

**FTSE BURSA MALAYSIA KLCI etf**

**Quarterly Report**

**30 September 2017**

## **TRUST DIRECTORY**

### **Manager**

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

### **Board of Directors**

Raja Teh Maimunah Raja Abdul Aziz  
Mustafa Mohd Nor  
Tai Terk Lin  
Goh Wee Peng  
Sum Leng Kuang

### **Investment Committee**

Sum Leng Kuang  
Tai Terk Lin  
Mustafa Mohd Nor  
Zainal Abidin Mohd Kassim

### **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

9th & 10th Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2036 2888 Fax: 03-2031 5210

### **Secretaries**

Chen Bee Ling (MAICSA 7046517)  
Tan Lai Hong (MAICSA 7057707)  
Secretaries' Office Level 8,  
Symphony House, Pusat Dagangan Dana 1,  
Jalan PJU 1A/46, 47300 Petaling Jaya,  
Selangor Darul Ehsan.

### **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 2017 to 30 September 2017.

### Salient Information of the Fund

<b>Name</b>	FTSE Bursa Malaysia KLCI etf ("Fund")		
<b>Category/ Type</b>	ETF / Equity		
<b>Objective</b>	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.		
<b>Index Component</b>	Details of the index component as at 30 September 2017 are as follows:		
	<b>Stock code</b>	<b>Company's name</b>	<b>Percentage weight (%)</b>
			<b>Shares in issue ('million units)</b>
	1295	Public Bank Berhad	11.89
	5347	Tenaga Nasional Berhad	11.01
	1155	Malayan Banking Berhad	10.36
	1023	CIMB Group Holdings Berhad	7.58
	4197	Sime Darby Berhad	6.01
	6888	Axiata Group Berhad	4.49
	3182	Genting Berhad	4.07
	5183	PETRONAS Chemicals Group Berhad	3.89
	6947	DiGi.Com Berhad	3.39
	5225	IHH Healthcare Berhad	3.03
	6012	Maxis Berhad	3.00
	4715	Genting Malaysia Berhad	2.85
	1961	IOI Corporation Berhad	2.77
	6033	PETRONAS Gas Berhad	2.62
	4863	Telekom Malaysia Berhad	2.41
	2445	Kuala Lumpur Kepong Berhad	2.16
	5819	Hong Leong Bank Berhad	1.99
	3816	MISC Berhad	1.98
	3336	IJM Corporation Berhad	1.98
	4065	PPB Group Berhad	1.78
	1015	AMMB Holdings Berhad	1.58
	5681	PETRONAS Dagangan Berhad	1.34
	4677	YTL Corporation Berhad	1.25
		(Forward)	

	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	
	4162	British American Tobacco (Malaysia) Berhad	1.16	285.53	
	3034	Hap Seng Consolidated Berhad	1.12	2,489.68	
	6399	Astro Malaysia Holdings Berhad	1.08	5,209.52	
	1066	RHB Bank Berhad	1.06	4,010.05	
	5246	Westports Holdings Berhad	0.76	3,410.00	
	1082	Hong Leong Financial Group Berhad	0.71	1,143.55	
	5235SS	KLCC Property Holdings Berhad & KLCC Real Estate Investment Trust	0.67	1,805.33	
<b>Duration</b>	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.				
<b>Performance Benchmark</b>	FTSE Bursa Malaysia KLCI ("FBM KLCI")				
<b>Income Distribution Policy</b>	Income distribution (if any) is expected to be made semi-annually.				
<b>Breakdown of Unit Holdings by Size</b>	For the financial period under review, the size of the Fund stood at 1,672,000 units.				
	<b>Size of holding</b>	<b>As at 30 September 2017</b>		<b>As at 30 June 2017</b>	
		<b>No of units held</b>	<b>Number of unitholders</b>	<b>No of units held</b>	<b>Number of unitholders</b>
	Less than 100	1,662	47	1,662	47
	100 - 1,000	35,641	66	34,781	62
	1,001 - 10,000	373,598	88	364,598	88
	10,001 – 100,000	679,239	26	650,999	25
	100,001 to less than 5% of issue units	-	-	-	-
	5% and above of issue units	581,860	1	619,960	2

## Fund Performance Data

<b>Portfolio Composition</b>	Details of portfolio composition of the Fund for the financial periods as at 30 September 2017, 30 June 2017 and three financial years as at 31 December are as follows:					
		<b>As at 30-9-2017 %</b>	<b>As at 30-6-2017 %</b>	<b>FY 2016 %</b>	<b>FY 2015 %</b>	<b>FY 2014 %</b>
	Construction	1.88	1.97	1.97	-	-
	Consumers products	2.84	2.87	3.10	3.40	3.39
	Finance	34.47	35.02	32.56	30.85	31.11
	Industrial products	6.52	6.51	7.74	7.89	6.71
	Infrastructure	3.38	3.45	3.76	4.09	4.67
	Plantation	5.01	4.99	5.79	5.76	6.90
	REITs	0.52	0.52	0.59	0.58	0.53
	Trading/Services	43.61	43.40	43.99	46.84	46.07
	Cash and others	1.77	1.27	0.50	0.59	0.62
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>					
<b>Performance Details</b>	Performance details of the Fund for the financial periods ended 30 September 2017, 30 June 2017 and three financial years ended 31 December are as follows:					
		<b>3 months ended 30-9-2017</b>	<b>3 months ended 30-6-2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
	Net asset value (RM)	3,070,012*	3,068,392	2,836,171	2,908,102	3,014,938
	Units in circulation	1,672,000*	1,672,000	1,672,000	1,672,000	1,672,000
	Net asset value per unit (RM)	1.8361*	1.8352	1.6963	1.7393	1.8032
	Highest net asset per unit (RM)	1.8674*	1.8704	1.7851	1.9172	1.9418
	Lowest net asset per unit (RM)	1.8243*	1.7967	1.6450	1.5833	1.7352
	Closing quoted price (RM)	1.8350*	1.8500	1.7550	1.7350	1.7800
	Highest quoted price (RM)	1.8550*	1.8600	1.7850	1.8900	1.9000
	Lowest quoted price (RM)	1.8300*	1.8000	1.6450	1.5850	1.7800
	Benchmark performance (%)	0.36	1.89	0.07	-0.97	-2.62
	Total return (%) <sup>(1)</sup>	0.05	1.84	-0.55	-2.15	-3.55
	(Forward)					

	3 months ended 30-9-2017	3 months ended 30-6-2017	FY 2016	FY 2015	FY 2014
- Capital growth (%)	0.05	1.57	-2.45	-3.54	-5.05
- Income distribution (%)	-	0.27	1.90	1.39	1.50
Gross distribution (sen per unit)	-	0.50	3.30	2.50	2.85
Net distribution (sen per unit)	-	0.50	3.30	2.50	2.85
Distribution yield (%) <sup>(2)</sup>	-	0.27	1.88	1.44	1.60
Management expense ratio (%) <sup>(3)</sup>	1.19	1.27	0.52	1.08	1.04
Portfolio turnover ratio (times) <sup>(4)</sup>	-	0.02	0.04	0.05	0.03

\* 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 0.08% as compared to 1.27% per annum for the financial period ended 30 June 2017 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 to nil as compared to 0.02 times for the financial period ended 30 June 2017 as there was no investing activities during the financial period.

#### Average Total Return (as at 30 September 2017)

	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
One year	8.33	9.59
Three years	0.48	1.42
Five years	3.50	4.60
Ten years	5.08	6.37



**Annual Total Return**

<b>Financial Years Ended (31 December)</b>	<b>FBM KLCI etf<sup>(a)</sup> %</b>	<b>FBM KLCI<sup>(b)</sup> %</b>
2016	-0.55	-0.07
2015	-2.15	-0.97
2014	-3.55	-2.62
2013	12.71	14.11
2012	12.76	14.31

(a) Source: 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**

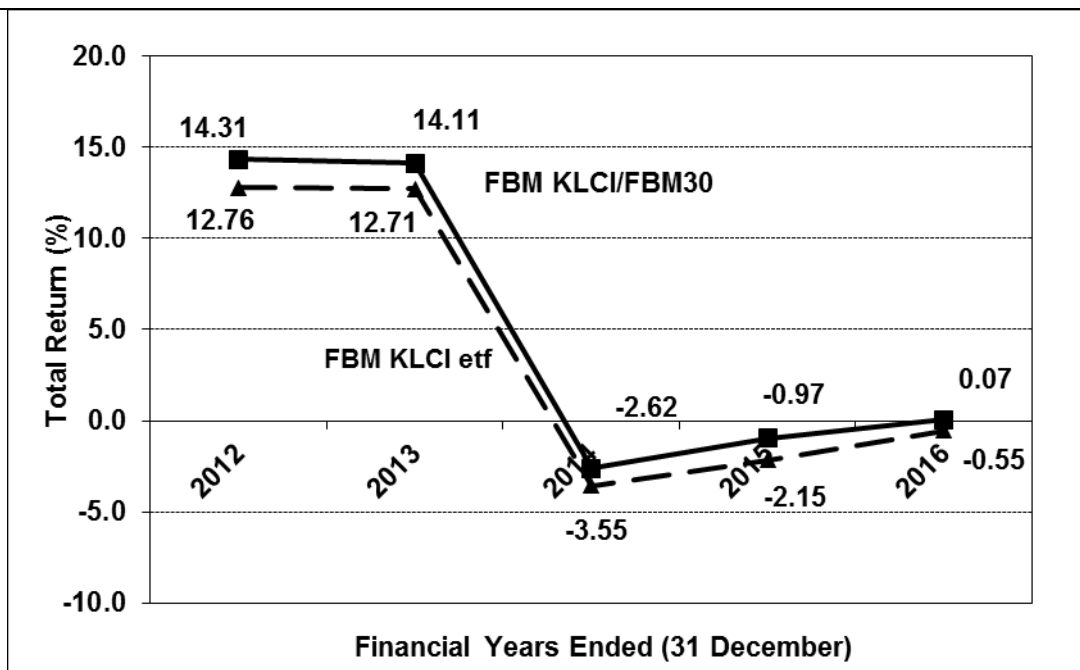
For the financial period under review, the Fund registered a return of 0.05% which was entirely capital growth in nature.

Thus, the Fund’s return of 0.05% has underperformed the benchmark’s return of 0.36% by 0.31%.

As compared with the financial period ended 30 June 2017, the net asset value (“NAV”) of the Fund increased by 0.05% from RM3,068,392 to RM3,070,012. The NAV per unit of the Fund increased by 0.05% from RM1.8352 to RM1.8361, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 0.81% from RM1.8500 to RM1.8350.

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.



**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 net asset value (“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 30-9-2017 %	As at 30-6-2017 %	Changes %
Construction	1.88	1.97	-0.09
Consumers products	2.84	2.87	-0.03
Finance	34.47	35.02	-0.55

(Forward)

	<b>As at 30-9-2017 %</b>	<b>As at 30-6-2017 %</b>	<b>Changes %</b>
Industrial products	6.52	6.51	0.01
Infrastructure	3.38	3.45	-0.07
Plantation	5.01	4.99	0.02
REITs	0.52	0.52	-
Trading/Services	43.61	43.40	0.21
Cash and others	1.77	1.27	0.50
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

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

<b>Distribution/ unit splits</b>	There was no income distribution and unit split declared for the financial period under review.
<b>State of Affairs of the Fund</b>	There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial period under review.
<b>Rebates and Soft Commission</b>	<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>
<b>Market Review</b>	<p>In the month of July, the KLCI was range-bound within 1755-1770, with a lack of catalysts to drive the market. The KLCI closed the month 0.2% lower at 1760 but outperformed FBM Emas which fell 0.4% m.o.m, and FBM Small Cap Index which dropped 1%. Average daily value traded on the stock market dropped 15% mom to RM2.05 bil in July.</p> <p>Invest Malaysia saw a higher turnout however, indicating renewed investor interest in Malaysia. As usual, the government announced several measures at the event, including (1) the LEAP market (2) a single regulator for the property sector.</p> <p>The listing of Lotte Chemical Titan, the largest IPO since 2012, turned out terribly for investors as the stock dropped 23% in a single day on 31 July after it announced a headline 67% QoQ and 72% YoY drop in 2Q17 net profit. Adjusted for exceptionals, the decline was more moderate at 17% QoQ and 36% YoY. However, due to the ineffective guidance by management, the damage to the stock's marketability has been substantial.</p> <p>The KLCI ended the month slightly higher by 0.75% m.o.m in August, and YTD it was up by 8.01% YTD. In the same month, after seven consecutive months of net buy, foreign investors turned marginal net sellers of Malaysia equities at RM0.3 bil. This brings the eight months cumulative foreign buy to RM10.9 bil. This was</p>

	<p>consistent with their retracement in the other ASEAN emerging markets.</p> <p>For the month of August 2017, the key attraction to the market development was the 2Q17 corporate results reporting season, where corporate results have been lackluster in general. Although 2Q17 corporate earnings report card has been somewhat subdued and unexciting, we believe that 2H17 earnings should be stronger due to 1) 2Q17 5.8% GDP growth is the strongest in the past 2 years; 2) Ringgit has been stabilising; 3) improving labour market coupled with continued wage growth and moderating inflation will support and spur domestic economy and 4) government's continuous effort in the ongoing roll-out of infrastructure projects.</p> <p>In September 2017, the KLCI closed 1.0% lower m.o.m, and YTD it was up by 6.9%. Sep17 saw net foreign outflow of RM0.8 bil (Aug: -RM0.3 bil). This brings down the YTD cumulative foreign buy to RM10.0 bil.</p> <p>Top KLCI losers for the month were CIMB (-11.0% m.o.m), Genting Malaysia (-7.7% m.o.m) and YTL Corp while top gainers were Astro Malaysia, Axiata Group and KLCCP. Crude oil price spiked 13.0% m.o.m to US\$58/bbl, leading to outperformance in the Energy sector. The oil price were driven by hurricanes in US which have disrupted some oil logistics; Geopolitical issue in middle-east where Turkey is threatening to stop oil flow from Iraq's Kurdish area which will affect up to 1.5% of global oil supply; Opec's rhetoric to extend production cut to Dec18 from Mac18. Telco and Material outperformed too.</p>
<p><b>Market Outlook</b></p>	<p>US market continues to report strong macroeconomic data, complemented by the plan to encourage US corporates to repatriate overseas earnings. These factors could potentially drive the strength of the USD against global currencies. Locally, the possible weakness in Ringgit could lead to net portfolio capital outflows that could possibly prompt a rate hike by the central bank; however the likelihood is low in our view. This expectation supports our preference in local banks because higher rates would be positive for banks while weaker RM would benefit export players. Local market would continue to benefit from 1) the spillover effect of the strong 1H17 GDP growth of 5.7%; 2) positive election sentiment; 3) upcoming Budget 2018 should continue to boost the equity market since it is a pre-election budget; and 4) government's commitment in prioritizing infrastructure projects. All these would continue to drive the other sectors that we like, such as construction/infrastructure, technology and essential consumer products. However, we remain cautious on the external risks such as the US-North Korea conflicts, terrorist attacks in Eurozone and Middle Eastern tensions that pose a challenge to the global economic activities.</p>

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

7 November 2017

## 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 ended 30 September 2017 (1 July 2017 to 30 September 2017), there was one (1) Board of Directors' meeting held by the Manager.

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

<b>Name</b>	: Raja Maimunah binti Raja Abdul Aziz
<b>Age</b>	: 49 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Laws, the University of East London ii) Honorary Doctorate of Law, The University of East London
<b>Executive/ Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: i) (Jan 1992 – May 1993) KPMG Peat Marwick Consultants [Junior Consultant, Recovery & Corporate Finance]  ii) (June 1993 – Jul 1998) CIMB Investment Bank Berhad [Senior Manager, Corporate Finance/ DCM]  iii) (Aug 1998 – Aug 1999) Pengurusan Danaharta Nasional Berhad [Manager, Corporate Finance]  iv) (Sep 1999 – Jun 2003) CIMB Investment Bank Berhad [Associate Director, Investment Banking]  v) (Jan 2004 – Dec 2004) RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bank Berhad) [Senior Vice President & Head, Investment Banking Group]  vi) (Jan 2005 – Dec 2006) Bank Alkhair B.S.C (c) (formerly known as Unicorn Investment Bank) [Senior Director]  vii) (Jan 2007 – Dec 2008) Kuwait Finance House (Malaysia) Berhad [Chief Corporate Officer & Head of International Business Corporate and Investment Banking]

	viii) (June 2009 – June 2011) Bursa Malaysia Berhad [Global Head, Islamic Markets]
	ix) (Oct 2011 – Feb 2017) Hong Leong Islamic Bank Berhad [Managing Director/ Chief Executive Officer]
	x) (Feb 2017 – Present) AmFunds Management Berhad [Chief Executive Officer]
<b>Occupation</b>	: Chief Executive Officer, AmInvestment Bank Berhad
<b>Date of appointment</b>	: 7 March 2017
<b>Directorship of other public companies</b>	: Not applicable
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Not applicable
<b>Date of appointment to the Investment Committee</b>	: Not applicable
<b>Number of Investment Committee meeting attended for the financial year period 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: Not applicable
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Dato' Mustafa bin Mohd Nor
<b>Age</b>	: 66 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) (1975-1988) Ministry of Finance [Last position held – Head of Macroeconomic Section, Economic and International Division]

	<p>ii) (1988-1990) Development &amp; Commercial Bank Berhad. [Manager, Treasury Department]</p> <p>iii) (March 1990-August 1992) Arab-Malaysian Securities Sdn Bhd [Chief Economist]</p> <p>iv) (September 1992-December 2001) AmSecurities Sdn Bhd [Executive Director/Chief Economist]</p> <p>v) (January 2002-December 2005) AmSecurities Sdn Bhd [Managing Director]</p> <p>vi) (January 2006-May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor]</p> <p>vii)(September 2009-August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]</p>
<b>Occupation</b>	: Director
<b>Date of appointment</b>	: 3 March 2014
<b>Directorship of other public companies</b>	: KUISAS Berhad
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: i) Audit and Examination Committee (f.k.a Audit Committee of Directors) ii) Investment Committee
<b>Date of appointment to the Investment Committee</b>	: 3 March 2014
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Tai Terk Lin
<b>Age</b>	: 57 years old
<b>Nationality</b>	: Malaysian

<b>Qualification</b>	: i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom. ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia. iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) (October 2009 – September 2012) (Oct 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings]  ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia]  iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking]  iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking]  v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer]  vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager]  vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman]  viii) (June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman’s Office)]  ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
<b>Occupation</b>	: Director



<b>Date of appointment</b>	: 15 December 2014
<b>Directorship of other public companies</b>	: Nil
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Investment Committee and Audit and Examination Committee (f.k.a Audit Committee of Directors)
<b>Date of appointment to the Investment Committee</b>	: 15 December 2014
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

<b>Name</b>	: Sum Leng Kuang
<b>Age</b>	: 63 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) (May 1982- September 2001) Overseas Assurance (M) Berhad [Deputy Head, Investment]  ii) (September 2001-December 2011) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Head, Fixed Income Investment]  iii) (January 2012-April 2013) Great Eastern Life Assurance (M) Berhad [Senior Vice President & Advisor, Fixed Income Investment]  iv) (May 2013-July 2014) Hong Leong Asset Management Berhad [Chief Investment Officer, Fixed Income & Acting Chief Executive Officer]

	v) (May 2015-Present) Credit Guarantee Corporation Malaysia Berhad [Advisor, Investment (Contract)]
<b>Occupation</b>	: i) Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
<b>Date of appointment</b>	: 18 January 2016
<b>Directorship of other public companies</b>	: Pacific & Orient Insurance Co. Berhad
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Investment Committee and Audit and Examination Committee (f.k.a Audit Committee of Directors)
<b>Date of appointment to the Investment Committee</b>	: 18 January 2016
<b>Number of Investment Committee meetings attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Goh Wee Peng
<b>Age</b>	: 43 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Business (Economics and Finance) ii) Persatuan Forex License (Institute Bank-bank Malaysia) iii) Dealer's Representative License (issued by Securities Commission) iv) Capital Markets Services Representative License Holder
<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: i) (April 1997-July 1999) Fulton Prebon (M) Sdn Bhd [Money Market Broker]  ii) (August 1999-Jun2000) HLG Securities Sdn Bhd [Institutional Dealer]  iii) (July 2000-May 2001) HLG Asset Management

[Research Executive]

- iv) (May 2001-May 2002)  
HLG Asset Management  
[Investment Analyst]
- v) (June 2002-August 2002)  
Southern Bank Berhad  
[Fixed Income Dealer]
- vi) (September 2002-March 2004)  
AmInvestment Management Sdn Bhd  
[Credit Analyst]
- vii) (April 2004-March 2005)  
AmInvestment Management Sdn Bhd  
[Assistant Fund Manager]
- viii) (April 2005-March 2006)  
AmInvestment Management Sdn Bhd  
[Fund Manager]
- ix) (April 2006-March 2009)  
AmInvestment Management Sdn Bhd  
[Head of Fixed Income]
- x) (April 2009-March 2010)  
AmInvestment Management Sdn Bhd  
[Head of Fixed Income & Acting Chief Investment Officer  
of Fixed Income]
- xi) (April 2010-June 2016)  
AmInvestment Management Sdn Bhd/ AmFunds  
Management Berhad  
[Chief Investment Officer of Fixed Income]
- xii) (July 2016-May 2017)  
AmFunds Management Berhad  
[Deputy Chief Executive Officer]
- xiii) (June 2017-Present)  
AmFunds Management Berhad  
[Acting Chief Executive Officer]

<b>Occupation</b>	: Acting Chief Executive Officer
<b>Date of appointment</b>	: 1 June 2017
<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: One (1)
<b>Member of any other Board Committee</b>	: Not Applicable
<b>Date of appointment to the</b>	: Not Applicable

<b>Investment Committee</b>	
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: Not Applicable
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

#### 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 ended 30 September 2017 (1 July 2017 to 30 September 2017), there was one (1) Investment Committee meeting held by the Manager.

- Madam Sum Leng Kuang (profile as mentioned above)
- Y. Bhg. Dato' Mustafa bin Mohd Nor (profile as mentioned above)
- Mr Tai Terk Lin (profile as mentioned above)
- Zainal Abidin Bin Mohd Kassim (profile as mentioned below)

<b>Name</b>	: Zainal Abidin Bin Mohd Kassim
<b>Age</b>	: 61 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Science, (First Class Honours), in Actuarial Science (1978), City University London. ii) Fellow of the Actuarial Society of Malaysia. iii) Fellow of the Society of Actuaries of Singapore. Associate of the Society of Actuaries, USA.
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant]  ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]
<b>Occupation</b>	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
<b>Directorship of other public companies</b>	: None
<b>Member of any other Board Committee</b>	: None

<b>Date of appointment to the Investment Committee</b>	: 30 November 2016
<b>Number of Investment Committee meeting attended for the financial period ended 30 September 2017 (1 July 2017 to 30 September 2017)</b>	: Nil
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

#### Material Litigation

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

#### Manager

Previously, we 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 AmFunds Management Berhad (formerly known as AmInvestment Services Berhad) (“AFM”) and AIM on 1 December 2014, AFM has acquired/assume the obligations, undertaking, commitments and contingencies of AIM. Effective 1 December 2014, AFM is a licensed fund manager approved by the Securities Commission Malaysia and manages the Fund.

#### 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 ended 30 September 2017 (1 July 2017 to 30 September 2017), there was one (1) Investment Committee meeting held by the Manager.

## Unitholders

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

<b>NAME</b>	<b>Number of Unit Held</b>	<b>Unit Held (%)</b>
AMINVESTMENT BANK BERHAD	581,860	34.80024%
MAYBANK INVESTMENT BANK BERHAD	100,000	5.98086%
HONG LEONG INVESTMENT BANK BERHAD	71,917	4.30126%
JF APEX SECURITIES BERHAD	56,900	3.40311%
HSBC BANK MALAYSIA BERHAD	33,100	1.97967%
CIMB INVESTMENT BANK BERHAD	30,000	1.79426%
CIMB INVESTMENT BANK BERHAD	28,900	1.72847%
ALLIANCE INVESTMENT BANK BERHAD	25,720	1.53828%
MAYBANK INVESTMENT BANK BERHAD	25,720	1.53828%
MERCURY SECURITIES SDN BHD	25,720	1.53828%
KENANGA INVESTMENT BANK BERHAD	25,720	1.53828%
AFFIN HWANG INVESTMENT BANK BERHAD	25,720	1.53828%
UOB KAY HIAN SECURITIES (M) SDN. BHD.	25,216	1.50813%
CITIBANK BERHAD	22,200	1.32775%
RHB INVESTMENT BANK BERHAD	20,000	1.19617%
RHB INVESTMENT BANK BERHAD	19,290	1.15371%
AFFIN HWANG INVESTMENT BANK BERHAD	18,000	1.07656%
RHB INVESTMENT BANK BERHAD	15,000	0.89713%
HONG LEONG INVESTMENT BANK BERHAD	14,432	0.86316%
PUBLIC INVESTMENT BANK BERHAD	14,144	0.84593%
RHB INVESTMENT BANK BERHAD	12,860	0.76914%
TA SECURITIES HOLDINGS BERHAD	12,860	0.76914%
AFFIN HWANG INVESTMENT BANK BERHAD	12,000	0.71770%
HONG LEONG INVESTMENT BANK BERHAD	11,600	0.69378%
HONG LEONG INVESTMENT BANK BERHAD	10,800	0.64593%
CIMB INVESTMENT BANK BERHAD	10,720	0.64115%
CIMB INVESTMENT BANK BERHAD	10,700	0.63995%
CIMB INVESTMENT BANK BERHAD	10,000	0.59809%
MALACCA SECURITIES SDN BHD	10,000	0.59809%
CIMB INVESTMENT BANK BERHAD	10,000	0.59809%

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2017**

	Note	30-9-2017 (unaudited) RM	31-12-2016 (audited) RM
<b>ASSETS</b>			
Investments	4	3,015,682	2,822,059
Dividends receivable		11,035	6,175
Cash at banks		55,266	70,536
		<u>3,081,983</u>	<u>2,898,770</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Amount due to Manager	5	1,556	1,370
Amount due to Trustee	6	153	140
Amount due to index provider	7	7	1,616
Distributions payable		-	46,816
Sundry payables and accrued expenses		10,255	12,657
		<u>11,971</u>	<u>62,599</u>
<b>TOTAL LIABILITIES</b>			
<b>EQUITY</b>			
Unitholders’ capital	10(a)	2,218,683	2,218,683
Retained earnings	10(b)(c)	851,329	617,488
		<u>3,070,012</u>	<u>2,836,171</u>
<b>TOTAL EQUITY</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>3,081,983</u>	<u>2,898,770</u>
<b>UNITS IN CIRCULATION</b>			
	10(a)	<u>1,672,000</u>	<u>1,672,000</u>
<b>NET ASSET VALUE PER UNIT</b>			
- EX DISTRIBUTION		<u>183.61 sen</u>	<u>169.63 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 2017 TO 30 SEPTEMBER 2017**

	Note	1-7-2017 to 30-9-2017 RM	1-7-2016 to 30-9-2016 RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Gross dividend income		24,702	24,887
Interest income		-	10
Net loss from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	8	(13,894)	(2,922)
Gross Income		<u>10,808</u>	<u>21,975</u>
<b>EXPENDITURE</b>			
Manager’s fee	5	(3,841)	(3,646)
Trustee’s fee	6	(461)	(437)
Licence fee	7	(365)	(292)
Auditors’ remuneration		(1,122)	(1,380)
Tax agent’s fee		(1,247)	(1,257)
Other expenses – current financial period	9	(2,141)	(1,716)
Other expenses – over provision in prior financial period		-	3,400
Total Expenditure		<u>(9,177)</u>	<u>(5,328)</u>
NET INCOME BEFORE TAX		1,631	16,647
LESS: INCOME TAX	12	(11)	(14)
NET INCOME AFTER TAX		1,620	16,633
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u><u>1,620</u></u>	<u><u>16,633</u></u>
Total comprehensive income comprises the following:			
Realised income		15,514	20,537
Unrealised loss		(13,894)	(3,904)
		<u><u>1,620</u></u>	<u><u>16,633</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 2017 TO 30 SEPTEMBER 2017**

	<b>Unitholders’ capital RM</b>	<b>Retained earnings RM</b>	<b>Total equity RM</b>
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>
At 1 July 2017	2,218,683	849,709	3,068,392
Total comprehensive income for the financial period	-	1,620	1,620
Balance at 30 September 2017	<u>2,218,683</u>	<u>851,329</u>	<u>3,070,012</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 2017 TO 30 SEPTEMBER 2017**

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	1,451
Dividends received	16,261	26,387
Interest received	-	10
Manager’s fee paid	(3,850)	(3,579)
Trustee’s fee paid	(461)	(429)
Tax agent’s fee paid	(5,000)	(5,000)
Licence fee paid	-	(308)
Payments for other expenses	(3,960)	(2,226)
	<u>2,990</u>	<u>16,306</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Distributions paid	(8,360)	(8,360)
	<u>(8,360)</u>	<u>(8,360)</u>
<b>NET (DECREASE)/INCREASE IN CASH EQUIVALENTS</b>		
	(5,370)	7,946
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u>60,636</u>	<u>29,529</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><u>55,266</u></u>	<u><u>37,475</u></u>
Cash and cash equivalents comprise:		
Cash at banks	<u><u>55,266</u></u>	<u><u>37,475</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 will be effective for financial year beginning on or after 1 January 2018. 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**

	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
<b>Financial assets at FVTPL</b>		
Quoted equity securities in Malaysia	<u>3,015,682</u>	<u>2,822,059</u>

Details of investments as at 30 September 2017 are as follows:

Name of company	Number of shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
<b>Quoted equity securities in Malaysia</b>				
<b>Construction</b>				
IJM Corporation Berhad	17,500	57,750	57,628	1.88
<b>Consumer products</b>				
British American Tobacco (Malaysia) Berhad	800	34,992	37,873	1.14
PPB Group Berhad	3,100	52,266	43,703	1.70
	3,900	87,258	81,576	2.84
<b>Finance</b>				
AMMB Holdings Berhad	10,400	45,344	55,411	1.48
CIMB Group Holdings Berhad	37,010	233,164	260,711	7.59
Hong Leong Bank Berhad	3,612	57,286	32,848	1.87
Hong Leong Financial Group Berhad	1,090	18,094	12,439	0.59
Malayan Banking Berhad	32,431	309,067	255,314	10.07
Public Bank Berhad	17,930	366,489	214,570	11.94
RHB Bank Berhad	10,550	28,726	30,460	0.93
	113,023	1,058,170	861,753	34.47
<b>Industrial products</b>				
PETRONAS Chemicals Group Berhad	16,400	119,556	96,162	3.89
PETRONAS Gas Berhad	4,500	80,550	55,495	2.63
	20,900	200,106	151,657	6.52
<b>Infrastructure</b>				
DiGi.Com Berhad	21,200	103,880	52,981	3.38
<b>Plantation</b>				
IOI Corporation Berhad	19,285	87,554	110,789	2.85
Kuala Lumpur Kepong Berhad	2,700	66,312	50,006	2.16
	21,985	153,866	160,795	5.01

(Forward)



Name of company	Number of shares	Market value RM	Purchase cost RM	Market value as a percentage of net asset value %
<b>Quoted equity securities in Malaysia</b>				
<b>REITs</b>				
KLCC Real Estate Investment Trust	2,000	16,000	13,131	0.52
<b>Trading/Services</b>				
Astro Malaysia Holdings Berhad	10,300	29,046	30,581	0.95
Axiata Group Berhad	26,300	137,812	116,022	4.49
Genting Berhad	12,900	123,195	120,457	4.01
Genting Malaysia Berhad	16,300	87,694	57,660	2.86
Hap Seng Consolidated Berhad	3,300	30,030	26,952	0.98
IHH Healthcare Berhad	16,200	93,150	56,263	3.03
Maxis Berhad	15,300	88,740	87,653	2.89
MISC Berhad	8,000	58,400	40,164	1.90
PETRONAS Dagangan Berhad	1,600	38,912	22,562	1.27
Sime Darby Berhad	20,489	184,811	174,185	6.02
Telekom Malaysia Berhad	11,400	74,100	31,975	2.41
Tenaga Nasional Berhad	23,600	337,952	204,204	11.01
Westport Holdings Berhad	5,200	19,812	22,635	0.65
YTL Corporation Berhad	25,734	34,998	39,714	1.14
	196,623	1,338,652	1,031,027	43.61
<b>Total financial assets at FVTPL</b>	<b>397,131</b>	<b>3,015,682</b>	<b>2,410,548</b>	<b>98.23</b>
<b>Excess of market value over cost</b>		<b>605,134</b>		

## 5. AMOUNT DUE TO MANAGER

	30-9-2017 RM	31-12-2016 RM
Manager's fee payable	(1,356)	(1,170)
Application fee payable to Manager	(200)	(200)
	<b>(1,556)</b>	<b>(1,370)</b>

Manager's fee is at a rate of 0.50% (2016: 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.

**6. AMOUNT DUE TO TRUSTEE**

Trustee's fee is at a rate of 0.06% (2016: 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.

**7. AMOUNT DUE TO INDEX PROVIDER**

Licence fee is at a rate of 0.04% (2016: 0.04%) per annum on the net asset value of the Fund, calculated on a daily basis.

**8. NET LOSS FROM INVESTMENTS**

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net loss on financial assets at FVTPL comprised:		
– Net realised gain on sale of investments	-	982
– Net unrealised loss on changes in fair values of investments	<u>(13,894)</u>	<u>(3,904)</u>
	<u><u>(13,894)</u></u>	<u><u>(2,922)</u></u>

**9. OTHER EXPENSES**

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial period amounting to RM798 (2016: RM1,020).

## 10. TOTAL EQUITY

Total equity is represented by:

	Note	30-9-2017 RM	31-12-2016 RM
Unitholders' capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	246,195	185,267
– Unrealised gain	(c)	605,134	432,221
		<u>3,070,012</u>	<u>2,836,171</u>

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

	30-9-2017		31-12-2016	
	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

	30-9-2017 RM	31-12-2016 RM
At beginning of the financial period/year	230,681	221,821
Total comprehensive income/(loss) for the financial period/year	1,620	(16,755)
Net unrealised loss attributable to investments held transferred to unrealised reserve [Note 10(c)]	13,894	35,377
Distributions out of realised reserve	-	(55,176)
Net increase/(decrease) in realised reserve for the financial period/year	<u>15,514</u>	<u>(36,554)</u>
At end of the financial period/year	<u>246,195</u>	<u>185,267</u>

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

	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	619,028	467,598
(Forward)		
	<b>30-9-2017</b>	<b>31-12-2016</b>
	<b>RM</b>	<b>RM</b>
Net unrealised loss attributable to investments held transferred from realised reserve [Note 10(b)]	<u>(13,894)</u>	<u>(35,377)</u>
At end of the financial period/year	<u><u>605,134</u></u>	<u><u>432,221</u></u>

**11. UNITS HELD BY RELATED PARTIES**

	<b>30-9-2017</b>		<b>31-12-2016</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
AmInvestment Bank Berhad*	<u>593,176</u>	<u>1,088,478</u>	<u>224,176</u>	<u>393,429</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 2017 and 31 December 2016.

**12. INCOME TAX**

	<b>1-7-2017 to 30-9-2017</b>	<b>1-7-2016 to 30-9-2016</b>
	<b>RM</b>	<b>RM</b>
Current financial period	<u>11</u>	<u>14</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, local interest income derived by the Fund is exempted from tax.

A reconciliation of income tax expense applicable to net 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:

	<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net income before tax	<u>1,631</u>	<u>16,647</u>
Taxation at Malaysian statutory rate of 24%	391	3,995
Tax effects of:		
Income not subject to tax	(5,902)	(6,178)
Effect of different tax rate	(15)	(19)
Loss not subject for tax purposes	3,335	937
Restriction on tax deductible expenses for Exchange Traded Fund	1,211	351
Non-permitted expenses for tax purposes	856	889
Permitted expenses not used and not available for future financial periods	<u>135</u>	<u>39</u>
Tax expense for the financial period	<u>11</u>	<u>14</u>

### 13. DISTRIBUTIONS

No distribution was declared by the Fund for the financial periods ended 30 September 2017 and 30 September 2016.

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

The Fund’s MER is as follows:

	<b>1-7-2017 to 30-9-2017 % p.a.</b>	<b>1-7-2016 to 30-9-2016 % p.a.</b>
Manager’s fee	0.50	0.50
Trustee’s fee	0.06	0.06
Licence fee	0.04	0.04
Fund’s other expenses	<u>0.59</u>	<u>0.13</u>
Total MER	<u>1.19</u>	<u>0.73</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.

## 15. 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 (2016: nil).

## 16. SEGMENTAL REPORTING

In accordance with the objective of the Fund, substantially all of the Fund’s investments are made in the form of quoted 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.

## 17. TRANSACTIONS WITH FINANCIAL INSTITUTION

There was no transaction with financial institution and broker for the financial period ended 30 September 2017.

## 18. 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.

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>30 September 2017</b>				
<b>Assets</b>				
Investments	3,015,682	-	-	3,015,682
Dividends receivable	-	11,035	-	11,035
Cash at banks	-	55,266	-	55,266
Total financial assets	<u>3,015,682</u>	<u>66,301</u>	<u>-</u>	<u>3,081,983</u>

(Forward)

	<b>Financial assets at FVTPL RM</b>	<b>Loans and receivables at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>30 September 2017</b>				
<b>Liabilities</b>				
Amount due to Manager	-	-	1,556	1,556
Amount due to Trustee	-	-	153	153
Amount due to index provider	-	-	7	7
Sundry payables and accrued expenses	-	-	10,255	10,255
Total financial liabilities	-	-	11,971	11,971
<b>31 December 2016</b>				
<b>Assets</b>				
Investments	2,822,059	-	-	2,822,059
Dividends receivable	-	6,175	-	6,175
Cash at banks	-	70,536	-	70,536
Total financial assets	2,822,059	76,711	-	2,898,770
<b>Liabilities</b>				
Amount due to Manager	-	-	1,370	1,370
Amount due to Trustee	-	-	140	140
Amount due to index provider	-	-	1,616	1,616
Distribution payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	12,657	12,657
Total financial liabilities	-	-	62,599	62,599
<b>Income, expense, gains and losses</b>				
			<b>1-7-2017 to 30-9-2017 RM</b>	<b>1-7-2016 to 30-9-2016 RM</b>
Net loss from financial assets at FVTPL			(13,894)	(2,922)
Income, of which derived from:				
– Gross dividend income from financial assets at FVTPL			24,702	24,887
– Interest income from loans and receivables			-	10

(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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>30 September 2017</b>				
Financial assets at FVTPL	<u>3,015,682</u>	<u>-</u>	<u>-</u>	<u>3,015,682</u>
<b>31 December 2016</b>				
Financial assets at FVTPL	<u>2,822,059</u>	<u>-</u>	<u>-</u>	<u>2,822,059</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 are no financial instruments which are not carried at fair values and whose carrying amounts are not reasonable approximation of their respective fair values.



## 19. RISK MANAGEMENT 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	
	2017 RM	2016 RM
-5.00%	(150,784)	(142,109)
+5.00%	<u>150,784</u>	<u>142,109</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 short-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 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.

## **20. 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 2017 and 30 September 2016.

