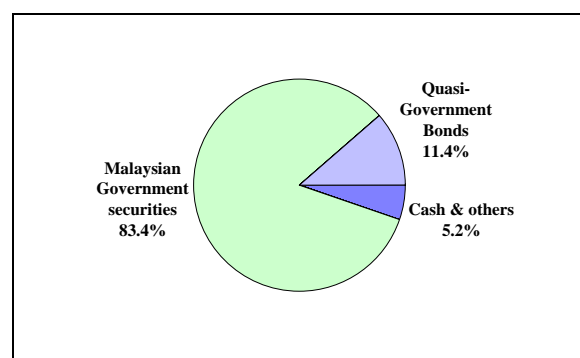
For the financial year under review, the Fund has achieved its investment objective which is to track the return of the Benchmark Index. There were no significant changes in the state of affairs of the Fund, no unit split and no circumstances that will materially affect the interest of the unitholders.

The Fund's income (if any) is distributed semi-annually. During the financial period under review, there was no income distribution declared by the Fund. However, subsequent to the period under review, the Fund has a declared final income distribution on 11 January 2010, details as follows:-

1.85 sen per unit final income distribution*	Changes in the unit price prior and subsequent to the final income distribution	Before income distribution on 11 January 2010 (RM)	After income distribution on 11 January 2010 (RM)
	Net asset value per unit	1.0744	1.0559

* Final income distribution for financial year 2009.

Sectoral Composition as at 31 December 2009



	31 December 2009 (%)	30 September 2009 (%)	Changes (%)
Malaysian Government securities	83.4	84.1	-4.9
Quasi-Government bonds	11.4	10.5	0.7
Cash and others	5.2	5.4	4.2
Total	100.0	100.0	

Significant changes to asset allocation as at 31 December 2009

Over the period under review, the percentage investment in Malaysian Government Securities (MGS) was reduced by 4.9% from 88.3% to 83.4% while investment in quasi government bonds increased by 0.7% to 11.4%. As a result of the changes, cash holding increased by 4.2% to 5.2% as at 31 December 2009.

Break down of unitholding by size

Size of holding	As at 31 December 2009		As at 30 September 2009	
	No. of units held ('000)	Number of unitholders	No. of units held ('000)	Number of unitholders
Less than 100	-	-	-	-
100 -1,000	6.5	15	6.5	15
1,001 – 10,000	17.0	4	25.3	6
10,001 – 100,000	140.0	3	140.0	3
100,001 to less than 5 % of issue units	10,813.4	2	18,920.1	2
5% and above of issue units	470,944.9	1	462,829.9	1

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

Market Review

Malaysian Government Securities (MGS) yields across all sector of the curve closed higher in the month of October 2009. Compared to the previous month closing levels, the MGS yield curve bearishly steepened for the month of October with the benchmark yields closing at 2.93%, (September: 2.88%), 3.88% (September: 3.72%) and 4.28% (September: 4.18%) for the 3, 5 and 10-years MGS respectively. The bearish steepening trend was due to uncertainty surrounding the tenure of 2010 MGS/GII issuance. The 2010 MGS/GII auction calendar is expected to be announced in November.

At the end of November 2009, MGS yields closed mixed across all sectors. The yield of the 3-years MGS ended the month slightly higher whereas the yields of the 5 and 10-years MGS ended the month lower at 2.963%, 3.733% and 4.236% respectively.

At the end of December 2009, MGS yields closed mixed across all sectors. The yield of the 3-years MGS ended the month slightly higher whereas the yields of the 5 and 10-years MGS ended the month lower at 3.24%, 3.790% and 4.250% respectively.

Market Outlook

For MGS market, the reduced supply pipeline in 2010 amid a shrinking budget deficit will present a more balanced supply-demand dynamics scenario compared to 2009. A reduction in gross issuance (from MYR88.5 billion to MYR64 billion) and net issuance (from MYR52 billion to MYR40.5 billion) reflects the government intention to get back to fiscal consolidation. The sharp reductions in private placements to EPF in 2010 has the effect of putting back competition pressure on the demand side and tilting the market in favour of supply -a positive for the MGS in general. The other feature for 2010 will be the re-introduction of the 7-years tenor aimed at smoothing the uneven supply between 5-years (given that there was heavy issuance in 5-years tenors in 2009) and 10-years tenors over the years.

That being said, we maintain our earlier view if growth recovery theme sustains and if inflationary expectations strengthen considerably over the course of the month then we can expect MGS yields to skew upwards notwithstanding BNM dovish stance of no change in the near term. We reiterate that the crucial factor is the inflationary expectations of market participants where investors will begin to price in increase in interest rates in their valuation. As such we will continue to hold onto our strategy of shifting allocation to Private Debt Securities (PDS) for higher running portfolio yields.

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

29 January 2010

ABF Malaysia Bond Index Fund

STATEMENT OF ASSETS AND LIABILITIES (unaudited) AS AT 31 DECEMBER 2009

	Note	2009 RM	2008 RM
ASSETS			
Investments	4	517,206,319	536,672,190
Cash at banks		<u>589</u>	<u>558</u>
Total Assets		<u>517,206,908</u>	<u>536,672,748</u>
LIABILITIES			
Sundry payables and accrued expenses		163,462	135,261
Amount due to index provider	5	32,411	37,177
Amount due to Manager	6	43,856	47,908
Amount due to Trustee	7	<u>30,699</u>	<u>33,536</u>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		<u>270,428</u>	<u>253,882</u>
NET ASSET VALUE AS AT 31 DECEMBER	8	<u>516,936,480</u>	<u>536,418,866</u>
UNITS IN CIRCULATION	8 (a)	<u>481,921,800</u>	<u>481,921,800</u>
NET ASSET VALUE PER UNIT (EX DISTRIBUTION)	9	<u>107 sen</u>	<u>111 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 OCTOBER 2009 TO 31 DECEMBER 2009

	Note	1-10-2009 to 31-12-2009 RM	1-10-2008 to 31-12-2008 RM
INVESTMENT INCOME			
Interest income		5,123,409	5,121,305
Net unrealised (loss)/gain on changes in value of investments		(1,725,151)	29,670,089
Net realised gain on sale of investments		-	184,719
		<u>3,398,258</u>	<u>34,976,113</u>
Add: Accretion of discount		92,585	90,232
Less: Amortisation of premium		<u>(295,934)</u>	<u>(158,017)</u>
Gross Income		<u>3,194,909</u>	<u>34,908,328</u>
EXPENDITURE			
Manager's fee	6	129,865	130,156
Trustee's fee	7	90,906	91,109
Licence fee	5	21,401	21,406
Audit fee		1,260	1,257
Tax agent's fee		1,260	1,257
Administrative expenses		<u>9,835</u>	<u>10,080</u>
Total Expenditure		<u>254,527</u>	<u>255,265</u>
NET INCOME BEFORE INCOME TAX		2,940,382	34,653,063
LESS: INCOME TAX EXPENSE	10	<u>-</u>	<u>-</u>
NET INCOME AFTER INCOME TAX		<u>2,940,382</u>	<u>34,653,063</u>
Net Income After Income Tax comprises the following:			
Realised income		4,665,533	4,982,974
Unrealised (loss)/gain		<u>(1,725,151)</u>	<u>29,670,089</u>
		<u>2,940,382</u>	<u>34,653,063</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 OCTOBER 2009 TO 31 DECEMBER 2009**

	1-10-2009 to 31-12-2009 RM	1-10-2008 to 31-12-2008 RM
Net asset value at beginning of period	513,996,098	501,765,803
Net income for the period	<u>2,940,382</u>	<u>34,653,063</u>
Net asset value at end of period	<u>516,936,480</u>	<u>536,418,866</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 OCTOBER 2009 TO 31 DECEMBER 2009

	Note	1-10-2009 to 31-12-2009 RM	1-10-2008 to 31-12-2008 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Interest received		4,315,051	3,854,279
Proceeds from sale of investments		-	42,849,264
Tax agent's fee		-	(5,000)
Payments for other fees and administrative expenses		(1,730)	(3,402)
License fee paid		(20,099)	(76,352)
Trustee's fee paid		(92,661)	(88,060)
Manager's fee paid		(132,374)	(125,801)
Purchase of investments		<u>(5,016,500)</u>	<u>(45,342,500)</u>
Net Cash (Used In)/Generated From Operating And Investing Activities		<u>(948,313)</u>	<u>1,062,428</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash Used In Financing Activities		<u>-</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(948,313)	1,062,428
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
		<u>27,838,973</u>	<u>4,367,109</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
	13	<u><u>26,890,660</u></u>	<u><u>5,429,537</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 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 period 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 and Interpretations 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 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations	1 July 2010
FRS 4 : Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 101: Presentation of Financial Statements	1 January 2010
FRS 123: Borrowing Costs	1 January 2010
FRS 127: Consolidated and Separate Financial Statements	1 July 2010

(Forward)

FRSs, IC Interpretations and Amendments to FRS	Effective for financial periods beginning on or after
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
IC Interpretation 12: Service Concession Arrangements	1 July 2010
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
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 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
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 132 Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010

The Fund is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7, FRS 139 and FRS 101.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Investments

Investments are stated at market value on a portfolio basis in accordance with the provisions of the Deed, market value is determined based on prices provided by the index provider, International Index Company Limited (“IIC”), plus accrued interest. The difference between the adjusted cost and market value is treated as unrealised gain or loss and is recognised in the statement of income and expenditure. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated on the straight-line method over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised gains or losses recognised in the statement of income and expenditure is not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in the statement of income and expenditure.

Income Recognition

Interest on fixed income securities and short-term deposits is recognised on an accrual basis.

Income Tax Expense

The tax effects of transactions are recognised, using the 'balance sheet' method and all taxable temporary differences are recognised. As at 31 December 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.

Financial Assets And Liabilities

Financial assets and financial liabilities carried on the statement of assets and liabilities include cash at banks, investments, including deposits and placements with licensed institutions, receivables and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangement. The accounting policies on the recognition of interest, gains and losses relating to financial instruments classified as assets, are disclosed in the respective accounting policies.

4. INVESTMENTS

	31-12-2009	31-12-2008
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	26,890,071	5,428,979
Quasi-government bonds	59,001,414	57,305,301
Malaysian Government securities	431,314,834	473,937,910
	<u>517,206,319</u>	<u>536,672,190</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	26,888,600	5,428,500
Quasi-government bonds	60,000,000	55,000,000
Malaysian Government securities	420,000,000	447,620,000

Details of investments as at 31 December 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					
04.01.2010	Hong Leong Bank Berhad	20,000,000	20,001,096	20,000,000	3.87
04.01.2010	OCBC Bank (M) Berhad	<u>6,888,600</u>	<u>6,888,975</u>	<u>6,888,600</u>	<u>1.33</u>
		<u>26,888,600</u>	<u>26,890,071</u>	<u>26,888,600</u>	<u>5.20</u>
Quasi-government bonds					
12.03.2013	The Export - Import Bank Of Korea	10,000,000	10,035,841	10,028,474	1.94
06.06.2014	Silterra Capital Berhad	15,000,000	14,950,068	15,233,014	2.89
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	9,699,436	9,823,474	1.88
12.03.2018	The Export - Import Bank Of Korea	10,000,000	9,264,384	10,026,890	1.79
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	10,008,895	9,968,253	1.94
27.09.2024	Syarikat Prasarana Negara Berhad	<u>5,000,000</u>	<u>5,042,790</u>	<u>5,011,862</u>	<u>0.97</u>
		<u>60,000,000</u>	<u>59,001,414</u>	<u>60,091,967</u>	<u>11.41</u>

(Forward)

Maturity date	Issuer/Stock no.	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Malaysia Government securities					
28.04.2011	MJ050004	35,000,000	35,798,250	35,060,874	6.92
28.09.2011	MN01001V	35,000,000	36,120,130	35,298,258	6.99
15.06.2012	MJ060005	40,000,000	40,813,457	39,840,672	7.90
27.08.2012	MH090001	15,000,000	14,961,985	14,997,763	2.89
25.02.2013	MN03003V	50,000,000	51,258,856	50,016,675	9.92
31.07.2013	MJ080001	15,000,000	15,250,579	15,019,242	2.95
30.04.2014	MN04002W	45,000,000	47,844,744	48,671,913	9.26
30.12.2014	GJ090030	10,000,000	10,028,144	10,044,814	1.94
16.03.2015	GN050001	10,000,000	10,397,617	10,329,639	2.01
30.09.2015	MO05002S	15,000,000	15,831,390	15,988,833	3.06
15.09.2016	MO060001	25,000,000	25,637,884	25,504,161	4.96
15.02.2017	MN070002	30,000,000	29,662,647	30,569,550	5.74
15.06.2017	GN070008	5,000,000	4,920,703	5,151,990	0.95
07.02.2018	MS03002H	15,000,000	15,176,532	14,626,011	2.94
31.10.2018	GN080031	20,000,000	20,031,593	20,985,934	3.87
30.07.2019	MS04003H	15,000,000	16,979,270	16,981,719	3.28
29.11.2019	MO090002	5,000,000	5,059,567	5,084,854	0.98
15.07.2025	MY050003	10,000,000	10,428,448	10,366,331	2.02
15.09.2026	MX060002	10,000,000	10,173,490	10,305,114	1.97
31.05.2027	MX070003	5,000,000	4,232,978	4,563,536	0.82
15.09.2028	MX080003	10,000,000	10,706,570	10,673,676	2.07
		<u>420,000,000</u>	<u>431,314,834</u>	<u>430,081,559</u>	<u>83.44</u>
Total investments		<u><u>506,888,600</u></u>	<u><u>517,206,319</u></u>	<u><u>517,062,126</u></u>	<u><u>100.05</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	
	2009 %	2008 %	2009 Days	2008 Days
Short-term deposits with licensed banks under short-term money market deposits	<u>2.00</u>	<u>3.22</u>	<u>4</u>	<u>2</u>

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

	Effective yield*	
	2009 %	2008 %
Quasi-government bonds	4.41	3.66
Malaysian Government securities	<u>3.43</u>	<u>3.17</u>

* As provided by IIC

Analyses of the remaining maturity of investments as at 31 December 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	35,000,000
Malaysian Government securities	<u>70,000,000</u>	<u>175,000,000</u>	<u>175,000,000</u>

5. **AMOUNT DUE TO INDEX PROVIDER**

Included in the 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

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

* Initial Funding for the Fund was USD115,400,000

6. **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 October 2008 to 31 December 2008) per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period 1 October 2009 to 31 December 2009.

7. 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 October 2008 to 31 December 2008) per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period 1 October 2009 to 31 December 2009.

8. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

Net asset value attributable to unitholders is represented by:

	Note	31-12-2009 RM	31-12-2008 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Undistributed net income	(b)	<u>11,679,105</u>	<u>31,161,491</u>
		<u>516,936,480</u>	<u>536,418,866</u>

(a) UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	1-10-2009 to 31-12-2009		1-10-2008 to 31-12-2008	
	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 31 December 2009 and 31 December 2008. Holdings by parties related to the Manager as at 31 December 2009 were 10,673,359 units valued at RM11,420,494 (27,184,359 units valued at RM30,258,910 as at 31 December 2008).

(b) UNDISTRIBUTED NET INCOME

	Note	1-10-2009 to 31-12-2009 RM	1-10-2008 to 31-12-2008 RM
At beginning of period		8,738,723	(3,491,572)
Net income for the period		<u>2,940,382</u>	<u>34,653,063</u>
At end of period		<u>11,679,105</u>	<u>31,161,491</u>

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

The net asset value per unit (ex distribution) is calculated by dividing the net assets of RM516,936,480 by the 481,921,800 units in issue as at 31 December 2009 (RM536,418,866 by the 481,921,800 units as at 31 December 2008).

10. **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:

	1-10-2009 to 31-12-2009 RM	1-10-2008 to 31-12-2008 RM
Net income before income tax	<u>2,940,382</u>	<u>34,653,063</u>
Taxation at Malaysian statutory rate of 25% (26% in 2008)	735,100	9,009,800
Tax effect of:		
Income not subject to tax	(798,800)	(9,076,200)
Permitted expenses not deductible for tax purposes	19,100	17,500
Non-permitted expenses for tax purposes	37,800	31,000
Permitted expenses not used not available for future years	<u>6,800</u>	<u>17,900</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

11. DISTRIBUTION/LOSS EQUALISATION

Distribution/Loss equalisation represents the average amount of undistributed net income/accumulated loss 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.

12. INCOME DISTRIBUTION

No income distribution was declared by the Fund for the financial period 1 October 2009 to 31 December 2009 (Nil for the financial period 1 October 2008 to 31 December 2008 2008).

13. CASH AND CASH EQUIVALENTS

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

	31-12-2009 RM	31-12-2008 RM
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	26,890,071	5,428,979
Cash at bank	589	558
	<u>26,890,660</u>	<u>5,429,537</u>

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-10-2009 to 31-12-2009 %	1-10-2008 to 31-12-2008 %
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust administrative 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, is Nil for the financial period 1 October 2009 to 31 December 2009 (0.09 times for the financial period 1 October 2008 to 31 December 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 October 2009 to 31 December 2009 are as follows:

Financial institutions	Transaction value	
	RM	%
OCBC Bank (M) Berhad	<u>5,021,163</u>	<u>100.00</u>

The above transaction values are in respect of Ringgit Malaysia denominated 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 fulfil 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, Trustee and index provider, cash at bank, 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.