

ABF Malaysia Bond Index Fund

Quarterly Report

30 September 2015

TRUST DIRECTORY

Manager

AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)
9th & 10th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Board of Directors

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

AmFunds Management Berhad
(formerly known as 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
Tel: 03-2075 7800 Fax: 03-2026 1273

CONTENTS

1	Manager's Report
14	Additional Information
25	Statement of Financial Position
26	Statement of Comprehensive Income
27	Statement of Changes in Equity
28	Statement of Cash Flows
29	Notes to the Financial Statements
50	Directory

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 July 2015 to 30 September 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 September 2015 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VJ100354	Cagamas Berhad	3.850	20 October 2016	500,000,000
	UI110086	Cagamas Berhad	3.730	11 November 2016	825,000,000
	GN060019	Government of Malaysia	3.820	15 November 2016	11,000,000,000
	UI120008	The Export-Import Bank of Korea	4.070	02 February 2017	500,000,000
	UN070014	Asian Development Bank	4.000	08 February 2017	500,000,000
	MN070002	Government of Malaysia	3.814	15 February 2017	9,500,000,000
	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
	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
	(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	8,786,560,000
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
VI140036	Syarikat Prasarana Negara Berhad	4.080	12 March 2019	1,500,000,000
MH150005	Government of Malaysia	3.759	15 March 2019	4,000,000,000
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	7,315,545,000
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
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MK130006	Government of Malaysia	3.889	31 July 2020	7,973,060,000
GJ150002	Government of Malaysia	3.799	27 August 2020	7,000,000,000
VI150192	Pengurusan Air SPV Berhad	4.280	28 September 2020	700,000,000
MJ150003	Government of Malaysia	3.659	15 October 2020	7,500,000,000
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
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	10,000,000,000
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	0.000	14 August 2023	2,000,000,000
GO130033	Government of Malaysia	3.493	31 October 2023	4,000,000,000
DS090052	Khazanah Nasional Berhad	-	20 March 2024	1,500,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	10,000,000,000
VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
GO150004	Government of Malaysia	3.990	15 October 2025	7,500,000,000
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	Malaysia Government Bond	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
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	Malaysia Government Bond	4.498	15 April 2030	10,520,000,000
MX110004	Malaysia Government Bond	4.232	30 June 2031	3,500,000,000
MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
DX120016	Khazanah Nasional Berhad	-	3 September 2032	1,000,000,000
MX130004	Malaysia Government Bond	3.844	15 April 2033	4,500,000,000
GX130068	Malaysia Government Investment Issue	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	Malaysia Government Bond	4.254	31 May 2035	2,000,000,000
VZ140102	DanaInfra Nasional Berhad	5.380	21 April 2039	700,000,000
VZ090248	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090241	1Malaysia Development Bhd	5.750	27 May 2039	600,000,000
VZ090245	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090246	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ090247	1Malaysia Development Bhd	5.750	27 May 2039	650,000,000
VZ150047	DanaInfra Nasional Berhad	4.950	6 April 2040	1,000,000,000
MZ130007	Malaysia Government Bond	4.935	30 September 2043	6,500,000,000
VZ150046	DanaInfra Nasional Berhad	5.050	6 April 2045	1,000,000,000

(Source: Markit Indices Limited)

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. <table border="1"> <thead> <tr> <th rowspan="2">Size of holding</th> <th colspan="2">As at 30 September 2015</th> <th colspan="2">As at 30 June 2015</th> </tr> <tr> <th>No of units held</th> <th>Number of unitholders</th> <th>No of units held</th> <th>Number of unitholders</th> </tr> </thead> <tbody> <tr> <td>Less than 100</td> <td>200</td> <td>5</td> <td>200</td> <td>5</td> </tr> <tr> <td>100 – 1,000</td> <td>9,700</td> <td>22</td> <td>9,800</td> <td>23</td> </tr> <tr> <td>1,001 -10,000</td> <td>40,800</td> <td>10</td> <td>35,800</td> <td>9</td> </tr> <tr> <td>10,001 – 100,000</td> <td>38,500</td> <td>3</td> <td>37,500</td> <td>3</td> </tr> <tr> <td>100,001 to less than 5% of issue units</td> <td>33,574,730</td> <td>6</td> <td>33,580,630</td> <td>6</td> </tr> <tr> <td>5% and above of issue units</td> <td>654,257,870</td> <td>1</td> <td>654,257,870</td> <td>1</td> </tr> </tbody> </table>	Size of holding	As at 30 September 2015		As at 30 June 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	9,700	22	9,800	23	1,001 -10,000	40,800	10	35,800	9	10,001 – 100,000	38,500	3	37,500	3	100,001 to less than 5% of issue units	33,574,730	6	33,580,630	6	5% and above of issue units	654,257,870	1	654,257,870	1
Size of holding	As at 30 September 2015		As at 30 June 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	9,700	22	9,800	23																																				
1,001 -10,000	40,800	10	35,800	9																																				
10,001 – 100,000	38,500	3	37,500	3																																				
100,001 to less than 5% of issue units	33,574,730	6	33,580,630	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 period as at 30 September 2015, 30 June 2015 and three financial years as at 31 December are as follows:				
	As at 30-9-2015*	As at 30-6-2015*	FY 2014*	FY 2013*	FY 2012*
	%	%	%	%	%
Corporate bonds	1.40	1.40	1.48	-	-
Malaysian Government Securities	85.09	84.47	78.21	92.21	81.66
Quasi-Government bonds	12.09	12.24	20.77	8.49	13.77
Cash and others	1.42	1.89	(0.46)	(0.70)	4.57
Total	100.00	100.00	100.00	100.00	100.00
<p><i>Note:</i></p> <p><i>*The abovementioned percentages are calculated based on total net asset value. Previously, the percentages were calculated based on total investment market value plus cash. In line with this change, the abovementioned percentages for 30 June 2015 and three financial years ended 31 December have been restated accordingly.</i></p>					

**Performance
Details**

Performance details of the Fund for the financial period ended 30 September 2015, 30 June 2015 and three financial years ended 31 December are as follows:

	As at 30-9-2015	As at 30-6-2015	FY 2014	FY 2013	FY 2012
Net asset value (RM)	717,292,768	722,316,179	685,894,438	684,340,987	584,660,282
Units in circulation	687,921,800	687,921,800	660,421,800	647,421,800	537,421,800
Net asset value per unit (RM)	1.0427*	1.0500	1.0386	1.0570	1.0879
Highest net asset value per unit (RM)	1.0557*	1.0655	1.0841	1.1136	1.1200
Lowest net asset value per unit (RM)	1.0328*	1.0448	1.0355	1.0553	1.0863
Closing quoted price (RM/unit)	1.0350*	1.0510	1.0350	1.0970	1.1030
Highest quoted price (RM/unit)	1.0480*	1.0670	1.0840	1.1030	1.1030
Lowest quoted price (RM/unit)	1.0350*	1.0510	1.0350	1.0840	1.0680
Benchmark performance (%)	-1.00	2.74	3.79	0.85	4.18
Total return (%) ⁽¹⁾	-0.70	0.73	3.98	0.36	3.80
- Capital growth (%)	-	-0.86	-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
(Forward)					

	As at 30-9-2015	As at 30-6-2015	FY 2014	FY 2013	FY 2012
Distribution yield (%) ⁽²⁾	-	1.60	5.80	3.19	4.76
Management expense ratio (%) ⁽³⁾	0.18	0.18	0.18	0.19	0.19
Portfolio turnover ratio (times) ⁽⁴⁾	0.08	0.15	0.66	0.23	0.91

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

Note:

- (1) Total return is the actual/annualised return of the Fund for the respective financial periods/years computed based on 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.
- (4) Portfolio turnover ratio (“PTR”) is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.07 times (46.67%) as compared to 0.15 times for the financial period ended 30 June 2015 mainly due to decrease in investing activities.

Average Total Return (as at 30 September 2015)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	2.30	2.39
Three years	2.47	2.70
Five years	2.90	3.21
Ten years	3.43	3.73

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

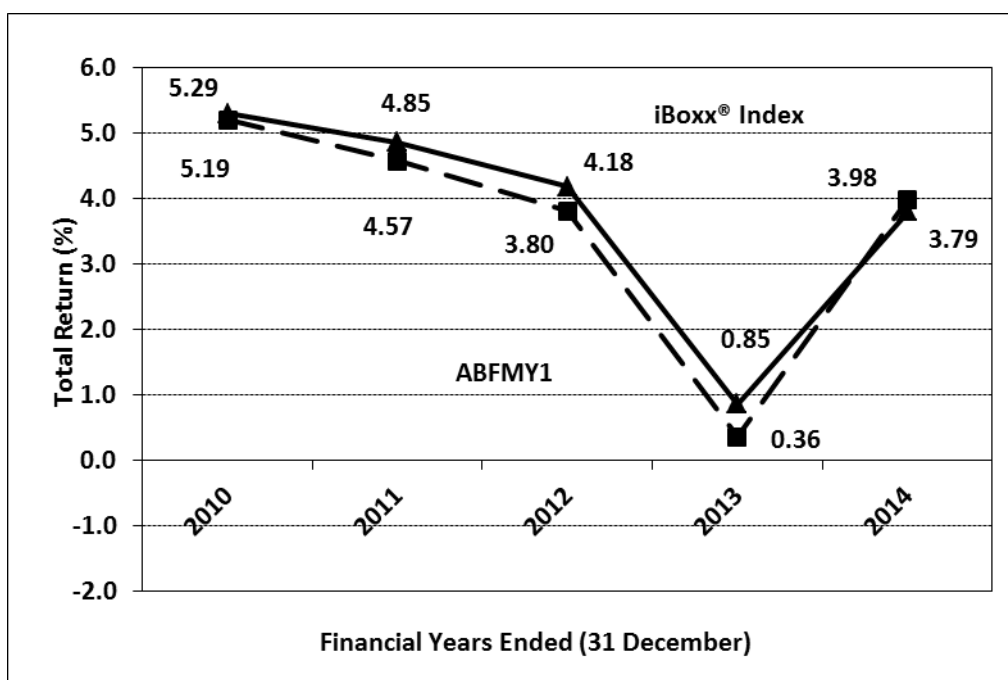
For the financial period under review, the Fund registered a negative return of 0.70% which was entirely capital in nature.

Thus, the Fund’s negative return of 0.70% has outperformed the benchmark’s negative return of 1.00% by 0.30%.

As compared with the financial period ended 30 June 2015, the net asset value (“NAV”) per unit of the Fund decreased by 0.70% from RM1.0500 to RM1.0427, while units in circulation while units in circulations remain unchanged at 687,921,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 1.52% from RM1.0510 to RM1.0350.

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.



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	<p>This table below is the asset allocation of the Fund for the financial periods under review.</p> <table border="1" data-bbox="300 208 1439 595"> <thead> <tr> <th></th> <th>As at 30-9-2015 %</th> <th>As at 30-6-2015 %</th> <th>Changes %</th> </tr> </thead> <tbody> <tr> <td>Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)</td> <td>1.40</td> <td>1.40</td> <td>-</td> </tr> <tr> <td>Malaysian Government Securities</td> <td>85.09</td> <td>84.47</td> <td>0.62</td> </tr> <tr> <td>Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)</td> <td>12.09</td> <td>12.24</td> <td>-0.15</td> </tr> <tr> <td>Cash and others</td> <td>1.42</td> <td>1.89</td> <td>-0.47</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> <td></td> </tr> </tbody> </table> <p>There has been no significant change to the asset allocation since the last reporting period.</p>		As at 30-9-2015 %	As at 30-6-2015 %	Changes %	Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	1.40	1.40	-	Malaysian Government Securities	85.09	84.47	0.62	Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)	12.09	12.24	-0.15	Cash and others	1.42	1.89	-0.47	Total	100.00	100.00	
	As at 30-9-2015 %	As at 30-6-2015 %	Changes %																						
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	1.40	1.40	-																						
Malaysian Government Securities	85.09	84.47	0.62																						
Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)	12.09	12.24	-0.15																						
Cash and others	1.42	1.89	-0.47																						
Total	100.00	100.00																							
Distribution/ unit splits	<p>There was no income distribution and unit split declared for the financial period under review.</p>																								
State of Affairs of the Fund	<p>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.</p>																								
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>During the month of July, Malaysia reported its Consumer Price Index (“CPI”) reading which rose 2.5% YoY in June from 2.1% YoY in the previous month. The increase was largely within consensus expectation and was mainly driven by the higher fuel prices in June as well as effect from the Goods and Services tax (“GST”). Domestic economic data releases in July continue to be soft as trade numbers remain disappointing. Both exports and imports contracted by 6.7% and 7.2% respectively in May as lower commodity prices and weak global demand continued to weigh on external outlook. Consequently, Malaysia’s trade balance declined further but remained in positive territory at RM5.51billion in May. The month also saw Bank Negara Malaysia (“BNM”) kept its Overnight Policy Rate (“OPR”) unchanged at 3.25% in its Monetary Policy Committee (“MPC”) meeting. While BNM’s assessment of risk to growth and inflation remained largely unchanged, its stance on the external outlook has turned slightly cautious such that it views global growth to be more vulnerable to increased downside risk. Meanwhile, Malaysia’s foreign reserves decreased by USD5billion to USD100.5billion as of end July 2015, inching closer to the psychological USD100billion mark. The current reserves level is sufficient to finance 7.9 months of retained imports and is 1.1 times short-term external debt.</p> <p>In July, the Malaysian Government Securities (“MGS”) yield curve bear steepened as short end (< 3 years) yields came down by up to 15 bps while long end yields inched</p>																								

higher on the back of the continued weakness seen in Ringgit. The demand on the short end of the curve was mainly attributed to the short supply of BNM bills/notes. As of end July 2015, trading volume in the MGS/GII market rose to RM79.9billion compared to RM58.8billion 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%, 3.60%, 3.94%, 4.06%, 4.28%, 4.34% and 4.75% respectively. In the primary market, there was two tenders held namely the 30-year reopening of MGS 09/43 and 10-year reopening of GII 10/25 which drew lukewarm bid-to-cover ratio of 2.025 times and 1.854 times with an average yield of 4.725% and 4.105% respectively as many investors stayed on the sideline and remain cautious.

During the month of August, Malaysia reported its 2Q15 Gross Domestic Product ("GDP") where the economy grew by a better than expected 4.9% YoY (Consensus:4.5%). The slowdown in 2Q15 growth from the 5.6% in 1Q15 was largely expected due to the effect from the implementation of GST beginning April. Despite the pre-emptive boost in consumption in 1Q15 as a result of the GST, private consumption continue to hold steady at 6.4% in 2Q15 with normalization expected in the coming quarters. Meanwhile, Malaysia's current surplus came in at a relatively healthy RM7.7billion or 2.7% of GDP. In spite of the rosy GDP figures reported, the month of August saw Malaysia's ringgit plunging to as low as RM4.30 per USD, the lowest since 1998. The plunge was largely in line with regional currencies but more apparent for the Ringgit due to concerns that the authorities are running out of ammunitions to defend its currency amid shrinking reserves, slumping oil prices, an unexpected yuan devaluation and a political scandal. Amidst the gloom and worries of a return of some form of capital control and a Ringgit peg, both the Central Bank Governor as well as the Prime Minister reaffirmed Malaysia's commitment not to re-introduce a Ringgit peg nor capital controls. The Government also reaffirmed its view that the current MYR level is not reflective of the country's sound fundamentals which includes sustained positive growth momentum, a diversified economy, continued trade and current account surpluses as well as a healthy and resilient banking system. Meanwhile, CPI in July 2015 increased a higher than expect +3.3% YoY (Consensus: 3.0%). The higher inflation was attributed to elevated food prices, upward adjustments in domestic fuel prices, rise in cigarette & alcoholic drinks prices, and GST follow through impact. Finally, Malaysia's unemployment rate remained stable at 3.1% in June 2015 despite the 16.6% YoY and +2.7% MoM rise in the number of jobless to 449,900 (May 2015: 438,000), the fifth month of gains this year. The increase can partially be attributed to retrenchments which rose sharply by +56.7% YoY to 3,213 in 2Q 2015 vs +14.4% YoY to 2,789 in 1Q 2015. The uptrend in retrenchments came mainly from the oil & gas sector sector (coinciding with the plunge in crude oil price), construction sector (due to job completions) as well services industries e.g. Finance.

In August, there was a clear spike in volatility as the MGS yield curve bear steepened across the curve. Throughout the month, we saw persistent selling on the back of an emerging market selloff across all asset classes and especially the Ringgit. As of end August 2015, trading volume in the MGS/GII market plunged to RM56.8billion compared to RM79.2billion 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 3.49%, 3.91%, 4.31%, 4.35%, 4.66%, 4.72% and 5.00% respectively. In the primary market, two tenders were offered, the new RM0.5billion 5y SPK 2/19 which drew a healthy bid/cover of 4.3x (due to the small issuance size) with an average yield of 4.119% and the RM3.0b 10y MGS 9/25 reopening which drew a better than expected bid/cover of 2.033x. Successful yields average 4.453%, slightly higher than the pre-auction WI of around 4.44/42%.

In September 2015, Bank Negara Malaysia (“BNM”) kept its Overnight Policy Rate (“OPR”) unchanged at 3.25% in its Monetary Policy Committee (“MPC”) meeting. In the MPC statement, BNM reiterated concerns on the heightened downside risk posed by the uncertain external environment as well as domestic developments. Nonetheless, BNM’s assessment of domestic growth remains largely unchanged such that it expects growth to stay intact and to range between 4.5% - 5.5% this year. On the inflation front, Malaysia’s August consumer price index (“CPI”) reading eased to 3.1% YoY from 3.3% YoY in the previous month. This was attributed to the lower retail fuel price in August as well as the fading effect from the goods and services tax (“GST”). In terms of trade data, exports continue to grow at a modest pace of 3.5% YoY in July, a reflection of the current challenging global economic environment, while trade surplus narrowed further to RM2.38billion.

Meanwhile, Malaysia’s Ringgit continue to face depreciation pressures from multiple fronts such as the volatility of global rates driven by expectation of US rate hike, slowdown in China, global commodity price slump, narrowing trade balance and unresolved domestic issues. At the time of writing, the USDMYR is trading at RM4.40, having hit a high of 4.46 during the month. Despite that, Malaysia’s foreign reserves came in relatively stable and marginally higher at USD95.3b from USD94.5billion in the previous month. Amidst the challenging global economic backdrop, PM Najib announced that a number of economic measures aimed at strengthening the domestic economy, stabilizing the currency as well as to restore investor confidence. The notable measures include:

- RM20billion funds injected into Value Cap to support undervalued shares and stabilize domestic equity market
- RM2billion working capital guarantee for small and medium enterprises (“SMEs”) in sectors other than those in service sector
- RM1billion for Domestic Investment Strategic Fund under the 11th Malaysia Plan
- RM80million for promotional activities (health tourism promotion) in selected tourism markets

Similar to the previous month, market volatility remain elevated in September as yields across the board went up by around 5 – 15ps with the 10-year MGS yield hitting a high of 4.41% as MYR reached new highs again (USDMYR at 4.46 at one point) before window dressing activities towards the end of the month saw the MGS market being supported resulting in the flattening of the yield curve. Overall, the yields on the 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.65%, 3.79%, 4.10%, 4.15%, 4.59%, 4.65% and 4.76% respectively. In the primary market, the new 3.5-year MGS 03/19 tender garnered a bid-to-cover ratio of 1.528 times at an average yield of 3.759% while the 7-year GII 07/22 garnered bid-to-cover ratio of 1.915 times at an average yield of 4.222%. Meanwhile, the long dated 15-year MGS 04/30 auction drew bid-to-cover ratio of 2.170 times at average yield of 4.791%.

Market Outlook

Markets continue to be volatile after the US Federal Reserve Open Market Committee (“FOMC”) decided not to raise interest rates in its September meeting. While US unemployment has been steadily falling, inflation has remained relatively low and below the Fed’s 2.0% target. At the same time, there are also concerns about growth elsewhere in the world. In fact, governments in Asia have continued to introduce stimulus measures to shore up investor confidence and bolster growth.

The renewed decline in commodity prices suggests continued economic headwinds for most of ASEAN including Malaysia. With a weakening currency and deteriorating sentiment, Malaysia is likely to remain under the spotlight in the near to medium term.

Despite deciding against hiking interest rate in September, Fed Chairman Janet Yellen has reiterated that the Fed remains well on track to hike interest rate this year. Given as such, the concerns of further capital outflows from emerging market are likely to continue. That being said, the Ringgit will remain vulnerable and may come under further pressure and this will likely translate to further volatility in the market.

Despite concern of further depreciation of the Ringgit, BNM Governor Zeti has repeatedly stressed that the central bank has no intention of pegging the Ringgit nor are they looking to impose other capital control measures. As far as BNM is concern, the current level of the Ringgit does not fully reflect the underlying fundamentals of the domestic economy and will likely normalize once there is a resolution on domestic issues as well as when external uncertainties abates (such as eventual decision of Fed rate hike, recovery in global commodity and energy prices and improvement in China's economy).

While we continue to monitor the impact arising from the risk factors outlined above, we note that BNM continues to view the current Overnight Policy Rate of 3.25% to be appropriate at this juncture. Even though imported inflationary pressures may push up headline inflation in the coming months, we believe that overall CPI reading will likely still be well contained given the softer private consumption, moderating loan growth as well as expectation of prolonged soft global energy prices.

As far as growth is concern, the indicators continue to suggest continued expansion of the economy albeit at a moderating pace despite the downside risk posed by the challenging global economic environment. Unless there is a significant slowdown in the domestic economy, we believe that BNM will likely maintain its current monetary policy stance with the need to balance between growth, inflation and potential risk of further capital outflows.

As we enter into the last quarter of the year, trading activities is expected to slow down. However, market volatility is expected to persist in the near term as we move closer to an eventual Fed rate hike with only two FOMC meetings remaining in the year (October and December). This is mainly due to concerns of further foreign fund outflows when Fed begin hiking its interest rate as foreign holdings in MGS is still relatively high, accounting for around 46.0% of total outstanding MGS (end-Aug 2015).

In addition to that, the 2016 Budget which would be announced on the 23 October 2015 would also be closely monitored by both market participants as well as major rating agencies as it would provide further indication of the government's fiscal consolidation plans and this may provide near term direction for the market.

Kuala Lumpur, Malaysia
AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)

30 October 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 July 2015 to 30 September 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) AmFunds Management Berhad (formerly known as 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	: Senior Vice President of Operations of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad)
Date of appointment	: 22 September 2008
Directorship of other public companies	: Federation of Investment Managers Malaysia
Number of Board meeting attended for the financial period (from 1 July 2015 to 30 September 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 meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Kok Tuck Cheong
Age	: 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 July 2015 to 30 September 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 meeting attended for financial period (from 1 July 2015 to 30 September 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's Licence
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 AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) for 3 years.
Occupation	: Chief Executive Officer of Funds Management Division and Chief Executive Officer/Executive Director of AmFunds Management Berhad (formerly known as 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 July 2015 to 30 September 2015)	: One (1)
Member of any other Board Committee	: Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	: 17 August 2015
Number of Investment Committee meeting attended for financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: 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	: 1975-1988 : Ministry of Finance-various positions, last as Head, Macroeconomic Section, Economic and International Division

	<p>1988-1990 : Manager, Treasury Department, Development & Commercial Bank Berhad.</p> <p>March 1990-August 1992 : Chief Economist, Arab Malaysian Securities Sdn Bhd</p> <p>September 1992-December 2001 : Executive Director/Chief Economist, AmSecurities Sdn Bhd</p> <p>January 2002-December 2005 : Managing Director, AmSecurities Sdn Bhd</p> <p>January 2006-May 2009 (Retirement) : Economic Advisor, AmInvestment Bank Berhad Group</p> <p>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 July 2015 to 30 September 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 meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: 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	: <ul style="list-style-type: none"> 1. March 2009 – Present Senior Vice President, Islamic Equities, AmIslamic Funds Management Sdn Bhd 2. August 2005 – February 2009 Head of Islamic Equities, AmInvestment Management Sdn Bhd 3. February 2004 – August 2005 Senior Manager, Investment – Fund Management, American International Assurance Company, Limited 4. December 1996 – January 2004 Assistant Vice President, Investment – Equities, Great Eastern Life Assurance (Malaysia) Berhad 5. October 1994 – November 1996 Investment Executive, Aseanbankers Malaysia Berhad 6. April 1993 – September 1994 Internal Audit Executive, Oriental Bank Berhad
Occupation	: Executive Director/Senior Vice President, Islamic Equities, AmIslamic Funds Management Sdn Bhd
Date of appointment	: 1 December 2014
Directorship of other public companies	: Nil
Number of Board meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: One (1)
Member of any other Board Committee	: Nil
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial period (from 1 July 2015 to 30 September 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	: <ol style="list-style-type: none"> 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	: <ol style="list-style-type: none"> 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	: Nil
Number of Board meeting attended for the financial period (from 1 July 2015 to 30 September 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 meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Investment Committee

The Investment Committee, of which one-half are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period (from 1 July 2015 to 30 September 2015), there were two (2) 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)
- Y Bhg Datin Maznah Binti Mahbob (profile as mentioned above)
- Mr Harinder Pal Singh a/l Joga Singh (profile as mentioned above)
- Y Bhg Dato' Mohd Effendi bin Abdullah (profile as mentioned below)

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 meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: 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 meeting attended for the financial period (from 1 July 2015 to 30 September 2015)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Material Litigation

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

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 AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) (“AFM”) and AIM on 1 December 2014, AFM has acquired/assume the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM 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 (from 1 July 2015 to 30 September 2015), there were two (2) Investment Committee meetings held by the Manager.

Unitholders

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

NAME	Number of Unit Held	Unit Held (%)
HSBC BANK MALAYSIA BERHAD	654,257,870.00	95.11%
AMINVESTMENT BANK BERHAD	28,216,000.00	4.10%
DEUTSCHE BANK (MALAYSIA) BERHAD	2,300,000.00	0.3343%
AMINVESTMENT BANK BERHAD	2,273,730.00	0.3305%
CITIBANK BERHAD	400,000.00	0.0581%
AFFIN HWANG INVESTMENT BANK BERHAD	245,000.00	0.03561%
CITIBANK BERHAD	140,000.00	0.02035%
PUBLIC INVESTMENT BANK BERHAD	15,000.00	0.002180%
MAYBANK INVESTMENT BANK BERHAD	13,000.00	0.001890%
AMINVESTMENT BANK BERHAD	10,500.00	0.001526%
CIMB INVESTMENT BANK BERHAD	9,600.00	0.001396%
ALLIANCE INVESTMENT BANK BERHAD	6,000.00	0.0008722%
HONG LEONG INVESTMENT BANK BERHAD	5,000.00	0.0007268%
CIMB INVESTMENT BANK BERHAD	3,600.00	0.0005233%
HONG LEONG INVESTMENT BANK BERHAD	3,500.00	0.0005088%
CIMB INVESTMENT BANK BERHAD	3,100.00	0.0004506%
CIMB INVESTMENT BANK BERHAD	3,000.00	0.0004361%
INTER-PACIFIC SECURITIES SDN BHD	3,000.00	0.0004361%
AFFIN HWANG INVESTMENT BANK BERHAD	2,000.00	0.0002907%
HONG LEONG INVESTMENT BANK BERHAD	2,000.00	0.0002907%
INTER-PACIFIC SECURITIES SDN BHD	1,000.00	0.0001454%
CIMB INVESTMENT BANK BERHAD	1,000.00	0.0001454%
AMINVESTMENT BANK BERHAD	1,000.00	0.0001454%
CIMB INVESTMENT BANK BERHAD	1,000.00	0.0001454%
KENANGA INVESTMENT BANK BERHAD	1,000.00	0.0001454%
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.0001454%
CIMB INVESTMENT BANK BERHAD	700.00	0.0001018%
KENANGA INVESTMENT BANK BERHAD	500.00	0.00007268%
HONG LEONG INVESTMENT BANK BERHAD	400.00	0.00005815%
MAYBANK INVESTMENT BANK BERHAD	300.00	0.00004361%

STATEMENT OF FINANCIAL POSITION

As At 30 September 2015

	Note	30-9-2015 (unaudited) RM	31-12-2014 (audited) RM
ASSETS			
Investments	4	707,121,945	689,082,951
Deposits with financial institutions	5	10,477,033	23,528,449
Cash at banks		1,412	2,212
TOTAL ASSETS		<u>717,600,390</u>	<u>712,613,612</u>
LIABILITIES			
Amount due to Manager	6	64,791	63,008
Amount due to Trustee	7	32,395	31,504
Amount due to index provider	8	61,254	62,568
Distribution payable		-	26,416,872
Sundry payables and accrued expenses		149,182	145,222
TOTAL LIABILITIES		<u>307,622</u>	<u>26,719,174</u>
EQUITY			
Unitholders' capital	11(a)	722,136,910	693,348,293
Accumulated losses	11(b)(c)	(4,844,142)	(7,453,855)
TOTAL EQUITY	11	<u>717,292,768</u>	<u>685,894,438</u>
TOTAL EQUITY AND LIABILITIES		<u>717,600,390</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>104.27 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 July 2015 To 30 September 2015

	Note	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
INVESTMENT (LOSS)/INCOME			
Interest income		6,802,554	6,347,581
Net (loss)/gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(11,507,003)</u>	<u>3,686,998</u>
Gross (Loss)/Income		<u>(4,704,449)</u>	<u>10,034,579</u>
EXPENDITURE			
Manager’s fee	6	181,334	174,716
Trustee’s fee	7	90,667	122,301
Licence fee	8	26,547	25,886
Auditors’ remuneration		1,941	1,941
Tax agent’s fee		756	1,008
Other expenses	10	<u>17,717</u>	<u>1,575</u>
Total Expenditure		<u>318,962</u>	<u>327,427</u>
NET (LOSS)/INCOME BEFORE TAX		(5,023,411)	9,707,152
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET (LOSS)/INCOME AFTER TAX		(5,023,411)	9,707,152
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u><u>(5,023,411)</u></u>	<u><u>9,707,152</u></u>
Total comprehensive (loss)/income comprises the following:			
Realised income		6,166,415	5,659,039
Unrealised (loss)/gain		<u>(11,189,826)</u>	<u>4,048,113</u>
		<u><u>(5,023,411)</u></u>	<u><u>9,707,152</u></u>
Distribution for the period:			
Net distribution	14	<u>-</u>	<u>12,948,436</u>
Gross/net distribution per unit (sen)	14	<u>-</u>	<u>2.00</u>

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

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

	Note	Unitholders' capital RM	Retained earnings/ (accumulated loss) RM	Total equity RM
At 1 July 2014		680,206,741	19,376,523	699,583,264
Total comprehensive income for the period		-	9,707,152	9,707,152
Distribution	14	-	(12,948,436)	(12,948,436)
Balance at 30 September 2014		<u>680,206,741</u>	<u>16,135,239</u>	<u>696,341,980</u>
At 1 July 2015		722,136,910	179,269	722,316,179
Total comprehensive loss for the period		-	(5,023,411)	(5,023,411)
Balance at 30 September 2015		<u>722,136,910</u>	<u>(4,844,142)</u>	<u>717,292,768</u>

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

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

	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	50,529,000	157,041,000
Interest received	6,597,069	8,012,050
Manager's fee paid	(180,250)	(173,081)
Trustee's fee paid	(90,125)	(121,155)
Licence fee paid	(28,401)	-
Payments for other expenses	(16,450)	(959)
Purchase of investments	<u>(60,298,000)</u>	<u>(159,763,448)</u>
Net cash (used in)/generated from operating and investing activities	<u>(3,487,157)</u>	<u>4,994,407</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Distributions paid	<u>(11,557,086)</u>	<u>(12,948,436)</u>
Net cash used in financing activity	<u>(11,557,086)</u>	<u>(12,948,436)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,044,243)	(7,954,029)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>25,522,688</u>	<u>22,958,102</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>10,478,445</u>	<u>15,004,073</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	10,477,033	15,002,559
Cash at banks	<u>1,412</u>	<u>1,514</u>
	<u>10,478,445</u>	<u>15,004,073</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 AmFunds Management Berhad (formerly known as 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 and Amendments 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
MFRS 15: Revenue from contracts with Customers	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

	30-9-2015 RM	31-12-2014 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	440,800,000	390,800,000
Government Investment Issues	175,000,000	148,460,000
	<u>710,800,000</u>	<u>689,260,000</u>
At fair value:		
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	10,025,789	10,165,260
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)	86,739,008	142,470,529
Malaysian Government Securities	437,839,076	390,131,162
Government Investment Issues	172,518,072	146,316,000
	<u>707,121,945</u>	<u>689,082,951</u>

Details of investments as at 30 September 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	<u>10,000,000</u>	<u>10,025,789</u>	<u>10,076,979</u>	<u>1.40</u>
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)						
14.06.2022	Johor Corporation	NR	50,000,000	48,413,109	50,848,702	6.75
27.05.2039	1Malaysia Development Berhad	NR	<u>35,000,000</u>	<u>38,325,899</u>	<u>39,455,777</u>	<u>5.34</u>
			<u>85,000,000</u>	<u>86,739,008</u>	<u>90,304,479</u>	<u>12.09</u>
Malaysian Government Securities						
15.09.2016	Government of Malaysia	NR	20,000,000	20,035,838	19,932,860	2.79
15.02.2017	Government of Malaysia	NR	30,000,000	29,819,604	29,855,529	4.16
15.03.2017	Government of Malaysia	NR	15,000,000	15,001,964	15,040,463	2.09
31.10.2017	Government of Malaysia	NR	35,000,000	35,310,315	35,506,346	4.92
01.03.2018	Government of Malaysia	NR	40,000,000	40,316,129	40,728,295	5.62
30.07.2019	Government of Malaysia	NR	10,000,000	10,028,817	10,218,264	1.40
31.10.2019	Government of Malaysia	NR	10,000,000	9,820,954	10,024,160	1.37
29.11.2019	Government of Malaysia	NR	30,000,000	29,462,862	30,365,637	4.11
31.03.2020	Government of Malaysia	NR	40,000,000	39,484,286	40,348,669	5.50
31.07.2020	Government of Malaysia	NR	5,000,000	5,059,319	5,026,775	0.71
15.10.2020	Government of Malaysia	NR	40,800,000	41,268,812	41,174,815	5.75
30.09.2021	Government of Malaysia	NR	25,000,000	25,721,786	25,967,350	3.59
(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	10,000,000	9,996,619	10,344,563	1.39
15.07.2024	Government of Malaysia	NR	30,000,000	29,548,154	29,833,409	4.12
15.09.2025	Government of Malaysia	NR	20,000,000	20,610,974	20,534,076	2.87
15.04.2026	Government of Malaysia	NR	25,000,000	25,392,000	26,684,998	3.54
15.03.2027	Government of Malaysia	NR	10,000,000	9,431,108	10,171,363	1.32
15.06.2028	Government of Malaysia	NR	35,000,000	32,421,039	33,086,110	4.52
15.04.2033	Government of Malaysia	NR	10,000,000	9,108,496	10,024,286	1.27
			<u>440,800,000</u>	<u>437,839,076</u>	<u>444,867,968</u>	<u>61.04</u>

Government Investment Issues

15.06.2017	Government of Malaysia	NR	10,000,000	10,127,929	10,157,409	1.41
30.08.2017	Government of Malaysia	NR	30,000,000	29,905,268	29,985,319	4.17
23.11.2017	Government of Malaysia	NR	20,000,000	19,964,587	20,171,700	2.78
30.04.2019	Government of Malaysia	NR	10,000,000	9,912,743	10,035,743	1.38
15.05.2020	Government of Malaysia	NR	20,000,000	19,740,683	20,333,407	2.76
27.08.2020	Government of Malaysia	NR	10,000,000	9,718,167	9,887,935	1.35
23.03.2021	Government of Malaysia	NR	5,000,000	5,092,146	5,071,458	0.71
30.04.2021	Government of Malaysia	NR	10,000,000	10,088,629	10,487,587	1.41
31.10.2023	Government of Malaysia	NR	10,000,000	9,494,603	9,670,836	1.32
22.05.2024	Government of Malaysia	NR	10,000,000	10,146,543	10,463,470	1.42
15.10.2025	Government of Malaysia	NR	20,000,000	19,612,669	20,328,246	2.73

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
15.06.2027	Government of Malaysia	NR	20,000,000	18,714,105	20,472,839	2.61
			175,000,000	172,518,072	177,065,949	24.05
Total financial assets at FVTPL			710,800,000	707,121,945	722,315,375	98.58
Shortfall of fair value over cost				(15,193,430)		

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

	Effective yield*	
	30-9-2015 %	31-12-2014 %
Corporate bond	4.38	4.07
Quasi-Government Bonds	4.78	4.71
Malaysian Government Securities	3.81	3.80
Government Investment Issues	3.99	3.92

* As provided by Markit Indices Limited

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

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
2015			
At nominal value:			
Corporate bond	-	10,000,000.00	-
Quasi-Government Bonds	-	-	85,000,000
Malaysian Government Securities	20,000,000	215,000,000	205,800,000
Government Investment Issues	-	100,000,000	75,000,000
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

	30-9-2015 RM	31-12-2014 RM
At nominal value:		
Short-term deposits with licensed banks	<u>10,476,000</u>	<u>23,526,000</u>
At carrying value:		
Short-term deposits with licensed banks	<u>10,477,033</u>	<u>23,528,449</u>

Details of deposit with a financial institution as at 30 September 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 deposit with a licensed bank					
01.10.2015	Public Bank Berhad	<u>10,476,000</u>	<u>10,477,033</u>	<u>10,476,000</u>	<u>1.46</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	
	30-9-2015 %	31-12-2014 %	30-9-2015 Day	31-12-2014 Days
Short-term deposits with licensed banks	<u>3.60</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% (2014: 0.10%) 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 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% (2014: 0.07%) per annum on the net asset value of the Fund, calculated on a daily basis.

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. NET (LOSS)/GAIN FROM INVESTMENTS

	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised loss on sale of investments	(317,177)	(361,115)
– Net unrealised (loss)/gain on changes in fair values of investments	<u>(11,189,826)</u>	<u>4,048,113</u>
	<u>(11,507,003)</u>	<u>3,686,998</u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM 16,346 (2014: nil).

11. TOTAL EQUITY

Total equity is represented by:

	Note	30-9-2015 RM	31-12-2014 RM
Unitholders' capital	(a)	722,136,910	693,348,293
Accumulated losses			
– Realised income	(b)	10,349,288	3,181,692
– Unrealised loss	(c)	<u>(15,193,430)</u>	<u>(10,635,547)</u>
		<u>717,292,768</u>	<u>685,894,438</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	1-7-2015 to 30-9-2015		1-1-2014 to 31-12-2014	
	Number of units	RM	Number of units	RM
At beginning of the period/year	687,921,800	722,136,910	647,421,800	680,157,976
Creation/adjustment during the period/year	-	-	13,000,000	14,006,866
Distribution out of distribution/loss equalisation	-	-	-	(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

	1-7-2015 to 30-9-2015 RM	1-1-2014 to 31-12-2014 RM
At beginning of the period/year	4,182,873	22,878,849
Total comprehensive (loss)/income for the period/year	(5,023,411)	26,911,893
Net unrealised loss/(gain) attributable to investments held transferred to unrealised reserve [Note 11(c)]	11,189,826	(8,060,291)
Distribution out of realised reserve	-	(38,548,759)
Net increase/(decrease) in realised reserve for the period/year	<u>6,166,415</u>	<u>(19,697,157)</u>
At end of the period/year	<u>10,349,288</u>	<u>3,181,692</u>

(c) UNREALISED – NON-DISTRIBUTABLE

	1-7-2015 to 30-9-2015 RM	1-1-2014 to 31-12-2014 RM
At beginning of the period/year	(4,003,604)	(18,695,838)
Net unrealised (loss)/gain attributable to investments held transferred from realised reserve [Note 11(b)]	<u>(11,189,826)</u>	<u>8,060,291</u>
At end of the period/year	<u>(15,193,430)</u>	<u>(10,635,547)</u>

12. UNITS HELD BY RELATED PARTIES

	1-7-2015 to 30-9-2015		1-1-2014 to 31-12-2014	
	Number of units	RM	Number of units	RM
Parties related to the Manager *	<u>30,501,530</u>	<u>31,569,084</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 September 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 (loss)/income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund are as follows:

	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
Net (loss)/income before tax	<u>(5,023,411)</u>	<u>9,707,152</u>
Taxation at Malaysian statutory rate of 25%	(1,255,900)	2,426,800
Tax effects of:		
Income not subject to tax	(1,700,600)	(2,598,900)
Loss not deductible for tax purpose	2,876,800	90,300
Restriction on tax deductible expenses for unit trust fund	41,200	39,700
Non-permitted expenses for tax purposes	33,900	37,700
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 4 July 2014 for the previous financial period was from the following sources:

	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
Undistributed net income brought forward	-	10,789,265
Interest income	-	2,847,713
Net realised loss on sale of investments	<u>-</u>	<u>(361,115)</u>
	-	13,275,863
Less: Expenses	<u>-</u>	<u>(327,427)</u>
Total amount of distribution	<u>-</u>	<u>12,948,436</u>

(Forward)

	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
Gross/net distribution per unit (sen)	-	<u>2.00</u>
Distribution made out of:		
– Realised reserve	-	<u>12,948,436</u>
Comprising:		
Cash distribution	-	<u>12,948,436</u>

Included in the distribution for the financial period ended 30 September 2014 was an amount of RM10,789,265 distributed from previous financial periods realised income.

The above distribution has been proposed before taking into account the net realised loss of RM361,115 for the previous financial period and net unrealised loss of RM8,010,447 which are carried forward to the next financial period.

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

The Fund’s MER is as follows:

	1-7-2015 to 30-9-2015 % p.a.	1-7-2014 to 30-9-2014 % 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	<u>0.01</u>	<u>0.01</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 0.08 times (2014: 0.23 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 September 2015 are as follows:

Financial institutions	Transaction value	
	RM	%
CIMB Bank Berhad	262,775,600	47.15
Public Bank Berhad	182,789,800	32.80
Standard Chartered Bank Malaysia Berhad	111,716,124	20.05
Total	<u>557,281,524</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 September 2015				
Assets				
Investments	707,121,945	-	-	707,121,945
Deposits with financial institutions	-	10,477,033	-	10,477,033
Cash at banks	-	1,412	-	1,412
Total financial assets	<u>707,121,945</u>	<u>10,478,445</u>	<u>-</u>	<u>717,600,390</u>
Liabilities				
Amount due to Manager	-	-	64,791	64,791
Amount due to Trustee	-	-	32,395	32,395
Amount due to index provider	-	-	61,254	61,254
Sundry payables and accrued expenses	-	-	149,182	149,182
Total financial liabilities	<u>-</u>	<u>-</u>	<u>307,622</u>	<u>307,622</u>

(Forward)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
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
	<u>689,082,951</u>	<u>23,530,661</u>	<u>-</u>	<u>712,613,612</u>
	Total financial assets			
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
Distribution payable	-	-	26,416,872	26,416,872
Sundry payables and accrued expenses	-	-	145,222	145,222
	<u>-</u>	<u>-</u>	<u>26,719,174</u>	<u>26,719,174</u>
	Total financial liabilities			

	Income, expense, gains and losses	
	1-7-2015 to 30-9-2015 RM	1-7-2014 to 30-9-2014 RM
Net (loss)/gain from financial assets at FVTPL	(11,507,003)	3,686,998
Income, of which derived from:		
– Interest income from financial assets at FVTPL	6,741,361	6,195,903
– Interest income from loans and receivables	<u>61,193</u>	<u>151,678</u>

(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 September 2015				
Financial assets at FVTPL	-	707,121,945	-	707,121,945
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
- Distribution payable
- Sundry payables and accrued expenses

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

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	0.52	0.52
Average daily	0.49	0.49
Highest	0.52	0.52
Lowest	0.41	0.41
2014	0.25	0.25
Average daily	0.24	0.24
Highest	0.25	0.25
Lowest	0.24	0.24

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 0.52% (2014: 0.25%). This implies that not more than 1 out of 100 trading days the Fund would record a daily loss exceeding 0.52% (2014: 0.25%) 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 September 2015 and 30 September 2014:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2015			
NR*	697,096,156	98.58	97.18

(Forward)

Credit rating	RM	As a % of debt securities	As a % of net asset value
2015			
AAA	10,025,789	1.42	1.40
	<u>707,121,945</u>	<u>100.00</u>	<u>98.58</u>
2014			
AAA	10,081,674	1.48	1.45
NR*	671,588,721	98.52	96.44
	<u>681,670,395</u>	<u>100.00</u>	<u>97.89</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 September 2015 and 30 September 2014:

Credit rating	RM	As a % of deposit	As a % of net asset value
2015			
P1/MARC-1	10,477,033	100.00	1.46
2014			
P1/MARC-1	15,002,559	100.00	2.15

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 September 2015 and 30 September 2014:

Sector	RM	As a % of debt securities	As a % of net asset value
2015			
Financial services	10,025,789	1.42	1.40
Public finance	697,096,156	98.58	97.18
	<u>707,121,945</u>	<u>100.00</u>	<u>98.58</u>
2014			
Financial services	10,081,674	1.48	1.45
Sovereign	622,430,872	91.31	89.38
State government	49,157,849	7.21	7.06
	<u>681,670,395</u>	<u>100.00</u>	<u>97.89</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: $\$ = \text{Nominal}$
- For $F > 0$
Before maturity: coupon payment, $\$ = \text{Nominal} * (R/F)$
At maturity: maturity payment, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

- (ii) For money market instruments and deposits
The nominal amount and interest will be paid at maturity date. Cash received are calculated as follows:

$\$$ = cash received
 R = annual interest rate
 F = time to maturity (days)
At maturity: $\$ = \text{Nominal} + (\text{Nominal} * R * d / 365)$

The following table presents 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	58,560,396	110,523,400	92,242,050	51,074,750	148,105,450	457,554,300
Deposits with financial institutions	10,477,033	-	-	-	-	-
Cash at banks	1,412	-	-	-	-	-
Total assets	69,038,841	110,523,400	92,242,050	51,074,750	148,105,450	457,554,300
Financial liabilities						
Other liabilities	307,622	-	-	-	-	-
2014						
Financial assets						
Investments	27,614,429	129,579,513	125,464,902	67,032,552	36,214,852	471,743,105
Deposits with financial institutions	15,002,559	-	-	-	-	-
Cash at banks	1,514	-	-	-	-	-
Total assets	42,618,502	129,579,513	125,464,902	67,032,552	36,214,852	471,743,105
Financial liabilities						
Other liabilities	332,488	-	-	-	-	-

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 September 2015 and 30 September 2014.

DIRECTORY

Head Office
9th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: (03) 2032 2888 Facsimile: (03) 2031 5210
Email: enquiries@aminvest.com

Postal Address
AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)
P.O Box 13611, 50816 Kuala Lumpur

Related Institutional Unit Trust Agent

AmBank (M) Berhad
Company No. 8515-D
Head Office
31st Floor, Menara AmBank
No. 8 Jalan Yap Kwan Seng, 50450 Kuala Lumpur

AmInvestment Bank Berhad
Company No. 23742-V
Head Office
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan, 50200 Kuala Lumpur

For more details on the list of IUTAs, please contact the Manager.

*For enquiries about this or any of the other Funds offered by AmFunds Management Berhad
(formerly known as AmInvestment Services Berhad)
please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday - Thursday),
Friday (8.45 a.m. to 5.00 p.m.)*