

**ABF Malaysia Bond Index Fund**

**Quarterly Report**

**30 June 2016**

## **TRUST DIRECTORY**

### **Manager**

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

### **Board of Directors**

Pushparani a/p Moothathamby  
Mustafa Mohd Nor  
Tai Terk Lin  
Datin Maznah Mahbob  
Sum Leng Kuang

### **Investment Committee**

Sum Leng Kuang  
Tai Terk Lin  
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  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2036 2633 Fax: 03-2032 1914

Head Office  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2032 2888 Fax: 03-2031 5210

**Secretary**

Koh Suet Peng (MAICSA 7019861)  
Hafidzah Binti Zakaria (MAICSA 7052802)  
22<sup>nd</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur

**HSBC (Malaysia) Trustee Berhad**

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

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## MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 April 2016 to 30 June 2016.

### Salient Information of the Fund

<b>Name</b>	ABF Malaysia Bond Index Fund ("Fund")				
<b>Category/ Type</b>	Fixed Income ETF/ Income				
<b>Objective</b>	<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>				
<b>Index Component</b>	Details of the index component as at 30 June 2016 are as follows:				
	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	GN070008	Malaysia Government Investment Issue	3.941	15 June 2017	3,000,000,000
	VJ110196	Pengurusan Air SPV Berhad	3.980	16 June 2017	1,500,000,000
	GJ120009	Malaysia Government Investment Issue	3.309	30 August 2017	9,500,000,000
	ML100002	Malaysia Government Bond	4.012	15 September 2017	14,000,000,000
	UK100107	Cagamas Berhad	3.980	20 October 2017	1,000,000,000
	MJ120005	Malaysia Government Bond	3.314	31 October 2017	13,500,000,000
	GH140001	Malaysia Government Investment Issue	3.678	23 November 2017	7,500,000,000
	VK110024	GovCo Holdings Bhd	4.070	23 February 2018	1,500,000,000
	MI130002	Malaysia Government Bond	3.260	01 March 2018	8,786,560,000
	(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
UN080007	Export-Import Bank of Korea	4.500	12 March 2018	500,000,000
GG150005	Malaysia Government Investment Issue	3.508	15 May 2018	7,500,000,000
VK110197	Pengurusan Air SPV Berhad	4.040	15 June 2018	1,500,000,000
GL110001	Malaysia Government Investment Issue	3.872	30 August 2018	8,500,000,000
MK110005	Malaysia Government Bond	3.580	28 September 2018	11,440,000,000
GN080031	Malaysia Government Investment Issue	4.295	31 October 2018	7,500,000,000
GJ130055	Malaysia Government Investment Issue	3.399	30 November 2018	4,000,000,000
VI140030	Pengurusan Air SPV Berhad	4.160	07 February 2019	1,000,000,000
VI140036	Syarikat Prasarana Negara Berhad	4.080	12 March 2019	1,500,000,000
MH150005	Malaysia Government Bond	3.759	15 March 2019	7,177,897,000
GJ130070	Malaysia Government Investment Issue	3.558	30 April 2019	10,000,000,000
MS04003H	Malaysia Government Bond	5.734	30 July 2019	7,315,545,000
GO090001	Malaysia Government Investment Issue	3.910	13 August 2019	6,000,000,000
VI140209	Rantau Abang Capital Bhd	4.140	28 August 2019	1,500,000,000
GL120021	Malaysia Government Investment Issue	3.704	30 September 2019	8,000,000,000
MJ140004	Malaysia Government Bond	3.654	31 October 2019	11,800,000,000
MO090002	Malaysia Government Bond	4.378	29 November 2019	17,119,000,000
ML120006	Malaysia Government Bond	3.492	31 March 2020	11,000,000,000
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
GO090061	Malaysia Government Investment Issue	4.492	30 April 2020	3,500,000,000
GL120098	Malaysia Government Investment Issue	3.576	15 May 2020	11,000,000,000
GN100021	Malaysia Government Investment Issue	4.284	15 June 2020	5,500,000,000
MK130006	Malaysia Government Bond	3.889	31 July 2020	7,973,060,000
GJ150002	Malaysia Government Investment Issue	3.799	27 August 2020	10,000,000,000
VI150192	Pengurusan Air SPV Berhad	4.280	28 September 2020	700,000,000
MJ150003	Malaysia Government Bond	3.659	15 October 2020	11,742,134,000
GN100060	Malaysia Government Investment Issue	3.998	30 November 2020	3,000,000,000
VN110023	GovCo Holdings Bhd	4.450	23 February 2021	1,500,000,000
DK140001	Khazanah Nasional Berhad	0.000	24 February 2021	1,300,000,000
GL130069	Malaysia Government Investment Issue	3.716	23 March 2021	9,500,000,000
GN110025	Malaysia Government Investment Issue	4.170	30 April 2021	12,500,000,000
MO110001	Malaysia Government Bond	4.160	15 July 2021	13,500,000,000
GJ160002	Malaysia Government Investment Issue	3.743	26 August 2021	3,500,000,000
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10 September 2021	700,000,000
ML140003	Malaysia Government Bond	4.048	30 September 2021	11,700,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
GL150001	Malaysia Government Investment Issue	4.194	15 July 2022	10,000,000,000
MO120001	Malaysia Government Bond	3.418	15 August 2022	10,500,000,000
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
DN120017	Khazanah Nasional Berhad	0.000	02 September 2022	1,500,000,000
ML150002	Malaysia Government Bond	3.795	30 September 2022	11,000,000,000
GO120037	Malaysia Government Investment Issue	3.699	15 November 2022	8,500,000,000
VN130068	Turus Pesawat Sdn Bhd	3.770	03 February 2023	500,000,000
MN130003	Malaysia Government Bond	3.480	15 March 2023	11,420,000,000
GL160001	Malaysia Government Investment Issue	4.390	07 July 2023	4,000,000,000
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
ML160001	Malaysia Government Bond	3.800	17 August 2023	4,000,000,000
GO130033	Malaysia Government Investment Issue	3.493	31 October 2023	4,000,000,000
DS090052	Khazanah Nasional Berhad	0.000	20 March 2024	1,500,000,000
VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28 March 2024	1,800,000,000
GO130071	Malaysia Government Investment Issue	4.444	22 May 2024	12,500,000,000
MO140001	Malaysia Government Bond	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
VN150103	Jambatan Kedua Sdn Bhd	4.300	28 May 2025	1,300,000,000
MY050003	Malaysia Government Bond	4.837	15 July 2025	3,000,000,000
MO150001	Malaysia Government Bond	3.955	15 September 2025	13,672,200,000
VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
GO150004	Malaysia Government Investment Issue	3.990	15 October 2025	10,500,000,000
PZ00197S	Bank Pembangunan Malaysia Berhad	7.500	30 October 2025	500,000,000
(Forward)				



<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
MS110003	Malaysia Government Bond	4.392	15 April 2026	10,574,330,000
VS110260	Syarikat Prasarana Negara Berhad	4.350	04 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
GO160003	Malaysia Government Investment Issue	4.070	30 September 2026	4,000,000,000
MS120002	Malaysia Government Bond	3.892	15 March 2027	5,500,000,000
MX070003	Malaysia Government Bond	3.502	31 May 2027	6,000,000,000
GS120059	Malaysia Government Investment Issue	3.899	15 June 2027	5,000,000,000
MS130005	Malaysia Government Bond	3.733	15 June 2028	5,000,000,000
GT130001	Malaysia Government Investment Issue	3.871	08 August 2028	3,000,000,000
MX080003	Malaysia Government Bond	5.248	15 September 2028	5,040,000,000
GS130072	Malaysia Government Investment Issue	4.943	06 December 2028	5,000,000,000
VS140224	Bank Pembangunan Malaysia Berhad	4.750	12 September 2029	900,000,000
VX090825	Syarikat Prasarana Negara Berhad	5.070	28 September 2029	1,500,000,000
VS150025	Perbadanan Tabung Pendidikan Tinggi Nasional	4.630	12 February 2030	500,000,000
VS150043	Syarikat Prasarana Negara Berhad	4.640	22 March 2030	1,100,000,000
MX100003	Malaysia Government Bond	4.498	15 April 2030	12,770,000,000
VS150104	Jambatan Kedua Sdn Bhd	4.520	28 May 2030	700,000,000
MX110004	Malaysia Government Bond	4.232	30 June 2031	3,750,000,000
MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
MX130004	Malaysia Government Bond	3.844	15 April 2033	4,500,000,000
(Forward)				

	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	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	2,661,000,000
	GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	3,500,000,000
	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	06 April 2040	1,000,000,000
	VZ150257	DanaInfra Nasional Berhad	5.040	12 November 2040	800,000,000
	VZ160031	Syarikat Prasarana Negara Berhad	5.070	26 February 2041	755,000,000
	MZ130007	Malaysia Government Bond	4.935	30 September 2043	6,500,000,000
	VZ150046	DanaInfra Nasional Berhad	5.050	06 April 2045	1,000,000,000
	VZ150258	DanaInfra Nasional Berhad	5.150	10 November 2045	800,000,000
	MZ160002	Malaysia Government Bond	4.736	15 March 2046	2,500,000,000
	<i>(Source: Markit Indices Limited)</i>				
<b>Duration</b>	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.				
<b>Performance Benchmark</b>	iBoxx® ABF Malaysia Bond Index				
<b>Income Distribution Policy</b>	Income distribution (if any) will be paid semi-annually.				

<b>Breakdown of Unit Holdings by Size</b>	For the financial period under review, the size of the Fund stood at 1,705,421,800 units.				
	Size of holding	As at 30 June 2016		As at 31 March 2016	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	202	6	200	5
	100 – 1,000	10,598	23	9,400	22
	1,001 -10,000	39,100	9	41,100	10
	10,001 – 100,000	25,500	2	90,500	3
	100,001 to less than 5% of issue units	75,044,230	5	5,612,230	4
5% and above of issue units	1,630,302,170	3	1,259,668,370	3	

### Fund Performance Data

<b>Portfolio Composition</b>	Details of portfolio composition of the Fund for the financial periods as at 30 June 2016, 31 March 2016 and three financial years as at 31 December are as follows:						
		As at 30-6-2016 %	As at 31-3-2016 %	FY 2015 %	FY 2014 %	FY 2013 %	
	Corporate bonds	-	-	0.76	1.48	-	
	Malaysian Government Securities	95.94	95.74	90.57	78.21	92.21	
	Quasi-Government bonds	2.08	3.23	6.46	20.77	8.49	
	Cash and others	1.98	1.03	2.21	(0.46)	(0.70)	
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>						
	<b>Performance Details</b>	Performance details of the Fund for the financial periods ended 30 June 2016, 31 March 2016 and three financial years ended 31 December are as follows:					
			3 months ended 30-6-2016	3 months ended 31-3-2016	FY 2015	FY 2014	FY 2013
Net asset value (RM)		1,873,662,904	1,372,667,813	1,341,876,193	685,894,438	684,340,987	
Units in circulation		1,705,421,800	1,265,421,800	1,265,421,800	660,421,800	647,421,800	
Net asset value per unit (RM)		1.0987	1.0848*	1.0604	1.0386	1.0570	
(Forward)							

	<b>3 months ended 30-6-2016</b>	<b>3 months ended 31-3-2016</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Highest net asset value per unit (RM)	1.0987*	1.0848*	1.0655	1.0841	1.1136
Lowest net asset value per unit (RM)	1.0856*	1.0599*	1.0323	1.0355	1.0553
Closing quoted price (RM/unit)	1.0960*	1.0830*	1.0520	1.0350	1.0970
Highest quoted price (RM/unit)	1.0960*	1.0830*	1.0680	1.0840	1.1030
Lowest quoted price (RM/unit)	1.0830*	1.0520*	1.0300	1.0350	1.0840
Benchmark performance (%)	1.30	2.46	4.12	3.79	0.85
Total return (%) <sup>(1)</sup>	1.28	2.30	3.74	3.98	0.36
- Capital growth (%)	1.28	2.30	2.12	-1.70	-2.86
- Income distribution (%)	-	-	1.62	5.68	3.22
Gross distribution (sen per unit)	-	-	1.68	6.00	3.50
Net distribution (sen per unit)	-	-	1.68	6.00	3.50
Distribution yield (%) <sup>(2)</sup>	-	-	1.60	5.80	3.19
Management expense ratio (%) <sup>(3)</sup>	0.17	0.23	0.16	0.18	0.19
Portfolio turnover ratio (times) <sup>(4)</sup>	0.18	0.08	0.74	0.66	0.23

\* 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. The MER decreased by 0.06% as compared to 0.23% per annum for the financial period ended 31 March 2016 mainly due to decrease in expenses.
- (4) Portfolio turnover ratio (“PTR”) is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR increased by 0.10 times (>100.0%) as compared to 0.08 times for the financial period ended 31 March 2016 mainly due to increase in investing activities.

#### Average Total Return (as at 30 June 2016)

	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
One year	4.64	4.67
Three years	3.66	3.89
Five years	3.64	3.94
Ten years	4.13	4.43

#### Annual Total Return

Financial Years Ended (31 December)	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
2015	3.74	4.12
2014	3.98	3.79
2013	0.36	0.85
2012	3.80	4.18
2011	4.57	4.85

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

(b) iBoxx ABF Malaysia Index (“iBoxx Index”) (Obtainable from [www.aminvest.com](http://www.aminvest.com))

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

**Note: Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.**

#### Fund Performance

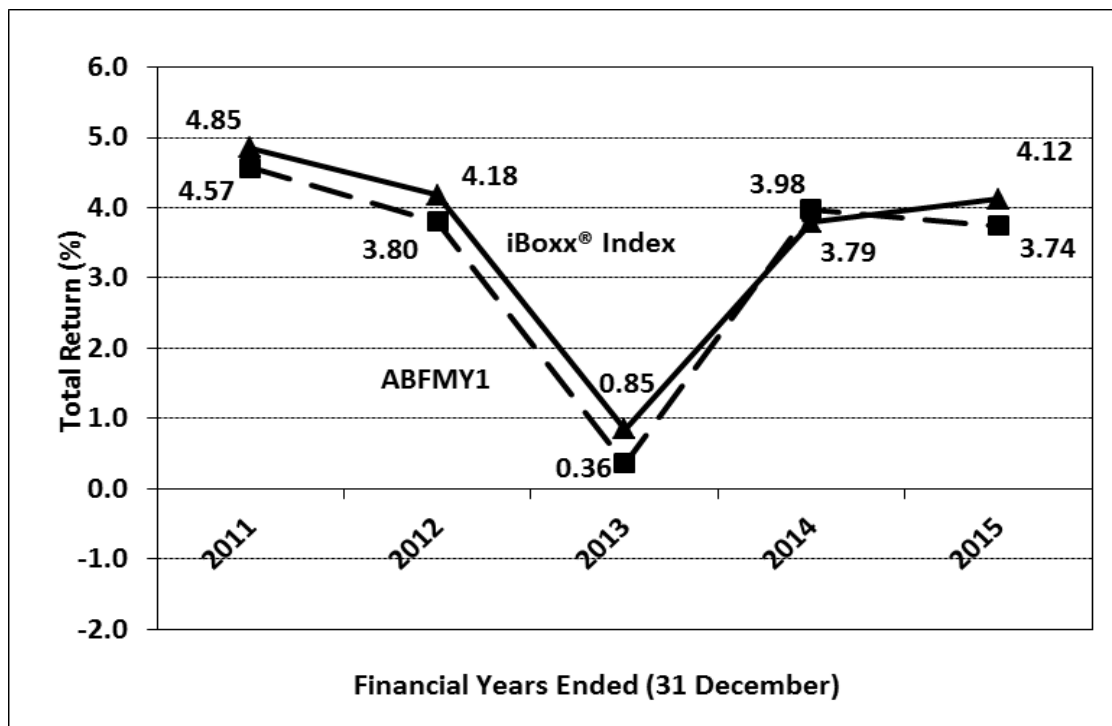
For the financial period under review, the Fund registered a return of 1.28% which was entirely capital growth in nature.

The Fund’s return of 1.28% is marginally below the benchmark’s return of 1.30% by 0.02%.

As compared with the financial period ended 31 March 2016, the net asset value (“NAV”) per unit of the Fund increased by 1.28% from RM1.0848 to RM1.0987, while units in circulation increased by 34.77% from 1,265,421,800 units to 1,705,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 1.20% from RM1.0830 to RM1.0960.

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**

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

	As at 30-6-2016 %	As at 31-3-2016 %	Changes %
Malaysian Government Securities	95.94	95.74	0.20
Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)	2.08	3.23	-1.15
Cash and others	1.98	1.03	0.95
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

For the financial period under review, the fund invested 98.02% in fixed income securities while the balance of 1.98% was held in cash.

**Distribution/unit splits**

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

<b>State of Affairs of the Fund</b>	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.
<b>Rebates and Soft Commission</b>	<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>
<b>Market Review</b>	<p>In the month of April, Malaysia released its February exports number, which rebounded 6.7% Year-on-Year (“YoY”). The increase was generally driven by electrical and electronics sector as well as increase in palm oil and palm-based and timber and timber based products. On the inflation front, Malaysia’s Consumer Price Index (“CPI”) for March came in much weaker than expected at 2.6% YoY against consensus expectations of 3.4%. The drop was due to lower transport cost as RON95 petrol price was reduced by 15 sen to RM1.60 per litre in March 2016 from RM1.75 in February. Meanwhile, Bank Negara Malaysia (“BNM”) said that the reduction of the statutory reserve requirement by 50 basis points on 1 February 2016 has had its desired impact on the banking system’s interbank rates. The base rate of commercial banks, on average, remained relatively stable at 3.89% in March (February: 3.88%). On the consumer sentiment front, 1Q16 Consumer Sentiment Index (“CSI”) has rebounded to 72.9 points after plunging for six consecutive quarters. Recall that the index had hit its all-time lows in the past two quarters, falling to 63.8 in 4Q15. In April, BNM’s international reserves continue to climb steadily and were last seen at USD97billion as at end-March 2016. More pertinently, foreign holdings in Malaysian bonds of RM226.6billion as at end March has broken the previous record set in November 2014. Strengthening crude oil prices and foreign fund inflows in both the bond as well as equities market has helped turned the Ringgit into Asia’s best-performing currency, confounding some analyst’s expectation. The Ringgit has surged around 10% as at end April, the most in 43 years. Finally, polling for Sarawak’s 11th state election has finally been announced to be on 7 May 2016.</p> <p>In the same month in April, there were developments pertaining to 1MDB’s wholly-owned subsidiary 1MDB Energy (Langat) Ltd (“1MDBEL”) which missed its interest payment amounting to USD50.3 million in respect of its USD1.75 billion Notes (“Notes”) on 18 April 2016. The Notes are co-guaranteed by 1MDB and International Petroleum Investment Company (“IPIC”). The non-payment of 1MDBEL’s interest is a result of a dispute between the companies where IPIC in its bourse filing in London claimed that both 1MDB and MoF had failed to perform their obligations, including paying IPIC USD1.1 billion under the settlement arrangement and, as a result, IPIC and its subsidiary, Aabar, deemed their obligations under the settlement arrangement have now been terminated. 1MDB however represented that it was surprised by IPIC’s claim as the parties were in the midst of negotiating a broader debt-asset swap agreement although the payment of USD1.1 billion was due on 31 December 2015.</p> <p>We note that failure of both 1MDB and IPIC to meet 1MDBEL’s coupon payment within the stipulated period after the guarantee is called would trigger a cross default on the GG IMTNs that we hold. Nevertheless, we highlight that the GG IMTNs issued by 1MDB benefit from an explicit guarantee from the GoM and the guarantee</p>

document explicitly states that the GoM: *“Unconditionally and irrevocably guarantees as a continuing obligation the proper and punctual payment by IMDB of all monies and liabilities due, owing or payable in relation to the face value of the IMTN and accrued profit under the IMTN should IMDB not make payment upon first written demand by the Trustee (AmTrustee Berhad) within 30 days’ of that demand including if for any reason the IMTN or any of the transaction documents is rendered void, illegal or unenforceable”*. With the guarantee from the Federal Government, the IMTN’s credit risk is ultimately that of the Malaysian government.

In the month of May, BNM kept the Overnight Policy Rate (“OPR”) and Statutory Reserve Requirement (“SRR”) ratio unchanged at 3.25% and 3.50% respectively as widely expected in Datuk Muhammad Ibrahim’s inaugural Monetary Policy Committee (“MPC”) meeting as BNM Governor. The tone of the MPC statement was largely neutral with the stance broadly similar to the previous MPC statements. BNM also reiterated its expectations for the domestic economy to expand by 4.0 – 4.5% in 2016 while inflation is expected to trend lower for the remaining parts of the year from the average CPI of 3.4% in the first quarter of 2016 (“1Q16”). This followed the release of Malaysia’s 1Q16 Gross Domestic Product (“GDP”) data which grew at a slower pace of 4.2% YoY, on the back of weakness in exports and soft private investment growth while on a quarter to quarter basis, the domestic economy grew 1.0%, compared to 1.5% previously.

During the month of June, Malaysia reported a positive growth in exports of 1.6% YoY for the month of April 2016, while imports contracted by 2.3%, thus leaving a positive trade balance of RM9.1billion. Main contributors to exports came from the Electric & Electronic (“E&E”) sector which showed an encouraging growth of 2.1% versus 0.5% in the preceding month. On the inflation front, May’s CPI eases marginally to 2.0% YoY matching market expectations. Since the implementation of Goods and Services Tax (“GST”) in April 2015, the initial price shock has faded while the current record low pump prices continue to keep inflationary pressure in check. Meanwhile, Malaysia’s unemployment rate continued to inch up in April. At 3.6%, the unemployment figure is at the highest since 2010. Finally, Malaysia’s Ringgit appreciated versus USD by 2.9% from RM4.15 to RM4.03 at as end June. The Ringgit has been volatile in June primarily due to two key events, the Federal Open Market Committee (“FOMC”) meeting as well as the UK Referendum on Brexit.

**Market Outlook**

The anticipation of a potential rate hike in the June FOMC meeting turned muted once the US non-farm payrolls (“NFP”) data was released in the first week of June. As a result of the weak NFP data, the Federal Reserve stayed its hand and market turned dovish thereafter.

That event however was overshadowed by the unexpected result from the UK Referendum on Brexit. With the citizens of UK voting to leave the European Union (“EU”), markets are expecting global economic growth to be impacted and hence further easing measures by central banks are likely. More importantly, the Brexit event will likely result in the US Fed to alter its outlook on a rate hike judging by the decline in the market implied probability of a rate hike by Dec-2016 from 50.1% on 23 June to 8.6% on 28 June.

Malaysia’s already sluggish economic growth outlook is likely to be impacted if the Brexit event were to impact major European economies. While the UK only accounts for 1% of Malaysia’s direct exports and 1.0% of direct imports, the EU commands a sizeable 10% of Malaysia’s trade. With near term economic uncertainties increasing, some economists have already started to revise their calls with calls of an Overnight



Policy Rate (“OPR”) cut in 2H2016 growing louder.

In the near term, Malaysia's low unemployment levels, decent wage growth, benign inflation, steady manufacturing exports and low interest rate environment is expected to be supportive of the economy. The next Monetary Policy Committee (“MPC”) meeting will be held later this month in July. While we expect the OPR to remain unchanged at 3.25% at least until the release of the GDP data for 2Q2016, we believe there is room for Bank Negara Malaysia (“BNM”) to pursue more monetary policy easing or liquidity easing measures should the domestic economy weakens significantly and more than expected in the second half of the year.

We deem the Brexit event as a bond-market positive and raises expectations of rate cuts as well as additional quantitative easing globally, even in emerging market Asia. Bond yields in developed market had generally declined, led by US Treasuries that dropped 20bps in yields in a day.

In Malaysia, the Malaysian Government Securities (“MGS”) were relatively unaffected by the initial knee jerk sell-off on Emerging market currencies and equities. Despite the near record high of foreign holdings in MGS of almost 50% currently, the selling pressure in Malaysian bonds has been muted since the result of the EU referendum was out. And with the dissipation of market volatility and the Ringgit regaining some strength at the time of writing, the MGS market should remain well supported into the July Monetary Policy Committee (“MPC”) meeting.

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

29 July 2016

## ADDITIONAL INFORMATION

### Board of Directors of the Manager

The Board of Directors, of which more than one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period (1 April 2016 to 30 June 2016), there were two (2) Board of Directors' meetings held by the Manager.

Details of the Directors of the Manager are set out as below:

<b>Name</b>	: Pushparani a/p A Moothathamby
<b>Age</b>	: 58 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Fellow Member of The Chartered Association of Certified Accountants, United Kingdom ii) Member of The Malaysian Institute of Accountants, Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: i) Dec 1983 – Apr 1986 Group Accountant of Sri Alam Group ii) May 1986 – Apr 1989 Consultant of PricewaterhouseCoopers Malaysia iii) May 1989 – Dec 2004 Last position held as the Head of Corporate Finance of AmMerchant Bank Berhad iv) Jan 2005 – July 2008 Executive Director of AmInvestment Bank Berhad v) July 2008 – Oct 2009 Managing Director, Relationship Banking & Regional Business of AmInvestment Bank Berhad vi) Oct 2009 – Oct 2013 Managing Director, Corporate & Institutional Banking AmInvestment Bank Berhad vii) Oct 2013 – May 2014 Managing Director, Wholesale Banking Coverage of AmInvestment Bank Berhad viii) May 2014 – Present Managing Director, Wholesale Banking Coverage of AmBank (M) Berhad
<b>Occupation</b>	: Managing Director, Wholesale Banking and Acting Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	: 2 November 2015
<b>Directorship of other public companies</b>	: i) FIDE Forum

<b>Number of Board meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: Audit Committee of Directors
<b>Date of appointment to the Investment Committee</b>	: Not applicable
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Not applicable
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

<b>Name</b>	: Mustafa bin Mohd Nor
<b>Age</b>	: 65 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) 1975-1988 Various positions, last as Head of Macroeconomic Section, Economic and International Division, Ministry of Finance ii) 1988-1990 Manager, Treasury Department of Development & Commercial Bank Berhad. iii) Mar 1990-Aug 1992 Chief Economist of Arab Malaysian Securities Sdn Bhd iv) Sept 1992-Dec 2001 Executive Director/Chief Economist of AmSecurities Sdn Bhd v) Jan 2002-Dec 2005 Managing Director of AmSecurities Sdn Bhd vi) Jan 2006-May 2009 - (Retirement) Economic Advisor of AmInvestment Bank Berhad Group vii) Sept 2009-Aug2012 - (Contract) Senior Vice President/Head, Research Division of Permodalan Nasional Berhad
<b>Occupation</b>	: Director
<b>Date of appointment</b>	: 3 March 2014

<b>Directorship of other public companies</b>	: KUISAS Berhad
<b>Number of Board meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: i) Investment Committee ii) Audit Committee of Directors
<b>Date of appointment to the Investment Committee</b>	: 3 March 2014
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Tai Terk Lin
<b>Age</b>	: 55 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom.  ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia.  iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner  iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) Oct 2009 – Sept 2012, Oct 2012 with ICB Indonesia Group Chief Executive Officer of ICB Financial Group Holdings Ag, ICB Banking Group  ii) Jan 2009 – Aug 2009 Platinum Capital Management (Asia) Pte Ltd, Singapore Executive Director/Head of Business Development Asia  iii) January 2007 – November 2008 Senior Vice President/Head – Malaysia Coverage Private Banking of DBS Bank, Singapore

	<p>iv) Mar 2002 – Dec 2006 Director/Head, Private Banking of AmInvestment Bank Berhad</p> <p>v) Apr 1995 – Dec 2001 Chief Executive Officer of HLB Unit Trust Management Bhd</p> <p>vi) Apr 1994 – Mar 1995) Chief Project Manager/Credit Manager of Hong Leong Bank Berhad (Ex-Hong Leong Finance)</p> <p>vii) Jan 1994 – Apr 1994 Special Assistant to Executive Chairman of United Merchant Finance Berhad</p> <p>viii) Jun1992 – Dec 1993 Senior Analyst (Executive Chairman’s Office) of Hong Leong Management Company Sdn Bhd</p> <p>ix) Jan 1991 – Jun 1992 Consulting Manager of Corporate Care Division, PricewaterhouseCoopers</p>
<b>Occupation</b>	: Director
<b>Date of appointment</b>	: 15 December 2014
<b>Directorship of other public companies</b>	: Nil
<b>Number of Board meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: i) Investment Committee ii) Audit Committee of Directors (Independent)
<b>Date of appointment to the Investment Committee</b>	: 15 December 2014
<b>Number of Investment Committee meeting attended for the financial year period (From 1 April 2016 to 30 June 2016)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Sum Leng Kuang
<b>Age</b>	: 62 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand

	ii) Certified Financial Planner, Financial Planning Association of Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) May 1982- Sept 2001 Deputy Head, Investment of Overseas Assurance (M) Berhad  ii) Sept 2001-Dec 2011 Last position as Senior Vice President & Head Fixed Income Investment of Great Eastern Life Assurance (M) Berhad  iii) Jan 2012-Apr 2013 Senior Vice President & Advisor, Fixed Income Investment of Great Eastern Life Assurance (M) Berhad  iv) May 2013-Jul 2014 Chief Investment Officer of Fixed Income & Acting Chief Executive Officer of Hong Leong Asset Management Berhad  v) May 2015-Present Advisor, Investment (Contract) of Credit Guarantee Corporation Malaysia Berhad
<b>Occupation</b>	: Advisor, Investment (Contract) of Credit Guarantee Corporation Malaysia Berhad
<b>Date of appointment</b>	: 18 January 2016
<b>Directorship of other public companies</b>	: Pacific & Orient Insurance Co Berhad
<b>Number of Board meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: i) Investment Committee ii) Audit Committee of Directors
<b>Date of appointment to the Investment Committee</b>	: 18 January 2016
<b>Number of Investment Committee meetings attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

<b>Name</b>	: Datin Maznah binti Mahbob
<b>Age</b>	: 57 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Degree, The Institute of Chartered Secretaries and Administrators, United Kingdom  ii) Capital Markets Services Representative's Licence holder, Malaysia
<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: She has been in the funds management industry since Year 1987, in a fund management role, before assuming the responsibility as the Chief Executive Officer of Funds Management Division, AmInvestment Bank Group in Year 2002. Prior to that, she was in the Corporate Finance Department of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) for 3 years.
<b>Occupation</b>	: Chief Executive Officer of Funds Management Division and Chief Executive Officer/Executive Director of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad)
<b>Date of appointment</b>	: 29 December 2005
<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Two (2)
<b>Member of any other Board Committee</b>	: Investment Committee
<b>Date of appointment to the Investment Committee</b>	: 17 August 2015
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

## Investment Committee

The Investment Committee, of which more than one-third 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 (1 January 2016 to 31 March 2016), there were two (2) Investment Committee meetings held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- 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)

<b>Name</b>	: Dr. Frank Richard Ashe
<b>Age</b>	: 62 years old
<b>Nationality</b>	: Australian
<b>Qualification</b>	: i) Doctor of Philosophy in Operations Research, University of New South Wales, Australia  ii) Bachelor of Arts, (First Class Honours), majoring in Actuarial Studies, Statistics, Pure Mathematics and Applied Mathematics, Macquarie University, Australia
<b>Executive/Non-Executive Director</b>	: Not applicable
<b>Independent/Non-Independent Director</b>	: Not applicable
<b>Working Experience</b>	: i) Jan 2007 – ongoing Independent Consultant  ii) Executive Education  iii) Full Time : Jan 2002 – Dec 2006 Part Time : Jan 2007 – Dec 2014 Associate Professor – Applied Finance Centre of Macquarie University  iv) Sept 1999 – Dec 2001 Senior Advisor, Market Risk Management of Manulife Financial - Elliott & Page Asset Management  v) May 1999 – Sept 1999 Freelance Consulting  vi) Aug 1996 – May 1999) Portfolio Manager of County Investment Management Structured Investments Group  vii) 1997 – 2001 Visiting Fellow of Macquarie Applied Finance Centre Macquarie University



- viii) 1997  
Visiting Lecturer, Master of Business in Finance of  
University of Technology, Sydney : School of Economics
- ix) Apr1995 – Jul 1996  
Executive Director of Condell Vann & Co.
- x) Oct 1993 – 1995 , Jul 1989 – Apr 1995  
Executive Director of Quantitative Strategist Legal &  
General Asset Management, Australia
- xi) Sept 1986 – Jun 1989  
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
- xii) 1980 - 1986  
Consultant and earlier as technical assistant of Mercer  
Campbell Cook and Knight, formerly E.S. Knight & Co.
- xiii) 1975 – 1980  
Part time tutor in Statistics, Mathematics, and Mechanical  
Engineering Macquarie and New South Wales Universities

<b>Occupation</b>	: Independent Consultant
<b>Directorship of other public companies</b>	: None
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: 16 February 2015
<b>Number of Investment Committee meeting attended for the financial period (From 1 April 2016 to 30 June 2016)</b>	: Three (3)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

## Material Litigation

For the financial period under review, neither the Directors of the management company nor the Manager of the Fund were engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund had 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, AmFunds Management Berhad (“AFM”) (formerly known as AmInvestment Services Berhad) 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 AFM and AIM on 1 December 2014, AFM had acquired/assumed the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM is a licensed fund manager approved by Securities Commission Malaysia and manages the Fund.

## Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and ensure that the Fund is invested appropriately. For the financial period (1 April 2016 to 30 June 2016), there were three (3) Investment Committee meetings held by the Manager.

Unitholders

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

<b>NAME</b>	<b>Number of Unit Held</b>	<b>Unit Held (%)</b>
HSBC NOMINEES (ASING) SDN BHD	1039707870	60.9649%
HSBC NOMINEES (ASING) SDN BHD	390594300	22.9031%
HSBC NOMINEES (ASING) SDN BHD	200000000	11.7273%
AMSEC NOMINEES (TEMPATAN) SDN BHD	69266000	4.0615%
AMINVESTMENT BANK BERHAD	2938230	0.1723%
DB (MALAYSIA) NOMINEE (ASING) SDN BHD	2300000	0.1349%
CITIGROUP NOMINEES (ASING) SDN BHD	400000	0.0235%
CITIGROUP NOMINEES (ASING) SDN BHD	140000	0.0082%
PUBLIC NOMINEES (TEMPATAN) SDN BHD	15000	0.00088%
TEE KAR YONG	10500	0.00062%
JAY SURIAR A/L RAJASURIAR	9600	0.00056%
MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD	6000	0.00035%
MELVIN WON SOON LOONG	5000	0.00029%
WONG SOOK YEE	3600	0.00021%
JOHN MELVILLE KAYES NEWMAN	3500	0.00021%
WONG SOOK KENG	3100	0.00018%
CHA KAR HUEI	3000	0.00018%
LAU KAI CHONG	3000	0.00018%
GRACE CHRYSTAL GOH YEE HING	2300	0.00014%
CHONG YAM SONG	1000	0.00006%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	1000	0.00006%
K.VIJAYAN A/L G.KERISNAN	1000	0.00006%
KOH AH KOW @ KOH BOON KWEE	1000	0.00006%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	1000	0.00006%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	1000	0.00006%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	1000	0.00006%
GARY CHEW KIEW SENG	700	0.00004%
CHOK SIEW KWONG	500	0.00003%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	300	0.00002%
MAYBANK NOMINEES (TEMPATAN) SDN BHD	300	0.00002%

## ABF Malaysia Bond Index Fund

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	30-6-2016 (unaudited) RM	31-12-2015 (audited) RM
<b>ASSETS</b>			
Investments	4	1,836,533,936	1,312,223,284
Deposits with financial institutions	5	37,451,337	29,527,721
Amount due from Manager	6	-	358,332
Cash at banks		1,413	1,340
<b>TOTAL ASSETS</b>		<b>1,873,986,686</b>	<b>1,342,110,677</b>
<b>LIABILITIES</b>			
Amount due to Manager	6	137,321	-
Amount due to Trustee	7	68,660	46,389
Amount due to index provider	8	20,776	91,581
Sundry payables and accrued expenses		97,025	96,514
<b>TOTAL LIABILITIES</b>		<b>323,782</b>	<b>234,484</b>
<b>EQUITY</b>			
Unitholders' capital	11(a)	1,806,420,853	1,325,924,353
Retained earnings	11(b)(c)	67,242,051	15,951,840
<b>TOTAL EQUITY</b>	11	<b>1,873,662,904</b>	<b>1,341,876,193</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,873,986,686</b>	<b>1,342,110,677</b>
<b>UNITS IN CIRCULATION</b>	11(a)	<b>1,705,421,800</b>	<b>1,265,421,800</b>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<b>109.87 sen</b>	<b>106.04 sen</b>

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

## ABF Malaysia Bond Index Fund

### STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 APRIL 2016 TO 30 JUNE 2016

	Note	1-4-2016 to 30-6-2016 RM	1-4-2015 to 30-6-2015 RM
<b>INVESTMENT INCOME</b>			
Interest income		14,125,832	6,713,408
Net gain/(loss) from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	6,986,751	(1,246,307)
Gross Income		<u>21,112,583</u>	<u>5,467,101</u>
<b>EXPENDITURE</b>			
Manager’s fee	6	370,373	180,694
Trustee’s fee	7	185,186	90,347
Licence fee	8	19,367	26,392
Auditors’ remuneration		1,914	1,920
Tax agent’s fee		1,243	748
Other expenses	10	35,909	19,408
Total Expenditure		<u>613,992</u>	<u>319,509</u>
NET INCOME BEFORE TAX		20,498,591	5,147,592
LESS: INCOME TAX	13	-	-
NET INCOME AFTER TAX		20,498,591	5,147,592
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>20,498,591</u></u>	<u><u>5,147,592</u></u>
Total comprehensive income comprises the following:			
Realised income		13,824,669	6,843,113
Unrealised gain/(loss)		6,673,922	(1,695,521)
		<u><u>20,498,591</u></u>	<u><u>5,147,592</u></u>
Distribution for the financial period:			
Net distribution	14	-	11,557,086
Gross/net distribution per unit (sen)	14	-	1.68

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

## ABF Malaysia Bond Index Fund

### STATEMENT OF CHANGES IN EQUITY *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 APRIL 2016 TO 30 JUNE 2016

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 April 2015		693,348,293	6,188,880	699,537,173
Total comprehensive income for the financial period		-	5,147,592	5,147,592
Creation of units		29,188,500	-	29,188,500
Distributions		(399,883)	(11,157,203)	(11,557,086)
Balance at 30 June 2015		<u>722,136,910</u>	<u>179,269</u>	<u>722,316,179</u>
At 1 April 2016		1,325,924,353	46,743,460	1,372,667,813
Total comprehensive income for the financial period		-	20,498,591	20,498,591
Creation of units	11(a)	<u>480,496,500</u>	<u>-</u>	<u>480,496,500</u>
Balance at 30 June 2016		<u>1,806,420,853</u>	<u>67,242,051</u>	<u>1,873,662,904</u>

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

## ABF Malaysia Bond Index Fund

### STATEMENT OF CASH FLOWS *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 APRIL 2016 TO 30 JUNE 2016

	1-4-2016 to 30-6-2016 RM	1-4-2015 to 30-6-2015 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	40,215,000	99,008,078
Interest received	7,395,362	6,583,014
Manager's fee paid	(348,943)	(178,092)
Trustee's fee paid	(174,471)	(89,047)
Tax agent's fee paid	-	(4,000)
Licence fee paid	(41,141)	(25,630)
Payments for other expenses	(32,380)	(20,508)
Purchase of investments	(504,439,000)	(120,932,000)
Net cash used in operating and investing activities	<u>(457,425,573)</u>	<u>(15,658,185)</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Proceeds from creation of units	<u>480,496,500</u>	<u>29,188,500</u>
Net cash generated from financing activity	<u>480,496,500</u>	<u>29,188,500</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,070,927	13,530,315
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>14,381,823</u>	<u>11,992,373</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>37,452,750</u></u>	<u><u>25,522,688</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	37,451,337	25,521,092
Cash at banks	1,413	1,596
	<u><u>37,452,750</u></u>	<u><u>25,522,688</u></u>

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

## ABF Malaysia Bond Index Fund

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“the Deed”), between 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, which are relevant to the Fund, have been issued by MASB but are not yet effective and have not been adopted by the Fund.

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

### 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 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

	<b>30-6-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>		
At nominal value:		
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	-	10,000,000
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)	40,000,000	85,000,000
Malaysian Government Securities	955,000,000	777,500,000
Government Investment Issues	797,500,000	435,000,000
	<u>1,792,500,000</u>	<u>1,307,500,000</u>
At fair value:		
Corporate bonds (low risk asset as accorded by Bank Negara Malaysia)	-	10,175,375
Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)	44,098,377	86,703,608
Malaysian Government Securities	976,274,274	781,786,072
Government Investment Issues	816,161,285	433,558,229
	<u>1,836,533,936</u>	<u>1,312,223,284</u>

Details of investments as at 30 June 2016 are as follows:

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Quasi-Government Bonds (low risk asset as accorded by Bank Negara Malaysia)</b>						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,096,921	5,087,650	0.27
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	39,001,456	38,832,076	2.08
			<u>40,000,000</u>	<u>44,098,377</u>	<u>43,919,726</u>	<u>2.35</u>
<b>Malaysian Government Securities</b>						
15.06.2017	Government of Malaysia	NR	5,000,000	5,057,614	5,016,071	0.27
30.08.2017	Government of Malaysia	NR	30,000,000	30,459,612	30,274,666	1.63
23.11.2017	Government of Malaysia	NR	20,000,000	20,261,958	20,134,932	1.08
15.05.2018	Government of Malaysia	NR	142,500,000	144,353,777	143,757,366	7.71
30.08.2018	Government of Malaysia	NR	20,000,000	20,562,249	20,407,495	1.10
30.04.2019	Government of Malaysia	NR	30,000,000	30,356,834	30,029,445	1.62
13.08.2019	Government of Malaysia	NR	10,000,000	10,306,162	10,262,813	0.55
15.05.2020	Government of Malaysia	NR	20,000,000	20,099,888	20,144,106	1.07
27.08.2020	Government of Malaysia	NR	115,000,000	117,603,287	115,978,427	6.28
23.03.2021	Government of Malaysia	NR	30,000,000	30,443,935	29,868,496	1.63
30.04.2021	Government of Malaysia	NR	10,000,000	10,300,964	10,340,577	0.55
26.08.2021	Government of Malaysia	NR	160,000,000	163,193,046	162,776,091	8.71
15.07.2022	Government of Malaysia	NR	30,000,000	31,282,708	30,540,438	1.67
07.07.2023	Government of Malaysia	NR	110,000,000	116,425,142	115,617,168	6.21
31.10.2023	Government of Malaysia	NR	10,000,000	9,790,577	9,627,784	0.52
22.05.2024	Government of Malaysia	NR	20,000,000	20,755,922	20,405,125	1.11

(Forward)

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Malaysian Government Securities</b>						
15.10.2025	Government of Malaysia	NR	52,500,000	52,813,200	51,584,838	2.82
30.09.2026	Government of Malaysia	NR	100,000,000	102,048,560	101,243,727	5.45
15.06.2027	Government of Malaysia	NR	20,000,000	19,386,090	20,261,266	1.03
06.12.2028	Government of Malaysia	NR	10,000,000	10,580,764	10,354,396	0.56
30.08.2033	Government of Malaysia	NR	10,000,000	10,191,985	9,988,293	0.54
			<u>955,000,000</u>	<u>976,274,274</u>	<u>968,613,520</u>	<u>52.11</u>

#### **Government Investment Issues**

31.10.2017	Government of Malaysia	NR	20,000,000	20,262,025	20,116,145	1.08
01.03.2018	Government of Malaysia	NR	30,000,000	30,576,228	30,177,502	1.63
15.03.2019	Government of Malaysia	NR	65,000,000	66,737,570	66,403,031	3.56
30.07.2019	Government of Malaysia	NR	10,000,000	10,953,597	10,823,732	0.59
31.10.2019	Government of Malaysia	NR	50,000,000	50,847,771	50,235,884	2.71
29.11.2019	Government of Malaysia	NR	20,000,000	20,752,555	20,579,599	1.11
31.03.2020	Government of Malaysia	NR	40,000,000	40,539,108	40,672,719	2.16
31.07.2020	Government of Malaysia	NR	10,000,000	10,348,146	10,290,772	0.55
15.10.2020	Government of Malaysia	NR	85,000,000	86,488,747	85,817,376	4.62
30.09.2021	Government of Malaysia	NR	30,000,000	31,175,259	30,567,177	1.66
30.09.2022	Government of Malaysia	NR	52,500,000	53,336,816	52,488,290	2.85
17.08.2023	Government of Malaysia	NR	80,000,000	82,151,473	81,338,112	4.38
15.07.2024	Government of Malaysia	NR	70,000,000	73,135,785	71,677,186	3.90
15.09.2025	Government of Malaysia	NR	72,500,000	74,001,262	72,006,545	3.95

(Forward)

<b>Maturity date</b>	<b>Issuer</b>	<b>Credit rating</b>	<b>Nominal value RM</b>	<b>Fair value RM</b>	<b>Adjusted cost RM</b>	<b>Fair value as a percentage of net asset value %</b>
<b>Government Investment Issues</b>						
15.04.2026	Government of Malaysia	NR	25,000,000	26,191,003	26,322,642	1.40
15.03.2027	Government of Malaysia	NR	10,000,000	9,978,222	10,258,373	0.53
15.06.2028	Government of Malaysia	NR	45,000,000	43,552,436	42,305,203	2.33
15.04.2030	Government of Malaysia	NR	52,500,000	54,603,187	52,891,797	2.92
15.04.2033	Government of Malaysia	NR	10,000,000	9,509,997	9,933,339	0.51
30.09.2043	Government of Malaysia	NR	20,000,000	21,020,098	20,739,458	1.12
			<u>797,500,000</u>	<u>816,161,285</u>	<u>805,644,882</u>	<u>43.56</u>
<b>Total financial assets at FVTPL</b>			<u>1,792,500,000</u>	<u>1,836,533,936</u>	<u>1,818,178,128</u>	<u>98.02</u>
<b>Excess of fair value over cost</b>				<u>18,355,808</u>		

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

	<b>Effective yield*</b>	
	<b>30-6-2016</b>	<b>31-12-2015</b>
	<b>%</b>	<b>%</b>
Corporate bond	-	3.95
Quasi-Government Bonds	4.79	4.72
Malaysian Government Securities	3.51	3.68
Government Investment Issues	<u>3.49</u>	<u>3.85</u>

\* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 30 June 2016 and 31 December 2015 are as follows:

	<b>Less than 1 year RM</b>	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
<b>2016</b>			
At nominal value:			
Quasi-Government Bonds	-	5,000,000	35,000,000
Malaysian Government Securities	5,000,000	427,500,000	522,500,000
Government Investment Issues	-	330,000,000	467,500,000
	<u>-</u>	<u>862,500,000</u>	<u>1,025,000,000</u>

(Forward)

	<b>Less than 1 year RM</b>	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
<b>2015</b>			
At nominal value:			
Corporate bond	-	10,000,000	-
Quasi-Government Bonds	-	-	85,000,000
Malaysian Government Securities	-	410,000,000	367,500,000
Government Investment Issues	-	262,500,000	172,500,000

## 5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	<b>30-6-2016 RM</b>	<b>31-12-2015 RM</b>
At nominal value:		
Short-term deposits with licensed banks	<u>37,447,900</u>	<u>29,524,000</u>
At carrying value:		
Short-term deposits with licensed banks	<u>37,451,337</u>	<u>29,527,721</u>

Details of deposit with financial institution as at 30 June 2016 are as follows:

<b>Maturity date</b>	<b>Bank</b>	<b>Nominal value RM</b>	<b>Carrying value RM</b>	<b>Purchase cost RM</b>	<b>Carrying value as a percentage of net asset value %</b>
<b>Short-term deposit with a licensed bank</b>					
01.07.2016	Malayan Banking Berhad	37,447,900	37,451,337	37,447,900	2.00

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

	<b>Weighted average effective interest rate</b>		<b>Remaining maturity</b>	
	<b>30-6-2016 %</b>	<b>31-12-2015 %</b>	<b>30-6-2016 Day</b>	<b>31-12-2015 Days</b>
Short-term deposits with licensed banks	3.35	4.60	1	4



6. **AMOUNT DUE (TO)/FROM MANAGER**

	<b>30-6-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
Creation of units*	-	451,110
Manager's fee payable	(137,321)	(92,778)
	<u>(137,321)</u>	<u>358,332</u>

\* The amount represents amount receivable from the Manager for units created.

Manager's fee was charged at a rate of 0.10% (2015: 0.10%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial period for creation of units is three business days.

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

7. **AMOUNT DUE TO TRUSTEE**

The Trustee's fee was charged at a rate of 0.05% (2015: 0.05%) per annum on the net asset value of the Fund, calculated on a daily basis.

The normal credit period in the previous financial year and current financial 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:

<b>Fund Size</b>	<b>% p.a.</b>
<b>From 1 July 2008 onwards</b>	
For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge

Subject to a minimum annual fee of USD21,234

\* Initial Funding for the Fund was USD115,400,000.

## 9. NET GAIN/(LOSS) FROM INVESTMENTS

	<b>1-4-2016 to 30-6-2016 RM</b>	<b>1-4-2015 to 30-6-2015 RM</b>
Net gain/(loss) on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	312,829	449,214
– Net unrealised gain/(loss) on changes in fair values of investments	6,673,922	(1,695,521)
	<u>6,986,751</u>	<u>(1,246,307)</u>

## 10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM33,386 (2015: RM16,262).

## 11. TOTAL EQUITY

Total equity is represented by:

	<b>Note</b>	<b>30-6-2016 RM</b>	<b>31-12-2015 RM</b>
Unitholders' capital	(a)	1,806,420,853	1,325,924,353
Retained earnings			
– Realised income	(b)	48,886,243	24,591,425
– Unrealised gain/(loss)	(c)	18,355,808	(8,639,585)
		<u>1,873,662,904</u>	<u>1,341,876,193</u>

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

	<b>30-6-2016</b>		<b>31-12-2015</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
At beginning of the financial period/year	1,265,421,800	1,325,924,353	660,421,800	693,348,293
Creation during the financial period/year	440,000,000	480,496,500	605,000,000	638,536,250
Distributions out of distribution/loss equalisator	-	-	-	(5,960,190)
At end of the financial period/year	<u>1,705,421,800</u>	<u>1,806,420,853</u>	<u>1,265,421,800</u>	<u>1,325,924,353</u>

**(b) REALISED – DISTRIBUTABLE**

	<b>30-6-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	35,061,574	3,181,692
Total comprehensive income for the financial period/year	20,498,591	29,002,591
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 11(c)]	(6,673,922)	(1,995,962)
Distributions out of realised reserve	-	(5,596,896)
Net increase in realised reserve for the financial period/year	13,824,669	21,409,733
At end of the financial period/year	48,886,243	24,591,425

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

	<b>30-6-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	11,681,886	(10,635,547)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 11(b)]	6,673,922	1,995,962
At end of the financial period/year	18,355,808	(8,639,585)

**12. UNITS HELD BY RELATED PARTIES**

	<b>30-6-2016</b>		<b>31-12-2015</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
Parties related to the Manager*	72,217,330	79,150,194	181,833,330	191,288,663

\* The parties related to the Manager are the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 30 June 2016 and 31 December 2015.

**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, local interest income derived by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	<b>1-4-2016 to 30-6-2016 RM</b>	<b>1-4-2015 to 30-6-2015 RM</b>
Net income before tax	20,498,591	5,147,592
Taxation at Malaysian statutory rate of 24% ( 2015: 25%)	4,919,700	1,286,900
Tax effects of:		
Income not subject to tax	(5,067,000)	(1,790,700)
Loss not deductible for tax purposes	-	423,900
Restriction on tax deductible expenses for Exchange Traded Funds	80,800	41,100
Non-permitted expenses for tax purposes	57,600	34,200
Permitted expenses not used and not available for future financial periods	8,900	4,600
Tax expense for the financial period	-	-

#### 14. DISTRIBUTION

Distribution to unitholders declared on 15 June 2015 for the previous financial period is from the following sources:

	<b>1-4-2016 to 30-6-2016 RM</b>	<b>1-4-2015 to 30-6-2015 RM</b>
Undistributed net income brought forward	-	6,276,373
Interest income	-	4,868,522
Net realised gain on sale of investments	-	331,817
Distribution/loss equalisation	-	399,883
	-	11,876,595
Less: Expenses	-	(319,509)
Total amount of distribution	-	11,557,086
Gross/net distribution per unit (sen)	-	1.68
Distribution made out of:		
– Realised reserve	-	11,157,203
– Distribution/loss equalisation	-	399,883
	-	11,557,086
Comprising:		
Cash distribution	-	11,557,086

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

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

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

The Fund’s MER is as follows:

	<b>1-4-2016 to 30-6-2016 % p.a.</b>	<b>1-4-2015 to 30-6-2015 % p.a.</b>
Manager’s fee	0.10	0.10
Trustee’s fee	0.05	0.05
Licence fee	0.01	0.02
Fund’s other expenses	0.01	0.01
	<hr/>	<hr/>
Total MER	0.17	0.18
	<hr/> <hr/>	<hr/> <hr/>

The MER of the Fund is the ratio of the sum of annualised fees and expenses incurred by the Fund to the average net asset value of the Fund calculated on a daily basis.

#### 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 0.18 times (2015: 0.15 times).

#### 17. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund’s investments are made in the form of fixed income instruments in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have a separately identifiable business or geographical segments.

#### 18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period ended 30 June 2016 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
Malayan Banking Berhad	731,096,900	60.73
Public Bank Berhad	371,492,900	30.86
Bank Islam Malaysia Berhad	60,970,243	5.06
Standard Chartered Bank Malaysia Berhad	30,240,237	2.51
RHB Investment Bank Berhad	10,106,993	0.84
	<hr/>	<hr/>
Total	1,203,907,273	100.00
	<hr/> <hr/>	<hr/> <hr/>

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.

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>30 June 2016</b>				
<b>Assets</b>				
Investments	1,836,533,936	-	-	1,836,533,936
Deposits with financial institutions	-	37,451,337	-	37,451,337
Cash at banks	-	1,413	-	1,413
<b>Total financial assets</b>	<b>1,836,533,936</b>	<b>37,452,750</b>	<b>-</b>	<b>1,873,986,686</b>
<b>Liabilities</b>				
Amount due to Manager	-	-	137,321	137,321
Amount due to Trustee	-	-	68,660	68,660
Amount due to index provider	-	-	20,776	20,776
Sundry payables and accrued expenses	-	-	97,025	97,025
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>323,782</b>	<b>323,782</b>
<b>31 December 2015</b>				
<b>Assets</b>				
Investments	1,312,223,284	-	-	1,312,223,284
Deposits with financial institutions	-	29,527,721	-	29,527,721
Amount due from Manager	-	358,332	-	358,332
Cash at banks	-	1,340	-	1,340
<b>Total financial assets</b>	<b>1,312,223,284</b>	<b>29,887,393</b>	<b>-</b>	<b>1,342,110,677</b>
<b>Liabilities</b>				
Amount due to Trustee	-	-	46,389	46,389
Amount due to index provider	-	-	91,581	91,581
Sundry payables and accrued expenses	-	-	96,514	96,514
	<b>-</b>	<b>-</b>	<b>234,484</b>	<b>234,484</b>

	<b>Income, expense, gains and losses</b>	
	<b>1-4-2016 to 30-6-2016</b>	<b>1-4-2015 to 30-6-2015</b>
	<b>RM</b>	<b>RM</b>
Net gain/(loss) from financial assets at FVTPL	6,986,751	(1,246,307)
Income, of which derived from:		
– Interest income from financial assets at FVTPL	13,980,086	6,572,995
– Interest income from loans and receivables	145,746	140,413

**(b) Financial instruments that are carried at fair value**

The Fund's financial assets and liabilities 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:

	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>30 June 2016</b>				
Financial assets at FVTPL	-	1,836,533,936	-	1,836,533,936
<b>31 December 2015</b>				
Financial assets at FVTPL	-	1,312,223,284	-	1,312,223,284

**(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
- Amount due from/to Manager
- Cash at banks
- Amount due to Trustee
- Amount due to index provider
- 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, in general, is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, interest rates (yield curve), foreign exchange rates and commodity prices.

#### (i) Interest rate risk

Interest rate risk will affect the value of the Fund's investments, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates. The Fund has a policy to ensure that the rates obtained are competitive.

A summary of the interest rate sensitivity of the Fund's NAV, or theoretical value (applicable to money market deposit) due to the parallel movement assumption of the yield curve by +100bps and -100bps respectively, is shown below:

Parallel shift in yield curve by:	Sensitivity of the Fund's NAV, or theoretical value	
	2016 RM	2015 RM
+100 bps	(95,071,346)	(38,078,174)
-100 bps	<u>103,637,758</u>	<u>42,068,652</u>

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. The Fund invests in fixed income instruments. As such the Fund would be exposed to the risk of bond issuers and financial institutions defaulting on its repayment obligations which in turn would 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.



(i) **Credit quality of financial assets**

The following table analyses the Fund's portfolio of debt securities by rating category as at 30 June 2016 and 30 June 2015:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>2016</b>			
NR*	1,836,533,936	100.00	98.02
<b>2015</b>			
AAA	10,139,915	1.43	1.4
NR*	698,514,548	98.57	96.71
	708,654,463	100.00	98.11

\* 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 deposits by rating category as at 30 June 2016 and 30 June 2015:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of deposits</b>	<b>As a % of net asset value</b>
<b>2016</b>			
P1/MARC-1	37,451,337	100.00	2.00
<b>2015</b>			
P1/MARC-1	25,521,092	100.00	3.53

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

(ii) **Credit risk concentration**

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 30 June 2016 and 30 June 2015:

<b>Sector</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>2016</b>			
Public finance	1,831,437,015	99.72	97.75
Transportation	5,096,921	0.28	0.27
	1,836,533,936	100.00	98.02
<b>2015</b>			
Financial services	10,139,915	1.43	1.40
Public finance	698,514,548	98.57	96.71
	708,654,463	100.00	98.11

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/profit rate

F = time to maturity (days)

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

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
<b>2016</b>						
<b>Financial assets</b>						
Investments	75,397,300	311,504,700	181,445,050	205,509,600	297,630,150	1,229,643,675
Deposits						
with financial						
institutions	37,451,337	-	-	-	-	-
Cash at banks	1,413	-	-	-	-	-
<b>Total assets</b>	<b>112,850,050</b>	<b>311,504,700</b>	<b>181,445,050</b>	<b>205,509,600</b>	<b>297,630,150</b>	<b>1,229,643,675</b>

(Forward)

	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
<b>2016</b>						
<b>Financial liabilities</b>						
Other liabilities	323,782	-	-	-	-	-
<b>2015</b>						
<b>Financial assets</b>						
Investments	27,449,696	142,008,548	102,259,700	40,293,650	118,747,250	489,506,200
Deposits with financial institutions	25,521,092	-	-	-	-	-
Cash at banks	1,596	-	-	-	-	-
<b>Total assets</b>	<b>52,972,384</b>	<b>142,008,548</b>	<b>102,259,700</b>	<b>40,293,650</b>	<b>118,747,250</b>	<b>489,506,200</b>
<b>Financial liabilities</b>						
Other liabilities	11,860,972	-	-	-	-	-

### 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 unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, make distribution payment, or return capital to unitholders by way of redemption of units.

No changes were made in the objective, policies or processes during the financial periods ended 30 June 2016 and 30 June 2015.

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(formerly known as AmInvestment Services Berhad)  
please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday - Thursday),  
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