

**FBM KLCI etf (formerly known as FBM30etf)**

**Manager's Report And Financial Statements (unaudited)  
For The Period 1 July 2009 to 30 September 2009**

(Ringgit Malaysia)

## **MANAGER**

AmInvestment Services Berhad  
9th Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur

## **BOARD OF DIRECTORS**

Kok Tuck Cheong  
Datin Maznah Mahbob  
Harinder Pal Singh  
Professor Dr Annuar Md. Nassir  
Dato' Dr Mahani Zainal Abidin  
Lee Siang Korn @ Lee Siang Chin

## **INVESTMENT COMMITTEE**

Professor Dr Annuar Md. Nassir  
Dato' Dr Mahani Zainal Abidin  
Lee Siang Korn @ Lee Siang Chin  
Harinder Pal Singh

## **INVESTMENT MANAGER**

AmInvestment Management Sdn Bhd

## **TRUSTEE**

HSBC (Malaysia) Trustee Berhad

## **AUDITORS AND REPORTING ACCOUNTANTS**

Ernst & Young

## **TAXATION ADVISER**

Deloitte KassimChan Tax Services Sdn Bhd

## **FBM KLCI etf (formerly known as FBM30etf)**

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## FBM KLCI etf (formerly known as FBM30etf)

### PERFORMANCE DATA

Details of portfolio composition of FBM KLCI etf (“the Fund”) for the last financial periods as at 30 September 2009, 30 June 2009, and two financial year/period as at 31 December are as follows:

	<b>As at 30-09-2009 %</b>	<b>As at 30-06-2009 %</b>	<b>As at 31-12-2008 %</b>	<b>As at 31-12-2007 %</b>
Construction	1.8	1.3	1.6	3.7
Consumer products	5.5	4.4	4.8	4.8
Finance	34.5	26.9	25.2	31.4
Industrial products	1.6	1.3	1.9	1.5
Infrastructure project companies	3.2	2.9	3.4	3.0
Plantation	8.7	7.1	6.5	10.2
Trading/Services	42.9	34.4	35.1	44.5
Options	-	20.1	20.3	-
Cash and others	1.8	1.6	1.2	0.9
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Note: The abovementioned percentages are based on total investment market value plus cash.

## FBM KLCI etf (formerly known as FBM30etf)

Performance details of the Fund for the last financial periods ended 30 September 2009, 30 June 2009 and two financial year/period ended 31 December are as follows:

	<b>3 months ended 30-9-2009</b>	<b>3 months ended 30-6-2009</b>	<b>1 year ended 31-12-2008</b>	<b>6 2/3 months ended 31-12-2007</b>
Net asset value (RM'000)	4,074	4,538	3,748	22,020
Units in circulation ('000)	3,344	650	650	2,340
Net asset value per unit (RM)	1.2184**	6.9816*	5.7668*	9.4103*
Highest net asset value per unit (RM)	1.2373**	7.0428*	9.9339*	9.4196*
Lowest net asset value per unit (RM)	1.0900**	5.7357*	5.4137*	7.7107*
Closing quoted price (RM/unit)	1.170**	6.950*	5.810*	9.370*
Highest quoted price (RM/unit)	1.185**	6.960*	9.930*	9.370*
Lowest quoted price (RM/unit)	1.070**	5.870*	5.450*	7.680*
Total return (%) <sup>(1)</sup>	12.8	23.7	-37.2	7.61
- Capital growth (%)	12.2	23.7	-57.2	7.61
- Income distribution (%)	0.60	-	20.00	-
Gross distribution per unit (sen)	0.78	-	21.72	-
Net distribution per unit (sen)	0.60	-	20.00	-
Distribution yield (%) <sup>(2)</sup>	0.51	-	3.44	-
Management expense ratio (%) <sup>(3)</sup>	1.09	1.12	1.06	1.21
Portfolio turnover ratio (times) <sup>(4)</sup>	0.01	0.02	1.69	1.48

\* Above price and net asset value per unit are shown as ex-distribution.

\*\* Above price and net asset value per unit are shown as ex-distribution and after unit split exercise.

- Note: (1) Total return is the actual return of the Fund for the respective financial periods, computed based on net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the period dividend by the closing quoted price.
- (3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The MER decreased by 0.03% as compared to 1.12% per annum for the quarter ended 30 June 2009 mainly due to increase in average fund size.
- (4) Portfolio turnover ratio ("PTR") is computed based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.01 times (50%) as compared to 0.02 times for the quarter ended 30 June 2009 due to decrease in investing activities.

### Average Total Return (as at 30 September 2009)

	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>©</sup> %
One year	20.6	19.0
Since launch of fund (19 July 2007)	-3.0	-4.8

### Annual Total Return

Financial Year/Period End	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>©</sup> %
31 December 2008	-37.2	-39.7
31 December 2007 <sup>(b)</sup>	7.6	7.1

(a) Independently verified by Perkasa Normandy Advisers Sdn Bhd.

(b) Actual returns for the financial period 19 July 2007 (date of listed on Bursa Malaysia) to 31 December 2007.

(c) Effective from 6 July 2009, the FTSE Bursa Malaysia Large 30 Index (“FBM30 Index”) has been renamed FTSE Bursa Malaysia KLCI (“FBM KLCI”)

The Fund’s performance above is calculated based on net asset value per unit. Annualised returns for both FBM KLCI etf and FTSE Bursa Malaysia KLCI (“FBM KLCI Index”) for a period are computed on the absolute returns 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.**

**Manager's Report  
For The Period 1 July 2009 to 30 September 2009**

Dear Unitholders

We are pleased to present you the Manager's Report and the unaudited accounts of FBM KLCI etf (formerly known as FBM30etf) ("the Fund") for the financial period 1 July 2009 to 30 September 2009.

**Investment Objectives**

FBM KLCI etf (formerly known as FBM30etf) is an equity exchange traded fund which aims to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the given benchmark, FTSE Bursa Malaysia KLCI (formerly known as FTSE Bursa Malaysia Large 30 Index) ("FBM KLCI"), balanced with the need to facilitate liquidity provision.

FBM KLCI etf was established on 18 January 2007 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.

Details of the index components as at 30 September 2009 are as follows:

<b>Stock code</b>	<b>Company's name</b>	<b>Percentage weight (%)</b>	<b>Shares in issue ('million units)</b>
1023	CIMB Group Holdings Berhad	10.93	3,578.08
4197	Sime Darby Berhad	10.52	5,997.99
1295	Public Bank Berhad	9.92	3,531.93
1155	Malayan Banking Berhad	9.72	7,077.61
5347	Tenaga Nasional Berhad	7.31	4,322.56
1961	IOI Corporation Berhad	6.70	6,245.95
6888	Axiata Group Berhad	5.40	8,445.15
3182	Genting Berhad	5.23	3,694.24
3816	Malaysia International Shipping Corporation Berhad	3.65	3,719.83
1015	AMMB Holdings Berhad	2.65	3,014.18
4065	PPB Group Berhad	2.51	1,185.50
4863	Telekom Malaysia Berhad	2.27	3,577.40
4715	Genting Malaysia Berhad	2.21	5,872.40
2445	Kuala Lumpur Kepong Berhad	2.03	1,068.77
4677	YTL Corporation Berhad	1.87	1,897.12
6947	DiGi.Com Berhad	1.83	777.50
5052	PLUS Expressways Berhad	1.83	5,000.00
4162	British American Tobacco (M) Berhad	1.73	285.53

(Forward)

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
6033	PETRONAS Gas Berhad	1.59	1,978.73
4588	UMW Holdings Berhad	1.44	1,107.90
6742	YTL Power International Berhad	1.42	5,938.68
1562	Berjaya Sports Toto Berhad	1.24	1,351.03
5819	Hong Leong Bank Berhad	1.14	1,580.11
2267	Tanjong plc	0.83	403.26
2194	MMC Corporation Berhad	0.83	3,045.06
5076	Astro All Asia Networks Berhad	0.75	1,933.75
5657	Parkson Holdings Berhad	0.73	1,036.41
5681	PETRONAS Dagangan Berhad	0.71	993.45
1066	RHB Capital Berhad	0.60	2,153.48
3786	Malaysian Airline System Berhad	0.41	1,670.99

### Fund Performance Review

	As at 30 September 2009	As at 30 June 2009	Changes (%)
FTSE Bursa Malaysia Large 30 Index	-	6,910.01	-
FTSE Bursa Malaysia KLCI	1,202.08 <sup>(c)</sup>	-	-
Net asset value (RM)	4,074,221	4,538,042	-10.22
Units in circulation (units)	3,344,000 <sup>(d)</sup>	650,000	414.46
Actual returns (%)	12.77 <sup>(a)</sup>	23.69 <sup>(b)</sup>	-10.92
Benchmark return (%)	13.32 <sup>(a)</sup>	23.43 <sup>(b)</sup>	-10.11
Net asset value per unit (RM)	1.2184 <sup>(d)</sup>	6.9816	-82.55
Closing price quoted at Bursa Malaysia (RM)	1.17 <sup>(d)</sup>	6.95	-83.17

(a) Actual returns for the financial period 1 July 2009 to 30 September 2009.

(b) Actual returns for the financial period 1 April 2009 to 30 June 2009.

(c) FTSE Bursa Malaysia Large 30 Index has been renamed FTSE Bursa Malaysia KLCI on 6 July 2009.

(d) After unit split exercise involving a subdivision of every unit into 6.43 units on 6 July 2009.

Note: Benchmark – FTSE Bursa Malaysia KLCI (formerly known as FTSE Bursa Malaysia Large 30 Index ) (“FBM KLCI”)



As of 30 September 2009, net value asset (NAV) of the Fund stood at RM 4,074,221, a decline of -10.22% as compared to RM 4,538,042 as of 30 June 2009. Units in circulation of the Fund was 3,344,000 as 30 September 2009. The Fund registered a return of 12.77%, comprising 0.6% income distribution and capital growth of 12.17%.

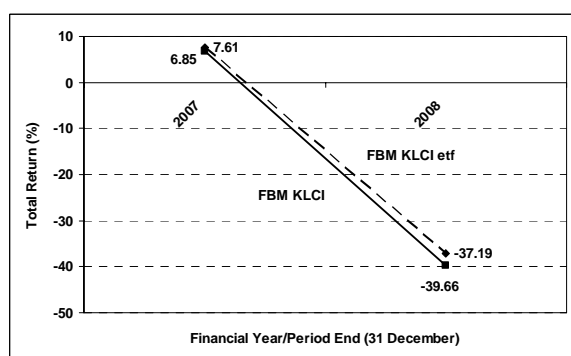
The Fund underperformed its benchmark, the KLCI Index by -0.55%. The KLCI Index registered a return of 13.32%, a decline -10.11% compared to the 23.43% gain made from 31 March 2009 to 30 June 2009. The NAV of the Fund at 30 September 2009 was RM 1.2184 compared to RM 6.9816 at 30 June 2009 this is due to the recent unit split on 6<sup>th</sup> July 2009. As at 30 September 2009, the closing price of the fund quoted at Bursa Malaysia was RM 1.17, as compared to RM 6.95 as of 30 June 2009 was a result of the unit split.

We will strive to maintain the Fund's main objectives which are to achieve a price and yield performance that closely tracks that of the benchmark FBM KLCI Index. There were no significant changes in the state of affairs of the Fund and no unit split and circumstances that materially affected the interest of the unitholders for the period under review.

Comparison between the annual performance of FBM KLCI etf and its benchmark for each of the last financial year/period ended 31 December is as follows:

<b>Financial Year/Period End (31 December)</b>	<b>FBM KLCI etf (%)</b>	<b>FBM KLCI/ FBM 30 (%)</b>	<b>Changes (%)</b>
2008	-37.19	-39.66	2.47
2007*	7.61	6.85	0.76

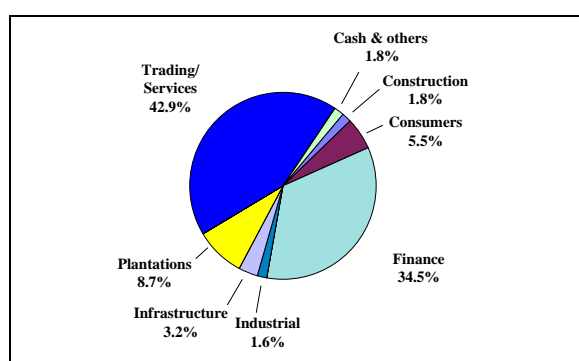
\* Actual returns for the financial period 7 June 2007 (date of commencement) to 31 December 2007



The Fund undertook a unit split exercise involving a subdivision of every existing unit into 6.43 units on 6 July 2009 and declared a distribution of 0.60 sen per unit on 14 August 2009, details as follows:

<b>Unit split involving subdivision of every unit into 6.43 units</b>	<b>Changes in the unit price prior and subsequent to the unit split</b>	<b>Before unit split on 6 July 2009 (RM)</b>	<b>After unit split on 6 July 2009 (RM)</b>
	Net asset value per unit	7.0639	1.0986
<b>0.60 sen per unit interim income distribution</b>	<b>Changes in the unit price prior and subsequent to the interim income distribution</b>	<b>Before income distribution on 14 August 2009 (RM)</b>	<b>After income distribution on 14 August 2009 (RM)</b>
	Net asset value per unit	1.2066	1.2006

### Sectoral Composition as at 30 September 2009



	<b>30 September 2009 (%)</b>	<b>30 June 2009 (%)</b>	<b>Changes (%)</b>
Construction	1.8	1.3	0.5
Consumer products	5.5	4.4	1.1
Finance	34.5	26.9	7.6
Industrial products	1.6	1.3	0.3
Infrastructure project companies	3.2	2.9	0.3
Plantations	8.7	7.1	1.6
Trading/Services	42.9	34.4	8.5
Options	-	20.1	-20.1
Cash and others	1.8	1.6	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

Due to the redemption of zero strike call option units on 11 September 2009, there were some major adjustments to the asset allocation of the Fund.

As the fund is meant to mimic the performance of the benchmark FTSE Bursa Malaysia KLCI, the fund weighting is rebalanced over the period under review to reflect this. Given the redemption of the zero strike call options, weighting in the construction, consumer products, finance, industrial products, infrastructure project companies, plantations, trading/services and cash were increased by 0.5%, 1.1%, 7.6%, 0.3%, 0.3%, 1.6%, 8.5%, and 0.2% respectively.

### Break down of unitholding by size

Size of holding	As at 30 September 2009 No of units held ('000)	As at 30 June 2009 No of units held ('000)
Less than 100	-	-
100 – 1,000	19.0	74.5
1,001 – 10,000	551.5	198.3
10,001 to less than 5% of issue units	1,412.3	57.5
5% and above of issue units	1,361.2	319.7

*Note: 5% of issue units = 167,200 units*

### Market Review

It was another strong quarter for Malaysia as the FBM KLCI gained 127 points or 11.80% to close at 1,202 points. The broader market's performance was slightly better than the KLCI as FBM Emas gained 12.36%. However, the FBM Emas Shariah posted a lower gain of 11.09%. The following is a month by month review of events:

#### July 2009

The broader market's performance was slightly better than the KLCI as FBM Emas gained 9.9% to 7,920 points. Smaller caps were mixed as the FBM KL 2nd Board jumped 11% to 5,291 points (The 2nd Board is to be merged with Main Board on 3 August 2009) while FMB MDQ inched up 4% to 4,259 points. The average value traded on Bursa in July fell 10% month-on-month to RM1.45bn per day (compared to RM1.62bn per day in June).

WCT received four LOAs worth RM767 million for the construction of infrastructure in Medini (Node 1) in Iskandar, Johor. Advertising expenditure (adex) of the various media in Malaysia grew at 11 % in May 2009 compared to the previous month when it registered a contraction of one %. Malaysia's total trade with the six-nation Gulf Cooperation Council (GCC) was valued at RM8.37 billion over January to April this year, down 26.5 % from RM11.4 billion over the same period in 2008. Kuala Lumpur Kepong bought 95 % of PT Bumi Makmur Sejahtera Jaya for 6.66 billion rupiah (RM2.3 million) to expand its oil palm plantation area in Indonesia. Petronas Gas is expected to spend over RM1 billion over the next three years to overhaul two of its gas processing plants (GPP) in Kertih, Terengganu to improve efficiency. Currently Petronas Gas has six GPPs. MAS launched an air pass offering sharp fare discounts for travel within Southeast Asia in a bid to fill up its planes and spur tourism into the country. Carlsberg expects its acquisition of Carlsberg Singapore Pte Ltd from Carlsberg Breweries A/S for RM370 million to boost the company's profit after tax (PAT) by 50% for the financial year ended 31 December 2010.

### August 2009

The FBM KLCI closed one point lower at 1,174 in August (-0.05%). The FBM KLCI however outperformed the regional MSCI AC Asia Index (ex-Japan) which fell by 3.51% in the same period. The broader market's performance was slightly better than the FBM KLCI as the FBM Emas gained 4 points to 7,924 points. The average value traded on Bursa in August remained flat month-on-month at an average of RM1.4 billion per day. Comparatively the three-month average was RM1.4 billion per day.

Bumiputra-Commerce Holdings raised this year's return-on-equity (ROE) target to between 14 and 15 %, after reporting a higher second quarter profit. Tenaga Nasional (TNB) expects profits for the fourth quarter (4Q) FY8/09 to be positive, as the demand for electricity has improved to average -2% for FY8/09 from an earlier projection of -3.5%. Sime Darby has allocated RM7 billion as capex for this year, more than triple that of last year's RM2 billion as the group's expansion goes into full throttle. Sime Darby told Ramunia Holdings that it will now pay RM530 million for the Teluk Ramunia fabrication yard from RM560 million that it proposed earlier. The contracts for the new main low-cost carrier terminal (LCCT) building and runway works worth RM1 billion are expected to be awarded in September or October 2009. AirAsia which is looking to raise RM500 million from the private placement of 20 % of its share capital is targeting RM1 billion cash reserves by year end.

### September 2009

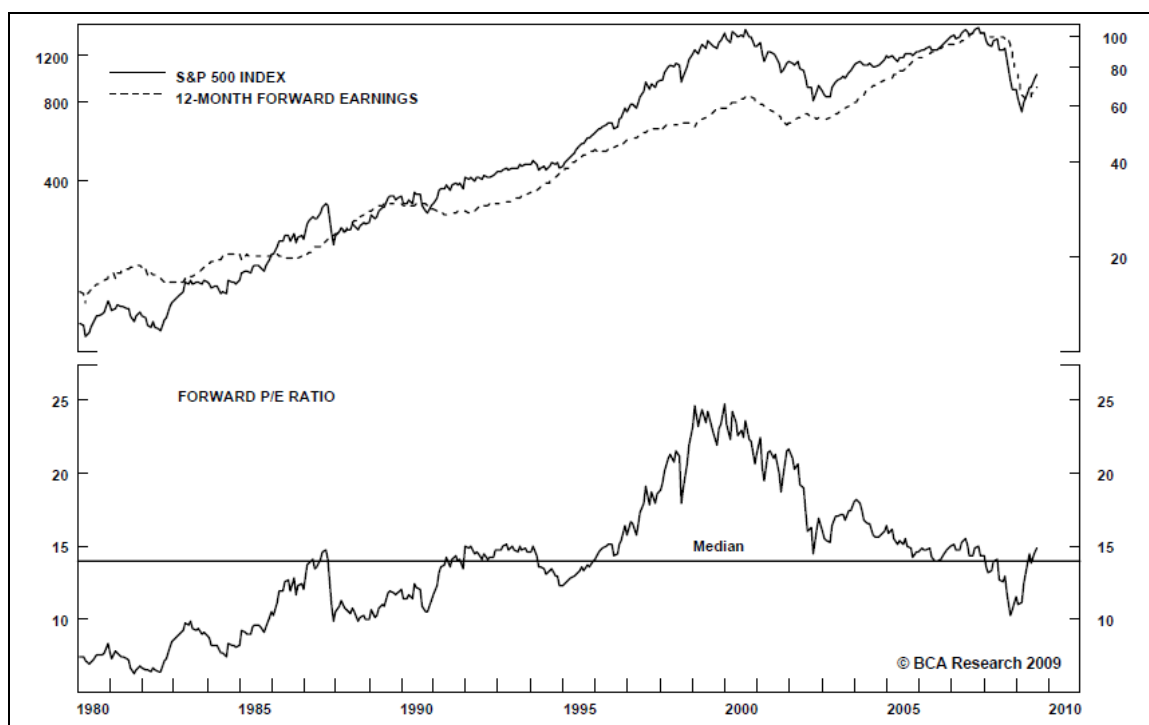
The FBM KLCI recorded a gain of 2.4% to close at 1,202 for September 2009. The FBM KLCI however underperformed the regional MSCI AC Asia Index (Ex-Japan) which rose by 7.0% in the same period. The FBM KLCI's performance was slightly better than the broader market as FBM Emas rose by 2.2% to 8,097 points. The average value traded on Bursa in September fell by 21.4% month-on-month (MoM) to average of RM1.1 billion per day. Comparatively the 3-month average was RM1.3 billion per day.

The government has committed not to prematurely pull the plug on fiscal stimulus, with government spending now at an additional RM1 billion a month. Kencana Petroleum's unit Kencana Torsco Sdn Bhd, has secured two contracts worth RM134.5 million to build a manufacturing plant for Sunpower Malaysia Manufacturing Sdn Bhd. Tenaga Nasional (TNB) and other members of the consortium responsible for the Bakun transmission cable project are likely to raise RM10 billion worth of bonds on a staggered basis to fund the eight-year job. The first commissioning of Bakun Dam is expected in August 2010. Proton Holdings is in talks with Volkswagen (VW) that could lead to a strategic partnership and the assembly of vehicles at the national carmaker's plant in Tanjung Malim. Sales of passenger cars and commercial vehicles in August rose 2.8% year-on-year (yoy) to 48,538 units, but compared to July this year, it was down by 3,390 units or 6.5%. The National Automotive Policy (NAP) will see big changes to the way the industry is structured. More leeway could be given to companies to establish manufacturing and assembly operations and the policy may also include steps to improve and assist the auto component industry. Confidence in the Malaysian property market has been at the highest level since May 2008, with property developers feeling increasingly positive about the outlook of the broader economy according to popular property website Thinkproperty.my. Syarikat Prasarana Negara Bhd (Prasarana) has proposed two new extensions for the Kelana Jaya and Ampang Light Rail Transit (LRT) lines at an estimated cost of RM7 billion. Malaysian palm oil stocks in August climbed 7.3% to a six-month high as exports returned to normal after sharply rising on festival demand a month earlier. Malaysia's government is not considering selling a 10% stake in Sime Darby to a Chinese entity.

## Market Outlook

We have argued in our previous write-ups that while the global recession has ended, it will take several years to return to pre-recession levels of activity and thus we expect sub-par growth from the G3 members. With regards to S&P 500, valuation is not excessive at current level although the market appears overbought and might experience near-term setback (Chart 1). However, we are fairly optimistic that the combination of accommodative monetary policy and a moderate sub-par economic recovery would create a base for the uptrend to resume over the next year. We are still uncertain about 2011 at this juncture as there is still the risk of a double dip recession. We need to determine whether a self sustaining recovery can take hold when fiscal stimulus and loose monetary policy are removed. What we are confident is that the Fed will not hike rates in 2010 as unemployment will still remain elevated for some time to come.

**Chart 1: US S&P 500 forward PER**



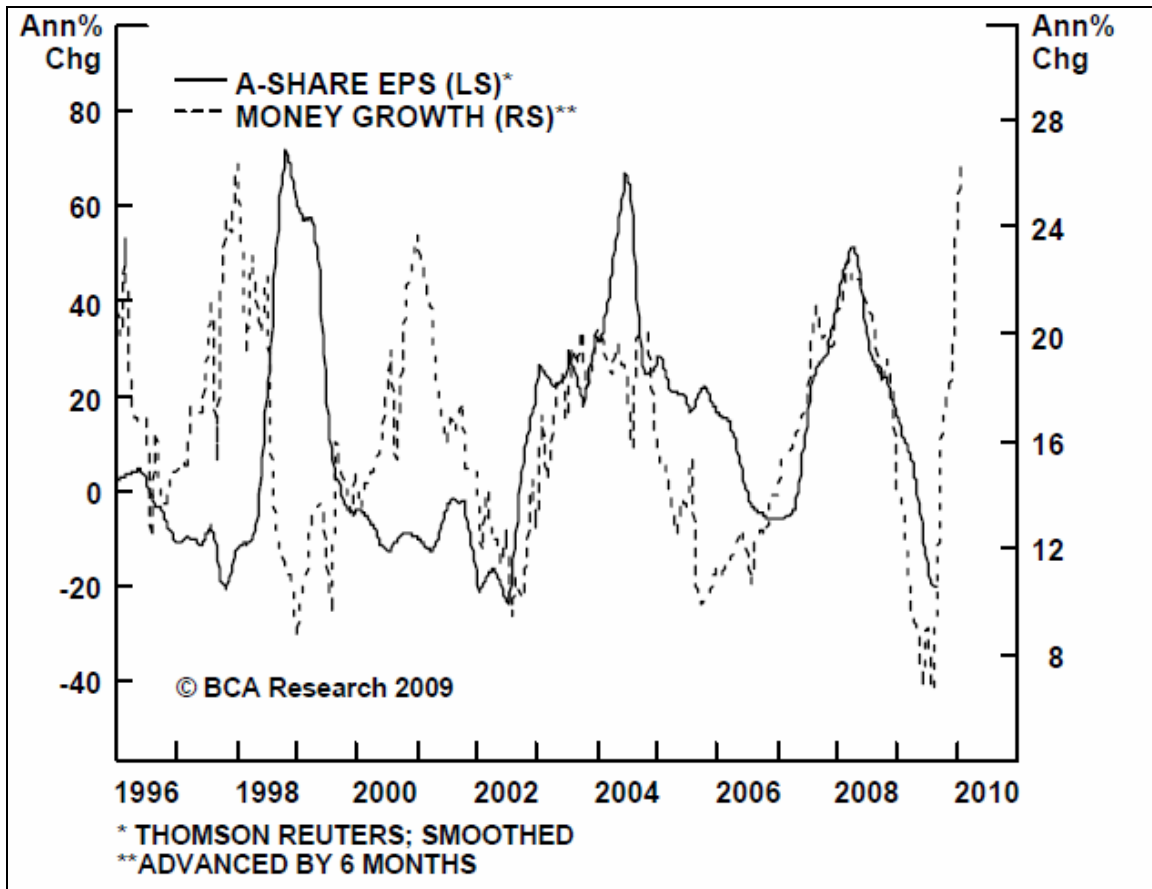
Source: *BCA Research*

For this month's strategy write-up, we focus our attention on China (as we have shown that China seems to be the leading indicator for recent US market performance) and Malaysia.

Is the recent setback in China's stock market's a long overdue correction or the start of a bear market?

Our base case is that China's economy will continue to revive and the G7 economies will somehow work through the recession successfully. Thus we doubt that the upside in share prices has ended although the easy gains are over. The fear is that currently China seems to be reheating, fueled by strong money and credit growth, which leads to fears of central bank tightening and resulting market disruption. While the economy is growing, the manufacturing sector is under-utilized and the government needs to ensure that the economy keeps growing to generate employment. Moreover, monetary growth in early recovery cycles has been a pretty reliable leading indicator for corporate earnings revision (Chart 2). Therefore, it is our belief that there will not be any major government policy mishap ensuring continued economic expansion and employment.

Chart 2: China's money growth versus earnings revision



Source: BCA Research

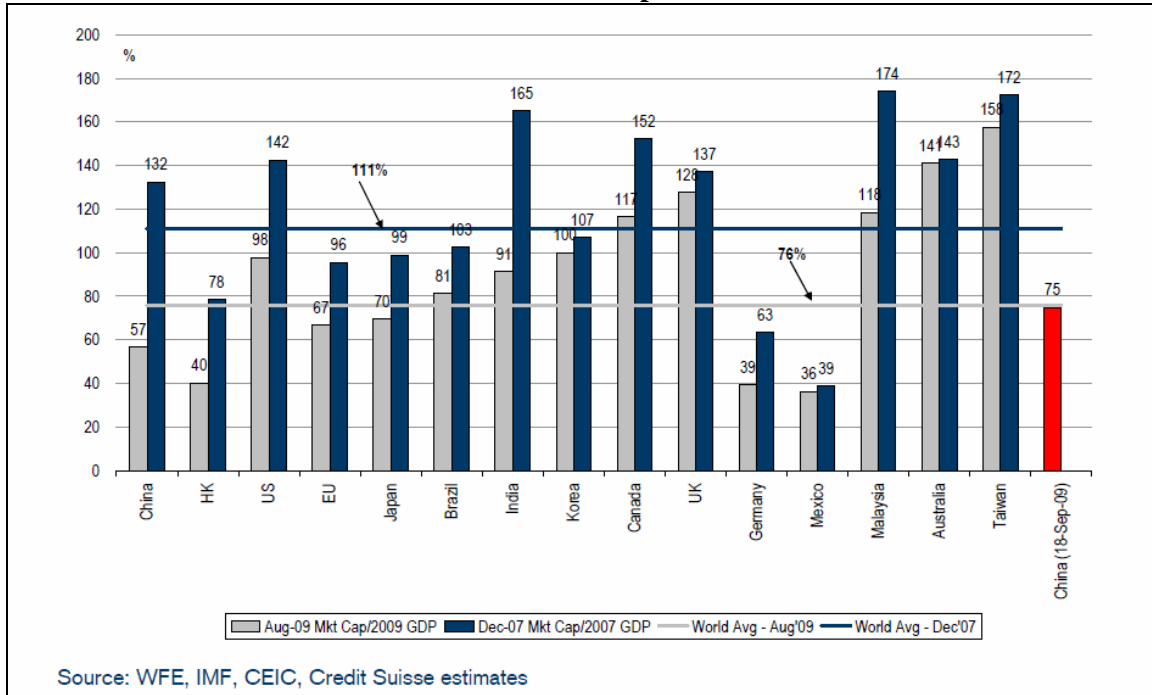
The recent pull back in China's stock exchange is also due to the growing fear that soaring bank loan growth would result in some policy tightening. This would unnerve investors as the developed world is still struggling to return to some semblance of growth. However, the macro fundamentals underpinning the rally over the past few months is not about to change significantly over the next 12-months. The broad environment should still be equity friendly.

China is far from the bubble bust as experienced at the end of 2007 for the following five reasons:

### 1) Market cap to GDP

The current market cap to Gross Domestic Product (GDP) ratio is still below its historical peak and at the global average. If China's GDP continues to grow at 8 to 9% per annum (of which we are confident), the ratio will remain within reasonable limits as long as the market cap trend upwards does not exceed 10%. Any faster appreciation might lead to another asset bubble problem.

**Chart 3: China's Market Capitalization to GDP**



Source: Credit Suisse Research

## 2) Real GDP growth

In November 2007, the economy was strong registering 13% yoy growth for the second quarter of 2007 (2Q07). Today, economic growth is weaker at 9% for the first half of 2009 (1H09) and consensus projects it to range between 9 – 10% for 2010 and 2011. With recovery in economic growth, corporate earnings should improve versus a sharp slowdown seen since mid-2007 (Chart 4).

**Chart 4: China's Real GDP Growth**



*Source: Bloomberg data*

### **3) CPI Inflation**

Towards end 2007, Consumer Price Index (CPI) rose to nearly 9% yoy, the highest over the past decade. Currently, CPI is still in deflationary mode, which will possibly end in late 2009 before registering positive inflation in 2010 (consensus is below 3.5%). Therefore, CPI inflation is unlikely to be a major concern for policymakers until at least 2011. Policy makers were forced to step up tightening measures back in 2007 simply because of an overheated economy with real GDP at 14% and CPI inflation approaching 9%.



**Chart 5: China's CPI Inflation**

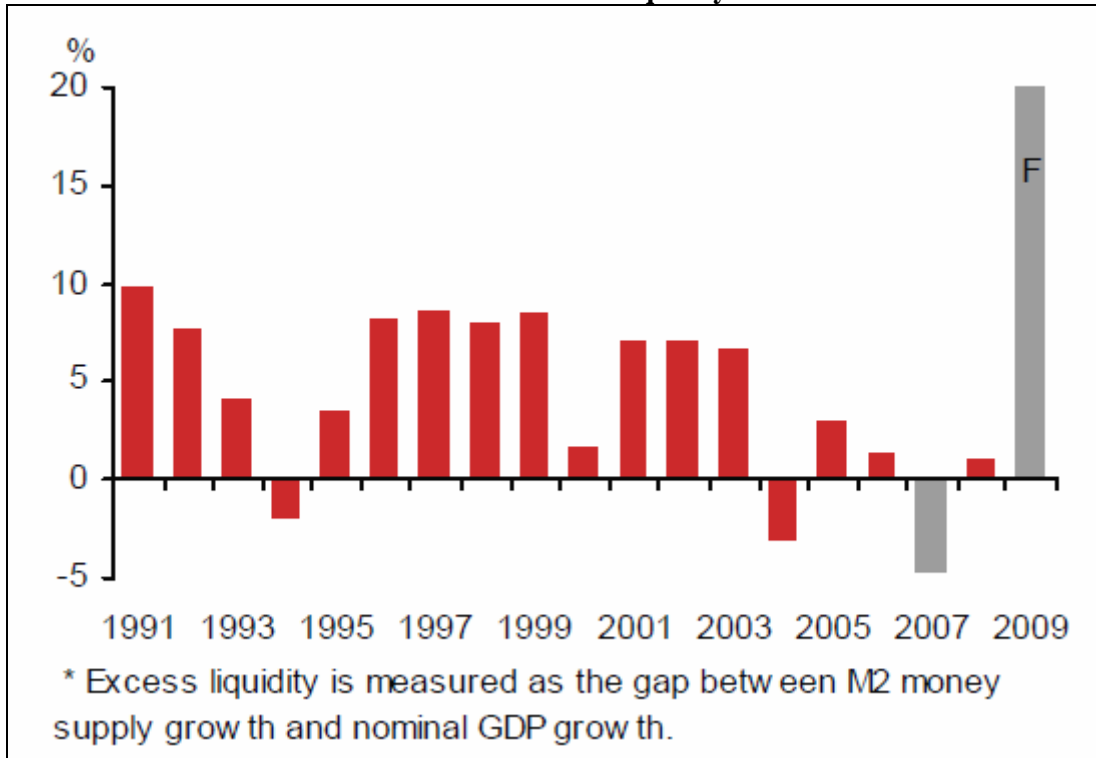


*Source: Bloomberg*

#### **4) Liquidity Conditions**

In 2007, although M2 money supply grew by 16.7%, it was still considered low compared to the 21.4% growth in nominal GDP. The excess liquidity index (which is measured from M2 less nominal GDP growth) was -4.7% in 2007, the lowest on record. In contrast, the forecasted (Nomura) excess liquidity index is expected to surge to 20% this year, implying very loose liquidity conditions compared to 2007.

**Chart 6: China's Excess Liquidity Index**

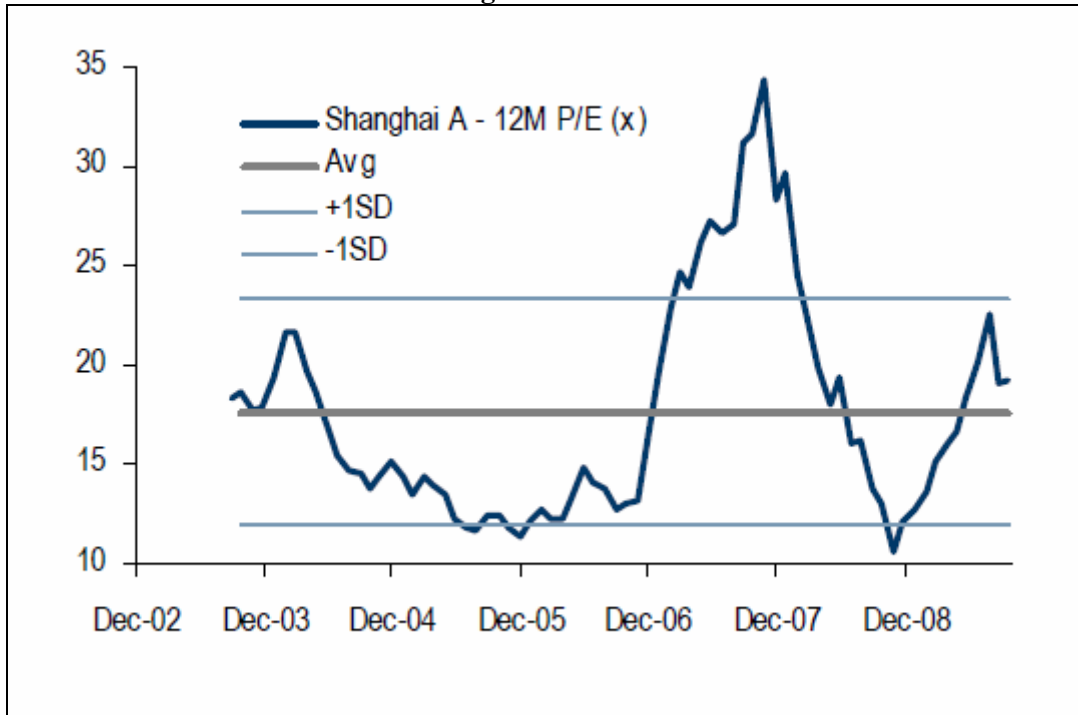


Source: Nomura

### 5) Stock Valuation (A shares)

In November 2007, the PE ratio of the A-share stocks listed on the Shanghai exchange exceeded 30x, while currently it is closer to 20x. Although the ratio looks high by international standards, valuations are reasonable although not compelling.

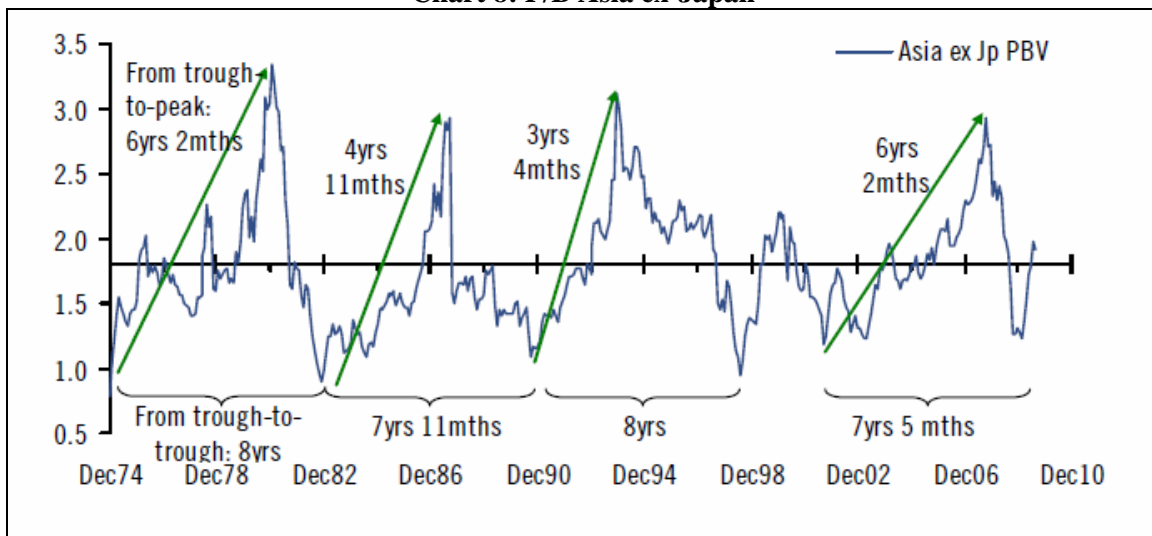
**Chart 7: Shanghai A-Shares Valuation**



Source: Credit Suisse Research

Looking back at the last four bull markets in Asia ex Japan (Chart 8), the cycle has historically been a trough to trough of 8 years. Assuming the trough for this cycle started in the first quarter of 2009 (1Q09), the next suggested peak would be in late 2012 to 2014 and if this cycle holds, the market uptrend is still intact.

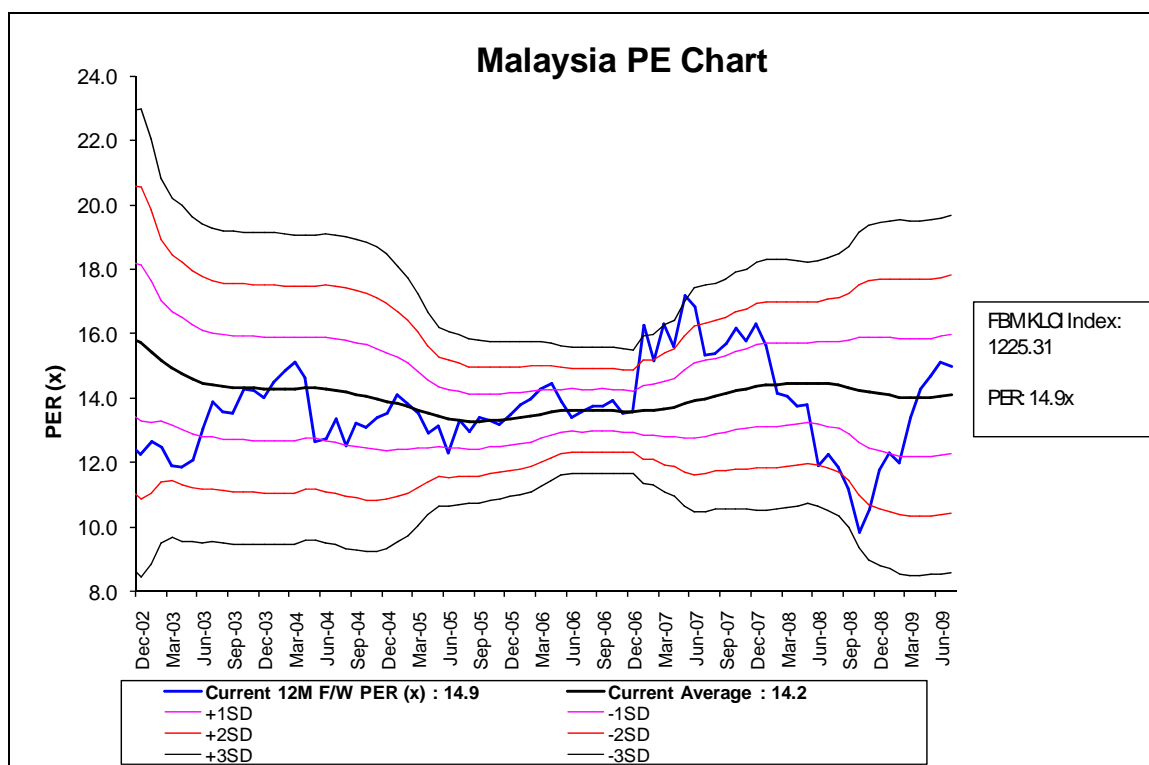
**Chart 8: P/B Asia ex-Japan**



Source: Citigroup Research

Turning to Malaysia's earnings forecast, we are using our in-house forecasts for 2010 with and basing 2011 on consensus estimates. The earnings growths are 19.2% and 15% respectively. Based on the average forward P/E multiples, the market appears to have priced in 2010 (Chart 9) and further upside is dependent solely on 2011. It is our belief that the market will range trade until clearer evidence appears for the certainty of macro sustainability into 2011. Assuming that the consensus growth number for 2011 is correct, the upside will be at least 15% assuming no P/E multiple expansions from current levels.

**Chart 9: Malaysia – P/E Ratio**



Source: In-house data

## Investment Strategy

As the fund is meant to mimic the performance of the FBM KLCI (formerly known as the FBM30), the portfolio will be rebalanced periodically to ensure that weighting of the stocks in the ETF is similar to that of the benchmark index.

## Rebates and soft commissions

It is our policy to pay all rebates to the Fund. However, soft commissions received for goods and services such as fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund are retained by the Manager. For the period under review, the Manager has received soft-commissions.

Kuala Lumpur  
AmInvestment Services Berhad

30 October 2009.

**FBM KLCI etf (formerly known as FBM30etf)**

**STATEMENT OF ASSETS AND LIABILITIES (unaudited)  
AS AT 30 SEPTEMBER 2009**

	Note	2009 RM	2008 RM
<b>ASSETS</b>			
Quoted investments	4	4,007,542	3,399,572
Cash at bank		74,644	5,266
Sundry receivables		28,609	18,543
Investments in derivatives	5	-	857,459
Amount due from Manager		-	37,360
		<hr/>	<hr/>
Total Assets		4,110,795	4,318,200
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Sundry payables and accrued expenses		26,936	27,645
Amount due to Manager	6	7,216	-
Amount due to index provider	7	2,180	1,801
Amount due to Trustee	8	242	231
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		36,574	29,677
		<hr/>	<hr/>
NET ASSET VALUE AS AT 30 SEPTEMBER	9	4,074,221	4,288,523
		<hr/>	<hr/>
UNITS IN CIRCULATION	9(a)	3,344,000	650,000
		<hr/>	<hr/>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION	10	122 sen	660 sen
		<hr/>	<hr/>

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

**FBM KLCI etf (formerly known as FBM30etf)**

**STATEMENT OF INCOME AND EXPENDITURE (unaudited)  
FOR THE PERIOD 1 JULY 2009 TO 30 SEPTEMBER 2009**

	Note	1-7-2009 to 30-9-2009 RM	1-7-2008 to 30-9-2008 RM
<b>INVESTMENT INCOME</b>			
Net unrealised gain/(loss) on changes in value of quoted investments		280,007	(551,716)
Net realised gain on sale of investments in derivatives		310,203	-
Dividend income		52,999	42,486
Net realised loss on sale of quoted investments		(47,662)	(4,897)
Net unrealised loss on change in value of investments in derivatives		-	(149,732)
		<u>595,547</u>	<u>(663,859)</u>
<b>Gross Income/(Loss)</b>			
<b>EXPENDITURE</b>			
Manager's fee	6	5,331	5,780
Trustee's fee	8	713	694
License fee	7	476	462
Audit fee		1,008	1,257
Tax agent's fee		1,261	1,257
Other expenses		4,122	3,016
		<u>12,911</u>	<u>12,466</u>
<b>Total Expenditure</b>			
NET INCOME/(LOSS) BEFORE INCOME TAX		582,636	(676,325)
LESS: INCOME TAX EXPENSE	11	(4,300)	(8,500)
		<u>578,336</u>	<u>(684,825)</u>
<b>NET INCOME/(LOSS) AFTER INCOME TAX</b>			
INCOME DISTRIBUTION	13	<u>25,080</u>	<u>65,000</u>
<b>Net Income/(Loss) After Income Tax comprises the following:</b>			
Realised gain		298,329	16,623
Unrealised gain/(loss)		280,007	(701,448)
		<u>578,336</u>	<u>(684,825)</u>

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

**FBM KLCI etf (formerly known as FBM30etf)**

**STATEMENT OF CHANGES IN NET ASSET VALUE *(unaudited)*  
FOR THE PERIOD 1 JULY 2009 TO 30 SEPTEMBER 2009**

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
Net asset value at beginning of period	4,538,042	5,038,348
Net gain/(loss) for the period	578,336	(684,825)
Loss equalisation	75,264	-
Amount paid from units redeemed net of equalisation	(1,092,341)	-
Net income distribution	<u>(25,080)</u>	<u>(65,000)</u>
Net asset value at end of period	<u><u>4,074,221</u></u>	<u><u>4,288,523</u></u>

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

**FBM KLCI etf (formerly known as FBM30etf)**

**CASH FLOW STATEMENT *(unaudited)***  
**FOR THE PERIOD 1 JULY 2009 TO 30 SEPTEMBER 2009**

	Note	1-7-2009 to 30-9-2009 RM	1-7-2008 to 30-9-2008 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
Dividend received		41,321	28,119
Proceeds from sale of investments		32,173	25,356
Proceeds from sale of derivatives		1,017,078	-
Payment for other fees expenses		(6,601)	(502)
Trustee's fee paid		(708)	(733)
Manager's fee paid		(5,282)	(6,105)
License fee paid		-	(11,873)
Purchase of investments		(77,741)	(24,424)
		<u>1,000,240</u>	<u>9,838</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution paid		(25,080)	(65,000)
Payments for release of units		(972,794)	-
		<u>(997,874)</u>	<u>(65,000)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,366	(55,162)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
		<u>72,278</u>	<u>60,428</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
	15	<u><u>74,644</u></u>	<u><u>5,266</u></u>

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



## FBM KLCI etf (formerly known as FBM30etf)

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

FBM KLCI etf (“the Fund”) was established pursuant to a Deed dated 18 January 2007 as amended by the Deeds Supplemental thereto (“the Deed”), between AmInvestment Services Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

On 6 July 2009, the Fund’s benchmark, FTSE Bursa Malaysia Large 30 Index (“FBM30”) has been renamed FTSE Bursa Malaysia KLCI and concurrent with this change, the Fund also announced the change of name to FTSE Bursa Malaysia KLCI etf (short name: FBM KLCI etf). The Fund changed of its name is pursuant to the Third Supplemental Deed dated 29 June 2009.

The Fund was set up with the objective to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index, FTSE Bursa Malaysia Large 30 Index, balanced with the need to facilitate liquidity provision. 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 7 June 2007.

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention modified by the revaluation of investments in accordance with applicable Financial Reporting Standards in Malaysia and the Securities Commission’s Guidelines on Exchange Traded Funds.

The new and revised Financial Reporting Standards (“FRSs”) that were first effective for and first adopted by the Fund in the current financial year were either not relevant or did not give rise to any significant change to the accounting policies of the Fund. At the date of authorisation of these financial statements, the following new and revised FRSs, Interpretations and Amendments to FRSs were issued but not yet effective and have not been adopted by the Fund:

<b>FRSs, IC Interpretations and Amendments to FRS</b>	<b>Effective for financial periods beginning on or after</b>
FRS 4 : Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010

(forward)

<b>FRSs, IC Interpretations and Amendments to FRS</b>	<b>Effective for financial periods beginning on or after</b>
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010

The Fund is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139 by virtue of exemptions provided under Paragraph 44AB and 103AB respectively of the standards.

### 3. **SIGNIFICANT ACCOUNTING POLICIES**

#### **Investments**

Investments are stated at market value on a portfolio basis in accordance with the provisions of the Deed. For investments in listed securities, market value is determined based on the closing price quoted on Bursa Malaysia Securities Berhad. For investments in options, market value is determined based on the quoted price of the respective issuers and/or financial institutions and for investments in unquoted fixed income securities, market value is determined based on the quoted prices from Bond Pricing Agency Malaysia Sdn Bhd plus accrued interest. The difference between the adjusted cost and market value is treated as unrealised gain or loss and is recognised in the statement of income and expenditure. Adjusted cost of unquoted investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated on the straight-line method over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. Unrealised gains or losses recognised in the statement of income and expenditure is not distributable in nature.

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

## **Income Recognition**

Dividend income is recognised based on the date the dividend is declared. Interest on fixed income securities and short-term deposits is recognised on an accrual basis.

## **Income Tax Expense**

The tax effects of transactions are recognised, using the “balance sheet” method and all taxable temporary differences are recognised. As at 30 September 2009, there were no significant temporary differences.

## **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. This is Ringgit Malaysia which reflects the currency of the economy in which the Fund competes for funds and subscribes and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

## **Cash Flow Statement**

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

Cash equivalents are short-term, highly liquid investments with maturity of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

## **Payables**

The amounts are stated at cost which is the fair value of the consideration to be paid for services received.

## **Receivables**

Sundry receivables are carried at anticipated realisable values.

## **Financial Assets and Liabilities**

Financial assets and financial liabilities carried on the statement of assets and liabilities include cash at banks, investments, including deposits and placements with licensed institutions, receivables and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangement. The accounting policies on the recognition of interest, dividends, gains and losses relating to financial instruments classified as assets, are disclosed in the respective accounting policies.

#### 4. QUOTED INVESTMENTS

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
At cost		
Shares quoted in Malaysia	<u>4,222,532</u>	<u>4,390,226</u>
At valuation		
Shares quoted in Malaysia	<u>4,007,542</u>	<u>3,399,572</u>

Details of quoted investments as at 30 September 2009 are as follows:

<b>Securities quoted in Malaysia</b>	<b>No. of units</b>	<b>Market value RM</b>	<b>Purchase cost RM</b>	<b>Market value as a percentage of net asset value %</b>
<b>Name of Company</b>				
<b>Construction</b>				
YTL Corporation Berhad	<u>10,474</u>	<u>74,889</u>	<u>79,232</u>	<u>1.84</u>
<b>Consumer Products</b>				
British American Tobacco (M) Berhad	1,600	70,464	66,755	1.73
PPB Group Berhad	6,700	103,180	56,322	2.53
UMW Holdings Berhad	<u>8,200</u>	<u>51,578</u>	<u>56,799</u>	<u>1.27</u>
	<u>16,500</u>	<u>225,222</u>	<u>179,876</u>	<u>5.53</u>
<b>Finance</b>				
AMMB Holdings Berhad	25,300	107,778	101,253	2.65
CIMB Group Holdings Berhad	40,100	445,110	438,852	10.93
Hong Leong Bank Berhad	6,000	39,420	37,509	0.97
Malayan Banking Berhad	59,515	395,775	440,697	9.71
Public Bank Berhad	39,585	403,767	392,280	9.91
RHB Capital Berhad	<u>3,400</u>	<u>17,238</u>	<u>16,933</u>	<u>0.42</u>
	<u>173,900</u>	<u>1,409,088</u>	<u>1,427,524</u>	<u>34.59</u>
<b>Industrial Products</b>				
PETRONAS Gas Berhad	<u>6,600</u>	<u>64,218</u>	<u>69,391</u>	<u>1.58</u>

(Forward)

<b>Securities quoted in Malaysia</b>	<b>No. of units</b>	<b>Market value RM</b>	<b>Purchase cost RM</b>	<b>Market value as a percentage of net asset value %</b>
<b>Name of Company</b>				
<b>Infrastructure</b>				
DiGi.Com Berhad	3,500	74,970	80,996	1.84
YTL Power International Berhad	24,671	53,536	55,837	1.31
	<u>28,171</u>	<u>128,506</u>	<u>136,833</u>	<u>3.15</u>
<b>Plantation</b>				
IOI Corporation Berhad	52,485	272,922	301,120	6.70
Kuala Lumpur Kepong Berhad	6,000	82,800	81,985	2.03
	<u>58,485</u>	<u>355,722</u>	<u>383,105</u>	<u>8.73</u>
<b>Trading/Service</b>				
Astro All Asia Networks Plc	6,800	23,800	15,556	0.58
Axiata Group Berhad	71,000	220,100	278,944	5.40
Berjaya Sports Toto Berhad	10,928	48,411	51,782	1.19
Genting Berhad	31,100	213,346	246,400	5.24
Genting Malaysia Berhad	32,900	90,146	120,432	2.21
Malaysia International Shipping Corporation Berhad	16,800	149,520	163,661	3.67
Malaysian Airline System Berhad	3,833	11,422	16,965	0.28
MMC Corporation Berhad	10,700	26,536	34,232	0.65
Parkson Holdings Berhad	4,500	22,995	37,199	0.56
PETRONAS Dagangan Berhad	2,600	22,360	20,969	0.55
PLUS Expressways Berhad	22,100	73,593	71,252	1.81
Sime Darby Berhad	50,489	429,157	419,025	10.53
Tanjong Plc	1,900	28,500	34,331	0.70
Telekom Malaysia Berhad	30,200	92,714	62,474	2.27
Tenaga Nasional Berhad	36,300	297,297	373,349	7.30
	<u>332,150</u>	<u>1,749,897</u>	<u>1,946,571</u>	<u>42.94</u>
Total quoted investments	<u>626,280</u>	<u>4,007,542</u>	<u>4,222,532</u>	<u>98.36</u>

5. **INVESTMENTS IN DERIVATIVES**

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
At cost		
Option	-	1,037,829
	<u>                    </u>	<u>                    </u>
At valuation		
Option	-	857,459
	<u>                    </u>	<u>                    </u>

6. **AMOUNT DUE (TO)/FROM MANAGER**

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Net creation of units*	-	44,284
Manager's fee payable	(2,016)	(1,924)
Application fee payable to Manager	(5,200)	(5,000)
	<u>                    </u>	<u>                    </u>
	<u>(7,216)</u>	<u>37,360</u>

\* The amount represents net amount receivable from Manager for units created net of units released.

Manager's fee is computed at a rate not exceeding 1.0% per annum of the net asset value of the Fund, calculated on a daily basis, as provided under Clause 14.1(b) of the Deed.

Manager's fee was charged at a rate of 0.50% (0.50% for the financial period 1 July 2008 to 30 September 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2009 to 30 September 2009.

7. **AMOUNT DUE TO INDEX PROVIDER**

Included in amount due to index provider is the license fee payable to FTSE International Limited, the provider of benchmark index.

License's fee was charged at a rate of 0.04% (0.04% for the financial period 1 July 2008 to 30 September 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2009 to 30 September 2009.

8. **AMOUNT DUE TO TRUSTEE**

Amount due to Trustee represents the trustee's fee payable.

Trustee's fee was charged at a rate of 0.06% (0.06% for the financial period 1 July 2008 to 30 September 2008) per annum of the net asset value of the Fund, calculated on daily basis, for the financial period 1 July 2009 to 30 September 2009.

## 9. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

Net asset value attributable to unitholders is represented by:

		<b>2009</b>	<b>2008</b>
		<b>RM</b>	<b>RM</b>
Unitholders' contribution	(a)	4,339,300	5,431,641
Accumulated loss	(b)	<u>(265,079)</u>	<u>(1,143,118)</u>
		<u>4,074,221</u>	<u>4,288,523</u>

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

	<b>1-7-2009 to 30-9-2009</b>		<b>1-7-2008 to 30-9-2008</b>	
	<b>No. of units</b>	<b>RM</b>	<b>No. of units</b>	<b>RM</b>
At beginning of the period	650,000	5,431,641	650,000	5,431,641
Created from unit split (Note 14)	3,530,000	-	-	-
Released during the period	<u>(836,000)</u>	<u>(1,092,341)</u>	<u>-</u>	<u>-</u>
At end of period	<u>3,344,000</u>	<u>4,339,300</u>	<u>650,000</u>	<u>5,431,641</u>

As provided in the Deed, the initial size of the Fund shall not exceed 500 million units.

The Manager, AmInvestment Services Berhad, did not hold any units in the Fund as at 30 September 2009 and 30 September 2008. Holdings by parties related to the Manager as at 30 September 2009 were 1,219,923 units valued at RM1,486,354 (205,800 units value at RM1,325,352 as at 30 September 2008).

### (b) ACCUMULATED LOSS

	<b>Note</b>	<b>1-7-2009 to 30-9-2009</b>	<b>1-7-2008 to 30-9-2008</b>
		<b>RM</b>	<b>RM</b>
Accumulated loss at beginning of period		(893,599)	(393,293)
Net income/(loss) for the period		578,336	(684,825)
Loss equalisation	12	75,264	-
Income distribution	13	<u>(25,080)</u>	<u>(65,000)</u>
Accumulated loss at end of period		<u>(265,079)</u>	<u>(1,147,118)</u>

## 10. NET ASSET VALUE PER UNIT – EX DISTRIBUTION

The net asset value per unit (ex distribution) is calculated by dividing the net assets of RM4,074,221 by the 3,344,000 units in issue as at 30 September 2009 (RM4,288,523 by the 650,000 units as at 30 September 2008).

## 11. INCOME TAX EXPENSE

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 paragraph 35 of the Income Tax Act, 1967, interest income derived by the Fund is exempted from tax. Hence, there is no taxation for the current period.

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

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
Net income/(loss) before income tax	582,636	(676,324)
Taxation at Malaysian statutory rate of 25% (26% in 2008)	145,700	(175,800)
Tax effect of:		
(Income)/Loss not subject to tax	(144,300)	181,400
Permitted expenses not deductible for tax purposes	2,700	2,400
Non-permitted expenses for tax purposes	1,000	500
Over-provision of tax in previous year	(800)	-
Tax expense for the financial period	4,300	8,500

## 12. LOSS EQUALISATION

Loss equalisation represents the average amount of accumulated loss included in the creation or release price of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are released back to Trustee.



### 13. INCOME DISTRIBUTION

Distribution to unitholders is from the following sources:

	<b>1-7-2009 to 30-9-2009 RM</b>	<b>1-7-2008 to 30-9-2008 RM</b>
(Accumulated loss)/Undistributed net income brought forward - realised	(3,852)	84,637
Net realised gain/(loss) on sale of quoted investments	30,999	(4,897)
Loss equalisation	8,886	-
Gross dividend income from shares quoted in Malaysia	<u>6,258</u>	<u>6,226</u>
	42,291	85,966
Less: Expenses	(12,911)	(12,466)
Taxation	<u>(4,300)</u>	<u>(8,500)</u>
Total amount of distribution	<u><u>25,080</u></u>	<u><u>65,000</u></u>

There is no amount distributed from previous financial period's realized income (RM84,637 for the financial period 1 July 2008 to 30 September 2008).

The distribution above has been proposed before taking into account the net unrealised gain for the financial period of RM280,007 (unrealised loss of RM701,448 for financial period 1 July 2008 to 30 September 2008) and net unrealised loss brought forward of RM1,679,339 (RM1,498,526 for financial period 1 July 2008 to 30 September 2008) which are carried forward to the next financial period.

	<b>1-7-2009 to 30-9-2009</b>		<b>1-7-2008 to 30-9-2008</b>	
	<b>Date of distribution</b>	<b>RM</b>	<b>Date of distribution</b>	<b>RM</b>
<b>GROSS</b>				
Interim distribution*				
- 0.7793 sen per unit (11.5244 in financial quarter ended 30 September 2008)	14 August 2009	<u>32,573</u>	11 July 2008	<u>74,909</u>
<b>NET</b>				
Interim distribution*				
- 0.6000 sen per unit (10.0000 in financial quarter ended 30 September 2008)	14 August 2009	<u>25,080</u>	11 July 2008	<u>65,000</u>

\* Interim distribution for the financial year ended 31 December 2009.

14. **UNIT SPLIT**

The Fund undertook a unit split exercise involving a subdivision of every existing unit into 6.43 units on 6 July 2009, details as follows:

	<b>1-7-2009 to 30-9-2009</b>		<b>1-7-2008 to 30-9-2008</b>	
	<b>NAV per unit before unit split on 6 July 2009</b>	<b>NAV per unit after unit split on 6 July 2009</b>		
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unit split involving subdivision of every unit into 6.43 units	7.0639	1.0986	NIL	NIL

15. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	<b>2009</b>	<b>2008</b>
	<b>RM</b>	<b>RM</b>
Cash at banks	<u>74,644</u>	<u>5,266</u>

16. **MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO**

The Fund's management expense ratio ("MER") is as follows:

	<b>1-7-2009 to 30-9-2009</b>	<b>1-7-2008 to 30-9-2008</b>
	<b>%</b>	<b>%</b>
Manager's fee	0.45	0.50
Trustee's fee	0.06	0.06
License's fee	0.04	0.04
Trust expenses	<u>0.54</u>	<u>0.48</u>
Total MER	<u>1.09</u>	<u>1.08</u>

The portfolio turnover ratio, calculated by dividing the average of total acquisitions and total disposals of investment securities by the average net asset value of the Fund calculated on a daily basis, is 0.01 times for the financial period 1 July 2009 to 30 September 2009 (0.01 times for the financial period 1 July 2008 to 30 September 2008).

## 17. SEGMENTAL REPORTING

### (a) Business Segment

In accordance with the objective of the Fund, the Fund has exposures to both quoted securities, unquoted investments and investments in derivatives. The following table provides an analysis, results, assets and liabilities by business segments:

	<b>Quoted securities RM</b>	<b>Unquoted securities RM</b>	<b>Derivatives RM</b>	<b>Total RM</b>
<b>30 September 2009</b>				
<b>Revenue</b>				
Segment income representing segment results	285,344	-	310,203	595,547
Unallocated expenditure				<u>(12,911)</u>
Income before income tax				582,636
Income tax expense				<u>(4,300)</u>
Net income after income tax				<u><u>578,336</u></u>
<b>Assets</b>				
Segment assets – investments	4,007,542	-	-	4,007,542
Dividend receivables	19,119	-	-	19,119
Other unallocated assets				<u>84,134</u>
				<u><u>4,110,795</u></u>
<b>Liabilities</b>				
Other unallocated liabilities				<u>36,574</u>

	<b>Quoted securities RM</b>	<b>Unquoted securities RM</b>	<b>Derivatives RM</b>	<b>Total RM</b>
<b>30 September 2008</b>				
<b>Revenue</b>				
Segment loss representing segment results	<u>(514,127)</u>	<u>-</u>	<u>(149,732)</u>	(663,859)
Unallocated expenditure				<u>(12,466)</u>
Loss before income tax				(676,325)
Income tax expense				<u>(8,500)</u>
Net loss after income tax				<u>(684,825)</u>
<b>Assets</b>				
Segment assets – investments	3,399,572	-	857,459	4,257,031
Dividend receivables	<u>11,298</u>	<u>-</u>	<u>-</u>	11,298
Other unallocated assets				<u>49,871</u>
				<u>4,318,200</u>
<b>Liabilities</b>				
Other unallocated liabilities				<u>29,677</u>

**(b) Geographical Segment**

As all of the Fund's investments are located in Malaysia, the Fund does not have separate identifiable geographical segments.

## 18. TRANSACTIONS WITH BROKERS AND FINANCIAL INSTITUTIONS

Details of transactions with brokers and financial institutions for the financial period 1 July 2009 to 30 September 2009 are as follows:

Financial institutions/ Brokers	Transaction value		Brokerage fee, stamp duty and clearing fee paid	
	RM	%	RM	%
AmInvestment Bank Berhad*	<u>79,955</u>	<u>100.00</u>	<u>712</u>	<u>100.00</u>
	<u>79,955</u>	<u>100.00</u>	<u>712</u>	<u>100.00</u>

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

The above transaction values are in respect of listed securities.

## 19. RISK MANAGEMENT

The Fund is exposed to a variety of risks that included market risk, interest rate risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and stock risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risk, careful selection of stocks for investment coupled with stringent compliance to investment restrictions as stipulated by the Securities Commission Act, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

### Market Risk

Market risk relates to investments in quoted/unquoted securities where movements of share prices can rise or fall for a number of reasons including industry trends, economic factors, changes in company's operations, management and financial performance as well as market perceptions on a particular company.

Market risk is managed through portfolio diversification and asset allocation whereby the securities exposure is monitored/reduced in the event of anticipated market weaknesses.

### Interest Rate Risk

Interest rate risk will affect the value of the Fund's investments, given the interest rate movements, which are influenced by regional and local economic developments as well as political developments.

Interest rate moves in the opposite direction of bond prices. When the interest rates rise, bond prices fall and vice versa. When interest rate trend is anticipated to rise, the Fund Manager will reduce the exposure to fixed income securities.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates. The Fund has a policy to ensure that the rates obtained are competitive.

### **Credit Risk**

Credit risk applies to debt instruments such as term deposits, bonds and debentures. The issuer of such instruments may not be able to fulfill the required interest payments or repay the principal invested. These risks may cause the Fund's investments to fluctuate.

The Fund Manager manages the risk by setting internal counterparty limits and undertaking internal credit evaluation to minimise such risk.

### **Liquidity Risk**

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise cash deposits with licensed institutions and other instruments, which are capable of being converted into cash between 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

### **Single Issuer Risk**

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any issuer is managed based on internal/external ratings.

### **Regulatory Risk**

Any changes in national policies and regulations may have an effect on the capital market.

### **Management Risk**

Poor management of a fund may cause considerable losses to the fund that in turn may affect the contribution by a unitholder.

### **Stock Risk**

Risk that is specific to a stock and is not correlated with the specific risks of other stocks.

20. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

All assets and liabilities of the Fund are carried at fair values. The accounting policies on recognition and measurement of the fair value for the Fund's investments are disclosed in their respective accounting policies.

The fair value for the amount due from the Manager and Trustee, cash at banks, sundry receivables, and sundry payables and accruals approximate their respective carrying amounts as at the balance sheet date due to the relatively short-term maturity of these financial instruments.