

ABF Malaysia Bond Index Fund

Semi-Annual Report

30 June 2021

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
Tai Terk Lin
Dato' Mustafa Bin Mohd Nor
Jas Bir Kaur A/P Lol Singh
Ng Chih Kaye
Goh Wee Peng

Investment Committee

Jas Bir Kaur A/P Lol Singh
Dato' Mustafa Bin Mohd Nor
Tai Terk Lin
Zainal Abidin Bin Mohd Kassim
Izad Shahadi Bin Mohd Sallehuddin
Goh Wee Peng

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young PLT

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
Fax: 03-2031 5210
E-mail: enquiries@aminvest.com
Website: www.aminvest.com

Secretaries

Koh Suet Peng (MAICSA 7019861)
Loh Saw Kim (MAICSA 7061471)
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: 03-8894 2611

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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 2021 to 30 June 2021.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund ("Fund")				
Category/ Type	Fixed Income ETF/ Income				
Objective	<p>The investment objective of the Fund is to achieve a total return for the Fund Assets that closely tracks the total return of the benchmark.</p> <p><i>Note: Any material change to the Fund's investment objective will require the Unit Holder's approval by way of a resolution of not less than two-thirds of all Unit Holders at a meeting of Unit Holders duly convened and held in accordance with the Deed.</i></p>				
Index Component	Details of the index component as at 30 June 2021 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	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
	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

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
MN130003	Malaysia Government Bond	3.480	15 March 2023	19,420,000,000
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
GH190007	Malaysia Government Investment Issue	3.151	15 May 2023	13,000,000,000
VI180192	Cagamas Berhad	4.500	25 May 2023	1,500,000,000
GL160001	Malaysia Government Investment Issue	4.390	7 July 2023	10,500,000,000
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
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
MI190003	Malaysia Government Bond	3.478	14 June 2024	12,000,000,000
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

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
VN140223	Bank Pembangunan Malaysia Berhad	4.380	12 September 2024	500,000,000
ML170002	Malaysia Government Bond	4.059	30 September 2024	11,000,000,000
GJ190004	Malaysia Government Investment Issue	3.655	15 October 2024	10,500,000,000
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	27,172,200,000
VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
GO150004	Malaysia Government Investment Issue	3.990	15 October 2025	10,500,000,000
GK190003	Malaysia Government Investment Issue	3.726	31 March 2026	17,000,000,000
MS110003	Malaysia Government Bond	4.392	15 April 2026	11,274,330,000
ML190001	Malaysia Government Bond	3.906	15 July 2026	10,500,000,000
VN160235	Jambatan Kedua Sdn Bhd	4.200	28 July 2026	1,000,000,000
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

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	17,000,000,000
VK200085	Pengurusan Air SPV Berhad	3.320	4 June 2027	850,000,000
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
GL200001	Malaysia Government Investment Issue	3.422	30 September 2027	16,000,000,000
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
VK210002	Danga Capital Bhd	2.960	25 January 2028	1,500,000,000
MS130005	Malaysia Government Bond	3.733	15 June 2028	19,500,000,000
GT130001	Malaysia Government Investment Issue	3.871	8 August 2028	3,000,000,000
MX080003	Malaysia Government Bond	5.248	15 September 2028	3,840,000,000
GO180002	Malaysia Government Investment Issue	4.369	31 October 2028	12,000,000,000

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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	12,000,000,000
MO190002	Malaysia Government Bond	3.885	15 August 2029	20,500,000,000
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
GT150003	Malaysia Government Investment Issue	4.245	30 September 2030	7,000,000,000
GO200002	Malaysia Government Investment Issue	3.465	15 October 2030	18,500,000,000
MO200002	Malaysia Government Bond	2.632	15 April 2031	9,000,000,000
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	3,584,538,000

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
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
VS190049	Perbadanan Tabung Pendidikan Tinggi Nasional	4.580	28 February 2034	1,600,000,000
MS190004	Malaysia Government Bond	3.828	5 July 2034	18,500,000,000
VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
GT190006	Malaysia Government Investment Issue	4.119	30 November 2034	20,000,000,000
VS200011	Danum Capital Bhd	3.420	21 February 2035	1,500,000,000
MY150004	Malaysia Government Bond	4.254	31 May 2035	12,108,000,000
GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	7,000,000,000

Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
GT210001	Malaysia Government Investment Issue	3.447	15 July 2036	9,000,000,000
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
VX180072	DanaInfra Nasional Berhad	5.110	19 February 2038	1,500,000,000
MX180004	Malaysia Government Bond	4.893	8 June 2038	9,500,000,000
GY190002	Malaysia Government Investment Issue	4.467	15 September 2039	20,800,000,000
VX200015	Prasarana Malaysia Bhd	3.440	24 February 2040	1,000,000,000
MY190005	Malaysia Government Bond	3.757	22 May 2040	17,200,000,000
VY190174	Lembaga Pembiayaan Perumahan Sektor Awam	3.690	18 September 2040	1,300,000,000
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
GY210002	Malaysia Government Investment Issue	4.417	30 September 2041	4,000,000,000
VY200299	Lembaga Pembiayaan Perumahan Sektor Awam	3.820	6 November 2041	1,500,000,000
VZ200300	Lembaga Pembiayaan Perumahan Sektor Awam	3.870	6 November 2042	1,450,000,000
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

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	MZ130007	Malaysia Government Bond	4.935	30 September 2043	7,728,460,000
	VZ200301	Lembaga Pembiayaan Perumahan Sektor Awam	3.910	6 November 2043	1,350,000,000
	MZ160002	Malaysia Government Bond	4.736	15 March 2046	10,500,000,000
	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
	MZ180005	Malaysia Government Bond	4.921	6 July 2048	10,940,000,000
	VZ190028	Danainfra Nasional Berhad	5.060	12 February 2049	1,000,000,000
	GZ190005	Malaysia Government Investment Issue	4.638	15 November 2049	15,500,000,000
	VZ200016	Prasarana Malaysia Bhd	3.800	25 February 2050	1,000,000,000
	MZ200001	Malaysia Government Bond	4.065	15 June 2050	13,000,000,000
	VZ200201	Danainfra Nasional Berhad	4.010	23 September 2050	1,200,000,000
	<i>(Source: Markit Indices Limited)</i>				
Duration	The Fund was established on 13 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 (“iBoxx Index”) (Available at www.aminvest.com) <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</i>				

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.

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.

Income Distribution Policy	Income distribution, if any, will be on a semi-annual basis.
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Breakdown of Unit Holdings by Size	For the financial period under review, the size of the Fund stood at 1,347,921,800 units.																																							
	<table border="1"> <thead> <tr> <th rowspan="2">Size of holding</th> <th colspan="2">As at 30 June 2021</th> <th colspan="2">As at 31 December 2020</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>217</td> <td>10</td> <td>217</td> <td>10</td> </tr> <tr> <td>100 - 1,000</td> <td>44,583</td> <td>97</td> <td>34,983</td> <td>70</td> </tr> <tr> <td>1,001 - 10,000</td> <td>259,600</td> <td>64</td> <td>201,400</td> <td>44</td> </tr> <tr> <td>10,001 - 100,000</td> <td>629,200</td> <td>19</td> <td>602,600</td> <td>17</td> </tr> <tr> <td>100,001 to less than 5% of issue units</td> <td>17,280,330</td> <td>9</td> <td>15,274,730</td> <td>9</td> </tr> <tr> <td>5% and above of issue units</td> <td>1,329,707,870</td> <td>1</td> <td>1,304,307,870</td> <td>1</td> </tr> </tbody> </table>	Size of holding	As at 30 June 2021		As at 31 December 2020		No of units held	Number of unitholders	No of units held	Number of unitholders	Less than 100	217	10	217	10	100 - 1,000	44,583	97	34,983	70	1,001 - 10,000	259,600	64	201,400	44	10,001 - 100,000	629,200	19	602,600	17	100,001 to less than 5% of issue units	17,280,330	9	15,274,730	9	5% and above of issue units	1,329,707,870	1	1,304,307,870	1
Size of holding	As at 30 June 2021		As at 31 December 2020																																					
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Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial period as at 30 June 2021 and five financial years as at 31 December are as follows:						
		As at 30.6.2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
		%	%	%	%	%	%
	Malaysian Government Securities	98.27	96.51	95.91	98.33	95.33	95.16
	Quasi-Government Bonds	4.32	4.48	4.91	4.88	4.36	4.41

	As at 30.6.2021 %	FY 2020 %	FY 2019 %	FY 2018 %	FY 2017 %	FY 2016 %
Money market deposits and cash equivalents	-2.59	-0.99	-0.82	-3.21	0.31	0.43
Total	100.00	100.00	100.00	100.00	100.00	100.00

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

Performance Details Performance details of the Fund for the financial period ended 30 June 2021 and five financial years ended 31 December are as follows:

	Half year ended 30.6.2021	FY 2020 %	FY 2019 %	FY 2018 %	FY 2017 %	FY 2016 %
Net asset value (RM'000)	1,574,625	1,627,416	1,558,872	1,418,254	1,450,591*	1,442,325*
Units in circulation ('000)	1,347,922	1,320,422	1,292,922	1,237,922	1,265,422*	1,320,422*
Net asset value per unit (RM)	1.1682	1.2325	1.2057	1.1457	1.1463*	1.0923*
Highest net asset value per unit (RM)	1.2359	1.2657	1.2216	1.1916	1.1463*	1.1224*
Lowest net asset value per unit (RM)	1.1666	1.1878	1.1470	1.1445	1.0921*	1.0599*
Closing quoted price (RM/unit)	1.1710	1.2340	1.2050	1.1860	1.1400*	1.1100*
Highest quoted price (RM/unit)	1.2380	1.3400	1.2220	1.1900	1.1400*	1.1240*
Lowest quoted price (RM/unit)	1.1710	1.1800	1.1000	1.1460	1.1000*	1.0520*
Benchmark performance (%)	-2.14	7.29	9.00	4.21	5.06	3.46
Total return (%) ⁽¹⁾	-2.21	7.32	8.74	4.01	4.94	3.01
- Capital growth (%)	-5.21	2.32	5.32	-0.05	4.94	3.01
- Income distribution (%)	3.00	5.00	3.42	4.06	-	-
Gross distribution (sen per unit)	3.70	6.03	3.92	4.65	-	-
Net distribution (sen per unit)	3.70	6.03	3.92	4.65	-	-
Distribution yield (%) ⁽²⁾	3.16	4.89	3.25	4.08	-	-

	Half year ended 30.6.2021	FY 2020 %	FY 2019 %	FY 2018 %	FY 2017 %	FY 2016 %
Management expense ratio (%) ⁽³⁾	0.15	0.15	0.16	0.17	0.17	0.18
Portfolio turnover ratio (times) ⁽⁴⁾	0.04	0.14	0.19	0.18	0.23	0.47

* 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 years divided by the closing quoted price.
- (3) Management expense ratio (“MER”) is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis.
- (4) Portfolio turnover ratio (“PTR”) is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.10 times (71.4%) as compared to 0.14 times for the financial year ended 31 December 2020 mainly due to decrease in investing activities.

Average Total Return (as at 30 June 2021)

	ABFMY1 ^(a) %	iBoxx Index ^(b) %
One year	0.52	0.64
Three years	5.53	5.68
Five years	4.37	4.55
Ten years	4.00	4.25

Annual Total Return

Financial Years Ended (31 December)	ABFMY1 ^(a) %	iBoxx Index ^(b) %
2020	7.32	7.29
2019	8.74	9.00
2018	4.01	4.21
2017	4.94	5.06
2016	3.01	3.46

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

(b) Markit iBoxx® ABF Malaysia Bond Index (“iBoxx Index”) (Available at www.aminvest.com)

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

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

Fund Performance

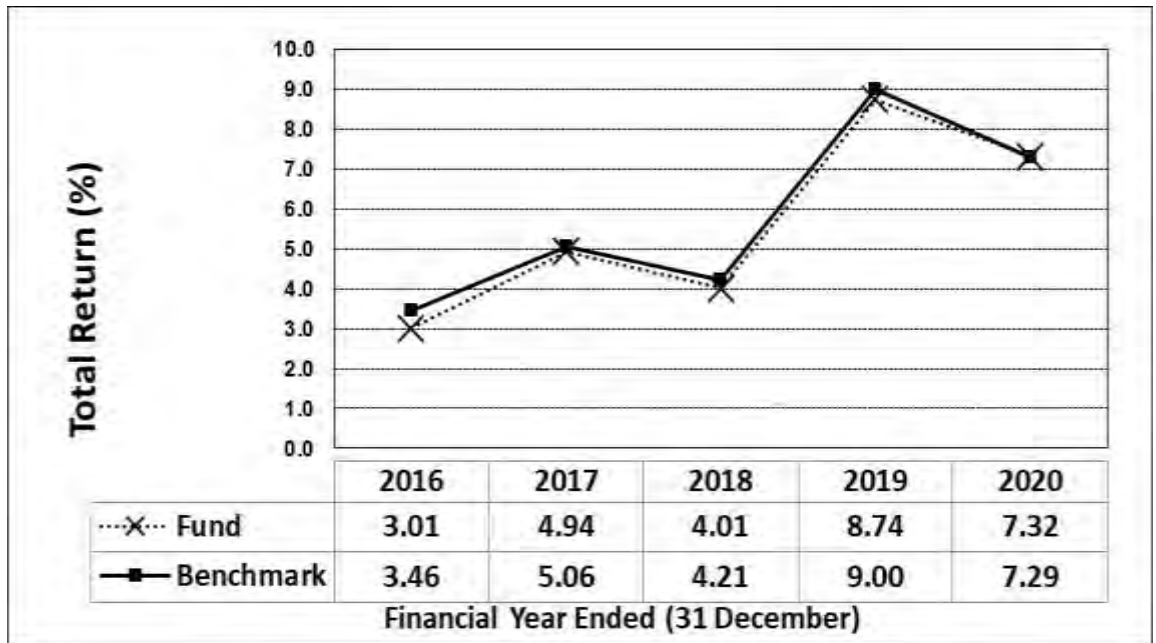
For the financial period under review, the Fund registered a negative return of 2.21%, comprising of negative 5.21% capital growth and 3.00% income distribution.

Thus, the Fund's negative return of 2.21% has underperformed the benchmark's negative return of 2.14% by 0.07%.

As compared with the financial year ended 31 December 2020, the net asset value ("NAV") per unit of the Fund decreased by 5.22% from RM1.2325 to RM1.1682, while units in circulation increased by 2.08% from 1,320,421,800 units to 1,347,921,800 units.

The closing price quoted at Bursa Malaysia of the Fund decreased by 5.11% from RM1.2340 to RM1.1710.

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.

Portfolio Structure

This table below is the asset allocation of the Fund for the financial period/year under review.

	As at 30.6.2021 %	As at 31.12.2020 %	Changes %
Malaysian Government Securities	98.27	96.51	1.76
Quasi-Government Bonds	4.32	4.48	-0.16
Money market deposits and cash equivalents	-2.59	-0.99	-1.60
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	<p>During the financial period under review, the Fund declared income distribution, detailed as follows:</p> <table border="1"> <thead> <tr> <th>Date of distribution</th> <th>Distribution per unit (sen)</th> <th>NAV per unit Cum-Distribution (RM)</th> <th>NAV per unit Ex-Distribution (RM)</th> </tr> </thead> <tbody> <tr> <td>23-Jun-21</td> <td>3.70</td> <td>1.2045</td> <td>1.1675</td> </tr> </tbody> </table> <p>There was no unit split declared for the financial period under review.</p>	Date of distribution	Distribution per unit (sen)	NAV per unit Cum-Distribution (RM)	NAV per unit Ex-Distribution (RM)	23-Jun-21	3.70	1.2045	1.1675
Date of distribution	Distribution per unit (sen)	NAV per unit Cum-Distribution (RM)	NAV per unit Ex-Distribution (RM)						
23-Jun-21	3.70	1.2045	1.1675						
State of Affairs	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.								
Rebates and Soft Commission	During the period, the management company did not receive soft commissions by virtue of transactions conducted for the Fund.								
Market Review	<p>In January, Malaysia's sovereign bonds trading volume rose by 84% to MYR74.1b (December 2020: MYR40.2b) on the back of seasonal portfolio re-positioning trades, while volatility was heightened by the return of a 2nd Movement Control Order (MCO 2.0) and Bank Negara Malaysia's (BNM, the Central Bank) Monetary Policy Committee (MPC) meeting over the month. Despite ample global liquidity, United States Treasury (UST) yields continued to creep higher, reflecting the scale of potential fiscal stimulus to come under Biden administration that now controls both the senate and the house. Domestically, there was no consensus on BNM's decision on Overnight Policy Rate (OPR) in January 2021. On one hand, increasing vaccine optimism paves way for an economy recovery, especially when government officials have guided that the first batch of vaccines will be made available by first quarter of 2021. On the other hand, a 2nd wave of COVID-19 outbreak, evidenced by increasing daily new cases, is poised to dampen Malaysia's recovery momentum. Expectations of an OPR cut were heightened following MCO 2.0, where short-term sovereign bond yields briefly priced in a 25 basis points (bps) cut before MPC meeting. However, yields quickly rebounded higher after the Central Bank maintained OPR at 1.75%. BNM shifted away from its historical forward-looking stance, and instead adopted a data-dependent approach to guide future monetary policy direction. Therefore, we expect further scrutiny on high-frequency data such as daily new COVID-19 cases, fuel prices and also crude palm oil prices and their impact to inflation data, trade statistics, as well as the rollout of vaccine domestically and globally. The Malaysian Government Securities (MGS) yield curve steepened over the month, as short-term yields fell by 3bps while long-term yields rose by 18bps. Demand for short-term MGS persisted as a function of policy rate trading play and defensive positioning, while long-term MGS performance was dampened by additional supply concerns and softer domestic demand. Nevertheless, market sentiment remained positive as Malaysia's sovereign rating was affirmed at A3 with a Stable outlook by an international rating agency. Foreign participation remained healthy, with MYR2.4b inflows into MGS in December 2020 (latest available), bringing total foreign inflows in 2020 to MYR13.4b (40.6% of total outstanding).</p> <p>In February, Malaysian bond market experienced an aggressive sell-off following the unexpectedly rapid spikes in UST yields that spilled over to bond markets globally. Further selling pressure also emerged from local news flow on the removal of Employee Provident Fund (EPF) withdrawal conditions and the roll-out of the national vaccination programme, along with declining expectation of further OPR cut in March 2021. During the month, Malaysian Government Securities / Government Investment</p>								

Issues (MGS/GII) curves bear steepened and recorded trading volume of MYR71b (January 2021: MYR74.1b). Yields rose approximately 20 to 50bps across the curves with the 10 to 20 year segment taking the largest hit, where yields rose 40 to 50bps month-on-month. The market movements were largely in tandem with the yield movements in the UST's market, where 10 year UST yields went past 1.30% by mid-February (from approximately 1.10% at end-January 2021; and approximately 0.90% at end-December 2020), and further surged through the psychological level of 1.50% to reach 1.61% at one point in late February, before settling at 1.45% to close the month. The wild move in the UST market was mainly attributable to the strengthened reflation narrative, driven by prospect of large fiscal stimulus and better-than-expected economic data, as well as the lacklustre response to the 7 year UST auction in late February.

Malaysia's sovereign bonds trading volume rose marginally in March by 7% to MYR76.2b (February 2021: MYR71.0b), where the rise in UST yields continued to dominate domestic bond market direction. Apart from external factors, sentiment for Malaysian sovereign bonds remained weak for the most part of the month, as expectations of further monetary policy easing were dampened when BNM left policy rate unchanged at 1.75% in March's MPC meeting, guiding higher growth prospects and subdued underlying inflation for Malaysia this year. However, sentiment was quick to reverse and sovereign bond yields retraced lower sharply in end-March, when FTSE Russell removed a multi-year threat of index exclusion for MGS in response to BNM's continuous effort to improve Malaysia's market accessibility. The index provider retained MGS in its World Government Bond Index (WGBI) while removed MGS from its negative watchlist for market accessibility. The relief rally in sovereign bonds continued in towards April.

MGS yield curve bearish flattened in March, as short-term yields rose as much as 32bps while 30 year MGS rose by 6bps. The rise in short-term yields were mainly due to the shift in expectations of BNM monetary policy direction (from easing to neutral) while 30 year MGS yields were lifted by the rise in 30 year UST yields. 5 year, 10 year, and 30 year MGS ended the month at 2.76% (+32bps), 3.24% (+17bps), and 4.38% (+6bps) respectively. MGS and GII saw foreign inflows in February (latest data available), amounting to MYR3.5b and MYR2.1b respectively. As a result, foreign holding of MGS and MGS/GII increased to 41.2% and 25.4% respectively (January: 40.5% and 24.9%).

Malaysian fixed income market started 2Q2021 on a strong note, driven by global and domestic factors. Externally, UST yields recovered from March 2021's peak amid reiteration by the Federal Reserve (Fed) that US inflation is transitional, and would tolerate a higher inflation to pursue higher employment. Although subsequent US Consumer Price Index (CPI) data emerged stronger, a hawkish shift from the US central bank drove UST yield curve flatter. 2 year UST yield rose over the quarter on expectations that the Fed may raise its policy rate as soon as 2022, while 10 year and 30 year yields fell as inflationary pressure is expected to ease on the back of US monetary tightening. 2 year, 10 year, and 30 year UST ended 2Q2021 at 0.25% (+9bps), 1.47% (-27bps), and 2.09% (-32bps) respectively.

The rally in UST spilled over to domestic market, in addition to positive sentiment from end-March 2021 when FTSE Russell retained MGS in its WGBI. BNM was also expected to remain accommodative for a longer period by keeping the OPR unchanged at 1.75%, given slow vaccination progress relative to initial official guidance EPF's i-Sinar program (to allow condition-less withdrawals by members) saw lower utilization than initially guided, which improved demand dynamics in the fixed income market. While these factors are conducive to a positive fixed income market, resurgence of Covid-19 cases continued to undermine growth outlook (official guidance 6.0-7.5%).

	<p>Return of movement control order to contain pandemic outbreak came with additional economic stimulus packages. Announcements of MYR40b PEMERKASA Plus (end-May 2021) and MYR150b PEMULIH (end-June 2021) has increased the total fiscal stimulus packages to MYR530b since the onset of pandemic (March 2020). Despite the scale of the two stimulus packages, only MYR15b of direct fiscal injection is required. Nevertheless, fiscal deficit is expected to widen to 6.8% of Gross domestic product (GDP) for 2021, which will weigh on Malaysia's sovereign rating. Malaysia's sovereign rating is rated BBB+ with stable outlook by Fitch, and A3 with negative outlook by other two international rating agencies.</p> <p>Sovereign bond yields were range-bound in 2Q2021, on the back of softer trading volume of MYR190.0b (1Q2021: MYR221.3b). Short-term yields (up to 5 years) were supported and largely stable over the quarter, but movement in longer-term yields were more volatile as a reaction to global bond yields and domestic fiscal stimulus. MGS yield curve shifted lower in 2Q2021 with the exception of 10 year MGS, where 5 year, 10 year, and 30 year MGS ended June 2021 at 2.68% (-8bps), 3.29% (+5bps), and 4.30% (-8bps).</p> <p>On a brighter note, foreign participation in MGS persisted over the quarter, as inflows in May 2021 (latest available) marked the 13th consecutive month of foreign purchase. Year-to-date (YTD) (up to May 2021), MGS enjoyed MYR14.4b of foreign inflows (2020: MYR13.4b), amounting to 41.1% of total outstanding. GII also saw significant increase in foreign participation of MYR5.7b year-to-date, versus MYR3.7b in 2020. United States Dollar (USD) was largely unchanged against the Malaysian Ringgit (MYR), with an exchange rate of 4.15 in June 2021.</p>
<p>Market Outlook</p>	<p>While Malaysia's fixed income market has been influenced by UST yield movements in the past few months, the stabilisation of USTs recently would result in domestic factors driving MGS in the coming months. Malaysia's growth outlook and vaccination rate are expected to undershoot initial official guidance, which will warrant a pro-longed accommodative monetary policy by BNM. Sizeable sovereign bond maturities in 3Q2021 would ease supply concerns, while persistent foreign participation will continue to keep domestic bond yields stable.</p> <p>There are several key risks which may detract fixed income market performance. Although UST yields have stabilised in recent weeks, the US monetary policy tightening path will be dependent on US growth and inflation trajectory going forward. If the recovery is seen to be strong and inflation worries resurface, this will exert upward pressure to UST and by extension, global bond yields. Monetary policy divergence between US and Malaysia would also lead to gradual USD appreciation against the MYR. Limited fiscal headspace and a widened fiscal deficit would also weigh on Malaysia's sovereign rating. Nevertheless, we expect domestic factors highlighted above and ample domestic liquidity to remain supportive of Malaysia's fixed income market.</p>
<p>Additional Information</p>	<p>The following information was updated:</p> <ol style="list-style-type: none"> The Third Supplemental Deed dated 16 November 2020 in respect of ABF Malaysia Bond Index Fund was modified to include the changes of but not limited to: <ul style="list-style-type: none"> the allowance of cash creation and cash redemption together with their procedures; the inclusion of provisions relating to the events where the Markit iBoxx® ABF Malaysia Bond Index may be replaced; the inclusion of provisions relating to the Manager and/or Trustee's right to reject or suspend a creation or redemption application under circumstances provided in this deed;

- the inclusion of provisions to allow the Manager to send any notice or document which is required to be sent to the unit holders of the Fund by electronic means; and
- the allowance of virtual meeting of unit holders of the Fund to be conducted

Announcement of the changes for the Third Supplemental Deed dated 16 November 2020 in respect of ABF Malaysia Bond Index Fund has been published on Bursa Malaysia website at www.bursamalaysia.com.

2. The Prospectus dated 6 August 2021 for ABF Malaysia Bond Index Fund has been registered with the Securities Commission Malaysia, to include the changes of but not limited to:

- the allowance of cash creation and cash redemption together with their procedures;
- the introduction of a new risk, i.e. “Risk associated with securities lending”;
- the deletion of an existing risk, i.e. “Redemption”;
- the revision of the “Counterparty risk and Settlement risk”;
- the change in participating dealers for the Fund;
- the inclusion of information relating to the indicative optimised portfolio value per unit for the Fund;
- the change in the annual trustee fee;
- the updated information in relation to the Markit iBoxx® ABF Malaysia Bond Index where unit holders of the Fund may refer to the Fund’s website at www.abfmy1.com.my;
- the allowance of participation in lending of securities by the Fund;
- the inclusion of information relating to the Manager and/or Trustee’s right to reject or suspend a creation or redemption application under certain circumstances;
- the inclusion of information that the market price of the units of the Fund in the secondary market may be higher or lower than the daily net asset value per unit of the Fund;
- the inclusion of information relating to the Manager’s right to permit or require the substitution of an amount of cash to replace any index securities, non-index securities and/or other investments of the Fund comprised in an In-Kind creation basket;
- the updated information under the “Salient Terms of the Deed” section;
- the updated details of the directors, key personnel and substantial shareholder of the Manager’s direct and indirect unit holdings in the Fund;
- the updated details of the directors and substantial shareholder of the Manager’s direct and indirect interest in other corporations carrying on a similar business; and
- the change in the composition of the board of directors of the Manager and the investment committee of the Fund

Announcement of the changes for the Prospectus dated 6 August 2021 for ABF Malaysia Bond Index Fund has been published on Bursa Malaysia website at www.bursamalaysia.com.

3. The non-significant changes made in the Third Supplemental Deed dated 16 November 2020 and the Prospectus dated 6 August 2021 are as follows:

- any changes in the size of creation unit block and redemption unit block will no longer require approval of the trustee, but the trustee and participating dealers will be notified on the changes;
- the insertion and amendment to the following defined terms –
 - in-kind creation;
 - in-kind creation basket;

- in-kind redemption; and
- in-kind redemption basket;
- the appointment of the registrar will no longer require approval from the trustee;
- the amendment to the definition of special resolution;
- any changes in valuation point of the fund will no longer require the approval of the trustee;
- any changes in the in-kind creation basket and subscription amount will no longer require approval of the trustee; and
- any changes in reinvestment date will no longer require approval of the trustee.

4. Effective 31 March 2022, the methodology of the Fund's benchmark will be revised as follows:

1. Sub-sovereign issuer weight capped at 10% in single market index; and
2. The minimum notional requirement for green bonds issued by sub-sovereign issuers is reduced to i.e. RM250,000,000 in order to facilitate the addition of green bonds into the index

These are subject to the public consultation with the index users, end clients and a wider investment community which will take place in September 2021 by the benchmark provider i.e. IHS Markit. The result of the Annual Index Review 2021 will be revealed by the benchmark provider between 25 September 2021 and 30 September 2021.

The transition period for the newly included bonds is from 31 March 2022 to 31 May 2022. The Manager will issue a supplementary prospectus to reflect the changes in the methodology of the Fund's benchmark after obtaining relevant approvals including approvals from the regulators and unit holders (if deemed necessary).

5. Sum Leng Kuang resigned as an Independent Non-Executive Director and a Chairperson of the Investment Committee of the funds of AmFunds Management Berhad with effect from 1st July 2021.
6. Jas Bir Kaur A/P Lol Singh was appointed as an Independent Non-Executive Director and a Chairperson of the Investment Committee of the funds of AmFunds Management Berhad with effect from 1st July 2021.
7. Ng Chih Kaye was appointed as an Independent Non-Executive Director of AmFunds Management Berhad with effect from 1st July 2021.
8. Izad Shahadi bin Mohd Sallehuddin was appointed as a member of the Investment Committee of the funds of AmFunds Management Berhad with effect from 1st July 2021.

Kuala Lumpur, Malaysia
AmFunds Management Berhad

19 August 2021

ABF Malaysia Bond Index Fund

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	30.6.2021 (unaudited) RM	31.12.2020 (audited) RM
ASSETS			
Investments	4	1,615,452,404	1,643,531,370
Deposit with financial institution	5	9,419,452	16,010,811
Cash at banks		12,030	11,474
TOTAL ASSETS		<u>1,624,883,886</u>	<u>1,659,553,655</u>
LIABILITIES			
Amount due to Manager	6	150,176	157,048
Amount due to Trustee	7	52,972	55,656
Amount due to Index provider	8	127,270	43,149
Distributions payable		49,873,107	31,822,165
Sundry payables and accruals		55,674	60,082
TOTAL LIABILITIES		<u>50,259,199</u>	<u>32,138,100</u>
NET ASSET VALUE (“NAV”) OF THE FUND		<u>1,574,624,687</u>	<u>1,627,415,555</u>
EQUITY			
Unit holders’ capital	10(a)	1,435,228,603	1,401,398,103
Retained earnings	10(b)(c)	139,396,084	226,017,452
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10	<u>1,574,624,687</u>	<u>1,627,415,555</u>
UNITS IN CIRCULATION	10(a)	<u>1,347,921,800</u>	<u>1,320,421,800</u>
NAV PER UNIT (RM) – EX-DISTRIBUTION		<u>1.1682</u>	<u>1.2325</u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF COMPREHENSIVE INCOME *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

	Note	1.1.2021 to 30.6.2021 RM	1.1.2020 to 30.6.2020 RM
INVESTMENT (LOSS)/INCOME			
Interest income		30,072,420	30,120,972
Net (loss)/gain from investments:			
- Financial assets at fair value through profit or loss ("FVTPL")	9	<u>(65,596,355)</u>	<u>39,642,678</u>
		<u>(35,523,935)</u>	<u>69,763,650</u>
EXPENDITURE			
Manager's fee	6	(803,823)	(797,817)
Trustee's fee	7	(321,529)	(319,127)
Licence fee	8	(84,122)	(84,355)
Audit fee		(7,959)	(5,320)
Tax agent's fee		(2,033)	(2,039)
Other expenses		<u>(4,860)</u>	<u>(1,414)</u>
		<u>(1,224,326)</u>	<u>(1,210,072)</u>
Net (loss)/income before taxation		(36,748,261)	68,553,578
Taxation	12	<u>-</u>	<u>-</u>
Net (loss)/income after taxation, representing total comprehensive (loss)/income for the financial period		<u>(36,748,261)</u>	<u>68,553,578</u>
Total comprehensive income comprises the following:			
Realised income		29,943,176	30,948,362
Unrealised (loss)/gain		<u>(66,691,437)</u>	<u>37,605,216</u>
		<u>(36,748,261)</u>	<u>68,553,578</u>
Distribution for the financial period			
Net distribution	13	<u>49,873,107</u>	<u>46,803,769</u>
Gross/net distribution per unit (sen)	13	<u>3.70</u>	<u>3.62</u>

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

ABF Malaysia Bond Index Fund

STATEMENT OF CHANGES IN EQUITY *(Unaudited)* FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

	Note	Unit holders' capital RM	Retained earnings RM	Total equity RM
At 1 January 2020		1,366,855,353	192,017,077	1,558,872,430
Total comprehensive income for the financial period		-	68,553,578	68,553,578
Distribution	13	-	(46,803,769)	(46,803,769)
Balance at 30 June 2020		<u>1,366,855,353</u>	<u>213,766,886</u>	<u>1,580,622,239</u>
At 1 January 2021		1,401,398,103	226,017,452	1,627,415,555
Total comprehensive loss for the financial period		-	(36,748,261)	(36,748,261)
Creation of units	10(a)	33,830,500	-	33,830,500
Distribution	13	-	(49,873,107)	(49,873,107)
Balance at 30 June 2021		<u>1,435,228,603</u>	<u>139,396,084</u>	<u>1,574,624,687</u>

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

ABF Malaysia Bond Index Fund**STATEMENT OF CASH FLOWS (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

	1.1.2021 to 30.6.2021 RM	1.1.2020 to 30.6.2020 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	41,184,000	91,511,100
Interest received	30,762,436	31,072,486
Manager's fee paid	(810,695)	(793,696)
Trustee's fee paid	(324,214)	(317,605)
Licence fee paid	-	(6,200)
Payments for other expenses	(19,260)	(12,655)
Purchase of investments	(79,391,405)	(83,831,000)
Net cash (used in)/generated from operating and investing activities	<u>(8,599,138)</u>	<u>37,622,430</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	33,830,500	-
Distribution paid	(31,822,165)	(20,557,457)
Net cash generated from/(used in) financing activities	<u>2,008,335</u>	<u>(20,557,457)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,590,803)	17,064,973
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	16,022,285	8,364,652
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>9,431,482</u>	<u>25,429,625</u>
Cash and cash equivalents comprise:		
Deposit with financial institution	9,419,452	25,427,414
Cash at banks	12,030	2,211
	<u>9,431,482</u>	<u>25,429,625</u>

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

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

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 unit holders.

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.

The financial statements were authorised for issue by the Manager on 19 August 2021.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Fund have been prepared on a historical cost basis, except as otherwise stated in the accounting policies and comply with Malaysian Financial Reporting Standards 134: Interim Financial Reporting (“MFRS 134”) as issued by the Malaysian Accounting Standards Board (“MASB”) and the Securities Commission Malaysia’s Guidelines on Exchange Traded Funds in Malaysia.

Standards effective during the financial period

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

Standards issued but not yet effective

The standards and amendments to standards that have been issued but not yet effective up to the date of issuance of the Fund’s financial statements are disclosed below. The Fund intends to adopt these new pronouncements, if applicable, when they become effective:

	Effective for financial periods beginning on or after
Amendments to MFRSs contained in the document entitled “ <i>Annual Improvements to MFRS Standards 2018-2020</i> ”	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 <i>Business Combinations</i>)*	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 <i>Property, Plant and Equipment</i>)*	1 January 2022

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D.)

Standards issued but not yet effective (cont'd.)

	Effective for financial periods beginning on or after
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
Amendments to MFRS 101: <i>Presentation of Financial Statements Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i> and Amendments to MFRS 17*	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*</i>	Deferred

* *These MFRS and Amendments to MFRSs are not relevant to the Fund.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.1 Income recognition (cont'd.)

(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.

3.2 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.

3.3 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 ("RM") which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted RM as its presentation currency.

3.4 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.

3.5 Distribution

Distributions are at the discretion of the Manager. A distribution to the Fund's unit holders is accounted for as a deduction from the retained earnings and realised income. Realised income is the income earned from interest income and net gain on disposal of investments after deducting expenses and taxation. A proposed distribution is recognised as a liability in the period in which it is approved. Distribution is either reinvested or paid in cash to the unit holders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date, which is also the time of creation.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.6 Unit holders' capital

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

(i) In-Kind Creation

In order for the new units to be created, Participating Dealer (PD) will apply to the Manager for the issue of units on a Dealing Day by generally tendering the In-Kind Creation basket which comprise of Creation Securities and the Cash Component (if any).

(ii) In-Kind Redemption

Following receipt of Redemption Application from a holder through a PD on each Dealing Day, the Manager may determine the In-Kind Redemption Basket by Redemption Securities and payment in cash of the Cash Component (if any).

3.7 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, in the case of financial assets not recorded at FVTPL, 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 FVTPL, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.8 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.

3.9 Financial assets 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 flows 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:

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.9 Financial assets under MFRS 9 (cont'd.)

(i) Classification and measurement (cont'd.)

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 are deposit with financial institution, cash at banks, amount due from 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 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 in "Interest income".

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.10 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.

3.11 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.

For investments classified as FVOCI - debt instruments, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(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.

3.12 Financial instruments – expected credit losses (“ECL”)

The Fund assesses on a forward-looking basis the 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.12 Financial instruments – expected credit losses (“ECL”) (cont'd.)

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.

3.13 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 purchased 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 the adjusted cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gain or loss recognised in profit or loss is not distributable in nature.

3.14 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 FVTPL are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

3.15 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 unit holders' 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS

	30.6.2021 RM	31.12.2020 RM
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	60,000,000	60,000,000
Malaysian Government Securities	792,500,000	782,500,000
Government Investment Issues	677,500,000	650,000,000
	<u>1,530,000,000</u>	<u>1,492,500,000</u>
At fair value:		
Quasi-Government Bonds	68,112,845	72,975,030
Malaysian Government Securities	831,708,323	856,910,561
Government Investment Issues	715,631,236	713,645,779
	<u>1,615,452,404</u>	<u>1,643,531,370</u>

Details of investments as at 30 June 2021 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Quasi-Government Bonds						
09.05.2023	Danum Capital Berhad	AAA	5,000,000	5,157,938	5,141,645	0.33
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,621,940	5,191,027	0.36
19.02.2038	Danainfra Nasional Berhad	NR	5,000,000	5,566,418	6,099,449	0.35
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	40,730,419	38,315,791	2.58
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	11,036,130	10,501,529	0.70
Total Quasi-Government Bonds			<u>60,000,000</u>	<u>68,112,845</u>	<u>65,249,441</u>	<u>4.32</u>

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 30 June 2021 are as follows: (cont'd.)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Malaysian Government Securities						
15.08.2022	Government of Malaysia	NR	20,000,000	20,613,920	20,176,204	1.31
30.09.2022	Government of Malaysia	NR	32,500,000	33,591,134	32,687,469	2.13
15.03.2023	Government of Malaysia	NR	20,000,000	20,718,071	20,386,187	1.32
20.04.2023	Government of Malaysia	NR	25,000,000	25,974,363	25,161,709	1.65
17.08.2023	Government of Malaysia	NR	30,000,000	31,501,770	30,271,376	2.00
14.06.2024	Government of Malaysia	NR	25,000,000	25,900,549	25,210,390	1.64
15.07.2024	Government of Malaysia	NR	30,000,000	32,178,355	30,601,316	2.04
30.09.2024	Government of Malaysia	NR	30,000,000	31,857,809	30,480,062	2.02
14.03.2025	Government of Malaysia	NR	20,000,000	21,215,268	20,246,352	1.35
15.09.2025	Government of Malaysia	NR	32,500,000	34,667,398	32,833,916	2.20
15.04.2026	Government of Malaysia	NR	20,000,000	21,731,894	20,591,834	1.38
15.07.2026	Government of Malaysia	NR	20,000,000	21,489,762	20,573,158	1.36
30.11.2026	Government of Malaysia	NR	30,000,000	32,013,155	31,006,349	2.03
15.03.2027	Government of Malaysia	NR	10,000,000	10,673,018	10,197,219	0.68
31.05.2027	Government of Malaysia	NR	20,000,000	20,749,008	20,893,719	1.32
16.11.2027	Government of Malaysia	NR	30,000,000	31,726,988	30,117,828	2.01
15.06.2028	Government of Malaysia	NR	40,000,000	41,879,429	38,684,340	2.66
15.08.2029	Government of Malaysia	NR	40,000,000	42,520,259	41,777,399	2.70

ABF Malaysia Bond Index Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

4. INVESTMENTS (CONT'D.)

Details of investments as at 30 June 2021 are as follows: (cont'd.)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Malaysian Government Securities (cont'd.)						
15.04.2030	Government of Malaysia	NR	27,500,000	30,292,155	27,579,172	1.92
15.04.2031	Government of Malaysia	NR	25,000,000	23,784,782	25,075,965	1.51
30.06.2031	Government of Malaysia	NR	30,000,000	32,123,154	29,779,874	2.04
15.04.2032	Government of Malaysia	NR	10,000,000	10,544,244	10,497,963	0.67
15.04.2033	Government of Malaysia	NR	30,000,000	30,321,195	29,042,552	1.93
07.11.2033	Government of Malaysia	NR	22,500,000	24,563,951	22,846,067	1.56
05.07.2034	Government of Malaysia	NR	32,500,000	33,050,648	34,907,870	2.10
31.05.2035	Government of Malaysia	NR	10,000,000	10,499,703	9,652,823	0.67
07.04.2037	Government of Malaysia	NR	10,000,000	10,863,132	10,230,557	0.69
08.06.2038	Government of Malaysia	NR	20,000,000	21,758,741	20,284,146	1.38
22.05.2040	Government of Malaysia	NR	20,000,000	18,942,856	20,406,748	1.20
30.09.2043	Government of Malaysia	NR	20,000,000	21,658,844	20,685,257	1.38
15.03.2046	Government of Malaysia	NR	20,000,000	21,190,859	20,605,448	1.35
06.07.2048	Government of Malaysia	NR	20,000,000	21,870,854	22,008,275	1.39
15.06.2050	Government of Malaysia	NR	20,000,000	19,241,055	19,964,037	1.22
Total Malaysian Government Securities			792,500,000	831,708,323	805,463,581	52.81

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 30 June 2021 are as follows: (cont'd.)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Government Investment Issues						
31.03.2022	Government of Malaysia	NR	10,000,000	10,238,434	10,080,500	0.65
14.04.2022	Government of Malaysia	NR	15,000,000	15,378,657	15,154,411	0.98
15.07.2022	Government of Malaysia	NR	30,000,000	31,307,367	30,572,443	1.99
15.05.2023	Government of Malaysia	NR	20,000,000	20,497,475	20,269,202	1.30
07.07.2023	Government of Malaysia	NR	20,000,000	21,330,443	20,547,351	1.35
31.10.2023	Government of Malaysia	NR	10,000,000	10,358,907	9,908,960	0.66
30.11.2023	Government of Malaysia	NR	10,000,000	10,480,303	10,088,310	0.67
22.05.2024	Government of Malaysia	NR	20,000,000	21,282,631	20,219,851	1.35
15.08.2024	Government of Malaysia	NR	30,000,000	31,964,391	30,458,063	2.03
15.10.2024	Government of Malaysia	NR	25,000,000	26,227,492	25,364,398	1.67
15.08.2025	Government of Malaysia	NR	25,000,000	26,901,985	25,435,161	1.71
15.10.2025	Government of Malaysia	NR	22,500,000	23,973,715	22,226,172	1.52
31.03.2026	Government of Malaysia	NR	30,000,000	31,628,514	31,058,147	2.01
30.09.2026	Government of Malaysia	NR	25,000,000	26,821,973	25,524,891	1.70
15.06.2027	Government of Malaysia	NR	20,000,000	21,064,410	20,167,756	1.34
26.07.2027	Government of Malaysia	NR	20,000,000	21,787,266	20,576,056	1.38
30.09.2027	Government of Malaysia	NR	20,000,000	20,609,707	21,464,777	1.31
31.10.2028	Government of Malaysia	NR	30,000,000	32,605,332	30,472,236	2.07

ABF Malaysia Bond Index Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

4. INVESTMENTS (CONT'D.)

Details of investments as at 30 June 2021 are as follows: (cont'd.)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Government Investment Issues (cont'd.)						
06.12.2028	Government of Malaysia	NR	10,000,000	11,207,681	10,244,442	0.71
09.07.2029	Government of Malaysia	NR	27,500,000	29,634,913	28,718,682	1.88
30.09.2030	Government of Malaysia	NR	30,000,000	32,500,323	30,890,791	2.06
15.10.2030	Government of Malaysia	NR	22,500,000	22,778,931	23,850,994	1.45
15.06.2033	Government of Malaysia	NR	20,000,000	21,732,813	20,254,684	1.38
30.08.2033	Government of Malaysia	NR	30,000,000	32,549,644	30,359,607	2.07
30.11.2034	Government of Malaysia	NR	35,000,000	35,534,340	37,992,727	2.26
31.10.2035	Government of Malaysia	NR	20,000,000	21,613,113	20,746,651	1.37
15.07.2036	Government of Malaysia	NR	20,000,000	19,048,780	20,347,464	1.21
04.08.2037	Government of Malaysia	NR	20,000,000	21,896,990	22,123,569	1.39
15.09.2039	Government of Malaysia	NR	20,000,000	20,776,791	21,599,544	1.32
30.09.2041	Government of Malaysia	NR	10,000,000	10,275,541	10,330,491	0.65
08.05.2047	Government of Malaysia	NR	20,000,000	21,345,350	20,540,546	1.36
15.11.2049	Government of Malaysia	NR	10,000,000	10,277,024	11,508,633	0.66
Total Government Investment Issues			<u>677,500,000</u>	<u>715,631,236</u>	<u>699,097,510</u>	<u>45.46</u>
Total financial assets at FVTPL			<u>1,530,000,000</u>	<u>1,615,452,404</u>	<u>1,569,810,532</u>	<u>102.59</u>
Excess of fair value over adjusted cost				<u>45,641,872</u>		

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 31 December 2020 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Quasi-Government Bonds						
09.05.2023	Danum Capital Berhad	AAA	5,000,000	5,197,363	5,171,562	0.32
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,854,432	5,198,257	0.36
19.02.2038	Danainfra Nasional Berhad	NR	5,000,000	5,958,978	6,124,262	0.37
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	43,974,760	38,372,503	2.70
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	11,989,497	10,510,637	0.73
Total Quasi-Government Bonds			<u>60,000,000</u>	<u>72,975,030</u>	<u>65,377,221</u>	<u>4.48</u>

Malaysian Government Securities

10.03.2022	Government of Malaysia	NR	20,000,000	20,718,257	20,266,685	1.27
15.08.2022	Government of Malaysia	NR	20,000,000	20,752,920	20,143,312	1.28
30.09.2022	Government of Malaysia	NR	32,500,000	33,878,361	32,646,291	2.08
15.03.2023	Government of Malaysia	NR	20,000,000	20,892,754	20,440,897	1.28
20.04.2023	Government of Malaysia	NR	25,000,000	26,213,994	25,159,510	1.61
17.08.2023	Government of Malaysia	NR	30,000,000	31,841,359	30,240,711	1.96
14.06.2024	Government of Malaysia	NR	25,000,000	26,249,070	25,240,160	1.61

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 31 December 2020 are as follows:(cont'd.)

Maturity date	Issuer	Credit rating	Nominal value	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Malaysian Government Securities (cont'd.)						
15.07.2024	Government of Malaysia	NR	30,000,000	32,766,657	30,605,648	2.01
30.09.2024	Government of Malaysia	NR	30,000,000	32,462,161	30,509,978	1.99
14.03.2025	Government of Malaysia	NR	20,000,000	21,647,344	20,252,300	1.33
15.09.2025	Government of Malaysia	NR	30,000,000	32,821,120	30,096,453	2.02
15.04.2026	Government of Malaysia	NR	20,000,000	22,309,641	20,633,353	1.37
15.07.2026	Government of Malaysia	NR	20,000,000	22,051,760	20,592,736	1.36
30.11.2026	Government of Malaysia	NR	20,000,000	21,820,867	20,402,832	1.34
15.03.2027	Government of Malaysia	NR	10,000,000	11,008,490	10,205,556	0.68
31.05.2027	Government of Malaysia	NR	20,000,000	21,394,791	20,957,451	1.31
16.11.2027	Government of Malaysia	NR	30,000,000	32,942,899	30,118,380	2.02
15.06.2028	Government of Malaysia	NR	40,000,000	43,412,473	38,605,081	2.67
15.08.2029	Government of Malaysia	NR	40,000,000	44,406,557	41,844,993	2.73
15.04.2030	Government of Malaysia	NR	27,500,000	31,785,863	27,575,848	1.95
15.04.2031	Government of Malaysia	NR	20,000,000	20,125,368	20,088,859	1.24
30.06.2031	Government of Malaysia	NR	30,000,000	33,802,773	29,771,475	2.08
15.04.2032	Government of Malaysia	NR	10,000,000	11,236,692	10,514,890	0.69

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 31 December 2020 are as follows:(cont'd.)

Maturity date	Issuer	Credit rating	Nominal value	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Malaysian Government Securities (cont'd.)						
15.04.2033	Government of Malaysia	NR	30,000,000	32,687,620	29,008,871	2.01
07.11.2033	Government of Malaysia	NR	22,500,000	26,276,757	22,854,387	1.61
05.07.2034	Government of Malaysia	NR	30,000,000	32,675,793	32,276,592	2.01
31.05.2035	Government of Malaysia	NR	10,000,000	11,123,247	9,644,517	0.68
07.04.2037	Government of Malaysia	NR	10,000,000	11,749,005	10,235,025	0.72
08.06.2038	Government of Malaysia	NR	20,000,000	23,676,501	20,291,365	1.45
22.05.2040	Government of Malaysia	NR	20,000,000	21,163,156	20,414,099	1.30
30.09.2043	Government of Malaysia	NR	20,000,000	23,762,295	20,694,793	1.46
15.03.2046	Government of Malaysia	NR	20,000,000	22,956,412	20,613,702	1.41
06.07.2048	Government of Malaysia	NR	20,000,000	23,874,220	22,024,074	1.47
15.06.2050	Government of Malaysia	NR	10,000,000	10,423,384	10,197,476	0.64
Total Malaysian Government Securities			782,500,000	856,910,561	795,168,300	52.64

Government Investment Issues

31.03.2022	Government of Malaysia	NR	10,000,000	10,329,510	10,073,803	0.64
14.04.2022	Government of Malaysia	NR	25,000,000	25,884,299	25,291,895	1.59
15.07.2022	Government of Malaysia	NR	30,000,000	31,635,977	30,569,763	1.94
15.05.2023	Government of Malaysia	NR	20,000,000	20,637,808	20,319,477	1.27

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 31 December 2020 are as follows:(cont'd.)

Maturity date	Issuer	Credit rating	Nominal value	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Government Investment Issues (cont'd.)						
07.07.2023	Government of Malaysia	NR	20,000,000	21,596,663	20,576,531	1.33
31.10.2023	Government of Malaysia	NR	10,000,000	10,462,895	9,879,906	0.64
30.11.2023	Government of Malaysia	NR	20,000,000	21,233,364	20,175,556	1.31
22.05.2024	Government of Malaysia	NR	20,000,000	21,642,250	20,241,373	1.33
15.08.2024	Government of Malaysia	NR	30,000,000	32,491,526	30,461,027	2.00
15.10.2024	Government of Malaysia	NR	25,000,000	26,597,634	25,392,471	1.64
15.08.2025	Government of Malaysia	NR	25,000,000	27,483,387	25,442,587	1.69
15.10.2025	Government of Malaysia	NR	22,500,000	24,474,609	22,181,818	1.50
31.03.2026	Government of Malaysia	NR	15,000,000	16,216,785	15,157,110	1.00
30.09.2026	Government of Malaysia	NR	25,000,000	27,472,846	25,552,039	1.69
15.06.2027	Government of Malaysia	NR	20,000,000	21,620,101	20,179,950	1.33
26.07.2027	Government of Malaysia	NR	20,000,000	22,376,543	20,592,088	1.37
30.09.2027	Government of Malaysia	NR	20,000,000	21,250,198	21,562,476	1.31
31.10.2028	Government of Malaysia	NR	30,000,000	33,654,280	30,490,399	2.07
06.12.2028	Government of Malaysia	NR	10,000,000	11,593,198	10,257,690	0.71
09.07.2029	Government of Malaysia	NR	27,500,000	30,863,511	28,755,287	1.90
30.09.2030	Government of Malaysia	NR	30,000,000	33,719,104	30,921,202	2.07
15.10.2030	Government of Malaysia	NR	20,000,000	21,315,596	21,240,030	1.31

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Details of investments as at 31 December 2020 are as follows:(cont'd.)

Maturity date	Issuer	Credit rating	Nominal value	Fair value* RM	Adjusted cost RM	Fair value as a percentage of NAV %
Government Investment Issues (cont'd.)						
15.06.2033	Government of Malaysia	NR	20,000,000	23,126,059	20,264,097	1.42
30.08.2033	Government of Malaysia	NR	30,000,000	34,636,935	30,362,988	2.13
30.11.2034	Government of Malaysia	NR	35,000,000	38,089,394	38,081,745	2.34
31.10.2035	Government of Malaysia	NR	20,000,000	23,183,476	20,763,691	1.42
04.08.2037	Government of Malaysia	NR	20,000,000	23,142,812	22,165,486	1.42
15.09.2039	Government of Malaysia	NR	20,000,000	22,655,175	21,629,451	1.39
08.05.2047	Government of Malaysia	NR	20,000,000	22,973,389	20,546,896	1.41
15.11.2049	Government of Malaysia	NR	10,000,000	11,286,455	11,523,708	0.70
Total Government Investment Issues			<u>650,000,000</u>	<u>713,645,779</u>	<u>670,652,540</u>	<u>43.87</u>
Total financial assets at FVTPL			<u>1,492,500,000</u>	<u>1,643,531,370</u>	<u>1,531,198,061</u>	<u>100.99</u>
Excess of fair value over adjusted cost				<u>112,333,309</u>		

The weighted average effective yield on investments are as follows:

	Effective yield*	
	30.6.2021 %	31.12.2020 %
Quasi-Government Bonds	4.19	3.62
Malaysian Government Securities	3.03	2.55
Government Investment Issues	<u>3.05</u>	<u>2.60</u>

* As provided by Markit Indices Limited.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

4. INVESTMENTS (CONT'D.)

Analyses of the remaining maturity of investments as at 30 June 2021 and 31 December 2020 are as follows:

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
30.6.2021			
At nominal value:			
Quasi-Government Bonds	-	5,000,000	55,000,000
Malaysian Government Securities	-	285,000,000	507,500,000
Government Investment Issues	25,000,000	242,500,000	410,000,000
	<u>25,000,000</u>	<u>242,500,000</u>	<u>410,000,000</u>
31.12.2020			
At nominal value:			
Quasi-Government Bonds	-	5,000,000	55,000,000
Malaysian Government Securities	-	282,500,000	500,000,000
Government Investment Issues	-	257,500,000	392,500,000
	<u>-</u>	<u>257,500,000</u>	<u>392,500,000</u>

5. DEPOSIT WITH FINANCIAL INSTITUTION

	30.6.2021 RM	31.12.2020 RM
At nominal value:		
Short-term deposit with a licensed bank	9,419,000	16,010,000
	<u>9,419,000</u>	<u>16,010,000</u>
At carrying value:		
Short-term deposit with a licensed bank	9,419,452	16,010,811
	<u>9,419,452</u>	<u>16,010,811</u>

Details of deposits with financial institutions are as follows:

Maturity date	Bank	Nominal value RM	Carrying value RM	Carrying value as a percentage of NAV %
30.6.2021				
Short-term deposit with a licensed bank				
01.07.2021	Public Bank Berhad	9,419,000	9,419,452	0.60
		<u>9,419,000</u>	<u>9,419,452</u>	<u>0.60</u>

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

5. DEPOSIT WITH FINANCIAL INSTITUTION (CONT'D.)

Details of deposits with financial institutions are as follows: (cont'd.)

Maturity date	Bank	Nominal value RM	Carrying value RM	Carrying value as a percentage of NAV %
31.12.2020				
Short-term deposit with a licensed bank				
04.01.2021	AmBank (M) Berhad*	16,010,000	16,010,811	0.98

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

	Weighted average effective interest rate		Weighted average remaining maturity	
	30.6.2021 %	31.12.2020 %	30.6.2021 Day	31.12.2020 Days
Short-term deposit with a licensed bank	1.75	1.85	1	4

6. AMOUNT DUE TO MANAGER

	Note	30.6.2021 RM	31.12.2020 RM
(a) Due to Manager			
Manager's fee payable	(i)	150,176	157,048

(i) Manager's fee is at a rate of 0.10% (2020: 0.10%) per annum on the NAV 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 0.04% (2020: 0.04%) per annum on the NAV 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.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

8. AMOUNT DUE TO INDEX PROVIDER

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

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

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

Subject to a minimum annual fee of USD21,234

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

9. NET (LOSS)/GAIN FROM INVESTMENTS

	1.1.2021 to 30.6.2021 RM	1.1.2020 to 30.6.2020 RM
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	1,095,082	2,037,462
– Net unrealised (loss)/gain on changes in fair values of investments	(66,691,437)	37,605,216
	<u>(65,596,355)</u>	<u>39,642,678</u>

10. TOTAL EQUITY

Total equity is represented by:

	Note	30.6.2021 RM	31.12.2020 RM
Unit holders' capital	(a)	1,435,228,603	1,401,398,103
Retained earnings			
– Realised income	(b)	93,754,212	113,684,143
– Unrealised gain	(c)	45,641,872	112,333,309
		<u>1,574,624,687</u>	<u>1,627,415,555</u>

ABF Malaysia Bond Index Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

10. TOTAL EQUITY (CONT'D.)

(a) Unit holders' capital/units in circulation

	30.6.2021		31.12.2020	
	Number of units	RM	Number of units	RM
At beginning of the financial period/year	1,320,421,800	1,401,398,103	1,292,921,800	1,366,855,353
Creation during the financial period/year	<u>27,500,000</u>	<u>33,830,500</u>	<u>27,500,000</u>	<u>34,542,750</u>
At end of the financial period/year	<u>1,347,921,800</u>	<u>1,435,228,603</u>	<u>1,320,421,800</u>	<u>1,401,398,103</u>

(b) Realised – distributable

	30.6.2021	31.12.2020
	RM	RM
At beginning of the financial period/year	113,684,143	129,321,598
Net realised income for the financial period/year	29,943,176	62,988,480
Distributions out of realised income	<u>(49,873,107)</u>	<u>(78,625,935)</u>
At end of the financial period/year	<u>93,754,212</u>	<u>113,684,143</u>

(c) Unrealised – non-distributable

	30.6.2021	31.12.2020
	RM	RM
At beginning of the financial period/year	112,333,309	62,695,479
Net unrealised (loss)/gain for the financial period/year	<u>(66,691,437)</u>	<u>49,637,830</u>
At end of the financial period/year	<u>45,641,872</u>	<u>112,333,309</u>

11. UNITS HELD BY THE MANAGER AND RELATED PARTIES

The related parties and their relationship with the Fund are as follows:

Related parties

AmFunds Management Berhad
AmInvestment Bank Berhad
AMMB Holdings Berhad
Subsidiaries and associates of AMMB
as disclosed in its financial statements

Relationships

The Manager
Holdings company of the Manager
Ultimate holding company of the Manager
Subsidiaries and associate companies of the
ultimate holding company of the Manager

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

11. UNITS HELD BY THE MANAGER AND RELATED PARTIES (CONT'D.)

	30.6.2021		31.12.2020	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	15,796,730	18,497,971 ^	13,875,930	17,122,898 ^

* 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 2021 and 31 December 2020.

^ Closing quoted price published in Bursa Malaysia Berhad as at 30 June 2021 was RM1.1710 (31.12.2020: RM1.2340).

12. TAXATION

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, provided that the exemption shall not apply to the interest paid or credited to a exchange traded funds that is a wholesale fund which is a money market fund. Interest income earned by Funds other than wholesale money market fund is exempted from tax.

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

	1.1.2021 to 30.6.2021 RM	1.1.2020 to 30.6.2020 RM
Net (loss)/income before taxation	(36,748,261)	68,553,578
Taxation at Malaysian statutory rate of 24% (2020: 24%)	(8,819,583)	16,452,859
Tax effects of:		
Income not subject to tax	(7,480,200)	(16,743,276)
Loss not allowed for tax deduction	16,005,945	-
Restriction on tax deductible expenses for exchange traded funds	176,009	173,535
Non-permitted expenses for tax purposes	98,272	97,601
Permitted expenses not used and not available for future financial periods	19,557	19,281
Tax expense for the financial period	-	-

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

13. DISTRIBUTION

Distributions to unit holders declared on 23 June 2021 (declared on 23 June 2020 for the previous financial period) are from the following sources:

	1.1.2021 to 30.6.2021 RM	1.1.2020 to 30.6.2020 RM
Interest income	30,072,420	30,120,972
Net realised gain on sale of investments	1,095,082	2,037,462
	<u>31,167,502</u>	<u>32,158,434</u>
Less: Expenses	(1,224,326)	(1,210,072)
Realised income for the financial period	29,943,176	30,948,362
Previous period's undistributed realised income	113,684,143	129,321,598
Total realised income available for distribution	<u>143,627,319</u>	<u>160,269,960</u>
Less : Declared income distribution	(49,873,107)	(46,803,769)
Balance undistributed realised income	<u>93,754,212</u>	<u>113,466,191</u>
Gross/net distributions per unit (sen)	<u>3.70</u>	<u>3.62</u>
Cum-Distribution - 23 June 2021/2020		
NAV	1,623,513,044	1,579,540,917
NAV per unit	<u>1.2045</u>	<u>1.2579</u>
Ex-Distribution - 23 June 2021/2020		
NAV	1,573,639,937	1,548,592,556
NAV per unit	<u>1.1675</u>	<u>1.2217</u>

Gross distribution per unit is derived from gross realised income less expense divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

Included in the distribution for the financial period ended 30 June 2021 was RM19,929,931 (2020: RM15,855,407) distributed from previous financial period's realised income.

The net unrealised loss of RM66,691,437 (2020: net unrealised gain of RM37,605,216) arising during the financial period which is carried forward to the next financial period.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

14. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1.1.2021 to 30.6.2021 % p.a.	1.1.2020 to 30.6.2020 % p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.04	0.04
Licence fee	0.01	0.01
Fund’s other expenses	-*	-*
Total MER	<u>0.15</u>	<u>0.15</u>

* 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 NAV 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 NAV of the Fund calculated on a daily basis, is 0.04 times (2020: 0.06 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 2021 are as follows:

Financial institutions	Transaction value	
	RM	%
Standard Chartered Bank Malaysia Berhad	52,115,518	50.57
Citibank Berhad	30,873,061	29.96
Malayan Banking Berhad	20,068,088	19.47
Total	<u>103,056,667</u>	<u>100.00</u>

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

17. TRANSACTIONS WITH FINANCIAL INSTITUTIONS (CONT'D.)

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

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
30.6.2021				
Assets				
Investments	1,615,452,404	-	-	1,615,452,404
Deposit with financial institution	-	9,419,452	-	9,419,452
Cash at banks	-	12,030	-	12,030
Total financial assets	<u>1,615,452,404</u>	<u>9,431,482</u>	<u>-</u>	<u>1,624,883,886</u>
Liabilities				
Amount due to Manager	-	-	150,176	150,176
Amount due to Trustee	-	-	52,972	52,972
Amount due to Index provider	-	-	127,270	127,270
Distribution payable	-	-	49,873,107	49,873,107
Total financial liabilities	<u>-</u>	<u>-</u>	<u>50,203,525</u>	<u>50,203,525</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

18. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31.12.2020				
Assets				
Investments	1,643,531,370	-	-	1,643,531,370
Deposit with financial institution	-	16,010,811	-	16,010,811
Cash at banks	-	11,474	-	11,474
Total financial assets	<u>1,643,531,370</u>	<u>16,022,285</u>	<u>-</u>	<u>1,659,553,655</u>
Liabilities				
Amount due to Manager	-	-	157,048	157,048
Amount due to Trustee	-	-	55,656	55,656
Amount due to Index provider	-	-	43,149	43,149
Distributions payable	-	-	31,822,165	31,822,165
Total financial liabilities	<u>-</u>	<u>-</u>	<u>32,078,018</u>	<u>32,078,018</u>
			Income, expense, gains and losses	
			1.1.2021 to	1.1.2020 to
			30.6.2021	30.6.2020
			RM	RM
Net (loss)/gain from financial assets at FVTPL			(65,596,355)	39,642,678
Income, of which derived from:				
– Interest income from financial assets at FVTPL			29,968,769	30,008,408
– Interest income from financial assets at amortised cost			<u>103,651</u>	<u>112,564</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;

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

18. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments that are carried at fair value (cont'd.)

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 (Note 4)	Level 3 RM	Total RM
30.6.2021				
Financial assets at FVTPL	-	1,615,452,404	-	1,615,452,404
31.12.2020				
Financial assets at FVTPL	-	1,643,531,370	-	1,643,531,370

(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
- Distributions payable
- Sundry payables and accruals

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.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risks that include market risk, credit risk, liquidity 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.

(a) Market risk

The Fund's principal exposure to market risk arises primarily due to changes in the market environment, global economic and geo-political developments.

Financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as Covid-19. The outbreak of Covid-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The outcomes of global and local financial markets are highly uncertain and cannot be predicted at this point in time. Due to this, the Manager of the Fund is unable to reliably estimate the quantitative impact of Covid-19 towards the Fund's performance for the next twelve months. The Manager of the Fund will continue to actively monitor the developments in the market to minimise any potential impact to the Fund.

The Fund's market risk is affected primarily by the following risks:

(i) Interest rate risk

Interest rate risk will affect the value of the Fund's investments, given the interest rates 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 rate sensitivity of the Fund's NAV, or theoretical value due to the parallel movement assumption of the yield curve by +100bps and -100bps respectively:

Percentage shift in yield curve by:	Sensitivity of the Fund's NAV, or theoretical value	
	30.6.2021	31.12.2020
	RM	RM
+100 bps	(101,292,917)	(107,110,079)
-100 bps	113,812,522	120,570,519

ABF Malaysia Bond Index Fund

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021**

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) 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 invests up to 100% of the NAV 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 NAV 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 2021 and 31 December 2020:

Credit rating	RM	As a % of debt securities	As a % of NAV
30.6.2021			
AAA	5,157,938	0.32	0.33
NR*	1,610,294,466	99.68	102.26
	<u>1,615,452,404</u>	<u>100.00</u>	<u>102.59</u>
31.12.2020			
AAA	5,197,363	0.32	0.32
NR*	1,638,334,007	99.68	100.67
	<u>1,643,531,370</u>	<u>100.00</u>	<u>100.99</u>

* Non-rated

For deposits with financial institution, the Fund only makes placements with financial institutions with sound rating of P1/MARC-1 and above. The following table presents the Fund's portfolio of deposits by rating category as at 30 June 2021 and 31 December 2020:

Credit rating	RM	As a % of deposits	As a % of NAV
30.6.2021			
P1/MARC-1	<u>9,419,452</u>	<u>100.00</u>	<u>0.60</u>
31.12.2020			
P1/MARC-1	<u>16,010,811</u>	<u>100.00</u>	<u>0.98</u>

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

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Credit risk (cont'd.)

(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 2021 and 31 December 2020:

Sectors	RM	As a % of debt securities	As a % of NAV
30.6.2021			
Diversified holdings	5,157,938	0.32	0.33
Financial services	5,566,418	0.34	0.35
Public finance	1,588,069,978	98.31	100.85
Transportation	16,658,070	1.03	1.06
	<u>1,615,452,404</u>	<u>100.00</u>	<u>102.59</u>
31.12.2020			
Diversified holdings	5,197,363	0.32	0.32
Financial services	5,958,978	0.36	0.37
Public finance	1,614,531,100	98.23	99.20
Transportation	17,843,929	1.09	1.10
	<u>1,643,531,370</u>	<u>100.00</u>	<u>100.99</u>

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

(c) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. 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.

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

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
30.6.2021						
Financial assets						
Investments	87,859,161	212,803,548	169,229,361	185,056,164	174,740,125	1,303,337,278
Deposit with financial institution	9,419,452	-	-	-	-	-
Cash at banks	12,030	-	-	-	-	-
Total assets	97,290,643	212,803,548	169,229,361	185,056,164	174,740,125	1,303,337,278
Financial liabilities						
Amount due to Manager	150,176	-	-	-	-	-
Amount due to Trustee	52,972	-	-	-	-	-
Amount due to Index provider	127,270	-	-	-	-	-
Distribution payable	49,873,107	-	-	-	-	-
Sundry payables and accruals	55,674	-	-	-	-	-
Total liabilities	50,259,199	-	-	-	-	-

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

The following table presents the undiscounted contractual cash flows from different asset and liability classes in the Fund: (cont'd.)

	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
31.12.2020						
Financial assets						
Investments	61,540,105	197,335,275	204,996,989	210,333,080	141,331,930	1,272,606,448
Deposit with financial institution	16,013,246	-	-	-	-	-
Cash at banks	11,474	-	-	-	-	-
Total assets	77,564,825	197,335,275	204,996,989	210,333,080	141,331,930	1,272,606,448
Financial liabilities						
Amount due to Manager	157,048	-	-	-	-	-
Amount due to Trustee	55,656	-	-	-	-	-
Amount due to Index provider	43,149	-	-	-	-	-
Distributions payable	31,822,165	-	-	-	-	-
Sundry payables and accruals	60,082	-	-	-	-	-
Total liabilities	32,138,100	-	-	-	-	-

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2021 TO 30 JUNE 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Regulatory risk

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

(e) Management risk

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the NAV of the Fund.

(f) 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 unit holders' value by expanding its fund size to benefit from economies of scale and achieving growth in NAV 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 unit holders by way of redemption of units.

No changes were made in the objective, policies or processes during the financial period/year ended 30 June 2021 and 31 December 2020.

ABF Malaysia Bond Index Fund

STATEMENT BY THE MANAGER

I, Goh Wee Peng, being the Director of and on behalf of the Board of Directors of AmFunds Management Berhad (the “Manager”), do hereby state that in the opinion of the Manager, the accompanying financial statement are drawn up in accordance with Malaysian Financial Reporting Standards so as to give a true and fair view of the financial position of ABF Malaysia Bond Index Fund (the “Fund”) as at 30 June 2021 and the comprehensive income, the changes in equity and cash flows for the financial period then ended.

For and on behalf of the Manager

GOH WEE PENG

Executive Officer

Kuala Lumpur, Malaysia

19 August 2021

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.)*