

**FTSE BURSA MALAYSIA KLCI etf**

**Quarterly Report**

**30 June 2011**

## **Trust Directory**

### **Manager**

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

### **Board of Directors**

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

### **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

## **Corporate Directory**

### **AmInvestment Services Bhd**

#### *Registered Office*

22nd Floor, Bangunan Ambank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2036 2633 Fax: 03-2032 1914

#### *Head Office*

9th Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2036 1503 Fax: 03-2026 5630

### **AmInvestment Management Sdn Bhd**

#### *Registered Office*

22nd Floor, Bangunan Ambank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2036 2633 Fax: 03-2032 1914

#### *Head Office*

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55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel:03-2036 2633 Fax: 03-2026 5630

### **Secretaries**

Koid Phaik Gunn (MAICSA 7007433)  
Quah Khian Khoon (MAICSA 7030264)

22nd Floor, Bangunan Ambank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur

### **HSBC (Malaysia)Trustee Berhad**

#### *Business/Registered Office/Head Office*

Suite 901, 9th Floor,  
Wisma Hamzah-Kwong Hing  
No.1, Leboh Ampang, 50100 Kuala Lumpur  
Tel: 03-2074 3200 Fax: 03-2078 0145

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## Manager's Report

Dear Unitholders,

We are pleased to present you the Manager's Report and the unaudited accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") Fund ("the Fund") for the financial period ended 1 April 2011 to 30 June 2011.

### *Salient Information of the Fund*

**Name** FTSE Bursa Malaysia KLCI

**Category/Type** ETF/ Equity

**Objective** The objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the Benchmark Index, balanced with the need to facilitate liquidity provision. Any material change to the Fund's investment objective will require the holders' approval by way of special resolution.

**Index Component** Details of the index component as at 30 June 2011 are as follows:

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
1155	Malayan Banking Berhad	9.83	7478.21
1023	CIMB Group Holdings Berhad	9.76	7432.77
1295	Public Bank Berhad	9.21	3531.93
4197	Sime Darby Berhad	8.14	5997.99
6888	Axiata Group Berhad	6.22	8445.15
3182	Genting Berhad	6.09	3694.24
5347	Tenaga Nasional Berhad	5.38	5403.20
1961	IOI Corporation Berhad	5.00	6413.53
5183	PETRONAS Chemicals Group Berhad	4.45	8000.00
6947	DiGi.Com Berhad	3.32	777.50
1015	AMMB Holdings Berhad	2.89	3014.18
3816	MISC Berhad	2.57	4463.79
6012	Maxis Berhad	2.42	7500.00
2445	Kuala Lumpur Kepong Berhad	2.32	1068.77
4863	Telekom Malaysia Berhad	2.08	3577.40
4715	Genting Malaysia Berhad	2.07	5872.40
6033	PETRONAS Gas Berhad	2.05	1978.73
4065	PPB Group Berhad	2.00	1185.50
5052	PLUS Expressways Berhad	1.77	5000.00
5819	Hong Leong Bank Berhad	1.66	1580.11
5398	Gamuda Berhad	1.54	2044.52

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
4677	YTL Corporation Berhad	1.44	9485.60
4162	British American Tobacco (M) Berhad	1.31	285.53
6742	YTL Power International Berhad	1.24	7188.72
4588	UMW Holdings Berhad	1.23	1162.20
5681	PETRONAS Dagangan Berhad	0.94	993.45
1082	Hong Leong Financial Berhad	0.82	1052.77
1066	RHB Capital Berhad	0.79	2191.92
5186	Malaysia Marine and Heavy Engineering Holdings Berhad	0.78	1600.00
2194	MMC Corporation Berhad	0.67	3045.06

#### Duration

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.

#### Performance Benchmark

FTSE Bursa Malaysia KLCI (formerly known as FTSE Bursa Malaysia Large 30 Index) ("FBM KLCI")

#### Income Distribution Policy

Income distribution (if any) will be paid semi-annually.

#### Breakdown of Unit Holdings by Size

For the financial period under review, the size of the Fund stood at 2,508,000 units.

Size of holding	As at 30 June 2011		As at 31 March 2011	
	Number of units held ('000)	Number of unitholders	Number of units held ('000)	Number of unitholders
Less than 100	1.44	39	1.32	37
100 - 1,000	19.03	32	18.99	34
1,001 - 10,000	353.62	89	355.01	91
10,001 – 100,000	817.35	31	811.33	33
100,001 to less than 5% of issue units	-	-	-	-
5% and above of issue units	1,316.56	4	1,321.36	4

## Fund Performance Data

### Portfolio Composition

Details of portfolio composition of FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”) (“the Fund”) for the financial periods as at 30 June 2011, 31 March 2011, and three financial years ended 31 December are as follow:

	As at 30-06-2011 %	As at 31-03-2011 %	FY 2010 %	FY 2009 %	FY 2008 %
Construction	3.0	3.0	3.1	1.6	1.6
Consumers	4.4	4.7	4.6	5.6	4.8
Finance	34.8	34.3	34.8	35.1	25.2
Industrial	6.4	5.3	4.0	1.4	1.9
Infrastructure project companies	4.6	4.7	4.3	2.8	3.4
Plantations	7.3	8.2	8.5	9.0	6.5
Trading/Services	38.8	39.5	39.5	42.0	35.1
Options	-	-	-	-	20.3
Cash and others	0.7	0.3	1.2	2.5	1.2
	100.0	100.0	100.0	100.0	100.0

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

### Performance Details

Performance details of the Fund for the financial periods as at 30 June 2011, 31 March 2011, and three financial years ended 31 December are as follows:

	3 months ended 30-06-2011	3 months ended 31-03-2011	FY 2010	FY 2009	FY 2008
Net asset value (RM)	3,978,841	3,884,654	3,851,816	4,322,755	3,748,450
Units in circulation (units)	2,508,000 <sup>(a)</sup>	2,508,000 <sup>(a)</sup>	2,508,000 <sup>(a)</sup>	3,344,000 <sup>(a)</sup>	650,000 <sup>(b)</sup>
Net asset value per unit (RM)	1.5865**	1.5489**	1.5358**	1.2927**	5.7668*
Highest net asset per unit (RM)	1.5868**	1.5921**	1.5412**	7.0489*	9.9339*
Lowest net asset per unit (RM)	1.5228**	1.4897**	1.2380**	1.0900**	5.4137*
Closing quoted price (RM/unit)	1.5700**	1.5250**	1.5450**	1.3000**	5.8100*
Highest quoted price (RM/unit)	1.5750**	1.5850**	1.5450**	1.3150**	9.9300*

Lowest quoted price (RM/unit)	1.5150**	1.4850**	1.2400**	0.8523**	5.4500*
Benchmark performance (%)	3.11	2.42	23.80	50.00	-36.30
Total return (%) <sup>(1)</sup>	2.71	2.01	20.56	46.42	-37.20
- Capital growth (%)	2.42	0.87	19.07	45.28	-39.33
- Income distribution (%)	0.29	1.14	1.49	1.14	2.13
Gross distribution per unit (sen)	0.52	1.79	2.13	7.74	21.72
Net distribution per unit (sen)	0.44	1.75	1.93	6.60	20.00
Distribution yield (%) <sup>(2)</sup>	0.28	1.15	1.25	5.08	3.44
Management expense ratio (%) <sup>(3)</sup>	0.99	1.32	1.19	1.18	1.06
Portfolio turnover ratio (times) <sup>(4)</sup>	0.02	0.01	1.35	0.08	1.69

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

\*\* Above price and net asset value per unit are shown as ex-distribution, 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 period/years divided by the closing quoted price.
- (3) Management expense ratio 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 0.33% as compared to 1.32% per annum for the quarter ended 31 March 2011 mainly due to increased 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 0.01 times (100%) as compared to 0.01 times for the quarter ended 31 March 11 mainly due to increase in investing activities.



### Average Total Return (as at 30 June 2011)

	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
One year	21.9	24.8
Three years	11.7	14.2
Since launch of Fund (19 July 2007)	5.9	7.9

### Annual Total Return

Financial Year/Period End (31 December)	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
2010	20.6	23.8
2009	46.4	50.0
2008	-37.2	-36.3
2007 <sup>(c)</sup>	7.6	7.7

(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. Unit prices and investment returns may fluctuate.**

#### Has the Fund achieved its objective?

For the financial period under review, the Fund has met its objective to achieve a price and yield performance, before fees, expenses and tax that is generally similar to that of the benchmark index, balanced with the need to facilitate liquidity provision.

#### Fund Performance

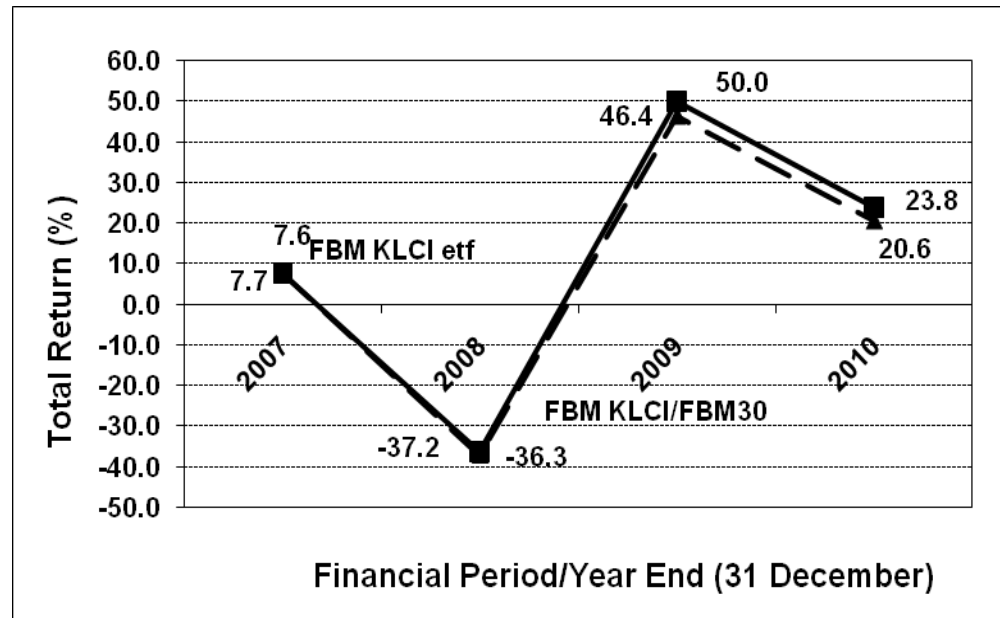
For the financial period under review, the Fund recorded a return of 2.71% comprising of 2.42% capital growth and 0.29% income distribution.

Thus, for the financial period under review, the Fund’s return of 2.71% underperformed the benchmark return of 3.11% by 0.40%.

The NAV of the Fund increased by 2.37% from RM3,884,654 to RM3,978,841. The NAV per unit of the Fund increased by 2.43% from RM1.5489 to RM1.5865 while units in circulation remain unchanged at 2,508,000 units.

The closing price of the Fund quoted on Bursa Malaysia increased by 2.95% from RM1.5250 to RM1.5700.

The Line Chart below shows the comparison between the annual performance of FBM KLCI etf and its benchmark for each of the financial years/period ended 31 December.



**Past Performance is not no indication of the future performance of the Fund.**

**Strategies and Policies Employed**

For the financial period under review, the Manager will be indexing using complete or partial replication. This will generally result in the Fund investing all or substantially all of its assets in the constituents of the benchmark index. In managing the Fund, the Manager aims to achieve performance, over time, with a correlation of 95% or better between the Fund's portfolio NAV and the benchmark index. The Manager will be responsible to monitor the correlation and if, in the Manager's belief, the current portfolio is not tracking the benchmark index and that it will lead to correlation below the objective of 95%, then the Manager may judiciously rebalance the portfolio to improve correlation or to rectify the divergence. Except for index changes, where rebalancing of the portfolio may have to take place prior to, upon or after the index changes, rebalancing of the portfolio will be carried out, no more than once a month. Where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or multiples thereof, in exchange for ETF units, to facilitate the liquidity provision process.

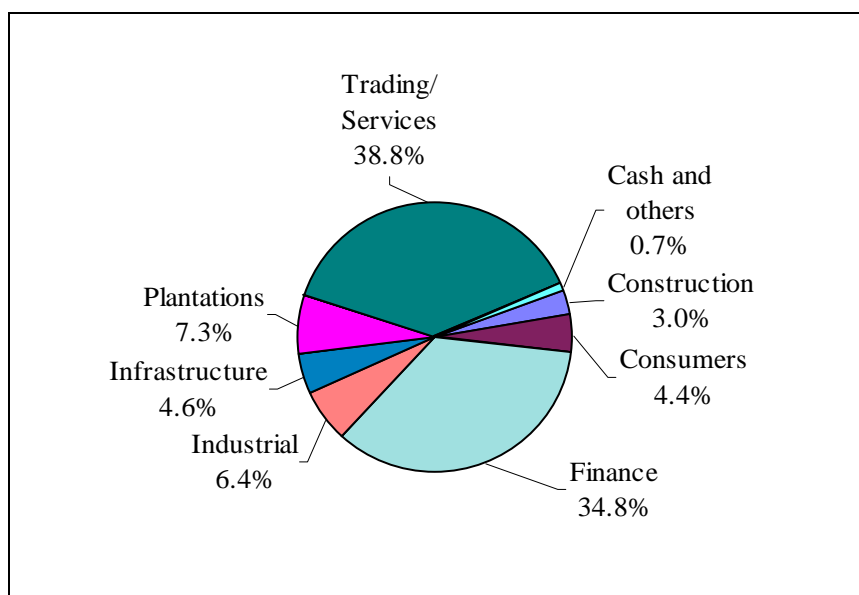
**Portfolio Structure**

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

	<b>30 June 2011 (%)</b>	<b>31 March 2011 (%)</b>	<b>Changes (%)</b>
Construction	3.0	3.0	-
Consumer products	4.4	4.7	-0.3
Finance	34.8	34.3	0.5
Industrial products	6.4	5.3	1.1
Infrastructure project companies	4.6	4.7	-0.1
Plantations	7.3	8.2	-0.9
Trading/Services	38.8	39.5	-0.7
Cash and others	0.7	0.3	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

There were minor changes to two sector weights, industrial products and plantations, where weighting increased by 1.1 and decreased by 0.9%, respectively. The remaining sectors have no significant changes to the assets allocation since the last reporting.

This pie chart below shows the sectoral composition of the Fund for the financial period under review.



**Distribution/  
unit splits**

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

0.44 sen per unit interim income distribution	Change in the unit price prior and subsequent to the interim income distribution	Before income distribution on 30 June 2011 (RM)	After income distribution on 30 June 2011 (RM)
	Net asset value per unit	1.5908	1.5865

There were no unit split made for the financial period under review.

**State of Affairs of the Fund**

There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial period under review.

**Rebates and Soft Commission**

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 financial period under review, the Manager has received soft-commissions.

**Market Review**

April was basically a month of consolidation for Malaysia. This was after the strong rally from the mid-March bottom. Investors main focus in April was the Sarawak state elections in mid-April, which Barisan Nasional (BN) successfully retained its two thirds majority. Trading in the local bourse was mainly focused on selected second and third liners in April; positive sign that retail investors are participating more actively in the local bourse. For the month, the KLCI fell 10pts or 0.8% to close at 1,534.95points.

May was another month of consolidation for the KLCI but with an upward bias, especially towards month end after Tenaga got its long awaited tariff hike. Malaysia's stock market has outperformed its regional peers as the pullback for global and regional markets during the month was more severe. Malaysia's out performance was despite the relatively uninspiring May results season. There were several disappointments from important GLCs including PChem, Affin, MAS and Proton and there were many more companies whose results disappointed than those that surprised on the upside. For the month, the KLCI rose 23pts or 1.5% to close at 1,558 points.

June was a mixed month as regional markets were weighed down by weakness on Wall Street and European bourses due to concerns about the end of QE2 and Greece's debt woes. Malaysia's stock market was again relatively resilient as big capitalization stocks including banking stocks helped cushion the downside. In fact, the KLCI set new all time highs toward month end. For the month, the KLCI rose 21pts or 1.3% to 1,579 points.

## Market Outlook

At the time of writing, the stalemate in the US between the Republicans and Democrats with regards lifting of the debt ceiling remains and has been the main reason for the increased market volatility. Our base assumption is that this issue will be resolved by 2nd August otherwise this political gridlock will lead to defaults and unimaginable risk premium to all financial markets and assets.

Barring this, we believe that the confusion in the market is also due to conflicting macro signals and we need to sieve through to focus on the relevant data points to get our bearings right. The markets have been reacting to economic news rather than predicting the forward investment landscape. However sporadic volatility will still occur in the future due to the peripheral euro debt issues. While the link between euro sovereign crisis and growth will be limited within the euro zone, the emotional impact will continue to dominate prices.

Every recovery cycle goes through similar patterns, starting with government easing/stimulus, inventory build up, rising corporate capex, consumer spending and this cycle is no different. We are comfortable with our current view that 2012 will be a better year for equities as corporates are financially healthy and sooner rather than later will need to spend on capacity while consumer confidence is recovering. Liquidity remains abundant and risk appetite will improve along with end demand pick up.

## US

US consumers have increased their savings rate (Chart 1) and at the same time personal consumption is improving (Chart 2). With improving consumer spending, the economy should be relatively fine as 70% of GDP is from household consumption. Unless the job market is hit by a wave of retrenchment, consumer spending should continue, sustaining the recovery for the economy (Chart 3).

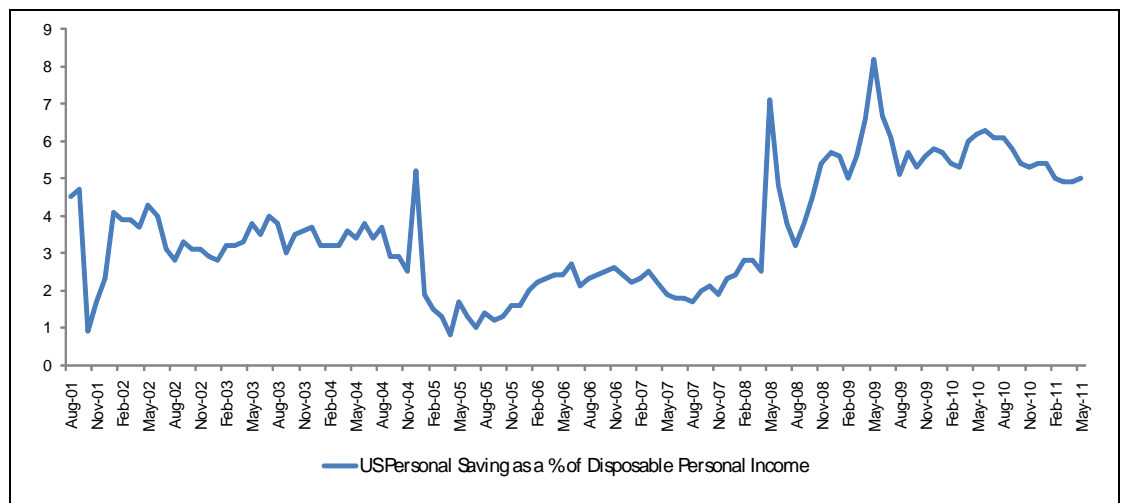


Chart 1: US savings rate (Source: Bloomberg)

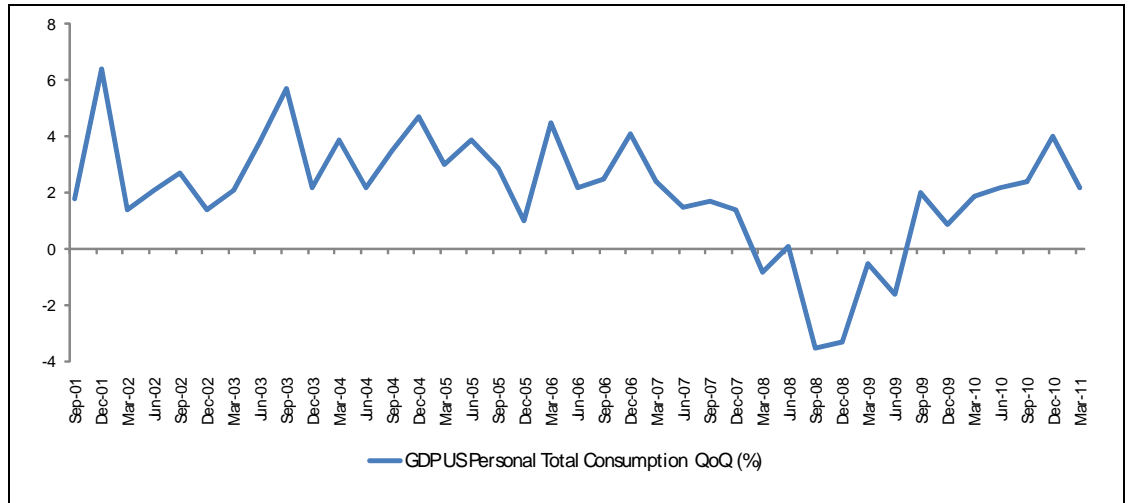


Chart 2: US personal consumption (Source: Bloomberg)

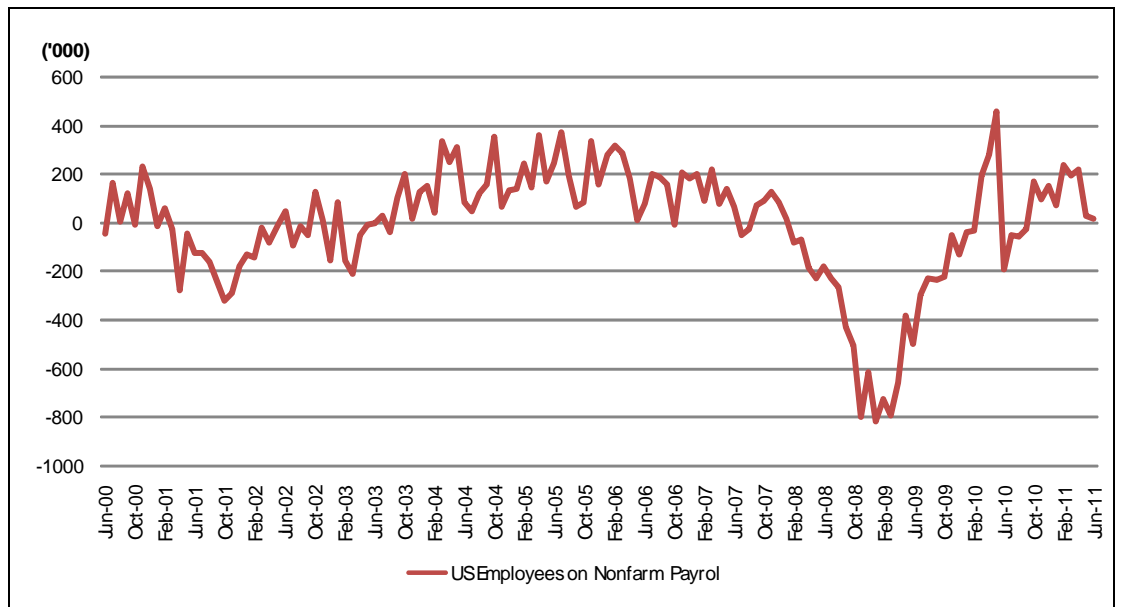


Chart 3: Non farm payroll (Source: Bloomberg)

## China

The recent fall in the PMI index suggest that the economy is cooling and this would allow the authorities some leeway with regards monetary policy (Chart 4). We expect less aggressive interest rate hikes (if any) going forward. As highlighted in the previous month's strategy, fixed asset investment and consumer spending supports the argument of GDP growth but we expect some marginal moderation going into 2012. We note that business owners and senior management buybacks are increasing (Chart 5). The pick up in share buybacks suggest that current pricing appears attractive and corporate insiders are confident about their businesses going forward.



Chart 4: China PMI (Source: Bloomberg)

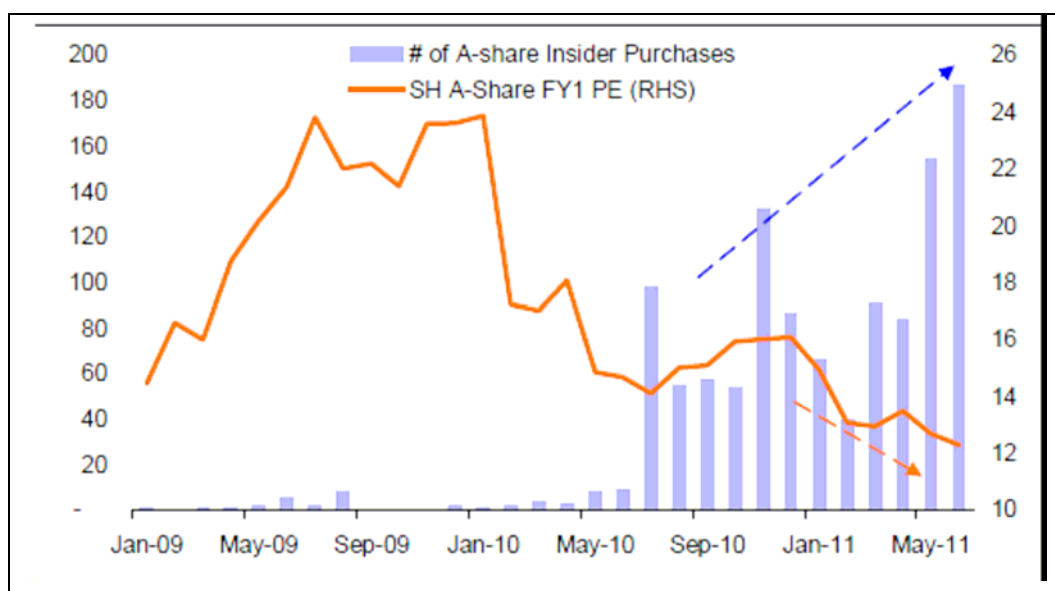


Chart 5: Share Buy Backs (Source: M Stanley)

## Financial Markets

M&A activities have picked up recently suggesting that valuations are attractive at current levels. Some of them are;

- Nestle’s offer to buy Chinese candy maker, Hsu Fu Chi for US\$1.7b
- Peabody Energy and ArcelorMittal’s joint bid for Macarthur Coal for A\$4.68b
- Cheung Kong Infrastructure’s bid for UK Northumbrian Water Group for 2.4b Pounds
- BHP Billiton buying PetroHawk Energy for US\$12.1b

We are not surprised by such activities as almost all Asian markets except Australia and Japan trailing earnings per share are above past peaks (Chart 6).

	Latest Value	Prior Peak
Asia ex Japan	40.2	35.0
Australia	57.6	63.6
China	5.1	4.1
Hong Kong	480.8	513.5
India	28.6	24.6
Indonesia	54.0	37.2
Korea	36.4	32.9
Malaysia	28.1	27.4
Philippines	21.2	22.5
Singapore	311.0	332.2
Taiwan	20.4	21.8
Thailand	27.9	22.2

Chart 6: Asia Pacific trailing EPS (Source: Citigroup)

Our macro assumptions are that US growth will remain intact but sub-par, China's economy will remain sufficiently strong and Japan will exhibit positive growth while Europe will muddle through. In the end, what matters most are economic growth and profits. We continue to be remain positive on the markets because;

- The bulk of the rate rises in Asia Pacific ex Japan are almost done
- Upcoming peak in inflation
- Attractive valuations (Chart 7)

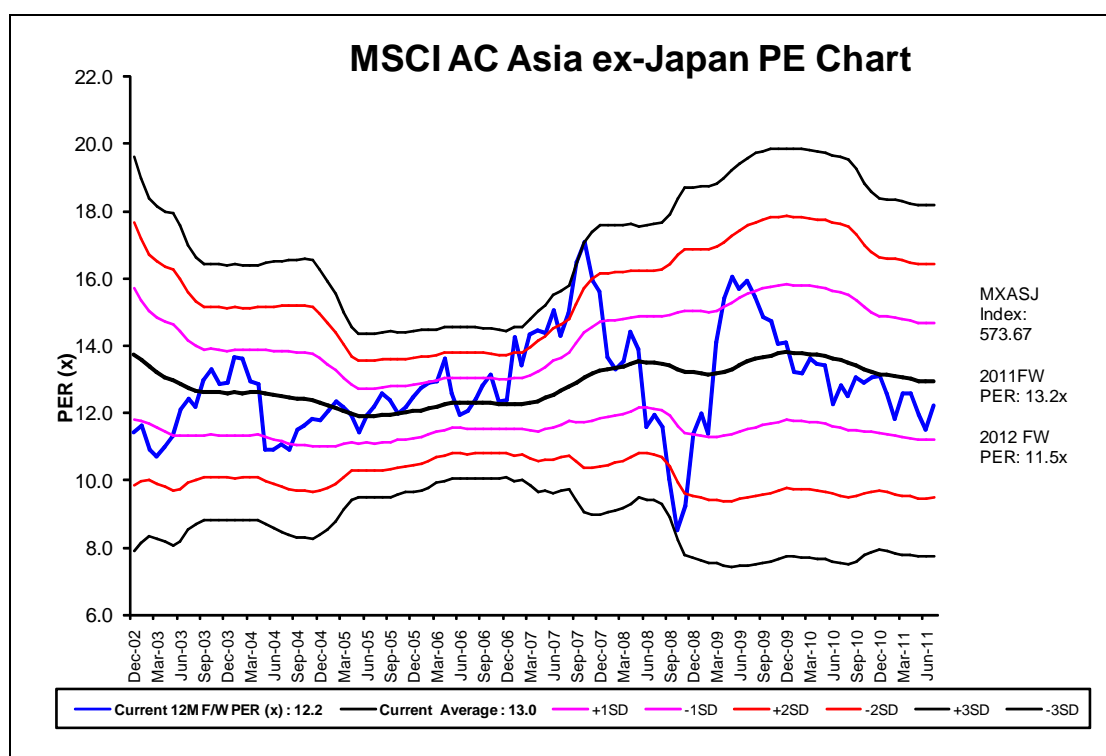


Chart 7: MSCI Asia ex Japan PER (Source: IBES)

## Malaysia

The consensus earnings for FY2011 at 14.1% appear rich and could be a dampener to



the market for the near term. While negative, we are not overall perturbed as analysts have been pricing in some ETP contribution for this financial year. Apart from the oil and gas sector, other ETP projects would be a 2012 theme and hence earnings delayed are not earnings forgone. However, the caveat is of course proper execution. As valuations are not expensive (Chart 8), we believe that the market will range trade and any breakout will be dependent on positive news flow regarding ETP projects.

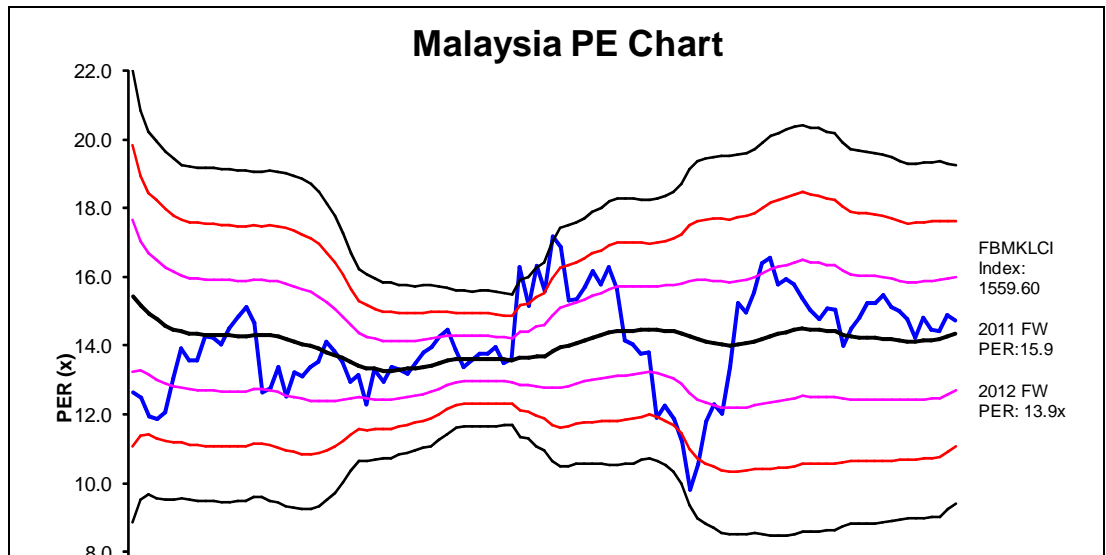
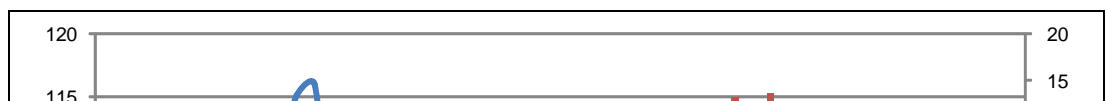


Chart 8: Malaysia PER (Source: IBES)

We are also a bit concern with the recent on-goings in the country, heating up the political climate which would exert downward pressure on the market performance. Any signs of the ruling coalition losing ground coupled with slowing economic momentum (Chart 9) would be negative for the market. Our positive 2012 assumption is premised on ETP progress on public-private initiatives such as the Greater KL MRT project and marginal oil field news flow. What this implies is that we are more stock/sector specific and hence our focus on telcos, oil/gas, construction and selected property counters. While valuation is decent, we see little catalyst until 2012 when the ETP kicks off.



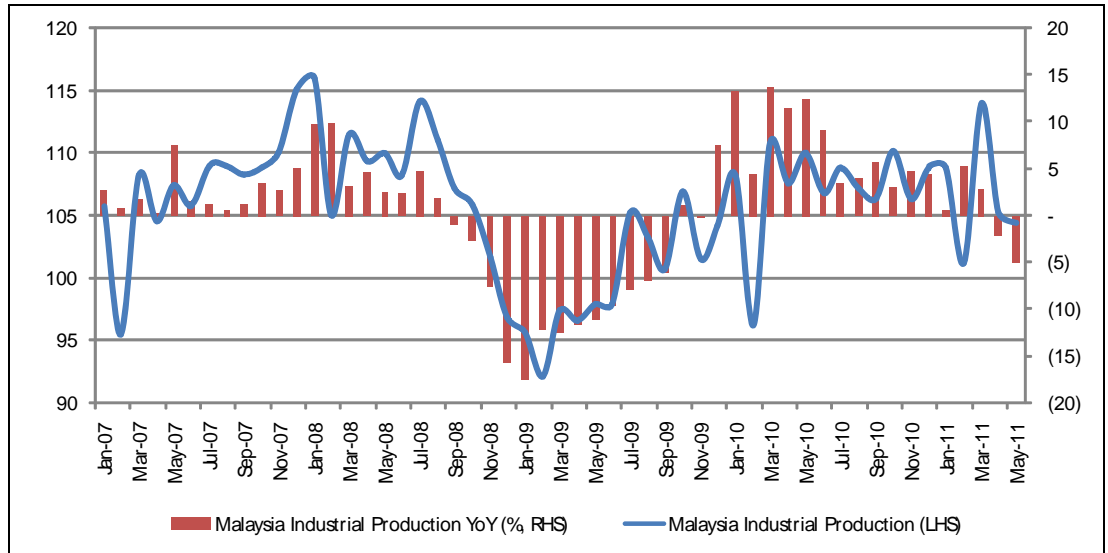


Chart 9: Malaysia IPI (Source: Bloomberg)

Kuala Lumpur, Malaysia  
AmInvestment Services Berhad

29 July 2011

## Additional Information

### *Board of Directors of the Manager*

The Board of Directors, of which one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period under review from 1 April 2011 to 30 June 2011, there were a Board of Directors' Meeting held by the Manager.

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

<b>Name: Harinder Pal Singh A/L Joga Singh</b>	
<b>Age</b>	: 49
<b>Nationality</b>	: Malaysia
<b>Qualification</b>	: Bachelors Degree in Accounting from University Malaya
<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: <b><i>Bank Negara Malaysia</i></b> Senior Administrative Officer, Insurance Inspection Department (1986 – 1993)  <b><i>Securities Commission</i></b> Assistant Manager, Market Surveillance Department (1993 – 1995)  <b><i>AmSecurities Sdn Bhd</i></b> Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998)  <b><i>AmMerchant Bank Berhad</i></b> Manager, Corporate Services (1998 – 2000)  <b><i>AmInvestment Services Berhad</i></b> <ul style="list-style-type: none"><li>• Manager, Client Service &amp; Operations (July 2001 – June 2002)</li><li>• Senior Manager, Client Service &amp; Operation (July 2002 – 2003)</li><li>• Head, Sales Services (2003-Dec 2006)</li><li>• Principal Officer / Director of Operations (present)</li><li>• Director (September 2008 - present)</li></ul>
<b>Occupation</b>	: Principal Officer/Director of Operations of AmInvestment Services Berhad
<b>Date of appointment</b>	: 22 September 2008
<b>Directorship of other public companies</b>	: None
<b>Number of board meeting attended in the financial</b>	: One (1)

**period (From 1 April 2011 to 30 June 2011)**

<b>Member of any other board committee</b>	:	Investment Committee of AmInvestment Services Berhad (Non-Independent)
<b>Date of appointment to the investment committee</b>	:	18 January 2007
<b>Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None

**Name: Kok Tuck Cheong**

<b>Age</b>	:	55
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls from University of Southampton.
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Non-Independent Director
<b>Working Experience</b>	:	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.
<b>Occupation</b>	:	Managing Director and Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	:	9 November 2001
<b>Directorship of other public companies</b>	:	AmInvestment Bank Berhad and AmInvestment Group Berhad
<b>Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Member of any other board committee</b>	:	None
<b>Date of appointment to the investment committee</b>	:	None

**Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)** : None

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**Family relationship with any director** : None

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**Conflict of interest with the Fund** : None

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**List of convictions for offences within the past 10 years (if any)** : None

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**Name: Datin Maznah Binti Mahbob**

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**Age** : 52

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**Nationality** : Malaysian

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**Qualification** : A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License

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**Executive/Non-Executive Director** : Non-Executive Director

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**Independent/Non-Independent Director** : Non-Independent Director

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**Working Experience** : She has been in the funds management industry since 1987, in a fund management role, before assuming the responsibility as the Chief Executive Officer of the Funds Management Division, AmInvestment Bank Group in 2002. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank for 3 years.

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**Occupation** : Chief Executive Officer of the Funds Management Division of AmInvestment Bank Group and Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd.

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**Date of appointment** : 29 December 2005

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**Directorship of other public companies** : None

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**Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)** : One (1)

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**Member of any other board committee** : None

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**Date of appointment to the investment committee** : None

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**Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)** : None

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**Family relationship with any** : None

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**director**

<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None
<b>Name: Professor Dr. Annuar Bin Md. Nasir</b>		
<b>Age</b>	:	53
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	Doctor of Philosophy, University Putra Malaysia
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<i>University Pertanian Malaysia</i> Tutor (1981 – 1984)  <i>University Putra Malaysia Serdang</i> <ul style="list-style-type: none"><li>• Dean (February 2006-Present)</li><li>• Deputy Dean (September 2002 – January 2006)</li><li>• Professor (March 2000-Present)</li><li>• Associate Professor (March 1993 – March 2000)</li></ul>
<b>Occupation</b>	:	Professor and Dean Faculty of Economics and Management of University Putra Malaysia
<b>Date of appointment</b>	:	8 April 2003
<b>Directorship of other public companies</b>	:	None
<b>Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Member of any other board committee</b>	:	Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)
<b>Date of appointment to the investment committee</b>	:	18 January 2007
<b>Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None

List of convictions for offences within the past 10 years (if any) : None

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**Name: Dato' Dr. Mahani Binti Zainal Abidin**

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**Age** : 57

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**Nationality** : Malaysian

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**Qualification** : Doctor of Philosophy in Development Economics, University of London.

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**Executive/Non-Executive Director** : Non-Executive Director

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**Independent/Non-Independent Director** : Independent Director

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**Working Experience** : *Prime Minister's Department, Malaysia*  
Head, Special Consultancy Team on Globalisation National Economic Action Council (April 2001 – July 2005)

***BHLB Unit Trust***

Member of Investment Panel (April 1999 – June 2004)

***Employees Provident Fund Board, Malaysia***

Board Member (June 1998 – 2001)

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**Occupation** : Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.

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**Date of appointment** : 14 July 2004

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**Directorship of other public companies** : AmIslamic bank Berhad

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**Number of board meeting attended in the financial period (From 1 April to 30 June 2011)** : One (1)

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**Member of any other board committee** : Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)

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**Date of appointment to the investment committee** : 18 January 2007

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**Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)** : One (1)

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**Family relationship with any director** : None

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**Conflict of interest with the Fund** : None

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**List of convictions for offences within the past 10 years (if any)** : None

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**Name: Lee Siang Korn @ Lee Siang Chin**

<b>Age</b>	:	62
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	Fellow of the Institute of Chartered Accountants in England and Wales (July 1972)  Member of the Malaysian Association of Certified Public Accountants (June 1975)
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<i>Arab-Malaysian Merchant Bank Berhad</i> General Manager, Corporate Finance (1983-1986)  <i>Arab-Malaysian Securities Sdn. Bhd.</i> Managing Director (1986-1999)  <i>Surf88.Com Sdn.Bhd</i> Chairman and Founding shareholder (1999-2004)
<b>Occupation</b>	:	Director
<b>Date of appointment</b>	:	20 December 2006
<b>Directorship of other public companies</b>	:	<ul style="list-style-type: none"><li>• Star Publications (Malaysia) Berhad</li><li>• UniAsia Life Assurance Berhad</li></ul>
<b>Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Member of any other board committee</b>	:	Investment Committee of AmInvestment Services Berhad (Independent) and Audit Committee of AmInvestment Services Berhad (Independent)
<b>Date of appointment to the investment committee</b>	:	18 January 2007
<b>Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)</b>	:	One (1)
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None



### ***Material Litigation***

For the financial period under review, neither the directors of the management company nor the Manager of the Fund were engaged in any material litigation and arbitration, including those pending or threatened, and any facts likely to give any proceedings, which might materially affect the business/financial position of the Manager and of its delegates. The Fund also 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 Fund.

### ***Investment Manager***

We have appointed AmInvestment Management Sdn Bhd, a licensed fund manager approved by the Securities Commission on 4 March 1997, to implement the Fund's investment strategy on behalf of us to achieve the objectives of the Fund. AmInvestment Management Sdn Bhd, a wholly owned subsidiary of AmInvestment Group Berhad, has been in the fund management industry since 1982.

### ***Investment Committee***

The Committee reviews the Fund's investment objective and guidelines, and to ensure that the Fund is invested appropriately. For the financial period under review, there were one (1) Investment Committee Meetings held by the Manager.

## Unitholders

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

NAME	Number of Unit Held	Units Held (in %)
AmINVESTMENT BANK BERHAD	720760	34.7586
A.A. ANTHONY SECURITIES SDN. BHD	257200	12.4035
HSBC BANK MALAYSIA BERHAD	210000	10.1272
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	128600	6.2017
MALACCA SECURITIES SDN BHD	100000	4.8225
JF APEX SECURITIES BERHAD	63000	3.0382
HWANGDBS INVESTMENT BANK BERHAD	51440	2.4807
CIMB INVESTMENT BANK BERHAD	42800	2.0640
HSBC BANK MALAYSIA BERHAD	40100	1.9338
CIMB INVESTMENT BANK BERHAD	40000	1.9290
INNOSABAH SECURITIES BERHAD	32150	1.5504
CIMB INVESTMENT BANK BERHAD	32150	1.5504
HONG LEONG INVESTMENT BANK BERHAD	31900	1.5384
OSK INVESTMENT BANK BERHAD	30000	1.4467
ALLIANCE INVESTMENT BANK BERHAD	25735	1.2411
MAYBANK INVESTMENT BANK BERHAD	25720	1.2403
MERCURY SECURITIES SDN BHD	25720	1.2403
KENANGA INVESTMENT BANK BERHAD	25720	1.2403
AFFIN INVESTMENT BANK BERHAD	25720	1.2403
HWANGDBS INVESTMENT BANK BERHAD	19300	0.9307
MAYBANK INVESTMENT BANK BERHAD	19290	0.9303
HWANGDBS INVESTMENT BANK BERHAD	18000	0.8680
MAYBANK INVESTMENT BANK BERHAD	16075	0.7752
HONG LEONG INVESTMENT BANK BERHAD	14432	0.6960
KENANGA INVESTMENT BANK BERHAD	13503	0.6512
OSK INVESTMENT BANK BERHAD	12860	0.6202
TA SECURITIES HOLDINGS BERHAD	12860	0.6202
CIMB INVESTMENT BANK BERHAD	12860	0.6202
MAYBANK INVESTMENT BANK BERHAD	12860	0.6202
CIMB INVESTMENT BANK BERHAD	12860	0.6202

**FBM KLCI etf****STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	30-6-2011 RM	31-12-2010 RM (Restated)	31-12-2009 RM (Restated)
<b>ASSETS</b>				
Investments	4	3,959,868	3,818,790	4,234,926
Unquoted investments	5	-	-	108,506
Sundry receivables		36,118	18,652	8,789
Tax recoverable		8,056	7,771	9,738
Cash at banks		29,244	45,391	521
<b>TOTAL ASSETS</b>		<b>4,033,286</b>	<b>3,890,604</b>	<b>4,362,480</b>
<b>LIABILITIES</b>				
Amount due to Manager	6	7,019	7,353	7,225
Amount due to index provider	7	2,173	1,784	2,168
Amount due to Trustee	8	194	234	219
Distribution payable		11,000	-	-
Sundry payables and accrued expenses		34,059	29,417	30,113
<b>TOTAL LIABILITIES</b>		<b>54,445</b>	<b>38,788</b>	<b>39,725</b>
<b>EQUITY</b>				
Unitholders' capital		3,658,895	3,658,895	4,908,238
Retained earnings/(accumulated loss)		319,946	192,921	(585,483)
<b>TOTAL EQUITY</b>	10	<b>3,978,841</b>	<b>3,851,816</b>	<b>4,322,755</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,033,286</b>	<b>3,890,604</b>	<b>4,362,480</b>
<b>UNITS IN CIRCULATION</b>	10(a)	<b>2,508,000</b>	<b>2,508,000</b>	<b>3,344,000</b>
<b>NET ASSET VALUE PER UNIT</b>		<b>158.65 sen</b>	<b>153.58 sen</b>	<b>129.27 sen</b>

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

**FBM KLCI etf**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2011**

	Note	1-4-2011 to 30-6-2011 RM	1-4-2010 to 30-6-2010 RM
<b>INVESTMENT INCOME</b>			
Dividend income		34,529	23,373
Net gain from investments:			
- Financial assets at fair value through profit and loss ("FVTPL")	9	84,847	-
Net unrealised loss on changes in value of quoted investments		-	(69,099)
Net realised gain on sale of quoted investments		-	43,354
		<u>119,376</u>	<u>(2,372)</u>
<b>EXPENDITURE</b>			
Manager's fee	6	4,853	5,531
Trustee's fee	7	582	664
License fee	8	388	443
Auditors' remuneration		998	1,394
Tax agent's fee		1,246	2,065
Administrative expenses		<u>1,522</u>	<u>3,110</u>
		<u>9,589</u>	<u>13,207</u>
NET INCOME/(LOSS) BEFORE TAX		109,787	(15,579)
LESS: INCOME TAX EXPENSE	12	<u>(4,600)</u>	<u>(1,200)</u>
NET INCOME/(LOSS) AFTER TAX		105,187	(16,779)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>105,187</u>	<u>(16,779)</u>
DISTRIBUTION	13	<u>11,000</u>	<u>-</u>
Total comprehensive income comprises the following:			
Realised income		20,249	52,320
Unrealised gain/(loss)		<u>84,938</u>	<u>(69,099)</u>
		<u>105,187</u>	<u>(16,779)</u>
(forward)			

**FBM KLCI etf**

**STATEMENT OF COMPREHENSIVE INCOME (CONT'D)  
FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2011**

	<b>Note</b>	<b>1-4-2011 to 30-6-2011 RM</b>	<b>1-4-2010 to 30-6-2010 RM</b>
Distribution for the period:			
Net distribution	13	<u>11,000</u>	<u>-</u>
Net distribution per unit (sen)	13	<u>0.4386</u>	<u>-</u>
Gross distribution per unit (sen)	13	<u>0.5153</u>	<u>-</u>

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

**FBM KLCI etf**

**STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2011**

	Note	Unitholders' capital RM	(Accumulated loss)/retained earnings RM	Total equity RM
At 1 April 2010 as previously stated		4,339,300	102,476	4,441,776
Reclassification of distribution equalisation		<u>568,938</u>	<u>(568,938)</u>	<u>-</u>
At 1 April 2010 as restated		4,908,238	(466,462)	4,441,776
Total comprehensive income for the period		-	(16,779)	(16,779)
Creation of units		-	-	-
Cancellation of units		-	-	-
Income distribution		<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2010		<u>4,908,238</u>	<u>(483,241)</u>	<u>4,424,997</u>
At 1 April 2011		3,658,895	225,759	3,884,654
Total comprehensive income for the period		-	105,187	105,187
Creation of units	10(a)	-	-	-
Cancellation of units	10(a)	-	-	-
Income distribution	13	<u>-</u>	<u>(11,000)</u>	<u>(11,000)</u>
Balance at 30 June 2011		<u>3,658,895</u>	<u>319,946</u>	<u>3,978,841</u>

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

**FBM KLCI etf****STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 1 APRIL 2011 TO 30 JUNE 2011**

Note	1-4-2011 to 30-6-2011 RM	1-4-2010 to 30-6-2010 RM
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of quoted investments	73,991	150,045
Dividend received	16,733	30,127
Capital repayments from quoted investments	-	27,950
License fee paid	(257)	(851)
Trustee's fee paid	(581)	(692)
Manager's fee paid	(4,847)	(5,764)
Payment for other administrative expenses	(1,219)	(1,789)
Purchase of quoted investments	<u>(68,157)</u>	<u>(182,594)</u>
Net Cash Generated From Operating And Investing Activities	<u>15,663</u>	<u>16,432</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	15,663	16,432
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>13,581</u>	<u>27,394</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>29,244</u>	<u>43,826</u>
Cash and cash equivalents comprises the following:		
Cash at banks	<u>29,244</u>	<u>43,826</u>
	<u>29,244</u>	<u>43,826</u>

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

## **FBM KLCI etf**

### **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 to 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’s change 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, 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 in accordance with applicable Financial Reporting Standards (“FRS”).

##### **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and revised FRSs and IC Interpretations which are effective for financial year beginning on or after 1 July 2009, 1 January 2010 or 1 March 2010. Except as discussed below, these new and revised FRSs and IC Interpretations do not give rise to any significant effects on the financial statements of the Fund.

##### **FRS 7 Financial Instruments: Disclosures**

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk using VaR analysis..

The Fund has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the financial statements for the period ended 30 June 2011.



### FRS 8 Operating Segments

FRS 8, which replaces FRS 114 *Segment Reporting*, requires disclosure of information about the Fund's operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance, and replaces the requirement of the Fund to determine primary (business) and secondary (geographical) reporting segments. For management purposes, the Fund only has one reporting segment as disclosed in Note 16.

### FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Fund has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Fund to make new disclosures to enable users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital (Note 20).

The revised FRS 101 was adopted retrospectively by the Fund.

### Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132 and FRS 101 became effective for annual periods beginning on or after 1 January 2010. The amendment to FRS 132 requires entities to classify puttable financial instruments as equity if the instruments have certain particular features and meet specific conditions. The amendments to FRS 101 require disclosure of certain information relating to puttable instruments classified as equity.

The unitholders' capital has the features and meets the conditions for classification as equity instruments. Consequently, upon adoption of the Amendments to FRS 132, unitholders' capital amounting to RM3,658,895 (31 December 2010: RM3,658,895) is reclassified from financial liabilities to equity. Distributions made by the Fund are recognised as dividends in equity in the period in which they are declared.

### FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Fund has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

Prior to 1 January 2010, the Fund's investments in quoted equity instruments were carried at the last done market price quoted on Bursa Malaysia as at the reporting date. The fair value adjustments on the investments were recognised in profit or loss.

Upon the adoption of FRS 139, these investments are classified on 1 January 2010 as either financial instruments at FVTPL and stated at their respective fair values. The determination of fair values of the various types of financial instruments is as described in Note 16. The classification of certain of these investments as financial instruments at FVTPL did not materially affect the financial statements of the Fund.

The Fund has not adopted the following FRSs, amendments to FRSs, Interpretation of the Issues Committee ("IC Interpretations") and Technical Releases ("TR") 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 124	Related Party Disclosure	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemption for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3	Business Combinations	1 January 2011

(Forward)

		<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2011
Amendments to FRS 128	Investments in Associates	1 January 2011
Amendments to FRS 131	Interests in Joint Ventures	1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2011
Amendments to FRS 134	Interim Financial Reporting	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4	Determining whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
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
IC Interpretation 18	Transfer of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirements	1 July 2011
TR 3	Guidance on disclosures of Transition to IFRSs	1 January 2011
TR i-4	Shariah Compliant Sale Contracts	1 January 2011

Other than Amendments to FRS 7, the other FRSs, amendments to FRSs, IC Interpretations and TR are either not applicable or are expected not to have any significant impact on the financial statements of the Fund upon their initial application.

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

#### **Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Dividend/distribution income is recognised when the Fund's right to receive payment is established. Interest on fixed income securities and short-term deposits, if any, is recognised on an accrual basis.

#### **Income Tax Expense**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

No deferred tax is recognised as there are no material 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.

#### **Statement of Cash Flows**

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

Cash equivalents are short term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

#### **Distribution**

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the period in which it is approved.

#### **Unitholders' Capital**

The unitholders' capital of the Fund meets the definition of puttable instruments classified as equity instruments under the revised FRS 132.

### **Distribution Equalisation**

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

### **Financial Assets**

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets at initial recognition, and the categories applicable to the Fund include as financial assets at fair value through profit or loss and loans and receivables.

#### **(i) Financial assets at FVTPL**

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading include equity securities investments acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets at fair value through profit or loss'. Interest earned and dividend revenue elements of such instruments are recorded separately in 'Interest income' and 'Gross dividend income', respectively. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gains or net losses on changes in fair value of financial assets at FVTPL.

For investments in listed securities, market value is determined based on the theoretical 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 theoretical closing price provided by Bond Pricing Agency Malaysia Sdn Bhd. Unrealised gains or losses recognised in the statement of comprehensive income 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 comprehensive income.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Fund includes short-term receivables in this classification.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

### **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

The Fund's financial liabilities which include amount due to Manager and Trustee, amount due to index provider and sundry payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the straight line method.

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

### **Classification of Realised and Unrealised Gains and Losses**

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised (i.e. sold, redeemed or matured) during the reporting period.

Realised gains and losses on disposals of financial instruments classified as part of 'at fair value through profit or loss' are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount or cash payments or receipts made on derivative contracts and fixed income securities.

### **Significant Accounting Estimates and Judgments**

The preparation of the Fund's financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes

that could require a material adjustment to the carrying amount of the asset or liability in the future.

The Fund classifies its investments as financial assets at FVTPL as the Fund is an open-ended Fund that may sell its investments in the short-term, for profit taking or to meet unitholders' cancellation.

No other major judgments have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next period.

#### 4. INVESTMENTS

	<b>30-6-2011</b> <b>Financial assets</b> <b>at FVTPL</b> <b>RM</b>	<b>31-12-2010</b> <b>Financial assets</b> <b>at FVTPL</b> <b>RM</b>	<b>31-12-2009*</b> <b>Total</b> <b>(Note 5)</b> <b>RM</b>
Quoted investments	<u>3,959,868</u>	<u>3,818,790</u>	<u>4,234,926</u>

\* Prior to 1 January 2010, the investments of the Fund, although carried at fair values, need not be classified as "financial assets at FVTPL".

Details of quoted investments as at 30 June 2011 are as follows:

<b>Securities quoted in Malaysia</b>	<b>Number</b> <b>of units</b>	<b>Market</b> <b>value</b> <b>RM</b>	<b>Purchase</b> <b>cost</b> <b>RM</b>	<b>Market</b> <b>value as a</b> <b>percentage of</b> <b>net asset value</b> <b>%</b>
<b>Name of Company</b>				
<b>Construction</b>				
Gamuda Berhad	16,100	61,985	60,000	1.56
YTL Corporation Berhad	35,870	55,599	56,834	1.40
	<u>51,970</u>	<u>117,584</u>	<u>116,834</u>	<u>2.96</u>
<b>Consumer Products</b>				
British American Tobacco (M) Berhad	1,100	51,370	47,867	1.29
PPB Group Berhad	4,500	77,490	62,824	1.95
UMW Holdings Berhad	6,600	47,652	45,408	1.20
	<u>12,200</u>	<u>176,512</u>	<u>156,099</u>	<u>4.44</u>

<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>Finance</b>				
AMMB Holdings Berhad	17,700	115,227	93,401	2.90
CIMB Group Holdings Berhad	43,600	389,348	315,411	9.78
Hong Leong Bank Berhad	4,800	64,224	39,587	1.61
Hong Leong Financial Group Berhad	2,300	30,314	20,486	0.76
Malayan Banking Berhad	43,767	391,277	335,866	9.83
Public Bank Berhad	27,600	367,080	320,221	9.23
RHB Capital Berhad	3,200	29,312	22,929	0.74
	<u>142,967</u>	<u>1,386,782</u>	<u>1,147,901</u>	<u>34.85</u>
<b>Infrastructure</b>				
DiGi.Com Berhad	4,600	133,584	111,322	3.36
YTL Power International Berhad	22,071	48,556	52,033	1.22
	<u>26,671</u>	<u>182,140</u>	<u>163,355</u>	<u>4.58</u>
<b>Plantation</b>				
IOI Corporation Berhad	37,585	199,201	216,891	5.00
Kuala Lumpur Kepong Berhad	4,200	93,072	73,812	2.34
	<u>41,785</u>	<u>292,273</u>	<u>290,703</u>	<u>7.34</u>
<b>Trading/Service</b>				
Axiata Group Berhad	49,500	247,995	214,018	6.23
Genting Berhad	21,700	243,474	201,941	6.12
Genting Malaysia Berhad	23,000	82,800	78,827	2.08
MISC Berhad	14,140	103,929	126,256	2.61
Malaysia Marine And Heavy Engineering Holding Corporation Berhad	3,000	24,990	25,477	0.63
Maxis Berhad	17,600	96,448	93,987	2.42
MMC Corporation Berhad	8,800	24,816	25,615	0.62
PETRONAS Dagangan Berhad	2,200	35,420	22,305	0.89
PLUS Expressways Berhad	15,100	68,252	59,512	1.72
Sime Darby Berhad	35,289	325,717	300,524	8.19
Telekom Malaysia Berhad	20,500	80,975	53,129	2.04
Tenaga Nasional Berhad	31,700	214,609	233,799	5.39



	<u>242,529</u>	<u>1,549,425</u>	<u>1,435,390</u>	<u>38.94</u>
Total financial assets at FVTPL	<u>548,922</u>	<u>3,959,868</u>	<u>3,520,012</u>	<u>99.52</u>
Excess of fair value over cost			<u>439,856</u>	

5. **PRIOR YEAR INVESTMENTS**

	<b>31-12-2009</b>
	<b>RM</b>
Quoted investments represent:	
- At cost	<u>4,203,734</u>
- At market value	<u>4,234,926</u>
Unquoted investments represent:	
- At cost	<u>108,500</u>
- At market value	<u>108,506</u>

Included in unquoted investments were short-term deposits with licensed bank, placed with Hong Leong Bank Berhad.

The weighted average interest rate and remaining maturities of short-term deposits with licensed banks under short-term money market deposits are as follows:

	<b>Weighted average interest rate 2009 %</b>	<b>Remaining maturities 2009 Days</b>
Short-term deposits with licensed banks under short-term money market deposits	<u>2.00</u>	<u>4</u>

6. **AMOUNT DUE TO MANAGER**

	<b>30-6-2011 RM</b>	<b>31-12-2010 RM</b>	<b>31-12-2009 RM</b>
Manager's fee payable	1,619	1,953	1,825
Application fee payable to Manager	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>
	<u>7,019</u>	<u>7,353</u>	<u>7,225</u>

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 0.5% per annum of the net asset value of the Fund, calculated on a daily basis, for the financial period from 1 April 2011 to 30 June 2011 (0.5% in 2010 and 2009).

The normal credit period for manager's fee payable is one month.

**7. AMOUNT DUE TO TRUSTEE**

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

Trustee 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 2011 to 30 June 2011 (0.06% in 2010 and 2009).

The normal credit period for trustee's fee payable is one month.

**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 the benchmark index.

License 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 2011 to 30 June 2011 (0.04% in 2010 and 2009).

**9. NET GAIN FROM INVESTMENTS – FVTPL**

**30-6-2011  
RM**

Financial assets at FVTPL comprises the following:

- Net unrealised gain on changes in value of quoted investments	84,938
- Net realised loss on sale of quoted investments	<u>(91)</u>
	<u>84,847</u>

**10. TOTAL EQUITY**

Net asset value attributable to unitholders is represented by:

	<b>Note</b>	<b>30-6-2011 RM</b>	<b>31-12-2010 RM (Restated)</b>	<b>31-12-2009 RM (Restated)</b>
Unitholders' capital	(a)	3,658,895	3,658,895	4,908,238
Retained earnings				
- Realised reserve/(deficit)	(b)	(119,910)	(99,895)	(616,675)
- Unrealised reserve/(loss)	(c)	439,856	292,816	31,192
		<u>3,978,841</u>	<u>3,851,816</u>	<u>4,322,755</u>

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

	<b>30-6-2011</b>		<b>31-12-2010</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM (Restated)</b>
At beginning of period/ year as previously stated	2,508,000	3,658,895	3,344,000	4,339,300
Reclassification of distribution equalisation	-	-	-	568,938
At beginning of period/year as restated	2,508,000	3,658,895	3,344,000	4,908,238
Creation during the period/year	-	-	3,344,000	5,013,846
Cancellation during the period/year	-	-	(4,180,000)	(6,371,323)
	2,508,000	3,658,895	2,508,000	3,550,761
Distributions out of distribution equalisation	-	-	-	108,134
At end of period/year	2,508,000	3,658,895	2,508,000	3,658,895

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

(b) **REALISED – DISTRIBUTABLE**

	<b>1-4-2011 to 30-6-2011 RM</b>	<b>1-1-2010 to 31-12-2010 RM</b>
Balance as at beginning of the period/year as previously stated	(129,159)	(47,737)
Reclassification of distribution equalisation	-	(568,938)
Balance as at beginning of the period/year as restated	(129,159)	(616,675)
Net income after tax	105,187	951,077
Net unrealised gain attributable to investments held transferred to unrealised reserve	(84,938)	(261,624)
Distribution out of realised reserve (Note 13)	(11,000)	(172,673)
Net increase in realised reserve for the period/year	9,249	516,780
Balance as at end of the period/year	(119,910)	(99,895)

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

	<b>1-4-2011 to 30-6-2011 RM</b>	<b>1-1-2010 to 31-12-2010 RM</b>
Balance as at beginning of the period/year	354,918	31,192
Net unrealised gain attributable to investments held transferred from realised reserve	<u>84,938</u>	<u>261,624</u>
Balance as at end of the period/year	<u>439,856</u>	<u>292,816</u>

11. **UNITS HELD BY RELATED PARTIES**

The Manager, AmInvestment Services Berhad, did not hold any units in the Fund as at 30 June 2011 and 30 June 2010. Holdings by parties related to the Manager as at 30 June 2011 were 752,689 units valued at RM1,194,141 (1,580,092 units valued at RM2,090,936 as at 30 June 2010).

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 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>1-4-2011 to 30-6-2011 RM</b>	<b>1-4-2010 to 30-6-2010 RM</b>
Net income/(loss) before income tax	<u>109,787</u>	<u>(15,579)</u>
Taxation at Malaysian statutory rate of 25%	27,400	(3,900)
Tax effect of:		
(Income not subject to tax)/Loss not deductible for tax purposes	(25,000)	2,100
Restriction on tax deductible expenses for unit trust funds	400	900
Non-permitted expenses for tax purposes	<u>1,800</u>	<u>2,100</u>
Tax expense for the financial period	<u>4,600</u>	<u>1,200</u>

13. **DISTRIBUTION**

Distribution to unitholders declared on 30 June 2011 (nil for the financial period from 1 April 2010 to 30 June 2010) was from the following sources:

	<b>1-4-2011 to 30-6-2011 RM</b>	<b>1-4-2010 to 30-6-2010 RM</b>
Dividend income	25,280	-
Net realised gain on sale of quoted investments	(91)	-
	<hr/>	<hr/>
	25,189	-
Less: Expenses	(9,589)	-
Taxation	(4,600)	-
	<hr/>	<hr/>
Total amount of distribution	11,000	-
Gross distribution per unit (sen)	0.5153	-
Net distribution per unit (sen)	0.4386	-
	<hr/>	<hr/>
Distribution out of:		
- Realised reserve	11,000	-
	<hr/>	<hr/>

14. **MANAGEMENT EXPENSE RATIO (“MER”)**

The Fund’s MER is as follows:

	<b>1-4-2011 to 30-6-2011 % p.a.</b>	<b>1-4-2010 to 30-6-2010 % 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	0.39	0.59
	<hr/>	<hr/>
Total MER	0.99	1.19
	<hr/>	<hr/>

The MER of the Fund is the ratio of the sum of fees and expenses incurred by the Fund to the average NAV of the Fund calculated on a daily basis.

15. **PORTFOLIO TURNOVER RATIO (“PTR”)**

The PTR of the Fund is the ratio of average acquisitions and disposals of the Fund for the financial period to the average NAV of the Fund calculated on a daily basis, is 0.02 times for the financial period from 1 April 2011 to 30 June 2011 (0.04 times for the financial period from 1 April 2010 to 30 June 2010).

16. **SEGMENTAL REPORTING**

In accordance with the objective of the Fund, substantially all of the Fund's investments are made in the form of quoted investments and fixed income securities in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmental distinct and hence the Fund does not have separate identifiable business or geographical segments.

17. **TRANSACTIONS WITH FINANCIAL INSTITUTIONS/BROKERS**

Details of transactions with financial institutions/brokers for the financial institutions for the financial period from 1 April 2011 to 30 June 2011 are as follows:

Financial institutions/brokers	Transaction value		Brokerage fee, stamp duty and clearing fee paid	
	RM	%	RM	%
AmInvestment Bank Berhad*	<u>136,685</u>	<u>100.00</u>	<u>1,274</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 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.

18. **FINANCIAL INSTRUMENTS**

(a) **Classification of financial instruments**

With effect from 1 January 2010, the Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position as at 30 June 2011 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>Assets</b>				
Investments	3,959,868	-	-	3,959,868
Sundry receivables	-	36,118	-	36,118
Tax recoverable	-	8,056	-	8,056
Cash at bank	-	29,244	-	29,244
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	3,959,868	73,418	-	4,033,286
<b>Liabilities</b>				
Other payables and accruals	-	-	34,059	34,059
Due to Manager	-	-	7,019	7,019
Due to index provider	-	-	2,173	2,173
Due to Trustee	-	-	194	194
Distribution payable	-	-	11,000	11,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	-	54,445	54,445
				<b>Income, expense, gains and losses RM</b>
Net gains from financial assets FVTPL				84,847
Interest income, of which derived from:				
Interest income from loans and receivables				<hr/>

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

The Fund's financial assets at FVTPL are carried at fair value. The fair values of these financial assets were determined using prices in active markets for identical assets.

Quoted equity instruments and quoted debt securities

Fair value is determined directly by reference to their published market bid price at the reporting date.

For instruments quoted on Bursa Malaysia, the market bid prices are determined by reference to the theoretical closing market price as published by Bursa Malaysia. The market bid prices of equity instruments quoted on other stock exchanges are determined by reference to information made publicly available by these respective stock exchanges.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable; either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

	<b>30 June 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>				
Quoted equity securities	<u>3,959,868</u>	<u>-</u>	<u>-</u>	<u>3,959,868</u>

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

- Sundry receivables
- Cash at banks
- Amounts due to Manager
- Amount due to Trustee
- Amount due to index provider
- Sundry payables

There were no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.

19. **RISK MANAGEMENT**

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, 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 is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity price, foreign exchange rates, interest rates and commodity prices.

### (a) Objectives and limitations of the Value at Risk ("VaR") methodology

The Fund models the Value-at-Risk based on Gaussian distribution to assess possible changes in the market value of the portfolio. Based on 180 weekly historical data points, the potential loss at the 99% confidence level is estimated. The VaR model is designed to measure market risk during normal market conditions. Due to the fact that VaR relies on historical data to provide information and that there is no prediction of the future change in the risk factors, the probability of large market moves may be underestimated. VaR may also be under- or over-estimated due to the interdependence between the market risk factors. Even though positions may change throughout the day, the VaR only represents the risk of the portfolio at the close of each business day. Analysis is carried out to estimate potential losses at the 99% confidence level.

In practice, the actual portfolio results will differ from the VaR calculation. In particular, the calculation does not provide a meaningful indication of losses under stressed market conditions.

### (b) VaR assumptions

The VaR that the Fund measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

	Value-at-risk (%)	
	Equities Risk	Total VaR
<b>30 June 2011</b>	2.24	2.24
Average daily	2.25	2.25
Highest	2.28	2.28
Lowest	2.19	2.19

Based on Gaussian VaR, using historical weekly data for the past 180 weeks, FBM KLCI etf's portfolio that invests mainly in the constituents of the FTSE Bursa Malaysia Large 30 Index had a daily 1% Value-at-Risk (VaR) of approximately 2.24% as at 30 June 2011. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 2.24% of the NAV.

## 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. CAPITAL MANAGEMENT**

The primary objective of the Fund's capital management is to ensure that it maximises unitholder's value by expending its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments. As disclosed in Note 10, the approved fund size by the Securities Commission is 500,000,000 units of

which 2,508,000 units have been issued and a further 497,492,000 units can be issued in future period based on the daily net asset value per unit on the respective creation dates.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may issue new or bonus units, adjust the distribution payment, or return capital to unitholder by way of redemption of units.

No changes were made in the objective, policies or processes during the period from 1 April 2011 to 30 June 2011 and 1 April 2010 to 30 June 2010.