

ABF Malaysia Bond Index Fund

Quarterly Report

30 June 2017

TRUST DIRECTORY

Manager

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

Board of Directors

Raja Teh Maimunah Raja Abdul Aziz
Mustafa Mohd Nor
Tai Terk Lin
Sum Leng Kuang
Goh Wee Peng

Investment Committee

Sum Leng Kuang
Tai Terk Lin
Mustafa Mohd Nor
Zainal Abidin Mohd Kassim

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

22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: 03-2036 2633 Fax: 03-2032 1914

Head Office

9th & 10th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: 03-2036 2888 Fax: 03-2031 5210

Secretaries

Chen Bee Ling (MAICSA 7046517)
Tan Lai Hong (MAICSA 7057707)
Secretaries' Office Level 8,
Symphony House, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47300 Petaling Jaya,
Selangor Darul Ehsan

HSBC (Malaysia) Trustee Berhad

Business/Registered Office/Head Office

Fund Services, Bangunan HSBC, 13th Floor, South Tower
No.2, Leboh Ampang, 50100 Kuala Lumpur
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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 April 2017 to 30 June 2017.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund ("Fund")				
Category/ Type	Fixed Income ETF/ Income				
Objective	<p>A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index.</p> <p><i>Note: Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i></p>				
Index Component	Details of the index component as at 30 June 2017 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	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
	VI140036	Prasarana Malaysia Bhd	4.080	12 March 2019	1,500,000,000
	MH150005	Malaysia Government Bond	3.759	15 March 2019	7,177,897,000
	(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GJ130070	Malaysia Government Investment Issue	3.558	30 April 2019	10,000,000,000
VK120194	Johor Corporation	3.680	14 June 2019	800,000,000
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
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
VI150052	Danga Capital Bhd	4.100	09 April 2020	2,000,000,000
GH160004	Malaysia Government Investment Issue	3.226	15 April 2020	7,000,000,000
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
VG170171	Pengurusan Air SPV Berhad	3.960	05 June 2020	700,000,000
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
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
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
MJ160004	Malaysia Government Bond	3.620	30 November 2021	7,000,000,000
UI170031	Cagamas Berhad	4.150	09 March 2022	2,000,000,000
MI170001	Malaysia Government Bond	3.882	10 March 2022	4,000,000,000
GI170003	Malaysia Government Investment Issue	3.948	14 April 2022	4,000,000,000
VI170144	Lembaga Pembiayaan Perumahan Sektor Awam	4.170	15 April 2022	800,000,000
VI170153	Cagamas Berhad	4.250	28 April 2022	500,000,000
VI170172	Pengurusan Air SPV Berhad	4.060	06 June 2022	900,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
GL150001	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
ML150002	Malaysia Government Bond	3.795	30 September 2022	11,000,000,000
VK150210	Rantau Abang Capital Bhd	4.570	19 October 2022	1,500,000,000
GO120037	Malaysia Government Investment Issue	3.699	15 November 2022	8,500,000,000
VN120393	Turus Pesawat Sdn Bhd	3.740	18 November 2022	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	10,500,000,000
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
VN130259	Cagamas Berhad	4.300	27 October 2023	645,000,000
GO130033	Malaysia Government Investment Issue	3.493	31 October 2023	4,000,000,000
VK170038	GovCo Holdings Bhd	4.290	22 February 2024	625,000,000
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
GL170002	Malaysia Government Investment Issue	4.045	15 August 2024	8,000,000,000
ML170002	Malaysia Government Bond	4.059	30 September 2024	4,000,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VP120394	Turus Pesawat Sdn Bhd	3.930	19 November 2024	500,000,000
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
VN160022	Danga Capital Bhd	4.600	23 February 2026	1,500,000,000
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	Prasarana Malaysia Bhd	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	10,500,000,000
VN160330	Bank Pembangunan Malaysia Berhad	4.500	04 November 2026	850,000,000
MO160003	Malaysia Government Bond	3.900	30 November 2026	9,000,000,000
VN170037	GovCo Holdings Bhd	4.550	22 February 2027	500,000,000
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
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GO170001	Malaysia Government Investment Issue	4.258	26 July 2027	8,000,000,000
MO170004	Malaysia Government Bond	3.899	16 November 2027	4,000,000,000
VS120395	Turus Pesawat Sdn Bhd	4.120	19 November 2027	750,000,000
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	Prasarana Malaysia Bhd	5.070	28 September 2029	1,500,000,000
VS150002	Danga Capital Berhad	4.880	29 January 2030	1,500,000,000
VS150043	Prasarana Malaysia Bhd	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	12,750,000,000
VS170036	GovCo Holdings Bhd	4.950	20 February 2032	1,250,000,000
VS170042	Bank Pembangunan Malaysia Berhad	4.980	02 March 2032	700,000,000
VS170113	Perbadanan Tabung Pendidikan Tinggi Nasional	4.860	12 March 2032	855,000,000
VS170119	DanaInfra Nasional Berhad	4.950	19 March 2032	1,065,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
VS170147	Lembaga Pembiayaan Perumahan Sektor Awam	4.940	16 April 2032	700,000,000
VX120396	Turus Pesawat Sdn Bhd	4.360	19 November 2032	1,650,000,000
MX130004	Malaysia Government Bond	3.844	15 April 2033	7,500,000,000
GX130068	Malaysia Government Investment Issue	4.582	30 August 2033	8,000,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
MY150004	Malaysia Government Bond	4.254	31 May 2035	7,161,000,000
GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	7,000,000,000
VX160280	Lembaga Pembiayaan Perumahan Sektor Awam	4.620	19 September 2036	900,000,000
MX170003	Malaysia Government Bond	4.762	07 April 2037	5,500,000,000
VZ160031	Prasarana Malaysia Bhd	5.070	26 February 2041	755,000,000
VZ160130	DanaInfra Nasional Berhad	4.850	03 May 2041	1,000,000,000
VZ160237	Jambatan Kedua Sdn Bhd	4.860	26 July 2041	900,000,000
VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26 July 2041	1,500,000,000
VZ160322	DanaInfra Nasional Berhad	4.780	18 October 2041	1,000,000,000
MZ130007	Malaysia Government Bond	4.935	30 September 2043	6,500,000,000
MZ160002	Malaysia Government Bond	4.736	15 March 2046	8,000,000,000
VZ160131	DanaInfra Nasional Berhad	5.020	03 May 2046	1,000,000,000
VZ160281	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	21 September 2046	800,000,000
(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VZ160323	DanaInfra Nasional Berhad	4.950	19 October 2046	1,000,000,000
	GZ170004	Malaysia Government Investment Issue	4.895	08 May 2047	2,500,000,000
	<i>(Source: Markit Indices Limited)</i>				
Duration	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.				
Performance Benchmark	Markit iBoxx® ABF Malaysia Bond Index				
Income Distribution Policy	Income distribution (if any) will be paid semi-annually.				
Breakdown of Unit Holdings by Size	For the financial period under review, the size of the Fund stood at 1,320,421,800 units.				
	Size of holding	As at 30 June 2017		As at 31 March 2017	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	300	6	300	7
	100 – 1,000	11,600	25	10,000	23
	1,001 -10,000	40,500	9	53,400	11
	10,001 – 100,000	136,300	5	127,000	5
	100,001 to less than 5% of issue units	55,025,230	5	55,023,230	5
	5% and above of issue units	1,265,207,870	1	1,265,207,870	1

Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial period as at 30 June 2017, 31 March 2017 and three financial years as at 31 December are as follows:				
	As at 30-6-2017 %	As at 31-3-2017 %	FY 2016 %	FY 2015 %	FY 2014 %
Corporate bonds	-	-	-	0.76	1.48
<i>(Forward)</i>					

	As at 30-6-2017 %	As at 31-3-2017 %	FY 2016 %	FY 2015 %	FY 2014 %
Malaysian Government Securities	95.57	95.05	95.16	90.57	78.21
Quasi-Government bonds	4.24	4.34	4.41	6.46	20.77
Cash and others	0.19	0.61	0.43	2.21	(0.46)
Total	100.00	100.00	100.00	100.00	100.00

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

Performance Details

Performance details of the Fund for the financial period ended 30 June 2017, 31 March 2017 and three financial years ended 31 December are as follows:

	3 months ended 30-6-2017	3 months ended 31-3-2017	FY 2016	FY 2015	FY 2014
Net asset value (RM)	1,486,857,297	1,462,413,616	1,442,324,912	1,341,876,193*	685,894,438*
Units in circulation	1,320,421,800	1,320,421,800	1,320,421,800	1,265,421,800*	660,421,800*
Net asset value per unit (RM)	1.1260	1.1075	1.0923	1.0604*	1.0386*
Highest net asset value per unit (RM)	1.1277	1.1111	1.1224	1.0655*	1.0841*
Lowest net asset value per unit (RM)	1.1080	1.0921	1.0599	1.0323*	1.0355*
Closing quoted price (RM/unit)	1.1230	1.1100	1.1100	1.0520*	1.0350*
Highest quoted price (RM/unit)	1.1260	1.1150	1.1240	1.0680*	1.0840*
Lowest quoted price (RM/unit)	1.1120	1.1100	1.0520	1.0300*	1.0350*
Benchmark performance (%)	1.68	1.55	3.46	4.12	3.79
Total return (%) ⁽¹⁾	1.67	1.39	3.01	3.74	3.98
- Capital growth (%)	1.67	1.39	3.01	2.12	-1.70
- Income distribution (%)	-	-	-	1.62	5.68

(Forward)

	3 months ended 30-6-2017	3 months ended 31-3-2017	FY 2016	FY 2015	FY 2014
Gross distribution (sen per unit)	-	-	-	1.68	6.00
Net distribution (sen per unit)	-	-	-	1.68	6.00
Distribution yield (%) ⁽²⁾	-	-	-	1.60	5.80
Management expense ratio (%) ⁽³⁾	0.17	0.17	0.18	0.16	0.18
Portfolio turnover ratio (times) ⁽⁴⁾	0.08	0.04	0.47	0.74	0.66

* 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 increased by 0.04 times (100.0%) as compared to 0.04 times for the financial period ended 31 March 2017 mainly due to increase in investing activities.

Average Total Return (as at 30 June 2017)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	2.48	2.71
Three years	3.86	4.13
Five years	3.16	3.47
Ten years	3.54	3.85

Annual Total Return

Financial Years Ended (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2016	3.01	3.46
2015	3.74	4.12
2014	3.98	3.79
2013	0.36	0.85
2012	3.80	4.18

(a) Source: Novagni Analytics and Advisory Sdn Bhd.

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

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

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

Fund Performance

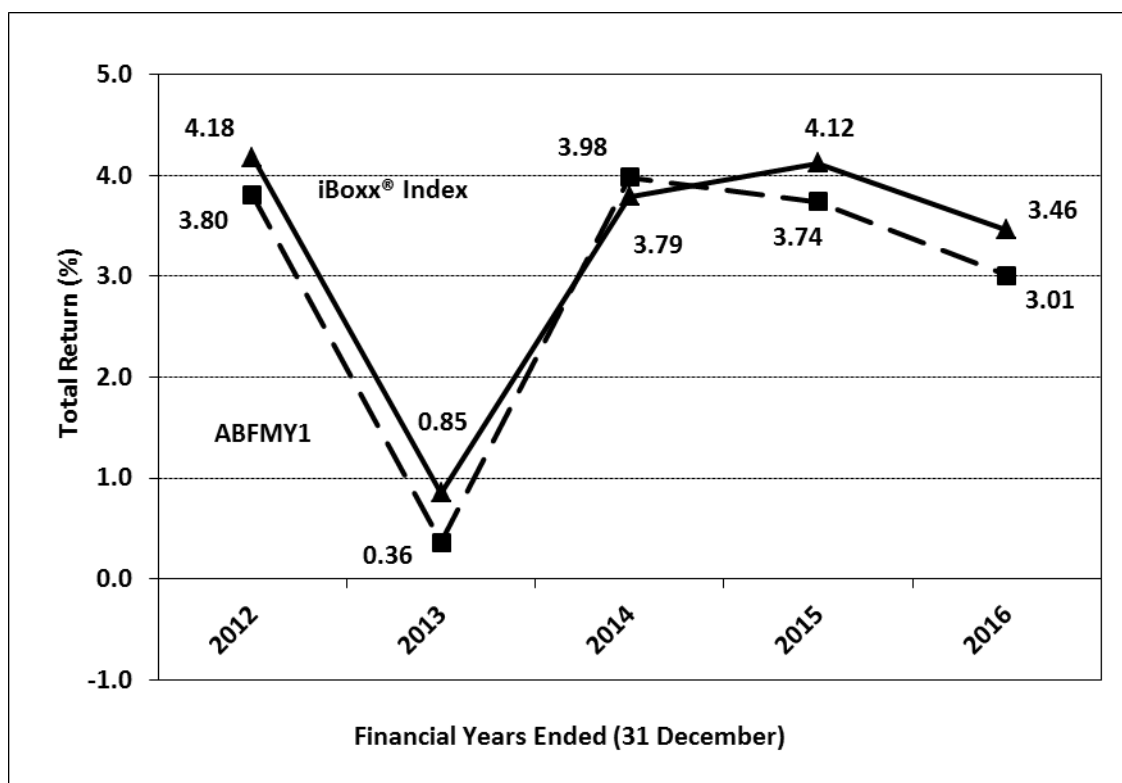
For the financial period under review, the Fund registered a return of 1.67% which was entirely capital growth in nature.

Thus, the Fund’s return of 1.67% has underperformed the benchmark’s return of 1.68% by 0.01%.

As compared with the financial period ended 31 March 2017, the net asset value (“NAV”) per unit of the Fund increased by 1.67% from RM1.1075 to RM1.1260, while units in circulations remain unchanged at 1,320,421,800.

The closing price quoted at Bursa Malaysia of the Fund increased by 1.17% from RM1.1100 to RM1.1230.

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



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

Strategies and Policies Employed	For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.																				
Portfolio Structure	<p>This table below is the asset allocation of the Fund for the financial periods under review.</p> <table border="1"> <thead> <tr> <th></th> <th>As at 30-6-2017 %</th> <th>As at 31-3-2017 %</th> <th>Changes %</th> </tr> </thead> <tbody> <tr> <td>Malaysian Government Securities</td> <td>95.57</td> <td>95.05</td> <td>0.52</td> </tr> <tr> <td>Quasi-Government bonds</td> <td>4.24</td> <td>4.34</td> <td>-0.10</td> </tr> <tr> <td>Cash and others</td> <td>0.19</td> <td>0.61</td> <td>-0.42</td> </tr> <tr> <td>Total</td> <td>100.00</td> <td>100.00</td> <td></td> </tr> </tbody> </table> <p>For the financial period under review, the fund invested 99.81% of its NAV in fixed income securities while the balance of 0.19% was held in cash.</p>		As at 30-6-2017 %	As at 31-3-2017 %	Changes %	Malaysian Government Securities	95.57	95.05	0.52	Quasi-Government bonds	4.24	4.34	-0.10	Cash and others	0.19	0.61	-0.42	Total	100.00	100.00	
	As at 30-6-2017 %	As at 31-3-2017 %	Changes %																		
Malaysian Government Securities	95.57	95.05	0.52																		
Quasi-Government bonds	4.24	4.34	-0.10																		
Cash and others	0.19	0.61	-0.42																		
Total	100.00	100.00																			
Distribution/unit splits	There was no income distribution and unit split declared for the financial period under review.																				
State of Affairs of the Fund	There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.																				
Rebates and Soft Commission	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.</p>																				
Market Review	<p>Malaysian Consumer Price Index (“CPI”) crossed 5% in March 2017 at 5.1% Year-On-Year (“YoY”) (Feb 4.5%). While February 2017 numbers were tempered by the base effect from Chinese New Year, March numbers finally show the impact of the two 20 sen price hikes on RON95 hike in January and February, which brings inflation up from 1.8% YoY in December 2016 (Jan: 3.2%, Feb: 4.5%) to well past 5% on primary effects alone. Incidentally petrol prices remained unchanged in Mar 2017 with RON95 at RM2.30/litre and RON97 at RM2.60/litre, but Diesel price was hiked 5 sen to RM2.20/litre. Exports continued to pick up to 26.5% YoY in February, its quickest pace in almost seven years, partly on the back of a recovery in global demand and partly a low base effect. We envisage exports growth to normalise in subsequent months and rise at a more robust pace of 6% in 2017, from +1.1% in 2016 on account of:</p> <ol style="list-style-type: none"> 1. Recovery in demand for commodity products, aided by higher prices; 2. Pick-up in global semiconductor sales since late-2016, translating to higher electrical & electronics (“E&E”) exports; 3. Improving global trade outlook on the back of stronger global growth prospects. 																				

Regulated short-selling of government bonds will be liberalised by widening the access to all domestic investors. This aims to boost liquidity and facilitate effective hedging of interest rate risks. Bank Negara Malaysia (“BNM”) also announced the relaxation of onshore hedging by allowing registered non-bank entities fully and actively hedging their Foreign Exchange (“FX”) exposures. This is a big step up from a dynamic hedge ratio of 25% previously. Trading volume in the Malaysian Government Securities (“MGS”) market fell to RM 64.5b from RM91.0b in the previous month. Over the month BNM announced new initiatives which increased hedging flexibility for foreign currency exposure and expanded the scope for short selling, applicable to both government and corporate bonds. Overall, the MGS yield curve shifted lower especially at the short-end as the market reacted favorably to the new BNM regulations and the strong MYR in April.

As at end April, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.40%, 3.70%, 3.86%, 4.07%, 4.37%, 4.70% and 4.76% respectively.

In the primary market, there were three government bond auctions as follows:

- RM2.0b New 20-year MGS 4/37 which garnered Bid-To-Cover (BTC) ratio of 1.59 times at average yield of 4.76%.
- RM4.0b New 5-year GII 4/22 which drew a BTC ratio of 2.71 times at average yield of 3.95%.
- RM2.5b 15-year reopening of the MGS 4/33 which drew a BTC of 2.06 times at average yield of 4.50%.

Malaysia’s real Gross Domestic Product (“GDP”) growth recorded a stronger growth of 5.6% YoY in 1Q17, up from +4.5% in 4Q16, on the back of stronger external activities and domestic demand. Going forward, it is expected that the strong growth of the external sector to continue spilling over to the domestic side in the quarters ahead. However, real GDP growth may moderate in 2Q and 2H 2017, as the strong export growth tapers off. Meanwhile, the headline inflation rate slowed to 4.4% YoY in April 2017, from +5.1% in March 2017. This is mainly due to a slowdown in transportation costs amid lower fuel prices in April.

The current account surplus in the balance of payments narrowed to MYR5.3bn in 1Q17, due to a smaller surplus in the merchandise trade balance. It is expected to narrow further in 2017 amid strong import outlook. The external reserves increased to a 5-month high of USD96.1b as at end April (end March: USD95.4b). Foreigners were net buyers of local equities for a 4th consecutive month in April and that foreign holding to total local debt rose by RM6.77b to RM185.0b which makes up 15.4% of total debt outstanding. The MGS curve bull-flattened along the 5y/10y/20y and lowered by 9 – 19 bps as compared to the prior month, on continued strong buying interests from both the local and foreign market players. The buying interest was mainly spurred by the appreciation of MYR against the USD as the USD/MYR dropped from 4.43 levels to below 4.30 levels. The optimism for our local bond market is also driven by high 1Qtr 2017 GDP print at 5.6% YOY (4Q2016: 4.5%) on the back of the pick-up on domestic demand and export growth. This prompted some economists to revise 2017 growth forecasts to above 5.0%. Regardless, BNM still forecasted our 2017 GDP growth numbers to fall within 4.3 – 4.8%.

As at end May, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.31%, 3.57%, 3.82%, 3.88%, 4.33%, 4.57% and 4.77% respectively.

In the primary market, there were three government bond auctions as follows:

- RM2.5b New 30y GII 5/47 which garnered a BTC ratio of 2.393x at an average yield of 4.895%.
- RM3.0b New 10y MGS 11/27 which garnered a BTC ratio of 3.340x at an average yield of 3.899%.
- RM3.0b New 7y GII 8/24 which garnered a BTC ratio of 2.481x at an average yield of 3.926%.

In May, Malaysia's Consumer Price Index ("CPI") moderated to 3.9% YoY (April: 4.4%), the third consecutive month of decline. The biggest driver of the lower May inflation print was transport which contributed 1.6% to overall inflation (versus 2.0% in April). Year-to-date ("Ytd"), inflation averaged 4.3%.

Meanwhile, BNM added another USD1.9b to its foreign reserves which totals USD98.7b as at mid-June. The reserves are equivalent to 8.1 months of retained imports and provide a 1.1 times coverage of short-term external debt. The increase in reserves was aided by a reversal of foreign flows in Malaysia's bond market as foreign funds bought +RM10.1b in May and +RM6.8b in April respectively. This followed the huge sell off which started in November 2016 and lasted till March 2017 totalling -RM62.7b. The reversal in sentiment came after BNM's latest liberalisation of bond and foreign exchange hedging measures, impressive 1Q2017 GDP figures, and a softer US dollar outlook.

In the same month, confirmation of Malaysia's better outlook came from S&P which reaffirmed Malaysia at A-/Sta on expectations of continued prudence by the Government in undertaking Malaysia's economic and budgetary policies. Nevertheless, S&P did raise concerns on the country's high household debt as well as uncertainty in refinancing cost amidst negative news flow from 1MDB.

Finally, the banking sector's loan growth for May slipped to 5.5% YoY from 6.1% YoY in the previous month. The moderation in May's loan growth was caused by a slower non-household loan growth of +6.1% YoY (Apr: 7.5%) whilst household loan maintained its pace at 5.1% YoY.

Trading volume in the MGS market dropped to RM45.0b from RM63.7b in the previous month. The MGS market bearish steepened towards the end of the month post Federal Open Market Committee's ("FOMC") decision to hike the US Federal Fund Rate by another 25bps and amidst hawkish central bank talk in the US and Europe.

As at end June, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.48%, 3.68%, 3.89%, 3.92%, 4.35%, 4.58% and 4.79% respectively.

In the primary market, there were three government bond auctions as follows:

- RM4.0b 7-year Re-opening of the GII 8/24 which garnered Bid-to-Cover ("BTC") ratio of 2.48 times at average yield of 3.926%.
- RM2.5b 20-year Re-opening of the MGS 4/37 which drew a BTC ratio of 1.70 times at average yield of 4.560%.
- RM3.0b 10-year Re-opening of the GII 7/27 which drew a BTC of 2.54 times at average yield of 4.013%.

Market Outlook

In June, most investors expect the second US Federal Open Market Committee (“FOMC”) (“Fed”) rate hike. The Fed also maintained its guidance for a gradual rate hike on the Fed Funds Rate (“FFR”) with median assessment of FFR at 1.375% by end-2017, 2.125% by end-2018 and 2.875% by end-2019. More significantly, the Fed has also for the first time communicated its intention to begin the normalization of the Fed’s balance sheet size. The reduction is expected to begin sometime this year with a cap of USD10b per month (USD6b Treasuries and USD4b agency + Mortgage Backed Securities (“MBS”)) and will rise by USD10b on a quarterly basis to reach a USD50b cap per month (or USD600b per annum) within a year. As the FOMC decision was widely anticipated, investor’s reaction was generally muted. Nevertheless, with the European Central Bank (“ECB”) as well as Bank of England (“BOE”) talking up on the possibility of an end to the current dovish monetary policy, most investors are expected to exercise caution as we head into the 2H2017.

Back in Malaysia, the worst of foreign selling on the bond market seems to be over. With two consecutive months of net foreign buying in April (RM6.0b) and May (RM10.0b) and no chunky MGS maturities until August 2017, there was a period of calm and strength as both the Malaysian bond market performance and Ringgit strengthened hand in hand. Indeed, the turnaround was also evident from the increase in Bank Negara Malaysia’s (“BNM”) Foreign Exchange (“FX”) reserves to its highest Year-To-Date (“YTD”).

Nonetheless, we opine that the period of calm and reprieve for the market is likely to turn less certain moving forward as local investors turn cautious as well due to more hawkish tone from the Fed and ECB, the possibility of an election in 2H2017 and speculation of an early overnight policy rate (“OPR”) hike. While we opine that there is no pressure for BNM to hike rates in 2017, market would likely price in an earlier possibility if Malaysia’s economy continues to perform ahead of expectations and/or the hawkish sentiments spillover to our peers.

After selling RM62.7b between November 2016 and March 2017, the return of foreign investors with total inflows of RM16.0b in April and May 2017 provided a much-needed relief to local govies as bond yields bullish flattened over the past 3 months. Nevertheless, we noted that long maturities had underperformed the overall market. This was in spite of relatively healthy bid/cover ratios in the primary auctions. The reason for the underperformance likely emanate from the increase in the supply of >15Y govies in BNM’s auction calendar.

Given that another RM50b is expected to be issued in the 2H2017, out of which RM17b will be in the >15Y space, we expect the ample supply of long bonds to continue to suppress any yield compression at the tail end of the curve.

Additionally, the Malaysian bond market like all emerging markets are likely to face some headwinds from developments arising in both the US and in Europe, as the hawkish comments by ECB Governor Mario Draghi and Fed chair Janet Yellen continue to weigh on the markets.

Kuala Lumpur, Malaysia
AmFunds Management Berhad

7 August 2017

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 ended 30 June 2017 (1 April 2017 to 30 June 2017), there was two (2) Board of Directors meeting held by the Manager.

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

Name	: Raja Teh Maimunah binti Raja Abdul Aziz
Age	: 49 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Laws, the University of East London ii) Honorary Doctorate of Law, The University of East London
Executive/ Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (Jan 1992 – May 1993) KPMG Peat Marwick Consultants [Junior Consultant, Recovery & Corporate Finance] ii) (June 1993 – Jul 1998) CIMB Investment Bank Berhad [Senior Manager, Corporate Finance/ DCM] iii) (Aug 1998 – Aug 1999) Pengurusan Danaharta Nasional Berhad [Manager, Corporate Finance] iv) (Sep 1999 – Jun 2003) CIMB Investment Bank Berhad [Associate Director, Investment Banking] v) (Jan 2004 – Dec 2004) RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bank Berhad) [Senior Vice President & Head, Investment Banking Group] vi) (Jan 2005 – Dec 2006) Bank Alkhair B.S.C (c) (formerly known as Unicorn Investment Bank) [Senior Director] vii) (Jan 2007 – Dec 2008) Kuwait Finance House (Malaysia) Berhad [Chief Corporate Officer & Head of International

	Business Corporate and Investment Banking]
	viii) (June 2009 – June 2011) Bursa Malaysia Berhad [Global Head, Islamic Markets]
	ix) (Oct 2011 – Feb 2017) Hong Leong Islamic Bank Berhad [Managing Director/ Chief Executive Officer]
	x) (Feb 2017 – Present) AmInvestment Bank Berhad [Chief Executive Officer]
Occupation	: Chief Executive Officer, AmInvestment Bank Berhad
Date of appointment	: 7 March 2017
Directorship of other public companies	: Not applicable
Number of Board meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Two (2)
Member of any other Board Committee	: Not Applicable
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial year period (From 1 April 2017 to 30 June 2017)	: Not applicable
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: None
Name	: Dato' Mustafa bin Mohd Nor
Age	: 66 years old
Nationality	: Malaysian
Qualification	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (1975-1988) Ministry of Finance [Last position held – Head of Macroeconomic Section,

	Economic and International Division]
	ii) (1988-1990) Development & Commercial Bank Berhad. [Manager, Treasury Department]
	iii) (March 1990-August 1992) Arab-Malaysian Securities Sdn Bhd [Chief Economist]
	iv) (September 1992-December 2001) AmSecurities Sdn Bhd [Executive Director/Chief Economist]
	v) (January 2002-December 2005) AmSecurities Sdn Bhd [Managing Director]
	vi) (January 2006-May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor]
	vii) (September 2009-August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]
Occupation	: Director
Date of appointment	: 3 March 2014
Directorship of other public companies	: KUISAS Berhad
Number of Board meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Two (2)
Member of any other Board Committee	: i) Audit Committee of Directors ii) Investment Committee
Date of appointment to the Investment Committee	: 3 March 2014
Number of Investment Committee meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Three (3)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: None

Name	:	Tai Terk Lin
Age	:	57 years old
Nationality	:	Malaysian
Qualification	:	<ul style="list-style-type: none"> 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
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	<ul style="list-style-type: none"> i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings] ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia] iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking] iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking] v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer] vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager] vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman] viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman’s Office)]

	ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
Occupation	: Director
Date of appointment	: 15 December 2014
Directorship of other public companies	: Nil
Number of Board meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Two (2)
Member of any other Board Committee	: Investment Committee and Audit Committee of Directors
Date of appointment to the Investment Committee	: 15 December 2014
Number of Investment Committee meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Three (3)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: None
Name	: Sum Leng Kuang
Age	: 63 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (May 1982- September 2001) Overseas Assurance (M) Berhad [Deputy Head, Investment] ii) (September 2001-December 2011) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Head Fixed Income Investment] iii) (January 2012-April 2013) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Advisor, Fixed Income

	Investment]
	iv) (May 2013-July 2014) Hong Leong Asset Management Berhad [Chief Investment Officer, Fixed Income & Acting Chief Executive Officer]
	v) (May 2015-Present) Credit Guarantee Corporation Malaysia Berhad [Advisor, Investment (Contract)]
Occupation	: Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	: 18 January 2016
Directorship of other public companies	: Pacific & Orient Insurance Co. Berhad
Number of Board meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Two (2)
Member of any other Board Committee	: Investment Committee and Audit Committee of Directors
Date of appointment to the Investment Committee	: 18 January 2016
Number of Investment Committee meetings attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Three (3)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: None
Name	: Goh Wee Peng
Age	: 43 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Business (Economics and Finance) ii) Persatuan Forex License (Institute Bank-bank Malaysia) iii) Dealer's Representative License (issued by Securities Commission) iv) Capital Markets Services Representative License Holder
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (April 1997-July 1999) Fulton Prebon (M) Sdn Bhd [Money Market Broker]

- ii) (August 1999-Jun2000)
HLG Securities Sdn Bhd
[Institutional Dealer]
- iii) (July 2000-May 2001)
HLG Asset Management
[Research Executive]
- iv) (May 2001-May 2002)
HLG Asset Management
[Investment Analyst]
- v) (June 2002-August 2002)
Southern Bank Berhad
[Fixed Income Dealer]
- vi) (September 2002-March 2004)
AmInvestment Management Sdn Bhd
[Credit Analyst]
- vii) (April 2004-March 2005)
AmInvestment Management Sdn Bhd
[Assistant Fund Manager]
- viii) (April 2005-March 2006)
AmInvestment Management Sdn Bhd
[Fund Manager]
- ix) (April 2006-March 2009)
AmInvestment Sdn Bhd
[Head of Fixed Income]
- x) (April 2009-March 2010)
AmInvestment Management Sdn Bhd
[Head of Fixed Income & Acting Chief Investment Officer
of Fixed Income]
- xi) (April 2010-June 2016)
AmInvestment Management Sdn Bhd/ AmFunds
Management Berhad
[Chief Investment Officer of Fixed Income]
- xii) (July 2016-Present)
AmFunds Management Berhad
[Deputy Chief Executive Officer]

Occupation	: Acting Chief Executive Officer
Date of appointment	: 1 June 2017
Directorship of other public companies	: None
Number of Board meeting attended for the financial period ended (From 1 April 2017 to 30	: Not Applicable

June 2017)	
Member of any other Board Committee	: Not Applicable
Date of appointment to the Investment Committee	: Not Applicable
Number of Investment Committee meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Not Applicable
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: 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 ended 30 June 2017 (1 April 2017 to 30 June 2017), there were three (3) Investment Committee meeting held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- Y. Bhg. Dato' Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Zainal Abidin Bin Mohd Kassim (profile as mentioned below)

Name	: Zainal Abidin Bin Mohd Kassim
Age	: 61 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Science, (First Class Honours), in Actuarial Science (1978), City University London. ii) Fellow of the Actuarial Society of Malaysia. iii) Fellow of the Society of Actuaries of Singapore. iv) Associate of the Society of Actuaries, USA.
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant] ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]

Occupation	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
Directorship of other public companies	: None
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 30 November 2016
Number of Investment Committee meeting attended for the financial period ended (From 1 April 2017 to 30 June 2017)	: Two (2)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 5 years (if any)	: None

Material Litigation

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

Manager

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

Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period ended 30 June 2017 (1 April 2017 to 30 June 2017), there were three (3) Investment Committee meeting held by the Manager.

Unitholders

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

NAME	Number of Unit Held	Unit Held (%)
HSBC BANK MALAYSIA BERHAD	1265207870	0.95818
AMINVESTMENT BANK BERHAD	49110100	0.03719
AMINVESTMENT BANK BERHAD	3075130	0.00233
DEUTSCHE BANK (MALAYSIA) BERHAD	2300000	0.00174
CITIBANK BERHAD	400000	0.00030
CITIBANK BERHAD	140000	0.00011
CIMB INVESTMENT BANK BERHAD	44100	0.00003
HSBC BANK MALAYSIA BERHAD	40000	0.00003
ALLIANCE INVESTMENT BANK BERHAD	23200	0.00002
PUBLIC INVESTMENT BANK BERHAD	15000	0.00001
AMINVESTMENT BANK BERHAD	14000	0.00001
MAYBANK INVESTMENT BANK BERHAD	9000	0.00001
HONG LEONG INVESTMENT BANK BERHAD	7000	0.00001
CIMB INVESTMENT BANK BERHAD	5000	0.00000
HONG LEONG INVESTMENT BANK BERHAD	5000	0.00000
HONG LEONG INVESTMENT BANK BERHAD	3500	0.00000
CIMB INVESTMENT BANK BERHAD	3000	0.00000
INTER-PACIFIC SECURITIES SDN BHD	3000	0.00000
MAYBANK INVESTMENT BANK BERHAD	3000	0.00000
MAYBANK INVESTMENT BANK BERHAD	2000	0.00000
INTER-PACIFIC SECURITIES SDN BHD	1000	0.00000
CIMB INVESTMENT BANK BERHAD	1000	0.00000
CIMB INVESTMENT BANK BERHAD	1000	0.00000
KENANGA INVESTMENT BANK BERHAD	1000	0.00000
MAYBANK INVESTMENT BANK BERHAD	1000	0.00000
MAYBANK INVESTMENT BANK BERHAD	1000	0.00000
MAYBANK INVESTMENT BANK BERHAD	1000	0.00000
CIMB INVESTMENT BANK BERHAD	700	0.00000
HONG LEONG INVESTMENT BANK BERHAD	600	0.00000
KENANGA INVESTMENT BANK BERHAD	500	0.00000

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	30-6-2017 (unaudited) RM	31-12-2016 (audited) RM
ASSETS			
Investments	4	1,484,010,618	1,436,208,939
Deposits with financial institutions	5	3,194,583	6,402,202
Cash at banks		1,409	1,427
		<u>1,487,206,610</u>	<u>1,442,612,568</u>
TOTAL ASSETS			
LIABILITIES			
Amount due to Manager	6	130,395	115,557
Amount due to Trustee	7	61,131	57,779
Amount due to index provider	8	43,064	10,328
Sundry payables and accrued expenses		114,723	103,992
		<u>349,313</u>	<u>287,656</u>
TOTAL LIABILITIES			
EQUITY			
Unitholders' capital	11(a)	1,396,802,853	1,396,802,853
Retained earnings	11(b)(c)	90,054,444	45,522,059
		<u>1,486,857,297</u>	<u>1,442,324,912</u>
TOTAL EQUITY			
TOTAL EQUITY AND LIABILITIES			
		<u>1,487,206,610</u>	<u>1,442,612,568</u>
UNITS IN CIRCULATION			
	11(a)	<u>1,320,421,800</u>	<u>1,320,421,800</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION			
		<u>112.60 sen</u>	<u>109.23 sen</u>

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

ABF Malaysia Bond Index Fund

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2017 TO 30 JUNE 2017**

	Note	1-4-2017 to 30-6-2017 RM	1-4-2016 to 30-6-2016 RM
INVESTMENT INCOME			
Interest income		14,266,680	14,125,832
Net gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>10,809,513</u>	<u>6,986,751</u>
Gross Income		<u>25,076,193</u>	<u>21,112,583</u>
EXPENDITURE			
Manager’s fee	6	(368,589)	(370,373)
Trustee’s fee	7	(184,295)	(185,186)
Licence fee	8	(38,840)	(19,367)
Auditors’ remuneration		(2,668)	(1,914)
Tax agent’s fee		(1,022)	(1,243)
Other expenses	10	<u>(37,098)</u>	<u>(35,909)</u>
Total Expenditure		<u>(632,512)</u>	<u>(613,992)</u>
NET INCOME BEFORE TAX		24,443,681	20,498,591
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		24,443,681	20,498,591
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>24,443,681</u></u>	<u><u>20,498,591</u></u>
Total comprehensive income comprises the following:			
Realised income		13,169,355	13,824,669
Unrealised gain		<u>11,274,326</u>	<u>6,673,922</u>
		<u><u>24,443,681</u></u>	<u><u>20,498,591</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 APRIL 2017 TO 30 JUNE 2017**

	Unitholders' capital RM	Retained earnings RM	Total equity RM
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	480,496,500	-	480,496,500
Balance at 30 June 2016	<u>1,806,420,853</u>	<u>67,242,051</u>	<u>1,873,662,904</u>
At 1 April 2017	1,396,802,853	65,610,763	1,462,413,616
Total comprehensive income for the financial period	-	24,443,681	24,443,681
Balance at 30 June 2017	<u>1,396,802,853</u>	<u>90,054,444</u>	<u>1,486,857,297</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 2017 TO 30 JUNE 2017**

	1-4-2017 to 30-6-2017 RM	1-4-2016 to 30-6-2016 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	111,954,400	40,215,000
Interest received	14,557,062	7,395,362
Manager's fee paid	(378,365)	(348,943)
Trustee's fee paid	(185,214)	(174,471)
Licence fee paid	(43,252)	(41,141)
Payments for other expenses	(37,604)	(32,380)
Purchase of investments	<u>(131,882,500)</u>	<u>(504,439,000)</u>
Net cash used in operating and investing activities	<u>(6,015,473)</u>	<u>(457,425,573)</u>
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from creation of units	<u>-</u>	<u>480,496,500</u>
Net cash generated from financing activity	<u>-</u>	<u>480,496,500</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,015,473)	23,070,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>9,211,465</u>	<u>14,381,823</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>3,195,992</u></u>	<u><u>37,452,750</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	3,194,583	37,451,337
Cash at banks	<u>1,409</u>	<u>1,413</u>
	<u><u>3,195,992</u></u>	<u><u>37,452,750</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.

	Effective for financial periods beginning on or after
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. 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").

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

	30-6-2017	31-12-2016
	RM	RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	60,000,000	60,000,000
Malaysian Government Securities	858,000,000	794,500,000
Government Investment Issues	548,500,000	580,500,000
	<u>1,466,500,000</u>	<u>1,435,000,000</u>
At fair value:		
Quasi-Government Bonds	63,017,726	63,634,057
Malaysian Government Securities	866,169,116	792,009,698
Government Investment Issues	554,823,776	580,565,184
	<u>1,484,010,618</u>	<u>1,436,208,939</u>

Details of investments as at 30 June 2017 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,065,929	5,078,404	0.34
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,148,787	10,328,687	0.68
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	37,710,969	38,711,989	2.54
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	10,092,041	10,536,936	0.68
			<u>60,000,000</u>	<u>63,017,726</u>	<u>64,656,016</u>	<u>4.24</u>

Malaysian Government Securities

28.09.2018	Government of Malaysia	NR	10,000,000	10,127,618	10,106,381	0.68
15.03.2019	Government of Malaysia	NR	60,000,000	61,065,111	61,148,566	4.11
30.07.2019	Government of Malaysia	NR	10,000,000	10,699,465	10,639,826	0.72
31.10.2019	Government of Malaysia	NR	50,000,000	50,521,310	50,263,799	3.40
29.11.2019	Government of Malaysia	NR	40,000,000	40,983,837	41,129,985	2.76
31.03.2020	Government of Malaysia	NR	40,000,000	40,283,908	40,588,629	2.71
31.07.2020	Government of Malaysia	NR	10,000,000	10,247,221	10,260,863	0.69
15.10.2020	Government of Malaysia	NR	65,000,000	65,540,013	65,593,990	4.41
30.09.2021	Government of Malaysia	NR	30,000,000	30,666,459	30,519,094	2.06
30.11.2021	Government of Malaysia	NR	60,000,000	59,969,167	61,148,738	4.03

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
10.03.2022	Government of Malaysia	NR	30,000,000	30,691,808	30,496,019	2.06
30.09.2022	Government of Malaysia	NR	52,500,000	53,107,916	52,565,833	3.57
17.08.2023	Government of Malaysia	NR	40,000,000	40,399,052	40,114,889	2.72
15.07.2024	Government of Malaysia	NR	60,000,000	62,150,282	61,238,857	4.18
30.09.2024	Government of Malaysia	NR	10,000,000	10,200,030	10,231,424	0.69
15.09.2025	Government of Malaysia	NR	30,000,000	30,249,512	29,930,406	2.03
15.04.2026	Government of Malaysia	NR	25,000,000	25,860,000	26,222,197	1.74
30.11.2026	Government of Malaysia	NR	30,000,000	29,993,798	30,842,860	2.02
15.03.2027	Government of Malaysia	NR	10,000,000	9,934,722	10,246,035	0.67
16.11.2027	Government of Malaysia	NR	10,000,000	10,022,238	10,068,417	0.67
15.06.2028	Government of Malaysia	NR	45,000,000	43,047,086	42,511,420	2.90
15.04.2030	Government of Malaysia	NR	47,500,000	48,186,043	48,506,480	3.24
30.06.2031	Government of Malaysia	NR	23,000,000	22,545,865	22,748,612	1.52
15.04.2033	Government of Malaysia	NR	20,000,000	18,948,742	19,298,169	1.27
31.05.2035	Government of Malaysia	NR	10,000,000	9,721,831	9,580,924	0.65
07.04.2037	Government of Malaysia	NR	10,000,000	10,349,893	10,249,584	0.70
30.09.2043	Government of Malaysia	NR	20,000,000	20,577,898	20,725,876	1.38
15.03.2046	Government of Malaysia	NR	10,000,000	10,078,291	10,579,645	0.68
			858,000,000	866,169,116	867,557,518	58.26

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
30.08.2018	Government of Malaysia	NR	20,000,000	20,379,249	20,339,992	1.37
30.04.2019	Government of Malaysia	NR	30,000,000	30,224,534	30,081,474	2.03
13.08.2019	Government of Malaysia	NR	10,000,000	10,227,055	10,228,161	0.69
15.04.2020	Government of Malaysia	NR	35,000,000	34,822,793	35,026,285	2.34
30.04.2020	Government of Malaysia	NR	10,000,000	10,281,094	10,394,294	0.69
15.05.2020	Government of Malaysia	NR	20,000,000	20,007,743	20,131,804	1.34
27.08.2020	Government of Malaysia	NR	50,000,000	50,732,157	50,435,444	3.41
23.03.2021	Government of Malaysia	NR	30,000,000	30,195,835	29,956,805	2.03
30.04.2021	Government of Malaysia	NR	10,000,000	10,196,555	10,288,223	0.69
26.08.2021	Government of Malaysia	NR	16,000,000	16,154,476	16,344,223	1.09
14.04.2022	Government of Malaysia	NR	30,000,000	30,376,613	30,571,809	2.04
15.07.2022	Government of Malaysia	NR	30,000,000	31,018,740	30,546,496	2.09
07.07.2023	Government of Malaysia	NR	20,000,000	20,881,048	20,763,502	1.40
31.10.2023	Government of Malaysia	NR	10,000,000	9,781,150	9,684,021	0.66
22.05.2024	Government of Malaysia	NR	20,000,000	20,586,209	20,369,115	1.38
15.08.2024	Government of Malaysia	NR	10,000,000	10,191,367	10,142,113	0.69
15.10.2025	Government of Malaysia	NR	52,500,000	52,453,499	51,719,320	3.53
30.09.2026	Government of Malaysia	NR	25,000,000	25,134,765	25,698,659	1.69
15.06.2027	Government of Malaysia	NR	20,000,000	19,499,890	20,242,319	1.31

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
26.07.2027	Government of Malaysia	NR	20,000,000	20,629,188	20,688,834	1.39
06.12.2028	Government of Malaysia	NR	10,000,000	10,597,964	10,331,656	0.71
30.09.2030	Government of Malaysia	NR	30,000,000	29,577,615	31,080,291	1.99
30.08.2033	Government of Malaysia	NR	20,000,000	20,359,970	20,285,106	1.37
31.10.2035	Government of Malaysia	NR	20,000,000	20,514,267	20,853,757	1.38
			<u>548,500,000</u>	<u>554,823,776</u>	<u>556,203,703</u>	<u>37.31</u>
Total financial assets at FVTPL			<u>1,466,500,000</u>	<u>1,484,010,618</u>	<u>1,488,417,237</u>	<u>99.81</u>
Shortfall of fair value over cost				<u>(4,406,619)</u>		

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

	Effective yield*	
	30-6-2017 %	31-12-2016 %
Quasi-Government Bonds	4.95	4.87
Malaysian Government Securities	3.86	3.89
Government Investment Issues	<u>3.95</u>	<u>3.96</u>

* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 30 June 2017 and 31 December 2016 are as follows:

	1 year to 5 years RM	More than 5 years RM
2017		
At nominal value:		
Quasi-Government Bonds	5,000,000	55,000,000
Malaysian Government Securities	405,000,000	453,000,000
Government Investment Issues	<u>261,000,000</u>	<u>287,500,000</u>

	1 year to 5 years RM	More than 5 years RM
2016		
At nominal value:		
Quasi-Government Bonds	5,000,000	55,000,000
Malaysian Government Securities	415,000,000	379,500,000
Government Investment Issues	320,000,000	260,500,000
	<u> </u>	<u> </u>

5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	30-6-2017 RM	31-12-2016 RM
At nominal value:		
Short-term deposits with licensed banks	<u>3,191,600</u>	<u>6,401,500</u>
At carrying value:		
Short-term deposits with licensed banks	<u>3,194,583</u>	<u>6,402,202</u>

Details of deposits with financial institutions as at 30 June 2017 are as follows:

Maturity date	Bank	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposits with licensed banks					
03.07.2017	Hong Leong Bank Berhad	2,704,900	2,707,835	2,704,900	0.18
03.07.2017	Public Bank Berhad	<u>486,700</u>	<u>486,748</u>	<u>486,700</u>	<u>0.03</u>
		<u>3,191,600</u>	<u>3,194,583</u>	<u>3,191,600</u>	<u>0.21</u>

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

	Weighted average effective interest rate		Remaining maturity	
	30-6-2017 %	31-12-2016 %	30-6-2017 Days	31-12-2016 Days
Short-term deposits with licensed banks	3.60	4.00	3	3

6. AMOUNT DUE TO MANAGER

Manager's fee is at a rate of 0.10% (2016: 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 Manager's fee payable is one month.

7. AMOUNT DUE TO TRUSTEE

The Trustee's fee is at a rate of 0.05% (2016: 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:

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

Subject to a minimum annual fee of USD21,234

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

9. NET GAIN FROM INVESTMENTS

	1-4-2017 to 30-6-2017 RM	1-4-2016 to 30-6-2016 RM
Net gain on financial assets at FVTPL comprised:		
– Net realised (loss)/gain on sale of investments	(464,813)	312,829
– Net unrealised gain on changes in fair values of investments	<u>11,274,326</u>	<u>6,673,922</u>
	<u><u>10,809,513</u></u>	<u><u>6,986,751</u></u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM35,801 (2016: RM33,386).

11. TOTAL EQUITY

Total equity is represented by:

	Note	30-6-2017 RM	31-12-2016 RM
Unitholders' capital	(a)	1,396,802,853	1,396,802,853
Retained earnings			
– Realised income	(b)	94,461,063	67,992,476
– Unrealised loss	(c)	<u>(4,406,619)</u>	<u>(22,470,417)</u>
		<u><u>1,486,857,297</u></u>	<u><u>1,442,324,912</u></u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	30-6-2017		31-12-2016	
	Number of units	RM	Number of units	RM
At beginning of the financial period/year	1,320,421,800	1,396,802,853	1,265,421,800	1,325,924,353
Creation during the financial period/year	-	-	605,000,000	662,590,500
Cancellation during the financial period/year	-	-	<u>(550,000,000)</u>	<u>(591,712,000)</u>
At end of the financial period/year	<u><u>1,320,421,800</u></u>	<u><u>1,396,802,853</u></u>	<u><u>1,320,421,800</u></u>	<u><u>1,396,802,853</u></u>

(b) REALISED – DISTRIBUTABLE

	30-6-2017	31-12-2016
	RM	RM
At beginning of the financial period/year	81,291,708	24,591,425
Total comprehensive income for the financial period/year	24,443,681	29,570,219
Net unrealised (gain)/loss attributable to investments held transferred to unrealised reserve [Note 11(c)]	(11,274,326)	13,830,832
Net increase in realised reserve for the financial period/year	13,169,355	43,401,051
At end of the financial period/year	94,461,063	67,992,476

(c) UNREALISED – NON-DISTRIBUTABLE

	30-6-2017	31-12-2016
	RM	RM
At beginning of the financial period/year	(15,680,945)	(8,639,585)
Net unrealised gain/(loss) attributable to investments held transferred from realised reserve [Note 11(b)]	11,274,326	(13,830,832)
At end of the financial period/year	(4,406,619)	(22,470,417)

12. UNITS HELD BY RELATED PARTIES

	30-6-2017		31-12-2016	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	52,199,430	58,619,960	52,212,530	57,955,908

* 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 2017 and 31 December 2016.

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.

(Forward)

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:

	1-4-2017 to 30-6-2017 RM	1-4-2016 to 30-6-2016 RM
Net income before tax	<u>24,443,681</u>	<u>20,498,591</u>
Taxation at Malaysian statutory rate of 24%	5,866,483	4,919,700
Tax effects of:		
Income not subject to tax	(6,129,841)	(5,067,000)
Loss not deductible for tax purposes	111,555	-
Restriction on tax deductible expenses for Exchange Traded Funds	80,247	80,800
Non-permitted expenses for tax purposes	62,639	57,600
Permitted expenses not used and not available for future financial periods	<u>8,917</u>	<u>8,900</u>
Tax expense for the financial period	<u>-</u>	<u>-</u>

14. DISTRIBUTION

No distribution was declared by the Fund for the financial periods ended 30 June 2017 and 30 June 2016.

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-4-2017 to 30-6-2017 % p.a.	1-4-2016 to 30-6-2016 % p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.05	0.05
Licence fee	0.01	0.01
Fund’s other expenses	<u>0.01</u>	<u>0.01</u>
Total MER	<u>0.17</u>	<u>0.17</u>

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

16. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.08 times (2016: 0.18 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 2017 are as follows:

Financial institutions	Transaction value	
	RM	%
Malayan Banking Berhad	336,056,655	58.50
Standard Chartered Bank Malaysia Berhad	125,872,726	21.91
Citibank Berhad	109,365,014	19.04
Hong Leong Bank Berhad	2,704,900	0.47
Public Bank Berhad	486,700	0.08
Total	<u>574,485,995</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.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 June 2017				
Assets				
Investments	1,484,010,618	-	-	1,484,010,618
Deposits with financial institutions	-	3,194,583	-	3,194,583
Cash at banks	-	1,409	-	1,409
	<u>1,484,010,618</u>	<u>3,195,992</u>	<u>-</u>	<u>1,487,206,610</u>
Liabilities				
Amount due to Manager	-	-	130,395	130,395
Amount due to Trustee	-	-	61,131	61,131
Amount due to index provider	-	-	43,064	43,064
Sundry payables and accrued expenses	-	-	114,723	114,723
	<u>-</u>	<u>-</u>	<u>349,313</u>	<u>349,313</u>
31 December 2016				
Assets				
Investments	1,436,208,939	-	-	1,436,208,939
Deposits with financial institutions	-	6,402,202	-	6,402,202
Cash at banks	-	1,427	-	1,427
	<u>1,436,208,939</u>	<u>6,403,629</u>	<u>-</u>	<u>1,442,612,568</u>
Liabilities				
Amount due to Manager	-	115,557	-	115,557
Amount due to Trustee	-	-	57,779	57,779
Amount due to index provider	-	-	10,328	10,328
Sundry payables and accrued expenses	-	-	103,992	103,992
	<u>-</u>	<u>115,557</u>	<u>172,099</u>	<u>287,656</u>
Income, expense, gains and losses				
			1-4-2017 to 30-6-2017 RM	1-4-2016 to 30-6-2016 RM
Net gain from financial assets at FVTPL			10,809,513	6,986,751
Income, of which derived from:				
– Interest income from financial assets at FVTPL			14,220,115	13,980,086
– Interest income from loans and receivables			46,565	145,746

(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:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
30 June 2017				
Financial assets at FVTPL	-	1,484,010,618	-	1,484,010,618
31 December 2016				
Financial assets at FVTPL	-	1,436,208,939	-	1,436,208,939

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

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

- Deposits with financial institutions
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- 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 result below summarised the interest rates 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:

Parallel shift in yield curve by:	Sensitivity of the Fund's NAV, or theoretical value	
	2017 RM	2016 RM
+100 bps	(81,078,627)	(95,071,346)
-100 bps	<u>89,456,179</u>	<u>103,637,758</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 June 2017 and 30 June 2016:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2017			
NR*	<u>1,484,010,618</u>	<u>100.00</u>	<u>99.81</u>
2016			
NR*	<u>1,836,533,936</u>	<u>100.00</u>	<u>98.02</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 June 2017 and 30 June 2016:

Credit rating	RM	As a % of deposits	As a % of net asset value
2017			
P1/MARC-1	3,194,583	100.00	0.21
2016			
P1/MARC-1	37,451,337	100.00	2.00

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 2017 and 30 June 2016:

Sector	RM	As a % of debt securities	As a % of net asset value
2017			
Public finance	1,458,703,861	98.29	98.11
Transportation	25,306,757	1.71	1.70
	1,484,010,618	100.00	99.81
2016			
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

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 = 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
2017						
Financial assets						
Investments	58,635,887	183,558,315	267,680,695	208,900,429	204,044,003	1,022,657,901
Deposits						
with financial						
institutions	3,195,212	-	-	-	-	-
Cash at banks	1,409	-	-	-	-	-
Total assets	61,832,508	183,558,315	267,680,695	208,900,429	204,044,003	1,022,657,901
Financial liabilities						
Other						
liabilities	349,313	-	-	-	-	-

(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
2016						
Financial assets						
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	-	-	-	-	-
Total assets	112,850,050	311,504,700	181,445,050	205,509,600	297,630,150	1,229,643,675
Financial liabilities						
Other liabilities	323,782	-	-	-	-	-

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 2017 and 30 June 2016.

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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
Please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday to Thursday),
Friday (8.45 a.m. to 5.00 p.m.)*