

FTSE BURSA MALAYSIA KLCI etf

Quarterly Report

30 September 2014

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
Datin Maznah Mahbob
Harinder Pal Singh
Mustafa Mohd Nor

Investment Committee

Professor Dr. Annuar Md Nassir
Dato' Effendi Abdullah
Harinder Pal Singh
Mustafa Mohd Nor

Investment Manager

AmInvestment Management Sdn Bhd

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte Tax Services Sdn Bhd
MISC Berhad PPB Group Berhad
PETRONAS Dagangan Berhad
Hong Leong Bank Berhad

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:03-2032 2888 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:03-2032 2888 Fax: 03-2026 5630

Secretary

Koh Suet Peng (MAICSA 7019861)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan, 50200 Kuala Lumpur

HSBC (Malaysia) Trustee Berhad

Business/Registered Office/Head Office

Fund Services, Bangunan HSBC, 13th Floor, South Tower
No.2, Leboh Ampang, 50100 Kuala Lumpur
Tel: 03-2075 7800 Fax: 03-2026 1273

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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited quarterly accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("Fund") for the financial period from 1 July 2014 to 30 September 2014.

Salient Information of the Fund

Name	FTSE Bursa Malaysia KLCI etf ("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 30 September 2014 are as follows:			
	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
	1295	Public Bank Berhad	11.32	3,885.12
	1155	Malayan Banking Berhad	8.26	8,440.13
	5347	Tenaga Nasional Berhad	7.47	5,596.24
	1023	CIMB Group Holdings Berhad	7.13	8,229.35
	6888	Axiata Group Berhad	6.72	8,445.15
	4197	Sime Darby Berhad	5.50	5,997.99
	6947	DiGi.Com Berhad	4.21	7,775.00
	3182	Genting Berhad	4.05	3,694.24
	6033	PETRONAS Gas Berhad	3.49	1,978.73
	5183	PETRONAS Chemicals Group Berhad	3.46	8,000.00
	1961	IOI Corporation Berhad	3.45	6,413.53
	6012	Maxis Berhad	3.28	7,500.00
	5218	SapuraKencana Petroleum Berhad	3.04	5,992.16
	4863	Telekom Malaysia Berhad	2.68	3,577.40
	5225	IHH Healthcare Berhad	2.68	8,057.08
	4715	Genting Malaysia Berhad	2.39	5,935.30
	1015	AMMB Holdings Berhad	2.31	3,014.18
	2445	Kuala Lumpur Kepong Berhad	2.17	1,068.77
	4162	British American Tobacco (Malaysia) Berhad	1.94	285.53
	3816	MISC Berhad	1.92	4,463.79
	4677	YTL Corporation Berhad	1.74	10,737.74
	5819	Hong Leong Bank Berhad	1.71	1,896.13
	4065	PPB Group Berhad	1.62	1,185.50
	(Forward)			

	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	
	4588	UMW Holdings Berhad	1.56	1,162.20	
	5222	Felda Global Ventures Holdings Berhad	1.27	3,648.15	
	1066	RHB Capital Berhad	1.18	2,480.76	
	5681	PETRONAS Dagangan Berhad	1.15	993.45	
	6399	Astro Malaysia Holdings Berhad	1.01	5,197.30	
	1082	Hong Leong Financial Group Berhad	0.71	1,052.77	
	5235SS	KLCC Property Holdings Berhad	0.58	1,805.33	
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) is 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 1,672,000 units.				
	Size of holding	As at 30 September 2014		As at 30 June 2014	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	1,831	49	1,778	49
	100 - 1,000	23,504	38	24,827	40
	1,001 - 10,000	268,847	62	275,577	64
	10,001 – 100,000	509,158	22	517,758	23
	100,001 to less than 5% of issue units	-	-	-	-
	5% and above of issue units	868,660	4	852,060	4

Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial periods as at 30 September 2014, 30 June 2014 and three financial years as at 31 December are as follows:					
		As at 30-9-2014 %	As at 30-6-2014 %	FY 2013 %	FY 2012 %	FY 2011 %
	Construction	-	-	-	-	1.4
	Consumers products	3.4	4.6	4.8	4.6	4.6
	Finance	32.4	31.4	31.0	34.8	34.5
	Industrial products	6.9	7.3	7.3	6.5	6.7
	Infrastructure project companies	4.2	4.0	3.5	6.4	5.7
	Plantations	6.8	7.5	8.0	7.6	7.9
	Properties	-	-	0.6	0.4	0.5
	REITS	0.5	0.5	-	-	-
	Trading/Services	44.7	42.5	42.9	38.4	38.7
	Cash and others	1.1	2.2	1.9	1.3	-
Total	100.0	100.0	100.0	100.0	100.0	
	<i>Note: The abovementioned percentages are based on total investment carrying value plus cash.</i>					
Performance Details	Performance details of the Fund for the financial period ended 30 September 2014, 30 June 2014 and three financial years ended 31 December are as follows:					
		3 months ended 30-9-2014	3 months ended 30-6-2014	FY 2013	FY 2012	FY 2011
	Net asset value (RM)	3,179,942	3,229,508	3,175,355	4,298,639	3,910,587
	Units in circulation	1,672,000	1,672,000	1,672,000	2,508,000	2,508,000
	Net asset value per unit (RM)	1.9019	1.9315*	1.8991	1.7140	1.5592
	Highest net asset per unit (RM)	1.9418	1.9390*	1.9061	1.7156	1.6021
	Lowest net asset per unit (RM)	1.8869	1.8811*	1.6351	1.5322	1.3492
	Closing quoted price (RM)	1.8800	1.9000	1.8100	1.6400	1.5250
	Highest quoted price (RM)	1.9000	1.9000	1.8200	1.6750	1.5950
		(Forward)				

	3 months ended 30-9-2014	3 months ended 30-6-2014	FY 2013	FY 2012	FY 2011
Lowest quoted price (RM)	1.8700	1.8200	1.6250	1.4900	1.3200
Benchmark performance (%)	-1.03	1.81	14.11	14.31	4.45
Total return (%) ⁽¹⁾	-1.28	2.35	12.71	12.76	2.97
- Capital growth (%)	-1.54	2.35	10.84	10.07	1.54
- Income distribution (%)	0.26	-	1.87	2.69	1.43
Gross distribution (sen per unit)	0.50	-	3.24	4.43	2.31
Net distribution (sen per unit)	0.50	-	3.20	4.20	2.19
Distribution yield (%) ⁽²⁾	0.27	-	1.77	2.56	1.44
Management expense ratio (%) ⁽³⁾	0.95	1.06	1.21	1.07	1.11
Portfolio turnover ratio (times) ⁽⁴⁾	-	0.01	0.33	0.04	0.09

* Above prices and net asset value per unit are not shown as ex-distribution.

Note:

- (1) Total return is the actual return of the Fund for the respective financial periods/years computed based on the net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the periods/years divided by the closing quoted price.
- (3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The MER decreased by 0.11% as compared to 1.06% per annum for the financial period ended 30 June 2014 mainly due to decrease in expenses.
- (4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.01 times (100.0%) as compared to 0.01 times for the financial period ended 30 June 2014 mainly due to decrease in investing activities.

Average Total Return (as at 30 September 2014)

	FBM KLCI etf^(a) %	FBM KLCI/ FBM30 Index^(b) %
One year	6.14	7.49
Three years	12.28	8.57
Five years	10.95	14.62
Since launch (19 July 2007)	5.46	8.12

Annual Total Return

Financial Years Ended (31 December)	FBM KLCI etf^(a) %	FBM KLCI/ FBM30 Index^(b) %
2013	12.71	14.11
2012	12.76	14.31
2011	2.97	4.45
2010	20.56	23.80
2009	46.42	50.00

(a) *Independently verified by Novagni Analytics and Advisory Sdn. Bhd.*

(b) *Effective from 6 July 2009, the FTSE Bursa Malaysia Large 30 Index (“FBM30Index”) has been renamed FTSE Bursa Malaysia KLCI (“FBM KLCI”).*

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

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

Fund Performance

For the financial period under review, the Fund registered a negative return of 1.28% comprising of negative 1.54% capital and 0.26% income distribution.

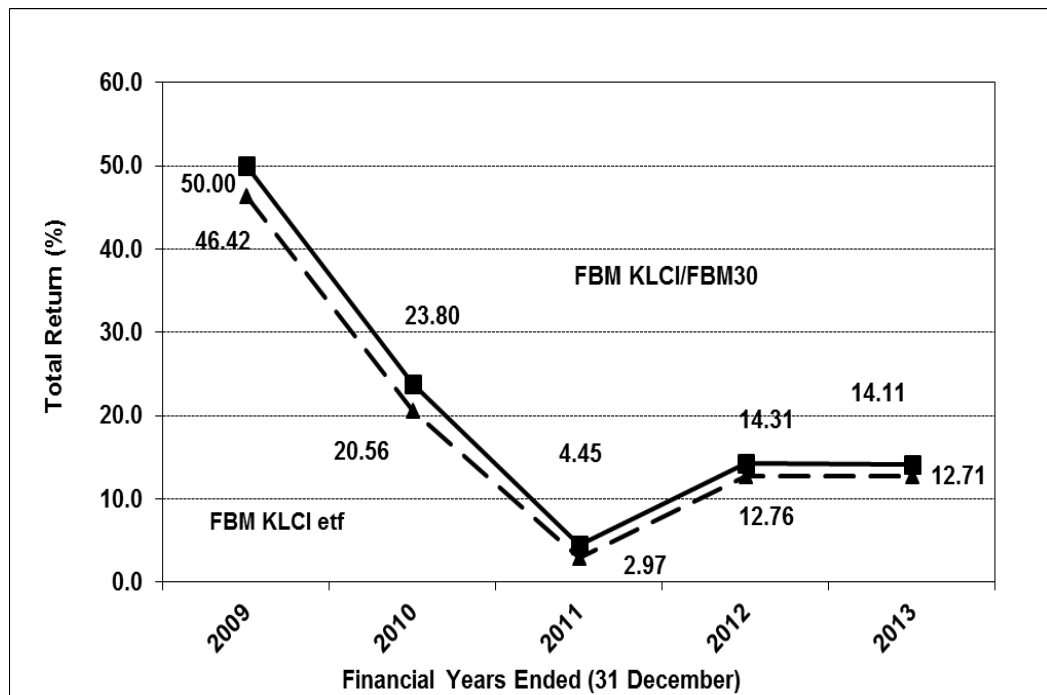
Thus, the Fund’s negative return of 1.28% has underperformed the benchmark’s negative return of 1.03% by 0.25%.

As compared with the financial period ended 30 June 2014, the net asset value (“NAV”) of the Fund decreased by 1.53% from RM3,229,508 to RM3,179,942. The NAV per unit of the Fund decreased by 1.53% from RM1.9315 to RM1.9019, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 1.05% from RM1.9000 to RM1.8800.

(Forward)

The line chart below shows comparison between the annual performances of FBM KLCI etf and its benchmark FBM KLCI/FBM30 Index, for the financial years ended 31 December.



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

Strategies and Policies Employed

For the financial period under review, the Manager had been 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.

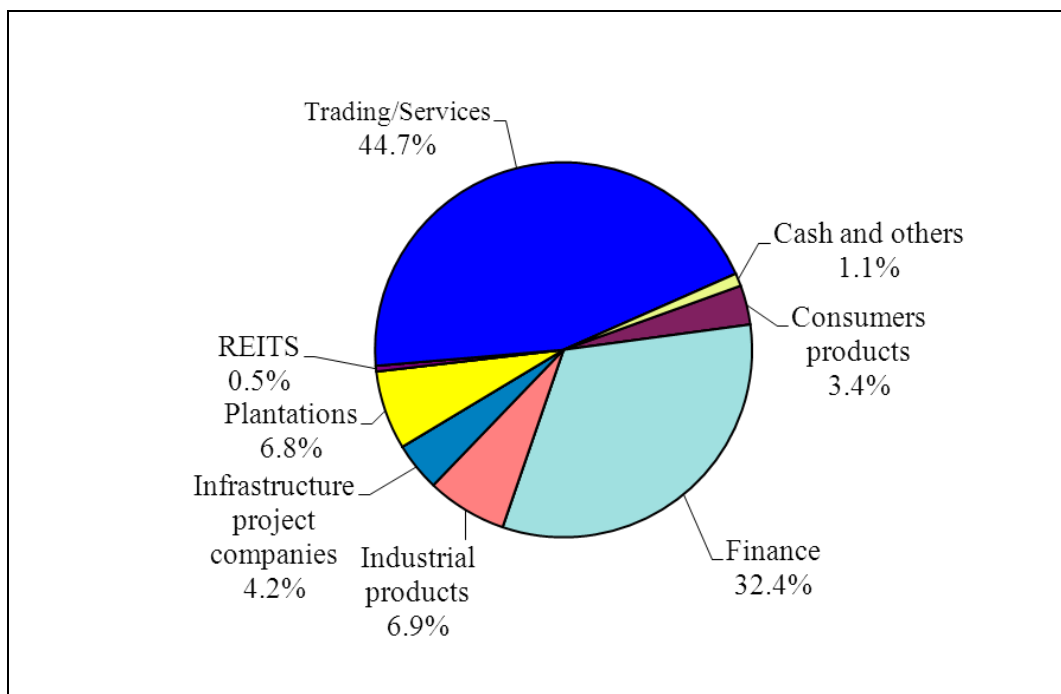
Portfolio Structure

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

	As at 30-9-2014 %	As at 30-6-2014 %	Changes %
Consumers products	3.4	4.6	-1.2
Finance	32.4	31.4	1.0
Industrial products	6.9	7.3	-0.4
Infrastructure project companies	4.2	4.0	0.2
Plantations	6.8	7.5	-0.7
REITS	0.5	0.5	-
Trading/Services	44.7	42.5	2.2
Cash and others	1.1	2.2	-1.1
Total	100.0	100.0	

For the financial period under review, there were no significant changes to sector weights.

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 income distributions, detailed as follows:

0.50 sen per unit income distribution	Change in the unit price prior and subsequent to the income distribution	Before income distribution on 4 July 2014 (RM)	After income distribution on 4 July 2014 (RM)
	Net asset value per unit	1.9342	1.9292

	There was no unit split declared 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	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial period under review, the Manager had received on behalf of the Fund, soft commissions in the form of fundamental database, financial wire services, technical analysis software and stock quotation system incidental to investment management of the Fund. These soft commissions received by the Manager are deem to be beneficial to the unitholders of the Fund.</p>
Market Review	FBM KLCI opened at 1882.71 and closed at 1846.31. The benchmark index declined by 1.9% in 3Q 2014. FBM KLCI slided to its six-month lows in September as investors digested August's poor corporate results season. The weak market sentiment was also affected by news over slowing economy in Europe and China whilst economic data in US was weaker than economists' expectations.
Market Outlook	Post 2Q14 results, consensus earnings growth for 2014 have been downgraded to a low single digit. Earnings expectation for 2015 have been maintained at 10% but visibility remains uncertain due to the implementation of GST. Valuation remains only slightly above the 3 years' average and hence, the market upside over the next 12 months would approximate the expected earnings growth, assuming no PER multiple changes.

Kuala Lumpur, Malaysia
AmInvestment Services Berhad

31 October 2014

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 July 2014 to 30 September 2014, there was one (1) Board of Directors meeting held by the Manager.

Details of the Directors of the Manager are set out as below:

Name	: Harinder Pal Singh a/l Joga Singh
Age	: 52 years old
Nationality	: Malaysian
Qualification	: Bachelor Degree in Accounting, University of 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 Malaysia</i> Assistant Manager, Market Surveillance Department (1993 – 1995) <i>Arab-Malaysian Securities 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 & Operations (July 2002 – 2003)• Head, Sales Services (2003-December 2006)• Principal Officer / Director of Operations (Present)

Occupation	: Principal Officer/Director of Operations of AmInvestment Services Berhad
Date of appointment	: 22 September 2008
Directorship of other public companies	: Federation of Investment Managers Malaysia
Number of Board meeting attended for the financial period (From 1 July 2014 to 30 September 2014)	: One (1)
Member of any other Board Committee	: Investment Committee (Non-Independent)
Date of appointment to the Investment Committee	: 18 January 2007
Number of Investment Committee meetings attended for the financial period (From 1 July 2014 to 30 September 2014)	: Four (4)
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	: 58 years old
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	: Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	: 9 November 2001
Directorship of other public companies	: None
Number of Board meeting attended for the financial	: One (1)

period (From 1 July 2014 to 30 September 2014)	
Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meetings attended for the financial period (From 1 July 2014 to 30 September 2014)	: Not applicable
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	: 55 years old
Nationality	: Malaysian
Qualification	: A graduate of the Institute of Chartered Secretaries and Administrators (UK) and holds the Capital Markets Services Representative's Licence
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 Year 1987, in a fund management role, before assuming the responsibility as the Chief Executive Officer of Funds Management Division, AmInvestment Bank Group in Year 2002. Prior to this, she was in the Corporate Finance Department of AmInvestment Bank Berhad for 3 years.
Occupation	: Chief Executive Officer of Funds Management Division 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 for the financial period (From 1 July 2014 to 30 September 2014)	: One (1)
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: Not applicable
Number of Investment	: Four (4)

Committee meetings attended for the financial period (From 1 July 2014 to 30 September 2014)	
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	: 56 years old
Nationality	: Malaysian
Qualification	: Doctor of Philosophy, University Putra Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: <p><i>University Putra Malaysia, Serdang</i></p> <ul style="list-style-type: none"> • Dean (February 2006 – April 2011) • Deputy Dean (September 2002 – January 2006) • Professor (March 2000-Present) • Associate Professor (March 1993 – March 2000) <p><i>University Pertanian Malaysia</i></p> <p>Tutor (1981 – 1984)</p>
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 for the financial period (From 1 July 2014 to 30 September 2014)	: One (1)
Member of any other Board Committee	: Investment Committee and Audit Committee of Directors (Independent)
Date of appointment to the Investment Committee	: 18 January 2007
Number of Investment Committee meetings attended for the financial period (From 1 July 2014 to 30 September 2014)	: Four (4)

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	: Mustafa bin Mohd Nor
Age	: 63 years old
Nationality	: Malaysian
Qualification	: Masters of Arts (Economic Policy), Boston University Bachelor of Economics (Analytical), University of Malaya
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: 1975-1988 : Ministry of Finance-various positions, last as Head, Macroeconomic Section, Economic and International Division 1988-1990 : Manager, Treasury Department, Development & Commercial Bank Berhad. March 1990-August 1992 : Chief Economist, Arab Malaysian Securities Sdn Bhd September 1992-December 2001 : Executive Director/Chief Economist, AmSecurities Sdn Bhd January 2002-December 2005 : Managing Director, AmSecurities Sdn Bhd January 2006-May 2009 (Retirement) : Economic Advisor, AmInvestment Bank Berhad Group September 2009-August 2012 (Contract) : Senior Vice President/Head, Research Division of Permodalan Nasional Berhad
Occupation	: Director
Date of appointment	: 3 March 2014
Directorship of other public companies	: KUISAS Berhad
Number of Board meeting attended for the financial period (From 1 July 2014 to 30 September 2014)	: One (1)
Member of any other Board Committee	: Investment Committee and Audit Committee of Directors (Independent)
Date of appointment to the Investment Committee	: 3 March 2014
Number of Investment Committee meetings attended	: Four (4)

for the financial period (From 1 July 2014 to 30 September 2014)	
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

Investment Committee

The Investment Committee, of which one-half are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial period under review from 1 July 2014 to 30 September 2014, there were four (4) Investment Committee meetings held by the Manager.

- Professor Dr Annuar bin Md Nassir (profile as mentioned above)
- En. Mustafa bin Mohd Nor (profile as mentioned above)
- Mr. Harinder Pal Singh a/l Joga Singh (profile as mentioned above)
- Y Bhg Dato' Mohd Effendi bin Abdullah (profile as mentioned below)

Name	: Dato' Mohd Effendi bin Abdullah
Age	: 53
Nationality	: Malaysian
Qualification	: Bachelor of Economics (major in Accounting and Financial Management), Macquarie University, Australia.
Executive/Non-Executive Director	: Not applicable
Independent/Non-Independent Director	: Not applicable
Working Experience	: <i>AmInvestment Bank Berhad</i> <ul style="list-style-type: none"> • Corporate Banking (1985 – 1993) • Islamic Markets (1993 - present)
Occupation	: Director, Islamic Markets of AmInvestment Bank Berhad
Directorship of other public companies	: Islamic Banking and Finance Institute Malaysia (IBFIM)
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 2 September 2013
Number of Investment Committee meetings attended for the financial period (From 1 July 2014 to 30 September	: Four (4)

2014)	
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 has also 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 Securities Commission Malaysia 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 Year 1982.

Investment Committee

The Investment Committee reviews the Fund's investment objective and guidelines; and to ensure that the Fund is invested appropriately. For the financial period under review from 1 July 2014 to 30 September 2014, there were four (4) Investment Committee meetings held by the Manager.

Unitholders

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

NAME	Number of	Unit Held
	Unit Held	(%)
AMINVESTMENT BANK BERHAD	361,760	25.52%
UOB KAY HIAN SECURITIES (M) SDN. BHD.	257,200	18.14%
JF APEX SECURITIES BERHAD	144,100	10.16%
AFFIN HWANG INVESTMENT BANK BERHAD	105,600	7.45%
MALACCA SECURITIES SDN BHD	72,200	5.09%
HONG LEONG INVESTMENT BANK BERHAD	38,317	2.70%
HSBC BANK MALAYSIA BERHAD	33,100	2.33%
RHB INVESTMENT BANK BERHAD	30,000	2.12%
ALLIANCE INVESTMENT BANK BERHAD	25,720	1.81%
MAYBANK INVESTMENT BANK BERHAD	25,720	1.81%
MERCURY SECURITIES SDN BHD	25,720	1.81%
KENANGA INVESTMENT BANK BERHAD	25,720	1.81%
AFFIN HWANG INVESTMENT BANK BERHAD	25,720	1.81%
CIMB INVESTMENT BANK BERHAD	25,400	1.79%
RHB INVESTMENT BANK BERHAD	20,000	1.41%
AFFIN HWANG INVESTMENT BANK BERHAD	19,300	1.36%
RHB INVESTMENT BANK BERHAD	19,290	1.36%
AFFIN HWANG INVESTMENT BANK BERHAD	18,000	1.27%
MAYBANK INVESTMENT BANK BERHAD	16,075	1.13%
HONG LEONG INVESTMENT BANK BERHAD	14,432	1.02%
PUBLIC INVESTMENT BANK BERHAD	13,144	0.93%
RHB INVESTMENT BANK BERHAD	12,860	0.91%
TA SECURITIES HOLDINGS BERHAD	12,860	0.91%
CIMB INVESTMENT BANK BERHAD	12,860	0.91%
AFFIN HWANG INVESTMENT BANK BERHAD	12,000	0.85%
PUBLIC INVESTMENT BANK BERHAD	10,720	0.76%
CIMB INVESTMENT BANK BERHAD	10,000	0.71%
RHB INVESTMENT BANK BERHAD	10,000	0.71%
MAYBANK INVESTMENT BANK BERHAD	10,000	0.71%
CIMB INVESTMENT BANK BERHAD	10,000	0.71%

STATEMENT OF FINANCIAL POSITION

As At 30 September 2014

	Note	30-9-2014 (unaudited) RM	31-12-2013 (audited) RM
ASSETS			
Investments	4	3,139,484	3,170,420
Dividends receivable		45,697	31,623
Tax recoverable		-	551
Cash at banks		35,540	61,409
TOTAL ASSETS		<u>3,220,721</u>	<u>3,264,003</u>
LIABILITIES			
Amount due to Manager	5	1,597	1,579
Amount due to Trustee	6	168	166
Amount due to index provider	7	2,198	2,234
Distribution payable		-	45,144
Tax payable		2,735	-
Sundry payables and accrued expenses		34,081	39,525
TOTAL LIABILITIES		<u>40,779</u>	<u>88,648</u>
EQUITY			
Unitholders' capital	9(a)	2,218,683	2,218,683
Retained earnings	9(b)(c)	961,259	956,672
TOTAL EQUITY	9	<u>3,179,942</u>	<u>3,175,355</u>
TOTAL EQUITY AND LIABILITIES		<u>3,220,721</u>	<u>3,264,003</u>
UNITS IN CIRCULATION	9(a)	<u>1,672,000</u>	<u>1,672,000</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION		<u>190.19 sen</u>	<u>189.91 sen</u>

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

STATEMENT OF COMPREHENSIVE INCOME (*Unaudited*)

For The Financial Period From 1 July 2014 To 30 September 2014

	Note	1-7-2014 to 30-9-2014 RM	1-7-2013 to 30-9-2013 RM
INVESTMENT (LOSS)/INCOME			
Gross dividend income		29,025	29,375
Net loss from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	8	<u>(62,628)</u>	<u>(7,864)</u>
Gross (Loss)/Income		<u>(33,603)</u>	<u>21,511</u>
EXPENDITURE			
Manager’s fee	5	4,034	3,907
Trustee’s fee	6	484	469
Licence fee	7	323	313
Auditors’ remuneration		1,008	1,030
Tax agent’s fee		1,260	1,288
Administrative expenses		<u>595</u>	<u>2,536</u>
Total Expenditure		<u>7,704</u>	<u>9,543</u>
NET (LOSS)/INCOME BEFORE TAX		(41,307)	11,968
INCOME TAX	11	<u>101</u>	<u>(1,571)</u>
NET (LOSS)/INCOME AFTER TAX		(41,206)	10,397
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(41,206)</u>	<u>10,397</u>
Total comprehensive (loss)/income comprises the following:			
Realised income		21,422	18,261
Unrealised loss		<u>(62,628)</u>	<u>(7,864)</u>
		<u>(41,206)</u>	<u>10,397</u>
Distribution for the period:			
Net distribution	12	<u>8,360</u>	<u>-</u>
Gross/net distribution per unit (sen)	12	<u>0.5000</u>	<u>-</u>

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

STATEMENT OF CHANGES IN EQUITY (*Unaudited*)

For The Financial Period From 1 July 2014 To 30 September 2014

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 July 2013		2,230,505	806,316	3,036,821
Total comprehensive income for the period		-	10,397	10,397
Balance at 30 September 2013		<u>2,230,505</u>	<u>816,713</u>	<u>3,047,218</u>
At 1 July 2014		2,218,683	1,010,825	3,229,508
Total comprehensive loss for the period		-	(41,206)	(41,206)
Distribution	12	-	(8,360)	(8,360)
Balance at 30 September 2014		<u>2,218,683</u>	<u>961,259</u>	<u>3,179,942</u>

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

STATEMENT OF CASH FLOWS (Unaudited)*For The Financial Period From 1 July 2014 To 30 September 2014*

	1-7-2014 to 30-9-2014 RM	1-7-2013 to 30-9-2013 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Dividends received	-	32,312
Tax refunded	652	-
Manager's fee paid	(4,004)	(3,782)
Trustee's fee paid	(480)	(454)
Tax agent's fee paid	-	(5,000)
Payments for other administrative expenses	(1,326)	(2,033)
Purchase of investment	(23,874)	-
	<hr/>	<hr/>
Net cash (used in)/generated from operating and investing activities	(29,032)	21,043
	<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITY		
Distribution paid	(8,360)	(8,360)
	<hr/>	<hr/>
Net cash used in financing activity	(8,360)	(8,360)
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(37,392)	12,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,932	52,642
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,540	65,325
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash at banks	35,540	65,325
	<hr/>	<hr/>

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

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 of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and are in compliance with International Financial Reporting Standards.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

Standards effective during the financial period

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

Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations of the Issues Committee (“IC Interpretations”) have been issued by MASB but are not yet effective and have not been adopted by the Fund.

		Effective for financial periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 9	Financial Instruments – Classification and Measurement	To be announced by MASB

The Fund plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Fund upon their initial application except as described below:

MFRS 9 *Financial Instruments*

MFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ("IASB") work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 and replaces the guidance in MFRS 139.

In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of MFRS 9 may have an effect on the classification and measurement of the Fund's financial assets but will not have an impact on the classification and measurement of financial liabilities. The Fund will quantify the effect in conjunction with the other phases when the final standard including all phases is issued.

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

Application fee is recognised 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 at the reporting date.

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

Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the Fund operates that most faithfully represents the economic effects of the underlying transactions. The functional currency of the Fund is Ringgit Malaysia which reflects the currency 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 reserves 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 MFRS 132 Financial Instruments: Presentation ("MFRS 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 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 by the Fund include 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’. Dividend revenue and interest earned elements of such instruments are recorded separately in ‘Gross dividend income’ and ‘Interest 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 profit or loss are 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 profit or loss.

(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.

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 MFRS 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 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 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 as financial assets at FVTPL as the Fund may sell its investments in the short-term for profit-taking or to meet unitholders' cancellation of units.

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 the next financial period.

4. INVESTMENTS

	30-9-2014 RM	31-12-2013 RM
Financial assets at FVTPL		
Quoted equity securities in Malaysia	3,139,484	3,151,357
Quoted bonus issue in Malaysia	-	19,063
	<u>3,139,484</u>	<u>3,170,420</u>

Details of investments as at 30 September 2014 are as follows:

Name of company	Number of shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
Quoted equity securities in Malaysia				
Consumer products				
British American Tobacco (Malaysia) Berhad	800	56,400	37,873	1.78
PPB Group Berhad	3,500	49,700	49,101	1.56
UMW Holdings Berhad	3,900	47,814	27,724	1.50
	<u>8,200</u>	<u>153,914</u>	<u>114,698</u>	<u>4.84</u>
Finance				
AMMB Holdings Berhad	10,400	71,448	55,063	2.25
CIMB Group Holdings Berhad	32,100	225,663	232,229	7.10
Hong Leong Bank Berhad	3,600	52,632	31,452	1.65
Hong Leong Financial Group Berhad	1,200	21,120	11,999	0.66
Malayan Banking Berhad	26,331	262,257	200,165	8.25
Public Bank Berhad	19,030	359,667	226,941	11.31
RHB Capital Berhad	4,066	35,903	30,233	1.13
	<u>96,727</u>	<u>1,028,690</u>	<u>788,082</u>	<u>32.35</u>
Industrial products				
PETRONAS Chemicals Group Berhad	17,600	109,824	102,975	3.45
PETRONAS Gas Berhad	4,800	110,016	59,194	3.46
	<u>22,400</u>	<u>219,840</u>	<u>162,169</u>	<u>6.91</u>

(Forward)

Name of company	Number of shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
Quoted equity securities in Malaysia				
Infrastructure project companies				
DiGi.Com Berhad	22,800	133,380	56,709	4.20
Plantation				
Felda Global Ventures Holdings Berhad	10,900	38,477	50,133	1.21
IOI Corporation Berhad	22,685	109,115	130,322	3.43
Kuala Lumpur Kepong Berhad	3,300	69,564	60,227	2.19
	36,885	217,156	240,682	6.83
REITS				
KLCC Real Estate Investment Trust	2,400	15,936	15,661	0.50
Trading/Services				
Astro Malaysia Holdings Berhad	8,900	29,815	26,444	0.94
Axiata Group Berhad	30,400	212,800	132,972	6.69
Genting Berhad	13,500	128,115	126,244	4.03
Genting Malaysia Berhad	18,100	75,658	63,345	2.38
IHH Healthcare Berhad	16,200	82,296	54,650	2.59
Maxis Berhad	16,000	103,680	91,612	3.26
MISC Berhad	8,700	58,725	43,290	1.85
PETRONAS Dagangan Berhad	1,700	34,000	21,494	1.07
SapuraKencana Petroleum Berhad	23,400	96,408	94,687	3.03
Sime Darby Berhad	19,089	174,664	162,913	5.49
Telekom Malaysia Berhad	12,900	85,140	34,479	2.68
Tenaga Nasional Berhad	19,100	236,458	140,641	7.43
YTL Corporation Berhad	31,434	52,809	48,438	1.66
	219,423	1,370,568	1,041,209	43.10
Total financial assets at FVTPL	408,835	3,139,484	2,419,210	98.73
Excess of market value over cost		720,274		

5. **AMOUNT DUE TO MANAGER**

	30-9-2014	31-12-2013
	RM	RM
Manager's fee payable	1,397	1,379
Application fee payable to Manager	<u>200</u>	<u>200</u>
	<u>1,597</u>	<u>1,579</u>

Manager's fee was charged at a rate of 0.50% per annum on the net asset value of the Fund, calculated on a daily basis (2013: 0.50%).

The normal credit period in the previous and current financial year/period for Manager's fee payable is one month.

6. **AMOUNT DUE TO TRUSTEE**

Trustee's fee was charged at a rate of 0.06% per annum on the net asset value of the Fund, calculated on a daily basis (2013: 0.06%).

The normal credit period in the previous and current financial year/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 on the net asset value of the Fund, calculated on a daily basis (2013: 0.04%).

8. **NET LOSS FROM INVESTMENTS**

	1-7-2014 to	1-7-2013 to
	30-9-2014	30-9-2013
	RM	RM
Net loss on financial assets at FVTPL comprised:		
– Net unrealised loss on changes in fair values of investments	<u>(62,628)</u>	<u>(7,864)</u>

9. TOTAL EQUITY

Total equity is represented by:

	Note	30-9-2014 RM	31-12-2013 RM
Unitholders' capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	240,985	163,911
– Unrealised gain	(c)	720,274	792,761
		<u>3,179,942</u>	<u>3,175,355</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	30-9-2014		31-12-2013	
	Number of units	RM	Number of units	RM
At beginning of the period/year	1,672,000	2,218,683	2,508,000	3,658,895
Cancellation during the period/year	-	-	(836,000)	(1,428,390)
Distributions out of distribution/loss equalisation	-	-	-	(11,822)
	<u>1,672,000</u>	<u>2,218,683</u>	<u>1,672,000</u>	<u>2,218,683</u>

(b) REALISED – DISTRIBUTABLE

	30-9-2014 RM	31-12-2013 RM
At beginning of the period/year	227,923	(169,577)
Total comprehensive (loss)/income for the period/year	(41,206)	358,610
Net unrealised loss attributable to investments held transferred to unrealised reserve [Note 9(c)]	62,628	16,560
Distributions out of realised reserve	(8,360)	(41,682)
Net increase in realised reserve for the period/year	<u>13,062</u>	<u>333,488</u>
At end of the period/year	<u>240,985</u>	<u>163,911</u>

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

	30-9-2014	31-12-2013
	RM	RM
At beginning of the period/year	782,902	809,321
Net unrealised loss attributable to investments held transferred from realised reserve [Note 9(b)]	<u>(62,628)</u>	<u>(16,560)</u>
At end of the period/year	<u>720,274</u>	<u>792,761</u>

10. **UNITS HELD BY RELATED PARTIES**

	30-9-2014		31-12-2013	
	Number of	RM	Number of	RM
	units		units	
Parties related to the Manager *	<u>365,676</u>	<u>687,471</u>	<u>376,276</u>	<u>681,060</u>

* The parties related to the Manager are the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 30 September 2014 and 31 December 2013.

11. **INCOME TAX**

	1-7-2014 to	1-7-2013 to
	30-9-2014	30-9-2013
	RM	RM
Current period	-	1,600
Over provision of tax in prior periods	<u>(101)</u>	<u>(29)</u>
	<u>(101)</u>	<u>1,571</u>

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

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

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

	1-7-2014 to 30-9-2014 RM	1-7-2013 to 30-9-2013 RM
Net (loss)/income before tax	<u>(41,307)</u>	<u>11,968</u>
Taxation at Malaysian statutory rate of 25%	(10,300)	3,000
Tax effects of:		
Income not subject to tax	(7,300)	(5,600)
Loss not deductible for tax purposes	15,700	2,000
Restriction on tax deductible expenses for unit trust fund	1,100	1,400
Non-permitted expenses for tax purposes	700	800
Permitted expenses not used and not available for future periods	100	-
Over provision of tax in prior periods	<u>(101)</u>	<u>(29)</u>
(Tax credit)/tax expense for the financial period	<u>(101)</u>	<u>1,571</u>

12. DISTRIBUTION

Distribution to unitholders declared on 4 July 2014 are from the following sources:

	1-7-2014 to 30-9-2014 RM	1-7-2013 to 30-9-2013 RM
Gross dividend income	16,064	-
Expenses	<u>(7,704)</u>	<u>-</u>
Total amount of distribution	<u>8,360</u>	<u>-</u>
Gross/net distribution per unit (sen)	<u>0.5000</u>	<u>-</u>
Distribution made out of:		
– Realised reserve	<u>8,360</u>	<u>-</u>
Comprising:		
Cash distribution	<u>8,360</u>	<u>-</u>

The above distribution has been proposed before taking into account the unrealised loss of RM62,628 which is carried forward to the next financial period.

13. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-7-2014 to 30-9-2014 % p.a.	1-7-2013 to 30-9-2013 % 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	0.35	0.64
Total MER	<u>0.95</u>	<u>1.24</u>

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

14. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is nil (2013: nil).

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

16. TRANSACTIONS WITH SHARE REGISTRAR

Details of transactions with share registrar for the financial period ended 30 September 2014 are as follows:

Share registrar	Transaction value	
	RM	%
Tricor Investor Services Sdn Bhd	<u>23,874</u>	<u>100.00</u>
Total	<u>23,874</u>	<u>100.00</u>

The above transactions were in respect of listed 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 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
30 September 2014				
Assets				
Investments	3,139,484	-	-	3,139,484
Dividends receivable	-	45,697	-	45,697
Cash at banks	-	35,540	-	35,540
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	3,139,484	81,237	-	3,220,721
Liabilities				
Amount due to Manager	-	-	1,597	1,597
Amount due to Trustee	-	-	168	168
Amount due to index provider	-	-	2,198	2,198
Sundry payables and accrued expenses	-	-	34,081	34,081
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	-	38,044	38,044
31 December 2013				
Assets				
Investments	3,170,420	-	-	3,170,420
Dividends receivable	-	31,623	-	31,623
Cash at banks	-	61,409	-	61,409
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	3,170,420	93,032	-	3,263,452
Liabilities				
Amount due to Manager	-	-	1,579	1,579
Amount due to Trustee	-	-	166	166
Amount due to index provider	-	-	2,234	2,234
Distributions payable	-	-	45,144	45,144
Sundry payables and accrued expenses	-	-	39,525	39,525
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	-	88,648	88,648

	Income, expense, gains and losses	
	1-7-2014 to 30-9-2014	1-7-2013 to 30-9-2013
	RM	RM
Net loss from financial assets at FVTPL	(62,628)	(7,864)
Income, of which derived from:		
– Gross dividend income from financial assets at FVTPL	<u>29,025</u>	<u>29,375</u>

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

The Fund's financial assets at FVTPL are carried at fair value.

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

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

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
30 September 2014				
Financial assets at FVTPL	<u>3,139,484</u>	<u>-</u>	<u>-</u>	<u>3,139,484</u>
31 December 2013				
Financial assets at FVTPL	<u>3,151,357</u>	<u>19,063</u>	<u>-</u>	<u>3,170,420</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 due to their short period to maturity or short credit period:

- Dividends receivable
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distributions payable
- Sundry payables and accrued expenses

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 POLICIES**

The Fund is exposed to a variety of risks that include market risk, credit risk, liquidity risk, single issuer risk, regulatory risk, management risk and non-compliance risk.

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of investment coupled with stringent compliance to investment restrictions as stipulated by the Capital Market and Services Act 2007, Securities Commission's Guidelines on Exchange Traded Funds and the Deed as the backbone of risk management of the Fund.

Market risk

Market risk is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, 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 movement 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 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
30 September 2014	0.70	0.70
Average Daily	0.69	0.69
Highest	0.70	0.70
Lowest	0.69	0.69
30 September 2013	1.39	1.39
Average Daily	1.27	1.27
Highest	1.39	1.39
Lowest	1.06	1.06

Based on Gaussian VaR, using historical weekly data for the past 180 weeks, the Fund's portfolio had a daily 1% Value-at-Risk (VaR) of approximately 0.70% (2013: 1.39%). This implies that not more than 1 out of 100 trading days the Fund would record a daily loss exceeding 0.70% (2013: 1.39%) of the net asset value.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. Credit risk applies to debt instruments such as term deposits, bonds, debentures and dividends receivable. 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.

Cash at banks are held for liquidity purposes and are not exposed to significant credit 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 of deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund's policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

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 effects on the capital market and 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.

Non-compliance risk

This is the risk of the Manager, the Trustee or the Fund not complying with internal policies, the Deed of the Fund, securities law or guidelines issued by the regulators. Non-compliance risk may adversely affect the investments of the Fund when the Fund is forced to rectify the non-compliance.

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.

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 financial periods ended 30 September 2014 and 30 September 2013.