ABF Malaysia Bond Index Fund

Quarterly Report

30 September 2018

TRUST DIRECTORY

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

Board of Directors
Dato' Mustafa Bin Mohd Nor
Tai Terk Lin
Sum Leng Kuang
Seohan Soo
Goh Wee Peng

Investment Committee
Sum Leng Kuang
Dato' Mustafa Bin Mohd Nor
Tai Terk Lin
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
22^{nd} Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: 03-2036 2633   Fax: 03-2032 1914

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

Secretaries
Gian Ai Ziah (MAICSA 7045071)
Koh Suet Peng (MAICSA 7019861)
22nd Floor, Bangunan AmBank Group
No. 55 Jalan Raja Chulan
50200 Kuala Lumpur

HSBC (Malaysia) Trustee Berhad
Business/Registered Office/Head Office
Fund Services, Bangunan HSBC, 13^{th} 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 2018 to 30 September 2018.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund ("Fund")
Category/ Type	Fixed Income ETF/ Income
Objective	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. *Note: Any material change to the Fund's investment objective will require the unitholders' approval by way of special resolution.*
Index Component	Details of the index component as at 30 September 2018 are as follows:

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VN160330	Bank Pembangunan Malaysia Berhad	4.500	04/11/2026	850,000,000
GO170001	Malaysia Government Investment Issue	4.258	26/07/2027	11,000,000,000
GL170002	Malaysia Government Investment Issue	4.045	15/08/2024	12,000,000,000
VK170038	GovCo Holdings Bhd	4.290	22/02/2024	625,000,000
VN170037	GovCo Holdings Bhd	4.550	22/02/2027	500,000,000
VS170036	GovCo Holdings Bhd	4.950	20/02/2032	1,250,000,000
VN160330	Bank Pembangunan Malaysia Berhad	4.500	04/11/2026	850,000,000
VS170042	Bank Pembangunan Malaysia Berhad	4.980	02/03/2032	700,000,000
MI170001	Malaysia Government Bond	3.882	10/03/2022	8,400,000,000
VS170113	Perbadanan Tabung Pendidikan Tinggi Nasional	4.860	12/03/2032	855,000,000
ML170002	Malaysia Government Bond	4.059	30/09/2024	11,000,000,000
MX170003	Malaysia Government Bond	4.762	07/04/2037	12,500,000,000
GI170003	Malaysia Government Investment Issue	3.948	14/04/2022	11,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GZ170004	Malaysia Government Investment Issue	4.895	08/05/2047	7,000,000,000
MO170004	Malaysia Government Bond	3.899	16/11/2027	14,500,000,000
VG170171	Pengurusan Air SPV Berhad	3.960	05/06/2020	700,000,000
VI170172	Pengurusan Air SPV Berhad	4.060	06/06/2022	900,000,000
GX170005	Malaysia Government Investment Issue	4.755	04/08/2037	10,000,000,000
MH170005	Malaysia Government Bond	3.441	15/02/2021	3,500,000,000
VS170237	Perbadanan Tabung Pendidikan Tinggi Nasional	4.930	17/08/2032	1,300,000,000
VX170249	Lembaga Pembiayaan Perumahan Sektor Awam	5.050	07/09/2037	1,000,000,000
VZ170250	Lembaga Pembiayaan Perumahan Sektor Awam	5.260	06/09/2047	1,000,000,000
VN170245	Danga Capital Bhd	4.520	06/09/2027	1,500,000,000
VI170370	Cagamas Berhad	4.230	03/11/2022	840,000,000
GT170006	Malaysia Government Investment Issue	4.724	15/06/2033	9,500,000,000
VS180037	Danga Capital Bhd	4.940	26/01/2033	1,500,000,000
GL180001	Malaysia Government Investment Issue	4.128	15/08/2025	7,000,000,000
VX180072	DanaInfra Nasional Berhad	5.110	19/02/2038	1,500,000,000
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
MK180001	Malaysia Government Bond	3.882	14/03/2025	7,000,000,000
VT180093	Danga Capital Bhd	5.020	21/09/2033	2,000,000,000
VG180101	Cagamas Berhad	4.170	29/03/2021	1,000,000,000
VK180133	Lembaga Pembiayaan Perumahan Sektor Awam	4.320	04/04/2025	1,000,000,000
VS180135	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	05/04/2033	1,500,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MI180002	Malaysia Government Bond	3.757	20/04/2023	4,400,000,000
GO180002	Malaysia Government Investment Issue	4.369	31/10/2028	8,000,000,000
MT180003	Malaysia Government Bond	4.642	07/11/2033	6,000,000,000
VI180192	Cagamas Berhad	4.500	25/05/2023	1,500,000,000
GJ180003	Malaysia Government Investment Issue	4.094	30/11/2023	7,500,000,000
VI180196	Pengurusan Air SPV Berhad	4.410	06/06/2023	715,000,000
MX180004	Malaysia Government Bond	4.893	08/06/2038	2,500,000,000
MZ180005	Malaysia Government Bond	4.921	06/07/2048	2,000,000,000
MY050003	Malaysia Government Bond	4.837	15/07/2025	3,000,000,000
MX060002	Malaysia Government Bond	4.709	15/09/2026	3,110,000,000
MX070003	Malaysia Government Bond	3.502	31/05/2027	6,000,000,000
DS081080	Khazanah Nasional Berhad	0.000	14/08/2023	2,000,000,000
MX080003	Malaysia Government Bond	5.248	15/09/2028	5,040,000,000
MO090002	Malaysia Government Bond	4.378	29/11/2019	17,119,000,000
VX090825	Prasarana Malaysia Bhd	5.070	28/09/2029	1,500,000,000
GO090061	Malaysia Government Investment Issue	4.492	30/04/2020	3,500,000,000
MX100003	Malaysia Government Bond	4.498	15/04/2030	12,770,000,000
GN100021	Malaysia Government Investment Issue	4.284	15/06/2020	5,500,000,000
GN100060	Malaysia Government Investment Issue	3.998	30/11/2020	3,000,000,000
MO110001	Malaysia Government Bond	4.160	15/07/2021	13,500,000,000
VN110023	GovCo Holdings Bhd	4.450	23/02/2021	1,500,000,000
MS110003	Malaysia Government Bond	4.392	15/04/2026	11,274,330,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GN110025	Malaysia Government Investment Issue	4.170	30/04/2021	12,500,000,000
MX110004	Malaysia Government Bond	4.232	30/06/2031	12,750,000,000
VS110260	Prasarana Malaysia Bhd	4.350	04/08/2026	1,200,000,000
MO120001	Malaysia Government Bond	3.418	15/08/2022	10,500,000,000
MS120002	Malaysia Government Bond	3.892	15/03/2027	5,500,000,000
GL120021	Malaysia Government Investment Issue	3.704	30/09/2019	8,000,000,000
MX120004	Malaysia Government Bond	4.127	15/04/2032	5,500,000,000
GO120037	Malaysia Government Investment Issue	3.699	15/11/2022	8,500,000,000
GS120059	Malaysia Government Investment Issue	3.899	15/06/2027	5,000,000,000
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
ML120006	Malaysia Government Bond	3.492	1/03/2020	11,000,000,000
GL120098	Malaysia Government Investment Issue	3.576	15/05/2020	11,000,000,000
VN120393	Turus Pesawat Sdn Bhd	3.740	18/11/2022	500,000,000
VP120394	Turus Pesawat Sdn Bhd	3.930	19/11/2024	500,000,000
VS120395	Turus Pesawat Sdn Bhd	4.120	19/11/2027	750,000,000
VX120396	Turus Pesawat Sdn Bhd	4.360	19/11/2032	1,650,000,000
VN130068	Turus Pesawat Sdn Bhd	3.770	03/02/2023	500,000,000
GT130001	Malaysia Government Investment Issue	3.871	08/08/2028	3,000,000,000
MN130003	Malaysia Government Bond	3.480	15/03/2023	11,420,000,000
MX130004	Malaysia Government Bond	3.844	15/04/2033	14,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GO130033	Malaysia Government Investment Issue	3.493	31/10/2023	4,000,000,000
MS130005	Malaysia Government Bond	3.733	15/06/2028	8,500,000,000
MK130006	Malaysia Government Bond	3.889	31/07/2020	7,973,062,000
GX130068	Malaysia Government Investment Issue	4.582	30/08/2033	12,000,000,000
GL130069	Malaysia Government Investment Issue	3.716	23/03/2021	9,500,000,000
MZ130007	Malaysia Government Bond	4.935	30/09/2043	6,500,000,000
VN130259	Cagamas Berhad	4.300	27/10/2023	645,000,000
GO130071	Malaysia Government Investment Issue	4.444	22/05/2024	12,500,000,000
GS130072	Malaysia Government Investment Issue	4.943	06/12/2028	5,000,000,000
MO140001	Malaysia Government Bond	4.181	15/07/2024	11,020,000,000
VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28/03/2024	1,800,000,000
ML140003	Malaysia Government Bond	4.048	30/09/2021	11,700,000,000
MJ140004	Malaysia Government Bond	3.654	31/10/2019	11,800,000,000
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10/09/2021	700,000,000
VS140224	Bank Pembangunan Malaysia Berhad	4.750	12/09/2029	900,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12/09/2034	900,000,000
GL150001	Malaysia Government Investment Issue	4.194	15/07/2022	10,000,000,000
GJ150002	Malaysia Government Investment Issue	3.799	27/08/2020	10,000,000,000
MO150001	Malaysia Government Bond	3.955	15/09/2025	13,672,200,000
VS150043	Prasarana Malaysia Bhd	4.640	22/03/2030	1,100,000,000
GT150003	Malaysia Government Investment Issue	4.245	30/09/2030	7,000,000,000

(Forward)

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
ML150002	Malaysia Government Bond	3.795	30/09/2022	11,000,000,000
VI150052	Danga Capital Bhd	4.100	09/04/2020	2,000,000,000
GO150004	Malaysia Government Investment Issue	3.990	15/10/2025	10,500,000,000
MJ150003	Malaysia Government Bond	3.659	15/10/2020	11,742,134,000
MY150004	Malaysia Government Bond	4.254	31/05/2035	7,161,000,000
VN150103	Jambatan Kedua Sdn Bhd	4.300	28/05/2025	1,300,000,000
VS150104	Jambatan Kedua Sdn Bhd	4.520	28/05/2030	700,000,000
ML160001	Malaysia Government Bond	3.800	17/08/2023	10,000,000,000
VZ160031	Prasarana Malaysia Bhd	5.070	26/02/2041	755,000,000
GJ160002	Malaysia Government Investment Issue	3.743	26/08/2021	7,000,000,000
MZ160002	Malaysia Government Bond	4.736	15/03/2046	10,500,000,000
GO160003	Malaysia Government Investment Issue	4.070	30/09/2026	10,500,000,000
VZ160131	DanaInfra Nasional Berhad	5.020	03/05/2046	1,000,000,000
GL160001	Malaysia Government Investment Issue	4.390	07/07/2023	10,500,000,000
MO160003	Malaysia Government Bond	3.900	30/11/2026	9,500,000,000
MJ160004	Malaysia Government Bond	3.620	30/11/2021	10,000,000,000
VS160151	GovCo Holdings Bhd	4.730	06/06/2031	550,000,000
GX150006	Malaysia Government Investment Issue	4.786	31/10/2035	7,000,000,000
VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26/07/2041	1,500,000,000
VN160235	Jambatan Kedua Sdn Bhd	4.200	28/07/2026	1,000,000,000
VZ160237	Jambatan Kedua Sdn Bhd	4.860	26/07/2041	900,000,000
VZ160281	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	21/09/2046	800,000,000

(Forward)

	<table><tr><th>Code</th><th>Issuer</th><th>Coupon %</th><th>Final Maturity</th><th>Notional Amount (RM)</th></tr><tr><td>GH160004</td><td>Malaysia Government Investment Issue</td><td>3.226</td><td>15/04/2020</td><td>7,000,000,000</td></tr><tr><td>VZ160322</td><td>DanaInfra Nasional Berhad</td><td>4.780</td><td>18/10/2041</td><td>1,000,000,000</td></tr><tr><td>VZ160323</td><td>DanaInfra Nasional Berhad</td><td>4.950</td><td>19/10/2046</td><td>1,000,000,000</td></tr><tr><td>VI150192</td><td>Pengurusan Air SPV Berhad</td><td>4.280</td><td>28/09/2020</td><td>700,000,000</td></tr><tr><td>VN150193</td><td>Pengurusan Air SPV Berhad</td><td>4.630</td><td>26/09/2025</td><td>860,000,000</td></tr></table> *(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 1,237,921,800 units.

Size of holding	As at 30 September 2018		As at 30 June 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	16,200	33	16,000	31
1,001 -10,000	25,300	6	30,300	7
10,001 – 100,000	136,500	7	103,800	5
100,001 to less than 5% of issue units	25,835,630	5	53,363,530	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 September 2018, 30 June 2018 and three financial years as at 31 December are as follows:

	As at 30-9-2018 %	**As at 30-6-2018 %**	**FY 2017 %**	**FY 2016 %**	**FY 2015 %**
Corporate bonds	-	-	-	-	0.76
Malaysian Government Securities	94.65	95.19	95.33	95.16	90.57
Quasi-Government bonds	4.75	4.63	4.36	4.41	6.46
Cash and others	0.60	0.18	0.31	0.43	2.21
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

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

Performance Details	Performance details of the Fund for the financial periods ended 30 September 2018, 30 June 2018 and three financial years ended 31 December are as follows:

	3 months ended 30-9-2018	**3 months ended 30-6-2018**	**FY 2017**	**FY 2016**	**FY 2015**
Net asset value (RM)	1,460,790,425	1,465,008,607	1,450,591,084	1,442,324,912	1,341,876,193*
Units in circulation	1,237,921,800	1,265,421,800	1,265,421,800	1,320,421,800	1,265,421,800*
Net asset value per unit (RM)	1.1800	1.1577	1.1463	1.0923	1.0604*
Highest net asset value per unit (RM)	1.1800	1.1606	1.1463	1.1224	1.0655*
Lowest net asset value per unit (RM)	1.1584	1.1509	1.0921	1.0599	1.0323*
Closing quoted price (RM/unit)	1.1700	1.1540	1.1400	1.1100	1.0520*

(Forward)

	3 months ended 30-9-2018	3 months ended 30-6-2018	FY 2017	FY 2016	FY 2015
Highest quoted price (RM/unit)	1.1780	1.1590	1.1400	1.1240	1.0680*
Lowest quoted price (RM/unit)	1.1600	1.1500	1.1000	1.0520	1.0300*
Benchmark performance (%)	2.01	-0.13	5.21	3.46	4.12
Total return (%)[(1)]	1.93	-0.14	4.94	3.01	3.74
- Capital growth (%)	1.93	-0.14	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)]	0.16	0.17	0.17	0.18	0.16
Portfolio turnover ratio (times)[(4)]	0.05	0.03	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. The MER decreased by 0.01% as compared to 0.17% for the financial period ended 30 June 2018 mainly due to decreased in expenses.

(4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR increased by 0.02 times (66.7%) as compared to 0.03 times for the financial period ended 30 June 2018 mainly due to increase in investing activities.

Average Total Return (as at 30 September 2018)

	ABFMY1[(a)] %	iBoxx Index[(b)] %
One year	3.55	3.73
Three years	4.21	4.51
Five years	3.64	3.83
Ten years	3.92	4.22

Annual Total Return

Financial Years Ended (31 December)	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

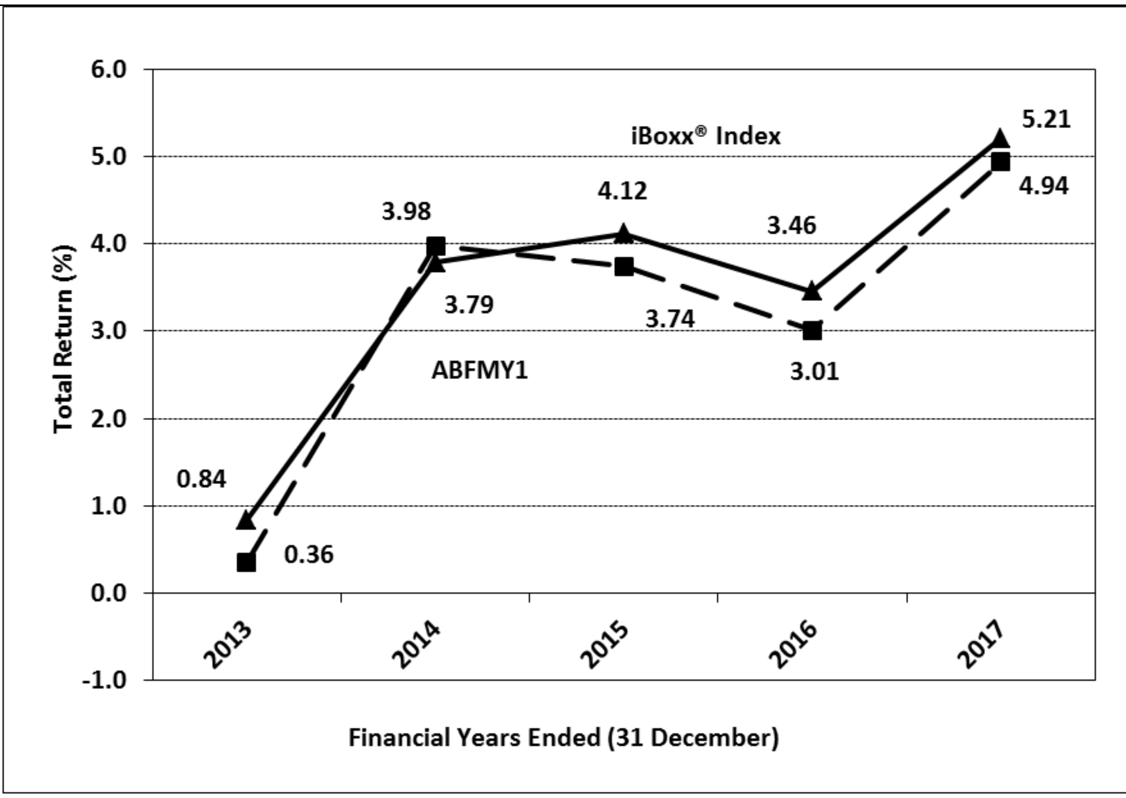
For the financial period under review, the Fund registered a return of 1.93% which was entirely capital in nature.

Thus, the Fund's return of 1.93% has underperformed the benchmark's return of 2.01% by 0.08%.

As compared with the financial period ended 30 June 2018, the net asset value ("NAV") per unit of the Fund increased by 1.93% from RM1.1577 to RM1.1800, while units in circulation decreased by 2.17% from 1,265,421,800 units to 1,237,921,800.

The closing price quoted at Bursa Malaysia of the Fund increased by 1.39% from RM1.1540 to RM1.1700.

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



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

Strategies and Policies Employed	For the financial period under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.
Portfolio Structure	This table below is the asset allocation of the Fund for the financial periods under review.

	As at 30-9-2018 %	As at 30-6-2018 %	Changes %
Malaysian Government Securities	94.65	95.19	-0.54
Quasi-Government bonds	4.75	4.63	0.12
Cash and others	0.60	0.18	0.42
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.

	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.
Rebates and Soft Commission	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. 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 deem to be beneficial to the unitholders of the Fund.
Market Review	Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 3.25% at its 5 Sept 2018 meeting, amid a benign inflation environment along with cautious official government GDP growth expectations forecasted at 5% for 2018 (previous 2018: 5.5-6.0%). Inflation is largely subdued due to the consumer tax holiday with GST zero rated, and prior to the implementation of SST effective 1 Sep 2018. Additionally, RON95 and diesel are now heavily subsidized and capped unchanged since the new administration took over. Bond markets have seen yields climbing as the US Fed continues to hike interest rates on the back of an improving US economy. This has also resulted in the US dollar strengthening against other currencies worldwide attracting inflows into the US markets. Consequently on a year-to-date basis, foreign holdings of Malaysian Government Securities (MGS) have fallen by MYR 19.3 billion.
Market Outlook	With the US Fed committed to a steady path to hiking rates into 2019, focus would be on whether BNM will be compelled to hike the OPR. The Central Bank has mentioned that the policy rate is at an appropriate level given the present economic conditions. We do not anticipate an OPR hike unless economic growth deteriorates significantly and inflation spikes in the near future. Hence, interest rates are expected to remain at its present levels in the foreseeable future.
Additional Information	The following information has been updated: 1. Raja Maimunah Binti Raja Abdul Aziz has resigned from her position as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st July 2018. 2. Seohan Soo has been appointed as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st August 2018. 3. Effective from 1st September 2018 the company secretaries has been changed as Gian Ai Ziah (MAICSA 7045071) Koh Suet Peng (MAICSA 7019861) 22nd Floor, Bangunan AmBank Group No. 55 Jalan Raja Chulan 50200 Kuala Lumpur

Kuala Lumpur, Malaysia
AmFunds Management Berhad

7 November 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 July 2018 to 30 September 2018, there was one (1) Board of Directors' meeting held by the Manager.

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

Name	:	Seohan Soo
Age	:	52 years old
Nationality	:	Malaysian
Qualification	:	i) Bachelor of Laws with Honours -The University of Warwick (1992) ii) Master of Laws -Taxation/Corporate Law and Finance/Law of International Trade- University of Cambridge (1993) iii) Barrister-at-Law, Lincolns Inn, London (1994) iv) Advocate and Solicitor, High Court of Malaya (1995)
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Non-Independent and Non-Executive
Working Experience	:	i) (July 2018 – Present) AmInvestment Bank Berhad [Chief Executive Officer] ii) (November 2015- June 2018) Capital Markets Group of AmInvestment Bank Berhad [Executive Vice President] iii) (June 2014 - October 2015) Markets of AmBank Group [Executive Vice President] iv) (December 2003 – June 2014) Debt Capital Markets of AmInvestment Bank Berhad [Director/ Head] v) (September 1998-September 2003) Investment Banking and Treasury Markets Divisions of HSBC Bank Malaysia Berhad [Director of Debt Capital Markets] vi) (May 1995-August 1998) Commerce International Merchant Bankers Bhd (CIMB) [Debt Capital Markets] vii) (August 1994 –April 1995) Soo Thien Ming & Shahrizat, Advocates & Solicitors [Legal Training (Chambering)]

Occupation	:	Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	:	1 August 2018
Directorship of other public companies	:	AmFunds Management Berhad and AmInvestment Group Berhad
Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	One (1)
Member of any other Board Committee	:	Nil
Date of appointment to the Investment Committee	:	He is not a member of Investment Committee
Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	N/A
Family relationship with any director	:	Nil
Conflict of interest with the Fund	:	Nil
List of convictions for offences within the past 10 years (if any)	:	Nil

Name	:	Dato' Mustafa bin Mohd Nor
Age	:	66 years old
Nationality	:	Malaysian
Qualification	:	i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	i) (1975-1988) Ministry of Finance [Last position held – Head of Macroeconomic Section, Economic and International Division] ii) (1988-1990) Development & Commercial Bank Berhad [Manager, Treasury Department] iii) (March 1990-August 1992) Arab-Malaysian Securities Sdn Bhd [Chief Economist] iv) (September 1992-December 2001) AmSecurities Sdn Bhd [Executive Director/Chief Economist]

		v) (January 2002-December 2005) AmSecurities Sdn Bhd [Managing Director] vi) (January 2006-May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor] vii) (September 2009-August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]
Occupation	:	Director
Date of appointment	:	3 March 2014
Directorship of other public companies	:	KUISAS Berhad
Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	One (1) out of one (1) Board Meeting
Member of any other Board Committee	:	i) Audit and Examination Committee (formerly known as Audit Committee of Directors)
Date of appointment to the Investment Committee	:	3 March 2014
Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	i. Investment Committee – Unit Trust One (1) out of one (1) meeting ii. Separately Managed Funds – Oversight Committee One (1) out of one (1) 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 & Physics, University of Malaya, Malaysia iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore
Executive/Non-Executive Director	:	Non-Executive Director

Independent/Non-Independent Director	:	Independent Director
Working Experience	:	i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings] ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia] iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking] iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking] v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer] vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager] vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman] viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman's Office)] ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
Occupation	:	Director
Date of appointment	:	15 December 2014
Directorship of other public companies	:	None
Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	One (1) out of one (1) Board Meeting
Member of any other Board Committee	:	Audit and Examination Committee (formerly known as Audit Committee of Directors)
Date of appointment to the Investment Committee	:	15 December 2014
Number of Investment	:	iii. Investment Committee – Unit Trust

Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018		One (1) out of one (1) meeting iv. Separately Managed Funds – Oversight Committee One (1) out of one (1) 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	:	63 years old
Nationality	:	Malaysian
Qualification	:	i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	i) (May 1982- September 2001) Overseas Assurance (M) Berhad [Deputy Head, Investment] ii) (September 2001-December 2011) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Head, Fixed Income Investment] iii) (January 2012-April 2013) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Advisor, Fixed Income Investment] iv) (May 2013-July 2014) Hong Leong Asset Management Berhad [Chief Investment Officer, Fixed Income & Acting Chief Executive Officer] v) (May 2015-Present) Credit Guarantee Corporation Malaysia Berhad [Advisor, Investment (Contract)]
Occupation	:	Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	:	18 January 2016
Directorship of other public companies	:	Pacific & Orient Insurance Co. Berhad
Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	One (1) out of one (1) Board Meeting
Member of any other Board	:	Audit and Examination Committee (formerly known as Audit

Committee		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 July 2018 to 30 September 2018	:	i. Investment Committee – Unit Trust One (1) out of one (1) meeting ii. Separately Managed Funds – Oversight Committee One (1) out of one (1) 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	:	Chief Executive Officer (approved by SC on 28/08/2018)
Date of appointment	:	1 June 2017
Directorship of other public companies	:	None
Number of Board meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	One (1) out of one (1) Board Meeting
Member of any other Board Committee	:	None
Date of appointment to the Investment Committee	:	31 October 2017
Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	i. Investment Committee – Unit Trust One (1) out of one (1) meeting ii. Separately Managed Funds – Oversight Committee One (1) out of one (1) 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 July 2018 to 30 September 2018, there were two (2) Investment Committee Meetings 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
Independent/Non-Independent Member	:	Independent member
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
Number of Investment Committee meeting attended for the financial period from 1 July 2018 to 30 September 2018	:	i. Investment Committee – Unit Trust One (1) out of one (1) meeting
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 July 2018 to 30 September 2018, there were two (2) Investment Committee Meetings 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	97.89858
AMINVESTMENT BANK BERHAD	19,910,100	1.60835
AMINVESTMENT BANK BERHAD	5,235,030	0.42289
CITIBANK BERHAD	400,000	0.03231
CIMB INVESTMENT BANK BERHAD	150,500	0.01216
CITIBANK BERHAD	140,000	0.01131
HSBC BANK MALAYSIA BERHAD	40,000	0.00323
MAYBANK INVESTMENT BANK BERHAD	20,000	0.00162
MAYBANK INVESTMENT BANK BERHAD	17,700	0.00143
AMINVESTMENT BANK BERHAD	17,100	0.00138
PUBLIC INVESTMENT BANK BERHAD	15,000	0.00121
HONG LEONG INVESTMENT BANK BERHAD	14,000	0.00113
KENANGA INVESTMENT BANK BERHAD	12,700	0.00103
KENANGA INVESTMENT BANK BERHAD	6,500	0.00053
CIMB INVESTMENT BANK BERHAD	5,000	0.00040
HONG LEONG INVESTMENT BANK BERHAD	5,000	0.00040
CIMB INVESTMENT BANK BERHAD	3,000	0.00024
INTER-PACIFIC SECURITIES SDN BHD	3,000	0.00024
MAYBANK INVESTMENT BANK BERHAD	2,800	0.00023
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
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
KENANGA INVESTMENT BANK BERHAD	900	0.00007
CIMB INVESTMENT BANK BERHAD	900	0.00007
CIMB INVESTMENT BANK BERHAD	700	0.00006

ABF Malaysia Bond Index Fund

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	30-9-2018 (unaudited) RM	31-12-2017 (audited) RM
ASSETS			
Investments	4	1,452,076,526	1,446,080,288
Deposits with financial institutions	5	9,194,856	4,871,480
Cash at banks		2,264	1,437
TOTAL ASSETS		1,461,273,646	1,450,953,205
LIABILITIES			
Amount due to Manager	6	123,707	122,994
Amount due to Trustee	7	57,860	57,458
Amount due to index provider	8	199,559	72,679
Sundry payables and accrued expenses		102,095	108,990
TOTAL LIABILITIES		483,221	362,121
EQUITY			
Unitholders' capital	11(a)	1,302,200,103	1,334,273,353
Retained earnings	11(b)(c)	158,590,322	116,317,731
TOTAL EQUITY	11	1,460,790,425	1,450,591,084
TOTAL EQUITY AND LIABILITIES		1,461,273,646	1,450,953,205
UNITS IN CIRCULATION	11(a)	1,237,921,800	1,265,421,800
NET ASSET VALUE PER UNIT		118.00 sen	114.63 sen

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

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

	Note	1-7-2018 to 30-9-2018 RM	1-7-2017 to 30-9-2017 RM
INVESTMENT INCOME			
Interest income		14,123,158	14,426,121
Net gain from investments:			
− Financial assets at fair value through profit or loss (“FVTPL”)	9	14,322,713	4,122,808
Gross Income		28,445,871	18,548,929
EXPENDITURE			
Manager’s fee	6	(362,780)	(372,615)
Trustee’s fee	7	(181,390)	(186,308)
Licence fee	8	(42,293)	(38,840)
Auditors’ remuneration		(2,668)	(2,668)
Tax agent’s fee		(1,022)	(1,022)
Other expenses	10	(650)	(38,077)
Total Expenditure		(590,803)	(639,530)
NET INCOME BEFORE TAX		27,855,068	17,909,399
LESS: INCOME TAX	13	-	-
NET INCOME AFTER TAX		27,855,068	17,909,399
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		27,855,068	17,909,399
Total comprehensive income comprises the following:			
Realised income		13,924,878	13,951,139
Unrealised gain		13,930,190	3,958,260
		27,855,068	17,909,399

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 2018 TO 30 SEPTEMBER 2018

	Unitholders' capital RM	Retained earnings RM	Total equity RM
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
Balance at 30 September 2017	1,396,802,853	107,963,843	1,504,766,696
At 1 July 2018	1,334,273,353	130,735,254	1,465,008,607
Total comprehensive income for the financial period	-	27,855,068	27,855,068
Cancellation of units	(32,073,250)	-	(32,073,250)
Balance at 30 September 2018	1,302,200,103	158,590,322	1,460,790,425

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 2018 TO 30 SEPTEMBER 2018

	1-7-2018 to 30-9-2018 RM	1-7-2017 to 30-9-2017 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	88,012,049	55,042,000
Interest received	11,276,862	10,465,882
Manager’s fee paid	(367,919)	(371,150)
Trustee’s fee paid	(181,607)	(185,616)
Licence fee paid	-	(5,300)
Tax agents' fee paid	-	(4,000)
Payments for other expenses	(518)	(46,152)
Purchase of investments	(60,571,000)	(66,583,500)
Net cash generated from/(used in) operating and investing activities	38,167,867	(1,687,836)
CASH FLOW FROM FINANCING ACTIVITY		
Payments for cancellation of units	(32,073,250)	-
Net cash used in financing activity	(32,073,250)	-
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS	6,094,617	(1,687,836)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	3,102,503	3,195,992
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	9,197,120	1,508,156
Cash and cash equivalents comprise:		
Deposits with financial institutions	9,194,856	1,506,745
Cash at banks	2,264	1,411
	9,197,120	1,508,156

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

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

	30-9-2018 RM	31-12-2017 RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	65,000,000	60,000,000
Malaysian Government Securities	800,000,000	822,500,000
Government Investment Issues	568,500,000	548,500,000
	1,433,500,000	1,431,000,000
At fair value:		
Quasi-Government Bonds	69,369,528	63,177,503
Malaysian Government Securities	806,503,178	830,254,369
Government Investment Issues	576,203,820	552,648,416
	1,452,076,526	1,446,080,288

Details of investments as at 30 September 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	5,019,701	5,014,027	0.34
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,085,733	10,199,245	0.69
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,267,950	5,159,084	0.36
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	38,832,106	39,088,163	2.66

(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						
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	10,164,038	10,400,017	0.70
			65,000,000	69,369,528	69,860,536	4.75
Malaysian Government Securities						
31.10.2019	Government of Malaysia	NR	30,000,000	30,531,525	30,433,762	2.09
29.11.2019	Government of Malaysia	NR	30,000,000	30,764,106	30,830,077	2.11
31.03.2020	Government of Malaysia	NR	40,000,000	40,717,572	40,827,857	2.79
31.07.2020	Government of Malaysia	NR	10,000,000	10,134,408	10,123,279	0.69
15.10.2020	Government of Malaysia	NR	17,500,000	17,840,526	17,760,989	1.22
15.02.2021	Government of Malaysia	NR	10,000,000	10,016,802	10,061,970	0.69
15.07.2021	Government of Malaysia	NR	10,000,000	10,228,413	10,231,798	0.70
30.09.2021	Government of Malaysia	NR	30,000,000	30,967,737	30,759,521	2.12
30.11.2021	Government of Malaysia	NR	37,500,000	37,954,416	38,396,572	2.61
10.03.2022	Government of Malaysia	NR	30,000,000	30,263,925	30,165,650	2.07
15.08.2022	Government of Malaysia	NR	20,000,000	19,825,092	19,821,197	1.36
30.09.2022	Government of Malaysia	NR	52,500,000	53,583,721	53,152,476	3.67
20.04.2023	Government of Malaysia	NR	20,000,000	20,336,115	20,276,740	1.39
17.08.2023	Government of Malaysia	NR	30,000,000	30,096,994	29,807,737	2.06
15.07.2024	Government of Malaysia	NR	40,000,000	40,773,987	40,385,621	2.79
30.09.2024	Government of Malaysia	NR	30,000,000	30,742,560	30,913,329	2.10

(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						
14.03.2025	Government of Malaysia	NR	20,000,000	19,915,871	20,060,544	1.36
15.09.2025	Government of Malaysia	NR	30,000,000	29,951,750	29,683,400	2.05
15.04.2026	Government of Malaysia	NR	25,000,000	25,944,878	26,371,820	1.78
30.11.2026	Government of Malaysia	NR	30,000,000	29,865,553	31,045,322	2.04
15.03.2027	Government of Malaysia	NR	10,000,000	9,787,552	10,132,753	0.67
16.11.2027	Government of Malaysia	NR	30,000,000	29,852,080	30,393,982	2.04
15.06.2028	Government of Malaysia	NR	30,000,000	29,500,093	28,774,877	2.02
15.04.2030	Government of Malaysia	NR	27,500,000	28,183,476	27,841,475	1.93
30.06.2031	Government of Malaysia	NR	30,000,000	29,515,650	30,044,662	2.02
15.04.2033	Government of Malaysia	NR	30,000,000	28,187,162	29,125,214	1.93
07.11.2033	Government of Malaysia	NR	20,000,000	20,641,560	20,479,722	1.41
31.05.2035	Government of Malaysia	NR	10,000,000	9,600,538	9,706,314	0.66
07.04.2037	Government of Malaysia	NR	10,000,000	10,255,624	10,361,678	0.70
08.06.2038	Government of Malaysia	NR	10,000,000	10,386,782	10,255,001	0.71
30.09.2043	Government of Malaysia	NR	20,000,000	20,580,804	20,958,134	1.41
15.03.2046	Government of Malaysia	NR	20,000,000	19,446,682	20,384,337	1.33
06.07.2048	Government of Malaysia	NR	10,000,000	10,109,224	10,152,220	0.69
			800,000,000	806,503,178	809,720,030	55.21

(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						
15.04.2020	Government of Malaysia	NR	40,000,000	40,404,189	40,414,046	2.77
30.04.2020	Government of Malaysia	NR	10,000,000	10,333,002	10,368,431	0.71
15.05.2020	Government of Malaysia	NR	20,000,000	20,276,931	20,289,434	1.39
27.08.2020	Government of Malaysia	NR	35,000,000	35,267,880	35,026,298	2.42
23.03.2021	Government of Malaysia	NR	30,000,000	30,071,787	29,782,902	2.06
30.04.2021	Government of Malaysia	NR	10,000,000	10,297,834	10,322,668	0.69
26.08.2021	Government of Malaysia	NR	16,000,000	16,074,280	16,153,625	1.10
14.04.2022	Government of Malaysia	NR	20,000,000	20,469,099	20,532,637	1.40
15.07.2022	Government of Malaysia	NR	30,000,000	30,664,186	30,232,435	2.10
07.07.2023	Government of Malaysia	NR	20,000,000	20,629,735	20,474,956	1.41
31.10.2023	Government of Malaysia	NR	10,000,000	9,955,604	9,835,631	0.68
30.11.2023	Government of Malaysia	NR	20,000,000	20,479,696	20,446,908	1.40
22.05.2024	Government of Malaysia	NR	20,000,000	20,802,794	20,542,392	1.42
15.08.2024	Government of Malaysia	NR	30,000,000	30,185,773	30,153,207	2.07
15.08.2025	Government of Malaysia	NR	20,000,000	20,206,103	20,128,735	1.38
15.10.2025	Government of Malaysia	NR	42,500,000	42,968,114	42,197,721	2.94
30.09.2026	Government of Malaysia	NR	25,000,000	25,349,675	25,898,596	1.74
15.06.2027	Government of Malaysia	NR	20,000,000	19,790,244	20,411,414	1.35
26.07.2027	Government of Malaysia	NR	20,000,000	20,219,500	20,438,610	1.38

(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	10,343,423	10,214,617	0.71
06.12.2028	Government of Malaysia	NR	10,000,000	10,704,830	10,427,381	0.73
30.09.2030	Government of Malaysia	NR	30,000,000	29,883,801	31,339,111	2.05
15.06.2033	Government of Malaysia	NR	10,000,000	10,282,406	10,208,905	0.70
30.08.2033	Government of Malaysia	NR	30,000,000	30,013,235	29,996,072	2.06
31.10.2035	Government of Malaysia	NR	20,000,000	20,430,851	21,056,945	1.40
04.08.2037	Government of Malaysia	NR	10,000,000	10,022,119	10,055,932	0.69
08.05.2047	Government of Malaysia	NR	10,000,000	10,076,729	10,160,656	0.69
			568,500,000	576,203,820	577,110,265	39.44
Total financial assets at FVTPL			1,433,500,000	1,452,076,526	1,456,690,831	99.40
Shortfall of fair value over cost				(4,614,305)		

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

	Effective yield* 30-9-2018 %	Effective yield* 31-12-2017 %
Quasi-Government Bonds	4.77	4.93
Malaysian Government Securities	3.99	3.81
Government Investment Issues	4.02	4.02

** As provided by Markit Indices Limited.*

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

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
30-9-2018			
At nominal value:			
Quasi-Government Bonds	5,000,000	-	60,000,000
Malaysian Government Securities	-	367,500,000	432,500,000
Government Investment Issues	-	231,000,000	337,500,000
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

5. **DEPOSITS WITH FINANCIAL INSTITUTIONS**

	30-9-2018 RM	31-12-2017 RM
At nominal value:		
Short-term deposits with licensed banks	9,194,000	4,871,000
At carrying value:		
Short-term deposits with licensed banks	9,194,856	4,871,480

Details of deposit with a financial institution as at 30 September 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					
01.10.2018	Public Bank Berhad	9,194,000	9,194,856	9,194,000	0.63

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

	Weighted average effective interest rate 30-9-2018 %	Weighted average effective interest rate 31-12-2017 %	Remaining maturity 30-9-2018 Day	Remaining maturity 31-12-2017 Days
Short-term deposits with licensed banks	3.40	3.60	1	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 GAIN FROM INVESTMENTS**

	1-7-2018 to 30-9-2018 RM	**1-7-2017 to 30-9-2017 RM**
Net gain on financial assets at FVTPL comprised:		
− Net realised gain on sale of investments	392,523	164,548
− Net unrealised gain on changes in fair values of investments	13,930,190	3,958,260
	14,322,713	4,122,808

10. **OTHER EXPENSES**

Included in other expenses is Goods and Services Tax incurred by the Fund for the previous financial period amounting to RM37,031.

11. **TOTAL EQUITY**

Total equity is represented by:

	Note	30-9-2018 RM	31-12-2017 RM
Unitholders' capital	(a)	1,302,200,103	1,334,273,353
Retained earnings			
− Realised income	(b)	163,204,627	121,448,301
− Unrealised loss	(c)	(4,614,305)	(5,130,570)
		1,460,790,425	1,450,591,084

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

	30-9-2018		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	(27,500,000)	(32,073,250)	(55,000,000)	(62,529,500)
At end of the financial period/year	1,237,921,800	1,302,200,103	1,265,421,800	1,334,273,353

(b) **REALISED – DISTRIBUTABLE**

	30-9-2018 RM	31-12-2017 RM
At beginning of the financial period/year	149,279,749	67,992,476
Total comprehensive income for the financial period/year	27,855,068	70,795,672
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 11(c)]	(13,930,190)	(17,339,847)
Net increase in realised reserve for the financial period/year	13,924,878	53,455,825
At end of the financial period/year	163,204,627	121,448,301

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

	30-9-2018 RM	31-12-2017 RM
At beginning of the financial period/year	(18,544,495)	(22,470,417)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 11(b)]	13,930,190	17,339,847
At end of the financial period/year	(4,614,305)	(5,130,570)

12. UNITS HELD BY RELATED PARTIES

	30-9-2018		31-12-2017	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	25,162,330	29,439,926	52,539,430	59,894,950

* 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 September 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 income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	1-7-2018 to 30-9-2018 RM	1-7-2017 to 30-9-2017 RM
Net income before tax	27,855,068	17,909,399
Taxation at Malaysian statutory rate of 24% (2017 : 24%)	6,685,216	4,298,256
Tax effects of:		
Income not subject to tax	(6,827,009)	(4,451,743)
Restriction on tax deductible expenses for exchange traded funds	78,965	81,117
Non-permitted expenses for tax purposes	54,053	63,357
Permitted expenses not used and not available for future financial periods	8,775	9,013
Tax expense for the financial period	-	-

14. **DISTRIBUTION**

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

15. **MANAGEMENT EXPENSE RATIO ("MER")**

The Fund's MER is as follows:

	1-7-2018 to 30-9-2018 % p.a.	**1-7-2017 to 30-9-2017 % 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
Total MER	0.16	0.17

* represents less than 0.01%

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 0.05 times (2017: 0.04 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 2018 are as follows:

Financial institutions	Transaction value RM	%
Public Bank Berhad	285,391,000	65.76
Citibank (M) Bhd	70,208,000	16.18
AmBank (M) Berhad *	27,862,049	6.42
AmBank Islamic Berhad *	20,155,000	4.64
Standard Chartered Bank Malaysia Berhad	20,125,000	4.64
Citigroup Global Markets Inc.	10,233,000	2.36
Total	433,974,049	100.00

* Financial institutions related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The above transactions were in respect of fixed income instruments and money market deposits. Transactions in these investments do not invlove 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 September 2018				
Assets				
Investments	1,452,076,526	-	-	1,452,076,526
Deposits with financial institutions	-	9,194,856	-	9,194,856
Cash at banks	-	2,264	-	2,264
Total financial assets	1,452,076,526	9,197,120	-	1,461,273,646

(Forward)

	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	-	-	123,707	123,707
Amount due to Trustee	-	-	57,860	57,860
Amount due to index provider	-	-	199,559	199,559
Sundry payables and accrued expenses	-	-	102,095	102,095
Total financial liabilities	-	-	483,221	483,221
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	
	1-7-2018 to 30-9-2018 RM	1-7-2017 to 30-9-2017 RM
Net gain from financial assets at FVTPL	14,322,713	4,122,808
Income, of which derived from:		
– Interest income from financial assets at FVTPL	14,077,449	14,393,184
– Interest income from loans and receivables	45,709	32,937

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

The Fund’s financial assets and liabilities 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
30 September 2018				
Financial assets at FVTPL	-	1,452,076,526	-	1,452,076,526
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 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 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	(81,598,769)	(81,943,511)
-100 bps	90,759,274	90,528,048

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 2018 and 30 September 2017:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2018			
NR*	1,452,076,526	100.00	99.40
2017			
NR*	1,503,635,165	100.00	99.92

* 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 2018 and 30 September 2017:

Credit rating	RM	As a % of deposits	As a % of net asset value
2018			
P1/MARC-1	9,194,000	100.00	0.63
2017			
P1/MARC-1	1,506,745	100.00	0.10

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 2018 and 30 September 2017:

Sector	RM	As a % of debt securities	As a % of net asset value
2018			
Public finance	1,421,539,104	97.90	97.31
Transportation	30,537,422	2.10	2.09
	1,452,076,526	100.00	99.40
2017			
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

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	68,217,640	271,666,419	173,038,868	234,581,925	106,352,028	1,095,775,907
Deposits with financial institutions	9,196,569	-	-	-	-	-
Cash at banks	2,264	-	-	-	-	-
Total assets	77,416,473	271,666,419	173,038,868	234,581,925	106,352,028	1,095,775,907
Financial liabilities						
Other liabilities	483,221	-	-	-	-	-
2017						
Financial assets						
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	-	-	-	-	-
Total assets	61,123,910	167,716,615	303,015,444	210,106,755	260,708,975	968,480,635

(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**
Financial liabilities						
Other liabilities	376,625	-	-	-	-	-

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 2018 and 30 September 2017.

DIRECTORY

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For enquiries about this or any of the other Funds offered by AmFunds Management Berhad
Please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday to Thursday),
Friday (8.45 a.m. to 5.00 p.m.)