

ABF Malaysia Bond Index Fund

Quarterly Report

30 June 2018

TRUST DIRECTORY

Manager

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

Board of Directors

Raja Maimunah Binti Raja Abdul Aziz
Dato' Mustafa Bin Mohd Nor
Tai Terk Lin
Goh Wee Peng
Sum Leng Kuang

Investment Committee

Sum Leng Kuang
Tai Terk Lin
Dato' Mustafa Bin Mohd Nor
Zainal Abidin Bin Mohd Kassim
Goh Wee Peng

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte Tax Services Sdn Bhd

CORPORATE DIRECTORY

AmFunds Management Berhad

Registered Office

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

Head Office

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

Secretaries

Chen Bee Ling (MAICSA 7046517)
Tan Lai Hong (MAICSA 7057707)
Secretaries' Office at Level 8,
Symphony House, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya,
Selangor Darul Ehsan

HSBC (Malaysia) Trustee Berhad

Business/Registered Office/Head Office

Fund Services, Bangunan HSBC, 13th Floor, South Tower
No.2, Leboh Ampang, 50100 Kuala Lumpur
Tel: 03-2075 7800 Fax: 03-2026 1273

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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 April 2018 to 30 June 2018.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund ("Fund")				
Category/ Type	Fixed Income ETF/ Income				
Objective	<p>A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index.</p> <p><i>Note: Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.</i></p>				
Index Component	Details of the index component as at 30 June 2018 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VK120194	Johor Corporation	3.680	14/06/2019	800,000,000
	MS04003H	Malaysia Government Bond	5.734	30/07/2019	7,315,546,000
	GO090001	Malaysia Government Investment Issue	3.910	13/08/2019	6,000,000,000
	GL120021	Malaysia Government Investment Issue	3.704	30/09/2019	8,000,000,000
	MJ140004	Malaysia Government Bond	3.654	31/10/2019	11,800,000,000
	MO090002	Malaysia Government Bond	4.378	29/11/2019	17,119,000,000
	ML120006	Malaysia Government Bond	3.492	31/03/2020	11,000,000,000
	VI150052	Danga Capital Bhd	4.100	09/04/2020	2,000,000,000
	(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GH160004	Malaysia Government Investment Issue	3.226	15/04/2020	7,000,000,000
GO090061	Malaysia Government Investment Issue	4.492	30/04/2020	3,500,000,000
GL120098	Malaysia Government Investment Issue	3.576	15/05/2020	11,000,000,000
VG170171	Pengurusan Air SPV Berhad	3.960	05/06/2020	700,000,000
GN100021	Malaysia Government Investment Issue	4.284	15/06/2020	5,500,000,000
MK130006	Malaysia Government Bond	3.889	31/07/2020	7,973,062,000
GJ150002	Malaysia Government Investment Issue	3.799	27/08/2020	10,000,000,000
VI150192	Pengurusan Air SPV Berhad	4.280	28/09/2020	700,000,000
MJ150003	Malaysia Government Bond	3.659	15/10/2020	11,742,134,000
GN100060	Malaysia Government Investment Issue	3.998	30/11/2020	3,000,000,000
MH170005	Malaysia Government Bond	3.441	15/02/2021	3,500,000,000
VN110023	GovCo Holdings Bhd	4.450	23/02/2021	1,500,000,000
GL130069	Malaysia Government Investment Issue	3.716	23/03/2021	9,500,000,000
VG180101	Cagamas Berhad	4.170	29/03/2021	1,000,000,000
GN110025	Malaysia Government Investment Issue	4.170	30/04/2021	12,500,000,000
MO110001	Malaysia Government Bond	4.160	15/07/2021	13,500,000,000
GJ160002	Malaysia Government Investment Issue	3.743	26/08/2021	7,000,000,000
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10/09/2021	700,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
ML140003	Malaysia Government Bond	4.048	30/09/2021	11,700,000,000
MJ160004	Malaysia Government Bond	3.620	30/11/2021	10,000,000,000
UI170031	Cagamas Berhad	4.150	09/03/2022	2,000,000,000
MI170001	Malaysia Government Bond	3.882	10/03/2022	8,000,000,000
GI170003	Malaysia Government Investment Issue	3.948	14/04/2022	11,000,000,000
VI170172	Pengurusan Air SPV Berhad	4.060	06/06/2022	900,000,000
VN120195	Johor Corporation	3.840	14/06/2022	1,800,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15/06/2022	2,500,000,000
GL150001	Malaysia Government Investment Issue	4.194	15/07/2022	10,000,000,000
MO120001	Malaysia Government Bond	3.418	15/08/2022	10,500,000,000
ML150002	Malaysia Government Bond	3.795	30/09/2022	11,000,000,000
VI170370	Cagamas Berhad	4.230	03/11/2022	840,000,000
GO120037	Malaysia Government Investment Issue	3.699	15/11/2022	8,500,000,000
VN120393	Turus Pesawat Sdn Bhd	3.740	18/11/2022	500,000,000
VN130068	Turus Pesawat Sdn Bhd	3.770	03/02/2023	500,000,000
MN130003	Malaysia Government Bond	3.480	15/03/2023	11,420,000,000
MI180002	Malaysia Government Bond	3.757	20/04/2023	4,000,000,000
VI180192	Cagamas Berhad	4.500	25/05/2023	1,500,000,000
GL160001	Malaysia Government Investment Issue	4.390	07/07/2023	10,500,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
DS081080	Khazanah Nasional Berhad	0.000	14/08/2023	2,000,000,000
ML160001	Malaysia Government Bond	3.800	17/08/2023	10,000,000,000
VN130259	Cagamas Berhad	4.300	27/10/2023	645,000,000
GO130033	Malaysia Government Investment Issue	3.493	31/10/2023	4,000,000,000
VK170038	GovCo Holdings Bhd	4.290	22/02/2024	625,000,000
VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28/03/2024	1,800,000,000
GO130071	Malaysia Government Investment Issue	4.444	22/05/2024	12,500,000,000
VK170173	Pengurusan Air SPV Berhad	4.270	06/06/2024	500,000,000
MO140001	Malaysia Government Bond	4.181	15/07/2024	11,020,000,000
GL170002	Malaysia Government Investment Issue	4.045	15/08/2024	12,000,000,000
ML170002	Malaysia Government Bond	4.059	30/09/2024	11,000,000,000
VP120394	Turus Pesawat Sdn Bhd	3.930	19/11/2024	500,000,000
MK180001	Malaysia Government Bond	3.882	14/03/2025	4,000,000,000
VK180133	Lembaga Pembiayaan Perumahan Sektor Awam	4.320	04/04/2025	1,000,000,000
VN150103	Jambatan Kedua Sdn Bhd	4.300	28/05/2025	1,300,000,000
MY050003	Malaysia Government Bond	4.837	15/07/2025	3,000,000,000
GL180001	Malaysia Government Investment Issue	4.128	15/08/2025	7,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MO150001	Malaysia Government Bond	3.955	15/09/2025	13,672,200,000
VN150193	Pengurusan Air SPV Berhad	4.630	26/09/2025	860,000,000
GO150004	Malaysia Government Investment Issue	3.990	15/10/2025	10,500,000,000
MS110003	Malaysia Government Bond	4.392	15/04/2026	11,274,330,000
VN160235	Jambatan Kedua Sdn Bhd	4.200	28/07/2026	1,000,000,000
VS110260	Prasarana Malaysia Bhd	4.350	04/08/2026	1,200,000,000
MX060002	Malaysia Government Bond	4.709	15/09/2026	3,110,000,000
GO160003	Malaysia Government Investment Issue	4.070	30/09/2026	10,500,000,000
VN160330	Bank Pembangunan Malaysia Berhad	4.500	04/11/2026	850,000,000
MO160003	Malaysia Government Bond	3.900	30/11/2026	9,500,000,000
VN170037	GovCo Holdings Bhd	4.550	22/02/2027	500,000,000
MS120002	Malaysia Government Bond	3.892	15/03/2027	5,500,000,000
MX070003	Malaysia Government Bond	3.502	31/05/2027	6,000,000,000
GS120059	Malaysia Government Investment Issue	3.899	15/06/2027	5,000,000,000
GO170001	Malaysia Government Investment Issue	4.258	26/07/2027	11,000,000,000
VN170245	Danga Capital Bhd	4.520	06/09/2027	1,500,000,000
MO170004	Malaysia Government Bond	3.899	16/11/2027	14,500,000,000
VS120395	Turus Pesawat Sdn Bhd	4.120	19/11/2027	750,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MS130005	Malaysia Government Bond	3.733	15/06/2028	8,500,000,000
GT130001	Malaysia Government Investment Issue	3.871	08/08/2028	3,000,000,000
MX080003	Malaysia Government Bond	5.248	15/09/2028	5,040,000,000
GO180002	Malaysia Government Investment Issue	4.369	31/10/2028	4,000,000,000
GS130072	Malaysia Government Investment Issue	4.943	06/12/2028	5,000,000,000
VS140224	Bank Pembangunan Malaysia Berhad	4.750	12/09/2029	900,000,000
VX090825	Prasarana Malaysia Bhd	5.070	28/09/2029	1,500,000,000
VS150043	Prasarana Malaysia Bhd	4.640	22/03/2030	1,100,000,000
MX100003	Malaysia Government Bond	4.498	15/04/2030	12,770,000,000
VS150104	Jambatan Kedua Sdn Bhd	4.520	28/05/2030	700,000,000
GT150003	Malaysia Government Investment Issue	4.245	30/09/2030	7,000,000,000
VS160151	GovCo Holdings Bhd	4.730	06/06/2031	550,000,000
MX110004	Malaysia Government Bond	4.232	30/06/2031	12,750,000,000
VS170036	GovCo Holdings Bhd	4.950	20/02/2032	1,250,000,000
VS170042	Bank Pembangunan Malaysia Berhad	4.980	02/03/2032	700,000,000
VS170113	Perbadanan Tabung Pendidikan Tinggi Nasional	4.860	12/03/2032	855,000,000
MX120004	Malaysia Government Bond	4.127	15/04/2032	5,500,000,000
VS170237	Perbadanan Tabung Pendidikan Tinggi Nasional	4.930	17/08/2032	1,300,000,000
VX120396	Turus Pesawat Sdn Bhd	4.360	19/11/2032	1,650,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VS180037	Danga Capital Bhd	4.940	26/01/2033	1,500,000,000
VS180135	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	05/04/2033	1,500,000,000
MX130004	Malaysia Government Bond	3.844	15/04/2033	14,000,000,000
GT170006	Malaysia Government Investment Issue	4.724	15/06/2033	6,000,000,000
GX130068	Malaysia Government Investment Issue	4.582	30/08/2033	12,000,000,000
VT180093	Danga Capital Bhd	5.020	21/09/2033	2,000,000,000
MT180003	Malaysia Government Bond	4.642	07/11/2033	3,000,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12/09/2034	900,000,000
MY150004	Malaysia Government Bond	4.254	31/05/2035	7,161,000,000
GX150006	Malaysia Government Investment Issue	4.786	31/10/2035	7,000,000,000
MX170003	Malaysia Government Bond	4.762	07/04/2037	12,500,000,000
GX170005	Malaysia Government Investment Issue	4.755	04/08/2037	7,500,000,000
VX170249	Lembaga Pembiayaan Perumahan Sektor Awam	5.050	07/09/2037	1,000,000,000
VX180072	DanaInfra Nasional Berhad	5.110	19/02/2038	1,500,000,000
VZ160031	Prasarana Malaysia Bhd	5.070	26/02/2041	755,000,000
VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26/07/2041	1,500,000,000
VZ160237	Jambatan Kedua Sdn Bhd	4.860	26/07/2041	900,000,000

(Forward)

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VZ160322	DanaInfra Nasional Berhad	4.780	18/10/2041	1,000,000,000
	VZ180073	DanaInfra Nasional Berhad	5.240	20/02/2043	1,000,000,000
	VZ180084	Prasarana Malaysia Bhd	5.250	06/03/2043	1,200,000,000
	MZ130007	Malaysia Government Bond	4.935	30/09/2043	6,500,000,000
	MZ160002	Malaysia Government Bond	4.736	15/03/2046	10,500,000,000
	VZ160131	DanaInfra Nasional Berhad	5.020	03/05/2046	1,000,000,000
	VZ160281	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	21/09/2046	800,000,000
	VZ160323	DanaInfra Nasional Berhad	4.950	19/10/2046	1,000,000,000
	GZ170004	Malaysia Government Investment Issue	4.895	08/05/2047	7,000,000,000

(Source: Markit Indices Limited)

Duration	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders* can resolve at a meeting to terminate the Fund.
Performance Benchmark	Markit iBoxx® ABF Malaysia Bond Index
Income Distribution Policy	Income distribution (if any) will be paid semi-annually.
Breakdown of Unit Holdings by Size	For the financial period under review, the size of the Fund stood at 1,265,421,800 units. (Forward)

Size of holding	As at 30 June 2018		As at 31 March 2018	
	No of units held	Number of unitholders	No of units held	Number of unitholders
Less than 100	300	6	300	6
100 – 1,000	16,000	31	12,800	26
1,001 -10,000	30,300	7	39,300	9
10,001 – 100,000	103,800	5	86,100	4
100,001 to less than 5% of issue units	53,363,530	5	53,375,430	5
5% and above of issue units	1,211,907,870	1	1,211,907,870	1

Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial periods as at 30 June 2018, 31 March 2018 and three financial years as at 31 December are as follows:					
		As at 30-6-2018 %	As at 31-3-2018 %	FY 2017 %	FY 2016 %	FY 2015 %
Corporate bonds	-	-	-	-	0.76	
Malaysian Government Securities	95.19	93.61	95.33	95.16	90.57	
Quasi-Government bonds	4.63	4.65	4.36	4.41	6.46	
Cash and others	0.18	1.74	0.31	0.43	2.21	
Total	100.00	100.00	100.00	100.00	100.00	
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>					
Performance Details	Performance details of the Fund for the financial periods ended 30 June 2018, 31 March 2018 and three financial years ended 31 December are as follows:					
		3 months ended 30-6-2018	3 months ended 31-3-2018	FY 2017	FY 2016	FY 2015
Net asset value (RM)	1,465,008,607	1,467,049,714	1,450,591,084	1,442,324,912	1,341,876,193*	
Units in circulation	1,265,421,800	1,265,421,800	1,265,421,800	1,320,421,800	1,265,421,800*	
Net asset value per unit (RM)	1.1577	1.1593	1.1463	1.0923	1.0604*	
Highest net asset value per unit (RM)	1.1606	1.1593	1.1463	1.1224	1.0655*	
	(Forward)					

	3 months ended 30-6-2018	3 months ended 31-3-2018	FY 2017	FY 2016	FY 2015
Lowest net asset value per unit (RM)	1.1509	1.1476	1.0921	1.0599	1.0323*
Closing quoted price (RM/unit)	1.1540	1.1530	1.1400	1.1100	1.0520*
Highest quoted price (RM/unit)	1.1590	1.1530	1.1400	1.1240	1.0680*
Lowest quoted price (RM/unit)	1.1500	1.1460	1.1000	1.0520	1.0300
Benchmark performance (%)	-0.13	1.16	5.21	3.46	4.12
Total return (%) ⁽¹⁾	-0.14	1.13	4.94	3.01	3.74
- Capital growth (%)	-0.14	1.13	4.94	3.01	2.12
- Income distribution (%)	-	-	-	-	1.62
Gross distribution (sen per unit)	-	-	-	-	1.68
Net distribution (sen per unit)	-	-	-	-	1.68
Distribution yield (%) ⁽²⁾	-	-	-	-	1.60
Management expense ratio (%) ⁽³⁾	0.17	0.17	0.17	0.18	0.16
Portfolio turnover ratio (times) ⁽⁴⁾	0.03	0.04	0.23	0.47	0.74

* Above price and net asset value per unit are 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 0.01 times (25.0%) as compared to 0.04 times for the financial period ended 31 March 2018 mainly due to decrease in investing activities.*

Average Total Return (as at 30 June 2018)

	ABFMY1^(a) %	iBoxx Index^(b) %
One year	2.82	2.92
Three years	3.31	3.56
Five years	3.26	3.48
Ten years	3.90	4.19

Annual Total Return

Financial Years Ended (30 June)	ABFMY1^(a) %	iBoxx Index^(b) %
2017	4.94	5.21
2016	3.01	3.46
2015	3.74	4.12
2014	3.98	3.79
2013	0.36	0.84

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

(b) Markit iBoxx ABF Malaysia Bond Index (“iBoxx Index”).

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

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

Fund Performance

For the financial period under review, the Fund registered a negative return of 0.14% which was entirely capital in nature.

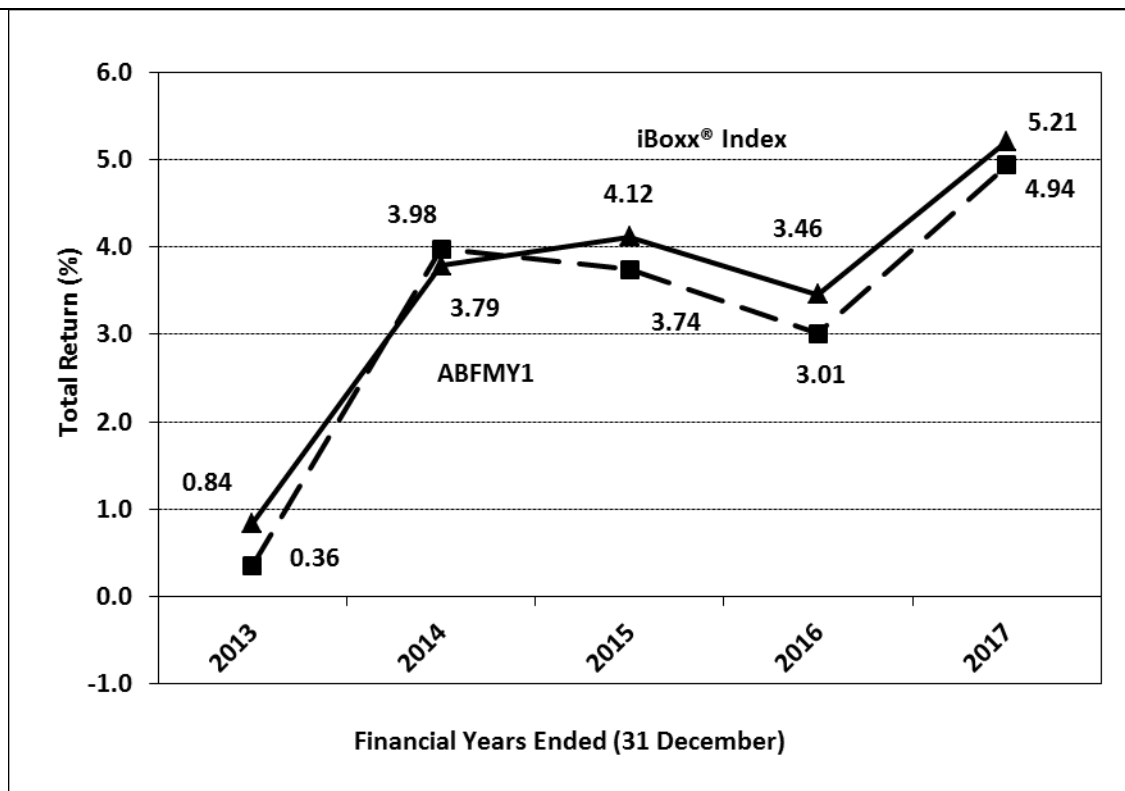
Thus, the Fund’s negative return of 0.14% has underperformed the benchmark’s negative return of 0.13% by 0.01%.

As compared with the financial period ended 31 March 2018, the net asset value (“NAV”) per unit of the Fund decreased by 0.14% from RM1.1593 to RM1.1577, while units in circulation remain unchanged at 1,265,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 0.09% from RM1.1530 to RM1.1540.

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.

(Forward)



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

Strategies and Policies Employed

For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

Portfolio Structure

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

	As at 30-6-2018 %	As at 31-3-2018 %	Changes %
Malaysian Government Securities	95.19	93.61	1.58
Quasi-Government bonds	4.63	4.65	-0.02
Cash and others	0.18	1.74	-1.56
Total	100.00	100.00	

There has been no significant change to the asset allocation since the last reporting period.

Cross Trades

There are no cross trades for the Fund during this financial period under review.

Distribution/unit splits

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

State of Affairs of the Fund

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.

	<p><i>Note: The Manager has appointed Deutsche Trustees Malaysia Berhad (“DTMB”) to carry out the fund accounting and valuation services for all funds effective 20th June 2018.</i></p>
Rebates and Soft Commission	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.</p>
Market Review	<p>Malaysia registered forex reserves of USD107.8b as at 30 Mar 2018, an increase from end-February’s level and the highest level in three years. Again, Malaysia’s external reserves surged USD2.2b in the first two weeks of April to USD110b on the back of export earnings repatriation and corporate inflows, most likely from O&G sector following Saudi Aramco’s investment in RAPID. External reserves now cover 7.7x of imports and 1.1x of short-term external debt.</p> <p>The downtrend for the headline inflation rate continued in March, as it eased to 1.3% Year-on-Year (YoY) – the lowest in 17 months. This was mainly due to a further decline in transportation and communication as well as F&B costs</p> <p>As UST yields broke 3.00 for the 10y, MGS market suffered significantly as local traders/investors trimmed their positions. Some of them were forced to sell when the prices triggered their cut-loss level. The short tenors (3y and below) suffered the most while ultra-long tenors 20y and 30y were holding up.</p> <p>On the other hand, foreigners were seen selling the short tenors and buying the long tenors to extend duration. In March, foreigners net bought RM2.9b of domestic bonds, recouping most of the RM3.9b outflows in Feb.</p> <p>In the primary market, there were 3 government bond auctions as follows:</p> <ul style="list-style-type: none"> • RM2.5b 20-year reopening of the GII 08/47 which garnered a BTC ratio of 2.12x at average yield of 4.804%. • RM4.0b 5-year new issuance of MGS 04/23 which drew a BTC ratio of 3.33x at average yield of 3.757%. • RM 4.0b 10.5-year new issuance of the GII 10/28 which closed with a BTC ratio of 2.70x at an average yield of 4.369%. <p>Most investors were mostly on the sidelines pending for the GE14 results on 9 May. The surprise win by Pakatan Harapan in the election saw some knee-jerk reactions in the govies market with the 10y MGS given 10 bps higher at 4.25%. However, these knee-jerk reactions did not last long as the strong support from the local institutional/pension funds brought the govies levels almost unchanged as the prior election results.</p> <p>Towards the later part of the month of May as the UST continued to sell off with 10y UST touching all-time high of 3.12% on higher inflationary pressures, local govies market saw yields rising again. The bearish sentiment in the govies market intensified as MYR continued to weaken on heavy foreign selling both in the domestic bond and equity market.</p>

	<p>In the primary market, there were 3 government bond auctions as follows:</p> <ul style="list-style-type: none"> • RM3.0b 15-year new issuance of MGS 11/33 which drew a BTC ratio of 2.722x at average yield of 4.642%. • RM3.0b 7-year new issuance of GII 08/25 which garnered a BTC ratio of 3.397x at average yield of 4.202%. • RM 3.5b 10.5-year new issuance of MGS 6/28 which closed with a BTC ratio of 1.851x at an average yield of 4.202%. • RM 4.0b 5-year new issuance of GII 11/23 which closed with a BTC ratio of 1.989x at an average yield of 4.094%. <p>The above auctions show that there were substantial onshore demands immediately post the general election results, as shown in the strongest BTC result for the year for 7y GII 8/25. However, toward the end of the month, as the UST yields rose, the demand became lackluster.</p> <p>The month of May 2016 saw foreigners reduce their holdings of Malaysian government debt securities from MYR205.4b to MYR192.5b. The fall in foreign holdings was driven by the global sell down in emerging markets and may have been further exacerbated by domestic developments following GE14.</p> <p>In the primary market, there were 2 government bond auctions as follows:</p> <ul style="list-style-type: none"> • MYR2.5b 20-year new issuance of MGS 6/38 which drew a BTC ratio of 1.94x at average yield of 4.893%. • MYR3.5b 15-year reopening of GII 6/33 which garnered a BTC ratio of 2.783x at average yield of 4.778%. <p>Despite the significant reversal in foreign holdings, local MGS yields were anchored by strong local investor support and the fall in UST yields from their highs in May 2018. Trading volume for government securities fell sharply from MYR62.0b in May 2018 to MYR38.0b.</p> <p>Increasing concern over the likelihood of global trade war has started weigh on growth expectations, which should provide support for global bond yields. The decline in the UST 10Y yield from its recent high of 3.11% to 2.86% has resulted in the UST 10Y vs MGS 10Y spread widening to 135 bps, which is line with historical average spread. There will be sizeable local govvie maturities between August and October 2018 which could cause volatility if foreign investors choose to not roll over their holdings although mitigated by the holding structure as current foreign holdings are mostly real money investors and passive benchmark funds.</p>
<p>Market Outlook</p>	<p>We expect Bank Negara Malaysia (“BNM”) to maintain the Overnight Policy Rate (“OPR”) at 3.25% for the rest of the year. The domestic economy continued to expand at a healthy rate of 5.4% Year-On-Year (YoY) in 1Q2018 but there are downside risks to growth from here on with the potential escalation of a global trade war. Inflation continues to be benign and the removal of the GST will help suppress inflationary pressure.</p> <p>Global bond yields will be driven by two increasingly divergent factors, the hawkish monetary policy in the U.S. and increasing concerns over the long term growth outlook of the global economy. These developments have resulted in a significant flattening of the UST yield curve. As at end June 2018, the 2Y vs 10Y spread has stood at 32bps</p>

which is the lowest in over a decade.

The weakening of MYR against the USD may also weigh on the market due to fears of more foreign outflows. Nevertheless, unless there are more surprises from both domestic and external events, we expect the bond market to be well supported by local institutions and pension funds as current yields remain attractive to long term investors.

Kuala Lumpur, Malaysia
AmFunds Management Berhad

7 August 2018

ADDITIONAL INFORMATION

Board of Directors of the Manager

The Board of Directors, of which more than one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period from 1 April 2018 to 30 June 2018, there were three (3) Board of Directors' meetings held by the Manager.

Details of the Directors of the Manager as at 30 June 2018 are set out as below:

Name	: Raja Maimunah Binti Raja Abdul Aziz
Age	: 50 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Laws, the University of East London ii) Honorary Doctorate of Law, The University of East London
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (Jan 1992 – May 1993) KPMG Peat Marwick Consultants [Junior Consultant, Recovery & Corporate Finance] ii) (June 1993 – Jul 1998) CIMB Investment Bank Berhad [Senior Manager, Corporate Finance/ DCM] iii) (Aug 1998 – Aug 1999) Pengurusan Danaharta Nasional Berhad [Manager, Corporate Finance] iv) (Sep 1999 – Jun 2003) CIMB Investment Bank Berhad [Associate Director, Investment Banking] v) (Jan 2004 – Dec 2004) RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bank Berhad) [Senior Vice President & Head, Investment Banking Group] vi) (Jan 2005 – Dec 2006) Bank Alkhair B.S.C (c) (formerly known as Unicorn Investment Bank) [Senior Director] vii) (Jan 2007 – Dec 2008) Kuwait Finance House (Malaysia) Berhad [Chief Corporate Officer & Head of International Business Corporate and Investment Banking]

	viii) (June 2009 – June 2011) Bursa Malaysia Berhad [Global Head, Islamic Markets]
	ix) (Oct 2011 – Feb 2017) Hong Leong Islamic Bank Berhad [Managing Director/ Chief Executive Officer]
	x) (Feb 2017 – Present) AmFunds Management Berhad [Chief Executive Officer]
Occupation	: Chief Executive Officer, AmFunds Management Berhad
Date of appointment	: 7 March 2017
Directorship of other public companies	: Not applicable
Number of Board meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Three (3) out of three (3) Board Meetings
Member of any other Board Committee	: Not applicable
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Not applicable
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Dato' Mustafa bin Mohd Nor
Age	: 67 years old
Nationality	: Malaysian
Qualification	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (1975-1988) Ministry of Finance [Last position held – Head of Macroeconomic Section, Economic and International Division] ii) (1988-1990) Development & Commercial Bank Berhad

	[Manager, Treasury Department]
	iii) (March 1990-August 1992) Arab-Malaysian Securities Sdn Bhd [Chief Economist]
	iv) (September 1992-December 2001) AmSecurities Sdn Bhd [Executive Director/Chief Economist]
	v) (January 2002-December 2005) AmSecurities Sdn Bhd [Managing Director]
	vi) (January 2006-May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor]
	vii) (September 2009-August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]
Occupation	: Director
Date of appointment	: 3 March 2014
Directorship of other public companies	: KUISAS Berhad
Number of Board meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Three (3) out of three (3) Board Meetings
Member of any other Board Committee	: i) Audit and Examination Committee (formerly known as Audit Committee of Directors) ii) Investment Committee (Independent member)
Date of appointment to the Investment Committee	: 3 March 2014
Number of Investment Committee meeting attended for the financial period from 1 April 2018 to 30 June 2018	: One (1) out of one (1) Investment Committee Meeting
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Tai Terk Lin
Age	: 57 years old
Nationality	: Malaysian
Qualification	: i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom ii) Bachelor of Science with Education, Mathematics &

	<p>Physics, University of Malaya, Malaysia</p> <p>iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner</p> <p>iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore</p>
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	<p>i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings]</p> <p>ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia]</p> <p>iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking]</p> <p>iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking]</p> <p>v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer]</p> <p>vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager]</p> <p>vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman]</p> <p>viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman’s Office)]</p> <p>ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]</p>
Occupation	: Director
Date of appointment	: 15 December 2014
Directorship of other public companies	: None

Number of Board meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Three (3) out of three (3) Board Meetings
Member of any other Board Committee	: i) Investment Committee; and ii) Audit and Examination Committee (formerly known as Audit Committee of Directors)
Date of appointment to the Investment Committee	: 15 December 2014
Number of Investment Committee meeting attended for the financial period from 1 April 2018 to 30 June 2018	: One (1) out of one (1) Investment Committee Meeting
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Sum Leng Kuang
Age	: 64 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (May 1982- September 2001) Overseas Assurance (M) Berhad [Deputy Head, Investment] ii) (September 2001-December 2011) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Head, Fixed Income Investment] iii) (January 2012-April 2013) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Advisor, Fixed Income Investment] iv) (May 2013-July 2014) Hong Leong Asset Management Berhad [Chief Investment Officer, Fixed Income & Acting Chief Executive Officer] v) (May 2015-Present) Credit Guarantee Corporation Malaysia Berhad [Advisor, Investment (Contract)]

Occupation	: Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	: 18 January 2016
Directorship of other public companies	: Pacific & Orient Insurance Co. Berhad
Number of Board meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Two (2) out of three (3) Board Meetings
Member of any other Board Committee	: i) Investment Committee; and ii) Audit and Examination Committee (formerly known as Audit Committee of Directors)
Date of appointment to the Investment Committee	: 18 January 2016
Number of Investment Committee meetings attended for the financial period from 1 April 2018 to 30 June 2018	: One (1) out of one (1) Investment Committee Meeting
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name	: Goh Wee Peng
Age	: 43 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Business (Economics and Finance) ii) Persatuan Forex License (Institute Bank-bank Malaysia) iii) Dealer's Representative License (issued by Securities Commission) iv) Capital Markets Services Representative License Holder
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (April 1997-July 1999) Fulton Prebon (M) Sdn Bhd [Money Market Broker] ii) (August 1999-Jun2000) HLG Securities Sdn Bhd [Institutional Dealer] iii) (July 2000-May 2001) HLG Asset Management [Research Executive] iv) (May 2001-May 2002) HLG Asset Management [Investment Analyst]

- v) (June 2002-August 2002)
Southern Bank Berhad
[Fixed Income Dealer]
- vi) (September 2002-March 2004)
AmInvestment Management Sdn Bhd
[Credit Analyst]
- vii) (April 2004-March 2005)
AmInvestment Management Sdn Bhd
[Assistant Fund Manager]
- viii) (April 2005-March 2006)
AmInvestment Management Sdn Bhd
[Fund Manager]
- ix) (April 2006-March 2009)
AmInvestment 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]

Occupation	: Acting Chief Executive Officer, AmFunds Management Berhad
Date of appointment	: 1 June 2017
Directorship of other public companies	: None
Number of Board meeting attended for the financial period from 1 April 2018 to 30 June 2018	: Three (3) out of three (3) Board Meetings
Member of any other Board Committee	: Investment Committee (Non- Independent member)
Date of appointment to the Investment Committee	: 31 October 2017

Number of Investment Committee meeting attended for the financial period from 1 April 2018 to 30 June 2018	: One (1) out of one (1) Investment Committee Meeting
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Investment Committee

The Investment Committee, of which more than one-third are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period from 1 April 2018 to 30 June 2018, 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)
- Goh Wee Peng (profile as mentioned above)

Name	: Zainal Abidin Bin Mohd Kassim
Age	: 62 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Science, (First Class Honours), in Actuarial Science (1978), City University London ii) Fellow of the Actuarial Society of Malaysia iii) Fellow of the Society of Actuaries of Singapore iv) Associate of the Society of Actuaries, USA
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant] ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]
Occupation	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
Date of appointment to the Investment Committee	: 30 November 2016
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 30 November 2016

Number of Investment Committee meeting attended for the financial period from 1 April 2018 to 30 June 2018	: One (1) out of one (1) Investment Committee Meeting
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Material Litigation

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

Manager

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

Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period from 1 April 2018 to 30 June 2018, there was one (1) Investment Committee Meeting held by the Manager.

Unitholders

List of the unitholders having the largest number of units:

NAME	Number of Units Held	Units Held (%)
HSBC BANK MALAYSIA BERHAD	1,211,907,870.00	95.77106
AMINVESTMENT BANK BERHAD	47,410,100.00	3.74658
AMINVESTMENT BANK BERHAD	5,113,430.00	0.40409
CITIBANK BERHAD	400,000.00	0.03161
DEUTSCHE BANK (MALAYSIA) BERHAD	300,000.00	0.02371
CITIBANK BERHAD	140,000.00	0.01106
HSBC BANK MALAYSIA BERHAD	40,000.00	0.00316
MAYBANK INVESTMENT BANK BERHAD	17,700.00	0.00140
AMINVESTMENT BANK BERHAD	17,100.00	0.00135
PUBLIC INVESTMENT BANK BERHAD	15,000.00	0.00119
HONG LEONG INVESTMENT BANK BERHAD	14,000.00	0.00111
KENANGA INVESTMENT BANK BERHAD	6,500.00	0.00051
CIMB INVESTMENT BANK BERHAD	5,000.00	0.00040
MAYBANK INVESTMENT BANK BERHAD	5,000.00	0.00040
HONG LEONG INVESTMENT BANK BERHAD	5,000.00	0.00040
CIMB INVESTMENT BANK BERHAD	3,000.00	0.00024
INTER-PACIFIC SECURITIES SDN BHD	3,000.00	0.00024
MAYBANK INVESTMENT BANK BERHAD	2,800.00	0.00022
RHB INVESTMENT BANK BERHAD	1,000.00	0.00008
INTER-PACIFIC SECURITIES SDN BHD	1,000.00	0.00008
CIMB INVESTMENT BANK BERHAD	1,000.00	0.00008
CIMB INVESTMENT BANK BERHAD	1,000.00	0.00008
KENANGA INVESTMENT BANK BERHAD	1,000.00	0.00008
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.00008
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.00008
MAYBANK INVESTMENT BANK BERHAD	1,000.00	0.00008
KENANGA INVESTMENT BANK BERHAD	900.00	0.00007
CIMB INVESTMENT BANK BERHAD	900.00	0.00007
CIMB INVESTMENT BANK BERHAD	700.00	0.00006
HONG LEONG INVESTMENT BANK BERHAD	600.00	0.00005

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	30-6-2018 (unaudited) RM	31-12-2017 (audited) RM
ASSETS			
Investments	4	1,462,348,565	1,446,080,288
Deposits with financial institutions	5	3,100,293	4,871,480
Cash at banks		2,210	1,437
		<u>1,465,451,068</u>	<u>1,450,953,205</u>
TOTAL ASSETS			
LIABILITIES			
Amount due to Manager	6	128,846	122,994
Amount due to Trustee	7	58,077	57,458
Amount due to index provider	8	165,893	72,679
Sundry payables and accrued expenses		89,645	108,990
		<u>442,461</u>	<u>362,121</u>
TOTAL LIABILITIES			
EQUITY			
Unitholders' capital	11(a)	1,334,273,353	1,334,273,353
Retained earnings	11(b)(c)	130,735,254	116,317,731
		<u>1,465,008,607</u>	<u>1,450,591,084</u>
TOTAL EQUITY			
TOTAL EQUITY AND LIABILITIES			
		<u>1,465,451,068</u>	<u>1,450,953,205</u>
UNITS IN CIRCULATION			
	11(a)	<u>1,265,421,800</u>	<u>1,265,421,800</u>
NET ASSET VALUE PER UNIT			
		<u>115.77 sen</u>	<u>114.63 sen</u>

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

ABF Malaysia Bond Index Fund

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2018**

	Note	1-4-2018 to 30-6-2018 RM	1-4-2017 to 30-6-2017 RM
INVESTMENT (LOSS)/INCOME			
Interest income		14,589,198	14,266,680
Net (loss)/gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(16,007,243)</u>	<u>10,809,513</u>
Gross (Loss)/Income		<u>(1,418,045)</u>	<u>25,076,193</u>
EXPENDITURE			
Manager’s fee	6	(364,491)	(368,589)
Trustee’s fee	7	(182,245)	(184,295)
Licence fee	8	(42,293)	(38,840)
Auditors’ remuneration		(2,668)	(2,668)
Tax agent’s fee		(1,022)	(1,022)
Other expenses	10	<u>(30,343)</u>	<u>(37,098)</u>
Total Expenditure		<u>(623,062)</u>	<u>(632,512)</u>
NET (LOSS)/INCOME BEFORE TAX		(2,041,107)	24,443,681
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET (LOSS)/INCOME AFTER TAX		(2,041,107)	24,443,681
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u><u>(2,041,107)</u></u>	<u><u>24,443,681</u></u>
Total comprehensive (loss)/income comprises the following:			
Realised income		14,004,306	13,169,355
Unrealised (loss)/gain		<u>(16,045,413)</u>	<u>11,274,326</u>
		<u><u>(2,041,107)</u></u>	<u><u>24,443,681</u></u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF CHANGES IN EQUITY *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2018

	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 April 2017	1,396,802,853	65,610,763	1,462,413,616
Total comprehensive income for the financial period	-	24,443,681	24,443,681
Balance at 30 June 2017	<u>1,396,802,853</u>	<u>90,054,444</u>	<u>1,486,857,297</u>
At 1 April 2018	1,334,273,353	132,776,361	1,467,049,714
Total comprehensive loss for the financial period	-	(2,041,107)	(2,041,107)
Balance at 30 June 2018	<u>1,334,273,353</u>	<u>130,735,254</u>	<u>1,465,008,607</u>

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

ABF Malaysia Bond Index Fund**STATEMENT OF CASH FLOWS (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2018**

	1-4-2018 to 30-6-2018 RM	1-4-2017 to 30-6-2017 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	29,987,000	111,954,400
Interest received	17,724,070	14,557,062
Manager's fee paid	(363,971)	(378,365)
Trustee's fee paid	(184,335)	(185,214)
Licence fee paid	-	(43,252)
Payments for other expenses	(51,181)	(37,604)
Purchase of investments	<u>(69,999,000)</u>	<u>(131,882,500)</u>
Net cash used in operating and investing activities	<u>(22,887,417)</u>	<u>(6,015,473)</u>
NET DECREASE IN CASH AND EQUIVALENTS	(22,887,417)	(6,015,473)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>25,989,920</u>	<u>9,211,465</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>3,102,503</u></u>	<u><u>3,195,992</u></u>
Cash and cash equivalents comprise:		
Deposits with financial institutions	3,100,293	3,194,583
Cash at banks	<u>2,210</u>	<u>1,409</u>
	<u><u>3,102,503</u></u>	<u><u>3,195,992</u></u>

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

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

The Fund was set up with the objective for investors who seek an “index-based” approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. As provided in the Deeds, the “accrual period” or financial year shall end on 31 December and the units in the Fund were first offered for sale on 13 July 2005.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and are in compliance with International Financial Reporting Standards.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Standards effective during the financial period

The adoption of MFRS which have been effective during the financial period did not have any material financial impact to the financial statements.

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 effective for financial year beginning on or after 1 January 2018. Based on the Fund's preliminary assesment, there is a minimal impact on the classification and measurement of the Fund's investment as the investment will continue to be measured at FVTPL. Further, there is no impact on the classification and measurement of the fund's financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Interest income on fixed income securities and short-term deposits are recognised on an accrual basis using the effective interest method, which includes the accretion of discounts and amortisation of premiums.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. The functional currency of the Fund is Ringgit Malaysia which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

Statement of cash flows

The Fund adopts the direct method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves. A proposed distribution is recognised as a liability in the period in which it is approved.

Unitholders' capital

The unitholders' capital of the Fund meets the definition of puttable instruments and is classified as equity instruments under MFRS 132 Financial Instruments: Presentation ("MFRS 132").

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories applicable to the Fund include financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading by the Fund include fixed income securities acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets at fair value through profit or loss'. Interest earned element of such instrument is recorded separately in 'Interest income'.

Investments are stated at fair value on a portfolio basis in accordance with the provisions of the Deed, fair value is determined based on prices provided by the index provider, Markit Indices Limited, plus accrued interest. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised gain or loss recognised in profit or loss is not distributable in nature.

On disposal of investments, the net realised gain or loss on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the investments. The net realised gain or loss is recognised in profit or loss.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When loans and receivables become uncollectible, they are written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Classification of realised and unrealised gains and losses

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Significant accounting estimates and judgments

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its investments as financial assets at FVTPL as the Fund may sell its investments in the short-term for profit-taking or to meet unitholders' cancellation of units.

No major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. INVESTMENTS

	30-6-2018	31-12-2017
	RM	RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	65,000,000	60,000,000
Malaysian Government Securities	817,500,000	822,500,000
Government Investment Issues	578,500,000	548,500,000
	<u>1,461,000,000</u>	<u>1,431,000,000</u>
At fair value:		
Quasi-Government Bonds	67,759,006	63,177,503
Malaysian Government Securities	815,079,378	830,254,369
Government Investment Issues	579,510,181	552,648,416
	<u>1,462,348,565</u>	<u>1,446,080,288</u>

Details of investments as at 30 June 2018 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,071,729	5,068,463	0.35
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,039,283	10,311,713	0.68
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,225,753	5,225,481	0.36

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds						
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	37,354,800	38,614,966	2.55
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	10,067,441	10,528,395	0.69
			65,000,000	67,759,006	69,749,018	4.63
Malaysian Government Securities						
30.07.2019	Government of Malaysia	NR	10,000,000	10,475,434	10,450,821	0.72
31.10.2019	Government of Malaysia	NR	40,000,000	40,320,188	40,217,351	2.75
29.11.2019	Government of Malaysia	NR	30,000,000	30,468,026	30,586,918	2.08
31.03.2020	Government of Malaysia	NR	40,000,000	40,310,604	40,500,625	2.75
31.07.2020	Government of Malaysia	NR	10,000,000	10,223,046	10,228,990	0.70
15.10.2020	Government of Malaysia	NR	20,000,000	20,176,744	20,123,301	1.38
15.02.2021	Government of Malaysia	NR	20,000,000	20,160,853	20,300,443	1.38
30.09.2021	Government of Malaysia	NR	30,000,000	30,605,136	30,468,305	2.09
30.11.2021	Government of Malaysia	NR	40,000,000	40,099,357	40,632,387	2.74
10.03.2022	Government of Malaysia	NR	30,000,000	30,447,290	30,465,192	2.08
15.08.2022	Government of Malaysia	NR	20,000,000	19,928,668	19,976,945	1.36
30.09.2022	Government of Malaysia	NR	52,500,000	52,808,908	52,635,543	3.60
20.04.2023	Government of Malaysia	NR	20,000,000	20,049,489	20,086,697	1.37
17.08.2023	Government of Malaysia	NR	30,000,000	30,118,645	30,078,328	2.06

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
15.07.2024	Government of Malaysia	NR	52,500,000	53,804,464	53,567,159	3.67
30.09.2024	Government of Malaysia	NR	30,000,000	30,217,969	30,620,457	2.06
14.03.2025	Government of Malaysia	NR	20,000,000	20,008,057	20,256,554	1.37
15.09.2025	Government of Malaysia	NR	30,000,000	29,781,777	29,970,390	2.03
15.04.2026	Government of Malaysia	NR	25,000,000	25,348,145	26,122,647	1.73
30.11.2026	Government of Malaysia	NR	30,000,000	29,137,603	30,772,123	1.99
15.03.2027	Government of Malaysia	NR	10,000,000	9,747,964	10,233,471	0.67
16.11.2027	Government of Malaysia	NR	30,000,000	29,109,135	30,103,982	1.99
15.06.2028	Government of Malaysia	NR	35,000,000	33,687,963	33,208,156	2.30
15.04.2030	Government of Malaysia	NR	32,500,000	32,425,254	32,551,725	2.21
30.06.2031	Government of Malaysia	NR	30,000,000	29,320,500	30,363,519	2.00
15.04.2033	Government of Malaysia	NR	30,000,000	27,307,061	28,820,467	1.86
07.11.2033	Government of Malaysia	NR	10,000,000	10,021,279	10,092,838	0.68
31.05.2035	Government of Malaysia	NR	10,000,000	9,254,619	9,596,484	0.63
07.04.2037	Government of Malaysia	NR	10,000,000	9,855,039	10,243,863	0.67
30.09.2043	Government of Malaysia	NR	20,000,000	20,211,002	20,713,758	1.38
15.03.2046	Government of Malaysia	NR	20,000,000	19,649,159	20,623,775	1.34
			817,500,000	815,079,378	824,613,214	55.64

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
13.08.2019	Government of Malaysia	NR	10,000,000	10,181,337	10,190,476	0.68
15.04.2020	Government of Malaysia	NR	40,000,000	39,984,660	40,065,498	2.73
30.04.2020	Government of Malaysia	NR	10,000,000	10,214,961	10,284,286	0.70
15.05.2020	Government of Malaysia	NR	20,000,000	20,044,862	20,116,094	1.37
27.08.2020	Government of Malaysia	NR	35,000,000	35,512,677	35,346,832	2.42
23.03.2021	Government of Malaysia	NR	30,000,000	30,253,822	30,040,914	2.07
30.04.2021	Government of Malaysia	NR	10,000,000	10,171,040	10,233,103	0.69
26.08.2021	Government of Malaysia	NR	16,000,000	16,166,557	16,311,264	1.10
14.04.2022	Government of Malaysia	NR	30,000,000	30,279,867	30,506,361	2.07
15.07.2022	Government of Malaysia	NR	30,000,000	30,846,065	30,549,059	2.11
07.07.2023	Government of Malaysia	NR	20,000,000	20,715,272	20,710,375	1.41
31.10.2023	Government of Malaysia	NR	10,000,000	9,769,851	9,735,730	0.67
22.05.2024	Government of Malaysia	NR	20,000,000	20,372,863	20,331,719	1.39
15.08.2024	Government of Malaysia	NR	30,000,000	30,202,777	30,457,522	2.06
15.08.2025	Government of Malaysia	NR	20,000,000	20,245,713	20,354,368	1.38
15.10.2025	Government of Malaysia	NR	52,500,000	51,939,434	51,837,487	3.55
30.09.2026	Government of Malaysia	NR	25,000,000	24,716,660	25,654,904	1.69
15.06.2027	Government of Malaysia	NR	20,000,000	19,262,251	20,222,645	1.31
26.07.2027	Government of Malaysia	NR	20,000,000	20,024,635	20,660,010	1.37

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
31.10.2028	Government of Malaysia	NR	10,000,000	10,102,659	10,107,084	0.69
06.12.2028	Government of Malaysia	NR	10,000,000	10,407,729	10,310,036	0.71
30.09.2030	Government of Malaysia	NR	30,000,000	28,965,894	31,032,335	1.98
15.06.2033	Government of Malaysia	NR	10,000,000	9,968,669	10,092,779	0.68
30.08.2033	Government of Malaysia	NR	30,000,000	29,620,183	30,338,962	2.02
31.10.2035	Government of Malaysia	NR	20,000,000	19,688,880	20,826,221	1.34
04.08.2037	Government of Malaysia	NR	10,000,000	9,956,971	10,175,359	0.68
08.05.2047	Government of Malaysia	NR	10,000,000	9,893,892	10,039,405	0.68
			<u>578,500,000</u>	<u>579,510,181</u>	<u>586,530,828</u>	<u>39.55</u>
Total financial assets at FVTPL			<u>1,461,000,000</u>	<u>1,462,348,565</u>	<u>1,480,893,060</u>	<u>99.82</u>
Shortfall of fair value over cost				<u>(18,544,495)</u>		

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

	Effective yield*	
	30-6-2018	31-12-2017
	%	%
Quasi-Government Bonds	4.97	4.93
Malaysian Government Securities	4.08	3.81
Government Investment Issues	<u>4.19</u>	<u>4.02</u>

* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 30 June 2018 and 31 December 2017 are as follows:

	1 year to 5 years RM	More than 5 years RM
30-06-2018		
At nominal value:		
Quasi-Government Bonds	5,000,000	60,000,000
Malaysian Government Securities	362,500,000	455,000,000
Government Investment Issues	231,000,000	347,500,000
	<u>598,500,000</u>	<u>862,500,000</u>

31-12-2017		
At nominal value:		
Quasi-Government Bonds	5,000,000	55,000,000
Malaysian Government Securities	397,500,000	425,000,000
Government Investment Issues	251,000,000	297,500,000
	<u>653,500,000</u>	<u>777,500,000</u>

5. DEPOSITS WITH FINANCIAL INSTITUTIONS

	30-6-2018 RM	31-12-2017 RM
At nominal value:		
Short-term deposits with licensed banks	<u>3,100,000</u>	<u>4,871,000</u>
At carrying value:		
Short-term deposits with licensed banks	<u>3,100,293</u>	<u>4,871,480</u>

Details of deposits with financial institutions as at 30 June 2018 are as follows:

Maturity date	Bank	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposit with a licensed bank					
02.07.2018	Public Bank Berhad	<u>3,100,000</u>	<u>3,100,293</u>	<u>3,100,000</u>	<u>0.21</u>

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

	Weighted average effective interest rate		Remaining maturity	
	30-6-2018	31-12-2017	30-6-2018	31-12-2017
	%	%	Days	Days
Short-term deposits with licensed banks	3.45	3.60	2	2

6. AMOUNT DUE TO MANAGER

Manager's fee is at a rate of 0.10% (2017: 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% (2017: 0.05%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

8. AMOUNT DUE TO INDEX PROVIDER

Amount due to index provider is the licence fee payable to Markit Indices Limited, the provider of the benchmark index.

Licence fee is calculated on a daily basis at the following rate:

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

Subject to a minimum annual fee of USD21,234

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

9. NET (LOSS)/GAIN FROM INVESTMENTS

	1-4-2018 to 30-6-2018 RM	1-4-2017 to 30-6-2017 RM
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised gain/(loss) on sale of investments	38,170	(464,813)
– Net unrealised (loss)/gain on changes in fair values of investments	<u>(16,045,413)</u>	<u>11,274,326</u>
	<u><u>(16,007,243)</u></u>	<u><u>10,809,513</u></u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM24,573 (2017: RM35,801).

11. TOTAL EQUITY

Total equity is represented by:

	Note	30-6-2018 RM	31-12-2017 RM
Unitholders' capital	(a)	1,334,273,353	1,334,273,353
Retained earnings			
– Realised income	(b)	149,279,749	121,448,301
– Unrealised loss	(c)	<u>(18,544,495)</u>	<u>(5,130,570)</u>
		<u><u>1,465,008,607</u></u>	<u><u>1,450,591,084</u></u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	30-6-2018		31-12-2017	
	Number of units	RM	Number of units	RM
At beginning of the financial period/year	1,265,421,800	1,334,273,353	1,320,421,800	1,396,802,853
Cancellation during the financial period/year	<u>-</u>	<u>-</u>	<u>(55,000,000)</u>	<u>(62,529,500)</u>
At end of the financial period/year	<u><u>1,265,421,800</u></u>	<u><u>1,334,273,353</u></u>	<u><u>1,265,421,800</u></u>	<u><u>1,334,273,353</u></u>

(Forward)

(b) REALISED – DISTRIBUTABLE

	30-6-2018	31-12-2017
	RM	RM
At beginning of the financial period/year	135,275,443	67,992,476
Total comprehensive (loss)/income for the financial period/year	(2,041,107)	70,795,672
Net unrealised loss/(gain) attributable to investments held transferred to unrealised reserve [Note 11(c)]	16,045,413	(17,339,847)
Net increase in realised reserve for the financial period/year	14,004,306	53,455,825
At end of the financial period/year	<u>149,279,749</u>	<u>121,448,301</u>

(c) UNREALISED – NON-DISTRIBUTABLE

	30-6-2018	31-12-2017
	RM	RM
At beginning of the financial period/year	(2,499,082)	(22,470,417)
Net unrealised (loss)/gain attributable to investments held transferred from realised reserve [Note 11(b)]	(16,045,413)	17,339,847
At end of the financial period/year	<u>(18,544,495)</u>	<u>(5,130,570)</u>

12. UNITS HELD BY RELATED PARTIES

	30-6-2018		31-12-2017	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	<u>52,540,730</u>	<u>60,632,002</u>	<u>52,539,430</u>	<u>59,894,950</u>

* The related party is the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 30 June 2018 and 31 December 2017.

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 (loss)/income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-4-2018 to 30-6-2018 RM	1-4-2017 to 30-6-2017 RM
Net (loss)/income before tax	(2,041,107)	24,443,681
Taxation at Malaysian statutory rate of 24% (2017 : 24%)	(489,866)	5,866,483
Tax effects of:		
Income not subject to tax	(3,510,568)	(6,129,841)
Loss not deductible for tax purposes	3,850,899	111,555
Restriction on tax deductible expenses for exchange traded funds	79,417	80,247
Non-permitted expenses for tax purposes	61,294	62,639
Permitted expenses not used and not available for future financial periods	8,824	8,917
Tax expense for the financial period	-	-

14. DISTRIBUTION

No distribution was declared by the Fund for the financial periods ended 30 June 2018 and 30 June 2017.

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-4-2018 to 30-6-2018 % p.a.	1-4-2017 to 30-6-2017 % p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.05	0.05
Licence fee	0.01	0.01
Fund’s other expenses	0.01	0.01
Total MER	0.17	0.17

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 0.03 times (2017: 0.08 times).

17. SEGMENTAL REPORTING

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

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period ended 30 June 2018 are as follows:

Financial institutions	Transaction value	
	RM	%
Public Bank Berhad	501,401,000	83.37
Citibank Bhd	39,982,000	6.65
Standard Chartered Bank Malaysia Berhad	39,970,000	6.65
Malayan Banking Berhad	20,034,000	3.33
Total	<u>601,387,000</u>	<u>100.00</u>

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

The above transactions were in respect of fixed income instruments and money market deposits. Transactions in these investments do not involve any commission or brokerage.

19. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 June 2018				
Assets				
Investments	1,462,348,565	-	-	1,462,348,565
Deposits with financial institutions	-	3,100,293	-	3,100,293
Cash at banks	-	2,210	-	2,210
Total financial assets	<u>1,462,348,565</u>	<u>3,102,503</u>	<u>-</u>	<u>1,465,451,068</u>

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Liabilities				
Amount due to Manager	-	-	128,846	128,846
Amount due to Trustee	-	-	58,077	58,077
Amount due to index provider	-	-	165,893	165,893
Sundry payables and accrued expenses	-	-	89,645	89,645
Total financial liabilities	-	-	442,461	442,461
31 December 2017				
Assets				
Investments	1,446,080,288	-	-	1,446,080,288
Deposits with financial institutions	-	4,871,480	-	4,871,480
Cash at banks	-	1,437	-	1,437
Total financial assets	1,446,080,288	4,872,917	-	1,450,953,205
Liabilities				
Amount due to Manager	-	-	122,994	122,994
Amount due to Trustee	-	-	57,458	57,458
Amount due to index provider	-	-	72,679	72,679
Sundry payables and accrued expenses	-	-	108,990	108,990
Total financial liabilities	-	-	362,121	362,121

	Income, expense, gains and losses	
	1-4-2018 to 30-6-2018 RM	1-4-2017 to 30-6-2017 RM
Net gain from financial assets at FVTPL	(16,007,243)	10,809,513
Income, of which derived from:		
– Interest income from financial assets at FVTPL	14,517,821	14,220,115
– Interest income from loans and receivables	71,377	46,565

(b) Financial instruments that are carried at fair value

The Fund's financial assets and liabilities at FVTPL are carried at fair value.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly; or

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
30 June 2018				
Financial assets at FVTPL	-	1,462,348,565	-	1,462,348,565
31 December 2017				
Financial assets at FVTPL	-	1,446,080,288	-	1,446,080,288

(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

(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 Islamic 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	
	2018 RM	2017 RM
+100 bps	(80,982,276)	(81,078,627)
-100 bps	<u>89,702,701</u>	<u>89,456,179</u>

Credit risk

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

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

The following table analyses the Fund's portfolio of debt securities by rating category as at 30 June 2018 and 30 June 2017:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2018			
NR*	<u>1,462,348,565</u>	<u>100.00</u>	<u>99.82</u>
2017			
NR*	<u>1,484,010,618</u>	<u>100.00</u>	<u>99.81</u>

* Non-rated

For deposits with financial institutions, the Fund only makes placements with financial institutions with sound rating. The following table presents the Fund's portfolio of deposits by rating category as at 30 June 2018 and 30 June 2017:

Credit rating	RM	As a % of deposits	As a % of net asset value
2018			
PI/MARC-1	<u>3,100,293</u>	<u>100.00</u>	<u>0.21</u>

	RM	As a % of deposits	As a % of net asset value
2017			
P1/MARC-1	3,194,583	100.00	0.21

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

(ii) **Credit risk concentration**

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 30 June 2018 and 30 June 2017:

Sector	RM	As a % of debt securities	As a % of net asset value
2018			
Public finance	1,431,944,359	97.92	97.74
Transportation	30,404,206	2.08	2.08
	<u>1,462,348,565</u>	<u>100.00</u>	<u>99.82</u>
2017			
Public finance	1,458,703,861	98.29	98.11
Transportation	25,306,757	1.71	1.70
	<u>1,484,010,618</u>	<u>100.00</u>	<u>99.81</u>

There is no geographical risk as the Fund invests only in investments in Malaysia.

Liquidity risk

Liquidity risk is defined as the risk of being unable to raise funds or borrowing to meet payment obligations as they fall due. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise of deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

Objectives and assumptions

For each security in the Fund, the cash flows are projected according to its asset class. Each asset class, if any, follows the calculation method as below:

- (i) For bonds
 - (a) For zero-coupon bonds, the nominal amount will be returned at maturity date.
 - (b) For non-zero coupon bonds, the coupons could be paid on annual, bi-annual or quarterly basis.

Cash received from bonds are calculated as follows:

\$ = cash received

R = coupon rate p.a.

F = coupon frequency

- For zero coupon bonds, $F = 0$
At maturity: \$ = Nominal
- For $F > 0$
Before maturity: coupon payment, \$ = Nominal * (R/F)
At maturity: maturity payment, \$ = Nominal + (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: \$ = Nominal + (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
2018						
Financial assets						
Investments	64,693,628	258,236,780	175,656,894	191,582,468	162,131,573	1,114,101,700
Deposits						
with financial institutions	3,100,879	-	-	-	-	-
Cash at banks	2,210	-	-	-	-	-
Total assets	67,796,717	258,236,780	175,656,894	191,582,468	162,131,573	1,114,101,700
Financial liabilities						
Other liabilities	442,461	-	-	-	-	-
2017						
Financial assets						
Investments	58,635,887	183,558,315	267,680,695	208,900,429	204,044,003	1,022,657,901
Deposits						
with financial institutions	3,195,212	-	-	-	-	-

(Forward)

	Contractual cash flows (undiscounted)					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	More than
	year	years	years	years	years	5 years
	RM	RM	RM	RM	RM	RM
2017						
Financial assets						
Cash at banks	1,409	-	-	-	-	-
Total assets	61,832,508	183,558,315	267,680,695	208,900,429	204,044,003	1,022,657,901
Financial liabilities						
Other liabilities	349,313	-	-	-	-	-

Regulatory risk

Any changes in national policies and regulations may have effects on the capital market and the net asset value of the Fund.

Management risk

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the net asset value of the Fund.

Non-compliance risk

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investments of the Fund when the Fund is forced to rectify the non-compliance.

21. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maximises unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments.

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

No changes were made in the objective, policies or processes during the financial periods ended 30 June 2018 and 30 June 2017.

