

**ABF Malaysia Bond Index Fund**

**Quarterly Report**

**30 September 2017**

## **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**

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

### **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

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: 03-2036 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, 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 2017 to 30 September 2017.

### Salient Information of the Fund

<b>Name</b>	ABF Malaysia Bond Index Fund ("Fund")				
<b>Category/ Type</b>	Fixed Income ETF / Income				
<b>Objective</b>	<p>A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index.</p> <p><i>Note: Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i></p>				
<b>Index Component</b>	Details of the index component as at 30 June 2017 are as follows:				
	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	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
	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	7,315,546,000
	GO090001	Malaysia Government Investment Issue	3.910	13 August 2019	6,000,000,000
	(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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	7,973,062,000
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
VK130260	Cagamas Berhad	4.150	28 October 2020	915,000,000
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
GN100060	Malaysia Government Investment Issue	3.998	30 November 2020	3,000,000,000
MH170005	Malaysia Government Bond	3.441	15 February 2021	3,500,000,000
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	8,000,000,000
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
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
VII170153	Cagamas Berhad	4.250	28 April 2022	500,000,000
VII170172	Pengurusan Air SPV Berhad	4.060	06 June 2022	900,000,000
VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
GL150001	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
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	12,000,000,000
ML170002	Malaysia Government Bond	4.059	30 September 2024	11,000,000,000
VP120394	Turus Pesawat Sdn Bhd	3.930	19 November 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
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
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
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
GO170001	Malaysia Government Investment Issue	4.258	26 July 2027	8,000,000,000
VN170245	Danga Capital Bhd	4.520	06 September 2027	1,500,000,000
MO170004	Malaysia Government Bond	3.899	16 November 2027	8,000,000,000
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
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
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 Bhd	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
MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
VS170237	Perbadanan Tabung Pendidikan Tinggi Nasional	4.930	17 August 2032	1,300,000,000
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
(Forward)				

<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
GX130068	Malaysia Government Investment Issue	4.582	30 August 2033	12,000,000,000
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
GX170005	Malaysia Government Investment Issue	4.755	04 August 2037	5,000,000,000
VX170249	Lembaga Pembiayaan Perumahan Sektor Awam	5.050	07 September 2037	1,000,000,000
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	10,500,000,000
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
VZ160323	DanaInfra Nasional Berhad	4.950	19 October 2046	1,000,000,000
(Forward)				

	<b>Code</b>	<b>Issuer</b>	<b>Coupon %</b>	<b>Final Maturity</b>	<b>Notional Amount (RM)</b>
	GZ170004	Malaysia Government Investment Issue	4.895	08 May 2047	4,500,000,000
	VZ170250	Lembaga Pembiayaan Perumahan Sektor Awam	5.260	06 September 2047	1,000,000,000
	<i>(Source: Markit Indices Limited)</i>				
<b>Duration</b>	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.				
<b>Performance Benchmark</b>	Markit 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 1,320,421,800 units.				
	<b>Size of holding</b>	<b>As at 30 September 2017</b>		<b>As at 30 June 2017</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	6	300	6
	100 – 1,000	13,300	26	11,600	25
	1,001 -10,000	50,500	10	40,500	9
	10,001 – 100,000	136,300	5	136,300	5
	100,001 to less than 5% of issue units	55,013,530	5	55,025,230	5
	5% and above of issue units	1,265,207,870	1	1,265,207,870	1

### Fund Performance Data

<b>Portfolio Composition</b>	Details of portfolio composition of the Fund for the financial period as at 30 September 2017, 30 June 2017 and three financial years as at 31 December are as follows:				
	<b>As at 30-9-2017 %</b>	<b>As at 30-6-2017 %</b>	<b>FY 2016 %</b>	<b>FY 2015 %</b>	<b>FY 2014 %</b>
Corporate bonds	-	-	-	0.76	1.48
<i>(Forward)</i>					

	As at 30-9-2017 %	As at 30-6-2017 %	FY 2016 %	FY 2015 %	FY 2014 %
Malaysian Government Securities	95.71	95.57	95.16	90.57	78.21
Quasi-Government bonds	4.21	4.24	4.41	6.46	20.77
Cash and others	0.08	0.19	0.43	2.21	(0.46)
<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 period ended 30 September 2017, 30 June 2017 and three financial years ended 31 December are as follows:

	3 months ended 30-9-2017	3 months ended 30-6-2017	FY 2016	FY 2015	FY 2014
Net asset value (RM)	1,504,766,696	1,486,857,297	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)	1.1396	1.1260	1.0923	1.0604*	1.0386*
Highest net asset value per unit (RM)	1.1409	1.1277	1.1224	1.0655*	1.0841*
Lowest net asset value per unit (RM)	1.1224	1.1080	1.0599	1.0323*	1.0355*
Closing quoted price (RM/unit)	1.1370	1.1230	1.1100	1.0520*	1.0350*
Highest quoted price (RM/unit)	1.1370	1.1260	1.1240	1.0680*	1.0840*
Lowest quoted price (RM/unit)	1.1230	1.1120	1.0520	1.0300*	1.0350*
Benchmark performance (%)	1.21	1.68	3.46	4.12	3.79
Total return (%) <sup>(1)</sup>	1.21	1.67	3.01	3.74	3.98
- Capital growth (%)	1.21	1.67	3.01	2.12	-1.70
- Income distribution (%)	-	-	-	1.62	5.68

(Forward)

	3 months ended 30-9-2017	3 months ended 30-6-2017	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 (%) <sup>(2)</sup>	-	-	-	1.60	5.80
Management expense ratio (%) <sup>(3)</sup>	0.17	0.17	0.18	0.16	0.18
Portfolio turnover ratio (times) <sup>(4)</sup>	0.04	0.08	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 decreased by 0.04 times (50.0%) as compared to 0.08 times for the financial period ended 30 June 2017 mainly due to decrease in investing activities.

#### **Average Total Return (as at 30 September 2017)**

	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
One year	1.66	1.95
Three years	3.79	4.09
Five years	3.30	3.56
Ten years	3.62	3.92

#### **Annual Total Return**

Financial Years Ended (31 December)	ABFMY1 <sup>(a)</sup> %	iBoxx Index <sup>(b)</sup> %
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](http://www.aminvest.com))

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

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

## Fund Performance

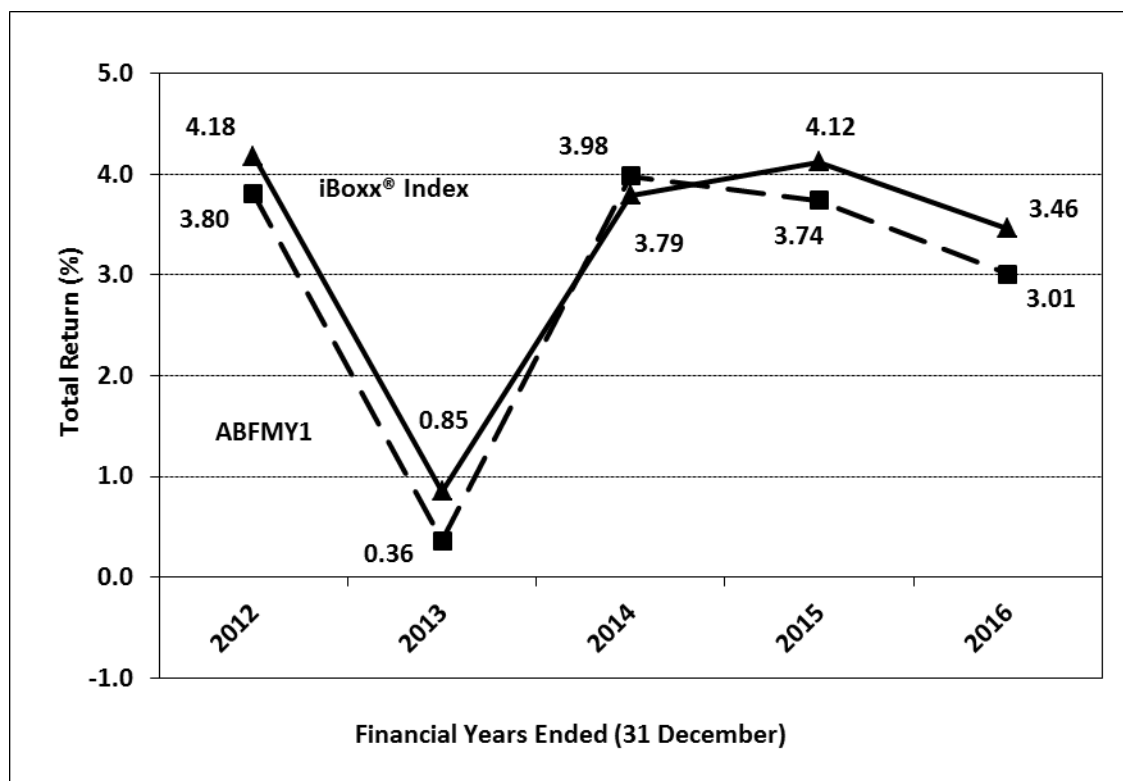
For the financial period under review, the Fund registered a return of 1.21% which was entirely capital growth in nature.

Thus, the Fund’s return of 1.21% has same with the benchmark’s return of 1.21%.

As compared with the financial period ended 30 June 2017, the net asset value (“NAV”) per unit of the Fund increased by 1.21% from RM1.1260 to RM1.1396, while units in circulations remain unchanged at 1,320,421,800.

The closing price quoted at Bursa Malaysia of the Fund increased by 1.25% from RM1.1230 to RM1.1370.

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.**

<b>Strategies and Policies Employed</b>	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.																				
<b>Portfolio Structure</b>	<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><b>As at 30-9-2017 %</b></th> <th><b>As at 30-6-2017 %</b></th> <th><b>Changes %</b></th> </tr> </thead> <tbody> <tr> <td>Malaysian Government Securities</td> <td>95.71</td> <td>95.57</td> <td>0.14</td> </tr> <tr> <td>Quasi-Government bonds</td> <td>4.21</td> <td>4.24</td> <td>-0.03</td> </tr> <tr> <td>Cash and others</td> <td>0.08</td> <td>0.19</td> <td>-0.11</td> </tr> <tr> <td><b>Total</b></td> <td><b>100.00</b></td> <td><b>100.00</b></td> <td></td> </tr> </tbody> </table> <p>For the financial period under review, the Fund invested 99.92% of its NAV in fixed income securities while the balance of 0.08% was held in cash.</p>		<b>As at 30-9-2017 %</b>	<b>As at 30-6-2017 %</b>	<b>Changes %</b>	Malaysian Government Securities	95.71	95.57	0.14	Quasi-Government bonds	4.21	4.24	-0.03	Cash and others	0.08	0.19	-0.11	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	
	<b>As at 30-9-2017 %</b>	<b>As at 30-6-2017 %</b>	<b>Changes %</b>																		
Malaysian Government Securities	95.71	95.57	0.14																		
Quasi-Government bonds	4.21	4.24	-0.03																		
Cash and others	0.08	0.19	-0.11																		
<b>Total</b>	<b>100.00</b>	<b>100.00</b>																			
<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 unitholders during the financial period under review.																				
<b>Rebates and Soft Commission</b>	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.</p>																				
<b>Market Review</b>	<p>In June, Malaysia's Consumer Price Index ("CPI") moderated to 3.6% YoY (May: 3.9), the third consecutive month of decline. Core inflation for June came in at 2.6% YoY, slightly below May's reading of 2.6% and within BNM's comfort range of 2.3% -2.5%. Transport costs were once again a key driver of CPI, accounting for over 20% of the rise.</p> <p>Meanwhile, Bank Negara Malaysia ("BNM") added USD 0.2b to its foreign reserves which totals USD99.1b as at mid-July, up from USD 98.9b at end July. The reserves are equivalent to 7.9 months of retained imports and provide a 1.1 times coverage of short-term external debt. June saw a slight outflow of foreign funds to the tune of MYR 400m after significant foreign inflows of RM10.1b in May and RM6.8b in April respectively. Malaysia's May exports figures remain strong, growing more than 30% YoY. Trade surplus continue to be positive albeit lower.</p> <p>Finally, the banking sector's loan growth for June increased to 5.7% YoY from 5.5% YoY in the previous month, the pick-up in loans growth was attributed to faster growth in business loans. The banking system's asset quality continued to be strong with</p>																				



system-wide net Non-Performing Loan (“NPL”) ratio at 1.2%.

Trading volume in the MGS/GII market dropped to RM41.7b in July from RM50.0b in the previous month. Yield movements were unevenly distributed across the yield curve, with the 5 and 7 year MGS yields climbing up 5 bps whilst the rest of the curve was broadly unchanged.

As at end July, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.48%, 3.73%, 3.90%, 3.98%, 4.36%, 4.58% and 4.79% respectively.

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

- RM3.0b 7-year Re-opening of the MGS 9/24 which garnered BTC ratio of 2.877 times at average yield of 3.919%.
- RM2.0b 30-year Re-opening of the GII 5/47 which drew a BTC ratio of 1.915 times at average yield of 4.926%.
- RM3.0b 10-year Re-opening of the MGS 11/27 which drew a BTC of 1.68 times at average yield of 3.978%.

Export growth slowed in June to 10% YoY, mainly on the back of base effects and a distortive festive period. Shipments of both E&E and non-E&E categories saw growth easing in June. On a quarterly basis, exports remain robust at 20.6% YoY in 2Q17, sustaining its pace from the previous quarter.

Malaysia’s foreign reserves climbed past the USD100bn mark for the first time since 2015, edging higher to USD100.4bn (+USD1bn m-o-m) which is sufficient to finance 7.9 months of retained imports and 1.1x of short-term external debt.

Furthermore, Malaysia’s real Gross Domestic Product (“GDP”) recorded a stronger growth of 5.8% YoY in 2Q17, up from +5.6% in 1Q, on the back of stronger external activities and private consumption. Malaysia’s real GDP growth is expected to grow at a stronger pace moving forward as compared to the prior year.

Meanwhile, the current account surplus in Malaysia’s balance of payments widened to MYR9.6bn in 2Q17, due to a larger surplus in the merchandise trade balance. However, this surplus is expected to narrow amid a stronger import growth outlook that would likely outpace the increase in exports and a higher deficit in the services and income accounts.

On the other hand, headline inflation rate slowed further to 3.2% YoY in July, from +3.6% in June. This was mainly due to a slowdown in transportation costs amid lower fuel prices, and a fading low base effect during the month.

On rating actions, Fitch affirmed Malaysia’s A- rating with a stable outlook on the back of strong GDP growth, sustained current account surpluses, mitigated by higher government debt compared to its A-rated peers and sizeable contingent liabilities.

Trading activities for the govies were lackluster in the beginning of the month, however it picked up substantially toward the end of the month as MYR strengthened. Most of the trades were centered on the shorter end < 3 years and on the belly of the curve. There was also an expectation that the 10y MGS 11/27 will be included into JP Morgan Global Bond EM Index, further spurring some rallies in the govies. Also, tracing the downward yield movement of US treasuries, the demand for our local

govvies increased mainly due to the heightened geopolitical tensions between North Korea and the US.

The trading flows were driven by both foreigners and local market players. They have been lengthening the portfolio duration by disposing the short-end and buying into the long-end. Foreigners have been selling the shorter tenured MGS and buying into longer tenured MGS specifically the 10-year. On net basis, government debt saw an outflow of MYR1.46b where the foreign ownership declined from 41.2% to 40.1%. Total foreign holding in government debt is 26.5% as opposed to 27.2% in the prior month.

As at end Aug, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.365%, 3.58%, 3.855%, 3.90%, 4.315%, 4.54% and 4.74% respectively.

In August, Malaysia's CPI increased to 3.7% year-on-year ("YoY") versus market expectation of 3.4% and 3.2% in the previous month. The primary driver for the increase was transportation cost from higher fuel prices and food & non-alcoholic beverages ("F&B") prices.

On the trade front, Malaysia's export growth in July exceeded expectations, rising 30.9% from a year earlier, owing to higher shipments of manufactured products and mining goods. The pace of expansion beat the 23.1% rise forecasted by consensus and tripled the 10% growth posted in June. Shipments of manufactured goods, which accounted for more than four-fifths of Malaysia's total exports, were up 32.6% from a year earlier in July. Most of the manufactured goods were electrical and electronic products.

During the month, BNM's seventh monetary policy committee ("MPC") meeting yielded no change in the Overnight Policy Rate ("OPR") which remains at 3.00%. BNM's decision to hold rates came widely expected. In the accompanying MPC statement, BNM remains upbeat on the improving global economy while emphasising that the domestic economy continued to be underpinned by private spending and exports. BNM also guided that GDP growth in 2017 will be stronger than earlier expected and while inflation has remained elevated, repeated that underlying inflation pressures is expected to remain contained. Lastly, BNM reiterate that its current stance of monetary policy remains accommodative.

Meanwhile, BNM added another USD0.3b to its foreign reserves which totals USD100.8b as at mid-September. The reserves are equivalent to 7.7 months of retained imports and provide a 1.1 times coverage of short-term external debt. Finally, the banking sector's loan growth for August increased to 5.8% YoY from 5.6% YoY in the previous month. The marginally stronger growth was attributed to business loans which increased by 6.8% while household loan growth remained steady at 5.0%.

Trading volume in the MGS market increased to RM64.7b from RM56.8b in the previous month. At month end, the MGS market bearish steepened especially at the longer end of the curve. The cautious sentiment came about post the FOMC's decision to implement the Balance Sheet Reduction ("BSR") program starting October 2017 and an unchanged Dot Plot chart which indicated one more rate hike for 2017.

As at end September 2017, 3-year, 5-year, 7-year, 10-year, 15-year, 20-year and 30-year close at 3.33%, 3.65%, 3.84%, 3.91%, 4.31%, 4.60% and 4.89% respectively.

	<p>In the primary market, there were two government bond auctions as follows:</p> <ul style="list-style-type: none"> <li>• RM4.0b 5-year Re-opening of the MGS 3/22 which garnered BTC ratio of 1.90 times at average yield of 3.501%.</li> <li>• RM4.0b 15-year Re-opening of the GII 8/33 which drew a BTC ratio of 1.73 times at average yield of 4.579%.</li> </ul>
<p><b>Market Outlook</b></p>	<p>The second US Federal Open Market Committee (“FOMC”) (“Fed”) rate hike in 2017 was fully expected by most investors. 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.</p> <p>As widely expected the Federal Reserve kept rates unchanged at its July meeting and guided that the unwinding of its USD 4.5t balance sheet will begin “relatively soon”. 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. The muted inflationary environment in the USA has led to some Federal Reserve presidents expressing reservation over hiking rates again this year. June CPI came in at 1.6% YoY, the 4th month of consecutive decline, whilst core Consumer Price Index (“CPI”) stood at 1.7%. The market implied odds of a Fed rate hike in December declined from 55% at the start of July to 41.8% at end July 2017.</p> <p>After 2 months of relatively strong inflows into the local bond market, there was a small outflow of RM 400m in June. Whilst there are chunky Malaysian Government Securities (“MGS”) maturities starting from August 2017, the structure of current foreign holdings in MGS should offer some level of support as most of the current foreign holdings are real money investors and passive benchmark funds. BNM has managed to rebuild its foreign currency reserves to almost USD 100b over the past 3 months whilst reducing its short forward book from USD19.1b to USD 16.6b.</p> <p>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 European Central Bank (“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.</p> <p>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 &gt;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 &gt;15Y space, we do not expect significant yield compression at the tail end of the curve given the ample supply of long bonds.</p> <p>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 hawkish</p>

policy statements and the unwinding of their large balance sheets pressure global bond yields.

Looking ahead, with the lingering geopolitical tensions in Korean Peninsula, the demand for safe haven assets are expected to be supported. However, once the geopolitical dissipates, US treasuries may weaken.

The key events for the month of September are the potential ECB's talk on ending unconventional easing and with the Fed beginning the process of balance sheet normalization. The ECB may start discussing how to reduce the scale of its asset purchase program. However, market expect that ECB asset purchases may continue beyond December 2017, mainly due to the low inflation figures despite better growth and employment outlook in the euro area.

Meanwhile, the Fed officials have well guided the market on its intention of unwinding its USD4.5t balance sheet. The reduction is expected to begin sometime on gradual basis 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. The move has been well-telegraphed in order to avoid a repeat of 2013's taper tantrum.

On the monetary policy stance, the Fed is expected to adopt slow and accommodative policy stance in the foreseeable future, mainly due to the low inflation numbers and low wage gains. Market participants continue to price in no further rate hikes this year as the probability of a December hike dipped to below 30%.

On the local front, Malaysia has recorded stronger GDP growth of 5.8% YOY in 2Q 2017 and higher foreign reserves level. Malaysia's foreign reserves climbed past the USD100b mark for the first time since 2015, edging higher to USD100.4b in July. This will lead to the strengthening of the MYR and the bullishness of our local govovies market.

Govovies trading are expected to pick-up as more foreign inflows poured into the market. The strengthening of MYR on the back of solid sovereign fundamentals and the upcoming general election will spur the market rallies in the govovies market.

These sentiments gave reasons to market players to lengthen their portfolio duration. Both foreigners and local investors have been disposing the short-end and buying into the long-end.

As most short-term foreign funds have exited the market, the upcoming bulky maturities may be rolled-over or absorbed by the local market.

The two main takeaways from the US FOMC ("Fed") meeting in September 2017, was that the Fed would finally start the rollback of its balance sheet via the BSR program but more importantly, members of the Fed saw no reason yet to waver from the forecast of another rate hike for the year. As such, the futures market reacted swiftly with implied probability of a rate hike in December 2017 pushed up to above 65% from around 45% previously. The possibility of another rate hike and the escalation of rhetoric's between North Korea and the United States would likely keep markets on the defensive in the near term.

Domestically, Malaysia's strong growth of 5.7% YoY in 1H2017 will likely see the Government announcing a higher full year 2017 GDP growth forecast in the upcoming budget to be tabled on the 27 October 2017. With stronger revenue from GST collection and generally higher commodities prices, the Government's fiscal deficit of 3.0% is expected to be met comfortably if not exceeded.

We opine that BNM will maintain the OPR at 3.0% while it continues to assess the balance of risks surrounding domestic growth and inflation. The 2Q2017 GDP growth of 5.8% lends credence to BNM's monetary policy.

Also, given that the general election is now likely to be pushed back to 2018, the budget would likely be election focused. An expansionary budget targeting on specific assistance to the lower and middle-income segments while addressing cost of living and affordable housing issues will be on the agenda. At the same time and with an eye towards balancing the budget deficit by 2020, the Government is expected to introduce measures to expand exports, improve the current account balance and widen the tax base to include foreign digital service providers.

With no significant surprises expected from Budget 2018, any reaction from the bond market is likely to be muted. The final monetary policy meeting scheduled for 8 - 9 November is not likely to yield any surprise given BNM's neutral stance. As such, we believe that external events and factors would likely be the key driver for the local bond market in the coming months.

The return of net portfolio inflows has been beneficial to Ringgit and hence the MGS market. In August, foreign investors were net buyers in the MGS market to the tune of RM2.1b. This was however offset by an outflow of RM3.2b due to maturities in GII and it is notable that there is another RM12.6b and RM12.2b MGS maturities in September and October respectively. While there may be further maturity driven outflows, indications are that it will be manageable as the positive sentiment on Ringgit will likely attract rollovers positions.

Nevertheless, we remain cautious as we head into the final quarter of 2017. The possibility of headwinds from further hawkish comments from the central banks in US, UK and the ECB does increase the potential for a reversal in risk-on sentiment and trigger a correction in Emerging Markets, including Malaysia.

In the primary auction market, there have been signs of softening as seen in the last two auctions in September which recorded BTC ratios of < 2.0 times. With 6 out of the last 8 remaining auctions tilted towards the longer maturities, we expect the ample supply of long bonds to continue to suppress any yield compression especially at the tail end of the curve.

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

7 November 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 September 2017 (1 July 2017 to 30 September 2017), there was one (1) Board of Directors' meeting held by the Manager.

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

<b>Name</b>	: Raja Maimunah binti Raja Abdul Aziz
<b>Age</b>	: 49 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Laws, the University of East London ii) Honorary Doctorate of Law, The University of East London
<b>Executive/ Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: 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]
<b>Occupation</b>	: Chief Executive Officer, AmInvestment Bank Berhad
<b>Date of appointment</b>	: 7 March 2017
<b>Directorship of other public companies</b>	: Not applicable
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Not Applicable
<b>Date of appointment to the Investment Committee</b>	: Not applicable
<b>Number of Investment Committee meeting attended for the financial year period 30 September 2017 (1 July 2017 to 30 September 2017)</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>	: Dato' Mustafa bin Mohd Nor
<b>Age</b>	: 66 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) 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]
<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 ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: i) Audit and Examination Committee (f.k.a Audit Committee of Directors) ii) Investment Committee
<b>Date of appointment to the Investment Committee</b>	: 3 March 2014
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<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>	:	57 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom.</li> <li>ii) Bachelor of Science with Education, Mathematics &amp; Physics, University of Malaya, Malaysia.</li> <li>iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner</li> <li>iv) Financial Industry Certified Professional, FICP, Institute of Banking &amp; Finance (IBF), Singapore</li> </ul>
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<ul style="list-style-type: none"> <li>i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings]</li> <li>ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia]</li> <li>iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking]</li> <li>iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking]</li> <li>v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer]</li> <li>vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager]</li> <li>vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman]</li> <li>viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman’s Office)]</li> </ul>

	ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
<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 ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Investment Committee and Audit and Examination Committee (f.k.a 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 period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<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>	: 63 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- 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)]
<b>Occupation</b>	: Advisor, Investment 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 ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Investment Committee and Audit and Examination Committee (f.k.a 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 ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<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>	: Goh Wee Peng
<b>Age</b>	: 43 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: 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
<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: 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 Management 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-May 2017)  
AmFunds Management Berhad  
[Deputy Chief Executive Officer]
- xiii) (June 2017-Present)  
AmFunds Management Berhad  
[Acting Chief Executive Officer]

<b>Occupation</b>	: Acting Chief Executive Officer
<b>Date of appointment</b>	: 1 June 2017

<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Not Applicable
<b>Date of appointment to the Investment Committee</b>	: Not Applicable
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</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

#### 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 September 2017 (1 July 2017 to 30 September 2017), there was one (1) 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)

<b>Name</b>	: Zainal Abidin Bin Mohd Kassim
<b>Age</b>	: 61 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: 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.
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant]

	ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]
<b>Occupation</b>	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
<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>	: 30 November 2016
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: Nil
<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 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 September 2017 (1 July 2017 to 30 September 2017), there was one (1) Investment Committee meeting held by the Manager.

## Unitholders

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

<b>NAME</b>	<b>Number of Unit Held</b>	<b>Unit Held (%)</b>
HSBC BANK MALAYSIA BERHAD	1,265,207,870	95.81846%
AMINVESTMENT BANK BERHAD	49,110,100	3.71927%
AMINVESTMENT BANK BERHAD	3,063,430	0.23200%
DEUTSCHE BANK (MALAYSIA) BERHAD	2,300,000	0.17419%
CITIBANK BERHAD	400,000	0.03029%
CITIBANK BERHAD	140,000	0.01060%
CIMB INVESTMENT BANK BERHAD	44,100	0.00334%
HSBC BANK MALAYSIA BERHAD	40,000	0.00303%
ALLIANCE INVESTMENT BANK BERHAD	23,200	0.00176%
PUBLIC INVESTMENT BANK BERHAD	15,000	0.00114%
AMINVESTMENT BANK BERHAD	14,000	0.00106%
MAYBANK INVESTMENT BANK BERHAD	10,000	0.00076%
MAYBANK INVESTMENT BANK BERHAD	9,000	0.00068%
HONG LEONG INVESTMENT BANK BERHAD	7,000	0.00053%
CIMB INVESTMENT BANK BERHAD	5,000	0.00038%
HONG LEONG INVESTMENT BANK BERHAD	5,000	0.00038%
HONG LEONG INVESTMENT BANK BERHAD	3,500	0.00027%
CIMB INVESTMENT BANK BERHAD	3,000	0.00023%
INTER-PACIFIC SECURITIES SDN BHD	3,000	0.00023%
MAYBANK INVESTMENT BANK BERHAD	3,000	0.00023%
MAYBANK INVESTMENT BANK BERHAD	2,000	0.00015%
RHB INVESTMENT BANK BERHAD	1,000	0.00008%
INTER-PACIFIC SECURITIES SDN BHD	1,000	0.00008%
CIMB INVESTMENT BANK BERHAD	1,000	0.00008%
RHB INVESTMENT BANK BERHAD	1,000	0.00008%
CIMB INVESTMENT BANK BERHAD	1,000	0.00008%
KENANGA INVESTMENT BANK BERHAD	1,000	0.00008%
MAYBANK INVESTMENT BANK BERHAD	1,000	0.00008%
MAYBANK INVESTMENT BANK BERHAD	1,000	0.00008%
MAYBANK INVESTMENT BANK BERHAD	1,000	0.00008%

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

	Note	30-9-2017 (unaudited) RM	31-12-2016 (audited) RM
<b>ASSETS</b>			
Investments	4	1,503,635,165	1,436,208,939
Deposits with financial institutions	5	1,506,745	6,402,202
Cash at banks		1,411	1,427
<b>TOTAL ASSETS</b>		<b>1,505,143,321</b>	<b>1,442,612,568</b>
<b>LIABILITIES</b>			
Amount due to Manager	6	131,860	115,557
Amount due to Trustee	7	61,823	57,779
Amount due to index provider	8	76,603	10,328
Sundry payables and accrued expenses		106,339	103,992
<b>TOTAL LIABILITIES</b>		<b>376,625</b>	<b>287,656</b>
<b>EQUITY</b>			
Unitholders' capital	11(a)	1,396,802,853	1,396,802,853
Retained earnings	11(b)(c)	107,963,843	45,522,059
<b>TOTAL EQUITY</b>	11	<b>1,504,766,696</b>	<b>1,442,324,912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,505,143,321</b>	<b>1,442,612,568</b>
<b>UNITS IN CIRCULATION</b>	11(a)	<b>1,320,421,800</b>	<b>1,320,421,800</b>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<b>113.96 sen</b>	<b>109.23 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 2017 TO 30 SEPTEMBER 2017

	Note	1-7-2017 to 30-9-2017 RM	1-7-2016 to 30-9-2016 RM
<b>INVESTMENT INCOME</b>			
Interest income		14,426,121	18,521,968
Net gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>4,122,808</u>	<u>21,973,060</u>
Gross Income		<u>18,548,929</u>	<u>40,495,028</u>
<b>EXPENDITURE</b>			
Manager’s fee	6	(372,615)	(504,353)
Trustee’s fee	7	(186,308)	(252,177)
Licence fee	8	(38,840)	(39,159)
Auditors’ remuneration		(2,668)	(4,181)
Tax agent’s fee		(1,022)	(1,257)
Other expenses	10	<u>(38,077)</u>	<u>(75,392)</u>
Total Expenditure		<u>(639,530)</u>	<u>(876,519)</u>
NET INCOME BEFORE TAX		17,909,399	39,618,509
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		17,909,399	39,618,509
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>17,909,399</u></u>	<u><u>39,618,509</u></u>
Total comprehensive income comprises the following:			
Realised income		13,951,139	18,982,523
Unrealised gain		<u>3,958,260</u>	<u>20,635,986</u>
		<u><u>17,909,399</u></u>	<u><u>39,618,509</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 2017 TO 30 SEPTEMBER 2017

	<b>Unitholders' capital RM</b>	<b>Retained earnings RM</b>	<b>Total equity RM</b>
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	121,869,000	-	121,869,000
	<u>1,928,289,853</u>	<u>106,860,560</u>	<u>2,035,150,413</u>
Balance at 30 September 2016			
At 1 July 2017	1,396,802,853	90,054,444	1,486,857,297
Total comprehensive income for the financial period	-	17,909,399	17,909,399
	<u>1,396,802,853</u>	<u>107,963,843</u>	<u>1,504,766,696</u>
Balance at 30 September 2017			

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 2017 TO 30 SEPTEMBER 2017**

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	55,042,000	116,731,000
Interest received	10,465,880	21,094,874
Manager's fee paid	(371,150)	(469,449)
Trustee's fee paid	(185,616)	(234,724)
Licence fee paid	(5,300)	(4,000)
Tax agent's fee paid	(4,000)	-
Payments for other expenses	(46,150)	(70,660)
Purchase of investments	(66,583,500)	(283,035,000)
	<u>(1,687,836)</u>	<u>(145,987,959)</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Proceeds from creation of units	-	121,869,000
	<u>-</u>	<u>121,869,000</u>
<b>NET DECREASE CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	(1,687,836)	(24,118,959)
	<u>3,195,992</u>	<u>37,452,750</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>		
	<u>1,508,156</u>	<u>13,333,791</u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	1,506,745	13,332,351
Cash at banks	1,411	1,440
	<u>1,508,156</u>	<u>13,333,791</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. 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

	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>		
At nominal value:		
Quasi-Government Bonds	60,000,000	60,000,000
Malaysian Government Securities	895,000,000	794,500,000
Government Investment Issues	<u>523,500,000</u>	<u>580,500,000</u>
	<u>1,478,500,000</u>	<u>1,435,000,000</u>
At fair value:		
Quasi-Government Bonds	63,420,037	63,634,057
Malaysian Government Securities	909,351,667	792,009,698
Government Investment Issues	<u>530,863,461</u>	<u>580,565,184</u>
	<u>1,503,635,165</u>	<u>1,436,208,939</u>



Details of investments as at 30 September 2017 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</b>						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,017,560	5,024,692	0.33
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,014,814	10,215,924	0.66
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	38,344,425	39,186,376	2.55
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	10,043,238	10,408,660	0.67
			<b>60,000,000</b>	<b>63,420,037</b>	<b>64,835,652</b>	<b>4.21</b>

#### **Malaysian Government Securities**

15.03.2019	Government of Malaysia	NR	50,000,000	50,534,380	50,435,909	3.36
30.07.2019	Government of Malaysia	NR	10,000,000	10,534,705	10,449,365	0.70
31.10.2019	Government of Malaysia	NR	50,000,000	51,104,095	50,720,528	3.40
29.11.2019	Government of Malaysia	NR	40,000,000	41,453,278	41,466,097	2.76
31.03.2020	Government of Malaysia	NR	40,000,000	40,816,000	40,916,564	2.71
31.07.2020	Government of Malaysia	NR	10,000,000	10,199,364	10,155,397	0.68
15.10.2020	Government of Malaysia	NR	60,000,000	61,426,525	61,083,292	4.08
15.02.2021	Government of Malaysia	NR	20,000,000	20,118,625	20,141,761	1.34
30.09.2021	Government of Malaysia	NR	30,000,000	31,150,800	30,810,785	2.07
30.11.2021	Government of Malaysia	NR	60,000,000	60,870,400	61,637,200	4.05
10.03.2022	Government of Malaysia	NR	30,000,000	30,415,943	30,196,756	2.02

(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>						
15.08.2022	Government of Malaysia	NR	20,000,000	19,873,850	19,761,693	1.32
30.09.2022	Government of Malaysia	NR	52,500,000	53,771,288	53,082,050	3.57
17.08.2023	Government of Malaysia	NR	40,000,000	40,158,939	39,750,194	2.67
15.07.2024	Government of Malaysia	NR	60,000,000	61,713,497	60,602,173	4.10
30.09.2024	Government of Malaysia	NR	10,000,000	10,334,850	10,328,934	0.69
15.09.2025	Government of Malaysia	NR	30,000,000	30,093,864	29,642,983	2.00
15.04.2026	Government of Malaysia	NR	25,000,000	26,240,750	26,472,320	1.74
30.11.2026	Government of Malaysia	NR	30,000,000	30,338,700	31,116,687	2.02
15.03.2027	Government of Malaysia	NR	10,000,000	9,869,027	10,145,430	0.66
16.11.2027	Government of Malaysia	NR	20,000,000	20,227,706	20,284,658	1.34
15.06.2028	Government of Malaysia	NR	40,000,000	38,747,337	38,199,745	2.57
15.04.2030	Government of Malaysia	NR	47,500,000	49,430,711	49,030,986	3.29
30.06.2031	Government of Malaysia	NR	30,000,000	29,869,500	30,033,659	1.98
15.04.2033	Government of Malaysia	NR	20,000,000	19,166,692	19,499,465	1.27
31.05.2035	Government of Malaysia	NR	10,000,000	9,834,600	9,690,576	0.65
07.04.2037	Government of Malaysia	NR	10,000,000	10,516,692	10,367,465	0.70
30.09.2043	Government of Malaysia	NR	20,000,000	20,783,500	20,970,393	1.38
15.03.2046	Government of Malaysia	NR	20,000,000	19,756,049	20,393,359	1.31
			<b>895,000,000</b>	<b>909,351,667</b>	<b>907,386,424</b>	<b>60.43</b>

(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>						
30.04.2019	Government of Malaysia	NR	30,000,000	30,535,883	30,358,536	2.03
13.08.2019	Government of Malaysia	NR	10,000,000	10,156,500	10,121,067	0.67
15.04.2020	Government of Malaysia	NR	30,000,000	30,220,136	30,251,231	2.01
30.04.2020	Government of Malaysia	NR	10,000,000	10,414,380	10,479,340	0.69
15.05.2020	Government of Malaysia	NR	20,000,000	20,260,600	20,305,279	1.35
27.08.2020	Government of Malaysia	NR	50,000,000	50,450,497	49,976,860	3.35
23.03.2021	Government of Malaysia	NR	30,000,000	30,050,057	29,697,943	2.00
30.04.2021	Government of Malaysia	NR	10,000,000	10,330,272	10,378,272	0.69
26.08.2021	Government of Malaysia	NR	16,000,000	16,059,039	16,186,817	1.07
14.04.2022	Government of Malaysia	NR	30,000,000	30,763,495	30,851,905	2.04
15.07.2022	Government of Malaysia	NR	30,000,000	30,671,865	30,229,715	2.04
07.07.2023	Government of Malaysia	NR	20,000,000	20,592,999	20,528,528	1.37
31.10.2023	Government of Malaysia	NR	10,000,000	9,865,425	9,783,391	0.65
22.05.2024	Government of Malaysia	NR	20,000,000	20,761,994	20,580,163	1.38
15.08.2024	Government of Malaysia	NR	10,000,000	10,061,363	10,041,007	0.67
15.10.2025	Government of Malaysia	NR	52,500,000	52,943,875	52,272,342	3.52
30.09.2026	Government of Malaysia	NR	25,000,000	25,312,750	25,942,751	1.68
15.06.2027	Government of Malaysia	NR	20,000,000	19,691,174	20,431,272	1.31

(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>						
26.07.2027	Government of Malaysia	NR	20,000,000	20,385,333	20,467,637	1.35
06.12.2028	Government of Malaysia	NR	10,000,000	10,729,363	10,449,247	0.71
30.09.2030	Government of Malaysia	NR	30,000,000	29,910,450	31,387,542	1.99
30.08.2033	Government of Malaysia	NR	20,000,000	19,988,445	20,055,817	1.33
31.10.2035	Government of Malaysia	NR	20,000,000	20,707,566	21,084,786	1.38
			<u>523,500,000</u>	<u>530,863,461</u>	<u>531,861,448</u>	<u>35.28</u>
<b>Total financial assets at FVTPL</b>			<u>1,478,500,000</u>	<u>1,503,635,165</u>	<u>1,504,083,524</u>	<u>99.92</u>

**Shortfall of fair value over cost** (448,359)

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

	<b>Effective yield*</b>	
	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>%</b>	<b>%</b>
Quasi-Government Bonds	4.92	4.87
Malaysian Government Securities	3.77	3.89
Government Investment Issues	<u>3.93</u>	<u>3.96</u>

\* As provided by Markit Indices Limited.

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

	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
<b>30-9-2017</b>		
At nominal value:		
Quasi-Government Bonds	5,000,000	55,000,000
Malaysian Government Securities	420,000,000	475,000,000
Government Investment Issues	<u>266,000,000</u>	<u>257,500,000</u>

	<b>1 year to 5 years RM</b>	<b>More than 5 years RM</b>
<b>31-12-2016</b>		
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>5,000,000</u>	<u>55,000,000</u>

## 5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	<b>30-9-2017 RM</b>	<b>31-12-2016 RM</b>
At nominal value:		
Short-term deposits with licensed banks	<u>1,506,600</u>	<u>6,401,500</u>
At carrying value:		
Short-term deposits with licensed banks	<u>1,506,745</u>	<u>6,402,202</u>

Details of deposit with a financial institutions as at 30 September 2017 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>					
02.10.2017	Public Bank Berhad	<u>1,506,600</u>	<u>1,506,745</u>	<u>1,506,600</u>	<u>0.10</u>

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

	<b>Weighted average effective interest rate</b>		<b>Remaining maturity</b>	
	<b>30-9-2017 %</b>	<b>31-12-2016 %</b>	<b>30-9-2017 Days</b>	<b>31-12-2016 Days</b>
Short-term deposits with licensed banks	<u>3.50</u>	<u>4.00</u>	<u>2</u>	<u>3</u>

## 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:

<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 FROM INVESTMENTS

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net gain on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	164,548	1,337,074
– Net unrealised gain on changes in fair values of investments	3,958,260	20,635,986
	<u>4,122,808</u>	<u>21,973,060</u>

## 10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM37,031 (2016: RM45,339).

## 11. TOTAL EQUITY

Total equity is represented by:

	<b>Note</b>	<b>30-9-2017 RM</b>	<b>31-12-2016 RM</b>
Unitholders' capital	(a)	1,396,802,853	1,396,802,853
Retained earnings			
– Realised income	(b)	108,412,202	67,992,476
– Unrealised loss	(c)	(448,359)	(22,470,417)
		<u>1,504,766,696</u>	<u>1,442,324,912</u>

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

	<b>30-9-2017</b>		<b>31-12-2016</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
At beginning of the financial period/year	1,320,421,800	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	-	-	(550,000,000)	(591,712,000)
	<u>1,320,421,800</u>	<u>1,396,802,853</u>	<u>1,320,421,800</u>	<u>1,396,802,853</u>

(b) **REALISED – DISTRIBUTABLE**

	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	94,461,063	24,591,425
Total comprehensive income for the financial period/year	17,909,399	29,570,219
Net unrealised (gain)/loss attributable to investments held transferred to unrealised reserve [Note 11(c)]	(3,958,260)	13,830,832
Net increase in realised reserve for the financial period/year	13,951,139	43,401,051
At end of the financial period/year	108,412,202	67,992,476

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

	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	(4,406,619)	(8,639,585)
Net unrealised gain/(loss) attributable to investments held transferred from realised reserve [Note 11(b)]	3,958,260	(13,830,832)
At end of the financial period/year	(448,359)	(22,470,417)

12. **UNITS HELD BY RELATED PARTIES**

	<b>30-9-2017</b>		<b>31-12-2016</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
AmInvestment Bank Berhad*	52,187,630	59,337,335	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 September 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.



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

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net income before tax	<u>17,909,399</u>	<u>39,618,509</u>
Taxation at Malaysian statutory rate of 24%	4,298,256	9,508,400
Tax effects of:		
Income not subject to tax	(4,451,743)	(9,718,800)
Restriction on tax deductible expenses for Exchange Traded Funds	81,117	110,400
Non-permitted expenses for tax purposes	63,357	87,700
Permitted expenses not used and not available for future financial periods	<u>9,013</u>	<u>12,300</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 September 2017 and 30 September 2016.

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

The Fund’s MER is as follows:

	<b>1-7-2017 to 30-9-2017 % p.a.</b>	<b>1-7-2016 to 30-9-2016 % p.a.</b>
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 0.04 times (2016: 0.10 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 2017 are as follows:

Financial institutions	Transaction value	
	RM	%
Public Bank Berhad	224,944,900	64.16
Citibank Berhad	102,491,581	29.24
Standard Chartered Bank Malaysia Berhad	20,086,235	5.73
Hong Leong Bank Berhad	3,049,600	0.87
Total	<u>350,572,316</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 2017</b>				
<b>Assets</b>				
Investments	1,503,635,165	-	-	1,503,635,165
Deposits with financial institutions	-	1,506,745	-	1,506,745
Cash at banks	-	1,411	-	1,411
<b>Total financial assets</b>	<b>1,503,635,165</b>	<b>1,508,156</b>	<b>-</b>	<b>1,505,143,321</b>
<b>Liabilities</b>				
Amount due to Manager	-	-	131,860	131,860
Amount due to Trustee	-	-	61,823	61,823
Amount due to index provider	-	-	76,603	76,603
Sundry payables and accrued expenses	-	-	106,339	106,339
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>376,625</b>	<b>376,625</b>
<b>31 December 2016</b>				
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>1,436,208,939</b>	<b>6,403,629</b>	<b>-</b>	<b>1,442,612,568</b>
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>	<b>-</b>	<b>115,557</b>	<b>172,099</b>	<b>287,656</b>
<b>Income, expense, gains and losses</b>				
			<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net gain from financial assets at FVTPL			4,122,808	21,973,060
Income, of which derived from:				
– Interest income from financial assets at FVTPL			14,393,184	18,415,119
– Interest income from loans and receivables			32,937	106,849

(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 RM	Level 2 RM	Level 3 RM	Total RM
<b>30 September 2017</b>				
Financial assets at FVTPL	-	1,503,635,165	-	1,503,635,165
<b>31 December 2016</b>				
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	(81,943,511)	(108,467,632)
-100 bps	<u>90,528,048</u>	<u>119,029,411</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 2017 and 30 September 2016:

Credit rating	RM	As a % of debt securities	As a % of net asset value
<b>2017</b>			
NR*	<u>1,503,635,165</u>	<u>100.00</u>	<u>99.92</u>
<b>2016</b>			
NR*	<u>2,022,238,090</u>	<u>100.00</u>	<u>99.37</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 2017 and 30 September 2016:

<b>Credit rating</b>	<b>RM</b>	<b>As a % of deposits</b>	<b>As a % of net asset value</b>
<b>2017</b>			
P1/MARC-1	1,506,745	100.00	0.10
<b>2016</b>			
P1/MARC-1	13,332,351	100.00	0.66

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 2017 and 30 September 2016:

<b>Sector</b>	<b>RM</b>	<b>As a % of debt securities</b>	<b>As a % of net asset value</b>
<b>2017</b>			
Public finance	1,478,559,553	98.33	98.26
Transportation	25,075,612	1.67	1.66
	1,503,635,165	100.00	99.92
<b>2016</b>			
Public finance	2,017,166,380	99.75	99.12
Transportation	5,071,710	0.25	0.25
	2,022,238,090	100.00	99.37

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
<b>2017</b>						
<b>Financial assets</b>						
Investments	59,615,466	167,716,615	303,015,444	210,106,755	260,708,975	968,480,635
Deposits with financial institutions	1,507,033	-	-	-	-	-
Cash at banks	1,411	-	-	-	-	-
<b>Total assets</b>	<b>61,123,910</b>	<b>167,716,615</b>	<b>303,015,444</b>	<b>210,106,755</b>	<b>260,708,975</b>	<b>968,480,635</b>
<b>Financial liabilities</b>						
Other liabilities	376,625	-	-	-	-	-

(Forward)

	Contractual cash flows (undiscounted)					
	0 – 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than 5 years RM
<b>2016</b>						
<b>Financial 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>
<b>Financial liabilities</b>						
Other liabilities	421,468	-	-	-	-	-

### 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 2017 and 30 September 2016.



