

ABF Malaysia Bond Index Fund

Quarterly Report

30 September 2011

Trust Directory

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) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte KassimChan Tax Services Sdn Bhd

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

Secretaries

Koid Phaik Gunn (MAICSA 7007433)
Quah Khian Khoon (MAICSA 7030264)

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

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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 2011 to 30 September 2011.

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 30 September 2011 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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 Berhad	3.660	12 April 2013	500,000,000
VG100059	Bank Pembangunan Malaysia Berhad	3.640	12 April 2013	500,000,000
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
VG100401	Cagamas Berhad	3.550	10 December 2013	700,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GJ080019	Malaysia Investment Issue	4.273	14 February 2014	3,500,000,000
VI090137	Danga Capital Berhad	4.220	24 April 2014	1,100,000,000
MN04002W	Malaysian Government	5.094	30 April 2014	24,000,000,000
PK070017	Silterra Capital Berhad	3.900	6 June 2014	1,800,000,000
VG110222	Cagamas Berhad	3.700	11 July 2014	620,000,000
GI090042	Malaysia Investment Issue	3.909	31 July 2014	4,500,000,000
MH110002	Malaysian Government	3.434	15 August 2014	4,500,000,000
GH110017	Malaysia Investment Issue	3.505	30 September 2014	4,000,000,000
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
UI100019	Bank Pembangunan Malaysia Berhad	4.150	10 April 2015	1,500,000,000
VI100060	Danga Capital Berhad	4.350	13 April 2015	2,000,000,000
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
MO05002S	Malaysian Government	4.720	30 September 2015	6,975,000,000
GJ100009	Malaysia Investment Issue	3.860	30 September 2015	3,500,000,000
PS00196F	Bank Pembangunan 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	16,500,000,000
VJ100354	Cagamas Berhad	3.850	20 October 2016	500,000,000
GN060019A	Government Investment Issue	3.820	15 November 2016	4,000,000,000
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
UN070014	Asian Development Bank	4.000	08 February 2017	500,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
ML100002	Malaysian Government	4.012	15 September 2017	14,000,000,000
UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000
GL110001	Malaysia Investment Issue	3.872	30 August 2018	3,500,000,000
GN080031	Malaysia Investment Issue	4.295	31 October 2018	7,500,000,000
DN081338	Khazanah Nasional Berhad	0.000	17 December 2018	1,000,000,000
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
GN100060	Malaysia Investment Issue	3.998	30 November 2020	3,000,000,000
GN110025	Malaysia Investment Issue	4.170	30 April 2021	10,000,000,000
MO110001	Malaysian Government	4.160	15 July 2021	7,500,000,000
VN110259	Syarikat Prasarana Negara Berhad	4.150	4 August 2021	800,000,000
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
MY050003	Malaysian Government	4.837	15 July 2025	3,000,000,000
PZ00197S	Bank Pembangunan Malaysia Berhad	7.500	30 October 2025	500,000,000
MS110003	Malaysian Government	4.392	15 April 2026	6,000,000,000
VS110260	Syarikat Prasarana Negara Berhad	4.350	4 August 2026	1,200,000,000
MX060002	Malaysian Government	4.709	15 September 2026	3,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	4.498	15 April 2030	2,000,000,000
MX110004	Malaysian Government	4.232	30 June 2031	3,500,000,000

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

iBoxx® ABF Malaysia Bond Index

Income Distribution Policy

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 537,421,800 units.

Size of holding	As at 30 September 2011		As at 30 June 2011	
	No of units held ('000)	Number of unitholders	No of units held ('000)	Number of unitholders
Less than 100	-	-	-	-
100 – 1,000	5.4	15	5.4	15
1,001 -10,000	21.0	6	19.0	5
10,001 – 100,000	55.0	3	70.0	4
100,001 to less than 5% of issue units	5,244.5	4	5,231.5	5
5% and above of issue units	532,095.9	2	532,095.9	2

Fund Performance Data

Portfolio Composition Details of portfolio composition of the Fund as at 30 September 2011, 30 June 2011 and three financial years as at 31 December are as follows:

	As at 30-09-2011 %	As at 30-06-2011 %	FY 2010 %	FY 2009 %	FY 2008 %
Malaysian Government securities	89.9	89.6	91.9	83.4	88.3
Quasi-Government bonds	7.2	7.0	7.0	11.4	10.7
Cash and others	2.9	3.4	1.1	5.2	1.0
	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 2011 and 30 June 2011 and three financial year ended 31 December are as follows:

	3 Months ended 30-09-2011	3 months ended 30-06-2011	FY 2010	FY 2009	FY 2008
Net asset value (RM)	583,411,574	584,536,419	584,921,826	516,936,480	536,418,866
Units in circulation	537,421,800	537,421,800	537,421,800	481,921,800	481,921,800
Net asset value per unit (RM)	1.0856*	1.0877	1.0884*	1.0727*	1.1131*
Highest net asset value per unit (RM)	1.0908*	1.0878	1.0917*	1.1197*	1.1134*
Lowest net asset value per unit (RM)	1.0734*	1.0717	1.0559*	1.0510*	1.0215*
Closing quoted price (RM/unit)	1.0680*	1.0690	1.0620*	1.0700*	1.0980*
Highest quoted price (RM/unit)	1.0680*	1.0700	1.0830*	1.1170*	1.0980*
Lowest quoted price (RM/unit)	1.0650*	1.0690	1.0620*	1.0550*	1.0570*

	3 Months ended 30-09-2011	3 months ended 30-06-2011	FY 2010	FY 2009	FY 2008
Benchmark performance (%)	6.24	6.11	5.13	0.21	6.00
Total return (%) ⁽¹⁾	5.81	6.44	5.19	-0.14	7.71
- Capital growth (%)	4.20	6.44	1.60	-3.60	6.23
- Income distribution (%)	1.61	-	3.59	3.46	1.48
Gross distribution per unit (sen)	1.75	-	3.85	3.85	1.55
Net distribution per unit (sen)	1.75	-	3.85	3.85	1.55
Distribution yield (%) ⁽²⁾	1.64	-	3.54	3.60	1.41
Management expense ratio (%) ⁽³⁾	0.19	0.19	0.19	0.20	0.23
Portfolio Turnover ratio (times) ⁽⁴⁾	0.08	0.05	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 respective financial periods/years 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 increased by 0.03 times (60%) as compared to 0.05 times for the quarter ended 30 June 2011 mainly due to increase in investing activities.*

Average Total Return (as at 30 September 2011)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	3.1	3.6
Three years	5.1	5.4
Five years	4.2	4.5
Since launch of Fund (13 July 2005)	3.8	4.2

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).

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 and that 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 return corresponded closely to the performance of the benchmark index.

Fund Performance

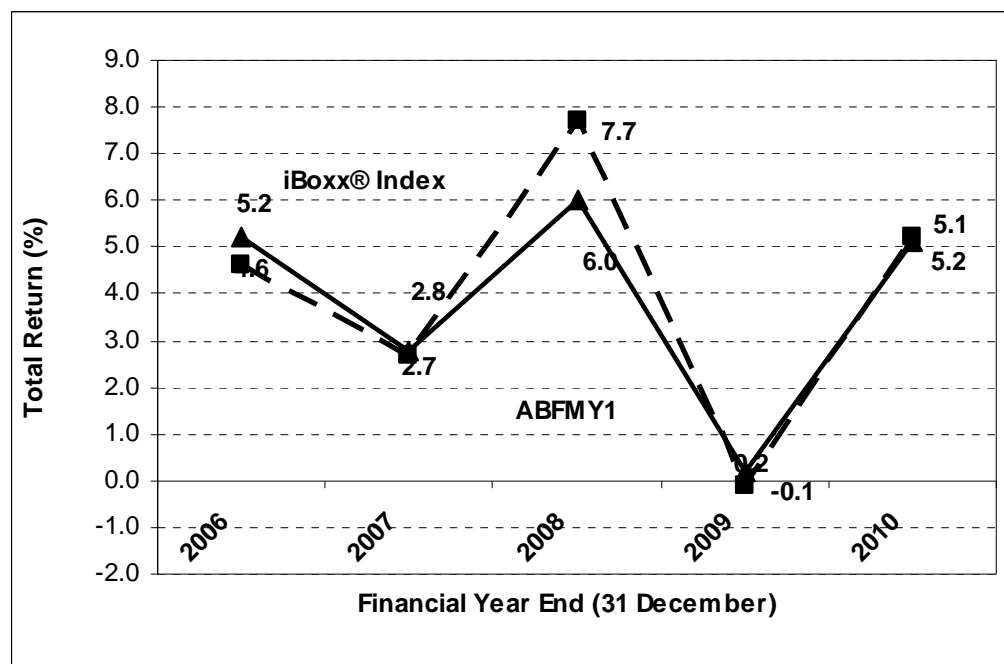
For the financial period under review, the Fund recorded a return of 5.81% comprising of 4.20% capital growth and 1.61% of income distribution.

Thus, the Fund’s return of 5.81% has underperformed the benchmark return of 6.24% by 0.43%.

As compared to 30 June 2011, the NAV of the Fund has decreased by 0.19% from RM584,536,419 to RM583,411,574. The NAV per unit of the Fund also decreased by 0.19% from RM1.0877 to RM1.0856, while units in circulation remain unchanged at 537,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 0.09% from RM1.0690 to RM1.0680.

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

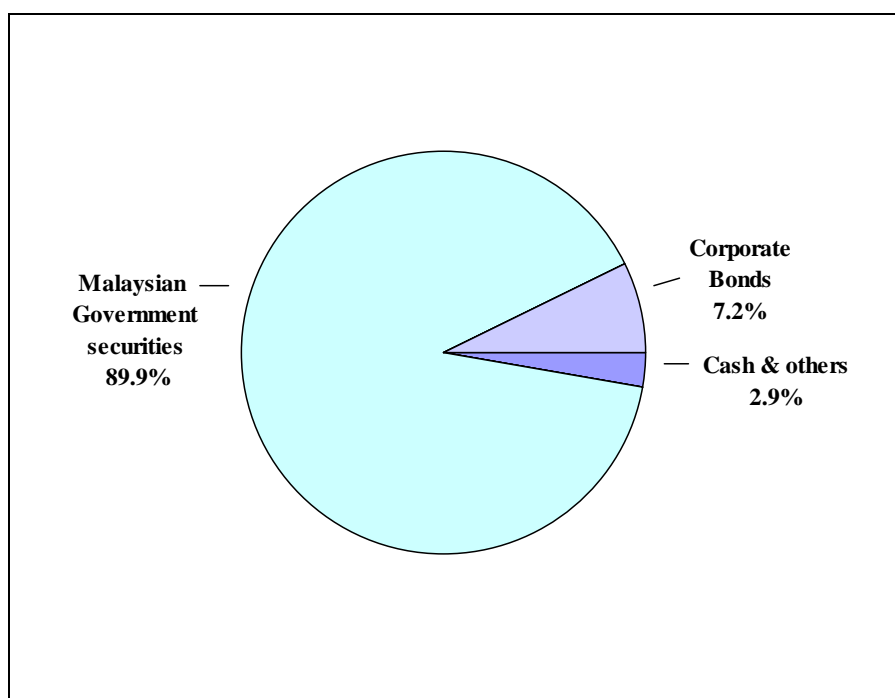
The table below is the asset allocation of the Fund for the financial period under review.

	30 September 2011 (%)	30 June 2011 (%)	Changes (%)
Malaysian Government securities	89.9	89.6	0.3
Quasi-Government bonds	7.2	7.0	0.2
Cash and others	2.9	3.4	-0.5
Total	100.0	100.0	

There have been no significant changes to the asset allocation since the last reporting.

(Forward)

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



**Distribution/
unit splits**

During the financial period under review, the Fund declared an income distribution of 1.75 sen per unit on 15 July 2011, details as follows:

1.75 sen per unit interim income distribution	Change in the unit price prior and subsequent to the interim distribution	Before income distribution on 15 July 2011 (RM)	After income distribution on 15 July 2011 (RM)
	Net asset value per unit	1.0913	1.0738

There was no unit split 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 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

In July 2011, continuing fears of a debt contagion in Europe and decelerating growth in the US lifted demand for MGS, sending the valuations at the long end of the curve higher. Across the benchmark tenures, the 3 year, 5 year, 7 year, 10 year and 15 year MGS yields generally firmed and ended the month at 3.21%, 3.48%, 3.70%, 3.86% and 4.06% respectively.

In August 2011, the worsening fears of a debt contagion in Europe and decelerating growth in the US again lifted demand for MGS, with MGS trade

volume jumping 46.3% to RM97.4 billion. Valuations gained strongly across all tenures. Across the benchmark tenures, the 3 year, 5 year, 7 year, 10 year and 15 year MGS yields recorded firm gains of between 10.0 bps – 23.0 bps m-o-m to end the month at 3.11%, 3.38%, 3.57%, 3.63% and 3.90% respectively. The accumulation may be due to the safe-haven sentiment resulting from the S&P's downgrade of US's AAA credit rating.

In September 2011, the benchmark MGS yield curve was seen realigning higher mom with the 3 year, 5 year, 7 year, 10 year and 15 year MGS yields closing up to 10.0 bps higher at 3.20%, 3.40%, 3.57%, 3.69% and 4.00% respectively.

Market Outlook Volatility in the past two months has been higher than usual as markets swing between the gloom of a global economic slowdown and the hope of an eventual resolution to the European sovereign debt crisis. While neither scenario is a done deal, we are sure that the prevailing uncertainties will continue in the short-term and as such volatility will persist.

In the month of October, we saw selling pressures in the US treasuries on the back of a strong 3Q11 GDP report and the unveiling of a long-awaited European Union (EU) plan to resolve the region's debt crisis. For now, we know that the EU plan includes measures to strengthen the capitalization of large European banks, to leverage the euro zone bailout fund (EFSF) up to EUR1.4 trillion and to impose a 50% hair-cut on Greek debt. These measures came as a relief to the market and provide a framework for an eventual resolution to Greece's debt crisis, but more importantly provide a temporary respite from the possibility of a global systemic banking crisis.

Locally, the 2012 Federal Budget was a non-event as far as capital markets is concerned. The big surprise was the Government's optimistic projection of 2012's GDP growth as well as the larger than expected fiscal deficit reduction in 2012 to 4.7% of GDP. Given the current situation, we think 2012's growth outlook is unlikely to be as rosy as the Government's forecasted 5.0% - 6.0% range.

Meanwhile, BNM Governor, Zeti Akhtar Aziz said that economic growth in the third quarter looks better than the second quarter with improvements seen in several indicators but more importantly, she emphasized that BNM needs to "ensure sustainable growth for the medium term of two to three years" and not only growth for the moment. As such, we reaffirm our view that BNM will stand pat and hold of from hiking the OPR in the last meeting of the year and which we think may extend till the 1st quarter of 2012. We shall reassess our outlook within the following quarter.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

31 October 2011

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 Manager. For the financial period under review from 1 July 2011 to 30 September 2011, there was a Board of Director Meeting held by the Manager.

Details of the Directors of the Manager are set out as below:

Name: Harinder Pal Singh A/L Joga Singh	
Age	: 49
Nationality	: Malaysia
Qualification	: Bachelors Degree in Accounting, University Malaya
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: <i>Bank Negara Malaysia</i> Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) <i>Securities Commission</i> Assistant Manager, Market Surveillance Department (1993 – 1995) <i>AmSecurities Sdn Bhd</i> Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) <i>AmMerchant Bank Berhad</i> Manager, Corporate Services (1998 – 2000) <i>AmInvestment Services Berhad</i> <ul style="list-style-type: none">• 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	: Principal Officer/Director of Operations of AmInvestment Services Berhad
Date of appointment	: 22 September 2008
Directorship of other public companies	: None
Number of board meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: One (1)
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 meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: Three (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
Name: Kok Tuck Cheong	
Age	: 56
Nationality	: Malaysian
Qualification	: Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls from University of Southampton.
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
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 meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: One (1)
Member of any other board committee	: Audit Committee of AmInvestment Services Berhad
Date of appointment to the investment committee	: None
Number of investment committee meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: None
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 Binti 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
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: She has been in the funds management industry since 1987, in a fund management role, before assuming responsibility as the Chief Executive Officer of the Funds Management Division, AmInvestment Bank Group in 2002. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank Berhad 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 meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: One (1)
Member of any other board committee	: None
Date of appointment to the investment committee	: None
Number of investment committee meeting attended in the financial period (1 July 2011 to 30 September 2011)	: Two (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

Name: Professor Dr. Annuar Bin Md. Nasir	
Age	: 53
Nationality	: Malaysian
Qualification	: Doctor of Philosophy, University Putra Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: <i>University Pertanian Malaysia</i> Tutor (1981 – 1984) <i>University Putra Malaysia, Serdang</i> <ul style="list-style-type: none"> • Dean (February 2006-Present) • Deputy Dean (September 2002 – January 2006) • Professor (March 2000-Present) • Associate Professor (March 1993 – March 2000)
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 meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: One (1)
Member of any other board committee	: Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)
Date of appointment to the investment committee	: 12 July 2005
Number of investment committee meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: Three (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

Name: Dato' Dr Mahani Binti Zainal Abidin	
Age	: 57
Nationality	: Malaysian
Qualification	: Doctor of Philosophy in Development Economics, University of London.
Executive/Non-Executive Director	: Non-Executive Director

Independent/Non-Independent Director	:	Independent Director
Working Experience	:	<i>Prime Minister's Department, Malaysia</i> Head, Special Consultancy Team on Globalisation National Economic Action Council (April 2001 – July 2005)
		<i>BHLB Unit Trust</i> Member of Investment Panel (April 1999 – June 2004)
		<i>Employees Provident Fund Board, Malaysia</i> 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 meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	:	One (1)
Member of any other board committee	:	Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)
Date of appointment to the investment committee	:	12 July 2005
Number of investment committee meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	:	Two (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
Name: Lee Siang Korn @ Lee Siang Chin		
Age	:	62
Nationality	:	Malaysian
Qualification	:	Fellow of the Institute of Chartered Accountants, England and Wales (July 1972)
		Member of the Malaysian Association of Certified Public Accountants (June 1975)
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director

Working Experience : *Arab-Malaysian Merchant Bank Berhad*
General Manager, Corporate Finance (1983-1986)

Arab-Malaysian Securities Sdn. Bhd.
Managing Director (1986-1999)

Surf88.Com Sdn.Bhd
Chairman and Founding shareholder (1999-2004)

Occupation	: Director
Date of appointment	: 20 December 2006
Directorship of other public companies	: Star Publications (Malaysia) Berhad UniAsia Life Assurance Berhad
Number of board meeting attended in the financial period (From 1 July 2011 to 30 September 2011)	: One (1)
Member of any other board committee	: Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)
Date of appointment to the investment committee	: 12 July 2005
Number of investment committee meetings attended in the financial year (From 1 July 2011 to 30 September 2011)	: Three (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 period under review, neither the directors of the management company nor the Manager of 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 the Securities Commission on 4 March 1997, to implement the Fund's investment strategy on behalf of us to achieve the objectives of the Fund. AmInvestment Management Sdn Bhd, is a wholly owned subsidiary of AmInvestment Group Berhad, 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 period under review, there were three (3) Investment Committee Meetings held by the Manager.

Unitholders

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

NAME	Number of Units Held	Units Held (in %)
HSBC BANK MALAYSIA BERHAD	476,595,870	88.681901
AmINVESTMENT BANK BERHAD	55,500,000	10.327084
AmINVESTMENT BANK BERHAD	4,856,530	0.903672
HWANGDBS INVESTMENT BANK BERHAD	145,000	0.026981
CITIBANK BERHAD	140,000	0.026050
PUBLIC INVESTMENT BANK BERHAD	103,000	0.019166
MAYBANK INVESTMENT BANK BERHAD	20,000	0.003721
OSK INVESTMENT BANK BERHAD	20,000	0.003721
PUBLIC INVESTMENT BANK BERHAD	15,000	0.002791
CIMB INVESTMENT BANK BERHAD	10,000	0.001861
ALLIANCE INVESTMENT BANK BERHAD	3,000	0.000558
JF APEX SECURITIES BERHAD	2,000	0.000372
HONG LEONG INVESTMENT BANK BERHAD	2,000	0.000372
HWANGDBS INVESTMENT BANK BERHAD	2,000	0.000372
HWANGDBS INVESTMENT BANK BERHAD	2,000	0.000372
INTER-PACIFIC SECURITIES SDN BHD	1,000	0.000186
ECM LIBRA INVESTMENT BANK BERHAD	1,000	0.000186
MAYBANK INVESTMENT BANK BERHAD	1,000	0.000186
KENANGA INVESTMENT BANK BERHAD	500	0.000093
JUPITER SECURITIES SDN BHD	396	0.000074
MAYBANK INVESTMENT BANK BERHAD	300	0.000056
HWANGDBS INVESTMENT BANK BERHAD	300	0.000056
HWANGDBS INVESTMENT BANK BERHAD	300	0.000056
MAYBANK INVESTMENT BANK BERHAD	200	0.000037
ECM LIBRA INVESTMENT BANK BERHAD	100	0.000019
OSK INVESTMENT BANK BERHAD	100	0.000019
PUBLIC INVESTMENT BANK BERHAD	100	0.000019
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50	0.000009
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50	0.000009
OSK INVESTMENT BANK BERHAD	4	0.000001

STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 SEPTEMBER 2011

	Note	30-9-2011 RM	31-12-2010 RM (Restated)	31-12-2009 RM (Restated)
ASSETS				
Investments	4	557,581,768	578,438,535	490,316,248
Deposit with financial institution	5	16,377,800	6,555,503	26,890,071
Sundry receivable	9	19,962,316	-	-
Cash at banks		452,375	195,608	589
TOTAL ASSETS		<u>594,374,259</u>	<u>585,189,646</u>	<u>517,206,908</u>
LIABILITIES				
Sundry payables and accrued expenses	9	10,831,429	147,679	163,462
Amount due to index provider	6	44,262	38,406	32,411
Amount due to Manager	7	51,173	48,080	43,856
Amount due to Trustee	8	35,821	33,655	30,699
TOTAL LIABILITIES		<u>10,962,685</u>	<u>267,820</u>	<u>270,428</u>
EQUITY				
Unitholders' capital	11(a)	563,972,881	563,972,881	505,268,959
Retained earnings	11(b)(c)	19,438,693	20,948,945	11,667,521
TOTAL EQUITY	11	<u>583,411,574</u>	<u>584,921,826</u>	<u>516,936,480</u>
TOTAL EQUITY AND LIABILITIES		<u>594,374,259</u>	<u>585,189,646</u>	<u>517,206,908</u>
UNITS IN CIRCULATION	11(a)	<u>537,421,800</u>	<u>537,421,800</u>	<u>481,921,800</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION		<u>108.56 sen</u>	<u>108.84 sen</u>	<u>107.27 sen</u>

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

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE PERIOD FROM 1 JULY 2011 TO 30 SEPTEMBER 2011**

	Note	1-7-2011 to 30-9-2011 RM	1-7-2010 to 30-9-2010 RM
INVESTMENT INCOME			
Interest income		5,412,503	4,944,512
Net gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	10	3,145,352	-
Net unrealised gain on changes in value of investments		<u>-</u>	<u>7,246,203</u>
Gross Income		<u>8,557,855</u>	<u>12,190,715</u>
EXPENDITURE			
Manager’s fee	7	146,700	130,868
Trustee’s fee	8	102,690	91,607
License fee	6	23,084	21,501
Auditor’s remuneration		2,287	1,891
Administrative expenses		1,787	13,940
Tax agent’s fee		<u>1,271</u>	<u>1,378</u>
Total Expenditure		<u>277,819</u>	<u>261,185</u>
NET INCOME BEFORE TAX		8,280,036	11,929,530
LESS: INCOME TAX EXPENSE	13	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		8,280,036	11,929,530
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>8,280,036</u>	<u>11,929,530</u>
Total comprehensive income comprises the following:			
Realised income		5,195,562	4,683,327
Unrealised gain		<u>3,084,474</u>	<u>7,246,203</u>
		<u>8,280,036</u>	<u>11,929,530</u>
Distribution for the period:			
Net distribution	14	<u>9,404,882</u>	<u>-</u>
Net/gross distribution per unit (sen)	14	<u>1.75</u>	<u>-</u>

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

**STATEMENT OF CHANGES IN NET ASSET VALUE (Unaudited)
FOR THE PERIOD FROM 1 JULY 2011 TO 30 SEPTEMBER 2011**

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 July 2010		505,280,543	8,204,647	513,485,190
Total comprehensive income for the period		-	11,929,530	11,929,530
Distribution		-	-	-
		<u>505,280,543</u>	<u>20,134,177</u>	<u>525,414,720</u>
Balance at 30 September 2010				
At 1 July 2011		563,972,881	20,563,539	584,536,420
Total comprehensive income for the period		-	8,280,036	8,280,036
Distribution	14	-	(9,404,882)	(9,404,882)
		<u>563,972,881</u>	<u>19,438,693</u>	<u>583,411,574</u>
Balance at 30 September 2011				

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

STATEMENT OF CASH FLOWS (Unaudited)
FOR THE PERIOD FROM 1 JULY 2011 TO 30 SEPTEMBER 2011

	1-7-2011 to 30-9-2011 RM	1-7-2010 to 30-9-2010 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	30,146,184	-
Interest received	6,984,118	6,336,495
Payments for other administrative expenses	(1,390)	(1,629)
Tax agent's fee paid	(5,000)	-
License fee paid	(14,323)	(19,780)
Trustee's fee paid	(100,405)	(90,251)
Manager's fee paid	(143,435)	(128,930)
Purchase of investments	<u>(30,494,600)</u>	<u>-</u>
Net Cash Generated From Operating And Investing Activities	<u>6,371,149</u>	<u>6,095,905</u>
CASH FLOW FROM FINANCING ACTIVITY		
Distribution paid	<u>(9,404,882)</u>	<u>(9,638,436)</u>
Net Cash Used In Financing Activity	<u>(9,404,882)</u>	<u>(9,638,436)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(3,033,733)	(3,542,531)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>19,863,908</u>	<u>17,341,267</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>16,830,175</u></u>	<u><u>13,798,736</u></u>
Cash and cash equivalents comprise:		
Short-term deposit with licensed bank under short-term money market deposit (Note 5)	16,377,800	13,347,709
Cash at banks	<u>452,375</u>	<u>451,027</u>
	<u>16,830,175</u>	<u>13,798,736</u>

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

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 Deeds, 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 in accordance with applicable Financial Reporting Standards (“FRS”).

Standard Issued But Not Yet Effective

The Fund has not adopted the following FRSs, Amendments to FRSs, Interpretation of the Issues Committee (“IC Interpretations”) and Technical Releases (“TR”) which have effective date as follows:

		Effective for financial periods beginning on or after
FRS 124	Related Party Disclosures	1 January 2012
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 1	Limited Exemptions from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
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 7	Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011

(Forward)

		Effective for financial periods beginning on or after
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128	Investments in Associates	1 January 2011
Amendments to FRS 131	Interests in Joint Ventures	1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2011
Amendments to FRS 134	Interim Financial Reporting	1 January 2011
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4	Determining whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011
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-4	Shariah-Compliant Sale Contracts	1 January 2011

Other than Amendments to FRS 7, the other FRSs, Amendments to FRSs, IC Interpretations and TR are either not applicable or are expected not to have any significant impact on the financial statements of the Fund upon their initial application.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Income Recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend/distribution income is recognised when the Fund's right to receive payment is established. Interest on fixed income securities and short-term deposits, if any, is recognised on an accrual basis using the effective interest method.

Income Tax Expense

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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 the Ringgit Malaysia which reflects the currency of the economy in which the Fund competes for funds, issues and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

Statement of Cash Flows

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash equivalents are short term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserve except where distribution is sourced out of distribution/loss equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

Unitholders' Capital

The unitholders' capital of the Fund meets the definition of puttable instruments classified as equity instruments under the revised FRS 132.

Distribution/Loss Equalisation

Distribution/loss equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories applicable to the Fund include as financial assets at fair value through profit or loss and loans and receivables.

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading include fixed income securities acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets at fair value through profit or loss'. Interest earned and dividend revenue elements of such instruments, if any, are recorded separately in 'Interest income' and 'Gross dividend income', respectively. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gains or net losses on changes in fair value of financial assets at FVTPL.

Investments are stated at fair value on a portfolio basis in accordance with the provisions of the Deed, fair value is determined based on prices provided by the index provider, International Index Company Limited ("IIC"), plus accrued interest. 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 effective interest 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 a loss recognised in the statement of comprehensive income 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 comprehensive income.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Fund includes short term receivables in this classification.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of Financial Assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Receivables carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include amount due to Manager and Trustee, amount due to Index Provider and sundry payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Classification of Realised and Unrealised Gains and Losses

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified as part of 'at fair value through profit or loss' are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Significant Accounting Estimates and Judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its investments as financial assets at FVTPL as the Fund is an open-ended fund that may sell its investments for short-term profit-taking or to meet unitholders cancellation.

No other major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within period.

4. INVESTMENTS

	30-9-2011	31-12-2010	31-12-2009*
	Financial	Financial	
	assets at	assets at	Total
	FVTPL	FVTPL	RM
	RM	RM	
At nominal value:			
Quasi-Government Bonds	40,000,000	40,000,000	60,000,000
Malaysian Government Securities	396,660,000	435,000,000	375,000,000
Government Investment Issues	96,650,000	80,000,000	45,000,000
	<u>533,310,000</u>	<u>555,000,000</u>	<u>480,000,000</u>
At fair value:			
Quasi-Government Bonds	41,081,449	40,724,017	59,001,414
Malaysian Government Securities	416,811,505	455,396,455	385,936,777
Government Investment Issues	99,688,814	82,318,063	45,378,057
	<u>557,581,768</u>	<u>578,438,535</u>	<u>490,316,248</u>

* Prior to 1 January 2010, the investments of the Fund, although carried at fair values, need not be classified as "Financial assets at FVTPL".

Details of investments as at 30 September 2011 are as follows:

Maturity date	Issuer	Nominal value RM	Fair value RM	Purchase cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds					
12.03.2013	The Export-Import Bank of Korea	10,000,000	10,088,238	10,028,474	1.73
06.06.2014	Sil Terra Capital Berhad	15,000,000	15,340,418	15,233,014	2.63
30.11.2016	Syarikat Prasarana Negara Berhad	5,000,000	5,187,532	4,911,737	0.89
30.05.2018	Syarikat Prasarana Negara Berhad	10,000,000	10,465,261	9,968,253	1.79
		<u>40,000,000</u>	<u>41,081,449</u>	<u>40,141,478</u>	<u>7.04</u>
Malaysian Government Securities					
25.02.2013	Government of Malaysia	50,000,000	50,651,106	50,014,630	8.68
15.05.2013	Government of Malaysia	5,000,000	5,119,254	5,182,945	0.88
31.05.2013	Government of Malaysia	15,000,000	15,190,316	15,233,531	2.60
30.04.2014	Government of Malaysia	40,070,000	42,700,534	43,306,623	7.32
15.08.2014	Government of Malaysia	10,000,000	10,095,858	10,098,645	1.73
27.02.2015	Government of Malaysia	30,790,000	31,244,297	31,135,898	5.36
12.08.2015	Government of Malaysia	25,000,000	25,512,765	25,809,760	4.37
30.09.2015	Government of Malaysia	15,000,000	15,738,445	15,988,833	2.70
15.09.2016	Government of Malaysia	30,800,000	32,058,901	31,740,083	5.49
15.02.2017	Government of Malaysia	20,000,000	20,339,423	20,504,800	3.49
15.09.2017	Government of Malaysia	20,000,000	20,485,270	20,597,209	3.51
30.07.2019	Government of Malaysia	25,000,000	28,832,730	28,646,488	4.94
(Forward)					

Maturity date	Issuer	Nominal value RM	Fair value RM	Purchase cost RM	Fair value as a percentage of net asset value %
29.11.2019	Government of Malaysia	30,000,000	31,887,977	31,349,549	5.47
15.07.2021	Government of Malaysia	10,000,000	10,462,697	10,389,937	1.79
15.07.2025	Government of Malaysia	10,000,000	11,006,969	10,366,331	1.89
15.04.2026	Government of Malaysia	10,000,000	10,652,800	10,681,400	1.83
15.09.2026	Government of Malaysia	10,000,000	10,742,699	10,305,114	1.84
31.05.2027	Government of Malaysia	5,000,000	4,748,845	4,517,448	0.81
15.09.2028	Government of Malaysia	25,000,000	28,655,170	28,232,286	4.91
15.04.2030	Government of Malaysia	10,000,000	10,685,449	10,346,951	1.83
		<u>396,660,000</u>	<u>416,811,505</u>	<u>414,448,461</u>	<u>71.44</u>

Government Investment Issues

15.03.2013	Government of Malaysia	5,000,000	5,023,204	5,035,441	0.86
31.07.2013	Government of Malaysia	15,000,000	15,190,025	15,110,654	2.60
30.12.2014	Government of Malaysia	11,650,000	11,943,754	11,730,946	2.05
16.03.2015	Government of Malaysia	10,000,000	10,353,210	10,329,639	1.77
30.09.2015	Government of Malaysia	5,000,000	5,073,530	5,053,511	0.87
15.06.2017	Government of Malaysia	5,000,000	5,168,146	5,151,990	0.89
30.08.2018	Government of Malaysia	15,000,000	15,182,868	15,073,431	2.60
31.10.2018	Government of Malaysia	20,000,000	21,094,703	20,985,934	3.62
30.04.2020	Government of Malaysia	10,000,000	10,659,374	10,232,273	1.83
		<u>96,650,000</u>	<u>99,688,814</u>	<u>98,703,819</u>	<u>17.09</u>
Total Financial Assets At FVTPL		<u>533,310,000</u>	<u>557,581,768</u>	<u>553,293,758</u>	<u>95.57</u>

Excess of fair value over cost 4,288,010

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

	Effective yield*	
	30-9-2011 %	31-12-2010 %
Quasi-Government Bonds	3.62	3.80
Malaysian Government Securities	3.44	3.50
Government Investment Issues	3.49	3.56

* As provided by International Index Company Limited

Analyses of the remaining maturity of investments as at 30 September 2011 are as follows:

	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
At nominal value:			
Quasi-Government Bonds	10,000,000	15,000,000	15,000,000
Malaysian Government Securities	70,000,000	151,660,000	175,000,000
Government Investment Issues	20,000,000	26,650,000	50,000,000

5. DEPOSIT WITH FINANCIAL INSTITUTION

	30-9-2011 RM	31-12-2010 RM	31-12-2009 RM
At nominal value:			
Short-term deposit with licensed bank under short-term money market deposit	16,376,400	6,555,000	26,888,600
At carrying value:			
Short-term deposit with licensed bank under short-term money market deposit	16,377,800	6,555,503	26,890,071

Details of deposit with financial institutions at 30 September 2011 are as follows:

Maturity date	Bank	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					
03.10.2011	United Overseas Bank (Malaysia) Berhad	16,376,400	16,377,800	16,376,400	2.81

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		
	30-9-2011	31-12-2010	31-12-2009	30-9-2011	31-12-2010	31-12-2009
	%	%	%	Days	Days	Days
Short-term deposits with licensed bank under short-term money market deposit	<u>3.12</u>	<u>2.80</u>	<u>2.00</u>	<u>3</u>	<u>3</u>	<u>4</u>

6. AMOUNT DUE TO INDEX PROVIDER

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

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

Fund Size	% p.a.
From 1 July 2008 onwards	
For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge

subject to a minimum annual fee of USD21,234

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

7. AMOUNT DUE TO MANAGER

Manager's fee was charged at a rate of 0.10% per annum on the net asset value of the Fund, calculated on a daily basis (0.10% in 2010 and 2009).

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

8. AMOUNT DUE TO TRUSTEE

Trustee's fee was charged at a rate of 0.07% per annum on the net asset value of the Fund, calculated on a daily basis (0.07% in 2009 and 2010).

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

9. **SUNDRY RECEIVABLES/PAYABLES AND ACCRUED EXPENSES**

Included in sundry receivables/payables and accrued expenses were amounts owing from/to financial institution for outstanding contracts where settlements were not due are as follows:

	30-9-2011	31-12-2010	31-12-2009
	RM	RM	RM
Amounts owing from financial institution	19,955,816	-	-
Amounts owing to financial institution	<u>10,681,400</u>	<u>-</u>	<u>-</u>

The normal trade credit term for these balances were three business days.

10. **NET GAIN FROM INVESTMENT AT FVTPL**

	30-9-2011	31-9-2010
	RM	RM
Financial assets at FVTPL comprises the following:		
– Net unrealised gain on changes in value of investments	3,084,474	7,246,203
– Net realised gain on sale of investments	<u>60,878</u>	<u>-</u>
	<u>3,145,352</u>	<u>7,246,203</u>

11. **TOTAL EQUITY**

Total equity is represented by:

	Note	30-9-2011	31-12-2010	31-12-2009
		RM	RM	RM
			(Restated)	(Restated)
Unitholders' capital	(a)	563,972,881	563,972,881	505,268,959
Retained earnings				
- Realised reserve	(b)	10,896,836	15,121,477	11,697,947
- Unrealised reserve/(loss)	(c)	<u>8,541,857</u>	<u>5,827,468</u>	<u>(30,426)</u>
		<u>583,411,574</u>	<u>584,921,826</u>	<u>516,936,480</u>

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

	1-7-2011 to 30-9-2011		1-1-2010 to 31-12-2010	
	Number of units	RM	Number of units	RM
As at beginning of the period/year as previously stated	537,421,800	563,972,881	481,921,800	505,257,375
Reclassification of distribution equalisation	-	-	-	11,584
As at beginning of the period/year as restated	537,421,800	563,972,881	481,921,800	505,268,959
Creation of units	-	-	55,500,000	60,495,000
	537,421,800	563,972,881	537,421,800	565,763,959
Distribution out of distribution equalisation	-	-	-	(1,791,078)
As at end of the period/year	<u>537,421,800</u>	<u>563,972,881</u>	<u>537,421,800</u>	<u>563,972,881</u>

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

(b) **REALISED – DISTRIBUTABLE**

	1-7-2011 to 30-9-2011 RM	1-1-2010 to 31-12-2010 RM
Balance as at beginning of the period/year as previously stated	15,106,156	11,709,531
Reclassification of distribution equalisation	-	(11,584)
Balance as at beginning of the period/year as restated	15,106,156	11,697,947
Total comprehensive income for the period/year	8,280,036	26,044,335
Net unrealised gain attributable to investments held transferred to unrealised reserve	(3,084,474)	(5,857,894)
Distribution out of realised reserve (Note 14)	(9,404,882)	(16,762,911)
Net (decrease)/increase in realised reserve for the period/year	<u>(4,209,320)</u>	<u>3,423,530</u>
Balance as at end of the period/year	<u>10,896,836</u>	<u>15,121,477</u>

(c) **UNREALISED – NON-DISTRIBUTABLE**

	1-7-2011 to 30-9-2011 RM	1-1-2010 to 31-12-2010 RM
Balance at beginning of the period/year	5,457,383	(30,426)
Net unrealised gain attributable to investments held transferred from realised reserve	<u>3,084,474</u>	<u>5,857,894</u>
Balance as at end of the period/year	<u><u>8,541,857</u></u>	<u><u>5,827,468</u></u>

12. **UNITS HELD BY RELATED PARTIES**

	30-9-2011		30-9-2010	
	Number of units	RM	Number of units	RM
Parties related to the Manager*	<u>60,356,530</u>	<u>64,460,774</u>	<u>2,366,559</u>	<u>2,513,286</u>

* The parties related to the Manager are the legal and beneficial owners of the units.

The Manager, AmInvestment Services Berhad, did not hold any unit in the Fund as at 30 September 2011 and 30 September 2010.

13. **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 deposit with licensed financial institution derived by the Fund is exempted from tax.

A reconciliation of income tax expenses applicable to net income before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Fund is as follows:

	1-7-2011 to 30-9-2011 RM	1-7-2010 to 30-9-2010 RM
Net income before income tax	<u>8,280,036</u>	<u>11,929,530</u>
Taxation at Malaysian statutory rate of 25%	2,070,000	2,982,400
Tax effects of:		
Income not subject to tax	(2,139,500)	(3,047,700)
Permitted expenses not deductible for tax purposes	33,500	30,700
Restriction on tax deductible expenses for unit trust funds	32,200	31,200
Non-permitted expenses for tax purposes	<u>3,800</u>	<u>3,400</u>
Tax expense for the financial period	<u><u>-</u></u>	<u><u>-</u></u>

14. DISTRIBUTIONS

Distribution to unitholders declared on 15 July 2011 is from the following sources:

	1-7-2011 to 30-9-2011 RM	1-7-2010 to 30-9-2010 RM
Undistributed net income brought forward – realised	7,288,605	-
Interest income	2,364,752	-
Net realised gain on sale of investments	<u>29,344</u>	<u>-</u>
	9,682,701	-
Less: Expenses	<u>(277,819)</u>	<u>-</u>
Total amount of distribution	<u>9,404,882</u>	<u>-</u>
Net/gross distribution per unit (sen)	<u>1.75</u>	<u>-</u>
Distribution made out of:		
- Realised reserve	<u>9,404,882</u>	<u>-</u>
Comprising:		
Cash distributions	<u>9,404,882</u>	<u>-</u>

Included in the income distribution for the financial period from 1 July 2011 to 30 September 2011 was an amount distributed from the previous financial period accumulated realised income of RM7,288,605.

15. **MANAGEMENT EXPENSE RATIO (“MER”)**

The Fund’s MER is as follows:

	1-7-2011 to 30-9-2011 % p.a.	1-7-2010 to 30-9-2010 % p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.07	0.07
License fee	0.01	0.02
Trust administrative expenses	0.01	0.01
	<hr/>	<hr/>
Total MER	<u>0.19</u>	<u>0.20</u>

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

16. **PORTFOLIO TURNOVER RATIO (“PTR”)**

The portfolio turnover ratio, calculated by dividing the average of total acquisitions and total disposals of investment by the average net asset value of the Fund calculated on a daily basis, is 0.08 times for the financial period (2010: Nil time)

17. **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 more than one separately identifiable business or geographical segments.

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period from 1 July 2011 to 30 September 2011 are as follows:

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	61,422,297	66.72
AmBank (M) Berhad*	10,681,400	11.60
Malayan Banking Berhad	19,955,816	21.68
	<hr/>	<hr/>
Total	92,059,513	100.00

* A financial institution related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered 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 Malaysian Government Securities. Transactions in these fixed income instruments do not involve any commission or brokerage.

19. FINANCIAL INSTRUMENTS

i. Classification of financial instruments

With effect from 1 January 2010, the Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classifications. The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities of the Fund in the statement of financial position as at 30 September 2011 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Assets				
Investments	557,581,768	-	-	557,581,768
Deposit with financial institution	-	16,377,800	-	16,377,800
Amount due from financial institution	-	19,955,816	-	19,955,816
Sundry receivable	-	6,500	-	6,500
Cash at bank	-	452,375	-	452,375
	<u>557,581,768</u>	<u>36,792,491</u>	<u>-</u>	<u>594,374,259</u>
Liabilities				
Amount due from financial institution	-	-	10,681,400	10,681,400
Other payables and accruals	-	-	150,029	150,029
Amount due to index provider	-	-	44,262	44,262
Amount due to Manager	-	-	51,173	51,173
Amount due to Trustee	-	-	35,821	35,821
	<u>-</u>	<u>-</u>	<u>10,962,685</u>	<u>10,962,685</u>
			Income, expense, gains and losses RM	
Net gains and losses from financial assets FVTPL				3,145,352
Interest income, of which derived from:				
Interest income from loans and receivables				<u>5,412,503</u>

(b) **Financial instruments that are carried at fair value**

The Fund's financial assets at FVTPL are carried at fair value. The fair values of these financial assets were determined using prices in active markets for identical assets.

Unquoted debt securities

The indicative prices for RM-denominated unquoted debt securities are based on information provided by the index provider, International Index Company Limited via iBoxx.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	30 September 2011			
	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
Financial assets at FVTPL				
Unquoted fixed income securities	-	<u>557,581,768</u>	-	<u>557,581,768</u>

(c) **Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Deposits with financial institution
- Amount due from financial institution
- Sundry receivable
- Cash at bank
- Amount due to financial institution
- Sundry payables and accruals
- Amounts due to index provider
- Amounts due to Manager
- Amounts due to Trustee

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

20. RISK MANAGEMENT

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

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

Market Risk

Market risk is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, foreign exchange rates, interest rates and commodity prices.

(a) Objectives and limitations of the Value at Risk ("VaR") methodology

The Fund model is Value-at-Risk based on Gaussian distribution to assess possible changes in the market value of the portfolio. Based on 180 weekly historical data points, the potential loss at the 99% confidence level is estimated. The VaR model is designed to measure market risk during normal market conditions. Due to the fact that VaR relies on historical data to provide information and that there is no prediction of the future change in the risk factors, the probability of large market movements may be underestimated. VaR may also be under- or over-estimated due to the interdependence between the market risk factors. Even though positions may change throughout the day, the VaR only represents the risk of the portfolio at the close of each business day. Analysis is carried out to estimate potential losses at the 99% confidence level.

In practice, the actual portfolio results will differ from the VaR calculation. In particular, the calculation does not provide a meaningful indication of losses under stressed market conditions.

(b) VaR assumptions

The VaR that the Fund measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

	Value-at-Risk (%)	
	Interest rate risk	Total VaR
30 September 2011	0.54	0.54
Average Daily	0.56	0.56
Highest	0.57	0.57
Lowest	0.54	0.54

Based on the Gaussian VaR, using historical weekly data for the past 180 weeks, ABF Malaysia Bond Index that invests mainly in Ringgit denominated fixed income securities had a daily 1% Value-at-Risk (VaR) of approximately 0.54% as 30 September 2011. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.54% of the NAV.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund invests in fixed income securities and money market instruments. As such the Fund would be exposed to the risk of bond issuers and financial institutions defaulting on their repayment obligations which in turn would affect the net asset value of the Fund. This risk is mitigated by the Fund investing mostly in Government and quasi Government agencies bonds.

(a) Credit quality of financial assets

The following table analyses the Fund's portfolio of debt securities by rating category rated by rating agencies, i.e. RAM or MARC as at 30 September 2011:

Credit rating	RM	As a % of debt securities	As a % of net asset value
AAA	<u>557,581,768</u>	<u>100.00</u>	<u>95.57</u>

For deposit in financial institution, the Fund only makes placement with financial institutions with sound rating. The following table presents the Fund's portfolio of deposit by rating category as at 30 September 2011:

Credit rating	RM	As a % of debt securities	As a % of net asset value
P1/MARC1	<u>16,377,800</u>	<u>100.00</u>	<u>2.81</u>

(b) Credit risk concentration

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities analysed by sectorial distribution as at 30 September 2011:

Sector	RM	As a % of debt securities	As a % of net asset value
Financial services	22,603,127	4.05	3.87
Government	524,890,402	94.14	89.97
Supranational	<u>10,088,238</u>	<u>1.81</u>	<u>1.73</u>
	<u>557,581,767</u>	<u>100.00</u>	<u>95.57</u>

There is no geographical risk as the Fund invests only in Malaysia.

Liquidity Risk

Liquidity risk is defined as the risk of being unable to raise funds to meet payment obligations as they fall due. This is also the risk of the unit trust fund experiencing large redemptions, where the Investment Manager could be forced to sell large volumes of its holdings at unfavorable prices to meet redemption requirements.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise deposits with licensed financial 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.

Objectives and Assumptions

The coupons could be paid on annual, biannual or quarterly basis. Alongside with those bonds are zero coupon bonds that only pay the nominal amount at maturity date. Cash received from bonds are as calculation follows:

\$ = cash received

R = annual coupon rate

F = coupon frequency

- For zero coupon bonds, $F = 0$
At maturity: $\$ = \text{Nominal}$
- For $F > 0$
Before maturity: coupon payment, $\$ = \text{Nominal} * (R/F)$
At maturity: maturity payment, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

The following table presents undiscounted contractual cash flows from different asset classes in the Fund:

	Contractual Cash Flows (Undiscounted)					
	0 – 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years
Financial assets						
Financial assets held at FVTPL	22,597,249	121,385,799	84,058,699	112,434,964	42,911,046	295,872,500
Deposits with financial institutions	16,380,600	-	-	-	-	-
Other assets	<u>20,414,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>59,392,540</u>	<u>121,385,799</u>	<u>84,058,699</u>	<u>112,434,964</u>	<u>42,911,046</u>	<u>295,872,500</u>
Financial liabilities						
Other liabilities	<u>10,962,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Regulatory Risk

Any changes in national policies and regulations may have an effect on the capital market.

Management Risk

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the net asset value of the Fund.

Stock Risk

Stock risk is that specific to a stock and is not correlated with the specific risks of other stocks.

21. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maximises unitholder's value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments. As disclosed in Note 11, the approved fund size by the Securities Commission is 1,000,000,000 units of which 537,421,800 units have been issued and a further 462,578,200 units can be issued in future period based on the daily net asset value per unit on the respective creation dates.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, adjust the distribution payment, or return capital to unitholders by way of redemption of units.

No changes were made in the objective, policies or processes during the period from 1 July 2011 to 30 September 2011 and 1 July 2010 to 30 September 2010.