

Annual Report for

# FTSE Bursa Malaysia KLCI etf

31 December 2018



**AmInvest**

Growing Your Investments in a Changing World

**FTSE BURSA MALAYSIA KLCI etf**

**Annual Report**

**31 December 2018**

## **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**

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

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

Head Office

9th & 10th Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2032 2888 Fax: 03-2031 5210

### **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**

Business/Registered Office/Head Office

Fund Services, Bangunan HSBC, 13<sup>th</sup> 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 audited accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("Fund") for the financial year ended 31 December 2018.

### 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 31 December 2018 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	14.43
	1155	Malayan Banking Berhad	10.50
	5347	Tenaga Nasional Berhad	10.17
	1023	CIMB Group Holdings Berhad	7.28
	5183	PETRONAS Chemicals Group Berhad	4.97
	6888	Axiata Group Berhad	3.40
	5285	Sime Darby Plantation Berhad	3.18
	6947	DiGi.Com Berhad	3.12
	5225	IHH Healthcare Berhad	2.85
	6033	PETRONAS Gas Berhad	2.82
	6012	Maxis Berhad	2.77
	7277	Dialog Group Berhad	2.69
	1961	IOI Corporation Berhad	2.67
	3182	Genting Berhad	2.63
	5819	Hong Leong Bank Berhad	2.57
	4065	PPB Group Berhad	2.23
	2445	Kuala Lumpur Kepong Berhad	2.17
	3816	MISC Berhad	1.82
	7113	Top Glove Corporation Berhad	1.79
	4707	Nestle (Malaysia) Berhad	1.70
	8869	Press Metal Aluminium Holdings Berhad	1.70
	5168	Hartalega Holdings Berhad	1.69
	4715	Genting Malaysia Berhad	1.68
	(Forward)		

	<b>Stock code</b>	<b>Company’s name</b>	<b>Percentage weight (%)</b>	<b>Shares in issue (‘million units)</b>	
	4197	Sime Darby Berhad	1.60	6,800.84	
	1015	AMMB Holdings Berhad	1.57	3,014.18	
	5681	PETRONAS Dagangan Berhad	1.46	993.45	
	5014	Malaysia Airport Holdings Berhad	1.41	1,659.19	
	3034	Hap Seng Consolidated Berhad	1.21	2,489.68	
	1066	RHB Bank Berhad	1.12	4,010.05	
	1082	Hong Leong Financial Group Berhad	0.80	1,143.55	
<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 etf (“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 year under review, the size of the Fund stood at 1,672,000 units.				
	<b>Size of holding</b>	<b>As at 31 December 2018</b>		<b>As at 31 December 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	1,554	44	1,642	46
	100 - 1,000	67,022	126	35,561	67
	1,001 - 10,000	430,745	116	361,098	90
	10,001 – 100,000	722,419	30	646,639	26
	100,001 to less than 5% of issue units	159,200	1	-	-
	5% and above of issue units	291,060	1	627,060	2

## Fund Performance Data

Portfolio Composition	Details of portfolio composition of the Fund for the financial years as at 31 December are as follows:					
		FY 2018 %	FY 2017 %	FY 2016 %	FY 2015 %	FY 2014 %
	Construction	-	1.79	1.97	-	-
	Consumer discretionary	4.29	-	-	-	-
	Consumers products	-	2.85	3.10	3.40	3.39
	Consumer staples	11.82	-	-	-	-
	Energy	4.13	-	-	-	-
	Financials	38.25	35.58	32.56	30.85	31.11
	Health care	6.33	-	-	-	-
	Industrials	6.07	6.56	7.74	7.89	6.71
	Infrastructure project companies	-	3.46	3.76	4.09	4.67
	Materials	6.68	-	-	-	-
	Plantations	-	8.79	5.79	5.76	6.90
	REITs	-	0.72	0.59	0.58	0.53
	Telecommunication services	9.29	-	-	-	-
	Trading/Services	-	39.34	43.99	46.84	46.07
	Utilities	12.98	-	-	-	-
	Cash and others	0.16	0.91	0.50	0.59	0.62
	Total	100.00	100.00	100.00	100.00	100.00
	Note: The abovementioned percentages are calculated based on total net asset value.					
Performance Details	Performance details of the Fund for the financial years ended 31 December are as follows:					
		FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
	Net asset value (RM)*	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
	Net asset value per unit (RM)*	1.7520	1.8681	1.6963	1.7393	1.8032
	Highest net asset per unit (RM)*	1.9757	1.8704	1.7851	1.9172	1.9418
	Lowest net asset per unit (RM)*	1.7255	1.6898	1.6450	1.5833	1.7352
	Closing quoted price (RM)*	1.7900	1.8450	1.7550	1.7350	1.7800
	(Forward)					



	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Highest quoted price (RM)*	1.9600	1.8600	1.7850	1.8900	1.9000
Lowest quoted price (RM)*	1.7500	1.7000	1.6450	1.5850	1.7800
Benchmark performance (%)	-2.98	13.22	0.07	-0.97	-2.62
Total return (%) <sup>(1)</sup>	-4.44	12.10	-0.55	-2.15	-3.55
- Capital growth (%)	-6.21	10.15	-2.45	-3.54	-5.05
- Income distribution (%)	1.77	1.95	1.90	1.39	1.50
Gross distribution (sen per unit)	3.30	3.30	3.30	2.50	2.85
Net distribution (sen per unit)	3.30	3.30	3.30	2.50	2.85
Distribution yield (%) <sup>(2)</sup>	1.84	1.79	1.88	1.44	1.60
Management expense ratio (%) <sup>(3)</sup>	1.14	1.17	0.52	1.08	1.04
Portfolio turnover ratio (times) <sup>(4)</sup>	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 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 decreased by 0.03% as compared to 1.17% per annum for the financial year ended 31 December 2017 mainly due to increase 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 increase by 0.11 times (>100.0%) as compared to 0.04 times for the financial year ended 31 December 2017 mainly due to increase in investing activities.

**Average Total Return (as at 31 December 2018)**

	<b>FBM KLCI etf<sup>(a)</sup></b> %	<b>FBM KLCI/ FBM30 Index<sup>(b)</sup></b> %
One year	-4.44	-2.98
Three years	2.13	3.18
Five years	0.11	1.16
Ten years	8.80	10.30

**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") 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**

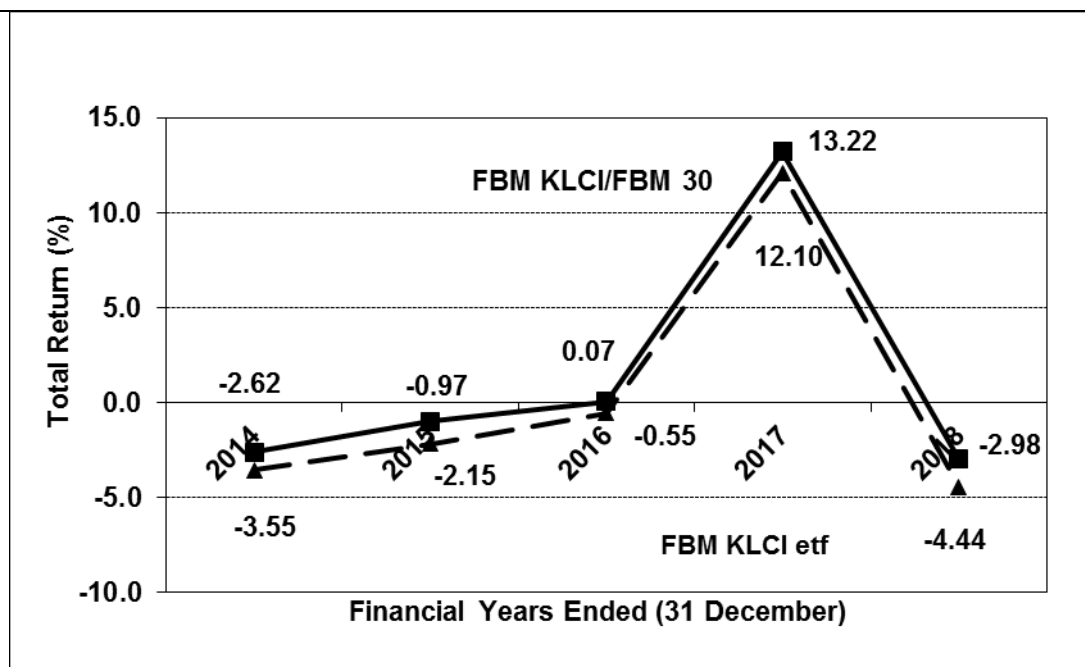
For the financial year under review, the Fund registered a negative return of 4.44% comprising of negative 6.21% capital and 1.77% income distribution.

Thus, the Fund's negative return of 4.44% has underperformed the benchmark's negative return of 2.98% by 1.46%.

As compared with the financial year ended 31 December 2017, the net asset value ("NAV") of the Fund decreased by 6.21% from RM3,123,423 to RM2,929,354. The NAV per unit of the Fund decreased by 6.21% from RM1.8681 to RM1.7520, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 2.98% from RM1.8450 to RM1.7900.

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.**

**Has the Fund achieved its objective?**

The Fund has achieved its objective in terms of a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index.

**Strategies and Policies Employed**

For the financial year 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 years under review.

		As at 31-12-2018 %	As at 31-12-2017 %	Changes %
	Construction	-	1.79	-1.79
	Consumer discretionary	4.29	-	4.29
	Consumers products	-	2.85	-2.85
	Consumer staples	11.82	-	11.82
	Energy	4.13	-	4.13
	Financials	38.25	35.58	2.67
	Health care	6.33	-	6.33
	Industrials	6.07	6.56	-0.49
	Infrastructure project companies	-	3.46	-3.46
	Materials	6.68	-	6.68
	Plantations	-	8.79	-8.79
	REITs	-	0.72	-0.72
	Telecommunication services	9.29	-	9.29
	Trading/Services	-	39.34	-39.34
	Utilities	12.98	-	12.98
	Cash and others	0.16	0.91	-0.75
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>	
	During the financial year under review, the Fund reduced weighting in Trading/Services and Plantations and re-deployed money into Utilities, Consumer staples, Telecommunication services, Materials and Health care.			
<b>Cross Trade</b>	There are no cross trades for the Fund during this financial year under review.			
<b>Distribution/ unit splits</b>	During the financial year under review, the Fund declared income distributions, detailed as follows:			
	<b>0.50 sen per unit income distribution</b>	<b>Change in the unit price prior and subsequent to the income distribution</b>	<b>Before income distribution on 27 June 2018 (RM)</b>	<b>After income distribution on 27 June 20178 (RM)</b>
		Net asset value per unit	1.7456	1.7406
	<b>2.80 sen per unit income distribution</b>	<b>Change in the unit price prior and subsequent to the income distribution</b>	<b>Before income distribution on 27 December 2018 (RM)</b>	<b>After income distribution on 27 December 2018 (RM)</b>
		Net asset value per unit	1.7803	1.7523
	There was no unit split declared for the financial year 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 year under review.			

	<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>
<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 year 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>The KLCI closed 4.0% m.o.m higher in January 2018. Foreigners were strong net buyers in Jan with RM3.4b net inflow (December 2017: RM0.96b), may be attracted by the undervalued Ringgit. Bank Negara hiked OPR by 25bps and crude oil price rise 3.3% m.o.m, have contributed to the strengthening of the Ringgit by 3.9% m.o.m against the USD.</p> <p>Over in the FX space, the Ringgit benefited from the greenback’s weakness and expectations of the rate hike to trade down to 3.8985 towards the end of January. The Ringgit has strengthened 3.66% YTD and is one of the biggest gainers in the region, third behind the Thai Baht and Chinese Yuan.</p> <p>The KLCI closed flattish m.o.m, down by 0.6% to 1,856 but outperformed the broader market (FTSE Emas Index) and small caps (FTSE Small cap Index) which fell by 1.1% and 2.1% respectively. Foreigners turned net sellers (RM1.2b) vs. net buyers of RM3.4b in January and RM10.8b in 2017. Ringgit depreciated 0.9% m.o.m against the USD, while 10Y MGS rose 7bps m.o.m at 4.03. Brent oil closed lower at USD66/barrel (-4.1% m.o.m).</p> <p>Malaysia’s 4Q2017 GDP expanded at a healthy 5.9% y.o.y, although slowing from 6.2% y.o.y pace in 3Q2017, mainly on some moderation in exports, while domestic demand remaining resilient. Expansion was driven primarily by private consumption, which contributed 3.6% to headline growth, followed by government consumption (1.1%), fixed investment (1.0%), and net exports (0.5%).</p> <p>The KLCI closed flattish, up 0.4% m.o.m. Despite seemingly calm market indicated by KLCI, FTSE Bursa Malaysia Mid Cap 70 index declined 3.2% m.o.m. and FTSE Bursa Malaysia Small Cap Index declined 11.1% m.o.m. Foreigners net selling eased to RM61m (vs February 2018: - RM1.1b). YTD foreign net buying is down to RM2.2b. Ringgit appreciated 1.6% m.o.m against the USD. Brent oil closed 6.6% m.o.m higher at USD70/barrel.</p> <p>Bank Negara Malaysia (“BNM”) kept the OPR unchanged at its 7 March 2018 meeting, stating that the degree of policy accommodation is consistent with the policy stance to ensure the domestic economy continues on a steady growth path amid lower inflation.</p> <p>The disinflation trend allowed BNM to keep the OPR unchanged to support the ongoing household deleveraging. Inflation for February 2018 continued to be weaker than expected at 1.4% y.o.y from 2.7% y.o.y in January 2018 and also lower</p>

than consensus expectations of 1.9% y.o.y. The lower inflation was mainly due to softer-than-expected food inflation, despite the Chinese New Year festivities. Concurrently, core inflation hit a record low of 1.8% y.o.y.

In April, The World Bank has raised its forecast for Malaysia's 2018 GDP growth to 5.4% from 5.2% previously, driven by private sector expenditure. It has also raised its 2019 GDP forecast to 5.1% from 4.8%.

The Malaysian Parliament was dissolved on 7 April, paving the way for the 14th General Election (to be held within 60 days of the dissolution) that will be held on 9 May 2018.

Malaysia has recorded a GDP growth of 5.4% y.o.y for 1Q2018, below market expectations of 5.6%. While private consumption was sustained at 6.9% y.o.y for the quarter and current account surplus widened to 4.5% (exports climbed 3.7% y.o.y and imports contracted 2.0% y.o.y), GDP growth was dragged down by lackluster government spending at 0.4% y.o.y (4Q2017: 6.8% y.o.y) and the holding back of business investment at 0.1% y.o.y (4Q2017: 4.3% y.o.y) ahead of GE14.

Inflation for April 2018 rose at 1.4% y.o.y (March 2018: 1.3% y.o.y). Core inflation continued to fall significantly for the 3rd month in a row at 1.50% y.o.y for April 2018 (March 2018: 1.70% y.o.y), signaling a fundamental weakness in private consumption.

The new Pakatan Harapan administration has announced that GST to be zero-rated w.e.f. 1 June 2018 while SST will be reintroduced w.e.f 1 September 2018, with the rate yet to be determined. After the 2nd cabinet meeting on 31 May 2018, the new government has committed to maintain the 2.8% fiscal deficit target for 2018 (from 3.1% in 2017).

The Ministry of Finance has also clarified that its liabilities of RM1 tri or 80% of GDP comprises: 1) 51% for on-balance sheet debt; 2) 15% for payment for GoM guarantees on certain entities; and 3) 15% for lease payments on PPP projects. Fiscal consolidation parameters are significantly altered: 1) The elimination of GST along with the need to fulfill PH's campaign pledges puts a strain on fiscal balance, and 2) The higher-than-expected national debt and liabilities level reduces the debt sustainability of the sovereign.

Malaysian exports resumed its recovery path, jumping 14% y.o.y in Apr 2018, beating market expectations of a 6.3% y.o.y rise amidst higher E&E and non-E&E shipments. Imports rebounded 9.1% y.o.y, after contracting 9.6% in Mar 2018, as imports of capital goods rebounded, pointing towards continued improvement in exports growth.

Malaysian headline inflation inched up a benign 1.8% y.o.y in May 2018 from 1.4% y.o.y in April 2018. Inflation rose 0.2% m.o.m after posting a flat figure in April 2018. However, core inflation remained flat at 1.5% y.o.y, reflecting the subdued consumer sentiment. Going forward, the removal of GST w.e.f. 1 June 2018 will depress CPI in the coming months, with inflation likely to average less than 1% for FY2018. At the same time, the tax holiday should provide some marginal cushion to the weak consumer sentiment in the short-term.

Datuk Nor Shamsiah Mohd Yunus, has been appointed as the new Bank Negara

Malaysia Governor from 1 July 2018 to 30 June 2023. Datuk Nor Shamsiah was the Deputy Governor of Bank Negara Malaysia from 2010 until 2016. She is taking over from Tan Sri Muhammad Ibrahim who resigned on 15 June 2018. Her appointment ensures continuity in the direction and conduct of monetary policy going forward.

In July, KLCI surged 5.6% m.o.m. On global front, Brent crude oil price declined 6.5% m.o.m. on talk of possible release from global crude reserves, data from the International Monetary Fund showing a slowdown in global economic growth, and the potential for U.S. waivers on Iran oil sanctions. Market sentiment was affected by the US-China trade tension and uncertainty of the global rate hikes that would slowdown the global growth.

The KLCI is up 2% m.o.m. Although KLCI seemed strong, it was not broad-based. FBM Mid 70 Index and FBM Small Cap Index actually declined 2.5% and 2.2% m.o.m respectively. KLCI's outperformance was driven mainly by the Finance sector, up 3.1% m.o.m. Construction and Properties were the worst performing sector, declined 5.8% and 4.7% m.o.m respectively. Sentiment for Construction sector turned bearish after Prime Minister Tun Dr. Mahathir Mohamad announced the cancellation of the East Coast Rail Link project after his visit to Beijing. He further highlighted that fixing the country's finances remains the key priority of the government. Government's finance was weakened especially after Finance Minister Lim Guan Eng revealed that total tax refund (GST and income tax) owed by Government amounted to RM35.4b. Foreigners net selling dropped to near zero in August 2018 (July: - RM1.7b). YTD foreign outflow was unchanged at RM8.5b.

For the month of September, KLCI was down 4.7% m.o.m, in tandem with the global equity market rout. This was mainly driven by US Treasury 10Y yields surging to 3.18% in early October. Bursa Malaysia Small Cap Index was worst hit down by 11.4% m.o.m, followed by FBM70 that tumbled 9.3% m.o.m. Sector wise, construction and telecommunication were the worst performing sectors, declined by 15.9% and 14.2% m.o.m. respectively. In October, foreign outflows resumed with RM1.5b outflow.

The inflation print for September 2018 is signaling consumer weakness ahead. CPI for September 2018 came in at 0.3% y.o.y (August 2018: 0.2% y.o.y, consensus expectation: 0.6% y.o.y) continuing the <1% inflation print even after the expiry of the consumer tax holiday with the implementation of SST effective 1 September 2018.

Foreign reserves continue to edge down to USD102.8b as at 15 October 2018 from USD103.0b as at 28 September 2018, reflecting portfolio outflows from the country. This is the 5th month in-a-row that national foreign reserves have been falling from a peak of USD110.0b as at 13 April 2018, in-line with the Ringgit weakening from a 2-year closing high of 3.8620 to the USD on 2 April 2018 to 4.1547 to the USD as at close of 15 October 2018. The latest foreign reserves level is sufficient finance 7.3 months of retained imports and 0.9x of short-term external debt.

US equity market ended November with a gain of 1.7%. This was despite sentiment being fragile at the start of the month on fears of a global economic downturn given the growing US-China trade war tensions and rising interest rates in the US. Selling

in technology and internet related companies as well as energy shares on continuing tumble in oil price also affected sentiment. However, market rallied on comments by Fed Reserve Chairman who hinted at a slower pace of Fed rate increases next year. In addition, investors were also hopeful for a resolution on US-China trade disputes following the confirmation of meeting between the U.S. and Chinese leaders. On the other hand, EURO Stoxx 50 Price Index closed the month with a decline of 0.8%, as market were clouded by rising political risk in Italy and uncertainty over UK's Brexit plan.

The KLCI was down 1.6% m.o.m. Bursa Malaysia Small Cap Index was worst hit, down by 4.4% m.o.m. Sector wise, energy, plantation and technologies were the worst performing sectors, declined by 12.8%, 6.8% and 6.8% m.o.m respectively. In Nov, foreign outflows slowed down to RM700m, bringing YTD foreign outflows to RM10.7b.

The oil and gas sector was affected by the sold down as Brent crude oil price tumbled 22% m.o.m to close at USD59/bbl. The plantation sector was also down as CPO price plunged 12.8% m.o.m. to RM1,762/mt. Technology stocks were sold down in tandem with the drop in Apple share price arising from the concern of lower than expected iPhone sales. Genting Malaysia was hit by the unexpected steep 10% increase in casino duties to 35% during the 2019 Budget announcement.

BNM left its policy rate unchanged at 3.25% during its 8 November 2018 meeting, while highlighting increasing downside risks from global trade tensions and policy tightening in the developed markets.

Sales and Service Tax (effective 1 September 2018) has begun to feed into inflation with CPI growth at 0.6% y.o.y in October 2018 after two subdued months of 0.2% and 0.3% in August and September respectively.

The reported GDP growth of 4.4% y.o.y for 3Q2018 was a disappointment compared to the consensus expectation of 4.6% y.o.y. This was also lower than the 4.5% y.o.y achieved in 2Q2018 which was already a deceleration from 5.4% in 1Q2018. The domestic sector remained strong but the main drag was the external sector with net export contraction of 0.7% y.o.y (2Q2018 net export was -0.2% y.o.y).

The government aims to gradually lower its budget deficit from 3.7% in 2018 to 3.4% in 2019, 3.0% in 2020 and 2.8% in 2021, with the ultimate target of 2.0% beyond 2021.

Japanese government has offered to guarantee a JPY200b or RM7.4b in Samurai bonds over a 10-year tenure, expected to be launched before March 2019. This will be secured via Japan Bank of International Cooperation at an indicative coupon rate of 0.65% per annum.

In the Budget 2019 announcement, the government intended to tax outbound air travellers with a departure levy of RM20 for ASEAN destinations and RM40 for non-ASEAN countries starting June 2019.

The equity market went through a roller coaster ride in December. Sentiment was positive at the start of the month on de-escalation of tensions following a temporary



	<p>truce in the trade war between the United States and China. However, the optimism was tempered by doubts over whether China and the United States will be able to resolve their trade differences. The arrest in Canada of a top executive of Chinese tech giant Huawei further prompted fears of a flare-up in U.S.-China trade tensions. Market was further pressured by an inversion in part of the U.S. yield curve which raised concerns about the U.S. economy potentially heading into a recession. Index traded lower after Fed's statement which signalled that it would continue to raise rates — albeit at a slower pace, which is against market expectation of a pause in rate hikes. Rising threat of a government shutdown further aggravated to the selloffs.</p> <p>Given the oversold conditions, coupled with positive reports about consumer spending for the holiday season, the market staged a post-Christmas rally, with indexes posting the biggest single-day percentage gains. Signs of progress in U.S.-China trade talks after confirmation that consultations would be held with U.S. officials in January also provided some respite to the market. Despite the rally in the last week of the month, Dow Jones Industrial Index slipped 8.7%. EURO Stoxx 50 Price Index also ended 5.4% lower in December.</p> <p>The KLCI was up 0.6% m.o.m, bucking the global equities downtrend. Global market was in a bearish mode, as most were in fear of the yield curve inversion, a critical indicator of an imminent recession and a steep market correction. The US 10Y-2Y yield curve has narrowed to its lowest since June 2007. The arrest of Huawei CFO, Meng Wanzhou, threw more doubt into whether the US-China trade dispute can be resolved, after a promising start with the 90-day truce. Also, there was concern on prolonged US government shutdown. Outside of blue chip universe, the Malaysian market was weak as shown by FBM70 Index and Bursa Malaysia Small Cap Index which tumbled 3.4% and 7.1% m.o.m respectively. Sector wise, technologies and energy were the worst performing sectors, declined by 8.3% and 8.0% m.o.m respectively.</p> <p>In December, foreign fund outflows accelerated to RM1b, bringing YTD foreign outflows to RM11.7b. Inflation eased in November 2018 with CPI rising 0.2% y.o.y (consensus expectation: 0.4% y.o.y, October 2018: 0.6% y.o.y) as transport costs plunged 2.3% y.o.y (October 2018: +0.8% y.o.y) mainly due to RON95 price being fixed at RM2.20/litre.</p> <p>Trade in October 2018 surged strongly on frontloading behavior in reaction to US tariff hikes on goods from China. Exports grew 17.7% y.o.y for October 2018 (revised September 2018: 6.5% y.o.y) while imports surged 11.4% y.o.y for October 2018 (revised September 2018: -2.8% y.o.y).</p> <p>In line with the strong trade reaction, industrial production in October 2018 grew 4.2% y.o.y (September 2018: 2.3% y.o.y) led by manufacturing that grew 5.4% y.o.y (September 2018: +4.8% y.o.y) along with a turnaround in mining that grew 1.4% y.o.y (September 2018: -6.4% y.o.y).</p>
<b>Market Outlook</b>	<p>Global market volatility persisted in the month of December, where Dow Jones Industrial Average experienced its worst performance in one month since the Great Depression in 1931. Contrary to investors' optimism since the beginning of the year that global market would do well in 2018 arising from the expected globally</p>

	<p>synchronized growth, most markets registered their worst annual performance since 2008. The global concerns remain the same, namely 1) the trade wars between US and China; 2) US rate hike leading to stronger USD; 3) China's slower growth and 4) global market moving from QE to QT. These concerns would continue to cloud the sentiment leading to 2019.</p> <p>Going forward, the Malaysian market will continue to be affected by the abovementioned external factors in addition to the local issues such as 1) lack of clarity in new government's policies; 2) subdued corporate earnings; and 3) the expected slower GDP growth. In the near term, we will be positioning our portfolio to address the following issues: 1) possible risk-off stance; 2) slowing growth and 3) asset deflation scenario. We are striving for absolute return while aiming to achieve quality, defensive and a diversified portfolio. We will also adopt a bottom-up approach to yield better returns.</p> <p>In such a challenging market, we believe sectors that would perform relatively better than the market include financial, consumer (non-discretionary), oil &amp; gas players skewing towards maintenance, exporters, selective technology players and REITs.</p>
<b>Additional Information</b>	<p>The following information has been updated:</p> <ol style="list-style-type: none"> <li>1. Raja Maimunah Binti Raja Abdul Aziz has resigned from her position as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st July 2018.</li> <li>2. Seohan Soo has been appointed as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st August 2018.</li> <li>3. Effective from 1<sup>st</sup> September 2018 the company secretaries has been changed as Gian Ai Ziah (MAICSA 7045071) Koh Suet Peng (MAICSA 7019861) 22nd Floor, Bangunan AmBank Group No. 55 Jalan Raja Chulan 50200 Kuala Lumpur</li> </ol>

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

22 February 2019

## 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 year ended 31 December 2018 (1 January 2018 to 31 December 2018), there was seven (7) Board of Directors' meeting held by the Manager.

Details of the Directors of the Manager as at 31 December 2018 are set out as below:

<b>Name</b>	: Dato' Mustafa bin Mohd Nor
<b>Age</b>	: 67 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]  ii) (1988 - 1990) Development & Commercial Bank Berhad [Manager, Treasury Department]  iii) (March 1990 - August 1992) Arab-Malaysian Securities Sdn Bhd [Chief Economist]  iv) (September 1992 - December 2001) AmSecurities Sdn Bhd [Executive Director/Chief Economist]  v) (January 2002 - December 2005) AmSecurities Sdn Bhd [Managing Director]  vi) (January 2006 - May 2009) (Retirement) AmInvestment Bank Berhad Group [Economic Advisor]  vii) (September 2009 - August 2012) (Contract) Permodalan Nasional Berhad [Senior Vice President/Head, Research Division]
<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 year ended 31 December 2018</b>	:	Seven (7) out of seven (7) Board Meetings
<b>Member of any other Board Committee</b>	:	Audit and Risk Management Committee of Directors
<b>Date of appointment to the Investment Committee</b>	:	3 March 2014
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2018.</b>	:	Investment Committee – Unit Trust Five (5) out of five (5) meetings
<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>	:	58 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom.</li> <li>ii) Bachelor of Science with Education, Mathematics &amp; Physics, University of Malaya, Malaysia.</li> <li>iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner</li> <li>iv) Financial Industry Certified Professional, FICP, Institute of Banking &amp; Finance (IBF), Singapore</li> </ul>
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<ul style="list-style-type: none"> <li>i) (October 2009 – September 2012) (October 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings]</li> <li>ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia]</li> <li>iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage]</li> </ul>

	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>	: None
<b>Number of Board meeting attended for the financial year ended 31 December 2018</b>	: Seven (7) out of seven (7) Board Meetings
<b>Member of any other Board Committee</b>	: Audit and Risk Management 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 year ended 31 December 2018</b>	: Investment Committee – Unit Trust Five (5) out of five (5) meetings
<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>	: 64 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>	: 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 year ended 31 December 2018</b>	: Six (6) out of seven (7) Board Meetings
<b>Member of any other Board Committee</b>	: Audit and Risk Management 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 year ended 31 December 2018</b>	: Investment Committee – Unit Trust Five (5) out of five (5) meetings
<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>	: Seohan Soo
<b>Age</b>	: 52 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Laws with Honours -The University of Warwick (1992) ii) Master of Laws -Taxation/Corporate Law and Finance/Law of International Trade- University of Cambridge (1993) iii) Barrister-at-Law, Lincolns Inn, London (1994) iv) Advocate and Solicitor, High Court of Malaya (1995)
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent and Non-Executive
<b>Working Experience</b>	: i) (July 2018 – Present) AmInvestment Bank Berhad [Chief Executive Officer]  ii) (November 2015 - June 2018) Capital Markets Group of AmInvestment Bank Berhad [Executive Vice President]  iii) (June 2014 - October 2015) Markets of AmBank Group [Executive Vice President]  iv) (December 2003 – June 2014) Debt Capital Markets of AmInvestment Bank Berhad [Director/ Head]  v) (September 1998 - September 2003) Investment Banking and Treasury Markets Divisions of HSBC Bank Malaysia Berhad [Director of Debt Capital Markets]  vi) (May 1995 - August 1998) Commerce International Merchant Bankers Bhd (CIMB) [Debt Capital Markets]  vii)(August 1994 – April 1995) Soo Thien Ming & Shahrizat, Advocates & Solicitors [Legal Training (Chambering)]
<b>Occupation</b>	: Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	: 1 August 2018
<b>Directorship of other public companies</b>	: AmInvestment Group Berhad
<b>Number of Board meeting attended for the financial year ended 31 December 2018</b>	: Three (3) out of three (3) Board Meetings
<b>Member of any other Board</b>	: Nil

<b>Committee</b>	
<b>Date of appointment to the Investment Committee</b>	: He is not a member of Investment Committee
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2018</b>	: N/A
<b>Family relationship with any director</b>	: Nil
<b>Conflict of interest with the Fund</b>	: Nil
<b>List of convictions for offences within the past 10 years (if any)</b>	: Nil

<b>Name</b>	: Goh Wee Peng
<b>Age</b>	: 44 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)



	<p>AmInvestment Management Sdn Bhd [Assistant Fund Manager]</p> <p>viii) (April 2005 - March 2006) AmInvestment Management Sdn Bhd [Fund Manager]</p> <p>ix) (April 2006 - March 2009) AmInvestment Management Sdn Bhd [Head of Fixed Income]</p> <p>x) (April 2009 - March 2010) AmInvestment Management Sdn Bhd [Head of Fixed Income &amp; Acting Chief Investment Officer of Fixed Income]</p> <p>xi) (April 2010 - June 2016) AmInvestment Management Sdn Bhd/ AmFunds Management Berhad [Chief Investment Officer of Fixed Income]</p> <p>xii) (July 2016 - May 2017) AmFunds Management Berhad [Deputy Chief Executive Officer]</p> <p>xiii) (June 2017 - Present) AmFunds Management Berhad [Acting Chief Executive Officer]</p>
<b>Occupation</b>	: Chief Executive Officer of AmFunds Management Berhad
<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 year ended 31 December 2018</b>	: Seven (7) out of seven (7) Board Meetings
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: 31 October 2017
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2018</b>	: Investment Committee – Unit Trust Four (4) out of five (5) meetings
<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 year ended 31 December 2018 (1 January 2018 to 31 December 2018), there were five (5) Investment Committee Meetings 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)
- Goh Wee Peng (profile as mentioned above)

<b>Name</b>	: Zainal Abidin Bin Mohd Kassim
<b>Age</b>	: 63 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>	: Independent Member
<b>Independent/Non-Independent Director</b>	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant] ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]
<b>Working Experience</b>	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
<b>Occupation</b>	: None
<b>Directorship of other public companies</b>	: None
<b>Member of any other Board Committee</b>	: 30 November 2016
<b>Date of appointment to the Investment Committee</b>	: Investment Committee – Unit Trust Three (3) out of five (5) meetings
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2018</b>	: None
<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 year 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 year ended 31 December 2018 (1 January 2018 to 31 December 2018), there were five (5) Investment Committee Meetings held by the Manager.

## Unitholders

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

No	Name	Number of Unit Held	Units Held (%)
1	AmInvestment Bank Berhad	291,060	18.01601%
2	Alliance Investment Bank Berhad	159,200	9.85415%
3	Hong Leong Investment Bank Berhad	71,917	4.45151%
4	Citibank Berhad	51,900	3.21250%
5	Maybank Investment Bank Berhad	50,000	3.09490%
6	Maybank Investment Bank Berhad	50,000	3.09490%
7	Hong Leong Investment Bank Berhad	40,000	2.47592%
8	Malacca Securities Sdn Bhd	30,000	1.85694%
9	Alliance Investment Bank Berhad	25,720	1.59201%
10	Maybank Investment Bank Berhad	25,720	1.59201%
11	Mercury Securities Sdn Bhd	25,720	1.59201%
12	Kenanga Investment Bank Berhad	25,720	1.59201%
13	Affin Hwang Investment Bank Berhad	25,720	1.59201%
14	UOB Kay Hian Securities (M) Sdn. Bhd.	25,216	1.56082%
15	Malacca Securities Sdn Bhd	20,700	1.28129%
16	Kenanga Investment Bank Berhad	20,000	1.23796%
17	RHB Investment Bank Berhad	20,000	1.23796%
18	AmInvestment Bank Berhad	19,600	1.21320%
19	RHB Investment Bank Berhad	19,290	1.19401%
20	Hong Leong Investment Bank Berhad	17,800	1.10178%
21	Cimb Investment Bank Berhad	15,000	0.92847%
22	Hong Leong Investment Bank Berhad	14,432	0.89331%
23	Public Investment Bank Berhad	14,144	0.87548%
24	Affin Hwang Investment Bank Berhad	14,000	0.86657%
25	RHB Investment Bank Berhad	12,860	0.79601%
26	Affin Hwang Investment Bank Berhad	12,000	0.74278%
27	Hong Leong Investment Bank Berhad	11,600	0.71802%
28	CIMB Investment Bank Berhad	11,500	0.71183%
29	CIMB Investment Bank Berhad	10,700	0.66231%
30	Maybank Investment Bank Berhad	10,300	0.63755%

## Directors' Training

The Board has undertaken an assessment of the training needs of each director, with the assistance from Company Secretary and Group Learning and Development units

Name Of Directors	List of Training/Conference/Seminar/Workshop attended	Date
Dato' Mustafa Bin Mohd Nor	5th World Conference On Islamic Thought & Civilization	16 - 17 Jul 2018
Tai Terk Lin	BNM-FIDE Forum Dialogue: Managing Cyber Risks in Financial Institutions	22 Jan 2018
	Finastra Universe	21 Mar 2018
	Win the Innovation Race: Unlocking the Creative Power of Asians	6 Jun 2018
	Blockchain in Financial Services Industry by IBM	17 Jul 2018
	FIDE Forum - IBM THINK Malaysia	16 Aug 2018
	FIDE Forum Dinner Talk - The Director as Coach: An exclusive dialogue with Dr. Marshall Goldsmith and Launch of FIDE Forum's DNA of a Board Leader	30 Oct 2018
	Asian Cross Border Investment Insights Forum 2018: ETF and Private Equity: the emerging power to drive growth	22 Nov 2018
Sum Leng Kuang	Invest Malaysia	23 & 24 Jan 2018
	Launch of Institute of Corporate Directors	1 Oct 2018
	Khazanah Megatrend Forum	8 & 9 Oct 2018
	Malaysia : A New Dawn Conference	9 Oct 2018
	FIDE Forum Dinner Talk - The Director as Coach: An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's DNA of a Board Leader	30 Oct 2018
	BNM-FIDE Forum Board Conversations (Banks and DFIs) Dialogue With Senior Officials BNM - Session 1	27 Nov 2018
Seohan Soo	Will Fintech Kills Bank	27 Mar 2018
	Legal Issues In Financing Documents	24 Jul 2018
	AmBank Group Motivational Training	10 Aug 2018
	Board Technology Day	24 Sep 2018
	Investment Banking Teambuilding 2018	12 Oct 2018

	Investment Banking Of The Future	1 Nov 2018
	AmBank Group Code Of Conduct (CoC) Attestation (2017/18)*	5 Apr 2018
	Islamic Banking 101 (2017/18)*	11 Apr 2018
	Safety And Health In The Workplace (2018/19)*	27 Jul 2018
	Introduction To IT Security (2018/19)*	25 Sep 2018
Goh Wee Peng	MAAM Knowledge Series - CRS Operational Challenges In An Evolving Regulatory Environment - Lessons Learned	18 Jan 2018
	Workshop 2 : Leading Strategy Implementation & Change	28 Feb 2018
	The Inaugural Seminar On Digital Asset Management Evolution Or Revolution?	23 Mar 2018
	The Future Of Fintech And Banking	26 Mar 2018
	Will Fintech Kills Bank	27 Mar 2018
	Teambuilding - AmFunds Management Berhad	27 Apr 2018
	Mentor Program For Leap	3 May 2018
	Supporting Activities - Leap Presentation	7 Jun 2018
	International Social Security Conference 2018	8 Aug 2018
	Investment Banking Teambuilding 2018	12 Oct 2018
	AmBank Group Code Of Conduct (CoC) Attestation (2017/18)*	4 Apr 2018
	Essential Business Continuity Management (BCM) (2018/19)*	11 Dec 2018
	Safety And Health In The Workplace (2018/19)*	6 Aug 2018
	Introduction To IT Security (2018/19)*	13 Sep 2018

*\*On-line course*

# **Independent auditors' report to the unitholders of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf")**

## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of **FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf")** ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### **Basis for opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence and other ethical responsibilities**

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

## **Independent auditors' report to the unitholders of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") (cont'd.)**

### Valuation and existence of investments

The risk: The Fund's business is investing in a portfolio consisting of mainly Ringgit Malaysia denominated quoted equity securities for investors who seek an 'index-based approach to investing. Accordingly, the investment portfolio of mainly quoted equity securities is a significant material item in the financial statements. The valuation of the assets held in the investment portfolio is the key driver of the Fund's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Fund could have a significant impact on portfolio valuation and, therefore, the return generated for unitholders. We therefore identified the valuation and existence of the investment portfolio as risks that require particular audit attention.

Our response: Our audit work included, but was not restricted to, understanding the Manager's process and controls for the valuation of investments in order to assess compliance with relevant accounting standards, performing walkthrough procedures and testing the operating effectiveness of relevant controls on a sample basis. We agreed the valuation of all investments as at the year end to an independent source of market prices. We obtained confirmation of the existence and ownership of the investments as at the year end directly from the Fund's independent Trustee. The Fund's accounting policy on the valuation of investments is included in Note 3, and its disclosures about investments held at the year end are included in Note 4.

### **Information other than the financial statements and auditors' report thereon**

The Manager is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements of the Fund and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Fund does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager and Trustee of the Fund and take appropriate action to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditors' report is prepared.

### **Responsibilities of the Manager and the Trustees for the financial statements**

The Manager is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.



## **Independent auditors' report to the unitholders of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") (cont'd.)**

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

The Trustee is responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

**Independent auditors' report to the unitholders of  
FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") (cont'd.)**

- Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other matters**

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Wan Daneena Liza Bt Wan Abdul Rahman  
No. 02978/03/2020 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
22 February 2019

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>ASSETS</b>			
Investments	4	2,924,659	3,095,109
Dividends receivable		2,199	351
Cash at banks		64,924	89,734
<b>TOTAL ASSETS</b>		<b>2,991,782</b>	<b>3,185,194</b>
<b>LIABILITIES</b>			
Amount due to Manager	5	1,531	1,499
Amount due to Trustee	6	135	146
Amount due to index provider	7	1,563	311
Distributions payable		46,816	46,816
Sundry payables and accrued expenses		12,383	12,999
<b>TOTAL LIABILITIES</b>		<b>62,428</b>	<b>61,771</b>
<b>EQUITY</b>			
Unitholders’ capital	10(a)	2,218,683	2,218,683
Retained earnings	10(b)(c)	710,671	904,740
<b>TOTAL EQUITY</b>	<b>10</b>	<b>2,929,354</b>	<b>3,123,423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,991,782</b>	<b>3,185,194</b>
<b>UNITS IN CIRCULATION</b>	<b>10(a)</b>	<b>1,672,000</b>	<b>1,672,000</b>
<b>NET ASSET VALUE PER UNIT – EX DISTRIBUTION</b>		<b>175.20 sen</b>	<b>186.81 sen</b>

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

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>INVESTMENT (LOSS)/INCOME</b>			
Gross dividend income		100,849	103,197
Interest income		22	66
Net (loss)/gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	8	(198,699)	274,607
<b>Gross (Loss)/Income</b>		<b>(97,828)</b>	<b>377,870</b>
<b>EXPENDITURE</b>			
Manager’s fee	5	(15,645)	(15,146)
Trustee’s fee	6	(1,877)	(1,813)
Licence fee	7	(1,252)	(1,340)
Auditors’ remuneration		(4,500)	(4,500)
Tax agent’s fee		(5,000)	(5,000)
Other expenses	9	(12,734)	(7,600)
<b>Total Expenditure</b>		<b>(41,008)</b>	<b>(35,399)</b>
<b>NET (LOSS)/INCOME BEFORE TAX</b>		<b>(138,836)</b>	<b>342,471</b>
<b>LESS: INCOME TAX</b>	12	<b>(57)</b>	<b>(43)</b>
<b>NET (LOSS)/INCOME AFTER TAX</b>		<b>(138,893)</b>	<b>342,428</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR</b>		<b>(138,893)</b>	<b>342,428</b>
<b>Total comprehensive (loss)/income comprises the following:</b>			
Realised income		50,221	85,972
Unrealised (loss)/gain		(189,114)	256,456
		<b>(138,893)</b>	<b>342,428</b>
<b>Distributions for the financial year:</b>			
Net distributions	13	55,176	55,176
<b>Gross distributions per unit (sen)</b>	13	<b>3.30</b>	<b>3.30</b>
<b>Net distributions per unit (sen)</b>	13	<b>3.30</b>	<b>3.30</b>

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

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>Unitholders’ capital RM</b>	<b>Retained earnings RM</b>	<b>Total equity RM</b>
At 1 January 2017		2,218,683	617,488	2,836,171
Total comprehensive income for the financial year		-	342,428	342,428
Distributions	13	-	(55,176)	(55,176)
Balance at 31 December 2017		<u>2,218,683</u>	<u>904,740</u>	<u>3,123,423</u>
At 1 January 2018		2,218,683	904,740	3,123,423
Total comprehensive loss for the financial year		-	(138,893)	(138,893)
Distributions	13	-	(55,176)	(55,176)
Balance at 31 December 2018		<u>2,218,683</u>	<u>710,671</u>	<u>2,929,354</u>

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

**FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”)****STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<b>2018 RM</b>	<b>2017 RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	439,039	132,065
Dividends received	98,944	108,978
Interest received	22	66
Manager’s fee paid	(15,613)	(15,017)
Trustee’s fee paid	(1,888)	(1,807)
Licence fee paid	-	(584)
Tax agent’s fee paid	(5,000)	(5,000)
Payments for other expenses	(17,850)	(13,819)
Purchase of investments	<u>(467,288)</u>	<u>(130,508)</u>
Net cash generated from operating and investing activities	<u>30,366</u>	<u>74,374</u>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Distributions paid	<u>(55,176)</u>	<u>(55,176)</u>
Net cash used in financing activity	<u>(55,176)</u>	<u>(55,176)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(24,810)	19,198
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>89,734</u>	<u>70,536</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u><u>64,924</u></u>	<u><u>89,734</u></u>
Cash and cash equivalents comprise:		
Cash at banks	<u><u>64,924</u></u>	<u><u>89,734</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

FBM KLCI etf (“the Fund”) was established pursuant to a Deed dated 18 January 2007 as amended by the Deeds Supplemental thereto (“the Deed”), between 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 have to 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 are 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 irrevocable 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.

The Fund did not designate any of the equity instruments at FVOCI; as such they 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 year.

### **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.

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.

#### **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 instruments – 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 equity investments at FVTPL. Dividends earned whilst holding the equity investment are recognised in profit or loss when the right to the payment has been established. Gains and losses on equity investments at FVTPL, realised and unrealised, are included in 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.

## **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.

## **Dividend income**

Revenue is recognised when the Fund's right to receive the payment is established, it is probable that the economic benefits will flow to the Fund and the amount of payment can be reliably measured. The conditions are generally met when shareholders approve the dividend.

## **Gain or loss on disposal of investments**

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.

## **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 year.

#### 4. INVESTMENTS

	2018 RM	2017 RM
<b>Financial assets at FVTPL</b>		
Quoted equity securities in Malaysia	<u>2,924,659</u>	<u>3,095,109</u>

Details of investments as at 31 December 2018 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	76,860	117,641	2.62
Genting Malaysia Berhad	<u>16,200</u>	<u>48,924</u>	<u>57,133</u>	<u>1.67</u>
	<u>28,800</u>	<u>125,784</u>	<u>174,774</u>	<u>4.29</u>
<b>Consumer staples</b>				
IOI Corporation Berhad	17,485	77,808	100,449	2.65
Kuala Lumpur Kepong Berhad	2,600	64,272	48,154	2.19
Nestle (Malaysia) Berhad	300	44,220	33,848	1.51
PPB Group Berhad	3,820	67,156	45,935	2.29
Sime Darby Plantation Berhad	<u>19,489</u>	<u>92,768</u>	<u>103,552</u>	<u>3.17</u>
	<u>43,694</u>	<u>346,224</u>	<u>331,938</u>	<u>11.81</u>
<b>Energy</b>				
Dialog Group Berhad	25,300	78,683	83,490	2.69
PETRONAS Dagangan Berhad	<u>1,600</u>	<u>42,400</u>	<u>24,678</u>	<u>1.45</u>
	<u>26,900</u>	<u>121,083</u>	<u>108,168</u>	<u>4.14</u>
<b>Financials</b>				
AMMB Holdings Berhad *	10,600	46,004	44,694	1.57
CIMB Group Holdings Berhad	37,310	213,040	261,727	7.27
Hong Leong Bank Berhad	3,712	75,725	36,960	2.59

(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>Financials (Cont'd.)</b>				
Hong Leong Financial Group Berhad	1,290	23,942	16,883	0.82
Malayan Banking Berhad	32,331	307,144	268,986	10.48
Public Bank Berhad	17,030	421,663	203,800	14.39
RHB Bank Berhad	6,211	32,856	32,788	1.12
RHB Capital Berhad	4,839	-	-	-
	<u>113,323</u>	<u>1,120,374</u>	<u>865,838</u>	<u>38.24</u>
<b>Health care</b>				
Hartalega Holdings Berhad	8,100	49,734	50,058	1.70
IHH Healthcare Berhad	15,500	83,545	53,832	2.85
Top Glove Corporation Bhd.	9,300	52,080	52,359	1.78
	<u>32,900</u>	<u>185,359</u>	<u>156,249</u>	<u>6.33</u>
<b>Industrials</b>				
Hap Seng Consolidated Berhad	3,600	35,460	30,075	1.21
Malaysia Airport Holdings Berhad	5,000	41,900	44,850	1.43
MISC Berhad	8,000	53,600	40,807	1.83
Sime Darby Berhad	19,489	46,774	34,296	1.60
	<u>36,089</u>	<u>177,734</u>	<u>150,028</u>	<u>6.07</u>
<b>Materials</b>				
PETRONAS Chemicals Group Berhad	15,700	145,853	92,058	4.98
Press Metal Aluminium Holdings Berhad	10,300	49,749	53,947	1.70
	<u>26,000</u>	<u>195,602</u>	<u>146,005</u>	<u>6.68</u>
<b>Telecommunications</b>				
Axiata Group Berhad	25,300	99,429	111,611	3.39
DiGi.Com Berhad	20,300	91,350	50,732	3.12
Maxis Berhad	15,200	81,320	87,231	2.78
	<u>60,800</u>	<u>272,099</u>	<u>249,574</u>	<u>9.29</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</b>				
<b>Utilities</b>				
PETRONAS Gas Berhad	4,300	82,560	53,028	2.82
Tenaga Nasional Berhad	21,900	297,840	189,494	10.17
	<u>26,200</u>	<u>380,400</u>	<u>242,522</u>	<u>12.99</u>
<b>Total financial assets at FVTPL</b>	<u>394,706</u>	<u>2,924,659</u>	<u>2,425,096</u>	<u>99.84</u>
<b>Excess of market value over cost</b>		<u>499,563</u>		

\* An entity related to the Manager.

## 5. AMOUNT DUE TO MANAGER

	2018 RM	2017 RM
Manager's fee payable	(1,331)	(1,299)
Application fee payable to Manager	<u>(200)</u>	<u>(200)</u>
	<u>(1,531)</u>	<u>(1,499)</u>

Manager's fee is at a rate of 0.50% (2017: 0.50%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

## 6. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.06% (2017: 0.06%) per annum on the net asset value of the Fund, calculated on a daily basis.

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

## 7. AMOUNT DUE TO INDEX PROVIDER

Licence fee rate is at 0.04% (2017: 0.04%) per annum on the net asset value of the Fund, calculated on a daily basis.

## 8. NET (LOSS)/GAIN FROM INVESTMENTS

	2018 RM	2017 RM
Net (loss)/gain on financial assets at FVTPL comprised:		
– Net realised (loss)/gain on sale of investments	(9,585)	18,151
– Net unrealised (loss)/gain on changes in fair values of investments	<u>(189,114)</u>	<u>256,456</u>
	<u><u>(198,699)</u></u>	<u><u>274,607</u></u>

## 9. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial year amounting to RM1,013 (2017: RM2,519).

## 10. TOTAL EQUITY

Total equity is represented by:

	Note	2018 RM	2017 RM
Unitholders' capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	211,108	216,063
– Unrealised gain	(c)	<u>499,563</u>	<u>688,677</u>
		<u><u>2,929,354</u></u>	<u><u>3,123,423</u></u>

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

	2018		2017	
	Number of units	RM	Number of units	RM
At beginning/end of the financial 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>2018 RM</b>	<b>2017 RM</b>
At beginning of the financial year	216,063	185,267
Total comprehensive (loss)/income for the financial year	(138,893)	342,428
Net unrealised loss/(gain) attributable to investments held transferred to unrealised reserve [Note 10(c)]	189,114	(256,456)
Distributions out of realised reserve (Note 13)	(55,176)	(55,176)
Net (decrease)/increase in realised reserve for the financial year	<u>(4,955)</u>	<u>30,796</u>
At end of the financial year	<u><u>211,108</u></u>	<u><u>216,063</u></u>

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

	<b>2018 RM</b>	<b>2017 RM</b>
At beginning of the financial year	688,677	432,221
Net unrealised (loss)/gain attributable to investments held transferred from realised reserve [Note 10(b)]	<u>(189,114)</u>	<u>256,456</u>
At end of the financial year	<u><u>499,563</u></u>	<u><u>688,677</u></u>

**11. UNITS HELD BY RELATED PARTIES**

	<b>2018</b>		<b>2017</b>	
	<b>Number of units</b>	<b>RM</b>	<b>Number of units</b>	<b>RM</b>
AmInvestment Bank Berhad*	<u>329,976</u>	<u>590,657</u>	<u>498,376</u>	<u>919,504</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 31 December 2018 and 31 December 2017.



## 12. INCOME TAX

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Current financial year	<u>57</u>	<u>43</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 (loss)/income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follows:

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Net (loss)/income before tax	<u>(138,836)</u>	<u>342,471</u>
Taxation at Malaysian statutory rate of 24% (2017 : 24%)	(33,321)	82,193
Tax effects of:		
Income not subject to tax	(24,072)	(90,585)
Effect of different tax rate	(80)	(61)
Loss not deductible for tax purposes	47,688	-
Restriction on tax deductible expenses for exchange traded fund	5,037	4,813
Non-permitted expenses for tax purposes	4,245	3,148
Permitted expenses not used and not available for future financial years	<u>560</u>	<u>535</u>
Tax expense for the financial year	<u>57</u>	<u>43</u>

## 13. DISTRIBUTIONS

Distributions to unitholders declared on 27 June 2018 and 27 December 2018 (declared on 19 June 2017 and 27 December 2017 for the previous financial year) are from the following sources:

	<b>2018 RM</b>	<b>2017 RM</b>
Gross dividend income	100,849	103,197
Interest income	22	66
Realised (loss)/gain on sale of investments	<u>(9,585)</u>	<u>18,151</u>
	91,286	121,414
Less: Expenses	(41,008)	(35,399)
Taxation	<u>(57)</u>	<u>(43)</u>
Realised income for the financial year	50,221	85,972
Undistributed net income brought forward	<u>216,063</u>	<u>185,267</u>
Total realised income available for distribution	266,284	271,239
Less: Declared income distribution*	<u>(55,176)</u>	<u>(55,176)</u>
Balance undistributed realised income	<u>211,108</u>	<u>216,063</u>
Gross/net distributions per unit (sen)	<u>3.30</u>	<u>3.30</u>
Cum-Distribution - 27 June 2018/19 June 2017		
– Net asset value	<u>2,918,647</u>	<u>3,120,834</u>
– Net asset value per unit	<u>174.56 sen</u>	<u>186.65 sen</u>
Ex-Distribution - 27 June 2018/19 June 2017		
– Net asset value	<u>2,910,287</u>	<u>3,112,474</u>
– Net asset value per unit	<u>174.06 sen</u>	<u>186.15 sen</u>
Cum-Distribution - 27 December 2018/2017		
– Net asset value	<u>2,976,676</u>	<u>3,127,015</u>
– Net asset value per unit	<u>178.03 sen</u>	<u>187.02 sen</u>
Ex-Distribution - 27 December 2018/2017		
– Net asset value	<u>2,929,860</u>	<u>3,080,199</u>
– Net asset value per unit	<u>175.23 sen</u>	<u>184.22 sen</u>

\* The current year distributions have been proposed before taking into account the net realised loss of RM9,585 (2017: nil).

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

The Fund’s MER is as follows:

	<b>2018</b> <b>% p.a.</b>	<b>2017</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	0.54	0.57
	<hr/>	<hr/>
Total MER	1.14	1.17
	<hr/>	<hr/>

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 0.15 times (2017: 0.04 times).

#### 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 INSTITUTIONS

Details of transactions with financial institutions for the financial year ended 31 December 2018 are as follows:

<b>Financial institutions</b>	<b>Transaction value</b>		<b>Brokerage fee, stamp duty and clearing fee</b>	
	<b>RM</b>	<b>%</b>	<b>RM</b>	<b>%</b>
AmInvestment Bank Berhad*	906,327	100.00	5,484	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.

## 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>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
<b>Total financial assets</b>	<b>2,924,659</b>	<b>67,123</b>	<b>-</b>	<b>2,991,782</b>
<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
Distributions payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	12,383	12,383
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>62,428</b>	<b>62,428</b>
<b>2017</b>				
<b>Assets</b>				
Investments	3,095,109	-	-	3,095,109
Dividends receivable	-	351	-	351
Cash at banks	-	89,734	-	89,734
<b>Total financial assets</b>	<b>3,095,109</b>	<b>90,085</b>	<b>-</b>	<b>3,185,194</b>
<b>Liabilities</b>				
Amount due to Manager	-	-	1,499	1,499
Amount due to Trustee	-	-	146	146
Amount due to index provider	-	-	311	311
Distributions payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	12,999	12,999
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>61,771</b>	<b>61,771</b>

	<b>Income, expense, gains and losses</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Net (loss)/gain from financial assets at FVTPL	(198,699)	274,607
Income, of which derived from:		
– Gross dividend income from financial assets at FVTPL	100,849	103,197
– Interest income from loans and receivables	22	66

**(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 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>2018</b>				
Financial assets at FVTPL	2,924,659	-	-	2,924,659
<b>2017</b>				
Financial assets at FVTPL	3,095,109	-	-	3,095,109

**(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, interest rates, foreign exchange 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 movements of price by -5.00% and +5.00% respectively:

Percentage movements in price by:	Sensitivity of the Fund's NAV	
	2018 RM	2017 RM
-5.00%	(146,233)	(154,755)
+5.00%	<u>146,233</u>	<u>154,755</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 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.

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.

## **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 years ended 31 December 2018 and 31 December 2017.

## **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 31 December 2018 and the comprehensive income, the changes in equity and cash flows of the Fund for the financial year then ended.

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**GOH WEE PENG**

For and on behalf of the Manager  
AmFunds Management Berhad

Kuala Lumpur, Malaysia  
22 February 2019



## **TRUSTEE’S REPORT**

### **TO THE UNITHOLDERS OF FTSE BURSA MALAYSIA KLCI etf**

We have acted as Trustee of FTSE Bursa Malaysia KLCI etf (“the Fund”) for the financial year ended 31 December 2018. To the best of our knowledge, AmFunds Management Berhad (“the Management Company”), has operated and managed the Fund in accordance with the following:

- (a) limitations imposed on the investment powers of the Management Company and the Trustee under the Deeds, the Securities Commission’s Guidelines on Exchange-Traded Funds, the Capital Markets and Services Act 2007 and the applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- (c) creation and redemption of units are carried out in accordance with the Deeds and any regulatory requirements.

During this financial year, a total distribution of 3.30 sen per unit (net) has been distributed to the unitholders of the Fund. We are of the view that the distribution is not inconsistent with the objectives of the Fund.

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Head, Trustee Operations  
Kuala Lumpur, Malaysia  
22 February 2019

## DIRECTORY

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P.O Box 13611, 50816 Kuala Lumpur

*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.)*

