

**Income & Growth Fund**

Smart Investment Choice for Constant Capital Growth  
Fund Fact Sheet 31 May 2011

**INVESTOR PROFILE**

- This fund is suitable for investors who:-
- Prefer a conservative investment approach but are willing to exploit opportunities presented in the capital markets.
  - Possess an investment horizon in excess of 5 years.

**FUND DETAILS AS AT 31 MAY 2011**

Unit In Circulation	: 51.167 million
Unit NAV	: RM 0.4105
Financial Year	: March 31
Fund Category	: Bond Fund
Fund Inception	: May 27, 2003
Initial Sales Charge	: 2.00% of NAV per Unit
Annual Management Fee	: 1.00% of NAV (Bond) 1.75% of NAV (Equity)
Benchmark	: 100% of the Quantshop MGS Bond Index (Medium 3-7)
Asset Allocation	: Min 85% in fixed income securities and money market Max 15% in equities

**FUND MANAGER'S REVIEW**

**Market Review**

**Equity**

For the month, the FBM KLCI gained 23 points or 1.52% to close at 1,558 points. The broader index FBM EMAS gained 1.09% to 10,691 points. Smaller caps underperformed as the FBM Small Cap fell 2.37% to 12,791 points. It was a weak month among the regional bourses with most countries showing declines with China and India among the worst performing markets whilst Malaysia and Indonesia bucked the trend by ending the month on a positive note due to positive domestic catalysts.

May was another month of consolidation for the KLCI but with an upward bias, especially towards the end of the month, when Tenaga got its long awaited tariff hike. Malaysia's stock market has outperformed its regional peers as the pullback for global and regional markets during the month was more severe.

**Fixed Income**

Bank Negara Malaysia (BNM) raised its Overnight Policy Rate (OPR) for the first time this year from 2.75% to 3.00% and also hiked the banks' Statutory Reserve Requirement (SRR) from 2.00% to 3.00% during the MPC meeting on 5 May. In its MPC statement, BNM revealed that the Malaysian economy remains firmly on a steady growth path, to improve gradually during the course of the year underpinned by the firm expansion of domestic demand. In addition, it stated that the sustained employment conditions and income growth are expected to provide support for private consumption, while private investment is projected to strengthen amidst the improved investment environment.

The policymakers also reiterated that domestic headline inflation is on the rise and supply factors will continue to be a key determinant affecting consumer prices. There are also some signs that domestic demand factors could exert upward pressure on prices in the second half of the year. Consequently, BNM is of the view that at current OPR level, the stance of monetary policy remains supportive of growth and the future stance of monetary policy will depend on the assessment of the risk to growth and inflation prospects.

The move by BNM may have resulted in sharp drop in trading volume for Malaysian Government Securities (MGS), which declined 35.10% m-o-m to RM47.6 billion in May from RM73.3 billion in April. The lower volume was also attributed to the drop in offshore participation in the local market in view of the risk aversion brought about by European sovereign-debt concerns, resulting in the MYR weakening against the USD, going above 3.05 level in mid-May. Market sentiment was further aggravated by the mixed signals of slower GDP growth for 1Q2011 at 4.6% y-o-y (slower than market consensus of 4.9% and 4.8% growth recorded in 4Q2010) and higher CPI growth of 3.2% in April (from 3.0% growth in March) as investors were unsure of market directions.

Trading volume of corporate bonds meanwhile recorded growth of 23.5% m-o-m to RM7.9 billion in May from RM6.4 billion the previous month. Trades were mostly concentrated on the higher grades. Credit spreads narrowed further as investors searched for yields given that the MGS yields have been largely compressed by the offshore investors targeting MYR appreciation.

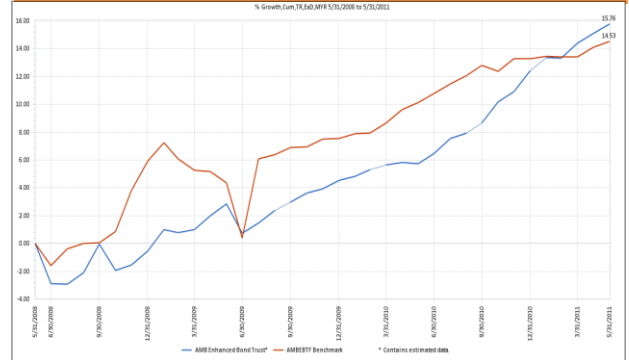
**Manager's Comments**

We believe that BNM expects growth to pick up in the later part of the year despite slower 1st Quarter 2011 GDP growth. With the recent increase of electricity tariffs, inflation is set to ratchet higher by 0.23-0.35%. In response, we expect BNM to raise interest rates by 25 bps to 3.25% by December 2011. The market is also expecting BNM to raise the SRR by a further 1.0%, bringing it back to the 2008 level of 4.00%, prior to the start of the global financial crisis.

We continue to maintain our strategy with an 'overweight' on the corporate debt segment and aim to switch to new issuances should primary yield pick-up prove attractive. We have a neutral call on MGS with target buying on 5-year and above tenures.

**PERFORMANCE RECORD**

**3 Years Growth Total Return**



**Cumulative Total Return**

	Fund (%)	Rank
6 - Month (30 November 2010 - 31 May 2011)	4.37	5/42
1 - Year (31 May 2010 - 31 May 2011)	9.50	4/40
3 - Year (31 May 2008 - 31 May 2011)	15.76	13/31
5 - Year (31 May 2006 - 31 May 2011)	-12.84	27/27

\* Source : Lipper(G) - Category of Bond - Non Islamic

**High/Low NAV (RM)**

	High	Low
6 - Month (30 November 2010 - 31 May 2011)	0.4105	0.3933
1 - Year (31 May 2010 - 31 May 2011)	0.4105	0.3746
3 - Year (31 May 2008 - 31 May 2011)	0.4105	0.3421
5 - Year (31 May 2006 - 31 May 2011)	0.5075	0.3421

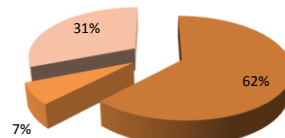
**Income Distribution**

2011	Net (sen per unit)
	NIL

\*Source : Extracted from the annual report of AMBETF which has been audited by our external auditor

**Asset Allocation as at 31 May 2011**

- Bonds
- Equities
- Short Term Deposit + Cash



**Equities**

Industrial	1.51
Construction	0.52
Trading & Services	1.62
Finance	1.20
Properties	1.91
<b>TOTAL</b>	<b>6.76</b>

**Top 5 Largest Holdings in Bond**

- 1) PUBLIC BANK BERHAD
- 2) SPRINT EXPRESSWAY
- 3) YTL CORPORATION BERHAD
- 4) SUNRISE BERHAD
- 5) EON BANK BERHAD

Based on the fund's portfolio returns as at May 15, 2011, the Volatility Factor (VF) for this fund is 3.3 and its Volatility Class (VC) is classified as "High" (source: Lipper). The VF means there is a possibility for the fund in generating an upside return or downside return around this VF. The VC is assigned by Lipper based on quintile ranks of VF for qualified funds. The fund's portfolio may have changed and there is no guarantee that the fund will continue to have the same VF or VC in the future. Presently, only funds launched in the market for at least 36 months will display the VF and its VC.

Investors are advised to read and understand the contents of the Master Prospectus dated September 17, 2010 before investing. This Prospectus has been registered and lodged with the Securities Commission. Among others, investor should consider the fees and charges involved. The price of units and distributions payable, if any, may go down as well as up. Past performances of the fund should not be taken as indicative of its future performance. Units will only be issued on receipt of an application form referred to in and accompanying the Prospectus, which is obtainable at Amanah Mutual Berhad or any of its distribution branches.