

ABF Malaysia Bond Index Fund

**Statement by the Manager and Financial Statements (unaudited)
For the period from 1 October 2010 to 31 December 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
Professor Dr Annuar Md. Nassir
Dato' Dr Mahani Zainal Abidin
Lee Siang Korn @ Lee Siang Chin
Datin Maznah Mahbob
Harinder Pal Singh

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) Trustees Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte KassimChan Tax Services Sdn Bhd

Corporate Directory

AmInvestment Services Bhd

Registered Office

22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2032 1914

Head Office

9th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 1503 Fax: 03-2026 5630

AmInvestment Management Sdn Bhd

Registered Office

22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2032 1914

Head Office

9th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2026 5630

Secretary

Koid Phaik Gunn
MAICSA 7007433
22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur

HSBC (Malaysia)Trustee Berhad

Business/Registered Office/Head Office

Suite 901, 9th Floor,
Wisma Hamzah-Kwong Hing
No.1, Leboh Ampang, 50100 Kuala Lumpur
Tel: 03-2074 3200 Fax: 03-2078 0145

Contents	Page(s)
Manager's report	1 – 11
Statement of financial position	12
Statement of comprehensive income	13
Statement of changes in net asset value	14
Statement of cash flows	15
Notes to the financial statements	16 – 32
Additional Information	33 – 41

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 ended 1 October 2010 to 31 December 2010.

Salient Information of the Fund

Name ABF MALAYSIA BOND INDEX FUND

Category/Type Fixed Income ETF/ Income

Objective 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.

Index Component Details of the index component as at 31 December 2010 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount
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
MH090001	Malaysian Government	2.509	27 August 2012	14,000,000,000
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	Malaysia Investment Issue	3.278	15 March 2013	4,000,000,000
GI080001	Malaysia Investment Issue	3.604	29 March 2013	2,000,000,000
UG100018	Bank Pembangunan Malaysia	3.660	12 April 2013	500,000,000

(Forward)

Index Component	Code	Issuer	Coupon %	Final Maturity	Notional Amount
	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	9,000,000,000
	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
	GG100053	Malaysia Investment Issue	3.199	30 September 2013	3,000,000,000
	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	06 June 2014	1,800,000,000
	GI090042	Malaysia Investment Issue	3.909	31 July 2014	4,500,000,000
	GJ090030	Malaysia Investment Issue	3.902	30 December 2014	5,500,000,000
	MJ090004	Malaysian Government	3.741	27 February 2015	13,500,000,000
	GN050001	Malaysia Investment Issue	4.419	16 March 2015	2,000,000,000

(Forward)

Index Component	Code	Issuer	Coupon %	Final Maturity	Notional Amount
	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	4.350	27 April 2015	500,000,000
	GI100042	Malaysia 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	30 September 2015	6,975,000,000
	PS00196F	Bank Pembangunan Malaysia	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
	VJ100354	Cagamas Berhad	3.850	20 October 2016	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
	GN070008	Malaysia Investment Issue	3.941	15 June 2017	3,000,000,000

(Forward)

Index Component	Code	Issuer	Coupon %	Final Maturity	Notional Amount
	ML100002	Malaysian Government	4.012	15 September 2017	10,500,000,000
	UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
	MS03002H	Malaysian Government	4.240	07 February 2018	15,100,000,000
	DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000
	GN080031	Malaysia Investment Issue	4.295	31 October 2018	7,500,000,000
	DN090051	Khazanah Nasional Berhad	0.000	20 March 2019	1,000,000,000
	MS04003H	Malaysian Government	5.734	30 July 2019	6,500,000,000
	GO090001	Malaysia Investment Issue	3.910	13 August 2019	3,500,000,000
	DN090197	Khazanah Nasional Berhad	0.000	27 August 2019	1,500,000,000
	MO090002	Malaysian Government	4.378	29 November 2019	17,600,000,000
	GO090061	Malaysia 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 Negara Berhad	4.850	27 September 2024	500,000,000
	MY050003	Malaysian Government	4.837	15 July 2025	3,000,000,000

(Forward)

Index Component	Code	Issuer	Coupon %	Final Maturity	Notional Amount
	PZ00197S	Bank Pembangunan Malaysia	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
	MX100003	Malaysian Government	4.980	15 April 2030	2,000,000,000

Source: International Index Company Limited (“IIC”)

Duration

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.

Performance Benchmark Income Distribution Policy

iBoxx® ABF Malaysia Bond Index

Income distribution (if any) will be paid semi annually.

Breakdown of Unit Holdings by Size

For the financial period under review, the size of the Fund stood at 537,422 million units.

Breakdown of unitholding by size

Size of holding	As at 31 December 2010		As at 30 September 2010	
	No of units held ('000)	Number of unitholders	No of units held ('000)	Number of unitholders
Less than 100	-	-	-	-
100 – 1,000	4.5	13	6.5	15
1,001 -10,000	19.0	5	19.0	4
10,001 – 100,000	170.0	5	255.0	3
100,001 to less than 5% of issue units	13,872.4	3	2,506.6	3
5% and above of issue units	523,355.9	2	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 31 December 2010, 30 September 2010 and three financial years ended 31 December are as follows:

	As at 31-12-2010 %	As at 30-9-2010 %	FY 2010 %	FY 2009 %	FY 2008 %
Malaysian Government securities	91.9	86.1	91.9	83.4	88.3
Quasi-Government bonds	7.0	10.6	7.0	11.4	10.7
Cash and others	<u>1.1</u>	<u>3.3</u>	<u>1.1</u>	<u>5.2</u>	<u>1.0</u>
	<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 carrying value plus cash.

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

	3 months ended 31-12-2010	3 months ended 30-9-2010	FY 2010	FY 2009	FY 2008
Net asset value (RM)	584,921,826	525,414,720	584,921,826	516,936,480	536,418,866
Units in circulation (units)	537,421,800	481,921,800	537,421,800	481,921,800	481,921,800
Net asset value per unit (RM)*	1.0884	1.0902	1.0884	1.0727	1.1131
Highest net asset per unit (RM)*	1.0917	1.0909	1.0917	1.1197	1.1134
Lowest net asset per unit (RM)*	1.0844	1.0662	1.0559	1.0510	1.0215
Closing quoted price (RM/unit)*	1.0620	1.0620	1.0620	1.0700	1.0980
Highest quoted price (RM/unit)*	1.0640	1.0640	1.0830	1.1170	1.0980

(Forward)

	3 months ended 31-12-2010	3 months ended 30-9-2010	FY 2010	FY 2009	FY 2008
Lowest quoted price (RM/unit)*	1.0620	1.0620	1.0620	1.0550	1.0570
Total return (%) ⁽¹⁾	-0.65	9.52	5.19	-0.14	7.71
- Capital growth (%)	-0.65	9.52	1.62	-3.66	6.22
- Income distribution (%)	-	-	3.57	3.52	1.49
Gross distribution per unit (sen)	-	-	3.85	3.85	1.55
Net distribution per unit (sen)	-	-	3.85	3.85	1.55
Distribution yield (%) ⁽²⁾	-	-	3.54	3.60	1.41
Management expense ratio (%) ⁽³⁾	0.17	0.20	0.19	0.20	0.23
Portfolio Turnover ratio (%) ⁽⁴⁾	0.15	-	0.33	0.21	0.33

* 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 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 periods 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. The MER decreased by 0.03% as compared to 0.20% for the quarter ended 30 September 2010 and year ended 31 December 2009 respectively mainly due to decrease in trust expenses.

(4) Portfolio turnover ratio ("PTR") is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR increased by 0.15 times (100%) as compared to nil for the quarter ended 30 September 2010 and decreased by 0.06 times (28.6%) as compared to 0.21 times for the year ended 31 December 2009 mainly due to increase/decrease in investing activities.

Average Total Return

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	5.2	5.1
Three years	4.2	4.4
Five years	4.0	4.1
Since launch of Fund (13 July 2005)	3.8	3.7

Annual Total Return

Financial Year (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2010	5.2	5.1
2009	-0.1	0.2
2008	7.7	6.0
2007	2.7	2.8
2006	4.6	5.2

(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 from 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 financial period under review, the Fund has met its objective i.e. passively managed against the given benchmark and the returns is corresponded closely to the performance of the benchmark index.

Fund Performance

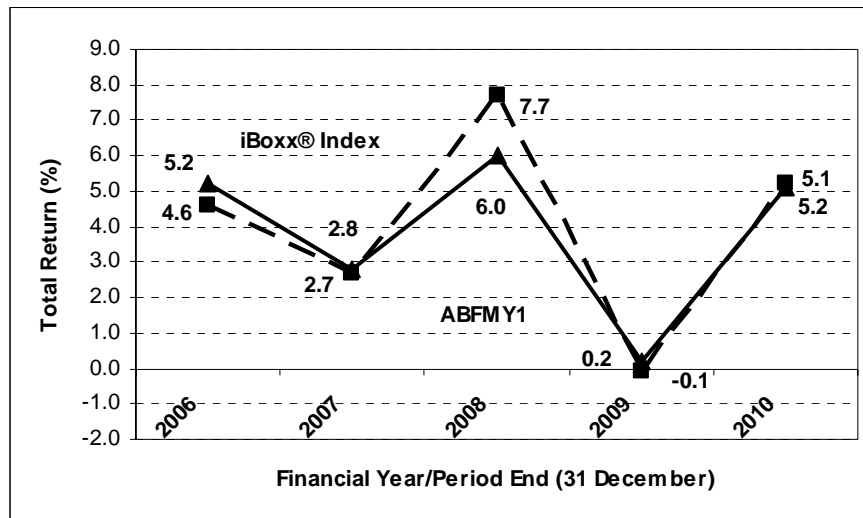
For the financial period under review, the Fund recorded a return of -0.65% comprising of capital growth.

The Fund registered a return of -0.7%, and underperforming the benchmark return of 5.3% by -4.6% as at financial period 31 December 2010.

The NAV of the Fund increased by 11.33% from RM525,414,720 to RM584,921,826. The NAV per unit of the Fund decreased by 0.17% from RM1.0902 to RM1.0884, while units in circulations increased by 11.52% from 481,921,800 units to 537,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund is RM1.0620 same as at last report.

The Line Chart below shows the comparison between the annual performance of ABFMYI and iBoxx® Index for each of the financial years/period ended 31 December.



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

Strategies and Policies Employed

For the financial period under review, the Fund used 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.

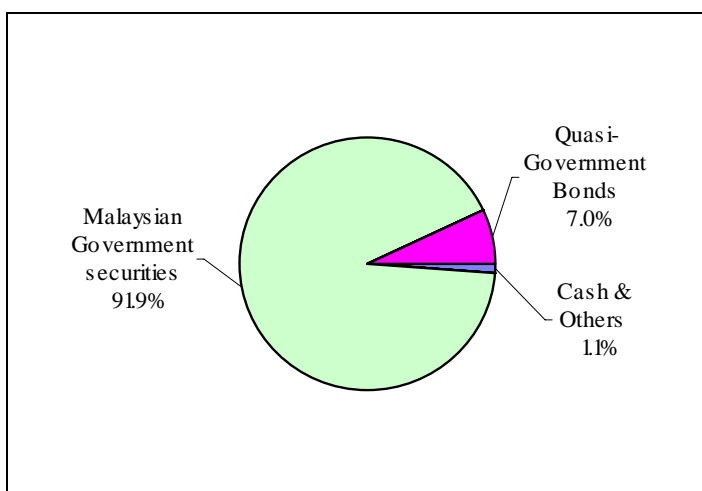
Portfolio Structure

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

	31 December 2010 (%)	30 September 2010 (%)	Change (%)
Malaysian Government securities	91.9	86.6	5.3
Quasi-Government bonds	7.0	10.8	-3.8
Cash and others	1.1	2.6	-1.5
Total	100.0	100.0	

There have been no significant changes to the assets allocation since the last report. Investment in MGS increased by 5.3% to 91.9% while investment in quasi-government bonds and cash was reduced by 3.8% and 1.5% respectively.

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



**Distribution/
unit splits**

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

**Rebates and
Soft
Commission**

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 financial period under review, the Manager has received soft-commissions.

Market Review

The Malaysian Government Securities (MGS) yield curve steepened in October as the market reacted to the surprise rate hike by China of its deposit and lending rates by 25 bps and the potential of higher supply of Malaysian government bonds in the coming year revealed in the Budget announcement. As of 22nd October, the 3 yr, 5 yr and 10 yr MGS rose to 3.18%, 3.32% and 3.81% respectively.

In November, MGS yield curve closed mixed as buying interests from local investors shifted to short to medium end of the curve. There was no strong support in the long end of the curve, resulted in bull steepening curve. Across the benchmark tenures 3 yr, 5 yr, and 10 yr, MGS ended at 3.12%, 3.34% and 3.79% respectively. As a result, 3-yr and 5-yr spread widened which is consistent with other regional markets.

For the month of December, across the benchmark tenures the 3 yr, 5 yr and 10 yr MGS ended the month mixed compared to the previous month at 3.11%, 3.34% and 4.00% respectively. The MGS yield curve steepened in December as mid to long tenured yields rose. Trading was thin due to the year-end effect. Sentiment was generally bearish due to policy tightening by regional central banks, in particular China. Earlier in the month, the spike in US Treasuries, sparked by the extension of Bush-era tax cuts caused MGS yields to rise. However, the response to the release of the auction calendar was muted, as it was within market expectations.

Market Outlook

Going forward it is our view that the direction of MGS market would be dictated by the following considerations:

- Global growth dynamics which has implications on our domestic growth trajectory, if robust, suggests early monetary policy tightening
- Interest rate differentials stemming from higher inflationary expectations
- Supply/demand dynamics in 2011 – the larger MGS/GII issuance on the longer end which is expected to exert upward yield pressure
- US Treasury movements – a major variable influencing inflows/outflows into EM debt markets as well as AXJ currency appreciation
- Developments in European sovereign space which could add selling pressure as was seen in some months of last year – can trigger risk aversion to EM sovereign bonds
- BNM's policy stance and the availability of excess liquidity in our domestic banking system

Kuala Lumpur
AmInvestment Services Berhad

31 January 2011

ABF Malaysia Bond Index Fund

STATEMENT OF FINANCIAL POSITION (unaudited) AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
ASSETS			
Investments	4	584,994,038	517,206,319
Cash at banks		195,608	589
		<u>585,189,646</u>	<u>517,206,908</u>
LIABILITIES			
Sundry payables and accrued expenses		147,679	163,462
Amount due to index provider	5	38,406	32,411
Amount due to Manager	6	48,080	43,856
Amount due to Trustee	7	33,655	30,699
		<u>267,820</u>	<u>270,428</u>
Total Liabilities excluding Net Asset Value Attributable to Unitholders			
		<u>267,820</u>	<u>270,428</u>
NET ASSET VALUE AS AT 31 DECEMBER	8	<u>584,921,826</u>	<u>516,936,480</u>
UNITS IN CIRCULATION	8 (a)	<u>537,421,800</u>	<u>481,921,800</u>
NET ASSET VALUE PER UNIT (EX DISTRIBUTION)	9	<u>108.84 sen</u>	<u>107.27 sen</u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF COMPREHENSIVE INCOME (unaudited) FOR THE PERIOD FROM 1 OCTOBER 2010 TO 31 DECEMBER 2010

	Note	1-10-2010 to 31-12-2010 RM	1-10-2009 to 31-12-2009 RM
INVESTMENT INCOME			
Interest income		5,642,141	5,123,409
Net unrealised loss on changes in value of investments		(6,522,930)	(1,725,151)
Other income		200	-
Net realised gain on sale of investments		534,788	-
		(345,801)	3,398,258
Add: Accretion of discount		67,667	92,585
Less: Amortisation of premium		(466,026)	(295,934)
Gross (Loss)/Income		(744,160)	3,194,909
EXPENDITURE			
Manager's fee	6	142,678	129,865
Trustee's fee	7	99,874	90,906
Licence fee	5	22,590	21,401
Audit fee		1,890	1,260
Tax agent's fee		1,410	1,260
Administrative expenses – current period		14,292	9,835
Administrative expenses – over provision in current period		(39,000)	-
Total Expenditure		243,734	254,527
NET (LOSS)/INCOME BEFORE INCOME TAX		(987,894)	2,940,382
LESS: INCOME TAX EXPENSE	10	-	-
NET (LOSS)/INCOME AFTER INCOME TAX		(987,894)	2,940,382
Net (loss)/income after income tax comprises the following:			
Realised income		5,535,036	4,665,533
Unrealised loss		(6,522,930)	(1,725,151)
		(987,894)	2,940,382

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 OCTOBER 2010 TO 31 DECEMBER 2010**

	1-10-2010 to 31-12-2010 RM	1-10-2009 to 31-12-2009 RM
Net asset value at beginning of period	525,414,720	513,996,098
Net (loss)/income for the period	(987,894)	2,940,382
Creation of units	<u>60,495,000</u>	<u>-</u>
Net asset value at end of period	<u>584,921,826</u>	<u>516,936,480</u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF CASH FLOWS (unaudited) FOR THE PERIOD FROM 1 OCTOBER 2010 TO 31 DECEMBER 2010

	1-10-2010 to 31-12-2010 RM	1-10-2009 to 31-12-2009 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Interest received	3,677,454	4,315,051
Proceeds from sale of investments	50,515,000	-
Other income - application fee	200	-
Tax agent's fee	(5,000)	-
Payments for other fees and administrative expenses	(21,731)	(1,730)
License fee paid	(20,170)	(20,099)
Trustee's fee paid	(97,332)	(92,661)
Manager's fee paid	(139,046)	(132,374)
Purchase of investments	<u>(121,452,000)</u>	<u>(5,016,500)</u>
Net Cash Used In Operating And Investing Activities	<u>(67,542,625)</u>	<u>(948,313)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	<u>60,495,000</u>	<u>-</u>
Net Cash Generated From Financing Activities	<u>60,495,000</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,047,625)	(948,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>13,798,736</u>	<u>27,838,973</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>6,751,111</u>	<u>26,890,660</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions (Note 4)	6,555,503	26,890,071
Cash at bank	<u>195,608</u>	<u>589</u>
	<u>6,751,111</u>	<u>26,890,660</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 (“FRS”) and the Securities Commission’s Guidelines on Exchange Traded Funds in Malaysia.

The Fund has adopted FRS 8 Operating Segments for financial periods beginning on or after 1 July 2009. The Fund only has one reporting segment as disclosed in Note 16.

The Fund has not adopted the following FRSs, amendments to FRSs, Interpretation of the Issues Committee (“IC Interpretations”), Technical Releases (“TR”) and Statement of Principles (“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 (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 124	Related Party Disclosure	1 January 2012
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 and 1 January 2011
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 3	Business Combinations	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 and 1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 8	Operating Segments	1 January 2010
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
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 121	The Effects of Changes in Foreign Exchange Rate	1 January 2011
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 and 1 January 2011

(Forward)

		Effective for financial periods beginning on or after
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131	Interests in Joint Ventures	1 January 2010 and 1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010 and 1 January 2011
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2010 and 1 January 2011
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, 1 July 2010 and 1 January 2011
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
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

(Forward)

		Effective for financial periods beginning on or after
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirements	1 July 2011
TR 3	Guidance on disclosures of Transition to IFRSs	1 January 2011
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; and
- 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; and
- 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 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 31 December 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

	2010	2009
	RM	RM
At carrying value:		
Short-term deposits with licensed banks under short-term money market deposits	6,555,503	26,890,071
Quasi-government bonds	40,724,016	59,001,414
Malaysian Government securities	<u>537,714,519</u>	<u>431,314,834</u>
	<u>584,994,038</u>	<u>517,206,319</u>
At nominal value:		
Short-term deposits with licensed banks under short-term money market deposits	6,555,000	26,888,600
Quasi-government bonds	40,000,000	60,000,000
Malaysian Government securities	<u>515,000,000</u>	<u>420,000,000</u>

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

Maturity date	Issuer/ Stock number	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposit with licensed bank under short-term money market deposit					
03.01.2011	OCBC Bank (M) Berhad	<u>6,555,000</u>	<u>6,555,503</u>	<u>6,555,000</u>	<u>1.12</u>
		<u>6,555,000</u>	<u>6,555,503</u>	<u>6,555,000</u>	<u>1.12</u>
Quasi-government bonds					
12.03.2013	The Export-Import Bank of Korea	10,000,000	10,169,841	10,028,474	1.74
06.06.2014	Sil Terra Capital Berhad	15,000,000	15,174,863	15,233,014	2.59
30.11.2016	Syarikat Prasarana Negara Berhad	5,000,000	5,128,633	4,911,737	0.88
(Forward)					

Maturity date	Issuer/Stock number	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Quasi-government bonds					
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	10,250,679	9,968,252	1.75
		<u>40,000,000</u>	<u>40,724,016</u>	<u>40,141,477</u>	<u>6.96</u>
Malaysia Government securities					
15.06.2012	MJ060005	30,000,000	30,397,028	30,502,620	5.20
27.08.2012	MH090001	20,000,000	20,026,883	19,980,714	3.43
25.02.2013	MN03003V	50,000,000	51,258,826	50,014,630	8.77
15.03.2013	GH090053	5,000,000	5,062,446	5,035,441	0.87
15.05.2013	MJ070005	5,000,000	5,069,379	5,182,945	0.87
31.05.2013	MH090005	15,000,000	15,071,233	15,233,531	2.58
31.07.2013	MJ080001	15,000,000	15,328,521	15,110,654	2.62
30.04.2014	MN04002W	45,000,000	47,888,852	48,671,913	8.19
30.12.2014	GJ090030	10,000,000	10,179,072	10,044,814	1.74
27.02.2015	MJ090004	30,000,000	30,667,534	30,338,214	5.24
16.03.2015	GN050001	10,000,000	10,496,176	10,329,639	1.80
12.08.2015	MJ100001	35,000,000	36,233,794	36,072,540	6.19
30.09.2015	MO05002S	15,000,000	15,995,934	15,988,833	2.73
30.09.2015	GJ100009	5,000,000	5,139,050	5,053,511	0.88
15.09.2016	MO060001	20,000,000	20,915,952	20,434,895	3.57
15.02.2017	MN070002	20,000,000	20,383,977	20,504,800	3.48
15.06.2017	GN070008	5,000,000	5,063,161	5,151,990	0.87
15.09.2017	ML100002	10,000,000	10,279,587	10,309,924	1.76
07.02.2018	MS03002H	25,000,000	26,042,087	25,114,272	4.45
31.10.2018	GN080031	20,000,000	20,635,593	20,985,934	3.53
30.07.2019	MS04003H	25,000,000	28,720,443	28,646,488	4.90
29.11.2019	MO090002	30,000,000	30,856,464	31,349,549	5.28
30.04.2020	GO090061	10,000,000	10,414,044	10,232,273	1.78
15.07.2025	MY050003	10,000,000	11,033,348	10,366,331	1.88
15.09.2026	MX060002	10,000,000	10,834,189	10,305,114	1.85
31.05.2027	MX070003	5,000,000	4,620,495	4,517,448	0.79
15.09.2028	MX080003	25,000,000	28,635,301	28,232,286	4.90
15.04.2030	MX100003	10,000,000	10,465,150	10,346,951	1.78
		<u>515,000,000</u>	<u>537,714,519</u>	<u>534,058,254</u>	<u>91.93</u>
Total investments		<u>561,555,000</u>	<u>584,994,038</u>	<u>580,754,731</u>	<u>100.01</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	
	2010 %	2009 %	2010 Days	2009 Days
Short-term deposit with licensed bank under short-term money market deposit	<u>2.80</u>	<u>2.00</u>	<u>3</u>	<u>4</u>

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

	Effective yield*	
	2010 %	2009 %
Quasi-government bonds	3.80	4.41
Malaysian Government securities	<u>3.51</u>	<u>3.43</u>

* As provided by IIC

Analyses of the remaining maturity of investments as at 31 December 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	15,000,000
Malaysian Government securities	<u>50,000,000</u>	<u>240,000,000</u>	<u>225,000,000</u>

5. AMOUNT DUE TO INDEX PROVIDER

Included in the amount due to index provider is the license fee payable to International Index Company Limited, the provider of the benchmark index.

License fee is calculated on a daily basis at the following rate:

	% p.a.
Fund Size	
Up to 30 June 2008	
For amount equal to or less than Initial Funding	0.023
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge
subject to a minimum annual fee of USD26,542 (approximate RM100,860)	
From 1 July 2008 onwards	
For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge
subject to a minimum annual fee of USD21,234 (approximate RM80,689)	

* Initial Funding for the Fund was USD115,400,000 (approximately RM438,520,000)

6. AMOUNT DUE TO MANAGER

Amount due to Manager represents the manager's fee payable.

Manager's fee was charged at a rate of 0.10% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 October 2010 to 31 December 2010 (0.10% for the financial period from 1 October 2009 to 31 December 2009).

The normal credit period for manager's fee payable is one month.

7. **AMOUNT DUE TO TRUSTEE**

Amount due to Trustee represents the trustee's fee payable.

Trustee's fee was charged at a rate of 0.07% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period 1 October 2010 to 31 December 2010 (0.07% for the financial period 1 October 2009 to 31 December 2009).

The normal credit period for trustee's fee payable is one month.

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

Net asset value attributable to unitholders is represented by:

	Note	2010 RM	2009 RM
Unitholders' contribution	(a)	562,546,140	505,257,375
Undistributed net income	(b)	<u>22,375,686</u>	<u>11,679,105</u>
		<u>584,921,826</u>	<u>516,936,480</u>

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

	1-10-2010 to 31-12-2010		1-10-2009 to 31-12-2009	
	Number of units	RM	Number of units	RM
At beginning of period	481,921,800	505,257,375	481,921,800	505,257,375
Creation during the period	<u>55,500,000</u>	<u>57,288,765</u>	<u>-</u>	<u>-</u>
At end of period	<u>537,421,800</u>	<u>562,546,140</u>	<u>481,921,800</u>	<u>505,257,375</u>

As provided in the Deed, the initial size of the Fund shall not exceed 1 billion units.

The Manager, AmInvestment Services Berhad, did not hold any units in the Fund as at 31 December 2010 and 31 December 2009. Holdings by parties related to the Manager as at 31 December 2010 were 69,129,430 units valued at RM75,143,690 (10,673,359 units valued at RM11,420,494 as at 31 December 2009).

(b) **UNDISTRIBUTED NET INCOME**

	Note	1-10-2010 to 31-12-2010 RM	1-10-2009 to 31-12-2009 RM
At beginning of period		20,157,345	8,738,723
Net (loss)/income for the period		(987,894)	2,940,382
Distribution equalisation	11	<u>3,206,235</u>	<u>-</u>
At end of period		<u>22,375,686</u>	<u>11,679,105</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 RM584,921,826 by 537,421,800 units in issue as at 31 December 2010 (RM516,936,480 by 481,921,800 as at 31 December 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 expense applicable to income before income tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-10-2010 to 31-12-2010 RM	1-10-2009 to 31-12-2009 RM
Net (loss)/income before income tax	(987,894)	2,940,382
Taxation at Malaysian statutory rate of 25%	(247,000)	735,100
Tax effect of:		
Loss not deductible for tax purposes/(Income not subject to tax)	186,100	(798,800)
Permitted expenses not deductible for tax purposes	32,500	37,800
Restriction on tax deductible expenses for unit trust funds	24,900	19,100
Permitted expenses not used and not available for future years	3,500	6,800
Tax expense for the financial period	-	-

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

No income distribution was declared by the Fund for the financial period from 1 October 2010 to 31 December 2010 and 1 October 2009 to 31 December 2009.

15. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	1-10-2010 to 31-12-2010 % p.a.	1-10-2009 to 31-12-2009 % p.a.
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
License fee	0.02	0.02
Trust administrative expenses	(0.02)	0.01
Total MER	0.17	0.20

The portfolio turnover ratio, calculated by dividing the average of total acquisitions and total disposals of investment securities by the average net asset value of the Fund calculated on a daily basis, is 0.15 times for the financial period 1 October 2010 to 31 December 2010 (Nil for the financial period 1 October 2009 to 31 December 2009).

16. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund's investments are made in the form of fixed income securities in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have a separate identifiable business or geographical segments.

17. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period from 1 October 2010 to 31 December 2010 are as follows:

Financial institutions	Transaction value	
	RM	%
AmBank (M) Berhad*	56,992,440	32.93
OCBC Bank (M) Berhad	54,825,453	31.68
Hong Leong Bank Berhad	30,299,295	17.50
KAF Investment Bank Berhad	20,653,138	11.93
Standard Chartered Bank Malaysia Berhad	10,309,924	5.96
	<u>173,080,250</u>	<u>100.00</u>

* Financial institution related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The above transaction values are in respect of Ringgit Malaysia denominated quasi-Government debt securities. Transactions in these fixed income securities do not involve any commission or brokerage.

18. **RISK MANAGEMENT**

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

Risk management is carried out by closely monitoring, measuring and mitigating the above said 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.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities of the Fund are carried at fair values. The accounting policies on recognition and measurement of the fair value for the Fund's investments are disclosed in their respective accounting policies.

The fair value for the amount due to 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 year under review, 1 board meetings were held.

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

Name: Harinder Pal Singh		
Age	:	49
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	:	Bank Negara Malaysia Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) Securities Commission Assistant Manager, Market Surveillance Department (1993 – 1995) AmSecurities Sdn Bhd Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) AmMerchant Bank Berhad Manager, Corporate Services (1998 – 2000) AmInvestment Services Berhad Manager, Client Service & Operations (July 2001 – June 2002) Senior Manager, Client Service & Operation (July 2002 – 2003) Head, Sales Services (2003-Dec 2006) Principal Officer / Director of Operations (present) Director (September 2008 – present)
Occupation	:	Director of Operations and Principal Officer of AmInvestment Services Berhad
Date of appointment	:	8 December 2006
Any interest in the Fund	:	None
Directorship of other public companies	:	None
Number of board meetings attended in the financial year	:	1
(Forward)		

Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad (Non-Independent)
Date of appointment to the investment committee	:	12 July 2005
Number of investment committee meetings attended in the financial year	:	1
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

Name: Kok Tuck Cheong		
Age	:	60
Nationality	:	Malaysian
Qualification	:	Bachelor of Science (Hons) 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 year	:	1
Member of any other board committee	:	-
Date of appointment to the investment committee	:	-
Number of investment committee meetings attended in the financial year	:	-
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

Name: Datin Maznah Mahbob		
Age	:	52
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 year	:	1
Member of any other board committee	:	-
Date of appointment to the investment committee	:	-
Number of investment committee meetings attended in the financial year	:	-
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

Name: Professor Dr. Annuar Md. Nasir		
Age	:	53
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	:	University Putra Malaysia Serdang Dean (February 2006-Present) Deputy Dean (September 2002 – January 2006) Professor (March 2000-Present) Associate Professor (March 1993 – March 2000) University Pertanian Malaysia 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 year	:	1
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad (Independent)
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 year	:	1
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

Name: Dato' Dr. Mahani Zainal Abidin		
Age	:	57
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	:	Prime Minister's Department, Malaysia Head, Special Consultancy Team on Globalisation National Economic Action Council (April 2001 – July 2005) BHLB Unit Trust Member of Investment Panel (April 1999 – June 2004) Employee Provident Fund, Malaya Board Member (June 1998 – 2001)
Occupation	:	Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.
Date of appointment	:	14 July 2004
Directorship of other public companies	:	AmIslamic Bank Berhad
Number of board meetings attended in the financial year	:	1
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad (Independent)
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 year	:	1
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

Name: Lee Siang Korn @ Lee Siang Chin		
Age	:	63
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	:	Surf88.Com Sdn Bhd Chairman and Founding shareholder (1999-2004) Arab-Malaysian Securities Sdn Bhd. Managing Director (1986-1999) Arab-Malaysian Merchant Bank Berhad 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 year	:	1
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad (Independent)
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 year	:	1
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, the Manager of the Fund nor the Fund were 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.

Investment Committee

The Committee reviews the Fund's investment objective and guidelines, and to ensure that the Fund is invested appropriately. For the financial year under review, 1 meetings were held.

Unitholders

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

NAME	Number of Units Held	Units Held (in %)
HSBC BANK MALAYSIA BERHAD	467,855,870.00	87.055619%
AMINVESTMENT BANK BERHAD	55,500,000.00	10.327084%
AMINVESTMENT BANK BERHAD	13,629,430.00	2.536077%
CITIBANK BERHAD	140,000.00	0.026050%
PUBLIC INVESTMENT BANK BERHAD	103,000.00	0.019166%
CIMB INVESTMENT BANK BERHAD	100,000.00	0.018607%
MAYBANK INVESTMENT BANK BERHAD	20,000.00	0.003721%
OSK INVESTMENT BANK BERHAD	20,000.00	0.003721%
JF APEX SECURITIES BERHAD	15,000.00	0.002791%
(Forward)		

NAME	Number of Units Held	Units Held (in %)
CIMB INVESTMENT BANK BERHAD	10,000.00	0.001861%
ALLIANCE INVESTMENT BANK BERHAD	3,000.00	0.000558%
HONG LEONG INVESTMENT BANK BERHAD	2,000.00	0.000372%
HWANGDBS INVESTMENT BANK BERHAD	2,000.00	0.000372%
HWANGDBS INVESTMENT BANK BERHAD	2,000.00	0.000372%
ECM LIBRA INVESTMENT BANK BERHAD	1,000.00	0.000186%
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.000186%
KENANGA INVESTMENT BANK BERHAD	500.00	0.000093%
INTER-PACIFIC SECURITIES SDN BHD	500.00	0.000093%
JUPITER SECURITIES SDN BHD	396.00	0.000074%
MAYBANK INVESTMENT BANK BERHAD	300.00	0.000056%
HWANGDBS INVESTMENT BANK BERHAD	300.00	0.000056%
MAYBANK INVESTMENT BANK BERHAD	200.00	0.000037%
ECM LIBRA INVESTMENT BANK BERHAD	100.00	0.000019%
PUBLIC INVESTMENT BANK BERHAD	100.00	0.000019%
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50.00	0.000009%
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50.00	0.000009%
OSK INVESTMENT BANK BERHAD	4.00	0.000001%