

# **ABF Malaysia Bond Index Fund**

**Quarterly Report**

**30 September 2012**

## **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

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

### **Secretary**

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

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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 ("Fund") for the financial period from 1 July 2012 to 30 September 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. Any material change to the Fund's investment objective will require the holders' approval by way of special resolution.

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

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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	06 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

GJ100009	Government of Malaysia	3.860	30 September 2015	3,500,000,000.00
MO05002S	Government of Malaysia	4.720	30 September 2015	6,975,000,000.00
MH120003	Government of Malaysia	3.197	15 October 2015	6,000,000,000.00
GH120090	Government of Malaysia	3.235	08 February 2016	3,500,000,000.00
VK090138	Danga Capital Berhad	4.490	22 April 2016	500,000,000.00
VI110195	Pengurusan Air SPV Berhad	3.840	17 June 2016	1,400,000,000.00
MO060001	Government of Malaysia	4.262	15 September 2016	19,700,000,000.00
VJ100354	Cagamas Berhad	3.850	20 October 2016	500,000,000.00
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	The Export-Import Bank of Korea	4.070	02 February 2017	500,000,000.00
UN070014	The Asian Development Bank	4.000	08 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
VJ110196	Pengurusan Air SPV Berhad	3.980	16 June 2017	1,500,000,000.00
GJ120009	Government of Malaysia	3.309	30 August 2017	7,000,000,000.00
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	8,000,000,000.00
DN080403	Syarikat Prasarana Negara Berhad	4.400	30 May 2018	1,200,000,000.00
VK110197	Pengurusan Air SPV Berhad	4.040	15 June 2018	1,500,000,000.00
GL110001	Government of Malaysia	3.872	30 August 2018	6,500,000,000.00
MK110005	Government of Malaysia	3.580	28 September 2018	10,000,000,000.00
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
VK120194	Johor Corporation	3.680	14 June 2019	800,000,000.00

VL110198	Pengurusan Air SPV Berhad	4.150	17 June 2019	500,000,000.00
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	8,000,000,000.00
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
VN110049	Pengurusan Air SPV Berhad	4.380	29 April 2021	500,000,000.00
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	04 August 2021	800,000,000.00
VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000.00
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000.00
VN120270	DanaInfra Nasional Berhad	3.740	20 July 2022	700,000,000.00
MO120001	Government of Malaysia	3.418	15 August 2022	7,500,000,000.00
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
VP120271	DanaInfra Nasional Berhad	3.870	19 July 2024	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	04 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	5,500,000,000.00
MX070003	Government of Malaysia	3.502	31 May 2027	6,000,000,000.00
GS120059	Government of Malaysia	3.899	15 June 2027	3,000,000,000.00
VS120272	DanaInfra Nasional Berhad	4.040	20 July 2027	900,000,000.00
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 September 2012		As at 30 June 2012	
	No of units held ('000)	Number of unitholders	No of units held ('000)	Number of unitholders
Less than 100	0.10	3	0.10	3
100 – 1,000	5.80	13	5.30	12
1,001 -10,000	23.00	7	23.00	7
10,001 – 100,000	135.00	3	135.00	3
100,001 to less than 5% of issue units	5,162.03	4	5,162.53	4
5% and above of issue units	532,095.87	2	532,095.87	2



## Fund Performance Data

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

	As at 30-9-2012 %	As at 30-6-2012 %	FY 2011 %	FY 2010 %	FY 2009 %
Malaysian Government securities	81.0	92.9	89.8	91.9	83.4
Quasi-Government bonds	13.8	3.4	6.9	7.0	11.4
Cash and others	5.2	3.7	3.3	1.1	5.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*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 September 2012, 30 June 2012 and three financial years ended 31 December are as follows:

	3 months ended 30-9-2012	3 months ended 30-6-2012	FY 2011	FY 2010	FY 2009
Net asset value (RM)	587,706,957	593,778,546	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)	1.0936	1.1049*	1.0993	1.0884	1.0727
Highest net asset value per unit (RM)	1.1200	1.1049*	1.0993	1.0917	1.1197
Lowest net asset value per unit (RM)	1.0930	1.0883*	1.0642	1.0559	1.0510
Closing quoted price (RM/unit)	1.1030	1.0720*	1.0720	1.0870	1.0700
Highest quoted price (RM/unit)	1.1030	1.0720*	1.0900	1.0830	1.1170
Lowest quoted price (RM/unit)	1.0730	1.0680*	1.0650	1.0620	1.0550
Benchmark performance (%)	0.74	6.12	4.85	5.13	0.21
Total return (%) <sup>(1)</sup>	0.56	6.28	4.57	5.19	-0.14
- Capital growth (%)	-1.02	6.28	1.12	1.60	-3.60
- Income distribution (%)	1.58	-	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 (%) <sup>(2)</sup>	1.59	-	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>	0.24	0.19	0.26	0.33	0.21

\* Above price and net asset value per unit are not shown as ex-distribution.

Note:

- (1) Total return is the actual/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 0.05 times (26.3%) as compared to 0.19 times for the financial period ended 30 June 2012 mainly due to increase in investing activities.

#### Average Total Return (as at 30 September 2012)

	ABFMY1 <sup>(a)</sup>	iBoxx Index <sup>(b)</sup>
	%	%
One year	4.0	4.4
Three years	4.3	4.6
Five years	4.0	4.3
Since launch (13 July 2005)	3.9	4.2

#### Annual Total Return

Financial Year Ended (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

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd.

(b) iBoxx ABF Malaysia Index (“iBoxx Index”) (Source:www.aminvest.com.my).

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**

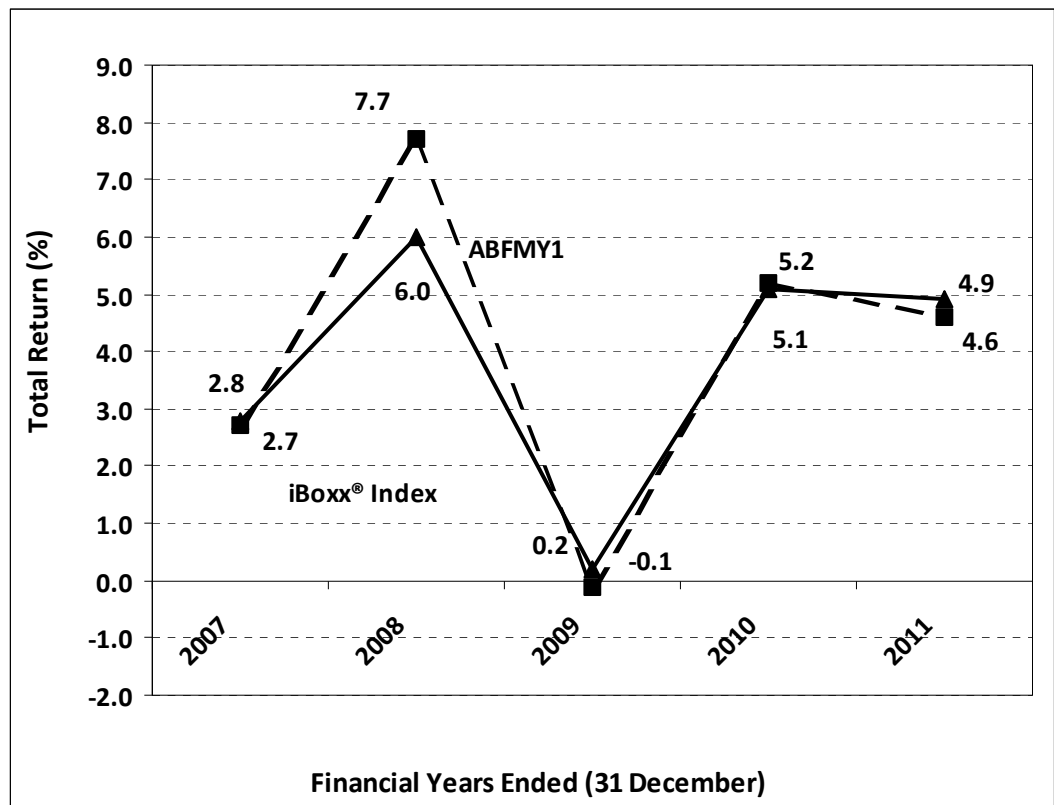
For the financial period under review, the Fund recorded a return of 0.56% comprising of negative 1.02% capital and 1.58% income distribution.

Thus, the Fund's return of 0.56% has underperformed the benchmark return of 0.74% by 0.18%.

As compared to 30 June 2012, the NAV per unit of the Fund decreased by 1.02% from RM1.1049 to RM1.0936, while units in circulation remain unchanged at 537,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 2.89% from RM1.0720 to RM1.103.

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**

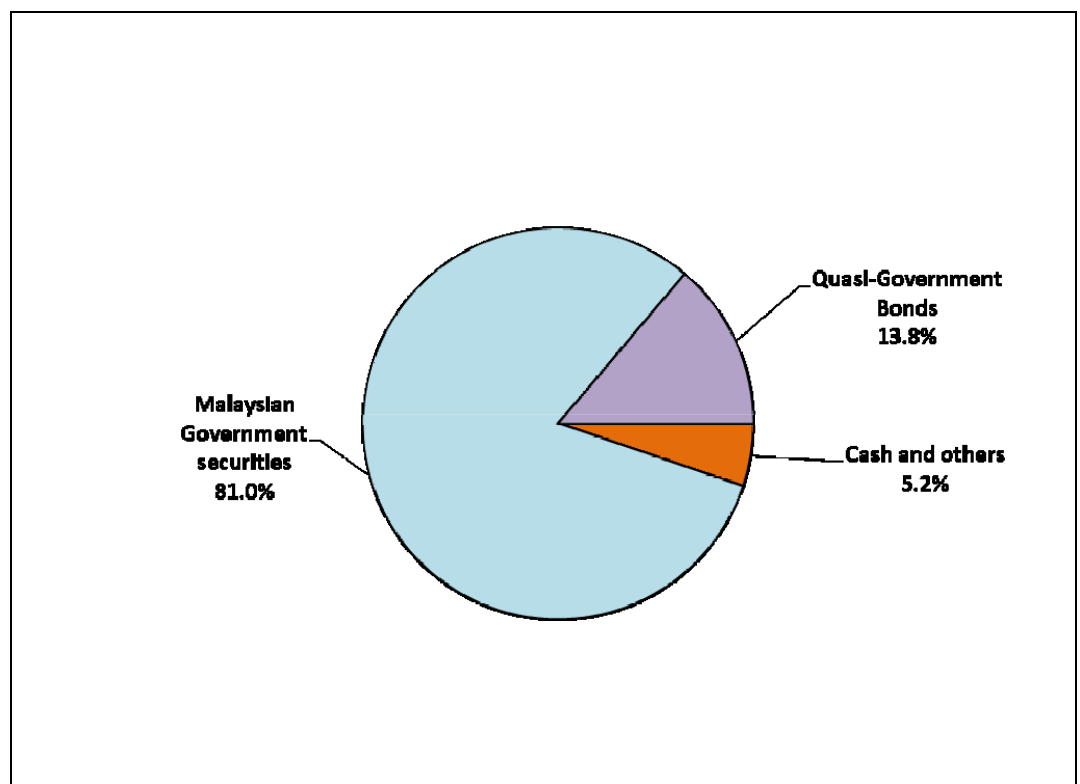
For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

**Portfolio Structure**

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

	As at 30-9-2012 %	As at 30-6-2012 %	Changes %
Malaysian Government securities	81.0	92.9	-11.9
Quasi-Government bonds	13.8	3.4	10.4
Cash and others	5.2	3.7	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

There has been a change to the asset allocation since the last reporting period due to our regular portfolio rebalancing exercise. Investment in Malaysian Government Securities (MGS) bonds decreased by 11.9% while investments in Quasi-Government bonds increased by 10.4%. Meanwhile, investment in cash increased by 1.5%.



**Distribution/  
unit splits**

During the financial period under review, the Fund declared an income distribution of 1.75 sen per unit on 5 September 2012, detailed as follows:

1.75 sen per unit final income distribution*	Change in the unit price prior and subsequent to the final income distribution	Before income distribution on 5 September 2012 (RM)	After income distribution on 5 September 2012 (RM)
	Net asset value per unit	1.1121	1.0946

There was no unit split made for the financial period under review.

<b>State of Affairs of the Fund</b>	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.
<b>Rebates and Soft Commission</b>	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.
<b>Market Review</b>	<p>Malaysian Government Securities (MGS)/Global Innovation Index (GII) trading volume was healthy throughout the month of July as investors were fairly bullish taking cue from the recent rally in US Treasuries and further policy easing on the global front, with South Korea unexpectedly cutting its key policy rate by 25 basis points (bps) to 3.00%. In addition, benign domestic inflation and interest rate outlook provided further catalyst for market players to extend investments to longer-dated bonds, as reflected in the drop of c.14-28bps in 10-, 15-, and 20-yr MGS benchmarks yields to settle at 3.36%, 3.57% and 3.70% respectively</p> <p>Trading in local govvnies was mixed as the bullish sentiment in the early parts of the month reversed towards the second half of August following higher than expected second quarter of 2012 Gross Domestic Product (GDP). Nevertheless, the selling momentum subsided as speculations of Quantitative Easing 3 (QE3) gained momentum in the US. With the Aidifitri and Merdeka holidays coming in the last two weeks of August, it was not a surprised that MGS/GII volume dropped to RM54.1 billion from the year-to-date high of RM87.1 billion in July.</p> <p>The MGS/GII trading volume remained relatively weak in September with RM32.0 billion worth of trades done. Most market players stayed on the sidelines ahead of the Budget 2013 which was announced at the end of the month and profit taking was evident across all tenures of the MGS benchmarks.</p>
<b>Market Outlook</b>	<p>The International Monetary Fund (IMF) lowered its growth forecasts of the world economy to 3.3% in 2012 (from 3.5% projected in July), the slowest since the 2009 recession. The agency further warned that it sees alarmingly high risks of a steeper slowdown, with about 16% chance of growth slipping below 2%, as the euro-debt crisis intensifies amidst the looming US fiscal cliff.</p> <p>Elsewhere in Asia, Japan and Thailand's industrial production fell further and major indicator slowed down in August. Bank of Thailand (BOT) unexpectedly cut its benchmark one-day repurchase rate by 0.25% to 2.75% on 17 Oct, the first time since January, in a bid to shore up economic growth. On the same day, countries in the ASEAN region including Malaysia saw it govvnies rallied by a fair bit as foreign investors are positioning on a possible spillover of rate cut exercise by other regional Central Banks. Lastly, Singapore and China reported a mildly disappointing third quarter (3Q) GDP numbers with Singapore's dropping by an annualized rate of 1.5% (second quarter: 0.2%) and China's moderated to 7.4% (second quarter: 7.6% and first quarter: 8.1%). China's 3Q GDP marked the 7th consecutive quarter of deceleration, on the back of the lagged effect arising from the previous policy tightening to contain inflation and a softer external demand for the country's exports.</p> <p>Notwithstanding the weaker global outlook, US unemployment rate unexpectedly fell to 7.8% in September, after moderating to 8.1% in August. This was the</p>

lowest level in more than 3 years, pointing to a steadier recovery in the job market than previously thought. The country's real GDP growth also rebounded to an annualized rate of 2.0% in the 3Q, after moderating to +1.3% in the first 2 quarters. As a whole, while the overall economy is on the right trajectory, it is still facing threat from the looming fiscal cliff, which could extract about USD600b from the economy. By that measure, it could cause the economy to contract by 0.5% in 2013, according to the estimated by Congressional Budget Office (CBO).

Looking ahead, there is significant amount of events that could shape financial market. US presidential election, China Party Congress, Reserve Bank of Australia (RBA), BNM, Bank Indonesia (BI) and Bank of Korea (BoK)'s MPC meetings are some of the key events that will provide further guidance on the region's interest rate outlook in the face of weaker global economy prospect. Currently, market is expecting RBA to further cut its Cash Rate by another 25bps to 3.00% and BNM, BI and BoK to hold rate constant

Kuala Lumpur, Malaysia  
AmInvestment Services Berhad

31 October 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 July 2012 to 30 September 2012, there were two (2) Board of Director meetings 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>	: 50
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: Bachelor Degree in Accounting, University of 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 Malaysia</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-December 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 for the financial period (From 1 July 2012 to 30 September 2012)</b>	: One (1)

<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 meetings attended for the financial period (From 1 July 2012 to 30 September 2012)</b>	: Two (2)
<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, 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>	: Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	: 9 November 2001
<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial period (From 1 July 2012 to 30 September 2012)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: Audit Committee
<b>Date of appointment to the Investment Committee</b>	: Not applicable
<b>Number of Investment Committee meeting attended for the financial period (From 1 July 2012 to 30 September 2012)</b>	: Not applicable



<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: Datin Maznah binti Mahbob**

<b>Age</b>	: 53
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: 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.
<b>Occupation</b>	: Chief Executive Officer of the Funds Management Division and Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd.
<b>Date of appointment</b>	: 29 December 2005
<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial period (From 1 July 2012 to 30 September 2012)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: Not applicable
<b>Number of Investment Committee meeting attended for the financial period (From 1 July 2012 to 30 September 2012)</b>	: Not applicable
<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: Professor Dr Annuar bin Md. Nassir**

<b>Age</b>	:	54
<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>	:	<p><i>University Putra Malaysia, Serdang</i></p> <ul style="list-style-type: none"> <li>• Dean (February 2006 – April 2011)</li> <li>• Deputy Dean (September 2002 – January 2006)</li> <li>• Professor (March 2000-Present)</li> <li>• Associate Professor (March 1993 – March 2000)</li> </ul> <p><i>University Pertanian Malaysia</i> Tutor (1981 – 1984)</p>
<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 for the financial period (From 1 July 2012 to 30 September 2012)</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 for the financial period (From 1 July 2012 to 30 September 2012)</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: Dato' Dr Mahani binti Zainal Abidin**

<b>Age</b>	:	58
<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** : *National Economic Advisory Council (NEAC)*  
 Council Member (2009 – 2011)  
 Member (1998 – 2000)

*Institute of Strategic and International Studies (ISIS), Malaysia*  
 Director General (May 2007 – December 2009)

*Ministry of Higher Education Malaysia*  
 Deputy Director-General (2005 – 2007)

*National Accreditation Board*  
 Deputy Chairman (2003 – 2007)

*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 – 2000)

*Faculty of Economic and Administration, University of Malaya*  
 Professor (1992 – 2007)

<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 for the financial period (From 1 July 2012 to 30 September 2012)</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 meetings attended for the financial period (From 1 July 2012 to 30 September 2012)</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: Lee Siang Korn @ Lee Siang Chin</b>	
<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>	: <p><i>Surf88.Com Sdn.Bhd</i> Chairman and Founding Shareholder (1999-2004)</p> <p><i>Arab-Malaysian Securities Sdn. Bhd.</i> Managing Director (1986-1999)</p> <p><i>Arab-Malaysian Merchant Bank Berhad</i> General Manager, Corporate Finance (1983-1986)</p>
<b>Occupation</b>	: Director
<b>Date of appointment</b>	: 20 December 2006
<b>Directorship of other public companies</b>	: <ul style="list-style-type: none"> <li>• Social Security Organisation of Malaysian (SOCSO)</li> <li>• Star Publications (Malaysia) Berhad</li> <li>• UniAsia Life Assurance Berhad</li> </ul>
<b>Number of Board Meeting attended for the financial period (From 1 July 2012 to 30 September 2012)</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 for the financial period (From 1 July 2012 to 30 September 2012)</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 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 July 2012 to 30 September 2012, 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 (%)
HSBC BANK MALAYSIA BERHAD	502,033,870	93.415250
AMINVESTMENT BANK BERHAD	30,062,000	5.593745
AMINVESTMENT BANK BERHAD	4,327,030	0.805146
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
CIMB 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
OSK INVESTMENT BANK BERHAD	700	0.000130
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
MAYBANK INVESTMENT BANK BERHAD	200	0.000037
ECM LIBRA INVESTMENT BANK BERHAD	100	0.000019
OSK INVESTMENT BANK BERHAD	100	0.000019
HWANGDBS INVESTMENT BANK BERHAD	100	0.000019
PUBLIC INVESTMENT BANK BERHAD	100	0.000019
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	50	0.000009

## ABF Malaysia Bond Index Fund

### STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

	Note	30-9-2012 (unaudited) RM	31-12-2011 (audited) RM
<b>ASSETS</b>			
Investments	4	557,468,481	571,884,722
Deposits with financial institutions	5	30,510,507	19,212,505
Cash at banks		1,458	1,458
<b>TOTAL ASSETS</b>		<b>587,980,446</b>	<b>591,098,685</b>
<b>LIABILITIES</b>			
Amount due to Manager	6	46,727	48,475
Amount due to Trustee	7	32,709	33,932
Amount due to index provider	8	51,097	67,227
Sundry payables and accrued expenses		142,956	154,805
<b>TOTAL LIABILITIES</b>		<b>273,489</b>	<b>304,439</b>
<b>EQUITY</b>			
Unitholders' capital	10(a)	563,972,881	563,972,881
Retained earnings	10(b)(c)	23,734,076	26,821,365
<b>TOTAL EQUITY</b>	10	<b>587,706,957</b>	<b>590,794,246</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>587,980,446</b>	<b>591,098,685</b>
<b>UNITS IN CIRCULATION</b>	10(a)	<b>537,421,800</b>	<b>537,421,800</b>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<b>109.36 sen</b>	<b>109.93 sen</b>

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

## ABF Malaysia Bond Index Fund

### STATEMENT OF COMPREHENSIVE INCOME (Unaudited) FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012

	Note	1-7-2012 to 30-9-2012 RM	1-7-2011 to 30-9-2011 RM
<b>INVESTMENT INCOME</b>			
Interest income		5,041,562	5,412,503
Net (loss)/gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(1,426,435)</u>	<u>3,145,352</u>
Gross Income		<u>3,615,127</u>	<u>8,557,855</u>
<b>EXPENDITURE</b>			
Manager’s fee	6	147,906	146,700
Trustee’s fee	7	103,535	102,690
Licence fee	8	23,091	23,084
Auditors’ remuneration		2,405	2,287
Tax agent’s fee		744	1,271
Administrative expenses		<u>4,153</u>	<u>1,787</u>
Total Expenditure		<u>281,834</u>	<u>277,819</u>
NET INCOME BEFORE TAX		3,333,293	8,280,036
LESS: INCOME TAX	12	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		3,333,293	8,280,036
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>3,333,293</u>	<u>8,280,036</u>
Total comprehensive income comprises the following:			
Realised income		5,651,056	5,195,562
Unrealised (loss)/gain		<u>(2,317,763)</u>	<u>3,084,474</u>
		<u>3,333,293</u>	<u>8,280,036</u>
Distributions for the period:			
Net distributions	13	<u>9,404,882</u>	<u>9,404,882</u>
Gross/net distributions per unit (sen)	13	<u>1.75</u>	<u>1.75</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 FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012

	Note	Unitholders' capital RM	Retained earnings RM	Total net asset value RM
At 1 July 2011		563,972,881	20,563,539	584,536,420
Total comprehensive income for the period		-	8,280,036	8,280,036
Distributions	13	-	(9,404,882)	(9,404,882)
Balance at 30 September 2011		<u>563,972,881</u>	<u>19,438,693</u>	<u>583,411,574</u>
At 1 July 2012		563,972,881	29,805,665	593,778,546
Total comprehensive income for the period		-	3,333,293	3,333,293
Distributions	13	-	(9,404,882)	(9,404,882)
Balance at 30 September 2012		<u>563,972,881</u>	<u>23,734,076</u>	<u>587,706,957</u>

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

## ABF Malaysia Bond Index Fund

### STATEMENT OF CASH FLOWS (*Unaudited*)

#### FOR THE FINANCIAL PERIOD FROM 1 JULY 2012 TO 30 SEPTEMBER 2012

	1-7-2012 to 30-9-2012 RM	1-7-2011 to 30-9-2011 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	145,394,156	30,146,184
Interest received	7,156,824	6,984,118
Manager's fee paid	(148,119)	(143,435)
Trustee's fee paid	(103,684)	(100,405)
Tax agent's fee paid	(4,000)	(5,000)
Licence fee paid	(21,363)	(14,323)
Payments for other administrative expenses	(17,613)	(1,390)
Purchase of investments	<u>(133,942,000)</u>	<u>(30,494,600)</u>
Net Cash Generated From Operating And Investing Activities	<u>18,314,201</u>	<u>6,371,149</u>
CASH FLOW FROM FINANCING ACTIVITY		
Distribution paid	<u>(9,404,882)</u>	<u>(9,404,882)</u>
Net Cash Used In Financing Activity	<u>(9,404,882)</u>	<u>(9,404,882)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,909,319	(3,033,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>21,602,646</u>	<u>19,863,908</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>30,511,965</u>	<u>16,830,175</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	30,510,507	16,377,800
Cash at banks	<u>1,458</u>	<u>452,375</u>
	<u>30,511,965</u>	<u>16,830,175</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 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<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.

Interest income on fixed income securities and short-term deposits are recognised on an accrual basis using the 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 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 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 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 financial period.

## 4. INVESTMENTS

	<b>30-9-2012</b>	<b>31-12-2011</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>		
At nominal value:		
Quasi-Government Bonds	80,000,000	40,000,000
Malaysian Government Securities	401,710,000	441,660,000
Government Investment Issues	55,150,000	61,650,000
	<u>536,860,000</u>	<u>543,310,000</u>
At fair value:		
Quasi-Government Bonds	81,304,303	40,945,030
Malaysian Government Securities	419,189,482	467,388,803
Government Investment Issues	56,974,696	63,550,889
	<u>557,468,481</u>	<u>571,884,722</u>

Details of investments as at 30 September 2012 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>						
06.06.2014	Silterra Capital Berhad	AAA	15,000,000	15,319,212	15,180,411	2.61
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,240,362	5,029,606	0.89
14.06.2019	Johor Corporation	AAA	10,000,000	10,106,880	10,120,433	1.72
14.06.2022	Johor Corporation	AAA	50,000,000	50,637,849	50,969,181	8.61
			<u>80,000,000</u>	<u>81,304,303</u>	<u>81,299,631</u>	<u>13.83</u>
<b>Malaysian Government Securities</b>						
27.02.2015	Government of Malaysia	AAA	30,790,000	31,296,640	30,966,752	5.33
12.08.2015	Government of Malaysia	AAA	25,000,000	25,559,949	25,504,251	4.35
30.09.2015	Government of Malaysia	AAA	15,000,000	15,992,110	15,625,153	2.72
15.10.2015	Government of Malaysia	AAA	60,000,000	61,020,940	61,129,283	10.38
15.09.2016	Government of Malaysia	AAA	110,800,000	115,067,674	114,345,414	19.58
15.02.2017	Government of Malaysia	AAA	20,000,000	20,455,277	20,199,966	3.48
15.07.2021	Government of Malaysia	AAA	80,000,000	84,305,967	84,849,421	14.35
15.08.2022	Government of Malaysia	AAA	120,000	119,158	119,100	0.02
15.04.2026	Government of Malaysia	AAA	60,000,000	65,371,767	64,834,738	11.12
			<u>401,710,000</u>	<u>419,189,482</u>	<u>417,574,078</u>	<u>71.33</u>

(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>						
30.12.2014	Government of Malaysia	AAA	5,150,000	5,279,989	5,211,662	0.90
16.03.2015	Government of Malaysia	AAA	10,000,000	10,306,428	10,060,104	1.75
30.09.2015	Government of Malaysia	AAA	5,000,000	5,188,940	5,114,336	0.88
15.06.2017	Government of Malaysia	AAA	5,000,000	5,179,452	5,093,205	0.88
30.08.2018	Government of Malaysia	AAA	10,000,000	10,236,912	10,027,894	1.74
30.04.2021	Government of Malaysia	AAA	10,000,000	10,568,239	10,656,730	1.80
15.06.2027	Government of Malaysia	AAA	10,000,000	10,214,736	10,287,100	1.74
			<u>55,150,000</u>	<u>56,974,696</u>	<u>56,451,031</u>	<u>9.69</u>
<b>Total financial assets at FVTPL</b>			<u>536,860,000</u>	<u>557,468,481</u>	<u>555,324,740</u>	<u>94.85</u>
<b>Excess of fair value over cost</b>				<u>2,143,741</u>		

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

	<b>Effective yield*</b>	
	<b>30-9-2012</b>	<b>31-12-2011</b>
	<b>%</b>	<b>%</b>
Quasi-Government Bonds	3.68	3.56
Malaysian Government Securities	3.19	3.96
Government Investment Issues	<u>1.79</u>	<u>3.38</u>

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

Analyses of the remaining maturity of unquoted investments as at 30 September 2012 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	15,000,000	5,000,000	60,000,000
Malaysian Government Securities	-	261,590,000	140,120,000
Government Investment Issues	-	25,150,000	30,000,000

## 5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	<b>30-9-2012 RM</b>	<b>31-12-2011 RM</b>
At nominal value:		
Short-term deposit with licensed bank	25,000,000	19,210,900
Short-term deposit with licensed investment bank	5,508,000	-
	<u>30,508,000</u>	<u>19,210,900</u>
At carrying value:		
Short-term deposit with licensed bank	25,002,055	19,212,505
Short-term deposit with licensed investment bank	5,508,452	-
	<u>30,510,507</u>	<u>19,212,505</u>

Details of deposits with financial institutions as at 30 September 2012 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</b>					
01.10.2012	CIMB Bank Berhad	<u>25,000,000</u>	<u>25,002,055</u>	<u>25,000,000</u>	<u>4.25</u>
<b>Short-term deposit with licensed investment bank</b>					
01.10.2012	CIMB Investment Bank Berhad	<u>5,508,000</u>	<u>5,508,452</u>	<u>5,508,000</u>	<u>0.94</u>

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

	Weighted average interest rate		Remaining maturities	
	2012 %	2011 %	2012 Day	2011 Days
Short-term deposit with				
– Licensed bank	3.00	3.05	1	3
– Licensed investment bank	3.00	-	1	-

#### 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:

<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.

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

	<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-7-2011 to 30-9-2011 RM</b>
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	891,328	60,878
– Net unrealised (loss)/gain on changes in fair value of investments	<u>(2,317,763)</u>	<u>3,084,474</u>
	<u>(1,426,435)</u>	<u>3,145,352</u>

10. **TOTAL EQUITY**

Total equity is represented by:

	<b>Note</b>	<b>30-9-2012 RM</b>	<b>31-12-2011 RM</b>
Unitholders' capital	(a)	563,972,881	563,972,881
Retained earnings			
– Realised income	(b)	21,590,335	16,654,810
– Unrealised gain	(c)	<u>2,143,741</u>	<u>10,166,555</u>
		<u>587,706,957</u>	<u>590,794,246</u>

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

	<b>1-7-2012 to 30-9-2012</b>		<b>1-1-2011 to 31-12-2011</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
At beginning/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 30 September 2012, the approved Fund size is 1 billion units.

(b) **REALISED – DISTRIBUTABLE**

	<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-1-2011 to 31-12-2011 RM</b>
At beginning of the period/year	25,344,161	15,121,477
Total comprehensive income for the period/year	3,333,293	26,025,738
Net unrealised loss/(gain) attributable to investments held transferred to unrealised reserve [Note 10(c)]	2,317,763	(4,339,087)
Distributions out of realised reserve	(9,404,882)	(20,153,318)
Net (decrease)/increase in realised reserve for the period/year	(3,753,826)	1,533,333
At end of the period/year	<u>21,590,335</u>	<u>16,654,810</u>

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

	<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-1-2011 to 31-12-2011 RM</b>
At beginning of the period/year	4,461,504	5,827,468
Net unrealised (loss)/gain attributable to investments held transferred from realised reserve [Note 10(b)]	(2,317,763)	4,339,087
At end of the period/year	<u>2,143,741</u>	<u>10,166,555</u>

11. **UNITS HELD BY RELATED PARTIES**

	<b>30-9-2012</b>		<b>31-12-2011</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
Parties related to the Manager*	<u>34,389,030</u>	<u>37,931,100</u>	<u>59,805,630</u>	<u>64,111,635</u>

\* The parties related to the Manager are the legal and beneficial owners of the units. The Manager, AmInvestment Services Berhad, did not hold any unit in the Fund as at 30 September 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:

	<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-7-2011 to 30-9-2011 RM</b>
Net income before tax	<u>3,333,293</u>	<u>8,280,036</u>
Taxation at Malaysian statutory rate of 25%	833,300	2,070,000
Tax effects of:		
Income not subject to tax	(1,483,200)	(2,139,500)
Loss not deductible for tax purposes	579,400	-
Restriction on tax deductible expenses for unit trust fund	33,800	33,500
Non-permitted expenses for tax purposes	32,900	32,200
Permitted expenses not used and not available for future years	<u>3,800</u>	<u>3,800</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

### 13. DISTRIBUTIONS

Distributions to unitholders declared on 5 September 2012 (declared on 15 July 2011 for the previous financial period) are from the following sources:

	<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-7-2011 to 30-9-2011 RM</b>
Undistributed net income brought forward	7,647,468	7,288,605
Interest income	1,629,973	2,364,752
Net realised gain on sale of investments	<u>409,275</u>	<u>29,344</u>
	9,686,716	9,682,701
Less: Expenses	<u>(281,834)</u>	<u>(277,819)</u>
Total amount of distributions	<u>9,404,882</u>	<u>9,404,882</u>
Gross/net distributions per unit (sen)	<u>1.75</u>	<u>1.75</u>
Distributions made out of:		
– Realised reserve [Note 10(b)]	<u>9,404,882</u>	<u>9,404,882</u>
Comprising:		
Cash distributions	<u>9,404,882</u>	<u>9,404,882</u>

Included in the distributions for the financial period ended 30 September 2012 was an amount of RM7,647,468 (2011: RM7,288,605) distributed from previous financial periods' realised income.

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

The Fund’s MER is as follows:

	<b>1-7-2012 to 30-9-2012 % p.a.</b>	<b>1-7-2011 to 30-9-2011 % p.a.</b>
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
	<hr/>	<hr/>
Total MER	<u>0.19</u>	<u>0.19</u>

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average net asset value 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 net asset value of the Fund calculated on a daily basis, is 0.24 times (2011: 0.08 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 instruments 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 financial period ended 30 September 2012 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
Citibank Berhad	84,513,354	29.99
Deutsche Bank (Malaysia) Berhad	71,065,621	25.22
AmBank (M) Berhad*	55,153,251	19.57
Hong Leong Bank Berhad	50,804,521	18.03
OSK Investment Bank Berhad	10,237,615	3.63
Hong Leong Investment Bank Berhad	10,033,164	3.56
	<hr/>	<hr/>
Total	<u>281,807,526</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 transactions were in respect of fixed income instruments. Transactions in 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 September 2012 and 31 December 2011 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>30 September 2012</b>				
<b>Assets</b>				
Investments	557,468,481	-	-	557,468,481
Deposits with financial institutions	-	30,510,507	-	30,510,507
Cash at banks	-	1,458	-	1,458
	<u>557,468,481</u>	<u>30,511,965</u>	<u>-</u>	<u>587,980,446</u>
<b>Liabilities</b>				
Amount due to Manager	-	-	46,727	46,727
Amount due to Trustee	-	-	32,709	32,709
Amount due to index provider	-	-	51,097	51,097
Sundry payables and accrued expenses	-	-	142,956	142,956
	<u>-</u>	<u>-</u>	<u>273,489</u>	<u>273,489</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>273,489</u>	<u>273,489</u>

(Forward)



	<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>31 December 2011</b>				
<b>Assets</b>				
Investments	571,884,722	-	-	571,884,722
Deposits with financial institutions	-	19,212,505	-	19,212,505
Cash at banks	-	1,458	-	1,458
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	<u>571,884,722</u>	<u>19,213,963</u>	<u>-</u>	<u>591,098,685</u>
<b>Liabilities</b>				
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
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>304,439</u>	<u>304,439</u>
			<b>Income, expense, gains and losses</b>	
			<b>1-7-2012 to 30-9-2012 RM</b>	<b>1-7-2011 to 30-9-2011 RM</b>
Net (loss)/gain from financial assets at FVTPL			(1,426,435)	3,145,352
Income, of which derived from:				
– Interest income from financial assets at FVTPL			4,879,952	5,287,376
– Interest income from loans and receivables			<u>161,610</u>	<u>125,127</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, 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:

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>30 September 2012</b>				
Financial assets at FVTPL	-	557,468,481	-	557,468,481
<b>31 December 2011</b>				
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:

- Deposits with financial institutions
- 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 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
<b>30 September 2012</b>	0.35	0.35
Average Daily	0.42	0.42
Highest	0.47	0.47
Lowest	0.35	0.35
<b>30 September 2011</b>	0.54	0.54
Average Daily	0.56	0.56
Highest	0.57	0.57
Lowest	0.54	0.54

Based on the Gaussian VaR, using historical weekly data for the past 180 weeks, ABF Malaysia Bond Index portfolio that invests mainly in Ringgit denominated fixed income securities had a daily 1% Value-at-Risk (VaR) of approximately 0.35% (2011: 0.54%). This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.35% (2011: 0.54%) of the net asset value.

## 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.

### 30 Credit quality of financial assets

The following table presents the Fund's portfolio of debt securities by rating category rated by rating agencies, i.e. RAM and MARC as at 30 September 2012 and 30 September 2011:

Credit rating	RM	As a % of debt securities	As a % of net asset value
<b>30 September 2012</b>			
AAA	<u>557,468,481</u>	<u>100.00</u>	<u>94.85</u>
<b>30 September 2011</b>			
AAA	<u>557,581,768</u>	<u>100.00</u>	<u>95.57</u>

For deposits with financial institutions, 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 30 September 2012 and 30 September 2011:

Credit rating	RM	As a % of deposit	As a % of net asset value
<b>30 September 2012</b>			
P1/MARC1	<u>30,510,507</u>	<u>100.00</u>	<u>5.19</u>
<b>30 September 2011</b>			
P1/MARC1	<u>16,377,800</u>	<u>100.00</u>	<u>2.81</u>

### (b) Credit risk concentration

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 30 September 2012 and 30 September 2011:

Sector	RM	As a % of debt securities	As a % of net asset value
<b>30 September 2012</b>			
Sovereign	<u>557,468,481</u>	<u>100.00</u>	<u>94.85</u>

(Forward)

<b>Sector</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>30 September 2011</b>			
Sovereign	547,493,529	98.19	93.84
Supranational	10,088,238	1.81	1.73
	<u>557,581,767</u>	<u>100.00</u>	<u>95.57</u>

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

### **Liquidity Risk**

Liquidity risk is defined as the risk of being unable to raise funds 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 deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 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, bi-annual 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:  $\$ = \text{Nominal}$
- 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</b>	<b>1 – 2</b>	<b>2 – 3</b>	<b>3 – 4</b>	<b>4 – 5</b>	<b>More than</b>
	<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>&gt; 5 years</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>30 September 2012</b>						
<b>Financial assets</b>						
Financial assets held at FVTPL	21,502,705	36,502,705	110,960,351	187,104,148	40,134,602	283,459,508

(Forward)

	<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>More than &gt; 5 years RM</b>
<b>30 September 2012</b>						
<b>Financial assets</b>						
Deposits with financial institutions	30,515,523	-	-	-	-	-
Other assets	1,458	-	-	-	-	-
<b>Total assets</b>	<b>52,019,686</b>	<b>36,502,705</b>	<b>110,960,351</b>	<b>187,104,148</b>	<b>40,134,602</b>	<b>283,459,508</b>
<b>Financial liabilities</b>						
Other liabilities	273,489	-	-	-	-	-
<b>30 September 2011</b>						
<b>Financial assets</b>						
Financial assets held at FVTPL	22,597,249	121,385,799	84,058,699	112,434,964	42,911,046	295,872,500
Deposits with financial institutions	16,380,600	-	-	-	-	-
Other assets	20,414,691	-	-	-	-	-
<b>Total assets</b>	<b>59,392,540</b>	<b>121,385,799</b>	<b>84,058,699</b>	<b>112,434,964</b>	<b>42,911,046</b>	<b>295,872,500</b>
<b>Financial liabilities</b>						
Other liabilities	10,962,685	-	-	-	-	-

### **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 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, 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 financial periods ended 30 September 2012 and 30 September 2011.