

FTSE BURSA MALAYSIA KLCI etf

Quarterly Report

31 December 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

9th & 10th Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel:03-2036 2633 Fax: 03-2026 5630

Secretaries

Koid Phaik Gunn (MAICSA 7007433)

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") ("the Fund") for the financial period from 1 October 2011 to 31 December 2011.

Salient Information of the Fund

Name	FTSE Bursa Malaysia KLCI etf (the "Fund")
Category/Type	ETF/ Equity
Objective	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 31 December 2011 are as follows:

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
1155	Malayan Banking Berhad	9.93	7,478.21
1295	Public Bank Berhad	9.75	3,531.93
1023	CIMB Group Holdings Berhad	8.56	7,432.77
4197	Sime Darby Berhad	8.54	5,997.99
6888	Axiata Group Berhad	6.72	8,445.15
3182	Genting Berhad	6.29	3,694.24
1961	IOI Corporation Berhad	5.34	6,413.53
5347	Tenaga Nasional Berhad	4.93	5,403.20
6947	DiGi.Com Berhad	4.67	7,775.00
5183	PETRONAS Chemicals Group Berhad	4.09	8,000.00
1015	AMMB Holdings Berhad	2.77	3,014.18
4863	Telekom Malaysia Berhad	2.75	3,577.40
6012	Maxis Berhad	2.54	7,500.00
2445	Kuala Lumpur Kepong Berhad	2.50	1,068.77
6033	PETRONAS Gas Berhad	2.48	1,978.73
4715	Genting Malaysia Berhad	2.32	5,872.40
4065	PPB Group Berhad	2.10	1,185.50
5819	Hong Leong Bank Berhad	1.71	1,896.13
5099	AirAsia Berhad	1.61	2,757.54
4162	British American Tobacco (M) Berhad	1.47	285.53
4677	YTL Corporation Berhad	1.45	9,485.60
4588	UMW Holdings Berhad	1.26	1,162.20
5681	PETRONAS Dagangan Berhad	1.09	993.45
6742	YTL Power International Berhad	1.07	7,282.00

(Forward)

Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
1082	Hong Leong Financial Berhad	0.76	1,052.77
5210	Bumi Armada Berhad	0.74	2,928.46
2194	MMC Corporation Berhad	0.70	3,045.06
1066	RHB Capital Berhad	0.68	2,191.92
5148	UEM Land Holdings Berhad	0.65	4,323.06
5186	Malaysia Marine and Heavy Engineering Holdings Berhad	0.56	1,600.00

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 etf ("FBM KLCI")

Income Distribution Policy

Income distribution (if any) are expected to be made 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 31 December 2011		As at 30 September 2011	
	Number of units held ('000)	Number of unitholders	Number of units held ('000)	Number of unitholders
Less than 100	1.66	42	1.62	42
100 - 1,000	20.28	33	20.26	34
1,001 - 10,000	340.16	86	342.05	86
10,001 – 100,000	760.44	29	777.51	31
100,001 to less than 5% of issue units	-	-	-	-
5% and above of issue units	1,385.46	3	1366.56	3

Fund Performance Data

Portfolio Composition Details of portfolio composition of FBM KLCI etf as at 31 December 2011, 30 September 2011 and three financial years ended 31 December are as follow:

	As at 31-12-2011 %	As at 30-09-2011 %	FY 2011 %	FY 2010 %	FY 2009 %
Construction	1.4	2.6	1.4	3.1	1.6
Consumers products	4.6	4.8	4.6	4.6	5.6
Finance	34.5	33.7	34.5	34.8	35.1
Industrial products	6.7	6.1	6.7	4.0	1.4
Infrastructure project companies	5.7	5.0	5.7	4.3	2.8
Plantations	7.9	7.4	7.9	8.5	9.0
Properties	0.5	-	0.5	-	-
Trading/Services	38.7	38.7	38.7	39.5	42.0
Options	-	-	-	-	-
Cash and others	-	1.7	-	1.2	2.5
	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 ended 31 December 2011, 30 September 2011 and three financial years ended 31 December are as follows:

	3 months ended 31-12-2011	3 months ended 30-09-2011	FY 2011	FY 2010	FY 2009
Net asset value (RM)	3,910,587	3,525,099	3,910,587	4,322,755	3,748,450
Units in circulation	2,508,000 ^(a)	2,508,000 ^(a)	2,508,000 ^(a)	3,344,000 ^(a)	650,000 ^(b)
Net asset value per unit (RM)	1.5592**	1.4055**	1.5592**	1.2927**	5.7668*
Highest net asset per unit (RM)	1.5592**	1.6021**	1.6021**	7.0489**	9.9339*
Lowest net asset per unit (RM)	1.3796**	1.3492**	1.3492**	1.0900**	5.4137*
Closing quoted price (RM/unit)	1.5250**	1.3450**	1.5250**	1.3000**	5.8100*
Highest quoted price (RM/unit)	1.5250**	1.5950**	1.5950**	1.3150**	9.9300*
Lowest quoted price (RM/unit)	1.4150**	1.3200**	1.3200**	0.8523**	5.4500*
Benchmark performance (%)	11.42	-11.23	4.45	50.00	-36.30
Total return (%) ⁽¹⁾	10.94	-11.41	2.97	46.42	-37.20
- Capital growth (%)	10.94	-11.41	1.54	45.28	-39.33
- Income distribution (%)	-	-	1.43	1.14	2.13

Gross distribution per unit (sen)	-	-	2.31	7.74	21.72
Net distribution per unit (sen)	-	-	2.19	6.60	20.00
Distribution yield (%) ⁽²⁾	-	-	1.44	5.08	3.44
Management expense ratio (%) ⁽³⁾	1.05	1.10	1.11	1.18	1.06
Portfolio turnover ratio (times) ⁽⁴⁾	0.05	-	0.09	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 ("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 0.05% as compared to 1.10% per annum for the quarter ended 30 September 2011 mainly due to an decrease in administrative expenses.
- (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 0.05 times (100%) as compared to the quarter ended 30 September 2011 mainly due to a increase in investing activities.

Average Total Return (as at 31 December 2011)

	FBM KLCI etf ^(a) %	FBM KLCI/ FBM30 Index ^(b) %
One year	3.0	4.5
Three years	22.0	24.7
Since launch of Fund (19 July 2007)	4.8	6.6

Annual Total Return

Financial Year/Period End (31 December)	FBM KLCI etf ^(a) %	FBM KLCI/ FBM30 Index ^(b) %
2011	3.0	4.5
2010	20.6	23.8
2009	46.4	50.0
2008	-37.2	-36.3
2007 ^(c)	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.

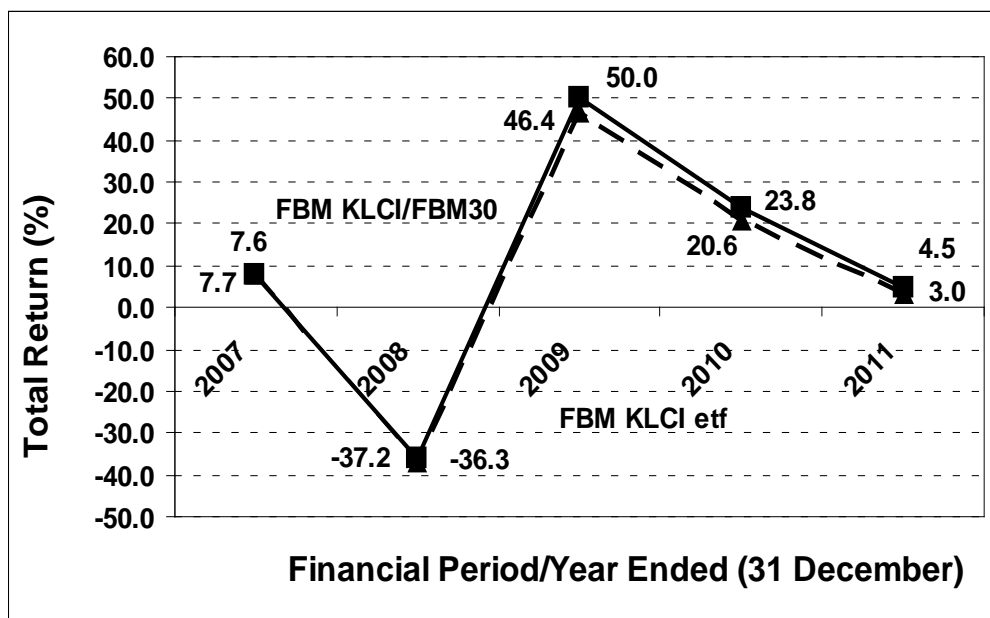
Fund Performance For the financial period under review, the Fund recorded a return of 10.94% which was entirely capital in nature.

Thus, the Fund’s return of 10.94% underperformed the benchmark return of 11.42% by 0.48%.

As compared to 30 September 2011, the NAV of the Fund increased by 10.94% from RM3,525,099 to RM3,910,587. The NAV per unit of the Fund also increased by 10.94% from RM1.4055 to RM1.5592 while units in circulation remain unchanged at 2,508,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 13.38% from RM1.3450 to RM1.5250.

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



Past performance is 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.

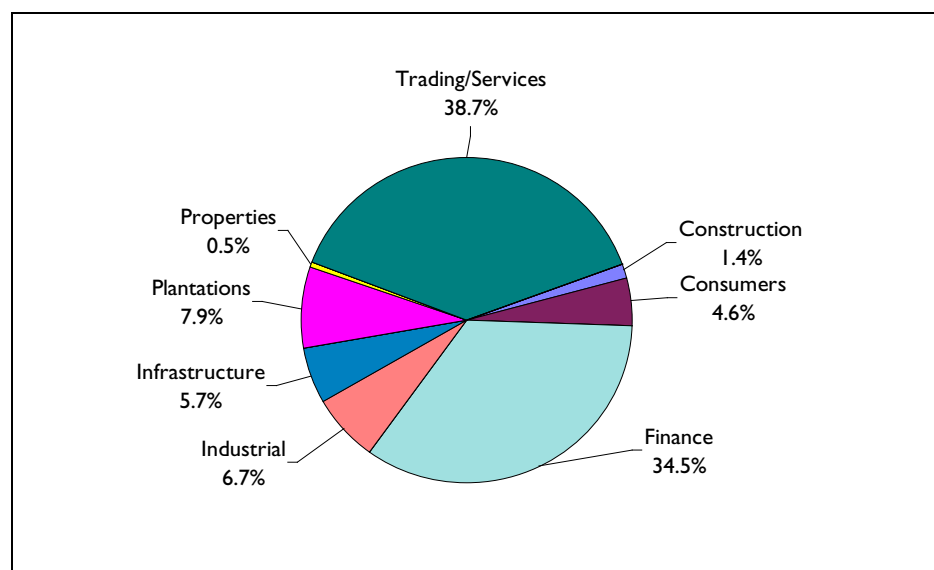
Portfolio Structure

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

	31 December 2011 (%)	30 September 2011 (%)	Changes (%)
Construction	1.4	2.6	-1.2
Consumers products	4.6	4.8	-0.2
Finance	34.5	33.7	0.8
Industrial products	6.7	6.1	0.6
Infrastructure project companies	5.7	5.0	0.7
Plantations	7.9	7.4	0.5
Properties	0.5	-	0.5
Trading/Services	38.7	38.7	-
Cash and others	-	1.7	-1.7
Total	100.0	100.0	

There were minor changes to two sector weights, construction and cash, where weighting decreased by 1.2 and 1.7%, respectively. The remaining sectors have no significant changes to the assets allocation since the last reporting.

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



Distribution/ unit splits There was no income distribution and no unit split was 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 After two months of sharp declines, October was a month of recovery as the KLCI staged strong gains across the board. The local market's rebound was due to renewed confidence in Europe and Wall Street that a resolution was at hand for the debt crisis in Europe. The 2012 Budget on Oct 7 also lifted sentiment as there were hardly any sectors negatively affected save for the property sector where the RPGT was raised from 5% to 10% for the first two years. Even then, the quantum of increase was mild and the impact should only be temporary.

November was a month of consolidation as the KLCI gave back some of its gains and investors' interest shifted to second and third liner stocks. But the local market continued to take its cue from Europe and Wall Street and fluctuated accordingly. There was significant speculation in penny stocks during the month, which we view as a positive sign that retail investors have not abandoned the market completely and that there was still some appetite for risks. Results released during the month were less than inspiring and again there were more disappointments than positive surprises.

The KLCI performed better in December due to a recovery in global stock markets and window dressing activities. Investors were also seen buying ahead of the January effect. M&A counters were traded heavily e.g Proton and DRB-Hicom.

Despite unresolved European debt crisis which have significantly pulled down global stock market and slowed down the global economy, for the quarter under review the KLCI increased significantly by 143 points or 10.3%.

Market Outlook

US

The US economy is passing a soft patch that occurred in 2011. Job creation, unemployment rate and consumption spending have continued to improve (Chart 1). Suffice to say, with companies starting to add to their head count, income growth should improve for 2012. Noteworthy is also that housing drag seems to be diminishing and nationally, there are signs of a bottom in terms of sales and pricing (Chart 2). It is unrealistic to expect growth to be robust but we believe that growth should hover around 2.5% and could be higher if the corporate sector decides to invest their profits back into the economy in terms of capital expenditure as they are generally cashed up.

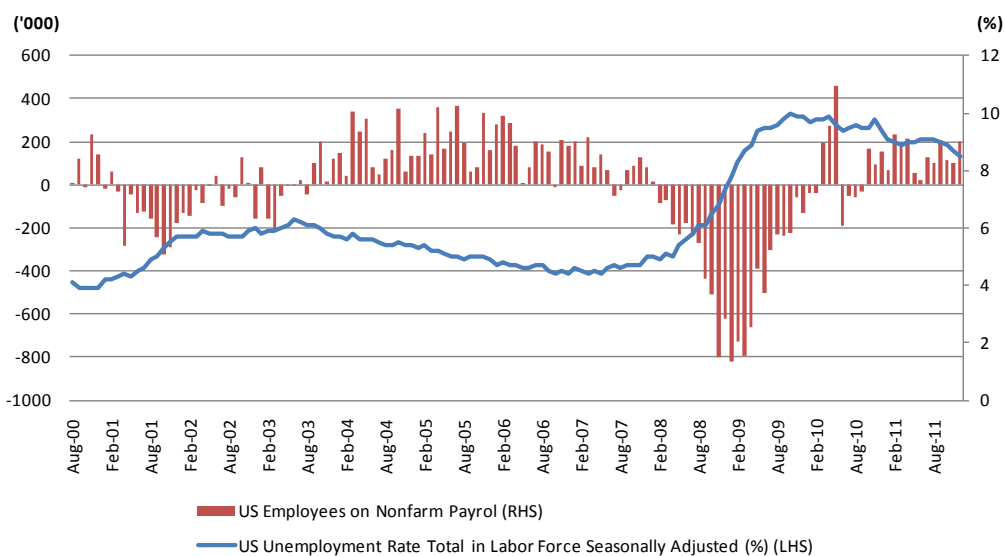


Chart 1: US Nonfarm Payroll and unemployment rate (Source: Bloomberg)

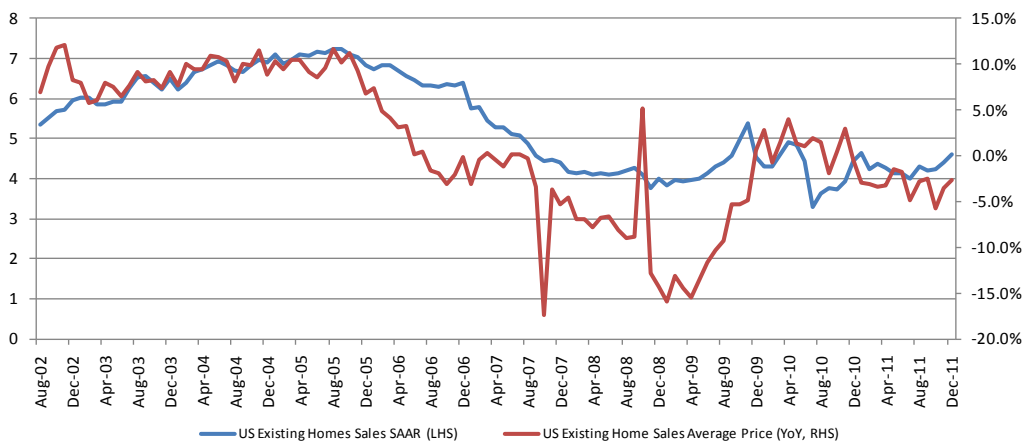


Chart 2: US existing homes sale and average price (Source: Bloomberg)

Europe

The European Central Bank (ECB) unlimited Long-term Repo Operation (LTRO) for the next three years has basically re-liquified the banks, lowered Sovereign yields (Chart 3) and equity risk premium resulting in a market rally (Table 1).

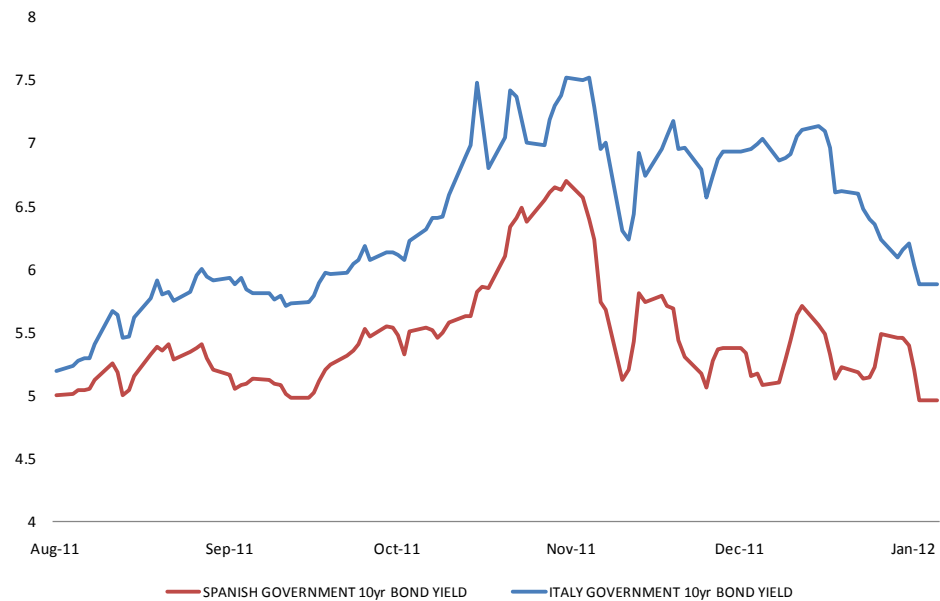


Chart 3: Italian and Spanish 10-year bond yield (Source: Bloomberg)

	YTD (%)
MSCI AC Asia ex-Japan	9.1%
China	4.2%
Hong Kong	10.6%
India	10.7%
Indonesia	3.1%
Korea	7.1%
Malaysia	-0.6%
Philippines	7.1%
Singapore	9.7%
Taiwan	6.3%
Thailand	5.4%

Table 1: Year to date market performance (Source: Bloomberg)

The LTRO provides a three-year breathing space for structural reforms to be instituted such as fiscal discipline in government spending/borrowings and for banks to raise capital, reduce leverage and restructure their businesses. The LTRO program does not remove the need for the euro zone to go through fiscal reforms as structural risk still exist.

To illustrate our point, if a restructuring or default in Portugal becomes imminent, Greece will not be a one-off isolated case and it will be difficult to prevent contagion from spreading into neighboring Spain. Spanish banks have a Euro60 billion exposure to Portugal or roughly 70% of equity. This excludes the bad debts arising from the housing bust in Spain which could wipe out the entire banks' equity.

China

China's fourth quarter Gross Domestic Products (GDP) came in better than expected, creating a feel good factor to Asian markets. Economic growth has never been an issue to China but inflation is (especially housing and food). Economic growth will only be a problem if it leads to inflation. The authorities have been targeting real estate speculation for some time and some success is visible but other sectors of the economy are doing reasonably well (Table 2). With regards food inflation, we expect food prices to continue to moderate (Chart 4) and this would allow easing monetary conditions. Our base case is that the overall economy will continue to moderate in the 1H due to the drag from slowing construction but economic re-acceleration in the later half.

4Q2011	Actual (%)
China GDP Constant Price YoY	8.9
China Retail Sales Value YoY	18.1
China Import Trade YoY	11.8
China Export Trade YoY	13.4

Table 2: Select Macro date (Source: Bloomberg)

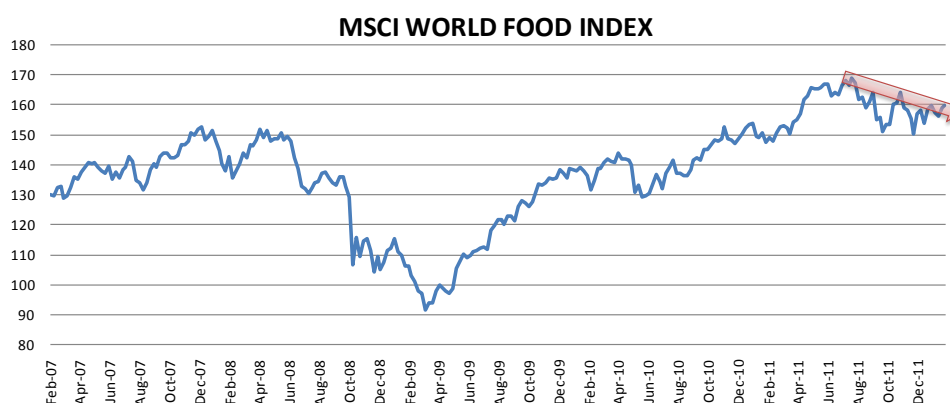


Chart 4: Global Food index (Source: Bloomberg)

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

31 January 2012

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 October 2011 to 31 December 2011, there were two (2) Board of Directors' Meeting held by the Manager.

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

Name: Harinder Pal Singh A/L Joga Singh

Age	:	49
Nationality	:	Malaysian
Qualification	:	Bachelors Degree in Accounting from University Malaya
Executive/Non-Executive Director	:	Executive Director
Independent/Non-Independent Director	:	Non-Independent Director
Working Experience	:	<i>Bank Negara Malaysia</i> Senior Administrative Officer, Insurance Inspection Department (1986 – 1993) <i>Securities Commission</i> Assistant Manager, Market Surveillance Department (1993 – 1995) <i>AmSecurities Sdn Bhd</i> Seconded to PT Arab-Malaysian Capital Indonesia as Director of Operations (1995 – 1998) <i>AmMerchant Bank Berhad</i> Manager, Corporate Services (1998 – 2000) <i>AmInvestment Services Berhad</i> <ul style="list-style-type: none">• Manager, Client Service & Operations (July 2001 – June 2002)• Senior Manager, Client Service & Operation (July 2002 – 2003)• Head, Sales Services (2003-Dec 2006)• Principal Officer / Director of Operations (Present)• Director (September 2008 - Present)
Occupation	:	Principal Officer/Director of Operations of AmInvestment Services Berhad
Date of appointment	:	22 September 2008
Directorship of other public companies	:	None
Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	:	Two (2)
Member of any other board	:	Investment Committee (Non-Independent)

committee	
Date of appointment to the investment committee	: 18 January 2007
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: Three (3)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name: Kok Tuck Cheong

Age	: 56
Nationality	: Malaysian
Qualification	: Bachelor of Science (Honours) in Commerce and Accountancy and Master of Science in Financial Managerial Controls, University of Southampton.
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: 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.
Occupation	: Managing Director and Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	: 9 November 2001
Directorship of other public companies	: <ul style="list-style-type: none"> • AmInvestment Bank Berhad • AmInvestment Group Berhad
Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: Two (2)
Member of any other board committee	: Audit Committee
Date of appointment to the investment committee	: None
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: None
Family relationship with any director	: None

Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name: Datin Maznah binti Mahbob	
Age	: 52
Nationality	: Malaysian
Qualification	: A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative License
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
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.
Occupation	: Chief Executive Officer of the Funds Management Division of AmInvestment Bank Group and Chief Executive Officer/Executive Director of AmInvestment Management Sdn Bhd.
Date of appointment	: 29 December 2005
Directorship of other public companies	: None
Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: Two (2)
Member of any other board committee	: None
Date of appointment to the investment committee	: None
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: None
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name: Professor Dr. Annuar bin Md. Nassir	
Age	: 53
Nationality	: Malaysian
Qualification	: Doctor of Philosophy, University Putra Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: <i>University Pertanian Malaysia</i> Tutor (1981 – 1984)
	<i>University Putra Malaysia Serdang</i>
	<ul style="list-style-type: none"> • Associate Professor (March 1993 – March 2000) • Professor (March 2000-Present) • Deputy Dean (September 2002 – January 2006) • Dean (February 2006-April 2011)
Occupation	: Professor Faculty of Economics and Management of University Putra Malaysia
Date of appointment	: 8 April 2003
Directorship of other public companies	: None
Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: Two (2)
Member of any other board committee	: Investment Committee and Audit Committee (Independent)
Date of appointment to the investment committee	: 18 January 2007
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	: Three (3)
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Name: Dato' Dr. Mahani binti Zainal Abidin	
Age	: 57
Nationality	: Malaysian
Qualification	: Doctor of Philosophy in Development Economics, University of London.
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director

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)

Occupation	:	Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia.
Date of appointment	:	14 July 2004
Directorship of other public companies	:	AmIslamic bank Berhad
Number of board meeting attended in the financial period (From 1 April to 30 June 2011)	:	One (1)
Member of any other board committee	:	Investment Committee and Audit Committee (Independent)
Date of appointment to the investment committee	:	18 January 2007
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	:	Three (3)
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

Name: Lee Siang Korn @ Lee Siang Chin

Age	:	63
Nationality	:	Malaysian
Qualification	:	<ul style="list-style-type: none">• Fellow of the Institute of Chartered Accountants in England and Wales (July 1972)• Member of the Malaysian Association of Certified Public Accountants (June 1975)
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	<i>Arab-Malaysian Merchant Bank Berhad</i> General Manager, Corporate Finance (1983-1986) <i>Arab-Malaysian Securities Sdn. Bhd.</i> Managing Director (1986-1999)

Surf88.Com Sdn.Bhd
Chairman and Founding Shareholder (1999-2004)

Occupation	:	Director
Date of appointment	:	20 December 2006
Directorship of other public companies	:	<ul style="list-style-type: none">• Star Publications (Malaysia) Berhad• UniAsia Life Assurance Berhad
Number of board meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	:	Two (2)
Member of any other board committee	:	Investment Committee and Audit Committee (Independent)
Date of appointment to the investment committee	:	18 January 2007
Number of investment committee meeting attended in the financial period (From 1 April 2011 to 30 June 2011)	:	Three (3)
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	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 three (3) 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	918,260	43.21
A.A. ANTHONY SECURITIES SDN. BHD	257,200	12.10
HSBC BANK MALAYSIA BERHAD	210,000	9.88
MALACCA SECURITIES SDN BHD	100,000	4.71
JF APEX SECURITIES BERHAD	82,300	3.87
HSBC BANK MALAYSIA BERHAD	50,100	2.36
CIMB INVESTMENT BANK BERHAD	49,400	2.32
CIMB INVESTMENT BANK BERHAD	40,000	1.88
HONG LEONG INVESTMENT BANK BERHAD	31,900	1.50
OSK INVESTMENT BANK BERHAD	30,000	1.41
ALLIANCE INVESTMENT BANK BERHAD	25,735	1.21
AFFIN INVESTMENT BANK BERHAD	25,720	1.21
KENANGA INVESTMENT BANK BERHAD	25,720	1.21
MAYBANK INVESTMENT BANK BERHAD	25,720	1.21
MERCURY SECURITIES SDN BHD	25,720	1.21
RHB INVESTMENT BANK BERHAD	20,000	0.94
HWANGDBS INVESTMENT BANK BERHAD	19,300	0.91
MAYBANK INVESTMENT BANK BERHAD	19,290	0.91
INNOSABAH SECURITIES BERHAD	19,150	0.90
HWANGDBS INVESTMENT BANK BERHAD	18,000	0.85
MAYBANK INVESTMENT BANK BERHAD	16,075	0.76
HONG LEONG INVESTMENT BANK BERHAD	14,432	0.68
CIMB INVESTMENT BANK BERHAD	12,860	0.61
MAYBANK INVESTMENT BANK BERHAD	12,860	0.61
OSK INVESTMENT BANK BERHAD	12,860	0.61
TA SECURITIES HOLDINGS BERHAD	12,860	0.61
TA SECURITIES HOLDINGS BERHAD	12,860	0.61
CIMB INVESTMENT BANK BERHAD	12,500	0.59
HONG LEONG INVESTMENT BANK BERHAD	12,217	0.57
HWANGDBS INVESTMENT BANK BERHAD	12,000	0.56

FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)

**STATEMENT OF FINANCIAL POSITION (*Unaudited*)
AS AT 31 DECEMBER 2011**

	Note	31-12-2011 RM	31-12-2010 RM
ASSETS			
Investments	4	3,861,829	3,818,790
Dividend receivable		17,672	18,652
Capital repayment receivable		67,195	-
Tax recoverable		8,410	7,771
Cash at banks		1,431	45,391
TOTAL ASSETS		<u>3,956,537</u>	<u>3,890,604</u>
LIABILITIES			
Amount due to Manager	5	6,956	7,353
Amount due to Trustee	6	187	234
Amount due to index provider	7	2,924	1,784
Sundry payables and accrued expenses		35,883	29,417
TOTAL LIABILITIES		<u>45,950</u>	<u>38,788</u>
EQUITY			
Unitholders’ capital	9(a)	3,658,895	3,658,895
Retained earnings	9(b)(c)	251,692	192,921
TOTAL EQUITY	9	<u>3,910,587</u>	<u>3,851,816</u>
TOTAL EQUITY AND LIABILITIES		<u>3,956,537</u>	<u>3,890,604</u>
UNITS IN CIRCULATION	9(a)	<u>2,508,000</u>	<u>2,508,000</u>
NET ASSET VALUE PER UNIT		<u>155.92 sen</u>	<u>153.58 sen</u>

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

FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011**

	Note	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
INVESTMENT INCOME			
Dividend income		21,973	36,087
Other income – application fee		-	1,200
Net gain from investments:			
- Financial assets at fair value through profit or loss (“FVTPL”)	8	<u>373,602</u>	<u>265,906</u>
Gross Income		<u>395,575</u>	<u>303,193</u>
EXPENSES			
Manager’s fee	5	4,627	6,194
Trustee’s fee	6	555	743
Licence fee	7	370	495
Auditors’ remuneration		997	410
Tax agent’s fee		1,247	1,676
Administrative expenses		<u>1,890</u>	<u>5,392</u>
Total Expenditure		<u>9,686</u>	<u>14,910</u>
NET INCOME BEFORE TAX		385,889	288,283
LESS: INCOME TAX	11	<u>(400)</u>	<u>(2,600)</u>
NET INCOME AFTER TAX		385,489	285,683
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>385,489</u></u>	<u><u>285,683</u></u>
Total comprehensive income comprises the following:			
Realised (loss)/income		(40,890)	584,308
Unrealised gain/(loss)		<u>426,379</u>	<u>(298,625)</u>
		<u><u>385,489</u></u>	<u><u>285,683</u></u>

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

FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)

STATEMENT OF CHANGES IN NET ASSET VALUE *(Unaudited)*
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011

	Note	Unitholders’ capital RM	(Accumulated losses)/retained earnings RM	Total net asset value RM
At 1 October 2010 as previously stated		4,908,238	15,372	4,923,610
Reclassification of distribution/loss equalisation		108,134	(108,134)	-
At 1 October 2010 as restated		5,016,372	(92,762)	4,923,610
Total comprehensive income for the period		-	285,683	285,683
Creation of units	9(a)	5,013,846	-	5,013,846
Cancellation of units	9(a)	(6,371,323)	-	(6,371,323)
Balance at 31 December 2010		<u>3,658,895</u>	<u>192,921</u>	<u>3,851,816</u>
At 1 October 2011		3,658,895	(133,797)	3,525,098
Total comprehensive income for the period		-	385,489	385,489
Balance at 31 December 2011		<u><u>3,658,895</u></u>	<u><u>251,692</u></u>	<u><u>3,910,587</u></u>

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

FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)

STATEMENT OF CASH FLOWS *(Unaudited)*

FOR THE PERIOD FROM 1 OCTOBER 2011 TO 31 DECEMBER 2011

	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of quoted investments	131,052	6,566,974
Dividend received	20,789	45,434
Capital repayments from quoted investments	-	69,760
Other income – application fee	-	1,200
Licence fee paid	-	(505)
Trustee’s fee paid	(559)	(758)
Tax agent’s fee paid	-	(5,000)
Manager’s fee paid	(4,656)	(6,317)
Payment for other administrative expenses	(146)	(3,478)
Purchase of quoted investments	(204,218)	(5,264,949)
	<u>(57,738)</u>	<u>1,402,361</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from creation of units	-	5,013,846
Payments for cancellation of units	-	(6,371,323)
	<u>-</u>	<u>(1,357,477)</u>
Net Cash Used In Financing Activities	<u>-</u>	<u>(1,357,477)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(57,738)	44,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>59,169</u>	<u>507</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,431</u>	<u>45,391</u>
Cash and cash equivalents comprises the following:		
Cash at banks	<u>1,431</u>	<u>45,391</u>

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

FTSE Bursa Malaysia KLCI etf (“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 Financial Reporting Standards (“FRS”).

Introduction of Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”) that will replace the existing Financial Reporting Standards (“FRS Framework”).

The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised standards recently issued by the IASB that will effective after 1 January 2012.

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* (MFRS 141) and IC Interpretation 15 *Agreement for Construction of Real Estate* (IC 15), including its parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The key differences between the FRS Framework and MFRS Framework are that in the former, (a) FRS 201₂₀₀₄ *Property Development Activities* will continue to be the extant standard for accounting for property development activities and not IC 15, and (b) there is no equivalent standard to IAS 41 Agriculture.

The Fund is in the process of assessing the impact to the Fund as a result of the change to the new MFRS Framework.

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.

Interest on short-term deposits is recognised on an accrual basis using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established.

Application fee is recognized at pre-determined amount upon the creation or redemption of units or the cancellation of such requests.

Income Tax

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

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, issues and redeems units. The Fund has also adopted Ringgit Malaysia as its presentation currency.

Statement of Cash Flows

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

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

Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund's unitholders is accounted for as a deduction from realised reserve except where distribution is sourced out of

distribution/loss 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 and is classified as equity instruments under the revised FRS 132.

Distribution/Loss Equalisation

Distribution/loss 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 ("FVTPL") 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 quoted equity securities 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.

For investments in quoted securities, market value is determined based on the closing price quoted on Bursa Malaysia Securities Berhad. 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.

Impairment of Financial Assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Fund considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When loans and receivables become uncollectible, they are written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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.

The Fund's financial liabilities which include net amounts due to Manager, Trustee, index provider and sundry payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest 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 the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Significant Accounting Estimates and Judgments

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

The Fund classifies its investments in quoted equity securities 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 others 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 year.

4. INVESTMENTS

	31-12-2011	31-12-2010
	RM	RM
Financial assets at FVTPL		
At cost:		
Quoted securities in Malaysia	<u>3,476,203</u>	<u>3,525,974</u>
At valuation:		
Quoted securities in Malaysia	<u>3,861,829</u>	<u>3,818,790</u>

Details of quoted investments as at 31 December 2011 are as follows:

Quoted securities in Malaysia	Number of Shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
Name of Company				
Construction				
YTL Corporation Berhad	35,470	52,496	56,210	1.34
Consumer Products				
British American Tobacco (M) Berhad	1,100	54,912	47,867	1.40
PPB Group Berhad	4,500	77,220	63,142	1.97
UMW Holdings Berhad	6,400	44,800	44,032	1.15
	12,000	176,932	155,041	4.52
Finance				
AMMB Holdings Berhad	18,200	108,290	96,361	2.77
CIMB Group Holdings Berhad	45,000	334,800	325,315	8.56
Hong Leong Bank Berhad	5,660	61,694	47,059	1.58
Hong Leong Financial Group Berhad	2,200	25,652	19,595	0.66
Malayan Banking Berhad	46,531	399,236	348,335	10.21
Public Bank Berhad	28,500	381,330	331,977	9.75
RHB Capital Berhad	3,000	22,440	21,496	0.57
	149,091	1,333,442	1,190,138	34.10
Industrial Products				
PETRONAS Chemical Group Berhad	25,800	159,960	149,879	4.09
PETRONAS Gas Berhad	6,400	97,280	71,756	2.49
	32,200	257,240	221,635	6.58

(Forward)

Quoted securities in Malaysia	Number of Shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
Name of Company				
Infrastructure				
DiGi.Com Berhad	47,100	182,748	115,338	4.67
YTL Power International Berhad	21,171	37,684	49,911	0.97
	<u>68,271</u>	<u>220,432</u>	<u>165,249</u>	<u>5.64</u>
Plantation				
IOI Corporation Berhad	38,785	208,663	223,009	5.33
Kuala Lumpur Kepong Berhad	4,300	97,610	76,067	2.50
	<u>43,085</u>	<u>306,273</u>	<u>299,076</u>	<u>7.83</u>
Properties				
UEM Land Holdings Berhad	8,700	21,054	19,172	0.54
Trading/Service				
AirAsia Berhad	15,600	58,812	58,254	1.51
Axiata Group Berhad	51,100	262,654	222,061	6.72
Bumi Armada Berhad	6,100	25,010	24,920	0.64
Genting Berhad	22,400	246,400	209,258	6.30
Genting Malaysia Berhad	22,700	86,941	77,799	2.22
Malaysia Marine And Heavy Engineering Holding Corporation Berhad	3,200	18,112	26,544	0.46
Maxis Berhad	18,200	99,736	97,296	2.55
MMC Corporation Berhad	8,200	22,714	23,869	0.58
PETRONAS Dagangan Berhad	2,200	39,160	22,305	1.00
Sime Darby Berhad	36,289	333,859	309,535	8.54
Telekom Malaysia Berhad	21,700	107,632	58,555	2.75
Tenaga Nasional Berhad	32,700	192,930	239,286	4.93
	<u>240,389</u>	<u>1,493,960</u>	<u>1,369,682</u>	<u>38.20</u>
Total financial assets at FVTPL	<u>589,206</u>	<u>3,861,829</u>	<u>3,476,203</u>	<u>98.75</u>
Excess of market value over cost			<u>385,626</u>	

5. **AMOUNT DUE TO MANAGER**

	31-12-2011	31-12-2010
	RM	RM
Manager's fee payable	1,556	1,953
Application fee payable to Manager	5,400	5,400
	<u>6,956</u>	<u>7,353</u>

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 (0.5% in 2010).

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

6. **AMOUNT DUE TO TRUSTEE**

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 (0.06% in 2010).

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

7. **AMOUNT DUE TO INDEX PROVIDER**

Licence fee was charged at a rate of 0.04% per annum of the net asset value of the Fund, calculated on a daily basis (0.04% in 2010).

8. **NET GAIN FROM INVESTMENTS AT – FVTPL**

	1-10-2011 to	1-10-2010 to
	31-12-2011	31-12-2010
	RM	RM
Net gain on financial assets at FVTPL comprised:		
- Net realised (loss)/gain on sale of quoted investments	(52,777)	564,531
- Net unrealised gain/(loss) on changes in fair values of quoted investments	426,379	(298,625)
	<u>373,602</u>	<u>265,906</u>

9. TOTAL EQUITY

Total equity is represented by:

	Note	31-12-2011 RM	31-12-2010 RM
Unitholders' capital	(a)	3,658,895	3,658,895
Retained earnings			
- Realised loss	(b)	(133,934)	(99,895)
- Unrealised gain	(c)	385,626	292,816
		<u>3,910,587</u>	<u>3,851,816</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	1-10-2011 to 31-12-2011		1-1-2010 to 31-12-2010	
	Number of units	RM	Number of units	RM
At beginning of year as previously stated	2,508,000	3,658,895	3,344,000	4,339,300
Reclassification of distribution/loss equalisation	-	-	-	568,938
At beginning of year as restated	2,508,000	3,658,895	3,344,000	4,908,238
Creation during the year	-	-	3,344,000	5,013,846
Cancellation during the year	-	-	(4,180,000)	(6,371,323)
Distributions out of distribution equalisation	-	-	-	108,134
At end of year	<u>2,508,000</u>	<u>3,658,895</u>	<u>2,508,000</u>	<u>3,658,895</u>

As at 31 December 2011, the approved Fund size is 500 million.

(b) REALISED – DISTRIBUTABLE

	1-10-2011 to 31-12-2011 RM	1-1-2010 to 31-12-2010 RM
Balance as at beginning of the year as previously stated	(93,044)	(47,737)
Reclassification of distribution/loss equalisation	-	(568,938)
Balance as at beginning of the year as restated	(93,044)	(616,675)
Total comprehensive income for the year	385,489	951,077
Net unrealised gain attributable to investments held transferred to unrealised reserve	(426,379)	(261,624)
Distributions out of realised reserve	-	(172,673)
Net (decrease)/increase in realised reserve for the year	(40,890)	516,780
Balance as at end of the year	<u>(133,934)</u>	<u>(99,895)</u>

(c) UNREALISED – NON-DISTRIBUTABLE

	1-10-2011 to 31-12-2011 RM	1-1-2010 to 31-12-2010 RM
Balance as at beginning of the year	(40,753)	31,192
Net unrealised gain attributable to investments held transferred from realised reserve	426,379	261,624
Balance as at end of the year	<u>385,626</u>	<u>292,816</u>

10. UNITS HELD BY RELATED PARTIES

	31-12-2011		31-12-2010	
	Number of units	RM	Number of units	RM
Parties related to the Manager *	<u>942,587</u>	<u>1,437,445</u>	<u>755,320</u>	<u>1,166,969</u>

* The parties related to the Manager are the legal and beneficial owners of the units. The Manager, AmInvestment Services Berhad, did not hold any unit in the Fund as at 31 December 2011 and 31 December 2010.

11. INCOME TAX

Income tax payable is calculated on investment income less deduction for permitted expenses as provided for under Section 63B of the Income Tax Act, 1967.

Pursuant to Schedule 6 paragraph 35 of the Income Tax Act, 1967, interest income derived by the Fund is exempted from tax.

A reconciliation of income tax expenses applicable to net income before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Fund are as follows:

	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
Net income before tax	<u>385,889</u>	<u>288,283</u>
Taxation at Malaysian statutory rate of 25%	96,500	72,100
Tax effect of:		
Income not subject to tax	(98,300)	(72,900)
Restriction on tax deductible expenses for unit trust funds	1,500	2,000
Non-permitted expenses for tax purposes	<u>700</u>	<u>1,400</u>
Tax for the financial period	<u><u>400</u></u>	<u><u>2,600</u></u>

12. DISTRIBUTIONS

No distribution was declared by the Fund during the financial period from 1 October 2011 to 31 December 2011 and 1 October 2010 to 31 December 2010.

13. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-10-2011 to 31-12-2011 % p.a.	1-10-2010 to 31-12-2010 % p.a.
Manager’s fee	0.50	0.50
Trustee’s fee	0.06	0.06
Licence fee	0.04	0.04
Trust administrative expenses	<u>0.45</u>	<u>0.56</u>
Total MER	<u><u>1.05</u></u>	<u><u>1.16</u></u>

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.

14. **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 0.05 times for the financial period (31 December 2010: 1.20 times).

15. **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 in Malaysia. The Manager is of the opinion that the risk and rewards from these investments are not individually or segmentally distinct and hence the Fund does not have separately identifiable business or geographical segments.

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

Details of transactions with financial institutions/brokers for the financial year ended 31 December 2011 are as follows:

Financial institutions/brokers	Transaction value		Brokerage fee, stamp duty and clearing fee paid	
	RM	%	RM	%
AmInvestment Bank Berhad*	<u>332,523</u>	<u>100.00</u>	<u>2,044</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 investment securities.

17. **FINANCIAL INSTRUMENTS**

(a) **Classification of financial instruments**

The significant accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities of the Fund in the statement of financial position as at 31 December 2011 and 31 December 2010 by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
31 December 2011				
Assets				
Investments	3,861,829	-	-	3,861,829
Dividend receivables	-	84,867	-	84,867
Cash at banks	-	1,431	-	1,431
	<u>3,861,829</u>	<u>86,298</u>	<u>-</u>	<u>3,948,127</u>
Total financial assets	<u>3,861,829</u>	<u>86,298</u>	<u>-</u>	<u>3,948,127</u>
Total non-financial assets				<u>8,410</u>
				<u>3,956,537</u>
Liabilities				
Sundry payables and accrued expenses	-	-	35,883	35,883
Amount due to Manager	-	-	6,956	6,956
Amount due to Trustee	-	-	187	187
Amount due to index provider	-	-	2,924	2,924
	<u>-</u>	<u>-</u>	<u>45,950</u>	<u>45,950</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>45,950</u>	<u>45,950</u>
31 December 2010				
Assets				
Investments	3,818,790	-	-	3,818,790
Dividend receivables	-	18,652	-	18,652
Cash at banks	-	45,391	-	45,391
	<u>3,818,790</u>	<u>64,043</u>	<u>-</u>	<u>3,882,833</u>
Total financial assets	<u>3,818,790</u>	<u>64,043</u>	<u>-</u>	<u>3,882,833</u>
Total non-financial assets				<u>7,771</u>
				<u>3,890,604</u>
Liabilities				
Sundry payables and accrued expenses	-	-	29,417	29,417
Amount due to Manager	-	-	7,353	7,353
Amount due to Trustee	-	-	234	234
Amount due to index provider	-	-	1,784	1,784
	<u>-</u>	<u>-</u>	<u>38,788</u>	<u>38,788</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>38,788</u>	<u>38,788</u>

	Income, expense, gains and losses	
	1-10-2011 to 31-12-2011 RM	1-10-2010 to 31-12-2010 RM
Net gain on financial assets at FVTPL	373,603	265,906
Income, of which derived from:		
– Gross dividend income	<u>21,972</u>	<u>36,087</u>

(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

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

For instruments quoted on Bursa Malaysia Securities Berhad, the market prices are determined by reference to the theoretical closing market price as published by Bursa Malaysia Securities Berhad.

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

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

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

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

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31 December 2011				
Financial assets at FVTPL	<u>3,861,829</u>	<u>-</u>	<u>-</u>	<u>3,861,829</u>
31 December 2010				
Financial assets at FVTPL	<u>3,818,790</u>	<u>-</u>	<u>-</u>	<u>3,818,790</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:

- Dividend receivable
- Cash at banks
- Amount 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.

18. **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 and management risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of investments coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Unit Trust 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 model 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
31 December 2011	2.08	2.08
Average Daily	2.10	2.10
Highest	2.12	2.12
Lowest	2.08	2.08

Based on Gaussian VaR, using historical weekly data for the past 180 weeks, FTSE Bursa Malaysia KLCI etf portfolio that invests mainly in the constituents of the FTSE Bursa Malaysia KLCI Index had a daily 1% Value-at-Risk (VaR) of approximately 2.08% as at 31 December 2011. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding 2.08% of the NAV.

	Value-at-Risk (RM)	
	Equities Risk	Total VaR
31 December 2010	99,762	99,762
Average daily	123,473	123,473
Highest	167,698	167,698
Lowest	99,762	99,762

Based on the Monte Carlo simulation performed using historical weekly data for the past 180 weeks, FBMKLCI 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 RM99,762 as at 31 December 2010. This implies that not more than 1 out of 100 trading days would record a daily loss exceeding RM99,762.

Interest Rate Risk

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

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates. The 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 fulfil the required interest payments or repay the principal invested. These risks may cause the Fund's investments to fluctuate in value.

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

Liquidity Risk

Liquidity risk is defined as the risk of being unable to raise funds or borrowings to meet payment obligations as they fall due. This is also the risk of the unit trust fund experiencing large redemptions, when the Investment Manager could be forced to sell large volumes of its holdings at unfavorable prices to meet redemption requirements.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unitholders. Liquid assets comprise 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 that may affect the net asset value of the fund.

Management Risk

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

19. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maximises unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments. As disclosed in Note 9, 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, make distribution payment, or return capital to unitholders by way of redemption of units.

No changes were made in the objective, policies or processes during the period ended 31 December 2011 and 31 December 2010.