

ABF Malaysia Bond Index Fund

Quarterly Report

31 March 2013

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 & 10th 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 January 2013 to 31 March 2013.

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 31 March 2013 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MN04002W	Government of Malaysia	5.094	30 April 2014	24,000,000,000
PK070017	Silterra Capital Berhad	3.900	06 June 2014	1,800,000,000
VG110222	Cagamas Berhad	3.700	11 July 2014	620,000,000
GI090042	Government of Malaysia	3.909	31 July 2014	4,500,000,000
MH110002	Government of Malaysia	3.434	15 August 2014	7,700,000,000
GH110017	Government of Malaysia	3.505	30 September 2014	7,000,000,000
GJ090030	Government of Malaysia	3.902	30 December 2014	5,500,000,000
MJ090004	Government of Malaysia	3.741	27 February 2015	13,500,000,000
GN050001	Government of Malaysia	4.419	16 March 2015	2,000,000,000
UI100019	Bank Pembangunan Malaysia Berhad	4.150	10 April 2015	1,500,000,000
VI100060	Danga Capital Berhad	4.350	13 April 2015	2,000,000,000
GI100042	Government of Malaysia	3.473	15 July 2015	3,000,000,000
GH120001	Government of Malaysia	3.186	31 July 2015	4,000,000,000
MJ100001	Government of Malaysia	3.835	12 August 2015	10,000,000,000
GJ100009	Government of Malaysia	3.860	30 September 2015	3,500,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MO05002S	Government of Malaysia	4.720	30 September 2015	6,975,000,000
MH120003	Government of Malaysia	3.197	15 October 2015	6,000,000,000
VG120430	Cagamas Berhad	3.500	21 December 2015	575,000,000
GH120090	Government of Malaysia	3.235	08 February 2016	7,000,000,000
VII10195	Pengurusan Air SPV Berhad	3.840	17 June 2016	1,400,000,000
MH130001	Government of Malaysia	3.172	15 July 2016	4,500,000,000
MO060001	Government of Malaysia	4.262	15 September 2016	19,700,000,000
VJ100354	Cagamas Berhad	3.850	20 October 2016	500,000,000
UI110086	Cagamas Berhad	3.730	11 November 2016	825,000,000
GN060019	Government of Malaysia	3.820	15 November 2016	11,000,000,000
PR03062E	Syarikat Prasarana Negara Berhad	4.270	30 November 2016	1,913,853,702
UI120008	The Export-Import Bank of Korea	4.070	02 February 2017	500,000,000
UN070014	The Asian Development Bank	4.000	08 February 2017	500,000,000
MN070002	Government of Malaysia	3.814	15 February 2017	9,500,000,000
GN070008	Government of Malaysia	3.941	15 June 2017	3,000,000,000
VJ110196	Pengurusan Air SPV Berhad	3.980	16 June 2017	1,500,000,000
GJ120009	Government of Malaysia	3.309	30 August 2017	9,500,000,000
ML100002	Government of Malaysia	4.012	15 September 2017	14,000,000,000
UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
MJ120005	Government of Malaysia	3.314	31 October 2017	10,500,000,000
MI130002	Government of Malaysia	3.260	01 March 2018	4,500,000,000
UN080007	The Export-Import Bank of Korea	4.500	12 March 2018	500,000,000
VK110197	Pengurusan Air SPV Berhad	4.040	15 June 2018	1,500,000,000
GL110001	Government of Malaysia	3.872	30 August 2018	6,500,000,000
MK110005	Government of Malaysia	3.580	28 September 2018	10,000,000,000
GN080031	Government of Malaysia	4.295	31 October 2018	7,500,000,000
VK120194	Johor Corporation	3.680	14 June 2019	800,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VL110198	Pengurusan Air SPV Berhad	4.150	17 June 2019	500,000,000
MS04003H	Government of Malaysia	5.734	30 July 2019	6,500,000,000
GO090001	Government of Malaysia	3.910	13 August 2019	3,500,000,000
GL120021	Government of Malaysia	3.704	30 September 2019	8,000,000,000
MO090002	Government of Malaysia	4.378	29 November 2019	17,600,000,000
ML120006	Government of Malaysia	3.492	31 March 2020	7,500,000,000
GO090061	Government of Malaysia	4.492	30 April 2020	3,500,000,000
GL120098	Government of Malaysia	3.576	15 May 2020	7,000,000,000
GN100021	Government of Malaysia	4.284	15 June 2020	5,500,000,000
GN100060	Government of Malaysia	3.998	30 November 2020	3,000,000,000
VN110049	Pengurusan Air SPV Berhad	4.380	29 April 2021	500,000,000
GN110025	Government of Malaysia	4.170	30 April 2021	10,000,000,000
MO110001	Government of Malaysia	4.160	15 July 2021	10,500,000,000
VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
VN120270	DanaInfra Nasional Berhad	3.740	20 July 2022	700,000,000
MO120001	Government of Malaysia	3.418	15 August 2022	10,500,000,000
DN120017	Khazanah Nasional Berhad	0.000	02 September 2022	1,500,000,000
PN120073	Syarikat Prasarana Negara Berhad	3.770	06 September 2022	1,000,000,000
VN120343	Perbadanan Tabung Pendidikan Tinggi Nasional	3.800	15 September 2022	1,000,000,000
GO120037	Government of Malaysia	3.699	15 November 2022	8,500,000,000
MN130003	Government of Malaysia	3.480	15 March 2023	4,500,000,000
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
VP120271	DanaInfra Nasional Berhad	3.870	19 July 2024	500,000,000
MY050003	Government of Malaysia	4.837	15 July 2025	3,000,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
PZ00197S	Bank Pembangunan Malaysia Berhad	7.500	30 October 2025	500,000,000
MS110003	Government of Malaysia	4.392	15 April 2026	8,000,000,000
VS110260	Syarikat Prasarana Negara Berhad	4.350	04 August 2026	1,200,000,000
MX060002	Government of Malaysia	4.709	15 September 2026	3,000,000,000
MS120002	Government of Malaysia	3.892	15 March 2027	5,500,000,000
MX070003	Government of Malaysia	3.502	31 May 2027	6,000,000,000
GS120059	Government of Malaysia	3.899	15 June 2027	5,000,000,000
VS120272	DanaInfra Nasional Berhad	4.040	20 July 2027	900,000,000
PS120074	Syarikat Prasarana Negara Berhad	4.000	06 September 2027	1,000,000,000
DS120018	Khazanah Nasional Berhad	0.000	12 October 2027	1,000,000,000
VS130090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.220	28 February 2028	830,000,000
GT130001	Government of Malaysia	3.871	08 August 2028	3,000,000,000
MX080003	Government of Malaysia	5.248	15 September 2028	4,000,000,000
VX090825	Syarikat Prasarana Negara Berhad	5.070	28 September 2029	1,500,000,000
MX100003	Government of Malaysia	4.498	15 April 2030	2,000,000,000
MX110004	Government of Malaysia	4.232	30 June 2031	3,500,000,000
MX120004	Government of Malaysia	4.127	15 April 2032	5,500,000,000
DX120016	Khazanah Nasional Berhad	0.000	03 September 2032	1,000,000,000
VZ090241	1Malaysia Development Berhad	5.750	27 May 2039	600,000,000
VZ090245	1Malaysia Development Berhad	5.750	27 May 2039	650,000,000
VZ090246	1Malaysia Development Berhad	5.750	27 May 2039	650,000,000
VZ090247	1Malaysia Development Berhad	5.750	27 May 2039	650,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VZ090248	1Malaysia Development Berhad	5.750	27 May 2039	650,000,000

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 647,421,800 units.

Size of holding	As at 31 March 2013		As at 31 December 2012	
	No of units held	Number of unitholders	No of units held	Number of unitholders
Less than 100	199	4	199	4
100 – 1,000	8,601	18	6,801	16
1,001 -10,000	29,600	6	24,500	6
10,001 – 100,000	135,000	3	197,000	4
100,001 to less than 5% of issue units	5,152,530	5	5,159,430	4
5% and above of issue units	642,095,870	2	532,033,870	1

Fund Performance Data

Portfolio Composition Details of portfolio composition of the Fund for the financial period as at 31 March 2013 and three financial years as at 31 December are as follows:

	As at 31-3-2013 %	FY 2012 %	FY 2011 %	FY 2010 %
Malaysian Government securities	83.3	80.3	89.8	91.9
Quasi-Government bonds	10.7	13.6	6.9	7.0
Cash and others	6.0	6.1	3.3	1.1
Total	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 31 March 2013 and three financial years ended 31 December are as follows:

	3 months ended 31-3-2013	FY 2012	FY 2011	FY 2010
Net asset value (RM)	711,223,944	584,660,282	590,794,246	584,921,826
Units in circulation	647,421,800	537,421,800	537,421,800	537,421,800
Net asset value per unit (RM)	1.0985*	1.0879	1.0993	1.0884
Highest net asset value per unit (RM)	1.0985*	1.1200	1.0993	1.0917
Lowest net asset value per unit (RM)	1.0879*	1.0863	1.0642	1.0559
Closing quoted price (RM/unit)	1.1030*	1.1030	1.0720	1.0870
Highest quoted price (RM/unit)	1.1030*	1.1030	1.0900	1.0830
Lowest quoted price (RM/unit)	1.0980*	1.0680	1.0650	1.0620
Benchmark performance (%)	0.82	4.18	4.85	5.13
Total return (%) ⁽¹⁾	0.97	3.80	4.57	5.19
- Capital growth (%)	0.97	-0.98	1.12	1.60
- Income distribution (%)	-	4.78	3.45	3.59
Gross distribution (sen per unit)	-	5.25	3.75	3.85
Net distribution (sen per unit)	-	5.25	3.75	3.85
Distribution yield (%) ⁽²⁾	-	4.76	3.50	3.54
Management expense ratio (%) ⁽³⁾	0.19	0.19	0.19	0.19
Portfolio turnover ratio (times) ⁽⁴⁾	0.12	0.91	0.26	0.33

* 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 period/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 period/years divided by the closing quoted price.
- (3) Management expense ratio ("MER") 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 calculated 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 0.79 times (86.8%) as compared to 0.91 times for the financial year ended 31 December 2012 mainly due to decrease in investing activities.

Average Total Return (as at 31 March 2013)

	ABFMY1 ^(a)	iBoxx Index ^(b)
	%	%
One year	4.2	4.5
Three years	4.4	4.7
Five years	4.0	4.4
Since launch (13 July 2005)	3.9	4.4

Annual Total Return

Financial Year Ended (31 December)	ABFMY1 ^(a)	iBoxx Index ^(b)
	%	%
2012	3.8	4.2
2011	4.6	4.9
2010	5.2	5.1
2009	-0.1	0.2
2008	7.7	6.0

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

(b) iBoxx ABF Malaysia Index (“iBoxx Index”) (Source:www.aminvest.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 0.97% comprising of 0.97% capital growth in nature.

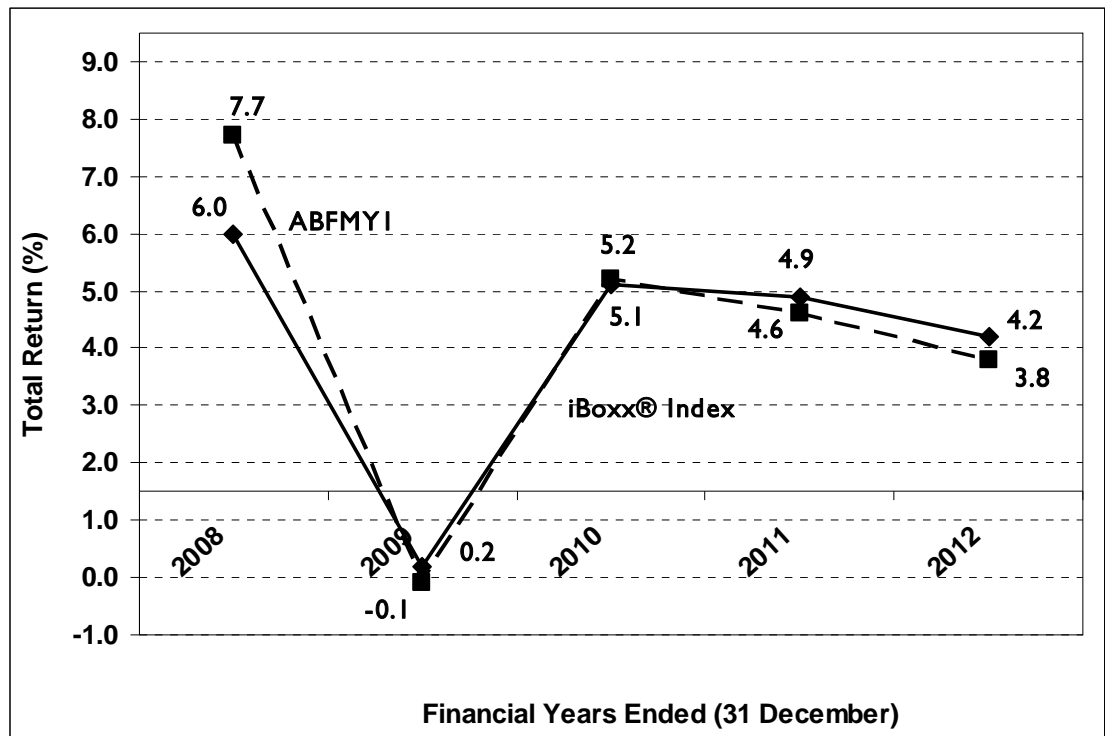
Thus, the Fund’s return of 0.97% has outperformed the benchmark return of 0.82% by 0.15%.

As compared to the financial year ended 31 December 2012, the NAV per unit of the Fund increased by 0.97% from RM1.0879 to RM1.0985, while units in circulation increased by 20.47% from 537,421,800 units to 647,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund remain unchanged at RM1.103.

(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 not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

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.

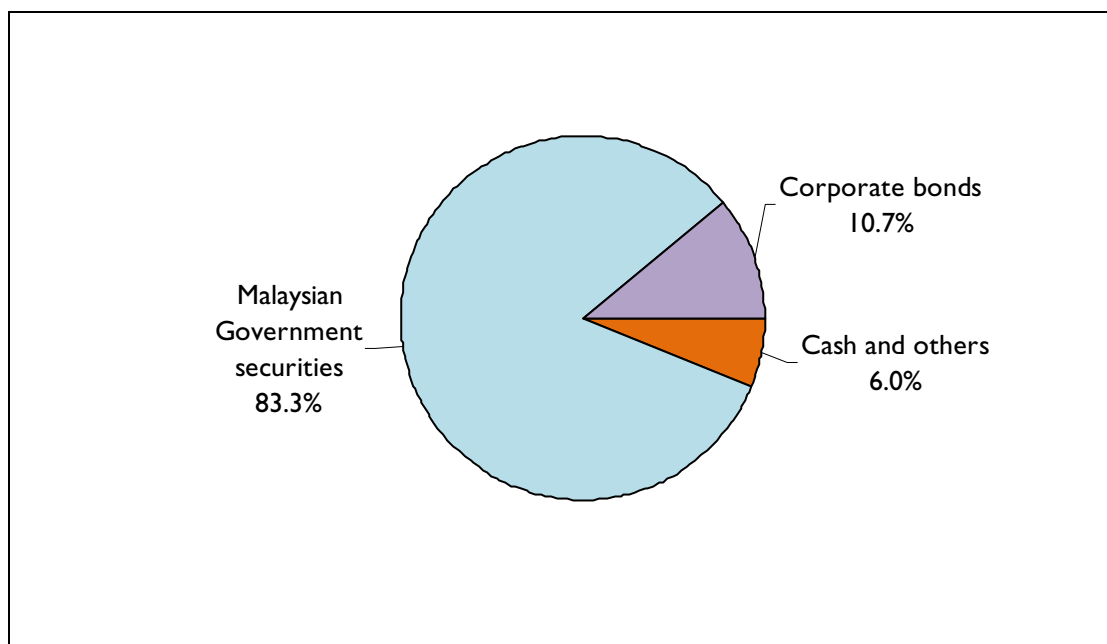
Portfolio Structure

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

	As at 31-3-2013 %	As at 31-12-2012 %	Changes %
Malaysian Government securities	83.3	80.3	3.0
Quasi-Government bonds	10.7	13.6	-2.9
Cash and others	6.0	6.1	-0.1
Total	100.0	100.0	

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 increased by 3.0% while investments in Quasi-Government bonds decreased by 2.9%. Meanwhile, investment in cash decreased by 0.1%.

(Forward)



Distribution/ unit splits There was no income distribution and no unit split was made for the financial period under review.

State of Affairs of the Fund There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial period under review.

Rebates and Soft Commission It is our policy to pay all rebates to the Fund. However, soft commissions received for goods and services such as fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund are retained by the Manager. For the financial period under review, the Manager has received soft commissions.

Market Review In the month of January, trading volume in the Malaysian Government Securities (MGS) market was fairly healthy with RM53 billion changing hands. Following the successful aversion of the U.S. fiscal cliff, risk appetite rose during the month and this resulted in higher yields as investors switch to higher yielding assets. At close, the 3, 5, 7, 10, 15 and 20-year MGS stood at 3.12% (December: 3.06%), 3.21% (December: 3.23%), 3.45% (December: 3.43%), 3.54% (December: 3.48%), 3.72% (3.67%) and 3.93% (3.83%) respectively.

In February, despite the shortened Lunar holiday month, trading momentum in the MGS/Global Innovation Index (GII) market was brisk with RM55.0 billion trades. The MGS benchmark yield curve bullish flattened as Malaysia's fourth quarter (4Q) Gross Domestic Product (GDP) came in better than expectations at 6.4% (Consensus: 5.4%) and 5.6% for 2012 (2011: 5.1%), beating market estimate of 5.4%. Overall, the 3-year, 5-year, 7-year, 10-year and 15-year MGS yields were higher by up to 10.0 basic points (bps) month-over-month (MoM) at 3.02% (January: 3.12%), 3.22% (January: 3.21%), 3.41% (January: 3.45%), 3.46% (January: 3.54%), and 3.70% (January: 3.72%) respectively. Investor's interest was mainly focused on the short dated bonds in view of chunky maturities from the MGS February 2013.

Trading volume fell slightly in the month of March to RM53.7 billion. Bulk of the interest continued to be centered in the shorter tenured benchmark MGS such the MGS 10/15, MGS 10/17 and MGS 9/18, partly spurred by continued buying interest from foreign investors.

Overall, the 3-year, 5-year, 7-year, 10-year, 15-year and 20-year MGS yields declined around 1-5 bps across the board and closed at 3.01%, 3.19%, 3.38%, 3.45%, 3.69% and 3.89% respectively

Market Outlook

In the month of April, we saw the Bank of Japan (“BoJ”) take an unprecedented step to adopt a new balance sheet target and pledging to double its government bond holdings in two years with the aim of increasing Japan’s inflation target to 2.0%. The BoJ will effectively buy around USD80 billion worth of assets every month (1.4% of Japan’s GDP) with the aim of lowering long-term borrowing costs and ultimately to stimulate business and investment activities.

The impact of the above stimulus program has already caused the Japanese yen to depreciate against all major currencies by a magnitude of more than 10% and has expectedly, triggered concerns of competitive currency devaluation by countries affected by the BoJ move.

Meanwhile, global data flows and especially the Purchasing Managers Indices (“PMI”) came in well below expectations, suggesting perhaps a bleaker outlook in the coming months. For example, China’s preliminary flash PMI reading of 50.5 (March: 51.6) for the month of April continued to trend downwards suggesting falling demand for Chinese products from more developed nations. Meanwhile, composite PMIs from the euro zone at 46.5 (March: 46.8) corroborates with China’s PMI downtrend. Within Europe, there are worries that Germany, the strongest core European nation is losing traction as contractions can be seen in both its manufacturing PMI (47.9 from 49.0 previously) and services PMI (49.2 from 50.9 previously).

In spite of the worries above, these events have yet to translate into any visible impact on the generally held view that the global economy is improving and will continue to do so in the mid-term. In Malaysia, macro data thus far has been mixed. There will likely be more clarity in the months ahead when a new government is formed and which will then outline the government policies that will be implemented in the next six months. Meanwhile, we expect government general spending related to election to taper off. More importantly, Governor Zeti has reiterated that Malaysia’s GDP growth forecast remains intact at 5 – 6% while inflation will remain benign in the near term. Bank Negara Malaysia’s (“BNM”) next Monetary Policy Committee (“MPC”) meeting is scheduled for 9 May 2013, right after the election. We expect no change in Malaysia’s interest rate outlook and opine that BNM will again reiterate that the current level of interest rate is still accommodative and supportive of domestic growth whilst ensuring an adequate level of price stability.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad
30 April 2013

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 January 2013 to 31 March 2013, 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	:	51
Nationality	:	Malaysian
Qualification	:	Bachelor Degree in Accounting, University of Malaya
Executive/Non-Executive Director	:	Executive Director
Independent/Non-Independent Director	:	Non-Independent Director
Working Experience	:	<i>Bank Negara Malaysia</i> Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) <i>Securities Commission Malaysia</i> Assistant Manager, Market Surveillance Department (1993 – 1995) <i>Arab-Malaysian Securities Sdn Bhd</i> Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) <i>AmMerchant Bank Berhad</i> Manager, Corporate Services (1998 – 2000) <i>AmInvestment Services Berhad</i> <ul style="list-style-type: none">• Manager, Client Service & Operations (July 2001 – June 2002)• Senior Manager, Client Service & Operations (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 January 2013 to 31 March 2013)	:	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 January 2013 to 31 March 2013)	: Four (4)
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	: 57
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 January 2013 to 31 March 2013)	: 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 January 2013 to 31 March 2013)	: 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	: 54
Nationality	: Malaysian

Qualification	:	A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative's Licence
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 year 1987, in a fund management role, before assuming the responsibility as the Chief Executive Officer of Funds Management Division, AmInvestment Bank Group in year 2002. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank Berhad for 3 years.
Occupation	:	Chief Executive Officer of Funds Management Division 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 January 2013 to 31 March 2013)	:	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 January 2013 to 31 March 2013)	:	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	:	55
Nationality	:	Malaysian
Qualification	:	Doctor of Philosophy, University Putra Malaysia
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	<p><i>University Putra Malaysia, Serdang</i></p> <ul style="list-style-type: none"> • Dean (February 2006 – April 2011) • Deputy Dean (September 2002 – January 2006) • Professor (March 2000-Present) • Associate Professor (March 1993 – March 2000)

University Pertanian Malaysia

Tutor (1981 – 1984)

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 January 2013 to 31 March 2013)	:	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 January 2013 to 31 March 2013)	:	Four (4)
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	:	<i>National Economic Advisory Council (NEAC)</i> 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)

Occupation	:	Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.
Date of appointment	:	14 July 2004
Directorship of other public companies	:	Amlslamic Bank Berhad
Number of Board Meeting attended for the financial period (From 1 January 2013 to 31 March 2013)	:	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 January 2013 to 31 March 2013)	:	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	:	64
Nationality	:	Malaysian
Qualification	:	<ul style="list-style-type: none">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	:	<i>Surf88.Com Sdn Bhd</i> Chairman and Founding Shareholder (1999-2004)

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

Arab-Malaysian Merchant Bank Berhad
General Manager, Corporate Finance (1983-1986)

Occupation	:	Director
Date of appointment	:	20 December 2006
Directorship of other public companies	:	<ul style="list-style-type: none">Social Security Organisation of Malaysia (SOC SO)Star Publications (Malaysia) BerhadUni.Asia Life Assurance Berhad

Number of Board Meeting attended for the financial period (From 1 January 2013 to 31 March 2013)	: 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 January 2013 to 31 March 2013)	: Four (4)
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 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, 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 January 2013 to 31 March 2013, there were four (4) Investment Committee Meetings held by the Manager.

Unitholders

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

NAME	Number of Unit Held	Units Held (%)
HSBC BANK MALAYSIA BERHAD	587,095,870	90.682213
AmINVESTMENT BANK BERHAD	55,000,000	8.495242
AmINVESTMENT BANK BERHAD	4,078,530	0.629965
CITIBANK BERHAD	400,000	0.061784
HWANGDBS INVESTMENT BANK BERHAD	295,000	0.045565
CIMB INVESTMENT BANK BERHAD	239,000	0.036916
CITIBANK BERHAD	140,000	0.021624
PUBLIC INVESTMENT BANK BERHAD	100,000	0.015446
MAYBANK INVESTMENT BANK BERHAD	20,000	0.003089
PUBLIC INVESTMENT BANK BERHAD	15,000	0.002317
CIMB INVESTMENT BANK BERHAD	10,000	0.001545
CIMB INVESTMENT BANK BERHAD	9,600	0.001483
INTER-PACIFIC SECURITIES SDN BHD	3,000	0.000463
ALLIANCE INVESTMENT BANK BERHAD	3,000	0.000463
HWANGDBS INVESTMENT BANK BERHAD	2,000	0.000309
HWANGDBS INVESTMENT BANK BERHAD	2,000	0.000309
INTER-PACIFIC SECURITIES SDN BHD	1,000	0.000154
CIMB INVESTMENT BANK BERHAD	1,000	0.000154
KENANGA INVESTMENT BANK BERHAD	1,000	0.000154
ALLIANCE INVESTMENT BANK BERHAD	1,000	0.000154
MAYBANK INVESTMENT BANK BERHAD	1,000	0.000154
OSK INVESTMENT BANK BERHAD	700	0.000108
CIMB INVESTMENT BANK BERHAD	700	0.000108
KENANGA INVESTMENT BANK BERHAD	500	0.000077
MAYBANK INVESTMENT BANK BERHAD	300	0.000046
MAYBANK INVESTMENT BANK BERHAD	300	0.000046
HWANGDBS INVESTMENT BANK BERHAD	300	0.000046
MAYBANK INVESTMENT BANK BERHAD	200	0.000031
KENANGA INVESTMENT BANK BERHAD	101	0.000016
KENANGA INVESTMENT BANK BERHAD	100	0.000015

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	Note	31-3-2013 (unaudited) RM	31-12-2012 (audited) RM
ASSETS			
Investments	4	669,049,402	557,949,490
Deposits with financial institutions	5	42,455,008	36,399,802
Cash at banks		1,518	1,487
TOTAL ASSETS		<u>711,505,928</u>	<u>594,350,779</u>
LIABILITIES			
Amount due to Manager	6	51,956	50,047
Amount due to Trustee	7	36,369	35,033
Amount due to index provider	8	54,296	53,045
Distribution payable		-	9,404,882
Sundry payables and accrued expenses		139,363	147,490
TOTAL LIABILITIES		<u>281,984</u>	<u>9,690,497</u>
EQUITY			
Unitholders' capital	10(a)	684,329,381	563,972,881
Retained earnings	10(b)(c)	26,894,563	20,687,401
TOTAL EQUITY	10	<u>711,223,944</u>	<u>584,660,282</u>
TOTAL EQUITY AND LIABILITIES		<u>711,505,928</u>	<u>594,350,779</u>
UNITS IN CIRCULATION	10(a)	<u>647,421,800</u>	<u>537,421,800</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION		<u>109.85 sen</u>	<u>108.79 sen</u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 31 MARCH 2013

	Note	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-3-2012 RM
INVESTMENT INCOME			
Interest income		5,309,145	5,333,058
Net gain/(loss) from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>1,184,744</u>	<u>(1,543,933)</u>
Gross Income		<u>6,493,889</u>	<u>3,789,125</u>
EXPENDITURE			
Manager’s fee	6	151,514	146,817
Trustee’s fee	7	106,060	102,772
Licence fee	8	23,200	22,982
Auditors’ remuneration		2,339	2,405
Tax agent’s fee		723	744
Administrative expenses		<u>2,891</u>	<u>1,588</u>
Total Expenditure		<u>286,727</u>	<u>277,308</u>
NET INCOME BEFORE TAX		6,207,162	3,511,817
LESS: INCOME TAX	12	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		6,207,162	3,511,817
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>6,207,162</u>	<u>3,511,817</u>
Total comprehensive income comprises the following:			
Realised income		5,161,782	12,711,963
Unrealised gain/(loss)		<u>1,045,380</u>	<u>(9,200,146)</u>
		<u>6,207,162</u>	<u>3,511,817</u>
Distribution for the period:			
Net distribution	13	<u>-</u>	<u>9,404,881</u>
Gross/net distribution per unit (sen)	13	<u>-</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 EQUITY (Unaudited) FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2013 TO 31 MARCH 2013

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 January 2012		563,972,881	26,821,365	590,794,246
Total comprehensive income for the period		-	3,511,817	3,511,817
Distribution	13	-	(9,404,881)	(9,404,881)
Balance at 31 March 2012		<u>563,972,881</u>	<u>20,928,301</u>	<u>584,901,182</u>
At 1 January 2013		563,972,881	20,687,401	584,660,282
Total comprehensive income for the period		-	6,207,162	6,207,162
Creation of units	10(a)	<u>120,356,500</u>	-	<u>120,356,500</u>
Balance at 31 March 2013		<u>684,329,381</u>	<u>26,894,563</u>	<u>711,223,944</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 JANUARY 2013 TO 31 MARCH 2013**

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-3-2012 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	20,462,500	243,706,550
Interest received	5,513,977	7,715,336
Manager's fee paid	(149,605)	(147,213)
Trustee's fee paid	(104,724)	(103,049)
Licence fee paid	(21,949)	(41,507)
Payments for other administrative expenses	(14,080)	(6,664)
Purchase of investments	<u>(130,582,500)</u>	<u>(239,806,927)</u>
Net cash (used in)/generated from operating and investing activities	<u>(104,896,381)</u>	<u>11,316,526</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	120,356,500	-
Distributions paid	<u>(9,404,882)</u>	<u>(9,404,881)</u>
Net cash generated from/(used in) financing activities	<u>110,951,618</u>	<u>(9,404,881)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,055,237	1,911,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>36,401,289</u>	<u>19,213,963</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>42,456,526</u></u>	<u><u>21,125,608</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	42,455,008	21,124,165
Cash at banks	<u>1,518</u>	<u>1,443</u>
	<u><u>42,456,526</u></u>	<u><u>21,125,608</u></u>

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

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Fund was set up with the objective for investors who seek an “index-based” approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. As provided in the Deeds, the “accrual period” or financial year shall end on 31 December and the units in the Fund were first offered for sale on 13 July 2005.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and also prepared in compliance with International Financial Reporting Standards.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations of the Issues Committee (“IC Interpretations”) have been issued by MASB but are not yet effective and have not been adopted by the Fund.

		Effective for financial periods beginning on or after
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
Amendments to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
(Forward)		

		Effective for financial periods beginning on or after
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 9	Financial Instruments	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures	1 January 2015

The Fund plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Fund upon their initial application except as described below:

MFRS 9 *Financial Instruments*

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ("IASB") work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 and replaces the guidance in MFRS 139.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of MFRS 9 may have an effect on the classification and measurement of the Fund's financial assets but will not have an impact on the classification and measurement of financial liabilities. The Fund will quantify the effect in conjunction with the other phases when the final standard including all phases is issued.

MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Fund is currently assessing the impact that this Standard will have on the financial position and performance of the Fund but based on preliminary analyses, no material impact is expected.

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 discounts and amortisation of premiums.

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 MFRS 132 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ("MFRS 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 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, plus accrued interest. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premiums and accretion of discounts, 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 gain or loss recognised in profit or loss is not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in profit or loss.

(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.

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 MFRS 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**

	31-3-2013	31-12-2012
	RM	RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	75,000,000	80,000,000
Malaysian Government Securities	446,710,000	391,710,000
Government Investment Issues	<u>122,150,000</u>	<u>62,150,000</u>
	<u><u>643,860,000</u></u>	<u><u>533,860,000</u></u>
At fair value:		
Quasi-Government Bonds	76,157,392	80,545,619
Malaysian Government Securities	467,988,151	413,569,828
Government Investment Issues	<u>124,903,859</u>	<u>63,834,043</u>
	<u><u>669,049,402</u></u>	<u><u>557,949,490</u></u>

Details of investments as at 31 March 2013 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	10,000,000	10,189,740	10,119,659	1.43
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,212,192	5,033,426	0.74
14.06.2019	Johor Corporation	AAA	10,000,000	10,122,871	10,118,492	1.42
14.06.2022	Johor Corporation	AAA	<u>50,000,000</u>	<u>50,632,589</u>	<u>50,943,060</u>	<u>7.12</u>
			<u>75,000,000</u>	<u>76,157,392</u>	<u>76,214,637</u>	<u>10.71</u>

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
27.02.2015	Government of Malaysia	AAA	40,790,000	41,540,684	41,103,617	5.84
12.08.2015	Government of Malaysia	AAA	25,000,000	25,624,182	25,434,615	3.60
30.09.2015	Government of Malaysia	AAA	15,000,000	15,981,610	15,579,480	2.25
15.10.2015	Government of Malaysia	AAA	35,000,000	35,667,191	35,621,671	5.01
15.09.2016	Government of Malaysia	AAA	110,800,000	115,260,400	113,966,520	16.21
15.02.2017	Government of Malaysia	AAA	20,000,000	20,598,609	20,185,162	2.90
31.10.2017	Government of Malaysia	AAA	10,000,000	10,182,321	10,175,661	1.43
31.03.2020	Government of Malaysia	AAA	10,000,000	10,223,605	10,210,734	1.44
15.07.2021	Government of Malaysia	AAA	80,000,000	84,720,309	84,611,551	11.91
15.08.2022	Government of Malaysia	AAA	10,120,000	10,140,848	10,112,323	1.42
15.04.2026	Government of Malaysia	AAA	55,000,000	60,144,120	59,309,299	8.46
15.03.2027	Government of Malaysia	AAA	10,000,000	10,238,951	10,203,949	1.44
15.04.2030	Government of Malaysia	AAA	25,000,000	27,665,321	27,549,054	3.89
			<u>446,710,000</u>	<u>467,988,151</u>	<u>464,063,636</u>	<u>65.80</u>
Government Investment Issues						
30.09.2014	Government of Malaysia	AAA	10,000,000	10,223,287	10,237,598	1.44
30.12.2014	Government of Malaysia	AAA	5,150,000	5,272,264	5,208,888	0.74
16.03.2015	Government of Malaysia	AAA	10,000,000	10,291,410	10,051,626	1.45
30.09.2015	Government of Malaysia	AAA	2,000,000	2,073,176	2,044,479	0.29
08.02.2016	Government of Malaysia	AAA	10,000,000	10,074,682	10,051,669	1.42
15.06.2017	Government of Malaysia	AAA	5,000,000	5,180,759	5,088,622	0.73

(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						
30.08.2017	Government of Malaysia	AAA	20,000,000	20,030,545	20,036,836	2.82
30.08.2018	Government of Malaysia	AAA	10,000,000	10,272,088	10,028,409	1.44
15.05.2020	Government of Malaysia	AAA	20,000,000	20,368,200	20,368,008	2.86
30.04.2021	Government of Malaysia	AAA	10,000,000	10,626,790	10,629,154	1.49
15.06.2027	Government of Malaysia	AAA	20,000,000	20,490,658	20,515,346	2.88
			<u>122,150,000</u>	<u>124,903,859</u>	<u>124,260,635</u>	<u>17.56</u>
Total financial assets at FVTPL			<u>643,860,000</u>	<u>669,049,402</u>	<u>664,538,908</u>	<u>94.07</u>
Excess of fair value over cost				<u>4,510,494</u>		

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

	Effective yield*	
	31-3-2013 %	31-12-2012 %
Quasi-Government Bonds	3.71	3.67
Malaysian Government Securities	3.24	3.27
Government Investment Issues	<u>3.38</u>	<u>3.47</u>

* As provided by Markit Indices Limited

Analyses of the remaining maturity of unquoted investments as at 31 March 2013 and 31 March 2012 are as follows:

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
31 March 2013				
At nominal value:				
Quasi-Government Bonds	-	10,000,000	5,000,000	60,000,000
Malaysian Government Securities	-	40,790,000	215,800,000	190,120,000
Government Investment Issues	<u>-</u>	<u>25,150,000</u>	<u>37,000,000</u>	<u>60,000,000</u>

(Forward)

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
31 March 2012				
At nominal value:				
Quasi-Government Bonds	10,000,000	-	20,000,000	-
Malaysian Government Securities	-	29,100,000	273,760,000	175,120,000
Government Investment Issues	<u>5,000,000</u>	<u>-</u>	<u>20,150,000</u>	<u>15,000,000</u>

5. **DEPOSITS WITH FINANCIAL INSTITUTIONS**

	31-3-2013 RM	31-12-2012 RM
At nominal value:		
Short-term deposits with licensed banks	<u>42,451,500</u>	<u>36,396,700</u>
At carrying value:		
Short-term deposits with licensed banks	<u>42,455,008</u>	<u>36,399,802</u>

Details of deposits with financial institutions as at 31 March 2013 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 deposits with licensed banks					
01.04.2013	RHB Bank Berhad	27,000,000	27,002,234	27,000,000	3.80
01.04.2013	OCBC Bank (Malaysia) Berhad	<u>15,451,500</u>	<u>15,452,774</u>	<u>15,451,500</u>	<u>2.17</u>
		<u>42,451,500</u>	<u>42,455,008</u>	<u>42,451,500</u>	<u>5.97</u>

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

	Weighted average interest rate		Remaining maturities	
	31-3-2013 %	31-12-2012 %	31-3-2013 Day	31-12-2012 Days
Short-term deposits with licensed banks	<u>3.02</u>	<u>3.11</u>	<u>1</u>	<u>2</u>

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 (2012: 0.10%).

The normal credit period in the previous and current financial periods 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 (2012: 0.07%).

The normal credit period in the previous and current financial periods 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, 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/(LOSS) FROM INVESTMENTS**

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-3-2012 RM
Net gain/(loss) on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	139,364	7,656,213
– Net unrealised gain/(loss) on changes in fair value of investments	<u>1,045,380</u>	<u>(9,200,146)</u>
	<u>1,184,744</u>	<u>(1,543,933)</u>

10. TOTAL EQUITY

Total equity is represented by:

	Note	31-3-2013 RM	31-12-2012 RM
Unitholders' capital	(a)	684,329,381	563,972,881
Retained earnings			
– Realised income	(b)	22,384,069	17,222,287
– Unrealised gain	(c)	4,510,494	3,465,114
		<u>711,223,944</u>	<u>584,660,282</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	1-1-2013 to 31-3-2013		1-1-2012 to 31-12-2012	
	Number of units	RM	Number of units	RM
At beginning of the period/year	537,421,800	563,972,881	537,421,800	563,972,881
Creation during the period/year	<u>110,000,000</u>	<u>120,356,500</u>	<u>-</u>	<u>-</u>
At end of the period/year	<u>647,421,800</u>	<u>684,329,381</u>	<u>537,421,800</u>	<u>563,972,881</u>

As at 31 March 2013, the approved Fund size is 1 billion units.

(b) REALISED – DISTRIBUTABLE

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-12-2012 RM
At beginning of the period/year	17,222,287	16,654,810
Total comprehensive income for the period/year	6,207,162	22,080,681
Net unrealised (gain)/loss attributable to investments held transferred to unrealised reserve [Note 10(c)]	(1,045,380)	6,701,441
Distributions out of realised reserve	-	(28,214,645)
Net increase in realised reserve for the period/year	<u>5,161,782</u>	<u>567,477</u>
At end of the period/year	<u>22,384,069</u>	<u>17,222,287</u>

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

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-12-2012 RM
At beginning of the period/year	3,465,114	10,166,555
Net unrealised gain/(loss) attributable to investments held transferred from realised reserve [Note 10(b)]	<u>1,045,380</u>	<u>(6,701,441)</u>
At end of the period/year	<u><u>4,510,494</u></u>	<u><u>3,465,114</u></u>

11. **UNITS HELD BY RELATED PARTIES**

	1-1-2013 to 31-3-2013		1-1-2012 to 31-12-2012	
	Number of units	RM	Number of units	RM
Parties related to the Manager *	<u>59,078,530</u>	<u>65,163,619</u>	<u>4,386,430</u>	<u>4,838,232</u>

* *The parties related to the Manager are the legal and beneficial owners of the units. The Manager, AmInvestment Services Berhad, did not hold any unit in the Fund as at 31 March 2013 and 31 December 2012.*

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 are as follows:

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-3-2012 RM
Net income before tax	<u>6,207,162</u>	<u>3,511,817</u>
Taxation at Malaysian statutory rate of 25%	1,551,800	878,000
Tax effects of:		
Income not subject to tax	(1,623,500)	(3,247,300)
Loss not deductible for tax purposes	-	2,300,000
Restriction on tax deductible expenses for unit trust fund	34,600	33,600
Non-permitted expenses for tax purposes	33,200	32,000
Permitted expenses not used and not available for future periods	<u>3,900</u>	<u>3,700</u>
Tax expense for the financial period	<u><u>-</u></u>	<u><u>-</u></u>

13. **DISTRIBUTION**

Distribution to unitholders declared on 10 February 2012 for the previous financial period is from the following sources:

	1-1-2013 to 31-3-2013 RM	1-1-2012 to 31-3-2012 RM
Undistributed net income brought forward	-	5,599,306
Interest income	-	1,508,883
Net realised gain on sale of investments	-	2,574,000
	<hr/>	<hr/>
Less: Expenses	-	9,682,189
	-	(277,308)
	<hr/>	<hr/>
Total amount of distribution	-	9,404,881
	<hr/>	<hr/>
Gross/net distribution per unit (sen)	-	1.75
	<hr/>	<hr/>
Distribution made out of:		
– Realised reserve	-	9,404,881
	<hr/>	<hr/>
Comprising:		
Cash distribution	-	9,404,881
	<hr/>	<hr/>

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

The Fund’s MER is as follows:

	1-1-2013 to 31-3-2013 % p.a.	1-1-2012 to 31-3-2012 % 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
	<hr/>	<hr/>
Total MER	0.19	0.19
	<hr/>	<hr/>

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 total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.12 times (2012: 0.41 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 risk 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 31 March 2013 are as follows:

Financial institutions	Transaction value	
	RM	%
OCBC Bank (Malaysia) Berhad	631,730,800	37.24
CIMB Bank Berhad	571,383,500	33.68
CIMB Investment Bank Berhad	216,603,600	12.77
AmBank (M) Berhad*	121,714,229	7.18
RHB Bank Berhad	113,000,000	6.66
Hong Leong Bank Berhad	10,785,000	0.64
Citibank Berhad	10,294,602	0.61
AmIslamic Bank Berhad*	10,188,438	0.60
OSK Investment Bank Berhad	5,445,156	0.32
Kenanga Investment Bank Berhad	5,087,788	0.30
Total	<u>1,696,233,113</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 favorable than those arranged with independent third parties.*

The above transactions were in respect of fixed income instruments. Transactions in these investments 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 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31 March 2013				
Assets				
Investments	669,049,402	-	-	669,049,402
Deposits with financial institutions	-	42,455,008	-	42,455,008
Cash at banks	-	1,518	-	1,518
	<u>669,049,402</u>	<u>42,456,526</u>	<u>-</u>	<u>711,505,928</u>
Total financial assets	<u>669,049,402</u>	<u>42,456,526</u>	<u>-</u>	<u>711,505,928</u>
Liabilities				
Amount due to Manager	-	-	51,956	51,956
Amount due to Trustee	-	-	36,369	36,369
Amount due to index provider	-	-	54,296	54,296
Sundry payables and accrued expenses	-	-	139,363	139,363
	<u>-</u>	<u>-</u>	<u>281,984</u>	<u>281,984</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>281,984</u>	<u>281,984</u>
31 December 2012				
Assets				
Investments	557,949,490	-	-	557,949,490
Deposits with financial institutions	-	36,399,802	-	36,399,802
Cash at banks	-	1,487	-	1,487
	<u>557,949,490</u>	<u>36,401,289</u>	<u>-</u>	<u>594,350,779</u>
Total financial assets	<u>557,949,490</u>	<u>36,401,289</u>	<u>-</u>	<u>594,350,779</u>
Liabilities				
Amount due to Manager	-	-	50,047	50,047
Amount due to Trustee	-	-	35,033	35,033
Amount due to index provider	-	-	53,045	53,045
Distribution payable	-	-	9,404,882	9,404,882
Sundry payables and accrued expenses	-	-	147,490	147,490
	<u>-</u>	<u>-</u>	<u>9,690,497</u>	<u>9,690,497</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>9,690,497</u>	<u>9,690,497</u>
Income, expense, gains and losses				
1-1-2013 to 31-3-2013 RM				
1-1-2012 to 31-3-2012 RM				
Net gain/(loss) from financial assets at FVTPL			1,184,744	(1,543,933)
Income, of which derived from:				
– Interest income from financial assets at FVTPL			5,124,401	5,139,374
– Interest income from loans and receivables			184,744	193,684
			<u>5,309,145</u>	<u>5,333,058</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 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
31 March 2013				
Financial assets at FVTPL	-	669,049,402	-	669,049,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2012				
Financial assets at FVTPL	-	557,949,490	-	557,949,490
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

- Deposits with financial institutions
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distribution payable
- 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 investments 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
31 March 2013	0.18	0.18
Average Daily	0.21	0.21
Highest	0.23	0.23
Lowest	0.18	0.18
31 March 2012	0.51	0.51
Average Daily	0.54	0.54
Highest	0.57	0.57
Lowest	0.51	0.51

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 0.18% (2012: 0.51%). This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.18% (2012: 0.51%) 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 effects 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 presents the Fund's portfolio of debt securities by rating category rated by rating agencies, i.e. RAM and MARC as at 31 March 2013 and 31 March 2012:

Credit rating	RM	As a % of debt securities	As a % of net asset value
31 March 2013			
AAA	<u>669,049,402</u>	<u>100.00</u>	<u>94.07</u>
31 March 2012			
AAA	<u>564,058,888</u>	<u>100.00</u>	<u>96.44</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 31 March 2013 and 31 March 2012:

Credit rating	RM	As a % of deposit	As a % of net asset value
31 March 2013			
P1/MARC1	<u>42,455,008</u>	<u>100.00</u>	<u>5.97</u>
31 March 2012			
P1/MARC1	<u>21,124,165</u>	<u>100.00</u>	<u>3.61</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 31 March 2013 and 31 March 2012:

Sector	RM	As a % of debt securities	As a % of net asset value
31 March 2013			
Financial services	15,346,946	2.29	2.16
Sovereign	653,702,456	97.71	91.91
	<u>669,049,402</u>	<u>100.00</u>	<u>94.07</u>
31 March 2012			
Sovereign	15,371,266	2.73	2.63
Supranational	548,687,622	97.27	93.81
	<u>564,058,888</u>	<u>100.00</u>	<u>96.44</u>

There is no geographical risk as the Fund invests only in investments 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:

	Contractual Cash Flows (Undiscounted)					
	0 – 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than > 5 years RM
31 March 2013						
Financial assets						
Financial assets held at FVTPL	24,171,705	99,741,455	92,390,423	151,996,300	37,594,877	364,286,157
Deposits with financial institutions	42,462,025	-	-	-	-	-
Other assets	1,518	-	-	-	-	-
Total assets	66,635,248	99,741,455	92,390,423	151,996,300	37,594,877	364,286,157
Financial liabilities						
Other liabilities	281,984	-	-	-	-	-
31 March 2012						
Financial assets						
Financial assets held at FVTPL	36,932,165	49,965,955	151,682,974	59,049,723	146,558,700	231,207,534
Deposits with financial institutions	21,127,695	-	-	-	-	-
Other assets	1,443	-	-	-	-	-
Total assets	58,061,303	49,965,955	151,682,974	59,049,723	146,558,700	231,207,534
Financial liabilities						
Other liabilities	283,314	-	-	-	-	-

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 647,421,800 units have been issued and a further 352,578,200 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 31 March 2013 and 31 March 2012.