

ABF Malaysia Bond Index Fund

Quarterly Report

30 June 2015

TRUST DIRECTORY

Manager

AmInvestment Services Berhad
9th & 10th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Board of Directors

Kok Tuck Cheong
Datin Maznah Mahbob
Harinder Pal Singh
Mohd Fauzi Mohd Tahir
Mustafa Mohd Nor
Tai Terk Lin

Investment Committee

Tai Terk Lin
Dato' Mohd Effendi Abdullah
Harinder Pal Singh
Mustafa Mohd Nor
Dr Frank Richard Ashe
Datin Maznah Mahbob

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte 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 & 10th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2888 Fax: 03-2031 5210

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
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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 April 2015 to 30 June 2015.

Salient Information of the Fund

| | | | | | |
|----------------------------|--|--|---------------------|---------------------------|---------------------------------|
| Name | ABF Malaysia Bond Index Fund ("Fund") | | | | |
| Category/ Type | Fixed Income ETF/ Income | | | | |
| Objective | <p>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.</p> <p><i>Note : Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i></p> | | | | |
| Index Component | Details of the index component as at 30 June 2015 are as follows: | | | | |
| | Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
| | MH130001 | Government of Malaysia | 3.172 | 15 July 2016 | 11,500,000,000 |
| | GG130067 | Government of Malaysia | 3.389 | 22 July 2016 | 4,000,000,000 |
| | MO060001 | Government of Malaysia | 4.262 | 15 September 2016 | 15,163,384,000 |
| | 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 | 2 February 2017 | 500,000,000 |
| | UN070014 | Asian Development Bank | 4.000 | 8 February 2017 | 500,000,000 |
| | MN070002 | Government of Malaysia | 3.814 | 15 February 2017 | 9,500,000,000 |
| | MG140002 | Government of Malaysia | 3.394 | 15 March 2017 | 10,500,000,000 |
| | 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 |
| | (Forward) | | | | |

| Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
|-------------|----------------------------------|-----------------|-----------------------|-----------------------------|
| 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 | 13,500,000,000 |
| GH140001 | Government of Malaysia | 3.678 | 23 November 2017 | 7,500,000,000 |
| MI130002 | Government of Malaysia | 3.260 | 1 March 2018 | 8,786,557,000 |
| UN080007 | The Export-Import Bank of Korea | 4.500 | 12 March 2018 | 500,000,000 |
| GG150005 | Government of Malaysia | 3.508 | 15 May 2018 | 4,000,000,000 |
| 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 | 11,440,000,000 |
| 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 |
| VI140030 | Pengurusan Air SPV Berhad | 4.160 | 7 February 2019 | 1,000,000,000 |
| VII40036 | Syarikat Prasarana Negara Berhad | 4.080 | 12 March 2019 | 1,500,000,000 |
| GJ130070 | Government of Malaysia | 3.558 | 30 April 2019 | 10,000,000,000 |
| VK120194 | Johor Corporation | 3.680 | 14 June 2019 | 800,000,000 |
| MS04003H | Government of Malaysia | 5.734 | 30 July 2019 | 7,315,546,000 |
| 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 |
| MJ140004 | Government of Malaysia | 3.654 | 31 October 2019 | 11,800,000,000 |
| 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 |
| (Forward) | | | | |

| Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
|-------------|--|-----------------|-----------------------|-----------------------------|
| GL120098 | Government of Malaysia | 3.576 | 15 May 2020 | 11,000,000,000 |
| GN100021 | Government of Malaysia | 4.284 | 15 June 2020 | 5,500,000,000 |
| MK130006 | Government of Malaysia | 3.889 | 31 July 2020 | 7,973,060,000 |
| GJ150002 | Government of Malaysia | 3.799 | 27 August 2020 | 4,000,000,000 |
| MJ150003 | Government of Malaysia | 3.659 | 15 October 2020 | 4,000,000,000 |
| VJ140355 | Pengurusan Air SPV Berhad | 4.100 | 5 November 2020 | 500,000,000 |
| GN100060 | Government of Malaysia | 3.998 | 30 November 2020 | 3,000,000,000 |
| DK140001 | Khazanah Nasional Berhad | - | 24 February 2021 | 1,300,000,000 |
| GL130069 | Government of Malaysia | 3.716 | 23 March 2021 | 9,500,000,000 |
| 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 |
| VK140222 | Bank Pembangunan Malaysia Berhad | 4.190 | 10 September 2021 | 700,000,000 |
| ML140003 | Government of Malaysia | 4.048 | 30 September 2021 | 11,700,000,000 |
| VK140362 | DanaInfra Nasional Berhad | 4.160 | 26 November 2021 | 700,000,000 |
| 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 |
| GL150001 | Government of Malaysia | 4.194 | 15 July 2022 | 7,000,000,000 |
| MO120001 | Government of Malaysia | 3.418 | 15 August 2022 | 10,500,000,000 |
| DN120017 | Khazanah Nasional Berhad | - | 2 September 2022 | 1,500,000,000 |
| ML150002 | Government of Malaysia | 3.795 | 30 September 2022 | 7,500,000,000 |
| GO120037 | Government of Malaysia | 3.699 | 15 November 2022 | 8,500,000,000 |
| MN130003 | Government of Malaysia | 3.480 | 15 March 2023 | 11,420,000,000 |
| DS081080 | Khazanah Nasional Berhad | - | 14 August 2023 | 2,000,000,000 |
| (Forward) | | | | |

| Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
|-------------|--|-----------------|-----------------------|-----------------------------|
| GO130033 | Government of Malaysia | 3.493 | 31 October 2023 | 4,000,000,000 |
| DS090052 | Khazanah Nasional Berhad | - | 20 March 2024 | 1,500,000,000 |
| VN140090 | Perbadanan Tabung Pendidikan Tinggi Nasional | 4.670 | 28 March 2024 | 1,800,000,000 |
| GO130071 | Government of Malaysia | 4.444 | 22 May 2024 | 12,500,000,000 |
| MO140001 | Government of Malaysia | 4.181 | 15 July 2024 | 11,020,000,000 |
| VN140223 | Bank Pembangunan Malaysia Berhad | 4.380 | 12 September 2024 | 500,000,000 |
| VN140396 | Perbadanan Tabung Pendidikan Tinggi Nasional | 4.550 | 20 December 2024 | 700,000,000 |
| MY050003 | Government of Malaysia | 4.837 | 15 July 2025 | 3,000,000,000 |
| MO150001 | Government of Malaysia | 3.955 | 15 September 2025 | 7,000,000,000 |
| GO150004 | Government of Malaysia | 3.990 | 15 October 2025 | 4,000,000,000 |
| PZ00197S | Bank Pembangunan Malaysia Berhad | 7.500 | 30 October 2025 | 500,000,000 |
| MS110003 | Government of Malaysia | 4.392 | 15 April 2026 | 10,574,330,000 |
| VS110260 | Syarikat Prasarana Negara Berhad | 4.350 | 4 August 2026 | 1,200,000,000 |
| VP140207 | Perbadanan Tabung Pendidikan Tinggi Nasional | 4.530 | 27 August 2026 | 500,000,000 |
| MX060002 | Government of Malaysia | 4.709 | 15 September 2026 | 3,110,000,000 |
| MS120002 | Government of Malaysia | 3.892 | 15 March 2027 | 5,500,000,000 |
| MX070003 | Government of Malaysia | 3.502 | 31 May 2027 | 6,000,000,000 |
| GS120059 | Government of Malaysia | 3.899 | 15 June 2027 | 5,000,000,000 |
| PS120074 | Syarikat Prasarana Negara Berhad | 4.000 | 6 September 2027 | 1,000,000,000 |
| MS130005 | Government of Malaysia | 3.733 | 15 June 2028 | 5,000,000,000 |
| GT130001 | Government of Malaysia | 3.871 | 8 August 2028 | 3,000,000,000 |
| (Forward) | | | | |

| Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
|-------------|--|-----------------|-----------------------|-----------------------------|
| MX080003 | Government of Malaysia | 5.248 | 15 September 2028 | 4,040,000,000 |
| GS130072 | Government of Malaysia | 4.943 | 6 December 2028 | 5,000,000,000 |
| VS140224 | Bank Pembangunan Malaysia Berhad | 4.750 | 12 September 2029 | 900,000,000 |
| VX090825 | Syarikat Prasarana Negara Berhad | 5.070 | 28 September 2029 | 1,500,000,000 |
| VS150025 | Perbadanan Tabung Pendidikan Tinggi Nasional | 4.630 | 12 February 2030 | 500,000,000 |
| VS150043 | Syarikat Prasarana Negara Berhad | 4.640 | 22 March 2030 | 1,100,000,000 |
| MX100003 | Government of Malaysia | 4.498 | 15 April 2030 | 10,520,000,000 |
| 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 | - | 3 September 2032 | 1,000,000,000 |
| MX130004 | Government of Malaysia | 3.844 | 15 April 2033 | 4,500,000,000 |
| GX130068 | Government of Malaysia | 4.582 | 30 August 2033 | 4,000,000,000 |
| VX130278 | DanaInfra Nasional Berhad | 4.800 | 31 October 2033 | 900,000,000 |
| VX140225 | Bank Pembangunan Malaysia Berhad | 4.850 | 12 September 2034 | 900,000,000 |
| MY150004 | Government of Malaysia | 4.254 | 31 May 2035 | 2,000,000,000 |
| VZ140102 | DanaInfra Nasional Berhad | 5.380 | 21 April 2039 | 700,000,000 |
| VZ090241 | 1Malaysia Development Berhad | 5.750 | 27 May 2039 | 600,000,000 |
| VZ09024 | 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 |
| (Forward) | | | | |

| | Code | Issuer | Coupon % | Final Maturity | Notional Amount (RM) |
|---|---|---------------------------|------------------------------|----------------------------|------------------------------|
| | VZ150047 | DanaInfra Nasional Berhad | 4.950 | 6 April 2040 | 1,000,000,000 |
| | MZ130007 | Government of Malaysia | 4.935 | 30 September 2043 | 4,500,000,000 |
| | VZ150046 | DanaInfra Nasional Berhad | 5.050 | 6 April 2045 | 1,000,000,000 |
| | <i>(Source: Markit Indices Limited)</i> | | | | |
| 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 687,921,800 units. | | | | |
| | Size of holding | As at 30 June 2015 | | As at 31 March 2015 | |
| | | No of units held | Number of unitholders | No of units held | Number of unitholders |
| | Less than 100 | 200 | 5 | 200 | 5 |
| | 100 – 1,000 | 9,800 | 23 | 9,200 | 20 |
| | 1,001 -10,000 | 35,800 | 9 | 41,700 | 10 |
| | 10,001 – 100,000 | 37,500 | 3 | 27,000 | 2 |
| | 100,001 to less than 5% of issue units | 33,580,630 | 6 | 6,085,830 | 6 |
| | 5% and above of issue units | 654,257,870 | 1 | 654,257,870 | 1 |

Fund Performance Data

| | | | | | | |
|------------------------------|--|----------------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|
| Portfolio Composition | Details of portfolio composition of the Fund for the financial periods as at 30 June 2015, 31 March 2015 and three financial years as at 31 December are as follows: | | | | | |
| | | As at 30-6-2015 % | As at 31-3-2015 % | FY 2014 % | FY 2013 % | FY 2012 % |
| | Corporate bonds | 1.4 | 1.4 | 1.4 | - | - |
| | Malaysian Government Securities | 83.1 | 79.0 | 75.3 | 90.7 | 80.3 |
| | Quasi-Government bonds | 12.0 | 17.9 | 20.0 | 8.3 | 13.6 |
| | Cash and others | 3.5 | 1.7 | 3.3 | 1.0 | 6.1 |
| | Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | <i>Note: The abovementioned percentages are based on total investment carrying value plus cash.</i> | | | | | |
| Performance Details | Performance details of the Fund for the financial periods ended 30 June 2015, 31 March 2015 and three financial years ended 31 December are as follows: | | | | | |
| | | As at 30-6-2015 | As at 31-3-2015 | FY 2014 | FY 2013 | FY 2012 |
| | Net asset value (RM) | 722,316,179 | 699,537,173 | 685,894,438 | 684,340,987 | 584,660,282 |
| | Units in circulation | 687,921,800 | 660,421,800 | 660,421,800 | 647,421,800 | 537,421,800 |
| | Net asset value per unit (RM) | 1.0500* | 1.0592 | 1.0386* | 1.0570* | 1.0879* |
| | Highest net asset value per unit (RM) | 1.0655* | 1.0592 | 1.0841* | 1.1136* | 1.1200* |
| | Lowest net asset value per unit (RM) | 1.0448* | 1.0323 | 1.0355* | 1.0553* | 1.0863* |
| | Closing quoted price (RM/unit) | 1.0510* | 1.0600 | 1.0350* | 1.0970* | 1.1030* |
| | Highest quoted price (RM/unit) | 1.0670* | 1.0600 | 1.0840* | 1.1030* | 1.1030* |
| | Lowest quoted price (RM/unit) | 1.0510* | 1.0300 | 1.0350* | 1.0840* | 1.0680* |
| | (Forward) | | | | | |

| | | | | | |
|---|-------|------|-------|-------|-------|
| Benchmark performance (%) | 2.74 | 2.38 | 3.79 | 0.85 | 4.18 |
| Total return (%) ⁽¹⁾ | 0.73 | 1.98 | 3.98 | 0.36 | 3.80 |
| - Capital growth (%) | -0.86 | 1.98 | -1.70 | -2.86 | -0.98 |
| - Income distribution (%) | 1.59 | - | 5.68 | 3.22 | 4.78 |
| Gross distribution (sen per unit) | 1.68 | - | 6.00 | 3.50 | 5.25 |
| Net distribution (sen per unit) | 1.68 | - | 6.00 | 3.50 | 5.25 |
| Distribution yield (%) ⁽²⁾ | 1.60 | - | 5.80 | 3.19 | 4.76 |
| Management expense ratio (%) ⁽³⁾ | 0.18 | 0.17 | 0.18 | 0.19 | 0.19 |
| Portfolio turnover ratio (times) ⁽⁴⁾ | 0.15 | 0.07 | 0.66 | 0.23 | 0.91 |

* Above price and net asset value per unit are shown as ex-distribution.

Note:

- (1) Total return is the annualised return of the Fund for the respective financial periods/years computed based on the net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the respective financial 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. MER increased by 0.01% as compared to 0.17% per annum for the financial period ended 31 March 2015 mainly due to increase in expenses.
- (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 increased by 0.08 times (>100%) as compared to 0.07 times for the financial period ended 31 March 2015 mainly due to increase in investing activities.

Average Total Return (as at 30 June 2015)

| | ABFMY1^(a) % | iBoxx Index^(b) % |
|-----------------------------|----------------------------------|---------------------------------------|
| One year | 4.48 | 4.66 |
| Three years | 2.90 | 3.19 |
| Five years | 3.52 | 3.82 |
| Since launch (13 July 2005) | 3.61 | 3.92 |

Annual Total Return

| Financial Years Ended (31 December) | ABFMY1^(a) % | iBoxx Index^(b) % |
|--|----------------------------------|---------------------------------------|
| 2014 | 3.98 | 3.79 |
| 2013 | 0.36 | 0.85 |
| 2012 | 3.80 | 4.18 |
| 2011 | 4.57 | 4.85 |
| 2010 | 5.19 | 5.29 |

(a) Independently verified by Novagni Analytics and Advisory Sdn Bhd.

(b) iBoxx ABF Malaysia Index ("iBoxx Index") (Obtainable from www.aminvest.com)

The Fund performance is calculated based on the net asset value per unit of the Fund. Average total return of the Fund and its benchmark for a period is computed based 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.

Fund Performance

For the financial period under review, the Fund registered a return of 0.73% comprising of negative 0.86% capital and 1.59% income distribution.

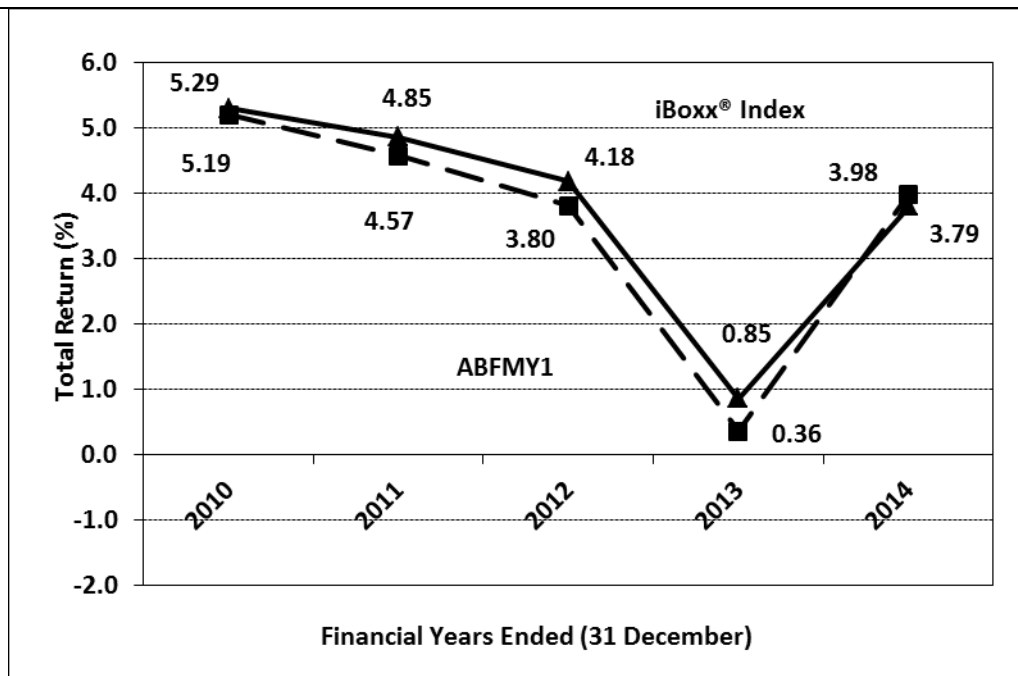
Thus, the Fund's return of 0.73% has underperformed the benchmark's return of 2.74% by 2.01%.

As compared with the financial period ended 31 March 2015, the net asset value ("NAV") per unit of the Fund decreased by 0.87% from RM1.0592 to RM1.0500, while units in circulation increased by 4.16% from 660,421,800 units to 687,921,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 0.85% from RM1.0600 to RM1.0510.

The line chart below shows the comparison between the annual performance of ABFMY1 and its benchmark, iBoxx® Index, for the financial years ended 31 December.

(Forward)



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

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

| | As at 30-6-2015 % | As at 31-3-2015 % | Changes % |
|---|-------------------------|-------------------------|--------------|
| Corporate bonds (low risk asset as accorded by Bank Negara Malaysia) | 1.4 | 1.4 | - |
| Malaysian Government Securities | 83.1 | 79.0 | 4.1 |
| Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia) | 12.0 | 17.9 | -5.9 |
| Cash and others | 3.5 | 1.7 | 1.8 |
| Total | 100.0 | 100.0 | |

There has been no significant change to the asset allocation since the last reporting period.

Distribution/unit splits

During the financial period under review, the Fund declared income distributions, detailed as follows:

| 1.68 sen per unit income distribution | Change in the unit price prior and subsequent to the income distribution | Before income distribution on 15 June 2015 (RM) | After income distribution on 15 June 2015 (RM) |
|---------------------------------------|--|---|--|
| | Net asset value per unit | 1.0616 | 1.0448 |

There was no unit split 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 | <p>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.</p> <p>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.</p> |
| Market Review | <p>In April, the Malaysia Government Securities (“MGS”) curve flattened, as yields across the curve rallied on the back of dovish sentiments amid the still low inflation readings. As of end April 2015, trading volume in the MGS/GII market held steady at RM72.0billion compared to RM79.4billion in the previous month. Overall, the yields on the 3-year, 5-year, 7-year, 10-year, 15-year and 20-year close at 3.33%, 3.55%, 3.72%, 3.84%, 4.04%, and 4.22% respectively while the 30-year MGS yield inched lower at 4.60%.</p> <p>In the primary market, three tenders were offered, the new RM4billion 10.5y GII 10/25 which drew a strong bid-to-cover (“BTC”) ratio of 2.75 times with an average yield of 3.990%, the new RM4billion 5.5-year MGS 10/20 which drew a moderate BTC ratio of 1.78 times with an average yield of 3.659% and finally the RM2billion 7y SPK 7/22 which drew a decent BTC ratio of 2.315 times with an average yield of 4.038%. We note the strong demand for the new 10y GII benchmark as investors continue to favor GII papers due to the inclusion of GII in Barclay's Global Aggregate Bond Index back in March 2015.</p> <p>In May, the MGS yield curve steepened, as yields inched up especially on the long end on the back of the weakness seen in Ringgit. As of end May 2015, trading volume in the MGS/GII market drop substantially to RM43.7billion compared to RM73.0billion in the previous month. Overall, the yields on the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.40% (Apr: 3.33%), 3.57% (Apr: 3.55%), 3.79% (Apr: 3.72%), 3.90% (Apr: 3.84%), 4.14% (Apr: 4.04%), 4.27% (Apr: 4.22%) and 4.71% (Apr: 4.60%) respectively.</p> <p>In the primary market, a total of RM9.0billion government bond supply came to market in May and was fairly well received with all tenders garnering bid-to-cover (“BTC”) ratio of above 2 times. The new GII 05/18 and new MGS 5/35 tenders closed at average yield of 3.508% and 4.254% with BTC ratio at 2.60 times and 2.724x respectively while the GII 7/22 reopening tender closed at 2.914% at BTC of 2.087 times.</p> <p>In June, the MGS yield curve bear steepened, with the 7Y and 10Y pressured by persistent selling on the back of rising global volatility, Ringgit weakness and the threat of a Fitch downgrade. As of end June 2015, trading volume in the MGS/GII market rebounded to RM58.8billion compared to RM43.7billion in the previous month. Overall, the yields on the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.31%, 3.56%, 3.91%, 4.01%, 4.18%, 4.26% and 4.78% respectively.</p> <p>In the primary market, three tenders were offered, the RM3billion 10-year MGS 9/25 reopening which drew a weak bid-to-cover (“BTC”) ratio of 1.67 times with an average yield of 4.037%, the RM3.5billion 7-year MGS 9/22 which drew a moderate BTC ratio</p> |

| | |
|------------------------------|---|
| | <p>of 1.95 times with an average yield of 4.002% and finally the RM3billion 5-year GII 8/20 which drew a stronger BTC ratio of 2.207 times with an average yield of 3.743%. We note the lackluster demand for the 10-year as well as 7-year MGS as investors stayed on the sidelines amidst volatility in global rates as well as an impending decision by Fitch on Malaysia's credit rating.</p> |
| <p>Market Outlook</p> | <p>Fitch's reaffirmation of Malaysia's credit rating back to A- (Stable) surprised the market after the rating agency indicated a greater than 50% chance of downgrading Malaysia's A- rating in its previous communications. The view gained strength following Fitch's meeting with Malaysia's Ministry of Finance in early Jun 2015, with consensus viewing the agency's feedback as a clear sign of an impending rating downgrade.</p> <p>Nonetheless, we deciphered Fitch's rating downgrade triggers and opined that Malaysia has largely addressed Fitch's concerns:</p> <ul style="list-style-type: none"> • Fiscal deficit – this has consistently narrowed over the last 3 years and is on track to achieve the target set for 2015 (2012: -4.5%, 2013: -4.0%, 2014: -3.5%, 2015f: -3.2%). • Current account – although the surplus has been declining, Malaysia is still projected to achieve a surplus in 2015 despite lower energy prices (2012: 5.6%, 2013: 3.9%, 2014: 4.4%, 2015f: 2.9%). • Structural budgetary reforms – the government has displayed political will and introduced key reforms, in particular the abolishment of fuel subsidy and introduction of Goods and Services Tax (“GST”). <p>On the concern over the government's rising liabilities (Federal government debt and explicit guarantees), Fitch in their statement on 30 June 2015 believes that the Malaysian sovereign is incurring additional contingent liabilities beyond explicit guarantees and that there is a high probability that sovereign support for 1MDB would be forthcoming if needed. We note that this has been factored in to the agency's decision to affirm the rating and revise the outlook to stable. On balance, Malaysia's sovereign ratings should converge at A3/A-. We view S&P's rating of A- (stable outlook) as fair and there would be need more concrete improvements before Moody's upgrades the current rating of A3 (positive outlook). Key risk factors include the current account and/or Gross Domestic Product (“GDP”) slipping more than expected and further risk of contingent liabilities materializing in the near to medium term that would significantly impact fiscal target.</p> <p>Meanwhile, consensus still expect Malaysia to deliver stable growth of between 4.5% - 5.0% for 2015 and inflation should remain anchored within Bank Negara Malaysia (“BNM”)’s guidance of between 2.5 – 3.5% for the whole of 2015. Given the moderate macroeconomic conditions thus far, we do not expect any change to BNM's stance with regards to the Overnight Policy Rate (“OPR”) in the near term.</p> <p>In the near term, we continue to be guided by the following key trends, which will impact the decision of policy makers:</p> <ul style="list-style-type: none"> • Moderating inflation – As of May 2015, Malaysia's year-on-year (“YoY”) CPI growth remained modest at 2.1%. • Private sector investment – Private sector investment (which rose 13.9% in 2014) has been supporting Malaysia's GDP growth since the introduction of the Economic Transformation Programme (“ETP”) and is expected to continue to do so albeit at a slightly slower pace (high single digit growth). • Exports – Crude oil and refined petroleum products cumulatively account for 13.6% of overall exports. As of April 2015, the drop in Liquefied Natural Gas |

(“LNG”) prices has begun to impact exports negatively. This trend is expected to continue for the next two months.

- Ringgit weakness – The recent depreciation of the Ringgit has benefitted our manufacturers and in particular the Electric and Electronic (“E&E”) sector. While the E&E sector declined marginally by 3% YoY in April, the outlook for the semiconductor sector continue to be positive driven by products such as smartphones and other smart gadgets, especially from the United States.

Finally, we note that Malaysia’s FX reserves remains above the psychological level of USD100billion (USD105.3 as of 15 June 2015) in spite of sizable capital outflows, especially from the equity market. Although the possibility of some upheaval in the capital markets is there (should the FX reserves fall below USD100billion), BNM has reiterated that it has “the strength to intermediate volatile capital flows, thanks to the strong and resilient financial market”, and that any weakness in Ringgit is “expected to be temporary” as the central bank stands ready to maintain orderly conditions in the foreign exchange market.

We had mentioned that volatility in bond yields is expected to persist in the near term as market players contemplate on an eventual rate liftoff by the Fed. This is fully exemplified by the movement of the US treasuries in June where the 10Y US treasury gyrated between 2.25 – 2.50 almost on a weekly basis.

Similarly, the Malaysia Government Securities (“MGS”) market had its own swing as well as the mid to long-end of the local govies faced a sharp sell-off in the first half of the month after the release of positive labour market data in US and in line with the sell-off which happened in global bond markets. At the same time, the Ringgit touched a 9-year high against the US dollar. Nevertheless, the MGS market reverse course after the dovish Federal Open Market Committee (“FOMC”) decision mid-June and rallied further upon the reaffirmation of Fitch’s decision on Malaysia’s credit rating to almost where it was at the beginning of the month.

While we foresee such volatility to persist in the near term, Malaysia’s yield curve remains one of the steepest in the region (in spite of the recent sell off). This factor, together with the favorable demand-supply dynamics in the coming months (net redemptions of RM8.0billion of MGS/GII in Q32015) is likely to provide some support to the market.

In the medium term, the persistent divergence between the Ringgit and MGS yield curve has been explained by Governor Zeti as temporary, with the Ringgit seen as undervalued, and for which will it eventually reflect the underlying fundamentals.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

31 July 2015

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 April 2015 to 30 June 2015, there was one (1) Board of Directors 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 | : 53 years old |
| 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 | : Bank Negara Malaysia Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) Securities Commission Malaysia Assistant Manager, Market Surveillance Department (1993 – 1995) Arab-Malaysian Securities Sdn Bhd Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) AmMerchant Bank Berhad Manager, Corporate Services (1998 – 2000) AmInvestment Services Berhad <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 / Senior Vice President of Operations (Present) |
| Occupation | : Principal Officer/Senior Vice President 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 April 2015 to 30 June 2015) | : 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 financial period (From 1 April 2015 to 30 June 2015) | : Three (3) |
| Family relationship with any director | : None |
| Conflict of interest with the Fund | : None |
| List of convictions for offences within the past 10 years (if any) | : None |

| | |
|--|---|
| Name | : Kok Tuck Cheong |
| Age | : 59 years old |
| Nationality | : Malaysian |
| Qualification | : Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls, University of Southampton. |
| Executive/Non-Executive Director | : Non-Executive Director |
| Independent/Non-Independent Director | : Non-Independent Director |
| Working Experience | : He started his career with AmMerchant Bank Berhad in the Treasury Department before joining the Banking and Corporate Finance Department and later the Investment Department where he served in various positions. He was appointed as General Manager, Banking in January 1989 and later served as Senior General Manager until his appointment as Executive Director in September 2000. |
| Occupation | : Chief Executive Officer of AmInvestment Bank Berhad |
| Date of appointment | : 9 November 2001 |
| Directorship of other public companies | : None |
| Number of Board meeting attended for the financial period (From 1 April 2015 to 30 June 2015) | : One (1) |
| Member of any other Board Committee | : Audit Committee of Directors |
| Date of appointment to the Investment Committee | : Not applicable |
| Number of Investment Committee meetings attended for financial period (From 1 April 2015 to 30 June 2015) | : 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 | : | 56 years old |
| Nationality | : | Malaysian |
| Qualification | : | A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative Licence Holder |
| Executive/Non-Executive Director | : | 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 Services Berhad. |
| Date of appointment | : | 29 December 2005 |
| Directorship of other public companies | : | None |
| Number of Board meeting attended for the financial period (From 1 April 2015 to 30 June 2015) | : | One (1) |
| Member of any other Board Committee | : | None |
| Date of appointment to the Investment Committee | : | Not applicable |
| Number of Investment Committee meetings attended for financial period (From 1 April 2015 to 30 June 2015) | : | 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 | : | Mustafa bin Mohd Nor |
| Age | : | 64 years old |
| Nationality | : | Malaysian |
| Qualification | : | Masters of Arts (Economic Policy), Boston University Bachelor of Economics (Analytical), University of Malaya |
| Executive/Non-Executive Director | : | Non-Executive Director |
| Independent/Non-Independent Director | : | Independent Director |
| Working Experience | : | 1. 1975-1988 : Ministry of Finance-various positions, last as Head, Macroeconomic Section, Economic and |

| | | |
|--|---|--|
| | | <p>International Division</p> <p>2. 1988-1990 : Manager, Treasury Department, Development & Commercial Bank Berhad.</p> <p>3. March 1990-August 1992 : Chief Economist, Arab Malaysian Securities Sdn Bhd</p> <p>4. September 1992-December 2001 : Executive Director/Chief Economist, AmSecurities Sdn Bhd</p> <p>5. January 2002-December 2005 : Managing Director, AmSecurities Sdn Bhd</p> <p>6. January 2006-May 2009 (Retirement) : Economic Advisor, AmInvestment Bank Berhad Group</p> <p>7. September 2009-August 2012 (Contract) : Senior Vice President/Head, Research Division of Permodalan Nasional Berhad</p> |
| Occupation | : | Director |
| Date of appointment | : | 3 March 2014 |
| Directorship of other public companies | : | KUISAS Berhad |
| Number of Board meeting attended for the financial period (From 1 April 2015 to 30 June 2015) | : | One (1) |
| Member of any other Board Committee | : | Investment Committee and Audit Committee of Directors (Independent) |
| Date of appointment to the Investment Committee | : | 3 March 2014 |
| Number of Investment Committee meetings attended for financial period (From 1 April 2015 to 30 June 2015) | : | Three (3) |
| Family relationship with any director | : | None |
| Conflict of interest with the Fund | : | None |
| List of convictions for offences within the past 10 years (if any) | : | None |
| Name | : | Mohd Fauzi bin Mohd Tahir |
| Age | : | 48 years old |
| Nationality | : | Malaysian |
| Qualification | : | <p>1. The Chartered Association of Certified Accountants, Emile Woolf College of Accountancy, England.</p> <p>2. Bachelor of Arts (Hons) in Accounting & Finance, Leeds Metropolitan University, England.</p> <p>3. Capital Markets Services Representative License Holder</p> |
| Executive/Non-Executive Director | : | Non-Executive Director |

| | | |
|--|---|--|
| Independent/Non-Independent Director | : | Non-Independent Director |
| Working Experience | : | <p>1. March 2009 – Present Head, Islamic Equities, AmIslamic Funds Management Sdn Bhd</p> <p>2. August 2005 – February 2009 Head of Islamic Equities, AmInvestment Managemnet Sdn Bhd</p> <p>3. February 2004 – August 2005 Senior Manager, Invesment – Fund Management, American International Assurance Company, Limited</p> <p>4. December 1996 – January 2004 Assistant Vice President, Investment – Equities, Great Eastern Life Assurance (Malaysia) Berhad</p> <p>5. October 1994 – November 1996 Investment Executive, Aseambankers Malaysia Berhad</p> <p>6. April 1993 – September 1994 Internal Audit Executive, Oriental Bank Berhad</p> |
| Occupation | : | Executive Director/Senior Vice President, Islamic Equities, AmIslamic Funds Management Sdn Bhd |
| Date of appointment | : | 1 December 2014 |
| Directorship of other public companies | : | None |
| Number of Board meetings attended for the financial period (From 1 April 2015 to 30 June 2015) | : | One (1) |
| Member of any other Board Committee | : | Nil |
| Date of appointment to the Investment Committee | : | Not applicable |
| Number of Investment Committee meetings attended for the financial period (From 1 April 2015 to 30 June 2015) | : | 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 | : Tai Terk Lin |
| Age | : 54 years old |
| Nationality | : Malaysian |
| Qualification | : 1. Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom. 2. Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia. 3. Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner 4. Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore |
| Executive/Non-Executive Director | : Non-Executive Director |
| Independent/Non-Independent Director | : Independent Director |
| Working Experience | : 1. October 2009 – September 2012 (Oct 2012 with ICB Indonesia) Group Chief Executive Officer of ICB Financial Group Holdings AG, ICB Banking Group 2. January 2009 – August 2009 Executive Director/Head of Business Development(Asia) Pte Ltd, Singapore 3. January 2007 – November 2008 Senior Vice President/Head – Malaysia Coverage, Private Banking of DBS Bank, Singapore 4. March 2002 – December 2006 Directory/Head, Private Banking, AmInvestment Bank Berhad 5. April 1995 – December 2001 Chief Executive Officer, HLB Unit Trust Management Bhd 6. April 1994 – March 1995 Chief Project Manager/Credit Manager of Hong Leong Bank Berhad (Ex-Hong Leong Finance) 7. January 1994 – April 1994 Special Assistant to Executive Chairman, United Merchant Finance Berhad 8. June 1992 – December 1993 Senior Analyst (Executive Chairman's Office), Hong Leong Management Company Sdn Bhd 9. January 1991 – June 1992 Consulting Manager, Corporate Care Division of PricewaterhouseCoopers |

| | |
|--|---|
| Occupation | : Director |
| Date of appointment | : 15 December 2014 |
| Directorship of other public companies | : None |
| Number of Board meeting attended for the financial period (From 1 April 2015 to 30 June 2015) | : One (1) |
| Member of any other Board Committee | : Investment Committee and Audit Committee of Directors (Independent) |
| Date of appointment to the Investment Committee | : 15 December 2014 |
| Number of Investment Committee meetings attended for the financial period (From 1 April 2015 to 30 June 2015) | : Three (3) |
| Family relationship with any director | : None |
| Conflict of interest with the Fund | : None |
| List of convictions for offences within the past 10 years (if any) | : None |

Investment Committee

The Investment Committee, consist of 6 members, of which 3 are independent members. That 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 April 2015 to 30 June 2015, there were three (3) Investment Committee meetings held by the Manager.

- Encik Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Dr Frank Richard Ashe (profile as mentioned below)
- Mr Harinder Pal Singh a/l Joga Singh (profile as mentioned above)
- Y Bhg Dato' Mohd Effendi bin Abdullah (profile as mentioned below)
- Datin Maznah binti Mahbob (profile as mentioned above)

| | |
|---|--|
| Name | : Dato' Mohd Effendi bin Abdullah |
| Age | : 53 |
| Nationality | : Malaysian |
| Qualification | : Bachelor of Economics (major in Accounting and Financial Management), Macquarie University, Australia. |
| Executive/Non-Executive Director | : Not applicable |
| Independent/Non-Independent Director | : Not applicable |
| Working Experience | : AmInvestment Bank Berhad <ul style="list-style-type: none"> • Corporate Banking (1985 – 1993) • Islamic Markets (1993 - present) |

| | |
|--|---|
| Occupation | : Senior Vice President, Islamic Markets of AmInvestment Bank Berhad. |
| Directorship of other public companies | : Islamic Banking and Finance Institute Malaysia (IBFIM) |
| Member of any other Board Committee | : None |
| Date of appointment to the Investment Committee | : 2 September 2013 |
| Number of Investment Committee meetings attended for financial period (From 1 April 2015 to 30 June 2015) | : Three (3) |
| Family relationship with any director | : None |
| Conflict of interest with the Fund | : None |
| List of convictions for offences within the past 10 years (if any) | : None |

| | |
|---|--|
| Name | : Dr. Frank Richard Ashe |
| Age | : 62 years old |
| Nationality | : Australian |
| Qualification | : <ol style="list-style-type: none"> 1. Doctor of Philosophy in Operations Research, University of New South Wales, Australia 2. Bachelor of Arts, (First Class Honours), majoring in Actuarial Studies, Statistics, Pure Mathematics and Applied Mathematics, Macquarie University, Australia <p>AIMR (now the CFA Institute) Investment Management Workshop (Princeton University)</p> |
| Executive/Non-Executive Director | : Not applicable |
| Independent/Non-Independent Director | : Not applicable |
| Working Experience | : <ol style="list-style-type: none"> 1. Independent Consultant January 2007 – ongoing 2. Executive Education 3. Macquarie University Associate Professor – Applied Finance Centre (Full Time : January 2002 – December 2006) (Part Time : January 2007 – December 2014) 4. Manulife Financial - Elliott & Page Asset Management Senior Advisor, Market Risk Management September 1999 – December 2001 5. Freelance Consulting May 1999 – September 1999 6. Structured Investments Group Portfolio Manager, County Investment Management August 1996 – May 1999 7. Macquarie University |

Visiting Fellow, Macquarie Applied Finance Centre
1997 - 2001

8. University of Technology, Sydney : School of Economics

Visiting Lecturer, Master of Business in Finance
1997

9. Condell Vann & Co.

Executive Director
April 1995 – July 1996

10. Quantitative Strategist Legal & General Asset Management, Australia

Executive Director (October 1993 – 1995)
July 1989 – April 1995

11. IFTC and related subsidiary companies :

Equity Systems Limited (ESL), Giltnet, (software companies)

Australian Gilt Options, (futures option market makers)

Australian Gilt Securities (now Rand Merchant Bank, fixed interest dealers),

Australian Gilt Funds Management

September 1986 – June 1989

12. Mercer Campbell Cook and Knight, formerly E.S. Knight & Co.

Consultant and earlier as technical assistant
1980 - 1986

13. Macquarie and New South Wales Universities

Part time tutor in Statistics, Mathematics, and Mechanical Engineering
1975 - 1980

| | |
|--|--------------------------|
| Occupation | : Independent Consultant |
| Directorship of other public companies | : None |
| Member of any other Board Committee | : None |
| Date of appointment to the Investment Committee | : 16 February 2015 |
| Number of Investment Committee meetings attended for financial period (From 1 April 2015 to 30 June 2015) | : Three (3) |
| Family relationship with any director | : None |
| Conflict of interest with the Fund | : None |
| List of convictions for offences within the past 10 years (if any) | : None |

Material Litigation

For the financial period under review, neither the Directors of the management company nor the Manager of the Fund were engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund has also not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the Fund.

Manager

Previously, we have appointed AmInvestment Management Sdn Bhd (“AIM”) to implement the Fund’s investment strategy on behalf of us to achieve the objectives of the Fund. However, following the consolidation of business activities of AmInvestment Services Berhad (“AIS”) and AIM on 1 December 2014, AIS has acquired/assume the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AIS is a licensed fund manager approved by the Securities Commission Malaysia and manages the Fund.

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 2015 to 30 June 2015, there were three (3) Investment Committee meetings held by the Manager.

Unitholders

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

| NAME | Number of Unit Held | Unit Held (%) |
|------------------------------------|--------------------------------|--------------------------|
| HSBC BANK MALAYSIA BERHAD | 654,257,870.00 | 95.11% |
| AMINVESTMENT BANK BERHAD | 28,216,000.00 | 4.1% |
| DEUTSCHE BANK (MALAYSIA) BERHAD | 2,300,000.00 | 0.33% |
| AMINVESTMENT BANK BERHAD | 2,279,630.00 | 0.33% |
| CITIBANK BERHAD | 400,000.00 | 0.058% |
| AFFIN HWANG INVESTMENT BANK BERHAD | 245,000.00 | 0.0356% |
| CITIBANK BERHAD | 140,000.00 | 0.02035% |
| PUBLIC INVESTMENT BANK BERHAD | 15,000.00 | 0.00218% |
| MAYBANK INVESTMENT BANK BERHAD | 12,000.00 | 0.00174% |
| AMINVESTMENT BANK BERHAD | 10,500.00 | 0.001526% |
| CIMB INVESTMENT BANK BERHAD | 9,600.00 | 0.001396% |
| ALLIANCE INVESTMENT BANK BERHAD | 6,000.00 | 0.000872% |
| CIMB INVESTMENT BANK BERHAD | 3,600.00 | 0.000523% |
| HONG LEONG INVESTMENT BANK BERHAD | 3,500.00 | 0.000509% |
| CIMB INVESTMENT BANK BERHAD | 3,100.00 | 0.000451% |
| CIMB INVESTMENT BANK BERHAD | 3,000.00 | 0.000436% |
| INTER-PACIFIC SECURITIES SDN BHD | 3,000.00 | 0.000436% |
| AFFIN HWANG INVESTMENT BANK BERHAD | 2,000.00 | 0.000291% |
| HONG LEONG INVESTMENT BANK BERHAD | 2,000.00 | 0.000291% |
| INTER-PACIFIC SECURITIES SDN BHD | 1,000.00 | 0.000145% |
| CIMB INVESTMENT BANK BERHAD | 1,000.00 | 0.000145% |
| AMINVESTMENT BANK BERHAD | 1,000.00 | 0.000145% |
| CIMB INVESTMENT BANK BERHAD | 1,000.00 | 0.000145% |
| KENANGA INVESTMENT BANK BERHAD | 1,000.00 | 0.000145% |
| MAYBANK INVESTMENT BANK BERHAD | 1,000.00 | 0.000145% |
| CIMB INVESTMENT BANK BERHAD | 700.00 | 0.000102% |
| KENANGA INVESTMENT BANK BERHAD | 500.00 | 0.000073% |
| HONG LEONG INVESTMENT BANK BERHAD | 400.00 | 0.000058% |
| MAYBANK INVESTMENT BANK BERHAD | 300.00 | 0.000044% |
| MAYBANK INVESTMENT BANK BERHAD | 300.00 | 0.000044% |

STATEMENT OF FINANCIAL POSITION

As At 30 June 2015

| | Note | 30-6-2015 (unaudited) RM | 31-12-2014 (audited) RM |
|---|----------|--------------------------------|-------------------------------|
| ASSETS | | | |
| Investments | 4 | 708,654,463 | 689,082,951 |
| Deposits with financial institutions | 5 | 25,521,092 | 23,528,449 |
| Cash at banks | | 1,596 | 2,212 |
| TOTAL ASSETS | | <u>734,177,151</u> | <u>712,613,612</u> |
| LIABILITIES | | | |
| Amount due to Manager | 6 | 63,707 | 63,008 |
| Amount due to Trustee | 7 | 31,853 | 31,504 |
| Amount due to index provider | 8 | 63,108 | 62,568 |
| Distributions payable | | 11,557,086 | 26,416,872 |
| Sundry payables and accrued expenses | | 145,218 | 145,222 |
| TOTAL LIABILITIES | | <u>11,860,972</u> | <u>26,719,174</u> |
| EQUITY | | | |
| Unitholders' capital | 11(a) | 722,136,910 | 693,348,293 |
| Retained earnings/(accumulated loss) | 11(b)(c) | 179,269 | (7,453,855) |
| TOTAL EQUITY | 11 | <u>722,316,179</u> | <u>685,894,438</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>734,177,151</u> | <u>712,613,612</u> |
| UNITS IN CIRCULATION | 11(a) | <u>687,921,800</u> | <u>660,421,800</u> |
| NET ASSET VALUE PER UNIT – EX DISTRIBUTION | | <u>105.00 sen</u> | <u>103.86 sen</u> |

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

STATEMENT OF COMPREHENSIVE INCOME (*Unaudited*)

For The Financial Period From 1 April 2015 To 30 June 2015

| | Note | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
|--|------|--------------------------------|--------------------------------|
| INVESTMENT INCOME | | | |
| Interest income | | 6,713,408 | 6,205,147 |
| Net (loss)/gain from investments: | | | |
| – Financial assets at fair value through profit or loss (“FVTPL”) | 10 | <u>(1,246,307)</u> | <u>3,800,148</u> |
| Gross Income | | <u>5,467,101</u> | <u>10,005,295</u> |
| EXPENDITURE | | | |
| Manager’s fee | 6 | 180,694 | 173,302 |
| Trustee’s fee | 7 | 90,347 | 121,312 |
| Licence fee | 8 | 26,392 | 25,653 |
| Auditors’ remuneration | | 1,920 | 1,920 |
| Tax agent’s fee | | 748 | 997 |
| Other expenses | 9 | <u>19,408</u> | <u>2,218</u> |
| Total Expenditure | | <u>319,509</u> | <u>325,402</u> |
| NET INCOME BEFORE TAX | | 5,147,592 | 9,679,893 |
| LESS: INCOME TAX | 13 | <u>-</u> | <u>-</u> |
| NET INCOME AFTER TAX | | 5,147,592 | 9,679,893 |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u><u>5,147,592</u></u> | <u><u>9,679,893</u></u> |
| Total comprehensive income comprises the following: | | | |
| Realised income | | 6,843,113 | 5,974,252 |
| Unrealised (loss)/gain | | <u>(1,695,521)</u> | <u>3,705,641</u> |
| | | <u>5,147,592</u> | <u>9,679,893</u> |
| Distribution for the period: | | | |
| Net distribution | 14 | <u>11,557,086</u> | <u>-</u> |
| Gross/net distribution per unit (sen) | 14 | <u><u>1.68</u></u> | <u><u>-</u></u> |

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

STATEMENT OF CHANGES IN EQUITY (Unaudited)*For The Financial Period From 1 April 2015 To 30 June 2015*

| | | Unitholders' capital RM | Retained earnings RM | Total equity RM |
|---|-------|--|-------------------------------------|--------------------------------|
| At 1 April 2014 | | 680,206,741 | 9,696,630 | 689,903,371 |
| Total comprehensive income for the period | | <u>-</u> | <u>9,679,893</u> | <u>9,679,893</u> |
| Balance at 30 June 2014 | | <u>680,206,741</u> | <u>19,376,523</u> | <u>699,583,264</u> |
| At 1 April 2015 | | 693,348,293 | 6,188,880 | 699,537,173 |
| Total comprehensive income for the period | | - | 5,147,592 | 5,147,592 |
| Creation of units | 11(a) | 29,188,500 | - | 29,188,500 |
| Distributions | 14 | <u>(399,883)</u> | <u>(11,157,203)</u> | <u>(11,557,086)</u> |
| Balance at 30 June 2015 | | <u>722,136,910</u> | <u>179,269</u> | <u>722,316,179</u> |

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

STATEMENT OF CASH FLOWS (Unaudited)*For The Financial Period From 1 April 2015 To 30 June 2015*

| | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
|--|---|---|
| CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 99,008,078 | 35,296,870 |
| Interest received | 6,583,014 | 5,345,432 |
| Manager's fee paid | (178,092) | (172,649) |
| Trustee's fee paid | (89,047) | (120,856) |
| Tax agent's fee paid | (4,000) | (4,000) |
| Licence fee paid | (25,630) | (47,787) |
| Payments for other expenses | (20,508) | (971) |
| Purchase of investments | <u>(120,932,000)</u> | <u>(19,445,000)</u> |
| Net cash (used in)/generated from operating and investing activities | <u>(15,658,185)</u> | <u>20,851,039</u> |
| CASH FLOW FROM FINANCING ACTIVITY | | |
| Proceeds from creation of units | <u>29,188,500</u> | <u>-</u> |
| Net cash generated from financing activity | <u>29,188,500</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,530,315 | 20,851,039 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>11,992,373</u> | <u>2,107,063</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u><u>25,522,688</u></u> | <u><u>22,958,102</u></u> |
| Cash and cash equivalents comprise: | | |
| Deposits with financial institutions | 25,521,092 | 22,956,607 |
| Cash at banks | <u>1,596</u> | <u>1,495</u> |
| | <u><u>25,522,688</u></u> | <u><u>22,958,102</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and are 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 effective during the financial period

The adoption of MFRS which have been effective during the financial period did not have any material financial impact to the financial statements.

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 |
|---|--|
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 9: Financial Instruments | 1 January 2018 |

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 reflects International Accounting Standards Board's ("IASB") work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"). MFRS 9 has a mandatory effective date of 1 January 2018 and early adoption is allowed. The Fund is in the process of quantifying the impact of the first adoption of MFRS 9.

Goods and Services Tax

The Goods and Services Tax ("GST") was implemented in Malaysia effective 1 April 2015. The fund is classified under "Exempt Supply" and is therefore not required to register for Goods and Services Tax ("GST"). Effective from 1 April 2015, fees and expenses incurred by the Fund, where relevant, are recognised in the Statement of Comprehensive Income excluding 6% GST charged by the respective suppliers of services. The 6% GST incurred will be recognised as other expenses in the Statement of Comprehensive Income.

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. The functional currency of the Fund is Ringgit Malaysia which reflects the currency 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/addition to 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 premium and accretion of discount, if any, calculated over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised 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 the next financial period.

4. INVESTMENTS

| | 30-6-2015 | 31-12-2014 |
|---|--------------------|--------------------|
| | RM | RM |
| Financial assets at FVTPL | | |
| At nominal value: | | |
| Corporate bonds (low risk asset as accorded by Bank Negara Malaysia) | 10,000,000 | 10,000,000 |
| Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia) | 85,000,000 | 140,000,000 |
| Malaysian Government Securities | 450,800,000 | 390,800,000 |
| Government Investment Issues | 155,000,000 | 148,460,000 |
| | <u>700,800,000</u> | <u>689,260,000</u> |
| At fair value: | | |
| Corporate bonds (low risk asset as accorded by Bank Negara Malaysia) | 10,139,915 | 10,165,260 |
| Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia) | 88,382,658 | 142,470,529 |
| Malaysian Government Securities | 455,190,979 | 390,131,162 |
| Government Investment Issues | 154,940,911 | 146,316,000 |
| | <u>708,654,463</u> | <u>689,082,951</u> |

Details of investments as at 30 June 2015 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 % |
|--|---------------------------------|----------------------|-------------------------|----------------------|-------------------------|--|
| Corporate bond (low risk asset as accorded by Bank Negara Malaysia) | | | | | | |
| 02.02.2017 | The Export-Import Bank of Korea | AAA | 10,000,000 | 10,139,915 | 10,177,205 | 1.40 |
| Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia) | | | | | | |
| 14.06.2022 | Johor Corporation | NR | 50,000,000 | 48,989,165 | 50,375,302 | 6.78 |
| 27.05.2039 | 1Malaysia Development Berhad | NR | 35,000,000 | 39,393,493 | 38,995,582 | 5.46 |
| | | | 85,000,000 | 88,382,658 | 89,370,884 | 12.24 |
| Malaysian Government Securities | | | | | | |
| 15.07.2016 | Government of Malaysia | NR | 10,000,000 | 10,161,333 | 10,125,778 | 1.40 |
| 15.09.2016 | Government of Malaysia | NR | 50,800,000 | 52,144,165 | 51,999,827 | 7.22 |
| 15.02.2017 | Government of Malaysia | NR | 20,000,000 | 20,506,907 | 20,322,582 | 2.84 |
| 15.03.2017 | Government of Malaysia | NR | 20,000,000 | 20,278,447 | 20,084,668 | 2.81 |
| 31.10.2017 | Government of Malaysia | NR | 10,000,000 | 10,082,233 | 10,074,747 | 1.39 |
| 01.03.2018 | Government of Malaysia | NR | 40,000,000 | 40,287,104 | 40,112,604 | 5.58 |
| 30.07.2019 | Government of Malaysia | NR | 10,000,000 | 11,033,765 | 11,017,759 | 1.53 |
| 31.10.2019 | Government of Malaysia | NR | 30,000,000 | 30,215,700 | 30,162,753 | 4.18 |
| 31.03.2020 | Government of Malaysia | NR | 40,000,000 | 40,019,108 | 40,758,701 | 5.54 |
| 31.07.2020 | Government of Malaysia | NR | 10,000,000 | 10,243,492 | 10,322,938 | 1.42 |
| 15.10.2020 | Government of Malaysia | NR | 30,000,000 | 30,308,937 | 30,316,126 | 4.20 |
| 30.09.2021 | Government of Malaysia | NR | 20,000,000 | 20,395,506 | 20,513,319 | 2.82 |

(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 | | | | | | |
| 30.09.2022 | Government of Malaysia | NR | 20,000,000 | 19,994,787 | 20,239,535 | 2.77 |
| 15.07.2024 | Government of Malaysia | NR | 10,000,000 | 10,304,880 | 10,456,160 | 1.43 |
| 15.09.2025 | Government of Malaysia | NR | 40,000,000 | 40,251,796 | 40,329,941 | 5.57 |
| 15.04.2026 | Government of Malaysia | NR | 25,000,000 | 25,843,500 | 26,437,155 | 3.58 |
| 15.03.2027 | Government of Malaysia | NR | 10,000,000 | 9,859,782 | 10,271,431 | 1.36 |
| 15.06.2028 | Government of Malaysia | NR | 35,000,000 | 33,345,617 | 32,712,106 | 4.62 |
| 15.04.2033 | Government of Malaysia | NR | 10,000,000 | 9,452,871 | 9,925,460 | 1.31 |
| 30.09.2043 | Government of Malaysia | NR | 10,000,000 | 10,461,049 | 10,715,324 | 1.45 |
| | | | <u>450,800,000</u> | <u>455,190,979</u> | <u>456,898,914</u> | <u>63.02</u> |
| Government Investment Issues | | | | | | |
| 15.06.2017 | Government of Malaysia | NR | 5,000,000 | 5,063,114 | 5,023,892 | 0.70 |
| 30.08.2017 | Government of Malaysia | NR | 30,000,000 | 30,283,188 | 30,218,478 | 4.19 |
| 30.04.2019 | Government of Malaysia | NR | 20,000,000 | 20,030,600 | 19,987,063 | 2.77 |
| 15.05.2020 | Government of Malaysia | NR | 20,000,000 | 19,902,850 | 20,159,101 | 2.76 |
| 27.08.2020 | Government of Malaysia | NR | 10,000,000 | 10,161,131 | 10,130,132 | 1.41 |
| 23.03.2021 | Government of Malaysia | NR | 10,000,000 | 9,991,978 | 9,975,215 | 1.38 |
| 30.04.2021 | Government of Malaysia | NR | 10,000,000 | 10,184,500 | 10,398,676 | 1.41 |
| 31.10.2023 | Government of Malaysia | NR | 10,000,000 | 9,609,217 | 9,569,684 | 1.33 |
| 22.05.2024 | Government of Malaysia | NR | 10,000,000 | 10,266,043 | 10,361,860 | 1.42 |
| 15.10.2025 | Government of Malaysia | NR | 10,000,000 | 9,986,200 | 10,104,915 | 1.38 |

(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 | 20,000,000 | 19,462,090 | 20,282,048 | 2.70 |
| | | | 155,000,000 | 154,940,911 | 156,211,064 | 21.45 |
| Total financial assets at FVTPL | | | 700,800,000 | 708,654,463 | 712,658,067 | 98.11 |
| Shortfall of fair value over cost | | | | (4,003,604) | | |

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

| | Effective yield* | |
|---------------------------------|-------------------------|-------------------------|
| | 30-6-2015 % | 31-12-2014 % |
| Corporate bond | 4.30 | 4.07 |
| Quasi-Government Bonds | 4.51 | 4.71 |
| Malaysian Government Securities | 3.63 | 3.80 |
| Government Investment Issues | 3.74 | 3.92 |

* As provided by Markit Indices Limited

Analyses of the remaining maturity of unquoted investments as at 30 June 2015 and 31 December 2014 are as follows:

| | 1 year to 5 years RM | More than 5 years RM |
|---------------------------------|-------------------------------------|-------------------------------------|
| 2015 | | |
| At nominal value: | | |
| Corporate bond | 10,000,000 | - |
| Quasi-Government Bonds | - | 85,000,000 |
| Malaysian Government Securities | 230,800,000 | 220,000,000 |
| Government Investment Issues | 75,000,000 | 80,000,000 |
| 2014 | | |
| At nominal value: | | |
| Corporate bond | 10,000,000 | - |
| Quasi-Government Bonds | - | 140,000,000 |
| Malaysian Government Securities | 240,800,000 | 150,000,000 |
| Government Investment Issues | 78,460,000 | 70,000,000 |

5. DEPOSITS WITH FINANCIAL INSTITUTIONS

| | 30-6-2015 RM | 31-12-2014 RM |
|---|-------------------|-------------------|
| At nominal value: | | |
| Short-term deposits with licensed banks | <u>25,518,400</u> | <u>23,526,000</u> |
| At carrying value: | | |
| Short-term deposits with licensed banks | <u>25,521,092</u> | <u>23,528,449</u> |

Details of deposits with financial institutions as at 30 June 2015 are as follows:

| Maturity date | Bank | Nominal value RM | Carrying value RM | Purchase cost RM | Carrying value as a percentage of net asset value % |
|--|--------------------|---------------------|----------------------|---------------------|--|
| Short-term deposits with licensed banks | | | | | |
| 01.07.2015 | CIMB Bank Berhad | 20,000,000 | 20,002,110 | 20,000,000 | 2.77 |
| 01.07.2015 | Public Bank Berhad | <u>5,518,400</u> | <u>5,518,982</u> | <u>5,518,400</u> | <u>0.76</u> |
| | | <u>25,518,400</u> | <u>25,521,092</u> | <u>25,518,400</u> | <u>3.53</u> |

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

| | Weighted average effective interest rate | | Remaining maturity | |
|---|--|-----------------|--------------------|--------------------|
| | 30-6-2015 % | 31-12-2014 % | 30-6-2015 Day | 31-12-2014 Days |
| Short-term deposits with licensed banks | <u>3.85</u> | <u>3.80</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 (2014: 0.10%).

The normal credit period in the previous and current financial year/period for Manager's fee payable is one month.

7. AMOUNT DUE TO TRUSTEE

Up until 30 September 2014, 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 (2014: 0.07%).

Effective from 1 October 2014, the Trustee's fee was charged at a rate of 0.05% per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous and current financial year/period for Trustee's fee payable is one month.

8. **AMOUNT DUE TO INDEX PROVIDER**

Amount due to index provider is the licence fee payable to Markit Indices Limited, 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. **OTHER EXPENSES**

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM 16,262 (2014: nil).

10. **NET (LOSS)/GAIN FROM INVESTMENTS**

| | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
|---|---|---|
| Net (loss)/gain on financial assets at FVTPL comprised: | | |
| – Net realised gain on sale of investments | 449,214 | 94,507 |
| – Net unrealised (loss)/gain on changes in fair values of investments | <u>(1,695,521)</u> | <u>3,705,641</u> |
| | <u><u>(1,246,307)</u></u> | <u><u>3,800,148</u></u> |

11. TOTAL EQUITY

Total equity is represented by:

| | Note | 30-6-2015 RM | 31-12-2014 RM |
|--------------------------------------|------|--------------------|--------------------|
| Unitholders' capital | (a) | 722,136,910 | 693,348,293 |
| Retained earnings/(accumulated loss) | | | |
| – Realised income | (b) | 4,182,873 | 3,181,692 |
| – Unrealised loss | (c) | (4,003,604) | (10,635,547) |
| | | <u>722,316,179</u> | <u>685,894,438</u> |

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

| | 1-4-2015 to 30-6-2015 | | 1-1-2014 to 31-12-2014 | |
|--|-----------------------|--------------------|------------------------|--------------------|
| | Number of units | RM | Number of units | RM |
| At beginning of the period/year | 660,421,800 | 693,348,293 | 647,421,800 | 680,157,976 |
| Creation/adjustment during the period/year | 27,500,000 | 29,188,500 | 13,000,000 | 14,006,866 |
| Distributions out of distribution/loss equalisation | - | (399,883) | - | (816,549) |
| At end of the period/year | <u>687,921,800</u> | <u>722,136,910</u> | <u>660,421,800</u> | <u>693,348,293</u> |

(b) REALISED – DISTRIBUTABLE

| | 1-4-2015 to 30-6-2015 RM | 1-1-2014 to 31-12-2014 RM |
|---|--------------------------------|---------------------------------|
| At beginning of the period/year | 8,496,963 | 22,878,849 |
| Total comprehensive income for the period/year | 5,147,592 | 26,911,893 |
| Net unrealised loss/(gain) attributable to investments held transferred to unrealised reserve [Note 11(c)] | 1,695,521 | (8,060,291) |
| Distributions out of realised reserve | (11,157,203) | (38,548,759) |
| Net decrease in realised reserve for the period/year | <u>(4,314,090)</u> | <u>(19,697,157)</u> |
| At end of the period/year | <u>4,182,873</u> | <u>3,181,692</u> |

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

| | 1-4-2015 to 30-6-2015 RM | 1-1-2014 to 31-12-2014 RM |
|--|---|--|
| At beginning of the period/year | (2,308,083) | (18,695,838) |
| Net unrealised (loss)/gain attributable to investments held transferred from realised reserve [Note 11(b)] | <u>(1,695,521)</u> | <u>8,060,291</u> |
| At end of the period/year | <u>(4,003,604)</u> | <u>(10,635,547)</u> |

12. **UNITS HELD BY RELATED PARTIES**

| | 1-4-2015 to 30-6-2015 | | 1-1-2014 to 31-12-2014 | |
|----------------------------------|------------------------------|-------------------|-------------------------------|------------------|
| | Number of units | RM | Number of units | RM |
| Parties related to the Manager * | <u>30,507,430</u> | <u>32,063,309</u> | <u>2,425,730</u> | <u>2,510,631</u> |

* The parties related to the Manager are the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 30 June 2015 and 31 December 2014.

13. **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 are as follows:

| | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
|--|---|---|
| Net income before tax | <u>5,147,592</u> | <u>9,679,893</u> |
| Taxation at Malaysian statutory rate of 25% | 1,286,900 | 2,420,000 |
| Tax effects of: | | |
| Income not subject to tax | (1,790,700) | (2,501,300) |
| Loss not deductible for tax purpose | 423,900 | - |
| Restriction on tax deductible expenses for unit trust fund | 41,100 | 39,400 |
| Non-permitted expenses for tax purposes | 34,200 | 37,500 |
| Permitted expenses not used and not available for future periods | <u>4,600</u> | <u>4,400</u> |
| Tax expense for the financial period | <u>-</u> | <u>-</u> |

14. DISTRIBUTION

Distribution to unitholders declared on 15 June 2015 is from the following sources:

| | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
|--|---|---|
| Undistributed net income brought forward | 6,276,373 | - |
| Interest income | 4,868,522 | - |
| Net realised gain on sale of investments | 331,817 | - |
| Distribution/loss equalisation | 399,883 | - |
| | <u>11,876,595</u> | - |
| Less: Expenses | (319,509) | - |
| | <u>11,557,086</u> | - |
| Total amount of distribution | <u>11,557,086</u> | - |
| Gross/net distribution per unit (sen) | <u>1.68</u> | - |
| Distribution made out of: | | |
| – Realised reserve | 11,157,203 | - |
| – Distribution/loss equalisation | 399,883 | - |
| | <u>11,557,086</u> | - |
| Comprising: | | |
| Cash distribution | <u>11,557,086</u> | - |

Included in the distribution for the financial period ended 30 June 2015 was an amount of RM6,276,373 distributed from previous financial periods realised income.

The above distribution has been proposed before taking into account the net unrealised loss of RM4,003,604 which are carried forward to the next financial period.

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

| | 1-4-2015 to 30-6-2015 % p.a. | 1-4-2014 to 30-6-2014 % p.a. |
|---------------------|---|---|
| Manager’s fee | 0.10 | 0.10 |
| Trustee’s fee | 0.05 | 0.07 |
| Licence fee | 0.02 | 0.01 |
| Fund other expenses | 0.01 | 0.01 |
| | <u>0.18</u> | <u>0.19</u> |
| Total MER | <u>0.18</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.

16. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which 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 0.15 times (2014: 0.03 times).

17. 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 a separately identifiable business or geographical segments.

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period ended 30 June 2015 are as follows:

| Financial institutions | Transaction value | |
|---|----------------------|---------------|
| | RM | % |
| CIMB Bank Berhad | 505,293,761 | 38.06 |
| Public Bank Berhad | 503,706,700 | 37.94 |
| Standard Chartered Bank Malaysia Berhad | 131,505,019 | 9.91 |
| RHB Bank Berhad | 100,000,000 | 7.53 |
| RHB Investment Bank Berhad | 36,089,066 | 2.72 |
| Bank Islam Malaysia Berhad | 30,617,606 | 2.31 |
| Citibank Berhad | 20,318,625 | 1.53 |
| Total | <u>1,327,530,777</u> | <u>100.00</u> |

There was no transaction with financial institutions related to the Manager.

The above transactions were in respect of fixed income instruments and money market deposits. Transactions in these investments do not involve any commission or brokerage.

19. 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 June 2015 | | | | |
| Assets | | | | |
| Investments | 708,654,463 | - | - | 708,654,463 |
| Deposits with financial institutions | - | 25,521,092 | - | 25,521,092 |
| Cash at banks | - | 1,596 | - | 1,596 |
| Total financial assets | <u>708,654,463</u> | <u>25,522,688</u> | <u>-</u> | <u>734,177,151</u> |
| Liabilities | | | | |
| Amount due to Manager | - | - | 63,707 | 63,707 |
| Amount due to Trustee | - | - | 31,853 | 31,853 |
| Amount due to index provider | - | - | 63,108 | 63,108 |
| Distributions payable | - | - | 11,557,086 | 11,557,086 |
| Sundry payables and accrued expenses | - | - | 145,218 | 145,218 |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>11,860,972</u> | <u>11,860,972</u> |
| 31 December 2014 | | | | |
| Assets | | | | |
| Investments | 689,082,951 | - | - | 689,082,951 |
| Deposits with financial institutions | - | 23,528,449 | - | 23,528,449 |
| Cash at banks | - | 2,212 | - | 2,212 |
| Total financial assets | <u>689,082,951</u> | <u>23,530,661</u> | <u>-</u> | <u>712,613,612</u> |
| Liabilities | | | | |
| Amount due to Manager | - | - | 63,008 | 63,008 |
| Amount due to Trustee | - | - | 31,504 | 31,504 |
| Amount due to index provider | - | - | 62,568 | 62,568 |
| Distributions payable | - | - | 26,416,872 | 26,416,872 |
| Sundry payables and accrued expenses | - | - | 145,222 | 145,222 |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>26,719,174</u> | <u>26,719,174</u> |

| | Income, expense, gains and losses | |
|---|--|---|
| | 1-4-2015 to 30-6-2015 RM | 1-4-2014 to 30-6-2014 RM |
| Net (loss)/gain from financial assets at FVTPL | (1,246,307) | 3,800,148 |
| Income, of which derived from: | | |
| – Interest income from financial assets at FVTPL | 6,572,995 | 6,086,474 |
| – Interest income from loans and receivables | 140,413 | 118,673 |
| (b) Financial instruments that are carried at fair value | | |

The Fund's financial assets at FVTPL are carried at fair value.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly; or

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 30 June 2015 | | | | |
| Financial assets at FVTPL | - | 708,654,463 | - | 708,654,463 |
| 31 December 2014 | | | | |
| Financial assets at FVTPL | - | 689,082,951 | - | 689,082,951 |

(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.

20. RISK MANAGEMENT POLICIES

The Fund is exposed to a variety of risks that include 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.

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 |
| 2015 | 0.43 | 0.43 |
| Average daily | 0.41 | 0.41 |
| Highest | 0.43 | 0.43 |
| Lowest | 0.39 | 0.39 |

(Forward)

| | Value-at-Risk (%) | |
|---------------|--------------------|-----------|
| | Interest rate risk | Total VaR |
| 2014 | 0.26 | 0.26 |
| Average daily | 0.29 | 0.29 |
| Highest | 0.31 | 0.31 |
| Lowest | 0.26 | 0.26 |

Based on Gaussian VaR, using historical weekly data for the past 180 weeks, the Fund's portfolio had a daily 1% Value-at-Risk (VaR) of approximately 0.43% (2014: 0.26%). This implies that not more than 1 out of 100 trading days the Fund would record a daily loss exceeding 0.43% (2014: 0.26%) 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 in fixed income instruments. As such the Fund would be exposed to the risk of bond issuers defaulting on its repayment obligations which in turn would affect 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 counterparties.

(a) Credit quality of financial assets

The following table analyses the Fund's portfolio of debt securities by rating category as at 30 June 2015 and 30 June 2014:

| Credit rating | RM | As a % of debt securities | As a % of net asset value |
|---------------|--------------------|---------------------------|---------------------------|
| 2015 | | | |
| NR* | 698,514,548 | 98.57 | 96.71 |
| AAA | 10,139,915 | 1.43 | 1.40 |
| | <u>708,654,463</u> | <u>100.00</u> | <u>98.11</u> |
| 2014 | | | |
| NR* | <u>676,925,418</u> | <u>100.00</u> | <u>96.76</u> |

* Non-rated

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 June 2015 and 30 June 2014:

| Credit rating | RM | As a % of deposit | As a % of net asset value |
|---------------|-------------------|-------------------|---------------------------|
| 2015 | | | |
| P1/MARC-1 | <u>25,521,092</u> | <u>100.00</u> | <u>3.53</u> |
| 2014 | | | |
| P1/MARC-1 | <u>22,956,607</u> | <u>100.00</u> | <u>3.28</u> |

Cash at banks are held for liquidity purposes and are not exposed to significant credit risk.

(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 2015 and 30 June 2014:

| Sector | RM | As a % of debt securities | As a % of net asset value |
|--------------------|--------------------|------------------------------|------------------------------|
| 2015 | | | |
| Financial services | 10,139,915 | 1.43 | 1.40 |
| Public Finance | <u>698,514,548</u> | <u>98.57</u> | <u>96.71</u> |
| | <u>708,654,463</u> | <u>100.00</u> | <u>98.11</u> |
| 2014 | | | |
| Public Finance | <u>676,925,418</u> | <u>100.00</u> | <u>96.76</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 cancellations 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: \$ = 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 the undiscounted contractual cash flows from different asset and liability 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 |
| 2015 | | | | | | |
| Financial assets | | | | | | |
| Investments | 27,449,696 | 142,008,548 | 102,259,700 | 40,293,650 | 118,747,250 | 489,506,200 |
| Deposits with financial institutions | 25,521,092 | - | - | - | - | - |
| Cash at banks | 1,596 | - | - | - | - | - |
| Total assets | 52,972,384 | 142,008,548 | 102,259,700 | 40,293,650 | 118,747,250 | 489,506,200 |
| Financial liabilities | | | | | | |
| Other liabilities | 11,860,972 | - | - | - | - | - |
| 2014 | | | | | | |
| Financial assets | | | | | | |
| Investments | 26,314,998 | 90,203,248 | 172,219,500 | 67,210,452 | 35,868,252 | 468,720,606 |
| Deposits with financial institutions | 22,956,607 | - | - | - | - | - |
| Cash at banks | 1,495 | - | - | - | - | - |
| Total assets | 49,273,100 | 90,203,248 | 172,219,500 | 67,210,452 | 35,868,252 | 468,720,606 |
| Financial liabilities | | | | | | |
| Other liabilities | 300,256 | - | - | - | - | - |

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.

21. 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.

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 2015 and 30 June 2014.

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