

**ABF Malaysia Bond Index Fund**

**Manager's Report and Financial Statements (Unaudited)  
For the Period from 1 July 2010 to 30 September 2010**

(In Ringgit Malaysia)

**MANAGER**

AmInvestment Services Berhad  
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55 Jalan Raja Chulan  
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**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

## Corporate Directory

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## ***Manager's Report***

Dear Unitholders,

We are pleased to present you the Manager's Report and the unaudited accounts of ABF Malaysia Bond Index Fund ("the Fund") for the financial period 1 July 2010 to 30 September 2010.

### **Salient Information of the Fund**

<b>Name of Fund</b>	ABF MALAYSIA BOND INDEX FUND
<b>Fund Category/Type</b>	Fixed Income ETF/ Income
<b>Fund Objective</b>	A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the Benchmark Index.

**Index Component of the Fund** Details of the index component as at 30 September 2010 are as follows:

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
MN01001V	Malaysian Government Syarikat Prasarana	3.833	28 September 2011	17,718,000,000
PM03061S	Negara Berhad	3.800	30 November 2011	2,187,261,374
MJ060005	Malaysian Government Cagamas	3.718	15 June 2012	12,563,197,000
VG090738	Berhad	3.900	19 June 2012	505,000,000
MH090001	Malaysian Government	2.509	27 August 2012	12,000,000,000
GI070029	Investment Issue	3.581	14 September 2012	3,500,000,000
MN03003V	Malaysian Government	3.702	25 February 2013	16,575,000,000
GH090053	Government Investment Issue	3.278	15 March 2013	4,000,000,000
GI080001	Malaysia Investment Issue	3.604	29 March 2013	2,000,000,000

(Forward)

<b>Index Component of the Fund</b>	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
	UG100018	Bank Pembangunan Malaysia	3.660	12 April 2013	500,000,000
	VG100059	Bank Pembangunan Malaysia	3.640	12 April 2013	500,000,000
	VG100104	Cagamas Berhad	3.650	07 May 2013	600,000,000
	MJ070005	Malaysian Government	3.700	15 May 2013	3,000,000,000
	MH090005	Malaysian Government	3.210	31 May 2013	6,000,000,000
	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
	VG100225	Cagamas Berhad	3.480	19 August 2013	1,000,000,000
	GJ080019	Malaysia Government 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	06 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

(Forward)

<b>Index Component of the Fund</b>	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
	UI100019	Bank Pembangunan Malaysia	4.150	10 April 2015	1,500,000,000
	VI100060	Danga Capital Berhad	4.350	13 April 2015	2,000,000,000
	VI100070	Cagamas Berhad Malaysia	4.350	27 April 2015	500,000,000
	GI100042	Investment Issue	3.473	15 July 2015	3,000,000,000
	MJ100001	Malaysian Government	3.835	12 August 2015	10,000,000,000
	GJ100009	Malaysia Investment Issue	3.860	30 September 2015	3,500,000,000
	MO05002S	Malaysian Government	4.720	September 2015	6,975,000,000
	PS00196F	Bank Pembangunan & Infratraktur 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	08 December 2016	2,000,000,000
	UN070014	Asia Development Bank	4.000	08 February 2017	500,000,000
	MN070002	Malaysian Government	3.814	15 February 2017	9,500,000,000

(Forward)

<b>Index Component of the Fund</b>	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
	GN070008	Malaysia Investment Issue	3.941	15 June 2017	3,000,000,000
	ML100002	Malaysian Government	4.012	15 September 2017	7,000,000,000
	MS03002H	Malaysian Government Syarikat	4.240	07 February 2018	15,100,000,000
	DN080403	Prasarana Negara Berhad Malaysia	4.400	30 May 2018	1,200,000,000
	GN080031	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 Malaysia	5.734	30 July 2019	6,500,000,000
	GO090001	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 Malaysia	4.378	November 2019	17,600,000,000
	GO090061	Investment Issue	4.492	30 April 2020	3,500,000,000
	GN100021	Malaysia Investment Issue	4.284	15 June 2020	5,500,000,000
	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	4.850	27 September	500,000,000



<b>Index Component of the Fund</b>	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount</b>
	MY050003	Negara Berhad Malaysian Government	4.837	2024 15 July 2025	3,000,000,000
	(Forward)				
	PZ00197S	Bank Pembangunan & Infratraktur Malaysia Berhad	7.500	30 October 2025	500,000,000
	MX060002	Malaysian Government	4.709	September 2026	3,000,000,000
	MX070003	Malaysian Government	3.502	31 May 2027	6,000,000,000
	MX080003	Malaysian Government	5.248	September 2028	4,000,000,000
	VX090825	Syarikat Prasarana Negara Berhad	5.070	September 2029	1,500,000,000
	MX100003	Malaysian Government	4.498	15 April 2030	2,000,000,000

Source: International Index Company Limited ("IIC")

**Duration of the Fund** 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.

**Benchmark of the Fund** iBoxx® ABF Malaysia Bond Index

**Income Distribution Policy of the Fund** Income distribution (if any) will be semi annually.

**Breakdown of Unit Holdings by Size**

For the period under review, the size of the Fund stood at 481,922 million units.

**Breakdown of unitholding by size**

Size of holding	As at 30 September 2010		As at 30 June 2010	
	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	19.0	5	17.0	4
10,001 – 100,000	255.0	5	140.0	3
101,000 to less than 5% of issue units	2,506.6	2	2623.6	3
5% and above of issue units	479,134.7	1	479,134.7	1

## Fund Performance Data

**Portfolio Composition** Details of portfolio composition of ABF Malaysia Bond Index Fund (“the Fund”) for the financial periods as at 30 September 2010, 30 June 2010 and three financial years as at 31 December are as follows:

	As at 30-9-2010 %	As at 30-6-2010 %	FY 2009 %	FY 2008 %	FY 2007 %
Malaysian Government securities	86.6	86.1	83.4	88.3	91.9
Quasi-Government bonds	10.8	10.6	11.4	10.7	4.9
Cash and others	2.6	3.3	5.2	1.0	3.2
	100.0	100.0	100.0	100.0	100.0

*Note: The abovementioned percentages are based on total investment carrying value plus cash.*

**Performance Details** Performance details of the Fund for the financial periods ended 30 September 2010, 30 June 2010 and three financial year ended 31 December are as follows:

	3 months ended 30-9-2010	3 months ended 30-6-2010	FY 2009	FY 2008	FY 2007
Net asset value (RM)	525,414,420	513,485,190	516,936,480	536,418,866	505,604,876
Units in circulation (units)	481,921,800	481,921,800	481,921,800	481,921,800	481,921,800
Net asset value per unit (RM)*	1.0902	1.0655	1.0727	1.1131	1.0491
Highest net asset per unit (RM)*	1.0909	1.0823	1.1197	1.1134	1.0946
Lowest net asset per unit (RM)*	1.0662	1.0619	1.0510	1.0215	1.0487
Closing quoted price (RM/unit)*	1.0620	1.0800	1.0700	1.0980	1.0580
Highest quoted price (RM/unit)*	1.0640	1.0830	1.1170	1.0980	1.0960
Lowest quoted price (RM/unit)*	1.0620	1.0770	1.0550	1.0570	1.0510
Total return (%) <sup>(1)</sup>	9.52	6.28	-0.14	7.71	2.69
- Capital growth (%)	9.52	4.28	-3.99	6.16	-1.96
- Income distribution (%)	-	2.00	3.85	1.55	4.65
Gross distribution per unit (sen)	-	2.00	3.85	1.55	4.65
Net distribution per unit (sen)	-	2.00	3.85	1.55	4.65
Distribution yield (%) <sup>(2)</sup>	-	1.85	3.60	1.41	4.40
Management expense ratio (%) <sup>(3)</sup>	0.20	0.20	0.20	0.23	0.27
Portfolio Turnover ratio (%) <sup>(4)</sup>	-	0.17	0.21	0.33	0.39

\* Above price 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 period/years, computed based on net asset value per unit and net of all fees, annualised over one year.

(2) Distribution yield is calculated based on the total distribution for the period divided by the closing quoted price.

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

(4) Portfolio turnover ratio ("PTR") is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.17 times (100%) as compared to 0.17 times for quarter ended 30 June 2010 mainly due to decrease in investing activities

### Average Total Return

	ABFMY1(a) %	iBoxx Index(b) %
One year	6.0	5.9
Three years	4.2	4.5
Since launch of Fund (13 July 2005)	4.0	4.3

### Annual Total Return

Financial Year (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 <sup>(c)</sup>	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 of 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. Unit prices and investment returns may fluctuate.**

**Has the Fund achieved its objective?**

For the year under review, the Fund has met its investment objective.

**Fund Performance**

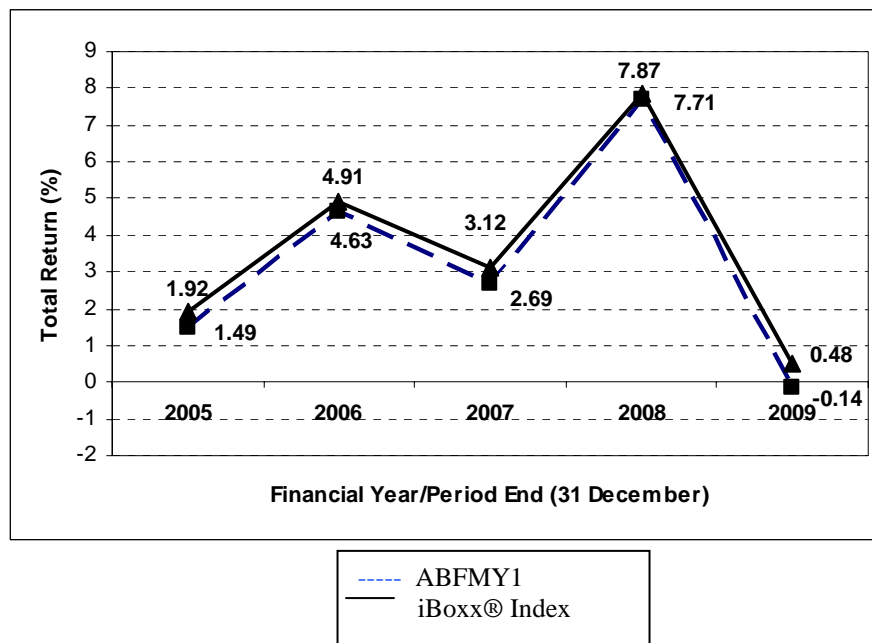
For the period under review, the Fund recorded a return of 9.52% comprising of 9.52% capital growth and no income distribution.

The Fund registered a return of 9.52%, and outperforming the benchmark return of 5.9% by 3.62%.

The NAV of the Fund increased by 2.32% from RM513,485,190 to RM525,414,420. The NAV per unit of the Fund increased by 2.32% from RM1.0655 to RM1.0902, while no changes in units in circulations.

The closing price quoted at Bursa Malaysia of the Fund decreased by 1.67% from RM1.0800 to RM1.0620.

The Line Chart below shows the comparison between the annual performance of ABFMYI and iBoxx® Index for each of the financial period ended 30 September.



**Past Performance is no indication of the future performance of the Fund.**

**Strategies and Policies Employed**

A passive strategy 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

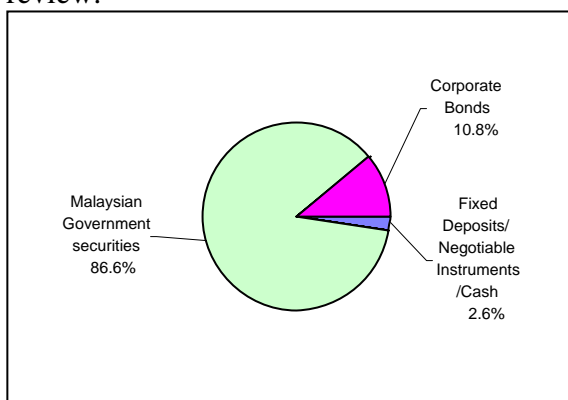
**Portfolio Structure**

This table below is the asset allocation of the Fund for the period under review.

	<b>30 September 2010 (%)</b>	<b>30 June 2010 (%)</b>	<b>Change (%)</b>
Malaysian Government securities	86.6	86.1	0.5
Quasi-Government bonds	10.8	10.6	0.2
Cash and others	2.6	3.3	-0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The have been no significant changes to the assets allocation since the last report.

This pie chart below shows the sectoral composition of the Fund for the period under review.



**Distribution/ unit splits**

There was no income distribution (if any) is paid and no unit split was made for the period under review.

**State of Affairs of the Fund**

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

**Rebates and Soft Commission**

It is our policy to pay all rebates 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.

## Market Review

In July 2010, MGS yield curve mostly bull flattened despite the interest rate hike as there are signals that the central bank is done with its rate normalization. The 3 yr, 5 yr and 10 yr MGS ended the month at 3.15%, 3.37% and 3.87% respectively. The Corporate Bond market saw active trading. Trading interest clustered at AAA and AA segments due to better liquidity in those segments. There was a number of primary issuances this month, mostly AAA and AA-rated. Among them were Hyundai Capital Services Inc, Toyota Capital Malaysia Sdn Bhd, The Export-Import Bank of Korea (KEXIM) and AEON Credit Service (M) Berhad. LBS Bina Group Bhd also issued from a programme guaranteed by Danajamin Nasional Berhad. Overall, investors remained net buyers of corporate bonds and financial names continued to attract demand. Yields declined across the AAA and AA rating segments although not as much as the MGS market. This effectively resulted in credit spreads widening especially in the AA rated segment of the market.

In August 2010, we saw the re-opening of the MYR 3.1bn 10-year MGS and the RM3 bn 5-year MGS auctions. The reopening of the 10-year MGS saw a bid-to-cover of 3.30 times with an average yield of 3.839% (low of 3.817% and high of 3.845%). There was relatively weaker demand for the MGS08/15 re-opening auction which saw a bid-to-cover ratio of 1.92x with an average yield of 3.290% (low of 3.259% and high of 3.304%). Towards the end of the month, we began to see profit taking activities following recent gains and also because of the weaker than anticipated demand of the 5-year MGS auction. The 3 yr, 5 yr and 10 yr MGS ended the month at 3.14%, 3.37% and 3.69% respectively. On corporate bonds, trading interest clustered at AAA and AA segments due to better liquidity in those segments. Banking, quasi-government and quasi-government-related names attracted interest. Credit spreads tightened slightly across all rating segments while Bank Negara's indicative PDS yields shed up to 7bps. During the month, facilities by PadiBeras Nasional Berhad, Abu Dhabi Commercial Bank, Malaysia Airports Holdings Bhd and Cagamas Berhad were priced. Cagamas Berhad's landmark Sukuk al-Amanah Li al- Istithmar (Sukuk ALIm) are intended to be Shari'ah-compliant Islamic securities that are tradable in the domestic and international markets. The Islamic principles of the structure are expected to be acceptable to a wider range of domestic and international investors. Notably, Sukuk ALIm attracted strong interest of 43% from offshore investors, with 33% from Middle Eastern investors.

In September 2010, MGS yield curve closed mixed as foreign buying continued due to the strengthening of the Ringgit and talk of reviving the offshore trading of the Ringgit. The yield curve bull flattened as mid to long tenured yields dropped. Across tenures the 3 yr, 5 yr and 10 yr MGS ended at 3.15%, 3.24% and 3.62% respectively. The Corporate Bond market saw lighter trading due to the holidays. Trading interest continued to cluster at AAA and AA segments due to better liquidity in those segments. Overall, we continued to see net buying activities. Yields declined across all rating segments although not as much as the MGS market, which effectively resulted in credit spreads widening. There were a few primary issuances during the month.

## **Market Outlook**

BNM is seen to be taking a more cautious stance on local economy as recent economic data point to a moderation in growth while the external environment continue to produce mixed but still fragile recoveries in the developed economies. The latest BNM pause on OPR would point to no more rate hikes by BNM for the remainder of 2010.

Subsidy on petrol price will be largely intact as there is no announcement on subsidy reforms during the budget. This seems to suggest that petrol hike is not imminent in the near future. Other supporting factors include a higher petrol subsidy to be allocated by the government and the possibility of a snap election in early 2011. This should translate into a benign inflation going into 2011.

The excess liquidity in the banking system and any further “speculative play” on Ringgit shall lend buying support to bond market in general despite the current fair to expensive valuation on bonds, especially for MGS.

However, with an anticipated higher MGS/GII supply in 2011, a potential reversal of capital flows and higher overseas investment limit by EPF, the markets may be susceptible to profit taking activities, especially with the year-end approaching. Also, sentiments could be dictated by a new calendar on MGS auctions expected to release in November or December. As such, markets are expected to be choppy and volatile.

Kuala Lumpur  
AmInvestment Services Berhad

29 October 2010



**ABF Malaysia Bond Index Fund****STATEMENT OF ASSETS AND LIABILITIES (Unaudited)  
AS AT 30 SEPTEMBER 2010**

	<b>Note</b>	<b>2010 RM</b>	<b>2009 RM</b>
<b>ASSETS</b>			
Unquoted investments	4	525,271,057	513,904,296
Cash at banks		<u>451,027</u>	<u>354,567</u>
Total Assets		<u>525,722,084</u>	<u>514,258,863</u>
<b>LIABILITIES</b>			
Sundry payables and accrued expenses		195,817	183,946
Amount due to index provider	5	35,986	-
Amount due to Manager	6	44,448	46,364
Amount due to Trustee	7	<u>31,113</u>	<u>32,455</u>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		<u>307,364</u>	<u>262,765</u>
NET ASSET VALUE AS AT 30 SEPTEMBER	8	<u>525,414,720</u>	<u>513,996,098</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>109.02 sen</u>	<u>106.66 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 FROM 1 JULY 2010 TO 30 SEPTEMBER 2010

	Note	1-7-2010 to 30-9-2010 RM	1-7-2009 to 30-9-2009 RM
<b>INVESTMENT INCOME</b>			
Interest income		5,192,215	5,151,585
Net unrealised gain on changes in value of investment		7,246,203	2,173,801
Net realised gain on sales of investment		-	835,367
		<u>12,438,418</u>	<u>8,160,753</u>
Add: Accretion of discount		80,355	94,593
Less: Amortisation of premium		<u>(328,058)</u>	<u>(301,561)</u>
Gross Income		<u>12,190,715</u>	<u>7,953,785</u>
<b>EXPENDITURE</b>			
Manager's fee	6	130,868	128,803
Trustee's fee	7	91,607	90,162
License fee	5	21,501	21,294
Audit fee		1,891	1,261
Tax agent's fee		1,378	1,261
Administrative expenses		<u>13,940</u>	<u>10,603</u>
Total Expenditure		<u>261,185</u>	<u>253,384</u>
NET INCOME BEFORE INCOME TAX		11,929,530	7,700,401
LESS: INCOME TAX EXPENSE	10	<u>-</u>	<u>-</u>
NET INCOME AFTER INCOME TAX		<u>11,929,530</u>	<u>7,700,401</u>
INCOME DISTRIBUTION	12	<u>-</u>	<u>8,915,553</u>
Net income after income tax comprises the following:			
Realised income		4,683,327	5,526,600
Unrealised gain		<u>7,246,203</u>	<u>2,173,801</u>
		<u>11,929,530</u>	<u>7,700,401</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 FROM 1 JULY 2010 TO 30 SEPTEMBER 2010

	Note	1-7-2010 to 30-9-2010 RM	1-7-2009 to 30-9-2009 RM
Net asset value at beginning of period		513,485,190	515,211,250
Net income for the period		11,929,530	7,700,401
Net income distribution	12	<u>-</u>	<u>(8,915,553)</u>
Net asset value at end of period		<u>525,414,720</u>	<u>513,996,098</u>

The accompanying notes form an integral part of the financial statements.

## ABF Malaysia Bond Index Fund

### CASH FLOW STATEMENT (Unaudited) FOR THE PERIOD FROM 1 JULY 2010 TO 30 SEPTEMBER 2010

	Note	1-7-2010 to 30-9-2010 RM	1-7-2009 to 30-9-2009 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		-	35,314,700
Interest received		6,336,495	6,212,558
Payment for other administrative expenses		(1,629)	(6,135)
License fee paid		(19,780)	(69,725)
Trustee's fee paid		(90,251)	(89,351)
Manager's fee paid		(128,930)	(127,645)
Purchase of investments		-	(29,886,000)
		<hr/>	<hr/>
Net Cash Generated From Operating And Investing Activities		6,095,905	11,348,402
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution paid		(9,638,436)	(8,915,553)
		<hr/>	<hr/>
Net Cash Used In Financing Activities		(9,638,436)	(8,915,553)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(3,542,531)	2,432,849
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>			
		<hr/>	<hr/>
		17,341,267	25,406,124
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
	13	<hr/>	<hr/>
		13,798,736	27,838,973

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 in Malaysia.

The Fund has adopted FRS 8 Operating Segments for financial period beginning on or after 1 July 2009. The Fund only has one reporting segment as disclosed in Note 15.

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

		<b>Effective for financial periods beginning on or after</b>
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
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)

		<b>Effective for financial periods beginning on or after</b>
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 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemption for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010 and 1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
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 7	Improving Disclosures about Financial Instruments	1 January 2011
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 and 1 July 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
Amendments to FRS 132	Classification of Rights Issues	1 March 2010

(Forward)

		<b>Effective for financial periods beginning on or after</b>
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 4	Determining whether an Arrangement Contains a Lease	1 January 2011
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 January 2012
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
IC Interpretation 18	Transfer of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
TR i-4	Shariah Compliant Sale Contracts	1 January 2011
SOP i-1	Financial Reporting from an Islamic Perspective	1 January 2010

Other than FRS 7, FRS 101 (revised in 2009) FRS 132 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 net asset value, 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 net asset value.
- 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 recognised 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;
- New terminologies will replace ‘statement of assets and liabilities’ with ‘statement of financial position’, and ‘cash flow statement’ with ‘statement of cash flows’.

***Amendments to FRS 132: Financial Instruments: Presentation and FRS 101: Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation:***

- These amendments require entities to classify puttable financial instruments as equity, if the instruments have certain particular features and meet certain conditions.
- The unitholders’ contribution has the features and meets the conditions for classification as equity. Consequently, upon adoption of the Amendments to FRS 132, unitholders’ contribution which is currently classified as financial liabilities will be reclassified as equity.



### 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**

Current tax is the expected amount of income tax payable in respect of the taxable income for the financial year/period and is measured using the tax rates that have been enacted at the balance sheet date.

The tax effects of transactions are recognised, using the 'balance sheet' method and all taxable temporary differences are recognised. As at 30 September 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 goods or services received.

### **Unitholders' Contribution**

Trust units are classified as unitholders' contribution. Cash distributions on trust units are recognised in net asset value attributable to unitholders in the financial year/period in which they are declared.

### **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, payables and net asset value attributable to unitholders. 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. UNQUOTED INVESTMENTS**

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
At carrying value:		
Short-term deposit with licensed bank under short-term money market deposit	13,347,709	27,484,406
Quasi-Government bonds	56,868,055	54,063,123
Malaysian Government securities	455,055,293	432,356,767
	<u>525,271,057</u>	<u>513,904,296</u>
At nominal value:		
Short-term deposit with licensed bank under short-term money market deposit	13,346,700	27,482,900
Quasi-Government bonds	55,000,000	55,000,000
Malaysian Government securities	435,000,000	420,000,000
	<u>435,000,000</u>	<u>420,000,000</u>

Details of investments as at 30 September 2010 are as follows:

<b>Maturity date</b>	<b>Issuer/ Stock number</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 deposit with licensed bank under short-term money market deposit</b>					
01.10.2010	OCBC Bank (M) Berhad	13,346,700	13,347,709	13,346,700	2.54
<b>Quasi-Government bonds</b>					
12.03.2013	The Export-Import Bank of Korea	10,000,000	10,086,121	10,028,474	1.92
06.06.2014	Sil Terra Capital Berhad	15,000,000	15,317,918	15,233,014	2.91
30.11.2016	Syarikat Prasarana Negara Berhad	5,000,000	5,204,945	4,911,737	0.99
12.03.2018	The Export-Import Bank of Korea	10,000,000	10,539,192	10,026,890	2.00
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	10,536,869	9,968,253	2.01
27.09.2024	Syarikat Prasarana Negara Berhad	5,000,000	5,183,010	5,021,163	0.99
		<u>55,000,000</u>	<u>56,868,055</u>	<u>55,189,531</u>	<u>10.82</u>

<b>Maturity date</b>	<b>Issuer/ Stock number</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>Malaysia Government securities</b>					
28.09.2011	MN01001V	30,000,000	30,273,477	30,347,639	5.76
15.06.2012	MJ060005	20,000,000	20,439,423	20,262,608	3.89
27.08.2012	MH090001	20,000,000	19,853,468	19,980,715	3.78
25.02.2013	MN03003V	50,000,000	50,801,106	50,014,630	9.67
15.03.2013	GH090053	5,000,000	5,007,244	5,035,441	0.95
15.05.2013	MJ070005	5,000,000	5,132,872	5,182,945	0.98
31.05.2013	MH090005	5,000,000	5,059,438	5,099,990	0.96
31.07.2013	MJ080001	20,000,000	20,256,859	20,117,068	3.85
30.04.2014	MN04002W	45,000,000	48,746,319	48,671,913	9.28
30.12.2014	GJ090030	10,000,000	10,312,149	10,044,814	1.96
27.02.2015	MJ090004	25,000,000	25,490,970	25,230,766	4.85
16.03.2015	GN050001	10,000,000	10,387,090	10,329,639	1.97
12.08.2015	MJ100001	5,000,000	5,156,695	5,099,495	0.98
30.09.2015	GJ100009	5,000,000	5,111,033	5,053,511	0.97
30.09.2015	MO05002S	15,000,000	15,895,956	15,988,833	3.03
15.09.2016	MO060001	20,000,000	20,889,675	20,434,895	3.97
15.02.2017	MN070002	20,000,000	20,439,351	20,504,800	3.89
15.06.2017	GN070008	5,000,000	5,166,146	5,151,989	0.98
07.02.2018	MS03002H	15,000,000	15,684,098	14,626,011	2.99
31.10.2018	GN080031	20,000,000	21,201,423	20,985,934	4.04
30.07.2019	MS04003H	15,000,000	17,478,949	16,981,719	3.33
29.11.2019	MO090002	20,000,000	21,462,259	20,731,236	4.09
30.04.2020	GO090061	10,000,000	10,766,008	10,232,273	2.05
15.07.2025	MY050003	10,000,000	11,276,084	10,366,331	2.15
15.09.2026	MX060002	10,000,000	10,979,813	10,305,114	2.09
31.05.2027	MX070003	5,000,000	4,758,845	4,517,448	0.91
15.09.2028	MX080003	10,000,000	11,607,196	10,673,676	2.21
15.04.2030	MX100003	5,000,000	5,421,347	5,015,362	1.03
		<u>435,000,000</u>	<u>455,055,293</u>	<u>446,986,795</u>	<u>86.61</u>
<b>Total investments</b>		<u>503,346,700</u>	<u>525,271,057</u>	<u>515,523,026</u>	<u>99.97</u>

The weighted average interest rate and average remaining maturities of short-term deposit with licensed bank under short-term money market deposit are as follows:

	Weighted average interest rate		Remaining maturities	
	2010 %	2009 %	2010 Day	2009 Day
Short-term deposits with licensed bank under short-term money market deposit	<u>2.76</u>	<u>2.00</u>	<u>1</u>	<u>1</u>

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

	Effective yield*	
	2010 %	2009 %
Quasi-Government bonds	3.94	4.35
Malaysian Government securities	<u>3.32</u>	<u>3.41</u>

\* As provided by IIC

Analyses of the remaining maturity of investments as at 30 September 2010 are as follows:

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
At nominal value:				
Quasi-Government bonds	<u>-</u>	<u>-</u>	<u>25,000,000</u>	<u>30,000,000</u>
Malaysian Government securities	<u>30,000,000</u>	<u>40,000,000</u>	<u>180,000,000</u>	<u>185,000,000</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:

	<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	
<b>From 1 July 2008 onwards</b>	
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 USD26,542	

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

6. **AMOUNT DUE TO MANAGER**

Amount due to Manager represents manager's fee payable.

Manager's fee was charged at a rate of 0.10% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 July 2010 to 30 September 2010 (0.10% for the financial period from 1 July 2009 to 30 September 2009).

7. **AMOUNT DUE TO TRUSTEE**

Amount due to Trustee represents trustee's fee payable.

Trustee's fee was charged at a rate of 0.07% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 July 2010 to 30 September 2010 (0.07% for the financial period from 1 July 2009 to 30 September 2009).

8. **NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDER**

Net asset value attributable to unitholders is represented by:

	<b>Note</b>	<b>2010 RM</b>	<b>2009 RM</b>
Unitholders' contribution	(a)	505,257,375	505,257,375
Accumulated income	(b)	<u>20,157,345</u>	<u>8,738,723</u>
		<u>525,414,720</u>	<u>513,996,098</u>

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

	<b>1-7-2010 to 30-9-2010</b>		<b>1-7-2009 to 30-9-2009</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
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 prevailing Prospectus, the 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 2010 and 30 September 2009. Holdings by parties related to the Manager as at 30 September 2010 was 2,366,559 units valued at RM2,513,286 (18,780,059 units valued RM19,831,742 as at 30 September 2009).

(b) **ACCUMULATED INCOME**

	<b>Note</b>	<b>1-7-2010 to 30-9-2010 RM</b>	<b>1-7-2009 to 30-9-2009 RM</b>
At beginning of period		8,227,815	9,953,875
Net income/(loss) for the period		11,929,530	7,700,401
Income distribution for the period	12	<u>-</u>	<u>(8,915,553)</u>
At end of period		<u>20,157,345</u>	<u>8,738,723</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 RM525,414,720 by 481,921,800 units in issue as at 30 September 2010 (RM513,996,098 by 481,921,800 units in issue as at 30 September 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 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:

	<b>1-7-2010 to 30-9-2010 RM</b>	<b>1-7-2009 to 30-9-2009 RM</b>
Net income before income tax	<u>11,929,530</u>	<u>7,700,401</u>
Taxation at Malaysian statutory rate of 25%	2,982,400	1,925,100
Tax effect of:		
Income not subject to tax	(3,047,700)	(1,988,400)
Permitted expenses not deductible for tax purposes	30,700	40,800
Restriction on tax deductible expenses for unit trust funds	31,200	22,500
Permitted expenses not used and not available for future years	<u>3,400</u>	<u>-</u>



Tax expense for the financial period	-	-
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## 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 the Trustee.

## 12. INCOME DISTRIBUTION

Distribution to unitholders is from the following sources:

	<b>1-7-2010 to 30-9-2010 RM</b>	<b>1-7-2009 to 30-9-2009 RM</b>
Undistributed (loss)/income brought forward - realised	-	3,388,953
Interest income	527,544	5,151,585
Net realised gain on sale of investments	3,129	835,367
Accretion of discount	58,570	94,593
Amortisation of premium	(328,058)	(301,561)
	<u>261,185</u>	<u>9,168,937</u>
Less: Expenses	(261,185)	(253,384)
	<u>-</u>	<u>8,915,553</u>
Total amount of distribution	<u>-</u>	<u>8,915,553</u>

The above distribution has been proposed before taking into account net unrealised gain of RM7,246,203 for this financial quarter ended 30 September 2010 and net unrealised gain brought forward of RM5,104,196 which are carried forward to the next financial period.

	<b>1-7-2010 to 30-9-2010</b>		<b>1-7-2009 to 30-9-2009</b>	
	<b>Date of distribution</b>	<b>RM</b>	<b>Date of distribution</b>	<b>RM</b>
GROSS AND NET Interim distribution – Nil (1.85 in 2009) sen per unit	-	<u>-</u>	7 July 2009	<u>8,915,553</u>

### 13. CASH AND CASH EQUIVALENTS

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

	<b>2010 RM</b>	<b>2009 RM</b>
Short-term deposit with licensed bank under short-term money market deposit (Note 4)	13,347,709	27,484,406
Cash at banks	451,027	354,567
	<u>13,798,736</u>	<u>27,838,973</u>

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

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

	<b>1-7-2010 to 30-9-2010 % p.a.</b>	<b>1-7-2009 to 30-9-2009 % p.a.</b>
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
License fee	0.02	0.02
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, nil times for the financial period from 1 July 2010 to 30 September 2010 (0.06 times for the financial period from 1 July 2009 to 30 September 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**

No transaction with financial institutions is presented for the financial period from 1 July 2010 to 30 September 2010.

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 risks, careful selection of stocks for investment coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

**Market Risk**

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

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.

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 in value.

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 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 single issuer is diversified and 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 net asset value of the Fund.

### **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 Manager and Trustee, cash at banks, sundry payables and accruals and net asset value attributable to unitholders approximate their respective carrying amounts as at the balance sheet date due to the relatively short-term maturity of these financial instruments

*Additional Information*

**Board of Directors of the Manager**

The Board of Directors, of which one-third are independent members, exercise ultimate control over the operations of the Company. For the financial period under review, 3 board meetings were held.

Details of the Directors of the management company are set out as below:

<b>Name: Harinder Pal Singh</b>		
Age	:	48
Nationality	:	Malaysia
Qualification	:	Bachelors Degree in Accounting from University Malaya
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Non-Independent of AmInvestment Services Berhad
Working Experience	:	<p><b>Bank Negara Malaysia</b> Senior Administrative Officer, Insurance Inspection Department (1986 – 1993)</p> <p><b>Securities Commission</b> Assistant Manager, Market Surveillance Department (1993 – 1995)</p> <p><b>AmSecurities Sdn Bhd</b> Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998)</p> <p><b>AmMerchant Bank Berhad</b> Manager, Corporate Services (1998 – 2000)</p> <p><b>AmInvestment Services Berhad</b> Manager, Client Service &amp; Operations (July 2001 – June 2002) Senior Manager, Client Service &amp; Operation (July 2002 – 2003) Head, Sales Services (2003-Dec 2006) Acting Principal Officer / Director of Operations (present) Director (September 2008 - present)</p>
Occupation	:	Director of Operations and Principal Officer of AmInvestment Services Berhad
Date of appointment	:	8 December 2006
Directorship of other public companies	:	None
Number of board meetings attended in the financial period	:	2

Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad
Date of appointment to the investment committee	:	12 July 2005
Number of investment committee meetings attended in the financial period	:	3
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

<b>Name: Kok Tuck Cheong</b>		
Age	:	59
Nationality	:	Malaysian
Qualification	:	Bachelor of Science (Honours) in Commerce and Accounting and Master of Science in Financial Managerial Control from University of Southampton.
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Non-Independent Director of AmInvestment Services Berhad
Working Experience	:	He started his career with AmMerchant Bank Berhad in the Treasury Department before joining the Banking and Corporate Finance Department and later the Investment Department where he served in various positions. He was appointed as General Manager, Banking in January 1989 and later served as Senior General Manager until his appointment as Executive Director in September 2000.
Occupation	:	Managing Director and Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	:	9 November 2001
Directorship of other public companies	:	AmInvestment Bank Berhad and AmInvestment Group Berhad
Number of board meetings attended in the financial period	:	2
Member of any other board committee	:	-
Date of appointment to the investment committee	:	-
Number of investment committee meetings attended in the financial period	:	-
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

<b>Name: Datin Maznah Mahbob</b>		
Age	:	51
Nationality	:	Malaysian
Qualification	:	A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Non-Independent Director of AmInvestment Services Berhad
Working Experience	:	Datin Maznah has been in the funds management industry since 1987, in a fund management role, before assuming the CEO responsibility in 2002. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank for 3 years.
Occupation	:	Chief Executive Officer of the Funds Management Division of AmInvestment Bank Group and Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd.
Date of appointment	:	29 December 2005
Directorship of other public companies	:	None
Number of board meetings attended in the financial period	:	2
Member of any other board committee	:	-
Date of appointment to the investment committee	:	-
Number of investment committee meetings attended in the financial period	:	2
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None



<b>Name: Professor Dr. Annuar Md. Nasir</b>		
Age	:	52
Nationality	:	Malaysian
Qualification	:	Doctor of Philosophy from University Putra Malaysia
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Independent Director of AmInvestment Services Berhad
Working Experience	:	<b>University Putra Malaysia Serdang</b> Dean (February 2006-Present) Deputy Dean (September 2002 – January 2006) Professor (March 2000-Present) Associate Professor (March 1993 – March 2000) <b>University Pertanian Malaysia</b> Tutor (1981 – 1984)
Occupation	:	Professor and Dean Faculty of Economics and Management of University Putra Malaysia
Date of appointment	:	8 April 2003
Directorship of other public companies	:	None
Number of board meetings attended in the financial period	:	2
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad
Date of appointment to the investment committee for ABF Malaysia Bond Index Fund	:	12 July 2005
Number of investment committee meetings attended in the financial period	:	3
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

<b>Name: Dato' Dr. Mahani Zainal Abidin</b>		
Age	:	56
Nationality	:	Malaysian
Qualification	:	Doctor of Philosophy in Development Economics from University of London.
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Independent Director of AmInvestment Services Berhad Independent Director of AmIslamic Bank Berhad
Working Experience	:	<b>Prime Minister's Department, Malaysia</b> Head, Special Consultancy Team on Globalisation National Economic Action Council (April 2001 – July 2005) <b>BHLB Unit Trust</b> Member of Investment Panel (April 1999 – June 2004) <b>Employee Provident Fund, Malaya</b> Board Member (June 1998 – 2001)
Occupation	:	Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.
Date of appointment	:	May 2007
Directorship of other public companies	:	-
Number of board meetings attended in the financial period	:	2
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad
Date of appointment to the investment committee for ABF Malaysia Bond Index Fund	:	12 July 2005
Number of investment committee meetings attended in the financial period	:	2
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

<b>Name: Lee Siang Korn @ Lee Siang Chin</b>		
Age	:	62
Nationality	:	Malaysian
Qualification	:	Fellow of the Institute of Chartered Accountants in England and Wales (July 1972) Member of the Malaysian Association of Certified Public Accountants (June 1975)
Executive/Non-Executive Director	:	Non-Executive Director of AmInvestment Services Berhad
Independent/Non-Independent Director	:	Independent Director of AmInvestment Services Berhad
Working Experience	:	<b>Surf88.Com Sdn.Bhd</b> Chairman and Founding shareholder (1999-2004) <b>Arab-Malaysian Securities Sdn. Bhd.</b> Managing Director (1986-1999) <b>Arab-Malaysian Merchant Bank Berhad</b> General Manager, Corporate Finance (1983-1986)
Occupation	:	Director AmInvestment Services Berhad
Date of appointment	:	20 December 2006
Directorship of other public companies	:	Star Publication (Malaysia) Berhad UniAsia Life Assurance Berhad
Number of board meetings attended in the financial period	:	2
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad
Date of appointment to the investment committee for ABF Malaysia Bond Index Fund	:	12 July 2005
Number of investment committee meetings attended in the financial period	:	3
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

## Material Litigation

For the financial year under review, neither the directors of the management company nor the Manager of the Fund is not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund also is not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the Fund.

## Investment Manager

We have appointed AmInvestment Management Sdn Bhd, a licensed fund manager approved by SC on 4 March 1997, to implement the Fund's investment strategy on behalf of us to achieve the objectives of the Fund. AmInvestment Management is a wholly owned subsidiary of AmInvestment Group Berhad. AmInvestment Management has been in the fund management industry since 1982.

## Unitholders

List of the unit holders having the largest number of units:

NAME	Number of Units Held	Units Held (in %)
HSBC BANK MALAYSIA BERHAD	479,134,741.00	99.42%
AMINVESTMENT BANK BERHAD	2,366,559.00	0.491%
CITIBANK BERHAD	140,000.00	0.0291%
CIMB INVESTMENT BANK BERHAD	100,000.00	0.0208%
PUBLIC INVESTMENT BANK BERHAD	100,000.00	0.0208%
MAYBANK INVESTMENT BANK BERHAD	20,000.00	0.00415%
OSK INVESTMENT BANK BERHAD	20,000.00	0.00415%
PUBLIC INVESTMENT BANK BERHAD	15,000.00	0.00311%
CIMB INVESTMENT BANK BERHAD	10,000.00	0.00208%
ALLIANCE INVESTMENT BANK BERHAD	3,000.00	0.000623%
HONG LEONG INVESTMENT BANK BERHAD	2,000.00	0.000415%
HWANGDBS INVESTMENT BANK BERHAD	2,000.00	0.000415%

NAME	Number of Units Held	Units Held (in %)
HWANGDBS INVESTMENT BANK BERHAD	2,000.00	0.000415%
RHB INVESTMENT BANK BERHAD	1,000.00	0.000208%
ECM LIBRA INVESTMENT BANK BERHAD	1,000.00	0.000208%
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.000208%
PUBLIC INVESTMENT BANK BERHAD	1,000.00	0.000208%
KENANGA INVESTMENT BANK BERHAD	500.00	0.000104%
INTER-PACIFIC SECURITIES SDN BHD	500.00	0.000104%
JUPITER SECURITIES SDN BHD	396.00	0.0000822%
MAYBANK INVESTMENT BANK BERHAD	300.00	0.0000623%
HWANGDBS INVESTMENT BANK BERHAD	300.00	0.0000623%
MAYBANK INVESTMENT BANK BERHAD	200.00	0.0000415%
ECM LIBRA INVESTMENT BANK BERHAD	100.00	0.0000208%
PUBLIC INVESTMENT BANK BERHAD	100.00	0.0000208%
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50.00	0.0000104%
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50.00	0.0000104%
OSK INVESTMENT BANK BERHAD	4.00	0.0000008%