

ABF Malaysia Bond Index Fund

**Statement by the Manager and Financial Statements (unaudited)
For the period from 1 January 2010 to 31 March 2010**

(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
Harinder Pal Singh
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

FINANCIAL STATEMENTS

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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 March 2010, 31 December 2009 and three financial years as at 31 December are as follows:

	As at 31-3-2010 %	As at 31-12-2009 %	FY 2009 %	FY 2008 %	FY 2007 %
Malaysian Government securities	83.0	83.4	83.4	88.3	91.9
Quasi-Government bonds	11.6	11.4	11.4	10.7	4.9
Cash and others	5.4	5.2	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 last financial periods ended 31 March 2010, 31 December 2009 and three financial years ended 31 December are as follows:

	3 months ended 31-3-2010	3 months ended 31-12-2009	FY 2009	FY 2008	FY 2007
Net asset value (RM million)	515.29	516.94	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)*	1.0692	1.0727	1.0727	1.1131	1.0491
Highest net asset value per unit (RM)*	1.0738	1.0726	1.1197	1.1134	1.0946
Lowest net asset value per unit (RM)*	1.0559	1.0660	1.0510	1.0215	1.0487
Closing quoted price (RM/unit)*	1.0700	1.0700	1.0700	1.098	1.058
Highest quoted price (RM/unit)*	1.0700	1.0700	1.1170	1.098	1.096
Lowest quoted price (RM/unit)*	1.0620	1.0620	1.0550	1.057	1.051
Total return (%) ⁽¹⁾	5.89	2.29	-0.14	7.71	2.69
- Capital growth (%)	4.04	2.29	-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
Distribution yield (%) ⁽²⁾	1.73	-	3.60	1.41	4.40
Management expense ratio (%) ⁽³⁾	0.20	0.20	0.20	0.23	0.27
Portfolio turnover ratio (times) ⁽⁴⁾	-	-	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) Distribution yield is calculated based on the total distribution for the period divided by the closing quoted price.

(3) Management expense ratio is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.

(4) Portfolio turnover ratio ("PTR") is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis.

Average Total Return (as at 31 March 2010)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	2.9	3.1
Three years	3.2	3.5
Since launch of fund (13 July 2005)	3.6	3.9

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 annualised 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 for ABF Malaysia Bond Index Fund (“ABFMY1”) 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 and that unit prices and investment returns may go down, as well as up.

Manager's Report
For The Period 1 January 2010 to 31 March 2010

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 January 2010 to 31 March 2010.

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 March 2010** are as follows:

Code	Issuer	Coupon	Final Maturity	Notional Amount
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
MH090005	Malaysian Government	3.210	31 May 2013	3,000,000,000
GH100001	Malaysia Investment Issue	3.288	15 July 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
UI090123	Cagamas Berhad	4.350	23 December 2014	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
MJ100001	Malaysian Government	3.835	12 August 2015	3,500,000,000
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
VK090138	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

(Forward)

Code	Issuer	Coupon	Final Maturity	Notional Amount
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	12,500,000,000
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 Fund’s Assets that closely tracks the returns of the Benchmark Index.

ABF Malaysian 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 March 2010	As at 31 December 2009	Changes (%)
iBoxx ABF Malaysia Index	125.16	123.50	1.34
Net asset value (RM)	515,288,251	516,936,480	0.32
Units in circulation (units)	481,921,800	481,921,800	-
Net asset value per unit (RM)	1.0692	1.0727	-0.33
Total returns (%)	5.89 ^(a)	2.29 ^(b)	3.60
Benchmark returns (%)	5.56 ^(a)	2.35 ^(b)	3.21
Closing price quoted at Bursa Malaysia (RM)	1.070	1.070	-

(a) Total annualised returns for the financial period 1 January 2010 to 31 March 2010.

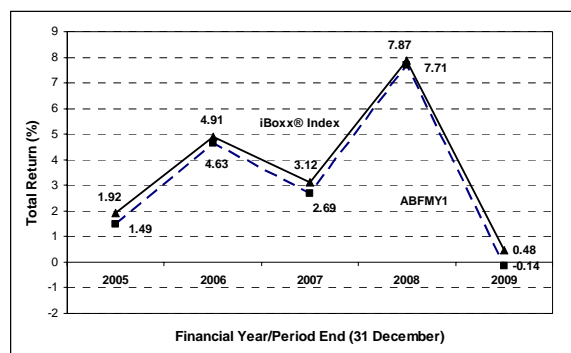
(b) Total annualised returns for the financial period 1 October 2009 to 31 December 2009.

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

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

Financial Year/Period End (31 December)	ABFMY1 (%)	iBoxx® Index (%)	Changes (%)
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

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



For the financial period ended 31 March 2010, the Fund registered a total return of 5.89%. The return of the Fund was 4.04% capital growth and 1.85% income growth. The Funds returns increased by 3.60%, outperforming the Benchmark, iBoxx® ABF Malaysia Bond Index of 5.56%. The Fund has achieved its investment objective which is to match the performance of the benchmark with a tracking error of less 50 basis points (bps).

As of 31 March 2010, total Net Asset Value (NAV) of the Fund stood at RM515,288,251, an increased by 0.32% as compared to RM516,936,480 on 31 December 2009. NAV per unit of the Fund was RM1.0692 per unit as compared to 1.0727 per unit as at 31 December 2009 for the financial period under review while the units in circulation for the Fund remain unchanged at 481,921,800 units. As of 31 March 2010, closing price for the Fund was quoted at RM1.070 and was par from the previous reporting as at 31 December 2009.

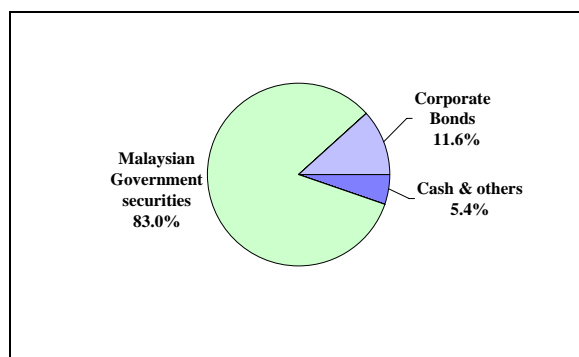
For the period under review, there were no significant changes in the state of affairs of the Fund, no unit split and no circumstances that materially affected the interest of the unitholders.

The Fund's income distribution (if any) is paid semi-annually. For the period under review, the Fund declared an 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 March 2010



	31 March 2010 (%)	31 December 2009 (%)	Changes (%)
Malaysian Government securities	83.0	83.4	-0.4
Quasi-Government bonds	11.6	11.4	0.2
Cash and others	5.4	5.2	0.2
Total	100.0	100.0	

Significant changes to asset allocation as at 31 March 2010

For the period under review, investment in Malaysian Government Securities (MGS) was reduced by 0.4% to 83.0% while investment in quasi-government bonds and cash were each increased by 0.2%.

Break down of unitholding by size

Size of holding	As at 31 March 2010		As at 31 December 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	17.0	4
10,001 – 100,000	140.0	3	140.0	3
101,000 to less than 5% of issue units	2,623.6	2	2,623.6	2
5% and above of issue units	479,134.7	1	479,134.7	1

Note: 5% of units in issue = 24,096,090 units (2009 = 24,096,090 units)

Market Review

At the end of January 2010, Malaysian Government Securities (MGS) yields closed mixed across all sectors. The yield of the 3-yr and 10-yr MGS ended the month slightly higher whereas the yields of the 5-yr ended the month lower. The 3-yr, 5-yr and 10-yr MGS ended the month at 3.275%, 3.764% and 4.282% respectively. The month of January 2010 also witnessed the new issuance of the RM3.5 billion 3.5-year Islamic Government Investment Issues (GII) and the reopening of the RM3.5 billion 10-yr MGS auction. The new issuance of the 3.5-yr Islamic GII saw a bid-to-cover ratio of 2.118 times with an average yield of 3.288% (low of 3.27% and high of 3.301%). The re-opening of the 10-yr MGS saw a bid-to-cover of 2.08 times with an average yield of 4.321% (low of 4.30% and high of 4.355%). Concurrently, there was a private placement for the 10-yr MGS amounting to RM2 billion, higher than the market expectations of RM1 billion.

MGS yield curve bearish flattened in the month of February 2010 amid market players' concern over an imminent rate hike by Bank Negara Malaysia (BNM). The yield of the 3-yr and 5-yr MGS ended the month higher whereas the yields of the 10-yr ended the month lower. The 3-yr, 5-yr and 10-yr MGS ended the month at 3.34%, 3.85% and 4.260% respectively. The month of February witnessed the new issuance of the RM3.5 billion 5.5-yr MGS. The new issuance of the 5.5-yr MGS saw a bid-to-cover ratio of 2.00 times with an average yield of 3.835% (low of 3.799% and high of 3.847%).

In March 2010, MGS yield curve shifted down as traders focused on the moderate inflation outlook signaling an accommodative monetary stance by BNM despite the hike of 25 basis points (bps) during the month. Ideally a bearish flattening should have occurred but what we saw was a bullish flattening across the board. All in all, the yield curve mostly bull flattened. Across tenures the 3-yr, 5-yr and 10-yr MGS ended the month lower compared to the previous month at 3.257%, 3.75% and 4.16% respectively. The month of March witnessed the new issuance of the RM3.5 billion 7.5-yr MGS and 5.5-yr GII which generated decent buying interest. The new issuance of the 7.5-yr MGS saw a bid-to-cover ratio of 2.137 times with an average yield of 4.012% (low of 3.993% and high of 4.022%) while the new issuance of the 5.5-yr GII saw a healthy bid-to-cover ratio of 1.937 times with an average yield of 3.860% (low of 3.393% and high of 3.877%).

Market Outlook

For MGS market, the development that has bearing on the supply demand dynamics of MGS market is the March 12th announcement on the possibility of Malaysia tapping the international capital market in the form of either conventional bonds or sukuk. Again here tapping foreign capital markets signals reduced domestic issuance and lowers the risk of volatility in yields.

Against this backdrop, we wish to highlight that the anticipated bearish flattening of the MGS yield curve -- where yields on the shorter tenure rise faster compared to the longer tenure-- typical in any interest rate hiking cycle -- gave way to bullish flattening, as we write. Here the long term rates were seen decreasing faster than short term rates leading to flattening of the curve and the benchmark yield curve shifted down significantly -- noted since 1st April 2010. On the flows front, demand from offshore players was seen across tenures with focus on 5-yr sectors in both MGS and GII lured by bullish technical for the USD-MYR. The bullish sentiment on MYR is expected to benefit mid to long end of curve over the coming weeks as further foreign inflows provide strong support to MGS. Going forward, we continue advocating investment in the 5-yr tenure MGS, as it offers the best value vis-à-vis other part of the MGS yield curve.

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 April 2010

ABF MALAYSIA BOND INDEX FUND

STATEMENT OF ASSETS AND LIABILITIES (unaudited) AS AT 31 MARCH 2010

	Note	31-3-2010 RM	31-3-2009 RM
ASSETS			
Investments	4	515,210,951	518,659,423
Cash at bank		<u>354,618</u>	<u>354,547</u>
Total Assets		<u>515,565,569</u>	<u>519,013,970</u>
LIABILITIES			
Sundry payables and accrued expenses		163,603	141,991
Amount due to Manager	5	47,767	45,198
Amount due to Trustee	6	33,437	31,639
Amount due to index provider	7	<u>32,511</u>	<u>58,328</u>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		<u>277,318</u>	<u>277,156</u>
NET ASSET VALUE AS AT 31 MARCH	8	<u>515,288,251</u>	<u>518,736,814</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>108 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 JANUARY 2010 TO 31 MARCH 2010

	Note	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
INVESTMENT INCOME			
Interest income		5,022,936	4,972,355
Net unrealised gain/(loss) on changes in value of investments		2,876,787	(12,817,459)
Net realised (loss)/gain on sale of investments		(174,463)	129,866
		<u>7,725,260</u>	<u>(7,715,238)</u>
Add: Accretion of discount		63,726	88,632
Less: Amortisation of premium		(268,050)	(163,889)
		<u>7,520,936</u>	<u>(7,790,495)</u>
EXPENDITURE			
Manager's fee	5	126,282	129,194
Trustee's fee	6	88,398	90,436
Licence fee	7	20,859	21,151
Audit fee		1,726	1,233
Tax agent's fee		1,233	1,233
Administrative expenses		15,114	9,874
		<u>253,612</u>	<u>253,121</u>
Total Expenditure		<u>253,612</u>	<u>253,121</u>
NET INCOME/(LOSS) BEFORE INCOME TAX		7,267,324	(8,043,616)
LESS: INCOME TAX EXPENSE	10	-	-
NET INCOME/(LOSS) AFTER INCOME TAX		<u>7,267,324</u>	<u>(8,043,616)</u>
INCOME DISTRIBUTION	12	<u>8,915,553</u>	<u>9,638,436</u>
Net Income/(Loss) After Income Tax comprises the following:			
Unrealised gain/(loss)		2,876,787	(12,817,459)
Realised gain		4,390,537	4,773,843
		<u>7,267,324</u>	<u>(8,043,616)</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 JANUARY 2010 TO 31 MARCH 2010**

	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
Net asset value at beginning of period	516,936,480	536,418,866
Net income/(loss) for the period	7,267,324	(8,043,616)
Net income distribution	<u>(8,915,553)</u>	<u>(9,638,436)</u>
Net asset value at end of period	<u>515,288,251</u>	<u>518,736,814</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 JANUARY 2010 TO 31 MARCH 2010

	Note	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Interest received		5,908,621	6,471,224
Proceeds from sale of investments		4,348,000	10,150,500
Tax agent's fee		(4,650)	
Payment for other administrative expenses		(13,282)	(5,609)
License fee paid		(20,759)	-
Trustee's fee paid		(85,660)	(92,333)
Manager's fee paid		(122,371)	(131,904)
Purchase of investments		-	(2,897,650)
Net Cash Generated From Operating And Investing Activities		<u>10,009,899</u>	<u>13,494,228</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution paid		<u>(8,915,553)</u>	<u>(9,638,436)</u>
Net Cash Used In Financing Activities		<u>(8,915,553)</u>	<u>(9,638,436)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,094,346	3,855,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>26,890,660</u>	<u>5,429,537</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	<u><u>27,985,006</u></u>	<u><u>9,285,329</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 and the Securities Commission’s Guidelines on Exchange Traded Funds.

The Fund has not adopted the following FRSs, amendments to FRSs, IC Interpretations, TR and SOP which have effective date as follows:

		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 (revised in 2009)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010

(Forward)

**Effective for
financial periods
beginning on or after**

FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010 and 1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued operations	1 January 2010 and 1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 8	Operating Segments	1 January 2010
Amendments to FRS 107	Statements of Cash Flows	1 January 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110	Events After the Reporting Period	1 January 2010
Amendments to FRS 116	Property, Plant and Equipment	1 January 2010
Amendments to FRS 117	Leases	1 January 2010
Amendments to FRS 118	Revenue	1 January 2010
Amendments to FRS 119	Employee Benefits	1 January 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosures of Government Assistance	1 January 2010
Amendments to FRS 123	Borrowing Costs	1 January 2010
Amendments to 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 128	Investments in Associates	1 January 2010
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131	Interests in Joint Ventures	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010

(Forward)

		Effective for financial periods beginning on or after
Amendments to FRS 134	Interim Financial Reporting	1 January 2010
Amendments to FRS 136	Impairment of Assets	1 January 2010
Amendments to FRS 138	Intangible assets	1 January 2010 and 1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010 and 1 July 2010
Amendments to FRS 140	Investment Property	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 IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
SOP i-1	Financial Reporting from an Islamic Perspective	1 January 2010

Other than FRS 7, FRS 101 (revised in 2009) and FRS 139, the other FRSs, amendments to FRSs, IC Interpretations, TR and SOP are either not applicable or are expected not to have any significant impact on the financial statements of the Fund upon their initial application.

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

The adoption of FRS 101 (revised in 2009) will have the following impacts to the financial statements of the Fund upon its initial application:

- Entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.
- When entity restated its comparative figures in financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the beginning of the earliest comparative period in a complete set of financial statements.
- Entities must disclose amount reclassified to profit or loss that were previously recognized in other comprehensive income and the income tax relating to each component of other comprehensive income, either in the statement of comprehensive income or in the notes;

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 March 2010, 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 issues 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 that 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

	31-3-2010	31-3-2009
	RM	RM
At carrying value		
Short-term deposits with licensed banks under short-term money market deposits	27,630,388	8,930,782
Quasi-Government bonds	59,835,816	54,885,315
Malaysian Government securities	<u>427,744,747</u>	<u>454,843,326</u>
	<u>515,210,951</u>	<u>518,659,423</u>
At nominal value		
Short-term deposits with licensed banks under short-term money market deposits	27,628,700	8,930,300
Quasi-Government bonds	60,000,000	55,000,000
Malaysian Government securities	<u>415,000,000</u>	<u>440,000,000</u>

Details of investments as at 31 March 2010 are as follows:

Maturity date	Issuer/Stock no.	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposits with licensed banks under short-term money market deposits					
01.04.2010	Hong Leong Bank Berhad	7,628,700	7,629,166	7,628,700	1.48
01.04.2010	OCBC Bank (M) Berhad	<u>20,000,000</u>	<u>20,001,222</u>	<u>20,000,000</u>	<u>3.88</u>
		<u>27,628,700</u>	<u>27,630,388</u>	<u>27,628,700</u>	<u>5.36</u>
Quasi-Government bonds					
12.03.2013	The Export - Import Bank of Korea	10,000,000	10,019,356	10,028,474	1.94
06.06.2014	Sil Terra Capital Berhad (Forward)	15,000,000	15,125,815	15,233,014	2.93

Maturity date	Issuer/Stock no.	Nominal value	Carrying value	Purchase cost	Carrying value as a percentage of net asset value
		RM	RM	RM	%
30.11.2016	Syarikat Prasarana Negara Berhad	10,000,000	10,182,723	9,823,474	1.98
12.03.2018	The Export - Import Bank of Korea	10,000,000	9,424,658	10,026,890	1.83
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	10,081,287	9,968,253	1.96
27.09.2024	Syarikat Prasarana Negara Berhad	<u>5,000,000</u>	<u>5,001,977</u>	<u>5,021,163</u>	<u>0.97</u>
		<u>60,000,000</u>	<u>59,835,816</u>	<u>60,101,268</u>	<u>11.61</u>
Malaysian Government securities					
28.04.2011	MJ050004	35,000,000	36,023,482	35,060,874	6.99
28.09.2011	MN01001V	35,000,000	35,602,436	35,298,258	6.91
15.06.2012	MJ060005	40,000,000	41,009,171	40,305,422	7.95
27.08.2012	MH090001	15,000,000	14,832,203	14,997,763	2.88
25.02.2013	MN03003V	50,000,000	50,828,964	50,014,630	9.87
31.07.2013	MJ080001	15,000,000	15,123,679	15,019,242	2.93
30.04.2014	MN04002W	45,000,000	48,483,522	48,671,913	9.41
30.12.2014	GJ090030	10,000,000	10,231,622	10,044,814	1.99
16.03.2015	GN050001	10,000,000	10,208,213	10,329,639	1.98
30.09.2015	MO05002S	15,000,000	15,668,348	15,988,833	3.04
15.09.2016	MO060001	25,000,000	25,509,221	25,504,161	4.95
15.02.2017	MN070002	30,000,000	29,935,668	30,569,550	5.81
15.06.2017	GN070008	5,000,000	5,020,924	5,151,990	0.97
07.02.2018	MS03002H	15,000,000	15,286,359	14,626,011	2.97
31.10.2018	GN080031	20,000,000	20,523,984	20,985,934	3.98
30.07.2019	MS04003H	15,000,000	16,922,806	16,981,719	3.29
29.11.2019	MO090002	5,000,000	5,164,597	5,084,854	1.00
15.07.2025	MY050003	10,000,000	10,313,550	10,366,331	2.00
15.09.2026	MX060002	10,000,000	10,245,754	10,305,114	1.99
15.09.2028	MX080003	<u>10,000,000</u>	<u>10,810,244</u>	<u>10,673,676</u>	<u>2.10</u>
		<u>415,000,000</u>	<u>427,744,747</u>	<u>425,980,728</u>	<u>83.01</u>
Total investments		<u>502,628,700</u>	<u>515,210,951</u>	<u>513,710,696</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	
	31-3-2010	31-3-2009	31-3-2010	31-3-2009
	%	%	Days	Days
Short-term deposits with licensed banks under short-term money market deposits	<u>2.23</u>	<u>1.97</u>	<u>1</u>	<u>1</u>

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

	Effective yield*	
	31-3-2010	31-3-2009
	%	%
Quasi-Government bonds	4.36	4.37
Malaysian Government securities	<u>3.48</u>	<u>3.13</u>

* As provided by IIC

Analyses of the remaining maturity of investments as at 31 March 2010 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>185,000,000</u>	<u>160,000,000</u>

5. 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 from 1 January 2009 to 31 March 2009) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period from 1 January 2010 to 31 March 2010.

6. 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 from 1 January 2009 to 31 March 2009) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period from 1 January 2010 to 31 March 2010.

7. 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

8. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER

Net asset value attributable to unitholders is represented by:

	Note	31-3-2010 RM	31-3-2009 RM
Unitholders' contribution	(a)	505,257,375	505,257,375
Accumulated gain	(b)	<u>10,030,876</u>	<u>13,479,439</u>
		<u>515,288,251</u>	<u>518,736,814</u>

(a) UNITHOLDERS' CONTRIBUTION/UNITS IN CIRCULATION

	1-1-2010 to 31-3-2010		1-1-2009 to 31-3-2009	
	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 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 March 2010 and 31 March 2009. Holdings by parties related to the Manager as at 31 March 2010 were 2,483,559 units valued at RM2,657,408 (27,184,359 units valued at RM29,261,244 as at 31 March 2009).

(b) ACCUMULATED GAIN

	Note	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
At beginning of period		11,679,105	31,161,491
Net income/(loss) for the period		7,267,324	(8,043,616)
Income distribution for the period	12	<u>(8,915,553)</u>	<u>(9,638,436)</u>
At end of period		<u>10,030,876</u>	<u>13,479,439</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 RM515,288,251 by the 481,921,800 units in issue as at 31 March 2010 (RM518,736,814 by the 481,921,800 units as at 31 March 2009).

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 expenses applicable to net income/(loss) before income tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Fund is as follows:

	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
Net income/(loss) before income tax	<u>7,267,324</u>	<u>(8,043,616)</u>
Taxation at Malaysian statutory rate of 25%	1,816,800	(2,010,900)
Tax effect of:		
(Income not subject to tax)/Loss not deductible for tax purposes	(1,880,200)	1,947,600
Permitted expenses not deductible for tax purposes	29,400	30,200
Non-permitted expenses for tax purposes	30,800	29,800
Permitted expenses not used not available for future years	<u>3,200</u>	<u>3,300</u>
Tax expense for the financial period	<u><u>-</u></u>	<u><u>-</u></u>

11. 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.

12. INCOME DISTRIBUTION

Distribution to unitholders is from the following sources:

	1-1-2010 to 31-3-2010 RM	1-1-2009 to 31-3-2009 RM
Undistributed net income brought forward - realised	6,377,596	9,904,916
Interest income	3,193,565	144,194
Accretion of discount	40,517	2,570
Amortisation of premium	(268,050)	(163,889)
Net realised (loss)/gain on sale of investments	<u>(174,463)</u>	<u>3,766</u>
	9,169,165	9,891,557
Less: Expenses	<u>(253,612)</u>	<u>(253,121)</u>
Total amount of distribution	<u><u>8,915,553</u></u>	<u><u>9,638,436</u></u>

As distribution for the period 1 January 2010 to 31 March 2010 was declared on 11 January 2010, the income and expenses as stated above were based on position as at 31 December 2009 and it is a final income distribution for the financial year ended 31 December 2009.

	1-1-2010 to 31-3-2010		1-1-2009 to 31-3-2009	
	Date of distribution	RM	Date of distribution	RM
GROSS AND NET				
Final distribution *				
- 1.85 (2.00 in 2009)				
sen per unit	11 January 2010	<u>8,915,553</u>	6 January 2009	<u>9,638,436</u>

* Final income distribution for the financial year ended 31 December 2009 and 31 December 2008 respectively.

13. CASH AND CASH EQUIVALENTS

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

	31-3-2010	31-3-2009
	RM	RM
Short-term deposits with licensed banks under short-term money market deposits (Note 4)	27,630,388	8,930,782
Cash at bank	<u>354,618</u>	<u>354,547</u>
	<u><u>27,985,006</u></u>	<u><u>9,285,329</u></u>

14. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-1-2010 to	1-1-2009 to
	31-3-2010	31-3-2009
	%	%
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust expenses	<u>0.01</u>	<u>0.01</u>
Total MER	<u><u>0.20</u></u>	<u><u>0.20</u></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, Nil for the financial period from 1 January 2010 to 31 March 2010 (0.01 times for the financial period from 1 January 2009 to 31 March 2009).

15. 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.

16. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period 1 January 2010 to 31 March 2010 are as follows:

Financial institutions	Transaction value	
	RM	%
The Royal Bank of Scotland Berhad	<u>4,372,052</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.

17. RISK MANAGEMENT POLICIES

The Fund is exposed to a variety of risks that included market risk, interest rate risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and stock risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risk, careful selection of stocks for investment coupled with stringent compliance to investment restrictions as stipulated by the Securities Commission Act, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as backbone of risk management of the Fund.

Market Risk

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

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

Interest Rate Risk

Interest rate risk will affect the value of the Fund's investments, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Interest rate moves in the opposite direction of bond prices. When interest rates rise, bond prices will fall and vice versa. When interest rate trend is anticipated to rise, the Fund Manager will reduce the exposure to fixed income securities.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates. The Fund has a policy to ensure that the rates obtained are competitive.

Credit Risk

Credit risk applies to debt instruments such as term deposits, bonds and debentures. The issuer of such instruments may not be able to 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 a 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 the 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.

18. **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.