

**FTSE BURSA MALAYSIA KLCI etf**

**Semi-Annual Report**

**30 June 2019**

## **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**

Jeyaratnam A/L Tamotharam Pillai  
Dato' Mustafa Bin Mohd Nor  
Tai Terk Lin  
Sum Leng Kuang  
Seohan Soo  
Goh Wee Peng

### **Investment Committee**

Sum Leng Kuang  
Tai Terk Lin  
Dato' Mustafa Bin Mohd Nor  
Zainal Abidin Bin Mohd Kassim  
Goh Wee Peng

### **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

22<sup>nd</sup> Floor, Bangunan AmBank Group  
No.55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2036 2633

Head Office

9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No.55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2032 2888  
E-mail:enquiries@aminvest.com  
Website:www.aminvest.com

### **Secretaries**

Gian Ai Ziah (MAICSA 7045071)  
Koh Suet Peng (MAICSA 7019861)  
22nd Floor, Bangunan AmBank Group  
No. 55 Jalan Raja Chulan  
50200 Kuala Lumpur

### **HSBC (Malaysia) Trustee Berhad (1281-T)**

Registered & Business Office

13<sup>th</sup> Floor, Bangunan HSBC, South Tower  
No.2, Leboh Ampang, 50100 Kuala Lumpur  
Tel: 03-2075 7800  
Fax: 03-2179 6511

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## MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the unaudited accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("Fund") for the financial period from 1 January 2019 to 30 June 2019.

### Salient Information of the Fund

<b>Name</b>	FTSE Bursa Malaysia KLCI etf ("Fund")																																																																																																		
<b>Category/ Type</b>	ETF/ Equity																																																																																																		
<b>Objective</b>	<p>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.</p> <p><i>Note: Any material change to the investment objective of the Fund would require Unit Holders' approval.</i></p>																																																																																																		
<b>Index Component</b>	<p>Details of the index component as at 30 June 2019 are as follows:</p> <table border="1"> <thead> <tr> <th>Stock code</th> <th>Company's name</th> <th>Percentage weight (%)</th> <th>Shares in issue ('million units)</th> </tr> </thead> <tbody> <tr> <td>1295</td> <td>Public Bank Berhad</td> <td>13.52</td> <td>3,882.14</td> </tr> <tr> <td>5347</td> <td>Tenaga Nasional Berhad</td> <td>10.26</td> <td>5,686.89</td> </tr> <tr> <td>1155</td> <td>Malayan Banking Berhad</td> <td>9.94</td> <td>11,049.68</td> </tr> <tr> <td>1023</td> <td>CIMB Group Holdings Berhad</td> <td>7.00</td> <td>9,727.42</td> </tr> <tr> <td>5183</td> <td>PETRONAS Chemicals Group Berhad</td> <td>4.51</td> <td>8,000.00</td> </tr> <tr> <td>6888</td> <td>Axiata Group Berhad</td> <td>4.34</td> <td>9,078.28</td> </tr> <tr> <td>6947</td> <td>DiGi.Com Berhad</td> <td>3.51</td> <td>7,775.00</td> </tr> <tr> <td>5285</td> <td>Sime Darby Plantation Berhad</td> <td>3.33</td> <td>6,884.58</td> </tr> <tr> <td>5225</td> <td>IHH Healthcare Berhad</td> <td>3.27</td> <td>8,769.30</td> </tr> <tr> <td>3182</td> <td>Genting Berhad</td> <td>2.95</td> <td>3,850.58</td> </tr> <tr> <td>6012</td> <td>Maxis Berhad</td> <td>2.90</td> <td>7,816.65</td> </tr> <tr> <td>7277</td> <td>Dialog Group Berhad</td> <td>2.83</td> <td>5,638.31</td> </tr> <tr> <td>1961</td> <td>IOI Corporation Berhad</td> <td>2.56</td> <td>6,284.64</td> </tr> <tr> <td>6033</td> <td>PETRONAS Gas Berhad</td> <td>2.56</td> <td>1,978.73</td> </tr> <tr> <td>5819</td> <td>Hong Leong Bank Berhad</td> <td>2.40</td> <td>2,086.62</td> </tr> <tr> <td>4065</td> <td>PPB Group Berhad</td> <td>2.38</td> <td>1,422.60</td> </tr> <tr> <td>2445</td> <td>Kuala Lumpur Kepong Berhad</td> <td>2.17</td> <td>1,064.97</td> </tr> <tr> <td>3816</td> <td>MISC Berhad</td> <td>1.95</td> <td>4,463.75</td> </tr> <tr> <td>4707</td> <td>Nestle (Malaysia) Berhad</td> <td>1.73</td> <td>234.50</td> </tr> <tr> <td>4715</td> <td>Genting Malaysia Berhad</td> <td>1.72</td> <td>5,653.67</td> </tr> <tr> <td>1066</td> <td>RHB Bank Berhad</td> <td>1.64</td> <td>4,010.05</td> </tr> <tr> <td>8869</td> <td>Press Metal Aluminium Holdings Berhad</td> <td>1.58</td> <td>4,023.00</td> </tr> <tr> <td>7113</td> <td>Top Glove Corporation Berhad</td> <td>1.58</td> <td>2,560.58</td> </tr> </tbody> </table> <p>(Forward)</p>			Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	1295	Public Bank Berhad	13.52	3,882.14	5347	Tenaga Nasional Berhad	10.26	5,686.89	1155	Malayan Banking Berhad	9.94	11,049.68	1023	CIMB Group Holdings Berhad	7.00	9,727.42	5183	PETRONAS Chemicals Group Berhad	4.51	8,000.00	6888	Axiata Group Berhad	4.34	9,078.28	6947	DiGi.Com Berhad	3.51	7,775.00	5285	Sime Darby Plantation Berhad	3.33	6,884.58	5225	IHH Healthcare Berhad	3.27	8,769.30	3182	Genting Berhad	2.95	3,850.58	6012	Maxis Berhad	2.90	7,816.65	7277	Dialog Group Berhad	2.83	5,638.31	1961	IOI Corporation Berhad	2.56	6,284.64	6033	PETRONAS Gas Berhad	2.56	1,978.73	5819	Hong Leong Bank Berhad	2.40	2,086.62	4065	PPB Group Berhad	2.38	1,422.60	2445	Kuala Lumpur Kepong Berhad	2.17	1,064.97	3816	MISC Berhad	1.95	4,463.75	4707	Nestle (Malaysia) Berhad	1.73	234.50	4715	Genting Malaysia Berhad	1.72	5,653.67	1066	RHB Bank Berhad	1.64	4,010.05	8869	Press Metal Aluminium Holdings Berhad	1.58	4,023.00	7113	Top Glove Corporation Berhad	1.58	2,560.58
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	<b>Stock code</b>	<b>Company's name</b>	<b>Percentage weight (%)</b>	<b>Shares in issue ('million units)</b>	
	1015	AMMB Holdings Berhad	1.54	3,014.19	
	4197	Sime Darby Berhad	1.51	6,801.00	
	5168	Hartalega Holdings Berhad	1.46	3,345.56	
	5014	Malaysia Airports Holdings Berhad	1.44	1,659.19	
	5681	PETRONAS Dagangan Berhad	1.40	993.45	
	3034	Hap Seng Consolidated Berhad	1.23	2,489.67	
	1082	Hong Leong Financial Group Berhad	0.80	1,144.00	
<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")  <i>Source: FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. "BURSA MALAYSIA" is a trade mark of Bursa Malaysia Berhad ("BURSA MALAYSIA"). All intellectual property rights in the index values and constituent list vests in FTSE and BURSA MALAYSIA. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.</i>				
<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 June 2019</b>		<b>As at 31 December 2018</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	1,579	46	1,554	44
	100 - 1,000	71,712	138	67,022	126
	1,001 - 10,000	495,300	128	430,745	116
	10,001 – 100,000	954,209	34	722,419	30
	100,001 to less than 5% of issue units	-	-	159,200	1
	5% and above of issue units	149,200	1	291,060	1

## Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial period as at 30 June 2019 and five financial years as at 31 December are as follows:					
	As at 30-6-2019 %	FY 2018 %	FY 2017 %	FY 2016 %	FY 2015 %	FY 2014 %
Construction	-	-	1.79	1.97	-	-
Consumer discretionary	4.63	4.29	-	-	-	-
Consumers products	-	-	2.85	3.10	3.40	3.39
Consumer staples	11.95	11.82	-	-	-	-
Energy	4.21	4.13	-	-	-	-
Financials	36.40	38.25	35.58	32.56	30.85	31.11
Health care	6.26	6.33	-	-	-	-
Industrials	6.10	6.07	6.56	7.74	7.89	6.71
Infrastructure project companies	-	-	3.46	3.76	4.09	4.67
Materials	6.06	6.68	-	-	-	-
Plantations	-	-	8.79	5.79	5.76	6.90
REITs	-	-	0.72	0.59	0.58	0.53
Telecommunication services	10.67	9.29	-	-	-	-
Trading/Services	-	-	39.34	43.99	46.84	46.07
Utilities	12.76	12.98	-	-	-	-
Cash and others	0.96	0.16	0.91	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>	<b>100.00</b>
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>					
Performance Details	Performance details of the Fund for the financial period ended 30 June 2019 and five financial years ended 31 December are as follows:					
	Half year ended 30-6-2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Net asset value (RM)*	2,916,893	2,929,354	3,123,423	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	1,672,000
Net asset value per unit (RM)*	1.7446	1.7520	1.8681	1.6963	1.7393	1.8032
Highest net asset per unit (RM)*	1.7903	1.9757	1.8704	1.7851	1.9172	1.9418
Lowest net asset per unit (RM)*	1.6706	1.7255	1.6898	1.6450	1.5833	1.7352
	(Forward)					

	Half year ended 30-6-2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Closing quoted price (RM)*	1.7400	1.7900	1.8450	1.7550	1.7350	1.7800
Highest quoted price (RM)*	1.9000	1.9600	1.8600	1.7850	1.8900	1.9000
Lowest quoted price (RM)*	1.6750	1.7500	1.7000	1.6450	1.5850	1.7800
Benchmark performance (%)	0.58	-2.98	13.22	0.07	-0.97	-2.62
Total return (%) <sup>(1)</sup>	-0.14	-4.44	12.10	-0.55	-2.15	-3.55
- Capital growth (%)	-0.43	-6.21	10.15	-2.45	-3.54	-5.05
- Income distribution (%)	0.29	1.77	1.95	1.90	1.39	1.50
Gross distribution (sen per unit)	0.50	3.30	3.30	3.30	2.50	2.85
Net distribution (sen per unit)	0.50	3.30	3.30	3.30	2.50	2.85
Distribution yield (%) <sup>(2)</sup>	0.28	1.79	1.88	1.90	1.40	1.57
Management expense ratio (%) <sup>(3)</sup>	1.38	1.14	1.17	0.52	1.08	1.04
Portfolio turnover ratio (times) <sup>(4)</sup>	0.01	0.15	0.04	0.04	0.05	0.03

\* Above prices and net asset value per unit are shown as ex-distribution.

Note:

- (1) Total return is the actual return of the Fund for the respective financial period/ 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 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 0.24% as compared to 1.14% per annum for the financial year ended 31 December 2018 mainly due to decrease in average fund size.
- (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 0.14 times (93.3%) as compared to 0.15 times for the financial year ended 31 December 2018 mainly due to decrease in investing activities.



**Average Total Return (as at 30 June 2019)**

	<b>FBM KLCI etf<sup>(a)</sup></b> %	<b>FBM KLCI/ FBM30 Index<sup>(b)</sup></b> %
One year	0.61	2.08
Three years	2.41	3.65
Five years	-0.26	0.81
Ten years	6.61	7.98

**Annual Total Return**

<b>Financial Years Ended (31 December)</b>	<b>FBM KLCI etf<sup>(a)</sup></b> %	<b>FBM KLCI/ FBM30 Index<sup>(b)</sup></b> %
2018	-4.44	-2.98
2017	12.10	13.22
2016	-0.55	0.07
2015	-2.15	-0.97
2014	-3.55	-2.62

(a) Source: Novagni Analytics and Advisory Sdn. Bhd.

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

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

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

**Fund Performance**

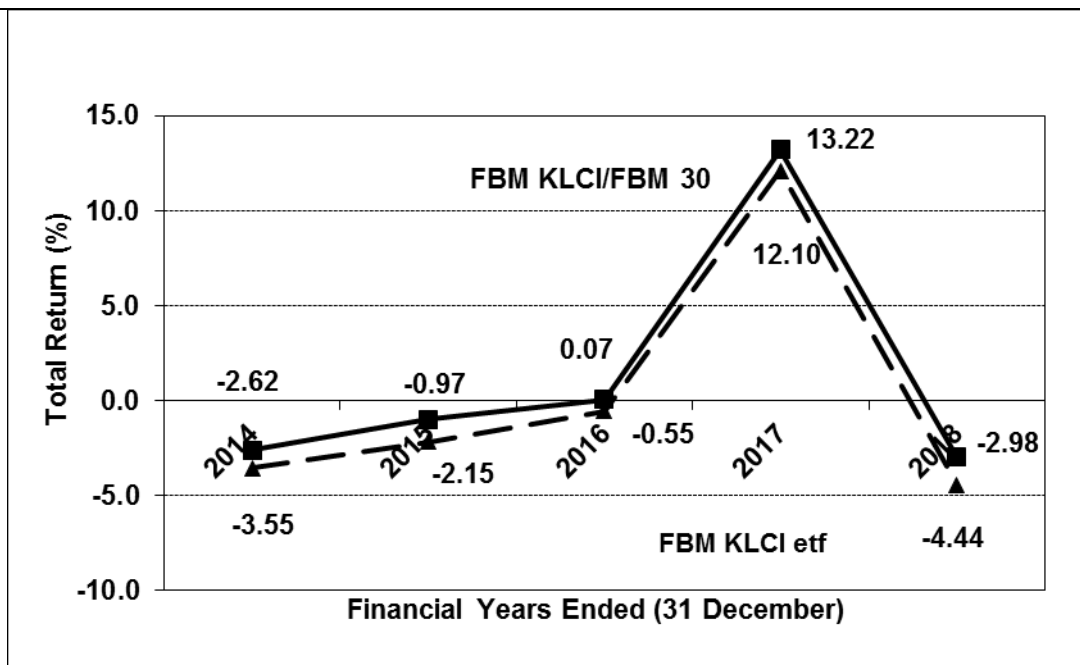
For the financial period under review, the Fund registered a negative return of 0.14% comprising of negative 0.43% capital and 0.29% income distribution.

Thus, the Fund’s negative return of 0.14% has underperformed the benchmark’s return of 0.58% by 0.72%.

As compared with the financial year ended 31 December 2018, the net asset value (“NAV”) of the Fund decreased by 0.43% from RM2,929,354 to RM2,916,893. The NAV per unit of the Fund decreased by 0.42% from RM1.7520 to RM1.7446, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 2.79% from RM1.7900 to RM1.7400.

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



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

**Strategies and Policies Employed**

For the financial period under review, the Manager had been indexing using complete or partial replication. This will generally result in the Fund investing all or substantially all of its assets in the constituents of the benchmark index. In managing the Fund, the Manager aims to achieve performance, over time, with a correlation of 95% or better between the Fund's portfolio NAV and the benchmark index.

The Manager will be responsible to monitor the correlation and if, in the Manager's belief, the current portfolio is not tracking the benchmark index and that it will lead to correlation below the objective of 95%, then the Manager may judiciously rebalance the portfolio to improve correlation or to rectify the divergence. Except for index changes, where rebalancing of the portfolio may have to take place prior to, upon or after the index changes, rebalancing of the portfolio will be carried out, no more than once a month.

Where the Manager deems appropriate, the Manager may allow a Participating Dealer that has been pre-approved, to tender Zero Strike Call Options equivalent in value to an In-Kind Creation Basket or multiples thereof, in exchange for ETF units, to facilitate the liquidity provision process.

**Portfolio Structure**

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

	As at 30-6-2019 %	As at 31-12-2018 %	Changes %
Consumer discretionary	4.63	4.29	0.34
Consumer staples	11.95	11.82	0.13
Energy	4.21	4.13	0.08
(Forward)			

	As at 30-6-2019 %	As at 31-12-2018 %	Changes %
Financials	36.40	38.25	-1.85
Health care	6.26	6.33	-0.07
Industrials	6.10	6.07	0.03
Materials	6.06	6.68	-0.62
Telecommunication services	10.67	9.29	1.38
Utilities	12.76	12.98	-0.22
Cash and others	0.96	0.16	0.80
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

During the financial period under review, the Fund reduced weighting in Financials, Materials and Utilities and re-deployed money into Telecommunication services, Consumer discretionary and Consumer staples.

<b>Cross Trade</b>	There were no cross trades for the Fund during this financial period under review.
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<b>Distribution/ unit splits</b>	During the financial period under review, the Fund declared income distributions, detailed as follows:								
	<table border="1"> <thead> <tr> <th>0.50 sen per unit income distribution</th> <th>Change in the unit price prior and subsequent to the income distribution</th> <th>Before income distribution on 24 June 2019 (RM)</th> <th>After income distribution on 24 June 2019 (RM)</th> </tr> </thead> <tbody> <tr> <td></td> <td>Net asset value per unit</td> <td>1.7520</td> <td>1.7470</td> </tr> </tbody> </table>	0.50 sen per unit income distribution	Change in the unit price prior and subsequent to the income distribution	Before income distribution on 24 June 2019 (RM)	After income distribution on 24 June 2019 (RM)		Net asset value per unit	1.7520	1.7470
0.50 sen per unit income distribution	Change in the unit price prior and subsequent to the income distribution	Before income distribution on 24 June 2019 (RM)	After income distribution on 24 June 2019 (RM)						
	Net asset value per unit	1.7520	1.7470						

There was no unit split declared for the financial period under review.

<b>State of Affairs of the Fund</b>	<p>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.</p> <p><i>Note: The Manager has appointed Deutsche Trustees Malaysia Berhad (“DTMB”) to carry out the fund accounting and valuation services for all funds effective 20<sup>th</sup> June 2018.</i></p>
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<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>
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<b>Market Review</b>	The KLCI was down 0.4% month-on-month (“m.o.m”), despite strong performance of global equities where Dow Jones surged 7.2% m.o.m. In line with the risk-on sentiment, investors dumped blue chips in exchange for the mid and small cap stocks. Hence, the FBM70 and FBM Small Cap gained 5.7% and 7.2% m.o.m. respectively. Global market was rather bullish as for now since the US Federal
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signalled it is putting further interest rate rises on hold “in light of global economic and financial developments and muted inflation pressures”. The Federal also pledged flexibility on the path for reducing its balance sheet. This marked a reversal, barely a month ago, from December 2018, when the Federal signalled that “some further gradual increases” were coming. As a consequence of change in US rate hike expectation, US Dollar (“USD”) weakened and Malaysia Ringgit (“MYR”) strengthened 0.9% m.o.m. to RM4.10 to the dollar. US-China trade talk had some setbacks when US Commerce Secretary Wilbur Ross says the US-China are “miles and miles” apart from coming to a broader trade deal before the 1 March deadline. On top of that, US federal prosecutors went after Huawei for financial fraud and allegedly stealing trade secrets.

The KLCI was up 1.4% m.o.m, in line with strong performance of Dow Jones. Global market was rather bullish as President Trump extends China tariff deadline to raise tariffs on Chinese goods beyond 1 March, citing substantial progress in the latest round of trade talks. Malaysia’s 4Q2018 corporate reporting season was disappointing; with only 45% of companies under Maybank research universe met expectation, down from 48% in the preceding quarter. KLCI earnings growth ended 2018 with -2.5% Year-On-Year (“y.o.y”). Maybank research cut 2019 earnings growth to 6.1% from 7.8% y.o.y. previously.

The KLCI was down 3.8% m.o.m. The big cap led by the banks dragged the KLCI down. FBM70 and FBMSC performed much better, went up by 1.9% and 1.3% m.o.m. respectively. US 10-Year Treasury yield collapsed 31bps in the month of March to close at 2.41%, which caused an inverted yield curve versus the US 3-Month Treasury bill yield which closed at 2.42%. The Federal funds futures are now discounting a 25bps cut this year and another 25bps rate cut in 2020. Besides pausing the rate hike, the US Federal also announced a schedule for ending balance sheet contraction. As a consequence, the Federal balance sheet contraction will end at the end of September at USD3.70tri, or 6.8% below the current level of USD3.97tri. The rate collapse came about following the release of weak February manufacturing Purchasing Managers' Index (“PMI”) numbers from major economies of the world. EU and Japan’s The PMI was particularly weak dipping below 50, signaling contraction in economic activities.

The KLCI was down marginally by -0.1% m.o.m. The mid and small cap as represented by FBM70 and FBMSC performed much better, gone up by 2.6% and 7.2% m.o.m. respectively. MYR was weakened against USD by 1.3% m.o.m. to close at 4.13. Two major news that drove the MYR weakness were 1) FTSE Russell announced that Malaysia’s “market accessibility level” has been put on watch list, with the next review in September 2019. If Malaysia’s classification drops 1 level, it will be removed from FTSE World Government Bond Index. Malaysia weighting in the index is estimated at 0.39% or USD7-8b which is 20% of foreign holdings in Malaysian Government Securities (“MGS”) and 2) An international rating agency Investors Service views the Malaysian Government's financial aid of RM6.2b (USD1.5b or 0.4% of GDP) to Federal Land Development Authority (“Felda”) is a credit negative.

The KLCI was up 0.5% m.o.m bucking the downtrend of global market where the Dow Jones fell 6.7% m.o.m The mid and small cap as represented by FBM70 and FBMSC performed much worse, down by 2.3% and 7.9% m.o.m respectively. On the back of deterioration in global economic outlook from trade wars, US 10-year treasury yield plunged 38bps to close at 2.12%, resulted in inverted yield curve

	<p>against the 3-month Treasury bill. The US 10Y-3m yield gap had widened to 20bps, compared to 2-3bps in the past few months, signaling weaker growth and possible recession ahead. Back to Malaysia, the recent concluded 1Q2019 corporate results were mixed. According to CGS-CIMB, revision ratio (% of outperformers vs. underperformers) deteriorated to 0.32x in 1Q2019 vs. 0.46x in 4Q2018. KLCI earnings growth was cut to -3% from +5% previously for 2019.</p> <p>The KLCI was up 1.3% m.o.m, in line with the strong performance of the Dow Jones, which was up 7.2% m.o.m. The mid and small cap as represented by FBM70 and FBMSC performed even better, up by 2.5% and 3.6% m.o.m respectively. Investors turned bullish by the assurance offered by Federal Chairman Powell, that the Federal “will act as appropriate to sustain the expansion” if the trade situation deteriorates. Subsequently, in the June US Federal Open Market Committee (“FOMC”) meeting, the Federal held interest rates steady but sent a clear signal that it will likely cut rates this year as uncertainty on the growth outlook has increased and inflationary pressure has been muted. The result is that money markets are now discounting up to 4 Federal rate cuts in one year’s time to 1.5% from current 2.5%. US 10-year treasury yield declined 12bps to 2.01%, the lowest level since 2016. This sparked the sell-off in the USD, where the Dollar Index went down 1.7% m.o.m and the related break out in the Gold price, up 8% m.o.m to USD1,410/oz. On top of that, market was greeted by another positive news at the G20 summit, where US President Trump and China President Xi, have agreed to a temporary truce to restart the trade talk. US no longer imposes new tariffs on Chinese products, but the US maintains the current tariff level of 25% of the USD250b. US allows Huawei to continue to trade with US companies and purchase products of US companies in a field that does not threaten US national security.</p>
<p><b>Market Outlook</b></p>	<p>In the month of July, global market sentiment was lifted by 1) a wave of easing monetary policy by global central banks; 2) resumption of the US-China trade talks and 3) better than expected US corporates’ results. However, global market continued to face headwinds, namely: 1) slower global growth; 2) persistently subdued inflation; 3) impact from Brexit and 4) weak corporate earnings expectation.</p> <p>For the local market, all eyes will be focusing on the upcoming 2Q2019 results season as this will help to gauge the corporate earnings strength in the near term while searching for new alpha ideas. Our portfolio will continue to focus on undervalued large cap as the KLCI Index remained the laggard vis-à-vis the smaller cap indexes, this strategy would limit the downside risk while riding through this volatile period. A large part of our portfolio will consist of quality defensive names with resilient earnings while the yields shall continue to provide consistent income to the portfolio.</p> <p>While we remain defensive, we continue to prefer sectors such as financial, consumer (non-discretionary), oil &amp; gas players involved in maintenance, exporters, construction players which are focusing on government’s effort in reviving some shelved projects (as the sector has the highest multiplier effect of 2x) and REITs.</p>
<p><b>Additional Information</b></p>	<p>The following information has been updated:</p> <ol style="list-style-type: none"> <li>1. Jeyaratnam A/L Tamotharam Pillai has been appointed as an Independent Non-Executive Chairman for AmFunds Management Berhad with effect from 1<sup>st</sup> April 2019.</li> </ol>

Kuala Lumpur, Malaysia  
AmFunds Management Berhad  
13 August 2019

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Note	30-6-2019 (unaudited) RM	31-12-2018 (audited) RM
<b>ASSETS</b>			
Investments	4	2,888,814	2,924,659
Dividends receivable		3,590	2,199
Cash at banks		50,240	64,924
		<u>2,942,644</u>	<u>2,991,782</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Amount due to Manager	5	1,390	1,531
Amount due to Trustee	6	119	135
Amount due to index provider	7	2,180	1,563
Distributions payable		8,360	46,816
Sundry payables and accrued expenses		13,702	12,383
		<u>25,751</u>	<u>62,428</u>
<b>TOTAL LIABILITIES</b>			
<b>EQUITY</b>			
Unitholders’ capital	9(a)	2,218,683	2,218,683
Retained earnings	9(b)(c)	698,210	710,671
		<u>2,916,893</u>	<u>2,929,354</u>
<b>TOTAL EQUITY</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>2,942,644</u>	<u>2,991,782</u>
<b>UNITS IN CIRCULATION</b>			
	9(a)	<u>1,672,000</u>	<u>1,672,000</u>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>			
		<u>174.46 sen</u>	<u>175.20 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 JANUARY 2019 TO 30 JUNE 2019**

	Note	1-1-2019 to 30-6-2019 RM	1-1-2018 to 30-6-2018 RM
<b>INVESTMENT INCOME/(LOSS)</b>			
Gross dividend income		50,392	52,145
Net loss from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	8	<u>(34,141)</u>	<u>(190,811)</u>
Gross Income/(Loss)		<u>16,251</u>	<u>(138,666)</u>
<b>EXPENDITURE</b>			
Manager’s fee	5	(7,076)	(7,924)
Trustee’s fee	6	(850)	(951)
Licence fee	7	(566)	(634)
Auditors’ remuneration		(2,341)	(2,244)
Tax agent’s fee		(2,452)	(2,494)
Other expenses		<u>(7,067)</u>	<u>(7,999)</u>
Total Expenditure		<u>(20,352)</u>	<u>(22,246)</u>
NET LOSS BEFORE TAX		(4,101)	(160,912)
LESS: INCOME TAX	11	<u>-</u>	<u>(28)</u>
NET LOSS AFTER TAX		(4,101)	(160,940)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u><u>(4,101)</u></u>	<u><u>(160,940)</u></u>
Total comprehensive loss comprises the following:			
Realised income/(loss)		33,465	(3,981)
Unrealised loss		<u>(37,566)</u>	<u>(156,959)</u>
		<u><u>(4,101)</u></u>	<u><u>(160,940)</u></u>
Distributions for the financial period:			
Net distributions	12	<u>8,360</u>	<u>8,360</u>
Gross/net distributions per unit (sen)	12	<u>0.50</u>	<u>0.50</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 JANUARY 2019 TO 30 JUNE 2019**

	<b>Note</b>	<b>Unitholders’ capital RM</b>	<b>Retained earnings RM</b>	<b>Total equity RM</b>
At 1 January 2018		2,218,683	904,740	3,123,423
Total comprehensive loss for the financial period		-	(160,940)	(160,940)
Distribution	12	-	(8,360)	(8,360)
Balance at 30 June 2018		<u>2,218,683</u>	<u>735,440</u>	<u>2,954,123</u>
At 1 January 2019		2,218,683	710,671	2,929,354
Total comprehensive loss for the financial period		-	(4,101)	(4,101)
Distribution	12	-	(8,360)	(8,360)
Balance at 30 June 2019		<u>2,218,683</u>	<u>698,210</u>	<u>2,916,893</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 JANUARY 2019 TO 30 JUNE 2019**

	<b>1-1-2019 to 30-6-2019 RM</b>	<b>1-1-2018 to 30-6-2018 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	15,920	281,676
Dividends received	49,001	39,462
Manager’s fee paid	(7,217)	(7,887)
Trustee’s fee paid	(866)	(952)
Payments for other expenses	(10,489)	(13,770)
Purchase of investments	(14,217)	(296,329)
	<u>32,132</u>	<u>2,200</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Distributions paid	(46,816)	(46,816)
	<u>(46,816)</u>	<u>(46,816)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(14,684)	(44,616)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u>64,924</u>	<u>89,734</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><u>50,240</u></u>	<u><u>45,118</u></u>
Cash and cash equivalents comprise:		
Cash at banks	<u><u>50,240</u></u>	<u><u>45,118</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.

##### Adoption of new standards

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards which became effective for the first time on 1 January 2018:

MFRS 9 *Financial Instruments*

MFRS 15 *Revenue From Contracts With Customers*

The adoption of these new standards did not have any material impact on the financial statements of the Fund except for those arising from the adoption of MFRS 9 as disclosed below. Other than the adoption of new accounting policies for financial instruments as disclosed below, the Fund did not change its accounting policies or make retrospective adjustments as a result of adopting the new standards.

##### MFRS 9 *Financial Instruments*

MFRS 9 replaces the provisions of MFRS 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement, as well as derecognition of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transitional provision of MFRS 9, comparative information has not been restated. The impact arising from the adoption of MFRS 9 is as follows:

(i) *Classification and measurement*

MFRS 9 requires all financial assets, other than equity instruments and derivatives, to be classified on the basis of two criteria, namely the entity's business model for managing the assets, as well as the instruments' contractual cash flow characteristics. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest. If the financial assets are held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, the assets are measured at fair value through other comprehensive income ("FVOCI"). Any financial assets that are not measured at amortised cost or FVOCI are measured at fair value through profit or loss ("FVTPL"). Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL; nevertheless entities are allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

Upon the adoption of MFRS 9 on 1 January 2018, all the Fund's investments in equity securities continue to be measured at FVTPL.

There is no impact on the Fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Fund does not have any such liabilities.

(ii) *Impairment*

The loan loss impairment methodology is fundamentally changed under MFRS 9 as it replaces MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The impairment requirements based on ECL approach is applicable for debt financial assets not held at FVTPL. The allowance for expected losses are determined based on the expected credit losses associated with the probability of default ("PD") in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the lifetime of the asset.

The Fund has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Fund has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between the contractual cash flows that are due to the Fund under the contract and the cash flows that the Fund expect to receive, discounted at the effective interest rate of the financial asset.

There was no ECL impact on the Fund's financial assets at amortised cost upon the adoption of MFRS 9 on 1 January 2018 or during the current financial period.

### 3. SUMMARY OF 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.

(i) Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

(ii) Interest income

Interest income on short-term deposits is recognised on an accrual basis using the effective interest method.

(iii) Gain or loss on disposal of investment

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.

#### **Application fee**

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 – initial recognition and measurement**

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade date accounting or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

(ii) Initial measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

(iii) "Day 1" profit or loss

At initial measurement, if the transaction price differs from the fair value, the Fund immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in profit or loss provided that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets. In all other cases, the difference between the transaction price and model value is recognised in profit or loss on a systematic and rational basis that reflects the nature of the instrument over its tenure.

### **Financial assets – classification and subsequent measurement**

The Fund subsequently measures all investments in equity securities at FVTPL. Dividends earned whilst holding the investments are recognised in profit or loss when the right to the payment has been established. Gains and losses on the investments, realised and unrealised, are included in profit or loss.

### **Financial instruments under MFRS 9**

(i) Classification and measurement

The classification of financial assets depends on the Fund's business model of managing the financial assets in order to generate cash flows ("business model test") and the contractual cash flow characteristics of the financial instruments ("SPPI test"). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both and the assessment is performed on a portfolio basis. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest and the assessment is performed on a financial instrument basis.

The Fund may classify its financial assets under the following categories:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category deposits with financial institutions, cash at banks, amounts due from brokers/financial institutions, amount due from the Manager and other receivables.

Financial assets at FVOCI

A financial asset is measured at fair value through other comprehensive income (“FVOCI”) if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are initially recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

Financial assets at FVTPL

Any financial assets that are not measured at amortised cost or FVOCI are measured at fair value to profit or loss (“FVTPL”). 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 FVTPL”. Dividend revenue elements of such instruments are recorded separately in “Dividend income”. Exchange differences on financial assets at FVTPL are not recognised separately in profit or loss but are included in net gain or net loss on changes in fair value of financial assets at FVTPL.

Instruments that qualify for amortised cost or FVOCI may be irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL, nevertheless, the Fund is allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

## **Financial liabilities – classification and subsequent measurement**

Financial liabilities issued by the Fund are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder. After initial measurement, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## **Derecognition of financial instruments**

(i) Derecognition of financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired, or

- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
  - the Fund has transferred substantially all the risks and rewards of the asset, or
  - the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Derecognition of financial liability

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

**Financial instruments - expected credit losses**

The Fund assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its financial assets at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL in respect of financial assets at amortised cost, if any, is recognised in profit or loss.

Financial assets together with the associated allowance are written off when it has exhausted all practical recovery efforts and there is no realistic prospect of future recovery. The Fund may also write-off financial assets that are still subject to enforcement activity when there is no reasonable expectation of full recovery. If a write-off is later recovered, the recovery is credited to profit or loss.

**Determination of fair value**

For investments in quoted securities, market value is determined based on the closing price quoted on Bursa Malaysia Berhad. The difference between cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gains or losses recognised in profit or loss are not distributable in nature.

**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

	30-6-2019 RM	31-12-2018 RM
<b>Financial assets at FVTPL</b>		
Quoted equity securities in Malaysia	<u>2,888,814</u>	<u>2,924,659</u>

Details of investments as at 30 June 2019 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>Consumer discretionary</b>				
Genting Berhad	12,600	85,302	117,641	2.92
Genting Malaysia Berhad	<u>15,400</u>	<u>49,896</u>	<u>54,312</u>	<u>1.71</u>
	<u>28,000</u>	<u>135,198</u>	<u>171,953</u>	<u>4.63</u>
<b>Consumer staples</b>				
IOI Corporation Berhad	17,385	73,886	99,874	2.53
Kuala Lumpur Kepong Berhad	2,600	63,856	48,154	2.19
Nestle (Malaysia) Berhad	300	44,730	33,848	1.53
PPB Group Berhad	3,720	69,564	44,732	2.39
Sime Darby Plantation Berhad	<u>19,589</u>	<u>96,378</u>	<u>104,046</u>	<u>3.31</u>
	<u>43,594</u>	<u>348,414</u>	<u>330,654</u>	<u>11.95</u>

(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 (cont'd)</b>				
<b>Energy</b>				
Dialog Group Berhad	25,200	82,152	83,160	2.82
PETRONAS Dagangan Berhad	1,600	40,640	24,678	1.39
	<u>26,800</u>	<u>122,792</u>	<u>107,838</u>	<u>4.21</u>
<b>Financials</b>				
AMMB Holdings Berhad*	10,500	44,415	44,272	1.52
CIMB Group Holdings Berhad	37,710	202,880	263,843	6.96
Hong Leong Bank Berhad	3,712	70,528	36,960	2.42
Hong Leong Financial Group Berhad	1,290	23,917	16,883	0.82
Malayan Banking Berhad	32,431	287,987	269,882	9.87
Public Bank Berhad	17,030	391,690	203,800	13.43
RHB Bank Berhad	7,211	40,309	38,438	1.38
RHB Capital Berhad	4,839	-	-	-
	<u>114,723</u>	<u>1,061,726</u>	<u>874,078</u>	<u>36.40</u>
<b>Health care</b>				
Hartalega Holdings Berhad	8,100	42,444	50,058	1.45
IHH Healthcare Berhad	16,300	94,540	58,448	3.24
Top Glove Corporation Bhd.	9,300	45,663	52,359	1.57
	<u>33,700</u>	<u>182,647</u>	<u>160,865</u>	<u>6.26</u>
<b>Industrials</b>				
Hap Seng Consolidated Berhad	3,600	35,820	30,075	1.23
Malaysia Airport Holdings Berhad	4,900	41,797	43,953	1.43
MISC Berhad	7,900	56,485	40,297	1.94
Sime Darby Berhad	19,389	43,819	34,120	1.50
	<u>35,789</u>	<u>177,921</u>	<u>148,445</u>	<u>6.10</u>
<b>Materials</b>				
PETRONAS Chemicals Group Berhad	15,600	131,040	91,472	4.49
Press Metal Aluminium Holdings Berhad	10,400	45,760	54,392	1.57
	<u>26,000</u>	<u>176,800</u>	<u>145,864</u>	<u>6.06</u>
<b>Telecommunication</b>				
Axiata Group Berhad	25,200	125,496	111,170	4.30

(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 (cont'd)</b>				
<b>Telecommunication (cont'd.)</b>				
DiGi.Com Berhad	20,100	101,505	50,232	3.48
Maxis Berhad	15,100	84,107	86,657	2.89
	<u>60,400</u>	<u>311,108</u>	<u>248,059</u>	<u>10.67</u>
<b>Utilities</b>				
PETRONAS Gas Berhad	4,300	74,648	53,028	2.56
Tenaga Nasional Berhad	21,500	297,560	186,033	10.20
	<u>25,800</u>	<u>372,208</u>	<u>239,061</u>	<u>12.76</u>
<b>Total financial assets at FVTPL</b>	<u>394,806</u>	<u>2,888,814</u>	<u>2,426,817</u>	<u>99.04</u>
<b>Excess of market value over cost</b>		<u>461,997</u>		

\* An entity related to the Manager.

## 5. AMOUNT DUE TO MANAGER

	30-6-2019 RM	31-12-2018 RM
Manager's fee payable	(1,190)	(1,331)
Application fee payable to Manager	<u>(200)</u>	<u>(200)</u>
	<u>(1,390)</u>	<u>(1,531)</u>

Manager's fee is at a rate of 0.50% (2018: 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% (2018: 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% (2018: 0.04%) per annum on the net asset value of the Fund, calculated on a daily basis.

## 8. NET LOSS FROM INVESTMENTS

	<b>1-1-2019 to 30-6-2019 RM</b>	<b>1-1-2018 to 30-6-2018 RM</b>
Net loss on financial assets at FVTPL comprised:		
– Net realised gain/(loss) on sale of investments	3,425	(33,852)
– Net unrealised loss on changes in fair values of investments	(37,566)	(156,959)
	<u>(34,141)</u>	<u>(190,811)</u>

## 9. TOTAL EQUITY

Total equity is represented by:

	<b>Note</b>	<b>30-6-2019 RM</b>	<b>31-12-2018 RM</b>
Unitholders' capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	236,213	211,108
– Unrealised gain	(c)	461,997	499,563
		<u>2,916,893</u>	<u>2,929,354</u>

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

	<b>30-6-2019</b>		<b>31-12-2018</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
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

	<b>30-6-2019 RM</b>	<b>31-12-2018 RM</b>
At beginning of the financial period/year	211,108	216,063

(Forward)

	<b>30-6-2019</b>	<b>31-12-2018</b>
	<b>RM</b>	<b>RM</b>
Total comprehensive loss for the financial period/year	(4,101)	(138,893)
Net unrealised loss attributable to investments held transferred to unrealised reserve [Note 9(c)]	37,566	189,114
Distributions out of realised reserve	(8,360)	(55,176)
Net increase/(decrease) in realised reserve for the financial period/year	<u>25,105</u>	<u>(4,955)</u>
At end of the financial period/year	<u><u>236,213</u></u>	<u><u>211,108</u></u>

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

	<b>30-6-2019</b>	<b>31-12-2018</b>
	<b>RM</b>	<b>RM</b>
At beginning of the financial period/year	499,563	688,677
Net unrealised loss attributable to investments held transferred from realised reserve [Note 9(b)]	<u>(37,566)</u>	<u>(189,114)</u>
At end of the financial period/year	<u><u>461,997</u></u>	<u><u>499,563</u></u>

**10. UNITS HELD BY RELATED PARTIES**

	<b>30-6-2019</b>		<b>31-12-2018</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
AmInvestment Bank Berhad*	<u>100,176</u>	<u>174,306</u>	<u>329,976</u>	<u>590,657</u>

\* A financial institution 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 June 2019 and 31 December 2018.

**11. INCOME TAX**

	<b>1-1-2019 to 30-6-2019</b>	<b>1-1-2018 to 30-6-2018</b>
	<b>RM</b>	<b>RM</b>
Current financial period	<u>-</u>	<u>28</u>

Income tax payable is calculated on investment loss 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 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:

	<b>1-1-2019 to 30-6-2019 RM</b>	<b>1-1-2018 to 30-6-2018 RM</b>
Net loss before tax	(4,101)	(160,912)
Taxation at Malaysian statutory rate of 24% (2018 : 24%)	(984)	(38,618)
Tax effects of:		
Income not subject to tax	(12,916)	(38,897)
Effect of different tax rate	-	(273)
Loss not subject for tax purposes	9,016	72,478
Restriction on tax deductible expenses for exchange traded fund	2,486	2,571
Non-permitted expenses for tax purposes	2,122	2,481
Permitted expenses not used and not available for future financial periods	276	286
Tax expense for the financial period	-	28

## 12. DISTRIBUTIONS

Distributions to unitholders declared on 24 June 2019 (declared on 27 June 2018 for the previous financial period) are from the following sources:

	<b>1-1-2019 to 30-6-2019 RM</b>	<b>1-1-2018 to 30-6-2018 RM</b>
Gross dividend income	50,392	52,145
Net realised gain/(loss) on sale of investments	3,425	(33,852)
	53,817	18,293
Less: Expenses	(20,352)	(22,246)
Taxation	-	(28)
Realised income/(loss) for the financial period	33,465	(3,981)
Undistributed net income brought forward	211,108	216,063
Total realised income available for distribution	244,573	212,082
Less : Declared income distribution*	(8,360)	(8,360)
Balance undistributed realised income	236,213	203,722
Gross/net distributions per unit (sen)	0.50	0.50
Cum - Distribution		
- Net Asset Value (NAV)	2,929,261	2,918,697
- NAV per unit	175.20 sen	174.56 sen

(Forward)

	<b>1-1-2019 to 30-6-2019</b>	<b>1-1-2018 to 30-6-2018</b>
	<b>RM</b>	<b>RM</b>
Ex - Distribution		
- Net Asset Value (NAV)	2,920,901	2,910,287
- NAV per unit	<u>174.70 sen</u>	<u>174.06 sen</u>

\* The prior period distributions had been proposed before taking into account the net realised loss of RM33,852.

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

The Fund’s MER is as follows:

	<b>1-1-2019 to 30-6-2019</b>	<b>1-1-2018 to 30-6-2018</b>
	<b>% p.a.</b>	<b>% 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>0.78</u>	<u>0.64</u>
Total MER	<u>1.38</u>	<u>1.24</u>

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

### 14. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.01 times (2018: 0.09 times).

### 15. SEGMENTAL REPORTING

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

## 16. TRANSACTIONS WITH FINANCIAL INSTITUTION

Details of transactions with financial institutions for the financial period ended 30 June 2019 are as follows:

Financial institutions	Transaction value		Brokerage fee, stamp duty and clearing fee	
	RM	%	RM	%
AmInvestment Bank Berhad*	15,481	51.37	534	62.60
CIMB Investment Bank Berhad	14,656	48.63	319	37.40
Total	30,137	100.00	853	100.00

\* A financial institution related to the Manager. The Manager and the Trustee are of the opinion that the above transactions have been entered in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The above transactions were in respect of listed securities.

## 17. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

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

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>30 June 2019</b>				
<b>Assets</b>				
Investments	2,888,814	-	-	2,888,814
Dividends receivable	-	3,590	-	3,590
Cash at banks	-	50,240	-	50,240
Total financial assets	2,888,814	53,830	-	2,942,644
<b>Liabilities</b>				
Amount due to Manager	-	-	1,390	1,390
Amount due to Trustee	-	-	119	119

(Forward)

	<b>Financial assets at FVTPL RM</b>	<b>Financial assets at amortised cost RM</b>	<b>Financial liabilities at amortised cost RM</b>	<b>Total RM</b>
<b>30 June 2019</b>				
<b>Liabilities</b>				
Amount due to index provider	-	-	2,180	2,180
Distributions payable	-	-	8,360	8,360
Sundry payables and accrued expenses	-	-	13,702	13,702
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	-	25,751	25,751

	<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>31 December 2018</b>				
<b>Assets</b>				
Investments	2,924,659	-	-	2,924,659
Dividends receivable	-	2,199	-	2,199
Cash at banks	-	64,924	-	64,924
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	2,924,659	67,123	-	2,991,782

<b>Liabilities</b>				
Amount due to Manager	-	-	1,531	1,531
Amount due to Trustee	-	-	135	135
Amount due to index provider	-	-	1,563	1,563
Distribution payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	12,383	12,383
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	-	-	62,428	62,428

	<b>Income, expense, gains and losses</b>	
	<b>1-1-2019 to 30-6-2019 RM</b>	<b>1-1-2018 to 30-6-2018 RM</b>
Net loss from financial assets at FVTPL	(34,141)	(190,811)
Income, of which derived from:		
– Gross dividend income from financial assets at FVTPL	50,392	52,145
	<hr/>	<hr/>



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

The Fund's financial assets and liabilities 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 June 2019</b>				
Financial assets at FVTPL	<u>2,888,814</u>	<u>-</u>	<u>-</u>	<u>2,888,814</u>
<b>31 December 2018</b>				
Financial assets at FVTPL	<u>2,924,659</u>	<u>-</u>	<u>-</u>	<u>2,924,659</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.

18. **RISK MANAGEMENT POLICIES**

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

Risk management is carried out by closely monitoring, measuring and mitigating the above said risks, careful selection of 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	
	30-6-2019 RM	31-12-2018 RM
-5.00%	(144,441)	(146,233)
+5.00%	<u>144,441</u>	<u>146,233</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 and dividends receivable. The issuer of such instruments may not be able to fulfill the required interest payments or repay the principal invested or amount owing. These risks may cause the Fund's investments to fluctuate in value.

Cash at banks are held for liquidity purposes and 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.

The Fund's financial liabilities have contractual maturities of not more than six months.

### **Single issuer risk**

Internal policy restricts the Fund from investing in securities issued by any issuer of not more than a certain percentage of its net asset value. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

### **Regulatory risk**

Any changes in national policies and regulations may have effects on the capital market and the net asset value of the Fund.

### **Management risk**

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

### **Non-compliance risk**

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

## **19. CAPITAL MANAGEMENT**

The primary objective of the Fund's capital management is to ensure that it maximises unitholders' value by expanding its fund size to benefit from economies of scale and achieving growth in net asset value from the performance of its investments.

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

No changes were made in the objective, policies or processes during the financial periods ended 30 June 2019 and 31 December 2018.

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

**STATEMENT BY THE MANAGER**

I, **GOH WEE PENG**, for and on behalf of the Manager, AmFunds Management Berhad, for **FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)** do hereby state that in the opinion of the Manager, the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and the accompanying notes are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Fund as at 30 June 2019 and the comprehensive income, the changes in equity and cash flows of the Fund for the half year then ended.

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**GOH WEE PENG**

For and on behalf of the Manager  
AmFunds Management Berhad

Kuala Lumpur, Malaysia  
13 August 2019

## **DIRECTORY**

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*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 to Thursday),  
Friday (8.45 a.m. to 5.00 p.m.)*