

FTSE BURSA MALAYSIA KLCI etf

Quarterly Report

30 September 2016

TRUST DIRECTORY

Manager

AmFunds Management Berhad
9th & 10th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Board of Directors

Pushparani a/p Moothathamby
Mustafa Mohd Nor
Tai Terk Lin
Datin Maznah Mahbob
Sum Leng Kuang

Investment Committee

Sum Leng Kuang
Tai Terk Lin
Mustafa Mohd Nor
Dr. Frank Richard Ashe
Datin Maznah Mahbob

Trustee

HSBC (Malaysia) Trustee Berhad

Auditors and Reporting Accountants

Ernst & Young

Taxation Adviser

Deloitte Tax Services Sdn Bhd

CORPORATE DIRECTORY

AmFunds Management Berhad

Registered Office

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

Head Office

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)
Hafidzah Binti Zakaria (MAICSA 7052802)
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 2016 to 30 September 2016.

Salient Information of the Fund

Name	FTSE Bursa Malaysia KLCI etf ("Fund")			
Category/ Type	ETF/ Equity			
Objective	The Objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index, balanced with the need to facilitate liquidity provision. Any material change to the Fund's investment objective will require the holders' approval by way of special resolution.			
Index Component	Details of the index component as at 30 September 2016 are as follows:			
	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)
	1295	Public Bank Berhad	12.69	3,885.12
	5347	Tenaga Nasional Berhad	10.38	5,596.24
	1155	Malayan Banking Berhad	8.50	10,008.83
	1023	CIMB Group Holdings Berhad	5.42	8,728.86
	4197	Sime Darby Berhad	5.18	6,327.07
	6888	Axiata Group Berhad	4.89	8,925.60
	5183	PETRONAS Chemicals Group Berhad	3.94	8,000.00
	6947	DiGi.Com Berhad	3.83	7,775.00
	5225	IHH Healthcare Berhad	3.64	8,214.85
	3182	Genting Berhad	3.62	3,694.24
	6033	PETRONAS Gas Berhad	3.56	1,978.73
	6012	Maxis Berhad	3.33	7,500.00
	4863	Telekom Malaysia Berhad	3.10	3,757.93
	1961	IOI Corporation Berhad	3.07	6,321.36
	4715	Genting Malaysia Berhad	2.66	5,670.44
	2445	Kuala Lumpur Kepong Berhad	2.64	1,068.77
	3816	MISC Berhad	2.29	4,463.79
	4065	PPB Group Berhad	1.98	1,185.50
	4677	YTL Corporation Berhad	1.92	10,418.65
	5819	Hong Leong Bank Berhad	1.80	2,086.62
	1015	AMMB Holdings Berhad	1.63	3,014.18
	4162	British American Tobacco (Malaysia) Berhad	1.44	285.53
	(Forward)			

	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	
	5681	PETRONAS Dagangan Berhad	1.44	993.45	
	5218	SapuraKencana Petroleum Berhad	1.40	5,992.16	
	6399	Astro Malaysia Holdings Berhad	1.14	5,197.30	
	1066	RHB Bank Berhad	1.07	3,997.08	
	3034	Hap Seng Consolidated Berhad	1.03	2,396.12	
	5246	Westports Holdings Berhad	0.96	3,410.00	
	1082	Hong Leong Financial Group Berhad	0.73	1,147.52	
	5235SS	KLCC Property Holdings Berhad & KLCC Real Estate Investment Trust	0.72	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 2016		As at 30 June 2016	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	1,798	51	1,798	51
	100 - 1,000	30,160	50	30,060	50
	1,001 - 10,000	346,083	84	308,583	80
	10,001 – 100,000	602,899	24	573,999	23
	100,001 to less than 5% of issue units	-	-	-	-
	5% and above of issue units	691,060	4	757,560	4

Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial periods as at 30 September 2016, 30 June 2016 and three financial years as at 31 December are as follows:					
		As at 30-9-2016 %	As at 30-6-2016 %	FY 2015 %	FY 2014 %	FY 2013 %
	Consumers products	3.26	3.42	3.40	3.39	4.88
	Finance	31.23	31.67	30.85	31.11	31.52
	Industrial products	7.49	7.53	7.89	6.71	7.48
	Infrastructure project companies	3.81	3.68	4.09	4.67	3.55
	Plantations	5.72	5.60	5.76	6.90	7.52
	Properties	-	-	-	-	0.65
	REITs	0.64	0.63	0.58	0.53	-
	Trading/Services	46.23	46.56	46.84	46.07	43.64
	Cash and others	1.62	0.91	0.59	0.62	0.76
	Total	100.00	100.00	100.00	100.00	100.00
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>					
Performance Details	Performance details of the Fund for the financial periods ended 30 September 2016, 30 June 2016 and three financial years ended 31 December are as follows:					
		3 months ended 30-9-2016	3 months ended 30-6-2016	FY 2015	FY 2014	FY 2013
	Net asset value (RM)	2,888,968*	2,872,335	2,908,102	3,014,938	3,175,355
	Units in circulation	1,672,000*	1,672,000	1,672,000	1,672,000	1,672,000
	Net asset value per unit (RM)	1.7279*	1.7179	1.7393	1.8032	1.8991
	Highest net asset per unit (RM)	1.7668*	1.7851	1.9172	1.9418	1.9061
	Lowest net asset per unit (RM)	1.7078*	1.6781	1.5833	1.7352	1.6351
	Closing quoted price (RM)	1.7250*	1.6900	1.7350	1.7800	1.8100
	Highest quoted price (RM)	1.7600*	1.7750	1.8900	1.9000	1.8200
	Lowest quoted price (RM)	1.6900*	1.6900	1.5850	1.7800	1.6250
	Benchmark performance (%)	0.78	-2.88	-0.97	-2.62	14.11
	Total return (%) ⁽¹⁾	0.58	-2.87	-2.15	-3.55	12.71
	(Forward)					

	3 months ended 30-9-2016	3 months ended 30-6-2016	FY 2015	FY 2014	FY 2013
- Capital growth (%)	0.58	-3.15	-3.54	-5.05	10.84
- Income distribution (%)	-	0.28	1.39	1.50	1.87
Gross distribution (sen per unit)	-	0.50	2.50	2.85	3.24
Net distribution (sen per unit)	-	0.50	2.50	2.85	3.20
Distribution yield (%) ⁽²⁾	-	0.30	1.44	1.60	1.77
Management expense ratio (%) ⁽³⁾	0.73	-0.05	1.08	1.04	1.21
Portfolio turnover ratio (times) ⁽⁴⁾	-	0.02	0.05	0.03	0.33

* 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 increased by (>100.0%) as compared to negative 0.05% per annum for the financial period ended 30 June 2016 mainly due to increase 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 0.02 times (100.0%) as compared to 0.02 times for the financial period ended 30 June 2016 mainly due to decrease in investing activities.

Average Total Return (as at 30 September 2016)

	FBM KLCI etf ^(a) %	FBM KLCI/ FBM30 Index ^(b) %
One year	4.53	5.31
Three years	-0.20	0.77
Five years	5.80	6.96
Since launch (19 July 2007)	3.51	5.72

Annual Total Return

Financial Years Ended (31 December)	FBM KLCI etf ^(a) %	FBM KLCI ^(b) %
2015	-2.15	-0.97
2014	-3.55	-2.62
2013	12.71	14.11
2012	12.76	14.31
2011	2.97	4.45

(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 return of 0.58% which was entirely capital growth in nature.

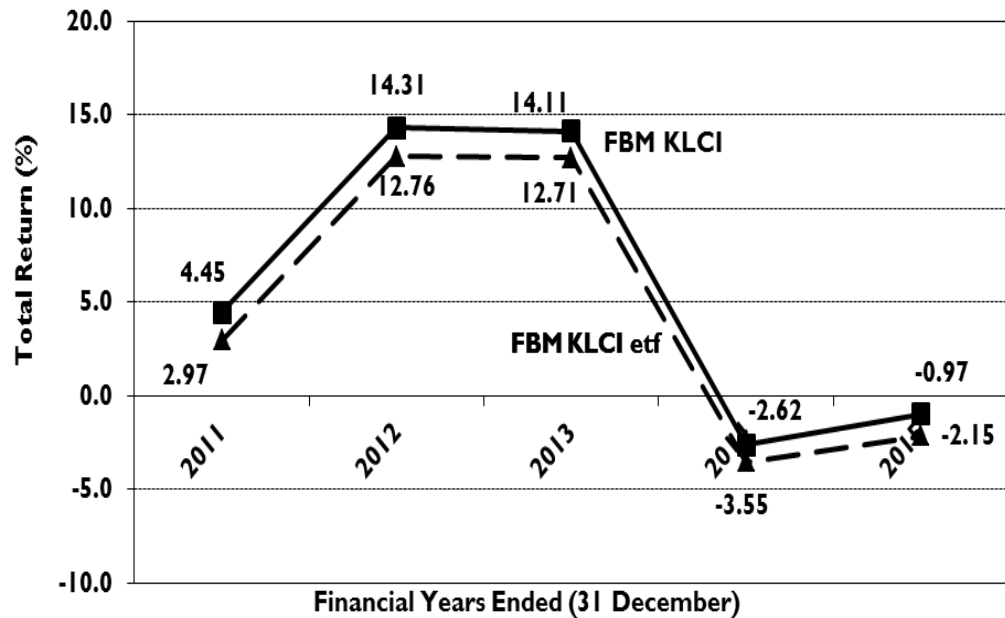
Thus, the Fund's return of 0.58% has underperformed the benchmark's return of 0.78% by 0.20%.

As compared with the financial period ended 30 June 2016, the net asset value ("NAV") of the Fund increased by 0.58% from RM2,872,335 to RM2,888,968. The NAV per unit of the Fund increased by 0.58% from RM1.7179 to RM1.7279, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia increased by 2.07% from RM1.6900 to RM1.7250.

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

(Forward)



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 30-9-2016 %	As at 30-6-2016 %	Changes %
Consumers products	3.26	3.42	-0.16
Finance	31.23	31.67	-0.44

(Forward)

		As at 30-9-2016 %	As at 30-6-2016 %	Changes %
	Industrial products	7.49	7.53	-0.04
	Infrastructure project companies	3.81	3.68	0.13
	Plantations	5.72	5.60	0.12
	REITs	0.64	0.63	0.01
	Trading/Services	46.23	46.56	-0.33
	Cash and others	1.62	0.91	0.71
	Total	100.00	100.00	
	For the financial period under review, there were no significant changes to sector weights.			
Distribution/ unit splits	There was no income distribution and 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 is 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 deemed to be beneficial to the unitholders of the Fund.</p>			
Market Review	<p>FBM KLCI commended the quarter at 1654.08. It reached a high of 1699.89 on 16 Aug 2016 and a low of 1644.54 on 8 Jul 2016. Subsequently, it posted a loss of 0.09% for 3Q2016 closing at 1652.55.</p> <p>Post the 2Q16 disappointing reporting season, FBMKLCI did not see much of a reaction instead it continued its climb as investors were looking past this quarter and towards 2017 expecting corporate profitability to make a turnaround. But, the climb was interrupted as there were renewed worries of crude oil price decline and the fresh weakening of the ringgit to above RM4.00 level. FBM KLCI was hit by both global news and by specific news or corporate exercises such as SIME's potential placement and the placement of TNB shares by Khazanah.</p>			
Market Outlook	2Q16 results were another disappointment as more than half of the corporates on the KLCI Index surprised on the downside. Consensus continues its run of lowering 2016 earnings growth but we are turning more positive towards the year end. Our FBMKLCI target remains unchanged at 1,730 (3.6% upside from current level of 1,669 points) is based on the 3-year average PER of 14.3x. This is based on earnings growth assumption of 7% for 2017.			

Kuala Lumpur, Malaysia
AmFunds Management Berhad

31 October 2016

ADDITIONAL INFORMATION

Board of Directors of the Manager

The Board of Directors, of which more than one-third are independent members, exercise ultimate control over the operations of the Manager. For the financial period from 1 July 2016 to 30 September 2016, there were two (2) Board of Directors' meetings held by the Manager.

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

Name	: Pushparani a/p A Moothathamby
Age	: 58 years old
Nationality	: Malaysian
Qualification	: i) Fellow Member of The Chartered Association of Certified Accountants, United Kingdom ii) Member of The Malaysian Institute of Accountants, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) Dec 1983 – Apr 1986 Group Accountant of Sri Alam Group ii) May 1986 – Apr 1989 Consultant of PricewaterhouseCoopers Malaysia iii) May 1989 – Dec 2004 Last position held as the Head of Corporate Finance of AmMerchant Bank Berhad iv) Jan 2005 – July 2008 Executive Director of AmInvestment Bank Berhad v) July 2008 – Oct 2009 Managing Director, Relationship Banking & Regional Business of AmInvestment Bank Berhad vi) Oct 2009 – Oct 2013 Managing Director, Corporate & Institutional Banking AmInvestment Bank Berhad vii) Oct 2013 – May 2014 Managing Director, Wholesale Banking Coverage of AmInvestment Bank Berhad viii) May 2014 – Present Managing Director, Wholesale Banking Coverage of AmBank (M) Berhad
Occupation	: Managing Director, Wholesale Banking and Acting Chief Executive Officer of AmInvestment Bank Berhad

Date of appointment	: 2 November 2015
Directorship of other public companies	: i) FIDE Forum
Number of Board meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: Not applicable
Number of Investment Committee meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: 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	: Mustafa bin Mohd Nor
Age	: 65 years old
Nationality	: Malaysian
Qualification	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: a) 1975-1988 Various positions, last as Head of Macroeconomic Section, Economic and International Division, Ministry of Finance b) 1988-1990 Manager, Treasury Department of Development & Commercial Bank Berhad. c) Mar 1990-Aug 1992 Chief Economist of Arab Malaysian Securities Sdn Bhd d) Sept 1992-Dec 2001 Executive Director/Chief Economist of AmSecurities Sdn Bhd e) Jan 2002-Dec 2005 Managing Director of AmSecurities Sdn Bhd

	<p>f) Jan 2006-May 2009 - (Retirement) Economic Advisor of AmInvestment Bank Berhad Group</p> <p>g) Sept 2009-Aug2012 - (Contract) Senior Vice President/Head, Research Division of Permodalan Nasional Berhad</p>
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 2016 to 30 September 2016)	: Two (2)
Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: 3 March 2014
Number of Investment Committee meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
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	: Tai Terk Lin
Age	: 55 years old
Nationality	: Malaysian
Qualification	<p>i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom.</p> <p>ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia.</p> <p>iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner</p> <p>iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore</p>
Executive/Non-Executive Director	: Non-Executive Director

Independent/Non-Independent Director	: Independent Director
Working Experience	: <ul style="list-style-type: none"> i) Oct 2009 – Sept 2012, Oct 2012 with ICB Indonesia Group Chief Executive Officer of ICB Financial Group Holdings Ag, ICB Banking Group ii) Jan 2009 – Aug 2009 Platinum Capital Management (Asia) Pte Ltd, Singapore Executive Director/Head of Business Development Asia iii) January 2007 – November 2008 Senior Vice President/Head – Malaysia Coverage Private Banking of DBS Bank, Singapore iv) Mar 2002 – Dec 2006 Director/Head, Private Banking of AmInvestment Bank Berhad v) Apr 1995 – Dec 2001 Chief Executive Officer of HLB Unit Trust Management Bhd vi) Apr 1994 – Mar 1995) Chief Project Manager/Credit Manager of Hong Leong Bank Berhad (Ex-Hong Leong Finance) vii) Jan 1994 – Apr 1994 Special Assistant to Executive Chairman of United Merchant Finance Berhad viii) Jun1992 – Dec 1993 Senior Analyst (Executive Chairman’s Office) of Hong Leong Management Company Sdn Bhd ix) Jan 1991 – Jun 1992 Consulting Manager of Corporate Care Division, PricewaterhouseCoopers
Occupation	: Director
Date of appointment	: 15 December 2014
Directorship of other public companies	: Nil
Number of Board meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: 15 December 2014
Number of Investment Committee meeting attended for the financial year period (From 1 July 2016 to 30 September 2016)	: Two (2)

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	: Sum Leng Kuang
Age	: 62 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) May 1982- Sept 2001 Deputy Head, Investment of Overseas Assurance (M) Berhad ii) Sept 2001-Dec 2011 Last position as Senior Vice President & Head Fixed Income Investment of Great Eastern Life Assurance (M) Berhad iii) Jan 2012-Apr 2013 Senior Vice President & Advisor, Fixed Income Investment of Great Eastern Life Assurance (M) Berhad iv) May 2013-Jul 2014 Chief Investment Officer of Fixed Income & Acting Chief Executive Officer of Hong Leong Asset Management Berhad v) May 2015-Present Advisor, Investment (Contract) of Credit Guarantee Corporation Malaysia Berhad
Occupation	: Advisor, Investment (Contract) of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	: 18 January 2016
Directorship of other public companies	: Pacific & Orient Insurance Co Berhad
Number of Board meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)

Member of any other Board Committee	: Audit Committee of Directors
Date of appointment to the Investment Committee	: 18 January 2016
Number of Investment Committee meetings attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
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	: 57 years old
Nationality	: Malaysian
Qualification	: i) Degree, The Institute of Chartered Secretaries and Administrators, United Kingdom ii) Capital Markets Services Representative's Licence holder, Malaysia
Executive/Non-Executive Director	: 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 that, she was in the Corporate Finance Department of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) for 3 years.
Occupation	: Chief Executive Officer/Executive Director of AmFunds Management Berhad (formerly known as AmInvestment Services Berhad)
Date of appointment	: 29 December 2005
Directorship of other public companies	: None
Number of Board meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: One (1)
Member of any other Board Committee	: None

Date of appointment to the Investment Committee	: 17 August 2015
Number of Investment Committee meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
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 more than one-third 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 from 1 July 2016 to 30 September 2016, there were two (2) Investment Committee meetings held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- Encik Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Dr Frank Richard Ashe (profile as mentioned below)
- Y Bhg Datin Maznah binti Mahbob (profile as mentioned above)

Name	: Dr. Frank Richard Ashe
Age	: 62 years old
Nationality	: Australian
Qualification	: i) Doctor of Philosophy in Operations Research, University of New South Wales, Australia ii) Bachelor of Arts, (First Class Honours), majoring in Actuarial Studies, Statistics, Pure Mathematics and Applied Mathematics, Macquarie University, Australia iii)
Executive/Non-Executive Director	: Not applicable
Independent/Non-Independent Director	: Not applicable
Working Experience	: i) Jan 2007 – ongoing Independent Consultant ii) Executive Education

- iii) Full Time : Jan 2002 – Dec 2006
Part Time : Jan 2007 – Dec 2014
Associate Professor – Applied Finance Centre of
Macquarie University
- iv) Sept 1999 – Dec 2001
Senior Advisor, Market Risk Management of
Manulife Financial - Elliott & Page Asset Management
- v) May 1999 – Sept 1999
Freelance Consulting
- vi) Aug 1996 – May 1999)
Portfolio Manager of County Investment Management
Structured Investments Group
- vii) 1997 – 2001
Visiting Fellow of Macquarie Applied Finance Centre
Macquarie University
- viii) 1997
Visiting Lecturer, Master of Business in Finance of
University of Technology, Sydney : School of Economics
- ix) Apr1995 – Jul 1996
Executive Director of Condell Vann & Co.
- x) Oct 1993 – 1995 , Jul 1989 – Apr 1995
Executive Director of Quantitative Strategist Legal &
General Asset Management, Australia
- xi) Sept 1986 – Jun 1989
IFTC and related subsidiary companies :
Equity Systems Limited (ESL), Giltnet, (software
companies)
Australian Gilt Options, (futures option market makers)
Australian Gilt Securities (now Rand Merchant Bank,
fixed interest dealers),
Australian Gilt Funds Management
- xii) 1980 - 1986
Consultant and earlier as technical assistant of Mercer
Campbell Cook and Knight, formerly E.S. Knight & Co.
- xiii) 1975 – 1980
Part time tutor in Statistics, Mathematics, and Mechanical
Engineering Macquarie and New South Wales Universities

Occupation	: Independent Consultant
Directorship of other public companies	: None
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 16 February 2015

Number of Investment Committee meeting attended for the financial period (From 1 July 2016 to 30 September 2016)	: Two (2)
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 had 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.

Manager

Previously, AmFunds Management Berhad (“AFM”) (formerly known as AmInvestment Services Berhad) have appointed AmInvestment Management Sdn Bhd (“AIM”) to implement the Fund’s investment strategy on behalf of us to achieve the objectives of the Fund. However, following the consolidation of business activities of AFM and AIM on 1 December 2014, AFM had acquired/assumed the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM is a licensed fund manager approved by Securities Commission Malaysia and manages the Fund.

Investment Committee

The Investment Committee reviews the Fund’s investment objective and guidelines; and ensure that the Fund is invested appropriately. For the financial period For the financial period from 1 July 2016 to 30 September 2016 there were two (2) 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 (%)
AFFIN HWANG NOMINEES (ASING) SDN. BHD.	257200	15.3828%
AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.	221360	13.2392%
AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.	106900	6.3935%
AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.	105600	6.3158%
ALISTAIR CEDRIC MARRIS	100000	5.9809%
AMINVESTMENT BANK BERHAD	71917	4.3013%
ANDRE OOI KEN LEE	33100	1.9797%
ANDREW LOH ZHU AN	28900	1.7285%
ANG HUI YING	25720	1.5383%
ANIM BINTI ABD. RAHIM	25720	1.5383%
CHA KAR HUEI	25720	1.5383%
CHAN JIAN MING	25720	1.5383%
CHAW VOON PIN	25720	1.5383%
CHEAH SWEE KUAN	25400	1.5191%
CHEAH YEW TUCK	25216	1.5081%
CHEW TOCK JUAN	20000	1.1962%
CHONG VOON CHOONG	19290	1.1537%
CHONG YAM SONG	18000	1.0766%
CHOW KIM WENG	16000	0.9569%
CHUA CHONG HUAT	15000	0.8971%
CHUA TUAN KOON	14432	0.8632%
CHUA TUAN LI	14144	0.8459%
CIMSEC NOMINEES (ASING) SDN BHD	12860	0.7691%
CIMSEC NOMINEES (ASING) SDN BHD	12860	0.7691%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	12860	0.7691%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	12000	0.7177%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	11600	0.6938%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	10720	0.6411%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	10000	0.5981%
CIMSEC NOMINEES (TEMPATAN) SDN BHD	10000	0.5981%

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	Note	30-9-2016 (unaudited) RM	31-12-2015 (audited) RM
ASSETS			
Investments	4	2,842,179	2,891,031
Dividends receivable		26,054	11,633
Sundry receivables	5	-	19,843
Cash at banks		37,475	79,054
TOTAL ASSETS		<u>2,905,708</u>	<u>3,001,561</u>
LIABILITIES			
Amount due to Manager	6	1,433	1,422
Amount due to Trustee	7	148	147
Amount due to index provider	8	1,972	1,711
Distributions payable		-	33,440
Sundry payables and accrued expenses	5	13,187	56,739
TOTAL LIABILITIES		<u>16,740</u>	<u>93,459</u>
EQUITY			
Unitholders’ capital	11(a)	2,218,683	2,218,683
Retained earnings	11(b)(c)	670,285	689,419
TOTAL EQUITY	11	<u>2,888,968</u>	<u>2,908,102</u>
TOTAL EQUITY AND LIABILITIES		<u>2,905,708</u>	<u>3,001,561</u>
UNITS IN CIRCULATION	11(a)	<u>1,672,000</u>	<u>1,672,000</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION		<u>172.79 sen</u>	<u>173.93 sen</u>

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

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

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 JULY 2016 TO 30 SEPTEMBER 2016**

	Note	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
INVESTMENT INCOME/(LOSS)			
Gross dividend income		24,887	20,149
Interest income		10	45
Net loss from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>(2,922)</u>	<u>(145,929)</u>
Gross Income/(Loss)		<u>21,975</u>	<u>(125,735)</u>
EXPENDITURE			
Manager’s fee	6	(3,646)	(3,599)
Trustee’s fee	7	(437)	(432)
Licence fee	8	(292)	(288)
Auditors’ remuneration		(1,380)	(1,008)
Tax agent’s fee		(1,257)	(1,260)
Other expenses – current financial period	10	(1,716)	(1,067)
Other expenses – over provision in prior financial period		<u>3,400</u>	<u>-</u>
Total Expenditure		<u>(5,328)</u>	<u>(7,654)</u>
NET INCOME/(LOSS) BEFORE TAX		16,647	(133,389)
LESS: INCOME TAX	13	<u>(14)</u>	<u>(12)</u>
NET INCOME/(LOSS) AFTER TAX		16,633	(133,401)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD		<u><u>16,633</u></u>	<u><u>(133,401)</u></u>
Total comprehensive income/(loss) comprises the following:			
Realised income		20,537	12,997
Unrealised loss		<u>(3,904)</u>	<u>(146,398)</u>
		<u><u>16,633</u></u>	<u><u>(133,401)</u></u>

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

FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)**STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE FINANCIAL PERIOD FROM 1 JULY 2016 TO 30 SEPTEMBER 2016**

	Unitholders’ capital RM	Retained earnings RM	Total equity RM
At 1 July 2015	2,218,683	719,110	2,937,793
Total comprehensive loss for the financial period	-	(133,401)	(133,401)
Balance at 30 September 2015	<u>2,218,683</u>	<u>585,709</u>	<u>2,804,392</u>
At 1 July 2016	2,218,683	653,652	2,872,335
Total comprehensive income for the financial period	-	16,633	16,633
Balance at 30 September 2016	<u>2,218,683</u>	<u>670,285</u>	<u>2,888,968</u>

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

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

STATEMENT OF CASH FLOWS *(Unaudited)*

FOR THE FINANCIAL PERIOD FROM 1 JULY 2016 TO 30 SEPTEMBER 2016

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Proceeds from sale of investments	1,451	16,144
Dividends received	26,387	42,800
Interest received	10	45
Manager’s fee paid	(3,579)	(3,642)
Trustee’s fee paid	(429)	(437)
Tax agent’s fee paid	(5,000)	-
Licence fee paid	(308)	(323)
Payments for other expenses	(2,226)	(899)
Purchase of investments	-	(15,446)
	<u>16,306</u>	<u>38,242</u>
CASH FLOW FROM FINANCING ACTIVITY		
Distributions paid	(8,360)	(8,360)
	<u>(8,360)</u>	<u>(8,360)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	7,946	29,882
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>29,529</u>	<u>33,830</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>37,475</u></u>	<u><u>63,712</u></u>
Cash and cash equivalents comprise:		
Cash at banks	<u><u>37,475</u></u>	<u><u>63,712</u></u>

The accompanying notes form 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 AmFunds Management 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, which are relevant to the Fund, 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**

MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue From Contracts With Customers	1 January 2018

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 reflects International Accounting Standards Board's ("IASB") work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"). MFRS 9 has a mandatory effective date of 1 January 2018 and early adoption is allowed. The Fund is in the process of quantifying the impact of the first adoption of MFRS 9.

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. 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").

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 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

	30-9-2016 RM	31-12-2015 RM
Financial assets at FVTPL		
Quoted equity securities in Malaysia	<u>2,842,179</u>	<u>2,891,031</u>

Details of investments as at 30 September 2016 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	39,312	37,873	1.36
PPB Group Berhad	<u>3,400</u>	<u>55,012</u>	<u>47,932</u>	<u>1.90</u>
	<u>4,200</u>	<u>94,324</u>	<u>85,805</u>	<u>3.26</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				
Finance				
AMMB Holdings Berhad	11,000	44,990	58,608	1.56
CIMB Group Holdings Berhad	33,110	155,948	235,905	5.40
Hong Leong Bank Berhad	3,812	50,013	34,667	1.73
Hong Leong Financial Group Berhad	1,190	18,350	12,813	0.64
Malayan Banking Berhad	31,831	238,733	250,476	8.26
Public Bank Berhad	18,430	365,283	220,554	12.64
RHB Bank Berhad	6,211	28,881	33,127	1.00
	<u>105,584</u>	<u>902,198</u>	<u>846,150</u>	<u>31.23</u>
Industrial products				
PETRONAS Chemicals Group Berhad	17,100	113,715	100,267	3.94
PETRONAS Gas Berhad	4,700	102,648	57,961	3.55
	<u>21,800</u>	<u>216,363</u>	<u>158,228</u>	<u>7.49</u>
Infrastructure				
DiGi.Com Berhad	22,100	110,058	55,230	3.81
Plantation				
IOI Corporation Berhad	19,885	88,488	114,236	3.06
Kuala Lumpur Kepong Berhad	3,200	76,736	59,266	2.66
	<u>23,085</u>	<u>165,224</u>	<u>173,502</u>	<u>5.72</u>
REITs				
KLCC Real Estate Investment Trust	2,400	18,528	15,757	0.64
Trading/Services				
Astro Malaysia Holdings Berhad	11,300	30,849	33,551	1.07
Axiata Group Berhad	26,700	139,374	117,694	4.82
Genting Berhad	13,100	103,883	122,428	3.60
Genting Malaysia Berhad	16,800	76,440	59,429	2.65
Hap Seng Consolidated Berhad	3,400	26,180	25,977	0.91
IHH Healthcare Berhad	16,600	105,078	57,652	3.64

(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				
Trading/Services (cont.d)				
Maxis Berhad	15,600	96,096	89,372	3.33
MISC Berhad	8,500	64,175	42,674	2.22
PETRONAS Dagangan Berhad	1,700	39,950	22,776	1.38
SapuraKencana Petroleum Berhad	24,200	37,994	90,898	1.31
Sime Darby Berhad	19,489	149,091	166,001	5.16
Telekom Malaysia Berhad	13,100	88,818	36,744	3.07
Tenaga Nasional Berhad	20,900	298,870	165,928	10.35
Westport Holdings Berhad	5,800	25,462	25,246	0.88
YTL Corporation Berhad	29,734	53,224	45,886	1.84
	<u>226,923</u>	<u>1,335,484</u>	<u>1,102,256</u>	<u>46.23</u>
Total financial assets at FVTPL	<u>406,092</u>	<u>2,842,179</u>	<u>2,436,928</u>	<u>98.38</u>
Excess of market value over cost		<u>405,251</u>		

5. SUNDRY RECEIVABLES/PAYABLES AND ACCRUED EXPENSES

Included in sundry receivables/payables and accrued expenses were amounts owing from/to financial institutions for outstanding contracts where settlement were not due as follows:

	30-9-2016 RM	31-12-2015 RM
Amount owing from financial institutions	-	19,843
Amount owing to financial institutions	-	(21,290)
	<u>-</u>	<u>(1,447)</u>

The normal trade credit period is three business days.

6. AMOUNT DUE TO MANAGER

	30-9-2016 RM	31-12-2015 RM
Manager's fee payable	(1,233)	(1,222)
Application fee payable to Manager	(200)	(200)
	<u>(1,433)</u>	<u>(1,422)</u>

Manager's fee is at a rate of 0.50% (2015: 0.50%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

7. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.06% (2015: 0.06%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

8. AMOUNT DUE TO INDEX PROVIDER

Licence fee is at a rate of 0.04% (2015: 0.04%) per annum on the net asset value of the Fund, calculated on a daily basis.

9. NET LOSS FROM INVESTMENTS

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
Net loss on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	982	469
– Net unrealised loss on changes in fair values of investments	(3,904)	(146,398)
	<u>(2,922)</u>	<u>(145,929)</u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM1,020 (2015: RM242).

11. TOTAL EQUITY

Total equity is represented by:

	Note	30-9-2016 RM	31-12-2015 RM
Unitholders' capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	265,034	221,821
– Unrealised gain	(c)	405,251	467,598
		<u>2,888,968</u>	<u>2,908,102</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	30-9-2016		31-12-2015	
	Number of units	RM	Number of units	RM
At beginning/end of the financial period/year	<u>1,672,000</u>	<u>2,218,683</u>	<u>1,672,000</u>	<u>2,218,683</u>

(b) REALISED – DISTRIBUTABLE

	30-9-2016 RM	31-12-2015 RM
At beginning of the financial period/year	244,497	219,349
Total comprehensive gain/(loss) for the financial period/year	16,633	(65,036)
Net unrealised loss attributable to investments		
held transferred to unrealised reserve [Note 11(c)]	3,904	109,308
Distributions out of realised reserve	-	(41,800)
Net increase in realised reserve for the financial period/year	<u>20,537</u>	<u>2,472</u>
At end of the financial period/year	<u>265,034</u>	<u>221,821</u>

(c) UNREALISED – NON-DISTRIBUTABLE

	30-9-2016 RM	31-12-2015 RM
At beginning of the financial period/year	409,155	576,906
Net unrealised loss attributable to investments		
held transferred from realised reserve [Note 11(b)]	<u>(3,904)</u>	<u>(109,308)</u>
At end of the financial period/year	<u>405,251</u>	<u>467,598</u>

12. UNITS HELD BY RELATED PARTIES

	30-9-2016		31-12-2015	
	Number of units	RM	Number of units	RM
Parties related to the Manager*	229,776	396,364	332,376	576,672

* 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 2016 and 31 December 2015.

13. INCOME TAX

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
Current financial period	14	12

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, local interest income derived by the Fund is exempted from tax.

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

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
Net income/(loss) before tax	16,647	(133,389)
Taxation at Malaysian statutory rate of 24% (2015: 25%)	3,995	(33,347)
Tax effects of:		
Income not subject to tax	(6,178)	(5,135)
Effect of different tax rate	(19)	(18)
Loss not subject for tax purposes	937	36,599
Restriction on tax deductible expenses	351	1,037
Non-permitted expenses for tax purposes	889	761
Permitted expenses not used and not available for future financial periods	39	115
Tax expense for the financial period	14	12

14. DISTRIBUTIONS

No distribution was declared by the Fund for the financial periods ended 30 September 2016 and 30 September 2015.

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	1-7-2016 to 30-9-2016 % p.a.	1-7-2015 to 30-9-2015 % p.a.
Manager’s fee	0.50	0.50
Trustee’s fee	0.06	0.06
Licence fee	0.04	0.04
Fund’s other expenses	0.13	0.46
Total MER	<u>0.73</u>	<u>1.06</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.

16. 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 (2015: 0.05 times).

17. 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.

18. TRANSACTIONS WITH FINANCIAL INSTITUTION

Details of transactions with financial institution for the financial period ended 30 September 2016 are as follows:

Financial institution	Transaction value		Brokerage fee, stamp duty and clearing fee	
	RM	%	RM	%
CIMB Investment Bank Berhad	1,000	100.00	47	100.00
Total	1,000	100.00	47	100.00

There was no transaction with financial institution related to the Manager, during the financial period.

The above transactions were in respect of listed securities.

19. 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 2016				
Assets				
Investments	2,842,179	-	-	2,842,179
Dividends receivable	-	26,054	-	26,054
Cash at banks	-	37,475	-	37,475
Total financial assets	2,842,179	63,529	-	2,905,708

(Forward)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Liabilities				
Amount due to Manager	-	-	1,433	1,433
Amount due to Trustee	-	-	148	148
Amount due to index provider	-	-	1,972	1,972
Sundry payables and accrued expenses	-	-	13,187	13,187
Total financial liabilities	-	-	16,740	16,740

31 December 2015

Assets

Investments	2,891,031	-	-	2,891,031
Dividends receivable	-	11,633	-	11,633
Sundry receivables	-	19,843	-	19,843
Cash at banks	-	79,054	-	79,054
Total financial assets	2,891,031	110,530	-	3,001,561

Liabilities

Amount due to Manager	-	-	1,422	1,422
Amount due to Trustee	-	-	147	147
Amount due to index provider	-	-	1,711	1,711
Distributions payable	-	-	33,440	33,440
Sundry payables and accrued expenses	-	-	56,739	56,739
Total financial liabilities	-	-	93,459	93,459

Income, expense, gains and losses

	1-7-2016 to 30-9-2016 RM	1-7-2015 to 30-9-2015 RM
Net loss from financial assets at FVTPL	(2,922)	(145,929)
Income, of which derived from:		
– Gross dividend income from financial assets at FVTPL	24,887	20,149
– Interest income from loans and receivables	10	45

(b) Financial instruments that are carried at fair value

The Fund's financial assets and liabilities 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	Level 2	Level 3	Total
	RM	RM	RM	RM
30 September 2016				
Financial assets at FVTPL	<u>2,842,179</u>	<u>-</u>	<u>-</u>	<u>2,842,179</u>
31 December 2015				
Financial assets at FVTPL	<u>2,891,031</u>	<u>-</u>	<u>-</u>	<u>2,891,031</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
- Sundry receivables
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distributions payable
- Sundry payables and accrued expenses

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

20. 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 investments 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, in general, 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.

(i) Price risk

Price risk refers to the uncertainty of an investment's future prices. In the event of adverse price movements, the Fund might endure potential loss on its quoted investments. In managing price risk, the Manager actively monitors the performance and risk profile of the investment portfolio.

The result below summarised the price risk sensitivity of the Fund's NAV due to the movements of price by -5.00% and +5.00% respectively.

Percentage movements in price by:	Sensitivity of the Fund's NAV	
	2016 RM	2015 RM
+5.00%	142,109	137,851
-5.00%	<u>(142,109)</u>	<u>(137,851)</u>

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 short-term deposits 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 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.

21. 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 2016 and 30 September 2015.

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For more details on the list of IUTAs, please contact the Manager.

*For enquiries about this or any of the other Funds offered by AmFunds Management Berhad
please call 2032 2888 between 8.45 a.m. to 5.45 p.m. (Monday - Thursday),
Friday (8.45 a.m. to 5.00 p.m.)*