

# **ABF Malaysia Bond Index Fund**

**Quarterly Report**

**30 June 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  
Lee Siang Korn @ Lee Siang Chin  
Datin Maznah Mahbob  
Harinder Pal Singh

### **Investment Committee**

Professor Dr Annuar Md. Nassir  
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*

Fund Services, Bangunan HSBC, 13<sup>th</sup> Floor, South Tower  
No.2, Leboh Ampang, 50100 Kuala Lumpur  
Tel: 03-2075 7800 Fax: 03-2026 1273

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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 April 2013 to 30 June 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 30 June 2013 are as follows:

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

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VI110195				
MH130001	Pengurusan Air SPV Berhad Government of Malaysia	3.840	17 June 2016	1,400,000,000
MO060001	Government of Malaysia	3.172	15 July 2016	8,000,000,000
VJ100354		4.262	15 September 2016	19,700,000,000
UI110086	Cagamas Berhad	3.850	20 October 2016	500,000,000
GN060019	Cagamas Berhad	3.730	11 November 2016	825,000,000
PR03062E	Government of Malaysia	3.820	15 November 2016	11,000,000,000
UI120008	Syarikat Prasarana Negara Berhad	4.270	30 November 2016	1,913,853,702
UN070014	The Export-Import Bank of Korea	4.070	02 February 2017	500,000,000
MN070002	Asian Development Bank Government of Malaysia	4.000	08 February 2017	500,000,000
GN070008	Government of Malaysia	3.814	15 February 2017	9,500,000,000
VJ110196		3.941	15 June 2017	3,000,000,000
GJ120009	Pengurusan Air SPV Berhad Government of Malaysia	3.980	16 June 2017	1,500,000,000
ML100002	Government of Malaysia	3.309	30 August 2017	9,500,000,000
UK100107		4.012	15 September 2017	14,000,000,000
MJ120005	Cagamas Berhad Government of Malaysia	3.980	20 October 2017	1,000,000,000
MI130002	Government of Malaysia	3.314	31 October 2017	10,500,000,000
UN080007		3.260	01 March 2018	4,500,000,000
VK110197	The Export-Import Bank of Korea	4.500	12 March 2018	500,000,000
GL110001	Pengurusan Air SPV Berhad Government of Malaysia	4.040	15 June 2018	1,500,000,000
MK110005	Government of Malaysia	3.872	30 August 2018	6,500,000,000
GN080031	Government of Malaysia	3.580	28 September 2018	10,000,000,000
GJ130055		4.295	31 October 2018	7,500,000,000
VK120194	Government of Malaysia	3.399	30 November 2018	4,000,000,000
VL110198	Johor Corporation	3.680	14 June 2019	800,000,000
MS04003H	Pengurusan Air SPV Berhad	4.150	17 June 2019	500,000,000
GO090001	Government of Malaysia	5.734	30 July 2019	6,500,000,000
GL120021	Government of Malaysia	3.910	13 August 2019	3,500,000,000
		3.704	20 September 2019	

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
ML120006	Government of Malaysia	3.492	31 March 2020	11,000,000,000
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 Berhad	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
GO130033	Government of Malaysia	3.493	31 October 2023	4,000,000,000
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
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
VS130151	Perbadanan Tabung Pendidikan Tinggi Nasional	4.190	31 May 2028	500,000,000
MS130005	Government of Malaysia	3.733	15 June 2028	3,000,000,000
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
MX130004	Government of Malaysia	3.844	15 April 2033	2,500,000,000
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
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 30 June 2013		As at 31 March 2013	
	No of units held	Number of unitholders	No of units held	Number of unitholders
Less than 100	199	4	199	4
100 – 1,000	7,901	19	8,601	18
1,001 -10,000	24,600	4	29,600	6
10,001 – 100,000	135,000	3	135,000	3
100,001 to less than 5% of issue units	5,158,230	4	5,152,530	5
5% and above of issue units	642,095,870	2	642,095,870	2

### *Fund Performance Data*

**Portfolio Composition** Details of portfolio composition of the Fund for the financial period as at 30 June 2013, 31 March 2013 and three financial years as at 31 December are as follows:

	As at 30-6-2013 %	As at 31-3-2013 %	FY 2012 %	FY 2011 %	FY 2010 %
Malaysian Government securities	86.9	83.3	80.3	89.8	91.9
Quasi-Government bonds	10.5	10.7	13.6	6.9	7.0
Cash and others	2.6	6.0	6.1	3.3	1.1
<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 June 2013, 31 March 2013 and three financial years ended 31 December are as follows:

	<b>3 months ended 30-6-2013</b>	<b>3 months ended 31-3-2013</b>	<b>FY 2012</b>	<b>FY 2011</b>	<b>FY 2010</b>
Net asset value (RM)	697,974,795	711,223,944	584,660,282	590,794,246	584,921,826
Units in circulation	647,421,800	647,421,800	537,421,800	537,421,800	537,421,800
Net asset value per unit (RM)	1.0781	1.0985*	1.0879	1.0993	1.0884
Highest net asset value per unit (RM)	1.1136	1.0985*	1.1200	1.0993	1.0917
Lowest net asset value per unit (RM)	1.0781	1.0879*	1.0863	1.0642	1.0559
Closing quoted price (RM/unit)	1.0840	1.1030*	1.1030	1.0720	1.0870
Highest quoted price (RM/unit)	1.1020	1.1030*	1.1030	1.0900	1.0830
Lowest quoted price (RM/unit)	1.0840	1.0980*	1.0680	1.0650	1.0620
Benchmark performance (%)	-0.03	0.82	4.18	4.85	5.13
Total return (%) <sup>(1)</sup>	-0.27	0.97	3.80	4.57	5.19
- Capital growth (%)	-1.86	0.97	-0.98	1.12	1.60
- Income distribution (%)	1.59	-	4.78	3.45	3.59
Gross distribution (sen per unit)	1.75	-	5.25	3.75	3.85
Net distribution (sen per unit)	1.75	-	5.25	3.75	3.85
Distribution yield (%) <sup>(2)</sup>	1.61	-	4.76	3.50	3.54
Management expense ratio (%) <sup>(3)</sup>	0.19	0.19	0.19	0.19	0.19
Portfolio turnover ratio (times) <sup>(4)</sup>	0.07	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 0.05 times (41.7%) as compared to 0.12 times for the financial period ended 31 March 2013 mainly due to decrease in investing activities.

### Average Total Return (as at 30 June 2013)

	ABFMY1 <sup>(a)</sup>	iBoxx Index <sup>(b)</sup>
	%	%
One year	2.4	2.9
Three years	3.7	4.1
Five years	4.6	4.9
Since launch (13 July 2005)	3.7	4.1

### Annual Total Return

Financial Year Ended (31 December)	ABFMY1 <sup>(a)</sup>	iBoxx Index <sup>(b)</sup>
	%	%
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.

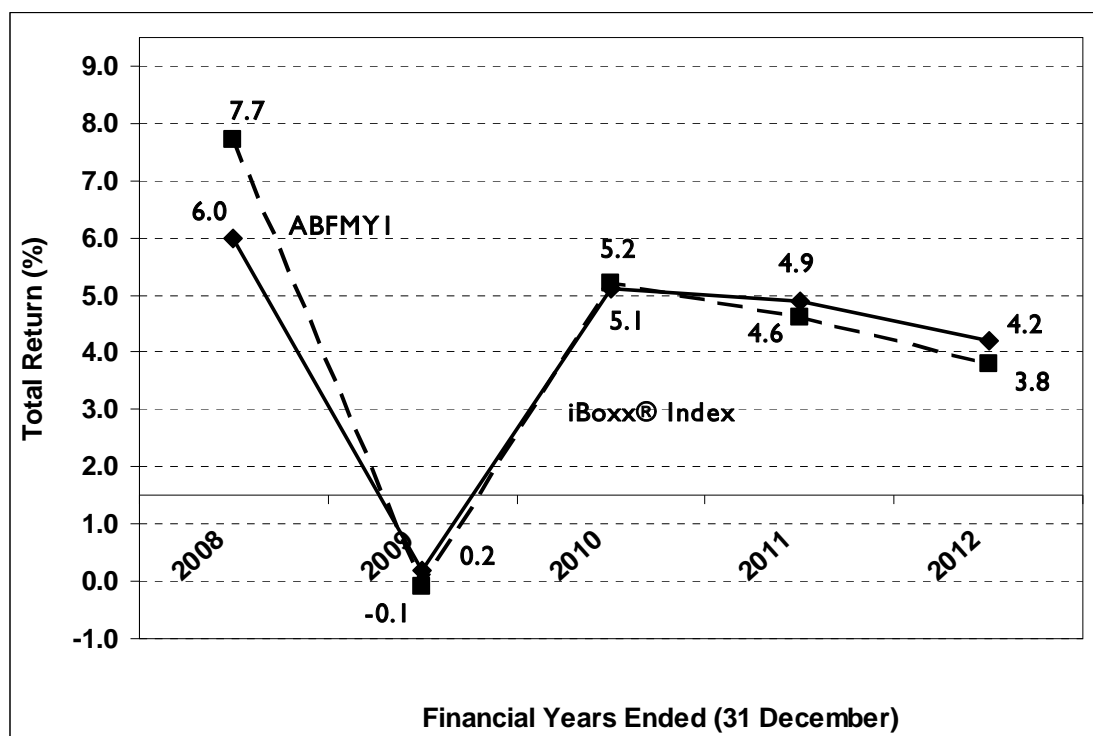
**Fund Performance** For the financial period under review, the Fund recorded a negative return of 0.27% comprising of negative 1.86% capital and 1.59% of income distribution.

Thus, the Fund’s negative return of 0.27% has underperformed the benchmark negative return of 0.03% by 0.24%.

As compared to the financial period ended 31 March 2013, the NAV per unit of the Fund decreased by 1.86% from RM1.0985 to RM1.0781, while units in circulation remain unchanged at 647,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 1.72% from RM1.103 to RM1.084.

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



**Note: 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**

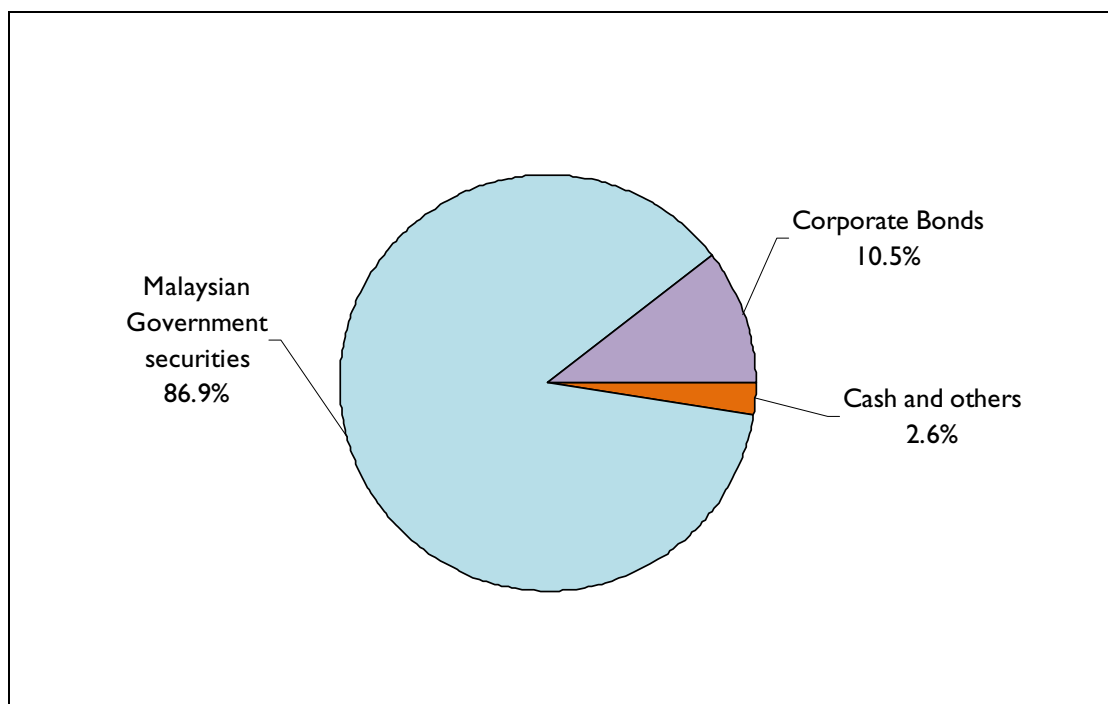
For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

**Portfolio Structure**

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

	As at 30-6-2013 %	As at 31-3-2013 %	Changes %
Malaysian Government securities	86.9	83.3	3.6
Quasi-Government bonds	10.5	10.7	-0.2
Cash and others	2.6	6.0	-3.4
<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 increased by 3.6% while investments in Quasi-Government bonds decreased by 0.2%. Meanwhile, investment in cash decreased by 3.4%.



**Distribution/  
unit splits**

During the financial period under review, the Fund declared income distribution, details as follow:

<b>1.75 sen per unit interim income distribution</b>	<b>Change in the unit price prior and subsequent to the interim income distribution</b>	<b>Before income distribution on 20 June 2013 (RM)</b>	<b>After income distribution on 20 June 2013 (RM)</b>
	Net asset value per unit	1.1021	1.0846

There was no unit split declared for the Fund 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 April, momentum in the Malaysian Government Securities (“MGS”)/Global Innovation Index (“GII”) market increased to RM75.1 billion trades done compared to RM46.9 billion in the previous month. The MGS benchmark yield curve’s continues to be pushed downwards driven by (1) expectations that the current government would be returned with a new mandate, (2) Malaysia’s yield curve remains one of the highest yielding in the region and (3) continued fresh flows from foreign funds hungry for higher returns. 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 2.94% (March: 3.01%), 3.14% (March: 3.19%), 3.32% (March: 3.38%), 3.36% (March: 3.46%), 3.65% (March: 3.69%) and 3.81% (March: 3.89%) respectively. Investor’s interest continued to be mainly focused on the short to mid dated bonds in view of the impending polling date.

With the election uncertainties out of the way, trading volume surged to its strongest volume this year in May with RM97.5 billion trades done compared to RM75.1 billion in the previous month. In the two weeks after the election, MGS yields fell significantly by up to 30bps across the board with slight bias towards the long end while the Malaysian Ringgit strengthened to 2.95/USD. Consequently, the MGS yield curve bullish flattened till a point where the yield curve was somewhat inverted after the 10-year MGS yields fell below the 7-year and 5-year (albeit temporarily) benchmark levels. However, towards the end of the month, MGS yields rebounded to above pre-election levels on reaction to speculation that the Fed may be looking to slowdown its asset purchase programme. At the end of May, the 3-year, 5-year, and 7-year benchmarks closed higher at 3.16% (April: 2.94%), 3.28% (April: 3.14%), 3.40% (April: 3.32%) while likewise the 10-year, 15-year and 20-year MGS yields closed higher at 3.41% (April: 3.36%), 3.50% (April: 3.65%) and 3.74% (April: 3.81%) respectively.

In June, the MGS/GII market volume dropped to RM61.5 billion from more than RM90 billion recorded last month. The MGS benchmark yield curve bear steepened with the longer end moving higher tracking US Treasury yield curve. Overall, the 3-year, 5-year, 7-year, 10-year, 15-year and 20-year MGS yields were higher by more than 10bps MoM at 3.28% (May: 3.16%), 3.40% (May: 3.28%), 3.55% (May: 3.40%), 3.58% (May: 3.41%), 3.73% (May: 3.50%) and 3.95% (May: 3.74%) respectively.

## **Market Outlook**

We have seen a general rise in yields across all markets in June as investors continued to price in the eventuality of Fed cutting down or even reversing its quantitative easing (“QE”) programs. The US 10 year Treasury yield increased 36bps to 2.49% over the month of June.

Nevertheless, as stressed by NY Fed President William Dudley, the timeline for slowing the pace of the Fed's bond buying would depend not on calendar dates but on the economic outlook.

On the other hand, China's Purchasing Managers Indices (“PMI”) continue to weaken, with the HSBC manufacturing PMI dropped to 48.3 in June from 49.2 in the previous month, Suggesting further slowdown in Chinese economy.

The Chinese money market underwent a credit squeeze that saw the overnight Shanghai Interbank Offer Rate (“Shibor”) surged to a high of 13.44% on 20 June before subsiding to 8.49% the next day after People's Bank of China (“PBoC”) provided liquidity to the market. The credit squeeze was a deliberate move by the PBoC to enforce discipline on financial institutions, particularly small and medium size banks which have too high exposure as a percentage of their balance sheets in illiquid products like wealth management products (“WMPs”) and shadow banking system.

Looking forward, volatility is likely to be at an elevated level as investors adjust their expectations on Fed's QE tapering from one US economic release to another.

Kuala Lumpur, Malaysia  
AmInvestment Services Berhad

31 July 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 April 2013 to 30 June 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:

<b>Name</b>	:	Harinder Pal Singh a/l Joga Singh
<b>Age</b>	:	51
<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>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"><li>• Manager, Client Service &amp; Operations (July 2001 – June 2002)</li><li>• Senior Manager, Client Service &amp; Operations (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 April 2013 to 30 June 2013)</b>	:	One (1)
<b>Member of any other Board Committee</b>	:	Investment Committee (Non-Independent)
<b>Date of appointment to the</b>	:	12 July 2005

<b>Investment Committee</b>	
<b>Number of Investment Committee meetings attended for the financial period (From 1 April 2013 to 30 June 2013)</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</b>	: Kok Tuck Cheong
<b>Age</b>	: 57
<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 April 2013 to 30 June 2013)</b>	: One (1)
<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 April 2013 to 30 June 2013)</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
<b>Name</b>	: Datin Maznah binti Mahbob
<b>Age</b>	: 54
<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's Licence
<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 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.
<b>Occupation</b>	: Chief Executive Officer of 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 April 2013 to 30 June 2013)</b>	: One (1)
<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 April 2013 to 30 June 2013)</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
<b>Name</b>	: Professor Dr Annuar bin Md Nassir
<b>Age</b>	: 55
<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 April 2013 to 30 June 2013)</b>	:	One (1)
<b>Member of any other Board Committee</b>	:	Investment Committee and Audit Committee (Independent)
<b>Date of appointment to the Investment Committee</b>	:	12 July 2005
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2013 to 30 June 2013)</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</b>	:	Lee Siang Korn @ Lee Siang Chin
<b>Age</b>	:	64
<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></p>

	Managing Director (1986-1999)
	<i>Arab-Malaysian Merchant Bank Berhad</i> General Manager, Corporate Finance (1983-1986)
<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 Malaysia (SOCSO)</li> <li>• Star Publications (Malaysia) Berhad</li> <li>• Uni.Asia Life Assurance Berhad</li> </ul>
<b>Number of Board Meeting attended for the financial period (From 1 April 2013 to 30 June 2013)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Investment Committee and Audit Committee (Independent)
<b>Date of appointment to the Investment Committee</b>	: 12 July 2005
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2013 to 30 June 2013)</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 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 Year 1982.

### ***Investment Committee***

The Investment Committee reviews the Fund's investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period under review from 1 April 2013 to 30 June 2013, there were three (3) Investment Committee Meetings held by the Manager.

## *Unitholders*

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

<b>NAME</b>	<b>Number of Unit Held</b>	<b>Units Held (%)</b>
HSBC BANK MALAYSIA BERHAD	608,357,870	93.966290
AmINVESTMENT BANK BERHAD	33,738,000	5.211135
AmINVESTMENT BANK BERHAD	4,373,230	0.675484
CITIBANK BERHAD	400,000	0.061784
HWANGDBS INVESTMENT BANK BERHAD	245,000	0.037842
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
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
MAYBANK INVESTMENT BANK BERHAD	1,000	0.000154
RHB 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
MAYBANK INVESTMENT BANK BERHAD	200	0.000031
KENANGA INVESTMENT BANK BERHAD	101	0.000016
KENANGA INVESTMENT BANK BERHAD	100	0.000015
RHB INVESTMENT BANK BERHAD	100	0.000015
AFFIN INVESTMENT BANK BERHAD	100	0.000015
HWANGDBS INVESTMENT BANK BERHAD	100	0.000015

**ABF Malaysia Bond Index Fund****STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013**

	Note	30-6-2013 (unaudited) RM	31-12-2012 (audited) RM
<b>ASSETS</b>			
Investments	4	691,331,805	557,949,490
Deposits with financial institutions	5	18,261,516	36,399,802
Cash at banks		3,448	1,487
		<u>709,596,769</u>	<u>594,350,779</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Amount due to Manager	6	54,547	50,047
Amount due to Trustee	7	38,183	35,033
Amount due to index provider	8	55,586	53,045
Distributions payable		11,329,882	9,404,882
Sundry payables and accrued expenses		143,776	147,490
		<u>11,621,974</u>	<u>9,690,497</u>
<b>TOTAL LIABILITIES</b>			
<b>EQUITY</b>			
Unitholders' capital	10(a)	680,157,976	563,972,881
Retained earnings	10(b)(c)	17,816,819	20,687,401
		<u>697,974,795</u>	<u>584,660,282</u>
<b>TOTAL EQUITY</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>709,596,769</u>	<u>594,350,779</u>
<b>UNITS IN CIRCULATION</b>			
	10(a)	<u>647,421,800</u>	<u>537,421,800</u>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>			
		<u>107.81 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 APRIL 2013 TO 30 JUNE 2013

	Note	1-4-2013 to 30-6-2013 RM	1-4-2012 to 30-6-2012 RM
<b>INVESTMENT (LOSS)/INCOME</b>			
Interest income		6,126,388	5,049,162
Net (loss)/gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(7,711,943)</u>	<u>4,105,006</u>
Gross (Loss)/Income		<u>(1,585,555)</u>	<u>9,154,168</u>
<b>EXPENDITURE</b>			
Manager’s fee	6	178,067	146,579
Trustee’s fee	7	124,647	102,606
Licence fee	8	26,129	22,958
Auditors’ remuneration		2,418	2,405
Tax agent’s fee		748	744
Administrative expenses		<u>1,703</u>	<u>1,512</u>
Total Expenditure		<u>333,712</u>	<u>276,804</u>
<b>NET (LOSS)/INCOME BEFORE TAX</b>		(1,919,267)	8,877,364
<b>LESS: INCOME TAX</b>	12	<u>-</u>	<u>-</u>
<b>NET (LOSS)/INCOME AFTER TAX</b>		(1,919,267)	8,877,364
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<u><u>(1,919,267)</u></u>	<u><u>8,877,364</u></u>
Total comprehensive (loss)/income comprises the following:			
Realised income		6,544,007	5,382,269
Unrealised (loss)/gain		<u>(8,463,274)</u>	<u>3,495,095</u>
		<u><u>(1,919,267)</u></u>	<u><u>8,877,364</u></u>
Distribution for the period:			
Net distribution	13	<u>11,329,882</u>	<u>-</u>
Gross/net distribution per unit (sen)	13	<u>1.75</u>	<u>-</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 APRIL 2013 TO 30 JUNE 2013

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 April 2012		563,972,881	20,928,301	584,901,182
Total comprehensive income for the period		-	8,877,364	8,877,364
<b>Balance at 30 June 2012</b>		<u>563,972,881</u>	<u>29,805,665</u>	<u>593,778,546</u>
At 1 April 2013		684,329,381	26,894,563	711,223,944
Total comprehensive loss for the period		-	(1,919,267)	(1,919,267)
Distribution	13	(4,171,405)	(7,158,477)	(11,329,882)
<b>Balance at 30 June 2013</b>		<u>680,157,976</u>	<u>17,816,819</u>	<u>697,974,795</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 APRIL 2013 TO 30 JUNE 2013

	1-4-2013 to 30-6-2013 RM	1-4-2012 to 30-6-2012 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	32,025,000	111,925,311
Interest received	5,970,842	3,266,411
Manager's fee paid	(175,476)	(147,718)
Trustee's fee paid	(122,833)	(103,403)
Licence fee paid	(24,839)	(22,291)
Payments for other administrative expenses	(456)	(272)
Purchase of investments	<u>(61,863,800)</u>	<u>(114,441,000)</u>
Net cash (used in)/generated from operating and investing activities	<u>(24,191,562)</u>	<u>477,038</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(24,191,562)	477,038
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>42,456,526</u>	<u>21,125,608</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>18,264,964</u>	<u>21,602,646</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	18,261,516	21,601,228
Cash at banks	<u>3,448</u>	<u>1,418</u>
	<u>18,264,964</u>	<u>21,602,646</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.

		<b>Effective for financial periods beginning on or after</b>
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

	30-6-2013 RM	31-12-2012 RM
<b>Financial assets at FVTPL</b>		
At nominal value:		
Quasi-Government Bonds	75,000,000	80,000,000
Malaysian Government Securities	476,710,000	391,710,000
Government Investment Issues	122,150,000	62,150,000
	<u>673,860,000</u>	<u>533,860,000</u>
At fair value:		
Quasi-Government Bonds	74,653,582	80,545,619
Malaysian Government Securities	492,817,903	413,569,828
Government Investment Issues	123,860,320	63,834,043
	<u>691,331,805</u>	<u>557,949,490</u>

Details of investments as at 30 June 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 %
<b>Quasi-Government Bonds</b>						
06.06.2014	Silterra Capital Berhad	NR	10,000,000	10,093,507	10,022,654	1.45
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,190,048	4,983,276	0.74
14.06.2019	Johor Corporation	NR	10,000,000	9,901,123	10,026,278	1.42
14.06.2022	Johor Corporation	NR	50,000,000	49,468,904	50,453,945	7.09
			<u>75,000,000</u>	<u>74,653,582</u>	<u>75,486,153</u>	<u>10.70</u>
<b>Malaysian Government Securities</b>						
27.02.2015	Government of Malaysia	NR	40,790,000	41,663,224	41,463,397	5.97
12.08.2015	Government of Malaysia	NR	25,000,000	25,644,694	25,644,443	3.67

(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>Malaysian Government Securities</b>						
30.09.2015	Government of Malaysia	NR	15,000,000	15,602,110	15,379,643	2.24
15.10.2015	Government of Malaysia	NR	35,000,000	35,205,062	35,330,573	5.04
15.09.2016	Government of Malaysia	NR	110,800,000	114,993,161	114,903,730	16.47
15.02.2017	Government of Malaysia	NR	20,000,000	20,508,362	20,370,848	2.94
31.10.2017	Government of Malaysia	NR	10,000,000	10,019,033	10,090,291	1.44
31.03.2020	Government of Malaysia	NR	40,000,000	40,202,988	40,922,545	5.76
15.07.2021	Government of Malaysia	NR	70,000,000	73,518,293	74,952,882	10.53
15.08.2022	Government of Malaysia	NR	10,120,000	10,018,317	10,200,572	1.44
15.04.2026	Government of Malaysia	NR	55,000,000	58,555,810	58,638,718	8.39
15.03.2027	Government of Malaysia	NR	10,000,000	10,135,901	10,295,543	1.45
15.04.2030	Government of Malaysia	NR	25,000,000	26,839,178	27,235,644	3.85
15.04.2033	Government of Malaysia	NR	10,000,000	9,911,770	10,288,321	1.42
			<u>476,710,000</u>	<u>492,817,903</u>	<u>495,717,150</u>	<u>70.61</u>
<b>Government Investment Issues</b>						
30.09.2014	Government of Malaysia	NR	10,000,000	10,129,699	10,138,516	1.45
30.12.2014	Government of Malaysia	NR	5,150,000	5,300,872	5,257,740	0.76
16.03.2015	Government of Malaysia	NR	10,000,000	10,379,043	10,157,529	1.49
30.09.2015	Government of Malaysia	NR	2,000,000	2,045,476	2,024,552	0.29
08.02.2016	Government of Malaysia	NR	10,000,000	10,105,280	10,129,658	1.45
15.06.2017	Government of Malaysia	NR	5,000,000	5,097,996	5,037,415	0.73
30.08.2017	Government of Malaysia	NR	20,000,000	20,058,792	20,202,080	2.87
30.08.2018	Government of Malaysia	NR	10,000,000	10,301,009	10,124,498	1.48

(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>						
15.05.2020	Government of Malaysia	NR	20,000,000	19,887,456	20,183,775	2.85
30.04.2021	Government of Malaysia	NR	10,000,000	10,416,989	10,510,290	1.49
15.06.2027	Government of Malaysia	NR	20,000,000	20,137,708	20,315,229	2.88
			<u>122,150,000</u>	<u>123,860,320</u>	<u>124,081,282</u>	<u>17.74</u>
<b>Total financial assets at FVTPL</b>			<u>673,860,000</u>	<u>691,331,805</u>	<u>695,284,585</u>	<u>99.05</u>
<b>Shortfall of fair value over cost</b>				<u>3,952,780</u>		

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

	<b>Effective yield*</b>	
	<b>30-6-2013 %</b>	<b>31-12-2012 %</b>
Quasi-Government Bonds	3.86	3.67
Malaysian Government Securities	3.43	3.27
Government Investment Issues	<u>3.53</u>	<u>3.47</u>

\* As provided by Markit Indices Limited

Analyses of the remaining maturity of unquoted investments as at 30 June 2013 and 30 June 2012 are as follows:

	<b>Less than 1 year RM</b>	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>More than 5 years RM</b>
<b>30 June 2013</b>				
At nominal value:				
Quasi-Government Bonds	10,000,000	-	5,000,000	60,000,000
Malaysian Government Securities	-	40,790,000	215,800,000	220,120,000
Government Investment Issues	<u>-</u>	<u>25,150,000</u>	<u>37,000,000</u>	<u>60,000,000</u>

(Forward)



	<b>Less than 1 year RM</b>	<b>1 to 2 years RM</b>	<b>2 to 5 years RM</b>	<b>More than 5 years RM</b>
<b>30 June 2012</b>				
At nominal value:				
Quasi-Government Bonds	-	15,000,000	5,000,000	-
Malaysian Government Securities	-	6,100,000	261,590,000	225,120,000
Government Investment Issues	-	-	25,150,000	10,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

5. **DEPOSITS WITH FINANCIAL INSTITUTIONS**

	<b>30-6-2013 RM</b>	<b>31-12-2012 RM</b>
At nominal value:		
Short-term deposits with a licensed banks	<u>18,260,000</u>	<u>36,396,700</u>
At carrying value:		
Short-term deposits with a licensed banks	<u>18,261,516</u>	<u>36,399,802</u>

Details of deposit with financial institution as at 30 June 2013 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 a licensed bank</b>					
01.07.2013	OCBC Bank (Malaysia) Berhad	<u>18,260,000</u>	<u>18,261,516</u>	<u>18,260,000</u>	<u>2.62</u>

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

	<b>Weighted average interest rate</b>		<b>Remaining maturity</b>	
	<b>30-6-2013 %</b>	<b>31-12-2012 %</b>	<b>30-6-2013 Day</b>	<b>31-12-2012 Days</b>
Short-term deposits with licensed banks	<u>3.03</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:

<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**

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-4-2012 to 30-6-2012 RM</b>
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	751,331	609,911
– Net unrealised (loss)/gain on changes in fair value of investments	<u>(8,463,274)</u>	<u>3,495,095</u>
	<u><u>(7,711,943)</u></u>	<u><u>4,105,006</u></u>

10. **TOTAL EQUITY**

Total equity is represented by:

	<b>Note</b>	<b>30-6-2013 RM</b>	<b>31-12-2012 RM</b>
Unitholders' capital	(a)	680,157,976	563,972,881
Retained earnings			
– Realised income	(b)	21,769,599	17,222,287
– Unrealised gain	(c)	<u>(3,952,780)</u>	<u>3,465,114</u>
		<u><u>697,974,795</u></u>	<u><u>584,660,282</u></u>

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

	<b>1-4-2013 to 30-6-2013</b>		<b>1-1-2012 to 31-12-2012</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
At beginning of the period/year	647,421,800	684,329,381	537,421,800	563,972,881
Distributions out of distribution/loss equalisation	<u>-</u>	<u>(4,171,405)</u>	<u>-</u>	<u>-</u>
At end of the period/year	<u><u>647,421,800</u></u>	<u><u>680,157,976</u></u>	<u><u>537,421,800</u></u>	<u><u>563,972,881</u></u>

As at 30 June 2013, the approved Fund size is 1 billion units.

(b) **REALISED – DISTRIBUTABLE**

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-1-2012 to 31-12-2012 RM</b>
At beginning of the period/year	22,384,069	16,654,810
Total comprehensive income for the period/year	(1,919,267)	22,080,681
Net unrealised loss attributable to investments held transferred to unrealised reserve [Note 10(c)]	8,463,274	6,701,441
Distributions out of realised reserve	(7,158,477)	(28,214,645)
Net (decrease)/increase in realised reserve for the period/year	<u>(614,470)</u>	<u>567,477</u>
At end of the period/year	<u>21,769,599</u>	<u>17,222,287</u>

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

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-1-2012 to 31-12-2012 RM</b>
At beginning of the period/year	4,510,494	10,166,555
Net unrealised loss attributable to investments held transferred from realised reserve [Note 10(b)]	<u>(8,463,274)</u>	<u>(6,701,441)</u>
At end of the period/year	<u>(3,952,780)</u>	<u>3,465,114</u>

11. **UNITS HELD BY RELATED PARTIES**

	<b>1-4-2013 to 30-6-2013</b>		<b>1-1-2012 to 31-12-2012</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
Parties related to the Manager *	<u>38,111,230</u>	<u>41,312,573</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 30 June 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 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 (loss)/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:

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-4-2012 to 30-6-2012 RM</b>
Net (loss)/income before tax	<u>(1,919,267)</u>	<u>8,877,364</u>
Taxation at Malaysian statutory rate of 25%	(479,800)	2,219,300
Tax effects of:		
Income not subject to tax	(1,719,400)	(2,288,500)
Loss not deductible for tax purposes	2,115,800	-
Restriction on tax deductible expenses for unit trust fund	40,600	33,500
Non-permitted expenses for tax purposes	38,300	32,000
Permitted expenses not used and not available for future periods	<u>4,500</u>	<u>3,700</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

### 13. DISTRIBUTION

Distribution to unitholders declared on 20 June 2013 is from the following sources:

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-4-2012 to 30-6-2012 RM</b>
Undistributed net income brought forward	5,641,488	-
Interest income	1,604,588	-
Net realised gain on sale of investments	246,113	-
Distributions/loss equalisation	<u>4,171,405</u>	<u>-</u>
	11,663,594	-
Less: Expenses	<u>(333,712)</u>	<u>-</u>
Total amount of distribution	<u>11,329,882</u>	<u>-</u>

(Forward)

	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-4-2012 to 30-6-2012 RM</b>
Gross/net distribution per unit (sen)	<u>1.75</u>	<u>-</u>
Distribution made out of:		
– Realised gain	7,158,477	-
– Distribution/loss equalisation	<u>4,171,405</u>	<u>-</u>
	<u>11,329,882</u>	<u>-</u>
Comprising:		
Cash distribution	<u>11,329,882</u>	<u>-</u>

Included in the distributions for the financial period ended 30 June 2013 was an amount of RM5,641,488 distributed from previous financial periods realised income.

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

The Fund’s MER is as follows:

	<b>1-4-2013 to 30-6-2013 % p.a.</b>	<b>1-4-2012 to 30-6-2012 % 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	<u>0.01</u>	<u>0.01</u>
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 total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.07 times (2012: 0.19 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 30 June 2013 are as follows:

Financial institutions	Transaction value	
	RM	%
OCBC Bank (Malaysia) Berhad	1,240,464,800	80.47
CIMB Bank Berhad	179,434,000	11.64
Citibank Berhad	63,195,233	4.10
RHB Bank Berhad	27,000,000	1.75
Kenanga Investment Bank Berhad	21,298,457	1.38
AmBank (M) Berhad*	<u>10,237,257</u>	<u>0.66</u>
Total	<u>1,541,629,747</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.

	<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 June 2013</b>				
<b>Assets</b>				
Investments	691,331,805	-	-	691,331,805
Deposits with financial institutions	-	18,261,516	-	18,261,516
Cash at banks	-	3,448	-	3,448
	<u>691,331,805</u>	<u>18,264,964</u>	<u>-</u>	<u>709,596,769</u>
<b>Total financial assets</b>				
<b>Liabilities</b>				
Amount due to Manager	-	-	54,547	54,547
Amount due to Trustee	-	-	38,183	38,183
Amount due to index provider	-	-	55,586	55,586
Distributions payable	-	-	11,329,882	11,329,882
Sundry payables and accrued expenses	-	-	143,776	143,776
	<u>-</u>	<u>-</u>	<u>11,621,974</u>	<u>11,621,974</u>
<b>Total financial liabilities</b>				
<b>31 December 2012</b>				
<b>Assets</b>				
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>
<b>Total financial assets</b>				
<b>Liabilities</b>				
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
Distributions 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>
<b>Total financial liabilities</b>				



	<b>Income, expense, gains and losses</b>	
	<b>1-4-2013 to 30-6-2013 RM</b>	<b>1-4-2012 to 30-6-2012 RM</b>
Net (loss)/gain from financial assets at FVTPL	(7,711,943)	4,105,006
Income, of which derived from:		
– Interest income from financial assets at FVTPL	5,958,865	4,908,848
– Interest income from loans and receivables	<u>167,523</u>	<u>140,314</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:

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>30 June 2013</b>				
Financial assets at FVTPL	<u>-</u>	<u>691,331,805</u>	<u>-</u>	<u>691,331,805</u>
<b>31 December 2012</b>				
Financial assets at FVTPL	<u>-</u>	<u>557,949,490</u>	<u>-</u>	<u>557,949,490</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
- Distributions 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
<b>30 June 2013</b>	0.38	0.38
Average Daily	0.26	0.26
Highest	0.38	0.38
Lowest	0.19	0.19
<b>30 June 2012</b>	0.53	0.53
Average Daily	0.51	0.51
Highest	0.53	0.53
Lowest	0.48	0.48

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 0.38% (2012: 0.53%). This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 0.38% (2012: 0.53%) 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 30 June 2013 and 30 June 2012:

Credit rating	RM	As a % of debt securities	As a % of net asset value
<b>30 June 2013</b>			
AAA	5,190,048	0.75	0.74
Non rated	686,141,757	99.25	98.30
	<u>691,331,805</u>	<u>100.00</u>	<u>99.05</u>
<b>30 June 2012</b>			
AAA	<u>572,462,334</u>	<u>100.00</u>	<u>96.41</u>

Malaysian government issues which were internally tagged as AAA in the previous years are now tagged as "NR" (not rated) to reflect their non-rated status.

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 June 2013 and 30 June 2012:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of deposit</b>	<b>As a % of net asset value</b>
<b>30 June 2013</b>			
P1/MARC1	<u>18,261,516</u>	<u>100.00</u>	<u>2.62</u>
<b>30 June 2012</b>			
P1/MARC1	<u>21,601,228</u>	<u>100.00</u>	<u>3.64</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 June 2013 and 30 June 2012:

<b>Sector</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>30 June 2013</b>			
Sovereign	616,678,223	89.20	88.35
State government	59,370,027	8.59	8.51
Venture capital	10,093,507	1.46	1.45
Transportation	<u>5,190,048</u>	<u>0.75</u>	<u>0.74</u>
	<u>691,331,805</u>	<u>100.00</u>	<u>99.05</u>
<b>30 June 2012</b>			
Sovereign	<u>572,462,334</u>	<u>100.00</u>	<u>96.41</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: \$ = Nominal
- For F > 0  
Before maturity: coupon payment, \$ = Nominal \* (R/F)  
At maturity: maturity payment, \$ = Nominal + (Nominal \* R/F)

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

	<b>Contractual cash flows (undiscounted)</b>					
	<b>0 – 1 year RM</b>	<b>1 – 2 years RM</b>	<b>2 – 3 years RM</b>	<b>3 – 4 years RM</b>	<b>4 – 5 years RM</b>	<b>More than &gt; 5 years RM</b>
<b>30 June 2013</b>						
<b>Financial assets</b>						
Investments	36,540,155	91,914,905	109,199,398	158,776,550	44,052,202	414,690,957
Deposit with financial institution	18,261,516	-	-	-	-	-
Cash at banks	3,448	-	-	-	-	-
<b>Total assets</b>	<u>54,805,119</u>	<u>91,914,905</u>	<u>109,199,398</u>	<u>158,776,550</u>	<u>44,052,202</u>	<u>414,690,957</u>
<b>Financial liabilities</b>						
Other liabilities	<u>11,621,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>30 June 2012</b>						
<b>Financial assets</b>						
Investments	21,883,426	42,877,865	66,926,828	122,403,623	153,846,750	283,274,409
Deposits with financial institutions	21,604,956	-	-	-	-	-
Cash at banks	1,418	-	-	-	-	-
<b>Total assets</b>	<u>43,489,800</u>	<u>42,877,865</u>	<u>66,926,828</u>	<u>122,403,623</u>	<u>153,846,750</u>	<u>283,274,409</u>
<b>Financial liabilities</b>						
Other liabilities	<u>286,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### Single issuer risk

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

### **Regulatory risk**

Any changes in national policies and regulations may have 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 30 June 2013 and 30 June 2012.