ABF Malaysia Bond Index Fund

Quarterly Report

30 June 2012

Trust Directory

Manager

AmInvestment Services Berhad
9th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Board of Directors

Investment Committee

Investment Manager

AmInvestment Management Sdn Bhd

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte KassimChan Tax Services Sdn Bhd

Corporate Directory

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 & 10th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2026 5630

Secretaries

Chin Woon Li (MAICSA 7008636)

22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur

HSBC (Malaysia) Trustee Berhad

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

Contents

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 ("Fund") for the financial period from 1 April 2012 to 30 June 2012.

Salient Information of the Fund

Name ABF Malaysia Bond Index Fund ("Fund")

Category/Type Fixed Income ETF/ Income

Objective A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index.

Index Component Details of the index component as at 30 June 2012 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MH090005	Government of Malaysia	3.210	31 May 2013	9,000,000,000.00
GH100001	Government of Malaysia	3.288	15 July 2013	3,000,000,000.00
MJ080001	Government of Malaysia	3.461	31 July 2013	9,244,000,000.00
VG100225	Cagamas Berhad	3.480	19 August 2013	1,000,000,000.00
GG100053	Government of Malaysia	3.199	30 September 2013	3,000,000,000.00
VG100401	Cagamas Berhad	3.550	10 December 2013	700,000,000.00
GJ080019	Government of Malaysia	4.273	14 February 2014	3,500,000,000.00
VI090137	Danga Capital Berhad	4.220	24 April 2014	1,100,000,000.00
MN04002W	Government of Malaysia	5.094	30 April 2014	24,000,000,000.00
PK070017	Silterra Capital Berhad	3.900	6 June 2014	1,800,000,000.00
VG110222	Cagamas Berhad	3.700	11 July 2014	620,000,000.00
GI090042	Government of Malaysia	3.909	31 July 2014	4,500,000,000.00
MH110002	Government of Malaysia	3.434	15 August 2014	7,700,000,000.00
GH110017	Government of Malaysia	3.505	30 September 2014	7,000,000,000.00
GJ090030	Government of Malaysia	3.902	30 December 2014	5,500,000,000.00
MJ090004	Government of Malaysia	3.741	27 February 2015	13,500,000,000.00
GN050001	Government of Malaysia	4.419	16 March 2015	2,000,000,000.00

UI100019	Bank Pembangunan Malaysia Berhad	4.150	10 April 2015	1,500,000,000.00
VI100060	Danga Capital Berhad	4.350	13 April 2015	2,000,000,000.00
GI100042	Government of Malaysia	3.473	15 July 2015	3,000,000,000.00
GH120001	Government of Malaysia	3.186	31 July 2015	4,000,000,000.00
MJ100001	Government of Malaysia	3.835	12 August 2015	10,000,000,000.00
MO05002S	Government of Malaysia	4.720	30 September 2015	6,975,000,000.00
GJ100009	Government of Malaysia	3.860	30 September 2015	3,500,000,000.00
MH120003	Government of Malaysia	3.197	15 October 2015	3,000,000,000.00
PS00196F	Bank Pembangunan Malaysia Berhad	7.000	30 October 2015	500,000,000.00
VK090138	Danga Capital Berhad	4.490	22 April 2016	500,000,000.00
MO060001	Government of Malaysia	4.262	15 September 2016	19,700,000,000.00
UI110086	Cagamas Berhad	3.730	11 November 2016	825,000,000.00
GN060019	Government of Malaysia	3.820	15 November 2016	11,000,000,000.00
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30 November 2016	1,913,853,702.00
UI120008	Export-Import Bank of Korea	4.070	2 February 2017	500,000,000.00
UN070014	Asian Development Bank	4.000	8 February 2017	500,000,000.00
MN070002	Government of Malaysia	3.814	15 February 2017	9,500,000,000.00
GN070008	Government of Malaysia	3.941	15 June 2017	3,000,000,000.00
GJ120009	Government of Malaysia	3.309	30 August 2017	3,500,000,000.00
ML100002	Government of Malaysia	4.012	15 September 2017	14,000,000,000.00
UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000.00
MJ120005	Government of Malaysia	3.314	31 October 2017	4,000,000,000.00
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000.00
GL110001	Government of Malaysia	3.872	30 August 2018	6,500,000,000.00

MK110005	Government of Malaysia	3.580	28 September 2018	7,000,000,000.00
GN080031	Government of Malaysia	4.295	31 October 2018	7,500,000,000.00
DN081338	Khazanah Nasional Berhad	0.000	17 December 2018	1,000,000,000.00
DN090051	Khazanah Nasional Berhad	0.000	20 March 2019	1,000,000,000.00
MS04003H	Government of Malaysia	5.734	30 July 2019	6,500,000,000.00
GO090001	Government of Malaysia	3.910	13 August 2019	3,500,000,000.00
DN090197	Khazanah Nasional Berhad	0.000	27 August 2019	1,500,000,000.00
GL120021	Government of Malaysia	3.704	30 September 2019	4,500,000,000.00
MO090002	Government of Malaysia	4.378	29 November 2019	17,600,000,000.00
GO090061	Government of Malaysia	4.492	30 April 2020	3,500,000,000.00
GN100021	Government of Malaysia	4.284	15 June 2020	5,500,000,000.00
GN100060	Government of Malaysia	3.998	30 November 2020	3,000,000,000.00
GN110025	Government of Malaysia	4.170	30 April 2021	10,000,000,000.00
MO110001	Government of Malaysia	4.160	15 July 2021	10,500,000,000.00
VN110259	Syarikat Prasarana Negara Berhad	4.150	4 August 2021	800,000,000.00
MO120001	Government of Malaysia	3.418	15 August 2022	4,000,000,000.00
GO120037	Government of Malaysia	3.699	15 November 2022	4,500,000,000.00
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000.00
DS090052	Khazanah Nasional Berhad	0.000	20 March 2024	1,500,000,000.00
MY050003	Government of Malaysia	4.837	15 July 2025	3,000,000,000.00
PZ00197S	Bank Pembangunan Malaysia Berhad	7.500	30 October 2025	500,000,000.00
MS110003	Government of Malaysia	4.392	15 April 2026	8,000,000,000.00
VS110260	Syarikat Prasarana Negara Berhad	4.350	4 August 2026	1,200,000,000.00

MX060002	Government of Malaysia	4.709	15 September 2026	3,000,000,000.00
MS120002	Government of Malaysia	3.892	15 March 2027	3,000,000,000.00
MX070003	Government of Malaysia	3.502	31 May 2027	6,000,000,000.00
MX080003	Government of Malaysia	5.248	15 September 2028	4,000,000,000.00
VX090825	Syarikat Prasarana Negara Berhad	5.070	28 September 2029	1,500,000,000.00
MX100003	Government of Malaysia	4.498	15 April 2030	2,000,000,000.00
MX110004	Government of Malaysia	4.232	30 June 2031	3,500,000,000.00
MX120004	Government of Malaysia	4.127	15 April 2032	3,000,000,000.00

Source: Markit Indices Limited (Formerly known as 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 30 June 2012		As at 31 March 2012	
	No of units held ('000)	Number of unitholders	No of units held ('000)	Number of unitholders
Less than 100	0.10	3	-	-
100 – 1,000	5.30	12	6.3	16
1,001 -10,000	23.00	7	21.0	6
10,001 – 100,000	135.00	3	55.0	3
100,001 to less than 5% of issue units	5,162.53	4	5,243.6	5
5% and above of issue units	532,095.87	2	532,095.9	2

Fund Performance Data

Portfolio Composition

Details of portfolio composition of the Fund as at 30 June 2012, 31 March 2012 and three financial years as at 31 December are as follows:

	As at 30-6-2012 %	As at 31-3-2012 %	FY 2011 %	FY 2010 %	FY 2009 %
Malaysian Government securities	92.9	91.2	89.8	91.9	83.4
Quasi-Government bonds	3.4	5.2	6.9	7.0	11.4
Cash and others	3.7	3.6	3.3	1.1	5.2
Total	**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 period ended 30 June 2012, 31 March 2012 and three financial years ended 31 December are as follows:

	3 months ended 30-6-2012	3 months ended 31-3-2012	FY 2011	FY 2010	FY 2009
Net asset value (RM)	593,778,546	584,901,182	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)*	1.1049	1.0883	1.0993	1.0884	1.0727
Highest net asset value per unit (RM)*	1.1049	1.1120	1.0993	1.0917	1.1197
Lowest net asset value per unit (RM)*	1.0883	1.0874	1.0642	1.0559	1.0510
Closing quoted price (RM/unit)*	1.0720	1.0720	1.0720	1.0870	1.0700
Highest quoted price (RM/unit)*	1.0720	1.0720	1.0900	1.0830	1.1170
Lowest quoted price (RM/unit)*	1.0680	1.0680	1.0650	1.0620	1.0550
Benchmark performance (%)	6.12	3.23	4.85	5.13	0.21
Total return (%)(1)	6.28	2.36	4.57	5.19	-0.14

(Forward)

	3 months ended 30-6-2012	3 Months ended 31-3-2012	FY 2011	FY 2010	FY 2009
- Capital growth (%)	6.28	0.77	1.12	1.60	-3.60
- Income distribution (%)	-	1.59	3.45	3.59	3.46
Gross distribution (sen per unit)	-	1.75	3.75	3.85	3.85
Net distribution (sen per unit)	-	1.75	3.75	3.85	3.85
Distribution yield (%)(2)	-	1.63	3.50	3.54	3.60
Management expense ratio (%)(3)	0.19	0.19	0.19	0.19	0.20
Portfolio turnover ratio (times)(4)	0.19	0.41	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 decreased by 0.22 times (53.7%) as compared to 0.41 times for the period ended 31 March 2012 mainly due to decrease in investing activities.

Average Total Return (as at 30 June 2012)

	ABFMY1[a] %	iBoxx Index[b] %
One year	4.9	5.2
Three years	4.7	4.9
Five years	3.9	4.2
Since launch (13 July 2005)	3.9	4.2

Annual Total Return

Financial Year Ended (31 December)	ABFMY1[a] %	iBoxx Index[b] %
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

(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 financial period under review, the Fund recorded a return of 6.28% which is entirely capital growth.

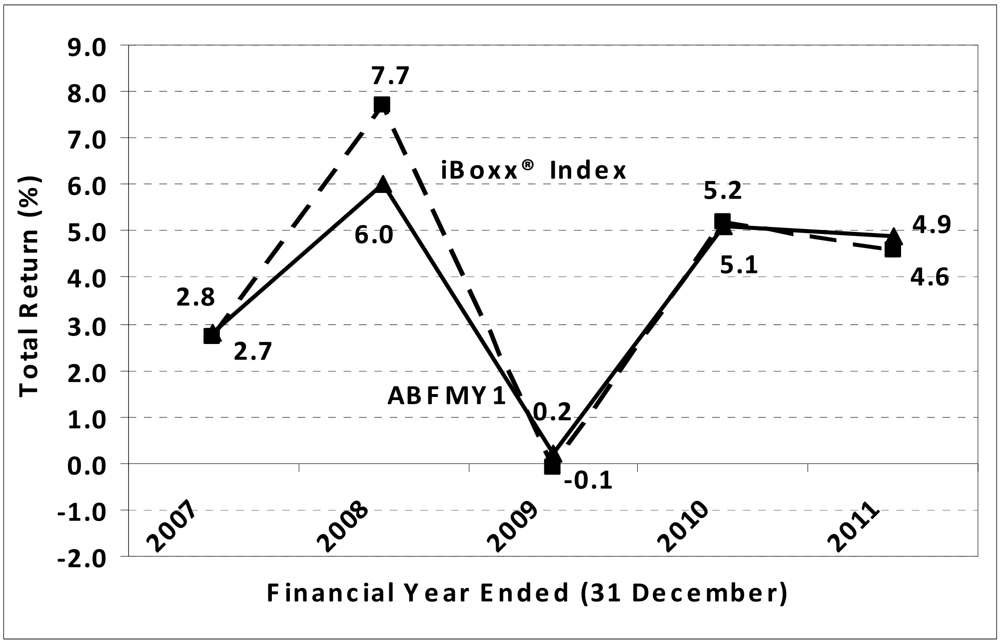
Thus, the Fund's return of 6.28% has outperformed the benchmark return of 6.12% by 0.16%.

As compared to 31 March 2012, the NAV per unit of the Fund increased by 1.53% from RM1.0883 to RM1.1049, while units in circulation remain unchanged at 537,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund remains unchanged at RM1.0720.

(Forward)

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



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

Strategies and Policies Employed

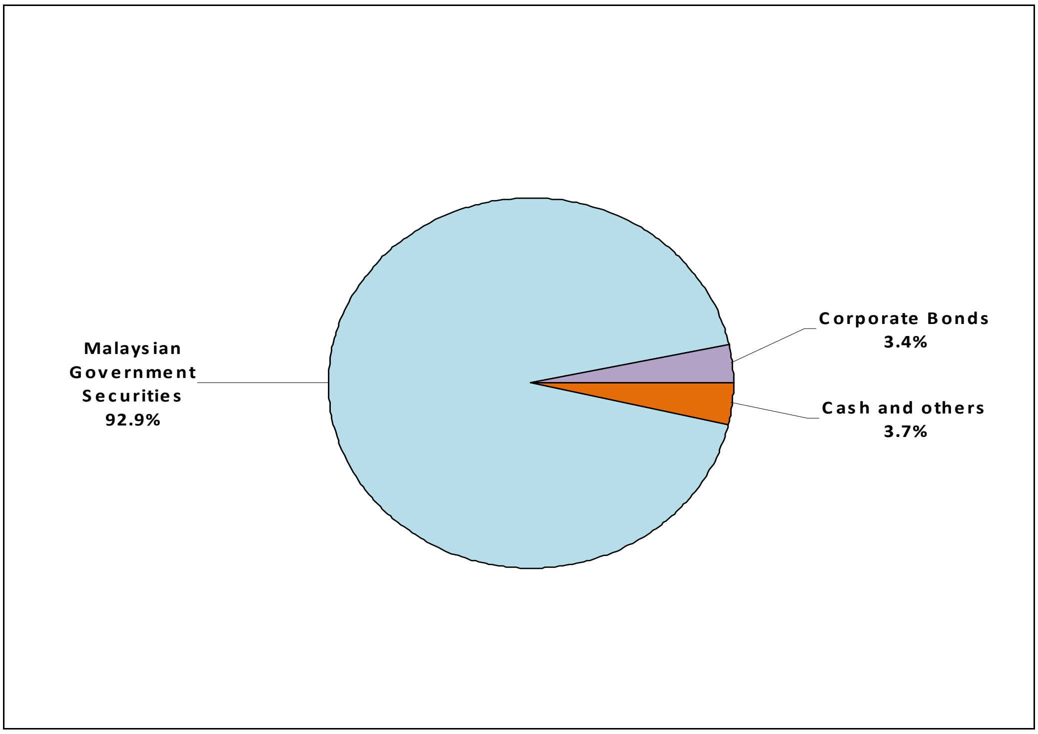
For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

Portfolio Structure

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

	As at 30-6-2012 %	As at 31-03-2012 %	Changes %
Malaysian Government securities	92.9	91.2	1.7
Quasi-Government bonds	3.4	5.2	-1.8
Cash and others	3.7	3.6	0.1
Total	**100.0**	**100.0**	

There has been a slight change to the asset allocation since the last reporting period due to our regular portfolio rebalancing exercise. Investment in Malaysian Government Securities (MGS) bonds increased by 1.7% while investments in Quasi-Government bonds decreased by 1.8%. Meanwhile, investment in cash increased by 0.1%.



Distribution/ unit splits	There was no income distribution and no unit split was declared 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

Local MGS market witnessed a mild bullish run in April as investors re-entered the market to capture higher yields. Except for the 3-year tenor, benchmark MGS yields traded lower across all tenors.

Sentiment however turned lackluster in May with most market players staying on the sidelines amid the deepening economic crisis in the Eurozone. Nevertheless, MGS/GII volume at RM56.1b was still higher than April's RM54.9b. Buying interest was mainly seen in the short to mid-term tenors as the yield curve range-bound throughout with the 7-yr MGS benchmark yield dropping 4.0bps to close at 3.43%. In fact, the RM3.0b auction of MGS 09/18 attracted weak demand with a bid-to-offer ratio of 1.461x, the lowest since March 2011.

Finally, June MGS/GII trading volume was weak initially as investors awaited the outcome of Greece's legislative election on 17 June. When the pro-bailout/austerity New Democracy party subsequently triumphs, trading volume surged to close the month marginally higher at RM58b (May: RM56.1b). Trading volume was also partly supported by 3 govvy auctions in June with RM9.5b of new bonds issued. Bid to cover ratio was decent with more than 2x covered in each of the auctions. The strong demand was mainly due to high reinvestment requirement as RM12.6b of govvies also matured in the same month.

Market Outlook The prolonged uncertainty in relation to the Eurozone crisis continues to affect market sentiment. The mood was further dampened when Moody's cut the rating outlook on Germany, Netherlands and Luxembourg's 'Aaa' sovereign ratings from 'Stable' to 'Negative'.

However, the recent pledge by the ECB President Mario Draghi to do whatever necessary to preserve the Euro has reignited risk appetite around the world. Nevertheless, without any concrete actions, we think that the Euro problems will likely continue to persist in the immediate future. Over in the US, recent economic data releases were largely unchanged and suggests that the FOMC is unlikely to announce any major policy changes in the near term.

On the domestic front, BNM is expected to maintain the Overnight Policy Rate at 3.00% as Malaysia's economic growth appears to remain well supported by domestic demand and consumption. With June CPI figures staying benign, we think BNM will continue to maintain its current accommodative monetary policy stance and will only change its view if upcoming economic data point towards a drastic deterioration in growth. Much of the central bank's decision would hinge on the economic data released by China (Malaysia's largest export market), given that its economy has showed signs of softening in recent months (e.g., PMI was 50.1 in Jul) as well as on developments in the US and Europe.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

13 August 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 April 2012 to 30 June 2012, there was one (1) 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	:	50
Nationality	:	Malaysian
Qualification	:	Bachelors Degree in Accounting, University Malaya
Executive/Non-Executive Director	:	Executive Director
Independent/Non-Independent Director	:	Non-Independent Director
Working Experience	:	***Bank Negara Malaysia*** Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) ***Securities Commission Malaysia*** Assistant Manager, Market Surveillance Department (1993 – 1995) ***AmSecurities Sdn Bhd*** Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) ***AmMerchant Bank Berhad*** Manager, Corporate Services (1998 – 2000) ***AmInvestment Services Berhad*** • Manager, Client Service & Operations (July 2001 – June 2002) • Senior Manager, Client Service & Operation (July 2002 – 2003) • Head, Sales Services (2003-December 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 for the financial period (From 1 April 2012 to 30 June 2012)	:	One (1)

Member of any other Board Committee	:	Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	:	12 July 2005
Number of Investment Committee meetings attended for the financial period (From 1 April 2012 to 30 June 2012)	:	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: Kok Tuck Cheong		
Age	:	56
Nationality	:	Malaysian
Qualification	:	Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls, 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	:	Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	:	9 November 2001
Directorship of other public companies	:	None
Number of Board meeting attended for the financial period (From 1 April 2012 to 30 June 2012)	:	One (1)
Member of any other Board Committee	:	Audit Committee
Date of appointment to the Investment Committee	:	Not applicable
Number of Investment Committee meeting attended for the financial period (From 1 April 2012 to 30 June 2012)	:	Not applicable

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	:	53
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 the responsibility as the Chief Executive Officer of the Funds Management Divison, 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 for the financial period (From 1 April 2012 to 30 June 2012)	:	One (1)
Member of any other Board Committee	:	None
Date of appointment to the Investment Committee	:	Not applicable
Number of Investment Committee meeting attended for the financial period (From 1 April 2012 to 30 June 2012)	:	Not applicable
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. Nassir

Age	:	54
Nationality	:	Malaysian
Qualification	:	Doctor of Philosophy, University Putra Malaysia
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	***University Pertanian Malaysia*** Tutor (1981 – 1984) ***University Putra Malaysia, Serdang*** • Associate Professor (March 1993 – March 2000) • Professor (March 2000-Present) • Deputy Dean (September 2002 – January 2006) • Dean (February 2006 – April 2011)
Occupation	:	Professor, 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 for the financial period (From 1 April 2012 to 30 June 2012)	:	One (1)
Member of any other Board Committee	:	Investment Committee and Audit Committee (Independent)
Date of appointment to the Investment Committee	:	12 July 2005
Number of Investment Committee meeting attended for the financial period (From 1 April 2012 to 30 June 2012)	:	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: Dato' Dr Mahani binti Zainal Abidin

Age	:	58
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	:	***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)
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 for the financial period (From 1 April 2012 to 30 June 2012)	:	None
Member of any other Board Committee	:	Investment Committee and Audit Committee (Independent)
Date of appointment to the Investment Committee	:	12 July 2005
Number of Investment Committee meetings attended for the financial period (From 1 April 2012 to 30 June 2012)	:	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	:	63
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 for the financial period (From 1 April 2012 to 30 June 2012)	:	One (1)
Member of any other Board Committee	:	Investment Committee and Audit Committee (Independent)
Date of appointment to the Investment Committee	:	12 July 2005
Number of Investment Committee meeting attended for the financial period (From 1 April 2012 to 30 June 2012)	:	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 has also 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 Malaysia 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 Investment Committee reviews the Fund’s investment objective and guidelines, and to ensure that the Fund is invested appropriately. For the financial period under review from 1 April 2012 to 30 June 2012, there were two (2) 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 (%)
HSBC BANK MALAYSIA BERHAD	502,033,870	93.415242
AMINVESTMENT BANK BERHAD	30,062,000	5.593744
AMINVESTMENT BANK BERHAD	4,327,530	0.805239
CITIBANK BERHAD	400,000	0.074429
HWANGDBS INVESTMENT BANK BERHAD	295,000	0.054892
CITIBANK BERHAD	140,000	0.026050
PUBLIC INVESTMENT BANK BERHAD	100,000	0.018607
MAYBANK 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
MAYBANK 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

ABF Malaysia Bond Index Fund

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30-6-2012 (unaudited) RM	31-12-2011 (audited) RM
ASSETS			
Investments	4	572,462,334	571,884,722
Deposit with financial institution	5	21,601,228	19,212,505
Cash at banks		1,418	1,458
TOTAL ASSETS		594,064,980	591,098,685
LIABILITIES			
Amount due to Manager	6	46,940	48,475
Amount due to Trustee	7	32,858	33,932
Amount due to index provider	8	49,369	67,227
Sundry payables and accrued expenses		157,267	154,805
TOTAL LIABILITIES		286,434	304,439
EQUITY			
Unitholders' capital	10(a)	563,972,881	563,972,881
Retained earnings	10(b)(c)	29,805,665	26,821,365
TOTAL EQUITY	10	593,778,546	590,794,246
TOTAL EQUITY AND LIABILITIES		594,064,980	591,098,685
UNITS IN CIRCULATION	10(a)	537,421,800	537,421,800
NET ASSET VALUE PER UNIT − EX DISTRIBUTION		110.49 sen	109.93 sen

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 APRIL 2012 TO 30 JUNE 2012

	Note	1-4-2012 to 30-6-2012 RM	1-4-2011 to 30-6-2011 RM
INVESTMENT INCOME			
Interest income		5,049,162	5,345,815
Net gain from investments:			
− Financial assets at fair value through profit or loss ("FVTPL")		4,105,006	3,918,817
Gross Income		9,154,168	9,264,632
EXPENDITURE			
Manager's fee	6	146,579	144,592
Trustee's fee	7	102,606	101,214
Licence fee	8	22,958	22,782
Auditors' remuneration		2,405	2,262
Tax agent's fees		744	969
Administrative expenses		1,512	1,257
Total Expenditure		276,804	273,076
NET INCOME BEFORE TAX		8,877,364	8,991,556
LESS: INCOME TAX	12	-	-
NET INCOME AFTER TAX		8,877,364	8,991,556
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,877,364	8,991,556
Total comprehensive income comprises the following:			
Realised income		5,382,269	5,588,666
Unrealised gain		3,495,095	3,402,890
		8,877,364	8,991,556

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 APRIL 2012 TO 30 JUNE 2012

	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
At 1 April 2011	563,972,881	11,571,983	575,544,864
Total comprehensive income for the period	-	8,991,556	8,991,556
Balance at 30 June 2011	563,972,881	20,563,539	584,536,420
At 1 April 2012	563,972,881	20,928,301	584,901,182
Total comprehensive income for the period	-	8,877,364	8,877,364
Balance at 30 June 2012	563,972,881	29,805,665	593,778,546

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 APRIL 2012 TO 30 JUNE 2012

	Note	1-4-2012 to 30-6-2012 RM	1-4-2011 to 30-6-2011 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		111,925,311	25,547,500
Interest received		3,266,411	4,647,059
Manager's fee paid		(147,718)	(145,598)
Trustee's fee paid		(103,403)	(101,919)
Licence fee paid		(22,291)	(34,917)
Payments for other administrative expenses		(272)	(711)
Purchase of investments		(114,441,000)	(28,389,495)
Net Cash Generated From Operating And Investing Activities		477,038	1,521,919
NET INCREASE IN CASH AND CASH EQUIVALENTS		477,038	1,521,919
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		21,125,608	18,341,989
CASH AND CASH EQUIVALENTS AT END OF PERIOD		21,602,646	19,863,908
Cash and cash equivalents comprise:			
Deposit with financial institution	5	21,601,228	19,635,568
Cash at banks		1,418	228,340
		21,602,646	19,863,908

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 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 be 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 two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The key differences between the FRS Framework and MFRS Framework are that in the former, (a) FRS 201_{2004} *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.

Interest on fixed income securities and short-term deposits are recognised on an accrual basis using effective interest method, which includes the accretion of discount and amortisation of premium.

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 at 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 reserves 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 by the Fund 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, Markit Indices Limited [formerly known as 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 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 losses recognised in the statement of comprehensive income are 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 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 classifies its investments as financial assets at FVTPL as the Fund is an open-ended fund that may sell its investments in the short-term for profit-taking or to meet unitholders' cancellation of units.

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 period.

4. INVESTMENTS

	30-6-2012 RM	31-12-2011 RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government bonds	20,000,000	40,000,000
Malaysian Government Securities	492,810,000	441,660,000
Government Investment Issues	35,150,000	61,650,000
	547,960,000	543,310,000
At fair value:		
Quasi-Government bonds	20,380,996	40,945,030
Malaysian Government Securities	515,620,799	467,388,803
Government Investment Issues	36,460,539	63,550,889
	572,462,334	571,884,722

Details of investments as at 30 June 2012 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government bonds						
06.06.2014	Silterra Capital Berhad	AAA	15,000,000	15,192,863	15,034,221	2.56
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,188,133	4,973,882	0.87
			20,000,000	20,380,996	20,008,103	3.43
Malaysian Government Securities						
31.07.2013	Government of Malaysia	AAA	6,100,000	6,216,860	6,204,126	1.05
27.02.2015	Government of Malaysia	AAA	30,790,000	31,742,768	31,263,438	5.35
12.08.2015	Government of Malaysia	AAA	25,000,000	25,915,982	25,778,468	4.37
30.09.2015	Government of Malaysia	AAA	15,000,000	15,935,664	15,470,044	2.68
15.10.2015	Government of Malaysia	AAA	60,000,000	60,644,704	60,667,785	10.21
15.09.2016	Government of Malaysia	AAA	110,800,000	117,059,339	115,786,349	19.71
15.02.2017	Government of Malaysia	AAA	20,000,000	20,779,002	20,397,759	3.50
15.09.2017	Government of Malaysia	AAA	20,000,000	20,957,307	20,581,046	3.53
28.09.2018	Government of Malaysia	AAA	20,000,000	20,416,891	20,480,864	3.44
30.07.2019	Government of Malaysia	AAA	25,000,000	29,168,605	28,922,753	4.91
15.07.2021	Government of Malaysia	AAA	30,000,000	32,006,571	31,988,140	5.39
15.08.2022	Government of Malaysia	AAA	70,120,000	70,421,106	70,528,782	11.86
15.04.2026	Government of Malaysia	AAA	60,000,000	64,356,000	64,239,813	10.84
			492,810,000	515,620,799	512,309,367	86.84

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
30.12.2014	Government of Malaysia	AAA	5,150,000	5,334,905	5,263,846	0.90
16.03.2015	Government of Malaysia	AAA	10,000,000	10,453,286	10,178,693	1.76
30.09.2015	Government of Malaysia	AAA	5,000,000	5,148,932	5,067,397	0.87
15.06.2017	Government of Malaysia	AAA	5,000,000	5,147,576	5,046,772	0.86
30.08.2018	Government of Malaysia	AAA	10,000,000	10,375,840	10,126,652	1.75
			35,150,000	36,460,539	35,683,360	6.14
Total financial assets at FVTPL			547,960,000	572,462,334	568,000,830	96.41
Excess of fair value over cost				4,461,504		

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

	Effective yield* 30-6-2012 %	Effective yield* 31-12-2011 %
Quasi-Government bonds	3.40	3.56
Malaysian Government Securities	3.28	3.96
Government Investment Issues	1.67	3.38

** As provided by Markit Indices Limited (formerly known as International Index Company Limited).*

Analyses of the remaining maturity of unquoted investments as at 30 June 2012 are as follows:

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
At nominal value:				
Quasi-Government bonds	-	15,000,000	5,000,000	-
Malaysian Government Securities	-	6,100,000	261,590,000	225,120,000
Government Investment Issues	-	-	25,150,000	10,000,000

5. **DEPOSIT WITH FINANCIAL INSTITUTION**

	30-6-2012 RM	31-12-2011 RM
At nominal value:		
Short-term deposit with licensed bank	21,597,500	19,210,900
At carrying value:		
Short-term deposit with licensed bank	21,601,228	19,212,505

Details of deposit with financial institution as at 30 June 2012 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					
02.07.2012	United Overseas Bank (Malaysia) Bhd	21,597,500	21,601,228	21,597,500	3.64

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

	Weighted average interest rate 2012 %	Weighted average interest rate 2011 %	Remaining maturities 2012 Days	Remaining maturities 2011 Days
Short-term deposit with licensed bank	3.15	3.05	2	3

6. **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 (2011: 0.10%).

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

7. **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 (2011: 0.07%).

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

8. **AMOUNT DUE TO INDEX PROVIDER**

Amount due to index provider is the licence fee payable to Markit Indices Limited (formerly known as International Index Company Limited), the provider of the benchmark index.

Licence 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.

9. **NET GAIN FROM INVESTMENTS AT FVTPL**

	1-4-2012 to 30-6-2012 RM	**1-4-2011 to 30-6-2011 RM**
Net gain on financial assets at FVTPL comprised:		
− Net unrealised gain on changes in fair value of unquoted investments	3,495,095	3,402,890
− Net realised gain on sale of unquoted investments	609,911	515,927
	4,105,006	3,918,817

10. TOTAL EQUITY

Total equity is represented by:

	Note	30-6-2012 RM	31-12-2011 RM
Unitholders' capital	(a)	563,972,881	563,972,881
Retained earnings			
– Realised income	(b)	25,344,161	16,654,810
– Unrealised gain	(c)	4,461,504	10,166,555
		593,778,546	590,794,246

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	1-4-2012 to 30-6-2012 Number of units	1-4-2012 to 30-6-2012 RM	1-1-2011 to 31-12-2011 Number of units	1-1-2011 to 31-12-2011 RM
At beginning/end of the period/year	537,421,800	563,972,881	537,421,800	563,972,881

As at 30 June 2012, the approved Fund size is 1 billion units.

(b) REALISED – DISTRIBUTABLE

	1-4-2012 to 30-6-2012 RM	1-1-2011 to 31-12-2011 RM
At beginning of the period/year	19,961,892	15,121,477
Total comprehensive income for the period/year	8,877,364	26,025,738
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 10(c)]	(3,495,095)	(4,339,087)
Distributions out of realised reserve	-	(20,153,318)
Net increase in realised reserve for the period/year	5,382,269	1,533,333
At end of the period/year	25,344,161	16,654,810

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

	1-4-2012 to 30-6-2012 RM	1-1-2011 to 31-12-2011 RM
At beginning of the period/year	966,409	5,827,468
Net unrealised gain attributable to investments held transferred from unrealised reserve [Note 10(b)]	3,495,095	4,339,087
At end of the period/year	4,461,504	10,166,555

11. UNITS HELD BY RELATED PARTIES

	30-6-2012 Number of units	30-6-2012 RM	31-12-2011 Number of units	31-12-2011 RM
Parties related to the Manager *	34,389,530	36,865,576	59,805,630	64,111,635

- 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 June 2012 and 31 December 2011.

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 derived by the Fund is exempted from tax.

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

	1-4-2012 to 30-6-2012 RM	1-4-2011 to 30-6-2011 RM
Net income before tax	8,877,364	8,991,556
Taxation at Malaysian statutory rate of 25%	2,219,300	2,247,800
Tax effects of:		
Income not subject to tax	(2,288,500)	(2,316,200)
Restriction on tax deductible expenses for unit trust funds	33,500	38,800
Non-permitted expenses for tax purposes	32,000	25,900
Permitted expenses not used and not available for future years	3,700	3,700
Tax expense for the period	-	-

13. **DISTRIBUTION**

No distribution was declared by the Fund for the periods ended 30 June 2012 and 30 June 2011.

14. **MANAGEMENT EXPENSE RATIO ("MER")**

The Fund's MER is as follows:

	1-4-2012 to 30-6-2012 % p.a.	1-4-2011 to 30-6-2011 % p.a.
Manager's fee	0.10	0.10
Trustee's fee	0.07	0.07
Licence fee	0.01	0.01
Trust administrative expenses	0.01	0.01
Total MER	0.19	0.19

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 PTR of the Fund is the ratio of average of total acquisitions and disposals of investments to the average NAV of the Fund calculated on a daily basis, is 0.19 times (2011: 0.05 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 risks and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have separately identifiable business or geographical segments.

17. **TRANSACTIONS WITH FINANCIAL INSTITUTIONS**

Details of transactions with financial institutions for the period ended 30 June 2012 are as follows:

Financial institutions	**Transaction value**	
	RM	**%**
Citibank Berhad	114,147,924	50.01
Deutsche Bank (Malaysia) Berhad	75,967,743	33.28
Kenanga Investment Bank Berhad	33,082,764	14.49
OSK Investment Bank Berhad	5,068,189	2.22
Total	228,266,620	100.00

The above transactions were 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 30 June 2012 and 31 December 2011 by the class of financial instruments 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**
30 June 2012				
Assets				
Investments	572,462,334	-	-	572,462,334
Deposit with financial institution	-	21,601,228	-	21,601,228
Cash at banks	-	1,418	-	1,418
Total financial assets	572,462,334	21,602,646	-	594,064,980

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 June 2012				
Liabilities				
Amount due to Manager	-	-	46,940	46,940
Amount due to Trustee	-	-	32,858	32,858
Amount due to index provider	-	-	49,369	49,369
Sundry payables and accrued expenses	-	-	157,267	157,267
Total financial liabilities	-	-	286,434	286,434
31 December 2011				
Assets				
Investments	571,884,722	-	-	571,884,722
Deposit with financial institution	-	19,212,505	-	19,212,505
Cash at banks	-	1,458	-	1,458
Total financial assets	571,884,722	19,213,963	-	591,098,685
31 December 2011				
Liabilities				
Amount due to Manager	-	-	48,475	48,475
Amount due to Trustee	-	-	33,932	33,932
Amount due to index provider	-	-	67,227	67,227
Sundry payables and accrued expenses	-	-	154,805	154,805
Total financial liabilities	-	-	304,439	304,439

	Income, expense, gains and losses	
	1-4-2012 to 30-6-2012 RM	**1-4-2011 to 30-6-2011 RM**
Net gain from financial assets at FVTPL	4,105,006	3,918,817
Income, of which derived from:		
Interest income	5,049,162	5,345,815

(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, Markit Indices Limited (formerly known as 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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
30 June 2012				
Financial assets at FVTPL	-	572,462,334	-	572,462,334
31 December 2011				
Financial assets at FVTPL	-	571,884,722	-	571,884,722

(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
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Sundry payables and accrued expenses

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 POLICIES

The Fund is exposed to a variety of risks that included market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and non-compliance risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of investment coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

Market Risk

Market risk 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 movement 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 one hundred days.

	Value-at-Risk (%)	
	Interest rate risk	**Total VAR**
30 June 2012	0.53	0.53
Average Daily	0.51	0.51
Highest	0.53	0.53
Lowest	0.48	0.48
30 June 2011	0.54	0.54
Average Daily	0.54	0.54
Highest	0.56	0.56
Lowest	0.53	0.53

Based on Gaussian VaR, using historical weekly data for the past 180 weeks, ABF Malaysia Bond Index portfolio that invests mainly in Ringgit denominated fixed income securities had a daily 1% Value-at-Risk (VaR) of approximately 0.53% (2011: 0.54%). This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.53% (2011: 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 a minimum of 95% of the net asset value of the Fund in local bonds. As such the Fund would be exposed to the risk of bond issuers defaulting on its repayment obligations which in turn would effect the net asset value of the Fund. This risk is mitigated by performing continuous fundamental credit research and analysis to ascertain the creditworthiness of the relevant issuers.

(a) **Credit quality of financial assets**

The following table analyses the Fund's portfolio of debt securities by rating category as at 30 June 2012 and 30 June 2011:

Credit rating	RM	As a % of debt securities	As a % of net asset value
30 June 2012			
AAA	572,462,334	100.00	96.41
30 June 2011			
AAA	564,934,030	100.00	96.65

For deposit with 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 June 2012 and 30 June 2011:

Credit rating	RM	As a % of debt securities	As a % of net asset value
30 June 2012			
P1/MARC1	21,601,228	100.00	3.64
30 June 2011			
P1/MARC1	19,635,568	100.00	3.36

(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 by sectorial distribution as at 30 June 2012 and 30 June 2011:

Sector	RM	As a % of debt securities	As a % of net asset value
30 June 2012			
Sovereign	572,462,334	100.00	96.41
30 June 2011			
Sovereign	554,767,189	98.20	94.91
Supranational	10,166,841	1.80	1.74
	564,934,030	100.00	96.65

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 or borrowing to meet payment obligations as they fall due. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash deposit with licensed financial institution 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 calculated as follows:

$ = cash received
R = annual coupon rate
F = coupon frequency

- For zero coupon bonds, F = 0
  At maturity: $ = Nominal

- For F > 0
  Before maturity: coupon payment, $ = Nominal * (R/F)
  At maturity: maturity payment, $ = Nominal + (Nominal * R/F)

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

	Contractual Cash Flows (Undiscounted)					
	0 – 1 year RM	**1 – 2 years RM**	**2 – 3 years RM**	**3 – 4 years RM**	**4 – 5 years RM**	**> 5 years RM**
30 June 2012						
Financial assets						
Financial assets held at FVTPL	21,883,426	42,877,865	66,926,828	122,403,623	153,846,750	283,274,409
Deposit with financial institution	21,604,956	-	-	-	-	-
Other assets	1,418	-	-	-	-	-
Total assets	43,489,800	42,877,865	66,926,828	122,403,623	153,846,750	283,274,409
Financial liabilities						
Other liabilities	286,434	-	-	-	-	-
30 June 2011						
Financial assets						
Financial assets held at FVTPL	52,531,849	126,165,549	87,635,674	76,720,941	56,358,321	282,964,998
Deposit with financial institution	19,635,568	-	-	-	-	-
Other assets	241,340	-	-	-	-	-
Total assets	72,408,757	126,165,549	87,635,674	76,720,941	56,358,321	282,964,998
Financial liabilities						
Other liabilities	274,519	-	-	-	-	-

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 effects on the capital market and the net asset value of the Fund.

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.

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 unitholders' 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, make 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 periods ended 30 June 2012 and 30 June 2011.