

# **ABF Malaysia Bond Index Fund**

**Quarterly Report**

**31 December 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 Berhad**

*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)

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 from 1 October 2011 to 31 December 2011.

### *Salient Information of the Fund*

**Name** ABF Malaysia Bond Index Fund (the "Fund")

**Category/Type** Fixed Income ETF/ Income

**Objective** The 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 2011 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
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

(Forward)

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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	7,700,000,000
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
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 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
UI110086	Cagamas Berhad	3.730	11 November 2016	825,000,000
GN060019	Malaysia Investment Issue	3.820	15 November 2016	11,000,000,000
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30 November 2016	1,913,853,702
UN070014	Asian Development Bank	4.000	8 February 2017	500,000,000
MN070002	Malaysian Government	3.814	15 February 2017	9,500,000,000
GN070008	Malaysia Investment Issue	3.941	15 June 2017	3,000,000,000
ML100002	Malaysian Government	4.012	15 September 2017	14,000,000,000
UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000
GL110001	Malaysia Investment Issue	3.872	30 August 2018	6,500,000,000
MK110005	Malaysian Government	3.580	28 September 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	10,500,000,000
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
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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**

The 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 31 December 2011		As at 30 September 2011	
	No of units held ('000)	Number of unitholders	No of units held ('000)	Number of unitholders
Less than 100	-	-	-	-
100 – 1,000	6.3	16	5.4	15
1,001 -10,000	11.0	5	21.0	6
10,001 – 100,000	65.0	4	55.0	3
100,001 to less than 5% of issue units	5,243.6	5	5,244.5	4
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 31 December 2011, 30 September 2011 and three financial years as at 31 December are as follows:

	<b>As at 31-12-2011 %</b>	<b>As at 30-09-2011 %</b>	<b>FY 2011 %</b>	<b>FY 2010 %</b>	<b>FY 2009 %</b>
Malaysian Government securities	89.8	89.9	89.8	91.9	83.4
Quasi-Government bonds	6.9	7.2	6.9	7.0	11.4
Cash and others	3.3	2.9	3.3	1.1	5.2
	100.0	100.0	100.0	100.0	100.0

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

**Performance  
Details**

Performance details of the Fund for the financial periods ended 31 December 2011 and 30 September 2011 and three financial years ended 31 December are as follows:

	<b>3 Months ended 31-12-2011</b>	<b>3 Months ended 30-09-2011</b>	<b>FY 2011</b>	<b>FY 2010</b>	<b>FY 2009</b>
Net asset value (RM)	590,794,246	583,411,574	590,794,246	584,921,826	516,936,480
Units in circulation	537,421,800	537,421,800	537,421,800	537,421,800	481,921,800
Net asset value per unit (RM)	1.0993	1.0856*	1.0993	1.0884*	1.0727*
Highest net asset value per unit (RM)	1.0993	1.0908*	1.0993	1.0917*	1.1197*
Lowest net asset value per unit (RM)	1.0856	1.0734*	1.0642	1.0559*	1.0510*
Closing quoted price (RM/unit)	1.0720	1.0680*	1.0720	1.0620*	1.0700*
Highest quoted price (RM/unit)	1.0720	1.0680*	1.0900	1.0830*	1.1170*
Lowest quoted price (RM/unit)	1.0720	1.0650*	1.0650	1.0620*	1.0550*
Benchmark performance (%)	5.30	6.24	4.85	5.13	0.21
Total return (%) <sup>(1)</sup>	5.10	5.81	4.57	5.19	-0.14
- Capital growth (%)	5.10	4.20	1.12	1.60	-3.60
- Income distribution (%)	-	1.61	3.45	3.59	3.46
Gross distribution per unit (sen)	-	1.75	3.75	3.85	3.85
Net distribution per unit (sen)	-	1.75	3.75	3.85	3.85
Distribution yield (%) <sup>(2)</sup>	-	1.64	3.50	3.54	3.60
Management expense ratio (%) <sup>(3)</sup>	0.19	0.19	0.19	0.19	0.20
Portfolio Turnover ratio (times) <sup>(4)</sup>	0.11	0.08	0.26	0.33	0.21

\* 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 (37.5%) as compared to 0.08 times for the quarter ended 30 September 2011 mainly due to increase in investing activities.

#### Average Total Return (as at 31 December 2011)

	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
One year	4.6	4.9
Three years	3.2	3.5
Five years	4.0	4.3
Since launch of Fund (13 July 2005)	3.9	4.2

#### Annual Total Return

Financial Year (31 December)	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
2011	4.6	4.9
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 go down, as well as up.**

**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**

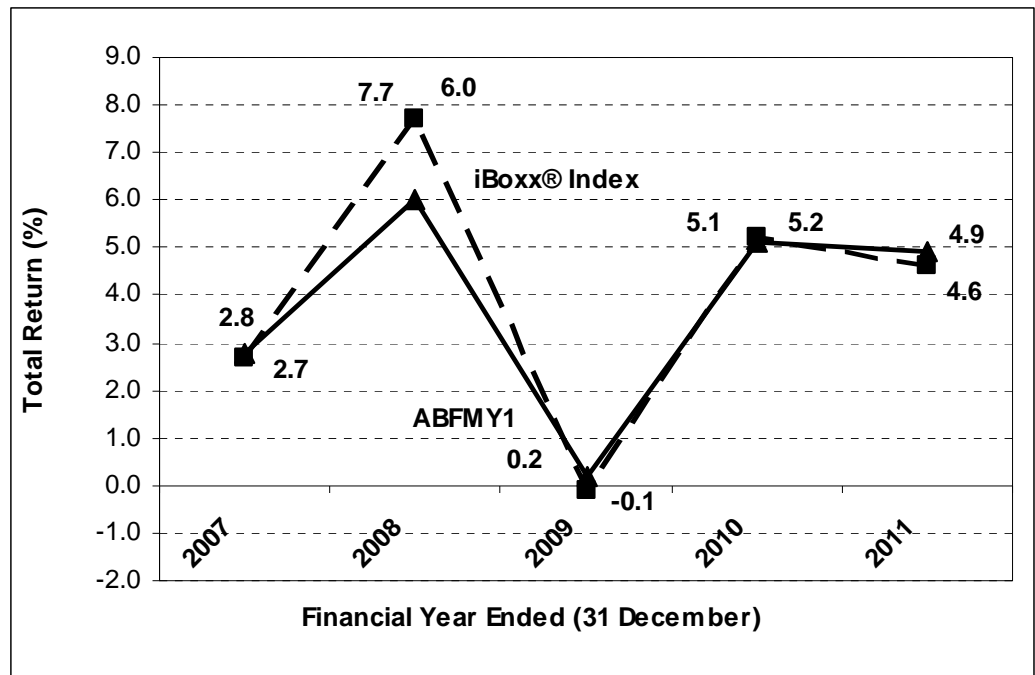
For the period under review, the Fund registered a return of 5.10% which was entirely capital growth in nature.

Thus, the Fund's return of 5.10% continue to track closely the benchmark return of 5.30%.

As compared to 30 September 2011, the NAV of the Fund has increased by 1.27% from RM583,411,574 to RM590,794,246. The NAV per unit of the Fund also increased by 1.27% from RM1.0856 to RM1.0993, while units in circulation remain unchanged at 537,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 0.37% from RM1.0680 to RM1.0720.

The line chart below shows the comparison between the annual performance of ABFMYI and iBoxx® Index for each of the financial year ended 31 December.



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

**Strategies and Policies Employed**

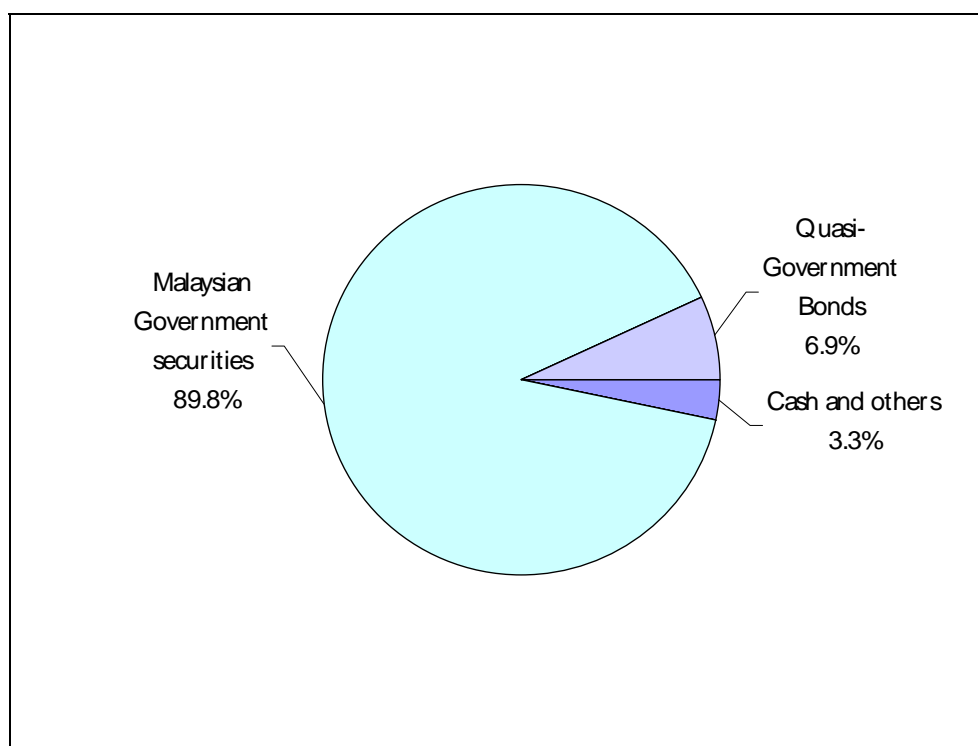
For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

**Portfolio Structure**

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

	<b>31 December 2011 (%)</b>	<b>30 September 2011 (%)</b>	<b>Changes (%)</b>
Malaysian Government securities	89.8	89.9	-0.1
Quasi-Government bonds	6.9	7.2	-0.3
Cash and others	3.3	2.9	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

There have been no significant changes to the asset allocation since the last reporting. Investment in Malaysian Government Securities (MGS) and Quasi-Government bonds both decreased by 0.1% and 0.3% respectively. Investment in cash increased by 0.4% but we anticipate this to reduce in line with our regular portfolio rebalancing exercise in the coming quarter.



**Distribution/  
unit splits**

There was no income distribution 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

In October 2011, Malaysia Government Securities (MGS) had a quiet month as most investors stayed on the sidelines. MGS volume dropped substantially in October by 65% month over month (m-o-m) to RM36.5 billion. Despite the lackluster market, strong buying interest was seen in the short to mid-end maturity as the MGS curve bullish steepened. The 3-year, 5-year, 7-year and 15-year MGS yields were seen rallying up to 8.0 bps higher m-o-m at 3.12%, 3.34%, 3.55%, and 3.97% respectively.

In November 2011, MGS trade volume in November recovered firmly to RM45.6 billion compared to October's RM36.5 billion. The higher traded volume was largely in tandem with BNM's action to maintain OPR at 3.00% which bodes well with the bond market. The MGS benchmark curve bullish flattened with the 3-year, 5-year, 7-year, 10-year and 15-year rallying 2 – 6bps MoM at 3.07%, 3.29%, 3.56%, 3.70% and 3.95% respectively. However, towards the end of the month, sentiment along the MGS markets has turned weaker as Malaysia's current account surplus widened in 3Q11 and CPI increasing 3.4% in Oct-11, against consensus forecast of a moderation to 3.3%.

MGS had a slow start in December, picked up towards the middle of the month then tapered off towards the Christmas holiday week. Volume traded was ultimately flattish with a 2% increase m-o-m to RM46.8 billion. Strong buying interests emerged towards the second half of the month with focus in the short to mid-end maturity as the MGS curve bullish steepened. The 3-year, 5-year, 7-year and 10-year MGS yields were seen rallying up to 9.0 bps higher m-o-m at 2.98%, 3.22%, 3.49%, and 3.69% respectively. The overall bullish sentiment in the shorter end may be attributed to foreign buying while the easing inflation outlook with anticipation of interest rate cut also helped shore up demand.

## Market Outlook

The concerted efforts by the six major central banks to improve USD liquidity, together with a cut in reserve ratio requirement by China boosted risk appetite in December. The European Central Bank's ("ECB") lowering of interest rates to match record lows of 1% as well as a pledged to offer unlimited cash to banks in 36-month loans and loosened collateral rules also help instill further market confidence.

Nevertheless, expectations for a more aggressive ECB in supporting the peripheral Eurozone bond markets, including the possibility of expanding the bond purchase program or channeling ECB funds via the IMF is not something that the ECB is prepared for, yet. As such, we think volatility in the market will continue to persist in the near term. The Europeans have merely bought more time to resolve the simmering debt crisis.

Despite continued negative developments in the Euro zone (with S&P placing 15 euro nations' sovereign credit on review for possible downgrades), the United States has surprisingly reported more positive economic figures. Notably, the employment data appears to be on an upward momentum with the unemployment rate breaching the 9% mark (December: 8,6%) for the first time in more than a year. Hence, the possibility of a strengthening US economy may lessen the impact of Europe. Also helping is China's (re) focus towards maintaining growth after battling inflation for the past year. Monetary easing is gradually taking hold as well with most parts of Asia either reducing the benchmark interest rate or staying pat on concerns of emerging downside risks to growth.

We mentioned previously, that Malaysia's central bank, BNM had kept its

benchmark Overnight Policy Rate (“OPR”) unchanged at 3.00% due to concerns from the impact of slowing global growth as well as heightened market volatility. As Malaysia’s Consumer Price Index (“CPI”) continues to moderate to 3.3% YoY in November, there is greater likelihood of an interest rate cut should Malaysia’s domestic output deteriorates in the next two quarters. We continue to think that BNM’s mantra for “sustainable growth” would see BNM stand pat till Q212, before reassessing its outlook based on the economic data at that point in time.

Meanwhile, we think that the Euro debt-crisis of 2011 will continue to be the major theme of 2012. In particular, the impact from the evolving policies of the European nations (in relation to the debt crisis) is certain to influence and dictate the directions of the markets, including Malaysia. In addition, the slowing economic momentum in advanced economies and the economic challenges faced by the US, particularly the still high jobless rate and a still-weak housing market will be keenly observed for signs of deterioration. These concerns coupled with 2012 being an election year in several countries including Malaysia is likely to dampen the domestic economic growth outlook for the next several quarters.

Kuala Lumpur, Malaysia  
AmInvestment Services Berhad

31 January 2012

## Additional Information

### *Board of Directors of the Manager*

The Board of Directors, of which one-half are independent members, exercise ultimate control over the operations of the Manager. For the financial period under review from 1 October 2011 to 31 December 2011, there were two (2) Board of Director meeting held by the Manager.

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

<b>Name: Harinder Pal Singh A/L Joga Singh</b>	
<b>Age</b>	: 49
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: Bachelors Degree in Accounting, University Malaya
<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: <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"><li>• Manager, Client Service &amp; Operations (July 2001 – June 2002)</li><li>• Senior Manager, Client Service &amp; Operation (July 2002 – 2003)</li><li>• Head, Sales Services (2003-Dec 2006)</li><li>• Principal Officer / Director of Operations (Present)</li><li>• Director (September 2008 - Present)</li></ul>
<b>Occupation</b>	: Principal Officer/Director of Operations of AmInvestment Services Berhad
<b>Date of appointment</b>	: 22 September 2008
<b>Directorship of other public companies</b>	: None
<b>Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Two (2)
<b>Member of any other board committee</b>	: Investment Committee (Non-Independent)



<b>Date of appointment to the investment committee</b>	: 12 July 2005
<b>Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

**Name: Kok Tuck Cheong**

<b>Age</b>	: 56
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls from University of Southampton.
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: 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.
<b>Occupation</b>	: Managing Director and Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	: 9 November 2001
<b>Directorship of other public companies</b>	: <ul style="list-style-type: none"> <li>• AmInvestment Bank Berhad</li> <li>• AmInvestment Group Berhad</li> </ul>
<b>Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Two (2)
<b>Member of any other board committee</b>	: Audit Committee
<b>Date of appointment to the investment committee</b>	: None
<b>Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: None
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the</b>	: None

**Fund**

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**List of convictions for offences within the past 10 years (if any)** : None

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**Name: Datin Maznah binti Mahbob**

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**Age** : 52

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**Nationality** : Malaysian

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**Qualification** : A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License

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**Executive/Non-Executive Director** : Non-Executive Director

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**Independent/Non-Independent Director** : Non-Independent Director

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**Working Experience** : She has been in the funds management industry since 1987, in a fund management role, before assuming the 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.

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**Occupation** : Chief Executive Officer of the Funds Management Division of AmInvestment Bank Group and Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd.

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**Date of appointment** : 29 December 2005

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**Directorship of other public companies** : None

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**Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)** : Two (2)

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**Member of any other board committee** : None

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**Date of appointment to the investment committee** : None

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**Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)** : None

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**Family relationship with any director** : None

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**Conflict of interest with the Fund** : None

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**List of convictions for offences within the past 10 years (if any)** : None

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<b>Name: Professor Dr. Annuar bin Md. Nassir</b>	
<b>Age</b>	: 53
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: Doctor of Philosophy, University Putra Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: <i>University Pertanian Malaysia</i> Tutor (1981 – 1984)  <i>University Putra Malaysia, Serdang</i> <ul style="list-style-type: none"> <li>• Associate Professor (March 1993 – March 2000)</li> <li>• Professor (March 2000-Present)</li> <li>• Deputy Dean (September 2002 – January 2006)</li> <li>• Dean (February 2006 – April 2011)</li> </ul>
<b>Occupation</b>	: Professor Faculty of Economics and Management of University Putra Malaysia
<b>Date of appointment</b>	: 8 April 2003
<b>Directorship of other public companies</b>	: None
<b>Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Two (2)
<b>Member of any other board committee</b>	: Investment Committee and Audit Committee (Independent)
<b>Date of appointment to the investment committee</b>	: 12 July 2005
<b>Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

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

**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)

*Employees Provident Fund Board, Malaysia*  
 Board Member (June 1998 – 2001)

<b>Occupation</b>	: Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.
<b>Date of appointment</b>	: 14 July 2004
<b>Directorship of other public companies</b>	: AmIslamic Bank Berhad
<b>Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: One (1)
<b>Member of any other board committee</b>	: Investment Committee and Audit Committee (Independent)
<b>Date of appointment to the investment committee</b>	: 12 July 2005
<b>Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

**Name: Lee Siang Korn @ Lee Siang Chin**

<b>Age</b>	: 63
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: <ul style="list-style-type: none"> <li>• Fellow of the Institute of Chartered Accountants, England and Wales (July 1972)</li> <li>• Member of the Malaysian Association of Certified Public Accountants (June 1975)</li> </ul>
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: <i>Arab-Malaysian Merchant Bank Berhad</i> General Manager, Corporate Finance (1983-1986)
	: <i>Arab-Malaysian Securities Sdn. Bhd.</i> Managing Director (1986-1999)

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

<b>Occupation</b>	:	Director
<b>Date of appointment</b>	:	20 December 2006
<b>Directorship of other public companies</b>	:	Star Publications (Malaysia) Berhad UniAsia Life Assurance Berhad
<b>Number of board meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	:	Two (2)
<b>Member of any other board committee</b>	:	Investment Committee and Audit Committee (Independent)
<b>Date of appointment to the investment committee</b>	:	12 July 2005
<b>Number of investment committee meeting attended in the financial period (From 1 October 2011 to 31 December 2011)</b>	:	Three (3)
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	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	476,595,870.00	88.681910
AMINVESTMENT BANK BERHAD	55,500,000.00	10.327085
AMINVESTMENT BANK BERHAD	4,305,630.00	0.801164
CITIBANK BERHAD	400,000.00	0.074429
HWANGDBS INVESTMENT BANK BERHAD	295,000.00	0.054892
CITIBANK BERHAD	140,000.00	0.026050
PUBLIC INVESTMENT BANK BERHAD	103,000.00	0.019166
MAYBANK INVESTMENT BANK BERHAD	20,000.00	0.003721
OSK INVESTMENT BANK BERHAD	20,000.00	0.003721
PUBLIC INVESTMENT BANK BERHAD	15,000.00	0.002791
CIMB INVESTMENT BANK BERHAD	10,000.00	0.001861
ALLIANCE INVESTMENT BANK BERHAD	3,000.00	0.000558
JF APEX SECURITIES BERHAD	2,000.00	0.000372
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
INTER-PACIFIC SECURITIES SDN BHD	1,000.00	0.000186
ECM LIBRA INVESTMENT BANK BERHAD	1,000.00	0.000186
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.000186
HONG LEONG INVESTMENT BANK BERHAD	900.00	0.000167
KENANGA INVESTMENT BANK BERHAD	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
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
OSK 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

## ABF Malaysia Bond Index Fund

### STATEMENT OF FINANCIAL POSITION *(Unaudited)* AS AT 31 DECEMBER 2011

	Note	31-12-2011 RM	31-12-2010 RM
<b>ASSETS</b>			
Investments	4	571,884,722	578,438,535
Deposit with financial institution	5	19,212,505	6,555,503
Cash at banks		1,458	195,608
<b>TOTAL ASSETS</b>		<u>591,098,685</u>	<u>585,189,646</u>
<b>LIABILITIES</b>			
Sundry payables and accrued expenses		154,805	147,679
Amount due to index provider	6	67,227	38,406
Amount due to Manager	7	48,475	48,080
Amount due to Trustee	8	33,932	33,655
<b>TOTAL LIABILITIES</b>		<u>304,439</u>	<u>267,820</u>
<b>EQUITY</b>			
Unitholders' capital	10(a)	563,972,881	563,972,881
Retained earnings	10(b)(c)	26,821,365	20,948,945
<b>TOTAL EQUITY</b>	10	<u>590,794,246</u>	<u>584,921,826</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>591,098,685</u>	<u>585,189,646</u>
<b>UNITS IN CIRCULATION</b>	10(a)	<u>537,421,800</u>	<u>537,421,800</u>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<u>109.93 sen</u>	<u>108.84 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 2011 TO 31 DECEMBER 2011

	Note	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
INVESTMENT INCOME/(LOSS)			
Interest income		5,349,267	5,243,782
Other income		-	200
Net gain/(loss) from investments:			
– Financial assets at fair value through profit or loss ("FVTPL")	9	2,310,805	(5,988,142)
Gross Income/(Loss)		<u>7,660,072</u>	<u>(744,160)</u>
EXPENDITURE			
Manager's fee	7	146,417	142,678
Trustee's fee	8	102,492	99,874
License fee	6	22,965	22,590
Auditors' remuneration		2,262	1,890
Tax agent's fee		1,257	1,410
Administrative expenses – current period		2,007	14,292
Administrative expenses – over provision in current period		-	(39,000)
Total Expenditure		<u>277,400</u>	<u>243,734</u>
NET INCOME/(LOSS) BEFORE TAX		7,382,672	(987,894)
LESS: INCOME TAX	12	-	-
NET INCOME/(LOSS) AFTER TAX		7,382,672	(987,894)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>7,382,672</u></u>	<u><u>(987,894)</u></u>
Total comprehensive income comprises the following:			
Realised income		5,757,973	5,535,036
Unrealised gain/(loss)		1,624,699	(6,522,930)
		<u>7,382,672</u>	<u>(987,894)</u>

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



## ABF Malaysia Bond Index Fund

### STATEMENT OF CHANGES IN NET ASSET VALUE (*Unaudited*) FOR THE PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
At 1 October 2010		503,477,881	21,936,839	525,414,720
Total comprehensive income for the period		-	(987,894)	(987,894)
Creation of units		60,495,000	-	60,495,000
		<u>563,972,881</u>	<u>20,948,945</u>	<u>584,921,826</u>
Balance at 31 December 2010				
At 1 October 2011		563,972,881	19,438,693	583,411,574
Total comprehensive income for the period		-	7,382,672	7,382,672
		<u>563,972,881</u>	<u>26,821,365</u>	<u>590,794,246</u>
Balance at 31 December 2011				

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 2011 TO 31 DECEMBER 2011

	Note	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		81,240,816	50,515,000
Interest received		4,243,518	3,677,454
Other income - application fee		-	200
Tax agent's fee paid		-	(5,000)
Licence fee paid		-	(20,170)
Advanced/(payments) for other administrative expenses		5,750	(21,731)
Trustee's fee paid		(104,381)	(97,332)
Manager's fee paid		(149,115)	(139,046)
Purchase of investments		<u>(82,852,800)</u>	<u>(121,452,000)</u>
Net Cash Generated From/(Used In) Operating And Investing Activities		<u>2,383,788</u>	<u>(67,542,625)</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Proceeds from creation of units		<u>-</u>	<u>60,495,000</u>
Net Cash Generated From Financing Activity		<u>-</u>	<u>60,495,000</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,383,788	(7,047,625)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<u>16,830,175</u>	<u>13,798,736</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<u><u>19,213,963</u></u>	<u><u>6,751,111</u></u>
Cash and cash equivalents comprise:			
Short-term deposit with licensed bank under short-term money market deposit	5	19,212,505	6,555,503
Cash at banks		<u>1,458</u>	<u>195,608</u>
		<u><u>19,213,963</u></u>	<u><u>6,751,111</u></u>

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

## **ABF Malaysia Bond Index Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. GENERAL INFORMATION**

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“the Deed”), between AmInvestment Services Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

The Fund was set up with the objective for investors who seek an “index-based” approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. As provided in the 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”).

##### **Introduction of Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”) that will replace the existing Financial Reporting Standards (“FRS Framework”).

The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised standards recently issued by the IASB that will effective after 1 January 2012.

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* (MFRS 141) and IC Interpretation 15 *Agreement for Construction of Real Estate* (IC 15), including its parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The key differences between the FRS Framework and MFRS Framework are that in the former, (a) FRS 201<sub>2004</sub> *Property Development Activities* will continue to be the extant standard for accounting for property development activities and not IC 15, and (b) there is no equivalent standard to IAS 41 *Agriculture*.

The Fund is in the process of assessing the impact to the Fund as a result of the change to the new MFRS Framework.

### 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**

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 and is 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 (“FVTPL”) 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 elements of such instruments, are recorded separately in ‘Interest income’.

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) Loans and 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 loans and receivables become uncollectible, they are 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.

The Fund's financial liabilities which include amount due to index provider, Manager, Trustee 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 the 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 classified 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 next year.

### 4. INVESTMENTS

	<b>31-12-2011</b>	<b>31-12-2010</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>		
At nominal value:		
Quasi-Government Bonds	40,000,000	40,000,000
Malaysia Government Securities	441,660,000	435,000,000
Government Investment Issues	<u>61,650,000</u>	<u>80,000,000</u>
	<u>543,310,000</u>	<u>555,000,000</u>
At fair value:		
Quasi-Government Bonds	40,945,030	40,724,017
Malaysia Government Securities	467,388,803	455,396,455
Government Investment Issues	<u>63,550,889</u>	<u>82,318,063</u>
	<u>571,884,722</u>	<u>578,438,535</u>

Details of investments as at 31 December 2011 are as follows:

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Quasi-Government Bonds</b>						
12.03.2013	The Export-Import Bank of Korea	AAA	10,000,000	10,179,959	10,124,169	1.72
06.06.2014	Silterra Capital Berhad	AAA	15,000,000	15,216,966	15,035,143	2.58
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,141,633	4,968,892	0.87
30.05.2018	Syarikat Prasarana Negara Berhad	AAA	10,000,000	10,406,472	10,012,421	1.76
			<u>40,000,000</u>	<u>40,945,030</u>	<u>40,140,625</u>	<u>6.93</u>
<b>Malaysia Government Securities</b>						
25.02.2013	Government of Malaysia	AAA	20,000,000	20,457,530	20,215,088	3.46
15.05.2013	Government of Malaysia	AAA	5,000,000	5,081,379	5,065,698	0.86
31.05.2013	Government of Malaysia	AAA	15,000,000	15,131,007	15,059,307	2.56
31.07.2013	Government of Malaysia	AAA	15,000,000	15,386,603	15,234,672	2.60
30.04.2014	Government of Malaysia	AAA	40,070,000	42,319,396	41,700,084	7.16
15.08.2014	Government of Malaysia	AAA	30,000,000	30,704,325	30,551,209	5.20
27.02.2015	Government of Malaysia	AAA	30,790,000	31,720,029	31,274,349	5.37
12.08.2015	Government of Malaysia	AAA	25,000,000	25,927,347	25,848,701	4.39
30.09.2015	Government of Malaysia	AAA	15,000,000	15,957,445	15,522,498	2.70
15.09.2016	Government of Malaysia	AAA	40,800,000	43,143,079	42,279,609	7.30
15.02.2017	Government of Malaysia	AAA	20,000,000	20,718,050	20,410,943	3.51

(Forward)



<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Malaysia Government Securities</b>						
15.09.2017	Government of Malaysia	AAA	20,000,000	20,881,870	20,616,867	3.54
30.07.2019	Government of Malaysia	AAA	25,000,000	29,021,105	27,968,038	4.91
29.11.2019	Government of Malaysia	AAA	50,000,000	52,777,440	51,909,803	8.93
15.07.2021	Government of Malaysia	AAA	20,000,000	21,096,087	20,935,984	3.57
15.07.2025	Government of Malaysia	AAA	10,000,000	11,138,933	10,345,893	1.89
15.04.2026	Government of Malaysia	AAA	10,000,000	10,592,000	10,557,124	1.79
15.09.2026	Government of Malaysia	AAA	10,000,000	10,944,424	10,347,024	1.85
31.05.2027	Government of Malaysia	AAA	5,000,000	4,735,412	4,508,845	0.80
15.09.2028	Government of Malaysia	AAA	25,000,000	29,053,170	28,216,940	4.92
15.04.2030	Government of Malaysia	AAA	10,000,000	10,602,172	10,400,501	1.80
			<u>441,660,000</u>	<u>467,388,803</u>	<u>458,969,177</u>	<u>79.11</u>

#### **Government Investment Issues**

15.03.2013	Government of Malaysia	AAA	5,000,000	5,055,680	5,052,622	0.85
30.12.2014	Government of Malaysia	AAA	11,650,000	11,872,585	11,670,629	2.01
16.03.2015	Government of Malaysia	AAA	10,000,000	10,480,685	10,189,551	1.77
30.09.2015	Government of Malaysia	AAA	5,000,000	5,141,280	5,072,384	0.87
15.06.2017	Government of Malaysia	AAA	5,000,000	5,118,114	5,051,200	0.87
30.08.2018	Government of Malaysia	AAA	15,000,000	15,425,568	15,186,279	2.61

(Forward)

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Government Investment Issues</b>						
31.10.2018	Government of Malaysia	AAA	<u>10,000,000</u>	<u>10,456,977</u>	<u>10,385,700</u>	<u>1.77</u>
			<u>61,650,000</u>	<u>63,550,889</u>	<u>62,608,365</u>	<u>10.75</u>
<b>Total Financial Assets At FVTPL</b>			<u><u>543,310,000</u></u>	<u><u>571,884,722</u></u>	<u><u>561,718,167</u></u>	<u><u>96.79</u></u>
<b>Excess of fair value over cost</b>				<u>10,166,555</u>		

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

	<b>Effective yield*</b>	
	<b>2011 %</b>	<b>2010 %</b>
Quasi-Government Bonds	3.56	3.80
Malaysia Government Securities	3.96	3.50
Government Investment Issues	<u>3.38</u>	<u>3.56</u>

\* As provided by International Index Company Limited.

Analyses of the remaining maturity of investments as at 31 December 2011 are as follows:

	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>More than 5 years RM</b>
At nominal value:			
Quasi-Government Bonds	10,000,000	20,000,000	10,000,000
Malaysia Government Securities	55,000,000	181,660,000	205,000,000
Government Investment Issues	<u>5,000,000</u>	<u>26,650,000</u>	<u>30,000,000</u>

5. **DEPOSIT WITH FINANCIAL INSTITUTION**

	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>
At nominal value:		
Short-term deposit with licensed bank under short-term money market deposit	<u>19,210,900</u>	<u>6,555,000</u>
At carrying value:		
Short-term deposit with licensed bank under short-term money market deposit	<u>19,212,505</u>	<u>6,555,503</u>

Details of deposit with financial institution as at 31 December 2011 are as follows:

<b>Maturity date</b>	<b>Bank</b>	<b>Nominal value RM</b>	<b>Carrying value RM</b>	<b>Purchase cost RM</b>	<b>Carrying value as a percentage of net asset value %</b>
<b>Short-term deposit with licensed bank under short-term money market deposit</b>					
03.01.2011	OCBC Bank (Malaysia) Berhad	<u>19,210,900</u>	<u>19,212,505</u>	<u>19,210,900</u>	<u>3.25</u>

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

	<b>Weighted average interest rate</b>		<b>Remaining maturities</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>	<b>Days</b>	<b>Days</b>
Short-term deposit with licensed bank under short-term money market deposit	<u>3.05</u>	<u>2.80</u>	<u>3</u>	<u>3</u>

6. **AMOUNT DUE TO INDEX PROVIDER**

Amount due to index provider is the licence fee payable to International Index Company Limited, the provider of the benchmark index.

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

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

Subject to a minimum annual fee of 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).

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 2010).

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

9. **NET GAIN/(LOSS) FROM INVESTMENTS AT FVTPL**

	<b>1-10-2011 to 31-12-2011 RM</b>	<b>1-10-2010 to 31-12-2010 RM</b>
Net gain/(loss) on financial assets at FVTPL comprised:		
– Net unrealised gain/(loss) on changes in value of investments	1,624,699	(6,522,930)
– Net realised gain on sale of investments	686,106	534,788
	<u>2,310,805</u>	<u>(5,988,142)</u>

10. **TOTAL EQUITY**

Total equity is represented by:

	Note	31-12-2011 RM	31-12-2010 RM
Unitholders' capital	(a)	563,972,881	563,972,881
Retained earnings			
- Realised income	(b)	16,654,810	15,121,477
- Unrealised gain	(c)	<u>10,166,555</u>	<u>5,827,468</u>
		<u>590,794,246</u>	<u>584,921,826</u>

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

	1-10-2011 to 31-12-2011		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/loss equalisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,584</u>
As at beginning of the period/year as restated	537,421,800	563,972,881	481,921,800	505,268,959
Creation during the period/year	-	-	55,500,000	60,495,000
Distribution out of distribution/loss equalisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,791,078)</u>
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 at 31 December 2011, the approved Fund size is 1 billion units.

(b) **REALISED – DISTRIBUTABLE**

	<b>1-10-2011 to 31-12-2011 RM</b>	<b>1-1-2010 to 31-12-2010 RM</b>
Balance as at beginning of the period/year as previously stated	10,896,837	11,709,531
Reclassification of distribution/loss equalisation	<u>-</u>	<u>(11,584)</u>
Balance as at beginning of the period/year as restated	10,896,837	11,697,947
Total comprehensive income for the period/year	7,382,672	26,044,335
Net unrealised gain attributable to investments held transferred to unrealised reserve	(1,624,699)	(5,857,894)
Distribution out of realised reserve	-	(16,762,911)
Net increase in realised reserve for the period/year	<u>5,757,973</u>	<u>3,423,530</u>
Balance as at end of the period/year	<u>16,654,810</u>	<u>15,121,477</u>

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

	<b>1-10-2011 to 31-12-2011 RM</b>	<b>1-1-2010 to 31-12-2010 RM</b>
Balance as at beginning of the period/year	8,541,856	(30,426)
Net unrealised gain attributable to investments held transferred to unrealised reserve	<u>1,624,699</u>	<u>5,857,894</u>
Balance as at end of the period/year	<u>10,166,555</u>	<u>5,827,468</u>

11. **UNITS HELD BY RELATED PARTIES**

	<b>31-12-2011</b>		<b>31-12-2010</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
Parties related to the Manager *	<u>59,805,630</u>	<u>64,111,635</u>	<u>69,129,430</u>	<u>75,143,690</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 31 December 2011 and 31 December 2010.

12. **INCOME TAX**

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 derived by the Fund is exempted from tax.

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

	<b>1-10-2011 to 31-12-2011 RM</b>	<b>1-10-2010 to 31-12-2010 RM</b>
Net income/(loss) before tax	7,382,672	(987,894)
Taxation at Malaysian statutory rate of 25%	1,845,700	(247,000)
Tax effects of:		
Income not subject to tax	(1,915,000)	-
Loss not deductible for tax purposes		186,100
Restriction on tax deductible expenses for unit trust funds	33,400	32,500
Non-permitted expenses for tax purposes	32,200	24,900
Permitted expenses not used and not available for future years	3,700	3,500
Tax expense for the financial period	<u>-</u>	<u>-</u>

13. **DISTRIBUTION**

No distribution was declared by the Fund during the financial period from 1 October 2011 to 31 December 2011 and 1 October 2010 to 31 December 2010.

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

The Fund’s MER is as follows:

	<b>1-10-2011 to 31-12-2011 % p.a.</b>	<b>1-10-2010 to 31-12-2010 % p.a.</b>
Manager’s fee	0.10	0.10
Trustee’s fee	0.07	0.07
Licence fee	0.01	0.02
Trust administrative expenses	0.01	(0.02)
Total MER	<u>0.19</u>	<u>0.17</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.

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

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 0.11 (31 December 2010: 0.15 times).

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 more than one separately identifiable business or geographical segments.

17. **TRANSACTIONS WITH FINANCIAL INSTITUTIONS**

Details of transactions with financial institutions for the financial period from 1 October 2011 to 31 December 2011 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
Kenanga Investment Bank Berhad	72,605,302	53.83
AmBank (M) Berhad*	62,284,187	46.17
Total	<u>134,889,489</u>	<u>100.00</u>

\* 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 fixed income instruments. Transactions in these fixed income instruments do not involve any commission or brokerage.



## 18. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

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 31 December 2011 and 31 December 2010 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>Assets</b>				
Investments	571,884,722	-	-	571,884,722
Deposit with financial institution	-	19,212,505	-	19,212,505
Cash at banks	-	1,458	-	1,458
	<u>571,884,722</u>	<u>19,213,963</u>	<u>-</u>	<u>591,098,685</u>
<b>Liabilities</b>				
Sundry Payables and accrued expenses	-	-	154,805	154,805
Amount due to index provider	-	-	67,227	67,227
Amount due to Manager	-	-	48,475	48,475
Amount due to Trustee	-	-	33,932	33,932
	<u>-</u>	<u>-</u>	<u>304,439</u>	<u>304,439</u>
<b>Income, expense, gains and losses</b>				
		<b>2011</b>	<b>2010</b>	
		<b>RM</b>	<b>RM</b>	
Net gain/(loss) on financial assets at FVTPL		2,310,805	(5,988,142)	
Income, of which derived from:				
– Interest income		5,349,267	5,243,782	
– Other income		<u>5,349,267</u>	<u>200</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; or

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:

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>31 December 2011</b>				
Unquoted fixed income securities	-	571,884,722	-	571,884,722
	<hr/>	<hr/>	<hr/>	<hr/>
<b>31 December 2010</b>				
Unquoted fixed income securities	-	578,438,535	-	578,438,535
	<hr/>	<hr/>	<hr/>	<hr/>

(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:

- Deposit with financial institution
- Cash at banks
- Sundry payables
- Amount due to index provider
- Amount due to Manager
- Amount 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.

## 19. RISK MANAGEMENT

The Fund is exposed to a variety of risks that included market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk, stock risk and non-compliance 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 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 models the 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
31 December 2011	0.53	0.53
Average daily	0.57	0.57
Highest	0.60	0.60
Lowest	0.53	0.53

Based on the Gaussian VaR, using historical weekly data for the past 180 weeks, ABF Malaysia Bond Index Fund that invests mainly in Ringgit-denominated fixed income securities had a daily 1% Value-at-Risk (VaR) of approximately 0.53% as 31 December 2011. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.53% of the NAV.

	<b>Value-at-Risk (RM)</b>	
	<b>Interest rate risk</b>	<b>Total VaR</b>
31 December 2010	4,094,453	4,094,453
Average daily	3,512,919	3,512,919
Highest	4,667,687	4,667,687
Lowest	2,761,870	2,761,870

Based on the Monte Carlo simulation performed using historical weekly data for the past 180 weeks, ABF Malaysia Bond Index's portfolio that invests mainly in Ringgit denominated fixed income securities had a daily 1% Value-at-Risk (VaR) of RM4.09 million as at 31 December 2010. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding RM4.09 million.

### **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 31 December 2011:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
AAA	<u>571,884,722</u>	<u>100.00</u>	<u>96.80</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 31 December 2011:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
P1/MARC1	<u>19,212,505</u>	<u>100.00</u>	<u>3.25</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 31 December 2011:

<b>Sector</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
Government	530,939,692	92.84	89.86
Transportation	15,548,105	2.72	2.63
Technology	15,216,966	2.66	2.58
Supranational	10,179,959	1.78	1.72
	<u>571,884,722</u>	<u>100.00</u>	<u>96.79</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:

	<b>Contractual Cash Flows (Undiscounted)</b>					
	<b>0 – 1 year RM</b>	<b>1 – 2 years RM</b>	<b>2 – 3 years RM</b>	<b>3 – 4 years RM</b>	<b>4 – 5 years RM</b>	<b>&gt; 5 years RM</b>
<b>Financial assets</b>						
Financial assets held at FVTPL	23,012,549	92,023,149	115,921,516	101,396,773	58,750,146	300,879,975
Deposit with financial institution	19,217,321	-	-	-	-	-
Other assets	1,458	-	-	-	-	-
<b>Total assets</b>	<u>42,231,328</u>	<u>92,023,149</u>	<u>115,921,516</u>	<u>101,396,773</u>	<u>58,750,146</u>	<u>300,879,975</u>
<b>Financial liabilities</b>						
Other liabilities	<u>304,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### **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 that may affect the net asset value of the fund.

### **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**

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

### **Non-Compliance Risk**

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investments of the Fund when the Fund is forced to rectify the non-compliance.

## 20. 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 10, 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 ended 31 December 2011 and 31 December 2010.