

Annual Report for

ABF Malaysia Bond Index Fund

31 December 2018



AmInvest

Growing Your Investments in a Changing World

ABF Malaysia Bond Index Fund

Annual Report

31 December 2018

TRUST DIRECTORY

Manager

AmFunds Management Berhad
9th & 10th 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 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, 13th Floor, South Tower
No.2, Leboh Ampang, 50100 Kuala Lumpur
Tel: 03-2075 7800 Fax: 03-2026 1273

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MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the audited accounts of ABF Malaysia Bond Index Fund ("Fund") for the financial year ended 31 December 2018.

Salient Information of the Fund

Name	ABF Malaysia Bond Index Fund (“Fund”)				
Category/ Type	Fixed Income ETF/ Income				
Objective	A listed bond fund that is passively managed against the given benchmark and the returns will be expected to correspond closely to the performance of the benchmark index. <i>Note: Any material change to the Fund’s investment objective will require the unitholders’ approval by way of special resolution.</i>				
Index Component	Details of the index component as at 31 December 2018 are as follows:				
	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	ML120006	Malaysia Government Bond	3.492	31 March 2020	11,000,000,000
	VI150052	Danga Capital Bhd	4.100	9 April 2020	2,000,000,000
	GH160004	Malaysia Government Investment Issue	3.226	15 April 2020	7,000,000,000
	GO090061	Malaysia Government Investment Issue	4.492	30 April 2020	3,500,000,000
	GL120098	Malaysia Government Investment Issue	3.576	15 May 2020	11,000,000,000
	VG170171	Pengurusan Air SPV Berhad	3.960	5 June 2020	700,000,000
	GN100021	Malaysia Government Investment Issue	4.284	15 June 2020	5,500,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	MK130006	Malaysia Government Bond	3.889	31 July 2020	7,973,062,000
	GI150002	Malaysia Government Investment Issue	3.799	27 August 2020	10,000,000,000
	VI150192	Pengurusan Air SPV Berhad	4.280	28 September 2020	700,000,000
	MJ150003	Malaysia Government Bond	3.659	15 October 2020	11,742,134,000
	GN100060	Malaysia Government Investment Issue	3.998	30 November 2020	3,000,000,000
	MH170005	Malaysia Government Bond	3.441	15 February 2021	3,500,000,000
	VN110023	GovCo Holdings Bhd	4.450	23 February 2021	1,500,000,000
	GL130069	Malaysia Government Investment Issue	3.716	23 March 2021	9,500,000,000
	VG180101	Cagamas Berhad	4.170	29 March 2021	1,000,000,000
	GN110025	Malaysia Government Investment Issue	4.170	30 April 2021	12,500,000,000
	MO110001	Malaysia Government Bond	4.160	15 July 2021	13,500,000,000
	GJ160002	Malaysia Government Investment Issue	3.743	26 August 2021	7,000,000,000
	VK140222	Bank Pembangunan Malaysia Berhad	4.190	10 September 2021	700,000,000
	ML140003	Malaysia Government Bond	4.048	30 September 2021	11,700,000,000
	MJ160004	Malaysia Government Bond	3.620	30 November 2021	10,000,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	UI170031	Cagamas Berhad	4.150	9 March 2022	2,000,000,000
	MI170001	Malaysia Government Bond	3.882	10 March 2022	8,400,000,000
	GH180004	Malaysia Government Investment Issue	3.729	31 March 2022	3,000,000,000
	GI170003	Malaysia Government Investment Issue	3.948	14 April 2022	11,000,000,000
	VI170172	Pengurusan Air SPV Berhad	4.060	6 June 2022	900,000,000
	VN120195	Johor Corporation	3.840	14 June 2022	1,800,000,000
	VN120202	Perbadanan Tabung Pendidikan Tinggi Nasional	3.850	15 June 2022	2,500,000,000
	GL150001	Malaysia Government Investment Issue	4.194	15 July 2022	10,000,000,000
	MO120001	Malaysia Government Bond	3.418	15 August 2022	10,500,000,000
	ML150002	Malaysia Government Bond	3.795	30 September 2022	11,000,000,000
	VI170370	Cagamas Berhad	4.230	3 November 2022	840,000,000
	GO120037	Malaysia Government Investment Issue	3.699	15 November 2022	8,500,000,000
	VN120393	Turus Pesawat Sdn Bhd	3.740	18 November 2022	500,000,000
	VN130068	Turus Pesawat Sdn Bhd	3.770	3 February 2023	500,000,000
	MN130003	Malaysia Government Bond	3.480	15 March 2023	11,420,000,000
	MI180002	Malaysia Government Bond	3.757	20 April 2023	4,400,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VI180192	Cagamas Berhad	4.500	25 May 2023	1,500,000,000
	VI180196	Pengurusan Air SPV Berhad	4.410	6 June 2023	715,000,000
	GL160001	Malaysia Government Investment Issue	4.390	7 July 2023	10,500,000,000
	DS081080	Khazanah Nasional Berhad	0.000	14 August 2023	2,000,000,000
	ML160001	Malaysia Government Bond	3.800	17 August 2023	10,000,000,000
	VN130259	Cagamas Berhad	4.300	27 October 2023	645,000,000
	GO130033	Malaysia Government Investment Issue	3.493	31 October 2023	4,000,000,000
	GJ180003	Malaysia Government Investment Issue	4.094	30 November 2023	7,500,000,000
	VK170038	GovCo Holdings Bhd	4.290	22 February 2024	625,000,000
	VN140090	Perbadanan Tabung Pendidikan Tinggi Nasional	4.670	28 March 2024	1,800,000,000
	GO130071	Malaysia Government Investment Issue	4.444	22 May 2024	12,500,000,000
	MO140001	Malaysia Government Bond	4.181	15 July 2024	11,020,000,000
	GL170002	Malaysia Government Investment Issue	4.045	15 August 2024	12,000,000,000
	ML170002	Malaysia Government Bond	4.059	30 September 2024	11,000,000,000
	VP120394	Turus Pesawat Sdn Bhd	3.930	19 November 2024	500,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	MK180001	Malaysia Government Bond	3.882	14 March 2025	7,000,000,000
	VK180133	Lembaga Pembiayaan Perumahan Sektor Awam	4.320	4 April 2025	1,000,000,000
	VN150103	Jambatan Kedua Sdn Bhd	4.300	28 May 2025	1,300,000,000
	MY050003	Malaysia Government Bond	4.837	15 July 2025	3,000,000,000
	GL180001	Malaysia Government Investment Issue	4.128	15 August 2025	12,500,000,000
	MO150001	Malaysia Government Bond	3.955	15 September 2025	13,672,200,000
	VN150193	Pengurusan Air SPV Berhad	4.630	26 September 2025	860,000,000
	GO150004	Malaysia Government Investment Issue	3.990	15 October 2025	10,500,000,000
	MS110003	Malaysia Government Bond	4.392	15 April 2026	11,274,330,000
	VN160235	Jambatan Kedua Sdn Bhd	4.200	28 July 2026	1,000,000,000
	VS110260	Prasarana Malaysia Bhd	4.350	4 August 2026	1,200,000,000
	MX060002	Malaysia Government Bond	4.709	15 September 2026	3,110,000,000
	GO160003	Malaysia Government Investment Issue	4.070	30 September 2026	10,500,000,000
	VN160330	Bank Pembangunan Malaysia Berhad	4.500	4 November 2026	850,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	MO160003	Malaysia Government Bond	3.900	30 November 2026	9,500,000,000
	VN170037	GovCo Holdings Bhd	4.550	22 February 2027	500,000,000
	MS120002	Malaysia Government Bond	3.892	15 March 2027	5,500,000,000
	MX070003	Malaysia Government Bond	3.502	31 May 2027	6,000,000,000
	GS120059	Malaysia Government Investment Issue	3.899	15 June 2027	5,000,000,000
	GO170001	Malaysia Government Investment Issue	4.258	26 July 2027	11,000,000,000
	VN170245	Danga Capital Bhd	4.520	6 September 2027	1,500,000,000
	MO170004	Malaysia Government Bond	3.899	16 November 2027	14,500,000,000
	VS120395	Turus Pesawat Sdn Bhd	4.120	19 November 2027	750,000,000
	MS130005	Malaysia Government Bond	3.733	15 June 2028	11,500,000,000
	GT130001	Malaysia Government Investment Issue	3.871	8 August 2028	3,000,000,000
	MX080003	Malaysia Government Bond	5.248	15 September 2028	5,040,000,000
	GO180002	Malaysia Government Investment Issue	4.369	31 October 2028	12,000,000,000
	GS130072	Malaysia Government Investment Issue	4.943	6 December 2028	5,000,000,000
	VS140224	Bank Pembangunan Malaysia Berhad	4.750	12 September 2029	900,000,000
	VX090825	Prasarana Malaysia Bhd	5.070	28 September 2029	1,500,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VS150043	Prasarana Malaysia Bhd	4.640	22 March 2030	1,100,000,000
	MX100003	Malaysia Government Bond	4.498	15 April 2030	12,770,000,000
	VS150104	Jambatan Kedua Sdn Bhd	4.520	28 May 2030	700,000,000
	GT150003	Malaysia Government Investment Issue	4.245	30 September 2030	7,000,000,000
	VS160151	GovCo Holdings Bhd	4.730	6 June 2031	550,000,000
	MX110004	Malaysia Government Bond	4.232	30 June 2031	12,750,000,000
	VS170036	GovCo Holdings Bhd	4.950	20 February 2032	1,250,000,000
	VS170042	Bank Pembangunan Malaysia Berhad	4.980	2 March 2032	700,000,000
	VS170113	Perbadanan Tabung Pendidikan Tinggi Nasional	4.860	12 Marh 2032	855,000,000
	MX120004	Malaysia Government Bond	4.127	15 April 2032	5,500,000,000
	VS170237	Perbadanan Tabung Pendidikan Tinggi Nasional	4.930	17 August 2032	1,300,000,000
	VX120396	Turus Pesawat Sdn Bhd	4.360	19 November 2032	1,650,000,000
	VS180037	Danga Capital Bhd	4.940	26 January 2033	1,500,000,000
	VS180135	Lembaga Pembiayaan Perumahan Sektor Awam	4.90	5 April 2033	1,500,000,000
	MX130004	Malaysia Government Bond	3.844	15 April 2033	14,000,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	GT170006	Malaysia Government Investment Issue	4.724	15 June 2033	9,500,000,000
	GX130068	Malaysia Government Investment Issue	4.582	30 August 2033	12,000,000,000
	VT180093	Danga Capital Bhd	5.020	21 September 2033	2,000,000,000
	MT180003	Malaysia Government Bond	4.642	7 November 2033	6,000,000,000
	VX140225	Bank Pembangunan Malaysia Berhad	4.850	12 September 2034	900,000,000
	MY150004	Malaysia Government Bond	4.254	31 May 2035	7,161,000,000
	GX150006	Malaysia Government Investment Issue	4.786	31 October 2035	7,000,000,000
	MX170003	Malaysia Government Bond	4.762	7 April 2037	12,500,000,000
	GX170005	Malaysia Government Investment Issue	4.755	4 August 2037	10,000,000,000
	VX170249	Lembaga Pembiayaan Perumahan Sektor Awam	5.050	7 September 2037	1,000,000,000
	VX180072	DanaInfra Nasional Berhad	5.110	19 February 2038	1,500,000,000
	MX180004	Malaysia Government Bond	4.893	8 June 2038	5,500,000,000
	VX180298	Lembaga Pembiayaan Perumahan Sektor Awam	4.850	29 October 2038	900,000,000
	VZ160031	Prasarana Malaysia Bhd	5.070	26 February 2041	755,000,000
	VZ160237	Jambatan Kedua Sdn Bhd	4.860	26 July 2041	900,000,000
	(Forward)				

	Code	Issuer	Coupon %	Final Maturity	Notional Amount (RM)
	VZ160233	Perbadanan Tabung Pendidikan Tinggi Nasional	4.850	26 July 2041	1,500,000,000
	VZ160322	DanaInfra Nasional Berhad	4.780	18 October 2041	1,000,000,000
	VZ180073	DanaInfra Nasional Berhad	5.240	20 February 2043	1,000,000,000
	VZ180084	Prasarana Malaysia Bhd	5.250	6 March 2043	1,200,000,000
	MZ130007	Malaysia Government Bond	4.935	30 September 2043	6,500,000,000
	MZ160002	Malaysia Government Bond	4.736	15 March 2046	10,500,000,000
	VZ160131	DanaInfra Nasional Berhad	5.020	3 May 2046	1,000,000,000
	VZ160323	DanaInfra Nasional Berhad	4.950	19 October 2046	1,000,000,000
	GZ170004	Malaysia Government Investment Issue	4.895	8 May 2047	9,000,000,000
	VZ170250	Lembaga Pembiayaan Perumahan Sektor Awam	5.260	6 September 2047	1,000,000,000
	MZ180005	Malaysia Government Bond	4.921	6 July 2048	2,000,000,000
	<i>(Source: Markit Indices Limited)</i>				
Duration	The Fund was established on 12 July 2005 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders+* can resolve at a meeting to terminate the Fund.				
Performance Benchmark	Markit iBoxx® ABF Malaysia Bond Index				

Income Distribution Policy	Income distribution (if any) will be paid semi-annually.				
Breakdown of Unit Holdings by Size	For the financial year under review, the size of the Fund stood at 1,237,921,800 units.				
	Size of holding	As at 31 December 2018		As at 31 December 2017	
		No of units held	Number of unitholders	No of units held	Number of unitholders
	Less than 100	200	8	300	6
	100 – 1,000	15,100	30	13,800	27
	1,001 -10,000	26,600	7	53,500	12
	10,001 – 100,000	184,800	7	81,000	4
	100,001 to less than 5% of issue units	40,287,230	5	53,365,330	5
	5% and above of issue units	1,197,407,870	1	1,211,907,870	1

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 %
	Corporate bonds	-	-	-	0.76	1.48
	Malaysian Government Securities	98.33	95.33	95.16	90.57	78.21
	Quasi-Government bonds	4.88	4.36	4.41	6.46	20.77
	Cash and others	(3.21)	0.31	0.43	2.21	(0.46)
	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)	1,418,254,135	1,450,591,084*	1,442,324,912*	1,341,876,193	685,894,438
	Units in circulation	1,237,921,800	1,265,421,800*	1,320,421,800*	1,265,421,800	660,421,800
	Net asset value per unit (RM)	1.1457	1.1463*	1.0923*	1.0604	1.0386
	(Forward)					

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Highest net asset value per unit (RM)	1.1916	1.1463*	1.1224*	1.0655	1.0841
Lowest net asset value per unit (RM)	1.1445	1.0921*	1.0599*	1.0323	1.0355
Closing quoted price (RM/unit)	1.1860	1.1400*	1.1100*	1.0520	1.0350
Highest quoted price (RM/unit)	1.1900	1.1400*	1.1240*	1.0680	1.0840
Lowest quoted price (RM/unit)	1.1460	1.1000*	1.0520*	1.0300	1.0350
Benchmark performance (%)	4.21	5.06	3.46	4.12	3.79
Total return (%) ⁽¹⁾	4.01	4.94	3.01	3.74	3.98
- Capital growth (%)	-0.05	4.94	3.01	2.12	-1.70
- Income distribution (%)	4.06	-	-	1.62	5.68
Gross distribution (sen per unit)	4.65	-	-	1.68	6.00
Net distribution (sen per unit)	4.65	-	-	1.68	6.00
Distribution yield (%) ⁽²⁾	4.08	-	-	1.60	5.80
Management expense ratio (%) ⁽³⁾	0.17	0.17	0.18	0.16	0.18
Portfolio turnover ratio (times) ⁽⁴⁾	0.18	0.23	0.47	0.74	0.66

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

Note:

(1) Total return is the annualised 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 respective financial 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.

(4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total

acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decreased by 0.05 times (21.7%) as compared to 0.23 times for the financial year ended 31 December 2017 mainly due to decrease in investing activities.

Average Total Return (as at 31 December 2018)

	ABFMY1^(a) %	iBoxx Index^(b) %
One year	4.01	4.21
Three years	3.98	4.29
Five years	3.93	4.15
Ten years	3.33	3.63

Annual Total Return

Financial Years Ended (31 December)	ABFMY1^(a) %	iBoxx Index^(b) %
2018	4.01	4.21
2017	4.94	5.06
2016	3.01	3.46
2015	3.74	4.12
2014	3.98	3.79

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

(b) iBoxx ABF Malaysia Index (“iBoxx Index”)

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 return of 4.01%, comprising of negative 0.05% capital and 4.06% income distribution.

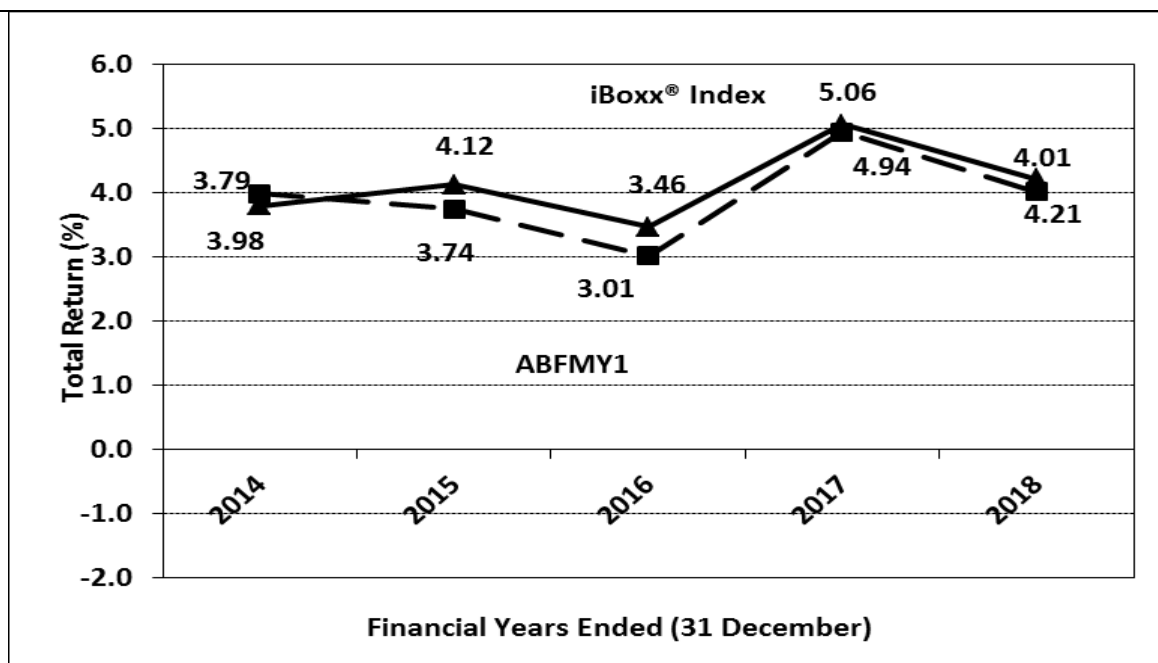
Thus, the Fund’s return of 4.01% has underperformed the benchmark’s return of 4.21% by 0.20%.

As compared with the financial year ended 31 December 2017, the net asset value (“NAV”) per unit of the Fund decreased by 0.05% from RM1.1463 to RM1.1457, while units in circulation while units in circulations decreased by 2.17% from 1,265,421,800 units to 1,237,921,800 units.

The closing price quoted at Bursa Malaysia of the Fund increased by 4.04% from RM1.1400 to RM1.1860.

The line chart below shows the comparison between the annual performance of ABFMY1 and its benchmark, iBoxx® Index, for the financial years ended 31 December.

(Forward)



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

Has the Fund achieved its objective? For the financial year under review, the Fund has met its objective i.e passively managed against the given benchmark.

Strategies and Policies Employed For the financial year under review, the Fund used a passive strategy whereby the Manager aims, by way of representative sampling, to achieve a return on the Fund Assets that closely tracks the returns of the benchmark index.

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 %
Malaysian Government Securities	98.33	95.33	3.00
Quasi-Government bonds	4.88	4.36	0.52
Cash and others	(3.21)	0.31	-3.52
Total	100.00	100.00	

There has been no significant change to the asset allocation since the last reporting period. Cash is negative because of dividend being declared but has yet to be paid out.

Cross Trade There are no cross trades for the Fund during this financial year under review.

Distribution/unit splits During the financial year under review, the Fund declared income distributions, detailed as follows:

4.65 sen per unit income distribution	Change in the unit price prior and subsequent to the income distribution	Before income distribution on 27 December 2018 (RM)	After income distribution on 27 December 2018 (RM)
	Net asset value per unit	1.1903	1.1438

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

State of Affairs of the Fund	<p>There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the financial year under review.</p> <p><i>Note: The Manager has appointed Deutsche Trustees Malaysia Berhad (“DTMB”) to carry out the fund accounting and valuation services for all funds effective 20th June 2018.</i></p>
Rebates and Soft Commission	<p>It is our policy to pay all rebates to the Fund. Soft commission received from brokers/dealers are retained by the Manager only if the goods and services provided are of demonstrable benefit to unitholders of the Fund.</p> <p>During the financial 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>
Market Review	<p>Bank Negara Malaysia (“BNM”) kept the Overnight Policy Rate (“OPR”) unchanged at 3.25% at its 5 Sept 2018 meeting, amid a benign inflation environment along with cautious official government GDP growth expectations forecasted at 5% for 2018 (previous 2018: 5.5-6.0%).</p> <p>Inflation is largely subdued due to the consumer tax holiday with GST zero rated, and prior to the implementation of SST effective 1 Sep 2018. Additionally, RON95 and diesel are now heavily subsidized and capped unchanged since the new administration took over.</p> <p>Foreign funds pulled out RM5.2b from Malaysian govies in November 2018. On YTD basis, total bond flow remained negative at -RM19.6b. The same sentiment was also seen in the equities market which saw an outflow of RM0.7b in the same month. Nevertheless, in spite of the negative flows, Malaysia’s foreign reserves rose marginally by USD0.3b to USD102b as at end November 2018 (October: USD101.7b) while the Ringgit surged away from the 4.20 levels to end the year at around 4.14 against the USD, due largely to broad USD weakness.</p> <p>Meanwhile, as 2018 drew to a close, primary issuances of corporate bonds dried up as investors and issuers alike took a holiday break. The last govies auction for 2018 was the RM3.8b 3-year GII 03/22 which garnered a strong BTC of 2.426x. With that, gross government issuance (both MGS & GII) for 2018 came to RM112.3b. Bank Negara released its 2019 auction calendar which entails 32 auctions (equally split to between 16 MGS and 16 GII auctions). As seen in 2018, almost all the benchmarks on the curve will be replaced except for the 30Y MGS. A distinctive feature which has been seen in recent auctions is that private placements will be the norm for 2019 especially at the belly and long-end of the curve. As such, we expect the higher gross supply of around RM120b to be well supported due to ample liquidity and investor demand.</p>
Market Outlook	<p>As widely expected, the trade impasse between the U.S. and China remains unresolved as both leaders met during the G20 summit and agreed to a 90-days truce. Nevertheless, the truce was good enough to trigger a risk-on rally across global markets. Coupled with the plunge in oil price to below USD60/bbl and a more dovish Fed, the UST 10Y surged convincingly below 3% and which also saw UST yields</p>

	<p>inverted for the first time since 2007. All eyes will now focus on whether an agreement can be reached after the end of the 90-days truce on 1 March 2019 as well as the Fed's appetite for further rate hikes in the months ahead.</p> <p>Moving forward and into 2019, domestic factors are expected to take a backseat compared to external factors such as a resolution to the ongoing US-China trade war, a potential Brexit in Europe and general expectations of slowing global growth which will impact central bank policies beginning with the Fed.</p>
Additional Information	<p>The following information has been updated:</p> <ol style="list-style-type: none"> 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. 2. Seohan Soo has been appointed as a Non-Independent Non-Executive Director for AmFunds Management Berhad with effect from 1st August 2018. 3. Effective from 1st 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

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' meetings held by the Manager.

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

Name	: Dato' Mustafa bin Mohd Nor
Age	: 67 years old
Nationality	: Malaysian
Qualification	: i) Master of Arts (Economic Policy), Boston University, USA ii) Bachelor of Economics (Analytical), University of Malaya, Malaysia
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: 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]
Occupation	: Director
Date of appointment	: 3 March 2014

Directorship of other public companies	:	KUISAS Berhad
Number of Board meeting attended for the financial year ended 31 December 2018	:	Seven (7) out of seven (7) Board Meetings
Member of any other Board Committee	:	Audit and Risk Management Committee of Directors
Date of appointment to the Investment Committee	:	3 March 2014
Number of Investment Committee meeting attended for the financial year ended 31 December 2018	:	Investment Committee – Unit Trust Five (5) out of five (5) meetings
Family relationship with any director	:	None
Conflict of interest with the Fund	:	None
List of convictions for offences within the past 10 years (if any)	:	None

Name	:	Tai Terk Lin
Age	:	58 years old
Nationality	:	Malaysian
Qualification	:	<ul style="list-style-type: none"> i) Master of Business Administration (School of Management), Cranfield Institute of Technology, United Kingdom. ii) Bachelor of Science with Education, Mathematics & Physics, University of Malaya, Malaysia. iii) Certified Financial Planner Board of Standard, Inc, USA Certified Financial Planner iv) Financial Industry Certified Professional, FICP, Institute of Banking & Finance (IBF), Singapore
Executive/Non-Executive Director	:	Non-Executive Director
Independent/Non-Independent Director	:	Independent Director
Working Experience	:	<ul style="list-style-type: none"> i) (October 2009 – September 2012) (October 2012 with ICB Indonesia) AG, ICB Banking Group [Group Chief Executive Officer of ICB Financial Group Holdings] ii) (January 2009 – August 2009) Platinum Capital Management (Asia) Pte Ltd, Singapore [Executive Director/Head of Business Development Asia] iii) (January 2007 – November 2008) DBS Bank, Singapore [Senior Vice President/Head – Malaysia Coverage Private Banking]

	iv) (March 2002 – December 2006) AmInvestment Bank Berhad [Director/Head, Private Banking]
	v) (April 1995 – December 2001) HLB Unit Trust Management Bhd [Chief Executive Officer]
	vi) (April 1994 – March 1995) Hong Leong Bank Berhad (Ex-Hong Leong Finance) [Chief Project Manager/Credit Manager]
	vii) (January 1994 – April 1994) United Merchant Finance Berhad [Special Assistant to Executive Chairman]
	viii)(June 1992 – December 1993) Hong Leong Management Company Sdn Bhd [Senior Analyst (Executive Chairman's Office)]
	ix) (January 1991 – June 1992) Corporate Care Division, PricewaterhouseCoopers [Consulting Manager]
Occupation	: Director
Date of appointment	: 15 December 2014
Directorship of other public companies	: None
Number of Board meeting attended for the financial year ended 31 December 2018	: Seven (7) out of seven (7) Board Meetings
Member of any other Board Committee	: Audit and Risk Management Committee of Directors
Date of appointment to the Investment Committee	: 15 December 2014
Number of Investment Committee meeting attended for the financial year ended 31 December 2018	: Investment Committee – Unit Trust Five (5) out of five (5) meetings
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Sum Leng Kuang
Age	: 64 years old
Nationality	: Malaysian
Qualification	: i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand ii) Certified Financial Planner, Financial Planning Association of Malaysia

Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Independent Director
Working Experience	: i) (May 1982 - 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)]
Occupation	: Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
Date of appointment	: 18 January 2016
Directorship of other public companies	: Pacific & Orient Insurance Co. Berhad
Number of Board meeting attended for the financial year ended 31 December 2017	: Six (6) out of seven (7) Board Meetings
Member of any other Board Committee	: Audit and Risk Management Committee of Directors
Date of appointment to the Investment Committee	: 18 January 2016
Number of Investment Committee meetings attended for the financial year ended 31 December 2018	: Investment Committee – Unit Trust Five (5) out of five (5) meetings
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None
Name	: Seohan Soo
Age	: 52 years old
Nationality	: Malaysian

Qualification	: 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)
Executive/Non-Executive Director	: Non-Executive Director
Independent/Non-Independent Director	: Non-Independent and Non-Executive
Working Experience	: 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)]
Occupation	: Chief Executive Officer of AmInvestment Bank Berhad
Date of appointment	: 1 August 2018
Directorship of other public companies	: AmInvestment Group Berhad
Number of Board meeting attended for the financial year ended 31 December 2018	: Three (3) out of three (3) Board Meetings
Member of any other Board Committee	: Nil
Date of appointment to the Investment Committee	: He is not a member of Investment Committee
Number of Investment Committee meeting attended for	: N/A

the financial year ended 31 December 2018	
Family relationship with any director	: Nil
Conflict of interest with the Fund	: Nil
List of convictions for offences within the past 10 years (if any)	: Nil
Name	: Goh Wee Peng
Age	: 44 years old
Nationality	: Malaysian
Qualification	: 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
Executive/Non-Executive Director	: Executive Director
Independent/Non-Independent Director	: Non-Independent Director
Working Experience	: i) (April 1997 - July 1999) Fulton Prebon (M) Sdn Bhd [Money Market Broker] ii) (August 1999 - Jun2000) HLG Securities Sdn Bhd [Institutional Dealer] iii) (July 2000 - May 2001) HLG Asset Management [Research Executive] iv) (May 2001 - May 2002) HLG Asset Management [Investment Analyst] v) (June 2002 - August 2002) Southern Bank Berhad [Fixed Income Dealer] vi) (September 2002 - March 2004) AmInvestment Management Sdn Bhd [Credit Analyst] vii) (April 2004 - March 2005) AmInvestment Management Sdn Bhd [Assistant Fund Manager] viii) (April 2005 - March 2006) AmInvestment Management Sdn Bhd [Fund Manager]

	<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 & 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>
Occupation	: Chief Executive Officer of AmFunds Management Berhad
Date of appointment	: 1 June 2017
Directorship of other public companies	: None
Number of Board meeting attended for the financial year ended 31 December 2018	: Seven (7) out of seven (7) Board Meetings
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 31 October 2017
Number of Investment Committee meeting attended for the financial year ended 31 December 2018	: Investment Committee – Unit Trust Four (4) out of five (5) meetings
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Investment Committee

The Investment Committee, of which more than one-third are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial year end 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)

Name	: Zainal Abidin Bin Mohd Kassim
Age	: 63 years old
Nationality	: Malaysian
Qualification	: 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.
Independent/Non-Independent Member	: Independent Member
Working Experience	: i) (1978 -1982) Prudential Assurance Plc, London [Actuarial Assistant] ii) (1982 – Present) Actuarial Partners Consulting, Malaysia [Consulting Actuary and Senior Partner]
Occupation	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
Directorship of other public companies	: None
Member of any other Board Committee	: None
Date of appointment to the Investment Committee	: 30 November 2016
Number of Investment Committee meeting attended for the financial year ended 31 December 2018	: Investment Committee – Unit Trust Three (3) out of five (5) meetings
Family relationship with any director	: None
Conflict of interest with the Fund	: None
List of convictions for offences within the past 10 years (if any)	: None

Material Litigation

For the financial 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 Meeting held by the Manager.

Unitholders

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

NO	NAME	Number of Unit Held	Unit Held (%)
1	HSBC Bank Malaysia Berhad	1,197,407,870	96.72758%
2	AmInvestment Bank Berhad	34,410,100	2.77968%
3	AmInvestment Bank Berhad	5,186,630	0.41898%
4	Citibank Berhad	400,000	0.03231%
5	CIMB Investment Bank Berhad	150,500	0.01216%
6	Citibank Berhad	140,000	0.01131%
7	Kenanga Investment Bank Berhad	51,000	0.00412%
8	HSBC Bank Malaysia Berhad	40,000	0.00323%
9	Maybank Investment Bank Berhad	30,000	0.00242%
10	Maybank Investment Bank Berhad	17,700	0.00143%
11	AmInvestment Bank Berhad	17,100	0.00138%
12	Public Investment Bank Berhad	15,000	0.00121%
13	Hong Leong Investment Bank Berhad	14,000	0.00113%
14	Kenanga Investment Bank Berhad	6,500	0.00053%
15	Hong Leong Investment Bank Berhad	5,000	0.00040%
16	Maybank Investment Bank Berhad	4,200	0.00034%
17	CIMB Investment Bank Berhad	3,000	0.00024%
18	Maybank Investment Bank Berhad	2,800	0.00023%
19	UOB Kay Hian Securities (M) Sdn. Bhd.	2,100	0.00017%
20	RHB Investment Bank Berhad	1,000	0.00008%
21	Inter-Pacific Securities Sdn. Bhd.	1,000	0.00008%
22	CIMB Investment Bank Berhad	1,000	0.00008%
23	CIMB Investment Bank Berhad	1,000	0.00008%
24	Kenanga Investment Bank Berhad	1,000	0.00008%
25	Maybank Investment Bank Berhad	1,000	0.00008%
26	Maybank Investment Bank Berhad	1,000	0.00008%
27	Kenanga Investment Bank Berhad	900	0.00007%
28	CIMB Investment Bank Berhad	900	0.00007%
29	Hong Leong Investment Bank Berhad	600	0.00005%
30	Hong Leong Investment Bank Berhad	500	0.00004%

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 Kill 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 ABF Malaysia Bond Index Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **ABF Malaysia Bond Index Fund** (“the Fund”), which comprise the statement of financial position as at 31 December 2018, 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 32 to 58.

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 ABF Malaysia Bond Index Fund (cont'd.)

Valuation and existence of investments

The risk: The Fund's business is investing in a portfolio consisting of mainly Ringgit Malaysia denominated Government and quasi-Government debt securities for investors who seek an 'index-based approach to investing. Accordingly, the investment portfolio of mainly Government debt 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 ABF Malaysia Bond Index Fund (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
ABF Malaysia Bond Index Fund (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

ABF Malaysia Bond Index Fund**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	2018 RM	2017 RM
ASSETS			
Investments	4	1,463,794,366	1,446,080,288
Deposits with financial institution	5	12,555,169	4,871,480
Cash at banks		<u>1,352</u>	<u>1,437</u>
TOTAL ASSETS		<u>1,476,350,887</u>	<u>1,450,953,205</u>
LIABILITIES			
Amount due to Manager	6	132,354	122,994
Amount due to Trustee	7	56,175	57,458
Amount due to index provider	8	243,246	72,679
Distribution payable		57,563,364	-
Sundry payables and accrued expenses		<u>101,613</u>	<u>108,990</u>
TOTAL LIABILITIES		<u>58,096,752</u>	<u>362,121</u>
EQUITY			
Unitholders' capital	11(a)	1,302,200,103	1,334,273,353
Retained earnings	11(b)(c)	<u>116,054,032</u>	<u>116,317,731</u>
TOTAL EQUITY	11	<u>1,418,254,135</u>	<u>1,450,591,084</u>
TOTAL EQUITY AND LIABILITIES		<u>1,476,350,887</u>	<u>1,450,953,205</u>
UNITS IN CIRCULATION	11(a)	<u>1,237,921,800</u>	<u>1,265,421,800</u>
NET ASSET VALUE PER UNIT – EX DISTRIBUTION		<u>114.57 sen</u>	<u>114.63 sen</u>

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

ABF Malaysia Bond Index Fund

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

	Note	2018 RM	2017 RM
INVESTMENT INCOME			
Interest income		58,297,414	57,286,946
Net gain from investments:			
– Financial assets at fair value through profit or loss (“FVTPL”)	9	<u>1,456,115</u>	<u>16,086,106</u>
Gross Income		<u>59,753,529</u>	<u>73,373,052</u>
EXPENDITURE			
Manager’s fee	6	(1,467,632)	(1,473,106)
Trustee’s fee	7	(733,816)	(736,553)
Licence fee	8	(170,567)	(198,857)
Auditors’ remuneration		(10,700)	(10,700)
Tax agent’s fee		(4,100)	(4,100)
Other expenses	10	<u>(67,049)</u>	<u>(154,064)</u>
Total Expenditure		<u>(2,453,864)</u>	<u>(2,577,380)</u>
NET INCOME BEFORE TAX		57,299,665	70,795,672
LESS: INCOME TAX	13	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		57,299,665	70,795,672
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u><u>57,299,665</u></u>	<u><u>70,795,672</u></u>
Total comprehensive income comprises the following:			
Realised income		56,303,647	53,455,825
Unrealised gain		<u>996,018</u>	<u>17,339,847</u>
		<u><u>57,299,665</u></u>	<u><u>70,795,672</u></u>
Distribution for the financial year:			
Net distribution	14	<u><u>57,563,364</u></u>	<u><u>-</u></u>
Gross/Net distribution per unit (sen)	14	<u><u>4.65</u></u>	<u><u>-</u></u>

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

ABF Malaysia Bond Index Fund

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

	Note	Unitholders' capital RM	Retained earnings RM	Total equity RM
At 1 January 2017		1,396,802,853	45,522,059	1,442,324,912
Total comprehensive income for the financial year		-	70,795,672	70,795,672
Cancellation of units	11(a)	(62,529,500)	-	(62,529,500)
Balance at 31 December 2017		<u>1,334,273,353</u>	<u>116,317,731</u>	<u>1,450,591,084</u>
At 1 January 2018		1,334,273,353	116,317,731	1,450,591,084
Total comprehensive income for the financial year		-	57,299,665	57,299,665
Cancellation of units	11(a)	(32,073,250)	-	(32,073,250)
Distributions	14	-	(57,563,364)	(57,563,364)
Balance at 31 December 2018		<u>1,302,200,103</u>	<u>116,054,032</u>	<u>1,418,254,135</u>

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

ABF Malaysia Bond Index Fund**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES			
Proceeds from sale of investments		253,638,049	342,836,725
Interest received		59,515,403	57,736,178
Manager's fee paid		(1,458,273)	(1,465,669)
Trustee's fee paid		(735,099)	(736,874)
Licence fee paid		-	(136,506)
Tax agent's fee paid		(4,100)	(4,000)
Payments for other expenses		(85,126)	(159,866)
Purchase of investments		<u>(271,114,000)</u>	<u>(337,071,200)</u>
Net cash generated from operating and investing activities		<u>39,756,854</u>	<u>60,998,788</u>
CASH FLOW FROM FINANCING ACTIVITY			
Payments for cancellation of units		<u>(32,073,250)</u>	<u>(62,529,500)</u>
Net cash used in financing activity		<u>(32,073,250)</u>	<u>(62,529,500)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,683,604	(1,530,712)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>4,872,917</u>	<u>6,403,629</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		<u><u>12,556,521</u></u>	<u><u>4,872,917</u></u>
Cash and cash equivalents comprise:			
Deposits with financial institution	5	12,555,169	4,871,480
Cash at banks		<u>1,352</u>	<u>1,437</u>
		<u><u>12,556,521</u></u>	<u><u>4,872,917</u></u>

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

ABF Malaysia Bond Index Fund

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ABF Malaysia Bond Index Fund (“the Fund”) was established pursuant to a Deed dated 12 July 2005 as amended by Deeds Supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

The Fund was set up with the objective for investors who seek an “index-based” approach to investing in a portfolio of Ringgit Malaysia denominated Government and quasi-Government debt securities. 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 13 July 2005.

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 have 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 irrevocably designated as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are normally measured at FVTPL; nevertheless entities are allowed to irrevocably designate equity instruments that are not held for trading as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

Investments in fixed income instruments that were classified as held for trading under MFRS 139 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.

Interest income on fixed income securities and short-term deposits are recognised on an accrual basis using the effective interest method, which includes the accretion of discounts and amortisation of premiums.

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 classification and subsequent measurement of debt instruments held by the Fund are determined based on their business model and cash flow characteristics.

Business model

The business model reflects how the Fund manages the financial assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets, or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model. Factors considered by the Fund in determining the business model for a portfolio of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Cash flow characteristics

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Fund assesses whether the financial assets' contractual cash flows represent solely payment of principal and interest ("SPPI"). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, all investment in debt instruments are measured at FVTPL. A gain or loss on an asset that is subsequently measured at FVTPL is recognised in profit or loss. Interest earned whilst holding the assets are reported as "interest income" using the effective interest method.

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. Gain and losses are recognised in profit or loss when the liabilities are recognised, and through the amortisation process.

Determination of fair value

Investments are stated at fair value on a portfolio basis in accordance with the provisions of the Deed. Fair value is determined based on prices provided by the index provider, Markit Indices Limited, plus accrued interest. Adjusted cost of investments relates to the purchase cost plus accrued interest, adjusted for amortisation of premium and accretion of discount, if any, calculated over the period from the date of acquisition to the date of maturity of the respective securities as approved by the Manager and the Trustee. The difference between the cost and fair value is treated as unrealised gain or loss and is recognised in profit or loss. Unrealised gain or loss recognised in profit or loss is not distributable in nature.

Interest income

For all interest-bearing financial assets, interest income is calculated using the effective interest method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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
Financial assets at FVTPL		
At nominal value:		
Quasi-Government Bonds	65,000,000	60,000,000
Malaysian Government Securities	775,000,000	822,500,000
Government Investment Issues	608,500,000	548,500,000
	<u>1,448,500,000</u>	<u>1,431,000,000</u>
At fair value:		
Quasi-Government Bonds	69,243,465	63,177,503
Malaysian Government Securities	779,002,874	830,254,369
Government Investment Issues	615,548,027	552,648,416
	<u>1,463,794,366</u>	<u>1,446,080,288</u>

Details of investments as at 31 December 2018 are as follows:

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Quasi-Government Bonds						
12.03.2019	Prasarana Malaysia Berhad	NR	5,000,000	5,067,088	5,063,612	0.36
04.08.2026	Prasarana Malaysia Berhad	NR	10,000,000	10,221,143	10,307,906	0.72
28.09.2029	Prasarana Malaysia Berhad	NR	5,000,000	5,314,211	5,221,660	0.37
27.05.2039	1Malaysia Development Berhad	NR	35,000,000	38,335,210	38,575,311	2.70
26.02.2041	Prasarana Malaysia Berhad	NR	10,000,000	10,305,813	10,528,082	0.73
			<u>65,000,000</u>	<u>69,243,465</u>	<u>69,696,571</u>	<u>4.88</u>

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
31.03.2020	Government of Malaysia	NR	40,000,000	40,353,491	40,466,381	2.85
31.07.2020	Government of Malaysia	NR	10,000,000	10,216,646	10,214,616	0.72
15.10.2020	Government of Malaysia	NR	17,500,000	17,684,464	17,609,325	1.25
15.02.2021	Government of Malaysia	NR	10,000,000	10,113,951	10,147,769	0.71
15.07.2021	Government of Malaysia	NR	10,000,000	10,315,907	10,325,599	0.73
30.09.2021	Government of Malaysia	NR	30,000,000	30,667,138	30,451,822	2.16
30.11.2021	Government of Malaysia	NR	37,500,000	37,611,841	38,032,834	2.65
10.03.2022	Government of Malaysia	NR	30,000,000	30,568,585	30,459,821	2.16
15.08.2022	Government of Malaysia	NR	20,000,000	20,041,208	20,011,880	1.41
30.09.2022	Government of Malaysia	NR	52,500,000	53,182,496	52,688,599	3.75
20.04.2023	Government of Malaysia	NR	30,000,000	30,219,016	30,142,940	2.13
17.08.2023	Government of Malaysia	NR	30,000,000	30,423,727	30,114,263	2.15
15.07.2024	Government of Malaysia	NR	40,000,000	41,158,576	40,812,242	2.90
30.09.2024	Government of Malaysia	NR	30,000,000	30,492,391	30,605,696	2.15
14.03.2025	Government of Malaysia	NR	20,000,000	20,093,712	20,260,502	1.42
15.09.2025	Government of Malaysia	NR	30,000,000	30,320,248	30,002,102	2.14
15.04.2026	Government of Malaysia	NR	30,000,000	30,968,674	31,211,526	2.18
30.11.2026	Government of Malaysia	NR	30,000,000	29,619,056	30,743,836	2.09
15.03.2027	Government of Malaysia	NR	10,000,000	9,894,665	10,230,407	0.70

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Malaysian Government Securities						
16.11.2027	Government of Malaysia	NR	30,000,000	29,533,636	30,111,265	2.08
15.06.2028	Government of Malaysia	NR	40,000,000	38,969,737	38,285,851	2.75
15.04.2030	Government of Malaysia	NR	27,500,000	27,984,786	27,544,819	1.97
30.06.2031	Government of Malaysia	NR	30,000,000	29,304,957	29,739,740	2.07
15.04.2033	Government of Malaysia	NR	30,000,000	28,141,564	28,863,068	1.98
07.11.2033	Government of Malaysia	NR	20,000,000	20,495,655	20,253,391	1.45
31.05.2035	Government of Malaysia	NR	10,000,000	9,607,398	9,607,769	0.68
07.04.2037	Government of Malaysia	NR	10,000,000	10,162,509	10,244,752	0.72
08.06.2038	Government of Malaysia	NR	20,000,000	20,669,363	20,307,377	1.46
30.09.2043	Government of Malaysia	NR	20,000,000	20,175,173	20,715,568	1.42
15.03.2046	Government of Malaysia	NR	20,000,000	19,683,290	20,627,625	1.39
06.07.2048	Government of Malaysia	NR	10,000,000	10,329,014	10,278,411	0.73
			<u>775,000,000</u>	<u>779,002,874</u>	<u>781,111,796</u>	<u>54.95</u>
Government Investment Issues						
15.04.2020	Government of Malaysia	NR	30,000,000	30,094,082	30,060,469	2.12
30.04.2020	Government of Malaysia	NR	10,000,000	10,200,133	10,230,542	0.72
15.05.2020	Government of Malaysia	NR	20,000,000	20,104,563	20,112,380	1.42
27.08.2020	Government of Malaysia	NR	35,000,000	35,594,670	35,377,356	2.51
23.03.2021	Government of Malaysia	NR	30,000,000	30,353,340	30,094,647	2.14

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
30.04.2021	Government of Malaysia	NR	10,000,000	10,185,126	10,207,295	0.72
26.08.2021	Government of Malaysia	NR	16,000,000	16,230,444	16,298,159	1.14
31.03.2022	Government of Malaysia	NR	20,000,000	20,185,441	20,169,718	1.42
14.04.2022	Government of Malaysia	NR	20,000,000	20,280,483	20,329,291	1.43
15.07.2022	Government of Malaysia	NR	30,000,000	30,968,000	30,556,527	2.18
07.07.2023	Government of Malaysia	NR	20,000,000	20,809,615	20,686,715	1.47
31.10.2023	Government of Malaysia	NR	10,000,000	9,883,946	9,765,175	0.70
30.11.2023	Government of Malaysia	NR	20,000,000	20,239,103	20,240,529	1.42
22.05.2024	Government of Malaysia	NR	20,000,000	20,562,218	20,317,467	1.45
15.08.2024	Government of Malaysia	NR	30,000,000	30,473,711	30,462,910	2.15
15.08.2025	Government of Malaysia	NR	20,000,000	20,375,648	20,338,673	1.43
15.10.2025	Government of Malaysia	NR	42,500,000	42,522,410	41,819,588	3.00
30.09.2026	Government of Malaysia	NR	25,000,000	25,010,848	25,640,480	1.76
15.06.2027	Government of Malaysia	NR	20,000,000	19,535,405	20,217,912	1.38
26.07.2027	Government of Malaysia	NR	20,000,000	20,427,311	20,649,571	1.44
31.10.2028	Government of Malaysia	NR	30,000,000	30,520,537	30,545,841	2.15
06.12.2028	Government of Malaysia	NR	10,000,000	10,554,884	10,302,261	0.74
30.09.2030	Government of Malaysia	NR	30,000,000	29,514,445	31,017,785	2.08
15.06.2033	Government of Malaysia	NR	20,000,000	20,339,027	20,289,268	1.43
30.08.2033	Government of Malaysia	NR	30,000,000	30,273,609	30,351,750	2.13

(Forward)

Maturity date	Issuer	Credit rating	Nominal value RM	Fair value* RM	Adjusted cost RM	Fair value as a percentage of net asset value %
Government Investment Issues						
31.10.2035	Government of Malaysia	NR	20,000,000	20,134,008	20,818,403	1.42
04.08.2037	Government of Malaysia	NR	10,000,000	10,165,609	10,177,679	0.72
08.05.2047	Government of Malaysia	NR	10,000,000	10,009,411	10,042,160	0.71
			<u>608,500,000</u>	<u>615,548,027</u>	<u>617,120,551</u>	<u>43.38</u>
Total financial assets at FVTPL			<u>1,448,500,000</u>	<u>1,463,794,366</u>	<u>1,467,928,918</u>	<u>103.21</u>
Shortfall of fair value over cost				<u>(4,134,552)</u>		

The weighted average effective yield on unquoted investments are as follows:

	Effective yield*	
	2018	2017
	%	%
Quasi-Government Bonds	4.75	4.93
Malaysian Government Securities	4.03	3.81
Government Investment Issues	<u>4.03</u>	<u>4.02</u>

* As provided by Markit Indices Limited.

Analyses of the remaining maturity of unquoted investments as at 31 December 2018 and 31 December 2017 are as follows:

	Less than 1 year RM	1 year to 5 years RM	More than 5 years RM
2018			
At nominal value:			
Quasi-Government Bonds	5,000,000	-	60,000,000
Malaysian Government Securities	-	317,500,000	457,500,000
Government Investment Issues	<u>-</u>	<u>271,000,000</u>	<u>337,500,000</u>
2017			
At nominal value:			
Quasi-Government Bonds	-	5,000,000	55,000,000
Malaysian Government Securities	-	397,500,000	425,000,000
Government Investment Issues	<u>-</u>	<u>251,000,000</u>	<u>297,500,000</u>

5. DEPOSITS WITH FINANCIAL INSTITUTION

	2018 RM	2017 RM
At nominal value:		
Short-term deposits with licensed bank	<u>12,554,000</u>	<u>4,871,000</u>
At carrying value:		
Short-term deposits with licensed bank	<u>12,555,169</u>	<u>4,871,480</u>

Details of deposit with financial institution as at 31 December 2018 are as follows:

Maturity date	Bank	Nominal value RM	Carrying value RM	Purchase cost RM	Carrying value as a percentage of net asset value %
Short-term deposit with a licensed bank					
02.01.2019	Public Bank Berhad	<u>12,554,000</u>	<u>12,555,169</u>	<u>12,554,000</u>	<u>0.89</u>

The weighted average effective interest rate and average remaining maturity of short-term deposits are as follows:

	Weighted average effective interest rate		Remaining maturity	
	2018 %	2017 %	2018 Days	2017 Days
Short-term deposits with licensed bank	<u>3.40</u>	<u>3.60</u>	<u>2</u>	<u>2</u>

6. AMOUNT DUE TO MANAGER

Manager's fee is charged at a rate of 0.10% (2017: 0.10%) 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.

7. AMOUNT DUE TO TRUSTEE

Trustee's fee is at a rate of 0.05% (2017: 0.05%) 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.

8. AMOUNT DUE TO INDEX PROVIDER

Amount due to index provider is the licence fee payable to Markit Indices Limited, the provider of the benchmark index.

Licence fee is calculated on a daily basis at the following rate:

Fund Size	% p.a.
From 1 July 2008 onwards	
For amount equal to or less than Initial Funding	0.0175
For amount above Initial Funding, but equal to or less than 275% of Initial Funding	0.01
For amount above 275% of Initial Funding	No charge

Subject to a minimum annual fee of USD21,234

* Initial Funding for the Fund was USD115,400,000.

9. NET GAIN FROM INVESTMENTS

	2018 RM	2017 RM
Net gain on financial assets at FVTPL comprised:		
– Net realised gain/(loss) on sale of investments	460,097	(1,253,741)
– Net unrealised gain on changes in fair values of investments	996,018	17,339,847
	<u>1,456,115</u>	<u>16,086,106</u>

10. OTHER EXPENSES

Included in other expenses is Goods and Services Tax incurred by the Fund during the financial year amounting to RM60,069 (2017: RM144,723).

11. TOTAL EQUITY

Total equity is represented by:

	Note	2018 RM	2017 RM
Unitholders' capital	(a)	1,302,200,103	1,334,273,353
Retained earnings			
– Realised income	(b)	120,188,584	121,448,301
– Unrealised losses	(c)	(4,134,552)	(5,130,570)
		<u>1,418,254,135</u>	<u>1,450,591,084</u>

(a) UNITHOLDERS' CAPITAL/UNITS IN CIRCULATION

	2018		2017	
	Number of units	RM	Number of units	RM
At beginning of the financial year	1,265,421,800	1,334,273,353	1,320,421,800	1,396,802,853
Cancellation during the financial year	<u>(27,500,000)</u>	<u>(32,073,250)</u>	<u>(55,000,000)</u>	<u>(62,529,500)</u>
At end of the financial year	<u>1,237,921,800</u>	<u>1,302,200,103</u>	<u>1,265,421,800</u>	<u>1,334,273,353</u>

(b) REALISED – DISTRIBUTABLE

	2018 RM	2017 RM
At beginning of the financial year	121,448,301	67,992,476
Total comprehensive income for the financial year	57,299,665	70,795,672
Net unrealised gain attributable to investments held transferred to unrealised reserve [Note 11(c)]	(996,018)	(17,339,847)
Distributions out of realised reserve (Note 14)	(57,563,364)	-
Net (decrease)/increase in realised reserve for the financial year	<u>(1,259,717)</u>	<u>53,455,825</u>
At end of the financial year	<u>120,188,584</u>	<u>121,448,301</u>

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

	2018 RM	2017 RM
At beginning of the financial year	(5,130,570)	(22,470,417)
Net unrealised gain attributable to investments held transferred from realised reserve [Note 11(b)]	<u>996,018</u>	<u>17,339,847</u>
At end of the financial year	<u>(4,134,552)</u>	<u>(5,130,570)</u>

12. UNITS HELD BY RELATED PARTIES

	2018		2017	
	Number of units	RM	Number of units	RM
AmInvestment Bank Berhad*	<u>39,613,930</u>	<u>46,982,121</u>	<u>52,539,430</u>	<u>59,894,950</u>

* The financial institution related to the Manager is the legal and beneficial owner of the units. The Manager did not hold any units in the Fund as at 31 December 2018 and 31 December 2017.

13. INCOME TAX

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

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

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

	2018 RM	2017 RM
Net income before tax	<u>57,299,665</u>	<u>70,795,672</u>
Taxation at Malaysian statutory rate of 24% (2017 : 24%)	13,751,920	16,990,961
Tax effects of:		
Income not subject to tax	(14,340,847)	(17,910,430)
Loss not deductible for tax purposes	-	300,898
Restriction on tax deductible expenses for Exchange Traded Funds	319,448	320,685
Non-permitted expenses for tax purposes	233,985	262,254
Permitted expenses not used and not available for future financial years	<u>35,494</u>	<u>35,632</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

14. DISTRIBUTIONS

Distributions to unitholders declared on 27 December 2018 is from the following sources:

	2018	2017
	RM	RM
Interest income	58,297,414	-
Realised gain on sale of investments	460,097	-
	<u>58,757,511</u>	<u>-</u>
Less: Expenses	(2,453,864)	-
	<u>56,303,647</u>	<u>-</u>
Realised income for the financial year	56,303,647	-
Undistributed net income brought forward	121,448,301	-
	<u>177,751,948</u>	<u>-</u>
Total realised income available for distribution	177,751,948	-
Less : Declared income distribution [Note 11(b)]	(57,563,364)	-
	<u>120,188,584</u>	<u>-</u>
Balance undistributed realised income	120,188,584	-
Gross/net distributions per unit (sen)	4.65	-
	<u>4.65</u>	<u>-</u>
Cum-Distribution		
Net Asset Value (NAV)	1,473,553,579	-
NAV per unit	119.03 sen	-
	<u>119.03 sen</u>	<u>-</u>
Ex-Distribution		
Net Asset Value (NAV)	1,415,990,215	-
NAV per unit	114.38 sen	-
	<u>114.38 sen</u>	<u>-</u>

15. MANAGEMENT EXPENSE RATIO (“MER”)

The Fund’s MER is as follows:

	2018	2017
	% p.a.	% p.a.
Manager’s fee	0.10	0.10
Trustee’s fee	0.05	0.05
Licence fee	0.01	0.01
Fund’s other expenses	0.01	0.01
	<u>0.17</u>	<u>0.17</u>
Total MER	0.17	0.17

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

16. PORTFOLIO TURNOVER RATIO (“PTR”)

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average net asset value of the Fund calculated on a daily basis, is 0.18 times (2017: 0.23 times).

17. SEGMENTAL REPORTING

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

18. TRANSACTIONS WITH FINANCIAL INSTITUTIONS

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

Financial institutions	Transaction value	
	RM	%
Citibank Berhad	227,673,968	43.01
Standard Chartered Bank Malaysia Berhad	212,729,288	40.19
AmBank Islamic Berhad*	30,611,566	5.78
Malayan Banking Berhad	30,459,593	5.76
AmBank (M) Berhad*	27,862,049	5.26
Total	529,336,464	100.00

* Financial institutions related to 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 fixed income instruments. Transactions in these investments do not involve any commission or brokerage.

19. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2018				
Assets				
Investments	1,463,794,366	-	-	1,463,794,366
Deposit with financial institution	-	12,555,169	-	12,555,169
Cash at banks	-	1,352	-	1,352
Total financial assets	<u>1,463,794,366</u>	<u>12,556,521</u>	<u>-</u>	<u>1,476,350,887</u>
Liabilities				
Amount due to Manager	-	-	132,354	132,354
Amount due to Trustee	-	-	56,175	56,175
Amount due to index provider	-	-	243,246	243,246
Distribution payable	-	-	57,563,364	57,563,364
Sundry payables and accrued expenses	-	-	101,613	101,613
Total financial liabilities	<u>-</u>	<u>-</u>	<u>58,096,752</u>	<u>58,096,752</u>
2017				
Assets				
Investments	1,446,080,288	-	-	1,446,080,288
Deposit with financial institution	-	4,871,480	-	4,871,480
Cash at banks	-	1,437	-	1,437
Total financial assets	<u>1,446,080,288</u>	<u>4,872,917</u>	<u>-</u>	<u>1,450,953,205</u>
Liabilities				
Amount due to Manager	-	-	122,994	122,994
Amount due to Trustee	-	-	57,458	57,458
Amount due to index provider	-	-	72,679	72,679
Sundry payables and accrued expenses	-	-	108,990	108,990
Total financial liabilities	<u>-</u>	<u>-</u>	<u>362,121</u>	<u>362,121</u>

	Income, expense, gains and losses	
	2018	2017
	RM	RM
Net gain from financial assets at FVTPL	1,456,115	16,086,106
Income, of which derived from:		
– Interest income from financial assets at FVTPL	57,982,997	57,086,337
– Interest income from loans and receivables	314,417	200,609

(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:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Financial assets at FVTPL	-	1,463,794,366	-	1,463,794,366
2017				
Financial assets at FVTPL	-	1,446,080,288	-	1,446,080,288

(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:

- Deposits with financial institution
- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distribution payable
- Sundry payables and accrued expenses

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

20. RISK MANAGEMENT POLICIES

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

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

Market risk

Market risk is the risk that the value of a portfolio would decrease due to changes in market risk factors such as equity prices, interest rates (yield curve), foreign exchange rates and commodity prices.

(i) Interest rate risk

Interest rates risk will affect the value of the Fund's investments, given the interest rates movements, which are influenced by regional and local economic developments as well as political developments.

Domestic interest rates on deposits and placements with licensed financial institutions are determined based on prevailing market rates.

The result below summarised the interest rates sensitivity of the Fund's NAV or theoretical value (applicable to money market deposit) due to the parallel movement assumption of the yield curve by +100bps and -100bps respectively:

Parallel shift in yield curve by:	Sensitivity of the Fund's NAV, or theoretical value	
	2018 RM	2017 RM
+100 bps	(84,183,478)	(79,781,107)
-100 bps	<u>93,641,835</u>	<u>88,316,557</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. The Fund invests in fixed income instruments. As such the Fund would be exposed to the risk of bond issuers and financial institutions defaulting on its repayment obligations which in turn would affect the net asset value of the Fund.

(i) Credit quality of financial assets

The following table analyses the Fund's portfolio of debt securities by rating category as at 31 December 2018 and 31 December 2017:

Credit rating	RM	As a % of debt securities	As a % of net asset value
2018			
Non-rated	<u>1,463,794,366</u>	<u>100.00</u>	<u>103.21</u>

Credit rating	RM	As a % of debt securities	As a % of net asset value
2017			
Non-rated	1,446,080,288	100.00	99.69

For deposits with financial institutions, the Fund only makes placements with financial institutions with sound rating. The following table presents the Fund's portfolio of deposits by rating category as at 31 December 2018 and 31 December 2017:

Credit rating	RM	As a % of deposits	As a % of net asset value
2018			
P1/MARC-1	12,555,169	100.00	0.89
2017			
P1/MARC-1	4,871,480	100.00	0.34

Cash at banks are held for liquidity purposes and are not exposed to significant credit risk.

(ii) Credit risk concentration

Concentration of risk is monitored and managed based on sectorial distribution. The table below analyses the Fund's portfolio of debt securities by sectorial distribution as at 31 December 2018 and 31 December 2017:

Sector	RM	As a % of debt securities	As a % of net asset value
2018			
Public finance	1,432,886,111	97.89	101.03
Transportation	30,908,255	2.11	2.18
	1,463,794,366	100.00	103.21
2017			
Public finance	1,420,829,625	98.25	97.94
Transportation	25,250,663	1.75	1.75
	1,446,080,288	100.00	99.69

There is no geographical risk as the Fund invests only in investments in Malaysia.

Liquidity risk

Liquidity risk is defined as the risk of being unable to raise funds or borrowing to meet payment obligations as they fall due. 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.

Objectives and assumptions

For each security in the Fund, the cash flows are projected according to its asset class. Each asset class, if any, follows the calculation method as below:

(i) For bonds

- (a) For zero-coupon bonds, the nominal amount will be returned at maturity date.
- (b) For coupon-bearing bonds, the coupons could be paid on annual, bi-annual or quarterly basis.

Cash received from bonds are calculated as follows:

\$ = cash received

R = coupon rate p.a.

F = coupon frequency

- For zero coupon bonds, $F = 0$
At maturity: $\$ = \text{Nominal}$
- For $F > 0$
Before maturity: coupon payment, $\$ = \text{Nominal} * (R/F)$
At maturity: maturity payment, $\$ = \text{Nominal} + (\text{Nominal} * R/F)$

(ii) For money market instruments and deposits

The nominal amount and interest will be paid at maturity date. Cash received are calculated as follows:

\$ = cash received

R = interest rate p.a.

F = time to maturity (days)

At maturity: $\$ = \text{Nominal} + (\text{Nominal} * R * d / 365)$

The following table presents the undiscounted contractual cash flows from different asset and liability classes in the Fund:

	Contractual cash flows (undiscounted)					
	0 – 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
2018						
Financial assets						
Investments	64,489,778	220,122,819	196,060,105	218,177,675	150,840,428	1,127,377,407
Deposits						
with financial institution	12,556,339	-	-	-	-	-
Cash at banks	1,352	-	-	-	-	-
Total assets	77,047,469	220,122,819	196,060,105	218,177,675	150,840,428	1,127,377,407
Financial liabilities						
Other liabilities	58,096,752	-	-	-	-	-
2017						
Financial assets						
Investments	58,634,591	231,423,503	214,347,769	195,021,530	200,159,950	1,015,754,860
Deposits						
with financial institution	4,872,922	-	-	-	-	-

(Forward)

	Contractual cash flows (undiscounted)					
	0 – 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
2017						
Financial assets						
Cash at banks	1,437	-	-	-	-	-
Total assets	63,508,950	231,423,503	214,347,769	195,021,530	200,159,950	1,015,754,860
Financial liabilities						
Other liabilities	362,121	-	-	-	-	-

Single issuer risk

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

Regulatory risk

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

Management risk

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

Non-compliance risk

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

21. CAPITAL MANAGEMENT

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

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

No changes were made in the objective, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

ABF Malaysia Bond Index Fund

STATEMENT BY THE MANAGER

I, **GOH WEE PENG**, for and on behalf of the Manager, AmFunds Management Berhad for **ABF Malaysia Bond Index Fund** 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.

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 ABF MALAYSIA BOND INDEX FUND

We have acted as Trustee of ABF Malaysia Bond Index Fund (“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 other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deeds and any regulatory requirements; and
- (c) creation and cancellation of units are carried out in accordance with the Deeds and any regulatory requirements.

During this financial year, a total distribution of 4.65 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

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

