

**ABF Malaysia Bond Index Fund**

**Quarterly Report**

**30 September 2016**

## **TRUST DIRECTORY**

### **Manager**

AmFunds Management 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**

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 July 2016 to 30 September 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>	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.  <i>Note: Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i>				
<b>Index Component</b>	Details of the index component as at 30 September 2016 are as follows:				
	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	MJ120005	Malaysia Government Bond	3.314	31 October 2017	13,500,000,000
	UG140152	Cagamas Berhad	3.950	03 November 2017	1,000,000,000
	VG140356	Cagamas Berhad	3.950	03 November 2017	930,000,000
	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
	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
	UG150088	Cagamas Berhad	4.200	22 October 2018	1,500,000,000
	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
	UG160018	Cagamas Berhad	4.100	04 February 2019	1,120,000,000
	VI140030	Pengurusan Air SPV Berhad	4.160	07 February 2019	1,000,000,000
	(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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
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
VJ140355	Pengurusan Air SPV Berhad	4.100	05 November 2020	500,000,000
GN100060	Malaysia Government Investment Issue	3.998	30 November 2020	3,000,000,000
VN11023	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	7,000,000,000
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10 September 2021	700,000,000
VI160277	Lembaga Pembiayaan Perumahan Sektor Awam	3.600	21 September 2021	600,000,000
ML140003	Malaysia Government Bond	4.048	30 September 2021	11,700,000,000
MJ160004	Malaysia Government Bond	3.620	30 November 2021	7,000,000,000
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
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	7,500,000,000
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
ML160001	Malaysia Government Bond	3.800	17 August 2023	10,000,000,000
VK160278	Lembaga Pembiayaan Perumahan Sektor Awam	3.830	21 September 2023	700,000,000
VN130529	Cagamas Berhad	4.300	27 October 2023	645,000,000
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
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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
MS110003	Malaysia Government Bond	4.392	15 April 2026	10,574,330,000
VN160231	Perbadanan Tabung Pendidikan Tinggi Nasional	4.200	27 July 2026	1,000,000,000
VN160235	Jambatan Kedua Sdn Bhd	4.200	28 July 2026	1,000,000,000
VS110260	Syarikat Prasarana Negara Berhad	4.350	04 August 2026	1,200,000,000
MX060002	Malaysia Government Bond	4.709	15 September 2026	3,110,000,000
VN160279	Lembaga Pembiayaan Perumahan Sektor Awam	4.050	21 September 2026	700,000,000
GO160003	Malaysia Government Investment Issue	4.070	30 September 2026	7,500,000,000
MO160003	Malaysia Government Bond	3.900	30 November 2026	7,000,000,000
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
(Forward)				



<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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
GT150003	Malaysia Government Investment Issue	4.245	30 September 2030	7,000,000,000
VS160151	GovCo Holdings Bhd	4.730	06 June 2031	550,000,000
MX110004	Malaysia Government Bond	4.232	30 June 2031	8,750,000,000
VS160232	Perbadanan Tabung Pendidikan Tinggi Nasional	4.500	25 July 2031	500,000,000
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
GX130068	Malaysia Government Investment Issue	4.582	30 August 2033	4,000,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
MY150004	Malaysia Government Bond	4.254	31 May 2035	5,161,000,000
GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	3,500,000,000
VX160280	Lembaga Pembiayaan Perumahan Sektor Awam	4.620	19 September 2036	900,000,000
VZ150047	DanaInfra Nasional Berhad	4.950	06 April 2040	1,000,000,000
VZ160031	Syarikat Prasarana Negara Berhad	5.070	26 February 2041	755,000,000
VZ160130	DanaInfra Nasional Berhad	4.850	03 May 2041	1,000,000,000
VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26 July 2041	1,500,000,000
VZ160237	Jambatan Kedua Sdn Bhd	4.860	26 July 2041	900,000,000
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	5,000,000,000
(Forward)				

	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	VZ160131	DanaInfra Nasional Berhad	5.020	03 May 2046	1,000,000,000
	VZ160281	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	21 September 2046	800,000,00
	<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 1,815,421,800 units.				
	<b>Size of holding</b>	<b>As at 30 September 2016</b>		<b>As at 30 June 2016</b>	
		<b>No of units held</b>	<b>Number of unitholders</b>	<b>No of units held</b>	<b>Number of unitholders</b>
	Less than 100	300	7	202	6
	100 – 1,000	10,900	23	10,598	23
	1,001 -10,000	52,700	12	39,100	9
	10,001 – 100,000	109,600	4	25,500	2
	100,001 to less than 5% of issue units	5,680,430	4	75,044,230	5
	5% and above of issue units	1,809,567,870	4	1,630,302,170	3

### Fund Performance Data

<b>Portfolio Composition</b>	Details of portfolio composition of the Fund for the financial periods as at 30 September 2016, 30 June 2016 and three financial years as at 31 December are as follows:				
	<b>As at 30-9-2016 %</b>	<b>As at 30-6-2016 %</b>	<b>FY 2015 %</b>	<b>FY 2014 %</b>	<b>FY 2013 %</b>
Corporate bonds	-	-	0.76	1.48	-
Malaysian Government Securities	97.40	95.94	90.57	78.21	92.21
Quasi-Government bonds	1.96	2.08	6.46	20.77	8.49
Cash and others	0.64	1.98	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>

*Note: The abovementioned percentages are calculated based on total net asset value.*

**Performance Details**

Performance details of the Fund for the financial periods ended 30 September 2016, 30 June 2016 and three financial years ended 31 December are as follows:

	<b>3 months ended 30-9-2016</b>	<b>3 months ended 30-6-2016</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Net asset value (RM)	2,035,150,413*	1,873,662,904*	1,341,876,193	685,894,438	684,340,987
Units in circulation	1,815,421,800*	1,705,421,800*	1,265,421,800	660,421,800	647,421,800
Net asset value per unit (RM)	1.1210*	1.0987*	1.0604	1.0386	1.0570
Highest net asset value per unit (RM)	1.1224*	1.0987*	1.0655	1.0841	1.1136
Lowest net asset value per unit (RM)	1.1001*	1.0856*	1.0323	1.0355	1.0553
Closing quoted price (RM/unit)	1.1210*	1.0960*	1.0520	1.0350	1.0970
Highest quoted price (RM/unit)	1.1220*	1.0960*	1.0680	1.0840	1.1030
Lowest quoted price (RM/unit)	1.1150*	1.0830*	1.0300	1.0350	1.0840
Benchmark performance (%)	2.09	1.30	4.12	3.79	0.85
Total return (%) <sup>(1)</sup>	2.03	1.28	3.74	3.98	0.36
- Capital growth (%)	2.03	1.28	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

(Forward)

	3 months ended 30-9-2016	3 months ended 30-6-2016	FY 2015	FY 2014	FY 2013
Distribution yield (%) <sup>(2)</sup>	-	-	1.60	5.80	3.19
Management expense ratio (%) <sup>(3)</sup>	0.17	0.17	0.16	0.18	0.19
Portfolio turnover ratio (times) <sup>(4)</sup>	0.10	0.18	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.
- (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 0.08 times (44.4%) as compared to 0.18 times for the financial period ended 30 June 2016 mainly due to increase in average fund size.

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

	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
One year	7.51	7.92
Three years	4.33	4.49
Five years	3.76	4.06
Ten years	3.96	4.27

#### 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**

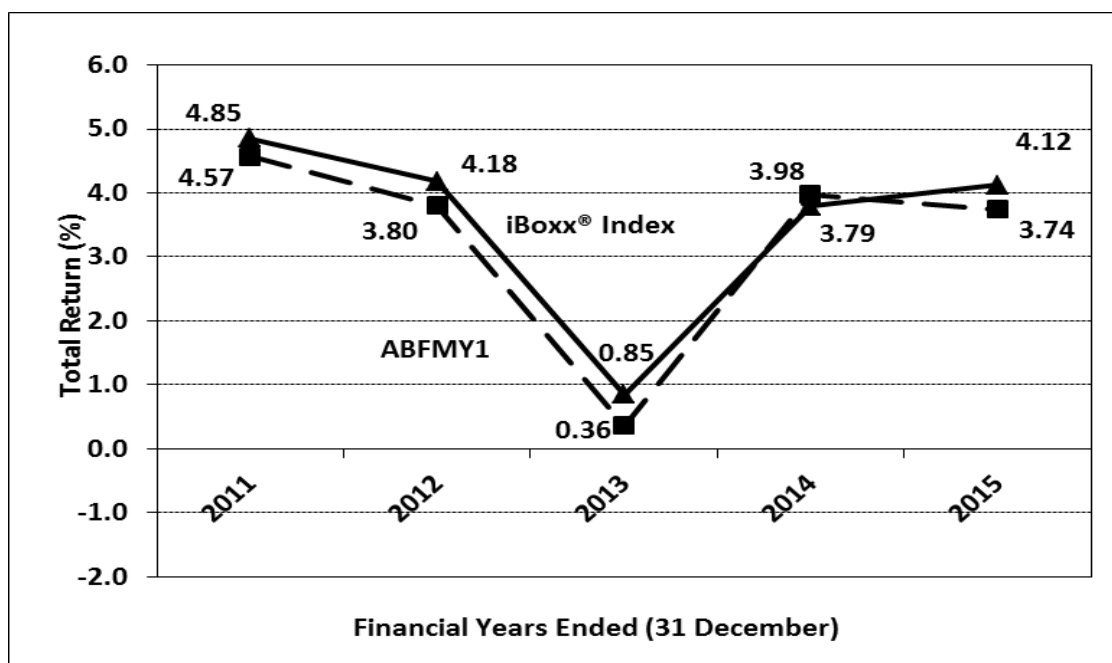
For the financial period under review, the Fund registered a return of 2.03% which was entirely capital growth in nature.

The Fund’s return of 2.03% is marginally below the benchmark’s return of 2.09% by 0.06%.

As compared with the financial period ended 30 June 2016, the net asset value (“NAV”) per unit of the Fund increased by 2.03% from RM1.0987 to RM1.1210, while units in circulation increased by 64.50% from 1,705,421,800 units to 1,815,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 2.28% from RM1.0960 to RM1.1210.

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 30-9-2016 %	As at 30-6-2016 %	Changes %
Malaysian Government Securities	97.40	95.94	1.46
Quasi-Government bonds (low risk asset as accorded by Bank Negara Malaysia)	1.96	2.08	-0.12
Cash and others	0.64	1.98	-1.34
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

For the financial period under review, the fund invested 99.36% in fixed income securities while the balance of 0.64% was held in cash.

<b>Distribution/ unit splits</b>	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>The Bank Negara Malaysia (“BNM”) cut the Overnight Policy Rate (“OPR”) by 25bps to 3.00% at its 13 July 2016 meeting. The market was surprised with consensus expectation that the policy rate would be left unchanged. BNM sees that it has policy room for easing due to subdued inflation, and has also revised down the 2016 inflation expectation to 2-3% from 2.5-3.5% previously. The rate cut is aimed at supporting domestic growth, given that the financial sector is not expected to be destabilized by the lower policy rate. Malaysia’s inflation came in significantly below expectations at 1.6% year-on-year (YoY) for June 2016 mainly due to transport prices which contracted -8.5% YoY that is weighted 13.7% of the Consumer Price Index (“CPI”) Index. Subsequent to the unexpected OPR cut, the MGS market rallied across the curve even as trading volume for the month of July dropped from June’s year to date high of RM106.2billion to RM80.8b billion. Overall, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 2.99%, 3.17%, 3.38%, 3.59%, 3.92%, 4.21% and 4.53% respectively.</p> <p>In the primary market, there were two tenders: (1) RM2.5billion 15-year reopening of MGS 06/31, which drew healthy bid-to-cover (“BTC”) ratio of 2.222 times with an average yield of 3.856%; and (2) RM3.5b 5-year reopening of GII 08/21 which garnered BTC ratio of 2.454 times at average yield of 3.401%.</p> <p>During the month of August, Malaysia exports bounced back into gain of 3.4% y-o-y in June after falling by -0.9% in May and compared with +1.6% in April. Meanwhile, the foreign exchange reserves increased marginally by USD0.1b to USD97.3b billion as at 29 July 2016. The current account surplus in the balance of payments narrowed to MYR1.9bn in 2Q 2016, after recording a surplus of MYR5.0b billion in 1Q and compared with a surplus of MYR8.1bn in 2Q 2015. This was attributed to a smaller surplus in the merchandise trade account and a larger deficit in the income transfers. Meanwhile, the financial account registered a higher net inflow of MYR9.5bn in 2Q, compared with an inflow of MYR5.8billion in the previous quarter. The improvement was mainly due to a rebound in net inflow on other investments and a larger net inflow of direct investments. On the other hand, the slowdown in the Malaysian economy continued with real GDP growing at a slower pace of 4.0% year-on-year (y-o-y) in 2Q 2016, from +4.2% in 1Q and +4.5% in 4Q 2016. The overall growth was dragged lower by a cutback in inventories and subdued exports. Malaysia Consumer Price Index (“CPI”) rose just at 1.1% in July 2016, as opposed to 1.6% in the prior month and against consensus of 1.2%. The low CPI rate has prompted some market players to anticipate Bank Negara Malaysia (“BNM”) to revise the Overnight Policy Rate (“OPR”) rate downward at the next policy meeting. The rallies in the Malaysian sovereign bonds/sukuk continued in August, following BNM’s OPR cut by 25 bps to 3.0%. Some of</p>

the gains were pared after the BNM governor stated that there were no plans for a series of rate cuts. Depressed global yields and divided Fed officials as highlighted in the U.S. July FOMC minutes led to sell-down of USD and strengthening of MYR. Yields of the local government bonds shifted down across the board due to global yield hunting. Oil strength during the month wherein the Brent crude oil closed above USD50.00 per barrel since 4 July 2016 also contributed to the local bond market rallies. On 17 August 2016, there was an announcement that Government Investment Issue (“GII”) will be eligible for inclusion in the JP Morgan Emerging Market (“JPM EM”) suite of indices i.e. Government Bond Index – Emerging Market (“GBI-EM”) Global Diversified and GBI-EM Diversified. This sparked a significant rally for the GII, particularly GII 7/23 and GII 9/26. The spread between the Malaysian Government Securities (“MGS”) and GII has compressed significantly pre and post the announcement. The 7 year GII-MGS spread has compressed from 14 bps to the current 4-5bps whereas the 10 year GII-MGS has compressed from 19 bps to the current 5 bps. However, toward the end of the month, several US Federal Reserve (“Fed”) officials made hawkish statement about raising fed rates possibly as early as in September. Janet Yellen, The Fed Chair also remarked at the Monetary Policy Meeting at Jackson Hole, Wyoming that the case for the rate hike has strengthened, but she did not specify the timing of the rate hike as it will be data dependent. This had caused the local market government bonds to weaken as traders were seen trimming down their positions. Overall, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 2.895%, 3.19%, 3.465%, 3.60%, 3.915%, 4.13% and 4.45% respectively.

In the primary market, there were three tenders: (1) RM3.0billion 7-year reopening of MGS 8/23 with bid-to-cover (“BTC”) ratio of 1.577 times with average yield of 3.483 (2) RM3.0billion 15-year reopening of MGII 09/30, which drew strong BTC ratio of 2.493 times with an average yield of 4.160%. Demand predominantly came from local banks, Islamic real money, life and pension funds that are heavy cash-in-hand; and (3) RM3.0billion 10-year reopening of MGS 11/26 which garnered weak BTC ratio of 1.752 times at average yield of 3.563%.

Malaysia’s Purchasing Manager’s Index (PMI) reading rose to 48.6 in September from 47.4 in August 2016. This marked the highest reading in eight months. Nevertheless, it was still the eighteenth consecutive month of contraction as indicated by the sub 50 reading. On the inflation front, headline inflation reading for August rebounded to 1.5% versus consensus expectation of 1.3%. Main drivers were non-food items particularly cultural services which saw inflation surging from 1.0% in July to 6.1% Year-on-Year (YoY) in August. Global markets revisited the prospect of a rate hike again as the Federal Open Market Committee (FOMC) met over two days starting 20 Sep 2016. As expected, volatility spiked in the run-up to the meeting as yields rose across the board globally as well as in Malaysia. The less than hawkish decision post FOMC was well anticipated by the market and hence saw a reversal in bond yields. Likewise, Malaysian Government bonds also saw yields declined in response to the Fed’s decision and ended the month in a slight flattening of the curve. Overall, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 2.94%, 3.22%, 3.44%, 3.54%, 3.92%, 4.15% and 4.47% respectively.

In the primary market, there were two tenders: (1) RM3.0b 5-year Re-opening of MGS 11/21, which drew a weak bid-to-cover (BTC) ratio of 1.670 times with an average yield of 3.256%; and (2) RM2.0b 20-year Re-opening of GII 10/35 which garnered BTC ratio of 2.890 times at average yield of 4.226%.

**Market Outlook**

The era of cheap money continues to reign as the Federal Open Market Committee (“FOMC”) kept its policy rate steady while the Bank of Japan (BOJ) maintained its quantitative easing policy albeit with some enhancements. Liquidity returned to the emerging markets and this scenario is no different in Malaysia.

Malaysian Government bonds has rallied significantly since the beginning of the year helped not only by cheap liquidity but also the successive Statutory Reserve Requirement (SRR) and Overnight Policy Rate (OPR) cut by Bank Negara Malaysia (BNM). As mentioned above, foreign inflows into our shore has reached a record high of 51.5% for MGS and 11.6% for GII as of end August. As we head into the US presidential election in November as well as the last FOMC meeting in December, we anticipate profit taking activities as investors move to the sidelines on expectations of bouts of volatilities. Nevertheless, any aggressive selling in the MGS market will be likely be an opportunity to buy and should be well absorbed by local investors.

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

31 October 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 from 1 July 2016 to 30 September 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 July 2016 to 30 September 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 July 2016 to 30 September 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 July 2016 to 30 September 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>	: 3 March 2014
<b>Number of Investment Committee meeting attended for the financial period (From 1 July 2016 to 30 September 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>	: 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

	<p>iii) January 2007 – November 2008 Senior Vice President/Head – Malaysia Coverage Private Banking of DBS Bank, Singapore</p> <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 July 2016 to 30 September 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>	: 15 December 2014
<b>Number of Investment Committee meeting attended for the financial year period (From 1 July 2016 to 30 September 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>	: 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 July 2016 to 30 September 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>	: 18 January 2016
<b>Number of Investment Committee meetings attended for the financial period (From 1 July 2016 to 30 September 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/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 July 2016 to 30 September 2016)</b>	: One (1)
<b>Member of any other Board Committee</b>	: None
<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 July 2016 to 30 September 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

## 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 from 1 July 2016 to 30 September 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  iii)
<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) Apr 1995 – 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 July 2016 to 30 September 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



## 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 For the financial period from 1 July 2016 to 30 September 2016 there were two (2) 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>
AMINVESTMENT BANK BERHAD	1160207870	63.9084%
AMSEC NOMINEES (TEMPATAN) SDN BHD	390594400	21.5154%
CHA KAR HUEI	163999600	9.0337%
CHEW KIAN SHEN	94766000	5.2201%
CHOK SIEW KWONG	2840430	0.1565%
CHONG YAM SONG	2300000	0.1267%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	400000	0.0220%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	140000	0.00771%
CITIGROUP NOMINEES (ASING) SDN BHD	44100	0.00243%
CITIGROUP NOMINEES (ASING) SDN BHD	40000	0.00220%
CLARENCE SIM HOU GUAN	15000	0.00083%
DB (MALAYSIA) NOMINEE (ASING) SDN BHD	10500	0.00058%
FOO CHIT FONG	9600	0.00053%
GARY CHEW KIEW SENG	8200	0.00045%
GRACE CHRYSTAL GOH YEE HING	5000	0.00028%
HO SIEW YAN	5000	0.00028%
HSBC NOMINEES (ASING) SDN BHD	5000	0.00028%
HSBC NOMINEES (ASING) SDN BHD	3600	0.00020%
HSBC NOMINEES (ASING) SDN BHD	3500	0.00019%
HSBC NOMINEES (ASING) SDN BHD	3000	0.00017%
JAY SURIAR A/L RAJASURIAR	3000	0.00017%
JOHN MELVILLE KAYES NEWMAN	3000	0.00017%
K.VIJAYAN A/L G.KERISNAN	2300	0.00013%
KENANGA NOMINEES (TEMPATAN) SDN BHD	1500	0.00008%
KOH AH KOW @ KOH BOON KWEE	1000	0.00006%
KWAN KAH WENG	1000	0.00006%
LAU CHONG IP @ LIEW CHONG IP	1000	0.00006%
LAU KAI CHONG	1000	0.00006%
LEE SIEW KEONG	1000	0.00006%
LIM ENG HANN	1000	0.00771%

## ABF Malaysia Bond Index Fund

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

	Note	30-9-2016 (unaudited) RM	31-12-2015 (audited) RM
<b>ASSETS</b>			
Investments	4	2,022,238,090	1,312,223,284
Deposits with financial institutions	5	13,332,351	29,527,721
Amount due from Manager	6	-	358,332
Cash at banks		1,440	1,340
<b>TOTAL ASSETS</b>		<b>2,035,571,881</b>	<b>1,342,110,677</b>
<b>LIABILITIES</b>			
Amount due to Manager	6	172,225	-
Amount due to Trustee	7	86,113	46,389
Amount due to index provider	8	59,935	91,581
Sundry payables and accrued expenses		103,195	96,514
<b>TOTAL LIABILITIES</b>		<b>421,468</b>	<b>234,484</b>
<b>EQUITY</b>			
Unitholders' capital	11(a)	1,928,289,853	1,325,924,353
Retained earnings	11(b)(c)	106,860,560	15,951,840
<b>TOTAL EQUITY</b>	11	<b>2,035,150,413</b>	<b>1,341,876,193</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,035,571,881</b>	<b>1,342,110,677</b>
<b>UNITS IN CIRCULATION</b>	11(a)	<b>1,815,421,800</b>	<b>1,265,421,800</b>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<b>112.10 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 JULY 2016 TO 30 SEPTEMBER 2016

	Note	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Interest income		18,521,968	6,802,554
Net gain/(loss) from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>21,973,060</u>	<u>(11,507,003)</u>
Gross Income/(loss)		<u>40,495,028</u>	<u>(4,704,449)</u>
<b>EXPENDITURE</b>			
Manager’s fee	6	(504,353)	(181,334)
Trustee’s fee	7	(252,177)	(90,667)
Licence fee	8	(39,159)	(26,547)
Auditors’ remuneration		(4,181)	(1,941)
Tax agent’s fee		(1,257)	(756)
Other expenses	10	<u>(75,392)</u>	<u>(17,717)</u>
Total Expenditure		<u>(876,519)</u>	<u>(318,962)</u>
NET INCOME/(LOSS) BEFORE TAX		39,618,509	(5,023,411)
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET INCOME/(LOSS) AFTER TAX		39,618,509	(5,023,411)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD		<u><u>39,618,509</u></u>	<u><u>(5,023,411)</u></u>
Total comprehensive income/(loss) comprises the following:			
Realised income		18,982,523	6,166,415
Unrealised gain/(loss)		<u>20,635,986</u>	<u>(11,189,826)</u>
		<u><u>39,618,509</u></u>	<u><u>(5,023,411)</u></u>

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

## ABF Malaysia Bond Index Fund

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

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 July 2015		722,136,910	179,269	722,316,179
Total comprehensive loss for the financial 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>
At 1 July 2016		1,806,420,853	67,242,051	1,873,662,904
Total comprehensive income for the financial period		-	39,618,509	39,618,509
Creation of units	11(a)	<u>121,869,000</u>	-	<u>121,869,000</u>
Balance at 30 September 2016		<u>1,928,289,853</u>	<u>106,860,560</u>	<u>2,035,150,413</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 JULY 2016 TO 30 SEPTEMBER 2016**

	<b>1-7-2016 to 30-9-2016 RM</b>	<b>1-7-2015 to 30-9-2015 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	116,731,000	50,529,000
Interest received	21,094,874	6,597,069
Manager's fee paid	(469,449)	(180,250)
Trustee's fee paid	(234,724)	(90,125)
Tax agent's fee paid	(4,000)	-
Licence fee paid	-	(28,401)
Payments for other expenses	(70,660)	(16,450)
Purchase of investments	<u>(283,035,000)</u>	<u>(60,298,000)</u>
Net cash used in operating and investing activities	<u>(145,987,959)</u>	<u>(3,487,157)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from creation of units	121,869,000	-
Distributions paid	<u>-</u>	<u>(11,557,086)</u>
Net cash generated from/(used in) financing activities	<u>121,869,000</u>	<u>(11,557,086)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(24,118,959)</b>	<b>(15,044,243)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u><b>37,452,750</b></u>	<u><b>25,522,688</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><u><b>13,333,791</b></u></u>	<u><u><b>10,478,445</b></u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	13,332,351	10,477,033
Cash at banks	<u>1,440</u>	<u>1,412</u>
	<u><u>13,333,791</u></u>	<u><u>10,478,445</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 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 will be effective for financial year beginning on or after 1 January 2018. 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

	30-9-2016 RM	31-12-2015 RM
<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	972,500,000	777,500,000
Government Investment Issues	940,000,000	435,000,000
	<u>1,952,500,000</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)	45,005,341	86,703,608
Malaysian Government Securities	1,004,703,615	781,786,072
Government Investment Issues	972,529,134	433,558,229
	<u>2,022,238,090</u>	<u>1,312,223,284</u>

Details of investments as at 30 September 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	5,071,710	5,034,290	0.25
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	39,933,631	39,297,740	1.96
			<u>40,000,000</u>	<u>45,005,341</u>	<u>44,332,030</u>	<u>2.21</u>
<b>Malaysian Government Securities</b>						
31.10.2017	Government of Malaysia	NR	20,000,000	20,435,872	20,283,058	1.00
01.03.2018	Government of Malaysia	NR	30,000,000	30,358,550	29,956,525	1.49
15.03.2019	Government of Malaysia	NR	85,000,000	86,882,872	86,097,720	4.27
30.07.2019	Government of Malaysia	NR	10,000,000	10,833,667	10,633,726	0.53
31.10.2019	Government of Malaysia	NR	50,000,000	51,715,591	50,704,883	2.54
29.11.2019	Government of Malaysia	NR	40,000,000	42,196,103	41,859,102	2.07
31.03.2020	Government of Malaysia	NR	40,000,000	40,380,237	40,303,836	1.99
31.07.2020	Government of Malaysia	NR	10,000,000	10,300,817	10,186,444	0.51
15.10.2020	Government of Malaysia	NR	85,000,000	87,804,382	86,580,722	4.32
30.09.2021	Government of Malaysia	NR	30,000,000	31,032,036	30,252,684	1.53
30.11.2021	Government of Malaysia	NR	70,000,000	72,106,690	72,143,059	3.54
30.09.2022	Government of Malaysia	NR	52,500,000	53,469,899	52,013,610	2.63
17.08.2023	Government of Malaysia	NR	80,000,000	82,109,339	80,574,934	4.03
15.07.2024	Government of Malaysia	NR	70,000,000	73,374,980	70,933,153	3.61
15.09.2025	Government of Malaysia	NR	72,500,000	74,132,560	71,328,287	3.64

(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>						
15.04.2026	Government of Malaysia	NR	25,000,000	26,854,269	26,567,501	1.32
30.11.2026	Government of Malaysia	NR	10,000,000	10,430,825	10,397,547	0.51
15.03.2027	Government of Malaysia	NR	10,000,000	10,062,402	10,157,961	0.50
15.06.2028	Government of Malaysia	NR	45,000,000	44,854,443	42,785,780	2.20
15.04.2030	Government of Malaysia	NR	67,500,000	72,505,457	69,653,889	3.56
30.06.2031	Government of Malaysia	NR	30,000,000	31,407,102	31,542,881	1.54
15.04.2033	Government of Malaysia	NR	10,000,000	9,767,177	10,031,120	0.48
30.09.2043	Government of Malaysia	NR	20,000,000	21,197,512	20,489,529	1.04
15.03.2046	Government of Malaysia	NR	10,000,000	10,490,833	10,469,141	0.52
			<u>972,500,000</u>	<u>1,004,703,615</u>	<u>985,947,092</u>	<u>49.37</u>

#### **Government Investment Issues**

23.11.2017	Government of Malaysia	NR	10,000,000	10,251,629	10,163,507	0.50
15.05.2018	Government of Malaysia	NR	142,500,000	146,124,756	144,929,181	7.18
30.08.2018	Government of Malaysia	NR	20,000,000	20,445,079	20,198,177	1.00
30.04.2019	Government of Malaysia	NR	30,000,000	30,913,784	30,309,688	1.52
13.08.2019	Government of Malaysia	NR	10,000,000	10,283,285	10,155,986	0.51
15.05.2020	Government of Malaysia	NR	20,000,000	20,463,666	20,320,356	1.01
27.08.2020	Government of Malaysia	NR	115,000,000	117,431,577	114,928,390	5.77
23.03.2021	Government of Malaysia	NR	30,000,000	30,444,936	29,613,355	1.50
30.04.2021	Government of Malaysia	NR	10,000,000	10,495,342	10,432,337	0.52

(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>						
26.08.2021	Government of Malaysia	NR	130,000,000	133,092,939	131,202,323	6.54
15.07.2022	Government of Malaysia	NR	30,000,000	31,291,842	30,226,652	1.54
07.07.2023	Government of Malaysia	NR	120,000,000	127,376,565	125,049,626	6.26
31.10.2023	Government of Malaysia	NR	10,000,000	10,056,162	9,730,834	0.49
22.05.2024	Government of Malaysia	NR	20,000,000	21,314,337	20,618,669	1.05
15.10.2025	Government of Malaysia	NR	52,500,000	54,286,633	52,146,320	2.67
30.09.2026	Government of Malaysia	NR	130,000,000	134,543,736	131,026,069	6.61
15.06.2027	Government of Malaysia	NR	20,000,000	20,244,704	20,452,058	0.99
06.12.2028	Government of Malaysia	NR	10,000,000	11,073,314	10,472,150	0.54
30.08.2033	Government of Malaysia	NR	10,000,000	10,463,481	9,877,021	0.51
31.10.2035	Government of Malaysia	NR	20,000,000	21,931,367	21,114,475	1.08
			<u>940,000,000</u>	<u>972,529,134</u>	<u>952,967,174</u>	<u>47.79</u>
<b>Total financial assets at FVTPL</b>			<u>1,952,500,000</u>	<u>2,022,238,090</u>	<u>1,983,246,296</u>	<u>99.37</u>
<b>Excess of fair value over cost</b>				<u>38,991,794</u>		

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

	<b>Effective yield*</b>	
	<b>30-9-2016</b>	<b>31-12-2015</b>
	<b>%</b>	<b>%</b>
Corporate bond	-	3.95
Quasi-Government Bonds	4.70	4.72
Malaysian Government Securities	3.30	3.68
Government Investment Issues	<u>3.26</u>	<u>3.85</u>

\* As provided by Markit Indices Limited.

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

	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
<b>30 September 2016</b>		
At nominal value:		
Quasi-Government Bonds	5,000,000	35,000,000
Malaysian Government Securities	370,000,000	602,500,000
Government Investment Issues	517,500,000	422,500,000
	<u>517,500,000</u>	<u>422,500,000</u>
<b>31 December 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
	<u>262,500,000</u>	<u>172,500,000</u>

## 5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	<b>30-9-2016 RM</b>	<b>31-12-2015 RM</b>
At nominal value:		
Short-term deposits with licensed banks	13,331,200	29,524,000
	<u>13,331,200</u>	<u>29,524,000</u>
At carrying value:		
Short-term deposits with licensed banks	13,332,351	29,527,721
	<u>13,332,351</u>	<u>29,527,721</u>

Details of deposit with financial institution as at 30 September 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>					
04.10.2016	Malayan Banking Berhad	13,331,200	13,332,351	13,331,200	0.66
		<u>13,331,200</u>	<u>13,332,351</u>	<u>13,331,200</u>	<u>0.66</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	
	30-9-2016 %	31-12-2015 %	30-9-2016 Days	31-12-2015 Days
Short-term deposits with licensed banks	3.15	4.60	4	4

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

	30-9-2016 RM	31-12-2015 RM
Creation of units*	-	451,110
Manager's fee payable	(172,225)	(92,778)
	<u>(172,225)</u>	<u>358,332</u>

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

Manager's fee is 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

Trustee's fee is 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>1-7-2016 to 30-9-2016 RM</b>	<b>1-7-2015 to 30-9-2015 RM</b>
Net gain/(loss) on financial assets at FVTPL comprised:		
– Net realised gain/(loss) on sale of investments	1,337,074	(317,177)
– Net unrealised gain/(loss) on changes in fair values of investments	<u>20,635,986</u>	<u>(11,189,826)</u>
	<u><u>21,973,060</u></u>	<u><u>(11,507,003)</u></u>

## 10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM45,339 (2015: RM16,346).

## 11. TOTAL EQUITY

Total equity is represented by:

	<b>Note</b>	<b>30-9-2016 RM</b>	<b>31-12-2015 RM</b>
Unitholders' capital	(a)	1,928,289,853	1,325,924,353
Retained earnings			
– Realised income	(b)	67,868,766	24,591,425
– Unrealised gain/(loss)	(c)	<u>38,991,794</u>	<u>(8,639,585)</u>
		<u><u>2,035,150,413</u></u>	<u><u>1,341,876,193</u></u>

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

	<b>30-9-2016</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	1,705,421,800	1,806,420,853	660,421,800	693,348,293
Creation during the financial period/year	110,000,000	121,869,000	605,000,000	638,536,250
Distributions out of distribution/loss equalisation	-	-	-	(5,960,190)
At end of the financial period/year	<u>1,815,421,800</u>	<u>1,928,289,853</u>	<u>1,265,421,800</u>	<u>1,325,924,353</u>

**(b) REALISED – DISTRIBUTABLE**

	<b>30-9-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	48,886,243	3,181,692
Total comprehensive income for the financial period/year	39,618,509	29,002,591
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 11(c)]	(20,635,986)	(1,995,962)
Distributions out of realised reserve	-	(5,596,896)
Net increase in realised reserve for the financial period/year	<u>18,982,523</u>	<u>21,409,733</u>
At end of the financial period/year	<u>67,868,766</u>	<u>24,591,425</u>

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

	<b>30-9-2016</b>	<b>31-12-2015</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	18,355,808	(10,635,547)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 11(b)]	<u>20,635,986</u>	<u>1,995,962</u>
At end of the financial period/year	<u>38,991,794</u>	<u>(8,639,585)</u>

## 12. UNITS HELD BY RELATED PARTIES

	30-9-2016		31-12-2015	
	Number of units	RM	Number of units	RM
Parties related to the Manager*	97,619,530	109,431,493	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 September 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:

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
Net income before tax	39,618,509	9,707,152
Taxation at Malaysian statutory rate of 24% (2015: 25%)	9,508,400	2,426,800
Tax effects of:		
Income not subject to tax	(9,718,800)	(2,598,900)
Loss not deductible for tax purposes	-	90,300
Restriction on tax deductible expenses for Exchange Traded Funds	110,400	39,700
Non-permitted expenses for tax purposes	87,700	37,700
Permitted expenses not used and not available for future financial periods	12,300	4,400
Tax expense for the financial period	-	-

## 14. DISTRIBUTION

No distribution was declared by the Fund for the financial periods ended 30 September 2016 and 30 September 2015.

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

The Fund’s MER is as follows:

	<b>1-7-2016 to 30-9-2016 % p.a.</b>	<b>1-7-2015 to 30-9-2015 % 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
Total MER	<u>0.17</u>	<u>0.18</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 0.10 times (2015: 0.08 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 2016 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>	
	<b>RM</b>	<b>%</b>
Malayan Banking Berhad	714,977,400	72.62
Standard Chartered Bank Malaysia Berhad	166,004,472	16.86
RHB Investment Bank Berhad	77,592,989	7.88
Bank Islam Malaysia Berhad	25,963,695	2.64
Total	<u>984,538,556</u>	<u>100.00</u>

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

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 September 2016</b>				
<b>Assets</b>				
Investments	2,022,238,090	-	-	2,022,238,090
Deposits with financial institutions	-	13,332,351	-	13,332,351
Cash at banks	-	1,440	-	1,440
	<u>2,022,238,090</u>	<u>13,333,791</u>	<u>-</u>	<u>2,035,571,881</u>
<b>Liabilities</b>				
Amount due to Manager	-	-	172,225	172,225
Amount due to Trustee	-	-	86,113	86,113
Amount due to index provider	-	-	59,935	59,935
Sundry payables and accrued expenses	-	-	103,195	103,195
	<u>-</u>	<u>-</u>	<u>421,468</u>	<u>421,468</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>421,468</u>	<u>421,468</u>
<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
	<u>1,312,223,284</u>	<u>29,887,393</u>	<u>-</u>	<u>1,342,110,677</u>
Total financial assets	<u>1,312,223,284</u>	<u>29,887,393</u>	<u>-</u>	<u>1,342,110,677</u>
<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
	<u>-</u>	<u>-</u>	<u>234,484</u>	<u>234,484</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>234,484</u>	<u>234,484</u>

	<b>Income, expense, gains and losses</b>	
	<b>1-7-2016 to 30-9-2016</b>	<b>1-7-2015 to 30-9-2015</b>
	<b>RM</b>	<b>RM</b>
Net gain/(loss) from financial assets at FVTPL	21,973,060	(11,507,003)
Income, of which derived from:		
– Interest income from financial assets at FVTPL	18,415,119	6,741,361
– Interest income from loans and receivables	106,849	61,193
	<u>21,973,060</u>	<u>(11,507,003)</u>

**(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 September 2016</b>				
Financial assets at FVTPL	-	2,022,238,090	-	2,022,238,090
	<u>-</u>	<u>2,022,238,090</u>	<u>-</u>	<u>2,022,238,090</u>
<b>31 December 2015</b>				
Financial assets at FVTPL	-	1,312,223,284	-	1,312,223,284
	<u>-</u>	<u>1,312,223,284</u>	<u>-</u>	<u>1,312,223,284</u>

**(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value due to their short period to maturity or short credit period:

- Deposits with financial institutions
- Amount due from/to Manager
- Cash at banks
- Amount due to Trustee
- Amount due to index provider
- Sundry payables and accrued expenses

There are 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	(108,467,632)	(36,156,037)
-100 bps	<u>119,029,411</u>	<u>39,623,122</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.

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

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

Credit rating	RM	As a % of debt securities	As a % of net asset value
2016			
NR*	<u>2,022,238,090</u>	<u>100.00</u>	<u>99.37</u>

(Forward)

<b>Credit rating</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>2015</b>			
AAA	10,025,789	1.42	1.40
NR*	697,096,156	98.58	97.18
	<u>707,121,945</u>	<u>100.00</u>	<u>98.58</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 deposits by rating category as at 30 September 2016 and 30 September 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	<u>13,332,351</u>	<u>100.00</u>	<u>0.66</u>
<b>2015</b>			
P1/MARC-1	<u>10,477,033</u>	<u>100.00</u>	<u>1.46</u>

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 September 2016 and 30 September 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	2,017,166,380	99.75	99.12
Transportation	5,071,710	0.25	0.25
	<u>2,022,238,090</u>	<u>100.00</u>	<u>99.37</u>
<b>2015</b>			
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>

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 coupon-bearing bonds, the coupons could be paid on annual, bi-annual or quarterly basis.

Cash received from bonds are calculated as follows:

\$ = cash received

R = coupon rate p.a.

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 = interest rate p.a.

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	77,303,350	298,799,050	207,821,875	336,603,000	336,530,075	1,274,278,950
Deposits with financial institutions	13,335,802	-	-	-	-	-
Cash at banks	1,440	-	-	-	-	-
<b>Total assets</b>	<b>90,640,592</b>	<b>298,799,050</b>	<b>207,821,875</b>	<b>336,603,000</b>	<b>336,530,075</b>	<b>1,274,278,950</b>

(Forward)

	<b>Contractual cash flows (undiscounted)</b>					
	<b>0 – 1</b>	<b>1 – 2</b>	<b>2 – 3</b>	<b>3 – 4</b>	<b>4 – 5</b>	<b>More than</b>
	<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>5 years</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2016</b>						
<b>Financial liabilities</b>						
Other liabilities	421,468	-	-	-	-	-
<b>2015</b>						
<b>Financial assets</b>						
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	-	-	-	-	-
<b>Total assets</b>	<b>69,038,841</b>	<b>110,523,400</b>	<b>92,242,050</b>	<b>51,074,750</b>	<b>148,105,450</b>	<b>457,554,300</b>
<b>Financial liabilities</b>						
Other liabilities	307,622	-	-	-	-	-

### 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 September 2016 and 30 September 2015.

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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  
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