

ABF Malaysia Bond Index Fund

Quarterly Report

30 September 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
Dato' Mohd Effendi Abdullah
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 2888 Fax: 03-2031 5210

AmInvestment Management Sdn Bhd

Registered Office

22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2031 5210

Head Office

9th & 10th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2888 Fax: 03-2026 5630

Secretary

Koh Suet Peng (MAICSA 7019861)

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, 13th 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 July 2013 to 30 September 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 unitholders' approval by way of special resolution.

Index Component

Details of the index component as at 30 September 2013 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	8,237,700,000
VG120430	Cagamas Berhad	3.500	21 December 2015	575,000,000
GH120090	Government of Malaysia	3.235	08 February 2016	7,000,000,000
VI110195	Pengurusan Air SPV Berhad	3.840	17 June 2016	1,400,000,000
MH130001	Government of Malaysia	3.172	15 July 2016	8,000,000,000
GG130067	Government of Malaysia	3.389	22 July 2016	4,000,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
UI120008	The Export-Import Bank of Korea	4.070	02 February 2017	500,000,000
UN070014	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	8,000,000,000
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
GJ130055	Government of Malaysia	3.399	30 November 2018	4,000,000,000
VK120194	Johor Corporation	3.680	14 June 2019	800,000,000
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	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	11,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GN100021	Government of Malaysia	4.284	15 June 2020	5,500,000,000
MK130006	Government of Malaysia	3.889	31 July 2020	4,500,000,000
GN100060	Government of Malaysia	3.998	30 November 2020	3,000,000,000
GL130069	Government of Malaysia	3.716	23 March 2021	3,500,000,000
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	8,000,000,000
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
MX070003	Government of Malaysia	3.502	31 May 2027	6,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
VS130241	Syarikat Prasarana Negara Berhad	4.580	29 August 2028	500,000,000
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
GX130068	Government of Malaysia	4.582	30 August 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 September 2013		As at 30 June 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	8,201	18	7,901	19
1,001 -10,000	26,600	5	24,600	4
10,001 – 100,000	135,000	3	135,000	3
100,001 to less than 5% of issue units	29,693,930	8	5,158,230	4
5% and above of issue units	617,557,870	1	642,095,870	2

Fund Performance Data

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

	As at 30-9-2013 %	As at 30-6-2013 %	FY 2012 %	FY 2011 %	FY 2010 %
Malaysian Government Securities	87.2	86.9	80.3	89.8	91.9
Quasi-Government bonds	9.2	10.5	13.6	6.9	7.0
Cash and others	3.6	2.6	6.1	3.3	1.1
Total	100.0	100.0	100.0	100.0	100.0

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

**Performance
Details**

Performance details of the Fund for the financial period ended 30 September 2013, 30 June 2013 and three financial years ended 31 December are as follows:

	3 months ended 30-9-2013	3 months ended 30-6-2013	FY 2012	FY 2011	FY 2010
Net asset value (RM)	698,478,907	697,974,795	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)	1.0789*	1.0781	1.0879	1.0993	1.0884
Highest net asset value per unit (RM)	1.0824*	1.1136	1.1200	1.0993	1.0917
Lowest net asset value per unit (RM)	1.0678*	1.0781	1.0863	1.0642	1.0559
Closing quoted price (RM/unit)	1.0970*	1.0840	1.1030	1.0720	1.0870
Highest quoted price (RM/unit)	1.0970*	1.1020	1.1030	1.0900	1.0830
Lowest quoted price (RM/unit)	1.0800*	1.0840	1.0680	1.0650	1.0620
Benchmark performance (%)	0.35	-0.03	4.18	4.85	5.13
Total return (%) ⁽¹⁾	0.07	-0.27	3.80	4.57	5.19
- Capital growth (%)	0.07	-1.86	-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 (%) ⁽²⁾	-	1.61	4.76	3.50	3.54
Management expense ratio (%) ⁽³⁾	0.19	0.19	0.19	0.19	0.19
Portfolio turnover ratio (times) ⁽⁴⁾	0.01	0.07	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 0.06 times

(85.7%) as compared to 0.07 times for the financial period ended 30 June 2013 mainly due to decrease in investing activities.

Average Total Return (as at 30 September 2013)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	1.86	2.42
Three years	2.98	3.46
Five years	4.20	4.62
Since launch (13 July 2005)	3.62	3.97

Annual Total Return

Financial Year Ended (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2012	3.80	4.18
2011	4.57	4.85
2010	5.19	5.13
2009	-0.14	0.21
2008	7.71	6.00

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

(b) iBoxx ABF Malaysia Index (“iBoxx Index”) (Obtainable from 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 registered a return of 0.07% which was entirely capital growth in nature.

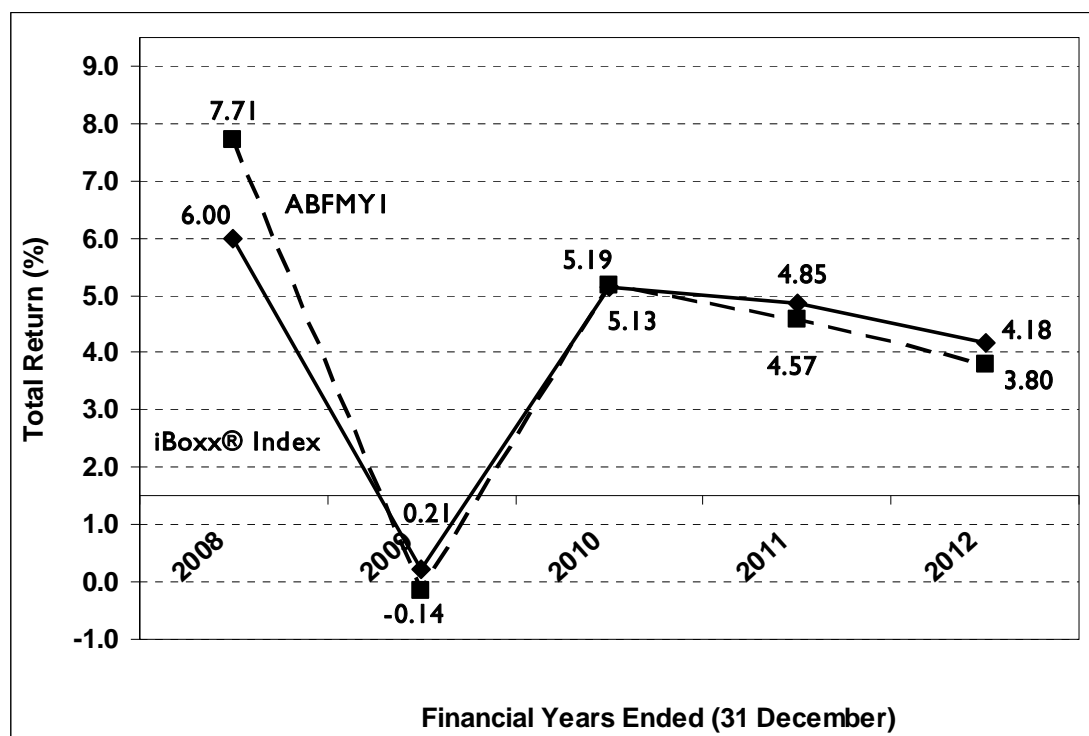
Thus, the Fund’s return of 0.07% has underperformed the benchmark return of 0.35% by 0.28%.

As compared with the financial period ended 30 June 2013, the net asset value (“NAV”) per unit of the Fund increased by 0.07% from RM1.0781 to RM1.0789, while units in circulation remain unchanged at 647,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 1.20% from RM1.0840 to RM1.0970.

(Forward)

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

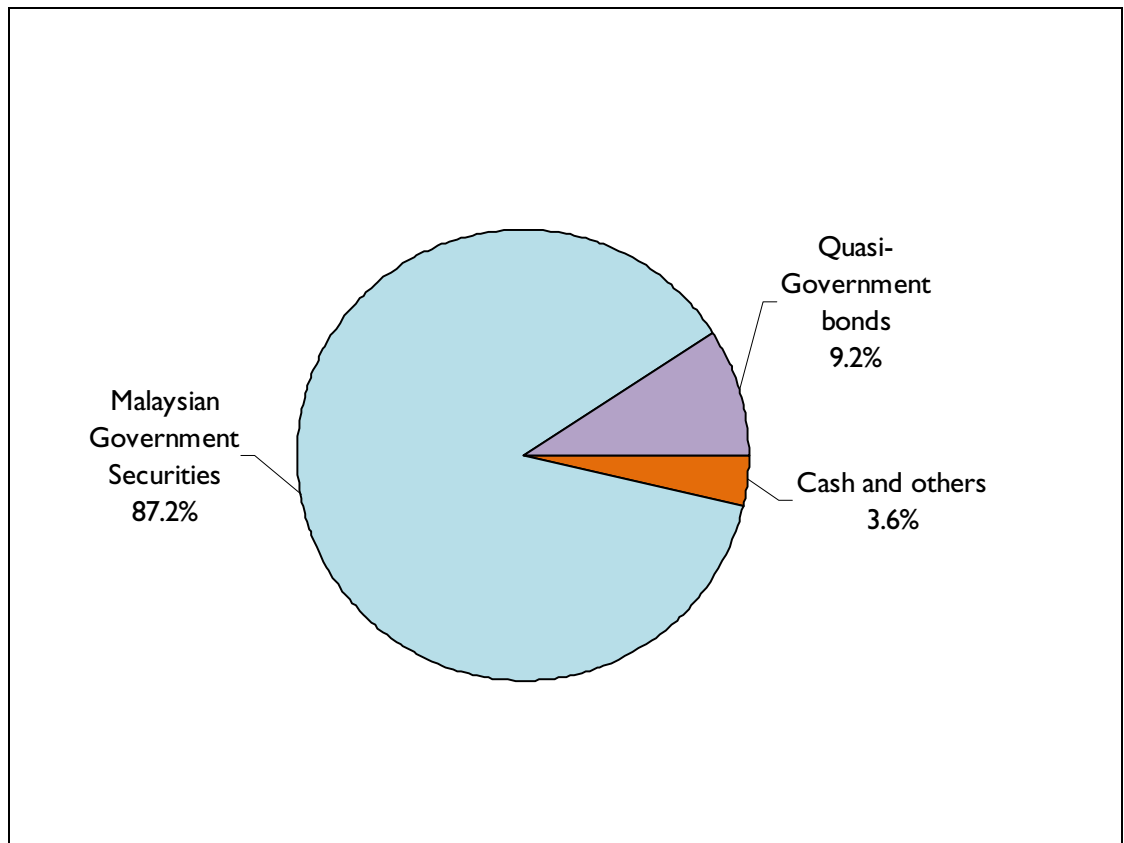
For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

Portfolio Structure

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

	As at 30-9-2013 %	As at 30-6-2013 %	Changes %
Malaysian Government Securities	87.2	86.9	0.3
Quasi-Government bonds	9.2	10.5	-1.3
Cash and others	3.6	2.6	1.0
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 0.3% while investments in Quasi-Government bonds decreased by -1.3%. Meanwhile, investment in cash increased by 1%.



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

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

Rebates and Soft Commission It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.

During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.

Market Review The Malaysia Government Securities (“MGS”)/Global Innovation Index (“GII”) market volume increased to RM68.4 billion in July from RM61.4 billion recorded the month before. The MGS benchmark yields have increased across the curve in July. Overall, the 3-year, 5-year, 7-year, 10-year, 15-year and 20-year MGS yields were higher by more than 10 basic points (“bps”) month-over-month (“MoM”) at 3.49% (June: 3.28%), 3.59% (June: 3.40%), 3.99% (June: 3.55%), 4.13% (June: 3.58%), 3.96% (June: 3.73%) and 4.14% (June: 3.95%) respectively. In the month of July, the Malaysian Government raised RM3.5 billion from a reopening of 10-year MGS 3/23 with 1.73% bid-to-cover ratio. That was followed by a new 3 year GII with a total issuance size of RM4.0 billion which garnered a 2.92 times oversubscription. A further RM4.5 billion was added to the Government’s coffers after the new 7-year MGS issuance with a bid-to-cover ratio of 1.914%.

Trading volume in the MGS/GII market was relatively weak at RM21.8 billion in August (vs RM68.4 billion in July) as broad concerns on the quantitative easing (“QE”) tapering continue to weigh on the investors sentiment. The weaker trading volume was also partly attributed to the Aidilfitri holiday during the month. Overall, the benchmark MGS yields closed mixed with 3-year, 5-year, 7-year, 10-year and 20-year at 3.44% (July: 3.49%), 3.81% (July: 3.67%), 3.88% (July: 3.99%), 4.01% (July: 4.13%) and 4.45% (July: 4.14%) respectively. During the month, we also saw the new 20-year RM2.5 billion GII 08/33 auction which garnered a relatively weak bid-to-cover ratio of 1.62 times with average yield of 4.582%.

The MGS/GII market volume increased to RM68.43 billion in September from RM21.8 billion recorded last month. The MGS benchmark yields have declined across the curve in September as the US Federal Reserve held back from tapering their QE programs. Overall, the 3-year, 5-year, 7-year, 10-year, 15-year and 20-year MGS yields were lower by 5-25bps MoM at 3.39% (August: 3.44%), 3.56% (August: 3.65%), 3.70% (August: 3.89%), 3.77% (August: 4.02%), 4.08% (August: 4.16%) and 4.29% (August: 4.45%) respectively.

The month of September witnessed the inauguration of two new benchmark government bonds, namely the GII 20-year and the MGS 30-year with issuance size of RM2.5 billion each. The former attracted a bid-to-cover ratio of 1.622 times with an average yield of 4.582% while the later garnered 2.44 times of bid-to-cover ratio with an average yield of 4.935%. Last but not least, there was also an issuance of RM3.5 billion GII 7.5-year that came in with a bid-to-cover ratio of 1.754 times and average yield 3.716%.

Market Outlook

Majority of world markets reacted positively after September Federal Open Market Committee (“FOMC”) was concluded without tapering of QE programs. Bonds, equities and local currencies especially of emerging markets were generally higher after the FOMC. Going forward, we believe market expectation of Fed tapering will remain a prevalent determinant of global market movements. The economic fundamentals, from moderating regional growth, to Bank Negara maintaining a dovish stance suggest that the fair value of longer maturity MGS should be around 4% over the longer term. Nevertheless, short-term volatility is expected as investors adjust their expectation for Fed tapering from one economic data to another.

The Overnight Policy Rate (“OPR”) is likely to remain at its present level of 3.0% for the remaining of the year. However, expectations of further subsidy cuts and fiscal consolidation will likely fuel inflationary pressures going forward and coupled with the possible QE tapering before year end, market may start pricing in expectation of a possible rate hike, especially if the Ringgit weakens further from its current level.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

31 October 2013

Additional Information

Board of Directors of the Manager

The Board of Directors, of which one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period under review from 1 July 2013 to 30 September 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	:	52
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	:	Federation of Investment Managers Malaysia
Number of Board meeting attended for the financial period (From 1 July 2013 to 30 September 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 July 2013 to 30 September 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	: Kok Tuck Cheong
Age	: 58
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 July 2013 to 30 September 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 July 2013 to 30 September 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 July 2013 to 30 September 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 July 2013 to 30 September 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) <p><i>University Pertanian Malaysia</i> Tutor (1981 – 1984)</p>
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 July 2013 to 30 September 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 July 2013 to 30 September 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	:	65
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) <i>Arab-Malaysian Securities Sdn Bhd</i> Managing Director (1986-1999) <i>Arab-Malaysian Merchant Bank Berhad</i> 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 (SOCSO) • Star Publications (Malaysia) Berhad • Uni.Asia Life Assurance Berhad • Tune Insurance Malaysia Berhad
Number of Board Meeting attended for the financial period (From 1 July 2013 to 30 September 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 July 2013 to 30 September 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

Investment Committee

The Investment Committee, of which one-half are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period under review from 1 July 2013 to 30 September 2013, there was two (2) Investment Committee meeting held by the Manager.

- Prof. Dr Annuar Md Nassir (profile as above mentioned)
- Lee Siang Korn @ Lee Siang Chin (profile as above mentioned)
- Harinder Pal Singh (profile as above mentioned)
- Dato' Mohd Effendi Abdullah (profile as below mentioned)

Name	:	Dato' Mohd Effendi Abdullah
Age	:	52
Nationality	:	Malaysian
Qualification	:	Bachelor of Economics, majoring in Accounting and Financial Management from Macquarie University, Sydney, Australia.
Executive/Non-Executive Director	:	Executive Director
Independent/Non-Independent Director	:	Non-Independent Director
Working Experience	:	<i>AmInvestment Bank Berhad</i> <ul style="list-style-type: none"> • Corporate Banking (1985 – 1993) • Islamic Markets (1993 - present)
Occupation	:	Director of Islamic Markets, AmInvestment Bank Berhad
Directorship of other public companies	:	<ul style="list-style-type: none"> • Islamic Banking and Finance Institute Malaysia (IBFIM)
Member of any other Board Committee	:	Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	:	2 September 2013
Number of Investment Committee meetings attended for the financial period (From 1 July 2013 to 30 September 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

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 July 2013 to 30 September 2013, there were two (2) Investment Committee Meetings held by the Manager.

Unitholders

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

NAME	Number of Unit Held	Units Held (%)
HSBC BANK MALAYSIA BERHAD	617,557,870	95.387356
AmINVESTMENT BANK BERHAD	24,416,000	3.771270
CIMB INVESTMENT BANK BERHAD	2,000,000	0.308918
AmINVESTMENT BANK BERHAD	1,593,930	0.246197
CIMB INVESTMENT BANK BERHAD	599,000	0.092521
CITIBANK BERHAD	400,000	0.061784
CIMB INVESTMENT BANK BERHAD	300,000	0.046338
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
ALLIANCE 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
CIMB INVESTMENT BANK BERHAD	800	0.000124
RHB INVESTMENT BANK BERHAD	700	0.000108
CIMB INVESTMENT BANK BERHAD	700	0.000180
KENANGA INVESTMENT BANK BERHAD	500	0.000077
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 30 SEPTEMBER 2013**

	Note	30-9-2013 (unaudited) RM	31-12-2012 (audited) RM
ASSETS			
Investments	4	673,830,517	557,949,490
Deposits with financial institutions	5	24,972,173	36,399,802
Cash at banks		1,480	1,487
TOTAL ASSETS		<u>698,804,170</u>	<u>594,350,779</u>
LIABILITIES			
Amount due to Manager	6	59,076	50,047
Amount due to Trustee	7	41,354	35,033
Amount due to index provider	8	82,107	53,045
Distribution payable		-	9,404,882
Sundry payables and accrued expenses		142,726	147,490
TOTAL LIABILITIES		<u>325,263</u>	<u>9,690,497</u>
EQUITY			
Unitholders' capital	10(a)	680,157,976	563,972,881
Retained earnings	10(b)(c)	18,320,931	20,687,401
TOTAL EQUITY	10	<u>698,478,907</u>	<u>584,660,282</u>
TOTAL EQUITY AND LIABILITIES		<u>698,804,170</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>107.89 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 JULY 2013 TO 30 SEPTEMBER 2013

	Note	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
INVESTMENT INCOME			
Interest income		6,272,580	5,041,562
Net loss from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(5,432,318)</u>	<u>(1,426,435)</u>
Gross Income		<u>840,262</u>	<u>3,615,127</u>
EXPENDITURE			
Manager’s fee	6	179,243	147,906
Trustee’s fee	7	125,470	103,535
Licence fee	8	26,521	23,091
Auditors’ remuneration		1,002	2,405
Tax agent’s fee		1,521	744
Administrative expenses		<u>2,393</u>	<u>4,153</u>
Total Expenditure		<u>336,150</u>	<u>281,834</u>
NET INCOME BEFORE TAX		504,112	3,333,293
LESS: INCOME TAX	12	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		504,112	3,333,293
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>504,112</u>	<u>3,333,293</u>
Total comprehensive income comprises the following:			
Realised income		5,989,188	5,651,056
Unrealised loss		<u>(5,485,076)</u>	<u>(2,317,763)</u>
		<u>504,112</u>	<u>3,333,293</u>
Distribution for the period:			
Net distribution	13	<u>-</u>	<u>9,404,882</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 JULY 2013 TO 30 SEPTEMBER 2013

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 July 2012	563,972,881	29,805,665	593,778,546
Total comprehensive income for the period	-	3,333,293	3,333,293
Distribution	-	(9,404,882)	(9,404,882)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2012	563,972,881	23,734,076	587,706,957
	<hr/>	<hr/>	<hr/>
At 1 July 2013	680,157,976	17,816,819	697,974,795
Total comprehensive income for the period	-	504,112	504,112
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2013	680,157,976	18,320,931	698,478,907
	<hr/>	<hr/>	<hr/>

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

ABF Malaysia Bond Index Fund

STATEMENT OF CASH FLOWS (*Unaudited*)

FOR THE FINANCIAL PERIOD FROM 1 JULY 2013 TO 30 SEPTEMBER 2013

	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	10,052,000	145,394,156
Interest received	8,289,550	7,156,824
Manager's fee paid	(174,714)	(148,119)
Trustee's fee paid	(122,299)	(103,684)
Tax agent's fee paid	(4,000)	(4,000)
Licence fee paid	-	(21,363)
Payments for other administrative expenses	(1,966)	(17,613)
Purchase of investments	-	(133,942,000)
	<u>18,038,571</u>	<u>18,314,201</u>
CASH FLOW FROM FINANCING ACTIVITY		
Distribution paid	<u>(11,329,882)</u>	<u>(9,404,882)</u>
Net cash used in financing activity	<u>(11,329,882)</u>	<u>(9,404,882)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	6,708,689	8,909,319
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	<u>18,264,964</u>	<u>21,602,646</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u>24,973,653</u>	<u>30,511,965</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	24,972,173	30,510,507
Cash at banks	1,480	1,458
	<u>24,973,653</u>	<u>30,511,965</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
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 MFRS 132 Financial Instruments: Presentation ("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 element of such instrument is 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

	30-9-2013 RM	31-12-2012 RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	65,000,000	80,000,000
Malaysian Government Securities	476,710,000	391,710,000
Government Investment Issues	<u>122,150,000</u>	<u>62,150,000</u>
	<u>663,860,000</u>	<u>533,860,000</u>
At fair value:		
Quasi-Government Bonds	64,131,297	80,545,619
Malaysian Government Securities	486,661,656	413,569,828
Government Investment Issues	<u>123,037,564</u>	<u>63,834,043</u>
	<u>673,830,517</u>	<u>557,949,490</u>

Details of investments as at 30 September 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						
30.11.2016	Syarikat Prasarana Negara Berhad	AAA	5,000,000	5,160,031	5,040,837	0.74
14.06.2019	Johor Corporation	NR	10,000,000	10,097,896	10,120,569	1.44
14.06.2022	Johor Corporation	NR	<u>50,000,000</u>	<u>48,873,370</u>	<u>50,937,636</u>	<u>7.00</u>
			<u>65,000,000</u>	<u>64,131,297</u>	<u>66,099,042</u>	<u>9.18</u>
Malaysian Government Securities						
27.02.2015	Government of Malaysia	NR	40,790,000	41,285,926	41,069,655	5.91
12.08.2015	Government of Malaysia	NR	25,000,000	25,407,765	25,378,235	3.64
30.09.2015	Government of Malaysia	NR	15,000,000	15,448,978	15,184,921	2.21
15.10.2015	Government of Malaysia	NR	35,000,000	35,527,780	35,606,960	5.09
15.09.2016	Government of Malaysia	NR	110,800,000	113,608,590	113,519,921	16.27

(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						
15.02.2017	Government of Malaysia	NR	20,000,000	20,283,955	20,180,173	2.90
31.10.2017	Government of Malaysia	NR	10,000,000	10,058,684	10,172,792	1.44
31.03.2020	Government of Malaysia	NR	40,000,000	39,495,902	40,561,376	5.65
15.07.2021	Government of Malaysia	NR	70,000,000	72,458,217	74,126,808	10.37
15.08.2022	Government of Malaysia	NR	10,120,000	9,881,059	10,118,289	1.41
15.04.2026	Government of Malaysia	NR	55,000,000	57,852,838	59,192,454	8.28
15.03.2027	Government of Malaysia	NR	10,000,000	9,819,052	10,196,227	1.41
15.04.2030	Government of Malaysia	NR	25,000,000	26,026,414	27,492,133	3.73
15.04.2033	Government of Malaysia	NR	10,000,000	9,506,496	10,384,323	1.36
			<u>476,710,000</u>	<u>486,661,656</u>	<u>493,184,267</u>	<u>69.67</u>
Government Investment Issues						
30.09.2014	Government of Malaysia	NR	10,000,000	10,041,979	10,042,956	1.44
30.12.2014	Government of Malaysia	NR	5,150,000	5,250,468	5,207,448	0.75
16.03.2015	Government of Malaysia	NR	10,000,000	10,250,090	10,044,690	1.47
30.09.2015	Government of Malaysia	NR	2,000,000	2,024,616	2,005,243	0.29
08.02.2016	Government of Malaysia	NR	10,000,000	10,035,075	10,048,825	1.44
15.06.2017	Government of Malaysia	NR	5,000,000	5,137,383	5,086,293	0.73
30.08.2017	Government of Malaysia	NR	20,000,000	19,910,180	20,042,500	2.85
30.08.2018	Government of Malaysia	NR	10,000,000	10,126,040	10,030,704	1.45
15.05.2020	Government of Malaysia	NR	20,000,000	20,130,143	20,362,858	2.88
30.04.2021	Government of Malaysia	NR	10,000,000	10,384,505	10,602,279	1.49

(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						
15.06.2027	Government of Malaysia	NR	<u>20,000,000</u>	<u>19,747,085</u>	<u>20,511,268</u>	<u>2.83</u>
			<u>122,150,000</u>	<u>123,037,564</u>	<u>123,985,064</u>	<u>17.62</u>
Total financial assets at FVTPL			<u><u>663,860,000</u></u>	<u><u>673,830,517</u></u>	<u><u>683,268,373</u></u>	<u><u>96.47</u></u>
Shortfall of fair value over cost				<u><u>(9,437,856)</u></u>		

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

	Effective yield*	
	30-9-2013 %	31-12-2012 %
Quasi-Government Bonds	4.03	3.67
Malaysian Government Securities	3.58	3.27
Government Investment Issues	<u>3.58</u>	<u>3.47</u>

* As provided by Markit Indices Limited

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

	Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
30 September 2013				
At nominal value:				
Quasi-Government Bonds	-	-	5,000,000	60,000,000
Malaysian Government Securities	-	80,790,000	175,800,000	220,120,000
Government Investment Issues	<u>10,000,000</u>	<u>17,150,000</u>	<u>45,000,000</u>	<u>50,000,000</u>
30 September 2012				
At nominal value:				
Quasi-Government Bonds	-	15,000,000	5,000,000	60,000,000
Malaysian Government Securities	-	-	261,590,000	140,120,000
Government Investment Issues	<u>-</u>	<u>-</u>	<u>25,150,000</u>	<u>30,000,000</u>

5. **DEPOSITS WITH FINANCIAL INSTITUTIONS**

	30-9-2013	31-12-2012
	RM	RM
At nominal value:		
Short-term deposits with a licensed banks	<u>24,970,100</u>	<u>36,396,700</u>
At carrying value:		
Short-term deposits with a licensed banks	<u>24,972,173</u>	<u>36,399,802</u>

Details of deposit with financial institution as at 30 September 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 deposit with a licensed bank					
01.10.2013	OCBC Bank (Malaysia) Berhad	<u>24,970,100</u>	<u>24,972,173</u>	<u>24,970,100</u>	<u>3.58</u>

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

	Weighted average interest rate		Remaining maturity	
	30-9-2013 %	31-12-2012 %	30-9-2013 Day	31-12-2012 Days
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:

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 LOSS FROM INVESTMENTS

	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
Net loss on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	52,758	891,328
– Net unrealised loss on changes in fair value of investments	<u>(5,485,076)</u>	<u>(2,317,763)</u>
	<u>(5,432,318)</u>	<u>(1,426,435)</u>

10. TOTAL EQUITY

Total equity is represented by:

	Note	30-9-2013 RM	31-12-2012 RM
Unitholders' capital	(a)	680,157,976	563,972,881
Retained earnings			
– Realised income	(b)	27,758,787	17,222,287
– Unrealised (loss)/gain	(c)	<u>(9,437,856)</u>	<u>3,465,114</u>
		<u>698,478,907</u>	<u>584,660,282</u>

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

	1-7-2013 to 30-9-2013		1-1-2012 to 31-12-2012	
	Number of units	RM	Number of units	RM
At beginning/end of the period/year	<u>647,421,800</u>	<u>680,157,976</u>	<u>537,421,800</u>	<u>563,972,881</u>

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

(b) **REALISED – DISTRIBUTABLE**

	1-7-2013 to 30-9-2013 RM	1-1-2012 to 31-12-2012 RM
At beginning of the period/year	21,769,599	16,654,810
Total comprehensive income for the period/year	504,112	22,080,681
Net unrealised loss attributable to investments held transferred to unrealised reserve [Note 10(c)]	5,485,076	6,701,441
Distributions out of realised reserve	-	(28,214,645)
Net increase in realised reserve for the period/year	<u>5,989,188</u>	<u>567,477</u>
At end of the period/year	<u>27,758,787</u>	<u>17,222,287</u>

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

	1-7-2013 to 30-9-2013 RM	1-1-2012 to 31-12-2012 RM
At beginning of the period/year	(3,952,780)	10,166,555
Net unrealised loss attributable to investments held transferred from realised reserve [Note 10(b)]	<u>(5,485,076)</u>	<u>(6,701,441)</u>
At end of the period/year	<u>(9,437,856)</u>	<u>3,465,114</u>

11. **UNITS HELD BY RELATED PARTIES**

	1-7-2013 to 30-9-2013		1-1-2012 to 31-12-2012	
	Number of units	RM	Number of units	RM
Parties related to the Manager *	<u>26,009,930</u>	<u>28,532,893</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 units in the Fund as at 30 September 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 income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
Net income before tax	<u>504,112</u>	<u>3,333,293</u>
Taxation at Malaysian statutory rate of 25%	126,000	833,300
Tax effects of:		
Income not subject to tax	(1,581,300)	(1,483,200)
Loss not deductible for tax purposes	1,371,300	579,400
Restriction on tax deductible expenses for unit trust fund	40,500	33,800
Non-permitted expenses for tax purposes	39,000	32,900
Permitted expenses not used and not available for future periods	<u>4,500</u>	<u>3,800</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

13. DISTRIBUTION

Distribution to unitholders declared on 5 September 2012 for the previous financial period is from the following sources:

	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
Undistributed net income brought forward	-	7,647,468
Interest income	-	1,629,973
Net realised gain on sale of investments	<u>-</u>	<u>409,275</u>

(Forward)

	1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
Less: Expenses	-	9,686,716
	-	(281,834)
Total amount of distribution	-	9,404,882
Gross/net distribution per unit (sen)	-	1.75
Distribution made out of:		
– Realised gain	-	9,404,882
Comprising:		
Cash distribution	-	9,404,882

Included in the distributions for the financial period ended 30 September 2012 was an amount of RM7,647,468 distributed from previous financial periods realised income.

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

The Fund’s MER is as follows:

	1-7-2013 to 30-9-2013 % p.a.	1-7-2012 to 30-9-2012 % 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
Total MER	0.19	0.19

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average 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 0.01 times (2012: 0.24 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 September 2013 are as follows:

Financial institutions	Transaction value	
	RM	%
OCBC Bank (Malaysia) Berhad	1,096,935,100	94.07
CIMB Bank Berhad	59,018,300	5.06
RHB Investment Bank Berhad	10,116,110	0.87
Total	<u>1,166,069,510</u>	<u>100.00</u>

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
30 September 2013				
Assets				
Investments	673,830,517	-	-	673,830,517
Deposits with financial institutions	-	24,972,173	-	24,972,173
Cash at banks	-	1,480	-	1,480
Total financial assets	<u>673,830,517</u>	<u>24,973,653</u>	-	<u>698,804,170</u>

(Forward)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 September 2013				
Liabilities				
Amount due to Manager	-	-	59,076	59,076
Amount due to Trustee	-	-	41,354	41,354
Amount due to index provider	-	-	82,107	82,107
Sundry payables and accrued expenses	-	-	142,726	142,726
Total financial liabilities	<u>-</u>	<u>-</u>	<u>325,263</u>	<u>325,263</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
Total financial assets	<u>557,949,490</u>	<u>36,401,289</u>	<u>-</u>	<u>594,350,779</u>
31 December 2012				
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
Distributions payable	-	-	9,404,882	9,404,882
Sundry payables and accrued expenses	-	-	147,490	147,490
Total financial liabilities	<u>-</u>	<u>-</u>	<u>9,690,497</u>	<u>9,690,497</u>
			Income, expense, gains and losses	
			1-7-2013 to 30-9-2013 RM	1-7-2012 to 30-9-2012 RM
Net loss from financial assets at FVTPL			(5,432,318)	(1,426,435)
Income, of which derived from:				
– Interest income from financial assets at FVTPL			6,129,516	4,879,952
– Interest income from loans and receivables			<u>143,064</u>	<u>161,610</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
30 September 2013				
Financial assets at FVTPL	-	673,830,517	-	673,830,517
31 December 2012				
Financial assets at FVTPL	-	557,949,490	-	557,949,490

(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
30 September 2013	0.42	0.42
Average Daily	0.44	0.44
Highest	0.45	0.45
Lowest	0.42	0.42
30 September 2012	0.35	0.35
Average Daily	0.42	0.42
Highest	0.47	0.47
Lowest	0.35	0.35

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 0.42% (2012: 0.35%). This implies that not more than 1 out of 100 trading days the Fund would record a daily loss exceeding 0.42% (2012: 0.35%) of the net asset value.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to 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 and financial institutions 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 analyses the Fund's portfolio of debt securities by rating category as at 30 September 2013 and 30 September 2012:

Credit rating	RM	As a % of debt securities	As a % of net asset value
30 September 2013			
AAA	5,160,031	0.77	0.74
NR	668,670,486	99.23	95.73
	<u>673,830,517</u>	<u>100.00</u>	<u>96.47</u>
30 September 2012			
AAA	<u>557,468,481</u>	<u>100.00</u>	<u>94.85</u>

Malaysian government issues which were internally tagged as AAA in the previous years are now tagged as "NR" (non-rated) to reflect their non-rated status.

For deposits with financial institutions, the Fund only makes placements with financial institutions with sound rating. The following table presents the Fund's portfolio of deposit by rating category as 30 September 2013 and 30 September 2012:

Credit rating	RM	As a % of deposit	As a % of net asset value
30 September 2013			
P1/MARC1	<u>24,972,173</u>	<u>100.00</u>	<u>3.58</u>
30 September 2012			
P1/MARC1	<u>30,510,507</u>	<u>100.00</u>	<u>5.19</u>

(b) **Credit risk concentration**

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 30 September 2013 and 30 September 2012:

Sector	RM	As a % of debt securities	As a % of net asset value
30 September 2013			
Sovereign	668,670,485	99.23	95.73
Transportation	<u>5,160,032</u>	<u>0.77</u>	<u>0.74</u>
	<u>673,830,517</u>	<u>100.00</u>	<u>96.47</u>
30 September 2012			
Sovereign	<u>557,468,481</u>	<u>100.00</u>	<u>94.85</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 of 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

For each security in the fund, the cash flows are projected according to its asset class. Each asset class, if any, follows the calculation method as below:

- (i) For bonds
- (a) For zero-coupon bonds, the nominal amount will be returned at maturity date.
 - (b) For non-zero coupon bonds, the coupons could be paid on annual, bi-annual or quarterly basis.

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, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

(ii) For money market instruments and deposits

The nominal amount and interest will be paid at maturity date. Cash received are calculated as follows:

\$ = cash received

R = annual interest rate

F = time to maturity (days)

At maturity: $\$ = \text{Nominal} + (\text{Nominal} * R * d / 365)$

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
30 September 2013						
Financial assets						
Investments	36,150,155	122,655,251	176,965,673	65,234,002	33,721,302	401,975,406
Deposits with financial institution	24,972,173	-	-	-	-	-
Cash at banks	1,480	-	-	-	-	-
Total assets	<u>61,123,808</u>	<u>122,655,251</u>	<u>176,965,673</u>	<u>65,234,002</u>	<u>33,721,302</u>	<u>401,975,406</u>
Financial liabilities						
Other liabilities	<u>325,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 September 2012						
Financial assets						
Investments	21,502,705	36,502,705	110,960,351	187,104,148	40,134,602	283,459,508
Deposits with financial institutions	30,515,523	-	-	-	-	-
Cash at banks	1,458	-	-	-	-	-
Total assets	<u>52,019,686</u>	<u>36,502,705</u>	<u>110,960,351</u>	<u>187,104,148</u>	<u>40,134,602</u>	<u>283,459,508</u>
Financial liabilities						
Other liabilities	<u>273,489</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 September 2013 and 30 September 2012.