

Annual Report for

# FTSE Bursa Malaysia KLCI etf

31 December 2019



**AmInvest**

Growing Your Investments in a Changing World

**FTSE BURSA MALAYSIA KLCI etf**

**Annual Report**

**31 December 2019**

## TRUST DIRECTORY

### **Manager**

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

### **Board of Directors**

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

### **Investment Committee**

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

### **Trustee**

HSBC (Malaysia) Trustee Berhad

### **Auditors and Reporting Accountants**

Ernst & Young

### **Taxation Adviser**

Deloitte Tax Services Sdn Bhd

## CORPORATE DIRECTORY

### **AmFunds Management Berhad**

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

Head Office  
9<sup>th</sup> & 10<sup>th</sup> Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur  
Tel: 03-2032 2888  
Fax: 03-2031 5210  
E-mail: [enquiries@aminvest.com](mailto:enquiries@aminvest.com)  
Website: [www.aminvest.com](http://www.aminvest.com)

### **Secretaries**

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

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

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

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## MANAGER'S REPORT

Dear Unitholders,

We are pleased to present you the Manager's report and the audited accounts of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("Fund") for the financial year ended 31 December 2019.

### Salient Information of the Fund

<b>Name</b>	FTSE Bursa Malaysia KLCI etf ("Fund")																																																																																																										
<b>Category/ Type</b>	ETF / Equity																																																																																																										
<b>Objective</b>	<p>The objective of the Fund is to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the Benchmark Index, balanced with the need to facilitate liquidity provision.</p> <p><i>Note: Any material change to the Fund's investment objective will require the Holders' approval by way of special resolution.</i></p>																																																																																																										
<b>Index Component</b>	<p>Details of the index component as at 31 December 2019 are as follows:</p> <table border="1"> <thead> <tr> <th>Stock code</th> <th>Company's name</th> <th>Percentage weight (%)</th> <th>Shares in issue ('million units)</th> </tr> </thead> <tbody> <tr><td>1023</td><td>CIMB Group Holdings Berhad</td><td>9.84</td><td>7,432.77</td></tr> <tr><td>1295</td><td>Public Bank Berhad</td><td>9.55</td><td>3,531.93</td></tr> <tr><td>1155</td><td>Malayan Banking Berhad</td><td>9.37</td><td>7,077.61</td></tr> <tr><td>4197</td><td>Sime Darby Berhad</td><td>8.22</td><td>5,997.99</td></tr> <tr><td>3182</td><td>Genting Berhad</td><td>6.43</td><td>3,694.24</td></tr> <tr><td>6888</td><td>Axiata Group Berhad</td><td>6.25</td><td>8,445.15</td></tr> <tr><td>1961</td><td>IOI Corporation Berhad</td><td>6.03</td><td>6,662.35</td></tr> <tr><td>5347</td><td>Tenaga Nasional Berhad</td><td>5.64</td><td>4,322.56</td></tr> <tr><td>1015</td><td>AMMB Holdings Berhad</td><td>3.30</td><td>3,014.18</td></tr> <tr><td>3816</td><td>MISC Berhad</td><td>3.10</td><td>4,463.79</td></tr> <tr><td>6947</td><td>DiGi.Com Berhad</td><td>2.98</td><td>777.50</td></tr> <tr><td>5183</td><td>PETRONAS Chemicals Group Berhad</td><td>2.75</td><td>8,000.00</td></tr> <tr><td>6012</td><td>Maxis Berhad</td><td>2.48</td><td>7,500.00</td></tr> <tr><td>2445</td><td>Kuala Lumpur Kepong Berhad</td><td>2.45</td><td>1,068.77</td></tr> <tr><td>4065</td><td>PPB Group Berhad</td><td>2.13</td><td>1,185.50</td></tr> <tr><td>4715</td><td>Genting Malaysia Berhad</td><td>2.07</td><td>5,872.40</td></tr> <tr><td>4863</td><td>Telekom Malaysia Berhad</td><td>1.96</td><td>3,577.40</td></tr> <tr><td>5052</td><td>Plus Expressways Berhad</td><td>1.88</td><td>5,000.00</td></tr> <tr><td>6033</td><td>PETRONAS Gas Berhad</td><td>1.82</td><td>1,978.73</td></tr> <tr><td>4677</td><td>YTL Corporation Berhad</td><td>1.66</td><td>1,897.12</td></tr> <tr><td>5398</td><td>Gamuda Berhad</td><td>1.62</td><td>2,044.52</td></tr> <tr><td>6742</td><td>YTL Power International Berhad</td><td>1.46</td><td>7,188.72</td></tr> <tr><td>4162</td><td>British American Tobacco (Malaysia) Berhad</td><td>1.33</td><td>285.53</td></tr> <tr><td>4588</td><td>UMW Holdings Berhad</td><td>1.25</td><td>1,142.68</td></tr> <tr><td>5819</td><td>Hong Leong Bank Berhad</td><td>1.21</td><td>1,580.11</td></tr> </tbody> </table> <p>(Forward)</p>			Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	1023	CIMB Group Holdings Berhad	9.84	7,432.77	1295	Public Bank Berhad	9.55	3,531.93	1155	Malayan Banking Berhad	9.37	7,077.61	4197	Sime Darby Berhad	8.22	5,997.99	3182	Genting Berhad	6.43	3,694.24	6888	Axiata Group Berhad	6.25	8,445.15	1961	IOI Corporation Berhad	6.03	6,662.35	5347	Tenaga Nasional Berhad	5.64	4,322.56	1015	AMMB Holdings Berhad	3.30	3,014.18	3816	MISC Berhad	3.10	4,463.79	6947	DiGi.Com Berhad	2.98	777.50	5183	PETRONAS Chemicals Group Berhad	2.75	8,000.00	6012	Maxis Berhad	2.48	7,500.00	2445	Kuala Lumpur Kepong Berhad	2.45	1,068.77	4065	PPB Group Berhad	2.13	1,185.50	4715	Genting Malaysia Berhad	2.07	5,872.40	4863	Telekom Malaysia Berhad	1.96	3,577.40	5052	Plus Expressways Berhad	1.88	5,000.00	6033	PETRONAS Gas Berhad	1.82	1,978.73	4677	YTL Corporation Berhad	1.66	1,897.12	5398	Gamuda Berhad	1.62	2,044.52	6742	YTL Power International Berhad	1.46	7,188.72	4162	British American Tobacco (Malaysia) Berhad	1.33	285.53	4588	UMW Holdings Berhad	1.25	1,142.68	5819	Hong Leong Bank Berhad	1.21	1,580.11
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	Stock code	Company's name	Percentage weight (%)	Shares in issue ('million units)	
	1066	RHB Bank Berhad	0.78	2,153.48	
	5681	PETRONAS Dagangan Berhad	0.72	993.45	
	2194	MMC Corporation Berhad	0.70	3,045.06	
	1082	Hong Leong Financial Group Berhad	0.58	1,052.77	
	3786	Malaysia Airline System Berhad	0.44	3,341.98	
<b>Duration</b>	FBM KLCI etf was established on 18 January 2007 and shall exist for as long as it appears to the Manager and the Trustee that it is in the interests of the unitholders for it to continue. In some circumstances, the unitholders can resolve at a meeting to terminate the Fund.				
<b>Performance Benchmark</b>	FTSE Bursa Malaysia KLCI ("FBM KLCI") (obtainable from <a href="http://www.aminvest.com">www.aminvest.com</a> )  <i>Source: FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. "BURSA MALAYSIA" is a trade mark of Bursa Malaysia Berhad ("BURSA MALAYSIA"). All intellectual property rights in the index values and constituent list vests in FTSE and BURSA MALAYSIA. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.</i>				
<b>Income Distribution Policy</b>	Income distribution (if any) is expected to be made semi-annually.				
<b>Breakdown of Unit Holdings by Size</b>	For the financial year under review, the size of the Fund stood at 1,672,000 units.				
	<b>Size of holding</b>	<b>As at 31 December 2019</b>		<b>As at 31 December 2018</b>	
		<b>No of units held</b>	<b>Number of unitholders</b>	<b>No of units held</b>	<b>Number of unitholders</b>
	Less than 100	1,731	48	1,554	44
	100 - 1,000	75,560	144	67,022	126
	1,001 - 10,000	500,800	135	430,745	116
	10,001 – 100,000	987,209	40	722,419	30
	100,001 to less than 5% of issue units	-	-	159,200	1
	5% and above of issue units	106,700	1	291,060	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 2019 %	FY 2018 %	FY 2017 %	FY 2016 %	FY 2015 %
Construction	-	-	1.79	1.97	-
Consumer discretionary	4.61	4.29	-	-	-
Consumers products	-	-	2.85	3.10	3.40
Consumer staples	13.12	11.82	-	-	-
Energy	4.50	4.13	-	-	-
Financials	35.67	38.25	35.58	32.56	30.85
Health care	6.44	6.33	-	-	-
Industrials	6.57	6.07	6.56	7.74	7.89
Infrastructure project companies	-	-	3.46	3.76	4.09
Materials	5.90	6.68	-	-	-
Plantations	-	-	8.79	5.79	5.76
REITs	-	-	0.72	0.59	0.58
Telecommunication services	9.96	9.29	-	-	-
Trading/Services	-	-	39.34	43.99	46.84
Utilities	12.78	12.98	-	-	-
Cash, other assets and liabilities	0.45	0.16	0.91	0.50	0.59
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
	<i>Note: The abovementioned percentages are calculated based on total net asset value.</i>				
Performance Details	Performance details of the Fund for the financial years ended 31 December are as follows:				
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Net asset value (RM)*	2,754,698	2,929,354	3,123,423	2,836,171	2,908,102
Units in circulation*	1,672,000	1,672,000	1,672,000	1,672,000	1,672,000
Net asset value per unit (RM)*	1.6475	1.7520	1.8681	1.6963	1.7393
Highest net asset per unit (RM)*	1.7903	1.9757	1.8704	1.7851	1.9172
Lowest net asset per unit (RM)*	1.6334	1.7255	1.6898	1.6450	1.5833
Closing quoted price (RM)*	1.6900	1.7900	1.8450	1.7550	1.7350
Highest quoted price (RM)*	1.9000	1.9600	1.8600	1.7850	1.8900
Lowest quoted price (RM)*	1.6550	1.7500	1.7000	1.6450	1.5850
	(Forward)				



	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Benchmark performance (%)	-2.89	-2.98	13.22	0.07	-0.97
Total return (%) <sup>(1)</sup>	-4.12	-4.44	12.10	-0.55	-2.15
- Capital growth (%)	-6.00	-6.21	10.15	-2.45	-3.54
- Income distribution (%)	1.88	1.77	1.95	1.90	1.39
Gross distribution (sen per unit)	3.30	3.30	3.30	3.30	2.50
Net distribution (sen per unit)	3.30	3.30	3.30	3.30	2.50
Distribution yield (%) <sup>(2)</sup>	1.95	1.84	1.79	1.88	1.44
Management expense ratio (%) <sup>(3)</sup>	1.25	1.14	1.17	0.52	1.08
Portfolio turnover ratio (times) <sup>(4)</sup>	0.01	0.15	0.04	0.04	0.05

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

Note:

- (1) Total return is the actual return of the Fund for the respective financial years computed based on the net asset value per unit and net of all fees.
- (2) Distribution yield is calculated based on the total distribution for the years divided by the closing quoted price.
- (3) Management expense ratio ("MER") is calculated based on the total fees and expenses incurred by the Fund divided by the average fund size calculated on a daily basis. The MER increased by 0.11% as compared to 1.14% per annum for the financial year ended 31 December 2018 mainly due to decrease in average fund size.
- (4) Portfolio turnover ratio ("PTR") is calculated based on the average of the total acquisitions and total disposals of investment securities of the Fund divided by the average fund size calculated on a daily basis. The PTR decrease by 0.14 times (93.3%) as compared to 0.15 times for the financial year ended 31 December 2018 mainly due to decrease in investing activities.

#### Average Total Return (as at 31 December 2019)

	FBM KLCI etf <sup>(a)</sup> %	FBM KLCI/ FBM30 Index <sup>(b)</sup> %
One year	-4.12	-2.89
Three years	0.90	2.18
Five years	-0.01	1.12
Ten years	4.28	5.63

(Forward)

**Annual Total Return**

<b>Financial Years Ended (31 December)</b>	<b>FBM KLCI etf<sup>(a)</sup> %</b>	<b>FBM KLCI<sup>(b)</sup> %</b>
2019	-4.12	-2.89
2018	-4.44	-2.98
2017	12.10	13.22
2016	-0.55	0.07
2015	-2.15	-0.97

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

(b) Effective from 6 July 2009, the FTSE Bursa Malaysia Large 30 Index ("FBM30Index") has been renamed FTSE Bursa Malaysia KLCI ("FBM KLCI"). (obtainable from [www.aminvest.com](http://www.aminvest.com))

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

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

**Fund Performance**

For the financial year under review, the Fund registered a negative return of 4.12% comprising of negative 6.00% capital growth and 1.88% income distribution.

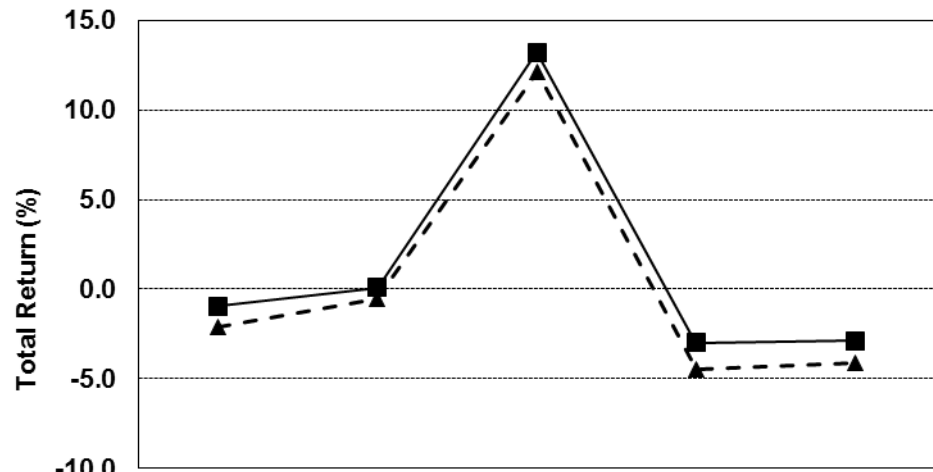
Thus, the Fund's negative return of 4.12% has underperformed the benchmark's negative return of 2.89% by 1.23%.

As compared with the financial year ended 31 December 2018, the net asset value ("NAV") of the Fund decreased by 5.96% from RM2,929,354 to RM2,754,698. The NAV per unit of the Fund decreased by 5.96% from RM1.7520 to RM1.6475, while units in circulations remain unchanged at 1,672,000 units.

The closing price of the Fund quoted on Bursa Malaysia decreased by 5.59% from RM1.7900 to RM1.6900.

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

(Forward)



	2015	2016	2017	2018	2019
- ▲ - Fund	-2.15	-0.55	12.10	-4.44	-4.12
- ■ - Benchmark	-0.97	0.07	13.22	-2.98	-2.89

Financial Year Ended (31 December)

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

**Has the Fund achieved its objective?**

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

**Strategies and Policies Employed**

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

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

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

**Portfolio Structure**

This table below is the asset allocation of the Fund for the financial years under review.

(Forward)

	As at 31-12-2019 %	As at 31-12-2018 %	Changes %
Consumer discretionary	4.61	4.29	0.32
Consumer staples	13.12	11.82	1.30
Energy	4.50	4.13	0.37
Financials	35.67	38.25	-2.58
Health care	6.44	6.33	0.11
Industrials	6.57	6.07	0.50
Materials	5.90	6.68	-0.78
Telecommunication services	9.96	9.29	0.67
Utilities	12.78	12.98	-0.20
Cash, other assets and liabilities	0.45	0.16	0.29
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	

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

**Cross Trade** There were no cross trades undertaken during the financial year under review.

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

Date of distribution	Distribution per unit (sen)	NAV per unit Cum-Distribution (RM)	NAV per unit Ex-Distribution (RM)
24-Jun-19	0.50	1.7520	1.7470
23-Dec-19	2.80	1.7022	1.6742

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

**State of  
Affairs of  
the Fund** There has been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unitholders during the financial year under review.

**Rebates  
and Soft  
Commission** Soft commissions received from brokers/dealers are retained by the Manager only if the goods and services provided are in the form of research services that assist in the decision-making process relating to the Fund's investments.

During the financial year under review, the Manager had received on behalf of the Fund, soft commissions as allowed under regulatory requirements to carry out investment management functions for the Fund. These soft commissions received by the Manager are deemed to be beneficial to the unitholders of the Fund.

**Market  
Review** The KLCI was down 0.4% MoM, despite strong performance of global equities where Dow Jones surged 7.2% MoM. In line with the risk-on sentiment, investors dumped blue chips in exchange for the mid and small cap stocks. Hence, the FBM70 and FBM Small Cap gained 5.7% and 7.2% MoM, respectively. Global market was rather bullish as for now since the United States (US) Federal signalled it is putting further interest rate rises on hold "in light of global economic and financial developments and muted inflation pressures". The Federal also pledged flexibility on the path for reducing its balance sheet. This marked a reversal, barely

a month ago, from December 2018, when the Federal signalled that "some further gradual increases" were coming. As a consequence of change in US rate hike expectation, US Dollar (USD) weakened and Ringgit strengthened 0.9% MoM. to MYR4.10 to the dollar. US-China trade talk had some setbacks when US Commerce Secretary Wilbur Ross says the US-China are "miles and miles" apart from coming to a broader trade deal before the 1 Mac deadline. On top of that, US federal prosecutors went after Huawei for financial fraud and allegedly stealing trade secrets.

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

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

The KLCI was down marginally by -0.1% MoM. The mid and small cap as represented by FBM70 and FBMSC performed much better, gone up by 2.6% and 7.2% MoM. respectively. Ringgit was weakened against USD by 1.3% MoM. to close at 4.13. Two major news that drove the Ringgit weakness were:

- 1) FTSE Russell announced that Malaysia's "market accessibility level" has been put on watch list, with the next review in September 2019. If Malaysia's classification drops 1 level, it will be removed from FTSE World Government Bond Index. Malaysia weighting in the index is estimated at 0.39% or USD7-8b which is 20% of foreign holdings in Malaysia Government Securities (MGS), and
- 2) An International Rating Agency views the Malaysian Government's financial aid of MYR6.2b (USD1.5b or 0.4% of Gross Domestic Product (GDP)) to Federal Land Development Authority (Felda) is a credit negative.

The KLCI was up 0.5% MoM bucking the downtrend of global market where the Dow Jones fell 6.7% MoM. The mid and small cap as represented by FBM70 and FBMSC performed much worse, down by 2.3% and 7.9% MoM respectively. On the back of deterioration in global economic outlook from trade wars, US 10-year treasury yield plunged 38bps to close at 2.12%, resulted in inverted yield curve against the 3-month Treasury bill. The US 10Y-3m yield gap had widened to 20bps, compared to 2-3bps in the past few months, signaling weaker growth and possible recession ahead. Back to Malaysia, the recent concluded 1Q19 corporate results were mixed. According to CGSCIMB, revision ratio (% of outperformers vs.

underperformers) deteriorated to 0.32x in 1Q19 vs. 0.46x in 4Q18. KLCI earnings growth was cut to -3% from +5% previously for 2019.

The KLCI was up 1.3% MoM, in line with the strong performance of the Dow Jones, which was up 7.2% MoM. The mid and small cap as represented by FBM70 and FBMSC performed even better, up by 2.5% and 3.6% MoM respectively. Investors turned bullish by the assurance offered by Federal Chairman Powell, that the Federal “will act as appropriate to sustain the expansion” if the trade situation deteriorates. Subsequently, in the Jun US Federal Open Market Committee (FOMC) meeting, the Federal held interest rates steady but sent a clear signal that it will likely cut rates this year as uncertainty on the growth outlook has increased and inflationary pressure has been muted. The result is that money markets are now discounting up to 4 Federal rate cuts in one year’s time to 1.5% from current 2.5%. US 10-year treasury yield declined 12bps to 2.01%, the lowest level since 2016. This sparked the sell-off in the USD, where the Dollar Index went down 1.7% MoM and the related break out in the Gold price, up 8% MoM to US\$1,410/oz. On top of that, market was greeted by another positive news at the G20 summit, where US President Trump and China President Xi, have agreed to a temporary truce to restart the trade talk. US no longer imposes new tariffs on Chinese products, but the US maintains the current tariff level of 25% of the USD250b. US allows Huawei to continue to trade with US companies and purchase products of US companies in a field that does not threaten US national security.

The KLCI was down -2.2% MoM. The mid and small cap as represented by FBM70 and FBMSC were more resilient, down by -0.7% and up by +4.2% MoM respectively. As widely expected by the market, on 31 July 2019, US Federal cut interest rate by 25bps, for the first time in a decade, bringing Federal rate down to 2.00-2.25% range. Federal Chairman Powell explained that the cut was an insurance cut as concerns intensified over global growth, tariffs and low inflation but stopped short of signaling the beginning of rate cut cycle. The statement was less dovish than market and President Trump’s expectation thus the Dow fell -1.23% on that day. 10Y US treasury yield hardly moved and stayed at 2.03% on the day of rate cut, signaling that market is still expecting further rate cut.

The KLCI was down -1.4% MoM, in tandem with the weak performance of the Dow Jones. The risk-off sentiment was more prevalent in the mid and small cap as represented by FBM70 and FBMSC which were down by -3.8% and -4.9% MoM respectively. US-China trade war escalated further in Aug. Firstly, US announced 10% tariff on USD300b of Chinese imports effective 1 September, but delayed on roughly 60% of the Chinese imports – including smartphones, laptops, and toys until 15 December, most likely to avoid upsetting US consumers during Christmas. This effectively tax all Chinese imports to the US. Later on, US raised tariff on existing USD250b of Chinese imports from 25% to 30% effective 1 October. In retaliation, China allowed the Yuan to break the psychological 7.00 Yuan to a dollar to close at 7.16, equivalent to 3.9% MoM weaker. President Trump quickly labeled China as currency manipulator. China announced new tariff of 5-10% on US75b of US imports. On top of that, 25% tariff on US automobiles and auto parts will be reinstated. Taking the existing tariff into account, the total tariffs levied on US cars will soon be as high as 50%.

The KLCI was down -1.8% MoM, despite strong performance from the Dow, +1.9% MoM. The mid and small cap as represented by FBM70 and FBMSC were relatively more resilient, down by -0.1% and up by +0.8% MoM respectively. Hence, the weaker performance mainly came from the large cap stocks. The US Federal Reserve cut interest rates by a 0.25%-point to between 1.75-2.00%, its second cut since late July. President Trump reacted by attacking Federal chairman for cutting rates too slow. US 10-Year Treasury yield closed at 1.66%, up 16bps

	<p>MoM, but still below the Federal rate, implying more rate cuts. The world's largest oil processing facility, with capacity of 7-million-barrel-per-day, run by the Saudi state oil company, Aramco was under large scale attack by mix of drones and cruise missiles. The facility at Abqaiq was producing 2mbpd, approximately 2% of global supply.</p> <p>The KLCI was up 0.9% MoM, driven by gains in the banks, narrowing Year to Date (YTD) losses to -4.4%. The small cap as represented by FBMSC is still the strongest index, gained 5.4% MoM, bringing YTD return to 21.1%. The US Federal Reserve cut its benchmark rate by 25bps, to a range of 1.5% to 1.75%. The move was the third cut in four months. Federal Chairman, Powell suggested he does not expect the bank to change rates again unless economic conditions worsen unexpectedly. The rate cut was widely expected as seen in the muted reaction of US 10-Year Treasury yield which was up by 3bps MoM to 1.69%. Yield curve normalized as the spread between 10Y-3M treasury yield improved to +6bps vs -46bps back in August 19.</p> <p>In November, the KLCI was down 2.3% MoM, bring YTD losses to 7.6%, despite strong performance from the Dow which gained 3.7% MoM. The sentiment for small cap was equally bearish with the FBMSC Index losing 2.4% MoM. Completion of the “phase one” US-China trade deal could slide into next year as Beijing presses for more extensive tariff rollbacks, and the Trump administration counters with heightened demands of its own. US President Trump and Treasury Secretary Steven Mnuchin said on 11th October that an initial trade deal could take as long as five weeks to ink. Five weeks has passed and a deal is still elusive. US Commerce Secretary Wilbur Ross said on 2nd November that the US would go ahead on additional 15% tariffs on USD156b worth of Chinese goods if there was not deal with China before 15th December.</p> <p>In the final month of the year, The KLCI was up 1.7% MoM, bringing down 2019 losses to -6.0%, in tandem with the strong performance of the Dow which gained 1.7% MoM. The bullish sentiment was most prevalent in small cap with the FBMSC Index gaining 6.1% MoM. The Federal Reserve left interest rates unchanged at 1.50% to 1.75% and signaled it would stay on hold through 2020. The median estimate for the federal funds rate is at 1.60% at the end of 2020, 1.90% in 2021 and 2.10% in 2022. US 10-year treasury yield closed at 1.92% and the yield curve steepened with 10Y-3M treasury yield spread at 39bps. The pressure is off for further rate cut and now market expect gradual rate hike over next 2 years. US-China made breakthrough in “phase 1” trade negotiation which covered amongst other issues: intellectual property protection, technology transfer, purchase of agriculture product, expanding trade, financial services and currency. The additional 15% tariff on USD160b of Chinese imports scheduled to come into effect 15 December 2019 was cancelled. 15% tariff on USD120b of Chinese imports will be cut to 7.5% while existing 25% tariff on USD250b of Chinese imports will remain. President Trump said he will sign the trade deal on 15 January.</p>
<p><b>Market Outlook</b></p>	<p>The year 2020 started off with high volatility, as the global markets were not only affected by the ongoing uncertainties but exacerbated by the Coronavirus outbreak in January. The actual impact of the outbreak to the global economy will be difficult to be quantified but in the short term, it will definitely bring a dent to the already slowing global growth. Despite the ongoing uncertainties, Dow Jones continued to outperform the global markets as corporates in the US have been posting better-than-expected profits.</p> <p>Although local market registered a small positive foreign fund flows in the first month of the year, the market performance was lackluster. The worries of the Coronavirus outbreak have caused a sell down in the tourism and consumer</p>

	<p>related companies but was partially neutralized by the run in the gloves and healthcare players. Rolling into the month of February, all investors will be focusing on the 4Q2019 results reporting season. We will reassess our alpha picks while searching for new ideas.</p> <p>As we remain defensive, we believe the local market can show improvement in 2020 due to:</p> <ol style="list-style-type: none"> <li>1) The recovering of the corporate earnings due to the low base effect in the previous year, and</li> <li>2) After back-to-back lackluster performance of the past 2 years, there is a higher probability for the local market to make a comeback. Sector preference remains plantation, consumer (non-discretionary), oil &amp; gas players involved in maintenance, selective construction and technology players and Real Estate Investment Trust (REITs).</li> </ol>
<b>Additional Information</b>	<p>The following information was updated:</p> <ol style="list-style-type: none"> <li>1. Jeyaratnam A/L Tamotharam Pillai was appointed as an Independent Non-Executive Chairman for AmFunds Management Berhad with effect from 1st April 2019.</li> </ol>

Kuala Lumpur, Malaysia  
AmFunds Management Berhad

21 February 2020



## 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 2019 (1 January 2019 to 31 December 2019), there was five (5) Board of Directors' meeting held by the Manager.

Details of the Directors of the Manager as at 31 December 2019 are set out as below:

<b>Name</b>	:	Jeyaratnam A/L Tamotharam Pillai
<b>Age</b>	:	65 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Fellow of the Institute of Chartered Accountants of England and Wales</li> <li>ii) Chartered Accountant Malaysian Institute of Accountants</li> </ul>
<b>Executive/Non-Executive Director</b>	:	Non-Executive Chairman
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<ul style="list-style-type: none"> <li>i) July 1978 - July 1983 F.W.Smith, Richaes &amp; Co., Chartered Accountants, London Audit Junior/Senior</li> <li>ii) May 1984 - August 1993 Aseambankers Malaysia Berhad Senior Manager Corporate Finance</li> <li>iii) September 1993 - April 2001 Amanah Merchant Bank Berhad Chief Executive</li> <li>iv) April 2001 - June 2003 Alliance Merchant Bank Berhad Chief Executive Director</li> <li>v) August 2003 - September 2006 Maybank Investment Bank Berhad (Formerly known as Aseam Bankers) Deputy Chief Executive Officer</li> <li>vi) October 2006 - January 2007 ECM Libra Avenue Berhad Deputy Chief Executive Officer</li> <li>vii) January 2007 - December 2009 ECM Investment Bank Berhad Chief Executive Officer</li> <li>viii) January 2010 - January 2011 KAF Investment Bank Berhad Head of Investment Banking</li> </ul>

	ix)	January 2011 - January 2014 MIDF Amanah Investment Bank Berhad Head of Investment Banking
	x)	February 2014 - March 2015 Kuwait Finance House (Malaysia) Berhad Chief Investment Banking Officer
	xi)	April 2015 - April 2018 MIDF Amanah Investment Bank Berhad Senior Banker
	xii)	April 2019 - Present AmInvestment Bank Berhad Chairman
<b>Occupation</b>	:	Director
<b>Date of appointment</b>	:	1 April 2019
<b>Directorship of other public companies</b>	:	AmInvestment Bank Berhad
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	:	Four (4) out of four (4) Board Meetings
<b>Member of any other Board Committee</b>	:	N/A
<b>Date of appointment to the Investment Committee</b>	:	Not a member of Investment Committee
<b>Number of Investment Committee meetings attended for the financial year ended 31 December 2019</b>	:	N/A
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None

<b>Name</b>	:	Dato' Mustafa bin Mohd Nor
<b>Age</b>	:	68 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	i) Master of Arts (Economic Policy) Boston University, United States  ii) Bachelor of Economics (Analytical) University of Malaya, Malaysia
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	i) 1975 - 1988 Ministry of Finance Head of Macroeconomic Section, Economic and International Division

- ii) 1988 - 1990  
Development & Commercial Bank Berhad  
Manager, Treasury Department
- iii) March 1990 - August 1992  
Arab-Malaysian Securities Sdn Bhd  
Chief Economist
- iv) September 1992 - December 2001  
AmSecurities Sdn Bhd  
Executive Director/Chief Economist
- v) January 2002 - December 2005  
AmSecurities Sdn Bhd  
Managing Director
- vi) January 2006 - May 2009 - Retirement  
AmInvestment Bank Berhad Group  
Economic Advisor
- vii) September 2009 - August 2012 - Contract  
Permodalan Nasional Berhad  
Senior Vice President/Head, Research Division

<b>Occupation</b>	:	Director
<b>Date of appointment</b>	:	3 March 2014
<b>Directorship of other public companies</b>	:	USAS Berhad (formerly known as KUISAS Berhad)
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	:	Five (5) out of five (5) Board Meetings
<b>Member of any other Board Committee</b>	:	Audit and Risk Management Committee
<b>Date of appointment to the Investment Committee</b>	:	3 March 2014
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2019</b>	:	Investment Committee - Unit Trust Six (6) out of six (6) meeting
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None

<b>Name</b>	:	Tai Terk Lin
<b>Age</b>	:	59 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Master of Business Administration (School of Management) Cranfield Institute of Technology, United Kingdom.</li> <li>ii) Bachelor of Science with Education, Mathematics &amp; Physics</li> </ul>

	University of Malaya, Malaysia.
	iii) Certified Financial Planner Board of Standard Inc, USA Certified Financial Planner
	iv) Financial Industry Certified Professional (FICP) Institute of Banking & Finance (IBF), Singapore
<b>Executive/Non-Executive Director</b>	: Non-Executive Director
<b>Independent/Non-Independent Director</b>	: Independent Director
<b>Working Experience</b>	: <ul style="list-style-type: none"> <li>i) October 2009 - September 2012 (October 2012 with ICB Indonesia) AG, ICB Banking Group Group Chief Executive Officer of ICB Financial Group Holdings</li> <li>ii) January 2009 - August 2009 Platinum Capital Management (Asia) Pte Ltd, Singapore Executive Director/Head of Business Development Asia</li> <li>iii) January 2007 - November 2008 DBS Bank, Singapore Senior Vice President/Head - Malaysia Coverage Private Banking</li> <li>iv) March 2002 - December 2006 AmInvestment Bank Berhad Director/Head, Private Banking</li> <li>v) April 1995 - December 2001 HLB Unit Trust Management Bhd Chief Executive Officer</li> <li>vi) April 1994 - March 1995 Hong Leong Bank Berhad (Ex-Hong Leong Finance) Chief Project Manager/Credit Manager</li> <li>vii) January 1994 - April 1994 United Merchant Finance Berhad Special Assistant to Executive Chairman</li> <li>viii) June 1992 - December 1993 Hong Leong Management Company Sdn Bhd Senior Analyst (Executive Chairman's Office)</li> <li>ix) January 1991 - June 1992 Corporate Care Division, PricewaterhouseCoopers Consulting Manager</li> </ul>
<b>Occupation</b>	: Director
<b>Date of appointment</b>	: 15 December 2014

<b>Directorship of other public companies</b>	:	None
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	:	Five (5) out of five (5) Board Meeting
<b>Member of any other Board Committee</b>	:	Audit and Risk Management Committee
<b>Date of appointment to the Investment Committee</b>	:	15 December 2014
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2019</b>	:	Investment Committee - Unit Trust Six (6) out of six (6) meetings
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None

<b>Name</b>	:	Sum Leng Kuang
<b>Age</b>	:	65 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Bachelor of Commerce (Finance), University of Canterbury, New Zealand</li> <li>ii) Certified Financial Planner, Financial Planning Association of Malaysia</li> </ul>
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Independent Director
<b>Working Experience</b>	:	<ul style="list-style-type: none"> <li>i) May 1982 - September 2001 Overseas Assurance (M) Berhad Deputy Head, Investment</li> <li>ii) September 2001 - December 2011 Great Eastern Life Assurance (M) Berhad Senior Vice President &amp; Head, Fixed Income Investment</li> <li>iii) January 2012 - April 2013 Great Eastern Life Assurance (M) Berhad Senior Vice President &amp; Advisor, Fixed Income Investment</li> <li>iv) May 2013 - July 2014 Hong Leong Asset Management Berhad Chief Investment Officer, Fixed Income &amp; Acting Chief Executive Officer</li> <li>v) May 2015 - Present Credit Guarantee Corporation Malaysia Berhad Advisor, Investment - Contract</li> </ul>

<b>Occupation</b>	:	Advisor, Investment of Credit Guarantee Corporation Malaysia Berhad
<b>Date of appointment</b>	:	18 January 2016
<b>Directorship of other public companies</b>	:	Industrial and Commercial Bank of China (Malaysia) Berhad
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	:	Four (4) out of five (5) Board Meetings
<b>Member of any other Board Committee</b>	:	Audit and Risk Management Committee
<b>Date of appointment to the Investment Committee</b>	:	18 January 2016
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2019</b>	:	Investment Committee - Unit Trust Six (6) out of six (6) meetings
<b>Family relationship with any director</b>	:	None
<b>Conflict of interest with the Fund</b>	:	None
<b>List of convictions for offences within the past 10 years (if any)</b>	:	None

<b>Name</b>	:	Seohan Soo
<b>Age</b>	:	53 years old
<b>Nationality</b>	:	Malaysian
<b>Qualification</b>	:	<ul style="list-style-type: none"> <li>i) Bachelor of Laws with Honours The University of Warwick - 1992</li> <li>ii) Master of Laws - Taxation / Corporate Law and Finance/Law of International Trade University of Cambridge - 1993</li> <li>iii) Barrister-at-Law Lincolns Inn, London - 1994</li> <li>iv) Advocate and Solicitor High Court of Malaya - 1995</li> </ul>
<b>Executive/Non-Executive Director</b>	:	Non-Executive Director
<b>Independent/Non-Independent Director</b>	:	Non-Independent and Non-Executive
<b>Working Experience</b>	:	<ul style="list-style-type: none"> <li>i) July 2018 - Present AmInvestment Bank Berhad Chief Executive Officer</li> <li>ii) November 2015 - June 2018 Capital Markets Group of AmInvestment Bank Berhad Executive Vice President</li> <li>iii) June 2014 - October 2015 Markets of AmBank Group Executive Vice President</li> </ul>

	iv) December 2003 - June 2014 Debt Capital Markets of AmInvestment Bank Berhad Director/ Head
	v) September 1998 - September 2003 Investment Banking and Treasury Markets Divisions of HSBC Bank Malaysia Berhad Director of Debt Capital Markets
	vi) May 1995 - August 1998 Commerce International Merchant Bankers Bhd CIMB - Debt Capital Markets
	vii) August 1994 - April 1995 Soo Thien Ming & Shahrizat, Advocates & Solicitors Legal Training - Chambering
<b>Occupation</b>	: Chief Executive Officer of AmInvestment Bank Berhad
<b>Date of appointment</b>	: 1 August 2018
<b>Directorship of other public companies</b>	: N/A
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	: Five (5) out of five (5) Board Meetings
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: Not a member of Investment Committee
<b>Number of Investment Committee meetings attended for the financial year ended 31 December 2019</b>	: N/A
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None
<b>Name</b>	: Goh Wee Peng
<b>Age</b>	: 45 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Business Economics and Finance  ii) Persatuan Forex License Institute Bank-bank Malaysia  iii) Dealer's Representative License (issued by Securities Commission)  iv) Capital Markets Services Representative License Holder

<b>Executive/Non-Executive Director</b>	: Executive Director
<b>Independent/Non-Independent Director</b>	: Non-Independent Director
<b>Working Experience</b>	: <ul style="list-style-type: none"> <li>i) April 1997 - July 1999 Fulton Prebon (M) Sdn Bhd Money Market Broker</li> <li>ii) August 1999 - June 2000 HLG Securities Sdn Bhd Institutional Dealer</li> <li>iii) July 2000 - May 2001 HLG Asset Management Research Executive</li> <li>iv) May 2001 - May 2002 HLG Asset Management Investment Analyst</li> <li>v) June 2002 - August 2002 Southern Bank Berhad Fixed Income Dealer</li> <li>vi) September 2002 - March 2004 AmInvestment Management Sdn Bhd Credit Analyst</li> <li>vii) April 2004 - March 2005 AmInvestment Management Sdn Bhd Assistant Fund Manager</li> <li>viii) April 2005 - March 2006 AmInvestment Management Sdn Bhd Fund Manager</li> <li>ix) April 2006 - March 2009 AmInvestment Management Sdn Bhd Head of Fixed Income</li> <li>x) April 2009 - March 2010 AmInvestment Management Sdn Bhd Head of Fixed Income &amp; Acting Chief Investment Officer of Fixed Income</li> <li>xi) April 2010 - June 2016 AmInvestment Management Sdn Bhd/ AmFunds Management Berhad Chief Investment Officer of Fixed Income</li> <li>xii) July 2016 - May 2017 AmFunds Management Berhad Deputy Chief Executive Officer</li> <li>xiii) June 2017 - August 2018 AmFunds Management Berhad Acting Chief Executive Officer</li> </ul>



	xiv) 28 August 2019 - Present AmFunds Management Berhad Chief Executive Officer
<b>Occupation</b>	: Chief Executive Officer of AmFunds Management Berhad
<b>Date of appointment</b>	: 1 June 2017
<b>Directorship of other public companies</b>	: None
<b>Number of Board meeting attended for the financial year ended 31 December 2019</b>	: Five (5) out of five (5) Board Meetings
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: 31 October 2017
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2019</b>	: Investment Committee - Unit Trust Six (6) out of six (6) meetings
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

## Investment Committee

The Investment Committee, of which more than one-third are independent members, exercise ultimate select appropriate strategies and efficiently implemented to achieve the proper performance, actively monitor, measure and evaluate the fund management performance of the Manager. For the financial year end 31 December 2019 (1 January 2019 to 31 December 2019), there were Six (6) Investment Committee Meetings held by the Manager.

- Sum Leng Kuang (profile as mentioned above)
- Dato' Mustafa Bin Mohd Nor (profile as mentioned above)
- Tai Terk Lin (profile as mentioned above)
- Goh Wee Peng (profile as mentioned above)
- Zainal Abidin Bin Mohd Kassim (profile as mentioned below)

<b>Name</b>	: Zainal Abidin Bin Mohd Kassim
<b>Age</b>	: 64 years old
<b>Nationality</b>	: Malaysian
<b>Qualification</b>	: i) Bachelor of Science, (First Class Honours), in Actuarial Science (1978) City University London.  ii) Fellow of the Actuarial Society of Malaysia.  iii) Fellow of the Society of Actuaries of Singapore.  iv) Associate of the Society of Actuaries, USA.
<b>Independent/Non-Independent Member</b>	: Independent Member
<b>Working Experience</b>	: i) 1978 - 1982 Prudential Assurance Plc, London Actuarial Assistant  ii) 1982 - Present Actuarial Partners Consulting, Malaysia Consulting Actuary and Senior Partner
<b>Occupation</b>	: Consulting Actuary, Actuarial Partners Consulting Sdn Bhd
<b>Directorship of other public companies</b>	: None
<b>Member of any other Board Committee</b>	: None
<b>Date of appointment to the Investment Committee</b>	: 30 November 2016
<b>Number of Investment Committee meeting attended for the financial year ended 31 December 2019</b>	: Investment Committee - Unit Trust Six (6) out of six (6) meetings
<b>Family relationship with any director</b>	: None
<b>Conflict of interest with the Fund</b>	: None
<b>List of convictions for offences within the past 10 years (if any)</b>	: None

## 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 2019, there was Six (6) 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	Units Held (%)
1	ALLIANCE INVESTMENT BANK BERHAD	106,700	6.38158
2	HONG LEONG INVESTMENT BANK BERHAD	71,917	4.30126
3	CITIBANK BERHAD	51,900	3.10407
4	CGS-CIMB SECURITIES SDN BHD	50,000	2.99043
5	MAYBANK INVESTMENT BANK BERHAD	50,000	2.99043
6	MAYBANK INVESTMENT BANK BERHAD	50,000	2.99043
7	HONG LEONG INVESTMENT BANK BERHAD	40,000	2.39234
8	KENANGA INVESTMENT BANK BERHAD	35,000	2.09330
9	AMINVESTMENT BANK BERHAD	33,960	2.03110
10	HONG LEONG INVESTMENT BANK BERHAD	32,800	1.96172
11	CGS-CIMB SECURITIES SDN BHD	28,800	1.72249
12	CGS-CIMB SECURITIES SDN BHD	26,700	1.59689
13	ALLIANCE INVESTMENT BANK BERHAD	25,720	1.53828
14	MAYBANK INVESTMENT BANK BERHAD	25,720	1.53828
15	MERCURY SECURITIES SDN BHD	25,720	1.53828
16	KENANGA INVESTMENT BANK BERHAD	25,720	1.53828
17	AFFIN HWANG INVESTMENT BANK BERHAD	25,720	1.53828
18	UOB KAY HIAN SECURITIES (M) SDN. BHD.	25,216	1.50813
19	MAYBANK INVESTMENT BANK BERHAD	24,500	1.46531
20	PUBLIC INVESTMENT BANK BERHAD	22,030	1.31758
21	MALACCA SECURITIES SDN BHD	21,900	1.30981
22	RHB INVESTMENT BANK BERHAD	20,000	1.19617
23	RHB INVESTMENT BANK BERHAD	19,600	1.17225
24	RHB INVESTMENT BANK BERHAD	19,290	1.15371
25	KENANGA INVESTMENT BANK BERHAD	18,000	1.07656
26	AFFIN HWANG INVESTMENT BANK BERHAD	18,000	1.07656
27	AFFIN HWANG INVESTMENT BANK BERHAD	18,000	1.07656
28	KENANGA INVESTMENT BANK BERHAD	17,000	1.01675
29	KENANGA INVESTMENT BANK BERHAD	15,000	0.89713
30	HONG LEONG INVESTMENT BANK BERHAD	14,432	0.86316

## 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
Jeyaratnam A/L Tamotharam Pillai	Fide Core Programme Module A (Bank)	18 – 21 February 2019
	Fide Core Programme Module B (Bank)	4 – 7 March 2019
	CMDP - Module 1: Directors as Gatekeepers of Market Participants	12 March 2019
	CMDP - Module 2 B: Business Challenges and Regulatory Expectations	12 March 2019
	CMDP - Module 2 A: Business Challenges and Regulatory Expectations	13 March 2019
	CMDP - Module 3 - Risk Oversight and Compliance - Action Plan for Board of Directors	13 March 2019
	CMDP - Module 4 – Current and Emerging Regulatory Issues in The Capital Market	14 March 2019
	Board Technology Day	1 April 2019
	Board of Directors Induction AmFunds Management Berhad	5 April 2019
	The Mandatory Accreditation Programme (Map)	26 - 27 June 2019
	Related Party Transaction Training	3 July 2019
	BNM-Fide Forum Dialogue on Innovation and Fintech In The Financial Services Industry	19 September 2019
	Session with Prof Dr Kamal Munir	24 September 2019
	Islamic Finance for Board of Directors Programme	9 – 10 October 2019
	Introduction to Section 17A MACC (Amendment) Act 2018 - Corporate Liability	7 November 2019
	Cyber Security Awareness	23 August 2019
Anti-Money Laundering Training FY2017/18	5 December 2019	
Dato' Mustafa Bin Mohd Nor	Talk Event: "Let's Get Real" on Anti-Bribery	1 March 2019
	Fide Forum: "2nd Distinguished Board Leadership Series: Rethinking Strategy"	23 April 2019
	Anti-Money Laundering FY2017/18	11 July 2019
	Cyber Security Awareness	23 August 2019

<b>Name of Directors</b>	<b>List of Training/Conference/Seminar/Workshop attended</b>	<b>Date</b>
Tai Terk Lin	Fide Forum: "Reading The Signs: The Next Financial Crisis and Its Potential Impact on Asia"	14 March 2019
	Fide Forum Dinner Talk - "Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions"	26 March 2019
	The Role of The Audit Committees in Ensuring Organizational Integrity, Risk & Governance	9 – 10 April 2019
	Fide Forum: "2nd Distinguished Board Leadership Series: Rethinking Strategy"	23 April 2019
	BNM Fide Forum Masterclass on Cybersecurity	18 June 2019
	Anti-Money Laundering Training FY2017/18	12 July 2019
	3rd Distinguished Board Leadership Series: Artificial Intelligence and Its Role In FIS	24 July 2019
	BNM Fide Forum: "4th Distinguished Board Leadership Series: Digital to The Core"	4 October 2019
	Leadership in A Disruptive World	17 October 2019
Sum Leng Kuang	Fide Forum: "Reading The Signs: The Next Financial Crisis and Its Potential Impact on Asia"	14 March 2019
	Fide Forum Dinner Talk - "Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions"	26 March 2019
	3rd Distinguished Board Leadership Series: Artificial Intelligence and Its Role In FIS	24 July 2019
	Anti-Money Laundering Training FY2017/18	12 September 2019
	BNM-Fide Forum Dialogue on Innovation and Fintech In The Financial Services Industry	19 September 2019
	BNM Fide Forum: "4th Distinguished Board Leadership Series: Digital to The Core"	4 October 2019
	Leadership In A Disruptive World	17 October 2019

<b>Name of Directors</b>	<b>List of Training/Conference/Seminar/Workshop attended</b>	<b>Start Date</b>
Seohan Soo	The Mandatory Accreditation Programme (Map)	14 – 15 January 2019
	Investment Banking Business Strategy Workshop	25 January 2019
	CMDP - Module 1: Directors as Gatekeepers of Market Participants	12 March 2019
	CMDP - Module 2B: Business Challenges and Regulatory Expectations	12 March 2019
	CMDP - Module 2A: Business Challenges and Regulatory Expectations	13 March 2019
	CMDP - Module 3 - Risk Oversight and Compliance - Action Plan for Board of Directors	13 March 2019
	CMDP - Module 4 – Current and Emerging Regulatory Issues in The Capital Market	14 March 2019
	Risk Management - Module 2: Basic Credit Risk Models and Model Governance	19 June 2019
	Malaysia-China Outlook Forum 2019	08 July 2019
	IERP Global Conference 2019: Enterprise Risk Management - Dealing with The New Wave	09 July 2019
	Anti-Money Laundering Fy2017/18	11 July 2019
	Session with Prof Dr Kamal Munir	24 September 2019
	Introduction to Section 17a MACC (Amendment) Act 2018 - Corporate Liability	7 November 2019
	Cyber Security Awareness	27 November 2019
Goh Wee Peng	Investment Banking Business Strategy Workshop	25 January 2019
	Leap - Hogan Debrief Assessment – Face to Face	28 January 2019 & 11 February 2019
	Invest Malaysia 2019 - The Capital Market Forum	19 – 20 March 2019
	Creating an Engaging Workplace Course for Engagement Champions Workshop	27 June 2019
	Anti-Money Laundering Training FY2017/18	12 July 2019
	Malaysian Timber Conference 2019	25 July 2019
	Cyber Security Awareness	23 August 2019

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

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

*Opinion*

We have audited the financial statements of FTSE Bursa Malaysia KLCI etf ("FBM KLCI etf") ("the Fund"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 32 to 55.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance and cash flows for the financial 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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 financial 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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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

Valuation and existence of investments

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

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

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

The Manager is responsible for the other information. The other information comprises the information in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

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

*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.

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.

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

*Auditor's responsibilities for the audit of the financial statements (cont'd.)*

- 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.
- 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.

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

**Other matters**

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Guidelines on Exchange Traded Funds issued by Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Lee Pei Yin  
No. 03189/05/2021 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
21 February 2020

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	<b>Note</b>	<b>2019 RM</b>	<b>2018 RM</b>
<b>ASSETS</b>			
Investments	4	2,742,091	2,924,659
Dividends receivable		-	2,199
Cash at banks		78,399	64,924
<b>TOTAL ASSETS</b>		<u>2,820,490</u>	<u>2,991,782</u>
<b>LIABILITIES</b>			
Amount due to Manager	5	1,295	1,531
Amount due to Trustee	6	122	135
Amount due to index provider	7	2,752	1,563
Distributions payable		46,816	46,816
Sundry payables and accrued expenses		14,807	12,383
<b>TOTAL LIABILITIES</b>		<u>65,792</u>	<u>62,428</u>
<b>EQUITY</b>			
Unitholders’ capital	9(a)	2,218,683	2,218,683
Retained earnings	9(b)(c)	536,015	710,671
<b>TOTAL EQUITY</b>	9	<u>2,754,698</u>	<u>2,929,354</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,820,490</u>	<u>2,991,782</u>
<b>UNITS IN CIRCULATION</b>	9(a)	<u>1,672,000</u>	<u>1,672,000</u>
<b>NET ASSET VALUE (“NAV”) PER UNIT - EX DISTRIBUTION</b>		<u>164.75 sen</u>	<u>175.20 sen</u>

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

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
<b>INVESTMENT LOSS</b>			
Gross dividend income		96,240	100,849
Interest income		-	22
Net loss from investments:			
- Financial assets at fair value through profit or loss (“FVTPL”)	8	<u>(178,799)</u>	<u>(198,699)</u>
		<u>(82,559)</u>	<u>(97,828)</u>
<b>EXPENDITURE</b>			
Manager’s fee	5	(14,233)	(15,645)
Trustee’s fee	6	(1,615)	(1,877)
Licence fee	7	(1,139)	(1,252)
Auditors’ remuneration		(4,500)	(4,500)
Tax agent’s fee		(5,000)	(5,000)
Other expenses		<u>(10,434)</u>	<u>(12,734)</u>
		<u>(36,921)</u>	<u>(41,008)</u>
<b>Net loss before tax</b>		(119,480)	(138,836)
<b>Less: Income tax</b>	11	-	(57)
<b>Net loss after tax</b>		<u>(119,480)</u>	<u>(138,893)</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the financial year</b>		<u>(119,480)</u>	<u>(138,893)</u>
Total comprehensive loss comprises the following:			
Realised income		67,677	50,221
Unrealised loss		<u>(187,157)</u>	<u>(189,114)</u>
		<u>(119,480)</u>	<u>(138,893)</u>
<b>Distributions for the financial year</b>			
Net distributions	12	<u>55,176</u>	<u>55,176</u>
Gross distributions per unit (sen)	12	<u>3.30</u>	<u>3.30</u>
Net distributions per unit (sen)	12	<u>3.30</u>	<u>3.30</u>

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

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Unitholders’ capital RM	Retained earnings RM	Total equity RM
At 1 January 2018		2,218,683	904,740	3,123,423
Total comprehensive loss for the financial year		-	(138,893)	(138,893)
Distributions	12	-	(55,176)	(55,176)
Balance at 31 December 2018		<u>2,218,683</u>	<u>710,671</u>	<u>2,929,354</u>
At 1 January 2019		2,218,683	710,671	2,929,354
Total comprehensive loss for the financial year		-	(119,480)	(119,480)
Distributions	12	-	(55,176)	(55,176)
Balance at 31 December 2019		<u>2,218,683</u>	<u>536,015</u>	<u>2,754,698</u>

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

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

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	30,161	439,039
Dividends received	98,438	98,944
Interest received	-	22
Manager’s fee paid	(14,269)	(15,613)
Trustee’s fee paid	(1,628)	(1,888)
Tax agent’s fee paid	(5,000)	(5,000)
Payments for other expenses	(12,459)	(17,850)
Purchase of investments	<u>(26,392)</u>	<u>(467,288)</u>
Net cash generated from operating and investing activities	<u>68,851</u>	<u>30,366</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for cancellation of units	(200)	-
Distributions paid	<u>(55,176)</u>	<u>(55,176)</u>
Net cash used in financing activities	<u>(55,376)</u>	<u>(55,176)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	13,475	(24,810)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>64,924</u>	<u>89,734</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>78,399</u>	<u>64,924</u>
Cash and cash equivalents comprise:		
Cash at banks	<u>78,399</u>	<u>64,924</u>

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



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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

#### **1. GENERAL INFORMATION**

FBM KLCI etf (“the Fund”) was established pursuant to a Deed dated 18 January 2007 as amended by the Deeds Supplemental thereto (“the Deed”), between AmFunds Management Berhad as the Manager, HSBC (Malaysia) Trustee Berhad as the Trustee and all unitholders.

On 6 July 2009, the Fund’s benchmark, FTSE Bursa Malaysia Large 30 Index (“FBM30”) has been renamed to FTSE Bursa Malaysia KLCI and concurrent with this change, the Fund also announced the change of name to FTSE Bursa Malaysia KLCI etf (short name: FBM KLCI etf). The Fund’s change of its name is pursuant to the Third Supplemental Deed dated 29 June 2009.

The Fund was set up with the objective to achieve a price and yield performance, before fees, expenses and tax, that is generally similar to that of the benchmark index, FTSE Bursa Malaysia KLCI, balanced with the need to facilitate liquidity provision. As provided in the Deeds, the “accrual period” or financial year shall end on 31 December and the units in the Fund were first offered for sale on 7 June 2007.

The financial statements were authorised for issue by the Chief Executive Officer of the Manager on 21 February 2020.

#### **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”), International Financial Reporting Standards (“IFRS”) and are in compliance with Guidelines on Exchange Traded Funds issued by Securities Commission Malaysia.

The financial statements of the Fund have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **3.1 Income recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

(i) Dividend income

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

(ii) Interest income

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.1 Income recognition (cont'd.)

- (iii) 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.

#### 3.2 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.

#### 3.3 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 (“RM”) which reflects the currency in which the Fund competes for funds, issues and redeems units. The Fund has also adopted RM as its presentation currency.

#### 3.4 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.

#### 3.5 Distribution

Distributions are at the discretion of the Fund. A distribution to the Fund’s unitholders is accounted for as a deduction from realised income. A proposed distribution is recognised as a liability in the period in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date, which is also the time of creation.

#### 3.6 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”).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **3.7 Financial assets – initial recognition and measurement**

(i) Initial recognition

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

(ii) Initial measurement

All financial assets are recognised initially at fair value, in the case of financial assets not recorded at FVTPL, 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 FVTPL, 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.

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

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

#### **3.9 Financial assets under MFRS 9**

(i) Classification and measurement

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 3.9 Financial assets under MFRS 9 (cont'd.)

(i) Classification and measurement (cont'd.)

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

Financial assets at amortised cost

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

Financial assets at FVOCI

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

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

Financial assets at FVTPL

Any financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Changes in the fair value of those financial instruments are recorded in “Net gain or loss on financial assets at FVTPL”. Interest earned and dividend revenue elements of such instruments are recorded separately in “Interest income” and “Dividend income” respectively.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **3.10 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.

#### **3.11 Derecognition of financial instruments**

##### **(i) Derecognition of financial asset**

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

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

##### **(ii) Derecognition of financial liability**

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

#### **3.12 Financial instruments – expected credit losses (“ECL”)**

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**3.12 Financial instruments – expected credit losses (“ECL”) (cont'd.)**

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

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

**3.13 Determination of fair value**

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

**3.14 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 are classified at FVTPL and are calculated using weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount.

**3.15 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 unitholder's 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.

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

**4. INVESTMENTS**

	<b>2019 RM</b>	<b>2018 RM</b>
<b>Financial assets at FVTPL</b>		
Quoted equity securities	<u>2,742,091</u>	<u>2,924,659</u>

Details of investments are as follows:

<b>Name of company</b>	<b>Number of shares</b>	<b>Fair value RM</b>	<b>Purchased cost RM</b>	<b>Fair value as a percentage of NAV %</b>
<b>2019</b>				
<b>Quoted equity securities</b>				
<b>Consumer discretionary</b>				
Genting Berhad	12,600	76,230	117,641	2.77
Genting Malaysia Berhad	15,400	50,666	54,312	1.84
	<u>28,000</u>	<u>126,896</u>	<u>171,953</u>	<u>4.61</u>
<b>Consumer staples</b>				
IOI Corporation Berhad	17,385	80,145	99,874	2.91
Kuala Lumpur Kepong Berhad	2,500	62,000	46,302	2.25
Nestle (Malaysia) Berhad	300	44,100	33,848	1.60
PPB Group Berhad	3,620	68,201	43,530	2.48
Sime Darby Plantation Berhad	19,589	106,760	104,046	3.88
	<u>43,394</u>	<u>361,206</u>	<u>327,600</u>	<u>13.12</u>
<b>Energy</b>				
Dialog Group Berhad	25,200	86,940	83,160	3.16
PETRONAS Dagangan Berhad	1,600	36,960	24,678	1.34
	<u>26,800</u>	<u>123,900</u>	<u>107,838</u>	<u>4.50</u>
<b>Financials</b>				
AMMB Holdings Berhad *	10,500	41,055	44,272	1.49
CIMB Group Holdings Berhad	38,210	196,781	266,508	7.14
Hong Leong Bank Berhad	3,612	62,488	35,964	2.27
Hong Leong Financial Group Berhad	1,290	21,801	16,883	0.79
Malayan Banking Berhad	32,731	282,796	272,468	10.27
Public Bank Berhad	16,930	329,119	202,603	11.95
RHB Bank Berhad	8,411	48,616	45,362	1.76
RHB Capital Berhad	4,839	-	-	-
	<u>116,523</u>	<u>982,656</u>	<u>884,060</u>	<u>35.67</u>

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

**4. INVESTMENTS (CONT'D.)**

Details of investments are as follows: (cont'd.)

<b>Name of company</b>	<b>Number of shares</b>	<b>Fair value RM</b>	<b>Purchased cost RM</b>	<b>Fair value as a percentage of NAV %</b>
<b>2019 (cont'd.)</b>				
<b>Quoted equity securities (cont'd.)</b>				
<b>Health care</b>				
Hartalega Holdings Berhad	8,100	44,388	50,058	1.61
IHH Healthcare Berhad	16,300	89,161	58,448	3.24
Top Glove Corporation Bhd.	9,300	43,710	52,359	1.59
	<u>33,700</u>	<u>177,259</u>	<u>160,865</u>	<u>6.44</u>
<b>Industrials</b>				
Hap Seng Consolidated Berhad	3,600	35,928	30,075	1.30
Malaysia Airport Holdings Berhad	4,900	37,240	43,953	1.35
MISC Berhad	7,800	65,130	39,787	2.36
Sime Darby Berhad	19,389	43,043	34,120	1.56
	<u>35,689</u>	<u>181,341</u>	<u>147,935</u>	<u>6.57</u>
<b>Materials</b>				
PETRONAS Chemicals Group Berhad	15,500	113,925	90,885	4.14
Press Metal Aluminium Holdings Berhad	10,400	48,360	54,393	1.76
	<u>25,900</u>	<u>162,285</u>	<u>145,278</u>	<u>5.90</u>
<b>Telecommunication services</b>				
Axiata Group Berhad	25,200	104,328	111,169	3.79
DiGi.Com Berhad	20,100	89,646	50,232	3.25
Maxis Berhad	15,100	80,332	86,657	2.92
	<u>60,400</u>	<u>274,306</u>	<u>248,058</u>	<u>9.96</u>
<b>Utilities</b>				
PETRONAS Gas Berhad	4,200	69,804	51,795	2.53
Tenaga Nasional Berhad	21,300	282,438	184,303	10.25
	<u>25,500</u>	<u>352,242</u>	<u>236,098</u>	<u>12.78</u>
<b>Total financial assets at FVTPL</b>	<u>395,906</u>	<u>2,742,091</u>	<u>2,429,685</u>	<u>99.55</u>
<b>Excess of fair value over purchased cost</b>		<u>312,406</u>		

\* An entity related to the Manager.



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

**4. INVESTMENTS (CONT'D.)**

Details of investments are as follows: (cont'd.)

<b>Name of company</b>	<b>Number of shares</b>	<b>Fair value RM</b>	<b>Purchased cost RM</b>	<b>Fair value as a percentage of NAV %</b>
<b>2018</b>				
<b>Quoted equity securities</b>				
<b>Consumer discretionary</b>				
Genting Berhad	12,600	76,860	117,641	2.62
Genting Malaysia Berhad	16,200	48,924	57,133	1.67
	<u>28,800</u>	<u>125,784</u>	<u>174,774</u>	<u>4.29</u>
<b>Consumer staples</b>				
IOI Corporation Berhad	17,485	77,808	100,449	2.65
Kuala Lumpur Kepong Berhad	2,600	64,272	48,154	2.20
Nestle (Malaysia) Berhad	300	44,220	33,848	1.51
PPB Group Berhad	3,820	67,156	45,935	2.29
Sime Darby Plantation Berhad	19,489	92,768	103,552	3.17
	<u>43,694</u>	<u>346,224</u>	<u>331,938</u>	<u>11.82</u>
<b>Energy</b>				
Dialog Group Berhad	25,300	78,683	83,490	2.68
PETRONAS Dagangan Berhad	1,600	42,400	24,678	1.45
	<u>26,900</u>	<u>121,083</u>	<u>108,168</u>	<u>4.13</u>
<b>Financials</b>				
AMMB Holdings Berhad *	10,600	46,004	44,694	1.57
CIMB Group Holdings Berhad	37,310	213,040	261,727	7.27
Hong Leong Bank Berhad	3,712	75,725	36,960	2.59
Hong Leong Financial Group Berhad	1,290	23,942	16,883	0.82
Malayan Banking Berhad	32,331	307,144	268,986	10.49
Public Bank Berhad	17,030	421,663	203,800	14.39
RHB Bank Berhad	6,211	32,856	32,788	1.12
RHB Capital Berhad	4,839	-	-	-
	<u>113,323</u>	<u>1,120,374</u>	<u>865,838</u>	<u>38.25</u>
<b>Health care</b>				
Hartalega Holdings Berhad	8,100	49,734	50,058	1.70
IHH Healthcare Berhad	15,500	83,545	53,832	2.85
Top Glove Corporation Bhd.	9,300	52,080	52,359	1.78
	<u>32,900</u>	<u>185,359</u>	<u>156,249</u>	<u>6.33</u>

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

**4. INVESTMENTS (CONT'D.)**

Details of investments are as follows: (cont'd.)

Name of company	Number of shares	Fair value RM	Purchased cost RM	Fair value as a percentage of NAV %
<b>2018 (cont'd.)</b>				
<b>Quoted equity securities (cont'd.)</b>				
<b>Industrials</b>				
Hap Seng Consolidated Berhad	3,600	35,460	30,075	1.21
Malaysia Airport Holdings Berhad	5,000	41,900	44,850	1.43
MISC Berhad	8,000	53,600	40,807	1.83
Sime Darby Berhad	19,489	46,774	34,296	1.60
	<u>36,089</u>	<u>177,734</u>	<u>150,028</u>	<u>6.07</u>
<b>Materials</b>				
PETRONAS Chemicals Group Berhad	15,700	145,853	92,058	4.98
Press Metal Aluminium Holdings Berhad	10,300	49,749	53,947	1.70
	<u>26,000</u>	<u>195,602</u>	<u>146,005</u>	<u>6.68</u>
<b>Telecommunication services</b>				
Axiata Group Berhad	25,300	99,429	111,611	3.39
DiGi.Com Berhad	20,300	91,350	50,732	3.12
Maxis Berhad	15,200	81,320	87,231	2.78
	<u>60,800</u>	<u>272,099</u>	<u>249,574</u>	<u>9.29</u>
<b>Utilities</b>				
PETRONAS Gas Berhad	4,300	82,560	53,028	2.82
Tenaga Nasional Berhad	21,900	297,840	189,494	10.16
	<u>26,200</u>	<u>380,400</u>	<u>242,522</u>	<u>12.98</u>
<b>Total financial assets at FVTPL</b>	<u>394,706</u>	<u>2,924,659</u>	<u>2,425,096</u>	<u>99.84</u>
<b>Excess of fair value over purchased cost</b>		<u>499,563</u>		

\* An entity related to the Manager.

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

**5. AMOUNT DUE TO MANAGER**

	Note	2019 RM	2019 RM
<b>Due to Manager</b>			
Application fee payable to Manager	(i)	-	200
Manager’s fee payable	(ii)	1,295	1,331
		<u>1,295</u>	<u>1,531</u>

(i) Application fee is recognised at pre-determined amount upon the creation and redemption of units or the cancellation of such requests.

(ii) Manager’s fee is at a rate of 0.50% (2018: 0.50%) per annum on the NAV of the Fund, calculated on a daily basis.

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

**6. AMOUNT DUE TO TRUSTEE**

Up until 31 August 2019, Trustee’s fee was charged at a rate of 0.06% (2018: 0.06%) per annum on the NAV of the Fund, calculated on a daily basis.

Effective from 1 September 2019, the Trustee’s fee was charged at a rate of 0.05% per annum on the NAV of the Fund, calculated on a daily basis.

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

**7. AMOUNT DUE TO INDEX PROVIDER**

Licence fee rate is at 0.04% (2018: 0.04%) per annum on the NAV of the Fund, calculated on a daily basis.

**8. NET LOSS FROM INVESTMENTS**

	2019 RM	2018 RM
Net loss on financial assets at FVTPL comprised:		
– Net realised gain/(loss) on sale of investments	8,358	(9,585)
– Net unrealised loss on changes in fair values of investments	(187,157)	(189,114)
	<u>(178,799)</u>	<u>(198,699)</u>

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

### 9. TOTAL EQUITY

Total equity is represented by:

	Note	2019 RM	2018 RM
Unitholders’ capital	(a)	2,218,683	2,218,683
Retained earnings			
– Realised income	(b)	223,609	211,108
– Unrealised gain	(c)	312,406	499,563
		<u>2,754,698</u>	<u>2,929,354</u>

#### (a) Unitholders’ capital/units in circulation

	2019		2018	
	Number of units	RM	Number of units	RM
At beginning of the financial year	<u>1,672,000</u>	<u>2,218,683</u>	<u>1,672,000</u>	<u>2,218,683</u>

#### (b) Realised – distributable

	2019 RM	2018 RM
At beginning of the financial year	211,108	216,063
Net realised income for the financial year	67,677	50,221
Distributions out of realised income (Note 12)	<u>(55,176)</u>	<u>(55,176)</u>
At end of the financial year	<u>223,609</u>	<u>211,108</u>

#### (c) Unrealised – non-distributable

	2019 RM	2018 RM
At beginning of the financial year	499,563	688,677
Net unrealised loss for the financial year	<u>(187,157)</u>	<u>(189,114)</u>
At end of the financial year	<u>312,406</u>	<u>499,563</u>

### 10. UNITS HELD BY RELATED PARTIES

The related parties and their relationship with the Fund are as follows:

<u>Related parties</u>	<u>Relationship</u>
AmFunds Management Berhad	The Manager
AmInvestment Bank Berhad	Holdings company of the Manager
AMMB Holdings Berhad	Ultimate holding company of the Manager
Subsidiaries and associates of AMMB as disclosed in its financial statements	Subsidiaries and associate companies of the ultimate holding company of the Manager

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

**10. UNITS HELD BY RELATED PARTIES (CONT'D.)**

	2019		2018	
	Number of units	RM	Number of units	RM
AmlInvestment Bank Berhad*	54,476	92,064	329,976	590,657

\* A financial institution related to the Manager are the legal and beneficial owners of the units. The Manager did not hold any units in the Fund as at 31 December 2019 and 31 December 2018.

**11. INCOME TAX**

	2019 RM	2018 RM
Current financial year	-	57

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, provided that the exemption shall not apply to the interest paid or credited to a exchange traded funds that is a wholesale fund which is a money market fund. Interest income earned by Funds other than other money market fund is exempted from tax.

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

	2019 RM	2018 RM
Net loss before tax	(119,480)	(138,836)
Taxation at Malaysian statutory rate of 24% (2018: 24%)	(28,675)	(33,321)
Tax effects of:		
Income not subject to tax	(25,104)	(24,072)
Effect of different tax rate	-	(80)
Loss not allowed for tax deduction	44,918	47,688
Restriction on tax deductible expenses for exchange traded fund	4,606	5,037
Non-permitted expenses for tax purposes	3,743	4,245
Permitted expenses not used and not available for future financial years	512	560
Tax expense for the financial year	-	57

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

### 12. DISTRIBUTION

Distributions to unitholders declared on 24 June 2019 and 23 December 2019 (declared on 27 June 2018 and 27 December 2018 for the previous financial year) are from the following sources:

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Gross dividend income	96,240	100,849
Interest income	-	22
Realised gain/(loss) on sale of investments	8,358	(9,585)
	<u>104,598</u>	<u>91,286</u>
Less: Expenses	(36,921)	(41,008)
Taxation	-	(57)
Realised income for the financial year	<u>67,677</u>	<u>50,221</u>
Undistributed net income brought forward	<u>211,108</u>	<u>216,063</u>
Total realised income available for distribution	<u>278,785</u>	<u>266,284</u>
Less: Declared income distribution*	<u>(55,176)</u>	<u>(55,176)</u>
Balance undistributed realised income	<u>223,609</u>	<u>211,108</u>
Gross/net distributions per unit (sen)	<u>3.30</u>	<u>3.30</u>
Cum-Distribution - 24 June 2019/27 June 2018		
- NAV	<u>2,929,261</u>	<u>2,918,647</u>
- NAV per unit	<u>175.20 sen</u>	<u>174.56 sen</u>
Ex-Distribution - 24 June 2019/27 June 2018		
- NAV	<u>2,920,901</u>	<u>2,910,287</u>
- NAV per unit	<u>174.70 sen</u>	<u>174.06 sen</u>
Cum-Distribution - 23 December 2019/27 December 2018		
- NAV	<u>2,846,081</u>	<u>2,976,676</u>
- NAV per unit	<u>170.22 sen</u>	<u>178.03 sen</u>
Ex-Distribution - 23 December 2019/27 December 2018		
- NAV	<u>2,799,265</u>	<u>2,929,860</u>
- NAV per unit	<u>167.42 sen</u>	<u>175.23 sen</u>

\* The prior year distributions had been proposed before taking into account the net realised loss of RM9,585.

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

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

The Fund’s MER is as follows:

	<b>2019</b>	<b>2018</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Manager’s fee	0.50	0.50
Trustee’s fee	0.06	0.06
Licence fee	0.04	0.04
Fund’s other expenses	0.65	0.54
Total MER	<u>1.25</u>	<u>1.14</u>

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

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

The PTR of the Fund, which is the ratio of average total acquisitions and disposals of investments to the average NAV of the Fund calculated on a daily basis, is 0.01 times (2018: 0.15 times).

### 15. SEGMENTAL REPORTING

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

### 16. TRANSACTIONS WITH BROKERS AND FINANCIAL INSTITUTIONS

Details of transactions with brokers and financial institutions for the financial year ended 31 December 2019 are as follows:

<b>Brokers/Financial institutions</b>	<b>Transaction value</b>		<b>Brokerage fee, stamp duty and clearing fee</b>	
	<b>RM</b>	<b>%</b>	<b>RM</b>	<b>%</b>
CGS – CIMB Securities Sdn. Bhd.	26,831	47.45	463	34.14
AmlInvestment Bank Berhad*	15,481	27.37	533	39.31
Maybank Investment Bank Berhad	14,241	25.18	360	26.55
Total	<u>56,553</u>	<u>100.00</u>	<u>1,356</u>	<u>100.00</u>

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

### 16. TRANSACTIONS WITH BROKERS AND FINANCIAL INSTITUTIONS (CONT'D.)

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

The above transactions were in respect of listed securities.

### 17. FINANCIAL INSTRUMENTS

#### (a) Classification of financial instruments

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

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>2019</b>				
<b>Assets</b>				
Investments	2,742,091	-	-	2,742,091
Cash at banks	-	78,399	-	78,399
Total financial assets	<u>2,742,091</u>	<u>78,399</u>	<u>-</u>	<u>2,820,490</u>
<b>Liabilities</b>				
Amount due to Manager	-	-	1,295	1,295
Amount due to Trustee	-	-	122	122
Amount due to index provider	-	-	2,752	2,752
Distributions payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	14,807	14,807
Total financial liabilities	<u>-</u>	<u>-</u>	<u>65,792</u>	<u>65,792</u>



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

17. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Financial assets at FVTPL RM	Loans and receivables at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
<b>2018</b>				
<b>Assets</b>				
Investments	2,924,659	-	-	2,924,659
Dividends receivable	-	2,199	-	2,199
Cash at banks	-	64,924	-	64,924
Total financial assets	<u>2,924,659</u>	<u>67,123</u>	<u>-</u>	<u>2,991,782</u>
<b>Liabilities</b>				
Amount due to Manager	-	-	1,531	1,531
Amount due to Trustee	-	-	135	135
Amount due to index provider	-	-	1,563	1,563
Distributions payable	-	-	46,816	46,816
Sundry payables and accrued expenses	-	-	12,383	12,383
Total financial liabilities	<u>-</u>	<u>-</u>	<u>62,428</u>	<u>62,428</u>
			<b>Income, expense, gains and losses</b>	
			<b>2019</b>	<b>2018</b>
			<b>RM</b>	<b>RM</b>
Net loss from financial assets at FVTPL			(178,799)	(198,699)
Income, of which derived from:				
– Gross dividend income from financial assets at FVTPL			96,240	100,849
– Interest income from financial assets/loans and receivables at amortised cost			-	22

(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.

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### 17. FINANCIAL INSTRUMENTS (CONT'D.)

#### (b) Financial instruments that are carried at fair value (cont'd.)

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
<b>2019</b>				
Financial assets at FVTPL	2,742,091	-	-	2,742,091
<b>2018</b>				
Financial assets at FVTPL	2,924,659	-	-	2,924,659

#### (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:

- Cash at banks
- Amount due to Manager
- Amount due to Trustee
- Amount due to index provider
- Distributions payable
- Sundry payables and accrued expenses

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

### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND 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.

**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

**(a) Market risk**

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

**(i) Price risk**

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

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

Percentage movements in price by:	Sensitivity of the Fund’s NAV	
	2019 RM	2018 RM
-5.00%	(137,105)	(146,233)
+5.00%	<u>137,105</u>	<u>146,233</u>

**(b) Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge an obligation. Credit risk applies to dividends receivable. The issuer of such instruments may not be able to fulfill the required interest payments or repay the principal invested or amount owing. These risks may cause the Fund’s investments to fluctuate in value.

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

**(c) Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payment and cancellations of units by unitholders. Liquid assets comprise of deposits with licensed financial institutions and other instruments, which are capable of being converted into cash within 5 to 7 days. The Fund’s policy is to always maintain a prudent level of liquid assets so as to reduce liquidity risk.

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

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

### **18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

#### **(d) 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 NAV. Under such restriction, the risk exposure to the securities of any single issuer is diversified and managed based on internal/external ratings.

#### **(e) Regulatory risk**

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

#### **(f) Management risk**

Poor management of the Fund may cause considerable losses to the Fund that in turn may affect the NAV of the Fund.

#### **(g) Non-compliance risk**

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

### **19. CAPITAL MANAGEMENT**

The primary objective of the Fund’s capital management is to ensure that it maximises unitholders’ value by expanding its fund size to benefit from economies of scale and achieving growth in NAV 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 2019 and 31 December 2018.

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

**STATEMENT BY THE MANAGER**

I, Goh Wee Peng for and on behalf of the Manager, AmFunds Management Berhad, for FTSE Bursa Malaysia KLCI etf (“FBM KLCI etf”) (the “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 2019 and the comprehensive income, the changes in equity and cash flows of the Fund for the financial year then ended.

For and on behalf of the Manager

**GOH WEE PENG**

Chief Executive Officer  
AmFunds Management Berhad

Kuala Lumpur, Malaysia  
21 February 2020

## **TRUSTEE'S REPORT**

### **TO THE UNIT HOLDERS OF FTSE BURSA MALAYSIA KLCI etf**

We have acted as Trustee of FTSE Bursa Malaysia KLCI etf ("the Fund") for the financial year ended 31 December 2019. 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) redemption of units are carried out in accordance with the Deeds and any regulatory requirements.

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

For HSBC (Malaysia) Trustee Berhad

Tan Bee Nie  
Manager, Investment Compliance Monitoring

Kuala Lumpur, Malaysia  
Date: 21 February 2020

## DIRECTORY

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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.)*

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