

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

**Manager's Report and Financial Statements (unaudited)  
For the Period from 1 April 2010 to 30 June 2010**

(In 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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## PERFORMANCE DATA

Details of portfolio composition of FBM KLCI etf (“the Fund”) for the financial periods as at 30 June 2010, 31 March 2010 and three financial years/period ended 31 December are as follows:

	<b>As at 30-6-2010 %</b>	<b>As at 31-3-2010 %</b>	<b>FY 2009 %</b>	<b>FY 2008 %</b>	<b>As at 31-12-2007 %</b>
Construction	1.7	1.7	1.6	1.6	3.7
Consumers	5.2	5.9	5.6	4.8	4.8
Finance	34.5	36.2	35.1	25.2	31.4
Industrial	1.4	1.4	1.4	1.9	1.5
Infrastructure	4.8	3.0	2.8	3.4	3.0
Plantation	8.3	8.7	9.0	6.5	10.2
Trading/Services	43.1	42.5	42.0	35.1	44.5
Options	-	-	-	20.3	-
Cash and others	1.0	0.6	2.5	1.2	0.9
	<u>100.0</u>	<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.

Performance details of the Fund for the financial period as at 30 June 2010, 31 March 2010 and three financial years/period ended 31 December are as follows:

	<b>3 months ended 30-6-2010</b>	<b>3 months ended 31-3-2010</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>7 months ended 31-12-2007</b>
Net asset value (RM)	4,424,997	4,441,776	4,322,755	3,748,450	22,020,061
Units in circulation (units)	3,344,000 <sup>(a)</sup>	3,344,000 <sup>(a)</sup>	3,344,000 <sup>(a)</sup>	650,000 <sup>(b)</sup>	2,340,000 <sup>(b)</sup>
Net asset value per unit (RM)	1.3233**	1.3283**	1.2927**	5.7668*	9.4103*
Highest net asset value per unit (RM)	1.3561**	1.3337**	7.0489*	9.9339*	9.4196*
Lowest net asset value per unit (RM)	1.2587**	1.2380**	1.0900**	5.4137*	7.7107*
Closing quoted price (RM/unit)	1.3500**	1.3050**	1.3000**	5.8100*	9.3700*
Highest quoted price (RM/unit)	1.3500**	1.3400**	1.3150**	9.9300*	9.3700*
Lowest quoted price (RM/unit)	1.2550**	1.2400**	0.8523**	5.4500*	7.6800*
Total return (%) <sup>(1)</sup>	-0.38	4.00	46.42	-37.20	7.61
- Capital growth (%)	-0.38	2.40	39.82	-57.20	7.61
- Income distribution (%)	-	1.60	6.60	20.00	-
Gross distribution per unit (sen)	-	1.80	7.74	21.72	-
Net distribution per unit (sen)	-	1.60	6.60	20.00	-
Distribution yield (%) <sup>(2)</sup>	-	1.23	5.08	3.44	-
Management expense ratio (%) <sup>(3)</sup>	1.19	1.27	1.18	1.06	1.21
Portfolio turnover ratio (times) <sup>(4)</sup>	0.04	0.01	0.08	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.

(a) After unit split

(b) Before unit split

Note: (1) Total return is the actual return of the Fund for the respective financial periods/years, 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 periods/years divided by the closing quoted price.

(3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The MER decreased by 0.08% as compared to 1.27% per annum for the quarter ended 31 March 2010 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 increased by 0.03 times (>100%) as compared to 0.01 times for the quarter ended 31 March 2010 due to increase in investing activities.

### Average Total Return (as at 30 June 2010)

	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
One year	24.0	23.9
Since launch of fund (19 July 2007)	0.9	-0.6

### Annual Total Return

Financial Years/Period End (31 December)	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
2009	46.4	47.1
2008	-37.2	-39.7
2007 <sup>(c)</sup>	7.6	6.9

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

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

(c) Total actual return for the financial period from 19 July 2007 (date of listed on Bursa Malaysia) to 31 December 2007.

The Fund’s performance above is calculated based on net asset value per unit. Average total 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.**

**Report  
For The Period 1 April 2010 to 30 June 2010**

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 April 2010 to 30 June 2010.

**Investment Objectives**

FBM KLCI etf 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 June 2010** are as follows:

<b>Stock code</b>	<b>Company's name</b>	<b>Percentage weight (%)</b>	<b>Shares in issue ('million units)</b>
1295	Public Bank Berhad	10.38	3,531.93
1155	Malayan Banking Berhad	9.91	7,077.61
1023	CIMB Group Holdings Berhad	9.16	7,063.53
4197	Sime Darby Berhad	8.89	5,997.99
5347	Tenaga Nasional Berhad	6.73	4,322.56
1961	IOI Corporation Berhad	6.18	6,662.35
6888	Axiata Group Berhad	6.13	8,445.15
3182	Genting Berhad	4.87	3,694.24
3816	Malaysia International Shipping Corporation Berhad	3.79	4,463.79
6947	DiGi.Com Berhad	3.31	777.50
6012	Maxis Berhad	2.93	7,500.00
1015	AMMB Holdings Berhad	2.79	3,014.18
4065	PPB Group Berhad	2.34	1,185.50
4863	Telekom Malaysia Berhad	2.22	3,577.40
2445	Kuala Lumpur Kepong Berhad	2.17	1,068.77
4715	Genting Malaysia Berhad	1.98	5,872.40
4677	YTL Corporation Berhad	1.73	1,897.12
5052	PLUS Expressways Berhad	1.68	5,000.00

(Forward)

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
6742	YTL Power International Berhad	1.57	7,188.72
4162	British American Tobacco (M) Berhad	1.55	285.53
6033	PETRONAS Gas Berhad	1.45	1,978.73
5819	Hong Leong Bank Berhad	1.34	1,580.11
4588	UMW Holdings Berhad	1.32	1,126.31
2267	Tanjong plc	1.30	403.26
1562	Berjaya Sports Toto Berhad	1.07	1,351.03
2194	MMC Corporation Berhad	0.72	3,045.06
5681	PETRONAS Dagangan Berhad	0.69	993.45
1082	Hong Leong Financial Group Berhad	0.66	1,052.77
1066	RHB Capital Berhad	0.63	2,153.48
3786	Malaysia Airline System Berhad	0.51	3,341.98

### Fund Performance Review

	As at 30 June 2010	As at 31 March 2010	Changes (%)
FTSE Bursa Malaysia KLCI	1,314.02	1,320.57	-0.50
Net asset value (RM)	4,424,997	4,441,776	-0.38
Units in circulation	3,344,000	3,344,000	-
Total return (%)	-0.38 <sup>(a)</sup>	4.02 <sup>(b)</sup>	-4.40
Benchmark return (%)	-0.50 <sup>(a)</sup>	3.75 <sup>(b)</sup>	-4.25
Net asset value per unit (RM)	1.3233	1.3283	-0.38
Closing price quoted at Bursa Malaysia (RM)	1.3500	1.3050	3.45

(a) Total actual return for the financial period 1 April 2010 to 30 June 2010.

(b) Total actual return for the financial period 1 January 2010 to 31 March 2010.

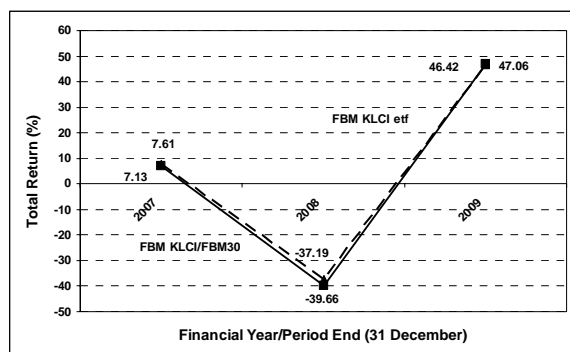
Note: Benchmark – FTSE Bursa Malaysia KLCI (formerly known as FTSE Bursa Malaysia Large 30 Index )("FBM KLCI")



Comparison between the annual performance of FBM KLCI etf and its benchmark for the financial years/period ended 31 December are as follows:

<b>Financial Years/Period End (31 December)</b>	<b>FBM KLCI etf (%)</b>	<b>FBM KLCI/ FBM 30 (%)</b>	<b>Changes (%)</b>
2009	46.42	47.06	-0.64
2008	-37.19	-39.66	2.47
2007*	7.61	7.13	0.48

\* Total actual return for the financial period 7 June 2007 (date of commencement) to 31 December 2007

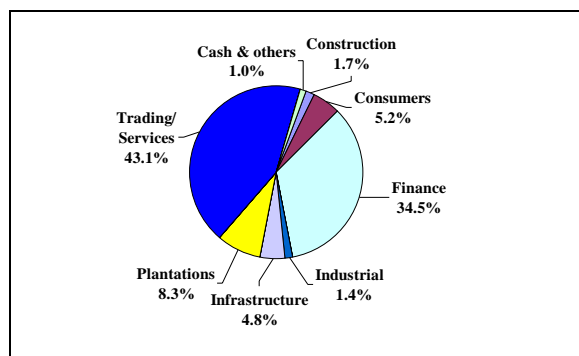


For financial period ended 30 June 2010, the Fund's net value assets (NAV) of the Fund stood at RM 4,424,997, decreased by -0.38% as compared to RM 4,441,776 as of 31 March 2010. Units in circulation of the Fund registered 3,344,000 units par with the previous reporting period.

The Fund outperformed its benchmark, FTSE Bursa Malaysia KLCI Index by 0.12%. FTSE Bursa Malaysia KLCI Index registered a return -0.50%, a decrease by -4.25% from 3.75% as of 31 March 2010. The NAV of the Fund valued at RM 1.3233 per unit decreasing by -0.38% from previous reporting period. As at 30 June 2010, the closing price of the Fund quoted at Bursa Malaysia was valued at RM 1.3500 per unit an increase by 3.45% from the previous reporting period.

There were no significant changes in the state of affairs of the Fund and no unit split and circumstances that materially affected the interested of the unitholders for the period under review.

## Sectoral Composition as at 30 June 2010



	30 June 2010 (%)	31 March 2010 (%)	Changes (%)
Construction	1.7	1.7	-
Consumer products	5.2	5.9	-0.7
Finance	34.5	36.2	-1.7
Industrial products	1.4	1.4	-
Infrastructure project companies	4.8	3.0	1.8
Plantations	8.3	8.7	-0.4
Trading/Services	43.1	42.5	0.6
Cash and others	1.0	0.6	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

### Significant changes to asset allocation as at 30 June 2010

During the period under review 1 April 2010 to 30 June 2010, there were some minor 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 was rebalanced over the period under review to reflect this. As such, weighting in the plantation, consumer products, and finance were reduced by 0.4%, 0.7%, and 1.7% respectively. Allocation to trading/services increased by 0.6% and infrastructure project companies by 1.8%. Construction and industrial products remained unchanged. As a results, the fund's cash holding increased by 0.4% to 1.0%.

## Break down of unitholding by size

Size of holding	As at 30 June 2010		As at 31 March 2010	
	No. of units held ('000)	Number of unitholders	No. of units held ('000)	Number of unitholders
Less than 100	0.9	28	1.0	26
100 -1,000	19.4	31	23.3	36
1,001 – 10,000	417.6	99	466.6	108
10,001 to less than 5 % of issue units	1,143.9	42	1,238.0	43
5% and above of issue units	1,762.1	2	1,615.1	2

*Note: 5% of issue units = 167,200 units (31 March 2010= 167,200 units)*

## Market Review

FBM KLCI posted a marginal loss of 6.55 points or 0.5% to close at 1314.02 points. However, the broader market underperformed the FBM KLCI as FBM Emas and FBM 100 fell 1.05% and 0.63% respectively. Key events during this period included:

- Company results released during the months of April and May were encouraging, as 50% of the results were in-line with analysts' expectations, 26% were above and the balance below expectations.
- In May 2010, the FBM KLCI plunged below the 1,300 point psychological support on the back of the European debt crisis and Chinese property sector tightening.
- However, the FBM KLCI managed to recover in June 2010 as the index rebounded strongly and clawed its way back to near its year highs.
- The release of the 10th Malaysia Plan on June 10 and the higher-than-expected development expenditure, particularly for construction jobs, helped lift market sentiment toward the end of the quarter.

## Market Outlook

Our view is that valuations are not an obstacle to prices moving higher, but fear is. Macro and business fundamentals are not as bad as feared but investors need further proof before sparking a decisive rebound. We believe that second half of 2010 will be the beginning of a decent market rebound and will probably be a repeat of second half of 2004 driven by signs of liquidity inflows into Asia, a soft landing scenario in G3, a pause in China's tightening, strong earnings rebound and US dollar weakness versus RMB strengthening. If we are right on the 2004 comparison, the rally over the next two years will be rewarding (Chart 1).

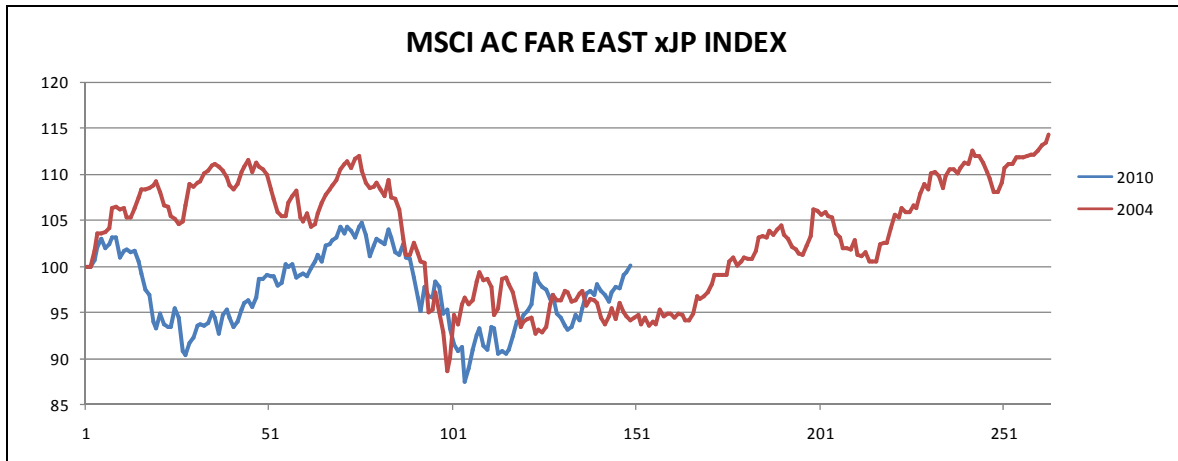


Chart 1: MSCI Far East ex Japan, 2004 versus 2010 (Source: Bloomberg).

### Liquidity - Fund Flows

First half of 2004 witnessed huge outflows which only stabilized during the 3<sup>rd</sup> quarter before rallying towards the 4<sup>th</sup> quarter. We witnessed a similar pattern for first half of 2010 and are beginning to witness inflows since June. The net buying was across the board except for Hong Kong, South Korea and Philippines as shown in Table 1.

	China	Hong Kong	India	Indonesia	Malaysia	Philippines	Singapore	South Korea	Taiwan	Thailand
Jan-10	(1,324.8)	(153.3)	(23.3)	(21.1)	(53.8)	0.9	(339.3)	(59.8)	(119.9)	(90.8)
Feb-10	(757.1)	(53.6)	39.4	98.7	(49.4)	(34.3)	(34.7)	(908.2)	(535.9)	(86.6)
Mar-10	606.6	873.4	160.8	98.5	(63.6)	16.1	154.0	415.5	23.4	96.9
Apr-10	(576.1)	(325.6)	374.3	(48.0)	(57.4)	4.3	(339.9)	164.9	192.4	326.7
May-10	(642.2)	(1,110.5)	(22.4)	136.7	(83.5)	(91.9)	(59.8)	1.6	(529.7)	(530.5)
Jun-10	345.1	(276.7)	96.9	161.6	168.8	(23.5)	86.9	(49.9)	37.1	202.1

Table 1: Fund flows in US\$ (Source: EPFR)

The net inflow specifically for Malaysia is a pleasant surprise as the foreign sell down since December 2009 (USD308m) seemed unrelenting. Statistics from Bursa Malaysia suggest a bottoming in foreign share ownership with a marginal increase of 0.3% to 20.6% in June (Chart 2).

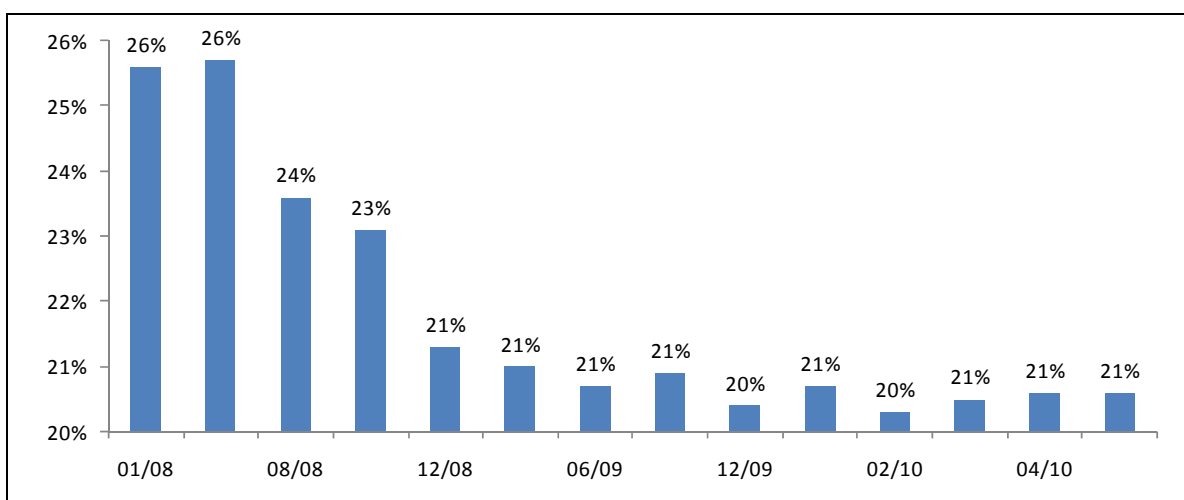


Chart 2: Foreign ownership in Malaysia (Source: Bursa)

## Peaking OECD leading indicator

If we use the OECD leading indicator as a proxy, the peak in 2010 occurred in March, similar to that in 2004 (Chart 3). While there is fear with regards the global slowdown, we believe there will be no double dip and a peaking in the leading indicator does not imply the end of the market uptrend (Chart 1).

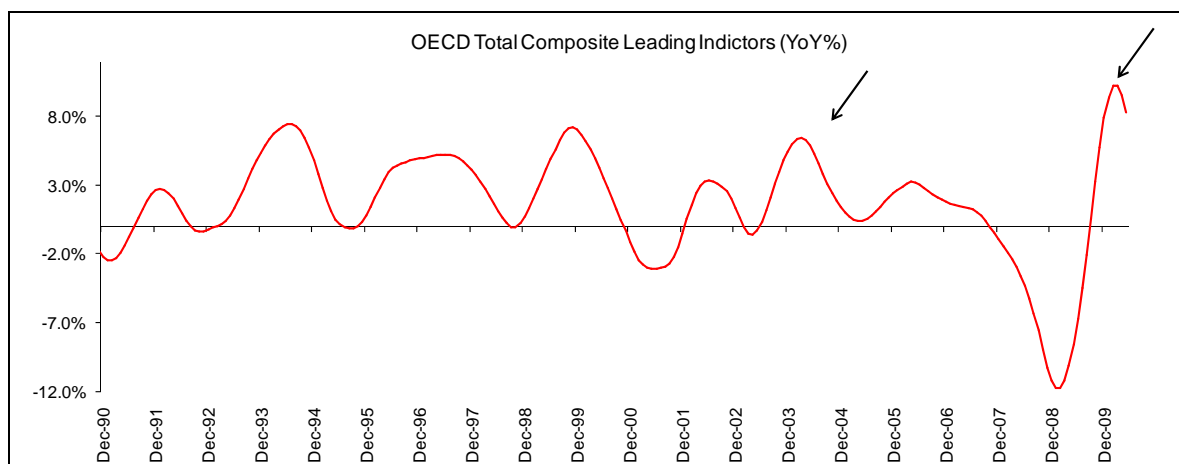


Chart 3: OECD Leading Indicator (Source: Bloomberg)

There are also other similarities between 2004 and 2010 apart from liquidity and peaking leading indicators. Looking at Table 2 below, we note compatible valuations with regards PE valuation, earnings growth, US GDP growth and non-farm payrolls.

	Jun-04	Jun-10
Asia ex-Japan historic PE	12.96	14.59
Asia ex-Japan historic EPS growth	40.10%	30.90%
US real GDP growth (2H)	2.90	2.70
US non-farm payrolls	132,495.00	131,456.00

Table 2: Comparisons between 2004 versus 2010 (Source: Bloomberg)

Remarks: US non-farm payrolls are averages for first half while US GDP forecast for 2H2010 is based on consensus.

## China (Pause in tightening)

We also notice similar policy response by the Chinese government in 2004 and 2010. China lead the world by tightening with regards hiking the reserve ratio requirement and subsequently pausing to gauge the effectiveness of her policy (Chart 4). We are of the view that it is only natural for the economy to ease up after responding to stimulus packages introduced in 2009 and market consensus is for GDP to exceed 9% for 2011 (Chart 5).

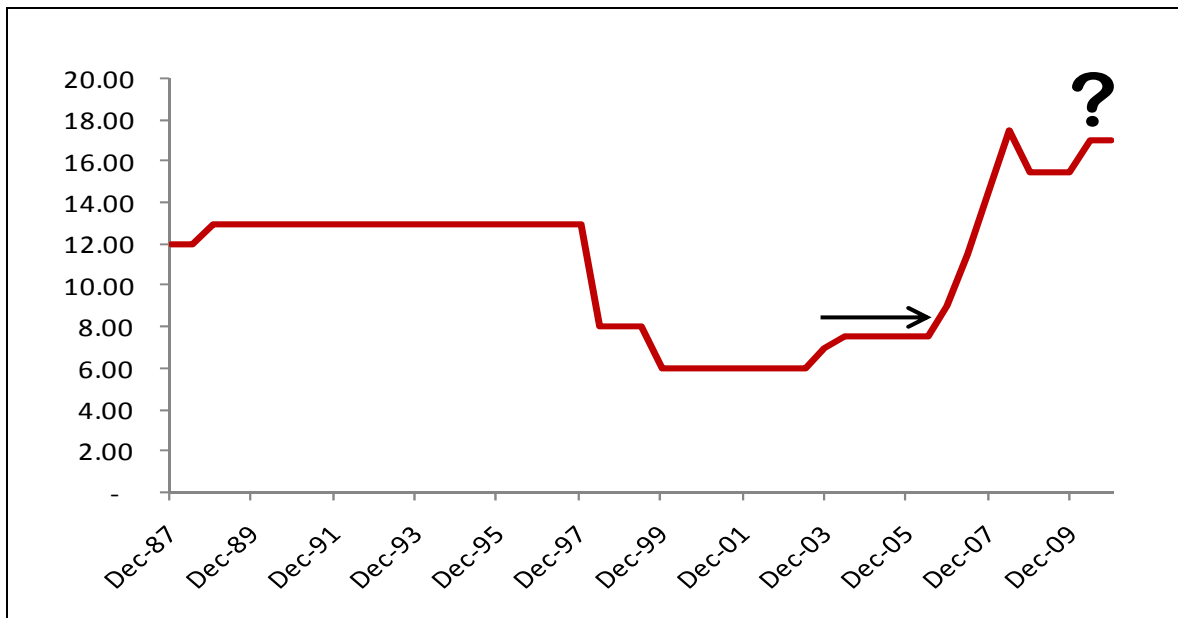


Chart 4: China reserve ratio requirement (RRR) (Source: Bloomberg)

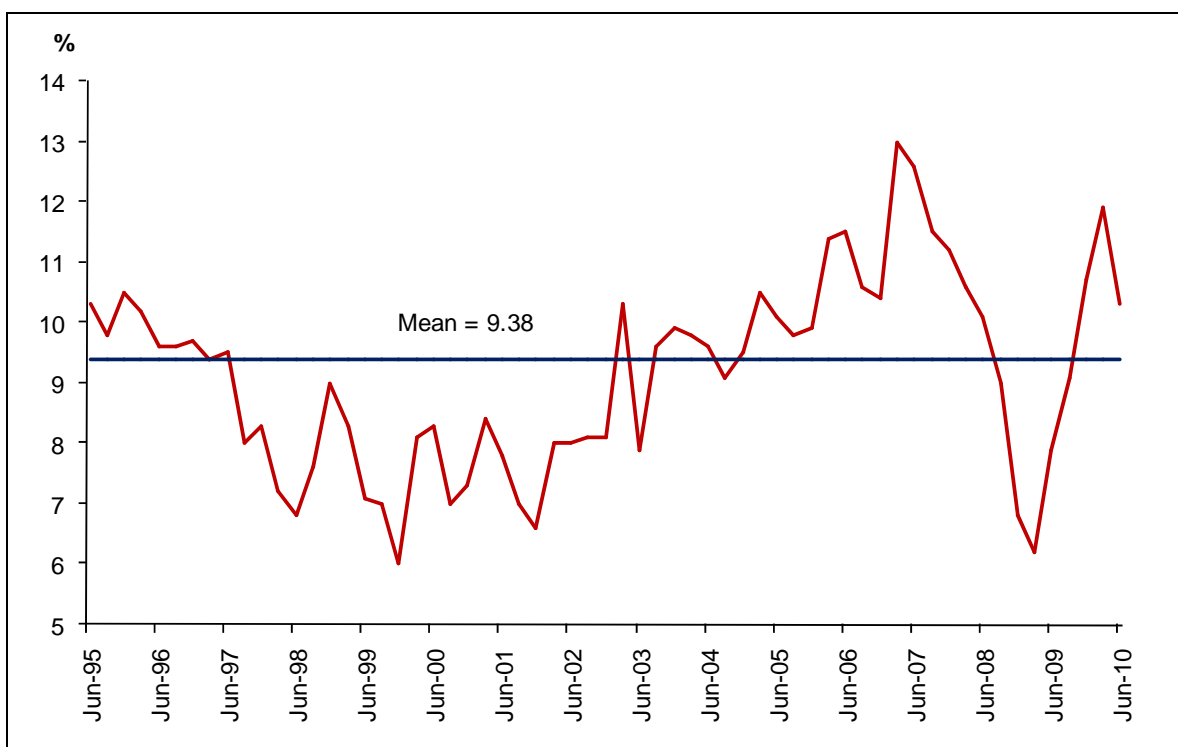


Chart 5: China's GDP (Source: Bloomberg)

### Weaker trade weighted US dollar

While we believe that the RMB will strengthen along with other Asian currencies, the rebound will be gradual and measured. Based on historical evidence, Asian markets have always reacted positively to a weakening dollar and this could be another catalyst going forward (Chart 6).

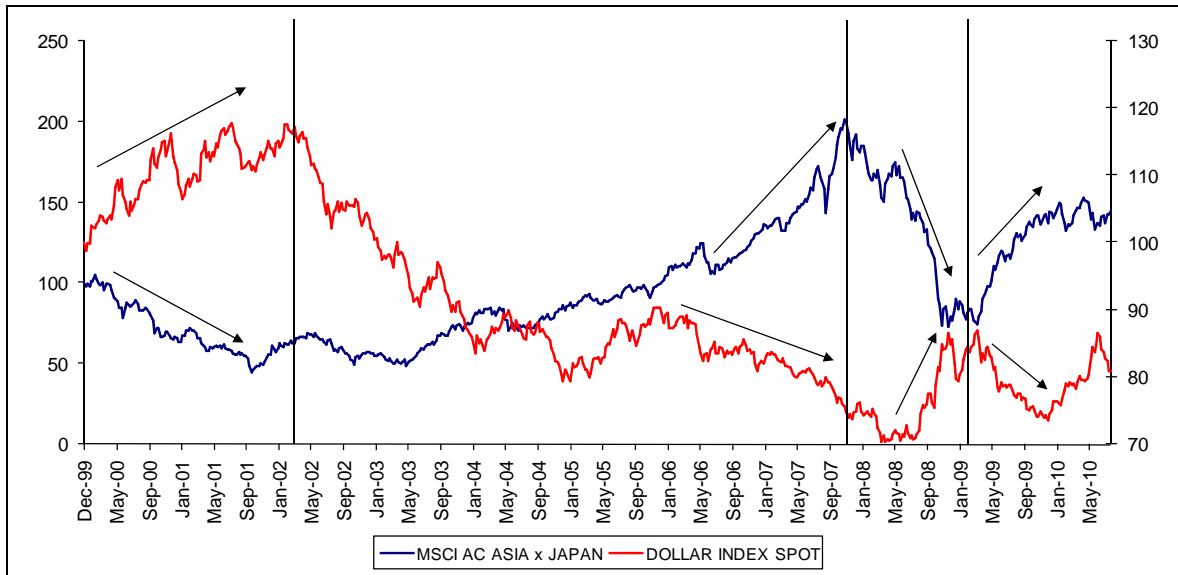


Chart 6: MSCI Asia ex Japan versus the US dollar spot index (Source: Bloomberg)

**Key Risk**

While we are not down-playing the southern Euro sovereign risk, the main difference is that we know the size of the debt problem unlike 2008 where the problems exploded from mortgage backed securities to collateralized debt obligations and credit default swaps and appeared to be endless. We believe the main potential fundamental risk is falling consumer confidence resulting from lack of job opportunities (Chart 7).

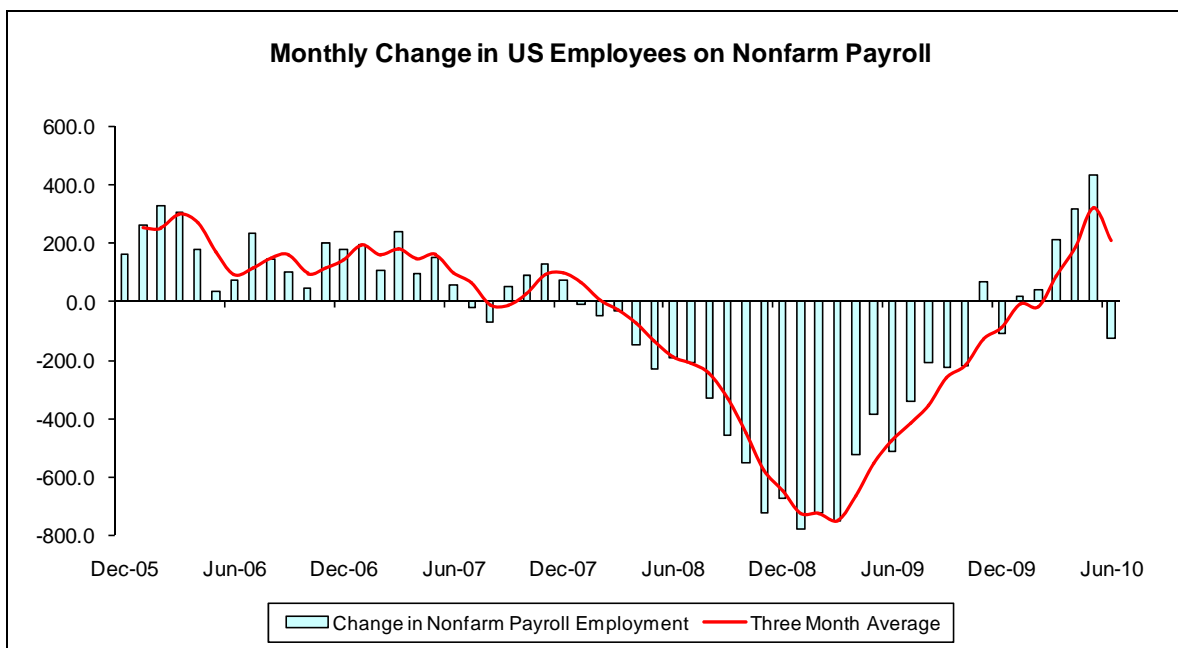


Chart 7: US non-farm payroll (Source: Bloomberg)

A lack of consumer confidence could lead to a spiraling downward of growth potential both in US and globally. US consumers contribute at least 70% to GDP growth and there can be no normalized growth without consumerism. While we need to be diligent to monitor the macro announcements, the US initial jobless claims data suggests some stabilization, prompting our assumption of sub-par growth and no double dip (Chart 8).

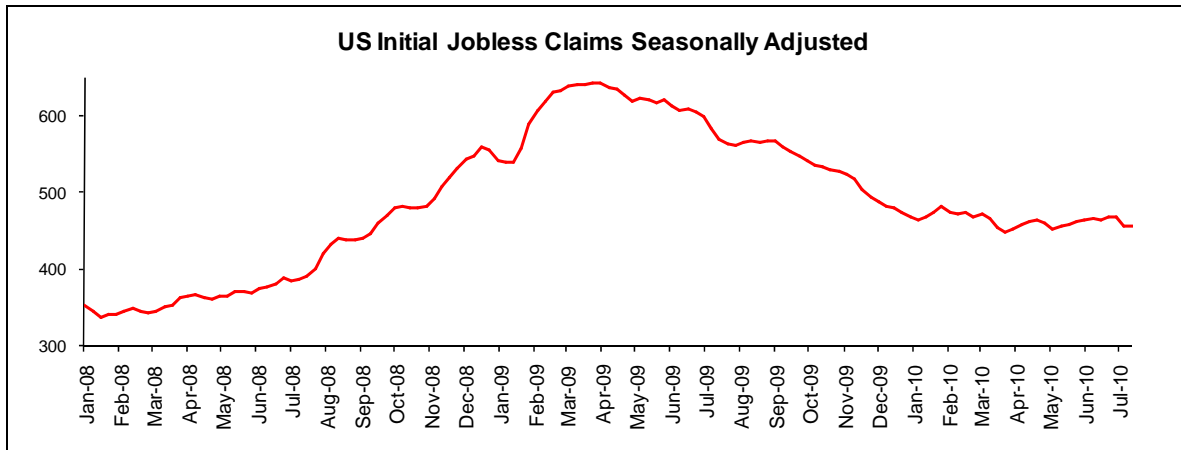


Chart 8: US initial jobless claims (Source: Bloomberg)

### Investment Strategy

The Fund has met its investment objective, which is to mimic the performance of the FBM KLCI (formerly known as the FBM30). Over the period under review, The Fund returned 3.63%, marginally outperforming the benchmark FBM KLCI return of 3.24%. The Fund continues to be rebalanced periodically to ensure that weighting of the stocks in the Fund 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 July 2010



**FBM KLCI etf (formerly known as FBM30etf)****STATEMENT OF ASSETS AND LIABILITIES (unaudited)  
AS AT 30 JUNE 2010**

	<b>Note</b>	<b>30-6-2010 RM</b>	<b>30-6-2009 RM</b>
<b>ASSETS</b>			
Quoted investments	4	4,389,290	3,530,886
Investments in derivatives	5	-	906,521
Sundry receivables	6	26,322	57,962
Amount due from Manager	7	-	37,117
Cash at banks	13	43,826	72,278
		<hr/>	<hr/>
Total Assets		4,459,438	4,604,764
<b>LIABILITIES</b>			
Sundry payables and accrued expenses	6	25,255	64,782
Amount due to Manager	7	7,207	-
Amount due to index provider	8	1,762	1,704
Amount due to Trustee	9	217	236
		<hr/>	<hr/>
Total Liabilities excluding Net Asset Value Attributable to Unitholders		34,441	66,722
		<hr/>	<hr/>
NET ASSET VALUE AS AT 30 JUNE	10	4,424,997	4,538,042
		<hr/>	<hr/>
UNITS IN CIRCULATION	10(a)	3,344,000	650,000
		<hr/>	<hr/>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION	11	132.33 sen	698.16 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 FROM 1 APRIL 2010 TO 30 JUNE 2010**

	Note	1-4-2010 to 30-6-2010 RM	1-4-2009 to 30-6-2009 RM
<b>INVESTMENT INCOME</b>			
Net unrealised (loss)/gain on change in value of quoted investments		(69,099)	702,236
Net realised gain/(loss) on sale of quoted investments		43,354	(26,033)
Dividend Income		23,373	34,319
Net unrealised gain on change in value of derivatives		-	173,064
Interest income		-	14
		<hr/>	<hr/>
Gross (Loss)/Income		(2,372)	883,600
<b>EXPENDITURE</b>			
Manager's fee	7	5,531	5,314
Trustee's fee	9	664	638
License fee	8	443	425
Audit fee		1,394	751
Tax agent's fee		2,065	1,246
Administrative expenses		3,110	3,571
		<hr/>	<hr/>
Total Expenditure		13,207	11,945
<b>NET (LOSS)/INCOME BEFORE INCOME TAX</b>			
		(15,579)	871,655
LESS: INCOME TAX EXPENSE	12	(1,200)	(2,500)
		<hr/>	<hr/>
<b>NET (LOSS)/INCOME AFTER INCOME TAX</b>		(16,779)	869,155
		<hr/> <hr/>	<hr/> <hr/>
Net (loss)/income after income tax comprises the following:			
Realised income/(loss)		52,320	(6,145)
Unrealised (loss)/gain		(69,099)	875,300
		<hr/>	<hr/>
		(16,779)	869,155
		<hr/> <hr/>	<hr/> <hr/>

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 FROM 1 APRIL 2010 TO 30 JUNE 2010**

	<b>Note</b>	<b>1-4-2010 to 30-6-2010 RM</b>	<b>1-4-2009 to 30-6-2009 RM</b>
Net asset value at beginning of period		4,441,776	3,668,887
Net (loss)/income for the period		<u>(16,779)</u>	<u>869,155</u>
Net asset value at end of period		<u>4,424,997</u>	<u>4,538,042</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 FROM 1 APRIL 2010 TO 30 JUNE 2010**

	Note	1-4-2010 to 30-06-2010 RM	1-4-2009 to 30-06-2009 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
Proceeds from sale of quoted investments		150,045	77,690
Dividend received		30,127	20,617
Capital repayments from quoted investments		27,950	29,596
Interest received		-	14
Tax agent's fee paid		-	(6,650)
Trustee's fee paid		(692)	(593)
License's fee paid		(851)	(747)
Payments for other administrative expenses		(1,789)	(4,578)
Manager's fee paid		(5,764)	(4,950)
Purchase of quoted investments		(182,594)	(90,016)
		<hr/>	<hr/>
Net Cash Generated From Operating And Investing Activities		16,432	20,383
		<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		16,432	20,383
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		27,394	51,895
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	13	<u>43,826</u>	<u>72,278</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 (formerly known as FBM30etf) (“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 KLCI (formerly was 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 historical cost convention modified by the revaluation of investments in accordance with applicable Financial Reporting Standards and the Securities Commission’s Guidelines on Exchange Traded Funds in Malaysia.

The Fund has not adopted the following FRSs, amendments to FRSs, IC Interpretations, TR and SOP which have effective date as follows:

		<b>Effective for financial periods beginning on or after</b>
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements (revised in 2009)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
(forward)		

		<b>Effective for financial periods beginning on or after</b>
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 1	Limited Exemption from comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010 and 1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010 and 1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 8	Operating Segments	1 January 2010
Amendments to FRS 107	Statements of Cash Flows	1 January 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110	Events After the Reporting Period	1 January 2010
Amendments to FRS 116	Property, Plant and Equipment	1 January 2010
Amendments to FRS 117	Leases	1 January 2010
Amendments to FRS 118	Revenue	1 January 2010
Amendments to FRS 119	Employee Benefits	1 January 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosures of Government Assistance	1 January 2010
Amendments to FRS 123	Borrowing Costs	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010 and 1 July 2010
Amendments to FRS 128	Investments in Associates	1 January 2010
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131	Interests in Joint Ventures	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
(forward)		

		<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2010
Amendments to FRS 136	Impairment of Assets	1 January 2010
Amendments to FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010 and 1 July 2010
Amendments to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
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 12	Service Concession Arrangements	1 July 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
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
SOP i-1	Financial Reporting from an Islamic Perspective	1 January 2010

Other than FRS 7, FRS 101 (revised in 2009) and FRS 139, the other FRSs, amendments to FRSs, IC Interpretations, TR and SOP are either not applicable or are expected not to have any significant impact on the financial statements of the Fund upon their initial application.

The Fund is exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

The adoption of FRS 101 (revised in 2009) will have the following impacts to the financial statements of the Fund upon its initial application:

- Entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity;
- When entity restated its comparative figures in financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the beginning of the earliest comparative period in a complete set of financial statements;
- Entities must disclose amount reclassified to profit or loss that were previously recognized in other comprehensive income and the income tax relating to each component of other comprehensive income, either in the statement of comprehensive income or in the notes;
- New terminologies will replace 'balance sheet' with 'statement of financial position', and 'cash flow statement' with 'statement of cash flows'.

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

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 June 2010, 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 issues 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 that 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 goods or 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 asset 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>2010 RM</b>	<b>2009 RM</b>
At cost:		
Shares quoted in Malaysia	<u>4,276,630</u>	<u>4,225,529</u>
At valuation:		
Shares quoted in Malaysia	<u><u>4,389,290</u></u>	<u><u>3,530,886</u></u>

Details of quoted investments as at 30 June 2010 are as follows:

<b>Securities quoted in Malaysia</b>	<b>Number 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>10,074</u>	<u>74,548</u>	<u>76,237</u>	<u>1.68</u>
<b>Consumer Products</b>				
British American Tobacco (M) Berhad	1,600	70,208	66,755	1.59
PPB Group Berhad	6,500	103,870	54,641	2.35
UMW Holdings Berhad	<u>8,900</u>	<u>56,337</u>	<u>61,261</u>	<u>1.27</u>
	<u>17,000</u>	<u>230,415</u>	<u>182,657</u>	<u>5.21</u>
<b>Finance</b>				
AMMB Holdings Berhad	24,700	123,253	99,211	2.79
CIMB Group Holdings Berhad	57,900	405,300	316,827	9.16
Hong Leong Bank Berhad	6,600	56,628	42,701	1.28
Hong Leong Financial Group Berhad	3,200	26,912	27,657	0.61
Malayan Banking Berhad	58,015	438,593	429,802	9.91
Public Bank Berhad	38,600	459,340	378,089	10.38
RHB Capital Berhad	<u>3,800</u>	<u>22,344</u>	<u>19,353</u>	<u>0.50</u>
	<u>192,815</u>	<u>1,532,370</u>	<u>1,313,640</u>	<u>34.63</u>

(forward)

<b>Securities quoted in Malaysia</b>	<b>Number 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>Industrial Products</b>				
PETRONAS Gas Berhad	6,200	61,318	65,072	1.39
<b>Infrastructure</b>				
DiGi.Com Berhad	6,300	144,900	146,505	3.27
YTL Power International Berhad	30,371	67,120	68,569	1.52
	36,671	212,020	215,074	4.79
<b>Plantation</b>				
IOI Corporation Berhad	54,585	273,471	312,037	6.18
Kuala Lumpur Kepong Berhad	5,800	95,236	79,253	2.15
	60,385	368,707	391,290	8.33
<b>Trading/Service</b>				
AXIATA Group Berhad	69,200	271,264	271,945	6.13
Berjaya Sports Toto Berhad	10,328	44,100	48,768	1.00
Genting Berhad	30,300	215,736	239,881	4.88
Genting Malaysia Berhad	32,100	87,633	117,461	1.98
Malaysia International Shipping Corporation Berhad	19,440	167,184	180,496	3.78
Malaysian Airline System Berhad	9,900	20,493	21,367	0.46
Maxis Berhad	24,600	129,888	132,883	2.94
MMC Corporation Berhad	12,200	29,158	37,877	0.66
PETRONAS Dagangan Berhad	3,000	28,110	24,538	0.63
PLUS Expressways Berhad	21,200	72,292	68,627	1.63
Sime Darby Berhad	49,089	392,712	407,362	8.87

(forward)

<b>Securities quoted in Malaysia</b>	<b>Number 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>Trading/Service</b>				
Tanjong plc	3,200	55,808	57,643	1.26
Telekom Malaysia Berhad	29,200	97,820	60,405	2.21
Tenaga Nasional Berhad	35,400	297,714	363,407	6.73
	<u>349,157</u>	<u>1,909,912</u>	<u>2,032,660</u>	<u>43.16</u>
Total quoted investments	<u>672,302</u>	<u>4,389,290</u>	<u>4,276,630</u>	<u>99.19</u>

5. **INVESTMENTS IN DERIVATIVES**

	<b>2010 RM</b>	<b>2009 RM</b>
At cost:		
Option	<u>-</u>	<u>706,875</u>
At valuation:		
Option	<u>-</u>	<u>906,521</u>

6. **SUNDRY RECEIVABLES/SUNDRY PAYABLES AND ACCRUED EXPENSES**

Included in sundry receivables/sundry payables and accrued expenses was an amount owing by/to brokers for outstanding contracts where settlement is not due as follows

	<b>2010 RM</b>	<b>2009 RM</b>
Amount owing by brokers	-	36,731
Amount owing to brokers	<u>-</u>	<u>(37,634)</u>

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

	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>
Net creation of units*	-	44,284
Manager's fee payable	(1,807)	(1,967)
Application fee payable to Manager	(5,400)	(5,200)
	<u>(7,207)</u>	<u>37,117</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% annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 April 2010 to 30 June 2010 (0.50% for the financial period from 1 April 2009 to 30 June 2009).

8. **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% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 April 2010 to 30 June 2010 (0.04% for the financial period from 1 April 2009 to 30 June 2009).

9. **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% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 April 2010 to 30 June 2010 % (0.06% for the financial period from 1 April 2009 to 30 June 2009).

## 10. NET ASSET VALUE ATTRIBUTABLE TO UNITHOLDERS

Net asset value attributable to unitholders is represented by:

	Note	2010 RM	2009 RM
Unitholders' contribution	(a)	4,339,300	5,431,641
Accumulated income/(loss)	(b)	<u>85,697</u>	<u>(893,599)</u>
		<u>4,424,997</u>	<u>4,538,042</u>

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

	1-4-2010 to 30-06-2010		1-4-2009 to 30-06-2009	
	No. of units	RM	No. of units	RM
At beginning/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 June 2010 and 30 June 2009. Holdings by parties related to the Manager as at 30 June 2010 were 1,580,092 units valued at RM2,090,936 (294,300 units valued at RM2,054,685 as at 30 June 2009).

### (b) ACCUMULATED INCOME/(LOSS)

	Note	1-4-2010 to 30-6-2010 RM	1-4-2009 to 30-6-2009 RM
At beginning of period		102,476	(1,762,754)
Net (loss)/income for the period		<u>(16,779)</u>	<u>869,155</u>
At end of period		<u>85,697</u>	<u>(893,599)</u>

## 11. NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net assets of RM4,424,997 by 3,344,000 units in issue as at 30 June 2010 ( RM4,538,042 by 650,000 units as at 30 June 2009).

## 12. 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 on short-term deposit with licensed financial institutions derived by the Fund is exempted from tax.

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

	<b>1-4-2010 to 30-6-2010 RM</b>	<b>1-4-2009 to 30-6-2009 RM</b>
Net (loss)/income before income tax	<u>(15,579)</u>	<u>871,655</u>
Taxation at Malaysian statutory rate of 25%	(3,900)	217,900
Tax effect of:		
Loss not deductible for tax purposes/(Income not subject to tax)	2,100	(215,800)
Restriction on tax deductible expenses for unit trust funds	2,100	2,600
Non-permitted expenses for tax purposes	900	800
Over-provision of tax in previous year	<u>-</u>	<u>(3,000)</u>
Tax expense for the financial period	<u>1,200</u>	<u>2,500</u>

## 13. CASH AND CASH EQUIVALENTS

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

	<b>2010 RM</b>	<b>2009 RM</b>
Cash at banks	<u>43,826</u>	<u>72,278</u>

#### 14. MANAGEMENT EXPENSE RATIO AND PORTFOLIO TURNOVER RATIO

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

	<b>1-4-2010 to 30-6-2010 % p.a.</b>	<b>1-4-2009 to 30-6-2009 % p.a.</b>
Manager's fee	0.50	0.50
Trustee's fee	0.06	0.06
License fee	0.04	0.04
Trust administrative expenses	0.59	0.52
	<hr/>	<hr/>
Total MER	1.19	1.12
	<hr/>	<hr/>

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 0.04 times for the financial period from 1 April 2010 to 30 June 2010 (0.02 times for the financial period from 1 April 2009 to 30 June 2009).

#### 15. 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 June 2010</b>				
<b>Revenue</b>				
Segment loss representing segment results	(2,372)	-	-	(2,372)
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated expenditure				(13,207)
				<hr/>
Net loss before income tax				(15,579)
Income tax expense				(1,200)
				<hr/>
Net loss after income tax				(16,779)
				<hr/>

(Forward)



	<b>Quoted securities RM</b>	<b>Unquoted securities RM</b>	<b>Derivatives RM</b>	<b>Total RM</b>
<b>30 June 2010</b>				
<b>Assets</b>				
Segment assets – investments	4,389,290	-	-	4,389,290
Dividend receivables	7,392	-	-	7,392
Other unallocated assets				<u>62,756</u>
				<u>4,459,438</u>
<b>Liabilities</b>				
Other unallocated liabilities				<u>34,441</u>
<b>30 June 2009</b>				
<b>Revenue</b>				
Segment income representing segment results	<u>710,522</u>	<u>14</u>	<u>173,064</u>	883,600
Unallocated expenditure				<u>(11,945)</u>
Net income before income tax				871,655
Income tax expense				<u>(2,500)</u>
Net income after income tax				<u>869,155</u>
<b>Assets</b>				
Segment assets – investments	3,530,886	-	906,521	4,437,407
Amount due from brokers/financial institutions	36,731	-	-	36,731
Dividend receivables	7,065	-	4,914	11,979
Other unallocated assets				<u>118,647</u>
				<u>4,604,764</u>

(Forward)

	<b>Quoted securities RM</b>	<b>Unquoted securities RM</b>	<b>Derivatives RM</b>	<b>Total RM</b>
<b>30 June 2009</b>				
<b>Liabilities</b>				
Amount due to brokers/financial institutions	37,634	-	-	37,634
Other unallocated liabilities				29,088
				<u>66,722</u>

**(b) Geographical Segment**

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

**16. TRANSACTIONS WITH BROKERS & FINANCIAL INSTITUTIONS**

Details of transactions with financial brokers and financial institutions for the financial period from 1 April 2010 to 30 June 2010 are as follows:

<b>Financial institutions/ Brokers</b>	<b>Transaction value</b>		<b>Brokerage fee, stamp duty and clearing fee paid</b>	
	<b>RM</b>	<b>%</b>	<b>RM</b>	<b>%</b>
AmInvestment Bank Berhad*	<u>332,014</u>	<u>100.00</u>	<u>1,771</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 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 transactions values were in respect of listed securities.

## 17. **RISK MANAGEMENT POLICIES**

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 risks, careful selection of stocks for investment coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

### **Market Risk**

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

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 in value.

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 a sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellation of units by unitholders. Liquid assets comprise 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.

### **Single Issuer Risk**

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

### **Regulatory Risk**

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

### **Management Risk**

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

### **Stock Risk**

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

## **18. 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 values for the amount due from/to 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.

## Additional Information

<p><b><i>AmInvestment Services Bhd</i></b></p> <p><b>Registered Office</b> 22<sup>nd</sup> Floor, Bangunan Ambank Group 55, Jalan Raja Chulan, 50200 Kuala Lumpur</p> <p><b>Head Office</b> 9<sup>th</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan, 50200 Kuala Lumpur</p> <p>Tel:03-2036 2888 Fax: 03-20315210</p>	<p><b><i>HSBC (Malaysia) Trustee Berhad</i></b></p> <p><b>Business/Registered Office/Head Office</b> Suite 901, 9<sup>th</sup> Floor, Wisma Hamzah- Kwong Hing No.1, Leboh Ampang, 50100 Kuala Lumpur</p> <p>Tel: 03-2074 3200    Fax: 03-2078 0145</p>
<p><b><i>Secretary</i></b> Koid Phaik Gunn MAICSA 7007433</p> <p>Toh Li Ang MAICSA 7024717</p> <p>22<sup>nd</sup> Floor, Bangunan Ambank Group 55, Jalan Raja Chulan, 50200 Kuala Lumpur</p>	

## **Board Meeting**

The Board of Directors, of which one-third are independent members, exercise ultimate control over the operations of the Company. For the financial period under review, 1 board meeting was held.

Details of the Directors of the management company are set out as below:

**Mr. Harinder Pal Singh**, a Malaysian, age 48 is the Director of Operations and Principal Officer of AmInvestment Services Berhad. He was appointed to the Board on 22 September 2008 as Non-Independent Non-Executive Director of AmInvestment Services Berhad. As a board member, he attended 1 board meeting in the financial period. He is also a member of Investment Committee of AmInvestment Services Berhad. As an Investment Committee member, he has attended 2 meetings in the financial period. He is a graduate from University Malaysia with a Bachelors Degree in Accounting joined the AmBank Group in 1995. He started his career with AmSecurities Sdn Bhd as Director of Operation before joining AmMerchant Bank Berhad in Corporate Services Department and later the AmInvestment Services Berhad where he served in various positions. He was subsequently appointed as Principal Officer of AmInvestment Services Berhad on 8 December 2006.

**Kok Tuck Cheong**, a Malaysian, age 59 is the Managing Director and Chief Executive Officer of AmInvestment Bank Bhd. He has been with the AmBank Group since 1981. Mr. Kok was appointed to the Board of AmInvestment Services Berhad on 9 November 2001 as Non-Independent Non-Executive Director. For the financial period under review, he did not attend the board meeting. He is a graduate of the University of Southampton with a Bachelor of Science (Honours) in Commerce and Accounting and subsequently obtained his Master of Science in Financial Managerial Control. He started his career with AmMerchant Bank Berhad in the Treasury Department before joining the Banking and Corporate Finance Department and later the Investment Department where he served in various positions. He was appointed as General Manager, Banking in January 1989 and later served as Senior General Manager until his appointment as Executive Director in September 2000. He was subsequently appointed as the Managing Director and Chief Executive Officer of AmMerchant Bank Berhad on 2005.

**Datin Maznah Mahbob**, a Malaysian, age 51 is the Chief Executive Officer of the Funds Management Division of AmInvestment Bank Group and is also the Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd. She was appointed to the Board of AmInvestment Services Berhad on 29 December 2005 as Non-Independent Non-Executive Director. As a board member, she attended 1 board meeting in the financial period. Currently she is responsible for business strategy and management of the Funds Management Division. She has been in the funds management industry since 1987. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank for 3 years. She is a graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License.

**Prof. Dr. Annuar Md .Nassir**, a Malaysian, aged 52 is a Professor and Dean with the Faculty of Economics and Management of Universiti Putra Malaysia. He was appointed to the Board of AmInvestment Services Berhad on 4 September 1993. On 31 March 2003 he retired as Director and was reappointed to the position on 8 April 2003 as an Independent Non-Executive Director. As a board member, he attended 1 board meeting in the financial period. He is also a member of Investment Committee of AmInvestment Services Berhad. As an Investment Committee member, he has attended 2 meetings in the financial period. He holds a Doctor of Philosophy from University Putra Malaysia. He has been with the University since 1985.

**Dato' Dr. Mahani Zainal Abidin**, a Malaysian, aged 56 is a Director-General, Institute of Strategic and International Studies, Malaysia. She was appointed to the Board of AmInvestment Services Berhad on 14 July 2004 as an Independent Non-Executive Director. As a board member, she has attended 1 board meeting in the financial period. She is also a member of Investment Committee of AmInvestment Services Berhad. As an Investment Committee member, she has attended 1 meeting in the financial period. She holds a Doctor of Philosophy in Development Economics from University of London in 1992. She was Professor in the Department of Applied Economics at the Faculty of Economics and Administration, University of Malaya. She started her career in 1999, as Deputy Rector with International Institute of Public Policy and Management of University Malaya. She was then appointed as a member of the Working Group for the National Economic Action Council, a body established by the Malaysian Government to formulate measures to initiate recovery from the economic and financial crisis. In 2001, Y Bhg Dato' was appointed as the Head, Special Consultancy Team on Globalisation of the National Economic Action Council. She also serves as Deputy Chairman of the National Accreditation Board from May 2003 until October 2007. In 2005, she was appointed as the Deputy Director-General, Department of Higher Education, Ministry of Higher Education Malaysia.

**Lee Siang Korn @ Lee Siang Chin**, a Malaysia, age 62 is a Fellow of the Institute of Chartered Accountants in England and Wales, and also a member of the Malaysian Association of Certified Public Accountants. Mr. Lee was appointed to the Board of AmInvestment Services Berhad on 20 December 2006 as an Independent Non-Executive Director. As a board member, he attended 1 board meeting in the financial period. He is also a member of Investment Committee of AIS. As an Investment Committee member, he has attended 1 meeting in the financial period. He embarked on a career in corporate finance, which spanned over a decade. In 1983, he joined AmInvestment Bank Berhad as General Manager, Corporate Finance and later became the Managing Director of AmSecurities Sdn Bhd. Mr Lee left AmSecurities in 1999. He is also a Director of UniAsia Life Assurance Berhad.

None of the above Directors have any family relationship with other Directors, convicted for offences within the past 10 years and have any conflict of interest in the Fund.

### ***Investment Committee Members***

Prof. Dr. Annuar Md. Nassir (Independent)(profile as mentioned above)  
Dato' Dr. Mahani Zainal Abidin (Independent)(profile as mentioned above)  
Mr. Lee Siang Korn @ Lee Siang Chin (Independent)(profile as mentioned above)  
Mr. Harinder Pal Singh (profile as mentioned above)

## Material Litigation

For the financial period under review, Manager of the Fund is not engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates.

## Unit holders

List of the 30 unit holders having the largest number of units:

<i>NAME</i>	<b>Number of Units Held</b>	<b>Units Held (in %)</b>
AMINVESTMENT BANK BERHAD	1,504,860	45.18
A.A. ANTHONY SECURITIES SDN. BHD.	257,200	7.72
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	128,600	3.84
MALACCA SECURITIES SDN BHD	90,300	2.24
CIMB INVESTMENT BANK BERHAD	64,300	1.93
OSK INVESTMENT BANK BERHAD	63,945	1.92
HWANGDBS INVESTMENT BANK BERHAD	51,440	1.54
CIMB INVESTMENT BANK BERHAD	45,000	1.35
KENANGA INVESTMENT BANK BERHAD	35,365	1.06
CIMB INVESTMENT BANK BERHAD	33,000	0.99
CIMB INVESTMENT BANK BERHAD	32,150	0.97
INNOSABAH SECURITIES BERHAD	32,150	0.97
KENANGA INVESTMENT BANK BERHAD	32,150	0.97
RHB INVESTMENT BANK BERHAD	32,150	0.97
ALLIANCE INVESTMENT BANK BERHAD	28,935	0.87
AMINVESTMENT BANK BERHAD	26,364	0.79
AFFIN INVESTMENT BANK BERHAD	25,720	0.77
KENANGA INVESTMENT BANK BERHAD	25,720	0.77
MAYBANK INVESTMENT BANK BERHAD	25,720	0.77
MAYBANK INVESTMENT BANK BERHAD	25,720	0.77
MERCURY SECURITIES SDN BHD	25,720	0.77
PM SECURITIES SDN. BHD	20,080	0.60
HWANGDBS INVESTMENT BANK BERHAD	19,290	0.58
MAYBANK INVESTMENT BANK BERHAD	19,290	0.58
MAYBANK INVESTMENT BANK BERHAD	16,075	0.48
HONG LEONG INVESTMENT BANK BERHAD	15,432	0.46
KENANGA INVESTMENT BANK BERHAD	13,503	0.41
CIMB INVESTMENT BANK BERHAD	13,500	0.41
AFFIN INVESTMENT BANK BERHAD	12,860	0.48
AMINVESTMENT BANK BERHAD	12,860	0.39