

ABF Malaysia Bond Index Fund

Semi-Annual Report

30 June 2019

TRUST DIRECTORY

Manager

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

Board of Directors

Jeyaratnam A/L Tamotharam Pillai
Dato' Mustafa Bin Mohd Nor
Tai Terk Lin
Sum Leng Kuang
Seohan Soo
Goh Wee Peng

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
No.55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: 03-2036 2633

Head Office

9th & 10th Floor, Bangunan AmBank Group
No.55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: 03-2032 2888
E-mail:enquiries@aminvest.com
Website:www.aminvest.com

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 (1281-T)

Registered & Business Office

13th Floor, Bangunan HSBC, South Tower
No.2, Leboh Ampang, 50100 Kuala Lumpur
Tel: 03-2075 7800
Fax: 03-2179 6511

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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial period from 1 January 2019 to 30 June 2019.

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 2019 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	GN100021	Malaysia Government Investment Issue	4.284	15 June 2020	5,500,000,000
	MK130006	Malaysia Government Bond	3.889	31 July 2020	7,973,062,000
	GJ150002	Malaysia Government Investment Issue	3.799	27 August 2020	10,000,000,000
	MJ150003	Malaysia Government Bond	3.659	15 October 2020	11,742,134,000
	GN100060	Malaysia Government Investment Issue	3.998	30 November 2020	3,000,000,000
	MH170005	Malaysia Government Bond	3.441	15 February 2021	3,500,000,000
	VN110023	GovCo Holdings Bhd	4.450	23 February 2021	1,500,000,000
	(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GL130069	Malaysia Government Investment Issue	3.716	23 March 2021	9,500,000,000
VG180101	Cagamas Berhad	4.170	29 March 2021	1,000,000,000
GN110025	Malaysia Government Investment Issue	4.170	30 April 2021	12,500,000,000
MO110001	Malaysia Government Bond	4.160	15 July 2021	13,500,000,000
GJ160002	Malaysia Government Investment Issue	3.743	26 August 2021	7,000,000,000
VK140222	Bank Pembangunan Malaysia Berhad	4.190	10 September 2021	700,000,000
ML140003	Malaysia Government Bond	4.048	30 September 2021	11,700,000,000
MJ160004	Malaysia Government Bond	3.620	30 November 2021	10,000,000,000
UI170031	Cagamas Berhad	4.150	9 March 2022	2,000,000,000
MI170001	Malaysia Government Bond	3.882	10 March 2022	11,400,000,000
GH180004	Malaysia Government Investment Issue	3.729	31 March 2022	6,800,000,000
GI170003	Malaysia Government Investment Issue	3.948	14 April 2022	11,000,000,000
VI170172	Pengurusan Air SPV Berhad	4.060	6 June 2022	900,000,000
VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000
VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GL150001	Malaysia Government Investment Issue	4.194	15 July 2022	10,000,000,000
MO120001	Malaysia Government Bond	3.418	15 August 2022	10,500,000,000
ML150002	Malaysia Government Bond	3.795	30 September 2022	11,000,000,000
VI170370	Cagamas Berhad	4.230	3 November 2022	840,000,000
GO120037	Malaysia Government Investment Issue	3.699	15 November 2022	8,500,000,000
VN120393	Turus Pesawat Sdn Bhd	3.740	18 November 2022	500,000,000
VN130068	Turus Pesawat Sdn Bhd	3.770	3 February 2023	500,000,000
MN130003	Malaysia Government Bond	3.480	15 March 2023	11,420,000,000
MI180002	Malaysia Government Bond	3.757	20 April 2023	8,900,000,000
VH190095	Danum Capital Bhd	3.960	9 May 2023	2,000,000,000
VI180192	Cagamas Berhad	4.500	25 May 2023	1,500,000,000
VI180196	Pengurusan Air SPV Berhad	4.410	6 June 2023	715,000,000
GL160001	Malaysia Government Investment Issue	4.390	7 July 2023	10,500,000,000
DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
ML160001	Malaysia Government Bond	3.800	17 August 2023	10,000,000,000
VN130259	Cagamas Berhad	4.300	27 October 2023	645,000,000
GO130033	Malaysia Government Investment Issue	3.493	31 October 2023	4,000,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GJ180003	Malaysia Government Investment Issue	4.094	30 November 2023	11,500,000,000
VK170038	GovCo Holdings Bhd	4.290	22 February 2024	625,000,000
VI190034	Pengurusan Air SPV Berhad	4.280	23 February 2024	750,000,000
VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28 March 2024	1,800,000,000
GO130071	Malaysia Government Investment Issue	4.444	22 May 2024	12,500,000,000
MO140001	Malaysia Government Bond	4.181	15 July 2024	11,020,000,000
GL170002	Malaysia Government Investment Issue	4.045	15 August 2024	12,000,000,000
ML170002	Malaysia Government Bond	4.059	30 September 2024	11,000,000,000
GJ190004	Malaysia Government Investment Issue	3.655	15 October 2024	3,500,000,000
VP120394	Turus Pesawat Sdn Bhd	3.930	19 November 2024	500,000,000
MK180001	Malaysia Government Bond	3.882	14 March 2025	7,000,000,000
VN150103	Jambatan Kedua Sdn Bhd	4.300	28 May 2025	1,300,000,000
MY050003	Malaysia Government Bond	4.837	15 July 2025	3,000,000,000
GL180001	Malaysia Government Investment Issue	4.128	15 August 2025	12,500,000,000
MO150001	Malaysia Government Bond	3.955	15 September 2025	13,672,200,000
VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GO150004	Malaysia Government Investment Issue	3.990	15 October 2025	10,500,000,000
GK190003	Malaysia Government Investment Issue	3.726	31 March 2026	4,000,000,000
MS110003	Malaysia Government Bond	4.392	15 April 2026	11,274,330,000
ML190001	Malaysia Government Bond	3.906	15 July 2026	7,500,000,000
VN160235	Jambatan Kedua Sdn Bhd	4.200	28 July 2026	1,000,000,000
VS110260	Prasarana Malaysia Bhd	4.350	4 August 2026	1,200,000,000
MX060002	Malaysia Government Bond	4.709	15 September 2026	3,110,000,000
GO160003	Malaysia Government Investment Issue	4.070	30 September 2026	10,500,000,000
VN160330	Bank Pembangunan Malaysia Berhad	4.500	4 November 2026	850,000,000
MO160003	Malaysia Government Bond	3.900	30 November 2026	9,500,000,000
VN170037	GovCo Holdings Bhd	4.550	22 February 2027	500,000,000
MS120002	Malaysia Government Bond	3.892	15 March 2027	5,500,000,000
MX070003	Malaysia Government Bond	3.502	31 May 2027	6,000,000,000
GS120059	Malaysia Government Investment Issue	3.899	15 June 2027	5,000,000,000
GO170001	Malaysia Government Investment Issue	4.258	26 July 2027	11,000,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VN170245	Danga Capital Bhd	4.520	6 September 2027	1,500,000,000
MO170004	Malaysia Government Bond	3.899	16 November 2027	14,500,000,000
VS120395	Turus Pesawat Sdn Bhd	4.120	19 November 2027	750,000,000
MS130005	Malaysia Government Bond	3.733	15 June 2028	11,500,000,000
GT130001	Malaysia Government Investment Issue	3.871	8 August 2028	3,000,000,000
MX080003	Malaysia Government Bond	5.248	15 September 2028	5,040,000,000
GO180002	Malaysia Government Investment Issue	4.369	31 October 2028	12,000,000,000
GS130072	Malaysia Government Investment Issue	4.943	6 December 2028	5,000,000,000
VN190019	Pengurusan Air SPV Berhad	4.340	7 February 2029	600,000,000
GO190001	Malaysia Government Investment Issue	4.130	9 July 2029	5,000,000,000
MO190002	Malaysia Government Bond	3.885	15 August 2029	9,000,000,000
VS140224	Bank Pembangunan Malaysia Berhad	4.750	12 September 2029	900,000,000
VX090825	Prasarana Malaysia Bhd	5.070	28 September 2029	1,500,000,000
VS150043	Prasarana Malaysia Bhd	4.640	22 March 2030	1,100,000,000
MX100003	Malaysia Government Bond	4.498	15 April 2030	12,770,000,000
VS150104	Jambatan Kedua Sdn Bhd	4.520	28 May 2030	700,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GT150003	Malaysia Government Investment Issue	4.245	30 September 2030	7,000,000,000
VS160151	GovCo Holdings Bhd	4.730	6 June 2031	550,000,000
MX110004	Malaysia Government Bond	4.232	30 June 2031	12,750,000,000
VS170036	GovCo Holdings Bhd	4.950	20 February 2032	1,250,000,000
VS170042	Bank Pembangunan Malaysia Berhad	4.980	2 March 2032	700,000,000
MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
VS170237	Perbadanan Tabung Pendidikan Tinggi Nasional	4.930	17 August 2032	1,300,000,000
VX120396	Turus Pesawat Sdn Bhd	4.360	19 November 2032	1,650,000,000
VS180037	Danga Capital Bhd	4.940	26 January 2033	1,500,000,000
VS180135	Lembaga Pembiayaan Perumahan Sektor Awam	4.900	5 April 2033	1,500,000,000
MX130004	Malaysia Government Bond	3.844	15 April 2033	14,000,000,000
GT170006	Malaysia Government Investment Issue	4.724	15 June 2033	12,500,000,000
GX130068	Malaysia Government Investment Issue	4.582	30 August 2033	12,000,000,000
VT180093	Danga Capital Bhd	5.020	21 September 2033	2,000,000,000
MT180003	Malaysia Government Bond	4.642	7 November 2033	9,500,000,000
(Forward)				

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VS190049	Perbadanan Tabung Pendidikan Tinggi Nasional	4.580	28 February 2034	1,600,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
MY150004	Malaysia Government Bond	4.254	31 May 2035	7,161,000,000
GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	7,000,000,000
MX170003	Malaysia Government Bond	4.762	7 April 2037	12,500,000,000
GX170005	Malaysia Government Investment Issue	4.755	4 August 2037	14,500,000,000
VX170249	Lembaga Pembiayaan Perumahan Sektor Awam	5.050	7 September 2037	1,000,000,000
VX180072	DanaInfra Nasional Berhad	5.110	19 February 2038	1,500,000,000
MX180004	Malaysia Government Bond	4.893	8 June 2038	5,500,000,000
VX180298	Lembaga Pembiayaan Perumahan Sektor Awam	4.850	29 October 2038	900,000,000
GY190002	Malaysia Government Investment Issue	4.467	15 September 2039	4,500,000,000
VZ160031	Prasarana Malaysia Bhd	5.070	26 February 2041	755,000,000
VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26 July 2041	1,500,000,000
VZ160237	Jambatan Kedua Sdn Bhd	4.860	26 July 2041	900,000,000
(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VZ180073	DanaInfra Nasional Berhad	5.240	20 February 2043	1,000,000,000
	VZ180084	Prasarana Malaysia Bhd	5.250	6 March 2043	1,200,000,000
	MZ130007	Malaysia Government Bond	4.935	30 September 2043	6,500,000,000
	MZ160002	Malaysia Government Bond	4.736	15 March 2046	10,500,000,000
	VZ160131	DanaInfra Nasional Berhad	5.020	3 May 2046	1,000,000,000
	VZ160323	DanaInfra Nasional Berhad	4.950	19 October 2046	1,000,000,000
	GZ170004	Malaysia Government Investment Issue	4.895	8 May 2047	9,000,000,000
	VZ170250	Lembaga Pembiayaan Perumahan Sektor Awam	5.260	6 September 2047	1,000,000,000
	MZ180005	Malaysia Government Bond	4.921	6 July 2048	6,000,000,000
	VZ190028	DanaInfra Nasional Berhad	5.060	12 February 2049	1,000,000,000
	VZ190084	Lembaga Pembiayaan Perumahan Sektor Awam	4.800	9 April 2049	1,000,000,000
	GZ190005	Malaysia Government Investment Issue	4.638	15 November 2049	4,000,000,000
	<i>(Source: Markit Indices Limited)</i>				
Duration	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.				

Performance Benchmark	<p>Markit iBoxx® ABF Malaysia Bond Index</p> <p><i>“The iBoxx® ABF Malaysia (the “Index”) referenced herein is the property of Markit Indices GmbH (“Index Sponsor”) and has been licensed for use in connection with ABF Malaysia Bond Index Fund. Each party acknowledges and agrees that ABF Malaysia Bond Index Fund is not sponsored, endorsed or promoted by the Index Sponsor. The Index Sponsor makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index and/or the composition of the Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Index at any particular time on any particular date or otherwise. The Index Sponsor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Sponsor is under no obligation to advise the parties or any person of any error therein.</i></p> <p><i>The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling ABF Malaysia Bond Index Fund, the ability of the Index to track relevant markets’ performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Sponsor has no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. No party purchasing or selling ABF Malaysia Bond Index Fund, nor the Index Sponsor, shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Index.”</i></p>																																							
Income Distribution Policy	<p>Income distribution (if any) will be paid semi-annually.</p>																																							
Breakdown of Unit Holdings by Size	<p>For the financial period under review, the size of the Fund stood at 1,265,421,800 units.</p> <table border="1" data-bbox="336 1552 1445 2002"> <thead> <tr> <th rowspan="2">Size of holding</th> <th colspan="2">As at 30 June 2019</th> <th colspan="2">As at 31 December 2018</th> </tr> <tr> <th>No of units held</th> <th>Number of unitholders</th> <th>No of units held</th> <th>Number of unitholders</th> </tr> </thead> <tbody> <tr> <td>Less than 100</td> <td>200</td> <td>8</td> <td>200</td> <td>8</td> </tr> <tr> <td>100 – 1,000</td> <td>17,000</td> <td>33</td> <td>15,100</td> <td>30</td> </tr> <tr> <td>1,001 -10,000</td> <td>37,200</td> <td>10</td> <td>26,600</td> <td>7</td> </tr> <tr> <td>10,001 – 100,000</td> <td>309,100</td> <td>9</td> <td>184,800</td> <td>7</td> </tr> <tr> <td>100,001 to less than 5% of issue units</td> <td>20,150,430</td> <td>7</td> <td>40,287,230</td> <td>5</td> </tr> <tr> <td>5% and above of issue units</td> <td>1,244,907,870</td> <td>1</td> <td>1,197,407,870</td> <td>1</td> </tr> </tbody> </table>	Size of holding	As at 30 June 2019		As at 31 December 2018		No of units held	Number of unitholders	No of units held	Number of unitholders	Less than 100	200	8	200	8	100 – 1,000	17,000	33	15,100	30	1,001 -10,000	37,200	10	26,600	7	10,001 – 100,000	309,100	9	184,800	7	100,001 to less than 5% of issue units	20,150,430	7	40,287,230	5	5% and above of issue units	1,244,907,870	1	1,197,407,870	1
Size of holding	As at 30 June 2019		As at 31 December 2018																																					
	No of units held	Number of unitholders	No of units held	Number of unitholders																																				
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Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial period as at 30 June 2019 and five financial years as at 31 December are as follows:						
		As at 30-6-2019 %	FY 2018 %	FY 2017 %	FY 2016 %	FY 2015 %	FY 2014 %
	Corporate bonds	-	-	-	-	0.76	1.48
	Malaysian government bonds	96.66	98.33	95.33	95.16	90.57	78.21
	Quasi-government bonds	5.03	4.88	4.36	4.41	6.46	20.77
	Money market deposit	0.31	0.89	0.34	0.45	2.20	3.43
	Cash and others	-2.00	-4.10	-0.03	-0.02	0.01	-3.89
	Total	100.00	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 period ended 30 June 2019 and five financial years ended 31 December are as follows:					
		Half year ended 30-6-2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Net asset value (RM'000)		1,497,247	1,418,254	1,450,591*	1,442,325*	1,341,876	685,894
Units in circulation ('000)		1,265,422	1,237,922	1,265,422*	1,320,422*	1,265,422	660,422
Net asset value per unit (RM)		1.1832	1.1457	1.1463*	1.0923*	1.0604	1.0386
Highest net asset value per unit (RM)		1.2040	1.1916	1.1463*	1.1224*	1.0655	1.0841
Lowest net asset value per unit (RM)		1.470	1.1445	1.0921*	1.0599*	1.0323	1.0355
Closing quoted price (RM/unit)		1.1800	1.1860	1.1400*	1.1100*	1.0520	1.0350
Highest quoted price (RM/unit)		1.2050	1.1900	1.1400*	1.1240*	1.0680	1.0840
Lowest quoted price (RM/unit)		1.1000	1.1460	1.1000*	1.0520*	1.0300	1.0350
(Forward)							

	Half year ended 30-6-2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Benchmark performance (%)	5.45	4.21	5.06	3.46	4.12	3.79
Total return (%) ⁽¹⁾	5.31	4.01	4.94	3.01	3.74	3.98
- Capital growth (%)	3.28	-0.05	4.94	3.01	2.12	-1.70
- Income distribution (%)	2.03	4.06	-	-	1.62	5.68
Gross distribution (sen per unit)	2.33	4.65	-	-	1.68	6.00
Net distribution (sen per unit)	2.33	4.65	-	-	1.68	6.00
Distribution yield (%) ⁽²⁾	1.96	4.08	-	-	1.60	5.80
Management expense ratio (%) ⁽³⁾	0.16	0.17	0.17	0.18	0.16	0.18
Portfolio turnover ratio (times) ⁽⁴⁾	0.08	0.18	0.23	0.47	0.74	0.66

* Above price and net asset value per unit are not shown as ex-distribution.

Note:

- (1) Total return is the actual/annualised return of the Fund for the respective financial period/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 period/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 year ended 31 December 2018 mainly due to decrease 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 decreased by 0.10 times (55.6%) as compared to 0.18 times for the financial year ended 31 December 2018 mainly due to decrease in investing activities.*

(Forward)

Average Total Return (as at 30 June 2019)

	ABFMY1^(a) %	iBoxx Index^(b) %
One year	8.46	8.77
Three years	4.55	4.81
Five years	4.55	4.80
Ten years	4.10	4.35

Annual Total Return

Financial Years Ended (31 December)	ABFMY1^(a) %	iBoxx Index^(b) %
2018	4.01	4.21
2017	4.94	5.06
2016	3.01	3.46
2015	3.74	4.12
2014	3.98	3.79

(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

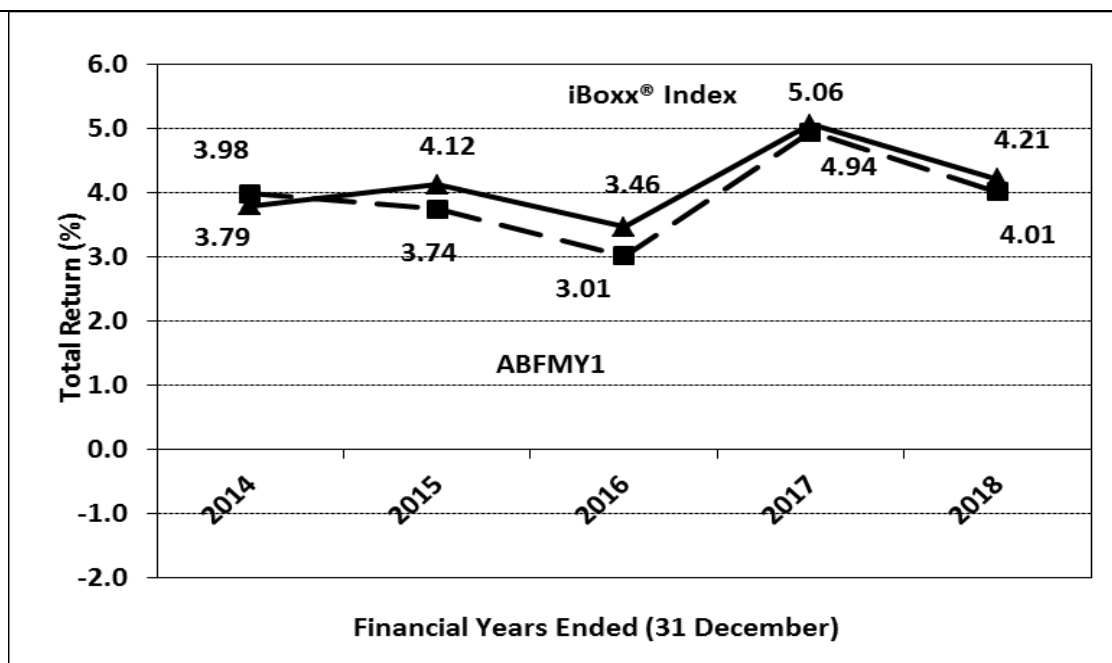
For the financial period under review, the Fund registered a return of 5.31% comprising of 3.28% capital growth and 2.03% income distribution.

Thus, the Fund’s return of 5.31% has underperformed the benchmark’s return of 5.45% by 0.14%.

As compared with the financial year ended 31 December 2018, the net asset value (“NAV”) per unit of the Fund increased by 3.27% from RM1.1457 to RM1.1832, while units in circulations increased by 2.22% from 1,237,921,800 units to 1,265,421,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 0.51% from RM1.1860 to RM1.1800.

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 period/year under review.

	As at 30-6-2019 %	As at 31-12-2018 %	Changes %
Malaysian government bonds	96.66	98.33	-1.67
Quasi-government bonds	5.03	4.88	0.15
Money market deposit	0.31	0.89	-0.58
Cash and others	-2.00	-4.10	2.10
Total	100.00	100.00	

There has been no significant change to the asset allocation since the last reporting period. Cash is negative because of dividend being declared but has yet to be paid out.

Cross Trade

There were no cross trades undertaken during the financial period under review.

Distribution/unit splits

During the financial period under review, the Fund declared income distributions, detailed as follows:

2.33 sen per unit income distribution	Change in the unit price prior and subsequent to the income distribution	Before income distribution on 24 June 2019 (RM)	After income distribution on 24 June 2019 (RM)
	Net asset value per unit	1.2032	1.1799

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

State of Affairs of the Fund	<p>There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial period under review.</p> <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>Inflation remained subdued in May 2019, rising 0.2% Year-On-Year (YoY), lower than consensus expectations of 0.3% YoY (April 2019: 0.2% YoY) in the absence of upward pressure from transport costs and disappointing food inflation despite Hari Raya Aidilfitri falling on 5 and 6 June this year. Headline foreign reserves remained stable at USD102.6b as at 14 June 2019 (31 May 2019: USD102.3b, 15 May 2019: USD102.8b) equivalent to a comfortable 7.2 months of retained imports but at a borderline 1.1x total short-term external debt. Detailed disclosure of Bank Negara Malaysia’s (BNM) reserve position show net short-position at 31 May 2019 at USD15.7 rising slightly from USD14.3 as at 30 April 2019 indicating some intervention to support the Malaysia Ringgit (MYR) in May 2019. Industrial production for April 2019 printed substantially better at 4.0% YoY than consensus expectations of 2.5% YoY (March 2019: 3.1% YoY), likely as trade war events during the period drove front-loading trade behavior that pulled forward orders for export-oriented manufacturers. The 2 largest contributors to manufacturing sector Gross Output Value in 2017 are Electrical & Electronics (E&E) sector at 28.4% and Petroleum & related sector at 25.7%.</p> <p>In the June Federal Open Market Committee (FOMC) meeting, in line with the market expectation, the Federal maintained its Federal Funds rate unchanged at 2.25% - 2.50%. However, given the increasing economic uncertainties and muted inflation pressures, the Federal indicated its readiness for interest rate cuts to sustain the economic expansion, with strong labour market and inflation of near 2%. US Treasury (UST) yield reaction was muted as yields had already been plummeting amid concerns over trade and geopolitical tensions.</p> <p>On the local front, Malaysian bond markets continued to rally in June, well supported by the domestic demand despite another month of foreign outflows. Foreign fund flows data for May 2019 showed an outflow of MYR4.28b from Malaysian Government Securities (MGS) & Government Investment Issue (GII) markets, slightly reducing the percentage of foreign holding to 21% in May 2019 (April 2019: 22%). The robust domestic demand was spurred by the bullish local sentiment apace with global yields racing to the bottom. The dovish Federal signaling potential rate cuts during the FOMC meeting had also added on to the rally. In addition, for the third consecutive month, headline inflation remained low and unchanged at 0.2% in May 2019 as transport inflation remained negative. Meanwhile, overall Industrial</p>

	<p>Production Index (IPI) grew 4% in April 2019 (March 2019: 3.1%). Separately, the World Bank revised its forecast for 2019 Malaysia Growth Domestic Product (GDP) growth from 4.7% to 4.6% due to weak external environment and ongoing trade tensions. Over the month, MYR rebounded against USD following the FOMC meeting with USD-MYR trading in the range of 4.182 to 4.132.</p> <p>The thirst for duration in the current low-yield environment has led to an astounding response to the reopening of 20-year GII 09/39 of issuance size MYR4b, which garnered a new high for Bid-to-Cover (BTC) of 4.27x. While the new 5-year MGS auction of issuance size MYR4b registered a BTC of 2.489x.</p>
Market Outlook	<p>We remain bullish on the Malaysian bond markets. We expect local bonds to continue rally in tandem with global bonds on the back of downward growth trajectory leading to higher tendency of easing by global central banks, scarcity of supply in local primary market and ample liquidity coupled with the low rates environment post Bank Negara Malaysia (BNM) rate cuts.</p>
Additional Information	<p>The following information has been updated in the Fourth Supplementary Prospectus dated 2 July 2019:</p> <ol style="list-style-type: none"> 1. Jeyaratnam A/L Tamotharam Pillai has been appointed as an Independent Non-Executive Chairman for AmFunds Management Berhad with effect from 1st April 2019.

Kuala Lumpur, Malaysia
AmFunds Management Berhad

13 August 2019

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		30-6-2019	31-12-2018
		(unaudited)	(audited)
	Note	RM	RM
ASSETS			
Investments	4	1,522,463,291	1,463,794,366
Deposit with financial institution	5	4,724,401	12,555,169
Cash at banks		1,928	1,352
		<u>1,527,189,620</u>	<u>1,476,350,887</u>
TOTAL ASSETS			
LIABILITIES			
Amount due to Manager	6	124,309	132,354
Amount due to Trustee	7	52,044	56,175
Amount due to index provider	8	196,173	243,246
Distribution payable		29,484,328	57,563,364
Sundry payables and accrued expenses		85,501	101,613
		<u>29,942,355</u>	<u>58,096,752</u>
TOTAL LIABILITIES			
EQUITY			
Unitholders' capital	10(a)	1,334,160,603	1,302,200,103
Retained earnings	10(b)(c)	163,086,662	116,054,032
		<u>1,497,247,265</u>	<u>1,418,254,135</u>
TOTAL EQUITY			
TOTAL EQUITY AND LIABILITIES			
		<u>1,527,189,620</u>	<u>1,476,350,887</u>
UNITS IN CIRCULATION			
	10(a)	<u>1,265,421,800</u>	<u>1,237,921,800</u>
NET ASSET VALUE PER UNIT			
– EX DISTRIBUTION		<u>118.32 sen</u>	<u>114.57 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 JANUARY 2019 TO 30 JUNE 2019

	Note	1-1-2019 to 30-6-2019 RM	1-1-2018 to 30-6-2018 RM
INVESTMENT INCOME			
Interest income		29,094,591	28,992,292
Net gain/(loss) from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>48,608,673</u>	<u>(13,324,496)</u>
Gross Income		<u>77,703,264</u>	<u>15,667,796</u>
EXPENDITURE			
Manager’s fee	6	(724,754)	(728,108)
Trustee’s fee	7	(362,377)	(364,053)
Licence fee	8	(83,192)	(84,586)
Auditors’ remuneration		(5,567)	(5,336)
Tax agent’s fee		(2,010)	(2,044)
Other expenses		<u>(8,406)</u>	<u>(66,146)</u>
Total Expenditure		<u>(1,186,306)</u>	<u>(1,250,273)</u>
NET INCOME BEFORE TAX		76,516,958	14,417,523
LESS: INCOME TAX	12	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		76,516,958	14,417,523
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>76,516,958</u></u>	<u><u>14,417,523</u></u>
Total comprehensive income comprises the following:			
Realised income		27,944,366	27,831,448
Unrealised gain/(loss)		<u>48,572,592</u>	<u>(13,413,925)</u>
		<u><u>76,516,958</u></u>	<u><u>14,417,523</u></u>
Distribution for the financial period:			
Net distribution	13	<u><u>29,484,328</u></u>	<u><u>-</u></u>
Gross/Net distribution per unit (sen)	13	<u><u>2.33</u></u>	<u><u>-</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 JANUARY 2019 TO 30 JUNE 2019**

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 January 2018		1,334,273,353	116,317,731	1,450,591,084
Total comprehensive income for the financial period		-	14,417,523	14,417,523
Balance at 30 June 2018		<u>1,334,273,353</u>	<u>130,735,254</u>	<u>1,465,008,607</u>
At 1 January 2019		1,302,200,103	116,054,032	1,418,254,135
Total comprehensive income for the financial period		-	76,516,958	76,516,958
Creation of units	10(a)	31,960,500	-	31,960,500
Distribution	13	-	(29,484,328)	(29,484,328)
Balance at 30 June 2019		<u>1,334,160,603</u>	<u>163,086,662</u>	<u>1,497,247,265</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 JANUARY 2019 TO 30 JUNE 2019**

	1-1-2019 to 30-6-2019 RM	1-1-2018 to 30-6-2018 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	115,098,400	95,329,500
Interest received	28,623,031	29,226,519
Manager's fee paid	(732,799)	(722,256)
Trustee's fee paid	(366,508)	(363,434)
Licence fee paid	(138,893)	-
Tax agent's fee paid	(4,100)	-
Payments for other expenses	(19,367)	(84,243)
Purchase of investments	<u>(124,687,092)</u>	<u>(125,156,500)</u>
Net cash generated from/(used in) operating and investing activities	<u>17,772,672</u>	<u>(1,770,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	31,960,500	-
Distributions paid	<u>(57,563,364)</u>	<u>-</u>
Net cash used in financing activities	<u>(25,602,864)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,830,192)	(1,770,414)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>12,556,521</u>	<u>4,872,917</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>4,726,329</u></u>	<u><u>3,102,503</u></u>
Cash and cash equivalents comprise:		
Deposit with financial institution	4,724,401	3,100,293
Cash at banks	<u>1,928</u>	<u>2,210</u>
	<u><u>4,726,329</u></u>	<u><u>3,102,503</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.

Adoption of new standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards which became effective for the first time on 1 January 2018:

MFRS 9 Financial Instruments

MFRS 15 Revenue From Contracts With Customers

The adoption of these new standards did not have any material impact on the financial statements of the Fund except for those arising from the adoption of MFRS 9 as disclosed below. Other than the adoption of new accounting policies for financial instruments as disclosed below, the Fund did not change its accounting policies or make retrospective adjustments as a result of adopting the new standards.

MFRS 9 Financial Instruments

MFRS 9 replaces the provisions of MFRS 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transitional provision of MFRS 9, comparative information has not been restated. The impact arising from the adoption of MFRS 9 is as follows:

(i) *Classification and measurement*

MFRS 9 requires all financial assets, other than equity instruments and derivatives, to be classified on the basis of two criteria, namely the entity's business model for managing the assets, as well as the instruments' contractual cash flow characteristics. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. If the financial assets are held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, the assets are measured at fair value through other comprehensive income ("FVOCI"). Any financial assets that are not measured at amortised cost or FVOCI are measured at fair value through profit or loss ("FVTPL"). Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Upon the adoption of MFRS 9 on 1 January 2018, the Fund's investments in debt securities continue to be measured at FVTPL.

There is no impact on the Fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Fund does not have any such liabilities.

(ii) *Impairment*

The loan loss impairment methodology is fundamentally changed under MFRS 9 as it replaces MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The impairment requirements based on ECL approach is applicable for debt financial assets not held at FVTPL. The allowance for expected losses are determined based on the expected credit losses associated with the probability of default ("PD") in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the lifetime of the asset.

The Fund has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Fund has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between the contractual cash flows that are due to the Fund under the contract and the cash flows that the Fund expect to receive, discounted at the effective interest rate of the financial asset.

There was no ECL impact on the Fund's financial assets at amortised cost upon the adoption of MFRS 9 on 1 January 2018 or during the current financial period.

3. SUMMARY OF 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.

(i) Interest income

For all interest-bearing financial assets, interest income is calculated using the effective interest method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Gain or loss on disposal of investments

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.

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 – initial recognition and measurement

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

(ii) Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Fund immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in profit or loss provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

Financial assets - classification and subsequent measurement

The classification and subsequent measurement of debt instruments held by the Fund are determined based on their business model and cash flow characteristics.

Business model

The business model reflects how the Fund manages the financial assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Fund in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Fund assesses whether the financial assets contractual cash flows represent solely payment of principal and interest (“SPPI”). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Financial instruments under MFRS 9

(i) Classification and measurement

The classification of financial assets depends on the Fund’s business model of managing the financial assets in order to generate cash flows (“business model test”) and the contractual cash flow characteristics of the financial instruments (“SPPI test”). The business model test determines whether cash flow will result from collecting contractual cash flows, selling the financial assets, or both and the assessment is performed on a portfolio basis. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest and the assessment is performed on a financial instrument basis.

The Fund may classify its financial assets under the following categories:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category deposits with financial institutions, cash at banks, amount due from brokers/financial institutions, amount due from the Manager and other receivables.

Financial assets at FVOCI

A financial asset is measured at fair value through other comprehensive income (“FVOCI”) if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are initially recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

Financial assets at FVTPL

Any financial assets that are not measured at amortised cost or FVOCI are measured at fair value to profit or loss (“FVTPL”). 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 FVTPL”. Interest earned element of such instrument is recorded separately in “Interest income”. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gain or net loss on changes in fair value of financial assets at FVTPL.

Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL, nevertheless, the Fund is allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

Financial liabilities - classification and subsequent measurement

Financial liabilities issued by the Fund are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder. After initial measurement, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition of financial instruments

(i) Derecognition of financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
 - the Fund has transferred substantially all the risks and rewards of the asset, or
 - the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Derecognition of financial liability

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

Financial instruments - expected credit losses

The Fund assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its financial assets at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL in respect of financial assets at amortised cost, if any, is recognised in profit or loss.

Financial assets together with the associated allowance are written off when it has exhausted all practical recovery efforts and there is no realistic prospect of future recovery. The Fund may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

Determination of fair value

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. The difference between cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gains or losses recognised in profit or loss are not distributable in nature.

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

	30-6-2019	31-12-2018
	RM	RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	66,000,000	65,000,000
Malaysian Government Securities	777,500,000	775,000,000
Government Investment Issues	<u>613,500,000</u>	<u>608,500,000</u>
	<u>1,457,000,000</u>	<u>1,448,500,000</u>
At fair value:		
Quasi-Government Bonds	75,284,697	69,243,465
Malaysian Government Securities	806,314,173	779,002,874
Government Investment Issues	<u>640,864,421</u>	<u>615,548,027</u>
	<u>1,522,463,291</u>	<u>1,463,794,366</u>

Details of investments as at 30 June 2019 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						
09.04.2020	Danga Capital Berhad	AAA	6,000,000	6,076,252	6,060,564	0.41
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,578,849	10,296,977	0.71
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,569,353	5,213,659	0.37
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	41,748,131	38,513,330	2.79
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	11,312,112	10,518,061	0.75
			<u>66,000,000</u>	<u>75,284,697</u>	<u>70,602,591</u>	<u>5.03</u>

(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						
31.07.2020	Government of Malaysia	NR	10,000,000	10,234,845	10,196,018	0.68
15.10.2020	Government of Malaysia	NR	27,500,000	27,862,825	27,707,477	1.85
15.02.2021	Government of Malaysia	NR	10,000,000	10,158,790	10,141,087	0.68
15.07.2021	Government of Malaysia	NR	10,000,000	10,358,238	10,298,001	0.69
30.09.2021	Government of Malaysia	NR	30,000,000	30,780,549	30,415,711	2.06
30.11.2021	Government of Malaysia	NR	37,500,000	37,868,813	37,953,964	2.53
10.03.2022	Government of Malaysia	NR	30,000,000	30,778,779	30,433,315	2.06
15.08.2022	Government of Malaysia	NR	20,000,000	20,275,795	20,038,144	1.35
30.09.2022	Government of Malaysia	NR	42,500,000	43,449,134	42,603,797	2.90
20.04.2023	Government of Malaysia	NR	35,000,000	35,677,517	35,181,788	2.38
17.08.2023	Government of Malaysia	NR	30,000,000	30,836,126	30,135,699	2.06
15.07.2024	Government of Malaysia	NR	40,000,000	42,030,282	40,798,663	2.81
30.09.2024	Government of Malaysia	NR	30,000,000	31,125,610	30,571,218	2.08
14.03.2025	Government of Malaysia	NR	20,000,000	20,575,747	20,250,507	1.37
15.09.2025	Government of Malaysia	NR	30,000,000	31,009,047	30,012,234	2.07
15.04.2026	Government of Malaysia	NR	30,000,000	31,679,058	31,144,397	2.12
15.07.2026	Government of Malaysia	NR	15,000,000	15,595,029	15,447,170	1.04
30.11.2026	Government of Malaysia	NR	30,000,000	30,602,705	30,698,948	2.04
15.03.2027	Government of Malaysia	NR	10,000,000	10,241,006	10,220,476	0.68
16.11.2027	Government of Malaysia	NR	30,000,000	30,635,854	30,104,229	2.05

(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 (cont'd)						
15.06.2028	Government of Malaysia	NR	40,000,000	40,217,117	38,349,280	2.69
15.08.2029	Government of Malaysia	NR	20,000,000	20,684,569	20,407,583	1.38
15.04.2030	Government of Malaysia	NR	27,500,000	29,470,389	27,540,608	1.97
30.06.2031	Government of Malaysia	NR	30,000,000	31,757,262	30,374,996	2.12
15.04.2033	Government of Malaysia	NR	30,000,000	29,944,642	28,886,889	2.00
07.11.2033	Government of Malaysia	NR	22,500,000	24,358,849	22,862,828	1.63
31.05.2035	Government of Malaysia	NR	10,000,000	10,292,266	9,612,825	0.68
07.04.2037	Government of Malaysia	NR	10,000,000	10,951,658	10,237,935	0.73
08.06.2038	Government of Malaysia	NR	20,000,000	22,188,315	20,295,283	1.48
30.09.2043	Government of Malaysia	NR	20,000,000	22,098,651	20,701,187	1.48
15.03.2046	Government of Malaysia	NR	20,000,000	21,392,839	20,614,553	1.43
06.07.2048	Government of Malaysia	NR	10,000,000	11,181,867	10,275,251	0.75
			<u>777,500,000</u>	<u>806,314,173</u>	<u>784,512,061</u>	<u>53.84</u>

Government Investment Issues

15.05.2020	Government of Malaysia	NR	10,000,000	10,075,728	10,049,700	0.67
27.08.2020	Government of Malaysia	NR	35,000,000	35,600,364	35,389,793	2.38
23.03.2021	Government of Malaysia	NR	30,000,000	30,514,076	30,128,592	2.04
30.04.2021	Government of Malaysia	NR	10,000,000	10,222,410	10,176,051	0.68
26.08.2021	Government of Malaysia	NR	16,000,000	16,342,186	16,277,198	1.09
31.03.2022	Government of Malaysia	NR	20,000,000	20,375,867	20,108,137	1.36

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues (cont'd)						
14.04.2022	Government of Malaysia	NR	25,000,000	25,559,951	25,370,533	1.71
15.07.2022	Government of Malaysia	NR	30,000,000	31,119,489	30,551,881	2.08
07.07.2023	Government of Malaysia	NR	20,000,000	21,089,597	20,655,175	1.41
31.10.2023	Government of Malaysia	NR	10,000,000	10,068,044	9,789,653	0.67
30.11.2023	Government of Malaysia	NR	20,000,000	20,570,886	20,217,970	1.37
22.05.2024	Government of Malaysia	NR	20,000,000	20,929,831	20,291,056	1.40
15.08.2024	Government of Malaysia	NR	30,000,000	31,094,196	30,453,251	2.08
15.10.2024	Government of Malaysia	NR	10,000,000	10,159,290	10,090,292	0.68
15.08.2025	Government of Malaysia	NR	25,000,000	26,102,844	25,450,248	1.74
15.10.2025	Government of Malaysia	NR	32,500,000	33,510,939	31,829,848	2.24
31.03.2026	Government of Malaysia	NR	10,000,000	10,168,954	10,063,601	0.68
30.09.2026	Government of Malaysia	NR	25,000,000	25,961,472	25,609,628	1.73
15.06.2027	Government of Malaysia	NR	20,000,000	20,353,388	20,202,304	1.36
26.07.2027	Government of Malaysia	NR	20,000,000	21,172,283	20,630,112	1.41
31.10.2028	Government of Malaysia	NR	30,000,000	31,817,201	30,521,887	2.13
06.12.2028	Government of Malaysia	NR	10,000,000	11,013,775	10,287,474	0.74
09.07.2029	Government of Malaysia	NR	15,000,000	15,861,887	15,387,494	1.06
30.09.2030	Government of Malaysia	NR	30,000,000	31,560,859	30,982,589	2.11
15.06.2033	Government of Malaysia	NR	20,000,000	21,703,440	20,275,382	1.45
30.08.2033	Government of Malaysia	NR	30,000,000	32,483,728	30,340,524	2.17

(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 (cont'd)						
31.10.2035	Government of Malaysia	NR	20,000,000	21,935,065	20,797,552	1.47
04.08.2037	Government of Malaysia	NR	10,000,000	11,047,463	10,174,563	0.74
15.09.2039	Government of Malaysia	NR	10,000,000	10,652,669	10,257,348	0.71
08.05.2047	Government of Malaysia	NR	20,000,000	21,796,539	20,550,763	1.46
			<u>613,500,000</u>	<u>640,864,421</u>	<u>622,910,599</u>	<u>42.82</u>
Total financial assets at FVTPL			<u>1,457,000,000</u>	<u>1,522,463,291</u>	<u>1,478,025,251</u>	<u>101.69</u>
Excess of fair value over cost				<u>44,438,040</u>		

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

	Effective yield*	
	30-6-2019	31-12-2018
	%	%
Quasi-Government Bonds	4.12	4.75
Malaysian Government Securities	3.61	4.03
Government Investment Issues	<u>3.60</u>	<u>4.03</u>

* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 30 June 2019 and 31 December 2018 are as follows:

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
30-6-2019			
At nominal value:			
Quasi-Government Bonds	6,000,000	-	60,000,000
Malaysian Government Securities	-	282,500,000	495,000,000
Government Investment Issues	<u>10,000,000</u>	<u>236,000,000</u>	<u>367,500,000</u>

(Forward)

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
31-12-2018			
At nominal value:			
Quasi-Government Bonds	5,000,000	-	60,000,000
Malaysian Government Securities	-	317,500,000	457,500,000
Government Investment Issues	-	271,000,000	337,500,000
	<u>5,000,000</u>	<u>588,500,000</u>	<u>835,000,000</u>

5. DEPOSIT WITH FINANCIAL INSTITUTION

	30-6-2019 RM	31-12-2018 RM
At nominal value:		
Short-term deposit with licensed bank	<u>4,724,000</u>	<u>12,554,000</u>
At carrying value:		
Short-term deposit with licensed bank	<u>4,724,401</u>	<u>12,555,169</u>

Details of deposit with financial institution as at 30 June 2019 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					
01.07.2019	Public Bank Berhad	4,724,000	4,724,401	4,724,000	0.31

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

	Weighted average effective interest rate		Remaining maturity	
	30-6-2019 %	31-12-2018 %	30-6-2019 Day	31-12-2018 Days
Short-term deposit with licensed bank	<u>3.10</u>	<u>3.40</u>	<u>1</u>	<u>2</u>

6. AMOUNT DUE TO MANAGER

Manager's fee is at a rate of 0.10% (2018: 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

Trustee's fee is at a rate of 0.05% (2018: 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/(LOSS) FROM INVESTMENTS

	1-1-2019 to 30-6-2019 RM	1-1-2018 to 30-6-2018 RM
Net gain/(loss) on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	36,081	89,429
– Net unrealised gain/(loss) on changes in fair values of investments	48,572,592	(13,413,925)
	<u>48,608,673</u>	<u>(13,324,496)</u>

10. TOTAL EQUITY

Total equity is represented by:

	Note	30-6-2019 RM	31-12-2018 RM
Unitholders' capital	(a)	1,334,160,603	1,302,200,103
Retained earnings			
– Realised income	(b)	118,648,622	120,188,584
– Unrealised gain/(loss)	(c)	44,438,040	(4,134,552)
		<u>1,497,247,265</u>	<u>1,418,254,135</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	30-6-2019		31-12-2018	
	Number of units	RM	Number of units	RM
At beginning of the financial period/year	1,237,921,800	1,302,200,103	1,265,421,800	1,334,273,353
Creation during the financial period/year	27,500,000	31,960,500	-	-
Cancellation during the financial period/year	-	-	(27,500,000)	(32,073,250)
At end of the financial period/year	<u>1,265,421,800</u>	<u>1,334,160,603</u>	<u>1,237,921,800</u>	<u>1,302,200,103</u>

(b) REALISED – DISTRIBUTABLE

	30-6-2019 RM	31-12-2018 RM
At beginning of the financial period/year	120,188,584	121,448,301
Total comprehensive income for the financial period/year	76,516,958	57,299,665
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 10(c)]	(48,572,592)	(996,018)
Distributions out of realised reserve	(29,484,328)	(57,563,364)
Net decrease in realised reserve for the financial period/year	<u>(1,539,962)</u>	<u>(1,259,717)</u>
At end of the financial period/year	<u>118,648,622</u>	<u>120,188,584</u>

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

	30-6-2019	31-12-2018
	RM	RM
At beginning of the financial period/year	(4,134,552)	(5,130,570)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 10(b)]	48,572,592	996,018
At end of the financial period/year	<u>44,438,040</u>	<u>(4,134,552)</u>

11. UNITS HELD BY RELATED PARTIES

	30-6-2019		31-12-2018	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	<u>19,043,430</u>	<u>22,471,247</u>	<u>39,613,930</u>	<u>46,982,121</u>

* The financial institution related to the Manager is the legal and beneficial owner of the units. The Manager did not hold any units in the Fund as at 30 June 2019 and 31 December 2018.

12. 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:

	1-1-2019 to 30-6-2019	1-1-2018 to 30-6-2018
	RM	RM
Net income before tax	<u>76,516,958</u>	<u>14,417,523</u>
Taxation at Malaysian statutory rate of 24% (2018 : 24%)	18,364,070	3,460,205
Tax effects of:		
Income not subject to tax	(18,648,783)	(7,611,170)
Loss not deductible for tax purposes	-	3,850,899
Restriction on tax deductible expenses for exchange traded funds	157,935	158,563
Non-permitted expenses for tax purposes	109,230	123,885
Permitted expenses not used and not available for future financial periods	<u>17,548</u>	<u>17,618</u>
Tax expense for the financial periods	<u>-</u>	<u>-</u>

13. DISTRIBUTION

Distribution to unitholders declared on 24 June 2019 is from the following sources:

	1-1-2019 to 30-6-2019 RM	1-1-2018 to 30-6-2018 RM
Interest income	29,094,591	-
Net realised gain on sale of investments	36,081	-
	<u>29,130,672</u>	<u>-</u>
Less: Expenses	(1,186,306)	-
	<u>27,944,366</u>	<u>-</u>
Realised income for the financial period	27,944,366	-
Previous year's undistributed realised income	120,188,584	-
	<u>148,132,950</u>	<u>-</u>
Total realised income available for distribution	148,132,950	-
Less : Declared income distribution	(29,484,328)	-
	<u>118,648,622</u>	<u>-</u>
Balance undistributed realised income	<u>118,648,622</u>	<u>-</u>
Gross/net distribution per unit (sen)	<u>2.33</u>	<u>-</u>
Cum-Distribution		
Net Asset Value (NAV)	1,522,585,951	-
NAV per unit	<u>120.32 sen</u>	<u>-</u>
Ex-Distribution		
Net Asset Value (NAV)	1,494,641,585	-
NAV per unit	<u>117.99 sen</u>	<u>-</u>

Included in the distribution for the financial period ended 30 June 2019 was RM1,539,962 distributed from previous financial period's realised income.

14. MANAGEMENT EXPENSE RATIO ("MER")

The Fund's MER is as follows:

	1-1-2019 to 30-6-2019 % p.a.	1-1-2018 to 30-6-2018 % 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
	<u>0.16</u>	<u>0.17</u>
Total MER	<u>0.16</u>	<u>0.17</u>

* represent 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.

15. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.08 times (2018: 0.07 times).

16. 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.

17. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

Details of transactions with financial institutions for the financial period ended 30 June 2019 are as follows:

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	100,862,786	42.60
Standard Chartered Bank Malaysia Berhad	76,960,161	32.51
AmBank (M) Berhad*	58,924,574	24.89
Total	<u>236,747,521</u>	<u>100.00</u>

* A 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. Transactions in these investments do not involve any commission or brokerage.

18. 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	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 June 2019				
Assets				
Investments	1,522,463,291	-	-	1,522,463,291
Deposit with financial institution	-	4,724,401	-	4,724,401
Cash at banks	-	1,928	-	1,928
Total financial assets	<u>1,522,463,291</u>	<u>4,726,329</u>	<u>-</u>	<u>1,527,189,620</u>

Liabilities				
Amount due to Manager	-	-	124,309	124,309
Amount due to Trustee	-	-	52,044	52,044
Amount due to index provider	-	-	196,173	196,173
Distribution payable	-	-	29,484,328	29,484,328
Sundry payables and accrued expenses	-	-	85,501	85,501
Total financial liabilities	<u>-</u>	<u>-</u>	<u>29,942,355</u>	<u>29,942,355</u>

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31 December 2018				
Assets				
Investments	1,463,794,366	-	-	1,463,794,366
Deposit with financial institution	-	12,555,169	-	12,555,169
Cash at banks	-	1,352	-	1,352
Total financial assets	<u>1,463,794,366</u>	<u>12,556,521</u>	<u>-</u>	<u>1,476,350,887</u>
Liabilities				
Amount due to Manager	-	-	132,354	132,354
Amount due to Trustee	-	-	56,175	56,175
Amount due to index provider	-	-	243,246	243,246
Distribution payable	-	-	57,563,364	57,563,364
Sundry payables and accrued expenses	-	-	101,613	101,613
Total financial liabilities	<u>-</u>	<u>-</u>	<u>58,096,752</u>	<u>58,096,752</u>

	Income, expense, gains and losses	
	1-1-2019 to 30-6-2019	1-1-2018 to 30-6-2018
	RM	RM
Net gain/(loss) from financial assets at FVTPL	48,608,673	(13,324,496)
Income, of which derived from:		
– Interest income from financial assets at FVTPL	28,950,106	28,800,184
– Interest income from financial assets/loans and receivables at amortised cost	<u>144,485</u>	<u>192,108</u>

(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 June 2019				
Financial assets at FVTPL	-	1,522,463,291	-	<u>1,522,463,291</u>
31 December 2018				
Financial assets at FVTPL	-	1,463,794,366	-	<u>1,463,794,366</u>

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

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

- Deposit with financial institution
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distribution payable
- 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.

19. 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	
	30-6-2019 RM	31-12-2018 RM
+100 bps	(91,186,504)	(84,183,478)
-100 bps	<u>101,865,764</u>	<u>93,641,835</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 can invest up to 100% of net asset value 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 2019 and 31 December 2018:

Credit rating	RM	As a % of debt securities	As a % of net asset value
30-6-2019			
AAA	6,076,252	0.40	0.41
NR*	1,516,387,039	99.60	101.28
	<u>1,522,463,291</u>	<u>100.00</u>	<u>101.69</u>
31-12-2018			
NR*	<u>1,463,794,366</u>	<u>100.00</u>	<u>103.21</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 2019 and 31 December 2018:

Credit rating	RM	As a % of deposits	As a % of net asset value
30-6-2019			
P1/MARC-1	<u>4,724,401</u>	<u>100.00</u>	<u>0.31</u>
31-12-2018			
P1/MARC-1	<u>12,555,169</u>	<u>100.00</u>	<u>0.89</u>

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

(ii) **Credit risk concentration**

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 30 June 2019 and 31 December 2018:

Sector	RM	As a % of debt securities	As a % of net asset value
30-6-2019			
Diversified holdings	6,076,252	0.40	0.41
Public finance	1,488,926,725	97.80	99.45
Transportation	27,460,314	1.80	1.83
	<u>1,522,463,291</u>	<u>100.00</u>	<u>101.69</u>
31-12-2018			
Public finance	1,432,886,111	97.89	101.03
Transportation	30,908,255	2.11	2.18
	<u>1,463,794,366</u>	<u>100.00</u>	<u>103.21</u>

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

Liquidity risk

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

Objectives and assumptions

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

(i) For bonds

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

Cash received from bonds are calculated as follows:

\$ = cash received

R = coupon rate p.a.

F = coupon frequency

- For zero coupon bonds, $F = 0$
At maturity: $\$ = \text{Nominal}$
- For $F > 0$
Before maturity: coupon payment, $\$ = \text{Nominal} * (R/F)$
At maturity: maturity payment, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

(ii) For money market instruments and deposits

The nominal amount and interest will be paid at maturity date. Cash received are calculated as follows:

\$ = cash received

R = interest rate p.a.

F = time to maturity (days)

At maturity: $\$ = \text{Nominal} + (\text{Nominal} * R * F / 365)$

The following table presents the undiscounted contractual cash flows from different asset and liability classes in the Fund:

	Contractual cash flows (undiscounted)					
	0 – 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	More than 5 years RM
30-6-2019						
Financial assets						
Investments	77,047,804	180,947,732	221,544,543	174,445,148	141,625,011	1,205,404,497

(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
30-6-2019						
Financial assets						
Deposit with financial institution	4,725,204	-	-	-	-	-
Cash at banks	1,928	-	-	-	-	-
Total assets	81,774,936	180,947,732	221,544,543	174,445,148	141,625,011	1,205,404,497
Financial liabilities						
Other liabilities	29,942,355	-	-	-	-	-
31-12-2018						
Financial assets						
Investments	64,489,778	220,122,819	196,060,105	218,177,675	150,840,428	1,127,377,407
Deposits with financial institutions	12,556,339	-	-	-	-	-
Cash at banks	1,352	-	-	-	-	-
Total assets	77,047,469	220,122,819	196,060,105	218,177,675	150,840,428	1,127,377,407
Financial liabilities						
Other liabilities	58,096,752	-	-	-	-	-

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.

20. 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 2019 and 30 June 2018.

ABF Malaysia Bond Index Fund

STATEMENT BY THE MANAGER

I, **GOH WEE PENG**, for and on behalf of the Manager, AmFunds Management Berhad, for **ABF Malaysia Bond Index Fund** do hereby state that in the opinion of the Manager, the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and the accompanying notes are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 30 June 2019 and the comprehensive income, the changes in equity and cash flows of the Fund for the half year then ended.

GOH WEE PENG

For and on behalf of the Manager
AmFunds Management Berhad

Kuala Lumpur, Malaysia
13 August 2019

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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.)*